Italcementi
Italcementi Group

i.150
Italcementi
1864 • 2014

2014 Annual Report

Italcementi, in the future for 150 years

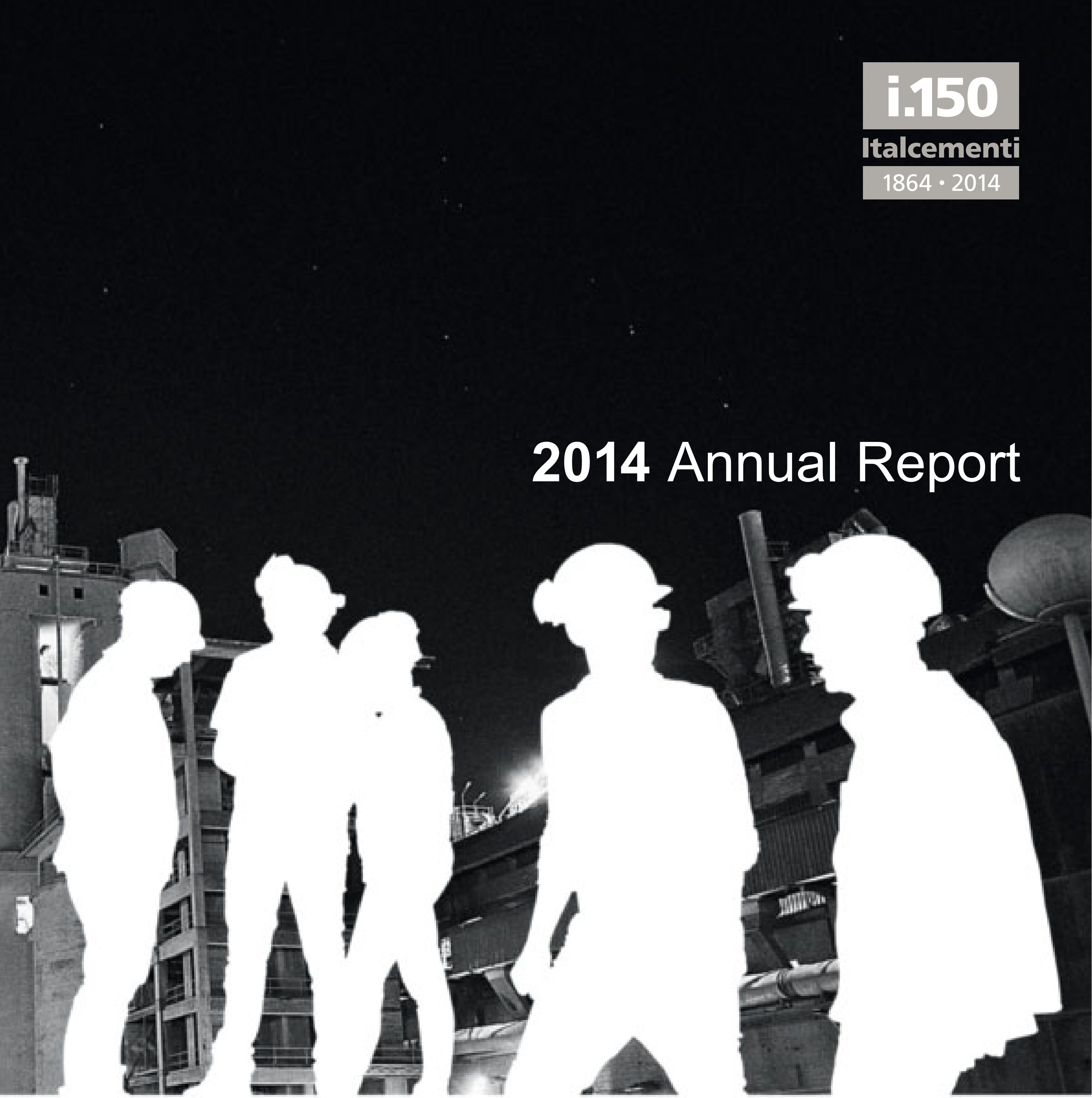
In 2014, Italcementi celebrated its 150th anniversary. The enterprise that today operates with 46 cement plants in 22 countries traces its roots back to the mid-19th century and the town of Scanzo near Bergamo.

During its 150th anniversary year, Italcementi presented i.active BIODYNAMIC, the new cement developed by the Group's research team and used in the construction of Palazzo Italia at Expo 2015. A new success after the i.light transparent cement produced for the Italian pavilion at Expo 2010 in Shanghai, and the confirmation of a story of innovation and links with Expo dating back to 1867, when Italcementi won the silver medal at the World Fair in Paris.

During its 150th year, Italcementi opened the revamped plant in Rezzato (Brescia), now one of the most efficient and low-impact cement plants in Europe. The Rezzato revamping is part of the Group strategy for industrial growth combined with a firm commitment to innovation and environmental performance.

On the international stage, during the year the Group opened the new production line at the Devnya cement plant in Bulgaria, the concentrated solar power plant in Ait Baha, Morocco, and the new distribution center in Bruneseau, France.

The Bergamo 2,035 project for a smart city, which continues the Italcementi tradition of care for the local community as a socially responsible organization, and the presentation of the "Faces and Places" book of photos portraying workers and facilities in the countries where the Group operates, completed the program of celebrations for Italcementi's 150th anniversary.



2014 Annual Report

Italcementi S.p.A.

Via G. Camozzi, 124 - 24121 Bergamo - Italy
Share Capital € 401,715,071.15
Bergamo Companies Register
Company subject to management
and coordination activity by Italmobiliare S.p.A.

The photo in the report are part of "Faces & Places - The Grey Matters", the book published to celebrate the 150th anniversary of Italcementi

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

Translation from the Italian original which remains the definitive version.

SUSTAINABILITY DISCLOSURE

Letter to the stakeholders

A concrete presence bridging history and future for 150 years

One hundred and fifty years borne with ease, because we have always looked to the future.
A milestone built on the solid foundation of a great legacy of technical and industrial knowhow few other players in our business can rival.
2014 was a particularly significant time for the Italcementi Group. Not just because of the anniversary, but also because, after seven years marked by the difficulties of the long world economic crisis, our overall operating results made a return to growth.
This is the outcome of a sustained effort that began when the construction materials was suffering the worst repercussions of the deterioration in the global economy. Once again, taking our cue from the values of Italcementi's more than one hundred years of history, we focused on strengthening our ability to maintain a solid financial position and a forward-looking vision to build the vital confidence to ensure we would be ready when the clouds finally lifted.

2014 confirmed the validity of our projects to contain costs, boost industrial efficiency and re-organize the system underpinning our offer of products and services, with a strong focus on sustainability and innovation. An approach that reflects our company's managerial capabilities and is one of our distinguishing strengths among the top players in the worldwide industry.

Giampiero Pesenti (left) and Carlo Pesenti (right)

Thanks also to the operating start-up of the new Rezzato plant in Italy and the new Devnya facility in Bulgaria, which complete the strategic industrial projects implemented over the last ten years for investments totaling more than 3 billion euro, the Group today has an extensively revamped and efficient industrial network. In addition to productivity, we have also given priority to the sustainability of our industrial development: the emphasis on self-generation of power from renewable sources and a broad range of usable fuels, with particular attention to the various alternative sources, plays a key role. One of the results is the inclusion of Italcementi among the 187 companies around the world that make up “The A List: the CDP Climate Performance Leadership Index 2014”.

Another priority in 2014 besides industrial efficiency was a strong Group focus on innovative materials and services with high added value. With the full roll-out of i.nova, the new product offer system, our innovation rate – the ratio of revenue from high added value products to total turnover – rose from 5.3% to 6.6%, with an 11% increase in the industrial contribution margin compared to the previous year.
And in 2015 in Milan, as in Shanghai in 2010 and in Paris in 1867, Expo will provide Italcementi with a showcase to present a new cement to the world public. Thanks to the work of our i.lab researchers, we have developed a new material for the builders of Palazzo Italia: i.active BIODYNAMIC, a cement combining specific biodynamic properties with Italcementi’s patented photocatalytic principle.

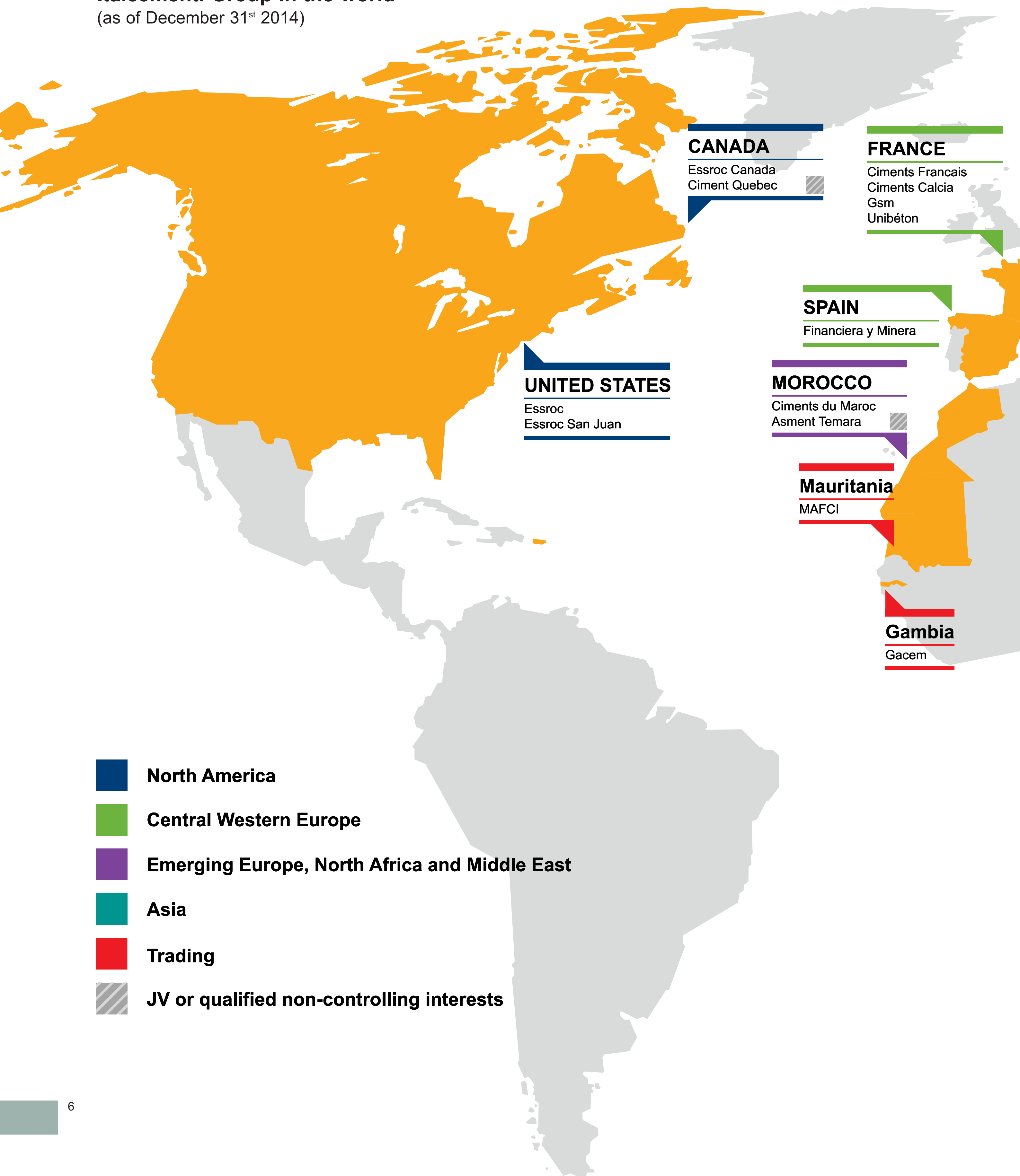
The Group’s commitment, which also takes the form of active support for the World Business Council for Sustainable Development and the United Nations Global Compact, confirms the sustainability of its industrial, development and innovation strategies. The progress we made toward our targets in 2014, illustrated in the Sustainability Disclosure, an integral part of our Annual Report since 2012, testifies to the Group’s solid contribution to the growth of a sustainable, inclusive economy providing benefits for individuals, communities and the markets.

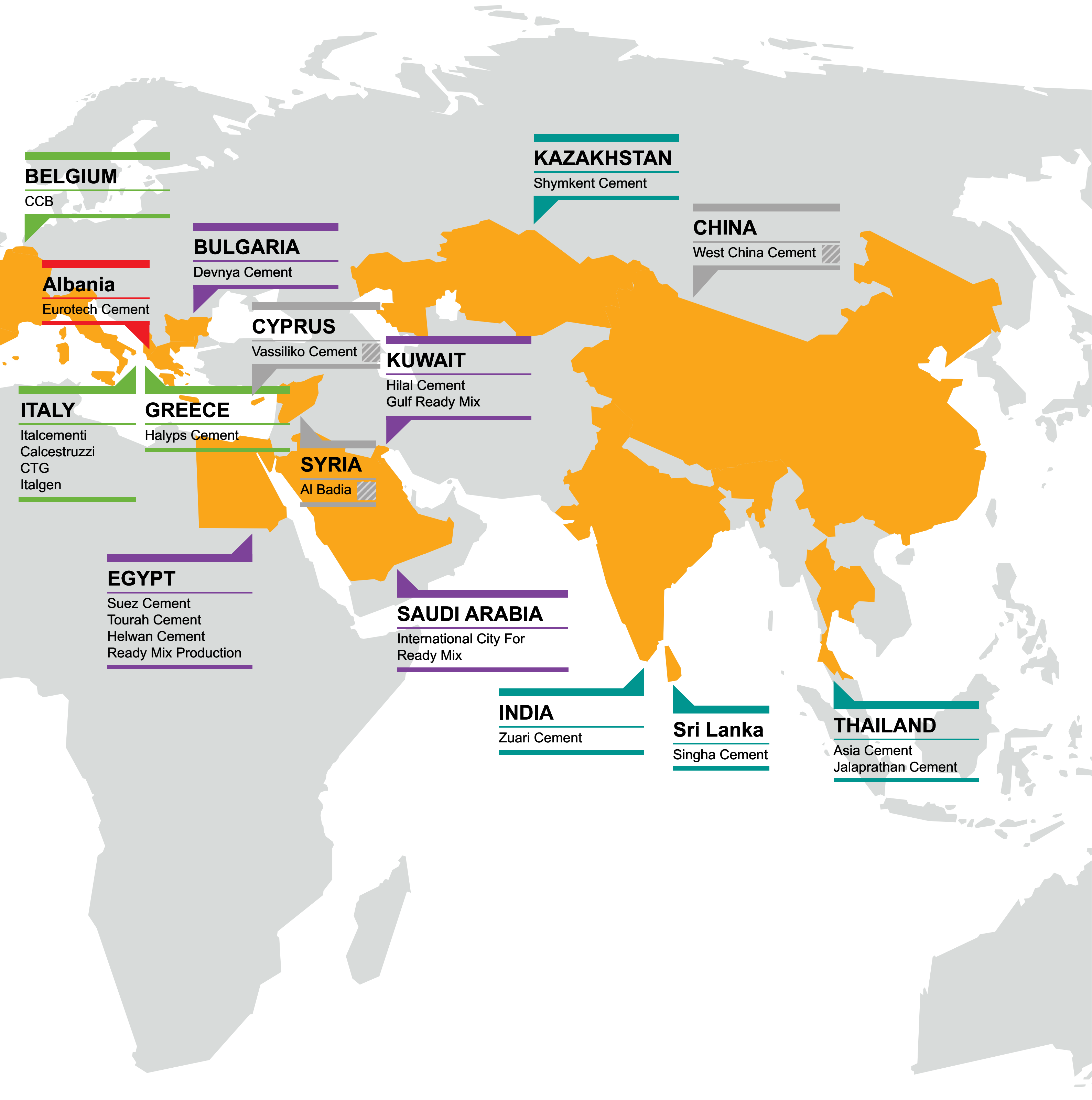
For 150 years, thanks to the collaboration of all our stakeholders, we have been and will continue to be in the future.

Giampiero Pesenti
Chairman

Carlo Pesenti
Chief Executive Officer

Italcementi Group in the world
(as of December 31st 2014)

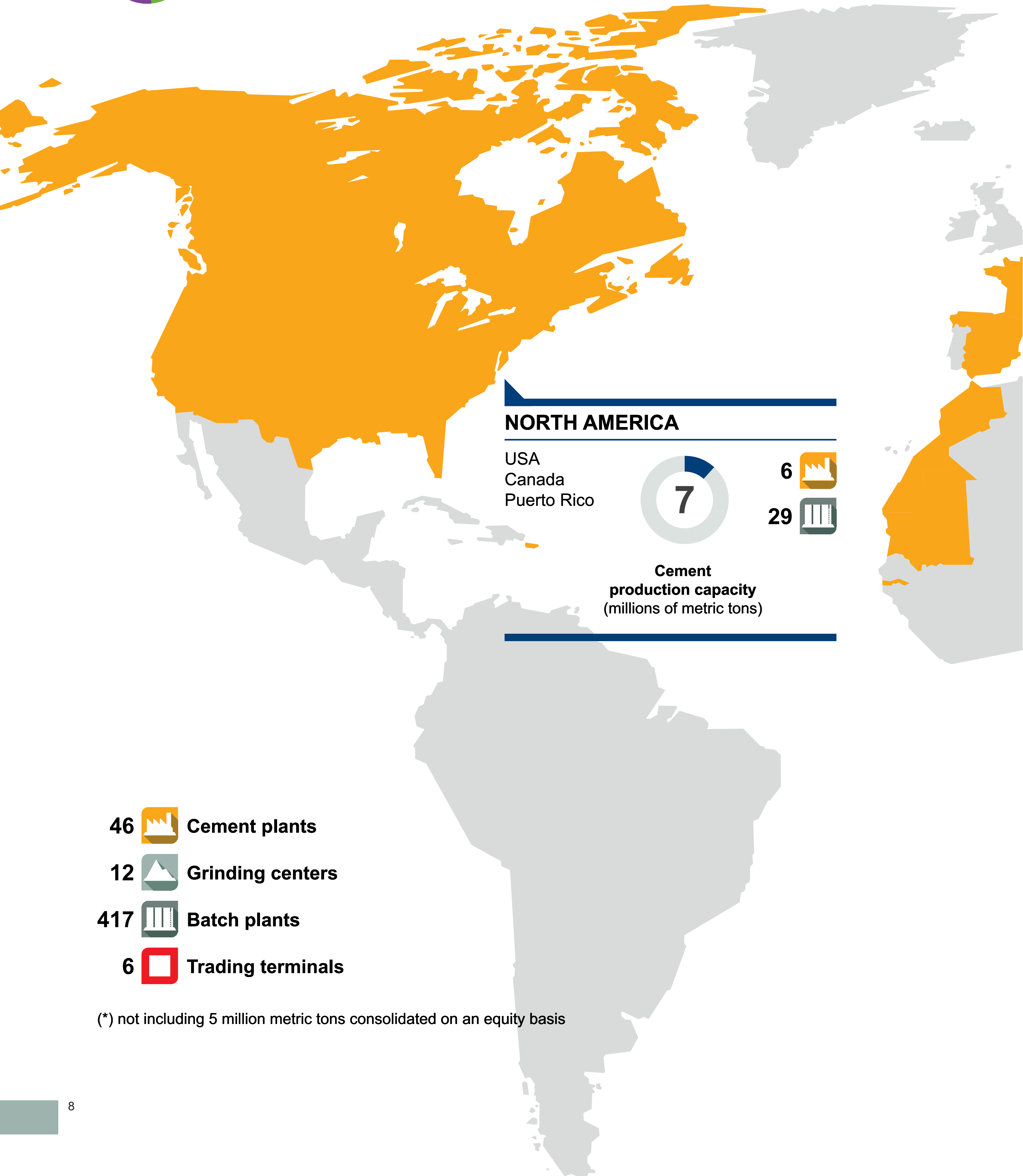



BELGIUM
CCB
Albania
Eurotech Cement
BULGARIA
Devnya Cement
CYPRUS
Vassiliko Cement
ITALY
Italcementi
Calcestruzzi
CTG
Italgen
GREECE
Halyps Cement
SYRIA
Al Badia
EGYPT
Suez Cement
Tourah Cement
Helwan Cement
Ready Mix Production
KAZAKHSTAN
Shymkent Cement
CHINA
West China Cement
KUWAIT
Hilal Cement
Gulf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

Italcementi
Italcementi Group

61

Total cement production capacity of the consolidated companies* in millions of metric tons
(as of December 31st, 2014)



NORTH AMERICA

USA
Canada
Puerto Rico

7

Cement production capacity
(millions of metric tons)

6 (cement plants)
29 (batch plants)

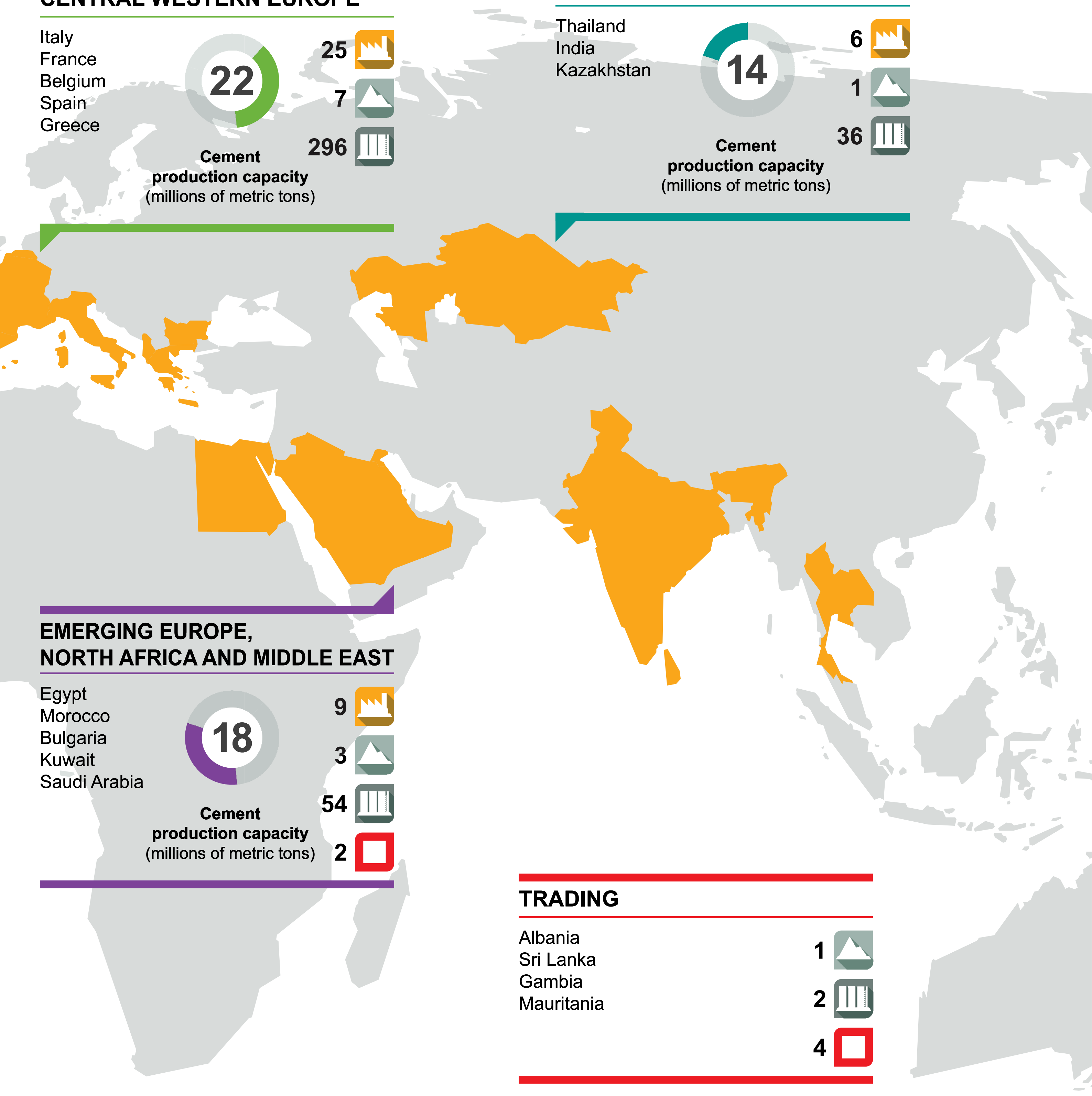
46 Cement plants

12 Grinding centers

417 Batch plants

6 Trading terminals

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



CENTRAL WESTERN EUROPE

Italy
France
Belgium
Spain
Greece

22

Cement production capacity
(millions of metric tons)

25
7
296

ASIA

Thailand
India
Kazakhstan

14

Cement production capacity
(millions of metric tons)

6
1
36

EMERGING EUROPE, NORTH AFRICA AND MIDDLE EAST

Egypt
Morocco
Bulgaria
Kuwait
Saudi Arabia

18

Cement production capacity
(millions of metric tons)

9
3
54
2

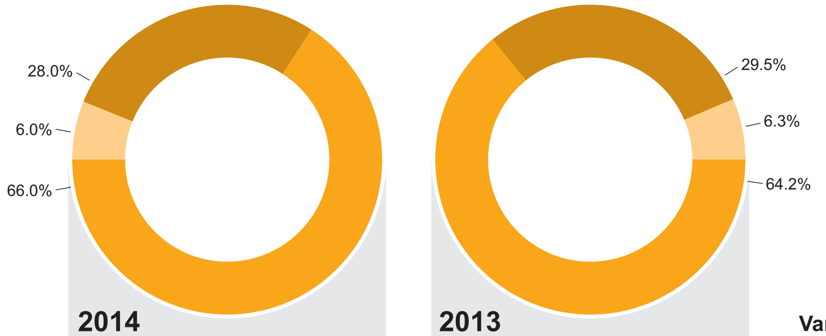
TRADING

Albania
Sri Lanka
Gambia
Mauritania

1
2
4

Highlights

Contribution to consolidated revenue by line of business

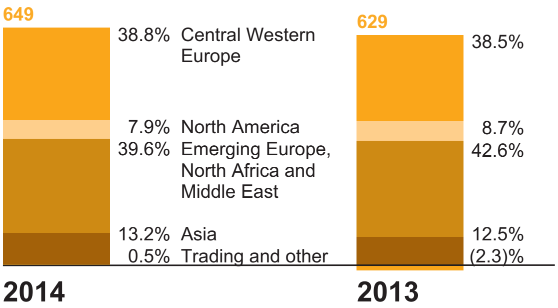


(in millions of euro)	2014		2013		Var. %	Var. %*
Cement	2,743	66.0%	2,717	64.2%	1.0	2.5
RMC/Aggregates	1,163	28.0%	1,249	29.5%	(6.9)	(6.8)
Other	250	6.0%	266	6.3%	(5.9)	(5.7)
Total	**4,156**		**4,232**		**(1.8)**	**(0.7)**

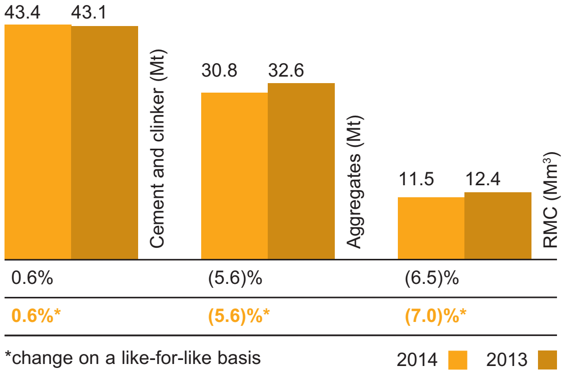
*variation at constant exchange rates anc

Recurring EBITDA

(in millions of euro)



Sales volumes and internal transfers by business



*change on a like-for-like basis

Group business, financial and sustainability highlights

(in millions of euro)	2014	2013	2012	2011	2010
Revenue	4,156	4,232	4,479	4,657	4,660
Recurring EBITDA	649	629	643	701	842
EBITDA	644	616	625	742	839
EBIT	227	159	(140)	139	370
Profit (loss) for the year	(49)	(88)	(362)	91	197
Profit (loss) attributable to owners of the parent	(107)	(165)	(395)	(3)	46
Capital expenditure	523	339	370	398	542
Total equity	3,891	3,783	4,165	4,895	4,986
Equity attributable to owners of the parent	3,083	2,604	2,903	3,495	3,525
Net debt	2,157	1,934	1,998	2,093	2,231
Number of employees at December 31	17,779	18,484	18,886	19,462	20,139

Innovation rate	(% revenue)	6.6	5.3	2.6	4.5	3.9
Carbon emissions	(kg CO_2/t cement products)	692	694	712	708	722
Injury frequency rate	(injuries per million hours worked)	3.7	4.1	6.2	6.2	5.8
Women in managerial position	(%)	10	9	10	12	9

Italcementi S.p.A. on the Stock Exchange

Italcementi shares

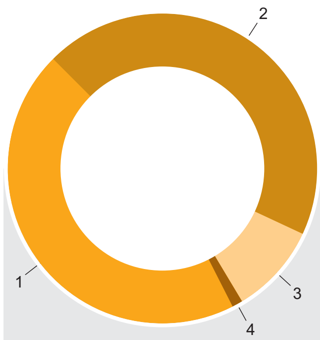
A) Share capital at 12.31.2014

Italcementi S.p.A. has been listed on the Milan Stock Exchange since 1925.
Following the mandatory conversion of savings shares into ordinary shares (06.02.2014) and the share capital increase completed in early July, at July 10, 2014, Italcementi share capital is 401,715,071.15 € represented by no. 349,270,680 shares with no par value.

B) Ordinary shares

Survey of shareholders with over 2% of share capital at 12.31.2014 (based on the shareholders' register, Consob communications and other information).

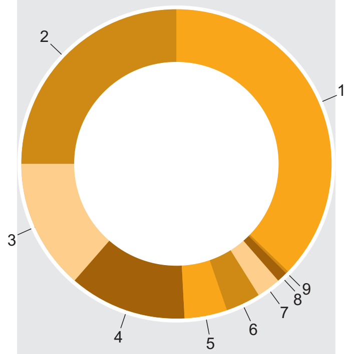
1	Italmobiliare	45,00%
2	Other	44,46%
3	Gruppo FIRST EAGLE FUNDS (First Eagle Invest. Management, LLC) - USA	9,44%
4	Treasury shares	1,11%



C) Ordinary shares

Breakdown of shareholder structure (excluding Italmobiliare) based on information in the shareholders' register for:
- Payment of the 2013 dividend;
- The mandatory conversion of savings shares into ordinary shares;
- Share capital increase (June/July 2014).
Shareholders listed in the register: 22,298.

1	Foreign Funds	37.26%	6	Foreign Companies	3.73%
2	Private Individuals	24.87%	7	Italian Companies	2.36%
3	Foreign Banks	13.60%	8	Italian Funds	1.19%
4	Brokers and Omnibus Accounts	12.20%	9	Trustees	0.32%
5	Italian Banks	4.46%			



Ticker symbol	Italcementi ordinary shares
BLOOMBERG:	IT IM
REUTERS:	ITAI.MI
ISIN:	IT0001465159

Financial Indicators

Italcementi S.p.A. (euro)	2014	2013	2012	2011	2010
Market prices (annual average official prices):					
- Ordinary share	6.133	5.311 (1)	4.368 (1)	5.855000 (1)	7.200 (1)
- Savings share	0.000	2.721	2.042	2.899000	4.007
Per share dividend:					
- Ordinary share	0.090 (2)	0.060	0.060	0.120000	0.120
- Savings share		0.060	0.060	0.186478	0.120
Dividend yield (on annual average official prices):					
- Ordinary share	1.47%	1.13%	1.37%	2.05%	1.67%
- Savings share		2.21%	2.94%	6.43%	2.99%

(1) Price not adjusted
(2) Proposal of Board of Directors of March 4, 2015

Share prices and market capitalization

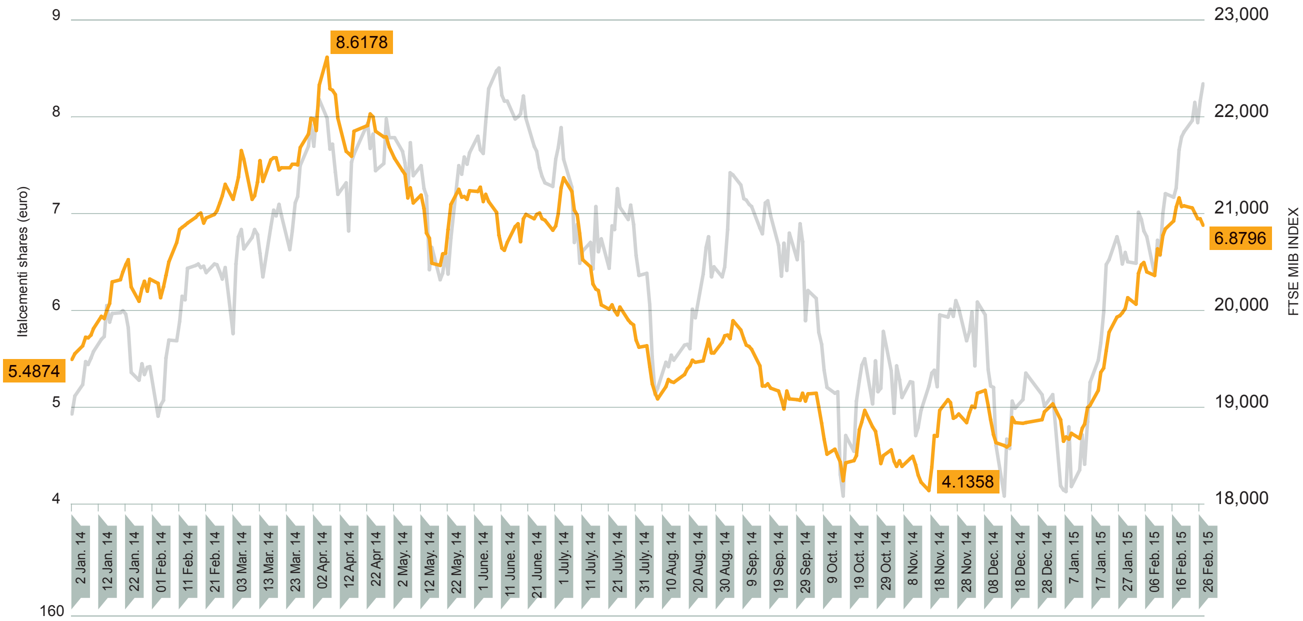
A) Italcementi share prices[(1)] and "FTSE MIB INDEX" (01.04.2010 - 02.27.2015)

B) Italcementi share[(1)] and "FTSE MIB INDEX" performance (base 01.04.2010 = 100)

Italcementi ordinary shares
FTSE MIB INDEX

(1) The official prices prior to 9, July 2014 have been adjusted (K = 0.87503023) following the June-July 2014 Share capital increase

C) Italcementi share prices[1] and "FTSE MIB INDEX" (01.02.2014 - 02.27.2015)



D) Italcementi share[1] and "FTSE MIB INDEX" performance (base 01.02.2014 = 100)

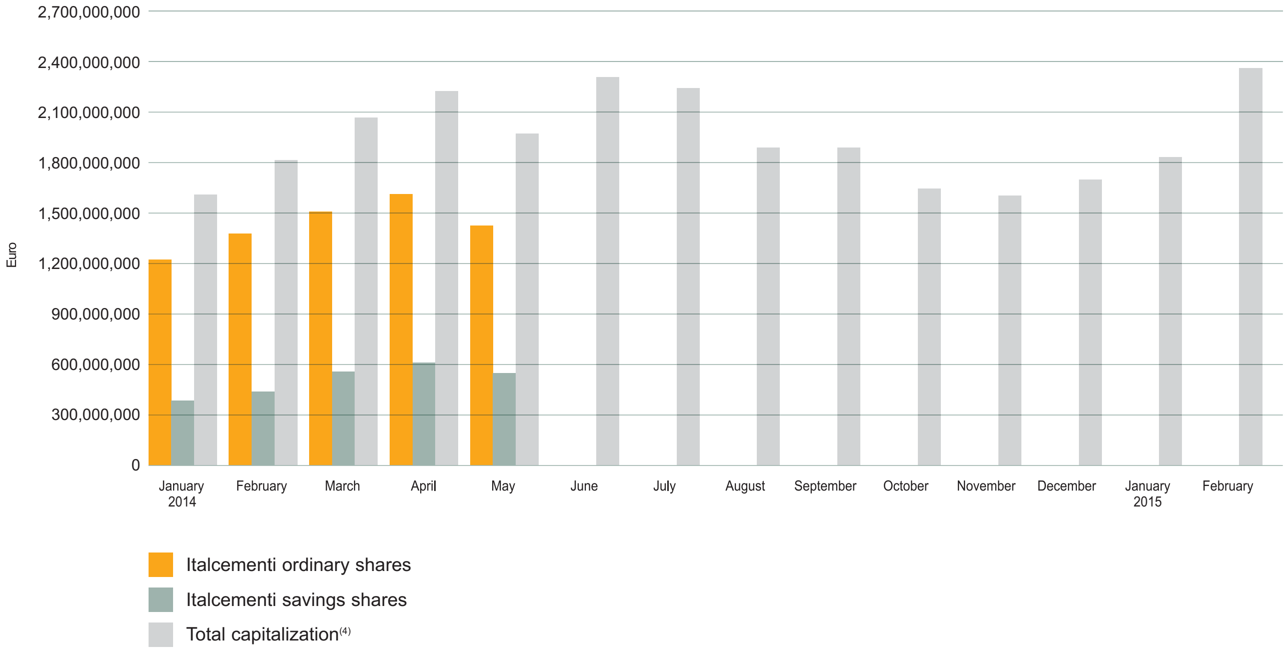
- Italcementi ordinary shares
- FTSE MIB INDEX

(1) The official prices prior to 9, July 2014 have been adjusted (K = 0.87503023) following the June-July 2014 Share capital increase

E) Share prices and market capitalization from 01.02.2014 to 02.27.2015

	Share Price (euro)					**Capitalization** (millions of euro)				
	01.02.14(1)	**06.02.14**(1)(2)	**07.10.14**(3)	**12.30.14**	**02.27.15**	**01.02.14**	**06.02.14**	**07.10.14**	**12.30.14**	**02.27.15**
Ordinary shares	6.271	8.258	6.789	4.952	6.880	1,111	2,029	2,371	1,730	2,403
Savings shares	3.428					361				
Total						**1,472**	**2,029**	**2,371**	**1,730**	**2,403**
"FTSE MIB INDEX"	18,930	21,796	20,489	19,012	22,338					

F) Average monthly capitalization (January 2014 - February 2015)



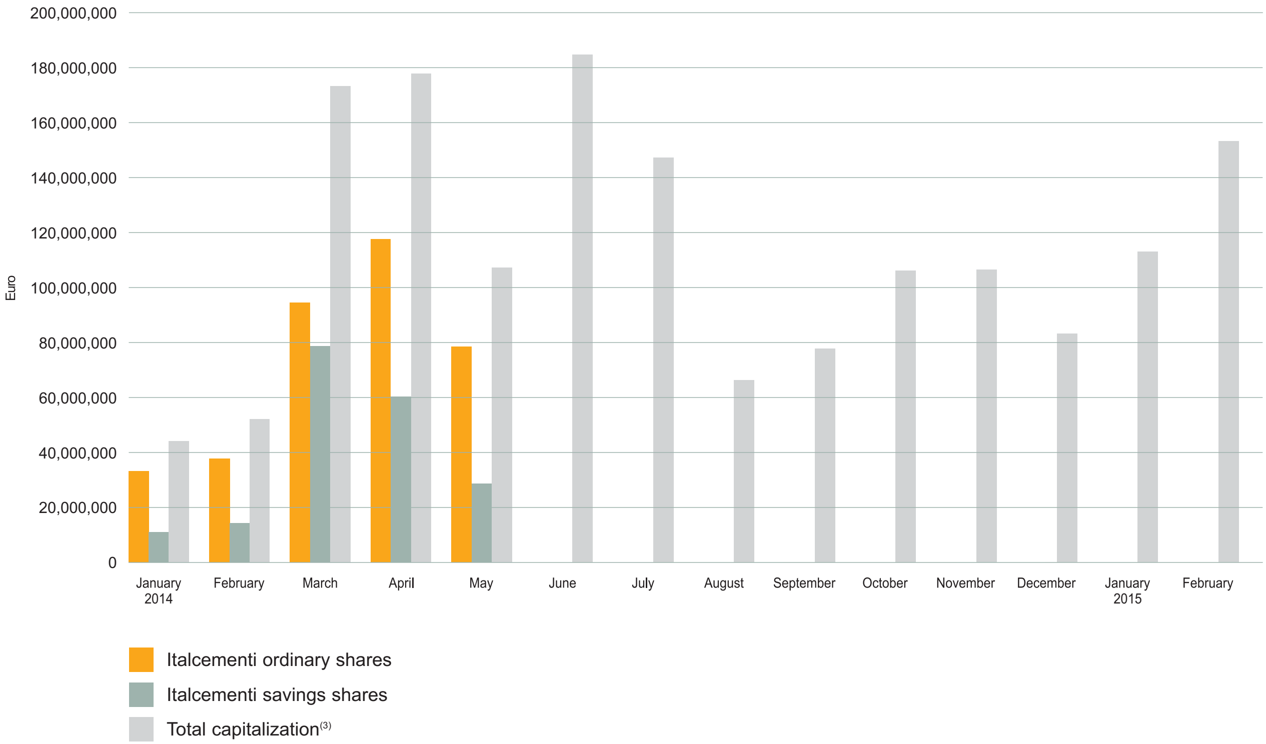
(1) Price not adjusted
(2) Price post mandatory conversion of savings shares into ordinary shares
(3) Price post share capital increase
(4) From June 2014, capitalization represented exclusively by ordinary shares

Trading volumes on the Italian Stock Exchange

A) Number of traded shares and weighted monthly average price (euro)

Month	Ordinary shares			Savings shares			
	Number of traded shares(1)	Weighted monthly average price(2)	Trade value	Number of traded shares	Weighted monthly average price	Trade value	Total trade value(3)
January 2014	4,705,974	7.038	33,122,973	2,987,782	3.697	11,046,437	44,169,410
February	4,832,930	7.808	37,737,914	3,414,993	4.211	14,379,094	52,117,008
March	11,066,894	8.533	94,429,627	14,671,216	5.369	78,774,535	173,204,162
April	12,627,509	9.314	117,607,500	10,249,198	5.879	60,255,244	177,862,744
May	9,868,498	7.958	78,533,635	5,532,303	5.191	28,719,691	107,253,326
June	26,805,341	6.888	184,638,633				184,638,633
July	22,479,020	6.551	147,263,045				147,263,045
August	12,315,701	5.389	66,365,633				66,365,633
September	14,432,319	5.392	77,825,007				77,825,007
October	22,736,693	4.672	106,227,909				106,227,909
November	23,206,898	4.595	106,631,595				106,631,595
December	17,085,466	4.867	83,153,838				83,153,838
January 2015	21,278,481	5.315	113,100,062				113,100,062
February	22,811,136	6.719	153,275,178				153,275,178

B) Monthly trade value (January 2014 - February 2015)



(1) Price not adjusted
(2) Quantity not adjusted
(3) From June 2014, total trade value represented exclusively by ordinary shares

Italcementi
Italcementi Group

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	1-4-5-6-7-8	Deputy Chairman
Carlo Pesenti	1-2-7	Chief Executive Officer-CEO
Giulio Antonello	3-4-7-8	
Giorgio Bonomi		
Fritz Burkard	7-8	
Victoire de Margerie	4-8	
Federico Falck	1-5-6-8	
Italo Lucchini		
Emma Marcegaglia	4-8	
Sebastiano Mazzoleni	7	
Jean Paul Méric	1	
Carlo Secchi	5-6-8	
Elena Zambon	7-8	
Paolo Santinoli	10	Secretary to the Board

Board of Statutory Auditors

(Until approval of financial statements at 12.31.2014)

Standing Auditors

Maria Martellini	9	Chairman
Luciana Gattinoni	9	
Mario Comana	9	

Substitute Auditors

Carlo Luigi Rossi	9	
Luciana Ravicini	9	
Fabio Bombardieri	9	

Chief Operating Officer

Giovanni Ferrario

Manager in charge of financial reporting

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 Member of the Strategic Committee
8 Independent director (pursuant to the Code of Conduct and Legislative Decree no. 58, February 24, 1998)
9 Independent auditor (pursuant to the Code of Conduct)
10 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 offices: Assistant to the Chief Operating Officer, Property Manager, Corporate General Affairs Manager.

1993, appointed Chief Operating Officer and held the office 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 Register of Chartered Accountants; registered on the Italian Register of Auditors.

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

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

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

May 2011, joined the Italcementi S.p.A.'s Board of Directors and was appointed Deputy Chairman in September 2011. April 2012, appointed Chairman of UBI Leasing S.p.A., a office 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 S.c.p.a., and chair of the Financial Reporting 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. Chief Operating Officer of Italmobiliare since May 14, 2001 and in 2014 also became Chief Operating Officer.

Member of the Confindustria Board since 2003, in 2012 appointed Chairman of the Reform Commission. Since May 2014, also Confindustria Vice President for the Study Center.

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

2013, appointed Co-Chairman of the CSI (Cement Sustainability Initiative) in the World Business Council for Sustainable Development.

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, since 2014 director of Eurotech S.p.A.

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.

Attorney-at-law in Bergamo. Certified 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, Chief Operating Officer of Sika Nederlands BV, a post he subsequently held from 2008 to 2012 at Sika Italia S.p.A.

<u>Victoire de Margerie</u>

(*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.

<u>Federico Falck</u>

(*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 internship in 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 Renewables S.p.A., a Falck Group companied listed on the Milan Stock Exchange (STAR segment) and director of Falck S.p.A., director of Banca Popolare di Sondrio, Regional Councilor of Unione Cristiana Imprenditori Dirigenti; member of the management committee of Assolombarda, director of Fondazione Sodalitas (association for development of social enterprise), director of Avvenire Nuova Editoriale Italiana S.p.A.

He was Chairman of Falck S.p.A., Falck Renewables 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, director of Fondazione di Diritto Vaticano Centesimus Annus.

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 Deputy Chairman of Italmobiliare S.p.A. and member of the management board of UBI Banca S.c.p.a.

Also acts as a court-appointed consultant on insolvency procedures in Bergamo, in particular as a liquidator in the composition with creditors for Locatelli Geom. Gabriele S.r.l. and three of its subsidiaries.

Emma Marcegaglia

(*Director since April 17, 2013*).

Born in Mantua, December 24, 1965.

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

1996 “Bocconian of the Year”.

Master in Business Administration, New York University.

Deputy Chairman and CEO of Marcegaglia S.p.A., a leading international steel processing company.

Chair of ENI (since May 2014), Fondazione FEEM (since November 2014), BUSINESSEUROPE (since July 2013) and Luiss Guido Carli University (since July 2010), director of Bracco S.p.A. and Gabetti Property Solutions S.p.A.

Previously, President of Confindustria (May 2008 to May 2012), 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 of Young Entrepreneurs, Confindustria; from 1996 to 2000, President Young Entrepreneurs, Confindustria; from 1997 to 2000 President Young Entrepreneurs for Europe (YES), Vice President of Confindustria for Europe from 2000 to 2002 and Representative for Italy of the High Level Group for energy, competitiveness and the environment created by the European Commission.

Previously, a member of the Management board 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, of which he was appointed Chairman 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.

Degree 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 November 1, 2000 to October 31, 2004.

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 reporting 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 set up 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.

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

Board of Statutory Auditors

Maria Martellini

(*Chair of the Board of Statutory Auditors since April 13, 2006*).

Born in Rome, July 8, 1940.

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.

Chartered accountant and auditor.

Director of a number of listed and unlisted companies.

Luciana Gattinoni

(*Standing auditor since April 17, 2009*).

Born in Bergamo, November 29, 1950.

Degree in Economics & Commerce – Bocconi University, Milan.

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

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

Mario Comana

(*Standing auditor since April 17, 2009*).

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.

Chartered accountant and author of numerous banking publications; works as a consultant to financial intermediaries and as an independent and court-appointed consultant on financial issues and appraisals.

Carlo Luigi Rossi

(*Substitute auditor since April 17, 2009*).

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

Degree in Economics & Commerce – Catholic University of Sacro Cuore, Milan.

June 1975, established the eponymous consultancy firm providing accounting, administrative, corporate and tax 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

(*Substitute auditor since April 18, 2012*).

Born in Milan, January 10, 1959.

Degree in Economics & Commerce - University of Brescia.

Registered on the register of chartered accountants of Brescia.

Registered on the register of auditors.

Tax advisor and auditor.

Her professional offices have given her wide experience as a standing auditor of financial, trust and industrial companies, acquiring detailed knowledge of judicial and tax matters.

Standing auditor of companies listed on the Milan Stock Exchange, chair of the board of statutory auditors, standing auditor and independent auditor of industrial, financial and services companies.

Experience as director of companies listed on the Milan Stock Exchange, where she has also been Chair of the Committee of Independent Directors and Standing Member of the Control & Risks Committee.

Fabio Bombardieri

(*Substitute auditor since April 17, 2009*).

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

Registered on the register of chartered accountants and on the register of auditors.

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

Provides professional services mainly for medium-sized companies.

Director/auditor of companies operating in the credit asset management and publishing sectors and of a number of foundations and non-commercial entities.

Notice of Call

Those who are entitled to vote at the Italcementi S.p.A. General Shareholders' Meeting are hereby called to attend the Annual General Shareholders' Meeting on single call on April 17, 2015 at 10 a.m., in Bergamo, Via Madonna della Neve no. 8, to resolve upon the following

Agenda

Ordinary session

1) Reports of the Board of Directors and the Board of Statutory Auditors on the 2014 fiscal year: examination of financial statements as at and for the year ended December 31, 2014 and consequent resolutions arising;
2) Remuneration Report;
3) Authorization to purchase and dispose of treasury shares;
4) Appointment of Statutory Auditors, the Chair of the Board of Statutory Auditors and determi-nation of their remuneration;
5) Resolutions regarding determination of the remuneration for the members of the Strategic Committee.

Extraordinary session

1) Proposal for the renewal of powers authorizing the Directors, pursuant to arts. 2443 and 2420-ter of the Italian Civil Code, to raise the share capital, in one or more transactions, for an overall maximum nominal amount of 500 million euro and to issue convertible bonds with warrants, in one or more transactions, for an overall maximum nominal amount of 500 mil-lion euro;
2) Proposal to amend article 17 (Call of Board of Directors and Executive Committee) of the By-Laws. Resolutions consequent and related.

* * *

Entitlement to take the floor and to vote at the Meeting

Those who prove to hold voting rights at the end of the seventh open market day before the meeting date on single call (*Wednesday, April 8, 2015 - Record Date*) have the right to take the floor.

Those who prove to hold ordinary shares of the company after that 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 entitlement to exercise voting rights at the Meeting.

Entitlement to take the floor at the Meeting and to exercise voting rights is proved by a notice served by the authorized intermediary to the company, in accordance with its accounting re-cords, in favor of the person/entity who is entitled to the voting right. The notice must reach the company before the end of the third open market day before the meeting date (*i.e., by April 14, 2015*). 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 the notice is received before the Meeting commences.

Shareholders who hold ordinary shares that have not yet been dematerialized must previously deliver them to an intermediary, in time to be centralized in a dematerialization system, and re-quest issue of the above-mentioned notice.

No voting procedures by correspondence or by means of electronic devices are allowed.

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 may be represented by means of written proxy under current law, and may use the form available at the registered offices (***via G. Camozzi 124, 24121 Bergamo***) and on the company website *www.italcementigroup.com*, under the section *Investor Relations/General Meetings*.

The proxy may be notified to the company by means of registered letter sent to the headquarters (*Corporate Affairs Department – Shareholders' Office*, at the above-mentioned address) or sent to the certified e-mail address *soci@italcementi.legalmail.it*.

The proxy-holder may deliver or send to the company a copy of the proxy in place of the original, also in electronic format, 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 and presentation of new proposed resolutions

Shareholders who, alone or jointly, hold at least one fortieth of the share capital represented by shares with voting rights, may request in writing, within 10 days of the publication of this notice of call (*i.e. by March 16, 2015*), for supplements to be added to the Meeting agenda, stating in their application which further issues are being suggested, or they may propose additional resolutions on the items already on the agenda. Requests must be sent by registered letter to the headquarters (*Corporate Affairs Department* – to the above-mentioned address) or to the certified e-mail address *affarisocietari@italcementi.legalmail.it*, accompanied by proper documentation issued by an authorized intermediary providing evidence of the ownership of the above-mentioned equity interest, as well as entitlement to supplement the items on the agenda. A report illustrating the motives for the proposed resolutions on the new items whose discussion is proposed or for the additional proposed resolutions on items already on the agenda must be delivered to the Board of Directors within the same deadline and following the same procedure.

The supplement to the items on the agenda or the presentation of proposed resolutions on items already 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 2, 2015*); at the same time, the report drafted by the shareholders who made the request will be made publicly available, along with any observations of the Board of Directors.

A supplement to the agenda is not accepted for those items upon which, by law, the Meeting deliberates at the proposal of the directors or based upon a project or a report drawn up by the directors.

Right to raise questions on the items on the agenda

Those who hold voting rights may also submit questions on the items on the agenda before the Meeting. In order to facilitate the correct conduct and preparation of the Meeting, the questions must be received by *April 14, 2015* within working hours by means of a registered letter sent to the headquarters (*Corporate Affairs Department* – at the above-mentioned address) or to the certified e-mail address: *affarisocietari@italcementi.legalmail.it* along with proper documentation issued by an authorized intermediary providing evidence of entitlement to vote.

Questions submitted before the Meeting will be answered during the Meeting at the latest. The company may provide a single answer to questions having the same content.

* * *

Appointment of the Board of Statutory Auditors

The Board of Statutory Auditors is appointed on the basis of lists.

Lists may be presented only by shareholders who alone or jointly with other shareholders demonstrate that they hold a share of the voting capital of not less than 1%.

No shareholder may present or participate in the presentation, directly or through a third party or a trust company, of more than one list.

Shareholders belonging to the same group and shareholders who are parties of a sharehold-ers'agreement on the company shares may not present more than one list, either directly or through a third party or a trust company.

Lists presented in violation of these regulations will not be accepted.

Each list consists of two sections: one for the candidates for the office of standing auditor and one for the candidates for the office of substitute auditor.

In each section, the names of not more than three candidates for the office of standing auditor and not more than three candidates for the office of substitute auditor must be listed and num-bered progressively.

Since this is the first application of the law for equality of access to the governance bodies of companies listed on regulated markets, lists that present a number of candidates equal to or higher than three must consist of candidates of both genders, so that one or the other gender is represented by at least one fifth (rounded up) of the candidates for the office of standing au-ditor or at least one fifth (rounded up) of the candidates for the office of substitute auditor.

Each candidate may be presented in one list only, or risk ineligibility.

Lists must be filed with the headquarters (*Corporate Affairs Department* – at the above address) or sent to the certified e-mail address *affarisocietari@italcementi.legalmail.it* at least twenty-five days before the day set for the Meeting on single call (*i.e., by* *March 23, 2015*), together with the following documentation:

a) statement with which the individual candidates accept the candidacy and state, under their own responsibility, that no causes of ineligibility or incompatibility exist, and the existence of the additional requirements set by law, by the by-laws and by the code of conduct;
b) a brief curriculum vitae setting out the personal and professional characteristics of each candidate, indicating administration and control positions held with other companies;

c) information relating to the identity of the shareholders who presented the lists; certification or attestation of entitlement to the equity interest prescribed by current law at the time of presentation of the list may also be produced after the list has been filed, provided that it reaches the company within the deadline envisaged by current law and regulations regard-ing the publication of lists by the company;

d) the statement by the shareholders, other than those who alone or jointly, hold a controlling interest or relative majority, attesting the absence of relationships of association as defined by current regulations.

The documentation proving entitlement to participation at the date on which the lists are filed may be produced at a subsequent time provided that this is within twenty-one days prior to the Meeting date (*i.e., within* *March 27, 2015*).

Presented lists that do not comply with the above regulations shall be considered to be not presented.

In the event that, within the term of twenty-five days preceding the Meeting date (*i.e., by* *March 23, 2015*), only one list has been presented, or only lists have been presented by shareholders who are related to one another pursuant to current laws, additional lists may be presented until the third day after this term, and the above-mentioned threshold of 1% shall be reduced by half.

* * *

Disclosure information

Documentation related to the items on the agenda, the full texts of the proposed resolutions as well as the 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, on the company website *www.italcementigroup.com*, in the section Investor Relations/General Meetings and on the 1INFO authorized storage mechanism.

Specifically:

Ordinary session:

- 1st item on the agenda: 21 free days prior to the Meeting;
- 2nd and 3rd items on the agenda: 21 days prior to the Meeting;
- 4th item on the agenda: 40 days prior to the Meeting;
- 5th item on the agenda: 30 days prior to the Meeting.

Extraordinary session:

- 1st and 2nd items on the agenda: 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 share capital amounts to 401,715,071.15 euro, subdivided into 349,270,680 ordinary shares with no par value.

At the date of publication of this notice of call, the number of ordinary shares representing share capital with voting rights, therefore net of the 3,861,604 ordinary treasury shares held by the company, is 345,409,076.

For the Board of Directors
The Chairman
Giampiero Pesenti

(Notice published on the company website on Mach 6, 2015 and the abstract the following day on "Il Sole 24 Ore", "Corriere della Sera", "Milano Finanza" and "l'Eco di Bergamo")

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 2014, and the corresponding figures for 2013, 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, 2014, but not endorsed by the European Union at that date. With regard to the standards and interpretations endorsed by the European Union with a final application date after the reporting date, Italcementi S.p.A. has decided not to elect early application.

The **changes in standards and interpretations** with respect to the financial statements at December 31, 2013, are set out in detail in the notes. The main change relates to IFRS 11 “Joint arrangements”, which defines the various types of joint arrangement (joint operations and joint ventures) and the appropriate accounting treatment. Until December 31, 2013, the Group consolidated joint ventures using the proportionate method, whereas the new IAS 28 (“Investments in associates and joint ventures”) and IFRS 11 require joint ventures to be consolidated using the equity method.

Although application of the new standards as from January 1, 2014, has had a limited impact, in order to ensure a presentation consistent with the previous year, assets and liabilities at December 31, 2013, and income and expense for 2013 have been re-stated.

There were no material changes in the **scope of consolidation** with respect to 2013. The main change was the acquisition of the residual 50% of the capital of International City for Ready Mix in Saudi Arabia, in which Italcementi S.p.A. already held 50%, by Suez Cement Company SAE in the first quarter. The Saudi company has been fully consolidated; in 2013, it was consolidated using the proportionate method.

In the third quarter of 2014, the **plan to streamline the corporate structure and strengthen the Group** was completed. This involved the mandatory conversion of Italcementi savings shares into ordinary shares, an increase in Italcementi’s share capital and a voluntary public tender by Italcementi on Ciments Français shares.

Since January 1, 2014, operations in Sri Lanka have been reclassified from Trading to India in the **operating segment disclosure** and related comparatives.

Earnings indicators

To assist understanding of its financial data, for a number of years the Group has consistently employed 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 and 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.

The international economy and industry trends

For the third consecutive year, international economic growth was slower than expected. The further deceleration of some of the main emerging economies and the still hesitant recovery in Europe were the main factors moderating global trends. Among the emerging countries, the slowdown in China intensified and growth came to a virtual standstill in Russia and Brazil. In the Eurozone, the upturn in GDP after two years of recession was weak and its timing and distribution among the member states was uneven.

In this context, the main, if not the only, international economic growth driver was the USA, which also reported positive signs of an acceleration in economic activity as the year progressed.

Oil prices more or less halved in the second half of 2014 due to weak global demand and the simultaneous increase in supply, the latter largely caused by higher US production. Significant reductions also emerged in the prices of non-energy commodities, notably industrial commodities, confirming the flatter than expected trend in production rates.

The Eurozone's disappointing results in 2014 reflect income growth below 1%, stagnating industrial production, continuing unemployment rates close to record highs, a flatline consumer price trend. Sovereign bond yields in the Eurozone contracted on all maturities, reaching all-time lows in the case of German long-term instruments; spreads also narrowed, to the benefit of sovereign issuers such as Italy and Spain, affected in the past by high differentials on lowest-risk bonds. Toward the end of the year, however, the weakness of the stock markets, a new rise in spreads and volatility, and a strong drop in the euro exchange rate accompanied a deterioration in the Eurozone's growth outlook and a worsening in the Greek crisis.

In the Group's emerging countries, the differences in economic conditions intensified. Nevertheless, although trends were generally less favorable than in the recent past, signs of stabilization and recovery emerged in Egypt and India, which should herald a further cyclical consolidation; meanwhile, the short-term situation was more difficult in Morocco and worsened in Kazakhstan.

In the construction sector, trends continued to vary, both among and within the areas in which the Group operates. Once again, the Eurozone was the area with the weakest performance. General economic difficulties, modest income levels, high unemployment, low credit availability, significant public budget deficits, to mention just some of the most incisive factors in the construction sector, continued to present powerful obstacles to an upturn in business activity.

While the industry situation remained depressed, nonetheless the first signs were seen of an easing in tension. Although these were selective, relating only to some countries and construction segments, they could be indicative of an imminent improvement.

Conversely, business in the construction industry continued to progress at a sustained rate in the USA, where the only obstacle to even more significant results was the exceptionally bad weather in the first quarter of 2014. Even so, performance remained less lively in the States where most of the Group's operations are located.

In the Group's emerging countries, the performance of the construction industry was generally positive with the exception of India and Morocco, whose slowdowns can nevertheless be considered temporary.

Results and significant events in the year

Results

In the context described above, Group **sales volumes** showed some progress in the cement segment and sharper declines in ready mixed concrete and aggregates compared with 2013.

Revenue, at 4,155.6 million euro (4,231.6 million euro in 2013), decreased by 1.8% (-0.7% at constant exchange rates and on a like-for-like basis) due to a negative overall sales volume effect.

Recurring EBITDA, at 649.1 million euro (629.2 million euro), was up 3.2%.

After net non-recurring expense of 5.0 million euro (13.0 million euro in 2013), amortization and depreciation of 408.3 million euro (425.3 million euro) and impairment losses on non-current assets of 9.2 million euro (31.6 million euro), **EBIT** was positive at 226.7 million euro (159.4 million euro), an improvement of 42.3%.

This trend was reflected in a **profit before tax** of 72.4 million euro (27.7 million euro).

After **income tax expense** of 121.3 million euro (115.9 million euro), the Group posted a **loss for the year** of 48.9 million euro (loss of 88.2 million euro). **The loss attributable to owners of the parent** was 107.1 million euro (loss of 165.0 million euro), while profit attributable to non-controlling interests decreased from 76.8 million euro in 2013 to 58.2 million euro.

Net debt at December 31, 2014, amounted to 2,156.7 million euro, an increase of 222.7 million euro from December 31, 2013 (1,934.0 million euro).

Total equity was 3,891.0 million euro, up by 108.0 million euro from December 31, 2013, while **equity attributable to owners of the parent** was 3,082.8 million euro, up by 479.0 million euro from the end of 2013 (2,603.8 million euro).

Significant events in the year

As illustrated previously in the interim reports, in March the Italcementi S.p.A.'s Board of Directors approved a **plan to streamline the corporate structure and strengthen the Group's equity.** The plan, consisting of the mandatory conversion of Italcementi savings shares into ordinary shares, an increase in Italcementi's share capital and a voluntary public tender offer on Ciments Français shares, was completed in July. A summary of the operations involved is provided below; for full details, reference should be made to the press releases issued over the year.

On June 2, **mandatory conversion** took place of **all** 105,431,378 **Italcementi savings shares** into 68,530,395 **Italcementi ordinary shares,** with the same characteristics as ordinary shares outstanding at the date on which conversion became effective (0.65 ordinary shares for each savings share). As from June 2, 2014, only Italcementi ordinary shares trade on the Borsa Italiana S.p.A. electronic stock exchange (*Mercato Telematico Azionario*); at that date, Italcementi share capital stood at 282,548,942 euro, consisting of 245,647,959 ordinary shares with no par value.

On July 3, at the close of the voluntary **public tender offer** for all the **shares of the subsidiary Ciments Français S.A**. (CF) at a price of 79.5 euro per share "ex dividend", Italcementi held 97.73% of CF capital (83.83% at the start of the operation) and 98.65% of CF voting rights (91.03% at the start of the operation). Since the share still held by CF minorities had decreased to below 5% of capital and voting rights, Italcementi applied the squeeze-out procedure (*retrait obligatoire*). Under this procedure, on July 15, 2014, CF shares were delisted from the Paris Stock Exchange (NYSE-Euronext Paris); the CF shares subject to the squeeze-out were assigned to Italcementi S.p.A., which opened a time deposit at the disposal of the entitled parties. A Ciments Français S.A. extraordinary shareholders' meeting held on November 4, 2014, carried a resolution to transform the company into a "société par actions simplifiée" (S.A.S.).

To fund the public tender offer on Ciments Français S.A. shares, on June 5, 2014, the **Italcementi S.p.A**.'s Board of Directors approved **a share capital increase for 499,979,628.82 euro**, including the share premium, with the offer to all shareholders of 3 new shares for every 7 shares held, at a per-share price of 4.825 euro. The increase closed on July 7 with the full subscription and payment of the 103,622,721 shares on offer, for an overall amount of 499,979,628.82 euro, of which 119,166,129.15 euro attributable to the nominal amount. Since July 7, the share capital of Italcementi S.p.A. has therefore been equal to 401,715,071.15 euro, represented by 349,270,680 ordinary shares with no par value.

In June, Italcementi Finance S.A., the Group treasury company, arranged a **450 million euro 5-year syndicated revolving credit facility** with a pool of 14 international banks. The new facility replaced the existing 920 million euro syndicated facility due to mature in September 2015, which was cancelled.

At the end of July, after a review that began in March, the **Moody's** rating agency **confirmed the Italcementi Ba3 corporate family rating** with the **outlook passing from stable to positive,** also in light of the positive outcome of the project to streamline and strengthen the Group described above. An identical rating was confirmed for the EMTN program and for the subsidiary Italcementi Finance. After the acquisition of full control of Ciments Français and its subsequent delisting, Moody's announced the withdrawal of the rating for the company, while retaining the Ba2 rating on Ciments Français bonds maturing in 2017.

In October, the start-up of the new kiln marked the entry into operation of the new cement production plant of **Devnya Cement,** the Group's Bulgarian subsidiary. In early November, Italian Prime Minister Matteo Renzi switched on the new kiln at the **Italcementi cement plant in Rezzato,** which had undergone an extensive revamp in the two previous years to become one of the top-performing plants in Europe from the production and environmental viewpoints.

In early December, Shymkentcement signed an agreement with the European Bank for Reconstruction and Development (EBRD) for a loan of approximately 20 million euro to finance the **revamping of the Shymkent cement plant** in southern Kazakhstan. In addition to providing finance, the EBRD will invest approximately 4 million euro in Shymkentcement for an equity stake of approximately 21%. The initiative, organized under EBRD policy to support energy efficiency measures in Kazakhstan, is part of the funding for work to equip the plant with a new dry process line to replace the four current wet lines; the result will be greater plant efficiency and a significant reduction in atmospheric emissions. Construction work is underway; the new plant will have a production capacity of approximately 1.2 million metric tons of cement/year and should begin operations in the first half of 2016.

Financial performance in 2014

Key consolidated figures

(in millions of euro)	2014	2013	% change vs. 2013
Revenue	**4,155.6**	**4,231.6**	**(1.8)**
Recurring EBITDA	**649.1**	**629.2**	**3.2**
% of revenue	*15.6*	*14.9*	
Non-recurring income (expense)	(5.0)	(13.0)	
EBITDA	**644.2**	**616.2**	**4.5**
% of revenue	*15.5*	*14.6*	
Amortization and depreciation	(408.3)	(425.3)	(4.0)
Impairment	(9.2)	(31.6)	
EBIT	**226.7**	**159.4**	**42.3**
% of revenue	*5.5*	*3.8*	
Net finance costs	(139.2)	(123.0)	13.1
Impairment on financial assets	(26.8)	(16.0)	
Share of profit (loss) of equity-accounted investees	11.7	7.4	57.1
Profit before tax	**72.4**	**27.7**	**>100.0**
% of revenue	*1.7*	*0.7*	
Income tax expense	(121.3)	(115.9)	(4.6)
Loss for the year	**(48.9)**	**(88.2)**	**44.5**
% of revenue	*(1.2)*	*(2.1)*	
attributable to:			
Owners of the parent	**(107.1)**	**(165.0)**	**35.1**
Non-controlling interests	58.2	76.8	(24.3)
Cash flows from operating activities	**390.8**	**436.4**	
Capital expenditure	**522.8**	**339.5**	
Employees at end of year (persons)	**17,779**	**18,484**	**(3.8)**

Quarterly results

(in millions of euro)	Full year 2014	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Revenue	**4,155.6**	**1,039.9**	**1,067.3**	**1,115.6**	**932.9**
% change vs. 2013	(1.8)	2.3	0.7	(6.3)	(3.3)
Recurring EBITDA	**649.1**	**179.9**	**164.4**	**209.3**	**95.5**
% change vs. 2013	3.2	14.6	(5.5)	(0.2)	8.0
% of revenue	*15.6*	*17.3*	*15.4*	*18.8*	*10.2*
EBITDA	**644.2**	**175.0**	**166.3**	**206.4**	**96.5**
% change vs. 2013	4.5	11.5	0.1	0.9	8.9
% of revenue	*15.5*	*16.8*	*15.6*	*18.5*	*10.3*
EBIT	**226.7**	**65.8**	**61.1**	**103.9**	**(4.2)**
% change vs. 2013	42.3	29.8	>100.0	10.0	74.6
% of revenue	*5.5*	*6.3*	*5.7*	*9.3*	*(0.4)*
Profit (loss) for the period	**(48.9)**	**14.8**	**15.8**	**(24.4)**	**(55.2)**
% of revenue	*(1.2)*	*1.4*	*1.5*	*(2.2)*	*(5.9)*
Profit (loss) attributable to owners of the parent	**(107.1)**	**5.5**	**0.7**	**(45.0)**	**(68.3)**
Net debt (at period end)	2,156.7	2,156.7	2,173.5	1,851.7	2,076.5

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 2014	% change vs. Q4 2013		Q4 2014	% change vs. Q4 2013		Q4 2014	% change vs. Q4 2013	
		Historic	Like-for-like basis		Historic	Like-for-like basis		Historic	Like-for-like basis
Central Western Europe	3.5	(0.2)	(0.2)	6.8	(4.3)	(4.3)	1.8	(8.7)	(8.7)
North America	1.2	20.6	20.6	0.4	35.7	35.7	0.2	12.3	12.3
Emerging Europe, North Africa and Middle East	3.3	(1.8)	(1.8)	0.3	(18.5)	(18.5)	0.6	4.8	2.0
Asia	2.7	6.0	6.0	n.s.	n.s.	n.s.	0.3	(3.0)	(3.0)
Cement and clinker trading	1.0	78.1	78.1	-	-	-	n.s.	n.s.	n.s.
Eliminations	(1.0)	n.s.	n.s.	-	-	-	-	-	-
Total	**10.8**	**2.7**	**2.7**	**7.5**	**(3.5)**	**(3.5)**	**2.9**	**(4.2)**	**(4.7)**

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 fully consolidated and proportionately consolidated companies

(*) excluding decreases for processing

n.s. not significant

In **cement and clinker**, fourth-quarter sales volumes were up on the year-earlier period, thanks above all to Trading, North America and Thailand. In Central Western Europe, volumes were substantially stable thanks to the progress in Spain and, to a lesser extent, Italy, which almost fully offset the fall in France-Belgium. Emerging Europe, North Africa and Middle East was penalized by the decline in Egypt and Morocco, offset in part by positive performance in Bulgaria and Kuwait.

In **aggregates**, the reduction stemmed chiefly from France-Belgium, Spain and Morocco, offset only in part by growth in Italy, North America and Greece.

In **ready mixed concrete**, the decrease in sales volumes was largely due to the negative performance of Central Western Europe, mitigated in part by the growth, relating however to smaller markets, in North America, Egypt and Kuwait.

Fourth-quarter results

In the fourth quarter, **revenue** was 1,039.9 million euro, up 2.3% from the year-earlier period (-0.6% at constant exchange rates and on a like-for-like basis). Even at constant exchange rates (the positive consolidation effect was marginal), all the macro business areas reported healthy progress (with strong rates for North America and Trading) with the exception of Central Western Europe, penalized above all by performance in France-Belgium.

Recurring EBITDA, at 179.9 million euro, improved by 14.6% from the fourth quarter of 2013. Performance benefited from the significant containment of overheads and, on results expressed in euro, from a significant appreciation of the main currencies. It was adversely affected by a negative volume effect and a sales prices dynamic (influenced by the particular situation in Egypt) that was positive overall but only in part counterbalanced the increase in variable costs. Looking at the individual countries, the most significant growth in recurring EBITDA from the fourth quarter of 2013 was in North America, Italy and Spain, while the largest decrease was in France-Belgium.

EBITDA was 175.0 million euro (156.9 million euro in the fourth quarter of 2013), after net non-recurring expense of 4.9 million euro, an immaterial item in the fourth quarter of 2013.

EBIT was 65.8 million euro (50.7 million euro in the fourth quarter of 2013) after amortization and depreciation of 109.0 million euro (108.2 million euro in the year-earlier period) and impairment losses of 0.2 million euro (net reversal of impairment losses of 2.1 million euro in the fourth quarter of 2013).

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)		
	2014	% change vs. 2013		2014	% change vs. 2013		2014	% change vs. 2013	
		Historic	Like-for-like basis		Historic	Like-for-like basis		Historic	Like-for-like basis
Central Western Europe	14.4	(0.7)	(0.7)	28.0	(4.0)	(4.0)	7.2	(10.2)	(10.2)
North America	4.5	5.8	5.8	1.3	(5.3)	(5.3)	0.8	4.1	4.1
Emerging Europe, North Africa and Middle East	13.4	1.8	1.8	1.4	(28.8)	(28.8)	2.5	(0.2)	(3.0)
Asia	11.0	2.9	2.9	n.s.	n.s.	n.s.	1.0	0.6	0.6
Cement and clinker trading	3.8	27.6	27.6	-	-	-	n.s.	n.s.	n.s.
Eliminations	(3.7)	n.s.	n.s.	-	-	-	-	-	-
Total	**43.4**	**0.6**	**0.6**	**30.8**	**(5.6)**	**(5.6)**	**11.5**	**(6.5)**	**(7.0)**

Amounts refer to fully consolidated and proportionately consolidated companies

(*) excluding decreases for processing

n.s. not significant

Sales volumes in **cement and clinker** were slightly up on 2013. Central Western Europe reported only a small decrease, despite the downturn in France-Belgium, thanks to the improvement in Spain and Greece. All the other macro areas reported progress, with the largest contributions from Egypt, North America, Thailand and Trading.

The reduction in **aggregates** was the result of a general decline, with the exceptions of Italy and Greece.

In **ready mixed concrete**, the fall in sales volumes was largely caused by the contraction in Central Western Europe, where the Group has a larger presence, and in Morocco. The reduction was offset in part by the healthy performance of other countries (Egypt, Kuwait, Thailand and North America).

Revenue and operating performance

Contribution to consolidated revenue

(in millions of euro)	2014		2013		Change 2014/13	
		%		%	%	% (*)
Line of business						
Cement and clinker	2,742.9	66.0	2,716.8	64.2	1.0	2.5
Ready mixed concrete and aggregates	1,162.5	28.0	1,248.9	29.5	(6.9)	(6.8)
Others	250.3	6.0	265.9	6.3	(5.9)	(5.7)
Total	**4,155.6**	**100.0**	**4,231.6**	**100.0**	**(1.8)**	**(0.7)**
Geographical area						
Central Western Europe	1,975.2	47.5	2,156.3	51.0	(8.4)	(8.4)
North America	454.2	10.9	428.3	10.1	6.0	6.1
Emerging Europe, North Africa and Middle East	985.9	23.7	912.5	21.6	8.0	9.6
Asia	529.2	12.7	544.3	12.9	(2.8)	2.9
Cement and clinker trading	131.4	3.2	114.7	2.7	14.6	14.4
Others	79.7	1.9	75.5	1.8	5.6	4.9
Total	**4,155.6**	**100.0**	**4,231.6**	**100.0**	**(1.8)**	**(0.7)**

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

Revenue and operating performance by geographical area

(in millions of euro)	Revenue		Recurring EBITDA		EBITDA		EBIT	
	2014	% change vs. 2013	2014	% change vs. 2013	2014	% change vs. 2013	2014	% change vs. 2013
Central Western Europe	2,079.8	(7.0)	251.6	3.9	253.1	11.6	67.2	>100.0
North America	454.5	6.0	51.0	(7.2)	51.4	(15.9)	(16.1)	(>100.0)
Emerging Europe, North Africa and Middle East	1,021.5	8.2	257.2	(4.1)	255.0	(5.1)	147.0	(8.6)
Asia	538.3	(1.3)	85.4	8.5	84.6	5.9	41.4	38.9
Cement and clinker trading	202.3	19.7	10.4	28.0	10.1	23.5	3.8	(24.4)
Others	327.7	6.2	(6.8)	70.5	(6.6)	76.2	(13.2)	62.0
Eliminations	(468.5)	n.s.	0.2	n.s.	(3.5)	n.s.	(3.3)	n.s.
Total	**4,155.6**	**(1.8)**	**649.1**	**3.2**	**644.2**	**4.5**	**226.7**	**42.3**

n.s. not significant

Revenue, at 4,155.6 million euro (4,231.6 million euro in 2013), was down 1.8% from 2013, as a result of the business slowdown (-0.7%) and a negative exchange-rate effect (-1.2%), together with a marginal consolidation effect (+0.1%).

Revenue was affected by the fall in sales volumes, whose impact was nevertheless outweighed by an overall positive dynamic in sales prices, thanks largely to Egypt.

At constant exchange rates and on a like-for-like basis, progress was reported in Egypt, Thailand, North America and India, while the largest declines were in Central Western Europe (especially Italy and France-Belgium) and Morocco.

The negative exchange-rate effect arose largely from the depreciation of the Egyptian pound, Thai baht and Indian rupee against the euro.

Recurring EBITDA, at 649.1 million euro, rose by 3.2% from 2013, benefitting from a positive price effect (Egypt), significant containment of overheads and income on carbon emissions rights. Performance was slowed by the negative volume effect, the increase in fuel costs in Egypt, and the negative exchange-rate effect.

At constant exchange rates, the most significant progress in recurring EBITDA was in Italy, Thailand and Spain; there were decreases in France-Belgium, India and Morocco.

The balance on **non-recurring items** reflected net expense of 5.0 million euro (net expense of 13.0 million euro in 2013) arising chiefly from corporate restructuring expense, offset in part by gains from the sale of assets.

EBITDA was 644.2 million euro, an increase of 4.5% on 2013.

EBIT, at 226.7 million euro, increased by 42.3% from 2013 (159.4 million euro). The improvement arose from lower amortization and depreciation (408.3 million euro compared with 425.3 million euro) and lower impairment losses (9.2 million euro from 31.6 million euro) relating chiefly to impairment applied in Italy (Italcementi S.p.A.) and Bulgaria, net of impairment reversals in Greece.

Finance costs and other items

Net expense in respect of financing amounted to 128.6 million euro, a slight increase on the figure in 2013 (125.8 million euro).

Overall, **net finance costs** amounted to 139.2 million euro, an increase of 13.1% from 2013 (123.0 million euro).

The rise reflected the absence of positive net gains on derivatives (present in 2013) for hedges on EU Allowance Units (EUA) and Certified Emission Reductions (CER) transacted in previous years, and other finance costs.

Impairment losses on financial assets amounted to 26.8 million euro, up on the previous year (16.0 million euro). They referred to West China Cement for 24.7 million euro and Al Badia Cement (Syria) for 2.2 million euro.

The **share of profit (loss) of equity-accounted investees** was positive at 11.7 million euro (7.4 million euro), thanks mainly to the results of Asment (Morocco) and Ciment du Quebec (Canada).

Loss for the year

The Group posted a **profit before tax** of 72.4 million euro, a strong improvement on 2013 (27.7 million euro).

After **income tax expense** of 121.3 million euro (115.9 million euro in 2013), the **loss for the year** was 48.9 million euro (loss of 88.2 million euro in 2013). This reflected a **loss attributable to owners of the parent** of 107.1 million euro (loss of 165.0 million euro) and **profit attributable to non-controlling interests** of 58.2 million euro (profit of 76.8 million euro).

Total comprehensive income

In 2014, starting from the loss for the year, the components that determined comprehensive income reflected a positive balance of 192.0 million euro (a negative balance of 203.1 million euro in 2013). This arose mainly from the increase in the translation reserve (+226.5 million euro) and fair value gains on available-for-sale financial assets (+19.5 million euro), net of the increase in the net liability for employee benefits (-51.8 million euro) and fair value losses on cash flow hedges (-15.2 million euro).

Considering the loss for the year of 48.9 million euro described in the previous section, the Group posted total comprehensive income of 143.1 million euro (22.5 million euro attributable to owners of the parent and 120.5 million euro attributable to non-controlling interests). This compared with total comprehensive expense of 291.3 million euro in 2013 (-270.5 million euro attributable to owners of the parent and -20.7 million euro attributable to non-controlling interests).

The "Statement of comprehensive income" in the section "Financial statements" provides a comparison with 2013.

Capital expenditure

Capital expenditure by geographical area (*)

(in millions of euro)	Financial assets		PPE+investment property		Intangible assets		Total capital expenditure	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Central Western Europe	2.7	3.6	202.2	185.0	5.5	7.1	210.4	195.7
North America	0.5	-	37.7	31.2	0.1	0.3	38,3	31,5
Emerging Europe, North Africa and Middle East	0.1	-	148.5	134.6	0.5	0.4	149.1	135.0
Asia	n.s.	-	95.0	46.8	0.2	n.s.	95.2	46.8
Cement and clinker trading	1.2	-	2.0	4.0	0.4	0.3	3.6	4.3
Others and eliminations	n.s.	-	0.4	1.2	4.7	4.5	5.0	5.7
Total	**4.5**	**3.6**	**485.8**	**402.8**	**11.4**	**12.7**	**501.7**	**419.1**
Change in payables for non-current assets	(0.4)	-	21.4	(79.6)	-	-	21.0	(79.6)
Total capital expenditure	**4.1**	**3.6**	**507.2**	**323.3**	**11.4**	**12.7**	**522.8**	**339.5**

(*) amounts refer to the area for which the investment is intended
n.s. not significant

Capital expenditure in 2014 amounted to 522.8 million euro, up 183.3 million euro on 2013 (339.5 million euro).

Investments in property, plant and equipment and in investment property, which account for by far the largest share of expenditure, amounted to 507.2 million euro (323.3 million euro in 2013) and referred largely to Italy, France-Belgium, Egypt, Bulgaria and India.

Investments in intangible assets totaled 11.4 million euro (12.7 million euro in 2013) and consisted largely of investments in software licenses and development costs. Investments in non-current financial assets were limited, at 4.1 million euro (3.6 million euro in 2013).

Statement of financial position, cash flows and net debt

Condensed statement of financial position

(in millions of euro)	12.31.2014	12.31.2013
Property, plant and equipment and investment property	4,197.9	3,919.3
Goodwill and intangible assets	1,677.8	1,601.8
Equity investments and other assets	546.7	571.6
Non-current assets	**6,422.4**	**6,092.7**
Current assets	**2,261.1**	**2,122.3**
Total assets	**8,683.5**	**8,215.0**
Equity attributable to owners of the parent	3,082.8	2,603.8
Equity attributable to non-controlling interests	808.2	1,179.2
Total equity	**3,891.0**	**3,783.0**
Non-current liabilities	**3,053.7**	**2,862.5**
Current liabilities	**1,738.8**	**1,569.5**
Total liabilities	**4,792.6**	**4,432.0**
Total equity and liabilities	**8,683.5**	**8,215.0**

Condensed statement of cash flows

(in millions of euro)		2014		2013
Net debt at beginning of year		**(1,934.0)**		**(1,990.9)**
Cash flows from operating activities:				
Flows before change in working capital	369.1		397.9	
Change in working capital and other changes	21.7		38.5	
Total cash flows from operating activities		390.8		436.4
Capital expenditure:				
PPE, investment property, intangible assets	(518.7)		(335.9)	
Non-current financial assets	(4.1)		(3.6)	
Total capital expenditure		(522.8)		(339.5)
Proceeds from the sale of non-current assets		25.2		36.7
Dividends paid		(83.2)		(83.7)
Share capital increase		487.2		-
Ciments Français public tender offer and squeeze-out		(457.4)		-
Translation gains (losses)		(29.5)		6.0
Others		(33.1)		1.0
Change in net debt		**(222.7)**		**56.9**
Net debt at end of year		**(2,156.7)**		**(1,934.0)**

Net debt breakdown

(in millions of euro)	12.31.2014	12.31.2013
Current financial liabilities	529.4	418.0
Non-current financial liabilities	2,337.2	2,155.0
Gross financial debt	**2,866.6**	**2,573.0**
Current financial assets	(610.6)	(545.0)
Non-current financial assets	(99.3)	(94.1)
Net debt	**2,156.7**	**1,934.0**

Net debt at December 31, 2014, amounted to 2,156.7 million euro, an increase of 222.7 million euro compared with the end of 2013 (1,934.0 million euro).

The increase reflected the different effects of the operations conducted under the plan to streamline the corporate structure and strengthen the Group. The inflow of 487.2 million euro from the share capital increase at Italcementi S.p.A. completed in July was countered by the outlay of 457.4 million euro for the acquisition of 100% of the share capital of Ciments Français (through the voluntary public tender offer and the squeeze-out).

The year's cash flows were also affected by the high level of capital expenditure (522.8 million euro), which outweighed inflows from operating activities (369.1 million euro). Significant factors also included dividends paid (83.2 million euro), net translation losses (29.5 million euro) and other net outflows (33.1 million euro).

Financial ratios

(absolute amounts in millions of euro)		**12.31.2014**	**12.31.2013**
Net debt		2,156.7	1,934.0
Consolidated equity		3,891.0	3,783.0
	"Gearing"%	**55.4**	**51.1**
Net debt		2,156.7	1,934.0
Recurring EBITDA		649.1	629.2
	"Leverage"	**3.3**	**3.1**
		2014	**2013**
Recurring EBITDA		649.1	629.2
Net finance costs*		128.6	125.9
	"Coverage"	**5.0**	**5.0**

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

Equity

Total equity at December 31, 2014, was 3,891.0 million euro, up by 108.0 million euro from December 31, 2013 (3,783.0 million euro). The increase arose largely from the Italcementi S.p.A.'s share capital increase at the beginning of July (487.2 million euro) and from other comprehensive income (192.0 million euro). These effects were offset in part by the change in ownership percentages and the consequential reduction in non-controlling interests (-440.5 million euro relating largely to the increase in the equity investment in Ciments Français to 100%), dividends paid (81.6 million euro) and the loss for the year (47.1 million euro).

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

(in millions of euro)	2014
Loss for the year of the parent (Italcementi S.p.A.)	**(54.0)**
Consolidation adjustments:	
- Profit for year of consolidated companies (in accordance with Group accounting policies)	329.1
- Elimination of intragroup dividends collected during year	(356.8)
- Reversal of impairment losses (revaluations) in consolidated equity investments	36.5
- Elimination of intragroup (gains) losses and other changes	(3.8)
Consolidated loss for the year:	**(48.9)**
- Attributable to non-controlling interests	58.2
- Attributable to owners of the parent	**(107.1)**

	December 31, 2014
Equity of the parent (Italcementi S.p.A.)	**1,752.4**
Consolidation adjustments:	
- Elimination of carrying amount of consolidated equity investments	
• Carrying amount of consolidated equity investments	(7,429.1)
• Equity of consolidated companies (in accordance with Group accounting policies)	9,567.7
- Consolidated equity	**3,891.0**
- Non-controlling interests	808.2
- Equity attributable to owners of the parent	**3,082.8**

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). The program 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; 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 (ERM) 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. They are also summarized in a specific section in this report.

The Asset Protection Program continued in 2014; 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 by 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 to control and reduce emissions. With regard to carbon emissions, the Group’s European companies are exposed to price fluctuations on emissions rights depending on their own rights surplus or deficit. The Group’s position is therefore 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 rate, exchange rate and the 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 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 Italcementi S.p.A.'s annual report.

Insurance

In the interest of Group companies, 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 2014

Cement:	No.
full-cycle cement plants	46
grinding centers	12
trading terminals	6
Aggregates:	
quarries	98
Ready mixed concrete:	
ready mixed concrete plants	417

CENTRAL WESTERN EUROPE

	Italy	France/ Belgium	Spain	Others[1]	Total Central Western Europe
Full-cycle cement plants	11	10	3	1	25
Grinding centers	6	1	-	-	7
Quarries	17	69	4	1	91
Ready mixed concrete plants	104	185	6	1	296

	Revenue		Recurring EBITDA		EBITDA		EBIT		Capital expenditure		Employees	
	2014	2013	2014	2013	2014	2014	2014	2013	2014	2013	2014	2013
Italy	600.5	654.8	19.3	(15.3)	23.7	(17.5)	(66.9)	(128.2)	114.0	94.3	2,420	2,965
France - Belgium	1,362.5	1,474.0	222.2	263.9	221.3	262.1	128.8	168.8	81.1	82.5	3,982	4,084
Spain	107.6	99.4	10.0	(2.6)	9.3	(14.0)	(4.0)	(44.8)	5.6	3.2	433	453
Others [1]	29.3	24.2	0.1	(3.8)	(1.1)	(3.8)	9.3	7.0	1.4	5.0	145	165
Eliminations	(20.1)	(17.2)	-	-	-	-	(0.1)	-	-	-	-	-
Total	2,079.8	2,235.2	251.6	242.3	253.1	226.8	67.2	2.8	202.2	185.0	6,980	7,667

(1) Greece

Italy

The crisis in the construction industry continued in 2014, and a growing number of construction companies went bankrupt. The prolonged economic recession, the constraints of the stability and growth pact and the squeeze on credit braked the real estate sector and investments in public works. New residential building was the worst affected segment, while residential maintenance benefitted from the extension and increase in tax incentives for restructuring work. A decline was also reported in non-residential building construction and public works.

As a result, cement consumption fell once again, although the decline eased in the fourth quarter compared with the previous months, thanks to better weather compared with the last quarter of 2013, particularly in central and southern Italy.

With regard to trade, there was an estimated significant decrease in cement imports and a slight decrease in exports.

Our overall **cement and clinker** sales volumes were only slightly down on 2013 (-0.6%), with a less negative dynamic than the estimated market performance.

Sales prices decreased throughout the year, in a weak and competitive market, leading to a strong reduction compared with 2013, which had an impact on results in the cement segment.

In 2014, implementation continued of the "Progetto 2015" initiative announced in December 2012 to rationalize the Italian industrial and distribution network, and to act on Group corporate units and on the sales network.

During 2014, operations were suspended in full or in part at some factories, while a grinding center was closed. In November, the new kiln was opened at the Rezzato cement plant, whose environmental and economic benefits will be felt as from 2015, enabling a re-organization of production operations in northern Italy and completing the production restructuring planned under "Progetto 2015".

In addition to the benefits obtained through structural and management measures, the Group achieved savings from the reduction in the cost of energy factors. The significant decreases in variable costs and overheads outweighed the negative price and volume effects. Recurring EBITDA showed a significant improvement from 2013, also helped by the positive contribution from carbon emissions rights trading, the increased value of white certificates and lower allowances for impairment.

In **ready mixed concrete and aggregates**, 2014 results were badly affected by the downturn on the ready mixed concrete market, which continued to decline as a result of the contraction in the two main sectors (new housing and public works), where the difficulty of obtaining credit was a significant factor for operators.

Ready mixed concrete sales fell by 19%, with a larger decrease for major works, where the completion of large contracts was offset only in part by the start-up of new contracts in the order book. Conversely, aggregates sales volumes improved by 19.3%, thanks to higher third-party sales.

Sales prices for ready mixed concrete were up on 2013, offsetting almost in full the rise in overheads.

Ready mixed concrete and aggregates reported negative recurring EBITDA, a downturn from 2013. The negative trend in volumes, slight decrease in contribution margins and increase in allowances for impairment were offset only in part by significant savings in overheads achieved through the re-organization plan.

France – Belgium

In 2014, cement consumption in France-Belgium was down in all sectors of the construction industry.

In France, Group overall **cement and clinker** sales volumes (including marginal export volumes) were down 7.2%; in Belgium (including exports) cement and clinker sales volumes progressed by 1.9%, sustained by a positive dynamic in the first half that more than made up for the decline in the second half.

Average sales prices were down, due to fierce competitive pressures.

In France, **ready mixed concrete** sales volumes dropped by 6.7%, but were substantially stable in Belgium.

In **aggregates**, there was a decline of 5.2% in the France-Belgium area.

Recurring EBITDA was penalized by the fall in sales volumes in the three segments and by strong competitive pressures, especially in the cement and ready mixed concrete market, with negative repercussions on sales prices, offset in part by the measures taken to contain operating expense, notably overheads.

Spain

Cement consumption in 2014 confirmed the signs of a stabilization in the construction sector after the sharp declines of previous years.

In this market context, Group domestic cement sales volumes grew by 1.0% thanks to a particularly favorable performance in the fourth quarter (+17.7%). Overall **cement and clinker** sales volumes made important progress (+22.4%), sustained by significant growth in exports.

Average sales prices were down, due to fierce competition on the Group markets.

Sales volumes of **ready mixed concrete** and **aggregates** were down 26.7% and 32.5% respectively.

Operating results showed a significant improvement, assisted by sales volumes and good control of operating expense, which outweighed the negative impact of competitive pressures on domestic cement sales prices.

Others

In **Greece**, despite slight signs of an upturn in some business sectors, the effects of the crisis that began at the end of 2008 still continue. Thanks to good domestic market performance, overall cement and clinker sales volumes rose by 22.5% from 2013, despite a significant slowdown in exports in the fourth quarter. There was also an important increase in sales of ready mixed concrete (+15.5%) and aggregates (+20.4%). Recurring EBITDA was marginally positive and up on 2013, thanks to the healthy volume dynamic, containment of variable costs and carbon emissions rights trading.

NORTH AMERICA

	Total North America
Full-cycle cement plants	6
Quarries	3
Ready mixed concrete plants	29

	Revenue		Recurring EBITDA		EBITDA		EBIT		Capital expenditure		Employees	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Total	454.5	428.7	51.0	55.0	51.4	61.1	(16.1)	(3.8)	37.7	31.2	1,396	1,381

Cement consumption on Group markets made healthy progress in 2014, driven by sustained growth in the second half, which outweighed the unfavorable dynamic of the first half caused by bad weather.

In this context, Group **cement and clinker** sales volumes for 2014 were up 5.8%. Performance was extremely favorable in the fourth quarter, with an improvement of 20.6%.

The trend in average unit revenue was up on 2013.

Ready mixed concrete sales volumes rose by 4.1%, while **aggregates** sales were down (-5.3%) after the completion of a major order for the construction of a power plant in the third quarter of 2013.

Recurring EBITDA was only slightly down on 2013 thanks to a very favorable fourth quarter. The positive effect of revenue growth was offset by a rise in some operating expense, notably for maintenance.

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	-	2	1	3
Terminals	-	-	2	2
Quarries	-	4	-	4
Ready mixed concrete plants	20	23	9	52

	Revenue		Recurring EBITDA		EBITDA		EBIT		Capital expenditure		Employees	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Egypt	588.8	498.9	105.5	110.1	105.8	106.1	55.8	52.0	61.5	40.9	4,420	4,502
Morocco	309.3	325.0	136.9	143.1	133.4	147.4	93.6	107.2	24.3	23.4	933	960
Others (1)	123.5	120.1	14.7	14.8	15.8	15.1	(2.4)	1.5	63.3	70.4	786	727
Eliminations	-	-	-	-	-	-	-	-	-	-	-	-
Total	1,021.5	944.0	257.2	268.0	255.0	268.6	147.0	160.8	149.1	134.7	6,139	6,189

(1) Bulgaria, Kuwait, Saudi Arabia

Egypt

In 2014, economic growth continued to be affected by the country's political instability. There was a significant reduction in the contribution from tourism and direct foreign investment, which are Egypt's main economic drivers.

The fuel shortage remained severe, with obvious repercussions for clinker and cement production. Furthermore, since September the price of industrial fuel has risen with respect to the previous year, and the cost of electricity has increased by around 20%.

Despite a slowdown in the fourth quarter, grey cement consumption grew in 2014, assisted by demand in both the residential sector, where important new projects began, managed chiefly by the army, and the non-residential sector.

Group overall **cement and clinker** sales volumes improved by 5.5% on 2013, despite the decrease in the fourth quarter (-4.7%).

Ready mixed concrete sales volumes were also positive, rising 6.7%.

Recurring EBITDA in local currency was slightly down on 2013. The rise in operating expense, variable costs (clinker, fuel and electricity purchases) and overheads (personnel and maintenance) was not fully offset by the higher sales volumes and the positive price effect. Denominated in euro, results were penalized by the depreciation of the local currency.

Morocco

In Morocco, cement consumption fell in 2014, due to the slowdown in private investment in social building and in public works.

In this market context, Group domestic cement sales volumes were down 5.1%, while average sales prices confirmed the positive dynamic that emerged in 2013. Overall **cement and clinker** sales showed a smaller decrease (-2.3%), supported by clinker exports.

Ready mixed concrete and **aggregates** sales volumes dropped by 26.5% and 28.8%, respectively, due to competitive pressure.

Operating results were down on 2013, due to the contraction in domestic sales volumes in all three segments, offset in part by the favorable trend in cement sales prices.

Others

In **Bulgaria**, the construction market reported significant growth in 2014, despite a downturn in the fourth quarter. Group domestic cement sales volumes rose by 8.4%. Overall cement and clinker sales volumes fell by 7.9% due to the sharp contraction in exports to Russia. Despite the decrease in export volumes, recurring EBITDA was up on 2013 thanks to a positive export price effect, cost savings and the impact of carbon emissions rights trading.

In **Kuwait**, cement consumption increased, especially in the last quarter, supported by investment in infrastructure. Group cement sales volumes fell by 6.1% in the year despite the healthy performance of the second half, due to dry dock maintenance work, which was completed in April. Ready mixed concrete sales volumes improved by 9.4%. Recurring EBITDA was down on 2013, largely because of the increase in costs due to the limitation on operations caused by the above-mentioned maintenance work.

ASIA

	Thailand	India	Others(1)	Total Asia
Full-cycle cement plants	3	2	1	6
Grinding centers	-	1	-	1
Ready mixed concrete plants	33	-	3	36

	Revenue		Recurring EBITDA		EBITDA		EBIT		Capital expenditure		Employees	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Thailand	271.1	269.2	64.1	51.5	64.2	52.5	43.8	28.4	14.6	20.9	907	876
India	228.4	226.8	18.3	26.9	17.5	27.4	0.2	8.3	56.3	21.9	888	868
Others (1)	38.8	49.4	3.1	0.3	2.9	0.0	(2.7)	(7.0)	24.1	4.0	297	291
Eliminations	-	-	-	-	-	-	-	-	-	-	-	-
Total	538.3	545.4	85.4	78.7	84.6	80.0	41.4	29.8	95.0	46.8	2,092.0	2,035

(1) Kazakhstan

Thailand

In Thailand our estimates indicate growth of approximately 1.8% on the cement market compared with 2013, reflecting the positive first half and substantial stability in the second half.

Thanks to the healthy performance in exports, **cement and clinker** sales rose overall by 4.7%. Group domestic cement sales volumes increased slightly (+0.5%), accompanied by higher prices, after lively performance in the first half.

Sales volumes of **ready mixed concrete** also rose (+3.7%).

Operating results showed a significant improvement from 2013, driven by good performance in the first half, while the second half, at constant exchange rates, was substantially in line with the year-earlier period.

Recurring EBITDA benefitted from the positive impact of sales volumes and sales prices, containment of variable costs thanks to lower fuel costs, and, above all, optimization of the waste heat recovery system relating to the investment in the Pukrang cement plant.

India

The division of the state of Andhra Pradesh into two separate states, approved by the central Parliament at the beginning of 2014, became effective halfway through the year.

For the second consecutive year, cement consumption fell in southern India (our reference market), with an estimated reduction of 3.0% from 2013.

Our domestic **cement** sales volumes were also affected by the market trend and fell by -1.8%, although average prices were up on 2013 thanks to good performance in the second half. Due to the country's structural problems, price volatility remained high.

Considering cement exports and clinker sales, overall volumes were up 1.4% on 2013.

Despite the healthy performance of the second half of the year, recurring EBITDA was down on 2013, largely due to some operating expense.

Others

In **Kazakhstan**, at the beginning of February 2014 the National Bank announced the devaluation of the local currency, which depreciated by 18% against the euro over the full year. In a market that grew by an estimated 6.4%, our domestic cement sales volumes fell by 5.6% (-3.5% overall including exports), since the good performance of the second half was unable to counterbalance in full the negative trend of the first half. Ready mixed concrete sales volumes fell by 20.5% from 2013. Despite the negative volume and price effects, recurring EBITDA showed a significant improvement, in part thanks to insurance compensation paid on prior year claims.

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*	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Total	202.3	169.0	10.4	8.1	10.1	8.2	3.8	5.1	2.0	4.0	207	226

* the figure refers to all operations, including fuel trading

2014 intragroup and third-party cement and clinker sales volumes increased by 27.6% from 2013. The improvement in recurring EBITDA from 2013 was driven by the positive volume effect and containment of overheads. These positive effects were countered only in part by the gradual conclusion of ready mixed concrete operations with Tasiast mines.

Energy

During 2014, 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

Hydroelectric power production in the year from the **14 largely run-of-the-river plants (56 MW)** was approximately 379 GWh (+22.3% on 2013), setting a new all-time record for the company. The average plant availability rate reached 98%. A favorable court ruling was obtained on the appeal with regard to the Mezzoldo/Ponte Piazzolo system, leading to an automatic extension of the concession until 2061.

The **6 MW photovoltaic plant in Guiglia (Modena)** owned by the associate i.Fotoguiglia S.r.l., reported total production for the year of 8.1 GWh, with an availability rate of more than 99%.

Morocco

In 2014, civil and mechanical construction work was completed on the **solar concentrator plant in Ait Baha** and function tests began.

The permitting procedure was completed for the **Safi wind farm project (10 MW)** and the Ministry for Internal Affairs is now computing the annual amounts to be paid for the land for the wind farm.

During the year, the **Laayoune wind farm (5 MW)** produced 16.7 GWh, with an average plant availability of more than 99%.

Bulgaria

In 2014, the **Kavarna I and Kavarna II wind farms (18 MW)** owned by the associate Gardawind S.r.l. produced 41.1 GWh, with an availability rate of approximately 97%.

Legal action was initiated (and the first results will emerge during 2015) to obtain reimbursement of approximately 0.8 million euro due from the Energo Pro power operator, in connection with legislation that introduced supplementary taxation. Since June 2014, after enactment of a European directive, a new requirement was placed on producers to contribute to system balancing costs, for an amount equivalent to approximately 16% of turnover. Subject to a redetermination of the amount, this requirement will be effective in all future years.

Egypt

In 2014, a strategic decision was taken to keep the Gulf El Zeit wind farm project within the Italcementi Group.

Actions taken in the year were as follows:

- second renewal of the production license for the **Gulf El Zeit Phase 1 wind farm (120 MW)**. At the beginning of November, the first civil works began with the construction of the access road to the site where the wind farm will be built;
- receipt in May of approval of the Environmental Impact Study on an area of 26.7 square kms for the **Gulf El Zeit Phase 2 wind farm** project **(200 MW)**;
- in November, signature of a Memorandum of Understanding with the Egyptian Government to obtain support during the implementation phase of the two projects.

Greece

The **Mandra wind farm project (10 MW)** is still in the analysis and pre-development stage. The site is near Athens, where Halyps owns a quarry and some adjoining land. The wind measurement survey continued in 2014.

2014 results

Italgen S.p.A. **revenue** fell by 17.3% from 2013, to **60.4 million euro** (excluding green certificates for approximately 9 million euro, which are classified under other operating income and expense). Revenue performance reflected the fall in sales volumes to 457.4 GWh (a reduction of approximately 22%) and in energy revenue per unit to 59.3 euro/MWh (-13.6%). With regard to transportation, revenue was also affected throughout the year by the application of the so-called *Decreto Energivori* (a ministerial decree of April 5, 2013 that introduced a 60% discount on the "system charges" component of transportation rates for companies with high consumption).

Recurring EBITDA for 2014 was **22.9 million euro** (37.8% of revenue), an increase of 29.3% from 2013 (17.7 million euro); this reflects the positive impact of higher hydroelectric power production, the consequent increase in green certificates and lower energy purchases; negative effects were the reduction of energy sales prices and sales volumes, and the application of the above-mentioned *Decreto Energivori*.

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, as well as 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, 2014, 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 competences 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 Com 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.

Since June 2, 2014, after the conversion of savings shares into ordinary shares, the Italmobiliare S.p.A. equity investment in Italcementi S.p.A. has been diluted to 45.03% of share capital, net of treasury shares. Consequently, in compliance with current laws, the tax consolidation under Italmobiliare S.p.A. was interrupted, and a new national tax consolidation scheme was formed with Italcementi S.p.A. as the consolidating company, for some of the companies controlled by Italcementi S.p.A.. The new tax consolidation scheme is effective for the three years 2014/2016 and has adopted a "Regulation for enactment of intercompany relations in connection with participation in the national tax consolidation scheme" substantially in line with the regulation formerly adopted by Italmobiliare S.p.A..

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

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 2014, Italcementi S.p.A. disbursed an amount of 600,000 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 167,000 euro. CTG S.p.A. provided the Foundation with services for 34,000 euro.

In 2014, 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 371,000 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 to companies in the SIKA group, whose owner is director Fritz Burkard, for approximately 2.4 million euro and made purchases for approximately 28.0 million euro. The Italcementi Group also recorded income of approximately 1.0 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 financial reporting, for positions held within the Group, are illustrated in the Remuneration Report.

Information systems

Activities concerning IT systems in 2014 focused mainly on containing overheads through the gradual consolidation of applications and infrastructure and by changing the delivery model where possible, but without limiting service levels and overall coverage.

The main results obtained on projects in 2014 are summarized below.

- Completion of the new procurement process model for all Group companies. The main aim is to harmonize procurement processes and procedures, in order to ensure better governance and spread Group best practices. A reporting model with specific KPIs to monitor procurement performance was implemented.
- Implementation 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.
- Development of plant spare part analysis and optimization tools. In this area too, a Group standard was defined with specific KPIs.

In 2015, the priorities will continue to be reduction of overheads in IT and other corporate functions. Cloud solutions are to be gradually adopted in application and infrastructure environments.

Innovation initiatives included:

- the launch of a "Talent Management" platform to rationalize personnel management processes in all Group companies;

- the evolution and development of solutions to support plant maintenance processes, with the aim of improving process reliability and cost rationalization.

Adoption of mobile technology remains a priority and is expected to intensify during 2015.

Sustainable development

In 2014, 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 2014 and led to a reduction in the global workforce of 705 persons, from 18,484 to 17,779. The reductions affected all the main areas except Asia, where there was a small increase on the previous year. The largest workforce decreases were in the Italian production plants. The total number of employees in Italy includes staff for the equivalent of 372 people on state-subsidized layoff. The downsizing took place largely through restructuring agreements drawn up with the unions, special exit or retirement incentives, and with 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.

While pursuing initiatives to achieve efficient management of personnel costs, the Group continued to implement a series of measures for the **development of human resources,** with particular attention to production. In this connection, the skills assessment project covering all key resources in the technical area was particularly important. The project was implemented at global level and the results achieved provided the basis for improvement plans to be drawn up at individual company level to develop individual competences and enhance operating efficiency and excellence.

In 2014, the Group provided 302,260 hours of **training**, for a total of 36,957 participants. Training activities continued to cover four areas: Human Capital Development, Efficiency, Sustainable Development and Innovation, Compliance & Risk Mitigation.

As in previous years, particular attention was paid to Safety training initiatives, involving all corporate levels.

The roll-out continued of the training plans set up in 2013, in part through use of the e-learning platforms (Lock-out, Tag-out).

Looking ahead, attention is drawn to the following initiatives:

- Action Learning on Maintenance for Group maintenance managers and the operational edition for maintenance personnel, the first steps of a skills consolidation and enhancement roadmap for Manufacturing Excellence;
- Knowledge and Communication sharing through i.like, for ever wider use of corporate sharing and cooperation tools, to support the values of efficiency and transparency.

Initiatives continued in 2014 to maintain 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.

Process integration and maintenance continued, with special reference to the Management Systems (Quality, Environment, Safety), to investment assessment and approval procedures and to procedures for the qualification and purchase 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, consistently with Group guidelines, through the issue of local procedures with particular reference to ethical principles and code of 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. The aim is 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 2014, 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 44.4 million euro (46.7 million euro in 2013).

Staff at the end of 2014 numbered 296 (343 at December 31, 2013), of whom 213 in Bergamo, 51 in Guerville (France), and 32 at other Group companies.

In 2014, engineering work was completed for the revamping of the Devnya cement plant in Bulgaria and the new kiln went into service in October. On completion of the test and fine-tuning phase for all systems, the cement plant became fully operational at the beginning of 2015. The new plant implements a dry process line, for a daily production capacity of approximately 4,000 metric tons of clinker, and an annual capacity of approximately 1.5 million metric tons of cement, and is one of the largest of its kind in Europe. In early November, the new kiln at the Rezzato cement plant began operations, after two years of extensive upgrading. The facility offers an annual cement production capacity of more than one million metric tons, with significant environmental benefits: a 75% reduction in emissions when fully operational, a 20% decrease in power consumption, an 8% reduction in use of raw materials, application of photocatalytic products to eliminate pollutants, on a surface area of 90,000 sqm (the largest worldwide for a production plant).

With regard to the opening of the Barry quarry in Belgium, the main technical decisions of the project were taken, and the quarry should begin operations in 2015.

With regard to the major project for conversion of the Egyptian cement plants to solid fuel, a new coal grinding center was constructed in Suez (65 mt/hour), for which the engineering phase was completed and the civil works and mechanical assemblies are being concluded. A new coal grinding plant (28 mt/hour) was built in Kattameya and began operations in October 2014. Regarding the modernization of the Shymkent cement plant in Kazakhstan, support continued on the engineering development phase for a new 3,200 mt/day kiln line. The executive phase of the project began in October, with the opening of a local CTG branch and the start-up of building and mechanical works. Other projects were as follows: in France, the revamping of the new Gargenville limestone quarry; in India, the construction of a grinding center (1.2 million mt/year) in Sholapour, in the State of Maharashtra, and study of the new cement terminal in Cochin; in Morocco, a new grinding center (0.45 million mt/year) in Jorf Lasfar and the new cement plant in Tetuan (3,600 mt/day of clinker); in

North America, the start-up of the new cement terminal on Lake Ontario, in Toronto, Canada. In Italy, the studies for the revamping of the facilities in Isola delle Femmine were completed, with the preparation of a number of solutions, and preparatory work began on the technical documentation for the environmental impact assessment.

Assistance operations included important work to reduce emissions. Intensive and widespread technical assistance was provided for all companies on mining geology and engineering, with specific reference to Egypt, to increase clay reserves, and to Nazareth and Martinsburg in North America, for limestone quarries. Important work was performed in Pukrang, Thailand, to optimize heat recovery, and in various Group cement plants, to extend application of expert plant systems. Assessment of Group performance was extended and enhanced with the development of various IT tools, procedures and reports. In 2014, CTG continued to involve the Group companies in activities to increase use of alternative fuels in cement plants. With regard to innovation geared to improve the technical and environmental performance of production and quarrying operations, during the year CTG monitored the latest market offers to assess the applicability of new processes, machines and components.

R&D work focused on materials and processes. Seven patent applications were filed during the year, of which three to enhance production technology on the proprietary ITC i.light panel. Work was largely devoted to the industrial transfer of 2013 results and support for the alignment of the product portfolio with the new i-nova branding strategy. R&D activities concentrated on four research areas: cements and binders with high added value, special concretes, greater synergy with SIKA on additives and non-conventional finished products.

Innovation

After a focus on new product development in 2013, work in 2014 was largely concerned with management of know-how transfers to the Group companies, completion of product validation and industrialization, and start-up of new projects.

To broaden the economic contribution from marketing of new solutions and products, a network of partnerships was formed with producers of building materials. The initial agreements reached in 2014 on i.light will be joined in 2015 by new alliances not only on i.light, but also on the production of architectural elements in i.active Biodynamic.

Work continued in 2014 on sulfoalluminate cement-based products (ALIPRE range), where the range will be further extended and marketing plans are being drawn up in a number of countries. The i.idro DRAIN family of new self-draining concretes was consolidated and increased its presence in the Group with the new i.idro DRAIN KIT, a sacked compound.

The offer of innovative products was promoted with leading architecture firms, opening up interesting prospects in terms of fall-out for image and sales, not just with innovative solutions but also with standard products.

After the completion and opening of the first residential building of the Magnet project in Tirana, where i.idro DRAIN and photocatalytic coating products from the i.active COAT range were used, work has already begun on the second and third buildings using these and other innovative products.

A significant effort was devoted to the introduction of innovative products on the works for EXPO 2015, notably with i.idro DRAIN. In a temporary consortium with a leading producer of prefabricated luxury units, Italcementi is completing the production and assembly of more than 9,000 sqm of façade with large-scale elements. Made with a photocatalytic version of the new i.active Biodynamic, these elements will be a distinctive feature of the façade of Palazzo Italia.

The Innovation Rate (IR, the ratio of revenue from innovation to operating revenue) was 6.6% in 2014, with a significant increase on the previous year (5.3%) and revenue of more than 270 million euro, compared with about 220 million euro in 2013. The goal for 2015 is to improve these figures still further. In the future, the focus will continue to be on a strong increase in revenue from new products, through a focus on the concept of differentiation to offer specific products for each type of application, consistently with the new i.nova branding strategy launched by the Group in the second half of 2013. This process is already well underway in several mature countries and will be extended to all Group companies, especially those on the emerging markets.

e-business

In 2014, BravoSolution group revenue was 71.0 million euro, an increase of 8.1% from 2013 (65.7 million euro). EBITDA was 9.3 million euro, a significant improvement (+10.1%) from 2013. The EBIT dynamic was also very positive, with growth of 26.7% to 3.9 million euro. Profit before tax was 3.2 million euro (2.3 million euro) and profit for the year was 1.2 million euro (2.4 million euro).

The group's healthy performance compared with 2013 was attributable to the increase in revenue and a limited rise in costs, compatibly with business volumes.

On November 5, 2014, the BravoSolution Italia S.p.A. company was established, a wholly-owned subsidiary of BravoSolution S.p.A.. On December 16, a share capital increase was carried out through a contribution in kind, whereby BravoSolution S.p.A. transferred to BravoSolution Italia S.p.A., the Italian market business arm, including personnel, commercial assets and liabilities, plus non-technical corporate functions with effect from January 1, 2015.

Beginning in 2015, therefore, operations on the Italian market will be conducted by BravoSolution Italia S.p.A., while BravoSolution S.p.A. will act as parent and provide the rest of the group with services relating to directly held technical functions (principally software development, management of the hardware and business intelligence infrastructure).

In 2014, BravoSolution S.p.A. posted revenue of 23.3 million euro (+1.2%) and positive results despite the year's slowdown, although EBITDA was down on 2013. On a market where customers continued to encounter operating and financial difficulties, BravoBus S.r.l. reported a decline of 19.1%.

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

BravoSolution España S.A. reported strong revenue growth (+21.6%) and a profit before tax.

Also BravoSolution UK showed an important increase in revenue (+24.8%) to 11.2 million euro with a profit for the year.

The group of companies headed by BravoSolution US (USA, Canada, UK) closed 2014 with aggregate revenue of 16.5 million euro, up 3.5% from 2013, 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 2014, the subsidiary reported revenue of 6.9 million euro (+6.3%) and a profit for the year.

Disputes and pending proceedings

There were no significant developments in the fourth quarter of 2014 on the main current disputes regarding Italy, Spain, Europe, Turkey / Russia, Egypt and India with respect to the disclosures in the interim reports. The situation of these disputes at December 31, 2014, is described below.

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 Lazio Regional Administrative Court (TAR) 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 filed an appeal for a suspension with the Lazio TAR, which upheld its appeal on February 13, 2014, and arranged a hearing to discuss the merits of the case for November 19, 2014. Acting for the AGCM, the *Avvocatura di Stato* (State Legal Advisory Office) lodged an appeal with the Council of State against the suspension. On June 7, 2014, the Council of State partially upheld the *Avvocatura* appeal by annulling the TAR ruling relating to the basic fine (8.1 million euro) and confirming the TAR ruling with regard to the additional charges (approximately 7 million euro), payment of which is therefore not currently due. Calcestruzzi applied to the AGCM for the amount currently due (8.1 million euro) to be paid in instalments pursuant to article 26 of Law no. 689/81. The AGCM accepted the request, arranging for payment to be made over 30 months, with application of an annual legal interest rate of 1%. The proceeding at the Lazio TAR was concluded and a sentence is pending.

In January 2014, the AGCM initiated a new procedure alleging unfair trading practices by Calcestruzzi S.p.A. and other industry players in Italy’s Friuli region. The term of the procedure has been postponed until the end of March 2015.

Spain

On May 14, 2014, after a petition filed by a local association, the court of Malaga annulled the integrated environmental authorization issued in 2007 for the Malaga production plant of the Spanish subsidiary Financiera Y Minera (“FyM”), on the grounds that the Regional Authority had issued the authorization erroneously in the absence of a prior environmental impact assessment. FyM appealed against the ruling, and is also considering whether to apply for a new authorization subject to execution of an environmental impact assessment.

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. On March 17, 2014, the EU General Court rejected the appeal filed by Italmobiliare S.p.A., which then filed an appeal with the European Court of Justice; the matter is still pending.

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. In March 2014, the court of appeal rejected the appeal, and upheld the ruling in favor of Ciments Français. Sibconcord consequently filed an appeal with the Regional Court of Cassation against the decision of the Court of Appeal. The Court of Cassation annulled the ruling of first instance and referred the case back to the court of Kemerovo (Russia). The next hearing is scheduled for March 2015.

With regard to the arbitration procedure, at the end of January 2015, the Istanbul commercial court confirmed that the final arbitration award in favor of Ciments Français could be validly executed. The sentence become final after Sibcem abandoned its appeal. In parallel, Ciments Français continued action for recognition of the arbitration award in a number of countries, including Russia. To date, the award has been recognized in Belgium, France, Kazakhstan and the USA.

Egypt

In 2013, lawsuits were brought locally by individuals seeking 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 took part in the privatization have been involved; they do not include Suez Cement, which acquired Helwan, from other private parties, after its privatization.

It is still too early to make hypotheses regarding possible developments in the situation.

India

A tax proceeding is still formally open against the subsidiary Zuari Cement Limited after an assessment relating to 2007-2008 (tax year 2008-2009) identified transfer pricing and expenses that potentially cannot be deducted against income tax. The dispute began for an amount of approximately 7.6 million euro of additional taxable income and approximately 3.6 million euro in higher taxes, fines and interest. The court of Andhra Pradesh issued an initial ruling in favor of Zuari Cement Limited on February 21, 2013, and the supreme court definitively rejected the case on September 27, 2013. India's tax authorities have until March 31, 2015 to re-open the assessment.

In February 2014, the Indian tax authority notified Zuari Cement Limited of an assessment relating to 2008-2009 (tax year 2009-2010) with regard to transfer pricing and expenses that potentially cannot be deducted against income tax. In March 2014, the company filed an appeal with the competent Administrative Court and, subsequently, an appeal with the Court of Appeal against the assessment, which is for an amount of approximately 11.3 million euro of additional taxable income and approximately 6.9 million euro in higher taxes, fines and interest; the case still pending in the Court of Appeal.

In January 2014, the Indian tax authority notified Zuari Cement Limited of a preliminary assessment relating to 2009-2010 (tax year 2010-2011) with regard to transfer pricing and expenses that potentially cannot be deducted against income tax. In May 2014, the company submitted its observations to the competent administrative court against the preliminary assessment, which is for approximately 19.3 million euro of additional taxable income and as yet undetermined amounts of higher taxes, fines and interest; the case is still pending.

Significant events after the reporting period

No other significant events have taken place since the end of the financial year whose effects require changes to or additional comments on the Group's financial position and results of operations as at and for the year ended December 31, 2014.

Outlook

In 2015, the areas in which the Group operates will see a recovery in North America and Asia, growth in the volume of demand in Egypt and relative stability in demand in Mediterranean Europe, although the market will weaken in France.

In this scenario, higher sales volumes and good sales price levels will support an upturn in margins, in addition to the positive effect on results of the appreciation of foreign currencies against the euro and the reduction in energy costs since the beginning of the year. Nevertheless, performance forecasts on some key markets continue to reflect elements of volatility. Group recurring EBITDA will also benefit from the positive effect of marketing initiatives and innovation, the efficiency improvements arising from the production start-up of the new cement plants, the diversification of energy sources, greater use of production capacity in Egypt and the continuing rationalization of Group fixed and structural costs. Recurring EBITDA is expected to rise slightly from the 2014 figure.

The Group net financial position should be slightly higher than in 2014, in part owing to the weakness of the euro; nevertheless, year-end leverage is expected not to be higher than at the end of 2014.

Bergamo, March 4, 2015

For the Board of Directors
The Chairman
Giampiero Pesenti

Consolidated financial statements

Financial statements

Statement of financial position

(in thousands of euro)	Notes	12.31.2014	12.31.2013 re-stated	Change	01.01.2013 re-stated
Non-current assets					
Property, plant and equipment	5	4,173,957	3,894,431	279,526	4,100,601
Investment property	5	23,974	24,854	(880)	29,269
Goodwill	6	1,584,870	1,507,331	77,539	1,597,876
Intangible assets	7	92,930	94,428	(1,498)	98,375
Equity-accounted investees	8	207,567	207,914	(347)	227,529
Other equity investments	9	46,278	53,466	(7,188)	80,074
Deferred tax assets	21	84,304	67,196	17,108	57,930
Other non-current assets	10	208,556	243,066	(34,510)	307,468
Total non-current assets		**6,422,436**	**6,092,686**	**329,750**	**6,499,122**
Current assets					
Inventories	11	723,357	623,111	100,246	698,301
Trade receivables	12	635,656	659,362	(23,706)	743,761
Other current assets including derivatives	13	283,793	281,326	2,467	317,331
Tax assets		17,405	28,972	(11,567)	26,797
Equity investments, bonds and financial assets		49,377	49,173	204	26,045
Cash and cash equivalents	35.1	551,525	480,386	71,139	575,192
Total current assets		**2,261,113**	**2,122,330**	**138,783**	**2,387,427**
Total assets		**8,683,549**	**8,215,016**	**468,533**	**8,886,549**
Equity					
Share capital	14	401,715	282,549	119,166	282,549
Share premium	14	712,049	344,104	367,945	344,104
Reserves	15	39,668	(90,563)	130,231	36,344
Treasury shares	16	(58,690)	(58,690)	-	(58,690)
Retained earnings	17	1,988,082	2,126,446	(138,364)	2,298,667
Equity attributable to owners of the parent		**3,082,824**	**2,603,846**	**478,978**	**2,902,974**
Non-controlling interests	18	808,157	1,179,152	(370,995)	1,267,953
Total equity		**3,890,981**	**3,782,998**	**107,983**	**4,170,927**
Non-current liabilities					
Financial liabilities	22	2,296,753	2,131,948	164,805	2,013,945
Employee benefits	19	313,231	284,934	28,297	324,862
Provisions	20	206,565	212,407	(5,842)	223,859
Deferred tax liabilities	21	184,741	203,243	(18,502)	193,479
Other non-current liabilities		52,444	29,981	22,463	40,529
Total non-current liabilities		**3,053,734**	**2,862,513**	**191,221**	**2,796,674**
Current liabilities					
Loans and borrowings	22	219,825	228,662	(8,837)	428,881
Financial liabilities	22	285,382	184,980	100,402	292,508
Trade payables		577,026	515,827	61,199	604,972
Provisions	20	1,053	1,718	(665)	559
Tax liabilities		35,734	34,354	1,380	30,839
Other current liabilities	23	619,814	603,964	15,850	561,189
Total current liabilities		**1,738,834**	**1,569,505**	**169,329**	**1,918,948**
Total liabilities		**4,792,568**	**4,432,018**	**360,550**	**4,715,622**
Total equity and liabilities		**8,683,549**	**8,215,016**	**468,533**	**8,886,549**

Income statement

(in thousands of euro)	Notes	2014	%	2013 re-stated	%	Change	%
Revenue	4	**4,155,641**	**100.0**	**4,231,629**	**100.0**	**(75,988)**	**-1.8**
Other revenue		32,067		41,041			
Change in inventories		30,152		(9,968)			
Internal work capitalized		43,247		38,421			
Raw materials and supplies	25	(1,674,002)		(1,686,090)			
Services	26	(1,045,544)		(1,053,791)			
Employee expense	27	(848,069)		(862,161)			
Other operating expense, net	28	(44,353)		(69,833)			
Recurring EBITDA	4	**649,139**	**15.6**	**629,248**	**14.9**	**19,891**	**3.2**
Net gains from sale of non-current assets	29	5,479		20,262			
Non-recurring expense for re-organizations	29	(7,320)		(30,336)			
Other non-recurring expense, net	29	(3,125)		(2,931)			
EBITDA	4	**644,173**	**15.5**	**616,243**	**14.6**	**27,930**	**4.5**
Amortization and depreciation	4	(408,263)		(425,254)			
Impairment	5 - 6	(9,204)		(31,620)			
EBIT	4	**226,706**	**5.5**	**159,369**	**3.8**	**67,337**	**42.3**
Finance income	30	24,393		41,377			
Finance costs	30	(160,880)		(160,816)			
Exchange-rate differences and derivatives	30	(2,709)		(3,587)			
Impairment on financial assets	9	(26,844)		(16,048)			
Share of profit (loss) of equity-accounted investees	8	11,694		7,444			
Profit before tax	4	**72,360**	**1.7**	**27,739**	**0.7**	**44,621**	**>100**
Income tax expense	31	(121,292)		(115,950)			
Loss relating to continuing operations		**(48,932)**	**-1.2**	**(88,211)**	**-2.1**	**39,279**	**44.5**
Profit (loss) relating to discontinued operations		-		-			
Loss for the year		**(48,932)**	**-1.2**	**(88,211)**	**-2.1**	**39,279**	**44.5**
Attributable to:							
Owners of the parent		**(107,131)**		**(165,042)**		**57,911**	
Non-controlling interests		**58,199**		**76,831**		**(18,632)**	
Earnings per share	33						
- Basic							
savings shares		- €		-0.574 €			
ordinary shares		-0.355 €		-0.604 €			
- Diluted							
savings shares		- €		-0.574 €			
ordinary shares		-0.355 €		-0.604 €			

Statement of comprehensive income

(in thousands of euro)	Notes	2014	%	2013 re-stated	%	Change
Loss for the year		**(48,932)**	**-1.2**	**(88,211)**	**-2.1**	**39,279**
Other comprehensive income (expense)						
Items that will not be reclassified to profit or loss subsequently						
Remeasurement of the net liability (asset) for employee benefits		(51,797)		29,062		
Remeasurement of the net liability (asset) for employee benefits - equity-accounted investees		(1)		1		
Income tax (expense)		8,474		(4,581)		
Total items that will not be reclassified to profit or loss subsequently		**(43,324)**		**24,482**		**(67,806)**
Items that might be reclassified to profit or loss subsequently						
Translation reserve on foreign operations		226,520		(228,624)		
Translation reserve on foreign operations - equity-accounted investees		4,896		(11,001)		
Fair value gains (losses) on cash flow hedges		(15,223)		14,854		
Fair value gains (losses) on cash flow hedges - equity-accounted investees		(211)		161		
Fair value gains (losses) on available-for-sale financial assets		19,546		(4,650)		
Fair value gains (losses) on available-for-sale financial assets - equity-accounted investees		-		110		
Income tax (expense)		(216)		1,597		
Total items that might be reclassified to profit or loss subsequently		**235,312**		**(227,553)**		**462,865**
Total other comprehensive income (expense)	**32**	**191,988**	**4.6**	**(203,071)**	**-4.8**	**395,059**
Total comprehensive income (expense)		**143,056**	**3.4**	**(291,282)**	**-6.9**	**434,338**
Attributable to:						
Owners of the parent		**22,510**		**(270,539)**		**293,049**
Non-controlling interests		**120,546**		**(20,743)**		**141,289**

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, 2013	**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**
Effect of changes in accounting policies and other changes (note 1.26)									-	6.2	6.2
Re-stated balances at January 1, 2013	**282.5**	**344.1**	**(7.9)**	**(20.6)**	**111.4**	**(46.5)**	**(58.7)**	**2,298.7**	**2,903.0**	**1,267.9**	**4,170.9**
Re-stated profit (loss) for the year								(165.0)	(165.0)	76.8	(88.2)
Total other comprehensive income (expense) re-stated			(3.8)	16.5		(139.3)		21.1	(105.5)	(97.6)	(203.1)
Total comprehensive income (expense) re-stated	-	-	(3.8)	16.5	-	(139.3)	-	(143.9)	(270.5)	(20.8)	(291.3)
Stock options					(0.6)				(0.6)		(0.6)
Distribution of earnings: Dividends								(16.7)	(16.7)	(67.0)	(83.7)
% change in control and scope of consolidation					0.3			(11.7)	(11.4)	(0.9)	(12.3)
Re-stated balances at December 31, 2013	**282.5**	**344.1**	**(11.7)**	**(4.1)**	**111.1**	**(185.8)**	**(58.7)**	**2,126.4**	**2,603.8**	**1,179.2**	**3,783.0**
Profit (loss) for the year								(107.1)	(107.1)	58.2	(48.9)
Total other comprehensive income (expense)			19.6	(15.7)		168.0		(42.3)	129.6	62.3	192.0
Total comprehensive income (expense)	-	-	19.6	(15.7)	-	168.0	-	(149.4)	22.5	120.5	143.1
Stock options									-		-
Distribution of earnings: Dividends								(16.7)	(16.7)	(64.9)	(81.6)
Share capital increase	119.2	367.9							487.1		487.1
% change in control and scope of consolidation			(2.3)	(0.3)	3.7	(42.8)		27.8	(13.9)	(426.7)	(440.6)
Balances at December 31, 2014	**401.7**	**712.0**	**5.6**	**(20.1)**	**114.8**	**(60.6)**	**(58.7)**	**1,988.1**	**3,082.8**	**808.2**	**3,891.0**

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Italcementi Group

Statement of cash flows

(in thousands of euro)	Notes	2014	2013 re-stated
A) Cash flow from operating activities			
Profit before tax		72,360	27,739
Adjustments for:			
Amortization, depreciation and impairment		447,618	474,074
Reversal of share of profit (loss) of equity-accounted investees		7,041	3,047
Net (gains) losses from sale of non-current assets		(5,474)	(19,838)
Change in employee benefits and other provisions		(51,674)	(3,855)
Reversal of finance costs		130,538	118,882
Cash flow from operating activities before tax, finance income/costs and change in working capital		**600,409**	**600,049**
Change in working capital	35.2	21,688	38,455
Cash flow from operating activities before tax and finance income/costs		**622,097**	**638,504**
Net finance costs paid		(124,521)	(110,364)
Taxes paid		(106,827)	(91,750)
Total A)		**390,749**	**436,390**
B) Cash flow from investing activities			
Capital expenditure:			
Intangible assets		(11,445)	(12,674)
Property, plant and equipment and investment property		(507,255)	(323,199)
Financial assets (equity investments) net of cash acquisitions (*)		(4,066)	(3,491)
Total capital expenditure		**(522,766)**	**(339,364)**
Proceeds from the sale of non-current assets		25,218	36,713
Total sales		**25,218**	**36,713**
Change in other non-current financial assets and liabilities		(10,107)	(3,895)
Total B)		**(507,655)**	**(306,546)**
C) Cash flow from financing activities			
Increase in non-current financial liabilities		155,938	649,049
Repayments of non-current financial liabilities		(27,052)	(481,444)
Change in current financial liabilities		70,132	(268,191)
Dividends paid		(83,159)	(83,695)
Other changes in equity		(1,390)	(7,653)
Change in share capital and share premium		487,162	-
Change in interests in subsidiaries		(457,709)	373
Other sources and applications		2,326	6,872
Total C)		**146,248**	**(184,689)**
D) Translation differences and other changes		**41,797**	**(39,961)**
E) Cash flow relating to discontinued operations		**-**	**-**
F) Cash flows for the year (A+B+C+D+E)		**71,139**	**(94,806)**
G) Cash and cash equivalents at beginning of year		**480,386**	**575,192**
Cash and cash equivalents at end of year (F+G)	**35.1**	**551,525**	**480,386**
(*) cash of acquired and consolidated companies		26	110

Contents

Notes

Notes

The consolidated financial statements of Italcementi S.p.A. as at and for the year ended December 31, 2014 were approved by the Board of Directors on March 4, 2015. At the meeting, the Board authorized publication of a press release dated March 4, 2015 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) and with the IFRIC interpretations applicable at December 31, 2014 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, 2014 that had not been endorsed by the European Union at that date.
With regard to the standards and interpretations endorsed by the European Union with a final application date after the reporting date, Italcementi S.p.A. has decided not to elect early application.

Standards and interpretations that came into force in 2014

Since January 1, 2014, the Group has adopted the new standards and changes described below, including the changes arising therefrom applied to other standards.

- Amendments to IAS 32 "Financial instruments: presentation", in the application guidance, with regard to the offsetting of financial assets and 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 such investees, its exposure or rights to variable returns from its involvement with such investees and its ability to affect those returns through its power over investees.
- 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" came into force; this standard deals exclusively with the preparation of separate financial statements, and amendments to IAS 28 "Investments in associates and joint ventures".
- Amendments to IAS 36 "Impairment of assets" to modify disclosure requirements relating to recoverable amount in cases where recoverable amount is 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 various types of joint arrangement (joint operations and joint ventures) and the appropriate accounting treatment.
Application of the above standards, amendments and interpretations did not have a material impact on the Group financial statements.
The statement of financial position and results of operations for 2013, used as comparative figures, have been **re-stated** by applying IFRS 10, 11 and IAS 28 as from January 1, 2013. The effects arising from application of these standards are described in section 1.26 below, Change in accounting policies.

Standards and interpretations to come into force in 2015

- "Annual Improvements cycle 2011-2013". The changes introduced constitute clarifications and, corrections (IFRS 3 "Business combinations" and IFRS 13 "Fair value measurement") and involve changes in current requirements or provide additional indications regarding their application (IAS 40 "Investment property").
- IFRIC 21 "Levies". The interpretation indicates that levies are to be recognized only when the obligating event specified by law that generates the liability occurs.

Standards and interpretations to come into force in 2016

- Amendments to IAS 19 "Employee benefits" with regard to defined benefit plans: employee contributions; the amendments are designed to simplify and clarify accounting treatment of employee or third-party contributions relating to defined benefit plans.
- "Annual improvements cycle 2010-2012". The changes to IFRS 8 "Operating segments", IFRS 13 "Fair value measurement", IAS 16 "Property, plant and equipment", IAS 24 "Related party disclosures" and IAS 38 "Intangible assets" set out clarifications or corrections to the current texts. The changes to IFRS 2 "Share-based payments" and IFRS 3 "Business combinations" involve changes to current requirements or provide additional indications regarding their application.

Standards and interpretations published by the IASB and the IFRIC at December 31, 2014, but not endorsed by the European Union at that date

- IFRS 9 "Financial instruments".
- IFRS 14 "Regulatory deferral accounts".
- IFRS 15 "Revenue from contracts with customers".
- Amendments to IFRS 10, IFRS 12 and IAS 28. Investment entities: applying the consolidation exception.

- Amendments to IAS 1: Disclosure Initiative.
- “Annual improvements cycle 2012-2014”.
- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture.
- Amendments to IAS 27: Equity method in separate financial statements.
- Amendments to IAS 16 and IAS 41: Bearer plants
- Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortization.
- Amendments to IFRS 11: Accounting for acquisitions of interests in joint operations.

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, 2014, 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 is exposed to variable returns, or holds rights to such returns, by virtue of its relationship with the companies in question, and simultaneously has the ability to affect such returns by exercising its power.
The Group ascertains the existence of control on the basis of the existence of three elements:

- power: the current ability of the Group, arising from substantial rights, to determine the key operations of operations that have a material impact on the company's returns;
- the exposure of the Group to the variability of the returns of the investee;
- correlation between power and returns, the Group has the ability to exercise its power to affect the returns arising from the relationship.

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 arrangements

A joint arrangement is a contractual arrangement that attributes joint control of the arrangement to two or more parties.
A joint arrangement may be a "joint operation" or a "joint venture".

Joint operations

A joint operation is a joint arrangement in which a Group company, together with other parties who hold joint control, has rights to the assets and obligations for the liabilities to which the arrangement refers; the parties are called joint operators.
With regard to recognition in the consolidated and separate financial statements, the joint operator recognizes, in relation to its interest, its assets and liabilities, including its share of assets held jointly and liabilities incurred jointly, its revenue and expense relating to its part of the output and its share of the revenue and expense relating to the output obtained jointly.
A party to a joint operation that does not hold joint control recognizes its interest in the arrangement as illustrated in the previous paragraph if it has rights to the assets and obligations for the liabilities relating to the joint operation.

Joint ventures

Joint ventures are companies regarding which the Group has entered into a joint arrangement giving it rights to the net assets of the arrangement.
Joint ventures are accounted for with the equity method, except in cases when there is evidence that the interest has been acquired and is held with the intention of selling it within twelve months of purchase and that the Group is actively seeking a buyer.
Furthermore, if the Group has an interest in a joint venture without holding joint control, since such control is held by other parties, the joint venture is accounted for in accordance with:
1. IAS 28, if significant influence is exercised;
2. IAS 39, in the case of a simple financial asset.
The financial position and results of operation 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 and joint ventures 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 consolidated companies, proportionately consolidated companies and companies 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 the 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 parent. 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 parent.

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 parent;
- 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 exchange 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 for 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 the 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.
Lease contracts where all risks and rewards incidental to ownership are retained by the lessor are classified as operating leases.
Operating lease payments are recognized as an 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. The 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, corresponding to the weighted average cost of capital (WACC).
If an impairment loss on an asset other than goodwill subsequently reverses in full or in part, the asset's 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 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 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, salary increases 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 plans

Termination plans 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 the 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/(cost) 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 the 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 ineffective hedge component are recognized in the income statement. The effective component and ineffective 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 planned 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 policies

In compliance with IFRS 10, the Group has reviewed and amended its considerations with regard to control of three entities in which it held investments at January 1, 2014. Although the Group holds half of the voting rights, the relevant arrangements and contracts confer *de facto* control of the entities in question, which have therefore been fully consolidated.

In compliance with IFRS 11, the Group has reviewed its conclusions regarding control of a company in which it holds more than 50% of the voting rights; considering the related arrangements and contracts, the Group deems that it does not hold control of that company, which has therefore been consolidated proportionately.
The Group also reviewed its interests in joint arrangements at January 1, 2014, and consequently classified 15 companies as "joint ventures"; the entities in question have therefore been accounted for using the equity method.

The tables below set out the effects arising from the above changes in accounting policies on the Group's financial position, profit/(loss), other comprehensive income and cash flows.

Statement of financial position

(in thousands of euro)	12.31.2013 re-stated	12.31.2013 published	Changes
Non-current assets			
Property, plant and equipment	3,894,431	3,912,829	(18,398)
Investment property	24,854	24,854	-
Goodwill	1,507,331	1,508,142	(811)
Intangible assets	94,428	93,975	453
Equity-accounted investees	207,914	189,226	18,688
Other equity investments	53,466	53,489	(23)
Deferred tax assets	67,196	67,252	(56)
Other non-current assets	243,066	243,077	(11)
Total non-current assets	**6,092,686**	**6,092,844**	**(158)**
Current assets			
Inventories	623,111	624,145	(1,034)
Trade receivables	659,362	660,443	(1,081)
Other current assets including derivatives	281,326	282,741	(1,415)
Tax assets	28,972	28,840	132
Equity investments, bonds and financial assets	49,173	46,668	2,505
Cash and cash equivalents	480,386	484,386	(4,000)
Total current assets	**2,122,330**	**2,127,223**	**(4,893)**
Total assets	**8,215,016**	**8,220,067**	**(5,051)**
Equity			
Share capital	282,549	282,549	-
Share premium	344,104	344,104	-
Reserves	(90,563)	(90,563)	-
Treasury shares	(58,690)	(58,690)	-
Retained earnings	2,126,446	2,126,445	1
Equity attributable to owners of the parent	**2,603,846**	**2,603,845**	**1**
Non-controlling interests	1,179,152	1,172,665	6,487
Total equity	**3,782,998**	**3,776,510**	**6,488**
Non-current liabilities			
Financial liabilities	2,131,948	2,135,003	(3,055)
Employee benefits	284,934	284,944	(10)
Provisions	212,407	214,073	(1,666)
Deferred tax liabilities	203,243	203,477	(234)
Other non-current liabilities	29,981	29,982	(1)
Total non-current liabilities	**2,862,513**	**2,867,479**	**(4,966)**
Current liabilities			
Loans and borrowings	228,662	228,791	(129)
Financial liabilities	184,980	188,269	(3,289)
Trade payables	515,827	517,196	(1,369)
Provisions	1,718	1,718	-
Tax liabilities	34,354	34,293	61
Other current liabilities	603,964	605,811	(1,847)
Total current liabilities	**1,569,505**	**1,576,078**	**(6,573)**
Total liabilities	**4,432,018**	**4,443,557**	**(11,539)**
Total equity and liabilities	**8,215,016**	**8,220,067**	**(5,051)**

(in thousands of euro)	01.01.2013 re-stated	01.01.2013 published	Changes
Non-current assets			
Property, plant and equipment	4,100,601	4,121,089	(20,488)
Investment property	29,269	29,269	-
Goodwill	1,597,876	1,598,687	(811)
Intangible assets	98,375	97,808	567
Equity-accounted investees	227,529	207,488	20,041
Other equity investments	80,074	80,096	(22)
Deferred tax assets	57,930	57,723	207
Other non-current assets	307,468	307,521	(53)
Total non-current assets	**6,499,122**	**6,499,681**	**(559)**
Current assets			
Inventories	698,301	699,720	(1,419)
Trade receivables	743,761	744,579	(818)
Other current assets including derivatives	317,331	319,149	(1,818)
Tax assets	26,797	26,638	159
Equity investments, bonds and financial assets	26,045	23,006	3,039
Cash and cash equivalents	575,192	578,388	(3,196)
Total current assets	**2,387,427**	**2,391,480**	**(4,053)**
Total assets	**8,886,549**	**8,891,161**	**(4,612)**
Equity			
Share capital	282,549	282,549	-
Share premium	344,104	344,104	-
Reserves	36,344	36,344	-
Treasury shares	(58,690)	(58,690)	-
Retained earnings	2,298,667	2,298,667	-
Equity attributable to owners of the parent	**2,902,974**	**2,902,974**	**-**
Non-controlling interests	1,267,953	1,261,726	6,227
Total equity	**4,170,927**	**4,164,700**	**6,227**
Non-current liabilities			
Financial liabilities	2,013,945	2,016,946	(3,001)
Employee benefits	324,862	324,863	(1)
Provisions	223,859	225,435	(1,576)
Deferred tax liabilities	193,479	193,643	(164)
Other non-current liabilities	40,529	40,529	-
Total non-current liabilities	**2,796,674**	**2,801,416**	**(4,742)**
Current liabilities			
Loans and borrowings	428,881	429,479	(598)
Financial liabilities	292,508	296,376	(3,868)
Trade payables	604,972	605,629	(657)
Provisions	559	559	-
Tax liabilities	30,839	30,884	(45)
Other current liabilities	561,189	562,118	(929)
Total current liabilities	**1,918,948**	**1,925,045**	**(6,097)**
Total liabilities	**4,715,622**	**4,726,461**	**(10,839)**
Total equity and liabilities	**8,886,549**	**8,891,161**	**(4,612)**

Income statement

(in thousands of euro)	2013 re-stated	%	2013 published	%	Changes
Revenue	**4,231,629**	**100.0**	**4,235,433**	**100.0**	**(3,804)**
Other revenue	41,041		41,336		(295)
Change in inventories	(9,968)		(10,499)		531
Internal work capitalized	38,421		38,421		-
Raw materials and supplies	(1,686,090)		(1,681,650)		(4,440)
Services	(1,053,791)		(1,059,965)		6,174
Employee expense	(862,161)		(862,413)		252
Other operating expense, net	(69,833)		(69,705)		(128)
Recurring EBITDA	**629,248**	**14.9**	**630,958**	**14.9**	**(1,710)**
Net gains from sale of non-current assets	20,262		20,262		-
Non-recurring expense for re-organizations	(30,336)		(30,336)		-
Other non-recurring expense, net	(2,931)		(2,931)		-
EBITDA	**616,243**	**14.6**	**617,953**	**14.6**	**(1,710)**
Amortization and depreciation	(425,254)		(426,549)		1,295
Impairment	(31,620)		(32,120)		500
EBIT	**159,369**	**3.8**	**159,284**	**3.8**	**85**
Finance income	41,377		41,370		7
Finance costs	(160,816)		(161,507)		691
Exchange-rate differences and derivatives	(3,587)		(3,718)		131
Impairment on financial assets	(16,048)		(16,048)		-
Share of profit (loss) of equity-accounted investees	7,444		8,086		(642)
Profit before tax	**27,739**	**0.7**	**27,467**	**0.6**	**272**
Income tax expense	(115,950)		(115,883)		(67)
Loss relating to continuing operations	**(88,211)**	**-2.1**	**(88,416)**	**-2.1**	**205**
Profit (loss) relating to discontinued operations	-		-		-
Loss for the year	**(88,211)**	**-2.1**	**(88,416)**	**-2.1**	**205**
Attributable to:					
Owners of the parent	**(165,042)**		**(165,049)**		**7**
Non-controlling interests	**76,831**		**76,633**		**198**
Earnings per share					
- Basic					
savings shares	-0.574 €		-0.574 €		
ordinary shares	-0.604 €		-0.604 €		
- Diluted					
savings shares	-0.574 €		-0.574 €		
ordinary shares	-0.604 €		-0.604 €		

Statement of comprehensive income

(in thousands of euro)	2013 re-stated	%	2013 published	%	Changes
Loss for the year	**(88,211)**		**(88,416)**		**205**
Other comprehensive income (expense)					
Items that will not be reclassified to profit or loss subsequently					
Remeasurement of the net liability (asset) for employee benefits	29,062		29,063		(1)
Remeasurement of the net liability (asset) for employee benefits - equity-accounted investees	1				1
Income tax	(4,581)		(4,581)		-
Total items that will not be reclassified to profit or loss subsequently	**24,482**		**24,482**		**-**
Items that might be reclassified to profit or loss subsequently					
Translation reserve on foreign operations	(228,624)		(228,677)		53
Translation reserve on foreign operations - equity-accounted investees	(11,001)		(10,948)		(53)
Fair value gains on cash flow hedges	14,854		14,854		-
Fair value gains on cash flow hedges - equity-accounted investees	161		161		-
Fair value losses on available-for-sale financial assets	(4,650)		(4,650)		-
Fair value gains on available-for-sale financial assets - equity-accounted investees	110		110		-
Income tax	1,597		1,597		-
Total items that might be reclassified to profit or loss subsequently	**(227,553)**		**(227,553)**		**-**
Total other comprehensive income (expense)	**(203,071)**		**(203,071)**		**-**
Total comprehensive income (expense)	**(291,282)**		**(291,487)**		**205**
Attributable to:					
Owners of the parent	**(270,539)**		**(270,548)**		**9**
Non-controlling interests	**(20,743)**		**(20,939)**		**196**

Statement of cash flows

(in thousands of euro)	2013 re-stated	2013 published	Changes
A) Cash flow from operating activities:			
Profit before tax	27,739	27,467	272
Adjustments for:			
Amortization, depreciation and impairment	474,074	475,868	(1,794)
Reversal of undistributed share of profit (loss) of equity-accounted investees	3,047	1,759	1,288
Net (gains) losses from sale of non-current assets	(19,838)	(21,817)	1,979
Change in employee benefits and other provisions	(3,855)	(3,742)	(113)
Reversal of finance costs	118,882	119,576	(694)
income/costs and change in working capital tax, finance income/costs and change in working capital:	**600,049**	**599,111**	938
Change in working capital	38,455	33,481	4,974
finance income/costs before tax and finance income/costs	**638,504**	**632,592**	5,912
Net finance costs paid	(110,364)	(111,058)	694
Taxes paid	(91,750)	(92,032)	282
Total A)	**436,390**	**429,502**	6,888
B) Cash flow from investing activities:			
Capital expenditure:			
Intangible assets	(12,674)	(12,679)	5
Property, plant and equipment and investment property	(323,199)	(323,113)	(86)
Financial assets (equity investments) net of cash acquisitions **(*)**	(3,491)	(3,491)	-
Total capital expenditure	**(339,364)**	**(339,283)**	(81)
Proceeds from the sale of non-current assets	36,713	38,081	(1,368)
Total sales	**36,713**	**38,081**	(1,368)
Change in other non-current financial assets/liabilities	(3,895)	(3,894)	(1)
Total B)	**(306,546)**	**(305,096)**	(1,450)
C) Cash flow from financing activities:			-
Increase in non-current financial liabilities	649,049	649,090	(41)
Repayments of non-current financial liabilities	(481,444)	(481,682)	238
Change in current financial liabilities	(268,191)	(266,957)	(1,234)
Dividends paid	(83,695)	(83,695)	-
Other changes in equity	(7,653)	(1,050)	(6,603)
Changes in interests in subsidiaries	373	373	-
Other sources and applications	6,872	5,478	1,394
Total C)	**(184,689)**	**(178,443)**	(6,246)
D) Translation differences and other changes	**(39,961)**	**(39,965)**	4
E) Cash flows relating to discontinued operations	**-**	**-**	-
F) Cash flows for the year (A+B+C+D+E)	**(94,806)**	**(94,002)**	**(804)**
G) Cash and cash equivalents at beginning of year	**575,192**	**578,388**	**(3,196)**
Cash and cash equivalents at end of year (F+G)	**480,386**	**484,386**	**(4,000)**
(*) cash of acquired and consolidated companies	110	110	-

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

Exchange rates for 1 euro:

	Average rate		Closing rate	
Currencies	Full year 2014	Full year 2013	December 31, 2014	December 31, 2013
Albania lek	139.95452	140.29165	140.09500	140.53302
Saud Arabia riyal	4.98307	4.97905	4.55733	5.17242
Australia dollar	1.47188	1.37571	1.48290	1.54230
Brazil real	3.12113	2.86477	3.22070	3.25760
Canada dollar	1.46614	1.36747	1.40630	1.46710
Dubai UAE dirham	4.87957	4.87640	4.45942	5.06539
Egypt pound	9.41554	9.12954	8.68519	9.58716
GB sterling	0.80612	0.84908	0.77890	0.83370
India rupee	81.04062	77.81509	76.71900	85.36600
Kazakhstan tenge	238.15509	202.03991	221.46000	212.43863
Kuwait dinar	0.37804	0.37687	0.35558	0.38954
Libya dinar	1.64626	1.67945	1.45389	1.70192
Morocco dirham	11.16302	11.16728	10.98020	11.25385
Mauritania ouguiya	401.62913	399.27747	380.52300	412.68878
Mexico peso	17.65504	16.95204	17.86790	18.07310
Mozambique metical	40.71317	-	38.43840	-
Qatar riyal	4.83737	4.83385	4.42155	5.02187
People's Republic of China renminbi	8.18575	8.16286	7.53580	8.34910
Sri Lanka rupee	173.48069	171.46177	159.34700	180.38636
USA dollar	1.32850	1.32764	1.21410	1.37910
Switzerland franc	1.21462	1.23085	1.20240	1.22760
Thailand baht	43.14687	40.79178	39.91000	45.17800
Turkey lira	2.90650	2.52634	2.83200	2.96050

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. Significant events and Scope of consolidation

As already noted in the previous financial reports and in the interim reports, in 2014 the Italcementi S.p.A. Board of Directors approved a plan to streamline its corporate structure and strengthen the Group through:
- the mandatory conversion of Italcementi savings shares into ordinary shares at a rate of 0.65 ordinary shares for each savings share;
- an increase in Italcementi share capital for a maximum amount of 499,979,628.82 euro including the share premium;
- a voluntary public tender offer on Ciments Français shares for the purpose of delisting them from the Paris Stock Exchange; the price was set at 79.5 euro per share.

The operations took place as follows:
During the second quarter, the **conversion of savings shares into ordinary shares** was completed; as from June 2, 2014, only Italcementi ordinary shares trade on the Borsa Italiana S.p.A. electronic stock exchange (*Mercato Telematico Azionario*).
On July 7, the **Italcementi S.p.A. share capital increase** was completed, with the full subscription and payment of the 103,622,721 shares on offer, for an overall amount of 499,979,628.82 euro, of which 119,166,129.15 euro attributable to par value.

The parent's share capital therefore stands at 401,715,071.15 euro, consisting of 349,270,680 ordinary shares with no par value.

On July 3, 2014, at the close of the **simplified public tender offer for Ciments Français shares (June 13 – July 3)**, Italcementi held 97.73% of the share capital and 98.65% of the voting rights of the French company. Since the share still held by CF non-controlling shareholders had decreased to less than 5% of capital and voting rights, Italcementi applied to the French stock exchange authority (AMF) for execution of the "squeeze-out" procedure.
The squeeze-out procedure took place on July 15, at the same price as that paid for the tender offer, i.e., 79.5 euro per share, for a maximum of 808,794 shares representing 2.27% of Ciments Français capital; Italcementi deposited funds with BNP Paribas Security Services equivalent to the amount of compensation due to shareholders who did not take up the tender offer; on the same day, **Ciments Français shares were delisted from the Paris stock exchange**.

Scope of consolidation

Changes in the scope of consolidation

Suez Cement Company SAE purchased the residual 50% of the capital of International City for Concrete in Saudi Arabia; the Saudi company is now owned 100% and has been fully consolidated since January 1, 2014 (in 2013 it was consolidated using the proportionate method).

4. Operating segment disclosure and Non-controlling interests

The table below shows the Group operating segments:

Central Western Europe (C.W.E.)
- Italy (Italcementi S.p.A., Calcestruzzi group, Italgen group and others)
- France-Belgium
- Spain
- Greece
North America
Emerging Europe, North Africa and Middle East (EE.NA.ME.)
- Egypt*
- Morocco*
- Others EE.NA.ME.: Bulgaria, Kuwait* and Saudi Arabia
Asia
- Thailand*
- India and Sri Lanka
- Kazakhstan
Cement and clinker trading (Interbulk Trading and terminals)
Other operations (Italcementi Finance, Holdings, SIIL, BravoSolution group* and others)

* the asterisk indicates countries or groups where non-controlling interests are present; see note 4.1 for the most significant non-controlling interests.
A full list of Group companies showing non-controlling interests is provided in annex 1 of the Notes.

Trading includes cement and clinker marketing activities in countries where Group terminals are located: Gambia, Mauritania, Albania and Mozambique, 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 the year ended December 31, 2014:

(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	600,543	(69,274)	531,269	19,346	23,675	(66,890)			(539)		
France-Belgium	1,362,528	(5,370)	1,357,158	222,209	221,271	128,837			14		
Spain	107,582	(46,397)	61,185	9,964	9,290	(3,992)			-		
Greece	29,295	(3,661)	25,634	115	(1,063)	9,274			(36)		
Eliminations	(20,100)	20,100	-	-	(63)	(62)			-		
C.W.E.	**2,079,848**	**(104,602)**	**1,975,246**	**251,634**	**253,110**	**67,167**			**(561)**		
N. America	**454,521**	**(286)**	**454,235**	**51,030**	**51,391**	**(16,129)**			**4,309**		
Egypt	588,767	(20,793)	567,974	105,521	105,789	55,779			318		
Morocco	309,275	(7,784)	301,491	136,898	133,368	93,600			8,029		
Others EE.NA.ME.	123,483	(7,046)	116,437	14,766	15,866	(2,406)			(7)		
Eliminations	-	-	-	-	(4)	(5)			-		
EE.NA.ME.	**1,021,525**	**(35,623)**	**985,902**	**257,185**	**255,019**	**146,968**			**8,340**		
Thailand	271,091	(6,317)	264,774	64,108	64,191	43,843			-		
India	228,419	(2,840)	225,579	18,262	17,537	210			-		
Kazakhstan	38,812	-	38,812	3,058	2,916	(2,688)			-		
Eliminations	-	-	-	-	-	-			-		
Asia	**538,322**	**(9,157)**	**529,165**	**85,428**	**84,644**	**41,365**			**-**		
Cement and clinker trading	**202,307**	**(70,918)**	**131,389**	**10,407**	**10,069**	**3,825**			**(394)**		
Other ops.	**327,658**	**(247,954)**	**79,704**	**(6,762)**	**(6,597)**	**(13,217)**			**-**		
Unallocated items	-	-	-	-		-	(139,196)	(26,844)		72,360	(121,292)
Eliminations	(468,540)	468,540	-	217	(3,463)	(3,273)			-		
Total	**4,155,641**	**-**	**4,155,641**	**649,139**	**644,173**	**226,706**	**(139,196)**	**(26,844)**	**11,694**	**72,360**	**(121,292)**

The table below sets out segment revenue and results for the year ended December 31, 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	654,840	(50,693)	604,147	(15,316)	(17,514)	(128,239)			(381)		
France-Belgium	1,473,954	(6,923)	1,467,031	263,933	262,104	168,822			(224)		
Spain	99,435	(34,689)	64,746	(2,583)	(13,954)	(44,788)			-		
Greece	24,189	(3,817)	20,372	(3,777)	(3,787)	6,969			(5,919)		
Eliminations	(17,203)	17,203	-	3	(7)	(6)			-		
C.W.E.	**2,235,215**	**(78,919)**	**2,156,296**	**242,260**	**226,842**	**2,758**			**(6,524)**		
N. America	**428,691**	**(354)**	**428,337**	**55,010**	**61,100**	**(3,754)**			**4,990**		
Egypt	498,912	(14,129)	484,783	110,137	106,074	52,003			334		
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	14,786	15,147	1,575			(75)		
Eliminations	(11)	11	-	-	-	-			-		
EE.NA.ME.	**943,956**	**(31,452)**	**912,504**	**268,042**	**268,591**	**160,784**			**9,966**		
Thailand	269,151	(57)	269,094	51,538	52,505	28,433			-		
India	226,824	(1,017)	225,807	26,906	27,415	8,328			-		
Kazakhstan	49,431	(1)	49,430	272	42	(6,990)			-		
Eliminations	-	-	-	-	-	-			-		
Asia	**545,406**	**(1,075)**	**544,331**	**78,716**	**79,962**	**29,771**			**-**		
Cement and clinker trading	**168,969**	**(54,305)**	**114,664**	**8,133**	**8,155**	**5,060**			**(989)**		
Other ops.	**308,478**	**(232,981)**	**75,497**	**(22,917)**	**(27,740)**	**(34,775)**			**-**		
Unallocated items	-	-	-	-		-	(123,026)	(16,048)	-	27,739	(115,950)
Eliminations	(399,086)	399,086	-	4	(667)	(475)			1		
Total	**4,231,629**	**-**	**4,231,629**	**629,248**	**616,243**	**159,369**	**(123,026)**	**(16,048)**	**7,444**	**27,739**	**(115,950)**

The table below sets out other segment data at December 31, 2014:

	December 31, 2014				
(in thousands of euro)	**Operating assets**	**Operating liabilities**	**Equity-accounted investees**	**Depreciation of PPE and investment property and amortization of intangible assets**	**Impairment**
Italy	1,314,209	326,902	5,154	(77,272)	(13,293)
France-Belgium	1,821,483	498,002	17,331	(92,192)	(242)
Spain	234,441	41,911	-	(13,282)	-
Greece	66,343	13,322	50,520	(4,649)	14,986
Eliminations	(3,439)	(3,489)	-	-	-
C.W.E.	**3,433,037**	**876,648**	**73,005**	**(187,394)**	**1,451**
North America	**1,050,573**	**185,362**	**84,145**	**(67,520)**	**-**
Egypt	1,055,142	246,865	5,003	(50,010)	-
Morocco	598,800	87,851	39,393	(39,768)	-
Others EE.NA.ME.	378,282	40,631	2,344	(11,184)	(7,089)
Eliminations	-	-	-	-	-
EE.NA.ME.	**2,032,224**	**375,347**	**46,740**	**(100,962)**	**(7,089)**
Thailand	365,879	55,759	-	(20,440)	92
India	490,794	96,290	-	(17,327)	-
Kazakhstan	59,188	17,003	-	(5,604)	-
Eliminations	-	1	-	-	-
Asia	**915,861**	**169,053**	**-**	**(43,371)**	**92**
Cement and clinker trading	**72,698**	**37,253**	**3,678**	**(2,588)**	**(3,656)**
Other operations	**148,657**	**200,807**	**-**	**(6,620)**	**-**
Unallocated items	-	-	-		-
Eliminations	(167,783)	(171,100)	(1)	192	(1)
Total	**7,485,267**	**1,673,370**	**207,567**	**(408,263)**	**(9,204)**

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	1,262,479	378,103	5,986	(87,342)	(23,383)
France-Belgium	1,851,553	520,569	15,995	(91,842)	(1,440)
Spain	240,288	37,459	-	(14,767)	(16,067)
Greece	55,841	12,846	51,177	(4,307)	15,064
Eliminations	(3,822)	(3,822)	-	-	-
C.W.E.	**3,406,339**	**945,155**	**73,158**	**(198,258)**	**(25,826)**
North America	**958,531**	**141,331**	**83,328**	**(64,854)**	**-**
Egypt	891,742	166,011	4,384	(54,071)	-
Morocco	605,114	89,078	40,782	(40,164)	-
Others EE.NA.ME.	324,309	43,074	2,192	(7,732)	(5,841)
Eliminations	(15)	(14)	-	-	-
EE.NA.ME.	**1,821,150**	**298,149**	**47,358**	**(101,967)**	**(5,841)**
Thailand	329,085	42,039	-	(24,119)	47
India	386,923	78,937	-	(19,087)	-
Kazakhstan	40,301	9,001	-	(7,032)	-
Eliminations	-	-	-	-	-
Asia	**756,309**	**129,977**	**-**	**(50,238)**	**47**
Cement and clinker trading	**61,177**	**28,163**	**4,070**	**(3,095)**	**-**
Other operations	**138,635**	**144,103**	**-**	**(7,035)**	**-**
Unallocated items	-	-	-	-	-
Eliminations	(97,201)	(100,547)	-	193	-
Total	**7,044,940**	**1,586,331**	**207,914**	**(425,254)**	**(31,620)**

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 EE.NA.ME. Other countries

	Revenue		Recurring EBITDA	
(in thousands of euro)	**2014**	**2013**	**2014**	**2013**
Bulgaria	57,040	59,466	11,844	9,476
Kuwait	58,790	56,882	2,677	4,930
Saudi Arabia	7,653	3,669	245	380
Others EE.NA.ME.	**123,483**	**120,017**	**14,766**	**14,786**

4.1. Non-controlling interests

The subsidiaries in which the Group has material non-controlling interests are located in the following countries:

- Egypt: Suez Cement Co., Tourah PCC, Helwan Cement Co. and Al Mahaliya Ready Mix Concrete;
- Morocco: Ciments du Maroc;
- Thailand: Asia Cement Public Co., Asia Cement Products Co., Jalaprathan Cement Public Co. and Jalaprathan Concrete Products Co.

The non-controlling percentage interests are shown in annex 1.

The table below sets out key consolidated figures by country:

	Egypt		Morocco		Thailand	
(in millions of euro)	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Revenue	588.8	498.9	309.3	325.0	271.1	269.2
Profit for the year	35.9	46.1	84.2	82.5	39.0	23.4
Profit attributable to non-controlling interests	18.3	27.3	29.1	36.6	18.4	13.0
Total comprehensive income (expense)	126.2	(78.7)	99.6	75.8	83.5	(15.5)
Total comprehensive income (expense) attributable to non-controlling interests	**59.2**	**(40.2)**	**33.8**	**33.9**	**34.1**	**(4.7)**
Non-current assets	950.2	851.7	644.2	644.7	268.0	242.5
Current assets	350.6	285.4	222.9	210.0	213.7	152.6
Non-current liabilities	(94.3)	(85.0)	(36.1)	(30.6)	(10.1)	(10.0)
Current liabilities	(245.5)	(159.8)	(90.1)	(101.2)	(71.7)	(58.5)
Net assets	961.0	892.3	740.9	722.9	399.9	326.6
Net assets attributable to non-controlling interests	**380.2**	**437.0**	**233.7**	**302.6**	**143.7**	**148.3**
Dividends paid	53.5	43.6	82.6	53.6	10.3	9.6
Dividends paid attributable to non-controlling interests	**27.8**	**24.4**	**22.7**	**20.3**	**4.7**	**4.4**

Joint operations

The Group has a limited number of joint arrangements relating to several entities in France, one in Belgium and one in Spain. These arrangements, whose value is immaterial, largely refer to quarrying operations in the aggregates segment in France and Belgium.
The table below sets out the main aggregate figures for the share reflected in the Group consolidated financial statements:

(in millions of euro)	**December 31, 2014**	**December 31, 2013**
Current assets	14.2	8.9
Non-current assets	59.6	51.8
Total assets	**73.9**	**60.7**
Current liabilities	32.7	31.1
Non-current liabilities	18.7	18.1
Total liabilities	**51.4**	**49.2**
	2014	**2013**
Revenue	16.0	13.0
Expense	(15.3)	(23.3)
Profit (loss) for the year	**0.8**	**(10.3)**

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, 2013	**948,904**	**381,942**	**1,984,268**	**579,317**	**3,894,431**
Gross amount	2,128,467	629,801	7,480,610	958,450	11,197,328
Accumulated depreciation	(1,179,563)	(247,859)	(5,496,342)	(379,133)	(7,302,897)
Net carrying amount at Dec. 31, 2013	**948,904**	**381,942**	**1,984,268**	**579,317**	**3,894,431**
Additions	11,654	8,827	233,802	231,512	485,795
Change in scope of consolidation, reclassifications, other	33,544	874	167,271	(202,842)	(1,153)
Depreciation and impairment	(41,785)	(26,343)	(301,930)	(26,765)	(396,823)
Translation differences	42,939	7,372	106,126	35,270	191,707
Net carrying amount at Dec. 31, 2014	**995,256**	**372,672**	**2,189,537**	**616,492**	**4,173,957**
Gross amount	2,251,671	649,667	8,100,536	1,028,240	12,030,114
Accumulated depreciation	(1,256,415)	(276,995)	(5,910,999)	(411,748)	(7,856,157)
Net carrying amount at Dec. 31, 2014	**995,256**	**372,672**	**2,189,537**	**616,492**	**4,173,957**

Additions in the year amounted to 485.8 million euro, and were mainly in Italy, Bulgaria, France-Belgium, Egypt and India.
"Depreciation and impairment" includes net impairment losses on assets of 8.7 million euro (26.8 million euro in 2013), relating mainly to Italy for 12.3 million euro (23.4 million euro in 2013) and Bulgaria for 7.7 million euro, net of the reversal for 15.0 million euro of the impairment loss on production plants in Greece.
Non-current assets held under finance leases and rental contracts were carried at a net amount of 5.3 million euro at December 31, 2014 (16.4 million euro at December 31, 2013). They consist of plant and machinery for 3.3 million euro and buildings for 2.0 million euro.
Expenses included under "Property, plant and equipment" at December 31, 2014 amounted to 39.0 million euro (34.7 million euro at December 31, 2013).
Capitalized finance costs amounted to 4.9 million euro in 2014 (1.5 million euro in 2013) and referred chiefly to Italy for the revamping of the Rezzato cement plant.
Non-current assets pledged as security for bank loans were carried at 224.4 million euro at December 31, 2014 (168.4 million euro at December 31, 2013) and referred in the main to the Indian subsidiaries.
Other Property, plant and equipment includes assets under construction for a total of 534.3 million euro, mainly in Bulgaria for 170.8 million euro, India for 96.0 million euro and Italy for 72.5 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, 2013	**24,854**
Gross amount	82,945
Accumulated depreciation	(58,091)
Net carrying amount at Dec. 31, 2013	**24,854**
Additions	41
Disposals	(133)
Depreciation and impairment	(850)
Translation differences	7
Reclassifications	55
Net carrying amount at Dec. 31, 2014	**23,974**
Gross amount	82,896
Accumulated depreciation	(58,922)
Net carrying amount at Dec. 31, 2014	**23,974**

Investment property is recognized at cost net of depreciation; fair value at December 31, 2014 was 76.5 million euro (81.5 million euro at December 31, 2013).

6. Goodwill

(in thousands of euro)	
Net carrying amount at Dec. 31, 2013	**1,507,331**
Additions	425
Impairment	(1,110)
Translation differences and other	78,224
Net carrying amount at Dec. 31, 2014	**1,584,870**

The change in goodwill arose largely from the 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).
For the purposes of impairment testing, determination of future cash flows was based on the 2015 Budget, on subsequent year projections and on new assumptions and economic assessments deemed to reflect current 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 such as 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 specific technical coefficients in the construction materials industry in each country.
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 amount 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 Eurozone and the USA – average at 12 months – source Bloomberg; beta coefficient – average at 5 years – source Bloomberg; market premium – average at 10 years – sources Bloomberg, broker reports, analyst consensus forecasting) and of sector debt (7Y swap – average at 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 Eurozone, adjusted to include the specific risk premium for each country (determined by the Group on the basis of Moody's and Standard & Poor's 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	**2014**	**2013**	**2014**	**2013**
Italy	8.2	8.8	1.5	2.0
France/Belgium	8.3	8.3	1.7	2.0
Spain	8.3	8.9	1.8	1.8
Greece	11.1	12.6	1.9	2.0
North America	9.0	8.3	2.1	1.9
Egypt	19.4	17.8	5.7	5.2
Morocco	10.7	11.2	2.1	2.7
Bulgaria	9.4	8.6	2.5	2.4
Kuwait	8.4	7.8	2.9	2.5
Thailand	10.5	10.2	3.4	3.4
India	15.4	15.2	6.8	6.8

The tests for 2014 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, 2014**	**December 31, 2013**
Italy	27,745	28,794
France/Belgium	585,704	585,934
Spain	14,063	14,063
North America	153,749	134,060
Egypt	436,095	395,733
Morocco	109,636	106,970
Kuwait	13,733	16,848
Thailand	90,897	80,305
India	78,821	70,837
Bulgaria	59,774	59,774
Others	14,653	14,013
Total	**1,584,870**	**1,507,331**

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 2013. The results of the impairment tests conducted at December 31, 2014, however, found a reduction in the Group's overall recoverable amount compared with the tests conducted in 2013.
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 2013, can be considered justified.

Sensitivity analysis

With reference to the current and expected industry situation and to the results of the 2014 impairment tests, a sensitivity analysis was conducted on recoverable amount, using the discounted cash flow method.
At December 31, 2014 a 1% increment in the weighted average cost of capital would determine a surplus difference in carrying amount with respect to recoverable amount for the following CGUs: Italy 28 million euro, France-Belgium 36 million euro, Greece 3 million euro, North America 43 million euro.

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 the recoverable amount of the CGUs.
A 5% reduction in expected cash flows with respect to projections would not determine a surplus in carrying amount with respect to the recoverable amount of the CGUs.
On the basis of this analysis, the Group deems it is not necessary to further 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: Italy 8.8%, Greece 11.8%, North America 9.8%, Egypt 20.8%, India 16.3%, Kazakhstan 14.6% and Kuwait 9.24%.

7. Intangible assets

(in thousands of euro)	Patents, IT development	Concessions and other	Total
Net carrying amount at December 31, 2013	**47,526**	**46,902**	**94,428**
Gross amount	167,600	79,018	246,618
Accumulated amortization	(120,074)	(32,116)	(152,190)
Net carrying amount at December 31, 2013	**47,526**	**46,902**	**94,428**
Additions	5,007	6,013	11,020
Sales	(533)	-	(533)
Amortization and impairment	(14,650)	(4,659)	(19,309)
Translation diffeences	1,394	3,181	4,575
Reclassifications and others	3,588	(839)	2,749
Net carrying amount at December 31, 2014	**42,332**	**50,598**	**92,930**
Gross amount	172,700	88,219	260,919
Accumulated amortization	(130,368)	(37,621)	(167,989)
Net carrying amount at December 31, 2014	**42,332**	**50,598**	**92,930**

Expenses recognized under intangible assets for IT development and software licenses was 7.5 million euro at December 31, 2014 (3.7 million euro at December 31, 2013).
"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 the share of equity, including goodwill of 28.5 million euro at December 31, 2014 (27.9 million euro at December 31, 2013), held in associates and joint ventures accounted for using the equity method.

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, 2014	December 31, 2013	2014	2013
Associates				
Ciment Québec (Canada)	84.1	83.3	4.1	2.5
Vassiliko Cement Works (Cyprus)	50.5	51.2	(0.0)	(5.9)
Asment Cement (Morocco)	39.4	40.8	8.0	9.7
Other associates	14.1	13.9	(0.6)	1.8
Total associates	**188.1**	**189.2**	**11.5**	**8.1**
Joint ventures	**19.5**	**18.7**	**0.2**	**(0.6)**
Total	**207.6**	**207.9**	**11.7**	**7.4**

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

	Ciment Québec Canada		Vassiliko Cement Works* Cyprus		Asment Morocco	
(in millions of euro)	2014	2013	2014**	2013	2014	2013
Revenue	109.6	111.8	62.9	79.6	110.1	116.7
Profit (loss) for the year	8.2	5.0	4.2	(11.0)	23.9	28.1
Other comprehensive income (expense)	-	-	-	(1.7)	-	-
Total comprehensive income (expense)	8.2	5.0	4.2	(12.7)	23.9	28.1
Non-current assets	124.6	124.9	279.2	288.4	49.8	51.5
Current assets	79.6	73.7	31.5	34.3	64.4	80.4
Non-current liabilities	(23.0)	(22.1)	(74.4)	(85.6)	(0.6)	(1.0)
Current liabilities	(11.0)	(8.2)	(16.9)	(19.4)	(28.9)	(42.0)
Net assets	170.0	168.2	219.4	217.7	84.7	88.9
Equity interest	**50.0%**	**50.0%**	**24.7%**	**24.7%**	**37.0%**	**37.0%**
Value of interest at beginning of year	85.0	84.1	54.1	53.7	31.3	32.9
Goodwill	-	-	11.5	11.5	9.2	8.9
Adjustment for compliance with Group policies	(0.9)	(0.8)	(15.0)	(14.0)	(1.1)	(1.1)
Value of interest at end of year	**84.1**	**83.3**	**50.5**	**51.2**	**39.4**	**40.8**
Dividends received during year	6.5	2.9	0.6	-	10.3	6.6
Market value	-	-	16.1	9.6	-	-

* listed company
** data at September 30, 2014

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, 2013	**53,466**
Acquisitions	2,775
Sales	(900)
Changes in fair value taken to equity reserve	19,698
Translation differences	58
Impairment losses and other	(28,819)
At December 31, 2014	**46,278**

At December 31, 2014 other equity investments amounted to 46.3 million euro (53.5 million euro at December 31, 2013).
The largest equity investment was the listed company West China Cement, whose market value was 24.8 million euro at December 31, 2014 (30.6 million euro at December 31, 2013); during the first half, the Group ascertained a material impairment loss of the investment of 24.7 million euro, of which 13.4 million euro from the attribution to profit or loss of the fair value loss arising in previous years.
The Syrian company Al Badia Cement, carried at 2.2 million euro at December 31, 2013, was fully impaired in full.
Both impairment losses were recognized in the income statement under “Impairment on financial assets”.

Other equity investments at December 31, 2014 were as follows:

(in thousands of euro)	% share of total capital	December 31, 2014
Equity investments in listed companies		
West China Cement - China	6.25	24,839
Equity investments in non-listed companies		**21,439**
Total		**46,278**

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, 2014	December 31, 2013
Derivatives	92,924	87,843
Concessions and licenses paid in advance	1,189	1,142
Non-current receivables	69,345	117,475
Deposits	44,873	36,082
Other	225	524
Total	**208,556**	**243,066**

Derivatives are discussed in note 22.3.1 Derivatives.
The reduction in "Non-current receivables" arose largely from the termination of the tax consolidation headed by the parent Italmobiliare S.p.A. This termination led to recognition of tax assets of 36.6 million euro, not utilized by the parent, relating to advances paid and to prior year withholdings, carried under non-current assets, and to deferred tax assets arising from tax loss carryforwards of 22.0 million euro, carried under deferred tax assets.

11. Inventories

(in thousands of euro)	December 31, 2014	December 31, 2013
Raw materials, consumables and supplies	364,848	336,873
Work in progress and semifinished goods	201,363	162,831
Finished goods	112,729	105,254
Payments on account	44,417	18,153
Total	**723,357**	**623,111**

Inventories are carried net of allowances of 82.0 million euro (91.8 million euro at December 31, 2013), set aside mainly against the risk of slow-moving supplies, spare parts and consumables. Spare parts at December 31, 2014 were carried at 150.8 million euro (146.5 million euro at December 31, 2013).

12. Trade receivables

(in thousands of euro)	December 31, 2014	December 31, 2013
Gross amount	722,962	751,149
Allowance for doubtful accounts	(87,306)	(91,787)
Net amount	**635,656**	**659,362**

At December 31, 2014 receivables factored without recourse amounted to 184.1 million euro (190.5 million euro at December 31, 2013), of which: the Group's French and Belgian companies for 158.5 million euro (167.3 million euro at December 31, 2013), the American companies for 25.1 million euro (30.4 million dollars) and Calcestruzzi S.p.A. for 0.5 million euro (3.8 million euro at December 31, 2013).
Under the international factoring 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, 2014, totaled 33.3 million euro; this guarantee does not cover credit risk on the factored receivables.
Finance costs arising from the above factoring transactions amounted to 4.7 million euro in 2014.

13. Other current assets including derivatives

This caption reflects:

(in thousands of euro)	December 31, 2014	December 31, 2013
Receivables from tax and social security authorities and from employees	89,870	84,258
Receivables from the sale of non-current assets	370	396
Concessions and licenses paid in advance	54,566	47,153
Derivatives	7,200	11,722
Other	131,787	137,797
Total	**283,793**	**281,326**

Derivatives are discussed in note 22.3.1 Derivatives.

14. Share capital and Share premium

14.1. Share capital

At December 31, 2014, the parent's fully paid-up share capital amounted to 401,715,071.15 euro (282,548,942 euro at December 31, 2013); the following share capital transactions took place during 2014:

- Mandatory conversion of savings shares into ordinary shares, at a rate of 0.65 new ordinary shares for each savings share held, with no par value. The conversion took place on June 2, 2014;
- Share capital increase with the offer to all shareholders of 3 new shares for every 7 shares held, at a per-share price of 4.825 euro, including a premium of 3.675 euro. All the103,622,721 shares offered were subscribed and paid, for an overall amount of 499,979,628.82 euro, of which 119,166,129.15 euro attributable to par value.

The parent's share capital now stands at 401,715,071.15 euro, represented by 349,270,680 ordinary shares with no par value.

The table below sets out a reconciliation between the number and value of shares outstanding at December 31, 2014 compared with December 31, 2013:

	No. of ordinary shares	Overall carrying amount (in euro)	No. of savings shares	Overall carrying amount (in euro)	Total carrying amount (in euro)
December 31, 2013	**177,117,564**	**177,117,564**	**105,431,378**	**105,431,378**	**282,548,942**
Conversion savings shares into ordinary shares	68,530,395	105,431,378	-105,431,378	-105,431,378	-
Share capital increase	103,622,721	119,166,129	-	-	119,166,129
December 31, 2014	**349,270,680**	**401,715,071**	**-**	**-**	**401,715,071**

14.2. Share premium

The share premium stood at 712,049,401 euro (344,103,798 euro at December 31, 2013). The increase arose from the share capital increase whose share premium net of related expense amounted to 367,945,603 thousand euro.

The movements on the reserve were as follows:

	Overall carrying amount (in euro)
December 31, 2013	**344,103,798**
Increase from premium on share capital increase	380,813,500
Expense relating to share capital increase	(12,867,897)
December 31, 2014	**712,049,401**

15. Reserves

Translation reserve (attributable to owners of the parent)

This reserve reflects differences on the translation of the financial statements of consolidated foreign operations. At December 31, 2014 it reflected a negative balance of 60.6 million euro (a negative balance of 185.8 million euro at December 31, 2013) referring to the following currencies:

(in millions of euro)	December 31, 2014	December 31, 2013	Changes
Egypt (Pound)	(106.0)	(125.8)	19.8
USA and Canada (Dollar)	43.6	(6.8)	50.4
Thailand (Baht)	53.2	18.3	34.9
Morocco (Dirham)	7.6	(4.1)	11.7
India (Rupee)	(62.1)	(74.2)	12.1
Other countries	3.1	6.8	(3.7)
Total	**(60.6)**	**(185.8)**	**125.2**

16. Treasury shares

At December 31, 2014, the carrying amount of Italcementi S.p.A. treasury shares was unchanged from December 31, 2013, at 58,690 thousand euro, reflected in the treasury share reserve.
During the year, after the mandatory conversion of Italcementi savings shares into ordinary shares, at a rate of 0.65 new ordinary shares for each savings share held, the Italcementi S.p.A. 105,500 savings treasury shares were converted into 68,575 ordinary treasury shares, as from June 2, 2014.

The movements of the reserve are set out below:

	No. of ordinary shares	Overall carrying amount (000 euro)	No. of savings shares	Overall carrying amount (000 euro)	Total carrying amount (000 euro)
December 31, 2013	**3,793,029**	**58,342**	**105,500**	**348**	**58,690**
Additions from conversion	68,575	348	-	-	348
Decreases from conversion	-	-	-105,500	-348	-348
December 31, 2014	**3,861,604**	**58,690**	**-**	**-**	**58,690**

17. Retained earnings, dividends paid

Dividends declared by the parent Italcementi S.p.A in 2014 and 2013 are detailed below:

	2014 (euro per share)	2013 (euro per share)	Dec. 31, 2014 (000 euro)	Dec. 31, 2013 (000 euro)
Ordinary shares	0.060	0.060	10,399	10,399
Savings shares	0.060	0.060	6,320	6,320
Total dividends			**16,719**	**16,719**

Dividends paid in 2014 amounted to 16,717 thousand euro (16,717 thousand euro in 2013).

18. Non-controlling interests

Equity attributable to non-controlling interests at December 31, 2014 stood at 808.2 million euro (1,179.2 million euro at December 31, 2013). The decrease of 371 million euro related largely to the effects of the Italcementi public tender offer on Ciments Français shares for 430 million euro; the residual amount was attributable to dividends paid for 64.9 million euro and total comprehensive income of 120.5 million euro.

19. Employee benefits

Employee benefits at December 31, 2014 amounted to 313,231 thousand euro (284,934 thousand euro at December 31, 2013).
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; 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 Belgium.
In terms of geographical distribution of obligations, 35% are in France, 32% in the USA, 16% in Italy, 9% 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 28% of liabilities. Plan assets are concentrated mainly in the USA (90% of total assets) and in France (6% 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 actuarial liability (approximately 140 million euro). Within the US pension plans, 23% of the liability refers to employees on the payroll, 10% to former employees with rights vesting on retirement, and the remaining 67% 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, 32 million euro and 5 million euro respectively. The liability for the medical plans in France refers to employees on the payroll for 36% and to former employees who have retired for the remaining 64%; the liability for the US plan refers to employees on the payroll for 57% and to former employees who have retired for 43%.
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.
41% of plan assets are invested in non-government debt securities, while 50% are invested in equities, of which 19% refer to emerging markets, 4% in insurance assets and 4% 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, post-employment benefit plans and provisions for severance indemnities 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, 14	Dec. 31, 13	Dec. 31, 14	Dec. 31, 13	Dec. 31, 14	Dec. 31, 13
Defined benefit obligations at end of previous year	**215.2**	**241.5**	**92.3**	**100.9**	**307.5**	**342.4**
Cost of services:						
current cost of services	4.2	4.4	1.8	2.3	6.0	6.7
cost of prior services	1.4	2.0	(0.7)	-	0.7	2.0
settlement (gains)/losses	(1.2)	-	-	-	(1.2)	-
Finance costs	8.6	7.9	3.3	3.1	11.9	11.0
Cash flows:						
amounts paid from plans	(8.0)	(10.5)	-	(0.2)	(8.0)	(10.7)
amounts paid by employer	(11.4)	(9.6)	(3.7)	(4.1)	(15.1)	(13.7)
settlement of plans	(2.8)	-	-	-	(2.8)	-
employee contributions	-	-	-	0.2	-	0.2
administrative expense included in defined benefit obligations	-	-	-	-	-	-
tax included in defined benefit obligations	(0.0)	-	-	-	(0.0)	-
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	0.3	(0.5)	-	-	0.3	(0.5)
increase (decrease) due to combinations of plans	-	-	-	-	-	-
Changes arising from new treatment						
effects due to change in demographic assumptions	7.5	3.5	3.8	(1.7)	11.3	1.8
effects due to change in financial assumptions	27.2	(16.3)	17.3	(6.6)	44.5	(22.9)
experience adjustments (changes since previous valuation not in line with assumptions)	1.3	(1.0)	(2.5)	-	(1.2)	(1.0)
Exchange-rate effect	17.5	(6.2)	4.9	(1.6)	22.4	(7.8)
Closing defined benefit obligations	**259.8**	**215.2**	**116.5**	**92.3**	**376.3**	**307.5**

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, 14	Dec. 31, 13	Dec. 31, 14	Dec. 31, 13	Dec. 31, 14	Dec. 31, 13
Fair value of plan assets at end of previous year	**91.5**	**93.6**			**91.5**	**93.6**
Finance income	4.1	3.1			4.1	3.1
Cash flows						
Total employer contributions:						
contributions by employer	5.4	4.8			5.4	4.8
payments made directly by employer	11.4	9.6	3.7	4.1	15.1	13.7
Employee contributions	-	-	-	0.3	-	0.3
Benefits paid from plan	(8.0)	(10.5)	-	(0.3)	(8.0)	(10.8)
Benefits paid by employer	(11.4)	(9.6)	(3.7)	(4.1)	(15.1)	(13.7)
Payments for plan settlements	(2.8)	-			(2.8)	-
Administrative expense for plan assets	(0.5)	(0.4)			(0.5)	(0.4)
Tax on plan assets	-	-			-	-
Insurance premiums for pure risk benefits	-	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 on plan assets (excluding finance income)	3.5	4.7			3.5	4.7
Exchange-rate effect	11.2	(3.9)			11.2	(3.9)
Closing fair value of plan assets	**104.4**	**91.5**	**-**	**-**	**104.4**	**91.5**

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, 14	Dec. 31, 13	Dec. 31, 14	Dec. 31, 13	Dec. 31, 14	Dec. 31, 13
Plans for defined benefit obligations	259.8	215.2	116.5	92.3	376.3	307.5
Fair value of plan assets	104.4	91.5		-	104.4	91.5
Net carrying amount of funded plans	**155.4**	**123.7**	**116.5**	**92.3**	**271.9**	**216.0**
Effect of cap on interest-bearing assets/liabilities	-	-	-	-	-	-
Net carrying amount of liabilities/(assets)	**155.4**	**123.7**	**116.5**	**92.3**	**271.9**	**216.0**

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, 14	**Dec. 31, 13**	**Dec. 31, 14**	**Dec. 31, 13**	**Dec. 31, 14**	**Dec. 31, 13**
Service costs:						
current service costs	4.2	4.5	1.8	2.3	6.0	6.8
reimbursements	-	-	-	-	-	-
past service costs	1.4	2.0	(0.7)	-	0.7	2.0
settlement (gains)/losses	(1.2)	-	-	-	(1.2)	-
Total service costs	**4.4**	**6.5**	**1.1**	**2.3**	**5.5**	**8.8**
Net finance costs:						
finance costs on defined benefit plans	8.6	7.9	3.3	3.1	11.9	11.0
finance (income) on plan assets	(4.1)	(3.1)	-	-	(4.1)	(3.1)
finance (income) on reimbursement rights	-	-	-	-	-	-
Finance costs on change in cap on interest-bearing assets/liabilities	-	-	-	-	-	-
Total net finance costs	**4.5**	**4.8**	**3.3**	**3.1**	**7.8**	**7.9**
Effect of new treatment on other long-term benefits	0.3	(0.4)	-	-	0.3	(0.4)
Administrative expenses and taxes	0.5	0.4	-	-	0.5	0.4
Defined benefit plan costs reflected in the income statement	**9.7**	**11.3**	**4.4**	**5.4**	**14.1**	**16.7**
Revaluations reflected in other comprehensive income						
Effects due to change in demographic assumptions	7.5	3.5	3.8	(1.7)	11.3	1.8
Effects due to change in financial assumptions	26.2	(16.1)	17.3	(6.6)	43.5	(22.7)
Experience adjustments (changes since previous valuation not in line with assumptions)	1.9	(0.8)	(2.5)	0.1	(0.6)	(0.8)
Return on plan assets (excluding finance income)	(3.5)	(4.8)	-	-	(3.5)	(4.8)
(Return) on reimbursement rights (excluding interest income)	-	-	-	-	-	-
Changes in cap on interest-bearing assets/liabilities (excluding finance income)	-	-	-	-	-	-
Total revaluations reflected in other comprehensive income	**32.1**	**(18.2)**	**18.6**	**(8.3)**	**50.7**	**(26.5)**
Total defined benefit plan costs reflected in income statement and other comprehensive income	**41.8**	**(6.9)**	**23.0**	**(2.9)**	**64.8**	**(9.8)**

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, 14	Dec. 31, 13	Dec. 31, 14	Dec. 31, 13	Dec. 31, 14	Dec. 31, 13
Net defined benefit obligations (assets) at end of previous year	**123.7**	**147.9**	**92.3**	**100.9**	**216.0**	**248.8**
Defined benefit plan costs reflected in income statement	9.7	11.2	4.4	5.3	14.1	16.5
Total revaluations reflected in other comprehensive income	32.1	(18.2)	18.6	(8.2)	50.7	(26.4)
Other significant events:						
net transfers (including effects of business combinations/sales)	0.4	(0.5)	-	-	0.4	(0.5)
amounts arising from combinations of plans	-	-	-	-	-	-
Cash flows:						
employer contributions	(5.4)	(4.8)	-	-	(5.4)	(4.8)
benefits paid directly by employer	(11.4)	(9.6)	(3.7)	(4.1)	(15.1)	(13.7)
Receivables for reimbursements	-	-	-	-	-	-
Exchange-rate effect	6.3	(2.3)	4.9	(1.6)	11.2	(3.9)
Closing net obligations (assets)	**155.4**	**123.7**	**116.5**	**92.3**	**271.9**	**216.0**

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, 14	Dec. 31, 13	Dec. 31, 14	Dec. 31, 13	Dec. 31, 14	Dec. 31, 13
Employees on payroll	151.8	129.8	55.8	54.6	207.6	184.4
Former employees with unvested right	13.9	13.2	-	-	13.9	13.2
Retirees	94.1	72.2	60.7	37.7	154.8	109.9
Total	**259.8**	**215.2**	**116.5**	**92.3**	**376.3**	**307.5**

Fair value of plan assets

(in millions of euro)	Dec. 31, 14	Dec. 31, 13
cash and cash equivalents	5.0	5.9
equities	51.8	37.4
bonds and securities	42.8	44.0
insurance assets	4.1	3.5
other	0.7	0.7
Total	**104.4**	**91.5**

Fair value of assets with a listed market value

(in millions of euro)	Dec. 31, 14	Dec. 31, 13
cash and cash equivalents	5.0	5.9
equities	51.8	37.4
bonds and securities	42.8	43.8
insurance assets	0.3	3.5
other	-	0.7
Total	**99.9**	**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	
	2014	2013	2014	2013	2014	2013
Inflation rate	2.0	2.0	n.a.	n.a.	2.0 - 8.0	2.0 - 8.0
Future wage and salary increases	1.0 - 3.25	1.0 - 3.25	n.a.	n.a.	3.5 - 10.0	3.5 - 8.5

n.a.: not applicable

Discount rate (in %)	2014	2013
Europe		
Italy	1.50	3.20
Belgium	0.70-1.50	2.10-3.20
Spain	1.50	3.20
France	0.90-1.50	2.50-3.20
Greece	1.50	3.20
Bulgaria	2.90	3.75
North America		
USA	1.55-3.70	3.95-4.50
Canada	3.80	4.50
Other countries		
Egypt	16.00	14.50
Morocco	4.00	5.25
Kuwait	3.60	4.30
Thailand	2.75	4.25
India	7.80	9.25
Kazakhstan	6.75	5.75

The discount rate is 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, 2014	December 31, 2014	December 31, 2014
Expected plan contributions for next year	10.0	5.4	15.4
Expected benefit payments:			
2015	15.0	5.4	20.4
2016	14.0	5.5	19.5
2017	15.7	5.5	21.2
2018	15.6	5.6	21.2
2019	16.5	5.6	22.1
2020 - 2024	92.6	28.6	121.2

Sensitivity analysis

The table below sets out the sensitivity analysis for the key assumptions at December 31, 2014:

(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	267.1	253.1	121.1	112.2	388.2	365.3
Average duration of defined benefit obligation (in years)	10.99	10.50	15.44	15.10	12.38	11.91
Inflation rate	257.8	262.7	113.8	119.4	371.6	382.1
Wage and salary increases	258.8	261.0	116.5	116.5	375.3	377.5
Healthcare costs	-	-	112.9	120.5	112.9	120.5

Defined contribution plans

The Group's defined contribution plans are pension plans and medical plans; expense relating to these plans in 2014 was 50.5 million euro (48.4 million euro in 2013) and referred mainly to France-Belgium for 28.4 million euro.

Termination plans

At December 31, 2014 provisions for termination plans totaled 38.8 million euro (66.9 million euro in 2013) and referred mainly to Italy for 34.7 million euro, in connection with re-organization plans chiefly affecting Italcementi S.p.A., Calcestruzzi and C.T.G.

20. Provisions

Non-current and current provisions totaled 207,618 thousand euro at December 31, 2014 and decreased by 6,507 thousand euro from December 31, 2013, as follows:

(in thousands of euro)	December 31, 2013	Additions	Decreases	Reversed unused amounts	Translation differences	Other changes and reclassifs.	Total changes	December 31, 2014
Environmental restoration	**84,787**	10,452	(7,828)	(8,488)	1,810	(174)	**(4,228)**	**80,559**
Disputes	**66,766**	13,343	(10,313)	(2,343)	3,506	(254)	**3,939**	**70,705**
Other provisions	**62,572**	(2,137)	1,395	(7,923)	2,322	125	**(6,218)**	**56,354**
Total	**214,125**	**21,658**	**(16,746)**	**(18,754)**	**7,638**	**(303)**	**(6,507)**	**207,618**
Non-current portion	**212,407**	21,448	(15,772)	(18,754)	7,711	(475)	**(5,842)**	**206,565**
Current portion	**1,718**	210	(974)	-	(73)	172	**(665)**	**1,053**

"Environmental restoration" reflects provisions for restoration obligations at quarries where Group companies extract raw materials, as well as provisions for restoration of urban and industrial sites.
"Disputes" largely reflects provisions for fiscal risks deemed probable as a result of tax audits and adjustments to tax returns, provisions relating to antitrust proceedings and provisions for disputes with employees. The antitrust provision refers chiefly to the fine imposed by the Competition & Market Authority (AGCM) on the consolidated company Calcestruzzi.
"Other provisions" reflects amounts provided in connection with contractual and commercial liabilities.

Contingent liabilities

The main contingent liabilities relating to disputes and proceedings pending at December 31, 2014 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.

Spain

On May 14, 2014, after a petition filed by a local association, the court of Malaga annulled the integrated environmental authorization issued in 2007 for the Malaga production plant of the Spanish subsidiary Financiera Y Minera ("FyM"), on the grounds that the Regional Authority had issued the authorization erroneously in the absence of a prior environmental impact assessment. FyM appealed against the ruling, and is also considering whether to apply for a new authorization subject to execution of an environmental impact assessment.

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. On March 17, 2014, the EU General Court rejected the appeal filed by Italmobiliare S.p.A., which then filed an appeal with the European Court of Justice; the matter is still pending.

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. In March 2014, the court of appeal rejected the appeal, and upheld the ruling in favor of Ciments Français. Sibconcord consequently filed an appeal with the regional court of cassation against the decision of the court of appeal. The court of cassation annulled the ruling of first instance and referred the case back to the court of Kemerovo (Russia). The next hearing is scheduled for March 2015.
With regard to the arbitration procedure, at the end of January 2015, the Istanbul commercial court confirmed that the final arbitration award in favor of Ciments Français could be validly executed. The sentence become final after Sibcem abandoned its appeal. In parallel, Ciments Français continued action for recognition of the arbitration award in a number of countries, including Russia. To date, the award has been recognized in Belgium, France, Kazakhstan and the USA.

Egypt

In 2013, lawsuits were brought locally by individuals seeking 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 took part in the privatization have been involved; they do not include Suez Cement, which acquired Helwan, from other private parties, after its privatization.

It is still too early to make hypotheses regarding possible developments in the situation.

India

A tax proceeding is still formally open against the subsidiary Zuari Cement Limited after an assessment relating to 2007-2008 (tax year 2008-2009) identified transfer pricing and expenses that potentially cannot be deducted against income tax. The dispute began for an amount of approximately 7.6 million euro of additional taxable income and approximately 3.6 million euro in higher taxes, fines and interest. The court of Andhra Pradesh issued an initial ruling in favor of Zuari Cement Limited on February 21, 2013, and the supreme court definitively rejected the case on September 27, 2013. India's tax authorities have until March 31, 2015 to re-open the assessment.
In February 2014, the Indian tax authority notified Zuari Cement Limited of an assessment relating to 2008-2009 (tax year 2009-2010) with regard to transfer pricing and expenses that potentially cannot be deducted against income tax. In March 2014, the company filed an appeal with the competent administrative court and, subsequently, an appeal with the court of appeal against the assessment, which is for an amount of approximately 11.3 million euro of additional taxable income and approximately 6.9 million euro in higher taxes, fines and interest; the case still pending in the court of appeal.
In January 2014, the Indian tax authority notified Zuari Cement Limited of a preliminary assessment relating to 2009-2010 (tax year 2010-2011) with regard to transfer pricing and expenses that potentially cannot be deducted against income tax. In May 2014, the company submitted its observations to the competent administrative court against the preliminary assessment, which is for approximately 19.3 million euro of additional taxable income and as yet undetermined amounts of higher taxes, fines and interest; the case is still pending.

21. Deferred tax assets and Deferred tax liabilities

Total net deferred tax liabilities are analyzed below:

(in millions of euro)	December 31, 2013	Results	Other changes	December 31, 2014
Benefit on tax loss carryforwards	44.4	(14.4)	25.4	55.4
Property, plant and equipment	(279.2)	7.0	(22.5)	(294.7)
Inventories	(11.3)	-	0.1	(11.2)
Non-current provisions and Employee benefits	107.6	(0.9)	16.5	123.2
Other	2.5	12.1	12.3	26.9
Total net deferred taxes	**(136.0)**	**3.8**	**31.8**	**(100.4)**
of which:				
Deferred tax assets	67.2			84.3
Deferred tax liabilities	(203.2)			(184.7)

At December 31, 2014 net deferred tax assets reflected in equity reserves amounted to 18.5 million euro (10.2 million euro of net deferred tax assets at December 31, 2013).
Unrecognized deferred tax amounted to approximately 348 million euro (255 million euro at December 31, 2013), of which amounts relating to losses for the year and previous years totaled approximately 267 million euro (173 million euro at December 31, 2013) and referred to losses posted by Group companies, 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, 2014		December 31, 2013	
Non-current financial assets		**(99,272)**		**(94,061)**	
Securities, bonds and financial assets	Other non-current assets		(6,348)		(6,249)
Derivatives	Other non-current assets		(92,924)		(87,812)
Current financial assets		**(610,597)**		**(544,983)**	
Cash and cash equivalents	Cash and cash equivalents		(551,525)		(480,386)
Current loan assets	Equity investments, bonds and financial assets		(49,110)		(48,906)
Other current financial assets	Other current assets		(2,762)		(3,971)
Derivatives	Other current assets		(7,200)		(11,720)
Total financial assets		**(709,869)**		**(639,044)**	
Non-current financial liabilities		**2,337,156**		**2,155,035**	
Long-term loans and borrowings	Financial liabilities		2,296,753		2,131,948
Derivatives	Other non-current liabilities		40,403		23,087
Current financial liabilities		**529,412**		**418,044**	
Bank overdrafts and short-term borrowings	Loans and borrowings		219,825		228,662
Short-term loans and borrowings	Financial liabilities		285,382		184,980
Derivatives	Other current liabilities		24,205		4,402
Total financial liabilities		**2,866,568**		**2,573,079**	
Net debt		**2,156,699**		**1,934,035**	

Net debt at December 31, 2014, determined in compliance with Consob communication no. DEM/6064293 of July 28, 2006 (i.e., excluding non-current financial assets) amounted to 2,255,971 thousand euro (2,028,096 thousand euro at December 31, 2013).

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 12.31.2014	Maturity	12.31.2014	12.31.2013
Bank overdrafts and drawings on lines of credit					**464,410**	**314,256**
	Italcementi S.p.A.				259,185	261,563
	Italcementi Finance S.A.				103,537	-
	Other Group companies				101,688	52,693
Bond issues			**1,750,000**		**1,808,266**	**1,794,640**
Issued by Italcementi Finance:	EMTN 750 mln euro 5.375%	5.55%	750,000	2020	786,569	771,620
Issued by Italcementi Finance:	EMTN 350 mln euro 6.125%	6.45%	350,000	2018	349,285	349,067
Issued by Italcementi Finance:	EMTN 150 mln euro 6.125%	4.34%	150,000	2018	156,925	155,675
Issued by Ciments Français S.A.:	EMTN 500 mln euro 4.75%	4.84%	500,000	2017	515,487	518,277
Other loans and borrowings					**24,075**	**22,353**
	Other liabilities				24,075	22,353
Finance lease payables					**2**	**699**
Non-current financial liabilities					**2,296,753**	**2,131,948**
	Fair value of hedging derivatives				40,403	23,087
Total non-current financial liabilities					**2,337,156**	**2,155,035**
Bank overdrafts and drawings on lines of credit					181,978	185,777
Amounts due to banks					85,825	93,791
Other						
	Other loans and borrowings				5,996	8,328
	Billets de trésorerie				144,900	38,400
	Finance lease payables				1,471	2,032
	Accrued interest expense				85,037	85,314
Current financial liabilities					**505,207**	**413,642**
	Fair value of hedging derivatives				24,205	4,402
Total current financial liabilities					**529,412**	**418,044**
Total financial liabilities					**2,866,568**	**2,573,079**

At December 31, 2014, bank overdrafts and drawings on lines of credit included amounts secured by mortgages and liens on property, plant and equipment for 137.8 million euro (78.4 million euro at December 31, 2013), of which 35.2 million euro short-term and 102.6 million euro medium/long-term; 121.7 million euro referred to the Group's Indian companies.

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

by currency:

(in millions of euro)	December 31, 2014	December 31, 2013
Euro	2,134.4	2,070.6
U.S. and Canadian dollar	53.5	7.0
Indian rupee	103.0	48.6
Others	5.8	5.7
Total	**2,296.8**	**2,131.9**

by maturity:

(in millions of euro)	December 31, 2014	December 31, 2013
2015	-	39.6
2016	194.8	118.3
2017	558.1	541.5
2018	551.8	517.7
2019	128.5	-
Beyond	863.4	914.8
Total	**2,296.8**	**2,131.9**

The main non-current loans and borrowings in 2014 and 2013 are described below:

Bank loans and drawings on lines of credit

a) In 2014, a 7-year and 9-month 200 million euro line of credit expired; it was fully drawn at December 31, 2013.

b) During 2014, Italcementi Finance S.A. renewed committed bilateral lines of credit at 364 days with leading international banks for an aggregate amount of 230 million euro. Drawings on the new bilateral lines of credit, guaranteed by Italcementi S.p.A., totaled 50 million euro at December 31, 2014.

c) In November 2014, Zuari Cement Ltd., the Indian subsidiary of Ciments Français, obtained a two-year line of credit from a leading international bank for one billion Indian rupees. At December 31, 2014 the line had been fully drawn and was recognized for an amount equivalent to 13 million euro.

d) In July 2014, Zuari Cement Ltd. renewed with the same leading international bank an expiring short-term 5 billion line of credit, transforming it into a long-term line of credit for 4 years and 6 months. At December 31, 2014, the line had been fully drawn and was recognized for an amount equivalent to 65.2 million euro.

e) In December 2014, Shymkent Cement, the Kazak subsidiary of Ciments Français, obtained a line of credit at 6 years and 6 months for 5 billion tenge from the European Bank for Reconstruction & Development, to fund the revamping of the Shymkent cement plant. No drawings had been made on the line at December 31, 2014.

f) In September 2014, Italcementi Finance S.A. obtained a five-year 65 million US dollar floating-rate amortizing loan, of which 15 million US dollars expiring in September 2017 and 50 million US dollars expiring in September 2019, to be used to refinance a portion of the requirements of Essroc Corp., the American subsidiary of Ciments Français. The loan, guaranteed by Italcementi S.p.A., has been used in full since October 22, 2014 and at December 31, 2014 was recognized for an amount equivalent to 53.5 million euro.

g) In June 2014, Italcementi Finance S.A. negotiated a new five-year syndicated line of credit for 450 million euro, replacing the 920 million euro syndicated line of credit due to expire in September 2015, which was simultaneously terminated. The loan was arranged with an international pool of lenders with Mediobanca and Société Générale Corporate & Investment Banking as Coordinators and Documentation Agents, Banca IMI, BNP Paribas, Crédit Agricole CIB, HSBC, Royal Bank of Scotland and Unicredit as Mandated Lead Arrangers and Bookrunners, and Banca Popolare dell'Emilia Romagna, Banca Popolare di Sondrio, Banco Popolare, Crédit Industriel et Commercial and UBI Banca (Lenders). At December 31, 2014, no drawings had been made on the syndicated line of credit, which is guaranteed by Italcementi S.p.A..

h) 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;
   ii. in March, a bilateral 3-year 25 million euro line of credit;
   iii. in July, a bilateral 6-year 100 million euro line of credit;
   iv. in July, a bilateral 7-year 50 million euro line of credit;
   v. in August, a bilateral 6-year 50 million euro line of credit;
   vi. in September, a bilateral 5-year 30 million euro line of credit;
   vii. in December, a bilateral 5-year and 10-month 75 million euro line of credit.

i) 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.

j) 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 an aggregate 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, 2014.

k) 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, 2014.

l) 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 by two years, from September 2014 to September 2016;
   ii. the 150 million euro tranche, expiring in September 2015, was reduced by an 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.

Bond issues

m) 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. The program requires the authorization of the Board of Directors of Italcementi S.p.A. and of Italcementi Finance S.A. for each new issue.

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 September 24, 2014.

Under this program, Italcementi Finance S.A., a French subsidiary of Italcementi S.p.A., has issued the following bonds for a total of 1,250 million euro:

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 five-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, intended exclusively for qualified investors and listed on the Luxembourg Stock Exchange, became tradable as from July 1, 2013. The issue is unconditionally guaranteed by Italcementi S.p.A. and will mature on February 21, 2018.

n) Ciments Français S.A. covers its long-term financial requirements largely through Italcementi Finance S.A. At December 31, 2014 Ciments Français had a 500 million euro ten-year bond issued on April 7, 2007 at a fixed rate of 4.75%.

At December 31, 2014, the public ratings assigned to Italcementi S.p.A. by the Moody’s and the Standards & Poor’s agencies were Ba3 outlook positive-NP and BB+ outlook negative-B, respectively.
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 outlook positive and BB+ outlook negative rating by Moody’s and Standards & Poor’s, respectively.
On March 12, 2014, Moody’s placed the Italcementi Ba3 rating under observation for a possible upgrade. On July 31, 2014, Moody’s confirmed the Ba3 rating and amended the outlook from stable to positive. In 2014, the Standard & Poor’s rating on Italcementi S.p.A. was unchanged, at BB+/B outlook negative.

Billets de Trésorerie issue program

o) 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. On June 30, 2014, Italcementi Finance S.A. renewed the annual program and on October 13, 2014, it raised the maximum authorized amount to a total of 400 million euro. The program is guaranteed by Italcementi S.p.A., and has an NP Moody’s rating and a B Standards & Poor’s rating. The program is sponsored by Natixis with Bred Banque Populaire, Credit Agricole CIB, Credit Industriel and Commercial, HSBC France, ING Belgium SA, Natixis and Societe Generale as bookrunners. On October 24, 2011, the program was granted a STEP label (Short Term European Paper, reference no. #0002214). In 2014, Italcementi Finance S.A. issued Billets de

Trésorerie for a total amount of 1,120.9 million euro, of which 44.9 million euro outstanding at December 31, 2014.

Main intragroup relations

p) In September 2014, Essroc Corp., the US subsidiary of Ciments Français, after completion of the US dollar loan by Italcementi Finance S.A., also obtained from Italcementi Finance S.A. a five-year 65 million US dollar floating-rate amortizing loan, of which 15 million US dollars expiring in September 2017 and 50 million dollars in September 2019. At December 31, 2014, the loan had been used in full.

q) The new 450 million euro syndicated line of credit negotiated by Italcementi Finance in June 2014, which replaces the previous 920 million euro syndicated facility expiring in September 2015, made it possible to refinance the 700 million euro intragroup line of credit granted to Ciments Français expiring in September 2015 for 450 million euro, subject to cancellation of 250 million euro of credit on the same line. Italcementi Finance S.A. also simultaneously cancelled the 220 million euro line of credit for Italcementi S.p.A.. At December 31, 2014 no drawings had been made on the new intragroup line of credit.

r) The funds raised with the two bonds issued in 2013 were used by Italcementi S.p.A. through medium/long-term intragroup loans to refinance bank loans and borrowings coming up to maturity.

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

t) 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, 2014.

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. and Ciments Français S.A., for aggregate amounts of 210 million euro and 540 million euro respectively. The rating downgrade had no other contractual consequences on the Group's borrowing costs.

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.
Group company cash and cash equivalents, standing at 551.5 million euro at December 31, 2014, consisted largely of short-term assets such as short-term deposits, certificates of deposit and money-market mutual funds. At December 31, 2014, 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 those countries, for a total of 415.4 million euro, are not immediately available for debt service to the Group holdings and sub-holdings, and are subject to the risk of repatriation in the event of a currency crisis in the countries in question.

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

At December 31, 2014, the average maturity of the Group's gross debt was 3 years and 2 months (4 years and 3 months at December 31, 2013).
Current loans and borrowings included billets de trésorerie for 144.9 million euro (38.4 million euro at December 31, 2013).

At December 31, 2014, the Group had committed lines of credit totaling 1,474 million euro, of which 1,310 million euro undrawn and immediately available (2,160 and 1,956 million euro respectively at December 31, 2013). It is Group policy to maintain sufficient funds to cover amounts due and other liquidity requirements over a horizon of approximately 24 months.

At December 31, 2014 *

(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			194.8	558.1	551.8	128.5	863.4	2,296.8
Current financial liabilities (**)		285.4						285.4
Amounts due to bannks		219.8						219.8
Cash and cash equivalents		**(551.5)**						**(551.5)**
Total		**(46.3)**	**194.8**	**558.1**	**551.8**	**128.5**	**863.4**	**2,250.5**
Cumulative total		**(46.3)**	**148.5**	**706.7**	**1,258.5**	**1,387.0**	**2,250.5**	
	start 2015	**end 2015**	**end 2016**	**end 2017**	**end 2018**	**end 2019**	**end 2020**	**end 2021**
Committed lines of credit, available at end of each period	**1,310.0**	**1,048.0**	**898.0**	**518.0**	**473.0**	**23.00**	**23.00**	**-**

(*) excluding fair value of derivatives
(**) of which "billets de trésorerie" 144.9 m€

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			39.7	118.3	541.5	517.7	914.8	2,132.0
Current financial liabilities (**)		185.0						185.0
Amounts due to bannks		228.7						228.7
Cash and cash equivalents		**(480.4)**						**(480.4)**
Total		**(66.7)**	**39.7**	**118.3**	**541.5**	**517.7**	**914.8**	**2,065.3**
Cumulative total		**(66.7)**	**(27.0)**	**91.3**	**632.8**	**1,150.5**	**2,065.3**	
	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**	**0.3**	**0.3**	**0.0**

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

22.2.2. Covenants

In addition to the customary clauses, some of the financing contracts granted to Italcementi S.p.A., Italcementi Finance S.A. and other Group companies such as Zuari Cement (India) and Shymkent Cement (Kazakhstan), include covenants requiring compliance with financial ratios, typically determined on a six-monthly basis. The main financial ratio included in the covenants is "leverage" (net debt/Group consolidated recurring EBITDA) with a maximum limit of 3.75. 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, 2014, lines of credit and loans subject to covenants stood at 385 million euro of total Group gross financial liabilities (2,802 million euro at December 31, 2014 expressed at nominal value, excluding the fair value effects of derivatives) and 1,048 million euro of total undrawn immediately available lines of credit (1,310 million euro at December 31, 2014).
At December 31, 2014, 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 equity 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 carrying amount is a reasonable approximation of fair value:

	December 31, 2014				
(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 35.1)	198.6	198.6	-	-	-
Mutual funds (note 35.1)	98.6	98.6	98.6	-	-
Assets classified as held for trading					
Fair value of derivatives	100.1	100.1	-	100.1	-
Equity investments, bonds and current financial assets	17.4	17.4	17.4		-
Held-to-maturity investments					
Securities and bonds (note 10)	-	-	-	-	-
Loans and receivables					
Short-term deposits (note 35.1)	254.4	254.4	-	-	-
Trade receivables (note 12)	635.7	635.7	-	-	-
Other current assets	3.9	3.9	-	-	-
Other non-current assets excluding concessions, licenses paid in advance, derivatives and securities (note 10)	114.2	114.2	-	-	-
Equity investments, bonds and current financial assets	31.9	31.9	-	-	-
Available-for-sale financial assets					
Other equity investments (note 9)	46.3	46.3	24.8	-	21.4
FINANCIAL LIABILITIES					
Liabilities originally designated at fair value					
Liabilities classified as held for trading					
Fair value of derivatives	64.6	64.6	-	64.6	-
Other financial liabilities					
Trade payables	577.0	577.0	-	-	-
Other current liabilities	138.3	138.3	-	-	-
Finance lease payables	1.5	1.5	-	-	-
Floating-rate non-current financial liabilities	458.5	458.5	-	458.5	-
Fixed-rate non-current financial liabilities	1,838.3	1,909.3	1,909.3	-	-
Other short-term financing	503.7	503.7	-	503.7	-
Purchase commitments on non-controlling interests (note 23)	23.3	23.3	-	-	23.3

(in millions of euro)	Carrying Amount	Fair Value	December 31, 2013 Level 1	Level 2	Level 3
FINANCIAL ASSETS					
Assets originally designated at fair value					
Cash and cash equivalents (note 35.1)	106.4	106.4	-	-	-
Mutual funds (note 35.1)	106.9	106.9	106.9	-	-
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 35.1)	267.1	267.1	-	-	-
Trade receivables (note 12)	659.4	659.4	-	-	-
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	29.0	29.0	-	-	-
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	515.8	515.8	-	-	-
Other current liabilities	154.9	154.9	-	-	-
Finance lease payables	2.7	2.7	-	-	-
Floating-rate non-current financial liabilities	311.2	311.2	-	311.2	-
Fixed-rate non-current financial liabilities	1,820.0	1,871.0	1,871.0	-	-
Other short-term financing	411.7	411.7	-	411.7	-
Purchase commitments on non-controlling interests (note 23)	41.3	41.3	-	-	41.3

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.

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 2014 or in 2013.

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

	Other equity investments	Purchase commitments on non-controlling interests
(in millions of euro)		
At December 31, 2013	**22.9**	**41.3**
Increases (decreases)	1.9	(22.3)
Profit (loss) reflected in income statement	(4.1)	-
Profit (loss) reflected in other comprehensive income	0.7	-
Translation differences	0.1	4.3
At December 31, 2014	**21.4**	**23.3**

22.3.1. Fair value of derivatives

Measurement of derivatives at December 31, 2014 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:

	December 31, 2014		December 31, 2013	
(in thousands of euro)	Assets	Liabilities	Assets	Liabilities
Derivatives - interest rates	**2,850**	**6,958**	**2,180**	**2,462**
Future cash flow hedges	-	-	3	844
Trading	2,850	6,958	2,177	1,618
Derivatives - exchange rates	**4,350**	**17,247**	**9,540**	**1,940**
Future cash flow hedges	4,245	110	2	1,145
Fair value hedges	103	16,549	9,481	792
Trading	2	588	57	3
Total current instruments	**7,200**	**24,205**	**11,720**	**4,402**
Derivatives - interest rates	**92,924**	**40,387**	**81,526**	**23,065**
Future cash flow hedges	-	25,567	-	3,324
Fair value hedges	92,924	14,820	81,526	19,741
Derivatives - exchange rates	**-**	**16**	**6,286**	**22**
Future cash flow hedges	-	-	4	22
Fair value hedges	-	16	6,282	-
Total non-current instruments	**92,924**	**40,403**	**87,812**	**23,087**
Total	**100,124**	**64,608**	**99,532**	**27,489**

Non-current derivatives on interest rates reflected under assets for 92.9 million euro refer to fixed-rate to Euribor-indexed floating-rate interest-rate swaps, of which 16 million euro hedging part of the 500 million euro bond issued by Ciments Français S.A. and 76.9 million euro hedging part of the 750 million euro bond issued by Italcementi Finance S.A.; both issues were fixed-rate under the respective EMTN programs. At December 31, 2013, the derivatives were carried under assets at 19.1 million euro and 62.4 million euro, respectively.
Derivatives on exchange rates and interest rates qualified as trading transactions refer to transactions that do not qualify for recognition as future cash flows hedges, although they are contracted for that purpose. These derivatives are largely interest-rate hedges on US dollar requirements.

The two tables below show the impact of netting agreements relating to derivative assets and derivative liabilities at December 31, 2014 and 2013.

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

December 31, 2014

(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	100.1	-	100.1	31.4	-	68.7
Derivative liabilities	64.6	-	64.6	31.4	-	33.2

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

Fair value of derivatives on management of commodity risk

At December 31, 2014 there were no derivatives relating to EUA and CER/ERU transactions.

22.4. Management of interest-rate risk

The Group interest-rate risk management policy is designed to minimize the cost of net debt 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 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 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					
599 M€ Euribor 3M 1.55%	75.0	100.0	100.0	324.3	599.3
Cash flow hedges OPTIONS					-
Total	**75.0**	**100.0**	**100.0**	**324.3**	**599.3**
Trading					
SWAPs receive Floating / pay Fixed					
515 M$ Libor 3M 0.95%	61.8	144.1	218.3	-	424.2
115 M€ Euribor 3M 1.39%	-	-	-	115.0	115.0
Cross Currency Swap receives Floating / Pays Floating					
150 M$ Euribor 3M / Libor 3M	123.5	-	-	-	123.5
Trading Options	-	-	-	-	-
Total	**185.3**	**144.1**	**218.3**	**115.0**	**662.7**
Absolute total amount	**260.3**	**244.1**	**583.3**	**1,089.3**	**2,177.0**
Net balancing - receive floating / pay fixed	**136.8**	**244.1**	**53.3**	**(210.8)**	**223.4**

22.4.2. Exposure to interest-rate risk

At December 31, 2014, interest-rate hedges had a net notional value of 223.4 million euro with respect to the fixed-rate component of Group financial commitments. At the same date, in total, 73% of Group gross debt and 93% of Group net debt (not including the fair value of derivatives) was at a fixed rate at inception or hedged against rate increases.
On total bond debt at fixed rates at inception, for a nominal amount of 1,750 million euro, 915 million euro was subject to variabilization transactions with derivatives.
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 table below analyzes net debt at December 31, 2014 subdivided by fixed- and floating-rate components at inception and after interest-rate hedging:

		Maturity			
(in millions of euro)	**12.31.2014**	**< 1 year**	**1 - 2 years**	**2 - 5 years**	**Beyond**
Fixed-rate financial liabilities	1,838.4	0.1	2.7	1,033.0	802.6
Fixed-rate financial assets	(16.3)	(8.7)	(0.5)	(6.4)	(0.8)
Fixed-rate ND at inception	1,822.1	(8.6)	2.2	1,026.6	801.8
Fixed- to floating-rate hedges	(915.0)	-	-	(265.0)	(650.0)
Floating- to fixed-rate hedges	1,138.4	136.8	244.1	318.3	439.3
Fixed-rate ND after hedging	**2,045.5**	**128.2**	**246.4**	**1,079.9**	**591.1**
Floating-rate financial liabilities	963.6	505.1	192.1	205.5	60.8
Floating-rate financial assets	(593.4)	(582.2)	0.1	(3.3)	(8.0)
Floating-rate ND at inception	370.2	(77.1)	192.2	202.3	52.8
Fixed- to floating-rate hedges	915.0	-	-	265.0	650.0
Floating- to fixed-rate hedges	(1,138.4)	(136.8)	(244.1)	(318.3)	(439.3)
Optional hedges	-	-	-	-	-
Floating-rate ND after hedging	**146.7**	**(213.9)**	**(52.0)**	**149.0**	**263.5**
Optional hedges	-	-	-	-	-
Fair value of derivatives, net	(35.5)	18.4	3.0	(19.4)	(37.5)
Net debt	**2,156.7**	**(67.3)**	**197.4**	**1,209.5**	**817.1**

At December 31, 2014, a +0.5% change in the interest-rate curve would have an impact of 0.7 million euro, that is, 0.7% of 2014 net finance costs. The impact on interest-rate derivatives in portfolio would be +15.8 million euro on equity and -18.3 million euro on profit before tax; the latter effect is offset by an effect of +23.9 million euro on fixed-rate liabilities with fair value hedges.

At December 31, 2014, a -0.5% change in the interest-rate curve would have an impact of -0.7 million euro, that is, 0.7% of 2014 net finance costs. The impact on interest-rate derivatives in portfolio would be -17 million euro on equity and +18.6 million euro on profit before tax; the latter effect is offset by an impact of -16.6 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 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 (°)	0.3	454.2	30.3
Financial liabilities (°)	(24.4)	(39.1)	(50.7)
Derivatives	-	(398.3)	41.1
Net exposure	**(24.1)**	**16.8**	**20.6**

(*) assets and liabilities are expressed at nominal value in euro when the local currency is not the 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 ensure availability of the necessary cash to pay import commitments and mitigate possible local-currency fluctuations.
At December 31, 2014, 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 +33.2 million euro on equity, of which +7.9 million euro on non-controlling interests.
At December 31, 2014, a 10% rise in the US dollar would have an impact on exchange rate derivatives in portfolio of +5.4 million euro on equity and -29.3 million euro on profit before tax. A 10% decrease in the US dollar would have an impact on exchange rate derivatives in portfolio of -5.4 million euro on equity and +29.4 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, 2014	December 31, 2013
Forward purchases			
Cash flow hedges			
	US dollars	60.6	113.9
	Others	-	-
Fair value hedges			
	US dollars	47.9	8.6
	Others	44.3	52.1
Trading			
	US dollars	-	-
	Others	-	-
Total		**152.8**	**174.6**
Forward sales			
Cash flow hedges			
	US dollars	5.8	0.0
Fair value hedges			
	US dollars	310.5	402.8
	Others	10.3	9.3
Trading			
	US dollars	6.6	
	Others	0.0	4.4
Total		**333.1**	**416.5**
Cross currency swaps			
Fair value hedges			
	US dollars	123.5	108.8
Total		**123.5**	**108.8**
TOTAL		**609.5**	**699.9**

Currency risk hedges at December 31, 2014 mature within two years.

22.6. Management of commodity risk

CO_2

The Group's European subsidiaries are exposed to market fluctuations on carbon emission rights prices, in connection with their surplus or deficit on the quotas allocated by their respective national governments.
In the first half of 2014, the Italcementi Group completed the optimization of its carbon emission rights portfolio with a spot purchase of Certified Emission Reductions and Emission Reduction Units (CER, ERU) and a spot sale of an equivalent number of European Union Allowances (EUA). The transaction did not modify the balance of carbon emission rights expressed in metric tons and generated a gain of 11.5 million euro. There were no sales in 2013.

Trades on emission rights markets are transacted by Italcementi S.p.A., which since 2010 has also operated on behalf of the Group's other European subsidiaries under an agency basis.

Other commodities

The Group does not transact derivatives to hedge price risk on other commodities; however, in some cases of coal, electricity and gas procurement, management of market price fluctuations is covered by medium-term contracts envisaging gradual price fixing directly with the supplier.

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 2014 amounted to +6.7 million euro at December 31, 2014 compared with +17.0 million euro at December 31, 2013. The change in equity relating to derivatives traded in 2013 and still in portfolio at December 31, 2014, amounted to -26.3 million euro (+2.8 million euro at December 31, 2013). The overall effect of the new derivatives recognized in equity was +1 million euro at December 31, 2014 (-2.4 million euro at December 31, 2013).
The ineffective component of cash flow hedges in portfolio at December 31, 2014 recognized in profit or loss was immaterial in both 2014 and 2013.
With reference to fair value hedges in portfolio at the end of 2014, the amount taken to profit or loss totaled +45.1 million euro for 2014 (+61.3 million euro for 2013). Recognized amounts attributable to underlying risk hedged during the year totaled -48 million euro in 2014 (-67.4 million euro in 2013). These amounts are taken to profit or loss as gains and losses on interest-rate and exchange rate derivatives (note 30.).

23. Other current liabilities

(in thousands of euro)	December 31, 2014	December 31, 2013
Due to employees	92,741	104,687
Due to social security authorities	52,075	52,957
Due to tax authorities	69,641	63,503
Derivatives	24,206	4,401
Purchase commitments on non-controlling interests	23,344	41,308
Advances from customers	103,492	69,859
Due to suppliers for non-current assets	137,898	154,103
Other	116,417	113,146
Total	**619,814**	**603,964**

Purchase commitments on non-controlling interests at December 31, 2014 referred to: Ready Mix Concrete Alalamia in Egypt and Hilal Cement in Kuwait, the decrease was largely due to the cancellation of the commitment to minorities in Gulbarga, India.
Derivatives are discussed in note 22.3.1. Derivatives.

24. Commitments

(in millions of euro)	December 31, 2014	December 31, 2013
Collateral given		
- Pledges	18.2	18.2
- Liens and mortgages	137.8	78.4
Total collateral given	156.0	96.6
Deposits, guarantees, sureties and other	118.3	118.5
Total	**274.3**	**215.1**

Collateral given at December 31, 2014 consisted mainly of mortgages and liens securing the borrowings of the Indian subsidiaries.

Contracts and orders issued for investments amounted to 143.6 million euro at December 31, 2014 (241.7 million euro at December 31, 2013); commitments relating to long-term rental contracts amounted to 90.7 million euro (90.7 million euro at December 31, 2013):

(in millions of euro)	December 31, 2014	less than 1 year	1 to 5 years	more than 5 years
Commitments for purchase of P.P.E.	143.6	143.6	-	-
Long-term rentals	90.7	27.4	50.5	12.8

25. Raw materials and supplies

Raw materials and supplies amounted to 1,674,002 thousand euro, as follows:

(in thousands of euro)	2014	2013	Change
Raw materials and semifinished goods	498,877	474,443	24,434
Fuel	478,298	448,534	29,764
Packaging, materials and machinery	237,707	231,593	6,114
Finished goods	126,980	117,619	9,361
Electricity and water	320,797	354,183	(33,386)
Change in inventories of raw materials, consumables and other	11,343	59,718	(48,375)
Total	**1,674,002**	**1,686,090**	**(12,088)**

26. Services

Services amounted to 1,045,544 thousand euro, as follows:

(in thousands of euro)	2014	2013	Change
External services and maintenance	336,524	340,501	(3,977)
Transport	476,047	465,844	10,203
Legal fees and consultancy	39,123	40,784	(1,661)
Rents	73,951	75,039	(1,088)
Insurance	34,109	36,300	(2,191)
Other	85,790	95,323	(9,533)
Total	**1,045,544**	**1,053,791**	**(8,247)**

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

27. Employee expense and Stock options

Employee expense totaled 848,069 thousand euro, as follows:

(in thousands of euro)	2014	2013	Change
Wages and salaries	572,894	586,473	(13,579)
Social security contributions and pension fund provisions	174,322	176,489	(2,167)
Other costs	100,853	99,199	1,654
Total	**848,069**	**862,161**	**(14,092)**

"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)	2014	2013
Number of employees at end of year	17,779	18,484
Average number of employees	18,391	18,786

27.1. Stock options

The terms and conditions of Italcementi S.p.A. stock option plans for directors and managers at December 31, 2014 are set out below:

Grant date	No. of options granted	Unit subscription price	Exercise period	Exercised options	Cancelled options	Unexercised options	Adjusted unexercised options	Adjusted unit subscription price
March 17, 2005	1,053,600	€ 13.387	3.17.2008 - 3.16.2015	6,475	28,900	1,018,225	1,163,646	€ 11.714
March 7, 2006	631,403	€ 16.890	3.7.2009 - 3.6.2016	4,187	50,325	576,891	659,281	€ 14.779
March 7, 2007	1,020,200	€ 23.049	3.7.2010 - 3.6.2017	-	49,525	970,675	1,109,305	€ 20.169
March 26, 2008	623,300	€ 12.804	3.26.2011 - 3.25.2018	-	-	623,300	712,318	€ 11.204
June 4, 2008	1,564,750	€ 13.355	6.4.2011 - 6.3.2018	-	-	1,564,750	1,788,224	€ 11.686
Total	**4,893,253**			**10,662**	**128,750**	**4,753,841**	**5,432,774**	

The grant date is the date of the Board of Directors' meeting that approved the stock option plan.

The number and average exercise price of Italcementi S.p.A. options in the periods in question are set out below:

	2014		2013	
	number of options	average subscription price	number of options	average subscription price
Unexercised options at beginning of year	**4,753,841**	**15.698**	**4,753,841**	**15.698**
Granted during year	678,933		-	
Cancelled during year	-		-	
Exercised during year	-		-	
Expired during year	-		-	
Unexercised options at end of year	**5,432,774**	**13.736**	**4,753,841**	**15.698**
Vested options at end of year	**5,432,774**		**4,753,841**	

The stock option plans for Italcementi S.p.A. directors and managers provide for certain plan conditions to be adjusuted in the event of operations on share capital, in order to ensure that treatment of beneficiaries is "equivalent" to that initially offered. As a result of the conversion of Italcementi S.p.A. savings shares into ordinary shares and the share capital increase, an adjustment was necessary to the valuation of unexercised stock options, with application of a correction factor to both the unit subscription price and the number of options granted. The correction factor was 0.87503023 and is the factor applied by Borsa Italiana to historic official share prices and volumes traded, prior to June 9, 2014.
The correction generated an increase of 678,933 options granted with respect to plans existing at December 31, 2014.

The average residual life of unexercised options is approximately 1 year and 1 month.

The average price of ordinary shares for full-year 2014 was 6.133 euro (5.311 euro for 2013).
The option exercise price at December 31, 2014 was between 11.204 euro and 20.169 euro.

28. Other operating income expense

Net other operating expense amounted to 44,353 thousand euro, as follows:

(in thousands of euro)	2014	2013	Change
Other taxes	74,855	78,128	(3,273)
Allowance for doubtful receivables	13,162	16,833	(3,671)
Provision for environmental restoration, quarries and other	37,518	39,822	(2,304)
Miscellaneous income	(81,182)	(64,950)	(16,232)
Total	**44,353**	**69,833**	**(25,480)**

The increase in "Miscellaneous income" arose largely from net gains of 11.5 million euro on carbon emission rights trading; income also includes amounts from the assignment of white certificates for 10.7 million euro (9.3 million euro in 2013) and green certificates to Italgen S.p.A. for 9.0 million euro (6.1 million euro in 2013).

29. Non-recurring income expense

Net non-recurring expense amounted to 4,966 thousand euro and arose mainly from gains on 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)	2014	2013
Net gains from sale of non-current assets	5,479	20,262
Non-recurring expense for re-organizations	(7,320)	(30,336)
Other non-recurring income (expense)	(3,125)	(2,931)
Total non-recurring expense	**(4,966)**	**(13,005)**

In 2014 expense and net allowances set aside for re-organizations referred mainly to Morocco for 3.5 million euro, Greece for 1.2 million euro and France for 1.1 million euro.
Other income and expense included expense relating to defined benefit plans for 1.6 million euro and income of 1.0 million euro for the settlement of the earn-out on the 2011 Axim sale price.

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

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

	2014		2013	
(in thousands of euro)	Income	Costs	Income	Costs
Interest income	21,000		16,920	
Interest expense		(121,645)		(115,330)
Dividends and other income from equity investments	1,336		1,567	
Other finance income	2,057		22,890	
Capitalized finance costs		4,880		1,509
Other finance costs		(44,115)		(46,995)
Total finance income (costs)	**24,393**	**(160,880)**	**41,377**	**(160,816)**
Gains/(losses) on interest-rate derivatives		(2,726)		(1,905)
Gains/(losses) on exchange-rate derivatives		(33,315)		(3,830)
Net exchange-rate differences	33,332		2,148	
Net exchange-rate differences and derivatives	**-**	**(2,709)**	**-**	**(3,587)**
Total finance income (costs), exchange-rate differences and derivatives		**(139,196)**		**(123,026)**

"Other finance costs" includes net finance costs on employee defined benefit plans for 7.6 million euro (7.5 million euro in 2013).

31. Income tax expense

Income tax expense for the year was 121,292 thousand euro, as follows:

(in thousands of euro)	2014	2013	Change
Current tax	121,236	105,728	15,508
Deferred tax	(3,991)	902	(4,893)
Prior-year tax and net non-recurring tax items	4,047	9,320	(5,273)
Total	**121,292**	**115,950**	**5,342**

In Italy, the IRES rate applied by the parent on estimated taxable income for the year was 27.5%, as in 2013. 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)	2014
Consolidated profit before tax	72,360
Applicable IRES tax rate %	*27.5%*
Theoretical tax charge	**19,899**
Effect of difference between the parent's tax rate and the tax rates of the other companies (1)	2,422
Effect of tax rate reduction for tax relief/allowances	(4,737)
Tax effect on permanent differences	30,923
Net effect for year of unrecognized deferred taxes on temporary differences (2)	52,742
Effect of change in tax rates	5,503
Effect of change in estimate on previously recognized/unrecognized deferred tax	(611)
Other taxes / (recoveries)	(5,904)
Tax on income for the year reflected in income statement, excluding IRAP (a)	**100,237**
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)	17,887
IRAP (c)	**3,168**
Tax on profit for the year reflected in income statement (a+b+c)	**121,292**
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, the USA and India.
(2) Refers mainly to unrecognized deferred tax assets on losses for the year realized in Italy and the USA.

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

(in thousands of euro)		Gross amount	Tax	Net amount
	December 31, 2013	**(359,074)**	**2,399**	**(356,675)**
Fair value gains (losses) on:				
	Available-for-sale financial assets	19,546		19,546
	Derivatives	(15,434)	(216)	(15,650)
Translation differences		231,416		231,416
	December 31, 2014	**(123,546)**	**2,183**	**(121,363)**

33. Earnings per share

Earnings per share are determined on the profit for the year attributable to owners of the parent divided by the weighted average number of shares outstanding during the year.

Basic earnings per share

	2014	2013	
(no. of shares in thousands)	**ordinary shares**	**ordinary shares**	**savings shares**
Weighted average number of shares at end of year	**302,183**	**173,325**	**105,326**
(in thousands of euro)			
Attributable loss for the year	**(107,131)**	**(104,624)**	**(60,418)**
Basic earnings per share	**-0.355**	**-0.604**	**-0.574**

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 2014 this effect was zero.
Diluted earnings per share were therefore identical to basic earnings per share of -0.355 euro.

34. Transactions with related parties

Transactions with related parties in 2014 and 2013 are illustrated below:

2014 (in thousands of euro)	Revenue (purchases) goods and services	Other income (expense)	Interest income (expense)	Trade and other receivables (payables)	Financial receivables (payables)
Parent	310	1	-	1,387	1,214
	(4,594)	-	-	(4,711)	-
Subsidiaries	239	-	-	135	-
of parent (*)	(312)	-	-	(47)	-
Associates	31,010	-	136	6,850	42,546
	(16,515)	-	(37)	(2,768)	(585)
Subsidiaries	-	-	-	-	-
of associates and joint ventures	(2,915)	-	-	(51)	-
Other related parties	2,359	1,258	-	1,237	-
	(28,710)	(600)	-	(6,816)	-
Total	**33,918**	**1,259**	**136**	**9,609**	**43,760**
	(53,046)	**(600)**	**(37)**	**(14,393)**	**(585)**
% impact on financial statement items	0.8%	3.4%	0.6%	0.9%	7.3%
	1.5%	1.4%	0.0%	3.4%	0.0%

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

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)	-
Associates	56,431	-	712	14,013	49,146
	(35,517)	-	(65)	(6,208)	(1,963)
Other related parties	2,570	4,201	-	4,026	-
	(33,234)	(500)	-	(4,798)	-
Total	**69,047**	**4,201**	**713**	**101,818**	**49,151**
	(69,265)	**(500)**	**(65)**	**(23,184)**	**(1,963)**
% impact on financial statement items	1.6%	6.9%	1.7%	8.6%	9.3%
	1.9%	0.7%	0.0%	5.2%	0.0%

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

The parent Italmobiliare S.p.A. took up the public tender offer on Ciments Français by tendering 977,051 shares for 77.7 million euro and subscribed the Italcementi S.p.A. share capital increase for 46,659,207 new ordinary shares, with a total outlay of 225.1 million euro.
Dividends paid to Italmobiliare S.p.A. by the Italcementi Group in 2014 amounted to 8,061 thousand euro (8,061 thousand euro in 2013).
Since June 2, 2014, after the conversion of savings shares into ordinary shares, the Italmobiliare S.p.A. equity investment in Italcementi S.p.A. has been diluted to 45.03% of share capital, net of treasury shares. Consequently, the basis for the tax consolidation under Italmobiliare no longer applied.

Revenue from and purchases of goods and services with respect to subsidiaries and associates mainly concerned transactions with companies consolidated proportionately, notably Société des Carrieres du Tournaisis and Atlantica de Graneles and with equity-accounted investees, including the Ciments Quebec Inc. group and Vassiliko Cement Ltd.
Details of other transactions with other related parties are provided in the section "Transactions with other related parties" in the Directors' report.

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)	**2014**	**2013**
Short-term benefits: compensation and remuneration	10,387	10,300
Post-employment benefits: provision for leaving and end-of-term entitlements	920	903
Other long-term benefits: length-of-service bonuses and incentives	1,890	3,832
Total	**13,197**	**15,035**

35. Statement of cash flows

35.1. Cash and cash equivalents

Cash and cash equivalents include:

(in thousands of euro)	**December 31, 2014**	**December 31, 2013**
Bank/postal demand accounts and cash on hand	**198,588**	**106,374**
of which held by: Italcementi S.p.A.	3,085	2,436
Italcementi Finance SA	26,082	102
Ciments Français SA	5,449	756
Other Group companies	163,972	103,080
Mutual funds	**98,577**	**106,926**
of which held by: Italcementi Finance SA	-	6,436
Ciments Français SA	-	18,002
Other Group companies	98,577	82,488
Short-term deposits	**254,360**	**267,086**
of which held by: Ciments Français SA	-	3,977
Other Group companies	254,360	263,109
Total	**551,525**	**480,386**

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, 2014, they amounted to 415.4 million euro (365.3 million euro at December 31, 2013) and referred to Egypt (174.0 million euro), Morocco (105.0 million euro), Thailand (113.6 million euro) and India (22.8 million euro).

35.2. Change in working capital

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

(in thousands of euro)	2014	2013
Change in inventories	(66,010)	47,069
Change in trade receivables	48,344	56,327
Change in trade payables	38,377	(70,297)
Change in other assets/liabilities	977	5,356
Total	**21,688**	**38,455**

36. 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:

	2014					
(in thousands of euro)	**Equity**		**Profit (loss) for the year**		**Net debt**	
	amount	**%**	**amount**	**%**	**amount**	**%**
Carrying amounts	**3,890,981**	100%	**(48,932)**	100%	**2,156,699**	100%
Net gains from the sale of non-current assets	5,479	0.1%	5,479	11.2%	13,981	0.6%
Non-recurring expense for re-organizations	(7,320)	0.2%	(7,320)	15.0%	-	0.0%
Other non-recurring income (expense)	(3,125)	0.1%	(3,125)	6.4%	-	0.0%
Total non-recurring transactions	**(4,966)**	**0.1%**	**(4,966)**	**10.1%**	**13,981**	**0.6%**
Figurative amount without non-recurring transactions	**3,895,947**		**(43,966)**		**2,170,680**	

	2013					
(in thousands of euro)	**Equity**		**Profit (loss) for the year**		**Net debt**	
	amount	**%**	**amount**	**%**	**amount**	**%**
Carrying amounts	**3,782,998**	100%	**(88,211)**	100%	**1,934,035**	100%
Net gains from the sale of non-current assets	20,262	0.5%	20,262	23.0%	23,825	1.2%
Non-recurring expense for re-organizations	(30,336)	0.8%	(30,336)	34.4%	-	0.0%
Other non-recurring income (expense)	(2,931)	0.1%	(2,931)	3.3%	-	0.0%
Total non-recurring transactions	**(13,005)**	**0.3%**	**(13,005)**	**14.7%**	**23,825**	**1.2%**
Figurative amount without non-recurring transactions	**3,796,003**		**(75,206)**		**1,957,860**	

37. Audit fees

(as per CONSOB Resolution no.11971, May 14, 1999, art. 149-duodecies, par.1):
Details of the fees paid by the Italcementi Group in 2014 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**
Audit services	667	-	1,210
Other attestation services	823	336	84
Other legal, fiscal and corporate services	-	68	38
Total	**1,490**	**404**	**1,332**

38. Events after December 31, 2014

No significant events have taken 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, 2014.

Bergamo, March 4, 2015

For the Board of Directors
The Chairman
Giampiero Pesenti

Annexes

Annex 1

The table below shows the consolidation method applied for each company held directly and/or indirectly.

Company name	Registered office		Share capital		Interest held by Group companies				Method	Non-controlling interest
					Direct	Indirect	%			
Parent										
Italcementi S.p.A.	Bergamo	I	€	401,715,071.15					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	24.66
BravoBloc S.r.l.	Bergamo	I	€	300,000.00	70.00	-	70.00	Italcementi S.p.A.	Line-by-line	30.00
BravoBus S.r.l.	Bergamo	I	€	600,000.00	-	100.00	100.00	BravoSolution S.p.A.	Line-by-line	24.66
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	24.66
BravoSolution Benelux B.V.	Almere	NL	€	250,000.00	-	100.00	100.00	BravoSolution S.p.A.	Line-by-line	24.66
BravoSolution Brasil Serviços de Tecnologia	Sao Paulo	BR	BRL	500,000.00	-	100.00	100.00	BravoSolution Mexico S.r.l. de C.V.	Line-by-line	24.66
BravoSolution China Co. Ltd.	Shanghai	PRC	CNY	80,000.00	-	100.00	100.00	BravoSolution S.p.A.	Line-by-line	24.66
BravoSolution Espana S.A.	Madrid	E	€	120,400.00	-	99.99	99.99	BravoSolution S.p.A.	Line-by-line	24.66
BravoSolution France S.a.s.	Boulogne Billancourt	F	€	3,254,150.00	-	100.00	100.00	BravoSolution S.p.A.	Line-by-line	24.66
BravoSolution GmbH	Munich	D	€	1,000,000.00	-	100.00	100.00	BravoSolution S.p.A.	Line-by-line	24.66
BravoSolution Italia S.p.A.	Bergamo	I	€	50,000.00		100.00	100.00	BravoSolution S.p.A.	Line-by-line	24.66
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	24.66
							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	24.66
BravoSolution Software, Inc.	Wilmington	USA	-	-	-	100.00	100.00	BravoSolution US, Inc.	Line-by-line	24.66
BravoSolution UK Ltd.	London	GB	GBP	50,000.00	-	100.00	100.00	BravoSolution S.p.A.	Line-by-line	24.66
BravoSolution US, Inc.	Harrisburg	USA	USD	1.00	-	100.00	100.00	BravoSolution S.p.A.	Line-by-line	24.66
BravoSolution Technologies Ltd.	Guildford	GB	GBP	50,000.00	-	100.00	100.00	BravoSolution US, Inc.	Line-by-line	24.66
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	€	3,500,000.00	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	€	1.000.00,00	97.90	2.10	97.90	Italcementi S.p.A.	Line-by-line	-
							2.00	Star.co. S.r.l.		
							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	
Consorzio Stabile San Francesco S.c.a.r.l.	Foligno (PG)	I	€	100,000.00	-	42.00	42.00	Calcestruzzi S.p.A.		
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.	Equity	
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.	Milan	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 Concrete	Jeddah	SA	SAR	100,000,000.00	50.00	50.00	50.00	Italcementi S.p.A.	Line-by-line	24.66
							50.00	Suez Cement Company SAE		
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	-
Italgen Gulf El Zeit for Energy S.A.E.	Cairo	EGY	LE	35,000,000.00		100.00	98.00	Italgen S.p.A.	Line-by-line	0.98
							1.00	Helwan Cement Co.		
							1.00	Suez Cement Company SAE		

Company name	Registered office		Share capital		Interest held by Group companies				Method	Non-controlling interest
					Direct	Indirect	%			
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
							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	0.10
Italgen Misr for Energy SAE	Cairo	EGY	LE	65,000,000.00	-	100.00	98.00	Italgen S.p.A.	Line-by-line	0.98
							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.	Equity	
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	61.58
Vert Tech LLC	Wilmington	USA	USD	7,632,232.70	-	100.00	100.00	BravoSolution US, Inc.	Line-by-line	24.66
Ciments Français S.a.s.	Puteaux	F	€	142,393,396.00	100,00		100.00	Italcementi S.p.A.	Line-by-line	-
2346401 Ontario Inc.	Ontario	CAN	CAD	100.00	-	100.00	100.00	Innocon Inc.	Equity	
3092-0631 Quebec Inc.	St. Basile	CAN	CAD	6,250.00	-	100.00	100.00	Ciment Quebec Inc.	Equity	
Agadir Atlantique Sarl	Casablanca	MAR	MAD	300,000.00	-	49.00	49.00	Ciments du Maroc S.A.		
Al Badia Cement JSC	Damascus	SY	SYP	9,760,000,000.00	-	12.00	12.00	Menaf S.a.s.		
Al Mahaliya Ready Mix Concrete WLL	Safat	KWT	KWD	500,000.00	-	51.00	51.00	Hilal Cement Company	Line-by-line	86.82
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	1,300,250,000.00	-	99.99	99.99	Asia Cement Public Co., Ltd. (*)	Line-by-line	60.47
Asia Cement Products Co., Ltd.	Bangkok	TH	BT	10,000,000.00	-	99.99	99.99	Asia Cement Public Co., Ltd. (*)	Line-by-line	60.47
Asia Cement Public Co., Ltd.	Bangkok	TH	BT	4,670,523,072.00	-	54.33	25.43	Ciments Français S.A.	Line-by-line	60.47
							28.90	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	49.90
							5.00	Helwan Cement Co.		
							5.00	Tourah Portland Cement Company SAE		
Beton.Ata LLP	Almaty	KAZ	TEN	416,966,426.00	-	75.50	75.50	Shymkent Cement JSC	Line-by-line	24.66
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	63.99
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	40.00
Bolton Ready Mix	Brampton	CAN	CAD	100.00	-	100.00	100.00	National East Ready Mix Corp.	Equity	
Cambridge Aggregates Inc.	Cambridge	CAN	CAD	10.00	-	60.00	60.00	Essroc Canada Inc.	Line-by-line	40.00
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.	Equity	
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	0.06
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.		1.00
Ciment du Littoral S.A.	Bassens	F	€	37,000.00	-	99.99	99.99	Ciments Calcia S.a.s.	Line-by-line	-

Company name	Registered office		Share capital		Interest held by Group companies				Method	Non-controlling interest
					Direct	Indirect	%			
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	37.69
							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	€	31,100,000.00	-	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	0.64
							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	15.05
De Paepe Béton N.V.	Ghent	B	€	500,000.00	-	99.99	99.99	Compagnie des Ciments Belges S.A.	Line-by-line	0.09
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	73.65
Development for Industries Co. SAE	Cairo	EGY	LE	15,000,000.00	-	100.00	90.00	Suez Cement Company SAE	Line-by-line	49.90
							5.00	Helwan Cement Co.		
							5.00	Tourah Portland Cement Company SAE		
Devnya Business Center EAD	Devnya	BUL	LEV	250,000.00	-	100.00	100.00	Devnya Cement AD	Line-by-line	0.08
Devnya Cement AD	Devnya	BUL	LEV	1,023,956.00	-	99.97	99.97	Sociedad Financiera y Minera S.A.	Line-by-line	0.08
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.	Equity	
Dragages Transports & Travaux Maritimes S.A.	La Rochelle	F	€	3,947,894.00	-	50.00	33.33	GSM S.a.s.	Line-by-line	50.00
							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.		0.01
Essroc Canada Inc.	Mississauga	CAN	CAD	221,306,574.00	-	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	283,526.00	-	100.00	100.00	Essroc International	Line-by-line	-
Essroc International	Puteaux	F	€	344,360,000.00	-	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	-
Eurarco France S.A.	Le Crotoy	F	€	1,520,000.00	-	64.99	64.99	GSM S.a.s.	Line-by-line	35.02
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	16.10
Fraimbois Granulats S.A.R.L.	Moncel les Luneville	F	€	75,000.00	-	50.00	50.00	GSM S.a.s.	Equity	
Gacem Company Limited	Serrekunda	GAM	GMD	4,500,000.00	-	80.00	80.00	Tercim S.A.	Line-by-line	20.00
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	49.00
Granulats Ouest - GO	Saint Herblain	F	€	784,657.44	-	100.00	100.00	GSM S.a.s.	Line-by-line	0.01
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	0.01
Gulbarga Cement Limited	Bengaluru	IN	INR	802,257,000.00	-	89.91	28.04	Zuari Cement Ltd.	Line-by-line	10.09
							61.87	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	86.83
							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	0.12
							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	583,456,155.00	-	99.54	99.54	Suez Cement Company SAE	Line-by-line	49.56
Hilal Cement Company KSCC	Safat	KWT	KWD	6,987,750.00	-	51.00	51.00	Suez Cement Company SAE	Line-by-line	74.16

Company name	Registered office			Share capital	Interest held by Group companies				Method	Non-controlling interest
					Direct	Indirect	%			
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	0.06
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	43.30
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	16.70
							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	€	104,205,200.00	-	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.	Equity	
Italmed Cement Company Ltd.	Limassol	CYP	€	21,063,780.00	-	100.00	100.00	Halyps Building Materials S.A.	Line-by-line	0.12
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	64.88
Jalaprathan Concrete Products Co, Ltd.	Bangkok	TH	BT	280,000,000.00	-	99.99	99.99	Jalaprathan Cement Public Co, Ltd. (*)	Line-by-line	64.88
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	86.69
							1.00	Hilal Cement Company		
Les Calcaires Girondins S.a.s.	Cenon	F	€	100,000.00	-	50.00	50.00	GSM S.a.s.	Equity	
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	-	50.00	50.00	GSM S.a.s.	Equity	
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	
Les Sabliers de l'Odet S.a.s.	Quimper	F	€	134,400.00	-	97.47	94.93	Dragages Transports & Travaux Maritimes S.A.	Line-by-line	50.00
							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	0.08
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	43.08
Mauritano-Française des Ciments S.A.	Nouakchott	MAU	OUG	1,111,310,000.00	-	56.93	51.11	Ciments Français S.A.	Line-by-line	43.07
							5.82	Tercim S.A.		
Medcem S.r.l.	Naples	I	€	5,500,000.00	-	50.00	50.00	Intercom S.r.l.	Equity	50.00
Menaf S.a.s.	Puteaux	F	€	291,050,000.00	-	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	-	99.99	99.99	Jalaprathan Cement Public Co. Ltd. (*)	Line-by-line	64.88
National East Ready Mix Corp.	Ontario	CAN	CAD		-	60.00	60.00	Innocon Inc.	Equity	
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	€	10,000.00	-	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	0.01
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	73.65
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.	Line-by-line	50.00
							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	0.01
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.	Proportionate	
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.		

Company name	Registered office		Share capital		Interest held by Group companies				Method	Non-controlling interest
					Direct	Indirect	%			
Seas Co. Ltd.	Bangkok	TH	BT	10,000,000.00	-	99.98	99.98	Ciments Français S.A.	Line-by-line	0.02
Shymkent Cement JSC	Shymkent	KAZ	TEN	380,660,000.00	-	99.79	92.88	Codesib S.a.s.	Line-by-line	0.21
							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	19.84
Sitapuram Power Limited	Hyderabad	IN	INR	480,000,000.00	-	50.99	50.99	Zuari Cement Ltd.	Line-by-line	49.02
Sociedad Financiera y Minera S.A.	Malaga	E	€	39,160,000.00	-	99.94	96.45	Ciments Français S.A.	Line-by-line	0.06
							3.02	Hormigones y Minas S.A.		
							0.47	Sociedad Financiera y Minera S.A.		
							99.94	(voting rights: Ciments Français)		
Société Calcaires Lorrains	Heillecourt	F	€	40,000.00	-	49.92	49.92	GSM S.a.s.	Equity	
Société Civile Bachant le Grand Bonval	Guerville	F	€	1,500.00	-	80.00	80.00	GSM S.a.s.		20.01
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	0.41
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.	Equity	
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.	Equity	
Socli S.a.s.	Izaourt	F	€	144,960.00	-	99.99	99.99	Ciments Calcia S.a.s.	Line-by-line	0.02
Sodramaris S.n.c.	La Rochelle	F	€	7,001,000.00	-	50.00	50.00	GSM S.a.s.	Equity	
Srt Société Rouennaise de Transformation	Grand Couronne	F	€	7,500.00	-	100.00	100.00	Ciments Calcia S.a.s.	Line-by-line	0.01
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	71.20
							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	49.33
Suez Cement Company SAE	Cairo	EGY	LE	909,282,535.00	-	55.07	26.05	Menaf S.a.s.	Line-by-line	49.32
							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	250,000.00	-	100.00	40.00	Axim for Industrials SAE	Line-by-line	50.04
							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	50.59
							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	Equity	
							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	3,643,434.00	-	100.00	100.00	Tercim S.a.s.		-
Tercim S.A.	Puteaux	F	€	47,037,000.00	-	100.00	100.00	Ciments Français S.A.	Line-by-line	-
Terra Cimentos Lda	Mozambique	MOC	MZM	6,106,000.00		100.00	99.00	Tercim S.A.	Line-by-line	-
							1.00	Menaf S.a.s.		
Teskey Concrete Company Corp.	Ontario	CAN	CAD	2,200.00	-	100.00	100.00	Innocon Inc.	Equity	
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	60.68
							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	0.17
							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	0.02
							10.03	Compagnie des Ciments Belges S.A.		

Company name	Registered office		Share capital		Interest held by Group companies				Method	Non-controlling interest
					Direct	Indirect	%			
Tratel S.a.s.	Guerville	F	€	4,590,233.00	-	100.00	100.00	Tratel Affretement S.A.	Line-by-line	-
Tratel Affretement 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.		0.01
Unibéton S.a.s.	Guerville	F	€	27,159,732.00	-	99.99	99.99	Ciments Français S.A.	Line-by-line	0.01
Unibéton Var S.a.s.	Lambesc	F	€	40,000.00	-	100.00	100.00	Unibéton S.a.s.	Line-by-line	0.01
Uniwerbéton S.a.s.	Heillecourt	F	€	160,000.00	-	70.00	70.00	Unibéton S.a.s.	Line-by-line	30.01
Valoise S.a.s.	Pierrelaye	F	€	37,570.00	-	60.00	60.00	GSM S.a.s.	Equity	
Vaniyuth Co. Ltd.	Bangkok	TH	BT	100,000.00	-	48.80	48.80	Investcim S.A.	Line-by-line	51.20
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	0.06
							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	51.00
Vulkan Cement S.A.	Dimitrovgrad	BUL	LEV	452,967.00	-	98.60	70.00	Ciments Français S.A.	Line-by-line	1.41
							28.61	Devnya Cement A.D.		
Zuari Cement Ltd.	Andra Pradesh	IN	INR	2,749,614,000.00	-	100.00	96.91	Ciments Français S.A.	Line-by-line	0.01
							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 pursuant to art. 154-bis, par. 5 of the Legislative Decree no. 58 of 24 February 1998 in relation to the consolidated financial statements (pursuant to art. 81-ter of Consob Regulation no. 11971/99 and subsequent modifications and integrations)

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

- the adequacy in relation to the legal entity features (*also taking into account any changes during the financial year*) and
- the effective application

of the administrative and accounting procedures for the preparation of the consolidated financial statements over the period from January 1st, 2014 and December 31st, 2014.

2. The representation of the adequacy of the administrative and accounting procedures adopted in the preparation of consolidated financial statements as at December 31st, 2014 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 confirmed that:

3.1 the consolidated financial statements over the period from January 1st, 2014 and December 31st, 2014:

a) have been drawn up in accordance with the IAS/IFRS's and interpretations endorsed by the European Commission pursuant to Regulation (EC) 1606/2002 of the European Parliament and Council of 19 July 2002;

b) are consistent with the accounting records and entries;

c) are suitable to provide a true and fair view of the assets, liabilities, income, expenses and financial position of the issuer and the consolidated companies.

3.2 the directors' report includes a reliable analysis of the performance and results of operations, as well as of the overall situation of the issuer and the consolidated companies, together with a description of the main risks and uncertainties they are exposed to.

March 4th, 2015

(signed on the original)

Carlo Pesenti, Chief Executive Officer
Carlo Bianchini, Manager in Charge

Translation from the Italian original which remains the definitive version

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(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 2014, 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 2013 for comparative purposes. As disclosed in note 1 "Accounting policies", due to the adoption of IFRS 10 - "Consolidated financial statements" and IFRS 11 - "Joint arrangements", 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 2013, which derives from the consolidated financial statements at 31 December 2012. We audited the 2013 and 2012 consolidated financial statements and issued our reports thereon on 20 March 2014 and 22 March 2013, 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 2014.

3 In our opinion, the consolidated financial statements of the Italcementi Group as at and for the year ended 31 December 2014 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 2014, 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 2014.

Bergamo, 23 March 2015

KPMG S.p.A.

(signed on the original)

Stefano Mazzocchi
Director of Audit

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Italcementi S.p.A. Annual Report

Directors' report

Any changes in the standards and regulations, compared to 2013, 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, 2014, 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 understanding of its financial data, Italcementi S.p.A. employs a number of widely used indicators, which are not contemplated by 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 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 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 to 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., the subsidiaries' financial statements) and the presentation of comments and assessments provide a clear understanding 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 financial position and results of operations.

Results and significant events in the year

Results

Italcementi S.p.A. closed 2014 with a loss of 54.0 million euro (a loss of 115.2 million euro in 2013) 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 2013.

Condensed income statement

(in millions of euro)	2014	2013	% change vs. 2013
Revenue	**436.5**	**461.9**	**(5.5)**
Recurring EBITDA	**13.2**	**(14.2)**	**n.s.**
% of revenue	*3.0*	*(3.1)*	
Net non-recurring income	7.6	0.2	**>100.0**
EBITDA	**20.8**	**(14.0)**	**n.s.**
% of revenue	*4.8*	*(3.0)*	
Amortization and depreciation	(59.8)	(68.0)	12.0
Impairment	(17.1)	(20.5)	
EBIT	**(56.1)**	**(102.5)**	**45.3**
% of revenue	*(12.8)*	*(22.2)*	
Net finance income	38.6	43.2	(10.6)
Impairment on financial assets	(42.0)	(50.6)	
Loss before tax	**(59.5)**	**(109.9)**	**45.9**
% of revenue	*(13.6)*	*(23.8)*	
Income tax (expense)	5.5	(5.3)	n.s.
Loss for the year	**(54.0)**	**(115.2)**	**53.1**
% of revenue	*(12.4)*	*(24.9)*	
Cash flow from operating activities	**2.4**	**20.6**	**(88.3)**
Capital expenditure	**137.7**	**45.6**	**>100.0**

n.s.: not significant

In 2014, Italy's gross domestic product contracted for the third consecutive year.

The prolonged recession, despite the moderate improvement in the Eurozone, reflects the difficulties experienced by Italy in returning to a growth path even when external conditions are relatively favorable and the economic policy is less restrictive. Certainly, the most worrying fact is the decline in investment, which continued in 2014 and has now been a trend for seven years. Investment volumes are estimated at 30% below pre-crisis levels, a figure that reflects the gap between Italy and the Eurozone as a whole (where investments in the same period have shrunk by approximately 10%) and, looking ahead, the difficulty for Italy, with its obsolete private and public production structures, to become part of the expected recovery.

A not dissimilar downturn has taken place over the same period in investment in construction; here too, this compares with a much more limited reduction in construction investment in the Eurozone.

The sharpest reduction, both last year and since the crisis began in 2008, is in construction of new housing. This highlights many of the constraints operating in the sector, from those of a more structural nature arising from a slow demographic dynamic and lower creation of available income, to contingent problems stemming from the credit squeeze, the virtual absence of public initiatives, the need to reabsorb surplus production from the previous period, the increased tax charge on building ownership. Meanwhile, there has been a significant increase in restructuring projects on individual buildings, linked in part to the availability of important tax incentives. Indeed, the success achieved through the simple automatism of the fiscal lever should now suggest that resources be devoted to entire urban areas that have suffered significant degradation in the socio-economic evolution of recent decades.

Domestic cement consumption continued to fall at a significantly faster rate (-7.4%) than the decrease in construction investments, amounting to little more than 20 million metric tons in 2014. This differential can be explained first in terms of a change in composition, specifically, a significant increase in the proportion of redevelopment projects (where cement consumption is low) and a simultaneous contraction in construction of major public works (where cement consumption is high). Production fell at a fractionally lower rate than consumption (-6.5%) thanks to the further improvement in the trade balance, with a marginal decrease in exports but a much larger reduction in imports. As in 2013, the largest decreases in consumption were in northern and central Italy, while consumption was more favorable in the south, especially in the fourth quarter, driven by a number of important public works.

In this scenario, Italcementi S.p.A. recorded **revenue** of 436.5 million euro, a reduction of 5.5% from 2013 (461.9 million euro), largely due to the fall in sales prices.

Despite this, **recurring EBITDA** showed a significant improvement, from a negative amount in 2013 (-14.2 million euro) to a positive figure of 13.2 million euro in 2014.

Sales prices slid throughout the year, with a significant reduction compared with 2013. This was outweighed by the important savings in variable costs and overheads, achieved on one hand by the reduction in the cost of energy factors and on the other by the re-organization measures introduced under the “Progetto 2015” program for the rationalization of the industrial and distribution network in Italy, the Group corporate departments and the sales network.

As part of this program, in 2014 operations were suspended in full or in part at a number of factories, while a grinding center was closed.

In November, the new kiln at the Rezzato cement plant went into operation. Its environmental and financial benefits will be felt as from 2015, enabling the production network to be restructured in northern Italy and completing the new production organization implemented under “Progetto 2015”.

The improvement in recurring EBITDA was also driven by income from carbon emission rights operations and from energy efficiency white certificates, and by lower allowances for impairment.

EBITDA made strong progress, from a negative amount of 14.0 million euro in 2013 to a positive amount of 20.8 million euro in 2014. The EBITDA margin was 4.8% (-3.0% in 2013). Factors driving the improvement included net non-recurring income of 7.6 million euro (0.2 million euro in 2013) stemming largely from net gains on the sale of non-current assets, together with significantly reduced expense for re-organizations compared with the previous year.

After amortization and depreciation of 59.8 million euro, a reduction of 12.0% from the previous year (68.0 million euro) and impairment losses on non-current assets (17.1 million euro, compared with 20.5 million euro in 2013), **EBIT** was negative at 56.1 million euro, an improvement on negative EBIT of 102.5 million euro in 2013.

Net finance income was 38.6 million euro, a decrease of 4.6 million euro from 2013. The reduction was primarily the consequence of a rise in interest expense and borrowing costs and the absence of net gains on derivatives (present in 2013) on carbon emission rights, net of the positive effect of higher dividends on equity investments.

The company posted a **loss before tax** of 59.5 million euro (loss of 109.9 million euro in 2013). The figure reflected **impairment losses on financial assets** of 42.0 million euro (50.6 million euro in 2013) referring largely to the equity investments in Calcestruzzi S.p.A. and Nuova Sacelit S.r.l..

After a positive **income tax** posting of 5.5 million euro (expense of 5.3 million euro in 2013) arising mainly from the effect of the tax consolidation, 2014 closed with a loss of 54.0 million euro (loss of 115.2 million euro in 2013).

In 2014, starting from the loss for the year, the other components that determined **comprehensive income** reflected a negative balance of 24.1 million euro arising from fair value losses on cash flow hedges (20.9 million euro) and revaluations of the net obligation for employee benefits (3.3 million euro). Considering the loss for the year of 54.0 million euro and the components described above, the company posted total comprehensive expense of 78.2 million euro in 2014, compared with total comprehensive expense of 94.1 million euro in 2013 (the reader is referred to the statement of comprehensive income, included in the "Financial statements" section).

Significant events

The reader is referred to the relevant section in the directors' report in the consolidated annual report.

Capital expenditure

Investments in property, plant and equipment and investment property totaled 133.1 million euro in 2014 (36.0 million euro in 2013). They referred to the revamping of the Rezzato cement plant and to widespread industrial safety and rationalization measures.

Investments in intangible assets amounted to 3.8 million euro (6.1 million euro), mainly relating to software development for the various IT projects in 2014.

Equity investments (excluding the investment in Ciments Français, illustrated later in this report) and investments in other assets were modest (0.8 million euro compared with 2.5 million euro in 2013).

Statement of financial position, cash flows and net debt

Condensed statement of financial position

(in millions of euro)	2014	2013
Property, plant and equipment and investment property	623.3	587.1
Intangible assets	39.6	41.2
Equity investments and other assets	2,201.8	1,707.6
Non-current assets	**2,864.7**	**2,335.9**
Current assets	**593.4**	**602.7**
Total assets	**3,458.1**	**2,938.6**
Equity	**1,752.4**	**1,360.2**
Non-current liabilities	**1,131.0**	**1,072.1**
Current liabilities	**574.7**	**506.3**
Total liabilities	**1,705.7**	**1,578.4**
Total equity and liabilities	**3,458.1**	**2,938.6**

Condensed statement of cash flows

(in millions of euro)		2014		2013
Net debt at beginning of year		**(1,026.6)**		**(987.2)**
Cash flow from operating activities:				
Cash flow before change in working capital	(16.5)		8.2	
Change in working capital	18.9		12.4	
Total cash flow from operating activities		2.4		20.6
Capital expenditure:				
PPE, investment property and intangible assets	(136.9)		(42.1)	
Financial assets and other assets	(0.8)		(3.5)	
Total capital expenditure		(137.7)		(45.6)
Proceeds from sale of non-current assets		24.2		34.1
Change in equity investments in subsidiaries		(466.2)		-
Amounts paid to cover losses at investees		(66.6)		(67.1)
Change in share capital		487.2		-
Dividends paid		(16.8)		(16.7)
Other		(16.0)		35.3
Change in net debt		**(189.4)**		**(39.3)**
Net debt at end of year		**(1,216.0)**		**(1,026.6)**

Equity and net debt

Equity at December 31, 2014, was 1,752.4 million euro, an increase of 392.2 million euro from December 31, 2013 (1,360.2 million euro) arising largely from the impact (approximately 487.2 million euro, net of related expense) of the share capital increase for approximately 500 million euro (including share premium) completed in early July. This effect was offset in part by the loss for the year (54.0 million euro) and dividends paid (16.8 million euro).

At December 31, 2014, after the mandatory conversion of savings shares into ordinary shares (June 2, 2014) and the above-mentioned share capital increase, Italcementi S.p.A. share capital stood at 401,715,071.15 euro, represented by 349,270,680 ordinary shares without par value. Treasury shares in portfolio numbered 3,861,604 equivalent to 1.11% of share capital.

Also at December 31, 2014, the equity investment held by Italmobiliare S.p.A. was just over 45.0%.

Net debt was 1,216.0 million euro, an increase of 189.4 million euro from December 31, 2013 (1,026.6 million euro). This arose largely from the increase in the equity investment held in Ciments Français S.A. (now S.A.S.) to 100%, which involved an outlay of 466.2 million euro, investments totaling 137.7 million euro, and amounts paid to cover losses of 66.6 million euro at Calcestruzzi S.p.A. (38.2 million euro) and Nuova Sacelit S.r.l. (19.3 million euro). With a substantial balance in cash flows from operating activities (a net inflow of 2.4 million euro), the large level of cash outflows illustrated above was mitigated by the share capital increase.

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, as well as 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 no. 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 set out 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 the parent Italmobiliare S.p.A. and its subsidiaries

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 with the other companies managed and coordinated by it have a positive influence on operations and financial results, facilitating efficient use of resources and skills present in 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 shareholders'register management service and administration services for shareholders' meetings.

Since June 2, 2014, after the conversion of savings shares into ordinary shares, Italmobiliare S.p.A.'s equity investment in Italcementi S.p.A. has been diluted to 45.03% of share capital, net of treasury shares. Consequently, in compliance with current laws, the tax consolidation under Italmobiliare S.p.A. was interrupted, and a new national tax consolidation scheme was formed with Italcementi S.p.A. as the consolidating company, for some of the companies controlled by Italcementi S.p.A. The new tax consolidation scheme is effective for the three years 2014/2016 and has adopted a "Regulation for enactment of intragroup relations in connection with participation in the national tax consolidation scheme" substantially in line with the regulation formerly adopted by Italmobiliare S.p.A..

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

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. (Ciments Français S.A.S. since November 2014) and its subsidiaries for the exchange of personnel services, with the aim of optimizing the use of existing professional resources and development of common projects. Costs incurred by Italcementi S.p.A. for organizational, international development, insurance and IT projects were recharged to Ciments Français S.A.S. for the amounts attributable to it.

A service contract exists between Italcementi S.p.A. and Ciments Français S.A.S. for the apportionment of costs relating to those corporate 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 2014, Italcementi S.p.A. disbursed 600,000 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 167,000 euro.

In 2014, 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. received legal services during the year for 300,000 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 2.3 million euro, and received goods and services for approximately 6.1 million euro. Italcementi S.p.A. also recorded income of approximately 286,000 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 reporting, for offices held within the Group, are illustrated in the Remuneration Report.

Human resources

At December 31, 2014, the Italcementi S.p.A. workforce stood at 1,896 persons, a decrease of 376 from the end of 2013 and 501 from the end of 2012.

(persons)	2014	2013
Senior managers	113	125
Middle managers and clerical staff	809	933
Intermediates and blue collars	974	1,214
Total	**1,896**	**2,272**

In 2014, the hours of lay-offs with state-subsidized benefits (*cassa integrazione guadagni*) totaled 829,151 hours (710,347 hours in 2013 and 245,746 hours in 2012).

The production rationalization program (begun in 2012 with the sale of Pontassieve) saw the completion of the following operations in 2014:

- full termination of operations at Vibo Valentia and Broni;
- conversion of the facilities at Porto Empedocle and Trieste into grinding centers.

All operations at Monselice and Scafa were suspended in 2014 and kiln operations were halted at Salerno, Guardiaregia and, as from the fourth quarter, Castrovillari.

The suspension of operations at the production facilities had repercussions on central staff and sales network organizational structures, with a significant reduction in operations and consequent recourse to state-subsidized benefits.

The entire restructuring, for both staff and production units, was implemented through use of the instruments made available by law to limit 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.

The forecast of a comprehensive package of measures for the employees affected by the lay-offs, combined with industrial and training investments to support the restructuring, enabled the company to extend social safety nets for an additional 12 months, until January 31, 2016.

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 2014; 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, forming 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 carbon 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, exchange rates and the 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 the Group companies, Italcementi S.p.A. 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 assessment, the inspections relating to 1987 and 2003 are still open. With regard to 1987, the company is waiting for the ruling in favor of the company (with the exception of some marginal items) to become definitive; with regard to 2003, the hearing before the Court of Cassation is pending.

In 2014, the inspections relating to the years from 2004 to 2006 closed in favor of the company.

Italcementi Cav. Lav. Carlo Pesenti Foundation

The Italcementi Foundation named after *Cavaliere del Lavoro* Carlo Pesenti (1907 – 1984) 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 principles and values of corporate sustainable development. Another important goal is promotion and support for humanitarian aid for communities affected by natural disasters or in response to specific emergencies. Activities also include research, promotional and divulgatory activities through conferences, seminars and publications, as well as social solidarity projects and cooperation with other bodies, foundations and associations with similar goals.

In 2014, in its principal area of **education, training and scientific research**, as the final phase in 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 Bocconi University in Milan and the MIT-Zaragoza Logistics Center, a study was conducted on the "research-business relationship" for transfer of the knowledge generated by the doctorate to business and to the academic community for educational purposes. A book is being completed on the subject for use in university courses.

The Foundation provided funding totaling approximately 330,000 euro in the two years 2013-2014 for another important project, **"Bergamo 2,035 – A New Urban Concept"**, developed by the University of Bergamo in cooperation with the Harvard University Graduate School of Design, on trends and future decisions of urban communities, with a particular focus on Bergamo and the surrounding area. The distinguishing features of the project and the results achieved were illustrated at a public conference at the end of September 2014 and published in a book offered to the more than 1,300 visitors to an exhibition on the project held in the center of Bergamo, in October and November 2014. The project, for which Bergamo City Council became a partner in December 2014, will continue in 2015 and the two following years, with the close involvement of the institutional community, business and social bodies to draw up concrete project solutions for implementation.

New cooperation agreements were set up with Bocconi University in 2014 to be implemented over the following three years, regarding support for the **"Sustainable Operations Management" course named after the Italcementi Foundation** and a program of grants for deserving students who are children of Italcementi employees.

Support continued in line with previous years 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.

Activity in the scientific field consisted of support for advanced biomedical research and specialist training for pediatric physicians and surgeons.

With regard to **humanitarian initiatives**, the Foundation continued to support the development and supervision of building extension work at the **Metiyagane Training Center in Sri Lanka**, constructed in cooperation with the local Salesian community to provide accommodation, training and skills for local youngsters. The new building, constructed with funding from an external association, is now nearing completion and will increase the functional efficiency of the establishment, which has gradually increased its student intake (to 250) and improved the quality of teaching.

The Foundation also contributed to humanitarian initiatives of other organizations (Cesvi, Veronesi Foundation) and to projects of a number of bodies providing social assistance.

Among activities for our **artistic and cultural heritage,** in the year of the canonization of Pope John XXIII, the Foundation provided support for the distribution to the world's most important libraries and the Apostolic Nunciatures of the diaries of Angelo Roncalli in the National Edition edited by the Religious Science Foundation of Bologna. It also supported the promotion of a major cultural event in the Bergamo area and an exhibition on Palma il Vecchio, which will be an attraction at EXPO 2015.

The **annual conferences promoted** by the Italcementi Foundation on key current economic, social and political issues are always closely followed, with the participation of distinguished speakers from the institutional, economic and academic communities.

At the conference in January 2014 marking Italcementi's 150th anniversary and the Foundation's 10th anniversary, an analysis was presented of the various models of capitalism that have gradually developed around the world, with a debate on the characteristics these models offer for the sustainable development of business organizations and nations, in every situation.

The latest conference in January 2015, which opened with a video manifesto by architect Renzo Piano, offered a wide-ranging debate on ways to regenerate cities for a new Renaissance by re-linking the suburbs with the urban context, engaging local residents and making use of innovation in technology and materials.

In 2014, Italcementi's 150th anniversary, an important event was the traditional concert sponsored by the Foundation at the Piano Festival in Brescia and Bergamo.

The above initiatives and a variety of other recurring projects, such as support for the "Bergamo Scienza" events and for the history programs of the Bergamo Foundation, involved **an overall financial commitment,** covered with the contributions of the founding members, **of approximately 722,000 euro in 2014** (+29% on the outlay in 2013).

Performance of the Ciments Français group

Key consolidated figures

(in millions of euro)	2014	2013	% change vs. 2013
Revenue	**3,584.5**	**3,587.4**	**(0.1)**
Recurring EBITDA	**616.3**	**641.3**	**(3.9)**
Net non-recurring expense	(6.3)	(9.0)	
EBITDA	**610.0**	**632.3**	**(3.5)**
Amortization, depreciation and impairment	(321.5)	(343.5)	
EBIT	**288.5**	**288.8**	**(0.1)**
Net finance costs	(93.8)	(75.3)	
Share of profit (loss) of equity-accounted investees	12.2	7.5	
Profit before tax	**206.9**	**220.9**	**(6.4)**
Income tax expense	(98.5)	(106.1)	(7.1)
Profit for the year	**108.4**	**114.9**	**(5.7)**
Profit attributable to owners of the parent	**43.8**	**48.1**	**(9.0)**
Total equity	**3,700.1**	**3,515.4**	
Equity attributable to owners of the parent	**2,883.6**	**2,780.4**	
Net debt	**825.4**	**750.4**	

After the voluntary public tender offer on Ciments Français shares in June 2014 and the subsequent "squeeze-out" procedure, with the delisting from the Paris Stock Exchange (NYSE – Euronext Paris), Italcementi S.p.A. obtained ownership of 100% of the share capital of Ciments Français S.A. (Ciments Français S.A.S. since November 2014).

In 2014, Ciments Français consolidated **revenue** amounted to 3,584.5 million euro, down 0.1% on 2013 (+1.1% at constant exchange rates and on a like-for-like basis).

Recurring EBITDA was 616.3 million euro, down 3.9% from 2013. After net non-recurring expense of 6.3 million euro (net expense of 9.0 million euro in 2013), **EBITDA** was 610.0 million euro, down 3.5% on 2013. After amortization and depreciation totaling 325.6 million euro (331.1 million euro in 2013) and reversals of impairments losses of 4.1 million euro (impairment losses of 12.4 million euro in 2013), **EBIT** was 288.5 million euro (288.8 million euro in 2013).

Net finance costs were 93.8 million euro, compared with net finance costs of 75.3 million euro in 2013.

The profit for the year was 108.4 million euro, compared with profit of 114.9 million euro for 2013. Profit attributable to owners of the parent was 43.8 million euro (48.1 million euro in 2013).

Ciments Français S.A.S. posted a profit for the year of 65.6 million euro (47.4 million euro in 2013). A dividend of 3 euro will be proposed at the Annual General Meeting, called for April 10, 2015. Considering the advance payment of 1.5 euro made on January 19, 2015, the outstanding dividend payment for 2014 will be 1.5 euro.

Significant events after the reporting period

No other significant events have taken place since the end of the reporting period that require changes to or additional comments on the financial position and results of operations of Italcementi S.p.A. as at and for the year ended December 31, 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, describes the corporate governance practices actually applied and provides 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 4, 2015, is published in the section "Investor Relations / General Meetings" on the Company's website.

The information contained in this Report refers to fiscal year 2014 and, in regard of specific topics, was updated as of the meeting of the Board of Directors which approved it.

Italcementi S.p.A.'s 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, at the same time, to pursue the satisfaction of the shareholders' interests and enhancement of management value.

The Company Corporate Governance system derives 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 September 26, 2012;
2) 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 financial reporting;
8) Organizational, Management and Control Model.

The above documents are available on the Company's website *www.italcementigroup.com*, except for 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 has 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, 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 (revenue, 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 organizational structure that might possibly justify a review.

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*

2014 was a crucial year for Italcementi. The Company streamlined its corporate structure following the mandatory conversion of savings shares into ordinary shares, which ended on June 2, 2014, the share capital increase, which ended on July 7, 2014, and the positive outcome of the public tender offer for all outstanding shares of the main subsidiary Ciments Français S.A., which was completed on July 15, 2014. Consequent to the above plan to streamline the corporate structure, it was necessary to amend the value of the unexercised stock options and the grants to managers of the cash incentive plan.
The stock option plans for directors and managers still in force to the extent that they have not been implemented, as well as the cash incentive plan for managers, envisage, in the event of share capital transactions, the amendment of some plan conditions to guarantee “equivalent” treatment of participants with respect to that offered initially.
Consequent to the share capital increase against consideration, Borsa Italiana adjusted the historic series of official prices and volumes traded prior to June 9, 2014, by applying a correction factor of 0.87503023. Given the above, on February 6, 2015, the Board of Directors corrected the stock option grants for directors and managers and the grants linked to the cash incentive plan for managers on the basis of the aforementioned criterion.

Consequently, there are now 1,098,133 exercisable options under the Stock option plan for directors - 2001, 2,546,416 options under the Stock option plan for managers – 2000, and 1,788,224 options under the Stock option plan for managers - 2008. The outstanding options granted to directors may be exercised only through grant of treasury shares to the beneficiaries, while the options granted to managers may also be exercised through application by the directors of their powers to increase the share capital.

The Company has not issued other types of financial instruments other than the afore-mentioned options, which give the right to subscribe newly issued shares.

Due to the mandatory conversion of savings shares into ordinary shares and the share capital increase, the share capital consists now of 401,715,071.15 euro, divided into 349,270,680 ordinary shares with no par value.

The ***shares*** have voting rights at the Company’s ordinary and extraordinary shareholders’ meetings.

Shareholders who, alone or jointly, own at least one fortieth of the share capital represented by shares with voting rights, may ask, within the terms 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 or presenting additional proposals for deliberation with regard to items already on the agenda. 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 not 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.

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 (Consolidated Finance Act)***

Here below are the significant shareholders according to the disclosures made pursuant to art. 120 of the TUF, supplemented by information held by the Company consequent to the conversion of savings shares into ordinary shares and the subsequent share capital increase.

Shareholder	No. of shares	% of total share capital
EFIPARIND B.V. (indirectly through Italmobiliare S.p.A.) *This figure does not take account of the 3,861,604 treasury shares held by the company*	157,171,807	45.00
FIRST EAGLE INVESTMENT MANAGEMENT LLC (as manager, among other things, of the «First Eagle Global Fund» which holds 6.13% of the share capital with voting rights)	32,955,903	9.43

d) ***Shares that confer special control rights***

No shares conferring special control rights have been issued**.**

e) ***Employee share ownership shemes: mechanism for exercise of voting rights***

There is no specific scheme for employees to hold shares.

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 to which the Company or its subsidiaries are parties, that would become effective, be modified or expire should there be a change in the control of the Company, and their effects and provisions of the By-laws regarding public tender offers***

Within the policy aimed at supporting its business and development, Italcementi and its subsidiaries have entered into loan agreements, some of which grant the lender the right, in the event of a change of control of the Company, to terminate the loan agreement in advance and have the consequent right to demand the principal and the accrued interest or, lastly, in the case of derivative-based framework 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 the TUF related to the passivity rule nor application of the breakthrough rules.

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 the TUF.

l) ***Laws applicable to the appointment and replacement of directors and to amendments of the By-laws***

For this information, please refer to the 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***

Delegated powers for share capital increases

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, one or more times within five years of the afore-mentioned resolution, for a maximum nominal amount of 6,000,000 euro through the issue of a maximum of 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 grant,
  * for employees of Italcementi S.p.A. and its subsidiaries, as well as for employees of its parents and other subsidiaries of the latter, in the event 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, methods, characteristics and conditions of the offer to employees and to set the issue price of the shares, including the related share premium.

Subsequently, with its resolution of April 17, 2013, the shareholders in their extraordinary meeting granted the Board of Directors the power, on one or more occasions within five years from the resolution itself:

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 bonds with 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 instruments 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 event of a free increase; to establish the issue price, conversion rates, terms and method of execution of transactions.

As part of the extraordinary operations to streamline the corporate structure undertaken last year, on March 6, 2014, May 19, 2014 and June 5, 2014, the Board of Directors, exercising the power granted by the extraordinary shareholders' meeting of April 17, 2013, resolved to increase the share capital in one or more tranches and against consideration by a maximum total of 119,166,129.15 euro (as well as the maximum share premium of 380,813,499.67 euro) through the issue of a maximum of 103,622,721 new ordinary shares, without par value, with the same characteristics as those outstanding at the issue date (and therefore with accrued coupons at that date), to be offered to the entitled parties. This approved share capital increase was carried out in full on July 7, 2014 and, consequently, this power must be considered to be fully exercised.

Equity financial instruments

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.

Authorizations for the purchase of treasury shares

At their ordinary meeting of April 16, 2014, 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 granted to beneficiaries of stock options, since no vested rights have been exercised by directors or managers.

Moreover, due to the operation to streamline the corporate structure and, in particular, the mandatory conversion of savings shares into ordinary shares, at a rate of 0.65 ordinary shares for each savings share, the number of savings treasury shares was reduced to zero, while the number of ordinary treasury shares rose by 68,575, from 3,793,029 to 3,861,604.

Therefore, at December 31, 2014, the Company held 3,861,604 ordinary treasury shares, equal to 1.106% of the share capital, to be used to service the "Stock option plan for directors" and the "Stock option plans for managers".

Management and coordination activities

After the afore-mentioned mandatory conversion of Italcementi savings shares into ordinary shares, Italmobiliare S.p.A., which before the conversion was Italcementi's controlling shareholder, with a share, net of the treasury shares held by the Company, of 60.36%, lost automatic control, since its investment was diluted to 44.32% of the share capital.

Following the share capital increase completed on July 7, 2014, Italmobiliare increased its investment in Italcementi to 45.00% of the share capital, a share that has remained unchanged up to the approval date of this report.

Although Italmobiliare S.p.A. (whose relative majority shareholder is Efiparind B.V.) has lost automatic control over the Company, it has nonetheless maintained de facto control, and, therefore, continues to manage and coordinate Italcementi pursuant to articles 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 to which the Company and its subsidiaries are subject.

The Company, in application of the Corporate Governance Code, at the meeting of the Board of Directors of March 4, 2015, defined, with the prior favorable opinion of the Control and Risk Committee, the guidelines for the Internal Control and Risk Management System, so that the main risks regarding Italcementi and its subsidiaries are correctly identified, as well as being adequately measured, managed and monitored, thus also determining the degree of compatibility of such risks with corporate management that is consistent with the strategic objectives identified.

During the preparation of the afore-mentioned Guidelines, the Company paid maximum attention to ensure consistency 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. In this way, the Internal Control and Risk Management System contributes to management of the Company consistently with the corporate objectives set by the Board of Directors by facilitating the adoption of knowledgeable decisions. It contributes to ensure the preservation of the Company's assets, the efficiency and effectiveness of its 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*: line controls carried out by the heads of operating units and by managers of Group companies on their own processes to ensure that transactions are correctly performed;
- *Level 2*: functions in charge of the definition of methodologies and tools for risk management in order to guarantee consistency with corporate objectives in compliance with organizational segregation criteria;
- *Level 3*: the Internal Audit function, as well as any other parties that provide objective and independent assurance of the structure and overall operation of the System.

2. *Enterprise Risk Management*

An integral part of the Internal Control and Risk Management System is represented by Enterprise Risk Management ("ERM"), an integrated model developed in accordance with international best practices, to optimize the management of business risks and to define the resulting strategies for their mitigation, supporting the decision-making process through analysis of "risks, expected returns, opportunities for business growth".

Within Enterprise Risk Management, Italcementi appointed a Chief Risk Officer to head the Risk Management Dept. with the goal of improving the ability to create value for stakeholders also through better management of business risk.

ERM uses the CoSO methodology (Committee of Sponsoring Organizations of the Treadway Commission) and is 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 risk events in terms of impact, probability 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; many risks are managed locally at subsidiary level, while the management of those requiring specific expertise or 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. Risk and opportunity quantification is integrated into the Company's management processes such as budgets, forecast reviews or studies of key investment projects.

Italcementi puts in place continuous actions, detailed in paragraph 4.1 below, which represent 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 financial reporting risk). For each significant risk, it has developed appropriate containment actions, attributed responsibilities to a Primary Risk Owner with the task of coordinating and ensuring consistency in responses to risk, defined guidelines, actions and controls common to the different areas of risk ("Risk Management Guidelines"), and 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 year, the Board of Directors examines and quantifies the risks, in terms of impact on EBITDA, to which the Company and the Group as a whole are subject, depending on the strategic objectives it sets for itself.

The analysis, prepared under 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 kinds 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 assessment conducted in view of the approval of the annual budget, every strategic plan of the Company is preceded by a risk assessment that includes the definition of best and worst case scenarios, the probability of achieving a profit, given 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 relating 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 relating to 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 factors (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 factors (the Country in which an entity operates, specific risks, risk levels assigned to the various items);

b) **Operational planning.** Every year, 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 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”), on the basis of the results of the activities performed and the documentation obtained, the Manager in charge assesses the overall adequacy and effective operation of the system of administrative and accounting procedures and the related controls, and more generally, of 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;
- 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 overseen 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) 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;
b) identifying internally:
   (i) the Director responsible for setting up and maintaining the Internal Control and Risk Management System,
   (ii) a Control and Risks Committee, tasked to support, through appropriate investigation, the evaluations and decisions of the Board of Directors relating to the Internal Control and Risk Management System, as well as those relating to the approval of the periodic financial reports;
c) 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;
d) examining at least once a year the main corporate risks presented by the Director in charge as well as the audit processes implemented and designed for their prevention, reduction and effective and efficient management;
e) 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;
f) approving the annual 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;
g) describing in the corporate governance report the main characteristics of the Internal Control and Risk Management System, expressing its own assessment of the adequacy of the same;
h) assessing, after hearing the Board of Statutory Auditors, the results set out by the independent auditors in any letter of recommendations and in the report on the essential issues which emerged during the legally-required audit;
i) adopting the Organization, Management and Control Model set up pursuant to Legislative Decree no. 231/01, approving all its updates in compliance with relevant laws and appointing the members of the related Supervisory Body.

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 submitting them to the review of the Board of Directors at least once a year;
   b) implementing the guidelines, taking care of the planning, implementation and management of the internal control and risk system, constantly monitoring its adequacy and effectiveness and proposing suitable updates in the operational context of the Company and Group;
   c) proposing to the Board of Directors, in keeping with corporate policies, the appointment, removal and remuneration of the Head of Internal Audit;
   d) 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 the Control and Risk Committee and the Chairman of the Board of Statutory Auditors;

e) promptly reporting to the Control and Risk Committee (or to the Board of Directors) issues and problems that resulted from their activity or of which they became aware in order for the Committee (or the Board) to take appropriate actions.

Under the powers granted to them, the Director in charge of the Internal Control and Risk Management System, at least once a year, and in any case when they deem it necessary or advisable, depending on the circumstances, such as in the case of new material risks or 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, reduce and manage them effectively and efficiently in order to enable the Board of Directors to make an informed 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, the compliance of documents with book entries and accounting records, the suitability of documents to give a true and fair view of the financial position and results of operations of the Company and the Group.

3) ***Control and Risk Committee***, which, as a body supporting and assisting the Board of Directors, carries out advisory and propositional functions. In particular it:
   a) issues opinions to the Board of Directors whenever the Code so provides;
   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 the consolidated financial statements;
   c) expresses opinions on specific aspects relating to the identification, measurement, management and monitoring of the Company's main risks;
   d) reviews the periodic reports 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, efficiency and effectiveness 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 interim financial reports, 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;
   i) undertakes further duties which are assigned to them by the Board of Directors.

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, directly or indirectly, it holds s 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 financial reporting, of issuing specific statements on served data and information, in relation to both their true and fair representation, and 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/she 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 in 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 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 financial reporting***, 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 separate financial statements, the condensed 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 periodic reporting to top management and the Board of Directors on the activities undertaken;
d) periodically reviewing the risk map assessment relating to financial reporting;
e) taking part in the development of IT systems that have an impact on the Company's financial position 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 financial reporting, 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 financial reporting 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 the appointment, provided such Manager with fully autonomous financial resources to exercise the powers granted to him/her with the duty to report every six months to the Board of Directors on the financial resources used. 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, in the current version of the Code, of any reference to the "Controller", now uniquely identified as Head of Internal Audit, 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, the Board of Directors 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 favorable 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 considered appropriate, both in terms of headcount and professional skills, to fulfill the tasks entrusted to it.

   In 2013, the Internal Audit department's work obtained certification from an independent external body, IFACI (Institut Francais de l'audit e du control Interne), which assessed the quality of the Intend Audit Department's work and the compliance of its activities with the international internal auditing standards.

   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 2015 Audit Plan prepared by the Head of Internal Audit during the meeting of February 6, 2015 and the Internal Audit Charter during the meeting of November 7, 2013. The Charter officially defines the mission, objectives, organizational 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 prioritization 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 reports directly 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 of financial reporting. The Supervisory Body's 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 that have 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 current laws, oversees compliance with the principles of correct administration and, in particular, the adequacy of the organizational and accounting arrangements adopted by the Company and their actual functioning as well as, in its role of Committee for internal control and internal audit, the effectiveness of the Internal Control and Risk Management System.

The audit of the Company's financial statements, as required by the current laws, has been entrusted to an **independent Audit Company** 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 limited review of the Group condensed interim consolidated financial statements for 2011-2019 was assigned to KPMG S.p.A. at 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 Statement 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 which was last modified in July 2014 by the Committee for Corporate Governance, 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 business purpose, with the sole exception of those expressly reserved to the Shareholders’ Meeting by 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 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;
- deduction in share capital in the event of shareholders’ withdrawal;
- amendments to the By-laws to comply with mandatory legal provisions.

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 provided for 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 remain in office for the period set at the time of appointment, but in no event for more than three years and they may be reappointed after the expiration of their term of office.

The Board of Directors currently in office, appointed by the shareholders' meeting of April 17, 2013, is made up of fifteen members, whose term of office expires upon approval of the financial statements at December 31, 2015.

One fifth of the members of the Board, in compliance with the provisions on gender quotas in force at the time of its appointment, is reserved for the less represented gender.

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 requires that the Board of Directors of subsidiaries managed and coordinated by 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 quotas.

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, lists bearing a number of candidates equal to or greater than three must be composed of candidates from both genders, so that one or the other gender is represented by at least one third (rounded upwards) of the candidates. In addition, upon the first renewal of the Board of Directors 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 adopted by the Company. The Board of Directors considered appropriate to keep this principle aligned with the best practices governing the matter.
b) a brief *curriculum vitae* on the personal and professional experience of each candidate with an indication of their positions 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 realtionship, 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 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 relative 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 relative 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 quotas, 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, owing 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 – as a non-mandatory rule - 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 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 may not be delegated pursuant to the Civil Code and the By-laws. 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 Executive Deputy Chairman, 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 six 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. 21 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 the management of Italcementi S.p.A. staff 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 transaction and real estate transactions up to a limit of 15 million euro for each individual transaction.

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 transactions 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 when 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 managed and coordinated by 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 existence 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.

Should the independence requirements prescribed by law no longer be 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 also considered independent on the basis of the criteria set out in the Code.

The Board of Directors shared the evaluation 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.

<u>Lead Independent Director</u>

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 2014, the Lead Independent Director organized 2 meetings with the other independent directors during which an assessment was made of the Company’s governance system and of the work undertaken by the Board of Directors, its Chairman, the Chief Executive Officer and the internal committees.

One ot the meetings highlighted to the Board of directors the case for evaluating the appointment of a “Strategic Committee” as a suitable instrument to satisfy the need for knowledge and analysis of strategic issues.

The Board of Directors agreed on this proposal on the meeting held on July 20, 2014 and resolved to establish the Strategic Committee composed of 6 members, of which 4 are independent.

<u>Remuneration for Directors and Officers with strategic responsibilities</u>

The Shareholders' Meeting held on April 17, 2013 resolved upon the annual remuneration to be paid to the members of the Board of Directors, defining a new remuneration regime that will remain in force subject to further Shareholders’ resolutions. The new remuneration system consists of the following annual 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 financial reporting and the Head of Internal Audit is determined by the Board of Directors, in the absence of the parties concerned, 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 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 4, 2015.

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 in Italy and 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, parents 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 in Italy and abroad, in financial institutions, banks, insurance or major companies is set out below:

Giampiero Pesenti	* Italmobiliare S.p.A.	- Chairman
	* Finter Bank Zürich	- Deputy Chairman
	* 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 S.r.l.	- Chairman
	* UBI Banca S.c.p.a.	- Supervisory Director
Carlo Pesenti	* Italmobiliare S.p.A.	- Chief Executive / Chief Operating Officer
	* Finter Bank Zürich	- Director
Giulio Antonello	* Alerion Clean Power S.p.A.	- Chief Executive Officer
	* Eurotech 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
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.	- Director
	* Falck S.p.A.	- Director
	* Banca Popolare di Sondrio S.c.r.l.	- Director
	* Avvenire Nuova Editoriale Italiana S.p.A.	- Director
Italo Lucchini	* Italmobiliare S.p.A.	- Deputy Chairman
	* UBI Banca S.c.p.a.	- Member of the Management Board

Emma Marcegaglia	* Marcegaglia S.p.A.	- Deputy Chairman / Chief Executive Officer
	* Eni S.p.A.	- Chairman
	* 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
Jean Paul Méric	* Ciments Français S.A.	- Chairman
	* Ciments du Maroc S.A.	- Director
	* Sociedad Financiera y Minera S.A.	- Director
Carlo Secchi	* Mediolanum S.p.A.	- Chairman
	* Mediaset 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 days* the prior notice period to be observed in order to submit the afore-mentioned documentation. On several occasions, the documentation was sent to the interested parties before the deadline, often by sending it in two tranches, 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 2014, the Board of Directors held a total of eight meetings. On three occasions fourteen directors out of fifteen attended, on three more occasions thirteen directors participated out of fifteen, while for the other two meetings eleven directors attended. In addition, all members of the Board of Statutory Auditors attended six out of the eight meetings, while two Auditors attended the other two meetings.

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 financial reporting. 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 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 10 minutes.

As required by the Code and as per common practice, the Board, when examining and approving the financial statements for the period, taking into particular consideration the information received from the delegated bodies, evaluates overall performance by comparing the results achieved with those planned in the Strategic Plan and annual budget.

During 2015, the Board of Directors has so far met three times, to examine – among other things – 2014 revenue, forecasts for 2015 and to approve the 2014 draft financial statements. At least three further board meetings are scheduled during the current year for the approval of the interim financial statements.

The calendar of the meetings at which the results for the year or period are examined is annually disclosed to the market and published on the Company's website in the section Investor Relations / Calendar of events. The 2015 calendar was published in January 2015.

The Executive Committee did not meet in 2014 and has not yet met in 2015.

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 top management position, 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.

With respect to the definition of the managers' expected profile, the succession plan 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) suitability for 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 the 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 advisory and propositional 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, whose members are the same as those of the Control and Risk Committee.

Lastly, in July 2014, at the proposal of the independent directors, the Board set up, from among its own members, the Strategic Committee consisting of six directors, four of them independent.

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 highly concentrated ownership, 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 reports.

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 2014, the Control and Risk Committee met eight times always with the attendance of all of its members. The average duration of its meetings was approximately two hours and 15 minutes. All members of the Board of Statutory Auditors attended four meetings.

During 2014, the Committee, among other things:

a) examined and approved the methodology used by the Company for the preparation of impairment tests;
b) approved the implementation of the accounting policies and their uniformity for the purposes of preparing the consolidated financial statements;
c) reviewed and approved the 2014 Audit Plan;
d) was constantly informed on developments in pending judicial proceedings, also at Group level, on all activities relevant to the Company and the Group in order to identify risks and the relevant mitigation measures;
e) 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;
f) 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;
g) 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;
h) 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 Chief Operating Officer, the Manager in charge of t financial reporting, the Chief Risk Officer, the Head of Internal Audit and the Heads of the Legal Affairs and Finance functions.

During 2015, the Control and Risk Committee has so far met twice and has examined, among other things, the impairment testing methodology and its application for 2014, the results of the 2014 Audit and the Audit Plan for 2015-2017 – the latter being in its turn approved by the Board of Directors at its meeting on February 6, 2015 -, the accounting criteria adopted for preparation of the 2014 consolidated financial statements and the part of this Report relating to the description of the Internal Control and Risk Management System, expressing its own positive opinion.

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 parties concerned, 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. In November, the Remuneration Committee examined the progress in achieving the objectives for 2014 assigned to the Company's senior managers and also approved the proposal, which was subsequently put to the Board of Directors on March 4, 2015 and is to be put to the shareholders' meeting, regarding fees for members of the Strategic Committee.

During the year, the Committee met three times; the average duration of its meetings was about one hour and ten minutes. All the meetings were held with the participation of three Committee members. All Statutory Auditors attended one meeting, 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 2015, the Remuneration Committee has so far met twice 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 three members, all non-executive and independent. It consists of the same members as the Control and Risk Committee.

During 2014, the Committee met once with all its members present, to be updated by the Corporate Affairs Division regarding the application of the procedure with related parties.

The length of the meeting was around 30 minutes.

During 2015, the Committee for Transactions with Related Parties has so far met once to express its view on a transaction with a related party.

d) Strategic Committee

At its meeting on July 30, 2014 the Board of Directors approved the creation of a Strategic Committee as an instrument to provide knowledge and analysis of broad strategic issues, with particular attention to the related effects in terms of growth and competitiveness.

The Strategic Committee consists of six members and will serve until the expiry of the mandate of the current Board of Directors. It has an advisory and propositional role to support the Board of Directors.

In particular, the Strategic Committee supports the Board of Directors in relation to:

a) preparing the Group Strategic Plan;
b) determining Group strategic investments and transactions on equity investments;
c) other strategically important transactions/initiatives for the Group, for example evaluations on entry into new geographical and business markets, high-profile joint ventures with industrial and/or financial Groups and activities in terms of innovation and sustainability.

The Strategic Committee also approved the draft of its own Regulation, which was then approved by the Board of Directors on November 7, 2014, setting out the composition and appointment, operational rules, duties and functions of the Committee.

Assessment of the functioning of the Board of Directors and its Committees

On March 4, 2015, 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 to all directors a statement-based self-assessment questionnaire, where each recipient was requested to indicate his or her level of agreement.

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, also in reference to the part represented by independent directors.

B) BOARD OF STATUTORY AUDITORS

Role and responsibilities

The Board of Statutory Auditors oversees compliance with the law and the By-laws and 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 company chosen from among those enrolled in the appropriate register. Before the appointment of the audit company, the Board submits a reasoned proposal to the Shareholders' Meeting concerning the company 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 separate financial statements and consolidated financial statements, on the independence of the audit company.

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.

Since this is the first application of the regulation which aims to safeguard equality of access to control bodies of companies listed on regulated markets, lists with three or more candidates must be made up of candidates of both genders, so that one or other of the genders is represented by at least one fifth (rounded up) of the candidates for the position of Standing Auditor and by at least one fifth (rounded up) of the candidates for the position 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 vitae* 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 relationship, as defined by the law in force.

The certificates proving ownership of the stake on the date on which the lists are deposited may be produced also subsequently, provided that it is within twenty-one days prior to the date set for the shareholders' meeting on first call.

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 may 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 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 Chair 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 Statutory 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 a Standing Auditor, the Substitute Auditor belonging to the same list as the ceased 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 the Board of Statutory Auditors was renewed 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, whose mandate expired with approval of the financial statements as at and for the year ended December 31, 2014, there is no representative of the minority shareholders.

The current composition of the Board of Statutory Auditors already reflects the gender balance required by law, since it consists of two female standing auditors and one male auditor.

During the year, the Board of Statutory Auditors met fifteen times; the average length of its meetings was around two and a half hours. All the members of the Board of Statutory Auditors were present at ten meetings, while at the other five meetings two auditors were present.

In 2015, the Board of Statutory Auditors has so far met three times.

Each year the Board of Statutory Auditors assesses the existence of the independence requirements by each member and provides comment in its annual report to the shareholders.

Here below are the offices as director or Auditor held by each auditor in other companies listed on regulated markets, in Italy and abroad, at financial institutions, banks, insurance or major companies:

Maria Martellini	* Class Editor S.p.A.	- Director
	* Banca Akros S.p.A.	- Deputy Chairman
Luciana Gattinoni	* UBI Banca S.c.p.a.	- Member of the Management Board
	* BPB Immobiliare S.r.l.	- Chairman
	* Angelo Canevisio S.p.A.	- Chairman of the Board of Statutory Auditors
	* Ganart S.r.l.	- Chairman of the Board of Statutory Auditors
	* Metalmauri Trafileria S.p.A.	- Chairman of the Board of Statutory Auditors
	* Trafilerie Assi S.p.A.	- Chairman of the Board of Statutory Auditors
Luciana Ravicini	* Italmobiliare S.p.A.	- Standing auditor
	* Caleffi S.p.A.	- Standing auditor
	* Europa Tutela Giudiziaria S.p.A.	- Standing auditor
	* Brawo Brass Working S.p.A.	- Standing auditor
	* Ancar S.r.l.	- Standing auditor

	* Valbona S.r.l.	- Chairman of the Board of Statutory Auditors
	* Finter Bank Zürich	- Director
Fabio Bombardieri	* Castello S.G.R. S.p.A.	- Director

C) SHAREHOLDERS' MEETING AND INVESTOR RELATIONS

The Company endeavors to develop a continuous 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 conduct 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 Shareholders' Meeting is called, in accordance with 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, without prejudice to 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 endeavors 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 term 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.12) 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 the 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 exercise their rights in an informed manner, 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 offices 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		Control and Risk Committee		Remuneration Committee		Related Parties Committee		Strategic Committee	
Office	**Member**	Executives	Non-executives	Indepen-dent	Atten-dance	No. of other posts	Member	Atten-dance	Member	Atten-dance	Member	Atten-dance	Member	Atten-dance	Member	Attend-ance
Chairman	Giampiero Pesenti	•			8/8	4	•	-								
Executive Deputy Chairman	Pierfranco Barabani	•			8/8	1	•	-								
Deputy Chairman	Lorenzo Renato Guerini		•	•	8/8	3	•	-	•	8/8	•	3/3	•	1/1	•	1/1
Officer	Carlo Pesenti	•			8/8	2	•	-							•	1/1
Director	Giulio Antonello		•	•	8/8	2					•	3/3			•	1/1
Director	Giorgio Bonomi		•		7/8	2										
Director	Fritz Burkard		•	•	6/8	2									•	1/1
Director	Victoire de Margerie		•	•	5/8	6					•	1/3				
Director	Federico Falck		•	•	8/8	4	•	-	•	8/8			•	1/1		
Director	Italo Lucchini		•		8/8	2										
Director	Emma Marcegaglia		•	•	1/8	5					•	2/3				
Director	Sebastiano Mazzoleni		•		8/8	1									•	1/1
Director	Jean Paul Méric		•		8/8	3	•	-								
Director	Carlo Secchi		•	•	8/8	2			•	8/8			•	1/1		
Director	Elena Zambon		•	•	4/8	5									•	1/1

TABLE 2
BOARD OF STATUTORY AUDITORS

Position	Member	Attendance at meetings
Chairman	Maria Martellini	13/15
Standing auditor	Mario Comana	14/15
Standing auditor	Luciana Gattinoni	13/15

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 most recently 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 conduct supported or penalized by the Group, in addition to confirming compliance with the applicable laws; among the supported conduct 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 the media;
- "*Implementation of the Code*": this explains who is responsible for the Code and how its contents should be applied, for example in the event of a breach of the Code.

CONFIDENTIAL INFORMATION

In February 2001, the Company's Board of Directors 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, as required by CONSOB, the Company has established and regularly updated a register of individuals who, by virtue of their job or professional duties or 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 implementing procedure:

a) members of the Board of Directors, the Board of Statutory Auditors and the Chief Operating 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 gives rise or handles 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 come 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 subsequently updated 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 party 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 party who controls the Company.

In particular, the parties concerned must inform the Company, so that the latter may inform the market, about the performance of transactions on the Company’s shares of an aggregate e 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 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 initial adoption date, on November 7, 2013 the Board of Directors assessed the existing Procedure, paying particular attention to the efficacy of its application.

Based on the experience acquired over the initial three-year period of application of the Procedure and the opinions provided from time to time by the relevant Committee, the Board resolved that the Procedure could be deemed effective and suitable to guarantee substantial and formal correctness of transactions with related parties.

However, in order to align the Procedure with the best practices adopted by other listed companies and comply with CONSOB recommendations, the Board, given the favorable 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 involving the members of a significant control body, has been extended to the Supervisory Body, with the express indication that, if the Supervisory Body is composed of any Company employees, such employees shall not be classified as "Managers with strategic responsibilities", and (ii) the introduction of a differentiation between the exiguity thresholds for transactions with private individuals and those with 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 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 associate, as well as between its subsidiaries, when the transaction involves material interests of a related party of Italcementi.

The Procedure distinguishes between “significant” transactions and “minor” transactions on the basis of specific quantitative criteria predetermined by CONSOB. This distinction is 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 transactions (non-binding opinion) and significant transactions (binding opinion);
- 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 power 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 disclosure is made 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 may 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, on condition 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 (ii) the Company may apply the urgent procedure in cases where the transaction is not under the competence of the Shareholders’ Meeting and does not require shareholder 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 conditions equivalent to market or standard conditions;
- transactions with or between subsidiaries or with associates, unless *material interests* of other related parties of the Company exist in such subsidiaries or associates;
- 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 FINANCIAL REPORTING

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 financial reporting 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 Italmobiliare S.p.A., among other things:

* defines the responsibilities of the Manager in charge of Italcementi and specifies their 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;
* sets out the principles of conduct with which the Company Manager in charge must comply 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 Italmobiliare, regulating information flows;
* recalls the general principles of the Operational Model used by the Italcementi Group, which has been established in order to fulfill the regulatory provisions on financial reporting;
* 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, 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.

On February 6, 2015, the Board of Directors approved some limited changes to the Regulation. The main changes concern the organizational development of Italcementi and regard the relationship between the Manager in charge and the Company functions, taking into account also the existence of new functions and the elimination of others. At the same time as the Regulation, the Operational Model was also updated, purely with regard to formal aspects.

ORGANIZATIONAL, MANAGEMENT AND CONTROL MODEL

In order to make the control and Corporate Governance system 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").

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.

Specifically, the Model, in particular, establishes organizational controls and conduct protocols, which are implemented through internal procedures, training and audit/assurance activities. The Model recalls, and is integrated into, the Group Code of Ethics and the other compliance and risk governance programs adopted by Italcementi, such as the Anti-trust Compliance Program, the Anti-corruption Program, the Anti-mafia Code and the Criminal Risk Prevention Plan.

There have been numerous amendments and updates to the Model in order to reflect legislative actions, which have gradually expanded the scope of application of Legislative Decree no. 231/01 to include other 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 made on the basis of targeted risk assessment findings performed by consultants specialized in the matters taken into consideration on each occasion.

Specifically, in 2005 the Model was updated for alignment with regulations on market abuse; in 2008, it was extended to cross-border offences and receipt of stolen goods and money laundering; in 2010 to offences breaching the law on occupational health and safety; in 2012 to offences related to computer-related crime, industry and commerce, copyright and environmental crimes. Lastly, in 2014 the Model was updated in connection with specific regulatory changes regarding the prevention and repression of corruption in the public administration, corruption among private individuals and the employment of citizens from other countries.

The task of continuously monitoring the effectiveness and enforcement of the "Model", as well as proposing updates, is entrusted to the specific corporate Departments/Functions and also to the Supervisory Body, which exercises its functions independently and has appropriate professional expertise in the field of control of risks associated with the specific activities carried out by the Company or its legal aspects.

In compliance with the provisions of the "Model", the Supervisory Body is currently made up of two external 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 mergers, demergers, acquisitions and disposals, share 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

The 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 managed and coordinated by 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, including at least the statement of financial position and the income statement;
2) obtain the By-laws, composition and powers of the corporate bodies from the non-EU subsidiaries;
3) ascertain that the non-EU subsidiaries:
   * provide the parent’s independent auditor with the information needed to audit the annual and interim financial statements of the parent,
   * have an administrative/accounting system suitable to provide the parent ‘s management and independent auditor, on a regular basis, with data concerning the financial position and results of operations needed to draft the consolidated financial statements.

The Companies as at letter B), on the other hand, may be admitted for trading on an Italian regulated market (or maintain their listing) when they:

a) have fulfilled the disclosure obligations envisaged by article 2497-bis of the Italian Civil Code;
b) are free to negotiate in transactions with customers and suppliers;
c) do not have a centralized treasury management agreement with the company that exercises administration and control activity or with any other company of the group to which they belong that is not in the corporate interest. 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, the other committees, as recommended by corporate governance codes promoted by regulated market managers or by professional associations, will also consist solely of independent directors.

With reference to the provisions set out in art. 36, the scope of application currently involves 21 subsidiaries, located in 10 countries not belonging to the European Union.

The information flow between the Company and its subsidiaries is suitable to guarantee:

* 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 managed and coordinated by Italmobiliare S.p.A.:

- has fulfilled the disclosure obligations envisaged by art. 2497-bis of the Italian Civil Code;
- is free to negotiate in transactions with customers and suppliers;
- has not entered into a centralized treasury management agreement with Italmobiliare S.p.A.;
- has a Board of Directors that consists of a majority of independent directors and all the Committees set up within the Board of Directors consist solely of independent directors.

Resolution

In the past, the company presented applications for financial subsidies, pursuant to Law no.488/92, with respect to investments in some of its factories.
Specifically, with shareholders' resolution of April 24, 2001, among other things the company set aside to the "Reserve ex Law no. 488/92" an amount of 7,672 million lire, equivalent to 3,962,257.33 euro, from the profit for 2000, to cover project no. 20070-11 implemented at the Porto Empedocle cement plant.
Following the issue of the decree officially granting subsidies for the afore-mentioned project, the above amount of 3,962,257.33 euro may be released and transferred from the "Reserve ex Law no.488/92" to the "Extraordinary Reserve".

The year closed with a loss of 54,025,014.18 euro, which we propose be covered in full with the withdrawal an equivalent amount from the Extraordinary Reserve.

We also propose the distribution of a portion of the Extraordinary Reserve with the withdrawal from reserve of an overall amount of 31,086,816.84 euro.

* * *

To the Shareholders,

if you agree with our proposals, we invite you to carry the following resolution:

In their Annual General Meeting of April 17, 2015, the shareholders of Italcementi S.p.A.

- having acknowledged the directors' report and the report of the Board of Statutory Auditors, after examination of the financial statements as at and for the year ended December 31, 2014

hereby resolve

- to approve:
  - the directors' report;
  - the 2014 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 54,025,014.18 euro, as presented by the Board of Directors in its entirety, in the individual postings and with the proposed allocations;
- to release, following the issue of the decree officially granting the subsidies for project no. 20070-11, implemented at the Porto Empedocle cement plant, an amount of 3,962,257.33 euro of profit for 2000, provided to the "Reserve ex Law no.488/92" with a shareholders' resolution April 24, 2001, and to allocate it in full to the "Extraordinary Reserve", which thus increases to 208,700,958.53 euro;
- to cover in full the loss for the year of 54,025,014.18 euro by withdrawing an equivalent amount from the Extraordinary Reserve which consequently decreases to 154,675,944.35 euro;
- to withdraw an amount of 31,086,816.84 euro from the Extraordinary Reserve, which consequently decreases from 154,675,944.35 euro to 123,589,127.51 euro, by assigning 0.09 euro to the 345,409,076 outstanding ordinary shares, net of the 3,861,604 ordinary treasury shares held at March 4, 2015;
- 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 ordinary shares,
- to reduce the "Extraordinary Reserve" by the amount corresponding to the dividend attributable to any sold ordinary treasury shares.

Italcementi
Italcementi Group

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 Organization and IT

The Group Human Resources Organization and IT 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 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 Organization and IT 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* 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.

As at the end of 2014 the three years period of validity of the previous Policy expired, the Remuneration Committee in its meeting on February 6th 2015 has prepared a new version of the Policy and submitted it to the Board of Directors for approval.

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 has decided on November 5th 2014 to activate the third and last three years cycle of the plan, identifying the related beneficiaries, 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) overall confirmation, a part from individual situations linked to organizational changes, 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) Directors vested with special powers and Officers with strategic responsibilities

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 Organization and IT 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 innovation, the production efficiency, the adoption of governance best practices, sustainable development and implementation of strategic projects for the Company.

As far as the 2015 financial year is concerned, it has been confirmed the decision of assigning in a generalized way, 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 , as the first target of the Short-Term Variable Component (MBO), 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 paysut.

Moreover, at Group level further common targets have been identified, to be declined within the different organizational structures, in order to ensure a further improvement of the *top-down* alignment of the targets themselves between all the organizational structures, between the subsidiaries and between these companies and the parent company as well as with respect to the Group strategic priorities.

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 Organization and IT 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, innovation, production efficiency, 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.

With reference to the two components of the new plan cycle just mentioned, it should be highlighted that it has been identified a common target, shared by all the plan beneficiaries, linked to the Group overall profitability, so as to make even more strict the link with the shareholders, and that at Group level further multi-year shared targets have been set, to be declined within each beneficiaries' own organizational area, in order to ensure a further improvement of the top-down alignment of the targets themselves between the different functions, the different legal entities and between these and the parent company as well as with respect to the Group strategic priorities.

ii) Officers directly reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer

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 Organization and IT 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 Organization and IT. 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, innovation, production efficiency, 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 Organization and IT;

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 expired at the end of the financial year 2013.
On the basis of the decision taken by the Group Chief Executive Officer on November 5th 2014, the company resolved to activate the third and last cycle of this plan.

With reference to this last plan cycle just mentioned, it should be highlighted that it has been identified a common target, shared by all the plan beneficiaries, linked to the Group overall profitability, so as to make even more strict the link with the shareholders, and that at Group level further multi-year shared targets have been set, to be declined within each beneficiaries' own organizational area, in order to ensure a further improvement of the top-down alignment of the targets themselves between the different functions, the different legal entities and between these and the parent company as well as with respect to the Group strategic priorities.

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 Organization and IT 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 Organization and IT 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 Organization and IT 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:
a) Directors vested with special powers;
b) Directors not vested with special powers.

As of December 31, 2014, 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:

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 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, it should be precised that the plans still effective so far within Italcementi s.p.a. are: the stock option plan for directors - 2001, the stock option plan for directors – 2007, the stock option plan for executives – 2000, the stock option plan for top management – 2008, the long-term monetary incentive plan for directors and Officers with strategic responsibilities and the long-term monetary incentive plan linked to the appreciation of Italcementi shares for executives.

During 2014 no one of the directors and officers of the Group, which are beneficiaries of the stock options plans, exercised the options rights already vested.

It should also be precised that, on June 2nd 2014, it was finalized the mandatory conversion of Italcementi savings shares into ordinary shares, as a consequence of which conversion the overall amount of Italcementi shares representing parts of the share capital has been consequently redefined.

During the following months of June and July 2014, it was finalized the Italcementi share capital increase, with subscription price of € 4,825 of which € 3,675 as shares overprice and right date on June 9th 2014. As a consequence of such operation, the overall amount of the existing shares, representing the share capital, has been redefined.

As a consequence of the share capital increase, the Italian stock exchange has redefined the historical series of the official share prices and of the volumes managed, before June 9th 2014, by applying to them the correction factor 0,87503023.

On the basis of what described above, the company has recalculated the number of options granted and remaining as well as their value.

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, 1,627,058 options; the options not yet exercised amounted to a total amount of 1,098,133.

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 Organization and IT 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 Organization and IT 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, 4,534,959 options were granted to the Group's management, comprising the previous Chief Operating Officer and the Chief Executive Officer at the time when he was employed by the Company.

No options were exercised during the year.

The options granted in execution of the Plan and not yet exercised amount to a total of 2,546,416.

<u>Stock Option Plan for the Top Management - 2008</u>

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.

The overall amount of the options granted in execution of the present plan and not yet exercised are 1,788,224.

<u>Long-Term Monetary Incentive Plan linked to the Appreciation of the Italcementi Shares for Officers</u>

This Plan was approved by the shareholders' meeting on April 28, 2008.

Moreover, the Chief Executive Officer, executing the powers provided by the Plan, identified on November 5th 2014, , for the 3rd cycle of validity of the same - 2014/2016 - 19 officers of Italcementi S.p.A. as plan beneficiaries.

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 Organization and IT 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 Organization and IT 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 Organization and IT 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.
On the basis of the shareholders' meeting resolution of April 12th 2012, for the second and third three-year cycle a maximum of 1,000,000 rights to participate in the Plan may be granted for each cycle.

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 I; 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				990,000		557,750		213,949		1,761,699		
(II) Remuneration from subsidiaries and affiliates				33,227						33,227		
			Total	1,023,227		557,750		213,949		1,794,926		
Pierfranco Barabani	Executive Deputy Chairman Executive Committee	1.1 – 31.12	2015									
(I) Remuneration in the company preparing the financial statements				165,000		100,000		6,073		271,073		
(II) Remuneration from subsidiaries and affiliates				18,000						18,000		
			Total	183,000		100,000		6,073		289,073		
Lorenzo Renato Guerini	Deputy Chairman Executive Committee Control and Risk Committee Committee for Transactions with Related Parties Remuneration Committee Strategic Committee (since July 2014)	1.1 – 31.12	2015									
(I) Remuneration in the company preparing the financial statements				165,000	48,000					213,000		
(II) Remuneration from subsidiaries and affiliates												
			Total	165,000	48,000					213,000		
Carlo Pesenti	Chief Executive Officer Executive Committee	1.1 – 31.12	2015									
(I) Remuneration in the company preparing the financial statements				1,285,000		840,000				2,125,000		
(II) Remuneration from subsidiaries and affiliates												
			Total	1,285,000		840,000				2,125,000		
Giulio Antonello	Director Remuneration Committee	1.1 – 31.12	2015									
(I) Remuneration in the company preparing the financial statements				40,000	12,000					52,000		
(II) Remuneration from subsidiaries and affiliates												
			Total	40,000	12,000					52,000		
Giorgio Bonomi	Director	1.1 – 31-12	2015									
(I) Remuneration in the company preparing the financial statements				40,000						40,000		
(II) Remuneration from subsidiaries and affiliates												
			Total	40,000						40,000		
Fritz Burkard	Director Strategic Committee (since July 2014)	1.1 – 31.12	2015									
(I) Remuneration in the company preparing the financial statements				40,000						40,000		
(II) Remuneration from subsidiaries and affiliates												
			Total	40,000						40,000		
Victoire De Margerie	Director Remuneration Committee	1.1 – 31.12	2015									
(I) Remuneration in the company preparing the financial statements				40,000	4,000					44,000		
(II) Remuneration from subsidiaries and affiliates												
			Total	40,000	4,000					44,000		
Federico Falck	Director Executive Committe Control and Risk Committee Committee for Transactions with Related Parties	1.1 – 31.12	2015									
(I) Remuneration in the company preparing the financial statements				40,000	36,000					76,000		
(II) Remuneration from subsidiaries and affiliates												
			Total	40,000	36,000					76,000		

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					
Italo Lucchini	Director	1.1 – 31.12	2015									
(I) Remuneration in the company preparing the financial statements				40,000						40,000		
(II) Remuneration from subsidiaries and affiliates				6,200						6,200		
			Total	46,200						46,200		
Emma Marcegaglia	Director Remuneration Committee	1.1 – 31.12	2015									
(I) Remuneration in the company preparing the financial statements				40,000	8,000					48,000		
(II) Remuneration from subsidiaries and affiliates												
			Total	40,000	8,000					48,000		
Sebastiano Mazzoleni	Director Strategic Committee (since July 2014)	1.1 – 31-12	2015									
(I) Remuneration in the company preparing the financial statements				40,000						40,000		
(II) Remuneration from subsidiaries and affiliates				43,771						43,771		
			Total	83,771						83,771		
Jean Paul Méric	Director Executive Committee	1.1 – 31.12	2015									
(I) Remuneration in the company preparing the financial statements				40,000						40,000		
(II) Remuneration from subsidiaries and affiliates				237,969				5,708		243,677		
			Total	277,969				5,708		283,677		
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				40,000	36,000					76,000		
(II) Remuneration from subsidiaries and affiliates												
			Total	40,000	36,000					76,000		
Elena Zambon	Director Strategic Committee (since July 2014)	1.1 – 31.12	2015									
(I) Remuneration in the company preparing the financial statements				40,000						40,000		
(II) Remuneration from subsidiaries and affiliates												
			Total	40,000						40,000		
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		263,500		21,810		635,310		
(II) Remuneration from subsidiaries and affiliates				793,771		626,700				1,420,471		
			Total	1,143,771		890,200		21,810		2,055,781		
Carlo Bianchini	Manager in charge	1.1 – 31.12	2015									
(I) Remuneration in the company preparing the financial statements				297,922		142,375		5,633	30,000	475,930		
(II) Remuneration from subsidiaries and affiliates				48,792						48,792		
			Total	346,714		142,375		5,633	30,000	524,722		

Remuneration for each office when the amount reported in the above table is in aggregate form

Fixed remuneration		
Giampiero Pesenti	Remuneration as Director	40,000
	Remuneration as Executive committee member	-
	Fixed remuneration	950,000
	Subsidiaries and affiliates:	
	Ciments Français S.A.	33,227
Pierfranco Barabani	Remuneration as Director	40,000
	Remuneration as Executive committee member	-
	Fixed remuneration	125,000
	Subsidiaries and affiliates:	
	Ing. Sala S.p.A.	18,000
Lorenzo Renato Guerini	Remuneration as Director	40,000
	Fixed remuneration	125,000
Carlo Pesenti	Remuneration as Director	40,000
	Remuneration as Executive committee member	-
	Fixed remuneration	1,245,000
Italo Lucchini	***Subsidiaries and affiliates:***	
	Azienda Agricola Lodoletta S.p.A.	6,200
Jean Paul Méric	***Subsidiaries and affiliates:***	
	Ciments Français S.A.	187,348
	Companies controlled by Ciments Français	50,621
Giovanni Battista Ferrario	***Subsidiaries and affiliates:***	
	Ciments Français S.A.	750,000
	Companies controlled by Ciments Français	43,771

Remuneration for the Board committees'members		
Lorenzo Renato Guerini	Control and Risk Committee	32,000
	Committee for Transactions w iht Related Parties	4,000
	Remuneration Committee	12,000
Federico Falck	Control and Risk Committee	32,000
	Committee for Transactions w iht Related Parties	4,000
Carlo Secchi	Control and Risk Committee	32,000
	Committee for Transactions w iht Related Parties	4,000

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Stock-options Granted to Members of the Governing and Supervising Bodies, Chief Operating Officer and other Officers with Strategic Responsibilities

As mentioned elsewhere in this Report, the mandatory conversion of savings shares into ordinary shares was finalized on June 2, 2014, in return for which the total number of outstanding shares representing the share capital, has been restated accordingly.

In June and July 2014, the capital increase was finalized and, as a result, the total number of outstanding shares, representing the share capital, further increased.

As a result, the Italian Stock Exchange adjusted the historical series of official prices and volumes treated, before June 9, 2014, by applying the same the adjustment factor equal to 0.87503023 ("correction factor"). As a consequence, the Company recomputed the number of assigned and outstanding options, along with their relevant value.

The amounts recorded in the below charts have already been updated on the basis of the above mentioned adjustments and computations.

			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)	171,423	11.7141	17.03.2008 16.03.2015	-	-	-	-	-	-	-	-	-	-	171,423	-
			171,423	14.78	07.03.2009 06.03.2016	-	-	-	-	-	-	-	-	-	-	171,423	-
			171,423	20.169	07.03.2010 06.03.2017	-	-	-	-	-	-	-	-	-	-	171,423	-
(II) Remuneration from subsidiaries and affiliates			-													-	-
		Total	514,269													514,269	-
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)	154,280	11.7141	17.03.2008 16.03.2015	-	-	-	-	-	-	-	-	-	-	154,280	-
			97,140	14.78	07.03.2009 06.03.2016	-	-	-	-	-	-	-	-	-	-	97,140	-
			228,564	20.169	07.03.2010 06.03.2017	-	-	-	-	-	-	-	-	-	-	228,564	-
(II) Remuneration from subsidiaries and affiliates			-													-	-
		Total	479,984													479,984	-

			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
Giovanni Battista Ferrario	Chief Operating Officer																
(I) Remuneration in the company preparing the financial statements		Stock options plan for directors (Shareholders're solution of April 26, 2008)	428,557	11.686	04.06.2011 03.06.2018	-	-	-	-	-	-	-	-	-	-	428,557	-
(II) Remuneration from subsidiaries and affiliates			-													-	-
		Total	428,557													428,557	-
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)	12,285	11.7141	17.03.2008 16.03.2015	-	-	-	-	-	-	-	-	-	-	12,285	
			11,428	14.78	07.03.2009 06.03.2016	-	-	-	-	-	-	-	-	-	-	11,428	
			15,199	20.169	07.03.2010 06.03.2017	-	-	-	-	-	-	-	-	-	-	15,199	
			16,502	11.204	26.03.2011 25.03.2018	-	-	-	-	-	-	-	-	-	-	16,502	
		Stock options plan for directors (Shareholders're solution of April 26, 2008)	91,425	11.686	04.06.2011 03.06.2018	-	-	-	-	-	-	-	-	-	-	91,425	
(II) Remuneration from subsidiaries and affiliates			-													-	
		Total	146,839													146,839	

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 of the year			Bonus for previous years			Other bonuses
			Payable/disbursed	Deferred	Deferment period	Not payable anymore	Payable/disbursed	Stille deferred	
Giampiero Pesenti	Chairman								
I) Remuneration in the company preparing the fiancial statements	February 6, 2014	Annual MBO	557,750						
	May 3, 2013	Three-years LTI		Max. 1092.500*				Max. 1092.500**	
(II) Remuneration from subsidiaries and affiliates	-								
Total			557,750	Max. 1092.500*				Max. 1092.500**	
Pierfranco Barabani	Executive Deputy Chairman								
I) Remuneration in the company preparing the financial	February 6, 2014	Annual MBO	100,000						
(II) Remuneration from subsidiaries and affiliates	-	-							
Total			100,000						
Carlo Pesenti	Chief Executive Officer								
I) Remuneration in the company preparing the fiancial statements	February 6, 2014	Annual MBO	540,000						
	May 3, 2013	Three-years LTI		Max. 1437.500*				Max. 1437.500**	
	March 4, 2015								300000
(II) Remuneration from subsidiaries and affiliates	-	-							
Total			540,000	Max. 1437.500*				Max. 1437.500**	300000
Giovanni Battista Ferrario	General Manager								
I) Remuneration in the company preparing the fiancial statements	February 6, 2014	Annual MBO	263,500						
	February 6, 2014	Three-years LTI		Max. 1.000.000***					
(II) Remuneration from subsidiaries and affiliates	March 4, 2014	Annual MBO	626,700						
Total			890,200	Max. 1.000.000***					
Carlo Bianchini	Manager in charge								
I) Remuneration in the company preparing the fiancial statements	February 6, 2014	Annual MBO	142,375						
	February 6, 2014	Three-years LTI		Max. 133.000***					
(II) Remuneration from subsidiaries and affiliates	-	-							
Total			142,375	Max. 133.000***					

* Theoretical portion of the 2013-2015 LTI plan accrued in financial year 2014
** Theoretical portion of the 2013-2015 LTI plan accrued in financial year 2013
*** Theoretical portion of the 2014-2016 LTI plan accrued in financial year 2014

Shareholdings of Governing and Supervising Bodies, Chief Operating Officer and Manager in charge of Preparing the Company's Financial Reports

Name, surname	Company held	Number of shares held at the end of the previous financial year		Number of shares deriving from the conversion of savings shares	Number of shares purchased (1)	Number of shares sold	Number of shares held at the end of the current financial year
Giampiero Pesenti	Italcementi S.p.A.	ordinary shares:	10,972 [2]	19,118 [3]	12,894 [3]	-	42,984 [3]
		savings shares	29,415 [3]	-	-	-	-
Pierfranco Barabani	Italcementi S.p.A.	ordinary shares:	78,780 [3]	574	10,251 [3]	-	89,605 [3]
		savings shares	884	-	-	-	-
Lorenzo Renato Guerini	Italcementi S.p.A.	ordinary shares:	60,000 [2]	-	25,713	-	85,713 [2]
Carlo Pesenti	Italcementi S.p.A.	ordinary shares:	1,526 [3]	1,950 [2]	1,485 [3]	-	4,961 [3]
		savings shares	3,000 [2]		-	-	-
	Ciments Français S.A.	ordinary shares:	50	-	-	50	-
Giorgio Bonomi	Italcementi S.p.A.	ordinary shares:	2,500		-	-	2,500
Federico Falck	Italcementi S.p.A.	ordinary shares:	41,600	4,394	6,006	-	52,000
		savings shares	6,760	-	-	-	-
Italo Lucchini	Ciments Français S.A.	ordinary shares:	50	-	-	50	-
Sebastiano Mazzoleni	Italcementi S.p.A.	ordinary shares:	1,352	676	867	-	2,895
		savings shares	1,040	-	-	-	-
Carlo Bianchini	Italcementi S.p.A.	ordinary shares:	4,500	-	1,800	-	6,300
Mario Comana	Italcementi S.p.A.	ordinary shares:	2,500	1,300	1,626	-	5,426
		savings shares	2,000	-	-	-	-

1 Shares purchased during the capital increase of Italcementi
2 Shares held by spouse
3 Shares in part held directly and in part by spouse

* * *

Dear Shareholders,
We invite you to adopt the following resolution:
"The Shareholders' Meeting of Italcementi S.p.A. held on April 17, 2015,
- 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

To the Shareholders,

As illustrated in other sections of this Report, at the ordinary meeting of April 16, 2014, 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, during the year the company did not purchase any ordinary and savings treasury shares, nor did it sell those held in portfolio to stock option beneficiaries, since no options were exercised.

Moreover, as a result of the operation to streamline the corporate structure and, specifically, the mandatory conversion of savings shares into ordinary shares at a rate of 0.65 ordinary shares for each savings share, the 105,500 savings treasury shares were converted into 68,575 ordinary shares. Consequently, at the end of the year, the company held a total of 3,861,604 ordinary treasury shares. This amount has not changed in the early months of 2015.

Therefore, at March 4, 2015, the company held 3,861,604 ordinary treasury shares. The carrying amount of treasury shares in portfolio at that date was 58,689,585.56 euro as reflected in the accounts as required by the law.

Since the authorization expires on October 15, 2015, in order to enable the company to maintain its power to acquire and dispose of treasury shares, we invite you to renew the authorization for the next 18 months.

This proposal does not contain any variations with respect to the proposal approved at the shareholders' meeting 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 transferred to employees and/or directors in connection with stock option plans reserved for employees and/or directors;
- * 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 to face temporary distortions caused by 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 interests of the company;
- offer shareholders an additional tool to monetize their investments.

2) Maximum number, category and nominal amount of the shares to which the authorization refers; compliance with art. 2357, paragraph 3, of the Italian Civil Code

Purchases refer to ordinary shares of the company whose maximum number, including treasury shares already held as at the date hereof by the company and by the subsidiaries (who will receive specific instructions for timely disclosure of the shares they hold), shall not exceed an overall nominal amount of one tenth of the entire share capital.

Purchases shall in any case be made, in accordance with art. 2357 of the Italian Civil Code, within the limits of the distributable earnings and available reserves reflected in the most recently approved financial statements of the company.

The consideration paid or received with respect to treasury share purchases or sales shall be directly reflected in equity in compliance with IAS 32 and such transactions 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 carry 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 more than 15% above or below the average reference price on the same regulated market in the three sessions preceding each transaction.

The overall consideration 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 occasions (also through public offers or offers to the shareholders or through placement of warrants and depositary receipts representing shares and/or similar instruments) at a price no lower than the lowest purchase price.

This price limit shall not apply in the event of the sale of shares to employees of Italcementi S.p.A. and its subsidiaries, parents and the other companies controlled by such parents 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) Purchase terms and conditions.

Purchases of treasury shares shall normally be made, unless otherwise indicated below, so that equal treatment of shareholders is ensured and offers to purchase are not directly matched with pre-determined offers to sell.

Moreover, in consideration of the various purposes illustrated in this proposal, the Board of Directors proposes that it be authorized to make purchases in 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 proportionate 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 share purchases and sales for which the authorization is requested will be executed in compliance with applicable laws, specifically, in compliance with national and European laws and regulations including those on market abuse.

Appropriate disclosure of treasury share purchases and sales will be provided in compliance with the applicable disclosure requirements.

6) Purchase in order to reduce share capital.

This hypothesis does not apply at the present time.

* * *

To the Shareholders,

If you agree with our proposal, we invite you to carry the following resolution:

“At the meeting held on April 17, 2015, the shareholders of Italcementi S.p.A.,

- 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 purchase and disposal of treasury shares adopted by the ordinary shareholders' meeting of April 16, 2014;
2) to authorize, pursuant to art. 2357 of the Italian Civil Code, the purchase of ordinary treasury shares for the amount, at the price, in accordance with the terms and conditions indicated herein below:
   - the purchase may be made in one or more operations, 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 shares purchased shall not exceed one tenth of the share capital, including treasury shares already held as of the date hereof by the company and by the subsidiaries;
3) to authorize, pursuant to art. 2357-ter, paragraph 1 of the Italian Civil Code, the Chairman, the 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, 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, parents and the other companies controlled by such parents and 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 normally be conducted so that equal treatment of shareholders is ensured and offers to purchase are not directly matched with pre-determined offers to sell, 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 share 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 share purchases or sales 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 on a case-by-case basis;

6) to severally grant to the Chairman, the Executive Deputy Chairman, the Deputy Chairman and the Chief Executive Officer in office *pro tempore* all necessary powers to proceed with the purchases and sales and in any case to execute the above resolutions, also through proxies, in compliance with any requirements of the competent authorities."

Appointment of Statutory Auditors, the Chair of the Board of Statutory Auditors and determination of remuneration

To the Shareholders,

with the approval of the financial statements as at and for the year ended December 31, 2014, the term of office of the entire Board of Statutory Auditors expires.

We invite you to appoint three standing auditors and three substitute auditors for the three-year period 2015-2017, and also to appoint the chair of the Board of Statutory Auditors, after determining their respective annual remuneration.

Pursuant to the By-Laws, the Board of Statutory Auditors is appointed by means of lists designed to ensure the appointment by the minority of one standing Auditor and one substitute Auditor.

Lists may be presented only by shareholders who alone or jointly with other shareholders demonstrate that on the day on which the lists are filed with company they hold a share of voting capital of not less than 1%.

No shareholder may present or participate in the presentation of, directly or through a third party or a trust company, more than one list.

Shareholders belonging to the same group and shareholders involved shareholders' agreement relating to the company shares may not present more than one list, either directly or through third parties or a trustee.

Lists presented in violation of these regulations will not be accepted.

Each list consists of two sections: one for the candidates for the office of Standing auditor and one for the candidates for the office of Substitute auditor.

In each section, the names of not more than three candidates for the office of Standing auditor and not more than three candidates for the office of Substitute auditor must be listed, with a progressive number.

Since this is the first application of the law for equality of access to the governance bodies of companies listed on regulated markets, lists that present a number of candidates equal to or higher than three must consist of candidates of both genders, so that one or the other gender is represented by at least one fifth (rounded up) of the candidates for the office of Standing auditor and at least one fifth (rounded up) of the candidates for the office of Substitute auditor.

Each candidate may be presented in one list only, or risk ineligibility.

Lists must be filed with the headquarters, or sent to the certified e-mail address *affarisocietari@italcementi.legalmail.it*, by the twenty-fifth day before the day set for the shareholders' meeting on single call (*i.e., by* *March 23, 2015*), together with the following documentation:

a) declarations with which the individual candidates accept the candidature and declare, under their own responsibility, that no causes of ineligibility or incompatibility exist, and the existence of the additional requirements set by law, by the by-laws and by the code of conduct;
b) a brief *curriculum vitae* setting out the personal and professional characteristics of each candidate, indicating administration and control offices held with other companies;
c) information relating to the identity of the shareholders who presented the lists. Certification or attestation of entitlement to the percentage of share capital prescribed by current law at the time of presentation of the list may also be produced after the list has been filed, provided that it reaches the company within the deadline envisaged by law and regulations governing the publication of lists by the company;

d) the declaration by the shareholders, other than those who alone or jointly, hold a controlling interest or relative majority, attesting the absence of connections as defined by current regulations.

The documentation proving entitlement to participation at the date on which the lists are filed, issued by an authorized intermediary, may be produced at a subsequent time provided that this is within the twenty-one days prior to the day set for the meeting (*i.e., by March 27, 2015*).

Presented lists that do not comply with the above regulations shall be considered to be not presented.

In the event that, within the term of twenty-five days preceding the date of the meeting (*i.e., by March 23, 2015*), one list only has been filed, or only lists presented by shareholders who are connected with one another pursuant to current laws have been presented, additional lists may be presented until the third day after this term, and the above-mentioned threshold of 1% shall be reduced by half.

Resolutions on the remuneration of the members of the Strategic Committee

To the Shareholders,

At a meeting on July 30, 2014, the company Board of Directors appointed a Strategic Committee – composed of 6 directors – which met once during 2014.

At the shareholders' meeting of April 17, 2013, on the appointment of the Board of Directors for the three years 2013-2015 and until a new shareholders resolution indicating otherwise, the shareholders approved torecognize to each director appointed to the Committees the following gross fees:

- 6,000 euro for attendance at each meeting of the Executive Committee,
- 4,000 euro for attendance at each meeting of the Remuneration Committee, the Control & Risks Committee, the Committee for Transactions with Related Parties and the Supervisory Body.

It is now appropriate that the shareholders also establish the consideration to be recognized to the members of the Strategic Committee as from the year of appointment and for subsequent years, to apply until otherwise indicated by a new shareholders' resolution.

* * *

To the Shareholders,

if you agree with our proposal, we invite you to carry the following resolution:

"At the meeting held on April 17, 2015, the shareholders of Italcementi S.p.A.,

- having acknowledged the proposal of the Directors,

hereby resolve

to set at 4,000 euro the gross remuneration to be recognized to each member of the company Strategic Committee, for each attendance at the meetings of the Committee; such remuneration shall be effective from the year of the appointment and for subsequent years until otherwise indicated by a new shareholders' resolution."

Bergamo, March 4, 2015

for the Board of Directors
The Chairman
Giampiero Pesenti

Separated financial statements

Financial statements

Statement of financial position

(euro)	Notes	12.31.2014	12.31.2013	Change
Non-current assets				
Property, plant and equipment	2	606,407,601	569,360,017	37,047,584
Investment property	2	16,930,964	17,780,667	(849,703)
Goodwill	3	25,170,042	25,170,042	-
Intangible assets	4	14,394,431	15,996,386	(1,601,955)
Investments in subsidiaries and associates	5	2,082,672,609	1,595,877,047	486,795,562
Other equity investments	5	5,731,214	5,730,012	1,202
Deferred tax assets	19	60,614,316	35,600,999	25,013,317
Other non-current assets	6	52,757,459	70,403,064	(17,645,605)
Total non-current assets		**2,864,678,636**	**2,335,918,234**	**528,760,402**
Current assets				
Inventories	7	76,516,660	88,055,440	(11,538,780)
Trade receivables	8	176,692,179	182,262,336	(5,570,157)
Other current assets including derivatives	9	111,753,901	59,208,638	52,545,263
Tax assets	10	938,998	2,187,339	(1,248,341)
Equity investments, bonds and financial assets	11	224,420,893	268,515,282	(44,094,389)
Cash and cash equivalents	12	3,084,927	2,436,225	648,702
Total current assets		**593,407,558**	**602,665,260**	**(9,257,702)**
Total assets		**3,458,086,194**	**2,938,583,494**	**519,502,700**
Equity				
Share capital	13	401,715,071	282,548,942	119,166,129
Share premium	14	712,049,401	344,103,798	367,945,603
Reserves	14	(2,994,093)	17,887,356	(20,881,449)
Treasury shares	15	(58,689,585)	(58,689,585)	-
Retained earnings	16	700,324,338	774,322,272	(73,997,934)
Total equity		**1,752,405,132**	**1,360,172,783**	**392,232,349**
Non-current liabilities				
Financial liabilities	20	1,024,197,989	968,854,967	55,343,022
Employee benefits	17	54,018,302	72,537,294	(18,518,992)
Provisions	18	23,199,494	23,320,863	(121,369)
Other non-current liabilities	20	29,536,312	7,343,560	22,192,752
Total non-current liabilities		**1,130,952,097**	**1,072,056,684**	**58,895,413**
Current liabilities				
Loans and borrowings	20	129,519,055	169,595,908	(40,076,853)
Financial liabilities	20	281,677,848	155,123,085	126,554,763
Trade payables	21	70,696,702	66,739,936	3,956,766
Tax liabilities	10	339,531	-	339,531
Other current liabilities	22	92,495,829	114,895,098	(22,399,269)
Total current liabilities		**574,728,965**	**506,354,027**	**68,374,938**
Total liabilities		**1,705,681,062**	**1,578,410,711**	**127,270,351**
Total equity and liabilities		**3,458,086,194**	**2,938,583,494**	**519,502,700**

Income statement

(euro)	Notes	2014	%	2013	%	Change	%
Revenue	24	**436,532,485**	**100.0**	**461,918,476**	**100.0**	**(25,385,991)**	**-5.5**
Other revenue	25	27,130,916		27,782,439			
Change in inventories		(6,194,868)		(10,800,008)			
Internal work capitalized		306,886		455,238			
Raw materials and supplies	26	(187,852,416)		(212,899,742)			
Services	27	(121,749,815)		(131,835,327)			
Employee expense	28	(140,007,322)		(148,823,641)			
Other operating income (expense)	29	5,037,923		(30,350)			
Recurring EBITDA		**13,203,789**	**3.0**	**(14,232,915)**	**-3.1**	**27,436,704**	**n.s.**
Net gains from sale of non-current assets	30	9,131,220		9,122,008			
Other non-recurring expense, net	30	(1,511,649)		(8,930,351)			
EBITDA		**20,823,360**	**4.8**	**(14,041,258)**	**-3.0**	**34,864,618**	**n.s.**
Amortization and depreciation	2-4	(59,780,284)		(67,967,401)			
Impairment	2	(17,134,041)		(20,488,897)			
EBIT		**(56,090,965)**	**-12.8**	**(102,497,556)**	**-22.2**	**46,406,591**	**45.3**
Finance income	31	117,682,405		138,364,451			
Finance costs	31	(79,062,818)		(94,325,438)			
Exchange-rate differences and derivatives	31	(31,627)		(862,865)			
Impairment on financial assets	5	(42,020,317)		(50,618,042)			
Loss before tax		**(59,523,322)**	**-13.6**	**(109,939,450)**	**-23.8**	**50,416,128**	**45.9**
Income tax (expense)	32	5,498,308		(5,286,249)			
Loss for the year		**(54,025,014)**	**-12.4**	**(115,225,699)**	**-24.9**	**61,200,685**	**53.1**

n.s. = not significant

Statement of comprehensive income

(in thousands of euro)	2014	%	2013	%	Change
Loss for the year	**(54,025,014)**	**12.4**	**(115,225,699)**	**24.9**	**61,200,685**
Other comprehensive income (expense)					
Items that will not be reclassified to profit or loss subsequently					
Revaluation of the net liability (asset) for employee benefits	(3,253,895)		1,670,386		(4,924,281)
Total items that will not be reclassified to profit or loss subsequently	**(3,253,895)**		**1,670,386**		**(4,924,281)**
Items that might be reclassified to profit or loss subsequently					
Fair value gains (losses) on cash flow hedges	(20,881,448)		19,427,690		(40,309,138)
Total items that might be reclassified to profit or loss subsequently	**(20,881,448)**		**19,427,690**		**(40,309,138)**
Total other comprehensive income (expense)	**(24,135,343)**	**5.5**	**21,098,076**	**-4.6**	**(45,233,419)**
Total comprehensive expense	**(78,160,357)**	**17.9**	**(94,127,623)**	**20.4**	**15,967,266**

Statement of changes in equity

(euro)	Share capital	Share premium	Reserves: Derivative fair value reserve	Reserves: Other reserves	Treasury shares	Retained earnings	Total equity
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**
Loss for the year						(115,225,699)	(115,225,699)
Total other comprehensive income, re-stated			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**
Loss for the year						(54,025,014)	(54,025,014)
Share capital increase	119,166,129	367,945,603					487,111,732
Total other comprehensive expense			(20,881,449)			(3,253,895)	(24,135,344)
Distribution of earnings:							
Dividends						(16,719,025)	(16,719,025)
Balances at December 31, 2014	**401,715,071**	**712,049,401**	**(26,002,408)**	**23,008,315**	**(58,689,585)**	**700,324,338**	**1,752,405,132**

(*) Re-stated after application of IAS 19R.

Italcementi
Italcementi Group

Statement of cash flows

(euro)	2014	2013
A) Cash flow from operating activities:		
Profit (loss) before tax	(59,523,322)	(109,939,450)
Amortization, depreciation and impairment	76,914,345	88,617,519
Impairment on financial assets	42,020,317	50,618,042
(Gains)/losses from sale of non-current assets	(9,417,577)	(10,527,320)
Change in employee benefits and other provisions	(21,975,721)	(7,041,791)
Reversal of net finance costs (income)	(42,220,022)	(45,484,412)
Cash flow from operating activities before tax, finance income/costs and change in working capital:	**(14,201,980)**	**(33,757,412)**
Change in working capital	21,015,703	18,671,135
Other assets/liabilities	(9,640,611)	(6,242,510)
Total change in working capital	**11,375,092**	**12,428,625**
Net finance costs paid	(66,185,148)	(55,257,706)
Dividends received	54,675,778	98,620,490
Taxes (paid) or surpluses recovered	9,178,603	(1,417,938)
Total A)	**(5,157,655)**	**20,616,059**
B) Cash flow from investing activities:		
Capital expenditure:		
Intangible assets	(3,816,188)	(6,063,349)
Property, plant and equipment and investment property	(133,131,789)	(35,995,975)
Financial assets (equity investments)	(1,626,177)	(2,651,352)
Other assets	832,824	(848,758)
Total capital expenditure	**(137,741,330)**	**(45,559,434)**
Change in receivables from sale of business unit	7,541,565	6,083,157
Proceeds from sale of non-current assets	24,225,212	27,076,415
Total sales	**31,766,777**	**33,159,572**
Change in other non-current financial assets/liabilities	-	972,197
Total B)	**(105,974,553)**	**(11,427,665)**
C) Cash flow from financing activities:		
Increase in non-current financial liabilities	50,354,096	640,020,357
Repayment of non-current financial liabilities	(1,512,783)	(317,316,319)
Change in current financial liabilities	86,501,516	(403,753,149)
Change in other financial assets	38,930,112	138,246,824
Adjustment of financial amounts due from investees	-	18,441,295
Change in equity investments in subsidiaries	(466,227,489)	-
Replenishment of investee losses	(66,629,709)	(67,098,532)
Change in share capital	119,166,129	-
Change in share premium	367,995,603	-
Dividends paid	(16,796,565)	(16,716,533)
Total C)	**111,780,910**	**(8,176,057)**
D) Cash flows for the period (A+B+C)	**648,702**	**1,012,337**
E) Cash and cash equivalents at beginning of year	**2,436,225**	**1,423,888**
Cash and cash equivalents at end of year (D+E)	**3,084,927**	**2,436,225**

Contents

Notes

Notes

The separate financial statements of Italcementi S.p.A. as at and for the year ended December 31, 2014 were approved by the Board of Directors on March 4, 2015. At the meeting, the Board authorized publication of a press release dated March 4, 2015 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 business 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, 2014 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, 2014 that had not been endorsed by the European Union at that date.
With regard to the standards and interpretations endorsed by the European Union with a final application date after the reporting date, Italcementi S.p.A. has decided not to elect early application.

Standards and interpretations that came into force in 2014
Since January 1, 2014, the company has adopted the new standards and changes set out below, including the changes arising therefrom applied to other standards.

- 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 such investees, its exposure or rights to variable returns from its involvement with such investees and its ability to affect those returns through its power over investees.

- 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 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 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.
- Following the introduction of the above standards, IAS 27, renamed "Separate financial statements", came into force; this standard deals exclusively with the preparation of separate financial statements, and the amendments to IAS 28 "Investments in associates and joint ventures".
- 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.

Application of the aforementioned standards, amendments and interpretations has not had a material impact on the company's financial statements.

Standards and interpretations to come into force in 2015

- "Annual improvements cycle 2011-2013". The amendments introduced provide clarifications and corrections (IFRS 3 "Business combinations" and IFRS 13 "Fair value measurement") and entail changes in current requirements or provide further indications regarding their application (IAS 40 "Investment property").
- IFRIC 21 "Levies". The interpretation, which applies to levies that fall within the scope of application of IAS 37, clarifies that the liability for the levy must be recognized in full when the obligating event occurs.

Standards and interpretations to come into force in 2016

- Amendments to IAS 19 "Employee benefits" in relation to defined benefit plans: employee contributions; the amendments are designed to simplify and clarify accounting treatment of employee or third-party contributions relating to defined benefit plans.
- "Annual improvements cycle 2010-2012". The amendments to IFRS 8 "Operating segments" and IAS 16 "Property, plant and equipment", IAS 24 "Related party disclosures" and IAS 38 "Intangible assets" set out clarifications or corrections to the current texts. The amendments to IFRS 2 "Share based payments" and IFRS 3 "Business combinations" entail changes to current requirements or provide further indications regarding their application.

Standards and interpretations published by the IASB and the IFRIC at December 31, 2014, but not endorsed by the European Union at that date

- IFRS 9 "Financial instruments".
- IFRS 14 "Regulatory deferral accounts".
- IFRS 15 "Revenue from contracts with customers".

- Amendments to IFRS 10, IFRS 12 and IAS 28. Investment entities: applying the consolidation exception.
- Amendments to IAS 1: Disclosure initiative.
- "Annual improvements cycle 2012-2014".
- Amendments to IFRS 10 and to IAS 28: Sale or contribution of assets between an investor and its associate or joint venture.
- Amendments to IAS 27: Equity method in separate financial statements.
- Amendments to IAS 16 and to IAS 41: Bearer plants
- Amendments to IAS 16 and to IAS 38: Clarification of acceptable methods of depreciation and amortization.
- Amendments to IFRS 11: Accounting for acquisitions of interests in joint operations.

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;
- with regard to comprehensive income, the company presents two statements: the first statement shows traditional income statement captions with the profit (loss) for the year, while the second statement, starting from 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 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 is exposed to variable returns, or holds rights over such returns, deriving from its relationship with such companies and at the same time has the ability to affect such returns by exercising its power.

The company ascertains its control of the subsidiaries on the basis of the existence of three elements:

- power: the current ability of the company, arising from substantive rights, to determine the key operations of operations that have a material impact on the investee's returns;
- the exposure of the company to variability in the returns of the investee;
- correlation between power and returns, the company has the ability to exercise its power to affect the returns arising from the relationship.

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 arrangements

A joint arrangement is a contractual arrangement that attributes joint control of the arrangement to two or more parties.

A joint arrangement may be a "joint operation" or a "joint venture".

Joint operation

A joint operation is a joint arrangement in which a Group company, together with other parties who hold joint control, has rights to the assets and obligations for the liabilities to which the arrangement refers; the parties are called joint operators.

With regard to recognition in the consolidated and separate financial statements, the joint operator recognizes, in relation to its interest, its assets and liabilities, including its share of assets held jointly and liabilities incurred jointly, its revenue and expense relating to its part of the output and its share of the revenue and expense relating to the output obtained jointly over which the joint operator does not have control.

Joint ventures

Joint ventures are companies regarding which the Group has entered into a joint arrangement giving it rights to the net assets of the arrangement.

Joint ventures are accounted for with the equity method, except in cases when there is evidence that the interest has been acquired and is held with the intention of selling it within twelve months of purchase and that the Group is actively seeking a buyer.

Furthermore, if the Group has an interest in a joint venture without holding joint control, since such control is held by other parties, the joint venture is accounted for in accordance with:

1. IAS 28, if significant influence is exercised;

2. IAS 39, in the case of a simple financial asset.
The financial position and result of operation of joint ventures are consolidated 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 separate item 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 with the purchase method under IFRS 3.
Since January 1, 2010, business combinations have been accounted for with 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 and liabilities 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 is 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 asset's 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 for 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 the 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 an 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. The 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, corresponding to the weighted average cost of capital (WACC).
If an impairment loss on an asset other than goodwill subsequently reverses in full or in part, the asset is 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. Financial 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.
Allowances for impairment are determined in accordance with Group procedures. When computing the allowance, account is taken of bank guarantees and collateral provided. At account closing, the company conducts a customer-by-customer analysis of doubtful overdue receivables; based on the analysis, the carrying amount of doubtful overdue receivables is appropriately adjusted.

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;

for 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, salary increases 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 the 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/(cost) 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 the 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 ineffective hedge component are recognized in the income statement. The effective component and ineffective 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.

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, 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**
Additions	1,273	5	174,851	604	(68,049)	108,684
Disposals	(240)	-	(276)	(34)	-	(550)
Depreciation	(10,345)	(321)	(40,641)	(2,643)	-	(53,950)
Impairment losses	-	(14,713)	(2,423)	(1)	-	(17,137)
Net carrying amount at Dec. 31, 2014	**150,909**	**13,908**	**374,513**	**6,814**	**60,263**	**606,407**
Gross amount	532,582	57,642	2,218,740	68,081	60,263	2,937,308
Accumulated depreciation	(381,673)	(43,734)	(1,844,227)	(61,267)	-	(2,330,901)
Net carrying amount at Dec. 31, 2014	**150,909**	**13,908**	**374,513**	**6,814**	**60,263**	**606,407**

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 losses of 14,713 thousand euro were recognized on land for quarries and of 2,423 thousand euro on plant 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 476 thousand euro (9,602 thousand euro at December 31, 2013) and concerned buildings.

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 16,931 thousand euro (17,781 thousand euro at December 31, 2013) is carried at amortized cost.

(in thousands of euro)	Investment property
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**
Additions	15
Disposals	(35)
Depreciation	(830)
Net carrying amount at Dec. 31, 2014	**16,931**
Gross amount	70,733
Accumulated depreciation	(53,802)
Net carrying amount at Dec. 31, 2014	**16,931**

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, 2014 was 69.5 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).

For the purposes of impairment testing, determination of the future cash flows to be used was based on the 2015 Budget and, where necessary, for subsequent-year projections, on new assumptions and economic assessments deemed to reflect the current situation of the key markets.

As in 2013, 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 linked to construction techniques.

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 Eurozone and US 10-year government bonds – source Bloomberg, average at 12 months; beta coefficient – average at 5 years – source Bloomberg; market premium – average at 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	**2014**	**2013**	**2014**	**2013**
Italy	8.2	8.8	1.5	2.0

The test for 2014 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 2014 impairment tests, a sensitivity analysis was conducted on recoverable amount, using the discounted cash flow method.

At December 31, 2014, a 1% increment in the weighted average cost of capital, a 5% reduction in demand in the explicit forecast period with respect to the projections, or 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 make any reduction in goodwill.

The discount rate that equates the CGU's recoverable amount with net carrying amount is 8.8%.

4. Intangible assets

(in thousands of euro)	Concessions	Patents, brands, licenses and other rights	Software development expenses	Total
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**
Additions	-	807	3,009	3,816
Disposals	-	(418)	-	(418)
Amortization	(90)	(781)	(4,130)	(5,001)
Net carrying amount at December 31, 2014	**672**	**2,088**	**11,633**	**14,393**
Gross amount	1,459	9,169	28,002	38,630
Accumulated amortization	(787)	(7,081)	(16,369)	(24,237)
Net carrying amount at December 31, 2014	**672**	**2,088**	**11,633**	**14,393**

The year's additions mainly concerned project development work for the standardization of internal Group processes.

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.

5. Investments in subsidiaries and associates

The changes compared to December 31, 2013 were as follows:

(in thousands of euro)	
At December 31, 2013	**1,595,877**
Acquisitions	535,157
Reimbursements	(1,579)
Reversals of impairment losses	1,203
Use of impairment loss on financial receivables due from investees	(4,762)
Impairment on financial assets	(43,223)
At December 31, 2014	**2,082,673**

As part of the project to streamline the corporate structure and strengthen the Group's equity, Italcementi acquired through a public tender offer 100% of the shares of Ciments Français for 466,228 thousand euro.

The remaining acquisitions of 68,929 thousand euro refer essentially to payments made to cover losses in the current year and previous year, replenishment of share capital and payments relating to assets; they related to Calcestruzzi S.p.A. for 38,190 thousand euro, Nuova Sacelit S.p.A. for 19,395 thousand euro, Calcementi Jonici S.r.l. for 2,997 thousand euro, S.A.M.A. S.p.A. for 477 thousand euro, Bravobloc S.r.l. for 1,120 thousand euro, International City for Ready Mix for 5,350 thousand euro and Sirio S.p.A. for 1,400 thousand euro.

Reimbursements refer to the partial reimbursement of share capital by BravoEnergy S.r.l. for 679 thousand euro and Sirio S.p.A. for 900 thousand euro.

The reversals of prior years impairment losses of 1,203 thousand euro relates to Sirio S.p.A., on which impairment losses were applied in previous years.

The 4,762 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.

The value in use of each equity investment is determined on the basis of 2015 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 (1.5%). The pre-tax discount rate used to calculate the present value of expected cash flows for operations in Italy is 8.2%.

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 Nuova Sacelit S.p.A. for 10,691 thousand euro, Calcestruzzi S.p.A. for 23,310 thousand euro, Azienda Agricola Lodoletta S.r.l. for 367 thousand euro, S.A.M.A. S.p.A. for 2,011 thousand euro, Intercom S.r.l. for 63 thousand euro, Shquiperia Cement Company for 50 thousand euro, Star.co S.r.l. for 677 thousand euro, International City for Ready Mix for 2,889 thousand euro and Cementi della Lucania S.p.A. for 3,165 thousand euro.

The list of investments in subsidiaries and associates at December 31, 2014 is set out below:

(in thousands of euro)	Location	Share capital	% held	Carrying amount at 12.31.2014
Azienda Agricola Lodoletta S.r.l.	Bergamo	€ 10,400	75.00	2,268
Bravobloc S.r.l.	Bergamo	€ 1,000,000	90.00	1,820
BravoEnergy S.r.l.	Bergamo	€ 10,000	99.90	286
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	97.90	14,880
Ciments Français S.A.	Puteaux	€ 142,393,396	100.00	1,933,624
Gruppo Italsfusi S.r.l.	Savignano sul Panaro (MO)	€ 156,000	99.50	277
Intercom S.r.l	Bergamo	€ 2,890,000	4.84	659
Italcementi Finance S.A.	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	€ 5,000,000	100.00	6,939
SAMA S.r.l.	Bergamo	€ 200,000	99.00	1,643
Sociètè Internationale Italcementi (Luxembourg) S.A.	Luxembourg	€ 1,771,500	99.87	13,897
Shqiperia Cement Company	Tirana	ALL 74,250,000	100.00	552
Star.Co. S.r.l.	Bergamo	€ 118,000	100.00	1,091
International City for Ready Mix	Arabia	SAR 150,000,000	50.00	4,253
Cementi della Lucania S.p.A.	Potenza	€ 619,746	30.00	-
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	-	-	4,950
Total				**2,082,673**

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	Loss for the year
Cementi della Lucania S.p.A. (1)	11,577	6,179	7,880	(615)

(1) data taken from financial statements at December 31, 2013

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 5,731 thousand euro was 1 thousand euro higher than the previous year after subscription of an equity investment in the consortium Energy for Growth S.c.a.r.l.

The breakdown of other equity investments at December 31, 2014 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	16
Total	**5,731**
Total other equity investments	**5,731**

6. Other non-current assets

(in thousands of euro)	12.31.2014	12.31.2013	Change
Guarantee deposits	593	570	23
Receivables for expropriations	2,287	2,984	(697)
Receivables from sale of assets	884	2,659	(1,775)
Derivatives	5,575	403	5,172
Financial receivables due from Group companies	12,211	-	12,211
Receivables due from Italmobiliare for requested IRAP tax reimbursement	1,249	-	1,249
Receivables due from tax authorities for withholdings	610	-	610
Receivables due from tax authorities for interruption of tax consolidation	29,348	-	29,348
Receivables due from parent for entry into tax consolidation	-	63,787	(63,787)
Total	**52,757**	**70,403**	**(17,646)**

The financial receivable of 12,211 thousand euro refers to the residual amount of an interest-bearing loan granted to the subsidiary International City for Ready Mix, which was reclassified from current assets.

Following the conversion of the savings shares into ordinary shares and the consequent dilution of the parent's investment, the grounds for maintaining the tax consolidation under Italmobiliare S.p.A. no longer applied. This interruption generated recognition under non-current assets of tax receivables of 29,348 thousand euro, not used by the parent, relating to payments made on account and withholdings made in previous years, as well as recognition of deferred tax assets from tax loss carryforwards of 22,025 thousand euro.

Current assets

7. Inventories

(in thousands of euro)	12.31.2014	12.31.2013	Change
Raw materials, consumables and supplies	42,153	47,496	(5,343)
Work in progress and semi-finished goods	20,189	24,028	(3,839)
Finished goods	14,175	16,531	(2,356)
Total	**76,517**	**88,055**	**(11,538)**

Inventories of raw materials, consumables and supplies are shown net of the allowance of 6,608 thousand euro (10,133 thousand euro at December 31, 2013), provided against the risk of slow-moving supplies, spare parts and consumables; they include spare parts for an amount of 15,453 thousand euro at December 31, 2014 (16,783 thousand euro at December 31, 2013).

8. Trade receivables

(in thousands of euro)	12.31.2014	12.31.2013	Change
From customers	145,364	153,179	(7,815)
From Group companies	48,607	46,255	2,352
Allowance for impairment	(17,279)	(17,172)	(107)
Net amount	**176,692**	**182,262**	**(5,570)**

The decrease in receivables due from customers is related to the trend in sales during 2014.

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 4,012 thousand euro and applications of 3,905 thousand euro.

9. Other current assets

(in thousands of euro)	12.31.2014	12.31.2013	Change
Amounts due from social security authorities	5,431	2,155	3,276
Amounts due from tax authorities for VAT	1,254	482	772
Receivables due from subsidiaries for tax consolidation	5,972	-	5,972
Receivables for grants related to assets	116	116	-
Other receivables	40,309	47,288	(6,979)
Receivables for dividends to be collected	53,398	-	53,398
Receivables for sale of investments and non-current assets	500	3,120	(2,620)
Derivatives	1,318	21	1,297
Prepayments and accrued income	3,456	6,027	(2,571)
Total	**111,754**	**59,209**	**52,545**

Other receivables consist mainly of the amounts recognized, net of sales and impairment losses, for the allocation of white certificates (3,500 thousand euro), the current amount of the receivable accrued at December 31, 2012 for "new entry" carbon quotas recognized for the period 2008-2012 (28,775 thousand euro) and receivables for the disposal of a business unit and other non-current assets (4,144 thousand euro).

The receivable due from subsidiaries in the tax consolidation arises from the implementation of a new domestic tax consolidation under Italcementi S.p.A., after the interruption of the tax consolidation under Italmobiliare S.p.A.

Receivables for dividends to be collected relate entirely to the subsidiary Ciments Français which, on December 19, 2014, approved the distribution of an advance of 1.50 euro per share on dividends for 2014.

Prepayments and accrued income include an amount of 2,616 thousand euro (4,901 thousand euro at December 31, 2013) 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)	12.31.2014	12.31.2013	Change
Tax receivable for prior-year taxes	356	272	84
Tax credit for "dividend imputation"	583	583	-
Tax receivables for IRAP payments on account and surpluses to be recovered	-	1,755	(1,755)
Payable for IRAP on income in the year	-	(423)	423
Total	**939**	**2,187**	**(1,248)**

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.

Tax liabilities were as follows:

(in thousands of euro)	12.31.2014	12.31.2013	Change
Payable for IRAP on income in the year	(340)	-	(340)
Total	**(340)**	**-**	**(340)**

The amount represents the net amount arising from the tax expense for the year and the surpluses of the payments made in previous years.

11. Equity investments, bonds and financial assets

(in thousands of euro)	12.31.2014	12.31.2013	Change
Equity investments in other companies	267	267	-
Financial receivables due from Group companies	222,805	272,713	(49,908)
Impairment loss on financial receivables due from Group companies	(2,558)	(7,320)	4,762
Accrued interest	3,907	2,855	1,052
Total	**224,421**	**268,515**	**(44,094)**

Financial receivables due from Group companies consist of current accounts, regulated at normal market rates, representing the financial support provided in relation to operating requirements.

The impairment loss of 7,320 thousand euro recognized in the previous year on financial receivables due from Group companies was partially used following replenishment to cover the losses of the investees.

12. Cash and cash equivalents

(in thousands of euro)	12.31.2014	12.31.2013	Change
Bank and postal accounts	3,002	2,336	666
Cash	83	100	(17)
Total	**3,085**	**2,436**	**649**

Equity

13. Share capital

At December 31, 2014, the fully paid-in share capital totaled 401,715,071.15 euro (282,548,942 euro at December 31, 2013); during the year the following share capital transactions took place:

Mandatory conversion of savings shares into ordinary shares, at a rate of 0.65 new ordinary shares for every savings share held, without par value; the transaction was completed on June 2, 2014;

Share capital increase offered to all shareholders at a rate of 3 new shares for every 7 shares held at the price of 4.825 euro per share, of which 3.675 euro share premium. The transaction saw the full subscription and payment of the 103,622,721 shares on offer, for a total amount of 499,979,628.82 euro, of which 119,166,129.15 euro of par value.

The company's share capital at December 31, 2014 was therefore 401,715,071.15 euro, divided into 349,270,680 ordinary shares without par value.

Number of shares	**12.31.2014**	**12.31.2013**	**Change**
Ordinary shares	349,270,680	177,117,564	172,153,116
Savings shares	-	105,431,378	(105,431,378)
Total	**349,270,680**	**282,548,942**	**66,721,738**

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 share premium reserve totaled 712,049,401 euro (344,103,798 euro at December 31, 2013). The increase arose from the share capital increase, whose premium, paid net of the related charges, was 367,945,603 thousand euro.

The stock option reserve reflects the total amount of options granted and amortized over the vesting period of the stock option plans at December 31, 2014.

Movements in reserves were as follows:

		Reserves		
(in thousands of euro)	**Share premium**	Derivative fair value reserve	Stock option reserve	**Total reserves**
At December 31, 2013	**344,104**	(5,121)	23,009	**17,888**
Increases due to premium on share capital increase	380,813	-	-	**-**
Expenses related to share capital increase	(12,868)	-	-	**-**
Gains (losses) taken directly to reserve	-	(31,186)	-	**(31,186)**
Tax taken directly to reserve	-	-	-	**-**
(Gains) losses taken to income statement	-	10,305	-	**10,305**
At December 31, 2014	**712,049**	(26,002)	23,009	**(2,993)**

15. Treasury shares

At December 31, 2014, the carrying amount of purchased treasury shares totaled 58,690 thousand euro and was charged to the reserve for treasury shares.

During the year, following the mandatory conversion of Italcementi savings shares into ordinary shares, at a rate of 0.65 new ordinary shares for each savings share held, the 105,500 Italcementi S.p.A. savings treasury shares were converted into 68,575 ordinary treasury shares as from June 2, 2014.

The changes were as follows:

	No. ordinary shares	**Total carrying amount** (000 euro)	**No. savings shares par value € 1**	**Total carrying amount** (000 euro)	**Overall carrying amount** (000 euro)
December 31, 2013	3,793,029	**58,342**	105,500	**348**	**58,690**
Increases	68,575	348	-	-	348
Decreases	-	-	(105,500)	(348)	(348)
December 31, 2014	**3,861,604**	**58,690**	**-**	**-**	**58,690**

Ordinary treasury shares in portfolio at December 31, 2014 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	**401,715**				
Share premium	**712,049**	A, B, C	712,049		
Reserves:					
Stock option reserve	23,009	-	-		
Derivative fair value reserve	(26,003)	-	-		
Total reserves	**(2,994)**				
Treasury shares	**(58,690)**				
Retained earnings:					
Revaluation reserves	256,992	A, B, C	256,992		
Legal reserve	56,510	B	-		
Extraordinary reserve	204,739	A, B, C	204,739	202,882	(1) 79,960
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		
Provision under Law 904/77	38,162	A, B, C	38,162		
Provision under Law 488/92	26,187	-	-		
Reserve under art. 7 Leg. Decree 38/2005	40,505	-	-		
Actuarial gains (losses) on defined benefit plans	(6,730)	-	-		
Retained earnings	-	A, B, C	-	34,360	(1) 3,635
Profit (loss) for the year	(54,025)	-	-		
Total retained earnings	**700,324**				
Distributable total			**1,349,926**		

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 effect, in the absence of resolutions that envisage their distribution.

Dividends paid

Dividends declared in 2014 and 2013 were as follows:

	2014 (euro per share)	2013 (euro per share)	December 31, 2014 (000 euro)	December 31, 2013 (000 euro)
Ordinary shares	0.060	0.060	10,399	10,399
Savings shares	0.060	0.060	6,320	6,320
Total dividends			**16,719**	**16,719**

Dividends paid in 2014 totaled 16,719 thousand euro (16,719 thousand euro in 2013).

17. Employee benefits

This caption includes post-employment benefits in accordance with the criteria established by IAS 19, the provision for the so-called “Project 2015” program for the re-organization of head-office operations and the manufacturing and sales networks, and liabilities relating to future commitments, in the form of bonuses, to be paid to employees on the basis of length of service; these liabilities arise from actuarial valuations at December 31, 2014.

(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, 2013	**23,991**	**106**	**3,373**	**45,067**	**72,537**
Amounts accrued	1,052	16	115	-	**1,183**
Revaluation of employee benefits taken to reserve	3,335	-	-	-	**3,335**
Indemnities paid	(4,111)	-	-	-	**(4,111)**
Staff transfers	(110)	-	-	-	**(110)**
Provision	-	-	-	23	**23**
Use	-	-	-	(18,087)	**(18,087)**
Surplus	-	-	-	(752)	**(752)**
At December 31, 2014	**24,157**	**122**	**3,488**	**26,251**	**54,018**

The assumptions used to determine obligations arising from long-term benefits are set out below:

	Post-employment benefits	Other employee benefits
Discount rate	1.50%	1.50%
Future salary rises	-	3.22%
Inflation	2.00%	2.00%

The discount rate was determined by reference to market yields on high-quality European corporate bonds with an AA rating.

18. Provisions

(in thousands of euro)	12.31.2013	Additions	Decreases	12.31.2014
Restoration of quarries	18,766	2,359	(2,473)	18,652
Restoration of industrial areas	1,689	540	(562)	1,667
Other risks	2,497	59	(45)	2,511
Taxes	369	-	-	369
Total other provisions	**23,321**	**2,958**	**(3,080)**	**23,199**

The addition in the provision for the restoration of quarries includes 1,694 thousand euro as a cash adjustment, recognized in the income statement under "Finance income".

The decreases in the provision for the restoration of quarries refers for 2,139 thousand euro to the surplus arising from forecasts of lower costs and for 334 thousand euro to use against expenses incurred.

The decreases in the provision for restoration of industrial areas refer to use against expenses incurred to dismantle plant and remediate sites.

The additions and decreases in the provision for other risks of 59 and 45 thousand euro, respectively, represent the provision for and settlement of disputes.

With regard to tax assessments relating to Italcementi S.p.A., the tax assessments relating to the tax returns for 1987 and 2003 are still being disputed; the adjustments requested by the authorities appear to be largely unfounded, also in the view of independent consultants; the assessments relating to registration tax in 2010 are also disputed.

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. On July 2, 2014 the sentence was deposited, with which the Regional Tax Commission of Milan, Brescia division, annulled all the alleged irregularities, except for a violation of 36 thousand euro (including interest). An appeal may still be made to the Court of Cassation with regard to the annulled irregularities.

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 authorities appealed this decision before the Supreme Court of Cassation. The company appeared before the Court on April 27, 2012 and presented a cross-appeal. The date for the hearing at the Court of Cassation has yet to be set.

The dispute regarding IRES corporation tax relating to 2004 was closed on March 4, 2014, when the sentence of the Regional Tax Commission of Milan, which was favorable to the company, became definitive; as a result, nothing is due from the company.

The dispute relating to IRES corporation tax for 2005 was settled definitively with sentence no. 1726/07/14 of April 2, 2014, with which the Regional Tax Commission of Milan cancelled the judgment, following the waiving of the appeal by the Tax authorities; therefore nothing is due from the company.

The dispute on IRES corporation tax for 2006 was settled definitively on June 3, 2014, when the sentence of the Provincial Tax Commission of Milan, which was favorable to the company, became definitive; as a result, nothing is due from the company.

In September 2011, the Bergamo Province Tax authorities 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 authorities 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 hearing was held on June 9, 2014 and, with sentence no. 4432/67/14, the Regional Tax Commissio of Milan, Brescia branch, accepted the Tax Office's appeal. The company appealed to the Court of Cassation in November 2014.

19. Deferred tax assets and deferred tax liabilities

(in thousands of euro)	12.31.2013	Adjustments to prior-year taxes	Increases	Decreases	12.31.2014
Deferred tax liabilities	17,386	4	734	(3,088)	15,036
Deferred tax assets	(109,783)	386	(46,250)	14,369	(141,278)
Unactivated deferred tax assets	56,796	(386)	23,491	(14,273)	65,628
Total	**(35,601)**	**4**	**(22,025)**	**(2,992)**	**(60,614)**

Deferred tax assets include 22,025 thousand euro of tax loss carryforwards arising from the termination of the tax consolidation with the parent Italmobiliare S.p.A..

The non-activated benefit amounts to 59.571 thousand euro, of which 13,733 thousand euro relating to the current year.

The decrease includes 81 thousand euro taken directly to the reserve for actuarial gains/losses on defined benefit plans.

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 12.31.2014	Balance at 12.31.2013	Transfer	Adjustment prior-year taxes	Tax provision	Applications	Balance at 12.31.2014
Deferred tax liabilities on:								
Revaluation of inventories	27.50%	38,017	12,767				(2,312)	10,455
Revaluation of inventories	3.90%	38,017	1,811				(328)	1,483
Fair value of derivatives	27.50%	3,901	1,073					1,073
Discounting of provisions	27.50%	-	412	(81)			(331)	-
Other items	27.50%	7,274	1,295		3	734	(32)	2,000
Other items	3.90%	644	28				(3)	25
Total deferred tax liabilities			**17,386**	**(81)**	**3**	**734**	**(3,006)**	**15,036**
Deferred tax assets on:								
Provision for restoration of quarries and industrial areas	27.50%	20,320	5,956			467	(835)	5,588
Provision for restoration of quarries and industrial areas	3.90%	6,750	360				(97)	263
Provision for other risks	27.50%	29,617	13,080			258	(5,193)	8,145
Depreciation of assets	27.50%	41,333	11,089			1,369	(1,091)	11,367
Employee benefits and directors' remuneration	27.50%	9,394	3,046		(499)	36		2,583
Write-down materials inventories	27.50%	4,437	2,190			82	(1,052)	1,220
Non-deductible interest expense	27.50%	240,587	49,553		153	16,456		66,162
Carbon emissions	27.50%	1,558	429				(1)	428
Fair value of derivatives	27.50%	10,811	2,973					2,973
Impairment of assets	27.50%	55,080	15,738			4,713	(5,304)	15,147
Prior losses	27.50%	80,092	-	22,025				22,025
Other items	27.50%	19,527	5,362		(40)	845	(797)	5,370
Other items	3.90%	169	7					7
Total deferred tax assets			**109,783**	**22,025**	**(386)**	**24,226**	**(14,370)**	**141,278**
Unactivated deferred tax assets			**(56,796)**		**386**	**(23,491)**	**14,273**	**(65,628)**
Total			**(35,601)**	**(22,106)**	**3**	**-**	**(2,909)**	**(60,614)**

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, 2014**	**December 31, 2013**
Current financial assets		**(231,173)**	**(275,607)**
Cash and cash equivalents	Cash and cash equivalents	(3,085)	(2,436)
Current loan assets	Equity investments, bonds and financial assets	(220,247)	(265,394)
Other current financial assets	Other current assets	(6,523)	(7,756)
Derivatives	Other current assets	(1,318)	(21)
Current financial liabilities		**411,566**	**326,374**
Bank overdrafts and short-term borrowings	Loans and borrowings	129,519	169,596
Loans and short-term borrowings	Financial liabilities	281,678	155,123
Derivatives	Other current liabilities	369	1,655
Non-current financial assets		**(17,786)**	**(403)**
Securities and bonds	Other non-current assets		-
Non-current financial receivables	Other non-current assets	(12,211)	-
Derivatives	Other non-current assets	(5,575)	(403)
Non-current financial liabilities		**1,053,368**	**976,199**
Loans and long-term borrowings	Financial liabilities	1,024,198	968,855
Derivatives	Other non-current liabilities	29,170	7,344
Net debt		**1,215,975**	**1,026,563**

20.1. Financial liabilities

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

(in thousands of euro)	**December 31, 2014**	**December 31, 2013**
Amounts due to banks	249,165	248,947
Non-current portion of loans and borrowings	10,020	11,563
Financial liabilities from Group companies	765,013	708,345
Non-current financial liabilities	**1,024,198**	**968,855**
Fair value of hedging derivatives	29,170	7,344
Total non-current financial liabilities	**1,053,368**	**976,199**
Bank overdrafts and short-term borrowings	129,519	169,596
Current portion of loans and borrowings	9,350	9,409
Financial liabilities from Group companies	272,328	145,714
Amounts due to banks and current financial liabilities	**411,197**	**324,719**
Fair value of hedging derivatives	369	1,655
Total current financial liabilities	**411,566**	**326,374**
Total financial liabilities	**1,464,934**	**1,302,573**

Main non-current and current financial liabilities:

(in thousands of euro)	Effective interest rate	Maturity	12.31.2014	12.31.2013
Non-current amounts due to banks			**250,000**	**250,000**
Ordinary borrowing		2014		
Ordinary borrowing	3.34%	2016	50,000	50,000
Ordinary borrowing	3.59%	2019	60,000	60,000
Ordinary borrowing	2.89%	2023(*)	90,000	90,000
Drawings on committed lines of credit	3.29%	2016	50,000	50,000
Non-current financial liabilities from Group companies			**765,013**	**708,345**
Intragroup ordinary borrowings	0.92%	2016	50,000	
Intragroup ordinary borrowings	6.46%	2018	354,019	350,277
Intragroup ordinary borrowings	4.56%	2018	151,703	148,915
Intragroup ordinary borrowings	5.34%	2020	209,290	209,154
Non-current portion of loans and borrowings			**9,185**	**10,510**
Fair value of hedging derivatives			**29,170**	**7,344**
Non-current financial liabilities			**1,053,368**	**976,199**
Current amounts due to banks			**129,519**	**169,596**
Current liabilities			45,519	34,596
Drawings on committed lines of credit			84,000	135,000
Financial liabilities vs. Group companies			**272,328**	**145,714**
Current portion of loans and borrowings			**9,350**	**9,409**
Fair value of hedging derivatives			**369**	**1,655**
Current financial liabilities			**411,566**	**326,374**
Total financial liabilities			**1,464,934**	**1,302,573**

(*) amortizing loan with principal repayable in 7 equal amounts as from 2016

Non-current financial liabilities by maturity:

(in thousands of euro)	December 31, 2014	December 31, 2013
2015	-	1,543
2016	162,658	112,741
2017	12,182	12,690
2018	513,245	512,737
Beyond	336,113	329,145
Hedging derivatives	29,170	7,344
Total financial liabilities	**1,053,368**	**976,199**

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 2012, 2013 and 2014 are described below:

Bank loans and drawings on medium/long-term lines of credit

a) In 2014, a 7 year 9 month line of credit for 200 million euro expired; it was fully drawn at December 31, 2013;

b) 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;

   ii. in March, a bilateral 3-year 25 million euro line of credit;

   iii. in July, a bilateral 6-year 100 million euro line of credit;

   iv. in August, a bilateral 6-year 50 million euro line of credit;

   v. in December, a bilateral 5-year and 10-month 75 million euro line of credit;

c) 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 an aggregate 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 two tranches at December 31, 2014;

d) 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, 2014;

e) 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 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, 2014;

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

f) 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;

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. 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, 2014;

Main intercompany borrowings and lines of credit at Italcementi S.p.A.

h) In June 2014, Italcementi Finance S.A. negotiated a new five-year syndicated line of credit for 450 million euro, replacing the 920 million euro syndicated line of credit due to expire in September 2015, which was simultaneously terminated. The renegotiation involved the cancellation of the five-year 220 million euro intragroup line of credit granted by Italcementi Finance to Italcementi S.p.A. in September 2010.

i) In February and subsequently in May 2013, 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;

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

k) 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, 2014;

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, 2014 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, 2014, the average maturity of Italcementi S.p.A. gross debt was 2 years and 10 months.

At December 31, 2014, Italcementi S.p.A. had committed lines of credit totaling 675 million euro (1,095 million euro at December 31, 2013), of which 150 million euro of intragroup lines with Italcementi Finance S.A. (370 million euro at December 31, 2013). At December 31, 2014, 575 million euro were undrawn and immediately available (910 million euro at December 31, 2013). At the same date, the subsidiary Italcementi Finance S.A. had a further 680 million euro of undrawn committed bank lines of credit, although these were not contractually reserved exclusively for Italcementi S.p.A.'s requirements (930 million euro at December 31, 2013).

At December 31, 2014(*):

(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			162,658	12,182	513,245	72,785	263,328	1,024,198
Other current financial liabilities		281,678						281,678
Amounts due to banks		129,519						129,519
Cash and cash equivalents		(3,085)						(3,085)
Total		**408,112**	**162,658**	**12,182**	**513,245**	**72,785**	**263,328**	**1,432,310**
Cumulative total		**408,112**	**570,770**	**582,952**	**1,096,197**	**1,168,982**	**1,432,310**	
	start 2015	**end 2015**	**end 2016**	**end 2017**	**end 2018**	**end 2019**	**beyond**	
Committed available lines of credit	**575,000**	**525,000**	**425,000**	**45,000**	**-**	**-**	**-**	

(*) excluding fair value of derivatives

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

20.2.2. Covenants

In addition to the customary clauses, some of the bank loans granted to Italcementi S.p.A. include covenants requiring compliance with financial ratios, typically determined on a six-monthly basis. The same applies to available lines of credit for the subsidiary Italcementi Finance S.A. and to the base of intragroup lines granted by Italcementi Finance S.A. to Italcementi S.p.A.. The main financial ratio included in the covenants is “leverage” (net debt/consolidated recurring EBITDA) with a maximum limit of 3.75. 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 company’s ability to finance or refinance its operations.

At December 31, 2014, lines of credit and loans subject to covenants stood at 300 million euro of gross financial liabilities (1,435 million euro at December 31, 2014 expressed at nominal value, excluding the fair value effects of derivatives) and 575 million euro of total undrawn immediately available lines of credit (575 million euro at December 31, 2013).

At December 31, 2014, the company complied with all contractual commitments; covenant-related financial ratios were within the contractual limits agreed by the loans in question. The company expects to comply with its covenants for 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 equity 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).

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:

	December 31, 2014				
(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)	3.1	3.1			
Assets classified as held for trading					
Fair value of derivatives	6.9	6.9	-	6.9	-
Equity investments, bonds and current financial assets	0.3	0.3	-	-	0.3
Loans and receivables					
Trade receivables (note 8)	176.7	176.7			
Other current assets	62.5	62.5			
Other non-current assets excluding concessions, licenses paid in advance, derivatives and securities (note 6)	47.2	47.2			
Equity investments, bonds and current financial assets	224.2	224.2			
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	(29.5)	(29.5)	-	(29.5)	-
Other financial liabilities					
Trade payables	(70.7)	(70.7)			
Other current liabilities	(41.1)	(41.1)			
Floating-rate non-current financial liabilities	(419.9)	(419.9)			
Fixed-rate non-current financial liabilities	(604.3)	(624.6)	(624.6)	-	-
Amounts due to banks	(129.5)	(129.5)	-	(129.5)	-
Other short-term financing	(281.7)	(281.7)	-	(281.7)	-

(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)	-

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 272.3 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, 2014		December 31, 2013	
(in thousands of euro)	Assets	Liabilities	Assets	Liabilities
Interest-rate derivatives hedging cash flows	-	369	-	-
Trading interest-rate derivatives	-	-	-	947
Exchange-rate derivatives hedging cash flows	1,318	-	-	708
Exchange-rate derivatives hedging fair value	-	-	-	-
Trading exchange-rate derivatives	-	-	21	-
Total current instruments	**1,318**	**369**	**21**	**1,655**
Interest-rate derivatives hedging cash flows	-	29,170	129	6,245
Interest-rate derivatives hedging fair value	5,551	-	273	1,056
Exchange-rate derivatives hedging cash flows	24	-	-	43
Total non-current instruments	**5,575**	**29,170**	**403**	**7,344**
Total	**6,893**	**29,540**	**424**	**8,999**

Derivatives on interest rates and exchange rates qualified as trading transactions refer to transactions that do not qualify for recognition as future cash flow hedges, although they are contracted for that purpose.

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, 2014 and at December 31, 2013.

At December 31, 2014 there were no derivatives relating to EUA and CER/ERU transactions. In 2014 no transactions were conducted in derivatives on emission rights and consequently no effect was generated on the income statement and on equity (at December 31, 2013 transactions in derivatives had an impact of +3,729 thousand euro on the income statement and no impact on equity).

20.4. Management of interest-rate risk

The company interest-rate risk management policy is designed to minimize the cost of net debt 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 receive Fixed / pay 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 receive Floating / pay 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**
Absolute total amount	**75.0**	**100.0**	**250.0**	**435.0**	**860.0**
Net balancing - receive floating / pay fixed	**75.0**	**100.0**	**(250.0)**	**435.0**	**360.0**

20.4.2. Exposure to interest-rate risk

At December 31, 2014, interest-rate hedges had a net notional value of 360 million euro with respect to the fixed-rate component of Italcementi S.p.A.'s financial commitments. At the same date, in total, 68% of Italcementi S.p.A. gross debt and 81% of net debt (not including the fair value of derivatives) was at a fixed rate at inception or hedged against rate increases.

On the total of the intercompany loans at a fixed rate at inception, for a nominal amount of 600 million euro, 250 million euro was subject to variabilization transactions with derivatives.

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.

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

The table below analyzes net debt at December 31, 2014 subdivided by fixed- and floating-rate components at inception and after interest-rate hedging:

(in millions of euro)	12.31.2014	Maturity less than 1 year	Maturity 1 to 2 years	Maturity 2 to 5 years	Maturity more than 5 years
Fixed-rate financial liabilities	604.3	0.0	0.3	500.0	104.0
Fixed-rate financial assets	-	-	-	-	-
Fixed- to floating-rate hedging	(250.0)	0.0	0.0	(250.0)	0.0
Floating- to fixed-rate hedging	610.0	75.0	100.0	0.0	435.0
Fixed-rate ND after hedging	**964.3**	**75.0**	**100.3**	**250.0**	**539.0**
Floating-rate financial liabilities	831.1	411.2	162.5	98.2	159.2
Floating-rate financial assets	(242.1)	(229.9)		(12.2)	
Floating-rate ND at inception	589.0	181.3	162.5	86.0	159.2
Fixed- to floating-rate hedging	250.0	0.0	0.0	250.0	0.0
Floating- to fixed-rate hedging	(610.0)	(75.0)	(100.0)	0.0	(435.0)
Optional hedges	-	-	-	-	-
Floating-rate ND after hedging	**229.0**	**106.3**	**62.5**	**336.0**	**(275.8)**
Optional hedges	-	-	-	-	-
Fair value of derivatives, net	22.6	(0.9)	3.5	(5.6)	25.6
Total ND	**1,216.0**	**180.4**	**166.3**	**580.4**	**288.9**

At December 31, 2014, a +0.5% change in the interest-rate curve would have an impact of -1.12 million euro, that is, 1.84% of 2014 net finance costs. The impact on interest-rate derivatives in portfolio would be +11.4 million euro on equity and -3.8 million euro on profit before tax; the latter effect is offset by an effect of 3.9 million euro on fixed-rate liabilities with fair value hedges.

At December 31, 2014, a -0.5% change in the interest-rate curve would have an impact of +1.12 million euro, that is, 1.84% of 2014 net finance costs. The impact on interest-rate derivatives in portfolio would be -12.5 million euro on equity and +3.8 million euro on profit before tax; the latter effect is offset by an effect of -3.9 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, 2014, a 10% appreciation in the US dollar against the euro would have had an impact on exchange rate derivatives in portfolio of +2.4 million euro on equity and an immaterial impact on profit before tax.

At December 31, 2014, a 10% depreciation in the US dollar against the euro would have had an impact on exchange rate derivatives in portfolio of -2.4 million euro on equity and an immaterial impact on profit before tax.

20.5.2. Currency risk hedges

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

(in millions of euro)	12.31.2014	12.31.2013
Forward purchases		
Cash flow hedges US dollars	24.3	26.0
Fair value hedges US dollars		-
Total	**24.3**	**26.0**
Options		
Cash flow hedges US dollars	-	-
Total	**-**	**-**
Total	**24.3**	**26.0**

Exchange rate derivatives at December 31, 2014 expire within 2 years.

20.6. Management of commodity risk

CO_2

Italcementi S.p.A. is exposed to market fluctuations on carbon emission rights prices, in connection with its surplus or deficit on the quotas allocated by its national government.

In the first half of 2014, Italcementi S.p.A. completed the optimization of its carbon emission rights portfolio with a spot purchase of Certified Emission Reductions and Emission Reduction Units (CER, ERU) and a spot sale of an equivalent number of European Union Allowances (EUA). The transaction did not modify the balance of carbon emission rights expressed in metric tons and generated a gain of 6.3 million euro (0 million euro in 2013).

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.

Other commodities

Italcementi S.p.A. does not transact derivatives to hedge price risk on other commodities; however, in the case of electricity procurement, management of market price fluctuations is covered by medium-term contracts envisaging gradual price fixing directly with the supplier.

20.7. Management of equity risk

Italcementi S.p.A. 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 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 1,384 thousand euro at December 31, 2014 (-782 thousand euro at December 31, 2013). The eliminated portion of the reserve relating to instruments that expired in 2014 amounted to +10,305 thousand euro at December 31, 2014 compared with +15,762 thousand euro at December 31, 2013. The changes in equity relating to derivatives contracted during the previous financial year and still in portfolio at December 31, 2014, amounted to -32,571 thousand euro (4,448 thousand euro at December 31, 2013).

The ineffective component of cash flow hedges in portfolio at December 31, 2014 recognized in profit or loss was immaterial in both 2014 and 2013.

With reference to fair value hedges in portfolio at the end of 2014, the amount taken to profit or loss totaled +5.6 million euro for 2014 (-0.8 million euro in 2013). Recognized amounts attributable to underlying risk hedged during the period totaled -5.7 million euro in 2014 (+0.8 million euro in 2013). These amounts are taken to profit or loss as gains and losses on interest-rate and exchange rate derivatives.

21. Trade payables

(in thousands of euro)	12.31.2014	12.31.2013	Change
Suppliers	54,027	49,765	4,262
Group companies	16,670	16,975	(305)
Total	**70,697**	**66,740**	**3,957**

Details on payables due to Group companies are provided in the specific section on related parties.

22. Other current liabilities

(in thousands of euro)	12.31.2014	12.31.2013	Change
Amounts due to employees	11,074	19,176	(8,102)
Amounts due to social security authorities	6,064	6,977	(913)
Amounts due to tax authorities for VAT and withholdings	6,361	3,452	2,909
Payables for acquisition of non-current assets	40,696	65,129	(24,433)
Other amounts due	24,430	14,311	10,119
Derivatives	369	1,655	(1,286)
Accruals and deferred income	3,502	4,195	(693)
Total	**92,496**	**114,895**	**(22,399)**

"Accruals and deferred income" include grants related to assets to be posted to the income statement in future years in relation to depreciation for 118 thousand euro.

23. Commitments

The company has provided guarantees for 2,890,687 thousand euro in the almost exclusive interest of Group companies for commitments to banks. The amount includes 2,832,829 thousand euro relating to guarantees issued to the subsidiary Italcementi Finance S.A. for the arrangement of new lines of credit and for bond loans.

Contracts and orders issued for investments in property, plant and equipment and for long-term rents and leases at December 31, 2014 were as follows:

(in thousands of euro)	12.31.2014	under 1 year	1 to 5 years	beyond 5 years
Commitments for purchases of property, plant and equipment	13,847	13,847	-	-
Commitments for long-term rents and leases	4,915	2,193	2,633	89

Income statement

24. Revenue

Revenue from sales and services totaled 436,532 thousand euro, as follows:

(in thousands of euro)	2014	2013	Change	% change
Sale of finished and semi-finished goods	361,462	399,144	(37,682)	-9.4
Resale of products	9,645	10,438	(793)	-7.6
Revenue from services	65,425	52,336	13,089	25.0
Total	**436,532**	**461,918**	**(25,386)**	**-5.5**

The company's revenue arises almost entirely in Italy.

2014 revenue includes revenue from transactions with Group companies for 124,578 thousand euro regarding sales of products, staff services, as well as provision of technical and administrative services under the existing contract (see note 33 "Related parties").

25. Other revenue

Other revenue totaled 27,131 thousand euro (27,782 thousand euro for 2013) and includes rental income and other income on assets for 8,553 thousand euro, income for interruptibility of electricity supplies for 17,223 thousand euro and other income for 1,355 thousand euro.

26. Raw materials and supplies

Raw materials and supplies totaled 187,852 thousand euro, as follows:

(in thousands of euro)	2014	2013	Change	% change
Raw materials and semi-finished goods	43,562	38,587	4,975	12.9
Fuel	46,336	45,384	952	2.1
Packaging, materials, machinery and other	27,883	27,319	564	2.1
Finished goods	5,165	6,736	(1,571)	-23.3
Electricity, water and gas	59,563	82,224	(22,661)	-27.6
Change in inventories of raw materials, consumables and other	5,343	12,650	(7,307)	-57.8
Total	**187,852**	**212,900**	**(25,048)**	**-11.8**

27. Services

Services totaled 121,750 thousand euro, as follows:

(in thousands of euro)	2014	2013	Change	% change
External services and maintenance	43,733	47,676	(3,943)	-8.3
Transport	36,871	35,073	1,798	5.1
Legal fees and consultancy	6,808	9,385	(2,577)	-27.5
Rents	4,304	4,179	125	3.0
Insurance	1,795	2,097	(302)	-14.4
Other	28,239	33,425	(5,186)	-15.5
Total	**121,750**	**131,835**	**(10,085)**	**-7.6**

Services include recharged amounts of 35,604 thousand euro for staff and intragroup services.

28. Employee expense and Stock options

Employee expense totaled 140,007 thousand euro, as follows:

(in thousands of euro)	2014	2013	Change	% change
Wages and salaries	80,644	91,708	(11,064)	-12.1
Social security contributions and pension fund provisions	32,478	33,634	(1,156)	-3.4
Other costs	26,885	23,482	3,403	14.5
Total	**140,007**	**148,824**	**(8,817)**	**-5.9**

"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 recognized under employee expense was 8,216 thousand euro.

The number of employees is set out below:

(heads)	2014	2013
Number of employees at year-end	1,896	2,272
Average number of employees	1,740	1,942

28.1 Stock options

The terms and conditions of Italcementi S.p.A. stock option plans at December 31, 2014 were as follows:

Grant date	No. options granted	Subscription price per share		Exercise period	Exercised options	Cancelled options	Unexercised options	Corrected unexercised options	Corrected subscription price per share	
March 17, 2005	1,053,600	€	13.387	3.17.2008 - 3.16.2015	6,475	28,900	1,018,225	1,163,646	€	11.714
March 7, 2006	631,403	€	16.890	3.7.2009 - 3.6.2016	4,187	50,325	576,891	659,281	€	14.779
March 7, 2007	1,020,200	€	23.049	3.7.2010 - 3.6.2017	-	49,525	970,675	1,109,305	€	20.169
March 26, 2008	623,300	€	12.804	3.26.2011 - 3.25.2018	-	-	623,300	712,318	€	11.204
June 4, 2008	1,564,750	€	13.355	6.4.2011 - 6.3.2018	-	-	1,564,750	1,788,224	€	11.686
Total	**4,893,253**				**10,662**	**128,750**	**4,753,841**	**5,432,774**		

The grant date is the date of the Board of Directors' meeting that approved the stock option plan.

The stock option plans for Italcementi S.p.A. directors and managers provide for certain plan conditions to be corrected in the event of transactios on share capital, in order to ensure that treatment of beneficiaries is "equivalent" to that initially offered. As a result of the conversion of Italcementi S.p.A. savings shares into ordinary shares and the share capital increase, an adjustment was made to both the subscription price per share and the number of options granted for each plan still in force, through application of an appropriate correction factor.

The average residual life of unexercised options is approximately 1 year and 1 months.

The number and average exercise price of options in the periods in question are set out below:

	2014			2013		
	number of options	average sub-scription price		number of options	average sub-scription price	
Unexercised options at start of year	**4,753,841**	**€**	**15.698**	**4,753,841**	**€**	**15.698**
Granted during the year	678,933			-		
Unexercised options at end of year	**5,432,774**	**€**	**13.736**	**4,753,841**	**€**	**15.698**
Vested options at end of year	**5,432,774**			**4,753,841**		

The average ordinary share price in 2014 was 6.133 euro (5.311 euro in 2013).

The option exercise price at December 31, 2014 was between 11.204 euro and 20.169 euro.

29. Other operating income (expense)

Net other operating income amounted to 5,038 thousand euro, as follows:

(in thousands of euro)	2014	2013	Change	% change
Other taxes	(9,087)	(9,127)	40	-0.4
Allowance for doubtful receivables	(4,021)	(6,950)	2,929	-42.1
Provision (use) for environmental restoration and quarries	933	(905)	1,838	n.s.
Miscellaneous expense	(4,764)	(2,080)	(2,684)	n.s.
Miscellaneous income	21,977	19,032	2,945	15.5
Total	**5,038**	**(30)**	**5,068**	**-16,893.3**

n.s. = not significant

Other taxes refer for 7,635 thousand euro to property taxes.

“Miscellaneous income” mainly included net income from the sale of carbon emission for 5,858 thousand euro, income from the allocation of white certificates for 10,653 thousand euro, and amounts for the use of alternative fuels for 2,211 thousand euro.

30. Non-recurring income (expense)

Net non-recurring income amounted to 7,620 thousand euro (192 thousand euro in 2013). It arose from net gains from the sale of assets for 9,131 thousand euro, net expense for re-organizations for 1,512 thousand euro, of which 1,799 thousand euro referring to costs incurred to dismantle plant and equipment sold during the year.

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

Net finance income amounted to 38,619 thousand euro, as follows:

	2014		2013	
(in thousands of euro)	Income	Costs	Income	Costs
Interest income	8,035		9,822	
Interest expense		(68,859)		(61,410)
Subtotal	**8,035**	**(68,859)**	**9,822**	**(61,410)**
Net interest in respect of net debt		**(60,824)**		**(51,588)**
Dividends and other income from equity investments	108,360		100,026	
Other finance income	1,287		28,516	
Other finance costs		(10,204)		(32,915)
Total finance income (costs)	**117,682**	**(79,063)**	**138,364**	**(94,325)**
Gains/(losses) on interest-rate derivatives		(310)		82
Gains/(losses) on currency derivatives		(53)		(148)
Net exchange-rate differences		332		(797)
Net exchange-rate differences and derivatives		**(31)**		**(863)**
Total finance income (costs), exchange-rate differences and derivatives		**38,588**		**43,176**

Net interest in respect of net debt totaled 60,824 thousand euro in 2014, compared to 51,588 thousand euro in 2013, an increase of 9,236 thousand euro.

32. Income tax

The positive amount of 5,498 thousand euro on this caption arose as follows:

(in thousands of euro)	2014	2013	Change
Current tax	1,478	423	1,055
Deferred tax	(2,906)	(3,574)	668
Prior-year tax	1,662	8,437	(6,775)
Income from entry into the tax consolidation	(5,732)	-	(5,732)
Total	**(5,498)**	**5,286**	**(10,784)**

Income from entry into the tax consolidation was recorded within the limit of the taxes to be paid.

The reconciliation between the theoretical tax charge and the effective tax charge reflected on the income statement is set out below:

(in thousands of euro)		IRES	IRAP	Total
Profit (loss) before tax	(a)	(59,523)	(59,523)	
Difference in the taxable base between IRES and IRAP	(b)		97,965	
	(c) = (a+/-b)	(59,523)	38,442	
Applicable tax rate (%)	(d)	27.50	3.90	31.40
Theoretical tax charge	(e) = (d) x (c)	(16,369)	1,499	(14,870)
Effect of reduction in rate for tax relief/break programs	(f)		(2)	(2)
Tax effect on permanent differences:	(g)			
- foreign dividends and other exempt income		(33,122)	(1,118)	(34,240)
- non-deductible costs		18,134	864	18,998
Net effect for the year of unrecognized deferred tax on temporary differences	(h)	28,682	-	28,682
Benefit from participation in tax consolidation	(i)	(5,732)	-	(5,732)
Effective tax charge	(j) = ∑ da (e) a (i)	(8,407)	1,243	(7,164)
Effective tax rate (%)		14.12	3.23	1.39
Other tax items not related to income for the year	(k)			1,666
Effective tax charge reflected in income statement at December 31, 2014 (l) = (j) + (k)				**(5,498)**

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.	19,381			
	Calcestruzzi S.p.A.	14,324			
	Italgen S.p.A.	2,470			
	C.T.G. S.p.A.	2,147			
	Cementi della Lucania S.p.A.	1,615			
	Intercom S.r.l.	961			
	San Francesco S.c.a.r.l.	873			
	Ciments Calcia S.A.	734			
	Ciments du Maroc S.A.	648			
	Essroc Cement Corp.	481			
	Sociedad Financiera Y Minera S.A.	468			
	Other companies	4,531			
	Other related parties	61			
Total trade receivables		**48,694**	**27.6%**	**176,692**	**Note 8**
Current account receivables and other financial assets	Calcestruzzi S.p.A.	166,301			
	Italgen S.p.A.	25,244			
	Calcementi Jonici S.r.l.	10,493			
	Bravosolution S.p.A.	5,724			
	Italterminali S.r.l.	5,590			
	Italcementi Finance S.A.	3,907			
	C.T.G. S.p.A.	2,163			
	Ing. Sala S.p.A.	1,912			
	Italmobiliare S.p.A.	1,214			
	BravoBloc S.r.l.	943			
	Other companies	663			
Total current financial assets		**224,154**	**99.9%**	**224,421**	**Note 11**
Other assets	Ciments Français S.A.	53,398			
	Italgen S.p.A.	5,602			
	Italcementi Finance S.A.	1,539			
	Other companies	465			
	Other related parties	286			
Total other current assets		**61,290**	**54.8%**	**111,754**	**Note 9**
Other non-current assets	International City for Ready Mix Co. Loan	12,211			
	Italcementi Finance S.A.	5,575			
	Italmobiliare S.p.A. receivables relating to IRAP reimbursement	1,249			
Total other non-current assets		**19,035**	**36.1%**	**52,757**	**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	Gruppo Italsfusi S.r.l.	(4,880)			
	Italmobiliare S.p.A.	(4,710)			
	Interbulk Trading S.A.	(3,335)			
	Ciments Français S.A.	(2,046)			
	C.T.G. S.p.A.	(670)			
	BravoSolution S.p.A.	(373)			
	Italcementi Finance S.A.	(191)			
	Other companies	(464)			
	Other related parties	(2,738)			
Total trade payables		**(19,407)**	**27.5%**	**70,697**	**Note 21**
Current account payables and other financial liabilities	Italcementi Finance S.A. loan	(259,153)			
	Italcementi Ingegneria S.r.l.	(4,791)			
	Nuova Sacelit S.r.l.	(3,865)			
	SAMA S.r.l.	(3,446)			
	Esa Monviso S.p.A.	(3,244)			
	Gruppo Italsfusi S.r.l.	(2,124)			
	Star.Co S.r.l.	(548)			
	Other companies	(344)			
Total current financial liabilities		**(277,515)**	**98.5%**	**281,678**	**Note 20**
	Italcementi Finance S.A. loan	(765,013)			
Total non-current financial liabilities		**(765,013)**	**74.7%**	**1,024,198**	**Note 20**
Other liabilities	C.T.G. S.p.A. Payable for purchase of non-current assets	(2,641)			
	BravoBloc S.r.l.	(675)			
	BravoSolution S.p.A.	(175)			
	Italcementi Finance S.A.	(37)			
Total other current liabilities		**(3,528)**	**3.8%**	**92,496**	**Note 22**
Other non-current liabilities	Italcementi Finance S.A. Derivatives	(25,632)			
	Nuova Sacelit S.r.l.	(187)			
	Ing. Sala S.p.A.	(75)			
	Other companies	(104)			
Total other non-current liabilties		**(25,998)**	**88.0%**	**29,536**	**Note 20**

Commitments with related parties

(in thousands of euro)

Description	Company	Amount
Guarantees provided to Group companies	Italcementi Finance S.A.	(2,832,829)
	Interbulk Trading	(16,000)
	Calcementi Jonici S.r.l.	(15,175)
	Italgen S.r.l.	(6,380)
	Bravosolution US	(6,182)
	Eurotech Cement Shpk	(3,500)
	Medcem S.r.l.	(3,000)
	BravoEnergy 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		**(2,890,687)**

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.		40,907			
	Intercom S.r.l.		6,174			
	Italgen S.p.A.		4,814			
	Interbulk Trading S.A.		3,499			
	San Francesco S.c.a.r.l.		3,060			
	Cementi della Lucania S.p.A.		956			
	Calcementi Jonici S.r.l.		876			
	Other companies		281			
	Other related parties		2,096			
Total sales of goods			**62,663**	**14.4%**	**436,532**	**Note 24**
Revenue for staff services and technical administrative services	Ciments Francais S.A.	employee recharges and Group structures	45,405			
	Ciments Calcia S.A.		2,402			
	C.T.G. S.p.A.		2,140			
	Calcestruzzi S.p.A.		2,023			
	Sociedad Financiera Y Minera S.A.		1,715			
	Essroc Cement Corporation		1,638			
	Essroc Corporation		1,098			
	Suez Cement		877			
	Italgen S.p.A.		730			
	Devnia Cement AD		701			
	Ciments du Maroc		528			
	Vassiliko Cement Works Ltd	technical assistance	462			
	Asia Cement		417			
	Halyps Building Material S.A.		370			
	Other companies		3,505			
	Other related parties		107			
Total revenue for services			**64,118**	**14.7%**	**436,532**	**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	5,400			
	Sirap Gema S.p.A.		236			
	Calcestruzzi S.p.A.		193			
	S.A.M.A. S.r.l.		94			
	Italgen S.p.A.		60			
	Other companies		142			
	Other related parties		247			
Total other revenue			**6,372**	**23.5%**	**27,131**	**Note 25**
Other income	BravoEnergy S.r.l.		288			
	Shymkent Cement		180			
	Other companies		5			
Other expense	Calcestruzzi S.p.A.		(21)			
	Other companies		(1)			
	Other related parties	payments to Fondazione Italcementi and other expense	(600)			
Total other operating income (expense)			**(149)**	**n.s.**	**5,038**	**Note 29**
Net gains from the sale of assets	Suez Cement		3,584			
	Zuari Cement Ltd		2,839			
	Other companies		160			
Total net gains from the sale of assets			**6,583**	**72.1%**	**9,131**	**Note 30**

n.s. = not significant

(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.		98,050			
	Italgen S.p.A.		4,995			
	S.I.I.L. SA		2,654			
	Italcementi Finance S.A.		2,070			
	Sacbo		144			
	Other companies		161			
	Other related parties		286			
Total dividends and other income from equity investments			**108,360**	**100.0%**	**108,360**	**Note 31**
Interest income on intragroup accounts	Italcementi Finance S.A.		6,368			
	Calcestruzzi S.p.A.		791			
	International City for Ready Mix		550			
	Italgen S.p.A.		96			
	Calcementi Jonici S.r.l.		66			
	Nuova Sacelit S.r.l.		37			
	Italterminali S.r.l.		25			
	Bravosolution S.p.A.		23			
	C.T.G. S.p.A.		16			
	Other companies		21			
Total interest income			**7,993**	**99.5%**	**8,035**	**Note 31**
Fees on guarantees and commodity derivatives	Italcementi Finance S.A.		509			
	Calcestruzzi S.p.A.		54			
	Interbulk Trading S.A.		40			
	Other companies		53			
Other finance income			**656**	**51.0%**	**1,287**	**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	(31,538)			
	Italgen S.p.A.	electricity consumption	(17,946)			
	Intercom S.r.l.	clinker	(1,467)			
	Gruppo Italsfusi S.r.l.	transfer of clinker	(719)			
	Socli S.A.	hydraulic lime	(462)			
	Other companies		(256)			
	Other related parties	SIKA additives	(6,108)			
Total raw materials and supplies			**(58,496)**	**27.5%**	**212,900**	**Note 26**
Services	Gruppo Italsfusi S.r.l.	transport on sales	(23,881)			
	Ciments Francais S.A.	recharge of employees and Group structures	(4,056)			
	C.T.G. S.p.A.	specific projects, technical assistance and research (net of capitalized projects for 7,037 thousand euro)	(4,004)			
	Italgen S.p.A.		(1,202)			
	BravoSolution S.p.A.	e-commerce services	(645)			
	Italcementi Finance S.A.		(467)			
	Italterminali S.r.l.		(401)			
	Medcem S.r.l.		(261)			
	Sociedad Financiera Y Minera		(205)			
	Halyps Building Material S.A.		(167)			
	Other companies		(315)			
	Other related parties	consultancy	(704)			
Total services			**(36,308)**	**27.5%**	**131,835**	**Note 27**
Employee expense	Italmobiliare S.p.A. Fees		(4,428)			
	Other companies		13			
Total employee expense			**(4,415)**	**3.0%**	**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.		(54,636)			
	Italcementi Ingegneria S.r.l.		(22)			
	SAMA S.r.l.		(17)			
	Esa Monviso S.p.A.		(15)			
	Gruppo Italsfusi S.r.l.		(13)			
	Other companies		(9)			
Total interest expense			**(54,712)**	**79.5%**	**68,859**	**Note 31**
Fees on guarantees, commodity derivatives and other charges	Italcementi Finance S.A.		(3,208)			
	International City for Ready Mix Company		(2,387)			
Other finance costs			**(5,595)**	**54.8%**	**10,204**	**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. (6,596 thousand euro in 2013).

Impact of transactions with related parties on cash flows:

	Cash flows
(in thousands of euro)	**Amount**
Cash flow from operating activities with related parties	84,162
Total A) - from statement of cash flows 2014	(5,157)
Cash flow from investing activities with related parties	(2,652)
Total B) - from statement of cash flows 2014	(105,975)
Cash flow from financing activities with related parties	209,148
Total C) - from statement of cash flows 2014	111,781
Cash flows with related parties	**290,658**
Cash flows for the year on statement of cash flows (A+B+C)	**649**

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)	2014	2013
Short-term benefits: compensation and remuneration	8,335	7,917
Post-employment benefits: provision for leaving and end-of-term entitlements	920	903
Other long-term benefits: length-of-service bonuses and incentives	672	3,832
Total	**9,927**	**12,652**

34. Non-recurring transactions

The following tables itemize non-recurring transactions and their impact on equity, the financial position and results of operations.

	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)	(8,930)		(8,930)		-	
Total	**192**	**0.0%**	**192**	**-0.2%**	**27,483**	**2.7%**
Figurative amount without non-recurring transactions	**1,359,981**		**(115,418)**		**1,054,046**	

	2014					
	Equity		Profit (loss) for the year		Net debt	
(in thousands of euro)	Amount	%	Amount	%	Amount	%
Carrying amounts	**1,752,405**		**(54,025)**		**1,215,975**	
Net gains from the sale of non-current assets	9,131	**0.5%**	9,131	-16.9%	9,718	**0.8%**
Other non-recurring income (expense)	(1,512)		(1,512)		-	
Total	**7,620**	**0.4%**	**7,620**	**-14.1%**	**9,718**	**0.8%**
Figurative amount without non-recurring transactions	**1,744,786**		**(61,645)**		**1,225,693**	

35. Audit fees

Pursuant to the CONSOB Issuers' Regulation, the table below sets out the fees paid to the independent auditors KPMG S.p.A. and to companies in the KPMG network.

(in thousands of euro)	KPMG S.p.A. 2014	Other Italian companies in the KPMG network
Audit services	638	-
Other attestation services	811	336
Other legal, fiscal and corporate services	-	68
Total	**1,449**	**404**

36. Events after December 31, 2014

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, 2014.

Bergamo, March 4, 2015

For the Board of Directors
The Chairman
Giampiero Pesenti

Annexes

Annex 1

Highlights from the latest financial statements of Italmobiliare S.p.A.

(the company that exercises management and coordination activities)

(euro)		
Statement of financial position	**12/31/2013**	**12/31/2012**
Total non-current assets	1,201,560,107	1,188,419,235
Total current assets	67,653,846	69,728,489
Total assets	**1,269,213,953**	**1,258,147,724**
Equity:		
Share capital	100,166,937	100,166,937
Reserves	203,402,120	145,876,490
Treasury shares, at cost	(21,226,190)	(21,226,190)
Retained earnings	617,711,268	616,165,598
Total equity	900,054,135	840,982,835
Total non-current liabilites	126,558,687	249,607,275
Total current liabilities	242,601,131	167,557,614
Total liabilities	**369,159,818**	**417,164,889**
Total equity and liabilities	**1,269,213,953**	**1,258,147,724**

Income statement	**12/31/2013**	**12/31/2012**
Revenue	**42,128,265**	**27,410,616**
Operating expense, other operating income (expense)	(36,688,281)	(29,109,158)
Recurring EBITDA	**5,439,984**	**(1,698,542)**
Other non-recurring income (expense)	3,939,455	(2,893,529)
EBITDA	**9,379,439**	**(4,592,071)**
Amortization and depreciation	(34,421)	(90,392)
EBIT	**9,345,018**	**(4,682,463)**
Net finance costs	(19,933)	(16,995)
Impairment on financial assets	(5,060,251)	(62,684,111)
Profit (loss) before tax	**4,264,834**	**(67,383,569)**
Income tax expense	(2,548,677)	646,528
Profit (loss) for the period	**1,716,157**	**(66,737,041)**

Italcementi Group

Representation pursuant to art. 154-bis, par. 5 of the Legislative Decree no. 58 of 24 February 1998 in relation to the separate financial statements (pursuant to art. 81-ter of Consob Regulation no. 11971/99 and subsequent modifications and integrations)

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

- the adequacy in relation to the legal entity features (*also taking into account any changes during the financial year*) and
- the effective application

of the administrative and accounting procedures for the preparation of the separate financial statements over the period from January 1st, 2014 and December 31st, 2014.

2. The representation of the adequacy of the administrative and accounting procedures adopted in the preparation of separate financial statements as at December 31st, 2014 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 confirmed that:

3.1 the separate financial statements over the period from January 1st, 2014 and December 31st, 2014:

a) have been drawn up in accordance with the IAS/IFRS's and interpretations endorsed by the European Commission pursuant to Regulation (EC) 1606/2002 of the European Parliament and Council of 19 July 2002;

b) are consistent with the accounting records and entries;

c) are suitable to provide a true and fair view of the assets, liabilities, income, expenses and financial position of the issuer.

3.2 the directors' report includes a reliable analysis of the performance and results of operations, as well as of the overall situation of the issuer, together with a description of the main risks and uncertainties it is exposed to.

March 4th, 2015

(signed on the original)

Carlo Pesenti, Chief Executive Officer
Carlo Bianchini, Manager in Charge

Translation from the Italian original which remains the definitive version

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, 2014.
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, mention should be made of the project to streamline the corporate structure and strengthen the Group approved by the Board of Directors in March 2014, and consisting of the mandatory conversion of the Italcementi S.p.A. savings shares into ordinary shares, the increase in your company's share capital and the voluntary public tender offer on Ciments Français S.A. shares. Specifically:

- on June 2, 2014, all of the 105,431,738 Italcementi savings shares were converted into 68,530,395 ordinary shares with the same characteristics as ordinary shares outstanding at the conversion date. As from that date, only Italcementi S.p.A. ordinary shares were traded on the Borsa Italiana S.p.A. electronic stock exchange [*Mercato Telematico Azionario*] and the company's share capital standing at € 282,548,942 consisted of 245,647,959 ordinary shares with no par value;
- on July 3, at the close of the voluntary public tender offer for the shares of the subsidiary Ciments Français S.A., Italcementi S.p.A. held 97.73% of Ciments Français capital and 98.65% of Ciments Français voting rights. Since the share still held by Ciments Français minorities had decreased to below 5% of capital and voting rights, the squeeze-out procedure (*retrait obligatoire)* was applied. Subsequently, Ciments Français S.A. shares were delisted from the Paris stock exchange and the company was transformed into a "Société par actions simplifiée".
- To fund the public tender offer for Ciments Français S.A. shares, on June 5, 2014 the Italcementi S.p.A. Board of Directors approved a share capital increase for € 499,979,628.82 including the share premium, offered to all shareholders. The increase closed with the full subscription and payment of the 103,622,721 shares on offer, for an overall amount of € 499,979,628.82, of which € 119,166,129.15 attributable to the nominal value. After the increase, the share capital of Italcementi S.p.A. was € 401,715,071.15, represented by 349,270,680 ordinary shares with no par value.

With the project described above, your company has streamlined the Italcementi Group's capital structure, governance and control chain, while boosting its capital base and financial flexibility, and it should be noted, maintaining the availability of the financial resources necessary to fund its planned investments.
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 were also able to ascertain that the gradual implementation of the plan to re-organize and rationalize industrial and distribution operations and central services, known as "Progetto 2015", which is still underway, had not generated particular difficulties nor undermined the company's organizational structure and, more specifically, the internal control and risk management system.
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 arts. 36 and 37 of the Markets Regulation.

We paid special attention to checking 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 to update the "Reference operating model for the assessment of the internal control and risk management system regarding financial disclosure", in compliance with the amendments made to the Regulation consistently with the organizational evolution of the Group; the review of the Group accounting policies manual; the periodic analysis of the administrative-accounting processes of greatest significance for the company and its subsidiaries with regard to financial reporting; 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 thus ascertained that quantification of risks and assessment of opportunities are integrated both with management processes, such as the budget, and with the periodic re-forecasting and analyses of major investment projects. We also ascertained the periodic update of Group exposure to risks and the mitigation action taken to ensure such exposure is consistent with the strategic lines established by the Board of Directors;
- we examined the Audit Plan drawn up by the head of the Internal Audit department for the 2014 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 hereby note that in March 2014 the Internal Audit department obtained *Certification Professionelle des Activités d'audit interne* valid for three years from the *Institut Français de l'audit e du control interne* (IFACI);
- 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, thereby optimizing use of time by 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. A series of updates and additions approved by the Directors were made to the Model, most recently on November 7, 2014, as a result of changes in the law;
- 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 and exchanged information with the Statutory Auditors of Italmobiliare S.p.A., which, although it has lost *de jure* control after the Italcementi S.p.A. share capital increase during the year, has maintained *de facto* control and continues to exercise management and coordination pursuant to art. 2497 ff. of the Italian Civil Code;
- 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. No critical elements worthy of mention emerged during the meetings with the Audit Firm. This is confirmed in the Report envisaged by art.19, par 3 of Law 39/2010 presented by the Audit Firm to the Statutory Auditors on March 23, 2015. This 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, also issued on March 23, 2015, which make no observations or disclosure recalls. In their Reports, the Audit Firm also attests to the consistency of the Directors' Reports and the specific section on corporate governance and ownership structure with the respective financial statements, in compliance with art. 123 bis of the Consolidated Law on Finance.
The combined perusal of the three above-mentioned documents issued 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.
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 an appreciable contribution to the more general process of improvement of the efficiency and effectiveness of company operations and of risk management in particular.
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, and subsequently amended by the Board of Directors on November 7, 2013.
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.
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 12/31/2014, 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, and by Consob communication no. 3907 of January 19, 2015. The main change in the policies adopted related to IAS 28 and IFRS 10 and 11. The latter required the restatement of the financial position and results of operations as at and for the year ended December 31, 2013, 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 IAS 36 and IFRS 13 and with accepted practice. Also on the basis of the indications provided by Consob in communication no. 3907 of January 19, 2015, the Directors have adequately illustrated in the notes to the financial statements the main assumptions used in impairment testing and the sensitivity analyses.
The company has adopted the new text of the Code of Conduct issued by the Committee for the Corporate Governance of Listed Companies in July 2014. The latest text of the Code of Conduct, together with the company By-Laws and other codes, regulations and procedures adopted by the company, constitute the corporate governance system in force in the Italcementi Group.
We attended the meetings of the Remuneration Committee and ascertained that said committee had formulated adequate guidelines (with regard to both merit and procedure) for the definition and execution of the company's remuneration policy, in compliance with the Code of Conduct. The remuneration policy will be set out in the 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.
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, par. 1, let d) of Law 39/2010, this board acknowledges the content of the "Transparency report" updated to September 2014 drafted by the Audit Firm and published on its web site; furthermore, on March 23, 2015, it received the written statement as per art. 17, par. 9, let. a) of Law 39/2010.
Furthermore, 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 the update of the Base Prospectus for the EMTN program filed by Italcementi S.p.A. with the Luxembourg Stock Exchange and those issued in connection with the share capital increase, which gave rise to the bulk of the fees referred to herein.
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	1,147	96	1,243
Other services	68	38	106
Total	**1,215**	**134**	**1,349**

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 15 meetings; by attending 8 meetings of the Board of Directors and taking part in 8 meetings of the Control & Risks Committee and 3 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, 2014, as prepared by the Directors, and regarding the proposal to pay a dividend.

Bergamo, March 24, 2015

The Board of Statutory Auditors
(Prof. Maria Martellini) – Chair
(Dott.ssa Luciana Gattinoni) – Standing Auditor
(Prof. Mario Comana) – Standing Auditor

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(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 2014, 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.

Reference should be made to the report dated 20 March 2014 for our opinion on the prior year separate financial statements, which included the prior year figures presented for comparative purposes.

3 In our opinion, the separate financial statements of Italcementi S.p.A. as at and for the year ended 31 December 2014 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 2014, 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 2014.

Bergamo, 23 March 2015

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 years the quality, materiality and number of externally verified key performance indicators (KPIs) are growing in line with multiple stakeholders' expectations. Since 2012, financial and non-financial disclosure are integrated in one reference document, the Group's Annual Report, third-party verified and officially registered at the statutory authorities. This reinforces the vision that the Group's efficiency is a balanced combination of economic, environmental and social performances. In addition, the Group's highlights, usually dedicated to financial indicators, now steadily include the following selected non-financial indicators: gender equality as measure of business inclusiveness, safety as ethical indicator also measuring managerial attitudes, CO_2 emissions as integrated measure of industrial efficiency, and innovation as major lever to market differentiation (page 10).

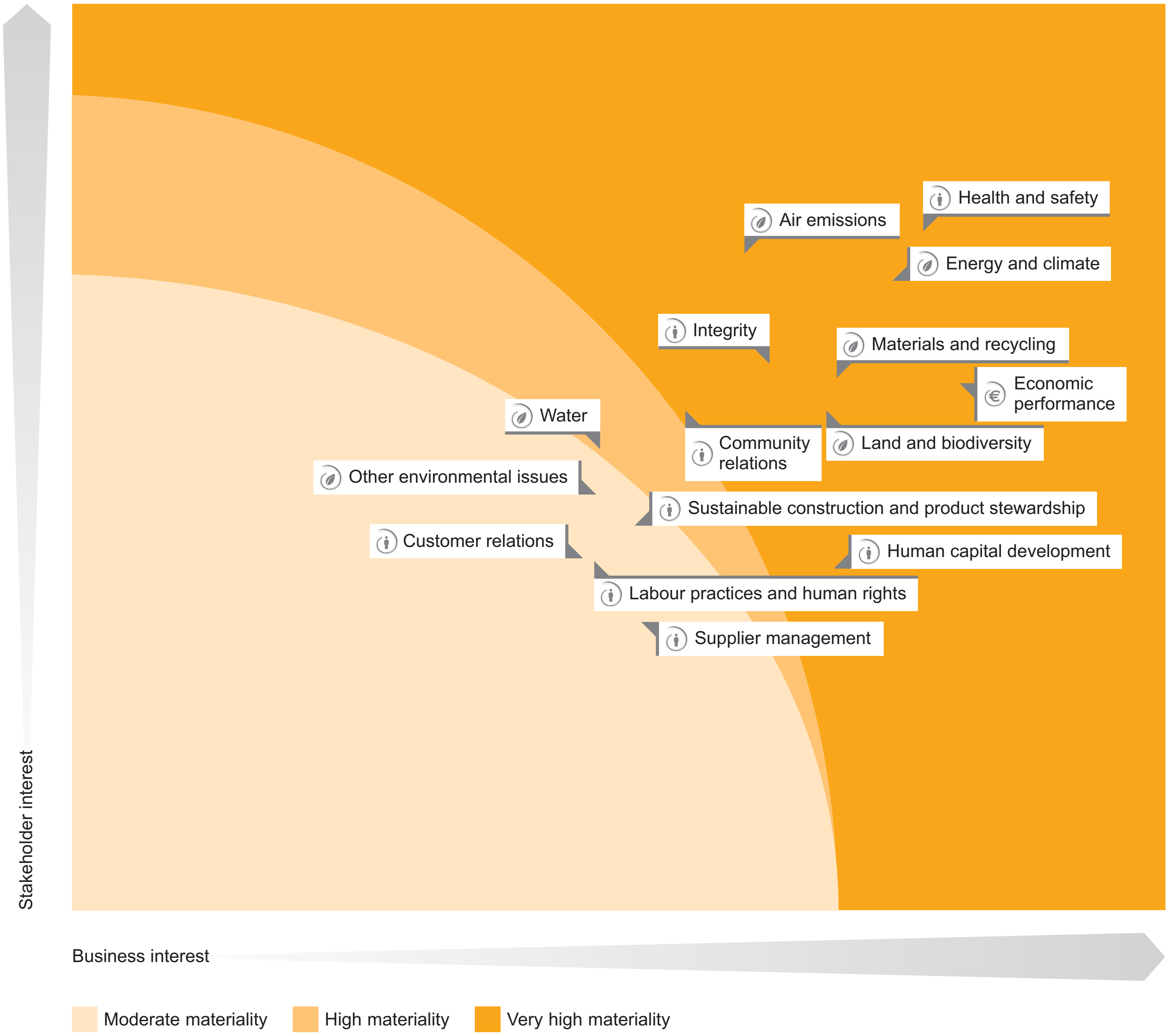
Actually, the reference for consolidation of extra-financial information lies already with the new Global Reporting Initiative guidelines (GRI G4 version) also endorsing some elements formally required by the French law 12 July 2010 (Grenelle II) article 225, even if the implementation is no longer mandatory for the controlled company Ciments Français.

Key statements and performance indicators are subjected to third party verification (page 365) under clear rules of consolidation as required by international best practice, following consolidated internal reporting procedures and with a high level of representation and coverage of Group's boundaries. Unless otherwise specified, the Sustainability Disclosure covers all the business activities under the operational control of the Group at the end of 2014. Within this period, data are consolidated at 100%. Additional details on boundaries and reporting methodology are available on page 365.

Furthermore, 2014 consolidation strives to improve the completeness, materiality, reliability, balance and conciseness of the Sustainability Disclosure, better structuring the content in line with Group's priorities and external context expectations, finally improving the reading experience with a clearer integration of this document with additional information accessible through the corporate website. In this respect, engagement and benchmarking through the initiative Reporting Matters launched by the World Business Council for Sustainable Development appeared to be very useful. The Materiality Assessment is the cornerstone of this streamlined approach. The relevant exercise did in 2014 is a milestone on a progressive improvement of the methodology. Inspired to the Global Reporting Initiative guidelines (GRI G4) and the International Integrated Reporting Council (IIRC) framework, the Group analysed the set of issues that may threaten the ability to operate its business model and execute its strategy. The publication "Journey to Materiality" issued by World Business Council for Sustainable Development also with the Group's contribution, offered applicable standard procedures and suitable steps. The global result are shown in the facing page, graphically represented in a matrix, which matches business and stakeholders interest. The matrix was built internally and reviewed with the involvement of all relevant Group's functions, expected also to report the standpoint of their stakeholders of reference, thus ensuring a multi-dimensional view on all of the areas concerned. Moreover, the Materiality approach has been presented to the Board of Directors during a dedicated induction session on sustainability.

The Group will update the matrix over the years, also planning to include external consultation through an Advisory Panel or direct consultation with stakeholders. In any case, 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. More details on the adopted methodology are available on corporate website.

Italcementi Group materiality matrix



			Focus on website	Management approach and detailed performance	Targets **2015**	Ambitions **2020**
Economic dimension	Financial and manufactured capitals	Economic performance	✔	see Annual Report at page 69	-	-
Social dimension	Social and relationship capital	Integrity	✔	336	330	332
		Community relations		346	-	-
		Supplier management	✔	361	330	-
		Customer relations	✔	360	-	-
	Human capital	Labour practices and human rights		337	-	-
		Human capital development		341	330	332
		Health and safety	✔	343	330	-
	Intellectual capital	Sustainable construction and product stewardship		362	330	334
Environmental dimension	Natural capital	Energy and climate	✔	349	330	332
		Materials and recycling		352	-	-
		Land and biodiversity	✔	353	330	333
		Water		355	330	333
		Air emissions	✔	356	330	333
		Other environmental issues		358	-	-

1 Looking forward

1.1 Targets 2015

The following table resumes the most relevant short term targets per each section, setting the Italcementi Group's sustainable vision.

		unit	target
GROUP VISION			
Integrity	Anti-corruption and Bribery Compliance Programme	% completion	100
	Anti-trust Compliance Programme	% completion	100
	Enterprise Risk and Compliance Programme	% completion	100
SOCIAL RESPONSIBILITY			
Human capital development	Training hours/employee	h/employee	20
Safety	Fatalities	number	0
	LTI Frequency Rate	per million hours	<3
Health	Employees monitored according to Group standard for occupational hygiene	%	100
	Employees covered with medical surveillance according to Group standard	%	50
ENVIRONMENTAL PROTECTION			
Energy and climate	Gross CO_2 emission factor	kg/t cem	640
	Alternative fuels, cement	%	10
	Cement plants certified to ISO50001 or equivalent	%	50
Environmental management	Cement sites (integrated plants and grinding centers) certified to ISO14001	%	100
Air emissions	Continuous monitoring according to Group standard (dust, SO_2, NO_x, CO, VOC)	% clinker	100
	Continuous and spot monitoring according to Group standard	% clinker	100
	Kilns with emissions levels below Group standard	% clinker	100
Water	Sites with sustainable water management	%	50
Land and biodiversity	Quarries with rehabiltation plans	%	100
RESPONSIBLE PRODUCTION			
Supplier management	Corporate suppliers screened	%	100
Customers relations	Customer satisfaction, average of absolute and relative	Index	800
Sustainable construction and product stewardship	Innovation rate	% turnover	4-5%

Achieved Delayed On going

2014	2013	2012	verified by E&Y	status and remarks
70	70	60		★
100	100	90		
100	100	98		
17	16	17	✔	★
5	5	4		★
3.7	4.1	6.2	✔	★
78	69	65	✔	★
n/a	n/a	n/a		Standard definition postponed to 2015
692	694	712	✔	★
10.8	9.4	6.5	✔	
16	8	6		★
91	93	90	✔	★
96	89	74	✔	★ E&Y verifies the input data used for KPI calculation
99	96	86	✔	★ E&Y verifies the input data used for KPI calculation
93	92	88	✔	★ E&Y verifies the input data used for KPI calculation
n/a	n/a	n/a		Standard definition postponed to 2015
92	89	85	✔	★
100	99	60		
805	809	777	✔	
6.6	5.3	2.6	✔	

1.2 Ambitions 2020

The Italcementi Group's Values set the way ahead over a longer timeframe, shaping the sustainable ambitions 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 programs, Italcementi Group has the ambition to set up a fully integrated system, from principles to disclosure, grounded on the:

- Code of Ethics, expressing the renewed Group's sustainable strategy and the new global context;
- Business Integrity Policy, framing all the actions taken into an effective management approach.

The new Group Code of Ethics has been approved by the Board of Directors in 2013 and launched through all subsidiaries. The design of a careful and capillary programme of diffusion and training on the Code and related Group's Policies has started in 2014, to ensure full understanding of the innovative content at any employment level, from top management to new-hired.

The first draft of the Business Integrity Policy, available for internal discussion, is to be finally approved. 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 support managers with focused training and operating tools to manage and valorise diversity.

Actions to increase presence and representation of women are in progress. At the highest level, 20% of Board of Directors members and 6% of Subsidiaries Executive Committees members are women. However, in 2014 the percentage of management positions held by women lies at 10%. 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 is under definition, 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. Therefore 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 total electrical energy demand.

In 2014, a relevant increase of alternative fuels and biomass rate and a slight reduction of clinker content, partially spoiled by an unfavorable balance of clinker import/export, led to a result of 692 kg of CO_2 per tonne of cementitious products, only 2 kg less than previous year. Actually, some of the key milestone of the roadmap, such as the new lines in Devnya (Bulgaria) and Rezzato (Italy) are expected to a full delivery in 2016. The achievement is in line with the improvement curve planned by the Group, even if representing only a 18% completion of the 8-year plan towards ambition 2020. Additional efforts in terms of thermal efficiency, alternative fuels and biomass and, even more, clinker to cement ratio are required.

Full-year operation of the new co-generation plant from waste heat operating in Thailand (Pukrang) and a new Recovery system (still in Pukrang plant) and other minor initiatives, such as a new wind-power partnership in India, raised the captive or offset production of renewable power from 8% in 2013 to 11% in 2014. This is definitively ahead of the improvement curve planned by the Group, having already achieved the target of the 8-year plan towards 2020 ambition. While this performance has to be maintained over the years, at current trend, it is reasonable to forecast a much ambitious achievement.

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 rehabilitation plans at all its extraction sites, prioritizing quarries in sensitive areas;
- sustainable water management at all its industrial and civil sites, covering from sourcing, through uses, to releases.

In 2013, the Group operated 283 quarries. 258 (91%) of them have ongoing rehabilitation plans also addressing biodiversity. 133 of them (47%) 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 specialized University departments, are in the phase of implementation in Egypt, France, Italy, Morocco and North America (44 quarries, 16%). In 2014 the Group also issued its definitive Guidelines on Biodiversity Management, defining the assessment methodology for biodiversity protection and setting differentiated levels of response to be progressively implemented by 2020. Together with the joint efforts ongoing within the frame of the Cement Sustainability Initiative, these wide pilots will help to fine tuning the Group's standard approach to biodiversity management.

Water accountings were improved. The new WBCSD Global Water Tool, now customized for cement sector, allows mapping with more 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. Accordingly, 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%.

In 2013, the first steps of the 8-year programme have been rolled out. The Product Stewardship initiative is further consolidating the overall approach. Better material accounting and improved traceability of recycled properties in line with international standards, allowed to fix at 19.7% 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 2.4% 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.

2 Group's vision

2.1 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, 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 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 (i.e. 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 publicly available on corporate website and at subsidiary level in local language.

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. Moreover, in 2014 the Board voluntary established the Strategic Committee, with the mandate to assist the Board in high-level and competitiveness-related themes such as strategic plan and strategic investment, merger and acquisition, restructuring, high-profile joint ventures, innovation and sustainability. Composed mostly by independent Directors and chaired by the CEO, the Strategic Committee benefits from the effective interaction with relevant Group's functions. The Group's Sustainable Development Steering Committee (SDSC) - chaired by the Group's CEO and composed by its direct reports and the Sustainable Development Director - acts as the foundation of the management structure in the Group. The Group's SDSC meets and it is consulted at need, then cascading the operational mandate to the Group's Management Committee, chaired by the Group's COO, 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 WBCSD Regional Networks. Moreover, in 2010 the Group adhered to the United Nations Global Compact (UNGC). Update on actions is available under the Communication on Progress (page 369). As for the WBCSD, Group's subsidiaries are taking active role in existing UNGC Regional Networks. In 2013, the Group's CEO, Mr. Carlo Pesenti, on behalf of the whole Group has taken again the Co-Chairmanship of the CSI, closing his mandate at the end of 2016. This supports a key period for 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 the WBCSD and UN Sustainable Development Goals. A clearer awareness of planetary boundaries and active membership to the WBCSD/CSI and UNGC definitively inspire the Group's strategies, mostly translated into action programmes through its Targets 2015 and Ambitions 2020 (page 330).

Furthermore since 2008, the Group had started a robust process of global standardization promoting effective off-shore policy based on challenging minimum requirements grounded on the home country legislation and international best practices, fostering technology transfer and local capacity building.

2.2 Integrity

Italcementi Group is committed to ensure that its activities reflect the values of honesty, fairness and transparency, acknowledging that ethical conduct and business go together. As a recognition of this approach, in 2014, the Italian Competition Authority recognized Italcementi the «Legality Rating» with the highest score. This is a certification measuring the company's level of business integrity.

Italcementi adopted a Code of Ethics for the first time in 1993. Such Code was amended in February 2001 and lastly replaced by the new Group's Code of Ethics in 2013, available at corporate website. The new Code is aligned to the industry's best practices and incorporates principles underlying the Group's corporate governance and compliance system.

The Group identified the "Antitrust Laws" and "Corporate Criminal Liabilities Laws", with priority on bribery, among the legal top risk areas. Actually in 2014, 58% of the Group's revenues came from countries of concern, as identified by the World Bank and Transparency International. Therefore, the Group launched two Compliance Programmes designed to be a framework of business practices and risk management strategies with the purpose of preventing any violations of laws, and thus detrimental effects arising from non-compliance and reinforcing a compliance culture based on integrity and transparency. The Antitrust Compliance Programme, available at corporate website, is fully implemented at corporate level. 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. Notwithstanding the present status, the programme is going to be updated in accordance with risk assessment and gap analysis' results, developments in laws and cases, international standards on compliance and best practices developed over the time. As a result of this improvement process, other actions have been envisaged and planned to be enforced in 2015-2016. The actual implementation of the second programme, the Anti-bribery Programme, stands at 70% at corporate level while the implementation at Country level has started according to a 3 years-oriented plan, including compliance activities, local procedures, communication and trainings. In addition, a Group procedure to ensure compliance with international sanctions and trade restrictions laws and regulations is in place. To ensure full effectiveness, Group's managers have part of their variable remuneration linked to the successful achievement of objectives relating to corporate governance and compliance programmes.

The Group has also implemented a whistle-blowing procedure offering confidential channels to raise concerns or report violations without fear of retaliation or of discriminatory or disciplinary action, combined with guidelines requiring all subsidiaries to develop specific internal procedures and perform activities to manage and investigate wrongdoing brought to their attention by employees and third parties. Further information is available under corporate website.

Since 2013, the Group is taking advantage of its triennial Enterprise Risk and Compliance Programme (ERM) ensuring better risk management and audit systems. Risk Report, issued twice a year, gives the overview and follow up of main Group's risks and opportunities. Starting from 2014 the Annual Risk Assessment is based on three following 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, environment, antitrust and anti-corruption and anti-bribery issues over a period of three years. 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 all the involved Group and local functions.

3 Social responsibility

3.1 Labour practices and human rights

Grounded on its Sustainability Policy, the Group supports and respects internationally proclaimed human rights that are universal and belong equally to every person. The Group implements labour practices grounded on fair employment, equal opportunities, skill development and it regards diversity as a source of value in compliance with internationally proclaimed human rights.

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 the highest level, 20% of Board of Directors members and 6% (9% in 2013) of Subsidiaries Executive Committees members are women. The Group's ambition is to increase current 10% 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.

Trend of salaries is in line with local context, knowing that all 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. Particularly, the CEO's total compensation benchmark with the median of non-CEO's compensation in the resident country (Italy) was 47 in 2014. Additionally, the Group monitors, among other data, the ratios between the median of the salaries of Country employees and the Directors levels remuneration (country general manager and expatriates management included), in order to check the consistency with the Group's Compensation policy. Those ratios vary widely, going from 1 to 3 in some European countries to over 1 to 20 in some developing countries (whit the exception of India where the ratio is 1 to 26), where basic salaries are low while the management remuneration, due to high competition on the labour market, is near to European standards.

Group's subsidiaries follow local legislation for inclusion of people with disabilities. Beyond legally required practices, many of them undertake specific initiatives dedicated to people a better work inclusion and social support. The French subsidiary is considered as the best example around the Group, with regular and focused training for managers and employees, aiming at 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 situation represent around 15% of total workforce, to which local best practice apply. However since 2008, the Group is entirely covered by the Buildings and Wood Workers' International (BWI) Agreement. It represents a real charter of workers' rights, 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, to be also promoted within the Group's supply chain. Joint committees' forums between trade unions and management are also 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, which covers material human and labour rights for cement sector, and within the framework of the Italian network of UNGC, the Group is working on its first tailored Human Rights Impact Assessment (HRIA). This assessment will also represent the basis for regular corporate communication of BWI implementation. The tool will be implemented starting from countries of concern where the Group operates, as identified by the Freedom House (they represent 36% of the Group's revenues in 2014). 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 2014, mostly related to inequality of treatment or working conditions among sub-contracted workforce.

At year end, the Group employed a total of 17,779 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. Restructuring plans were managed through union agreements, early retirement programme and overtime reduction. Italcementi also decided to grant an economic integration to the Wages Guarantee Fund for each employee impacted by the suspension of work. Furthermore, an individual budget to support medical and education expenses for these employees' families has been set.

Most of the Group's population is full-time employed. Benefit plans (e.g. medical, post retirement) 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 is available in the consolidated financial statement (illustrative note #19, page 112).

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 in three plants) and Kazakhstan (approximately 60% of workers) 12-hour shifts are also used for special tasks, representing around 3% of the Group's workers and keeping the limit of 40 base hours per week. In Kazakhstan 12-hour shifts are organised with two employees on duty, also for health and safety reasons, allowing for meals and rest.

Two major countries experienced strike actions.

	Group employees			Open-end contracts				Fixed-term contracts			
	2014	2013	2012	2014		2013	2012	2014		2013	2012
				Female	Male			Female	Male		
Italy	2,420	2,966	3,194	273	2,144	2,963	3,179	1	2	3	15
France & Belgium	3,982	4,020	4,051	578	3,345	3,939	3,993	5	54	81	58
Spain	433	453	515	60	365	445	501	3	5	8	14
Greece	145	165	174	18	120	160	171	3	4	5	3
North America	1,396	1,381	1,413	129	1,266	1,379	1,411	0	1	2	2
Egypt	4,420	4,502	4,573	39	3,341	3,619	3,893	12	1,028	883	680
Morocco	933	960	978	105	819	866	881	1	8	94	97
Bulgaria	352	349	359	110	213	332	340	8	21	17	19
Thailand	907	876	858	138	768	872	856	0	1	4	2
India	888	802	795	17	866	802	795	0	5	0	0
Kazakhstan	297	291	289	71	151	233	249	21	54	58	40
Trading	207	305	346	16	168	303	344	3	20	2	2
Kuwait	375	348	349	14	361	348	320	0	0	0	29
Others (*)	1,024	1,016	992	297	660	975	939	29	38	41	53
Total	**17,779**	**18,434**	**18,886**	**1,865**	**14,587**	**17,236**	**17,872**	**86**	**1,241**	**1,198**	**1,014**

(*) includes, among others, Saudi Arabia, Ciments Français, CTG and BravoSolution

	Full-time employees				Part-time employees			
	2014		2013	2012	2014		2013	2012
	Female	Male			Female	Male		
Italy	224	2,143	2,889	3,108	50	3	77	86
France & Belgium	476	3,342	3,889	3,919	107	57	131	132
Spain	56	370	446	507	7	0	7	8
Greece	21	124	165	174	0	0	0	0
North America	129	1,267	1,381	1,413	0	0	0	0
Egypt	51	4,369	4,502	4,573	0	0	0	0
Morocco	106	827	960	978	0	0	0	0
Bulgaria	118	234	349	359	0	0	0	0
Thailand	138	769	876	858	0	0	0	0
India	17	871	802	795	0	0	0	0
Kazakhstan	92	205	291	289	0	0	0	0
Trading	19	188	305	346	0	0	0	0
Kuwait	14	361	348	349	0	0	0	0
Others (*)	294	694	968	945	32	4	48	47
Total	**1,755**	**15,764**	**18,171**	**18,613**	**196**	**64**	**263**	**273**

(*) includes, among others, Saudi Arabia, Ciments Français, CTG and BravoSolution

Employees turnover (*)		**Absolute**	**%**
In	Hiring (open and fixed-term contracts)	1,255	86
	Reassignments and re-entries	172	12
	Acquisitions	30	2
	Total	1,457	
Out	Resignations	794	37
	Dismissals and change of perimeter	11	1
	Lay-offs	693	32
	Retirements	245	11
	Fixed-term contracts and trial period closures	237	11
	Reassignments	132	6
	Deaths	50	2
	Total	2,162	

(*) change of perimeter compared to 2013 due to the new consolidation method for IFRS 10-11-12

The following breakdowns by gender are extrapolated across the whole Group, based on a 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 by age (%)	**Female**			**Male**		
	2014	**2013**	**2012**	**2014**	**2013**	**2012**
< 30	1	1	1	6	6	7
30 - 40	4	4	4	20	20	21
40 - 50	4	4	4	31	32	32
50 - 60	2	2	2	29	29	27
> 60	0	0	0	3	2	2

Breakdown by seniority (%)	Female			Male		
	2014	2013	2012	2014	2013	2012
< 3	1	1	1	9	8	8
3 - 5	1	1	1	6	5	6
5 - 10	3	3	3	17	18	19
10 - 20	3	3	3	25	25	24
> 20	3	3	3	32	33	32

Breakdown by nationality (%)	Female			Male		
	2014	2013	2012	2014	2013	2012
Europe	7	8	8	39	41	41
Africa	1	1	1	31	30	30
Asia	2	1	1	12	11	11
America	1	1	1	7	7	7

Female/Male (%)	Female			Male		
	2014	2013	2012	2014	2013	2012
Manager	10	9	10	90	91	90
White collars	22	22	22	78	78	78
Blue collars	2	2	2	98	98	98

Salary ratio	Female			Male		
	2014	2013	2012	2014	2013	2012
Top management (*)	100	100	100	108	107	106
White collars (**)	100	100	100	109	108	109
Blue collars	100	100	100	106	106	107

(*) specific comparison with the external market
(**) including middle management

3.2 Human capital development

A “competency model” system has been defined within the frame of the Italcementi Group’s People Training and Development procedure. Leveraging the nine managerial competences common to all job profiles at Group’s level, the competency modelling follows a defined methodological approach to set key competences specific for each profile. Competence management is the cornerstone of people training and development, in the perspective of “certifying” the abilities of managers and professionals, to make sure that all those in charge of relevant responsibilities possess the skills mandatory for the job. Managerial and technical competences are both included: while the first are the same (in kind, of course not in expected level) throughout the organization, the second differ by job family. This is why the competence assessment projects are usually managed with a functional perspective. The Group directly manages competences assessment projects of international relevance, while each subsidiary carry out projects at local level. These projects are part of a continuous improvement and managed through “campaigns”, every 3-4 years, or anytime major technical or functional changes would require and update of existing core competences. The exercise had already been done for Technical functions in all the subsidiaries and have involved approximately 200 people at different level of seniority and responsibility in the organization. Cement Sales & Marketing, Administration and Control, Procurement and Human Resources functions will be covered in 2015. By developing this new method, the Group is expecting to put in place an integrated approach to all its functions, which means addressing both structures and people’ improvements: organization, job profiles, objective, rewarding systems, competences and incumbents.

Employees and managers receive performance and career development review. The coverage and the effectiveness of the process still vary significantly depending on the country. Also the ratio between female and male undergoing the review varies depending on the country-specific gender distribution. However, some countries in both mature and emerging markets, among which North America and Thailand, reach the full coverage, fairly addressing female and male. On ongoing revision and re-launch of the performance appraisal and career development scheme will help homogenizing the Group’s approach, beyond geographical specificity and detailing country details in next consolidations.

Training is a crucial element for human capital development. According to its internal training management system, the Group’s activities stay organized around four training areas: Compliance and Risk Mitigation; Efficiency and Specialization; Sustainable Development and Innovation; and Human Capital Development. Year 2014 was featured by the launch of a new way of learning at Group level, named as “Action Learning”. The perspective behind is to depict an innovative approach to solve problems through the sharing of best models, approaches and experiences; designing roadmaps with highlights on feasible actions to be taken; measuring and reflecting upon the results. The first Action Learning was focused on maintenance and will be further exploited during 2015, potentially covering the whole manufacturing area. Supporting the value of Knowledge Sharing, Communication and Collaboration, a specific initiative was realized through the Group’s intranet i.like. A community of i.like Ambassadors has been established as an outcome of a training activity, with the objective to sponsor the use of this important tool for interconnection. Safety remains among the major focus for education and, among the others, relevant examples for 2014 were the deployment of the “Lockout/Tagout” e-learning module in all our countries, enrolling the vast majority of our employees worldwide; and Playsafe, designed in France as a specific project to boost safety behaviour at all levels. Training initiatives on “Human Capital and Sustainable development” were pursued in different countries. As examples covering a wide range of topics: Italy focused on “Effective Negotiation”, both for commercial and procurement managers as well as for staff leaders (board leaders); India worked on “Metamorphosis Change Management” for Trade Union Leaders and Members; and “Biodiversity Management Introduction & Overview” to highlight links between Ecosystem and Business was presented in Thailand.

Hours of training	2014	2013	2012
Efficiency	78,710	85,882	113,287
Sustainable Development and Innovation	171,353	150,694	157,720
Compliance	5,400	5,527	8,957
Human Capital Development	46,797	45,489	46,588

Hours of training by gender (2014)	Female	Male
Efficiency	13,336	65,374
Sustainable Development and Innovation	14,581	156,772
Compliance	604	4,976
Human Capital Development	10,839	35,958

Trainees	2014	2013	2012
Efficiency	6,530	7,085	6,763
Sustainable Development and Innovation	24,421	18,710	20,347
Compliance	2,317	1,006	767
Human Capital Development	3,689	3,675	3,282

Hours of training (%)	2014	2013	2012
Manager	11	14	13
White collars	37	46	39
Blue collars	52	41	48

Trainees (%)	2014	2013	2012
Manager	11	15	12
White collars	39	43	38
Blue collars	50	42	50

Hours of training pro capita	2014	2013	2012
Per trainee	8	9	10
Per employee	17	16	17

3.3 Safety

Grounded on 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. Since 2011, the safety management 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 daily express their personal commitment to promote safety at their level. Personal commitments, periodically updated, are widely spread and available for everyone through the Group's intranet i.like.

Since 2009, the Group is implementing best safety operational standards at all its sites, aiming at enhancing and homogenizing best practices. Safety standards launched and addressing main causes of accidents are: Personal Protective Equipment, Works At Height, Hot Works, Control of Hazardous Energy (Lock Out/Tag Out), Confined Spaces Entry and the Code of Practice for Driving Safety dedicated to all drivers, both employed and contracted. Recently, the Group also issued the new Risk Management standard. By applying the risk assessment methodology, it will ensure that the whole Group's organization identifies and understands the risks to which people on site are exposed. 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. 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 47% of total worked hours, in 2014. The status of Group's standards implementation is available in the table below. Training covering most critical issues accounted for 106,631 hours and involving 19,385 trainees in 2014. As every year, the Group endorsed and celebrated the World Day for Safety, also involving contractors.

In 2014 over a population of almost 18 thousand 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) was 3.7 showing a 10% decrease since 2013 (40% decrease since 2012) marking the new best Group's performance ever. Since 2008, the Group is also reporting the Total Recordable Injury Rate (TRIR) adding recorded Restricted Work Duty and Medical Treatment to Lost Time Injuries. Following the recommendation of the Cement Sustainability Initiative, the Group also reports the LTI frequency rate for contractors on site (see table on page 345).

In total, the absenteeism of employees due to safety related causes totalled 7,890 lost days (8,989 in 2013) confirming at less than 0.5% of total absenteeism, and estimated to remain stable below 4% of total workable days; other 3,613 days (1,969 in 2013) of employees working on restricted duty were recorded.

Despite all the efforts, three fatalities occurred at the Group's premises plus two off site. Giving utmost importance to such events, each fatality is discussed at the Group's Management Committee, during dedicated sessions chaired by the Group's CEO. The Board of Directors is updated on safety performance including discussion of fatalities, every semester.

In 2014, minor administrative non-compliances to locally enforced regulatory schemes raised penalties for 548 k€ (156 k€ in 2013).

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LTI Frequency rate (*)	2014	2013	2012	2011
Cement	3.5	2.7	4.5	5.2
Aggregates	4.6	5.1	10.7	8.4
Concrete	3.0	7.3	10.8	7.0
Group	3.7	4.1	6.2	6.2

LTI Severity rate (*)	2014	2013	2012	2011
Cement	0.2	0.2	0.2	0.2
Aggregates	0.3	0.4	0.5	0.5
Concrete	0.3	0.4	0.3	0.5
Group	0.2	0.3	0.3	0.3

TRIR (*)	2014	2013	2012	2011
Cement	7.5	7.3	10.8	9.7
Aggregates	16.3	13.5	19.0	21.2
Concrete	10.9	17.5	18.1	14.3
Group	8.6	9.7	12.5	11.3

(*) Direct employees and temporary workers

LTI Frequency rate (*)	2014	2013	2012	2011
Group	2.4	3.7	4.4	4.0

(*) contractors on site

Status of Group standards implementation (%)	2014	2013	2012	2011	2010
Personal Protective Equipments	100	96	86	81	54
Work at Heights	95	86	78	68	51
Hot Works	100	94	85	78	49
Log Out – Tag Out	93	78	56	50	-
Confined Space Entry	94	70	28	-	-
Code of Practice for Driving Safety	69	62	-	-	-

Fatalities	2014	2013	2012	2011
Employees (*)	0	1	2	4
Contractors	3	2	2	3
Third parties (**)	2	2	-	2
Group	5	5	4	9

(*) direct employees and temporary workers
(**) one off site

Work-related injuries with lost days	2014	2013	2012	2011
Employees (*)	126	139	223	234
Contractors (**)	87	110	137	133

(*) direct employees and temporary workers
(**) contractors on site

3.4 Health

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 legislations. 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 Group's industrial sites (around 8,500 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 2014, 78% of workers potentially exposed were covered by the assessment, of which 92% were already in line with the Group's standard. Improvement plans are under implementation for the remaining, even if complying with the locally enforced legislation. Additional information is available on corporate website (focus on Health) and on page 346. The Group's target is to assess the totality of its potentially exposed workers by the end of 2015.

Since 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. This activity has been slowed down to allow the alignment with parallel works ongoing within the Cement Sustainability Initiative, to which the Group is heavily contributing. Similarly, at European level, the Group is actively participating with leading expertise, resources, data, operating sites and workers included in field surveys, in the Comprehensive Health Risk Study on cement, launched by CEMBUREAU in 2005 as a response to previous studies among cement workers causing concern about the health risks surrounding the exposure to cement containing dust. By promoting its approach to protect health at work at international level, the Group aims at spreading its best practice within cement sector, improving the overall working conditions.

With the objective to better manage risks of its international travellers and expatriates potentially raising from causes external to the business, the Group has signed a worldwide agreement with International SOS since 2010, providing a full set of benefits, assistance and cares in case of health and security emergency.

Approach to health also include proper management of substances of concern. 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 equipment. All related and necessary management activities, including monitoring and progressive dismantling, are performed since ever adopting the best techniques to protect the 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 2014, 21% of the Group's sites are completely asbestos-free and 76% are already without PCBs and CFCs in line with European best practices. Similar initiatives are ongoing for other materials of concern, such as for ceramic refractory bricks, aligning to international best practices.

Alignment to Group standard (%)	2014	2013	2012
Workers potentially exposed covered by full assessment (*)	78	69	65
Workers assessed and in line with the standard	92	92	92

(*) i.e. dust, crystalline silica, noise and vibration assessment

Group sites (*) and materials with high health concern (%)	2014	2013	2012
Asbestos free	21	21	24
PCBs and CFCs free	76	75	78

(*) cement and grinding plants

Official applications for occupational illnesses	2014	2013	2012
Cement	13	41	35
Aggregate	0	2	0
Concrete	2	4	6
Others	5	5	3
Total	20	52	44

3.5 Community relations

Grounded on its Social Initiatives Policy, the Group aims at building relationships with its wide community and relevant stakeholders based on mutual commitment, active partnership, trust, openness and long-term cooperation. Building relations with communities and stakeholders means understanding their needs, supporting projects without creating dependency and fostering relevant stakeholder consultation during the life span of production facilities or in case of any significant initiative taken by the Group. Engagement channels may vary depending on the nature of relationships and geographical proximity. The multi-dimensional approach to the Group’s stakeholders, by major categories, is reported on page 348.

Aiming at best **employees’ satisfaction**, the Group has launched its first workplace health promotion programme. The programme actively engage employees in the adoption of internationally recognized best practices in terms of welfare, nutrition, anti-smoking, alcohol and drugs, fitness, road safety and sustainable mobility. 2015 will see the pilot phase in Italy in the frame of a Group-wide renewed approach to workplace inclusiveness, grounded on the following four pillars: work-life balance, sustainable lifestyles, health promotion and education.

Shareholders, investors and providers of capital are continuously engaged through on open channel of communication, with a number of institutionally scheduled events (press releases, analyst presentations, General Assembly) and ad-hoc meeting or web conference to discuss the Group’s sustainability approach and integrated performance.

Starting from 2014, **suppliers and contractors** entered the new Group’s sustainable supply chain management (page 361). They are also locally involved in all the main Group’s events on safety (page 343). **Customers** benefits from the new Group’s approach to customer satisfaction (page 360) and from i.nova, the new dedicated and interactive web-based market platform.

Building on the understanding of needs and opportunities, the Group annually engage and supports global and local **communities** with many initiatives in the field of education, capacity building and skill development, disaster relief, health promotion and emergencies, also with the help of the Italcementi Foundation Cav. Lav. Carlo Pesenti (page 173). Global and local **NGOs and media** are included in the same communication channels.

The following tables show the Group's contribution in terms of support to communities and stakeholder engagement activities.

Support to communities (k€)	**2014**	**2013**	**2012**
Fondazione Italcementi	722	560	563
Italcementi Group	216	336	250
Group subsidiaries	3,656	4,102	1,520

Sponsorship (k€)	**2014**	**2013**	**2012**
Group Headquarters	533	503	912
Group subsidiaries	758	1,293	1,872

Cement plants with stakeholder engagement (*) in place (%)	**2014**	**2013**	**2012**
Mature markets	65	61	59
Emerging markets	100	100	100
Group	76	73	71

(*) including Open Doors activities

With special focus on the active **memberships** at global level, the Group adheres,with engagements signed by the CEO and at the level of the Board of Directors, to the United Nations Global Compact (UNGC), the World Business Council for Sustainable Development (WBCSD) and the Cement Sustainability Initiative (CSI). In particular, the Group will co-chair the CSI until 2016, participating actively to all initiatives. More details on the Group's engagement with WBCSD and CSI are available on the corporate website. At local level, besides the more conventional business-to-business engagement, many subsidiaries are actively involved with other players within the frame of local body of the UNGC, WBCSD, CSI and the Green Building Council.

All the Group's subsidiaries engage with relevant **authorities and institutions** through individual or collective interactions during permitting or other institutional proceedings or voluntary multi-stakeholder initiatives and partnerships. This includes also the active presence in local trade associations, fostering joint initiatives and spreading responsible business practices.

Stakeholder group	Engagement channels	Significant issues raised
Employees (and their representatives)	Global thematic engagement events (e.g. Group safety day, Open Doors activities). Company social intranet. Ongoing dialogue through established industrial relations channels (e.g. European Works Council).	Employment conditions. Proposed changes to operations or practices. Safety, health and well-being. Sustainable development. Innovation.
Shareholders (and providers of capital)	Annual General Assembly. Dedicated meetings and open dialogue with investors, including socially responsible investors (SRI). Corporate website. Investor roadshows.	Integrated performance (financial, environmental and social). Strategic development.
Suppliers and Contractors	Supplier relationship programme with strategic suppliers. Involvment of suppliers in local event (e.g. on safety). Talks with suppliers fostering Group's sustainable strategy during business meetings. Individual feedback onqualification scores. Engagement through auditing activities.	Terms and conditions of contract. Minimum prequaification requirements (integrity, human and labour rights, enivronment and anti corruption). HSE clauses for different level of contracts.
Customers (including downstream users and architects)	Business and industry forums and exibitions. Group initiatives dedicated to innovation, architecture and sustainable construction. Direct personal contacts. i.nova web portal. Customer satisfaction process.	Customer services and products delivery. Products and solutions, also with reference to environmental and social performance/features. Innovation and sustainable construction. Partnerships.
Global and local communities	Individual or collective interactions (e.g. interview, press conference, open day). Community panels. Social initiatives.	Transparency and accountability on material issues. HSE performance. Local engagements. Social investment.
Global and local NGOs	Individual or collective interactions (e.g. interview, press conference, Open Doors activities). Partnerships.	Transparency and accountability on material issues. Responsible governance practices and respect for human and labour rights. Minimising environmental and community impacts. Investing in social and community development initiatives. Economic contribution of cement sector.
Global and local media	Individual or collective interactions (e.g. interview, press conference, Open Doors activities). Partnerships.	Transparency and accountability on material issues. Strategic development.
Memberships	World Business Council for Sustainable Development. Cement Sustainability Initiative. United Nations Global Compact. Green Building Council.	Collaboration with peers, through working groups and task forces, on selected sustainability issues. General knowledge-sharing and awareness-raising on peers'. Group management approach to sustainability.
Authorities and Institutions (including trade associations)	Individual or collective interactions during permitting or other institutional proceedings. Voluntary multi-stakeholder initiatives and partnerships. Trade associations joint initiatives.	HSE performance. Contribution to national and international development priorities, such as public infrastructures, job creation, skills development and public health.

4 Environmental protection

4.1 Energy and climate

Cement keeps playing a key role in economic and social development through its downstream products, providing the 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 set public targets for reducing carbon footprint of processes and products, supported by an improvement roadmap built on industrial asset renewal, energy efficiency plans, increased use of non-fossil fuels and less energy intensive product composition, to reduce both embedded carbon and energy content. Renewable power sourcing and research in lowering the footprint of cement-based products and applications complete the Group's comprehensive approach.

At the end of 2014, two revamped plants started operation in Bulgaria (Devnya) and Italy (Rezzato) with significant expected cut of overall energy consumption and CO_2 emissions, when fully operational. Another ongoing plant revamping in Kazakhstan (Shymkent) will deliver from 2016. Beside the strategic projects, the energy recovery and efficiency plan launched in 2013 advanced in 2014, covering all the subsidiaries. It follows a robust methodology, starting from audit based gap analyses and moving to recovery plans execution and savings consolidation.

Eventually, the Group believes that energy management systems enable companies to achieving continuous improvement of energy performance at plants. Many additional plants kicked off the ISO 50001 process for their management systems in 2014, as to reach certification in time by 2015. In the United Stated, Nazareth and Martinsburg plants were Energy Star certified by EPA with high score, positioning among the 10% best energy efficient cement plants in the country. In Italy, energy efficiency initiatives completed over the last few years, for an amount of savings of 29,400 toe, were rewarded the equivalent Energy Efficiency Certificates (TEE), traded on the national energy exchange.

All the emerging markets efficient plants, are fast closing the gap with mature markets, introducing significant rate of alternative fuels with high biomass content. In year 2014, an outstanding contribution came from Egypt and India. Egypt, the biggest Group's subsidiary and country market leader, has massively entered the scene by reaching 6.5% substitution rate in one year, saving more than 100,000 tonnes of CO_2. Fossil fuels were replaced with biomass (such as chopped wood and cotton stalk) and a high technology waste pre-treatment facility, worth €5 million investment, has started operation in Kattameya plant producing high quality Refuse Derived Fuels (RDF) from material diverted from landfill, then separated and shredded on site. The facility is expected to produce approximately 35,000 tonnes of RDF annually. Finally in India, Yerraguntla plant reached 6.3% mostly with agricultural waste replacing coal, saving approximately 35,000 tonnes of CO_2.

In the scope of the Group's Ambitions 2020, those on CO_2 emissions and recycled materials are strictly connected and fundamental to boost efficiency and innovation. The lever of reducing clinker content in cementitious products, in favour of recycled materials such as slag and fly ashes, is expected to have high impacts in the coming years, especially for emerging markets. Targets by subsidiary, on a 3-year basis and with an outlook to 2020, have been included in the long-term incentive schemes for top managers. India kept progressing, abating the clinker content in cement by more than 6% in two years, with an equivalent saving of almost 50,000 tonnes of CO_2 in 2014 only.

Sustainable power sourcing completes the Group's energy strategy. The new co-generation plant from waste heat operating in Thailand (Pukrang) satisfied 23% of the annual electricity demand for the plant, equivalent to savings of 60,000 tonnes of CO_2 in 2014. The wind farm in Bulgaria covered 21% 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. Beyond Group's Ambition 2020, captive or offset production of renewable energy covered 11% of total electricity demand of production sites.

The Group's research structures are highly engaged in studies for downstream carbon capture, valorisation and/or transformation. In 2014 research continued on biological valorization of CO_2 in cooperation with Algosource Technologies with the aim of reusing CO_2 as emitted from the stack for biomass production through micro-algae cultivation. Furthermore, research efforts continued on a EU co-funded project (CEOPS) started in 2013 and dealing with the identification of economically feasible pathways to produce methanol by innovative catalysts for manufacturing high value chemicals. Another similar project (FotoriduCO$_2$) carried out and co-funded in Italy, aims at setting up a reactor prototype able to convert CO_2 into fuel by a photocatalytic reaction.

Complementary to many mitigation initiatives, the Group acknowledges the need to prepare and support adaptation to climate changes. In 2014 the Group did not experience any unexpected stop of production due to adverse or extreme weather conditions affecting the process or its supply chain. However, the Group diversifies both type and source of raw materials and fuels while prioritizing local sources. Insurance systems are in place to cover unplanned plants stops. In the interest of all subsidiaries, the Group has worked with leading insurance companies to cover risks to people and assets. Furthermore, the Environmental Preservation Programme (page 358) helps to assess systematically the risk of business interruption due to natural causes, including those linked with climate change.

The Group's performance on energy and climate protection are available in the following tables and on corporate website (focus on Energy and Climate).

Gross CO_2 emissions (*)		**2014**	**2013**	**2012**	**1990**
Mature markets	kg/t cementitious	693	692	701	668
Emerging markets	kg/t cementitious	691	696	721	823
Group	kg/t cementitious	692	694	712	723
Group	million t	29.0	28.6	31.7	36.8

(*) CO_2 gross emissions do not account biomass content of alternative fuels

Net CO_2 emissions (*)		**2014**	**2013**	**2012**	**1990**
Mature markets	kg/t cementitious	668	668	681	635
Emerging markets	kg/t cementitious	685	693	720	823
Group	kg/t cementitious	678	682	702	701
Group	million t	28.3	28.0	31.3	35.7

(*) CO_2 net emissions do not account for use of any kind of alternative fuels

Carbon footprint	**2014**		**2013**	
	million t CO_2	**%**	**million t CO2**	**%**
Scope 1 (direct emissions)	29.0	73	28.6	79
Scope 2 (indirect emissions)	2.1	5	2.2	6
Scope 3 (value chain emissions)	8.5 (*)	22	5.2	15
Total	**39.6**		**36.0**	

(*) extended boundary to end of life, and expressed in CO_2 equivalent.

Thermal comsumption, cement		2014	2013	2012
Mature markets	MJ/t clinker	3,734	3,721	3,772
Emerging markets	MJ/t clinker	3,863	3,858	3,858
Group	MJ/t clinker	3,806	3,798	3,820
Group	million GJ	129.3	127.2	139.9

Conventional fuels by type, cement (%)	2014	2013	2012
Coal	36.8	35.3	34.4
Petroleum coke	31.9	32.8	30.2
High viscosity fuel	0.0	0.2	1.4
Natural gas	13.9	15.9	18.3
Fuel oil	6.6	6.4	9.1
Alternative fuels	10.8	9.4	6.5

Alternative fuels and biomass, cement (%)		2014	2013	2012
Mature markets	% alternative fuels (including biomass)	15.4	15.4	12.2
Emerging markets	% alternative fuels (including biomass)	7.3	4.9	2.2
Group	% alternative fuels (including biomass)	10.8	9.4	6.5
Mature markets	% biomass	6.0	5.4	4.2
Emerging markets	% biomass	4.9	3.7	1.9
Group	% biomass	5.4	4.4	2.9

Alternative fuels by type, cement (%)	2014	2013	2012
Animal meal	9.4	12.1	12.7
Liquid waste	12.1	16.7	20.5
Agricultural waste	24.3	21.5	16.5
Waste oils	5.8	8.3	8.0
Tyres and rubber	20.5	17.8	14.7
Solid waste	16.1	13.6	14.0
Plastic	2.6	3.8	3.8
Refuse Derived Fuels (RDF)	7.3	4.6	7.6
Sludge	2.1	1.6	2.2

Clinker/cement ratio (% of clinker)	2014	2013	2012
Mature markets	79.9	80.0	79.4
Emerging markets	82.1	82.7	83.8
Group	81.1	81.5	81.8

Power consumption, cement		2014	2013	2012
Mature markets	kWh/t cement	136.1	137.5	134.1
Emerging markets	kWh/t cement	105.7	106.9	108.3
Group	kWh/t cement	119.2	120.5	120.1
Group	million kWh	4,899	4,916	5,280

Power consumption, aggregates		2014	2013	2012
Mature markets	kWh/t aggregate	3.1	2.9	2.7
Emerging markets	kWh/t aggregate	2.2	1.9	2.1
Group	kWh/t aggregate	3.0	2.8	2.6
Group	million kWh	79	79	76

Power consumption, concrete		2014	2013	2012
Mature markets	kWh/m^3 concrete	4.0	4.8	4.8
Emerging markets		1.9	2.0	3.1
Group		3.5	4.1	4.6
Group	million kWh	36	46	51

4.2 Materials and recycling

Through its Environment Policy, the Group promotes the responsible use of resources to save on natural quarried materials. Accordingly, all subsidiaries apply the strict Group's guidelines for responsible use of raw materials (ARMs) based on WBCSD/CSI guidelines, and also applying to alternative fuels. These guidelines list all materials that must not be used under any circumstance at any Group's sites; furthermore, they focus on the selection, management and necessary controls for using alternative materials, adopting health, safe and environmentally friendly measures.

In 2014, 5.5% (5.4% in 2013) of raw materials used in cement production were alternative, raising from other industrial processes or human consumption cycles. In addition, production of concrete used globally 1.4% of alternative materials in aggregates or as cement substitute (0.9% in 2013).

Raw materials, cement		2014	2013	2012
Mature markets	million t	27.5	27.1	29.9
Emerging markets		33.7	33.5	36.8
Group		61.2	60.6	66.7
Mature markets	% alternative	7.0	7.7	8.1
Emerging markets		4.2	3.6	3.2
Group		5.5	5.4	5.4

Raw materials by type, cement (%)	2014	2013	2012
Limestone	77.2	77.2	76.0
Marl	3.0	2.6	3.2
Clay	8.7	9.0	9.8
Sand	1.0	1.1	1.1
Iron ore	0.6	0.6	0.8
Bauxite	0.4	0.3	0.3
Gypsum	3.2	3.1	2.8
Pozzolana	0.3	0.4	0.5
Other natural raw materials	0.1	0.3	0.2
Alternative raw materials	5.5	5.4	5.4

Alternative raw materials by type, cement (%)	2014	2013	2012
Blast furnace slag	32.3	32.5	33.4
Fly ash	31.2	30.3	28.1
Calcium, aluminum, silicon or iron substitutes	15.5	14.9	13.1
Industrial gypsum	10.2	11.0	9.6
Kiln & bypass dust	4.9	6.4	8.5
Foundry sand	1.2	1.2	1.3
Biomass ash	0.2	0.2	0.8
Other natural raw materials	4.5	3.5	5.2

4.3 Land and biodiversity

Also supporting WBCSD Action2020 priorities, the Group strives to prevent degradation of ecosystems and to implement sustainable criteria for land use. In this respects, site restoration represent a fundamental element. Since 2011, the Group has developed its guidelines for assessing dismissed or dismissing sites, an unavoidable legacy in countries with a long industrial history. They apply to all Group's sites, covering safety and security risks, environmental risks, and social and external context risks. 2014 was dedicated to the first Group-wide assessment. Many actions have been taken to secure sites, understand the extension of potential impacts and finding solutions to give new life to the areas, in some case through smart divestment after reclamation. Detailed results will be disclosed in next reports.

More specifically for the even more significant portions of land used for raw material winning, 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 2014, 91% of the Group's quarries has a rehabilitation plan in place (89% in 2013). The Group's objectives is to have 100% of its quarries with rehabilitation plans by 2015. Moreover, in 2014 the Group issued its Biodiversity Management Guidelines, responding to cement sector needs, and deeply grounded on natural capital. All the quarry sites under Group's operational control, whether extraction has begun or not, closed or exhausted, future reserves or temporary dormant sites, must be screened and classified upon two properties: biodiversity impact category and expected impact levels on biodiversity. Depending on this risk assessment, to be completed by June 2016, all quarry sites are requested to implement the appropriate level of biodiversity management with different deadline up to 2020. This structured approach gives solidity and method to the many projects and focused initiatives already launched in last years in Italy, Morocco, France, North America and Egypt. Specific budget is dedicated to quarry management initiatives, including provisions requested in many countries as mandatory financial coverage for such projects.

Quarry management, cement (*)		**2014**	**2013**	**2012**
Mature markets	Number of quarries	95	98	102
	in sensitive areas (**)	*45*	*45*	*45*
	with rehabilitation plan	*90*	*91*	*90*
	with biodiversity plan	*8*	*-*	*-*
Emerging markets	Number of quarries	42	41	42
	in sensitive areas (**)	*6*	*3*	*0*
	with rehabilitation plan	*27*	*23*	*17*
	with biodiversity plan	*1*	*-*	*-*
Group	Number of quarries	137	139	144
	in sensitive areas (**)	*51*	*48*	*45*
	with rehabilitation plan	*117*	*114*	*107*
	with biodiversity plan	*9*	*-*	*-*

(*) 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)

Quarry management, aggregates (*)		2014	2013	2012
Mature markets	Number of quarries	142	136	133
	in sensitive areas (**)	*81*	*75*	*76*
	with rehabilitation plan	*137*	*131*	*128*
	with biodiversity plan	*35*	*-*	*-*
Emerging markets	Number of quarries	4	5	5
	in sensitive areas (**)	*1*	*1*	*1*
	with rehabilitation plan	*4*	*4*	*4*
	with biodiversity plan	*0*	*-*	*-*
Group	Number of quarries	146	141	138
	in sensitive areas (**)	*82*	*76*	*77*
	with rehabilitation plan	*141*	*135*	*132*
	with biodiversity plan	*35*	*-*	*-*

(*) 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)

4.4 Water

The Group acknowledges that business cannot flourish in a society without qualitative access to water.

As from 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 water use and assess risks relative to its 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. The WBCSD Global Water Tool ‘Cement’ is also in line with GRI G4 requirements. The recommendations cover cement, aggregates and 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 fulfil international commitments on water and water-related issues by 2015 and supports the water programme of WBCSD within the priorities of the Action 2020. In parallel with the joint work done within the CSI, the Group will issues its internal guidelines for responsible water management, defining the set of basic requirements to be adopted by all subsidiaries. As a complementary initiative, the Group is signatory of the WASH Pledge launched by the WBCSD, thus committing to implement access to safe water, sanitation and hygiene at the workplace at an appropriate level of standard for all employees in all premises. The Group’s Indian subsidiary has been chosen to pilot testing the protocol. This trial implementation will be completed by the first quarter of 2015, in parallel with the extension to all other Group’s countries.

Water withdrawal, cement		**2014**	**2013**	**2012**
Mature markets	m^3/t cement	0.69	0.62	0.79
Emerging markets	m^3/t cement	0.42	0.42	0.41
Group	m^3/t cement	0.54	0.50	0.59
Group	million m^3	21.7	20.4	25.0

Water withdrawal, by source	**2014**		**2013**	
	million m^3	**%**	**million m^3**	**%**
Surface waters	5.8	27	6.7	33
Ground waters	9.9	46	7.9	39
Supplied waters	3.7	17	3.9	19
Collected waters	2.2	10	1.9	9

Water consumption, cement		2014	2013	2012
Mature markets	m^3/t cement	0.37	0.33	0.37
Emerging markets		0.38	0.38	0.36
Group		0.37	0.36	0.37
Group	million m^3	15.1	14.6	15.7

Water consumption, aggregates		2014	2013	2012
Mature markets	m^3/t aggregate	0.14	0.15	0.1
Emerging markets		0.08	0.07	0.05
Group		0.14	0.14	0.09
Group	million m^3	3.5	4.0	2.7

Water consumption, concrete		2014	2013	2012
Mature markets	m^3/m^3 concrete	0.22	0.23	0.23
Emerging markets		0.42	0.41	0.43
Group		0.27	0.27	0.26
Group	million m^3	2.7	3.0	2.8

4.5 Air emissions

Sustained by its Environment Policy, the Group has developed and is implementing a high-level internal standard defining monitoring requirements and expected emission levels to support ambitious reduction trends of emissions to atmosphere. The Group's Air Emissions Standard, issued in 2008 and then progressively refined for content and auditability, was conceived as a moving benchmark: the more production processes and abatement techniques are upgraded, the more expected emission levels are pushed to improve. With current industrial asset, the implementation of the standard would correspond to emissions factor for dust, NO_x and SO_2 of approximately 50, 1400 and 350 grams per tonne of clinker produced, in line with most stringent international references.

In 2014, compliance to the monitoring requirements and to the emission levels according to the internal rating system also included in the assessment of top managers variable compensation, represents respectively 99% and 93% of clinker production. More in depth in 2014, 96% of clinker was produced by kilns with continuous emissions monitoring systems (CEMs) fully in line with the Group's standard, meaning a very high coverage and reliability of performance assessed. The outstanding progression over the years was supported by major plant revamping (both in mature and emerging markets) planned obsolescence of some existing plants (mature markets) and programmed upgrade of abatement equipment (mostly in emerging markets), well beyond legal requirements.

The following tables provides the overview on the implementation progress of the Group's standard on air emissions and, more in general of the Group's emissions performance. Further details on the standard, related performances and internal rating system are available on corporate website (focus on Air Emissions).

Clinker produced in sites with air emissions in line with Group standard	% of compliance			of monitoring		
	2014	2013	2012	2014	2013	2012
Italia (home country)	95	97	98	100	99	97
Other subsidiaries	93	91	86	98	94	80
Group	93	92	88	99	94	82

Air emission factors and coverage			2014		2013		2012	
			emission factor	% coverage	emission factor	% coverage	emission factor	% coverage
Mature markets	dust	g/t clinker	16	100	16	100	18	100
	NO_x		1,334	100	1,363	100	1,571	100
	SO_2		586	100	544	100	619	100
Emerging markets	dust	g/t clinker	121	100	159	100	187	100
	NO_x		1,421	99	1,770	100	1,470	100
	SO_2		253	99	271	100	241	100
Group	dust	g/t clinker	75	100	96	100	113	100
	NO_x		1,382	99	1,591	100	1,514	100
	SO_2		402	99	391	100	407	100
	CO		1,217	100	1,355	100	1,348	98
	VOC		45	98	38	96	55	94
	benzene		3	97	3	88	2	59
	dioxins	ng/t clinker	100	98	52	95	44	81
	PAH	mg/t clinker	8	97	7	90	6	56
	mercury		13	98	11	95	36	64
	metals I (*)		10	98	18	95	9	85
	metals II (**)		466	98	375	95	182	83

(*) metals I: Cd, Tl
(**) metals II: Sb, As, Pb, Cr, Co, Cu, Mn, Ni, V

Group yearly air emissions			2014	2013	2012
Group	dust	kt	2.5	3.2	4.1
	NO_x		47.0	53.3	55.5
	SO_2		13.7	13.1	14.9
	CO		41.3	45.4	48.7
	VOC		1.5	1.3	2.0
	benzene	t	0.1	91.4	59.0
	IPA		0.3	0.2	0.2
	mercury		0.4	0.4	1.3
	metals I (*)		0.3	0.6	0.3
	metals II (*)		15.8	12.6	6.7
	dioxins	g	3.4	1.7	1.6

(*) metals I: Cd, Tl
(**) metals II: Sb, As, Pb, Cr, Co, Cu, Mn, Ni, V

4.6 Other environmental issues

Sustained by its Environmental Policy, the Group supports and encourages actions aiming at implementing internationally 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 UNGC, the Group is committed to support a precautionary approach to environmental challenges, to undertake initiatives to promote greater environmental responsibility and to encourage the development and diffusion of environmentally friendly technologies.

Most of the 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.

In 2014, the programme of environmental reviews of its production sites has slightly slowed down, partly supported by side checks performed by the Group's audit and the new Environmental Preservation Programme (EPP). With the aim to better manage environmental risks and promote good practices and Group's standards, in 2013 the Group piloted the EPP linking detailed assessment of integrated cement plants to insurable risks. Eight major cement plants in 8 countries have been involved in the pilot phase in 2013. In 2014, the self-assessment was extended to all cement plants in all subsidiaries. In 2015 the Group has scheduled follow up and auditing programmes also involving a third party consultant. The initiative has been also supported by relative environmental training efforts, totalling 8,482 hours and 1,274 trainees.

The many improvement actions undertaken in 2014, as a consequence of all the above mentioned inputs, totalled a capital expenditure, also including safety, of 51.6 million euro (35.6 million euro in 2103). Beyond this value, it is to be considered that also the investment dedicated to strategic project and, for a significant portion, to capitalized maintenance has major influence on the overall improvement of environmental performance.

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 (87% in 2014 versus 84% in 2013). In 2014, chartered vessels were 325 (295 in 2013). In 2014, Interbulk totally moved around 5.5 million tonnes by sea trade. Detailed information under the Interbulk website.

Group sites (*) certified ISO 14001 (%)	**2014**	**2013**	**2012**
Cement	91	93	90
Aggregates	41	36	40
Concrete	4	4	4

(*) additionally, 2 natural hydraulic lime plant and all 14 hydro-power plants, also EMAS registered

% transport (*)	Cement			Aggregates			Concrete		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
road	85	88	90	91	91	91	100	100	100
railways	6	7	7	1	1	0	0	0	0
waterways	9	5	3	8	8	9	0	0	0

(*) no major difference between mature and emerging markets

Waste management, cement		2014	2013	2012
Total waste produced (*)	kt	60.5	52.6	118.0
of which, hazardous waste (**)	kt	*1.6*	*2.2*	*11.9*

(*) 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	
	2014	2013	2014	2013	2014	2013
Mature markets	-	1,070	-	-	-	-
Emerging markets	4.3	684	-	-	-	-
Group	4.3	1,753	-	-	-	-

(*) including allegations yet to be appealed

5 Responsible production

5.1 Customer relations

In line with its global vision “A world class local business”, Italcementi runs as a world player able to successfully operate in diversified markets: the Group manages its business allowing for existing differences in terms of culture, traditions and customers’ habits, with products, services and technologies addressing actual and future customers’ needs. Moreover, consistently with its Sustainability Policy, the Group and its subsidiaries are committed to promote research and innovation by marketing new solutions. Furthermore, the Group aims at establishing and keeping relations with its customers based on transparent exchanges of information and shared commitments.

Customer survey process plays a key role towards this objective. Under the coordination of the Global Sales & Marketing Department, the methodology enhancement and its scope enlargement grant the process quality and its continuous improvement. A regular update of the Group’s guidelines is periodically implemented. Moreover, this year the adoption of an on line data collecting procedure has been deployed by many subsidiaries, with the benefit to improve operational efficiency of the process and the general data quality. Finally, basing on criticalities emerged from former survey editions, the Global Sales & Marketing team has defined with each subsidiary a detailed action plan setting specific targets to be achieved; such indication will be used as a benchmark for the current year. Starting from this year the entire process is audited from an independent entity, in order to ensure its robustness ant transparency.

Concerning the new wave of surveys, one of the main achievements is the extension of the process to concrete business, reaching more than 60% coverage. Results are in line with cement business, even though no trend can be currently identified yet. In cement business, Kuwait has realized its first customer survey. Some subsidiaries (North America and France/Belgium) introduced separated customer satisfaction surveys split by the different countries where they are operating (specifically Belgium and Porto Rico). Such effort caused a delay in the process, with results’ availability not in line with Group’s reporting calendar. The consequence is a temporary reduction of the Group’s coverage index. 2014 results for the cement business showed a medium-high satisfaction level, with a very slight decrease versus 2013 both in absolute and relative indexes. Local measurable decreases can be identified on specific topics in a limited number of countries, mainly in the Asian area. Nevertheless, improvements around corporate image score was recorded, probably due the launch of the i.nova. As already reported, the coverage index – decreasing from 99% to 86% - has been impacted by the delay in survey execution in Belgium and North America: their final results will be available in next reports. Results on customer satisfaction are expected to be publicly disclosed on i.nova websites. Moreover, the subsidiaries are strongly encouraged to organize feedback campaigns aimed at sharing survey’ outcomes with participating customers.

The following tables show the Group's performance in customer satisfaction surveys. Detailed information is also available under corporate website (focus on Customer Relations).

	2014		2013		2012	
Cement	index (1-1000)	coverage (%)	index (1-1000)	coverage (%)	index (1-1000)	coverage (%)
Customer Satisfaction Absolute index	805 (*)	86	809	99	804	99
Customer Satisfaction Relative index	715 (*)	86	745	99	683	93

(*) excluding Belgium and North America Mainland

	2014	
Concrete	index (1-1000)	coverage (%)
Customer Satisfaction Absolute index	798	61
Customer Satisfaction Relative index	670	60

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 and 2014 mark a turning point in the Group's management approach: the Global Procurement Handbook was issued and the implementation is fully in progress. It refines the working method of procurement people, looking for higher efficiency, governance and spread of best practices, with the aim of harmonizing countries different practices. Additionally a dedicated team composed by corporate procurement, legal and sustainability experts, developed the Contract Handbook, becoming the reference for all contract's standard format. All the countries vendor managers are trained on the new Group's tools.

Inspired by the UNGC Ten Principles and to prevent the possibility of dealing with high risky suppliers and contractors, risk intended as financial, technical and ethical, the new Suppliers' Qualification procedure included in the new Procurement Handbook set that 100% of companies dealing with the Group has to comply and accept not negotiable minimum requirements and to pass preliminary evaluation before entering our supply chain. Minimum requirements, based on United Nations, ILO and ISO principles, require 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. 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 2014, 100% of the Group's corporate suppliers involved in the purchasing process of the Global Procurement function were assessed, representing the full central procurement spending. From the beginning of 2014 the Group committed itself to assign the 100% of the spending managed by corporate to qualified suppliers choosing only for bidders included in the vendor list and the commitment continues so far.

One of the cardinal rules implemented Group-wide is the segregation of duties among different steps of the procurement process (purchasing needs generation and formalization, suppliers' identification and selection, supplies' receipt and payment). Fair and wide competition among qualified vendors is promoted. 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 (WBCSD/CSI). The Task Force involves Procurement and Sustainable Development Departments from the member companies of the Cement Sustainability Initiative. 2014 was dedicated to the drafting 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 in which the initiative lead to the development of the first example of multi-company self-assessment platform developed on sustainability topics, platform called TenP – Sustainability Self Assessment Platform.

Detailed information on the Group's approach towards sustainable supply chain management is available under corporate website (focus on Supply Chain).

% of corporate suppliers evaluated	2014	2013	2012
Group	100	99	60

% of corporate procurement spendings	2014	2013	2012
Group	100	94	75

5.3 Sustainable construction and product stewardship

The 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 to environment. In 2014 the amount of investments was worth about 13.4 million euro for research and development; while investments by innovation for technology transfer was worth about 2.5 million euro. As from the following tables, the indicator showing the contribution, in terms of operational turnover, of innovative products (i.e. innovation rate) has significantly progressed in 2014 thanks to the inclusion of concrete (i.nova), innovative services (Bravobuild shops) and other relevant initiatives in both emerging and mature countries.

Innovation rate (%)	2014	2013	2012
Mature markets	7.1	5.1	2.3
Emerging markets	6.4	6.2	3.3
Group	6.6	5.3	2.6

2014 Novelty conditions* (%)	radical	incremental	established
Mature markets	9.9	32.5	20.9
Emerging markets	10.0	19.8	6.9
Group	19.9	52.3	27.8

(*) novelty condition turnover/innovation Group turnover

Sustainable construction is one of the main driver for research. Product innovation aims at providing materials for buildings and structures that may favour reduction of energy needs for heating and cooling and with better thermal and sound insulation, safer, such as anti-seismic, resistant to fire, radiation and natural events, and also 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.

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, the new types of clinker using improved sulphoalluminate based products, containing recycled alumina and having a low carbon footprint, are a good example. Other applications such as for structural use, are being investigated. For concrete and mortar, new recycled materials locally available are being tested to assess possible benefits in terms of performance enhancement. An ongoing strategic project in the field of recycled materials in cementitious products aims at a global vision around waste valorisation and to extend know-how about recycled materials availability and environmental aspects by coordinating R&D with the involved Group functions.

Furthermore, Italcementi has been admitted to the Graphene Flagship Consortium, one of the most important research initiatives ever launched in Europe on the development of new material technologies and cross-sector innovation. The unprecedented project will entail ten years of research, with overall financing for one billion euro. The goal is to fully develop the potential of graphene and other recently discovered two-dimensional materials, boosting the growth of new technologies in an effort to revolutionize a wide range of industrial sectors and foster economic development through job creation across Europe. Italcementi will act as task leader and coordinator of a specific research team that comprises also the University of Bologna, the Israel Institute of Technology and the Eindhoven University of Technology, aiming at further developing pollution-absorbing photocatalytic cements for which Italcementi holds the patent and that are marketed under the brand “i.active”. With graphene the goal is to increase the effectiveness of the photocatalytic principle and extend its sensitivity to poor lighting conditions.

In line with its vision, 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 labelling. 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 rainwater draining mechanisms while for structures, it involves materials with enhanced properties of thermal insulation, resistance, durability and increased recycled content.

After research and successful testing, products are scaled up to reach the market. Results of innovation addressing sustainable solutions for buildings are spread across i.nova families. Embedded sustainable properties, such as low carbon or high recycled content, are common to products available in different families. Products that show sustainable performances are grouped in some families with evocative names, for better market comprehension. The family i.clime® groups insulating products that favour energy savings, mainly light weight low density concrete. The family i.sound® groups products best applied in floor screeds with sound abatement properties, mainly conveyed by mixing recycled plastic aggregates, such as end-of-life tyres up to 30% in their composition. The family i.idro® 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. The family i.active® groups products containing the TX Active® principle which can reduce organic and inorganic pollutants that are present in the air and possessing depolluting and “self-cleaning” performance.

Besides, recent studies have confirmed the bacteriostatic and anti-algae properties of these 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 below the odour threshold value, with an improvement of indoor air quality and reduction of unpleasant smells. In 2014 additional applications containing TX Active® have been added to the family, such as skim coats and paints (e.g. in Italy and India). Eventually, the new i.active BIODYNAMIC is the innovative solution developed by Italcementi Group for the construction of the outer façades and part of the interiors of the Italian Pavilion at Expo 2015, Milan. The product's name is a summary of its innovative characteristics. The “bio” component is given by the product's photocatalytic properties, originating from the active principle TX Active, and witnesses the extraordinary rheological behaviour of the product, unique for its capability to fit very complicated formworks.

Sustained by its Quality Policy, the Group works to guarantee and continuously improve the quality of its products, processes and services, 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.

Combining the Group’s sustainable vision and the growing requests from the market, the Group launched in 2014 the Product Stewardship initiative, a multi-functional platform aiming at “understanding, controlling, and communicating products technical performance, environmental, health and safety related effects throughout their life cycle, from production to final disposal or reuse”. The roadmap to 2020 takes full benefit from product innovation and branding, and responds to sustainable construction demand combining programmes to increase recycled content on cementitious products and concrete, to control undesired substances in products and to provide customers and stakeholders with transparent disclosure on products and services features, including health and safety and environmental issues. 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.

Cement types (% of production volumes)	**2014**	**2013**	**2012**
Ordinary Portland cement	52	51	50
Limestone cement	25	25	26
Multiple blended cement	7	7	7
Fly ash cement	4	5	4
Slag cement	6	6	7
Pozzolan cement	1	2	2
Others	4	4	4

Recycled content of cement products (% of products range volumes)	**2014**	**2013**	**2012**
Products with > 30% recycled constituents	8.1	7.4	5.5
Products with > 20% recycled constituents	9.8	9.0	9.6
Products with > 10% recycled constituents	19.7	14.9	16.6
Products with recycled constituents	95.8	82.2	56.9

Average recycled content of concrete products (%)	**2014**	**2013**	**2012**
Group	2.4	2.2	-

6 Reporting and additional information

6.1 Materiality, boundaries and reporting methodology

The Group is committed to continuously improve the quality, materiality, completeness and reliability of its information and to ensure the maximum level of transparency. Since 2002, the Group is consolidating and publishing its sustainability performance.

Since 2013, the Group is reporting extra-financial information according to the new Global Reporting Initiative guidelines (GRI, G4 version) and self-declaring a comprehensive level of disclosure. Detailed information on the correspondence to GRI is available on the corporate website (GRI correspondence table).

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 (page 329) with the aim at providing the reader with an overview of material economic, social and environmental impacts and challenges of the Group's vision and activities.

Data are collected through centralized database and dedicated questionnaires, circulating among subsidiaries, and verified by third party (page 365).

Unless otherwise specified, the Sustainability Disclosure covers all the business activities under the operational control of the Group at the end of 2014. Within this period, data are consolidated at 100%. 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's 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, Kuwait, Saudi Arabia and Sri Lanka.
- 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's 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. Within the Sustainability Disclosure, material indicators and crucial assertions are submitted to external verification by Ernst & Young (refer to the assurance on page 368).

Key performance indicators (KPIs) verified are summarized in the following table, also with a brief description of the Group's internal procedures for managing each material issue.

Group's 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 bypass stack of cement kilns. It defines requirements for quality tests and recommends methods for measurements according to "CSI Guidelines for Emissions Monitoring and Reporting version 2.0, March 2012". Data are entered into the Group's database and reported by means of the Group's reporting software. Specific emissions are based on available measurements (continuous and spot), absolute emissions are extrapolated to all kilns.
SDD002 Greenhouse gas (GHG) Accounting and Reporting	Absolute and specific direct gross CO_2 emissions, CO_2 emissions from electricity consumption and GHG emissions from the corporate value chain	The procedure is compliant with both the WBCSD/CSI Protocol: "CO2 and Energy Accounting and Reporting Standard for the Cement Industry", May 2011 ver.3 and the WBCSD/WRI Standard: "Corporate Value Chain (Scope 3) Accounting and Reporting Standard". It covers Scope 1, Scope 2 and Scope 3 emissions defined as follows: "Scope 1 emissions": direct GHG emissions which occur from sources that are owned or controlled by the reporting company. "Scope 2 emissions": GHG emissions from the generation of purchased electricity, heat or steam consumed by the reporting company. Scope 2 emissions physically occur at the facility where electricity, heat or steam is generated, therefore referred to as indirect emissions. "Scope 3 emissions": GHG emissions that are a consequence of activities of the reporting company, but occur from sources not owned or controlled by the reporting company.
SDD011 ISO 14001 Reporting Instruction	Percentage of sites certified ISO 14001	The instruction covers 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's Technical Center draws data from the Group's database. Figures are verified by subsidiaries before being forwarded to SDD. Dry tons 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's Technical Center draws data from the Group's database. Figures are verified by 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".
SDD014 Water Reporting Instruction	Total water withdrawals by source for cement production	The instruction defines perimeter and accounting rules for monitoring and reporting the water used for cement, aggregate and ready mix concrete operations. Perimeter and accounting rules are in accordance with "CSI protocol for water reporting, 2014".
SDD016 Quarry rehabilitation Instruction	Percentage of quarries with a rehabilitation plan and included or nearby protected zones for nature preservation	Quarries providing extracted raw materials to cement plants and aggregates are covered by the instruction. The instruction sets the minimum requirements to be fulfilled for the assessment of rehabilitation plans. The quarries included or nearby protected zones for nature preservation have to be identified.
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 might be used to correct incomplete reporting from countries. Monitoring activity is always supported by evidence.
SDD021 Ready Mix Concrete Reporting Instruction	Total raw materials by nature used for ready mix concrete production	The instruction defines perimeter and accounting rules for reporting raw materials for ready mix concrete production. It sets the nature of materials: virgin raw materials, industrial products and alternative products (such as by-products, aggregates recycled from demolition works, etc.) which may be used for concrete production.
Safety management handbook	LTI Frequency Rate	The Group's database, automatically updated at site level, calculates lost time injuries (days) in a year per million hours worked, according to WBCSD/CSI definitions.

N4 Group Innovation	Percentage of turnover from innovative products	The innovation rate is the ratio between the operational turnover realized with 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.
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 distribution of 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's 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.
Customer satisfaction	Customer satisfatcion index	The new Group's guidelines are applicable to all countries and easily adaptable to satisfy differentiated local expectations and market segmentations. Product, service, logistic and the overall perception on the Group are the four topics on which the Group measures customer satisfaction. The results are two indicators: absolute customer satisfaction index, representing the absolute positioning of the Group; and relative customer satisfaction index, representing the Group positioning versus competitors. Both indexes separately take into account the bulk/ bag sectors and customers' perception.

EY

Building a better working world

Italcementi - Year ended December 31, 2014

Independent assurance report on a selection of sustainability indicators

To the Shareholders,

Further to the request made by Italcementi, we performed a review on the Group's environmental, social, innovation, and customer satisfaction indicators for the year ended December 31, 2014 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 2014 (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 Reporting 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 have conducted interviews with the persons responsible for reporting in order to assess the application of the Reporting Criteria. We also have implemented analytical procedures and verified, on a test basis, the calculations and the consolidation of the data.
- We have selected a sample of three cement sites, one aggregates sector, 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 41% of environmental indicators[4], 49% of the number of employees, 67% of the turnover used in the innovation rate and 10% of cement production for the calculation of the customer satisfaction index.

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. A higher level of assurance 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 fact that for the calculation of Scope 3 CO_2 emissions, the Reporting Criteria were modified during the reporting period (scope extension) which affects the comparability with last year's figures. The reporting tool deployed during the year is comprehensive and allows entities to report data from non-homogenous data sources.

Paris-La Défense, March 20, 2015

ERNST & YOUNG et Associés

Christophe Schmeitzky Partner, Sustainable Development	Bruno Perrin Partner

[1] http://www.wbcsdcement.org/

[2] ISAE 3000: "Assurance Engagements other than audits or reviews of historical information", International Federation of Accountants, International Audit and Assurance Board, December 2003, revised March 2008.

[3] Three cement plants: Martinsburg (USA), Colleferro (Italy) and Yerraguntla (India); one aggregates sector: Ouest Pays de Loire (France); four business units: Unibéton and CCB (France and Belgium, aggregates and concrete), ESSROC (USA, cement), Italcementi (Italy, cement) and Zuari (India, cement).

[4] 45% on average of CO_2 emissions (scope 1 & 2) and 5% of CO_2 emissions Scope 3, 42% on average of SO_2, NOx and dust emissions, 35% of raw materials consumption for cement, 46% of raw materials consumption for concrete, 43% of fuel consumption, 80% of quarries, 31% of water withdrawals.

6.3 United Nations Global Compact: Communication On progress (COP)

The following table provides an overview of the Group's contribution across the UNGC Ten Principles and the United Nations 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
PCB Polychlorinated Biphenyls
CFC 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)

Extraordinary session

Report of the Board of Directors

Proposal for the renewal of powers authorizing the Directors, pursuant to arts. 2443 and 2420-ter Italian Civil Code, to raise the share capital, in one or more operations, for an overall maximum nominal amount of 500 million euro and to issue convertible bonds with warrants, in one or more operations, for an overall maximum nominal amount of 500 million euro.

To the Shareholders,

you have been called to this extraordinary shareholders' meeting to resolve upon the renewal of the authorization granted to the Board of Directors to raise the share capital and to issue convertible bonds with warrants, on one or more occasions, pursuant to articles 2443 and 2420-ter Italian Civil Code.

The previous authorization, granted by the extraordinary shareholders' meeting of April 17, 2013, was exercised in full by the Board of Directors last year under the corporate re-organization plan.

We remind you that on March 6, 2014, May 19, 2014 and June 5, 2014, the Board of Directors requested from the shareholders an overall amount of 499,979,628.82 euro, of which 119,166,129.15 euro as an increase of the share capital and 380,813,499.67 euro as share premium.

This approved share capital increase was executed in full on July 7, 2014 and, on the same day, 103,622,721 new ordinary shares without par value were issued, with the same characteristics as those outstanding at the issue date.

As a result of the above operation, the share capital today stands at 401,715,071.15 euro subdivided into 349,270,680 ordinary shares without par value.

We therefore deem it appropriate to ask you to grant new powers to your Board of Directors both to increase the share capital and to issue convertible bonds, thereby enabling the Board to take timely advantage of the most favorable opportunities offered by the market and considered suitable to guarantee the industrial development of Italcementi and of its subsidiaries and affiliates.

If you agree with our proposal, it will be necessary to replace the current 4th paragraph of art. 5 of the By-Laws (which still reflects the authorization granted in 2013), with a new authorization for the Board of Directors attributing to the Board the power, on one or more occasions within five years from the date of the shareholders' resolution:

a) pursuant to art. 2443 Italian Civil Code, to increase the share capital for a maximum nominal amount of 500 million euro, free-of-charge or against consideration, through the issue of ordinary shares and/or warrants for deferred subscription over time;

b) pursuant to art. 2420-ter Italian Civil Code, to issue bonds convertible into ordinary shares or with purchase or subscription rights, up to a maximum amount of 500 million euro, within the limits allowed from time to time by law,

all with the fullest related powers, including the power to offer the shares and convertible bonds or bonds with warrants in the manner set out in the penultimate paragraph of art. 2441 Italian Civil Code; to reserve such instruments up to one quarter pursuant to the final paragraph of art. 2441 Italian Civil Code; to identify the provisions and the reserves to be allocated to capital in the event of a free increase; to establish the issue price, conversion rates, the terms and manner of execution of the operations.

We also take this opportunity to propose the repeal of the last paragraph of art. 5 of the By-Laws inserted last year by the Board of Directors to reflect the completed execution of the power.

Therefore, we propose amending art. 5 of the By-Laws as follows:

Art. 5 (Share capital)

Current Text	Proposed Text
The share capital is EUR 401,715,071.15, broken down into 349,270,680 ordinary shares, without indication of face value.	unchanged
The share capital can be increased also by means of assets in kind or receivables, provided that legal provisions are complied with.	unchanged
In the event the share capital is increased, the pre-emptive right can be ruled out within a limit of ten per cent of the pre-existing share capital, in compliance with legal provisions.	unchanged
The Board of Directors is given the power so that it can, once or various times within the period of five years from the decision of the shareholders at their Extraordinary Meeting dated April 17, 2013:	The Board of Directors is given the power so that it may, once or various times within the period of five years from the decision of the shareholders at their Extraordinary Meeting dated April 17, 2015:
a) under art. 2443 of the Italian Civil Code, increase share capital by a maximum amount of nominal EUR 500,000,000, free-of-charge or against consideration, by issuing ordinary and/or coupons (warrants) for deferred subscribing;	a) under art. 2443 of the Italian Civil Code, increase share capital by a maximum amount of nominal EUR 500,000,000, free-of-charge or against consideration, by issuing ordinary shares and/or coupons (warrants) for deferred subscribing;
b) under art. 2420-ter of the Italian Civil Code, issue bonds to be converted into ordinary or with rights of purchase and subscription, up to a maximum amount of EUR 500,000,000, within the limits from time to time allowed by law,	b) under art. 2420-ter of the Italian Civil Code, issue bonds to be converted into ordinary shares or with rights of purchase and subscription, up to a maximum amount of EUR 500,000,000, within the limits from time to time allowed by law,
all with the widest powers connected to it, including those of offering the shares and convertible bonds as options or with a warrant under the form as per the second last clause of art. 2441 of the Italian Civil Code; reserve up to a quarter of them under art. 2441 of the Italian Civil Code, last clause; define the provisions and reserves to enter as capital in the event of free-of-charge increase; define issue price, conversion rates, terms and modes for the execution of the operations.	all with the widest related powers, including those of offering the shares and convertible bonds or bonds with warrants in the form as per the penultimate paragraph of art. 2441 of the Italian Civil Code; reserve up to a quarter of such instruments under art. 2441 of the Italian Civil Code, final paragraph; define the provisions and reserves to enter as capital in the event of free-of-charge increase; establish issue price, conversion rates, terms and modes for the execution of the operations.

Current Text	Proposed Text
With a resolution dated April 19, 2011, the extraordinary shareholders' meeting attributed to the Board of Directors: - the power, pursuant to art. 2443 Italian Civil Code, to increase the share capital on one or more times within a period of five years from the above resolution, for a maximum nominal amount of 6,000,000 euro through the issue, free of charge and/or against consideration, of up to 6,000,000 ordinary shares, to be reserved, pursuant to art. 2441 par 8, Italian Civil Code: • for employees of Italcementi S.p.A. and its subsidiaries, in the event of a free of charge issue, • for employees of Italcementi S.p.A. and its subsidiaries, and for employees of its parent companies and of other companies controlled by such parent companies, in the event of an offer for subscription, both in Italy and abroad and in accordance with the laws in force in the countries of the beneficiaries; - the power, consequently, to establish the share entitlement rights, to determine the time, procedures, characteristics and conditions of the offer to employees and to establish the share issue price, including any share premium.	unchanged
The Board of Directors' Meeting of March, 6, 2014, May 19, 2014 and June 5, 2014, in execution of the power granted to it, resolved to increase the share capital in tranches and against consideration up to a maximum amount of EUR 119,166,129.15 (in addition to the share premium for a maximum amount of EUR 380,813,499.67), by issuing – by and not later than December 31, 2014 – of maximum no. 103,622,721 new ordinary shares, without indication of the face value, having the same characteristics of the outstanding shares as at the issue date (and therefore bearing the coupon of that date) to be offered to those entitled. Should the share capital not be integrally performed by December 31, 2014, it will be increased up to the subscriptions collected as at that date. The captioned share capital increase was fully executed on July 7, 2014 and, as a consequence, the share capital stands at Euro 401,715,071.15, as indicated in the first paragraph of this Article 5.	**repealed**

* * *

To the Shareholders,

if you agree with our proposal, we invite you to carry the following resolution:
"At an extraordinary session of the meeting held on April 17, 2015, the Italcementi S.p.A. shareholders,

- having acknowledged the proposal of the Board of Directors,
- having acknowledged the favorable opinion of the Board of Statutory Auditors and the attestation that the current share capital is 401,715,071.15 euro, subdivided into 349,270,680 ordinary shares, and has been fully paid

hereby resolve

1) to grant the Board of Directors the power, pursuant to arts. 2443 Italian Civil Code and 2420-ter Italian Civil Code, with all related powers, to increase the share capital for a period of five years from this resolution for a maximum nominal amount of 500 million euro, free-of-charge or against consideration, and to issue for a period of five years from this resolution, on one or more occasions, convertible bonds for a maximum nominal amount of 500 million euro within the limits allowed from time to time by law;
2) to amend paragraph 4 of art. 5 of the By-Laws as follows:
   "The Board of Directors is given the power so that it may, once or various times within the period of five years from the decision of the shareholders at their Extraordinary Meeting dated April 17, 2015:
   a) under art. 2443 of the Italian Civil Code, increase share capital by a maximum amount of nominal EUR 500,000,000, free-of-charge or against consideration, by issuing ordinary shares and/or coupons (warrants) for deferred subscribing;
   b) under art. 2420-ter of the Italian Civil Code, issue bonds to be converted into ordinary shares or with rights of purchase and subscription, up to a maximum amount of EUR 500,000,000, within the limits from time to time allowed by law,

   all with the widest related powers, including those of offering the shares and convertible bonds or bonds with warrants in the form as per the penultimate paragraph of art. 2441 of the Italian Civil Code; reserve up to a quarter of such instruments under art. 2441 of the Italian Civil Code, final paragraph; define the provisions and reserves to enter as capital in the event of free-of-charge increase; establish issue price, conversion rates, terms and modes for the execution of the operations.
3) to abrogate the final paragraph of art. 5 of the By-Laws.

* * *

The text of art. 5 of the By-Laws as a consequence of the above proposed resolution will be as follows:

Article 5
Share capital

The share capital is EUR 401,715,071.15, broken down into 349,270,680 ordinary shares, without indication of face value.

The share capital can be increased also by means of assets in kind or receivables, provided that legal provisions are complied with.

In the event the share capital is increased, the pre-emptive right can be ruled out within a limit of ten per cent of the pre-existing share capital, in compliance with legal provisions.

The Board of Directors is given the power so that it may, once or various times within the period of five years from the decision of the shareholders at their Extraordinary Meeting dated April 17, 2015:

a) under art. 2443 of the Italian Civil Code, increase share capital by a maximum amount of nominal EUR 500,000,000, free-of-charge or against consideration, by issuing ordinary and/or coupons (warrants) for deferred subscribing;

b) under art. 2420-ter of the Italian Civil Code, issue bonds to be converted into ordinary shares or with rights of purchase and subscription, up to a maximum amount of EUR 500,000,000, within the limits from time to time allowed by law,

all with the widest related powers, including those of offering the shares and convertible bonds or bonds with warrants in the form as per the penultimate paragraph of art. 2441 of the Italian Civil Code; reserve up to a quarter of such instruments under art. 2441 of the Italian Civil Code, final paragraph; define the provisions and reserves to enter as capital in the event of free-of-charge increase; establish issue price, conversion rates, terms and modes for the execution of the operations.

With a resolution dated April 19, 2011, the extraordinary shareholders' meeting attributed to the Board of Directors:

- the power, pursuant to art. 2443 Italian Civil Code, to increase the share capital on one or more times within a period of five years from the above resolution, for a maximum nominal amount of 6,000,000 euro through the issue, free of charge and/or against consideration, of up to 6,000,000 ordinary shares, to be reserved, pursuant to art. 2441 par 8, Italian Civil Code:
    * for employees of Italcementi S.p.A. and its subsidiaries, in the event of a free of charge issue,
    * for employees of Italcementi S.p.A. and its subsidiaries, and for employees of its parent companies and of other companies controlled by such parent companies, in the event of an offer for subscription, both in Italy and abroad and in accordance with the laws in force in the countries of the beneficiaries;
- the power, consequently, to establish the share entitlement rights, to determine the time, procedures, characteristics and conditions of the offer to employees and to establish the share issue price, including any share premium.

Proposal for the amendment of article 17 (Board of Directors and the Executive Committee Notice of call) of the By-Laws. Resolutions arising:

To the Shareholders,

Art. 17, paragraph 2 of the By-Laws provides that the notice of call of meetings of the Board of Directors and the Executive Committee, when not urgent, be sent by means of registered letter or express courier. In urgent cases, the notice of call may also be sent via telegram, fax or sent electronically.

In consideration of the wide use by all individuals of telematic communication systems, it is suggested that the manner envisaged for the notice of call of urgent meetings be extended to the notice of call of meetings within the ordinary term of five days.

Therefore, we propose amending art. 17 of the By-Laws as follows:

Art. 17 (Board of Directors and the Executive Committee Notice of call)

Current Text	Proposed Text
The Board of directors meets, both at the company head office or elsewhere, any time the Chairman, or his nominee, deems it as necessary, when a written request is made by at least one third of its members, as well as in the case envisaged by art. 28 of these By-Laws.	unchanged
The notices of call shall be usually made by the Chairman, or his nominee, in a letter to be sent, by means of registered post or express courier, at least five days in advance to the domicile of all Directors and Statutory Auditors.	The notices of call shall usually be made by the Chairman, or his nominee, by telegram, fax or sent electronically, at least five days before the meeting.
In case of urgency, the notice can be made via telegram, fax or sent electronically at least 24 hours before the meeting.	In cases of urgency, the notice may be made with the same means at least 24 hours before the meeting.
The same procedure shall be followed to call the meetings of the Executive Committee.	unchanged

* * *

To the Shareholders,

if you agree with our proposal, we invite you to carry the following resolution:

"At an extraordinary session of the meeting held on April 17, 2015, the Italcementi S.p.A. shareholders,

- having acknowledged the proposal of the Board of Directors,

hereby resolve

to amend art. 17 of the By-Laws by replacing the current second and third paragraphs with the following text:

2nd paragraph: The notices of call shall usually be made by the Chairman, or his nominee, by telegram, fax or sent electronically, at least five days before the meeting.

3rd paragraph: In cases of urgency, the notice may be made with the same means at least 24 hours before the meeting."

* * *

The text of art. 17 of the By-Laws as a consequence of the above proposed resolution will be as follows:

<u>Article 17</u>
Board of Directors and the Executive Committee Notice of call

The Board of directors meets, both at the company head office or elsewhere, any time the Chairman, or his nominee, deems it as necessary, when a written request is made by at least one third of its members, as well as in the case envisaged by art. 28 of these By-Laws.

The notices of call shall usually be made by the Chairman, or his nominee, by telegram, fax or sent electronically, at least five days before the meeting.

In cases of urgency, the notice may be made with the same means at least 24 hours before the meeting.
The same procedure shall be followed to call the meetings of the Executive Committee.

Bergamo, March 4, 2015

for the Board of Directors
The Chairman
Giampiero Pesenti

Summary of resolutions

The Annual General Meeting of the Shareholders held on a single call on April 17, 2015, in Bergamo, via Madonna della Neve 8, chaired by Pierfranco Barabani, and attended in person and by proxy by 280 shareholders holding a total of 232,839,500 ordinary shares over 349,270,680 outstanding ordinary shares,

resolved

at the ordinary session

1) - to approve the financial statements as at and for the year ended December 31, 2014, which reflect a loss of 54,025,014.18 euro, and also the related Directors' Report;
   - to release, after the issue of the definitive decree granting subsidies for project no. 20070-11, at the Porto Empedocle cement plant, an amount of 3,962,257.33 euro of 2000 earnings allocated to the "Provision law 488/92" reserve with a shareholder resolution dated April 24, 2001 and to assign the full amount to the "Extraordinary Reserve", which therefore rises to 208,700,958.53 euro;
   - to cover in full the loss for the year of 54,025,014.18 euro by withdrawing a sum for the same amount from the Extraordinary Reserve, which consequently decreases to 154,675,944.35 euro;
   - to withdraw an amount of 31,086,816.84 euro from the Extraordinary Reserve, which consequently decreases from 154,675,944.35 euro to 123,589,127.51 euro, in order to assign 0.09 euro to the 345,409,076 outstanding ordinary shares, net of the 3,861,604 ordinary treasury shares held at March 4, 2015;
   - to authorize the Chairman, the Executive Deputy Chairman, the Deputy Chairman and the Chief Executive Officer, severally, should the number of treasury shares change before the ex dividend date:

     (i) to raise the "Extraordinary Reserve" by the amount corresponding to the dividend attributable to any purchased shares,

     (ii) to reduce the "Extraordinary Reserve" by the amount corresponding to the dividend attributable to any sold treasury shares.
2) to approve the Remuneration Report drawn up by the Directors;
3) subject to revocation of the resolution authorizing the purchase and disposal of treasury shares adopted by the Annual General Meeting of April 16, 2014:
   - to authorize, pursuant to art. 2357 Italian Civil Code, within 18 months from the resolution date, the purchase, in one or more transactions, of ordinary and/or savings treasury shares in order to:
     - hold treasury shares:
       * to be sold to employees and/or directors in connection with stock option plans reserved for employees and/or directors;
       * for medium/long-term investment purposes;
     - intervene, in compliance with current regulations, directly or through intermediaries, in order to limit anomalous movements in share prices and to regularize trends in trading and share prices in response to momentary distortions caused by excessive volatility or low trading liquidity;
     - build a treasury stock portfolio to service extraordinary financial transactions or for other purposes deemed to be in the financial, business and/or strategic interests of the company;
     - offer shareholders an additional instrument to monetarize their investments. The per-share purchase price shall not be more than 15% above or below the average reference price on the same regulated market in the three trading sessions prior to each transaction; the overall amount paid by the company shall in no case exceed 100 million euro; the overall nominal value of the maximum number of purchased ordinary shares, including any treasury shares held as of the date hereof by the company and by the subsidiaries, shall not exceed one tenth of share capital.

Furthermore:

- purchases shall normally be conducted in such a manner that equitable treatment of shareholders is ensured and that offers to purchase may not be directly matched with pre-determined offers to sell, 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 transaction is performed;
- shares shall be disposed of in any manner deemed appropriate to achieve the objectives pursued, directly or through intermediaries, in compliance with current laws and without time limits;
- treasury share purchases and sales shall be performed in compliance with the applicable laws and, specifically, in compliance with the laws and regulations governing the stock market on which the transaction is performed.

- to severally grant to the Chairman, the Executive Deputy Chairman, the Deputy Chairman and the Chief Executive Officer pro tempore in office, all powers required to proceed with the purchases and sales and in any case to execute the above resolutions, also through agents, complying with any requirements presented by the authorities;

4) to name as members of the Board of Statutory Auditors for the three-year period 2015-2017, that is until approval of the financial statements as at and for the year ended December 31, 2017, Messrs:

Giorgio Mosci	Chairman
Mario Comana	Standing auditor
Luciana Gattinoni	Standing auditor
Carlo Luigi Rossi	Substitute auditor
Luciana Ravicini	Substitute auditor
Andrea Bonechi	Substitute auditor

and to set the annual remuneration of the Chairman at 75,000 euro and of each Standing Auditor at 50,000 euro;

5) to set at 4,000 euro the gross remuneration of each member of the Strategic Committee for each attendance at the meetings of the Committee.

at the extraordinary session:

1) to renew the powers of the Board of Directors, pursuant to articles 2443 and 2420-ter of the Italian Civil Code, to raise the share capital, on one or more occasions, by an overall maximum nominal amount of 500 million euro and to issue convertible bonds with warrants, on one or more occasions, for an overall maximum amount of 500 million euro;

2) to amend article 17 (Board of Directors and the Executive Committee Notice of call) of the By-Laws.

Directors, Officers and Auditors after the appointments of April 17, 2015

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	1-4-5-6-7-8	Deputy Chairman
Carlo Pesenti	1-2-7	Chief Executive Officer-CEO
Giulio Antonello	3-4-7-8	
Giorgio Bonomi		
Fritz Burkard	7-8	
Victoire de Margerie	4-8	
Federico Falck	1-5-6-8	
Italo Lucchini		
Emma Marcegaglia	4-8	
Sebastiano Mazzoleni	7	
Jean Paul Méric	1	
Carlo Secchi	5-6-8	
Elena Zambon	7-8	
Paolo Santinoli	10	Secretary to the Board

Board of Statutory Auditors

(Until approval of financial statements at 12.31.2017)

Standing Auditors

Giorgio Mosci	9	Chairman
Mario Comana	9	
Luciana Gattinoni	9	

Substitute Auditors

Carlo Luigi Rossi	9	
Luciana Ravicini	9	
Andrea Bonechi	9	

Chief Operating Officer

Giovanni Ferrario

Manager in charge of financial reporting

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 Member of the Strategic Committee
8 Independent director (pursuant to the Code of Conduct and Legislative Decree no. 58, February 24, 1998)
9 Independent auditor (pursuant to the Code of Conduct)
10 Secretary to the Executive Committee

April 2015
Project by LSVmultimedia
Olginate - Lecco

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