



**Italcementi**  
Italcementi Group

# 2015 Annual Report







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# 2015 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.

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## The Italcementi Group: a leading role at EXPO Milano 2015



Carlo Pesenti CEO of Italcementi and Diana Bracco, President of Expo 2015

ideal for making ambitious architectural forms such as those on the outside of Palazzo Italia, an iconic spot at EXPO 2015.

The topic of aesthetic value is not to be taken for granted when we talk of a material like cement, which is too often associated with spoiling the landscape and misuse of land. Our objective is to propose cement as a material of beauty, of the noble art of building, able to respect the highest classic tradition.

This highly interesting and difficult challenge was taken up by the whole of **i.Lab**, Italcementi's research centre, which had already passed the same test at the earlier Expo 2010 in Shanghai, with the 'transparent cement' **i.light**.

In view of their contribution to the constructing of Palazzo Italia, Italcementi's researchers were invited by Expo to the parade of 2 June 2015 for the National Day of the Republic that took place on the Decumano and whose main objective was the celebration of Italian labour and excellence.

During EXPO, Italcementi organized visits to Palazzo Italia for more than **70 delegations** coming from **34 countries**, for a total number of around **1600 visitors** - architects, engineers, designers, customers, journalists, representatives of the institutions and colleagues from our Italcementi subsidiaries.

The work connected to the construction of Padiglione Italia also involved **intense activities of event organization and communication** which accompanied i.active BIODYNAMIC from its first conception to its final application at EXPO Milano 2015.

Our communication activity, integrated in the development lines of the **i.nova project**, was developed starting from January when, at the annual Conference of the Italcementi Foundation focused on the theme "Mending and urban regeneration for a new Renaissance", the architectural

The Italcementi Group backed the beauty project of **Palazzo Italia for EXPO Milano 2015**, an event that recorded more than 20 million visitors attending the Exhibition. Beauty related to the values of innovation, architecture, engineering, research, and materials.

Italcementi accepted this challenge in the first place by developing the **i.active BIODYNAMIC** cement for Palazzo Italia. This is a latest generation cement mortar, created especially for the prefabrication industry. Of high aesthetic quality, this new mortar is also very sustainable because of the ingredient **TX Active®** which, with its de-polluting and self-cleaning properties, is largely made from recycled materials (80%). The mortar is extremely fluid,



Palazzo Italia Expo 2015

project of "Palazzo Italia" was illustrated by Michele Molé, designer from Studio Nemesi, who focused on the know-how and expertise of the participating Italian companies, among which Italcementi, that conceived the material for the structure.

February and March were the months of the **arcVision prize**, the award assigned by Italcementi to women architects: it was at the time of the 2015 prize that a partnership was started with **WE-Women for Expo**, an EXPO project with the Ministry of Foreign Affairs and the Arnoldo and Alberto Mondadori Foundation. The prize was therefore another chance to communicate Italcementi's presence at the Milan Universal Exposition.

In April, during Italcementi's events organized for Fuorisalone 2015, a lecture by Susanna Tradati, designer from the Nemesi office, was organized in i.lab. More than 250 people - architects, journalists and students - attended the meeting.

Since May, with the opening of EXPO 2015, the communication plan around the concept of BEAUTY intensified, and affected all the Group's subsidiaries, leading in September 2015 to the global market launch of i.active BIODYNAMIC.

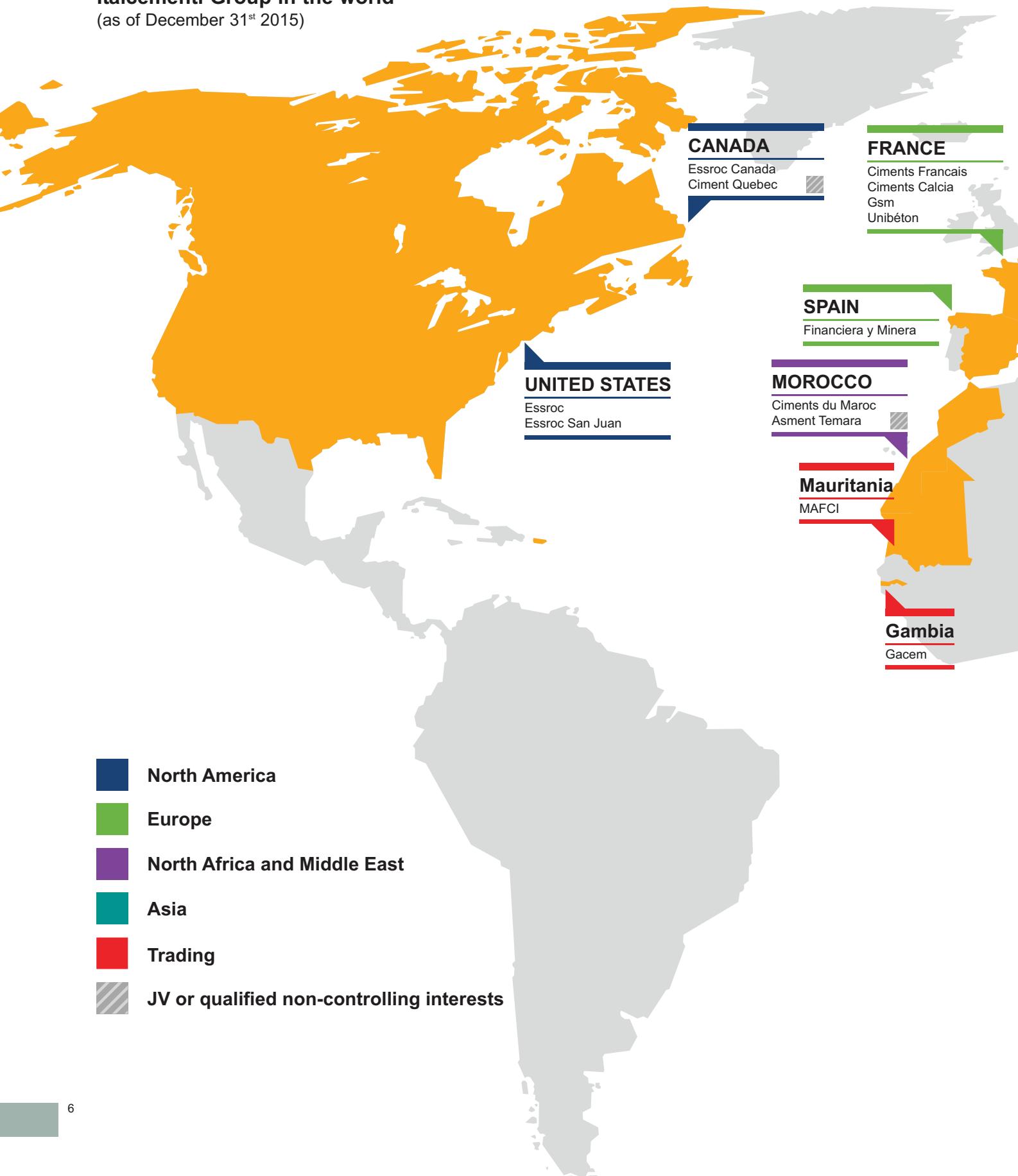
For the first time in Italy, a cement group decided to embark **on television communication with a 30" commercial**, broadcast for three weeks on the main national networks with more than 780 showings. The commercial symbolically described the meeting between genius and matter, with spectacular results: from Michelangelo to Pierluigi Nervi, a designer who, with the support of Italcementi, designed the Paolo VI hall in the Vatican, and who defined cement as "*a material that creates its own shapes*". In the final scenes, the material and the concept it contains, grow and branch out until they take the unmistakable "shape" of Palazzo Italia. Beauty and Innovation. The technique adopted for this commercial was 3D particle animation that metaphorically displays the "matter of ideas". A sort of animated dust capable of generating any type of work. Ideas that take shape, projects that become reality. Symbols of Beauty.

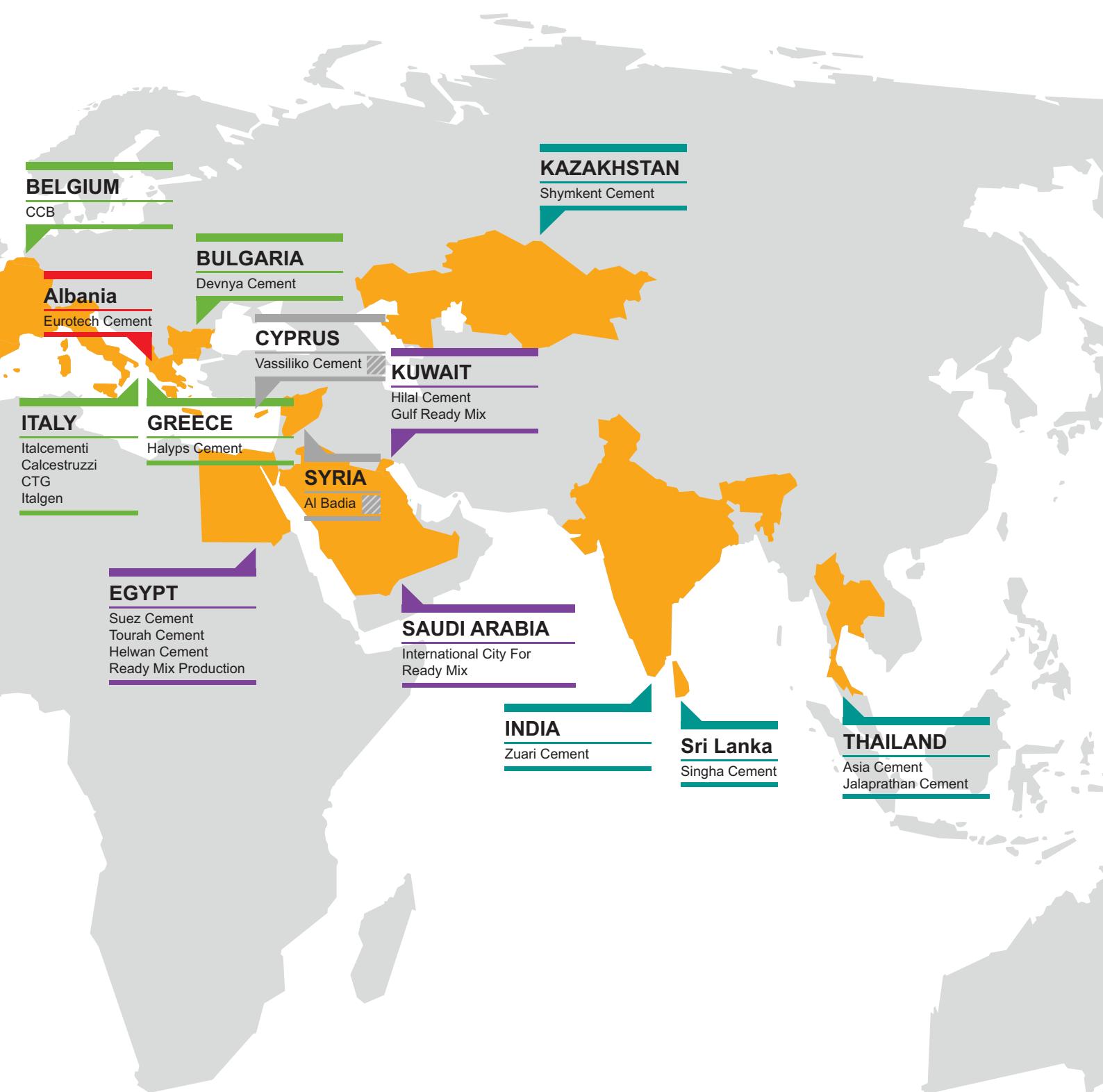
The topic of "Beauty" was also communicated in a **press campaign in the main Italian newspapers**. Also in this case, attention was focused on the Group's ability to re-interpret a commodity that, thanks to heavy investment in research and innovation, becomes a material used for building beauty, in this case represented by Palazzo Italia that becomes a work of art on a pedestal. The last piece in the communication for Palazzo Italia and biodynamic cement was the publication of the **book "Beauty"** edited by Walter Mariotti and published by Italcementi with its arcVision brand, which includes a series of interviews with prominent figures from the world of culture, entertainment, economy (among them, Armani, Bocelli, Zeffirelli, Cucinelli) around the topic of beauty and Italy's ability to produce beauty.



## Italcementi Group in the world

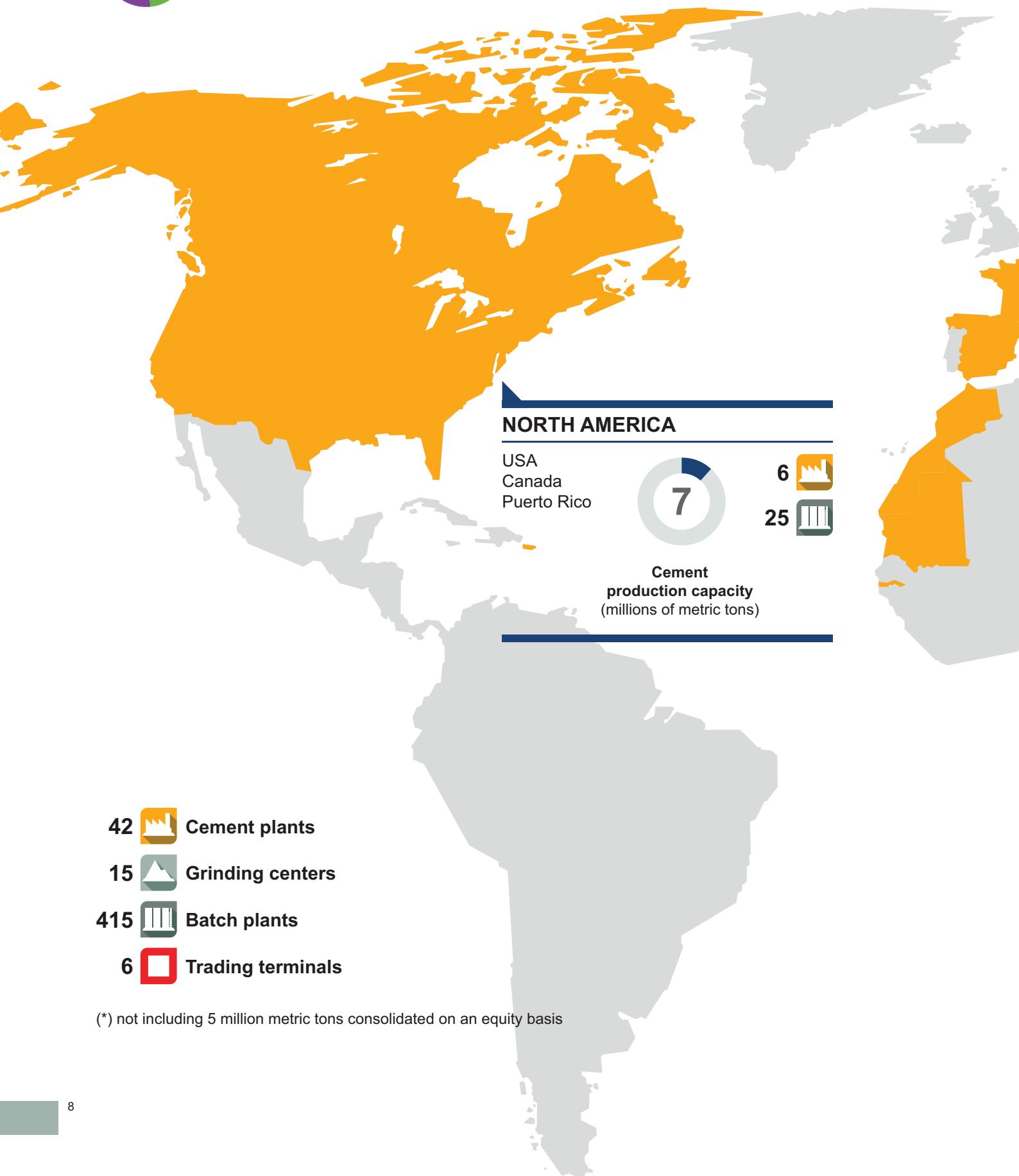
(as of December 31<sup>st</sup> 2015)





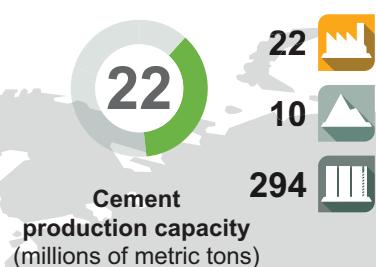


**Total cement production capacity  
of the consolidated companies\*** in millions of metric tons  
(as of December 31<sup>st</sup>, 2015)



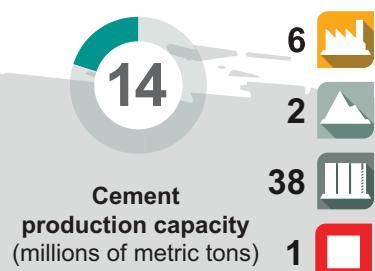
## EUROPE

Italy  
France  
Belgium  
Spain  
Greece  
Bulgaria



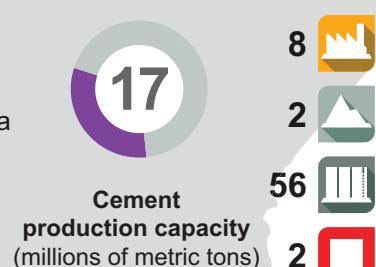
## ASIA

Thailand  
India  
Sri Lanka  
Kazakhstan



## NORTH AFRICA AND MIDDLE EAST

Egypt  
Morocco  
Kuwait  
Saudi Arabia



## TRADING

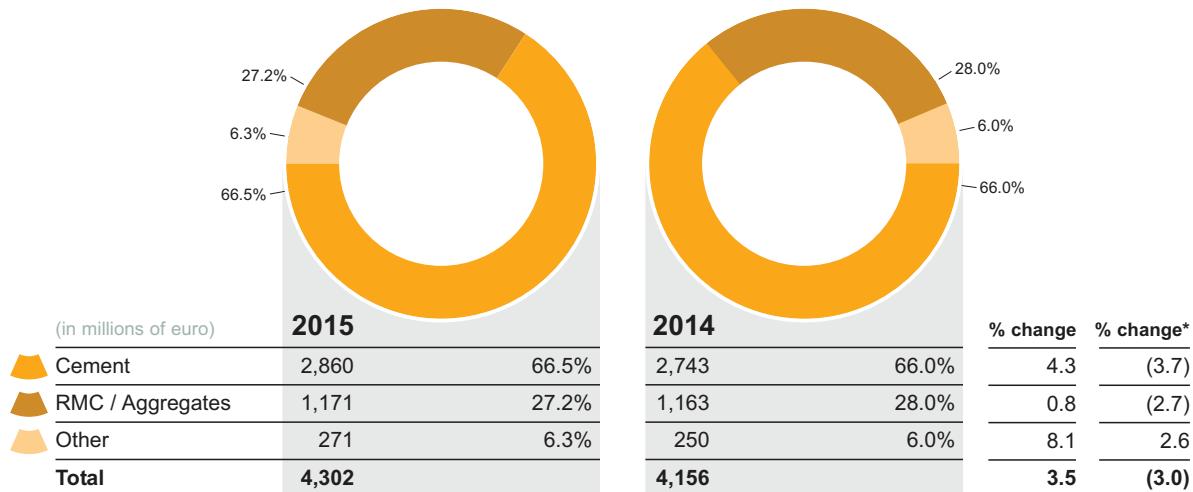
Albania  
Gambia  
Mauritania





## Highlights

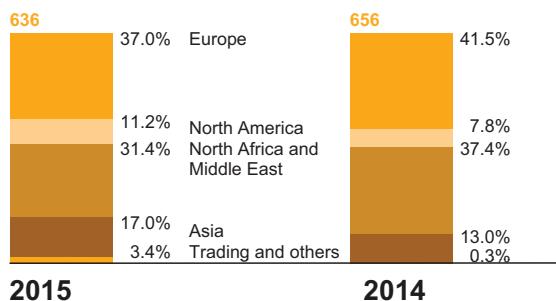
Contribution to consolidated revenue by business segment



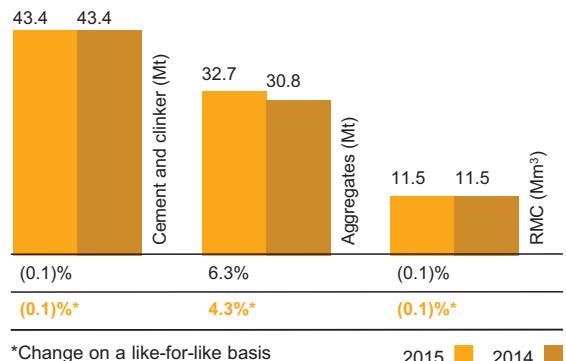
\* Change on a like-for-like basis and at constant exchange rates

## Recurring EBITDA

(in millions of euro)



## Sales volumes and internal transfers by segment



\*Change on a like-for-like basis

2015 2014

## Group business, financial and sustainability highlights

(in millions of euro)	2015	2014	2013	2012	2011
Revenue	4,302	4,156	4,232	4,479	4,657
Recurring EBITDA	636	656	629	643	701
EBITDA	584	651	616	625	742
EBIT	148	234	159	(140)	139
Profit (loss) for the year	(69)	(49)	(88)	(362)	91
Profit (loss) attributable to owners of the parent	(120)	(107)	(165)	(395)	(3)
Capital expenditure	363	523	339	370	398
Total equity	3,800	3,891	3,783	4,165	4,895
Equity attributable to owners of the parent	3,009	3,083	2,604	2,903	3,495
Net debt	2,170	2,157	1,934	1,998	2,093
Number of employees at Dec. 31	17,525	17,779	18,484	18,886	19,462
Innovation rate (% revenue)	7.9	6.6	5.3	2.6	4.5
Carbon emissions (kg carbon/t cement products)	691	692	694	712	708
Injury frequency rate (injuries per million hours worked)	2.8	3.7	4.1	6.2	6.2
Women in managerial positions (%)	10	10	9	10	12

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## Italcementi S.p.A. on the Stock Exchange

### Italcementi shares

#### A) Share capital at 12.31.2015

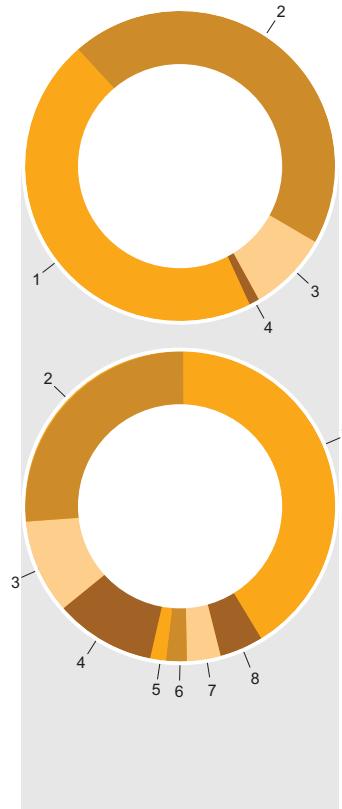
Italcementi S.p.A. has been listed on the Milan Stock Exchange since 1925.

At 12.31.2015, Italcementi share capital is € 401,715,071.15 represented by n. 349,270,680 shares with no par value.

#### B) Ordinary shares

Survey of shareholders with over 2% of share capital at 12.31.2015 (based on the shareholders' register, Consob communications and other information).

1 Italmobiliare	45.00%
2 Other	45.48%
3 Group FIRST EAGLE FUNDS (First Eagle Invest. Management, LLC) - USA	8.41%
4 Treasury shares	1.11%



#### C) Ordinary shares

Breakdown of free float based on information in the shareholders' register for payment of the FY 2014 dividend;  
Shareholders listed in the register: n. 22,476.

1 Foreign Funds	41.45%	5 Italian Banks	1.69%
2 Private Individuals	26.32%	6 Foreign Companies	2.01%
3 Foreign Banks	9.70%	7 Italian Companies	3.69%
4 Brokers and Omnibus Accounts	10.52%	8 Italian Funds	4.61%

#### Ticker symbol

BLOOMBERG:	IT IM
REUTERS:	ITAI.MI
ISIN:	IT0001465159

## Financial Indicators

Italcementi S.p.A. (euro)	2015	2014	2013	2012	2011
<b>Market prices</b> (annual average official prices):					
- Ordinary share	7.956	6.133	5.311 <sup>(1)</sup>	4.368	5.855000
- Savings share	-	-	2.721	2.042	2.899000
<b>Per share dividend:</b>					
- Ordinary share	- <sup>(2)</sup>	0.090	0.060	0.060	0.120000
- Savings share	-	-	0.060	0.060	0.186478
<b>Dividend yield</b> (on annual average official prices):					
- Ordinary share	-	1.47%	1.13%	1.37%	2.05%
- Savings share	-	-	2.21%	2.94%	6.43%

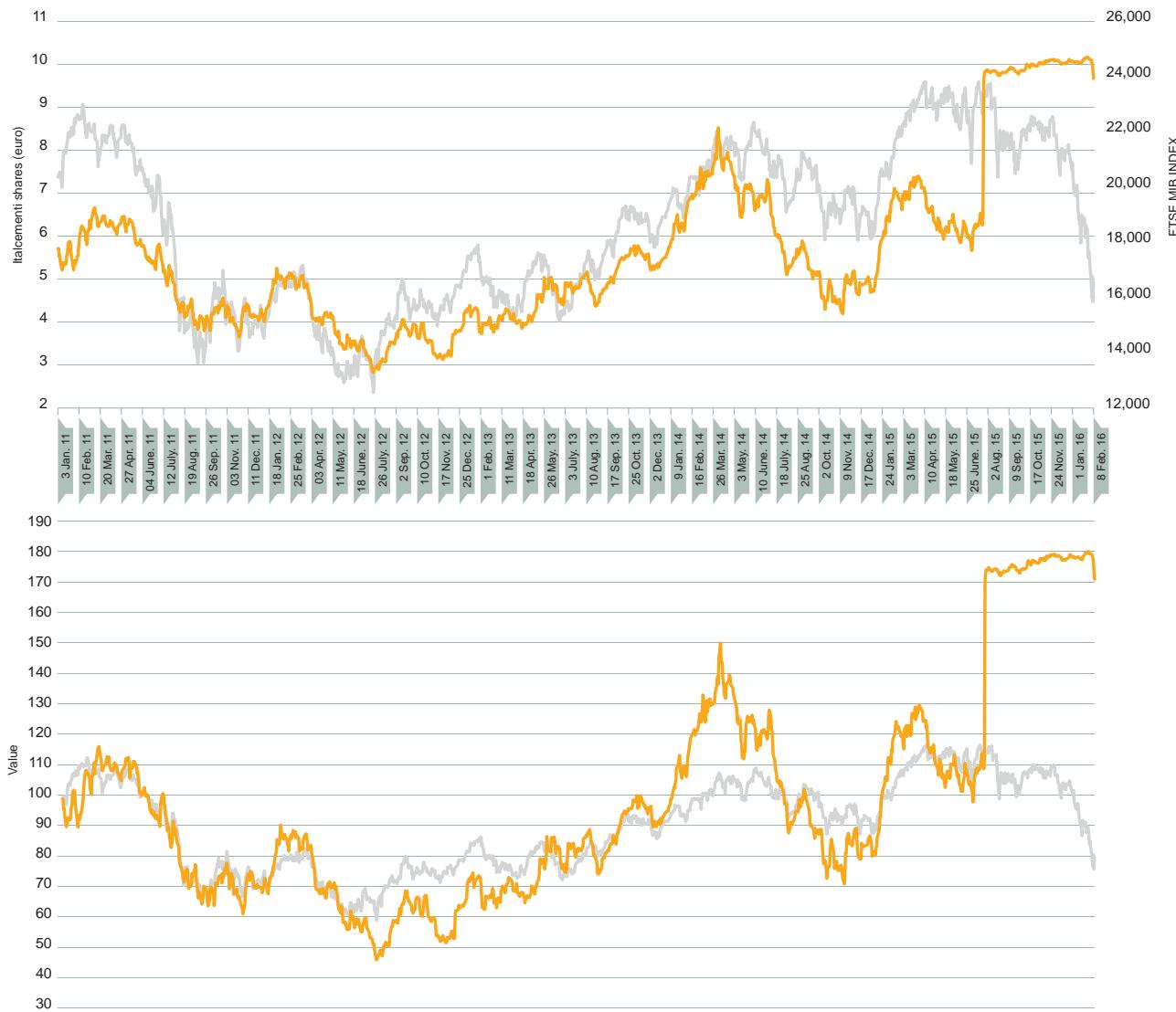
(1) Price not adjusted

(2) Proposal of Board of Directors of February 18, 2016



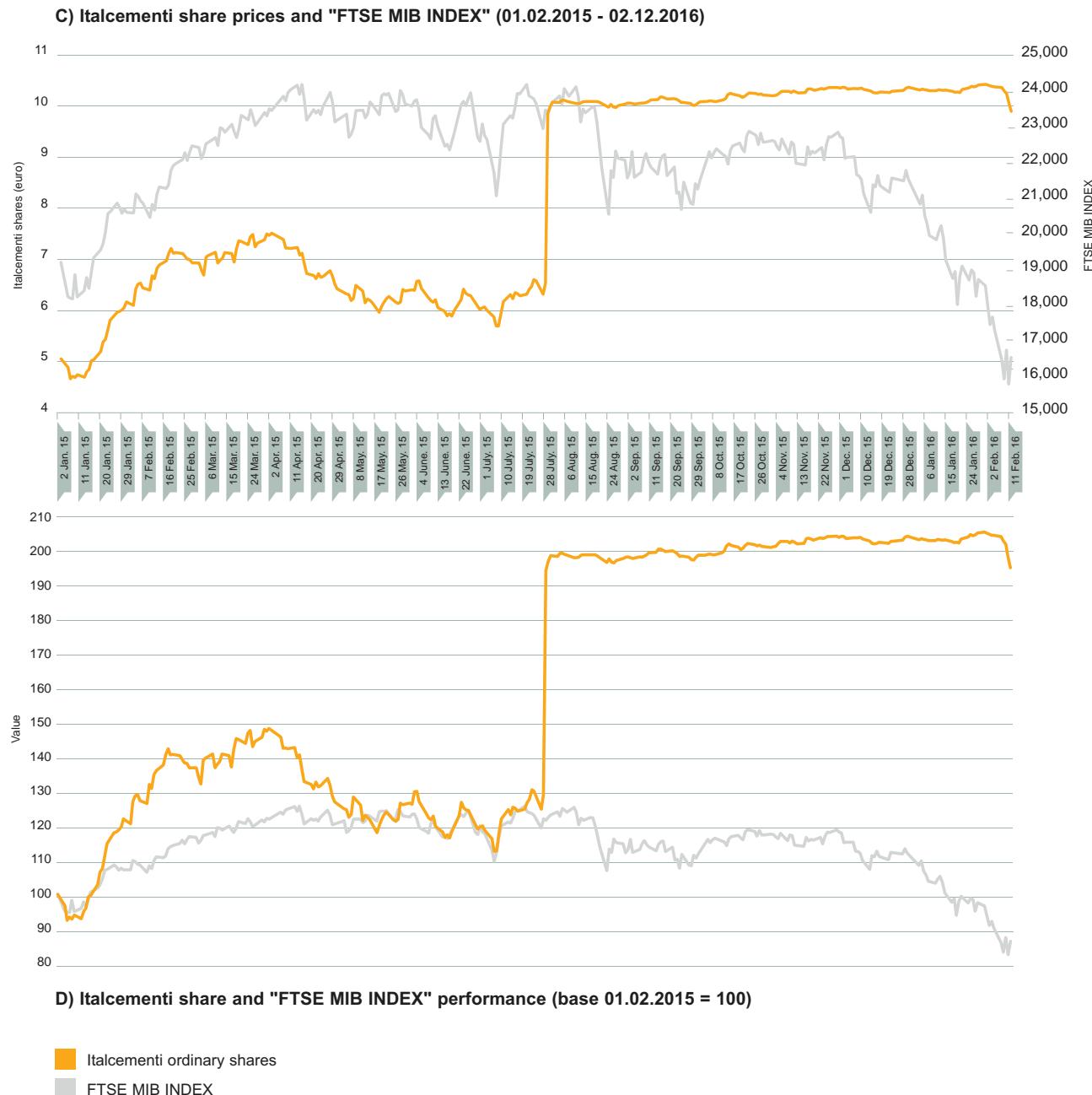
## Share prices and market capitalization

A) Italcementi share prices and "FTSE MIB INDEX" (01.03.2011 - 02.12.2016)



B) Italcementi shares and "FTSE MIB INDEX" performance (base 01.03.2011 = 100)

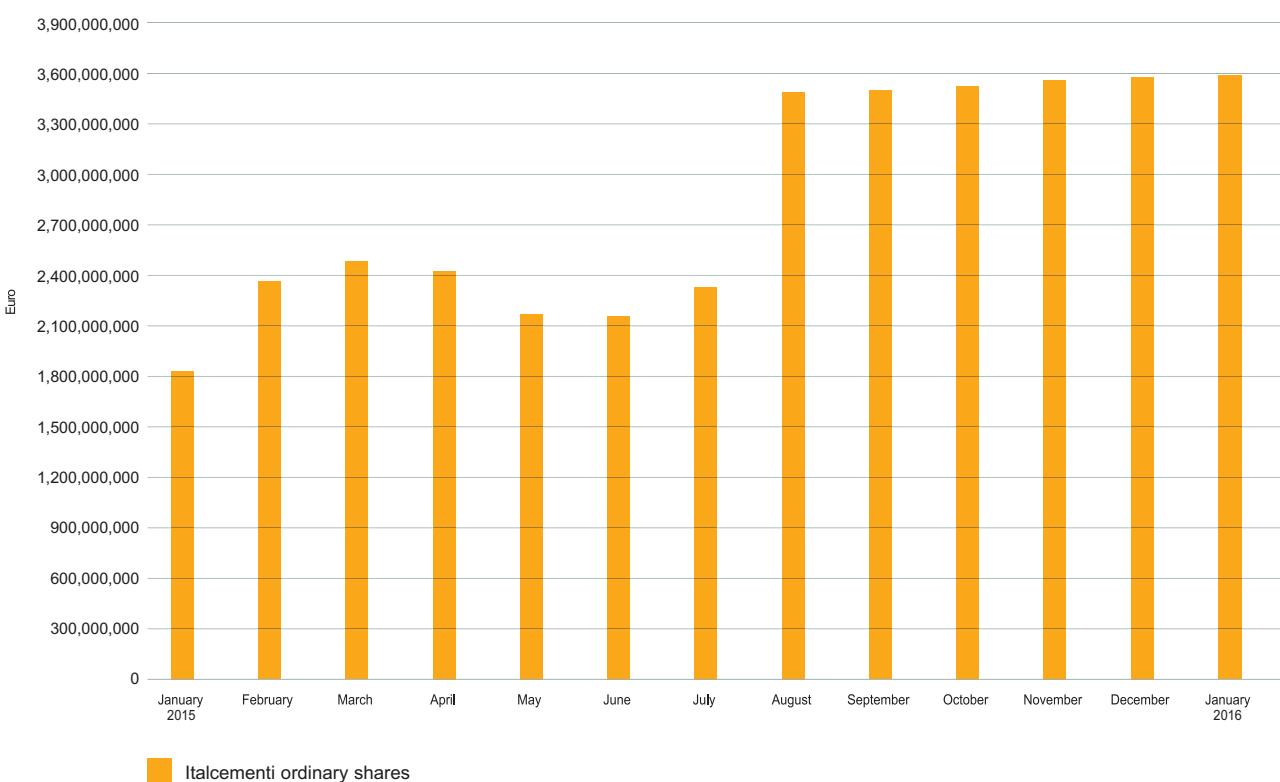
■ Italcementi ordinary shares  
■ FTSE MIB INDEX



**E) Share prices and market capitalization from 01.02.2015 to 02.12.2016**

	Share price (euro)			Capitalization (millions of euro)				
	01.02.15	high	low	02.12.16	01.02.15	high	low	02.12.16
Ordinary shares	5.029	10.325	4.647	9.803	1,756	3,606	1,623	3,424
"FTSE MIB INDEX"	19,130	24,031	15,773	16,515				

**F) Average monthly capitalization (January 2015 - January 2016)**

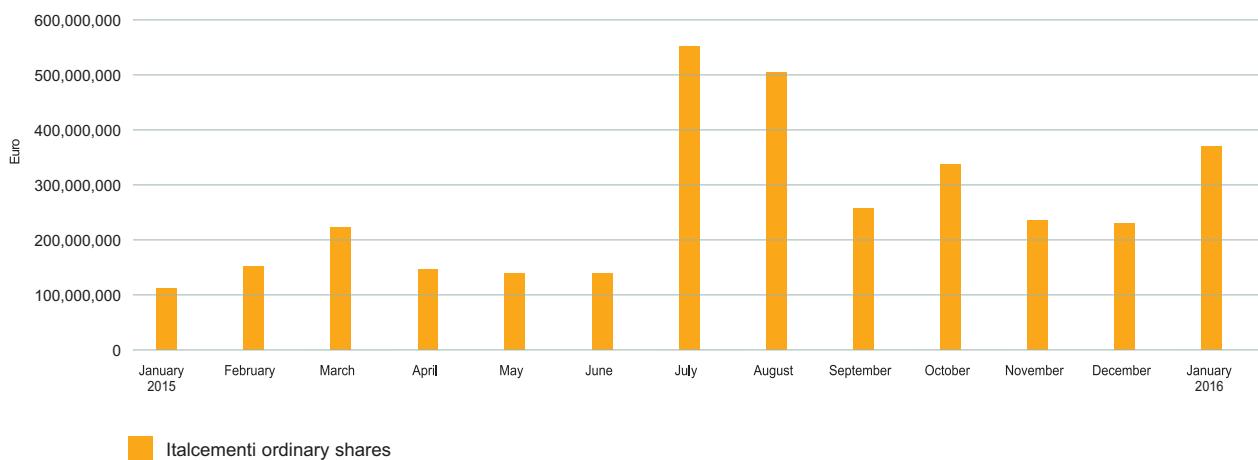


## Trading volumes on the Italian Stock Exchange

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

Month	Number of traded shares	Weighted monthly average price	Trade value
	Ordinary shares		
January 2015	21,278,481	5.315	113,100,062
February	22,811,136	6.719	153,275,178
March	31,400,436	7.119	223,530,637
April	21,353,538	6.904	147,416,384
May	22,820,170	6.199	141,462,338
June	22,531,951	6.201	139,729,911
July	63,201,630	8.739	552,345,864
August	50,768,344	9.956	505,427,730
September	25,916,440	9.982	258,697,843
October	33,505,772	10.088	338,007,882
November	23,215,090	10.189	236,527,942
December	22,704,282	10.212	231,850,006
January 2016	36,395,249	10.219	371,905,564

### B) Monthly turnover (January 2015 - January 2016)



Italcementi ordinary shares

## 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	
Claudia Rossi	8-10	
Carlo Secchi	5-6-8	
Paolo Santinoli	11	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 the financial reports

Carlo Bianchini

### Independent Auditors

(Until approval of financial statements at 12.31.2019)

KPMG S.p.A.

- 1 Member of the Executive Committee
- 2 Director responsible for supervising the Internal Control & Risks Management System
- 3 Lead independent director
- 4 Member of the Remuneration Committee
- 5 Member of the Control & Risks Committee
- 6 Member of the Committee for Transactions with Related Parties
- 7 Member of the Strategic Committee
- 8 Independent director (pursuant to the Code of Conduct and Law no. 58, February 24, 1998)
- 9 Independent auditor (pursuant to the Code of Conduct)
- 10 Member of the Supervisory Body
- 11 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 director of Compagnie Monegasque de Banque and other companies in the Italmobiliare Group.

#### Pierfranco Barabani

(*Director since June 19, 1989*).

Born in Milan, September 09, 1936.

Degree in civil engineering – Milan Polytechnic.

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

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

Deputy Executive Chairman of the company since 2004.



**Lorenzo Renato Guerini**

(*Director since April 19, 2011*).

Born in Bergamo, September 10, 1949.

Degree in Business Economics – Bocconi University, Milan.

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

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

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

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

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

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

May 2012, appointed Chairman of 035 Investimenti S.p.A..

April 2013, became a member of the Surveillance Committee of UBI Banca S.p.a., and chair of the Financial Report Committee.

December 2013, became chair of Quenza S.r.l.

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

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

From 2006 to 2015, CEO of Alerion Clean Power S.p.A., a company listed on the Milan Stock Exchange active in the production of energy from renewable sources; since 2014, a director of Eurotech S.p.A.

1996-2012, 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 02, 1955.

Degree in law – Milan State University.

Practises law in Bergamo. Account auditor.

### **Fritz Hannes Kaspar Burkard**

(*Director since April 17, 2013*).

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

Holds a bilingual degree (German and French) in Economics & Business Administration from Fribourg University, and three Master's degrees from the IMD (Lausanne), 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..

### **Victoire de Margerie**

(*Director since April 17, 2013*).

Born in Suresnes, France, April 6, 1963

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

Chair of Rondol Industrie, since 2012 also a director of Morgan Advanced Materials, Eurazeo, Norsk Hydro and Arkema; since 2011, a director of Eco Emballages; since February 1, 2016, non-executive director of Babcock International (UK). From 1986 to 2003, she held managerial posts in multinational manufacturing companies in France, Germany and the USA.

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

### **Federico Falck**

(*Director since February 03, 2004*).

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

Degree in mechanical engineering – Milan Polytechnic.

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

Currently director of Falck Renewables S.p.A., a Falck Group company 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., of Falck Renewables S.p.A., of 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, Emittenti Titoli and Chairman of Sodalitas, director of Fondazione di Diritto Vaticano Centesimus Annus.

### **Italo Lucchini**

(*Director since February 04, 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., director of Unione Banche Italiane S.c.p.a., Chairman of the Board of Auditors of ALMAG S.p.A.

Also acts as a court-appointed consultant on insolvency procedures in Bergamo, in particular as 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), of Fondazione FEEM (since November 2014), of BUSINESSEUROPE (since July 2013) and of the 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 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 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 Committee of Banco Popolare and a director of FinecoBank S.p.A.



**Sebastiano Mazzoleni**

(*Director since May 04, 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. as Project Manager 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 Polytechnique and the École Supérieure d'Électricité, he began his professional career with EDF, the French power company, and later moved into employment in the cement industry.

After joining the CERILH (Centre 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.

From 2010 to 2013 Dirécteur général délégué of Ciments Français; from 2013 to 2015 Chairman of Ciments Français.

### **Claudia Rossi**

(*Director since November 06, 2015*).

Born in Urgnano (Bergamo), June 2, 1958.

Degree in economics & commerce – Bergamo University.

Full professor of “Business Economics” and “Extraordinary Transactions and Financial Statements” at the Department of Business, Economic & Quantitative Sciences, Bergamo University.

She has been a director, Chair of the Independents Committee, Chair of the Supervisory Board and standing auditor of Credito Bergamasco S.p.A.; she has also been Chair of the Board of Auditors of Leasimpresa S.p.A. and standing auditor of SGS – BP S.c.p.a.

Currently Deputy Chair of Ateneo Bergamo S.p.A. and member of the Board of Auditors of Banco Popolare S.c.p.a.

She is a practising certified accountant and auditor.

### **Carlo Secchi**

(*Director since April 18, 2007*).

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

Degree in economics & commerce – Bocconi University, Milan.

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

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

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

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

Director of various listed and unlisted companies.

## **Board of Statutory Auditors**

### **Giorgio Mosci**

(Chairman of the Board of Statutory Auditors since April 17, 2015).

Born in Genoa, May 17, 1958.

Degree in economics & commerce – Genoa University.

Certified accountant and account auditor.

Began his career at Arthur Andersen, where he worked from 1981 to 1987.

1987, joined the Ernst & Young Group, first in Florence, then in Turin and later in Genoa, as a partner until June 2013.

Contract professor for academic years 2003-2004 and 2004-2005 at the Faculty of Economics, Genoa University.

Standing Auditor at Ansaldo Energia S.p.A. and Alternate at Ansaldo STS S.p.A.

Currently works as a business consultant, in corporate valuations, assistance and accounting organization.

Also holds posts in many associations and foundations.

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

Director of UBI Banca S.p.a. and 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.

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

### **Andrea Bonechi**

(*Substitute auditor since April 17, 2015*).

Born in Pistoia, February 06, 1968.

Degree in economics & commerce – Florence University.

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

From 2008 to 2012, National Director of the roll of certified accountants, with responsibility for reform of the professions.

Since 1995, lecturer in Commercial Law at the Department of Economic & Business Sciences at Florence university; also a tutor on advanced courses and post-graduate master degrees.

He is a practising certified accountant with an associate studio in Pistoia of which he is a founding partner.

From July 2007 to October 2013, Chairman and CEO of a multi-utility holding for 36 municipalities in Tuscany.

Author of many papers and conference speaker on corporate and bankruptcy law, speaker at specialist and institutional conferences on professional reform and companies established by professionals.

### **Carlo Luigi Rossi**

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

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

Degree in economics & commerce – Catholic University of Milan.

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

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

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

### **Luciana Ravicini**

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

Born in Milan, January 10, 1959.

Degree in economics & commerce – University of Brescia.

Registered on the roll of certified accountants of Brescia.

Registered on the roll of auditors.

Tax advisor and auditor.

Her professional posts have given her wide experience as a standing auditor of financial, trust and industrial companies, acquiring detailed knowledge of juridical and fiscal tools.

Standing auditor of companies listed on the Milan stock exchange, chair of the board of statutory auditors, standing auditor and legal 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.



## Notice of Call

Those who are entitled to vote at the Italcementi S.p.A. Shareholders' Meeting are hereby called, on single call, to attend the Annual General Meeting on April 8, 2016, at 10 a.m., in Bergamo, Via Madonna della Neve no. 8, to resolve upon the following

### Agenda

- 1) Reports of the Board of Directors and the Board of Statutory Auditors on the 2015 financial year: examination of the financial statements as at and for the year ended December 31, 2015 and resolutions arising;
- 2) Remuneration Report;
- 3) Appointment of the Board of Directors after determination of term of office and number of members.

\* \* \*

### 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, March 30, 2016 – 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 records, 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 5, 2016). 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 own 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](http://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](mailto: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 on an IT support, stating, under his/her own responsibility, that the proxy is a copy of the original, and the identity of the delegating person.

\* \* \*

#### **Additions to the agenda and presentation of new proposed resolutions**

Shareholders who alone or jointly own at least one fortieth of the share capital represented by ordinary voting shares may request in writing, within ten days of the publication of this notice of call (that is, no later than March 5, 2016), for additions to the Meeting agenda, indicating in their request the additional items they propose, or present additional proposed resolutions on 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](mailto:affarisocietari@italcementi.legalmail.it), accompanied by proper documentation issued by an authorized intermediary providing proof of the ownership of the above-mentioned percentage of the share capital, as well as entitlement to add to 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.

Any addition 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 March 24, 2016); 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.

An addition 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 reach the company by April 5, 2016, 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](mailto:affarisocietari@italcementi.legalmail.it) accompanied by proper documentation issued by an authorized intermediary providing proof of entitlement to vote.

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

\* \* \*

### **Appointment of the Board of Directors**

The Board of Directors is appointed by means of lists.

Lists may be presented by shareholders who alone or jointly with other shareholders demonstrate that they hold a share of the voting capital of not less than 1% on the day on which the lists are filed with the company.

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 belonging to a voting trust relating to 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.

In every list, the names of the candidates must be listed with a progressive number.

Lists presenting three or more candidates shall consist of candidates of both genders, so that the one and the other gender is represented by at least one third (rounded up) of the candidates.

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](mailto:affarisocietari@italcementi.legalmail.it), at least 25 days before the day set for the Meeting (i.e., no later than March 14, 2016) together with the following documentation:

- a) declarations with which the individual candidates accept the candidacy and state, under their own responsibility, that no causes of ineligibility exist and that they meet the honorability requirements set by law;
- b) a brief *curriculum vitae* setting out the personal and professional characteristics of each candidate, indicating administration and control positions held in other companies;
- c) the declarations of each candidate with regard to possession of the independence requirements set by law and by the Code of conduct;
- d) the information on the identity of the shareholders presenting the lists,
- e) the declaration by the shareholders, other than those who alone or jointly, hold a controlling interest or relative majority, attesting the absence of relationships as defined by current regulations

The documentation proving entitlement to exercise the right to vote 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 21 days prior to the meeting date (i.e., within March 18, 2016).

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

\* \* \*

## **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](http://www.italcementigroup.com), in the section *Investor Relations/General Meetings*, and on the NIS-STORAGE authorized storage mechanism.

Specifically:

- \* 1<sup>st</sup> item on the agenda: 21 free days prior to the Meeting;
- \* 2<sup>nd</sup> item on the agenda: 21 days prior to the Meeting;
- \* 3<sup>rd</sup> item on the agenda: 40 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 is 401,715,071.15 euro, subdivided into 349,270,680 ordinary shares with no par value.

As at the date of publication of this notice of call, the number of ordinary shares representing share capital with voting rights, therefore net of 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 February 24, 2016 and the following day, in ex-tract form, in "Il Sole 24 Ore", "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 2015, and the corresponding figures for 2014, 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 yet 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 opt for early application.

The **changes in accounting standards and interpretations**, with respect to the financial statements as at and for the year ended December 31, 2014, have not had a material impact on this report. They arise from the application as from January 1, 2015, of:

- “Annual Improvements cycle 2011-2013”. The changes introduced constitute clarifications and corrections (IFRS 3 “Business combinations” and IFRS 13 “Fair value measurement”). They involve amendments to 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.

The “Cotisation sur la Valeur Ajoutée des Entreprises” (CVAE) tax relating to the French companies, previously included under operating expense, has been classified under income tax. For comparative purposes, the amounts in the 2014 periods have been restated accordingly.

With regard to application of IAS 16 “Property, plant and equipment”, a review of industrial assets and their related useful lives led to a reduction of 13.6 million euro in amortization and depreciation.

The changes in the **scope of consolidation** compared with 2014 were not of material importance: they referred to a blast-furnace slag grinding center in North America (Camden) and two small companies purchased in the aggregates segment in France, which have been consolidated on line-by-line basis as from the start of 2015.

Under the agreements between the parent Italmobiliare and HeidelbergCement announced on July 28, 2015, by Italmobiliare, on December 18, 2015, the Italcementi Board of Directors approved the **sale of some Non-Core Assets to Italmobiliare**. These assets are the operations in the renewable energy segment (Italgen Group) and in the e-procurement segment (BravoSolution group) and a building in the center of Rome. The finalization of the contracts for the sale of the assets in question is subject to the closing of the agreement between Italmobiliare and HeidelbergCement, which is expected to take place in 2016. An agreement was also signed in 2015 and finalized at the end of January 2016 for the **sale of the entire equity investment in Italterminali S.r.l.**. All this required application of **IFRS 5 “Non-current assets held for sale and discontinued operations”** with the separate recognition, on the statement of financial position, of the assets and liabilities held for sale, under “Assets held for sale” and “Liabilities held for sale”.

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In the **operating segment disclosure**, with effect from January 1, 2015, operations in Bulgaria have been reclassified, also for comparative purposes, from "Other" in Emerging Europe, North Africa and Middle East to "Other" in Central Western Europe. As a result of this change, the names of the groupings in question have been changed to, respectively, "Europe" and "North Africa and Middle East".

### **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 IFRS.

Specifically, the income statement presents the following intermediate indicators/results: recurring EBITDA, EBITDA and 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 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 incidence 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 provide a clearer view 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 periods. 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 financial position and the results of operations.

### **The international economy and industry trends**

In 2015, world economic growth was once again below the long-term trend and the widespread expectations at the end of 2014 of a moderate acceleration were not met. The slackening in the global trend led to a further slowdown in the emerging economies for the fifth consecutive year, compared with only a slight acceleration in the advanced economies.

In the eurozone, the slow improvement in cyclical conditions continued, notably in Italy, France and in particular in Spain, driven by the depreciation of the euro, the monetary easing, the relaxation of public budget restrictions and the decline in commodity prices, all of which improved consumer countries' purchasing power. Growth continued in the USA, although results varied. While there was a strong improvement on the labor market, a



significant contraction was reported in investment in the energy sector, and manufacturing was hit by the backlash from the appreciation of the dollar. Given the significant improvement in employment, the Federal Reserve raised the federal funds rate in December, marking the end of the zero-interest-rate policy adopted in 2008 and the start of a normalization phase of the monetary policy. Monetary conditions remained accommodating, nonetheless; moreover, the rate increase has not had significant adverse repercussions on the global financial and currency markets, since it had been widely expected since the end of October.

Among the emerging economies, the deceleration intensified in China and the economic situation worsened in Russia and Brazil, which slid into a full recession. The fall in commodity prices, especially in energy, also had a significant weakening effect on the main exporter countries. Oil prices fell below the record lows of the 2008-09 crisis, due to lower-than-expected growth in demand, which was not countered by a parallel containment of supply; indeed, expectations prevailed of an expansion in extraction activities in Iran. Trends in the Group's emerging countries continued to vary greatly, with positive performance in Morocco and India and greater difficulties in Egypt, Kazakhstan and Thailand. Egypt continued to be affected by unresolved problems of political and economic instability. Kazakhstan suffered from the low oil prices, while economic performance in Thailand slackened due to a combination of structural weaknesses, an uncertain political situation and the slowdown in China.

The wide disparities in cyclical conditions in the construction industry was confirmed. In the Group's eurozone countries, with the exception of Belgium and Spain, the recessionary phase continued, driven by the persistence of the factors that have been constraining demand for months: weak household available income, high unemployment, low levels of confidence. Although the slowdowns reported in 2015 were uneven from country to country, a common characteristic was the easing of intensity during the year, in part due to the improvement in credit conditions determined by the action taken by the ECB.

Meanwhile, construction activity continued to progress in the USA, although attainment of even better results was precluded by the contraction in investment in the shale oil sector, due to the fall in oil prices. Performance was less lively in the States where the Group's operations are located.

Very disparate trends were also observed in the emerging area. On one hand, growth continued, albeit at significantly slower rates than in the past, in the Group's Asian countries. On the other hand, market weakness continued in North Africa, notably in Morocco.

## **Results and significant events in the year**

### **Results**

In 2015, thanks to an overall positive performance in the fourth quarter, Group **sales volumes** improved in aggregates and were substantially stable in cement, clinker and ready mixed concrete, recovering the fall reported in the nine months to the end of September.

**Revenue**, at 4,301.6 million euro (4,155.6 million euro in 2014), increased by 3.5%. At constant exchange rates and on a like-for-like basis, revenue fell 3.0% due to the reduction in average revenue by unit.

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**Recurring EBITDA**, at 636.3 million euro (656.4 million euro), was down 3.1%.

After net non-recurring expense of 52.3 million euro (5.0 million euro in 2014), amortization and depreciation of 412.6 million euro (408.3 million euro) and impairment losses of 23.0 million euro (9.2 million euro), **EBIT** was positive at 148.4 million euro (234.0 million euro), a decrease of 36.6%.

This trend was reflected, at an attenuated level, in **profit before tax**, which totaled 30.9 million euro (79.6 million euro), benefiting, compared with 2014, from lower net finance costs, an absence of impairment losses on financial assets and an increase in earnings at equity-accounted investees.

After **income tax expense** of 100.2 million euro (128.5 million euro), the Group posted a **loss for the year** of 69.3 million euro (loss of 48.9 million euro). **The loss attributable to owners of the parent** was 120.0 million euro (loss of 107.1 million euro), while profit attributable to non-controlling interests decreased from 58.2 million euro in 2014 to 50.7 million euro.

**Net debt** at December 31, 2015, amounted to 2,169.7 million euro (including 8.3 million euro relating to net assets held for sale), and increased by 13.0 million euro from December 31, 2014 (2,156.7 million euro).

**Total equity** was 3,799.8 million euro, a decrease of 91.2 million euro (3,891.0 million euro at December 31, 2014), while **equity attributable to owners of the parent** was 3,009.1 million euro, down by 73.7 million euro from the end of 2014 (3,082.8 million euro).

### Significant events in the year

**Italmobiliare S.p.A. and HeidelbergCement AG** signed a **sale and purchase agreement**, approved on July 28 by their respective boards, concerning the **equity investment** held by Italmobiliare in **Italcementi**.

Among other things, the agreement provides for the **purchase of the 45% equity investment** held by Italmobiliare in Italcementi **at a price of 10.60 euro per share** with specific contractually agreed price reduction mechanisms should certain negative events arise before closing. **Closing** (to take place during 2016) is **subject to approval** by the antitrust authorities.

After closing, **HeidelbergCement** will be required to launch a **Mandatory Public Tender Offer** in cash on the **remaining shares of Italcementi** at the same price per share paid to Italmobiliare.

**The agreement includes certain provisions** that are typical for this type of transaction and are essential for the performance of the transaction. They stipulate how Italcementi should be managed in the **Interim Period**, how should be managed its **shares and how the sale of non-strategic assets** is to take place. Reference should be made to the abstract in the Governance/Documentation/Extract of the shareholders' agreement section of the **www.italcementigroup.com website** for details of these provisions.

On December 18, 2015, in relation to the agreements described above, the **Italcementi Board of Directors approved the sale of some Non-Core Assets** to Italmobiliare. These assets are the operations in the **renewable energy** segment (Italgen Group) and in the **e-procurement** segment (BravoSolution Group) and a **building in the center of Rome**. The consideration was determined assuming an **overall asset value of 241 million euro**. The agreements will be finalized subject to the closing of the agreement between Italmobiliare



and HeidelbergCement, after receipt of authorization from the relevant antitrust authorities, and will take place on the closing of the Italmobiliare/HeidelbergCement agreement. Since this is a “significant” transaction with the parent, the decision to proceed with the sale was presented, pursuant to the provisions governing transactions with related parties of Consob Regulation no. 17221 of March 12, 2010, and the company internal procedure, for the prior binding opinion of the Committee for Transactions with Related Parties, which was advised by Lazard as an independent expert. On December 9, 2015, it expressed a favorable opinion on the company’s interest in completing the transaction and on the effectiveness and substantial correctness of the relevant conditions. The document containing the disclosure contemplated by art. 5 of Consob Regulation no. 17221 of 2010, was published on December 23, 2015.

After the agreement between Italmobiliare and HeidelbergCement, on July 31, 2015, **Standard & Poor's revised its outlook** for Italcementi and Ciments Français from “stable” to “developing” and subsequently upgraded them on October 8, 2015, to “positive”; it maintained its long-term ratings (including Italcementi Finance S.A. bond issues) at BB, as announced in April. On July 29, 2015, **Moody's** put its Italcementi rating (Ba3) under review for a possible upgrade. On October 15, 2015, during the regular index review and following the rise in the company’s market capitalization after the announcement of the agreement, **Italcementi entered the FTSE MIB index**, Italy’s benchmark stock market index, and consequently **left the FTSE Italy mid-cap index**.

In September, the Group **sold its 5.24% equity investment in West China Cement**, a company listed on the Hong Kong stock exchange, for immediate proceeds of 341 million HK dollars (approximately 39 million euro). The amount is subject to adjustments linked to a derivative simultaneously arranged with Crédit Agricole CIB, which was closed in the fourth quarter (37,6 million euro the net proceed).

In April, through the North American subsidiary Essroc, the Group signed an **agreement with Holcim** for the **purchase** of a blast-furnace-slag **grinding center** in Camden (New Jersey) and other minor operations.

Italcementi played a leading role at **Expo Milano 2015** on the construction of Palazzo Italia, the heart of the Italian Pavilion, supplying 2,000 mt of the **i.active BIODYNAMIC** biodynamic cement, which, in addition to helping to eliminate air pollutants, offers the malleability for realization of complex works with high aesthetic value.

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## Financial performance

### Key consolidated figures

	2015	2014	% change vs. 2014
(in millions of euro)			
<b>Revenue</b>	<b>4,301.6</b>	<b>4,155.6</b>	<b>3.5</b>
<b>Recurring EBITDA</b>	<b>636.3</b>	<b>656.4</b>	<b>(3.1)</b>
% of revenue	14.8	15.8	
Non-recurring income (expense)	(52.3)	(5.0)	
<b>EBITDA</b>	<b>584.0</b>	<b>651.4</b>	<b>(10.3)</b>
% of revenue	13.6	15.7	
Amortization and depreciation	(412.6)	(408.3)	(1.1)
Impairment	(23.0)	(9.2)	(>100.0)
<b>EBIT</b>	<b>148.4</b>	<b>234.0</b>	<b>(36.6)</b>
% of revenue	3.5	5.6	
Net finance costs	(131.7)	(139.2)	5.4
Impairment on financial assets	-	(26.8)	
Share of profit (loss)			
of equity-accounted investees	14.1	11.7	
<b>Profit before tax</b>	<b>30.9</b>	<b>79.6</b>	<b>(61.2)</b>
% of revenue	0.7	1.9	
Income tax expense	(100.2)	(128.5)	22.1
<b>Loss for the year</b>	<b>(69.3)</b>	<b>(48.9)</b>	<b>(41.7)</b>
% of revenue	(1.6)	(1.2)	
attributable to:			
<b>Owners of the parent</b>	<b>(120.0)</b>	<b>(107.1)</b>	<b>(12.0)</b>
Non-controlling interests	50.7	58.2	
<b>Cash flows from operating activities</b>	<b>449.6</b>	<b>390.8</b>	
<b>Capital expenditure</b>	<b>363.3</b>	<b>522.8</b>	
<b>Employees at end of year (persons)</b>	<b>17,525</b>	<b>17,779</b>	<b>(1.4)</b>



## Quarterly results

(in millions of euro)	Full year 2015	Q4 2015	Q3 2015	Q2 2015	Q1 2015
<b>Revenue</b>	<b>4,301.6</b>	<b>1,084.7</b>	<b>1,049.5</b>	<b>1,187.0</b>	<b>980.5</b>
% change vs. 2014	3.5	4.3	(1.7)	6.4	5.1
<b>Recurring EBITDA</b>	<b>636.3</b>	<b>153.4</b>	<b>158.4</b>	<b>227.6</b>	<b>96.9</b>
% change vs. 2014	(3.1)	(15.6)	(4.8)	7.9	(0.4)
% of revenue	14.8	14.1	15.1	19.2	9.9
<b>EBITDA</b>	<b>584.0</b>	<b>117.6</b>	<b>150.4</b>	<b>218.0</b>	<b>98.1</b>
% change vs. 2014	(10.3)	(33.5)	(10.6)	4.8	(0.3)
% of revenue	13.6	10.8	14.3	18.4	10.0
<b>EBIT</b>	<b>148.4</b>	<b>(17.2)</b>	<b>52.6</b>	<b>116.0</b>	<b>(2.9)</b>
% change vs. 2014	(36.6)	n.s.	(16.7)	9.9	(25.6)
% of revenue	3.5	(1.6)	5.0	9.8	(0.3)
<b>Profit (loss) for the period</b>	<b>(69.3)</b>	<b>(61.2)</b>	<b>(11.9)</b>	<b>60.6</b>	<b>(56.8)</b>
% of revenue	(1.6)	(5.6)	(1.1)	5.1	(5.8)
<b>Profit (loss) attributable to owners of the parent</b>	<b>(120.0)</b>	<b>(64.7)</b>	<b>(22.7)</b>	<b>40.8</b>	<b>(73.4)</b>
<b>Net debt</b>	<b>2,169.7</b>	<b>2,169.7</b>	<b>2,297.8</b>	<b>2,237.6</b>	<b>2,343.9</b>
(at period end)					
n.s. not significant					

## Fourth-quarter sales volumes and internal transfers

	Cement and clinker (millions of metric tons)			Aggregates* (millions of metric tons)			Ready mixed concrete (millions of m <sup>3</sup> )		
	Q4 2015	% change vs. Q4 2014		Q4 2015	% change vs. Q4 2014		Q4 2015	% change vs. Q4 2014	
		Historical	Like-for-like basis		Historical	Like-for-like basis		Historical	Like-for-like basis
Europe	3.8	0.6	0.6	7.1	4.5	2.5	1.7	(3.5)	(3.5)
North America	1.2	0.4	0.4	0.4	(14.8)	(14.8)	0.2	(0.4)	(0.4)
North Africa and Middle East	3.7	18.7	18.7	0.4	48.8	47.4	0.8	25.8	25.8
Asia	2.5	(5.8)	(5.8)	0.3	>100.0	>100.0	0.3	8.3	8.3
Cement and clinker trading	0.9	(11.3)	(11.3)	-	-	-	n.s.	n.s.	n.s.
Eliminations	(0.9)	n.s.	n.s.	-	-	-	-	-	-
<b>Total</b>	<b>11.3</b>	<b>4.0</b>	<b>4.0</b>	<b>8.2</b>	<b>9.4</b>	<b>7.4</b>	<b>3.0</b>	<b>4.0</b>	<b>4.0</b>

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

Amounts refer almost entirely to fully consolidated companies; the pro-quota contribution of proportionately consolidated companies is marginal

(\*) excluding decreases for processing

n.s. not significant

In the **cement and clinker** segment, fourth-quarter sales volumes were up on the corresponding prior year period, thanks above all to the strong increase in Egypt, with marginal improvements in Europe (Spain and Bulgaria) and North America. This more than made up for the declines in Trading and in Asia, determined by India and Kazakhstan.

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Greater progress was reported in **aggregates**, thanks to all the macro areas with the sole exception of North America. Europe was supported by Greece and Spain. Significant growth was reported in Morocco and Thailand, compared, in the latter, with practically zero activity in 2014.

The healthy performance in **ready mixed concrete** was driven by the emerging countries, notably Egypt and Morocco. Europe reported a downturn, while North America was stable.

#### **Fourth-quarter results**

In the fourth quarter, **revenue** was 1,084.7 million euro, up 4.3% from the corresponding prior year period (-0.4% at constant exchange rates and on a like-for-like basis). At constant exchange rates and on a like-for-like basis, performance was healthy in North Africa and Middle East, with a positive trend in all countries. North America was stable, while performance declined in Trading, Europa and Asia, although absolute values were contained.

**Recurring EBITDA** was 153.4 million euro, down 15.6% from the fourth quarter of 2014. In the context of substantial stability in operating expense, this was the result of a negative sales price effect, counterbalanced only in part by positive volume and exchange rate effects.

**EBITDA**, at 117.6 million euro (176.8 million euro in the fourth quarter of 2014), reflected net non-recurring expense of 35.7 million euro (4.9 million euro in the fourth quarter of 2014) due to re-organization costs; net gains on sales of non-current assets were counterbalanced by other non-recurring expense.

**EBIT** was negative at 17.2 million euro (positive at 67.6 million euro in the fourth quarter of 2014) after amortization and depreciation of 106.6 million euro (109.0 million euro in the corresponding prior year quarter) and impairment losses of 28.2 million euro (0.2 million euro in the fourth quarter of 2014).

## 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 m <sup>3</sup> )		
	2015	% change vs. 2014		2015	% change vs. 2014		2015	% change vs. 2014	
		Historical	Like-for-like basis		Historical	Like-for-like basis		Historical	Like-for-like basis
Europe	15.0	(2.3)	(2.3)	28.4	1.4	(0.6)	6.8	(5.9)	(5.9)
North America	4.6	1.4	1.4	1.4	7.9	7.9	0.8	(0.3)	(0.3)
North Africa and Middle East	12.7	1.7	1.7	1.8	30.8	29.2	2.9	15.7	15.7
Asia	10.8	(1.5)	(1.5)	1.0	>100.0	>100.0	1.1	2.5	2.5
Cement and clinker trading	3.2	(15.3)	(15.3)	-	-	-	n.s.	n.s.	n.s.
Eliminations	(2.9)	n.s.	n.s.	-	-	-	-	-	-
<b>Total</b>	<b>43.4</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>32.7</b>	<b>6.3</b>	<b>4.3</b>	<b>11.5</b>	<b>(0.1)</b>	<b>(0.1)</b>

Amounts refer almost entirely to fully consolidated companies; the pro-quota contribution of proportionately consolidated companies is marginal

(\*) excluding decreases for processing

n.s. not significant

Sales volumes in **cement and clinker** were substantially unchanged from 2014. The growth in North Africa, Middle East (Egypt and Kuwait) and the more contained growth in North America counterbalanced the downturn in Europe, Asia and Trading.

In **aggregates**, progress was driven by positive performance in many countries, in particular Thailand, Morocco and North America.

In the **ready mixed concrete** segment, stability in sales volumes reflected healthy performance in a number of countries, especially Morocco, Egypt and Kazakhstan, which countered the decline in Europe, the area where the Group has a larger presence.

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## Revenue and operating results

### Contribution to consolidated revenue

(in millions of euro)	2015		2014		Change 2015/14	
		%		%	%	% (*)
<b>Line of business</b>						
Cement and clinker	2,859.5	66.5	2,742.9	66.0	4.3	(3.7)
Ready mixed concrete and aggregates	1,171.5	27.2	1,162.5	28.0	0.8	(2.7)
Others	270.7	6.3	250.3	6.0	8.1	2.6
<b>Total</b>	<b>4,301.6</b>	<b>100.0</b>	<b>4,155.6</b>	<b>100.0</b>	<b>3.5</b>	<b>(3.0)</b>
<b>Geographical area</b>						
Europe	1,904.7	44.3	2,025.2	48.7	(6.0)	(6.2)
North America	583.5	13.6	454.2	10.9	28.4	4.9
North Africa and Middle East	994.2	23.1	935.9	22.5	6.2	(1.6)
Asia	602.5	14.0	529.2	12.7	13.9	1.3
Cement and clinker trading	129.3	3.0	131.4	3.2	(1.6)	(12.6)
Others	87.5	2.0	79.7	1.9	9.7	3.1
<b>Total</b>	<b>4,301.6</b>	<b>100.0</b>	<b>4,155.6</b>	<b>100.0</b>	<b>3.5</b>	<b>(3.0)</b>

(\*) 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	
	2015	% change vs. 2014	2015	% change vs. 2014	2015	% change vs. 2014	2015	% change vs. 2014
Europe	2,017.7	(5.5)	235.7	(13.4)	204.6	(25.5)	(2.2)	n.s.
North America	583.9	28.5	71.3	39.7	71.4	38.9	(4.8)	70.1
North Africa and Middle East	1,007.5	4.5	199.9	(18.5)	193.3	(20.2)	98.8	(32.6)
Asia	616.6	14.5	108.1	26.5	113.8	34.5	66.3	60.2
Cement and clinker trading	168.3	(16.8)	16.1	54.5	15.2	51.0	11.1	>100.0
Others	336.0	2.5	5.2	n.s.	(14.3)	(79.4)	(20.8)	(47.6)
Eliminations	(428.4)	n.s.	-	n.s.	-	n.s.	-	n.s.
<b>Total</b>	<b>4,301.6</b>	<b>3.5</b>	<b>636.3</b>	<b>(3.1)</b>	<b>584.0</b>	<b>(10.3)</b>	<b>148.4</b>	<b>(36.6)</b>

n.s. not significant

**Revenue**, at 4,301.6 million euro (4,155.6 million euro in 2014), was up 3.5% from 2014, despite the business slowdown (-3.0%), thanks to the positive exchange-rate effect (+6.1%) and consolidation effect (+0.4%).

The revenue trend reflected the negative impact of sales prices and, to a lesser extent, of sales volumes.

At constant exchange rates and on a like-for-like basis, progress was reported by North America, India and Bulgaria, while the largest downturns were in Europe (specifically France-Belgium and Italy), Egypt and Trading.

The positive exchange rate effect arose from the appreciation of all the main currencies (especially the US dollar and the Indian rupee) against the euro. The Kazakh tenge depreciated.

**Recurring EBITDA**, at 636.3 million euro, was down 3.1% from 2014, due to the reduction



in revenue (effect of sales prices and, to a lesser extent, sales volumes), but benefited from significant income (50 million euro compared with 11.5 million euro) on carbon emission rights. The effect of the revenue decline was also mitigated by a positive exchange-rate effect and overall containment of operating expense.

The balance on **non-recurring items** reflected net expenses of 52.3 million euro (net expenses of 5.0 million euro in 2014), of which 58.7 million euro attributable to re-organization expense, in addition to other non-recurring expense (6.4 million euro), net of gains on the sale of non-current assets.

**EBITDA** was 584.0 million euro, a decrease of 10.3% on 2014.

**EBIT**, at 148.4 million euro, was down 36.6% on 2014 (234.0 million euro), due to an increase in amortization and depreciation of 4.4 million euro and in impairment losses on non – current assets of 13.8 million euro compared with 2014.

#### **Finance costs and other items**

Net finance costs amounted to 131.7 million euro, a decrease of 5.4% on 2014 (139.2 million euro). Net expense on net debt and available committed lines of credit increased slightly, from 119.9 million euro in 2014 to 121.8 million euro in 2015. There was a larger increase in net finance costs relating to exchange-rate differences net of hedges (absent in 2014, 13.3 million euro in 2015), reflecting the impact of the depreciation of the Kazakh tenge. The unfavorable trends illustrated above were more than counterbalanced by net gains on financial investments of 16.0 million euro in 2015 (net expense of 2.0 million euro in 2014) thanks to the sale of the equity investment in West China Cement.

#### **Loss for the year**

The Group posted a **profit before tax** of 30.9 million euro, a decrease on 2014 (79.6 million euro).

After **income tax expense** of 100.2 million euro (128.5 million euro in 2014), the **loss for the year** was 69.3 million euro (loss of 48.9 million euro in 2014). This reflected a **loss attributable to owners of the parent** of 120.0 million euro (loss of 107.1 million euro) and **profit attributable to non-controlling interests** of 50.7 million euro (profit of 58.2 million euro).

#### **Total comprehensive income**

In 2015, starting from the loss for the year, the components that determined comprehensive income reflected a positive balance of 91.5 million euro (a positive balance of 192.0 million euro in 2014). This arose mainly from the increase in the translation reserve (+87.3 million euro), the decrease in the net liability for employee benefits (+17.3 million euro), net of fair value losses on cash flow hedges (-6.0 million euro) and fair value losses on available-for-sale financial assets (-5.6 million euro).

Considering the loss for the year of 69.3 million euro described in the previous section, the Group posted total comprehensive income of 22.2 million euro (-40.5 million euro attributable to owners of the parent and +62.6 million euro attributable to non-controlling interests). This compared with total comprehensive expense of 143.1 million euro in 2014 (+22.5 million euro attributable to owners of the parent and +120.5 million euro attributable to non-controlling interests).

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Amounts and comparative data are provided in the section “Financial statements” in the “Statement of comprehensive income”.

## Capital expenditure

### Capital expenditure by geographical area (\*)

(in millions of euro)	(*)Non-current financial assets		PPE+investment property		Intangible assets		Total capital expenditure	
	2015	2014	2015	2014	2015	2014	2015	2014
Europe	3.5	2.7	139.7	259.8	4.8	5.5	148.0	268.0
North America	18.4	0.5	43.5	37.7	0.1	0.1	62.0	38.3
North Africa and Middle East	n.s.	0.1	45.7	91.1	0.1	0.5	45.8	91.7
Asia	-	n.s.	75.2	95.0	0.3	0.2	75.5	95.2
Cement and clinker trading	-	1.2	1.9	2.1	0.1	0.4	2.0	3.7
Others and eliminations	-	n.s.	0.7	0.1	6.1	4.7	6.8	4.8
<b>Total</b>	<b>21.9</b>	<b>4.5</b>	<b>306.7</b>	<b>485.8</b>	<b>11.5</b>	<b>11.4</b>	<b>340.1</b>	<b>501.7</b>
Change in payables for non-current assets	(18.1)	(0.4)	41.3	21.4	-	-	23.2	21.0
<b>Total capital expenditure</b>	<b>3.8</b>	<b>4.1</b>	<b>348.0</b>	<b>507.2</b>	<b>11.5</b>	<b>11.4</b>	<b>363.3</b>	<b>522.8</b>

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

n.s. not significant

Capital expenditure in 2015 amounted to 363.3 million euro, down 159.5 million euro on 2014. Investments in property, plant and equipment and investment property totaled 348.0 million euro (507.2 million euro in 2014) and were largely in France-Belgium, Italy, North America and India.

Investments in intangible assets totaled 11.5 million euro (11.4 million euro in 2014) and consisted largely of investments in software licenses and development costs. Investments in non-current financial assets were limited, at 3.8 million euro (4.1 million euro in 2014).



## Statement of financial position, cash flows and net debt

### Condensed statement of financial position

(in millions of euro)	12.31.2015	12.31.2014
Property, plant and equipment and investment property	4,132.8	4,197.9
Goodwill and intangible assets	1,678.9	1,677.8
Equity investments and other assets	452.7	546.7
<b>Non-current assets</b>	<b>6,264.5</b>	<b>6,422.4</b>
<b>Current assets</b>	<b>2,343.7<sup>(*)</sup></b>	<b>2,261.1</b>
<b>Total assets</b>	<b>8,608.2</b>	<b>8,683.5</b>
Equity attributable to owners of the parent	3,009.1	3,082.8
Equity attributable to non-controlling interests	790.7	808.2
<b>Total equity</b>	<b>3,799.8</b>	<b>3,891.0</b>
<b>Non-current liabilities</b>	<b>2,858.2</b>	<b>3,053.7</b>
<b>Current liabilities</b>	<b>1,950.1<sup>(**)</sup></b>	<b>1,738.8</b>
<b>Total liabilities</b>	<b>4,808.4</b>	<b>4,792.6</b>
<b>Total equity and liabilities</b>	<b>8,608.2</b>	<b>8,683.5</b>

(\*) including 177.9 million euro of assets held for sale

(\*\*) including 57.2 million euro of liabilities held for sale

### Condensed statement of cash flows

(in millions of euro)	2015	2014
<b>Net debt at beginning of year</b>	<b>(2,156.7)</b>	<b>(1,934.0)</b>
Cash flows from operating activities:		
Cash flows before change in working capital and others	312.7	369.1
Change in working capital and other changes	136.9	21.7
Total cash flows from operating activities	449.6	390.8
Capital expenditure:		
PPE, investment property, intangible assets	(359.5)	(518.7)
Non-current financial assets	(3.8)	(4.1)
Total capital expenditure	(363.3)	(522.8)
Proceeds from the sale of non-current assets	59.0	25.2
Dividends paid	(108.4)	(83.2)
Change in share capital	(0.2)	487.2
Nfp (net debt) of acquired/sold companies	3.5	-
Change in interests in subsidiaries	-	(457.7)
Translation differences	(25.5)	(29.5)
Other	(27.7)	(32.7)
<b>Change in net debt</b>	<b>(13.0)</b>	<b>(222.7)</b>
<b>Net debt at end of year</b>	<b>(2,169.7)</b>	<b>(2,156.7)</b>

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## Net debt breakdown

(in millions of euro)	12.31.2015	12.31.2014
Current financial liabilities	699.6	529.4
Non-current financial liabilities	2,138.2	2,337.2
<b>Gross financial debt</b>	<b>2,837.8</b>	<b>2,866.6</b>
Current financial assets	(628.2)	(610.6)
Non-current financial assets	(31.7)	(99.3)
<b>Net debt relating to continuing operations</b>	<b>2,177.9</b>	<b>2,156.7</b>
Available-for-sale net financial assets	(8.3)	-
<b>Net debt</b>	<b>2,169.7</b>	<b>2,156.7</b>

## Financial ratios

(absolute amounts in millions of euro)		12.31.2015	12.31.2014
Net debt		2,169.7	2,156.7
Consolidated equity		3,799.8	3,891.0
	<b>"Gearing" %</b>	<b>57.1</b>	<b>55.4</b>
Net debt		2,169.7	2,156.7
Recurring EBITDA		636.3	656.4
	<b>"Leverage"</b>	<b>3.4</b>	<b>3.3</b>
		<b>2015</b>	<b>2014</b>
Recurring EBITDA		636.3	656.4
Net finance costs*		121.8	119.9
	<b>"Coverage"</b>	<b>5.2</b>	<b>5.5</b>

\* net finance costs relating to net debt

## Equity

Total equity at December 31, 2015, was 3,799.8 million euro, down by 91.2 million euro from December 31, 2014 (3,891.0 million euro). Given total comprehensive income of 22.2 million euro, the reduction arose almost entirely from dividends paid (107.9 million euro).



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

(in millions of euro)	2015
<b>Loss for the year of the parent (Italcementi S.p.A.)</b>	(38.3)
Consolidation adjustments:	
- Profit for year of consolidated companies (based on Group accounting policies)	560.1
- Elimination of intragroup dividends collected during year	(394.3)
- Reversal of impairment losses (revaluations) in consolidated equity investments	(175.2)
- Elimination of intragroup (profit) losses and other changes	(21.6)
<b>Consolidated loss for the year:</b>	(69.3)
- Attributable to non-controlling interests	50.7
<b>Attributable to owners of the parent</b>	(120.0)
<hr/>	
	December 31, 2015
<b>Equity of the parent (Italcementi S.p.A.)</b>	1,684.9
Consolidation adjustments:	
- Elimination of carrying amount of consolidated equity investments	
• Carrying amount of consolidated equity investments	(7,365.1)
• Equity of consolidated companies (in accordance with Group accounting policies)	9,480.0
<b>- Consolidated equity</b>	3,799.8
- Non-controlling interests	790.7
<b>Equity attributable to owners of the parent</b>	3,009.1

## 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 other 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 the assessment of strategic projects.

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## **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 business 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 2015; 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 an established 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 relating to seasonality**

The construction industry is affected by meteorological conditions and in many countries is subject to seasonal trends. During the winter months, when weather conditions are less favorable, construction activities generally slacken, with a consequent lower demand for construction materials. This favors maintenance work on industrial facilities during this period, whose costs are therefore concentrated in the winter months. These conditions generate high volatility in the Group's quarterly financial figures.

### **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 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, under terms and conditions at the best market levels.

### **Environmental risks**

The “Sustainability Disclosure” illustrates the measures taken by the Group to manage environmental risks, and control and reduce emissions. With regard to carbon emissions, the Group’s European companies are exposed to price fluctuations on emission rights depending on their own rights surplus or deficit. The Group’s position is therefore constantly monitored to ensure correct risk management.

### **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 transactions. 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 ratings 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 accrued 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, quarry concessions, operating licenses, environmental regulations and remediation of industrial sites. Specific monitoring activities have been set up to ensure compliance with current regulations in the various countries.

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.

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## 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 reporting 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 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 risks. As part of its risk management 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.

## Retention of personnel

The Group's business development is closely linked to the ability to attract and retain qualified personnel, especially in technical areas. Competition for this type of personnel has risen in the last few years.

## Protection of intellectual property

The Group develops products and technologies in some cases on the basis of protected intellectual property rights (patents, trademarks). This does not mean, however, that competitors might not obtain protection for similar technologies and products, but a scenario of this type is considered unlikely and in any case would not have a material impact on Italcementi operations. Furthermore, intellectual property rights are subject to expiry and to obsolescence.

## IT risks

The efficiency and continuity of the Group information systems are essential for the operations of the production plants, sales and all other general services, including accounting, planning and financial transactions. To the extent that such systems are subject to breakdowns, computer viruses, damage and accidents, a consequent negative impact may be determined on Group operations and financial position. The Group deems that it has organized suitable protection to limit possible expense.



## Performance by country and business

### The Group in 2015

<b>Cement:</b>	<b>No.</b>
full-cycle cement plants	42
grinding centers	15
trading terminals	6
<b>Aggregates:</b>	
quarries	103
<b>Ready mixed concrete:</b>	
ready mixed concrete plants	415

### EUROPE

	<b>Italy</b>	<b>France/ Belgium</b>	<b>Spain</b>	<b>Other<sup>(1)</sup></b>	<b>Total Europe</b>
Full-cycle cement plants	7	10	3	2	22
Grinding centers	8	1	-	1	10
Quarries	19	72	4	1	96
Ready mixed concrete plants	103	185	5	1	294

	<b>Revenue</b>		<b>Recurring EBITDA</b>		<b>EBITDA</b>		<b>EBIT</b>		<b>Capital expenditure</b>		<b>Employees</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Italy	570.9	600.5	33.6	19.3	8.4	23.7	(80.9)	(66.9)	56.5	114.0	2,314	2,420
France - Belgium	1,271.8	1,362.5	176.3	230.8	172.8	229.9	83.3	136.9	72.7	81.3	3,882	3,982
Spain	101.0	107.6	0.2	10.0	(1.1)	9.3	(11.7)	(4.0)	3.1	5.6	433	433
Other <sup>(1)</sup>	94.0	86.3	25.5	12.0	24.4	11.8	7.1	9.6	7.4	58.8	469	497
Eliminations	(19.9)	(21.4)	-	-	-	-	-	(0.1)	-	-	-	-
<b>Total</b>	<b>2,017.6</b>	<b>2,135.6</b>	<b>235.7</b>	<b>272.1</b>	<b>204.6</b>	<b>274.6</b>	<b>(2.2)</b>	<b>75.6</b>	<b>139.7</b>	<b>259.8</b>	<b>7,098</b>	<b>7,332</b>

(1) Bulgaria and Greece

### Italy

In 2015 the crisis in the construction sector continued: the investment trend remained negative, with a still significant estimated fall in new housing, a more contained reduction in public works and non-residential building; residential maintenance is thought to have increased slightly.

Our estimates indicate a further downturn on the cement market, although at a slower rate than in previous years. In the fourth quarter of 2015, the reduction was slower than in the previous months, thanks to particularly favorable weather conditions in the last two months of the year, with an absence of rainfall and temperatures above seasonal averages.

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

In this still weak market context, our overall cement and clinker sales volumes were down 4.1% on 2014 whereas sales price trends in 2015 varied, with an annual average down on 2014.

Despite the negative impact of sales volumes and prices, recurring EBITDA in the cement

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segment showed a strong improvement from the previous year, thanks to the important contribution from the sale of carbon emission rights (40 million euro from approximately 6 million euro in 2014). Overheads benefited from the savings arising from the re-organization under "Project 2015", which concerned central units and the sales network, as well as industrial and distribution operations in Italy, with the closure of some plants and the conversion of a number of full-cycle cement plants into grinding centers. Another significant contribution was the reduction in variable costs, largely thanks to the fall in fuel costs and industrial efficiency improvements as a result of the start-up of the new kiln at the Rezzato cement plant, in November 2014.

Results in the ready mixed concrete and aggregates segment also reflected the negative trend on the ready mixed concrete market, where the sharp contraction was driven by the trend in the two main sectors: new housing was affected by high levels of unsold properties and the widely reported difficulties in credit access; in infrastructure projects, difficulties arose from insufficient levels of investment, with the tightening of the financial crisis in the industry affecting some of the country's leading construction companies.

Group ready mixed concrete sales were down 6.1%, due to the fall in infrastructure projects: the completion of major projects was not replaced with a sufficient number of new projects, which though awarded, did not develop as expected. Conversely, there was a rise in our ready mixed concrete sales volumes on the general market.

Aggregates volumes fell 5.9%, due to lower third-party sales.

Recurring EBITDA in ready mixed concrete and aggregates was negative and down on 2014: the savings in overheads achieved through the re-organization plan counterbalanced only in part the effects of the erosion in unit margins and sales volumes.

## France – Belgium

In France-Belgium, as in 2014, the year saw a general reduction in cement consumption in all areas of the construction industry.

In France, Group overall cement and clinker sales volumes (including marginal export volumes) were down 5.5%; in Belgium cement and clinker sales volumes fell 2.9% and there was a sharp fall in export volumes.

In France, ready mixed concrete sales volumes were down 6.2%, while in Belgium there was an improvement of 3.2%, in line with the rise in domestic cement volumes.

In aggregates, there was a decline of 2.9% in the France-Belgium area.

Overall, recurring EBITDA was penalized by the fall in sales volumes in the three segments and by strong competitive pressures, which had negative effects on sales prices, especially in cement and ready mixed concrete, partially offset by the measures taken to contain operating expense.

## Spain

In Spain, the trend in cement consumption in 2015 differed to that of 2014, thanks to the increase in residential and non-residential building, partially offset by the fall in public investment in infrastructure.

In this market context, Group domestic cement sales volumes showed a small reduction of 0.8%; overall cement and clinker sales volumes were down 2.8%, due to lower export volumes.



Sales volumes of ready mixed concrete and aggregates were up 13.3% and 36.8% respectively.

Operating results were therefore penalized by lower export sales volumes, the fall in sales prices and the rise in the cost of electricity.

### Other

In **Bulgaria**, in 2015 the construction market grew by an estimated 6% from 2014 thanks to the confirmation and use of funds provided by the European Union. Group domestic cement sales volumes rose by 10.2% (+25.8% in the fourth quarter). Overall cement and clinker sales volumes for the year were up 29.1% thanks to exports. Recurring EBITDA was significantly up on 2014, thanks to the positive effect on variable costs of the new Devnya line in terms of fuel consumption efficiency, good performance in sales volumes and support from sales of carbon rights.

In **Greece**, despite the crisis, the release of some European funds and the recapitalization of a number of banks led to indications of an economic recovery in the fourth quarter. Nevertheless, market conditions remain difficult. Overall cement and clinker sales volumes fell by 13.2% from 2014. A significant decrease (-65.3%) was reported in ready mixed concrete sales, whereas aggregates sales (+54.5%) were buoyed by work at the port of Piraeus. 2015 recurring EBITDA was down on 2014 due to the absence of carbon right sales and the fall in cement and ready mixed concrete sales volumes. Measures to cut overheads and steady sales prices partly offset this trend.

## NORTH AMERICA

	Total North America											
Full-cycle cement plants	6											
Quarries	3											
Ready mixed concrete plants	25											
	Revenue		Recurring EBITDA		EBITDA		EBIT		Capital expenditure		Employees	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Total	583.9	454.5	71.3	51.0	71.4	51.4	(4.8)	(16.1)	43.5	37.7	1,441	1,396

In 2015, cement consumption on the Group markets made good progress with sustained growth in the fourth quarter, despite the continuing weakness of the Puerto Rican market.

In this market context, the Group cement and clinker sales volumes rose by 1.4%, with average revenue per unit up on 2014.

Ready mixed concrete sales volumes were substantially stable (-0.3%), while aggregates sales volumes improved (+7.9%).

Overall, recurring EBITDA made healthy progress on 2014, thanks to the increase in revenue due to prices and volumes. This positive trend was only partly mitigated by the rise in some operating expense, notably maintenance.

The translation of results into euro benefits from the appreciation of the US currency during 2015.

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## NORTH AFRICA AND MIDDLE EAST

	Egypt	Morocco	Other <sup>(1)</sup>	Total North Africa and Middle East
Full-cycle cement plants	5	3	-	8
Grinding centers	-	2	-	2
Terminals	-	-	2	2
Quarries	-	3	-	3
Ready mixed concrete plants	20	25	11	56

	Revenue		Recurring EBITDA		EBITDA		EBIT		Capital expenditure		Employees	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Egypt	580.7	588.8	43.5	105.5	36.9	105.8	(14.1)	55.8	29.4	61.5	4,435	4,420
Morocco	345.3	309.3	151.0	136.9	151.0	133.4	114.7	93.6	14.0	23.7	914	933
Other <sup>(1)</sup>	81.5	66.5	5.4	2.9	5.4	3.0	(1.8)	(2.8)	2.3	5.9	424	434
Eliminations	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,007.5</b>	<b>964.5</b>	<b>199.9</b>	<b>245.3</b>	<b>193.3</b>	<b>242.2</b>	<b>98.8</b>	<b>146.6</b>	<b>45.7</b>	<b>91.1</b>	<b>5,773</b>	<b>5,787</b>

(1) Kuwait, Saudi Arabia

### Egypt

In 2015, grey cement consumption confirmed growth prospects and rose by 4.8% (+8.1% in the second half) compared with the previous year, driven by residential building and by public works, managed largely by the army.

While the 2014 market was affected by a severe shortage of fuel, with obvious consequences for cement and clinker production, this was not the case in 2015, when even the expected increases in the price of industrial fuel and electricity did not take place. Even so, the market remained highly competitive and volatile, with a strong contraction in prices, whose negative effect was offset only in part by the significant increase in sales volumes in the last months of the year.

Group overall cement and clinker sales volumes made significant progress in the fourth quarter (+27.5%) from the corresponding prior year period, with growth of 20.1% on the domestic market. This result compensated the fall in the first nine months, generating a full-year increase in overall sales volumes of 2.6% and in domestic sales volumes of 1.6%.

The sales volumes trend in ready mixed concrete improved by 16.3% in 2015 (28.3% in the fourth quarter).

The fall in recurring EBITDA in 2015, expressed in local currency, was due above all to the fall in domestic cement prices, only slightly offset by lower variable costs and by the positive exchange rate effect on translation of results into euro.

### Morocco

In Morocco cement consumption in 2015 was up 1.4% (+10.0% in the fourth quarter in part in connection with the severe flooding in the fourth quarter of 2014) despite the slowdown in private investment in social building and in public works.

In this market context, Group domestic cement sales volumes increased by 1.2% on 2014; overall cement and clinker sales volumes were down 2.5% (-15.8% in the third quarter); average domestic cement sales prices confirmed the positive momentum seen in 2014.



Sales volumes of ready mixed concrete and aggregates were up 37.6% and 29.6%, respectively.

Recurring EBITDA was up on 2014, thanks to the positive trend in domestic cement sales prices, efficiencies in variable costs in the first six months, the good performance in domestic sales volumes in the fourth quarter and the positive exchange-rate effect on translation of results into euro. The rise in overheads (maintenance and personnel) offset only in part the positive trends described above.

### Other

In **Kuwait**, cement consumption in 2015 rose 5.5%, thanks to the public-private partnership projects in the country's five-year plan (2015-2020). The sharp fall in oil prices in the fourth quarter of 2015, however, led to a significant cut in major infrastructure project budgets, with a negative impact on the construction market. Group cement sales volumes rose by 17.4%. Ready mixed concrete sales volumes decreased by 1.2%. Recurring EBITDA was up on 2014 due to the increase in cement sales volumes and sales prices and the reduction in the cost of purchased cement. This more than countered the higher variable costs in the ready mixed concrete segment.

## ASIA

	Thailand		India		Other <sup>(1)</sup>		Total Asia	
Full-cycle cement plants	3		2		1		6	
Grinding centers	-		2		-		2	
Ready mixed concrete plants	35		-		3		38	
Quarries	1		-		-		1	

	Revenue		Recurring EBITDA		EBITDA		EBIT		Capital expenditure		Employees	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Thailand	303.6	271.1	67.9	64.1	72.6	64.2	49.9	43.8	12.9	14.6	935	907
India	276.0	228.4	44.9	18.3	45.9	17.5	25.9	0.2	33.1	56.3	880	888
Others <sup>(1)</sup>	37.0	38.8	(4.6)	3.1	(4.8)	2.9	(9.5)	(2.7)	29.1	24.1	297	297
Eliminations	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>616.6</b>	<b>538.3</b>	<b>108.1</b>	<b>85.4</b>	<b>113.8</b>	<b>84.6</b>	<b>66.3</b>	<b>41.4</b>	<b>75.2</b>	<b>95.0</b>	<b>2,112.0</b>	<b>2,092.0</b>

(1) Kazakhstan

### Thailand

In 2015, the cement market was affected by the slowdown in the construction industry, with a fall of 1.8% from the previous year.

Nevertheless, Group domestic cement sales volumes rose by 1.5%, but prices fell. Thanks to the healthy performance in exports and clinker sales, overall sales volumes improved by 5.2%.

Sales volumes of ready mixed concrete were down 5.0% on 2014, whereas in 2015 significant sales volumes were first reported also in aggregates.

Recurring EBITDA in local currency, substantially stable until the third quarter, was down 7.0% for the full year, but increased when translated into euro. The healthy performance in sales volumes and the savings in operating expense (fuel in particular) were unable to

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counterbalance the fall in cement sales prices, which intensified in the fourth quarter.

## India

After two consecutive years of decline, our estimates indicate that cement consumption in southern India (the Group's reference market) fell significantly also in 2015.

Our domestic sales volumes were affected by the trend in consumption and were down 13.9%, but prices made a significant recovery compared with 2014, when price levels had been particularly low in the first six months.

Considering cement exports and clinker sales, overall volumes were down 10.6% on 2014.

Despite this negative effect on sales volumes, the favorable trend in sales prices led to an improvement in recurring EBITDA, which more than doubled 2014.

In June, production tests began at the new grinding center in Solapur in the state of Maharashtra, which has a capacity of approximately 1.2 million mt/year. Marketing began in September.

At the end of the year, the new terminal in the port of Cochin, southern India, was completed, and began operations in January 2016.

## Other

In **Kazakhstan**, despite the fall in the fourth quarter, cement consumption for the full year was up approximately 9.0%. Group domestic sales volumes increased by 3.4% (-0.2% including exports). A strong increase was reported in the albeit limited ready mixed concrete sales volumes. Recurring EBITDA was down on 2014 due to the negative price effect, the increase in operating expense (affected by the sharp devaluation of the local currency) and the insurance compensation received in 2014. In 2015, work continued on the new dry clinker line, which is scheduled to start test operations in early 2016.

## 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*	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<b>Total</b>	168.3	202.3	16.1	10.4	15.2	10.1	11.1	3.8	1.8	2.0	176	207

\* the figure refers to all operations, including fuel Trading

2015 intragroup and third-party cement and clinker sales volumes decreased by 15.3% from 2014. While Trading activities slowed, the terminals reported positive performance.

The improvement in recurring EBITDA from 2014 reflected the positive impact of volumes and margins in some terminals and the insurance compensation received for damages incurred due to political risk, which caused construction of a terminal in Libya to be abandoned.



## Energy

During 2015, 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 295.6 GWh (-22% on 2014, which was 379 GWh, a new production record). The average plant availability and plant use rates were approximately 98% and 85%, respectively.

With regard to the **Major Channels**, the three power plants continue to operate on a "temporary" basis until the concessions are put out to bid (in December 2015, the Lombardy Regional Authority extended the temporary operation regime for the plants until 12 December 2017). The operating concession for the Ponte Piazzolo plant has been extended to 2061; for the Vaprio and Mazzunno plants, assessments are being conducted to take additional legal action to support our views.

For the **new hydroelectric plant in Vetra (0.5 MW)**, in April 2015 Sole Authorization was obtained and work began in July; by the end of 2015, civil work were completed and the mechanical installations began. The plant is due to begin operations in June 2016.

The **6 MW photovoltaic plant in Guiglia (Modena)**, owned by the associate i.Fotoguiglia S.r.l. (Italgen share 30%), reported total production for the year of 7.9 GWh, with an availability rate of more than 84%.

### Morocco

In 2015, function tests were conducted on the **pilot solar concentrator plant in Ait Baha**. Additional modifications that the supplier must make to the modules to enable correct operation were identified. Given the objective difficulties in the start-up of the pilot plant, the carrying amount of the equity investment was prudently fully impaired, with a negative effect of 3.5 million euro.

During the year, the Lâayoune **wind farm** (5 MW) produced 16.5 GWh, with an average plant availability of more than 98%.

The **Safi wind farm** project (10 MW) was completed and today has full authorization. Based on the additional compensation measures requested by the local authorities, the wind farm has been temporarily placed on stand-by.

### Bulgaria

The **Kavarna wind farm (18 MW)** owned by the associate Gardawind S.r.l. (Italgen share 49%) produced 37.5 GWh with an availability rate of approximately 97% in 2015. The 6 GWh production reduction from 2014 was due to the decision to stop the turbines in the last two months of the year, since the incentivized tariff ends when 36 GWh per year are reached (under the Energy Authority resolution no. СП 1/07.31.2015).

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## Egypt

The **Gulf El Zeit wind farm project** was kept within the Italgen Group.

With regard to **Phase 1 (120 MW)**, the initial civil works on the access infrastructure and the electric sub-station area were completed.

Based on the recent meetings with the Egyptian Authorities, Italgen was granted authorization to change its Business Model, from Merchant (i.e., selling to third parties) to Build, Own and Operate, i.e. selling to the national grid.

At the moment, therefore, all the documentation required for the release of the generation licenses (Phase1: 120 MW + Phase 2: 200 MW) is currently being prepared and will be presented to the Authorities by the end of February.

## 2015 results

Italgen S.p.A. **revenue** amounted to **58.7 million euro** (excluding green certificates for approximately 7.7 million euro, which are classified under other operating income and expense), a decrease of 2.8% on 2014. Revenue reflected contrasting trends: a negative volume trend, where the reduction in energy sales (-14.6% to 390.5 GWh) was not counterbalanced by the rise in vectored volumes (+4.6% to 631.5 GWh); a positive price trend, where the increase in tariffs/revenue per unit on transport services (+3% to 56.8 €/MWh) was assisted by the stability of energy prices/revenue per unit (-0.3% to 58 €/MWh).

**Recurring EBITDA** was 14.6 million euro (24.9% of revenue), down 36% on 2014 (22.9 million euro). The positive price effect and savings on overheads mitigated only in part the unfavorable impact of lower energy production and sales volumes, despite the increase in energy purchases and the decrease in green certificates.

## Transactions with related parties

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

- the parent, Italmobiliare S.p.A., and companies of the Italmobiliare Group (subsidiaries, as well as joint ventures, associates and their subsidiaries);
- subsidiaries of Italcementi S.p.A. not consolidated on a line by line basis;
- joint ventures and their subsidiaries;
- associates and their subsidiaries;
- other related parties.

Key figures at December 31, 2015, for transactions with related parties are provided in the notes (note 35).

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

All transactions with related parties, whether financial or relating to the exchange of goods and services, are conducted at normal market conditions and comply with the Code of Conduct. No atypical or unusual transactions as defined by Consob 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.

### **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.

In 2014, a new national tax consolidation was established with Italcementi S.p.A. as the consolidating company, in which some of the companies controlled by Italcementi S.p.A. take part. The new tax consolidation system is effective for the three years 2014/2016.

### **Transactions with other related parties**

In 2015, Italcementi S.p.A. disbursed an amount of 600,000 euro to the Italcementi Cav. Lav. Carlo Pesenti Foundation to cover operating 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 169,000 euro.

In 2015, 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. 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 76,000 euro from the law firm of which Luca Minoli, a director of Italmobiliare S.p.A., is a partner.

The Rocsab S.a.s., a company owned by Italcementi S.p.A.<sup>s</sup> director J.P. Meric, has drawn up a contract with Ciments Français S.A.S. for 2015 and 2016 for the supply of services for the participation, on behalf of Ciments Français, in international scientific bodies active in the construction industry; the annual consideration is 100,000 euro.

The Italcementi Group provided goods and services to companies in the SIKA Group, whose owner is director Fritz Burkard, for approximately 2.6 million euro and made purchases for approximately 26.0 million euro.

Transactions with related parties are illustrated in the notes, while fees paid to the Italcementi S.p.A. 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.

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## Information systems

In 2015, activities concerning IT systems focused mainly on containing overheads through the gradual consolidation of applications and infrastructure and by upgrading the delivery model where possible, but without limiting service levels and overall functional coverage.

The main results obtained on projects in 2015 are summarized below.

- Implementation of the Customer Relationship Management (CRM) tool and other reporting / analytical 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 to be monitored against specific KPIs.

In 2016, the priorities will continue to be a reduction in overheads in IT and other corporate functions.

With regard to innovation initiatives, attention is drawn to the evolution and development of solutions to support plant maintenance processes, with the aim of improving process reliability and cost rationalization.

## Sustainable development

In 2015, 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 2015 and led to a reduction in the global workforce of 254 persons, from 17,779 to 17,525. The reductions affected all the main areas except Asia and North America, where there was a small increase on the previous year. The largest workforce cuts were in the Italian production plants. The total number of employees in Italy includes staff for the equivalent of 310 people on state-subsidized layoff scheme. 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 and sales. Together with a technical skills assessment project, development and training plans were introduced in 2015 for the development of individual competences and the recovery of industrial efficiency and operating excellence. In the sales area, development and training initiatives were implemented to foster innovation and commercial excellence.

During 2015, and also thanks to funding and loans provided under current laws, the Group provided 292,952 **training** hours (of which 5,743 through the e-learning platform). 11,393 people were involved in at least one course for a total of 59,945 participants (overall participants: people who took part in more than one course are counted more than once, depending on the number of courses they attended). Training activities continued to cover

four areas: Human Capital Development, Efficiency, Sustainable Development & Innovation, Compliance & Risk Mitigation. As in previous years, particular attention was paid to Safety training initiatives, involving all corporate levels.

Initiatives continued in 2015 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. Consolidation of processes continued, with particular reference to operating management procedures (quality, investments, procurement). Roll-out of the corporate processes to all Group companies also continued, based on action plans adapted to local business requirements and, consistently with Group guidelines, through the issue of local procedures. A number of initiatives continued 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 2015, CTG S.p.A. carried out engineering, investment project management, technical assistance, and research and development activities for the Group companies in Italy and abroad, providing services for 38.3 million euro (45.4 million euro in 2014). Staff at the end of 2015 numbered 230 (296 at December 31, 2014), of whom 200 in Bergamo and 30 at other Group companies.

In 2015, after the start-up at the end of 2014 of the new lines in Devnya (4,000 tpd) and Rezzato (3,000 tpd), assistance continued for the plants to become fully operational. In Shymkent, work continued as planned for the construction of the new 3,200 tpd line and assistance was provided for commissioning and the initial start-up of the new kiln, in December.

In Suez, Egypt, with the start-up of the new solid fuel grinding center in March 2015, the transition was completed to solid fuel from oil, which is much more expensive and difficult to procure in sufficient volumes. Also in Egypt, similar projects have begun at Helwan and Tourah, and should be finalized in 2016. In Gaurain (Belgium), work continued to contract out the preliminary activities for the opening with conventional methods of the new Barry quarry, for which environmental authorization was obtained; work began in the second half of 2015. Among current projects, the cement plant in Isola delle Femmine in Sicily, for conversion to a dry process, is particularly important.

CTG also successfully promoted use of alternative fuels in a number of Group cement plants, raising the heat replacement rate to 12.3 %. To improve the Group's technical performance, special attention was paid to plant maintenance with the creation of a new Manufacturing Excellence function, tasked with providing an operational maintenance model in accordance with standard protocols, to improve personnel skills and to raise the reliability of production plants up to 97% by 2019. During 2015, CTG conducted important operations on technological innovation for further reduction of process emissions. In parallel with studies to reduce the carbon emission/t cement factor, such as the reduction of thermal consumption and the use of combustible biomass, in 2015 work began on studies and production technology projects to capture carbon dioxide produced by the kiln process, known as CCS-R (Carbon Capture and Storage or Reuse). Also in connection with carbon

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emission reduction, research was conducted on product innovation to support the “Product Stewardship” project, which aims to implement Circular Economy policies and reduce the clinker/cement ratio by promoting re-utilization of secondary raw materials and new separate grinding methods for core cement components. Similar techniques were studied for ready mixed concrete, in order to create a design mix with a higher content of recycled materials. Techniques were studied for i.active cement production to contain production costs. The “Additive Manufacturing” project continued, to develop new construction solutions based on 3D printing technology. A mortar for construction of structures with a high surface quality was successfully developed and validated, and was chosen for the external shell of the Italy Pavilion at EXPO 2015; the product was launched on the market in the second half of 2015.

## **Innovation**

In 2015, innovation activities were largely concerned with managing the transfer of know-how transfer to Group companies, completing of the validation and industrialization of products whose development began in 2014, and starting up new projects.

In new product development, the sustainability concept was fundamental. A range of mortars was developed with a high content of recycled materials, and launched in Italy in May. Two other products were developed (rendering and plastering mortar amortization and a white skimming plaster) to be introduced on the Italian market in the first half of 2016. The sustainability line also includes the new product for high-level architecture, i.active Biodinamico, presented at international level in September and based on the experience acquired in the construction of the façade of Palazzo Italia for EXPO 2015, which was not the only event of outstanding national and international importance at which Italcementi was present. The work conducted with G.S.M. and Calcestruzzi for the introduction of innovative and standard products at EXPO 2015 led to use of products from the i.idro, i.active, i.design and i.light ranges, as well as various types of ready mixed concrete in many pavilions and clusters, with a widespread presence of Italcementi products at EXPO. During EXPO, presentations of Italcementi solutions were made to more than 1600 guests, in 71 delegations from 34 nations.

During the year, we also validated a UHMP mortar for specific applications in machine tool frames, introduced additional new solutions for the i.clime and i.sound ranges, developed a compound for conductive concretes and made advances in the i.active line of photocatalytic products.

Work continued on sulfoaluminate cement-based products (ALIPRE range), where the range will be extended with specific solutions for road and airport paving and for the treatment of contaminated river and sea drainage terrains.

The offer of innovative products was promoted with leading architecture firms, opening up interesting prospects in terms of effects on image and sales, not just with innovative solutions but also with standard products. These referred to a project by R. Piano for the Stevra Niarchos Foundation in Athens, for which i.flow SCC cements were used, and the Magnet project in Tirana, Studio D. Libeskind, where three residential buildings have already been completed with extensive use of i.idro DRAIN and photocatalytic coating products from the i.active COAT range. New cooperation began with important world architects, who will have the opportunity to exploit the expressive potential offered by the new i.active Biodinamico. Through partnerships, structures were completed with i.light

panels for the spa in Sirmione (Brescia), the Centre Pompidou in Malaga and the new ice rink in Bergamo.

At the Fuori Salone in Milan, "Minamora" benches (design studio EMBT) were installed at the university in via Festa del Perdono, made in i.design Effix. They were displayed for the duration of the event and subsequently for the entire period, in front of Palazzo Italia at EXPO and the Milan Triennale, enhanced by a portal in white i.active concrete.

The Innovation Rate (IR, the ratio of revenue from innovation to operating revenue) was about 7.9%, with a significant increase on the previous year (6.6%) and revenue of more than 337 million euro, compared with about 271 million euro in 2014. The result is being audited by Ernst & Young and is particularly positive, given the continuing crisis in some key markets and the physiological reduction due to withdrawal of products from the scope of assessment after the expiry of the period in which they are considered innovative and thus included in the calculation of the IR and related revenue. The objective for 2016 is to improve these values still further.

To this end, effective cooperation with G.S.M. and the subsidiaries will be increasingly important to permit the market entry of new products, also with the support of organized training activities at i.lab, based on models successfully implemented in 2015 with the involvement of Italy, Egypt, Greece, Bulgaria, Spain and Morocco.

Looking ahead, we shall target a further increase in revenue from new products, with the focus on differentiation in order to offer specific products for each type of application. 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 2015, **BravoSolution Group** revenue was 79.6 million euro, up 12.1% on 2014 (71.0 million euro). EBITDA was 8.0 million euro, down 14.1% on 2014 (9.3 million euro). EBIT also declined, to 1.8 million euro (3.9 million euro in 2014). Profit before tax was 0.1 million euro (3.2 million euro), and the group posted a loss for the year of 0.2 million euro (profit of 1.2 million euro for 2014).

The reduction in results from 2014 was largely attributable to the expansion of the group corporate structure, with the creation of central functions for marketing, human resources, strategy and global sales, accompanied by a further consolidation of product and software development operations. The new Group structure and its greater commercial focus on technology sales are designed to generate a strong increase in revenue and higher and more stable profitability, over a number of years, although in the short term the Group is experiencing a transitory, if foreseeable, reduction in its results of operations.

With effect from 2015, **BravoSolution S.p.A.** transferred to BravoSolution Italia S.p.A., a wholly - owned subsidiary, the Italian market business line, comprising personnel and commercial assets and liabilities, plus some non-technical corporate functions. It acts as a parent, providing services relating to directly held corporate and technical functions (principally software development, management of hardware and business intelligence infrastructure). BravoSolution S.p.A. reported revenue of 15.5 million euro, not comparable with 23.3 million euro in 2014, which included commercial activities on the Italian market. The financial statements as at and for the year ended December 31, 2015 closed with a profit of 1.5 million euro (loss of 0.5 million euro in 2014).

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In 2015, **BravoSolution Italia S.p.A.** reported revenue of 22.5 million euro and profit of 1.2 million euro. These results confirm that despite the slowdown in the industry and in the Italian economy in general, the company is the undisputed leader on the domestic market.

**BravoSolution France** and **BravoSolution España S.A.** reported revenue growth, but a loss for the year.

**BravoSolution UK Ltd.** continued to operate successfully on the British market, reporting a significant improvement in revenue, to 15.1 million euro (+35.0%), and an improved profit for the year compared with 2014.

The group of companies headed by **BravoSolution US** closed 2015 with revenue of 13.7 million euro, a downturn of 16.8% from 2014 and a loss for the year. With the completed integration of the operations of BravoSolution US with the BravoSolution Group, action is being taken to achieve significant expansion on the US market and to coordinate group initiatives across the American continent.

**TejariSolution FZ** company, 51% held by BravoSolution S.p.A., based in Dubai and operating in the United Arab Emirates, the Gulf countries and the Middle East, continued to report strong growth in 2015, reaching revenue of 10.4 million euro (+51.2%) and an improved profit for the year compared with 2014.

Established in 2015, **BravoSolution Nordics OY**, a wholly - owned subsidiary of BravoSolution S.p.A. based in Helsinki, began operations on the Scandinavian market during the year.

## Disputes and pending proceedings

The main developments with respect to the disclosures in the 2014 Annual Report and the 2015 interim reports are set out below.

### Egypt

In 2002, before its acquisition by Suez, Helwan stipulated an exclusive agency contract with The Globe Corporation (the Globe), a headquartered in California, USA, for cement exports. The contract envisaged commissions for The Globe in proportion to cement export volumes, in exchange for a series of promotional and marketing activities. The contract also envisaged an interest rate in the event of delayed payment of the commissions. The Globe has brought a suit against Helwan in the court of Cairo, for payment of more than 17 million US dollars, plus interest as contractually agreed, as from 2002. The merits of the case have not yet been examined since the suit has been suspended pending a decision by the Cairo court of cassation with regard to the preliminary question of jurisdiction, given that the contract is subject to the law and jurisdiction of California (USA). Tahaya Misr Investment Inc. (the new company name of The Globe) recently also filed a suit against Helwan in USA-California, also naming Suez and Italcementi (a date for the hearing has not yet been set).

In 2013, the Petrotrade company brought a suit against Tourah Cement Company (Tourah) to obtain payment of approximately 5 million Egyptian pounds in connection with a ministerial decree recognizing, with retroactive effect, the increased price for the supply of gas established by the decree itself. Tourah filed an appeal against the decree in the Cairo administrative tribunal. In January 2016, within the suit against Tourah, the Petrotrade company inserted an additional request for compensation, of 101 million Egyptian pounds

(plus interest and penalties that have not yet been clearly quantified), for alleged non-fulfilment of an old gas supply contract with a “take or pay” clause relating to the two-year period 2009-2010. A ruling on the additional Petrotrade claim will be made within the main proceeding, which is still pending.

### **Sibcem - Russia**

After numerous rulings by the Russian courts in favor, alternately, of Ciments Français and Sibconcord, the court of cassation recently ruled in favor of Sibconcord. Ciments Français has filed an appeal with Russia’s Supreme Court. Attention is drawn to the fact that on the same matter, the arbitration procedure begun in Turkey pursuant to the contractual clauses establishing jurisdiction for the resolution of disputes found in favor of Ciments Français. That decision has become final in that jurisdiction and has been recognized as final in France, Italy, Kazakhstan, the USA and, at first degree, in Bulgaria. Additional exequatur procedures are underway in other countries in which Ciments Français operates.

Attention is also drawn to the following disputes.

### **France - Calcia - Arcelor Mittal**

In 2005, Calcia stipulated a 15-year contract with Arcelor-Mittal (AM) for the supply of blast-furnace slag with an annually predetermined price but with a “take or pay” clause. In connection with the contract, Calcia acquired a slag processing and grinding facility. In view of market trends, at the end of 2013, Calcia applied to AM for a re-negotiation of the terms of the contract (price and volume), also with reference to a safeguard clause. AM rejected the application. New negotiations between the parties did not produce a friendly agreement.

At the end of 2014, Calcia asked for the contract to be terminated, which AM refused.

In January 2015, Calcia filed a suit against AM, who challenged the “safeguard” clause and sued for damages of 20 million euro for unjustified termination of the contract.

In July 2015, the commercial tribunal of Dunkirk upheld AM’s appeal and ordered Calcia to pay 3.3 million euro. The tribunal overruled Calcia’s request for early termination of the contract and ordered that the contract continue: Calcia has appealed against this ruling and the matter is pending.

### **Belgium - Orcem**

Following the ruling of the Belgian antitrust authority in November 2014, the Orcem company began a suit in the Brussels commercial tribunal against CCB and four other parties for joint damages of 134 million euro for unfair trading. At the hearing on September 10, 2015, Orcem agreed to suspend the case pending the decision of the Brussels court of appeal, where CCB and the other parties have lodged an appeal against the ruling of the Belgian antitrust authority.

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## Significant events after the reporting period

No significant events have taken place since the end of the reporting period whose effects require amendments to or additional comments on the Group's financial position and results of operations as at and for the year ended December 31, 2015.

## Outlook

The Group believes that the current year is expected to show a healthy mood on markets in North America, moderate growth in sales volumes in Egypt and substantial stability on the other emerging markets; demand is expected to be stable overall in Italy and France/Belgium, to rise slightly in eastern Europe and to recover in other Mediterranean markets. Nevertheless, uncertainty over general economic performance and the continuing volatility on the financial markets could contrast the trends forecast for 2016.

The Group believes its sales volumes will improve slightly from 2015, with a rise in price levels in almost all areas, with the exceptions of India and Thailand, due to local competitive dynamics. The further improvement in operating expense, particularly for energy, and efficient and full use of the newly constructed facilities will permit an improvement in operating margins compared with 2015.

The Group net financial position should stay at a lower level than in 2015, thanks in part to further optimization of working capital management and a selective approach in capital expenditure.

Bergamo, February 18, 2016

For the Board of Directors  
The Chairman  
Giampiero Pesenti





# Consolidated financial statements



## Financial statements

### Statement of financial position

(in thousands of euro)	Notes	12.31.2015	12.31.2014	Changes
<b>Non-current assets</b>				
Property, plant and equipment	5	4,110,673	4,173,957	(63,284)
Investment property	5	22,148	23,974	(1,826)
Goodwill	6	1,603,107	1,584,870	18,237
Intangible assets	7	75,805	92,930	(17,125)
Equity-accounted investees	8	203,224	207,567	(4,343)
Other equity investments	9	19,310	46,278	(26,968)
Deferred tax assets	21	84,410	84,304	106
Other non-current assets	10	145,788	208,556	(62,768)
<b>Total non-current assets</b>		<b>6,264,465</b>	<b>6,422,436</b>	<b>(157,971)</b>
<b>Current assets</b>				
Inventories	11	704,611	723,357	(18,746)
Trade receivables	12	562,512	635,656	(73,144)
Other current assets including derivatives	13	252,789	283,793	(31,004)
Tax assets		25,143	17,405	7,738
Equity investments, bonds and current financial assets		83,604	49,377	34,227
Cash and cash equivalents	36.1	537,092	551,525	(14,433)
Assets held for sale	24	177,941	-	177,941
<b>Total current assets</b>		<b>2,343,692</b>	<b>2,261,113</b>	<b>82,579</b>
<b>Total assets</b>		<b>8,608,157</b>	<b>8,683,549</b>	<b>(75,392)</b>
<b>Equity</b>				
Share capital	14	401,715	401,715	-
Share premium	14	711,879	712,049	(170)
Reserves	15	103,398	39,668	63,730
Treasury shares	16	(58,690)	(58,690)	-
Retained earnings	17	1,850,782	1,988,082	(137,300)
<b>Equity attributable to owners of the parent</b>		<b>3,009,084</b>	<b>3,082,824</b>	<b>(73,740)</b>
Non-controlling interests	18	790,716	808,157	(17,441)
<b>Total equity</b>		<b>3,799,800</b>	<b>3,890,981</b>	<b>(91,181)</b>
<b>Non-current liabilities</b>				
Financial liabilities	22	2,095,528	2,296,753	(201,225)
Employee benefits	19	287,955	313,231	(25,276)
Provisions	20	206,243	206,565	(322)
Deferred tax liabilities	21	200,407	184,741	15,666
Other non-current liabilities		68,115	52,444	15,671
<b>Total non-current liabilities</b>		<b>2,858,248</b>	<b>3,053,734</b>	<b>(195,486)</b>
<b>Current liabilities</b>				
Loans and borrowings	22	310,597	219,825	90,772
Financial liabilities	22	377,676	285,382	92,294
Trade payables		571,092	577,026	(5,934)
Provisions	20	1,386	1,053	333
Tax liabilities		19,838	35,734	(15,896)
Other current liabilities	23	612,352	619,814	(7,462)
Liabilities held for sale	24	57,168	-	57,168
<b>Total current liabilities</b>		<b>1,950,109</b>	<b>1,738,834</b>	<b>211,275</b>
<b>Total liabilities</b>		<b>4,808,357</b>	<b>4,792,568</b>	<b>15,789</b>
<b>Total equity and liabilities</b>		<b>8,608,157</b>	<b>8,683,549</b>	<b>(75,392)</b>

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## Income statement

	Notes	2015	%	2014	%	Change	%
				re-stated			
(in thousands of euro)							
<b>Revenue</b>	4	<b>4,301,640</b>	<b>100.0</b>	<b>4,155,641</b>	<b>100.0</b>	<b>145,999</b>	<b>3.5</b>
Other revenue		30,432		32,067			
Change in inventories		(13,573)		30,152			
Internal work capitalized		43,627		43,247			
Raw materials and supplies	26	(1,722,975)		(1,674,002)			
Services	27	(1,102,707)		(1,045,544)			
Employee expense	28	(877,510)		(848,069)			
Other operating income (expense)	29	(22,660)		(37,105)			
<b>Recurring EBITDA</b>	4	<b>636,274</b>	<b>14.8</b>	<b>656,387</b>	<b>15.8</b>	<b>(20,113)</b>	<b>-3.1</b>
Net gains from the sale of non-current assets	30	12,814		5,479			
Non-recurring expense for re-organizations	30	(58,662)		(7,320)			
Other non-recurring income (expense)	30	(6,403)		(3,125)			
<b>EBITDA</b>	4	<b>584,023</b>	<b>13.6</b>	<b>651,421</b>	<b>15.7</b>	<b>(67,398)</b>	<b>-10.3</b>
Amortization and depreciation	4	(412,648)		(408,263)			
Impairment	5 - 6	(22,965)		(9,204)			
<b>EBIT</b>	4	<b>148,410</b>	<b>3.5</b>	<b>233,954</b>	<b>5.6</b>	<b>(85,544)</b>	<b>-36.6</b>
Finance income	31	43,544		24,393			
Finance costs	31	(162,209)		(160,880)			
Net exchange-rate differences and derivatives	31	(13,034)		(2,709)			
Impairment on financial assets	9	-		(26,844)			
Share of profit (loss) of equity-accounted investees	8	14,141		11,694			
<b>Profit before tax</b>	4	<b>30,852</b>	<b>0.7</b>	<b>79,608</b>	<b>1.9</b>	<b>(48,756)</b>	<b>-61.2</b>
Income tax expense	32	(100,169)		(128,540)			
<b>Loss for the year</b>		<b>(69,317)</b>	<b>-1.6</b>	<b>(48,932)</b>	<b>-1.2</b>	<b>(20,385)</b>	<b>-41.7</b>
Attributable to:							
<b>Owners of the parent</b>		<b>(119,981)</b>		<b>(107,131)</b>		<b>(12,850)</b>	
<b>Non-controlling interests</b>		<b>50,664</b>		<b>58,199</b>		<b>(7,535)</b>	
Earnings per share	34						
- Basic			-0.347 €		-0.355 €		
- Diluted			-0.347 €		-0.355 €		

## Statement of comprehensive income

	Notes	2015	%	2014	%	Change
(in thousands of euro)						
<b>Loss for the year</b>		(69,317)	-1.6	(48,932)	-1.2	(20,385)
<b>Other comprehensive income (expense)</b>						
<b>Items that will not be reclassified to profit or loss subsequently</b>						
Remeasurement of the net liability (asset) for employee benefits		17,330		(51,797)		
Remeasurement of the net liability (asset) for employee benefits - equity - accounted investees		1		(1)		
Income tax (expense)		(3,765)		8,474		
<b>Total items that will not be reclassified to profit or loss subsequently</b>		<b>13,566</b>		<b>(43,324)</b>		<b>56,890</b>
<b>Items that might be reclassified to profit or loss subsequently</b>						
Translation reserve on foreign operations		92,142		226,520		
Translation reserve on foreign operations - equity - accounted investees		(4,890)		4,896		
Fair value losses on cash flow hedges		(6,033)		(15,223)		
Fair value gains (losses) on cash flow hedges - equity - accounted investees		83		(211)		
Fair value gains (losses) on available-for-sale financial assets		(5,567)		19,546		
Income tax (expense)		2,170		(216)		
<b>Total items that might be reclassified to profit or loss subsequently</b>		<b>77,905</b>		<b>235,312</b>		<b>(157,407)</b>
<b>Total other comprehensive income</b>	<b>33</b>	<b>91,471</b>	<b>2.1</b>	<b>191,988</b>	<b>4.6</b>	<b>(100,517)</b>
<b>Total comprehensive income</b>		<b>22,154</b>	<b>0.5</b>	<b>143,056</b>	<b>3.4</b>	<b>(120,902)</b>
Attributable to:						
<b>Owners of the parent</b>		<b>(40,458)</b>		<b>22,510</b>		<b>(62,968)</b>
<b>Non-controlling interests</b>		<b>62,612</b>		<b>120,546</b>		<b>(57,934)</b>

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## Consolidated statement of changes in equity

(in millions of euro)	Attributable to owners of the parent									Non-controlling interests	Total equity	
	Share capital	Share premium	AFS fair value reserve	Derivative fair value reserve	Other reserves	Reserves	Translation reserve	Treasury shares	Retained earnings			
<b>Re-stated balances at December 31, 2013</b>	<b>282.5</b>	<b>344.1</b>	<b>(11.7)</b>	<b>(4.1)</b>	<b>111.1</b>	<b>(185.8)</b>	<b>(58.7)</b>	<b>2,126.4</b>	<b>2,603.8</b>	<b>1,179.2</b>	<b>3,783.0</b>	
Re-stated profit (loss) for the year									(107.1)	(107.1)	58.2	(48.9)
Total other comprehensive income (expense) re-stated			19.6	(15.7)		168.0		(42.3)	129.6	62.3	192.0	
Total comprehensive income (expense) re-stated	-	-	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)	
<b>Balances at December 31, 2014</b>	<b>401.7</b>	<b>712.0</b>	<b>5.6</b>	<b>(20.1)</b>	<b>114.8</b>	<b>(60.6)</b>	<b>(58.7)</b>	<b>1,988.1</b>	<b>3,082.8</b>	<b>808.2</b>	<b>3,891.0</b>	
Profit (loss) for the year								(120.0)	(120.0)	50.7	(69.3)	
Total other comprehensive income (expense)			(5.5)	(3.8)		74.9		13.9	79.5	12.0	91.5	
Total comprehensive income	-	-	(5.5)	(3.8)	-	74.9	-	(106.1)	(40.5)	62.6	22.2	
Stock options										-	-	
Distribution of earnings:												
Dividends								(31.1)	(31.1)	(76.8)	(107.9)	
Share capital increase		(0.2)							(0.2)		(0.2)	
% change in control and scope of consolidation					(1.9)			(0.1)	(2.0)	(3.3)	(5.4)	
<b>Balances at December 31, 2015</b>	<b>401.7</b>	<b>711.9</b>	<b>0.1</b>	<b>(23.9)</b>	<b>112.9</b>	<b>14.3</b>	<b>(58.7)</b>	<b>1,850.8</b>	<b>3,009.1</b>	<b>790.7</b>	<b>3,799.8</b>	

## Statement of cash flows

(in thousands of euro)	Notes	2015	2014 re-stated
<b>A) Cash flow from operating activities</b>			
Profit before tax		30,852	79,608
Adjustments for:			
Amortization, depreciation and impairment		437,767	447,618
Reversal of share of profit (loss) of equity-accounted investees		2,038	7,041
Net (gains) losses from sale of non-current assets		(31,158)	(5,474)
Change in employee benefits and other provisions		(20,452)	(51,674)
Reversal of finance costs		133,269	130,538
<b>Cash flow from operating activities before tax, finance income/costs and change in working capital</b>		<b>552,316</b>	<b>607,657</b>
Change in working capital	36.2	136,924	21,688
<b>Cash flow from operating activities before tax and finance income/costs</b>		<b>689,240</b>	<b>629,345</b>
Net finance costs paid		(127,407)	(124,521)
Taxes paid		(112,185)	(114,075)
<b>Total A)</b>		<b>449,648</b>	<b>390,749</b>
<b>B) Cash flow from investing activities</b>			
Capital expenditure:			
Intangible assets		(11,460)	(11,445)
Property, plant and equipment and investment property		(348,054)	(507,255)
Financial assets (equity investments) net of cash acquisitions (*)		(1,071)	(4,066)
<b>Total capital expenditure</b>		<b>(360,585)</b>	<b>(522,766)</b>
Proceeds from the sale of non-current assets		58,978	25,218
<b>Total sales</b>		<b>58,978</b>	<b>25,218</b>
Change in other non-current financial assets and liabilities		(13,584)	(10,107)
<b>Total B)</b>		<b>(315,191)</b>	<b>(507,655)</b>
<b>C) Cash flow from financing activities</b>			
Increase in non-current financial liabilities		28,532	155,938
Repayments of non-current financial liabilities		(96,217)	(27,052)
Change in current financial liabilities		4,929	70,132
Dividends paid		(108,421)	(83,159)
Other changes in equity		(2,709)	(1,390)
Change in share capital and share premium		(170)	487,162
Change in interests in subsidiaries		-	(457,709)
Other sources and applications		32,009	2,326
<b>Total C)</b>		<b>(142,047)</b>	<b>146,248</b>
<b>D) Translation differences and other changes</b>		<b>8,427</b>	<b>41,797</b>
<b>E) Cash flows for the year (A+B+C+D)</b>		<b>837</b>	<b>71,139</b>
<b>F) Cash and cash equivalents at beginning of year</b>		<b>551,525</b>	<b>480,386</b>
<b>Cash and cash equivalents at end of year (E+F)</b>	36.1	<b>552,362</b>	<b>551,525</b>
of which:			
Final cash and cash equivalents of assets held for sale		15,270	-
Final cash and cash equivalents relating to continuing operations		537,092	551,525

(\*) cash of acquired and consolidated companies

2,783

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## Notes

The consolidated financial statements of Italcementi S.p.A. as at and for the year ended December 31, 2015 were approved by the Board of Directors on February 18, 2016. At the meeting, the Board authorized publication of a press release dated February 18, 2016 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 Accounting Standards and International Financial Reporting Standards (IAS/IFRS) and with the IFRIC interpretations applicable at December 31, 2015 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, 2015 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 2015

Since January 1, 2015, the Group has adopted the new standards and changes described below, including the changes arising therefrom applied to other standards.

- "Annual Improvements cycle 2011-2013". The changes introduced constitute clarifications and corrections (IFRS 3 "Business combinations" and IFRS 13 "Fair value measurement"). They involve amendments to current requirements or provide additional indications regarding 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.

Application of the above standards, changes and interpretations did not have a material impact on the Group financial statements.

As from January 1, 2015, with regard to the application by the Group of IAS 16 "Property, plant and equipment", attention is drawn to the fact that the list of the components and the useful lives of the Group industrial assets has been updated to reflect technological developments and the benefits expected to accrue from use of the assets in question.

The Group has also changed the accounting treatment of the French tax "Cotisation sur la valeur ajoutée des

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entreprises" (CVAE), which has been classified as other income tax rather than as operating fiscal charges. For comparative purposes, the income statements of the previous period have been re-stated accordingly; the effects arising from the change in accounting treatment are set out in section 1.26.

## Standards and interpretations to come into force in 2016

- Changes to IAS 19 "Employee benefits" with regard to "Defined benefit plans: employee contributions"; the changes 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 payment" and IFRS 3 "Business combinations" involve changes to current requirements or provide additional indications regarding application.
- Changes to IAS 1 "Presentation of financial statements" in connection with the "Disclosure initiative" to improve disclosure effectiveness and encourage companies to apply professional judgement in determining what information to disclose in their financial statements. The changes to IAS 1 have necessitated adjustments to IAS 34 "Interim financial reporting" and IFRS 7 "Financial instruments: disclosures" to ensure consistency among the various standards.
- "Annual Improvements cycle 2012-2014". The changes to IFRS 5 "Non-current assets held for sale and discontinued operations", the afore-mentioned IAS 34 and IFRS 7, IFRS 1 "First-time adoption of International Financial Reporting Standards" and IAS 19 are part of the normal rationalization measures designed to eliminate inconsistencies or provide terminological clarifications.
- Changes to IAS 27 "Separate financial statements" entitled "Equity method in separate financial statements" to permit application of the equity method to investments in subsidiaries, joint ventures and associates in separate financial statements. These changes, which also necessitated adjustments to IFRS 1 and IAS 28 "Investments in associates and joint ventures", contain references to IFRS 9 "Financial instruments", which currently cannot be applied since IFRS 9 has not yet been endorsed by the European Union. Consequently, any reference to IFRS 9 must be read as a reference to IAS 39 "Financial instruments: recognition and measurement".
- Changes to IAS 16 "Property, plant and equipment" and IAS 41 "Agriculture" entitled "Agriculture: bearer plants" with related changes to a number of other standards.
- Amendments to IAS 16 and IAS 38 "Intangible assets" entitled "Clarification of acceptable methods of depreciation and amortization", in which methods based on revenue are described as inappropriate.
- Amendments to IFRS 11 "Joint arrangements" concerning "Accounting for acquisitions of interests in joint operations", with new indications regarding their accounting treatment.

The above new standards or changes are not expected to have material impacts on the Group consolidated financial statements.

## Standards and interpretations published by the IASB and the IFRIC at December 31, 2015, but not endorsed by the European Union at that date

- IFRS 9 "Financial instruments".
- IFRS 14 "Regulatory deferral accounts", for which the European Commission has not yet begun the approval process, pending issue of the definitive standard.
- IFRS 15 "Revenue from contracts with customers".
- IFRS 16 "Leases".
- Changes to IFRS 10 "Consolidated financial statements", IFRS 12 "Disclosure of interests in other entities"

and IAS 28 with the title “Investment entities – applying the consolidation exception”.

- Changes to IFRS 10 and IAS 28 with the title “Sale or contribution of assets between an investor and its associate or joint venture”.

## 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 discretionary 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.

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### 1.3. Basis of consolidation

The consolidated financial statements are based on the financial statements as at and for the year ended December 31, 2015 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 equity and income of joint ventures are consolidated from the date on which joint control is assumed and until such control is relinquished.

### **Transactions eliminated during consolidation**

All intragroup balances and transactions, including any unrealized gains in respect of third parties, are eliminated. Unrealized losses in respect of third parties deriving from intragroup transactions are eliminated, except in cases where it will not subsequently be possible to recover such losses.

Unrealized gains in respect of third parties deriving from transactions with associates and joint ventures are eliminated against the equity investment carrying amount. 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.

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## 1.4. Business combinations

On first-time adoption of the IFRS, as allowed by IFRS 1, the Group elected not to apply IFRS 3 retrospectively to business combinations that took place before January 1, 2004.

Until December 31, 2009, business combinations were accounted for with the purchase method under IFRS 3. Since January 1, 2010, business combinations have been accounted for using the acquisition method under IFRS 3 revised.

### Cost of business combinations

Under IFRS 3 revised, acquisition cost is the sum of the acquisition-date fair value of the contingent consideration and the amount of any non-controlling interests in the acquired entity. For each business combination, any non-controlling interests in the acquired entity must be measured at fair value or in proportion to their interest in the identifiable net assets of the acquired entity.

IFRS 3 revised provides that costs relating to the acquisition be expensed in the periods in which they are incurred and the services are received.

### Allocation of the cost of business combinations

Goodwill is measured as the positive difference between:

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

If the difference is negative, it is recognized in the income statement.

If on initial recognition the acquisition cost of a business combination can only be determined provisionally, the allocated amounts are adjusted within twelve months of the acquisition date (measurement period).

### Business combinations achieved in stages

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

### Change in 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 asset' 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.

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## **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.

## **Amortization and 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 suitable 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

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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.

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## Actuarial gains and losses

Actuarial gains and losses on post-employment defined benefit plans may arise as a result of changes in the actuarial assumptions used in two consecutive periods or as a result of changes in the obligation value or in the fair value of any plan asset in respect of the actuarial assumptions used at the beginning of the period.

Actuarial gains and losses are recognized immediately under other comprehensive income.

Actuarial gains and losses relating to “Other long-term benefits” (service medals, length of service benefits) and to termination benefits (early retirement) are recognized as income or expense immediately.

## Past service cost

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

## Curtailment and settlement

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

At the curtailment or settlement date, the obligation and the fair value of the plan assets are re-measured using current actuarial assumptions.

## Net finance cost

Net finance cost on defined benefit plans consists of the following measurements:

- finance costs computed on the present value of the defined benefit plan liability;
- finance income arising from measurement of the plan assets;
- finance costs or income arising from any limits on recognition of plan surpluses.

Net finance cost is determined by applying to all the above items, the discount rate adopted at the beginning of the period to measure the defined benefit plan obligation.

Net finance costs on defined benefit plans are recognized under finance income/(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 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 as 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.

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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

The tables below set out the effects arising from the change in the accounting treatment of the French tax “Cotisation sur la valeur ajoutée des entreprises” (CVAE), reclassified from “Other operating income (expense)” to “Income tax expense”.

### Income statement

(in thousands of euro)	2014 re-stated	%	2014 published	%	Changes
<b>Revenue</b>	<b>4,155,641</b>	<b>100.0</b>	<b>4,155,641</b>	<b>100.0</b>	<b>-</b>
Other revenue	32,067		32,067		-
Change in inventories	30,152		30,152		-
Internal work capitalized	43,247		43,247		-
Raw materials and supplies	(1,674,002)		(1,674,002)		-
Services	(1,045,544)		(1,045,544)		-
Employee expense	(848,069)		(848,069)		-
Other operating income (expense)	(37,105)		(44,353)		7,248
<b>Recurring EBITDA</b>	<b>656,387</b>	<b>15.8</b>	<b>649,139</b>	<b>15.6</b>	<b>7,248</b>
Net gains from the sale of non-current assets	5,479		5,479		-
Non-recurring expense for re-organizations	(7,320)		(7,320)		-
Other non-recurring income (expense)	(3,125)		(3,125)		-
<b>EBITDA</b>	<b>651,421</b>	<b>15.7</b>	<b>644,173</b>	<b>15.5</b>	<b>7,248</b>
Amortization and depreciation	(408,263)		(408,263)		-
Impairment	(9,204)		(9,204)		-
<b>EBIT</b>	<b>233,954</b>	<b>5.6</b>	<b>226,706</b>	<b>5.5</b>	<b>7,248</b>
Finance income	24,393		24,393		-
Finance costs	(160,880)		(160,880)		-
Net exchange-rate differences and derivatives	(2,709)		(2,709)		-
Impairment on financial assets	(26,844)		(26,844)		-
Share of profit (loss) of equity-accounted investees	11,694		11,694		-
<b>Profit before tax</b>	<b>79,608</b>	<b>1.9</b>	<b>72,360</b>	<b>1.7</b>	<b>7,248</b>
Income tax expense	(128,540)		(121,292)		(7,248)
<b>Loss for the year</b>	<b>(48,932)</b>	<b>-1.2</b>	<b>(48,932)</b>	<b>-1.2</b>	<b>-</b>
Attributable to:					
<b>Owners of the parent</b>	<b>(107,131)</b>		<b>(107,131)</b>		<b>-</b>
<b>Non-controlling interests</b>	<b>58,199</b>		<b>58,199</b>		<b>-</b>
Earnings per share					
- Basic		-0.355 €		-0.355 €	
- Diluted		-0.355 €		-0.355 €	

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## Statement of cash flows

(in thousands of euro)	2014 re-stated	2014 published	Changes
<b>A) Cash flow from operating activities</b>			
Profit before tax	79,608	72,360	7,248
Adjustments for:			
Amortization, depreciation and impairment	447,618	447,618	-
Reversal of undistributed share of profit (loss) of equity-accounted investees	7,041	7,041	-
Net (gains) losses from sale of non-current assets	(5,474)	(5,474)	-
Change in employee benefits and other provisions	(51,674)	(51,674)	-
Reversal of finance costs	130,538	130,538	-
<b>Cash flow from operating activities before tax, finance income/costs and change in working capital</b>	<b>607,657</b>	<b>600,409</b>	<b>7,248</b>
Change in working capital	21,688	21,688	-
<b>Cash flow from operating activities before tax and finance income/costs</b>	<b>629,345</b>	<b>622,097</b>	<b>7,248</b>
Net finance costs paid	(124,521)	(124,521)	-
Taxes paid	(114,075)	(106,827)	(7,248)
<b>Total A)</b>	<b>390,749</b>	<b>390,749</b>	<b>-</b>
<b>B) Cash flow from investing activities</b>			
Capital expenditure:			
Intangible assets	(11,445)	(11,445)	-
Property, plant and equipment and investment property	(507,255)	(507,255)	-
Financial assets (equity investments) net of cash acquisitions (*)	(4,066)	(4,066)	-
<b>Total capital expenditure</b>	<b>(522,766)</b>	<b>(522,766)</b>	<b>-</b>
Proceeds from the sale of non-current assets	25,218	25,218	-
<b>Total sales</b>	<b>25,218</b>	<b>25,218</b>	<b>-</b>
Change in other non-current financial assets and liabilities	(10,107)	(10,107)	-
<b>Total B)</b>	<b>(507,655)</b>	<b>(507,655)</b>	<b>-</b>
<b>C) Cash flow from financing activities</b>			
Increase in non-current financial liabilities	155,938	155,938	-
Repayments of non-current financial liabilities	(27,052)	(27,052)	-
Change in current financial liabilities	70,132	70,132	-
Dividends paid	(83,159)	(83,159)	-
Other changes in equity	(1,390)	(1,390)	-
Change in interests in subsidiaries	487,162	487,162	-
Change in interests in subsidiaries	(457,709)	(457,709)	-
Other sources and applications	2,326	2,326	-
<b>Total C)</b>	<b>146,248</b>	<b>146,248</b>	<b>-</b>
<b>D) Translation differences and other changes</b>			
<b>E) Cash flow relating to discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>F) Cash flows for the year (A+B+C+D+E)</b>	<b>71,139</b>	<b>71,139</b>	<b>-</b>
<b>G) Cash and cash equivalents at beginning of year</b>	<b>480,386</b>	<b>480,386</b>	<b>-</b>
<b>Cash and cash equivalents at end of year (F+G)</b>	<b>551,525</b>	<b>551,525</b>	<b>-</b>

(\*) cash of acquired and consolidated companies

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

Exchange rates for 1 euro:

Currencies	Average rate		Closing rate	
	Full year 2015	Full year 2014	December 31 2015	December 31 2014
Albania lek	139.68217	139.95452	137.02000	140.09500
Saud Arabia riyal	4.16202	4.98307	4.08624	4.55733
Australia dollar	1.47766	1.47188	1.48970	1.48290
Brazil real	3.70044	3.12113	4.31170	3.22070
Canada dollar	1.41856	1.46614	1.51160	1.40630
Dubai UAE dirham	4.07334	4.87957	3.99662	4.45942
Egypt pound	8.55177	9.41554	8.52049	8.68519
Ghana New cedi	4.12364	-	4.13096	-
GB sterling	0.72585	0.80612	0.73395	0.77890
India rupee	71.19561	81.04062	72.02150	76.71900
Kazakhstan tenge	247.33694	238.15509	370.34900	221.46000
Kuwait dinar	0.33397	0.37804	0.33052	0.35558
Libya dinar	1.51826	1.64626	1.51012	1.45389
Morocco dirham	10.81397	11.16302	10.78810	10.98020
Mauritania ouguiya	360.16988	401.62913	369.86900	380.52300
Mexico peso	17.61573	17.65504	18.91450	17.86790
Mozambique metical	42.32918	40.71317	49.12210	38.43840
Qatar riyal	4.03903	4.83737	3.96287	4.42155
People's Republic of China renminbi	6.97333	8.18575	7.06080	7.53580
Sri Lanka rupee	150.93086	173.48069	156.99200	159.34700
USA dollar	1.10951	1.32850	1.08870	1.21410
Switzerland franc	1.06786	1.21462	1.08350	1.20240
Thailand baht	38.02781	43.14687	39.24800	39.91000
Turkey lira	3.02546	2.90650	3.17650	2.83200

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. Scope of consolidation

The main changes in 2015 were:

- two small companies purchased in the aggregates segment in France, and consolidated on a line-by-line basis starting from the first quarter: Dragages du Pont de St Leger and Garonne Labo. At the end of 2015, the revenue and net assets from these companies amounted to 4.7 and 5.6 million euro respectively.
- Teracem Ltd. – Ghana, a company in the cement and clinker trading segment, consolidated on a line-by-line basis;
- the formation of BravoSolution Nordics OY – Finland, consolidated on a line-by-line basis, part of the BravoSolution e-business group.

#### 4. Operating segment disclosure and Non-controlling interests

The operating segment disclosure has been updated.

The Group operating segments continue to consist of the countries in which the Group operates, but a number of changes have been made to ensure closer correspondence between Group operations and economic/geographical contexts and disclosure requirements.

The changes concern the classification of Bulgaria under the "Central Western Europe" area, which is renamed "Europe"; the "Emerging Europe, North Africa and Middle East" area is renamed "North Africa and Middle East".

The new Group operating segments are shown below:

Europe	North America	North Africa and Middle East (NA.ME.)	Asia	Cement & clinker trading	Other operations
<b>Italy</b>	U.S.A.	<b>Egypt*</b>	<b>Thailand*</b>	- Trading	- Italcementi Finance
- Italcementi S.p.A.	Puerto Rico	<b>Morocco*</b>	<b>India+Sri Lanka</b>	- Terminals	- Holdings
- Calcestruzzi gp	Canada	Others NA.ME.:	<b>Kazakhstan</b>		- SIIL
- Italgen gp		<b>- Kuwait*</b>			- BravoSolution group*
- others		<b>- Saudi Arabia</b>			- others

#### France-Belgium

#### Spain

Others Europe:

- **Greece**
- **Bulgaria**

\* 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.

For comparative purposes, operating-segment data for the previous periods has been reclassified, starting from January 1, 2014.

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.s. 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, 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.

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## Operating segments

The table below sets out segment revenue and results for the year ended December 31, 2015:

	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
(in thousands of euro)											
Italy	570,912	(70,543)	500,369	33,622	8,352	(80,865)				(493)	
France-Belgium	1,271,798	(3,038)	1,268,760	176,305	172,812	83,320				(955)	
Spain	100,972	(42,966)	58,006	217	(1,051)	(11,702)				-	
Others Europe	93,986	(16,453)	77,533	25,530	24,442	7,057				2,094	
Eliminations	(19,924)	19,924	-	-	-	-				-	
<b>Europe</b>	<b>2,017,744</b>	<b>(113,076)</b>	<b>1,904,668</b>	<b>235,674</b>	<b>204,555</b>	<b>(2,190)</b>				<b>646</b>	
<b>N. America</b>	<b>583,936</b>	<b>(484)</b>	<b>583,452</b>	<b>71,267</b>	<b>71,403</b>	<b>(4,829)</b>				<b>4,188</b>	
Egypt	580,667	(9,198)	571,469	43,519	36,875	(14,148)				342	
Morocco	345,309	(4,071)	341,238	150,991	150,998	114,734				10,473	
Others NA.ME.	81,540	-	81,540	5,425	5,432	(1,820)				-	
Eliminations	(1)	1	-	-	-	-				-	
<b>NA.ME.</b>	<b>1,007,515</b>	<b>(13,268)</b>	<b>994,247</b>	<b>199,935</b>	<b>193,305</b>	<b>98,766</b>				<b>10,815</b>	
Thailand	303,597	(13,946)	289,651	67,855	72,639	49,863				-	
India	275,957	(107)	275,850	44,871	45,918	25,905				-	
Kazakhstan	37,021	(1)	37,020	(4,630)	(4,753)	(9,508)				-	
Eliminations	-	-	-	-	-	-				-	
<b>Asia</b>	<b>616,575</b>	<b>(14,054)</b>	<b>602,521</b>	<b>108,096</b>	<b>113,804</b>	<b>66,260</b>				-	
<b>Cement &amp; clinker trading</b>	<b>168,271</b>	<b>(38,987)</b>	<b>129,284</b>	<b>16,083</b>	<b>15,206</b>	<b>11,146</b>				<b>(1,508)</b>	
<b>Other ops.</b>	<b>335,991</b>	<b>(248,523)</b>	<b>87,468</b>	<b>5,208</b>	<b>(14,264)</b>	<b>(20,757)</b>				-	
Unallocated items	-	-	-	-	-	-	(131,699)		-	-	30,852 (100,169)
Eliminations	(428,392)	428,392	-	11	14	14			-	-	
<b>Total</b>	<b>4,301,640</b>	-	<b>4,301,640</b>	<b>636,274</b>	<b>584,023</b>	<b>148,410</b>	<b>(131,699)</b>		-	<b>14,141</b>	<b>30,852 (100,169)</b>

The table below sets out segment revenue and results for the year ended December 31, 2014:

	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
(in thousands of euro)											
Italy	600,543	(69,274)	531,269	19,346	23,675	(66,890)			(539)		
France-Belgium	1,362,528	(5,370)	1,357,158	230,810	229,872	136,935			14		
Spain	107,582	(46,397)	61,185	9,964	9,290	(3,992)			-		
Others Europe	86,336	(10,709)	75,627	11,960	11,779	9,641			(43)		
Eliminations	(21,420)	21,420	-	-	(62)	(62)			-		
<b>Europe</b>	<b>2,135,569</b>	<b>(110,330)</b>	<b>2,025,239</b>	<b>272,080</b>	<b>274,554</b>	<b>75,632</b>			<b>(568)</b>		
<b>N. America</b>	<b>454,521</b>	<b>(286)</b>	<b>454,235</b>	<b>51,030</b>	<b>51,391</b>	<b>(16,129)</b>			<b>4,309</b>		
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 NA.ME.	66,443	(1)	66,442	2,922	3,024	(2,773)			-		
Eliminations	-	-	-	-	(3)	(4)			-		
<b>NA.ME.</b>	<b>964,485</b>	<b>(28,578)</b>	<b>935,907</b>	<b>245,341</b>	<b>242,178</b>	<b>146,602</b>			<b>8,347</b>		
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	-	-	-	-	-	-			-		
<b>Asia</b>	<b>538,322</b>	<b>(9,157)</b>	<b>529,165</b>	<b>85,428</b>	<b>84,644</b>	<b>41,365</b>			-		
<b>Cement &amp; clinker trading</b>	<b>202,307</b>	<b>(70,918)</b>	<b>131,389</b>	<b>10,407</b>	<b>10,069</b>	<b>3,825</b>			<b>(394)</b>		
<b>Other ops.</b>	<b>327,658</b>	<b>(247,952)</b>	<b>79,706</b>	<b>(8,116)</b>	<b>(7,951)</b>	<b>(14,067)</b>			-		
Unallocated items	-	-	-	-	-	-	(139,196)	(26,844)		79,608	(128,540)
Eliminations	(467,221)	467,221	-	217	(3,464)	(3,274)			-		
<b>Total</b>	<b>4,155,641</b>	-	<b>4,155,641</b>	<b>656,387</b>	<b>651,421</b>	<b>233,954</b>	<b>(139,196)</b>	<b>(26,844)</b>	<b>11,694</b>	<b>79,608</b>	<b>(128,540)</b>

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The table below sets out other segment data at December 31, 2015:

	<b>Operating assets</b>	<b>Operating liabilities</b>	<b>Equity-accounted investees</b>	<b>Depreciation of PPE and investment property and amortization of intangible assets</b>	<b>Impairment</b>
(in thousands of euro)					
Italy	1,207,866	329,775	5,321	(73,740)	(15,477)
France-Belgium	1,778,271	485,933	16,394	(88,651)	(841)
Spain	226,834	43,237	-	(10,459)	(192)
Others Europe	334,145	31,231	53,724	(13,330)	(4,055)
Eliminations	(4,567)	(4,560)	-	-	-
<b>Europe</b>	<b>3,542,549</b>	<b>885,616</b>	<b>75,439</b>	<b>(186,180)</b>	<b>(20,565)</b>
<b>N. America</b>	<b>1,122,851</b>	<b>225,725</b>	<b>78,380</b>	<b>(76,023)</b>	<b>(209)</b>
Egypt	1,049,461	238,009	5,311	(50,669)	(354)
Morocco	589,734	89,857	41,252	(36,264)	-
Others NA.ME.	104,375	18,007	-	(7,252)	-
Eliminations	(2)	(2)	-	-	-
<b>NA.ME.</b>	<b>1,743,568</b>	<b>345,871</b>	<b>46,563</b>	<b>(94,185)</b>	<b>(354)</b>
Thailand	352,958	60,160	-	(22,832)	56
India	518,063	96,621	-	(20,013)	-
Kazakhstan	56,089	10,670	-	(4,209)	(546)
Eliminations	-	-	-	-	-
<b>Asia</b>	<b>927,110</b>	<b>167,451</b>	<b>-</b>	<b>(47,054)</b>	<b>(490)</b>
<b>Cement &amp; clinker trading</b>	<b>69,177</b>	<b>42,538</b>	<b>2,169</b>	<b>(2,713)</b>	<b>(1,347)</b>
<b>Other ops.</b>	<b>159,905</b>	<b>152,346</b>	<b>1,051</b>	<b>(6,493)</b>	<b>-</b>
Unallocated items	-	-	-	-	-
Eliminations	(117,495)	(118,143)	-	-	-
Held for sale	(144,772)	(44,713)	(378)	-	-
<b>Total</b>	<b>7,302,893</b>	<b>1,656,691</b>	<b>203,224</b>	<b>(412,648)</b>	<b>(22,965)</b>

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

	Operating assets	Operating liabilities	Equity-accounted investees	Depreciation of PPE and investment property and amortization of intangible assets	Impairment
(in thousands of euro)					
Italy	1,314,209	326,902	5,154	(77,272)	(13,293)
France-Belgium	1,823,876	498,055	17,332	(92,695)	(242)
Spain	234,441	41,911	-	(13,282)	-
Others Europe	348,603	38,449	51,773	(9,407)	7,269
Eliminations	(3,832)	(3,887)	(1)	(0)	-
<b>Europe</b>	<b>3,717,297</b>	<b>901,430</b>	<b>74,258</b>	<b>(192,656)</b>	<b>(6,266)</b>
<b>N. America</b>	<b>1,050,573</b>	<b>185,362</b>	<b>84,145</b>	<b>(67,520)</b>	<b>-</b>
Egypt	1,055,142	246,865	5,003	(50,010)	-
Morocco	599,406	87,851	39,393	(39,768)	-
Others NA.ME.	96,023	15,504	-	(6,425)	627
Eliminations	-	-	-	-	-
<b>NA.ME.</b>	<b>1,750,571</b>	<b>350,220</b>	<b>44,396</b>	<b>(96,203)</b>	<b>627</b>
Thailand	365,879	55,759	-	(20,440)	92
India	490,794	96,290	-	(17,327)	-
Kazakhstan	59,188	17,003	-	(5,604)	-
Eliminations	-	1	-	-	-
<b>Asia</b>	<b>915,861</b>	<b>169,053</b>	<b>-</b>	<b>(43,371)</b>	<b>92</b>
<b>Cement &amp; clinker trading</b>	<b>72,698</b>	<b>37,253</b>	<b>3,678</b>	<b>(2,588)</b>	<b>(3,656)</b>
<b>Other ops.</b>	<b>151,070</b>	<b>200,642</b>	<b>1,091</b>	<b>(6,116)</b>	<b>-</b>
Unallocated items	-	-	-	-	-
Eliminations	(172,055)	(170,590)	(1)	192	(1)
<b>Total</b>	<b>7,486,015</b>	<b>1,673,370</b>	<b>207,567</b>	<b>(408,263)</b>	<b>(9,204)</b>

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

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

	Revenue		Recurring EBITDA	
(in thousands of euro)	2015	2014	2015	2014
Greece	25,418	29,295	(1,406)	115
Bulgaria	68,568	57,041	26,936	11,845
<b>Others Europe</b>	<b>93,986</b>	<b>86,336</b>	<b>25,530</b>	<b>11,960</b>
Kuwait	72,528	58,790	4,872	2,677
Saudi Arabia	9,012	7,653	553	245
<b>Others NA.ME.</b>	<b>81,540</b>	<b>66,443</b>	<b>5,425</b>	<b>2,922</b>

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## 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 in these companies are shown in annex 1.

The table below sets out key consolidated figures by country:

	Egypt		Morocco		Thailand	
(in millions of euro)	2015	2014	2015	2014	2015	2014
Revenue	580.7	588.8	345.3	309.3	303.6	271.1
Profit (loss) for the year	(13.0)	35.9	120.9	84.2	43.5	39.0
Profit (loss) attributable to non-controlling interests	(7.5)	18.3	42.9	29.1	20.6	18.4
Total comprehensive income	4.2	126.2	131.8	99.6	48.4	83.5
<b>Total comprehensive income attributable to non-controlling interests</b>	<b>0.2</b>	<b>59.2</b>	<b>46.1</b>	<b>33.8</b>	<b>22.2</b>	<b>34.1</b>
Non-current assets	963.9	950.2	655.4	644.2	262.8	268.0
Current assets	276.6	350.6	229.2	222.9	234.2	213.7
Non-current liabilities	(97.2)	(94.3)	(31.3)	(36.1)	(11.7)	(10.1)
Current liabilities	(234.5)	(245.5)	(103.6)	(90.1)	(57.6)	(71.7)
Net assets	908.8	961.0	749.7	740.9	427.7	399.9
<b>Net assets attributable to non-controlling interests</b>	<b>351.3</b>	<b>380.2</b>	<b>232.8</b>	<b>233.7</b>	<b>156.5</b>	<b>143.7</b>
Dividends paid	56.1	53.5	103.8	82.6	20.5	10.3
<b>Dividends attributable to non-controlling interests</b>	<b>27.9</b>	<b>27.8</b>	<b>39.7</b>	<b>22.7</b>	<b>9.4</b>	<b>4.7</b>

## 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:

	December 31, 2015	December 31, 2014
(in millions of euro)		
Current assets	6.5	14.2
Non-current assets	40.1	59.6
<b>Total assets</b>	<b>46.6</b>	<b>73.9</b>
Current liabilities	10.5	32.7
Non-current liabilities	5.4	18.7
<b>Total liabilities</b>	<b>15.9</b>	<b>51.4</b>
	<b>2015</b>	<b>2014</b>
Revenue	7.3	16.0
Expense	(7.6)	(15.3)
<b>Profit (loss) for the year</b>	<b>(0.3)</b>	<b>0.8</b>

## Assets

### 5. Property, plant and equipment and Investment property

#### 5.1. Property, plant and equipment

	Land and buildings	Quarries	Technical plant, materials and equipment	Other PPE and assets under construction	Total
(in thousands of euro)					
<b>Net carrying amount at Dec. 31, 14</b>	<b>995,256</b>	<b>372,672</b>	<b>2,189,537</b>	<b>616,492</b>	<b>4,173,957</b>
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)
<b>Net carrying amount at Dec. 31, 14</b>	<b>995,256</b>	<b>372,672</b>	<b>2,189,537</b>	<b>616,492</b>	<b>4,173,957</b>
Additions	22,953	10,411	138,389	134,969	306,722
Change in scope of consolidation, reclassifications, other	29,448	(8,205)	270,910	(285,675)	6,478
Disposals	(3,415)	(16)	(3,391)	(972)	(7,794)
Depreciation and impairment	(63,313)	(15,457)	(298,467)	(23,075)	(400,312)
Translation differences	17,873	5,157	73,808	(9,477)	87,361
Assets held for sale	(8,612)	0	(28,852)	(18,275)	(55,739)
<b>Net carrying amount at Dec. 31, 15</b>	<b>990,190</b>	<b>364,562</b>	<b>2,341,934</b>	<b>413,987</b>	<b>4,110,673</b>
Gross amount	2,288,743	652,615	8,536,531	802,843	12,280,732
Accumulated depreciation	(1,298,553)	(288,053)	(6,194,597)	(388,856)	(8,170,059)
<b>Net carrying amount at Dec. 31, 15</b>	<b>990,190</b>	<b>364,562</b>	<b>2,341,934</b>	<b>413,987</b>	<b>4,110,673</b>

Additions in the year amounted to 306.7 million euro, and were mainly in Italy, France-Belgium, Egypt and India.

Changes in the scope of consolidation include the purchase by the North American subsidiary Essroc of a blast-furnace-slag grinding center in Camden - New Jersey for 22.3 million euro; the purchase, at a favorable price, generated a gain of 15.3 million euro recognized in the income statement under "Impairment".

"Depreciation and impairment" includes net impairment losses on assets of 22.7 million euro (8.7 million euro in 2014), relating mainly to Italy for 15.5 million euro (12.3 million euro in 2014) and Bulgaria for 4.1 million euro (7.7 million euro in 2014).

Non-current assets held under finance leases and rental contracts, as defined by the international financial reporting standards, were carried at a net amount of 5.6 million euro at December 31, 2015 (5.3 million euro at December 31, 2014). They consist of plant and machinery for 3.0 million euro, buildings for 2.2 million euro and office furniture and machinery for 0.4 million euro.

Expenses included under "Property, plant and equipment" at December 31, 2015 amounted to 38.2 million euro (39.0 million euro at December 31, 2014).

Capitalized finance costs amounted to 4.8 million euro in 2015 (4.9 million euro in 2014) and referred chiefly to industrial investments in India and Kazakhstan.

Non-current assets pledged as security for bank loans were carried at 273.3 million euro at December 31, 2015 (224.4 million euro at December 31, 2014) and referred in the main to the Indian subsidiaries.

Other property, plant and equipment includes assets under construction for a total of 338.6 million euro (534.3 million euro at December 31, 2014), mainly in India for 97.2 million euro, Italy for 57.1 million euro and Egypt for 40.2 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

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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)	
<b>Net carrying amount at Dec. 31, 14</b>	<b>23,974</b>
Gross amount	82,896
Accumulated depreciation	(58,922)
<b>Net carrying amount at Dec. 31, 14</b>	<b>23,974</b>
Sales	(133)
Depreciation and impairment	(804)
Translation differences	10
Reclassifications	1,290
Assets held for sale	(2,189)
<b>Net carrying amount at Dec. 31, 15</b>	<b>22,148</b>
Gross amount	82,462
Accumulated depreciation	(60,314)
<b>Net carrying amount at Dec. 31, 15</b>	<b>22,148</b>

Investment property is recognized at cost net of depreciation; fair value at December 31, 2015 was 74.8 million euro (76.5 million euro at December 31, 2014).

## 6. Goodwill

(in thousands of euro)	
<b>Net carrying amount at Dec. 31, 14</b>	<b>1,584,870</b>
Additions	13,613
Impairment	(15,416)
Translation differences and other	34,154
Reclassifications for assets held for sale	(14,114)
<b>Net carrying amount at Dec. 31, 15</b>	<b>1,603,107</b>

The changes in goodwill referred largely to the impairment of 15.3 million euro on Puerto Rico goodwill, translation differences generated by the depreciation of some currencies against the euro, and the increases arising from the consolidation of the Dragages du Pont de St Leger company (aggregates France) for 2.7 million euro and the measurement of purchase commitments on non-controlling interests in Ready Mix Concrete Alalamia in Egypt and Hilal in Kuwait for 10.7 million euro; for a breakdown of goodwill by country CGUs, 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 2016 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 12 months – source Bloomberg; beta coefficient – average 5 years – source Bloomberg; market premium – average at 10 years – sources Bloomberg, broker reports, analyst consensus forecasting) and of sector debt (7Y swap – average 1 month), to which the mean sector coefficient based on the debt/stock market capitalization ratio is applied (source Bloomberg).

For CGUs in the emerging countries, WACCs are determined by the Group using the rate computed for the 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	
	2015	2014	2015	2014
<b>Cash-generating units</b>				
Italy	8.5	8.2	1.6	1.5
France/Belgium	6.9	8.3	1.7	1.7
Spain	7.5	8.3	1.8	1.8
Greece	13.0	11.1	1.8	1.9
N. America	8.5	9.0	2.2	2.1
Egypt	16.5	19.4	6.2	5.7
Morocco	9.6	10.7	2.3	2.1
Bulgaria	7.8	9.4	2.1	2.5
Kuwait	7.8	8.4	3.0	2.9
Thailand	9.6	10.5	3.6	3.4
India	12.7	15.4	5.3	6.8
Kazakhstan	12.6	12.5	6.5	5.5

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Testing for 2015 led to the full impairment of goodwill by 15.3 million euro relating to the Puerto Rico CGU. The Group considered the specific potential risks of the segment 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	
	December 31, 2015	December 31, 2014
<b>Cash-generating units</b>		
Italy	27,745	27,745
France/Belgium	588,267	585,704
Spain	14,063	14,063
N. America	154,412	153,749
Egypt	449,508	436,095
Morocco	111,588	109,636
Kuwait	20,538	13,733
Thailand	92,430	90,897
India	83,962	78,821
Bulgaria	59,774	59,774
Other	820	14,653
<b>Total</b>	<b>1,603,107</b>	<b>1,584,870</b>

Finally, since the Italcementi Group has assets and costs not allocated to 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 2014 due to the agreement between Italmobiliare S.p.A. and HeidelbergCement.

The results of the impairment tests conducted at December 31, 2015, found an increase in the Group's overall recoverable amount compared with the tests conducted in 2014.

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. We therefore believe that the difference in relative evolution found in the two valuations, which in any case narrowed with respect to 2014, 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, 2015 a 1% increase in the weighted average cost of capital would determine a surplus in carrying amount with respect to the recoverable amounts of the following CGUs: Puerto Rico for 3.0 million euro and France/Belgium for 126 million euro.

A 10% reduction in demand in the explicit forecast period with respect to the projections would determine a surplus in carrying amount with respect to the recoverable amount of the France/Belgium cement/ready mixed concrete CGU 557 million euro, the North America CGU (excluding Puerto Rico) 166 million euro and the Puerto Rico CGU 21 million euro.

A 10% reduction in expected cash flows with respect to projections would determine a surplus in carrying amount with respect to the recoverable amount of the France/Belgium cement/ready mixed concrete CGU for 39 million euro. Where this reduction combined with a 1% increase in the weighted average cost of capital, it would determine a surplus in carrying amount with respect to the recoverable amount of the France/Belgium cement/ready mixed concrete CGU for 312 million euro, the North America CGU (excluding Puerto Rico) for 38 million euro and the CGU Puerto Rico for 6 million euro.

The cash flows used for impairment testing on the Kazakhstan CGU, which include the impact of the new production line that went into operation in 2016, are exposed to significant fluctuations in the local currency. 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 10.0%, Greece 16.0%, North America 10.4%, Egypt 18.9% and Kazakhstan 16.6%.

## 7. Intangible assets

	Patents, IT development	Concessions and other	Total
(in thousands of euro)			
<b>Net carrying amount at Dec. 31, 2014</b>	<b>42,332</b>	<b>50,598</b>	<b>92,930</b>
Gross amount	172,700	88,219	260,919
Accumulated amortization	(130,368)	(37,621)	(167,989)
<b>Net carrying amount at Dec. 31, 2014</b>	<b>42,332</b>	<b>50,598</b>	<b>92,930</b>
Additions	7,510	3,950	11,460
Sales	(121)	-	(121)
Amortization and impairment	(15,667)	(3,432)	(19,099)
Translation differences	874	3,152	4,026
Reclassifications and others	4,420	121	4,541
Assets held for sale	(11,315)	(6,617)	(17,932)
<b>Net carrying amount at Dec. 31, 2015</b>	<b>28,033</b>	<b>47,772</b>	<b>75,805</b>
Gross amount	139,869	78,357	218,226
Accumulated amortization	(111,836)	(30,585)	(142,421)
<b>Net carrying amount at Dec. 31, 2015</b>	<b>28,033</b>	<b>47,772</b>	<b>75,805</b>

Expenses recognized under intangible assets for IT development and software licenses was 5.4 million euro at December 31, 2015 (7.5 million euro at December 31, 2014).

“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 28.1 million euro at December 31, 2015 (28.5 million euro at December 31, 2014), held in associates and joint ventures accounted for using the equity method.

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The main equity-accounted investees and the related share of profit (loss) are shown below:

	Carrying amount		Share of profit (loss)	
	December 31, 2015	December 31, 2014	2015	2014
(in millions of euro)				
<b>Associates</b>				
Ciment Québec (Canada)	78.4	84.1	4.1	4.1
Vassiliko Cement Works (Cyprus)	52.5	50.5	2.1	(0.0)
Asment Cement (Morocco)	41.3	39.4	10.5	8.0
Other associates	14.1	14.1	(0.4)	(0.6)
<b>Total associates</b>	<b>186.3</b>	<b>188.1</b>	<b>16.3</b>	<b>11.5</b>
<b>Joint ventures</b>	<b>16.9</b>	<b>19.5</b>	<b>(2.2)</b>	<b>0.2</b>
<b>Total</b>	<b>203.2</b>	<b>207.6</b>	<b>14.1</b>	<b>11.7</b>

Amounts for the main equity-accounted investees, adjusted for compliance with Group policies, are set out below; the 2014 amounts have been updated with the final amounts to permit comparison:

	Ciment Québec		Vassiliko Cement Works*		Asment			
	Canada	2015	Cyprus	2015**	2014	Morocco	2015	2014
(in millions of euro)								
Revenue	120.9	112.2	66.3	84.1	116.8	110.1		
Profit (loss) for the year	8.5	6.7	7.2	5.2	28.3	23.9		
Other comprehensive income	-	-	-	0.3	-	-		
<b>Total comprehensive income</b>	<b>8.5</b>	<b>6.7</b>	<b>7.2</b>	<b>5.5</b>	<b>28.3</b>	<b>23.9</b>		
Non-current assets	125.8	125.0	265.7	275.4	48.6	49.8		
Current assets	55.4	65.8	31.6	31.5	74.7	60.9		
Non-current liabilities	(21.4)	(23.0)	(63.4)	(72.2)	(0.8)	(0.6)		
Current liabilities	(14.0)	(11.0)	(10.4)	(14.0)	(33.7)	(25.5)		
<b>Net assets</b>	<b>145.8</b>	<b>156.8</b>	<b>223.5</b>	<b>220.7</b>	<b>88.8</b>	<b>84.7</b>		
<b>Equity interest</b>	<b>50.0%</b>	<b>50.0%</b>	<b>26.0%</b>	<b>24.7%</b>	<b>37.0%</b>	<b>37.0%</b>		
Equity interest	72.9	78.4	58.1	54.5	32.9	31.3		
Goodwill	-	-	11.5	11.5	9.3	9.2		
Adjustment for compliance with Group policies	5.5	5.7	(17.1)	(15.5)	(0.9)	(1.1)		
<b>Equity interest at end of year</b>	<b>78.4</b>	<b>84.1</b>	<b>52.5</b>	<b>50.5</b>	<b>41.3</b>	<b>39.4</b>		
Dividends received during year	4.2	6.5	2.2	0.6	9.2	10.3		
Market value	-	-	24.7	16.1	-	-		

\* listed company

\*\* data at September 30, 2015

## 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)	
<b>At December 31, 2014</b>	<b>46,278</b>
Acquisitions	2,272
Sales	(26,188)
Translation differences	(204)
Impairment losses and reclassifications	(2,848)
<b>At December 31, 2015</b>	<b>19,310</b>

“Sales” includes the sale, in the second half, of the entire equity investment in West China Cement (5.24%), a company listed on the Hong Kong stock exchange, for net proceeds of 37.6 million euro and a gain of 18.4 million euro, after the measurement gain of 5.6 million euro in the “AFS fair value reserve” was taken to the income statement.

“Impairment losses and reclassifications” includes the equity investments of the Italgen group for 0.7 million euro, reclassified under assets held for sale.

Other equity investments at December 31, 2015 were as follows:

	December 31, 2015	December 31, 2014
(in thousands of euro)		
<b>Equity investments in listed companies</b>		
West China Cement - China	-	24,839
<b>Equity investments in non-listed companies</b>	<b>19,310</b>	<b>21,439</b>
<b>Total</b>	<b>19,310</b>	<b>46,278</b>

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:

	December 31, 2015	December 31, 2014
(in thousands of euro)		
Derivatives	29,557	92,924
Concessions and licenses paid in advance	1,118	1,189
Non-current receivables	62,083	69,345
Deposits	52,852	44,873
Other	177	225
<b>Total</b>	<b>145,788</b>	<b>208,556</b>

Derivatives are discussed in note 22.3.1. Derivatives.

“Non-current receivables” includes 35.2 million euro (38.5 million euro at December 31, 2014) due to Italian companies by tax authorities relating to prior year advance payments and withholdings.

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## 11. Inventories

	December 31, 2015	December 31, 2014
(in thousands of euro)		
Raw materials, consumables and supplies	369,719	364,848
Work in progress and semifinished goods	188,674	201,363
Finished goods	116,779	112,729
Payments on account	29,439	44,417
<b>Total</b>	<b>704,611</b>	<b>723,357</b>

Inventories are carried net of allowances of 84.2 million euro (82.0 million euro at December 31, 2014), set aside mainly against the risk of slow-moving supplies, spare parts and consumables. Spare parts were carried at 152.3 million euro at December 31, 2015 (150.8 million euro at December 31, 2014).

## 12. Trade receivables

	December 31, 2015	December 31, 2014
(in thousands of euro)		
Gross amount	641,147	722,962
Allowance for doubtful accounts	(78,635)	(87,306)
<b>Net amount</b>	<b>562,512</b>	<b>635,656</b>

At December 31, 2015 receivables factored without recourse amounted to 203.8 million euro (184.1 million euro at December 31, 2014), of which: the Group's French and Belgian companies for 167.8 million euro (158.5 million euro at December 31, 2014), the American companies for 36.0 million euro equivalent to 39.2 million US dollars.

In 2015 the ceilings of the factoring programs were reviewed; since August the ceiling for the French and Belgian companies has been 170 million euro, since November for the American companies it has been 55 million US dollars.

Under the 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, 2015, totaled 37.8 million euro (33.3 million euro at December 31, 2014); this guarantee does not cover credit risk on the factored receivables.

Finance costs arising from the above factoring transactions amounted to 4.3 million euro in 2015 (4.7 million euro in 2014).

## 13. Other current assets including derivatives

This caption reflects:

	December 31, 2015	December 31, 2014
(in thousands of euro)		
Receivables from tax and social security authorities and from employees	90,411	89,870
Receivables from the sale of non-current assets	3,277	370
Concessions and licenses paid in advance	60,429	54,566
Derivatives	6,396	7,200
Other	92,276	131,787
<b>Total</b>	<b>252,789</b>	<b>283,793</b>

Derivatives are discussed in note 22.3.1. Derivatives.

## 14. Share capital and Share premium

### 14.1. Share capital

At December 31, 2015, the parent's fully paid-up share capital stood at 401,715,071.15 euro, represented by 349,270,680 ordinary shares with no par value.

	December 31, 2015	December 31, 2014
No. of ordinary shares	349,270,680	349,270,680
<b>Share capital (in euro)</b>	<b>401,715,071</b>	<b>401,715,071</b>

### 14.2. Share premium

The share premium at December 31, 2015 stood at 711,879 thousand euro (712,049 thousand euro at December 31, 2014). The decrease was due to additional charges on the share capital increase of 2014.

## 15. Reserves

### Translation reserve (attributable to owners of the parent)

This reserve reflects differences arising on the translation of the financial statements of consolidated foreign operations. At December 31, 2015 it reflected a positive balance of 14.3 million euro (a negative balance of 60.6 million euro at December 31, 2014) referring to the following currencies:

(in millions of euro)	December 31, 2015	December 31, 2014	Changes
Egypt (Pound)	(97.3)	(106.0)	8.7
USA and Canada (Dollar)	72.7	43.6	29.1
Thailand (Baht)	56.5	53.2	3.3
Morocco (Dirham)	16.2	7.6	8.6
India (Rupee)	(44.0)	(62.1)	18.1
Other countries	10.2	3.1	7.1
<b>Total</b>	<b>14.3</b>	<b>(60.6)</b>	<b>74.9</b>

## 16. Treasury shares

At December 31, 2015, the carrying amount of Italcementi S.p.A. treasury shares was unchanged from December 31, 2014, at 58,690 thousand euro, reflected in the treasury share reserve.

	December 31, 2015	December 31, 2014
No. of ordinary shares	3,861,604	3,861,604
<b>Treasury share reserve (in thousands of euro)</b>	<b>58,690</b>	<b>58,690</b>

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## 17. Retained earnings, dividends paid

Dividends declared by the parent Italcementi S.p.A. in 2015 and 2014 are detailed below

	2015 (euro per share)	2014 (euro per share)	Dec. 31, 2015 (000 euro)	Dec. 31, 2014 (000 euro)
Ordinary shares	0.090	0.060	31,087	10,399
Savings shares	-	0.060	-	6,320
<b>Total dividends</b>			<b>31,087</b>	<b>16,719</b>

Dividends paid in 2015 amounted to 31,083 thousand euro (16,717 thousand euro in 2014).

## 18. Non-controlling interests

Equity attributable to non-controlling interests at December 31, 2015 stood at 790.7 million euro (808.2 million euro at December 31, 2014). The decrease of 17.5 million euro related largely to the effects of the dividends paid for 76.8 million euro and total comprehensive income of 62.6 million euro.

## 19. Employee benefits

Employee benefits at December 31, 2015 amounted to 287,955 thousand euro (313,231 thousand euro at December 31, 2014).

(in thousands of euro)	December 31, 2015	December 31, 2014
Pension plans and other long-term benefits	151,731	155,373
Post-employment medical benefits	112,600	116,500
Others	23,624	41,358
<b>Total</b>	<b>287,955</b>	<b>313,231</b>

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, 34% are in the USA, 33% in France, 14% in Italy, 6% in Belgium and the remaining 13% in the other countries.

Plans in favor of employees are not funded in the main. The plan assets cover approximately 29% of liabilities. Plan assets are concentrated mainly in the USA (91% of total assets) and in France (4% 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 56% of the total actuarial liability (approximately 145 million euro). Within the US pension plans, 22% of the liability refers to employees on the payroll, 10% to former employees with rights vesting on retirement, and the remaining 68% to former employees who have retired.

Medical plans for retirees operate in France, the USA and Morocco, with a liability of approximately 56 million euro, 43 million euro and 8 million euro respectively. The liability for the medical plans in France refers to employees on the payroll for 37% and to former employees who have retired for the remaining 63%; the liability for the US plan refers to employees on the payroll for 58% and to former employees who have retired for 42%.

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 51% are invested in equities, of which 20% refer to emerging markets, 4% in insurance assets and 3% 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.

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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, 15	Dec. 31, 14	Dec. 31, 15	Dec. 31, 14	Dec. 31, 15	Dec. 31, 14
<b>Defined benefit obligations at end of previous year</b>	<b>259.8</b>	<b>215.2</b>	<b>116.5</b>	<b>92.3</b>	<b>376.3</b>	<b>307.5</b>
Cost of services:						
current cost of services	5.2	4.2	2.6	1.8	7.8	6.0
cost of prior services	3.1	1.4	0.6	(0.7)	3.7	0.7
settlement (gains)/losses	(1.0)	(1.2)	(1.2)	-	(2.2)	(1.2)
Finance costs	7.9	8.6	2.8	3.3	10.7	11.9
Cash flows:						
amounts paid from plans	(10.1)	(8.0)	-	-	(10.1)	(8.0)
amounts paid by employer	(9.1)	(11.4)	(4.1)	(3.7)	(13.2)	(15.1)
settlement of plans	(0.1)	(2.8)	-	-	(0.1)	(2.8)
employee contributions	-	-	-	-	-	-
administrative expense included in defined benefit obligations	-	-	-	-	-	-
tax included in defined benefit obligations	(0.0)	(0.0)	-	-	(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	0.1	0.3	-	-	0.1	0.3
increase (decrease) due to combinations of plans	-	-	-	-	-	-
Changes arising from new treatment:						
effects due to change in demographic assumptions	(3.0)	7.5	(0.8)	3.8	(3.8)	11.3
effects due to change in financial assumptions	(8.2)	27.2	(6.9)	17.3	(15.1)	44.5
experience adjustments (changes since previous valuation not in line with assumptions)	(3.0)	1.3	(1.6)	(2.5)	(4.6)	(1.2)
Exchange-rate effect	16.4	17.5	4.7	4.9	21.1	22.4
<b>Closing defined benefit obligations</b>	<b>257.9</b>	<b>259.8</b>	<b>112.6</b>	<b>116.5</b>	<b>370.5</b>	<b>376.3</b>
Obligations of companies held for sale	2.5	-	-	-	2.5	-



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, 15	Dec. 31, 14	Dec. 31, 15	Dec. 31, 14	Dec. 31, 15	Dec. 31, 14
<b>Fair value of plan assets at end of previous year</b>	<b>104.4</b>	<b>91.5</b>			<b>104.4</b>	<b>91.5</b>
Finance income	3.9	4.1	-	-	3.9	4.1
Cash flows						
Total employer contributions:						
contributions by employer	4.4	5.4	-	-	4.4	5.4
payments made directly by employer	9.1	11.4	4.1	3.7	13.2	15.1
Employee contributions	-	-	-	-	-	-
Benefits paid from plan	(10.1)	(8.0)	-	-	(10.1)	(8.0)
Benefits paid by employer	(9.1)	(11.4)	(4.1)	(3.7)	(13.2)	(15.1)
Payments for plan settlements	(0.2)	(2.8)			(0.2)	(2.8)
Administrative expense for plan assets	(0.5)	(0.5)	-	-	(0.5)	(0.5)
Tax on plan assets	(0.0)	-	-	-	(0.0)	-
Insurance premiums for pure risk benefits	(0.0)	-	-	-	(0.0)	-
Other significant events:						
increase (decrease) due to business combinations / investments / disposals	0.0	-	-	-	0.0	-
increase (decrease) due to combinations of plans	-	-	-	-	-	-
Changes arising from new treatment						
yield on plan assets (excluding finance income)	(6.5)	3.5	-	-	(6.5)	3.5
Exchange-rate effect	10.8	11.2	-	-	10.8	11.2
<b>Closing fair value of plan assets</b>	<b>106.2</b>	<b>104.4</b>	<b>-</b>	<b>-</b>	<b>106.2</b>	<b>104.4</b>

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, 15	Dec. 31, 14	Dec. 31, 15	Dec. 31, 14	Dec. 31, 15	Dec. 31, 14
Plans for defined benefit obligations	257.9	259.8	112.6	116.5	370.5	376.3
Fair value of plan assets	106.2	104.4	-	-	106.2	104.4
<b>Net carrying amount of funded plans</b>	<b>151.7</b>	<b>155.4</b>	<b>112.6</b>	<b>116.5</b>	<b>264.3</b>	<b>271.9</b>
Effect of cap on interest-bearing assets/liabilities	-	-	-	-	-	-
<b>Net carrying amount of liabilities (assets)</b>	<b>151.7</b>	<b>155.4</b>	<b>112.6</b>	<b>116.5</b>	<b>264.3</b>	<b>271.9</b>
Net carrying amount of liabilities (assets) of companies held for sale	2.5	-	-	-	2.5	-

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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, 15	Dec. 31, 14	Dec. 31, 15	Dec. 31, 14	Dec. 31, 15	Dec. 31, 14
Service costs:						
current service costs	5.2	4.2	2.6	1.8	7.8	6.0
reimbursements	-	-	-	-	-	-
past service costs	3.1	1.4	0.5	( 0.7)	3.6	0.7
settlement (gains)/losses	( 1.0)	( 1.2)	( 1.2)	-	( 2.2)	( 1.2)
<b>Total service costs</b>	<b>7.3</b>	<b>4.4</b>	<b>1.9</b>	<b>1.1</b>	<b>9.2</b>	<b>5.5</b>
Net finance costs:						
finance costs on defined benefit plans	7.9	8.6	2.8	3.3	10.7	11.9
finance (income) on plan assets	( 4.0)	( 4.1)	-	-	( 4.0)	( 4.1)
finance (income) on reimbursement rights	-	-	-	-	-	-
finance costs on change in cap on interest-bearing assets/liabilities	-	-	-	-	-	-
<b>Total net finance costs</b>	<b>3.9</b>	<b>4.5</b>	<b>2.8</b>	<b>3.3</b>	<b>6.7</b>	<b>7.8</b>
Effect of new treatment on other long-term benefits	( 0.1)	0.3	-	-	( 0.1)	0.3
Administrative expenses and taxes	0.5	0.5	-	-	0.5	0.5
<b>Defined benefit plan costs reflected in the income statement</b>	<b>11.6</b>	<b>9.7</b>	<b>4.7</b>	<b>4.4</b>	<b>16.3</b>	<b>14.1</b>
Revaluations reflected in other comprehensive income						
Effects due to change in demographic assumptions	( 3.0)	7.5	( 0.8)	3.8	( 3.8)	11.3
Effects due to change in financial assumptions	( 8.0)	26.2	( 6.9)	17.3	( 14.9)	43.5
Experience adjustments (changes since previous valuation not in line with assumptions)	( 3.0)	1.9	( 1.6)	( 2.5)	( 4.6)	( 0.6)
Return on plan assets (excluding finance income)	6.5	( 3.5)	-	-	6.5	( 3.5)
(Return) on reimbursement rights (excluding interest income)	-	-	-	-	-	-
Changes in cap on interest-bearing assets/liabilities (excluding finance income)	-	-	-	-	-	-
<b>Total revaluations reflected in other comprehensive income (expense)</b>	<b>(7.5)</b>	<b>32.1</b>	<b>(9.2)</b>	<b>18.6</b>	<b>( 16.7)</b>	<b>50.7</b>
<b>Total defined benefit plan costs reflected in income statement and other comprehensive income (expense)</b>	<b>4.1</b>	<b>41.8</b>	<b>(4.5)</b>	<b>23.0</b>	<b>(0.4)</b>	<b>64.8</b>

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, 15	Dec. 31, 14	Dec. 31, 15	Dec. 31, 14	Dec. 31, 15	Dec. 31, 14
<b>Net defined benefit plan obligations (assets) at end of previous year</b>	<b>155.4</b>	<b>123.7</b>	<b>116.5</b>	<b>92.3</b>	<b>271.9</b>	<b>216.0</b>
Defined benefit plan costs reflected in income statement	11.6	9.7	4.7	4.4	16.3	14.1
Total revaluations reflected in other comprehensive income	(7.5)	32.1	(9.2)	18.6	(16.7)	50.7
Other significant events:						
net transfers (including effects of business combinations/sales)	0.1	0.4	-	-	0.1	0.4
amounts arising from combinations of plans	-	-	-	-	-	-
Cash flows:						
employer contributions	(4.4)	(5.4)	-	-	(4.4)	(5.4)
benefits paid directly by employer	(9.1)	(11.4)	(4.1)	(3.7)	(13.2)	(15.1)
Receivables for reimbursement	-	-	-	-	-	-
Exchange-rate effect	5.6	6.3	4.8	4.9	10.4	11.2
<b>Closing net obligations (assets)</b>	<b>151.7</b>	<b>155.4</b>	<b>112.6</b>	<b>116.5</b>	<b>264.3</b>	<b>271.9</b>

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, 15	Dec. 31, 14	Dec. 31, 15	Dec. 31, 14	Dec. 31, 15	Dec. 31, 14
Employees on payroll	144.7	151.8	55.3	55.8	200.0	207.6
Former employees with unvested right	13.9	13.9	-	-	13.9	13.9
Retirees	99.3	94.1	57.3	60.7	156.6	154.8
<b>Total</b>	<b>257.9</b>	<b>259.8</b>	<b>112.6</b>	<b>116.5</b>	<b>370.5</b>	<b>376.3</b>

Fair value of plan assets

(in millions of euro)	Dec. 31, 15	Dec. 31, 14
cash and cash equivalents	3.5	5.0
equities	54.4	51.8
bonds and securities	43.2	42.8
insurance assets	4.2	4.1
other	0.9	0.7
<b>Total</b>	<b>106.2</b>	<b>104.4</b>

Fair value of assets with a listed market value

(in millions of euro)	Dec. 31, 15	Dec. 31, 14
cash and cash equivalents	3.5	5.0
equities	54.5	51.8
bonds and securities	43.2	42.8
insurance assets	4.2	0.3
other	0.8	-
<b>Total</b>	<b>106.2</b>	<b>99.9</b>

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## 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	
	2015	2014	2015	2014	2015	2014
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 - 3.5	1.0 - 3.25	n.a.	n.a.	3.5 - 10.0	3.5 - 10.0

n.a.: not applicable

Discount rate (in %)	2015	2014
<b>Europe</b>		
Italy	2.00	1.50
Belgium	1.15-2.00	0.70-1.50
Spain	2.00	1.50
France	1.5-2.0	0.90-1.50
Greece	2.00	1.50
Bulgaria	2.35	2.90
<b>North America</b>		
USA	1.60-3.95	1.55-3.70
Canada	3.85	3.80
<b>Other countries</b>		
Egypt	14.60	16.00
Morocco	3.50	4.00
Kuwait	4.00	3.60
Thailand	3.00	2.75
India	8.00	7.80
Kazakhstan	7.10	6.75

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
	Dec. 31, 15	Dec. 31, 15	Dec. 31, 15
Expected plan contributions for next year	8.8	5.8	14.6
Expected benefit payments:			
2016	15.4	5.8	21.2
2017	16.1	5.7	21.8
2018	16.5	5.7	22.2
2019	17.4	5.8	23.2
2020	18.9	5.9	24.8
2021 - 2025	100.5	30.1	130.6

## Sensitivity analysis

The table below sets out the sensitivity analysis for the key assumptions at December 31, 2015:

(in millions of euro)	Pension plans and other long-term benefits		Post-employment medical benefits		Total	
	Change	-0.25%	Change	+0.25%	Change	-0.25%
Change	-0.25%	+0.25%	-0.25%	+0.25%	-0.25%	+0.25%
Discount rate	264.7	251.3	116.9	108.6	381.6	359.9
Average duration of defined benefit obligation (in years)	10.69	9.98	14.89	14.42	11.98	11.32
Inflation rate	108.0	111.9	66.0	71.5	174.0	183.4
Wage and salary increases	111.8	114.8	68.7	68.7	180.5	183.5
Healthcare costs	3.6	3.6	65.5	72.1	69.1	75.7

## Defined contribution plans

The Group's defined contribution plans are pension plans and medical plans; expense relating to these plans in 2015 was 52.1 million euro (50.5 million euro in 2014) and referred mainly to France-Belgium for 28.0 million euro.

## Termination plans

At December 31, 2015 provisions for termination plans totaled 26.5 million euro (38.8 million euro in 2014) and referred mainly to Italy for 18.8 million euro, in connection with re-organization plans chiefly relating to Italcementi S.p.A.

## 20. Provisions

Non-current and current provisions totaled 207,629 thousand euro at December 31, 2015 and were practically unchanged from December 31, 2014:

(in thousands of euro)	December 31, 2014	Additions	Decreases	Reversed unused amounts	Translation differences	Other changes and reclassif.	Total changes	December 31, 2015
Environmental restoration	80,559	5,961	(6,480)	(711)	1,007	(267)	(490)	80,069
Disputes	70,705	9,971	(11,225)	(7,097)	1,089	(6)	(7,268)	63,437
Other provisions	56,354	20,428	(4,174)	(8,038)	428	(875)	7,769	64,123
<b>Total</b>	<b>207,618</b>	<b>36,360</b>	<b>(21,879)</b>	<b>(15,846)</b>	<b>2,524</b>	<b>(1,148)</b>	<b>11</b>	<b>207,629</b>
Non-current portion	206,565	36,339	(22,201)	(15,846)	2,489	(1,103)	(322)	206,243
Current portion	1,053	21	322		35	(45)	333	1,386

"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.

"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, 2015 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

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## Europe

With regard to the investigation that commenced in November 2008 into alleged unfair trading agreements/practices by, among others, Italcementi S.p.A. and the foreign subsidiaries Ciments Français S.a.s., Ciments Calcia S.A. and Compagnie des Ciments Belges (CCB) S.A., with a ruling notified on July 31, 2015, the European Commission closed the proceeding without attributing any liability.

### Belgium - Orcem

Following the ruling of the Belgian antitrust authority in November 2014, the Orcem company began a suit in the Brussels commercial tribunal against CCB and four other parties for joint damages of 134 million euro for unfair trading. At the hearing on September 10, 2015, Orcem agreed to suspend the case pending the decision of the Brussels court of appeal, where CCB and the other parties have lodged an appeal against the ruling of the Belgian antitrust authority.

### France - Arcelor Mittal

In 2005, Calcia stipulated a 15-year contract with Arcelor-Mittal (AM) for the supply of blast-furnace slag with an annually predetermined price but with a "take or pay" clause. In connection with the contract, Calcia acquired a slag processing and grinding facility.

In view of market trends, at the end of 2013, Calcia applied to AM for a re-negotiation of the terms of the contract (price and volume), also with reference to a safeguard clause. AM rejected the application. New negotiations between the parties did not produce a friendly agreement.

At the end of 2014, Calcia asked for the contract to be terminated, which AM refused.

In parallel, AM filed a suit against Calcia for payment of amounts totaling more than 8 million euro (including a sum of approximately 6.5 million euro for savings on carbon rights).

In January 2015, Calcia filed a suit against AM, who challenged the "safeguard" clause and sued for damages of 20 million euro for unjustified termination of the contract.

In July 2015, the commercial tribunal of Dunkirk upheld AM's appeal and ordered Calcia to pay 3.3 million euro. The tribunal overruled Calcia's request for early termination of the contract and ordered that the contract continue: Calcia has appealed against this ruling and a judgement is expected shortly.

With regard to the suit for payment of 6.5 million euro, a court-appointed expert was asked to assess the value of the carbon rights.

## 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.

## 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.

In 2002, before its acquisition by Suez, Helwan stipulated an exclusive agency contract with The Globe Corporation (“The Globe”), headquartered in California, USA, for cement exports. The contract envisaged commissions for The Globe in proportion to cement export volumes, with a guaranteed minimum, in exchange for a series of promotional and marketing activities. The contract also envisaged an interest rate in the event of delayed payment of the commissions.

The Globe has brought a suit against Helwan in the court of Cairo, for payment of more than 17 million US dollars, plus interest as contractually agreed, as from 2002. The merits of the case have not yet been examined since the suit has been suspended pending a decision by the Cairo court of cassation with regard to the preliminary question of jurisdiction, given that the contract is subject to the law and jurisdiction of California (USA). Tahaya Misr Investment Inc. (the new company name of The Globe) recently also filed a suit against Helwan in USA-California, also naming Suez and Italcementi (a date for the hearing has not yet been set).

### **Sibcem - Russia**

After numerous rulings by the Russian courts in favor, alternately, of Ciments Français S.a.s. and Sibconcord, the court of cassation recently ruled in favor of Sibconcord, with a decision that is enforceable but not yet final. Ciments Français S.a.s. has filed an appeal with Russia's Supreme Court.. Attention is drawn to the fact that on the same matter, the arbitration procedure begun in Turkey pursuant to the contractual clauses establishing jurisdiction for the resolution of disputes found in favor of Ciments Français. That decision has become final in that jurisdiction and has been recognized as final in France, Italy, Kazakhstan, the USA and, at first degree, in Bulgaria. Additional exequatur procedures are underway in other countries in which Ciments Français S.a.s. operates.

### **India**

The tax dispute arising from an assessment relating to the April 2007- March 2008 tax year was definitively rejected by the supreme court with a ruling on September 27, 2013. The Indian tax authorities did not re-open the assessment before the deadline of March 31, 2015 and the tax period has therefore been definitively closed.

With regard to the dispute for the April 2008 – March 2009 tax year, the court of appeal found in favor of Zuarí Cement Limited, and annulled almost in full the findings of the assessment (and in full with regard to transfer pricing issues).

With regard to the dispute for the April 2009 – March 2010 tax year, the Indian tax authorities allege that an amount equivalent to approximately 6.4 million euro in additional tax, fines and interest is due.

Another assessment, also regarding transfer pricing, for approximately 8 million euro of additional tax with regard to the April 2010 – March 2011 tax year, was challenged in 2015,. Counter-observations have been presented to a body responsible for resolving disputes in the Indian financial administration.

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## 21. Deferred tax assets and Deferred tax liabilities

Total net deferred tax liabilities are analyzed below:

	December 31, 2014	Results	Other changes	December 31, 2015
(in millions of euro)				
Benefit on tax loss carryforwards	55.4	(9.0)	16.2	62.6
Property, plant and equipment	(294.7)	2.5	(15.0)	(307.2)
Inventories	(11.2)	0.5	2.0	(8.7)
Non-current provisions and Employee benefits	123.2	(1.0)	(2.0)	120.2
Other	26.9	(1.2)	(8.6)	17.1
<b>Total net deferred taxes</b>	<b>(100.4)</b>	<b>(8.2)</b>	<b>(7.4)</b>	<b>(116.0)</b>
of which:				
Deferred tax assets	84.3			84.4
Deferred tax liabilities	(184.7)			(200.4)

At December 31, 2015 net deferred tax assets reflected in equity reserves amounted to 16.9 million euro (18.5 million euro of net deferred tax assets at December 31, 2014).

Unrecognized deferred tax amounted to approximately 494 million euro (348 million euro at December 31, 2014), of which amounts relating to losses for the year and previous years totaled approximately 414 million euro (267 million euro at December 31, 2014) 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)		Statement of financial position	December 31, 2015	December 31, 2014
Financial asset and liability category	caption			
<b>Non-current financial assets</b>			<b>(31,703)</b>	<b>(99,272)</b>
Securities, bonds and financial assets	Other non-current assets		(2,146)	(6,348)
Derivatives	Other non-current assets		(29,557)	(92,924)
<b>Current financial assets</b>			<b>(628,206)</b>	<b>(610,597)</b>
Cash and cash equivalents	Cash and cash equivalents		(537,092)	(551,525)
Current loan assets	Equity investments, bonds and financial assets		(83,337)	(49,110)
Other current financial assets	Other current assets		(1,381)	(2,762)
Derivatives	Other current assets		(6,396)	(7,200)
<b>Total financial assets</b>			<b>(659,909)</b>	<b>(709,869)</b>
<b>Non-current financial liabilities</b>			<b>2,138,227</b>	<b>2,337,156</b>
Long-term loans and borrowings	Financial liabilities		2,095,528	2,296,753
Derivatives	Other non-current liabilities		42,699	40,403
<b>Current financial liabilities</b>			<b>699,589</b>	<b>529,412</b>
Bank overdrafts and short-term borrowings	Loans and borrowings		310,597	219,825
Short-term loans and borrowings	Financial liabilities		377,678	285,382
Derivatives	Other current liabilities		11,314	24,205
<b>Total financial liabilities</b>			<b>2,837,816</b>	<b>2,866,568</b>
<b>Net debt</b>			<b>2,177,907</b>	<b>2,156,699</b>
Net financial (assets) and liabilities held for sale			(8,253)	-
Net debt including assets held for sale			2,169,654	2,156,699

Net debt at December 31, 2015, determined in compliance with Consob communication no. DEM/6064293 of July 28, 2006 (i.e., excluding non-current financial assets) amounted to 2,209,610 thousand euro (2,255,971 thousand euro at December 31, 2014).

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## 22.1. Financial liabilities

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

	Effective interest rate	Nominal amount at 12.31.2015	Maturity	12.31.2015	12.31.2014
(in thousands of euro)					
<b>Bank loans and drawings on lines of credit</b>				<b>303,366</b>	<b>464,410</b>
Italcementi S.p.A.				146,663	259,185
Italcementi Finance				59,704	103,537
Other Group companies				96,999	101,688
<b>Bond issues</b>				<b>1,773,471</b>	<b>1,808,266</b>
Issued by Italcementi Finance: EMTN 750 mln euro 5.375%	5.55%	750,000	2020	758,938	786,569
Issued by Italcementi Finance: EMTN 350 mln euro 6.125%	6.45%	350,000	2018	349,512	349,285
Issued by Italcementi Finance: EMTN 150 mln euro 6.125%	4.34%	150,000	2018	155,285	156,925
Issued by Ciments Français S.a.s.: EMTN 500 mln euro 4.75%	4.84%	500,000	2017	509,737	515,487
<b>Other loans and borrowings</b>				<b>18,366</b>	<b>24,075</b>
Other liabilities				18,366	24,075
<b>Finance lease payables</b>				<b>325</b>	<b>2</b>
<b>Non-current financial liabilities</b>				<b>2,095,528</b>	<b>2,296,753</b>
Fair value of hedging derivatives				42,699	40,403
<b>Total non-current financial liabilities</b>				<b>2,138,227</b>	<b>2,337,156</b>
<b>Bank loans and drawings on lines of credit</b>				<b>271,868</b>	<b>181,978</b>
<b>Amounts due to banks</b>				<b>150,000</b>	<b>85,825</b>
<b>Other</b>					
Other loans and borrowings				6,961	5,996
Billets de trésorerie				169,300	144,900
Finance lease payables				104	1,471
Accrued interest expense				90,042	85,037
<b>Current financial liabilities</b>				<b>688,275</b>	<b>505,207</b>
Fair value of hedging derivatives				11,314	24,205
<b>Total current financial liabilities</b>				<b>699,589</b>	<b>529,412</b>
<b>Total financial liabilities</b>				<b>2,837,816</b>	<b>2,866,568</b>

At December 31, 2015, bank overdrafts and drawings on lines of credit included amounts secured by mortgages and liens on property, plant and equipment for 123.6 million euro (137.8 million euro at December 31, 2014), of which 33.2 million euro short-term and 90.4 million euro medium/long-term; of the total, 111.2 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:

	December 31, 2015	December 31, 2014
(in millions of euro)		
Euro	1,923.2	2,134.4
U.S. and Canadian dollar	59.7	53.5
Indian rupee	89.7	103.0
Other	22.9	5.8
<b>Total</b>	<b>2,095.5</b>	<b>2,296.8</b>

by maturity:

	December 31, 2015	December 31, 2014
(in millions of euro)		
2016	194.8	
2017	565.7	558.1
2018	552.0	551.8
2019	139.3	128.5
2020	786.6	816.2
Beyond	52.0	47.3
<b>Total</b>	<b>2,095.5</b>	<b>2,296.8</b>

The main non-current loans and borrowings in 2015, 2014 and 2013 are described below:

**Bank loans and drawings on available lines of credit at Italcementi S.p.A. and Italcementi Finance**

- a) In the first half of 2015, Italcementi Finance renewed a 50 million euro line of credit at 364 days with leading international banks and renegotiated a 50 million euro line of credit, whose maturity was extended from 364 days to 2 years. In the second half of 2015, two other lines of credit at 364 days were renewed, for an overall total of 100 million euro. At December 31, 2015, no drawings had been made on the new lines, which are guaranteed by Italcementi S.p.A.
- b) In 2015, a 2-year and 3-month 50 million euro line of credit matured, part of the 260 million euro multitranche facility renegotiated in June 2013. No drawings had been made on the line at December 31, 2014.
- c) In 2014, a 7-year and 9-month 200 million euro line of credit expired; it was fully drawn at December 31, 2013.
- d) During 2014, Italcementi Finance renewed the committed bilateral lines of credit at 364 days illustrated in point a), for an aggregate amount of 230 million euro.
- e) In September 2014, Italcementi Finance obtained a five-year 65 million US dollar floating-rate amortizing loan, of which 15 million US dollars maturing in September 2017 and 50 million US dollars maturing in September 2019, to be used to refinance a portion of the requirements of Essroc Corp. The loan, guaranteed by Italcementi S.p.A., has been used in full since October 22, 2014 and at December 31, 2015 was recognized for an amount equivalent to 59.7 million euro.

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- f) In June 2014, Italcementi Finance 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, 2015, no drawings had been made on the syndicated line of credit, which is guaranteed by Italcementi S.p.A..
- g) 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.
- h) In 2013, Italcementi Finance 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 S.a.s. medium/long-term lines of credit, that expired during the year with the same banks.
- i) 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 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 lines at December 31, 2015.
- j) 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. The purpose of the loan was to fund the revamping of the Rezzato cement plant; it had been used in full at December 31, 2015.
- k) 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. No drawings had been made on the line at December 31, 2015;
  - iii. no changes were made to the final 60 million euro tranche, expiring in September 2019.

## Main bank loans and available lines of credit at other Group companies

- I) In March 2015, Zuari Cement Ltd. obtained a 6-year line of credit for 1.8 billion Indian rupees from a local bank. Drawings on the line, guaranteed by Ciments Français S.a.s., totaled 855 million Indian rupees at December 31, 2015.
- m) In December 2014, Shymkent Cement, the Kazakh subsidiary of Ciments Français S.a.s., 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. The facility had been fully drawn at December 31, 2015.
- n) In November 2014, Zuari Cement Ltd. obtained a 2-year floating-rate loan from a leading international bank for one billion Indian rupees. The loan is guaranteed by Ciments Français S.a.s.
- o) 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 loan for 4 years and 6 months. In July 2015, the loan was repaid for half of the total amount, and refinanced through stipulation of a 4-year and 6-month floating-rate loan with a local bank.

## Bond issues

- a) 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 for each new issue.

The program reference material was renewed on September 24, 2014.

Under this program, Italcementi Finance, 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 10-year bond at a fixed rate of 5.375%, for a nominal amount of 750 million euro. The bond, guaranteed by Italcementi S.p.A., is listed on the Luxembourg Stock Exchange. The terms and issue conditions of the program include a coupon step-up clause for 125 basis points should the rating go beneath "investment grade". After the downgrade of the Moody's rating on December 15, 2011, the clause has been applied as from the annual coupon paid on March 19, 2013;
- ii. on February 14, 2013 it closed the placement of a 5-year bond at a fixed rate of 6.125% and yield of 6.25% for a nominal amount of 350 million euro. On May 14, 2013, the placement was re-opened with an additional issue for a nominal 150 million euro, at a price of 108.261 and yield of 4.169%. The bonds, 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.

b) Ciments Français S.a.s. covers its long-term financial requirements largely through Italcementi Finance. At December 31, 2015, Ciments Français S.a.s. had a 500 million euro ten-year bond issued on April 7, 2007, at a fixed rate of 4.75%.

At December 31, 2015, 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.

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After the announcement of the agreement between HeidelbergCement and Italmobiliare for the purchase of the 45% equity investment in Italcementi S.p.A.:

- on July 29, 2015, Moody's put the following ratings under review for a possible upgrade: the Italcementi S.p.A. Ba3 rating and the Ba3 rating of its EMTN program, the Ba3 rating of the Italcementi Finance unsecured senior bonds and the Ba2 rating of the Ciments Français S.a.s. unsecured senior bonds. The short-term rating (NP) was not put under review.
- on July 31, 2015, Standard & Poor's revised the outlooks on Italcementi S.p.A. and Ciments Français S.a.s. from stable to developing. On October 8, 2015, the outlooks were revised from developing to positive; the long- and short-term BB/B ratings were confirmed.

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 500 million euro bond issued by Ciments Français S.a.s. in 2007 was given a Ba2 outlook positive rating and a BB+ outlook negative rating by Moody's and Standards & Poor's respectively.

On March 12, 2014, Moody's had placed the Italcementi S.p.A. Ba3 rating under observation for a possible upgrade. On July 31, 2014, Moody's had confirmed the Ba3 rating and amended the outlook from stable to positive. In 2014, the Standard & Poor's rating on Italcementi S.p.A. remained unchanged, at BB+/B outlook negative.

## **Billets de Trésorerie issue program**

On October 17, 2011, Italcementi Finance 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 October 13, 2014, the maximum authorized amount was raised to a total of 400 million euro. On May 24, 2015, Italcementi Finance renewed the annual program. 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 Société Générale as bookrunners. On October 24, 2011, the program was granted a STEP label (Short Term European Paper, reference no. #0002214). In 2015, the company issued Billets de Trésorerie for a total amount of 1,897.5 million euro of which 169.3 million euro outstanding at December 31, 2015.

## **Main intragroup relations**

- In September 2014, Essroc Corp., the U.S. subsidiary of Ciments Français S.a.s., after completion of the U.S. dollar loan by Italcementi Finance, obtained from Italcementi Finance a five-year 65 million US dollar floating-rate amortizing loan, of which 15 million U.S. dollars expiring in September 2017 and 50 million dollars in September 2019. At December 31, 2015, the loan had been used in full.
- 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 S.a.s. expiring in September 2015 for 450 million euro, subject to cancellation of 250 million euro of credit on the same line. Italcementi Finance also simultaneously cancelled the 220 million euro line of credit for Italcementi S.p.A. At December 31, 2015, no drawings had been made on the new intragroup line of credit.
- The funds raised by the two bonds issued in 2013 were used by Italcementi S.p.A. through medium/long-term intragroup loans to refinance borrowings coming up to maturity.
- In January 2013, Ciments Français S.a.s. made early repayment of the 100 million euro loan granted by Italcementi S.p.A. in 2010.



All loans and lines of credit arranged between Ciments Français S.a.s., 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 was applied to the loans granted by Italcementi Finance to Italcementi S.p.A. and Ciments Français S.a.s., for aggregate amounts of 210 million euro and 540 million euro respectively. The rating downgrade did not have 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.s. are the recipients of the fund-raising activities of Italcementi Finance, 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.s. obtain refinancing from Italcementi Finance through short- and long-term intragroup loans, arranged at arm's length conditions.

Group company cash and cash equivalents, standing at 537.1 million euro at December 31, 2015, consisted largely of short-term assets such as short-term deposits, certificates of deposit and money-market mutual funds. At December 31, 2015, the maximum exposure to a single counterparty was 11%.

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 380.8 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, 2015, the average maturity of the Group's gross debt was 2 years and 4 months (3 years and 2 months at December 31, 2014).

Current liabilities included billets de trésorerie for 169.3 million euro (144.9 million euro at December 31, 2014).

At December 31, 2015, the Group had committed lines of credit totaling 1,374 million euro, of which 1,309 million euro undrawn and immediately available (1,474 and 1,310 million euro, respectively, at December 31, 2014). It is Group policy to maintain sufficient funds to cover amounts due and other liquidity requirements over a horizon of approximately 24 months.

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## At December 31, 2015\*

	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
(in millions of euro)							
Non-current financial liabilities		565.7	552.0	139.3	786.6	52.0	2,095.5
Current financial liabilities (**)	377.7						377.7
Amounts due to banks	310.6						310.6
<b>Cash and cash equivalents</b>	<b>(537.1)</b>						<b>(537.1)</b>
<b>Total</b>	<b>151.2</b>	<b>565.7</b>	<b>552.0</b>	<b>139.3</b>	<b>786.6</b>	<b>52.0</b>	<b>2,246.7</b>
<b>Cumulative total</b>	<b>151.2</b>	<b>716.8</b>	<b>1,268.8</b>	<b>1,408.1</b>	<b>2,194.8</b>	<b>2,246.7</b>	
	start 2016	end 2016	end 2017	end 2018	end 2019	end 2020	end 2021
<b>Committed lines of credit, available at end of each period</b>	<b>1,309.1</b>	<b>931.9</b>	<b>495.0</b>	<b>450.0</b>	-	-	-

(\*) excluding fair value of derivatives

(\*\*) of which "billet de trésorerie" 169.3 millions of euro

## At December 31, 2014\*\*

	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
(in millions of euro)							
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 banks	219.8						219.8
<b>Cash and cash equivalents</b>	<b>(551.5)</b>						<b>(551.5)</b>
<b>Total</b>	<b>(46.3)</b>	<b>194.8</b>	<b>558.1</b>	<b>551.8</b>	<b>128.5</b>	<b>863.4</b>	<b>2,250.4</b>
<b>Cumulative total</b>	<b>(46.3)</b>	<b>148.5</b>	<b>706.6</b>	<b>1,258.4</b>	<b>1,387.0</b>	<b>2,250.4</b>	
	start 2015	end 2015	end 2016	end 2017	end 2018	end 2019	end 2020
<b>Committed lines of credit, available at end of each period</b>	<b>1,310.0</b>	<b>1,048.0</b>	<b>898.0</b>	<b>518.0</b>	<b>473.0</b>	<b>23.00</b>	<b>23.00</b>

(\*) excluding fair value of derivatives

(\*\*) of which "billet de trésorerie" 144.9 millions of euro

### 22.2.2. Covenants

In addition to the customary clauses, some of the financing contracts granted to Italcementi S.p.A., Italcementi Finance 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, 2015, lines of credit and loans subject to covenants stood at 359 million euro of total Group gross financial liabilities (2,784 million euro at December 31, 2015 expressed at nominal value, excluding the fair value effects of derivatives) and 1,038 million euro of total undrawn immediately available lines of credit (1,309 million euro at December 31, 2015).

A number of committed lines of credit and long-term loans available to Italcementi S.p.A. and Italcementi Finance at December 31, 2015, for a total amount of 1,825 million euro including drawings of 260 million euro, contain "change of control" clauses that could potentially be activated on execution of the Italmobiliare/HeidelbergCement transaction. Exclusively with respect to that eventuality, Italcementi S.p.A. obtained explicit waivers from the counterparties, which guarantee the continued availability of the facilities and loans over and beyond the transaction date. The waivers were finalized for 1,735 million euro at December 31, 2015, and for 90 million euro during February 2016.

At December 31, 2015, 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.

As a result of the losses at Shymkent Cement, caused in part by the sudden depreciation of the local currency, the minimum capitalization requirement at December 31, 2015, envisaged by the loan contract with the EBRD was suspended; it will be reactivated as from June 30, 2016, the date by which the recapitalization of the company is planned.

#### **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. The 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. Counterparties are 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, 2015				
		Carrying Amount	Fair Value	Level 1	Level 2	Level 3
(in millions of euro)						
<b>FINANCIAL ASSETS</b>						
<b>Assets originally designated at fair value</b>						
Cash and cash equivalents (note 35.1)		188.6	188.6	-	-	-
Mutual funds (note 35.1)		100.4	100.4	100.4	-	-
<b>Assets classified as held for trading</b>						
Fair value of derivatives		1.2	1.2	-	1.2	-
Equity investments, bonds and current financial assets		17.4	17.4	17.4	-	-
<b>Held-to-maturity investments</b>						
Securities and bonds (note 10)		-	-	-	-	-
<b>Loans and receivables</b>						
Short-term deposits (note 35.1)		248.1	248.1	-	-	-
Trade receivables (note 12)		562.5	562.5	-	-	-
Other current assets		5.3	5.3	-	-	-
Other non-current assets excluding concessions, licenses paid in advance, derivatives and securities (note 10)		114.9	114.9	-	-	-
Equity investments, bonds and current financial assets		66.2	66.2	-	-	-
<b>Available-for-sale financial assets</b>						
Other equity investments (note 9)		19.3	19.3	-	-	19.3
Fair value of derivatives for hedging		34.8	34.8	-	34.8	-
<b>FINANCIAL LIABILITIES</b>						
<b>Liabilities originally designated at fair value</b>						
<b>Liabilities classified as held for trading</b>						
Fair value of derivatives		8.6	8.6	-	8.6	-
<b>Other financial liabilities</b>						
Trade payables		571.1	571.1	-	-	-
Other current liabilities		92.9	-	-	-	-
Finance lease payables		0.4	-	-	-	-
Floating-rate non-current financial liabilities		299.8	299.8	-	299.8	-
Fixed-rate non-current financial liabilities		1,795.4	1,837.3	1,837.3	-	-
Other short-term financing		688.2	688.2	-	688.2	-
Fair value of derivatives for hedging		45.4	45.4	-	45.4	-
Purchase commitments on non-controlling interests (note 23)		36.9	36.9	-	-	36.9



	December 31, 2014			
(in millions of euro)	Carrying Amount	Fair Value	Level 1	Level 2
				Level 3
<b>FINANCIAL ASSETS</b>				
<b>Assets originally designated at fair value</b>				
Cash and cash equivalents (note 35.1)	198.6	198.6	-	-
Mutual funds (note 35.1)	98.6	98.6	98.6	-
<b>Assets classified as held for trading</b>				
Fair value of derivatives	2.9	2.9	-	2.9
Equity investments, bonds and current financial assets	17.4	17.4	17.4	-
<b>Held-to-maturity investments</b>				
Securities and bonds (note 10)	-	-	-	-
<b>Loans and receivables</b>				
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	-	-
<b>Available-for-sale financial assets</b>				
Other equity investments (note 9)	46.3	46.3	24.8	-
Fair value of derivatives for hedging	97.2	97.2	-	97.2
<b>FINANCIAL LIABILITIES</b>				
<b>Liabilities originally designated at fair value</b>				
<b>Liabilities classified as held for trading</b>				
Fair value of derivatives	7.5	7.5	-	7.5
<b>Other financial liabilities</b>				
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
Fair value of derivatives for hedging	57.1	57.1	-	57.1
Purchase commitments on non-controlling interests (note 23)	23.3	23.3	-	-
				23.3

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 year-end 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;

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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 2015 or in 2014.

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)		
<b>At December 31, 2014</b>	<b>21.4</b>	<b>23.3</b>
Increases (decreases)	0.3	13.2
Profit (loss) reflected in income statement	(2.2)	-
Profit (loss) reflected in other comprehensive income	-	-
Translation differences	(0.2)	0.4
<b>At December 31, 2015</b>	<b>19.3</b>	<b>36.9</b>

### 22.3.1. Fair value of derivatives

Measurement of derivatives at December 31, 2015 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:

(in thousands of euro)	December 31, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
<b>Derivatives - interest rates</b>	<b>1,167</b>	<b>9,822</b>	<b>2,850</b>	<b>6,958</b>
Future cash flow hedges	-	1,342	-	-
Fair value hedges	-	20	-	-
Trading	1,167	8,460	2,850	6,958
<b>Derivatives - exchange rates</b>	<b>5,229</b>	<b>1,492</b>	<b>4,350</b>	<b>17,247</b>
Future cash flow hedges	1,553	338	4,245	110
Fair value hedges	3,639	970	103	16,549
Trading	37	184	2	588
<b>Total current instruments</b>	<b>6,396</b>	<b>11,314</b>	<b>7,200</b>	<b>24,205</b>
<b>Derivatives - interest rates</b>	<b>29,557</b>	<b>42,699</b>	<b>92,924</b>	<b>40,387</b>
Future cash flow hedges	1	27,060	-	25,567
Fair value hedges	29,556	15,639	92,924	14,820
<b>Derivatives - exchange rates</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16</b>
Fair value hedges	-	-	-	16
<b>Total non-current instruments</b>	<b>29,557</b>	<b>42,699</b>	<b>92,924</b>	<b>40,403</b>
<b>Total</b>	<b>35,953</b>	<b>54,013</b>	<b>100,124</b>	<b>64,608</b>

Non-current derivatives on interest rates reflected under assets for 29.6 million euro refer to fixed-rate to Euribor-indexed floating-rate interest-rate swaps, of which 9.9 million euro hedging part of the 500 million euro bond issued by Ciments Français S.a.s. and 19.7 million euro hedging part of the 750 million euro bond issued by Italcementi Finance; both issues were fixed-rate under the respective EMTN programs. At December 31, 2014, the derivatives were carried under assets at 16.0 million euro and 76.9 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.

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The two tables below show the impact of netting agreements relating to derivative assets and derivative liabilities at December 31, 2015 and 2014.

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

#### December 31, 2015

	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
(in millions of euro)					
Derivative assets	36.0	-	36.0	35.7	-
Derivative liabilities	54.0	-	54.0	35.7	-
					18.4

#### December 31, 2014

	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
(in millions of euro)					
Derivative assets	100.1	-	100.1	31.4	-
Derivative liabilities	64.6	-	64.6	31.4	-
					33.2

#### Fair value of derivatives on management of commodity risk

At December 31, 2015 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 financial liabilities and reduce exposure to fluctuation risks. It hedges two types of risk:

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

2. The risk linked to future flows arising from floating-rate borrowing and lending transactions.

A change in interest rates will have a negligible impact on the market value of floating-rate financial assets and liabilities but will affect finance costs and, consequently, future profits.

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

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

## 22.4.1. Interest-rate risk hedging

The table below sets out the notional value of interest-rate derivatives by maturity at December 31, 2015:

	Maturity less than 1 year	Maturity 1 to 2 years	Maturity 2 to 5 years	Maturity more than 5 years	Total
(in millions of euro)					
<b>Fair value hedges</b>					
<b>SWAPs receive Fixed / pay Floating</b>					
165 M€ 4.75% Euribor 3M+0.6265%	-	(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)
<b>Total</b>	<b>-</b>	<b>(165.0)</b>	<b>(750.0)</b>	<b>-</b>	<b>(915.0)</b>
<b>Cash flow hedges</b>					
<b>SWAPs receive Floating / pay Fixed</b>					
1,073.8 M€ Euribor 3M 1.047%	100.0	-	420.0	553.8(*)	1,073.8
<b>Total</b>	<b>100.0</b>	<b>-</b>	<b>420.0</b>	<b>553.8</b>	<b>1,073.8</b>
<b>Trading</b>					
<b>SWAPs receive Floating / pay Fixed</b>					
440 M\$ Libor 3M 1.587%	-	45.9	238.8	119.4	404.2
115 M€ Euribor 3M 1.390%	-	-	115.0	-	115.0
<b>Total</b>	<b>-</b>	<b>45.9</b>	<b>353.8</b>	<b>119.4</b>	<b>519.2</b>
<b>Absolute total amount</b>	<b>100.0</b>	<b>210.9</b>	<b>1,523.8</b>	<b>673.2</b>	<b>2,507.9</b>
<b>Net balancing - receive floating / pay fixed</b>	<b>100.0</b>	<b>(119.1)</b>	<b>23.8</b>	<b>673.2</b>	<b>677.9</b>

(\*) of which 150 millions of euro with start deferred to apr. 4, 2017 and 150 millions of euro with start deferred to feb. 21, 2018

## 22.4.2. Exposure to interest-rate risk

At December 31, 2015, interest-rate hedges had a net notional value of 378 million euro with respect to the fixed-rate component of Group financial commitments. At the same date, in total, 78% of Group gross debt and 100% 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 conversion to floating rates through 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, 2015 subdivided by fixed- and floating-rate components at inception and after interest-rate hedging:

(in millions of euro)	12.31.2015	Maturity			
		< 1 year	1 - 2 years	2 - 5 years	Beyond
Fixed-rate financial liabilities	1,797.8	2.4	510.9	1,272.7	11.8
Fixed-rate financial assets	(8.9)	(2.0)	-	(6.9)	-
Fixed-rate ND at inception	1,788.9	0.4	510.9	1,265.9	11.8
Fixed- to floating-rate hedges	(915.0)	-	(165.0)	(750.0)	-
Floating- to fixed-rate hedges	1,292.9	100.0	45.9	773.8	373.2(*)
<b>Fixed-rate ND after hedging</b>	<b>2,166.8</b>	<b>100.4</b>	<b>391.8</b>	<b>1,289.7</b>	<b>384.9</b>
 Floating-rate financial liabilities	 986.0	 685.9	 54.8	 205.2	 40.2
Floating-rate financial assets	(615.1)	(619.8)	16.1	(12.4)	1.1
Floating-rate ND at inception	370.9	66.1	70.8	192.8	41.2
Fixed- to floating-rate hedges	915.0	-	165.0	750.0	-
Floating- to fixed-rate hedges	(1,292.9)	(100.0)	(45.9)	(773.8)	(373.2)(*)
Optional hedges	-	-	-	-	-
<b>Floating-rate ND after hedging</b>	<b>(7.0)</b>	<b>(33.9)</b>	<b>189.9</b>	<b>169.0</b>	<b>(331.9)</b>
 Fair value of derivatives, net	 18.1	 5.2	 (9.8)	 16.3	 6.4
<b>Net debt</b>	<b>2,177.9</b>	<b>71.7</b>	<b>571.9</b>	<b>1,474.9</b>	<b>59.4</b>

(\*) excluding 150 millions of euro with start deferred to apr. 4, 2017 and 150 millions of euro with start deferred to feb. 21, 2018

At December 31, 2015, a +0.5% change in the interest-rate curve would have an immaterial impact on 2015 net finance costs. The impact on interest-rate derivatives in portfolio would be +25.6 million euro on equity and -9.8 million euro on profit before tax; the latter effect is offset by an effect of +20.5 million euro on fixed-rate liabilities with fair value hedges.

At December 31, 2015, a -0.5% change in the interest-rate curve would have an immaterial impact on 2015 net finance costs. The impact on interest-rate derivatives in portfolio would be -27.2 million euro on equity and +10 million euro on profit before tax; the latter effect is offset by an effect of -20.9 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, translation).

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 recognized 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 at December 31, 2015 is illustrated below:

(in millions of euro)	Euro (*)	USD (*)	Other (*)
Financial assets (°)	2.8	482.0	42.1
Financial liabilities (°)	(12.2)	(62.9)	(62.8)
Derivatives	-	(435.5)	62.8
<b>Net exposure</b>	<b>(9.4)</b>	<b>(16.4)</b>	<b>42.1</b>

(\*) 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, 2015, a 1% change in the exchange rate with the euro, in cases where the local currency is not euro, would have an impact of 34 million euro on equity, of which 7.8 million euro on non-controlling interests.

At December 31, 2015, a 10% rise in the US dollar would have an impact on currency derivatives in portfolio of 3.6 million euro on equity and -38.8 million euro on profit before tax. A 10% decrease in the US dollar would have an impact on currency derivatives in portfolio of -3.6 million euro on equity and 38.8 million euro on profit before tax.

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## 22.5.2. Currency risk hedges

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

		December 31, December 31, 2014	
		2015	2014
(in millions of euro)			
<b>Forward purchases</b>			
Cash flow hedges			
	US dollars	52.2	60.6
	Other	0.1	-
Fair value hedges			
	US dollars	20.1	47.9
	Other	63.0	44.3
Trading			
	US dollars	1.5	-
<b>Total</b>		<b>137.0</b>	<b>152.8</b>
<b>Forward sales</b>			
Cash flow hedges			
	US dollars	12.5	5.8
Fair value hedges			
	US dollars	458.6	310.5
	Other	-	10.3
Trading			
	US dollars	16.2	6.6
<b>Total</b>		<b>487.3</b>	<b>333.1</b>
<b>Cross currency swaps</b>			
Fair value hedges			
	US dollars	-	123.5
<b>Total</b>		<b>-</b>	<b>123.5</b>
<b>TOTAL</b>		<b>624.2</b>	<b>609.5</b>

Currency risk hedges at December 31, 2015 mature within two years.

## 22.6. Management of commodity risk

### CO<sub>2</sub>

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 2015, given the surplus accumulated and the general economic and industry situation, the Group transacted spot sales of European Union Allowances (EUA) for proceeds of 50 million euro. In 2014, a gain of 11.5 million euro had been generated on completion of the optimization of the carbon emission rights portfolio through a spot purchase of Certified Emission Reductions and Emission Reduction Units (CER, ERU) and a spot sale of an equivalent number of EUAs.

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).

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 2015 amounted to +6.2 million euro at December 31, 2015 compared with +6.7 million euro at December 31, 2014. The change in equity relating to derivatives traded in 2014 and still in portfolio at December 31, 2015, amounted to -9.3 million euro (-26.3 million euro at December 31, 2014). The overall effect of the new derivatives recognized in equity was -2.4 million euro at December 31, 2015 (+1.0 million euro at December 31, 2014).

The non-effective component of cash flow hedges in portfolio at December 31, 2015 recognized in profit or loss was immaterial in both 2015 and 2014.

With reference to fair value hedges in portfolio at the end of 2015, the amount taken to profit or loss totaled +31 million euro for 2015 (+45.1 million euro for 2014). Recognized amounts attributable to underlying risk hedged during the year totaled -31.2 million euro in 2015 (-48.0 million euro in 2014). These amounts are taken to profit or loss as gains and losses on interest-rate and currency derivatives (note 31).

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## 23. Other current liabilities

	December 31, 2015	December 31, 2014
(in thousands of euro)		
Due to employees	113,282	92,741
Due to social security authorities	50,857	52,075
Due to tax authorities	70,866	69,641
Derivatives	11,315	24,206
Purchase commitments on non-controlling interests	36,864	23,344
Advances from customers	98,319	103,492
Due to suppliers for non-current assets	92,369	137,898
Others	138,480	116,417
<b>Total</b>	<b>612,352</b>	<b>619,814</b>

Purchase commitments on non-controlling interests at December 31, 2015 referred to: Ready Mix Concrete Alalamia in Egypt and Hilal Cement in Kuwait.

Derivatives are discussed in note 22.3.1. Derivatives.

## 24. Assets and liabilities held for sale

In connection with agreements between the parent Italmobiliare and HeidelbergCement publicly announced by Italmobiliare on July 28, 2015, on December 18, 2015, the Board of Directors of Italcementi S.p.A. approved the sale of some Non-Core Assets to Italmobiliare relating to operations in renewable energy (Italgen group) and e-procurement (BravoSolution group), as well as a building in the center of Rome. The finalization of the contracts for the sale of the Non-Core Assets is subject to the closing of the agreement between Italmobiliare and HeidelbergCement, which is expected to take place in 2016; the consideration for the Non-Core Assets was determined assuming an overall asset value of 241 million euro.

In 2015 an agreement was signed for the sale of the entire equity interest in the company Italterminali S.r.l., which will be finalized by the end of January 2016.

The assets in question have been recognized in compliance with IFRS 5 (see note 1.3 Basis of consolidation - Non-current assets held for sale and discontinued operations). The assets and liabilities to be sold are recognized separately on the statement of financial position under "Assets held for sale" and "Liabilities held for sale".

The main figures of the assets held for sale at December 31, 2015 are set out below:

(in thousands of euro)	Italgen group	BravoSolution group	Rome building	Italterminali	Total
Property, plant and equipment	49,395	1,477		4,867	55,739
Investment property	1,001	-	1,188	-	2,189
Goodwill	-	14,114		-	14,114
Intangible assets	3	17,929		-	17,932
Other non-current assets	11,150	2,919		-	14,069
Trade receivables	9,213	37,061		-	46,274
Other assets	6,635	3,478		2,241	12,354
Cash and cash equivalents	1,110	14,160		-	15,270
<b>Assets held for sale</b>	<b>78,507</b>	<b>91,138</b>	<b>1,188</b>	<b>7,108</b>	<b>177,941</b>
Non-current financial liabilities	-	2,594		-	2,594
Employee benefits	1,296	3,023		-	4,319
Current financial liabilities	9	8,776		-	8,785
Trade payables	5,109	4,983		13	10,105
Other liabilities	5,151	26,214		-	31,365
<b>Liabilities held for sale</b>	<b>11,565</b>	<b>45,590</b>	<b>-</b>	<b>13</b>	<b>57,168</b>
<b>Net assets held for sale</b>	<b>66,942</b>	<b>45,548</b>	<b>1,188</b>	<b>7,095</b>	<b>120,773</b>

(in thousands of euro)	Italgen group	BravoSolution group	Rome building	Italterminali	Total
Non-current financial assets	(4,312)		-	-	(4,312)
Current financial assets	(1,160)	(14,160)	-	-	(15,320)
Total financial assets	(5,472)	(14,160)	-	-	(19,632)
Non-current financial liabilities	-	2,594	-	-	2,594
Current financial liabilities	9	8,776	-	-	8,785
Total financial liabilities	9	11,370	-	-	11,379
<b>Financial (assets) liabilities held for sale</b>	<b>(5,463)</b>	<b>(2,790)</b>	<b>-</b>	<b>-</b>	<b>(8,253)</b>
Cash flows from operating activities	6,711	4,814	-	-	11,525
Cash flows from investing activities	(5,805)	(4,699)	-	-	(10,504)
Cash flows from financing activities	(8,573)	(1,103)	-	-	(9,676)
Other comprehensive income (expense)					
Remeasurement of the net liability (asset) for employee benefits	50	34	-	-	84
Translation reserve on foreign operations	241	1,086	-	-	1,327
Fair value gains (losses) on cash flow hedges	83	-	-	-	83

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A summary of the financial position and results of operations as at and for the year to December 31, 2015 of the BravoSolution and Italgen groups stand alone, is set out below:

(in thousands of euro)	Italgen group	BravoSolution group	Italterminali
Revenue	58,730	79,638	380
EBITDA	14,185	8,034	13
<b>Profit (loss) for the year</b>	<b>6,737</b>	<b>(238)</b>	<b>(239)</b>
Non-current assets	61,549	36,437	7,111
Current assets	21,505	56,051	2,242
<b>Total assets</b>	<b>83,054</b>	<b>92,488</b>	<b>9,353</b>
Equity	33,980	38,036	361
Non-current liabilities	1,864	6,421	-
Current liabilities	47,210	48,031	8,992
<b>Total liabilities and equity</b>	<b>83,054</b>	<b>92,488</b>	<b>9,353</b>
<b>Net debt</b>	<b>26,747</b>	<b>5,586</b>	<b>8,952</b>

With regard to the net debt of the companies held for sale, at December 31, 2015, Italcementi S.p.A. had granted short-term loans to the BravoSolution group for 8.4 million euro, to Italgen S.p.A. for 32.2 million euro and to Italterminali S.r.l. for 9.0 million euro.

## 25. Commitments

(in millions of euro)	December 31, 2015	December 31, 2014
Collateral given		
- Pledges	18.1	18.2
- Liens and mortgages	123.6	137.8
Total collateral given	141.7	156.0
Deposits, guarantees, sureties and other	129.9	118.3
<b>Total</b>	<b>271.6</b>	<b>274.3</b>

Collateral given at December 31, 2015 consisted mainly of mortgages and liens securing borrowings of the Indian subsidiaries.

Contracts and orders issued for investments amounted to 72.4 million euro at December 31, 2015 (143.6 million euro at December 31, 2014); commitments relating to long-term rental contracts amounted to 88.1 million euro (90.7 million euro at December 31, 2014):

(in millions of euro)	December 31, 2015	less than 1 year	1 to 5 years	more than 5 years
Commitments for PPE purchases	72.4	62.1	10.3	-
Long-term rentals	88.1	29.6	49.8	8.7

The Belgian company CCB has signed a contract with a third party to ensure long-term procurement of limestone for its operations. Under the agreement, CCB purchases limestone from the third-party supplier at a set price and undertakes to sell the same quantity, under equivalent sale conditions, at the request of the supplier.

At December 31, 2015, the Group expected to honor its future commitment through use of a quarry it owns, which is currently being prepared.

## 26. Raw materials and supplies

Raw materials and supplies amounted to 1,722,975 thousand euro, as follows:

(in thousands of euro)	2015	2014	Change
Raw materials and semifinished goods	486,158	498,877	(12,719)
Fuel	482,160	478,298	3,862
Packaging, materials and machinery	259,001	237,707	21,294
Finished goods	110,561	126,980	(16,419)
Electricity and water	355,731	320,797	34,934
Change in inventories of raw materials, consumables and other	29,364	11,343	18,021
<b>Total</b>	<b>1,722,975</b>	<b>1,674,002</b>	<b>48,973</b>

## 27. Services

Services amounted to 1,102,707 thousand euro, as follows:

(in thousands of euro)	2015	2014	Change
External services and maintenance	368,794	336,524	32,270
Transport	488,655	476,047	12,608
Legal fees and consultancy	44,641	39,123	5,518
Rents	78,846	73,951	4,895
Insurance	32,701	34,109	(1,408)
Other	89,070	85,790	3,280
<b>Total</b>	<b>1,102,707</b>	<b>1,045,544</b>	<b>57,163</b>

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

## 28. Employee expense and Stock options

Employee expense totaled 877,510 thousand euro, as follows:

(in thousands of euro)	2015	2014	Change
Wages and salaries	606,582	572,894	33,688
Social security contributions and pension fund provisions	170,844	174,322	(3,478)
Other costs	100,084	100,853	(769)
<b>Total</b>	<b>877,510</b>	<b>848,069</b>	<b>29,441</b>

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

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The number of employees is shown below:

(heads)	2015	2014
Number of employees at end of year	17,525	17,779
Average number of employees	17,756	18,391

## 28.1. Stock options

The terms and conditions of Italcementi S.p.A. stock option plans for directors and managers at December 31, 2015 are set out below:

	No. of options granted	Unit subscription price	Exercise period	Exercised options	Cancelled options	Unexercised options	Adjusted unexercised options	Adjusted unit subscription price
<b>Grant date</b>								
March 07, 2006	631,403	€ 16.890	3.7.2009 - 3.6.2016	4,187	50,325	576,891	659,281	€ 14.779
March 07, 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 04, 2008	1,564,750	€ 13.355	6.4.2011 - 6.3.2018	-	-	1,564,750	1,788,224	€ 11.686
<b>Total</b>	<b>3,839,653</b>			<b>4,187</b>	<b>99,850</b>	<b>3,735,616</b>	<b>4,269,128</b>	

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:

	2015		2014	
	number of options	average subscription price	number of options	average subscription price
<b>Unexercised options at beginning of year</b>	<b>5,432,774</b>	<b>13.736</b>	<b>4,753,841</b>	<b>15,698</b>
Granted during year	-		678,933	
Cancelled during year	-		-	
Exercised during year	-		-	
Expired during year	(1,163,646)		-	
<b>Unexercised options at end of year</b>	<b>4,269,128</b>	<b>14.287</b>	<b>5,432,774</b>	<b>13.736</b>
<b>Vested options at end of year</b>	<b>4,269,128</b>		<b>5,432,774</b>	

The average residual life of unexercised options is approximately 10 months.

The average price of ordinary shares for full-year 2015 was 7.956 euro (6.133 euro for 2014).

The option exercise price at December 31, 2015 was between 11.204 euro and 20.169 euro.

## 29. Other operating income (expense)

Net other operating expense amounted to 22,660 thousand euro, as follows:

(in thousands of euro)	2015	2014	Change
Other taxes	71,882	67,607	4,275
Allowance for doubtful receivables	15,885	13,162	2,723
Provision for environmental restoration, quarries and other	38,360	37,518	842
Miscellaneous income	(103,467)	(81,182)	(22,285)
<b>Total</b>	<b>22,660</b>	<b>37,105</b>	<b>(14,445)</b>

The increase in "Miscellaneous income" arose largely from net gains of 49.7 million euro on carbon emission rights trading; income also includes amounts from the assignment of white certificates for 3.6 million euro (10.7 million euro in 2014) and green certificates attributed to Italgen S.p.A. for 7.7 million euro (9.0 million euro in 2014).

### 30. Non-recurring income (expense)

Net non-recurring expense amounted to 52,251 thousand euro and arose mainly from gains on the sale of property, plant and equipment, investment property and intangible assets, employee expense for re-organizations and industrial restructurings, fines and penalties.

(in thousands of euro)	2015	2014
Net gains from the sale of non-current assets	12,814	5,479
Non-recurring expense for re-organizations	(58,662)	(7,320)
Other non-recurring income (expense)	(6,403)	(3,125)
<b>Total non-recurring income (expense)</b>	<b>(52,251)</b>	<b>(4,966)</b>

In 2015 expense and net allowances set aside for re-organizations referred mainly to head office and industrial operations in France and Belgium for 30.2 million euro and to Italy for 27.5 million euro; it also reflects the partial release of the Calcestruzzi S.p.A. antitrust provision for 2.8 million euro.

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

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

(in thousands of euro)	2015	2014
	Income	Costs
Interest income	21,478	21,000
Interest expense	(125,226)	(121,645)
Dividends and other income from equity investments	19,431	1,336
Other finance income	2,635	2,057
Capitalized finance costs	4,763	4,880
Other finance costs	(41,746)	(44,115)
<b>Total finance income (costs)</b>	<b>43,544</b>	<b>(162,209)</b>
Gains/(losses) on interest-rate derivatives	279	(2,726)
Gains/(losses) on exchange-rate derivatives	19,522	(33,315)
Net exchange-rate differences	(32,835)	33,332
<b>Net exchange-rate differences and derivatives</b>	<b>-</b>	<b>(13,034)</b>
<b>Total finance income (costs), exchange-rate differences and derivatives</b>		<b>(131,699)</b>
		<b>(139,196)</b>

"Other finance costs" includes net finance costs on employee defined benefit plans for 6.5 million euro (7.6 million euro in 2014).

Other income from equity investments includes the gain of 18.4 million euro from the sale of the equity investment in West China Cement.

Losses on exchange-rate differences net of hedges of 13,313 thousand euro (gains of 17 thousand euro in 2014) were largely generated by the depreciation of the Kazakh tenge for 19.3 million euro. Since October 2015, exchange-rate differences relating to currency loans of the Kazakh subsidiary Shymkent have been recognized under other comprehensive income (expense); losses amounted to 16.6 million euro.

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## 32. Income tax expense

Income tax expense for the period was 100,169 thousand euro, as follows:

(in thousands of euro)	2015	2014	Change
Current tax	88,649	128,484	(39,835)
Deferred tax	8,136	(3,991)	12,127
Prior-year tax and net non-recurring tax items	3,384	4,047	(663)
<b>Total</b>	<b>100,169</b>	<b>128,540</b>	<b>(28,371)</b>

In Italy, the IRES rate applied by the parent on estimated taxable income for the year was 27.5%, as in 2014. Taxes for Group companies in other countries are calculated using the local tax rates.

Deferred tax includes the increased tax charge of 7.7 million euro, in connection with the change in the IRES rate, which will decrease from 27.5% to 24.0% as from 2017.

The reconciliation between the theoretical tax charge and the effective tax charge 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)	2015
Consolidated profit before tax	30,852
Applicable IRES tax rate %	27.5%
<b>Theoretical tax charge</b>	<b>8,484</b>
Effect of difference between the parent's tax rate and the tax rates of the other companies <sup>(1)</sup>	2,047
Effect of tax rate reduction for tax relief/allowances	(5,697)
Tax effect on permanent differences <sup>(3)</sup>	22,277
Net effect for year of unrecognized deferred taxes on temporary differences <sup>(2)</sup>	71,546
Effect of change in tax rates	3,247
Effect of change in estimate on previously recognized/unrecognized deferred tax	1,230
Other taxes / (recoveries)	(3,750)
<b>Tax on income for the year reflected in income statement, excluding IRAP (a)</b>	<b>99,384</b>
<i>Effective tax rate, excluding IRAP and other tax items not related to income for the year</i>	<i>n.s.</i>
Other tax items not related to income for the year (b)	272
<b>IRAP (c)</b>	<b>513</b>
<b>Tax on income for the year reflected in income statement (a+b+c)</b>	<b>100,169</b>
<i>Effective tax rate</i>	<i>n.s.</i>

*n.s. = not significant*

<sup>(1)</sup> 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.

<sup>(2)</sup> Refers mainly to unrecognized deferred tax assets on losses for the year realized in Italy and the USA.

<sup>(3)</sup> Includes the French tax CVAE (see note 1.1) for 6.3 millions of euro.

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

(in thousands of euro)	December 31, 2014	Gross amount	Tax	Net amount
Fair value gains (losses) on:		(123,292)	2,183	(121,109)
Available-for-sale financial assets		(5,567)	-	(5,567)
Derivatives		(5,950)	2,170	(3,780)
Translation differences		87,252	-	87,252
December 31, 2015		(47,557)	4,353	(43,204)

### 34. 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

	2015	2014
(no. of shares in thousands)	ordinary shares	ordinary shares
<b>Weighted average number of shares at end of year</b>	<b>345,409</b>	<b>302,183</b>
(in thousands of euro)		
<b>Attributable loss for the year</b>	<b>(119,981)</b>	<b>(107,131)</b>
(in euro)		
<b>Basic earnings per share</b>	<b>-0.347</b>	<b>-0.355</b>

#### 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 2015 this effect was zero.

Diluted earnings per share were therefore identical to basic earnings per share of -0.347 euro.

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## 35. Transactions with related parties

Transactions with related parties in 2015 and 2014 are illustrated below:

2015 (in thousands of euro)	Revenue (purchases) goods and services	Other income (expense)	Interest income (expense)	Trade and other receivables (payables)	Financial receivables (payables)
Parent	153	-	-	946	264
	(2,469)	(4,880)	-	(9,098)	-
Subsidiaries of parent (*)	334	-	-	130	-
	(218)	-	-	(35)	-
Associates	25,794	-	161	17,457	46,236
	(13,865)	-	-	(5,987)	(170)
Subsidiaries of associates and joint ventures	39	-	419	16	-
	(2,217)	(59)	-	(142)	-
Other related parties	2,353	376	2	996	-
	(26,446)	(600)	-	(6,956)	-
<b>Total</b>	<b>28,673</b>	<b>376</b>	<b>582</b>	<b>19,545</b>	<b>46,500</b>
	<b>(45,215)</b>	<b>(5,539)</b>	<b>-</b>	<b>(22,218)</b>	<b>(170)</b>
% impact on financial statement items	0.7%	0.9%	1.3%	2.0%	7.5%
	1.2%	24.4%	0.0%	1.8%	0.0%

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

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 of parent (*)	239	-	-	135	-
	(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)	-
<b>Total</b>	<b>33,918</b>	<b>1,259</b>	<b>136</b>	<b>9,609</b>	<b>43,760</b>
	<b>(53,046)</b>	<b>(600)</b>	<b>(37)</b>	<b>(14,393)</b>	<b>(585)</b>
% impact on financial statement items	0.8%	3.4%	0.6%	0.9%	7.3%
	1.5%	1.6%	0.0%	1.2%	0.0%

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

Dividends paid to Italmobiliare S.p.A. by the Italcementi Group in 2015 amounted to 14,145 thousand euro (8,061 thousand euro in 2014).

Revenue from and purchases of goods and services with respect to subsidiaries and associates mainly concerned transactions with companies consolidated proportionately, notably Société des Carrières 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.

### 35.1. 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)	2015	2014
Short-term benefits: compensation and remuneration	28,755	10,387
Post-employment benefits: provision for leaving and end-of-term entitlements	641	920
Other long-term benefits: length-of-service bonuses and incentives	2,078	1,890
<b>Total</b>	<b>31,474</b>	<b>13,197</b>

## 36. Statement of cash flows

### 36.1. Cash and cash equivalents

Cash and cash equivalents include:

(in thousands of euro)	December 31, 2015	December 31, 2014
<b>Bank/postal demand accounts and cash on hand</b>	<b>188,575</b>	<b>198,588</b>
Italcementi S.p.A.	2,670	3,085
Italcementi Finance	267	26,082
Ciments Français S.a.s.	8,659	5,449
NA.ME.	49,353	45,368
Asia	34,208	34,009
Other Group companies	93,418	84,595
<b>Mutual funds</b>	<b>100,449</b>	<b>98,577</b>
NA.ME.	97,059	98,413
Asia	2,788	57
Other Group companies	602	107
<b>Short-term deposits</b>	<b>248,068</b>	<b>254,360</b>
Ciments Français S.a.s.	3,663	-
NA.ME.	87,538	148,083
Asia	131,833	102,265
Other Group companies	25,034	4,012
<b>Total</b>	<b>537,092</b>	<b>551,525</b>

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 to meet the treasury requirements of the Group’s European holdings. The amount at December 31, 2015 was 380.8 million euro (415.4 million euro at December 31, 2014) and referred to Egypt (106.2 million euro), Morocco (109.8 million euro), Thailand (141.7 million euro) and India (23.1 million euro).

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## 36.2. Change in working capital

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

(in thousands of euro)	2015	2014
Change in inventories	33,202	(66,010)
Change in trade receivables	55,450	48,344
Change in trade payables	(5,319)	38,377
Change in other assets/liabilities	53,591	977
<b>Total</b>	<b>136,924</b>	<b>21,688</b>

## 37. Non-recurring transactions

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

(in thousands of euro)	2015					
	Equity		Profit (loss) for the year		Net debt	
	amount	%	amount	%	amount	%
<b>Carrying amounts</b>	<b>3,799,800</b>	100%	<b>(69,317)</b>	100%	<b>2,177,907</b>	100%
Net gains from the sale of non-current assets	12,814	0.3%	12,814	18.5%	20,879	1.0%
Non-recurring expense for re-organizations	(58,662)	1.5%	(58,662)	84.6%	-	0.0%
Other non-recurring income (expense)	(6,403)	0.2%	(6,403)	9.2%	-	0.0%
<b>Total non-recurring transactions</b>	<b>(52,251)</b>	1.4%	<b>(52,251)</b>	75.4%	<b>20,879</b>	1.0%
Figurative amount without non-recurring transactions	3,852,051		(17,066)		2,198,786	

(in thousands of euro)	2014					
	Equity		Profit (loss) for the year		Net debt	
	amount	%	amount	%	amount	%
<b>Carrying amounts</b>	<b>3,890,981</b>	100%	<b>(48,932)</b>	100%	<b>2,156,699</b>	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%
<b>Total non-recurring transactions</b>	<b>(4,966)</b>	0.1%	<b>(4,966)</b>	10.1%	<b>13,981</b>	0.6%
Figurative amount without non-recurring transactions	3,895,947		(43,966)		2,170,680	

## 38. 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 2015 to the independent auditors KPMG S.p.A. and to the companies of the KPMG network are set out below:

(in thousands of euro)	Services provided to the Group	KPMG S.p.A.	Other international companies in the KPMG network		Other international companies in the KPMG network
			Other Italian companies in the KPMG network	Other international companies in the KPMG network	
Audit services		669	-	-	1,150
Other attestation services		86	-	-	-
Other legal, fiscal and corporate services		249	206	-	29
<b>Total</b>		<b>1,004</b>	<b>206</b>	<b>1,179</b>	

### **39. Events after December 31, 2015**

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, 2015.

Bergamo, February 18, 2016

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/Quota capital		Interest held by Group companies			Method	Non-controlling interest
				Direct	Indirect	%		
Parent								
<b>Italcementi S.p.A.</b>	Bergamo	I	€	401,715,071.15			Line-by-line	
B2E Markets France S.A.R.L.	Paris	F	€	20,000.00	-	100.00	BravoSolution US, Inc.	Line-by-line 24.66
BravoBloc S.r.l.	Bergamo	I	€	1,000,000.00	90.00	-	90.00 Italcementi S.p.A.	Line-by-line 10.00
BravoBus S.r.l.	Bergamo	I	€	600,000.00	-	100.00	BravoSolution Italia 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 0.00
						0.10	Italcementi Ingegneria S.r.l.	
BravoSolution APAC Pty.Ltd.	Sydney	AUS	AUD	10.00		100.00	BravoSolution S.p.A.	Line-by-line 24.66
BravoSolution Benelux B.V.	Almere	NL	€	250,000.00	-	100.00	BravoSolution S.p.A.	Line-by-line 24.66
BravoSolution Brasil Serviços de Tecnologia Ltd.	Sao Paulo	BR	BRL	500,000.00	-	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	BravoSolution S.p.A.	Line-by-line 24.66
BravoSolution Espana S.A.	Madrid	E	€	120,400.00	-	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	BravoSolution S.p.A.	Line-by-line 24.66
BravoSolution GmbH	Munich	D	€	1,000,000.00	-	100.00	BravoSolution S.p.A.	Line-by-line 24.66
BravoSolution Italia S.p.A.	Bergamo	I	€	10,000,000.00	-	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 Nordics OY	Helsinki	SF	€	100,000.00	-	100.00	BravoSolution S.p.A.	Line-by-line 24.66
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	BravoSolution US, Inc.	Line-by-line 24.66
BravoSolution UK Ltd.	London	GB	GBP	50,000.00	-	100.00	BravoSolution S.p.A.	Line-by-line 24.66
BravoSolution US, Inc.	Harrisburg	USA	USD	1.00	-	100.00	BravoSolution S.p.A.	Line-by-line 24.66
BravoSolution Technologies Ltd.	Guildford	GB	GBP	50,000.00	-	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 0.00
							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 0.00
Calcementi Jonici S.r.l.	Siderno (RC)	I	€	600,000.00	99.90	0.10	99.90 Italcementi S.p.A.	Line-by-line 0.00
						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 0.00
						2.10	Italcementi Ingegneria S.r.l.	
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.	Equity
E.S.A. Monviso S.p.A.	Bergamo	I	€	1,340,000.00	-	100.00	100.00 Calcestruzzi S.p.A.	Line-by-line 0.00
Ecoinerti S.r.l.	Recanati (MC)	I	€	91,800.00	-	100.00	100.00 Calcestruzzi S.p.A.	Line-by-line 0,00
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 0.00
						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
Ing. Sala S.p.A.	Sorisole (BG)	I	€	1,853,418.00	-	100.00	99.90 Nuova Sacelit S.r.l.	Line-by-line 0.00
						0.10	Italcementi Ingegneria S.r.l.	
International City for Concrete	Jeddah	SA	SAR	150,000,000.00	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 0.00
Italcementi Ingegneria S.r.l.	Bergamo	I	€	650,000.00	100.00	-	100.00 Italcementi S.p.A.	Line-by-line 0.00
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	
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

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Company name	Registered office	Share/Quota capital	Interest held by Group companies					Method	Non-controlling interest
			Direct	Indirect	%				
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	0.00
					0.10	Italcementi Ingegneria S.r.l.			
Italterminali S.r.l.	Bergamo	I € 300,000.00	99.50	0.50	99.50	Italcementi S.p.A.		Line-by-line	0.00
					0.50	Italcementi Ingegneria S.r.l.			
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 € 5,000,000.00	100.00	-	100.00	Italcementi S.p.A.		Line-by-line	0.00
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. - winding up	Bergamo	I € 200,000.00	99.00	1.00	99.00	Italcementi S.p.A.		Line-by-line	0.00
					1.00	Italcementi Ingegneria S.r.l.			
Shqiperia Cement Company Shpk	Tirana	ALB LEK 74,250,000.00	100.00	-	100.00	Italcementi S.p.A.		Line-by-line	0.00
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	0.00
					0.13	Italcementi Ingegneria S.r.l.			
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	0.00
2346401 Ontario Inc.	Ontario	CAN CAD 100.00	-	100.00	100.00	Innoco Inc.		Equity	
3092-0631 Quebec Inc.	St. Basile	CAN CAD 6,250.00	-	100.00	100.00	Ciment Quebec Inc.		Equity	
Africim S.A.	Casablanca	MAR MAD 20,000,000.00	-	99.99	99.99	Ciments du Maroc S.A.		Line-by-line	37.69
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 € 600,000.00	-	100.00	100.00	Ciments Français S.A.		Line-by-line	0.00
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	Vaniqueth Co. Ltd.			
Asment Temara S.A.	Temara	MAR MAD 495,000,000.00	-	37.01	28.61	Procimar S.A.		Equity	
					8.40	Ciments Français S.A.			
Atlantica de Ganeles y Molindas 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 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	40.02
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
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 € 35,000,000.00	-	100.00	100.00	Ciments Français S.A.		Line-by-line	0.00
Ciment Quebec Inc.	St. Basile	CAN CAD 19,461,161.70	-	100.00	100.00	Groupe Cement Quebec Inc.		Equity	
Ciment du Littoral S.A.	Bassens	F € 37,000.00	-	100.00	99.99	Ciments Calcia S.a.s.		Line-by-line	0.00
					0.01	Tercim S.A.			
Ciments Calcia S.a.s.	Guerville	F € 593,836,525.00	-	99.99	99.99	Ciments Français S.A.		Line-by-line	0.00
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.			
CIMFRA (China) Limited	Puteaux	F € 24,600,000.00	-	100.00	100.00	Ciments Français S.A.		Line-by-line	0.00
Ciminter S.A.	Luxembourg	L € 53,800,000.00	-	100.00	100.00	Ciments Français S.A.		Line-by-line	0.00
Cocimar S.a.s.	Puteaux	F € 72,957,690.00	-	100.00	100.00	Ciments Français S.A.		Line-by-line	0.00
Codesib S.a.s.	Puteaux	F € 55,037,000.00	-	100.00	100.00	Ciments Français S.A.		Line-by-line	0.00
Compagnie des Ciments Belges S.A.	Tourmai	B € 295,031,085.00	-	100.00	78.52	Ciments Français S.A.		Line-by-line	0.00
					21.40	Ciments Calcia S.a.s.			
					0.08	Compagnie Financière et de Participations S.A.			



Company name	Registered office	Share/Quota capital	Interest held by Group companies			Method	Non-controlling interest
			Direct	Indirect	%		
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 0.00
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 Hidráulicos Especiales S.A.	Malaga	E € 921,052.00	-	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 0.01
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	5.00	Helwan Cement Co.	
				5.00	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
Dragages du Pont de St. Leger	Saint Leger	F € 180,000.00	-	60.00	60.00	GSM S.a.s.	Line-by-line 40.00
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 € 3,957,894.00	-	50.00	33.33	GSM S.a.s.	Line-by-line 50.0
				16.67	16.67	Granulats Ouest - GO	
Essroc Canada Inc.	Mississauga	CAN CAD 221,306,574.00	-	100.00	100.00	Essroc Corporation	Line-by-line 0.00
Essroc Cement Corp.	Nazareth	USA USD 8,330,000.00	-	100.00	100.00	Essroc Corporation	Line-by-line 0.00
Essroc Corporation	Nazareth	USA USD 283,526.00	-	100.00	100.00	Ciments Français S.A.	Line-by-line 0.00
Essroc Ready Mix Corp	Nazareth	USA USD 1.00	-	100.00	100.00	Essroc Cement Corp.	Line-by-line 0.00
Essroc San Juan Inc.	Espinosa	P.RICO USD 10,000.00	-	100.00	100.00	Essroc Cement Corp.	Line-by-line 0.00
Euraco France S.A.	Le Crotoy	F € 1,520,000.00	-	64.99	64.99	GSM S.a.s.	Line-by-line 35.02
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
Garonne Labo	Damazan	F € 8,000.00	-	66.75	66.75	Dragages du Pont de St. Leger	Line-by-line 59.95
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 48.99
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 0.00
Groupe Cement 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 0.00
Gulbarga Cement Limited	Bengaluru	IN INR 1,048,805,320.00	-	99.99	21.44	Zuari Cement Ltd.	Line-by-line 0.01
				78.55	78.55	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	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.	
					59.93	(voting rights: Ciments Français S.A.	
					39.99	Sociedad Financiera y Minera S.A.)	
Helwan Cement Co. SAE	Cairo	EGY LE 583,424,620.00	-	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
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 0.00
					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 0.00
					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 0.00
					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 0.00

Company name	Registered office	Share/Quota capital			Interest held by Group companies			Method	Non-controlling interest
					Direct	Indirect	%		
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 Libyan 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
Jalaprathan Cement Public Co, Ltd.	Bangkok	TH	BT	1,200,000,000.00	-	88.84	88.84	Asia Cement Public Co., Ltd.	Line-by-line
Jalaprathan Concrete Products Co, Ltd.	Bangkok	TH	BT	280,000,000.00	-	99.99	99.99	Jalaprathan Cement Public Co, Ltd.	Line-by-line
Kuwait German Company for Ready Mix Concrete WLL	Kuwait	KWT	KWD	824,000.00	-	100.00	99.00	Al Mahalya Ready Mix Concrete WLL	Line-by-line
						1.00		Hilal Cement Company	
Les Calcaires Giordins S.a.s.	Cenon	F	€	100,000.00	-	50.00	50.00	GSM S.a.s.	Equity
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'Odé S.a.s.	Quimper	F	€	134,400.00	-	97.47	94.93	Dragages Transports & Travaux Maritimes S.A.	Line-by-line
						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
Mauritano-Française des Ciments S.A.	Nouakchott	MAU	OUG	1,111,310,000.00	-	56.93	51.11	Ciments Français S.a.s.	Line-by-line
						5.82		Tercim S.A.	
Medcem S.r.l.	Naples	I	€	5,500,000.00	-	50.00	50.00	Intercom S.r.l.	Equity
Menaf S.a.s.	Puteaux	F	€	250,000,000.00	-	100.00	100.00	Ciments Français S.A.	Line-by-line
Mixers at your service - M@S	Zottegem	B	€	975,610.00	-	18.00	18.00	Compagnie des Ciments Belges S.A.	Equity
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
National East Ready Mix Corp.	Ontario	CAN	CAD		-	60.00	60.00	Innocon Inc.	Equity
Parcib s.a.s.	Puteaux	F	€	10,000.00	-	100.00	100.00	Ciments Calcia S.a.s.	Line-by-line
Procimar S.A.	Casablanca	MAR	MAD	37,500,000.00	-	99.99	99.99	Ciments Français S.A.	Line-by-line
Ready Mix Concrete Alalamia S.A.E.	Cairo	EGY	LE	234,857,100.00	-	52.00	52.00	Suez Cement Company SAE	Line-by-line
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
Sablimalis S.a.s.	La Rochelle	F	€	4,094,776.00	-	100.00	66.28	Dragages Transports & Travaux Maritimes S.A.	Line-by-line
						33.72		Les Sabliers de l'Odé S.a.s.	
Sas des Gresillons	Paris	F	€	60,000.00	-	35.00	35.00	GSM S.a.s.	Proportionate
Sax S.a.s.	Guerville	F	€	482,800.00	-	100.00	100.00	Ciments Français S.A.	Line-by-line
SCI de Balloy	Avon	F	€	20,310.00	-	100.00	100.00	GSM S.a.s.	Line-by-line
SCI du Colombier	Rungis	F	€	2,000.00	-	63.00	63.00	GSM S.a.s.	Proportionate
Seas Co. Ltd.	Bangkok	TH	BT	10,000,000.00	-	99.98	99.98	Ciments Français S.A.	Line-by-line
Shymkent Cement JSC	Shymkent	KAZ	TEN	3,036,300,000.00	-	99.85	94.79	Codesib S.a.s.	Line-by-line
						5.06		Ciminter S.A.	
Singha Cement (Private) Limited	Colombo	SRI L.	LKR	1,897,395,770.00	-	99.94	99.94	Ciments Français S.A.	Line-by-line
Sitapuram Power Limited	Hyderabad	IN	INR	480,000,000.00	-	50.99	50.99	Zuari Cement Ltd.	Line-by-line
Sociedad Financiera y Minera S.A.	Malaga	E	€	39,160,000.00	-	99.94	96.45	Ciments Français S.A.	Line-by-line
						3.02		Hormigones y Minas S.A.	
						0.47		Sociedad Financiera y Minera S.A.	
						99.94		(voting rights: Ciments Français)	
Société Calcaires Lorrains	Heillecourt	F	€	40,000.00	-	49.92	49.92	GSM S.a.s.	Equity
Société de la Grange d'Etaule	Gray	F	€	3,750.00	-	100.00	99.60	Ciments Calcia S.a.s.	Line-by-line
						0.40		Compagnie Financière et de Participations S.a.s.	
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.	Tourmai	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	-	100.00	99.99	Ciments Calcia S.a.s.	Line-by-line
						0.01		Immobilière des Technodes S.a.s.	

Company name	Registered office	Share/Quota capital		Interest held by Group companies				Method	Non-controlling interest	
				Direct	Indirect	%				
Sodamaris 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	0.00
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	Parcib s.a.s.	Line-by-line	0.00
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	24,181,920.00	-	100.00	100.00	Tercim S.a.s.	Line-by-line	0.00
Tercim S.A.	Puteaux	F	€	47,037,000.00	-	100.00	100.00	Ciments Français S.A.	Line-by-line	0.00
Terra Cimentos Lda	Mozambique	MOC	MZM	6,106,000.00		100.00	99.00	Tercim S.A.	Line-by-line	0.00
							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	0.00
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	Trabel Affretement S.a.s.	Line-by-line	0.00
							0.16	Ciments Calcia S.a.s.		
Trabel Transports S.A.	Gaurain-Ramecroix	B	€	750,000.00	-	100.00	89.97	Trabel Affretement S.a.s.	Line-by-line	0.00
							10.03	Compagnie des Ciments Belges S.A.		
Tratel S.a.s.	Guerville	F	€	4,590,233.00	-	100.00	100.00	Tratel Affretement S.A.	Line-by-line	0.00
Tratel Affretement S.a.s.	Guerville	F	€	6,025,580.00	-	100.00	100.00	Ciments Calcia S.a.s.	Line-by-line	0.00
Unibéton S.a.s.	Guerville	F	€	27,159,732.00	-	100.00	99.99	Ciments Français S.A.	Line-by-line	0.00
							0.01	Compagnie Financière et de Participations		
Unibéton Var S.a.s.	Lambesc	F	€	40,000.00	-	100.00	100.00	Unibéton S.a.s.	Line-by-line	0.00
Uniwerbenton S.a.s.	Heillecourt	F	€	160,000.00	-	70.00	70.00	Unibéton S.a.s.	Line-by-line	30.00
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	-	25.98	16.27	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	-	98.61	70.00	Ciments Français S.A.	Line-by-line	1.41
							28.61	Devnya Cement A.D.		
Zuari Cement Ltd.	Yerraguntla	IN	INR	2,749,614,000.00	-	99.99	96.91	Ciments Français S.A.	Line-by-line	0.01
							3.08	Cie pour l'Investissement Financier en Inde (voting rights:		
							96.91	Ciments Français S.A.)		



***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 1<sup>st</sup>, 2015 and December 31<sup>st</sup>, 2015.

2. The representation of the adequacy of the administrative and accounting procedures adopted in the preparation of consolidated financial statements as at December 31<sup>st</sup>, 2015 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 1<sup>st</sup>, 2015 and December 31<sup>st</sup>, 2015:

- 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.

February 18<sup>th</sup>, 2016

*(signed on the original)*

*Carlo Pesenti, Chief Executive Officer*

*Carlo Bianchini, Manager in charge of financial reporting*

*Translation from the Italian original which remains the definitive version*



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(Translation from the Italian original which remains the definitive version)

## **Independent auditors' report pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010**

To the shareholders of  
Italcementi S.p.A.

### **Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of Italcementi Group (the "group"), which comprise the statement of financial position as at 31 December 2015, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

### ***Directors' responsibility for the consolidated financial statements***

The parent's directors are responsible for the preparation of consolidated financial statements that give a true and fair view 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.

### ***Independent auditors' responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11.3 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position as at 31 December 2015 and of its financial performance and cash flows for the year then ended 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.

### **Report on other legal and regulatory requirements**

#### ***Opinion on the consistency of the directors' report and certain information presented in the report on corporate governance and ownership structure with the consolidated financial statements***

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the directors' report and the information presented in 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., required by article 123-bis.4 of Legislative decree no. 58/98, which are the responsibility of the parent's directors, with the consolidated financial statements. In our opinion, the directors' report and the information presented in 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. referred to above are consistent with the consolidated financial statements of Italcementi Group as at and for the year ended 31 December 2015.

Bergamo, 10 March 2016

KPMG S.p.A.

(signed on the original)

Stefano Mazzocchi  
Director of Audit





# Italcementi S.p.A. Annual Report



## **Directors' report**

Any changes in the standards and regulations, compared to 2014, are detailed in the notes under the heading "Statement of compliance with 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, 2015, 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 indicators/results: recurring EBITDA, EBITDA and 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 amounts in the subsidiaries' financial statements) and the presentation of comments and assessments provide a clearer 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 the financial position and results of operations.

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## Results and significant events in the year

### Results

Italcementi S.p.A. closed 2015 with a loss of 38.3 million euro (a loss of 54.0 million euro in 2014) arising from its operating results and also from impairment losses on property, plant, equipment and investment property and impairment losses on equity investments, which were lower than those of the previous year.

### Condensed income statement

(in millions of euro)	2015	2014	% change vs. 2014
<b>Revenue</b>	<b>416.1</b>	<b>436.5</b>	<b>(4.7)</b>
<b>Recurring EBITDA</b>	<b>40.8</b>	<b>13.2</b>	<b>&gt;100.0</b>
% of revenue	9.8	3.0	
Non-recurring income (expense)	(26.8)	7.6	
<b>EBITDA</b>	<b>14.0</b>	<b>20.8</b>	<b>(32.9)</b>
% of revenue	3.4	4.8	
Amortization and depreciation	(60.5)	(59.8)	(1.2)
Impairment	(15.3)	(17.1)	
<b>EBIT</b>	<b>(61.8)</b>	<b>(56.1)</b>	<b>(10.2)</b>
% of revenue	(14.9)	(12.8)	
Net finance income	54.7	38.6	41.8
Impairment on financial assets	(24.9)	(42.0)	
<b>Profit (loss) before tax</b>	<b>(31.9)</b>	<b>(59.5)</b>	<b>46.4</b>
% of revenue	(7.7)	(13.6)	
Income tax (expense)	(6.3)	5.5	n.s.
<b>Loss for the year</b>	<b>(38.3)</b>	<b>(54.0)</b>	<b>29.2</b>
% of revenue	(9.2)	(12.4)	
<b>Cash flows from operating activities</b>	<b>164.4</b>	<b>2.4</b>	
<b>Capital expenditure</b>	<b>67.0</b>	<b>137.7</b>	

n.s. not significant

In 2015, the gradual improvement in the economy enabled the Italian economy to achieve a positive result after three consecutive years of GDP contraction. During the year, the export driver was assisted by the weakness of the euro, but gradually slackened as the non-EU markets slowed; however, its place was gradually taken by domestic demand (relating in particular to consumer goods and replacement of inventories). Investments continued to have trouble connecting to the upswing and were negatively affected by the uncertainty over foreign demand. Key drivers in the business upturn, besides the depreciation of the euro mentioned above, were less restrictive economic policies, positive developments on the labor market and particularly contained commodities prices, in a context of substantially stable consumer prices, which helped boost household purchasing power.

Construction investment contracted in 2015 for the eighth consecutive year, although at a slower rate. The trend was seen in all segments, with the exception of extraordinary maintenance work, which continued to benefit from the ageing of Italy's buildings and from the continuation of significant tax incentives.

New construction work was braked by the budget constraints of private operators and by



the need to reabsorb the surplus building stock accumulated in previous years. Investment in public works continued to fall; this investment is estimated to have contracted by more than 50% with respect to the pre-recession period.

Cement consumption continued to fall in 2015 (-2.5%, to around 19.6 million metric tons), although at a slower rate than expected thanks to the upturn in demand in the last months of the year, assisted by particularly favorable meteorological conditions.

The largest reductions in consumption were in northern Italy, after the completion of work for Expo, and in central Italy, whereas cement consumption trends in the south were more favorable, thanks to the contribution of a number of important public works. The sharp decline in the trade balance, determined by the fall in exports and significant increase in imports (+10.9%), generated a larger contraction in production than in consumption.

In this context, Italcementi S.p.A. reported **revenue** of 416.1 million euro, a reduction of 4.7% from 2014 (436.5 million euro), arising from the combined effect of lower sales volumes and the fluctuating trend in sales prices, whose annual average value was lower than in 2014.

Despite this, **recurring EBITDA** showed a significant improvement (+27.6 million euro), from 13.2 million euro in 2014 to 40.8 million euro in 2015, with the return on revenue rising from 3.0% to 9.8%.

This improvement was driven by the sale of carbon emission rights (40 million euro, from approximately 6 million euro in 2014). The other positive contributing factor was the reduction in both overheads and variable costs. Variable costs benefited from the fall in fuel costs and from growing industrial efficiency, achieved with the start-up of the new kiln at the Rezzato cement plant in November 2014, which also made it possible to re-organize production operations in northern Italy. Overheads benefited from the savings arising from the re-organization under "Project 2015", which concerned central units and the sales network, as well as industrial and distribution operations in Italy, with the closure of some plants and the transformation of a number of full-cycle cement plants into grinding centers.

**EBITDA** decreased by 6.8 million euro, from 20.8 million euro in 2014 to 14.0 million euro in 2015. The **EBITDA** margin was 3.4% (4.8% in 2014). The 2015 result reflected the impact of non-recurring re-organization expense of 28.1 million euro.

After amortization and depreciation of 60.5 million euro, a slight increase (1.2%) from the previous year (59.8 million euro) and impairment losses of 15.3 million euro (17.1 million euro in 2014), **EBIT** was negative at 61.8 million euro, declining by 5.7 million euro from negative **EBIT** of 56.1 million euro in 2014.

**Net finance income** was 54.7 million euro, an increase of 16.1 million euro from 2014. This was largely due to an increase in dividends from equity investments (from 108.4 million euro to 120.4 million euro) associated with containment of interest and other borrowing expense and with exchange rate gains.

The company posted a **loss before tax** of 31.9 million euro (loss of 59.5 million euro in 2014). The figure reflected **impairment losses on financial assets** of 24.9 million euro (42.0 million euro in 2014) referring largely to the equity investment in Calcestruzzi S.p.A..

After **income tax expense** of 6.3 million euro (income of 5.5 million euro in 2014), 2015 closed with a loss of 38.3 million euro (loss of 54.0 million euro in 2014).

In 2015, starting from the loss for the year, the other components that determined **comprehensive income** reflected an income of 2.0 million euro (expense of 24.1 million

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euro in 2014), arising from revaluations of the net obligation for employee benefits and from changes in the fair value of cash flow hedges. Considering the loss for the year of 38.3 million euro and the components described above, the company posted total comprehensive expense of 36.3 million euro in 2015, compared with total comprehensive expense of 78.2 million euro in 2014 (the reader is referred to the statement of comprehensive income, included in the "Financial statements" section).

### Significant events

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, 2015.

### Capital expenditure

Investments in property, plant and equipment and investment property totaled 62.3 million euro in 2015 (133.1 million euro in 2014). They referred to the revamping of the Rezzato cement plant and to widespread industrial safety and rationalization measures.

Investments in intangible assets amounted to 4.0 million euro (3.8 million euro), mainly relating to software development for the various IT projects in 2015.

As in 2014, equity investments and investments in other assets were immaterial.

### Statement of financial position, cash flows and net debt

#### Condensed statement of financial position

(in millions of euro)	2015	2014
Property, plant and equipment and investment property	592.9	623.3
Intangible assets	38.2	39.6
Equity investments and other assets	2,111.7	2,201.8
<b>Non-current assets</b>	<b>2,742.8</b>	<b>2,864.7</b>
<b>Assets held for sale</b>	<b>66.1</b>	-
<b>Current assets</b>	<b>549.4</b>	<b>593.4</b>
<b>Total assets</b>	<b>3,358.4</b>	<b>3,458.1</b>
<b>Equity</b>	<b>1,684.9</b>	<b>1,752.4</b>
<b>Non-current liabilities</b>	<b>954.0</b>	<b>1,131.0</b>
<b>Current liabilities</b>	<b>719.5</b>	<b>574.7</b>
<b>Total liabilities</b>	<b>1,673.5</b>	<b>1,705.7</b>
<b>Total equity and liabilities</b>	<b>3,358.4</b>	<b>3,458.1</b>



## Condensed statement of cash flows

(in millions of euro)	2015	2014
<b>Net debt at beginning of year</b>	<b>(1,216.0)</b>	<b>(1,026.6)</b>
Cash flows from operating activities:		
Cash flows before change in working capital	117.0	(16.5)
Change in working capital	47.4	18.9
Total cash flows from operating activities	164.4	2.4
Capital expenditure:		
PPE, investment property, intangible assets	(66.3)	(136.9)
Non-current financial assets and other assets	(0.7)	(0.8)
Total capital expenditure	(67.0)	(137.7)
Proceeds from the sale of non-current assets	13.5	24.2
Change in equity investments in subsidiaries	-	(466.2)
Replenishment of investees losses	(13.7)	(66.6)
Change in share capital	(0.2)	487.2
Dividends paid	(31.1)	(16.8)
Other	3.1	(16.0)
<b>Change in net debt</b>	<b>69.0</b>	<b>(189.4)</b>
<b>Net debt at end of year</b>	<b>(1,146.9)</b>	<b>(1,216.0)</b>

## Equity and net debt

Equity at December 31, 2015, was 1,684.9 million euro, a decrease of 67.5 million euro from December 31, 2014 (1,752.4 million euro), arising largely from the loss for the year (38.3 million euro) and dividends paid (31.1 million euro).

At December 31, 2015, the share capital of Italcementi S.p.A. was 401,715,071.15 euro, represented by 349,270,680 ordinary shares with no par value. Treasury shares in portfolio numbered 3,861,604 equivalent to 1.11% of share capital.

Also at December 31, 2015, the equity investment held by Italmobiliare S.p.A. was 45.0%.

Net debt was 1,146.9 million euro, a decrease of 69.0 million euro from December 31, 2014 (1,216.0 million euro). The key contributing factor was the sharp rise in cash flows from operating activities, assisted by the increase in dividends received and the improvement in working capital from 2014, and the lower level of investment.

## 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.

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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 transactions 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 the other companies subject to its management and coordination had a positive influence on operations and financial results, facilitating efficient use of resources and skills present in, and of mutual interest to, the two companies.

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

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.

In 2014, a new national tax consolidation was established with Italcementi S.p.A. as the consolidating company, in which some of the companies controlled by Italcementi S.p.A. take part. The new tax consolidation system is effective for the three years 2014/2016.

Transactions also took place between Italcementi S.p.A. and Ciments Français S.A.S. 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 2015, 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 169,000 euro.

In 2015, 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 fees of 360,000 euro.

Italcementi S.p.A. received legal services during the year for 76,000 euro from the law firm in which Luca Minoli, a director of Italmobiliare S.p.A., is a partner.

Italcementi S.p.A. provided goods and services for companies in the SIKA group, whose owner is director Fritz Burkard, for approximately 2.2 million euro, and received goods and services for approximately 5.7 million euro.

Transactions with related parties are illustrated in the notes, while the fees paid to the Italcementi S.p.A.<sup>’s</sup> Directors, Statutory Auditors, Chief Operating Officer and Manager in charge of financial reporting, for offices held within the Group, are illustrated in the Remuneration Report.

### Human resources

At December 31, 2015, the Italcementi S.p.A. workforce stood at 1,805 persons, a decrease of 91 from the end of 2014.

(heads)	2015	2014
Senior managers	109	113
Middle managers and clerical staff	764	809
Intermediates and blue collars	932	974
<b>Total</b>	<b>1,805</b>	<b>1,896</b>

In 2015, the hours of lay-offs with state-subsidized benefits (*cassa integrazione guadagni*) totaled 711,103 hours (829,151 hours in 2014 and 710,347 hours in 2013).

The production rationalization program began in 2012 with the sale of Pontassieve, followed in 2014 with the sale of the operations at Vibo Valentia and Broni and the conversion of the facilities at Porto Empedocle and Trieste into grinding centers. It continued in 2015 with the sale of the operations in Monselice and Scafa and the conversion of Sarche di Calavino, Salerno and Castrovilliari into grinding centers.

The restructuring described above has been implemented with use of all the instruments made available by law to limit their social impact, and with additional measures 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 re-qualification).

With the extraordinary state-subsidized benefits supporting the restructuring originally due to expire on January 31, 2016, and in light of the new provisions introduced by the so-called Jobs Act, a detailed corporate re-organization plan was drawn up together with the Ministry of Employment and the trade unions. The plan involves production units and

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central staff divisions and will be implemented with the backing of a new extraordinary state-subsidized benefits program until September 23, 2017.

The national employment contract in the cement sector was renewed during 2015.

## 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 and 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 business 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 2015; 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 relating to seasonality**

The construction industry is affected by meteorological conditions and Italcementi S.p.A., like other Group companies, is subject to seasonal trends. During the winter months, when weather conditions are less favorable, construction activities slacken, with a consequent lower demand for construction materials. This favors maintenance work on industrial facilities during this period, whose costs are therefore concentrated in the winter months. These conditions generate high volatility in the quarterly financial figures of Italcementi S.p.A..

#### **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.

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## 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 growing difficulties for normal, orderly transactions on the financial market.

The Group procures sources of finance and manages interest rates, exchange rates and counterparty risk, for all the companies in the scope of consolidation. The Group uses derivatives to reduce the risk of fluctuations in interest rates and exchange rates with respect to debt and its international transactions. A detailed analysis of this type of risk is provided in the notes, specifically in note 20 on net debt.

## Rating 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

Italcementi S.p.A. is subject to specific regulations concerning the quality of the products it markets, quarry concessions, operating licenses, environmental regulations and remediation of industrial sites. Specific monitoring activities have been set up to ensure compliance with current regulations.

At a general level, the “Risk & Compliance” program has introduced specific training and circulates procedures and recommendations in the Group countries in order 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 coverage. As part of its risk coverage policy, the Group aims to optimize risk management costs by assessing direct collection 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.

## **Protection of intellectual property**

Italcementi S.p.A. develops products and technologies in some cases on the basis of protected intellectual property rights (patents, trademarks). This does not mean, however, that competitors might not obtain protection for similar technologies and products, but a scenario of this type is considered unlikely and in any case would not have a material impact on Italcementi operations. Intellectual property rights are subject to expiry and to obsolescence.

## **IT risks**

The efficiency and continuity of Italcementi S.p.A. information systems are essential for the operations of the production plants, sales and all other general services, including accounting, planning and financial operations. To the extent that such systems are subject to breakdowns, computer viruses, damage and accidents, a consequent negative impact may be determined on Italcementi S.p.A. operations and financial conditions, against which the company has organized suitable protection to limit possible expense.

## **Disputes and pending proceedings**

With regard to the tax disputes arising from tax assessments and inspections, the inspection relating to 2003 is still open, and a hearing at the court of cassation is pending. In 2015, a ruling in favor of the company, with the exception of some marginal items, was issued with regard to 1987.

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## Italcementi Cav. Lav. Carlo Pesenti Foundation

The Italcementi Cav. Lav. Carlo Pesenti Foundation is an independent non-profit entity established in 2004 by Italcementi and Italmobiliare, with the aim of promoting education, training and scientific research, with a special emphasis on corporate sustainable development. The Foundation's main activities include educational and cultural projects with universities schools, associations; initiatives to support research and innovation; 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. Another important goal is the promotion and support of humanitarian aid for communities affected by natural disasters or in response to specific emergencies.

In its main area of activity, dedicated to **education, training and scientific research**, after the four three-year cycles of the research doctorate in Logistics and Supply Chain Management at the University of Bergamo funded by the Italcementi Foundation, the study on the "research – university – enterprise relationship" highlighting the transfer of the knowledge produced by the research doctorate to both the corporate world and the academic teaching community was completed. The results of the study are illustrated in a book published in 2015, adopted as the basic text for the final year of the three-year degree in Economics at the University of Bergamo. The book ensures continuity for the initiative promoted by the Foundation by optimizing the knowhow it has generated.

Collaboration continued with the University of Bergamo on another important project, "Bergamo 2.035 – A New Urban Concept", developed in the two previous years 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. Following the results obtained in the first phase of the project, which were published in a book and illustrated at conferences and other events, the Foundation is committed to continuing the project over the two years 2015-2016, with research into models and sustainable developments in logistics and urban mobility. The Foundation has agreed to contribute to this new phase with 100,000 euro, of which 50,000 disbursed in 2015.

The cooperation agreements set up last year with the Bocconi University were fully implemented in 2015, regarding support for the "Sustainable Operations Management" course dedicated to the Italcementi Foundation and a program of grants for deserving students who are children of Italcementi employees. With the course dedicated to the Foundation, "sustainability", a core value of the Italcementi Group and the Foundation, is being taught at the highest levels.

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.

In the scientific field, support for specialist training in pediatrics was renewed.

Among activities for the **enhancement of the country's artistic and cultural heritage**, in addition to the recurring annual backing for the activities of the Bergamo nella Storia foundation, support was provided for the first monographic exhibition on the works of Bergamo artist Palma il Vecchio, with loans of works by the artist from leading museums in other countries. The exhibition, which had many public and private sponsors, was an



important attraction and part of the network of events for Expo 2015.

A contribution was made to the Fondazione per la Storia Economica e Sociale of Bergamo for the distribution in schools of the collections of books published by the Foundation itself.

An undertaking was made to disburse 50,000 euro to support the operations of the new "Fondazione Accademia Carrara".

With regard to activities for **cultural events and conferences**, in 2015 the Foundation organized a conference, which opened with a video manifesto by architect Renzo Piano, for 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. The Foundation also renewed its traditional support for the Brescia and Bergamo Piano Festival and for the BergamoScienza festival.

Initiatives in this sector also included the purchase of one thousand Expo 2015 tickets for Italcementi employees, with a commitment from the employees themselves to make a personal contribution to Cesvi for the emergency in Nepal after the earthquake.

In the area of **humanitarian and social support initiatives**, the Foundation continued to support the planning and supervision of the work to extend the Training Center in Metiyagane, Sri Lanka, an initiative planned after the tragic tsunami at the end of 2004 and built between 2007 and 2010 in cooperation with the local Salesian congregation. The new Religious House, built with significant funding from an external donor (The 2001 Assistance Trust), was completed in the first half of 2015 and led to an immediate improvement in the functional efficiency of the school.

With the ongoing growth of the Center (more than 200 students) and the prospect of obtaining recognition of the Center as a "University College", the parties involved in the final extension phase agreed to extend the complex with a new building to house technical laboratories and equipment (estimated cost 200,000 euro).

The Foundation also contributed to humanitarian initiatives promoted by other organizations, specifically the Fondazione Veronesi and Cesvi, and to social support initiatives, also implemented by other organizations.

The activities described above generated an **overall financial commitment in 2015** of approximately **671,000 euro** covered with the contributions of the funding members, a reduction of 7.1% from 2014 (approximately 722,000 euro).

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## Performance of the Ciments Français Group

### Key consolidated figures

(in millions of euro)	2015	2014	% change vs. 2014
<b>Revenue</b>	<b>3,750.8</b>	<b>3,584.5</b>	<b>4.6</b>
<b>Recurring EBITDA</b>	<b>585.0</b>	<b>623.5</b>	<b>(6.2)</b>
Other non-recurring income (expense)	(29.8)	(6.2)	
<b>EBITDA</b>	<b>555.2</b>	<b>617.3</b>	<b>(10.1)</b>
Amortization, depreciation and impairment	(340.5)	(321.6)	
<b>EBIT</b>	<b>214.7</b>	<b>295.7</b>	<b>(27.4)</b>
Net finance costs	(68.5)	(93.8)	26.9
Share of profit (loss) of equity-accounted investees	14.6	12.2	19.6
<b>Profit before tax</b>	<b>160.8</b>	<b>214.1</b>	<b>(24.9)</b>
Income tax expense	(85.3)	(105.8)	19.4
<b>Profit for the year</b>	<b>75.6</b>	<b>108.4</b>	<b>(30.3)</b>
<b>Profit attributable to owners of the parent</b>	<b>27.1</b>	<b>43.8</b>	<b>(38.1)</b>
<b>Total equity</b>	<b>3,672.3</b>	<b>3,700.1</b>	
<b>Equity attributable to owners of the parent</b>	<b>2,872.5</b>	<b>2,883.6</b>	
<b>Net debt</b>	<b>878.8</b>	<b>825.4</b>	

After the voluntary public tender offer on all Ciments Français shares in June 2014 and the subsequent “*retrait obligatoire*” procedure, with the delisting from the Paris Stock Exchange (NYSE – Euronext Paris), Italcementi S.p.A. has held ownership of 100% of the share capital of Ciments Français S.A.S. since 2014.

In 2015, Ciments Français consolidated **revenue** amounted to 3,750.8 million euro, up 4.6% on 2014 (-2.9% at constant exchange rates and on a like-for-like basis).

**Recurring EBITDA** was 585.0 million euro, down 6.2% from 2014. After net non-recurring expense of 29.8 million euro (net expense of 6.2 million euro in 2014), **EBITDA** was 555.2 million euro, down 10.1% on 2014. After amortization and depreciation totaling 333.0 million euro (325.6 million euro in 2014) and impairment losses of 7.5 million euro (reversal of impairment losses of 4.1 million euro in 2014), **EBIT** was 214.7 million euro (295.7 million euro in 2014).

Net **finance costs** were 68.5 million euro, compared with net finance costs of 93.8 million euro in 2014.

The **profit for the year** was 75.6 million euro, compared with profit of 108.4 million euro for 2014. Profit attributable to owners of the parent was 27.1 million euro (43.8 million euro in 2014).

**Ciments Français S.A.S. posted a profit for the year** of 128.5 million euro (65.6 million euro in 2014). A per-share dividend of 3 euro will be proposed at the Annual General Meeting, called for March 30, 2016. Considering the advance payment of 1.5 euro made on September 30, 2015, the outstanding dividend payment for 2015 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, 2015.

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## 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](http://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 February 18, 2016, is published in the section "Investor Relations/General Meetings" on the Company's website.

The information contained in this Report refers to 2015 and, in regard of specific topics, was updated as of the meeting of the Board of Directors that 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 in their 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 By-laws and also from the following codes and regulations:

- 1) *Corporate Governance Code* for listed companies promoted by the Committee for Corporate Governance, which the Company adhered to, except for the items described below;
- 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](http://www.italcementigroup.com), except for the Regulation for the manager in charge of financial reporting, available to all the Group companies on the Company intranet, and 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 to 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's commitment to comply with national and international best practices.

### **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**

The Italcementi share capital stands at 401,715,071.15 euro, represented by 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 no lower than that established by the law in force, have the right to present lists for the appointment of the Board of Directors and the Board of Statutory Auditors in accordance with the provisions of the law and the By-laws.

The Company has no stock option plan operating either for directors or for managers. Based on the grants made in previous years when the various plans were operating, whose unexecuted portions have since been canceled, there are now 737,717 exercisable options under the stock option plan for directors - 2001, 1,743,187 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 assignment of treasury shares to the beneficiaries, while the options assigned to managers may also be exercised, even by proxy, 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.

#### **b) Restrictions on share transfers**

No restrictions exist on share transfers or on acceptance clauses.

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**c) Significant shareholders as disclosed pursuant to article 120 of the Italian TUF (Consolidated Finance Act)**

Significant shareholders as disclosed pursuant to article 120 of the Italian TUF (consolidated law on finance) are set out below:

Shareholder	No. of shares	% of total share capital
EFIPARIND B.V. (indirectly through Italmobiliare S.p.A.) The figure does not include 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 4.87% of the share capital with voting rights)	29,373,719	8.41
NORGES BANK (of which 0.117% loaned with related voting rights)	7,238,366	2.07

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

No shares conferring special control rights have been issued.

**e) Employee share ownership scheme: 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**

The Contract signed on July 28, 2015, by Italmobiliare S.p.A. and HeidelbergCement A.G. for the sale to the latter of the entire shareholding owned by Italmobiliare S.p.A. in Italcementi S.p.A. contains, among other things, a number of agreements for execution of the transaction that may be considered similar to shareholder agreements, which have therefore been duly published in the appropriate forms.

The agreements in question are valid from the date on which the contract was signed and until they have been fulfilled. There are no clauses for the renewal of these agreements.

For details about these agreements, the reader is referred to the extract published in the section Governance/Documentation/Extract of the shareholders' agreement on the website [www.italcementigroup.com](http://www.italcementigroup.com).

**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 in 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.

Since the announcement of the agreement between Italmobiliare S.p.A. and HeidelbergCement A.G. for the sale to the latter of the controlling interest in Italcementi S.p.A., the Company has obtained from financial institutes and other counterparties in possession of this right an explicit waiver of the applicability to the above transaction of the acceleration clause due to a change in control.

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 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 "Remuneration Report", 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**

The Board of Directors has been granted the power, on one or more occasions within five years of the shareholder resolution in the extraordinary meeting of April 17, 2015:

- 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 or against consideration, through the issue of ordinary shares and/or warrants for deferred subscription;
- b) pursuant to art. 2420-ter of the Italian Civil Code, to issue bonds convertible into ordinary 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.

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 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, method, characteristics and conditions of the offer to employees and to set the issue price of the shares, including the related share premium.

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## **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 17, 2015, 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 treasury shares, nor has granted any of the shares held in its portfolio to beneficiaries of stock options, since no vested rights have been exercised by directors or managers.

Therefore, at December 31, 2015, 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**

At the date of approval of this report, Italmobiliare S.p.A. (whose relative majority shareholder is Efiparind B.V.) holds in Italcementi S.p.A. a share that, net of treasury shares held by the Company, constitutes 45.00% of the ordinary shares, and exercises *de facto* control of the Company. Consequently, it manages and coordinates Italcementi pursuant to arts. 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.

In application of the specific provision of the Corporate Governance Code, at the meeting of the Board of Directors of March 4, 2015, the Company defined the guidelines for the Internal Control and Risk Management System with the prior favorable opinion of the Control and Risk Committee, so that the main risks regarding Italcementi and its subsidiaries are correctly identified, as well as adequately measured, managed and monitored, thus also determining the degree of compatibility of such risks with a corporate managed in line 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 managing 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 protection 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 has appointed a Chief Risk Officer to head the Risk Management Department 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 consists of the following phases:

- identification of the main areas of risk for Group strategic goals and development of methods and tools to analyze and assess correlated 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 section 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 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 to coordinate and ensure 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, 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.

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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 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 an interim 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 analysis 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 Stages 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:

- 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 the revenue and assets of a single entity on consolidated amounts, the carrying amounts 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);
- Operational planning.** Every year, activities are planned on the basis of the priorities identified through the preliminary analysis and other assumptions, if any;
- 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, B.E.S.T. 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 ("SCIGR"):

- 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 Risk Committee, engaged 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 removing 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;

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- 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 to comply with the 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.

Under 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 Management 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 his/her activity or of which he/she became aware in order for the committee (or the Board) to take the appropriate actions.

Under the powers granted to him/her, the Director in charge of the Internal Control and Risk Management System, at least once a year, and in any case when he/she deems 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. Specifically, 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, effectiveness and efficiency of the Internal Audit function;
  - f) whenever deemed necessary or desirable for a better management of business risks, requires the Head of Internal Audit to carry out reviews of specific operational areas, giving simultaneous notice to the Chairman of the Board of Statutory Auditors;
  - g) reports to the Board of Directors at least on a half-yearly basis, 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 assigned 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 the companies directly or indirectly controlled by Italcementi and the companies in which, directly or indirectly, it owns a stake that enables it to exercise significant influence. Moreover, the Chief Operating Officer and the Deputy Chief Operating Officer have the duty, together with the Heads of the Company's directly reporting departments involved in the preparation of 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 along with 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 appropriate ERM governance: process, positions and responsibilities related to the main risks;
  - b) supports the Company and the Group 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 at parent and country level;
  - d) oversees the continuous improvement of consistent process methods and tools throughout the Group to

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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 the Control and Risk Committee;
- f) ensures a regular follow-up to action plans implemented to mitigate risk for all countries;
- g) helps to spread ERM tools and methodologies such as risk assessment and quantification.

6) **Manager in Charge of 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 and updating activities relating to financial reporting;
- e) taking part in the development of IT systems that have an impact on the Company's financial positions and results of operations.

The Board of Directors meeting held on April 17, 2013, confirmed Carlo Giuseppe Bianchini, Director of Group Administration and Control Department, as the Manager in charge of financial reporting, pursuant to Art. 154-bis of the TUF and Art. 29 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 the Manager in charge with fully autonomous financial resources to exercise the powers granted to him, 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/she has direct access to all relevant information for the performance of his/her 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, on compliance with the management plans defined for risk mitigation, and expresses an assessment on the adequacy of the Internal Control and Risk Management System to the Board of Directors, the Control and Risk Committee, the Director in charge of the Internal Control and Risk Management System and 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 the Head of Internal Audit, the Board of Directors at its meeting on September 26, 2012, to implement the Corporate Governance Code, after hearing the opinion of the Board of Statutory Auditors, confirmed Mauro Maestrini as Head of Internal Audit; Mr Maestrini had previously been appointed Controller by the Board of Directors on May 6, 2010.

Upon the 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 determined the remuneration of the Head of Internal Audit in accordance with company policies and ensured that the position is provided with adequate resources to carry out tasks and duties.

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 obtained certification from an independent external body, IFACI (*Institut Français de l'audit et du contrôle interne*), which assessed the quality of its work and the compliance of its activities with the international internal auditing standards.

Moreover, the Board of Directors, following the opinion of 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 2016 Audit Plan prepared by the Head of Internal Audit during the meeting of February 18, 2016 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 assessment 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, in overseeing and promoting rational and efficient cooperation among the existing control bodies and functions within the Company, the Supervisory Body periodically meets with the Company managers 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 Supervisory 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's 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, the Supervisory Body is required periodically, and at least every six months, to prepare a written report on its activities, accompanied by a documented statement of expenses incurred, for 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 reports contain possible proposals for additions and amendments to the Model. At the very least, its report must illustrate or draw attention to:

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- (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 indications 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 Internal Control and Internal Audit Committee, the effectiveness of the Internal Control and Risk Management System.

The legally-required 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 the Italcementi separate financial statements, the 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 the information generated by the various areas. 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 progress. 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, which ensures the dependability, 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, and therefore that it is only possible to guarantee achievement of 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 it was first adopted.

On complying with the original Corporate Governance Code, the Company initially opted to draw up its own "Code" which was subsequently updated over time. Latterly, under board resolution of September 26, 2012, the Company elected direct implementation of the Corporate Governance Code, which was last modified in July 2015 by the Committee for Corporate Governance, with the exception of two recommendations concerning the establishment of the Appointment Committee and the Shareholders' Meeting Regulations, where it maintains 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, under the By-laws, it is invested with the broadest powers of ordinary and extraordinary administration of the Company. It may thus carry out any and all acts, including disposal transactions, which it deems appropriate to achieve the corporate purpose, with the sole exception of those expressly reserved to the Shareholders' Meeting by 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, 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:

- merger 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;
- reduction in share capital in the event of a shareholder's withdrawal;
- amendments to the By-laws to comply with mandatory legal provisions.

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) assessment of overall operating performance, ii) 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 so designated 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 key management personnel.

The Board of Directors meets at regular intervals during the year and at least once every calendar quarter. The delegated bodies report to the Board and to the Board of Statutory Auditors on their activities, with particular reference to material transactions undertaken in the exercise of their powers. The directors act and make decisions on an informed basis and independently, pursuing the primary objective of creating value for shareholders. They hold their office knowing that they can devote the necessary time for diligent performance of their tasks and duties.

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No exception to the non-competition provisions under Art. 2390 of the Italian Civil Code has been authorized by the Shareholders' Meeting nor is envisaged by the By-laws. In addition, no director is a partner with unlimited liability of any competitors, or exercises a competing business on their own behalf 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.

On September 30, 2015, the director Elena Zambon resigned from the Board of Directors, for professional reasons.

At the meeting on November 6, 2015, the Board of Directors coopted Claudia Rossi, the current chair of the Supervisory Body, to take the place of Ms Zambon.

In compliance with legal requirements regarding gender representation in force at the time of the appointment, Claudia Rossi was coopted as the first unelected candidate on the majority list presented by the shareholder Italmobiliare, after verification that she was in possession of the independence requirements under the Code of Governance and the TUF.

Twelve of the fifteen directors are non-executive and, among these, eight are independent. This therefore guarantees compliance with the provisions of article 37 paragraph 1, letter d) of the CONSOB Market Regulation, which require 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, Giulio Antonello represents the minority shareholder First Eagle Investment Management LLC.

The composition of the Board of Directors is shown in the table set out 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 non-controlling 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; this deadline, together with the conditions and minimum equity interest required to file lists, must be indicated 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 presented in violation of these regulations will not be accepted.

Each candidate may be presented in 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 be accompanied by:

a) statements whereby individual candidates:

- \* accept their candidature;
- \* state, under their own responsibility:
  - 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 superseded by the Code adopted by the Company. The Board of Directors considered it appropriate to retain this principle, in line with best practice.

b) a brief *curriculum vitae* on the personal and professional experience 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 the lists by the Company;

d) a statement by the shareholders who do not hold, alone or jointly, a controlling or majority stake, bearing witness to the absence of any relationship, 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 the 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.

Filed lists that do not comply with the above regulations shall 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.

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For the purposes of apportioning the directors to be elected, the lists that have not achieved a percentage of votes at least equal to half of the percentage required for the presentation of lists will not be considered. Should a party connected to a majority shareholder vote for a list of the minority shareholders, the connection is significant for the purposes of excluding the minority shareholders' elected director only if this vote was crucial for the election of said director.

Should a single list be presented, all the candidates included in that list are elected with a simple majority vote of the share capital represented at the Shareholders' Meeting.

If as a result of the voting based on lists or the voting of the only list presented, the composition of the Board of Directors does not meet the current regulations regarding gender 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 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 current legislation regarding gender quotas.

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 are envisaged on the re-eligibility of directors, 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 holds the office of Director, are Members of the Executive Committee by law; otherwise, 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, is assigned 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 and identifies 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 has also granted the Executive Committee all its powers except those that pursuant to the Civil Code and the By-laws may not be delegated. The resolutions of the Executive Committee are reported to the Board of Directors at its next meeting.

Uniformity of direction and coordination of activities is ensured by the presence of the Executive Deputy Chairman, the Chief Operating Officer, company directors and managers on the Boards of Directors of the main subsidiaries.

#### **Allocation and delegation of powers**

The delegation 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 higher 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 other three, two of whom independent, are considered non-executive directors, as the Company's Executive Committee meets without any regularity, exclusively for 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, directors who are members of the Executive Committee are not given individual management 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**, Giampiero Pesenti, considering his role in the holding Company and his consolidated experience in the 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 the 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 the most important transactions regarding acquisitions, disposals, capital expenditure, development of new initiatives and, generally, extraordinary transactions for further submission to the Board of Directors or the Executive Committee; 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

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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**, 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**, Lorenzo Renato Guerini, the representation powers granted by art. 21 of the By-laws;
- to the **Chief Executive Officer**, 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 quarterly interim 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 associates; under the general policies indicated by the Chairman, defining policies relating to the choice of key managers and staff management of Italcementi S.p.A. and of the main direct or indirect subsidiaries; recruiting staff at all levels; appointing every kind of consultant.

Moreover, the Chief Executive Officer has been granted the necessary powers to undertake actions regarding:

- industrial transactions (technical, manufacturing, commercial, administrative) up to a limit of 50 million euro for each individual transaction with single signature and 75 million euro with joint signature with the Executive Deputy Chairman or the Chief Operating Officer;
- securities and real estate transactions up to a limit of 50 million euro for each individual transaction with single signature and 75 million euro with joint signature with the Chairman or the Chief Operating Officer.

The Board of Directors meeting of April 17, 2013, confirmed Giovanni Ferrario as Chief Operating Officer, with the duties 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 with potential conflicts of interests, have been submitted to the Board of Directors, 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 those bodies.

Moreover, a Committee of Officers operates at Group level, chaired by the Chief Operating Officer of Italcementi, who also holds the post of Sole Director of the main subsidiary Ciments Français S.a.s., under the supervision of the Chief Executive Officer. 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, a 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 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 at least two.

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 be 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 independence 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 to declare the existence or not of such requirements. Their responses are annually submitted to the Board for the consequent evaluation of independence.

The results of the evaluation are communicated to the market on each occasion and set out on the page regarding corporate officers at the beginning of this document, and in the table shown below.

Should the independence requirements prescribed by law no longer be met, the director concerned must immediately inform 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 assessment made by the director Federico Falck, who considers himself

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independent despite having held the directorship for more than nine years over the last twelve years.

The Board of Statutory Auditors verified the correct application of the assessment criteria and procedures adopted by the Board of Directors to evaluate the independence of its members.

### **Lead Independent Director**

The Code provides that, should the Chairman of the Board of Directors be the main officer in charge of Company management, and also when the position of Chairman is held by the person who controls the Company, the Board should appoint an independent director as Lead independent director, to provide a reference for and coordinate requests and contributions of non-executive directors and, in particular, independent directors.

On April 17, 2013, the Board of Directors appointed Giulio Antonello, an independent director and representative of the minority shareholders, as "Lead independent director".

In 2015, the Lead Independent Director organized one meeting with the other independent directors, at which the transaction by which HeidelbergCement A.G. will purchase the ownership of Italcementi S.p.A. was discussed, with particular reference to the questions of greatest concern to the independent directors, that is, the sale of the "Non-Core Assets" to Italmobiliare,

### **Remuneration for directors and key management personnel**

The Shareholders' Meeting held on April 17, 2013, resolved upon the remuneration to be paid to the members of the Board of Directors, defining a new remuneration regime that will remain in force subject to further Shareholders' resolutions. The new remuneration system consists of the following gross amounts:

- \* gross annual remuneration of Euro 40,000 to each director;
- \* gross remuneration of Euro 6,000 to each director who is also a member of the Executive Committee, for each attendance at a Committee meeting;
- \* gross remuneration of Euro 4,000 to each director who is also a member of the Remuneration Committee, for each attendance at a Committee meeting;
- \* gross remuneration of Euro 4,000 to each director who is also a member of the Control and Risk Committee, for each attendance at a Committee meeting;
- \* gross remuneration of Euro 4,000 to each director who is also a member of the Committee for Transactions with Related Parties, for each attendance at a Committee meeting;
- \* gross remuneration of Euro 4,000 to each director (if any) who is also a member of the Supervisory Body, for each attendance at a meeting of the Supervisory Body.

Subsequently, the Shareholders in their Meeting on April 17, 2015, set at Euro 4,000 the gross remuneration to be recognized to each member of the Strategic Committee, for each attendance at the relevant meetings; such remuneration to be effective from the year of the appointment and for subsequent years until otherwise indicated by a new shareholders' resolution. 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 portion of the remuneration of the Chairman, the Executive Deputy Chairman and the Chief Executive Officer is linked to financial performance and achievement of specific targets set beforehand and determined in accordance with the Company's remuneration policy.

For detailed information, please see the Remuneration Report prepared pursuant to article 123-ter of the TUF

and approved by the Board of Directors on February 18, 2016.

**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 exclusion of the Company's 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. * Compagnie Monegasque de Banque * Credit Mobilier de Monaco	- Chairman - Director - Director
Pierfranco Barabani	* SACBO S.p.A.	- Director
L. Renato Guerini	* 035 Investimenti S.p.A. * Quenza S.r.l. * UBI Banca S.p.A.	- Chairman - Chairman - Supervisory Director
Carlo Pesenti	* Italmobiliare S.p.A.	- Chief Executive / Chief Operating Officer
Giulio Antonello	* Eurotech S.p.A.	- Director
Giorgio Bonomi	* Italmobiliare S.p.A.	- Director
Fritz Burkard	* Terra Piedi AG * Icerunner Ltd.	- Chairman - Chairman
Victoire de Margerie	* Rondol Industrie SAS * Ecoemballages S.A. * Morgan Advanced Materials Co. plc * Eurazeo S.A. * Arkema S.A. * Babcock International Group PLC	- Chairman - Director - Director - Director - Director - Director
Federico Falck	* Falck Renewables S.p.A. * Falck S.p.A. * Banca Popolare di Sondrio S.c.r.l. * Avvenire Nuova Editoriale Italiana S.p.A.	- Director - Director - Director - Director
Italo Lucchini	* Italmobiliare S.p.A. * UBI Banca S.p.A. * Almag S.p.A.	- Deputy Chairman - Member of the Management Board - Chairman of the Board of Statutory Auditors
Emma Marcegaglia	* Marcegaglia Holding S.p.A. * Eni S.p.A. * Bracco S.p.A. * Gabbetti Property Solutions S.p.A. * Marfin S.r.l.	- Chairman and Chief Executive Officer - Chairman - Director - Director - Chairman and Chief Executive Officer

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	* Marcegaglia Steel S.p.A.	- Deputy Chairman and Chief Executive Officer
	* Marcegaglia Investments S.r.l.	- Chairman and Chief Executive Officer
	* Finmar S.r.l.	- Chairman and Chief Executive Officer
	* Marcegaglia Carbon Steel S.p.A.	- Deputy Chairman and Chief Executive Officer
	* Marcegaglia Specialties S.p.A.	- Deputy Chairman and Chief Executive Officer
	* Marcegaglia Plates S.p.A.	- Deputy Chairman and Chief Executive Officer
Sebastiano Mazzoleni	* Italmobiliare S.p.A.	- Director
Claudia Rossi	* Banco Popolare S.c.p.a.	- Standing auditor
Carlo Secchi	* Mediolanum S.p.A.	- Chairman (until 12.30.2015)
	* Mediaset 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 sufficiently in advance of the date of the meeting. In particular, the Board of Directors meeting of September 26, 2012, established that the prior notice period to be observed in order to submit the afore-mentioned documentation should be at least two days. 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 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 known only to the recipients in order to preserve the 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 about key legislative and regulatory developments having an impact on the Company and its corporate bodies.

In this connection, on May 7, 2015, an *Induction Session* was held on sustainability. The Head of Sustainable Development illustrated the question to the directors with regard to Capital that influences business results, the Group Materiality Matrix (highlighting the main business, environmental and social impacts) and the role of the Board of Directors in promoting sustainability within the Italcementi Group. The meeting, inspired by the UN Global Compact Board Program, was attended by almost all the directors, who expressed their appreciation.

In accordance with the By-Laws, the Board of Directors meets at least once every quarter to approve the financial statements for the period. At the meeting, the delegated bodies report on the activities performed in exercising their respective powers. Moreover, pursuant to the By-laws, the Board meets whenever a meeting is deemed necessary by the Chairman, or his Deputy, or when a written request is made by at least one third of its members, or at the request of any Standing Auditor with prior notice served to the Company's Chairman.

In 2015, the Board of Directors held a total of seven meetings. On two occasions, fourteen directors out of fifteen attended, on four occasions twelve directors participated out of fifteen, while the remaining meeting was attended by eleven directors. All the meetings were attended by all of the members of the Board of Statutory Auditors.

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. The Chief Executive Officer ensures that the meetings of the Board of Directors are attended by managers of the Company and its subsidiaries and by individual heads of corporate functions to provide additional information on the topics on the agenda from time to time.

The Chairman of the Board of Directors ensures that sufficient time is given to the topics on the agenda to

permit constructive discussion and enable each director to contribute.

The average duration of the meetings of the Board of Directors held during the year was about 3 hours and 15 minutes.

As required by the Code and as per common practice, the Board, when examining and approving the financial statements for the 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.

In 2016 to date the Board of Directors has met only once, to approve the draft financial statements for 2015. To date, no fewer than three other meetings are planned during the year to approve the interim accounts, as well as a meeting after the AGM to name company officers and confer powers.

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 2016 calendar was published in January 2016.

The Executive Committee did not meet in 2015 and has not yet met in 2016.

#### **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 drawing up hypotheses regarding possible succession in the short or medium term.

The succession plan consists of several stages: first, 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 necessary; 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 in relation to a series of 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 this basis, the level of risk – low, medium or high – associated with the position is determined. The aggregation of risks relating to top management positions makes up the Managerial Risk Map for the Group.

The definition of the managers' expected profile 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, cross-functional 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.

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## **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 are not binding on 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, a Strategic Committee consisting initially of six directors, four of them independent.

Since September 30, 2015, after the resignation of the director Elena Zambon, who was also a member of the Strategic Committee, the Committee has consisted of five directors, three 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 to draw up the minutes of the meetings, who does not need to be a member of the Committee.

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 financial reports.

The Control and Risk Committee consists of three members, all non-executive and independent, and is chaired by 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 2015, the Control and Risk Committee met 8 times always with the attendance of all of its members. The average duration of its meetings was approximately two hours and 20 minutes. All members of the Board of Statutory Auditors attended 7 meetings.

During 2015, the Committee, among other things:

- a) examined and approved the methodology used by the Company for the preparation of impairment tests;
- b) deemed correct the implementation of the accounting policies and their uniformity for the purposes of preparing the consolidated financial statements;
- c) reviewed and approved the three-year 2015-2017 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 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 to which the Company is exposed;
- f) regularly spoke to the Manager in charge of financial reporting before the official presentation of the 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 interim financial statements, on its activities and on the adequacy of the Internal Control and Risk Management System.

Company managers responsible for the matters on the agenda from time to time are regularly invited to the meetings of the Control and Risk Committee, to provide the appropriate in-depth information; they include the Manager in charge of financial reporting, the Chief Risk Officer, the Head of Internal Audit and the Heads of the Legal Affairs and Finance functions.

During 2016, the Control and Risk Committee has so far met once and has examined, among other things, the application to 2015 of the impairment testing methodology approved in November 2015, the results of the 2015 Audit and the Audit Plan for 2016, the latter being in its turn approved by the Board of Directors at its meeting on February 18, 2016; the Committee also examined the accounting criteria adopted for preparation of the 2015 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 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, examines, and subsequently approves, the remuneration policy for executive directors vested with special powers and managers with strategic responsibilities and submits 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 progress on achieving the 2015 targets assigned to the Company's senior managers.

During the year, the Committee met four times; the average duration of its meetings was about one hour and thirty minutes. Three of the meetings were held with the attendance of three Committee members, one meeting was held with the attendance of all members. All the members of the Board of Statutory Auditors were present at three meetings, while two auditors were present at the remaining meeting.

The Head of Human Resources Organization and Information Systems is regularly invited to take part in the Committee meetings.

In 2016, the Remuneration Committee has so far met once to submit proposals to the Board of Directors regarding the remuneration of directors and executives.

*c) Committee for Transactions with Related Parties*

The Committee for Transactions with Related Parties is composed of three members, all non-executive and independent. It consists of the same members as the Control and Risk Committee.

In 2015 the Committee met nine times, with all members present, first to be updated by the Corporate Affairs Department with regard to the application of the procedure with related parties, and, after the announcement of the Italmobiliare-HeidelbergCement agreement, to examine the transactions relating to the agreement for which it is competent, with specific reference to the evaluation of the assets to be transferred to the parent.

The average length of the meetings was around one hour.

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In 2016 the Committee for Transactions with Related Parties has not yet met.

d) Strategic Committee

At its meeting on July 30, 2014, at the proposal of the independent directors, the Board of Directors approved the set up 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 was initially composed of six members; it now has five members after the resignation from the Board of Elena Zambon, who has not been replaced on the Committee. The Strategic Committee 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) preparation of the Group Strategic Plan;
- b) determination of Group strategic investments and transactions on equity investments;
- c) other strategically important transactions/initiatives for the Group, for example evaluations of 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, means of operation, duties and functions of the Committee.

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

As envisaged by the Code, on February 18, 2016, the Board of Directors assessed the size, composition and functioning of the Board itself and its Committees, taking into account the professional characteristics, experience and gender of its members and their length of service.

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, efficiency and functioning of the Board of Directors and its Committees, also in reference to the part represented by the 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 supervises: 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 law, on the financial reporting process, on the effectiveness of the internal control and internal audit and risk management systems; on the audit of the annual financial statements and consolidated financial statements, on the independence of the audit 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 procedure and the minimum interest required to file the lists, must be indicated 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 trustee, 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 presented in violation of these regulations will not be accepted.

Each candidate may be presented in one list only under penalty of ineligibility.

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 third (rounded up) of the candidates for the position of Standing Auditor and by at least one third (rounded up) of the candidates for the position of Substitute Auditor. 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 be at least one fifth of the candidates.

At the time of their filing, lists must be accompanied by:

a) statements whereby the individual candidates:

- \* accept their candidature;
- \* state, under their own responsibility:
  - possession of the professional requirements envisaged by the By-laws;
  - the non-existence of causes for ineligibility or incompatibility;
  - possession of the good reputation requirements established by the law;
  - possession of 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 as prescribed by law 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, alone or jointly, a controlling or majority stake, bearing witness to the absence of any connection, as defined by the law in force.

The certificates proving ownership of the shareholding on the date on which the lists are filed may be produced

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subsequently, provided that it is within twenty-one days prior to the date set for the shareholders' meeting on first call.

Filed lists that do not comply with the above regulations shall be considered as not filed.

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 threshold indicated in the notice of call will be halved.

At least 21 days before the date envisaged for the Shareholders' Meeting 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 gender quotas, the necessary replacements will be made by choosing from among candidates to the office of Standing Auditor on 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 pursuant to current legislation. 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 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 list 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 of which each Auditor to be replaced was part, 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 replenish the Board of Statutory Auditors passes a resolution with a relative 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 above must in any case ensure compliance with current legislation regulating gender quotas.

Auditors accept their appointment when they believe they can devote sufficient time to the diligent performance of their duties.

### **Composition and activities**

The current Board of Statutory Auditors was elected by the shareholders on April 17, 2015. For the renewal of the Board of Statutory Auditors, two lists of candidates had been filed, one by the majority shareholder and one jointly by a series of funds holding an overall number of 5,678,011 ordinary shares representing 1.626% of the share capital. Therefore, among the Auditors currently in office, whose mandate will expire with approval of the financial statements as at and for the year ended December 31, 2017, the Chairman (Giorgio Mosci) and a Substitute Auditor (Andrea Bonechi) represent the minority shareholders.

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

During the year, the Board of Statutory Auditors met seventeen 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 sixteen meetings, while at the other one meeting two auditors were present.

In 2016, the Board of Statutory Auditors has so far met twice.

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

The new Board of Statutory Auditors as formed on April 17, 2015, informed the Board of Directors at its meeting of May 7, 2015, that on that same day it had verified the independence of its members.

The positions 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 are listed below:

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Giorgio Mosci	* Ansaldo Energia S.p.A. * Bombardier Transportation Italy S.p.A. * Haier A/C (Italy) Trading S.p.A. * Gruppo Giglio S.p.A. * Alpidorica S.p.A. * Ansaldo STS S.p.A. * Beni Stabili S.p.A. * Iren S.p.A.	- Standing auditor - Standing auditor - Chairman of the Board of Statutory Auditors - Director - Director - Substitute Auditor - Substitute Auditor - Substitute Auditor
Luciana Gattinoni	* UBI Banca S.p.A. * BPB Immobiliare S.r.l. * Angelo Canevisio S.p.A. * Ganart S.r.l. * Metalmauri Trafileria S.p.A. * Trafilerie Assi S.p.A. * Nuova Cassa di Risparmio di Ferrara	- Member of the Management Board - Chairman - Chairman of the Board of Statutory Auditors - Chairman of the Board of Statutory Auditors
Mario Comana	* Italmobiliare S.p.A.	- Standing auditor
Luciana Ravicini	* Caleffi S.p.A. * Liguria Società di Assicurazioni S.p.A. * Liguria Vita S.p.A. * Brawo Brass Working S.p.A. * Almag S.p.A. * Bonera Holding S.p.A. * Bonera S.p.A. Sole shareholder * Finsippe S.r.l. * Unipolsai Assicurazioni S.p.A. * Incontra Assicurazioni S.p.A.	- Standing auditor - Sole auditor - Substitute Auditor - Substitute Auditor
Andrea Bonechi	* Europa Trust S.p.A. * YNAP S.p.A. * IGD SIIQ S.p.A.	- Standing auditor - Substitute Auditor - Substitute Auditor

### **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 Giovanni Maggiora 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 meetings and/or 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 positions of director and statutory auditor with an indication of their personal and professional characteristics.

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**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	
Position	Member	Executive s	Non-executive s	Independent	Attendance	No. other posts	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance
Chairman	Giampiero Pesenti	•			5/7	3	•	-								
Executive																
Deputy Chairman	Pierfranco Barabani	•			7/7	1	•	-								
Deputy Chairman	Lorenzo Renato Guerini		•	•	7/7	3	•	-	•	8/8	•	4/4	•	9/9	•	1/1
Chief Executive Officer	Carlo Pesenti	•			7/7	1	•	-							•	1/1
Director	Giulio Antonello	•	•	•	7/7	1					•	4/4			•	1/1
Director	Giorgio Bonomi	•		•	7/7	1										
Director	Fritz Burkard	•	•	•	5/7	2									•	1/1
Director	Victoire de Margerie	•	•	•	4/7	6					•	3/4				
Director	Federico Falck	•	•	•	7/7	4	•	-	•	8/8			•	9/9		
Director	Italo Lucchini	•		•	7/7	3										
Director	Emma Marcegaglia	•	•	•	0/7	11					•	2/4				
Director	Sebastiano Mazzoleni	•		•	7/7	1									•	1/1
Director	Jean Paul Méric	•		•	7/7	0	•	-								
Director	Claudia Rossi	•	•	•	2/2	1										
Director	Carlo Secchi	•	•	•	6/7	2			•	8/8			•	9/9		
Director	Elena Zambon		•	•	2/5	5									•	0/1

**TABLE 2**

**BOARD OF STATUTORY AUDITORS**

Position	Member	Attendance at meetings
Chairman	Maria Martellini	5/6
	Giorgio Mosci	11/11
Standing auditor	Mario Comana	17/17
Standing auditor	Luciana Gattinoni	17/17

**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.

The Code, pursuing the same purposes, was subsequently amended in February 2001 and most recently replaced by the Group Code of Ethics on September 26, 2012. The Group Code of Ethics, 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 industry best practice and highlights the fundamental elements of its culture and style, enhancing the achievements of the Italcementi Group in the field of ethics over the years.

More specifically, it illustrates the main rules of conduct to protect the reputation of the Company and promote 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 its 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*”: subdivided by stakeholder, they identify the conduct supported or penalized by the Group, in addition to confirming compliance with the applicable laws; supported conduct includes 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, and introduces rules governing relations with customers, suppliers, public institutions, political organizations, trade unions and media;
- “*Implementation of the Code*”: this explains who is responsible for the Code and how its 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 non-selective.

The rules of the procedure are binding on 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 by virtue of tasks performed, have access to privileged information, and has prepared the related implementation procedure.

The following individuals are required to comply with the implementation 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 their job report directly to 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

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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 in 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 investments 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 privileged 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. The Code 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% in the share capital of Italcementi represented by shares with voting right, 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 for a total amount exceeding 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, given the favorable opinion of the Committee for Transactions with Related Parties, the Board 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 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 that 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.

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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 Italcementi's Manager in charge and specifies his/her related powers;
- \* identifies the responsibilities and method for the appointment, removal and termination of office of the Manager in charge, the term of office and the requirements in terms of professional skills and good reputation;
- \* sets out the principles of conduct with which the 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 his/her 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 the relevant 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 statements of the Manager in charge and of executive Delegated Bodies, in regard of the separate financial statements, the condensed interim 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.

As noted in last year's report, on February 6, 2015, the Board of Directors approved some minor 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 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 establishes organizational controls and conduct protocols, which are implemented through internal procedures, training and audit/assurance activities. The Model refers to, 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 amendments, which have gradually expanded the scope of application of Legislative Decree no. 231/01 to include other categories of offenses with respect to those included in the 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 offenses and receipt of stolen goods and money laundering; in 2010, to offenses breaching the law on occupational health and safety; in 2012 to offenses 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. In July 2015, Italcementi began updating the risk assessments (and gap analyses) conducted in previous years with regard to cross-border and organized offenses, offenses relating to workplace health and safety, receipt of stolen goods and money laundering, including a specific focus on self-laundering.

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 an independent director (who chairs the body), an external professional 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.

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## **COMPLIANCE WITH SIMPLIFIED RULES PURSUANT TO ARTICLES 70 AND 71 OF THE ISSUERS' REGULATION**

With a resolution adopted on November 7, 2012, the Company's Board of Directors accepted the opt-out regime envisaged by Consob Issuers' Regulation, exercising the right to waive the obligation to publish information documents required in connection with significant merger transactions, spin-offs, acquisitions and disposals, share/quota capital increases by contributions 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 subject to 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 article 36, the scope of application currently involves 18 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 in question, 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, of significance with respect to the latest Audit plan:

- \* provide the Company's independent auditor with the information needed to audit 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 article 37 of the Market Regulation, Italcementi, a subsidiary managed and coordinated by Italmobiliare S.p.A.:

- has fulfilled the disclosure obligations envisaged by article 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.

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## **RESOLUTION**

The year closed with a loss of 38,270,373.41 euro, which we propose be carried forward in its entirety without distribution of any dividend.

\* \* \*

To the Shareholders,

If you concur with our proposals, we invite you to adopt the following resolution:

"At the Meeting held on April 8, 2016, the shareholders of Italcementi S.p.A.,

- having acknowledged the Directors' report on operations and the report of the Board of Statutory Auditors, examined the financial statements as at and for the year ended December 31, 2015

hereby resolve

- to approve:
  - the Directors' report on operations;
  - the financial statements as at and for the year ended December 31, 2015, consisting of the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes, which reflect a loss of 38,270,373.41 euro as presented by the Board of Directors in their entirety, in the individual postings and with the proposed allocations;
- to carry forward in its entirety the loss for the year of 38,270,373.41 euro.

## **Remuneration Report**

To the Shareholders,

This Remuneration Report, drafted pursuant to Art. 123-ter of Law no. 58 of February 24, 1998 (Consolidated Law on Finance - TUF), illustrates the principles adopted by Italcementi S.p.A. in determining the remuneration of its Directors vested with special powers and Officers with strategic responsibilities - identified as the Chairman, the Executive Deputy Chairman, the Deputy Chairman, the Chief Executive Officer, the Chief Operating Officer, the Manager in charge of preparing the company's financial reports and the Head of Internal Audit – as well as 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 resolution no. 18049 of December 23, 2011.

\* \* \*

### **SECTION I**

Hereinafter, the terms "Company" shall 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 Remuneration Report prepared by the Board of Directors pursuant to Art. 123-ter of TUF.

Lastly, the shareholders' meeting deliberates, upon proposal of the Board of Directors, pursuant to Art. 114-bis of TUF, for the approval of any incentive plans based on financial instruments that the Company wishes to activate.

#### **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 amount and a variable amount to be granted on attainment 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 attainment of assigned three-year targets.

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## **Human Resources Organization and Information Systems Department**

The Group Human Resources Organization and Information Systems Department supports the Remuneration Committee in performing its functions, both in defining and approving remuneration proposals to be submitted for the approval of the Board of Directors, and in monitoring and verifying the full and proper implementation of proposals.

*b) possible participation of a remuneration committee or other responsible committee, describing its composition (with the distinction between non-executive and independent directors), competences and operation*

The Remuneration Committee is established within the Board of Directors and is made up of non-executive members all of whom are independent.

The Committee carries out its consultative and advisory functions on matters delegated to it, in particular, in the absence of those directly concerned, by:

- 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 any corporate functions that may be involved and formulating general recommendations for the Board of Directors;
- 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 Information Systems 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 may also engage 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 regarded as current best practice, also having 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.

Subsequently, the Remuneration Committee submits the Policy thus-defined to the Board of Directors for formal approval, or, if the current Policy (after first-time application) is still considered consistent with the Company's needs, market trends and the regulatory environment, it confirms the latter.

Once the Board of Directors has examined and approved the Policy, it submits a Report thereon for the advisory vote of the shareholders.

*c) any independent experts involved in definition of the remuneration policy*

Not applicable.

Attention is drawn to the fact that the sources of information for analysis of the competitiveness of the remuneration covered by the Policy are, in particular, the HayGroup company and the Towers Watson company.

d) *aims of the remuneration policy, 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 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 by 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.

In implementing the Policy, the Company pursues:

- compliance with legal and self-regulatory dispositions, as well as with the regulators' recommendations;
- linear governance of the Policy definition and implementation process, consistent with current best practices;
- ongoing benchmarking with market practices;
- a close link between remuneration and results and sound risk management as a guarantee of remuneration sustainability.

The definition of the Policy is the result of a fully articulated process in which the Company's Remuneration Committee and Board of Directors play a central role.

On February 21, 2011, and February 24, 2011, the Company's Remuneration Committee examined the text of the Policy drafted in accordance with the Code of Conduct issued by the Corporate Governance Committee; subsequently, it presented the Policy text to the Board for formal endorsement; an explanatory memorandum of the Policy was then submitted to the advisory vote of the annual general meeting for the 2010 annual report held on April 19, 2011.

As a result of the new regulations introduced by Consob resolution no. 18049 of December 23, 2011, in connection with the power delegated to it by law 259/2010, the Company deemed it appropriate to draw up a new version of the Policy, which confirms the principles and guidelines of the previous version of the Policy and aligns them with the new regulatory requirements.

The new Policy was examined by the Company's Remuneration Committee on March 2, 2012; on the recommendation of the Committee, the Board of Directors' Meeting held on the same date resolved to endorse the Policy and to submit an explanatory memorandum concerning the Policy to the advisory vote of the Company's annual general meeting for the 2011 annual report, held on April 18, 2012.

In 2013, while confirming the Policy in force, the Company decided, with reference to the Policy's effective implementation and application in the same year, to adopt certain updates, specifically:

- to adopt a new approach to representing the relative impact of the single components of the pay-mix on the total remuneration, by introducing the reference to the achievement of the targets "envisaged in the budget" instead of the previous approach based on the full achievement of targets to describe the impact of the variable remuneration components on total remuneration; given the present difficulties of the economic situation, this approach continues, also with reference to the 2015 financial year, to appear more appropriate than the previous approach; attainment of targets is thus increasingly challenging,

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since, by avoiding the previous reference to full target achievement, it permits a more realistic representation of the trend in the remunerations to which the Policy refers;

- to establish that one of the targets to be assigned on an individual basis to each of the beneficiaries of the short-term variable component (MBO) of remuneration should compulsorily be linked to the achievement of the Group profitability target, and that this target should have an appropriate weight with respect to the total weight of the targets; this guideline, too, has been confirmed, indeed it has been reinforced by virtue of the fact 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 tend to be the target with the highest % weight compared to the other targets;

- to provide greater details about the non-monetary benefits assigned to the beneficiaries of the Policy.

In 2014, the three-year period of validity of the previous Policy expired; consequently, at its meeting on February 6, 2015, the Remuneration Committee drafted a new version of the Policy and submitted it to the Board of Directors for approval and subsequent presentation for the advisory vote of the shareholders' meeting.

With specific reference to the long-term incentive (LTI) it should be pointed out that:

- at December 31, 2012, the first three-year cycle of the "Long-Term Monetary Incentive Plan for Directors and Officers with Strategic Responsibilities of Italcementi S.p.A." expired with regard to the Directors; on May 3, 2013, the Board of Directors adopted a resolution to activate a new three-year cycle 2013-2015 for the same plan;
- at December 31, 2013, the first three-year cycle of the "Long-Term Monetary Incentive Plan for Directors and Officers with Strategic Responsibilities of Italcementi S.p.A." expired with regard to the Officers with Strategic Responsibilities, and the second three-year cycle of the "Long-Term Monetary Incentive Plan, linked to the appreciation of Italcementi shares, for executives" expired. With reference to the first of these plans, on February 6, 2014, the Board of Directors adopted a resolution to activate a new three-year cycle 2014-2016 of the same plan, and also set the related individual 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 decided on November 5, 2014 to activate the third and final three-year 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 outcome of the reorganization processes carried out by the Company after the activation of the second cycle of the plan in 2011; ii) overall confirmation, subject to individual situations linked to organizational changes, of the minimum and maximum amounts of the existing individual incentive ranges.
- description of the policies in terms of fixed and variable components of remuneration, with particular reference to indication of relative weight within 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 invested 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 value creation for the Company and the shareholders in the medium/long-term; by way of example, but not limited thereto, these targets may be linked to the Company's and/or the Group's financial position and results of operations, the adoption of governance best practices, sustainable development and implementation of strategic projects for the Company.

#### 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 Information Systems 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 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, innovation, production efficiency, the adoption of governance best practices, sustainable development and implementation of strategic projects for the Company.

The variable remuneration of Directors vested with special powers, Officers with strategic responsibilities and their direct reports is based on a points-based system with an entry threshold, a target objective and a maximum objective.

As far as the 2016 financial year is concerned, the decision has been confirmed to assign to the Officers with strategic responsibilities and to the direct reports of the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer the targeted profitability goal as the first target of the short-term variable component (MBO).

This decision, combined with the points-based system for the short-term variable component (MBO), will presumably cancel out any payment in the event of non-attainment of the profitability target, unless the achievement level of all the other targets is the maximum possible over the budget; in which case, the maximum amount could not in any case exceed two thirds of the maximum theoretical payout.

Moreover, at Group level further common targets have been identified, to be articulated within the different organizational areas of the individual beneficiaries, in order to ensure a further improvement of the top-down alignment of the targets themselves among the various functions, the subsidiaries and between the subsidiaries and the parent, as well as with respect to the Group strategic priorities.

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## 2) Long-term incentive

Two different long-term incentive plans are currently in place in the Company: one for Directors vested with special powers and Officers with strategic responsibilities and one for the other officers – officers directly reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer.

### i) Directors invested 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 three-year stock option plan for directors approved by the shareholders' meeting of June 20, 2007.

The above plan consisted of three three-year cycles; 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 three-year cycles; the first cycle 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 of international standing, with extensive experience in executive compensation.

The new long-term monetary incentive plan envisages three-year cycles based on the medium/long-term performance of the Company and/or the Group.

This plan is designed to:

- tie the overall treatment of participants to the Company's medium/long-term performance, by rewarding the achievement of certain strategic targets, and to the corresponding "value creation" for shareholders;
- ensure 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 adopts resolutions upon proposals of the Remuneration Committee with the technical and operational support of the Human Resources Organization and Information Systems Director.

The plan operating mechanism is aligned, after the necessary adjustments suggested by the Remuneration Committee, with the mechanism adopted for the annual incentive plan (points-based system with minimum entry threshold, target objective and maximum objective).

The right to obtain the premium linked to the long-term monetary incentive plan vests subject to:

- a) the achievement of the long-term targets assigned to each recipient by the Board of Directors at the beginning of the cycle, upon the recommendation of the Remuneration Committee. These targets, established consistently with the powers granted to each participant, are linked to the Company's financial position and results of operations and other specific targets 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. Target attainment is verified 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 by each individual recipient, for the entire period. 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. On May 3, 2013, the Company's Board of Directors, adopted a resolution to activate a new three-year cycle 2013-2015 for the same plan, simultaneously setting the related targets.

With regard to the part of the plan related to Officers with strategic responsibilities, on February 6, 2014, the Board of Directors adopted a resolution to activate a new three-year cycle 2014-2016, simultaneously setting the related targets.

With reference to the two components of the new plan cycle described above, a common target has been identified for all the plan beneficiaries, linked to the profitability of the entire Group, thus making the tie with shareholders even closer; furthermore, additional multi-year shared targets have been set, to be articulated within each beneficiary's organizational area, in order to ensure further improvement of the top-down alignment of the targets themselves among the different functions, the subsidiaries and between the subsidiaries and the parent, as well as with respect to the Group's 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 recipients of the long-term monetary incentive plan linked to the performance of the "Italcementi S.p.A. – Ordinarie" share ("Long-Term Monetary Incentive Plan, linked to the appreciation of Italcementi shares, for executives") approved by the shareholders' meeting of April 28, 2008.

Under the shareholder resolution of April 28, 2008, these officers were initially the recipients of a stock option plan for executives of which the unexecuted portion was subsequently canceled, by a shareholder resolution 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 on the allocation to the beneficiaries of a certain number of phantom stocks in proportion to the results achieved.

This plan is designed to:

- tie the overall treatment of participants to the Company's medium/long-term performance, by rewarding the achievement of certain strategic targets, and to the corresponding "value creation" for shareholders;
- ensure 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 adopts resolutions upon proposals of the Remuneration Committee with the technical and operational support of the Human Resources Organization and Information Systems Director.

The Board of Directors delegates the operational management of the plan to the Chief Executive Officer.

The operating mechanism 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 premium linked to the long-term monetary incentive plan vests subject to:

- a) the achievement of the long-term targets assigned to each participant by the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer at the beginning of the cycle, on the recommendation of the Remuneration Committee with the support of the Human Resources Organization and Information Systems Department. These targets,

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established consistently with the powers granted to each participant, are linked to the Company's financial position and results of operations and other specific targets for example, targets regarding governance, risk management, innovation, production efficiency, sustainable development and the implementation of strategic projects, complementary targets with respect to those established in the annual incentive plan. Attainment of these targets will be verified by the Group Human Resources Organization and Information Systems Department;

b) expiration of the entire three-year period of each of the plan's cycles and the uninterrupted holding of the office or employment relationship by each individual recipient, for the entire period.

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 value of Italcementi stock in the month of December of the last of the three years of each Plan cycle. The payment of the awarded amount normally takes place within the month of April of the year following the end of the three-year period.

After the 1st cycle of the plan expired at December 31, 2010, the 2nd cycle expired at December 31, 2013.

On the basis of the decision taken by the Group Chief Executive Officer on November 5, 2014, the company activated the third and final cycle of the plan.

With reference to this last plan cycle, a common target has been identified for all the plan beneficiaries, linked to the profitability of the entire Group, thus making the tie with shareholders even closer; furthermore, additional multi-year shared targets have been set, to be articulated within each beneficiary's organizational area, in order to ensure further improvement of the top-down alignment of the targets themselves among the different functions, the subsidiaries and between the subsidiaries and the parent, as well as with respect to the Group's strategic priorities.

## B) FIXED COMPONENTS AND OVERALL REMUNERATION

In connection with the foregoing, the overall treatment approved under the Policy, inclusive of the fixed component of remuneration, may be represented as follows for the various categories of 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 the recommendation of the Remuneration Committee and based on the opinion of the Board of Statutory Auditors.

The components of the remuneration of the Officers with strategic responsibilities are as follows:

- a) an annual fixed component;
- b) an annual variable component linked to the achievement of specific company targets (*Management By Objectives*);
- c) an exclusively monetary long-term incentive, also linked to the achievement of specific targets.

Having defined the overall remuneration package as the sum of the three components above in the event that the targets set out in the budget relating to components b) and c) are achieved, and having specified that such targets and the related remuneration refer to the position of Officers with strategic responsibilities within the Group (and therefore include targets and remuneration received for other positions in other Group companies), the relative weight of the components may be indicatively represented as follows:

- a) the weight of the yearly fixed component is indicatively equal to 40% of the total remuneration of the Chief Operating Officer and 60% of the total remuneration of the Manager in charge of preparing the company's financial reports;
- b) the weight of the annual variable component (MBO) is indicatively equal to 30% of the total remuneration of the Chief Operating Officer and 20% of the total remuneration of the Manager in charge of preparing the company's financial reports.

This variable component may in no case exceed 100% of the fixed component as per letter a) above;

- c) the variable long-term incentive, currently on a three-year basis, in its annual amount represents indicatively 30% of the total remuneration of the Chief Operating Officer and 20% of the total remuneration of the Manager in charge of preparing the company's financial reports.

This variable component may in no 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 the remuneration for Officers with strategic responsibilities referred to under letters b) and c) above, the Remuneration Committee:

- annually, draws up 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;
- 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.

In significant, specific and unforeseen circumstances, the Board of Directors may also exceptionally establish special bonuses 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 performance, 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 also for personal use) 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 the recommendation of the Remuneration Committee based on the opinion of the Director in charge of the Internal Control and Risk Management system.

Such remuneration consists 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 long-term (LTI) components of the remuneration of the Head of Internal Audit, in the event of achievement of the targets set in the budget relating to the variable components of the remuneration package, is respectively 60%, 20% and 20% of total remuneration.

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It should be noted that, in line with market best practices, the greater relative weight of the fixed component of the remuneration of the Head of Internal Audit and the setting of targets related not to business performance but to the full and effective implementation of the function are designed to ensure the best possible conditions for correct performance of duties for this role, also from the point of view of definition of remuneration.

The Head of Internal Audit is entitled to receive non-monetary benefits (for example, company car for also personal use) 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 Information Systems Director, in accordance with 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 company targets (*Management By Objectives*);
- c) a variable long-term incentive, also linked to the achievement of specific targets, regulated on a monetary basis and tied to the performance of "Italcementi S.p.A. - Ordinarie" shares.

Having defined the overall remuneration package as the sum of the three components above in the event that the targets set out in the budget relating to components b) and c) are achieved, and having specified that such targets and the related remuneration refer to the Officers who report directly to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer within the Group (and therefore include targets and remuneration received for other positions in other Group companies), the relative weight of the components may be indicatively represented as follows:

- a) the weight of the yearly fixed component is indicatively equal to 60% of the total remuneration;
- b) the weight of the annual variable component (MBO) is indicatively equal to 25% of total remuneration.

This variable component may in no case exceed 70% of the fixed component as per letter a) above;

- c) the variable long-term incentive, currently on a three-year basis, in its annual amount has a weight indicatively equal to 15% of total remuneration.

With reference to the variable components of the 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 Group Human Resources Organization and Information Systems 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 performance;
- 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 also for personal use) as well as the other benefits described here below under point m), in line with market practice.

*f) policy 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 the performance targets based on which such components are assigned, distinguishing between short and medium/long-term variable components, and information on the link between variation of results and variation of remuneration*

Please refer to 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 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 evaluation of performance targets are carried out by the Remuneration Committee and the Group Human Resources Organization and Information Systems 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*

In applying the Policy, the Company pursues a close link between remuneration and results of operations and sound risk management as a guarantee of its sustainability.

In this regard, 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.

*j) vesting period, any deferred payment system, with indication of periods of deferment and 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 long-term incentive, which refers to the related regulations.

For the purposes of this report,

it should be noted that, on the basis of these regulations, a) any payment of the incentive amount is deferred to the first half of the fourth year following the year in which the beneficiary became eligible to participate in the plan, while no amounts are paid or vest during the three years of the plan cycle; b) in any case, payment of any vested incentive is subject to the further condition that the beneficiary has completed the fully three-year plan cycle and is still working for the Company at the date of the payment itself.

Since these additional conditions defer significantly the time of actual payment, they 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, indicating the periods of maintenance and the criteria used for establishing such periods*

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Not applicable.

*l) policy on treatment in the event of termination of office or termination of employment, specifying the circumstances that determine the onset of the right 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 the Officers with strategic responsibilities for preliminary regulation of the financial consequences resulting from early termination of employment by the Company or by the individual employee.

With regard solely to 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 employment for reasons other than just cause.

With reference to the other officers, in the event of termination of employment 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, and by benchmarks and current good practice for similar positions, without prejudice to rules and agreements in force and, in particular, the national collective employment contract 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 in connection with termination of office.

The Company does not, in general, enter into specific non-competition agreements with its Officers with strategic responsibilities, designed to pay out a financial consideration, during the employment relationship or subsequently to termination thereof, correlated with the respective fixed remuneration in relation to the duration and the geographical perimeter, business scope and product sector of the constraints arising from such agreement.

*m) information on the presence of any insurance, or pension or retirement covers other than mandatory covers*

Specific health and safety insurance policies consistent with the indication of letter n) below are provided for the Chairman and Chief Executive Officer.

In line with market practice, supplementary retirement schemes, healthcare insurance plans and life insurance plans in addition to the provisions of the national collective employment contract for Executives of companies producing goods or providing services are envisaged for 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.

*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.

At December 31, 2015, the members of the Company's Board of Directors were:

- a) Giampiero Pesenti, Chairman • Pierfranco Barabani, Executive Deputy Chairman • Lorenzo Renato Guerini, Deputy Chairman • Carlo Pesenti, Chief Executive Officer •;
- 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 an annual remuneration of € 40,000 to the Board of Directors' members, effective from the date of the meeting and through the following financial years until a new shareholder resolution should be adopted; this replaced the system in place under the shareholder resolutions of April 16, 2010 and April 19, 2011.

The Directors who are also members of the Executive Committee are also granted an additional fixed amount for each Committee meeting they attend.

The Directors who are members of the various committees appointed within the Board of Directors are also granted an additional fixed amount for each meeting they attend of the Committee(s) of which they are members.

In compliance with current best practice for Directors not vested with special powers, no variable component of remuneration is provided, but such Directors are reimbursed for expenses incurred in performing their office.

Finally, in line with existing practice, a third-party liability insurance policy, has been taken out for Directors for events related to the exercise of their functions, in compliance with the provisions set forth with regard to their 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 meeting, by the Board of Directors acting upon the recommendation 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 company targets (*Management By Objectives*);
- c) an exclusively monetary long-term incentive, also linked to the achievement of specific targets.

Having defined the overall remuneration package as the sum of the three components listed above in the event that the targets set out in the budget and related to components b) and c) are achieved, and having specified that such targets and the related remuneration refer to the position of Director vested with special powers within the Company (therefore not comprising targets and remuneration received for other positions in other Group companies, including the parent), the relative weight of the components may be indicatively represented as follows:

- a) the weight of the yearly fixed component is indicatively equal to 40% of the total remuneration;
- b) the weight of the annual variable component (MBO) is indicatively equal to 25% of total remuneration.

This variable component may in no case exceed 100% of the fixed component as per letter a) above;

- c) the variable long-term incentive, currently on a three-year basis, in its annual amount has a weight indicatively equal to 35% of total remuneration.

This variable component may in no case, during the entire three-year period of each plan, exceed 120% 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 of Directors vested with special powers referred to under letters b) and c) above, the Remuneration Committee:

- annually, draws up 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.

Under the current Policy, the Chairman is entitled to a "Severance pay", which is accrued at the end of each three-year term of office.

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The Remuneration Committee engaged a primary executive compensation consulting firm to conduct a specific survey on the best top management remuneration practices in place at comparable companies. On the basis of this benchmark survey, it proposed that the Board of Directors confirm the Chairman's "Severance pay", also in consideration of the fact that, contrary to more common practice in other companies, the Chairman plays an executive role on the basis of the powers delegated to the role. On May 3, 2013, the Board of Directors on the recommendation of the Remuneration Committee adopted a resolution that determines this severance pay as 35% of the overall sums (including any variable amount and the variable LTI) paid to the Chairman within the three-year period 2013-2015 and in addition to such sums.

The percentage in question (35%) replaces the previous percentage – 50% – to better align treatment with the practices in place at comparable companies.

Should the office cease, for any reason, before the three-year expiration date, the severance pay will be calculated "pro rata temporis".

Consistently with the benefits usually provided for similar positions, the Chairman is also entitled to an illness and injury policy, and the Board of Directors has approved other benefits relating to performance of the role.

The sums granted to the Chief Executive Officer are paid in full to the parent, of which he is a Director and Chief Operating Officer; the parent 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.

In the event of significant, specific and unforeseen circumstances, the Board of Directors may exceptionally grant special awards in order to remunerate Directors vested with special powers, i) if the overall other 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 of strategic relevance and impact on the Company's and/or the Group's results of operations.

#### **B) Deputy Chairmen**

The remuneration of the 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 in the event of termination of office or termination of employment, and their consistency with the Policy has been provided in Section I of this Report.

With respect to incentive plans based on financial instruments, the plans currently operating in Italcementi S.p.A. are: the stock option plan for directors - 2001, 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 for executives linked to the appreciation of Italcementi shares.

During 2015, no director or officer of the Company who are beneficiaries of the stock options plans, exercised vested options rights.

On June 2, 2014, the mandatory conversion of savings shares into ordinary shares was finalized, and the overall number of outstanding shares representing the share capital was consequently redetermined.

Subsequently in June and July 2014, the share capital increase was finalized, with subscription price of € 4.825 including a premium of € 3.675 and option date on June 9, 2014. The overall number of outstanding shares representing the share capital was consequently redetermined for a second time.

As a consequence of the share capital increase, Borsa Italiana rectified the historic official share price and volumes traded prior to June 9, 2014, by applying a correction factor of 0.87503023.

Subsequently, the company redetermined 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. Under the shareholder resolution of June 20, 2007, the Plan in question was replaced, with respect to the unexecuted part, with 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 were granted; the options not yet exercised number 737,717.

#### **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 replaces the unexecuted part of the stock option plan for directors described above.

In connection with this 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 had 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 had not been 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, on March 5, 2010, upon the recommendation of the Remuneration Committee, the Board of Directors 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 stock option grant. 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 grant by the Chairman and the Chief Executive Officer, no options are outstanding on the "Stock Option Plan for Directors - 2007".

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The shareholders' meeting held on April 19, 2011 approved the cancellation of the Plan, for the unexecuted part.

**Long-term monetary incentive plan for Italcementi S.p.A. directors and managers with strategic responsibilities**

On the recommendation of the Remuneration Committee and based on the favorable opinion of the Committee for Transactions with Related Parties, on February 3, 2011, the Board of Directors adopted a "Long-term monetary incentive plan for Italcementi S.p.A. directors and officers with strategic responsibilities" whose main features are illustrated below.

Also on May 03, 2013, the Board of Directors, in execution of the Plan, assigned the Chairman and the Chief Executive Officer the targets for their term of office.

Moreover, at the meeting held on February 6, 2014, the Chief Operating Officer and the Manager in charge of preparing the company's financial reports were assigned targets for the 2014-2016 period.

No award will be granted in any case the absence of the achievement of acceptable results; likewise, if the results are significantly better than forecast, a total bonus not 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 adoption of the plan***

These may 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 remuneration package of participants.

***b) Plan management***

The corporate body responsible for decisions relating to the Plan is the Board, acting upon the recommendation of the Remuneration Committee (hereinafter referred to as the Committee) with the technical and operational support of the Human Resources Organization and Information Systems 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-based system, with minimum entry 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 the targets 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 operating mechanisms of the plan.

The need for a review of the plan is left to the discretion of the Board.

***c) Beneficiaries of the plan***

The 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 with strategic responsibilities are requirements for admittance 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 is: 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 recommendation of the Committee 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 shall be established consistently with, among other criteria, the following:

- i) market-based remuneration practices for senior management positions of comparable organizations;
- 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 payment 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 Information Systems 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 Italcementi shares on the stock market – during the three-year term of each cycle, and determine accordingly the bonus actually accrued by each participant.

**e) Plan implementation procedures and conditions**

The plan provides for the assignment of a monetary bonus to participants at the end of each three-year cycle, subject to verification of attainment of the performance conditions established at the beginning of the cycle. 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 conditional upon, 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 set out below:

- a) in the event of the lapse of or change in the position during the cycle, the Board may, at its discretion, based on the Committee's opinion, and in consideration of the reasons motivating the lapse or change, consider the possibility of paying out a compensatory lump-sum bonus, commensurate with the portion of period and the partial degree of achievement of targets assigned;
- b) in the event of the death of the participant during the cycle, the above will apply; if death occurs after the assigned targets have been achieved, the right of the heirs to obtain payment of any bonus accrued will be recognized.

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#### **f) Other powers assigned to 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 effects arising from accrual of the bonus grant under the long-term monetary incentive plan will be suspended in any case in which circumstances affecting the conditions governing the execution of the plan occur, 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 plan if it is no longer consistent with the Company's situation, subject to any rights that have vested 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.

#### **Stock option plan for executives - 2000**

By resolution of the Board of Directors of March 20, 2000, the Company approved a stock option plan for executives, which, by the shareholder resolution of April 28, 2008, was replaced, only for the unexecuted 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 executives", whose main elements are set out below.

Overall, in execution of such Plan, 4,515,048 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.

During the year no options were exercised.

The options granted in execution of the Plan and not yet exercised amount to a total of 1,743,187.

#### **Stock option plan for top management - 2008**

The shareholders' meeting held on April 28, 2008 approved a second stock option plan for executives, which, for the unexecuted part, replaces the stock option plan for executives described above.

Under this stock option plan, on June 4, 2008, the Company's Board of Directors, with regard to the three-year period 2008-2010, granted the Chief Operating Officer and 10 executives 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 the recommendation of the Remuneration Committee, and having 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 unexecuted part.

The overall number of options granted under the plan and not yet exercised is 1,788,224.

## **Long-term monetary incentive plan linked to the appreciation of Italcementi shares for executives**

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

On November 5, 2014, the Chief Executive Officer, executing the powers provided under the Plan, identified 19 Italcementi S.p.A. executives as plan beneficiaries for the third cycle 2014 / 2016.

The main features of the Plan are the following.

### **a) Reasons for 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 by each beneficiary by ensuring the highest involvement of the Company's entire top management with its performance and enhancing 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, with the technical support of the Human Resources Organization and Information Systems Department Director.

Specifically, the Chief Executive Officer will be responsible for:

- i) establishing the maximum number of Rights of participation in the long-term monetary incentive plan linked to the appreciation of Shares, that may be attributed as part of the Cycle;
- ii) identifying the individual Beneficiaries for each Cycle as well as deciding the number of Rights of participation 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, non-achievement of which will be an express condition for termination of the Rights to participate in the long-term monetary incentive plan linked to the appreciation of Shares granted to the Beneficiary within the Cycle, with the consequent forfeiture of the right to obtain the cash bonus linked to the 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 Information Systems Department in accordance with the Regulation.

### **c) Beneficiaries of the plan**

The plan beneficiaries are Company 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 three three-year Cycles from 2008 to 2016.

The end of the Plan is set for the end of 2017 (the first year following the end of the last three-year Cycle).

Under the plan, the Chief Executive Officer 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 consider:

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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 "total rewarding" underlying 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 Group Human Resources Organization and Information Systems Department, is in charge of the verification and evaluation, during each cycle, of the degree of achievement of the targets, and determines accordingly the number of rights to participate in the plan previously granted to each beneficiary.

**e) Procedures for the determination of the value of rights and clauses for the implementation of the plan**

The Plan provides for the offer, free-of-charge and reserved to the beneficiaries, of rights to participate in the Plan; once vested in accordance with the requirements and conditions laid down by the Regulation, the rights will enable the beneficiaries to obtain payment of a cash bonus equal to the value of the shares resulting from the arithmetic average of the official share prices on the market managed by Borsa Italiana in 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:

- 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 on the Rights to participate in the long-term monetary incentive plan linked to the appreciation of Shares that have been granted but have not yet vested;
- termination of the employment relationship by mutual consent or resignation for retirement or further to invalidity, in whatever manner after the end of the Performance Monitoring Period, or if the Beneficiary has achieved the assigned Targets, the 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 that have been granted but have not yet vested, if the rights vest after the date of termination of employment;
- the 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 under the Plan that have vested will be awarded to the Beneficiary's heirs upon presentation by the heirs of the necessary documentation proving their position as heirs.

If, during the course of the assignment cycle, the Beneficiary's employment relationship is transferred between the Company and its Italian and foreign subsidiaries or its parent or between the latter, regardless of the manner by which such transfer takes place, or the Beneficiary's organizational position is changed with a consequent change in the their responsibilities, the Targets will also be updated in line with the new position.

In any case, the Chief Executive Officer is empowered to determine an equitable amount payable to the Beneficiary in relation to the activities performed.

On the basis of the shareholder resolution of April 12, 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 vesting of Rights to participate in the plan in the case of specific and particular needs, for example but not limited to, changes in legal and regulatory provisions, excluding tax provisions, applicable to the legal relationships arising from the Plan.

The effects deriving from the vesting of Rights to participate in the plan will also be suspended in any case in such circumstances as, by way of example but not limited to, corporate transactions, mergers and demergers having an effect on the Company's share capital, increases and reductions of the Company's share capital, changes to the By-laws 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 incentives Fund for employee participation in enterprises, pursuant to Art. 4, paragraph 112, of Law no. 350 dated December 24, 2003**

Not applicable.

1.2. Section I of this Report provides full representation of the agreements that provide for indemnity in the event of early termination of employment; the following information is also provided:

- the possible existence of such agreements, providing negative information if such agreements are not present;

See section I - letter I);

- the criteria for calculating the indemnity payable to each person. If the indemnity is expressed with respect to 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 to which assignment of the indemnity is linked;

Not applicable;

- the possible effects of termination of employment 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 officers with strategic responsibilities - 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 term of office during the period in which the options had been granted without early resignation being given and without revocation by the shareholders;

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 Vesting Period 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 after the Vesting Period but before the exercise of Options, or regarding a

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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 Regulation;

- c) the beneficiary's death after the Vesting 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 presentation by the heirs of the necessary documentation proving their position as heirs;
- 3) with respect to the stock option plan for executives - 2000: as a general rule, stock option rights not yet exercised will not be recognized - except in the event of retirement - if employment within the Group is interrupted.

In the event of the death of the holder of options, the options may be exercised by the heirs within six months of the death, provided that such term falls within the option exercise period.

- cases in which the right to indemnity accrues;  
See section I - letter I);
- possible existence of agreements that provide for granting or maintaining non-monetary benefits in favor of persons who have ceased their assignment or for stipulation of consultancy contracts for a period following termination of employment;  
Not applicable;
- possible existence of agreements that provide for remuneration on 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 the determination of 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 determined;  
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 position was held	End of office term	Fixed remuneration	Remuneration for membership of committees	Variable non-equity remuneration Bonuses and Profit sharing other incentives	Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Service bonus or severance indemnity
<b>Giampiero Pesenti</b>	Chairman Executive Committee	1.1 – 12.31	2015								
(I) Remuneration in the company that prepares the financial statements				990,000		2,909,000		378,324		4,277,324	
(II) Remuneration from subsidiaries and associates											
				<b>Total</b>	990,000	2,909,000		378,324		4,277,324	
<b>Pierfranco Barabani</b>	Executive Deputy Chairman Executive Committee	1.1 – 12.31	2015								
(I) Remuneration in the company that prepares the financial statements				165,000		100,000		3,306		268,306	
(II) Remuneration from subsidiaries and associates						18,000				18,000	
				<b>Total</b>	183,000	100,000		3,306		286,306	
<b>Lorenzo Renato Guerini</b>	Deputy Chairman Executive Committee Control and Risk Committee Committee for Transactions with Related Parties Remuneration Committee Strategic Committee	1.1 – 12.31	2015								
(I) Remuneration in the company that prepares the financial statements				165,000		92,000*				257,000	
(II) Remuneration from subsidiaries and associates											
				<b>Total</b>	165,000	92,000*				257,000	
<b>Carlo Pesenti</b>	CEO Executive Committee Strategic Committee	1.1 – 12.31	2015								
(I) Remuneration in the company that prepares the financial statements				1,285,000		8,000*	7,666,563			8,959,563	
(II) Remuneration from subsidiaries and associates											
				<b>Total</b>	1,285,000	8,000*	7,666,563			8,959,563	
<b>Giulio Antonello</b>	Director Remuneration Committee	1.1 – 12.31	2015								
(I) Remuneration in the company that prepares the financial statements				40,000		24,000*				64,000	
(II) Remuneration from subsidiaries and associates											
				<b>Total</b>	40,000	24,000*				64,000	
<b>Giorgio Bonomi</b>	Director	1.1 – 12.31	2015								
(I) Remuneration in the company that prepares the financial statements				40,000						40,000	
(II) Remuneration from subsidiaries and associates											
				<b>Total</b>	40,000					40,000	
<b>Fritz Burkard</b>	Director Strategic Committee	1.1 – 12.31	2015								
(I) Remuneration in the company that prepares the financial statements				40,000		8,000*				48,000	
(II) Remuneration from subsidiaries and associates											
				<b>Total</b>	40,000	8,000*				48,000	

<b>Victoire De Margerie</b>	Director Remuneration Committee	1.1 – 12.31	2015			
(I) Remuneration in the company that prepares the financial statements		40,000	12,000		52,000	
(II) Remuneration from subsidiaries and associates				<b>Total</b>	40,000	12,000
<b>Federico Falck</b>	Director Executive Committee Control and Risk Committee Committee for Transactions with Related Parties	1.1 – 12.31	2015			
(I) Remuneration in the company that prepares the financial statements		40,000	68,000		108,000	
(II) Remuneration from subsidiaries and associates				<b>Total</b>	40,000	68,000
<b>Italo Lucchini</b>	Director	1.1 – 12.31	2015			
(I) Remuneration in the company that prepares the financial statements		40,000			40,000	
(II) Remuneration from subsidiaries and associates		6,200			6,200	
				<b>Total</b>	46,200	46,200
<b>Emma Marcegaglia</b>	Director Remuneration Committee	1.1 – 12.31	2015			
(I) Remuneration in the company that prepares the financial statements		40,000	8,000		48,000	
(II) Remuneration from subsidiaries and associates				<b>Total</b>	40,000	8,000
<b>Sebastiano Mazzoleni</b>	Director Strategic Committee	1.1 – 12.31	2015			
(I) Remuneration in the company that prepares the financial statements		40,000	8,000*		48,000	
(II) Remuneration from subsidiaries and associates		0			0	
				<b>Total</b>	40,000	8,000*
<b>Jean Paul Méric</b>	Director Executive Committee	1.1 – 12.31	2015			
(I) Remuneration in the company that prepares the financial statements		40,000			40,000	
(II) Remuneration from subsidiaries and associates		42,115	97,903		140,018	1,500,000
				<b>Total</b>	82,115	97,903
<b>Claudia Rossi</b>	Director Chair Supervisory Body	11.6 - 12.31	2015			
(I) Remuneration in the company that prepares the financial statements		6,667	41,333		48,000	
(II) Remuneration from subsidiaries and associates				<b>Total</b>	6,667	41,333
<b>Carlo Secchi</b>	Director Control and Risk Committee Committee for Transactions with Related Parties	1.1 – 12.31	2015			
(I) Remuneration in the company that prepares the financial statements		40,000	68,000		108,000	
(II) Remuneration from subsidiaries and associates				<b>Total</b>	40,000	68,000
<b>Elena Zambon</b>	Director Strategic Committee	1.1 – 09.30	2015			
(I) Remuneration in the company that prepares the financial statements		30,000	4,000*		34,000	
(II) Remuneration from subsidiaries and associates				<b>Total</b>	30,000	4,000*
<b>Giorgio Mosci</b>	Chairman of the Board of Statutory Auditors	04.17 – 12.31	2017			
(I) Remuneration in the company that prepares the financial statements		53,125			53,125	
(II) Remuneration from subsidiaries and associates				<b>Total</b>	53,125	
<b>Maria Martellini</b>	Chairman of the Board of Statutory Auditors	1.1 – 04.17	2014			
(I) Remuneration in the company that prepares the financial statements		21,875			21,875	
(II) Remuneration from subsidiaries and associates				<b>Total</b>	21,875	21,875

Name, surname	Position	Period during which the position was held	End of office term	Fixed remuneration	Remuneration for membership of committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Service bonus or severance indemnity
						Bonuses and other incentives	Profit sharing incentives					
<b>Mario Comana</b>	Standing Auditor	1.1 – 12.31	2017									
				(I) Remuneration in the company that prepares the financial statements	50,000					50,000		
				(II) Remuneration from subsidiaries and associates						50,000		
					<b>Total</b>	50,000					50,000	
<b>Luciana Gattinoni</b>	Standing Auditor	1.1 – 12.31	2017									
				(I) Remuneration in the company that prepares the financial statements	50,000					50,000		
				(II) Remuneration from subsidiaries and associates						50,000		
					<b>Total</b>	50,000					50,000	
<b>Giovanni Battista Ferrario</b>	Chief Operating Officer	1.1 – 12.31	-									
				(I) Remuneration in the company that prepares the financial statements	350,000	10,724,580	59,078			11,133,658		
				(II) Remuneration from subsidiaries and associates	750,000					750,000		
					<b>Total</b>	1,100,000	10,724,580	59,078		11,883,658		
<b>Carlo Bianchini</b>	Manager in charge	1.1 – 12.31	2015									
				(I) Remuneration in the company that prepares the financial statements	297,922	2,420,335	7,194	30,000	2,755,451			
				(II) Remuneration from subsidiaries and associates	48,792				48,792			
					<b>Total</b>	346,714	2,420,335	7,194	30,000	2,804,243		

\*of which 4,000 euro for attendance at the Strategic Committee meeting held in 2014 as determined by the shareholders' meeting of April 17, 2015

Remuneration for each office when the amount reported in the table is in aggregate form:

**Fixed remuneration**

Giampiero Pesenti	Remuneration as Director	40,000
	Remuneration Executive Committee	-
	Fixed remuneration	950,000
Pierfranco Barabani	Remuneration as Director	40,000
	Remuneration Executive Committee	-
	Fixed remuneration	125,000
	<b>Subsidiaries and associates:</b>	
	Ing. Sala S.p.A.	18,000
Lorenzo Renato Guerini	Remuneration as Director	40,000
	Remuneration Executive Committee	-
	Fixed remuneration	125,000
Carlo Pesenti	Remuneration as Director	40,000
	Remuneration Executive Committee	-
	Fixed remuneration	1,245,000
Italo Lucchini	<b>Subsidiaries and associates:</b>	
	Azienda Agricola Lodoletta S.p.A.	6,200
Jean Paul Méric	<b>Subsidiaries and associates:</b>	
	Ciments Français S.a.s.	42,115

**Remuneration for attendance at Committees**

Lorenzo Renato Guerini	Control and Risk Committee	32,000
	Committee for Transactions with Related Parties	36,000
	Remuneration Committee	16,000
	Strategic Committee	8,000
Giulio Antonello	Remuneration Remuneration Committee	16,000
	Remuneration Strategic Committee	8,000
Federico Falck	Control and Risk Committee	32,000
	Committee for Transactions with Related Parties	36,000
Carlo Secchi	Control and Risk Committee	32,000
	Committee for Transactions with Related Parties	36,000

## Stock options granted to member of the governing and supervising bodies, Chief Operating Officer and other officers with strategic responsibilities

			Options held at the beginning of the financial year			Options granted during the financial year						Options exercised during the financial year			Options expired during the financial year	Options held at the end of the financial year	Options accrued in the financial year	
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)=(2)+(5)-11-14	(16)	
Name, surname	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 that prepares the financial statements		Stock option plan for directors (BoD resolution of May 9, 2001)	171,423	14.78	03.07.2009 03.06.2016	-	-	-	-	-	-	-	-	-	-	171,423	-	
			171,423	20.169	03.07.2010 03.06.2017	-	-	-	-	-	-	-	-	-	-	171,423	-	
(II) Remuneration from subsidiaries and associates			-													-	-	
		Total	342,846													342,846	-	
Carlo Pesenti	Chief Executive Officer																	
(I) Remuneration in the company that prepares the financial statements		Stock option plan for directors (BoD resolution of May 9, 2001)	97,140	14.78	03.07.2009 03.06.2016	-	-	-	-	-	-	-	-	-	-	97,140	-	
			228,564	20.169	03.07.2010 03.06.2017	-	-	-	-	-	-	-	-	-	-	228,564	-	
(II) Remuneration from subsidiaries and associates			-													-	-	
		Total	325,704													325,704	-	
Giovanni Battista Ferrario	Chief Operating Officer																	
(I) Remuneration in the company that prepares the financial statements		Stock option plan for executives (shareholder resolution of April 26, 2008)	428,557	11.686	06.04.2011 06.03.2018	-	-	-	-	-	-	-	-	-	-	428,557	-	
			-													-	-	
(II) Remuneration from subsidiaries and associates			-													428,557	-	
		Total	428,557													428,557	-	

			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, surname	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
<b>Carlo Bianchini</b>	Manager in charge																
(I) Remuneration in the company that prepares the financial statements	Stock option plan for executives (BoD resolution of March 20, 2000)	11,428	14.78	03.07.2009 03.06.2016	-	-	-	-	-	-	-	-	-	-	-	11,428	
		15,199	20.169	03.07.2010 03.06.2017	-	-	-	-	-	-	-	-	-	-	-	15,199	
		16,502	11.204	03.26.2011 03.25.2018	-	-	-	-	-	-	-	-	-	-	-	16,502	
	Stock option plan for executives (shareholder resolution of April 26, 2008)	91,425	11.686	06.04.2011 06.03.2018	-	-	-	-	-	-	-	-	-	-	-	91,425	
(II) Remuneration from subsidiaries and associates		-														-	
<b>Total</b>			134,554													134,554	

## Monetary incentive plans in favor of members of the governing and supervising bodies, Chief Operating Officer and other officers with strategic responsibilities

Name, surname	Position	Plan	Bonus for the year			Bonus for previous years			Other bonuses
			Payable/disbursed	Deferred	Deferment period	No longer payable	Payable/disbursed	Still deferred	
<b>Giampiero Pesenti</b>	Chairman								
I) Remuneration in the company that prepares the financial statements	February 6, 2015	Annual MBO	230,000						
	May 3, 2013	Three-year LTI	494,000 <sup>(1)</sup>				2,185,000 <sup>(2)</sup>		
(II) Remuneration from subsidiaries and associates									
	<b>Total</b>		724,000				2,185,000 <sup>(2)</sup>		
<b>Pierfranco Barabani</b>	Executive Deputy Chairman								
I) Remuneration in the company that prepares the financial statements	February 6, 2015	Annual MBO	100,000						
(II) Remuneration from subsidiaries and associates									
	<b>Total</b>		100,000						
<b>Carlo Pesenti</b>	Chief Executive Officer								
I) Remuneration in the company that prepares the financial statements	February 06, 2015	Annual MBO	0						
	May 03, 2013	Three-year LTI	551,563 <sup>(1)</sup>				2,875,000 <sup>(2)</sup>		
	November 06, 2015							4,240,000 <sup>(5)</sup>	
(II) Remuneration from subsidiaries and associates							\		
	<b>Total</b>		551,563				2,875,000 <sup>(2)</sup>		4,240,000 <sup>(5)</sup>
<b>Giovanni Battista Ferrario</b>	Chief Operating Officer								
I) Remuneration in the company that prepares the financial statements	February 6, 2015	Annual MBO	0						
	February 6, 2014	Three-year LTI		Max. 1,000,000 <sup>(3)</sup>				Max. 1,000,000 <sup>(4)</sup>	
	November 6, 2015								10,722,200 <sup>(5)</sup>
(II) Remuneration from subsidiaries and associates									
	<b>Total</b>		0	Max. 1,000,000 <sup>(3)</sup>				Max. 1,000,000 <sup>(4)</sup>	10,722,200 <sup>(5)</sup>

Name, surname	Position	Plan	Bonus for the year			Bonus for previous years			Other bonuses
			Payable/disbursed	Deferred	Deferment period	No longer payable	Payable/disbursed	Still deferred	
<b>Carlo Bianchini</b>	Manager in charge								
(I) Remuneration in the company that prepares the financial statements	February 06, 2015	Annual MBO	103,400						
	February 06, 2014	Three-year LTI		Max. 133,000 <sup>(3)</sup>				Max. 133,000 <sup>(4)</sup>	
	November 6, 2015								2,314,300 <sup>(5)</sup>
<b>Total</b>			103,400	Max. 133,000 <sup>(3)</sup>				Max. 133,000 <sup>(4)</sup>	2,314,300 <sup>(5)</sup>

<sup>(1)</sup> Share of LTI plan 2013-2015 recognized in financial year 2015

<sup>(2)</sup> Share of LTI plan 2013-2015 recognized in financial years 2013-2014

<sup>(3)</sup> Theoretical share of LTI plan 2014-2016 accruing in financial year 2015

<sup>(4)</sup> Theoretical share of LTI plan 2013-2015 accruing in financial year 2014

<sup>(5)</sup> Remuneration to be paid in 2016, part of which is subject to a condition precedent

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## Shareholdings of members of governing and supervising bodies, Chief Operating Officer and Manager in charge of preparing the company's financial reports

Name, surname	Investee company	Number of shares held at the end of the previous financial year	Number of shares purchased	Number of shares sold	Number of shares held at the end of the current financial year
Giampiero Pesenti	Italcementi S.p.A.	ordinary shares: 42,984 <sup>1</sup>	-	40,922 <sup>2</sup>	2,062
Pierfranco Barabani	Italcementi S.p.A.	ordinary shares: 89,605 <sup>1</sup>	-	-	89,605 <sup>1</sup>
Lorenzo Renato Guerini	Italcementi S.p.A.	ordinary shares: 85,713 <sup>3</sup>	-	-	85,713 <sup>3</sup>
Carlo Pesenti	Italcementi S.p.A.	ordinary shares: 4,961 <sup>1</sup>	13,641 <sup>4</sup>	-	18,602 <sup>1</sup>
Giorgio Bonomi	Italcementi S.p.A.	ordinary shares: 2,500	13,640 <sup>5</sup>	-	16,140 <sup>1</sup>
Federico Falck	Italcementi S.p.A.	ordinary shares: 52,000	-	-	52,000
Sebastiano Mazzoleni	Italcementi S.p.A.	ordinary shares: 2,895	-	-	2,895
Carlo Bianchini	Italcementi S.p.A.	ordinary shares: 6,300	-	-	6,300
Mario Comana	Italcementi S.p.A.	ordinary shares: 5,426	-	-	5,426

1 shares held in part directly and in part by spouse

2 shares held by spouse and bequeathed to offspring

3 shares held by spouse

4 shares received as bequest

5 shares received as bequest from spouse

\* \* \*

To the Shareholders,

We invite you to adopt the following resolution:

"The Shareholders' Meeting of Italcementi S.p.A. held on Friday, April 8, 2016,

- having acknowledged the Report prepared by the Directors,  
hereby resolves

***in favor of / against***

the first section of the Remuneration Report illustrated above.

## **Appointment of the Board of Directors after determination of term of office and number of members.**

To the Shareholders,

the Board of Directors of your company has completed its term of office.

We thank you for the trust you have placed in us and invite you to appoint a new board, after determination of the term of office and the number of members, which, in compliance with art. 14 of the By-Laws, may not be lower than 11 or higher than 21.

Pursuant to the By-Laws, the Board of Directors is appointed on the basis of lists designed to ensure that minority shareholders are also represented on the Board.

Lists may be presented by shareholders who alone or jointly with other shareholders demonstrate that they hold a share of the voting capital of not less than 1% on the day on which the lists are filed with the company.

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 belonging to a voting trust relating to 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.

In every list, the names of the candidates must be listed with a progressive number.

Pursuant to the By-Laws, which was duly amended to reflect legal requirements regarding gender representation, lists presenting three or more candidates shall consist of both male and female candidates, so that the one and the other gender is represented by at least one third (rounded up) of the candidates.

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

Lists must be filed with the headquarters (**Via G. Camozzi 124, 24121 Bergamo** – Corporate Affairs Department) or sent to the certified e-mail address [affarisocietari@italcementi.legalmail.it](mailto:affarisocietari@italcementi.legalmail.it), at least 25 days before the day set for the Meeting (*i.e.*, no later than March 14, 2016) together with the following documentation:

- a) declarations with which the individual candidates accept the candidacy and state, under their own responsibility, that no causes of ineligibility exist and that they meet the honorability requirements set by law;
- b) a brief *curriculum vitae* setting out the personal and professional characteristics of each candidate, indicating administration and control positions held in other companies;
- c) the declarations of each candidate with regard to possession of the independence requirements set by law and by the Code of Conduct;
- d) the information on the identity of the shareholders presenting the lists;
- e) the declaration by the shareholders, other than those who alone or jointly, hold a controlling interest or relative majority, attesting the absence of relationships as defined by current regulations.

The documentation proving entitlement to exercise the right to vote at the date on which the lists are filed, issued by an authorized intermediately, may be produced at a subsequent time provided that this is within the 21 days prior to the meeting date (*i.e.*, no later than March 18, 2016).

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

Bergamo, February 18, 2016

for the Board of Directors

The Chairman  
*Giampiero Pesenti*





# Separated financial statements

## Financial statements

### Statement of financial position

(euro)	Notes	12.31.2015	12.31.2014	Changes
<b>Non-current assets</b>				
Property, plant and equipment	2	577,746,862	606,407,601	(28,660,739)
Investment property	2	15,157,168	16,930,964	(1,773,796)
Goodwill	3	25,459,687	25,170,042	289,645
Intangible assets	4	12,741,942	14,394,431	(1,652,489)
Investments in subsidiaries and associates	5	2,003,706,418	2,082,672,609	(78,966,191)
Other equity investments	5	5,741,754	5,731,214	10,540
Deferred tax assets	19	50,684,840	60,614,316	(9,929,476)
Other non-current assets	6	51,566,022	52,757,459	(1,191,437)
<b>Total non-current assets</b>		<b>2,742,804,693</b>	<b>2,864,678,636</b>	<b>(121,873,943)</b>
<b>Current assets</b>				
Inventories	7	73,079,704	76,516,660	(3,436,956)
Trade receivables	8	177,232,230	176,692,179	540,051
Other current assets including derivatives	9	34,652,155	111,753,901	(77,101,746)
Tax assets	10	2,175,371	938,998	1,236,373
Equity investments, bonds, current financial assets	11	259,623,050	224,420,893	35,202,157
Cash and cash equivalents	12	2,669,986	3,084,927	(414,941)
Assets held for sale	2-5	66,121,790	-	66,121,790
<b>Total current assets</b>		<b>615,554,286</b>	<b>593,407,558</b>	<b>22,146,728</b>
<b>Total assets</b>		<b>3,358,358,979</b>	<b>3,458,086,194</b>	<b>(99,727,215)</b>
<b>Equity</b>				
Share capital	13	401,715,071	401,715,071	-
Share premium	14	711,878,525	712,049,401	(170,876)
Reserves	14	(2,231,549)	(2,994,093)	762,544
Treasury shares	15	(58,689,585)	(58,689,585)	-
Retained earnings	16	632,195,632	700,324,338	(68,128,706)
<b>Total equity</b>		<b>1,684,868,094</b>	<b>1,752,405,132</b>	<b>(67,537,038)</b>
<b>Non-current liabilities</b>				
Financial liabilities	20	861,358,724	1,024,197,989	(162,839,265)
Employee benefits	17	42,366,214	54,018,302	(11,652,088)
Provisions	18	23,487,692	23,199,494	288,198
Other non-current liabilities	20	26,747,646	29,536,312	(2,788,666)
<b>Total non-current liabilities</b>		<b>953,960,276</b>	<b>1,130,952,097</b>	<b>(176,991,821)</b>
<b>Current liabilities</b>				
Loans and borrowings	20	203,015,667	129,519,055	73,496,612
Financial liabilities	20	335,791,583	281,677,848	54,113,735
Trade payables	21	67,237,062	70,696,702	(3,459,640)
Tax liabilities	10	-	339,531	(339,531)
Other current liabilities	22	113,486,297	92,495,829	20,990,468
<b>Total current liabilities</b>		<b>719,530,609</b>	<b>574,728,965</b>	<b>144,801,644</b>
<b>Total liabilities</b>		<b>1,673,490,885</b>	<b>1,705,681,062</b>	<b>(32,190,177)</b>
<b>Total equity and liabilities</b>		<b>3,358,358,979</b>	<b>3,458,086,194</b>	<b>(99,727,215)</b>

## Income statement

(euro)	Notes	2015	%	2014	%	Change	%
<b>Revenue</b>	24	<b>416,054,997</b>	<b>100.0</b>	<b>436,532,485</b>	<b>100.0</b>	<b>(20,477,488)</b>	<b>-4.7</b>
Other revenue	25	22,495,132		27,130,916			
Change in inventories		(3,061,921)		(6,194,868)			
Internal work capitalized		108,326		306,886			
Raw materials and supplies	26	(173,328,459)		(187,852,416)			
Services	27	(114,996,248)		(121,749,815)			
Employee expense	28	(138,796,846)		(140,007,322)			
Other operating income (expense)	29	32,318,975		5,037,923			
<b>Recurring EBITDA</b>		<b>40,793,956</b>	<b>9.8</b>	<b>13,203,789</b>	<b>3.0</b>	<b>27,590,167</b>	<b>n.s.</b>
Net gains from the sale of non-current assets	30	4,442,925		9,131,220			
Other non-recurring income (expense)	30	(31,260,501)		(1,511,649)			
<b>EBITDA</b>		<b>13,976,380</b>	<b>3.4</b>	<b>20,823,360</b>	<b>4.8</b>	<b>(6,846,980)</b>	<b>32.9</b>
Amortization and depreciation	2-4	(60,511,199)		(59,780,284)			
Impairment	2	(15,256,574)		(17,134,041)			
<b>EBIT</b>		<b>(61,791,393)</b>	<b>-14.9</b>	<b>(56,090,965)</b>	<b>-12.8</b>	<b>(5,700,428)</b>	<b>-10.2</b>
Finance income	31	129,121,609		117,682,405			
Finance costs	31	(77,413,353)		(79,062,818)			
Net exchange-rate differences and derivatives	31	3,008,664		(31,627)			
Impairment on financial assets	5	(24,855,000)		(42,020,317)			
<b>Loss before tax</b>		<b>(31,929,473)</b>	<b>-7.7</b>	<b>(59,523,322)</b>	<b>-13.6</b>	<b>27,593,849</b>	<b>46.4</b>
Income tax (expense)	32	(6,340,900)		5,498,308			
<b>Loss for the year</b>		<b>(38,270,373)</b>	<b>-9.2</b>	<b>(54,025,014)</b>	<b>-12.4</b>	<b>15,754,641</b>	<b>29.2</b>

n.s. = not significant

## Statement of comprehensive income

(in thousands of euro)	2015	%	2014	%	Change
<b>Loss for the year</b>	<b>(38,270,373)</b>	<b>9.2</b>	<b>(54,025,014)</b>	<b>12.4</b>	<b>15,754,641</b>
Other comprehensive income (expense) relating to continuing operations					
<b>Items that will not be reclassified to profit or loss subsequently</b>					
Remeasurement of the net liability (asset) for employee benefits	1,228,484		(3,253,895)		4,482,379
<b>Total items that will not be reclassified to profit or loss subsequently</b>	<b>1,228,484</b>		<b>(3,253,895)</b>		<b>4,482,379</b>
<b>Items that might be reclassified to profit or loss subsequently</b>					
Fair value gains (losses) on cash flow hedges	762,544		(20,881,448)		21,643,992
<b>Total items that might be reclassified to profit or loss subsequently</b>	<b>762,544</b>		<b>(20,881,448)</b>		<b>21,643,992</b>
<b>Total other comprehensive income (expense)</b>	<b>1,991,028</b>	<b>-0.5</b>	<b>(24,135,343)</b>	<b>5.5</b>	<b>26,126,371</b>
<b>Total comprehensive expense</b>	<b>(36,279,345)</b>	<b>8.7</b>	<b>(78,160,357)</b>	<b>17.9</b>	<b>41,881,012</b>

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## Statement of changes in equity

	Share capital	Share premium	Reserves	Other reserves	Treasury shares	Retained earnings	Total equity
(euro)							
<b>Balances at December 31, 2013</b>	<b>282,548,942</b>	<b>344,103,798</b>	<b>( 5,120,959)</b>	<b>23,008,315</b>	<b>( 58,689,585)</b>	<b>774,322,272</b>	<b>1,360,172,783</b>
Profit (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 income (expense) re-stated			( 20,881,449)			( 3,253,895)	( 24,135,344)
Distribution of earnings:							
Dividends						( 16,719,025)	( 16,719,025)
<b>Balances at December 31, 2014</b>	<b>401,715,071</b>	<b>712,049,401</b>	<b>( 26,002,408)</b>	<b>23,008,315</b>	<b>( 58,689,585)</b>	<b>700,324,338</b>	<b>1,752,405,132</b>
Profit (loss) for the year						( 38,270,373)	( 38,270,373)
Adjustment to share capital increase		( 170,876)					( 170,876)
Total other comprehensive income (expense)			762,544			1,228,484	1,991,028
Distribution of earnings:							
Dividends						( 31,086,817)	( 31,086,817)
<b>Balances at December 31, 2015</b>	<b>401,715,071</b>	<b>711,878,525</b>	<b>( 25,239,864)</b>	<b>23,008,315</b>	<b>( 58,689,585)</b>	<b>632,195,632</b>	<b>1,684,868,094</b>

## Statement of cash flows

(euro)	2015	2014
<b>A) Cash flow from operating activities</b>		
Profit (loss) before tax	(31,929,473)	(59,523,322)
Amortization, depreciation and impairment	75,767,773	76,914,345
Impairment on financial assets	24,855,000	42,020,317
(Gains) losses from sale of non-current assets	(4,420,258)	(9,417,577)
Change in employee benefits and other provisions	(10,035,405)	(21,975,721)
Reversal of net finance costs (income)	(52,113,558)	(42,220,022)
<b>Cash flow from operating activities before tax, finance income/costs and change in working capital</b>	<b>2,124,079</b>	<b>(14,201,980)</b>
Working capital	(562,735)	21,015,703
Other assets/liabilities	47,971,684	(9,640,611)
<b>Total change in working capital</b>	<b>47,408,949</b>	<b>11,375,092</b>
Net finance costs paid	(68,250,068)	(66,185,148)
Dividends received	173,843,464	54,675,778
Taxes (paid) or surpluses recovered	9,272,917	9,178,603
<b>Total A)</b>	<b>164,399,341</b>	<b>(5,157,655)</b>
<b>B) Cash flow from investing activities</b>		
Capital expenditure:		
Intangible assets	(3,974,623)	(3,816,188)
Property, plant and equipment and investment property	(62,299,611)	(133,131,789)
Financial assets (equity investments)	(685,540)	(1,626,177)
Other assets	(21,814)	832,824
<b>Total capital expenditure</b>	<b>(66,981,588)</b>	<b>(137,741,330)</b>
Change in receivables from sale of business unit	-	7,541,565
Proceeds from the sale of non-current assets	13,494,705	24,225,212
<b>Total sales</b>	<b>13,494,705</b>	<b>31,766,777</b>
<b>Total B)</b>	<b>(53,486,883)</b>	<b>(105,974,553)</b>
<b>C) Cash flow from financing activities</b>		
Increase in non-current financial liabilities	354,095	50,354,096
Repayment of non-current financial liabilities	(51,542,617)	(1,512,783)
Change in current financial liabilities	16,346,542	86,501,516
Change in other financial assets	(31,557,413)	38,930,112
Change in interests in subsidiaries	-	(466,227,489)
Replenishment to cover investee losses	(13,668,068)	(66,629,709)
Change in share capital	-	119,166,129
Change in share premium	(170,876)	367,995,603
Dividends paid	(31,089,062)	(16,796,565)
<b>Total C)</b>	<b>(111,327,399)</b>	<b>111,780,910</b>
<b>D) Cash flows for the period (A+B+C)</b>	<b>(414,941)</b>	<b>648,702</b>
<b>E) Cash and cash equivalents at beginning of year</b>	<b>3,084,927</b>	<b>2,436,225</b>
<b>Cash and cash equivalents at end of year (D+E)</b>	<b>2,669,986</b>	<b>3,084,927</b>

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## Notes

The separate financial statements of Italcementi S.p.A. as at and for the year ended December 31, 2015 were approved by the Board of Directors on February 18, 2016. At the meeting, the Board authorized publication of a press release dated February 18, 2016 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 e 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 consolidated financial statements have been drawn up in compliance with the International Accounting Standards and International Financial Reporting Standards (IFRS) and with the IFRIC interpretations applicable at December 31, 2015 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, 2015 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 2015

Since January 1, 2015, the company has adopted the new standards and changes set out below, including the changes arising therefrom applied to other standards.

- "Annual Improvements cycle 2011-2013". The changes introduced constitute clarifications and corrections (IFRS 3 "Business combinations" and IFRS 13 "Fair value measurement"). They involve amendments to current requirements or provide additional indications regarding 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.

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Application of the aforementioned standards, amendments and interpretations has not had a material impact on the company's financial statements.

As from January 1, 2015, with regard to the application by the Group of IAS 16 "Property, plant and equipment", attention is drawn to the fact that the list of the components and the useful lives of the company's industrial assets has been updated to reflect technological developments and the benefits expected to accrue from use of the assets in question.

### **Standards and interpretations to come into force in 2016**

- Changes to IAS 19 "Employee benefits" with regard to "Defined benefit plans: employee contributions"; the changes 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 payment" and IFRS 3 "Business combinations" involve changes to current requirements or provide additional indications regarding application.
- Changes to IAS 1 "Presentation of financial statements" in connection with the "Disclosure initiative" to improve disclosure effectiveness and encourage companies to apply professional judgement in determining what information to disclose in their financial statements. The changes to IAS 1 have necessitated adjustments to IAS 34 "Interim financial reporting" and IFRS 7 "Financial instruments: disclosures" to ensure consistency among the various standards.
- "Annual Improvements cycle 2012-2014". The changes to IFRS 5 "Non-current assets held for sale and discontinued operations", the afore-mentioned IAS 34 and IFRS 7, IFRS 1 "First-time adoption of International Financial Reporting Standards" and IAS 19 are part of the normal rationalization measures designed to eliminate inconsistencies or provide terminological clarifications.
- Changes to IAS 27 "Separate financial statements" entitled "Equity method in separate financial statements" to permit application of the equity method to investments in subsidiaries, joint ventures and associates in separate financial statements. These changes, which also necessitated adjustments to IFRS 1 and IAS 28 "Investments in associates and joint ventures", contain references to IFRS 9 "Financial instruments", which currently cannot be applied since IFRS 9 has not yet been endorsed by the European Union. Consequently, any reference to IFRS 9 must be read as a reference to IAS 39 "Financial instruments: recognition and measurement".
- Changes to IAS 16 "Property, plant and equipment" and IAS 41 "Agriculture" entitled "Agriculture: bearer plants" with related changes to a number of other standards,
- Amendments to IAS 16 and IAS 38 "Intangible assets" entitled "Clarification of acceptable methods of depreciation and amortization", in which methods based on revenue are described as inappropriate.
- Amendments to IFRS 11 "Joint arrangements" concerning "Accounting for acquisitions of interests in joint operations", with new indications regarding accounting treatment.

The above new standards or changes are not expected to have material impacts on the company's financial statements.

**Standards and interpretations published by the IASB and the IFRIC at December 31, 2015, but not endorsed by the European Union at that date**

- IFRS 9 "Financial instruments".
- IFRS 14 "Regulatory Deferral Accounts", for which the European Commission has not yet begun the approval process, pending issue of the definitive standard.
- IFRS 15 "Revenue from contracts with customers".
- IFRS 16 "Leases".
- Changes to IFRS 10 "Consolidated financial statements", IFRS 12 "Disclosure of interests in other entities" and IAS 28 with the title "Investment entities - applying the consolidation exception".
- Changes to IFRS 10 and IAS 28 with the title "Sale or contribution of assets between an investor and its associate or joint venture".

## **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 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 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 flow, 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.

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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. 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 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 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 equity and income 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 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 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 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.

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## Allocation of the cost of business combinations

Goodwill is measured as the positive difference between:

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

If the difference is negative, it is recognized in the income statement.

If on initial recognition the acquisition cost of a business combination can only be determined provisionally, the allocated amounts are adjusted within twelve months of the acquisition date (measurement period).

## 1.5. Translation of foreign currency items

### Foreign currency transactions

Foreign currency transactions are initially translated into the functional currency using the exchange rate at the transaction date. At the end of the reporting period, foreign currency monetary assets and liabilities are translated into the functional currency at the closing rate. Exchange-rate gains and losses are taken to the income statement.

Non-monetary foreign currency assets and liabilities valued at cost are translated at the exchange rate ruling at the transaction date; those measured at fair value are translated with the exchange rate at the date fair value was determined.

## 1.6. Property, plant and equipment

### Recognition and measurement

Property, plant and equipment are recognized at cost, less accumulated depreciation and impairment losses. Cost includes the purchase or production cost and the directly attributable costs of bringing the asset to the location and the conditions required for its operation. Production cost includes the cost of materials and direct labor costs. Finance costs relating to the purchase, construction and production of qualifying assets are capitalized. The carrying amount of some assets existing at the IFRS first-time adoption date of January 1, 2004 reflects revaluations applied in prior years in connection with specific local laws, based on the real economic value of the assets in question. Assets acquired through business combinations are stated at fair value, determined on a provisional basis at the acquisition date and subsequently adjusted within the following twelve months.

Subsequent to initial recognition, property, plant and equipment are carried at cost and depreciated over the 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.

## **Amortization and 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 degree of use, the charge cannot be defined at inception with a balancing entry to the asset cost, but is provided for 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 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 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

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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 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 suitable 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 nominal value, less allowances for impairment, which are provided as doubtful debts are identified.

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 company conducts a customer-by-customer analysis of doubtful receivables; based on the analysis, the carrying amount of doubtful 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 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) 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.

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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.

These actuarial calculations require use of consistent and objective actuarial assumptions about demographic variables (mortality rate, personnel turnover rate) and financial variables (discount rate, future increments on salaries and medical benefits).

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 plans

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 immediately under other comprehensive income.

Actuarial gains and losses relating to "Other long-term benefits" (service medals, length of service benefits) and to termination benefits (early retirement) are recognized as income or expense immediately.

### Past service cost

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

### Curtailment and settlement

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized as income or expense when the curtailment or settlement occurs. The gain or loss includes changes in the present value of the

obligation, changes in the fair value of plan assets and past service costs not previously accounted for. At the curtailment or settlement date, the obligation and the fair value of the plan assets are re-measured using current actuarial assumptions.

#### **Net finance cost**

Net finance cost on defined benefit plans consists of the following measurements:

- finance costs computed on the present value of the defined benefit plan liability;
- finance income arising from measurement of the plan assets;
- finance costs or income arising from any limits on recognition of plan surpluses.

Net finance cost is determined by applying to all the above items, the discount rate adopted at the beginning of the period to measure the defined benefit plan obligation.

Net finance costs on defined benefit plans are recognized under finance income/(costs) in the income statement.

#### **1.18. Share-based payments**

The 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.

A separate provision is recognized 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.

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## 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 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 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 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 rate 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 described 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

	Land and buildings	Quarries	Technical plant, materials and equipment	Other property, plant and equipment	Assets under construction and payment on account	Total
(in thousands of euro)						
<b>Net carrying amount at December 31, 2014</b>	<b>150,909</b>	<b>13,908</b>	<b>374,513</b>	<b>6,814</b>	<b>60,263</b>	<b>606,407</b>
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)
<b>Net carrying amount at December 31, 2014</b>	<b>150,909</b>	<b>13,908</b>	<b>374,513</b>	<b>6,814</b>	<b>60,263</b>	<b>606,407</b>
Additions	2,258	323	62,891	584	( 19,073)	46,983
Disposals	( 4,644)	-	( 1,047)	( 2)	( 65)	( 5,758)
Depreciation	( 9,719)	( 321)	( 42,131)	( 2,217)	-	( 54,388)
Impairment losses	( 7,187)	( 2,344)	( 5,725)	-	-	( 15,256)
Reclassifications	( 241)	430	( 430)	-	-	( 241)
<b>Net carrying amount at December 31, 2015</b>	<b>131,376</b>	<b>11,996</b>	<b>388,071</b>	<b>5,179</b>	<b>41,125</b>	<b>577,747</b>
Gross amount	528,642	58,408	2,279,248	68,187	41,125	2,975,610
Accumulated depreciation	( 397,266)	( 46,412)	( 1,891,177)	( 63,008)	-	( 2,397,863)
<b>Net carrying amount at December 31, 2015</b>	<b>131,376</b>	<b>11,996</b>	<b>388,071</b>	<b>5,179</b>	<b>41,125</b>	<b>577,747</b>

The additions made during the year refer essentially to the revamping of the Rezzato cement plant and the normal renovation of industrial plant.

During the year impairment losses of 2,344 thousand euro were recognized on land for quarries, of 7,187 thousand euro on industrial buildings and of 5,725 on plant in connection with the production re-organization plan and taking estimated realizable value into account.

Non-current assets held under finance leases or rental contracts, which come under the IFRS definition of leases, were carried at 400 thousand euro (476 thousand euro at December 31, 2014) and concerned buildings.

The review of industrial assets and related useful lives generated a reduction of 3,464 thousand euro in depreciation.

The new useful lives adopted by the company for the main asset categories are as follows:

Civil and industrial buildings 10 – 33 years

Plant and machinery 2 – 30 years

Other property, plant and equipment 4 – 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 15,157 thousand euro (16,931 thousand euro at December 31, 2014) is carried at amortized cost.

(in thousands of euro)	Investment property
<b>Net carrying amount at December 31, 2014</b>	<b>16,931</b>
Gross amount	70,733
Accumulated depreciation	( 53,802)
<b>Net carrying amount at December 31, 2014</b>	<b>16,931</b>
Disposals	( 42)
Depreciation	( 785)
Reclassifications	241
Transfers to caption "Assets held for sale"	( 1,188)
<b>Net carrying amount at December 31, 2015</b>	<b>15,157</b>
Gross amount	67,050
Accumulated depreciation	( 51,893)
<b>Net carrying amount at December 31, 2015</b>	<b>15,157</b>

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 transfers to the caption "Assets held for sale" refers to a number of buildings in Rome. Preliminary agreements have been signed for the sale of these assets to third parties.

The fair value of these assets at December 31, 2015 was 67.8 million euro.

## 3. Goodwill

Goodwill totaled 25,460 thousand euro.

The goodwill acquired in a business combination is allocated to the cash-generating units (CGU). 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 the future cash flows to be used was based on the 2016 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 previous years, 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).

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WACC is computed on the basis of the market value of own funds (risk-free rate based on Eurozone 10-year government bonds – source Bloomberg, average 12 months; beta coefficient – average 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	
	2015	2014	2015	2014
<b>Cash-generating units</b>				
Italy	8.5	8.2	1.6	1.5

The test for 2015 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, 2015, 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 expected cash flows, even if combined with the above WACC increment, would not determine a surplus difference in carrying amount with respect to recoverable amount for the CGU.

Based on 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 10%.

## 4. Intangible assets

	Concessions	Patnts, brands, licenses and other rights	Software development expenses	Total
(in thousands of euro)				
<b>Net carrying amount at December 31, 2014</b>	<b>672</b>	<b>2,088</b>	<b>11,633</b>	<b>14,393</b>
Gross amount	1,459	9,169	28,002	38,630
Accumulated amortization	( 787)	( 7,081)	( 16,369)	( 24,237)
<b>Net carrying amount at December 31, 2014</b>	<b>672</b>	<b>2,088</b>	<b>11,633</b>	<b>14,393</b>
Additions	564	299	2,823	3,686
Amortization	( 78)	( 730)	( 4,530)	( 5,338)
<b>Net carrying amount at December 31, 2015</b>	<b>1,158</b>	<b>1,657</b>	<b>9,926</b>	<b>12,741</b>
Gross amount	2,023	9,468	30,825	42,316
Accumulated amortization	( 865)	( 7,811)	( 20,899)	( 29,575)
<b>Net carrying amount at December 31, 2015</b>	<b>1,158</b>	<b>1,657</b>	<b>9,926</b>	<b>12,741</b>

The year's additions mainly concerned project development work for standardization of internal Group processes.

The amortization period for "Concessions" is based on the term of the agreements signed.

Software licenses of indeterminate life and related development costs are amortized over a five-year period.

## 5. Investments in subsidiaries and associates

The changes compared to December 31, 2014 were as follows:

(in thousands of euro)	
<b>At December 31, 2014</b>	<b>2,082,673</b>
Acquisitions	13,668
Reimbursements	( 450)
Sales	( 23)
Merger-related acquisitions	1,091
Merger-related eliminations	( 1,091)
Use of impairment loss on financial receivables due from investees	( 2,556)
Impairment on financial assets	( 24,672)
Reclassification "Assets held for sale"	( 64,934)
<b>At December 31, 2015</b>	<b>2,003,706</b>

Acquisitions of 13,668 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 10,085 thousand euro, Calcementi Jonici S.r.l. for 2,555 thousand euro and Italterminali S.r.l. for 1,028 thousand euro.

Reimbursements refer to the partial reimbursement of share capital by Sirio S.p.A..

Sales refer to the winding up of the investee Les Ciments de Zouarine S.A..

On July 1, 2015, the merger of Star.co S.r.l. into Italcementi Ingegneria S.r.l. took place.

The 2,556 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 2016 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 (1.6%). The pre-tax discount rate used to calculate the present value of expected cash flows for operations in Italy is 8.5%.

The aforementioned discount and growth rates are supported by previous experience and are in line with those in use in the sector.

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Impairment testing generated impairment losses on Calcestruzzi S.p.A. for 22,559 thousand euro, Azienda Agricola Lodoletta S.r.l. for 187 thousand euro, S.A.M.A. S.p.A. for 1,055 thousand euro, Italterminali S.r.l. for 725 thousand euro and Shqiperia Cement Company for 146 thousand euro.

The reclassification of assets held for sale refers to the equity investments in Bravosolution S.p.A. (43,590 thousand euro), Italgen S.p.A. (20,111 thousand euro) and Italterminali S.r.l. (1,233 thousand euro), for which preliminary sale agreements have been signed. The sale of the entire equity investment in Italterminali took place at the end of January 2016.

The list of investments in subsidiaries and associates at December 31, 2015 is set out below:

(in thousands of euro)	Location	Share capital	% held	Carrying amount at Dec. 31, 2015
Azienda Agricola Lodoletta S.r.l.	Bergamo	€ 10,400	75.00	2,081
Bravobloc S.r.l.	Bergamo	€ 1,000,000	90.00	1,820
BravoEnergy S.r.l.	Bergamo	€ 10,000	99.90	286
CTG S.p.A.	Bergamo	€ 500,000	50.00	1,412
Cal cementi Jonici S.r.l.	Siderno (RC)	€ 600,000	99.90	-
Calcestruzzi S.p.A.	Bergamo	€ 1,000,000	97.90	2,406
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	10,550
Nuova Sacelit S.r.l.	Bergamo	€ 5,000,000	100.00	6,939
SAMA S.r.l.	Bergamo	€ 200,000	99.00	588
Société Internationale Italcementi (Luxembourg) S.A.	Luxembourg	€ 1,771,500	99.87	13,897
Shqiperia Cement Company	Tirana	ALL 74,250,000	100.00	406
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
Sirio S.p.A. - Associazione in Partecipazione	Milan	-	-	4,500
<b>Total</b>				<b>2,003,706</b>

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. <sup>(1)</sup>	6,143	5,332	3,058	( 4,587)

(1) data taken from the financial statements at December 31, 2014

## 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 5,742 thousand euro was 11 thousand euro higher than the previous year after subscription of an equity investment in the consortium Energy for Growth S.c.ar.l.

The breakdown of other equity investments at December 31, 2015 was as follows:

(in thousands of euro)	
<b>Equity investments in non-listed companies</b>	
Istituto Europeo di Oncologia S.p.A.	3,686
S.A.C.B.O. S.p.A.	2,029
Other equity investments	27
<b>Total</b>	<b>5,742</b>
<b>Total other equity investments</b>	<b>5,742</b>

## 6. Other non-current assets

(in thousands of euro)	12.31.2015	12.31.2014	Change
Guarantee deposits	614	593	21
Receivables for expropriations	2,100	2,287	( 187)
Receivables from sale of assets	-	884	( 884)
Derivatives	5,145	5,575	( 430)
Financial receivables due from Group companies	12,211	12,211	-
Receivables due from Italmobiliare for requested IRAP tax reimbursement	812	1,249	( 437)
Receivables due from tax authorities for withholdings	1,070	610	460
Tax credit on investments	966	-	966
Receivables due from tax authorities for interruption of tax consolidation	28,648	29,348	( 700)
<b>Totale</b>	<b>51,566</b>	<b>52,757</b>	<b>( 1,191)</b>

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.

“Receivables due from tax authorities for interruption of the tax consolidation” of 28,648 thousand euro related to advances paid and withholdings made in previous years.

## Current assets

### 7. Inventories

(in thousands of euro)	12.31.2015	12.31.2014	Change
Raw materials, consumables and supplies	41,778	42,153	( 375)
Work in progress and semi-finished goods	18,888	20,189	( 1,301)
Finished goods	12,414	14,175	( 1,761)
<b>Total</b>	<b>73,080</b>	<b>76,517</b>	<b>( 3,437)</b>

Inventories of raw materials, consumables and supplies are shown net of the allowance for impairment of 7,574 thousand euro (6,608 thousand euro at December 31, 2014), provided against the risk of slow-moving supplies, spare parts and consumables; they include spare parts for an amount of 12,716 thousand euro at December 31, 2015 (15,453 thousand euro at December 31, 2014).

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## 8. Trade receivables

(in thousands of euro)	12.31.2015	12.31.2014	Change
From customers	143,622	145,364	( 1,742)
From Group companies	49,137	48,607	530
Allowance for impairment	( 15,527)	( 17,279)	1,752
<b>Net amount</b>	<b>177,232</b>	<b>176,692</b>	<b>540</b>

The decrease in receivables due from customers is related to the trend in sales during 2015.

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 2,627 thousand euro and applications of 4,379 thousand euro.

## 9. Other current assets

(in thousands of euro)	12.31.2015	12.31.2014	Change
Amounts due from social security authorities	8,065	5,431	2,634
Amounts due from tax authorities for VAT	301	1,254	( 953)
Receivables due from subsidiaries for tax consolidation	987	5,972	( 4,985)
Receivables for grants related to assets	166	116	50
Other receivables	21,353	40,309	( 18,956)
Receivables for dividends to be collected	-	53,398	( 53,398)
Receivables for sale of equity investments and non-current assets	796	500	296
Derivatives	615	1,318	( 703)
Prepayments and accrued income	2,369	3,456	( 1,087)
<b>Total</b>	<b>34,652</b>	<b>111,754</b>	<b>( 77,102)</b>

Other receivables consist mainly of the amounts recognized, net of sales and impairment losses, for the allocation of white certificates (222 thousand euro), the current amount of the receivable accrued at December 31, 2012 for "new entry" carbon quotas recognized for the period 2008-2012 (14,505 thousand euro) and receivables for the disposal of a business unit and other non-current assets (2,119 thousand euro).

The receivable due from subsidiaries in the tax consolidation arises from the formation of a new domestic tax consolidation under Italcementi S.p.A., after the interruption of the tax consolidation under Italmobiliare S.p.A.

Prepayments and accrued income include an amount of 1,343 thousand euro (2,616 thousand euro at December 31, 2014) 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)	12.31.2015	12.31.2014	Change
Tax receivable for prior-year taxes	356	356	-
Tax credit for "dividend imputation"	-	583	( 583)
Tax receivables for capital expenditure	483	-	483
Tax receivables for IRAP payments on account and surpluses to be recovered	1,369	-	1,369
Tax payable for foreign companies	( 33)	-	( 33)
<b>Total</b>	<b>2,175</b>	<b>939</b>	<b>1,236</b>

Tax liabilities were as follows:

(in thousands of euro)	12.31.2015	12.31.2014	Change
IRAP payable on income for the year	-	( 340)	340
<b>Total</b>	<b>-</b>	<b>( 340)</b>	<b>340</b>

## 11. Equity investments, bonds and financial assets

(in thousands of euro)	12.31.2015	12.31.2014	Change
Equity investments in other companies	267	267	-
Financial receivables due from Group companies	255,627	222,805	32,822
Impairment loss on financial receivables due from Group companies	( 186)	( 2,558)	2,372
Accrued interest	3,915	3,907	8
<b>Total</b>	<b>259,623</b>	<b>224,421</b>	<b>35,202</b>

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 2,558 thousand euro recognized in the previous year on financial receivables due from Group companies was partially used following replenishment of the losses of the investees.

## 12. Cash and cash equivalents

(in thousands of euro)	12.31.2015	12.31.2014	Change
Bank and postal accounts	2,517	3,002	( 485)
Cash	153	83	70
<b>Total</b>	<b>2,670</b>	<b>3,085</b>	<b>( 415)</b>

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## Equity

### 13. Share capital

At December 31, 2015, the fully paid-in share capital stood at 401,715,071.15 euro, represented by 349,270,680 ordinary shares without par value.

### 14. Reserves

Reserves reflect movements in the share premium, the fair value adjustment of available-for-sale financial assets and interest-rate and currency hedges, and the measurement of stock options.

The stock option reserve reflects the total amount of options granted and amortized over the vesting period of the stock option plans, at December 31, 2015.

As the table below shows, there were no movements in the reserve during the year:

	Share premium	Reserves		
		Derivative fair value reserve	Stock option reserve	Total reserves
(in thousands of euro)				
<b>At December 31, 2014</b>	<b>712,049</b>	( 26,002)	23,009	( 2,993)
Change in premium due to share capital increase	( 170)	-	-	-
Gains (losses) taken directly to reserve	-	( 5,007)	-	( 5,007)
(Gains) losses taken to income statement	-	5,770	-	5,770
<b>At December 31, 2015</b>	<b>711,879</b>	( 25,239)	23,009	( 2,230)

### 15. Treasury shares

At December 31, 2015, the carrying amount of purchased treasury shares totaled 58,690 thousand euro and was charged to the reserve for treasury shares, as documented below:

	No. of ordinary shares	Overall carrying amount (in thousands of euro)
<b>December 31, 2014</b>	3,861,604	<b>58,690</b>
<b>December 31, 2015</b>	<b>3,861,604</b>	<b>58,690</b>

Ordinary treasury shares in portfolio at December 31, 2015 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)	Amount	Possibility of use	Available amount	Summary of uses in last three years	
Nature / description				Coverage of losses	For other reasons
<b>Share capital</b>	<b>401,715</b>				
<b>Share premium</b>	<b>711,879</b>	A, B, C	711,879		
Reserves					
Stock option reserve	23,009		-	-	
Derivative fair value reserve	( 25,240)		-	-	
<b>Total reserves</b>	<b>( 2,231)</b>				
<b>Treasury shares</b>	<b>( 58,690)</b>				
Retained earnings:					
Revaluation reserves	256,992	A, B, C	256,992		
Legal reserve	56,510	B	-		
Extraordinary reserve	123,589	A, B, C	123,589	318,108	( 1) 63,241
Provision art. 18 Law no. 675/77	1,224	A, B, C	1,224		
Provision for grants related to assets	71,480	A, B, C	71,480		
Provision ex Law no.169/83	65,280	A, B, C	65,280		
Provision ex Law no.904/77	38,162	A, B, C	38,162		
Provision Law no.488/92	22,225		-	-	
Reserve ex art. 7 Leg. decree no.38/2005	40,505		-	-	
Actuarial gains (losses) on defined benefit plans	( 5,501)		-	-	
Retained earnings	-	A, B, C	-		( 1) 3,635
Profit (loss) for the year	( 38,270)		-	-	
<b>Total retained earnings</b>	<b>632,196</b>				
<b>Distributable total</b>			<b>1,268,606</b>		

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.

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## Dividends paid

Dividends declared in 2015 and 2014 were as follows:

	2015 (euro per share)	2014 (euro per share)	December 31, 2015 (000 euro)	December 31, 2014 (000 euro)
Ordinary shares	0.090	0.060	31,087	10,399
Savings shares	-	0.060	-	6,320
<b>Total dividends</b>			<b>31,087</b>	<b>16,719</b>

Dividends paid in 2015 amounted to 31,087 thousand euro (16,719 thousand euro in 2014).

## 17. Employee benefits

This caption includes post-employment benefits in accordance with 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, 2015.

	Post-employment benefits	Provision for seniority increases and social security abroad	Other employee benefits	Provisions for termination of employment	Total
(in thousands of euro)					
<b>At December 31, 2014</b>	<b>24,157</b>	<b>122</b>	<b>3,488</b>	<b>26,251</b>	<b>54,018</b>
Amounts accrued	673	-	-	-	673
Revaluation of employee benefits taken to reserve	( 1,228)	-	-	-	( 1,228)
Indemnities paid	( 2,417)	( 1)	( 534)	-	( 2,952)
Staff transfers	135	-	-	-	135
Provision	-	-	-	-	-
Use	-	-	-	( 8,265)	( 8,265)
Surplus	-	-	-	( 15)	( 15)
<b>At December 31, 2015</b>	<b>21,320</b>	<b>121</b>	<b>2,954</b>	<b>17,971</b>	<b>42,366</b>

The assumptions used to determine obligations arising from long-term benefits are set out below:

	Post-employment benefits	Other employee benefits
Discount rate	2.00%	2.00%
Future salary rises	-	3.23%
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)	12.31.2014	Additions	Decreases	12.31.2015
Restoration of quarries	18,652	460	( 562)	18,550
Other risks	2,511	871	( 117)	3,265
Restoration of industrial areas	1,667	150	( 413)	1,404
Taxes	369	-	( 100)	269
<b>Total other provisions</b>	<b>23,199</b>	<b>1,481</b>	<b>( 1,192)</b>	<b>23,488</b>

The decreases in the provision for the restoration of quarries consist of 490 thousand euro for the monetary adjustment taken to profit or loss under "Finance income" and 72 thousand euro for use of the provision against expense incurred.

The additions and decreases in the provision for other risks of 871 and 117 thousand euro respectively represent the provision for and settlement of disputes.

The decreases in the provision for restoration of industrial areas include 113 thousand euro for use against expense incurred and 300 thousand euro for the surplus arising from a lower cost forecast for remediation of a site.

With regard to tax assessments relating to Italcementi S.p.A., the tax assessment on the tax return for 2003 is still being disputed; the adjustments requested by the authorities appear to be largely unfounded, also in the view of independent consultants; the assessment relating to registration tax in 2010 is also disputed.

The dispute relating to IRES tax for 1987 was definitively closed when the ruling of the Regional Tax Commission of Milan on July 2, 2014, became final. This involved payment of additional tax and fines totaling 30 thousand euro plus interest of 34 thousand euro, with respect to an originally assessed amount of approximately 12 million euro for additional tax and fines.

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 Office appealed this decision before the Supreme Court of Cassation. The company presented a cross-appeal to the Court on April 27, 2012. The date for the hearing at the Court of Cassation has yet to be set.

In September 2011, the Bergamo Provincial Tax Office served a notice of settlement for registration, mortgage and land registry tax for 2010, for an amount of 142 thousand euro.

In November 2011, the company appealed this notice. On June 25, 2012, the hearing was held. On January 25, 2013, the sentence was deposited upholding in full the company's appeal and revoking the notice.

The Bergamo Provincial Tax Office appealed this sentence and the company was notified on July 3, 2013. The company appeared before the Regional Tax Commission, Brescia branch on October 14, 2013. The hearing was held on June 9, 2014 and, with sentence no. 4432/67/14, the Regional Tax Commission of Milan, Brescia branch, accepted the Tax Office's appeal. The company filed an appeal with the Court of Cassation in November 2014.

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## 19. Deferred tax assets and Deferred tax liabilities

	12.31.2014	Adjustments to prior-year taxes	Increases	Decreases	Deferred tax adjustment due to change in tax rates	12.31.2015
(in thousands of euro)						
Deferred tax liabilities	15,036	2	-	( 1,516)	( 1,541)	11,981
Deferred tax assets	( 141,278)	15,755	( 24,561)	9,717	9,100	( 131,267)
Unactivated deferred tax assets	65,628	( 15,755)	24,561	( 5,833)	-	68,601
<b>Total</b>	<b>( 60,614)</b>	<b>2</b>	<b>-</b>	<b>2,368</b>	<b>7,559</b>	<b>( 50,685)</b>

Deferred tax assets include 22,025 thousand euro of tax loss carryforwards arising from the interruption of the tax consolidation system with the parent Italmobiliare S.p.A.

The inactivated benefit amounts to 83,157 thousand euro, of which 10,932 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.

As a consequence of the provisions of the 2016 Stability Law and specific reference to the reduction of the IRES tax rate from 27.5% to 24%, for the tax periods after the current tax period ending at December 31,2016, in determining deferred taxes the company considered the forecast cancellation of the related temporary differences, given the new 24% IRES tax rate. The net effect taken to profit or loss was 7,559 thousand euro.

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 to the extent of the deferred tax set aside in the year.

The table below details the temporary differences that generated deferred tax assets and liabilities:

	Tax rate	Temporary differences at 12.31.15	Balance at 12.31.2014	Adjust-ment prior-year taxes	Tax provision	Applica-tions	Tax correc-tion due to change in tax rates	Balance at 12.31.2015
(in thousands of euro)								
<b>Deferred tax liabilities on:</b>								
Revaluation of inventories	27.50%	35,610	10,455		(662)			9,793
Revaluation of inventories	3.90%	35,610	1,483		(94)			1,389
Fair value of derivatives	27.50%	3,902	1,073					1,073
Other items	27.50%	4,529	2,000	2	(757)			1,245
Other items	3.90%	568	25		(3)			22
Change tax rate						(1,541)		(1,541)
<b>Total deferred tax liabilities</b>			<b>15,036</b>	<b>2</b>	<b>0</b>	<b>(1,516)</b>	<b>(1,541)</b>	<b>11,981</b>
<b>Deferred tax assets on:</b>								
Provision for restoration of quarries and industrial areas	27.50%	19,955	5,588		168	(268)		5,488
Provision for restoration of quarries and industrial areas	3.90%	6,679	263		(3)			260
Provision for other risks	27.50%	22,090	8,145		240	(2,310)		6,075
Depreciation of assets	27.50%	43,150	11,367		1,467	(967)		11,867
Employee benefits and directors' remuneration	27.50%	16,882	2,583	663	2,381	(985)		4,642
Write-down materials inventories	27.50%	5,405	1,220		577	(311)		1,486
Non-deductible interest expense	27.50%	235,560	66,162	(16,456)	15,073			64,779
Carbon emissions	27.50%	1,556	428					428
Fair value of derivatives	27.50%	10,811	2,973					2,973
Impairment of assets	27.50%	56,050	15,147		4,196	(3,929)		15,414
Prior losses	27.50%	80,092	22,025					22,025
Other items	27.50%	17,902	5,370	38	459	(944)		4,923
Other items	3.90%	169	7					7
Change tax rate						(9,100)		(9,100)
<b>Total deferred tax assets</b>			<b>141,278</b>	<b>(15,755)</b>	<b>24,561</b>	<b>(9,717)</b>	<b>(9,100)</b>	<b>131,267</b>
<b>Unactivated deferred tax assets</b>			<b>(65,628)</b>	<b>15,755</b>	<b>(24,561)</b>	<b>5,833</b>		<b>(68,601)</b>
<b>Total</b>			<b>(60,614)</b>	<b>2</b>	<b>-</b>	<b>2,368</b>	<b>7,559</b>	<b>(50,685)</b>

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## 20. Net debt

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

(in thousands of euro)		December 31, 2015	December 31, 2014
<b>Financial asset and liability category</b>	<b>Statement of financial position caption</b>		
<b>Current financial assets</b>		<b>( 263,984)</b>	<b>( 231,173)</b>
Cash and cash equivalents	Cash and cash equivalents	( 2,670)	( 3,085)
Current loan assets	Equity investments, bonds and financial assets	( 255,441)	( 220,247)
Other current financial assets	Other current assets	( 5,258)	( 6,523)
Derivatives	Other current assets	( 615)	( 1,318)
<b>Current financial liabilities</b>		<b>540,472</b>	<b>411,566</b>
Bank overdrafts and short-term borrowings	Loans and borrowings	203,016	129,519
Loans and short-term borrowings	Financial liabilities	335,791	281,678
Derivatives	Other current liabilities	1,665	369
<b>Non-current financial assets</b>		<b>( 17,356)</b>	<b>( 17,786)</b>
Securities and bonds	Other non-current assets	-	-
Non-current financial receivables	Other non-current assets	( 12,211)	( 12,211)
Derivatives	Other non-current assets	( 5,145)	( 5,575)
<b>Non-current financial liabilities</b>		<b>887,806</b>	<b>1,053,368</b>
Loans and long-term borrowings	Financial liabilities	861,359	1,024,198
Derivatives	Other non-current liabilities	26,447	29,170
<b>Net debt</b>		<b>1,146,938</b>	<b>1,215,975</b>

## 20.1. Financial liabilities

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

(in thousands of euro)	December 31, 2015	December 31, 2014
Amounts due to banks	59,383	249,165
Non-current portion of loans and borrowings	87,280	10,020
Financial liabilities from Group companies	714,696	765,013
<b>Non-current financial liabilities</b>	<b>861,359</b>	<b>1,024,198</b>
Fair value of hedging derivatives	26,447	29,170
<b>Total non-current financial liabilities</b>	<b>887,806</b>	<b>1,053,368</b>
Bank overdrafts and short-term borrowings	203,015	129,519
Current portion of loans and borrowings	70,404	9,350
Financial liabilities from Group companies	265,388	272,328
<b>Amounts due to banks and current financial liabilities</b>	<b>538,807</b>	<b>411,197</b>
Fair value of hedging derivatives	1,665	369
<b>Total current financial liabilities</b>	<b>540,472</b>	<b>411,566</b>
<b>Total financial liabilities</b>	<b>1,428,278</b>	<b>1,464,934</b>

**Main non-current and current financial liabilities:**

(in thousands of euro)	Effective interest rate	Maturity	12.31.15	12.31.14
<b>Non-current amounts due to banks</b>			<b>138,750</b>	<b>250,000</b>
Ordinary borrowing		2016	-	50,000
Ordinary borrowing	3.30%	2019	60,000	60,000
Ordinary borrowing	2.64%	2023(*)	78,750 (*)	90,000
Drawings on committed lines of credit	3.03%	2016	-	50,000
<b>Non-current financial liabilities from Group companies</b>			<b>714,696</b>	<b>765,013</b>
Intragroup drawings on committed lines of credit		2016	-	50,000
Intragroup ordinary borrowings	6.46%	2018	353,563	354,019
Intragroup ordinary borrowings	4.56%	2018	151,707	151,703
Intragroup ordinary borrowings	5.18%	2020	209,426	209,290
<b>Non-current portion of loans and borrowings</b>			<b>7,913</b>	<b>9,185</b>
<b>Fair value of hedging derivatives</b>			<b>26,447</b>	<b>29,170</b>
<b>Non-current financial liabilities</b>			<b>887,806</b>	<b>1,053,368</b>
<b>Current amounts due to banks</b>			<b>203,015</b>	<b>129,519</b>
Current liabilities			53,015	45,519
Other current amounts due to banks			150,000	84,000
<b>Financial liabilities from Group companies</b>			<b>265,388</b>	<b>272,328</b>
<b>Current portion of loans and borrowings</b>			<b>70,404</b>	<b>9,350</b>
<b>Fair value of hedging derivatives</b>			<b>1,665</b>	<b>369</b>
<b>Current financial liabilities</b>			<b>540,472</b>	<b>411,566</b>
<b>Total financial liabilities</b>			<b>1,428,278</b>	<b>1,464,934</b>

(\*) amortizing loan with principal repayable in 7 equal amounts as from 2016

**Non-current financial liabilities by maturity:**

(in thousands of euro)	December 31, 2015	December 31, 2014
2016	-	162,658
2017	12,182	12,182
2018	513,245	513,245
2019	72,785	72,785
Beyond	263,147	263,328
Hedging derivatives	26,447	29,170
<b>Total financial liabilities</b>	<b>887,806</b>	<b>1,053,368</b>

**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 2013, 2014 and 2015 are described below:

**Bank loans and drawings on medium/long-term lines of credit**

- In 2015, a 2-year 3-month 50 million euro line of credit matured; it was part of the 260 million euro multitranche facility renegotiated in June 2013. No drawings were made on the line at December 31, 2014.
- In 2014, a 7-year and 9-month line of credit for 200 million euro expired; it was fully drawn at December 31, 2013;
- During 2013 five medium/long-term lines of credit expired, for an aggregate amount of 350 million euro:
  - in February, a bilateral 5-year 100 million euro line of credit;

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- 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.

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

- i. a first tranche for 180 million euro at 3 years and 6 months;
- ii. a second tranche for 45 million euro at 4 years and 6 months.

Italcementi Finance S.A. is party to the contract as alternative beneficiary of the facility, in which case Italcementi S.p.A. acts as guarantor. No drawings were made on the two tranches at December 31, 2015;

e) In July 2013, Italcementi S.p.A. obtained from the European Investment Bank a 10-year 90 million euro amortizing loan with the principal to be repaid in 7 equal amounts as from the fourth year. This low-interest loan will be employed for the revamping of the Rezzato cement plant and had been used in full at December 31, 2015;

f) In June 2013, Italcementi S.p.A. re-negotiated a bilateral multitranche 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. No drawings had been made on the line at December 31, 2015;
- iii. no changes were made to the final 60 million euro tranche, expiring in September 2019;

Main intragroup borrowings and lines of credit at Italcementi S.p.A.

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 renegotiation involved the cancellation of the five-year 220 million euro intercompany line of credit granted by Italcementi Finance to Italcementi S.p.A. in September 2010.

h) 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;

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

## 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, 2015 totaled 3 million euro (3 million euro at December 31, 2014). 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, 2015, the average maturity of Italcementi S.p.A.'s gross debt was 1 year and 11 months.

At December 31, 2015, Italcementi S.p.A. had committed lines of credit totaling 625 million euro (675 million euro at December 31, 2014), of which 150 million euro of intragroup lines with Italcementi Finance S.A. (150 million euro at December 31, 2014). At December 31, 2015, 575 million euro were undrawn and immediately available (575 million euro at December 31, 2014). At the same date, the subsidiary Italcementi Finance S.A. had a further 650 million euro of undrawn committed bank lines of credit, although these were not contractually reserved exclusively for Italcementi S.p.A.'s requirements (680 million euro at December 31, 2014).

#### At December 31, 2015<sup>(\*)</sup>:

	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
(in thousands of euro)							
Non-current financial liabilities		12,182	513,245	72,785	226,916	36,231	861,359
Other current financial liabilities	335,791						335,791
Amounts due to banks	203,016						203,016
Cash and cash equivalents	(2,670)						(2,670)
<b>Total</b>	<b>536,137</b>	<b>12,182</b>	<b>513,245</b>	<b>72,785</b>	<b>226,916</b>	<b>36,231</b>	<b>1,397,496</b>
<b>Cumulative Total</b>	<b>536,137</b>	<b>548,319</b>	<b>1,061,563</b>	<b>1,134,349</b>	<b>1,361,264</b>	<b>1,397,496</b>	
	<b>start 2016</b>	<b>end 2016</b>	<b>end 2017</b>	<b>end 2018</b>	<b>end 2019</b>	<b>end 2020</b>	<b>beyond</b>
<b>Committed available lines of credit</b>	<b>575,000</b>	<b>425,000</b>	<b>45,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(\*) excluding fair value of derivatives

### At December 31, 2014<sup>(\*)</sup>:

	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
(in thousands of euro)							
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)
<b>Total</b>	<b>408,112</b>	<b>162,658</b>	<b>12,182</b>	<b>513,245</b>	<b>72,785</b>	<b>263,328</b>	<b>1,432,310</b>
<b>Cumulative Total</b>	<b>408,112</b>	<b>570,770</b>	<b>582,952</b>	<b>1,096,197</b>	<b>1,168,982</b>	<b>1,432,310</b>	
	start 2015	end 2015	end 2016	end 2017	end 2018	end 2019	beyond
<b>Committed available lines of credit</b>	<b>575,000</b>	<b>525,000</b>	<b>425,000</b>	<b>45,000</b>	-	-	-

(\*) 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, 2015, lines of credit and loans subject to covenants stood at 250 million euro of gross financial liabilities (300 million euro at December 31, 2014 expressed at nominal amount, 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, 2015).

At December 31, 2015, 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. The procedures also regulate allowances for impairment losses on overdue receivables.

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 risks 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. Counterparties are 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 carrying amount is a reasonable approximation of fair value:

		December 31, 2014				
		Carrying amount	Fair Value	Level 1	Level 2	Level 3
(in millions of euro)						
<b>FINANCIAL ASSETS</b>						
<b>Assets originally designated at fair value</b>						
Cash and cash equivalents (note 12)		2.7	2.7			
<b>Assets classified as held for trading</b>						
Equity investments, bonds and current financial assets		0.3	0.3	-	-	0.3
<b>Loans and receivables</b>						
Trade receivables (note 8)		177.2	177.2			
Other current assets		3.1	3.1			
Other non-current assets excluding concessions, licenses paid in advance, derivatives and securities (note 6)		46.4	46.4			
Equity investments, bonds and current financial assets		259.4	259.4			
<b>Available-for-sale assets</b>						
Other equity investments (note 5.1)		5.7	5.7	-	-	5.7
Fair value of hedging derivatives		5.8	5.8	-	5.8	-
<b>FINANCIAL LIABILITIES</b>						
<b>Liabilities originally designated at fair value</b>						
<b>Other financial liabilities</b>						
Trade payables		(67.2)	(67.2)			
Other current liabilities		(25.7)	(25.7)			
Floating-rate non-current financial liabilities		(257.9)	(257.9)	( 257.9)		
Fixed-rate non-current financial liabilities		(603.5)	(621.4)	( 621.4)	-	-
Amounts due to banks		(203.0)	(203.0)	-	( 203.0)	-
Other short-term financing		(335.8)	(335.8)	-	( 335.8)	-
Fair value of hedging derivatives		(28.1)	(28.1)	-	( 28.1)	-

December 31, 2014					
(in millions of euro)	Carrying amount	Fair Value	Level 1	Level 2	Level 3
<b>FINANCIAL ASSETS</b>					
<b>Assets originally designated at fair value</b>					
Cash and cash equivalents (note 12)	3.1	3.1			
<b>Assets classified as held for trading</b>					
Equity investments, bonds and current financial assets	0.3	0.3	-	-	0.3
<b>Loans and receivables</b>					
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			
<b>Available-for-sale assets</b>					
Other equity investments (note 5.1)	5.7	5.7	-	-	5.7
Fair value of hedging derivatives	6.9	6.9	-	6.9	-
<b>FINANCIAL LIABILITIES</b>					
<b>Liabilities originally designated at fair value</b>					
<b>Other financial liabilities</b>					
Trade payables	(70.7)	(70.7)			
Other current liabilities	(41.1)	(41.1)			
Floating-rate non-current financial liabilities	(419.9)	(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)	-

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 265.4 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 below shows the fair value of financial instruments reflected in the statement of financial position by type of hedge:

(in thousands of euro)	December 31, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
Interest-rate derivatives hedging cash flows	-	1,665	-	369
Exchange-rate derivatives hedging cash flows	615	-	1,318	-
<b>Total current instruments</b>	<b>615</b>	<b>1,665</b>	<b>1,318</b>	<b>369</b>
Interest-rate derivatives hedging cash flows	-	26,447	-	29,170
Interest-rate derivatives hedging fair value	5,145	-	5,551	-
Exchange-rate derivatives hedging cash flows	-	-	24	-
<b>Total non-current instruments</b>	<b>5,145</b>	<b>26,447</b>	<b>5,575</b>	<b>29,170</b>
<b>Total</b>	<b>5,760</b>	<b>28,113</b>	<b>6,893</b>	<b>29,540</b>

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, 2015 and at December 31, 2014.

At December 31, 2015 there were no derivatives relating to EUA and CER/ERU transactions. In 2015 there were no derivative transactions on emissions rights, and consequently there were no effects on the income statement and on equity (similarly, there were no such transactions in 2014).

### 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.

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## 20.4.1. Interest-rate risk hedging

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

	Maturity less than 1 year	Maturity 1 to 2 years	Maturity 2 to 5 years	Maturity more than 5 years	Total
(in millions of euro)					
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)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>(250.0)</b>	<b>-</b>	<b>(250.0)</b>
Cash flow hedges SWAPS receive Floating / pay Fixed					
785 M€ Euribor 3M 1.287%	100.0	-	435.0	250.0 (*)	785.0
<b>Total</b>	<b>100.0</b>	<b>-</b>	<b>435.0</b>	<b>250.0</b>	<b>785.0</b>
<b>Absolute total amount</b>	<b>100.0</b>	<b>-</b>	<b>685.0</b>	<b>250.0</b>	<b>1,035.0</b>
<b>Net balancing - receive floating / pay fixed</b>	<b>100.0</b>	<b>-</b>	<b>185.0</b>	<b>250.0</b>	<b>535.0</b>

(\*) of which 150 M€ with start deferred to February 21st, 2018

## 20.4.2. Exposure to interest-rate risk

At December 31, 2015, interest-rate hedges had a net notional amount of 385 million euro with respect to the fixed-rate component of Italcementi S.p.A.'s financial commitments. At the same date, in total, 71% of Italcementi S.p.A.'s gross debt and 88% 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 two intragroup loans at a fixed rate at inception, for a nominal amount of 500 million euro, 250 million euro was subject to variabilization transactions through derivatives.

Hedges are stated at nominal amount 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 shows the evolution in net debt at December 31, 2015 subdivided by fixed- and floating-rate components at inception and after interest-rate hedging:

(in millions of euro)	12.31.2015	Maturity less than 1 year	Maturity 1 to 2 years	Maturity 2 to 5 years	Maturity more than 5 years
Fixed-rate financial liabilities	608.9	0.1	-	605.0	3.8
Fixed-rate financial assets	-	-	-	-	-
Fixed- to floating-rate hedging	(250.0)	-	-	(250.0)	-
Floating- to fixed-rate hedging	635.0	100.0	-	435.0	100.0
<b>Fixed-rate ND after hedging</b>	<b>993.9</b>	<b>100.1</b>	-	<b>790.0</b>	<b>103.8</b>
Floating-rate financial liabilities	791.3	538.7	12.7	203.4	36.5
Floating-rate financial assets	(275.6)	(263.4)	-	(12.2)	-
Floating-rate ND at inception	515.7	275.3	12.7	191.2	36.5
Fixed- to floating-rate hedging	250.0	-	-	250.0	-
Floating- to fixed-rate hedging	(635.0)	(100.0)	-	(435.0)	(100.0)
<b>Floating-rate ND after hedging</b>	<b>130.7</b>	<b>175.3</b>	<b>12.7</b>	<b>6.2</b>	<b>(63.5)</b>
Fair value of derivatives, net	22.4	1.0	-	18.5	2.8
<b>Total ND</b>	<b>1,146.9</b>	<b>276.5</b>	<b>12.7</b>	<b>814.7</b>	<b>43.1</b>

(\*) excluding 150 M€ with start deferred to February 21st, 2018

At December 31, 2015, a +0.5% change in the interest-rate curve would have an impact of -0.65 million euro, that is, 1.11% of 2015 net finance costs. The impact on interest-rate derivatives in portfolio would be +14.7 million euro on equity and -2.5 million euro on profit before tax; the latter effect is offset by an effect of +2.7 million euro on fixed-rate liabilities with fair value hedges.

At December 31, 2015, a -0.5% change in the interest-rate curve would have an impact of +0.65 million euro, that is, 1.11% of 2015 net finance costs. The impact on interest-rate derivatives in portfolio would be -16.1 million euro on equity and +2.6 million euro on profit before tax; the latter effect is offset by an effect of -2.7 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, 2015, a 10% appreciation in the US dollar against the euro would have had an impact on exchange rate derivatives in portfolio of +1.7 million euro on equity and an immaterial impact on profit before tax.

At December 31, 2015, a 10% depreciation in the US dollar against the euro would have had an impact on exchange rate derivatives in portfolio of -1.7 million euro on equity and an immaterial impact on profit before tax.

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## 20.5.2. Currency risk hedges

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

	12.31.2015	12.31.2014
(in millions of euro)		
<b>Forward purchases</b>		
Cash flow hedges US dollars	17.5	24.3
Fair value hedges US dollars		
<b>Total</b>	<b>17.5</b>	<b>24.3</b>

Exchange-rate derivatives at December 31, 2015 expire in less than 1 year.

## 20.6. Management of commodity risk

### CO<sub>2</sub>

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 2015, given the surplus accumulated and the general economic and industry situation, Italcementi S.p.A. transacted spot sales of European Union Allowances (EUA) for proceeds of 40 million euro. In 2014, a gain of 6.3 million euro had been generated through completion of the optimization of the carbon emission rights portfolio through a spot purchase of Certified Emission Reductions and Emission Reduction Units (CER, ERU) and a spot sale of an equivalent number of EUAs.

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 525 thousand euro at December 31, 2015 (1,384 thousand euro at December 31, 2014). The eliminated portion of the reserve relating to instruments that expired in 2015 amounted to +5,770 thousand euro at December 31, 2015 compared with +10,305 thousand euro at

December 31, 2014. The changes in equity relating to derivatives contracted during the previous year and still in portfolio at December 31, 2015, amounted to -5,533 thousand euro (-32,571 thousand euro at December 31, 2014).

The non-effective component of cash flow hedges in portfolio at December 31, 2015 recognized in profit or loss was immaterial in both 2015 and 2014.

With reference to fair value hedges in portfolio at the end of 2015, the amount taken to profit or loss totaled +5.1 million euro for 2015 (+5.6 million euro for 2014). Recognized amounts attributable to underlying risk hedged during the year totaled -5.3 million euro in 2015 (-5.7 million euro in 2014). These amounts are taken to profit or loss as gains and losses on interest-rate and exchange rate derivatives.

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## 21. Trade payables

(in thousands of euro)	12.31.2015	12.31.2014	Change
Suppliers	56,339	54,027	2,312
Group companies	10,898	16,670	( 5,772)
<b>Total</b>	<b>67,237</b>	<b>70,697</b>	<b>( 3,460)</b>

Details on payables due to Group companies are provided in the specific section on related parties.

## 22. Other current liabilities

(in thousands of euro)	12.31.2015	12.31.2014	Change
Amounts due to employees	38,571	11,074	27,497
Amounts due to social security authorities	6,875	6,064	811
Amounts due to tax authorities for VAT and withholdings	4,036	6,361	( 2,325)
Amounts due to subsidiaries for tax consolidation	2,706	-	2,706
Payables for purchase of non-current assets	25,380	40,696	( 15,316)
Other amounts due	32,324	24,430	7,894
Derivatives	1,665	369	1,296
Accrued expenses and deferred income	1,929	3,502	( 1,573)
<b>Total</b>	<b>113,486</b>	<b>92,496</b>	<b>20,990</b>

"Accruals and deferred income" include grants related to assets of 179 thousand euro to be posted to the income statement in future years in relation to amortization.

## 23. Commitments

The company has provided guarantees for 2,636,251 thousand euro in the exclusive interest of Group companies for commitments to banks. The amount includes 2,586,612 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, 2015 were as follows:

(in thousands of euro)	12.31.2015	under 1 year	1 to 5 years	beyond 5 years
Commitments for purchases of property, plant and equipment	14,546	14,546	-	-
Commitments for long-term rents and leases	4,204	1,728	2,390	86

## Income statement

### 24. Revenue

Revenue from sales and services totaled 416,055 thousand euro, as follows:

	2015	2014	Change	% change
(in thousands of euro)				
Sale of finished and semi-finished goods	339,894	361,462	( 21,568)	-6.0
Resale of products	7,806	9,645	( 1,839)	-19.1
Revenue from services	68,355	65,425	2,930	4.5
<b>Total</b>	<b>416,055</b>	<b>436,532</b>	<b>( 20,477)</b>	<b>-4.7</b>

The company's revenue arises almost entirely in Italy.

2015 revenue includes revenue from transactions with Group companies for 119,452 thousand euro, regarding sales of products, staff transfers, as well as provision of technical and administrative services under the existing contract (see note 33 "Related parties").

### 25. Other revenue

Other revenue totaled 22,495 thousand euro (27,131 thousand euro for 2014) and includes rental income and other income on assets for 8,273 thousand euro, income for interruptibility of electricity supplies for 11,160 thousand euro and other income for 3,062 thousand euro.

### 26. Raw materials and supplies

Raw materials and supplies amounted to 173,328 thousand euro, as follows:

	2015	2014	Change	% change
(in thousands of euro)				
Raw materials and semi-finished goods	37,956	43,562	( 5,606)	-12.9
Fuel	43,710	46,336	( 2,626)	-5.7
Packaging, materials, machinery and other	27,433	27,883	( 450)	-1.6
Finished goods	5,350	5,165	185	3.6
Electricity, water and gas	60,604	59,563	1,041	1.7
Change in inventories of raw materials, consumables and other	( 1,725)	5,343	( 7,068)	n.s
<b>Total</b>	<b>173,328</b>	<b>187,852</b>	<b>( 14,524)</b>	<b>-7.7</b>

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## 27. Services

Services amounted to 114,996 thousand euro, as follows:

	2015	2014	Change	% change
(in thousands of euro)				
External services and maintenance	39,558	43,733	( 4,175)	-9.5
Transport	36,937	36,871	66	0.2
Legal fees and consultancy	8,233	6,808	1,425	20.9
Rents, fees, expense, civil and industrial buildings	3,526	4,304	( 778)	-18.1
Insurance	1,743	1,795	( 52)	-2.9
Other	24,999	28,239	( 3,240)	-11.5
<b>Total</b>	<b>114,996</b>	<b>121,750</b>	<b>( 6,754)</b>	<b>-5.5</b>

Services include recharged amounts of 32,505 thousand euro for staff and intragroup services.

## 28. Employee expense and Stock options

Employee expense totaled 138,797 thousand euro, as follows:

	2015	2014	Change	% change
(in thousands of euro)				
Wages and salaries	87,225	80,644	6,581	8.2
Social security contributions and pension fund provisions	29,413	32,478	( 3,065)	-9.4
Other costs	22,159	26,885	( 4,726)	-17.6
<b>Total</b>	<b>138,797</b>	<b>140,007</b>	<b>( 1,210)</b>	<b>-0.9</b>

"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 amounted to 7,165 thousand euro.

The number of employees is set out below:

	2015	2014
(heads)		
Number of employees at year end	1,805	1,896
Average number of employees	1,586	1,740



## 28.1 Stock options

The terms and conditions of Italcementi S.p.A. stock option plans at December 31, 2015 were as follows:

Grant date	No. of options granted	Subscription price per share	Exercise period	Exercised options	Cancelled options	Unexercised options	Adjusted unexercised options	Adjusted subscription price per share
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
<b>Total</b>	<b>3,839,653</b>			<b>4,187</b>	<b>99,850</b>	<b>3,735,616</b>	<b>4,269,128</b>	

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

The average residual life of unexercised options is approximately 10 months.

The number and average exercise price of options in the periods in question are set out below:

	2015		2014	
	number of options	average subscription price	number of options	average subscription price
<b>Unexercised options at start of year</b>	<b>5,432,774</b>	<b>€ 13.736</b>	<b>4,753,841</b>	<b>€ 15.698</b>
Granted during the year	-		678,933	
Expired during the year	( 1,163,646)		-	
<b>Unexercised options at end of year</b>	<b>4,269,128</b>	<b>€ 14.287</b>	<b>5,432,774</b>	<b>€ 13.736</b>
<b>Vested options at end of year</b>	<b>4,269,128</b>		<b>5,432,774</b>	

The average ordinary share price in 2015 was 7.956 euro (6.133 euro in 2014).

The option exercise price at December 31, 2015 was between 11.204 euro and 20.169 euro.

## 29. Other operating income (expense)

Net other operating income amounted to 32,319 thousand euro, as follows:

(in thousands of euro)	2015	2014	Change	% change
Other taxes	( 8,445)	( 9,087)	642	-7.1
Losses and allowance for doubtful receivables	( 2,667)	( 4,021)	1,354	-33.7
Provision (use) for environmental restoration and quarries	( 310)	933	( 1,243)	-133.2
Miscellaneous expense	( 4,591)	( 4,764)	173	-3.6
Miscellaneous income	48,332	21,977	26,355	119.9
<b>Total</b>	<b>32,319</b>	<b>5,038</b>	<b>27,281</b>	<b>541.5</b>

Other taxes include 7,608 thousand euro for property taxes.

"Miscellaneous income" mainly included net income from the sale of carbon rights for 40,018 thousand euro, income from the allocation of white certificates for 3,596 thousand euro, and amounts for the use of alternative fuels for 1,726 thousand euro.

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## 30. Non-recurring income (expense)

Net non-recurring expense amounted to 26,817 thousand euro (net income of 7,620 thousand euro in 2014). It reflected net gains of 4,443 thousand euro from the sale of assets, net expense of 28,092 thousand euro for re-organizations and other expense of 3,168 thousand euro, of which 2,100 thousand euro of write-downs of materials inventories at dismantled sites.

## 31. Finance income (cost), exchange-rate differences and derivatives

Net finance income amounted to 54,717 thousand euro, as follows:

(in thousands of euro)	2015		2014	
	Income	Costs	Income	Costs
Interest income	6,956		8,035	
Interest expense		(65,864)		(68,859)
<b>Subtotal</b>	<b>6,956</b>	<b>(65,864)</b>	<b>8,035</b>	<b>(68,859)</b>
<b>Net interest in respect of net debt</b>		<b>(58,908)</b>		<b>(60,824)</b>
Dividends and other income from equity investments	120,446		108,360	
Other finance income	1,719		1,287	
Other finance costs		(11,549)		(10,204)
<b>Total finance income (costs)</b>	<b>129,121</b>	<b>(77,413)</b>	<b>117,682</b>	<b>(79,063)</b>
Gains/(losses) on interest-rate derivatives		(82)		332
Gains/(losses) on exchange-rate derivatives		66		(53)
Net exchange-rate differences		3,025		(310)
<b>Net exchange-rate differences and derivatives</b>		<b>3,009</b>		<b>(31)</b>
<b>Total finance income (costs), exchange-rate differences and derivatives</b>		<b>54,717</b>		<b>38,588</b>

Net interest in respect of net debt totaled 58,908 thousand euro in 2015, compared to 60,824 thousand euro in 2014, a decrease of 1,916 thousand euro.

## 32. Income tax expense

Income tax expense totaled 6,341 thousand euro, as follows:

	2015	2014	Change
(in thousands of euro)			
Current tax	74	1,478	( 1,404)
Deferred tax	2,368	( 2,906)	5,274
Change in deferred tax due to variation in IRES tax rate	7,559	-	7,559
Prior-year tax	129	1,662	( 1,533)
Income from entry into tax consolidation	( 3,750)	( 5,732)	1,982
Surplus tax provision	( 39)	-	( 39)
<b>Total</b>	<b>6,341</b>	<b>( 5,498)</b>	<b>11,839</b>

Income from entry into the tax consolidation was recorded within the limit of 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:

		IRES	IRAP	Total
(in thousands of euro)				
Profit (loss) before tax	(a)	( 31,930)	( 31,930)	
Difference in taxable base between IRES and IRAP	(b)		16,585	
	(c) = (a+/-b)	( 31,930)	( 15,345)	
Applicable tax rate (%)	(d)	27.50	3.90	31.40
Theoretical tax charge	(e) = (d) x (c)	( 8,781)	( 598)	( 9,379)
Effect of tax rate reduction for tax relief/allowances	(f)		( 12)	( 12)
Tax effect on permanent differences:	(g)			
- foreign dividends and other exempt income		( 33,989)	( 887)	( 34,876)
- non-deductible costs		11,822	919	12,741
Net effect for the year of unrecognized deferred tax on temporary differences	(h)	33,411	484	33,895
Effect of variation in tax rate	(i)	7,558	-	7,558
Benefit from participation in tax consolidation	(j)	( 3,750)	-	( 3,750)
Effective tax charge	(k) = $\sum$ da (e) a (j)	6,271	( 94)	6,177
Effective tax rate (%)		-19.64	0.61	1.39
Other tax items not related to income for the year	(l)			164
<b>Effective tax charge reflected in income statement</b>				
<b>at December 31, 2015 (m) = (k) + (l)</b>				<b>6,341</b>

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### 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.	19,765			
	Calcestruzzi S.p.A.	12,850			
	Italgen S.p.A.	5,279			
	C.T.G. S.p.A.	1,897			
	Cementi della Lucania S.p.A.	1,615			
	Ciments Calcia S.A.	702			
	Sociedad Financiera Y Minera S.A.	622			
	Ciments du Maroc S.A.	508			
	BravoEnergy S.r.l.	486			
	Suez Cement	427			
	Interbulk Trading S.A.	399			
	Other companies	4,587			
	Other related parties	858			
<b>Total trade receivables</b>		<b>49,995</b>	<b>28.2%</b>	<b>177,232</b>	<b>Note 8</b>
Current account receivables and other financial assets	Calcestruzzi S.p.A.	180,576			
	Italgen S.p.A.	32,209			
	Calcementi Jonici S.r.l.	12,236			
	Bravosolution S.p.A.	6,942			
	Italterminali S.r.l.	8,952			
	Italcementi Finance S.A.	3,915			
	C.T.G. S.p.A.	5,818			
	Ing. Sala S.p.A.	2,869			
	Intercom S.r.l.	1,574			
	BravoBloc S.r.l.	1,528			
	Other companies	2,737			
<b>Total current financial assets</b>		<b>259,356</b>	<b>99.9%</b>	<b>259,623</b>	<b>Note 11</b>
Other assets	Italcementi Finance S.A.	702			
	Bravosolution Italia S.p.A.	505			
	Bravosolution S.p.A.	242			
	Other companies	198			
<b>Total other current assets</b>		<b>1,647</b>	<b>4.8%</b>	<b>34,652</b>	<b>Note 9</b>
Other non-current assets	International City for Ready Mix Co.				
	Loan	12,211			
	Italcementi Finance S.A.	5,145			
	Italmobiliare S.p.A. due for IRAP reimbursement	812			
<b>Total other non-current assets</b>		<b>18,168</b>	<b>35.2%</b>	<b>51,566</b>	<b>Note 6</b>

**(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.	( 5,710)			
		Italgen S.p.A.	( 2,218)			
		Ciments Français S.A.	( 710)			
		C.T.G. S.p.A.	( 562)			
		BravoEnergy S.r.l.	( 458)			
		Interbulk Trading S.A.	( 405)			
		Intercom S.r.l.	( 297)			
		Other companies	( 538)			
		Other related parties	( 2,734)			
	<b>Total trade payables</b>		<b>( 13,632)</b>	<b>20.3%</b>	<b>67,237</b>	<b>Note 21</b>
	Current account payables and other financial liabilities	Italcementi Finance S.A. loan	( 259,210)			
		Italcementi Ingegneria S.r.l.	( 3,305)			
		Nuova Sacelit S.r.l.	( 2,495)			
		SAMA S.r.l.	( 2,178)			
		Esa Monviso S.p.A.	( 2,343)			
		Nuova Sacelit S.r.l.	( 745)			
		BravoEnergy S.r.l.	( 399)			
	<b>Total current financial liabilities</b>		<b>( 270,675)</b>	<b>80.6%</b>	<b>335,791</b>	<b>Note 20</b>
		Italcementi Finance S.A. loan	( 714,696)			
	<b>Total non-current financial liabilities</b>		<b>( 714,696)</b>	<b>83.0%</b>	<b>861,359</b>	<b>Note 20</b>
	Other liabilities	Italmobiliare				
		Compensation for positions	( 9,067)			
		Italgen S.p.A.	( 2,249)			
		C.T.G. S.p.A.				
		Payable purchase non-current assets	( 1,091)			
		BravoSolution S.p.A.	( 418)			
		SAMA S.r.l.	( 202)			
		Other companies	( 273)			
	<b>Total other current liabilities</b>		<b>( 13,300)</b>	<b>11.7%</b>	<b>113,486</b>	<b>Note 22</b>
	Other non-current liabilities	Italcementi Finance S.A.				
		Derivatives	( 26,447)			
		BravoSolution Italia S.p.A.	( 175)			
		BravoSolution S.p.A.	( 126)			
	<b>Total other non-current liabilities</b>		<b>( 26,748)</b>	<b>100.0%</b>	<b>26,748</b>	<b>Note 20</b>

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## Commitments with related parties

(in thousands of euro)

Description	Company	Amount
Guarantees provided to Group companies	Italcementi Finance S.A.	( 2,586,612)
	Interbulk Trading	( 16,000)
	Calcementi Jonici S.r.l.	( 15,175)
	Bravosolution US	( 7,348)
	Eurotech Cement Shpk	( 3,500)
	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)
<b>Total commitments</b>		<b>( 2,636,251)</b>

## 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 semifinished goods, raw materials and supplies						
	Calcestruzzi S.p.A.		38,074			
	Italgen S.p.A.		5,071			
	Intercom S.r.l.		3,640			
	Interbulk Trading S.A.		3,044			
	Calcementi Jonici S.r.l.		804			
	San Francesco S.c.a.r.l.		796			
	Sociedad Financiera Y Minera S.A.		188			
	Other companies		467			
	Other related parties		2,008			
<b>Total sales of goods</b>			<b>54,092</b>	<b>13.0%</b>	<b>416,055</b>	<b>Note 24</b>
Revenue for staff services and technical-administrative services	Ciments Francais S.A.	recharge for employees and Group structures	49,328			
	Ciments Calcia S.A.		2,181			
	Calcestruzzi S.p.A.		2,106			
	C.T.G. S.p.A.		1,953			
	Sociedad Financiera Y Minera S.A.		1,818			
	Essroc Cement Corporation		1,732			
	Essroc Corporation		991			
	Suez Cement		950			
	Devnia Cement AD		928			
	Italgen S.p.A.		687			
	Ciments du Maroc		593			
	Vassiliko Cement Works Ltd	technical assistance	485			
	Asia Cement		427			
	Zuari Cement Ltd		368			
	Other companies		2,821			
	Other related parties		116			
<b>Total revenue for services</b>			<b>67,484</b>	<b>16.2%</b>	<b>416,055</b>	<b>Note 24</b>

## (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	5,262			
	Ciments Francais S.A.		232			
	Calcestruzzi S.p.A.		218			
	Italterinali S.r.l.		113			
	Italgen S.p.A.		65			
	Other companies		127			
	Other related parties		251			
<b>Total other revenue</b>			<b>6,268</b>	<b>27.9%</b>	<b>22,495</b>	<b>Note 25</b>
Other income	BravoEnergy S.r.l.		1,316			
	Shymkent Cement		126			
	Other companies		10			
Other expense	Calcestruzzi S.p.A.		( 18)			
	Other companies		( 1)			
	Other related parties	payments to Fondazione Italcementi and other expense	( 600)			
<b>Total other operating income (expense)</b>			<b>833</b>	<b>2.6%</b>	<b>32,319</b>	<b>Note 29</b>
Net gains from sale of non-current assets	Italterinali S.r.l.		2,026			
	Other companies		1			
<b>Total net gains from sale of non-current assets</b>			<b>2,027</b>	<b>45.6%</b>	<b>4,443</b>	<b>Note 30</b>

**(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.		106,795			
	Italgen S.p.A.		8,991			
	S.I.I.L. SA		3,096			
	C.T.G. S.p.A.		825			
	Italcementi Finance S.A.		300			
	Other companies		295			
<b>Total dividends and other income from equity investments</b>			<b>120,302</b>	<b>99.9%</b>	<b>120,446</b>	<b>Note 31</b>
Interest income on intragroup accounts	Italcementi Finance S.A.		5,868			
	Calcestruzzi S.p.A.		459			
	International City for Ready Mix		459			
	Italgen S.p.A.		72			
	Calcementi Jonici S.r.l.		36			
	C.T.G. S.p.A.		16			
	Italterminali S.r.l.		15			
	Bravosolution S.p.A.		13			
	Other companies		18			
<b>Total interest income</b>			<b>6,956</b>	<b>100.0%</b>	<b>6,956</b>	<b>Note 31</b>
Fee income on guarantees and income on derivatives	Italcementi Finance S.A.		661			
	Interbulk Trading S.A.		40			
	Calcestruzzi S.p.A.		38			
	Other companies		45			
<b>Other finance income</b>			<b>784</b>	<b>45.6%</b>	<b>1,719</b>	<b>Note 31</b>

## (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, semifinished and finished goods and electricity consumption						
	Interbulk Trading S.A.	clinker and fuel	( 32,649)			
	Italgen S.p.A.	electricity consumption	( 19,894)			
	BravoEnergy S.r.l.		( 1,415)			
	Intercom S.r.l.	clinker	( 1,084)			
	Gruppo Italsfusi S.r.l.	transfer of clinker	( 645)			
	Socli S.A.	hydraulic lime	( 528)			
	Other companies		( 141)			
	Other related parties	SIKA additives	( 5,706)			
<b>Total raw materials and supplies</b>			<b>( 62,062)</b>	<b>35.8%</b>	<b>173,328</b>	<b>Note 26</b>
Services	Gruppo Italsfusi S.r.l.	transport on sales	( 24,235)			
	Ciments Francais S.A.	recharge for employees and Group structures	( 1,677)			
	C.T.G. S.p.A.	specific projects, technical assistance and research (net of capitalized projects for 4,027 thousand euro)	( 3,877)			
	Italgen S.p.A.		( 328)			
	BravoSolution S.p.A.	e-commerce services	( 699)			
	Italcementi Finance S.A.		( 478)			
	Italmobiliare S.p.A.	recharge for employees	( 112)			
	RCs Mediagroup S.p.A.		( 126)			
	Italterminali S.r.l.		( 265)			
	Devnya Business Center		( 154)			
	Sociedad Financiera Y Minera		( 233)			
	Halyps Building Material S.A.		( 126)			
	Other companies		( 195)			
	Other related parties	consultancy	( 572)			
<b>Total services</b>			<b>( 33,077)</b>	<b>28.8%</b>	<b>114,996</b>	<b>Note 27</b>
Employee expense	Italmobiliare S.p.A.					
	Remuneration		( 2,297)			
<b>Total employee expense</b>			<b>( 2,297)</b>	<b>1.7%</b>	<b>138,797</b>	<b>Note 28</b>
Non-recurring expense	Italmobiliare S.p.A.					
	Remuneration		( 4,880)			
<b>Total non-recurring income (expense)</b>			<b>( 4,880)</b>	<b>15.6%</b>	<b>31,261</b>	<b>Note 30</b>



**(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.		( 55,428)			
	Italcementi Ingegneria S.r.l.		( 12)			
	Esa Monviso S.p.A.		( 8)			
	SAMA S.r.l.		( 7)			
	Gruppo Italsfusi S.r.l.		( 7)			
	Other companies		( 7)			
<b>Total interest expense</b>			<b>( 55,469)</b>	<b>84.2%</b>	<b>65,864</b>	<b>Note 31</b>
Fees on guarantees, derivatives and other expense						
	Italcementi Finance S.A.		( 1,501)			
	International City for Ready Mix Company		( 113)			
	Les Ciments du Zuarine S.A.		( 23)			
<b>Other finance costs</b>			<b>( 1,637)</b>	<b>14.2%</b>	<b>11,549</b>	<b>Note 31</b>

**Other transactions with related parties**

During the year dividends totaling 14,145 thousand euro were paid to the parent Italmobiliare S.p.A. (6,596 thousand euro in 2014).

**Impact of transactions with related parties on cash flows:**

	Cash flows
	Amount
(in thousands of euro)	
Cash flow from operating activities with related parties	100,351
Total A) - from statement of cash flows 2015	164,399
Cash flow from investing activities with related parties	( 1,198)
Total B) - from statement of cash flows 2015	( 53,487)
Cash flow from financing activities with related parties	( 104,370)
Total C) - from statement of cash flows 2015	( 111,327)
<b>Cash flows with related parties</b>	<b>( 5,217)</b>
<b>Cash flows for the year from statement of cash flows (A+B+C)</b>	<b>( 415)</b>

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## 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)	2015	2014
Short-term benefits: compensation and remuneration	26,895	8,335
Post-employment benefits: provision for leaving and end-of-term entitlements	641	920
Other long-term benefits: length-of-service bonuses and incentives	2,078	672
<b>Total</b>	<b>29,614</b>	<b>9,927</b>

## 34. Non-recurring transactions

The following tables itemize non-recurring transactions and their impact on equity, the financial position and results of operations.

	2014					
	Equity		Profit (loss) for the year		Net debt	
(in thousands of euro)	Amount	%	Amount	%	Amount	%
<b>Carrying amounts</b>	<b>1,752,405</b>		<b>( 54,025)</b>		<b>1,215,975</b>	
Net gains from sale of non-current assets	9,131	0.5%	9,131	-16.9%	9,718	0.8%
Other non-recurring income (expense)	( 1,512)	-0.1%	( 1,512)	2.8%	-	
<b>Total</b>	<b>7,620</b>	<b>0.4%</b>	<b>7,620</b>	<b>-14.1%</b>	<b>9,718</b>	<b>0.8%</b>
<b>Figurative amount without non-recurring transactions</b>	<b>1,744,786</b>		<b>( 61,645)</b>		<b>1,225,693</b>	

	2015					
	Equity		Profit (loss) for the year		Net debt	
(in thousands of euro)	Amount	%	Amount	%	Amount	%
<b>Carrying amounts</b>	<b>1,684,868</b>		<b>( 38,270)</b>		<b>1,146,938</b>	
Net gains from sale of non-current assets	4,443	0.3%	4,443	-11.6%	7,932	0.7%
Other non-recurring income (expense)	( 31,260)	-1.9%	( 31,260)	81.7%	-	
<b>Total</b>	<b>( 26,817)</b>	<b>-1.6%</b>	<b>( 26,817)</b>	<b>70.1%</b>	<b>7,932</b>	<b>0.7%</b>
<b>Figurative amount without non-recurring transactions</b>	<b>1,711,685</b>		<b>( 11,453)</b>		<b>1,154,870</b>	

### 35. Audit fees

Pursuant to the CONSOB Issuers Regulation, the table below sets out the fees for the year paid to the independent auditors KPMG S.p.A. and to companies in the KPMG network.

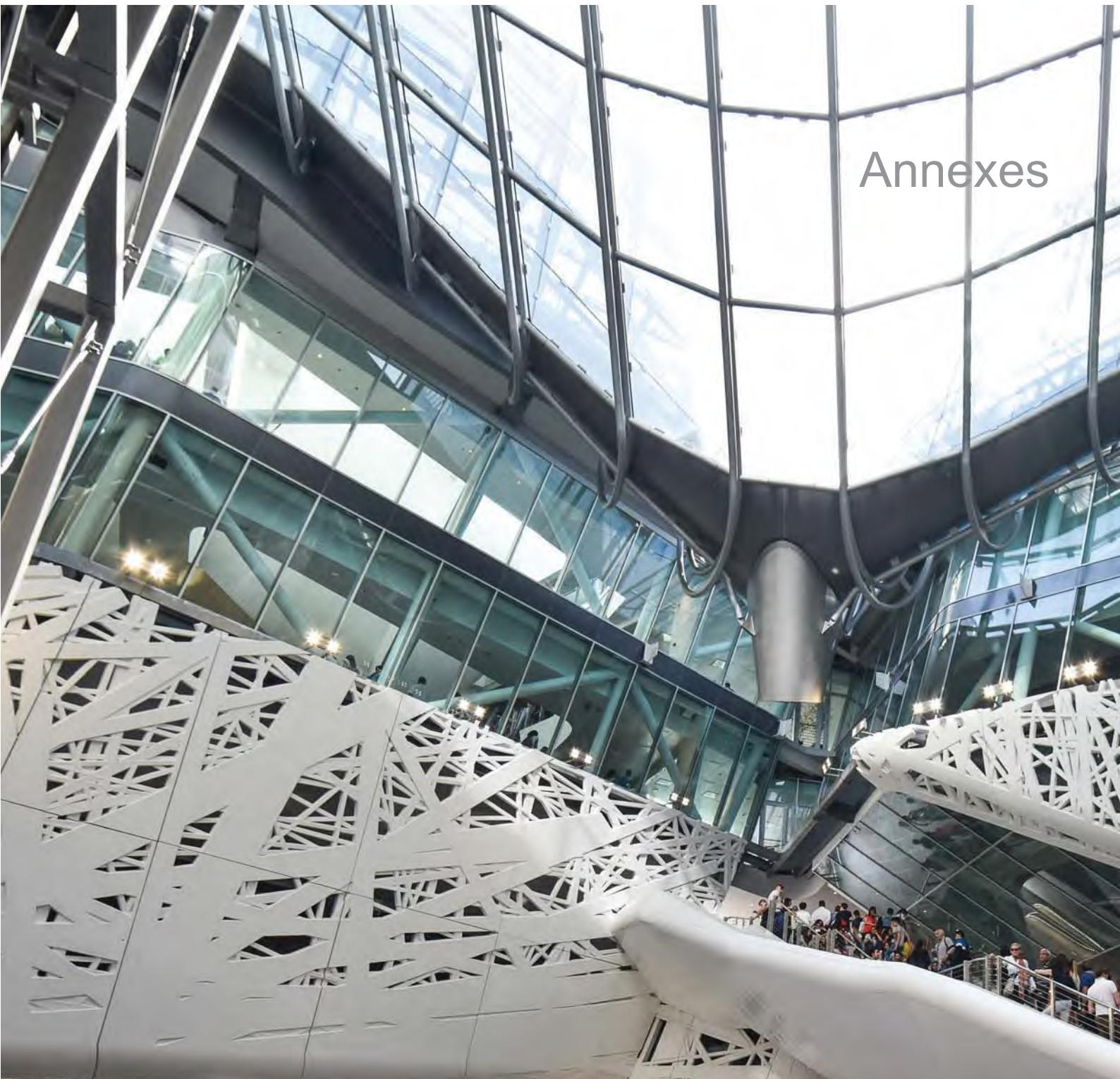
	KPMG S.p.A. 2015	Other Italian companies in the KPMG network
(in thousands of euro)		
Audit services	638	-
Other attestation services	73	-
Other legal, fiscal and corporate services	249	161
<b>Total</b>	<b>960</b>	<b>161</b>

### 36. Events after December 31, 2015

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, 2015.

Bergamo, February 18, 2016

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)	12/31/2014	12/31/2013 Re-stated
<b>Statement of financial position</b>		
Total non-current assets	1,074,989,610	1,202,993,315
Total current assets	16,889,996	60,335,657
<b>Total assets</b>	<b>1,091,879,606</b>	<b>1,263,328,972</b>
Equity:		
Share capital	100,166,937	100,166,937
Reserves	207,832,469	203,402,120
Treasury shares, at cost	(21,226,190)	(21,226,190)
Retained earnings	622,556,672	611,865,562
<b>Total equity</b>	<b>909,329,888</b>	<b>894,208,429</b>
Total non-current liabilities	29,609,862	126,558,687
Total current liabilities	152,939,856	242,561,856
<b>Total liabilities</b>	<b>182,549,718</b>	<b>369,120,543</b>
<b>Total equity and liabilities</b>	<b>1,091,879,606</b>	<b>1,263,328,972</b>

	2014	2013 re-stated
<b>Income statement</b>		
<b>Revenue</b>	<b>52,081,831</b>	<b>42,128,265</b>
Operating expense, other operating income (expense)	(25,928,588)	(36,688,281)
<b>Recurring EBITDA</b>	<b>26,153,243</b>	<b>5,439,984</b>
Other non-recurring income (expense)	(174,269)	3,939,455
<b>EBITDA</b>	<b>25,978,974</b>	<b>9,379,439</b>
Amortization and depreciation	(39,808)	(34,421)
<b>EBIT</b>	<b>25,939,166</b>	<b>9,345,018</b>
Net finance costs	(35,894)	(19,933)
Impairment on financial assets	(6,917,419)	(5,060,251)
<b>Profit before tax</b>	<b>18,985,853</b>	<b>4,264,834</b>
Income tax expense	(784,204)	(2,548,677)
<b>Profit for the year</b>	<b>18,201,649</b>	<b>1,716,157</b>



***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 1<sup>st</sup>, 2015 and December 31<sup>st</sup>, 2015.

2. The representation of the adequacy of the administrative and accounting procedures adopted in the preparation of separate financial statements as at December 31<sup>st</sup>, 2015 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 1<sup>st</sup>, 2015 and December 31<sup>st</sup>, 2015:
  - 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.

February 18<sup>th</sup>, 2016

*(signed on the original)*

*Carlo Pesenti, Chief Executive Officer  
Carlo Bianchini, Manager in charge of financial reporting*

*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 LEGISLATIVE DECREE 58/98

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, 2015.

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.

Before illustrating the outcome of the supervisory activities performed during the year, we wish to draw your attention, albeit briefly, to the agreement signed and disclosed to the market on July 28, 2015 by Italmobiliare S.p.A. and HeidelbergCement AG (hereinafter, the Agreement), for the sale of the equity investment held by Italmobiliare in Italcementi S.p.A., which will create a new group with a world leadership position in aggregates, cement and ready mixed concrete.

The Agreement envisages, among other things:

- the purchase of the equity investment held by Italmobiliare in Italcementi equivalent to 45% of the share capital at a price per share of 10.60 euro. Based on this assessment, and also considering the net financial position and non-controlling interests, the Italcementi Enterprise Value is approximately 7 billion euro. Should specific negative events occur before closing, the agreement provides contractual mechanisms to reduce the consideration;
- the purchase by Italmobiliare of the equity investments held by Italcementi in renewable energy (100% of Italgen S.p.A.) and e-procurement (75.34% of BravoSolution S.p.A.), and some properties located in Rome, for a consideration of approximately 241 million euro, subject to and to be executed at closing of the Agreement.

The closing of the transaction, subject to the approval of the antitrust authorities, is expected to take place by the end of 2016. After closing, HeidelbergCement will be required to launch a Mandatory Public Tender Offer in cash on the remaining shares of Italcementi at the same price per share paid to Italmobiliare.

As a consequence of the Agreement, the Chief Executive Officer has given specific instructions to the company in general and to each head of function to focus their activities on ordinary operations and on completion of the investment projects that were already underway before the Agreement was signed. He has also instructed the company Legal & Tax department to draw up guidelines and procedures to ensure that management of the company is fully compliant with antitrust regulations.

Also with regard to the Agreement and the many meetings that took place, on occasion jointly with the Control & Risks Committee, the head of the Legal & Tax department kept us constantly informed about communication procedures with the antitrust authorities to obtain their approval for execution of the transaction and about the operating methods adopted by Italcementi for correct exchange of information with HeidelbergCement in compliance with antitrust regulations.

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 plan to re-organize and rationalize industrial and distribution operations and central

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services, known as "Progetto 2015", which is still underway, and the aforementioned Italmobiliare-HeidelbergCement Agreement, did not generate particular difficulties nor undermine the company's organizational structure, management procedures and processes with respect to any changes in competences and activities 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 Legislative Decree 58/98, 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, in addition to obtaining information from the Chief Executive Officer who is also the executive director responsible for overseeing the internal control 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 update to the Regulation of the Manager in charge to take account of the organizational development of the company and the Group, approved by the Board of Directors on February 6, 2015, and the consequent update of the relevant operating model for its optimization and simplification; 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 Enterprise Risk Management department, which were illustrated by the department manager during our meetings. We thus ascertained that quantification of risks and assessment of opportunities are increasingly integrated both with management processes, such as the budget, and with the periodic re-forecasting and analyses of major investment projects and every strategic project. We also ascertained the periodic update and enlargement of Group exposure to risks, the extension of the time frame considered 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 2015 fiscal year, whose progress during the year we monitored. We hereby report that the Plan, based on a structured process for the analysis and prioritization of the main risks, concerned operating procedures, IT systems and compliance issues, and was once again properly executed and on a wider scale than originally planned, as a result of special audits and inspections in response to specific reports or requests from top management, which had not previously been scheduled;
- we attended the meetings of the Control & Risks Committee, which were held jointly with some meetings of the Statutory Auditors, thereby optimizing use of time by the various officers involved in the meetings;
- we met 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 231/2001, for the attainment of the purposes envisaged by current laws. A series of updates and additions approved by the Directors have been made to the Model, most recently on November 7, 2014, and the model is currently being reviewed and updated to take account of subsequent regulatory changes;
- we liaised with the supervisory bodies of the main subsidiaries, from whom no data or information emerged to be highlighted in this report; we also met the Statutory Auditors of Italmobiliare S.p.A. for the customary exchange of information, which included information on the checks, performed by both audit boards for their specific areas of competence, on compliance with regulations and procedures relating to transactions with related parties in connection with the sale of the non-core assets by Italcementi to Italmobiliare under the terms of the aforementioned Agreement;
- 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 10, 2016. 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 10, 2016, 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 ordinary intragroup transactions or transactions with related parties executed during the reporting period, we observe that the features, ordinary nature and financial impact and the interest of the company 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 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 specific procedures.

We also report that in December 2015, in connection with the aforementioned Agreement signed on July 28, 2015, the Board of Directors approved the sale of the non-core assets to the parent Italmobiliare S.p.A. in compliance with the regulations governing transactions with related parties set out by the Consob Regulation of March 12, 2010 and by the company internal procedure. We therefore inform you, for matters within our sphere of competence, and with specific reference to the transaction in question, that:

- the Board of Directors took the decision to sell the non-core assets to Italmobiliare having previously obtained the binding opinion of the Committee for Transactions with Related Parties, issued on December 9, 2015, in which the Committee, assisted by Lazard as independent expert, expressed its favorable opinion on the interest of the company in executing the transaction and on the cost-effectiveness and substantial correctness of the conditions thereof;
- upon reaching its decision, the company promptly published an informative document drawn up in compliance with art. 5 of Consob Regulation no. 17221 of 2010 containing a full and exhaustive description of the transaction.

We therefore express our own positive assessment of the compliance of the transaction in question with the law, regulations and the procedures adopted by the company and of its alignment with the interests of the company.

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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, as regularly reported at our meetings by the head of the Legal & Tax department.

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 December 31, 2015, 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 changes in the policies adopted related to IAS 40 and IFRS 3 and 13 and the introduction to IFRIC 21. Application of the aforementioned standards, amendments and interpretations has not had a material impact on the company's financial statements.

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 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 Code of Conduct initially approved by the Committee for the Corporate Governance of Listed Companies and most recently amended in July 2015. 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 2015 drafted by the Audit Firm and published on its web site; furthermore, on March 10, 2016, 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). Other services include the due diligence services provided for assessment of the possible acquisition of some assets put up for sale by the Holcim-Larfarge business combination.

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.

Services	Italcementi	Ciments Français and other subsidiaries	Total
Attestations	73	13	86
Other services	410	74	484
<b>Total</b>	<b>483</b>	<b>87</b>	<b>570</b>

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 17 meetings; by attending 7 meetings of the Board of Directors and taking part in 8 meetings of the Control & Risks Committee and 4 meetings of the Remuneration Committee and 7 meetings of the Related Parties Committee. Also, as mentioned earlier, the Board met three times for the meetings with the compliance committee 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, 2015, as prepared by the Directors, and regarding the proposal for the allocation of the result for the year.

Bergamo, March 10, 2016

The Board of Statutory Auditors  
Giorgio Mosci – Chairman  
Mario Comana – Standing Auditor  
Luciana Gattinoni – Standing Auditor



**KPMG S.p.A.**  
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**(Translation from the Italian original which remains the definitive version)**

## **Independent auditors' report pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010**

To the shareholders of  
Italcementi S.p.A.

### **Report on the separate financial statements**

We have audited the accompanying separate financial statements of Italcementi S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2015, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

### ***Directors' responsibility for the separate financial statements***

The company's directors are responsible for the preparation of separate financial statements that give a true and fair view 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.

### ***Independent auditors' responsibility***

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11.3 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of separate financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the separate financial statements give a true and fair view of the company's financial position as at 31 December 2015 and of its financial performance and cash flows for the year then ended 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.

### ***Other matters***

As required by the law, the company's directors 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.

### **Report on other legal and regulatory requirements**

#### ***Opinion on the consistency of the directors' report and certain information presented in the report on corporate governance and ownership structure with the separate financial statements***

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the directors' report and the information presented in its specific section on corporate governance and ownership structure required by article 123-bis.4 of Legislative decree no. 58/98, which are the responsibility of the company's directors, with the separate financial statements. In our opinion, the directors' report and the information presented in its specific section on corporate governance and ownership structure referred to above are consistent with the separate financial statements of Italcementi S.p.A. as at and for the year ended 31 December 2015.

Bergamo, 10 March 2016

KPMG S.p.A.

(signed on the original)

Stefano Mazzocchi  
Director of Audit



**Sustainability  
disclosure**

## Sustainability disclosure

Italcementi Group has been consolidating and publishing its performance since 2002. During these years quality, materiality and number of externally verified key performance indicators (KPIs) have increased in line with multiple Group and stakeholders' expectations. Since 2012, financial and non-financial disclosure is integrated in one single reference document: the Group's Annual Report, third-party verified and officially registered at statutory authorities. This reinforces the vision that the Group's efficiency is a balanced combination of economic, environment and social performances. In addition, the Group's Highlights (page 10) usually dedicated to financial indicators, now permanently include the following four selected non-financial indicators: gender equality as measure of business inclusiveness; safety as an ethical indicator also measuring managerial attitudes; CO<sub>2</sub> emissions as integrated measure of industrial efficiency; and innovation as a major lever to market differentiation.

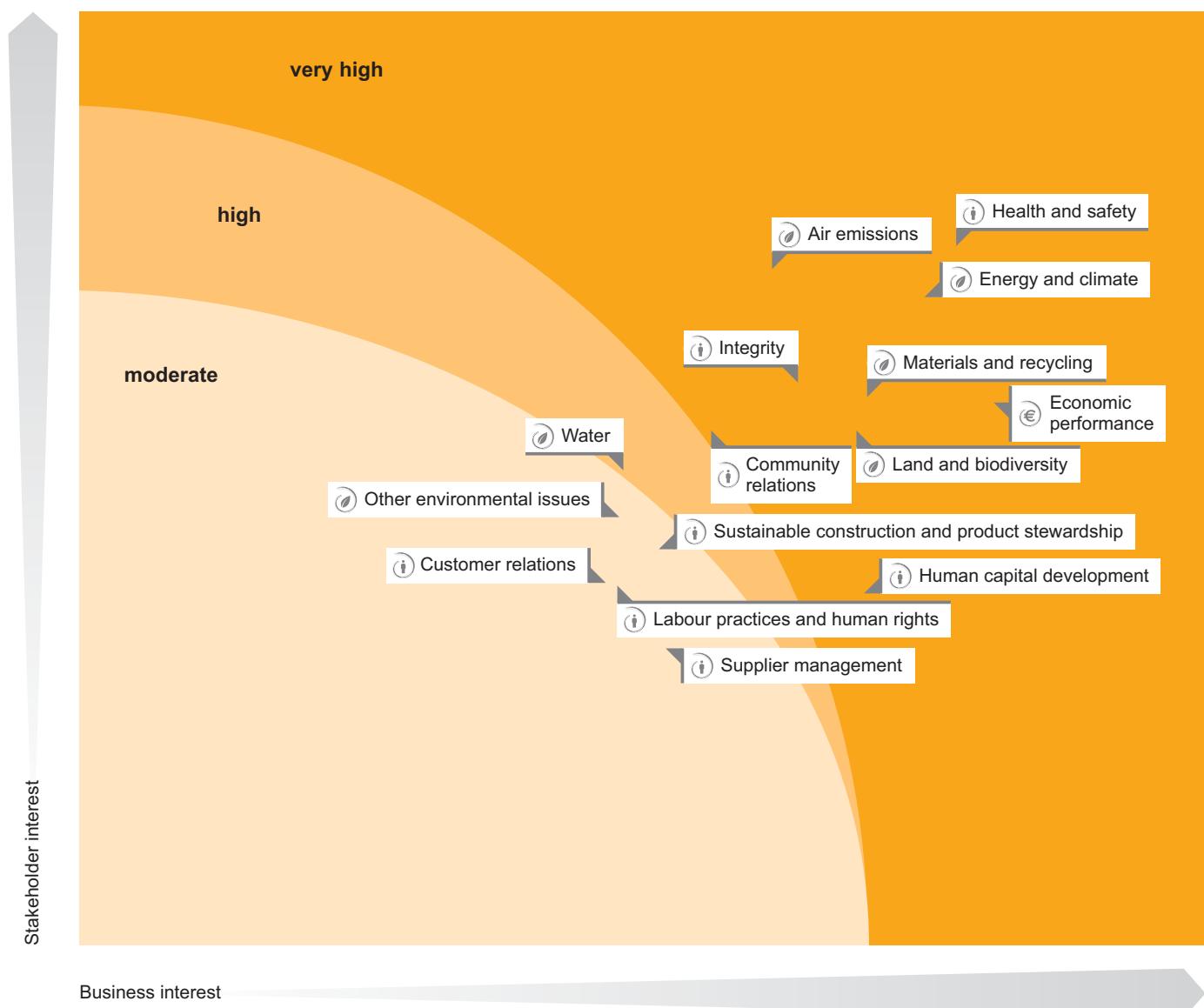
Actually, the reference for consolidation of non-financial information lies with the new Global Reporting Initiative guidelines (GRI G4 version), also endorsing some elements formally required by the French law 12 July 2010 (Grenelle II) article 225, even if its implementation is no longer mandatory for the controlled company Ciments Français. Key statements and performance indicators are subject to third party verification (page 372) under clear rules of consolidation as required by international best practice. The verification process considers 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 Group's operational control in the year 2015. Within this period, data are consolidated at 100%. Additional details on boundaries and reporting methodology is available on page 369.

Furthermore, 2015 consolidation strives to improve completeness, materiality, reliability, balance and conciseness of the Sustainability Disclosure through better structuring of content in line with Group's strategy and external context expectations. Improvements in the reading experience has also been achieved with clear integration of this document with additional information, accessible under corporate website. In this respect, engagement and benchmarking through Reporting Matters, the initiative launched by the World Business Council for Sustainable Development, was useful. The Materiality Assessment is the cornerstone of this streamlined approach. Inspired by the Global Reporting Initiative guidelines (GRI G4 version) and the International Integrated Reporting Council (IIRC) framework, the Group analysed the set of issues that may threaten the ability to implement its business model and execute its strategy. The publication "Journey to Materiality" issued by the World Business Council for Sustainable Development also with the Group's contribution, offered applicable standard procedures and suitable steps. The global result is 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 the areas concerned. Moreover, the Materiality approach was presented to the Board of Directors during a dedicated induction session on sustainability.

The Group updates the matrix over the years, also considering the United Nations Sustainable Development Goals (SDGs) and plans to include external consultation through an Advisory Panel or direct consultation with stakeholders. In any case, thanks to the assessment, the Group confirms and develops strategies, targets and ambitions in line with its material issues. Materiality matrix is also the basis for the Group's disclosure of non-financial performance, reporting management approach and results for each material aspect.

More detail on the adopted methodology is available on the corporate website (focus on Materiality).

## Italcementi Materiality Matrix



Business interest

			Focus on website and detailed performance	Management approach	Targets 2015	Ambitions 2020
	<b>Economic dimension</b>	Financial and manufactured Capitals	Economic performance	✓ see Annual Report at page 31	-	-
	<b>Social dimension</b>	Social and relationship Capital	Integrity	✓	339	332
			Community relations		349	-
			Supplier management	✓	365	332
			Customer relations	✓	364	332
		Human Capital	Labour practices and human rights		340	-
			Human capital development		344	332
	<b>Environmental dimension</b>	Natural Capital	Health and safety	✓	346	332
			Sustainable construction and product stewardship		366	332
			Energy and climate	✓	352	332
			Materials and recycling		355	-
			Land and biodiversity	✓	356	332
			Water		358	332

## 1 Looking forward

### 1.1 Targets 2015

The following table summarizes the most relevant short term targets per each section, setting the Italcementi Group's sustainable vision.

			unit	target
<b>GOVERNANCE</b>				
<b>Integrity</b>	Anti-Corruption and Bribery Compliance Programme	% completion	100	
	Anti-Trust Compliance Programme	% completion	100	
	Enterprise Risk and Compliance Programme	% completion	100	
<b>SOCIAL RESPONSIBILITY</b>				
<b>Human capital development</b>	Training hours per employee	hours/employee	20	
<b>Safety</b>	Fatalities	number	0	
	LTI Frequency Rate	per million hours	<3	
<b>Health</b>	Employees monitored according to Group standard for occupational hygiene	%	100	
	Employees covered by medical surveillance according to Group standard	%	50	
<b>ENVIRONMENTAL PROTECTION</b>				
<b>Energy and climate</b>	Gross CO <sub>2</sub> emission factor	kg/t cem	640	
	Alternative fuels, cement	%	10	
	Cement plants certified to ISO 50001 or equivalent	%	50	
<b>Environmental management</b>	Cement sites (integrated plants and grinding centers) certified to ISO 14001	%	100	
<b>Air emissions</b>	Continuous monitoring according to Group standard (dust, SO <sub>2</sub> , NO <sub>x</sub> , CO, VOC)	% clinker	100	
	Continuous and spot monitoring according to Group standard	% clinker	100	
	Kilns with emissions levels below Group standard	% clinker	100	
<b>Water</b>	Sites with sustainable water management	%	50	
<b>Land and biodiversity</b>	Quarries with rehabilitation plans	%	100	
<b>RESPONSIBLE PRODUCTION</b>				
<b>Supplier management</b>	Corporate suppliers screened also on ESG issues	%	100	
<b>Customer relations</b>	Customer satisfaction (average of absolute and relative indexes)	index	800	
<b>Sustainable construction and product stewardship</b>	Innovation rate	% turnover	4-5%	

 Achieved

 Delayed

 On going

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2015	2014	2013	verified by E&Y	status and remarks
70	70	70	★	
100	100	100	📍	
100	100	100	📍	
18	17	16	✓ ★	
4	5	5	★	
2.8	3.7	4.1	✓📍	
78	78	69	✓ ★	
n/a	n/a	n/a	★ Under development	
691	692	694	✓ ★	
12.9	10.8	9.4	✓📍	
21	16	8	★	
96	91	93	✓ ★	
97	96	89	✓ ★	E&Y verifies the input data used for KPI calculation
98	99	96	✓ ★	E&Y verifies the input data used for KPI calculation
92	94	92	✓ ★	E&Y verifies the input data used for KPI calculation
n/a	n/a	n/a	★	Guidelines launched at Group level
92	92	89	✓ ★	
100	100	99	📍	
808	805	809	✓📍	
7.9	6.6	5.3	✓📍	

## 1.2 Comments on Targets 2015

Since their definition, Targets 2015 captured the main elements of the Group's strategic moves, driving internal processes efficiency and performance improvement, even when not completely reaching the set point.

**Governance** targets have reached quickly a high standing, only the regional rollout of the anti-Corruption and Bribery Compliance Programme is requiring additional efforts. The real achievement is having definitively set business integrity as a standing value.

The commitments taken on **Social Responsibility** did push the Group to adopt a more effective approach to skills development and to definitively endorse a solid health and safety culture, raising awareness, understanding the business case and achieving the best performance ever recorded. Above all, the Lost Time Injury frequency rate went down to 2.8, meaning almost 90% less injuries since the early start of a global initiative on safety in 2000.

The level of **Environmental Protection** reached by the Group is much stronger, grounded on a true management system (ISO 14001), on sustainable sourcing of main materials (quarry rehabilitation) and clearly marking a turning point in the transfer from mature to emerging market of more environmentally friendly technologies to control emissions to atmosphere. Over a very detailed monitoring activity almost close to 100%, the leading indicator is more than 70% reduction of dust emissions against the baseline recorded only few years ago.

Only CO<sub>2</sub> performance needs to catch up, after having faced some unforeseen constraints, such as the fuel switch in Egypt and the biomass shortage in Thailand, heavily affecting the current bill. But all the three main levers of CO<sub>2</sub> mitigation have been solidly explored: new production capacity with state-of-the art performance, the highest alternative fuel substitution rate, and a first clear move to reduce clinker in cement products. Moreover, thanks to the processes launched at all sites in Italy and France, implementation of energy management systems is expected above 50% within the first half of 2016.

This is also confirmed by a reinforced approach to **Responsible Production**: higher attention to supply chain sustainability and to the markets, through an effective follow up of customers and a growing range of innovative products, now as high as 7.9%, the highest level since the beginning and a true success for a very conservative sector. Behind, there is a renewed approach to product stewardship: understanding, controlling, and communicating products technical performance, environmental, health and safety related effects throughout their life cycle, from production to final disposal or reuse.

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## 1.3 Ambitions 2020

The Italcementi Group's Values set the way ahead over a longer timeframe, shaping its 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 programmes, 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 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 covered 2014 and 2015, to ensure full understanding of the innovative content at any employment level, from top management to new-hired.

The 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 on-going integrity programme.

### 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. Therefore, Italcementi Group aims at:

- increasing percentage of management positions held by women up to 20%;
- systematically support managers with training and operating tools to manage and valorise diversity.

Actions to increase the 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 2015 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 lever. Further 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<sub>2</sub> 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. Thus Italcementi endorses a strategy leading to a:

- ▶ cementitious products with less than 600 kg CO<sub>2</sub> per tonne;
- ▶ captive or offset production of renewable power up to 10% of total electrical energy demand.

In 2015, a relevant increase of alternative fuels and biomass rate and a slight reduction of clinker content, led to a result of 691 kg of CO<sub>2</sub> per tonne of cementitious products, only 1 kg less than previous year because partially spoiled by an unfavourable change in the fuel mix due to fuel availability in Egypt and Thailand. The new lines in Devnya (Bulgaria) and Rezzato (Italy) will full delivery in 2016. Due to change in market conditions in main countries, the Group is not yet fully in line with the improvement curve planned in the 8-year plan towards 2020 ambition. However, the engagement in the LCTPi (Low Carbon Technology Partnership initiative), the long term committed effort to mitigate the CO<sub>2</sub> emissions from the cement sector, signed by 16 CSI CEOs in December 2015 during COP 21, will be a major driver for further reinforcing action plan for CO<sub>2</sub> intensity reduction.

Full-year operation of the co-generation plant from waste heat operating in Thailand (Pukrang) and other minor initiatives, such as a wind-power partnership in India (Yerraguntla), but lower hydropower production due to weather conditions, lightly decreased the captive or offset production of renewable power from 11% in 2014 to almost 10% in 2015. This is in any case ahead of the improvement curve planned by the Group, having almost achieved the target of the 8-year plan towards 2020 ambition.

## 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 extraction sites, prioritizing quarries in sensitive areas;
- ▶ sustainable water management at all industrial and civil sites, covering sourcing, uses and release.

In 2015, the Group operated 284 quarries. 262 (92%) of them have on-going 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 specialised University departments, are being implemented in Egypt, France, Italy, Morocco and North America (59 quarries, 20%). In 2015, the Group has started the implementation of its 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 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 accounting continuously improves. The WBCSD Global Water Tool, customised for the cement sector, allows mapping with details the impact of Group's operation on water resources. Additionally, the new minimum requirements for sustainable water management are to be issued by the Cement Sustainability Initiative, where the Group gave strong contribution.

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## Innovation

We believe in the importance of innovation not only in the development of new products, applications and services, but also in our management approach. We must embrace change and be open to new ideas in order to attract the best talents. Sustainable products and applications are essential to align the Group's portfolio to the changing expectations of markets. Responsible sourcing is one of the key tools. Italcementi Group strives to:

- ▶ increasing the percentage of cement products with at least 10% of recycled materials, up to 30% of total product range;
- ▶ increasing the average content of recycled materials in concrete up to 10%.

Since 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 19.9% the percentage of range of products with more than 10% of recycled content.

In parallel, a mapping scheme of material sourcing for concrete was defined. The average recycled content of concrete manufactured by the Group is 4.6% with almost two third of the contribution coming from recycled materials embedded in the cement type used.

## 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 its 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 Sustainability Policies provides additional guidance. Drafted as the expression of values and principles shared within the Group, the Sustainability Policy is the cornerstone. It covers the 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 additional daughter Policies on specific topics (Safety, Human Rights, Quality, Energy, Environment, Health and Social Initiatives) complete the guidance. All the Policies are signed by the Group's CEO, publicly available in English on corporate website and in local language at local level.

Sustainability is regularly brought to the Group's Board agenda, also driven by periodical meetings among the Chief Executive Officer (CEO), the Chief Operating Officer (COO) and the Sustainable Development Director (SDD). The Strategic Committee was established in 2014 with the mandate to assist the Board in high-level and competitiveness-related themes such as strategic plan and strategic investments, mergers and acquisitions, restructuring, high-profile joint ventures, innovation and sustainability. Composed mostly by independent Directors and chaired by the Group's CEO, the Strategic Committee benefits from effective interaction with relevant Group's functions. Furthermore, the Group's Sustainable Development Steering Committee (SDSC), also 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 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. Since 2010 the Group has also adhered to the United Nations Global Compact (UNGC). As for the WBCSD, Group's subsidiaries are taking active role in existing UNGC Regional Networks. Update on relative actions is available under the Communication on Progress (page 373).

Since 2013, the Group's CEO, Carlo Pesenti, on behalf of the whole Group has taken again the two-years Co-Chairmanship of the CSI. 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 definitely inspire the Group's strategies, mostly translated into action programmes through its Targets 2015 and Ambitions 2020 (page 332). Additional information is available on corporate website (focus on Value).

Additionally 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 (Italy) and feasible international best practices, fostering technology transfer and local capacity building.

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## 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 recognition of this approach, 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. The new Code is aligned to the industry's best practices and incorporates principles underlying the Group's corporate governance and compliance systems.

The Group identified the "Antitrust Laws" and "Corporate Criminal Liabilities Laws", with priority on bribery, among the legal top risk areas. Actually in 2015, 57% 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 on 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 regularly 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. 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's 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 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. Additional information is available on corporate website (focus on Integrity).

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. Since 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 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 therefore implements labour practices grounded on fair employment, equal opportunities and skill development.

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% 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 are needed to set more favourable conditions for the right equality in career opportunities.

Trend of salaries is in line with local context and 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 trend of the ratio of the annual total net compensation for the Group's highest-paid individual and all the others employed is monitored. Particularly, the CEO's total compensation benchmark with the median of non-CEO's compensation in the resident country (Italy) was 47 in 2015. The Group also monitors the ratios between the median of salaries of Country employees versus Directors levels remuneration (country general managers 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 (1 to 26 in India only), where basic salaries are low while 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 focused on better work inclusion and social support. The French subsidiary is considered as the best example in the Group, with regular and focused training for managers and employees, aiming at best and inclusive working environment and proactive collaboration with authorities for best placement solutions.

Collective labour agreements, also embedding health and safety topics, cover most of Group's employees worldwide. Currently excluded are some areas like Morocco, Kuwait and Saudi Arabia, where full unionization is not in place for reasons independent of the company's control, and few categories of workers, mainly white collars, in the US, Greece, India and Kazakhstan. These cases represent around 15% of total workforce and in any case are subject local best practice. 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 also includes transnational initiatives like the European Work Council, periodically sharing Group's strategies and major projects.

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Driven by its Human Rights Policy (covering material human and labour rights) and with the Foundation Italian Network of the Global Compact, the Group is working on its first tailored Human Rights Impact Assessment (HRIA). The tool will be implemented starting from countries of concern where the Group operates, as identified by the Freedom House (they represent 35% of the Group's revenues in 2015). It will also represent the basis for regular corporate communication on the BWI Agreement. Waiting for the full finalization, the Group collects data and information of any possible incident related to human rights and working conditions. Critical situations detected and solved in 2015 were mostly related to inequality of treatment or working conditions among sub-contracted workforce.

At year end, the Group employed a total of 17,525 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 and apply 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 111).

The work organization includes also working shifts in production sites, normally based on 8-hour shifts. In North America (7% of workers in three plants), Kazakhstan (60% of workers in one plant) and Bulgaria (41% of workers in one plant) 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 and Bulgaria 12-hour shifts are organised with two employees on duty, for health and safety reasons and also allowing for meals and rest.

France, Egypt, India and Italy experienced minor strike actions.

	Group employees			Open-end contracts			Fixed-term contracts				
	2015	2014	2013	2015	2014	2013	2015	2014	2013		
				Female	Male		Female	Male			
Italy	2,314	2,420	2,966	266	2,047	2,417	2,963	0	1	3	3
France & Belgium	3,882	3,982	4,020	574	3,256	3,923	3,939	10	42	59	81
Spain	433	433	453	60	352	425	445	1	20	8	8
Greece	138	145	165	17	111	138	160	4	6	7	5
North America	1,441	1,396	1,381	129	1,312	1,395	1,379	0	0	1	2
Egypt	4,435	4,420	4,502	38	3,172	3,380	3,619	11	1,214	1,040	883
Morocco	914	933	960	99	801	924	866	1	13	9	94
Bulgaria	331	352	349	100	184	323	332	14	33	29	17
Thailand	935	907	876	141	794	906	872	0	0	1	4
India	880	888	802	15	865	883	802	0	0	5	0
Kazakhstan	297	297	291	66	146	222	233	27	58	75	58
Trading	176	207	305	15	140	184	303	3	18	23	2
Kuwait	336	375	348	8	328	375	348	0	0	0	0
Others (*)	1,013	1,024	1,016	301	645	957	975	34	33	67	41
<b>Total</b>	<b>17,525</b>	<b>17,779</b>	<b>18,434</b>	<b>1,829</b>	<b>14,153</b>	<b>16,452</b>	<b>17,236</b>	<b>105</b>	<b>1,438</b>	<b>1,327</b>	<b>1,198</b>

(\*) includes, among others, Saudi Arabia, Ciments Français, CTG and BravoSolution

	Full-time employees			Part-time employees				
	2015	2014	2013	2015	2014	2013		
	Female	Male		Female	Male			
Italy	224	2,045	2,367	2,889	42	3	53	77
France & Belgium	480	3,255	3,818	3,889	104	43	164	131
Spain	51	372	426	446	10	0	7	7
Greece	21	117	145	165	0	0	0	0
North America	129	1,312	1,396	1,381	0	0	0	0
Egypt	49	4,386	4,420	4,502	0	0	0	0
Morocco	100	814	933	960	0	0	0	0
Bulgaria	114	217	352	349	0	0	0	0
Thailand	141	794	907	876	0	0	0	0
India	15	865	888	802	0	0	0	0
Kazakhstan	93	204	297	291	0	0	0	0
Trading	18	158	207	305	0	0	0	0
Kuwait	8	328	375	348	0	0	0	0
Others (*)	310	677	988	968	25	1	36	48
<b>Total</b>	<b>1,753</b>	<b>15,544</b>	<b>17,519</b>	<b>18,171</b>	<b>181</b>	<b>47</b>	<b>260</b>	<b>263</b>

(\*) includes, among others, Saudi Arabia, Ciments Français, CTG and BravoSolution

Employees' turnover (2015)		Absolute	%
In	Hiring (open and fixed-term contracts)	1,337	85
	Reassignments and re-entries	212	13
	Acquisitions	28	2
	<b>Total</b>	<b>1,577</b>	
	Resignations	743	41
Out	Dismissals and change of perimeter	11	1
	Lay-offs	275	15
	Retirements	264	14
	Fixed-term contracts and trial period closures	315	17
	Reassignments	164	9
	Deaths	59	3
	<b>Total</b>	<b>1,831</b>	

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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		
	2015	2014	2013	2015	2014	2013
< 30	1	1	1	6	6	6
30 - 40	3	4	4	19	20	20
40 - 50	4	4	4	30	31	32
50 - 60	3	2	2	31	29	29
> 60	0	0	0	3	3	2

Breakdown by seniority (%)	Female			Male		
	2015	2014	2013	2015	2014	2013
< 3	2	1	1	10	9	8
3 - 5	1	1	1	5	6	5
5 - 10	2	3	3	16	17	18
10 - 20	3	3	3	26	25	25
> 20	3	3	3	32	32	33

Breakdown by nationality (%)	Female			Male		
	2015	2014	2013	2015	2014	2013
Europe	7	7	8	37	39	41
Africa	1	1	1	31	31	30
Asia	2	2	1	13	12	11
America	1	1	1	8	7	7

Female/Male (%)	Female			Male		
	2015	2014	2013	2015	2014	2013
Manager	10	10	9	90	90	91
White collars	22	22	22	78	78	78
Blue collars	2	2	2	98	98	98

Salary ratio	Female			Male		
	2015	2014	2013	2015	2014	2013
Top management (*)	100	100	100	108	108	107
White collars (**)	100	100	100	108	109	108
Blue collars	100	100	100	107	106	106

(\*) specific comparison with the external market

(\*\*) including middle management

### 3.2 Human capital development

A “competency model” system was 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 model set the 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, and making sure that all those in charge of relevant responsibilities possess all necessary skills for the job. Managerial and technical competences are covered: while the first are the same throughout the organization (in kind, of course not in expected level), the second differ by job family. That 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 carries 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 involving approximately 200 people at different level of seniority and responsibility in the organization, involving Cement Sales & Marketing, Administration and Control, Procurement and Human Resources functions 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 structures and people’ improvements for organization, job profiles, objective, rewarding systems, competences and incumbents.

Employees and managers receive their 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.

Training is a crucial element for human capital development. According to its internal training management system, the Group’s activities stay organized around the four training areas: Compliance and Risk Mitigation; Efficiency and Specialization; Sustainable Development and Innovation; and Human Capital Development. Year 2015 was featured by the definition of the training roadmap 2016. The roadmap has been depicted around three areas considered as primary: Commercial excellence, Technical Training and Leadership. With the aim to share best models, approaches and experiences all local initiatives have been collected to be translated in a common framework, starting from “back to basic” technical knowledge towards a new way to perform the sales roles and become consultant of our customer. In this direction, training programs were delivered in Bulgaria, Italy and Spain, sharing the concept of selling effectiveness through innovation and increased profitability. In France the Athena project was launched to fully review the sales process and support the sales team on customer relationship and product range offering; the same was started also in Thailand. A specific attention has been given in Italy to Ready Mix Area Responsible, as first generators of new market approach. On technical side support was given to the Manex (MANufacturing Excellence) Program with a 3 weeks intensive session on Reliability, Problem Solving, Risk Management and Lubrication for maintenance responsible. The objective of this workshop is to provide the knowledge and skills necessary to participate, facilitate and manage effective problem analysis through a Root Cause Analysis process. Participants were certified on Lubrication by an external entity at the end of the training session. Activities are now progressing with training on the Job program, on-going in two pilot plants, one in USA and one in France, with the aim to enhance equipment reliability applying structured methodologies. Additionally a new e-learning blended module to support technical competence enhancement was launched in USA. Training initiatives on “Human Capital and Sustainable development” were pursued in different countries with particular attention to

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leadership, team management, accountability and integration. A common induction template has been designed for adoption in all countries both for new hired at all level and senior executives.

In 2015 the Group globally run 292,952 hours of training (5,743 through e-learning platform) involving 11,393 capita and 59,945 seats.

Hours of training	2015	2014	2013
Efficiency	94,400	78,710	85,882
Sustainable Development and Innovation	142,586	171,353	150,694
Compliance	12,581	5,400	5,527
Human Capital Development	37,642	46,797	45,489

Hours of training by gender (2015)	Female	Male
Efficiency	12,792	81,608
Sustainable Development and Innovation	8,984	133,602
Compliance	512	12,069
Human Capital Development	6,616	31,026

Seats	2015	2014	2013
Efficiency	7,822	6,530	7,085
Sustainable Development and Innovation	46,723	24,421	18,710
Compliance	1,736	2,317	1,006
Human Capital Development	3,664	3,689	3,675

Hours of training (%)	2015	2014	2013
Manager	12	11	14
White collars	41	37	46
Blue collars	47	52	41

Seats (%)	2015	2014	2013
Manager	8	11	15
White collars	38	39	43
Blue collars	54	50	42

Hours of training pro capita	2015	2014	2013
Per seat	4	8	9
Per employee	18	17	16

e-learning (2015)	Hours	Seats Enrolled	Seats Completed
Efficiency	1,249	556	604
Sustainable Development and Innovation	3,852	1,410	1,445
Compliance	81	4	46
Human Capital Development	561	341	259

### 3.3 Safety

Grounded on its Safety Policy, Italcementi considers security and safety as fundamental values to be integrated in the entire Groups' activities. Driven by its motto «Safety: a way of living», the Group adopts its Safety Management Handbook (SMH) covering five key areas: 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 express their daily personal commitment to promote safety at their level. Personal commitments, periodically updated, are spread and available for everyone on the Group's intranet.

Since 2009, the Group is implementing best Safety Operational Standards at all its sites, aiming at enhancing and homogenizing best practices. Safety standards address main causes of accidents and 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, employed and contracted. Recently, the Group also issued the new Risk Management standard. By applying the risk assessment methodology, it ensures 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 involve both directed and contracted workforce. The effort is relevant considering that contractors' worked hours on site accounted for around 43% of total worked hours, in 2015. The status of the Standards implementation is available on page 347.

Training covering most critical issues accounted for 121,162 hours and involving 42,609 seats in 2015. Additionally and as every year, the Group endorsed and celebrated the World Day for Safety, also involving its site contractors.

In 2015 over a population of more than 17 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 2.8 showing a 24% decrease since 2014 (55% 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 CSI, the Group also reports the LTI frequency rate for contractors on site (see table on page 347). Additional information is available on corporate website (focus on Safety).

In total, the absenteeism of employees due to safety related causes totalled 7,725 lost days (7,890 in 2014) confirming at less than 0.5% of total absenteeism, and estimated to remain stable below 4% of total workable days; other 2,408 days (3,613 in 2014) of employees working on restricted duty were recorded.

Despite all the efforts, two 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 2015, minor administrative non-compliances to locally enforced regulatory schemes raised penalties for 304.6 k€ (548 k€ in 2014).

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LTI Frequency rate, employees (*)	2015	2014	2013	2012
Cement	2.3	3.5	2.7	4.5
Aggregates	8.7	4.6	5.1	10.7
Concrete	2.5	3.0	7.3	10.8
Group	2.8	3.7	4.1	6.2

LTI Severity rate, employees (*)	2015	2014	2013	2012
Cement	0.2	0.2	0.2	0.2
Aggregates	0.3	0.3	0.4	0.5
Concrete	0.3	0.3	0.4	0.3
Group	0.2	0.2	0.3	0.3

TRIR, employees (*)	2015	2014	2013	2012
Cement	6.7	7.5	7.3	10.8
Aggregates	16.8	16.3	13.5	19.0
Concrete	13.0	10.9	17.5	18.1
Group	8.1	8.6	9.7	12.5

(\*) Direct employees and temporary workers

LTI Frequency rate, contractors (*)	2015	2014	2013	2012
Group	1.6	2.4	3.7	4.4

(\*) contractors on site

Status of Group standards implementation (%)	2015	2014	2013	2012	2011
Personal Protective Equipments	100	100	96	86	81
Work at Heights	96	95	86	78	68
Hot Works	100	100	94	85	78
Log Out – Tag Out	95	93	78	56	50
Confined Space Entry	97	94	70	28	-
Code of Practice for Driving Safety	74	69	62	-	-

Fatalities	2015	2014	2013	2012
Employees (*)	4	-	1	2
Contractors	-	3	2	2
Third parties (**)	-	2	2	-
Group	4	5	5	4

(\*) direct employees and temporary workers

(\*\*) one off site

Work-related injuries with lost days	2015	2014	2013	2012
Employees (*)	94	126	139	223
Contractors (**)	51	87	110	137

(\*) 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 its 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, beyond most local legislations. The standard is based on best existing risk assessment and international recognized references; it sets minimum requirements to evaluate workplace environment and occupational exposure of workers to relevant chemical and physical agents. By applying the precautionary principle, most 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 2015, 78% of workers potentially exposed were covered by the assessment, of which 93% were already in line with the Group's standard. Improvement plans are under implementation for the remaining, even if already complying with locally enforced legislation. Additional information is available on corporate website (focus on Health) and on page 347.

Following this, the Group's approach contributed to shape the new Health Management Handbook recently issued by the Cement Sustainability Initiative. Italcementi is now working on the definition of minimum requirements for occupational medical surveillance to be integrated in the standard for occupational exposure of workers.

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 best practices within the 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 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.

Proper approach to health also includes sustainable 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 2015, 25% of the Group's sites are completely asbestos-free and 77% are already without PCBs and CFCs in line with European best practices. Similar initiatives are on-going for other materials of concern, such as for ceramic refractory bricks, aligning to international best practices.

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<b>Alignment to Group standard (%)</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Workers potentially exposed covered by full assessment (*)	78	78	69
Workers assessed and in line with the standard	93	92	92

(\*) i.e. dust, crystalline silica, noise and vibration assessment

<b>Group sites (*) and materials with high health concern (%)</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Asbestos free	25	21	21
PCBs and CFCs free	77	76	75

(\*) cement and grinding plants

<b>Official applications for occupational illnesses</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Cement	10	13	41
Aggregate	1	0	2
Concrete	2	2	4
Others	2	5	5
Total	15	20	52

### 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 sites 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 351.

Aiming at best **employees' satisfaction**, the Group 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.

**Shareholders, investors and providers of capital** are continuously engaged through open channel of communication, a number of institutionally scheduled events (press releases, analyst presentations, General Assembly), ad-hoc meeting and/or web conference to discuss Group's sustainability approach and integrated performances.

Since 2014 **suppliers and contractors** has entered the new Group's Business approach to Sustainable Supplier Management (page 365). They are also locally involved in all main Group's events, especially on safety (page 346). **Customers** benefits from the Group's approach to customer satisfaction (page 364) 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 176). Global and local **NGOs and media** are included in same communication channels.

The following tables show the Group's contribution in terms of support to communities and stakeholder engagement activities.

<b>Support to communities (k€)</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Italcementi Foundation	671	722	560
Italcementi	441	216	336
Group subsidiaries	3,268	3,656	4,102
<b>Sponsorship (k€)</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Group Headquarters	526	533	503
Group subsidiaries	1,609	758	1,293
<b>Cement plants with stakeholder engagement (*) in place (%)</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Mature markets	68	65	61
Emerging markets	100	100	100
Group	78	76	73

(\*) including Open Doors activities

With special focus on 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, actively participating in all initiatives. More details on the Group's engagement with WBCSD and CSI are available on corporate website (focus on CSI Commitment and KPIs). 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 Group's subsidiaries regularly engage with relevant **authorities and institutions** through individual or collective interactions during permitting and other institutional proceedings and voluntary multi-stakeholder initiatives and partnerships. This also includes the active presence in local trade associations, fostering joint initiatives and spreading responsible business practices.

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<b>Group's Stakeholders</b>	<b>Engagement channels</b>	<b>Significant issues raised</b>
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 performances (financial, environmental and social). Strategic development.
Suppliers and Contractors	Supplier relationship programme with strategic suppliers. Involvement of suppliers in local event (e.g. safety issues). Talks with suppliers fostering Group's sustainable strategy. Individual feedback on qualification scores. Engagement through auditing activities.	Terms and conditions of contract. Minimum pre-requisites for pre-qualification (i.e. Human and Labour rights, Environment and Anti Corruption). Contracts' standardization throughout all countries. HSE clauses for all different level of contracts.
Customers (including downstream users and architects)	Business and industry forums and exhibitions. 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. Product Stewardship approach. 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 of human and labour rights. Minimized environmental and community impacts. Investments 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 on selected sustainability issues (through working groups and task forces). General knowledge-sharing and awareness-raising on peers'. 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 performances. 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<sub>2</sub> 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.

2015 was the first year of full operation of the two revamped plants in Bulgaria (Devnya) and Italy (Rezzato) with significant cut of energy consumption and CO<sub>2</sub> emissions. Thanks to the new BAT kiln, Devnya reached 40% reduction in thermal consumption and even above 40% CO<sub>2</sub> emissions reduction, contributing the newly introduced alternative fuels, reaching steadily a 12% substitution. Another on-going plant revamping in Kazakhstan (Shymkent) will deliver from 2016. Beside the strategic projects, the energy recovery and efficiency plan launched in 2013 progressed in 2015, covering all the subsidiaries. It follows a robust methodology, starting from audit based gap analyses and moving to recovery plans execution and savings consolidation. In 2015 all European plants were submitted to an energy audit process, also in line with EU legislation.

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 2015, as to reach certification in time by 2016. In the United States, 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 34,350 toe, were rewarded the equivalent Energy Efficiency Certificates (TEE), traded on the national energy exchange. Our Indian plants, covered by the Indian Energy Trading scheme (PAT), generated Energy Saving Certificates (EsCert) equivalent to 19,000 toe.

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 2015, 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 8.3% substitution rate in two years, saving 115,000 tonnes of CO<sub>2</sub>. Fossil fuels were replaced with biomass (such as chopped wood and cotton stalk) and a high technology waste pre-treatment facility is operating in Kattameya plant producing high quality Refuse Derived Fuels (RDF) from material diverted from landfill, then separated and shredded on site. The facility produced 50,000 tonnes of RDF in 2015. Finally the Indian plants reached 10.2% use of alternative fuels replacing coal, mostly agricultural waste locally sourced saving 66,000 tonnes of CO<sub>2</sub>. Overall, 4.9% thermal substitution with biomass allowed for more than 0.5 million tons of CO<sub>2</sub> savings in 2015 at Group level.

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In the scope of the Group's Ambitions 2020, those on CO<sub>2</sub> 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. The champion is India, that kept progressing, abating the clinker content in cement by more than 9% in three years, with an equivalent saving of almost 70,000 tonnes of CO<sub>2</sub> in 2015 only.

Sustainable power sourcing completes the Group's energy strategy. The new co-generation plant from waste heat operating in Thailand (Pukrang) satisfied 24% of the annual electricity demand for the plant, equivalent to savings of almost 60,000 tonnes of CO<sub>2</sub> in 2015. 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. Captive or offset production of renewable energy covered almost 10% of total electricity demand of production sites, very close to Group's Ambition 2020.

Complementary to many mitigation initiatives, the Group acknowledges the need to prepare and support adaptation to climate changes. In 2015 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 362) 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) and in the following tables.

<b>Gross CO<sub>2</sub> emissions (*)</b>		<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>1990</b>
Mature markets		685	693	692	668
Emerging markets	kg/t cementitious	696	691	696	823
Group		691	692	694	723
Group	million t	29.2	29.0	28.6	36.8

(\*) CO<sub>2</sub> gross emissions do not account for biomass content of alternative fuels

<b>Net CO<sub>2</sub> emissions (*)</b>		<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>1990</b>
Mature markets		656	668	668	635
Emerging markets	kg/t cementitious	687	685	693	823
Group		674	678	682	701
Group	million t	28.4	28.3	28.0	35.7

(\*) CO<sub>2</sub> net emissions do not account for use of any kind of alternative fuels

<b>Carbon footprint</b>	<b>2015</b>		<b>2014</b>	
	<b>million t CO<sub>2</sub></b>	<b>%</b>	<b>million t CO<sub>2</sub></b>	<b>%</b>
Scope 1 (direct emissions)	29.2	76	29.0	73
Scope 2 (indirect emissions)	2.0	5	2.1	5
Scope 3 (value chain emissions)	7.4 (*)	19	8.5 (*)	22
<b>Total</b>	<b>38.6</b>		<b>39.6</b>	

(\*) expressed in CO<sub>2</sub> equivalent



<b>Thermal consumption, cement</b>		<b>2015</b>	<b>2014</b>	<b>2013</b>
Mature markets		3,735	3,734	3,721
Emerging markets	MJ/t clinker	3,853	3,863	3,858
Group		3,802	3,806	3,798
Group	million GJ	130.0	129.3	127.2
<b>Conventional fuels by type, cement (%)</b>		<b>2015</b>	<b>2014</b>	<b>2013</b>
Coal		42.8	36.8	35.3
Petroleum coke		28.4	31.9	32.8
High viscosity fuel		0	0	0.2
Natural gas		10.3	13.9	15.9
Fuel oil		5.6	6.6	6.4
Alternative fuels		12.9	10.8	9.4
<b>Alternative fuels and biomass, cement (%)</b>		<b>2015</b>	<b>2014</b>	<b>2013</b>
Mature markets		18.8	15.4	15.4
Emerging markets	% alternative fuels (including biomass)	8.6	7.3	4.9
Group		12.9	10.8	9.4
Mature markets		6.7	6.0	5.4
Emerging markets	% biomass	3.6	4.9	3.7
Group		4.9	5.4	4.4
<b>Alternative fuels by type, cement (%)</b>		<b>2015</b>	<b>2014</b>	<b>2013</b>
Animal meal		7.2	9.4	12.1
Liquid waste		13.9	12.1	16.7
Agricultural waste		13.5	24.3	21.5
Waste oils		7.8	5.8	8.3
Tyres and rubber		24.2	20.5	17.8
Solid waste		19.2	16.1	13.6
Plastic		1.8	2.6	3.8
Refuse Derived Fuels (RDF)		10.9	7.3	4.6
Sludge		1.2	2.1	1.6
<b>Clinker/cement ratio (% of clinker)</b>		<b>2015</b>	<b>2014</b>	<b>2013</b>
Mature markets		79.7	79.9	80.0
Emerging markets		81.0	82.1	82.7
Group		80.5	81.1	81.5
<b>Power consumption, cement</b>		<b>2015</b>	<b>2014</b>	<b>2013</b>
Mature markets		137.2	136.1	137.5
Emerging markets	kWh/t cement	104.2	105.7	106.9
Group		118.7	119.2	120.5
Group	million kWh	4,873	4,899	4,916
<b>Power consumption, aggregates</b>		<b>2015</b>	<b>2014</b>	<b>2013</b>
Mature markets		2.8	3.1	2.9
Emerging markets	kWh/t aggregate	1.3	2.2	1.9
Group		2.6	3.0	2.8
Group	million kWh	76	79	79

<b>Power consumption, concrete</b>		<b>2015</b>	<b>2014</b>	<b>2013</b>
Mature markets		4.0	4.0	4.8
Emerging markets	kWh/m <sup>3</sup> concrete	2.0	1.9	2.0
Group		3.5	3.5	4.1
Group	million kWh	35	36	46

## 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 strict Group's guidelines for the responsible use of raw materials (ARMs) based on WBCSD/CSI guidelines, and also applying to alternative fuels. These guidelines list all the materials that must not be used under any circumstance at any Group's site. They also focus on the selection, management and necessary controls for using alternative materials by adopting health, safety and environmentally friendly measures.

Stable since 2014, 5.5% of raw materials used in cement production are alternative, arising from other industrial processes or human consumption cycles. In addition, production of concrete used globally 1.1% (1.4% in 2014) of alternative materials in aggregates or as cement substitute.

<b>Raw materials, cement</b>		<b>2015</b>	<b>2014</b>	<b>2013</b>
Mature markets		26.8	27.5	27.1
Emerging markets	million t	35.1	33.7	33.5
Group		61.9	61.2	60.6
Mature markets		7.3	7.0	7.7
Emerging markets	% alternative	4.1	4.2	3.6
Group		5.5	5.5	5.4

<b>Raw materials by type, cement (%)</b>		<b>2015</b>	<b>2014</b>	<b>2013</b>
Limestone		76.8	77.2	77.2
Marl		2.7	3.0	2.6
Clay		9.5	8.7	9.0
Sand		1.0	1.0	1.1
Iron ore		0.6	0.6	0.6
Bauxite		0.3	0.4	0.3
Gypsum		3.1	3.2	3.1
Pozzolana		0.4	0.3	0.4
Other natural raw materials		0.1	0.1	0.3
Alternative raw materials		5.5	5.5	5.4

<b>Alternative raw materials by type, cement (%)</b>		<b>2015</b>	<b>2014</b>	<b>2013</b>
Blast furnace slag		30.1	32.3	32.5
Fly ash		32.4	31.2	30.3
Calcium, aluminum, silicon or iron substitutes		16.6	15.5	14.9
Industrial gypsum		10.0	10.2	11.0
Kiln & bypass dust		2.8	4.9	6.4
Foundry sand		2.2	1.2	1.2
Biomass ash		0.2	0.2	0.2
Other natural raw materials		5.9	4.5	3.5

#### 4.3 Land and biodiversity

Sustained by its Environment Policy and also supporting WBCSD Action2020 priorities, the Group strives to prevent degradation of ecosystems and implement sustainable criteria for its land use.

Since 2011, the Group is adopting its Guidelines for Assessing Dismissed or Dismissing sites, an unavoidable legacy in countries with a long industrial history but applied at all Group's sites. Guidelines cover safety and security risks, environmental risks, and social and external context risks. After 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.

More specifically for the even more significant portions of land necessary for raw material supply, the Group is implementing 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 2015, 92% of the Group's quarries has a rehabilitation plan in place (91% in 2014).

Additionally, the Group recently issued its Biodiversity Management Guidelines, responding to cement sector needs, and deeply grounded on natural capital. All quarry sites under the 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, 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.

Additionally information is available on corporate website (focus on Biodiversity).

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<b>Quarry management, cement (*)</b>		<b>2015</b>	<b>2014</b>	<b>2013</b>
Mature markets	Number of quarries	92	95	98
	<i>in sensitive areas (**)</i>	44	45	45
	<i>with rehabilitation plan</i>	88	90	91
	<i>with biodiversity plan</i>	14	8	-
Emerging markets	Number of quarries	41	42	41
	<i>in sensitive areas (**)</i>	5	6	3
	<i>with rehabilitation plan</i>	26	27	23
	<i>with biodiversity plan</i>	3	1	-
Group	Number of quarries	133	137	139
	<i>in sensitive areas (**)</i>	49	51	48
	<i>with rehabilitation plan</i>	114	117	114
	<i>with biodiversity plan</i>	17	9	-

(\*) number of quarries refers 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)

<b>Quarry management, aggregates (*)</b>		<b>2015</b>	<b>2014</b>	<b>2013</b>
Mature markets	Number of quarries	146	142	136
	<i>in sensitive areas (**)</i>	83	81	75
	<i>with rehabilitation plan</i>	143	137	131
	<i>with biodiversity plan</i>	41	35	-
Emerging markets	Number of quarries	5	4	5
	<i>in sensitive areas (**)</i>	1	1	1
	<i>with rehabilitation plan</i>	5	4	4
	<i>with biodiversity plan</i>	0	0	-
Group	Number of quarries	151	146	141
	<i>in sensitive areas (**)</i>	84	82	76
	<i>with rehabilitation plan</i>	148	141	135
	<i>with biodiversity plan</i>	41	35	-

(\*) number of quarries refers 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 with no qualitative access to water.

As from its Environment Policy, the Group supports projects to reduce its water consumption and preserve water quality. Since 2010, the Group has adopted the Global Water Tool for the Cement Sector (GWT). It is a tool developed by the World Business Council for Sustainable Development, customized for the cement sector and in line with GRI G4 requirements. GWT helps the Group in mapping its water use and assess risks relative to global operations and supply chains. By comparing sites with best available water, sanitation, population and biodiversity information on a country and watershed basis, GWT allows to identify sites in water-scarce areas. GWT recommendations cover cement, aggregates and concrete operations.

Within the framework of CSI, the Group strongly contributed to the new Protocol for Water Reporting and the Guidance on Good Practices for Water Accounting. Documents are ready to be issued.

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.

As a complementary initiative, the Group is signatory of the Pledge for Access to Safe WAtter, Sanitation and Hygiene (WASH) at the workplace, launched by the WBCSD. It aims to ensure appropriate access to safe WASH for all employees in all premises under direct Group's control. All the Group's subsidiaries made their first assessment and started developing relative improvement action plans. The assessment covered 72% of Group's employees and the average implementation is 78%.

Detailed information on Group's data is available on the next page.

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<b>Water withdrawal, cement</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Mature markets	0.68	0.69	0.62
Emerging markets	m <sup>3</sup> /t cement	0.35	0.42
Group		0.49	0.54
Group	million m <sup>3</sup>	19.7	21.7
			20.4

<b>Water withdrawal, by source</b>	<b>2015</b>	<b>2014</b>		
	<b>million m<sup>3</sup></b>	<b>%</b>	<b>million m<sup>3</sup></b>	<b>%</b>
Surface waters	5.4	28	5.8	27
Ground waters	10.5	53	9.9	46
Supplied waters	2.0	10	3.7	17
Collected waters	1.6	8	2.2	10

<b>Water consumption, cement</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Mature markets	0.39	0.37	0.33
Emerging markets	m <sup>3</sup> /t cement	0.32	0.38
Group		0.35	0.37
Group	million m <sup>3</sup>	13.8	15.1
			14.6

<b>Water consumption, aggregates</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Mature markets	0.10	0.14	0.15
Emerging markets	m <sup>3</sup> /t aggregate	0.03	0.08
Group		0.10	0.14
Group	million m <sup>3</sup>	2.8	3.5
			4.0

<b>Water consumption, concrete</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Mature markets	0.21	0.22	0.23
Emerging markets	m <sup>3</sup> /m <sup>3</sup> concrete	0.42	0.42
Group		0.27	0.27
Group	million m <sup>3</sup>	2.7	2.7
			3.0

## 4.5 Air emissions

Sustained by its Environment Policy, the Group has developed and is implementing its internal state of the art Air Emissions Standard. It defines monitoring requirements and expected emission levels to support the Group's ambitious reduction trends of emissions to atmosphere. Issued in 2008 and then progressively refined for content and auditability, it 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<sub>x</sub> and SO<sub>2</sub> of approximately 50, 1400 and 350 grams per tonne of clinker produced, in line with most stringent international references. Compliance to the Air Emissions Standard is also included in the assessment of top managers' variable compensation.

In 2015, compliance to the monitoring requirements and to the emission levels represents respectively 98% and 92% of clinker production. More in depth in 2015, 93% 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 (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 local legal requirements.

The following table provides the overview on the Group's Standard implementation.

Clinker produced in sites with air emissions in line with Group standard	% of compliance			of monitoring		
	2015	2014	2013	2015	2014	2013
Italia (home country)	98	95	97	100	100	99
Other subsidiaries	92	93	91	97	98	94
Group	92	93	92	98	99	94

Further details on the Standard, related performances and internal rating system are available on corporate website (focus on Air Emissions) and in the following tables.

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Air emission factors and coverage		2015		2014		2013		
		emission factor	% coverage	emission factor	% coverage	emission factor	% coverage	
Mature markets	dust	22	100	16	100	16	100	
	NO <sub>x</sub>	1,236	100	1,334	100	1,363	100	
	SO <sub>2</sub>	497	100	586	100	544	100	
Emerging markets	dust	92	100	121	100	159	100	
	NO <sub>x</sub>	1,223	100	1,421	99	1,770	100	
	SO <sub>2</sub>	115	100	253	99	271	100	
Group	dust	62	100	75	100	96	100	
	NO <sub>x</sub>	1,229	100	1,382	99	1,591	100	
	SO <sub>2</sub>	278	100	402	99	391	100	
	CO	1,147	98	1,217	100	1,355	100	
	VOC	34	98	45	98	38	96	
	benzene	2	96	3	97	3	88	
	dioxins	ng/t clinker	74	97	100	52	95	
	PAH		25	96	8	7	90	
	mercury	mg/t clinker	18	97	13	98	11	95
	metals I (*)		27	98	10	98	18	95
	metals II (**)		245	95	466	98	375	95

(\*) metals I: Cd, Tl

(\*\*) metals II: Sb, As, Pb, Cr, Co, Cu, Mn, Ni, V

Group yearly air emissions		2015	2014	2013
dust		2.1	2.5	3.2
NO <sub>x</sub>		42.0	47.0	53.3
SO <sub>2</sub>	kt	9.5	13.7	13.1
CO		34.2	41.3	45.4
VOC		1.1	1.5	1.3
benzene		51.3	90.7	91.4
IPA		0.1	0.3	0.2
mercury	t	0.6	0.4	0.4
metals I (*)		0.9	0.3	0.6
metals II (*)		8.4	15.8	12.6
dioxins	g	2.5	3.4	1.7

(\*) metals I: Cd, Tl

(\*\*) metals II: Sb, As, Pb, Cr, Co, Cu, Mn, Ni, V



#### **4.6 Other environmental issues**

Sustained by its Environment 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 environmental issues are managed integrating Group's directives and standards with site-specific needs. Accordingly, 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 relative technical annex of supply contract (additional information on page 365).

The environmental reviews of its production sites have been partly supported by site checks performed by the Group's Internal Audit and the new Environmental Preservation Programme (EPP). By applying EPP, with the aim to better manage environmental risks and promote good practices and Group's standards, all Group's integrated cement plants made their first assessment to insurable risks. Follow up and auditing programmes also involving a third party consultant are regularly scheduled. The initiative has been also supported by relative environmental training efforts, totalling 6,975 hours (8,482 in 2014) and 2,268 seats (1,274 in 2014).

The many improvement actions already undertaken, as a consequence of all the above mentioned inputs, totalled a capital expenditure, also including safety, of 37.4 million euro (51.6 million euro in 2014). Beyond this value, it is to be considered that also investments dedicated to strategic project and, for a significant portion, to capitalized maintenance, have 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 Group's fleet and cargos is based on 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. It aims at providing a shipping service matching Group's needs and high performance standards, at the best competitive market prices. The Group is increasing the number of vessels less than 20 years old (92% in 2015 versus 87% in 2014). In 2015, chartered vessels were 301 (325 in 2014). In 2015, Interbulk totally moved around 5.1 million tonnes by sea trade.

Detailed information is present under the Interbulk website.

Additional details on the Group's other environmental issues is available in the following tables.

Group sites (*) certified ISO 14001 (%)	2015	2014	2013
Cement	96	91	93
Aggregates	39	41	36
Concrete	4	4	4

(\*) additionally, 2 natural hydraulic lime plant and all 14 hydro-power plants, also EMAS registered

% transport (*)	Cement			Aggregates			Concrete		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
road	85	85	88	98	91	91	96	100	100
railways	10	6	7	0	1	1	0	0	0
waterways	5	9	5	2	8	8	4	0	0

(\*) no major difference between mature and emerging markets

Waste management, cement	2015	2014	2013
Total waste produced (*)	kt	37.1	60.5
of which, hazardous waste (**)	kt	1.4	1.6

(\*) 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	
	2015	2014	2015	2014	2015	2014
Mature markets	332.4	-	-	-	-	-
Emerging markets	-	4.3	-	-	-	-
Group	332.4	4.3	-	-	-	-

(\*) including allegations yet to be appealed



## 5 Responsible production

### 5.1 Customer relations

In line with its global vision "A world class local business", the Group run as a world player able to successfully operate in diversified markets: it manages its business allowing for the strong existing differences in terms of culture, traditions and customers' habits, with products, services and technologies addressing actual and future customers' needs. 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.

Customer survey process plays a key role: it is essential to identify insights that are the foundation to build and reinforce valuable customer experiences. Thanks to the coordination of Global Sales & Marketing Department, the methodology enhancement and its scope enlargement grant the process quality and its continuous improvement. Process outcomes are becoming more and more part of the regular dialogue between subsidiaries' sales forces and Global Sales & Marketing Department, playing a key role in the Customer Excellence strategy. Considered a pillar of the i.nova project, the strategy is founded on the exchange among the different Group's companies of the commercial best practices, fostering cross fertilization of methodologies with the purpose of enhancing commercial performances. With the 2015 wave, the coverage concerning cement business came back to almost 100%, while a progressive extension of the Customer Survey process to a wider number of subsidiaries, granted a coverage rate for the concrete business in line with cement figures. Besides that, for the first year Belgium runs an independent survey, both in cement and concrete business.

As far as the cement business is concerned, 2015 results showed a medium-high satisfaction level, with a slight increase versus 2014 of the absolute index. Relative index shows a measurable increase, mainly due to Thailand and Morocco results.

Referring to concrete, even though the historical series are still incomplete, where available, 2014 results are confirmed. Absolute index is in line with 2014, while Relative index is slightly decreasing mainly due to measurable decrease in Morocco relative results.

Results on customer satisfaction are generally publicly disclosed on i.nova websites. All subsidiaries are encouraged to organize feedback campaigns aimed at sharing survey' outcomes with participating customers.

Detailed information on the Group's approach is available on corporate website (focus on Customer Relations) and in the following tables. Coverage is intended as the ratio between the cement/concrete volume sold by the countries which carried out the Customer Survey and the total Group cement/concrete sales volume.

	2015		2014		2013	
	index (1-1000)	coverage (%)	index (1-1000)	coverage (%)	index (1-1000)	coverage (%)
Cement						
Customer Satisfaction Absolute index	808	100	805	86	809	99
Customer Satisfaction Relative index	760	100	715	86	745	99

	2015		2014		2013	
	index (1-1000)	coverage (%)	index (1-1000)	coverage (%)	index (1-1000)	coverage (%)
Concrete						
Customer Satisfaction Absolute index	798	83	798	61	-	-
Customer Satisfaction Relative index	662	83	670	60	-	-

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## 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.

The Group's Global Procurement Handbook refines the working method of procurement people, looking for higher efficiency, governance and spread of best practices, with the aim of harmonizing different countries practices. Additionally the Group's Contract Handbook, developed by a specialize team of supplier, legal and sustainability specialties, is the reference for all contract's standard format. All countries vendor managers are trained on the new 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 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 the Group's 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. In 2015, 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, in line with its target.

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 2003, the Group is co-leading the Task Force 'Sustainability in supply chain management' within the Cement Sustainability Initiative (WBCSD/CSI). 2015 was dedicated to finalizing Material Principles for the Cement Sector and the two Good Practice Guidance for procurement teams and suppliers. Moreover, the Group is also bringing the experience of the parallel work done within the Foundation Italian Network of the Global Compact, the platform called TenP – Sustainability Self Assessment Platform. It is the first example of multi-company self-assessment platform for supplier pre-qualification developed on sustainability topics.

Detailed information on the Group's sustainable approach towards supply chain management is available on corporate website (focus on Supplier Management).

% of corporate suppliers evaluated	2015	2014	2013
Group	100	100	99
<hr/>			
% of corporate procurement spendings	2015	2014	2013
Group	100	100	94

### 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 2015 investments for research and development were about 11.5 million euro; while investments by innovation for technology transfer was worth about 2.0 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 2015 thanks to the inclusion of concrete (i.nova), innovative services (Bravobuild shops) and other relevant initiatives in both emerging and mature countries.

Innovation rate (%)	2015	2014	2013
Mature markets	7.8	7.1	5.1
Emerging markets	8.9	6.4	6.2
Group	7.9	6.6	5.3

2015 Novelty conditions* (%)	radical	incremental	established
Mature markets	10.9	37.5	7.5
Emerging markets	5.9	26.2	11.9
Group	16.8	63.7	19.5

(\* ) novelty condition turnover/innovation Group turnover

Sustainable construction is one of the main drivers 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 sulfoaluminate 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 on-going 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 involved Group's functions.

As a member of the EU-funded 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, Italcementi has entered a 10-year collaborative project on graphene, with an EU financing worth €1billion. 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. In particular, Italcementi is acting as task leader and coordinator of a specific research team that includes 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

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to poor lighting conditions. Moreover, Italcementi's accession to the Consortium has been instrumental in presenting another 2-year project proposal – the Graphene Flagship Project Core 1 – that is focused, *inter alia*, on increasing the efficacy of Titanium Dioxide and using nanocomposites with graphene for special environmental applications including antimicrobial/antibacterial coatings and pollutant removal.

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, i.active BIODYNAMIC – 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 – was officially launched onto the market in September 2015. Very positive feedback has been received on account of the product's peculiar characteristics: the “bio” component, resulting from the photocatalytic properties originating from the active principle TX Active® and 80% recycled aggregates in its formulation, and its “dynamic” component, i.e. the product's extraordinary rheological behaviour that makes it unique for its ability to completely fill very complex formwork.

With regard to sustainability, a new line of mortars with high content of recycled components (more than 80%) was set up: the first product - a multi-purpose mortar - was released to the market in 2015 in Italy. It will be followed in 2016 by a plaster and a white finishing mortar.

In India, green labels have been applied to two low clinker cement types, with low carbon footprint and recycled content above 35%; furthermore the AAC (Aerated Autoclaved Concrete) blocks of Zuari cement, our local subsidiary, was the first product in India to be certified as green product by the Indian Green Building Council, pioneering a green building movement initiative in India.

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.

<b>Cement types (% of production volumes)</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Ordinary Portland cement	51	52	51
Limestone cement	27	25	25
Multiple blended cement	6	7	7
Fly ash cement	5	4	5
Slag cement	6	6	6
Pozzolan cement	2	1	2
Others	3	4	4

<b>Recycled content of cement products (% of products range volumes)</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Products with > 30% recycled constituents	7.9	7.7	7.4
Products with > 20% recycled constituents	9.9	9.8	9.0
Products with > 10% recycled constituents	19.9	13.6	14.9
Products with recycled constituents	98.9	96.6	82.2

<b>Average recycled content of concrete products (%)</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Group	4.6	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 non-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 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 331) 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 369).

Unless otherwise specified, the Sustainability Disclosure covers all the business activities under the operational control of the Group at the end of 2015. Ciments Québec in Canada and Vassiliko Cement Works in Cyprus are not therefore included. Within this period, data are consolidated at 100%. Data for CO<sub>2</sub> 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 372).

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 <sub>x</sub> , SO <sub>2</sub> ; absolute and specific emissions at kiln main stacks	The procedure covers 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 <sub>2</sub> emissions, CO <sub>2</sub> emissions from electricity consumption and GHG emissions from corporate value chain	The procedure is compliant with both the WBCSD/CSI Protocol: "CO <sub>2</sub> 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 with 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 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. It sets minimum requirements to be fulfilled for the assessment of rehabilitation plans. 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 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	<p>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.</p>
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 satisfaction index	The 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.

## Italcementi - Year ended December 31, 2015

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, 2015 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 2015 (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<sup>1</sup> 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<sup>2</sup> 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 plants, and five business units<sup>3</sup> 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 31% of environmental indicators<sup>4</sup>, 19% of the number of employees, 20% of the turnover used in the innovation rate and 33% 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.

Paris-La Défense, March 25<sup>th</sup>, 2016

ERNST &amp; YOUNG et Associés




Christophe Schmeitzky  
Partner, Sustainable  
Development

Bruno Perrin  
Partner

<sup>1</sup> <http://www.wbcsdcement.org/>

<sup>2</sup> 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.

<sup>3</sup> Three cement plants: Beaucaire (France), Devnya (Bulgaria), and Marrakech (Morocco); and five business units: Calcia (France), Calcestruzzi (Italy), Ciments du Maroc (Morocco), Devnya Cement (Bulgaria), and Unibéton (France).

<sup>4</sup> 24% on average of CO2 emissions (scope 1, 2 and 3), 22% on average of SO2, NOx and dust emissions, 23% of raw materials consumption for cement, 43% of raw materials consumption for concrete, 21% of fuel consumption, 59% of quarries, and 23% of water withdrawals.

<b>Looking forward</b>		<b>2015 Annual Report</b>
Group vision		Materiality, boundaries and reporting methodology 361
Social responsibility		Third party assurance 361
Environmental protection		<b>United Nations Global Compact: Communication On progress 365</b>
Responsible production		Glossary 366
<b>Reporting and additional information</b>		Chemicals and units 367

## 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
<b>Human Rights</b>					
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 Foundation of the 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
<b>Labour</b>					
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
<b>Environment</b>					
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	Environmental Preservation programme WASH Pledge Open door events and stakeholder engagement activities Environmental training activities at cement plants New responsible Sourcing Scheme, under CSI framework	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
<b>Anti-Corruption</b>					
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 Foundation of the Global Compact	Direct to Goal 8 Indirect to Goals 1 to 7

## 6.4 Glossary

<b>AFs</b>	Alternative Fuels
<b>ARMs</b>	Alternative Raw materials
<b>AFRs</b>	Alternative Fuels and Raw Materials
<b>BWI</b>	Building and Wood Workers' International
<b>CEM</b>	Continuous Emissions Monitoring system
<b>CSI</b>	Cement Sustainability Initiative
<b>ESG</b>	Environmental, Social and Governance
<b>GRI</b>	Global Reporting Initiative
<b>GWT</b>	Global Water Tool
<b>ILO</b>	International Labour Organisation
<b>ISO 14001</b>	The International Standards Organisation model for management and external certification of environmental performance
<b>ISO 50001</b>	The International Standards Organisation model for using energy more efficiently, through the development of an energy management systems
<b>KPIs</b>	Key Performance Indicators
<b>LTI</b>	Lost Time Injuries
<b>RDF</b>	Refuse Derived Fuels
<b>SDD</b>	Sustainable Development Department
<b>SDSC</b>	Sustainable Development Steering Committee
<b>UNGC</b>	United Nations Global Compact
<b>WBCSD</b>	World Business Council for Sustainable Development

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## 6.5 Chemicals and units

<b>CO<sub>2</sub></b>	Carbon dioxide
<b>SO<sub>2</sub></b>	Sulphur dioxide
<b>NO<sub>x</sub></b>	Nitrogen oxides
<b>CO</b>	Carbon monoxide
<b>VOC</b>	Volatile organics
<b>PCB</b>	Polychlorinated Biphenyls
<b>CFC</b>	Chlorofluorocarbons

<b>Hg</b>	Mercury
<b>Cd</b>	Cadmium
<b>Tl</b>	Thallium
<b>Sb</b>	Antimony
<b>As</b>	Arsenic
<b>Pb</b>	Lead
<b>Cr</b>	Chromium
<b>Co</b>	Cobalt
<b>Cu</b>	Copper
<b>Mn</b>	Manganese
<b>Ni</b>	Nickel
<b>V</b>	Vanadium

<b>ng</b>	nanogram (0.000000001 g)
<b>mg</b>	milligram (0.001 g)
<b>g</b>	gram
<b>kg</b>	kilogram (1,000 g)
<b>t</b>	ton (1,000 kg)
<b>kt</b>	kiloton (1,000 tons)
<b>toe</b>	tons of oil equivalent
<b>ktoe</b>	kilotons (1,000 tons) of oil equivalent
<b>tpd</b>	tons per day
<b>m<sup>3</sup></b>	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)

## **Summary of resolutions**

The Annual General Meeting of the Shareholders held on a single call on April 8, 2016, in Bergamo, via Madonna della Neve 8, chaired by Pierfranco Barabani, and attended in person and by proxy by 268 shareholders holding a total of 221,270,454 ordinary shares over 349,270,680 outstanding ordinary shares,

resolved

- 1) - to approve the financial statements as at and for the year ended December 31, 2015, which reflect a loss of 38,270,373.41 euro, and also the related Directors' Report;  
- to carry forward in its entirety the loss for the year of 38,270,373.41 euro without distribution of any dividend;
- 2) to approve the Remuneration Report drawn up by the Directors;
- 3) to establish the number of members of the Board of Directors for the three-year period 2016-2018 at 12 (twelve) and to appoint the following directors:

Giulio Antonello

Giorgio Bonomi

Pietro Caliceti

Victoire de Margerie

Lorenzo Renato Guerini

Italo Lucchini

Maria Martellini

Carlo Pesenti

Giampiero Pesenti

Claudia Rossi

Carlo Secchi

Laura Zanetti

\* . \* . \*

At a meeting held after the AGM, the Board of Directors named the following officers for the three-year period 2016-2018:

Giampiero Pesenti - Chairman

Lorenzo Renato Guerini - Deputy Chairman

Carlo Pesenti - Chief Executive Officer

and confirmed Giovanni Battista Ferrario as Chief Operating Officer.

The Board of Directors formed an **Executive Committee** for the same three-year period 2016-2018, whose members are

Giampiero Pesenti - Chairman

Carlo Pesenti

Giulio Antonello

Lorenzo Renato Guerini

Laura Zanetti

The directors confirmed Paolo Santinoli as **Secretary to the Board** of Directors and the Executive Committee.

The directors confirmed Carlo Pesenti as **Director responsible for the Internal Control & Risks Management System**.

The board named independent director Pietro Caliceti as **Lead independent director**.

The Board of Directors also formed the committees contemplated by the corporate governance system, as follows:

**Remuneration Committee**

Giulio Antonello

Lorenzo Renato Guerini

Maria Martellini

**Control & Risks Committee**

Lorenzo Renato Guerini

Claudia Rossi

Carlo Secchi

**Committee for Transactions with Related Parties**

Lorenzo Renato Guerini

Maria Martellini

Carlo Secchi

\* . \* . \*

## Directors, Officers and Auditors after the appointments of April 8, 2016

### Board of Directors

(Until approval of financial statements at 12.31.2018)

Giampiero Pesenti	1	Chairman
Lorenzo Renato Guerini	1-4-5-6-7	Deputy Chairman
Carlo Pesenti	1-2	Chief Executive Officer
Giulio Antonello	1-4-7	
Giorgio Bonomi		
Pietro Caliceti	3-7	
Victoire de Margerie	7	
Italo Lucchini		
Maria Martellini	4-6-7	
Claudia Rossi	5-7	
Carlo Secchi	5-6-7	
Laura Zanetti	1	
Paolo Santinoli	9	Secretary to the Board

### Board of Statutory Auditors

(Until approval of financial statements at 12.31.2017)

#### Standing Auditors

Giorgio Mosci	8	Chairman
Mario Comana	8	
Luciana Gattinoni	8	

#### Substitute Auditors

Carlo Luigi Rossi	8
Luciana Ravicini	8
Andrea Bonechi	8

### Chief Operating Officer

Giovanni Ferrario

### Manager in charge of the financial reports

Carlo Bianchini

### Independent Auditors

(Until approval of financial statements at 12.31.2019)

KPMG S.p.A.

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



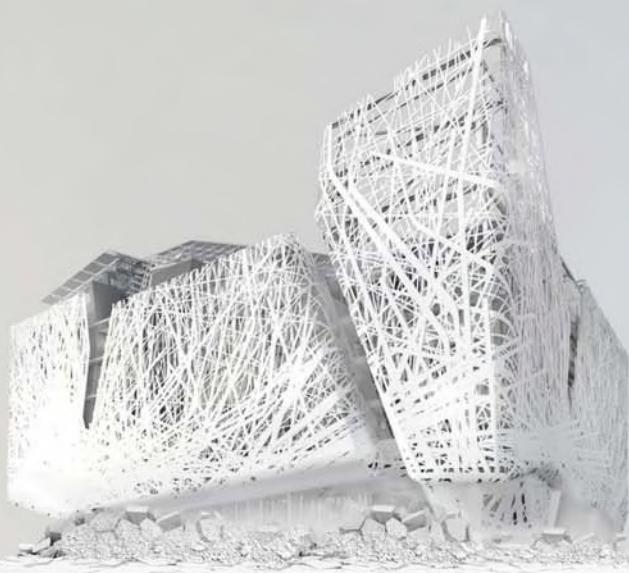




March 2016  
Project by LSVmultimedia  
Olginate - Lecco

Credits: photos of Mario, Pietro Carrieri and Fabio Toschi to Italcementi

# A matter of beauty.



PALAZZO ITALIA

Each creation is the result of a mediation between the freedom of an idea and the constraint of matter. However, there are materials that create their own shapes. One of these is the biodynamic cement by Italcementi used to build the **Italian Pavilion at Expo 2015**. A structure that evokes a forest made up of very complex elements that only **i.active BIODYNAMIC** with its excellent plasticity could achieve. What Pier Luigi Nervi called "**The most beautiful material that humanity has ever invented**" has demonstrated that matter has its own aesthetics when the designer and the producer accept the ongoing challenge of research and innovation.



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