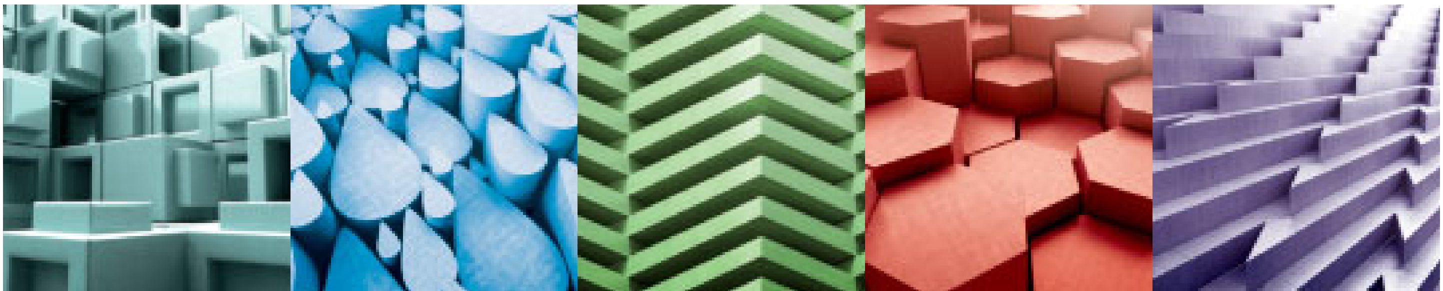
Italcementi
Italcementi Group

Draft

2013 Annual Report



Italcementi
Italcementi Group

2013 Annual Report

Italcementi S.p.A.

Via G. Camozzi, 124 - 24121 Bergamo - Italy
Share Capital € 282,548,942
Bergamo Companies Register
Company subject to management
and coordination activity by Italmobiliare S.p.A.

*The illustrations in the report refer to **i.nova**, the new Italcementi Group branding system based on an innovative re-organization of the product offer into 11 performance families targeting specific customer requirements, a completely new approach in the worldwide construction materials sector.*

Contents

PRESENTATION

GENERAL INFORMATION

ANNUAL REPORT

Consolidated Annual Report

Directors' report

Consolidated financial statements

Italcementi S.p.A. Annual Report

Directors' report

Separate financial statements

This Annual Report has been prepared in English for the convenience of international readers.
The original Italian documents should be considered the authoritative version.

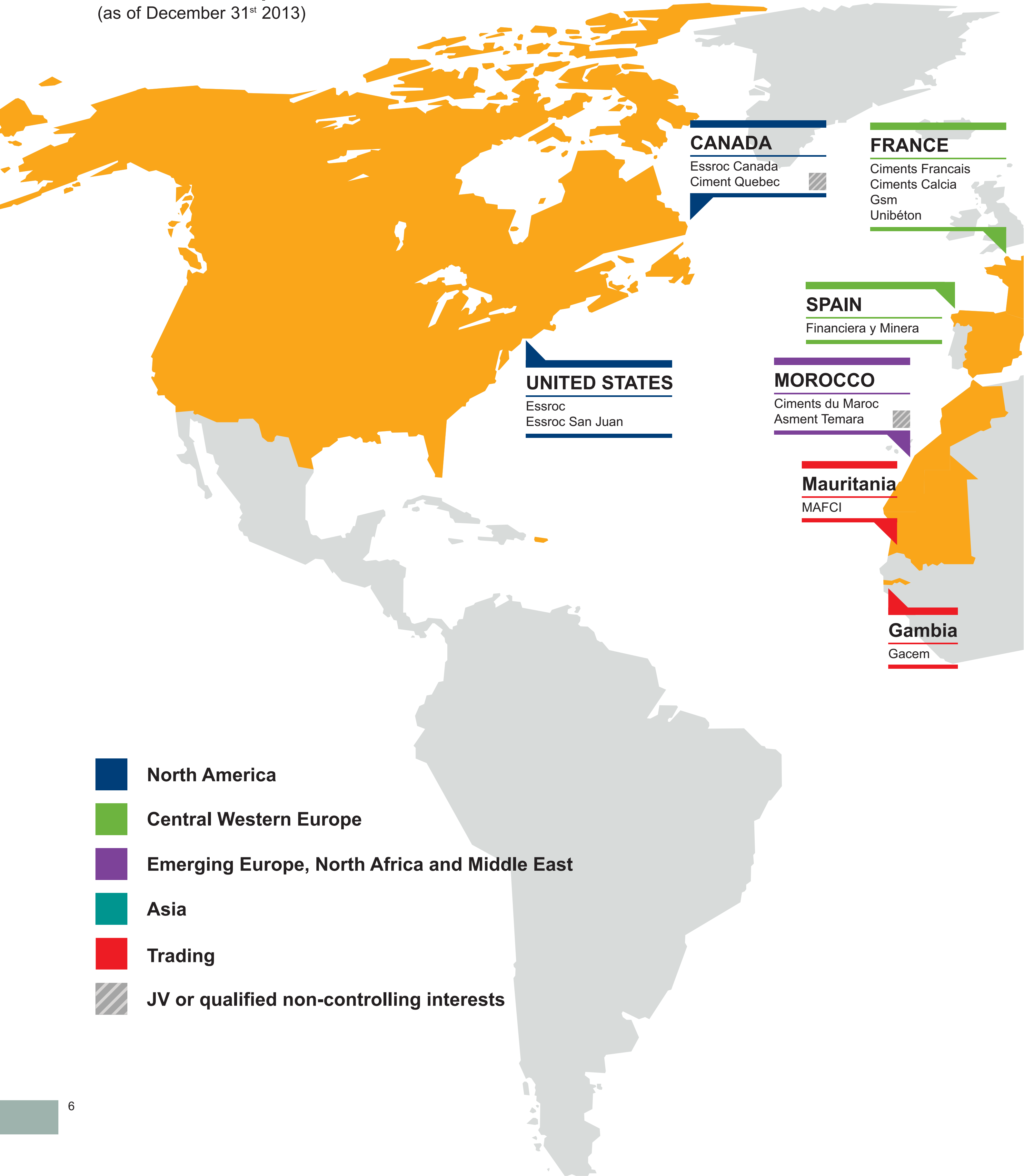
SUSTAINABILITY DISCLOSURE

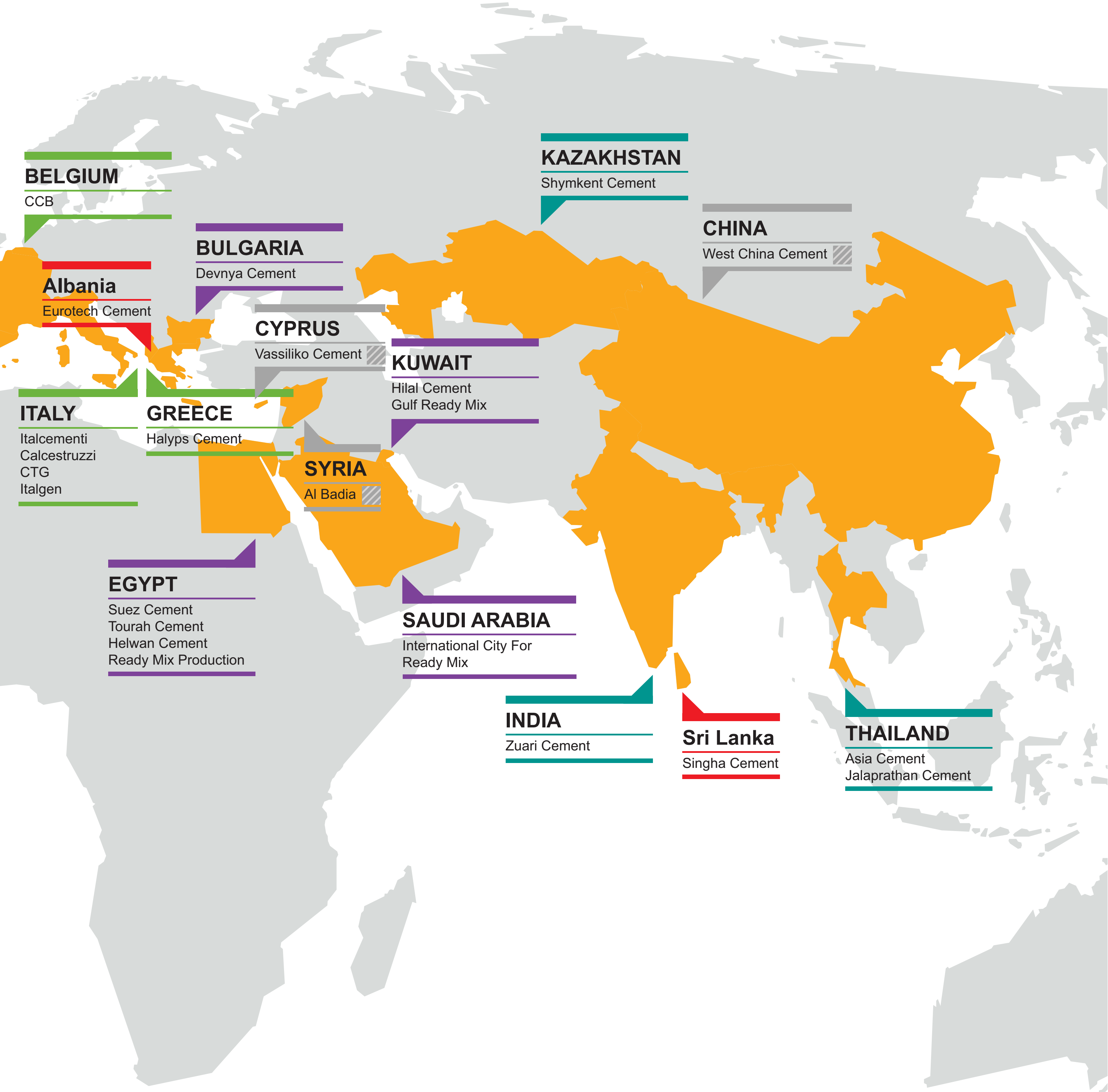
LETTER TO THE STAKEHOLDERS

LETTER TO THE STAKEHOLDERS

Italcementi
Italcementi Group

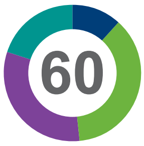
Italcementi Group in the world
(as of December 31st 2013)



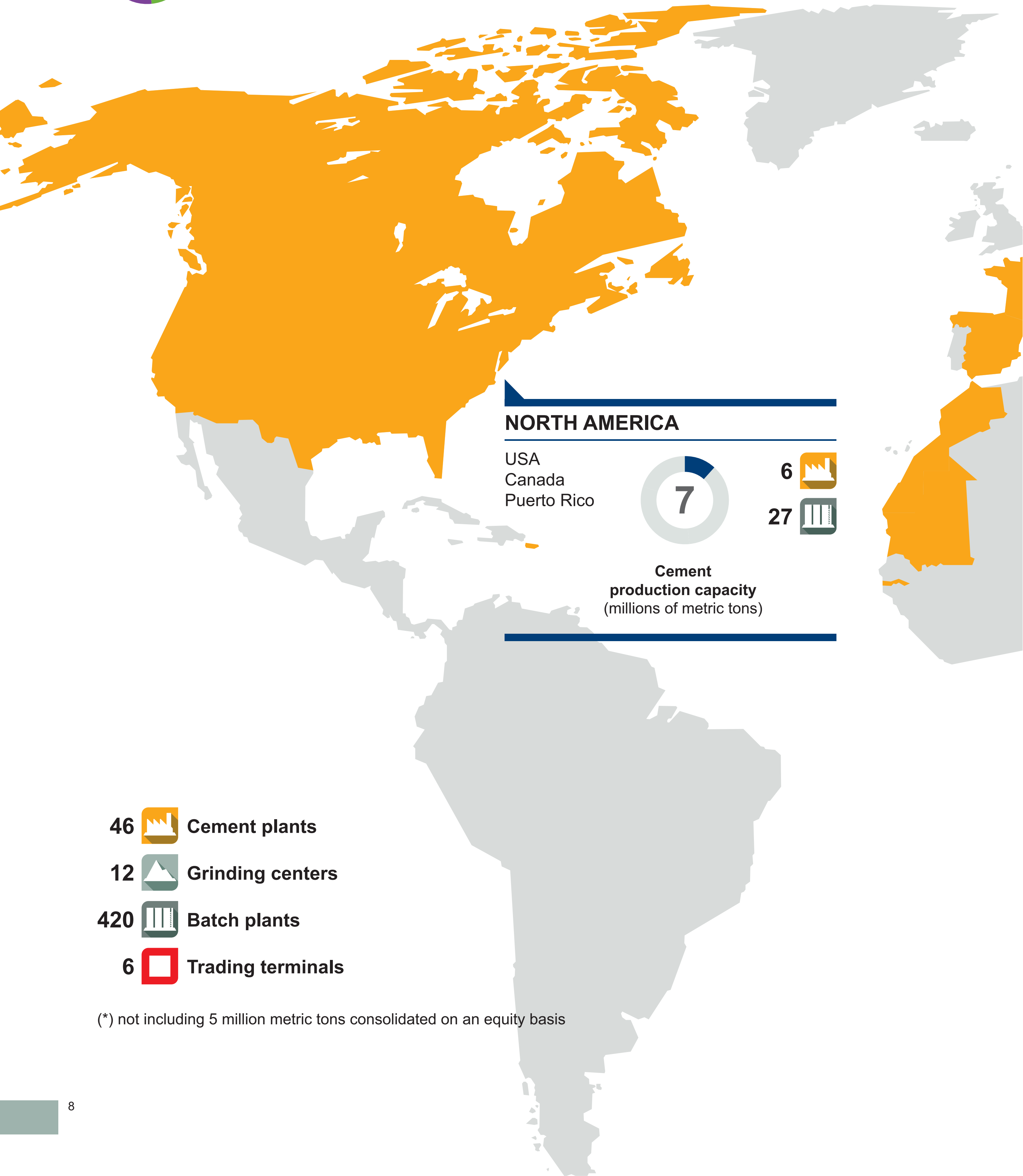


BELGIUM
CCB
KAZAKHSTAN
Shymkent Cement
CHINA
West China Cement
BULGARIA
Devnya Cement
Albania
Eurotech Cement
CYPRUS
Vassiliko Cement
KUWAIT
Hilal Cement
Gulf Ready Mix
ITALY
Italcementi
Calcestruzzi
CTG
Italgen
GREECE
Halyps Cement
SYRIA
Al Badia
EGYPT
Suez Cement
Tourah Cement
Helwan Cement
Ready Mix Production
SAUDI ARABIA
International City For
Ready Mix
INDIA
Zuari Cement
Sri Lanka
Singha Cement
THAILAND
Asia Cement
Jalaprathan Cement

Italcementi
Italcementi Group



Total cement production capacity of the consolidated companies* in millions of metric tons (at December 31st, 2013)



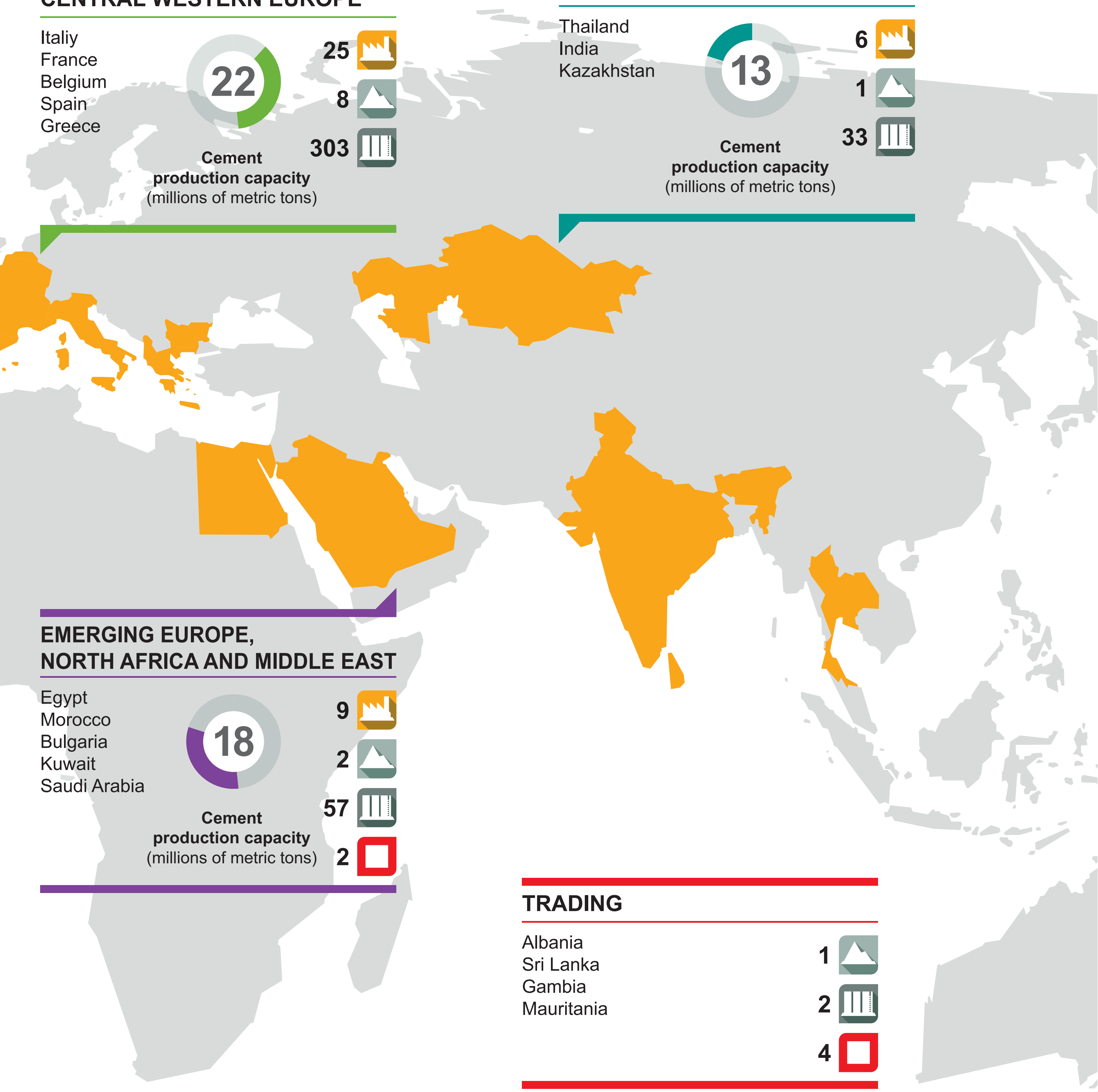
46 Cement plants

12 Grinding centers

420 Batch plants

6 Trading terminals

(*) not including 5 million metric tons consolidated on an equity basis



CENTRAL WESTERN EUROPE

Italiy
France
Belgium
Spain
Greece

22

Cement production capacity
(millions of metric tons)

25
8
303

ASIA

Thailand
India
Kazakhstan

13

Cement production capacity
(millions of metric tons)

6
1
33

EMERGING EUROPE, NORTH AFRICA AND MIDDLE EAST

Egypt
Morocco
Bulgaria
Kuwait
Saudi Arabia

18

Cement production capacity
(millions of metric tons)

9
2
57
2

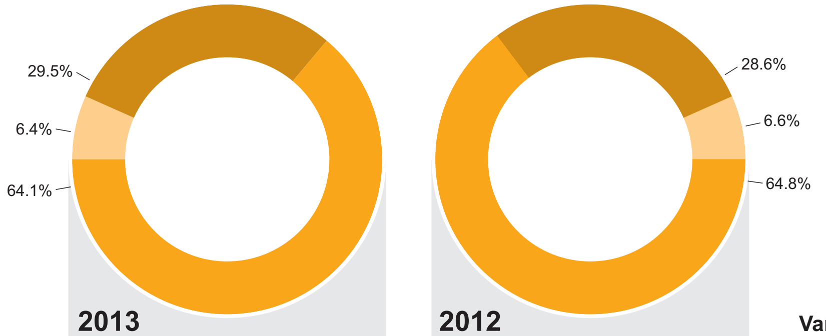
TRADING

Albania
Sri Lanka
Gambia
Mauritania

1
2
4

Highlights

Contribution to consolidated revenue by line of business

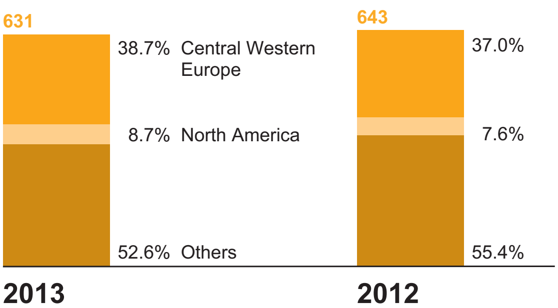


(in millions of euro)	2013		2012		Var. %	Var. %*
Cement	2,717	64.1%	2,903	64.8%	(6.4)	(2.1)
Ready mixed concrete/Aggregates	1,249	29.5%	1,280	28.6%	(2.5)	(1.4)
Others	270	6.4%	295	6.6%	(8.5)	(6.9)
Total	**4,235**		**4,479**		**(5.4)**	**(2.2)**

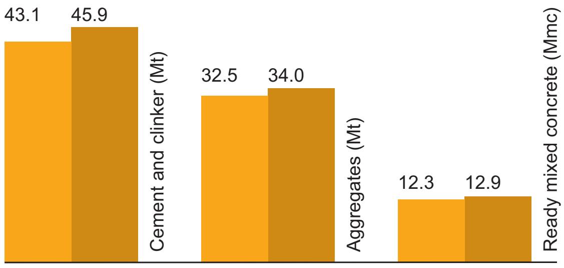
*changes at exchange rates and on a like-for-like basis

Recurring EBITDA

(in millions of euro)



Sales volumes and internal transfers by business



(6.0)%	(4.2)%	(4.7)%
(6.0)%*	(4.2)%*	(4.7)%*

*change on a like-for-like basis

2013 ■ 2012 ■

Group business, financial and sustainability highlights

(in millions of euro)	2013	2012	2011	2010	2009
Revenue	4,235	4,479	4,657	4,660	5,006
Recurring EBITDA	631	643	701	842	972
EBITDA	618	625	742	839	957
EBIT	159	(140)	139	370	443
Profit (loss) for the period	(88)	(362)	91	197	215
Profit (loss) attributable to owners of parent	(165)	(395)	(3)	46	71
Capital expenditure	339	370	398	542	742
Total equity	3,776	4,165	4,895	4,986	4,692
Equity attributable to owners of parent	2,604	2,903	3,495	3,525	3,353
Net debt	1,939	1,998	2,093	2,231	2,420
Number of employees at December 31	18,434	18,886	19,462	20,139	21,155

Innovation rate	(% turnover)	5.3	2.6	4.5	3.9	3.2
CO_2 emissions	(kg CO_2/t cementitious product)	694	712	708	722	717
Lost time injury frequency rate	(Injuries per million worked hours)	4.1	6.2	6.2	5.8	5.1
Women in managerial position	(%)	9	10	12	9	9

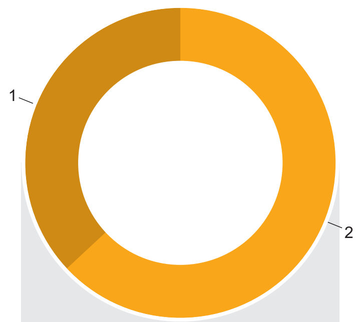
Italcementi S.p.A. on the Stock Exchange

Share capital and shareholders

A) Share capital at 12.31.2013

At 12.31.2013, Italcementi S.p.A. share capital was € 282,548,942 represented by 282,548,942 shares with a par value of € 1 each, of which 177,117,564 ordinary shares and 105,431,378 savings shares.

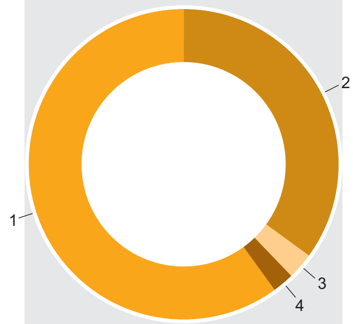
1	Savings shares	37%
2	Ordinary shares	63%



B) Ordinary shares

Survey of shareholders with over 2% of share capital at 12.31.2013 (based on the shareholders' register, Consob communications and other information).

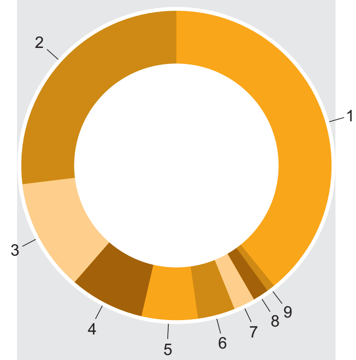
1	Italmobiliare	60.363%
2	Free float	34.671%
3	FIRST EAGLE FUNDS Group (First Eagle Investment Management, LLC) - USA	2.824%
4	Treasury shares	2.142%



C) Ordinary shares

Breakdown of free float based on information in the shareholders' register for payment of the FY 2012 dividend; Shareholders listed in the register: 17,869.

1	Private Individuals	39.30%
2	Foreign Funds	26.80%
3	Brokers and Omnibus Accounts	11.78%
4	Foreign Banks	7.76%
5	Italian Companies	5.63%
6	Italian Banks	3.97%
7	Foreign Companies	2.36%
8	Italian Funds	1.67%
9	Trustee	0.73%



Ticker symbol	Italcementi ordinary shares	Italcementi bearer savings shares	Italcementi registered savings shares
BLOOMBERG:	IT IM	ITR IM	-
REUTERS:	ITAI.MI	ITAIn.MI	-
ISIN:	IT0001465159	IT0001465167	IT0001465175

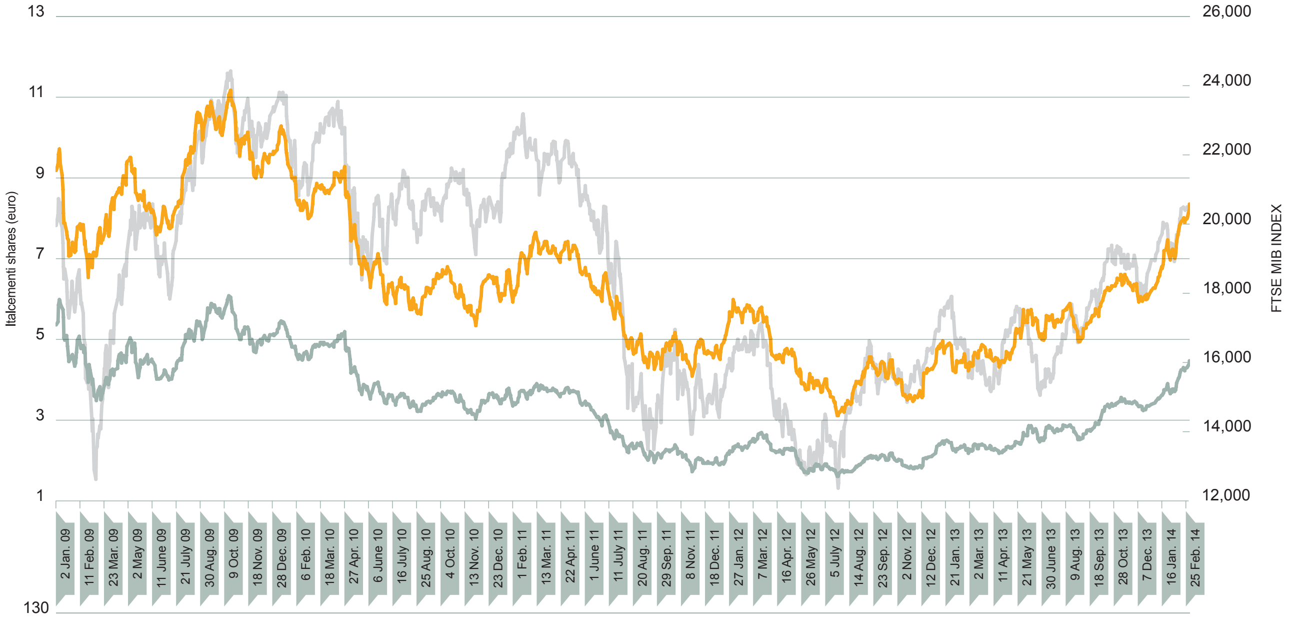
Financial indicators

Italcementi S.p.A. (euro)	**2013**	**2012**	**2011**	**2010**	**2009**
Market prices (annual average official prices):					
- Ordinary share	5.311	4.368	5.855000	7.200	8.893
- Savings share	2.721	2.042	2.899000	4.007	4.793
Per share dividend:					
- Ordinary share	0.060 (1)	0.060	0.120000	0.120	0.120
- Savings share	0.060 (1)	0.060	0.186478	0.120	0.120
Dividend yield (on annual average official prices):					
- Ordinary share	1.13%	1.37%	2.05%	1.67%	1.35%
- Savings share	2.21%	2.94%	6.43%	2.99%	2.50%

(1) proposal of Board of Directors of March 6, 2014

Share prices and market capitalization

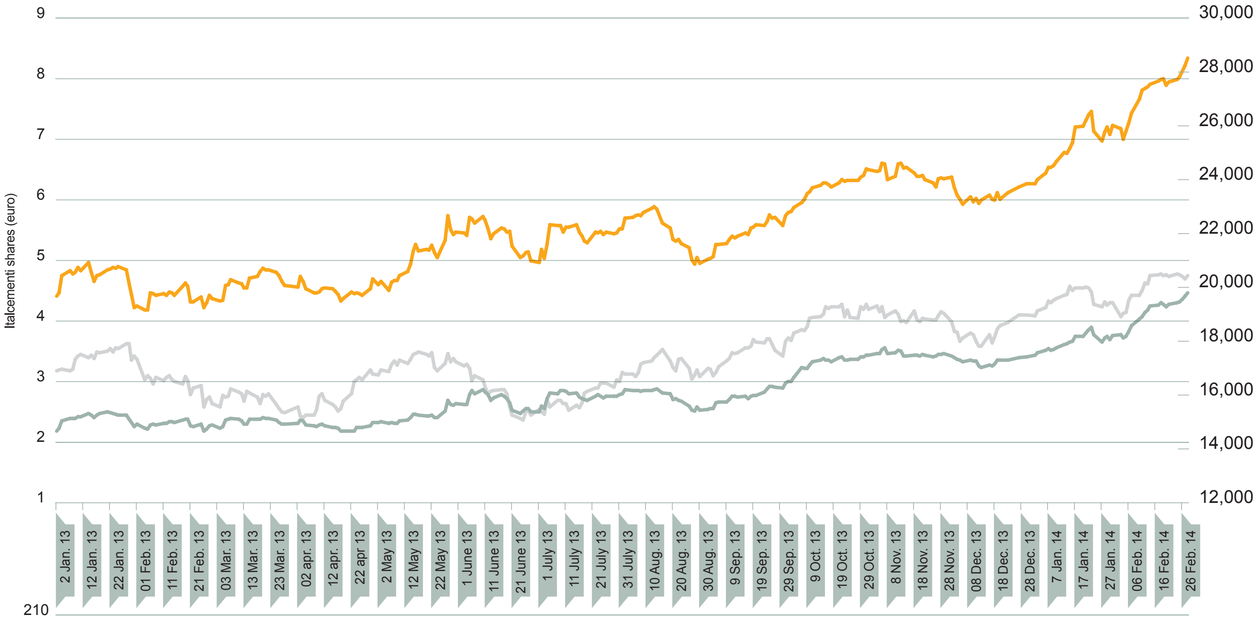
A) Italcementi share prices and "FTSE MIB INDEX" (01.02.2009 - 02.28.2014)



B) Italcementi shares and "FTSE MIB INDEX" performance (base 01.02.2009 = 100)

- Italcementi ordinary shares
- Italcementi savings shares
- “FTSE MIB INDEX”

C) Italcementi share prices and "FTSE MIB INDEX" (01.02.2013 - 02.28.2014)



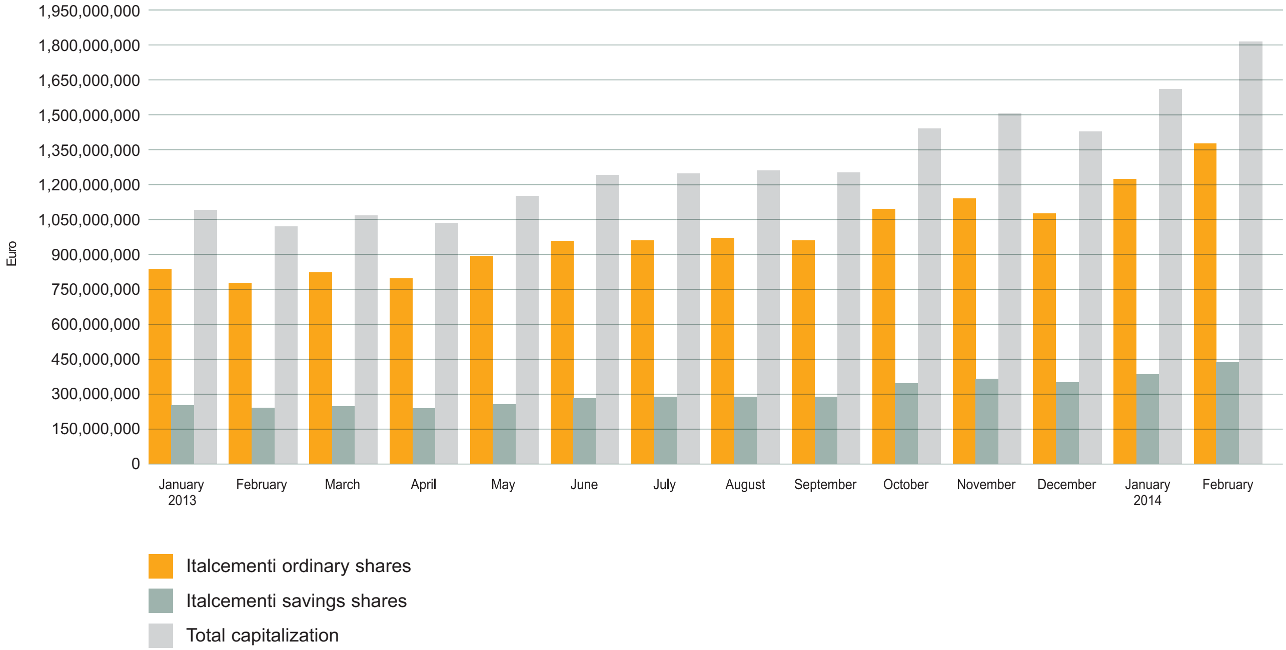
D) Italcementi share and "FTSE MIB INDEX" performance (base 01.02.2013 = 100)

Italcementi ordinary shares
Italcementi savings shares
"FTSE MIB INDEX"

E) Share prices and market capitalization from 01.02.2013 to 02.28.2014

	Share price (euro)				**Capitalization** (millions of euro)			
	01.02.13	**high**	**low**	**02.28.14**	**01.02.13**	**high**	**low**	**02.28.14**
Ordinary shares	4.402	8.346	4.178	8.346	780	1,478	740	1,478
Savings shares	2.177	4.467	2.177	4.467	230	471	230	471
Total					**1,009**	**1,949**	**970**	**1,949**
"FTSE MIB INDEX"	16,893	20,479	15,057	20,442				

F) Average monthly capitalization (January 2013 - February 2014)

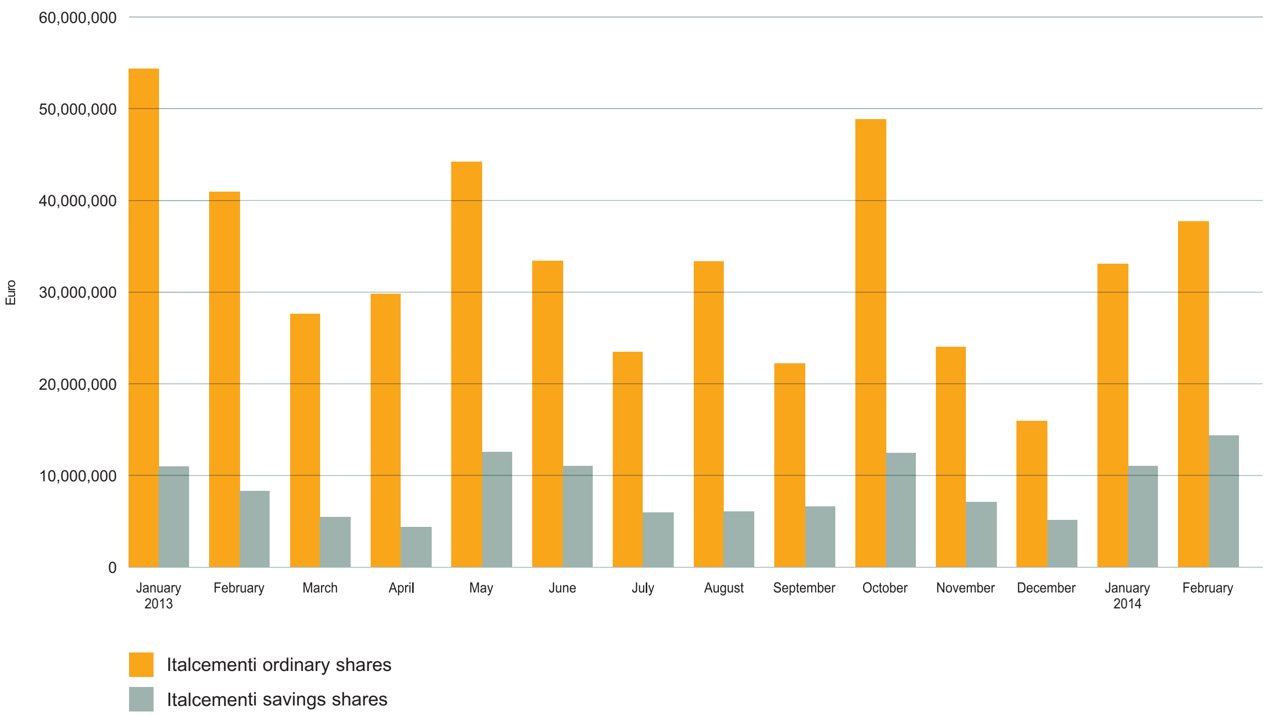


Trading volumes on the Italian Stock Exchange

A) Number of traded shares and weighted monthly average price

Month	Ordinary shares (euro)			Savings shares (euro)		
	Number of traded shares	Weighted monthly average price	Trade value	Number of traded shares	Weighted monthly average price	Trade value
January 2013	11,565,972	4.702	54,382,521	4,632,797	2.375	11,001,976
February	9,341,694	4.387	40,978,200	3,650,712	2.277	8,311,378
March	5,953,433	4.638	27,609,827	2,349,869	2.339	5,497,041
April	6,587,536	4.523	29,794,689	1,949,677	2.258	4,402,329
May	8,458,542	5.226	44,208,282	5,085,367	2.470	12,560,128
June	6,133,743	5.445	33,396,870	4,089,280	2.698	11,032,781
July	4,365,015	5.385	23,504,198	2,191,725	2.729	5,982,247
August	6,133,429	5.456	33,352,958	2,228,590	2.736	6,096,960
September	4,079,180	5.457	22,258,660	2,386,523	2.778	6,629,413
October	7,918,480	6.173	48,876,934	3,792,376	3.281	12,441,584
November	3,726,425	6.441	24,001,847	2,063,758	3.464	7,149,160
December	2,629,233	6.065	15,945,930	1,535,936	3.337	5,125,536
January 2014	4,705,974	7.038	33,122,973	2,987,782	3.697	11,046,437
February	4,832,930	7.808	37,737,914	3,414,993	4.211	14,379,014

B) Monthly turnover (January 2013 - February 2014)



Italcementi S.p.A. Directors, Officers and Auditors

Board of Directors

(Until approval of financial statements at 12.31.2015)

Giampiero Pesenti	1	Chairman
Pierfranco Barabani	1	Executive Deputy Chairman
Lorenzo Renato Guerini	1-4-5-6-7	Deputy Chairman
Carlo Pesenti	1-2	Chief Executive Officer-CEO
Giulio Antonello	3-4-7	
Giorgio Bonomi		
Fritz Burkard	7	
Victoire de Margerie	4-7	
Federico Falck	1-5-6-7	
Italo Lucchini		
Emma Marcegaglia	4-7	
Sebastiano Mazzoleni		
Jean Paul Méric	1	
Carlo Secchi	5-6-7	
Elena Zambon	7	
Paolo Santinoli	8	Secretary to the Board

Board of Statutory Auditors

(Until approval of financial statements at 12.31.2014)

Standing Auditors

Maria Martellini	Chairman
Luciana Gattinoni	
Mario Comana	

Substitute Auditors

Carlo Luigi Rossi
Luciana Ravicini
Fabio Bombardieri

Chief Operating Officer

Giovanni Ferrario

Manager in charge of the financial reports

Carlo Bianchini

Independent Auditors

(Until approval of financial statements at 12.31.2019)

KPMG S.p.A.

1 Member of the Executive Committee
2 Director responsible for supervising the Internal Control & Risks Management System
3 Lead independent director
4 Member of the Remuneration Committee
5 Member of the Control & Risks Committee
6 Member of the Committee for Transactions with Related Parties
7 Independent director (pursuant to the Code of Conduct and law no. 58 of February 24, 1998)
8 Secretary to the Executive Committee

Professional profiles of the members of the Board of Directors and the Board of Statutory Auditors

Board of Directors

Giampiero Pesenti

(*Director since November 21, 1967*).

Born in Milan, May 5,1931.

Degree in mechanical engineering – Milan Polytechnic.

1958, began working in the Technical Division of Italcementi S.p.A., the family firm established in 1864.

1983, appointed Chief Operating Officer; 1984, Chief Executive Officer; since 2004 Chairman of Italcementi S.p.A..

1984, appointed Chairman-Chief Executive Officer of Italmobiliare S.p.A., the holding company that controls Italcementi S.p.A., the Sirap Gema group and other finance and banking companies.

Also Deputy Chairman of Finter Bank Zurich and director of Compagnie Monegasque de Banque and other companies in the Italmobiliare Group.

Pierfranco Barabani

(*Director since June 19, 1989*).

Born in Milan, September 9, 1936.

Degree in civil engineering – Milan Polytechnic.

Worked as an independent professional until 1970, when he joined Italcementi S.p.A., holding a variety of posts: Assistant to the Chief Operating Officer, Property Manager, Corporate General Affairs Manager.

1993, appointed Chief Operating Officer and held the post until September 1999.

Lorenzo Renato Guerini

(*Director since April 19, 2011*).

Born in Bergamo, September 10, 1949.

Degree in Business Economics – Bocconi University, Milan.

Master, KPMG International Partner Program, Wharton School, University of Pennsylvania, USA.

Registered on the Bergamo Roll of Certified Accountants; registered on the National Roll of Account Auditors.

Began professional career in 1973 as an account auditor with Arthur Andersen.

1978, joined the Montedison Group in a managerial post, handling management control for the Group's international companies.

1980, joined the KPMG Network and became a partner in 1984, 1997, appointed Chairman of KPMG S.p.A. and Chairman of the KPMG Italian Network, posts he held for 13 years until reaching the maximum allowed term of office.

May 2011, joined the Italcementi S.p.A. Board of Directors and was appointed Deputy Chairman in September 2011. April 2012, appointed Chairman of UBI Leasing S.p.A., a post he left in April 2013.

May 2012, appointed Chairman of 035 Investimenti S.p.A.. April 2013, became a member of the Surveillance Committee of UBI Banca, and chair of the Financial Report Committee.

Carlo Pesenti

(*Director since June 29, 1993*).

Born in Milan, March 30, 1963.

Degree in mechanical engineering – Milan Polytechnic.

Master in economics & management – Bocconi University, Milan.

After joining the Italcementi Group, gained significant experience in a variety of Group production units and especially in the Corporate Finance, Administration & Control Division.

Having held the post of Joint Chief Operating Officer, in May 2004 he was appointed Italcementi Chief Executive Officer. He is also Chief Operating Officer of Italmobiliare since May 14, 2001.

Member of the Confindustria Board since 2003, in 2012 appointed Chairman of the Reform Commission.

2013, joined the Corporate Governance Committee promoted by ABI, Ania, Assonime, Assogestioni, Borsa Italiana and Confindustria.

Giulio Antonello

(*Director since July 29, 2011*).

Born in Bari, April 12, 1968.

Degree in Finance from Wharton School, University of Pennsylvania, and MIA from Columbia University.

Worked as an investment banker for the Crédit Agricole group in New York.

On return to Europe, held a number of posts in the Ciment Portland SA cement group (now part of Holcim AG) in Switzerland.

Was a member of the Board of Directors of companies including Concrete Milano S.p.A., Dolomite Colombo S.p.A. and Industriale Calce S.p.A.

Since 2006, CEO of Alerion Clean Power S.p.A., a company listed on the Milan stock exchange, which produces energy from renewable sources.

1996-2011, also a member of the Board of Directors of Campisi SIM, Telelombardia S.p.A., Antenna 3 S.p.A., Enertad S.p.A. (now ERG Renew), SIAS S.p.A., Industria e Innovazione S.p.A. and Reno de Medici S.p.A.

Giorgio Bonomi

(*Director since April 16, 2010*).

Born in Bergamo, November 2, 1955.

Degree in law – Milan State University.

Practises law in Bergamo. Account auditor.

Fritz Hannes Kaspar Burkard

(*Director since April 17, 2013*).

Born in Zurich, June 15, 1967, Swiss citizenship.

Holds a bilingual degree (German and French) in Economics & Business Administration from Fribourg University, and three Master's degrees from the IMD (Lausane), in Marketing Management, High Performance Leadership and High Performance Boards, awarded in 2001, 2009 and 2013 respectively.

After working as a Project Manager in Germany and Switzerland, in 2001 he joined Switzerland's Sika group, a leading player in chemicals for building construction and industry, with 80 local divisions around the world. From 2001 to 2004, he was Project Manager and subsequently Marketing Manager for commercial distribution at Sika Services AG. From 2005 to 2008, he was Chief Operating Officer of Sika Nederlands BV, a post he subsequently held from 2008 to 2012 at Sika Italia S.p.A..

Victoire de Margerie

(*Director since April 17, 2013*).

Born in Suresnes, France, April 6, 1963.

Three degrees, in Management, Political Sciences and Law, from l'Ecole des Hautes Etudes Commerciales, l'Institut d'Etudes Politiques and l'Université de Paris 1 Panthéon Sorbonne respectively. After further studies in Berlin and San Francisco, in 2007 she received a Ph.D in Management from l'Université de Paris 2 Panthéon Assas.

Chair of Rondol Industrie, since 2012 also a director of Morgan Advanced Materials, Eurazeo, Norsk Hydro and Arkema; since 2011, a director of Eco Emballages.

From 1986 to 2003, she held managerial posts in multinational manufacturing companies in France, Germany and the USA.

From 2003 to 2011, senior professor of Strategy & Technology at Grenoble School of Management.

Federico Falck

(*Director since February 3, 2004*).

Born in Milan, August 12, 1949 – Married with two children.

Degree in mechanical engineering – Milan Polytechnic.

Began his career in 1977 at the Acciaierie e Ferriere Lombarde Falck S.p.A. (now "Falck S.p.A."); after internships in a number of US steel companies, he worked mainly in production and procurements for steel operations; Procurements Manager and Chief Operating Officer for many years.

Currently director of Falck S.p.A. and Chairman of Falck Renewables S.p.A., a Falck Group companied listed on the Milan Stock Exchange (STAR segment); director of Banca Popolare di Sondrio; Regional Councilor of Unione Cristiana Imprenditori Dirigenti (UCID), member of the management committee of Assolombarda, director of Fondazione Sodalitas (association for development of social enterprise), director of Fondazione Centesimus Annus.

He was Chairman of Falck S.p.A., ADR - Aeroporti di Roma, Milan Section Councilor of the UCID, director of Camfin, Credito Italiano, Banco Lariano, Cassa di Risparmio di Parma e Piacenza S.p.A., Viscontea Assicurazioni, Emittente Titoli and Chairman of Sodalitas.

Italo Lucchini

(*Director since February 4, 1999*).

Born in Bergamo, December 28, 1943.

Degree in economics & commerce – Bocconi University, Milan.

Assistant lecturer at Bocconi University, non-tenured lecturer at Bergamo University, public accountant with a successful practice in Bergamo.

Director of Ciments Français until March 2013, currently Supervisory Director at Unione di Banche Italiane S.c.p.a. and Chairman of the Board of Statutory Auditors of BMW Italia S.p.A., Fedrigoni S.p.A., San Colombano S.p.A. and Alphabet Italia Fleet Management S.p.A..

Also holds appointments in insolvency proceedings pending before the Court of Bergamo and in particular acts as liquidator in the Composition with Creditors procedure of Locatelli Geom. Gabriele S.p.A. and three of its subsidiaries.

Emma Marcegaglia

(*Director since April 17, 2013*).

Born in Mantua, 1965.

Degree in Business Economics with first-class honors – Bocconi University, Milan.

1996 “Bocconian of the Year”. Master in Business Administration, New York University.

President of the LUISS Guido Carli University and Deputy Chairman and CEO of Marcegaglia S.p.A., a leading steel processing company.

Chairman of Mita Resort S.r.l., the company that operates the Forte Village tourist village in Santa Margherita di Pula (Cagliari, Sardinia) and director of Bracco S.p.A. and Gabetti Property Solutions S.p.A..

From May 2008 to May 2012, President of the Confindustria industrialists association, of which she was also vice president for infrastructure, energy, transport and the environment from May 2004 to May 2008. From 1994 to 1996, National Vice President Young Entrepreneurs, Confindustria; from 1996 to 2000, President Young Entrepreneurs, Confindustria; from 1997 to 2000 President Young Entrepreneurs for Europe (YES).

Previously, a member of the Management Committee of Banco Popolare and a director of FinecoBank S.p.A.

Sebastiano Mazzoleni

(*Director since May 4, 2004*).

Born in Milan, May 11, 1968.

Degree in geology – Milan State University.

Master in Business Administration, Bocconi University, Milan.

Began his professional career in 1996 with CTG S.p.A., as a research geologist with responsibility for assessing raw material reserves for cement production, coordinating work groups in Italy, France, Spain and Thailand.

2000, moved to Italcementi S.p.A. in the Marketing Division, with joint responsibility for drawing up new product marketing plans and benchmark analyses for the development of competitive positioning models.

2003, involved in the creation of the new Group New Product Marketing Division, where he was responsible for innovation management in the USA, Greece, Bulgaria, Turkey, Egypt, Thailand, Kazakhstan and India until 2009. He was also Group manager of the new project for enhancement of recoverable resources.

Since 2010 active in non-profit social entrepreneurship and consultancy on innovation.

Jean Paul Méric

(*Director since April 17, 2013*).

Born in Strasbourg, May 21, 1943.

After studying at the École Polytecnique and the École Supériéure d'Electricité, he began his professional career with EDF, the French power company, and later moved into employment in the cement industry.

After joining the CERILH (Céntre d'Etudes et de Recherches de l'Industrie des Liants Hydrauliques) and, in 1985, Ciments Français, he was subsequently appointed R&D Manager and Manager of the Cement Division in France.

Dirécteur général délégué adjoint at Ciments Français from 1991 to 2010, he was appointed head of Group operations in France/Belgium, and later head of international operations, specifically USA, Canada, Morocco, Turkey, Greece, Bulgaria and Kazakhstan. Since July 1, 2006, he has headed all Group operations for France, Belgium, Spain, Morocco and North America.

From 2010 to 2013 Dirécteur général délégué of Ciments Français; appointed Chairman of Ciments Français on April 11, 2013.

Carlo Secchi

(*Director since April 18, 2007*).

Born in Mandello del Lario (Lecco), February 4, 1944.

Degree in economics & commerce – Bocconi University, Milan.

Diploma in economic planning (Institute of Social Studies, The Hague, 1969-1970).

Further studies at Netherlands Economic Institute and the Center for Development Planning, Erasmus University (Rotterdam, 1970-1972).

Emeritus professor in European Economic Policy since November 1, 2012, formerly full professor since November 1, 1983 and director of the Institute for Latin American Studies and Countries in Transition (ISLA) at the Bocconi University, Milan, of which he was Rector from September 1, 2000 to October 31, 2004.

Conducts research work as a member of numerous scientific committees or boards of entities active in science and culture.

Director of various listed and unlisted companies.

Elena Zambon

(*Director since April 16, 2010*).

Born in Vicenza, October 15, 1964.

Degree in Business Economics – Bocconi University, Milan.

From 1989 to 1994 worked at Citibank N.A. where she was in charge of international investors on the Italian market and, subsequently, of reports and risk assessments for institutional clients (especially insurance, financial and world corporation groups).

Currently Chairman of Zambon S.p.A., a pharmaceuticals multinational established in Vicenza in 1906, Deputy Chairman of ZaCh System – Zambon Advanced Fine Chemicals S.p.A. and Director of Zambon Company S.p.A., the group holding.

Also Chairman of Secofind SIM S.p.A., the Multi-Family Office formed in 2000 to extend to other entrepreneurial families the expertise accumulated in wealth management for the Zambon family since 1994 in selection and control of asset managers.

August 2011, member of Board of Directors of Fondo Strategico Italiano.

June 2013, Chairman of ALDAF (Italian Association of Family Companies).

Board of Statutory Auditors

Maria Martellini

Born in Rome, July 8, 1940.

Degree in economics & commerce – Bocconi University, Milan.

Specialization in economics of industry, London School of Economics.

Full professor of economics & corporate management.

Certified accountant and account auditor.

Director of listed and unlisted companies.

Luciana Gattinoni

Born in Bergamo, November 29, 1950.

Degree in economics & commerce – Bocconi University, Milan.

Has worked as a certified accountant since 1976, primarily on corporate and tax questions, and as a Bergamo court consultant on insolvency procedures.

Auditor of non-profit bodies active in the arts, welfare and science.

Mario Comana

Born in Bergamo, January 22, 1957.

Degree in economics & commerce – Bergamo University.

Specialization at Harvard University, Cambridge.

Since 2000, full professor of financial intermediary economics at the LUISS Guido Carli University, Rome.

Certified accountant and author of numerous banking publications; works as a consultant to financial intermediaries and as an independent and court-appointed consultant on financial questions and assessments.

Carlo Luigi Rossi

Born in Alzano Lombardo (Bergamo), October 11, 1947.

Degree in economics & commerce – Catholic University of Milan.

June 1975, established the eponymous consultancy studio providing accounting, administrative, corporate and fiscal services.

Holds a number of positions in the area of insolvency procedures.

In the area of civil judicial proceedings, he works as a court-appointed technical consultant; for penal proceedings, he works as a consultant to the state prosecutor.

Luciana Ravicini

Born in Milan, January 10, 1959.

Degree in economics & commerce – University of Brescia.

Registered on the roll of certified accountants of Brescia.

Registered on the roll of auditors Gazzetta Ufficiale 31/bis 21.04.1995 D.M. 12.04.1995.

Wide experience as a standing auditor of financial and fiduciary companies, acquiring detailed knowledge of juridical and fiscal tools in the financial field to resolve questions arising in the general area of the "family office".

Practicing accountant, and holds and has held positions as chairman of the Board of Statutory Auditors, standing auditor and external auditor in industrial and financial companies.

Fabio Bombardieri

Born in Alzano Lombardo (Bergamo), August 14, 1959.

Registered on the roll of certified accountants and on the register of account auditors.

Holds a number of positions in the area of voluntary jurisdiction and insolvency procedures.

Provides professional services mainly for medium-size companies.

Director/auditor of companies in the credit and publishing fields and of a number of foundations and non-commercial entities.

Notice of Call

Those who are entitled to the voting rights at Italcementi General Meeting are hereby called to attend the Annual General Meeting on single call on April 16th, 2014 at 10 a.m., in Bergamo, Via Madonna della Neve no. 8, to resolve upon the following

Agenda

1) Board of Directors and Board of Statutory Auditors Reports on 2013 fiscal year: examination of financial statements as at December 31st, 2013 and ensuing resolutions;
2) Remuneration Report;
3) Authorization to purchase and dispose of treasury shares.

* * *

Entitlement to take the floor and to vote at the Meeting

Those who prove to be entitled to the voting rights at the end of the seventh open market day before the meeting date on single call (*Monday, April 7th, 2014* – Record Date), have the right to take the floor.

Those who will result to be holders of ordinary shares of the Company after such a date will not be entitled to take the floor and vote at the Meeting.

Credit and debit entries registered in the Intermediary accounts' after the above mentioned deadline do not affect the entitlement of the voting right's exercise at the Meeting.

Entitlement to take the floor at the Meeting and to exercise the voting right is proved by a notice served by the authorized Intermediary to the Company, according to its accounting records, in favour of the person/entity who is entitled to the voting right. The captioned notice must reach the Company before the end of the third open market day (i.e. by April 12th, 2013) prior to the scheduled Meeting date. No prejudice to the right to take the floor and vote at the Meeting will be suffered should the Company receive the notice after the above mentioned deadline, provided that it is received before the beginning of the Meeting.

Shareholders who own ordinary shares that have not been yet dematerialized must previously deliver them to an Intermediary, in time to be centralized in a dematerialization system and ask for the above mentioned notice.

No voting procedures by correspondence or by means of electronic devices are provided for.The regularity of the Meeting and the validity of its resolutions on the items on the agenda are governed by law.

Vote by proxy

those who are entitled to take the floor at the Meeting can be represented by means of written proxy under current law provisions, and can use the form available at our registered offices (***Via G. Camozzi 124, 24121 Bergamo***) and on the Company website: *www.italcementigroup.com*, under section *Investor Relations/General Meetings*. The proxy can be notified to the Company by means of registered letter sent to the headquarters (*Finance Department – Shareholders' Office*, at the above mentioned address) or by sending it to the address of certified e-mail *soci@italcementi.legalmail.it*. The proxy-holder can also deliver or send to the Company a copy of the proxy in place of the original, also on an IT support, stating, under his/her own responsibility, that the proxy is a copy of the original, and the identity of the delegating person.

* * *

Supplements to the agenda

Shareholders who, even jointly, own at least one fortieth of the share capital represented by shares with voting rights, can request in writing, within 10 days as of the publication of this notice of call (i.e. *by March 24th, 2014*), for supplements to the Meeting agenda, stating in their application which further issues are being suggested. Requests must be sent by means of registered letter to the headquarters (*Corporate Affairs Department* – to the above mentioned address) or by sending notice to the address of certified e-email *affarisocietari@italcementi.legalmail.it*, along with proper documentation issued by an authorized Intermediary providing evidence of the ownership of the above mentioned percentage of the share capital, as well as the legitimacy to supplement the items on the agenda. A report on the items whose examination is proposed must be delivered to the Board of Directors by the same deadline and following the same procedure.

The supplement to the items on the agenda will be disclosed to the public, following the same procedure provided for the publication of this notice of call, at least 15 days before the Meeting date (i.e. *by April 1st, 2014*); at the same time, the report drafted by shareholders who made the request will be publicly available, along with relevant remarks, if any, made by the Board of Directors.

A supplement to the agenda is not accepted for those items the Meeting, under the applicable law, resolve upon proposal of the directors or based on Board's project or report.

Right to raise questions on the items on the agenda

Those who are entitled to the voting rights can also submit questions on the items on the agenda before the Meeting. In order to facilitate the appropriate development and preparation of the Meeting, the questions must be received by the Company by *April 14th, 2014* within working hours by means of a registered letter sent to the headquarters (*Corporate Affairs Department* – at the above mentioned address) or by sending notice to the address of certified e-mail: *affarisocietari@italcementi.legalmail.it* along with proper documentation issued by an authorized Intermediary providing evidence of the entitlement to the voting right. Questions submitted before the Meeting will be answered during the Meeting at the latest. The Company can provide with a sole answer to questions having the same content.

* * *

Disclosure information

Documentation related to the items on the agenda, draft of Resolutions proposals as well as the Board reports and the other information required by applicable laws and regulations will be made publicly available, within the deadlines set forth by the law, at the registered offices, Borsa Italiana S.p.A. and on the Company website www.italcementigroup.com, under section *Investor Relations/General Meetings*.

In particular:

* 1st item on the agenda – ordinary items: 21 free days prior to the Meeting;
* 2nd and 3rd item on the agenda – ordinary items: 21 days prior to the Meeting;

Shareholders have the right to review all the documents filed with the registered offices, and to obtain a copy thereof.

* * *

Information concerning the share capital and shares with voting rights

The company share capital is equal to Euro 282,548,942 divided into 177,117,564 ordinary shares and 105,431,378 savings shares with a nominal value of Euro 1 each.

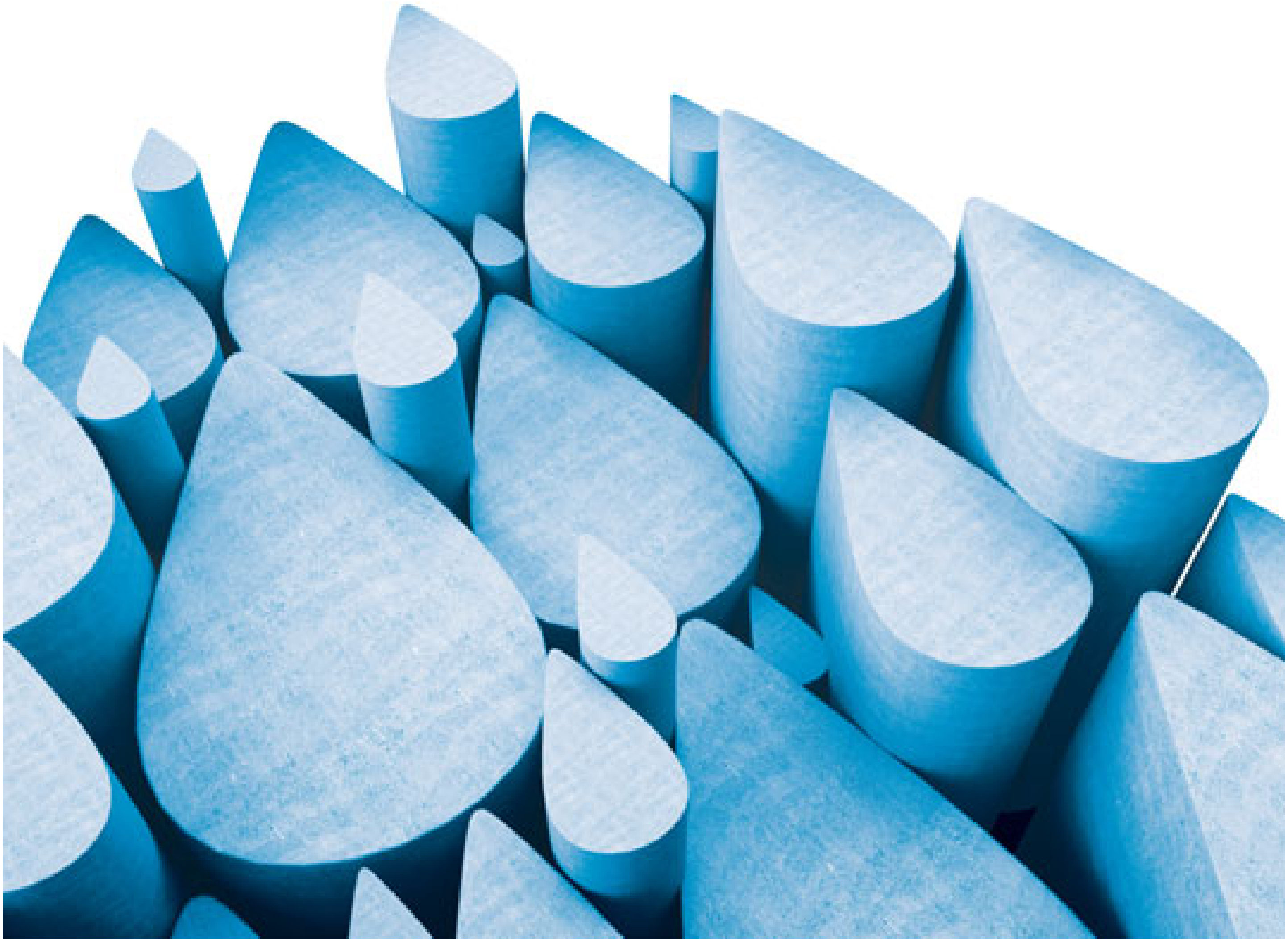
Only ordinary shares are vested with voting rights at ordinary/extraordinary General Meetings.

As at the date of publication of this notice of call, the number of ordinary shares representing share capital with voting rights, therefore net of 3,793,029 ordinary treasury shares held by the company, is equal to 173,324,535.

On behalf of the Board of Directors
The Chairman
Giampiero Pesenti

(Notice published on the Company's website on March 13, 2014 and the following day, by extract, on "Il Sole 24 ore", "Corriere della Sera", "La Repubblica", "Milano Finanza" and "Eco di Bergamo")

Italcementi
Italcementi Group



Annual Report
Consolidated Annual Report

Directors' report

Following the adoption by the European Union of Regulation no. 1606 of 2002, the Italcementi S.p.A. consolidated financial statements for 2013, and the corresponding figures for 2012, have been drawn up in compliance with the International Financial Reporting Standards (IFRS).

In accordance with the aforementioned Regulation, the principles to be adopted do not include the standards and interpretations published by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) at December 31, 2013, but not endorsed by the European Union at that date. Furthermore, the European Union has endorsed additional standards/interpretations that Italcementi S.p.A. will apply at a subsequent time, having decided not to elect early application.

The **changes in standards and interpretations** with respect to the financial statements at December 31, 2012 are set out in detail in the notes. The main effects arise from the application, as from January 1, 2013, of IAS 19 "Employee benefits" revised, which above all led to an increase in the net obligation for "defined benefit plans" due to recognition of net actuarial losses and to the difference in accounting treatment of interest on plan assets.

The Group also amended the accounting treatment of green certificates attributed to Italgen S.p.A.; previously, revenue relating to green certificates was recognized at the time of sale, whereas, as from 2013, it is recognized on an accruals basis, at the time of production of electricity from renewable sources and proportionately to production.

For the purposes of consistent presentation with the previous year, the impact arising from the application of IAS 19 revised and from the new accounting treatment of green certificates involved the re-statement of the 2012 financial statements. The presentation of the carrying amounts was also modified in accordance with the amendments to IAS 1 "Presentation of Financial Statements", which changed the presentation of the items of other comprehensive income; this did not have effects on the Group's financial position or results of operations.

There were no material changes in the **scope of consolidation** with respect to 2012.

Earnings indicators

To assist understanding of its financial data, the Group employs a number of widely used indicators not contemplated by the IFRS.

Specifically, the income statement presents the following intermediate results/indicators: recurring EBITDA, EBITDA, EBIT, computed as the sum of the preceding items. On the face of the statement of financial position, similar considerations apply to net debt, whose components are detailed in the specific section of the notes.

Since the indicators employed by the Group are not envisaged by the IFRS, their definitions may not coincide with and therefore not be comparable to those adopted by other companies/groups.

This report contains many financial and non-financial earnings indicators, including those mentioned above. The financial indicators, taken from the financial statements, are used in the tables summarizing the Group's financial performance, in relation to comparative amounts and other amounts from the same period (e.g., change in revenue, recurring

EBITDA and EBIT with respect to the previous year, and change in their return on revenue). The use of amounts not directly apparent from the financial statements (e.g., the exchange-rate effect on revenue and on earnings) and the presentation of comments and assessments assist qualification of the trends in the amounts concerned.

The directors' report also provides a series of financial ratios (gearing, leverage, coverage) that are clearly of importance for a better understanding of Group performance, especially in comparison with the previous period. The non-financial indicators refer to external and internal elements: the general economic situation and the situation of the industry in which the Group operates, trends on the various markets and lines of business, trends in sales prices and key cost factors, acquisitions and disposals, other significant events in the year, organizational developments, the introduction of laws and regulations, etc.. In the notes, the section on net debt provides information about the effects of changes in interest rates and the main exchange rates on the statement of financial position and the income statement.

Results and significant events in the year

Results

The repercussions of the economic crisis continued to be apparent in financial year 2013 in the countries where the Group operates, conditioning demand for construction materials in Central Western Europe, while the contribution of the Asian markets was confirmed and a recovery emerged in North America, although trends were not uniform in all areas. The situation remained difficult in Egypt, where strong potential domestic demand was contrasted by limited energy availability, which reduced cement production capacity.

Overall, these situations generated a reduction in **sales volumes** in the main business segments compared with 2012.

Revenue, at 4,235.4 million euro (4,478.8 million euro in 2012), decreased by 5.4% (-2.2% at constant exchange rates and on a like-for-like basis) due to the negative sales volumes effect, mitigated by an overall positive trend in sales prices.

Recurring EBITDA, at 631.0 million euro (643.1 million euro), was down 1.9%.

After net non-recurring expense of 13.0 million euro (17.5 million euro in 2012), amortization and depreciation of 426.5 million euro (456.4 million euro) and impairment losses on non-current assets of 32.1 million euro (309.4 million euro), **EBIT** was positive at 159.3 million euro (negative at 140.2 million euro).

This trend was reflected in a **profit before tax** of 27.5 million euro (a loss of 223.5 million euro).

After **income tax expense** of 115.9 million euro (146.3 million euro), the Group posted a **loss relating to continuing operations** of 88.4 million euro (a loss of 369.9 million euro). In the absence of discontinued operations, the Group also posted a **loss for the year** of 88.4 million euro (a loss of 361.7 million euro). **The loss attributable to owners of the company** was 165.0 million euro (loss of 395.2 million euro), while profit attributable to non-controlling interests rose from 33.5 million euro in 2012 to 76.6 million euro.

Net debt at December 31, 2013 amounted to 1,939.0 million euro, a decrease of 59.2 million euro from December 31, 2012 (1,998.3 million euro).

Total equity was 3,776.5 million euro, down by 388.2 million euro from December 31, 2012, while **equity attributable to owners of the company** was 2,603.8 million euro, down by 299.1 million euro from the end of 2012 (2,903.0 million euro).

Significant events in the year

Significant events in the year, previously illustrated in the half-year report and the quarterly reports, are summarized below.

In February, Italcementi placed a 5-year fixed-rate **bond** on the European market for a **nominal value of 350 million euro**, under its Euro Medium-Term Note Program. The bond, issued by Italcementi Finance S.A. and guaranteed by Italcementi S.p.A., is listed on the Luxembourg Stock Exchange and matures on February 21, 2018. In May, the issue described above was re-opened and bonds for an additional **nominal value of 150 million euro** were placed on the European market.

At the end of May, the **Standard and Poor's** rating agency confirmed the Italcementi BB+ long-term rating and B short-term rating, with the outlook passing from stable to negative. An identical review was adopted for the subsidiary Ciments Français. The rating and outlook were confirmed at the end of October.

In August, the **Moody's Investor Services** rating agency reviewed the corporate rating given to Italcementi S.p.A. and the rating of the Italcementi Finance SA senior unsecured bond from Ba2 to Ba3, with the outlook passing from negative to stable. Meanwhile Moody's downgraded the Ciments Français rating from Ba1 to Ba2.

September saw the presentation of the **i.nova** project, which introduces an innovative Group branding strategy. Each type of cement or ready mixed concrete is classed by performance, which thereby becomes the criterion for the selection of the most suitable product for a specific requirement. The project has identified 11 performance families and assigned a specific color and graphic symbol to each one, to make visual recognition of the product even easier and more immediate for clients, in all the countries where the Group operates.

The international economy and industry trends

For the second consecutive year, world economic growth was disappointing, and not more than 3% according to available estimates. This was due above all to the recessionary trends in the euro zone and a less brilliant performance than in the past in some of the main emerging countries, notably China and India.

In 2013, the expansion of the advanced economies was less than 1.5% overall, arising from the positive contribution of the recovery in North America and the acceleration in Japan. The growth of the emerging area, of just over 4.5%, was significantly lower than the long-term average and trends also varied from one area to another, with a particularly intense slowdown in the Middle East-North Africa.

Despite the continuing decline in average GDP in the euro zone in 2013, in the second half of the year the first signs of a recovery emerged. Early indicators suggest, moreover, that the process of cyclical consolidation has continued in the early months of the current year. The progress in the euro zone's financial conditions was even stronger as a result of the improvement in the general economic situation and signs of stabilization in the euro zone countries with the most critical debt exposure. Consequently, the spreads between these countries compared with Germany's sovereign debt rates narrowed, and there was a general upturn in share prices. In the face of these recent trends, the continuing credit squeeze braked a more rapid upturn in growth.

In the construction sector, the broad variations in cyclical conditions was confirmed. In the Group's euro zone countries, with the partial exception of France and Belgium, the intense recession underway since 2007-08 continued, generating declines in business levels of sometimes more than 50% with respect to the previous expansionary peaks. Although the downturns recorded in 2013 varied from country to country, a common factor was an easing in intensity during the course of the year. Meanwhile, the construction recovery in the USA that began in 2011 strengthened, although progress was slower in the states where most of the Group sites are located. Significant differences in cyclical trends were also seen in the emerging area. On one hand, growth continued in the Group's Asian countries, although rates were significantly slower than in the past. On the other hand, the expansion of the North African markets came to a halt, although this is considered temporary since it is not due to structural causes.

Financial performance in 2013

Key consolidated figures

(in millions of euro)	2013	2012	% change vs. 2012
Revenue	**4,235.4**	**4,478.8**	**(5.4)**
Recurring EBITDA	**631.0**	**643.1**	**(1.9)**
% of revenue	*14.9*	*14.4*	
Non-recurring income (expense)	(13.0)	(17.5)	25.9
EBITDA	**618.0**	**625.5**	**(1.2)**
% of revenue	*14.6*	*14.0*	
Amortization and depreciation	(426.5)	(456.4)	6.5
Impairment	(32.1)	(309.4)	89.6
EBIT	**159.3**	**(140.2)**	**n.s.**
% of revenue	*3.8*	*(3.1)*	
Net finance costs	(123.9)	(94.5)	(31.1)
Impairment on financial assets	(16.0)	-	n.s.
Share of profit (loss) of equity-accounted investees	8.1	11.1	(27.2)
Profit (loss) before tax	**27.5**	**(223.5)**	**n.s.**
% of revenue	*0.6*	*(5.0)*	
Income tax expense	(115.9)	(146.3)	20.8
Loss relating to continuing operations	**(88.4)**	**(369.9)**	76.1
Profit relating to discontinued operations	-	8.2	n.s.
Loss for the year	**(88.4)**	**(361.7)**	**75.6**
% of revenue	*(2.1)*	*(8.1)*	
attributable to:			
Owners of the company	**(165.0)**	**(395.2)**	**58.2**
Non-controlling interests	76.6	33.5	>100.0
Cash flows from operating activities	**429.5**	**496.2**	
Capital expenditure	**339.4**	**370.3**	
Employees at end of year (persons)	**18,434**	**18,886**	**(2.4)**

n.s. not significant

Quarterly results

(in millions of euro)	Full year 2013	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Revenue	**4,235.4**	**1,017.9**	**1,060.9**	**1,191.8**	**964.8**
% change vs. 2012	(5.4)	(6.0)	(3.2)	(3.6)	(9.3)
Recurring EBITDA	**631.0**	**157.9**	**174.5**	**210.1**	**88.5**
% change vs. 2012	(1.9)	17.4	-	3.7	(32.7)
% of revenue	*14.9*	*15.5*	*16.5*	*17.6*	*9.2*
EBITDA	**618.0**	**157.9**	**166.5**	**204.9**	**88.7**
% change vs. 2012	(1.2)	56.8	(5.1)	(2.0)	(36.8)
% of revenue	*14.6*	*15.5*	*15.7*	*17.2*	*9.2*
EBIT	**159.3**	**51.2**	**30.7**	**93.9**	**(16.5)**
% change vs. 2012	n.s.	n.s.	(50.3)	19.1	n.s.
% of revenue	*3.8*	*5.0*	*2.9*	*7.9*	*(1.7)*
Profit (loss) relating to continuing operations	**(88.4)**	**(8.3)**	**(36.9)**	**15.2**	**(58.5)**
Profit (loss) for the period	**(88.4)**	**(8.3)**	**(36.9)**	**15.2**	**(58.5)**
% of revenue	*(2.1)*	*(0.8)*	*(3.5)*	*1.3*	*(6.1)*
Loss attributable to owners of the company	**(165.0)**	**(29.8)**	**(50.1)**	**(6.9)**	**(78.2)**
Net debt (at period end)	1,939.0	1,939.0	2,031.1	2,000.7	2,105.9

Fourth-quarter sales volumes and internal transfers

	Cement and clinker (millions of metric tons)			Aggregates* (millions of metric tons)			Ready mixed concrete (millions of m³)		
	Q4 2013	% change vs. Q4 2012		Q4 2013	% change vs. Q4 2012		Q4 2013	% change vs. Q4 2012	
		Historic	Like-for-like basis		Historic	Like-for-like basis		Historic	Like-for-like basis
Central Western Europe	3.5	(8.3)	(8.3)	7.1	(4.3)	(4.3)	1.9	(11.7)	(11.7)
North America	1.0	(4.9)	(4.9)	0.3	(21.5)	(21.5)	0.2	(6.2)	(6.2)
Emerging Europe, North Africa and Middle East	3.4	(10.7)	(10.7)	0.3	(31.4)	(31.4)	0.6	2.8	2.8
Asia	2.5	1.4	1.4	n.s.	n.s.	n.s.	0.3	22.7	22.7
Cement and clinker trading	0.6	(42.4)	(42.4)	-	-	-	n.s.	n.s.	n.s.
Eliminations	(0.5)	n.s.	n.s.	-	-	-	-	-	-
Total	**10.5**	**(7.2)**	**(7.2)**	**7.8**	**(6.9)**	**(6.9)**	**3.0**	**(6.5)**	**(6.5)**

Central Western Europe: Italy, France, Belgium, Spain, Greece - North America: U.S.A., Canada, Puerto Rico - Emerging Europe, North Africa and Middle East: Egypt, Morocco, Bulgaria, Kuwait, Saudi Arabia - Asia: India, Thailand, Kazakhstan

Amounts refer to companies fully consolidated and proportionately consolidated

(*) excluding decreases for processing

n.s. not significant

In **cement and clinker**, the fall in sales volumes from the year-earlier period emerged in all the macro areas, with the sole exception of Asia, which was buoyed by the upbeat market in Thailand. In Central Western Europe, the downturn was largely due to performance in Italy, while Emerging Europe, North Africa and Middle East reflected the decline in Egypt and Bulgaria.

In **aggregates**, there was a general downturn, with the exception of France–Belgium, which reported a small improvement.

The reduction in sales volumes in **ready mixed concrete** was due to performance in Central Western Europe, where Italy declined. Positive performance, but relating to smaller amounts, was reported in Morocco, Kuwait and Thailand.

Fourth-quarter results

In the fourth quarter, **revenue** was 1,017.9 million euro, down 6.0% from the year-earlier period. The downturn was generalized, but frequently influenced by a negative exchange-rate effect in North Africa, the Middle East and Asia; net of the exchange-rate effect, revenue in these areas showed significant progress. At constant exchange rates (there was no consolidation effect), the overall fall in Group revenue in the fourth quarter was significantly smaller, at around 1.7%.

Recurring EBITDA, at 157.9 million euro, improved by 17.4% from the fourth quarter of 2012. This growth was the result of a positive price effect, which outweighed the impact of the reduction in sales volumes and the rise in some variable costs, and also reflected the significant containment of overheads. Compared with the year-earlier period, the 2013 fourth-quarter result is particularly satisfying, since the period had no income from CO_2 emission rights sales (7.7 million euro in the fourth quarter of 2012) and was affected by a negative exchange-rate effect for 9.0 million euro. Excluding these two effects, the increase in recurring EBITDA would have been approximately 32%.

EBITDA was 157.9 million euro, up 56.8% from the year-earlier period, when the Group posted net non-recurring expense of 33.8 million euro.

EBIT was positive at 51.2 million euro, compared with negative EBIT of 308.1 million euro in the fourth quarter of 2012, arising from restructuring expense of 46.4 million euro and impairment losses of 293.0 million euro.

Full-year sales volumes and internal transfers

Sales volumes by geographical area

	Cement and clinker (millions of metric tons)			Aggregates* (millions of metric tons)			Ready mixed concrete (millions of m³)		
	2013	% change vs. 2012		2013	% change vs. 2012		2013	% change vs. 2012	
		Historic	Like-for-like basis		Historic	Like-for-like basis		Historic	Like-for-like basis
Central Western Europe	14.5	(9.3)	(9.3)	29.1	(4.3)	(4.3)	8.0	(11.0)	(11.0)
North America	4.3	1.5	1.5	1.4	(10.0)	(10.0)	0.7	(9.7)	(9.7)
Emerging Europe, North Africa and Middle East	13.2	(11.7)	(11.7)	1.9	6.7	6.7	2.5	7.3	7.3
Asia	10.5	3.8	3.8	0.1	n.s.	n.s.	1.0	37.2	37.2
Cement and clinker trading	3.0	(17.0)	(17.0)	-	-	-	n.s.	n.s.	n.s.
Eliminations	(2.3)	n.s.	n.s.	-	-	-	-	-	-
Total	**43.1**	**(6.0)**	**(6.0)**	**32.5**	**(4.2)**	**(4.2)**	**12.3**	**(4.7)**	**(4.7)**

Amounts refer to companies fully consolidated and proportionately consolidated
(*) excluding decreases for processing
n.s. not significant

In **cement and clinker**, the decline in Emerging Europe, North Africa and Middle East and in Central Western Europe was a key negative factor in sales volumes; the largest decreases were in Egypt and in Italy. Asia reported overall progress, mainly in Thailand. The progress in North America was contrasted by the reduction in the fourth quarter.

In **aggregates**, the decline was largely the result of the negative performance in Central Western Europe due to a generalized fall in the various countries, except for France-Belgium. Healthy progress in Morocco almost counterbalanced the fall in volumes in North America.

In **ready mixed concrete**, the market decline in Central Western Europe determined the fall in sales volumes in the entire segment, offset in part by healthy performance in North Africa (Egypt and Morocco) and Asia.

Revenue and operating performance

Contribution to consolidated revenue

(in millions of euro)	2013		2012		Change 2013/12	
		%		%	%	% (*)
Line of business						
Cement and clinker	2,716.8	64.1	2,903.5	64.8	(6.4)	(2.1)
Ready mixed concrete and aggregates	1,248.7	29.5	1,280.3	28.6	(2.5)	(1.4)
Others	269.9	6.4	295.0	6.6	(8.5)	(6.9)
Total	**4,235.4**	**100.0**	**4,478.8**	**100.0**	**(5.4)**	**(2.2)**
Geographical area						
Central Western Europe	2,155.9	50.9	2,331.1	52.1	(7.5)	(7.5)
North America	428.3	10.1	439.1	9.8	(2.4)	0.8
Emerging Europe, North Africa and Middle East	912.5	21.5	950.6	21.2	(4.0)	5.2
Asia	531.0	12.5	520.3	11.6	2.1	9.2
Cement and clinker trading	132.2	3.1	164.5	3.7	(19.6)	(16.7)
Others	75.5	1.8	73.2	1.6	3.2	4.9
Total	**4,235.4**	**100.0**	**4,478.8**	**100.0**	**(5.4)**	**(2.2)**

(*) at constant exchange rates and on a like-for-like basis

Revenue and operating performance by geographical area

(in millions of euro)	Revenue		Recurring EBITDA		EBITDA		EBIT	
	2013	% change vs. 2012	2013	% change vs. 2012	2013	% change vs. 2012	2013	% change vs. 2012
Central Western Europe	2,234.8	(7.5)	243.9	2.5	228.5	3.7	3.5	n.s.
North America	428.7	(2.5)	55.0	12.7	61.1	9.9	(3.8)	68.9
Emerging Europe, North Africa and Middle East	944.0	(6.4)	268.0	(6.7)	268.5	(6.7)	160.7	81.4
Asia	532.1	2.1	80.2	(6.5)	81.4	(4.1)	31.4	(10.6)
Cement and clinker trading	176.1	(17.3)	6.8	(23.7)	6.8	(22.0)	2.7	(52.5)
Others	308.5	(9.9)	(22.9)	8.8	(27.7)	12.1	(34.8)	11.3
Eliminations	(388.7)	n.s.	-	n.s.	(0.7)	n.s.	(0.5)	n.s.
Total	**4,235.4**	**(5.4)**	**631.0**	**(1.9)**	**618.0**	**(1.2)**	**159.3**	**n.s.**

n.s. not significant

Revenue, at 4,235.4 million euro (4,478.8 million euro in 2012), was down 5.4% from 2012, as a result of the business slowdown (-2.2%) and a negative exchange-rate effect (-3.2%), in the absence of a consolidation effect.

Revenue reflected the decrease in sales volumes, whose effect was offset in part by an overall positive dynamic in sales prices.

At constant exchange rates, the strongest growth in absolute terms was in Thailand and in Egypt. North America made a small improvement, while the largest declines were in Central Western Europe (especially Italy) and Trading. The negative exchange-rate effect related mainly to the Egyptian pound and, to a lesser extent, the Indian rupee and US dollar.

Recurring EBITDA, at 631.0 million euro, was down 1.9% from 2012. As in the fourth quarter, there was no benefit during the year from income on CO_2 emission rights (40.1 million euro in 2012) and the exchange-rate effect was a negative factor (26.7 million euro). Excluding these effects, growth of approximately 9% would have been achieved. The positive sales prices effect and reduction in overheads more than made up for the negative volume effect and adverse trend in some operating expense, largely the result of the significant increase in the cost of fuel in Egypt.

At country level, the strongest increases in recurring EBITDA from 2012 were in Thailand, France-Belgium, North America and Morocco, while the largest reductions were in Egypt, India and Italy.

The balance on **non-recurring items** reflected net expense of 13.0 million euro (net expense of 17.5 million euro in 2012) arising from corporate restructuring expense for 30.3 million euro, relating chiefly to Spain and Italy, other expense for 2.9 million euro and net gains from the sale of assets for 20.3 million euro.

EBITDA, at 618.0 million euro (625.5 million euro), was down 1.2%.

EBIT was 159.3 million euro (negative EBIT of 140.2 million euro in 2012) after amortization and depreciation of 426.5 million euro (456.4 million euro) and impairment losses of 32.1 million euro (309.4 million euro). Impairment losses related, for 27.3 million euro, to plant in Italy, Spain and Bulgaria, net of the reversal of previous impairment losses in Greece.

Finance costs and other items

Net expense in respect of financing rose to 126.0 million euro (115.5 million euro in 2012) as a result of the increase in interest rates (interest margin) and the cost of non-usage fees.

Overall, **net finance costs** amounted to 123.9 million euro, an increase of 31.1% from 2012 (94.5 million euro). This reflected lower net income from equity investments for 24.3 million euro compared with 2012, when the Group posted a gain on the sale of Goltas-Turkey securities, and exchange rate losses (net of hedges) for 6.2 million euro. These effects were mitigated by the increase of 12.4 million euro on net derivatives for hedges on CO_2 emission rights and Certified Emission Reductions (CER).

Impairment losses on financial assets amounted to 16.0 million euro (not present in 2012), and referred entirely to the impairment loss on the equity investment in the Al Badia company in Syria.

The **share of profit (loss) of equity-accounted investees** was positive at 8.1 million euro (11.1 million euro).

Loss for the year

The Group posted a **profit before tax** of 27.5 million euro compared with a loss of 223.5 million euro in 2012.

The **loss for the year** was 88.4 million euro (loss of 361.7 million euro in 2012) with a **loss attributable to owners of the company** of 165.0 million euro (loss of 395.2 million euro) and **profit attributable to non-controlling interests** of 76.6 million euro (profit of 33.5 million euro).

Total comprehensive income

As noted in the interim financial reports, the statement of comprehensive income has been adjusted to take account of the amendments to IAS 1 “Presentation of financial statements,” which changed the presentation of “Other comprehensive income”.

In 2013, starting from the loss for the year, the components that determined comprehensive income reflected a negative balance of 203.1 million euro (a negative balance of 159.1 million euro in 2012). This arose mainly from translation losses of 239.6 million euro and fair value losses on available-for-sale financial assets for 4.6 million euro, net of fair value gains on cash flow hedges for 14.9 million euro.

Considering the loss for the year of 88.4 million euro described in the previous section, the Group posted total comprehensive expense of 291.5 million euro (270.5 million euro attributable to owners of the company and 20.9 million euro attributable to non-controlling interests). This compared with total comprehensive expense of 520.7 million euro in 2012 (508.5 million euro attributable to owners of the company and 12.3 million euro attributable to non-controlling interests). The “Statement of comprehensive income” in the section “Financial statements” provides a comparison with 2012.

Capital expenditure

Capital expenditure by geographical area (*)

(in millions of euro)	Financial assets		PPE+investment property		Intangible assets		Total capital expenditure	
	2013	2012	2013	2012	2013	2012	2013	2012
Central Western Europe	3.6	0.3	184.8	179.0	7.1	11.2	195.5	190.5
North America	-	-	31.2	26.5	0.3	0.1	31,5	26,6
Emerging Europe, North Africa and Middle East	-	-	134.6	70.1	0.4	0.2	135.0	70.3
Asia	-	-	46.6	51.5	n.s.	-	46.6	51.5
Cement and clinker trading	-	0.1	4.2	3.0	0.3	0.6	4.5	3.7
Others and eliminations	-	0.1	1.2	1.1	4.5	4.6	5.7	5.7
Total	**3.6**	**0.5**	**402.6**	**331.2**	**12.7**	**16.8**	**418.9**	**348.4**
Change in payables for non-current assets	-	0.2	(79.5)	21.6	-	-	(79.5)	21.8
Total capital expenditure	**3.6**	**0.7**	**323.1**	**352.8**	**12.7**	**16.8**	**339.4**	**370.3**

(*) amounts refer to the area for which the investment is intended

2013 capital expenditure amounted to 339.4 million euro, a decrease of approximately 30.9 million euro from 2012 (370.3 million euro).

Investments in property, plant and equipment and investment property totaled 323.1 million euro, a decrease of 29.7 million euro from 2012 (352.8 million euro), and were mainly in Italy, France-Belgium and Bulgaria.

Investments in intangible assets amounted to 12.7 million euro and were down 4.1 million euro from 2012 (16.8 million euro); they were chiefly for software licenses and development.

Investments in non-current financial assets totaled a limited amount of 3.6 million euro (0.8 million euro in 2012).

Statement of financial position, cash flows and net debt

Condensed statement of financial position

(in millions of euro)	**12.31.2013**	**12.31.2012**
Property, plant and equipment and investment property	3,937.7	4,150.4
Goodwill and intangible assets	1,602.1	1,696.5
Equity investments and other assets	553.0	652.8
Non-current assets	**6,092.8**	**6,499.7**
Current assets	**2,127.2**	**2,391.5**
Total assets	**8,220.1**	**8,891.2**
Equity attributable to owners of the company	2,603.8	2,903.0
Equity attributable to non-controlling interests	1,172.7	1,261.7
Total equity	**3,776.5**	**4,164.7**
Non-current liabilities	**2,867.5**	**2,801.4**
Current liabilities	**1,576.1**	**1,925.0**
Total liabilities	**4,443.6**	**4,726.4**
Total equity and liabilities	**8,220.1**	**8,891.2**

Condensed statement of cash flows

(in millions of euro)		**2013**		**2012**
Net debt at beginning of year		**(1,998.3)**		**(2,093.0)**
Cash flows from operating activities:				
Flows before change in working capital	396.0		384.3	
Change in working capital	33.4		112.0	
Total cash flows from operating activities		429.5		496.2
Capital expenditure:				
PPE, investment property, intangible assets	(335.8)		(369.6)	
Non-current financial assets	(3.6)		(0.7)	
Total capital expenditure		(339.4)		(370.3)
Proceeds from the sale of non-current assets		38.1		84.6
Dividends paid		(83.7)		(120.5)
Cash flows from discontinued operations		-		44.2
Others		14.8		(39.5)
Change in net debt		**59.2**		**94.8**
Net debt at end of year		**(1,939.0)**		**(1,998.3)**

Net debt breakdown

(in millions of euro)	12.31.2013	12.31.2012
Current financial liabilities	421.5	727.6
Non-current financial liabilities	2,158.1	2,050.0
Gross financial debt	**2,579.6**	**2,777.7**
Current financial assets	(546.5)	(624.8)
Non-current financial assets	(94.1)	(154.6)
Net debt	**1,939.0**	**1,998.3**

Net debt at December 31, 2013 amounted to 1,939.0 million euro, a decrease of 59.3 million euro compared with the end of 2012.

Financial ratios

(absolute amounts in millions of euro)		12.31.2013	12.31.2012
Net debt		1,939.0	1,998.3
Consolidated equity		3,776.5	4,164.7
	"Gearing"%	**51.3**	**48.0**
Net debt		1,939.0	1,998.3
Recurring EBITDA		631.0	643.1
	"Leverage"	**3.1**	**3.1**
		2013	**2012**
Recurring EBITDA		631.0	643.1
Net finance costs*		123.3	113.7
	"Coverage"	**5.1**	**5.7**

* finance costs net of gains/losses from sale of equity investments

Equity

Total equity at December 31, 2013, was 3,776.5 million euro, a decrease of 388.2 million euro from December 31, 2012 (4,164.7 million euro), arising chiefly from the loss for the year (88.4 million euro), other comprehensive expense (203.1 million euro) and dividends paid (83.7 million euro).

At December 31, 2013, there were no changes in treasury shares in portfolio with respect to December 31, 2012. Italcementi S.p.A. held 3,793,029 ordinary treasury shares (2.14% of ordinary share capital) servicing stock option plans and 105,500 savings treasury shares (0.1% of savings share capital).

Reconciliation between parent's loss for the year and equity, and loss for the year and equity attributable to owners of the company

(in millions of euro)	2013
Loss for the year of the parent (Italcementi S.p.A.)	**(115.2)**
Consolidation adjustments:	
- Profit for year of consolidated companies (in accordance with Group accounting policies)	255.5
- Elimination of intragroup dividends collected during year	(364.0)
- Reversal of impairment losses (revaluations) in consolidated equity investments	116.8
- Elimination of intragroup (gains) losses and other changes	18.5
Consolidated loss for the year	**(88.4)**
- Attributable to non-controlling interests	76.6
- Attributable to owners of the company	**(165.0)**

	December 31, 2013
Equity of the parent (Italcementi S.p.A.)	**1,360.2**
Consolidation adjustments:	
- Elimination of carrying amount of consolidated equity investments	
• Carrying amount of consolidated equity investments	(6,682.1)
• Equity of consolidated companies (in accordance with Group accounting policies)	9,098.4
- Consolidated equity	**3,776.5**
- Non-controlling interests	1,172.7
- Equity attributable to owners of the company	**2,603.8**

Risks and uncertainties

The Risk Management Department formed in 2010 by Italcementi S.p.A. to report to the Chief Executive Officer is part of the **"Risk & Compliance"** program launched in 2008, inspired by the methodology of the Committee of Sponsoring Organizations of the Tradeway Commission (COSO) and consisting of the following phases:

1. identification of the main areas of risk for Group strategic goals and development of methods and tools to analyze and assess correlated risk events;
2. assessment, at country level and at aggregate level, of identified risk events in terms of impact, probability and timeframe, in order to acquire an overall vision of the Group risk portfolio;
3. selection of priority risks and definition of response strategies, Group governance rules and action to integrate and improve risk management systems; some operating risks are managed at individual company level, while others requiring specific competences or involving a variety of responsibilities are managed at Group level;
4. implementation of defined mitigation strategies and action, and development of the Enterprise Risk Management process;
5. reporting to Top Management and the governance bodies on the main risks, and their management and evolution; in this phase quantification of risks and opportunities is integrated with the enterprise management process, for example in the budget, in results forecasting reviews and in assessment of strategic projects.

Sustainable development and risk management: protection of people and assets

Sustainable development favors a corporate approach that balances economic growth, protection of the environment and social sustainability. By constantly pursuing an optimal balance among these elements and ensuring that benefits extend to everyone involved, companies enhance their long-term value, ability to survive and competitive advantage, thus helping to prevent industrial risks.

The Group checks that its protection and prevention programs are consistently applied to all personnel in production sites (employees and other) and to all operations in its companies.

Regulatory limits and Group sustainable development goals and initiatives are examined in a special Sustainability Disclosure and also summarized in a specific section in this report.

The Asset Protection Program continued in 2013; it qualifies the importance of risks and develops a suitable prevention and protection policy, thereby limiting damage to assets and consequent operating losses. The Asset Protection Program was joined in 2013 by a new Environmental Protection Program for a number of industrial facilities. These activities will continue over the coming years, constituting a consolidated Group process.

Risks relating to the general economic and industry situation

The economic and financial situation represents an element of risk for the Group, also in relation to its specific area of business, which is sensitive to changes in the economic situation. Household and business propensity to invest in construction is affected by the uncertainty and constraints of the general scenario.

Risks associated with energy factors

The cost of energy factors, which represents a large portion of Group variable costs of production, can vary significantly due to external factors beyond the Group's control. The Group has adopted measures to mitigate risks for certain energy factors by entering into medium-term supply contracts. Furthermore, the centralized procurement organization enables the Group to benefit from more efficient relations with suppliers, optimizing management of stocks and obtaining competitive purchase conditions.

Risks relating to availability of raw materials

The availability of raw materials is a strategic factor in investment decisions. The Group generally sources its raw materials – limestone, clay, gypsum, aggregates and other materials used in the production of cement, ready mixed concrete and aggregates – from quarries it owns (the majority) or quarries rented from third parties. For these and other significant materials, the Group has also reached specific agreements with suppliers to guarantee continuous, stable procurement, under terms and conditions at the best market levels.

Environmental risks

The "Sustainability Disclosure" illustrates the measures taken by the Group to manage environmental risks and control and reduce emissions. With regard to CO_2 emissions, the Group's European companies are exposed to price fluctuations on emission rights depending on their own rights surplus or deficit. The Group's position is therefore constantly monitored to ensure correct risk management (see note 22 in the notes).

Financial risks

The current period of crisis puts corporate cash flows at risk, endangering companies' self-financing ability and creating difficulties for normal, orderly operations on the financial market.

The Group procures sources of finance and manages interest rate, currency and counterparty risk, for all the companies in the scope of consolidation. The Group uses derivatives to reduce the risk of fluctuations in interest rates and exchange rates with respect to debt and its international operations. A detailed analysis of this type of risk is provided in the notes, specifically in note 22 on net debt.

Ratings risks

The Group's ability to compete successfully in the marketplace for funding depends on various factors, including its credit ratings assigned by recognized rating agencies. Its credit ratings may change to reflect changes in its results, financial position, credit structure and liquidity profile. As a result, a rating downgrade may have negative repercussions on the Group's ability to raise funding.

Legal risks

Suitable provisions and impairment losses have been applied with regard to existing risks and their related economic effects. Estimates and valuations are based on available information and are in any case regularly reviewed, with immediate recognition in the financial statements of any variations.

Compliance risks

The Group is subject to specific regulations concerning the quality of the products it markets; special monitoring activities have been set up to ensure compliance with the regulations in the countries where it operates.

At a general level, the "Risk and Compliance" program has introduced specific training and circulates procedures and recommendations in the Group countries, to ensure compliance with legislation and with tax, social and environmental regulations. The program is reviewed on an annual basis to take account of regulatory changes.

Political risks

The Group has taken out insurance covers to limit the financial consequences of possible political measures that might prevent normal management of some subsidiaries in emerging countries.

Financial disclosure risks

The main characteristics of the risk management system and the internal control system with respect to the financial reporting process are illustrated in a specific chapter of the "Corporate Governance" report in the Italcementi S.p.A.'s annual report.

Insurance

In the interest of all Group subsidiaries, Italcementi has taken out policies with leading insurance companies to cover risks to people and assets, as well as product and general third-party liability covers. As part of its risk coverage policy, the Group aims to optimize risk management costs by assessing direct assumption and transfer to the market. All policies are negotiated under a framework agreement to ensure a balance between the probability of a risk occurring and the damage that would ensue for each subsidiary.

Performance by country and business

The Group in 2013

Cement:	No.
full-cycle cement plants	46
grinding centers	12
trading terminals	6
Aggregates:	
quarries	112
Ready mixed concrete:	
ready mixed concrete plants	420

CENTRAL WESTERN EUROPE

	Italy	France/ Belgium	Spain	Others (1)	Total Central Western Europe
Full-cycle cement plants	11	10	3	1	25
Grinding centers	7	1	-	-	8
Quarries	22	77	5	1	105
Ready mixed concrete plants	110	187	5	1	303

	Revenue		Recurring EBITDA		EBITDA		EBIT		Capital expenditure		Employees	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Italy	655.0	798.7	(15.2)	(23.4)	(17.4)	(39.0)	(128.1)	(169.8)	94.3	71.8	2,966	3,194
France - Belgium	1,473.4	1,501.7	265.5	266.5	263.7	267.7	169.5	172.6	82.3	89.6	4,020	4,051
Spain	99.4	111.3	(2.6)	(1.3)	(14.0)	(4.4)	(44.8)	(177.4)	3.2	8.1	453	515
Others (1)	24.2	28.4	(3.8)	(3.8)	(3.8)	(3.8)	7.0	(43.3)	5.0	9.5	165	174
Eliminations	(17.2)	(23.4)	-	-	-	-	-	-	-	-	-	-
Total	2,234.8	2,416.6	243.9	238.0	228.5	220.5	3.5	(218.0)	184.8	179.0	7,604	7,934

(1) Greece

Italy

The crisis on the **cement** market continued in 2013 with a further slackening in demand, although the downward trend eased in the second half compared with the first part of the year, which was affected by poor weather conditions.

The crisis affected all segments of the construction industry, which has been particularly badly hit by the prolonged economic recession, the austerity policy with containment of infrastructure spending, and the persistent squeeze on credit for business and households. The year saw an escalation in the number of bankruptcies and applications for arrangements with creditors. The payment of a portion of arrears by government agencies and the extension and strengthening of tax incentives on building restructuring projects only mitigated the sharply negative trend in the second half of the year.

With regard to trade, estimates indicate a substantial decrease in cement imports and a strong rise in exports.

Our **cement and clinker** sales volumes were down 19.9% from 2012; the decrease was due to the sharp fall in demand, to selective measures based on customer solvency and in general to action taken to contain commercial risk.

Although competitive market pressures continued, in 2013 sales prices reflected an increase in annual average value compared with 2012.

2013 saw the first results of “Progetto 2015”, the initiative announced in December 2012 not only to rationalize the Italian industrial and distribution network, but also to act on Group corporate units and on the sales network. During 2013, three full-cycle cement plants were converted to grinding centers and another grinding center was closed. The program of re-organization measures generated significant savings in overheads in a variety of areas affected by the restructuring program.

At the same time, the further slowdown on the cement market, both compared with 2012 and looking ahead to the short-medium term, made a partial review of the restructuring plan necessary; operations will be suspended at two production plants in the first part of 2014.

Variable costs benefited from the restructuring measures and from the cost reductions in energy factors.

The favorable impact of the positive trend in sales prices, variable costs and overheads allowed the Group to counteract the negative volume effect. Compared with 2012, recurring EBITDA in the cement segment was penalized, nonetheless, by the absence of CO_2 emission rights trading.

In **ready mixed concrete and aggregates**, too, 2013 results reflected the continuing market crisis, with ready mixed concrete sales down by 24.4% from 2012. The contraction was larger on the general market, but major works also reflected the negative trend. Aggregates sales volumes also fell (-22.7%).

Sales prices in ready mixed concrete in 2013 showed progress from the previous year, which, together with efficiency improvements in variable costs, led to a significant increase in contribution margins. An additional factor were the strong savings in overheads, achieved through implementation of the re-organization plan. Thanks to these effects, and despite the negative impact of sales volumes, recurring EBITDA in the ready mixed concrete and aggregates segment, though a loss, showed a material improvement.

France – Belgium

In 2013, overall cement consumption fell in France and in Belgium, but the reduction in the first half of the year, affected by economic stagnation and harsh weather conditions, was countered by substantial stability in the second half of the year.

In France, Group overall **cement and clinker** sales volumes (including marginal export volumes) were down 3.4%. In Belgium (including exports), cement and clinker sales volumes were substantially stable; the sharp decline in the first quarter was completely re-absorbed by the positive performance of the subsequent quarters.

Average sales prices were substantially stable in France and down in Belgium, partly as a result of growing competitive pressures.

Group **ready mixed concrete** sales volumes rose by 0.9% in France, but fell by 2.1% in Belgium; **aggregates** sales volumes made slight progress overall (+0.6%).

Operating results were substantially in line with 2012, despite the absence of CO_2 rights sales. This was due to increased production efficiency driven by energy savings in production plants and measures to contain overheads.

Spain

The contraction in cement consumption continued in 2013, with a sharper fall in the Basque Country compared with Andalusia, largely caused by the negative trend in the residential sector and infrastructure.

In this context, Group domestic cement sales volumes were down 10.0% from 2012. Overall **cement and clinker** sales volumes grew by 4.7%, buoyed by export growth.

The crisis in the construction sector also pushed down **ready mixed concrete and aggregates** sales volumes, which fell by 63.4% and 26.8% respectively.

In a still difficult market situation, the Group redoubled its efforts to support, raise efficiency and rationalize industrial operations, whose positive effects will continue in 2014.

Operating results declined, due to the absence of CO_2 emission rights sales and the fall in domestic sales volumes; these effects were offset in part by growth in exports and good control of operating expense.

Others

In **Greece**, where the general and industry situation remained critical, overall cement and clinker sales volumes were down 31.5% from 2012. In aggregates, sales volumes fell by 40.6%, while participation in an infrastructure construction project supported sales of ready mixed concrete, which were up 29.4% on 2012. Despite rigorous control of overheads, compared with 2012 recurring EBITDA, which remained negative, reflected in particular the further contraction in sales volumes and absence of CO_2 emission rights sales.

NORTH AMERICA

	Total North America
Full-cycle cement plants	6
Quarries	3
Ready mixed concrete plants	27

	Revenue		Recurring EBITDA		EBITDA		EBIT		Capital expenditure		Employees	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Total	428.7	439.5	55.0	48.8	61.1	55.6	(3.8)	(12.1)	31.2	26.5	1,381	1,413

Cement consumption on the Group markets was largely stable overall, despite adverse weather conditions in the early months of the year and in December, and despite the continuing fall in market demand in Canada and Puerto Rico.

In this context, Group **cement** sales volumes grew by 1.5%.

The trend in average unit prices was also positive, despite an unfavorable effect from the regional sales mix.

Ready mixed concrete sales volumes dropped by 9.7%, largely owing to the downturn in Canada; sales of **aggregates** decreased by 10.0% after completion of supplies for the construction of a power station.

Recurring EBITDA improved overall compared with 2012, thanks to the positive evolution in sales volumes and recovery in sales prices in the cement segment, which outweighed the fall in volumes and contribution margins in ready mixed concrete.

EMERGING EUROPE, NORTH AFRICA AND MIDDLE EAST

	Egypt	Morocco	Others[1]	Total Emerging Europe, North Africa and Middle East
Full-cycle cement plants	5	3	1	9
Grinding centers	-	1	1	2
Terminals	-	-	2	2
Quarries	-	4	-	4
Ready mixed concrete plants	20	25	10	55

	Revenue		Recurring EBITDA		EBITDA		EBIT		Capital expenditure		Employees	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Egypt	498.9	563.9	110.1	127.0	106.0	127.1	52.0	(24.2)	40.9	31.2	4,502	4,573
Morocco	325.0	325.4	143.1	137.3	147.4	137.7	107.2	100.5	23.4	18.7	960	978
Others [1]	120.0	119.5	14.7	23.0	15.1	23.1	1.5	12.3	70.4	20.2	727	736
Eliminations	-	-	-	-	-	-	-	-	-	-	-	-
Total	943.9	1,008.7	268.0	287.2	268.5	287.8	160.7	88.6	134.7	70.1	6,189	6,287

(1) Bulgaria, Kuwait, Saudi Arabia

Egypt

In 2013, Egypt was affected by constant political uncertainty and instability, which culminated in the removal of the President and the transfer of power to the Constitutional Court, followed by demonstrations in August and October.

This situation exacerbated difficulties in commodity procurement, with a particular impact on the availability of energy and a consequent negative impact on the production levels in the sector.

In this context, cement consumption was down by an estimated 2.1% from 2012, but showed a recovery in the fourth quarter, despite the national holidays in October and the exceptionally bad weather in December.

Group **cement and clinker** sales volumes were down 17.6%, due to the absence of clinker sales and the sharp reduction in exports. Domestic cement sales volumes were down 8.6% due to the irregular rhythm in production; this was countered by a strong rise in sales prices.

Sales volumes of **ready mixed concrete** were positive (+8.3%), despite the gradual deterioration in the trend over the year.

Overall, recurring EBITDA was substantially stable in 2013 in local currency compared with 2012. The negative volume effect and the significant rise in the cost of energy factors, after the Government increased the price of industrial fuels by 60% in February, were counterbalanced by the positive sales prices effect.

Recurring EBITDA expressed in euro reflected the impact of the depreciation of the Egyptian pound.

Morocco

In 2013, cement consumption was down on the previous year. The sharp fall in the first half of the year, marked by particularly heavy rainfall and a slowdown in private investment in social building and public works, was counterbalanced by the positive trend in the second half of the year.

In this market context, Group domestic cement sales volumes were down 6.4%, with average sales prices confirming the healthy mood recorded at the end of 2012. Overall **cement and clinker** sales were down 4.1%.

Ready mixed concrete and aggregates sales volumes were up by 12.6% and 6.7% respectively.

Operating results improved thanks to the positive sales prices trend in the three business segments and good control of operating expense.

Others

After a positive start to 2013, **Bulgaria** experienced a sharp economic slowdown caused by the political uncertainty after the parliamentary elections in May. Overall cement and clinker sales volumes increased by 5.6% from 2012 thanks to exports, stimulated by investments for the Winter Olympics in Russia. Recurring EBITDA benefited from the significant containment of operating expense, but was down from 2012 due to the absence of income from CO_2 emission rights sales, which were significant in the previous year.

In **Kuwait**, the economic situation benefited from greater political stability after the parliamentary elections in July. In an upbeat but highly competitive market, Group cement sales increased by 9.6%, with stable prices, while sales of ready mixed concrete rose by 1.0%. Recurring EBITDA was up on 2012.

ASIA

	Thailand	India	Others(1)	Total Asia
Full-cycle cement plants	3	2	1	6
Grinding centers	-	1	-	1
Ready mixed concrete plants	31	-	2	33

	Revenue		Recurring EBITDA		EBITDA		EBIT		Capital expenditure		Employees	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Thailand	269.2	227.9	51.5	30.3	52.5	30.1	28.4	5.6	20.9	22.5	876	858
India	213.5	248.6	28.4	52.0	28.9	51.4	10.0	32.5	21.7	24.5	802	795
Others (1)	49.4	44.4	0.3	3.5	-	3.5	(7.0)	(2.9)	4.0	4.5	291	289
Eliminations	-	-	-	-	-	-	-	-	-	-	-	-
Total	532.1	520.9	80.2	85.8	81.4	84.9	31.4	35.2	46.6	51.5	1,969	1,942

(1) Kazakhstan

Thailand

The market mood was favorable in 2013 (cement consumption grew by an estimated 9.8% from 2012), despite a slowdown in the fourth quarter fuelled by the political and social tensions in the country.

Group domestic **cement** sales volumes rose by 13.8%, thanks in part to the return to operation of a kiln in the Takli cement plant in March. Overall cement and clinker sales volumes grew by 5.5%, due to the reduction in exports.

Ready mixed concrete sales volumes showed significant progress from 2012 (+36.0%) thanks to the acquisition of new contracts.

Recurring EBITDA achieved important growth from 2012, largely due to the trend in sales prices and, to a lesser extent, sales volumes. While some operating expenses increased, an appreciable recovery was obtained in industrial efficiency in the Pukrang cement plant, where a waste heat recovery (WHR) process went into operation in June.

India

According to our estimates, cement consumption on the markets in southern India showed an albeit small reduction, for the first time in more than ten years.

The trend reflected the impact of the reduction in public spending and the social unrest in the wake of the official announcement of the division of Andhra Pradesh into two separate states. The split continues to fuel widespread protests, with negative repercussions on the local industry.

In this context, Group domestic cement sales showed a small improvement (+ 0.6%), while overall **cement and clinker** sales rose by 1.6%.

Surplus production capacity and competitive pressures on a slackening market generated strong pressure on average sales prices, which were down on 2012.

Recurring EBITDA therefore decreased with respect to the previous year due to the negative price effect and, to a lesser extent, the increase in some variable costs (notably, raw materials and energy) and the depreciation of the rupee on results denominated in euro.

Others

In **Kazakhstan**, cement consumption grew strongly. Although Group domestic cement sales volumes were affected by the market entry of new players in the second half of the year, they increased by 6.6% (+4.9% overall including exports); the improvement in sales volumes of ready mixed concrete was even stronger (+45.8%). Operating results were down on 2012 owing to the rise in energy costs and overheads, counterbalanced only in part by the positive sales price and volume effect. At the end of 2013, installation began of a dry clinker production line, which will enable Shimkent to improve its cost structure, guarantee operating continuity on an expanding market and cut environmental impact.

CEMENT AND CLINKER TRADING

	Total Cement and clinker trading
Grinding centers	1
Trading terminals	4
Ready mixed concrete plants	2

	Revenue		Recurring EBITDA		EBITDA		EBIT		Capital expenditure		Employees*	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Total	176.1	213.0	6.8	8.9	6.8	8.7	2.7	5.6	4.2	3.1	305	346

* the figure refers to all operations, including fuel trading

2013 intragroup and third-party cement and clinker sales volumes decreased by 17.0% from the previous year.

The reduction in volumes was largely due to decreased availability of cement and clinker from Egypt, offset only in part by larger exports from Spain and Bulgaria.

Operating results were down on 2012.

Energy

During 2013, Italgen continued work on the projects launched in previous years and coordinated management of plants in operation. A brief description of initiatives in the various countries is provided below.

Italy

Electricity production in the year was approximately 310 GWh with an average availability rate of about 96%.

The **photovoltaic plant in Guiglia (Modena)**, owned by the associate i.Fotoguiglia S.r.l., reported total production for the year of 8.0 GWh, with a 99.5% availability rate.

Morocco

In 2013, civil and mechanical construction work continued on the **solar concentrator plant** in **Ait Baha**.

Regarding the **Safi wind farm project (10 MW),** after the positive outcome of the feasibility study, development activities were completed and the procedure to obtain the necessary permits for this type of activity moved toward a conclusion. During the year under review, the **Laayoune wind farm (5 MW)** produced 15.4 GWh, with an average plant availability of around 99%.

Bulgaria

During 2013, the **Kavarna I and Kavarna II wind farms (18 MW)** produced 43.4 GWh with an availability rate of 97.3%. In 2013, after the ruling of the Community bodies, the additional contribution of 10% of turnover for access rights to the network was abolished. On the other hand, with effect from January 1, 2014, the state budget approved at the end of December re-introduced taxation on renewable energy sources, this time at 20%. The

Bulgarian wind energy association is drawing up an appeal to the constitutional court alleging the manifest illegitimacy of the tax, whose application is nonetheless mandatory pending an eventual ruling to the contrary by the court.

Egypt

The **Gulf El Zeit wind farm project** has been subdivided into two phases (phase 1 and phases 2), each of which provides for construction of a 120 MW wind farm with an independent corporate status. Development work has been completed on phase 1, and is underway on phase 2.

Greece

The **Mandra wind farm project** is in the analysis and pre-development stage. The site is near Athens, where Halyps owns a quarry and some adjoining land.

2013 results

Italgen S.p.A.’s revenue amounted to 73.1 million euro, a decrease of 7.6% from 2012. Revenue performance reflected the fall in energy sales prices on the market and, with regard to transportation, the introduction in the second half of the year of the so-called *Decreto Energivori* (high energy consumers decree), which introduced discounts of 60% on the “system charges” component of the transportation rates for companies with high consumption.

Recurring EBITDA was 17.7 million euro in 2013, up by 33.4% on 2012 (13.3 million euro); this reflects the positive impact of the increase in green certificates compared with 2012 and greater hydroelectric production, and the negative influence of the above-mentioned *Decreto Energivori* and the temporary service stoppage (from the end of July to mid-October) on the electric line linking the Vaprio power station with the Calusco cement plant.

Transactions with related parties

For the purposes of the consolidated financial statements, transactions with related parties concerned:

- the parent Italmobiliare S.p.A. and the Italmobiliare group companies (subsidiaries, joint ventures, associates and their subsidiaries);
- non-consolidated subsidiaries of Italcementi S.p.A.;
- joint ventures and their subsidiaries;
- associates and their subsidiaries;
- other related parties.

Key figures at December 31, 2013 for transactions with related parties are provided in the notes (note 34).

Transactions with related parties reflect Italcementi S.p.A.’s interest in leveraging the synergies within the Group to enhance production and commercial integration, employ competencies efficiently and rationalize use of corporate divisions and financial resources.

All transactions with related parties, whether financial or relating to the exchange of goods and services, are conducted at normal market conditions and comply with the Code of Conduct. No atypical or unusual transactions as defined by Consob Communication no. DEM / 6064293 of July 28, 2006 took place during the year.

Transactions with Italmobiliare S.p.A. and Italmobiliare group companies

Italcementi S.p.A. is subject to management and coordination by Italmobiliare S.p.A..

Italcementi S.p.A. provides Italmobiliare S.p.A. and that company's subsidiaries with personnel administration services, and receives and provides services. It also provides Italmobiliare S.p.A. with a share register management service and administration services for shareholders' meetings.

Following the introduction of the "tax consolidation" regime in Italian tax law, Italcementi S.p.A. and some of its Italian subsidiaries elected national tax consolidation as per articles 117-129 of the Consolidated Income Tax Act (TUIR), with Italmobiliare S.p.A. as the consolidating company.

Italcementi S.p.A. does not hold nor held during the year, directly or indirectly, Italmobiliare S.p.A.'s shares.

Transactions with subsidiaries, joint ventures, associates and their subsidiaries

Transactions with subsidiaries not consolidated on a line-by-line basis and with the other companies are of a trading nature (exchange of goods and/or services) and a financial nature.

Transactions with other related parties

In 2013, Italcementi S.p.A. disbursed an amount of 500,000 euro to the Italcementi Cav. Lav. Carlo Pesenti foundation to cover management costs. With regard to the contract for the supply of corporate-administrative services and other services, Italcementi S.p.A. charged the foundation an amount of 162,000 euro. CTG S.p.A. provided the foundation with services for 35,000 euro.

In 2013, Finsise S.p.A., whose majority shareholder is Italo Lucchini, a director of Italcementi S.p.A., provided administrative, financial, contractual, tax and corporate re-organization consultancy services for considerations totaling 360,000 euro. A similar contract for an annual consideration of 10,500 euro exists between Finsise S.p.A. and the subsidiary Azienda Agricola Lodoletta S.r.l..

During the year Italcementi S.p.A. and subsidiaries received legal services for 310,000 euro from the law firm of which Luca Minoli, a director of Italmobiliare S.p.A., is a partner.

The Italcementi Group provided goods and services for companies in the SIKA group, whose owner is director Fritz Burkard, for approximately 2.6 million euro and made purchases for approximately 32.6 million euro. The Italcementi Group also recorded income of approximately 3.9 million euro as settlement of the earn-out on the companies operating under the Axim brand sold at the end of 2011.

Transactions with related parties are illustrated in the notes, while remuneration paid to the Italcementi S.p.A.'s Directors, Statutory Auditors, Chief Operating Officer and Manager in charge of preparing the financial reports, for positions held within the Group, are illustrated in the Remuneration Report.

Information systems

Activities concerning IT systems in 2013 focused mainly on containing overheads through the gradual consolidation of applications and infrastructure, but without limiting service levels and overall coverage.

The main results obtained on projects in 2013 are summarized below.

- Development of the new model for the procurement process and its initial implementation in a Group company. The main aim is to improve analytical potential during purchasing and identify/achieve top performance.
- The launch of the Customer Relationship Management (CRM) tool and other tools for the sales force in most Group companies in order to improve commercial potential and customer loyalty.
- The development of digital marketing tools at international level to manage and enhance the new corporate branding system and support marketing strategies.

In 2014, the priorities will continue to be reduction of overheads in IT and other corporate functions. Mention should be made of the "dematerialization" program for the re-design of internal and external processes. Adoption of mobile technology remains a priority and is expected to accelerate during 2014.

Sustainable development

In 2013, the Group maintained and strengthened its commitment to sustainable development in all countries and lines of business, with initiatives coordinated by the Group's "Sustainable Development Steering Committee". Details on objectives, initiatives and results are provided in the "Sustainability Disclosure".

Human resources

Efficiency-raising measures continued in 2013 and led to a reduction in the workforce of 452 persons, from 18,886 to 18,434. The reductions affected all the main areas except Asia. The largest decreases were in the Italian production plants and in Spain. The overall number of employees includes staff for the equivalent of 616 full-time employees currently on state-subsidized layoff in Italy.

The downsizing took place largely through restructuring agreements drawn up with the unions, special exit or retirement incentives, and attention to limiting social impact. This enabled the Group to maintain a correct internal climate, confirmed by the immaterial level of strikes and union unrest, despite the significance of the measures taken.

Close attention to reducing costs did not prevent the necessary **personnel development** measures to enable international mobility, enhance key competences and retain the most qualified employees; this kept turnover of key personnel to a physiological minimum, confirming the strong sense of belonging in the organization.

In 2013, the Group provided 287,592 hours of **training** involving 19,546 people on at least one course, for a total of 30,476 participants. Training activities are always structured in four areas: Human Capital Development, Efficiency, Sustainable Development and Innovation, Compliance and Risk Mitigation. Significant events in 2013 were as follows:

- support for the *"i.nova branding"* project (see the i.nova section below), in order to facilitate understanding of the new product classification and related sales strategy,

foster in-depth knowledge of products and facilitate change management in order to ensure correct transfer of the new market approach;
- implementation of the knowledge management project on the production process and the cement and ready mixed concrete technologies, in order to valorize and improve availability of the Group's basic know-how;
- implementation of the *"Lock-out - Tag-out"* e-learning module to support the Group machine safety standard distributed to all countries and translated into local languages;
- start-up of the *"Giving Sense to Safety"* course for the cement plant first lines, to improve managers' performance with regard to safety.

Initiatives continued in 2013 to improve the **corporate governance** system, using the methodology already developed in previous years. Through specific initiatives on several potentially critical areas, priority was given to segregation of responsibilities and to implementation of compensatory and a posteriori controls where alignment with standards is not fully possible.

Integration and maintenance continued, from a process viewpoint, of Management Systems (Quality, Environment, Safety), investment assessment and approval procedures and procedures for the qualification and acquisition of services and consultancy.

Roll-out of the corporate processes also continued at all Group companies, based on action plans adapted to local business requirements and Group priorities, through the issue of guidelines with particular reference to ethical principles and conduct, the anti-corruption program, and instructions for procurement processes.

A number of initiatives were completed or are underway for the re-organization and dematerialization of some corporate processes, in order to identify potential savings, in part through wider use of corporate IT tools or market solutions.

Engineering, technical assistance, research and development

(CTG S.p.A. – Group Technical Center)

In 2013, CTG S.p.A. carried out engineering, investment project management, technical assistance, and R&D activities for the Group companies in Italy and abroad, providing services for 46.7 million euro (49.6 million euro in 2012).

Staff at the end of 2013 numbered 343 (371 at December 31, 2012), of whom 263 in Bergamo, 72 in Guerville (France) and 8 at Group companies.

Regarding current projects managed by CTG in coordination with the relevant Group companies, engineering operations were largely completed for the revamping of the Devnya cement plant in Bulgaria (4,000 mt of clinker per day). For the revamping of the Rezzato cement plant in Italy (3,000 mt of clinker per day), due for completion by the end of 2014 with an investment of 150 million euro, the order assignment program has been largely completed. A General Contractor was selected through an electronic bid procedure and the CTG site structure was installed and commissioned and during the year was completed with all the positions in the project organization chart; in the second half of the year, the General Contractor began mechanical assembly operations. In Gulbarga, India, analysis and technical alignment continued on the offers for the new facility (7,000 mt/day) and the related power station. With regard to the opening of the Barry quarry (Belgium), a series of technical project decisions were taken, and the project should become operational in 2015. For the new Suez coal grinding center in Egypt (65 mt/hour), the project moved into the executive phase in July. Regarding the modernization of the new kiln line in Shimkhent, Kazakhstan, after the new line construction permits were obtained, the project executive phase began. In Gargenville (France), the preliminary studies for the opening of the new quarry and the link to the cement plant and the improvements inside the existing facility were reviewed. Other projects are underway in India, Morocco, North America and Thailand.

Assistance operations included activities in Egypt (Tourah coal slurry), energy plan activities (France, Italy and Morocco), use of alternative fuels (Gaurain in particular) and development of expert systems for mills and kilns.

In 2013, CTG also involved the Group companies in activities to increase use of alternative fuels in cement plants.

R&D work focused on materials and processes; eight patent applications were filed during the year.

For the new products, i.like, Tx Active, i.tech Cargo, Alipre, Alicem and i.dro Drain, the Group is defining new formulations, improving performance and containing production costs.

New formulations were developed and tested for various types of ready mixed concrete, specifically for those based on sulfoalluminate binders.

Regarding CO_2 emissions, research on the biological valorization of CO_2 continued in cooperation with an important French research laboratory; the goal is to re-use carbon dioxide to produce biomass with micro algae.

Innovation

In 2013, the Italcementi Group continued development of new products, services and applications, making new solutions and productions ready for marketing in 2014 in eight areas: thermal insulation products, acoustic insulation products, conductive products, new solutions in photocatalytic products, i.light products, special applications for high-resistance mortars, architecture products, sulfoalluminate cement-based products.

Cooperation continued with Sika in 2013 on research and development of possible synergies in production and the product range, after the sale of the cement and concrete additives operations. The operating synergies under development concern new joint initiatives in India, Morocco, U.S.A. and, later, Thailand for production of ready-mixed products.

Sales volumes of sulfoalluminate cement-based products (i.speed ALI and i.tech ALI range) increased considerably, thanks in part to a gradual expansion of the range, which now includes a ready-to-use product as well as clinker and binders.

In March, the Group took part in “Eurocoating 2013”, an important exhibition in Nuremberg, to promote its sulfoalluminate range and launch the new micro limestone (i.tech) produced by Devnya in Bulgaria.

Demand increased for i.idro DRAIN, the new ready mixed draining concrete; the product’s many qualities generated significant revenue growth in Italy in 2013 and led other Group companies to consider marketing it in 2014.

Important efforts were devoted to work for EXPO 2015: in terms of the introduction of innovative and standard products for construction work, important results have already been achieved and others are expected. In this connection, in a temporary consortium with a leading producer of luxury prefabricated buildings, Italcementi was awarded the contract to face the external walls of Palazzo Italy with an innovative high-performance cement; this renews the role played at the Shanghai Expo in 2010, when Italcementi launched i.light, with a strong positive impact on its image.

With the effects of the withdrawal of Axim additives from the scope of consolidation fully absorbed, the Innovation Rate (IR, the percentage of revenue from innovation on operating revenue) was around 5.0%, on revenue of more than 220 million euro.

i-nova

The goal of the “i.nova branding system” launched in the second half of 2013 is to capitalize on the value of Group innovation by bringing innovation to market through a new worldwide product branding system.

The new Italcementi Group branding strategy implements an innovative re-organization of the product offer, based on the concept of Performance Families. The introduction of Performance Families (eleven altogether), each of which comprises a set of product values characterized by the same performance, aims to achieve a strategic and functional objective. The market acquires a clearer understanding of the Italcementi product offer, so that all players in the building community can find the most suitable solution in terms of performance for their specific needs.

Using a matrix system, the Italcementi Group has developed a “language” based on a system of structured codes/parameters that can be easily understood by the market. The Group also intends to use the new offer system to enhance its brand.

E-business

In 2013, BravoSolution group’s revenue was 65.7 million euro, an increase of 6.5% from 2012 (61.8 million euro). EBITDA was 8.5 million euro, a significant improvement (+23.1%) from 2012. The EBIT dynamic was also very positive, with growth of 69.2% to 3.1 million euro. Profit before tax was 2.3 million euro (1.2 million euro) and profit for the year was 2.4 million euro (0.5 million euro).

The group’s healthy performance compared with 2012 was attributable to the increase in revenue and a limited rise in costs, compatibly with business volumes.

In 2013, **BravoSolution S.p.A.**’s revenue was 23.0 million euro (-2.4%), with positive results maintained despite the year’s slowdown, although EBITDA was down on 2012. On a market where customers continued to encounter operating and financial difficulties, **BravoBus S.r.l.** reported an increase in revenue (+10.3%) and posted a profit for the year.

BravoSolution France reported revenue of 9.4 million euro (+3.9%), with a profit for the tenth consecutive year.

Although **BravoSolution España S.A.** reported a decrease in revenue (-8.4%), it posted a profit before tax.

BravoSolution UK showed a small revenue reduction (-2.1%) to 8.9 million euro, and posted a profit for the year.

The group of companies headed by **BravoSolution US** (USA, Canada, UK) closed 2013 with aggregate revenue of 15.9 million euro, a figure substantially in line with 2012 (-1.1%), with positive EBITDA and a loss for the year.

Regarding recent initiatives, strong growth was reported by the subsidiary **TejariSolution FZ** in **Dubai**, established in early 2012; in 2013 the subsidiary reported revenue of 6.5 million euro (+84.5%) and a profit for the year.

Disputes and pending proceedings

Italy

On June 18, 2013, the Competition and Market Authority (AGCM) notified Calcestruzzi S.p.A. that a procedure had begun for the re-determination of the fine (10.2 million euro) imposed in 2004 and partially overturned by the Regional Administrative Court of Lazio and the *Consiglio di Stato* (the appellate body for rulings issued by the regional administrative courts). On January 13, 2014, Calcestruzzi was notified that the AGCM had re-determined the fine at 8,125,509 euro, plus payment of increases as per art. 27 paragraph 6 of Law no. 689/81, for an overall amount, based on a preliminary estimate, of more than 7 million euro. Calcestruzzi considers the decision to be entirely inequitable, illegitimate from various viewpoints and contrary to the spirit of the rulings of the administrative courts; it filed an appeal for a suspension with the Regional Administrative Court, which upheld its appeal on February 13, 2014. Consequently, the fine imposed on Calcestruzzi is not currently due, pending a decision on the merits of the case; a hearing has been arranged in November.

The AGCM began a new proceeding in January 2014 alleging unfair trading practices by Calcestruzzi S.p.A. and other industry players, in the Friuli region. The term for the proceeding has been set at January 30, 2015.

Europe

Regarding the investigation begun in November 2008 by the European Commission into some cement producers, including Italcementi S.p.A. and the subsidiaries Ciments Français S.A., Ciments Calcia S.A. and Compagnie des Ciments Belges (CCB) S.A., in December 2010 the European Commission notified the formal opening of the proceeding to Italmobiliare S.p.A. (and, indirectly through Italmobiliare, to the above-named Group companies and the Spanish subsidiary Financiera Y Minera). Subsequently, in April 2011, the Commission served a further formal notice on Italmobiliare of its decision to request extensive additional economic, financial and commercial information. Italmobiliare provided the information within the required term and, simultaneously, lodged an appeal with the EU General Court against the decision. Both the investigation and the proceedings are still underway. In March 2014, the EU General Court is expected to issue a formal ruling on the appeal filed by Italmobiliare S.p.A..

Turkey / Russia

Regarding the proceeding begun by Sibconcord against Ciments Français for the non-closure of the 2008 agreement for the sale of the Group's Turkish operations (Set Group) to the subsidiary Sibcem, the various proceedings moved ahead in accordance with the procedural regulations of the countries in question. On July 10, 2013, the court of Kemerovo (Russia) issued a ruling in favor of Ciments Français, stating that the loss of 50 million euro by Sibcem was solely due to the appellant's failure to comply with the agreements. Sibconcord appealed against the ruling and a hearing will be held at the end of March 2014.

With regard to the proceeding begun in Turkey by Sibcem to annul the arbitration award envisaged by the contract and already found in favor of Ciments Français, the Court of Appeal overturned the ruling of first instance of the court of Kadikoy, which upheld the appeal, and ordered the case to be sent to the court of Istanbul, deemed territorially competent; the hearings are currently underway. The arbitration ruling has been recognized in France, Belgium and Kazakhstan, and proceedings for the recognition of the award are underway in Italy, Bulgaria, Egypt and the USA.

Egypt

Lawsuits were brought locally by individuals to annul the privatizations of Helwan and Tourah, which took place before the companies were acquired by the Italcementi Group through its local subsidiary Suez Cement. Suez Cement is not involved in the lawsuit for the annulment of the Helwan privatization, since to date only the parties that actually took part in the privatization are involved; they do not include Suez Cement, which acquired Helwan, from other private parties, after its privatization.

Hypotheses regarding the possible outcome of the case cannot be made at this time.

Significant events after the reporting period

At its meeting on March 6, 2014, the Italcementi S.p.A. Board of Directors examined and approved a plan to streamline its corporate structure and strengthen the Group. The plan envisages:

- the mandatory conversion of Italcementi savings shares into ordinary shares at a rate of 0.65 ordinary shares for each savings share ("**Mandatory Conversion**")
- an increase in Italcementi's capital through a rights issue for a maximum of 450 million euro ("**Capital Increase**")
- a voluntary public tender offer by Italcementi on Ciments Français minorities at a price of 78 euro per share (cum dividend), for the purpose of delisting Ciments Français from the Paris Stock Exchange (the "**PTO**")

The aim of the plan is to streamline the Italcementi Group's present capital structure, governance and control chain, while boosting its capital base and preserving the Group's financial flexibility. The plan also aims to increase Italcementi's capitalization and overall free float, thereby generating greater share liquidity for the benefit of shareholders and potential investors.

At a meeting also held on March 6, 2014, the Board of Directors of Italmobiliare S.p.A., the company that manages and coordinates Italcementi, declared its support for the plan and, consequently, its willingness to subscribe its rights under the Italcementi capital increase, to tender the shares it holds in Ciments Français for the PTO (2.73% of share capital), and also to convert the Italcementi savings shares it holds (2.856% of the savings share capital).

On completion of the transactions, Efiparind BV will retain control of Italcementi pursuant to art. 93 of the Consolidated Finance Act (TUF), through Italmobiliare, which will retain a share of more than 45% in Italcementi voting capital.

Further details of the project are set out in the joint Italcementi-Italmobiliare press release "Italcementi approves plan to strengthen and streamline its capital and group structure. Italmobiliare supports the transaction" of March 6, 2014.

Outlook

Market expectations for 2014 indicate a slowdown in the fall in demand in the euro zone, confirmation of the recovery in North America and Asia, and overall stability in North Africa due to greater domestic market stability in Egypt. The Group therefore expects its sales volumes to be substantially stable, with exports also providing a contribution.

The positive sales prices dynamic should continue on the majority of our markets. Combined with the measures to improve industrial efficiency, this will enable us to offset inflationary factors in variable costs.

The on-going rationalization of overheads and structural costs should generate a small improvement in EBIT compared with 2013.

Despite the important investments underway to strengthen the industrial network, which will see the new Devnya and Rezzato cement plants go into production by the end of this year, the increase in net debt will be limited, while leverage should remain substantially unchanged.

Bergamo, March 6, 2014

For the Board of Directors
The Chairman
Giampiero Pesenti

Consolidated financial statements

Financial statements

Statement of financial position

(in thousands of euro)	Notes	12.31.2013	12.31.2012 re-stated	Change	01.01.2012 re-stated
Non-current assets					
Property, plant and equipment	5	3,912,829	4,121,089	(208,260)	4,447,322
Investment property	5	24,854	29,269	(4,415)	23,457
Goodwill	6	1,508,142	1,598,687	(90,545)	1,919,273
Intangible assets	7	93,975	97,808	(3,833)	98,083
Equity-accounted investees	8	189,226	207,488	(18,262)	216,742
Other equity investments	9	53,489	80,096	(26,607)	88,246
Deferred tax assets	21	67,252	57,723	9,529	76,217
Other non-current assets	10	243,077	307,521	(64,444)	289,183
Total non-current assets		**6,092,844**	**6,499,681**	**(406,837)**	**7,158,523**
Current assets					
Inventories	11	624,145	699,720	(75,575)	740,991
Trade receivables	12	660,443	744,579	(84,136)	857,327
Other current assets including derivatives	13	282,741	319,149	(36,408)	296,566
Tax assets		28,840	26,638	2,202	29,348
Equity investments, bonds and financial assets		46,668	23,006	23,662	36,022
Cash and cash equivalents	36.1	484,386	578,388	(94,002)	613,334
Total current assets		**2,127,223**	**2,391,480**	**(264,257)**	**2,573,588**
Total assets		**8,220,067**	**8,891,161**	**(671,094)**	**9,732,111**
Equity					
Share capital	14	282,549	282,549	-	282,549
Share premium	14	344,104	344,104	-	344,104
Reserves	15	(90,563)	36,344	(126,907)	131,764
Treasury shares	16	(58,690)	(58,690)	-	(58,690)
Retained earnings	17	2,126,445	2,298,667	(172,222)	2,745,198
Equity attributable to owners of the company		**2,603,845**	**2,902,974**	**(299,129)**	**3,444,925**
Non-controlling interests	18	1,172,665	1,261,726	(89,061)	1,389,258
Total equity		**3,776,510**	**4,164,700**	**(388,190)**	**4,834,183**
Non-current liabilities					
Financial liabilities	22	2,135,003	2,016,946	118,057	2,099,268
Employee benefits	19	284,944	324,863	(39,919)	269,233
Provisions	20	214,073	225,435	(11,362)	248,790
Deferred tax liabilities	21	203,477	193,643	9,834	217,796
Other non-current liabilities		29,982	40,529	(10,547)	29,788
Total non-current liabilities		**2,867,479**	**2,801,416**	**66,063**	**2,864,875**
Current liabilities					
Loans and borrowings	22	228,791	429,479	(200,688)	189,296
Financial liabilities	22	188,269	296,376	(108,107)	543,934
Trade payables		517,196	605,629	(88,433)	618,343
Provisions	20	1,718	559	1,159	1,993
Tax liabilities		34,293	30,884	3,409	42,299
Other current liabilities	23	605,811	562,118	43,693	637,188
Total current liabilities		**1,576,078**	**1,925,045**	**(348,967)**	**2,033,053**
Total liabilities		**4,443,557**	**4,726,461**	**(282,904)**	**4,897,928**
Total equity and liabilities		**8,220,067**	**8,891,161**	**(671,094)**	**9,732,111**

Income statement

(in thousands of euro)	Notes	2013	%	2012 re-stated	%	Change	%
Revenue	4	**4,235,433**	**100.0**	**4,478,796**	**100.0**	**(243,363)**	**-5.4**
Other revenue		41,336		44,573			
Change in inventories		(10,499)		20,193			
Internal work capitalized		38,421		32,221			
Raw materials and supplies	25	(1,681,650)		(1,866,121)			
Services	26	(1,059,965)		(1,117,650)			
Employee expense	27	(862,413)		(911,137)			
Other operating expense	28	(69,705)		(37,787)			
Recurring EBITDA	4	**630,958**	**14.9**	**643,088**	**14.4**	**(12,130)**	**-1.9**
Net gains from sale of non-current assets	29	20,262		38,548			
Non-recurring expense for re-organizations	29	(30,336)		(56,112)			
Other non-recurring income (expense)	29	(2,931)		23			
EBITDA	4	**617,953**	**14.6**	**625,547**	**14.0**	**(7,594)**	**-1.2**
Amortization and depreciation	4	(426,549)		(456,382)			
Impairment	5 - 6	(32,120)		(309,354)			
EBIT	4	**159,284**	**3.8**	**(140,189)**	**-3.1**	**299,473**	**n.s.**
Finance income	30	41,370		58,165			
Finance costs	30	(161,507)		(151,102)			
Exchange-rate differences and derivatives	30	(3,718)		(1,520)			
Impairment on financial assets	9	(16,048)		-			
Share of profit (loss) of equity-accounted investees	8	8,086		11,108			
Profit (loss) before tax	4	**27,467**	**0.6**	**(223,538)**	**-5.0**	**251,005**	**n.s.**
Income tax expense	31	(115,883)		(146,334)			
Loss relating to continuing operations		**(88,416)**	**-2.1**	**(369,872)**	**-8.3**	**281,456**	**76.1**
Profit relating to discontinued operations		-		8,194			
Loss for the year		**(88,416)**	**-2.1**	**(361,678)**	**-8.1**	**273,262**	**75.6**
Attributable to:							
Owners of the company		**(165,049)**		**(395,185)**		**230,136**	
Non-controlling interests		**76,633**		**33,507**		**43,126**	
Earnings per share	33						
- Basic							
savings shares		-0.574 €		-1.400 €			
ordinary shares		-0.604 €		-1.430 €			
- Diluted							
savings shares		-0.574 €		-1.400 €			
ordinary shares		-0.604 €		-1.430 €			

n.s.= not significant

Statement of comprehensive income

(in thousands of euro)	Notes	2013	%	2012 re-stated	%	Change
Loss for the year		**(88,416)**	**-2.1**	**(361,678)**	**-8.1**	**273,262**
Other comprehensive income (expense) relating to continuing operations						
Items that will not be reclassified to profit or loss subsequently						
Remeasurement of the net liability (asset) for employee benefits		29,063		(27,886)		
Income tax		(4,581)		11,574		
Total items that will not be reclassified to profit or loss subsequently		**24,482**		**(16,312)**		**40,794**
Items that might be reclassified to profit or loss subsequently						
Translation reserve on foreign operations		(228,677)		(91,641)		
Translation reserve on foreign operations - equity-accounted investees		(10,948)		(365)		
Fair value gains (losses) on cash flow hedges		14,854		(28,970)		
Fair value gains (losses) on cash flow hedges - investments in equity-accounted investees		161		(225)		
Fair value losses on available-for-sale financial assets		(4,650)		(23,858)		
Fair value gains on available-for-sale financial assets - investments in equity-accounted investees		110		50		
Income tax		1,597		2,256		
Total items that might be reclassified to profit or loss subsequently		**(227,553)**		**(142,753)**		**(84,800)**
Total other comprehensive expense	**32**	**(203,071)**	**-4.8**	**(159,065)**	**-3.6**	**(44,006)**
Total comprehensive expense		**(291,487)**	**-6.9**	**(520,743)**	**-11.6**	**229,256**
Attributable to:						
Owners of the company		**(270,548)**		**(508,468)**		**237,920**
Non-controlling interests		**(20,939)**		**(12,275)**		**(8,664)**

n.s.=not significant

Consolidated statement of changes in equity

(in millions of euro)	Attributable to owners of the company									Non-controlling interests	Total equity
		Reserves									
	Share capital	Share premium	AFS fair value reserve	Derivative fair value reserve	Other reserves	Translation reserve	Treasury shares	Retained earnings	Total share capital and reserves		
Balances at January 1, 2012	**282.5**	**344.1**	**12.0**	**5.1**	**108.5**	**6.3**	**(58.7)**	**2,795.2**	**3,494.9**	**1,400.0**	**4,894.9**
Effect of changes in accounting policies and other changes (note 1.26)								(50.0)	(50.0)	(10.7)	(60.7)
Re-stated balances at January 1, 2012	**282.5**	**344.1**	**12.0**	**5.1**	**108.5**	**6.3**	**(58.7)**	**2,745.2**	**3,444.9**	**1,389.3**	**4,834.2**
Re-stated profit (loss) for the year								(395.2)	(395.2)	33.5	(361.7)
Total other comprehensive expense re-stated			(19.9)	(25.7)		(52.8)		(14.9)	(113.3)	(45.8)	(159.1)
Total comprehensive expense re-stated	-	-	(19,9)	(25,7)	-	(52,8)	-	(410,1)	(508,5)	(12,3)	(520,8)
Stock options					0.1				0.1	(0.1)	-
Distribution of earnings: Dividends								(40.4)	(40.4)	(79.8)	(120.2)
% change in control and scope of consolidation					2,8			4.0	6.8	(35.5)	(28.6)
Re-stated balances at December 31, 2012	**282.5**	**344.1**	**(7.9)**	**(20.6)**	**111.4**	**(46.5)**	**(58.7)**	**2,298.7**	**2,903.0**	**1,261.7**	**4,164.7**
Profit (loss) for the year								(165,0)	(165,0)	76,6	(88,4)
Total other comprehensive income (expense)			(3.8)	16.4		(139.3)		21.1	(105.6)	(97.5)	(203.1)
Total comprehensive income (expense)	-	-	(3.8)	16.4	-	(139.3)	-	(143.9)	(270.6)	(20.9)	(291.5)
Stock options					(0.6)				(0.6)	0.0	(0.6)
Distribution of earnings: Dividends								(16.7)	(16.7)	(67.0)	(83.7)
% change in control and scope of consolidation					0.3			(11.6)	(11.3)	(1.1)	(12.4)
Balances at December 31, 2013	**282.5**	**344.1**	**(11.7)**	**(4.2)**	**111.1**	**(185.8)**	**(58.7)**	**2,126.4**	**2,603.8**	**1,172.7**	**3,776.5**

Statement of cash flows

(in thousands of euro)	Notes	2013	2012 re-stated
A) Cash flow from operating activities			
Profit (loss) before tax		27,467	(223,538)
Adjustments for:			
Amortization, depreciation and impairment		475,868	771,195
Reversal of share of profit (loss) of equity-accounted investees		1,759	1,827
Net (gains) losses from sale of non-current assets		(21,817)	(64,116)
Change in employee benefits and other provisions		(3,742)	26,450
Reversal of finance cost (income)		119,576	108,061
Cash flow from operating activities before tax, finance income/costs and change in working capital		**599,111**	**619,879**
Change in working capital	36.2	33,481	112,045
Cash flow from operating activities before tax, and finance income/costs		**632,592**	**731,924**
Net finance costs paid		(111,058)	(106,453)
Taxes paid		(92,032)	(129,269)
Total A)		**429,502**	**496,202**
B) Cash flow from investing activities			
Capital expenditure:			
Intangible assets		(12,679)	(16,781)
Property, plant and equipment and investment property		(323,113)	(352,869)
Financial assets (equity investments) net of cash acquisitions **(*)**		(3,491)	(544)
Total capital expenditure		**(339,283)**	**(370,194)**
Proceeds from the sale of non-current assets		38,081	84,571
Total sales		**38,081**	**84,571**
Change in other non-current financial assets and liabilities		(3,894)	(5,489)
Total B)		**(305,096)**	**(291,112)**
C) Cash flow from financing activities			
Increase in non-current financial liabilities		649,090	305,847
Repayments of non-current financial liabilities		(481,682)	(291,748)
Change in current financial liabilities		(266,957)	(112,062)
Dividends paid		(83,695)	(120,465)
Other changes in equity		(1,050)	470
Change in interests in subsidiaries		373	(10,280)
Other sources and applications		5,478	(3,489)
Total C)		**(178,443)**	**(231,727)**
D) Translation differences and other changes		**(39,965)**	**(14,715)**
E) Cash flow relating to discontinued operations			**6,406**
F) Cash flows for the year (A+B+C+D+E)		**(94,002)**	**(34,946)**
G) Cash and cash equivalents at beginning of year		**578,388**	**613,334**
Cash and cash equivalents at end of year (F+G)	**36.1**	**484,386**	**578,388**
(*) cash of acquired and consolidated companies		110	112

Contents

Notes

21. Deferred tax assets and Deferred tax liabilities
22. Net debt
23. Other current liabilities
24. Commitments
25. Raw materials and supplies
26. Services
27. Employee expense and Stock options
28. Other operating income (expense)
29. Non-recurring income (expense)
30. Finance income (costs), exchange-rate differences and derivatives
31. Income tax expense
32. Other comprehensive income
33. Earnings per share
34. Transactions with related parties
35. Joint ventures
36. Statement of cash flows
37. Non-recurring transactions
38. Audit fees
39. Events after December 31, 2013

Notes

The consolidated financial statements of Italcementi S.p.A. as at and for the year ended December 31, 2013 were approved by the Board of Directors on March 6, 2014. At the meeting, the Board authorized publication of a press release dated March 6, 2014 containing key information from the financial statements.

Italcementi S.p.A. is a legal entity established in accordance with the laws of the Republic of Italy. It has been listed on the Stock Exchange since 1925 and is subject to management and coordination by Italmobiliare S.p.A., whose key data from the most recently approved financial statements are provided in an annex to the separate financial statements.
Italcementi S.p.A. and its subsidiaries form the "Italcementi Group", an international player whose main lines of business are hydraulic binders, ready mixed concrete and aggregates. The Group is also active in other areas, some of which are instrumental to its core businesses: materials for the construction industry, transport, energy, engineering and e-business.
The financial statements have been drawn up on a going-concern basis. Despite the difficult economic and financial situation, by virtue of the measures already in place to respond to the changes in demand, and its industrial and financial flexibility, the Group has no material uncertainties about its ability to continue as a going concern.

1. Accounting policies

1.1. Statement of compliance with the IFRS

These consolidated financial statements have been drawn up in compliance with the International Financial Reporting Standards (IFRS) applicable at December 31, 2013 endorsed by the EC Commission.
In compliance with European Regulation no. 1606 of July 19, 2002, the policies adopted do not include the standards and interpretations published by the IASB and the IFRIC through December 31, 2013 that had not been endorsed by the European Union at that date.

Standards and interpretations that came into force in 2013
Since January 1, 2013, the Group has adopted the new standards and changes described below, including the changes arising therefrom applied to other standards.

- IAS 1 "Presentation of financial statements" relating to the presentation of other comprehensive income**.** As a result of the amendments to IAS 1, the Group has modified the presentation of other comprehensive income in the statement reflecting profit/(loss) and other components of comprehensive income. The new presentation shows the items that may in future be reclassified to profit/(loss) for the year (e.g., net gains on net investment hedging, translation gains/losses on the financial statements of foreign operations, net gains on cash flow hedges and net gains/losses on available-for-sale financial assets) separately from items that will never be reclassified (e.g., actuarial gains/losses on defined benefit plans). The comparative information has been reclassified accordingly. The change related solely to the method of presentation and has not had an impact on the Group's financial position or results of operations.
- IAS 12 – "Income taxes" – recovery of underlying assets. This amendment clarifies determination of deferred tax on investment property measured at fair value. The measurement criterion adopted by the Group after initial recognition is cost net of accumulated depreciation, consequently the change has not had an impact on Group results of operations.
- IAS 34 – "Interim financial reporting" and segment reporting for total assets and liabilities. The amendment clarifies segment disclosure requirements in order to improve consistency with IFRS 8 "Operating segments".

- Amendments to IFRS 7 "Financial instruments: disclosures" (Offsetting financial assets and financial liabilities) and related amendments to IAS 32 "Financial instruments: Presentation". The amendments, which require disclosure of offsetting rights and related agreements (e.g., guarantees), have not had impacts on the Group's financial position or results of operations.
- Amendments to IAS 19 "Employee benefits". The main changes refer to treatment of past service costs that have not vested and the actuarial gains/losses to be immediately recognized in profit/loss for the period and in other comprehensive income (elimination of the corridor method), and the adoption, for plan assets, of the discount rate used to determine the defined benefit liability. In the Group's case, the amendments to IAS 19 have had a material impact on the net defined benefit plan liability due to recognition of net actuarial losses and the difference in the accounting treatment of interest on plan assets; the impact with respect to past service costs was smaller. Finance costs relating to the obligations, net of income on asset yields, have been reclassified from "Employee expense" to "Finance costs".
- IFRS 13 "Fair value measurement". This standard introduces a single framework for fair value measurements and for related disclosure when fair value measurement is required or allowed by other standards. Specifically, the standard establishes a single definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also replaces and extends disclosures required with regard to fair value measurements by other standards, including IFRS 7. In compliance with the transitory indications of IFRS 13, the Group has applied the new fair value measurement method prospectively, without providing comparative information for the new disclosure. Application of IFRS 13 has generated a negative gross effect of approximately 2.2 million euro on the Group's results of operations and net financial position.
- IFRIC 20 "Stripping costs in the production phase of a surface mine". This interpretation, which applies to the accounting treatment of stripping costs incurred in surface mine operations during the production phase, has not had any impact on the Group.

The Group has also amended the accounting treatment of green certificates attributed to Italgen S.p.A.. Specifically revenue relating to green certificates is recognized on an accruals basis, at the time of production of electric power from renewable sources, and proportionately to production. Up until the previous year, the Group recognized revenue relating to green certificates at the time of sale.
The effects arising from the application of IAS 19 revised and the new accounting treatment of green certificates are set out in section 1.26 below.

Standards and interpretations to come into force in 2014

- Amendment to IAS 32 "Financial instruments: presentation", in the application guidance, regarding offsetting of financial assets and financial liabilities.
- IFRS 10 "Consolidated financial statements". The new standard replaces IAS 27 "Consolidated and separate financial statements" and SIC 12 "Consolidation – Special-purpose entities". IFRS 10 introduces a new control model, applicable to all entities in which an investment is held, based on the Group's power over the investee, its exposure or rights to variable returns from its involvement with the investee and its ability to affect those returns through its power over the investee.
- IFRS 11 "Joint arrangements". The new standard replaces IAS 31 "Interests in joint ventures" and SIC 13 "Jointly controlled entities – Non-monetary contributions by venturers"; it sets out the accounting policies for entities taking part in joint arrangements. The standard provides for joint arrangements to be classified as joint operations if the Group has rights to the assets and obligations for the liabilities relating to the arrangement, or as joint ventures if the Group only has rights to the net assets of the arrangement. Classification depends upon the structure of the arrangement, the legal status of any separate entities, the terms of the contractual arrangement and other facts and circumstances.

- IFRS 12 "Disclosure of interests in other entities", which organizes, strengthens and replaces disclosure requirements concerning interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.
- As a result of the introduction of the above standards, IAS 27 renamed "Separate financial statements", which deals exclusively with the preparation of separate financial statements, and the amendments to IAS 28 "Investments in associates and joint ventures" will come into force.
- Amendments to IAS 36 "Impairment of assets" to modify disclosure requirements relating to recoverable amounts in cases where recoverable amounts are based on fair value less costs to sell and in cases where an impairment loss is recognized.
- Amendments to IAS 39 "Financial instruments: Recognition and measurement" to govern the continuation of hedge accounting in the event of novation of derivatives following the introduction of new legislation/regulations.

The main effect arising from application of the above standards and amendments concerns identification of the type of joint arrangement, joint operation or joint venture, in order to establish the appropriate accounting treatment. Currently the Group consolidates joint ventures using the proportionate method, whereas the new IAS 28 and IFRS 11 envisage consolidation using the equity method.

Application of the above standards, amendments and interpretations is not expected to generate significant impacts on the Group financial statements.

Standards and interpretations published by the IASB and the IFRIC at December 31, 2013, but not endorsed by the European Union at that date

- IFRS 9 "Financial instruments" and amendments thereto and to IFRS 7.
- Amendments to IAS 19R with regard to defined benefit plans: employee contributions.
- Amendments to a number of IFRS issued in 2010-2013.
- IFRIC 21 "Levies", an interpretation concerning levies excluding income tax.

1. 2. Accounting policies and basis of presentation

The consolidated accounts adopt the cost principle, with the exception of derivatives and financial assets held for trading or for sale, which are measured at fair value. The carrying amounts of hedged assets and liabilities are adjusted to reflect changes in fair value on the basis of the hedged risks. The consolidated financial statements are presented in euro. All amounts in the accounting schedules and in the notes are rounded to thousands of euro, unless otherwise specified.
The basis of presentation of the Group financial statements is as follows:

- current and non-current assets and current and non-current liabilities are presented as separate classifications on the face of the statement of financial position. Current assets, which include cash and cash equivalents, are assets that the Group intends to realize, sell or consume during its normal business cycle; current liabilities are liabilities that the Group expects to settle during the normal business cycle or in the twelve months after the end of the reporting period;
- on the income statement, costs are analyzed by the nature of the expense;
- with regard to comprehensive income, the Group presents two statements: the first statement reflects traditional income statement components and the profit (loss) for the year, while the second statement, beginning with the profit (loss) for the year, presents other comprehensive income, previously reflected only in the statement of changes in consolidated equity: fair value gains/losses on available-for-sale financial assets and derivatives, currency translation differences;
- on the statement of cash flows, the indirect method is used.

Use of estimates

The preparation of the consolidated financial statements and the notes in conformity with the international financial reporting standards requires management to make discretional assessments and estimates that affect the values of assets, liabilities, income and expense, such as amortization, depreciation and provisions, and the disclosures on contingent assets and liabilities in the notes.
Since these estimates are determined on a going-concern basis, using the information available at the time, they could diverge from the actual future results. This is particularly evident in the present financial and economic crisis, which could generate situations diverging from those estimated today and require currently unforeseeable adjustments, including adjustments of a material nature, to the carrying amounts of the items in question.
Assumptions and estimates are particularly sensitive with regard to measurement of non-current assets, which depend on forecasts of future results and cash flows, measurement of contingent liabilities, provisions for disputes and restructurings and commitments in respect of pension plans and other long-term benefits.
Management conducts regular reviews of assumptions and estimates, and immediately recognizes any adjustments in the financial statements.
Given that the Italcementi Group applies IAS 34 “Interim financial reporting” to its half-year reports, with consequent identification of a six-month interim period, any reductions in value are recorded at closure of the half year.

1. 3. Basis of consolidation

The consolidated financial statements are based on the financial statements as at and for the year ended December 31, 2013, of the parent Italcementi S.p.A. and the consolidated companies. Where necessary, the financial statements are adjusted to ensure alignment with the Group’s classification criteria and accounting policies.

Subsidiaries

Subsidiaries are companies in which the Group has the power to determine, directly or indirectly, administrative and management decisions and to obtain the benefits thereof. Generally speaking, control is assumed to exist when the Group holds, directly or indirectly, more than one half of voting rights, including potential voting rights deriving from convertible securities.
Subsidiaries are consolidated on a line-by-line basis as from the date at which control is obtained and until control is transferred out of the Group.

Associates

Associates are companies in which the Group has significant influence over administrative and management decisions even though it does not hold control. Generally speaking, significant influence is assumed to exist when the Group holds, directly or indirectly, at least 20% of voting rights or, even if it holds a lower percentage of voting rights, when it is entitled to take part in financial and management policy decisions by virtue of a specific juridical status including, but not limited to, participation in shareholders’ agreements or other forms of material exercise of rights of governance. Investments in associates are measured using the equity method, whereby they are recognized initially at cost, and subsequently adjusted to reflect changes in the value of the Group’s interest in the associate’s equity. The Group’s share of an associate’s profit or loss is recognized in a specific income statement line item from the date at which the Group exerts significant influence until it relinquishes such influence.

Joint ventures

Joint ventures are companies whose business operations are controlled by the Group jointly with one or more other parties, under contractual arrangements. Joint control presupposes that strategic, financial and management decisions are taken with the unanimous consent of the parties that control the venture.
Interests in joint ventures are consolidated on a proportionate basis, whereby assets, liabilities, income and expense are recognized proportionately to the Group's interest.
The equity and income of joint ventures are consolidated from the date on which joint control is assumed and until such control is relinquished.

Transactions eliminated during consolidation

All intragroup balances and transactions, including any unrealized gains in respect of third parties, are eliminated. Unrealized losses in respect of third parties deriving from intragroup transactions are eliminated, except in cases where it will not subsequently be possible to recover such losses.
Unrealized gains in respect of third parties deriving from transactions with associates are eliminated against the equity investment carrying amount, while losses are eliminated proportionately to the Group's interest, unless it will not subsequently be possible to recover such losses.

Scope of consolidation

A list of the companies consolidated, proportionately consolidated and consolidated using the equity method is provided in the annex to these notes.

Non-current assets held for sale and discontinued operations

Assets and liabilities held for sale and discontinued operations are classified as such when their carrying amount will be recovered chiefly through sale rather than through continuing use; such operations must be an important autonomous business operation or geographical area of operation.
The conditions indicated are deemed to exist when the sale is considered highly likely and the assets and liabilities are immediately available for sale in their current condition.
Available-for-sale assets are recognized at the lower of net carrying amount and fair value less costs to sell.
Once property, plant and equipment and intangible assets have been classified as available-for-sale, no further amortization and depreciation may be applied.
In the consolidated income statement, profit (loss) relating to discontinued operations, together with profit or loss from fair value measurement less costs to sell and profit or loss arising from the sale of the operation, are reflected in a single item separately from profit (loss) relating to continuing operations.
Cash flows relating to discontinued operations are shown separately in the statement of cash flows.
A similar disclosure is also presented for the comparative period.

1.4. Business combinations

On first-time adoption of the IFRS, as allowed by IFRS 1, the Group elected not to apply IFRS 3 retrospectively to business combinations that took place before January 1, 2004.
Until December 31, 2009, business combinations were accounted for with the purchase method under IFRS 3.
Since January 1, 2010, business combinations have been accounted for using the acquisition method under IFRS 3 revised.

Cost of business combinations

Under IFRS 3 revised, acquisition cost is the sum of the acquisition-date fair value of the contingent consideration and the amount of any non-controlling interests in the acquired entity. For each business combination, any non-controlling interests in the acquired entity must be measured at fair value or in proportion to their interest in the identifiable net assets of the acquired entity.
IFRS 3 revised provides that costs relating to the acquisition be expensed in the periods in which they are incurred and the services are received.

Allocation of the cost of business combinations

Goodwill is measured as the positive difference between:

- the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquired entity, the acquisition-date fair value of the acquirer’s previously held equity interest in the acquired entity, with respect to
- the net value of identifiable assets acquired and liabilities assumed at the acquisition date.

If the difference is negative, it is recognized in the income statement.
If on initial recognition the acquisition cost of a business combination can only be determined provisionally, the allocated amounts are adjusted within twelve months of the acquisition date (measurement period).

Business combinations achieved in stages

When a business combination is achieved in stages, through a series of share purchases, for each transaction the fair value of the previously held interest is re-determined and any gain or loss is taken to the income statement.

Changes in equity interests in subsidiaries

Acquisitions of additional shares after acquisition of control do not require re-determination of identifiable asset and liability values. The difference between the cost and the acquired equity interest is recognized as equity attributable to owners of the company. Transactions that reduce the percentage interest held without loss of control are treated as sales to non-controlling interests and the difference between the interest sold and the price paid is recognized in equity attributable to owners of the company.

Purchase commitments on non-controlling interests

A put option granted to non-controlling interests of a company controlled by the Group is initially recognized by recording the purchase value as a liability, since the value in question is the present value of the put option exercise price.
The complementary acquisition of non-controlling interests with put options is recognized in the financial statements:

- the non-controlling interests are reclassified under liabilities and the difference between the fair value of the purchase commitment liabilities and the net carrying amount of the non-controlling interests is recognized under equity attributable to owners of the company;
- subsequent changes in liabilities are recognized under equity attributable to owners of the company with the exception of adjustments to the present value, which are taken to the income statement.

1. 5. Translation of foreign currency items

The functional currency of the subsidiaries located outside the euro zone is usually the local currency.

Foreign currency transactions

Foreign currency transactions are initially translated into the functional currency using the exchange rate at the transaction date. At the end of the reporting period, foreign currency monetary assets and liabilities are translated into the functional currency at the closing rate. Exchange-rate gains and losses are taken to the income statement.
Non-monetary foreign currency assets and liabilities valued at cost are translated at the exchange rate ruling at the transaction date; those measured at fair value are translated with the exchange rate at the date fair value was determined.

Translation of the financial statements of foreign entities

At the end of the reporting period, the assets, including goodwill, and liabilities of consolidated companies that report in currencies other than the euro are translated into the presentation currency of the Group's consolidated accounts at the exchange rate ruling at such date. Income statement items are translated at the average rate for the period. Gains and losses arising from the translation of opening equity at the closing rates and those arising from the different method used to translate profit or loss for the period are recognized in a specific equity item. In the event of subsequent disposal of a foreign operation, the cumulative translation differences are taken to the income statement.
As allowed under IFRS 1, cumulative translation differences at the date of first-time adoption of the IFRS have been reclassified in "Retained earnings" under equity and therefore will not be taken to the income statement in the event of subsequent disposal.

1. 6. Property, plant and equipment

Recognition and measurement

Property, plant and equipment are recognized at cost, less accumulated depreciation and impairment losses. Cost includes the purchase or production cost and the directly attributable costs of bringing the asset to the location and the conditions required for its operation. Production cost includes the cost of materials and direct labor costs. Finance costs relating to the purchase, construction and production of qualifying assets are capitalized.
The carrying amount of some assets existing at the IFRS first-time adoption date of January 1, 2004, reflects revaluations applied in prior periods in connection with specific local laws, based on the real economic value of the assets in question. Assets acquired through business combinations are stated at fair value, determined on a provisional basis at the acquisition date and subsequently adjusted within the following twelve months.
Subsequent to initial recognition, property, plant and equipment are carried at cost and depreciated over the assets' useful life, less any impairment losses.
Assets under construction are recognized at cost; depreciation begins when the assets enter useful life.
When an asset consists of components with a significant cost and different useful lives, initial recognition and subsequent measurement are carried out separately for each component.

Subsequent expense

Repair and maintenance expense is normally recognized as incurred. Component replacement costs are treated as separate assets and the net carrying amount of the replaced component is expensed.

Depreciation
Depreciation is generally calculated on a straight-line basis over the estimated useful life of each component of an asset. Land is not depreciated, with the exception of land used for quarrying operations.
Asset useful life determines the depreciation rate until a subsequent review of residual useful life. The useful life range adopted for the various categories of assets is disclosed in the notes.

Quarries
Costs for the preparation and excavation of land to be quarried are amortized as the economic benefits of such costs are obtained.
Quarry land is depreciated at rates reflecting the quantities extracted in the year in relation to the estimated total to be extracted over the period in which the quarry is to be worked.
The Group makes specific provision for quarry environmental restoration obligations. Since the financial resources required to settle such obligations are directly related to the degree of use, the charge cannot be defined at inception with a balancing entry to the asset cost, but is provided to reflect the degree of use of the quarry.

1.7. Leases

Finance leases, which substantially transfer to the Group all risks and rewards incidental to ownership of the leased asset, are recognized from the lease inception date at the lower of the leased asset fair value or the present value of the lease payments. Lease payments are apportioned between finance costs and reductions against the residual liability so as to obtain a constant rate of interest on the outstanding liability.
The policies used for depreciation and subsequent measurement of leased assets are consistent with those used for the Group's own property, plant and equipment.
Leases where all risks and rewards incidental to ownership are retained by the lessor are classified as operating leases.
Operating lease payments are recognized as expense on a straight-line basis over the lease term.

1. 8. Investment property

Investment property is land and/or buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods and services. Investment property is initially recognized at purchase cost, including costs directly attributable to the purchase. Subsequent to initial recognition, investment property is measured at amortized cost, based on the asset's useful life less any impairment losses.

1.9. Goodwill

Goodwill recognized in accordance with IFRS 3 revised is allocated to the cash-generating units that are expected to benefit from the synergies created by the acquisition. Goodwill is stated at the original value less any impairment losses identified as a result of tests conducted on an annual basis or more frequently if indications of impairment emerge.
When goodwill is attributed to a cash-generating unit part of whose assets are disposed of, the goodwill associated with the sold assets is taken into account when determining the gain or loss arising from the transaction.

1.10. Intangible assets

Intangible assets purchased separately are capitalized at cost, while those acquired through business combinations are recognized at provisionally estimated fair value at the acquisition date and adjusted where necessary within the following twelve months.
Subsequent to initial recognition, intangible assets are carried at cost amortized over the asset's useful life. Other than goodwill, the Group has not identified intangible assets with an indefinite useful life.

1.11. Impairment

Goodwill is systematically tested for impairment on an annual basis or more frequently if indications of impairment emerge.
Property, plant and equipment and investment property, and amortizable intangible assets, are tested for recoverability if indications of impairment emerge.
Impairment is the difference between the asset's net carrying amount and its recoverable amount. Recoverable amount is the greater of fair value, less costs to sell, of an asset or cash-generating unit, and its value in use, determined as the present value of future cash flows. Fair value less costs to sell is determined through application of relevant valuation models adopting appropriate income multipliers, quoted share prices on an active market for similar enterprises, comparable transactions on similar assets or other available fair value indicators applicable to the assets being measured.
In determining value in use, assets are measured at the level of cash-generating units on the basis of their operating attribution. Estimated future cash flows are discounted at a rate determined for each cash-generating unit using the weighted average cost of capital method (WACC).
If an impairment loss on an asset other than goodwill subsequently reverses in full or in part, the asset carrying amount is increased to reflect the new estimated recoverable amount, which may not exceed the amount that would have been reflected in the absence of the impairment loss. Impairment losses and reversals of impairment losses are taken to the income statement.
Impairment losses on goodwill cannot be reversed.

1.12. Financial assets

All financial assets are recognized initially at cost at the trade date. Cost corresponds to fair value plus additional costs attributable to the purchase.
Subsequent to initial recognition, assets held for trading are classified as current financial assets and carried at fair value; any gains or losses are taken to the income statement.
Held-to-maturity investments are classified as current financial assets, if they mature within one year; otherwise they are classified as non-current assets and subsequently carried at amortized cost. Amortized cost is determined using the effective interest rate method, taking account of any acquisition discounts or premiums, which are apportioned over the entire period until maturity, less any impairment losses.
Other financial assets are classified as available for sale and measured at fair value. Any gains or losses are shown in a separate equity item until the assets are sold, recovered or discontinued, or until they are found to be impaired, in which case the cumulative gains or losses in equity are taken to the income statement. Equity instruments that are not listed on an active market and whose fair value cannot be measured reliably are carried at cost.

1.13. Inventories

Inventories are measured at the lower of purchase/production cost (using the weighted average cost method) and net realizable value.
Purchase cost includes costs incurred to bring assets to their present location, less allowances for obsolete and slow-moving items.

Production cost of finished goods and semi-finished goods includes the cost of raw materials, direct labor and a portion of general production costs, determined on the basis of normal plant operations. Finance costs are not included.
The net realizable value of raw materials, consumables and supplies is their replacement cost.
The net realizable value of finished goods and semi-finished goods is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs to sell.

1.14. Trade receivables and other receivables

Trade receivables and other receivables are stated at fair value plus transaction costs, less allowances for impairment, which are provided as doubtful debts are identified.
The allowance is determined in accordance with Group procedures. When computing the allowance, account is taken of bank guarantees and collateral provided. At account closing, the Group companies conduct a customer-by-customer analysis of doubtful overdue receivables; based on the analysis, the carrying amount of doubtful overdue receivables is appropriately adjusted.

Derecognition of financial assets

The Group derecognizes all or part of financial assets when:
- the contractual rights on the assets in question have expired;
- it transfers the near totality of the risks and rewards incidental to ownership of the asset or does not transfer and does not even substantially maintain all the risks and rewards but transfers control of the assets.

1.15. Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, bank demand deposits and other cash investments with original maturity of not more than three months. Current account overdrafts are treated as financing and not as a component of cash and cash equivalents.
The definition of cash and cash equivalents in the statement of cash flows is identical to that in the statement of financial position.

1.16. Income taxes

Current income taxes are provided in accordance with local tax laws in the countries where the Group operates. Deferred tax is recognized using the liability criterion, based on temporary differences between the tax base of assets and liabilities and their carrying amount in the statement of financial position.
Deferred tax liabilities are recognized on all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable income will be available against which such differences, losses or credits may be reversed.
Taxable or deductible temporary differences do not generate recognition of deferred tax liabilities or assets only in the following cases:
- taxable temporary differences arising from the initial recognition of goodwill, unless goodwill is tax-deductible;
- taxable or deductible temporary differences arising from initial recognition of an asset or a liability in transactions that are not business combinations and affect neither accounting profit nor taxable profit at the transaction date;

for equity investments in subsidiaries, associates and joint ventures when:
a) the Group is able to control the timing of the reversal of the taxable temporary differences and it is probable that such differences will not reverse in the foreseeable future;
b) it is not probable that the deductible temporary differences will reverse in the foreseeable future and that

taxable income will be available against which the temporary difference can be used;
deferred tax assets are reviewed at the end of every reporting period and reduced to the extent that sufficient taxable income is no longer likely to be available in the future against which the assets can be used in full or in part.
Deferred tax assets and liabilities are determined at tax rates expected to apply when the deferred tax asset (liability) is realized (settled), based on rates that have been enacted or substantially enacted at the end of the reporting period.
Taxes relating to items recognized directly in equity are recognized in equity, not in the income statement.
Deferred tax assets and deferred tax liabilities are not discounted to present value.

1.17. Employee benefits

The Group operates pension plans, post-employment medical benefit plans and post-employment benefits. It also has other commitments, in the form of bonuses payable to employees on the basis of length of service in some Group companies ("Other long-term benefits").

Defined contribution plans

Defined contribution plans are structured post-employment benefit programs where the Group pays fixed contributions to an insurance company or pension fund and will have no legal or constructive obligation to pay further contributions if the fund does not dispose of sufficient assets to pay all the employee benefits accruing in respect of services rendered during the current year and in previous years. These contributions are paid in exchange for the services rendered by employees and recognized as expense as incurred.

Defined benefit plans

Defined benefit plans are structured post-employment benefit programs that constitute a future obligation for the Group. In substance, the company assumes the actuarial and investment risks of the plan. In accordance with IAS 19, the Group uses the unit credit projection method to determine the present value of obligations and the related current service cost.
These actuarial calculations require use of consistent and objective actuarial assumptions about demographic variables (mortality rate, personnel turnover rate) and financial variables (discount rate, future increments on salaries and medical benefits).
When a defined benefit plan is funded in full or in part by contributions paid to a fund that is a separate legal entity or to an insurance company, the plan assets are estimated at fair value.
Benefit obligations are therefore recognized net of the fair value of the plan assets that will be used to settle the obligations.

Termination benefits

Termination benefits include provisions for restructuring costs recognized when the Group company in question has approved a detailed formal plan that has already been implemented or notified to the third parties concerned.

Actuarial gains and losses

Actuarial gains and losses on post-employment defined benefit plans may arise as a result of changes in the actuarial assumptions used in two consecutive periods or as a result of changes in the obligation value or in the fair value of any plan asset in respect of the actuarial assumptions used at the beginning of the period.
Actuarial gains and losses are recognized immediately under other comprehensive income.
Actuarial gains and losses relating to "Other long-term benefits" (service medals, length of service benefits) and to termination benefits (early retirement) are recognized as income or expense immediately.

Past service cost
Changes in liabilities resulting from a change to an existing defined benefit plan are recognized in the income statement for the period, as are costs for benefits that vest immediately upon changes to a plan.

Curtailment and settlement
Gains or losses on the curtailment or settlement of a defined benefit plan are recognized as income or expense when the curtailment or settlement occurs. The gain or loss includes changes in the present value of the obligation, changes in the fair value of plan assets and past service costs not previously accounted for.
At the curtailment or settlement date, the obligation and the fair value of the plan assets are re-measured using current actuarial assumptions.

Net finance cost
Net finance cost on defined benefit plans consists of the following measurements:
- finance costs computed on the present value of the defined benefit plan liability;
- finance income arising from measurement of the plan assets;
- finance costs or income arising from any limits on recognition of plan surpluses.

Net finance cost is determined by applying to all the above items, the discount rate adopted at the beginning of the period to measure the defined benefit plan obligation.
Net finance costs on defined benefit plans are recognized under finance income/(costs) in the income statement.

1.18. Share-based payments
The Group has applied IFRS 2 as from January 1, 2004.
Options for the subscription and purchase of shares granted by Group companies to employees and directors give rise to recognition of a cost classified under employee expense, with a corresponding increase in equity.
In accordance with IFRS 2, only options granted after November 7, 2002, whose rights had not vested at December 31, 2003, have been measured and recognized at the transition date. Options for the subscription and purchase of shares are measured at fair value at the grant date and amortized over the vesting period. Fair value is determined using the binomial method, and taking account of dividends. Future volatility is determined on the basis of historic market prices, after adjustment for extraordinary events or factors.
The cost of granted options is reviewed on the basis of the actual number of options that have vested at the beginning of the exercise period.

1.19. Provisions for risks and charges
The Group recognizes provisions for risks and charges when a present legal or constructive obligation arises as a result of a past event, the amount of which can be reliably estimated, and use of resources is probable to settle the obligation. Provisions reflect the best estimate of the amount required to settle the obligation or transfer it to third parties at the end of the reporting period. If the present value of the financial resources that will be used is material, provisions are determined by discounting expected future cash flows at a rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is performed, movements in provisions due to the effect of time or changes in interest rates are recognized in financial items.
Changes in estimates are recognized in the income statement for the period.
The Group recognizes a separate provision for environmental restoration obligations on land used for quarry work, determined in relation to the use of the quarry in question.
Pending publication of a standard/interpretation on accounting treatment of greenhouse gas emission allowances, after the withdrawal of IFRIC 3 by the International Accounting Standards Board, the Group recognizes a separate provision when emissions are greater than the allowance.

1.20. Loans and borrowings

Loans and borrowings are initially recognized at the fair value of the consideration provided/received less charges directly attributable to the financial asset/liability.
After initial recognition, loans and borrowings are measured at amortized cost using the effective interest rate method.

1.21. Trade payables and other payables

Trade payables and other payables are stated at the fair value of the original consideration received.

1.22. Derivatives

The Group uses derivatives such as foreign currency forward contracts and interest-rate swaps and options to hedge currency and interest-rate risks. Derivatives are measured and recognized at fair value.
The fair value of foreign currency forward contracts is determined on the basis of the current forward exchange rates for contracts with similar maturity profiles. The fair value of interest-rate contracts is determined on the basis of discounted flows using the zero coupon curve.

Hedging transactions

Derivatives are designated as hedging instruments or as non-hedging instruments. Transactions that qualify for application of hedge accounting are classified as hedging transactions; other transactions are designated as trading transactions, even if they are performed for the purposes of risk management.
For accounting purposes, hedging transactions are classified as “fair value hedges” if they cover the risk of changes in the fair value of the underlying asset or liability; or as "cash flow hedges” if they hedge cash flows arising from an existing asset or liability or from a future transaction, which are exposed to variability.
With regard to fair value hedges, fair value gains and losses on derivatives are taken to the income statement immediately. Similarly, the underlying assets or liabilities are measured at fair value and any gain or loss attributable to the hedged risk is recognized as an income or expense balancing entry.
If the movement refers to an interest-bearing financial instrument, it is amortized in the income statement until maturity.
With regard to cash flow hedges (foreign currency forward contracts, fixed-rate interest swaps), the effective component of a change in the fair value of the hedging instrument is reflected in a separate equity item, while time-based changes and the non-effective hedge component are recognized in the income statement. The effective component and non-effective component are calculated using the methods indicated in IAS 39.
Gains or losses arising from changes in the fair value of derivatives designated for trading are recorded as income or expense.
When the financial instrument matures, is sold, settled, exercised or no longer qualifies for hedge accounting, the derivative is no longer treated as a hedging contract. In this case, gains or losses on the derivative are retained in equity until the hedged transaction takes place. If the Group no longer expects the hedged transaction to take place, the net gain or loss in equity is taken to the income statement.

1.23. Revenue, other revenue, interest income and dividends

Sale of goods and services

Revenue is recognized to the extent that it is probable that the economic benefits associated with the sale of goods or rendering of services are collected by the Group and the amount in question can be reliably determined. Revenue is recognized at the fair value of the consideration received or due, taking account of any trade discounts given and volume discounts.
Revenue from the sale of goods is recognized when the company transfers the material risks and rewards incidental to ownership of the goods to the purchaser.

Rental income
Rental income is recognized as other revenue, as received.

Interest income
Interest income is classified as finance income on an accruals basis using the effective interest rate method.

Dividends
Dividends are recognized as finance income as shareholders' right to receive payment arises, in accordance with local laws.

1.24. Government grants

Government grants are recognized when there is a reasonable certainty that they will be received and all the requirements on which receipt depends have been fulfilled.
Grants related to the purchase or production of non-current assets (grants related to assets) are recognized as deferred income and taken to the income statement over the useful life of the underlying assets.

1.25. Management of capital

The Group monitors its capital using the gearing ratio: net financial position/equity. The net financial position reflects financial liabilities less cash and cash equivalents and other financial assets (as described in note 22). Equity consists of all the items presented in the statement of financial position.
Group strategy aims to keep the gearing ratio at a level such as to ensure the smooth running of business operations, funding of investments and creation of maximum value for shareholders.
To maintain or modify its capital structure, the Group may decide to vary the amount of dividends paid to shareholders, redeem capital, issue new shares, raise or reduce its investment in subsidiaries, purchase or sell investments.

1.26 Change in accounting standards

The tables below set out the material impacts arising from the changes in the accounting policies illustrated above on the Group statement of financial position, on profit/(loss) for the period and other comprehensive income, and on the statement of cash flows.
These impacts arise from application of IAS 19 revised and the change in the accounting treatment of green certificates.

Statement of financial position

(in thousands of euro)	01.01.2012 re-stated	01.01.2012 published	Changes
Non-current assets			
Total non-current assets	**7,158,523**	**7,158,538**	**(15)**
Current assets			
Other current assets including derivatives	296,566	295,271	1,295
Total current assets	**2,573,588**	**2,572,293**	**1,295**
Total assets	**9,732,111**	**9,730,831**	**1,280**
Equity			
Share capital	282,549	282,549	-
Share premium	344,104	344,104	-
Reserves	131,764	131,764	-
Treasury shares	(58,690)	(58,690)	-
Retained earnings	2,745,198	2,795,189	(49,991)
Equity attributable to owners of the company	**3,444,925**	**3,494,916**	**(49,991)**
Non-controlling interests	1,389,258	1,399,975	(10,717)
Total equity	**4,834,183**	**4,894,891**	**(60,708)**
Non-current liabilities			
Employee benefits	269,233	202,955	66,278
Deferred tax liabilities	217,796	222,086	(4,290)
Total non-current liabilities	**2,864,875**	**2,802,887**	**61,988**
Total current liabilities	**2,033,053**	**2,033,053**	**-**
Total liabilities	**4,897,928**	**4,835,940**	**61,988**
Total equity and liabilities	**9,732,111**	**9,730,831**	**1,280**

Consolidated equity at January 1, 2012 has been re-stated after adoption of the changes introduced by IAS 19 “Employee benefits” and the change in the accounting treatment of green certificates sold by Italgen from recognition at time of sale to an accruals basis.
These changes generated a reduction of 60.7 million euro in consolidated equity, reflecting -61.5 million euro for IAS 19 “Employee benefits” and 0.8 million euro relating to the accounting for green certificates.

Italcementi
Italcementi Group

Income statement

(in thousands of euro)	2012 re-stated	%	2012 published	%	Changes
Revenue	**4,478,796**	**100.0**	**4,480,091**	**100.0**	**(1,295)**
Other revenue	44,573		44,573		-
Change in inventories	20,193		20,193		-
Internal work capitalized	32,221		32,221		-
Raw materials and supplies	(1,866,121)		(1,866,121)		-
Services	(1,117,650)		(1,117,650)		-
Employee expense	(911,137)		(921,905)		10,768
Other operating expense	(37,787)		(38,987)		1,200
Recurring EBITDA	**643,088**	**14.4**	**632,415**	**14.1**	**10,673**
EBITDA	**625,547**	**14.0**	**614,874**	**13.7**	**10,673**
EBIT	**(140,189)**	**-3.1**	**(150,862)**	**-3.4**	**10,673**
Finance income	58,165		58,165		-
Finance costs	(151,102)		(141,115)		(9,987)
Exchange-rate differences and derivatives	(1,520)		(1,520)		-
Impairment on financial assets	-		-		-
Share of profit (loss) of equity-accounted investees	11,108		11,108		-
Loss before tax	**(223,538)**	**-5.0**	**(224,224)**	**-5.0**	**686**
Income tax expense	(146,334)		(146,168)		(166)
Loss relating to continuing operations	**(369,872)**	**-8.3**	**(370,392)**	**-8.3**	**520**
Profit relating to discontinued operations	8,194		7,992		202
Loss for the year	**(361,678)**	**-8.1**	**(362,400)**	**-8.1**	**722**
Attributable to:					
Owners of the company	**(395,185)**		**(395,837)**		**652**
Non-controlling interests	**33,507**		**33,437**		**70**
Earnings per share					
- Basic					
savings shares	-1.400 €		-1.402 €		
ordinary shares	-1.430 €		-1.432 €		
- Diluted					
savings shares	-1.400 €		-1.402 €		
ordinary shares	-1.430 €		-1.432 €		

Statement of comprehensive income

(in thousands of euro)	2012 re-stated	%	2012 published	%	Changes
Loss for the year	**(361,678)**		**(362,400)**		**722**
Other comprehensive income (expense) relating to continuing operations					
Items that will not be reclassified to profit or loss subsequently					
Remeasurement of the net liability (asset) for employee benefits	(27,886)		-		(27,886)
Income tax	11,574		-		11,574
Total items that will not be reclassified to profit or loss subsequently	**(16,312)**		**-**		**(16,312)**
Items that might be reclassified to profit or loss subsequently					
Translation reserve on foreign operations	(91,641)		(92,631)		990
Translation reserve on foreign operations - equity-accounted investees	(365)		(316)		(49)
Fair value losses on cash flow hedges	(28,970)		(28,970)		-
Fair value losses on cash flow hedges - investments in equity-accounted investees	(225)		(225)		-
Fair value losses on available-for-sale financial assets	(23,858)		(23,858)		-
Fair value gains on available-for-sale financial assets - investments in equity-accounted investees	50		50		-
Income tax	2,256		2,256		-
Total items that might be reclassified to profit or loss subsequently	**(142,753)**		**(143,694)**		**941**
Total other comprehensive expense	**(159,065)**		**(143,694)**		**(15,371)**
Total comprehensive expense	**(520,743)**		**(506,094)**		**(14,649)**
Attributable to:					
Owners of the company	**(508,468)**		**(495,072)**		**(13,396)**
Non-controlling interests	**(12,275)**		**(11,022)**		**(1,253)**

Statement of cash flows

(in thousands of euro)	2012 re-stated	2012	Changes
A) Cash flow from operating activities			
Loss before tax	(223,538)	(224,224)	686
Adjustments for:			
Amortization, depreciation and impairment	771,195	771,195	-
Reversal of share of profit (loss) of equity-accounted investees	1,827	1,827	-
Net gains from sale of non-current assets	(64,116)	(64,116)	-
Change in employee benefits and other provisions	26,450	27,231	(781)
Stock options	-	-	-
Reversal of finance cost (income)	108,061	108,061	-
Cash flow from operating activities before tax, finance income/costs and change in working capital	**619,879**	**619,974**	(95)
Change in working capital	112,045	111,950	95
Cash flow from operating activities before tax, and finance income/costs	**731,924**	**731,924**	-
Net finance costs paid	(106,453)	(106,453)	-
Taxes paid	(129,269)	(129,269)	-
Total A)	**496,202**	**496,202**	-
B) Cash flow from investing activities			
Total B)	**(291,112)**	**(291,112)**	-
C) Cash flow from financing activities			-
Total C)	**(231,727)**	**(231,727)**	-
D) Translation differences and other changes	**(14,715)**	**(14,715)**	-
E) Cash flow relating to discontinued operations	**6,406**	**6,406**	-
F) Cash flows for the year (A+B+C+D+E)	**(34,946)**	**(34,946)**	**-**
G) Cash and cash equivalents at beginning of year	**613,334**	**613,334**	**-**
Cash and cash equivalents at end of year (F+G)	**578,388**	**578,388**	**-**
(*) cash of acquired and consolidated companies	112	112	-

2. Exchange rates used to translate the financial statements of foreign operations

Exchange rates for 1 euro:

	Average rate		Closing rate	
Currencies	Full year 2013	Full year 2012	December 31, 2013	December 31, 2012
Albania lek	140.29165	139.02279	140.53302	139.68570
Saudi Arabia riyal	4.97905	4.82048	5.17242	4.94838
Australia dollar	1.37571	-	1.54230	-
Brazil real	2.86477	2.50934	3.25760	2.70360
Canada dollar	1.36747	1.28464	1.46710	1.31370
Dubai UAE dirham	4.87640	4.73267	5.06539	4.84617
Egypt pound	9.12954	7.80270	9.58716	8.37831
GB sterling	0.84908	0.81103	0.83370	0.81610
India rupee	77.81509	68.61914	85.36600	72.56000
Kazakhstan tenge	202.03991	191.68530	212.43863	198.62130
Kuwait dinar	0.37687	0.36003	0.38954	0.37110
Libya dinar	1.67945	1.61473	1.70192	1.66508
Morocco dirham	11.16728	11.09850	11.25385	11.14235
Mauritania ouguiya	399.27747	381.32362	412.68878	399.82440
Mexico peso	16.95204	16.90479	18.07310	17.18450
Qatar riyal	4.83385	4.68005	5.02187	4.80394
People's Republic of China renminbi	8.16286	8.10803	8.34910	8.22070
Sri Lanka rupee	171.46177	163.97081	180.38636	168.32300
USA dollar	1.32764	1.28538	1.37910	1.31940
Switzerland franc	1.23085	1.20525	1.22760	1.20720
Thailand baht	40.79178	39.93881	45.17800	40.34700
Turkey lira	2.52634	2.30394	2.96050	2.35170

The exchange rates used to translate the financial statements of foreign operations are those published by the Bank of Italy and by the Turkish central bank.

3. Changes in the scope of consolidation

There were no material changes in the scope of consolidation in 2013 compared with 2012.
The main changes in 2012 were:

- the withdrawal of Silos Granari della Sicilia S.r.l. – Italy, after its sale to third parties on January 18, 2012;
- the sale of Afyon – Turkey, completed on May 31, 2012;
- the sale of Fuping Cement – China, completed on June 26, 2012;
- the sale to third parties of the entire 20% interest held in Sider Navi S.p.A. (an equity-accounted investee).

4. Operating segment disclosure

The table below shows the Group operating segments:

Italy
France-Belgium
Spain
Others Central Western Europe (C.W.E.) - Greece
North America
Egypt
Morocco
Others Emerging Europe, North Africa and Middle East (EE.NA.ME.) - Bulgaria, Kuwait and Saudi Arabia
Thailand
India
Others Asia - Kazakhstan
Cement and clinker trading
Other operations

Cement and clinker trading includes cement and clinker marketing activities in countries where Group terminals are located: Gambia, Mauritania, Sri Lanka and Albania, as well as direct exports to markets not covered by Group subsidiaries.
The "Other operations" segment comprises the operations of the Ciments Français S.A. sub-holding, consisting essentially of provision of services to subsidiaries. It also includes liquid and solid fuel procurement operations for Group companies, the BravoSolution group in the e-business sector, Italcementi Finance S.A., other international holdings and other minor operations in Italy.
The Group management and organizational structure essentially reflects the operating segment structure. Finance income and costs, impairment losses on financial assets and income taxes are not allocated to the operating segments.
The Group business segments are:

- operations relating to the production and sale of cement/clinker,
- operations relating to construction materials: ready mixed concrete and aggregates,
- other operations such as: transport, engineering, e-business and energy.

The operating segments and business segments are organized and managed by country. The operating segments consist of the non-current assets of the individual entities located and operating in the countries indicated above; sales refer mainly to the local market, exports are generally with other Group entities; exports to external countries are conducted through the Group companies of the international Trading segment. Consequently the revenue of the entities in each operating segment, net of revenue within the Group, arises essentially in the areas in which the non-current assets are located.
The cement/clinker business delivers a portion of its production to the ready mixed concrete segment. The transfer prices applied to trading of goods and services among the segments are regulated on the basis of arm's length transactions.
Consolidated cement/clinker revenue is present in all the operating segments with the exception of "Other operations", which consists largely of fuel sales and e-business revenue.
Consolidated ready mixed concrete and aggregates revenue is present in almost all the operating segments with the exception of Bulgaria and India. Revenue of other operations refers mainly to e-business revenue and energy revenue in the Italy segment and fuel sales.
With regard to dependence on the main Group customers, no single customer accounts for more than 10% of consolidated revenue.

Operating segments

The table below sets out segment revenue and results for 2013:

(in thousands of euro)	Revenue	Intragroup sales	Contributive revenue	Recurring EBITDA	EBITDA	EBIT	Finance income (costs) exch.rate differences and derivs	Impairment on financial assets	Share of profit (loss) of equity-accounted investees	Profit (loss) before tax	Income tax expense
Italy	654,966	(50,694)	604,272	(15,199)	(17,397)	(128,128)			(455)		
France-Belgium	1,473,437	(6,923)	1,466,514	265,504	263,676	169,453			(484)		
Spain	99,435	(34,689)	64,746	(2,583)	(13,954)	(44,788)			-		
Others C.W.E.	24,189	(3,817)	20,372	(3,777)	(3,787)	6,969			(5,919)		
Eliminations	(17,204)	17,204	-	-	(10)	(10)			-		
C.W.E.	**2,234,823**	**(78,919)**	**2,155,904**	**243,945**	**228,528**	**3,496**			**(6,858)**		
North America	**428,691**	**(354)**	**428,337**	**55,010**	**61,100**	**(3,754)**			**4,990**		
Egypt	498,912	(14,129)	484,783	110,108	106,045	51,974			358		
Morocco	325,038	(4,774)	320,264	143,119	147,370	107,206			9,707		
Others EE.NA.ME	120,017	(12,560)	107,457	14,727	15,088	1,516			(16)		
Eliminations	(11)	11	-	-	-	-			-		
EE.NA.ME.	**943,956**	**(31,452)**	**912,504**	**267,954**	**268,503**	**160,696**			**10,049**		
Thailand	269,151	(57)	269,094	51,538	52,505	28,433			-		
India	213,509	(1,017)	212,492	28,362	28,871	9,998			-		
Others Asia	49,431	(1)	49,430	272	42	(6,991)			-		
Eliminations	-	-	-	-	-	-			-		
Asia	**532,091**	**(1,075)**	**531,016**	**80,172**	**81,418**	**31,440**			**-**		
Cement and clinker trading	**176,128**	**(43,953)**	**132,175**	**6,793**	**6,815**	**2,660**			**(95)**		
Other ops.	**308,478**	**(232,981)**	**75,497**	**(22,919)**	**(27,742)**	**(34,777)**					
Unallocated items	-	-	-	-		-	(123,855)	(16,048)	-	27,467	(115,883)
Eliminations	(388,734)	388,734	-	3	(669)	(477)			-		
Total	**4,235,433**	**-**	**4,235,433**	**630,958**	**617,953**	**159,284**	**(123,855)**	**(16,048)**	**8,086**	**27,467**	**(115,883)**

The table below sets out segment revenue and results for 2012:

(in thousands of euro)	Revenue	Intragroup sales	Contributive revenue	Recurring EBITDA	EBITDA	EBIT	Finance income (costs) exch.rate differences and derivs	Impairment on financial assets	Share of profit (loss) of equity-accounted investees	Profit (loss) before tax	Income tax expense
Italy	798,656	(60,726)	737,930	(23,362)	(39,007)	(169,791)			(195)		
France-Belgium	1,501,706	(7,942)	1,493,764	266,459	267,709	172,602			(317)		
Spain	111,301	(32,319)	78,982	(1,264)	(4,404)	(177,448)			-		
Others C.W.E.	28,355	(7,891)	20,464	(3,814)	(3,822)	(43,325)			(4,022)		
Eliminations	(23,386)	23,386	-	-	-	-			-		
C.W.E.	**2,416,632**	**(85,492)**	**2,331,140**	**238,019**	**220,476**	**(217,962)**			**(4,534)**		
North America	**439,544**	**(456)**	**439,088**	**48,804**	**55,604**	**(12,059)**			**10,452**		
Egypt	563,857	(46,956)	516,901	126,949	127,085	(24,196)			525		
Morocco	325,362	(2,386)	322,976	137,285	137,661	100,516			5,125		
Others EE.NA.ME	119,475	(8,708)	110,767	22,969	23,088	12,276			(2)		
Eliminations	-	-	-	-	-	-			-		
EE.NA.ME.	**1,008,694**	**(58,050)**	**950,644**	**287,203**	**287,834**	**88,596**			**5,648**		
Thailand	227,937	(653)	227,284	30,254	30,061	5,573			-		
India	248,565	-	248,565	52,005	51,391	32,494			-		
Others Asia	44,433	-	44,433	3,504	3,460	(2,894)			-		
Eliminations	-	-	-	-	-	-			-		
Asia	**520,935**	**(653)**	**520,282**	**85,763**	**84,912**	**35,173**			**-**		
Cement and clinker trading	**212,957**	**(48,492)**	**164,465**	**8,899**	**8,741**	**5,597**			**(459)**		
Other ops.	**342,210**	**(269,033)**	**73,177**	**(25,135)**	**(31,570)**	**(39,229)**			**-**		
Unallocated items	-	-	-	-		-	(94,457)	-	-	(223,538)	(146,334)
Eliminations	(462,176)	462,176	-	(465)	(450)	(305)			1		
Total	**4,478,796**	**-**	**4,478,796**	**643,088**	**625,547**	**(140,189)**	**(94,457)**	**-**	**11,108**	**(223,538)**	**(146,334)**

The table below sets out other segment data at December 31, 2013:

	December 31, 2013				
(in thousands of euro)	**Operating assets**	**Operating liabilities**	**Equity-accounted investees**	**Depreciation of PPE and investment property and amortization of intangible assets**	**Impairment**
Italy	1,263,189	378,482	5,325	(87,348)	(23,383)
France-Belgium	1,868,922	524,715	2,654	(92,783)	(1,440)
Spain	240,288	37,459	-	(14,767)	(16,067)
Others C.W.E.	55,841	12,846	51,176	(4,308)	15,064
Eliminations	(3,822)	(3,822)	-	-	-
C.W.E.	**3,424,418**	**949,680**	**59,155**	**(199,206)**	**(25,826)**
North America	**958,531**	**141,331**	**83,328**	**(64,854)**	**-**
Egypt	891,823	166,031	4,191	(54,071)	-
Morocco	605,114	89,078	40,782	(40,164)	-
Others EE.NA.ME	324,309	43,105	1,260	(7,732)	(5,841)
Eliminations	(15)	(14)	-	-	-
EE.NA.ME.	**1,821,231**	**298,200**	**46,233**	**(101,967)**	**(5,841)**
Thailand	329,085	42,039	-	(24,119)	47
India	382,382	70,447	-	(18,873)	-
Others Asia	40,301	9,001	-	(7,033)	-
Eliminations	-	-	-	-	-
Asia	**751,768**	**121,487**	**-**	**(50,025)**	**47**
Cement and clinker trading	**61,709**	**28,828**	**510**	**(3,655)**	**(500)**
Other ops.	**138,635**	**144,104**	**-**	**(7,035)**	**-**
Unallocated items	-	-	-	-	-
Eliminations	(89,065)	(92,412)	-	193	-
Total	**7,067,227**	**1,591,218**	**189,226**	**(426,549)**	**(32,120)**

The table below sets out other segment data at December 31, 2012:

	December 31, 2012				
(in thousands of euro)	Operating assets	Operating liabilities	Equity-accounted investees	Depreciation of PPE and investment property and amortization of intangible assets	Impairment
Italy	1,380,739	408,111	5,474	(98,621)	(32,163)
France-Belgium	1,894,886	518,269	6,856	(93,671)	(1,436)
Spain	273,448	35,649	-	(15,976)	(157,068)
Others C.W.E.	43,421	15,521	56,985	(4,539)	(34,964)
Eliminations	(4,228)	(4,165)	-	-	(0)
C.W.E.	**3,588,266**	**973,385**	**69,315**	**(212,807)**	**(225,631)**
North America	**1,057,101**	**172,297**	**93,632**	**(67,663)**	**-**
Egypt	1,043,844	192,605	4,620	(67,539)	(83,742)
Morocco	627,758	89,769	38,041	(37,145)	-
Others EE.NA.ME	265,912	24,844	1,275	(10,812)	-
Eliminations	(11)	(11)	-	-	-
EE.NA.ME.	**1,937,503**	**307,207**	**43,936**	**(115,496)**	**(83,742)**
Thailand	356,942	44,767	-	(24,508)	21
India	444,558	80,886	-	(18,897)	-
Others Asia	43,266	5,620	-	(6,354)	-
Eliminations	-	-	-	-	-
Asia	**844,766**	**131,273**	**-**	**(49,760)**	**21**
Cement and clinker trading	**71,474**	**31,010**	**605**	**(3,144)**	**-**
Other ops.	**141,882**	**148,363**	**-**	**(7,657)**	**(2)**
Unallocated items	-	-	-	-	-
Eliminations	(94,236)	(97,157)	-	144	(0)
Total	**7,546,756**	**1,666,378**	**207,488**	**(456,382)**	**(309,354)**

Operating assets and liabilities include all current and non-current assets and liabilities with the exception of tax and financial assets and liabilities.

The table below sets out revenue and recurring EBITDA for “Other countries”:

	Revenue		Recurring EBITDA	
(in thousands of euro)	2013	2012	2013	2012
Greece	24,189	28,355	(3,777)	(3,814)
Others C.W.E.	**24,189**	**28,355**	**(3,777)**	**(3,814)**
Bulgaria	59,466	59,709	9,476	17,831
Kuwait	56,882	55,956	4,930	4,595
Saudi Arabia	3,669	3,810	379	543
Others	-	-	(58)	-
Others EE.NA.ME.	**120,017**	**119,475**	**14,727**	**22,969**
Kazakhstan	49,431	44,433	272	3,504
Others Asia	**49,431**	**44,433**	**272**	**3,504**
Total	**193,637**	**192,263**	**11,222**	**22,659**

Assets

5. Property, plant and equipment and investment property

5.1. Property, plant and equipment

(in thousands of euro)	Land and buildings	Quarries	Technical plant, materials and equipment	Other PPE and assets under construction	Total
Net carrying amount at Dec. 31, 2012	**1,001,646**	**375,797**	**2,248,479**	**495,167**	**4,121,089**
Gross amount	2,160,728	614,021	7,636,290	886,158	11,297,197
Accumulated depreciation	(1,159,082)	(238,224)	(5,387,811)	(390,991)	(7,176,108)
Net carrying amount at Dec. 31, 2012	**1,001,646**	**375,797**	**2,248,479**	**495,167**	**4,121,089**
Additions	12,266	7,625	61,404	321,205	402,500
Change in scope of consolidation, reclassifications, other	30,534	20,571	102,819	(161,726)	(7,802)
Depreciation and impairment	(48,368)	(15,568)	(342,277)	(27,836)	(434,049)
Translation differences	(43,974)	(4,069)	(88,357)	(32,509)	(168,909)
Net carrying amount at Dec. 31, 2013	**952,104**	**384,356**	**1,982,068**	**594,301**	**3,912,829**
Gross amount	2,133,504	635,840	7,479,381	974,683	11,223,408
Accumulated depreciation	(1,181,400)	(251,484)	(5,497,313)	(380,382)	(7,310,579)
Net carrying amount at Dec. 31, 2013	**952,104**	**384,356**	**1,982,068**	**594,301**	**3,912,829**

Additions were mainly in Italy, Bulgaria, France-Belgium and Egypt.

"Depreciation and impairment" includes net impairment losses on assets of 27.3 million euro (64.2 million euro in 2012), relating mainly to Italy for 23.4 million euro (28.2 million euro in 2012), Spain for 11.3 million euro, Bulgaria for 5.8 million euro, net of the reversal for 15.1 million euro of the impairment loss on production plants in Greece (impairment loss of 35 million euro in 2012).

Non-current assets held under finance leases and rental contracts were carried at a net amount of 16.4 million euro at December 31, 2013 (28.4 million euro at December 31, 2012). They consist of plant and machinery for 14.4 million euro and buildings for 2.0 million euro.

Expenses included under "Property, plant and equipment" at December 31, 2013 amounted to 34.7 million euro (28.9 million euro at December 31, 2012).
Capitalized finance costs amounted to 1.5 million euro in 2013 (1.3 million euro in 2012).
Non-current assets pledged as security for bank loans were carried at 168.4 million euro at December 31, 2013 (207.2 million euro at December 31, 2012) and referred in the main to the Indian subsidiaries.

Other Property, plant and equipment includes assets under construction for a total of 519.2 million euro, mainly in Italy for 137.6 million euro and Bulgaria for 124.9 million euro.

The useful life adopted by the Group for the main asset categories is as follows:

Civil and industrial buildings	10 – 33 years
Plant and machinery	5 – 30 years
Other property, plant and equipment	3 – 10 years
Quarries	extractable unit cost (quarry cost/extractable quantities) multiplied by the quantity extracted in the year.

The range between the above minimum and maximum limits indicates the presence of components with separate useful lives within each asset category.

5.2. Investment property

(in thousands of euro)	
Net carrying amount at Dec. 31, 2012	**29,269**
Gross amount	88,478
Accumulated depreciation	(59,209)
Net carrying amount at Dec. 31, 2012	**29,269**
Additions	108
Disposals	(372)
Depreciation and impairment	(4,149)
Translation differences	(2)
Reclassifications	0
Net carrying amount at Dec. 31, 2013	**24,854**
Gross amount	82,945
Accumulated depreciation	(58,091)
Net carrying amount at Dec. 31, 2013	**24,854**

Investment property is recognized at cost net of depreciation; fair value at December 31, 2013 was 81.5 million euro (106.6 million euro at December 31, 2012).
"Depreciation and impairment" includes impairment losses of approximately 3.0 million euro on land adjoining the Malaga cement plant.

6. Goodwill

(in thousands of euro)	
Net carrying amount at Dec. 31, 2012	**1,598,687**
Additions	410
Translation differences and other	(90,955)
Net carrying amount at Dec. 31, 2013	**1,508,142**

The reduction in goodwill arose mainly from translation differences generated by the depreciation of some currencies against the euro; for details on goodwill with respect to the CGUs in each country, see note 6.1.

6.1. Goodwill impairment testing

Goodwill acquired in business combinations is allocated to the cash-generating units (CGUs). The Group tests goodwill recoverability at least once a year or more frequently if indications of impairment emerge. The methods used to determine the recoverable amount of CGUs are described in the basis of consolidation under the section "Impairment" (note 1.11).

The recovery slowdown apparent in previous years intensified in 2013, especially in the construction industry; consequently, while the measures contemplated in the 2010-2014 Business Plan remain valid, a number of macroeconomic and sector assumptions in the Plan have been revised. For the purposes of impairment testing, determination of the future cash flows to be used was based on the 2014 Budget and, where necessary for subsequent-year projections, on new assumptions and economic assessments deemed to reflect the new conditions on the Group markets.

As in previous years, for the CGUs in the EU countries and North America, a 9-year explicit forecast period was used; in this way we believe that projected cement consumption is structurally balanced and aligned with the related long-term estimate implicit in the cement structural demand curve for each country.

The CGUs in the emerging countries are also subject in part to a change in cyclical patterns compared with the recent past, but cement consumption is more likely to be influenced by exogenous factors relating to specific macroeconomic events; testing was based on expected growth in cement demand over a five-year period.
Terminal value is generally estimated on the basis of CGU activity on the mid-cycle market and takes account of the market cycle and the changes in the country in question after the explicit forecast period. For a number of countries severely hit by the crisis like Greece, Italy and Spain, account was also taken of the presumed expected level of cement consumption in 10-15 years, and also of a number of positioning indicators: the level of market development, per-capita consumption and technical coefficients.

The projections are management's best estimate of future trends and possible economic conditions in the countries in which the Group operates.

For all CGUs, recoverable value coincides with value in use.

The discount rates, determined country by country, correspond to the weighted average cost of capital (WACC).
For CGUs in the EU countries and North America, WACCs are computed on the basis of the market value of own funds (risk-free rate based on 10-year government bonds in the euro zone and the USA – source Bloomberg, average 12 months; beta coefficient - average 5 years - source Bloomberg; market premium – average at 10 years – sources Bloomberg, broker reports, analyst consensus forecasting) and of sector debt (7Y swap – average 1 month), to which the mean sector coefficient based on the debt/stock market capitalization ratio is applied (source Bloomberg).
For CGUs in the emerging countries, WACCs are determined by the Group using the rate computed for the euro zone, adjusted to include the specific risk premium for each country (determined by the Group on the basis of Moody's and Standard & Poors ratings) and the estimated long-term inflation rate for each country (source: Global Insight databank).

The table below shows the assumptions used to determine value in use of the CGUs in the main countries:

(in %)	Discount rate before tax		Growth rate including inflation	
Cash-generating units	**2013**	**2012**	**2013**	**2012**
Italy	8.8	8.8	2.0	2.0
France/Belgium	8.3	8.3	2.0	2.0
Spain	8.9	8.8	1.8	1.9
Greece	12.6	13.5	2.0	1.6
North America	8.3	7.3	1.9	1.8
Egypt	17.8	15.8	5.2	5.4
Morocco	11.2	9.6	2.7	1.5
Bulgaria	8.6	8.6	2.4	2.6
Kuwait	7.8	7.0	2.5	1.9
Thailand	10.2	9.4	3.4	3.0
India	15.2	14.6	6.8	6.3

The tests for 2013 did not indicate any goodwill impairment for the Group CGUs.
The Group considered the specific potential risks of the sector of activity, any market values on the basis of comparable transactions and conducted a sensitivity analysis on recoverable amount, illustrated in the next section.

The table below sets out the most significant goodwill amounts for Group CGUs by country:

(in thousands of euro)	Net carrying amount of goodwill	
Cash-generating units	**December 31, 2013**	**December 31, 2012**
Italy	27,665	27,665
France/Belgium	586,745	586,855
Spain	14,063	14,132
North America	134,060	141,149
Egypt	395,733	456,472
Morocco	106,970	108,041
Kuwait	16,848	16,007
Thailand	80,305	89,914
India	70,837	83,339
Bulgaria	59,774	59,774
Others	15,142	15,339
Total	**1,508,142**	**1,598,687**

Finally, since the Italcementi Group has assets and costs not allocated to the individual CGUs, a second-level impairment test was conducted to check recoverability for the Group as a whole. The test included all assets and cash flows that cannot be specifically allocated to an individual CGU and are therefore included in the second-level impairment test. No indications of impairment emerged from the test.

Market capitalization

During the year Italcementi S.p.A. recorded a material increase in market capitalization with respect to 2012.
The results of the impairment tests conducted at December 31, 2013, however, found a reduction in the Group's aggregate recoverability compared with the tests conducted in 2012.
The impairment tests take account of the long-term expectations in cement consumption that can be assumed from the structural demand curve and, for this reason, they are less influenced overall by short-term changes. Short-term changes, on the other hand, correspond to the timeframe now typically adopted by many investors and, together with the volatility in risk propensity levels, have an incisive influence on share prices, which are particularly sensitive during periods of high financial unease.

We therefore believe that the difference in relative evolution found in the two valuations, which in any case narrowed with respect to 2012, can be considered justified.

Sensitivity analysis

With reference to the current and expected industry situation and to the results of the 2013 impairment tests, a sensitivity analysis was conducted on recoverable amount, using the discounted cash flow method.

At December 31, 2013, a 1% increment in the weighted average cost of capital would determine a surplus in carrying amount with respect to recoverable amount for the following CGUs: Egypt 53 million euro, North America 19.2 million euro and Greece 6.6 million euro.
A 5% reduction in demand in the explicit forecast period with respect to the projections would determine a surplus in carrying amount with respect to recoverable amount for the following CGUs: Egypt 25 million euro and Greece 2.4 million euro.
A 5% reduction in expected cash flows with respect to projections would determine a surplus in carrying amount with respect to recoverable amount for the following CGUs: Egypt 28.5 million euro and Greece 2.6 million euro.
On the basis of this analysis, the Group deems it is not necessary to impair the goodwill of the CGUs in question.
The discount rates before tax that equate the CGUs' recoverable amount with net carrying amount for the countries at greatest impairment risk are: North America 9.2%, Egypt 17.8%, Greece 12.6%, Italy 10.7% and Spain 10.4%.

7. Intangible assets

(in thousands of euro)	Patents, IT development	Concessions and other	Total
Net carrying amount at December 31, 2012	**31,781**	**66,027**	**97,808**
Gross amount	138,122	93,232	231,354
Accumulated amortization	(106,341)	(27,205)	(133,546)
Net carrying amount at December 31, 2012	**31,781**	**66,027**	**97,808**
Additions	9,971	2,298	12,269
Sales	(57)	(1,215)	(1,272)
Amortization and impairment	(14,365)	(6,047)	(20,412)
Translation differences	(638)	(1,410)	(2,048)
Reclassifications and others	20,835	(13,205)	7,630
Net carrying amount at December 31, 2013	**47,527**	**46,448**	**93,975**
Gross amount	167,608	77,679	245,287
Accumulated amortization	(120,081)	(31,231)	(151,312)
Net carrying amount at December 31, 2013	**47,527**	**46,448**	**93,975**

The year's additions refer essentially to project development work for the standardization of internal Group processes.
Expenses recognized under intangible assets for IT development at December 31, 2013 amounted to 3.7 million euro (3.3 million euro at December 31, 2012).
"Concessions" are amortized over the life of the conventions in question; amortization of quarrying concessions is determined at rates reflecting the ratio of extracted material to total to be extracted.

8. Equity-accounted investees

This caption reflects equity-accounted investees, including goodwill of 27.1 million euro at December 31, 2013 (31.6 million euro at December 31, 2012).
The main equity-accounted investees and the related share of profit (loss) are shown below:

	Carrying amount		Share of profit (loss)	
(in millions of euro)	December 31, 2013	December 31, 2012	2013	2012
Ciment Québec (Canada)	83.3	93.6	2.5	7.7
Vassiliko Cement Works (Cyprus)	51.2	57.0	(5.9)	(4.0)
Asment Cement (Morocco)	40.8	38.0	9.7	5.1
Tecno Gravel (Egypt)	4.2	4.6	0.4	0.5
Aquitaine de transformation (France)	-	4.2	-	-
Others	9.7	10.1	1.4	1.8
Total	**189.2**	**207.5**	**8.1**	**11.1**

Tests on goodwill recoverability generated a goodwill impairment loss at Vassiliko for 4.0 million euro (2.5 million euro in 2012).
The company Aquitaine de transformation was sold on June 19, 2013.

Amounts for the main equity-accounted investees, adjusted for compliance with Group policies, are set out below:

	Total assets		Total liabilities		Revenue		Profit (loss) for year	
(in millions of euro)	2013	2012	2013	2012	2013	2012	2013	2012
Ciment Québec (Canada)	188.4	211.5	29.9	35.9	111.8	149.1	5.0	15.3
Vassiliko Cement Works (Cyprus)	338.5	352.8	104.0	121.7	75.8	69.5	(7.8)	(6.2)
Asment (Morocco)	131.9	105.5	42.9	27.1	116.7	92.8	28.1	15.0

9. Other equity investments

Other equity investments reflects equity investments in the "available-for-sale" category as required by IAS 39.

(in thousands of euro)	
At December 31, 2012	**80,096**
Acquisitions	184
Sales	(5,194)
Changes in fair value taken to equity reserve	(4,650)
Translation differences	(194)
Impairment losses and other	(16,753)
At December 31, 2013	**53,489**

"Sales" relates mainly to the sale of the entire interest in Yuzhno-Kyrgyzskij Cement, representing 5% of capital, in exchange for a 6.9% interest in the subsidiary Shymkent Cement (Kazakhstan) for 5 million euro.

The changes in fair value taken to equity reserve for 4.7 million euro reflect impairment losses on the investment in West China Cement for 12.3 million euro, less the reclassification from equity reserve to the income statement of the impairment loss recorded in 2012 on the investment in Al Badia Cement – Syria for 7.7 million euro.

Impairment losses refer to the investments in Al Badia Cement for 16.0 million euro, of which 7.7 million euro from the fair value reserve, and Atmos Wind for 0.6 million euro.

Other equity investments at December 31, 2013 were as follows:

(in thousands of euro)	% share of total capital	December 31, 2013
Equity investments in listed companies		
West China Cement - China	6.25	30,569
Equity investments in non-listed companies		**22,920**
Total		**53,489**

The fair value of listed companies is determined on the basis of the official share price on the last accounting day.
A variety of methods was used to measure investments in non-listed companies, depending on their characteristics and available data, in compliance with IAS 39 and IFRS 13.

10. Other non-current assets

This caption reflects:

(in thousands of euro)	December 31, 2013	December 31, 2012
Derivatives	87,843	126,789
Concessions and licenses paid in advance	1,142	148
Non-current receivables	117,476	127,067
Deposits	36,094	35,123
Securities and bonds	-	17,166
Other	522	1,228
Total	**243,077**	**307,521**

Derivatives are discussed in note 22.3.1 Derivatives.
"Non-current receivables" includes receivables of 80.8 million euro (89.1 million euro at December 31, 2012) due from the parent Italmobiliare S.p.A. to the Italian Group companies that elected tax consolidation. The off-balance-sheet benefit for the companies in the Italmobiliare S.p.A. tax consolidation, arising from tax loss carryforwards, amounted to 33.7 million euro, of which 27.7 million euro relating to Italcementi S.p.A.

11. Inventories

(in thousands of euro)	December 31, 2013	December 31, 2012
Raw materials, consumables and supplies	337,172	394,209
Work in progress and semifinished goods	162,831	162,369
Finished goods	105,986	125,352
Payments on account	18,156	17,790
Total	**624,145**	**699,720**

Inventories are carried net of allowances of 91.9 million euro (95.9 million euro at December 31, 2012) set aside mainly against the risk of slow-moving supplies, spare parts and consumables. Spare parts at December 31, 2013 were carried at 146.5 million euro (163.3 million euro at December 31, 2012).

12. Trade receivables

(in thousands of euro)	December 31, 2013	December 31, 2012
Gross amount	752,254	842,426
Allowance for doubtful accounts	(91,811)	(97,847)
Net amount	**660,443**	**744,579**

At December 31, 2013 receivables factored without recourse amounted to 190.5 million euro (192.9 million euro at December 31, 2012) of which: the Group's French and Belgian companies for 167.3 million euro (191.0 million euro at December 31, 2012), the American companies for 19.4 million euro and Calcestruzzi S.p.A. per 3.8 million euro (1.9 million euro at December 31, 2012).
At December 31, 2012, the factored receivables of the French and Belgian companies for 191.0 million euro referred, for 121.5 million euro, to the factoring program arranged in December 2011 by Ciments Calcia and Unibeton, which was rescinded in the first quarter of 2013, and for 69.5 million euro to the new

five-year international factoring program arranged in December 2012 by the Group's French and Belgian companies; the program envisaged an initial amount of 70 million euro, which was modified during 2013 to 160 million euro in March, 210 million euro at the end of June and 170 million euro in July.
At December 31, 2013, factored receivables amounted to 167.3 million euro (69.5 million euro at December 31, 2012).
On June 25, 2013, the international factoring program was extended to the Group's American companies for a maximum amount of 35 million US dollars; the contract has a 4-year and 7-month term, with the same maturities as those arranged in December 2012. At December 31, 2013, receivables factored by the American companies amounted to 26.8 million dollars (19.4 million euro).
Under the two programs, the seller maintains responsibility for collecting receivables on behalf of the factoring company, while receivables provided as guarantees and still reflected on the face of the statement of financial position at December 31, 2013, totaled 37.6 million euro, this guarantee does not cover credit risk on the factored receivables.
Finance costs arising from the above factoring transactions amounted to 4.6 million euro in 2013.

13. Other current assets including derivatives

This caption reflects:

(in thousands of euro)	December 31, 2013	December 31, 2012
Receivables from tax and social security authorities and from employees	84,710	86,546
Receivables from the sale of non-current assets	381	1,098
Concessions and licenses paid in advance	47,846	41,591
Derivatives	11,722	29,665
Other	138,082	160,249
Total	**282,741**	**319,149**

Derivatives are discussed in note 22.3.1 Derivatives.

14. Share capital and Share premium

14.1. Share capital

At December 31, 2013 the parent's fully paid-up share capital amounted to 282,548,942 euro represented by 282,548,942 shares with a par value of 1 euro each, as follows:

Number of shares	December 31, 2013	December 31, 2012	Change
Ordinary shares	177,117,564	177,117,564	-
Savings shares	105,431,378	105,431,378	-
Total	**282,548,942**	**282,548,942**	**-**

14.2. Share premium

Share premium amounted to 344,104 thousand euro, unchanged from December 31, 2012.

15. Reserves

Translation reserve (attributable to owners of the company)

This reserve reflects differences on the translation of the financial statements of consolidated foreign operations. At December 31, 2013 it reflected a negative balance of 185.8 million euro (a negative balance of 46.5 million euro at December 31, 2012) referring to the following currencies:

(in millions of euro)	December 31, 2013	December 31, 2012	Change
Egypt (Pound)	(125.8)	(68.4)	(57.4)
USA and Canada (Dollar)	(6.8)	18.2	(25.0)
Thailand (Baht)	18.3	39.6	(21.3)
Morocco (Dirham)	(4.1)	0.3	(4.4)
India (Rupee)	(74.2)	(41.9)	(32.3)
Other countries	6.8	5.7	1.1
Total	**(185.8)**	**(46.5)**	**(139.3)**

16. Treasury shares

At December 31, 2013 the carrying amount of Italcementi S.p.A. treasury shares was 58,690 thousand euro, reflected in the treasury share reserve. No movements took place in the reserve during the year:

	No. ordinary shares par value € 1	Total carrying amount (000 euro)	No. savings shares par value € 1	Total carrying amount (000 euro)	Total carrying amount (000 euro)
December 31, 2012	**3,793,029**	**58,342**	**105,500**	**348**	**58,690**
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
December 31, 2013	**3,793,029**	**58,342**	**105,500**	**348**	**58,690**

17. Retained earnings, dividends paid

Dividends declared by the parent Italcementi S.p.A in 2013 and 2012 are detailed below:

	2013 (euro per share)	2012 (euro per share)	Dec. 31, 2013 (000 euro)	Dec. 31, 2012 (000 euro)
Ordinary shares	0.060	0.120	10,399	20,799
Savings shares	0.060	0.186478	6,320	19,641
Total dividends			**16,719**	**40,440**

Dividends paid in 2013 amounted to 16,717 thousand euro (40,434 thousand euro in 2012).

18. Non-controlling interests

Equity attributable to non-controlling interests at December 31, 2013, stood at 1,172.7 million euro, a decrease of 89.1 million euro from December 31, 2012.
2013 profit for the year attributable to non-controlling interests increased by 43.1 million euro, from 33.5 million euro in 2012 to 76.6 million euro in 2013; the translation reserve, with a negative balance of 152.6 million euro, increased by 100.4 million euro, due to the appreciation of the euro against the currencies in the countries with large non-controlling interests, including Egypt, Morocco and Thailand.

19. Employee benefits

Employee benefits at December 31, 2013 amounted to 284,944 thousand euro (324,863 thousand euro at December 31, 2012).
The Group's main employee benefit plans are described below.

Defined benefit plans

The Group operates pension plans, post-employment medical benefit plans and post-employment benefit plans.

The most important pension plans are in the USA and France; they are financed by contributions paid by the company and by employees to external entities responsible for the administration and management of the pension funds; early retirement schemes also operate, pursuant to local laws, in France and Belgium. In terms of geographical distribution of obligations, 55% are in the USA, 30% in France, 7% in Belgium and the remaining 8% in the other countries.

Plans in favor of employees are not funded in the main. The plan assets cover approximately 30% of liabilities. Plan assets are concentrated mainly in the USA (87% of total assets) and in France (8% of total assets). The remaining plan assets refer to plans in Spain, India and Belgium.

Pension plans are concentrated in the USA and account for more than one third of the total liability (approximately 110 million euro). Within the US pension plans, 23% of the liability refers to employees on the payroll, 12% to former employees with rights vesting on retirement, and the remaining 65% to former employees who have retired.

Medical plans for retirees operate in France, the USA and Morocco, with a liability of approximately 51 million euro, 31 million euro and 5 million euro respectively. The liability for the medical plans in France refers to employees on the payroll for 30% and to former employees who have retired for the remaining 70%; the liability for the US plan refers only to employees on the payroll.

All the other plans envisage payment of a one-off benefit on termination of employment, in some cases before retirement, or they envisage payment of a bonus during the period of employment, once a specific length of service has been reached, with some exceptions for negligible amounts in Canada, the USA and Belgium.

47% of plan assets are invested in non-government debt securities, while 40% are invested in equities, of which 2% refer to emerging markets, 4% in insurance assets and 6% in liquid instruments. The residual 1% is allocated to a residual class.

With regard to the post-employment benefits for staff of the Group's Italian companies, liabilities to employees in respect of post-employment benefits accrued and optioned by employees as from 2007 no longer qualify as defined benefit plans. They are treated as quotas of defined contribution plans.

In some companies in France and Italy, the Group also recognizes liabilities in respect of future commitments, in the form of bonuses payable to employees on the basis of length of service; these liabilities are measured with actuarial assumptions. Net liabilities for pension plans and post-employment benefit plans are determined with actuarial calculations performed by independent external actuaries.
In the tables set out below, the column "Pension plans and other long-term benefits" includes, besides pension plans, post-employment benefits other than medical benefits, termination benefits and employee length-of-service bonuses.

The change in defined benefit obligations in the year is shown below:

(in millions of euro)	Pension plans and other long-term benefits		Post-employment medical benefits		Total	
	Dec.31, 13	**Dec.31, 12**	**Dec.31, 13**	**Dec.31, 12**	**Dec.31, 13**	**Dec.31, 12**
Defined benefit obligations at end of previous year	**241.5**	**223.7**	**100.9**	**91.0**	**342.4**	**314.7**
Cost of services:						
current cost of services	4.4	3.9	2.3	1.7	6.7	5.6
cost of prior services	2.0	(0.3)	-	(0.3)	2.0	(0.6)
settlement (gains)/losses	-	-	-	-	-	-
Finance costs	7.9	9.3	3.1	3.5	11.0	12.8
Cash flows:						
amounts paid from plans	(10.5)	(8.2)	(0.2)	(0.3)	(10.7)	(8.5)
amounts paid by employer	(9.6)	(11.7)	(4.1)	(4.1)	(13.7)	(15.8)
settlement of plans	-	-	-	-	-	-
employee contributions	-	-	0.2	0.3	0.2	0.3
administrative expense included in defined benefit obligations	-	-	-	-	-	-
tax included in defined benefit obligations	-	-	-	-	-	-
insurance premiums for pure risk benefits	0.0	(0.0)	-	-	0.0	(0.0)
Other significant events:						
increase (decrease) due to business combinations/investments/disposals	(0.5)	(0.4)	-	-	(0.5)	(0.4)
increase (decrease) due to combinations of plans	-	-	-	-	-	-
Changes arising from new treatment:						
effects due to change in demographic assumptions	3.5	0.0	(1.7)	-	1.8	0.0
effects due to change in financial assumptions	(16.3)	27.2	(6.6)	17.8	(22.9)	45.0
experience adjustments (changes since previous valuation not in line with assumptions)	(1.0)	0.6	-	(8.1)	(1.0)	(7.5)
Exchange-rate effect	(6.2)	(2.6)	(1.6)	(0.6)	(7.8)	(3.2)
Closing defined benefit obligations	**215.2**	**241.5**	**92.3**	**100.9**	**307.5**	**342.4**

The change in plan assets in the year is shown below:

(in millions of euro)	Pension plans and other long-term benefits		Post-employment medical benefits		Total	
	Dec.31, 13	**Dec.31, 12**	**Dec.31, 13**	**Dec.31, 12**	**Dec.31, 13**	**Dec.31, 12**
Fair value of plan assets at end of previous year	**93.6**	**88.1**	**-**		**93.6**	**88.1**
Finance income	3.1	2.8			3.1	2.8
Cash flows						
Total employer contributions:						
contributions by employer	4.8	4.9			4.8	4.9
payments made directly by employer	9.6	11.7	4.1	4.1	13.7	15.8
Employee contributions	-	-	0.2	0.3	0.2	0.3
Benefits paid from plan	(10.5)	(8.1)	(0.2)	(0.3)	(10.7)	(8.4)
Benefits paid by employer	(9.6)	(11.7)	(4.1)	(4.1)	(13.7)	(15.8)
Payments for plan settlements	-	-			-	-
Administrative expense for plan assets	(0.4)	(0.4)			(0.4)	(0.4)
Tax on plan assets	-	-			-	-
Insurance premiums for pure risk benefits	0.0	0.0			0.0	0.0
Other significant events:						
increase (decrease) due to business combinations/investments/disposals	-	-			-	-
increase (decrease) due to combinations of plans	-	-			-	-
Changes arising from new treatment:						
yield of plan assets (excluding finance income)	4.7	8.0			4.7	8.0
Exchange-rate effect	(3.9)	(1.7)			(3.9)	(1.7)
Closing fair value of plan assets	**91.5**	**93.6**	**-**	**-**	**91.5**	**93.6**

The net liability arising from defined benefit obligations recognized in the statement of financial position is shown below:

(in millions of euro)	Pension plans and other long-term benefits		Post-employment medical benefits		Total	
	Dec.31, 13	**Dec.31, 12**	**Dec.31, 13**	**Dec.31, 12**	**Dec.31, 13**	**Dec.31, 12**
Plans for defined benefit obligations	215.2	241.5	92.3	100.9	307.5	342.4
Fair value of plan assets	91.5	93.6	-	-	91.5	93.6
Net carrying amount of funded plans	**123.7**	**147.9**	**92.3**	**100.9**	**216.0**	**248.8**
Effect on assets ceiling/onerous liabilities	-	-	-	-	-	-
Net carrying amount of liabilities/(assets)	**123.7**	**147.9**	**92.3**	**100.9**	**216.0**	**248.8**

The components of cost of services of defined benefit plans is set out below:

(in millions of euro)	Pension plans and other long-term benefits		Post-employment medical benefits		Total	
	Dec.31, 13	**Dec.31, 12**	**Dec.31, 13**	**Dec.31, 12**	**Dec.31, 13**	**Dec.31, 12**
Service costs:						
current service costs	4.5	3.9	2.3	1.7	6.8	5.6
reimbursements	-	-	-	-	-	-
past service costs	2.0	(0.3)	-	(0.3)	2.0	(0.6)
settlement (gains)/losses	-	-	-	-	-	-
Total cost of services	**6.5**	**3.6**	**2.3**	**1.4**	**8.8**	**5.0**
Net finance costs:						
finance costs on defined benefit plans	7.9	9.3	3.1	3.5	11.0	12.8
finance (income) on plan assets	(3.1)	(2.8)	-	-	(3.1)	(2.8)
finance (income) on reimbursement rights	-	-	-	-	-	-
finance costs on change in cap on assets/interest-bearing liabilities	-	-	-	-	-	-
Total net finance costs	**4.8**	**6.5**	**3.1**	**3.5**	**7.9**	**10.0**
Effect of new treatment on other long-term benefits	(0.4)	1.0	-	-	(0.4)	1.0
Administrative expenses and taxes	0.4	0.4	-	-	0.4	0.4
Defined benefit plan costs reflected in the income statement	**11.3**	**11.5**	**5.4**	**4.9**	**16.7**	**16.4**
Revaluations reflected in other comprehensive income:						
effects due to change in demographic assumptions	3.5	0.0	(1.7)	-	1.8	0.0
effects due to change in financial assumptions	(16.1)	26.2	(6.6)	17.8	(22.7)	44.0
experience adjustments (changes since previous valuation not in line with assumptions)	(0.8)	0.6	0.1	(8.1)	(0.8)	(7.5)
return on plan assets (excluding finance income)	(4.8)	(8.0)	-	-	(4.8)	(8.0)
(return) on reimbursement rights (excluding interest income)	-	-	-	-	-	-
changes in cap on assets/interest-bearing liabilities (excluding finance income)	-	-	-	-	-	-
Total revaluations reflected in other comprehensive income	**(18.2)**	**18.8**	**(8.3)**	**9.7**	**(26.5)**	**28.5**
Total defined benefit plan costs reflected in income statement and other comprehensive income	**(6.9)**	**30.3**	**(2.9)**	**14.6**	**(9.8)**	**44.9**

Service cost is a component of “Employee expense”, while net finance costs are recognized under “Finance costs”; gains and losses are reflected in other comprehensive income.

The change in the net defined benefit obligations in the year is shown below:

(in millions of euro)	Pension plans and other long-term benefits		Post-employment medical benefits		Total	
	Dec.31, 13	**Dec.31, 12**	**Dec.31, 13**	**Dec.31, 12**	**Dec.31, 13**	**Dec.31, 12**
Net defined benefit obligations (assets) at end of previous year	**147.9**	**135.6**	**100.9**	**91.0**	**248.8**	**226.6**
Defined benefit plan costs reflected in income statement	11.2	11.5	5.3	4.9	16.5	16.4
Total revaluations reflected in other comprehensive income	(18.2)	18.8	(8.2)	9.7	(26.4)	28.5
Other significant events:						
net transfers (including effects of business combinations/sales)	(0.5)	(0.4)	-	-	(0.5)	(0.4)
amounts arising from combinations of plans	-	-	-	-	-	-
Cash flows:						
employer contributions	(4.8)	(4.9)	-	-	(4.8)	(4.9)
benefits paid directly by employer	(9.6)	(11.7)	(4.1)	(4.1)	(13.7)	(15.8)
Receivables for reimbursement	-	-	-	-	-	-
Exchange-rate effect	(2.3)	(1.0)	(1.6)	(0.6)	(3.9)	(1.6)
Closing net obligations	**123.7**	**147.9**	**92.3**	**100.9**	**216.0**	**248.8**

Distribution of defined benefit obligations among plan participants:

(in millions of euro)	Pension plans and other long-term benefits		Post-employment medical benefits		Total	
	Dec.31, 13	**Dec.31, 12**	**Dec.31, 13**	**Dec.31, 12**	**Dec.31, 13**	**Dec.31, 12**
Employees on payroll	129.8	241.4	54.6	85.1	184.4	326.5
Former employees with unvested right	13.2	0.1	-	-	13.2	0.1
Retirees	72.2	-	37.7	15.8	109.9	15.8
Total	**215.2**	**241.5**	**92.3**	**100.9**	**307.5**	**342.4**

Fair value of plan assets

(in millions of euro)	December 31, 2013
cash and cash equivalents	5.9
equities	37.4
bonds and securities	44.0
real estate	-
derivatives	-
mutual funds	-
insurance assets	3.5
other	0.7
Total	**91.5**

Fair value of assets with a listed market value

(in millions of euro)	December 31, 2013
cash and cash equivalents	5.9
equities	37.4
bonds and securities	43.8
real estate	-
derivatives	-
mutual funds	-
insurance assets	3.5
other	0.7
Total	**91.3**

Actuarial assumptions

The actuarial assumptions used to determine obligations arising from pension plans and other long-term benefits are set out below:

(in %)	Europe		North America		Other countries	
	2013	2012	2013	2012	2013	2012
Inflation rate	2.0	2.0	n.a.	n.a.	2.0 - 8.0	2.0 - 5.0
Future wage and salary increases	1.0 - 3.25	1.0 - 3.25	n.a.	n.a.	3.5 - 8.5	3.50 - 8.5

n.a.: not applicable

Discount rate (in %)	2013	2012
Europe		
Italy	3.20	2.75
Belgium	2.10-3.20	1.75-2.75
Spain	3.20	2.75
France	2.50-3.20	1.00-2.75
Greece	3.20	2.75
Bulgaria	3.75	4.25
North America		
USA	3.95-4.50	3.50
Canada	4.50	4.25
Other countries		
Egypt	14.50	-
Morocco	5.25	4.50
Kuwait	4.30	3.35
Thailand	4.25	3.75
India	9.25	8.25
Kazakhstan	5.75	-

The discount rate was determined by reference to market yields on high-quality corporate bonds. In countries where there is no deep market in such bonds, reference is made to the market yields on government bonds.

Expected cash flows

The table below sets out expected plan contributions for next year and a year-by-year breakdown of benefit payments:

(in millions of euro)	Pension plans and other long-term benefits	Post-employment medical benefits	Total
	December 31, 2013	**December 31, 2013**	**December 31, 2013**
Expected plan contributions for next year	11.9	2.4	14.3
Expected benefit payments:			
2014	13.3	2.4	15.7
2015	13.0	4.3	17.3
2016	13.4	4.4	17.8
2017	14.0	4.6	18.6
2018	14.9	4.7	19.6
Beyond	75.7	24.6	100.3
Total	**156.2**	**47.4**	**203.6**

Sensitivity analysis

The table below sets out the sensitivity analysis for the key assumptions at December 31, 2013:

(in millions of euro)	Pension plans and other long-term benefits		Post-employment medical benefits		Total	
Change	-0.25%	+0,25%	-0.25%	+0,25%	-0.25%	+0,25%
Discount rate	220.7	210.0	95.6	89.1	316.3	299.1
Average duration of defined beneft obligation (in years)	10.05	9.75	14.39	13.90	11.36	10.99
Inflation rate	49.9	52.1	48.7	53.3	98.6	105.4
Wage and salary increases	30.1	32.2	-	-	30.1	32.2
Healthcare costs	-	-	91.1	94.2	91.1	94.2

Defined contribution plans

The Group's defined contribution plans are pension plans and medical plans; expense relating to these plans in 2013 was 48.4 million euro (51.0 million euro in 2012) and referred mainly to France-Belgium for 27.6 million euro, Italy for 8.8 million euro and North America for 4.3 million euro.

Termination plans

At December 31, 2013 provisions for termination plans totaled 66.9 million euro (73.6 million euro in 2012) and related mainly to Italy for 60.9 million euro in connection with the re-organization plans, chiefly affecting Italcementi S.p.A., Calcestruzzi and C.T.G..

20. Provisions

Non-current and current provisions totaled 215,791 thousand euro at December 31, 2013 and decreased by 10,203 thousand euro from December 31, 2012, as follows:

(in thousands of euro)	December 31, 2012	Additions	Decreases	Reversed unused amounts	Translation differences	Other changes and reclassifs.	Total changes	December 31, 2013
Environmental restoration	**86,834**	9,822	(8,064)	(2,704)	(1,406)	2,019	**(333)**	**86,501**
Disputes	**78,560**	9,350	(13,101)	(3,487)	(4,516)	(35)	**(11,789)**	**66,771**
Other provisions	**60,600**	28,489	(13,610)	(4,803)	(3,257)	(4,900)	**1,919**	**62,519**
Total	**225,994**	**47,661**	**(34,775)**	**(10,994)**	**(9,179)**	**(2,916)**	**(10,203)**	**215,791**
Non-current portion	**225,435**	45,927	(34,362)	(10,994)	(9,117)	(2,816)	(11,362)	**214,073**
Current portion	**559**	1,734	(413)		(62)	(100)	**1,159**	**1,718**

"Disputes" reflects provisions for fiscal risks deemed probable as a result of tax audits and adjustments to tax returns, provisions for disputes with employees and provisions for restoration of urban and industrial areas.

Contingent liabilities

The main contingent liabilities relating to disputes and proceedings pending at December 31, 2013 for which amounts were not provided, are described below. The Group is not aware of other disputes, legal controversies or other exceptional facts that might have a material impact on its financial position, results and operations.

Europe
Regarding the investigation begun in November 2008 by the European Commission into some cement producers, including Italcementi S.p.A. and the subsidiaries Ciments Français S.A., Ciments Calcia S.A. and Compagnie des Ciments Belges (CCB) S.A., in December 2010 the European Commission notified the decision for the formal opening of the proceeding to Italmobiliare S.p.A. (and, indirectly through Italmobiliare, to the above-named Group companies and the Spanish subsidiary Financiera Y Minera). In April 2011, the Commission served a further formal notice on Italmobiliare of its decision to request extensive additional economic, financial and commercial information. Italmobiliare provided the information within the required term and, simultaneously, lodged an appeal with the EU General Court against the decision. Both the investigation and the proceeding are still underway. A formal ruling is expected from the EU General Court in March 2014 on Italmobiliare's appeal.

Turkey / Russia
Regarding the proceeding begun by Sibconcord against Ciments Français for the non-closure of the 2008 agreement for the sale of the Group's Turkish operations (Set Group) to the subsidiary Sibcem, the various proceedings moved ahead in accordance with the procedural regulations of the countries in question. On July 10, 2013, the court of Kemerovo (Russia) issued a ruling in favor of Ciments Français, stating that the loss of 50 million euro by Sibcem was solely due to the appellant's failure to comply with the agreements. Sibconcord appealed against the ruling and a hearing will be held at the end of March 2014.
With regard to the proceeding begun in Turkey by Sibcem to annul the arbitration award envisaged by the contract and already found in favor of Ciments Français, the Court of Appeal overturned the ruling of first instance of the court of Kadikoy, which upheld the appeal, and ordered the case to be sent to the court of Istanbul, deemed territorially competent; the hearings are currently underway. The arbitration ruling has been recognized in France, Belgium and Kazakhstan, and proceedings for the recognition of the award are underway in Italy, Bulgaria, Egypt and the USA.

Egypt
Lawsuits were brought locally by individuals to annul the privatizations of Helwan and Tourah, which took place before the companies were acquired by the Italcementi Group through its local subsidiary Suez Cement. Suez Cement is not involved in the lawsuit for the annulment of the Helwan privatization, since to date only the parties that actually took part in the privatization are involved; they do not include Suez Cement, which acquired Helwan, from other private parties, after its privatization.
Hypotheses regarding the possible outcome of the case cannot be made at this time.

21. Deferred tax assets and Deferred tax liabilities

Total net deferred tax liabilities are analyzed below:

(in millions of euro)	December 31, 2012	Results	Other changes	December 31, 2013
Benefit on tax loss carryforwards	45.4	(1.7)	0.7	44.4
Property, plant and equipment	(320.3)	25.4	15.7	(279.2)
Inventories	(15.1)	3.8	-	(11.3)
Non-current provisions and Employee benefits	127.9	(24.1)	3.8	107.6
Other	26.2	(6.4)	(17.5)	2.3
Total net deferred taxes	**(135.9)**	**(3.0)**	**2.7**	**(136.2)**
of which:				
Deferred tax assets	57.7			67.3
Deferred tax liabilities	(193.6)			(203.5)

At December 31, 2013 net deferred tax assets reflected in equity reserves amounted to 10.2 million euro (13.2 million euro of net deferred tax assets at December 31, 2012).

Unrecognized deferred tax amounted to approximately 255 million euro (216 million euro at December 31, 2012), of which amounts relating to losses for the year and previous years totaled approximately 173 million euro (160 million euro at December 31, 2012) and referred to losses posted by Group companies, the reversal of which is not considered reasonably certain at the present time.

22. Net debt

An itemized correlation of net debt with the statement of financial position is set out below:

(in thousands of euro) **Financial asset and liability category**	**Statement of financial position caption**	**December 31, 2013**	**December 31, 2012**
Current financial assets		**(546,479)**	**(624,765)**
Cash and cash equivalents	Cash and cash equivalents	(484,386)	(578,388)
Current loan assets	Equity investments, bonds and financial assets	(46,402)	(22,738)
Other current financial assets	Other current assets	(3,971)	(5,121)
Derivatives	Other current assets	(11,720)	(18,518)
Current financial liabilities		**421,462**	**727,634**
Bank overdrafts and short-term borrowings	Loans and borrowings	228,791	429,479
Loans and short-term borrowings	Financial liabilities	188,269	296,376
Derivatives	Other current liabilities	4,402	1,779
Non-current financial assets		**(94,061)**	**(154,639)**
Securities and bonds	Other non-current assets	(6,249)	(27,850)
Derivatives	Other non-current assets	(87,812)	(126,789)
Non-current financial liabilities		**2,158,090**	**2,050,026**
Loans and long-term borrowings	Financial liabilities	2,135,003	2,016,946
Derivatives	Other non-current liabilities	23,087	33,080
Net debt		**1,939,012**	**1,998,256**

Net debt at December 31, 2013, determined in compliance with Consob communication no. DEM/6064293 of July 28, 2006 (i.e., excluding non-current financial assets) amounted to 2,033,073 thousand euro (2,152,895 thousand euro at December 31, 2012).

22.1. Financial liabilities

Financial liabilities are shown below by category, subdivided by non-current and current liabilities:

(in thousands of euro)		Effective interest rate	Nominal amount at 12.31.2013	Maturity	12.31.2013	12.31.2012
Bank overdrafts and drawings on lines of credit					**317,316**	**654,635**
	Italcementi S.p.A.				261,563	522,138
	Italcementi Finance S.A				-	50,000
	Other Group companies				55,753	82,497
Bond loans					**1,794,640**	**1,335,010**
Issued by Italcementi Finance:	EMTN 750 mln euro 5.375%	5.55%	750,000	2020	771,620	810,065
Issued by Italcementi Finance:	EMTN 350 mln euro 6.125%	6.45%	350,000	2018	349,067	-
Issued by Italcementi Finance:	EMTN 150 mln euro 6.125%	4.34%	150,000	2018	155,675	-
Issued by Ciments Français S.A.:	EMTN 500 mln euro 4.75%	4.84%	500,000	2017	518,277	524,945
Other loans and borrowings						
	Other liabilities (0% - 3.67%)				22,348	24,518
Finance lease payables					**699**	**2,783**
Non-current financial liabilities					**2,135,003**	**2,016,946**
	Fair value of hedging derivativ				23,087	33,080
Total non-current financial liabilities					**2,158,090**	**2,050,026**
Bank overdrafts and drawings on lines of credit					186,153	517,745
Amounts due to banks					93,791	104,903
Bond loans						
	For private investors EMTN 15 mln euro 4.47%	4.50%	15,000		-	15,000
Other						
	Other loans and borrowings				11,488	25,000
	Billets de trésorerie				38,400	6,000
	Finance lease payables				2,032	2,103
	Accrued interest expense				85,196	55,104
Current financial liabilities					**417,060**	**725,855**
	Fair value of hedging derivatives				4,402	1,779
Total current financial liabilities					**421,462**	**727,634**
Total financial liabilities					**2,579,552**	**2,777,660**

At December 31, 2013 bank overdrafts and drawings on lines of credit included amounts secured by mortgages and liens on property, plant and equipment for 78.4 million euro (98.3 million euro at December 31, 2012), of which 32.7 million euro short-term and 45.7 million euro medium/long-term; 62 million euro referred to the Group’s Indian companies.

At December 31, 2013 short-term “Other loans and borrowings” did not include factoring programs (8.2 million euro at December 31, 2012), due to the fact that on December 20, 2012 some Ciments Français companies joined a new five-year international factoring program in order to transfer eligible trade receivables to a financial institution. On June 25, 2013, the Group extended the international factoring program to its American subsidiary through stipulation of a 4-year 7-month contract, with the same maturity as the contract signed on December 20, 2012. Under the program, Italcementi Finance acts as centralizing agent.

Non-current financial liabilities including fair value adjustments arising from current hedging strategies are shown below:

by currency:

(in millions of euro)	December 31, 2013	December 31, 2012
Euro	2,073.7	1,923.6
U.S. and Canadian dollar	7.0	16.0
Indian rupee	48.6	70.4
Egyptian pound	0.5	1.0
Others	5.2	5.9
Total	**2,135.0**	**2,016.9**

by maturity:

(in millions of euro)	December 31, 2013	December 31, 2012
2014	-	502.8
2015	42.7	29.1
2016	118.3	55.9
2017	541.5	528.5
2018	517.7	
Beyond	914.8	900.6
Total	**2,135.0**	**2,016.9**

The main non-current loans and borrowings in 2013 and 2012 are described below.

Bank loans and drawings on lines of credit:

a) During 2013 seven medium/long-term Group lines of credit expired, for an aggregate amount of 430 million euro:

   i. in February, a bilateral 5-year 100 million euro line of credit, fully drawn at December 31, 2012;
   ii. in March, a bilateral 3-year 25 million euro line of credit, undrawn at December 31, 2012;
   iii. in July, a bilateral 6-year 100 million euro line of credit, fully drawn at December 31, 2012;
   iv. in July, a bilateral 7-year 50 million euro line of credit, undrawn at December 31, 2012;
   v. in August, a bilateral 6-year 50 million euro line of credit, fully drawn at December 31, 2012;
   vi. in September, a bilateral 5-year 30 million euro line of credit, undrawn at December 31, 2012;
   vii. in December, a bilateral 5-year and 10-month 75 million euro line of credit, fully drawn at December 31, 2012;

b) In 2013, Italcementi Finance S.A. renewed committed bilateral lines of credit at 364 days with leading international banks for an aggregate amount of 150 million euro, and arranged two new bilateral lines of credit at 364 days for an aggregate amount of 80 million euro, refinancing two Ciments Français medium/long-term lines of credit that expired during the year with the same banks. At December 31, 2013, no drawings had been made on the lines.

c) In October 2013, Zuari Cement Ltd. obtained a bilateral 9-month 5 billion rupee line of credit from an international bank. At December 31, 2013 drawings had been made on the line for 1 billion Indian rupees (11.7 million euro);

d) In September 2013, Italcementi S.p.A. re-negotiated a bilateral 300 million euro line of credit expiring in July 2014, transforming it into a multi-tranche line for a total amount of 225 million euro:

   i. a first tranche for 180 million euro at 3 years and 6 months;

   ii. a second tranche for 45 million euro at 4 years and 6 months;

   Italcementi Finance S.A. is party to the contract as alternative beneficiary of the facility, in which case Italcementi S.p.A. acts as guarantor. No drawings had been made on the line at December 31, 2013;

e) In July 2013, Italcementi S.p.A. obtained from the European Investment Bank a 10-year 90 million euro amortizing loan with the principal to be repaid in 7 equal amounts as from the fourth year. This low-interest loan will be used to fund the revamping of the Rezzato cement plant and had been used in full at December 31, 2013;

f) In June 2013, Italcementi S.p.A. re-negotiated a bilateral multi-tranche line of credit for an aggregate amount of 260 million euro of which:

   i. the maturity of the 50 million euro tranche was extended for two years, from September 2014 to September 2016;

   ii. the 150 million euro tranche, expiring in September 2015, was reduced by an aggregate amount of 50 million euro. Of the residual 100 million euro, maturity on 50 million euro was extended from September 2015 to September 2016, while the remaining 50 million euro kept the original maturity. Drawings amounted to 50 million euro at December 31, 2013;

   iii. no changes were made to the final 60 million euro tranche, expiring in September 2019;

   The transaction has enabled Italcementi S.p.A. to improve the facility's average maturity.

g) In May 2012, Italcementi S.p.A. arranged a 200 million euro floating-rate 5-year renewable line of credit to replace a facility expiring in December 2012. Italcementi Finance S.A. is party to the contract as alternative beneficiary of the facility, in which case Italcementi S.p.A. acts as guarantor. No drawings had been made on the line at December 31, 2013;

h) During 2012, in September and November respectively, a 3-year 50 million euro loan and a fully drawn five-year 75 million euro committed line of credit expired at Italcementi S.p.A. and were repaid on expiry, without renewal;

i) On September 28, 2012, Italcementi Finance S.A. arranged a new medium-term line of credit (3 years and 6 months) for 100 million euro refinancing two lines of credit for a total amount of 130 million euro due to mature, with the same bank. No drawings had been made on the facility at December 31, 2013;

Bond loans

j) The Italcementi Group covers its financial requirements through recourse to diversified instruments. It covers its long-term financing requirements largely through bond issues. Specifically, Italcementi S.p.A. has launched a Euro Medium Term Notes program (EMTN) for qualified investors on the European market, for a maximum amount of 2 billion euro. This replaces the program previously in operation at Ciments Français S.A..

The launch of the program, on March 9, 2010, is part of a broader project to optimize management of financial operations, under which Italcementi S.p.A. has been assigned a greater role as parent responsible for the coordination and direct implementation of financing programs for all Group operations. The program reference material was renewed on June 29, 2012.

Under this program, Italcementi Finance S.A., a French subsidiary of Italcementi S.p.A., has issued the following bonds:

i. on March 16, 2010, it closed the placement of a ten-year bond at a fixed rate of 5.375%, for a nominal amount of 750 million euro. The bond, guaranteed by Italcementi S.p.A., is listed on the Luxembourg Stock Exchange. The terms and issue conditions of the program include a coupon step-up clause for 125 basis points should the rating go beneath "investment grade". After the downgrade of the Moody's rating on December 15, 2011, the clause has been applied as from the annual coupon paid on March 19, 2013.

ii. on February 14, 2013 it closed the placement of a 5-year bond at a fixed rate of 6.125% and yield of 6.25% for a nominal amount of 350 million euro. On May 14, 2013, the placement was re-opened with an additional issue for a nominal 150 million euro, at a price of 108.261 and yield of 4.169%. The bonds are unconditionally guaranteed by Italcementi S.p.A. and will mature on February 21, 2018. The two instruments, intended exclusively for qualified investors and listed on the Luxembourg Stock Exchange, became tradable as from July 1, 2013.

k) Ciments Français S.A. covers its long-term financial requirements largely through Italcementi Finance S.A., the company that coordinates and implements programs to provide funding for the entire Italcementi Group. Consequently, the EMTN program reference material has not been renewed since July 17, 2008. At December 31, 2013, notes issued and still outstanding under the program totaled 500 million euro, issued on March 21, 2007 at a fixed rate of 4.75% with a ten-year maturity.

Since 2006, Italcementi S.p.A. has been assigned a public rating by the Moody's and Standard & Poor's ratings agencies. At December 31, 2013, the rating was respectively Ba3 outlook stable-NP and BB+ outlook negative-B. During 2013 the ratings were reviewed on, respectively, May 29, 2013 by Standard & Poor's, which downgraded the outlook from stable to negative, and August 19, 2013 by Moody's, which downgraded the long-term rating from Ba2 to Ba3 with stable outlook. On October 28, 2013, Standard & Poor's confirmed its BB+/B rating with negative outlook.
The public rating attributed to Italcementi S.p.A. applies to all bonds issued by Italcementi Finance S.A..
The 500 million euro bond issued by Ciments Français in 2007 was given a Ba2 rating stable outlook and BB+ negative outlook by Moody's and Standards & Poor's, respectively.

Billets de Trésorerie issue program

l) On October 17, 2011 Italcementi Finance S.A was authorized by the Bank of France to issue a Billets de Trésorerie program for a maximum amount of 800 million euro. On the annual update of the issue program on June 3, 2013, the maximum amount was reduced to 200 million euro. The program, guaranteed by Italcementi S.p.A., has an NP Moody's rating and a B Standards & Poor's rating. The transaction was managed by Natixis with Bred Banque Populaire, Credit Agricole CIB, Credit Industriel et Commercial, HSBC France, ING Belgium S.A., Natixis and Société Générale as bookrunners. On October 24, 2011, the program was granted a STEP label (Short Term European Paper, reference no. #0002214), since it meets the criteria of the STEP market convention. In 2013, Italcementi Finance S.A. issued Billets de Trésorerie for a total amount of 334.4 million euro, of which 38.4 million euro still outstanding at December 31, 2013;

As part of the transactions intended to centralize and optimize Group financing, the Billets de Trésorerie program represents an additional source of short-term funding and replaces the old issue program previously managed by Ciments Français, which was not renewed in 2012.

Main intragroup relations

m) The resources raised by the two bonds issued in 2013 were used by Italcementi S.p.A. to refinance borrowings coming up to maturity through medium/long-term intragroup loans;

n) In January 2013 Ciments Français made early repayment of the 100 million euro loan granted by Italcementi S.p.A. in 2010;

o) In September 2012, after finalization of a bilateral bank line of credit arranged by Italcementi Finance S.A., Italcementi S.p.A. obtained from Italcementi Finance S.A. a 100 million euro 3-year and 6-month renewable line of credit. No drawings had been made on the line at December 31, 2013;

All loans and lines of credit arranged between Ciments Français S.A., Italcementi S.p.A. and their subsidiaries are arranged at arm's length conditions.

As a result of the Moody's rating downgrade on December 15, 2011, the interest-rate increase of 125 basis points applicable under the step-up clause of the 750 million euro bond issued by Italcementi Finance S.A. was applied to the loans granted by Italcementi Finance S.A. to Italcementi S.p.A. (210 million euro) and Ciments Français S.A. (540 million euro). The rating downgrade had no other direct consequences on the cost of Group financing.

22.2. Management of liquidity, credit and counterparty risks

22.2.1. Liquidity risk

Group centralized financial policy is designed to ensure that at any time debt maturing in less than two years is less than or equal to undrawn committed lines of credit and liquidity.

As from 2010, under the financial policy review, Italcementi S.p.A. and Ciments Français S.A. are the recipients of the fund-raising activities of Italcementi Finance S.A., enabling them to improve their access to credit and benefit from the synergies of a centralized financial policy. The policy aims to obtain loans at competitive conditions and ensure a balance between average debt maturity, flexibility and diversification of sources. Consequently, Italcementi S.p.A. and Ciments Français S.A. obtain refinancing from Italcementi Finance S.A. through short- and long-term intragroup loans, arranged at arm's length conditions.

Cash and cash equivalents standing at 484.4 million euro at December 31, 2013 consisted largely of short-term assets such as short-term deposits, certificates of deposit, mutual funds. At December 31, 2013, the maximum exposure to a single counterparty was 20%.

Due to currency regulations in Egypt, Morocco, Thailand and India, the cash and cash equivalents of the Group companies in these countries, for a total of 365.3 million euro, are not immediately available to the Ciments Français S.A. holding (note 36.1).

The tables below compare net debt (excluding the fair value of derivatives and current financial assets) by maturity with available lines of credit at the end of each period:

At December 31, 2013 *

(in millions of euro)		Maturity less than 1 year	Maturity 1 to 2 years	Maturity 2 to 3 years	Maturity 3 to 4 years	Maturity 4 to 5 years	Maturity more than 5 years	Total
Non-current financial liabilities			42.7	118.3	541.5	517.7	914.8	2,135.0
Current financial liabilities (**)		188.3						188.3
Amounts due to banks		228.8						228.8
Cash and cash equivalents		**(484.4)**						**(484.4)**
Total		**(67.3)**	**42.7**	**118.3**	**541.5**	**517.7**	**914.8**	**2,067.7**
Cumulative total		**(67.3)**	**(24.6)**	**93.7**	**635.2**	**1,152.9**	**2,067.7**	
	start 2014	**end 2014**	**end 2015**	**end 2016**	**end 2017**	**end 2018**	**end 2019**	**end 2020**
Committed lines of credit, available at end of each period	**1,955.7**	**1,595.3**	**625.3**	**425.3**	**45.3**	**0.26**	**0.26**	**-**

(*) excluding fair value of derivatives
(**) of which "billets de trésorerie" 38.4 m €

At December 31, 2012*

(in millions of euro)		Maturity less than 1 year	Maturity 1 to 2 years	Maturity 2 to 3 years	Maturity 3 to 4 years	Maturity 4 to 5 years	Maturity more than 5 years	Total
Non-current financial liabilities			502.800	29.050	55.900	528.545	900.650	2,016.9
Current financial liabilities (**)		296.4						296.4
Amounts due to banks		429.5						429.5
Cash and cash equivalents		**(578.4)**						**(578.4)**
Total		**147.5**	**502.8**	**29.1**	**55.9**	**528.5**	**900.7**	**2,164.4**
Cumulative total		**147.5**	**650.3**	**679.3**	**735.2**	**1,263.8**	**2,164.4**	
	start 2013	**end 2013**	**end 2014**	**end 2015**	**end 2016**	**end 2017**		
Committed lines of credit, available at end of each period	**1,682.4**	**1,520.0**	**1,420.0**	**350.0**	**200.0**	**-**	**-**	

(*) excluding fair value of derivatives
(**) of which "billets de trésorerie" 6 m€

At December 31, 2013, the average maturity of the Group's gross debt was 4 years and 3 months (3 years and 8 months at December 31, 2012).
Current liabilities included billets de trésorerie for 38.4 million euro (6 million euro at December 31, 2012).
At December 31, 2013 the Group had 2,160 million euro of committed lines of credit, of which 1,956 million euro undrawn and immediately available (2,594 and 1,682 million euro respectively at December 31, 2012).

22.2.2. Covenants

In addition to the customary clauses, some of the Group's financing contracts include covenants requiring compliance with financial ratios, fixed for the most part at year-end. The main financial ratio included in the covenants is "leverage" (net debt/recurring EBITDA). For bilateral or syndicated lines of credit and borrowings, failure to comply with covenants leads to termination and consequent early repayment, although the covenants also include a stand-by period prior to actual execution. Lines of credit and financing contracts do not contain

rating triggers that would lead to early repayment. Some financing contracts involve assumption of negative pledges to the counterparty, although these are limited to specific instances that do not substantially compromise the Group's ability to finance or refinance its operations.
At December 31, 2013, lines of credit and loans subject to covenants stood at 257 million euro of total drawings represented by gross financial liabilities (2,510 million euro at December 31, 2013 expressed at nominal value, excluding the fair value effects of derivatives) and 1,545 million euro of total undrawn immediately available lines of credit (1,956 million euro at December 31, 2013).
At December 31, 2013 the Group complied with all contractual commitments; covenant-related financial ratios were within the contractual limits agreed by the loans in question. The Group expects to comply with its covenants for the next 12 months, and will provide information as appropriate should its financial situation deteriorate.

22.2.3. Credit risk

In compliance with Group procedures, customers electing extended terms of payment are vetted for credit worthiness before and during the life of the contract. Credit checks take the form of customer-balance monitoring by the administrative department, whose procedures also regulate provisions for overdue receivables at regular intervals.
The concentration of trade credit risks is limited by virtue of the Group's broadly based and uncorrelated customer portfolio. For this reason, management believes that no further provisions for credit risks will be necessary beyond the allowances normally provided for uncollectible and doubtful receivables.

22.2.4. Counterparty risk

Currency and interest-rate instruments are transacted only with counterparties with high ratings, selected on the basis of a number of criteria: ratings attributed by specialist agencies, assets and own funds as well as the nature and maturity of transactions. The majority of counterparties are leading international banks.
No financial instruments are negotiated with counterparties in geographical regions exposed to political or financial risks. All counterparties are in Western Europe or in the USA.
Adoption of IFRS 13 involves credit valuation adjustment (CVA) and debit valuation adjustment (DVA) on derivatives (note 22.3.1).

22.3. Financial assets and liabilities and fair value hierarchy

The two tables below show the carrying amount and fair value of each financial asset and liability, with the relevant fair value hierarchy level. Information on the fair value of financial assets and financial liabilities not measured at fair value is excluded, when the carrying amount is a reasonable approximation of fair value:

	December 31, 2013				
(in millions of euro)	Carrying amount	Fair value	Level 1	Level 2	Level 3
FINANCIAL ASSETS					
Assets originally designated at fair value					
Cash and cash equivalents (note 36.1)	108.6	108.6	-	-	-
Mutual funds (note 36.1)	108.6	108.6	108.6	-	-
Assets classified as held for trading					
Fair value of derivatives	99.6	99.6	-	99.6	-
Equity investments, bonds and current financial assets	20.2	20.2	19.9		0.3
Held-to-maturity investments					
Securities and bonds (note 10)	-	-	-	-	-
Loans and receivables					
Short-term deposits (note 36.1)	267.2	267.2	-	-	-
Trade receivables (note 12)	660.4	660.4	-	-	-
Other current assets	5.4	5.4	-	-	-
Other non-current assets excluding concessions, licenses paid in advance, derivatives and securities (note 10)	153.6	153.6	-	-	-
Equity investments, bonds and current financial assets	26.5	26.5	-	-	-
Available-for-sale financial assets					
Other equity investments (note 9)	53.5	53.5	30.6	-	22.9
FINANCIAL LIABILITIES					
Liabilities originally designated at fair value					
Liabilities classified as held for trading					
Fair value of derivatives	27.5	27.5	-	27.5	-
Other financial liabilities					
Trade payables	517.2	517.2	-	-	-
Other current liabilities	154.9	154.9	-	-	-
Finance lease payables	2.7	2.7	-	-	-
Floating-rate non-current financial liabilities	314.3	314.3	-	314.3	-
Fixed-rate non-current financial liabilities	1,820.0	1,871.0	1,871.0		
Other short-term financing	415.0	415.0	-	415.0	-
Purchase commitments on non-controlling interests (note 23)	41.3	41.3	-	-	41.3

(milioni di euro)	Carrying amount	Fair value	December 31, 2012 Level 1	Level 2	Level 3
FINANCIAL ASSETS					
Assets originally designated at fair value					
Cash and cash equivalents (note 36.1)	120.5	120.5	-	-	-
Mutual funds (note 36.1)	217.8	217.8	217.8	-	-
Assets classified as held for trading					
Fair value of derivatives	145.3	145.3	-	145.3	-
Equity investments, bonds and current financial assets	3.0	3.0	3.0	-	-
Held-to-maturity investments					
Securities and bonds (note 10)	-	-	-	-	-
Loans and receivables					
Short-term deposits (note 36.1)	240.1	240.1	-	-	-
Trade receivables (note 12)	744.6	744.6	-	-	-
Other current assets	2.0	2.0	-	-	-
Other non-current assets excluding concessions, licenses paid in advance, derivatives and securities (note 10)	180.6	180.6	-	-	-
Equity investments, bonds and current financial assets	20.0	20.0	-	-	-
Available-for-sale financial assets					
Other equity investments (note 9)	80.1	80.1	42.9	-	37.2
FINANCIAL LIABILITIES					
Liabilities originally designated at fair value					
Liabilities classified as held for trading					
Fair value of derivatives	34.9	34.9	-	34.9	-
Other financial liabilities					
Trade payables	605.6	605.6	-	-	-
Other current liabilities	123.4	123.4	-	-	-
Finance lease payables	4.9	4.9	-	-	-
Floating-rate non-current financial liabilities	1,068.7	1,068.7	-	1,068.7	-
Fixed-rate non-current financial liabilities	1,398.5	1,481.4	1,481.4	-	-
Other short-term financing	270.7	270.7	-	270.7	-
Purchase commitments on non-controlling interests (note 23)	45.8	45.8	-	-	45.8

Trade receivables and payables are current assets and liabilities and are carried at amounts that are reasonable approximations of their fair value.
Derivatives are measured and recognized at fair value. The fair value of interest-rate contracts is determined on the present value of cash flows using the zero coupon curve.
The fair value of forward currency purchase contracts is based on the current exchange rates of contracts with similar maturity profiles.
The fair value of foreign currency payables and receivables is determined using closing rates. The fair value of fixed-rate payables and receivables is based on a fixed rate with no credit margin, net of transaction costs directly related to the financial asset or liability.

In determining and documenting the fair value of financial instruments, the Group uses the following hierarchy based on different measurement methods:

level 1: financial instruments with prices quoted on active markets;

level 2: prices quoted on active markets for similar financial instruments, or fair value determined with other measurement methods where all significant inputs are based on observable market data;

level 3: fair value determined with measurement methods where no significant input is based on observable market data.

No portfolio reclassifications of financial assets from categories measured at fair value to categories measured at amortized cost were made by the Group, either in 2013 or in 2012.

Reconciliation of the fair value of financial instruments classified in Level 3:

(in millions of euro)	Other equity investments	Purchase commitments on non-controlling interests
At December 31, 2012	**37.2**	**45.8**
Increases (decreases)	(5.0)	1.4
Profit (loss) reflected in income statement	(16.8)	-
Profit (loss) reflected in other comprehensive income	7.7	-
Translation differences	(0.2)	(5.9)
At December 31, 2013	**22.9**	**41.3**

22.3.1. Fair value of derivatives

Measurement of derivatives at December 31, 2013 involved credit valuation adjustment (CVA) and debit valuation adjustment (DVA).

The method adopted by the Group to determine the impact of credit/counterparty risk on its measurements at the reporting date applies a default probability to each flow in order to incorporate the adjustment for credit/counterparty risk into the measurement.

In the case of positive measurements for the Italcementi Group, CVA is based on the default probability of the bank counterparty and translates into a reduction of the measurement of the derivative asset to which the Italcementi Group is exposed by virtue of the counterparty risk.

In the case of negative measurements, DVA is based on the default probability of the Italcementi Group and translates into a reduction of the measurement of the derivative liability by virtue of the credit risk to which the Italcementi Group exposes the counterparty bank.

Default probabilities are computed using secondary bond market data through calculation of the implicit “Credit Default Swaps” (CDS).

The loss given default (LGD) is set at 60% in line with market standards.

The table below shows the fair value of financial instruments reflected in the statement of financial position by type of hedge and net of the IFRS 13 adjustment:

	December 31, 2013		December 31, 2012	
(in thousands of euro)	Assets	Liabilities	Assets	Liabilities
Derivatives - interest rates	**2,180**	**2,462**	**-**	**1,337**
Future cash flow hedges	3	844	-	318
Trading	2,177	1,618	-	1,019
Derivatives - exchange rates	**9,540**	**1,940**	**18,518**	**442**
Future cash flow hedges	2	1,145	299	330
Fair value hedges	9,481	792	18,219	112
Trading	57	3	-	-
Total current instruments	**11,720**	**4,402**	**18,518**	**1,779**
Derivatives - interest rates	**81,526**	**23,065**	**126,789**	**33,080**
Future cash flow hedges	-	3,324	-	19,794
Fair value hedges	81,526	19,741	126,789	13,286
Derivatives - exchange rates	**6,286**	**22**	**-**	**-**
Future cash flow hedges	4	22	-	-
Fair value hedges	6,282	-	-	-
Total non-current instruments	**87,812**	**23,087**	**126,789**	**33,080**
Total	**99,532**	**27,488**	**145,307**	**34,859**

of which the IFRS 13 adjustment:

	December 31, 2013	
(in thousands of euro)	Assets	Liabilities
Derivatives - interest rates	**43**	**(9)**
Future cash flow hedges	43	-
Trading	-	(9)
Derivatives - exchange rates	**-**	**219**
Future cash flow hedges		219
Total current instruments	**43**	**210**
Derivatives - interest rates	**-**	**2,072**
Future cash flow hedges	-	(124)
Fair value hedges	-	2,196
Total non-current instruments	**-**	**2,072**
Total	**43**	**2,282**

Non-current derivatives on interest rates reflected under assets for 81.5 million euro refer to fixed-rate to Euribor-indexed floating-rate interest-rate swaps hedging part of the 500 million euro bond issued by Ciments Français S.A. for 19.1 million euro and part of the 750 million euro bond issued by Italcementi Finance S.A. for 62.4 million euro; both issues were fixed-rate issues under the respective EMTN programs. At December 31, 2012 the derivatives were carried under assets at 26.1 million euro and 100.7 million euro respectively.
The Group does not set up hedges on sales and purchases of shares.
Derivatives on trading exchange rates and interest rates refer to assets that do not qualify for hedge accounting.

The two tables below show the impact of netting agreements relating to derivative assets and derivative liabilities at December 31, 2013 and 2012, in compliance with the latest IFRS 7 update.

Derivatives are carried at fair value, including the impact arising from the counterparty risk.

December 31, 2013

(in millions of euro)	Gross amounts	Amounts offset in financial statements	Net carrying amounts reflected in financial statements	Amounts not offset in financial statements		Net carrying amounts in compliance with IFRS 7
				derivatives	**collateral**	
Derivative assets	99.5	-	99.5	6.5	-	93.0
Derivative liabilities	27.5	-	27.5	6.5	-	21.0

December 31, 2012

(in millions of euro)	Gross amounts	Amounts offset in financial statements	Net carrying amounts reflected in financial statements	Amounts not offset in financial statements		Net carrying amounts in compliance with IFRS 7
				derivatives	**collateral**	
Derivative assets	145.3	-	145.3	0.5	-	144.8
Derivative liabilities	34.9	-	34.9	0.5	-	34.3

Fair value of derivatives on management of commodity risk

The fair value of derivatives on management of commodity risk is shown below:

	December 31, 2013		**December 31, 2012**	
(in thousands of euro)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Current	-	-	11,147	20,791
Non-current	-	-	-	142
Total	**-**	**-**	**11,147**	**20,932**

At December 31, 2013 there were no derivatives relating to EUA and CER/ERU transactions.

Derivative transactions on emission rights in 2013 had an impact of +8,819 thousand euro on the income statement and no impact on equity (OCI reserve)

At December 31, 2013 there were no derivatives relating to transactions on electricity.

Derivative transactions on electricity in 2013 generated an impact on equity (OCI reserve) of +967 thousand euro and had no impact on the income statement.

22.4. Management of interest-rate risk

The Group interest-rate risk management policy is designed to minimize the cost of net financial liabilities and reduce exposure to fluctuation risks. It hedges two types of risk:

1. the risk of variations in the market value of fixed-rate borrowing and lending transactions. Group fixed-rate debt is exposed to an “opportunity cost” risk in the event of a fall in interest rates. A change in interest rates will affect the market value of fixed-rate assets and liabilities and impact the consolidated profit or loss in the event of liquidation or early repayment of these instruments;

2. the risk linked to future flows arising from floating-rate borrowing and lending transactions. A change in interest rates will have a negligible impact on the market value of floating-rate financial assets and liabilities but will affect finance costs and, consequently, future profits.

The Group manages this dual risk as part of its general policy, performance targets and risk reduction targets by giving priority to hedges on future flows over the short- and medium-term and to hedges against the market value risk over the long term, within the specified limits.

It hedges interest-rate risks mainly by arranging interest-rate swaps, forward-rate agreements and interest-rate options with top-ranking banks.

22.4.1. Interest-rate risk hedging

The table below sets out the nominal value of interest-rate derivatives by maturity:

(in millions of euro)	Maturity less than 1 year	Maturity 1 to 2 years	Maturity 2 to 5 years	Maturity more than 5 years	Total
Fair value hedges					
SWAPs receive Fixed / pay Floating					
165 M€ 4.75% Euribor 3M+0.626%	-	-	165.0	-	165.0
100 M€ 6.125% Euribor 3M+3.650%			100.0	-	100.0
650 M€ 5.375% Euribor 3M+2.284%	-	-	-	650.0	650.0
Total	**-**	**-**	**265.0**	**650.0**	**915.0**
Cash flow hedges					
SWAPs receive Floating / pay Fixed					
595 M€ Euribor 3M 1.76%	100.0	75.0	100.0	320.0	595.0
0.6 M€ Euribor 3M 2.79%	0.2	0.4	-	-	0.6
Cash flow hedges OPTIONS					-
Total	**100.2**	**75.4**	**100.0**	**320.0**	**595.6**
Trading					
SWAPs receive Floating / pay Fixed					
550 M$ Libor 3M 0.74%	72.5	54.4	271.9	-	398.8
50 M€ Euribor 6M 2.96%	50.0	-	-	-	50.0
0.8 M€ Euribor 3M 1.95%	0.4	0.4	-	-	0.8
115 M€ Euribor 3M 1.39%	-	-	-	115.0	115.0
Cross Currency Swap receive Floating / Pay Floating					
150 M€ Euribor 3M / Libor 3M	-	108.8	-	-	108.8
Trading Options	-	-	-	-	-
Total	**122.9**	**163.6**	**271.9**	**115.0**	**673.4**
Total	**223.1**	**239.0**	**636.9**	**1,085.0**	**2,184.0**

22.4.2. Exposure to interest-rate risk

At December 31, 2013, 80% of Group gross debt and 102 % of net debt (not including the fair value of derivatives) was at a fixed rate or hedged against the risk of rate increases. 56% of fixed-rate commitments arose from swapped contracts initially arranged at floating rates.

Hedges are stated at nominal value for the period in question (consistently with instrument maturity) and do not include fixed-rate to fixed-rate contracts and floating-rate to floating-rate contracts.

22.4.3. Net debt at inception and after interest-rate hedging

The evolution of net debt at December 31, 2013 is illustrated below:

		Maturity			
(in millions of euro)	**12.31.2013**	**< 1 year**	**1 - 2 years**	**2 - 5 years**	**Beyond**
Fixed-rate financial liabilities	1,820.0	1.0	1.6	1,028.9	788.4
Fixed-rate financial assets	(5.4)	-	-	-	(5.4)
Fixed-rate ND at inception	1,814.6	1.0	1.6	1,028.9	783.1
Fixed- to floating-rate hedges	(915.0)	-	-	(265.0)	(650.0)
Floating- to fixed-rate hedges	1,160.2	223.1	130.2	371.9	435.0
Fixed-rate ND after hedging	**2,059.8**	**224.1**	**131.8**	**1,135.8**	**568.1**
Floating-rate financial liabilities	732.1	416.0	41.1	148.6	126.4
Floating-rate financial assets	(535.6)	(532.1)	0.1	(0.7)	(2.9)
Floating-rate ND at inception	196.4	(116.1)	41.2	147.9	123.5
Fixed- to floating-rate hedges	915.0	-	-	265.0	650.0
Floating- to fixed-rate hedges	(1,160.2)	(223.1)	(130.2)	(371.9)	(435.0)
Optional hedges	-	-	-	-	-
Floating-rate ND after hedging	**(48.8)**	**(339.2)**	**(89.0)**	**41.0**	**338.5**
Optional hedges	-	-	-	-	-
Fair value of derivatives, net	(72.0)	(6.8)	(6.3)	(17.8)	(41.2)
Net debt	**1,939.0**	**(121.9)**	**36.5**	**1,159.0**	**865.3**

At December 31, 2013, a +0.5% change in the interest-rate curve would have an impact of +0.2 million euro, that is, 0.2% of 2013 net finance costs. The impact on interest-rate derivatives in portfolio would be +16.8 million euro on equity and -21.5 million euro on profit before tax; the latter effect is offset by an effect of +27.2 million euro on fixed-rate liabilities with fair value hedges.

At December 31, 2013, a -0.5% change in the interest-rate curve would have an impact of -0.2 million euro, that is, 0.2% of 2013 net finance costs. The impact on interest-rate derivatives in portfolio would be -17.3 million euro on equity and +22.3 million euro on profit before tax; the latter effect is offset by an impact of -28.1 million euro on fixed-rate liabilities with fair value hedges.

22.5. Management of currency risk

The Group companies are structurally exposed to currency risks on cash flows from business operations and financing operations denominated in currencies other than their respective reporting currencies.

The Group companies operate chiefly on their respective local markets. Consequently, turnover and operating expense are denominated in the same currency and exposure of operating cash flows to currency risk is not particularly significant, with the exception of fuel, spare parts and investments for construction of new plants.

Group policy requires borrowings or investments to be made in local currency, except in the case of hedges of foreign-currency cash flows. However, the Group may adapt this general policy to take account of specific macro-economic conditions in certain geographical areas (hyperinflation, high interest rates, liquidity, translations).

With regard to financing for subsidiaries, the Group may also arrange facilities in a currency other than that of the loan to the subsidiary.

Group policy is to hedge exposure whenever the market makes this possible. Net exposure of each entity is determined on the basis of expected net operating cash flows over one to two years and financing denominated in currencies other than the local currency.

The Group hedges exposure to currency risk with forward currency purchase and sale contracts, currency swaps that translate loans and borrowings generally denominated in euro at inception into foreign currency, as well as options.
These hedges are arranged with leading banks.

The impact of foreign currency translation on the subsidiaries' equity is recorded in a separate equity item.

22.5.1. Exposure to currency risk

Consolidated net exposure by currency of financial assets and liabilities denominated in currencies other than the local currency is illustrated below:

(in millions of euro)	**Euro (*)**	**USD (*)**	**Other (*)**
Financial assets (°)	2.8	581.2	27.6
Financial liabilities (°)	(6.1)	(31.1)	(52.1)
Derivatives	-	(482.2)	43.6
Net exposure	**(3.3)**	**67.9**	**19.1**

(*) assets and liabilities are expressed at nominal value in euro when the local currency is not euro
(°) excluding trade payables and receivables

Foreign currency exposure refers mainly to the US dollar, the Thai baht, the Moroccan dirham, the Egyptian pound and the Indian rupee. No hedging is set up on net investments in these subsidiaries.
Net exposure in US dollars arises chiefly from the investment in this currency of the cash reserves of the Egyptian divisions, in order to mitigate possible local-currency fluctuations.
At December 31, 2013, a 1% change in the exchange rate with the euro, in cases where the local currency is not the euro, would have an impact of 29.9 million euro on equity, of which 7.1 million euro on non-controlling interests.
At December 31, 2013, a 10% rise in the US dollar would have an impact on currency derivatives in portfolio of +1.6 million euro on equity and -36.0 million euro on profit before tax. A 10% decrease in the US dollar would have an impact on currency derivatives in portfolio of -1.6 million euro on equity and +36.0 million euro on profit before tax.

22.5.2. Currency risk hedges

Currency risk hedges stated at the closing rates are illustrated below:

(in millions of euro)		December 31, 2013	December 31, 2012
Forward purchases			
Cash flow hedges			
	US dollars	113.9	43.9
	Others	-	-
Fair value hedges			
	US dollars	8.6	48.8
	Others	52.1	46.8
Trading			
	US dollars	-	-
	Others	-	-
Total		**174.6**	**139.5**
Forward sales			
Fair value hedges			
	US dollars	402.8	555.1
	Others	9.3	10.3
Trading			
	US dollars		
	Others	4.4	0.1
Total		**416.5**	**565.5**
Options			
Cash flow hedges			
	US dollars	-	14.3
Fair value hedges			
	US dollars	-	-
Trading			
	US dollars	-	-
Total		**-**	**14.3**
Cross currency swaps			
Fair value hedges			
	US dollars	108.8	-
Total		**108.8**	**-**
TOTAL		**699.9**	**719.3**

Currency risk hedges at December 31, 2013 have maturity date within two years.

22.6. Management of commodity risk

CO_2

The Group's European subsidiaries are exposed to market fluctuations on CO_2 emission right prices, in connection with their surplus or deficit on the quotas allocated by their respective national governments.
In 2013, the Group did not sell any CO_2 emission rights (37.2 million euro in 2012).

From 2008 to 2012, the Group transacted EUA-CER forward swaps (forward sales of European Union Allowances and forward purchases of Certified Emission Reductions) distributed in the period 2009-2013, to diversify and optimize its CO_2 emission rights portfolio.
Trades on emission rights markets are transacted by the parent, Italcementi S.p.A., which, since 2010, has also operated on behalf of the Group's other European subsidiaries under an agency basis.

22.7. Management of equity risk

The Group is exposed to market fluctuations on listed shares in portfolio recognized under "Other equity investments". Treasury shares held by Italcementi S.p.A. are measured at cost and deducted against equity under the "Treasury shares" reserve (see note 16).
Equity investments treated as available-for-sale financial assets are recognized under "Other equity investments" (see note 9), including the listed investment in West China Cement.
The risk of fluctuations in the value of these equity investments is not actively managed with hedging instruments.

22.8. Hedge Accounting

The effects arising from application of hedge accounting rules are summarized below.
The specific equity reserve reflects fair value gains and losses on the effective component of cash flow hedges only.
The eliminated portion of the reserve relating to instruments that expired in 2013 amounted to +17.0 million euro at December 31, 2013, compared with -7.1 million euro at December 31, 2012. The changes in equity relating to derivatives traded in 2012 and still in portfolio at December 31, 2013 amounted to 2.8 million euro (-10.9 million euro at December 31, 2012). The overall effect of the new derivatives recognized in equity was -2.4 million euro at December 31, 2013 (-11.2 million euro at December 31, 2012).
The non-effective component of cash flow hedges in portfolio at December 31, 2013 recognized in profit or loss was immaterial in both 2013 and 2012.
With reference to fair value hedges in portfolio at the end of 2013, the amount taken to profit or loss totaled +61.3 million euro for 2013 (+100.4 million euro for 2012). Recognized amounts attributable to underlying risk hedged during the period totaled -67.4 million euro in 2013 (-112.2 million euro in 2012). These amounts are taken to profit or loss as gains and losses on interest-rate and currency derivatives (note 30).

23. Other current liabilities

(in thousands of euro)	December 31, 2013	December 31, 2012
Due to employees	104,648	101,133
Due to social security authorities	52,928	55,064
Due to tax authorities	63,655	69,583
Derivatives	4,401	21,744
Purchase commitments on non-controlling interests	41,308	45,803
Advances from customers	70,075	72,601
Due to suppliers for non-current assets	154,091	76,915
Other	114,706	119,275
Total	**605,812**	**562,118**

Purchase commitments on non-controlling interests refer to Ready Mix Concrete Alalamia in Egypt, to Hilal Cement in Kuwait and to Gulbarga Cement in India.
Derivatives are discussed in note 22.3.1 Derivatives.

24. Commitments

(in millions of euro)	December 31, 2013	December 31, 2012
Collateral given		
- Pledges	18.2	18.2
- Liens and mortgages	78.4	98.3
Total collateral given	96.6	116.5
Deposits, guarantees, sureties and other	118.5	118.0
Total	**215.1**	**234.5**

Collateral given at December 31, 2013 consisted mainly of mortgages and liens securing and borrowings at the Indian subsidiaries.

Contracts and orders issued for investments amounted to 241.7 million euro at December 31, 2013 (228.6 million euro at December 31, 2012); commitments relating to long-term rental contracts amounted to 90.7 million euro:

(in millions of euro)	December 31, 2013	less than 1 year	1 to 5 years	more than 5 years
Commitments for PPE purchases	241.7	230.7	11.0	-
Long-term rentals	90.7	23.9	49.5	17.3

25. Raw materials and supplies

Raw materials and supplies amounted to 1,681,650 thousand euro, as follows:

(in thousands of euro)	2013	2012	Change
Raw materials and semifinished goods	470,166	488,769	(18,603)
Fuel	349,515	405,897	(56,382)
Packaging, materials and machinery	232,145	270,151	(38,006)
Finished goods	118,971	122,200	(3,229)
Electricity, water, gas	452,166	526,151	(73,985)
Change in inventories of raw materials, consumables and other	58,687	52,953	5,734
Total	**1,681,650**	**1,866,121**	**(184,471)**

26. Services

Services amounted to 1,059,965 thousand euro, as follows:

(in thousands of euro)	2013	2012	Change
External services and maintenance	342,811	363,538	(20,727)
Transport	468,215	498,298	(30,083)
Legal fees and consultancy	41,041	41,635	(594)
Rents	75,975	79,862	(3,887)
Insurance	36,202	36,207	(5)
Other	95,721	98,110	(2,389)
Total	**1,059,965**	**1,117,650**	**(57,685)**

“Other" consisted mainly of cleaning and surveillance expenses and communication/marketing expenses.

27. Employee expense

Employee expense totaled 862,413 thousand euro, as follows:

(in thousands of euro)	2013	2012	Change
Wages and salaries	586,661	612,586	(25,925)
Social security contributions and pension fund provisions	176,416	189,224	(12,808)
Other costs	99,336	109,327	(9,991)
Total	**862,413**	**911,137**	**(48,724)**

“Other costs” related mainly to costs of temporary personnel, canteen costs, employee insurance costs, travel costs and personnel training and recruitment costs.

The number of employees is shown below:

(heads)	2013	2012
Number of employees at end of year	18.434	18.886
Average number of employees	18.735	19.224

27.1. Stock options

The terms and conditions of Italcementi S.p.A. stock option plans for directors and managers at December 31, 2013 are set out below:

Grant date	No. options granted	Exercise period	Exercised options	Cancelled options	Unexercised options	Unit subscription price
March 17, 2005	1,053,600	3.17.2008 - 3.16.2015	6,475	28,900	1,018,225	€ 13.387
March 7, 2006	631,403	3.7.2009 - 3.6.2016	4,187	50,325	576,891	€ 16.890
March 7, 2007	1,020,200	3.7.2010 - 3.6.2017	-	49,525	970,675	€ 23.049
March 26, 2008	623,300	3.26.2011 - 3.25.2018	-	-	623,300	€ 12.804
June 4, 2008	1,564,750	6.4.2011 - 6.3.2018	-	-	1,564,750	€ 13.355
Total	**4,893,253**		**10,662**	**128,750**	**4,753,841**	

The grant date is the date of the Board of Directors' meeting that approved the stock option plan.
The average residual life of unexercised options is approximately 1 year and 5 months.
The number and average exercise price of Italcementi S.p.A.'s options in the years in question are set out below:

	2013		2012	
	number of options	average subscription price	number of options	average subscription price
Unexercised options at beginning of year	**4,753,841**	**15.698**	**4,794,966**	**15.637**
Granted during year	-		-	
Cancelled during year	-		-	
Exercised during year	-		-	
Expired during year	-		(41,125)	
Unexercised options at end of year	**4,753,841**	**15.698**	**4,753,841**	**15.698**
Vested options at end of year	**4,753,841**		**4,753,841**	

The average ordinary share price in 2013 was 5.311 euro (4.37 euro in 2012).
The option exercise price at December 31, 2013 was between 12.804 euro and 23.049 euro.

28. Other operating income (expense)

Net other operating expense amounted to 69,705 thousand euro, as follows:

(in thousands of euro)	2013	2012	Change
Other taxes	(78,044)	(81,086)	3,042
Allowance for doubtful receivables	(16,881)	(22,933)	6,052
Provision for environmental restoration, quarries and other	(39,996)	(48,287)	8,291
Miscellaneous income	65,216	114,519	(49,303)
Total	**(69,705)**	**(37,787)**	**(31,918)**

The reduction in "Miscellaneous income" arose from the absence in 2013 of CO_2 emission rights trading; in 2012 the Group recognized net gains of 35.9 million euro and income from the reimbursement of "new entry" CO_2 quotas of 3.7 million euro.
"Miscellaneous income" includes income relating to the assignment of white certificates to Italcementi S.p.A. for 9.3 million euro (9.3 million euro in 2012) and green certificates to Italgen S.p.A. for 6.1 million euro (1.2 million euro in 2012).

29. Non-recurring income (expense)

Net non-recurring expense amounted to 13,005 thousand euro and arose mainly from gains from the sale of property, plant and equipment and intangible assets, employee expense for re-organizations and industrial restructurings, fines and penalties.

(in thousands of euro)	2013	2012
Net gains from sale of non-current assets	20,262	38,548
Non-recurring expense for re-organizations	(30,336)	(56,112)
Other non-recurring income (expense)	(2,931)	23
Total non-recurring expense	**(13,005)**	**(17,541)**

In 2013 expense and net allowances set aside for re-organizations referred mainly to Spain for 11.7 million euro (3.1 million euro in 2012), Italy for 12.1 million euro (51.2 million euro in 2012) and France for 5.3 million euro.
Other income and expense included the fine imposed by the Belgian Antitrust Authority on Compagnie des Ciments Belges S.A. for 1.8 million euro, expense relating to adoption of new defined benefit plans for 3.0 million euro and income of 3.9 million euro on settlement of the earn-out on the companies operating under the Axim brand sold in 2011.

30. Finance income (costs), exchange-rate differences and derivatives

Finance costs net of finance income and exchange-rate differences and derivatives were as follows:

	2013		2012	
(in thousands of euro)	Income	Costs	Income	Costs
Interest income	16,909		12,228	
Interest expense		(115,514)		(98,861)
Dividends and other income from equity investments	1,567		26,807	
Other finance income	22,894		19,130	
Capitalized finance costs		1,509		1,322
Other finance costs		(47,502)		(53,563)
Total finance income (costs)	**41,370**	**(161,507)**	**58,165**	**(151,102)**
Gains/(losses) on interest-rate derivatives		(1,905)		(5,938)
Gains/(losses) on exchange-rate derivatives		(3,830)	36,242	
Net exchange-rate differences	2,017			(31,824)
Net exchange-rate differences and derivatives	**-**	**(3,718)**	**-**	**(1,520)**
Total finance income (costs), exchange-rate differences and derivatives		**(123,855)**		**(94,457)**

“Other finance costs” included net finance costs on employee defined benefit plans for 7.5 million euro (10 million euro in 2012).

31. Income tax expense

Income tax expense for the year was 115,883 thousand euro, as follows:

(in thousands of euro)	2013	2012	Change
Current tax	105,850	116,925	(11,075)
Deferred tax	709	6,670	(5,961)
Prior-year tax and net non-recurring tax items	9,324	22,739	(13,415)
Total	**115,883**	**146,334**	**(30,451)**

In Italy, the IRES rate applied by the parent on estimated taxable income for the year was 27.5%, as in 2012. Taxes for Group companies in other countries are calculated using the local tax rates.

The reconciliation between the theoretical tax charge and the effective tax change reflected in the income statement does not consider IRAP, since IRAP uses a taxable base other than profit before tax.

The reconciliation between the theoretical tax charge, determined using theoretical tax rates applicable in Italy, and the effective tax charge reflected in the income statement is set out below:

(in thousands of euro)	2013
Consolidated profit before tax	27,467
Applicable IRES tax rate %	*27.5%*
Theoretical tax charge	**7,553**
Effect of difference between the parent's tax rate and tax rate for the other companies (1)	4,276
Effect of tax rate reduction for tax relief/allowances	(4,399)
Tax effect on permanent differences	10,044
Net effect for the year of unrecognized deferred taxes on temporary differences (2)	77,746
Effect of change in tax rates	2,868
Withholdings at source	7,809
Effect of change in estimate on previously recognized/unrecognized deferred tax	(1,276)
Other taxes	6
Tax on income for the year reflected in income statement, excluding IRAP (a)	**104,627**
Effective tax rate, excluding IRAP and other tax items not related to the profit for the year	*n.s.*
Other tax items not related to the profit for the year (b)	9,346
IRAP (c)	**1,910**
Tax on profit for the year reflected in income statement (a+b+c)	**115,883**
Effective tax rate	*n.s.*

n.s. = not significant

(1) The difference between the Italian tax rate for the parent and the rates in the foreign countries where the Group operates refers mainly to France, Belgium and the USA.
(2) Refers mainly to unrecognized deferred tax assets on losses for the year in Italy, the USA and Spain.

32. Other comprehensive income that might be reclassified to profit or loss subsequently

(in thousands of euro)		Gross amount	Tax	Net amount
	December 31, 2012	**(129,925)**	**802**	**(129,123)**
Fair value gains (losses) on:				
	Available-for-sale financial assets	(4,540)	-	(4,540)
	Derivatives	15,015	1,597	16,612
Translation differences		(239,625)	-	(239,625)
	December 31, 2013	**(359,075)**	**2,399**	**(356,676)**

33. Earnings per share

Earnings per share are determined on the profit for the year attributable to owners of the parent, and are stated separately for ordinary shares and savings shares.

Basic earnings per share

Basic earnings per share are computed by dividing profit for the year attributable to ordinary and savings shareholders by the weighted average number of outstanding ordinary and savings shares for the year. Earnings per savings share are increased with respect to earnings per ordinary share by an amount equivalent to 3% of share nominal value.
The weighted average number of shares and attributable profit are shown below:

	2013		**2012**	
(no. of shares in thousands)	**ordinary shares**	**savings shares**	**ordinary shares**	**savings shares**
No. of shares at beginning of year	177,118	105,431	177,118	105,431
Treasury shares at beginning of year	(3,793)	(106)	(3,793)	(106)
Weighted average number of treasury shares purchased in year	-	-	-	-
Weighted average number of treasury shares sold in year	-	-	-	-
Weighted average number of shares at end of year	**173,325**	**105,326**	**173,325**	**105,326**
(in thousands of euro)				
Attributable loss for the year	**(104,628)**	**(60,421)**	**(247,776)**	**(147,409)**
Basic earnings per share	**-0.604**	**-0.574**	**-1.430**	**-1.400**
Loss attributable to continuing operations	**(104,628)**	**(60,421)**	**(252,259)**	**(150,133)**
(euro)				
Basic earnings per share attributable to continuing operations	**-0.604**	**-0.574**	**-1.455**	**-1.425**

Diluted earnings per share

Diluted earnings per share are computed in the same way as basic earnings per share, taking account of the dilutive effect of stock options; in 2013 this effect was zero.
The weighted average number of shares and attributable profit are set out below:

	2013		2012	
(no. of shares in thousands)	ordinary shares	savings shares	ordinary shares	savings shares
Weighted average number of shares at end of year	173,325	105,326	173,325	105,326
Dilutive effect of stock options	-	-	-	-
Weighted average number of shares at end of year	**173,325**	**105,326**	**173,325**	**105,326**
(in thousands of euro)				
Attributable loss for the year for diluted earnings per share	**(104,628)**	**(60,421)**	**(247,776)**	**(147,409)**
(euro)				
Diluted earnings per share	**-0.604**	**-0.574**	**-1.430**	**-1.400**
Loss attributable to continuing operations	**(104,628)**	**(60,421)**	**(252,259)**	**(150,133)**
(euro)				
Diluted earnings per share attributable to continuing operations	**-0.604**	**-0.574**	**-1.455**	**-1.425**

34. Transactions with related parties

Transactions with related parties in 2013 and 2012 are illustrated below:

2013 (in thousands of euro)	Revenue (purchases) goods and services	Other income (expense)	Interest income (expense)	Trade and other receivables (payables)	Financial receivables (payables)
Parent	805	-	1	80,845	5
	(305)	-	-	(12,156)	-
Subsidiaries	9,241	-	-	2,934	-
of parent (*)	(209)	-	-	(22)	-
Subsidiaries	52,144	-	555	13,258	42,499
and associates	(29,910)	-	(34)	(5,715)	(307)
Other related parties	2,570	4,201	-	4,026	-
	(33,234)	(500)	-	(4,798)	-
Total	**64,760**	**4,201**	**556**	**101,063**	**42,504**
	(63,658)	**(500)**	**(34)**	**(22,691)**	**(307)**
% impact on financial statement items	1.5%	6.8%	1.3%	8.5%	8.0%
	1.8%	0.7%	0.0%	2.0%	0.0%

(*) subsidiaries of Italmobiliare S.p.A.

2012 (in thousands of euro)	Revenue (purchases) goods and services	Other income (expense)	Interest income (expense)	Trade and other receivables (payables)	Financial receivables (payables)
Parent	252	-	1	89,216	126
	(4,884)	-	(13)	(11,348)	-
Subsidiaries	9,415	-	-	2,915	-
of parent (*)	(22)	-	-	(9)	-
Subsidiaries	53,987	-	638	8,691	45,532
and associates	(33,762)	(1,009)	(129)	(5,147)	(376)
Other related parties	166	25	-	529	-
	(1,688)	(42)	-	(526)	-
Total	**63,820**	**25**	**639**	**101,351**	**45,658**
	(40,356)	**(1,051)**	**(142)**	**(17,030)**	**(376)**
% impact on financial statement items	1.4%	0.0%	1.1%	7.4%	7.6%
	1.1%	2.8%	0.1%	1.4%	0.0%

(*) subsidiaries of Italmobiliare S.p.A.

Receivables and payables in respect of the parent Italmobiliare S.p.A. mainly refer to the effects of the tax consolidation.
Revenue from and purchases of goods and services with respect to subsidiaries and associates mainly concern transactions with companies consolidated proportionately, notably Société des Carrieres du Tournaisis, Les Calcaires Girondins S.a.s. and Société Parisienne des Sablières S.A. and with equity-accounted investees, including the Ciments Quebec Inc. group, Vassiliko Cement Ltd. and Cementi della Lucania.
Details of other transactions with other related parties are provided in the section "Transactions with other related parties" in the Directors' report.
Dividends paid to the parent Italmobiliare S.p.A. by the Italcementi Group in 2013 totaled 8,061 thousand euro (14,485 thousand euro in 2012).

34.1. Compensation to managers with strategic responsibilities

The table below sets out compensation paid during the year to managers with strategic responsibilities: the directors, the chief operating officer and the manager in charge of preparing the financial reports of Italcementi S.p.A. for positions held in the Group:

(in thousands of euro)	2013	2012
Short-term benefits: compensation and remuneration	10,300	11,242
Post-employment benefits: provision for leaving and end-of-term entitlements	903	1,278
Other long-term benefits: length-of-service bonuses and incentives	3,832	3,624
Total	**15,035**	**16,144**

35. Joint ventures

The Group's most significant joint ventures in 2013 were French construction materials companies, the Medcem S.r.l. shipping company and the Saudi Arabian company International City for Ready Mix, active in ready mixed concrete.
The following table sets out the portion of assets and liabilities and revenue and expense reflected in the Group's consolidated financial statements:

(in millions of euro)	December 31, 2013	December 31, 2012
Current assets	29.4	35.2
Non-current assets	81.9	94.8
Total assets	**111.3**	**130.0**
Current liabilities	22.0	25.6
Non-current liabilities	13.1	15.6
Total liabilities	**35.1**	**41.2**
	2013	**2012**
Revenue	44.4	43.2
Expense	(54.8)	(42.0)
Loss before tax	**(10.4)**	**(1.2)**

36. Statement of cash flows

36.1. Cash and cash equivalents

Cash and cash equivalents include:

(in thousands of euro)	December 31, 2013	December 31, 2012
Bank/postal demand accounts and cash on hand	**108,588**	**120,488**
of which held by: Italcementi S.p.A.	2,436	1,424
Italcementi Finance SA	102	-
Ciments Français SA	756	614
Other Group companies	105,294	118,450
Mutual funds	**108,579**	**217,842**
of which held by: Italcementi Finance SA	6,436	7,886
Ciments Français SA	18,002	145,517
Other Group companies	84,141	64,439
Short-term deposits	**267,219**	**240,058**
of which held by: Ciments Français SA	3,977	-
Other Group companies	263,242	240,058
Total	**484,386**	**578,388**

Short-term deposits have varying maturities within three months, in relation to the Group's cash requirements; interest accrues at the respective short-term rates.
In some Group countries, where there are also non-controlling interests, currency regulations restrict the immediate availability of cash and cash equivalents for the holding Ciments Français S.A.; at December 31, 2013, they amounted to 365.3 million euro (336.5 million euro at December 31, 2012) and referred to Egypt (180.2 million euro), Morocco (90.1 million euro), Thailand (64.2 million euro) and India (30.8 million euro).

36.2. Change in working capital

The change in working capital is illustrated in the table below:

(in thousands of euro)	2013	2012
Change in inventories	47,454	15,945
Change in trade receivables	55,995	101,810
Change in trade payables	(69,515)	1,185
Change in other assets/liabilities	(453)	(6,895)
Total	**33,481**	**112,045**

37. Non-recurring transactions

The following tables itemize the most significant non-recurring transactions and their impact on the Group's equity, financial position and results of operations:

	2013					
(in thousands of euro)	**Equity**		**Profit (loss) for the year**		**Net debt**	
	amount	**%**	**amount**	**%**	**amount**	**%**
Carrying amounts	**3,776,510**	100%	**(88,416)**	100%	**1,939,012**	100%
Net gains from the sale of non-current assets	20,262	0.5%	20,262	22.9%	23,832	1.2%
Non-recurring expense for re-organizations	(30,336)	0.8%	(30,336)	34.3%	-	0.0%
Other non-recurring income (expense)	(2,931)	0.1%	(2,931)	3.3%	-	0.0%
Discontinued operations	-	0.0%	-	0.0%	-	0.0%
Total non-recurring transactions	**(13,005)**	**0.3%**	**(13,005)**	**14.7%**	**23,832**	**1.2%**
Figurative amount without non-recurring transactions	**3,789,515**		**(75,411)**		**1,962,844**	

	2012					
(in thousands of euro)	**Equity**		**Profit (loss) for the year**		**Net debt**	
	amount	**%**	**amount**	**%**	**amount**	**%**
Carrying amounts	**4,164,700**	100%	**(361,678)**	100%	**1,998,256**	100%
Net gains from the sale of non-current assets	38,548	0.9%	38,548	10.7%	49,669	2.5%
Non-recurring expense for re-organizations	(56,112)	1.3%	(56,112)	15.5%	-	0.0%
Other non-recurring income (expense)	23	0.0%	23	0.0%	-	0.0%
Discontinued operations	8,194	0.2%	8,194	2.3%	44,236	2.2%
Total non-recurring transactions	**(9,347)**	**0.2%**	**(9,347)**	**2.6%**	**93,905**	**4.7%**
Figurative amount without non-recurring transactions	**4,174,047**		**(352,331)**		**2,092,161**	

38. Audit fees

(as per CONSOB Resolution no.11971, 14 May 1999, art. 149-duodecies, par 1):
Details of the fees paid by the Italcementi Group in 2013 to the Independent Auditors KPMG S.p.A. and to the companies of the KPMG network are set out below:

Services provided to the Group (in thousands of euro)	**KPMG S.p.A.**	**Other Italian companies in the KPMG network**	**Other international companies in the KPMG network**
Auditing services	665	-	1.192
Other attestation services	196	-	80
Other legal, fiscal and corporate services	-	45	23
Total	**861**	**45**	**1.295**

39. Events after December 31, 2013

No significant events have taken place since the end of the reporting period whose effects require amendments to or additional comments on the Group's financial position and results of operations as at and for the year ended December 31, 2013.

At its meeting on March 6, 2014, the Italcementi S.p.A. Board of Directors examined and approved a plan to streamline its corporate structure and strengthen the Group. The plan envisages:

- the mandatory conversion of Italcementi savings shares into ordinary shares at a rate of 0.65 ordinary shares for each savings share ("**Mandatory Conversion**")
- an increase in Italcementi's capital through a rights issue for a maximum of 450 million euro ("**Capital Increase**")
- a voluntary public tender offer by Italcementi on Ciments Français minorities at a price of 78 euro per share (cum dividend), for the purpose of delisting Ciments Français from the Paris Stock Exchange (the "**PTO**")

The aim of the plan is to streamline the Italcementi Group's present capital structure, governance and control chain, while boosting its capital base and preserving the Group's financial flexibility. The plan also aims to increase Italcementi's capitalization and overall free float, thereby generating greater share liquidity for the benefit of shareholders and potential investors.

At a meeting also held on March 6, 2014, the Board of Directors of Italmobiliare S.p.A., the company that manages and coordinates Italcementi, declared its support for the plan and, consequently, its willingness to subscribe its rights under the Italcementi capital increase, to tender the shares it holds in Ciments Français for the PTO (2.73% of share capital), and also to convert the Italcementi savings shares it holds (2.856% of the savings share capital).

On completion of the transactions, Efiparind BV will retain control of Italcementi pursuant to art. 93 of the Consolidated Finance Act (TUF), through Italmobiliare, which will retain a share of more than 45% in Italcementi voting capital.

Further details of the project are set out in the joint Italcementi-Italmobiliare press release “Italcementi approves plan to strengthen and streamline its capital and group structure. Italmobiliare supports the transaction” of March 6, 2014.

Bergamo, March 6, 2014

For the Board of Directors
The Chairman
Giampiero Pesenti

Annexes

Annex 1

This table is set out in compliance with CONSOB Resolution no. 11971, art.126, of May 14, 1999, requiring companies with listed shares to disclose their investments held in unlisted companies when such investments exceed 10% of the companies' voting capital.
The table also indicates the consolidation method and shows equity-accounted investees.

Company name	Registered office		Share capital		Interest held by Group companies				Method
					Direct	Indirect	%		
Parent									
Italcementi S.p.A.	Bergamo	I	€	282,548,942.00					Line-by-line
Azienda Agricola Lodoletta S.r.l.	Bergamo	I	€	10,400.00	75.00	-	75.00	Italcementi S.p.A.	
B2E Markets France S.A.R.L.	Paris	F	€	20,000.00	-	100.00	100.00	BravoSolution US, Inc.	Line-by-line
BravoBloc S.r.l.	Bergamo	I	€	300,000.00	70.00	-	70.00	Italcementi S.p.A.	Line-by-line
BravoBus S.r.l.	Bergamo	I	€	600,000.00	-	51.00	51.00	BravoSolution S.p.A.	Line-by-line
BravoEnergy S.r.l.	Bergamo	I	€	10,000.00	99.90	0.10	99.90	Italcementi S.p.A.	Line-by-line
							0.10	Italcementi Ingegneria S.r.l.	
BravoSolution APAC Pty.Ltd.	Sydney	AUS	AUD	10.00		100.00	100.00	BravoSolution S.p.A.	Line-by-line
BravoSolution Benelux B.V.	Almere	NL	€	250,000.00	-	100.00	100.00	BravoSolution S.p.A.	Line-by-line
BravoSolution Brasil Serviços de Tecnologia Ltd.a	Sao Paulo	BR	BRL	500,000.00	-	100.00	100.00	BravoSolution Mexico S.r.l. de C.V.	Line-by-line
BravoSolution China Co. Ltd.	Shanghai	PRC	CNY	80,000.00	-	100.00	100.00	BravoSolution S.p.A.	Line-by-line
BravoSolution Espana S.A.	Madrid	E	€	120,400.00	-	99.99	99.99	BravoSolution S.p.A.	Line-by-line
BravoSolution France S.a.s.	Boulogne Billancourt	F	€	3,254,150.00	-	100.00	100.00	BravoSolution S.p.A.	Line-by-line
BravoSolution GmbH	Munich	D	€	1,000,000.00	-	100.00	100.00	Bravosolution S.p.A.	Line-by-line
BravoSolution Mexico S.r.l. de C.V.	Mexico City	MEX	MXN	3,200,000.00	-	100.00	99.99	BravoSolution S.p.A.	Line-by-line
							0.01	BravoSolution Espana S.A.	
BravoSolution S.p.A.	Bergamo	I	€	32,286,398.00	75.34	-	75.34	Italcementi S.p.A.	Line-by-line
BravoSolution Software, Inc.	Wilmington	USA	-	-	-	100.00	100.00	BravoSolution US, Inc.	Line-by-line
BravoSolution UK Ltd.	London	GB	GBP	50,000.00	-	100.00	100.00	BravoSolution S.p.A.	Line-by-line
BravoSolution US, Inc.	Harrisburg	USA	USD	1.00	-	100.00	100.00	BravoSolution S.p.A.	Line-by-line
BravoSolution Technologies Ltd.	Guildford	GB	GBP	50,000.00	-	100.00	100.00	BravoSolution US, Inc.	Line-by-line
C.T.G. S.p.A.	Bergamo	I	€	500,000.00	50.00	50.00	50.00	Italcementi S.p.A.	Line-by-line
							50.00	Ciments Français S.A.	
C.T.G. Devnya EAD	Devnya	BUL	BGN	200,000.00	-	100.00	100.00	C.T.G. S.p.A.	Line-by-line
Calcementi Jonici S.r.l.	Siderno (RC)	I	€	3,513,741.00	99.90	0.10	99.90	Italcementi S.p.A.	Line-by-line
							0.10	Italcementi Ingegneria S.r.l.	
Calcestruzzi S.p.A.	Bergamo	I	€	40,000,000.00	99.90	0.10	99.90	Italcementi S.p.A.	Line-by-line
							0.10	Italcementi Ingegneria S.r.l.	
Cava delle Capannelle S.r.l.	Bergamo	I	€	31,200.00	-	49.00	49.00	Calcestruzzi S.p.A.	
Cementi della Lucania S.p.A.	Potenza	I	€	619,746.00	30.00	-	30.00	Italcementi S.p.A.	Equity
Commerciale Inerti S.r.l.	Casalpusterlengo (LO)	I	€	52,000.00	-	33.33	33.33	Esa Monviso S.p.A.	Equity
E.S.A. Monviso S.p.A.	Bergamo	I	€	1,340,000.00	-	100.00	100.00	Calcestruzzi S.p.A.	Line-by-line
Ecoinerti S.r.l.	Recanati (MC)	I	€	91,800.00	-	50.00	50.00	Calcestruzzi S.p.A.	Proportionate
Gardawind S.r.l.	Vipiteno (BZ)	I	€	100,000.00	-	49.00	49.00	Italgen S.p.A.	Equity
Generalcave S.r.l. - winding up	Fiumicino (RM)	I	€	31,200.00	-	50.00	50.00	Calcestruzzi S.p.A.	Equity
Gruppo Italsfusi S.r.l.	Bergamo	I	€	156,000.00	99.50	0.50	99.50	Italcementi S.p.A.	Line-by-line
							0.50	Italcementi Ingegneria S.r.l.	
i.FotoGuiglia S.r.l.	Turin	I	€	14,290.00	-	30.00	30.00	Italgen S.p.A.	Equity
I.GE.PO. - Impresa Gestione Porti S.r.l. - winding up	Vibo Valentia	I	€	25,500.00	18.00	-	18.00	Italcementi S.p.A.	
Ing. Sala S.p.A.	Sorisole (BG)	I	€	5,858,722.00	-	100.00	99.90	Nuova Sacelit S.r.l.	Line-by-line
							0.10	Italcementi Ingegneria S.r.l.	
International City for Ready Mix	Jeddah	SA	SAR	100,000,000.00	50.00	-	50.00	Italcementi S.p.A.	Proportionate
Italcementi Finance	Puteaux	F	€	20,000,000.00	99.99	-	99.99	Italcementi S.p.A.	Line-by-line
Italcementi Ingegneria S.r.l.	Bergamo	I	€	650,000.00	100.00	-	100.00	Italcementi S.p.A.	Line-by-line

Company name	Registered office		Share capital		Interest held by Group companies				Method
					Direct	Indirect	%		
Italgen Gulf El Zeit for Energy S.A.E.	Cairo	EGY	LE	5,000,000.00		100.00	98.00	Italgen S.p.A.	Line-by-line
							1.00	Helwan Cement Co.	
							1.00	Suez Cement Company SAE	
Italgen Maroc Ener S.A.	Casablanca	MAR	MAD	33,500,000.00	-	100.00	99.99	Italgen S.p.A.	Line-by-line
							0.01	Procimar S.A.	
Italgen Maroc S.A.	Casablanca	MAR	MAD	1,800,000.00	-	99.97	99.97	Italgen S.p.A.	Line-by-line
Italgen Misr for Energy SAE	Cairo	EGY	LE	35,000,000.00	-	100.00	98.00	Italgen S.p.A.	Line-by-line
							1.00	Helwan Cement Co.	
							1.00	Suez Cement Company SAE	
Italgen S.p.A.	Bergamo	I	€	20,000,000.00	99.90	0.10	99.90	Italcementi S.p.A.	Line-by-line
							0.10	Italcementi Ingegneria S.r.l.	
Italterminali S.r.l.	Bergamo	I	€	10,000.00	99.50	0.50	99.50	Italcementi S.p.A.	Line-by-line
							0.50	Italcementi Ingegneria S.r.l.	
Les Ciments de Zouarine S.A. - winding up	Tunis	TN	TND	80,000.00	49.93	-	49.93	Italcementi S.p.A.	
Mantovana Inerti S.r.l.	Castiglione delle Stiviere (MN)	I	€	702,000.00	-	50.00	50.00	Calcestruzzi S.p.A.	Proportionate
Nuova Sacelit S.r.l.	Sorisole (BG)	I	€	7,500,000.00	100.00	-	100.00	Italcementi S.p.A.	Line-by-line
Procalmi S.r.l. - winding up	Milan	I	€	51,000.00	-	11.52	11.52	Calcestruzzi S.p.A.	
Prometeo Lucania S.r.l.	Tortona (AL)	I	€	100,000.00		30.00	30.00	BravoEnergy S.r.l.	
S.A.F.R.A. S.r.l. - winding up	Bologna	I	€	51,480.00	-	33.33	33.33	Calcestruzzi S.p.A.	Equity
SAMA S.r.l.	Bergamo	I	€	200,000.00	99.00	1.00	99.00	Italcementi S.p.A.	Line-by-line
							1.00	Italcementi Ingegneria S.r.l.	
San Francesco S.c.a r.l.	Foligno (PG)	I	€	5,000,000.00	-	40.00	40.00	Calcestruzzi S.p.A.	
Shqiperia Cement Company Shpk	Tirana	ALB	LEK	74,250,000.00	100.00	-	100.00	Italcementi S.p.A.	Line-by-line
Société Internationale Italcementi (Luxembourg) S.A.	Luxembourg	L	€	1,771,500.00	99.87	0.13	99.87	Italcementi S.p.A.	Line-by-line
							0.13	Italcementi Ingegneria S.r.l.	
SO.RI.TE. S.r.l.	Turin	I	€	100,000.00	-	100.00	100.00	Calcestruzzi S.p.A.	Line-by-line
Star.co S.r.l.	Bergamo	I	€	118,000.00	100.00	-	100.00	Italcementi S.p.A.	Line-by-line
TejariSolution FZ LLC	Dubai	EAU	AED	100,000.00	-	51.00	51.00	BravoSolution S.p.A.	Line-by-line
Vert Tech LLC	Wilmington	USA	USD	7,632,232.70	-	100.00	100.00	BravoSolution US, Inc.	Line-by-line
Ciments Français S.A.	Puteaux	F	€	143,192,544.00	83,16	1.02	83.16	Italcementi S.p.A.	Line-by-line
							0.98	Ciments Français S.A.	
								(voting rights:	
							91.12	Italcementi S.p.A.)	
3092-0631 Quebec Inc.	St. Basile	CAN	CAD	6,250.00	-	100.00	100.00	Ciment Quebec Inc.	Equity
Al Badia Cement JSC	Damascus	SY	SYP	9,760,000,000.00	-	38.00	12.00	Menaf S.a.s.	
							26.00	Syrinvest Holding BV	
Al Mahaliya Ready Mix Concrete WLL	Safat	KWT	KWD	500,000.00	-	51.00	51.00	Hilal Cement Company	Line-by-line
Al Manar Cement Holding S.a.s.	Puteaux	F	€	3,300,000.00	-	100.00	100.00	Ciments Français S.A.	Line-by-line
Asia Cement Energy Conservation Ltd.	Bangkok	TH	BT	1,400,000,000.00	-	39.52	39.52	Asia Cement Public Co., Ltd. (*)	Line-by-line
Asia Cement Products Co., Ltd.	Bangkok	TH	BT	10,000,000.00	-	39.53	39.53	Asia Cement Public Co., Ltd. (*)	Line-by-line
Asia Cement Public Co., Ltd.	Bangkok	TH	BT	4,670,523,072.00	-	39.53	25.43	Ciments Français S.A.	Line-by-line
							14.10	Vaniyuth Co. Ltd. (*)	
Asment Temara S.A.	Temara	MAR	MAD	495,000,000.00	-	37.01	21.38	Procimar S.A.	Equity
							15.63	Ciments Français S.A.	
Atlantica de Graneles y Moliendas S.A.	Vizcaya	E	€	5,000,000.00	-	50.00	50.00	Sociedad Financiera y Minera S.A.	Proportionate
Axim for Industrials SAE	Cairo	EGY	LE	15,000,000.00	-	100.00	90.00	Suez Cement Company SAE	Line-by-line
							5.00	Helwan Cement Co.	
							5.00	Tourah Portland Cement Company SAE	
Betomar S.A.	Casablanca	MAR	MAD	84,397,800.00	-	99.99	99.99	Ciments du Maroc S.A.	Line-by-line
Beton.Ata LLP	Almaty	KAZ	TEN	416,966,426.00	-	75.50	75.50	Shymkent Cement JSC	Line-by-line
Béton Contrôle de Gascogne S.A.	Soorts Hossegor	F	€	40,000.00	-	37.00	37.00	Béton Contrôle du Pays Basque S.a.s.	
Béton Contrôle de l'Adour S.a.s.	Bayonne	F	€	150,000.00	-	59.96	59.96	Béton Contrôle du Pays Basque S.a.s.	Line-by-line

Company name	Registered office		Share capital		Interest held by Group companies				Method
					Direct	Indirect	%		
Béton Contrôle des Abers S.a.s.	Lannilis	F	€	104,000.00	-	34.00	34.00	Unibéton S.a.s.	Equity
Béton Contrôle du Pays Basque S.a.s.	Bayonne	F	€	120,000.00	-	59.98	59.98	Unibéton S.a.s.	Line-by-line
Bonafini S.a.s.	Argences	F	€	45,392.00	-	100.00	100.00	Tratel S.a.s.	Line-by-line
Cambridge Aggregates Inc.	Cambridge	CAN	CAD	10.00	-	60.00	60.00	Essroc Canada Inc.	Line-by-line
Canteras Aldoyar S.L.	Olazagutia	E	€	1,508,510.00	-	20.00	20.00	Hormigones y Minas S.A.	
Carrières Bresse Bourgogne	Epervans	F	€	387,189.00	-	66.48	66.48	Dragages et Carrières S.A.	Proportionate
Centro Administrativo y de Servicios de Malaga S.A.	Malaga	E	€	60,200.00	-	99.99	99.99	Sociedad Financiera y Minera S.A.	Line-by-line
Cie pour l'Investissement Financier en Inde S.a.s.	Puteaux	F	€	7,350,000.00	-	100.00	100.00	Ciments Français S.A.	Line-by-line
Ciment Quebec Inc.	St. Basile	CAN	CAD	19,461,161.70	-	100.00	100.00	Groupe Ciment Quebec Inc.	Equity
Cimento de Bissau Limitada	Guinea Bissau	GNB	XOF	2,000,000.00	-	99.00	99.00	Tercim S.A.	
Ciment du Littoral S.A.	Bassens	F	€	37,000.00	-	99.99	99.99	Ciments Calcia S.a.s.	Line-by-line
Ciments Calcia S.a.s.	Guerville	F	€	593,836,525.00	-	99.99	99.99	Ciments Français S.A.	Line-by-line
Ciments du Maroc S.A.	Casablanca	MAR	MAD	1,443,600,400.00	-	62.31	58.79	Cocimar S.a.s.	Line-by-line
							3.52	Procimar S.A.	
Ciments du Nord	Nouadhibou	MAU	OUG	1,340,000,000.00	-	15.00	15.00	Ciments du Maroc	
CIMFRA (China) Limited	Puteaux	F	€	42,704,750.00	-	100.00	100.00	Ciments Français S.A.	Line-by-line
Ciminter S.A.	Luxembourg	L	€	53,800,000.00	-	100.00	100.00	Ciments Français S.A.	Line-by-line
Cocimar S.a.s.	Puteaux	F	€	72,957,690.00	-	100.00	100.00	Ciments Français S.A.	Line-by-line
Codesib S.a.s.	Puteaux	F	€	55,037,000.00	-	100.00	100.00	Ciments Français S.A.	Line-by-line
Compagnie des Ciments Belges S.A.	Tournai	B	€	295,031,085.00	-	100.00	78.52	Ciments Français S.A.	Line-by-line
							21.40	Ciments Calcia S.a.s.	
							0.08	Compagnie Financière et de Participations S.A.	
Compagnie Financière et de Participations S.a.s.	Puteaux	F	€	18,000,000.00	-	100.00	100.00	Ciments Français S.A.	Line-by-line
Compania General de Canteras S.A.	Malaga	E	€	479,283.69	-	99.41	96.12	Sociedad Financiera y Minera S.A.	Line-by-line
							3.29	Sax S.a.s.	
Conglomerantes Hidraulicos Especiales S.A.	Malaga	E	€	2,361,960.00	-	85.00	85.00	Sociedad Financiera y Minera S.A.	Line-by-line
De Paepe Béton N.V.	Ghent	B	€	500,000.00	-	99.99	99.99	Compagnie des Ciments Belges S.A.	Line-by-line
DECOM Egyptian Co for Development of Building Materials SAE	Cairo	EGY	LE	63,526,401.28	-	100.00	100.00	Ready Mix Concrete Alalamia SAE	Line-by-line
Decoux S.a.s.	Beaucaire	F	€	120,000.00	-	100.00	100.00	Tratel S.a.s.	Line-by-line
Development for Industries Co. SAE	Cairo	EGY	LE	15,000,000.00	-	100.00	90.00	Suez Cement Company SAE	Line-by-line
							5.00	Helwan Cement Co.	
							5.00	Tourah Portland Cement Company SAE	
Devnya Bulk Services EAD	Devnya	BUL	LEV	50,000.00	-	100.00	100.00	Devnya Cement AD	
Devnya Cement AD	Devnya	BUL	LEV	1,023,956.00	-	99.97	99.97	Sociedad Financiera y Minera S.A.	Line-by-line
Devnya Finance A.D.	Devnya	BUL	LEV	5,000,000.00	-	50.00	50.00	Devnya Cement AD	Equity
Dobrotitsa BSK A.D.	Dobrich	BUL	LEV	88,954.00	-	26.40	26.40	Devnya Cement AD	
Dragages et Carrières DEC S.A.	Epervans	F	€	1,000,000.00	-	49.99	49.99	GSM S.a.s.	Proportionate
Dragages Transports & Travaux Maritimes S.A.	La Rochelle	F	€	3,947,894.00	-	50.00	33.33	GSM S.a.s.	Proportionate
							16.67	Granulats Ouest - GO	
Dunkerque Ajouts Snc	Grande Synthe	F	€	6,000.00	-	33.75	33.75	Ciments Calcia S.a.s.	
Ecocim S.a.s.	Casablanca	MAR	MAD	2,000,000.00	-	55.00	30.00	Ciments du Maroc S.A.	
							25.00	Asment Temara S.A.	
Entreprise Lorraine d'Agriculture ELDA S.A.R.L.	Heillecourt	F	€	10,000.00	-	100.00	100.00	GSM S.a.s.	
Essroc Canada Inc.	Mississauga	CAN	CAD	96,306,574.00	-	100.00	100.00	Essroc Corporation	Line-by-line
Essroc Cement Corp.	Nazareth	USA	USD	8,330,000.00	-	100.00	100.00	Essroc Corporation	Line-by-line
Essroc Corporation	Nazareth	USA	USD	1,000.00	-	100.00	100.00	Essroc International	Line-by-line
Essroc International	Puteaux	F	€	244,398,096.00	-	100.00	100.00	Ciments Français S.A.	Line-by-line
Essroc Ready Mix Corp	Nazareth	USA	USD	1.00	-	100.00	100.00	Essroc Cement Corp.	Line-by-line
Essroc San Juan Inc.	Espinosa	P.RICO	USD	10,000.00	-	100.00	100.00	Essroc Cement Corp.	Line-by-line

Company name	Registered office		Share capital		Interest held by Group companies				Method
					Direct	Indirect	%		
Eurarco France S.A.	Le Crotoy	F	€	1,520,000.00	-	64.99	64.99	GSM S.a.s.	Line-by-line
Eurocalizas S.L.	Cantabria	E	€	723,030.00	-	33.33	33.33	Hormigones y Minas S.A.	
Eurotech Cement S.h.p.k.	Durres	ALB	LEK	273,214,000.00	-	84.00	84.00	Halyps Building Materials S.A.	Line-by-line
Fraimbois Granulats S.A.R.L.	Moncel les Luneville	F	€	75,000.00	-	50.00	50.00	GSM S.a.s.	Proportionate
Gacem Company Limited	Serrekunda	GAM	GMD	4,500,000.00	-	80.00	80.00	Tercim S.A.	Line-by-line
Granulats de la Drôme S.a.s.	Saint Jean de Vedas	F	€	645,600.00	-	51.01	51.01	GSM S.a.s.	Line-by-line
Granulats Ouest - GO	Saint Herblain	F	€	784,657.44	-	100.00	100.00	GSM S.a.s.	Line-by-line
Greyrock Inc.	Nazareth	USA	USD	1,000.00	-	100.00	100.00	Essroc Cement Corp.	Line-by-line
Groupe Ciment Quebec Inc.	St. Basile	CAN	CAD	57,000,000.00	-	50.00	50.00	Essroc Canada Inc.	Equity
GSM S.a.s.	Guerville	F	€	18,675,840.00	-	99.99	99.99	Ciments Français S.A.	Line-by-line
Gulbarga Cement Limited	Bengaluru	IN	INR	311,257,000.00	-	74.00	63.22	Zuari Cement Ltd.	Line-by-line
							10.78	Cie pour l'Investissement Financier en Inde	
Gulf Ready Mix Concrete Company WLL	Kuwait	KWT	KWD	100,000.00	-	100.00	99.90	Al Mahaliya Ready Mix Concrete WLL	Line-by-line
							0.10	Hilal Cement Company	
Halyps Building Materials S.A.	Aspropyrgos	GR	€	48,821,060.64	-	99.91	59.89	Ciments Français S.A.	Line-by-line
							40.02	Sociedad Financiera y Minera S.A.	
								(voting rights:	
							59.93	Ciments Français S.A.	
							39.99	Sociedad Financiera y Minera S.A.)	
Helwan Cement Co. SAE	Cairo	EGY	LE	583,466,475.00	-	99.54	99.54	Suez Cement Company SAE	Line-by-line
Hilal Cement Company KSCC	Safat	KWT	KWD	6,987,750.00	-	51.00	51.00	Suez Cement Company SAE	Line-by-line
Hormigones Olatzi S.A.	Olazagutia	E	€	283,804.22	-	25.00	25.00	Hormigones y Minas S.A.	
Hormigones Txingudi S.A.	San Sebastian	E	€	240,560.22	-	33.33	33.33	Hormigones y Minas S.A.	
Hormigones y Minas S.A.	Malaga	E	€	8,689,378.20	-	99.99	99.99	Sociedad Financiera y Minera S.A.	Line-by-line
Immobilière des Technodes S.a.s.	Guerville	F	€	8,024,400.00	-	100.00	59.97	Ciments Français S.A.	Line-by-line
							40.03	Ciments Calcia S.a.s.	
Industrie Sakia el Hamra "Indusaha" S.A.	Laayoune	MAR	MAD	81,680,000.00	-	91.00	91.00	Ciments du Maroc S.A.	Line-by-line
Innocon Inc.	Richmond Hill	CAN	CAD	18,300,000.20	-	50.00	50.00	Essroc Canada Inc.	Equity
Innocon Partnership Agreement Inc.	Richmond Hill	CAN	CAD	2,003.00	-	51.50	48.50	Essroc Canada Inc	Equity
							3.00	Innocon Inc.	
Interbulk Egypt for Export SAE	Cairo	EGY	LE	250,000.00	-	100.00	98.00	Interbulk Trading S.A.	Line-by-line
							1.00	Menaf S.a.s.	
							1.00	Tercim S.A.	
Interbulk Trading S.A.	Lugano	CH	CHF	7,470,600.00	-	100.00	85.00	Ciminter S.A.	Line-by-line
							15.00	Italcementi Ingegneria S.r.l.	
Intercom Libya F.Z.C.	Misurata	LAR	USD	800,000.00	-	100.00	100.00	Intercom S.r.l.	Line-by-line
Intercom S.r.l.	Bergamo	I	€	2,890,000.00	-	100.00	94.68	Interbulk Trading S.A.	Line-by-line
							4.84	Italcementi S.p.A.	
							0.48	Italcementi Ingegneria S.r.l.	
Investcim S.A.	Puteaux	F	€	110,405,840.00	-	100.00	100.00	Ciments Français S.A.	Line-by-line
Italcementi for Cement Manufacturing Libyian J.S. co	Tripoli	LAR	LYD	11,000,000.00	-	50.00	50.00	Al Manar Cement Holding S.a.s.	Proportionate
Italmed Cement Company Ltd.	Limassol	CYP	€	21,063,780.00	-	100.00	100.00	Halyps Building Materials S.A.	Line-by-line
Jalaprathan Cement Public Co, Ltd.	Bangkok	TH	BT	1,200,000,000.00	-	88.84	88.84	Asia Cement Public Co., Ltd. (*)	Line-by-line
Jalaprathan Concrete Products Co, Ltd.	Bangkok	TH	BT	280,000,000.00	-	58.96	58.96	Jalaprathan Cement Public Co, Ltd. (*)	Line-by-line
Johar S.a.s.	Luxemont et Villotte	F	€	1,221,632.00	-	100.00	100.00	Tratel S.a.s.	Line-by-line
Kuwait German Company for Ready Mix Concrete WLL	Kuwait	KWT	KWD	824,000.00	-	100.00	99.00	Al Mahaliya Ready Mix Concrete WLL	Line-by-line
							1.00	Hilal Cement Company	
Larricq S.a.s.	Airvault	F	€	508,000.00	-	100.00	100.00	Tratel S.a.s.	Line-by-line
Les Calcaires Girondins S.a.s.	Cenon	F	€	100,000.00	-	50.00	50.00	GSM S.a.s.	Proportionate
Les Calcaires Sud Charentes	Cherves Richemont	F	€	1,524.50	-	34.00	34.00	GSM S.a.s.	
Les Graves de l'Estuaire S.a.s.	Le Havre	F	€	297,600.00	-	33.33	33.33	GSM S.a.s.	Proportionate
Les Quatre Termes S.a.s.	Salon de Provence	F	€	40,000.00	-	50.00	50.00	GSM S.a.s.	Proportionate
Les Sables de Mezieres S.a.s.	St Pierre des Corps	F	€	40,000.00	-	50.00	50.00	GSM S.a.s.	Proportionate

Company name	Registered office		Share capital		Interest held by Group companies				Method
					Direct	Indirect	%		
Les Sabliers de l'Odet S.a.s.	Quimper	F	€	134,400.00	-	97.47	94.93	Dragages Transports & Travaux Maritimes S.A.	Proportionate
							2.54	GSM S.a.s.	
Lyulyaka Materials E.A.D.	Devnya	BUL	LEV	759,372.00	-	100.00	100.00	Devnya Cement AD	Line-by-line
Mauritanienne des Batiments et Routes S.A.	Nouakchott	MAU	OUG	690,000,000.00	-	99.99	99.99	Mauritano-Française des Ciments S.A.	Line-by-line
Mauritano-Française des Ciments S.A.	Nouakchott	MAU	OUG	1,111,310,000.00	-	51.11	51.11	Ciments Français S.A.	Line-by-line
Medcem S.r.l.	Naples	I	€	5,500,000.00	-	50.00	50.00	Intercom S.r.l.	Proportionate
Menaf S.a.s.	Puteaux	F	€	317,070,000.00	-	100.00	100.00	Ciments Français S.A.	Line-by-line
MTB - Maritime Trading & Brokerage Srl	Genoa	I	€	70,000.00	-	33.33	33.33	Interbulk Trading S.A.	Equity
Naga Property Co	Bangkok	TH	BT	100,000,000.00	-	58.96	58.96	Jalaprathan Cement Public Co. Ltd. (*)	Line-by-line
Neuciclaje S.A.	Bilbao	E	€	396,669.00	-	30.00	30.00	Sociedad Financiera y Minera S.A.	
Novhorvi S.A.	Vitoria	E	€	180,300.00	-	25.00	25.00	Hormigones y Minas S.A.	
Parcib s.a.s.	Puteaux	F	€	90,000.00	-	100.00	100.00	Ciments Français S.A.	Line-by-line
Procimar S.A.	Casablanca	MAR	MAD	37,500,000.00	-	99.99	99.99	Ciments Français S.A.	Line-by-line
Ready Mix Concrete Alalamia S.A.E.	Cairo	EGY	LE	234,857,100.00	-	52.00	52.00	Suez Cement Company SAE	Line-by-line
Recybel	Brussels	B	€	124,000.00		25.50	25.50	Compagnie des Ciments Belges S.A.	
Société Dijon Béton SA	Dijon	F	€	184,000.00	-	15.00	15.00	GSM S.a.s.	Equity
Saarlandische Zementgesellschaft MBH	Saarbrucken	D	€	52,000.00	-	100.00	100.00	Ciminter S.A.	Line-by-line
Sablimaris S.a.s.	Lanester	F	€	4,094,776.00	-	100.00	66.28	Dragages Transports & Travaux Maritimes S.A.	Proportionate
							33.72	Les Sabliers de l'Odet S.a.s.	
Sas des Gresillons	Paris	F	€	60,000.00	-	35.00	35.00	GSM S.a.s.	Proportionate
Sax S.a.s.	Guerville	F	€	482,800.00	-	100.00	100.00	Ciments Français S.A.	Line-by-line
SCI de Balloy	Avon	F	€	20,310.00	-	100.00	100.00	GSM S.a.s.	Line-by-line
SCI de Barbeau	Bray sur Seine	F	€	8,000.00	-	49.00	49.00	GSM S.a.s.	
SCI des Granets	Cayeux sur M.	F	€	4,575.00	-	33.33	33.33	GSM S.a.s.	
SCI du Colombier	Rungis	F	€	2,000.00	-	63.00	63.00	GSM S.a.s.	Line-by-line
SCI Taponnat	Cherves Richemont	F	€	1,500.00	-	50.00	50.00	GSM S.a.s.	
Scori S.A.	Plaisir	F	€	1,092,800.00	-	13.95	13.95	Ciments Calcia S.a.s.	
Seas Co. Ltd.	Bangkok	TH	BT	10,000,000.00	-	99.98	99.98	Ciments Français S.A.	Line-by-line
Shymkent Cement JSC	Shymkent	KAZ	TEN	380,660,000.00	-	99.79	92.88	Codesib S.a.s.	Line-by-line
							6.91	Ciminter S.A.	
Singha Cement (Private) Limited	Colombo	SRI L.	LKR	397,395,770.00	-	80.16	80.16	Ciments Français S.A.	Line-by-line
Sitapuram Power Limited	Hyderabad	IN	INR	480,000,000.00	-	50.99	50.99	Zuari Cement Ltd.	Line-by-line
Sociedad Financiera y Minera S.A.	Malaga	E	€	39,160,000.00	-	99.94	96.45	Ciments Français S.A.	Line-by-line
							3.02	Hormigones y Minas S.A.	
							0.47	Sociedad Financiera y Minera S.A.	
							99.94	(voting rights: Ciments Français S.A.)	
Société Calcaires Lorrains	Heillecourt	F	€	40,000.00	-	49.92	49.92	GSM S.a.s.	Proportionate
Société Civile Bachant le Grand Bonval	Guerville	F	€	1,500.00	-	80.00	80.00	GSM S.a.s.	
Société Civile d'Exploitation Agricôle de l'Avesnois	Guerville	F	€	3,000.00	-	90.00	50.00	Société Civile Bachant le Grand Bonval	
							40.00	GSM S.a.s.	
Société de la Grange d'Etaule	Gray	F	€	3,750.00	-	99.60	99.60	Ciments Calcia S.a.s.	Line-by-line
Société des Calcaires de Souppes sur Loing S.C.S.L.	Souppes sur Loing	F	€	2,145,000.00	-	50.00	50.00	GSM S.a.s.	Proportionate
Société des Carrières du Tournaisis S.C.T. S.A.	Tournai	B	€	12,297,053.42	-	65.00	42.69	Ciments Français S.A.	Proportionate
							16.31	Ciments Calcia S.a.s.	
							6.00	Compagnie des Ciments Belges S.A.	
Société Foncière de la Petite Seine S.a.s.	Saint Sauveur les Bray	F	€	500,000.00	-	42.25	42.25	GSM S.a.s.	Proportionate
Société Parisienne des Sablières S.A.	Pont de L'Arche	F	€	320,000.00	-	50.00	50.00	GSM S.a.s.	Proportionate
Socli S.a.s.	Izaourt	F	€	144,960.00	-	99.99	99.99	Ciments Calcia S.a.s.	Line-by-line
Sodramaris S.n.c.	La Rochelle	F	€	7,001,000.00	-	50.00	50.00	GSM S.a.s.	Proportionate
Srt Societe Rouennaise de Transformation	Grand Couronne	F	€	7,500.00	-	100.00	100.00	Ciments Calcia S.a.s.	Line-by-line

Company name	Registered office			Share capital	Interest held by Group companies				Method
					Direct	Indirect	%		
Ste Extraction & Amenagement de la Plaine de Marolles S.a.s.	Avon	F	€	40,000.00	-	56.40	56.40	GSM S.a.s.	Proportionate
Stinkal S.a.s.	Ferques	F	€	1,540,000.00	-	35.00	35.00	GSM S.a.s.	Equity
Suez Bag Company SAE	Cairo	EGY	LE	20,250,000.00	-	57.84	53.32	Suez Cement Company SAE	Line-by-line
							4.52	Tourah Portland Cement Company SAE	
St. Basile Transport Inc.	St. Basile	CAN	CAD	9,910.00	-	100.00	100.00	Ciment Quebec Inc.	Equity
Suez Bosphorus Cimento Sanayi Ticaret	Istanbul	TR	YTL	50,000.00	-	99.99	99.99	Suez Cement Company SAE	Line-by-line
Suez Cement Company SAE	Cairo	EGY	LE	909,282,535.00	-	55.07	26.05	Menaf S.a.s.	Line-by-line
							12.36	Ciments Français S.A.	
							11.66	Ciments du Maroc S.A.	
							5.00	Tercim S.a.s.	
Suez for Import & Export Company SAE	Cairo	EGY	LE	2,500,000.00	-	100.00	40.00	Axim for Industrials SAE	Line-by-line
							40.00	Development for Industries Co. SAE	
							20.00	Suez for Transportation & Trade SAE	
Suez for Transportation & Trade SAE	Cairo	EGY	LE	10,000,000.00	-	100.00	55.00	Helwan Cement Co.	Line-by-line
							35.00	Suez Cement Company SAE	
							10.00	Tourah Portland Cement Company SAE	
Suez Lime SAE	Cairo	EGY	LE	7,390,000.00	-	50.00	49.00	Suez Cement Company SAE	Proportionate
							1.00	Tourah Portland Cement Company SAE	
Tameer Betoon for Trading and Contracting LLC	Doha	Q	QAR	200,000.00	-	49.00	49.00	Hilal Cement Company	Equity
Technodes S.a.s.	Guerville	F	€	3,200,000.00	-	100.00	100.00	Ciments Français S.A.	Line-by-line
Tecno Gravel Egypt SAE	Cairo	EGY	LE	15,000,000.00	-	45.00	45.00	Suez Cement Company SAE	Equity
Teracem Limited	Accra	GH	GHC	32,000,000.00	-	100.00	100.00	Tercim S.a.s.	
Tercim S.A.S.	Puteaux	F	€	47,037,000.00	-	100.00	100.00	Ciments Français S.A.	Line-by-line
Tomahawk Inc.	Wilmington	USA	USD	100.00	-	100.00	100.00	Essroc Cement Corp.	Line-by-line
Tourah Portland Cement Company SAE	Cairo	EGY	LE	357,621,000.00	-	71.93	66.12	Suez Cement Company SAE	Line-by-line
							5.81	Menaf S.a.s.	
Trabel Affretement S.A.	Gaurain Ramecroix	B	€	61,500.00	-	100.00	99.84	Tratel S.a.s.	Line-by-line
							0.16	Ciments Calcia S.a.s.	
Trabel Transports S.A.	Gaurain-Ramecroix	B	€	750,000.00	-	100.00	89.97	Tratel S.a.s.	Line-by-line
							10.03	Compagnie des Ciments Belges S.A.	
Tragor S.a.s.	Pessac	F	€	892,048.00	-	100.00	100.00	Tratel S.a.s.	Line-by-line
Tratel S.a.s.	Guerville	F	€	6,025,580.00	-	100.00	100.00	Ciments Calcia S.a.s.	Line-by-line
Unibéton Luxembourg S.A.	Luxembourg	L	€	35,000.00	-	100.00	100.00	Unibéton S.a.s.	
Unibéton S.a.s.	Guerville	F	€	27,159,732.00	-	99.99	99.99	Ciments Français S.A.	Line-by-line
Unibéton Var S.a.s.	Lambesc	F	€	40,000.00	-	100.00	100.00	Unibéton S.a.s.	Line-by-line
Uniwerbéton S.a.s.	Heillecourt	F	€	160,000.00	-	70.00	70.00	Unibéton S.a.s.	Line-by-line
Valoise S.a.s.	Pierrelaye	F	€	37,570.00	-	60.00	60.00	GSM S.a.s.	Proportionate
Vaniyuth Co. Ltd.	Bangkok	TH	BT	100,000.00	-	48.80	48.80	Investcim S.A.	Line-by-line
Vassiliko Cement Works Ltd.	Nicosia	CYP	€	30,932,457.21	-	24.65	14.94	Italmed Cement Company Ltd.	Equity
							9.71	Compagnie Financière et de Participations S.A.S.	
Ventore S.L.	Malaga	E	€	14,400.00	-	100.00	99.56	Sociedad Financiera y Minera S.A.	Line-by-line
							0.44	Hormigones y Minas S.A.	
Vesprapat Holding Co, Ltd. - winding up	Bangkok	TH	BT	20,000,000.00	-	49.00	49.00	Sax S.a.s.	Line-by-line
Vulkan Cement S.A.	Dimitrovgrad	BUL	LEV	452,967.00	-	98.57	70.00	Ciments Français S.A.	Line-by-line
							28.57	Devnya Cement A.D.	
Xinpro Limited	Puteaux	F	€	37,000.00	-	100.00	100.00	Ciments Français S.A.	Line-by-line
Zuari Cement Ltd.	Andra Pradesh	IN	INR	2,749,614,000.00	-	100.00	96.91	Ciments Français S.A.	Line-by-line
							3.09	Cie pour l'Investissement Financier en Inde	
								(voting rights:	
							96.91	Ciments Français S.A.)	

(*) Percentage interest held by the Ciments Français Group

Italcementi Group

Representation form pursuant to art. 154-bis, par. 5 TUF in relation to the consolidated financial statement (pursuant to art. 81-ter of Consob Regulation n° 11971/99, and subsequent modifications and integrations)

1. The undersigned Carlo Pesenti, Chief Executive Officer and Carlo Bianchini, Manager in charge of preparing the company's financial reports, of Italcementi S.p.A., having also taken into account the provisions of Article 154-*bis*, paragraphs 3 and 4, of the Italian Legislative Decree no. 58 of 24 February 1998, hereby certify:

- the adequacy in relation to the legal entity features and
- the effective implementation

of the administrative and accounting procedures for the preparation of the consolidated financial statement over the course of the period from January 1st, 2013 and December 31st, 2013.

2. The representation of the adequacy of the administrative and accounting procedures adopted in the preparation of consolidated financial statements as at December 31st, 2013 is based on a form identified by Italcementi according to the CoSO framework (illustrated in the *CoSO Report*) and also takes into account the document *"Internal Control over Financial Reporting – Guidance for Smaller Public Companies"*, both issued by the Committee of Sponsoring Organizations of the Treadway Commission, representing a generally accepted international framework.

3. It is also certified that:

3.1 the consolidated financial statement:

a) has been drawn up in accordance with the international accounting standards recognised in the European Union under the EC regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002;

b) is consistent with the entries in the accounting books and records;

c) is capable of providing a true and fair representation of the assets and liabilities, profits and losses and financial position of the issuer and the group of companies included in the consolidation.

3.2 The directors' report includes a reliable analysis of the performance and the results of operations, and the overall situation of the issuer and the group of companies included in the consolidation, together with a description of the main risks and uncertainties they are exposed to.

Signed by: Carlo Pesenti, Chief Executive Officer
Signed by: Carlo Bianchini, Manager in Charge

March 6th, 2014

This report has been translated into the English version solely for the convenience of international readers

KPMG S.p.A.
Revisione e organizzazione contabile
Via Camozzi, 5
24121 BERGAMO BG

Telefono +39 035 240218
Telefax +39 035 240220
e-mail it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Italcementi S.p.A.

1 We have audited the consolidated financial statements of the Italcementi Group as at and for the year ended 31 December 2013, comprising the statement of financial position, income statement, statement of comprehensive income, consolidated statement of changes in equity, statement of cash flows and notes thereto. The parent's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements present the prior year corresponding figures and the statement of financial position as at 1 January 2012 for comparative purposes. As disclosed in note 1 "Accounting policies", due to the adoption of the revised IAS 19 - "*Employee benefits*" and the change in the accounting treatment of "green certificates", the parent's directors restated some of the corresponding figures included in the prior year consolidated financial statements and statement of financial position as at 1 January 2012, which derives from the consolidated financial statements at 31 December 2011. We audited the 2012 consolidated financial statements and 2011 statement of financial position and issued our reports thereon on 22 March 2013 and 26 March 2012, respectively. We have examined the methods used to restate the prior year corresponding figures and related disclosures for the purposes of expressing an opinion on the consolidated financial statements at 31 December 2013.

3 In our opinion, the consolidated financial statements of the Italcementi Group as at and for the year ended 31 December 2013 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of the Italcementi Group as at 31 December 2013, the results of its operations and its cash flows for the year then ended.

4 The directors of Italcementi S.p.A. are responsible for the preparation of a directors' report on the financial statements in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the directors' report and the specific section on the corporate governance and ownership structure included in the directors' report on the separate financial statements of Italcementi S.p.A., to the extent of the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 with the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the specific section of the directors' report on the separate financial statements of Italcementi S.p.A. are consistent with the consolidated financial statements of the Italcementi Group as at and for the year ended 31 December 2013.

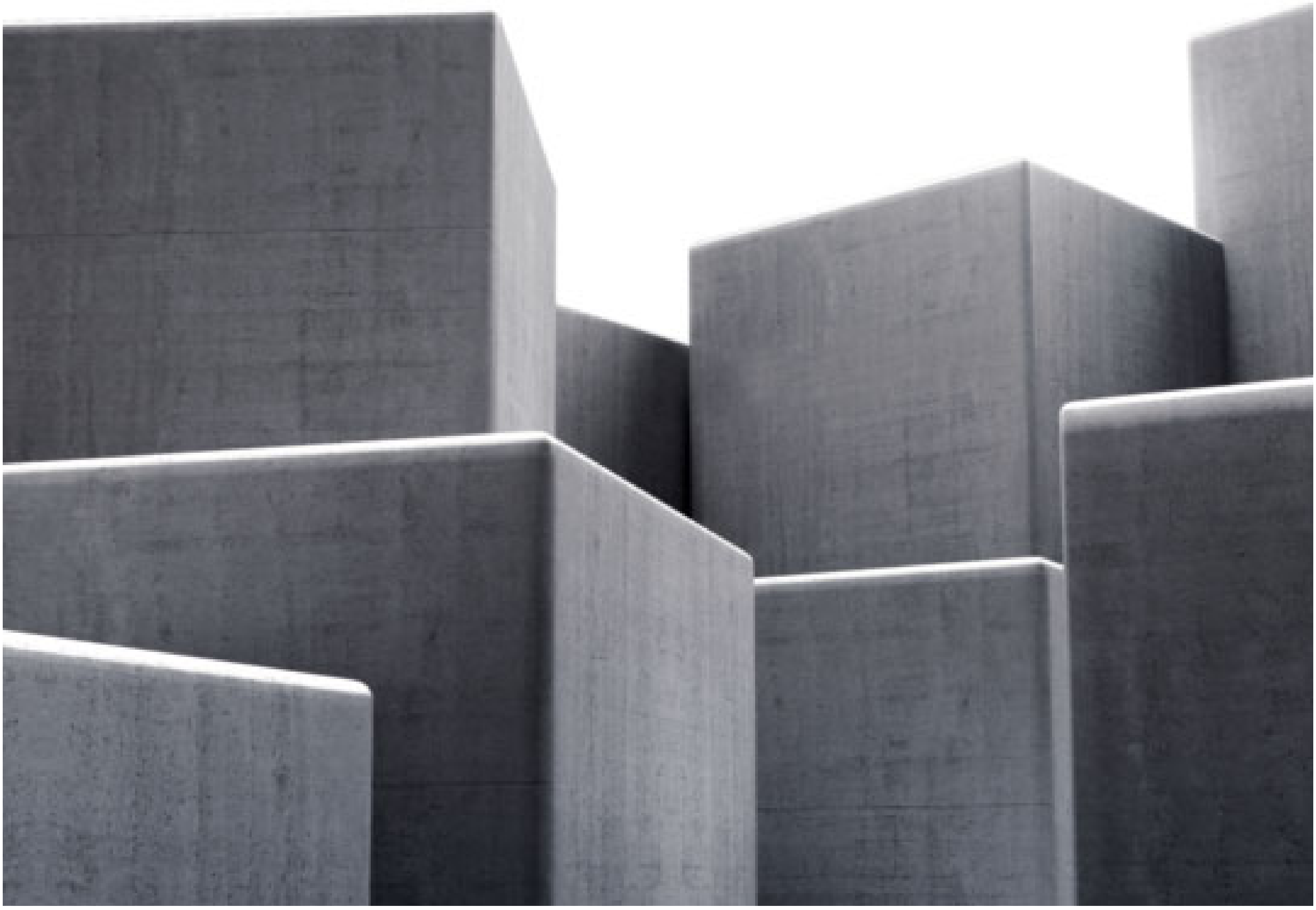
Bergamo, 20 March 2014

KPMG S.p.A.

(signed on the original)

Stefano Mazzocchi
Director of Audit

Italcementi
Italcementi Group



Italcementi S.p.A. Annual Report

Directors' report

Any changes in the standards and regulations, compared to 2012, are detailed in the notes under the heading "Statement of compliance with the IFRS". In accordance with the provisions of European Union Regulation no. 1606 of 2002, the principles to be adopted do not include the standards and interpretations published by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) at December 31, 2013, but not endorsed by the European Union at that date. Furthermore, the European Union has endorsed additional standards/interpretations that Italcementi S.p.A. will apply at a subsequent time, having decided not to elect early application.

Earnings indicators

To assist comprehension of its financial data, Italcementi S.p.A. employs a number of widely used indicators, which are not contemplated by the IFRS.

Specifically, the income statement presents the following intermediate results / indicators: recurring EBITDA, EBITDA, EBIT, computed as the sum of the preceding items. As regards the statement of financial position, similar considerations apply to net debt, whose components are detailed in the specific section of the notes.

Since the indicators employed by the company are not envisaged by the IFRS, their definitions may not coincide with and therefore may not be comparable to those adopted by other companies/groups.

This report contains many financial and non-financial earnings indicators, including those mentioned above. The financial indicators, taken from the financial statements, are used in the tables summarizing Italcementi S.p.A.'s financial performance, in relation to comparative amounts and other amounts from the same year (e.g. change in revenue, recurring EBITDA and EBIT with respect to the previous year, and change in their return on revenue). The use of amounts not directly apparent from the financial statements (e.g., amounts of subsidiaries' financial statements) and the presentation of comments and assessments assist qualification of the trends in the amounts concerned.

The non-financial indicators refer to external and internal elements: the general economic situation and the situation of the industry in which the company operates, trends in sales prices and key cost factors, acquisitions and disposals, other significant events in the year, organizational developments, the introduction of laws and regulations, etc.. In the notes, the section on net debt provides information about the effects of changes in interest rates and the main exchange rates on the statement of financial position and the income statement.

Results and significant events in the year

Results

Italcementi S.p.A. closed 2013 with a loss of 115.2 million euro (a loss of 202.9 million euro in 2012) arising from its operating results and also from impairment losses on property, plant and equipment and impairment losses on equity investments, which were lower than those of 2012.

Condensed income statement

(in millions of euro)	2013	2012	% change vs. 2012
Revenue	**461.9**	**554.7**	**(16.7)**
Recurring EBITDA	**(14.2)**	**(3.7)**	**(>100.0)**
% of revenue	*(3.1)*	*(0.7)*	
Non-recurring income (expense)	0.2	(26.4)	n.s.
EBITDA	**(14.0)**	**(30.1)**	**53.3**
% of revenue	*(3.0)*	*(5.4)*	
Amortization and depreciation	(68.0)	(75.9)	10.4
Impairment	(20.5)	(27.4)	25.1
EBIT	**(102.5)**	**(133.3)**	**23.1**
% of revenue	*(22.2)*	*(24.0)*	
Net finance income	43.2	78.8	(45.2)
Impairment on financial assets	(50.6)	(141.4)	64.2
Loss before tax	**(109.9)**	**(195.9)**	**43.9**
% of revenue	*(23.8)*	*(35.3)*	
Income tax expense	(5.3)	(6.9)	
Loss for the year	**(115.2)**	**(202.9)**	**43.2**
% of revenue	*(24.9)*	*(36.6)*	
Cash flow from operating activities	**20.6**	**105.2**	**(80.4)**
Capital expenditure	**45.6**	**82.1**	**(44.5)**

n.s.: not significant

In the eight quarters between mid-2011 and mid-2013, Italy's gross domestic product contracted by 4.5%. Although the economic decline came to a halt and then reversed toward the end of 2013, this did not prevent an average reduction in income for the year of 1.8%. All components of domestic demand fell sharply, but the decreases were less severe than in 2012; compared with the values before the start of the crisis, domestic demand has contracted by approximately 10%. In the second half of the year, the stabilization in financial conditions (reflected in Italy by a significant narrowing in sovereign debt spreads), the halt in the fall in income in real terms and the consequent improvement in expectations assisted a timid cyclical upturn in the form of some initial signs of a recovery in industrial production. Nonetheless, the continuing squeeze on credit, together with a budget policy that, overall, remains restrictive, despite the start-up of the program for the State to pay arrears to the private sector, placed serious constraints on the strength of the recovery.

The fall in investments in construction, for the sixth consecutive year, continued apace in 2013. Its impact was even sharper (more than 40% since the start of the crisis) when redevelopment/extraordinary maintenance work is not included, which, over the last few years, has shown healthy growth given the increasing disrepair of Italian buildings and significant tax incentives.

Meanwhile, new construction projects were braked by budget constraints among private operators and by the need to reabsorb the excess stock built in previous years. The decline in operations was even more intense in public works, and is estimated at more than 50% compared with the pre-recession period.

With the sharp drop in new construction activity, domestic cement consumption decreased by an estimated 15% in 2013, to under 22 million metric tons. The decrease compared with the situation just five years earlier was 53%. Demand was irregular over the course of the year, partly due to the particularly poor weather in the first half. Not including meteorological conditions, the trend in the second half was less unfavorable, although not sufficient to indicate the arrival of a recovery.

The slowdown in cement production was less severe due to the strong increase in the foreign trade balance in terms of volumes (which more than doubled in 2013), as a result of the significant rise in exports, which accounted for 10% of production. As in 2012, the geographical distribution of the production downturn was uneven, with stronger reductions in northern and central Italy (see the table below).

Domestic production *

(millions of metric tons)	**2013**	**2013/2012 (% change)**
Northern Italy	11.1	(13.3)
Central Italy	3.9	(14.9)
Southern Italy	5.6	(8.1)
Italian islands	2.6	(8.4)
Total	**23.1**	**(11.8)**

* source: our estimate based on provisional AITEC data at end of November

In this scenario, Italcementi S.p.A. recorded **revenue** of 461.9 million euro, a reduction of 16.7% from 2012 (554.7 million euro) due to the sharp fall in sales volumes, offset only in part by the positive trend in sales prices.

Recurring EBITDA worsened, from -3.7 million euro in 2012 to -14.2 million euro in 2013.

The downturn was caused not only by the negative volume effect, but also by the negative differential impact of 17.3 million euro relating to CO_2 emission rights trading; net of this factor, recurring EBITDA would have improved by 6.8 million euro from 2012. The volume effect was counterbalanced by the positive trends in sales prices, variable costs and overheads.

With regard to sales prices, despite the competitive market environment, 2013 saw an increase in the annual average amount compared with 2012.

The reduction in costs was largely achieved through the re-organization measures introduced with the “Progetto 2015” program announced in December 2012, for the rationalization, over the two years 2013-2014, of the industrial and distribution network in Italy, the Group central units and the sales network. During 2013, three full-cycle cement plants were converted to grinding centers and another grinding center was closed. The further slowdown on the cement market, both compared with 2012, and looking ahead to the short-medium term, made a review of the restructuring plan necessary: in the first part of 2014, operations will be suspended at two production plants and the related restructuring costs have been adjusted to take account of the review.

Variable costs benefited not only from the restructuring measures but also from the reductions in the cost of energy factors: both fuel, which also benefited from use of alternative fuel, and electric energy, assisted by the re-organization of general electric charges by the Electricity & Gas Authority for companies with high energy consumption.

EBITDA improved, from -30.1 million euro in 2012, when high non-recurring expense was posted with respect to "Progetto 2015", to -14.0 million euro in 2013, with a return on revenue of -3.0% (-5.4% in 2012).

After amortization and depreciation of 68.0 million euro, a reduction of 10.4% from the previous year (75.9 million euro), and impairment losses on property, plant and equipment relating to the production restructuring plan (20.5 million euro, against 27.4 million euro in 2012), **EBIT** was negative at 102.5 million euro, a significant improvement compared with negative EBIT of 133.3 million euro in 2012.

Net finance income was 43.2 million euro, a decrease of 35.6 million euro from 2012, primarily as a result of the rise in interest expense and charges on financing and the reduction in dividend income relating largely to Italgen S.p.A..

The company posted a **loss before tax** of 109.9 per million euro (a loss of 195.9 million euro in 2012). The figure reflected **impairment losses on financial assets** of 50.6 million euro (141.4 million euro in 2012), chiefly relating to impairment losses on Calcestruzzi, Nuova Sacelit and Calcementi Jonici.

After **income tax expense** of 5.3 million euro (6.9 million euro in 2012), 2013 closed with a loss of 115.2 million euro (a loss of 202.9 million euro in 2012).

In 2013, starting from the loss for the year, the other components that determined **comprehensive income** reflected a positive balance of 21.1 million euro arising from fair value gains on cash flow hedges (19.4 million euro) and revaluations of the net obligation for employee benefits (1.7 million euro). Considering the loss for the year of 115.2 million euro and the components described above, the company posted total comprehensive expense of 94.1 million euro in 2013, compared with total comprehensive expense of 226.5 million euro in 2012 (the reader is referred to the statement of comprehensive income, included in the "Financial statements" section).

Significant events

The reader is referred to the comments in the relevant section in the directors' report in the consolidated annual report.

Capital expenditure

Investments in property, plant and equipment and investment property totaled 36.0 million euro in 2013 (66.6 million euro in 2012). They referred to the revamping of the Rezzato cement plant and to extensive industrial safety and rationalization projects.

Investments in intangible assets amounted to 6.1 million euro (10.3 million euro), mainly relating to software development for the various IT projects in 2013.

Equity investments and investments in other assets were limited (3.5 million euro compared with 5.2 million euro in 2012). Amounts totaling 67.1 million euro were paid out in 2013

(45.0 million euro in 2012) to cover losses reported by subsidiaries, mainly Calcestruzzi S.p.A. (48.9 million euro) and Nuova Sacelit S.r.l. (14.4 million euro).

Statement of financial position, cash flows and net debt

Condensed statement of financial position

(in millions of euro)	2013	2012
Property, plant and equipment and investment property	587.1	583.4
Intangible assets	41.2	58.9
Equity investments and other assets	1,707.6	1,824.6
Non-current assets	**2,335.9**	**2,466.9**
Current assets	**602.7**	**713.3**
Total assets	**2,938.6**	**3,180.2**
Equity	**1,360.2**	**1,471.0**
Non-current liabilities	**1,072.1**	**913.4**
Current liabilities	**506.3**	**795.7**
Total liabilities	**1,578.4**	**1,709.2**
Total equity and liabilities	**2,938.6**	**3,180.2**

Condensed statement of cash flows

(in millions of euro)		2013		2012
Net debt at beginning of year		**(987.2)**		**(839.0)**
Cash flow from operating activities:				
Cash flow before change in working capital	8.2		58.4	
Change in working capital	12.4		46.8	
Total cash flow from operating activities		20.6		105.2
Capital expenditure:				
PPE, investment property and intangible assets	(42.1)		(76.9)	
Financial assets and other assets	(3.5)		(5.2)	
Total capital expenditure		(45.6)		(82.1)
Proceeds from sale of non-current assets		34.1		30.8
Debt arising from merger		-		(76.5)
Outflows to cover losses of investees		(67.1)		(45.0)
Dividends paid		(16.7)		(40.4)
Other		35.3		(40.3)
Change in net debt		**(39.3)**		**(148.3)**
Net debt at end of year		**(1,026.6)**		**(987.2)**

Equity and net debt

Compared to December 31, 2012, Italcementi S.p.A.'s equity decreased by 110.8 million euro, from 1,471.0 million euro to 1,360.2 million euro, as a result of:

- the loss for the year of 115.2 million euro;
- dividends of 16.7 million euro, paid following the shareholders' resolution of April 17, 2013;
- other comprehensive income totaling 21.1 million euro, which partially offset the two previous items.

Net debt was 1,026.6 million euro, an increase of 39.3 million euro from December 31, 2012 (987.2 million euro) generated largely by a reduction in cash flows from operating activities and the increase in amounts paid to cover losses at subsidiaries.

Transactions with related parties

Italcementi S.p.A. had transactions with the following related parties:

- the parent, Italmobiliare S.p.A., and companies of the Italmobiliare group (subsidiaries, joint ventures, associates and their subsidiaries);
- subsidiaries, joint ventures, associates and their subsidiaries;
- other related parties.

Transactions with related parties reflect Italcementi S.p.A.'s interest in leveraging the synergies within the Group to enhance production and commercial integration, employ competencies efficiently and rationalize use of corporate divisions and financial resources.

No atypical or unusual transactions, as defined by Consob communication DEM/6064293 of July 28, 2006, took place during the year.

All transactions with related parties, whether financial or relating to the exchange of goods and services, are conducted at normal market conditions and comply with the Code of Conduct.

The figures pertaining to dealings with related parties and their effect on the company's financial position and results of operations are provided in the notes (note 33).

As regards corporate governance, Italcementi S.p.A. has adopted the "Procedure for transactions with related parties", detailed in the section dedicated to "Corporate governance".

Transactions with Italmobiliare S.p.A. and Italmobiliare group companies

Italcementi S.p.A. is subject to management and coordination by Italmobiliare S.p.A.. Italmobiliare S.p.A.'s management and coordination activities and the intragroup transactions with Italmobiliare S.p.A. and the other companies subject to its management and coordination have positively influenced operations and financial results, creating an efficient use of resources and skills present in and of mutual interest to the two companies.

Italcementi S.p.A. provides Italmobiliare S.p.A. and that company's subsidiaries with personnel administration services, and receives and provides services. It also provides Italmobiliare S.p.A. with a share register management service and administration services for shareholders' meetings.

Following the introduction of the "tax consolidation" regime in Italian tax law, Italcementi S.p.A. and some of its Italian subsidiaries elected national tax consolidation as per articles 117-129 of the Consolidated Income Tax Act (TUIR), with Italmobiliare S.p.A. as the consolidating company.

Italcementi S.p.A. does not hold nor held during the year, directly or indirectly, Italmobiliare S.p.A.'s shares.

Transactions with subsidiaries, joint ventures, associates and their subsidiaries

Italcementi S.p.A. has current business transactions with and provides technical and/or administrative services to subsidiaries, joint ventures, associates and their subsidiaries.

Transactions also took place between Italcementi S.p.A. and Ciments Français S.A. and its subsidiaries for the exchange of personnel services, with the aim of optimizing the use of existing professional resources and developing common projects. Costs incurred by Italcementi S.p.A. for organizational, international development, insurance and IT projects were recharged to Ciments Français S.A. for the amounts attributable to it.

A service contract exists between Italcementi S.p.A. and Ciments Français S.A. for the apportionment of costs relating to those group functions that carry out activities in favor of both companies or in favor of the entire Group.

Financially, Italcementi S.p.A. provides support to its subsidiaries both as a lender and as a guarantor and optimizes treasury management with intragroup current accounts and loans.

Transactions with other related parties

In 2013, Italcementi S.p.A. disbursed 500,000 euro to the Italcementi Cav. Lav. Carlo Pesenti foundation to cover management costs. With regard to the contract for the supply of corporate/administrative and other services, Italcementi S.p.A. charged the foundation an amount of 162,000 euro.

In 2013, Finsise S.p.A., whose majority shareholder is Italo Lucchini, a director of Italcementi S.p.A., provided administrative, financial, contractual, tax and corporate re-organization consultancy services for a consideration of 360,000 euro.

Italcementi S.p.A. and subsidiaries received legal services during the year for 194,000 euro from the law firm in which Luca Minoli, a director of Italmobiliare S.p.A., is a partner.

Italcementi S.p.A. provided goods and services for companies in the SIKA group, whose owner is director Fritz Burkard, for approximately 2.2 million euro, and received goods and services for approximately 6.2 million euro. Italcementi S.p.A. also recorded income of approximately 1.1 million euro as settlement of the earn-out on the companies operating under the Axim brand sold at the end of 2011.

Transactions with related parties are illustrated in the notes, while remuneration paid to Italcementi S.p.A.'s Directors, Statutory Auditors, Chief Operating Officer and Manager in charge of preparing the financial reports, for positions held within the Group, is illustrated in the Remuneration Report.

Sustainable research and development

Italcementi S.p.A. research and development activities are handled by CTG S.p.A. for Group companies in Italy and abroad; CTG activities are illustrated in the directors' report in the consolidated annual report.

With regard to Integrated Environmental Authorizations (*Autorizzazioni Integrate Ambientali - AIA*), renewal documents were drawn up and presented for various production units, with participation in the related services conferences; additional documentation was prepared to meet the requests of various local authorities and bodies.

Internal and external monitoring and renewal audits were carried out for the company's cement plants' environmental certificates.

In 2013, an important economic contribution came once again from alternative fuels (urban solid waste, tires and animal flours) and from use of substitute raw materials.

Human resources

At December 31, 2013, the Italcementi S.p.A. workforce stood at 2,270 persons, a decrease of 124 from the end of 2012 (2,394 persons).

(persons)	31 December 2013	31 December 2012
Managers	125	144
Middle managers and clerical staff	933	986
Blue collars	1,214	1,267
Total	**2,272**	**2,397**

In 2013, the hours of lay-offs with state-subsidized benefits (*Cassa Integrazione Guadagni Ordinaria e Straordinaria, CIGS*) totaled 710,347 hours (294,855 hours in 2012).

The production rationalization program (begun in 2012 with the sale of Pontassieve and the deactivation of the Vibo Valentia and Porto Empedocle kilns) continued with termination of all operations at Vibo Valentia and stabilization of the Porto Empedocle grinding center.

For both these production units, recourse was made to *CIGS* for termination of operations; under current laws, this social welfare scheme will be active until September 2014.

Together with and in addition to these measures, during 2013 an articulated restructuring plan was drawn up ("Progetto 2015"); this plan also makes recourse to *CIGS* from February 2013 to January 2015, and aims to:

- consolidate leadership in Italy, in part through an important investment program (Rezzato revamping);
- review the production structure, central divisions and sales network to take account of market trends;
- guarantee flexibility in operations management in order to optimize the response to a market still presenting high levels of uncertainty and variability;
- establish a 2015 projection for the organizational and production structure in Italy.

Under "Progetto 2015", as from 2013, operations in Broni, Scafa, Monselice and Trieste were suspended (in Trieste grinding and delivery operations were maintained).

Additionally, due to the downturn in market demand, during 2013 operations on the kiln lines in Castrovillari, Salerno and Guardiaregia were suspended for lengthy periods.

The restructuring program makes use of the instruments made available by law to limit its social impact. Measures have also been planned to guarantee income support during lay-offs (financial supplements, welfare for employees and their families, etc.), and identify employment continuity solutions (early retirement schemes, internal transfers, self-enterprise incentives, professional training and requalification).

Meetings are being held with the workers' representatives, local authorities (prefectures, municipal and regional councils, etc.) and central government bodies (Ministry of Labor and Ministry for Economic Growth) to promote industrial reconversion projects.

Risks and uncertainties

Italcementi operates in a sector exposed to risks and uncertainties of various kinds (connected with external, operational, financial and organizational factors, compliance with regulations, etc.).

Management of risks (internal and external, social, industrial, political, financial) at Italcementi S.p.A. is an integral part of the Group growth strategy and a key element in the continuous evolution of the governance system. Risk management, in part through improvement of rules of conduct, aims to respect the environment, protect stakeholders (employees, customers, suppliers, shareholders), and safeguard corporate assets.

In May 2010, Italcementi S.p.A. formed a Risk Management Department, reporting to the Chief Executive Officer, to improve its ability to create value for stakeholders by optimizing enterprise risk management (ERM). The mission of the function is to guarantee a structured approach to risk management, integrated with the Group growth strategy, and to support performance improvements by identifying, measuring, managing and controlling key risks.

The creation of the Risk Management Department is part of the **"Risk & Compliance"** program set up in 2008 and consists of the following phases:

1. identification of the main areas of risk for Group strategic goals and development of methods and tools to analyze and assess correlated risk events;
2. assessment, at country level and at aggregate level, of identified risk events in terms of impact, probability and timeframe, in order to acquire an overall vision of the Group risk portfolio;
3. selection of priority risks and definition of response strategies, Group governance rules and action to integrate and improve risk management systems;
4. implementation of defined mitigation strategies and action and development of the Enterprise Risk Management process;
5. reporting to Top Management and the governance bodies on the main risks, and their management and evolution; in this phase quantification of risks and opportunities is integrated with the enterprise management process, for example in the budget, in results forecasting reviews and in assessment of strategic projects.

Sustainable development and risk management: protection of people and assets

Sustainable development favors a corporate approach that balances economic growth, protection of the environment and social sustainability. By constantly pursuing an optimal balance among these elements and ensuring that benefits extend to everyone involved, companies enhance their long-term value, ability to survive and competitive advantage, thus helping to prevent industrial risks.

The Group checks that its protection and prevention programs are consistently applied to all personnel in production sites (employees and other) and to all operations in its companies.

Regulatory limits and Group sustainable development goals and initiatives are examined in a special "Sustainability Disclosure" and also summarized in a specific section in the consolidated annual report.

The Asset Protection Program continued in 2013; it qualifies the importance of risks and develops a suitable prevention and protection policy, thereby limiting damage to assets and consequent operating losses. The Asset Protection Program was joined in 2013 by a new Environmental Protection Program for a number of industrial facilities. These activities will continue over the coming years, constituting a consolidated Group process.

Risks relating to the general economic and industry situation

The economic and financial situation represents an element of risk for the Group, also in relation to its specific area of business, which is sensitive to changes in the economic situation. Household and business propensity to invest in construction is affected by the uncertainty and constraints of the general scenario.

Risks associated with energy factors

The cost of energy factors, which represents a large portion of Group variable costs of production, has varied significantly in the past and may continue to do so in the future as a result of external factors beyond the Group's control. The Group has adopted measures to mitigate risks relating to the availability of certain energy factors by entering into medium-term supply contracts. Furthermore, the centralized procurement organization enables the Group to benefit from more efficient relations with suppliers and to obtain competitive conditions.

Risks relating to the availability of raw materials

The availability of raw materials is a strategic factor in investment decisions. The Group generally sources its raw materials – limestone, clay, gypsum, aggregates and other materials used in the production of cement, ready mixed concrete and aggregates – from quarries it owns (the majority) or quarries rented from third parties. For these and other significant materials, the Group has also reached specific agreements with suppliers to guarantee continuous, stable procurement.

Environmental risks

The "Sustainability Disclosure" illustrates the measures taken by the Group to manage environmental risks and control and reduce emissions. With regard to CO_2 emissions, the Group's European companies are exposed to price fluctuations on emission rights depending on its own rights surplus or deficit. The Group and Italcementi S.p.A. positions are constantly monitored to ensure correct risk management.

Financial risks

The current period of crisis puts corporate cash flows at risk, endangering companies' self-financing ability and creating difficulties for normal, orderly operations on the financial market.

The Group procures sources of finance and manages interest rates, currency and counterparty risk, for all the companies in the scope of consolidation. The Group uses derivatives to reduce the risk of fluctuations in interest rates and exchange rates with respect to debt and its international operations. A detailed analysis of this type of risk is provided in the notes, specifically in note 20 on net debt.

Ratings risks

The Group's ability to compete successfully in the marketplace for funding depends on various factors, including its credit ratings assigned by recognized rating agencies. Its credit ratings may change to reflect changes in its results, financial position, credit structure and liquidity profile. As a result, a rating downgrade may have negative repercussions on the Group's ability to raise funding.

Legal risks

Suitable provisions and impairment losses have been applied with regard to existing risks and their related economic effects. Estimates and valuations are based on available information and are in any case regularly reviewed, with immediate recognition in the financial statements of any variations.

A review of the main current disputes (legal and tax-related) may be found in the relevant sections of this report and in the consolidated annual report, with specific details in the notes.

Compliance risks

The Group is subject to specific regulations concerning the quality of the products it markets; special monitoring activities have been set up to ensure compliance with the regulations in the countries where it operates.

At a general level, the "Risk & Compliance" program has introduced specific training and circulates procedures and recommendations in the Group countries, to ensure compliance with legislation and with tax, social and environmental regulations. The program is reviewed on an annual basis to take account of regulatory changes.

Political risks

The Group has taken out insurance covers to limit the financial consequences of possible political measures that might prevent normal management of some subsidiaries in emerging countries.

Financial disclosure risks

The main characteristics of the risk management system and the internal control system with respect to the financial reporting process are illustrated in a specific section of the "Report on corporate governance and ownership structure" in this Italcementi S.p.A. report.

Insurance

In the interest of all Group subsidiaries, Italcementi has taken out policies with leading insurance companies to cover risks to people and assets, as well as product and general third-party liability covers. As part of its risk coverage policy, the Group aims to optimize risk management costs by assessing direct assumption or transfer to the market. All policies are negotiated under a framework agreement to ensure a balance between the probability of a risk occurring and the damage that would ensue for each subsidiary.

Disputes and pending proceedings

With regard to the tax disputes arising from tax inspections and audits, the inspections relating to 1987 and the years from 2003 to 2006 are still open, with proceedings, which continued throughout 2013 with no developments of any note, so far in favor of the company.

Italcementi Cav. Lav. Carlo Pesenti foundation

The Italcementi Cav. Lav. Carlo Pesenti foundation is an independent non-profit entity established in 2004 by Italcementi and Italmobiliare, with the aim of promoting education, training and scientific research, with a special emphasis on the sustainable economic and social development of enterprises. The foundation's mission is also to promote and undertake humanitarian activities to help communities affected by natural disasters or in response to specific emergencies.

With regard to **education, training and scientific research**, teaching work was completed on the research doctorate in Logistics and "Supply Chain Management", funded by the Italcementi foundation and implemented, between 2008 and 2013, at the University of Bergamo, in collaboration with the Bocconi University and the Zaragoza Logistics Center, a partner of the M.I.T. in Boston. The foundation provided funding totaling 1.8 million euro for the project, which has received various recognitions for its scientific validity and produced a group of 15 researchers with great potential.

With the University of Bergamo, the Italcementi foundation also worked on an important research project on the future trends and choices of urban communities, with a specific focus on Bergamo and the surrounding areas. The results of the research project will be publicly presented by the end of 2014.

Significant recurring interventions continued regarding grants for post-graduate education at the "MIP - School of Management" of the Milan Politecnico and Milan's Catholic University, and, in collaboration with the Intercultura association, grants for secondary school students studying overseas.

With regard to **humanitarian initiatives,** after promoting and funding the construction of a new Professional Training Center in Sri Lanka, to provide accommodation, training and skills for local youngsters, in 2013 the foundation developed an important initiative begun in 2012 thanks to significant external financial support, for the expansion and completion of the Center to enhance its training and educational activities.

Some of the activities envisaged by the foundation's charter are the promotion and organization of **conferences and seminars** on current social and economic issues. Since its creation, the foundation has organized important and well-regarded annual conferences attended by leading institutional, business and academic figures.

In January 2013, the foundation's annual conference discussed the European economic crisis and its possible impact on the development of EC institutions. At the beginning of 2014, the annual conference celebrated Italcementi's 150th anniversary and the foundation's 10th anniversary, and presented an analysis of the various capitalism models that have gradually developed around the world; it organized a debate on the characteristics these models offer for the sustainable development of business organizations and nations, in every situation.

The above initiatives and a variety of other recurring projects, such as support for the

“Bergamo Scienza” exhibitions and for the activities of the Bergamo foundation in history, involved **an overall financial commitment of approximately 560,000 euro in 2013,** in line with the outlay of 2012 (563,000 euro).

Performance of the Ciments Français group

Key consolidated figures

(in millions of euro)	2013	2012	% change vs. 2012
Revenue	**3,591.5**	**3,727.4**	**(3.6)**
Recurring EBITDA	**642.9**	**661.9**	**(2.9)**
Non-recurring income (expense)	(9.0)	4.7	n.s.
EBITDA	**633.9**	**666.6**	**(4.9)**
Amortization, depreciation and impairment	(345.7)	(621.6)	44.4
EBIT	**288.2**	**45.0**	**>100.0**
Net finance costs	(76.1)	(46.0)	
Share of profit (loss) of equity-accounted investees	8.5	11.3	
Profit before tax	**220.6**	**10.3**	**>100.0**
Income tax expense	(106.0)	(102.8)	
Profit (loss) relating to continuing operations	**114.7**	**(92.5)**	**n.s.**
Profit relating to discontinued operations	-	8.2	
Profit (loss) for the year	**114.7**	**(84.4)**	**n.s.**
Profit (loss) attributable to owners of the company	**48.1**	**(141.7)**	
Total equity	**3,508.9**	**3,782.9**	
Equity attributable to owners of the company	**2,780.4**	**2,996.8**	
Net debt	**755.7**	**846.2**	

In 2013 Ciments Français S.A. consolidated revenue was 3,591.5 million euro, down 3.6% from 2012 (+0.2% at constant exchange rates and on a like-for-like basis).

Recurring EBITDA was 642.9 million euro, a reduction of 2.9% on 2012. After net non-recurring expense of 9.0 million euro (net income of 4.7 million euro in 2012), EBITDA was 633.9 million euro, down 4.9% from 2012. After amortization and depreciation totaling 332.8 million euro (350.7 million euro in 2012) and impairment losses of 12.9 million euro (270.9 million euro in 2012), EBIT was 288.2 million euro (45.0 million euro in 2012).

Net finance costs were 76.1 million euro, compared with net finance costs of 46.0 million euro in 2012.

The group posted a profit relating to continuing operations of 114.7 million euro (a loss of 92.5 million euro in 2012).

The profit for the year was 114.7 million euro, compared with a loss of 84.4 million euro for 2012.

Ciments Français S.A. posted a profit for the year of 47.4 million euro, compared with 50.2 million euro for 2012.

A dividend of 3 euro per share will be proposed at the annual general meeting of Ciments Français S.A. on April 11, 2014. Considering the interim dividend of 1.50 euro of August 7, 2013, the balance to be paid as the dividend for 2013 will be 1.5 euro.

Significant events after the reporting period

At its meeting on March 6, 2014, the Italcementi S.p.A. Board of Directors examined and approved a plan to streamline its corporate structure and strengthen the Group. The plan envisages:

- the mandatory conversion of Italcementi savings shares into ordinary shares at a rate of 0.65 ordinary shares for each savings share (“**Mandatory Conversion**”)
- an increase in Italcementi’s capital through a rights issue for a maximum of 450 million euro (“**Capital Increase**”)
- a voluntary public tender offer by Italcementi on Ciments Français minorities at a price of 78 euro per share (cum dividend), for the purpose of delisting Ciments Français from the Paris Stock Exchange (the “**PTO**”)

The aim of the plan is to streamline the Italcementi Group’s present capital structure, governance and control chain, while boosting its capital base and preserving the Group’s financial flexibility. The plan also aims to increase Italcementi’s capitalization and overall free float, thereby generating greater share liquidity for the benefit of shareholders and potential investors.

At a meeting also held on March 6, 2014, the Board of Directors of Italmobiliare S.p.A., the company that manages and coordinates Italcementi, declared its support for the plan and, consequently, its willingness to subscribe its rights under the Italcementi capital increase, to tender the shares it holds in Ciments Français for the PTO (2.73% of share capital), and also to convert the Italcementi savings shares it holds (2.856% of the savings share capital).

On completion of the transactions, Efiparind BV will retain control of Italcementi pursuant to art. 93 of the Consolidated Finance Act (TUF), through Italmobiliare, which will retain a share of more than 45% in Italcementi voting capital.

Further details of the project are set out in the joint Italcementi-Italmobiliare press release “Italcementi approves plan to strengthen and streamline its capital and group structure. Italmobiliare supports the transaction” of March 6, 2014.

Report on Corporate Governance and ownership structure

Introduction

This Report describes the corporate governance system adopted by Italcementi S.p.A. (hereinafter also referred to as "Italcementi" or the "Company").

Fulfilling applicable legal and regulatory provisions, this Report contains information on the ownership structure and compliance with the Corporate Governance Code for listed companies promoted by the Committee for Corporate Governance (the "Code", available on the website *www.borsaitaliana.it*). This Report also illustrates the reasons underlying the non-implementation of certain, very limited recommendations of the Code, which the Board of Directors decided not to adopt, it describes the corporate governance practices actually applied and provides for a description of the main features of the Internal Control and Risk Management System, also with reference to the financial reporting process.

This Report, approved by the Board of Directors on March 6, 2014,is published in the section "*Investor Relations / General Meetings*" on the Company's *website*.

The information contained in this Report refers to fiscal year 2013 and, in regard of specific topics, was updated as of the meeting of the Board of Directors which approved it.

Italcementi S.p.A. profile

Italcementi adopts the traditional *governance* model based on a Board of Directors and a Board of Statutory Auditors, both appointed by the Shareholders' Meeting, considering it the most suitable governance system to combine "efficient management" with "effective control", and to pursue at the same time the satisfaction of the shareholders' interests and enhancement of the *management* value.

The Company *Corporate Governance* system deduces from the following codes and regulations, as well as the By-laws:

1) Corporate Governance Code for listed companies promoted by the Committee for *Corporate Governance*, which the Company adhered to, except for the items described hereinbelow, by virtue of Board resolution of 26 September 2012;
2) The Group Code of Ethics;
3) Treatment of Confidential Information;
4) Internal Dealing Corporate Governance Code;
5) Procedure for Transactions with Related Parties;
6) "*Insider register*" Procedure;
7) Regulation for the manager in charge of preparing the company's financial reports;
8) Organizational, Management and Control Model.

The above documents are available on the Company's website *www.italcementigroup.com*, except for the Code, the Regulation for the manager in charge of preparing the company's financial reports, available to all the Group companies on the company intranet and in respect of the sole special Part of the Organizational, Management and Control Model, also made available to all employees on the Company intranet. The Company has always been actively committed in modernizing its business culture in order to respond to the challenges arising from developments in Corporate Governance rules. This process fostered and enhanced the sharing of values and the recognition that the adoption of good rules of corporate governance goes hand in hand with the dissemination of a business culture whose aims are transparency, adequate management and effective control.

As part of the broader process of integrating and sharing common principles and rules within the Group, the Company has adopted the *Corporate Governance Framework* since 2010, being a set of common corporate governance rules intended to be the basic corporate governance principles applicable to Group companies.

These principles have been outlined on the basis of a comparative review of national and international best practices as well as taking into account the different local laws of the Countries where the Group operates.

The *Corporate Governance Framework* was initially applied to 22 companies operating in 14 Countries, considered to be a sufficiently indicative sample on the basis of pre-set relevance indicators (revenues, assets, EBIT and headcount) and was then gradually extended to the other Group companies.

The corporate governance structure adopted by the Company, as set up in the binding articles of the By-laws and the provisions of the above mentioned codes and policies, confirms and bears witness to Italcementi commitment to comply with national and international best practices.

Moreover the Company shall adapt its governance according to any changes in applicable laws or regulations, and also based on any changes made to its own organisational structure that might possibly justify its revision.

Information on ownership structure

a) Share capital structure, indicating the various share categories, related rights and obligations, as well as the percentage of share capital represented

Italcementi share capital is equal to 282,548,942 euro, divided into 282,548,942 shares with a nominal value of 1 euro each, of which 177,117,564 are ordinary shares, equal to 62.69% of the entire share capital, and 105,431,378 are savings shares, equal to 37.31% of the entire share capital.

Ordinary shares carry voting rights at the Company's ordinary and extraordinary Shareholders' Meetings.

Shareholders who, even jointly, own at least one fortieth of the share capital represented by shares with voting rights, may ask, within the deadlines envisaged by the law in force, for the items on the agenda of the Shareholders' Meeting to be supplemented, stating in their request which further issues are being suggested. In addition, shareholders who, individually or with other shareholders, can prove that they hold an overall stake in the share capital with voting rights that is no lower than that established by the law in force, have the right to present lists for the appointment of the Board of Directors and the Board of Statutory Auditors in accordance with the provisions of the law and the By-laws.

Savings shares do not carry voting rights.

In the event of an increase in share capital against consideration for which option rights have not been excluded or limited, the holders of savings shares have option rights on the newly issued savings shares or, in their absence or to cover the difference, on other categories of shares. Resolutions to issue new savings shares with the same characteristics as those already outstanding, either through a share capital increase or through the conversion of other categories of shares, do not require approval by the meetings of the holders of the different share categories. Should ordinary and/or savings shares be excluded from trading, savings shares maintain the rights granted to them by law and by the By-laws, unless otherwise provided for by the Shareholders' Meeting.

When the net profit for the year is allocated, savings shares are entitled to a dividend of up to 5% of the nominal share value, increased with respect to that of ordinary shares, by an amount equivalent to 3% of the nominal share value. If in a fiscal year a lower dividend is allocated to savings shares, the difference is calculated as an increase to the savings dividend paid in the following two years.

In the event of distribution of reserves, savings shares have the same rights as other shares. A reduction in share capital owing to losses does not cause a reduction in the nominal value of the savings shares, except for that part of the loss in excess of the overall nominal value of the other shares. In case of dissolution of the company, savings shares have priority in the repayment of the share capital for the full nominal value.

The Company does not have outstanding stock option plans either for directors or for officers. However, based on the assignments resolved in the last few years for the stock option plans in force from time to time, then cancelled for the unexecuted portion, as at the date hereof 960,900 options on the stock option plan for directors – 2001, 2,269,316 options on the stock option plan for officers – 2000 and 1,564,750 options on the stock option plan for officers – 2008 are exercisable. Outstanding options granted to directors can only be exercised through assignment to the recipients of treasury shares, while those granted to officers can also be exercised through the execution of the power, recognized to directors, to increase the share capital.

No additional categories of financial instruments granting rights to subscribe newly issued shares, other than the above mentioned options, have been issued by the Company.

b) Restrictions on share transfers

No restrictions exist on share transfers or on acceptance clauses.

c) Significant shareholders as disclosed pursuant to article 120 of the Italian TUF (i.e. consolidated law on finance)

Shareholder	No. Shares	% over capital	
		ordinary	overall
EFIPARIND B.V. (indirectly through Italmobiliare S.p.A.) *This figure does not take into account the 3,793,029 treasury shares with voting rights held by the Company*	106,734,000	37.78	60.26
FIRST EAGLE INVESTMENT MANAGEMENT LLC (as manager, among other things, of the "First Eagle Global Fund" which holds 2.188% of the ordinary share capital)	3,932,129	1.39	2.22
ITALCEMENTI S.p.A. (treasury shares)	3,793,029	1.34	2.14

d) Shares that confer special control rights

No shares conferring special control rights have been issued.

e) Shareholding of employees: mechanism for exercise of voting rights

There is no specific system for employees to have shareholdings.

f) Restrictions on voting rights

The By-laws do not provide for restrictions on the exercise of voting rights.

g) Agreements among shareholders, pursuant to article 122 of the Italian TUF, of which the company is aware

As far as the Company is aware, there are no agreements of any kind regarding the exercise of voting rights and the transfer of such shares or any of the situations envisaged by art. 122 of TUF.

h) Significant agreements which the company or its subsidiaries are parties to, that would become effective, be modified or expire should there be a change in the control of the company and their effects, and By-laws provisions on public tender offer

Within the policy aimed at supporting its business and development, Italcementi and its subsidiaries have entered into loan agreements, some of which grant to the lender the right, in case of a change of control of the Company, to terminate the loan agreement in advance and have the consequent right to demand principal and the accrued interest or, lastly, in the case of derivative-based agreements, the right to terminate the outstanding derivative agreements.

As far as public tender offers are concerned, the Company By-laws do not provide for the waiver of the provisions of TUF related to the *passivity rule* nor is the breakthrough rule stated therein.

i) Agreements between the company and the directors that envisage compensation in the case of resignation or unfair dismissal or if the office ends following a public tender offer

For this information, please refer to the Report on Remuneration, published in compliance with TUF.

l) Laws applicable to the appointment and replacement of directors and to amendments of the By-laws

For this information, please refer to section "Corporate Governance Code: corporate governance rules and their implementation".

m) Delegated powers for share capital increases pursuant to article 2443 of the Italian Civil Code or power granted to directors to issue equity financial instruments

<u>Delegated powers for share capital increases</u>

The Board of Directors has the right, once or more times within five years of the shareholders' resolution passed at the extraordinary Shareholders' Meeting of April 17, 2013:

a) pursuant to art. 2443 of the Italian Civil Code, to increase the share capital up to a maximum nominal amount of 500,000,000 euro, free of charge and/or against consideration, through the issue of ordinary and/or savings shares and/or warrants for deferred subscription;

b) pursuant to art. 2420-ter of the Italian Civil Code, to issue bonds convertible into ordinary and/or savings shares or with purchase or subscription rights, up to a maximum amount of 500,000,000 euro, within the limits allowed by law from time to time,

all with the widest powers connected thereto, including the powers to offer shares and convertible bonds or warrants in the form as set out in the penultimate paragraph of art. 2441 of the Italian Civil Code; to reserve up to a quarter of such shares, bonds and warrants pursuant to art. 2441 of the Italian Civil Code, last paragraph; to identify the funds and reserves to be allocated to share capital in the case of a free of charge increase; to establish the issue price, conversion ratios, terms and method of execution of transactions.

By resolution of April 19, 2011 at their extraordinary meeting, the shareholders granted to the Board of Directors:

- the power, pursuant to art. 2443 of the Italian Civil Code, to increase the share capital, free of charge and/or against consideration, once or more times within five years of the aforementioned resolution, for a maximum amount of 6,000,000 euro through the issue of a maximum 6,000,000 ordinary and/or savings shares, to be reserved, pursuant to art. 2441 of the Italian Civil Code, paragraph 8:
  * for employees of Italcementi S.p.A. and its subsidiaries, in the case of a free allocation,
  * for employees of Italcementi S.p.A. and its subsidiaries, as well as for employees of its parent companies and other subsidiaries of the latter, in the case of a subscription offer,

  both in Italy and abroad and in compliance with the regulations in force in the Countries of the beneficiaries;
- the power, consequently, to establish the entitlement rights to the shares, to establish the timeframes, method, characteristics and conditions of the offer to employees and to set the issue price of the shares, including the related share premium.

<u>Equity financial instruments</u>

The Company has not issued equity financial instruments of any kind, nor do the By-laws grant any power for their issue to directors as of the date hereof.

<u>Authorizations for the purchase of treasury shares</u>

At their ordinary meeting of April 17, 2013, the shareholders renewed the Company's authorization to purchase and dispose of treasury shares for a period of 18 months from the date of the resolution.

Within the scope of the above authorization, since that date the Company has not purchased any ordinary or savings treasury shares, nor have shares held in its portfolio been used to grant them to beneficiaries of stock options, since no vested rights have been exercised by directors or officers.

Therefore, on December 31, 2013, the Company held:

- 3,793,029 ordinary treasury shares, equal to 2.14% of the share capital represented by ordinary shares, to be used to serve the “Stock option plan for directors” and the “Stock option plan for officers”;
- 105,500 savings treasury shares, equal to 0.1% of the share capital represented by savings shares.

Management and coordination activity

The controlling shareholder of Italcementi, with a stake, excluding treasury shares held by the Company at the time of preparation of this report, equal to 60.36% of the ordinary shares, is Italmobiliare S.p.A., whose majority shareholder is Efiparind B.V..

Italmobiliare S.p.A. is also the company that exercises management and coordination activity over Italcementi pursuant to art. 2497 ff. of the Italian Civil Code.

Internal control and risk management system

1. ***Introduction***

The Internal Control and Risk Management System of Italcementi is an essential element of the *corporate governance* system and is a set of organizational rules, procedures and structures intended to enable the identification, measurement, management and monitoring of the main risks which the Company and its subsidiaries are subject to.

The Company is currently finalizing the Guidelines for the Internal Control and Risk Management System which will soon be submitted to the approval of the Board of Directors upon opinion of the Control and Risk Committee. During the preparation of the aforementioned Guidelines, the Company pays maximum attention to ensure coherence and harmonization among the various control bodies within its Group, which must be articulated according to their business and the complexity of the reference structure. The Internal Control and Risk Management System shall contribute to the management of the Company consistently with the corporate objectives set by the Board of Directors by facilitating the adoption of conscious decisions. It contributes to ensure the preservation of the Company’s assets, the efficiency and effectiveness of business processes, the trustworthiness, accuracy, reliability and timeliness of financial information, the compliance with laws and regulations as well as with the By-laws and internal procedures.

The System, in line with the best national and international *standards* and paying constant attention to the provisions set forth in the Organizational, Management and Control Model, consists of the following three levels of control:

- *Level 1*: first line controls carried out by the heads of operating units that identify and assess the risks and define specific actions for their management;
- *Level 2*: functions in charge of the definition of methodologies and tools for risk management and performance of risk monitoring activities;
- *Level 3*: the Internal Audit function, as well as any other parties that provide objective and independent assessments (the so-called assurance) on the design and operation of the overall System.

2. ***Enterprise Risk Management***

An essential part of the Internal Control and Risk Management System is represented by *Enterprise Risk Management* (“ERM”), understood as an integrated model, prepared in accordance with international *best practices*, to optimize the management of business risks and to define the resulting strategies for their mitigation, supporting the *managers*’ decision-making process through analysis of “risks, expected returns, opportunities for growth in the business”.

Within Enterprise Risk Management, Italcementi appointed a *Chief Risk Officer*, head of the Risk Management Dept. with the goal of improving the ability to create value for *stakeholders* also through a better management of business risk.

ERM uses the CoSO methodology (*Committee of Sponsoring Organizations of the Treadway Commission*) and was divided into the following phases:

- identification of the main areas of risk in relation to the Group's strategic objectives and definition of methodologies and tools for the analysis and assessment of related risk events;
- assessment, both at country and Group level, of identified events of risk in terms of impact, chance of happening and time frame, in order to have an overall picture of the Group's risk portfolio;
- selection of priority risks and definition of relevant reaction strategies, governance rules within the Group as well as the actions needed to supplement and improve *risk management* systems; several risks are managed locally at the subsidiaries level, while the management of those requiring specific expertise or a cross coordination, is centralized;
- implementation of mitigation strategies/actions defined from time to time and development of the *Enterprise Risk Management* process;
- information to the top management and control bodies on the main risks and their management and evolution. The risk quantification and occurrence are integrated into the company's management system such as budgets, re-forecasts or analysis studies on the most important investment projects.

Italcementi puts in place continuous actions, detailed in paragraph 4.1 below, which represents the subject of a program of activities integrated into business processes for the purpose of ensuring trustworthiness, accuracy, reliability and timeliness of financial reporting.

The Company, in accordance with the ERM principles, has identified and categorized the risks considered significant (among which the one relating to financial reporting) and, for each significant risk, has developed appropriate containment actions, has attributed responsibilities to a main contact person ("*Primary Risk Owner*") with the task of coordinating and ensuring consistency in responses to risk, has defined guidelines, actions and controls common to the different areas of risk ("*Risk Management Guidelines*"), and has defined and implemented strategies aimed at aligning the risk management systems to the desired standards.

3. ***Definition of the nature and level of risk consistent with strategic objectives***

The Board of Directors establishes a multiannual strategic plan under which it approves a *budget* on an annual basis.

When approving the annual *budget*, usually occurring at the first Board meeting of each fiscal year, the Board of Directors examines and quantifies the risks, in terms of impact on gross operating profit or loss, which the Company and the Group as a whole are subject to, depending on the strategic objectives it sets for itself.

The analysis, prepared upon instruction of the Director in Charge of the Internal Control and Risk Management System and with the support of the *Chief Risk Officer,* details the level of expected risk in each Country where the Group operates, as well as the various kind of risk, dividing them into two main categories: those that are independent from the determination and the conduct of the Company (general economic situation, political risks, etc.) and those that may be mitigated as a result of appropriate measures undertaken by the Company itself.

In light of the quantification of expected risks, the Board of Directors determines the level of exposure to risk considered acceptable and consistent with the strategic objectives it has defined.

Risk exposure, as measured during the preparation of the budget, is constantly monitored both at Italcementi and Group level; for this purpose each *Primary Risk Owner* prepares a half-year report that ranks the most significant risks and, where appropriate, modifies the corresponding mitigation plan previously prepared. The Board of Directors and the Control and Risk Committee are kept informed by the *Chief Risk Officer* on the evolution of risks and their subsequent mitigation.

In addition to the *risk analysis* conducted in view of the approval of the annual budget, every strategic plan of the Company is preceded by a risk analysis that includes the definition of *best and worst case* scenarios, the chances of achieving a profit, given by an expected confidence level, and the expected impact of each type of risk, also in light of a series of measures to mitigate risks in regard of which the Company may take action with appropriate measures.

4. ***Description of the main features of the Internal Control and Risk Management System in regard of the financial reporting process***

4.1 Phases of the risk management and internal control system

The risk management and internal control system mitigating risks in relation to the financial reporting process consists of a set of corporate rules and procedures, adopted by the various operating structures, aimed at ensuring trustworthiness, accuracy, reliability and timeliness of financial reporting.

Italcementi has defined its own reference Model for the assessment of the Internal Control and Risk Management System related financial disclosure (hereinafter, in short, "Operational Model"), detailing the operational approach for the performance of activities. This Model is based on the principles contained in the CoSO *framework* and in the document *"Internal Control over Financial Reporting - Guidance for Smaller Public Companies"*, also developed by CoSO.

In this Model, the risk control system is considered together with the internal control system in relation to the financial reporting process.

The Operational Model defined by Italcementi is based on the following main elements:

a) **Preliminary analysis.** This activity, carried out on an annual basis and whenever deemed necessary, is aimed at identifying and assessing the risks related to the Internal Control and Risk Management System with regard to financial reporting, in order to determine priorities for action related to documentation, assessment and *testing* of administrative and accounting procedures and related controls. The identification of the relevant quantities and processes is based on quantitative (weight of revenue and assets of a single entity on consolidated amounts, the carrying amount of consolidated financial statement items related to a particular process) and qualitative (the Country in which an entity operates, specific risks, risk levels assigned to the various items) factors;

b) **Operational planning.** Every year the activities are planned on the basis of the priorities identified through the preliminary analysis and other assumptions, if any;

c) **Analysis of controls at company level.** Single entities, within the area of action identified in the preliminary analysis, are responsible for assessing the effectiveness of the internal control system in relation to the governance principles used at entity level (**Entity Level Controls**), as well as for the overall management of the information systems used in the main financial reporting processes and the related IT structure (**Information Technology General Controls**). This must be carried out in accordance with the deadlines established during the operational planning and on the basis of the guidelines, instructions and templates provided by the Manager in charge;

d) **Analysis of controls at process level**. Single entities in the area for action identified in the preliminary analysis are responsible for: a) documenting, with varying levels of detail depending on the level of risk allocated, the identified administrative and accounting processes, b) performing tests to check the effective operation of the key controls, in accordance with the deadlines established during operational planning and on the basis of guidelines, instructions and *templates* provided by the Manager in charge;

e) **Assessment of the adequacy and effective operation of the administrative and accounting procedures and the related controls**: in order to guarantee compliance with the key requirements for *financial reporting* ("financial statement assertions"), the Manager in charge, on the basis of the results of the carried out activities and the obtained documentation, assesses the overall adequacy and effective operation of the system of administrative and accounting procedures and the related controls, and more generally, the Internal Control System for these areas.

The Internal Control and Risk Management System, with reference to the financial reporting process has also benefited from:

- the ongoing development of an integrated Corporate Governance system (Organization notices, job descriptions, delegated powers, corporate processes and procedures) whose operational tools are available in a *Knowledge Management Database*, BEST 2.0 (*Business Excellence Support Tool)*, which allows easy access to information and facilitates its dissemination across the Group;
- a more detailed organization and planning in relation to the provisions of Law No. 262 of December 28, 2005, containing "Provisions for the protection of savings and the regulation of financial markets" and the subsequent corrective decrees (hereinafter, in short, the "Savings Law"), enacted by law-makers for the purpose of increasing the transparency of financial reporting and strengthening the internal control system of listed companies.

4.2. Positions and Functions involved

Financial reporting is manned by the following corporate bodies and functions, which operate with roles and responsibilities defined in the broader Internal Control and Risk Management System:

1) **Board of Directors**, to which the Code attributes, among other things, the following tasks:
   a) examining and approving the Strategic Plan, monitoring periodically the related implementation;
   b) defining the risk profile, both as to nature and level of risks, in a manner consistent with the Company's strategic objectives, as determined by the same Board at the time of approval, amendment or revision of the Strategic Plan;
   c) evaluating the adequacy of the organizational, administrative and accounting structure of the issuer as well as of its strategically significant subsidiaries in particular with regard to the internal control and risk management system;
   d) upon opinion of the Control and Risk Committee:
      1) defining, in line with the Company's risk profile, the guidelines of the internal control and risk management system, also seeing to its updating, so that the main risks concerning the issuer and its subsidiaries are correctly identified and adequately measured, managed and monitored, determining, moreover, the level of compatibility of such risks with the management of the Company in a manner consistent with its strategic objectives;
      2) assessing, at least annually, the adequacy and effectiveness of the Internal Control and Risk Management System with respect to the Company's characteristics and the risk profile assumed, ensuring that:
         - duties and responsibilities are allocated in a clear and appropriate manner;
         - control functions, including the Head of Internal Audit, the Manager in charge and the Supervisory Board have been provided with the appropriate resources for the performance of their duties and are granted an appropriate degree of independence within the corporate structure.
      3) approving, at least annually, the plan (which should also address the reliability of information systems) drafted by the Head of Internal Audit, having heard the opinion of the director in charge of the Internal

Control and Risk Management System and the Board of Statutory Auditors;

4) upon proposal of the Director in charge of the Internal Control and Risk Management System, after also hearing the opinion of the Board of Statutory Auditors, appointing and dismissing the Head of Internal Audit, ensuring that the same is adequately provided with the resources to carry out their responsibilities and defining their remuneration in line with corporate policies;

e) examining and approving the financial statements for the period; assessing the company's operating structure.

2) **Director in charge of the Internal Control and Risk Management System**, identified by the Board of Directors at its meeting on April 17, 2013, in the person of the Chief Executive Officer.
According to the Code, he is responsible for:

a) identifying the main business risks, taking into account the characteristics of the activities carried out by the Company and its subsidiaries, and submit them periodically to the review of the Board of Directors at least once a year;
b) implementing the guidelines defined by the Board of Directors, taking care of the planning, implementation and management of the internal control and risk system, constantly monitoring its adequacy and effectiveness;
c) proposing to the Board of Directors, after the favorable opinion of the Control and Risk Committee and after hearing the opinion of the Board of Statutory Auditors, the appointment, removal and remuneration of the Head of Internal Audit ensuring its operating independence and autonomy from each head of operating departments, verifying that the same is provided with adequate resources for the fulfilment of the tasks entrusted thereto;
d) adjusting such system to the dynamics of the operating conditions and the legislative and regulatory framework;
e) possibly requesting the Internal Audit function to carry out reviews of specific operational areas and on the compliance of business operations with rules and internal procedures, giving simultaneous notice to the Chairman of the Board of Directors, the Chairman of Control and Risk Committee and the Chairman of the Board of Statutory Auditors;
f) promptly reporting to the control and risk committee (or to the Board of Directors) issues and problems that resulted from his/her activity or of which he/she became aware in order for the ommittee (or the Board) to take the appropriate actions.

Under the powers granted to it, the Director in charge of the Internal Control and Risk Management System, at least once a year, and in any case when it deems it necessary or advisable, depending on the circumstances, in case there are any new material risks or there is a significant increase in the possibility of a risk, submits major business risks to the examination and assessment of the Board of Directors, as well as the set of control processes implemented and designed to prevent them, reduce them and manage them effectively and efficiently in order to let the Board of Directors make an informed and conscious decision on the strategies and policies for the management of the Company's and the Group's principal risks, with a particular focus on companies that are strategically significant.

Moreover, since the two positions coincide, the Director in charge of the Internal Control and Risk Management System is responsible for issuing, together with the Manager in charge, statements on the adequacy and effective implementation of administrative and accounting procedures, the compliance of documents with applicable international financial reporting standards, compliance of documents with book entries and accounting records, suitability of documents to give a true and fair representation of the financial position and results of operations of the Company and of the Group, etc..

3) **Control and Risk Committee**, which, as a body supporting and assisting the Board of Directors, carries out advisory and proactive functions. In particular it:
   a) issues opinions to the Board of Directors whenever the Code provides so;
   b) evaluates together with the Manager in charge, after hearing the independent auditors and the Board of Statutory auditors, the correct application of the accounting policies, as well as their consistency for the purpose of preparing of the consolidated financial statements;
   c) expresses opinions on specific aspects relating to the identification, measurement, management and monitoring of the Company's main risks and the definition of the nature and level of risk deemed compatible with the strategic objectives;
   d) reviews the periodic reports of the Internal Audit function concerning the assessment of the internal control and risk management system, as well as the other reports of the Internal Audit function that are particularly significant;
   e) monitors the independence, adequacy, effectiveness and efficiency of the Internal Audit Function;
   f) whenever deemed necessary or desirable for a better management of business risks, requires the Head of Internal Audit to carry out reviews of specific operational areas, giving simultaneous notice to the Chairman of the Board of Statutory auditors;
   g) reports to the Board of Directors at least half-yearly, on the occasion of the approval of the annual and half-year financial report, on the activity carried out, as well as on the adequacy and effectiveness of the Internal Control and Risk Management System;
   h) promptly exchanges information with the Board of Statutory Auditors relevant to the performance of their respective tasks.

4) **Chief Operating Officer,** who, among other things, has the task of overseeing the activities of Italcementi and checking the activities of manufacturing companies directly or indirectly controlled by Italcementi and companies in which it, directly or indirectly, owns a stake that enables it to exercise significant influence. Moreover, the Chief Operating Officer and the Deputy Chief Operating Officer have the duty, together with the Heads of the company's departments directly reporting to the Board involved in the preparation of financial reporting, of issuing specific statements on served data and information, both in relation to their proper representation, and in relation to the effective and efficient implementation of the administrative and accounting procedures in the areas under their responsibility;

5) **Chief Risk Officer**, a position established by the implementation of ERM by the Company. He reports to the CEO and has the task of providing an overview of the Company's and of the Group's principal risks, ensuring that all major risks whether associated with new businesses or existing ones are properly identified, assessed, measured and managed in accordance with the values, policies, guidelines and procedures of the Group.
   In particular, in the context of the Internal Control and Risk Management System, the *Chief Risk Officer*:
   a) defines and updates the appropriate ERM governance: process, positions and responsibilities related to the main risks;
   b) supports the Company and the Group various functions in the integration of risk assessment into strategic planning and business processes;
   c) ensures awareness of risk management and process efficiency through the development of an ERM community whose members engage both with the parent and at Country level;
   d) oversees the continuous improvement of consistent process methods and tools throughout the Group to identify, assess, and measure key risks, in collaboration with the *primary risk owners* and the related operational contacts;
   e) develops and disseminates the ERM reporting to *top management* and to the Board of Directors;

f) ensures a regular *follow-up* to action plans implemented to mitigate risk for all Country risks;

g) helps to spread ERM tools and methodologies such as risk assessment and quantification.

6) **Manager in charge of preparing the company's financial reports**, who, as provided for in the regulation approved by the Board of Directors, is responsible, among other things, for:

a) planning adequate administrative and accounting procedures for the drafting of the financial statements, the limited interim financial statements and the consolidated financial statements, as well as any other financial reporting, updating such procedures and ensuring dissemination, knowledge and compliance, as well as verifying their effective application;

b) assessing, together with the Control and Risk Committee and the independent auditors, the correct application of accounting policies and their uniformity for the purposes of the consolidated financial statements;

c) handling the periodic *reporting* to top management and the Board of Directors on the activities undertaken;

d) periodically reviewing the risk map assessment and updating activities relating to financial reporting;

e) taking part in the development of IT systems that have an impact on the company's financial positions and results of operations.

The Board of Directors meeting held on April 17, 2013, confirmed Mr. Carlo Giuseppe Bianchini, Director of Group Administration and Control dept., as the Manager in charge of preparing the company's financial reports, pursuant to Art. 154-bis of TUF and Art. 30 of the By-laws.

The appointment of Mr. Bianchini will expire upon completion of the term of office of the current Board of Directors, i.e. with the approval of the 2015 financial statements.

Pursuant to the By-laws, the Manager in charge of preparing the company's financial reports must:

1) be qualified as a manager and meet the requirements of good reputation set forth by law for members of the Board of Directors;

2) have a total of at least three years' experience in performing administrative/accounting and/or financial and/or control activities at the Company and/or its subsidiaries and/or at other joint-stock companies.

The Board of Directors, upon appointment, provided such Manager with fully autonomous financial resources to exercise the powers granted to him with the duty to report to the Board of Directors on the financial resources used every six months. Furthermore, the Board of Directors, upon proposal of the Remuneration Committee, defines, at the time of appointment and then annually, the remuneration of the Manager in charge.

7) **Head of Internal Audit**, who is entrusted with the task of verifying the functioning and adequacy of the Internal Control and Risk Management System, providing an objective assessment of its suitability to corporate bodies and *top management*.

He has direct access to all relevant information for the performance of his duties, is not responsible for any operational area and reports directly to the Board of Directors.

The Head of Internal Audit reports on the Company's risk management process as well as about the compliance with the management plans defined for risk mitigation, and expresses its assessment on the adequacy of the Internal Control and Risk Management System to the Board of Directors, Control and Risk Committee, to the Director in charge of the Internal Control and Risk Management System and to the Board of Statutory Auditors.

Following the deletion of any reference to the "Controller" in the current version of the Code, now uniquely identified as Head of Internal Audit, the Board of Directors at its meeting held on September 26, 2012, at the same time the Corporate Governance Code was implemented, after hearing the opinion of the Board of

Statutory Auditors, confirmed Mr. Mauro Maestrini as Head of Internal Audit, who had formerly been appointed Controller by the Board of Directors on May 6, 2010.

Upon proposal of the Director in charge of the Internal Control and Risk Management System, with the favourable opinion of the Control and Risk Committee and after also hearing the opinion of the Board of Statutory Auditors, the Board of Directors defined the remuneration of the Head of Internal Audit ensuring that the same is adequately provided with the resources to carry out his tasks and duties in line with corporate policies.

The Head of Internal Audit annually illustrates to the Control and Risk Committee the Internal Audit structure which has been considered appropriate, both in terms of headcount and professional skills, to fulfill the tasks entrusted to it.

In 2013 IFACI Certification (*Institut Francais de l'audit e du control Interne*) was appointed to conduct a Quality Assurance Review of the Audit Department structure and the level of compliance of its activities with the international internal auditing standards. This assessment was completed and the outcome is currently waited.

Moreover, the Board of Directors, following the opinion served by the Control and Risk Committee and having heard the Board of Statutory Auditors and the Director in charge of the Internal Control and Risk Management System, approved the 2014 Audit Plan prepared by the Head of Internal Audit during the meeting of February 5, 2014 and the Internal Audit Charter during the meeting of November 7, 2013. The Charter officially defines the mission, objectives, organisational context and responsibilities of the Internal Audit Department, in accordance with the Corporate Governance Code, with the definition of *Internal Auditing,* with the Code of Ethics of the Institute of Internal Auditors ("IIA") and with the International Standards set by the International Professional Practices Framework of the IIA.

The Head of the Internal Audit Department monitors, both on an ongoing basis and in relation to specific requirements and in compliance with international standards, the effectiveness and adequacy of the internal control and risk management system, by means of the Audit Plan approved by the Board of Directors, based on a structured risk analysis and prioritisation process.

8) **Supervisory Body**, which is responsible for the continuous monitoring of the effective operation and compliance with the Organization, Management and Control Model pursuant to Legislative Decree no. 231/01.

As part of its duties, the Supervisory Body, by overseeing and promoting a rational and efficient cooperation between existing controlling bodies and functions within the Company, periodically meets with executives of the Company in charge of sensitive areas under Legislative Decree no. 231/01, the Board of Statutory Auditors, the Manager in charge and the representatives of the independent auditors in respect of any matters relevant to the prevention of offenses specified in the Model, including those relating to financial reporting.

The Body is autonomous and independent in the exercise of its functions, and its members have adequate qualifications in the field of risk management associated with the Company specific business and its legal implications. It directly reports to the Board of Directors, which appoints it with a motivated resolution with respect to each member, chosen solely on the basis of qualifications, integrity, competence, independence and functional autonomy requirements.

In order to ensure an efficient and effective Internal Control and Risk Management System, it is provided for the Supervisory Body to periodically, and at least every six months, prepare a written report on its activities and to provide it, along with a documented statement of incurred expenses, to the Chairman of the Board of Directors, the Chairman of the Board of Statutory Auditors, the Chairman of the Control and Risk Committee and the Manager in charge for the financial reports. The Supervisory Body reports shall contain possible proposals for additions and amendments to the Model. The aforementioned periodic reports must at least deal with or point out:

i) any issues arisen with regard to the implementation of procedures set forth in the Model, adopted in order to give effectiveness to or comply with the Model and the Code of Ethics of the Company;

(ii) the warning reports received from internal and external parties with regard to the Model;

(iii) disciplinary procedures and penalties, if any, applied by the Company, with exclusive reference to activities at risk;

(iv) an overall assessment of the effectiveness of the Model with possible instructions for additions, corrections or amendments.

9) Various **company Functions**, which, as already detailed with regard to the Chief Operating Officer, must, to the extent of their competence, ensure the correct representation of the information provided, as well as the efficient and effective implementation of administrative and accounting procedures in the areas under their responsibility.

Lastly, in this context, the **Board of Statutory Auditors**, as part of the tasks assigned to it under applicable laws, among other things, oversees the financial reporting process and effectiveness of the internal control, internal audit and risk management systems.

The auditing of the company's financial statements, as required by the current applicable laws, has been entrusted to an **independent Audit Firm** appointed by the Shareholders' Meeting, upon proposal of the Board of Statutory Auditors. The audit of Italcementi separate financial statements, Group consolidated financial statements and the performance of limited review of the Group half-year consolidated financial statements for the fiscal years 2011-2019 was assigned to KPMG S.p.A. by the Shareholders' Meeting on April 19, 2011.

A structured information flow ensures sharing and integration of information generated by various control bodies. In this connection, the quarterly report of the Manager in charge is a significant example as it reports, among other things, the outcome of the performed activities, relevant findings, action plans and their follow-up. The same officer, together with the Chief Executive Officer, also served the Representation pursuant to Art. 154-*bis,* paragraph 5, of the TUF.

5. *Overall Assessment of the Internal Control and Risk Management System*

The Board of Directors, based on the information and evidence collected with the support of the surveys performed by the Control and Risk Committee, with the assistance of the Director in charge of the Internal Control and Risk Management System, the Chief Risk Officer and the Head of Internal Audit, deems the Internal Control and Risk Management System appropriate and effective with respect to the structure of the Company and the Group, its business features and the set of accepted risks, also with reference to the organizational, administrative and accounting structure that ensures trustworthiness, accuracy, reliability, timeliness and completeness of financial reporting.

The Board of Directors, however, is aware that even an effective Internal Control and Risk Management System, although well conceived, has a number of intrinsic limitations such as the possibility of fraudulent violations or errors in controls, therefore it is only possible to guarantee the achievement of the control and risk management objectives with reasonable and not absolute certainty.

Corporate Governance code: Corporate Governance rules and their implementation

Italcementi has been complying with the Corporate Governance Code applicable to Listed Companies, approved by the Committee for Corporate Governance, since its first adoption.

On complying with the original Corporate Governance Code, the Company initially opted to draw up its own "Code" which had been updated in due course. Lastly, under board resolution of September 26, 2012, the Company decided to give full implementation to the version of the Corporate Governance Code approved by the Committee for Corporate Governance on 5 December 2011, except for two recommendations concerning the establishment of the Appointment Committee and the Shareholders' Meetings Regulations, maintaining some governance principles set out in the previous versions of the Corporate Governance Code, now superseded. Further details in this regard will be provided in this Report, based on the various topics to be illustrated.

A) __BOARD OF DIRECTORS__

__Role and responsibilities__

The Board of Directors is responsible for defining the Company's and the Group's overall strategy and is in charge of the Company's operations. To this end, according to the By-laws, it is invested with the broadest powers of ordinary and extraordinary administration of the Company. It may thus carry out any and all acts, including disposal transactions, which it deems appropriate to achieve the corporate purpose, with the sole exception of those expressly reserved to the Shareholders' Meeting by operation of law.

In addition to the powers granted to the Board of Directors by virtue of applicable laws and the By-laws regarding the issue of shares and bonds, the resolutions concerning the following matters are also entrusted to the Board - without prejudice to the extraordinary Shareholders' Meeting authority, existing by operation of law in compliance with Art. 2436 of the Italian Civil Code:

- incorporation of companies that are fully owned or owned at least ninety percent;
- transfer of the registered office, provided that the transfer is made within the Italian territory;
- establishment or closure of branches, whether in Italy or abroad;
- decrease of share capital in the event of shareholders' withdrawal;
- amendments to the By-laws to comply with mandatory provisions of law.

The Board of Directors, in compliance with the By-laws, meets at least once every calendar quarter. At such meeting delegated bodies report to the Board and to the Board of Statutory Auditors on significant transactions put in place in the exercise of delegated powers.

The Board of Directors also has the task of passing resolutions regarding:

- transactions with a significant strategic, economic, equity or financial relevance for Italcementi, put in place by the Company itself and by its subsidiaries;
- transactions with related parties, as governed by specific company procedures and in compliance with the conditions provided therein.

Moreover, the Board is entrusted with i) the assessment on the overall operating performance, ii) the assessment of the adequacy of the organizational, administrative and accounting structure with particular reference to the Internal Control and Risk Management System, which is overseen by the Director in charge of such System, by virtue of the powers delegated to him by the Board, iii) the delegation of powers to the executive directors and iv) the determination of the remuneration of directors invested with special powers and managers with strategic responsibilities.

Board members act and make decisions on an informed basis and independently pursuing the primary objective of creating value for shareholders. They hold their office being aware that they can devote the necessary time for a diligent performance of their tasks and duties.

No exception to the non-competition provisions under Art. 2390 of the Italian Civil Code has been authorized by the Shareholders' Meeting nor is required by the By-laws. In addition, no Director is a partner with unlimited liability of any competitors, or exercises a competing business on its own or on behalf of third parties, or is a director or Chief Operating Officer of competitors.

Composition

The By-laws provide that the Company shall be managed by a Board of Directors, whose number shall be comprised between eleven and twenty one members. Directors are appointed by the ordinary Shareholders' Meeting, they remains in office for the period set at the time of appointment, but in no event for more than three fiscal years and they may be reappointed after the expiration of their term of office.

The Board of Directors currently in office, renewed in 2013, is made up of fifteen members, whose term of office expires upon approval of the financial statements as at December 31, 2015. The newly appointed Board, in accordance with best practice requirements and the recommendations of the former directors which emerged in the self-assessment questionnaire for 2012, has been reduced from twenty to fifteen members, a third of which reserved to the less represented gender in accordance with the provisions regulating gender quotas.

Twelve out of the fifteen elected members are non-executive and, among these, eight are independent. This therefore guarantees compliance with the provisions of art. 37 paragraph 1, letter d) of Consob Market Regulation, that require that the Board of Directors of subsidiaries subject to management and coordination of a joint-stock company listed on regulated markets consist of a majority of independent directors.

Among the fifteen Board members, Mr. Giulio Antonello represents the minority shareholder First Eagle Investment Management LLC.

The composition of the Board of Directors is shown in the table herein below, as well as at the beginning of this Report, where the Directors' *curricula* are also provided, along with their seniority in office.

These *curricula*, in accordance with the regulations, are promptly published on the Company's website at the time of the Directors' appointment and it is now common practice that, during the Shareholders' Meeting, the Chairman or, on his behalf, the Chief Executive Officer, provides information on the professional qualifications of the candidates and their characteristics and suitability to qualify as independent.

Appointment and replacement of Board members

The Company's By-laws, in compliance with the provisions of current legislation, provide that the appointment of the Board of Directors shall occur on the basis of lists that ensure that the minority shareholders obtain the minimum number of directors required by law and should comply with the regulations in force concerning gender balance.

Lists must be filed with the Company's registered office at least 25 days before the date scheduled for the Shareholders' Meeting on first or single call; such a deadline, together with the conditions and minimum stake required to file the lists, must be mentioned in the notice of call.

Lists may be filed only by Shareholders who, alone or together with other shareholders, are able to provide evidence that they hold a percentage of the share capital with voting rights not lower than that determined by CONSOB pursuant to the regulations in force. No shareholder may file, or participate in filing, even through a third party or trustee, more than one list or vote for different lists. Shareholders belonging to the same group and shareholders who join a shareholders' agreement on the Company shares may not file or vote for more than one list, neither through a third party or trustee.

Lists filed in violation of these restrictions will not be accepted.

Each candidate may be on one list only under penalty of ineligibility.

Under the By-laws, the lists bearing a number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that one or the other of the gender may be represented by at least one third (rounded upwards) of the candidates. In addition, upon the first renewal of the management body following entry into force of the Law (October 2011), the relevant transitional provisions provided that the quota of the less represented gender had to be at least one-fifth of the candidates.

At the time of their filing, lists must include:

a) statements whereby individual candidates:
   * accept their candidature;
   * under his/her own responsibility state:
     - the non-existence of causes for ineligibility
     - entitlement to the good reputation requirements established by the law
     - entitlement to the independence qualification required by the law and by the Corporate Governance Code, if any. The latter is a principle already contained in the Corporate Governance Code originally adopted by the Company, now outmoded by the Code which the Company has complied with. The Board of Directors considered appropriate to keep this principle aligned with the *best practices* governing the matter.

b) a brief *curriculum* on the personal and professional skills of each candidate with an indication of their position as director and statutory auditor in other companies;

c) information on the identity of the shareholders who have presented the lists. The intermediary certification or statement proving ownership of the shareholding prescribed by the law in force when the list is presented may also be produced after the filing of the list provided that it reaches the Company within the term envisaged by the regulation in force for the publication of lists by the Company;

d) a statement by the shareholders who do not hold, even jointly, a controlling or majority stake, bearing witness to the absence of any connection, as defined by the law in force.

The Company By-laws do not provide for good reputation or independence qualification requirements additional to those required for the Statutory Auditors by TUF. Any elected directors whose requirements of good reputation, as set forth by law or the By-laws, become void during their term of office, will forfeit their office.

A filed list that does not comply with the above provisions will be considered as not filed.

At least 21 days before the Shareholders' Meeting date, the Company makes available at the Company premises, at the stock exchange and on its website, the lists of candidates which have been filed by shareholders along with supporting documentation.

In the event of filing of more than one list:

- all the directors are elected from the list that obtains the highest number of votes at the Shareholders' Meeting, in the order in which they are listed, except for the minimum number reserved by law for the minority shareholders' list;
- the minimum number of directors reserved by law to minority shareholders are elected from the minority shareholders' list that obtains the highest number of votes and is not connected in any way, directly or indirectly, with the majority shareholders;
- should more than one list obtain the same number of votes, a runoff is held on these lists among all the shareholders present at the Shareholders' Meeting, and the candidates are elected from the list that obtains the simple majority of the share capital represented at the Shareholders' Meeting.

For the purposes of apportioning the directors to be elected, the lists that have not achieved a percentage of votes at least equal to half of the percentage required for the presentation of lists will not be considered.

Should a party connected to a majority shareholder vote for a list of the minority shareholders, the connection is significant for the purposes of excluding the minority shareholders' elected director only if this vote was crucial for the election of said director.

Should a single list be presented, all the candidates included in that list are elected with a simple majority vote of the share capital represented at the Shareholders' Meeting.

If as a result of the voting based on lists or the voting of the only list presented, the composition of the Board of

Directors does not meet the current regulations regarding gender balance, the necessary replacements will be carried out within the list that has obtained the highest number of votes or within the only list presented, starting from the candidate in the last place of the same list. Subsequently, if compliance with the requirement concerning the balance between genders is not ensured in the minimum number required by law, there will be similar replacements, again within the list that has obtained the highest number of votes, or within the only list presented.

In the absence of lists, and whenever by means of the voting list mechanism, the number of candidates elected is lower than the minimum number envisaged by the By-laws for its composition, the Board of Directors is respectively appointed or supplemented by the Shareholders at their meeting with the legal majority, provided that the gender balance set forth by current legislation in force is ensured and at least the minimum number of directors holding the independence qualification required by the law is guaranteed.

If during the year, following to resignation or other reasons, one or more directors cease to serve, the others, provided that the majority is still represented by directors appointed by the shareholders at their meeting, shall arrange to replace them by means of a resolution approved by the Board of Statutory Auditors.

Directors are replaced, in compliance with the above requirements of good reputation and independence, with the appointment of unelected candidates belonging to the same list as the directors who no longer serve, following the original order of presentation. Should this not be possible, the Board of Directors will act pursuant to the law. All of the above, in any case, in compliance with the current legislation in force regarding gender balance.

Directors appointed in this manner hold office until the following Shareholders' Meeting.

The Shareholders' Meeting resolves upon the replacement of directors, in compliance with the above principles, with a relative majority of the share capital represented at the Shareholders' Meeting.

The term of directors appointed in this way ends at the same time as that of the directors serving at the time of their appointment.

No limits to re-eligibility of directors have been envisaged, although directors holding the same position for more than nine years in the last twelve years could be considered - on a voluntary basis - no longer to meet the independence qualification pursuant to the Code.

Executive Directors

The Company By-laws provide that, unless the Shareholders' Meeting has already done so, the Board is entitled to appoint the Chairman and possibly one or more Deputy Chairmen and to determine their powers.

The Board of Directors may appoint one or more Chief Executive Officers. Moreover, the Board may delegate its powers to an Executive Committee, and determine its powers, the number of its members and its rules of operation. The Chairman of the Board of Directors, the Chief Executive Officer (if appointed) and the Chief Operating Officer, if the latter also covers the office of Director, are Members of the Executive Committee by operation of law; outside of these cases, the Chief Operating Officer will take part in Executive Committee meetings and vote on a purely advisory basis.

The legal representation of the Company in dealings with third parties and in court, pursuant to the By-laws, belongs to the Chairman and, if appointed, to the Deputy Chairman (or Deputy Chairmen) and to the Chief Executive Officer (or Chief Executive Officers).

The Board of Directors has appointed an Executive Deputy Chairman, a Deputy Chairman, a Chief Executive Officer and a Chief Operating Officer. The Board of Directors, upon appointment, grants the Chief Executive Officer duties and powers identifying any quantitative limits. In addition to the Chief Executive Officer, the Chairman and the Executive Deputy Chairman are also included among the executive directors in relation to the duties and powers granted thereto.

The Board also granted the Executive Committee all its powers except those that pursuant to the Civil Code and the By-laws may not be delegated. The resolutions of the Executive Committee are reported to the Board of Directors at its next meeting.

The consistency of direction and coordination of activities is ensured by the presence of the Chairman, of the Executive Deputy Chairman, of the Executive Director and of the Chief Operating Officer, of directors and Company managers on the Boards of Directors of the main subsidiaries.

Allocation and delegation of powers

The granting of powers (including those to the Chief Operating Officer) is based on the principle of segregation of powers.

The delegation of powers, i.e. the assignment of operating powers to one or more persons and/or the Executive Committee, does not exclude the competence of the Board of Directors, which in any case holds a superior steering and controlling power over the Company's general activities as to its various components.

Among the 6 members of the Executive Committee, three are executive directors; the remaining, two of whom independent, are considered non-executive directors, as the Company's Executive Committee meets without any regularity and, in fact, exclusively to address the timely examination of certain transactions and for the adoption of the relevant resolutions. The Code also shares this interpretation provided that, as in this case, the director, a member of the Executive Board, is not given individual executive powers.

Within the Board of Directors, the allocation of powers is as follows:

- to the **Executive Committee**, consisting of six members, all the powers of the Board of Directors, except for those which the Italian Civil Code and the By-laws do not allow to be delegated. As specified at the time of its appointment, the resolutions of the Executive Committee must be reported to the next Board of Directors' meeting;
- to the **Chairman**, Mr. Giampiero Pesenti, considering his role in the holding company and his consolidated experience in the Company industry, among other duties and in addition to the powers set out by the Company By-laws and by the other Corporate Governance Codes, the duties to oversee application of the *Corporate Governance* principles approved by the Board of Directors and to propose any amendment to them; indicate general strategic guidelines for Group business; specify the general policies for annual and interim financial statements as well as the general financial policies of the Group; approve the most important organizational changes (regarding both Italcementi and the main direct or indirect subsidiaries) upon proposals of the Chief Executive Officer and/or of the Chief Operating Officer; approve the significant changes to the Group's ownership structure; approve, for further submission to the Board of Directors or the Executive Committee, the most important transactions regarding acquisitions, disposals, capital expenditure, development of new initiatives and, generally, extraordinary transactions; indicate general policies for recruiting, training and managing staff and determine, also upon proposals of the Chief Executive Officer, the recruitment, remuneration (after consulting the Remuneration Committee and receiving the approval of the Board of Directors where envisaged), promotions, transfers, suspensions, termination or contract review for senior managers of the Group in Italy and in the other Countries where the Group operates; deal with external communication.
  In addition, besides the powers needed to carry out the assigned duties, the Chairman has been granted powers to undertake securities and real estate transactions, with a limit of 50 million euro for each individual transaction with single signature and 75 million euro with joint signature with the Chief Executive Officer or the Chief Operating Officer;
- to the **Executive Deputy Chairman**, Mr. Pierfranco Barabani, the powers to undertake real estate transactions up to the limit of 15 million euro for each individual transaction;
- to the **Deputy Chairman**, Mr. Lorenzo Renato Guerini, the representation powers granted by art. 22 of the By-laws;

- to the **Chief Executive Officer**, Mr. Carlo Pesenti, among other duties, the responsibility for supervising management policies, business development strategies and coordination of the Company's and of the main direct or indirect subsidiaries' operations, issuing the appropriate instructions to the Chief Operating Officer and the other corporate bodies; proposing organizational and corporate structure changes; drafting the separate and consolidated financial statements, including the half-yearly and quarterly reports as envisaged by the law; preparing, with the assistance of the Chief Operating Officer, the annual budgets for Italcementi S.p.A. and the Group and long-term strategic plans; overseeing the financial management of the Company and the Group; signing technical/administrative contracts with subsidiaries and affiliates; under the general policies indicated by the Chairman, defining policies relating to the choice of senior managers and staff management of Italcementi S.p.A. and of the main direct or indirect subsidiaries; recruiting staff at all levels; appointing every kind of consultant.

Moreover, the Chief Executive Officer has been granted the necessary powers to undertake actions regarding:

- industrial transactions (technical, manufacturing, commercial, administrative) up to a limit of 50 million euro for each individual transaction with single signature and 75 million euro with joint signature with the Executive Deputy Chairman or the Chief Operating Officer;
- securities and real estate transactions up to a limit of 50 million euro for each individual transaction with single signature and 75 million euro with joint signature with the Chairman or the Chief Operating Officer.

The Board of Directors meeting of April 17, 2013, confirmed to the Chief Operating Officer, Mr. Giovanni Ferrario, the duties, among other things, of overseeing and directing the technical, manufacturing, and commercial activities of Italcementi; directing, coordinating and controlling the activities of the industrial subsidiaries; formulating and submitting proposals to the Chief Executive Officer for changes to the Company's organization; ensuring the best efficiency of the corporate production units and of the Italian subsidiaries and their compliance with the regulations and laws in force; determining and cooperating with the Chief Executive Officer in establishing staff management guidelines.

Moreover, the Chief Operating Officer has been granted powers to undertake actions pertaining to industrial transactions (technical, manufacturing, commercial, administrative and some financial) up to a limit of 20 million euro for each individual operation and real estate transactions up to a limit of 15 million euro for each individual operation.

The limits set for the powers granted respectively to the Executive Deputy Chairman and the Chief Operating Officer are doubled should their signature be combined with that of the other. Moreover, and solely for industrial activities, the limits set for the powers granted to the Chief Operating Officer are doubled should his signature be combined with that of one of the Deputy Chief Operating Officers, if appointed.

The Chief Executive Officer and the Chief Operating Officer have assigned specific and more limited powers to officers of the Company within their area of activities.

The Chief Executive Officer and the other executive directors have periodically reported to the Board of Directors and the Board of Statutory Auditors, as envisaged by the Code and by the Company By-laws, about activities undertaken within their assignments and powers. Moreover, the most important operations with an impact on the financial statements undertaken by the Company, the main transactions with related parties as well as transactions leading to potential conflicts of interests, have been submitted to the Board of Directors, even when within the limits of their powers.

Group interdepartmental bodies

To implement the policies of the Board of Directors, a number of bodies not provided for by the By-laws have been established with duties of operational coordination and integration which do not, however, modify the responsibilities and powers of the functions represented in that bodies.

Moreover, a Committee of Officers operates at Group level, chaired by the Chief Operating Officer of

Italcementi, who also holds the post of Chief Operating Officer of the main subsidiary Ciments Français S.A., under the supervision of the Chief Executive Officer of the Company. This Committee is made up of officers of some executive departments of both companies.

The Committee of Officers meets periodically to ensure operational consistency with the strategic choices and objectives set by the Boards of Directors of the various companies.

Finally, the Conference of Officers is organized to raise awareness of strategic and organizational guidelines and of the main group projects. Besides the members of the Committee of Officers, a small number of other senior Group managers takes part in the Conference of Officers.

Independent Directors

In accordance with the regulations in force, at least one of the members of the Board of Directors, or two in case it is composed of more than seven members, must meet the independence requirements established by law for members of the Board of Statutory Auditors.

The Code also requires that the number and qualifications of independent directors are adequate in relation to the size of the Board and to the Company's activities and such as to allow the establishment of committees within the Board; also under the Code, the independent directors must be two at least.

In accordance with the specific rules applicable to listed companies subject to management and coordination of another listed company, one of the conditions to keep the listing is that the Board of Directors is composed of a majority of independent directors.

In implementation of the provisions and recommendations mentioned above, each individual concerned, upon submission of the lists of candidates for the office of director, must declare that he/she meets the requirements for independence under the TUF and pursuant to the Code; the Board of Directors, at its first meeting after the appointment of its members, will, on the basis of information provided by each person or information available to the Company, verify that directors who have declared to be independent actually meet the independence requirements.

Moreover, at the time of preparing the annual Report on Corporate Governance, the Company reiterates its request to all directors in office to declare the subsistence or not of such requirements. Their responses are annually submitted to the Board for the consequent independency evaluation.

The results of such verification are communicated to the market on each occasion and shown on the page regarding corporate bodies, which opens this document, and in the table shown below.

In case the independence requirements prescribed by law are no longer met, the director concerned must give prompt communication thereof to the Board of Directors. This circumstance entails the removal from office of such director, except in cases where such requirements are still met by at least the minimum number of directors required by current legislation.

The current Board of Directors consists of eight directors meeting the requirements of independence provided by law and are also considered independent on the basis of the criteria set out in the Code.

The Board of Directors shared the assessment made by the Director Mr. Federico Falck who considers himself independent despite having held the directorship for more than nine years over the last twelve years.

The Board of Statutory Auditors verified the correct application of the assessment criteria and procedures adopted by the Board of Directors to evaluate the independence of its members.

Lead Independent Director

The Code provides that, should the Chairman of the Board of Directors be the main officer in charge of company management, and also when the position of Chairman is held by the person who controls the Company, the Board should appoint an independent director as *Lead independent director*, to provide a reference for and coordinate requests and contributions of non-executive directors and, in particular, independent directors.

The Board of Directors meeting of April 17, 2013, appointed Mr. Giulio Antonello independent director and representative of the minority shareholders, as “Lead independent director”.

In the course of 2013, no independent director meetings were held given the recent renewal of the Board of Directors and the significant changes in the Board composition, especially as far as independent members are concerned.

The meeting between the Lead Independent Director and the other independent Board members were postponed to February 2014 during which the Company governance system and the activities carried out by the Company Board of Directors since his appointment were reviewed in detail.

Remuneration for Directors and Officers with strategic responsibilities

The Shareholders' Meeting held on April 17, 2013 resolved upon the remuneration to be paid to the members of the Board of Directors, defining a new remuneration regime that will remain in force until further Shareholders’ resolutions that will annul/amend the existing one. The new remuneration system consists of the following gross amounts:

* Euro 40,000 to each director;
* Euro 6,000 to each director who is also a member of the Executive Committee each time he/she attends a Committee meeting;
* Euro 4,000 to each director who is also a member of the Remuneration Committee each time he/she attends a Committee meeting;
* Euro 4,000 to each director who is also a member of the Control and Risk Committee each time he/she attends a Committee meeting;
* Euro 4,000 to each director who is also a member of the Committee for Transactions with Related Parties each time he/she attends a Committee meeting;
* Euro 4,000 to each director (if any) who is also a member of the Supervisory Body each time he/she attends a relevant meeting.

The remuneration of the Chairman, the Executive Deputy Chairman, the Deputy Chairman, the Chief Executive Officer, the Chief Operating Officer, the Manager in charge of preparing the company’s financial reports and the Head of Internal Audit is determined by the Board of Directors, in the absence of the concerned parties, upon proposal of the Remuneration Committee, having heard the opinion, when required, of the Board of Statutory Auditors and of the Committee for Transactions with Related Parties.

A significant part of the remuneration of the Chairman, of the Executive Deputy Chairman and of the Chief Executive Officer is linked to financial performance and the achievement of specific targets set beforehand and determined in accordance with the remuneration Policy which the Company has adopted.

For detailed information please see the Remuneration Report prepared pursuant to Art.123-ter of TUF and approved by the Board of Directors on March 6, 2014.

Limitations to the number of offices

The Board of Directors meeting of September 26, 2012, in accordance with the Corporate Governance Code, resolved that:

- five (for the office of executive director) and
- ten (for the office of non-executive or independent director or statutory auditor)

is to be considered the maximum number of offices as director or statutory auditor held in other companies listed on regulated markets even abroad, in financial institutions, banks, insurance or major companies that can be considered compatible with the effective performance of the office of Company director, with the exception of its subsidiaries, parent companies and companies subject to joint control.

A list of offices as director or statutory auditor held by each director in other companies listed on regulated markets even abroad, in financial institutions, banks, insurance or major companies is set out below:

Giampiero Pesenti	* Italmobiliare S.p.A.	- Chairman and Chief Executive Officer
	* Finter Bank Zürich	- Deputy Chairman
	* Ciments Français S.A. (*on behalf of Italcementi S.p.A.)*	- Director
	* Compagnie Monegasque de Banque	- Director
	* Credit Mobilier de Monaco	- Director
Pierfranco Barabani	* SACBO S.p.A.	- Director
L. Renato Guerini	* 035 Investimenti S.p.A.	- Chairman
	* Quenze	- Chairman
	* UBI Banca S.c.p.a.	- Supervisory Director
Carlo Pesenti	* Italmobiliare S.p.A.	- Director - Chief Operating Officer
	* Ciments Français S.A.	- Deputy Chairman
	* Finter Bank Zürich	- Director
	* Mediobanca S.p.A.	- Director
Giulio Antonello	* Alerion Clean Power S.p.A.	- Chief Executive Officer
	* Industria e Innovazione S.p.A.	- Director
	* Reno de Medici S.p.A.	- Director
Giorgio Bonomi	* Italmobiliare S.p.A.	- Director
	* IGP - Decaux S.p.A.	- Director
Fritz Burkard	* Terra Piedi AG	- Chairman
	* Icerunner ltd	- Chairman
	* Schenker Winkler Holding AG	- Director
Victoire de Margerie	* Rondol Industrie SAS	- Chairman
	* Ecoemballages S.A.	- Director
	* Morgan Advanced Materials Co. plc	- Director
	* Eurazeo S.A.	- Director
	* Norsk Hydro	- Director
	* Arkema S.A.	- Director
Federico Falck	* Falck Renewables S.p.A.	- Chairman
	* Falck S.p.A.	- Director
	* Banca Popolare di Sondrio S.c.r.l.	- Director
	* Avvenire Nuova Editoriale Italiana S.p.A.	- Director
	* Falk Renewables Wind Ltd.	- Director
Italo Lucchini	* Italmobiliare S.p.A.	- Deputy Chairman
	* Unione di Banche Italiane S.c.p.a.	- Member of the Management Board
	* BMW Italia S.p.A.	- Chairman of the Board of Statutory Auditors
	* San Colombano S.p.A.	- Chairman of the Board of Statutory Auditors
	* Fedrigoni S.p.A.	- Chairman of the Board of Statutory Auditors
	* Alphabet Italia Fleet Management S.p.A.	- Chairman of the Board of Statutory Auditors

Emma Marcegaglia	* Marcegaglia S.p.A. Officer	- Deputy Chairman and Chief Executive
	* Bracco S.p.A.	- Director
	* Gabetti Property Solutions S.p.A.	- Director
	* Marfin S.r.l.	- Chairman and Chief Executive Officer
Sebastiano Mazzoleni	* Italmobiliare S.p.A.	- Director
	* Ciments Français S.A. (*on behalf of Italcementi Ingegneria S.r.l.)*	- Director
Jean Paul Méric	* Ciments Français S.A.	- Chairman
Carlo Secchi	* Mediolanum S.p.A.	- Chairman
	* Mediaset S.p.A.	- Director
	* Pirelli & C. S.p.A.	- Director
Elena Zambon	* Secofind S.I.M. S.p.A.	- Chairman
	* Zambon S.p.A.	- Chairman
	* Zach System S.p.A.	- Deputy Chairman
	* Zambon Company S.p.A.	- Director
	* Fondo Strategico Italiano S.p.A.	- Director

Meetings of the Board of Directors

The Chairman coordinates the activities and conducts the meetings of the Board of Directors and ensures that the documentation relating to items on the agenda is disclosed to the directors and statutory auditors properly in advance. In particular, the Board of Directors meeting of September 26, 2012, set at least *two working days* the prior notice period to be observed in order to submit the aforementioned documentation. On several occasions the documentation was sent to the interested parties before the deadline, often by sending it in two *tranche*, in order to allow the recipients to examine in advance the material so far prepared for the board meeting. When the material on certain items on the agenda is particularly complex, special explanatory notes prepared on each occasion by the competent corporate functions are also sent in order to facilitate the adoption of resolutions by board members on these issues. All documentation is sent by e-mail in *files* protected by *passwords* only known to the recipients in order to preserve confidentiality of the data and information provided.

Moreover, the Chairman, through the competent corporate functions, ensures that directors participate in initiatives aimed at increasing their knowledge of the company's operations and dynamics and are informed on key legislative and regulatory developments having an impact on the Company and its corporate bodies.

The Board meets at least every quarter to approve the financial statements for the period. At such meeting, the delegated bodies must report on the activities performed by virtue of their respective powers. Moreover, pursuant to the By-laws, the Board meets anytime deemed necessary by the Chairman, or the Deputy, or when a written request is made by at least one third of its members, or upon request of any Standing Auditor with prior notice served to the Company's Chairman.

In 2013 the Board of Directors held a total of eight meetings, three of which before the renewal of the three-year period mandate. Nineteen out of the twenty directors attended the first two meetings, nine of whom independent, whilst fourteen directors attended the third meeting, seven of which independent. As regards to Board meetings held after the renewal of the Board of Directors, on three occasions thirteen directors out of fifteen attended, whilst fourteen directors attended the other two meetings. In addition, all members of the Board of Statutory Auditors attended seven out of eight meetings, whilst the Chairman of the Board of Statutory Auditors justified his absence from the other meeting.

All meetings of the Board of Directors were attended, by invitation, by the Company's Chief Operating Officer and by the Manager in charge of preparing the company's financial reports. Invitations to the meetings were also sent to some executives of the Company and of its subsidiaries and individual heads of corporate functions to provide additional information on the topics put on the agenda from time to time.

The average duration of the meetings of the Board of Directors held during the year was about 3 hours and 15 minutes.

As required by the Code and as per common practice, the Board, when examining and approving the financial statements for the year, taking into particular consideration the information received from the delegated bodies, evaluates the overall performance of management by comparing the results achieved with those planned in the Strategic Plan and annual *budget*.

During 2014, the Board of Directors has so far met twice, the first time to examine the revenues for 2013 and forecasts for 2014 and the second time to approve - among other things - the 2013 draft financial statements. At least further three board meetings are scheduled for the current fiscal year for the approval of the interim financial statements.

The corporate calendar is annually disclosed to the market and published on the Company's website in the section Investor Relations / Calendar of events. The 2014 calendar was published in January.

The Executive Committee did not meet in 2013 and has not yet met in 2013.

Succession plan for top management

Two Board of Directors meetings held in 2012, first examined and then approved a plan, developed with the assistance of a consultancy firm for the establishment of a solid *succession planning* and *business continuity* process in order to identify credible alternatives to the Company's and the Group's top management by making assumptions regarding possible succession in the short or medium term.

The succession plan has been developed in several stages: firstly, the definition of the expected profile for each position of *top management*, followed by the identification of internal candidates for succession, and after the performance of a risk assessment concerning each position, the scouting for potential external candidates, if any, is performed; thereafter, the preparation and development of the Plan takes place.

With particular reference to the risk assessment, the succession plan provides for the detection of risk associated with covering a top managerial position that must be carried out depending on different elements (current position covered, *manager*'s seniority in the position, *manager*'s attractiveness for the open market, strength of internal candidates for succession, ease of finding external candidates on the market), on the basis of which the level - low, medium or high - of risk associated with the position is determined. The aggregation of risks relating to top management positions makes up the Managerial Risk Map for the Group.

However, with respect to the definition of the managers' expected profile, it is based on three essential elements:

i) general management skills and skills specific to the industry where the Company operates;

ii) performance and potential: the performance level reflects the individual's assessment in his/her current role, and his/her potential reflects the ability to expand the scope of action and complexity of responsibilities; potential is determined by agility in learning, ambition and skills, and is articulated on three different axes: functional usability, interfunctional usability and geographical usability;

iii) conformity to the role, in comparison with the open market.

The combination between the expected managerial profile and the risk assessment for each position forms the basis for possible actions on the market: in particular, in case of high risk, a scouting of external candidates will be performed. The succession planning process for senior positions, as approved by the Board of Directors, is primarily focused on the business and expectations for the position in the future. It also provides a solid coverage for less urgent successions and a contingency plan for crisis situations.

Establishment of committees

In order to ensure the effective performance of its functions, the Company's Board of Directors has set up an internal Remuneration Committee and a Control and Risk Committee whose resolutions have a consultative and advisory nature and do not bind the Board.

Moreover, pursuant to the rules applicable to transactions with related parties, the Board has, upon adoption of the relevant procedure, established an internal Committee for Transactions with Related Parties, composed of independent directors only, and it is composed of the same members as the Control and Risk Committee.

In carrying out their functions, the above mentioned committees are entitled to access corporate information and functions necessary for the performance of their duties, and may use external consultants at the expense of the Company.

Each Committee appoints a secretary, who does not need to be a member thereof and is entrusted with the task of drawing up the minutes of the meetings.

However, in accordance with its ownership structure characterized by the stable presence of one controlling shareholder with the absolute majority of shares entitled to vote, the Company decided not to proceed with the establishment of an "Appointment Committee".

a) *Control and Risk Committee*

In compliance with the provisions of the Code, the Control and Risk Committee has the task of supporting, through adequate preparatory work, the assessments and decisions of the Board of Directors relating to the Internal Control and Risk Management System, as well as those regarding the approval of interim financial statements.

The Control and Risk Committee consists of three members, all non-executive and independent and is chaired by Prof. Carlo Secchi. All of its members are in possession of adequate experience in accounting and finance, as required by the Code for at least one of them.

During 2013, the Control and Risk Committee met 7 times always with the attendance of all of its members. The average duration of its meetings was approximately two hours. All members of the Board of Statutory Auditors attended five meetings.

During fiscal year 2013, the Committee, among other things:

a) examined and approved of the methodology used by the Company for the preparation of *impairment tests*;
b) considered correct the implementation of the accounting policies and their uniformity for the purposes of preparing the consolidated financial statements;
c) reviewed and approved the 2013 Audit Plan;
d) reviewed and proposed some amendments to the Audit Appointment, before presentation of the document to the Board of Directors;
d) was constantly informed on developments on the pending judicial proceedings, also at a Group level, on all activities relevant to the Company and the Group in order to identify risks and the relevant measures for their mitigation;
f) was constantly informed by the Chief Risk Officer and the Head of Internal Audit on the work performed for the identification, monitoring and mitigation of risks which the Company is exposed to;
g) regularly spoke to the Manager in charge of preparing the accounting reports before the official presentation of the interim results to the Board of Directors;
h) examined the reports prepared by the Head of Internal Audit to verify the adequacy, efficiency and effectiveness of the Internal Control and Risk Management System;
i) reported to the Board of Directors, when approving the annual and half year financial statements, on its activities and on the adequacy of the Internal Control and Risk Management System.

Executives of the Company from time to time responsible for the matters on the agenda are regularly invited to the meetings of the Control and Risk Committee to provide the appropriate in-depth information; first and foremost, the Manager in charge of preparing the Company's financial and business *reports, the Chief Risk Officer and the Head of Internal Audit.*

The Internal Control and Risk Committee has so far met twice in 2014.

In January, the Committee reviewed, among other things, the methodology of the impairment test for fiscal year 2013, the accounting policies adopted for the preparation of the 2013 consolidated financial statements, the final report on 2013 Audit activities and the Audit Plan for 2014, the latter in turn submitted to the approval of the Board of Directors at its meeting on 6 February 2014.

On February 26, 2014, the Committee also examined the part of this Report regarding the description of the Internal Control and Risk Management System and gave a positive opinion thereon.

b) *Remuneration Committee*

The Remuneration Committee, under the Code, is responsible for (i) periodically assessing the adequacy, overall consistency and actual implementation of the policy for the remuneration of directors and managers with strategic responsibilities, submitting proposals to the Board of Directors, and (ii) submitting proposals or expressing opinions to the Board of Directors on the remuneration of executive directors and of other directors who hold particular offices, as well as on the setting of performance targets related to the variable portion of such remuneration. The Remuneration Committee is also required to monitor the implementation of the resolutions adopted by the Board, in particular, by verifying the actual achievement of performance targets.

The current Remuneration Committee consists of four members, all non-executive and independent and is chaired by Mr. Lorenzo Renato Guerini. All of its members are in possession of adequate experience in accounting and finance, as required by the Code for at least one of them.

The Committee, in the absence of the concerned parties, examined, and subsequently approved, the remuneration policy for executive directors vested with special powers and managers with strategic responsibilities and submitted proposals to the Board of Directors on the remuneration of directors and managers also on the basis, with reference to the variable portion, of the degree of achievement of targets assigned for the previous year. The Committee has also approved the proposal, subsequently submitted to the Board of Directors, concerning the severance pay to be paid to the Chairman. In November, the Remuneration Committee also reviewed the achievement level and progress of the 2013 targets assigned to Company top management.

During the fiscal year the Committee met four times; the average duration of its meetings was about one hour and fifteen minutes. Three of the four meetings were held with the participation of all the Committee members. All Statutory Auditors attended two meetings, while two Statutory Auditors attended the other two.

The Group's Head of Human Resources and Organizational Development is regularly invited to take part in Committee meetings.

In the course of 2014, the Remuneration Committee has so far met once to submit proposals to the Board of Directors regarding the remuneration of directors and executives.

c) *Committee for Transactions with Related Parties*

The Committee for Transactions with Related Parties is composed of four members, all non-executive and independent. It consists of the same members as the Control and Risk Committee and is again chaired by Prof. Carlo Secchi.

During 2013, the Committee met four times always with the attendance of all of its members. The average duration of the meetings of the Committee for Transactions with Related Parties was about 30 minutes.

The Committee was constantly updated by the Corporate Affairs Department concerning the application of the related party transaction procedure and, during the meeting of October 29, 2013, expressed its favourable opinion on the proposal to review the Procedure for transactions with related parties, which was subsequently submitted to the Board of Directors. For further details on the amendments made to the Procedure, please refer to paragraph "*Interests of Directors and Transactions with Related Parties".*

Assessment of the functioning of the Board of Directors and its Committees

On 6 March 2014, as set forth by the Code, the Board of Directors assessed the size, composition and functioning of the Board itself and its Committees.

To this end, the Company distributed a statement based self-assessment questionnaire, where each recipient was requested to indicate his or her level of adhesion.

The results of the assessment and comments expressed for certain questions generated an overall positive opinion concerning the adequacy of the composition, along with the efficiency and functioning of the Board of Directors and its Committees.

B) BOARD OF STATUTORY AUDITORS

Role and responsibilities

The Board of Statutory Auditors oversees compliance with the law and the By-laws and it has management control functions, and in particular it shall supervise: compliance with the principles of good administration; adequacy of the Company's organizational structure, of the internal control system and the administrative and accounting system; actual implementation of the Code; compliance with the procedure adopted by the Company in respect of transactions with related parties; adequacy of the instructions given by the Company to its subsidiaries in respect of the obligations of public disclosure of sensitive information.

The Board of Statutory Auditors has not been assigned the audit of the company's financial statements, which, as required by law, has been entrusted to an audit firm chosen from among those enrolled in the appropriate register. On the other hand, such Board shall, before the appointment of the audit firm, submit a reasoned proposal to the Shareholders' Meeting concerning the firm to be chosen.

The Board of Statutory Auditors, in its capacity as Control and Risk Committee, as established by Legislative Decree No. 39 of January 27, 2010, is also required to perform additional supervision tasks, as assigned to it by such provisions of law, on the financial reporting process, on the effectiveness of the internal control and internal audit and risk management systems; on the audit of the annual financial statements and consolidated financial statements, on the independence of the audit firm.

Appointment and replacement of statutory auditors

The Board of Statutory Auditors is appointed on the basis of lists aimed at ensuring the appointment of one Standing Auditor and one Substitute Auditor for minority shareholders, as well as compliance with current legislation regulating gender balance.

Lists must be filed at the Company head offices or by sending notice to the certified electronic mail address indicated in the notice of call, at least 25 days before the date set for the Shareholders' Meeting in first or single call; this, together with the means and minimum stake required to file the lists, must be mentioned in the notice of call.

Lists may be filed only by Shareholders who, alone or together with other shareholders, are able to provide evidence that they hold a percentage of the share capital with voting rights no lower than the threshold determined by CONSOB pursuant to the regulations in force concerning the appointment of the Board of Directors.

No shareholder may file or participate in the filing of more than one list, directly or through a third party or trustees, or vote for different lists.

Shareholders belonging to the same group and shareholders who join a shareholders' agreement on the Company shares may not file or vote for more than one list, neither through a third party or trustees.

Lists filed in violation of these restrictions will not be accepted.

Each candidate may be on one list only under penalty of ineligibility.

The lists that have a total number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that one or the other gender is represented by at least one third (rounded upwards) of candidates for the office of Standing Auditor and at least one third (rounded upwards) of the candidates for the office of Substitute Auditor. At the time of their filing, lists must include:

a) statements whereby individual candidates:
   * accept their candidature;
   * under his/her own responsibility state:
     - entitlement to the professional requirements envisaged by the By-laws;
     - the non-existence of causes for ineligibility or incompatibility;
     - entitlement to the good reputation requirements established by the law;
     - entitlement to the independence criteria required by the law and by the Corporate Governance Code, if any;
b) a brief *curriculum* on the personal and professional skills of each candidate with an indication of their position as director and statutory auditor in other companies;
c) information on the identity of the shareholders who have presented lists. The certification or statement proving ownership of the shareholding prescribed by the law in force when the list is presented may also be produced after the filing of the list provided that it reaches the company within the term envisaged by the regulation in force for the publication of lists by the Company;
d) a statement by the shareholders who do not hold, even jointly, a controlling or majority stake, bearing witness to the absence of any connection, as defined by the law in force.

A filed list that does not comply with the above provisions will be considered as not presented.

In the event that, by the deadline of 25 days preceding the date of the Shareholders' Meeting, a single list has been filed, or only lists presented by shareholders who are connected to each other pursuant to current regulations, further lists can be presented until the following third day and the participation threshold indicated in the notice of call will be halved.

At least 21 days before the date envisaged for the Shareholders' Meeting which is called to appoint the Board of Statutory Auditors, the Company shall make available at the company head offices, at the Italian stock exchange and on its website, the lists of candidates which have been submitted by shareholders and the accompanying documentation.

In the event of filing of more than one list:

- the list that obtains the highest number of votes at the Shareholders' Meeting elects two Standing Auditors and two substitute Auditors, in the order in which they are listed in the sections of the list;
- the minority shareholders' list that obtains the highest number of votes among the lists presented and voted by shareholders who are not connected in any way, directly or indirectly, with the majority shareholders, elects the third Standing Auditor and the third substitute Auditor, in the order in which they are listed in the sections of the list;
- should more than one list obtain the same number of votes, a runoff is held on these lists among all the shareholders present at the Shareholders' Meeting, and the candidates are elected from the list that obtains the majority of the share capital represented at the Shareholders' Meeting.

Should a party connected to a majority shareholder vote for a list of the minority shareholders, the connection is relevant for the purposes of excluding the minority shareholders' elected Auditor only if this vote was crucial for the election of said auditor.

Should a single list be presented, all the candidates included in that list are elected with a majority vote of the share capital represented at the Shareholders' Meeting.

If, as a result of voting several lists or voting the only list presented, the composition of the Board of Statutory Auditors, as to its standing members, does not meet the current regulations regarding balance between genders, the necessary replacements will be made choosing from among candidates to the office of standing auditor of the list that has obtained the highest number of votes or from within the only list presented starting from the last candidate from that list.

Should no lists be presented, the Shareholders' Meeting appoints the Board of Statutory Auditors with a majority vote of the share capital represented at the Shareholders' Meeting, provided gender balance is ensured as pursuant to current legislation in force. The Chairmanship of the Board of Statutory Auditors lies with the person indicated in first place on the list presented and voted by the minority shareholders, or with the first name in the single list presented or with the person appointed as such by the Shareholders' Meeting should no lists be presented.

Pursuant to the By-laws of Italcementi, those who are in situations of incompatibility as envisaged by the law or those who have exceeded the limit to the number of offices held as established by the regulation in force, cannot be elected as Auditors, and if elected cease to serve.

Should an elected Auditor during his/her term of office no longer meet the requirements envisaged by the law or the By-laws, his/her office terminates.

When it is necessary to replace an Standing Auditor, the substitute Auditor belonging to the same list as the removed auditor takes over.

In the absence thereof, in accordance with the original order of presentation, the candidate from the same list as the ceased Auditor takes over, without taking the initial section into account.

Should the replacement concern the Chairman of the Board of Statutory Auditors, the position will be taken over by the Auditor of the minority shareholders.

Auditors appointed in this manner hold office until the following Shareholders' Meeting.

Should it be necessary to supplement the Board of Statutory Auditors:

- to replace an Auditor elected from the majority shareholders' list, the appointment takes place with a simple majority vote of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated in the original majority list;
- to replace an Auditor elected from the minority shareholders' list, the appointment takes place with a simple majority vote of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated in the original minority shareholders' list;
- for the simultaneous replacement of Auditors elected in the majority and the minority shareholders' lists, the appointment occurs with a simple majority vote of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated in the list which each Auditor to be replaced was part of, with a number of Auditors equal to the number of ceased Auditors belonging to the same list.

If it is not possible to proceed as above, the Shareholders' Meeting called to supplement the Board of Statutory Auditors passes a resolution with a simple majority of the share capital represented at the Shareholders' Meeting, without prejudice to the principle whereby one Standing Auditor and one Substitute Auditor must be appointed by minority shareholders. In any case, the Chairmanship of the Board of Statutory Auditors must be assigned to the auditor representing the minority shareholders. The procedures on replacements as indicated in the previous paragraphs must in any case ensure compliance with current legislation regulating gender balance.

Auditors accept their appointment when they believe they can devote the appropriate time to the diligent performance of their duties.

Composition and activities

When renewing the Board of Statutory Auditors by the Shareholders' Meeting of April 18, 2012, the majority shareholder presented its own list of candidates. Minority shareholders did not present a list.

Therefore, among the Auditors currently in office, no one is representing the minority.

The current composition of the Board of Statutory Auditors already reflects the gender balance required by law, because it consists of two female statutory auditors and one male auditor.

C) SHAREHOLDERS' MEETING AND INVESTOR RELATIONS

The Company endeavours to develop a dialogue with shareholders based on an understanding of each other's roles, and with the market, in accordance with the laws and rules governing the dissemination of price sensitive information. The Company's behaviours and procedures are designed, among other things, to avoid information asymmetries and to ensure the effectiveness of the principle whereby all investors, even potential ones, are entitled to receive the same information in order to make sound investment decisions.

The meeting is called, according to the laws and regulations provided for companies whose shares are listed on regulated markets, to pass resolutions on matters reserved to it by law. The decisions taken in accordance with the law and the By-laws are binding on all shareholders, including those absent or dissenting, except the right of withdrawal in allowed cases.

The Board of Directors recommends to all of its members to regularly participate in Shareholders' Meetings and seeks to encourage and facilitate the widest possible participation of shareholders and to facilitate the exercise of voting rights.

To this end, the Board of Directors reports to the Shareholders' Meeting on the activities it has carried out and planned and endeavours to ensure that shareholders have adequate information so that they can take the decisions pertaining to the Shareholders' Meeting with knowledge of the facts.

All those who have the right to vote as attested by the communication required by current laws received by the Company by the end of the third trading day prior to the date fixed for the Shareholders' Meeting on first or single call, or such other period as established by applicable regulations in force, are entitled to attend the Shareholders' Meeting. The right to attend and vote is retained if the communications are received by the Company after the deadline, as long as they are received by the beginning of the Shareholders' Meeting's proceedings of each call.

The Company may designate a person, giving a clear indication thereof in the notice of call, for each Shareholders' Meeting to whom all eligible parties may grant a proxy with voting instructions on all or some of the proposals on the agenda, in the manner provided for by applicable law.

No Shareholders' Meeting regulation has been set forth since the broad powers that the law and jurisprudence recognize to the Chairman, as well as the provision of the By-laws (Art.13) that expressly empowers the Chairman to direct the discussion and establish order and method of the vote, provided it takes place by recorded vote, were considered adequate tools for the orderly conduct of Shareholders' Meetings.

With regard to market relations, the Chairman and the Chief Executive Officer, within their respective responsibilities, provide the general guidelines that the responsible structures should follow in dealing with institutional investors and other shareholders. To this end, an Investor Relations function whose responsibility has been entrusted to Mr. Giancarlo Berera was established as part of the Group's Finance Department.

In particular, upon disclosure of annual, half year or quarterly financial statements, the Company organizes special conference calls with institutional investors and financial analysts, allowing the specialized press to attend.

Moreover, in order to provide timely and easy access to information concerning the Company and, therefore, allow the shareholders to consciously exercise their rights, a special section of the Company's website was set up, easily identifiable and accessible, where information regarding the Shareholders' Meetings is given, with particular reference to the arrangements for attendance and exercise of voting rights at the Shareholders' Meetings, the documentation relating to items on the agenda, including Reports on the items on the agenda and the list of candidates for the positions of director and statutory auditor with an indication of their personal and professional characteristics.

TABLE 1
STRUCTURE OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

Board of Directors							**Executive Committee**		**Internal Control Committee**		**Remuneration Committee**		**Related Parties Committee**	
Position	**Member**	Executives	Non executives	Independ.	Attendance	No. other posts	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance
Chairman	Giampiero Pesenti	•			8/8	5	•	0/0						
Executive Deputy Chairman	Pierfranco Barabani	•			8/8	1	•	0/0						
Vice Chairman	Lorenzo Renato Guerini		•	•	8/8	3	•	0/0	•	5/5	•	3/3	•	3/3
Chief Executive Officer	Carlo Pesenti	•			8/8	4	•	0/0						
Director	Giulio Antonello		•	•	7/8	3					•	3/3		
Director	Alberto Bombassei		•	•	1/3	-					•	1/1		
Director	Giorgio Bonomi		•		8/8	2								
Director	Fritz Burkard		•	•	4/5	3								
Director	Victoire de Margerie		•	•	4/5	6					•	2/3		
Director	Alberto Clô		•	•	2/3	-			•	2/2			•	1/1
Director	Federico Falck		•	•	7/8	5	•	0/0	•	7/7			•	4/4
Director	Danilo Gambirasi		•		2/3	-								
Director	Carlo Garavaglia		•	•	2/3	-								
Director	Italo Lucchini		•		8/8	6					•	1/1		
Director	Emma Marcegaglia		•	•	2/5	4					•	2/3		
Director	Sebastiano Mazzoleni		•		8/8	2								
Director	Jean Paul Méric		•		5/5	1	•	0/0						
Director	Yves René Nanot		•		3/3	-	•	0/0						
Director	Marco Piccinini		•		1/3	-								
Director	Ettore Rossi		•	•	3/3	-								
Director	Attilio Rota		•	•	3/3	-	•	0/0	•	2/2			•	1/1
Director	Carlo Secchi		•	•	8/8	3			•	7/7			•	4/4
Director	Elena Zambon		•	•	6/8	5								
Director	Emilio Zanetti		•	•	3/3	-					•	1/1		

TABLE 2
BOARD OF STATUTORY AUDITORS

Position	**Member**	**Attendance at meetings**
Chairman	Maria Martellini	16/16
Standing Auditor	Mario Comana	12/16
Standing Auditor	Luciana Gattinoni	15/16

GROUP CODE OF ETHICS

The Company adopted a Code of Ethics for the first time in 1993. The Code defined the principles of honesty, correctness, integrity, transparency, confidentiality and mutual respect, which should inspire all employees and all those who established relations with the Company or worked with it to achieve its objectives.

Such Code, pursuing the same purposes, was subsequently amended in February 2001 and lastly replaced by the Group Code of Ethics of September 26, 2012. The latter, prepared in accordance with the so-called "Corporate Governance Framework" defines the principles of ethics and conduct applicable to all Group companies. The Group Code of Ethics is consistent with the industry's best practices and highlights the milestones that found its culture and style, harmonizing and enhancing said milestones that Italcementi Group has been developing in the field of ethics over the time.

More specifically, it illustrates the main rules of conduct to protect the reputation of the Company and the promotion of a sustainable growth based on the Vision, Mission and Values of Italcementi which represent its core principles. Further indications are contained in the adopted policies which are periodically updated based on shared principles and values, ensuring compliance with the legal requirements of the Countries in which the Group operates. The most important sustainability aspects are regularly presented to the Board of Directors so as to guarantee implementation of the Group Code of Ethics.

The Company also informs all stakeholders, with the consolidation and publication of the non-financial results, in accordance with international, voluntary or regulatory reporting requirements.

The Group Code of Ethics is composed of three chapters:

- "*Vision, Mission and Values"* are the elements that identify the ethical identity of the Group, to be understood as long-term aspirations, i.e. to be players in the creation of a better sustainable future for all stakeholders (*Vision*), the core business, namely the creation of value in the field of building materials through the innovative and sustainable use of natural resources for the benefit of customers and communities (*Mission*) and the general rules that the Group has given itself (*Values*) from which more specific rules of conduct described in the following section arise;
- "*Rules of Conduct*": divided by concerned stakeholder, they identify the conducts supported or penalized by the Group, in addition to confirming compliance with the applicable laws; among the supported conducts there are the rules of honesty and loyalty, impartiality, protection of privacy and confidentiality of information, protection of people, environment and company assets, the prohibition of corruption, abuse of authority and unfair business practices; it provides for the rules that inspire the control and financial reporting processes, it introduces rules governing relations with customers, suppliers, public institutions, political organizations, trade unions and media;
- "*Implementation of the Code*": this explains who is responsible for the Code and how its should be applied, for example in case of their breach.

CONFIDENTIAL INFORMATION

Since February 2001, the Company's Board of Directors has approved a specific procedure for the management and processing of confidential information, which also contains the procedures for the disclosure of documents and information concerning the Company and the Group, with particular reference to price sensitive information. This procedure requires strict compliance with the terms and conditions of disclosure of documents and information, while ensuring that disclosure to the market of corporate data is correct, complete, adequate, timely and objective.

The rules of the procedure referred to herein bind all Company employees, the members of the Board of Directors and of the Board of Statutory Auditors, and all those who maintain an advisory relationship or collaboration with the Company and/or the Group.

Moreover, since 2006, the Company, as required by Consob, has established and regularly updated a register of individuals who, by virtue of their job or professional duties or by virtue of the performed tasks, have access to privileged information and has prepared the implementation procedure related thereto.

The following individuals are required to comply with said implementation procedure:

a) members of the Board of Directors, the Board of Statutory Auditors and the Chief Executive Officer of Italcementi;
b) those who by virtue of job performed are hierarchically directly under one of the individuals referred to in letter a) and are in charge of an organizational unit that give rise or handle privileged information;
c) employees individually identified who belong to the same organizational unit after being notified in writing by one of the persons referred to in letter b);
d) any third party by virtue of his/her job, professional duties or functions performed on behalf of the Company, after being notified in writing by one of the persons mentioned in letter b) above;
e) the Chairman, the Deputy Chairman (if any and if granted with operating powers), the Chief Executive Officer, any other director to whom executive powers have been granted and the Chief Operating Officer (if any) of the main subsidiaries where privileged information may be generated.

The procedure identifies two different types of privileged information:

a) *ordinary privileged information*: i.e. information pertaining to an event or set of circumstances relating to activities or transactions falling under the ordinary course of business of the Company or of a subsidiary, with particular reference to the preparation of accounting, economic, equity and financial data, whether in final form or pro-forma;
b) *extraordinary privileged information*: i.e., information pertaining to a specific event or set of circumstances relating to activities or transactions that do not fall under the ordinary course of business of the Company or of a subsidiary, with specific reference to mergers, demergers, acquisitions of equity stakes or companies.

Each individual registered in the insider register is obliged to keep any and all privileged information they handle or which they have access to as confidential until the relevant information is disclosed to the public in accordance with the principle of equal access to corporate information.

CODE OF CONDUCT

The Company has adopted its own “Code of Conduct”, originally in implementation of the provisions issued by Borsa Italiana S.p.A. with its own regulation and also to take account of the new regulatory provisions issued by CONSOB in execution of European provisions (the so-called *Market abuse Directive*) introduced by the Law on Savings of 2005. It regulates the information to be provided to the Company, and by the latter to the market, on any transactions carried out for any reason on their own account by the ‘Relevant persons’ concerning Italcementi shares and other financial instruments linked to them. Pursuant to the Code of Conduct, ‘Relevant persons’ are the members of the Company’s Board of Directors, Board of Statutory Auditors and the Chief Operating Officer and any person who holds a stake of at least 10% of the share capital of Italcementi represented by shares with the right to vote, and any other person who controls the Company.

In particular, the persons concerned must inform the Company, so that the latter may inform the market, about the performance of transactions on the latter’s shares of an aggregate amount crossing the 5,000 euro threshold by the end of the year.

Given the particular structure of the Group, the Code of Conduct is associated with the Code adopted by Italmobiliare S.p.A., in the sense that market disclosures made by Italcementi regarding transactions on Italcementi shares by parties who are also ‘Relevant persons’ for both companies, are considered as made also pursuant to the provisions contained in the Code of Conduct adopted by the parent company Italmobiliare S.p.A..

Moreover, the Code of Conduct envisages that 'Relevant persons' must abstain from performing transactions that are subject to disclosure to the Company:

* during the 30 calendar days preceding the meeting of the Company's Board of Directors called to approve the full-year and half-year financial statements, including the day on which the meeting is held;
* during the 15 calendar days preceding the meeting of the Company's Board of Directors called to approve the quarterly reports, including the day on which the meeting is held.

INTERESTS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES

On November 5, 2010, based on the positive opinion of the specifically appointed Committee for Transactions with Related Parties, the Company's Board of Directors adopted a procedure for transactions with related parties envisaged by the CONSOB Regulation of March 12, 2010 (the "Procedure").

Adopting the recommendations of the Supervisory Authority and after three years from the first adoption date, the Board of Directors met on 7 November 2013 to assess the current Procedure, paying particular attention to the efficacy of the practices applied by the same.

Based on the experience acquired over this first three year period of application of the Procedure and the opinions that were gathered from time to time by the competent Committee, the Board resolved that the same can be deemed effective and apt to guarantee substantial and formal correctness of transactions with related parties.

However, in order to adapt the Procedure in force to the best practices adopted by other listed companies and comply with the criteria determined by Consob, the Board, given the favourable opinion of the Committee for Transactions with Related Parties, resolved to make some amendments concerning (i) the scope of correlation which, in order to guarantee correct management of potential conflicts of interest that involve the members of a significant control body, has been extended to the Supervisory Body, with the express indication that, if composed of any Company employees, such an employee shall not be classified as "Manager with strategic responsibilities" and (ii) the introduction of a differentiation of the low thresholds between the transactions with counter parties being private individuals or legal entities.

The Procedure, in compliance also with art. 2391-*bis* of the Italian Civil Code, sets out the measures adopted by the Company to ensure that transactions undertaken with related parties, whether directly or through subsidiaries, are carried out transparently and in compliance with criteria of substantial and procedural correctness.

In particular, with the exception of some situations which are described below, the Procedure provides for the authorization process and the disclosure requirements for transactions between *i)* a party related to Italcementi, on the one side, and *ii)* Italcementi, on the other side, or one of its subsidiaries when, before completing the transaction, the prior examination or authorization by a corporate body or by an officer of Italcementi with relevant delegated powers is required. The Procedure also applies to transactions undertaken by Italcementi with a subsidiary or affiliate company, as well as between its subsidiaries, when the transaction involves significant interests of a related party of Italcementi.

The Procedure distinguishes "significant" transactions from "minor" transactions on the basis of specific quantitative criteria predetermined by CONSOB. This distinction is also relevant for determining applicable rules on transparency, which are simplified for minor transactions and more stringent for significant transactions, although both envisage the prior opinion of the Committee for Transactions with Related Parties.

The Committee has:

- the duty to give and explain its opinion on both minor (non-binding opinion) and significant (binding opinion) transactions;
- the right, for significant transactions, to take part in the negotiations and in the preliminary investigation stage through the receipt of a complete and prompt information flow, and the right to ask for information and to

submit its remarks to the delegated bodies and to those in charge of the negotiations or the preliminary investigation;
- the right to seek the assistance, at the Company's expense, of independent experts of its choice.

In the case of minor transactions, the Procedure envisages the right, in any case, to execute the transaction even if the Committee for Transactions with Related Parties expresses a negative opinion, provided that this is disclosed to the market through a specific document setting out the reasons for such divergence.

Moreover, the Company By-laws provide that (i) significant transactions with related parties can be performed despite the negative opinion of the Committee for Transactions with Related Parties provided that the execution of such transactions is authorized by the Shareholders' Meeting provided that the majority of non-related shareholders do not cast a vote contrary to the performance of the transaction and the non-related shareholders attending the Shareholders' Meeting represent at least 10% of the share capital with voting rights (so called *whitewash*); and that (ii) the Company may apply the simplified rules in cases of urgency unless the transaction is under the competence of the Shareholders' Meeting and requires its authorization.

Finally, exercising the powers contained in the Regulations issued by CONSOB, the Company identified the following main grounds for exclusion:

- minor transactions (transactions that do not exceed the amount of 500,000 euro if carried out with related legal entities and transactions that do not exceed an amount of 300,000 euro if carried out with related private individuals);
- ordinary transactions (which fall within the ordinary course of business operations and related financial activities of the Company and the Group in general) if they are concluded at market or standard conditions;
- transactions with or between subsidiaries or with affiliates, unless significant interests of other related parties of the Company exist in such subsidiaries or affiliates;
- urgent transactions.

The Procedure is available on the Company's website, in the section *Governance/Documentation*.

Without prejudice to the provisions contained in the above Procedure, transactions with related parties must be carried out transparently and in accordance with criteria of substantial and formal correctness. Therefore, the directors who have an interest, even potential or indirect, in the transaction are required to:

a) promptly and fully inform the Board about the existence of the interest and the circumstances regarding it;
b) leave the board meeting room during the vote.

The Board of Directors, however, under specific circumstances, may allow the director concerned to participate in the discussion and/or vote.

REGULATION OF THE MANAGER IN CHARGE OF PREPARING THE COMPANY'S FINANCIAL REPORTS

As mentioned elsewhere in the Report, the Company, in connection with the provisions of Law no. 262/05, the so-called "Law on Savings", appointed a Manager in charge of preparing the company's financial reports and adopted a specific Regulation which, in compliance with legal provisions, the By-laws and following current *best practices*, as well as taking into consideration the arrangements for similar activities at the parent company Italmobiliare S.p.A., among other things:

* defines the responsibilities of the Manager in charge of Italcementi and specifies his/her related powers;
* identifies the responsibilities and method for the appointment, removal and termination of office of the Manager in charge, the length of service and the requirements in terms of professional skills and good reputation;
* reports on the principles of conduct which the Company Manager in charge must comply with in the event of conflicts of interest as well as the confidentiality obligations to be observed in carrying out his/her activities;

* indicates the responsibilities, powers, and resources granted to the Manager in charge for the exercise of his/her duties, identifying the financial and human resources needed to carry out the mandate;
* defines dealings with other Company bodies/functions, with the Corporate Bodies, the internal and external control Bodies and with subsidiaries, as well as, in compliance with the mutual areas for independent action, the procedures for interrelating with the parent company Italmobiliare, regulating information flows;
* recalls the general principles of the Operational Model used by the Italcementi Group, which has been established in order to fulfil the regulatory provisions on preparing financial reports;
* illustrates the internal and external attestation process in reference to: a) the statements of the Manager in charge regarding the correspondence of the Company's acts and communications disclosed to the market with its documents and accounting books and entries; b) the attestations of the Manager in charge and of executive Delegated Bodies, in regard of the financial statements, the limited half-year financial statements and the consolidated financial statements.

The Regulation, approved by the Board of Directors, is intended for all the entities, functions, corporate bodies of Italcementi S.p.A., as well as all the companies that it directly or indirectly controls. The Regulation has been circulated to the staff of the Company, the subsidiaries, as well as to all those considered affected by its contents.

The Board of Directors, at the meeting of May 3, 2013, updated the Regulation so as to give full implementation of the new aspects introduced by the Corporate Governance Code (for example, the main amendments refer to the new definitions given to positions, bodies, committees and their tasks, regarding their respective relations with the Manager in charge). The relevant Operational Model was updated at the same time as the Regulation in order to ensure its optimisation and simplification.

ORGANIZATIONAL, MANAGEMENT AND CONTROL MODEL

In order to make the control and *Corporate Governance* systems more effective and prevent corporate offenses and offenses against the Public Administration, during fiscal year 2004, in application of Legislative Decree no. 231/01, the Company Board of Directors adopted an "Organizational, management and control model" (the "Model") which was subsequently updated in 2006 in line with the law on market abuse and failure to disclose a conflict of interest by directors.

By adopting the "Model", the Company intends to disseminate and establish a corporate culture based on legality, with the express censure of all conduct contrary to the law and the regulations contained in the "Model" itself.

There have been numerous amendments and updates in order to reflect legislative actions, which have gradually expanded the scope of Legislative Decree no. 231/01 to include further categories of offences with respect to those included in its original version.

All updates to the Model, except those of a purely formal nature, have been carried out on the basis of targeted *risk assessment* findings performed by consultants specialized in the matters taken into consideration on each occasion.

In particular, in 2008, the Model was extended to offences relating to the violation of the legislation on health and safety in the workplace, cross-border offences and offences for receiving stolen goods and money laundering. On February 3, 2010, the Board also updated the special section of the "Model" on safety. In February 2012, the Model was extended to offences related to organized crime, industry and commerce, copyright and computer-related crime. Finally, on September 26, 2012, the Board of Directors again amended the Model to also include environmental offences.

The task of continuously monitoring the effectiveness and enforcement of the "Model", as well as proposing updates, is entrusted to a body, the Supervisory Board, equipped with autonomy and independence in the exercise of its functions and adequate experience in the field of control of risks associated with the specific activities carried out by the Company or its legal aspects.

The Supervisory Board is, in compliance with the provisions of the “Model”, currently made up of two independent professionals (one of whom appointed Chairman), and the Company’s Head of Internal Audit.

The General Section of the Model is available on the Company’s website in the section Governance / Documentation.

COMPLIANCE WITH SIMPLIFIED RULES PURSUANT TO ARTICLES 70 AND 71 OF THE ISSUERS’ REGULATION

By resolution adopted on November 7, 2012, the Company’s Board of Directors accepted the opt-out regime provided by the CONSOB Issuers’ Regulation, exercising the right to waive the obligation to publish information documents required in connection with significant merger transactions, spin-offs, acquisitions and disposals, capital increase by contribution in kind.

On the same date, in accordance with the above mentioned Regulation, the Company provided adequate disclosure about the opt-out regime to the market.

CONSOB REGULATION ON MARKETS

Consob Market Regulation provides for specific rules regarding conditions for the listing of Companies:

A) that control companies incorporated in, and under the law of, Countries not belonging to the European Union (“non-EU”) (art. 36)

B) that are subject to management and coordination of another Company (art. 37).

In particular, the companies as set out in letter A) are required to:

1) disclose the accounts of non-EU subsidiaries drawn up for the purposes of the consolidated financial statements, at least including the balance sheet and the income statement;
2) obtain By-laws, composition and powers of the corporate bodies from the non-EU subsidiaries;
3) check that the non-EU subsidiaries:
   * provide the parent company’s independent auditor with the information needed to audit the annual and interim financial statements of the parent company,
   * have an administrative/accounting system suitable to providing the parent company’s management and independent auditor, on a regular basis, with data concerning financial position and results of operations needed to draft the consolidated financial statements.

The Companies set out in letter B), on the other hand, may be admitted for trading on an Italian regulated market (or maintain their listing) where they:

a) have fulfilled the disclosure obligations envisaged by article 2497-*bis* of the Italian Civil Code;
b) are free to negotiate in dealings with customers and suppliers;
c) do not have a centralized treasury management agreement which is not in their corporate interest with the company that exercises administration and control activity or with any other company of the group to which they belong. The correspondence with the corporate interest is attested by the Board of Directors with a detailed reasoned statement verified by the Board of Statutory Auditors;
d) have a Board of Directors composed of a majority of independent directors (pursuant to the Code) and a Control and Risk Committee consisting solely of independent directors. Where appointed, also the other committees, as recommended by corporate governance codes of conduct promoted by regulated market managers or by professional associations, will consist solely of independent directors.

With reference to the provisions set out in art. 36, the scope of application as of today involves 22 subsidiaries, located in 10 Countries not belonging to the European Union.

The information flow between the Company and its subsidiaries is suitable to guaranteeing:

* the transmission of the accounts of the subsidiaries drawn up for the purposes of the consolidated financial statements, to enable such accounts to be disclosed;
* the centralized collection of the By-laws, composition and powers of the corporate bodies of the above mentioned subsidiaries and any subsequent amendment.

Therefore, all the By-laws of Subsidiaries located in Countries that do not belong to the European Union, which are relevant for the purposes of the regulation at issue, as well as the composition and powers of the corporate bodies have been acquired and are stored in the Company records.

Furthermore, the findings thus obtained have revealed that the subsidiaries based in Countries outside the European Union, relevant with respect to the latest Audit plan:

* provide the company's independent auditor with the information needed to verify the annual and interim financial statements of Italcementi;
* have an administrative/accounting system suitable to providing the Company and the independent auditor, on a regular basis, with financial position and results of operations needed to draft the consolidated financial statements.

Furthermore, pursuant to art. 37 of the Market Regulation, Italcementi, a subsidiary subject to management and coordination of Italmobiliare S.p.A.:

- has fulfilled the disclosure obligations envisaged by art. 2497-*bis* of the Italian Civil Code;
- is free to negotiate in dealings with customers and suppliers;
- has not entered into a centralized treasury management agreement with Italmobiliare S.p.A.;
- has a Board of Directors which consists of a majority of independent directors and all the Committees set up within the Board of Directors consist solely of independent directors.

RESOLUTION

The financial year closed with a loss of 115,225,699.45 euro, which we propose be covered in full by withdrawing an equivalent amount from the Extraordinary Reserve.

We also propose the distribution of a portion of the Extraordinary Reserve through the withdrawal from said reserve of an overall maximum amount of 16,719,024.78 euro and, considering that pursuant to art. 7 of the By-Laws in the event of a distribution of reserves the savings shares have the same rights as the other shares, we propose to assign 0.06 euro to each outstanding ordinary and savings share, net of treasury shares held by the company.

Consequently, since only distribution of reserves is contemplated, also in compliance with the afore-mentioned art. 7 of the By-Laws, the preferred dividend entitlement of the savings shares up to 5% of the nominal share value will be computed as an increase in the preferred dividend in the following two financial years.

We also propose to allocate to the Extraordinary Reserve a net amount of 105,547,970.87 euro reflected under Equity as a Merger Surplus/(Deficit).

* * *

To the Shareholders,

if you agree with our proposals, we invite you to carry the following resolution:

The Italcementi S.p.A. Annual General Meeting of April xx, 2014,

- having acknowledged the directors' report on operations and the report of the Board of Statutory Auditors after examination of the financial statements at December 31, 2013;

hereby resolves

- to approve:
  - the directors' report on operations;
  - the 2013 separate financial statements, consisting of the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, which reflect a loss of 115,225,699.45 euro as presented by the Board of Directors in its entirety, in the individual postings and with the proposed allocations;
- to cover in full the loss for the year of 115,225,699.45 euro by withdrawing an equivalent amount from the Extraordinary Reserve which consequently decreases to 115,909,755.11 euro;
- to withdraw an overall maximum amount of 16,719,024.78 euro from the Extraordinary Reserve, which consequently decreases from 115,909,755.11 euro to 99,190,730.33 euro, by assigning 0.06 euro:
  - to the 173,324,535 outstanding ordinary shares, net of the 3,793,029 ordinary treasury shares held at March 6, 2014;
  - to the105,325,878 outstanding savings shares, net of the 105,500 savings treasury shares held at March 6, 2014;
- to severally authorize the Chairman, the Executive Deputy Chairman, the Deputy Chairman and the Chief Executive Officer, should the number of treasury shares change before the coupon date:

- to raise the "Extraordinary Reserve" by the amount corresponding to the dividend attributable to any purchased shares,
- to reduce the "Extraordinary Reserve" by the amount corresponding to the dividend attributable to any sold treasury shares;

- to severally authorize the Chairman, the Executive Deputy Chairman, the Deputy Chairman and the Chief Executive Officer, should the number of outstanding savings shares and/or savings shares with dividend entitlement decrease before the coupon date to raise the "Extraordinary Reserve" by the amount corresponding to the dividend not due to non-outstanding savings shares and/or savings shares without dividend entitlement;
- to withdraw from the Merger Surplus of 151,168,572.74 euro an amount of 45,620,601.87 euro to cover in full the Merger Deficit and to assign the residual amount of 105,547,970.87 euro to the Extraordinary Reserve, which thereby rises to 204,738,701.20 euro.

Report on Remuneration

Dear Shareholders,

This Report on Remuneration, drafted pursuant to Art. 123-*ter* of the Legislative Decree No. 58 of February 24, 1998 (Consolidated Law on Finance - TUF), illustrates the principles adopted by Italcementi S.p.A. with reference to the definition of the remuneration of its Directors vested with special powers and Officers with strategic responsibilities - identified as the Chairman, the Executive Deputy Chairman, the Chief Executive Officer, the Deputy Chairman, the Chief Operating Officer and the Manager in charge of preparing the company's financial reports - as well as of the Head of Internal Audit and of the Officers directly reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and Chief Operating Officer, as reported hereunder.

The Report has been prepared in accordance with the schedule established by CONSOB (Italian stock exchange Authority) with resolution No. 18049 of December 23, 2011.

* * *

SECTION I

The term Company shall hereinafter mean Italcementi S.p.A., the term Group shall mean Italcementi Group, the term Policy shall mean the Remuneration policy for executive Directors, other Directors vested with special powers, Officers with strategic responsibilities, the Head of Internal Audit and Officers directly reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer.

a) *Bodies or individuals involved in the preparation and approval of the remuneration policy, specifying the respective roles, and bodies or individuals responsible for the proper implementation of such policy*

The bodies involved in preparing the remuneration policy are the following:

Shareholders' Meeting

The Company shareholders' meeting defines the remuneration of Directors not vested with special powers.

It is also required to express its advisory opinion upon this section of the Report on Remuneration prepared by the Board of Directors pursuant to Art. 123-*ter* of TUF.

Lastly, the shareholders' meeting, upon proposal of the Board of Directors, pursuant to Art. 114-*bis* of TUF, resolves upon the approval of any incentive plans based on financial instruments that the Company wishes to issue.

Board of Directors

The Board of Directors, upon proposal of the Remuneration Committee and based on the opinion of the Board of Statutory Auditors, resolves upon the remuneration to be assigned to the Chairman, Deputy Chairmen, Chief Executive Officer, Chief Operating Officer, the Manager in charge of preparing the company's financial reports and the Head of Internal Audit, broken down into a fixed and a variable amount to be granted in connection to the achievement of the annual targets assigned to each of them.

The Board of Directors may also approve the implementation of a *Long-Term Incentive* to be paid against the achievement of the three-year period targets assigned.

Department of Human Resources and Organizational Development

The Group Human Resources and Organizational Development Department supports the Remuneration Committee in performing its functions, both in defining and approving proposals concerning the remuneration to be submitted to the approval of the Board of Directors, at the time of both monitoring and verifying the full and proper implementation of the same.

b) *Possible participation of a remuneration committee or other responsible committee, describing its composition (with the distinction between non-executive and independent directors), competence and functioning conditions*

The Remuneration Committee is established within the Board of Directors and it is made up of four non-executive independent members as follows:

* Lorenzo Renato Guerini - Chairman
* Giulio Antonello
* Victoire de Margerie
* Emma Marcegaglia

The Committee carries out its consultative and advisory functions on matters delegated to it, in particular by ensuring the following, in the absence of people directly involved therein:

- submitting to the Board of Directors proposals for the remuneration of Directors vested with special powers and Officers with strategic responsibilities;
- periodically evaluating the criteria adopted for the remuneration of Officers directly reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer, the Officers with strategic responsibilities and the Head of Internal Audit, supervising their application on the basis of information provided by the Chief Executive Officer and by the corporate functions possibly involved in formulating general recommendations on the Board of Directors on this items;
- monitoring the implementation of the Board of Directors' decisions, in particular, by verifying the effective achievement of performance targets.

The Remuneration Committee, with the assistance of the Group Human Resources and Organizational Development Department, analyzes the composition and the positioning of the remuneration packages of Directors vested with special powers, Officers with strategic responsibilities, the Head of Internal Audit and Officers directly reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer.

In carrying out its duties, it can also request for the assistance of one or more independent consulting firms specialized in the field of executive compensation, and able to make the appropriate comparisons in terms of competitiveness and consistency with respect to the reference markets and governance systems required by current best practices, having also regard for i) the weight of their offices within the corporate structure, ii) the powers granted to them and the related range of discretion; iii) the individual economic impact.

Afterwards, the Remuneration Committee submits the so-defined Policy to the Board of Directors for the formal approval of the same, or, if the current Policy (after its first application) is still considered consistent with the Company's needs, market trends and the regulatory environment, it confirms the latter.

Once it has examined and approved the Policy, the Board of Directors submits a Report thereupon for the advisory opinion of the shareholders.

c) *Any independent experts involved in the remuneration policy definition*

Not applicable.

It is also pointed out that the sources of information for the analysis of the remuneration competitiveness covered by the Policy were in particular the following companies: *Hay Consulting, Mercer Consulting* and *Towers Watson.*

d) The remuneration policy aims, guiding principles and any amendments to the remuneration policy with respect to the previous financial year

The Company believes that the definition and implementation of the Remuneration Policy represents a primary tool aimed at:

- attracting, retaining and motivating highly-qualified management personnel within the Company and, more generally, within the Group;
- aligning the interests of management and shareholders;
- promoting the creation of shareholder value in the medium-long term, establishing a direct relationship between remuneration and performance.

The Policy is consistent with the principles and related application criteria of the Group's *"Corporate Governance Framework"*, aimed at encouraging a responsible and sustainable approach to remuneration, consistent with the Group values.

By executing the Policy, the Company pursues:

- the compliance with regulations of both legal and self-regulatory sources, as well as with the regulators' recommendations;
- the governance of the Policy's definition and implementation process, in line and consistent with current best practices;
- an ongoing benchmark with market practices;
- a strong link between remuneration and results and sound risk management as a guarantee of its sustainability.

The definition of the Policy is the result of a fully outlined process in which the Company's Remuneration Committee and Board of Directors play a central role.

The Company's Remuneration Committee held on February 21, 2011 examined, and on February 24, 2011 subsequently approved, a Policy consistent with the provisions of the Code of Conduct issued by the Corporate Governance Committee; an explanatory memorandum of such Policy (the Remuneration Report) was subsequently submitted to the advisory opinion of the shareholders' meeting called to approve the 2010 financial statements held on April 19, 2011.

Following the new regulations introduced by CONSOB Resolution No. 18049 of December 23, 2011 in execution of the powers granted by Legislative Decree No. 259/2010, the Company has decided to issue a new version of its Remuneration Policy which, while confirming the principles and guidelines already expressed in the previous version of the Policy itself, expresses them according to the new legal framework.

This new Policy was adopted by the Company's remuneration Committee at its meeting held on March 2, 2012; the subsequent Company's Board of Directors' Meeting held on the same date resolved to approve it and to submit an overall Remuneration Report concerning the Policy itself to the consultative vote of the Company's annual general shareholders' meeting held on April 18, 2012.

In 2013 the Company, while confirming the Policy in force, has anyway decided, with reference to the Policy's effective implementation and application in the same year, to adopt certain updates which could be summarized as follows:

1. To adopt a new approach of representing the relative % impact of the single components the pay-mix is made up of on the pay-mix itself, by introducing the reference to the achievement of the targets "forecasted in the budget" instead of the previous approach based on the "full targets achievement" to describe the above mentioned impact; this new approach, also with reference to the 2014 financial year,

keep on being more consistent than the previous one with reference to the present difficult economic situation, when the targets achievement is becoming increasingly challenging as, by avoiding the previous reference to the full targets achievement, allows a more realistic representation of the remunerations the Policy is focused on;

2. To foresee that one of the targets to be assigned on individual basis to each of the beneficiaries of the Short-Term Variable Component (MBO) of the remuneration should compulsorily be the target linked to the achievement of the Group profitability target and that this target should have an adequate weight compared to the overall targets weight; also this guideline has been confirmed and even reinforced with reference to the Policy for the financial year 2014, also considering that the Company confirms not only that this target should compulsorily be assigned to each of the beneficiaries of the Short Term Variable Component (MBO) but also that it should basically be that with the highest % weight compared to the other targets.
3. To Provide even more details about non-monetary benefits the beneficiaries of the Policy are entitled to.

With specific reference to the medium-long term variable component *(Long Term Incentive)* it should be pointed out that:

a) At December 31, 2012 expired the first three years cycle of the "Long-Term Monetary Incentive Plan for Directors and Officers with Strategic Responsibilities of Italcementi S.p.A." in its part related to the Directors, and the Board of Directors, in its resolution adopted during the meeting held on May 3, 2013, has resolved to approve the activation of a new three years cycle 2013-2015 of the same plan;
b) At December 31, 2013 expired the first three years cycle of the "Long-Term Monetary Incentive Plan for Directors and Officers with Strategic Responsibilities of Italcementi S.p.A." in its part related to the Officers with Strategic Responsibilities, and the second three years cycle of the "Long-Term Monetary Incentive Plan, linked to the appreciation of Italcementi shares, for executives". With reference to the first of these plans the Board of Directors, in its resolution adopted during the meeting held on February 6, 2014, has resolved to approve the activation of a new three years cycle 2014-2016 of the same plan, setting in the same time the related targets.
As far as the plan related to the Officers directly reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer is concerned, the Company is now assessing if to activate the third and last three years cycle of the plan on the basis of the following guidelines: i) containment of the number of the beneficiaries also considering the results obtained in the reorganization processes carried out by the Company after the activation of the second cycle of the plan in 2011; ii) confirmation of the amounts minimum and maximum of the individual incentive range previously applied.

e) Description of the policies in terms of fixed and variable components of remuneration, with particular reference to the indication of the relative weight within the overall remuneration and distinguishing between short and medium/long-term variable components.

A) VARIABLE COMPONENTS

Under the Policy, the variable components of remuneration are the following:

1) Short-Term Variable Component (MBO)

i) <u>Directors vested with special powers and Officers with strategic responsibilities</u>

The yearly variable remuneration for Directors vested with special powers and Officers with strategic responsibilities is established by the Board of Directors upon proposal of the Remuneration Committee and based on the opinion of the Board of Statutory Auditors, in relation to the achievement of the annual targets assigned. Such targets are predetermined and measurable, and they are in any case linked to the value creation for the Company and shareholders in the medium/long-term; by way of example, but not limited thereto, these targets may be linked to the Company's and/or the Group's financial position and results of operations, the adoption of governance best practices, sustainable development and implementation of strategic projects for the Company.

ii) Officers directly reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer

The yearly variable remuneration in favor of Officers directly reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer is established by the latter with the support of the Human Resources and Organizational Development Department, in connection to the achievement of annual targets assigned and in compliance with the principles and guidelines of the Group's Remuneration Policy.

Such targets are predetermined and measurable, and are in any case linked to the value creation for the Company and the shareholders in the medium/long-term; by way of example, but not limited thereto, these targets may be linked to the Company's and / or the Group's financial position and results of operations, the adoption of governance best practices, sustainable development and implementation of strategic projects for the Company.

As above mentioned, also for the financial year 2014, for both the Directors vested with special powers and Officers with strategic responsibilities as well as for the other officers – Officers directly reporting to the Chairman, Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer is foreseen that one of the targets (basically the most important one as it should weight about 40% of the overall targets weight) of the Short-Term Variable Component (MBO) should compulsorily be the targeted profitability goal.

The combined effect of this prescription and of the functioning of the points-based Short-Term Variable Component (MBO) would lead to reset to zero any payment in the case the profitability target will not be achieved, unless the achievement level of all the other individual targets turns out to be the maximum possible over the budget; in this last case anyway the maximum amount to be paid could not exceed two thirds of the maximum theoretical payout.

2) Medium-Long Term Variable Component (LTI)

Two different long-term incentive plans are currently in place: one for Directors vested with special powers and Officers with strategic responsibilities and one for the other officers – Officers directly reporting to the Chairman, Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer.

i) Directors vested with special powers and Officers with strategic responsibilities

Among the Directors vested with special powers, the Chairman and the Chief Executive Officer were the recipients of a stock option plan for directors over a three-year period approved by the shareholders' meeting of June 20, 2007.
The above plan consisted of three-year cycles, and the first cycle ended in 2009.
The Officers with strategic responsibilities were the recipients of a stock option plan for top management approved by the shareholders' meeting of April 28, 2008.
The aforesaid plan consisted of three-year cycles, the first of which was closed in 2010.
The Company's Board of Directors deemed it appropriate to replace such incentive systems with a new system on a monetary basis ("Long-Term Monetary Incentive Plan for Directors and Officers with Strategic Responsibilities of Italcementi S.p.A.").

In making its assessments, the Board of Directors took into account the findings of the analyses carried out on behalf of the Company by independent advisors, with extensive experience and international standing, on executive compensation.
The new long-term monetary incentive plan is based on three-year cycles depending on the medium/long-term performance of the Company and/or the Group.
This plan is aimed at:
- tying the overall remuneration package of recipients to the Company's medium/long-term performance, by rewarding the achievement of strategic targets, and to the corresponding "value creation" for shareholders;
- ensuring maximum transparency and compliance with best governance criteria of the overall remuneration package for recipients.

The corporate body in charge of the decisions relating to the plan is the Board of Directors, which adopts resolutions upon proposals of the Remuneration Committee with the technical and operational support of the Human Resources and Organizational Development Director.
The plan functioning is aligned, after the necessary adjustments suggested by the Remuneration Committee, with the mechanism adopted for the annual incentive plan (points system with minimum access threshold, target assigned and maximum target).
The right to obtain the granting of premium linked to the long-term monetary incentive plan is indeed subject to:

a) the achievement of long-term targets assigned to each recipient by the Board of Directors at the beginning of the cycle upon proposal of the Remuneration Committee. Such targets, established consistently with the powers granted to each of them, are linked to the Company's financial position and results of operations and other targets specifically assigned such as, for example, targets regarding governance, risk management, sustainable development and related to the implementation of strategic projects, complementary targets with respect to those established in the annual incentive plan. The control over the achievement of such targets is made by the Remuneration Committee and, where appropriate, by independent experts;
b) the expiration of the entire three-year period of each of the plan's cycles and the uninterrupted holding of the office or employment relationship for each individual recipient. Before the expiration of such period no right accrues to partial or pro rata disbursements. The allocation of the amount actually accrued takes place in April of the year following the end of the three-year reference period.

The first plan cycle, in its part related to the Directors vested with special powers, expired on December 31, 2012. The Company's Board of Directors, during the financial year 2013, in its resolution adopted during the meeting held on May 3, 2013, has resolved to approve the activation of a new three years cycle 2013-2015 of the same plan, setting in the same time the related targets.

As far as the part of the plan related to Officers with strategic responsibilities is concerned, the Board of Directors, in its resolution adopted during the meeting held on February 6, 2014, resolved to approve the activation of a new three years cycle 2014-2016 of the same plan, setting in the same time the related individual targets.

ii) <u>Officers directly reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer</u>

Officers directly reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer are the recipient of the long-term monetary incentive plan linked to the performance of the security "Italcementi S.p.A. – Ordinary shares" ("Long-Term Monetary Incentive Plan, linked to the appreciation of Italcementi shares, for executives") approved by the shareholders' Meeting of April 28, 2008.

The latter, on the basis of the above resolution dated April 28, 2008 were initially the recipients of a stock option Plan for executives subsequently cancelled, for the not executed portion, by the resolution of the shareholders' meeting of April 19, 2011.

The long-term monetary incentive plan provides for three-year cycles based on the Company's and/or the Group's medium-long term performance and the allocation to the beneficiaries of a certain number of phantom stocks in proportion to the results achieved.

This plan is aimed at:

- tying the overall treatment of executives to the Company's medium-long term performance, by rewarding the achievement of certain strategic targets, and to the corresponding "value creation" for shareholders;
- ensuring maximum transparency and compliance with best governance criteria of the overall remuneration package of recipients.

The corporate body responsible for decisions relating to the plan is the Board of Directors, which passes resolutions upon proposals of the Remuneration Committee with the technical and operational support of the Human Resources and Organizational Development Director.

The Board of Directors delegates the operational management of the plan to the Chief Executive Officer.

The functioning of the plan provides for the allocation to each beneficiary of a minimum-maximum range of phantom stocks whose underlying are Italcementi shares.

The right to obtain the granting of the premium linked to the long-term monetary incentive plan is subject to:

a) the achievement of long-term targets assigned to each recipient by the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and Chief Operating Officer at the beginning of the cycle, proposed with the support of the Department of Human Resources and Organizational Development. Such targets, defined consistently with the powers granted to each of them, are linked to the Company's financial position and results of operations and other targets specifically attributed such as, for example, targets regarding governance, risk management, sustainable development and related to the implementation of strategic projects, additional targets with respect to those established in the annual incentive plan. Control over the achievement of these targets will be made by the Department of Human Resources and Organizational Development;
b) the expiration of the full three-year period of each of the plan's cycles and the uninterrupted holding of office or employment relationship for each individual recipient. Before the expiration of such period no right accrues to partial or pro rata granting of phantom stock.

The amount of the incentive is then calculated by multiplying the number of phantom stocks actually accrued by the current value of Italcementi stock in the month of December of the last of the three years each Plan cycle covers. The allocation of the awarded amount normally takes place within the month of April of the year following the end of the three-year reference period.

After the 1st cycle of that plan expired at December 31, 2010, also the 2nd cycle it's now expired at the end of the financial year 2013; the Company is now evaluating the possibility of implementing the third and last cycle of this plan.

B) FIXED COMPONENTS AND OVERALL REMUNERATION

As a result of the foregoing, the overall treatment approved according to the Policy, inclusive of the fixed component of remuneration, may be represented as follows for the different beneficiaries:

a) Remuneration of Officers with Strategic Responsibilities

The Company's Board of Directors identified the Chief Operating Officer and the Manager in charge of preparing the company's financial reports as Officers with strategic responsibilities.
The remuneration of Officers with strategic responsibilities is established by the Board of Directors upon proposal of the Remuneration Committee and based on the opinion of the Board of Statutory Auditors.
The Officers with strategic responsibilities' remuneration components are as follows:

a) an annual fixed component;
b) an annual variable component linked to the achievement of specific business targets *(Management By Objectives);*
c) an exclusively monetary medium-long term variable component *(Long Term Incentive)*, linked to the achievement of specific targets, as the previous one.

Having defined the overall remuneration package as the sum of the three components recalled above, in the event that the targets, forecasted in the budget and related to the components b) and c), are achieved, it is pointed out that such targets and the related remuneration are referred to the position of Officers with strategic responsibilities within the Group (therefore including targets and remuneration received due to other positions in other Group companies), and the relative weight of the same can be approximately represented as follows:

a) the weight of the yearly fixed component is approximately equal to 40% of the Chief Operating Officer's and 60% of the Manager in charge of preparing the company's financial reports' overall remuneration;
b) the weight of the annual variable component (MBO) is approximately equal to 30% of the Chief Operating Officer's and 20% of the Manager in charge of preparing the company's financial reports' overall remuneration.
   Such variable component cannot in any case exceed 100% of the fixed component as per letter a) above;
c) the medium-long term variable component (LTI), currently based on three-year cycles, in its annual amount, represents about 30% of the Chief Operating Officer's and 20% of the Manager in charge of preparing the company's financial reports' overall remuneration.

Such variable component cannot in any case, during the entire three-year period of each plan, exceed 100% of the fixed component referred to under a) above, as granted throughout the plan's execution periods.

With reference to the variable components of remuneration for Officers with strategic responsibilities referred to under letters b) and c) above, the Remuneration Committee:

- defines, annually, proposals for the assignment of MBO targets to be submitted to the Board of Directors' approval;
- monitors, in the following year, the degree of achievement of MBO targets and verifies the performance carried out;
- verifies, at the end of each three-year reference period, the level of achievement of LTI targets.

The Company does not currently have in place long-term incentive plans based on financial instruments for Officers with strategic responsibilities.

The Board of Directors may also exceptionally establish special bonuses, upon occurrence of relevant, specific and unforeseen circumstances, in order to remunerate Officers with strategic responsibilities i) if the total amount of the other elements of remuneration is considered to be objectively inadequate with respect to the performance carried out, always within the overall upper limits set out in the Policy, or ii) in relation to specific activities and/or extraordinary transactions in terms of strategic relevance and impact on the Company's and/or the Group's results of operations.

The Officers with strategic responsibilities are entitled to receive non-monetary benefits (for example company car for personal use also) as well as the other benefits described here below under point m), in line with market practice.

b) Remuneration of the Head of Internal Audit

The remuneration of the Head of Internal Audit is established by the Board of Directors upon proposal of the Remuneration Committee based on the opinion of the Director in charge of the Internal Control and Risk Management system.
Such remuneration is made up of an annual fixed component, an annual variable component and a long-term variable component (over three years).
The variable components are aligned to the Group's MBO and *Long-Term Incentive* systems and do not provide for any target related to the Company's results of operations, but only targets linked to the improvement of the Internal Control system's effectiveness and functionality.
The weight of the annual fixed, variable (MBO) and medium/long-term (LTI) components of the remuneration of the Head of Internal Audit, in the event of achievement of the targets forecasted in the budget and related to the variable components of the remuneration package, is respectively 60%, 20% and 20% of his/her overall remuneration.
It's important to highlight that, in line with market best practices, the higher relative weight of the fixed component of the remuneration of the Head of Internal Audit and the setting of targets not related to business performance but instead linked to the full and effective implementation of own tasks are aimed at ensuring to this role, also from the point of view of the definition of the remuneration, the best possible conditions for duly accomplishment of own responsibilities.
The Head of Internal Audit is entitled to receive non-monetary benefits (for example company car for personal use also) as well as the other benefits described here below under point m), in line with market practice.

c) Remuneration of Officers Directly Reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer

The remuneration of Officers directly reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer is established by the latter with the support of the Human Resources and Organizational Development Director according to the principles and guidelines of the Group's "Remuneration Policy".
The components of the remuneration of Officers directly reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer are the following:
a) an annual fixed component;
b) an annual variable component linked to the achievement of specific business targets *(Management By Objectives);*
c) a variable medium-long term component *(Long Term Incentive),* monetary-based and linked to the performance of "Italcementi S.p.A. - Ordinary" shares, also subject to the achievement of specific targets as the previous one.

Having defined the overall remuneration package as the sum of the three components recalled above in the event that the targets forecasted in the budget and related to the components b) and c) are achieved, and pointed out that such targets and the related remuneration are referred to the position of Officers directly reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer within the Group (therefore including targets and remuneration received due to other positions in other Group companies), the relative weight of the same can be approximately represented as follows:

a) the weight of the yearly fixed component is approximately equal to 60% of the overall remuneration;

b) the weight of the annual variable component (MBO) is approximately equal to 25% of the overall remuneration.

Such variable component cannot in any case exceed 70% of the fixed component as per letter a) above;

c) the medium-long term variable component (LTI), currently based on three-year cycles, as the annual amount thereof, has a weight equal to about 15% of the overall remuneration.

With reference to the variable components of remuneration of Officers directly reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer referred to in letters b) and c) above, the Human Resources and Organizational Development Department:

- defines, annually, proposals for the assignment of MBO targets to be submitted to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer for approval, depending on the officer's position within the organizational structure;
- in the following financial year, monitors and submits to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer the degree of achievement of MBO targets and verifies the performance carried out;
- at the end of each three-year reference period, verifies the level of achievement of LTI targets, submitting the results to the approval of the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer.

The Officers directly reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer are entitled to receive non-monetary benefits (for example company car for personal use also) as well as the other benefits described here below under point m), in line with market practice.

f) Policy followed with regard to non-monetary benefits

Please refer to the description under points e) and n) for non-monetary benefits respectively granted to i) Officers with strategic responsibilities and Officers directly reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer, and ii) Directors vested with special powers and other Directors.

g) With reference to variable components, a description of performance targets based on which they are assigned, distinguishing between short and medium-long term variable components, and information on the link between variation of results and variation of remuneration

Reference is made to that represented under points e) A) 1) i), e) A) 1) ii), e) A) 2) i) and e) A) 2) ii).

h) Criteria applied for the evaluation of performance targets forming the basis for the allocation of shares, options, other financial instruments or other variable components of the remuneration

Consistently with the information provided under points e) B) a), e) B) b) and e) B) c), the definition and verification of the correct implementation of the criteria used for the performance targets' evaluation are on each occasion carried out by the Remuneration Committee and the Human Resources and Organizational Development Department.

i) Information aimed at highlighting the consistency of the remuneration policy with the pursuit of the company's long-term objectives and its risk management policy, where formalized

By applying the Policy, the Company pursues a strong link between remuneration and results of operations and a sound risk management as guarantee of its sustainability.

According to the above, the Remuneration Committee periodically evaluates, among other things, the criteria adopted for the remuneration of Directors and Officers with strategic responsibilities, supervising their implementation based on information provided by the Chief Executive Officer and any corporate functions involved and formulating general recommendations to the Board of Directors on the subject.

j) Vesting period, any deferred payment system, with the indication of periods of deferment and of the criteria used for establishing such periods and, if applicable, clawback mechanisms

Not applicable.

See also Section I - letter e) A) 2) for detailed information on the functioning of the Medium-Long term Variable Component (LTI) which make also reference to the related plans rules.

As far as the policy is concerned it should also be highlighted that, on the basis of these rules, a) any payment of the incentive amount is deferred to the first half of the fourth year following the year the beneficiary has been made eligible to participate in the plan, while no amounts could be paid to the beneficiary or anyway accrued by him/her during the three years of the plan cycle duration; b) in any case, the payment of any incentive accrued is subject to the further condition that the beneficiary has completed the three-years cycle duration and is still working for the Company at the date of the payment itself.

These additional conditions, having the effect of significantly deferring the moment of the effective payment, allow the adoption of possible corrective measures if needed.

k) Information about the possibility of introducing provisions for maintaining financial instruments in the portfolio after acquisition thereof, indicating the periods of maintenance and the criteria used for establishing such periods

Not applicable.

l) Policy on treatment provided for termination of office or termination of employment agreement events, specifying the circumstances which determine the onset of the right thereto and the possible link between such treatment and the company's performance

The Company has not entered into specific agreements, except in the case described below, with the Directors vested with special powers and Officers with strategic responsibilities aimed at regulating, at the outset, the financial consequences resulting from a possible early termination of employment relationship caused by the Company or the individual employee.

With regard to the single position of the Chief Operating Officer, a total settlement of any amounts due, equal to two annual salaries, has been agreed in the event of termination of the employment agreement for reasons other than just cause.

With reference to the other offices, in the event of termination of the employment agreement with the Company for reasons other than just cause, it is considered appropriate to pursue out-of-court settlements on an equitable basis, to the extent allowed by the law, as well as the benchmarks and existing good practice for similar positions, except as may be required by rules and agreements in force, and in particular by the collective bargaining agreement for Executives of companies producing goods or providing services.

There is no provision for the granting of extraordinary remuneration to Directors not vested with special powers due to termination of the office.

The Company does not, in general, enter into specific non-competition agreements with its Officers with strategic responsibilities, designed to pay out financial consideration, during the employment relationship or subsequently to termination thereof, related to the respective fixed remuneration in relation to the duration and the geographical perimeter, the business scope and the product sector of the constraints arising from such agreement.

m) Information on the presence of any insurance, or pension or retirement coverage other than the mandatory one

Specific health and safety insurance policies consistent with what represented under letter n) below are provided for the Chairman and Chief Executive Officer.

The Officers with strategic responsibilities and the Officers directly reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer, in line with market practices, are entitled to participate, in addition to what is specifically foreseen by the collective bargaining agreement for Executives of companies producing goods or providing services, to supplementary retirement schemes, healthcare insurance plans and life insurance plans.

n) Remuneration policy possibly applied in regard of: (i) independent directors, (ii) participation in committees and (iii) performance of particular tasks (Chairman, Deputy Chairman, etc.).

The Company's Board of Directors consists of two categories of directors:

a) Directors vested with special powers;

b) Directors not vested with special powers.

As of December 31, 2013, following the renewal of the Company's Board of Directors for the three years period 2013-2015 adopted by resolution of the shareholder's meeting of April 17, 2013, the newly appointed members of the Company's Board of Directors were divided in the two categories as shown below:

a) Giampiero Pesenti, Chairman • Pierfranco Barabani, Executive Deputy Chairman • Carlo Pesenti, Chief Executive Officer • Lorenzo Renato Guerini, Deputy Chairman;

b) Giulio Antonello • Giorgio Bonomi • Fritz Burkard • Victoire de Margerie • Federico Falck • Italo Lucchini • Emma Marcegaglia • Sebastiano Mazzoleni • Jean Paul Meric • Carlo Secchi • Elena Zambon.

The shareholders' meeting held on April 17, 2013 granted the Board of Directors' members, effective from the date of the same shareholders' meeting and for the following financial years up to a new shareholders' meeting resolution of modification, an annual remuneration of € 40,000, thus replacing the system in place accordingly to the shareholders' meeting resolutions of April 16, 2010 and of April 19, 2011. The Directors which are also members of the Executive Committee are also granted an additional fixed amount for each participation in the meetings of the Committee itself.
The Directors which are members of the various committees appointed within the Board of Directors are also granted an additional fixed amount for each participation in the meetings of the Committee which they are members of.
In compliance with market best practices for Directors not vested with special powers, no variable component of remuneration is provided for them, while they are reimbursed expenses incurred in performing their office.
Finally, an insurance policy, in line with existing practices, has been taken out for civil liability to third parties of Directors not vested with special powers for events related to the exercise of their functions, in compliance with the provisions set forth with regard to corporate offices, except in cases of willful misconduct and gross negligence.
The remuneration of Directors vested with special powers, is directly established at the time of appointment, or at a subsequent useful meeting, by the Board of Directors acting upon proposal of the Remuneration Committee and based on the opinion of the Board of Statutory Auditors.

The components of the remuneration of Directors vested with special powers are as follows:

A) Chairman and Chief Executive Officer:

a) an annual fixed component;

b) an annual variable component linked to the achievement of specific business targets *(Management By Objectives);*

c) a monetary medium/long-term variable component *(Long Term Incentive)*, also linked to the achievement of specific targets as the previous one.

Having defined the overall remuneration package as the sum of the three components listed above in the event that the targets forecasted in the budget and related to the components b) and c) are achieved, and pointed out that such targets and the related remuneration are referred to the position of Director vested with special powers within the Company (therefore not comprising targets and remuneration received due to other positions in other Group companies, including the parent company), the relative weight of the same can be approximately represented as follows:

a) the weight of the yearly fixed component is approximately equal to 40% of total remuneration;

b) the weight of the annual variable component *(MBO)* is approximately equal to 25% of total remuneration.
Such variable component cannot in any case exceed 100% of the fixed component as per letter a) above;

c) the medium/long-term variable component *(LTI),* currently based on three-year cycles as to the annual amount thereof, has a weight equal to about 35% of total remuneration.

Such variable component cannot in any case, over the entire three-year period of duration of each plan, exceed 120% of the fixed component referred to under letter a) above, as granted throughout the plan execution periods.

With reference to the variable components of remuneration of Directors vested with special powers referred to under letters b) and c) above, the Remuneration Committee:

- annually, makes proposals for the assignment of MBO targets to be submitted to the Board of Directors for approval;
- in the following financial year, monitors the degree of achievement of MBO targets and verifies the performance achieved;
- at the end of each three-year reference period, verifies the level of achievement of LTI targets.

The Company does not have currently in place long-term incentive plans based on financial instruments for Directors vested with special powers.

The Chairman, in accordance with the Policy in force, is entitled to a “Severance pay”, which is accrued at the end of each term of three years office.

The Remuneration Committee resolved to commission to a primary executive compensation consulting firm a specific survey to get a useful update about the best executive compensation practices in place at comparable companies and, on the basis of this benchmark outcomes, proposed to the Board of Directors to confirm to the Chairman the grant of the “Severance pay” also considering that within the Company, differently from other companies most common practices, the Chairman plays an executive role on the basis of the powers delegated to this role.

The Board of Directors, in the meeting held on May 3, 2013, upon proposal of the Remuneration Committee, has then resolved to calculate that severance pay as the 35% of the overall direct compensation (comprehensive of the eventual variable part and of the mid-long term component – LTI -) paid to the Chairman within the three years period 2013-2015 and in addition to such these components. That percentage of reference (35%) replace the one previously in place – 50% - so as to better align the related compensation component to the best practices in place at comparable companies.

Should the office terminate, for any reason, before the three years expiration date, the severance pay will be calculated “*pro rata temporis*”.

In addition to benefits usually provided for similar positions in compliance with existing best practices, the Chairman is also entitled to an illness and injury policy, and reimbursement of expenses incurred to attend meetings and conferences, etc..

The fees granted to the Chief Executive Officer are discharged in full to the holding company, where he acts as Executive and Chief Operating Officer; the holding charges the Company for the total cost, including social security contributions payable by the Company and post-employment benefits.

Benefits are provided for the Chief Executive Officer in line with those of the Chairman.

The Board of Directors may also grant special awards, exceptionally, upon occurrence of significant, specific and unforeseen circumstances in order to remunerate Directors vested with special powers, i) if the overall remuneration components are considered to be objectively inappropriate to the performance achieved, within the limits of the upper limits set in the Policy, or ii) in relation to specific activities and / or extraordinary transactions in terms of strategic relevance and impact on the Company's and/or the Group's results of operations.

B) Deputy Chairmen:

The remuneration of Deputy Chairmen consists of a fixed component and a possible annual variable component, not exceeding 100% of fixed remuneration, defined in accordance with the provisions of the MBO system mentioned above.

o) *Whether the remuneration policy was defined using the remuneration policies of other companies as a reference and, if so, the criteria used for the selection of such companies*

Not applicable.

SECTION II

I.1 – PART ONE

1.1. Full representation of the remuneration components, including the treatment provided for termination of office or termination of the employment agreement, and their consistency with the reference Policy has already been given in Section I of this Report.

With respect to incentive plans based on financial instruments, please find below information concerning the plans in place.

Incentive plans for Directors and Officers

A stock option Plan for directors - 2001, a stock option Plan for executives - 2000, a stock option plan for top management - 2008, a long-term monetary incentive Plan for directors and Officers with strategic responsibilities and a long-term monetary incentive Plan linked to the appreciation of Italcementi shares for executives, are currently in place at Italcementi S.p.A..

During 2013, none of the Company Directors and Officers beneficiary of stock option plans exercised the respective rights already accrued.

Stock Option Plan for Directors - 2001

In execution of the shareholders' resolution of April 24, 2001, the Company's Board of Directors at its meeting of May 9, 2001, approved the stock option plan for directors who are vested with special powers in accordance with the articles of association, or those who perform specific operating duties. By resolution of the shareholders meeting of June 20, 2007, the Plan discussed herein was replaced, with respect to the not executed part, by the "Stock Option Plan for Directors 2007".

During the year no options were exercised.

Overall, in execution of the stock option Plan for directors, 1,339,825 options equal to 0.47% of share capital were granted; the options granted as of December 31, 2008 and not yet exercised amounted to a total amount of 960,900.

Stock Option Plan for Directors - 2007

The shareholders' meeting held on June 20, 2007 approved a second stock option plan for directors vested with special powers in accordance with the articles of association, or those who perform specific operating duties, which, for the not executed part, replaces the Stock Option Plan for directors described above.

With reference to such stock option Plan, in 2007, the Company's Board of Directors assigned the Chairman and the Chief Executive Officer targets based on which, once their achievement has been verified, a number of options from a minimum of 555,000 up to a maximum of 1,050,000 could have been exercised upon expiry of the three-year period. If the minimum targets set by the Board of Directors were not met, the beneficiary would have lost the right to exercise all the options granted.

Having assessed the degree of achievement of performance targets that were originally assigned, the Board of Directors, in its meeting held on March 5, 2010, upon proposal of the Remuneration Committee, granted:

* 401,250 options to the Chairman;

* 300,000 options to the Chief Executive Officer.

Both the Chairman and the Chief Executive Officer waived the granting of stock options in their favor. No new option grant has been approved by the Board of Directors. Following the resolution of the Board of Directors and the subsequent waiver of the award by the Chairman and the Chief Executive Officer, no further options on the "Stock Option Plan for Directors - 2007" are outstanding.

The shareholders' meeting held on April 19, 2011 approved the cancellation of the Plan, for the not executed part.

Long-term monetary incentive Plan for directors and managers with strategic responsibilities of Italcementi S.p.A.

By resolution of February 3, 2011, the Board of Directors, upon proposal of the Remuneration Committee and based on the favorable opinion of the Committee for Transactions with Related Parties, adopted a "long-term monetary incentive Plan for directors and Officers with strategic responsibilities of Italcementi S.p.A." whose main features are listed below.

At the same meeting of February 3, 2011, the Board of Directors, in execution of said Plan, assigned the Chairman and the Chief Executive Officer the targets for their term of office. Moreover, at the meeting held on March 4, 2011, the Chief Operating Officer and the Manager in charge of preparing the company's financial reports were assigned targets for the 2011-2013 period.

In any case, no award will be granted in the absence of the achievement of acceptable results, likewise, if the results are significantly better than forecast, a total bonus higher than the one established at the assignment of targets will be granted.

The main features of the Plan are the following.

a) Reasons for the adoption of the plan

They can be summarized as follows:

- to tie the overall treatment of participants to the Company's performance in the medium/long-term by rewarding the achievement of certain strategic targets, and the consequent "value creation" for shareholders;
- to ensure maximum transparency and compliance with best governance criteria of the overall salary package of participants.

b) Plan Management

The corporate body responsible for decisions relating to the Plan is the Board, acting upon proposal of the Remuneration Committee (hereinafter referred to as the Committee) with the technical and operational support of the Human Resources and Organizational Development Department Director, and, when applicable, having heard the opinion of the Committee for Transactions with Related Parties. The Plan's working mechanism will be aligned, after the necessary adjustments suggested by the

Committee, with the mechanism adopted for the annual incentive plan (points system, with minimum access threshold, target assigned and maximum target).
More specifically, the Board will be responsible for:
i) identifying the individual participants for each cycle;
ii) establishing the long-term monetary incentive bonus for each of them;
iii) approving for each participant individual targets for each cycle; failure to achieve them constitutes an express termination condition for the bonus grant;
iv) assessing the degree of achievement of the targets by each participant;
v) approving proposed amendments, where necessary, to the functioning mechanisms of the plan.
The assessment as to whether to revise the plan is left to the discretion of the Board.

c) Beneficiaries of the Plan

Beneficiaries of the plan are certain Directors and Officers with strategic responsibilities of Italcementi S.p.A.
The plan is offered to participants considering the relevance of the functions attributed to them for the achievement of the Company's strategic targets.
Being a member of the Company's Board of Directors or having an office within the Company as Officer with strategic responsibilities are eligibility requirements to be admitted to the monetary incentive plan.

d) Term and Constraints of the Plan

The plan term is 3 (three) three-year cycles from 2010 to 2019. The term of the first cycle will be: i) for the Directors, the period 2010-2012, ii) for Officers with strategic responsibilities identified by the Company's Board of Directors (hereinafter, the Board), the period 2011-2013.
For each participant, the Board will, upon the Committee's proposal and, when applicable, having heard the opinion of the Committee for Transactions with Related Parties, establish the amounts of monetary bonuses related to the achievement of the assigned targets. These amounts will have to be established consistently with, among other criteria, the following:
i) market-based remuneration practices for senior Management positions of comparable corporations;
ii) consistency with the principles of the Company's "Remuneration Policy", in force from time to time;
iii) certainty of maximum possible cost for the Company, corresponding to a sub-multiple significantly lower than the value generated for the Company by achieving the targets related to disbursement of the bonus.
The right to obtain a pay-out of the bonus in connection with the long-term monetary incentive plan is subject to the achievement of the targets, linked to the Company's financial position and results of operations and to the other targets specifically assigned to the participant, as approved by the Board at the beginning of the cycle.
The Board, based on the opinion of the Committee, the Human Resources and Organizational Development Department Director and, when applicable, the Committee for Transactions with Related Parties, will assess and evaluate the degree of achievement of targets - which will be in no way linked to the performance / price of the Italcementi shares on the stock market - achieved during the three-year term of each cycle, thus calculating the bonus actually accrued in favor of each participant.

e) Plan Implementation Procedures and Terms

The plan provides for the assignment of a monetary premium to participants at the end of each three-year cycle, once the conditions for the expected performance as established at the beginning of the cycle have been met. The amount of the bonus will be directly linked to the degree of achievement of the targets assigned.

Without limitation to the right of the Board to decide otherwise, participation in the long-term monetary incentive plan, under this regulation, is inherently and functionally related to, and conditioned by, the permanence of each participant in the position held at the time of assignment for the entire duration of the cycle.
Subject to any exceptions for specific cases established by the Board having heard the Committee and, when applicable, the opinion of the Committee for Transactions with Related Parties, the following provisions will be applied to the cases mentioned below:

a) in the case of revocation of, or change in, position during the cycle, the Board may, at its discretion, based on the Committee's opinion, and in consideration of the reasons motivating the revocation or change, evaluate the possibility of paying out a compensatory lump sum bonus, commensurate with the portion of period and the transitional partial degree of achievement of targets assigned;
b) in the case of death of the participant during the cycle, the above will apply; if death occurs after the assigned targets have been achieved, the participant's heirs will be acknowledged the right to obtain payment of any bonus accrued.

f) Other Responsibilities of the Board of Directors

The Board, having heard the Committee's opinion, may temporarily suspend the long-term monetary incentive plan in the case of specific and particular circumstances.
The suspension of the effects coming from the right to bonus grant accrual under the long-term monetary incentive plan will occur in any case in which such circumstances may affect the conditions governing the execution of the plan, possibly altering the economic and financial preconditions and jeopardizing its aims as defined in letter a) above.
The Board may, in all the cases mentioned above and having heard the Committee's opinion, amend or integrate the plan, the cycle and this Regulation, or order the lapse of the same plan if it is no longer consistent with the Company's situation, subject to any rights acquired in the meantime as a result of the three-year period of reference having elapsed and the other requirements and conditions of this Regulation being met.

g) Any Support for the Plan by the Special Fund for the Encouragement of Employee Participation in Enterprises, pursuant to Art. 4, paragraph 112 of Law No. 350 dated December 24, 2003

Not applicable.

<u>Stock Option Plan for Officers - 2000</u>

By resolution of the Board of Directors held on March 20, 2000, the Company approved a stock option plan for officers, which, by resolution of the shareholders' meeting held on April 28, 2008 was replaced, only for the not executed part, by the "stock option Plan for top management" and by the "long-term monetary incentive Plan linked to the appreciation of the Italcementi shares for officers", whose main elements will be reported hereunder.

Overall, in execution of such Plan, 3,483,223 options were granted to the Group's management.

The figures mentioned above do not take into account the options granted to the former Chief Operating Officer and to the Chief Executive Officer when he was an employee of the Company. Including also such offices, the total options granted amount to 4,196,823, i.e. 1.496% of share capital.

No options were exercised during the year.

The options granted in execution of the Plan and not yet exercised amount to a total of 2,228,191.

Stock Option Plan for the Top Management - 2008

The shareholders' meeting held on April 28, 2008 approved a second stock option plan for officers, which, for the not executed part, replaces the Stock Option Plan for officers described above.

With reference to this stock option Plan, the Company's Board of Directors, at its meeting held on June 4, 2008 regarding the three-year period 2008-2010, granted the Chief Operating Officer and 10 officers a total number of options ranging from a minimum of 1,180,000 to a maximum of 2,000,000. If the recipient does not reach the minimum targets assigned to him/her, he/she loses the right to exercise all of the options granted.

The Board of Directors, at its meeting held on March 4, 2011, upon proposal of the Remuneration Committee, assessed the degree of achievement of performance targets originally assigned to the Chief Operating Officer, granted 375,000 options to the Chief Operating Officer and 80,000 options to the Manager in charge of preparing the Company's financial reports.

The shareholders' meeting held on April 19, 2011 approved the cancellation of the Plan, for the not executed part.

Long-Term Monetary Incentive Plan linked to the Appreciation of the Italcementi Shares for Officers

This Plan was approved by the shareholders' meeting on April 28, 2008.

The Board of Directors, at its meeting held on June 4, 2008, granted 20 officers, with respect to the three-year period 2008-2010, from a minimum of 180,000 up to a maximum of 300,000 overall rights. If the beneficiary fails to achieve the minimum targets assigned, he/she loses the right to obtain payment of the entire *cash bonus*.

Having assessed the degree of achievement of assigned targets, the Chief Executive Officer granted 17 recipients (in the meantime, the remaining 3 had left the Company) a total number of 221,000 rights, of a value of € 6.272 per unit, equal to a total of € 1,386,134.

Moreover, the Chief Executive Officer, executing the powers provided by the Plan, identified, for the 2nd cycle of validity of the same - 2011/2013 - 28 officers of Italcementi S.p.A., to whom a minimum of 1,000,000 rights would be granted.

The main features of the Plan are the following.

a) Reasons for the Adoption of the Plan

These may be summarized as follows:

- to tie the overall treatment of beneficiaries to the Company's medium/long-term performance and to "value creation" for shareholders;
- to reward the achievement of targets of each beneficiary, ensuring the highest involvement of the Company's entire top management on its performance and increasing the sense of belonging of beneficiaries, encouraging them to remain at the Company.

b) Plan Management

The corporate body responsible for decisions relating to the Plan is the Board of directors which delegates the Chief Executive Officer to manage the Plan, including through the technical support of the Human Resources and Organizational Development Department Director.

More specifically, the Chief Executive Officer will be responsible for:

i) establishing the maximum number of Rights to participate in the long-term monetary incentive plan linked to the appreciation of Shares, altogether attributable as part of the Cycle;

ii) identifying the individual Beneficiaries for each Cycle as well as deciding the number of Rights to participate in the long-term monetary incentive plan linked to the appreciation of Shares, granted to each Beneficiary;

iii) approving for each Beneficiary the individual Targets for each Cycle, whose failure to achieve will be an express termination condition of the Rights granted to participate in the long-term monetary incentive plan linked to the appreciation of Shares made in favor of the same Beneficiary within the Cycle, with the consequent forfeiture of the right to obtain the cash bonus linked to the same rights;

iv) assessing the degree of achievement of the Targets by each Beneficiary;

v) deciding the date of commencement of the Availability Period.

The management of the Plan is carried out by the Company's Human Resources and Organizational Development Department in accordance with the provisions of the Regulations.

c) Beneficiaries of the Plan

Beneficiaries of the plan are the Company's employees identified by the Chief Executive Officer, to whom Rights are granted to participate in the long-term monetary incentive plan linked to the appreciation of Shares.

d) Term and Availability Restrictions on the Shares and on the Granted Option Rights

The term of the Plan is of three three-year Cycles from 2008 to 2016.

The end of the Plan is set for late 2017 (the first year following the end of the last three-year Cycle).

The Chief Executive Officer, under the Plan, decides the number of rights to participate in the Plan to be granted to each of the beneficiaries on the basis of an overall evaluation, which, taking into account the Company's general performance as an essential prerequisite, and the strategic and organizational position of the role of each beneficiary in order to pursue the Company's strategic targets, will regard:

i) the Company's performance achieved in the period,

ii) the Beneficiary's organizational level in the Company's structure,

iii) consistency with the principles of overall remuneration underlining the Company's remuneration policy.

The accrual of the rights granted to each beneficiary is subject to the achievement of the targets linked to the financial position and results of operations and other individual targets specifically assigned. The Chief Executive Officer, with the support of the Human Resources and Organizational Development Department, is in charge of the verification and evaluation, during each cycle, of the degree of achievement of the targets, accordingly defining the amount of rights to participate in the plan previously granted to each beneficiary.

e) Procedures for the Value of Rights determination and Clauses for the Plan Implementation

The Plan provides for the offer, free-of-charge and reserved to the beneficiaries, of rights to participate in the Plan which, once they reach maturity in accordance with the requirements and conditions laid down by the Regulations, will enable the beneficiaries to obtain payment of a cash bonus equal to the value of the shares as resulting from the arithmetic average of official prices of the same on the stock exchange market managed by *Borsa Italiana* (i.e. the Italian stock exchange market) within the thirty calendar days preceding the date of payment.

The rights to participate in the Plan are nominative and non-transferable.

In the event of

a) termination of the employment relationship due to dismissal or resignation occurring after the

Performance Monitoring Period has elapsed but before the beginning of the Availability Period, the general principle will apply and therefore the Beneficiary will automatically and permanently lose the right to receive the cash bonus linked to the Rights to participate in the long-term monetary incentive plan linked to the appreciation of Shares, granted but not yet accrued;

b) termination of the employment relationship by mutual consent or resignation for retirement or further to invalidity, however occurred after the end of the Performance Monitoring Period, or if the Beneficiary has achieved the assigned Targets, the same Beneficiary will maintain the right to obtain the cash bonus linked to the Rights to participate in the long-term monetary incentive plan tied to the appreciation of Shares, granted but not yet accrued, if, after the date of termination of the employment, the accrual of the same actually takes place;

c) death of the Beneficiary after the end of the Performance Monitoring Period, or upon attainment of the Targets assigned, the Rights to participate in the long-term monetary incentive plan linked to the appreciation of Shares granted to the same under this Plan which may have been accrued will be awarded to the same Beneficiary's heirs upon submission by the latter of the necessary documentation proving such qualification.

If, during the course of the assignment cycle, the transfer of the Beneficiary's employment relationship occurs between the Company and its Italian and foreign subsidiaries or its parent company or between the latter, regardless of the manner by which such transfer occurred, or the Beneficiary's organizational position is changed with a consequent change in the latter's responsibilities, the Targets will also be updated in line with the new position.
In any case, the Chief Executive Officer may define an equitable amount payable to the Beneficiary in relation to the activities carried out till then.
For each three-year cycle a maximum of 223,000 Rights to participate in the Plan may be granted.

f) Other Powers Assigned to the Board of Directors

The Chief executive Officer may temporarily suspend the effects deriving from the accrual of Rights to participate in the plan in the case of specific and particular needs such as, by way of example but not limited to, changes in legal and regulatory provisions, excluding tax provisions, applicable to the legal relationships arising from the Plan.
The suspension of the effects deriving from the accrual of Rights to participate in the plan will also take place in any case in which such circumstances may occur as, by way of example but not limited to, corporate transactions, mergers and demergers having an effect on the Company's share capital, increase and reduction of the Company's share capital, changes to the Bylaws relating to the Shares such as to affect the conditions governing the implementation of the Plan, possibly altering the economic and financial conditions and jeopardizing its aims as previously defined.
In any case, the suspension will be promptly communicated to the Beneficiaries.

g) Any support for the plan by the special Fund for the encouragement of employee participation in enterprises, pursuant to Art. 4, paragraph 112, of Law No. 350 dated December 24, 2003

Not applicable.;

1.2. Full representation in Section I of this Report was given of the agreements that provide for indemnity for early termination of contracts; the following information is also provided:

- the possible existence of such agreements, providing negative information if they are not present;
  See Section I - letter l);
- the criteria for calculating the indemnity payable to each person. If the indemnity is expressed in connection with the annual salary, indicate the components of such annual salary in detail;
  See Section I - letter l; in the case mentioned above, the annual salary is the sum of the fixed

component and the variable component effectively disbursed in the reference year;

- the possible presence of performance criteria which the granting of remuneration is linked to;

  Not applicable;

- the possible effects of the employment contract termination on rights granted under incentive plans based on financial instruments or to be disbursed on a cash basis;

  See section II I.1 - PART ONE - 1.1; with respect to the long-term monetary incentive Plan for directors and key management personnel - letter e); with respect to the long-term monetary incentives Plan linked to the appreciation of Italcementi shares for officers - letter e).

  Furthermore:

  1) With respect to the stock option plan for directors - 2001: the exercise of stock option rights was subject to the condition that the director beneficiary of the Plan had regularly concluded his/her office during the term of which the options had been granted without early resignation being given and without a revocation measure being decided by the shareholders' meeting;
  2) With respect to the stock option plan for top management - 2008: In the event of:
     a) termination of the employment relationship due to dismissal or resignation after the Accrual Period expired but before the exercise of Options, the general principle will apply and therefore the beneficiary will automatically and permanently lose the right to subscribe or purchase the Shares underlying such Options;
     b) termination of the employment relationship by mutual consent, resignation due to retirement, or further to invalidity during the course of the Accrual Period but before the exercise of Options, or regarding a beneficiary who has achieved the assigned targets in the period, the same beneficiary will retain the right to exercise the Options not yet exercised in compliance with the terms and conditions laid down in the Regulations;
     c) the beneficiary's death occurring after the expiry of the Accrual Period but before the exercise of Options, or regarding a beneficiary who has achieved the assigned targets in the period, the Options may be exercised by the beneficiary's heirs upon submission by the latter of the necessary documentation proving that qualification;
  3) With respect to the stock option plan for officers - 2000: as a general rule, stock option rights not yet exercised will not be recognized - except in case of retirement - in the event of interruption of the employment relationship within the Group.
     In the case of death of the holder of options, these may be exercised by successors within six months of his/her death provided that such term falls within the period of exercisability of the options.

- cases in which the right to indemnity accrues;

  See section I - letter l);

- possible existence of agreements that provide for granting or maintaining non-monetary benefits in favor of persons who have ceased their assignment or for entering into consulting contracts for a period following termination of employment;

  Not applicable;

- possible existence of agreements that provide for remuneration due to non-competition commitments;

  The Company, in general, does not conclude specific non-competition agreements with its Officers with strategic responsibilities, designed to pay consideration in cash, during the employment or after the termination thereof, related to their respective fixed remuneration in relation to the geographical extent, term and kind of business of the constraints arising from the same agreement;

- with reference to the directors who have terminated their office during the financial year, any deviations in defining their indemnity with respect to the provisions of the reference agreement;

  Not applicable;
- Where specific agreements are not provided, explain the criteria by which the accrued indemnity was defined;

  Not applicable.

I.2 – PART TWO

Remuneration Paid to Members of the Governing and Supervising Bodies, Chief Operating Officer and other officers with Strategic Responsibilities

Name, surname	Position	Period during which the office was held	End of office term	Fixed remuneration	Remuneration for taking part in committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	End-of-service bonus and severance indemnity
						Bonuses and other incentives	Profit sharing					
Giampiero Pesenti	Chairman Executive Committee	1.1 – 31.12	2015									
(I) Remuneration in the company preparing the financial statements				1,004,583		529,000		211,520		1,745,103		3,839,875
(II) Remuneration from subsidiaries and affiliates				51,000						51,000		
			Total	1,055,583		529,000		211,520		1,796,103		3,839,875
Pierfranco Barabani	Executive Deputy Chairman Executive Committee	1.1 – 31.12	2015									
(I) Remuneration in the company preparing the financial statements				179,583		100,000		6,073		285,656		
(II) Remuneration from subsidiaries and affiliates				18,000						18,000		
			Total	197,583		100,000		6,073		303,656		
Lorenzo Renato Guerini	Deputy Chairman Control and Risk Committee Committee for Transactions with Related Parties Remuneration Committee	1.1 – 31.12	2015									
(I) Remuneration in the company preparing the financial statements				166,458	44,000					210,458		
(II) Remuneration from subsidiaries and affiliates												
			Total	166,458	44,000					210,458		
Carlo Pesenti	Chief Executive Officer Executive Committee	1.1 – 31.12	2015									
(I) Remuneration in the company preparing the financial statements				1,299,583		812,500				2,112,083		
(II) Remuneration from subsidiaries and affiliates												
			Total	1,299,583		812,500				2,112,083		
Giulio Antonello	Director Remuneration Committee	1.1 – 31.12	2015									
(I) Remuneration in the company preparing the financial statements				41,458	12,000					53,458		
(II) Remuneration from subsidiaries and affiliates												
			Total	41,458	12,000					53,458		
Alberto Bombassei	Director Remuneration Committee	1.1 – 17.4	2012									
(I) Remuneration in the company preparing the financial statements				13,125	4,375					17,500		
(II) Remuneration from subsidiaries and affiliates												
			Total	13,125	4,375					17,500		
Giorgio Bonomi	Director	1.1 – 31.12	2015									
(I) Remuneration in the company preparing the financial statements				41,458						41,458		
(II) Remuneration from subsidiaries and affiliates												
			Total	41,458						41,458		
Fritz Burkard	Director	17.4 – 31.12	2015									
(I) Remuneration in the company preparing the financial statements				28,333						28,333		
(II) Remuneration from subsidiaries and affiliates												
			Total	28,333						28,333		
Alberto Clô	Director Control and Risk Committee Committee for Transactions with Related Parties	1.1 – 17.4	2012									
(I) Remuneration in the company preparing the financial statements				13,125	17,500					30,625		
(II) Remuneration from subsidiaries and affiliates												
			Total	13,125	17,500					30,625		

Name, surname	Position	Period during which the office was held	End of office term	Fixed remuneration	Remuneration for taking part in committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	End-of-service bonus and severance indemnity
						Bonuses and other incentives	Profit sharing					
Victoire De Margerie	Director Remuneration Committee	17.4 – 31.12	2015									
(I) Remuneration in the company preparing the financial statements				28,333	8,000					36,333		
(II) Remuneration from subsidiaries and affiliates												
			Total	28,333	8,000					36,333		
Federico Falck	Director Executive Committee Control and Risk Committee Committee for Transactions with Related Parties	1.1 – 31.12	2015									
(I) Remuneration in the company preparing the financial statements				54,583	49,500					104,083		
(II) Remuneration from subsidiaries and affiliates												
			Total	54,583	49,500					104,083		
Danilo Gambirasi	Director	1.1 – 17.4	2012									
(I) Remuneration in the company preparing the financial statements				13,125						13,125		
(II) Remuneration from subsidiaries and affiliates				29,167				4,561		33,728		
			Total	42,292				4,561		46,853		
Carlo Garavaglia	Director	1.1 – 17.4	2012									
(I) Remuneration in the company preparing the financial statements				13,125						13,125		
(II) Remuneration from subsidiaries and affiliates												
			Total	13,125						13,125		
Italo Lucchini	Director Remuneration Committee (up to 17.04)	1.1 – 31.12	2015									
(I) Remuneration in the company preparing the financial statements				41,458	4,375					45,833		
(II) Remuneration from subsidiaries and affiliates				16,344						16,344		
			Total	57,802	4,375					62,177		
Emma Marcegaglia	Director Remuneration Committee	17.4 – 31.12	2015									
(I) Remuneration in the company preparing the financial statements				28,333	8,000					36,333		
(II) Remuneration from subsidiaries and affiliates												
			Total	28,333	8,000					36,333		
Sebastiano Mazzoleni	Director	1.1 – 31-12	2015									
(I) Remuneration in the company preparing the financial statements				41,458						41,458		
(II) Remuneration from subsidiaries and affiliates				43,000						43,000		
			Total	84,458						84,458		
Jean Paul Méric	Director Executive Commitee	17.4 – 31.12	2015									
(I) Remuneration in the company preparing the financial statements				28,333						28,333		
(II) Remuneration from subsidiaries and affiliates				55,557				3,419	107,499	166,475		
			Total	83,890				3,419	107,499	194,808		
Yves René Nanot	Director Executive Commitee	1.1 – 17.4	2012									
(I) Remuneration in the company preparing the financial statements				26,250						26,250		
(II) Remuneration from subsidiaries and affiliates				34,943				471	136,842	172,256		
			Total	61,193				471	136,842	198,506		
Marco Piccinini	Director	1.1 – 17.4	2012									
(I) Remuneration in the company preparing the financial statements				13,125						13,125		
(II) Remuneration from subsidiaries and affiliates												
			Total	13,125						13,125		
Ettore Rossi	Director Supervising Body	1.1 – 17.4	2012									
(I) Remuneration in the company preparing the financial statements				13,125	11,667					24,792		
(II) Remuneration from subsidiaries and affiliates									4,299	4,299		
			Total	13,125	11,667				4,299	29,091		

Name, surname	Position	Period during which the office was held	End of office term	Fixed remuneration	Remuneration for taking part in committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	End-of-service bonus and severance indemnity
						Bonuses and other incentives	Profit sharing					
Attilio Rota	Director Executive Committee Control and Risk Committee Committee for Transactions with Related Parties	1.1 – 17.4	2012									
(I) Remuneration in the company preparing the financial statements				26,250	17,500					43,750		
(II) Remuneration from subsidiaries and affiliates												
			Total	26,250	17,500					43,750		
Carlo Secchi	Director Control and Risk Committee Committee for Transactions with Related Parties	1.1 – 31.12	2015									
(I) Remuneration in the company preparing the financial statements				41,458	49,500					90,958		
(II) Remuneration from subsidiaries and affiliates												
			Total	41,458	49,500					90,958		
Elena Zambon	Director	1.1 – 31.12	2015									
(I) Remuneration in the company preparing the financial statements				41,458						41,458		
(II) Remuneration from subsidiaries and affiliates												
			Total	41,458						41,458		
Emilio Zanetti	Director Remuneration Committee	1.1 – 17.4	2012									
(I) Remuneration in the company preparing the financial statements				13,125	4,375					17,500		
(II) Remuneration from subsidiaries and affiliates												
			Total	13,125	4,375					17,500		
Maria Martellini	Chairman of the Board of Statutory Auditors	1.1 – 31.12	2014									
(I) Remuneration in the company preparing the financial statements				75,000						75,000		
(II) Remuneration from subsidiaries and affiliates												
			Total	75,000						75,000		
Mario Comana	Standing Auditor	1.1 – 31.12	2014									
(I) Remuneration in the company preparing the financial statements				50,000						50,000		
(II) Remuneration from subsidiaries and affiliates												
			Total	50,000						50,000		
Luciana Gattinoni	Standing Auditor	1.1 – 31.12	2014									
(I) Remuneration in the company preparing the financial statements				50,000						50,000		
(II) Remuneration from subsidiaries and affiliates												
			Total	50,000						50,000		
Giovanni Battista Ferrario	Chief Operating Officer	1.1 – 31.12	-									
(I) Remuneration in the company preparing the financial statements				350,000		760,000		15,046		1,125,046		
(II) Remuneration from subsidiaries and affiliates				750,000		1,411,500				2,161,500		
			Total	1,100,000		2,171,500		15,046		3,286,546		
Carlo Bianchini	Manager in charge	1.1 – 31.12	2015									
(I) Remuneration in the company preparing the financial statements				296,243		487,874		8,509	30,000	822,626		
(II) Remuneration from subsidiaries and affiliates				48,792						48,792		
			Total	345,035		487,874		8,509	30,000	871,418		

Remuneration for each office when the amount reported in the above table is in aggregate form

Fixed remuneration		
Giampiero Pesenti	Remuneration as Director	41,458
	Remuneration as Executive committee member	13,125
	Fixed remuneration	950,000
	Subsidiaries and affiliates:	
	Ciments Français S.A.	51,000
Pierfranco Barabani	Remuneration as Director	41,458
	Remuneration as Executive committee member	13,125
	Fixed remuneration	125,000
	Subsidiaries and affiliates:	
	Ing. Sala S.p.A.	18,000
Lorenzo Renato Guerini	Remuneration as Director	41,458
	Fixed remuneration	125,000
Carlo Pesenti	Remuneration as Director	41,458
	Remuneration as Executive committee member	13,125
	Fixed remuneration	1,245,000
Federico Falck	Remuneration as Director	41,458
	Remuneration as Executive committee member	13,125
Italo Lucchini	***Subsidiaries and affiliates:***	
	Ciments Français S.A.	10,144
	Azienda Agricola Lodoletta S.p.A.	6,200
Jean Paul Méric	***Subsidiaries and affiliates:***	
	Ciments Français S.A.	26,680
	Companies controlled by Ciments Français	28,877
Yves René Nanot	Remuneration as Director	13,125
	Remuneration as Executive committee member	13,125
	Subsidiaries and affiliates:	
	Ciments Français S.A.	16,320
	Companies controlled by Ciments Français	18,623
Attilio Rota	Remuneration as Director	13,125
	Remuneration as Executive committee member	13,125

Remuneration for the Board committees' members		
Alberto Clô	Control and Risk Committee	10,208
	Committee for Transactions with related parties	7,291
Lorenzo Renato Guerini	Control and Risk Committee	20,000
	Committee for Transactions with related parties	12,000
	Remuneration Committee	12,000
Federico Falck	Control and Risk Committee	30,208
	Committee for Transactions with related parties	19,291
Attilio Rota	Control and Risk Committee	10,208
	Committee for Transactions with related parties	7,291
Carlo Secchi	Control and Risk Committee	30,208
	Committee for Transactions with related parties	19,291

Stock-options Granted to Members of the Governing and Supervising Bodies, Chief Operating Officer and other Officers with Strategic Responsibilities

			Options held at the beginning of the financial year			Options granted during the financial year						Options exercised during the financial year			Options expired during the financial year	Options held at the end of the financial year	Options accrued in the financial year
A	**B**	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**	**(11)**	**(12)**	**(13)**	**(14)**	**(15)=(2)+(5)-11-14**	**(16)**
Name, last name	Position	Plan	Number of options	Exercise price	Period of possible exercise (from-to)	Number of options	Exercise price	Period of possible exercise (from-to)	Fair value as of the grant date	Grant date	Market price of shares underlying the granting of options	Number of options	Exercise price	Market price of underlying shares as of the date of exercise	Number of options	Number of options	Fair value
Giampiero Pesenti	Chairman																
(I) Remuneration in the company preparing the financial statements		Stock option plan for directors (BoD resolution of May 9, 2001)	150,000	13.3871	17.03.2008 16.03.2015	-	-	-	-	-	-	-	-	-	-	150,000	-
			150,000	16.89	07.03.2009 06.03.2016	-	-	-	-	-	-	-	-	-	-	150,000	-
			150,000	23.049	07.03.2010 06.03.2017	-	-	-	-	-	-	-	-	-	-	150,000	-
(II) Remuneration from subsidiaries and affiliates			-													-	-
		Total	450,000													450,000	-
Carlo Pesenti	Chief Executive Officer																
(I) Remuneration in the company preparing the financial statements		Stock option plan for directors (BoD resolution of May 9, 2001)	135,000	13.3871	17.03.2008 16.03.2015	-	-	-	-	-	-	-	-	-	-	135,000	-
			85,000	16.89	07.03.2009 06.03.2016	-	-	-	-	-	-	-	-	-	-	85,000	-
			200,000	23.049	07.03.2010 06.03.2017	-	-	-	-	-	-	-	-	-	-	200,000	-
(II) Remuneration from subsidiaries and affiliates			-													-	-
		Total	420,000													420,000	-
Yves René Nanot	Director																
(I) Remuneration in the company preparing the financial statements		Plan A (date of relevant resolution)	-													-	-
(II) Remuneration from subsidiaries and affiliates		Plan A (BoD resolution of March 1, 2005)	40,000	70.88	14.04.2008 13.04.2015	-	-	-	-	-	-	-	-	-	-	40,000	-
		Plan B (BoD resolution of March 1, 2006)	45,000	117.29	23.03.2009 22.03.2016	-	-	-	-	-	-	-	-	-	-	45,000	-
		Plan C (BoD resolution of March 5, 2007)	45,000	140.28	23.03.2010 22.03.2017	-	-	-	-	-	-	-	-	-	-	45,000	-
		Plan D (BoD resolution of April 14, 2008)	45,000	108.55	14.04.2011 13.04.2018											45,000	-
		Total	175,000													175,000	
Giovanni Battista Ferrario	Chief Operating Officer																
(I) Remuneration in the company preparing the financial statements		Stock option plan for directors (Shareholders' resolution of April 26, 2008)	375,000	13.355	04.06.2011 03.06.2018	-	-	-	-	-	-	-	-	-	-	375,000	-
(II) Remuneration from subsidiaries and affiliates			-													-	-
		Total	375,000													375,000	-

			Options held at the beginning of the financial year			**Options granted during the financial year**						**Options exercised during the financial year**			**Options expired during the financial year**	**Options held at the end of the financial year**	**Options accrued in the financial year**
A	**B**	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**	**(11)**	**(12)**	**(13)**	**(14)**	**(15)= (2)+(5) -11-14**	**(16)**
Name, last name	Position	Plan	Number of options	Exercise price	Period of possible exercise (from-to)	Number of options	Exercise price	Period of possible exercise (from-to)	Fair value as of the grant date	Grant date	Market price of shares underlying the granting of options	Number of options	Exercise price	Market price of underlying shares as of the date of exercise	Number of options	Number of options	Fair value
Carlo Bianchini	Manager in charge																
(I) Remuneration in the company preparing the financial statements		Stock option plan for directors (BoD resolution of March 20, 2000)	10,750	13.3871	17.03.2008 16.03.2015	-	-	-	-	-	-	-	-	-	-	10,750	
			10,000	16.89	07.03.2009 06.03.2016	-	-	-	-	-	-	-	-	-	-	10,000	
			13,300	23.049	07.03.2010 06.03.2017	-	-	-	-	-	-	-	-	-	-	13,300	
			14,440	12.804	26.03.2011 25.03.2018	-	-	-	-	-	-	-	-	-	-	14,440	
		Stock option plan for directors (Shareholders' resolution of April 26, 2008)	80,000	13.355	04.06.2011 03.06.2018	-	-	-	-	-	-	-	-	-	-	80,000	
(II) Remuneration from subsidiaries and affiliates			-													-	
		Total	128,490													128,490	

Monetary Incentive Plans in Favor of Members of the Governing and Supervising Bodies, Chief Operating Officer and other Officers with Strategic Responsibilities

Last name, name	Position	Plan	Bonus for the year			Bonus for previous years			Other bonuses
			Payable/ disbursed	Deferred	Deferment period	Not payable any more	Payable/ disbursed	Still deferred	
Pesenti Giampiero	Chairman								
(I) Remuneration in the company preparing the financial statements	May 3, 2013	Annual MBO	529,000						
	May 3, 2013	Three-years LTI		Max. 1,092,500*					
(II) Remuneration from subsidiaries and affiliates	-	-							
	Total		529,000	Max. 1,092,500*					
Barabani Pierfranco	Executive Deputy Chairman								
(I) Remuneration in the company preparing the financial statements	May 3, 2013	Annual MBO	100,000						
(II) Remuneration from subsidiaries and affiliates	-	-							
	Total		100,000						
Pesenti Carlo	Chief Executive Officer								
(I) Remuneration in the company preparing the financial statements	May 3, 2013	Annual MBO	812,500						
	May 3, 2013	Three-years LTI		Max. 1,437,500*					
(II) Remuneration from subsidiaries and affiliates	-	-							
	Total		812,500	Max. 1,437,500*					
Ferrario Giovanni Battista	Chief Operating Officer								
(I) Remuneration in the company preparing the financial statements	March 5, 2013	Annual MBO	310,000						
	March 4, 2011	Three-years LTI	150,000**				300,000***		
(II) Remuneration from subsidiaries and affiliates	March 1, 2013	Annual MBO	511,500						
	March 4, 2014	Three-years LTI	300,000**				600,000***		
	Total		1,271,500				900,000		
Bianchini Carlo	Manager in charge								
(I) Remuneration in the company preparing the financial statements	March 5, 2013	Annual MBO	144,125						
	March 4, 2011	Three-years LTI	114,583**				229,166***		
(II) Remuneration from subsidiaries and affiliates	-	-							
	Total		258,708				229,166		

* Theoretical portion of the 2013-2015 LTI plan accrued in financial year 2013
** Theoretical portion of the 2011-2013 LTI plan accrued in financial year 2013
*** Theoretical portion of the 2011-2013 LTI plan accrued in financial years 2011 and 2012

Shareholdings of Governing and Supervising Bodies, Chief Operating Officer and Manager in charge of Preparing the Company's Financial Reports

Name, last name	Position	Company held	Numbers of shares held at the end of the previous financial year	Numbers of shares purchased	Numbers of shares sold	Numbers of shares held at the end of the current financial year
Giampiero Pesenti	Chairman	Italcementi	ordinary shares: 10,972 [1] savings shares: 22,698 [2]	ordinary shares: - savings shares: -	ordinary shares: - savings shares: -	ordinary shares: 10,972 [1] savings shares: 22,698 [2]
Pierfranco Barabani	Executive Deputy Chairman	Italcementi	ordinary shares: 78,780 [2] savings shares: 884	ordinary shares: - savings shares: -	ordinary shares: - savings shares: -	ordinary shares: 78,780 [2] savings shares: 884
Lorenzo Renato Guerini	Deputy Chairman	Italcementi	ordinary shares: 60,000 [1]	ordinary shares: -	ordinary shares: -	ordinary shares: 60,000 [1]
Carlo Pesenti	Chief Executive Officer	Italcementi	ordinary shares: 1,500 [1] savings shares: 3,000 [1]	ordinary shares: - savings shares: -	ordinary shares: - savings shares: -	ordinary shares: 1,500 [1] savings shares: 3,000 [1]
		Ciments Français	ordinary shares: 50	ordinary shares: -	ordinary shares: -	ordinary shares: 50
Giorgio Bonomi	Director	Italcementi	ordinary shares: 2,500	ordinary shares: -	ordinary shares: -	ordinary shares: 2,500
Federico Falck	Director	Italcementi	ordinary shares: 41,600 savings shares: 6,760	ordinary shares: - savings shares: -	ordinary shares: - savings shares: -	ordinary shares: 41,600 savings shares: 6,760
Italo Lucchini	Director	Ciments Français	ordinary shares: 50	ordinary shares: -	ordinary shares: -	ordinary shares: 50
Sebastiano Mazzoleni	Director	Italcementi	ordinary shares: 7,352 savings shares: 7,040	ordinary shares: - savings shares: -	ordinary shares: 6,000 savings shares: 6,000	ordinary shares: 1,352 savings shares: 1,040
Mario Comana	Standing Auditor	Italcementi	ordinary shares: 2,500 savings shares: 2,000	ordinary shares: - savings shares: -	ordinary shares: - savings shares: -	ordinary shares: 2,500 savings shares: 2,000
Carlo Bianchini	Manager in charge	Italcementi	ordinary shares: 4,500	ordinary shares: -	ordinary shares: -	ordinary shares: 4,500

* * *

Dear Shareholders,

We invite you to adopt the following resolution:

"The Shareholders' Meeting of Italcementi S,p,A, held on April 16, 2014,

- having acknowledged the Report prepared by the Directors,

hereby resolves

In favor of / against

the first section of the Report on Remuneration illustrated above.

Authorization to purchase and dispose of treasury shares

Dear Shareholders,

As illustrated in other sections of this Report, at the ordinary meeting of April 17, 2013 the Shareholders, renewed the authorization for the Company to acquire and dispose of treasury shares for a period of 18 months as of the resolution date.

In connection with the aforementioned shareholders' resolution, the Company has not purchased any ordinary and savings shares nor has it sold those held in portfolio to stock option beneficiaries during the fiscal year, since no options were exercised.

As a consequence, at March 6, 2014, the Company holds 3,793,029 ordinary treasury shares and 105,500 savings treasury shares. The carrying amount of treasury shares in portfolio at that date is equal to a total amount of 58,689,585.56 euro, as reflected in the accounts in accordance with the applicable laws.

Since the authorization expires on October 16, 2014, in order to enable the Company to maintain its right to acquire and dispose of treasury shares, we invite you to resolve upon the renewal of such authorization for the next 18 months.

This proposal does not contain any differences with respect to the proposal approved by the shareholders' meeting of last year.

1) Reasons underlying the proposed authorization to acquire and dispose of treasury shares.

The authorization is requested in order to:

- dispose of treasury shares
  - to be granted to employees and/or directors in connection with stock option plans reserved to them;
  - for medium/long-term investment purposes;
- operate, in compliance with current regulations, directly or through intermediaries, in order to limit anomalous trends in share prices and to regularize stock exchange prices caused by temporary distortions linked to excessive volatility or low trading liquidity;
- create a treasury stock portfolio to serve extraordinary financial transactions or for other purposes deemed to be in the financial, business and /or strategic interest of the Company;
- offer an additional tool to the shareholders to monetize their investments.

2) Maximum number, category and nominal value of the shares which the authorization refers to; compliance with paragraph 3, art. 2357 of the Italian Civil Code

Purchases refer to ordinary and/or savings shares of the Company whose maximum number, including treasury shares already held as at the date hereof by the Company and by the subsidiaries (which will receive specific instructions for timely disclosure of the shares they hold), shall not exceed an overall nominal value of one tenth of the entire share capital.

In any case, purchases shall be made, in accordance with article 2357 of the Italian Civil Code, within the limits of the distributable earnings and available reserves reflected in the latest approved financial statements of the Company.

The consideration paid or received with respect to treasury shares purchase or sale shall be directly reflected in equity in compliance with IAS 32 and it shall in any case be accounted for in the manner established by the laws in force from time to time.

3) Term of the authorization.

The authorization to purchase treasury shares is requested for a period of 18 months as of the date on which the shareholders adopts the resolution, while the authorization for their disposal is requested without time limits.

4) Minimum and maximum consideration and market values on which such considerations have been determined.

The purchase price of each share shall not be lower nor exceed 15%, as peak, than the average reference share price recorded on the same regulated market in the last three sessions preceding each transaction.

The overall consideration to be paid by the Company for the purchase shall in no case exceed the amount of 100 million euro.

The shares may be sold, whether or not purchases have been completed, and on one or more occasion (also through public offers or offers to the shareholders or through placement of warrants and depositary receipts representing shares and/or similar securities), at a price no lower than the lowest purchase price.

This price limit shall not apply in the event of sale of shares offered to the employees of Italcementi S.p.A. and its subsidiaries, parent companies and the other companies controlled by the latter or to members of the Board of Directors of Italcementi S.p.A. and its subsidiaries who are vested with special offices in compliance with the Articles of Association or who perform specific operating duties, in connection with stock option plans for employees and for directors.

5) Terms and Conditions according to which purchases shall be made.

Purchases of treasury shares shall be normally made, unless otherwise indicated below, so that equal treatment of shareholders is ensured and offers to purchase, directly matched with pre-determined offers to sell, are not allowed.

Moreover, in consideration of the various purposes illustrated in this proposal, the Board of Directors proposes to be authorized to purchase in accordance with any other manner allowed under current laws and regulations governing the stock market on which the transaction is performed and, therefore, as at the present time:

- through public tender or exchange offers;
- through the purchase and sale of derivatives traded on regulated markets which provide for physical delivery of the underlying shares;
- through the proportional allocation to shareholders of put options to be exercised within the term of the authorization as per paragraph 3 above.

With regard to sale transactions, the Board of Directors proposes that the authorization shall allow the adoption of any procedure deemed appropriate to achieve the intended objectives to be executed either directly or through intermediaries, in compliance with national and European laws and regulations.

The treasury shares acquisitions and sales which the authorization is requested for will be executed in compliance with applicable laws, especially, in compliance with national and European laws and regulations including those on market abuse.

Appropriate disclosure of treasury shares acquisitions and sales will be provided in compliance with the applicable disclosure requirements.

6) Acquisition in order to reduce share capital.

In light of these forecasts, this hypothesis does not apply.

* * *

Dear Shareholders,

If you agree with our proposal, we invite you to resolve upon the following resolution:

“At their meeting held on April 16, 2014, Italcementi S.p.A. shareholders,

- having acknowledged the Directors’ proposal,
- taking into account articles 2357 and 2357-ter of the Italian Civil Code

hereby resolve

1) to revoke the resolution authorizing the acquisition and disposal of treasury shares adopted by the ordinary shareholders' meeting of April 17, 2013;
2) to authorize, pursuant to art. 2357 of the Italian Civil Code, the purchase of ordinary and/or savings treasury shares, for the amounts, at the price, according to the terms and conditions indicated herein below:
   - the purchases shall be made once or more than once, within 18 months of the resolution date;
   - the purchase price of each share shall not be more than 15% above or below the average reference price as recorded on the same regulated market in the three sessions preceding each transaction;
   - the overall amount paid shall in no case exceed 100 million euro;
   - the maximum number of ordinary and/or savings shares acquired shall not have an overall nominal value, including treasury shares already held as of the date hereof by the Company and by the subsidiaries, in excess of one tenth of the share capital;
3) to authorize, pursuant to art. 2357-ter, paragraph 1 of the Italian Civil Code, the Chairman, Executive Deputy Chairman, the Deputy Chairman and the Chief Executive Officer in office *pro tempore* to severally dispose of the purchased treasury shares, even if the purchase has not been completed yet, in compliance with current laws and without time limits.

   The sale price shall not be lower than the lowest purchase price.

   This price limit shall not apply, however, in the event of a sale of shares to the employees of Italcementi S.p.A. and its subsidiaries, parent companies and the other companies controlled by the latter or to members of the Board of Directors of Italcementi S.p.A. and its subsidiaries who are vested with special offices in compliance with the Articles of Association or who perform specific operating duties, in connection with stock option plans for employees and for directors.
4) to establish that:
   - the purchases shall be normally conducted so that equal treatment of shareholders is ensured and offers to purchase directly matched with pre-determined offers to sell are not allowed, or, taking into account the various possible purposes, in any other manner allowed under current laws and regulations governing the stock market on which the transactions are performed;
   - the shares shall be disposed of in any manner deemed appropriate to achieve the objectives pursued, directly or through intermediaries, in compliance with current applicable national and European laws and regulations;

- treasury shares purchases and sales shall be executed in compliance with applicable laws and, specifically, with laws and regulations governing the stock market on which the transactions are performed;

5) to establish that the consideration paid or received with respect to treasury shares purchases or sales transactions shall be reflected directly in equity in compliance with IAS 32 and shall in any case be accounted for in the manner established by the laws in force from time to time;

6) to severally grant to the Chairman, Executive Deputy Chairman, Deputy Chairman and Chief Executive Officer in office *pro tempore* any power to proceed with the purchases and sales and in any case to execute the above resolutions, also through attorneys-in-fact, complying with any requirements provided for by the competent authorities".

Bergamo, March 6, 2014

On behalf of the Board of Directors
The Chairman
Giampiero Pesenti

Separated financial statements

Financial statements

Statement of financial position

(euro)	Notes	12.31.2013	12.31.2012 re-stated	Change	01.01.2012 re-stated
Non-current assets					
Property, plant and equipment	2	569,360,017	564,531,704	4,828,313	582,027,296
Investment property	2	17,780,667	18,833,484	(1,052,817)	12,875,572
Goodwill	3	25,170,042	25,170,042	-	-
Intangible assets	4	15,996,386	33,768,770	(17,772,384)	28,592,972
Investments in subsidiaries and associates	5	1,595,877,047	1,597,124,909	(1,247,862)	1,721,666,830
Other equity investments	5	5,730,012	5,730,012	-	5,731,012
Deferred tax assets	19	35,600,999	30,426,677	5,174,322	26,948,979
Other non-current assets	6	70,403,064	191,292,721	(120,889,657)	200,708,026
Total non-current assets		**2,335,918,234**	**2,466,878,319**	**(130,960,085)**	**2,578,550,687**
Current assets					
Inventories	7	88,055,440	113,305,132	(25,249,692)	108,592,701
Trade receivables	8	182,262,336	220,797,703	(38,535,367)	276,998,802
Other current assets including derivatives	9	59,208,638	78,168,040	(18,959,402)	74,570,047
Tax assets	10	2,187,339	2,911,203	(723,864)	4,795,813
Equity investments, bonds and financial assets	11	268,515,282	296,708,429	(28,193,147)	375,757,775
Cash and cash equivalents	12	2,436,225	1,423,888	1,012,337	478,967
Total current assets		**602,665,260**	**713,314,395**	**(110,649,135)**	**841,194,105**
Total assets		**2,938,583,494**	**3,180,192,714**	**(241,609,220)**	**3,419,744,792**
Equity					
Share capital	13	282,548,942	282,548,942	-	282,548,942
Share premium	14	344,103,798	344,103,798	-	344,103,798
Reserves	14	17,887,356	(1,540,334)	19,427,690	17,998,546
Treasury shares	15	(58,689,585)	(58,689,585)	-	(58,689,585)
Retained earnings	16	774,322,272	904,596,610	(130,274,338)	1,197,591,837
Total equity		**1,360,172,783**	**1,471,019,431**	**(110,846,648)**	**1,783,553,538**
Non-current liabilities					
Financial liabilities	20	968,854,967	781,156,325	187,698,642	832,068,566
Employee benefits	17	72,537,294	80,193,405	(7,656,111)	42,902,041
Provisions	18	23,320,863	28,593,984	(5,273,121)	27,311,521
Other non-current liabilities	20	7,343,560	23,505,708	(16,162,148)	27,144,996
Total non-current liabilities		**1,072,056,684**	**913,449,422**	**158,607,262**	**929,427,124**
Current liabilities					
Loans and borrowings	20	169,595,908	373,488,370	(203,892,462)	146,416,308
Financial liabilities	20	155,123,085	219,963,047	(64,839,962)	338,554,990
Trade payables	21	66,739,936	107,653,859	(40,913,923)	112,802,168
Other current liabilities	22	114,895,098	94,618,585	20,276,513	108,990,664
Total current liabilities		**506,354,027**	**795,723,861**	**(289,369,834)**	**706,764,130**
Total liabilities		**1,578,410,711**	**1,709,173,283**	**(130,762,572)**	**1,636,191,254**
Total equity and liabilities		**2,938,583,494**	**3,180,192,714**	**(241,609,220)**	**3,419,744,792**

Income statement

(euro)	Notes	2013	%	2012 re-stated	%	Change	%
Revenue	24	**461,918,476**	**100.0**	**554,710,483**	**100.0**	**(92,792,007)**	**-16.7**
Other revenue	25	27,782,439		33,050,794			
Change in inventories		(10,800,008)		11,308,109			
Internal work capitalized		455,238		1,140,763			
Raw materials and supplies	26	(212,899,742)		(289,540,057)			
Services	27	(131,835,327)		(153,524,811)			
Employee expense	28	(148,823,641)		(170,385,466)			
Other operating income (expense)	29	(30,350)		9,538,329			
Recurring EBITDA		**(14,232,915)**	**-3.1**	**(3,701,856)**	**-0.7**	**(10,531,059)**	**n.s.**
Net gains from sale of non-current assets	30	9,122,008		18,469,190			
Other non-recurring income (expense)	30	(8,930,351)		(44,852,485)			
EBITDA		**(14,041,258)**	**-3.0**	**(30,085,151)**	**-5.4**	**16,043,893**	**-53.3**
Amortization and depreciation	2-4	(67,967,401)		(75,882,750)			
Impairment	2	(20,488,897)		(27,373,086)			
EBIT		**(102,497,556)**	**-22.2**	**(133,340,987)**	**-24.0**	**30,843,431**	**-23.1**
Finance income	31	138,364,451		156,511,784			
Finance costs	31	(94,325,438)		(79,298,668)			
Exchange-rate differences and derivatives	31	(862,865)		1,539,829			
Impairment on financial assets	5	(50,618,042)		(141,356,939)			
Profit (loss) before tax		**(109,939,450)**	**-23.8**	**(195,944,981)**	**-35.3**	**86,005,531**	**-43.9**
Income tax expense	32	(5,286,249)		(6,937,402)			
Profit (loss) for the year		**(115,225,699)**	**-24.9**	**(202,882,383)**	**-36.6**	**87,656,684**	**-43.2**

n.s. = not significant

Statement of comprehensive income

(thousands of euro)	2013	%	2012 re-stated	%	Change
Loss for the year	**(115,225,699)**	**24.9**	**(202,882,383)**	**36.6**	**87,656,684**
Other comprehensive income (expense) relating to continuing operations					
Items that will not be reclassified to profit or loss subsequently					
Remeasurement of the net liability (asset) for employee benefits	1,670,386		(5,589,433)		7,259,819
Income tax	-		1,537,094		(1,537,094)
Total items that will not be reclassified to profit or loss subsequently	**1,670,386**		**(4,052,339)**		**5,722,725**
Items that might be reclassified to profit or loss subsequently					
Fair value gains (losses) on cash flow hedges	19,427,690		(19,538,880)		38,966,570
Total items that might be reclassified to profit or loss subsequently	**19,427,690**		**(19,538,880)**		**38,966,570**
Total other comprehensive income (expense)	**21,098,076**	**-4.6**	**(23,591,219)**	**4.3**	**44,689,295**
Total comprehensive expense	**(94,127,623)**	**20.4**	**(226,473,602)**	**40.8**	**132,345,979**

Statement of changes in equity

(euro)	Share capital	Share premium	Reserves		Treasury shares	Retained earnings	Total equity
			Derivative fair value reserve	Other reserves			
Balances at January 1, 2012	**282,548,942**	**344,103,798**	**(5,009,769)**	**23,008,315**	**(58,689.585)**	**1,198,686,097**	**1,784,647,798**
Effect of changes in accounting policies and other changes (note 1.26)						(1,094,260)	(1,094,260)
Re-stated balances at January 1, 2012	**282,548,942**	**344,103,798**	**(5,009,769)**	**23,008,315**	**(58,689,585)**	**1,197,591,837**	**1,783,553,538**
Profit (loss) for the year						(202,882,383)	(202,882,383)
Total other comprehensive expense re-stated			(19,538,880)			(4,052,339)	(23,591,219)
Recognition merger deficit						(45,620,602)	(45,620,602)
Distribution of earnings:							
Dividends						(40,439,903)	(40,439,903)
Re-stated balances at December 31, 2012	**282,548,942**	**344,103,798**	**(24,548,649)**	**23,008,315**	**(58,689,585)**	**904,596,610**	**1,471,019,431**
Profit (loss) for the year						(115,225,699)	(115,225,699)
Total other comprehensive income			19,427,690			1,670,386	21,098,076
Distribution of earnings:							
Dividends						(16,719,025)	(16,719,025)
Balances at December 31, 2013	**282,548,942**	**344,103,798**	**(5,120,959)**	**23,008,315**	**(58,689,585)**	**774,322,272**	**1,360,172,783**

Statement of cash flows

(euro)	2013	2012 re-stated
A) Cash flow from operating activities:		
Profit (loss) before tax	(109,939,450)	(195,944,981)
Amortization, depreciation and impairment	88,617,519	104,065,036
Impairment on financial assets	50,618,042	141,356,939
Gain from disposal of business unit	-	(13,225,904)
Net (gains)/losses from sale of non-current assets	(10,527,320)	(13,171,944)
Change in employee benefits and other provisions	(7,041,791)	34,789,489
Stock options	-	-
Reversal of net finance costs (income)	(45,484,412)	(69,458,300)
Cash flow from operating activities before tax, finance income/costs and change in working capital:	**(33,757,412)**	**(11,589,665)**
Change in working capital	18,671,135	40,334,782
Other assets/liabilities	(6,242,510)	6,454,971
Total change in working capital	**12,428,625**	**46,789,753**
Net finance costs paid	(55,257,706)	(39,166,031)
Dividends received	98,620,490	109,681,816
Taxes (paid) or surpluses recovered	(1,417,938)	(548,244)
Total A)	**20,616,059**	**105,167,629**
B) Cash flow from investing activities:		
Capital expenditure:		
Intangible assets	(6,063,349)	(10,277,306)
Property, plant and equipment and investment property	(35,995,975)	(66,582,454)
Financial assets (equity investments)	(2,651,352)	(1,095,000)
Other assets	(848,758)	(4,120,885)
Total capital expenditure	**(45,559,434)**	**(82,075,645)**
Proceeds from sale of business unit	-	16,000,438
Change in receivables from sale of business unit	6,083,157	(13,624,722)
Proceeds from sale of non-current assets	27,076,415	27,544,695
Total sales	**33,159,572**	**29,920,411**
Change in other non-current financial assets/liabilities	972,197	905,653
Total B)	**(11,427,665)**	**(51,249,581)**
C) Cash flow from financing activities:		
Increase in non-current financial liabilities	640,020,357	284,954,529
Repayment of non-current financial liabilities	(317,316,319)	(269,393,794)
Change in current financial liabilities	(403,753,149)	41,924,132
Change in other financial assets	138,246,824	769,823
Adjustment of financial amounts due from investees	18,441,295	(25,761,505)
Payment replenishment losses in investees	(67,098,532)	(45,031,945)
Dividends paid	(16,716,533)	(40,434,367)
Total C)	**(8,176,057)**	**(52,973,127)**
D) Cash flows for the period (A+B+C)	**1,012,337**	**944,921**
E) Cash and cash equivalents at beginning of period	**1,423,888**	**478,967**
Cash and cash equivalents at end of period (D+E)	**2,436,225**	**1,423,888**

Contents

Notes

Notes

The separate financial statements of Italcementi S.p.A. as at and for the year ended December 31, 2013 were approved by the Board of Directors on March 6, 2014. At the meeting, the Board authorized publication of a press release dated March 6, 2014 containing key information from the financial statements.

Italcementi S.p.A. is a legal entity established in accordance with the laws of the Republic of Italy. It has been listed on the Milan Stock Exchange since 1925, is included in the S&P/Mib index of leading Italian companies and is subject to management and coordination by Italmobiliare S.p.A., whose key data from the most recently approved financial statements are provided in an annex to the separate financial statements.
Italcementi S.p.A. and its subsidiaries form the “Italcementi Group”, an international player whose main lines of business are hydraulic binders, ready mixed concrete and aggregates. The Group is also active in other areas, some of which are instrumental to its core businesses: materials for the construction industry, additives, transport, energy, engineering and e-business.
The Italian laws that enact EEC Directive IV are also applied, where compatible, to the companies that draw up financial statements in accordance with the IFRS. Consequently the financial statements are compliant with the articles of the Italian Civil Code and the corresponding indications of the Consolidated Finance Act (TUF, *testo unico della finanza*) for listed companies with regard to the Directors’ Report (art. 2428 Italian Civil Code), Audit (art. 2409-bis Italian Civil Code) and Publication of the Financial Statements (art. 2435 Italian Civil Code).
The separate financial statements and notes thereto also set out the details and additional disclosures required under arts. 2424, 2425 and 2427 of the Italian Civil Code and art. 27, paragraph 5 of Legislative Decree 127/1991, since such requirements are not in conflict with the IFRS.
The financial statements have been drawn up on a going-concern basis. Despite the difficult economic and financial situation, by virtue of the measures already in place to respond to the changes in demand, and its industrial and financial flexibility, the company has no material uncertainties about its ability to continue as a going concern.

1 Accounting policies

1.1. Statement of compliance with the IFRS

These financial statements have been drawn up in compliance with the International Financial Reporting Standards (IFRS) and the interpretations (IFRIC) applicable at December 31, 2013 endorsed by the EC Commission.
In compliance with European Regulation no. 1606 of July 19, 2002, the policies adopted do not include the standards and interpretations published by the IASB and the IFRIC through December 31, 2012 that had not been endorsed by the European Union at that date.

Standards and interpretations that came into force in 2013
Since January 1, 2013, the company has adopted the new standards and changes set out below, including the changes arising therefrom applied to other standards.

- IAS 1 “Presentation of financial statements” relating to the presentation of other comprehensive income**.** As a result of the amendments to IAS 1, the company has modified the presentation of other comprehensive income in its statement reflecting profit/(loss) and other components of comprehensive income. The new presentation shows the items that may in future be reclassified to profit/(loss) for the year (for example, net gains on net investment hedging, translation gains/losses on the financial statements of foreign operations, net gains on cash flow hedging and net gains/losses losses on available-for-sale financial assets) separately from items that will never be reclassified (for example, actuarial gains/losses on defined benefit plans). The comparative information has been reclassified accordingly. The change related solely to the method of presentation and has not had an impact on the company's financial position or results of operations.

- IAS 12 – "Income taxes" – recovery of underlying assets**.** This change clarifies determination of deferred taxes on investment property measured at fair value. The measurement criterion adopted by the company after initial recognition is cost net of accumulated depreciation, therefore the change has not had an impact on the company's results of operations.
- IAS 34 – "Interim financial reporting" and segment reporting for total assets and liabilities. The change clarifies segment disclosure requirements in order to improve consistency with IFRS 8 "Operating segments".
- Amendments to IFRS 7 "Financial instruments: disclosures" (Offsetting financial assets and financial liabilities) and related amendments to IAS 32 "Financial instruments: presentation". The amendments, which require disclosure of offsetting rights and related agreements (for example, guarantees), have not had impacts on the company's financial position or results of operations.
- Amendments to IAS 19 "Employee benefits". The main changes concern the treatment of past service costs that have not vested and the actuarial gains/losses to be recognized immediately in profit/loss for the period and in other comprehensive income (elimination of the corridor method), as well as the adoption, for plan assets, of the discount rate used to determine the defined benefit liability. In the case of the company, the changes to IAS 19 have had a material impact on the net defined benefit plan liability due to recognition of net actuarial losses and the difference in the accounting treatment of interest on plan assets; the impact with respect to past service costs was smaller. Finance costs relating to the obligations, net of income on asset yields, have been reclassified from "Employee expense" to "Finance costs".
- IFRS 13 "Fair value measurement"**.** This standard introduces a single framework for fair value measurements and for related disclosure when fair value measurement is required or allowed by other standards. Specifically, the standard establishes a single definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In addition, the new standard replaces and extends disclosures required with regard to fair value measurements by other standards, including IFRS 7. In conformity with the transitory indications of IFRS 13, the company has applied the new fair value measurement method prospectively without providing comparative information for the new disclosure.
- IFRIC 20 "Stripping costs in the production phase of a surface mine". This interpretation, which applies to the accounting treatment of stripping costs incurred in surface mine operations in the production phase, has not had any impact on the company.

The impacts arising from the application of IAS 19 revised are set out in section 1.26 below.

Standards and interpretations to come into force in 2014

- Amendments to IAS 32 "Financial instruments: presentation", in the application guidance, regarding offsetting of financial assets and financial liabilities.
- IFRS 10 "Consolidated financial statements". The new standard replaces IAS 27 "Consolidated and separate financial statements" and SIC 12 "Consolidation-Special purpose entities". IFRS 10 introduces a new control model, applicable to all entities in which an investment is held, based on the Group's power over the investee, its exposure or rights to variable returns from its involvement with the investee and its ability to affect those returns through its power over the investee.

- IFRS 11 “Joint arrangements”. The new standard, which replaces IAS 31 “Interests in joint ventures” and SIC 13 “Jointly controlled entities – Non-monetary contributions by venturers”, establishes the accounting policies for entities taking part in joint arrangements. The standard envisages the classification of joint arrangements as joint operations, if the company has rights to the assets and obligations for the liabilities relating to the arrangement, or as joint ventures if the company holds only rights to the net assets of the arrangement. Classification depends upon the structure of the arrangement, the legal status of any separate entities, the terms of the contractual arrangement and other facts and circumstances.
- IFRS 12 “Disclosure of interests in other entities”, which organizes, strengthens and replaces disclosure requirements concerning interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.
- Following the introduction of the above standards, IAS 27, renamed “Separate financial statements”, which deals solely with the preparation of separate financial statements, and the amendments to IAS 28 “Investments in associates and joint ventures” will come into force.
- Amendments to IAS 36 “Impairment of assets” to modify disclosure requirements regarding recoverable amounts in cases where recoverable amounts are based on fair value less costs to sell and in cases where an impairment loss is recognized.
- Amendments to IAS 39 “Financial instruments: Recognition and measurement” to govern the continuation of hedge accounting in the event of novation of derivatives following the introduction of new legislation/regulations.

The main effect arising from application of the above standards and amendments concerns identification of the type of joint arrangement, joint operation or joint venture, in order to establish the appropriate accounting treatment.

Application of the above standards, amendments and interpretations is not expected to produce significant impacts on the company’s financial statements.

Standards and interpretations published by the IASB and the IFRIC at December 31, 2013, but not endorsed by the European Union at that date

- IFRS 9 “Financial instruments” and amendments thereto and to IFRS 7.
- Amendments to IAS 19R regarding defined benefit plans: employee contributions.
- Amendments to a number of IFRS issued in 2010-2013.
- IFRIC 21 “Levies”, an interpretation regarding levies, excluding income tax.

1.2. Accounting policies and basis of presentation

The company accounts adopt the cost principle, with the exception of derivatives and financial assets held for trading or for sale, which are stated at fair value. The carrying amounts of hedged assets and liabilities are adjusted to reflect changes in fair value on the basis of the hedged risks. The financial statements are presented in euro. All amounts in the accounting schedules and in the notes are rounded to thousands of euro, unless otherwise specified.
The basis of presentation of the financial statements is as follows:

- current and non-current assets and current and non-current liabilities are presented as separate classifications on the face of the statement of financial position. Current assets, which include cash and cash equivalents, are assets that the company intends to realize, sell or consume during its normal business cycle; current liabilities are liabilities that the company expects to settle during the normal business cycle or in the twelve months after the end of the reporting period;

- on the income statement, costs are analyzed by the nature of the expense;
- on the statement of cash flows, the indirect method is used.

Use of estimates

The preparation of the separate financial statements and the notes in conformity with the international financial reporting standards requires management to make estimates that affect the values of assets, liabilities, income and expense, such as amortization, depreciation and provisions, and the disclosures on contingent assets and liabilities in the notes. Since these estimates are determined on a going-concern basis, using the information available at the time, they could diverge from the actual future results. This is particularly evident in the present financial and economic crisis, which could generate situations diverging from those estimated today and require currently unforeseeable adjustments, including adjustments of a material nature, to the carrying amounts of the items in question. Assumptions and estimates are particularly sensitive with regard to measurement of non-current assets, which depend on forecasts of future results and cash flows, provisions for disputes and restructurings and commitments in respect of pension plans and other long-term benefits. Management conducts regular reviews of assumptions and estimates, and immediately recognizes any adjustments in the financial statements. Given that the Italcementi Group applies IAS 34 "Interim financial reporting" to its half-year financial reports, with consequent identification of a six-month interim period, any reductions in value are recorded at closure of the half year.

1.3. General policies

Subsidiaries and associates

Subsidiaries are companies in which the company has the power to determine, directly or indirectly, administrative and management decisions and to obtain the benefits thereof. Generally speaking, control is assumed to exist when the company holds, directly or indirectly, more than one half of voting rights, including potential voting rights deriving from convertible securities. Associates are companies in which the company has significant influence over administrative and management decisions even though it does not hold control. Generally speaking, significant influence is assumed to exist when the company holds, directly or indirectly, at least 20% of voting rights or, even if it holds a lower percentage of voting rights, when it is entitled to take part in financial and management policy decisions by virtue of a specific juridical status including, but not limited to, participation in shareholders' agreements or other forms of material exercise of rights of governance. Investments in subsidiaries and associates are measured using the cost method, whereby they are initially recognized at cost and subsequently adjusted to reflect changes in amount whenever, after impairment testing, conditions are found such as to make it necessary to adjust the carrying amount to the effective amount of the investment. Original cost is restored in subsequent periods if the grounds for the adjustments no longer exist. Impairment losses and reversals of impairment losses are reflected in the income statement.

Joint ventures

Joint ventures are companies whose business operations are controlled by the company jointly with one or more other parties, under contractual arrangements. Joint control presupposes that strategic, financial and management decisions are taken with the unanimous consent of the parties that control the venture. Interests in joint ventures are measured on a cost basis and, as with investments in subsidiaries and associates, are subject to periodic impairment testing.
They are included in investments in subsidiaries or associates as from the date on which joint control is assumed and until such control is relinquished.

Non-current assets held for sale and discontinued operations

Assets and liabilities held for sale and discontinued operations are classified as such when their carrying

amount will be recovered chiefly through sale rather than through continuing use; such operations must be an important autonomous business operation or geographical area of operation.
The conditions indicated are deemed to exist when the sale is considered highly likely and the assets and liabilities are immediately available for sale in their current condition.
Available-for-sale assets are recognized at the lower of carrying amount and fair value less costs to sell.
Once property, plant and equipment and intangible assets have been classified as available-for-sale, no further amortization and depreciation may be applied.
In the income statement, profit (loss) relating to discontinued operations, together with profit or loss from fair value measurement less of costs to sell and profit or loss arising from the sale of the operation, are reflected in a single item separately from profit (loss) relating to continuing operations.
Cash flows relating to discontinued operations are shown separately in the statement of cash flows.
A similar disclosure is also presented for the comparative period.

1.4. Business combinations

On first-time adoption of the IFRS, as allowed by IFRS 1, the company elected not to apply IFRS 3 retrospectively to business combinations that took place before January 1, 2004.
Until December 31, 2009, business combinations were accounted for using the purchase method under IFRS 3.
Since January 1, 2010, business combinations have been accounted for using the acquisition method in IFRS 3 revised.

Cost of business combinations
Under IFRS 3 revised, acquisition cost is the sum of the acquisition-date fair value of the contingent consideration and the amount of any non-controlling interests in the acquired entity. For each business combination, any non-controlling interests in the acquired entity must be measured at fair value or in proportion to their interest in the identifiable net assets of the acquired entity.
IFRS 3 revised provides that costs relating to the acquisition be expensed in the periods in which they are incurred and the services are received.

Allocation of the cost of business combinations
Goodwill is measured as the positive difference between:

- the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquired entity, the acquisition-date fair value of the acquirer’s previously held equity interest in the acquired entity, with respect to
- the net value of identifiable assets acquired and liabilities assumed at the acquisition date.
- If the difference is negative, it is recognized in the income statement.

If on initial recognition the acquisition cost of a business combination can only be determined provisionally, the allocated amounts are adjusted within twelve months of the acquisition date (measurement period).

1.5. Translation of foreign currency items

Foreign currency transactions
Foreign currency transactions are initially translated into the functional currency using the exchange rate at the transaction date. At the end of the reporting period, foreign currency monetary assets and liabilities are translated into the functional currency at the closing rate. Exchange-rate gains and losses are taken to the income statement.
Non-monetary foreign currency assets and liabilities valued at cost are translated at the exchange rate ruling at the transaction date; those measured at fair value are translated with the exchange rate at the date fair value was determined.

1.6. Property, plant and equipment

Recognition and measurement

Property, plant and equipment are recognized at cost, less accumulated depreciation and impairment losses. Cost includes the purchase or production cost and the directly attributable costs of bringing the asset to the location and the conditions required for its operation. Production cost includes the cost of materials and direct labor costs. Finance costs relating to the purchase, construction and production of qualifying assets are capitalized. The carrying amount of some assets existing at the IFRS first-time adoption date of January 1, 2004 reflects revaluations applied in prior years in connection with specific local laws, based on the real economic value of the assets in question. Assets acquired through business combinations are stated at fair value, determined on a provisional basis at the acquisition date and subsequently adjusted within the following twelve months.
Subsequent to initial recognition, property, plant and equipment are carried at cost and depreciated over the assets' useful life, less any impairment losses.
Assets under construction are recognized at cost; depreciation begins when the assets enter useful life.
When an asset consists of components with a significant cost and different useful lives, initial recognition and subsequent measurement are carried out separately for each component.

Subsequent expense

Repair and maintenance expense is normally recognized as incurred. Component replacement costs are treated as separate assets and the net carrying amount of the replaced component is expensed.

Depreciation

Depreciation is generally calculated on a straight-line basis over the estimated useful life of each component of an asset. Land is not depreciated, with the exception of land used for quarrying operations.
Asset useful life determines the depreciation rate until a subsequent review of residual useful life. The useful life range adopted for the various categories of assets is disclosed in the notes.

Quarries

Costs for the preparation and excavation of land to be quarried are amortized as the economic benefits of such costs are obtained.
Quarry land is depreciated at rates reflecting the quantities extracted in the year in relation to the estimated total to be extracted over the period in which the quarry is to be worked.
The company makes specific provision for quarry environmental restoration obligations. Since the financial resources required to settle such obligations are directly related to the degree of use, the charge cannot be defined at inception with a balancing entry to the asset cost, but is provided to reflect the degree of use of the quarry.

1.7. Leases

Finance leases, which substantially transfer to the company all risks and rewards incidental to ownership of the leased asset, are recognized from the lease inception date at the lower of the leased asset fair value or the present value of the lease payments. Lease payments are apportioned between finance costs and reductions against the residual liability so as to obtain a constant rate of interest on the outstanding liability.
The policies used for depreciation and subsequent measurement of leased assets are consistent with those used for the company's own property, plant and equipment.
Leases where all risks and rewards incidental to ownership are retained by the lessor are classified as operating leases.
Operating lease payments are recognized as expense on a straight-line basis over the lease term.

1.8. Investment property

Investment property is land and/or buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods and services. Investment property is initially recognized at purchase cost, including costs directly attributable to the purchase. Subsequent to initial recognition, investment property is measured at amortized cost, based on the asset's useful life less any impairment losses.

1.9. Goodwill

Goodwill recognized in accordance with IFRS 3 revised is allocated to the cash-generating units that are expected to benefit from the synergies created by the acquisition. Goodwill is stated at the original value less any impairment losses identified as a result of tests conducted on an annual basis or more frequently if indications of impairment emerge.
When goodwill is allocated to a cash-generating unit part of whose assets are disposed of, the goodwill associated with the sold assets is taken into account when determining the gain or loss arising from the transaction.

1.10. Intangible assets

Intangible assets purchased separately are capitalized at cost, while those acquired through business combinations are recognized at provisionally estimated fair value at the acquisition date and adjusted where necessary within the following twelve months.
Subsequent to initial recognition, intangible assets are carried at cost amortized over the asset's useful life.
The company has not identified intangible assets with an indefinite useful life.

1.11. Impairment

Goodwill is systematically tested for impairment on an annual basis or more frequently if indications of impairment emerge.
Property, plant and equipment, investment property and amortizable intangible assets are tested for impairment if indications of impairment emerge.
Impairment is the difference between the asset's net carrying amount and its recoverable amount. Recoverable amount is the greater of fair value, less costs to sell, of an asset or cash-generating unit, and its value in use, determined as the present value of future cash flows. Fair value less costs to sell is determined through application of relevant valuation models adopting appropriate income multipliers, quoted share prices on an active market for similar enterprises, comparable transactions on similar assets or other available fair value indicators applicable to the assets being measured.
In determining value in use, assets are measured at the level of cash-generating units on the basis of their operating attribution. Estimated future cash flows are discounted at a rate determined country by country for each cash-generating unit using the weighted average cost of capital method (WACC).
If an impairment loss on an asset other than goodwill subsequently reverses in full or in part, the asset carrying amount is increased to reflect the new estimated recoverable amount, which may not exceed the amount that would have been reflected in the absence of the impairment loss. Impairment losses and reversals of impairment losses are taken to the income statement.
Impairment losses on goodwill cannot be reversed.

1.12. Financial assets

All financial assets are recognized initially at cost at the trade date. Cost corresponds to fair value plus additional costs attributable to the purchase.
Subsequent to initial recognition, assets held for trading are classified as current financial assets and carried at fair value; any gains or losses are taken to the income statement.
Held-to-maturity investments are classified as current financial assets, if they mature within one year; otherwise they are classified as non-current assets and subsequently carried at amortized cost. Amortized cost is determined using the effective interest rate method, taking account of any acquisition discounts or premiums, which are apportioned over the entire period until maturity, less any impairment losses.
Other financial assets are classified as available for sale and measured at fair value. Any gains or losses are shown in a separate equity item until the assets are sold, recovered or discontinued, or until they are found to be impaired, in which case the cumulative gains or losses in equity are taken to the income statement. Equity instruments that are not listed on an active market and whose fair value cannot be measured reliably are carried at cost.

1.13. Inventories

Inventories are measured at the lower of purchase/production cost (using the weighted average cost method) and net realizable value.
Purchase cost includes costs incurred to bring assets to their present location, less allowances for obsolete and slow-moving items.
Production cost of finished goods and semi-finished goods includes the cost of raw materials, direct labor and a portion of general production costs, determined on the basis of normal plant operations. Finance costs are not included.
The net realizable value of raw materials, consumables and supplies is their replacement cost.
The net realizable value of finished goods and semi-finished goods is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs to sell.

1.14. Trade receivables and other receivables

Trade receivables and other receivables are stated at their nominal value, less allowances for impairment, which are provided as doubtful debts are identified.

1.15. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank demand deposits and other cash investments with original maturity of not more than three months
Current account overdrafts are treated as financing and not as a component of cash and cash equivalents.
The definition of cash and cash equivalents in the statement of cash flows is identical to that in the statement of financial position.

1.16. Income taxes

Current income taxes are provided in accordance with local tax laws. Deferred tax is recognized using the liability criterion, based on temporary differences between the tax base of assets and liabilities and their carrying amount in the statement of financial position.
Deferred tax liabilities are recognized on all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable income will be available against which such differences, losses or credits may be reversed.

Taxable or deductible temporary differences do not generate recognition of deferred tax assets and liabilities only in the following cases:
taxable temporary differences arising from the initial recognition of goodwill, unless goodwill is tax-deductible;
taxable or deductible temporary differences arising from initial recognition of an asset or a liability in transactions that are not business combinations and affect neither accounting profit nor taxable profit at the transaction date;
equity investments in subsidiaries, associates and joint ventures when:

a) it is possible to control the timing of the reversal of the taxable temporary differences and it is probable that such differences will not reverse in the foreseeable future;
b) it is not probable that the deductible temporary differences will reverse in the foreseeable future and that taxable income will be available against which the temporary difference can be used;

deferred tax assets are reviewed at the end of every reporting period and reduced to the extent that sufficient taxable income is no longer likely to be available in the future against which the assets can be used in full or in part.
Deferred tax assets and liabilities are determined at tax rates expected to apply when the deferred tax asset (liability) is realized (settled), based on rates that have been enacted or substantially enacted at the end of the reporting period.
Taxes relating to items recognized directly in equity are recognized in equity, not in the income statement.
Deferred tax assets and deferred tax liabilities are not discounted to present value.

1.17. Employee benefits

The company operates pension plans, post-employment medical benefit plans and post-employment benefits. It also has other commitments, in the form of bonuses payable to employees on the basis of length of service in the company ("Other long-term benefits").

Defined contribution plans
Defined contribution plans are structured post-employment benefit programs where the company pays fixed contributions to an insurance company or pension fund and will have no legal or constructive obligation to pay further contributions if the fund does not dispose of sufficient assets to pay all the employee benefits accruing in respect of services rendered during the current year and in previous years. These contributions are paid in exchange for the services rendered by employees and recognized as expense as incurred.

Defined benefit plans
Defined benefit plans are structured post-employment benefit programs that constitute a future obligation for the company. In substance, the company assumes the actuarial and investment risks of the plan. In accordance with IAS 19, the company uses the unit credit projection method to determine the present value of obligations and the related current service cost.
This actuarial calculation requires use of consistent and objective actuarial assumptions about demographic variables (mortality rate, personnel turnover rate) and financial variables (discount rate, future increases in salaries and medical benefits).
The post-employment benefits in Italy (TFR, *trattamento di fine rapporto*) are treated in the same way as benefit obligations arising from defined benefit plans.

Termination benefits
Termination benefits include provisions for restructuring costs recognized when the company has approved a detailed formal plan that has already been implemented or notified to the third parties concerned.

Actuarial gains and losses

Actuarial gains and losses on post-employment defined benefit plans may arise as a result of changes in the actuarial assumptions used in two consecutive periods or as a result of changes in the obligation value or in the fair value of any plan asset in respect of the actuarial assumptions used at the beginning of the period.
Actuarial gains and losses are recognized and taken immediately to other comprehensive income.
Actuarial gains and losses relating to "Other long-term benefits" (service medals, length of service benefits) and to early retirement benefits are recognized as income or expense immediately.

Past service cost

Changes in liabilities resulting from a change to an existing defined benefit plan are recognized in the income statement for the period, as are costs for benefits that vest immediately upon changes to the plan.

Curtailment and settlement

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized as income or expense when the curtailment or settlement occurs. The gain or loss includes changes in the present value of the obligation, changes in the fair value of plan assets, and past service costs not previously accounted for.
At the curtailment or settlement date, the obligation and the fair value of the plan assets are re-measured using current actuarial assumptions.

Net finance cost

Net finance cost on defined benefit plans consists of the following measurements:

- finance costs calculated on the present value of the defined benefit plan liability;
- finance income arising from measurement of the plan assets;
- finance costs or income arising from any limits on recognition of plan surpluses.

Net finance cost is determined by applying to all the above items, the discount rate adopted at the start of the period to measure the defined benefit plan obligation.
Net finance costs on defined benefit plans are recognized under finance income/(costs) in the income statement.

1.18. Share-based payments

The company has applied IFRS 2 as from January 1, 2004.
Options for the subscription and purchase of shares granted by the company to employees and directors give rise to recognition of a cost classified under employee expense, with a corresponding increase in equity.
In accordance with IFRS 2, only options granted after November 7, 2002, whose rights had not vested at December 31, 2003, have been measured and recognized at the transition date. Options for the subscription and purchase of shares are measured at fair value at the grant date and amortized over the vesting period.
Fair value is determined using the binomial method, and taking account of dividends. Future volatility is determined on the basis of historic market prices, after adjustment for extraordinary events or factors.
The cost of granted options is reviewed on the basis of the actual number of options that have vested at the beginning of the exercise period.

1.19. Provisions for risks and charges

The company recognizes provisions for risks and charges when a present legal or constructive obligation arises as a result of a past event, the amount of which can be reliably estimated, and use of resources is probable to settle the obligation. Provisions reflect the best estimate of the amount required to settle the obligation or transfer it to third parties at the end of the reporting period. If the present value of the financial resources that will be used is material, provisions are determined by discounting expected future cash flows at a rate that reflects the current market assessment of the time value of money and, where appropriate, the risks

specific to the liability. When discounting is performed, movements in provisions due to the effect of time or changes in interest rates are recognized in financial items.
Changes in estimates are recognized in the income statement for the period.
The company recognizes a separate provision for environmental restoration obligations on land used for quarry work, determined in relation to the use of the quarry in question.
Pending publication of a standard/interpretation on accounting treatment of greenhouse gas emission allowances, after the withdrawal of IFRIC 3 by the International Accounting Standards Board, the company recognizes a separate provision when emissions are greater than the allowance.

1.20. Loans and borrowings

Loans and borrowings are initially recognized at the fair value of the consideration paid/received less charges directly attributable to the financial asset/liability.
After initial recognition, loans and borrowings are measured at amortized cost using the effective interest rate method.

1.21. Trade payables and other payables

Trade payables and other payables are stated at the fair value of the original consideration received.

1.22. Derivatives

The company uses derivatives such as foreign currency forward contracts, swaps and options to hedge currency and interest-rate risks. Derivatives are measured and recognized at fair value.
The fair value of foreign currency forward contracts is determined on the basis of the current forward exchange rates for contracts with similar maturity profiles.
The fair value of interest-rate contracts is determined on the basis of discounted flows using the zero coupon curve.

Hedging transactions
Derivatives are designated as hedging instruments or as non-hedging instruments. Transactions that qualify for application of hedge accounting are classified as hedging transactions; other transactions are designated as trading transactions, even if they are performed for the purposes of risk management.
For accounting purposes, hedging transactions are classified as “fair value hedges” if they cover the risk of changes in the fair value of the underlying asset or liability; or as "cash flow hedges” if they hedge cash flows arising from an existing asset or liability or from a future transaction, which are exposed to variability.
With regard to fair value hedges, fair value gains and losses on derivatives are taken to the income statement immediately. Similarly, the underlying assets or liabilities are measured at fair value and any gain or loss attributable to the hedged risk is recognized as an income or expense balancing entry.
If the movement refers to an interest-bearing financial instrument, it is amortized in the income statement until maturity.
With regard to cash flow hedges (foreign currency forward contracts, fixed-rate interest swaps), the effective component of a change in the fair value of the hedging instrument is reflected in a separate equity item, while time-based changes and the non-effective hedge component are recognized in the income statement. The effective component and non-effective component are calculated using the methods indicated in IAS 39.
Gains or losses arising from changes in the fair value of derivatives designated for trading are recorded as income or expense.
When the financial instrument matures, is sold, settled, exercised or no longer qualifies for hedge accounting, the derivative is no longer treated as a hedging contract. In this case, gains or losses on the derivative are retained in equity until the hedged transaction takes place. If the company no longer expects the hedged transaction to take place, the net gain or loss in equity is taken to the income statement.

1.23. Revenue, other revenue, interest income and dividends

Sale of goods and services

Revenue is recognized to the extent that it is probable that the economic benefits associated with the sale of goods or rendering of services are collected by the company and the amount in question can be reliably determined. Revenue is recognized at the fair value of the consideration received or due, taking account of any trade discounts given and volume discounts.
Revenue from the sale of goods is recognized when the company transfers the material risks and rewards incidental to ownership of the goods to the purchaser.

Rental income

Rental income is recognized as other revenue, as received.

Interest income

Interest income is classified as finance income on an accruals basis using the effective interest method.

Dividends

Dividends are recognized as finance income as shareholders' right to receive payment arises.

1.24. Government grants

Government grants are recognized when there is a reasonable certainty that they will be received and all the requirements on which receipt depends have been fulfilled.
Grants related to the purchase or production of non-current assets (grants related to assets) are recognized as deferred income and taken to the income statement over the useful life of the underlying assets.

1.25. Management of capital

The company monitors its capital using the gearing ratio: net financial position to equity. The net financial position reflects financial liabilities less cash and cash equivalents and other financial assets as indicated in note 22. Equity consists of all the items presented in the statement of financial position.
The company's strategy seeks to maintain the gearing ratio at such a level as to ensure the normal running of business operations, funding of investments and creation of maximum value for shareholders.
In order to maintain or modify its capital structure, the company may decide to vary the amount of dividends paid to shareholders, redeem capital, issue new shares, increase or reduce its investment in subsidiaries, purchase or sell investments.

1.26 Change to accounting standards

The following tables summarize the material impacts arising from the changes in the accounting policies illustrated above on the statement of financial position, on profit/(loss) for the period and other comprehensive income, and on the statement of cash flows.
These impacts arise from application of IAS 19.

Statement of financial position

(thousands of euro)	01.01.2012 re-stated	01.01.2012 published	Change
Non-current assets			
Property, plant and equipment	582,027,296	582,027,296	-
Investment property	12,875,572	12,875,572	-
Intangible assets	28,592,972	28,592,972	-
Investments in subsidiaries and associates	1,721,666,830	1,721,666,830	-
Other equity investments	5,731,012	5,731,012	-
Deferred tax assets	26,948,979	26,533,915	415,064
Other non-current assets	200,708,026	200,708,026	-
Total non-current assets	**2,578,550,687**	**2,578,135,623**	**415,064**
Current assets			
Inventories	108,592,701	108,592,701	-
Trade receivables	276,998,802	276,998,802	-
Other current assets including derivatives	74,570,047	74,570,047	-
Tax assets	4,795,813	4,795,813	-
Equity investments, bonds and financial assets	375,757,775	375,757,775	-
Cash and cash equivalents	478,967	478,967	-
Total current assets	**841,194,105**	**841,194,105**	**-**
Total assets	**3,419,744,792**	**3,419,329,728**	**415,064**
Equity			
Share capital	282,548,942	282,548,942	-
Share premium	344,103,798	344,103,798	-
Reserves	17,998,546	17,998,546	-
Treasury shares	(58,689,585)	(58,689,585)	-
Retained earnings	1,197,591,837	1,198,686,097	(1,094,260)
Total equity	**1,783,553,538**	**1,784,647,798**	**(1,094,260)**
Non-current liabilities			
Financial liabilities	832,068,566	832,068,566	-
Employee benefits	42,902,041	41,392,717	1,509,324
Provisions	27,311,521	27,311,521	-
Other non-current liabilities	27,144,996	27,144,996	-
Total non-current liabilities	**929,427,124**	**927,917,800**	**1,509,324**
Current liabilities			
Loans and borrowings	146,416,308	146,416,308	-
Financial liabilities	338,554,990	338,554,990	-
Trade payables	112,802,168	112,802,168	-
Other current liabilities	108,990,664	108,990,664	-
Total current liabilities	**706,764,130**	**706,764,130**	**-**
Total liabilities	**1,636,191,254**	**1,634,681,930**	**1,509,324**
Total equity and liabilities	**3,419,744,792**	**3,419,329,728**	**415,064**

Income statement

(thousands of euro)	2012 re-stated	%	2012 published	%	Change
Revenue	**554,710,483**	**100.0**	**554,710,483**	**100.0**	**-**
Other revenue	33,050,794		33,050,794		-
Change in inventories	11,308,109		11,308,109		-
Internal work capitalized	1,140,763		1,140,763		-
Raw materials and supplies	(289,540,057)		(289,540,057)		-
Services	(153,524,811)		(153,524,811)		-
Employee expense	(170,385,466)		(171,767,300)		1,381,834
Other operating income	9,538,329		9,538,329		-
Recurring EBITDA	**(3,701,856)**	**-0.7**	**(5,083,690)**	**-0.9**	**1,381,834**
Net gains from sale of non-current assets	18,469,190		18,469,190		-
Other non-recurring expense	(44,852,485)		(44,852,485)		-
EBITDA	**(30,085,151)**	**-5.4**	**(31,466,985)**	**-5.7**	**1,381,834**
Amortization and depreciation	(75,882,750)		(75,882,750)		-
Impairment	(27,373,086)		(27,373,086)		-
EBIT	**(133,340,987)**	**-24.0**	**(134,722,821)**	**-24.3**	**1,381,834**
Finance income	156,511,784		156,511,784		-
Finance costs	(79,298,668)		(77,916,834)		(1,381,834)
Exchange-rate differences and derivatives	1,539,829		1,539,829		-
Impairment on financial assets	(141,356,939)		(141,356,939)		-
Loss before tax	**(195,944,981)**	**-35.3**	**(195,944,981)**	**-35.3**	**-**
Income tax expense	(6,937,402)		(6,937,402)		-
Loss for the year	**(202,882,383)**	**-36.6**	**(202,882,383)**	**-36.6**	**-**

Statement of comprehensive income

(in thousands of euro)	2012 re-stated	%	2012 published	%	Change
Loss for the year	**(202,882,383)**		**(202,882,383)**		**-**
Other comprehensive income (expense) relating to continuing operations					
Items that will not be reclassified to profit or loss subsequently					
Remeasurement of the net liability (asset) for employee benefits	(5,589,433)		-		(5,589,433)
Income tax	1,537,094		-		1,537,094
Total items that will not be reclassified to profit or loss subsequently	**(4,052,339)**		**-**		**(4,052,339)**
Items that might be reclassified to profit or loss subsequently					
Fair value losses on cash flow hedges	(19,538,880)		(19,538,880)		-
Total items that might be reclassified to profit or loss subsequently	**(19,538,880)**		**(19,538,880)**		**-**
Total other comprehensive expense	**(23,591,219)**		**(19,538,880)**		**(4,052,339)**
Total comprehensive expense	**(226,473,602)**		**(222,421,263)**		**(4,052,339)**

Statement of cash flows

(in thousands of euro)	2012 re-stated	2012 published	Change
A) Cash flow from operating activities:			
Loss before tax	(195,944,981)	(195,944,981)	-
Adjustments for:			
Amortization, depreciation and impairment	104,065,036	104,065,036	-
Impairment on financial assets	141,356,939	141,356,939	-
Gains from sale of business unit	(13,225,904)	(13,225,904)	
Net (gains) losses from sale of non-current assets	(13,171,944)	(13,171,944)	-
Change in employee benefits and other provisions	34,789,489	34,789,489	-
Stock options	-	-	-
Reversal of finance costs	(69,458,300)	(69,458,300)	-
Cash flow from operating activities before tax, finance income/costs and change in working capital	**(11,589,665)**	**(11,589,665)**	-
Working capital	40,334,782	40,334,782	
Other assets/liabilities	6,454,971	6,454,971	
Total change in working capital	**46,789,753**	**46,789,753**	**-**
Net finance costs paid	(39,166,031)	(39,166,031)	-
Dividends received	109,681,816	109,681,816	
Taxes paid	(548,244)	(548,244)	-
Total A)	**105,167,629**	**105,167,629**	-
B) Cash flow from investing activities:			
Capital expenditure:			
Intangible assets	(10,277,306)	(10,277,306)	-
Property, plant and equipment and investment property	(66,582,454)	(66,582,454)	-
Financial assets (equity investments)	(1,095,000)	(1,095,000)	-
Other assets	(4,120,885)	(4,120,885)	
Total capital expenditure	**(82,075,645)**	**(82,075,645)**	-
Proceeds from sale of business unit	16,000,438	16,000,438	
Receivables from sale of business unit	(13,624,722)	(13,624,722)	
Proceeds from sale of non-current assets	27,544,695	27,544,695	-
Total sales	**29,920,411**	**29,920,411**	-
Change in other non-current financial assets/liabilities	905,653	905,653	-
Total B)	**(51,249,581)**	**(51,249,581)**	-
C) Cash flow from financing activities:			-
Increase in non-current financial liabilities	284,954,529	284,954,529	-
Repayment of non-current financial liabilities	(269,393,794)	(269,393,794)	-
Change in current financial liabilities	41,924,132	41,924,132	-
Change in other financial assets	769,823	769,823	
Adjustment of financial amounts due from investees	(25,761,505)	(25,761,505)	
Payment replenishment losses in investees	(45,031,945)	(45,031,945)	
Dividends paid	(40,434,367)	(40,434,367)	-
Total C)	**(52,973,127)**	**(52,973,127)**	-
D) Cash flows for the period (A+B+C)	**944,921**	**944,921**	**-**
E) Cash and cash equivalents at beginning of year	**478,967**	**478,967**	**-**
Cash and cash equivalents at end of year (D+E)	**1,423,888**	**1,423,888**	**-**

Assets

Non-current assets

2. Property, plant and equipment

(in thousands of euro)	Land and buildings	Quarries	Technical plant materials and equipment	Other property, plant and equipment	Work in progress	Total
Net carrying amount at Dec. 31, 2012	**168,692**	**29,050**	**290,721**	**10,623**	**65,446**	**564,532**
Gross amount	530,334	57,435	2,080,075	68,056	65,446	2,801,346
Accumulated depreciation	(361,642)	(28,385)	(1,789,354)	(57,433)	-	(2,236,814)
Net carrying amount at Dec. 31, 2012	**168,692**	**29,050**	**290,721**	**10,623**	**65,446**	**564,532**
Additions	2,092	203	21,491	1,277	62,866	87,929
Disposals	(178)	-	(62)	(9)	-	(249)
Depreciation	(10,386)	(316)	(48,658)	(3,003)	-	(62,363)
Impairment losses	-	-	(20,489)	-	-	(20,489)
Net carrying amount at Dec. 31, 2013	**160,220**	**28,937**	**243,003**	**8,888**	**128,312**	**569,360**
Gross amount	531,944	57,637	2,072,480	68,483	128,312	2,858,856
Accumulated depreciation	(371,723)	(28,700)	(1,829,478)	(59,595)	-	(2,289,496)
Net carrying amount at Dec. 31, 2013	**160,221**	**28,937**	**243,002**	**8,888**	**128,312**	**569,360**

The additions made during the year refer essentially to the revamping of the Rezzato cement plant and the normal renovation of the industrial plant.

During the year impairment on plant of 20,489 thousand euro were recognized in connection with the production re-organization plan.

Non-current assets held under finance leases or rental contracts, which come under the IFRS definition of leases, were carried at 9,602 thousand euro (11,985 thousand euro at December 31, 2012) and concerned buildings (552 thousand euro) and plant and machinery (9,050 thousand euro).

The useful life adopted by the company for the main asset categories is as follows:

Civil and industrial buildings	10 – 33 years
Plant and machinery	5 – 30 years
Other property, plant and equipment	5 – 10 years
Quarries	extractable unit cost (quarry cost/extractable quantities) multiplied by the quantity extracted in the year.

2.1 Investment property

Investment property of 17,781 thousand euro (18,833 thousand euro at December 31, 2012) is carried at amortized cost.

(in thousands of euro)	Investment property
Net carrying amount at Dec. 31, 2012	**18,833**
Gross amount	76,140
Accumulated depreciation	(57,307)
Net carrying amount at Dec. 31, 2012	**18,833**
Additions	27
Disposals	(208)
Depreciation	(871)
Net carrying amount at Dec. 31, 2013	**17,781**
Gross amount	70,770
Accumulated depreciation	(52,989)
Net carrying amount at Dec. 31, 2013	**17,781**

Depreciation exclusively concerned civil and industrial buildings and is calculated on the basis of the respective useful lives adopted by the company: civil buildings 33 years, industrial buildings 18 years.

The fair value of these assets at December 31, 2013 was 74.4 million euro.

3. Goodwill

Goodwill totaled 25,170 thousand euro.

The goodwill acquired in a business combination is allocated to the cash-generating units (CGU). Goodwill recoverability is tested at least once a year or more frequently if indications of impairment emerge. The methods used to determine the recoverable amount of the CGUs are described in the accounting policies in the section "Impairment" (note 1.11).

The recovery slowdown that was apparent in 2012 intensified in 2013, especially in the construction industry; consequently, while the measures contemplated in the 2010-2014 Business Plan remain valid, a number of macroeconomic and sector assumptions in the Plan have been revised. For the purposes of impairment testing, determination of the future cash flows to be used was based on the 2014 Budget and, where necessary, for subsequent-year projections, on new assumptions and economic assessments deemed to reflect the new market conditions.

As in 2012, an explicit forecast period of 9 years was used; in this way, we believe that projected cement consumption is structurally balanced and aligned with the related long-term estimate implicit in the cement structural demand curve for Italy.

Terminal value is generally estimated on the basis of CGU activity on the mid-cycle market and takes account of the market cycle and changes after the explicit forecast period. Account is also taken of the presumed expected level of cement consumption in 10-15 years, and also of a number of positioning indicators: the level of market development, per-capita consumption and technical coefficients.

The projections are management's best estimate of future trends and possible economic conditions.

Recoverable amount coincides with value in use.

The discount rate corresponds to the weighted average cost of capital (WACC).

WACC is computed on the basis of the market value of own funds (risk-free rate based on euro zone and US 10-year government bonds – source Bloomberg, average 12 months; beta coefficient – average 5 years – source Bloomberg; market premium – average 10 years– sources Bloomberg, brokers' reports, analyst consensus forecasting) and of sector debt (7Y swap – average 1 month), to which the mean sector coefficient based on the debt/stock market capitalization ratio is applied (source Bloomberg).

Assumptions used for CGU computation:

(in %)	Pre-tax discount rate		Growth rate including inflation	
Cash-generating units	**2013**	**2012**	**2013**	**2012**
Italy	8.8	8.8	2.0	2.0

The test for 2013 did not generate an impairment loss on the goodwill of the CGU.

Sensitivity analysis

With reference to the current and expected industry situation and to the results of the 2013 impairment tests, a sensitivity analysis was conducted on recoverable amount, using the discounted cash flow method.

At December 31, 2013, a 1% increment in the weighted average cost of capital would not determine a surplus in carrying amount with respect to recoverable amount for the CGU.

A 5% reduction in demand in the explicit forecast period with respect to the projections would not determine a surplus in carrying amount with respect to recoverable amount for the CGU.

A 5% reduction in EBITDA with respect to projections would not determine a surplus in carrying amount with respect to recoverable amount for the CGU.

On the basis of the above analysis the company believes that it is not necessary to impair the goodwill.

The discount rate that equates the CGU's recoverable amount with net carrying amount is 10.7%.

4. Intangible assets

(in thousands of euro)	Concessions	Patents, brands, licenses and other rights	Software development expenses	Total
Net carrying amount at December 31, 2012	**852**	**2,996**	**29,920**	**33,768**
Gross amount	1,459	8,717	38,380	48,556
Accumulated amortization	(607)	(5,721)	(8,460)	(14,788)
Net carrying amount at December 31, 2012	**852**	**2,996**	**29,920**	**33,768**
Additions	-	512	5,552	6,064
Disposals	-	(7)	(18,938)	(18,945)
Amortization	(90)	(863)	(3,780)	(4,733)
Impairment losses	-	(161)	-	(161)
Reversal of impairment losses and reclassifications	-	3	-	3
Net carrying amount at December 31, 2013	**762**	**2,480**	**12,754**	**15,996**
Gross amount	1,459	8,781	24,994	35,234
Accumulated amortization	(697)	(6,301)	(12,240)	(19,238)
Net carrying amount at December 31, 2013	**762**	**2,480**	**12,754**	**15,996**

The year's additions mainly concerned project development work for the standardization of internal Group processes.

Disposals referred mainly to the recovery of costs incurred for software development expenses with regard to foreign investees.

The amortization period for "Concessions" is based on the term of the agreements signed.

Software licenses of indefinite life and the related development costs are amortized over a five-year period.

Impairment losses refer to CO_2 emission rights held at year-end for 485 thousand euro and were applied on the basis of market price.

5. Investments in subsidiaries and associates

The changes compared to December 31, 2012 were as follows:

(in thousands of euro)	
At December 31, 2012	**1,597,125**
Acquisitions	69,749
Sales	(1,938)
Use of impairment loss on financial receivables due from investees	(25,762)
Impairment on financial assets	(43,297)
At December 31, 2013	**1,595,877**

Acquisitions refer essentially to payments made to cover losses in the current year and previous year, replenishment of share capital and grants related to assets; they related to Calcestruzzi S.p.A. for 48,904 thousand euro, Nuova Sacelit S.p.A. for 14,420 thousand euro, Calcementi Jonici S.r.l. for 1,618 thousand euro, S.A.M.A. S.p.A. for 1,310 thousand euro, Italterminali S.r.l. for 846 thousand euro, C.T.G. S.p.A. for 1,162 thousand euro and Bravobloc S.r.l. for 490 thousand euro. Acquisitions also included the payments made to set up BravoEnergy S.r.l. for 999 thousand euro.

Sales refer to the share capital reduction for 1,638 thousand euro and the subsequent sale of Aliserio S.p.A. at a price of 540 thousand euro, for which a net gain of 240 thousand euro was posted under finance income.

The 25,762 thousand euro impairment loss on financial receivables due from investees was used following coverage of losses in excess of equity at the investees, reported in the previous year (see note 11).

Investments in subsidiaries and associates are tested for impairment if evidence of impairment emerges, by comparing carrying amount with recoverable amount. The methods used to determine recoverable amount are described in the accounting policies in the section "Impairment".

The value configuration used to determine the recoverable amount of equity investments is value in use, that is, fair value less costs to sell, with reference to comparable transactions.

The value in use of each equity investment is determined on the basis of 2014 budget data and on the present value of expected future cash flows, taking account of changes in operating assets, net of the effects of investments for additions or restructuring. The observation period varies between five to nine years according to the characteristics of the markets on which the Group companies operate. Terminal value is calculated on the basis of the discounted cash flows of the last year. The growth rate is based on the forecast long-term growth of the relevant industrial sector of the country and on the estimated long-term inflation rate. The estimate assumes a growth rate, for operations in Italy, equivalent to the long-term inflation rate (2%). The pre-tax discount rate used to calculate the present value of expected cash flows for operations in Italy is 8.8%.

The aforementioned discount and growth rates are supported by previous experience and are in line with those in use in the sector.

Impairment testing generated impairment losses on Calcementi Jonici S.p.A. for 3,432 thousand euro, Nuova Sacelit S.p.A. for 7,500 thousand euro, Calcestruzzi S.p.A. for 30,063 thousand euro, Azienda Agricola Lodoletta S.r.l. for 138 thousand euro, BravoEnergy S.r.l. for 34 thousand euro, Intercom S.r.l. for 163 thousand euro, Star.co S.r.l. for 983 thousand euro and Cementi della Lucania S.p.A. for 984 thousand euro.

The list of investments in subsidiaries and associates at December 31, 2013 is set out below:

(in thousands of euro)	Location	Share capital	% held	Carrying amount at 12.31.2013
Azienda Agricola Lodoletta S.r.l.	Bergamo	€ 10,400	75.00	2,635
Bravobloc S.r.l.	Bergamo	€ 300,000	70.00	700
BravoEnergy S.r.l.	Bergamo	€ 10,000	99.90	965
BravoSolution S.p.A.	Bergamo	€ 32,286,398	75.34	43,590
CTG S.p.A.	Bergamo	€ 500,000	50.00	1,412
Calcementi Jonici S.r.l.	Siderno (RC)	€ 3,500,000	99.90	-
Calcestruzzi S.p.A.	Bergamo	€ 1,000,000	99.90	-
Ciments Français S.A.	Puteaux	€ 143,192,544	83.16	1,467,397
Gruppo Italsfusi S.r.l.	Savignano sul Panaro (MO)	€ 156,000	99.50	277
Intercom S.r.l	Bergamo	€ 2,890,000	4.84	722
Italcementi Finance S.A. (formerly Holfipar)	Puteaux	€ 20,000,000	100.00	20,005
Italcementi Ingegneria S.r.l.	Bergamo	€ 650,000	100.00	9,459
Italgen S.p.A.	Bergamo	€ 20,000,000	99.90	20,111
Italterminali S.r.l.	Bergamo	€ 10,000	99.50	931
Nuova Sacelit S.r.l.	Bergamo	€ 7,500,000	100.00	-
SAMA S.r.l.	Bergamo	€ 200,000	99.00	3,177
Sociètè Internationale Italcementi (Luxembourg) S.A.	Luxembourg	€ 1,771,500	99.87	13,897
Shqiperia Cement Company	Tirana	ALL 74,250,000	100.00	602
Star.Co. S.r.l.	Bergamo	€ 118,000	100.00	1,767
International City for Ready Mix	Arabia	SAR 100,000,000	50.00	1,792
Cementi della Lucania S.p.A.	Potenza	€ 619,746	30.00	3,165
Consorzio Medeuropa	Milan	-	20.00	3
Les Ciments de Zouarine S.A.	Tunis	TND 80,000	49.93	23
Sirio S.p.A. - Associazione in Partecipazione	Milan	-	-	3,247
Total				**1,595,877**

The following additional information is provided for the investment in the associate Cementi della Lucania S.p.A.:

(in thousands of euro)	Total assets	Total liabilities	Revenue	Profit (loss) for the year
Cementi della Lucania S.p.A. (1)	12,148	6,136	8,678	(218)

(1) data taken from financial statements at December 31, 2012

5.1 Other equity investments

This non-current asset caption reflects equity investments in the "available-for-sale" category as required by IAS 39; the amount of 5,730 thousand euro was unchanged on the previous year.

The breakdown of other equity investments at December 31, 2013 was as follows:

(in thousands of euro)	
Equity investments in non-listed companies:	
Istituto Europeo di Oncologia S.p.A.	3,686
S.A.C.B.O. S.p.A.	2,029
Other equity investments	15
Total	**5,730**
Total equity investments	**5,730**

6. Other non-current assets

(in thousands of euro)	**12.31.2013**	**12.31.2012**	**Change**
Guarantee deposits	570	591	(21)
Receivables for expropriations	2,984	3,214	(230)
Italcementi Finance S.A. bonds	-	9,884	(9,884)
Receivables from sale of business unit	-	1,294	(1,294)
Receivables from sale of assets	2,659	4,014	(1,355)
Derivatives	403	-	403
Financial receivables due from Group companies	-	100,000	(100,000)
Receivables due from parent in connection with tax consolidation	63,787	72,295	(8,508)
Total	**70,403**	**191,292**	**(120,889)**

In the first quarter of 2013 all Italcementi Finance S.A. bonds were sold; this generated a gain of 3,196 thousand euro.

The financial receivable of 100,000 thousand euro refers to an interest-bearing loan granted to the subsidiary Ciments Français S.A., which was extinguished in January 2013.

After checks on the recoverability of recognized tax receivables, which show limited estimated taxable income in the medium term, it was decided not to recognize the benefit from adhesion to the tax consolidation of the parent Italmobiliare S.p.A. of 27,672 thousand euro, of which 17,537 thousand euro arising from tax losses in the year.

Current assets

7. Inventories

(in thousands of euro)	12.31.2013	12.31.2012	Change
Raw materials, consumables and supplies	47,496	61,946	14,450
Work in progress and semi-finished goods	24,028	32,659	8,631
Finished goods	16,531	18,700	2,169
Total	**88,055**	**113,305**	**25,250**

Inventories of raw materials, consumables and supplies are shown net of the allowance of 10,133 thousand euro (9,386 thousand euro at December 31, 2012), provided against the risk of slow-moving supplies, spare parts and consumables; they include spare parts for an amount of 16,783 thousand euro at December 31, 2013 (21,728 thousand euro at December 31, 2012).

8. Trade receivables

(in thousands of euro)	12.31.2013	12.31.2012	Change
From customers	153,179	178,213	(25,034)
From Group companies	46,255	57,215	(10,960)
Allowance for impairment	(17,172)	(14,630)	(2,542)
Net amount	**182,262**	**220,798**	**(38,536)**

The decrease in receivables due from customers is related to the trend in sales during 2013.

For an analysis of “Receivables due from Group companies”, reference should be made to the section on transactions with related parties.

The net change in the allowance for impairment was the result of the difference between the year’s allowance of 6,830 thousand euro and applications of 4,288 thousand euro.

9. Other current assets

(in thousands of euro)	12.31.2013	12.31.2012	Change
Amounts due from social security authorities	2,155	1,008	1,147
Amounts due from tax authorities for VAT	482	2,525	(2,043)
Receivables for grants related to assets	116	116	-
Other receivables	47,288	46,256	1,032
Receivables for sale of investments and non-current assets	3,120	-	3,120
Derivatives	21	28	(7)
Commodity derivatives	-	21,931	(21,931)
Prepayments and accrued income	6,027	6,304	(277)
Total	**59,209**	**78,168**	**(18,959)**

Other receivables include the amounts recognized, net of sales and impairment losses, for the allocation of white certificates (791 thousand euro), the current amount of the receivable accrued at December 31, 2012 for “new entry” CO_2 quotas recognized for the period 2008-2012 (27,239 thousand euro) and receivables for the disposal of a business unit and other non-current assets (12,130 thousand euro).

Prepayments and accrued income include an amount of 4,901 thousand euro (5,072 thousand euro at December 31, 2012) relating to fees paid for the opening of lines of credit, recognized in the income statement under finance costs in relation to the term of the facilities in question.

10. Tax assets and liabilities

Tax assets were as follows:

(in thousands of euro)	12.31.2013	12.31.2012	Change
Tax receivable for prior-year taxes	272	363	(91)
Tax credit for "dividend imputation"	583	583	-
Tax receivables for IRAP payments on account and surpluses to be recovered	1,755	3,308	(1,553)
Payable for IRAP on income in the year	(423)	(1,343)	920
Total	**2,187**	**2,911**	**(724)**

The residual tax credit for "dividend imputation" refers to interest on the tax credit recognized by the sentence for dividends relating to financial year 2004.

11. Equity investments, bonds and financial assets

(in thousands of euro)	12.31.2013	12.31.2012	Change
Equity investments in other companies	267	268	(1)
Financial receivables due from Group companies	272,713	322,173	(49,460)
Impairment loss on financial receivables due from Group companies	(7,320)	(25,762)	18,442
Accrued interest	2,855	29	2,826
Total	**268,515**	**296,708**	**(28,193)**

Financial receivables due from Group companies consist of current accounts, regulated at normal market rates, which represent the financial support provided in relation to operating requirements.

The impairment loss refers to the subsidiaries Calcementi Jonici S.p.A. for 5,555 thousand euro and Nuova Sacelit S.p.A. for 1,765 thousand euro and was applied within the limits of the share of negative equity recorded by the investees.

The impairment loss of 25,762 thousand euro applied in 2012 to financial receivables due from Group companies was used following replenishment of the losses of the investees.

12. Cash and cash equivalents

(in thousands of euro)	12.31.2013	12.31.2012	Change
Bank and postal accounts	2,336	1,160	1,176
Checks	-	165	(165)
Cash	100	99	1
Total	**2,436**	**1,424**	**1,012**

Equity

13. Share capital

At December 31, 2013 the fully paid-in share capital totaled 282,548,942 euro, represented by 282,548,942 shares with a par value of 1 euro each, as follows:

Number of shares	12.31.2013	12.31.2012	Change
Ordinary shares	177,117,564	177,117,564	-
Savings shares	105,431,378	105,431,378	-
Total	**282,548,942**	**282,548,942**	**-**

14. Reserves

Reserves reflect movements in the share premium, the fair value adjustment of available-for-sale financial assets and interest-rate and currency hedges, and the measurement of stock options.

The stock option reserve reflects the total amount at December 31, 2013 of the options granted and amortized over the vesting period of the stock option plans.

Movements in reserves were as follows:

		Reserves		
(in thousands of euro)	Share premium	Hedging reserve	Stock option reserve	Total reserves
At December 31, 2012	**344,104**	(24,549)	23,009	**(1,540)**
Gains (losses) taken directly to reserve	-	3,666	-	**3,666**
Tax taken directly to reserve	-	-	-	**-**
(Gains) losses taken to income statement	-	15,762	-	**15,762**
At December 31, 2013	**344,104**	(5,121)	23,009	**17,888**

15. Treasury shares

At December 31, 2013, the carrying amount of purchased treasury shares totaled 58,690 thousand euro and was charged to the reserve for treasury shares as shown below:

	No. ordinary shares par value € 1	Total carrying amount (000 euro)	No. savings shares par value € 1	Total carrying amount (000 euro)	Overall carrying amount (000 euro)
December 31, 2012	3,793,029	**58,342**	105,500	**348**	**58,690**
December 31, 2013	**3,793,029**	**58,342**	**105,500**	**348**	**58,690**

Ordinary treasury shares in portfolio at December 31, 2013 were held to service stock option plans for directors and managers.

16. Analysis of equity captions

The table below sets out an analysis of equity captions in relation to their origin, possibility of use and possible distribution:

(in thousands of euro)				Summary of uses made in last three years	
Nature / description	**Amount**	**Possibility of use**	**Available amount**	**Coverage of losses**	**For other reasons**
Share capital	**282,549**				
Share premium	**344,104**	A, B, C	344,104		
Reserves:					
Stock option reserve	23,009	-	-		
Hedging reserve	(5,121)	-	-		
Total reserves	**17,888**				
Treasury shares	**(58,690)**				
Retained earnings:					
Revaluation reserves	256,992	A, B, C	256,992		
Legal reserve	56,510	B	-		
Extraordinary reserve	231,135	A, B, C	231,135		(1) 96,679
Provision art. 18 Law 675/77	1,224	A, B, C	1,224		
Provision for grants related to assets	71,480	A, B, C	71,480		
Provision under Law 169/83	65,280	A, B, C	65,280		
Merger surplus (deficit)	105,548	A, B, C	105,548		
Provision under Law 904/77	38,163	A, B, C	38,163		
Provision under Law 488/92	26,187	-	-		
Reserve under art. 7 Leg. Decree 38/2005	40,505	-	-		
Actuarial gains (losses) on defined benefit plans	(3,476)	-	-		
Retained earnings	-	A, B, C	-	50,626	(1) 3,635
Profit (loss) for the year	(115,226)	-	-		
Total retained earnings	**774,322**				
Distributable total			**1,113,926**		

Key:
A: for share capital increase
B: to cover losses
C: for distribution to shareholders
(1) distribution of dividends

The reserves, which form part of the company's taxable income when distributed, totaled 380,566 thousand euro in addition to 93,852 thousand euro included in share capital following the increases made in previous periods.

Reserves not subject to taxation are recognized gross of the tax impact, in the absence of resolutions that envisage their distribution.

Dividends paid

Dividends declared in 2013 and 2012 were as follows:

	2013 (euro per share)	2012 (euro per share)	December 31, 2013 (000 euro)	December 31, 2012 (000 euro)
Ordinary shares	0.060	0.120	10,399	20,799
Savings shares	0.060	0.186478	6,320	19,641
Total dividends			**16,719**	**40,440**

Dividends paid in 2013 totaled 16,717 thousand euro (40,434 thousand euro in 2012).

17. Employee benefits

This caption includes post-employment benefits in accordance with IAS 19 and liabilities relating to future commitments, in the form of bonuses, to be paid to employees on the basis of length of service at the company; these liabilities arise from actuarial valuations at December 31, 2013.

In addition, provision was made for costs envisaged for recourse to state-subsidized lay-off schemes and mobility programs under the so-called “Project 2015” program for the re-organization of head-office operations and the manufacturing and sales networks.

(in thousands of euro)	Post-employment benefits	Provision for seniority increases and social security abroad	Other employee benefits	Provisions for termination of employment	Total
At December 31, 2012	**27,437**	**90**	**3,722**	**48,944**	**80,193**
Amounts accrued	1,046	16	(349)	-	**713**
Revaluation of employee benefits taken to reserve	(1,670)	-	-	-	**(1,670)**
Indemnities paid	(2,699)	-	-	-	**(2,699)**
Staff transfers	(123)	-	-	-	**(123)**
Provision	-	-	-	12,726	**12,726**
Use	-	-	-	(10,120)	**(10,120)**
Surplus	-	-	-	(6,483)	**(6,483)**
At December 31, 2013	**23,991**	**106**	**3,373**	**45,067**	**72,537**

The assumptions used to determine obligations arising from long-term benefits are set out below:

	Post-employment benefits	Other employee benefits
Discount rate	3.20%	3.20%
Future salary rises	-	3.22%
Inflation	2.00%	2.00%

The discount rate used was determined by reference to market yields on high quality European corporate bonds.

18. Provisions

(in thousands of euro)	12.31.2012	Additions	Decreases	Reclassifi-cations	Surpluses	12.31.2013
Tax	541	-	(172)	-	-	369
Restoration of quarries	17,911	1,072	(217)	-	-	18,766
Restoration of industrial areas	2,784	-	(556)	-	(539)	1,689
Other risks	7,358	-	(300)	(4,045)	(516)	2,497
Total other provisions	**28,594**	**1,072**	**(1,245)**	**(4,045)**	**(1,055)**	**23,321**

As regards tax assessments relating to Italcementi S.p.A., the tax assessments relating to the tax returns for 1987, 2003, 2004, 2005, and 2006 are still being disputed; the adjustments requested by the authorities appear to be largely unfounded, also in the view of independent consultants.

On December 13, 2011, the Supreme Court of Cassation discussed the appeal relating to 1987; on March 2, 2013, it deposited its ruling upholding the two cross-appeals presented by the company and overturned, for approximately 4 million euro of taxable income, the sentence of the Regional Tax Commission in our favor, since the grounds of the judge's ruling were *per relationem*.

The case was reopened on January 13, 2012 before the Regional Tax Commission of Lombardy. The case was heard on December 17, 2013 and the sentence of the Court hearing the case is awaited.

On February 1, 2011, the Regional Tax Commission decided in favor of the company, by confirming the sentence of first instance, which annulled an IRPEG corporation tax notice of assessment relating to 2003; it also declared that the notice was without merit, since no intent of evasion was perceived in the company's conduct.

The Tax Agency appealed this decision before the Supreme Court of Cassation. The company appeared before the Court on April 27, 2012 and presented a cross-appeal.

In August 2009, the Lombardy Regional Tax Office for Major Contributors served a notice of assessment regarding IRES corporation tax relating to 2004, against which the company appealed in November 2009. A hearing was held and on October 12, 2011, the Tax Commission annulled the notice and upheld the company's arguments in full.

The Lombardy Regional Tax Office for Major Contributors appealed against the sentence and the company was notified on March 19, 2012.

The hearing was held on July 15, 2013 and on July 17, 2013 the Regional Tax Commission of Milan deposited the sentence in which it rejected the Office's appeal and confirmed the favorable sentence of first instance.

In December 2010, the Lombardy Regional Tax Office served a notice of assessment relating to IRES corporation tax for 2005.

On February 15, 2011 the company appealed against the finding on separate taxation to the Milan Province Tax Commission.

The hearing was held on May 30, 2012 and the Milan Province Tax Commission, with its sentence of November 9, 2012, accepted the appeal and annulled the notice of assessment.

The Lombardy Regional Tax Office appealed against this sentence and this was notified on May 15, 2013. The company appeared in Court on July 11, 2013 and presented its counter-claims against the appeal. The date for the hearing is awaited.

In July 2011, the Lombardy Regional Tax Office served a notice of assessment relating to IRES corporation tax for 2006.

In October 2011, the company appealed against the finding on separate taxation to the Milan Province Tax Commission.

The hearing was held on November 19, 2013 and on December 3, 2013 the sentence was published upholding the company's appeal.

In September 2011, the Bergamo Province Tax Office served a notice of settlement for registration, mortgage and land registry tax for 2010, for an amount of 142 thousand euro.

In November 2011, the company appealed this notice. On June 25, 2012, the hearing was held. On January 25, 2013, the sentence was deposited upholding in full the company's appeal and revoking the notice.

The Bergamo Province Tax Office appealed this sentence and notified the company on July 3, 2013. The company appeared before the Regional Tax Office branch in Brescia on October 14, 2013. The date for the hearing is awaited.

The provision for tax was used to pay a tax settlement demand of 172 thousand euro.

The increase in the provision for the restoration of quarries is net of a cash adjustment of 372 thousand euro, recognized in the income statement under "Finance income".

The decreases in the provision for restoration of industrial areas refer for 556 thousand euro to use in regard to expense incurred to dismantle plant and remediate sites, and for 539 thousand euro to the surplus created against forecasts of lower costs to be incurred.

The decrease in the provision for other risks refers for 4,045 thousand euro to the transfer to "Other current liabilities" of the commitment to the Azzanelli Foundation for construction of a new geriatric facility and for 300 and 516 thousand euro respectively for the settlement of a dispute and use of the provision for cases involving employees.

19. Deferred tax assets and deferred tax liabilities

(in thousands of euro)	12.31.2012	Adjustments to prior-year taxes	Increases	Decreases	12.31.2013
Deferred tax liabilities	22,489	(1,602)	110	(3,611)	17,386
Deferred tax assets	(91,647)	(12)	(30,415)	12,291	(109,783)
Unactivated deferred tax assets	38,732	13	30,305	(12,254)	56,796
Total	**(30,426)**	**(1,601)**	**-**	**(3,574)**	**(35,601)**

In relation to the tests on the medium-term recoverability of deferred tax assets, the company adopted the criterion of activating new deferred tax assets only within the limits of the deferred tax set aside in the year.

The table below details the temporary differences that generated deferred tax assets and liabilities:

(in thousands of euro)	Tax rate	Temporary differences at 12.31.2012	Balance at 12.31.2012	Adjustment prior-year taxes	Tax provision	Applications	Balance at 12.31.2013
Deferred tax liabilities on:							
Gains in instalments from sale of operating assets	27.50%	9,840	2,706	(1,605)		(1,101)	-
Revaluation of inventories	27.50%	54,350	14,946	(21)		(2,158)	12,767
Revaluation of inventories	3.90%	54,350	2,119	(3)		(306)	1,810
Fair value of derivatives	27.50%	3,901	1,073				1,073
Discounting of provisions	27.50%	1,077	297	14	102		413
Other items	27.50%	4,788	1,317	13	8	(43)	1,295
Other items	3.90%	796	31			(3)	28
Total deferred tax liabilities			**22,489**	**(1,602)**	**110**	**(3,611)**	**17,386**
Deferred tax assets on:							
Provision for restoration of quarries and industrial areas	27.50%	21,527	5,920		397	(361)	5,956
Provision for restoration of quarries and industrial areas	3.90%	10,171	397			(37)	360
Provision for other risks	27.50%	52,257	14,370		3,500	(4,790)	13,080
Depreciation of civil buildings	27.50%	17,082	4,698			(1)	4,697
Employee benefits and directors' remuneration	27.50%	15,205	4,182		4	(1,140)	3,046
Write-down materials inventories	27.50%	7,216	1,984		495	(289)	2,190
Non-deductible interest expense	27.50%	116,194	31,953	12	17,587		49,552
Emissions of CO_2	27.50%	1,842	507		44	(122)	429
Fair value of derivatives	27.50%	10,811	2,973				2,973
Impairment on assets	27.50%	49,833	13,704		5,634	(3,600)	15,738
Other items	27.50%	39,827	10,952		2,754	(1,951)	11,755
Other items	3.90%	173	7			-	7
Total deferred tax assets			**91,647**	**12**	**30,415**	**(12,291)**	**109,783**
Unactivated deferred tax assets			**(38,732)**	**(13)**	**(30,305)**	**12,254**	**(56,796)**
Total			**(30,426)**	**(1,601)**	**-**	**(3,574)**	**(35,601)**

20. Net debt

An itemized correlation of net debt with the statement of financial position is set out below:

(in thousands of euro) Financial asset and liability category	Statement of financial position caption	December 31, 2013		December 31, 2012	
Cash, cash equivalents and current financial assets		**(275,607)**		**(302,963)**	
Cash and cash equivalents	Cash and cash equivalents		(2,436)		(1,424)
Current loan assets	Equity investments, bonds and financial assets		(265,394)		(296,411)
Other current financial assets	Other current assets		(7,756)		(5,100)
Derivatives	Other current assets		(21)		(28)
Current financial liabilities		**326,374**		**595,558**	
Bank overdrafts and short-term borrowings	Loans and borrowings		169,596		373,488
Loans and short-term borrowings	Financial liabilities		155,123		219,963
Derivatives	Other current liabilities		1,655		2,107
Non-current financial assets		**(403)**		**(109,884)**	
Securities and bonds	Other non-current assets		-		(9,884)
Non-current financial receivables	Other non-current assets		-		(100,000)
Derivatives	Other non-current assets		(403)		-
Non-current financial liabilities		**976,199**		**804,520**	
Loans and long-term borrowings	Financial liabilities		968,855		781,156
Derivatives	Other non-current liabilities		7,344		23,364
Net debt		**1,026,563**		**987,231**	

20.1. Financial liabilities

Financial liabilities are shown below by category, subdivided by non-current and current liabilities:

(in thousands of euro)	December 31, 2013	December 31, 2012
Amounts due to banks	248,947	509,062
Non-current portion of loans and borrowings	11,563	13,076
Financial liabilities vs. Group companies	708,345	259,018
Non-current financial liabilities	**968,855**	**781,156**
Fair value of hedging derivatives	7,344	23,364
Total non-current financial liabilities	**976,199**	**804,520**
Bank overdrafts and short-term borrowings	169,596	373,488
Current portion of loans and borrowings	9,409	5,527
Financial liabilities vs. Group companies	145,714	214,436
Amounts due to banks and current financial liabilities	**324,719**	**593,451**
Fair value of hedging derivatives	1,655	2,107
Total current financial liabilities	**326,374**	**595,558**
Total financial liabilities	**1,302,573**	**1,400,078**

Main non-current and current financial liabilities:

(in thousands of euro)	Effective interest rate	Maturity	12.31.2013	12.31.2012
Non-current amounts due to banks			**250,000**	**510,000**
Ordinary borrowing		2014		50,000
Ordinary borrowing	3.34%	2016	50,000	
Ordinary borrowing	3.59%	2019	60,000	60,000
Ordinary borrowing	2.89%	2023(*)	90,000	
Drawings on committed lines of credit		2014		200,000
Drawings on committed lines of credit		2014		200,000
Drawings on committed lines of credit	3.29%	2015	50,000	-
Non-current financial liabilities vs. Group companies			**708,345**	**259,018**
Intercompany ordinary borrowings		2016		50,000
Intercompany ordinary borrowings	6.46%	2018	350,277	
Intercompany ordinary borrowings	4.56%	2018	148,915	
Intercompany ordinary borrowings	5.34%	2020	209,154	209,018
Non-current portion of loans and borrowings			**10,510**	**12,138**
Fair value of hedging derivatives			**7,344**	**23,364**
Non-current financial liabilities			**976,199**	**804,520**
Current amounts due to banks			**169,596**	**373,488**
Current liabilities			34,596	48,488
Drawings on committed lines of credit			135,000	325,000
Ordinary borrowings			-	-
Financial liabilities vs. Group companies			**145,714**	**214,436**
Current portion of loans and borrowings			**9,409**	**5,527**
Fair value of hedging derivatives			**1,655**	**2,107**
Current financial liabilities			**326,374**	**595,558**
Total financial liabilities			**1,302,573**	**1,400,078**

(*) amortizing loan with principal repayable in 7 equal amounts as from 2016

Non-current financial liabilities by maturity:

(in thousands of euro)	December 31, 2013	December 31, 2012
2014	-	450,012
2015	1,543	-
2016	112,741	50,474
2017	12,690	-
2018	512,737	-
Beyond	329,145	280,671
Hedging derivatives	7,344	23,364
Total financial liabilities	**976,199**	**804,520**

Main bank loans and drawn and available lines of credit

The main changes in Italcementi S.p.A. medium/long-term loans and borrowings in 2011, 2012 and 2013 are described below:

Bank loans and drawings on medium/long-term lines of credit:

a) During 2013 five medium/long-term lines of credit expired, for an aggregate amount of 350 million euro:
   i. in February, a bilateral 5-year 100 million euro line of credit, fully drawn at December 31, 2012;
   ii. in March, a bilateral 3-year 25 million euro line of credit, undrawn at December 31, 2012;
   iii. in July, a bilateral 6-year 100 million euro line of credit, fully drawn at December 31, 2012;
   iv. in August, a bilateral 6-year 50 million euro line of credit, fully drawn at December 31, 2012;
   v. in December, a bilateral 5-year and 10-month 75 million euro line of credit, fully drawn at December 31, 2012;

b) In September 2013, Italcementi S.p.A. re-negotiated a bilateral 300 million euro line of credit expiring in July 2014, transforming it into a multi-tranche line for a total amount of 225 million euro:
   i. a first tranche for 180 million euro at 3 years and 6 months;
   ii. a second tranche for 45 million euro at 4 years and 6 months;

   Italcementi Finance S.A. is party to the contract as alternative beneficiary of the facility, in which case Italcementi S.p.A. acts as guarantor. No drawings had been made on the line at December 31, 2013;

c) In July 2013, Italcementi S.p.A. obtained from the European Investment Bank a 10-year 90 million euro amortizing loan with the principal to be repaid in 7 equal amounts as from the fourth year. This low-interest loan will be employed for the revamping of the Rezzato cement plant and had been used in full at December 31, 2013;

d) In June 2013, Italcementi S.p.A. re-negotiated a bilateral multi-tranche line of credit for an aggregate amount of 260 million euro of which:
   i. the maturity of the 50 million euro tranche was extended for two years, from September 2014 to September 2016;
   ii. the 150 million euro tranche, expiring in September 2015, was reduced by an aggregate amount of 50 million euro. Of the residual 100 million euro, maturity on 50 million euro was extended from September 2015 to September 2016, while the remaining 50 million euro kept the original maturity. Drawings amounted to 50 million euro at December 31, 2013;
   iii. no changes were made to the final 60 million euro tranche, expiring in September 2019;

   The transaction has enabled Italcementi S.p.A. to improve the facility’s average maturity.

e) During 2012 in September and November respectively, a 3-year 50 million loan and a fully drawn 5-year 75 million committed line of credit expired and were repaid on expiry, without renewal;

f) In May 2012, Italcementi S.p.A. arranged a 200 million euro floating-rate 5-year renewable line of credit to replace a facility expiring in December 2012. In line with the policy introduced, Italcementi Finance S.A. is party to the contract as alternative beneficiary of the facility, in which case Italcementi S.p.A. acts as guarantor. No drawings had been made on the line at December 31, 2013;

Main intragroup borrowings and lines of credit at Italcementi S.p.A.

g) In February and subsequently in May, Italcementi S.p.A. obtained from Italcementi Finance S.A., after the Italcementi Finance S.A. two-tranche bond issue, two intragroup loans maturing on February 21, 2018 for a total amount of 500 million euro, at a rate of 6.461% for the first tranche of 350 million euro and 4.564% for the second tranche of 150 million euro. The Italcementi Finance S.A. bond is guaranteed by Italcementi S.p.A. under the EMTN program;

h) In January 2013 Ciments Français made early repayment of the 100 million euro loan granted by Italcementi S.p.A. in 2010;

i) In September 2012, after finalization of a bilateral bank line of credit arranged by Italcementi Finance S.A., Italcementi S.p.A. obtained from Italcementi Finance S.A. a 100 million euro 3-year and 6-month renewable line of credit. No drawings had been made on the line at December 31, 2013;

j) In 2011, after finalization of a bilateral bank line of credit arranged by Italcementi Finance S.A., Italcementi S.p.A. obtained from Italcementi Finance S.A. a 50 million euro 5-year renewable line of credit. No drawings had been made on the line at December 31, 2013;

k) As a result of the Moody's downgrade of the Italcementi S.p.A. rating from Baa3 to Ba1 on December 15, 2011, the intragroup loans granted by Italcementi Finance S.A. to Italcementi S.p.A. in March 2010 for a total amount of 210 million euro, were subject to the applicable interest-rate increase of 125 basis points as from March 19, 2013, in compliance with the step-up clause of the 750 million euro bond issued by Italcementi Finance S.A.;

20.2. Management of liquidity, credit and counterparty risks

20.2.1. Liquidity risk

The company's objective is to maintain a debt level to ensure a balance between average debt maturity, flexibility and diversification of sources.

As from 2010, under its financial policy review, Italcementi S.p.A. is a recipient of the fund-raising activities of Italcementi Finance, enabling it to improve its access to credit and benefit from the synergies of a centralized financial policy. The policy aims to obtain loans at competitive conditions and to ensure a balance between average debt maturity, flexibility and diversification of sources. Consequently, Italcementi S.p.A. obtains refinancing from Italcementi Finance through short- and long-term intragroup loans, arranged at arm's length conditions.

Italcementi S.p.A. cash and cash equivalents at December 31, 2013 were immaterial. The tables below compare net debt (excluding the fair value of derivatives and financial assets) by maturity with available lines of credit at the end of each year:

At December 31, 2013(*):

(in thousands of euro)		Maturity less than 1 year	Maturity 1 to 2 years	Maturity 2 to 3 years	Maturity 3 to 4 years	Maturity 4 to 5 years	Maturity beyond 5 years	Total
Non-current financial liabilities			1,543	112,741	12,690	512,737	329,145	968,855
Other current financial liabilities		290,123						290,123
Amounts due to banks		34,596						34,596
Cash and cash equivalents		(2,436)						(2,436)
Total		**322,283**	**1,543**	**112,741**	**12,690**	**512,737**	**329,145**	**1,291,138**
Cumulative total		**322,283**	**323,825**	**436,566**	**449,256**	**961,992**	**1,291,138**	
	start 2014	**end 2014**	**end 2015**	**end 2016**	**end 2017**	**end 2018**	**beyond**	
Committed available lines of credit	**910,000**	**845,000**	**575,000**	**425,000**	**45,000**	**-**	**-**	

(*) excluding fair value of derivatives

At December 31, 2012(*):

(in thousands of euro)		Maturity less than 1 year	Maturity 1 to 2 years	Maturity 2 to 3 years	Maturity 3 to 4 years	Maturity 4 to 5 years	Maturity beyond 5 years	Total
Non-current financial liabilities			450,012	0	50,474	0	280,671	781,156
Other current financial liabilities		544,963						544,963
Amounts due to banks		48,488						48,488
Cash and cash equivalents		(1,424)						(1,424)
Total		**592,027**	**450,012**	**0**	**50,474**	**0**	**280,671**	**1,373,183**
Cumulative total		**592,027**	**1,042,039**	**1,042,039**	**1,092,513**	**1,092,513**	**1,373,184**	
	start 2013	**end 2013**	**end 2014**	**end 2015**	**end 2016**	**end 2017**		
Committed available lines of credit	**795,000**	**770,000**	**670,000**	**300,000**	**200,000**			

(*) excluding fair value of derivatives

At December 31, 2013, the average maturity of Italcementi S.p.A. gross debt was 3 years and 10 months.

At December 31, 2013, Italcementi S.p.A. had 1,095 million euro (1,570 million euro at December 31, 2012) of committed lines of credit, of which 370 million euro intragroup facilities with Italcementi Finance S.A. (370 million euro at December 31, 2012). At December 31, 2013, 910 million euro were undrawn and immediately available (795 million euro at December 31, 2012). At the same date, the subsidiary Italcementi Finance S.A. had a further 930 million euro in undrawn committed bank lines of credit, although not contractually reserved exclusively for Italcementi S.p.A requirements (725 million euro at December 31, 2012).

20.2.2. Covenants

In addition to the customary clauses, some of the company's financing contracts include covenants requiring compliance with financial ratios, fixed for the most part on the basis of Group consolidated results and verified at June 30 and December 31. The same applies to the available lines of credit at the subsidiary Italcementi Finance S.A. and to the base of the intragroup lines granted by Italcementi Finance S.A. to Italcementi S.p.A.. The only financial ratio included in the covenants is "leverage" (net debt/recurring EBITDA). For bilateral lines of credit and borrowings, failure to comply with covenants leads to termination and consequent early repayment, although these clauses also include a stand-by period prior to actual execution. Lines of credit and financing contracts do not contain rating triggers that would lead to early repayment. Some financing contracts involve assumption of negative pledges to the counterparty, although these are limited to specific instances that do not substantially compromise the company's ability to finance or refinance its operations.

At December 31, 2013, lines of credit and loans subject to covenants stood at 250 million euro of total drawings represented by gross debt (1,294 million euro at December 31, 2013 expressed at nominal value, excluding the fair value effects of derivatives) and 625 million euro of total undrawn and immediately available lines of credit (910 million euro at December 31, 2013).

At December 31, 2013, the company complied with all contractual commitments; covenant-related financial ratios were within the contractual limits agreed in the loans in question. The company expects to comply with its covenants over the next 12 months, and will provide information as appropriate should its financial situation deteriorate.

20.2.3. Credit risk

In compliance with Italcementi S.p.A. procedures, customers electing extended terms of payment are vetted for credit worthiness before and during the life of the contract. Credit checks take the form of customer-balance monitoring by the administrative department, whose procedures also regulate provisions for overdue receivables at regular intervals.

The concentration of trade credit risks is limited by virtue of Italcementi S.p.A.'s broadly based and uncorrelated customer portfolio. For this reason, management believes that no further provisions for credit risk will be necessary beyond the allowances normally provided for uncollectible and doubtful receivables.

20.2.4. Counterparty risk

Currency and interest-rate instruments are transacted only with counterparties with high ratings, selected on the basis of a number of criteria: ratings attributed by specialist agencies, assets and own fund as well as the nature and maturity of transactions. The majority of counterparties are leading international banks.

No financial instruments are negotiated with counterparties in geographical regions exposed to political or financial risks (all counterparties are in Western Europe or in the USA).

At December 31, 2013, Italcementi S.p.A.'s credit exposure (intragroup current accounts) to the Calcestruzzi group, standing at 177.6 million euro, did not present risk in excess of that already contemplated in testing the Italcementi interest in the Calcestruzzi group for impairment.

20.3. Financial assets and liabilities and fair value hierarchy

The two tables below show the carrying amount and fair value of each financial asset and liability, with the relevant fair value hierarchy level. Information on the fair value of financial assets and financial liabilities not measured at fair value is excluded, when the carrying amount is a reasonable approximation of fair value:

(in millions of euro)	December 31, 2013 Carrying amount	Fair value	Level 1	Level 2	Level 3
FINANCIAL ASSETS					
Assets originally designated at fair value					
Cash and cash equivalents (note 12)	2.4	2.4			
Assets classified as held for trading					
Fair value of derivatives	0.4	0.4	-	0.4	-
Equity investments, bonds and current financial assets	0.3	0.3	-	-	0.3
Loans and receivables					
Trade receivables (note 8)	182.3	182.3			
Other current assets	8.0	8.0			
Other non-current assets excluding concessions, licenses paid in advance, derivatives and securities (note 6)	70.0	70.0			
Equity investments, bonds and current financial assets	268.2	268.2			
Available-for-sale financial assets					
Other equity investments (note 5.1)	5.7	5.7	-	-	5.7
FINANCIAL LIABILITIES					
Liabilities originally designated at fair value					
Liabilities classified as held for trading					
Fair value of derivatives	(9.0)	(9.0)	-	(9.0)	-
Other financial liabilities					
Trade payables	(66.7)	(66.7)			
Other current liabilities	(65.2)	(65.2)			
Floating-rate non-current financial liabilities	(373.2)	(373.2)	-	(373.2)	-
Fixed-rate non-current financial liabilities	(605.1)	(614.7)	-	(614.7)	-
Amounts due to banks	(169.6)	(169.6)	-	(169.6)	-
Other short-term financing	(145.7)	(145.7)	-	(145.7)	-

	December 31, 2012				
(in millions of euro)	Carrying amount	Fair value	Level 1	Level 2	Level 3
FINANCIAL ASSETS					
Assets originally designated at fair value					
Cash and cash equivalents (note 12)	1.4	1.4			
Assets classified as held for trading					
Fair value of derivatives	22.0	22.0	-	22.0	-
Equity investments, bonds and current financial assets	0.3	0.3	-	-	0.3
Loans and receivables					
Trade receivables (note 8)	220.8	220.8			
Other current assets	5.1	5.1			
Other non-current assets excluding concessions, licenses paid in advance, derivatives and securities (note 6)	181.4	181.4			
Equity investments, bonds and current financial assets	296.4	296.4			
Available-for-sale financial assets					
Other equity investments (note 5.1)	5.7	5.7	-	-	5.7
FINANCIAL LIABILITIES					
Liabilities originally designated at fair value					
Liabilities classified as held for trading					
Fair value of derivatives	(51.1)	(51.1)	-	(51.1)	-
Other financial liabilities					
Trade payables	(107.7)	(107.7)			
Other current liabilities	(13.3)	(13.3)			
Floating-rate non-current financial liabilities	(679.6)	(679.6)	-	(679.6)	-
Fixed-rate non-current financial liabilities	(107.1)	(121.1)	-	(121.1)	-
Amounts due to banks	(373.5)	(373.5)	-	(373.5)	-
Other short-term financing	(214.4)	(214.4)	-	(214.4)	-

Trade receivables and payables are current assets and liabilities and are carried at amounts that are reasonable approximations of their fair value.

Derivatives are measured and recognized at fair value. The fair value of interest-rate contracts is determined on the present value of cash flows using the zero coupon curve.

The fair value of forward currency purchase contracts is based on the current exchange rates of contracts with similar maturity profiles.

The fair value of foreign currency payables and receivables is determined using closing exchange rates. The fair value of fixed-rate payables and receivables is based on a fixed rate with no credit margin, net of transaction costs directly related to the financial asset or liability. Other short-term financing includes financial liabilities and current account amounts due to Group companies for 145.7 million euro.

In determining and documenting the fair value of financial instruments, the company uses the following hierarchy based on different measurement methods:

- level 1: financial instruments with prices quoted on active markets;
- level 2: prices quoted on active markets for similar financial instruments, or fair value determined with other measurement methods where all significant inputs are based on observable market data:
- level 3: fair value determined with measurement methods where no significant input is based on observable market data.

20.3.1. Fair value of derivatives

The table shows the fair value of financial instruments reflected in the statement of financial position, subdivided by type of hedge:

	December 31, 2013		December 31, 2012	
(in thousands of euro)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest-rate derivatives hedging cash flows	-	-	-	1,975
Trading interest-rate derivatives	-	947*	-	-
Exchange-rate derivatives hedging cash flows	-	708	28	132
Exchange-rate derivatives hedging fair value	-	-	-	-
Trading exchange-rate derivatives	21	-	-	-
Current instruments	**21**	**1,655**	**28**	**2,107**
Interest-rate derivatives hedging cash flows	129	6,245*	-	23,364
Interest-rate derivatives hedging fair value	273	1,056	-	-
Exchange-rate derivatives hedging cash flows	-	43	-	-
Total non-current instruments	**403**	**7,344**	**-**	**23,364**
Total	**424**	**8,999**	**28**	**25,471**

* of which 132,000 euro: impact at 12/31/2013 relating to credit risk on interest-rate derivatives (no material impact on exchange-rate derivatives)

Italcementi S.p.A. does not set up hedges on sales and purchases of shares.

Derivatives on trading exchange rates and interest rates refer to assets that do not qualify for recognition with hedge accounting criteria.

The impact of netting agreements relating to derivative assets and derivative liabilities in compliance with the latest IFRS 7 update was immaterial at December 31, 2013 and at December 31, 2012.

At December 31, 2013, there were no derivatives relating to EUA and CER/ERU transactions.

2013 derivative transactions on emission rights had an impact of +3,729 thousand euro on the income statement and no impact on equity (OCI reserve).

At December 31, 2013 there were no derivatives relating to electric energy transactions.

In 2013 derivative transactions on electricity generated an impact of +967 thousand euro on equity (OCI reserve) and had no impact on the income statement.

20.4. Management of interest-rate risk

The company interest-rate risk management policy is designed to minimize the cost of net financial liabilities and reduce exposure to fluctuation risks. It hedges two types of risk:

1. the risk of variations in the market value of fixed-rate borrowing and lending transactions. Company fixed-rate debt is exposed to an “opportunity cost” risk in the event of a fall in interest rates. A change in interest rates will affect the market value of fixed-rate assets and liabilities and impact consolidated profit or loss in the event of liquidation or early repayment of these instruments;
2. the risk linked to future flows arising from floating-rate borrowing and lending transactions.

A change in interest rates will have a negligible impact on the market value of floating-rate financial assets and liabilities but will affect finance costs and, consequently, future profits.

The company manages this dual risk as part of its general policy, performance targets and risk reduction targets by giving priority to hedges on future flows over the short- and medium-term, within the specified limits.

It hedges interest-rate risks mainly by arranging interest-rate swaps and interest-rate options with top-ranking banks. Exposure in derivatives may never exceed the value of the underlying.

20.4.1. Interest-rate risk hedging

The table below sets out the notional value of interest-rate derivatives by maturity:

(in millions of euro)	Maturity less than 1 year	Maturity 1 to 2 years	Maturity 2 to 5 years	Maturity more than 5 years	Total
Fair value hedges SWAPS receives Fixed / pays Floating					
150 M€ 0.9275% Euribor 3M	-	-	150.0	-	150.0
100 M€ 4.3585% Euribor 3M+3.65%	-	-	100.0	-	100.0
Total	**-**	**-**	**250.0**	**-**	**250.0**
Cash flow hedges SWAPS receives Floating / pays Fixed					
610 M€ Euribor 3M 1.633%	-	75.0	100.0	435.0	610.0
Cash flow hedges Options	-	-	-	-	-
Total	**-**	**75.0**	**100.0**	**435.0**	**610.0**
Trading receives Floating / pays Fixed					
50 M€ Euribor 6M 2.963%	50.0	-	-	-	50.0
Total	**50.0**	**-**	**-**	**-**	**50.0**
Total	**50.0**	**75.0**	**350.0**	**435.0**	**910.0**

20.4.2. Exposure to interest-rate risk

At December 31, 2013, 78.5% of Italcementi S.p.A. gross debt and 99.7% of net debt (not including the fair value of derivatives) was at a fixed rate or hedged against the risk of rate increases for different periods over the entire debt time horizon. 65% of fixed-rate commitments arose from swapped contracts initially arranged at floating rates.

Hedges are stated at nominal value for the period in question (consistently with instrument maturity) and do not include fixed-rate to fixed-rate contracts.

In 2012, the company took advantage of the strong decrease in market reference rates to arrange 435 million euro of new 7-year interest-rate swaps (from floating to fixed rates), taking the hedging profile to the highest levels contemplated by the current management policy.

During 2013, simultaneously with the arrangement of the two intragroup fixed-rate loans for 350 and 150 million euro, the company arranged 250 million euro of new five-year interest-rate swaps (from fixed to floating rates), keeping the hedging profile at the highest levels contemplated by the current management policy.

20.4.3. Net debt at inception and after interest-rate hedging

The evolution of net debt at December 31, 2013 is shown below:

(in millions of euro)	12.31.2013	Maturity less than 1 year	Maturity 1 to 2 years	Maturity 2 to 5 years	Maturity beyond 5 years
Fixed-rate financial liabilities	605.1	-	-	500.6	104.5
Fixed-rate financial assets	-	-	-	-	-
Fixed- to floating-rate hedging	(250.0)	-	-	(250.0)	-
Floating- to fixed-rate hedging	660.0	50.0	75.0	100.0	435.0
Fixed-rate ND after hedging	**1,015.1**	**50.0**	**75.0**	**350.6**	**539.5**
Floating-rate financial liabilities	688.5	324.7	1.5	137.6	224.6
Floating-rate financial assets	(275.6)	(275.6)	-	-	-
Floating-rate ND at inception	412.9	49.1	1.5	137.6	224.6
Fixed- to floating-rate hedging	250.0	-	-	250.0	-
Floating- to fixed-rate hedging	(660.0)	(50.0)	(75.0)	(100.0)	(435.0)
Optional hedging	-	-	-	-	-
Floating-rate ND after hedging	**2.9**	**(0.9)**	**(73.5)**	**287.6**	**(210.4)**
Optional hedging	-	-	-	-	-
Fair value of derivatives, net	8.6	1.6	-	(0.3)	7.2
Total ND	**1,026.6**	**50.8**	**1.5**	**637.9**	**336.4**

At December 31, 2013, a +0.5% change in the interest-rate curve would have had an impact of -0.01 million euro, that is, 0.03% of 2013 net finance costs. The impact on interest-rate derivatives in portfolio would be +13.8 million euro on equity and -4.7 million euro on profit (loss) before tax, the latter offset by an effect of 5.0 million euro on fixed-rate liabilities with fair value hedges.

At December 31, 2013, a 0.5% change in the interest-rate curve would have had an impact of +0.01 million euro, that is, 0.03% of 2013 net finance costs. The impact on interest-rate derivatives in portfolio would be -14.2 million euro on equity and +4.8 million euro on profit (loss) before tax, the latter offset by an effect of -5.1 million euro on fixed-rate liabilities with fair value hedges.

20.5. Management of currency risk

The company is structurally exposed to currency risks mainly on US dollar solid fuel purchases.

The company hedges exposure to the currency risk with forward currency purchase contracts, as well as call and put options on exchange rates.

These hedges are arranged with leading banks.

20.5.1. Exposure to currency risk

Foreign currency exposure refers largely to US dollars for solid fuel purchases.

At December 31, 2013, a 10% appreciation in the US dollar against the euro would have had an impact on currency derivatives in portfolio of +2.8 million euro on equity and -0.2 million euro on profit (loss) before tax.

At December 31, 2013, a 10% depreciation in the US dollar against the euro would have had an impact on currency derivatives in portfolio of -2.8 million euro on equity and +0.2 million euro on profit (loss) before tax.

20.5.2. Currency risk hedges

Currency risk hedges stated at the closing rates are illustrated below:

(in millions of euro)	12.31.2013	12.31.2012
Forward purchases		
Cash flow hedges US dollars	26.0	14.6
Fair value hedges US dollars		-
Total	**26.0**	**14.6**
Options		
Cash flow hedges US dollars	-	6.6
Total	**-**	**6.6**
Total	**26.0**	**21.2**

Currency derivatives at December 31, 2013 expire within 2 years.

20.6. Management of commodity risk

Italcementi S.p.A. is exposed to market fluctuations on CO_2 emission rights prices, in connection with its surplus or deficit on the quotas allocated by its national government.

In 2013, Italcementi S.p.A made no sales of CO_2 emission rights on its own behalf (14.4 million euro in 2012).

From 2008 to 2013, Italcementi S.p.A. transacted forward EUA-CER/ERU swaps (forward EUA sales and forward CER or ERU purchases) distributed in the period 2009-2013, to diversify and optimize its CO_2 emission rights portfolio.

Since 2010 Italcementi S.p.A. has also operated on the spot and forward markets on behalf of the Group's other European companies under an agency basis.

20.7. Management of equity risk

Italcementi S.p.A. is exposed to market fluctuations on listed shares held in portfolio recognized under "Other equity investments". Treasury shares held by Italcementi S.p.A. are measured at cost and deducted against equity under the "Treasury shares" reserve (see note 15).

The risk of fluctuations in the value of these equity investments is not actively managed with financial hedging instruments.

20.8. Hedge Accounting

The effects arising from application of hedge accounting rules are summarized below.

The specific equity reserve reflects fair value gains and losses on the effective component of cash flow hedges only.

New derivatives recognized in equity totaled -782 thousand euro at December 31, 2013 (-11,220 thousand euro at December 31, 2012). The eliminated portion of the reserve relating to instruments that expired in 2013 amounted to +15,762 thousand euro at December 31, 2013 compared with +2,506 thousand euro at December 31, 2012. The changes in equity relating to derivatives contracted during the previous financial year and still in portfolio at December 31, 2013, amounted to 4,448 thousand euro (-10,825 thousand euro at December 31, 2012).

The non-effective component of cash flow hedges in portfolio at December 31, 2013 recognized in profit or loss was immaterial in both 2013 and 2012.

With reference to fair value hedges in portfolio at the end of 2013, the amount taken to profit or loss totaled -0.8 million euro for 2013 (0 million euro in 2012). Recognized amounts attributable to underlying risk hedged during the period totaled +0.8 million euro in 2013 (0 million euro in 2012). These amounts are taken to profit or loss as gains and losses on interest-rate and currency derivatives.

21. Trade payables

(in thousands of euro)	12.31.2013	12.31.2012	Change
Suppliers	49,765	87,595	(37,830)
Group companies	16,975	20,059	(3,084)
Total	**66,740**	**107,654**	**(40,914)**

Details on payables due to Group companies are provided in the specific section on related parties.

22. Other current liabilities

(in thousands of euro)	12.31.2013	12.31.2012	Change
Amounts due to employees	19,176	15,589	3,587
Amounts due to social security authorities	6,977	7,889	(912)
Amounts due to tax authorities for VAT and withholdings	3,452	3,627	(175)
Payables for acquisition of assets	65,129	13,168	51,961
Other amounts due	14,311	21,804	(7,493)
Derivatives	1,655	27,767	(26,112)
Accruals and deferred income	4,195	4,774	(579)
Total	**114,895**	**94,618**	**20,277**

"Accruals and deferred income" include grants related to assets to be posted to the income statement in future years in relation to depreciation for 222 thousand euro.

23. Commitments

The company has provided guarantees for 3,242,796 thousand euro in the almost exclusive interest of Group companies for commitments to banks. The amount includes 3,162,937 thousand euro relating to guarantees issued to the subsidiary Italcementi Finance S.A. for the arrangement of new lines of credit and the bond loan.

Contracts and orders issued for investments in property, plant and equipment and for long-term rents and leases at December 31, 2013 were as follows:

(in thousands of euro)	12.31.2013	under 1 year	1 to 5 years	beyond 5 years
Commitments for purchases of property, plant and equipment	66,471	66,471	-	-
Commitments for long-term rents and leases	5,243	2,132	2,932	179

Income statement

24. Revenue

Revenue from sales and services totaled 461,918 thousand euro, as follows:

(in thousands of euro)	2013	2012	Change	% change
Sale of finished and semi-finished goods	399,144	473,028	(73,884)	-15.6
Resale of products	10,438	22,824	(12,386)	-54.3
Revenue from services	52,336	58,858	(6,522)	-11.1
Total	**461,918**	**554,710**	**(92,792)**	**-16.7**

The company's revenue arises almost entirely in Italy.

2013 revenue includes revenue from transactions with Group companies for 126,159 thousand euro regarding sales of products, staff transfers, as well as provision of technical and administrative services under the existing contract (see note 33 "Related parties").

25. Other revenue

Other revenue totaled 27,782 thousand euro (33,051 thousand euro for 2012) and includes rental income and other income on assets for 8,658 thousand euro, income for interruptibility of electricity supplies for 16,973 thousand euro and other income for 2,151 thousand euro.

26. Raw materials and supplies

Raw materials and supplies totaled 212,900 thousand euro, as follows:

(in thousands of euro)	2013	2012	Change	% change
Raw materials and semi-finished goods	38,587	40,593	(2,006)	-4.9
Fuel	45,384	78,608	(33,224)	-42.3
Packaging, materials and machinery	27,319	32,513	(5,194)	-16.0
Finished goods	6,736	18,648	(11,912)	-63.9
Electricity, water and gas	82,224	112,109	(29,885)	-26.7
Change in inventories of raw materials, consumables, other	12,650	7,069	5,581	79.0
Total	**212,900**	**289,540**	**(76,640)**	**-26.5**

27. Services

Services totaled 131,835 thousand euro, as follows:

(in thousands of euro)	2013	2012	Change	% change
External services and maintenance	47,676	58,236	(10,560)	-18.1
Transport	35,073	37,178	(2,105)	-5.7
Legal fees and consultancy	9,385	11,395	(2,010)	-17.6
Rents	4,179	4,865	(686)	-14.1
Insurance	2,097	2,060	37	1.8
Other	33,425	39,791	(6,366)	-16.0
Total	**131,835**	**153,525**	**(21,690)**	**-14.1**

Services include recharged amounts of 38,347 thousand euro for staff and intragroup services.

28. Employee expense and Stock options

Employee expense totaled 148,824 thousand euro, as follows:

(in thousands of euro)	2013	2012	Change	% change
Wages and salaries	91,708	103,223	(11,515)	-11.2
Social security contributions and pension fund provisions	33,634	37,875	(4,241)	-11.2
Other costs	23,482	29,287	(5,805)	-19.8
Total	**148,824**	**170,385**	**(21,561)**	**-12.7**

"Other costs" refer to directors' remuneration and expense relating to staff such as the canteen service, insurance, travel expenses and training.

Defined contribution plans

Italcementi defined contribution plans relate to pension and medical assistance plans, with similar treatment given to the post-employment benefits paid to supplementary funds and to the fund for post-employment benefits paid to private-sector employees managed by the INPS national insurance board. The total cost recorded under employee expense was 7,982 thousand euro.

The number of employees is set out below:

(heads)	2013	2012
Number of employees at year-end	2,272	2,397
Average number of employees	1,942	2,445

Stock options

The company has set up stock option plans for directors and managers who have particular roles in the Group.

Stock options refer to ordinary shares; the features of the plans are described in the Directors' report in the sections on Corporate Governance and Stock option plans. The exercise of options is on a 1:1 basis.

The terms and conditions of Italcementi S.p.A. stock option plans at December 31, 2013 were as follows:

Grant date	No. options granted	Exercise period	Options exercised	Options cancelled	Unexercised options	Subscription price per share
March 17, 2005	1,053,600	3.17.2008 - 3.16.2015	6,475	28,900	1,018,225	€ 13.387
March 7, 2006	631,403	3.7.2009 - 3.6.2016	4,187	50,325	576,891	€ 16.890
March 7, 2007	1,020,200	3.7.2010 - 3.6.2017	-	49,525	970,675	€ 23.049
March 26, 2008	623,300	3.26.2011 - 3.25.2018	-	-	623,300	€ 12.804
June 4, 2008	1,564,750	6.4.2011 - 6.3.2018	-	-	1,564,750	€ 13.355
Total	**4,893,253**		**10,662**	**128,750**	**4,753,841**	

The grant date is the date of the Board of Directors' meeting that approved the stock option plan.

The average residual life of unexercised options is approximately 1 year and 5 months.

The number and average exercise price of options in the periods in question are set out below:

	2013		2012	
	number of options	average subscription price	number of options	average subscription price
Unexercised options at start of year	**4,753,841**	**€ 15.698**	**4,794,966**	**€ 15.637**
Unexercised options at end of year	**4,753,841**	**€ -**	**4,794,966**	**€ -**
Vested options at end of year	**4,753,841**			

The average ordinary share price in 2013 was 5.311 euro (4.37 euro in 2012).

The option exercise price at December 31, 2013 was between 12.804 euro and 23.049 euro.

Only options granted after November 7, 2002 that had not vested at December 31, 2003 were measured and recognized at the date of transition to the IFRS.

29. Other operating income (expense)

Net other operating expense, net of other operating income, amounted to 30 thousand euro, as follows:

(in thousands of euro)	2013	2012	Change	% change
Other taxes	(9,127)	(8,321)	(806)	9.7
Allowance for doubtful receivables	(6,950)	(7,290)	340	-4.7
Provision for environmental restoration, quarries and other	(905)	(1,411)	506	-35.9
Miscellaneous expense	(2,080)	(6,409)	4,329	-67.5
Miscellaneous income	19,032	32,969	(13,937)	-42.3
Total	**(30)**	**9,538**	**(9,568)**	**-100.3**

"Miscellaneous income" included income from the allocation of white certificates for 9,272 thousand euro, income from insurance reimbursements for 5,564 thousand euro and amounts for the use of alternative fuels for 2,263 thousand euro.

30. Non-recurring income (expense)

Net non-recurring income amounted to 192 thousand euro (net non-recurring income of 26,383 thousand euro in 2012). It arose from net gains from the sale of assets for 9,122 thousand euro, net expense for re-organizations for 7,130 thousand euro, of which 12,726 thousand euro in relation to the "Project 2015" program, and allowances for inventories held at disused sites for 1,800 thousand euro.

31. Finance income (costs), exchange-rate differences and derivatives

Net finance income amounted to 43,176 thousand euro, as follows:

	2013		2012	
(in thousands of euro)	Income	Costs	Income	Costs
Interest income	9,822		6,109	
Interest expense		(61,410)		(37,091)
Subtotal	**9,822**	**(61,410)**	**6,109**	**(37,091)**
Net interest in respect of net debt		**(51,588)**		**(30,982)**
Dividends and other income from equity investments	100,026		117,611	
Other finance income	28,516		32,792	
Other finance costs		(32,915)		(42,207)
Total finance income (costs)	**138,364**	**(94,325)**	**156,512**	**(79,298)**
Gains/(losses) on interest-rate derivatives		82		199
Gains/(losses) on currency derivatives		(148)		(320)
Net exchange-rate differences		(797)		1,660
Net exchange-rate differences and derivatives		**(863)**		**1,539**
Total finance income (costs), exchange-rate differences and derivatives		**43,176**		**78,753**

DDDD

Interest income includes 3,196 thousand euro from capital gains on the sale of bonds.

Net interest in respect of net debt totaled 51,588 thousand euro in 2013, compared to 30,982 thousand euro in 2012, a decrease of 20,606 thousand euro.

32. Income tax expense

Income tax expense totaled 5,286 thousand euro, as follows:

(in thousands of euro)	2013	2012	Change
Current tax	423	1,343	(920)
Deferred tax	(3,574)	6,160	(9,734)
Prior-year tax	8,437	284	8,153
Surpluses in allocation to provision for taxes	-	(850)	850
Total	**5,286**	**6,937**	**(1,651)**

The reconciliation between the theoretical tax charge and the effective tax charge reflected in the income statement is set out below:

(in thousands of euro)		Ires	Irap	Total
Profit (loss) before tax	(a)	(109,939)	(109,939)	
Difference in the taxable base between IRES and IRAP	(b)		120,980	
	(c) = (a+/-b)	(109,939)	11,041	
Applicable tax rate (%)	(d)	27.50	3.90	31.40
Theoretical tax charge	(e) = (d) x (c)	(30,233)	431	(29,802)
Effect of reduction in rate for tax relief/break programs	(f)		(6)	(6)
Tax effect on permanent differences:	(g)			
- foreign dividends and other exempt income		(29,797)	(960)	(30,757)
- non-deductible costs		21,307	686	21,993
Net effect for the year of unrecognized deferred tax on temporary differences	(h)	35,421	-	35,421
Effective tax charge	(i) = ∑ da (e) a (h)	(3,302)	151	(3,151)
Effective tax rate (%)		3.00	1.37	1.39
Other tax items not related to profit (loss) for the year	(j)			8,437
Effective tax charge reflected in income statement at December 31, 2013 (k) = (i) + (j)				**5,286**

33. Transactions with related parties

Data relating to transactions with related parties and their impact on the company's financial position and results of operations are set out in the following tables:

Breakdown of receivables and payables with related parties

(in thousands of euro)

Description	Company	Amount	% impact on financial statement items	Carrying amounts	Reference
Trade receivables	Ciments Français S.A.	15,887			
	Calcestruzzi S.p.A.	13,476			
	S.Francesco s.c.a.r.l.	3,467			
	Italgen S.p.A.	2,692			
	C.T.G. S.p.A.	2,157			
	Ciments du Maroc S.A.	1,595			
	Intercom S.r.l.	914			
	Ciments Calcia S.A.	854			
	Cementi della Lucania S.p.A.	641			
	Shymkent Cement	623			
	Sociedad Financiera Y Minera S.A.	528			
	Other companies	3,421			
	Other related parties	51			
Total trade receivables		**46,306**	**25.4%**	**182,262**	**Note 8**
Current account receivables and other financial assets	Calcestruzzi S.p.A.	181,466			
	Italgen S.p.A.	21,679			
	International City for Ready Mix Co. Loan	20,578			
	Nuova Sacelit S.r.l.	14,209			
	Calcementi Jonici S.r.l.	10,058			
	C.T.G. S.p.A.	4,866			
	Italterminali S.r.l.	4,555			
	Bravosolution S.p.A.	3,715			
	Ing. Sala S.p.A.	2,942			
	Italcementi Finance S.A.	2,855			
	Intercom S.r.l.	884			
	Other companies	441			
Total current financial assets		**268,248**	**99.9%**	**268,515**	**Note 11**
Other assets	Ciments Calcia S.A.	1,752			
	Italcementi Finance S.A.	1,003			
	Shymkent Cement	222			
	Other related parties	1,145			
Total other current assets		**4,122**	**7.0%**	**59,209**	**Note 9**
Other non-current assets	Italmobiliare S.p.A. receivables for tax consolidation	63,787			
	Italcementi Finance S.A.	402			
Total other non-current assets		**64,189**	**91.2%**	**70,403**	**Note 6**

(Breakdown of receivables and payables with related parties – cont.)

(in thousands of euro)

Description	Company	Amount	% impact on financial statement items	Carrying amounts	Reference
Trade payables	Interbulk Trading S.A.	(5,109)			
	Gruppo Italsfusi S.r.l.	(4,475)			
	Italmobiliare S.p.A.	(3,034)			
	Ciments Français S.A.	(2,033)			
	C.T.G. S.p.A.	(978)			
	BravoSolution S.p.A.	(392)			
	Italgen S.p.A.	(218)			
	Italcementi Finance S.A.	(190)			
	Other companies	(546)			
	Other related parties	(2,598)			
Total trade payables		**(19,573)**	**29.3%**	**66,740**	**Note 21**
Current account payables and other financial liabilities	Italcementi Finance S.A. Loan	(134,138)			
	Italcementi Ingegneria S.r.l.	(4,755)			
	SAMA S.r.l.	(3,758)			
	Esa Monviso S.p.A.	(3,552)			
	Gruppo Italsfusi S.r.l.	(2,925)			
	BravoEnergy S.r.l.	(965)			
	Other companies	(823)			
Total current financial liabilities		**(150,916)**	**97.3%**	**155,123**	**Note 20**
	Italcementi Finance S.A. Loan	(708,345)			
Total non-current financial liabilities		**(708,345)**	**73.1%**	**968,855**	**Note 20**
Other liabilities	C.T.G. S.p.A. Payable for purchase of non-current assets	(3,852)			
	Italcementi Finance S.A.	(708)			
	BravoSolution S.p.A.	(173)			
Total other current liabilities		**(4,733)**	**4.1%**	**114,895**	**Note 22**
Other non-current liabilities	Italcementi Finance S.A. Derivatives	(1,244)			
Total other non-current liabilties		**(1,244)**	**16.9%**	**7,344**	**Note 20**

Commitments with related parties

(in thousands of euro)

Description	Company	Amount
Guarantees provided to Group companies	Italcementi Finance S.A.	(3,162,937)
	Calcementi Jonici S.r.l.	(40,175)
	Interbulk Trading	(16,000)
	Italgen S.r.l.	(6,380)
	Bravosolution US	(6,183)
	Eurotech Cement Shpk	(3,500)
	Medcem S.r.l.	(3,000)
	Calcementi Jonici S.r.l.	(2,833)
	Shqiperia Cement Company Shpk	(1,500)
	Bravobuild Espana S.a.s.	(283)
	Other companies	(5)
Total commitments		**(3,242,796)**

Breakdown of revenue and costs with related parties

(in thousands of euro)

Description	Company	Notes	Amount	% impact on financial statement items	Carrying amounts	Reference
Sales of finished and semi-finished goods, raw materials and supplies	Calcestruzzi S.p.A.		49,672			
	Italgen S.p.A.		11,939			
	San Francesco S.c.a.r.l.		5,397			
	Intercom S.r.l.		4,174			
	Cementi della Lucania S.p.A.		2,812			
	Calcementi Jonici S.r.l.		954			
	Other companies		508			
	Other related parties		2,033			
Total sales of goods			**77,489**	**16.8%**	**461,918**	**Note 24**
Revenue for staff services and technical administrative services	Ciments Francais S.A.	employee recharges and Group structures	33,172			
	Ciments Calcia S.A.		2,783			
	C.T.G. S.p.A.		1,814			
	Calcestruzzi S.p.A.		1,764			
	Essroc Cement Corporation		1,544			
	Sociedad Financiera Y Minera S.A.		1,527			
	Essroc Corporation		918			
	Suez Cement		907			
	Italgen S.p.A.		850			
	Devnia Cement AD		730			
	Vassiliko Cement Works Ltd	technical assistance	650			
	Ciments du Maroc		469			
	BravoBloc S.r.l.		432			
	Italmobiliare S.p.A.		338			
	Other companies		2,805			
	Other related parties		115			
Total revenue for services			**50,818**	**11.0%**	**461,918**	**Note 24**

(Breakdown of revenue and costs with related parties – cont.)

(in thousands of euro)

Description	Company	Notes	Amount	% impact on financial statement items	Carrying amounts	Reference
Other revenue	C.T.G. S.p.A.	rent and income for lease of company branch	5,443			
	Italcementi Finance S.A.		527			
	Calcestruzzi S.p.A.		276			
	S.A.M.A. S.r.l.		110			
	Ciments Français S.A.		270			
	Italgen S.p.A.		68			
	Other companies		184			
	Other related parties		233			
Total other revenue			**7,111**	**25.6%**	**27,782**	**Note 25**
Other income	Shymkent Cement		343			
	Other companies		14			
Other expense	Other companies		(41)			
	Other related parties	payments to Fondazione Italcementi and other expense	(500)			
Total other operating income (expense)			**(184)**	**n.s.**	**30**	**Note 29**
Net gains from the sale of assets	Intercom Libya		625			
Total net gains from the sale of assets			**625**	**6.9%**	**9,122**	**Note 30**

Italcementi
Italcementi Group

(Breakdown of revenue and costs with related parties – cont.)

(in thousands of euro)

Description	Company	Notes	Amount	% impact on financial statement items	Carrying amounts	Reference
Dividends and other income from equity investments	Ciments Français S.A.		89,305			
	Italgen S.p.A.		4,795			
	S.I.I.L. SA		3,980			
	Italcementi Finance S.A.		220			
	Azienda Agricola Lodoletta S.r.l.		94			
	Other related parties		1,145			
Total dividends and other income from equity investments			**99,539**	**99.5%**	**100,026**	**Note 31**
Interest income on intragorup accounts	Italcementi Finance S.A.		4,765			
	Calcestruzzi S.p.A.		914			
	International City for Ready Mix		531			
	Italgen S.p.A.		118			
	Calcementi Jonici S.r.l.		79			
	Nuova Sacelit S.r.l.		75			
	Ciments Français S.A.		36			
	C.T.G. S.p.A.		30			
	BravoSolution S.p.A.		24			
	Other companies		84			
Total interest income			**6,656**	**67.8%**	**9,822**	**Note 31**
Fees on guarantees and commodity derivatives	Italcementi Finance S.A.		582			
	Vassiliko Cements Works Ltd		89			
	Interbulk Trading S.A.		40			
	Other companies		85			
Other finance income			**796**	**2.4%**	**32,792**	**Note 31**

(Breakdown of revenue and costs with related parties – cont.)

(in thousands of euro)

Description	Company	Notes	Amount	% impact on financial statement items	Carrying amounts	Reference
Raw materials, fuel, semi-finished and finished goods and electricity consumption	Interbulk Trading S.A.	clinker and fuel	(26,717)			
	Italgen S.p.A.	electricity consumption	(17,140)			
	Intercom S.r.l.	clinker	(2,512)			
	Socli S.A.	hydraulic lime	(623)			
	Gruppo Italsfusi S.r.l.	transfer of clinker	(600)			
	Medcem S.r.l.	transfer of cement	(378)			
	Other companies		(387)			
	Other related parties	additivi SIKA	(6,233)			
Total raw materials and supplies			**(54,590)**	**25.6%**	**212,900**	**Note 26**
Services	Gruppo Italsfusi S.r.l.	transport on sales	(24,572)			
	C.T.G. S.p.A.	specific projects, technical assistance and research (net of capitalized projects for 8,031 thousand euro)	(5,118)			
	Ciments Francais S.A.	recharge of employees and Group structures	(4,853)			
	BravoSolution S.p.A.	e-commerce services	(1,123)			
	Italgen S.p.A.		(627)			
	Italcementi Finance S.A.		(447)			
	Medcem S.r.l.		(443)			
	Italmobiliare S.p.A.	staff transfers	(247)			
	Intercom S.r.l.		(198)			
	Sociedad Financiera Y Minera		(198)			
	Other companies		(521)			
	Other related parties	consultancy	(559)			
Total services			**(38,906)**	**29.5%**	**131,835**	**Note 27**
Employee expense	Italmobiliare S.p.A. Fees net of balance for previous years		491			
	Other companies		(26)			
Total employee expense			**465**	**-0.3%**	**148,824**	**Note 28**

(Breakdown of revenue and costs with related parties – cont.)

(in thousands of euro)

Description	Company	Notes	Amount	% impact on financial statement items	Carrying amounts	Reference
Interest expense on intragroup accounts and fees	Italcementi Finance S.A.		(46,185)			
	Italcementi Ingegneria S.r.l.		(23)			
	SAMA S.r.l.		(18)			
	Gruppo Italsfusi S.r.l.		(14)			
	Esa Monviso S.p.A.		(18)			
	Other companies		(7)			
Total interest expense			**(46,265)**	**75.3%**	**61,410**	**Note 31**
Fees on guarantees and commodity derivatives	Ciments Calcia S.A.		(6,121)			
	Italcementi Finance S.A.		(3,121)			
	Devnya Cement AD		(2,202)			
	Sociedad Financiera Y Minera		(1,384)			
	Compagnie des Ciments Belges		(596)			
	Vulkan Ead		(428)			
	Halyps Building Material S.A.		(55)			
Other finance costs			**(13,907)**	**42.3%**	**32,915**	**Note 31**

Other transactions with related parties

During the year dividends totaling 6,596 thousand euro were paid to the parent Italmobiliare S.p.A. (13,180 thousand euro in 2012).

Impact of transactions with related parties on cash flows:

	Cash flows	
(in thousands of euro)	**Amount**	**%**
Cash flow from operating activities with related parties	104,288	n.s.
Total A) - from statement of cash flows 2013	20,616	
Cash flow from investing activities with related parties	11,736	n.s.
Total B) - from statement of cash flows 2013	(11,428)	
Cash flow from financing activities with related parties	515,567	n.s.
Total C) - from statement of cash flows 2013	(8,176)	
Cash flows with related parties	**631,591**	
Cash flows for the year on statement of cash flows (A+B+C)	**1,012**	

n.s. not significant

Compensation to directors and the chief operating officer

Compensation paid to the directors and the chief operating officer of Italcementi S.p.A. for positions held is detailed below:

(in thousands of euro)	2013	2012
Short-term benefits: compensation and remuneration	7,917	9,079
Post-employment benefits: provision for leaving and end-of-term entitlements	903	1,278
Other long-term benefits: length-of-service bonuses and incentives	3,832	3,624
Share-based payments (stock options)	-	-
Total	**12,652**	**13,981**

34. Non-recurring transactions

The following tables itemize non-recurring transactions and their impact on equity, the financial position and results of operations.

	2012					
	Equity		Profit (loss) for the year		Net debt	
(in thousands of euro)	Amount	%	Amount	%	Amount	%
Carrying amounts	**1,471,019**		**(202,882)**		**987,231**	
Net gains from the sale of non-current assets	18,469	**1.3%**	18,469	-9.1%	18,279	**1.9%**
Other non-recurring income (expense)	(44,852)		(44,852)		-	
Total	**(26,384)**	**-1.8%**	**(26,384)**	**13.0%**	**18,279**	**1.9%**
Figurative amount without non-recurring transactions	**1,497,403**		**(176,498)**		**1,005,510**	

	2013					
	Equity		Profit (loss) for the year		Net debt	
(in thousands of euro)	Amount	%	Amount	%	Amount	%
Carrying amounts	**1,360,173**		**(115,226)**		**1,026,563**	
Net gains from the sale of non-current assets	9,122	**0.7%**	9,122	-7.9%	27,483	**2.7%**
Other non-recurring income (expense)	(12,245)		(12,245)		-	
Total	**(3,123)**	**-0.2%**	**(3,123)**	**2.7%**	**27,483**	**2.7%**
Figurative amount without non-recurring transactions	**1,363,296**		**(112,103)**		**1,054,046**	

35. Audit fees

Pursuant to the CONSOB Issuers Regulation, the table below sets out fees paid to the independent auditors KPMG S.p.A. and to companies in the KPMG network.

(in thousands of euro)	2013	Other Italian companies in the KPMG network
Auditing services	636	
Other attestation services	184	
Other legal, fiscal and corporate services		45
Total	**820**	**45**

36. Events after December 31, 2013

No significant events have taken place since the end of the reporting period whose effects require amendments to or additional comments on the company's financial position and results of operations as at and for the year ended December 31, 2013.

In 2014

At its meeting on March 6, 2014, the Italcementi S.p.A. Board of Directors examined and approved a plan to streamline its corporate structure and strengthen the Group. The plan envisages:

- the mandatory conversion of Italcementi savings shares into ordinary shares at a rate of 0.65 ordinary shares for each savings share ("**Mandatory Conversion**")
- an increase in Italcementi's capital through a rights issue for a maximum of 450 million euro ("**Capital Increase**")
- a voluntary public tender offer by Italcementi on Ciments Français minorities at a price of 78 euro per share (cum dividend), for the purpose of delisting Ciments Français from the Paris Stock Exchange (the "**PTO**")

The aim of the plan is to streamline the Italcementi Group's present capital structure, governance and control chain, while boosting its capital base and preserving the Group's financial flexibility. The plan also aims to increase Italcementi's capitalization and overall free float, thereby generating greater share liquidity for the benefit of shareholders and potential investors.

At a meeting also held on March 6, 2014, the Board of Directors of Italmobiliare S.p.A., the company that manages and coordinates Italcementi, declared its support for the plan and, consequently, its willingness to subscribe its rights under the Italcementi capital increase, to tender the shares it holds in Ciments Français for the PTO (2.73% of share capital), and also to convert the Italcementi savings shares it holds (2.856% of the savings share capital).

On completion of the transactions, Efiparind BV will retain control of Italcementi pursuant to art. 93 of the Consolidated Finance Act (TUF), through Italmobiliare, which will retain a share of more than 45% in Italcementi voting capital.

Further details of the project are set out in the joint Italcementi-Italmobiliare press release "Italcementi approves plan to strengthen and streamline its capital and group structure. Italmobiliare supports the transaction" of March 6, 2014.

Bergamo, March 6, 2014

For the Board of Directors
The Chairman
Giampiero Pesenti

Annexes

Annex 1

Highlights from the most recent financial statements of Italmobiliare S.p.A.

(the company that exercises management control and coordination)

(euro)		
Statement of financial position	**12/31/2012**	**12/31/2011**
Total non-current assets	1,188,419,235	1,253,225,554
Total current assets	69,728,489	70,595,403
Total assets	**1,258,147,724**	**1,323,820,957**
Equity:		
Share capital	100,166,937	100,166,937
Reserves	145,876,490	124,479,808
Treasury shares, at cost	(21,226,190)	(21,226,190)
Retained earnings	616,165,598	682,902,643
Total equity	840,982,835	886,323,198
Total non-current liabilites	249,607,275	304,801,153
Total current liabilities	167,557,614	132,696,606
Total liabilities	**417,164,889**	**437,497,759**
Total equity and liabilities	**1,258,147,724**	**1,323,820,957**

Income statement	**12/31/2012**	**12/31/2011**
Revenue	**27,410,616**	**49,239,677**
Operating expense, other operating income (expense)	(29,109,158)	(30,903,653)
Recurring EBITDA	**(1,698,542)**	**18,336,024**
Other non-recurring income (expense)	(2,893,529)	(617,108)
EBITDA	**(4,592,071)**	**17,718,916**
Amortization and depreciation	(90,392)	(112,442)
EBIT	**(4,682,463)**	**17,606,474**
Net finance costs	(16,995)	(39,752)
Impairment on financial assets	(62,684,111)	(80,411,448)
Profit (loss) before tax	**(67,383,569)**	**(62,844,726)**
Income tax expense	646,528	5,544,817
Profit (loss) for the period	**(66,737,041)**	**(57,299,909)**

Italcementi Group

Representation form pursuant to art. 154-bis, par. 5 TUF in relation to the separate financial statement (pursuant to art. 81-ter of Consob Regulation n° 11971/99, and subsequent modifications and integrations)

1. The undersigned Carlo Pesenti, Chief Executive Officer and Carlo Bianchini, Manager in charge of preparing the company's financial reports, of Italcementi S.p.A., having also taken into account the provisions of Article 154-*bis*, paragraphs 3 and 4, of the Italian Legislative Decree no. 58 of 24 February 1998, hereby certify:

- the adequacy in relation to the legal entity features and
- the effective implementation

of the administrative and accounting procedures for the preparation of the separate financial statement over the course of the period from January 1st, 2013 and December 31st, 2013.

2. The representation of the adequacy of the administrative and accounting procedures adopted in the preparation of separate financial statements as at December 31st, 2013 is based on a form identified by Italcementi according to the CoSO framework (illustrated in the *CoSO Report*) and also takes into account the document *"Internal Control over Financial Reporting – Guidance for Smaller Public Companies"*, both issued by the Committee of Sponsoring Organizations of the Treadway Commission, representing a generally accepted international framework.

3. It is also certified that:

3.1 the separate financial statement:

a) has been drawn up in accordance with the international accounting standards recognised in the European Union under the EC regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002;

b) is consistent with the entries in the accounting books and records;

c) is capable of providing a true and fair representation of the assets and liabilities, profits and losses and financial position of the issuer and the group of companies included in the consolidation.

3.2 The directors' report includes a reliable analysis of the performance and the results of operations, and the overall situation of the issuer and the group of companies included in the consolidation, together with a description of the main risks and uncertainties they are exposed to.

Signed by: Carlo Pesenti, Chief Executive Officer
Signed by: Carlo Bianchini, Manager in Charge

March 6th, 2014

This report has been translated into the English version solely for the convenience of international readers

ITALCEMENTI S.P.A.
REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE ANNUAL GENERAL MEETING UNDER ART. 153 OF THE CONSOLIDATED LAW ON FINANCE

To the Shareholders,
in compliance with law and the provisions set forth by Consob, we hereby set forth the outcome of the supervisory activities performed by us during the fiscal year ended on December 31, 2013.
We monitored compliance with law and the Certificate of Incorporation and observance of correct management principles by obtaining information from the Directors concerning management activities performed by them and transactions undertaken by the company and its subsidiaries with a material impact on the financial position and results of operations.
We can reasonably state that the transactions in question were performed in compliance with law and the company By-Laws and did not appear manifestly imprudent, risky, in potential conflict of interest, in contrast with shareholder resolutions or such as to compromise the company assets.
In this regard, before illustrating the outcome of our supervisory activities during the year, mention should be made in broad outline of an extraordinary operation formulated by the company Board of Directors during its meeting of March 6, 2014, which will shortly be executed.
The operation is designed to streamline the corporate structure and strengthen the Group, and envisages:

- the mandatory conversion of the Italcementi S.p.A. savings shares into ordinary shares at a rate of 0.65 ordinary shares for each savings share. For this purpose, a special meeting of the savings shareholders and an extraordinary meeting of the ordinary shareholders of Italcementi S.p.A. have been called in April to deliberate on the matter;
- an increase in Italcementi's capital through a rights issue for a maximum of 450 million euro, approved by the Board of Directors by virtue of the powers granted ex art. 2443 of the Italian Civil Code by the Italcementi extraordinary shareholders' meeting of April 17, 2013;
- a voluntary public tender offer (by Italcementi S.p.A.) on Ciments Français minorities at a price of 78 euro per share (cum dividend), for the purpose of delisting Ciments Français from the Paris Stock Exchange; the purchase will be funded largely with resources raised as result of the above capital increase.

As is evident, the aim of the project is to streamline the Italcementi Group's present capital structure, governance and control chain, while boosting its capital base and preserving its financial flexibility. The project also aims to increase Italcementi's capitalization and overall free float, thereby generating greater share liquidity for the benefit of shareholders and potential investors.
The Board of Directors of Italmobiliare S.p.A., the company that manages and coordinates Italcementi, has declared its support for the operation and, consequently, its willingness to subscribe its rights under the Italcementi capital increase, to tender the shares it holds in Ciments Français for the public tender offer (2.73% of share capital) and also to convert the Italcementi savings shares it holds (2.856% of the savings share capital).
To return to the activities performed by this Board, for matters within our sphere of competence, we supervised the adequacy of the company's organizational structure; for that purpose, on one hand we obtained information from the heads of the relevant functions, as set out in the minutes of our meetings, and on the other hand we liaised with the Audit Firm who attended all our meetings. In this connection, we have no comments to make.
We checked the adequacy of the instructions given by the company to its subsidiaries under art. 114 par 2 of the Consolidated Law on Finance, as well as compliance with art. 36 of the Markets Regulation.
We supervised the adequacy of the internal control system, of risk management and of the accounting-administrative system, as well as the reliability of the latter in fairly representing management operations. To this end:

- we periodically met the Chief Executive Officer who is also the executive director responsible for overseeing the internal control system, who illustrated the activities carried out by each department involved in the operation of the control and risk management system;
- we reviewed the quarterly reports of the Manager in charge of the financial reports, whose content was examined in detail during several meetings. We thus obtained information on, *inter alia*, the activities undertaken with regard to the "Reference operating model for the assessment of the internal control and risk management system regarding financial disclosure", which was updated as a result of the amendments made to the relevant Regulation. These activities were approved by the Board of Directors in May 2013. In particular, we observed, *inter alia*, that the execution of the re-organization plan for industrial and distribution operations in Italy (Progetto 2015) had not affected the adequacy of management procedures and processes as a result of possible changes in the organization of competences and planned operations arising from execution of the project; we were also apprised of the review of the Group accounting policies manual; of the periodic update of the analysis of the processes of greatest significance for financial reporting, which the company believes should be subject to operational planning; of the definition of actions to be taken as a consequence of the outcomes of the administrative and accounting audits performed by the Internal Audit department;
- we examined the periodic reports prepared by the Risk Management department, which were illustrated by the department manager during specific meetings. We were therefore apprised of the continuous monitoring of exposure to risks, which the Board of Directors deems acceptable and compatible with the strategies formulated for Italcementi and the entire Group, and of the mitigating action put in place;
- we examined the Audit Plan drawn up by the Controller for the 2013 fiscal year, whose progress during the year we monitored. We hereby report that the Plan, which, as is customary, concerned operating procedures, IT systems and compliance issues, was once again properly executed and on a wider scale than originally planned, as a result of special audits and inspections conducted pursuant to Law 231/2001, which had not previously been scheduled.
- we liaised continually with the Audit Firm, and we examined the documents drawn up by said firm to illustrate their action plan and its execution, and we obtained from time to time the results of their inspections to ascertain that the company accounts were properly kept and that operations were properly reflected in the account postings;
- we attended the meetings of the Control & Risks Committee, which, on a number of occasions and in relation to specific issues, were held jointly with the meetings of the Statutory Auditors, chiefly for the purpose of optimizing time and the participation of the various officers involved in the meetings;
- we met the members of the Compliance Committee and received regular information regarding the activities performed by the Committee and the suitability of the "Organizational, Management and Control Model" adopted by the company pursuant to Law 231/200l, for the attainment of the purposes envisaged by current laws; after our examination of the reports of the Compliance Committee, we were also apprised of the start-up of the procedure to update the Model as a result of changes in the law since the date of the previous update;
- we liaised with the supervisory bodies of the main subsidiaries, from whom no data or information emerged to be highlighted in this report;
- we also met the Statutory Auditors of the parent Italmobiliare S.p.A. to exchange information.

Based on the outcome of the activities performed, the declaration of the suitability of the internal control and risk management system issued by the head of the Internal Audit department and taking into account the ascertainment of regular, orderly and complete flows of economic and financial information generated within the various company areas, we hereby issue a positive opinion on the adequacy of the company's internal control system. The system, updated on an ongoing basis and, consequently, subject to positive evolution, makes a significant contribution to the more general process of improvement of the efficiency and

effectiveness of company operations and in particular of risk management, carried forward on an ongoing basis by the company officers.
In its capacity as Internal Control and Audit Committee, pursuant to art. 19 of Law 39/2010, the Board of Statutory Auditors hereby states that there are no observations to be reported to the shareholders.
In the execution of our supervisory activities, we did not detect unusual or atypical transactions conducted with Group companies or related parties or with third parties.
With regard to intragroup transactions or transactions with related parties executed during the reporting period, we observe that the features, ordinary nature and financial impact of such transactions have been correctly illustrated in the Directors' Report, to which reference should be made. For our part, we acknowledge that these transactions were performed in the interest of the company and in compliance with the procedure adopted by the company on November 5, 2010, pursuant to Consob Regulation of March 12, 2010; taking into account the experience acquired in the first three years of application, and in light of the opinions expressed from time to time by the Committee, the procedure was amended by the Board of Directors on November 7, 2013, in order to align it with the best practices adopted by other listed companies.
The Directors' Report provides adequate illustration of pending legal proceedings, which appear to be adequately monitored in order to safeguard the interests of the company.
During our meetings with the Audit Firm, no critical elements emerged; this is confirmed in the content of the Report pursuant to art.19, par 3, of Law 39/2010 presented by the Audit Firm to the Board of Statutory Auditors on March 20, 2014. Said report states that, during the audit, no material shortcomings emerged in the internal control system with reference to the financial disclosure formation process.
The stated absence of critical elements in the company's internal control and administrative-accounting systems is confirmed also in the Audit Firm reports attached to the separate financial statements and the consolidated financial statements, issued on March 20, 2014, which make no observations or disclosure recalls. In their Reports, the Audit Firm also attests to the consistency of the Directors' Reports with the respective financial statements, thereby confirming appropriate application of art. 123 bis of the Consolidated Law on Finance.
The combined perusal of the three above-mentioned documents drawn up by the Audit Firm further substantiates this Board's conclusions on the adequacy and effectiveness of the company's internal control system with reference to the process of financial disclosure formation.
The Directors drafted the separate financial statements and the consolidated financial statements using, as required, the IAS/IFRS accounting and financial reporting standards and the IFRIC interpretations in force at 12/31/2013, as endorsed by the European Commission, and provided, in the Directors' Report, the information required by Document no. 4 of Consob, Isvap and Banca d'Italia of March 3, 2010. The main change in the policies adopted related to IAS 19 revised, which required the re-statement of some comparative data from the prior-year financial statements and the financial position at January 1, 2012, whose outcome, in terms of material impacts on the company's financial position, results of operations, other comprehensive income and cash flows, has been adequately illustrated by the Directors in their Report.
We report that the Directors approved the methods and criteria to be followed for the purposes of impairment testing of some assets. The procedures adopted are compliant with the IAS/IFRS international accounting and financial reporting standards and with accepted practice.
We ascertained that the Remuneration Committee had formulated adequate guidelines (with regard to both merit and procedure) for the definition and execution of the company's remuneration policy; said guidelines will be included in the Remuneration Report, drawn up in compliance with the model established by the Consob resolution of December 23, 2011, to be presented by the Board of Directors to the Annual General Meeting pursuant to art. 123 ter of the Consolidated Law on Finance.
The company's compliance with the new text of the Code of Conduct approved by the Committee for the Corporate Governance of listed companies in December 2011, is illustrated in a manner we deem appropriate and complete, in the relevant section of the Directors' Report. This document, together with the company By-

Laws and other codes and regulations adopted by the company, constitute the Corporate Governance system in force in Italcementi and the Group companies.
We verified that the members of this Board met the requirements of professionalism and independence and ascertained, on the basis of the declarations provided by the individual Directors and the opinions expressed by the Board of Directors as a whole, that the criteria and procedures adopted by the Board of Directors to ascertain the independence of its members were implemented correctly.
For the purpose of surveillance of the independence of the Audit Firm, pursuant to art. 19, par1, let d) of Law 39/2010, this board acknowledges the content of the "Transparency report" updated to December 2013 drafted by the Audit Firm and published on its web site; furthermore, it received on March 20, 2014, the written statement as per art. 17, par. 9, let. a) of Law 39/2010.
The Audit Firm informed this board of the amount of the fees received for activities other than the audit performed by the Audit Firm itself or by Italian and/or international parties belonging to its network. These fees are set out in the table below (figures in Euro/000). In this regard, we report that the attestations include those relating to activities performed in connection with the Group EMTN program.
In conclusion, with regard to the "Principles on the independence of the Audit Firm" issued by the National Council of Accountants and referred to in Consob resolution no. 15185, we observe that the fees in question do not appear to present any critical elements relating to the independence of the Audit Firm.

Activities	Italcementi	Ciments Français and other subsidiaries	Total
Attestations	196	80	276
Other services	45	23	68
Total	**241**	**103**	**344**

The Board of Statutory Auditors and the Audit Firm did not issue any opinions envisaged by law during the fiscal year.
No complaints under art. 2408 of the Italian Civil Code nor claims of any other nature reached this board during the fiscal year.
During our activity and based on the information obtained, we found no omissions, censurable actions, irregularities or other material facts of a nature such as to be reported to the Supervisory Authorities or to be mentioned in this Report.
The activities of this board were conducted at 16 meetings, of which 2 held jointly with the Control & Risks Committee, and by attending 8 meetings of the Board of Directors and taking part in 5 meetings of the Control & Risks Committee and 4 meetings of the Remuneration Committee. Also, as noted above, we met on the occasion of the meetings of the Comité des comptes of Ciments Français S.A. and of the supervisory body of Italmobiliare S.p.A..
The Board of Statutory Auditors has no remarks regarding the approval of the financial statements as at and for the year ended December 31, 2013, as prepared by the Directors, and regarding the proposal to pay a dividend.
Bergamo, March 21, 2014

The Board of Statutory Auditors
(Prof. Maria Martellini) – Chairman
(Dott.ssa Luciana Gattinoni) – Standing Auditor
(Prof. Mario Comana) – Standing Auditor

KPMG S.p.A.
Revisione e organizzazione contabile
Via Camozzi, 5
24121 BERGAMO BG

Telefono +39 035 240218
Telefax +39 035 240220
e-mail it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Italcementi S.p.A.

1 We have audited the separate financial statements of Italcementi S.p.A. as at and for the year ended 31 December 2013, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto. The company's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

The separate financial statements present the prior year corresponding figures and the statement of financial position as at 1 January 2012 for comparative purposes. As disclosed in note 1 "Accounting policies", due to the adoption of the revised IAS 19 - "*Employee benefits*", the company's directors restated some of the corresponding figures included in the prior year separate financial statements and statement of financial position as at 1 January 2012, which derives from the separate financial statements at 31 December 2011. We audited the 2012 separate financial statements and 2011 statement of financial position and issued our reports thereon on 22 March 2013 and 26 March 2012, respectively. We have examined the methods used to restate the prior year corresponding figures and related disclosures for the purposes of expressing an opinion on the separate financial statements at 31 December 2013.

3 In our opinion, the separate financial statements of Italcementi S.p.A. as at and for the year ended 31 December 2013 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of Italcementi S.p.A. as at 31 December 2013, the results of its operations and its cash flows for the year then ended.

4 As required by the law, the company disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own financial statements. Our opinion on the financial statements of Italcementi S.p.A. does not extend to such data.

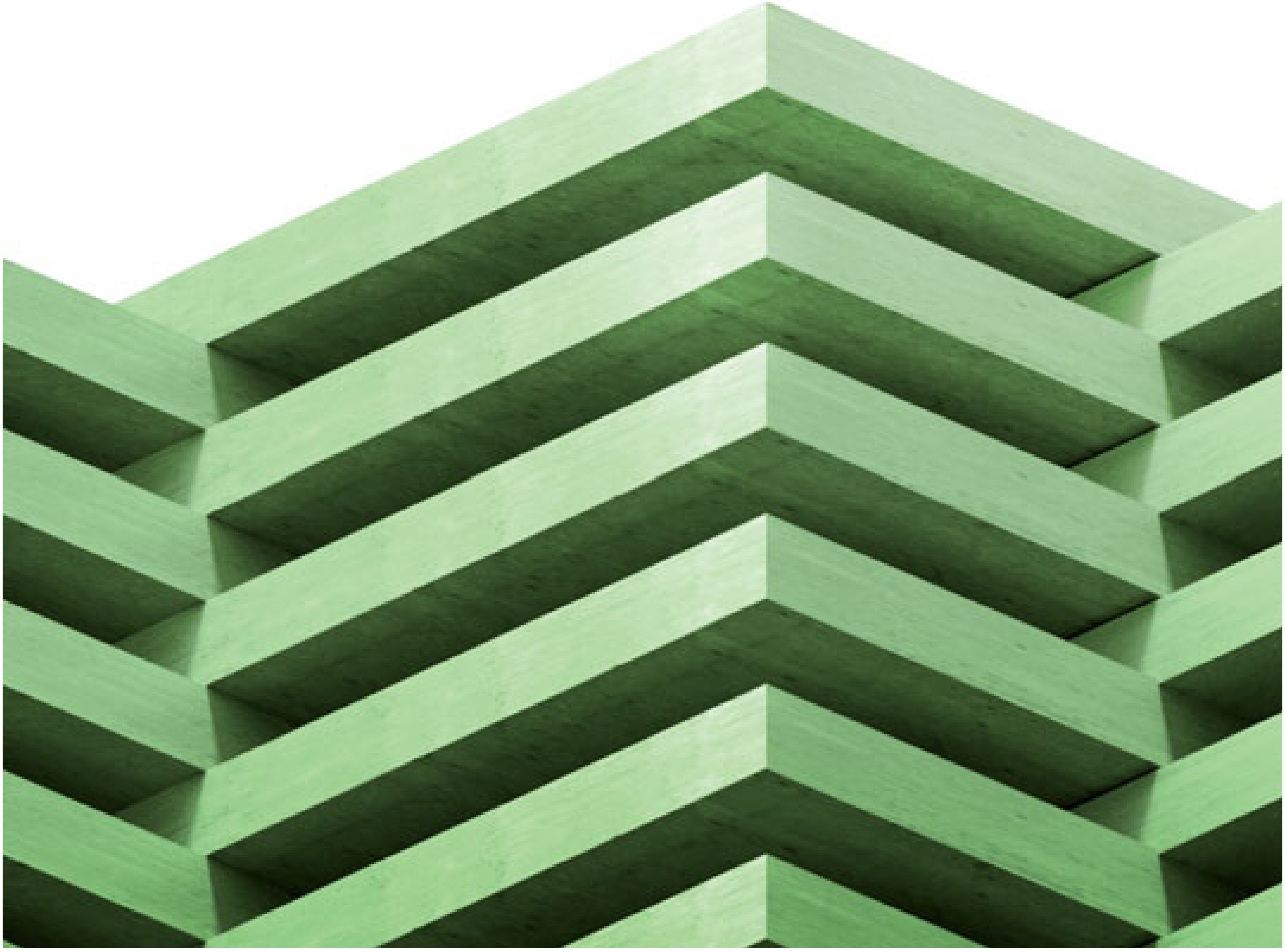
5 The directors of Italcementi S.p.A. are responsible for the preparation of a directors' report on the financial statements in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the directors' report and its specific section on the corporate governance and ownership structure, to the extent of the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 with the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the specific section of such report are consistent with the separate financial statements of Italcementi S.p.A. as at and for the year ended 31 December 2013.

Bergamo, 20 March 2014

KPMG S.p.A.

(signed on the original)

Stefano Mazzocchi
Director of Audit



Sustainability disclosure

Sustainability disclosure

Italcementi Group is consolidating and publishing its performance since 2002. During these ten years, quality and materiality are growing in line with the requirements of the Global Reporting Initiative. Also, the number of externally verified key performance indicators (KPIs) is increasing. Finally in 2012, financial and non-financial disclosure was integrated in one reference document, the Group's Annual Report, third-party verified and officially registered at the statutory authorities. No better evidence that the efficiency of the Group is made of the balanced combination of economical, environmental and social performances. In addition, the Group's highlights, usually dedicated to financial KPIs, now include selected non-financial KPIs on gender equality, safety, CO_2 efficiency and innovation (page 10).

Furthermore, 2013 consolidation is characterized by the effort to increase the level of information disclosed about the Group's sustainable vision, aiming at transparency towards its relevant stakeholders and anticipating the upcoming legal framework on the subject.

In addition, the Group run its first exercise of materiality assessment at corporate level. The aim was to identify the issues that are most relevant for the society perception and the Group's performance. The global result is graphically represented in a materiality matrix, which matches the relevance of each issue from the Group's internal and stakeholders' perspective. The matrix was internally drafted and reviewed, taking advantage of the internal understanding of the major Group's stakeholders and is available on the corporate website. The Group is planning to update periodically the matrix, also introducing a phase of direct involvement of stakeholders in a consultation panel. However, thanks to the assessment, the Group confirms and develop strategies, targets and ambitions in line to its material issues. Materiality matrix is also the basis for the Group's disclosure of extra-financial performance, reporting management approach and results for each material aspect.

Actually, the reference for consolidation of extra-financial information lies already with the new Global Reporting Initiative guidelines (GRI version G4) and endorses also the elements required by the French law 12 July 2010 (Grenelle II) article 225, whose implementation is mandatory for the controlled company Ciments Français. Key statements and performance indicators are subjected to third party verification (page 357).

1 Group vision

1.1 Vision and management approach

The Group's Vision is to be a world class local business building a better and sustainable future for all stakeholders. The vision is declined into the operational Mission of creating value in the building materials sector through the innovative and sustainable use of natural resources for the benefit of communities and customers. Vision and Mission are grounded on the five Group's Values - Responsibility, Integrity, Efficiency, Innovation and Diversity - which are strategic directives for everyone working with the Group.

Based on the Group's Vision, Mission and Values, which represent the overarching framework, the Group's Code of Ethics spells out fundamental rules of conduct to protect the company's reputation and guarantee a sustainable growth. As stated in the Code, the Group's Policies provides additional guidance: drafted as the expression of values and principles shared within the Group and on lawfulness and the features of the countries in which the Group operates, the Sustainability Policy is the cornerstone. It covers key themes affecting the Group's sphere of business influence, namely: people development, business integrity, health and safety, labour practices, social initiatives, supply chain, energy efficiency, environment, quality, research and innovation. Seven daughter Policies on specific topics (safety, human rights, quality, energy, environment, health and social initiatives) complete the guidance. All the Group's Sustainability Policies are signed by the Group's CEO and available in local language at all subsidiaries. Download is available on the corporate and local websites.

Sustainability is regularly brought to the Group's Board agenda, also driven by periodical meetings involving the Chief Executive Officer (CEO), the Chief Operating Officer (COO) and the Sustainable Development Director. The Group's Sustainable Development Steering Committee (SDSC) chaired by the Group's CEO, acts as the foundation of the sustainability management structure within the Group. In 2013, its hierarchical position has been lifted, now including only direct reports to the CEO and the Sustainable Development Director. The Group's SDSC meets periodically and is consulted at the need, then cascading the operational mandate to the Group's Management Committee for implementation. At local level, Country SDSCs foster vertical integration, under the chairmanship of country Managing Directors.

The Group formalized its commitment to sustainability in 2000 by joining the World Business Council for Sustainable Development (WBCSD) and the Cement Sustainability Initiative (CSI). All the Group's subsidiaries are part of existing Regional Networks of the WBCSD.

Moreover, in 2010 the Group adhered to the United Nations Global Compact (UNGC). The Group embraces, supports and enacts the Ten Principles in the areas of human rights, labour standards, environment and anti-corruption, within its sphere of business influence. Update on actions is available under the Communication on Progress (page 358). As for the WBCSD, Group's subsidiaries are joining and taking active role in existing Regional Networks of the UNGC.

In 2013, Mr. Carlo Pesenti on behalf of the whole Italcementi Group, has taken again the Co-Chairmanship of the Cement Sustainability Initiative (CSI) for the next 2 years, closing his mandate at the end of 2015. This opens a key period for definitively consolidating sustainability as the foundation of the Group's business, innovation and development strategies. Jointly with CSI but also individually, the Group is fine tuning its targeted contribution to the global challenges framed by the Action 2020 programme set by World Business Council for Sustainable Development (WBCSD) and by the UN Sustainable Development Goals.

Already in 2008, after years of consolidation of existing practices, the Group has started a process of global standardization promoting effective off-shore policy based on challenging minimum requirements grounded on the home country legislation and best practices. Existing Group's standards cover safety, industrial hygiene and air emissions aspects, transferring technologies and building local capacities.

Now the planetary boundaries, WBCSD/CSI commitments and UN Global Compact principles, inspire the Group's strategies, mostly represented by 2015 Targets and 2020 Ambitions included in the Sustainability Disclosure, to be fostered and supported by effective local implementation (page 326).

1.2 Integrity

The Company adopted a Code of Ethics for the first time in 1993. Such Code was subsequently amended in February 2001 and lastly replaced by the new Group's Code of Ethics in 2013. The new version is in line with the industry's best practices and incorporates key principles of ethics and conduct underlying the Group's governance model, highlighting elements that strengthen the culture and style of the same, as well as harmonizing and enhancing the elements that Italcementi Group has developed in the field of ethics over time.

Italcementi Group is committed to continuously improve its Corporate Governance System, which is aimed at complying with the laws and mitigating operational risks. In order to achieve this objective, Italcementi has carried out a risk and compliance programme and identified among the legal top risk areas (in terms of detrimental effects arising from the non compliance with) both the 'Antitrust Laws' and 'Corporate Criminal Liabilities Laws' for the latter by giving priority to bribery. Italcementi has therefore launched two Group's Compliance Programmes designed to be an on-going process with the purpose of preventing any violations of national and international anti-bribery and anti-trust laws, and reinforcing the 'compliance culture' based on integrity and transparency. They intend to establish a formal and effective framework of business practices and risk management strategies to ensure compliance with national and international antitrust and antibribery legislations. With regard to the Group's Antibribery Programme, it was formally approved on September 2012 by the Board of Directors of Italcementi, as holding company of the Group, along with specific Rules of Conduct: they are mandatory upon the Group as a whole. Both Programme and Rules of Conduct are available in Italian and English versions at the Italcementi website. Foreign Subsidiaries belonging to the Group are adopting both Programme and Rules of Conduct by a specific declaration of the respective Boards of Directors. Actually, the implementation of the Programme stands at 70% at corporate level (60% in 2012) while the implementation at Country level has started according to a 3 years-oriented plan, through compliance activities, local procedures, communication and trainings. In 2013, 62% of the Group's revenues came from countries of concern, as identified by the World Bank and Transparency International.

With regard to the Antitrust Compliance Programme, also available at Italcementi web-site, it was launched in 2010 and is made up of specific features and operative actions including a clear policy, periodical risk assessment, adequate procedures (group guidelines), training (both on site and on line), audit and control and monitoring activities. The Antitrust Policy is applied throughout the internal organization of the Italcementi Group (i.e. its employees, offices and directors) and in the Group's relationships with competitors, suppliers, customers and other business partners. Subsidiaries are implementing the Group's Programme, through the adoption of national antitrust compliance programmes and specific local guidelines setting forth rules of behaviors in the dealing with sensitive matters, in accordance with specificities of national competition laws and practice. Training programmes are a critical component of the compliance activity in this area: since 2004 up to date, the training programmes on competition law reached around 900 employees (top managers included) and all subsidiaries' management have been trained. Actually, the implementation of the Programme reached 100% at corporate level: notwithstanding the present status, the Group's Programme will be revised in 2014 and updated to strengthen its effectiveness in accordance with the continuous risk analysis' results, developments in laws and cases, international standards on compliance and best practices developed over the time.

Italcementi has a whistle-blowing procedure that, in accordance with the ICC Rules of Conduct on Combating Extortion and Bribery, offers confidential channels to raise concerns or report violations without fear of retaliation or of discriminatory or disciplinary action. The whistle-blowing procedure aims at facilitating and encouraging the communication, in full confidentiality, of infringements to the laws that may adversely affect business operations, as well as violations to the Corporate Governance principles, Group Code of Ethics and internal procedures. Italcementi has also issued guidelines requiring the foreign subsidiaries to develop specific internal procedures and perform activities to manage and investigate wrongdoing brought to their attention by employees and third parties. In 2013, 17 notifications (11 for employees, 4 for suppliers and 2 for customers) were recorded in Italy. 11 of them were valid and led to strong corrective actions taken by the Group. In 2014 the procedure will progressively enter into force in all other countries.

In 2013, the Group also successfully implemented its triennial Enterprise Risk and Compliance Programme (ERM) ensuring better risk management and audit systems. The objective, achieved before due date (page 326) was linked to the long-term incentive scheme of Group's managers. Nevertheless, continuous improvements of ERM methodology and processes remain in place. Risk Report, issued twice a year, will continue giving the overview and follow up of main Group's risks and opportunities. Starting from 2014 the Annual Risk Assessment is based on three metrics: risk and opportunity impacts, probability of occurrence or time horizon and level of control.

Since 2012, the Group is implementing its integrated Internal Audit Programme, also addressing health, safety, environmental, antitrust and anti-corruption and bribery issues over a period of three years. Activities are planned around three years (2012-2014). The Group's objective is to better assess and improve risk management control and governance processes by applying systematic and disciplined approach. Risk levels and audit ratings are homogenously defined over five levels. Corrective action plans are discussed with involved Group and local functions.

2 Looking forward

2.1 Targets 2015

The following table resumes the most relevant short term targets per each section, setting the Italcementi Group's sustainable vision.

		unit	target value	2013
Group vision				
Integrity	Anti-corruption and Bribery Compliance Programme	% implementation	100	70
	Anti-trust Compliance Programme	% implementation	100	100
	Enterprise Risk and Compliance Programme	% implementation	100	100
Social responsibility				
Valuing people	Training hours per employee	hours/employee	20	16
Safety	Fatalities	number	0	5
	LTI Frequency Rate	per million hours	<3	4
Health	Employees monitored according to Group standard for occupational hygiene	%	100	69
	Employees covered with medical surveillance according to Group standard	%	50	n/a
Environmental protection				
Climate and energy	Gross CO_2 emissions	g/t cementitious product	640	694
	Cement plants certified to ISO 50001 or equivalent	%	50	8
Environmental management	Cement sites (integrated plants and grinding centers) certified to ISO 14001	%	100	93
Air emissions	Continuous monitoring according to Group standard (dust, SO_2, NOx, CO, VOC)	% clinker	100	89
	Continuous and spot monitoring according to Group standard	% clinker	100	96
	Kilns with emissions below Group standard levels	% clinker	100	92
Water	Sites with sustainable water management	%	50	n/a
Resources and quarries	Alternative fuels, cement	%	10	9
	Quarries with rehabiltation plans	%	100	89
Responsible production				
Supply chain	Corporate suppliers screened	%	100	99
	Customer satisfaction, average of absolute and relative	index	800	777
Innovation	Innovation rate	% turnover	4-5%	5.3

2.2 Ambitions 2020

Italcementi Group's Values set the way ahead over a longer timeframe, shaping the sustainable ambitions for 2020.

Integrity

We place ethical behaviour at the heart of all our businesses worldwide. We earn the trust of our partners in business and in the community through accountability and consistent corporate governance. Our daily commitment is to act with respect, honesty and transparency.

Building on the already ongoing integrity programmes, Italcementi Group has the ambition to set up a fully integrated system, from principles to disclosure, grounded on:

- an updated Code of Ethics, expressing the renewed sustainable strategy of the Group and the new global context;
- a Business Integrity Policy, framing all the actions taken into an effective management approach.

Launched	The new Group Code of Ethics has been approved by the Board of Directors in 2013 and recently launched through all the Subsidiaries. A careful and capillary programme of diffusion and training is needed, to ensure full understanding of the innovative content at any employment level, from top management to new-hired. Additional refresher training on Group's SD Policies, which give additional guidance to the Code of Ethics, is planned for 2014. The first draft of the Business Integrity Policy is available for internal discussion before approval. This would help to enclose in a comprehensive frame the many ongoing integrity programme and he ones upcoming in the future.

Diversity

Diversity is a source of energy and value that fuels our growth. We aim to create an environment of trust and belonging where differences add value and where everyone feels part of our world. For sustainable globalisation to succeed we must capture and redistribute local knowledge and experience for the benefit of the whole Group.

In this respect, ensuring equal opportunities is key for success. Italcementi Group aims at:
- increasing the percentage of management positions held by women up to 20%.
- systematically supporting all managers with focused training and operating tools to manage and valorise diversity

Starting	Actions to increase the presence and representation of women are in progress. At highest level, 20% (5% in 2012) of Board of Directors members and 9% (8% in 2012) of Subsidiaries Executive Committees members are women. However, in 2013 the percentage of management positions held by women lies at 9%. Still greater efforts will be deployed to set more favourable conditions for equal career opportunities. Continued training, for skill development and diffusion of gender equality principles, remains one of the most effective levers. A further detailed action plan will be defined in 2014, also in line with WBCSD Action 2020 priorities.

Efficiency

We strive for operational excellence by combining the technical expertise and cost management necessary to be a globally effective and efficient building materials manufacturer. We add value by delivering consistently high quality products and services customised to each local market around the world.

CO_2 intensity, related to direct or indirect emissions, is a representative indicator of global efficiency, as it combines most of the key levers to industrial excellence. Italcementi Group endorses a strategy leading to:
- cementitious products with less than 600 kg CO_2 per tonne;
- captive or offset production of renewable power up to 10% of the total electrical energy demand of production sites.

Progressing	In 2013, slight improvement of thermal consumption and a much more relevant increase of alternative fuels and biomass rate led to a promising result of 694 kg of CO2 per tonne of cementitious products, 18 kg less than previous year. This is in line with the improvement curve planned by the Group, even if representing only a 16% completion of the 8-year plan towards 2020 ambition. Additional efforts in terms of thermal efficiency, alternative fuels and biomass and, even more, clinker to cement ratio are required. Start-up of the new Waste Heat Recovery system at Pukrang plant (Thailand) and other minor initiatives, such as the new fotovoltaic installation in Yerraguntla (India) raised the captive or offset production of renewable power from 5.9% in 2012 to 8.1% in 2013. This is slightly ahead of the improvement curve planned by the Group, representing already a 55% completion of the 8-year plan towards 2020 ambition. At current trend, around 130 GWh/year of additional renewable power have to be installed.

Italcementi
Italcementi Group

Responsibility
Our long term commitment to sustainability seeks to combine profitable economic performance with protecting the environment and improving the quality of life for present and future generations.

Biodiversity loss and water scarcity are possibly the most worrying challenges for the planet, also triggered by climate change. In this respect, Italcementi Group aims at implementing:
- biodiversity management systems, integrated with the rehabilitation plans, at all its extraction sites, prioritizing quarries in sensitive areas;
- sustainable water management at all its industrial and civil sites, from sourcing, through uses, to releases.

Launched	In 2013, the Group operated 280 quarries. 249 (89%) of them have ongoing rehabilitation plans also addressing biodiversity. 124 of them (44%) are within or nearby or with potential effects on sensitive areas for biodiversity. For these priority sites, specific biodiversity action plans, in partnership with third parties, like IUCN or local specialised University departments, are in the phase of implementation in Egypt, France, Italy, Morocco and North America. Together with the joint efforts ongoing within the frame of the Cement Sustainability Initiative, these wide pilots will help to fine tuning the Group standard approach to biodiversity management. Water accountings were improved. The new WBCSD Global Water Tool, now customised for cement sector, will allow mapping in further details the impact of Group's operation on water resources. Additionally, a parallel exercise inside the company and joint with Cement Sustainability Initiative, where the Group co-chairs the Task Force on water, will help to define the minimum requirements for sustainable water management.

Innovation
We believe in the importance of innovation not only in the development of new products, applications and services, but also in our management approach. We must embrace change and be open to new ideas in order to attract the best talents.

Sustainable products and applications are essential to align the Group's portfolio to the changing expectations of markets. Responsible sourcing is one of the key tools. Italcementi Group strives to:
- increasing the percentage of cement products with at least 10% of recycled materials, up to 30% of total product range;
- increasing the average content of recycled materials in concrete up to 10%.

Launched	In 2013, the first step of the 8-year programme has been rolled out: better material accounting and improved traceability of recycled properties in line with international standards, allowed to fix at 14.9% the percentage of range of products with more than 10% of recycled content. In parallel, a mapping scheme of material sourcing for concrete has been defined. The average recycled content of concrete manufactured by the Group is 2.2% with almost two third of the contribution coming from recycled materials embedded in the cement type used. The detailed action plans will be based on these elements.

3 Social responsibility

3.1 Valuing people

The Group considers diversity management as the responsibility of managers to respect and protect differences and to consider them as a resource to be valued as far as in line with the Group's Values. Particular attention is paid to gender equality. Actions to increase the presence and representation of women are in progress. At highest level, 20% (5% in 2012) of Board of Directors members and 9% (8% in 2012) of Subsidiaries Executive Committees members are women. The Group's ambition is to increase the current percentage (9%) of management positions held by women up to 20%. Pay levels are monitored showing no relevant differences due to gender reasons, but still great efforts have to be deployed to set more favourable conditions for the right equality in career opportunities.

Training is a crucial element for human resources development. According to its training management system, the Group's activities are organized around the following four areas: Compliance and Risk Mitigation; Efficiency and Specialization; Sustainable Development and Innovation; Human Capital Development. The Group globally run 287,592 hours of training (326,552 in 2012) involving 30,476 trainees (31,186 in 2012) and reaching 19,546 participants (19,324 in 2012). At the end of 2013, the Group totalled 16 hours of training per employee, versus the Group's target of having 20 hours by 2015, but maintaining them, even in a difficult period, at very high level the outreach: more than 90% of Group's employees received at least 1 hour of training. 2013 was dedicated to the development and implementation of the three following e-learning projects: i. nova, addressing commercial and marketing departments and providing an introduction to the new Group's branding and market approach in line with the market change; Give safety a meaning, to improve the management level in the field of safety; and e-learning trainings necessary for effective implementation of the Group's safety standards. Training activities on Human Capital development have been developed in Italy, Bulgaria, Thailand and India, as follows: Leadership Programs, a strategic change management process which basic goal is to increase key people leadership skills; Feedback Laboratory, a course to reinforce the competences of managers to give a feedback oriented to the growth of collaborators. Additionally, a new version of the Antitrust compliance program has been lunched in some countries to verify the knowledge level of managers on Antitrust issues. Finally, the new e-learning on the Group's Sustainability Policies, developed in 2013, will be launched in 2014. It will reach all the Group's people, regardless of role and position.

Group's subsidiaries follow local legislation for inclusion of people with disabilities. Beyond legally required practices, many of them undertake specific initiatives dedicated to a better work inclusion and social support. The French subsidiary is considered as the best example in the Group, with regular and focused training for managers and employees, looking for the best and inclusive working environment and proactive collaboration with authorities for best placement solutions.

Collective labour agreements, also embedding health and safety topics, cover nearly all the Group's employees worldwide, remaining currently excluded some areas like Morocco, Kuwait and Saudi Arabia, where full unionization is not in place for reasons independent from the company's will, and few categories of workers, mainly white collars, in the US, Greece, India and Kazakhstan. These situations represent around 10% of total workforce, to which local best practice apply. Furthermore, since 2008, the Group is entirely covered by the Buildings and Wood Workers' International (BWI) Agreement. It represents a real charter of workers' rights, it is valid worldwide and based on the joint commitment of all signatories to respect fundamental human rights, including decent working conditions, welfare of workers, training and development, equitable industrial relations and fair collective bargaining procedures. All previous principles have to be also promoted within the Group's supply chain.

Joint committees forums between trade unions and management are part of the Group's approach to sustain constructive dialogue with workers and workers' representatives. This includes also transnational initiatives like the European Work Council, sharing periodically Group's strategies and major projects.

Driven by its Human Rights Policy and within the framework of the Italian network of UNGC, the Group is working on its first tailored tool for Human Rights Impact Assessment (HRIA). This assessment will also represent the basis for regular corporate communication on the BWI implementation. 2013 saw the first HRIA pilot in the Thai subsidiary. After necessary improvements, the tool will be implemented in 2014 starting from the countries of concern where the Group operates, as identified by the Freedom House (they represent 31% of the Group's revenues in 2013). Waiting for the full implementation, the Group collects data and information of any possible incident related to human rights and working conditions. Still around 100 critical situations were detected and solved in 2013, mostly related to inequality of treatment or working conditions among sub-contracted workforce.

At year end, the Group employed a total of 18,434 employees operating in more than 20 countries. Triggered by the enduring worldwide crisis, some restructuring activities are unavoidable. Most significant actions including the '2015 Plan' launched to improve competitiveness on the Italian market, come to evidence. Further information is available on page 163. Restructuring plans were managed through union agreements, early retirement programme and overtime reduction. Most of our population is full-time employed. Benefit plans (e.g. medical, post retirement, etc.) are implemented in almost all countries of operations, applied equally to full-time, part-time or temporary employees with minor differences in the management scheme depending on the country. Additional information are available in the consolidated financial statement (illustrative note #17, page 278). The work organization includes also working shifts in production sites, normally based on 8-hour shifts. Only in two subsidiaries, North America (approximately 7% of workers) and Kazakhstan (approximately 60% of workers) 12-hour shifts are also used for special tasks, representing less then 2% of the Group's workers and keeping the limit of 40 base hours per week. In Kazakhstan 12-hours shifts are organized with two employees on duty, also for health and safety reasons and allowing for meals and rest.

Trend of salaries is in line with local context, knowing that Group's subsidiaries keep a salary policy conveniently above local market. Local compensation surveys are run periodically. Fair remuneration principles are sought also for executives. To this purpose, the Group is monitoring the trend of the ratio of the annual total net compensation for the Group's highest-paid individual and all the others employed. In next consolidations, it will be disclosed for all the major countries of operation.

Five major countries out of eleven have experienced strike actions.

	Group employees			Open-end contracts				Fix-term contracts			
	2013	2012	2011	2013		2012	2011	2013		2012	2011
				Female	Male			Female	Male		
Italy	2,966	3,194	3,439	325	2,638	3,179	3,247	1	2	15	192
France & Belgium	4,020	4,051	4,113	568	3,371	3,993	4,048	13	68	58	35
Spain	453	515	597	64	381	501	574	2	6	14	23
Greece	165	174	194	20	140	171	193	2	3	3	1
North America	1,381	1,413	1,485	121	1,258	1,411	1,483	1	1	2	2
Egypt	4,502	4,573	4,622	36	3,583	3,893	4,035	13	870	680	587
Morocco	960	978	984	95	771	881	857	9	85	97	127
Bulgaria	349	359	388	117	215	340	378	6	11	19	10
Turkey (*)	-	-	131	-	-	-	131	-	-	-	0
Thailand	876	858	863	138	734	856	854	0	4	2	9
India	802	795	797	13	789	795	797	0	0	0	0
Kazakhstan	291	289	298	74	159	249	273	14	44	40	25
China (*)	-	-	306	-	-	-	5	-	-	-	301
Trading	305	346	340	12	291	344	303	0	2	2	37
Kuwait	348	349	343	14	334	320	306	0	29	29	37
Others (**)	1,016	992	999	306	669	939	930	20	21	53	69
Total	**18,434**	**18,886**	**19,899**	**1,903**	**15,333**	**17,872**	**18,449**	**81**	**1,146**	**1,014**	**1,450**

(*) deconsolidated 2012
(**) Includes, among others, Ciments Francais, CTG and BravoSolution

	Full-time employees				Part-time employees			
	2013		2012	2011	2013		2012	2011
	Female	Male			Female	Male		
Italy	255	2,634	3,108	3,350	71	6	86	89
France & Belgium	493	3,396	3,919	3,983	88	43	132	78
Spain	60	386	507	586	67	1	8	52
Greece	22	143	174	194	0	0	0	11
North America	122	1,259	1,413	1,485	0	0	0	0
Egypt	40	4,453	4,573	4,622	0	0	0	0
Morocco	104	856	978	984	0	0	0	0
Bulgaria	123	226	359	388	0	0	0	0
Turkey (*)	-	-	-	131	-	-	-	0
Thailand	138	738	858	863	0	0	0	0
India	13	789	795	797	0	0	0	0
Kazakhstan	88	203	289	298	0	0	0	0
China (*)	-	-		302	-	-	-	0
Trading	12	293	346	340	0	0	0	4
Kuwait	3	345	349	343	0	0	0	0
Others (**)	284	684	945	959	42	6	47	40
Total	**1,766**	**16,405**	**18,613**	**19,625**	**207**	**56**	**273**	**274**

(*) deconsolidated 2012
(**) Includes, among others, Ciments Francais, CTG and BravoSolution

Employees turnover		Absolute	%
In	Hiring (open or fixed-term contracts)	1,101	90
	Reassignments and re-entries	128	10
	Acquisitions	0	0
	Total	1,229	
Out	Resignations	656	39
	Dismissals and change of perimeter	0	0
	Lay-offs	352	21
	Retirements	259	15
	Fixed-term contracts and trial period closures	253	15
	Reassignments and re-entries	109	6
	Deaths	52	3
	Total	1,681	

The following breakdowns by gender are extrapolated across the whole Group, based on detailed database covering the vast majority of Group's employees. Exceptions are trading and minor activities in Egypt, representing around 5% of total workforce.

Breakdown of personnel by age (%)	**Female**			**Male**		
	2013	2012	2011	2013	2012	2011
< 30	1	1	1	6	7	8
30 - 40	4	4	4	20	21	22
40 - 50	4	4	4	32	32	32
50 - 60	2	2	2	29	27	25
> 60	0	0	0	2	2	2

Breakdown of personnel by seniority (%)	**Female**			**Male**		
	2013	2012	2011	2013	2012	2011
< 3	1	1	1	8	8	9
3 - 5	1	1	2	5	6	8
5 - 10	3	3	2	18	19	18
10 - 20	3	3	3	25	24	25
> 20	3	3	3	33	32	29

Breakdown of personnel by nationality (%)	**Female**			**Male**		
	2013	2012	2011	2013	2012	2011
Europa	8	8	8	41	41	42
Africa	1	1	1	30	30	28
Asia	1	1	1	11	11	12
America	1	1	1	7	7	7

Female/Male (%)	**Female**			**Male**		
	2013	**2012**	**2011**	**2013**	**2012**	**2011**
Managers	9	10	12	91	90	88
White collars	22	22	25	78	78	75
Blue collars	2	2	3	98	98	97

Salary ratio	Female			Male		
	2013	2012	2011	2013	2012	2011
Top management (*)	100	100	100	107	106	105
White collars (**)	100	100	100	108	109	109
Blue collars	100	100	100	106	107	112

(*) specific comparison with the external market
(**) including middle management

Hours of training	2013			2012	2011
	Female	Male	Total		
Efficiency	14,364	71,518	85,882	113,287	141,990
Sustainable Development and Innovation	14,098	136,596	150,694	157,720	151,402
Compliance	861	4,666	5,527	8,957	9,317
Human Capital Development	5,419	40,070	45,489	46,588	6,133

Trainees	2013	2012	2011
Efficiency	7,085	6,763	8,470
Sustainable Development and Innovation	18,710	20,347	18,397
Compliance	1,006	767	1,692
Human Capital Development	3,675	3,282	4,004

Hours of training (%)	2013	2012	2011
Managers	14	13	16
White collars	46	39	84
Blue collars	41	48	

Trainees (%)	2013	2012	2011
Managers	15	12	15
Blue collars	43	38	85
White collars	42	50	

Hours of training pro capita	2013	2012	2011
Per trainee	9	10	11
Per participant	15	17	33
Per employee	16	17	18
Ratio participants/employees	0.9	>1	0.6

3.2 Safety

Sustained by its Safety Policy, the Group considers security and safety as fundamental values to be integrated in all its activities. Driven by the motto «Safety: a way of living» the Group adopts its Safety Management Handbook (SMH) covering management leadership, elements to foster motivation, organizational structure, operational tools, and contractors' management. Additional information is available on the corporate website. Since 2011 the system is permanently audited by corporate and local relevant functions. Regular follow-up and rating systems are evaluated and included in managers' performance appraisal system.

Safety Committees are formalized at any site and country level also with the aim to review safety roadmaps progress every quarter. All Group's senior managers, starting from the Group's CEO, are trained specifically on safety leadership and asked to express their personal commitment to promote safety at their level every day. Personal commitments, periodically updated, are widely promoted and available for everyone through the company's intranet system.

Since 2009, the Group is implementing best safety operational standards at all its sites, aiming at enhancing and homogenizing best practices. Safety standards addressing main causes of accidents are: Personal Protective Equipments, Works At Height, Hot Works, Control of Hazardous Energy (Lock Out/Tag Out), Confined Spaces Entry. Dedicated site action plans and e-learning are available in local languages, in order to spread safety culture at work and aiming and positively influencing also behaviour at home. With different deadlines, all the standards will be implemented by 2015 involving both directed and contracted workforce. The effort is relevant considering that contractors' worked hours on site accounted for around 40% of total worked hours, in 2013. Their implementation status is available in the table below. In 2013, the Group also issued its new Code of Practice for Driving Safety dedicated to all drivers, both employed and contracted. Gap analysis has been completed; implementation deadline will be set depending on country specific considerations.

In 2013, over a population of more than 18 thousands employees, the Group's Lost Time Injuries (LTI) frequency rate for employees and temporary workers, i.e. the number of accident with lost time per million hours worked, is 4.1 showing a significant 34% decrease since 2012, marking the new best Group's performance ever.

Following the recommendation of the Cement Sustainability Initiative, the Group also reports improvements in the LTI frequency rate for contractors on site (see table). In total, the absenteeism of employees due to safety related causes total 8,989 lost days (9,845 in 2012) confirming at less than 0.5% of total absenteeism, estimated to remain stable below 4% of total workable days; other 1,969 days (2,514 in 2012) of employees working on restricted duty were recorded.

Since 2008, the Group is reporting the Total Recordable Injury Rate (TRIR) adding recorded Restricted Work Duty and Medical Treatment to Lost Time Injuries.

Despite all efforts, four fatalities occurred at the Group's premises plus one off site. Giving utmost importance to such events, each fatality is discussed at the Group's Management Committee during dedicated sessions chaired by the CEO. The Board of Directors is updated on safety performance including discussion of fatalities, every semester.

In 2013, minor administrative non-compliances to locally enforced regulatory schemes had raised penalties for 156 k€ (474 k€ in 2012).

As every year, the Group endorsed and celebrated the World Day for Safety in 2013 (page 337).

LTI Frequency rate (*)	2013	2012	2011	2010
Cement	2.7	4.5	5.2	4.7
Aggregates	5.1	10.7	8.4	5.8
Concrete	7.3	10.8	7.0	9.4
Group	4.1	6.2	6.2	5.8

LTI Severity rate (*)	2013	2012	2011	2010
Cement	0.2	0.2	0.2	0.2
Aggregates	0.4	0.5	0.5	0.5
Concrete	0.4	0.3	0.5	0.6
Group	0.3	0.3	0.3	0.3

TRIR (*)	2013	2012	2011	2010
Cement	7.3	10.8	9.7	9.8
Aggregates	13.5	19.0	21.2	11.6
Concrete	17.5	18.1	14.3	16.9
Group	9.7	12.5	11.3	10.9

(*) Direct employees and temporary workers

LTI Frequency rate (**)	2013	2012	2011	2010
Group	3.7	4.4	4	-

(*) contractors on site

Status of Group standards implementation (%)	2013	2012	2011	2010	2009
Personal Protective Equipments	96	86	81	54	45
Work at Heights	86	78	68	51	35
Hot Works	94	85	78	49	-
Log Out – Tag Out	78	56	50	-	-
Confined Space Entry	70	28	-	-	-
Code of Practice for Driving Safety	62	-	-	-	-

Fatalities	2013	2012	2011	2010
Employees (*)	1	2	4	1
Contractors	2	2	3	7
Third parties (**)	2	-	2	2
Group	5	4	9	10

(*) direct employees and temporary workers
(**) one off site

Work-related injuries with lost days	2013	2012	2011	2010
Employees (*)	139	223	234	237
Contractors (**)	110	137	133	155

(*) direct employees and temporary workers
(**) contractors on site

3.3 Health and product responsibility

Sustained by its Health Policy, the Group believes that promoting the health and the wellbeing of workers is as vital as protecting their safety. Since 2010, the Group is implementing its internal standard for occupational exposure of workers to dust, crystalline silica, noise and whole body vibration at all its countries of operation, going beyond most local legislation. The standard based on best existing risk assessment and international recognized references, aims at setting minimum requirements to evaluate workplace environment and occupational exposure of workers to relevant chemical and physical agents. By applying the precautionary principle, most of the workers on the Group's industrial sites (around 8,000 workers) are considered as potentially exposed to dust, silica and noise, while mobile equipment operators (around 3,300 workers) are considered as potentially exposed to vibrations. At the end of 2013, 69% of workers potentially exposed were covered by the assessment. The 92% of them is in line with the Group's standard. Immediate remedy actions are under implementation for the remaining. Additional information is available in the table below and on corporate website. The Group's target is to assess the totality of potentially exposed workers by the end of 2015.

In 2013, the Group has started working on the definition of minimum requirements for occupational medical surveillance to be integrated in the standard for occupational exposure of workers.

In 2013, the Group has continued its efforts in improving data collection of official application for occupational illnesses in all its countries, also where no clear legal framework is still enforced. This resulted in a higher disclosure (52 files against 44 in 2012).

Since 2013, the Group is actively promoting its approach to protect health at work at international level, aiming at spreading its best practice within cement sector. At European level, the Group is actively involved in the joint Comprehensive Health Risk Study on cement.

Since 2010, the Group has signed a worldwide agreement with International SOS to better manage health and security risks of its international traveler and expatriates.

Since 2008, the Group has banned the purchase, supply and use of any type of asbestos or any asbestos-containing products even in countries where it is still legal. A specific inventory is kept updated through periodic assessment of structures and equipments. All the related and necessary management activities, including monitoring and progressive dismantling, are performed since ever adopting the best techniques to protect health and safety. Moreover, the Group does not allow for any direct cement sale to cement-asbestos producers. Since 2011, similar initiatives of inventory management and progressive elimination are extended to other substances of concern. At the end of 2013, 21% of the Group's sites are completely asbestos-free and 75% are already without PCBs and CFCs in line with European best practices. Similar initiatives are ongoing for other materials of concern, such as selected type of refractory bricks, aligning to international best practices.

Concerning product responsibility, the Group discloses basic information on health and safety and environmental issues related to its market products, also in countries where no mandatory regulatory framework exists. The information sheets, available in local languages, describe relevant properties of cement and recommendations for its proper storage, transport, handling and use.

Alignment to Group standard (%)	2013	2012	2011
Workers potentially exposed covered by full assessment (*)	69	65	57
Workers assessed and in line with the standard	92	92	94

(*) i.e. dust, crystalline silica, noise and vibration assessment

Group sites (*) and materials with high health concern (%)	2013	2012	2011
Asbestos free	21 (**)	24	-
PCBs and CFCs free	75 (**)	78	-

(*) cement and grinding plants
(**) improved data consolidation

Official applications for occupational illnesses	2013	2012	2011
Cement	41	35	22
Aggregates	2	0	0
Concrete	4	6	2
Others	5	3	4
Total	52 (*)	44	28

(*) Increase principally due to the improved data collection

3.4 Social initiatives

The Group aims at building relationships with its stakeholders based on mutual commitment, active partnership, trust, openness and long-term cooperation. Building relations with communities means understanding their needs, supporting projects without creating dependency, and fostering stakeholder consultation when opening new facilities, running existing ones and closing plants at the end of their productive lives. Therefore in the Italcementi way, social initiatives are the combination of stakeholder engagement activities and support to communities, as an opportunity to promote sustainable approach in all the countries in which the Group operates.

At internal level, the intranet portal is active for all employees willing to improve internal communication, common culture development, cross fertilization and knowledge sharing. The professional social network «my.like» provides each user the opportunity to share information about its career path and personal interests with colleagues worldwide.

Contractors and third parties are also involved in specific occasions such as in the occurrence of the Italcementi’s Safety Day. This particular day is a yearly opportunity for any Group’s manager to demonstrate his personal commitment by addressing specific topics of health and safety standards with employees and contractors. 2013 was dedicated to launch the new Group’s Code of Practice for Safe Driving: the Group’s answer to the fact that road accidents are among the main causes of fatalities, not only at work.

At local level, stakeholders mainly address site-specific issues such as dust emissions, noise impact or use of alternative fuels. Climate change, air emissions, health and safety are also of interest. Response is managed through ad-hoc initiatives or, in some cases, structured periodic meetings. The French cement subsidiary is the best Group’s example of stakeholder engagement: since 1995, all plants regularly engage their relevant stakeholder groups twice a year, organize site visits and present all new improvement projects to communities and authorities. Sustained by its Social Initiatives Policy, the Group will promote this stakeholder engagement approach to all its countries in coming years. Additionally, open door activities are one of the most common tools to promote participation at local level.

At country level, besides the more conventional business-to-business engagement (through trade association or others) many subsidiaries are actively involved with other business players within the frame of local body of the UN Global Compact, the WBCSD and CSI. As an example, in the framework of the Italian Network of the Global Compact, the Group is actively participating to a number of working groups on sustainability in supply chain, human rights, anti-corruption and reporting.

At international level, the Group is actively participating to the UN Global Compact, the WBCSD/CSI, spreading its sustainable vision. In particular, the Group will co-chair CSI for the next two years, participating actively to all the initiatives and also co-leading the sector task force on climate protection, air emissions, water, health and supply chain. With special focus on stakeholder, the Group is also contributing significantly to the revision of existing CSI Guidelines for Environmental and Social Impact Assessment.

The corporate and subsidiaries support the communities with many social initiatives in the field of education, capacity building and local skill development, disaster relief, health promotion and emergencies, and others. In parallel, the Italcementi Foundation Cav. Lav. Carlo Pesenti is the independent non-profit entity established in 2004 by Italcementi and the holding Italmobiliare, with the aim of ‘promoting scientific research and education with a special emphasis on the sustainable economic and social development of enterprises’. Detailed information on 2013 activities is available on page 167 of the Group’s Annual Report.

Support to communities (k€)	**2013**	**2012**
Fondazione Italcementi	560	563
Italcementi Group	336	250
Group subsidiaries	4,102	1,520

Sponsorships (k€)	**2013**	**2012**
Group Headquarters	503	912
Group subsidiaries	1,293	1,872

Cement plants with stakeholder engagement (*) in place (%)	**2013**	**2012**	**2011**
Mature markets	61	59	54
Emerging markets	100	100	100
Group	73	71	68

(*) Including Open Doors activities

4 Environmental protection

4.1 Climate and energy

Cement plays a key role in economic and social development since through its downstream products, it provides society with what it needs in terms of safe, comfortable housing and reliable modern infrastructure. While cement manufacturing is an energy intensive process and has an initial high carbon footprint, the lifecycle benefits and durability of cement-based product applications can result in significant energy and CO_2 savings.

Accordingly and sustained by its Energy Policy, Italcementi has set public targets for reducing carbon footprint of operations and products, so as to reduce embedded carbon and energy content, and also does research in lowering the footprint of cement-based product applications.

In 2013 the Group did not experience any unexpected stop of production due to adverse or extreme weather conditions affecting the process or supply chain. However, the Group diversifies both type and source of raw materials and fuels while prioritizing local sources. Insurance systems have also been put in place to cover unplanned plants stops. In the interest of all Group's subsidiaries, Italcementi has worked with leading insurance companies to cover risks to people and assets. The new Environmental Preservation Programme (page 342) helps to assess process risk related to natural causes.

In year 2013 a good progress towards the achievements of 2015 emission target (640 kg CO_2 per tonne of cementitious) was shown in main emerging markets, India, Egypt and Thailand. All emerging markets efficient plants – with the exception of Bulgaria and Kazakhstan where plants revampings are in progress- are fast progressing in the massive introduction of alternative fuels with high biomass content, thus pure biomass. The two biggest plants in the Group, Pukrang in Thailand and Yerraguntla in India, are leading by example: Pukrang attained a peak of 14% agricultural waste usage, such as rice husk and corn cub, saving in 2013 more than 170 ktons of CO_2. Yerraguntla reached more than 7% substitution in one year, starting from scratch in 2013, replacing coal with a huge variety of agricultural waste. In Europe, the champion is the small Greek plant, Halyps, that attained almost 14% use of biomass, mainly sewage sludge. The same plant, thanks to a clinker content in cement just below 66%, was able to beat the Group's ambition, reaching 512 kg CO_2 per tonne of cementitious, showing the right way for improvement.

The lever of clinker content reduction in cement is that with more grounds for improvement in the future, especially in emerging markets. For example India was able to abate by almost 5% the clinker content in cement in one year thanks to use of fly ashes, an equivalent saving of almost 90 ktons of CO_2 in 2013.

Group Research and Innovation department is engaged in research for downstream carbon capture, valorization and/or transformation. In 2013 research continued on biological valorization of CO_2 in cooperation with GEPEA laboratories and with Algosource Technologies (AST) with the aim of reusing CO_2 for biomass production by means of micro algae cultivation. In 2013 participation in a new project started, for energy storage and conversion to organic chemistry processes through advanced catalytic systems (CEOPs project).

A comprehensive energy recovery and efficiency plan (2013-2015) was launched in 2013, covering all subsidiaries. It follows a robust methodology, starting from audit based gap analyses and moving to recovery plans execution and savings consolidation. Completion is expected in 2015, when also the ongoing revamping of three plants in Bulgaria, Italy and Kazakhstan will be completed. The Group believes that energy management systems enable companies to achieving continual improvement of energy performance at plants. In addition to the three European plants now maintaining their ISO 50001 certification for their management systems, Sitapuram plant, in India, achieved ISO 50001 and also the Best Energy Manager Award in recognition to various actions implemented during the year towards energy conservation. In Italy, the energy efficiency initiatives completed in several plants over the last few years, equivalent to 83 ktoe savings, were rewarded by Energy Efficiency Certificates, traded on national energy exchange.

The production of renewable power in 2013 progressed positively. A 22 MW Waste Heat Recovery (WHR) plant for electricity production started operating in Pukrang, satisfying 10% of the annual electricity demand for the plant. Coverage at full year operation is expected to reach 20% coverage at least. The smaller size WHR plant in the new plant in Morocco, Ait Baha, reached 4% of electricity demand coverage, due to increase in 2014. The two WHR plants allowed for savings of 32 ktons of CO_2 in 2013. The wind farm in Bulgaria covered 20% of the demand for the local cement plant, while the wind farm in Morocco produced 100% of the needs of the local grinding unit, considering the electricity exchange with the grid.

Renewable energy production was made of 76% hydro, produced in Italy, 15% WHR, 9% wind from Morocco and Bulgaria and 2% solar, in Italy and India, of which mainly wind and WHR as sources are expected to increase their volume and share in the coming years. Overall 193,000 tons of CO_2 were saved in 2013 through self production of electricity. The Research Center of the Group, i.lab, is fed with 100% renewable electricity, 12% self produced by photovoltaic, and geothermal energy for 80% of the heating and 40% of the cooling needs.

Additional details on the Group's performance on energy and climate protection are available on corporate website.

Gross CO_2 emissions (*)		**2013**	**2012**	**2011**	**1990**
Mature markets	kg/t cementitious	692	701	687	668
Emerging markets	kg/t cementitious	696	721	727	823
Group	kg/t cementitious	694	712	708	723
Group	million t	28.6	31.7	34.4	36.8

(*) CO_2 gross emissions do not account biomass content of alternative fuels

Net CO_2 emissions (*)		**2013**	**2012**	**2011**	**1990**
Mature markets	kg/t cementitious	668	681	668	635
Emerging markets	kg/t cementitious	693	720	727	823
Group	kg/t cementitious	682	702	699	701
Group	million t	28.0	31.3	34.0	35.7

(*) CO_2 net emissions do not account for use of any kind of alternative fuels

Carbon footprint (*)	**2013**		**2012**	
	million t CO_2	**%**	**million t CO_2**	**%**
Scope 1 (direct emissions)	28.6	79.4	31.7	78.5
Scope 2 (indirect emissions)	2.2	6.1	2.4	5.8
Scope 3 (value chain emissions)	5.2	14.5	6.3	15.7
Total	**36.0**		**40.4**	

Thermal consumption, cement		**2013**	**2012**	**2011**
Mature markets	MJ/t clinker	3,721	3,772	3,735
Emerging markets	MJ/t clinker	3,858	3,858	3,862
Group	MJ/t clinker	3,798	3,820	3,805
Group	Million MJ	127.2	139.9	150.9

Conventional fuels by type, cement (%)	2013	2012	2011
Coal	35.3	34.4	35.3
Petroleum coke	32.8	30.2	29.2
High viscosity fuel	0.2	1.4	2.0
Natural gas	15.9	18.3	16.9
Fuel oil	6.4	9.1	10.8
Alternative fuels	9.4	6.5	5.9

Alternative fuels and biomass, cement (%)		2013	2012	2011
Mature markets	% alternative fuels (including biomass)	15.4	12.2	11.6
Emerging markets		4.9	2.2	1.4
Group		9.4	6.5	5.9
Mature markets	% biomass	5.4	4.2	3.9
Emerging markets		3.7	1.9	1.2
Group		4.4	2.9	2.4

Alternative fuels by type, cement (%)	2013	2012	2011
Animal meal	12.1	12.7	15.7
Liquid waste	16.7	20.5	21.9
Agricultural waste	21.5	16.5	11.1
Waste oils	8.3	8.0	8.5
Tyres and rubber	17.8	14.7	14.9
Solid waste	13.6	14.0	13.8
Plastic	3.8	3.8	4.7
RDF	4.6	7.6	7.8
Sludge	1.6	2.2	1.7

Clinker/cement ratio (% of clinker)	2013	2012	2011
Mature markets	78.9	79.4	78.9
Emerging markets	83.5	83.8	83.5
Group	81.3	81.8	81.3

Power consumption, cement		2013	2012	2011
Mature markets	kWh/t cement	137.5	134.1	131.2
Emerging markets		106.9	108.3	110.6
Group		120.5	120.1	120.5
Group	million kWh	4,916	5,280	5,811

Power consumption, aggregates		2013	2012	2011
Mature markets	kWh/t aggregate	2.9	2.7	2.6
Emerging markets		1.9	2.1	1.7
Group		2.8	2.6	2.6
Group	million kWh	79	76	73

Power consumption, concrete		2013	2012	2011
Mature markets	kWh/m^3 concrete	4.8	4.8	5.3
Emerging markets		2.0	3.1	1.8
Group		4.1	4.6	4.9
Group	million kWh	46	51	64

4.2 Environmental management

Sustained by its Environmental Policy, the Group supports and encourages actions aiming at implementing recognized management systems and voluntary commitments to prevent risks and foster continuous improvement, beyond compliance with applicable environmental laws and regulations. Furthermore, by adhering to the UNGC the Group is committed to: support a precautionary approach to environmental challenges; undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of environmentally friendly technologies.

Most of environmental issues are managed integrating the Group's directives and standards with site-specific needs: noise impact is mostly managed locally site by site, through dedicated mapping and identification of technically viable solutions; for new machines installation, specific requirements are set in the technical annex of the supply contract.

Since 2011, the Group is implementing a three-year programme for environmental reviews of its production sites, which generates corrective action plans and involvement of Group and local functions. In the last three years, 44% (64% in 2012) of the cement plants, representing 54% of total cement production, have been audited, covering 6 subsidiaries out of 11.

With the aim to better manage environmental risks and promote good practices and Group's standars, in 2013 the Group piloted the new Environmental Preservation Programme (EPP) linking detailed assessment of integrated cement plants to insurable risks. 8 major cement plants in 8 countries have been involved in the pilot. 2014 will be dedicated to implementing the EPP in all the remaining sites, developing environmental training sessions and defining improvement plans.

Since 2011 the Group has developed its guidelines for assessing dismissed or dismissing sites. They apply to all the businesses, covering safety and security risks, environmental risks, and social and external context risks. 2013 was dedicated to the first Group's assessment. Results will be disclosed in next reports.

The many improvement actions undertaken in 2013 totalled a capital expenditure, also including safety, of 35.6 million euro in 2013 (34.2 million euro in 2012).

The Group's Subsidiary Interbulk Trading, a major cement trading company, offers first class commercial, logistics and shipping services for trading of clinker, ordinary and special cements, mineral products and solid fuels worldwide. The management of the Group fleet and cargos is based on an insurance coverage, following best practices in the field. The Shipping and Maritime Logistics Department of Interbulk is responsible for organizing safe and reliable maritime transportation anywhere in the world. The aim is to provide a shipping service matching the Group needs and high performance standards, at the best competitive market prices. The Group is increasing the number of vessels less than 20 years old (84% in 2013 versus 81% in 2012). In 2013, chartered vessels were 295 (339 in 2012). In 2013, Interbulk totally moved around 4.8 million tonnes by sea trade. Detailed information under the Interbulk website.

Group sites (*) certified ISO 14001 (%)	**2013**	**2012**	**2011**
Cement	93	90	89
Aggregates	36	40	40
Concrete	4	4	4

(*) additionally, 2 natural hydraulic lime plant and all 14 hydro-power plants, also EMAS registered,

% transport (*)	Cement			Aggregates			Concrete		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
road	88	90	92	91	91	93	100	100	100
railways	7	7	5	1	0	0	0	0	0
waterways	5	3	3	8	9	7	0	0	0

(*) No major difference between mature and emerging markets

Waste management, cement		2013	2012	2011
Total waste produced (*)	kt	52.6	118.0	94.4
of which, hazardous waste (**)	kt	*2.2*	*11.9*	*2.3*

(*) waste production does not come from process; it mainly derives from maintenance activities, which can vary during years, and it is managed according to the Group's best practice. No main difference among mature and emerging countries

(**) hazardous waste production mainly refer to lubricants and hydraulic fluids management, and it is managed according to the Group's best practice

Fines and penalties (*) for environmental non-compliance (k€)	Cement		Aggregates		Concrete	
	2013	2012	2013	2012	2013	2012
Mature markets	1,069.7	565.0	-	48.6	-	66.0
Emerging markets	683.6	284.0	-	-	-	-
Group	1,753.3	849.0	-	48.6	-	66.0

(*) including allegations yet to be appealed

4.3 Air emissions

Sustained by its Environment Policy, the Group develops and implements high level internal standards in order to monitor and assess cement kiln emissions in atmosphere and to set ambitious reduction targets.

The Air Emissions Standards has been issued in 2008, then progressively refined for content and auditability. The compliance to the performance levels and to the monitoring requirements, according to the internal rating system included in the assessment of top managers variable compensation, represents respectively 94% and 92% of clinker production. Details on the Group's Standard, related performances and internal rating system are available on the corporate website.

More in depth, at the end of 2013, 79% of clinker (77% in 2012) was produced by kilns with Continuous Emissions Monitoring systems fully in line with Group's standard; 87% of clinker (51% in 2012) was produced by kilns with continuous or spot measurements covering all the parameters defined in the Group's standard. At the end of 2013, 41% of the clinker (33% in 2012) was produced by kilns with all monitored parameters within the emissions levels set by the Group's standard. The following table provides an overview of the progress in the implementation of Group's standard on air emissions.

Clinker produced in sites with air emissions in line with Group standard	% of compliance			% of monitoring		
	2013	2012	2011	2013	2012	2011
Italy (home country)	97	98	97	99	97	100
Other subsidiaries	91	86	88	94	80	74
Group	92	88	90	94	82	78

Improvement of dust emissions, in 2013 below a hundred grams per tonne of clinker, is mainly due to the completion of the filters upgrade in India and Morocco, where all kilns are now fitted with modern fabric filters. Further reduction is expected with the full delivery of their performances, not always yet at the level required by the Group standard. In Egypt, two additional fabric filter have been started up in very late 2013, expected to deliver their best contribution in 2014. As of today, in Egypt, already half of the clinker production comes from kilns equipped with modern fabric filters, even if still in the phase of process optimization. In the next years, further improvement of air emissions will result from the completion of the two major revamping project already started in 2012 Devnya (Bulgaria) and Rezzato (Italy), and the one started in very late 2013 in Shymkent (Kazakhstan). The following tables provide an overview of the Group's performance.

Air emissions factors and coverage			**2013**		**2012**		**2011**	
			emission factor	**% coverage**	**emission factor**	**% coverage**	**emission factor**	**% coverage**
Mature markets	dust	g/t clinker	16	100	18	100	23	100
	NO_x		1,363	100	1,571	100	1,536	100
	SO_2		544	100	619	100	547	100
Emerging markets	dust	g/t clinker	159	100	187	100	257	100
	NO_x		1,770	100	1,470	100	1,625	100
	SO_2		271	100	241	100	182	100
Group	dust	g/t clinker	96	100	113	100	152	100
	NO_x		1,591	100	1,514	100	1,585	100
	SO_2		391	100	407	100	346	100
	CO		1,355	100	1,348	98	-	-
	VOC		38	96	55	94	33	74
	benzene		3	88	2	59	-	-
	dioxins	ng/t clinker	52	96	44	81	24	49
	PAH	mg/t clinker	7	90	6	56	-	-
	mercury		11	95	36	64	33	55
	metals I (*)		18	95	9	85		
	metals II (**)		375	95	182	83	-	-

(*) metals I: Cd, Tl
(**) metals II: Sb, As, Pb, Cr, Co, Cu, Mn, Ni, V

Group yearly air emissions		**2013**	**2012**	**2011**
dust	kt	3.2	4.1	6.0
NO_x		53.3	55.5	62.9
SO_2		13.1	14.9	13.7
CO		45.4	48.7	-
VOC		1.3	2.0	-
benzene	t	91.4	59.0	-
PAH		0.2	0.2	-
mercury		0.4	1.3	-
metals I (*)		0.6	0.3	-
metals II (*)		12.6	6.7	-
dioxins	g	1.7	1.6	-

(*) metals I: Cd, Tl
(**) metals II: Sb, As, Pb, Cr, Co, Cu, Mn, Ni, V

4.4 Water management

The Group acknowledges that business cannot survive in a society without qualitative access to water. Through its Environment Policy, the Group supports projects to reduce water consumption and preserve water quality. Since 2010, the Group has adopted the WBCSD Global Water Tool (GWT) to map its water use and assess risks relative to global operations and supply chains. By comparing sites with the best available water, sanitation, population and biodiversity information on a country and watershed basis, the GWT allows to identify how many sites are in extremely water-scarce areas. In 2013, the Group has collaborated within the Cement Sustainability Initiative (CSI) to the definition and release of the specific version customised on cement industry needs. It is the third customization after oil and power sectors. The WBCSD Global Water Tool 'Cement' is also in line with GRI G4 requirements. The recommendations cover cement, aggregates and ready-mix concrete operations. Thanks to these tools, the Group will soon improve its water management and will be able to set different targets on water resources management.

The Group continues to concur with the UN Water for Life Decade, a ten-year project which aims to promote efforts to fulfill international commitments on water and water-related issues by 2015 and supports the water programme of WBCSD within the priorities of the Action 2020. Accordingly, the Group confirms its objectives of implementing sustainable water management at 50% of its production sites, starting from areas of water stress, by 2015. The set of Group's requirements to be applied at all subsidiaries will be issued in 2014 in parallel with the joint work done within the CSI.

Water withdrawal, cement		**2013**	**2012**	**2011**
Mature markets	m^3/t cement	0.62	0.79	0.95
Emerging markets	m^3/t cement	0.40	0.41	0.52
Group	m^3/t cement	0.50	0.59	0.73
Mature markets	million m^3	11.3	15.6	21.8
Emerging markets	million m^3	9.1	9.4	12.9
Group	million m^3	20.4	25.0	34.7

Water withdrawal, by source	**2013**		**2012**	
	million m^3	**%**	**million m^3**	**%**
Surface waters	6.7	33	8.3	33
Ground waters	7.9	39	8.1	32
Supplied waters	3.9	19	3.2	13
Collected waters	1.9	9	5.4	22

Water consumption, cement		**2013**	**2012**	**2011**
Mature markets	m^3/t cement	0.33	0.37	0.35
Emerging markets	m^3/t cement	0.38	0.36	0.41
Group	m^3/t cement	0.36	0.37	0.38
Mature markets	million m^3	6.1	7.4	7.9
Emerging markets	million m^3	8.5	8.3	10.1
Group	million m^3	14.6	15.7	18.0

Water consumption, aggregates		**2013**	**2012**	**2011**
Mature markets	m^3/t aggregate	0.15	0.10	0.13
Emerging markets	m^3/t aggregate	0.07	0.05	0.03
Group	m^3/t aggregate	0.14	0.09	0.13
Mature markets	million m^3	3.8	2.6	3.6
Emerging markets	million m^3	0.1	0.1	0.1
Group	million m^3	4.0	2.7	3.7

Water consumption, concrete		2013	2012	2011
Mature markets	m^3/m^3 concrete	0.23	0.23	0.23
Emerging markets	m^3/m^3 concrete	0.41	0.43	0.42
Group	m^3/m^3 concrete	0.27	0.26	0.25
Mature markets	million m^3	2.0	2.2	2.6
Emerging markets	million m^3	1.0	0.6	0.6
Group	million m^3	3.0	2.8	3.2

4.5 Natural resources and quarries

Through its Environment Policy, the Group promotes the responsible use of resources to save on fossil fuel and quarried material consumption. Accordingly, subsidiaries apply strict Group's guidelines for responsible use of alternative fuels (AFs) and raw materials (ARMs) based on WBCSD/CSI guidelines. The guidelines list all the materials that must not be used under any circumstance at any Group's sites; furthermore, they focus on selection, management and necessary controls for using alternative materials, adopting health, safe and environmentally friendly measures. In 2013, 9.4% (6.5% in 2012) of alternative fuels and 5.4% (5.4% in 2012) of alternative raw materials were used. In addition, production of concrete used globally 0.9% of alternative materials (1.0% in 2012).
Additionally, the Group is committed to develop rehabilitation plans for all its active quarry operations taking into consideration existing biodiversity and, where feasible, fostering conservation of endangered species and meeting stakeholders' expectations. In 2013, 89% of the Group's quarries has a rehabilitation plan in place (85% in 2012). The Group's objectives is to have 100% of its quarries with rehabilitation plans by 2015. The internal procedure asks for biodiversity action plans at least for quarries in relevant biodiversity areas (124 out of 280 active quarries managed in 2013). Specific budget is dedicated to quarry management initiatives, including provisions requested in many countries as mandatory financial coverage for such projects. Innovative projects and focused initiatives have been launched over years. Among them: the project in Trieste quarry (Italy) in cooperation with the Trieste University and officially presented in 2013; the project under implementation in Morocco with the Rabat University; the wide experience of GSM, the French aggregates subsidiary, under the frame of its agreement with IUCN (details under GSM website); the ongoing project in North America with the cooperation of Wildlife Habitat Council; the partnership with the Ain Shams University of Cairo to boost biodiversity through quarry rehabilitation in Egypt.
Since 2013, the Group is actively working on the new WBCSD quarry rehabilitation guidelines. These guidelines aim at implementing better practices in the exploitation and rehabilitation phases worldwide. Particular attention is paid to indicators monitoring biodiversity. As soon as they are released, the Group will start implementing them.

Raw materials, cement		2013	2012	2011
Mature markets	million t	27.1	29.9	32.6
Emerging markets	million t	33.5	36.8	39.2
Group	million t	60.6	66.7	71.8
Mature markets	% alternative	7.7	8.1	7.8
Emerging markets	% alternative	3.6	3.2	3.7
Group	% alternative	5.4	5.4	5.6

Raw raw materials by type, cement (%)	2013	2012	2011
Limestone	77.2	76.0	76.8
Marl	2.6	3.2	1.8
Clay	9.0	9.8	9.5
Sand	1.1	1.1	1.1
Iron ore	0.6	0.8	0.8
Bauxite	0.3	0.3	0.2
Gypsum	3.1	2.8	3.0
Pozzolana	0.4	0.5	0.7
Other natural raw materials	0.3	0.2	0.4
Alternative raw materials	5.4	5.4	5.6

Alternative raw materials by type, cement (%)	2013	2012	2011
Blast furnace slag	32.5	33.4	27.1
Fly ash	30.3	28.1	29.3
Calcium, Aluminum, Silicon or Iron substitutes	14.9	13.1	16.1
Industrial gypsum	11.0	9.6	8.5
Kiln & bypass dust	6.4	8.5	9.5
Foundry sand	1.2	1.3	1.1
Biomass ash	0.2	0.8	0.5
Other alternative raw materials	3.5	5.2	7.9

Quarry management, cement (*)		2013	2012	2011
Mature markets	number of quarries	98	102	107
	in sensitive areas (**)	*45*	*45*	*35*
	with rehabilitation plan	*91*	*90*	*97*
Emerging markets	number of quarries	41	42	43
	in sensitive areas (**)	*3*	*0*	*2*
	with rehabilitation plan	*23*	*17*	*14*
Group	number of quarries	139	144	150
	in sensitive areas (**)	*48*	*45*	*37*
	with rehabilitation plan	*114*	*107*	*111*

Quarry management, aggregates (*)		2013	2012	2011
Mature markets	number of quarries	136	133	140
	in sensitive areas (**)	*75*	*76*	*37*
	with rehabilitation plan	*131*	*128*	*137*
Emerging markets	number of quarries	5	5	5
	in sensitive areas (**)	*1*	*1*	*0*
	with rehabilitation plan	*4*	*4*	*4*
Group	number of quarries	141	138	145
	in sensitive areas (**)	*76*	*77*	*37*
	with rehabilitation plan	*135*	*132*	*141*

(*) number of quarries refer to individual extraction sites

(**) Sensitive areas as formally identified by international or national bodies for the preservation of biodiversity, fauna or flora (Natura 2000, Ramsar Convention, UNESCO World Heritage, IUCN, National or local legislation and others)

5 Responsible production

5.1 Customer management

Driven by its Sustainability Policy, the Group and its subsidiaries are committed to promote research and innovation by marketing new products, applications and services, addressing actual and future customers' needs. Furthermore, the Group aims at establishing and keeping relations with its customers based on transparent exchange of information and shared commitments.

The Global Sales & Marketing Department issued the Group's guidelines to homogenize customer satisfaction survey methodologies and sample logic adopted by subsidiaries, with the final goal to improve the process effectiveness and set a Group's survey approach. In 2013, the absolute index showed a medium-high satisfaction level, slightly increasing versus 2012, especially thanks to good results in middle and far east countries. The relative index showed a medium satisfaction level of the Group against competitors, with a general increase in all countries. Results on customer satisfaction are publicly disclosed on local websites. 2014 will be dedicated to the process enhancement, extending survey coverage and setting targets results for any countries.

In 2013, an important strategic project (i.nova) has been launched with the goal to transfer Group's values to the market and allow a clear and standardized methodology in product recognizing, in order to generate added value to customers and facilitate product selection, through a product portfolio reorganization, based on performances. Definition of the 11 performances families, around which gather the Group's offer and aligning consistently the marketing efforts is a pillar of i.nova. In the aim of the Group, the project will allow ITC to wide spread his whole product portfolio standardizing criteria all over the world and enhance subsidiaries commercial effectiveness.

Cement market (Mt) by geographical area	2013	2012	Variation (%)
Central Western Europe	59	68	(12.8)
North America	22	22	(0.8)
Emerging Europe, North Africa and Middle East	65	69	(5.9)
Asia	112	107	4
Group	258	266	(3.0)

SOURCE: Italcementi Group estimates

Cement market segmentation by intermediate destination (%)	Concrete plants	Distributors	Prefabricated producers	Contractors	Premixers and others
Central Western Europe	55	22	13	6	3
North America	67	6	10	7	10
Emerging Europe, North Africa and Middle East	6	79	2	11	2
Asia	14	61	7	15	3
Group	23	55	7	12	3

SOURCE: Italcementi Group estimates

2013 Customers satisfaction: Absolute index (1-1000)	Total	Concrete plants	Distributors	Prefabricated producers	Contractors	Premixers and others
Central Western Europe	805	817	769	784	810	800
North America	867	n/a	n/a	n/a	n/a	n/a
Emerging Europe, North Africa and Middle East	792	824	788	726	803	790
Asia	823	828	821	846	820	908
Cement and clinker trading	759	919	787	-	870	714
Group	809	822 (*)	789 (*)	781 (*)	810 (*)	826 (*)

(*) excluding North America

2013 Customers satisfaction: Relative index (1-1000)	Total
Central Western Europe	726
North America	837
Emerging Europe, North Africa and Middle East	830
Asia	636
Cement and clinker trading	722
Group	745

(*) excluding North America

Global customers satisfaction	% of coverage			Results (KPI/1000)		
	2013	2012	2011	2013	2012	2011
Absolute index	99 (*)	99	97	809	804	787
Relative index	99 (*)	93	76	745	683	657

(*) Kuwait missing

5.2 Supplier management

As from its Sustainability Policy, the Group aims at establishing and keeping relations with suppliers based on transparent exchange of information and shared commitments. The Group and its subsidiaries are also committed to applying principles of equality to employees, suppliers, contractors and subcontractors working on their premises.

2013 marks a turning point in the Group’s management approach: the Global Procurement Handbook was issued. It refines the working method of procurement people, looking for higher efficiency, governance and spread of best practices, with the aim of harmonizing practices among countries. During the same period a dedicated team, composed by corporate procurement, legal and sustainability experts, developed the Contract Handbook, becoming the reference for all contract’s standard format.

Inspired by the Ten Principles of the Global Compact and to prevent the risks (financial, technical and ethical) of critical suppliers and contractors, the new qualifying procedure established by the Procurement Handbook has been strengthen and now apply to the totality of companies dealing with the Group. This means complying and accepting non-negotiable minimum requirements and to pass preliminary evaluation before entering the Group’s supply chain. Minimum requirements, based on UN Global Compact principles, ILO conventions and ISO principles, require the supplier to respect basic human rights, guarantee decent labour conditions, freedom of association and collecting bargaining, mitigate impact on environment and deny any form of corruption and criminality. Details on the pre-qualification screening are available on the corporate website. On the basis of an established perimeter of application defined considering the potential risk associated to the supply, the supplier is additionally screened indirectly through defined questionnaires on financial, technical and sustainability aspects, and the same can be confirmed through direct assessments. Details on assessments and actions taken will be available in next reports.

In 2013, the Group assessed 99% of the corporate suppliers inside the qualification perimeter (corresponding to higher risks suppliers) representing more than 94% of central procurement spending. From 2014, the Group commits to assign the 100% of the spending managed by corporate to qualified suppliers, choosing only among bidders included in the vendor list. After consolidation, this management system will be extended and adapted to local spending.

One of the cardinal rules implemented Group-wide is the segregation of duties among the different steps of the procurement process (purchasing needs generation and formalization, suppliers identification and selection, supplies' receipt and payment). Whenever possible, fair and wide competition among qualified vendors is promoted as a good practice; the availability and adoption of standard tools, forms and templates enables transparency in the engagement process and ensure equal opportunities for all those suppliers and contractors that commit to be aligned with the sustainability and ethical reliability principles embraced by Italcementi Group in conducting its business.

Since 2103, the Group is co-leading the Task Force 'Sustainability in supply chain management' within the Cement Sustainability Initiative (CSI). The Task Force involves Procurement and Sustainable Development Departments from the member companies of the Cement Sustainability Initiative. 2013 was dedicated to collect information on good practices from cement and other sectors, and to develop a common list of criteria for the sustainability assessment and management of suppliers. Most of the issues related to supply chain management could be successfully approached as a sector, in order to trigger the necessary collective change in all countries. 2014 will be dedicated to the issue of the first Good Practice Guidance document and to organization of training sessions for procurement departments, selected suppliers and external relevant stakeholders. In order to get the maximum level of engagement, local road shows will be organized in countries of common interest among CSI members (e.g. Greece, Egypt, India). Moreover, the Group is also bringing the experience of the parallel work done within the Italian Network of the UN Global Compact.

% of corporate suppliers evaluated	**2013**	**2012**	**2011**
Group	99	60	35

% of corporate procurement spendings	**2013**	**2012**	**2011**
Group	94	75	-

5.3 Quality

Sustained by its Quality Policy, the Group works to guarantee and continuously improve the quality of its products, processes and services. All the subsidiaries are committed to implementing a systematic approach aiming at satisfying quality requirements, creating value along the life-cycle of products and enhancing relationships with customers and suppliers.

All the Italcementi Group's companies operate in conformity with ISO 9001:2008 or other quality standards as defined by relevant public authorities. External certification is not limited to production systems: it also covers delivered products bearing the quality mark granted by recognized certification bodies. Products are certified to locally applicable commercial standards or, when needed, to specific qualification such as the API certification for cements to be used in oil well.

The new i.nova Branding System launched in 2013 is an additional evidence of the active Group's commitment in continuously improving the quality of its product, processes and solutions through an innovative market offer.

Cement types (% production volumes)	2013	2012	2011
Ordinary Portland cement	51	50	46
Limestone cement	25	26	27
Multiple blended cement	7	7	10
Fly ash cement	5	4	5
Slag cement	6	7	6
Pozzolan cement	2	2	2
Others	4	4	4

5.4 Innovation for sustainable construction

Italcementi Group's commitment to research and innovation is of strategic importance as a guarantee of growth, global competitiveness and a contribution to a better quality of life in respect of the environment. In the last three years, the average amount of investments was 13.6 million euro, 70% for research and development and 30% for technology transfer, stable over the period. The indicator showing the contribution, in terms of operational turnover, of innovative products (i.e. innovation rate) has significantly progressed in 2013 thanks to the inclusion of SISTEMA and relevant improvement in some both mature and emerging markets.

Innovation rate (%)	2013	2012	2011
Mature markets	5.1	2.3	5.3
Emerging markets	6.2	3.3	3.5
Group	5.3	2.6	4.5

2013 Novelty conditions* (%)	radical	incremental	established
Mature markets	6.2	25.5	22.2
Emerging markets	4.7	41.1	0.2
Group	10.9	66.7	22.4

(*) novelty condition turnover/Innovation Group turnover. SISTEMA is not considered

One of the key fields of research are innovative products for sustainable construction. Product innovation aims at providing materials for buildings and structures that are favor reduction of energy needs for heating and cooling and with better thermal and sound insulation, more safe, such as anti-seismic, resistant to fire, radiation and natural events, and also products that are more comfortable and beautiful, in terms of integration with the territory and architectural value. Cementitious materials, by their nature, support climate adaptation, due to their durability and resilience, and innovation aims to further improve these performances.

Some key research projects, in cooperation with Universities, are in the field of structural concretes and micro-concretes, addressing high strength products for structural retrofitting and upgrading of structures and buildings, for example buildings at seismic risk. High emphasis is put on research for using recycled materials replacing those from natural resources. In terms of cements with lower clinker content, one successful example are the new types of clinker using improved sulphoalluminate based products, containing recycled alumina and having a low carbon footprint. Other applications of those products, such as for structural use, are being investigated. For concrete and mortar, new recycled materials, locally available, are being researched and tested to assess additional benefits they may bring, in terms of performance enhancement.

In line with its Sustainability Policies, the Group prioritizes the design and promotion of a ‘sustainable portfolio’ as part of the answer to growing market requests and to the regulatory drive for construction product labeling. The Group is supporting the dissemination of product standards for sustainable construction such as Leed, the US Green Building Council (GBC) international program that provides third-party verification of green buildings based on a crediting system. Indeed Italcementi is a founding member and a key player of GBC Italy.

The Group, therefore, strives to provide solutions addressing integrated design, allowing applications of our products to satisfy requirements of holistic and internationally recognized crediting systems. For construction sites, this means, solutions to treat and recover construction demolition waste and make use of locally sourced materials. For surfaces, it entails the use of materials combating the heat island effect and promoting rain water draining mechanisms while for structures, it involves materials with enhanced properties of thermal insulation, resistance, durability and increased recycled content.

To appraise how sustainable the Italcementi i.nova portfolio is, the Group developed a methodology addressing state-of-the-art product sustainability concepts. This methodology, currently used for an internal rating system and product benchmark, retains as reference impacts carbon and energy footprint, and recycled content. In addition, Life Cycle Assessment (LCA) methodology, which quantifies a product's environmental footprint through a whole set of impact indicators, is being introduced at the level of design in laboratory.

After research and successful testing, products are scaled up to reach the market. Results of innovation addressing sustainable solutions for buildings are spread across all i.nova families. Embedded sustainable properties, such as low carbon or high recycled content, are common to products available in different families; for example sulphoalluminate based products are present in both i.speed and i.tech families.

Products that show sustainable performances are grouped in some families with evocative names, for more clear comprehension. i.clime® family groups insulating products that favor energy savings, mainly light weight low density concrete. Termovoil is an example of a structural concrete with high performance in terms of thermal insulation. i.sound® family groups products with sound abatement properties, which are best applied in floor screeds. Sound abatement properties are mainly conveyed by the mix in their composition of recycled plastic aggregates, such as end-of-life tires that can reach 30%. i.idro® family groups products displaying a special performance related to water, such as i.idro DRAIN, the special mix for porous and pervious pavements, roads, walkways and parking lots, studied for rain and storm water management. i.active® family groups products containing TX Active®, the photocatalytic principle for cement products which can reduce organic and inorganic pollutants that are present in the air. Recent studies have confirmed the bacteriostatic and anti-algae properties of TX Active products, inhibiting the growth and reproduction of bacteria, fungi and algae, and the deodorizing effect, thus the presence of some aromatic substances in indoor situations can be reduced, with an improvement of indoor air quality and reduction of unpleasant smells. In 2013 additional applications containing TX Active® have been added to the family, such as coats and painting.

Sustainable performances are explained in product brochures. Furthermore the Group develops and publishes EPDs (Environmental Product Declarations), in line with international standards, for transparent communication with stakeholders about environmental performance of valuable products, such as i.idro drain and i.speed Alicem.

The Group’s concept of commitment to sustainable construction is mirrored in the Research Center of the Group, i.lab, that was awarded by the Leed NC platinum certification. i.lab features the use of materials with high recycled content (slag cement for the reinforced concrete structure -recycled content up to 38%), construction waste, locally sourced materials, renewable materials, low-emitting materials, and certified wood. Special properties of concrete used were required for Leed NC certification, such as self compacting and high resistance.

Recycled content of cement products (% of products range volumes)	**2013**	**2012 (*)**	**2011 (*)**
Products with > 30% recycled constituents	7.4	5.5	6.5
Products with > 20% recycled constituents	9.0	9.6	-
Products with > 10% recycled constituents	14.9	16.6	-
Products with recycled constituents	82.2	56.9	-

(*) data do not account for recycled materials used for clinker preparation but only for alternative mineral addition to clinker in the formulation of cement

Average recycled content (*) of concrete products (%)	**2013**	**2012**	**2011**
Group	2.2	-	-

(*) recycled content such as industrial waste or by products or recycled aggregates, also including the recycled content of cement used

6 Reporting and additional information

6.1 Materiality, boundaries and reporting methodology

Sustained by its Social Initiatives Policy, Italcementi Group aims at keeping an open and constructive dialogue with all interested stakeholders. Therefore, the Group is committed to continuously improve the quality, materiality, completeness and reliability of its information and to ensure the maximum level of transparency. The Group is consolidating and publishing its sustainability performance since 2002. In 2013, it did its first experience in reporting extra-financial information according to the new Global Reporting Initiative (GRI) guidelines, version GRI G4 and self-declaring a comprehensive level of disclosure. Detailed information on the correspondence to GRI is available on the corporate website.

The Sustainability Disclosure is coordinated and drafted by the Group's Sustainable Development Department and approved at Board level. The issues disclosed are selected and presented also according to the Group's materiality matrix with the aim at providing the reader with an overview of main economic, social and environmental impacts and challenges of the Group's vision and activities. Detailed information is available on the corporate website. Data are collected through centralized database and dedicated questionnaires, circulating among subsidiaries, and verified by third party (page 357).

Unless otherwise specified, the Sustainability Disclosure covers all the business activities under the operational control of the Group at the end of 2013. Within this period, data are 100% consolidated. Ciments Québec in Canada and Vassiliko Cement Works in Cyprus are not therefore included. Data for CO_2 emissions are the only being reformulated for each previous year to provide comparability, as specified and required in the WBCSD Greenhouse Gas Protocol applied by the Group.

The Group operating sectors are:

- Mature markets: France and Belgium, Greece, Italy, Spain, Canada, U.S.A. including Puerto Rico
- Emerging markets: Bulgaria, Egypt, Morocco, India, Kazakhstan, Thailand.
- Trading: cement and clinker activities in Albania, Gambia, Kuwait, Mauritania and Sri Lanka, as well as direct exports to markets that are not covered by Group's subsidiaries.
- Other operations: a category for the operations of the Ciments Français SA sub-holding, also including liquid and solid fuel procurement operations for Group's companies.

The Group business sectors are:

- operations relating to production and sales of cement/clinker;
- operations relating to construction materials (ready-mixed concrete and aggregates);
- other operations such as transport, engineering, e-business and energy.

6.2 Third party assurance

The Group is responsible for data published. The most relevant indicators are submitted to the external verification by Ernst & Young. Furthermore, for the second year, the Group decided to have revision of same statements within the extra-financial section (refer to the assurance on page 357).

The following table summarizes the internal procedures managing key performance indicators (KPIs) and subjected to external verification.

Group reference	KPI	Abstract
SDD001 Air Emissions Reporting Procedure	dust, NO_x, SO_2: absolute and specific emissions at kiln main stacks	The procedure covers the emissions of pollutants at the main stack and the bypass stack of the cement kilns. It defines requirements for quality tests and recommends methods for measurements according to "CSI Guidelines for Emissions Monitoring and Reporting, March 2005". Data are entered into the Group database and reported by means of the Group reporting software or dedicated spreadsheets. Specific emissions are based on available measurements (continuous or spot), absolute emissions are extrapolated to all kilns.
SDD002 CO_2 Reporting Methodology	Absolute and specific gross CO_2 emissions and CO_2 emissions from electricity consumption	The procedure is compliant with the WBCSD/CSI Protocol: "CO_2 Accounting and Reporting Standard for the Cement Industry", June 2005 ver.2. Absolute gross and specific CO_2 emissions are reported to SDD by means of the WBCSD/CSI Cement CO_2 protocol spreadsheet. CO_2 emissions account total direct emissions, excluding biomass fuels. Cementitious products account both clinker production and mineral additions for cement grinding.
SDD011 ISO 14001 Reporting Instruction	Percentage of sites certified ISO 14001	The ISO 14001 certified facilities are cement plants, grinding centers, aggregates quarries and plants, ready-mix concrete plants which have developed and implemented Environmental Management Systems complying with the requirements set in the standard ISO 14001:2004, certified by qualified bodies and with valid certificates.
SDD012 Raw Materials Reporting Instruction	Total RMs and ARMs consumption for cement production	The instruction defines natural and alternative raw materials (ARMs). The Group Technical Center draws the data from the Group database; figures are endorsed by the subsidiaries before being forwarded to SDD. Dry tonnes of RMs and ARMs are reported according to "CSI Guidelines for the selection and use of fuels and raw materials in the cement manufacturing process".
SDD013 Fuels Reporting Instruction	Total fuels and AFs consumption for clinker production	The instruction defines conventional and alternative fuels (AFs). The Group Technical Center draws the data from the Group database; figures are endorsed by the subsidiaries before being forwarded to SDD. Thermal input from conventional fuels and AFs reported according to "CSI Guidelines for the selection and use of fuels and raw materials in the cement manufacturing process".
SDD016 Quarry rehabilitation Instruction	Percentage of quarries with a rehabilitation plan and included or nearby protected zones for nature preservation	The procedure sets that employees potentially exposed to dust, silica, noise and vibration have to be evaluated versus international standards recommended in the procedure. When defining the number of potentially exposed employees only, default values may be are used to correct incomplete reporting from countries. Monitoring activity is always supported by evidence.

N4 Group Innovation	Percentage of turnover from innovative products	The innovation rate is the ratio between the operational turnover realized with the sales of innovative products and the total operational turnover. Innovation Projects are identified as New Products (cements and binders, ready mix concretes, admixtures, mortars and others); New Applications (new construction solutions even with existing products); New Services pertaining to the area of sustainable development, distribution and packaging; New Manufacturing Processes represented by specific manufacturing processes made available to the market after an internal development of specific know-how and patents. Innovation projects are classified according to three categories: Established (Product-Application-Service-Manufacturing process already present both in the reference market of the Subsidiary and in the Subsidiary offer); Incremental (Product-Application-Service-Manufacturing process present in the reference market of the Subsidiary but not in the Subsidiary offer); Radical (Product-Application-Service-Manufacturing process new to the reference market of the Subsidiary and to the Subsidiary offer). According to the novelty condition, the innovation period can vary from a minimum of 3 years to a maximum of 9 years. The innovation rate includes admixtures with no limit of duration because of the permanent adaptation of the product. It also includes the cement in case of common sales of admixtures and cement to third parties. Existing products which have been repositioned because of their contribution to sustainable development are included in the innovation rate as well.
Safety management handbook	LTI Frequency Rate	A Group database, automatically updated at site level, calculates lost time injuries (days) in a year per million hours worked, according to WBCSD/CSI definitions.
SDD017 Industrial Hygiene – Workplace Assessment	Percentage of employees potentially exposed to dust, silica, noise and vibration covered by the workplace assessment	The procedure sets that employees potentially exposed to dust, silica, noise and vibration have to be evaluated versus international standards recommended in the procedure. When defining the number of potentially exposed employees only, default values may be are used to correct incomplete reporting from countries. Monitoring activity is always supported by evidence.
Human resources database	Total of employees (gender, age and geographical distribution)	Human resources database based on SAP system and collecting gender, age and geographical information about employees.
Human resources database	Hiring and dismissals	Human resources database based on SAP system and collecting entries and leaves, categorized by type, within the Group perimeter or reassignments between different subsidiaries.
Training management system	Hours of training and specific programs	Training activities are grouped in 4 main training areas: Compliance and Risk Mitigation; Efficiency; Sustainable Development and Innovation; and Human Capital Development. Training hours are the sum of hours spent in training (without distinction according to the methodology: classroom, on-field, e-learning, etc) per each training area, per gender and per personnel classification (Manager, White collar, Blue collar). These figures are collected from all countries twice a year (July and January) through an on-line system.

EY
Building a better working world

Italcementi - Year ended December 31, 2013.
Independent assurance report on a selection of environmental, social and innovation indicators

To the Shareholders,

Further to the request made by Italcementi, we performed a review on the Group's environmental, social and innovation indicators for the year ended December 31, 2013 listed in the Section 6.2 of the sustainability disclosure under the heading "Third party assurance" (the "Indicators") to obtain limited assurance that the Indicators were prepared in accordance with the reporting criteria applicable in 2013 (the "Reporting Criteria"), consisting in external standards elaborated by the World Business Council for Sustainable Development - Cement Sustainability Initiative (WBCSD-CSI) available on the WBCSD web site[1] completed with Group specific procedures, a summary of which is provided in the same Section 6.2.

It is the responsibility of Italcementi Group's sustainable development department to prepare these Indicators and to provide information on the Criteria.

It is our responsibility to express a conclusion on these Indicators on the basis of our review. Our review was conducted in accordance with ISAE 3000[2] International Standard from IFAC.

Our independence is defined by regulatory requirements and the Code of Ethics of our profession. In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Nature and scope of our review

We performed the following review to be able to express a conclusion:

- We have assessed the Reporting Criteria with respect to their relevance, their completeness, their neutrality, and their reliability.
- At the Group level, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organization, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, and also verified their coherence and consistency with the other information presented in the management report.
- We have selected a sample of three cement sites, and four business units[3] on the basis of their contribution to the Group's consolidated data and the results of the review performed during previous financial years. At the level of the selected sites and entities, we have verified the understanding and application of the Reporting Criteria, and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation.
- We reviewed the presentation of the Indicators in the sustainability disclosure and the associated notes on methodology.

On average, our tests covered 38% of environmental indicators[4], 53% of the number of employees, and 40% of the turnover used in the innovation rate.

We consider that the sample methods and sizes of the samples that we considered by exercising our professional judgment allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the Indicators cannot be entirely eliminated.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Indicators were not established, in all material respects, in accordance with the Reporting Criteria.

Observations

Without qualifying our conclusion above, we draw your attention to the following points:

- Misunderstanding mistakes have been observed for the calculation of the indicator of raw materials consumption for concrete by several subsidiaries, where cement consumptions were wrongly included. These non-significant gaps have been corrected.
- With regards to the calculation of hours of training, figures for Egypt include a large, albeit not significant, number of training hours of students some of whom did not join the Group. Training hours of those who are not part of the Group eventually should have been reported as part of the "Social initiatives" but could not be precisely identified prior to this report's release.

Paris-La Défense, April 1, 2014

ERNST & YOUNG et Associés

Christophe Schmeitzky
Partner, Sustainable Development

Bruno Perrin
Partner

[1] http://www.wbcsdcement.org/
[2] ISAE 3000: "Assurance Engagement other than reviews of historical data", International Federation of Accountants, International Audit and Assurance Board, December 2003.
[3] Three cement plants: Pukrang (Thaïland), Malaga (Spain) and Suez (Egypt); four business units: Unibéton and CCB (France and Belgium, aggregates and concrete), ACC-JCC and ACP-JCP (Thaïland, cement, aggregates and concrete), FyM (Spain, cement, aggregates and concrete) and Suez (Egypt, cement).

[4] 26% of CO2 emissions, 42% on average of SO2, NOx and dust emissions, 37% of raw materials consumption for cement, 56% of raw materials consumption for concrete, 38% of fuel consumption, 50% of quarries and 14% of water withdrawals.

Italcementi
Italcementi Group

6.3 United Nations Global Compact: Communication On progress (COP)

The following table provides an overview of the Group's contribution across the Ten Principles and the Millennium Development Goals.

United Nations Global Compact Principles		Stakeholders involved by the Group	Group sources of corporate governance	Actions launched	Contribution to the UN Millennium Development Goals
Human Rights					
Principle 1	Businesses should support and respect the protection of International human rights within their sphere of influence; and	Employees, contractors, subcontractors, customers and suppliers	Code of Ethics	Sustainability Policy Human Rights Policy Safety Policy and Safety Management Handbook Health Policy Social Initiatives Policy Working group on human rights within the Italian Network of the UN Global Compact	Indirect to Goals 1 to 8
Principle 2	make sure they are not complicit in human rights abuses.	Contractors, subcontractors, customers and suppliers	Code of Ethics	Group Human Rights Policy Group Safety Policy and Safety Management Handbook Group Social Initiatives Policy	Direct to Goals 4 and 8
Labour					
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Employees, contractors, subcontractors, customers and suppliers	Code of Ethics BWI Agreement	Follow-up of the BWI Agreement with local workers and union representatives	Direct to Goals 3 and 8
Principle 4	the elimination of all forms of forced and compulsory labour;	Employees, contractors, subcontractors, customers and suppliers	Code of Ethics BWI Agreement	No existing situation of forced or compulsory labour within the Group activities neither related to contractors activities on site	Direct to Goals 3, 4, and 8
Principle 5	the effective abolition of child labour; and	Employees, contractors, subcontractors, customers and suppliers	Code of Ethics BWI Agreement	Human Rights Policy Safety Best Practice 'Waiting area for customers and suppliers'	Direct to Goals 4 and 8
Principle 6	the elimination of discrimination in respect of employment and occupation.	Employees, contractors, subcontractors, customers and suppliers	Code of Ethics BWI Agreement	Sustainability Policy Human Resources Policies	Direct to Goals 2, 3 and 8
Environment					
Principle 7	Businesses should support a precautionary approach to environmental challenges;	Employees and communities	Code of Ethics	Environment Policy Implementation of environmental management systems Implementation of energy management systems Environmental crimes covered by the Organization, Management and Control Model according to the 2001 Italian Legislative Decree n°231	Direct to Goals 7 and 8 Indirect to Goals 2 and 3
Principle 8	undertake initiatives to promote greater environmental responsibility; and	Employees and communities	Code of Ethics	New Environmental Preservation programme Open door events and stakeholder engagement activities Environmental training activities at Italian cement plants	Direct to Goals 7 and 8 Indirect to Goals 2 and 3
Principle 9	encourage the development and diffusion of environmentally friendly technologies.	Employees and communities	Code of Ethics	Developing and marketing of innovative and environmentally friendly products and applications (TX Active®; ALIPRE®; i.light®; i.clime®;...)	Direct to Goals 7 and 8
Anti-Corruption					
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	Employees, contractors, subcontractors, customers and suppliers	Code of Ethics	Sustainability Policy Adoption of an Organization, Management and Control Model according to the 2001 Italian Legislative Decree n°231 Release of an Antimafia code, and launch of the specific programme, the so-called 'Piano per la Prevenzione dei Rischi Criminali' Group whistle-blowing guidelines Anti-Corruption Compliance Programme Corporate Governance Programme Supplier Committee Customer Committee Real Estate Committee Working group on anti-corruption within the Italian Network of the UN Global Compact	Direct to Goal 8 Indirect to Goals 1 to 7

6.4 Glossary

AFs	Alternative Fuels
ARMs	Alternative Raw materials
AFRs	Alternative Fuels and Raw Materials
BWI	Building and Wood Workers' International
CEMs	Continuous Emissions Monitoring system
CSI	Cement Sustainability Initiative
GRI	Global Reporting Initiative
KPIs	Key Performance Indicators
ILO	International Labour Organisation
ISO 14001	The International Standards Organisation model for management and external certification of environmental performance
KPIs	Key Performance Indicators
LTI	Lost Time Injuries
SDD	Sustainable Development Department
SDSC	Sustainable Development Steering Committee
WBCSD	World Business Council for Sustainable Development

6.5 Chemicals and units

CO_2	Carbon dioxide
SO_2	Sulphur dioxide
NO_x	Nitrogen oxides
CO	carbon monoxide
VOC	volatile organics
PCBs	Polychlorinated Biphenyls
CFCs	Chlorofluorocarbons

ng	nanogram(0.000000001 g)
mg	milligram (0.001 g)
g	gram
kg	kilogram (1,000 g)
t	ton (1,000 kg)
kt	kiloton (1,000 tons)
toe	tons of oil equivalent
ktoe	kilotons (1,000 tons) of oil equivalent
tpd	tons per day
m^3	cubic metre
MJ	mega joule (1 million joules)
MW	mega watt (1 million watts)
kWh	kilowatt-hour (1,000 watt-hours)
GWh	gigawatt-hour (1 billion watt-hours)

April 2014
Project by LSVmultimedia
Olginate - Lecco

i.nova

Performance, not only cement

i.work

Classic products

i.pro

Professional products

i.tech

Ultra-resistant products

i.clime

Thermal products

i.speed

Quick-setting products

i.flow

Fluid products

i.sound

Acoustic products

i.idro

Special products for water

i.design

Aesthetic products

i.active

Photocatalytic products

i.light

Transparent products

i.nova, the new Italcementi Group branding system based on an innovative re-organization of the product offer into 11 performance families targeting specific customer requirements, a completely new approach in the worldwide construction materials sector.

italcementi S.p.A.

Via G. Camozzi, 124
24121 Bergamo - Italy
Tel: +39 035 396111
Fax: +39 035 244905
www.italcementigroup.com