



Italcementi Finance

Italcementi Group

2014
ANNUAL REPORT



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Limited liability company with a share capital of 20,000,000 euros
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2014
Annual Report

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Dear Shareholders:

This General Meeting was convened to review the financial statements for the year ended on 31 December 2014 and to deliberate on the following agenda:

Ordinary Meeting

- Review of the financial statements for the year ended on 31 December 2014, presentation of the management report prepared by the Board of Directors and presentation of the reports prepared by the statutory auditors;
- Approval of the financial statements and final discharge given to directors in office in 2014;
- Earnings appropriation for the year 2014;
- Approval of the statutory auditors' report on related party agreements and commitments
- Powers necessary in order to make all regulatory filings.

1.1 Presentation of the annual financial statements

The financial statements for the year ended on 31 December 2014, which are presented for your approval, have been prepared in accordance with the reporting principles and valuation methods provided for by current regulation. There is no change compared with the previous year.

The financial statements give an account of the operations of Italcementi Finance SA ("Italcementi Finance") as the financing structure of Italcementi Group in the year just completed.

1.2 Position and business of the company in 2014 - Economic overview and financial results

Revenues and results

Revenues for the year ended on 31 December 2014 amounted to 8,779 thousand euros, up 999 thousand euros on 2013 (7,780 thousand euros) primarily due to the re-invoicing to the main borrowers of the Group (Italcementi S.p.A., Ciments Français, Essroc Corp.) of the fees related to the setting up of credit lines.

At the same time, expenses related to funding operations (confirming commissions, issuance costs and other bank fees) increased by about 1,780 thousand euros and tax withholdings at source were on the rise at 486 thousand euros. As a result, operating expenses were up 2,351 thousand euros at 13,692 thousand euros as of 31 December 2014 (11,431 thousand euros as of 31 December 2013).

EBIT amounted to -4,913 thousand euros as against -3,561 thousand euros in 2013, but it was more than offset by a finance income of 5,735 thousand euros (as against 4,274.2 thousand euros in 2013).

Interest income for 2014 totaled 69,598 thousand euros. The increase of 8,369 thousand euros resulted primarily from interests and levies on loans granted to Italcementi S.p.A. that rose by 6,856 thousand euros. Interest expense paid by Italcementi Finance, mainly for its major bond issues, amounted to 63,862 thousand euros (up 6,908 thousand euros).

Recurring profit before tax, identical to net accounting income as the company did not recognize any non-recurring profit/loss or any tax expense for 2014, was 822.8 thousand euros for 2013 (as against a net accounting income of 713.1.4 thousand euros in 2013).

Bond issues

During 2010, Italcementi Finance issued bonds under its 2,000 million euro EMTN program listed on the Luxembourg Stock Exchange for an amount of 750 million euros maturing on 19 March 2020.

During the first half of 2013, Italcementi Finance issued new notes in two tranches as part of the program for an aggregated amount of 500 million euros bearing interest at a fixed rate of 6.125% and maturing on 21 February 2018.

Bonds issued by the company as part of the EMTN program are unconditionally guaranteed by Italcementi S.p.A.

Over time, the notes' rating has followed the evolution of the long-term rating of the parent company Italcementi S.p.A. based on the negative economic cycle of the cement industry and therefore of the Group. On 31 December 2014 Moody's assigned Ba3 rating with stable outlook. Standard & Poor's rating of 31 December 2013 remains unchanged at BB+ with negative outlook.

On 15 December 2011 Moody's downgraded Italcementi S.p.A. long-term rating from Baa3 to Ba1. According to the terms and conditions of the Italcementi Finance 750-million euro bond issue, an increase of 125 basis points (step-up clause) in the coupon was applicable as from the annual coupon payment date of 19 March 2013 thus impacting the operating income statement for 2012. The resulting increase in borrowing costs had a commensurate impact on the loans granted to Group companies without affecting Italcementi Finance operations.

In 2012 Standard & Poor's downgraded Italcementi S.p.A. rating from BBB- to BB+; this rating was confirmed in 2013. In 2012 Moody's downgraded Italcementi S.p.A. rating from Ba1 to Ba2, then from Ba2 to Ba3 in 2013. The latter rating changes did not have any subsequent impact on the contractual terms of the bonds already issued by Italcementi Finance.

Bank credit management

In 2014, Italcementi Finance arranged a revolving syndicated credit facility for 450 million euros with a bank consortium in replacement of a medium-term line of credit for a maximum amount of 920 million euros signed in 2010 and expiring in 2015. This syndicated credit facility was not used during the year.

Italcementi Finance also renewed four lines of credit falling due in 364 days with international banks for a total amount of 230 million euros. Two of them were used during the year.

During the second half of 2014 a term loan was arranged for an amount of 65 million US dollars designed to refinance one of Italcementi subsidiaries in the United States. This transaction was intended to extend the maturities of financing sources and to pursue the centralization of the Group's financing at the level of Italcementi Finance.

Commercial paper program

At the end of 2011 Italcementi Finance established its first program of commercial paper for an amount of 800 million euros; the amount has now been reduced to 200 million euros because of the small issue size. However, markets have shown a keen interest in 2014 for this instrument and considering the favorable issuing conditions for larger amounts, the maximum amount of the program was increased to 400 million euros so as to benefit from financing cost reduction opportunities. The program guaranteed by the parent company Italcementi S.p.A. complies with the STEP label (Short-Term European Paper). Italcementi Finance issued a total of 1,120.9 million euros in commercial papers in 2014, of which 144.9 million euros were outstanding at the end of the year.

Operations to centralize Group cash

Operations to centralize Group cash have remained stable with 40 million euros outstanding at year-end.

1.3 Significant events since the beginning of 2015 and outlook

As from the beginning of 2015, Italcementi Finance is not aware of any event after the reporting period that may have a significant impact on the company's business and financial and equity position as of 31 December 2014.

1.4 Research & Development activities

None

1.5 Non-deductible expenses

Articles 223 quater and 223 quinquies of the French Tax Code (*Code des impôts*)

- Surplus depreciation: nil
- Other expense and expenditure on luxuries: nil
- Fines and penalties: nil

1.6 Proposed earnings appropriation

On 14 November 2014, the General Meeting approved an additional payment of 1,770,000 euros thereby reducing the prior retained earnings to 7,493.12 euros.

Subsequently, earnings appropriation for the year ended on 31 December 2014 can be detailed as follows:

(in euros)

Net profit as of 31 December 2014	822,814.56
Addition to the legal reserve (increased to 162,100 euros)	(41,150.00)
Balance	781,664.56
Prior retained earnings (after payment of 14 November 2014)	7,493.12
Distributable profits	789,157.68
Dividend (0.15 euro per share)	(300,000.00)
Balance to be carried forward	489,157.68

Equity will amount to 20,651,257.68 euros after earnings appropriation.

Dividends will be paid on 5 May 2015.

1.7 Dividend payment for the last three years

In conformity with the provisions of Article 47 of the Act of 12 July 1965 and 243bis of the French Tax Code, a dividend of 0.15 per share was paid during the first half of 2014 with respect to financial year 2013 and an additional dividend of 0.885 euro per share was paid during the second half of 2014. A dividend of 0.11 euro per share had been paid with respect to financial year 2012.

1.8 Subsidiaries and affiliates

Nil

1.9 Share capital

Italcementi S.p.A. holds more than two thirds of the share capital or of the voting rights of Italcementi Finance and the employees of Italcementi Finance do not hold any interest in its capital.

1.10 Employee shareholding in the share capital at the end of 2014

(Article L. 225-102 of the French commercial code)

Nil

1.11 Corporate officers

- **Giovanni Maggiora**, Chairman & Chief Executive Officer of Italcementi Finance, is also director in the following Group companies: Essroc Corp. (United States), Asia Cement Company and Jalaprathan Cement Company (Thailand), Italgen Maroc and Italgen Maroc Ener (Morocco), permanent representative of Menaf at the Board of Directors of Ciments du Maroc (Morocco). He is also Chief Executive Officer of the French subsidiaries Al Manar Cement Holding, Cifi, Cimfra (China) Limited, Cocimar, Codesib, Cofipar, Essroc International, Investcim, Menaf, Parcib, Sax and Tercim.
- **Carlo Bianchini**, director of Italcementi Finance, is also director in the following Italian companies of Italcementi Group: Gruppo Italsfusi, Ing. Sala and Nuova Sacelit, as well as manager in charge of the financial information at Italcementi S.p.A.
- **Giancarlo Berera**, director of Italcementi Finance, is also director of Previp - Fondo Pensione as representant of Italcementi S.p.A.
- **Philippe Missika**, director of Italcementi Finance, does not hold any other term of office.
- **Agostino Nuzzolo**, director of Italcementi Finance, is also director of Interbulk Trading (Switzerland) as well as person responsible for the permanent establishment (*Établissement stable*) of Italcementi S.p.A. in France. Since 31 March 2014, Agostino Nuzzolo is also the permanent representative of Ciments Français at the Board of Directors of Suez Cement Company (Egypt) and since 29 October 2014, he is the permanent representative of Suez Cement Company at the Board of Directors of Tourah Portland Cement Company (Egypt).

Compensation and fringe benefits paid to corporate officers

Italcementi Finance does not pay any compensation to any of its corporate officers, who do not receive any direct or indirect benefit.

From among the corporate officers of Italcementi Finance, only Carlo Bianchini is a corporate executive of Italcementi S.p.A. The compensation and fringe benefits he has received for that position have been disclosed by Italcementi S.p.A.

As regard the other corporate officers and more particularly those who are employed by Italcementi S.p.A., they do not receive any compensation for their term of office in the companies, listed or not, held by the Group.

1.12 Miscellaneous

The information required by decree no. D441-4 of the French commercial code regarding payment dates for trade payables is detailed in note B.11 of the Notes to the financial statements.

The report presented to the Board of Directors by the Chairman to the Board on the functioning of the Board and on internal control is annexed to the present report. It has been approved by the Board of Directors and will be made available to the public in accordance with Article L.225-37 of the French commercial code.

2**Annual financial statements**

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2.1 Income statement

<i>(in thousands of euros)</i>	Notes	Year 2014	Year 2013
REVENUES	A1	8,779	7,780
Goods and utilities expense	A2	(10,046)	(8,270)
ADDED VALUE		(1,267)	(490)
Taxes	A3	(2,387)	(1,855)
Employee expense	A4	(1,258)	(1,216)
RECURRING EBITDA		(4,912)	(3,561)
Other income		0	0
Other expense		0	0
Depreciation		0	0
EBIT		(4,912)	(3,561)
Interest expense, net		4,079	3,566
Provision release (addition)		1,656	708
FINANCE INCOME	A5	5,735	4,274
RECURRING PROFIT		823	713
Other non-recurring income		4	0
Other non-recurring expense		(4)	0
Depreciation		0	0
Provisions		0	0
OTHER NON-RECURRING INCOME (EXPENSE)		0	0
PROFIT BEFORE TAX		823	713
Income tax		0	0
NET PROFIT		823	713

2.2 Balance sheet

ASSETS

(in thousands of euros)

	Notes	31 December 2014			31 December 2013
		Gross amount	Depreciation & provision (to be deducted)	Net amount	
INTANGIBLE ASSETS		0	0	0	0
PROPERTY, PLANT & EQUIPMENT		0	0	0	0
FINANCIAL ASSETS	B1	1,353,538	0	1,353,538	1,250,004
Investments in subsidiaries and associates		0	0	0	4
Loans to affiliates		0	0	0	0
Deposits and available-for-sale investments		0	0	0	0
Loans		1,353,538	0	1,353,538	1,250,000
Other financial investments		0	0	0	0
NON-CURRENT ASSETS		1,353,538	0	1,353,538	1,250,004
OTHER CURRENT ASSETS		307,070	0	307,070	152,918
Trade receivables	B2	902	0	902	760
Other operating assets		0	0	0	0
Accrued expense		12,760	0	12,760	10,619
Other current assets	B3	260,813	0	260,813	129,864
Translation adjustments		2,328	0	2,328	0
Securities		0	0	0	6,436
Cash and cash equivalents		26,082	0	26,082	105
Loans premium	B4	4,185	0	4,185	5,133
TOTAL ASSETS		1,660,608	0	1,660,608	1,402,921

EQUITY AND LIABILITIES

<i>(in thousands of euros)</i>	Notes	31 December 2014	31 December 2013
EQUITY			
Share capital		20,000	20,000
Paid-in capital		0	0
Legal reserve		121	85
Other reserves		0	0
Retained earnings		7	1,400
Net profit for the period		823	713
SHAREHOLDERS' EQUITY	B5	20,951	22,198
PROVISIONS	B6	213	185
FINANCIAL DEBT	B7		
Debenture loans		1,250,000	1,250,000
Bank interest-bearing loans		0	2
Other borrowings and financial liabilities		375,301	115,843
		1,625,301	1,365,845
OTHER LIABILITIES			
Trade payables		603	372
Tax liabilities		401	401
Fixed assets payables		0	0
Accrued income		10,811	13,921
Other liabilities		0	0
Translation adjustments		2,328	0
		14,143	14,694
TOTAL LIABILITIES		1,660,608	1,402,921

2.3 Notes to the annual financial statements

All amounts are in thousands of euros unless otherwise stated.

SIGNIFICANT EVENTS FOR 2014

Major debt negotiable security programs

a) Italcementi Finance covers Italcementi Group long-term financing largely through bond issues, in particular as part of the medium and long-term debt negotiable security program (EMTN) implemented on 9 March 2010. The program's documentation is renewed every year and the last update was on 24 September 2014. The EMTN program enables Italcementi S.p.A. and Italcementi Finance (in that case with Italcementi S.p.A. acting as guarantor) to issue medium and long-term securities up to an authorized limit not to exceed 2,000 million euros. Any new issue requires the approval of both Italcementi S.p.A. and Italcementi Finance Boards of Directors.

Bonds issued as of 31 December 2014 are detailed in note B.7.

b) On 17 October 2011 Italcementi Finance was authorized by the Banque de France to issue commercial papers under a program limited to 800 million euros. The program's ceiling was reduced to 200 million euros when the annual update of the program was performed on 3 June 2013. Italcementi Finance proceeded with the annual renewal of the program on 30 June 2014 and increased the ceiling by 200 million euros on 13 October 2014 for a total amount of 400 million euros. This program rated NP par Moody's and B by Standard & Poor's is unconditionally guaranteed by Italcementi S.p.A.

This commercial paper program, which stands among the operations designed to centralize and optimize Group funding, provides an additional source of short-term financing.

Natixis is the issuing and paying agent of the program, while Bred Banque Populaire, Crédit Agricole CIB, Crédit Industriel et Commercial, HSBC France, ING Belgium SA, Natixis and Société Générale act as initial dealers.

The STEP label was awarded to this new Italcementi Finance program of commercial paper on 24 October 2011. The program (ref. 0002214) complies with the standards defined by the STEP market convention.

During the year, Italcementi Finance issued a total of 1,120.9 million euros in commercial papers with an outstanding amount of 144.9 million euros at year-end.

Main bank loans and lines of credit

c) On 19 June 2014 Italcementi Finance arranged a 5-year 450-million euro syndicated credit line carrying a floating rate. The group of participating banks was led by Banca Imi S.p.A., BNP Paribas, Crédit Agricole Corporate and Investment Bank, HSBC France, Mediobanca – Banca di Credito Finanziario S.p.A, Natixis, Société Générale Corporate & Investment Banking, The Royal Bank of Scotland PLC and Unicredit S.p.A. This credit facility is primarily designed to refinance the 920-million euro syndicated credit line arranged on 22 September 2010 and expiring in September 2015. It is also used to refinance 450 million euros of the Ciments Français 700-million euro intra-Group credit line maturing in September 2015, after cancellation of 250 million euros available on this credit line. Italcementi Finance also cancelled the intra-Group bilateral credit line for the benefit of Italcementi S.p.A. for 220 million euros with the same maturity. The syndicated credit line was not drawn at the end of December 2014.

d) In the first half of 2014, Italcementi Finance renewed two lines of credit falling due in 364 days arranged with international banks for a total amount not to exceed 100 million euros. During the second half of 2014 three

other 364-day lines of credit were renewed for an amount of 130 million euros. Those lines were used for an amount of 50 million euros at the end of December 2014.

- e) On 9 September 2014, Italcementi Finance arranged a 5-year term loan of 65 million US dollars carrying a redeemable floating rate, of which 15 million US dollars in September 2017 and 50 million US dollars at the maturity date of the loan. The term loan was fully drawn as of 22 October 2014. The outstanding part of the loan amounted to the equivalent of 53.5 million euros as of 31 December 2014.

All those bilateral credit lines, term loan and syndicated credit line are guaranteed by Italcementi S.p.A.

Intra-Group cash management

- f) In 2012 Italcementi Finance started its first operations as part of its cash management mission within the Group. As of 31 December 2014 a total amount of 250 million euros, of which 40 million euros coming from surplus cash and cash equivalents from other Group subsidiaries, was managed by Italcementi Finance and loaned back to Italcementi S.p.A. and Ciments Français SAS via short-term advances.
- g) On 20 December 2012 certain subsidiaries of Ciments Français subscribed to a new international program of transfer of receivables for a 5-year period, with the objective of transferring eligible receivables to a financial institution. The Group extended to its American subsidiary its international program of transfer of receivables with the signature of an agreement on 25 June 2013. The program is valid for 4 years and 7 months and expires at the same time as the one signed on 20 December 2012. Italcementi Finance acts as centralizing agent.

Financial risk management

- h) In 2012, Italcementi Finance beyond its main missions of Group financing realized through external funding with proceeds loaned back to Italcementi S.p.A. and its subsidiaries at arm's length conditions, Italcementi Finance initiated the first operations of financial risk management for Italcementi Group as part of its other financial and cash management services. 2,040 million euros in interest-rate derivatives and 66.3 million euros in exchange-rate derivatives were contracted as of 31 December 2014 to meet the needs of Italcementi S.p.A. and its subsidiaries.

Financial rating

Some of the financial instruments issued by Italcementi Finance are rated by Standard & Poor's and Moody's based on the guarantor's (Italcementi S.p.A.) corporate rating.

On 29 May 2012 Standard & Poor's downgraded Italcementi Finance EMTN program and bond issue from BBB- to BB+ (in connection with the downgrade on the same date of the long-term rating of Italcementi S.p.A., guarantor of the loans, from BBB- to BB+).

On 19 August 2013 Moody's downgraded Italcementi Finance EMTN program and bond issue from Ba2 to Ba3 (in connection with the downgrade on the same date of the long-term rating of Italcementi S.p.A., guarantor of the loans, from Ba2 to Ba3).

The financial instruments issued by Italcementi Finance and rated by Standard & Poor's and Moody's are as follows:

- 2-billion euro EMTN program (Euro Medium-Term Notes):
Standard & Poor's – Long-term rating: BB+ (28 October 2013)
Moody's – Long-term rating: Ba3 (19 August 2013)
- 750-million euro bond issue:
Standard & Poor's – Long-term rating: BB+ (28 October 2013)
Moody's – Long-term rating: Ba3 (19 August 2013)

- 200-million euro commercial paper program governed by French law
Standard & Poor's – Short-term rating: B (28 October 2013)
Moody's – Short-term rating: NP

According to the terms and conditions of the Italcementi Finance 750-million euro bond issue falling due in 2020, there is an increase of 125 basis points (step-up clause) in the coupon in the event the rating is downgraded to "Non investment grade" by one of the rating agencies. Further to the change in rating passed on by Moody's on 15 December 2011 the step up clause became effective as from 19 March 2012 for the payment of the annual coupon on 19 March 2013. The resulting increase in borrowing costs has been passed on to the loans granted by Italcementi Finance to the companies of the Group. The changes in rating made by Standard & Poors on 29 May 2012 and by Moody's on 15 November 2012 and 19 August 2013 did not have any subsequent impact on the contractual terms of the bonds already issued by Italcementi Finance.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There has been no significant event since 31 December 2014.

GENERAL PRINCIPLES

The annual financial statements (balance sheet and income statement) as of 31 December 2013 and 2012 have been prepared in accordance with the principles and methods laid down in the Accounting Act and its implementing provisions, pursuant to CRC regulation no. 99-03.

General accounting agreements applied comply with the conservatism principle, in conformity with the following basic assumptions:

- fair presentation
- comparability
- business continuity
- regularity
- sincerity
- consistency of methods

They will also be applied according to the general accepted accounting rules governing the preparation and presentation of annual accounts.

The basic method used when stating the value of items in the financial statements is the historical cost method.

VALUATION METHODS

A. Property, plant & equipment and intangible assets

Property, plant & equipment and intangible assets are recognized at historical acquisition cost, excluding borrowing costs.

Depreciation

- Assets are depreciated as follows over their estimated useful life:
 - Fittings and installations are depreciated on a straight-line basis over ten years.
 - Technical installations, equipment and tools are usually depreciated on a declining basis over eight years.
 - Vehicles are depreciated on a straight-line basis over four years.
 - Office furniture is depreciated on a straight-line basis over eight years.

- Machines, office equipment and large computers are depreciated on a declining line basis over five years.
- Software is depreciated on a straight-line basis over three or five years.
- Straight-line depreciation is deducted from fixed assets and the amounts remaining on items depreciated according to the declining-balance method are accounted for under liabilities as exceptional depreciation.
- Straight-line depreciation is recognized under operating expense and accelerated depreciation is recorded as exceptional expense.

Provisions

When an asset's estimated market value falls below net book value, an impairment provision is recognized.

B. Investments

Financial fixed assets are carried at historical acquisition cost, or at fair value in case of asset transfers.

Provisions for impairment of financial fixed assets

An impairment provision is recognized whenever the market value of an equity investment falls below book value. The value in use of an investment market value is generally computed on the basis of the share of equity held. It may be increased when necessary in case of intangible items with the company's market value calculated according to recent experts' valuations, or in case of listed shares, based on the market price on the last day of the financial period provided it is representative of the company's value.

C. Foreign currency receivables and liabilities

Receivables and liabilities in non-euro zone currencies are converted using the exchange rate at the closing date. All differences with the rate at the date of purchase or sale are credited or debited to "Other current assets" or "Other liabilities".

Unrealized losses are usually provided for in the income statement with the exception of hedging products.

D. Provisions

A provision is recognized where there is a legal or constructive obligation at the close of the financial year that is likely or certain to lead to an outflow of resources to third-party beneficiaries.

To the company's knowledge, there is no litigation, arbitration, governmental or legal proceedings or contingency (including any pending and expected proceedings) liable to have a significant impact on the financial position, results, business or assets of the company.

With regard to pension and post-retirement liabilities, the main defined benefit plans are retirement indemnities and medical cost coverage.

Italcementi Finance has measured and recognized pensions and other post-retirement liabilities according to CNC recommendation no. 2003-R01, effective as from January 1, 2004.

Main employee benefits essentially relate to benefit plans and termination benefits. Defined benefit plans grant post-employment benefits guaranteeing employees future benefits representing a future liability for the company. Actuarial and investment risks are the company's responsibility. The calculation of the liability is determined on the basis of an actuarial calculation using the projected unit credit method in order to determine the present value of the obligation and the current service cost.

This actuarial calculation requires the use of actuarial assumptions with regard to variables of a demographic (mortality, employee turnover) and financial (future increases in salaries and medical costs, discount rate) nature. Where defined benefit plans are wholly or partly funded by contributions paid to a separate fund or to an insurance company, the assets of such entities are measured at their fair value. The obligation is then recorded in the balance sheet, less the value of the plan assets covering this obligation, unamortized actuarial gains and losses, and unamortized past service cost.

The rights to termination benefits are determined by the collective agreement of the “*Industrie de la fabrication des ciments*”.

Actuarial gains and losses result from changes in actuarial assumptions from one period to another, as well as any gains or losses recorded on the obligation or on the value of the funds vis-à-vis the actuarial assumptions used at the beginning of the period. These actuarial gains or losses are amortized per plan in accordance with the “corridor” method (gains or losses exceeding 10% of the market value of the plan assets or of the present value of the obligation), over the average remaining working lives of the employees benefiting from the plan.

Changes in liabilities following a plan amendment are recognized immediately in the income statement when the rights have vested or are recognized over the vesting period.

In addition, a jubilee award plan paid during the working life is also in place for which Italcementi Finance applies CRC regulation no. 2004-03. It has been subject to an actuarial valuation.

Discount rate is 3.20% for termination benefits and health benefits, and 2.50% for jubilee awards. Inflation rate is 2.00%. Liabilities have been estimated using the TH-TF 00-02 mortality table. For retirement indemnities, the salary increase rate is 2.00% and the expected return on assets is 3.20%.

No advance, credit or compensation was allocated to the members of the administrative and management bodies.

Corporate officers do not receive any director’s fees.

The company has neither liabilities regarding pension plans for corporate officers nor post-employment liabilities for senior managers.

E. Income tax

Italcementi Finance has been included in the integrated tax system described in Articles 223 ff. of the French General Tax Code since 1 January 2010. The parent company in the tax integrated group is the permanent establishment (*Établissement permanent*) in France of the Italian company Italcementi S.p.A. The permanent establishment holds more than 95% of the share capital of Italcementi Finance.

The write off of the shares of the company in the balance sheet of the *Établissement permanent* in France of the Italian company Italcementi S.p.A. in December 2014 entailed the cessation of the tax integration regime retroactively as of 1 January 2014 (Italcementi Finance being the only subsidiary in the tax integrated regime). As a result, Italcementi Finance is taxed on a separate basis as from 1 January 2014.

F. Financial instruments

Italcementi Finance uses certain financial instruments to reduce the foreign-exchange and interest-rate risks inherent in its financing operations and in the nature of its borrowings. Financial instruments are traded in regulated markets or over the counter as part of a policy of partial hedging of covered transactions and never involve speculative positions. Gains and losses from hedging are symmetrically recognized in the same manner as gains and losses on the underlying hedged transactions.

Italcementi Finance, as part of its missions of centralized management of Group financial risks, mainly interest and exchange rate risk, has been acting since 2012 as the main Group’s counterpart vis-à-vis the banking system for

interest-rate and exchange-rate derivatives, the positions taken with external counterparts being symmetrical to those taken with Italcementi S.p.A. and its subsidiaries.

Interest-rate hedging derivatives

Hedging transactions consist primarily of interest-rate exchange contracts (swaps), forward-rate agreements (FRA) and interest-rate options traded on over-the-counter market with first-ranking banks. No derivative exposure can exceed the underlying exposure. The interest rate differential received or paid is recognized as finance cost.

Exchange-rate hedging derivatives

In order to hedge the exchange-rate risk, the Group uses primarily forward contracts, currency exchange contracts or option-based hedging. These hedging derivatives are traded with top-ranking banks.

G. Loan issuance costs

Loan issuance costs are accounted for as expense in the balance sheet and re-invoiced to each fund user as income in proportion to the amount used.

H. Non-recurring events and disputes

In the normal course of Italcementi Finance activities, disputes may occur with third parties and proceedings may be initiated. Provisions are recorded on a case by case basis, according to the risks attached to each case, whenever the cost can be estimated.

I. Consolidation

The company's financial statements are included in the financial statements of Italcementi S.p.A. - Via Camozzi 124 - 24121 Bergamo (Italy) according to the global consolidation method.

J. Management estimates

The preparation of the parent company's financial statements, in accordance with generally accepted accounting principles in France (French GAAP), requires Group management to use estimates and assumptions that affect assets and liabilities in the balance sheet as well as expense and income in the income statement. This applies to the assets and liabilities discussed in the notes to the financial statements. Estimates are based on the assumption of ongoing operations and take into account the data then available. Actual results may turn out to be different.

Notes to the financial statements

All amounts are in thousands of euros unless otherwise stated.

A. Income statement

A.1 Revenues	2014	2013
Services	8,779	7,780
of which exports	2,513	2,691
A.2 Goods and utilities		
Rents, utilities and maintenance	(185)	(256)
Fees	(110)	(121)
Employee expense invoicing	-	-
Bank commissions	(9,178)	(7,397)
External services	(573)	(496)
TOTAL	(10,046)	(8,270)
A.3 Taxes		
Taxes levied abroad	(2,161)	(1,674)
Other taxes	(1)	(1)
Payroll tax	(110)	(99)
Others	(215)	(81)
TOTAL	(2,387)	(1,855)
A.4 Employee expense		
Compensation and benefits	(761)	(784)
Social contributions	(497)	(432)
TOTAL	(1,258)	(1,216)
A.5 Finance income (costs)		
Finance income on loans	66,960	59,575
Other finance income	21	37
Finance income from bank overdrafts	(62,903)	(56,046)
Foreign exchange differences, net	1	-
Depreciation charge redemption premium	1,656	708
TOTAL	5,735	4,274
A.6 Income and expense relating to the Group		
Revenues	8,779	7,780
Interest income	66,969	59,575
Other external expense	(621)	(608)
TOTAL	75,127	66,747

A. 7 Taxable income - Breakdown of tax charge	2014	2013
Income tax (expense) for the period		
- Normal rate	(296)	(256)
- Reduced rate	-	-
- Exceptional contributions	-	-
- Tax credit for taxes paid abroad and others	1,440	1,116

A. 8 Changes in deductions and reinstatements of taxation

Nature	31 December 2013		Variations		31 December 2014	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Temporarily non-deductible expense	-	-	-	-	-	-
Temporarily non-deductible income	-	-	4	-	4	-
To be deducted the following year						
Bonus	-	87	-	(3)	-	84
Social contribution	-	68	-	46	-	114
To be deducted later						
Retirement indemnity	-	115	-	15	-	130
Health insurance	-	61	-	12	-	73
Deducted expense and taxed income not yet recognized						
Translation adjustment assets	-	-	2,329	-	2,329	-
Translation adjustment liabilities	-	-	-	2,329	-	2,329
TOTAL	-	331	2,333	2,399	2,333	2,730

B. Balance sheet

B.1 Capital assets

	2014	2013
At 31 December	1,353,538	1,250,004
At 1 January	1,250,004	800,004
Net change	103,534	450,000
Analysis of changes		
Loan to Essroc Corp.	53,534 ⁽¹⁾	-
Loan to Italcementi S.p.A.	50,000 ⁽²⁾	450,000 ⁽³⁾
TOTAL	103,534	450,000

(1) Loan for 65 million dollars granted to Essroc Corp Libor rate 3 months plus a 2.9250% margin.
Maturity date is 9 September 2019.

(2) Loan for 50 million euros granted to Italcementi S.p.A Euribor rate 1 month plus a 0.9625% margin.
Maturity date is 31 January 2015.

(3) Loan for 50 million euros granted to Italcementi S.p.A at a fixed rate of 0.9625% and paid back on 25 May 2013.
Loan for 350 million euros granted to Italcementi S.p.A at a fixed rate of 6.4607%.
Maturity date is 21 February 2018.
Loan for 150 million euros granted to Italcementi S.p.A at a fixed rate of 4.5635%.
Maturity date is 21 February 2018.

B.2 Accounts receivables

	2014	2013
Ciments Français	552	477
Essroc Corp.	-	3
Italcementi S.p.A.	148	126
TOTAL	700	606

B.3 Other receivables

	2014	2013
Ciments Français	5,729	772
Essroc Corp.	209	-
Italcementi S.p.A.	254,230	129,093
TOTAL	260,168	129,865

B.4 Securities redemption premiums

	2014	2013
2010 EMTN bond issue	3,035	3,618
February 2013 bond issue	1,149	1,515
TOTAL	4,184	5,133

B.5 Shareholders' equity

Trend

The net increase in shareholders' equity reflected the following movements:

	31 December 2013	Earnings appropriation	Dividends	Movements on the share capital	Profit at 31 December 2013	31 December 2014
Share capital	20,000	-	-	-	-	20,000
Legal reserve	85	36	-	-	-	121
Retained earnings	1,400	377	(1,770)	-	-	7
Profit (loss) for the year	713	(413)	(300)	-	823	823
TOTAL	22,198	-	(2,070)	-	823	20,951

The share capital consists in 2 million shares of 10 euros each.

B.6 Provisions

	Amounts at 1 January 2014	Additions	Reversals used	Reversals unused	Amounts at 31 December 2014
Pensions and other post- retirement benefits	185	28	-	-	213
TOTAL	185	28	-	-	213

Post-retirement benefits

The amounts recognized in the balance sheet were as follows:

Pension commitments and similar benefits	At 31 December	
	2014	2013
Commitment at year-end	185	155
Unrecognized actuarial gains	28	30
Net liability at year-end	213	185
Opening net liability	85	155
Transfer of rights acquired at Ciments Français	28	30
Net liability at year-end	213	185

B.7 Financial debt

	Amounts at 1 January 2014	Movements in the year	Amounts at 31 December 2014
2010 EMTN debenture loans	1,250,000	-	1,250,000
Incurred interest	37,443	(580)	36,863
Commercial papers	38,400	106,500	144,900
FOM banking facility	-	153,538	158,538
SIIL loan	40,000	-	40,000
Bank overdraft	2	(2)	-
TOTAL	1,365,845	259,456	1,625,301

Other information

Major bond issues

- a) Italcementi Finance covers the Group's long-term financing through bond issues, in particular as part of the medium and long-term debt negotiable security program (EMTN) implemented on 9 March 2010 with Banca IMI and BNP Paribas Corporate & Investment Banking. The program's documentation is renewed every year and the last update took place on 26 September 2013. This EMTN program enables Italcementi S.p.A. and Italcementi Finance to issue medium and long-term securities up to an authorized limit not to exceed 2,000 million euros.

As part of this EMTN program, Italcementi Finance, with Italcementi S.p.A. acting as guarantor, issued 750 million euros in bonds on 16 March 2010 on the European market with the assistance of Banca IMI, BNP Paribas, Bank of America Merrill Lynch, Société Générale and UniCredit. The bonds are listed on the Luxembourg Stock Exchange; they carry a fixed rate of 5.375% and a 10-year maturity. The transaction was settled on 19 March 2010.

According to the terms and conditions of the Italcementi Finance 750-million euro bond issue maturing in 2020, there is an increase of 125 basis points (step-up clause) in the coupon in case one of the rating agencies downgrades the rating to "Non investment grade". Further to the change in rating passed on by Moody's on 15 December 2011 the step up clause became effective as from 19 March 2012 for the payment of the annual coupon scheduled for 19 March 2013. The resulting increase in borrowing costs was passed on to the loans granted by Italcementi Finance to Group companies. The changes in rating made by Standard & Poors on 29 May 2012 and by Moody's on 15 November 2012 and 19 August 2013 did not have any subsequent impact on the contractual terms of the bonds already issued by Italcementi Finance.

This operation had enabled Ciments Français to refinance the payback of part of its US private placements following its repurchase offer of 24 February 2010 as well as some of the short-term financings of Ciments Français and Italcementi S.p.A.

On 14 February 2013 Italcementi Finance issued a 5-year fixed-rate bond on the European market for a nominal amount of 350 million euros as part of the 2-billion euro Italcementi S.p.A./Italcementi Finance EMTN program. The bonds carry an annual fixed rate of 6.125% and will mature on 21 February 2018. The issue price was 99.477% with a yield to maturity of 6.25% corresponding to 515.5 basis points above the 5-year swap reference rate. The issue was settled on 21 February 2013.

On 14 May 2013, Italcementi Finance issued a new 150 million 5-year fixed-rate bond in the form of a reopening of the bond issue of 14 February 2013. The bonds carry the same annual fixed rate of 6.125% and mature on 21 February 2018. The issue price was 108.261% with a yield to maturity of 4.169% corresponding to 340 basis points above the 5-year swap reference rate. The issue was settled on 21 February 2013.

Issued bonds are unconditionally guaranteed by Italcementi S.p.A., exclusively reserved for qualified investors and listed on the Luxembourg Stock Exchange. Both 2013 bond issues have become fungible as from 1 July 2013.

This bond issue aims at refinancing the debt maturing this year and to reduce the use of the Group's backup credit lines.

Banca IMI, BNP Paribas, Crédit Agricole, Natixis and Unicredit Bank acted as Joint Lead Managers in this transaction.

The bonds issued as part of this program amounted to about 1,250 million euros as of 31 December 2014.

Short-term negotiable debt securities program

- b) On 17 October 2011 Italcementi Finance was authorized by the Banque de France to issue commercial papers under a program limited to 800 million euros. The program's ceiling was reduced to 200 million euros when the program was last updated on 3 June 2013. Italcementi Finance proceeded with the annual renewal of the program on 30 June 2014 and increased the program's ceiling by 200 million euros on 13 October 2014 for a total amount of 400 million euros. The program is rated NP par Moody's and B by Standard & Poor's and it is unconditionally guaranteed by Italcementi S.p.A.

This commercial paper program, which forms part of the operations designed to centralize and optimize Group financing, provides for an additional source of short-term financing.

Natixis is the issuing and paying agent of the program, while Bred Banque Populaire, Crédit Agricole CIB, Crédit Industriel et Commercial, HSBC France, ING Belgium SA, Natixis and Société Générale act as initial dealers.

The STEP (Short-Term European Paper) label was awarded to this new Italcementi Finance program of commercial papers on 24 October 2011. The program (ref. 0002214) complies with the standards defined by the STEP market convention.

Italcementi Finance issued a total of 1,120.9 million euros in commercial papers in 2014, of which 144.9 million euros were outstanding at the end of the year.

Main bank loans and lines of credit

- c) On 29 April 2011 Italcementi Finance arranged a medium-term line of credit with a 5-year maturity for an amount of 50 million euros. It was drawn for an amount of 50 million euros as of 31 December 2014.
- d) During the first half of 2012, a 200-million euro revolving credit line falling due at the end of 2012 was early refinanced by Italcementi S.p.A. with the establishment of a confirmed 5-year line of credit, with Italcementi Finance acting as co-borrower. This medium-term line of credit was neither drawn by Italcementi S.p.A. nor by Italcementi Finance as of 31 December 2014.
- e) On 28 September 2012 a new 100-million euro medium-term line of credit (3 years and 6 months) was set up in order to refinance two Group credit lines falling due with the same bank. This medium-term line of credit was not drawn as of 31 December 2013.
- f) In September 2013, Italcementi S.p.A. renegotiated a 300 million euro bilateral line of credit maturing in July 2014 into a multi-tranche line for an aggregated amount of 225 million euros, with a first installment of 180 million euros covering a period of 3 years and 6 months and a second installment of 45 million euros around 4 years and 6 months. Italcementi Finance is a party to the agreement as additional borrower provided Italcementi S.p.A. acts as guarantor. Both lines were not used as of 31 December 2014.
- g) On 19 June 2014 Italcementi Finance arranged a 5-year 450-million euro syndicated credit line carrying a floating rate. The group of participating banks was led by Banca Imi S.p.A., BNP Paribas, Crédit Agricole Corporate and Investment Bank, HSBC France, Mediobanca – Banca di Credito Finanziario S.p.A, Natixis, Société Générale Corporate & Investment Banking, The Royal Bank of Scotland PLC and Unicredit S.p.A. This credit facility is primarily designed to refinance the 920-million euro syndicated credit line arranged on 22 September 2010 and expiring in September 2015. It is also used to refinance 450 million euros of the Ciments Français 700-million euro intra-Group credit line maturing in September 2015, after cancellation of 250 million euros available on this credit line. Italcementi Finance also cancelled the intra-Group bilateral credit line for the benefit of Italcementi S.p.A. for 220 million euros with the same maturity. The syndicated credit line was not drawn at the end of December 2014.

h) In the first half of 2014, Italcementi Finance renewed two lines of credit falling due in 364 days arranged with international banks for a total amount not to exceed 100 million euros. During the second half of 2014 three other 364-day lines of credit were renewed for an amount of 130 million euros. Those lines were used for an amount of 50 million euros at the end of December 2014.

On 9 September 2014, Italcementi Finance arranged a 5-year term loan of 65 million US dollars carrying a redeemable floating rate, of which 15 million US dollars in September 2017 and 50 million US dollars at the maturity date of the loan. The term loan was fully drawn as of 22 October 2014. The outstanding part of the loan amounted to the equivalent of 53.5 million euros as of 31 December 2014.

Analysis of financial debt according to nominal interest rates

	2014	2013
Fixed interest, below 6%*	150,000	150,000
Fixed interest, above 6%*	1,100,000	1,100,000
Floating interest, below 6%*	375,301	115,845
TOTAL	1,625,301	1,365,845

* Before hedging.

B.8 Financial commitments outstanding at year-end

<i>at year-end</i>	2014	2013
Reciprocal non-Group commitments:		
- Interest-rate swaps	2,040,000	1,584,000
- Exchange-rate hedging operations	66,370	78,725
- Unused available credit lines*	730,000	1,300,000
TOTAL	2,836,370	2,962,725
Group commitments:		
- Group reciprocal interest-rate swaps	1,390,000	934,000
- Group non reciprocal interest-rate swaps	300,000	300,000
- Group reciprocal exchange-rate hedging operations	66,370	78,725
- Group unused committed credit lines	550,000	1,070,000
TOTAL	2,306,370	2,382,725

* In addition to those commitments, Italcementi Finance as other contracting party has access to Italcementi S.p.A. lines of credit of 200 million euros and 225 million euros mentioned in note d) and f) of section B.7.

B.9 Fair value of derivatives

	At 31 December 2014		At 31 December 2013	
	Assets	Liabilities	Assets	Liabilities
Interest-rate derivatives				
Future cash flow hedges	3,972		398	
Fair value hedges	99,281 ⁽¹⁾	5,551	70,328 ⁽¹⁾	2,426
Non-qualified derivatives	28,550	28,550	3,607	3,607
Exchange-rate derivatives				
Future cash flow hedges				
Fair value hedges				
Non-qualified derivatives	4,285	4,285	1,990	1,990
TOTAL	136,088	38,386	76,323	8,023

(1) Of which a receive-fixed/pay-floating Euribor-indexed interest-rate swap hedging part of the 750 million euro fixed-rate bond issue under the EMTN program, rate impact: +99.281 million euros excluding accrued interests as of 31 December 2014 (+64,220 million euros as of 31 December 2013).

(2) Of which a receive-fixed/pay-floating Euribor-indexed interest-rate swap hedging part of the 500 million euro fixed-rate bond issue under the EMTN program, rate impact: -1,062 million euros excluding accrued interests as of 31 December 2014 (+6,108 million euros excluding accrued interests as of 31 December 2013).

B.10 Operating liabilities and other liabilities

	2014	2013
Group payables	356	137
Other current and accrued liabilities	233	235
Tax liabilities and employee benefits	402	401
Tax provision	-	-
Cash payment received on swap	10,811	13,921
TOTAL	11,802	14,694

B.11 Trade receivables and payables by maturity

At 31 December 2014	Total	Under one year	One to five years	Over five years
Realizable and available assets	300,558	300,558		
Loan redemption premium	4,185			4,185
TOTAL	304,743	300,558		4,185
Financial debt	1,625,301	271,763	603,538	750,000
Other debt	1,005	1,005		
Accrued income	10,811			10,811
TOTAL	1,637,117	272,768	603,538	760,811

Trade payables by maturity	2014	2013
Maturity end of January	589	372
Maturity end of February	-	-
Maturity end of March	-	-
TOTAL	589	372

B.12 Assets and liabilities relating to the Group

	2014	2013
Assets (net amounts)		
Investments	-	4
Loans	1,353,538	1,250,000
Trade receivables	902	760
Other receivables	260,813	129,865
TOTAL ASSETS	1,615,253	1,380,629
Liabilities		
Provisions	-	-
Financial debt	43,322	42,242
Operating debt	356	137
TOTAL LIABILITIES	43,678	43,379

B.13 Employee distribution

	2014	2013
Engineers and managers	6	6
Non-management and supervisory staff	5	5
TOTAL	11	11

B.14 Individual training rights

Training rights accrued amounted to 1,155 hours.

B.15 Significant events after the reporting period

No other significant event has been reported since 31 December 2014.

5-year financial summary

(Art. 133, 135 & 148 of the decree on commercial companies)

<i>(in euros)</i>	2014	2013	2012	2011	2010
Closing financial position					
Share capital	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Uncalled capital	-	-	-	-	-
Number of shares issued	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Results					
Revenues before tax	8,779,340	7,779,874	6,887,499	7,760,300	13,876,021
Profit (loss) before tax, depreciation and provisions	1,771,665	1,610,753	1,019,212	1,479,325	1,006,837
Income tax	-	-	-	-	173,103
Profit (loss) after tax, depreciation and provisions	822,815	713,057	436,462	896,575	372,324
Dividend distribution	-	-	-	-	-
Earnings per share					
Net profit (loss) after tax, before depreciation and provisions	0,89	0,81	0,51	0,74	0,50
Profit (loss) after tax, depreciation and provisions	0,41	0,36	0,22	0,45	0,19
Interim dividend distribution per share	1,04	0,11	-	-	-
Personnel					
Number of employees	11	11	10,	10	10
Total annual payroll	781,570	754,361	592,867	804,769	55,086
Employee benefits	361,086	397,999	298,351	357,671	28,273

2.4 Statutory auditors' report on the financial statements

This is a free translation into English of the statutory auditors' report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to the shareholders.

This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

KPMG Audit
Département de KPMG S.A.
1, cours Valmy
92923 Paris La Défense Cedex

ERNST & YOUNG et Autres
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1

Year ended 31 December 2014

To the Shareholders,

In our capacity as statutory auditors of Italcementi Finance and in accordance with article L.225-235 of the French commercial code (Code de commerce), we hereby report on the report prepared by the chairman of your company in accordance with article L. 225-37 of the French commercial code (Code de commerce) for the year ended December 31, 2014.

It is the chairman's responsibility to prepare and submit for the board of directors' approval a report on internal control and risk management procedures implemented by the company and to provide the other information required by article L. 225-37 of the French commercial code (Code de commerce) relating to matters such as corporate governance.

Our role is to:

- report on any matters as to the information contained in the chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information,
- confirm that the report also includes the other information required by article L. 225-37 of the French commercial code (Code de commerce). It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the chairman's report is based and of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our work are properly disclosed in the chairman's report.

On the basis of our work, we have no matters to report on the information relating to the company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the chairman of the board of directors in accordance with article L.225-37 of the French commercial code (Code de commerce).

Other information

We confirm that the report prepared by the chairman of the board of directors also contains the other information required by article L. 225-37 of the French commercial code (Code de commerce).

Paris-La Défense, 19 March 2015

The statutory auditors
French original signed by

KPMG Audit
Département de KPMG S.A.

Laurent des Places
Partner

ERNST & YOUNG Audit

Pierre-Henri Pagnon

3

Corporate governance

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and on internal control procedures33

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3.1 Report of the Chairman of the Board of Directors on the functioning of the Board and on internal control procedures

(Article L.225-37 of the French commercial code)

Dear Shareholders:

Pursuant to provisions of Article L.225-37 of the French commercial code, as Chairman of the Board of Directors, I hereby report on the preparation and organization of the works of the Board of Italcementi Finance, and on the internal control procedures implemented by the company.

Conditions of preparation and organization of the works of the Board

Historical development and composition of the Board of Directors

Initially incorporated as a simplified joint-stock company (*Société par Actions Simplifiée*) under the name of Holfipar, Italcementi Finance adopted its current name and became a joint-stock company (*Société par Actions*) with a Board of Directors on 29 January 2010.

As of 31 December 2013 the Board of Directors included the following members:

- **Giovanni Maggiora**, Chairman & Chief Executive Officer of Italcementi Finance, is also director in the following Group companies: Essroc Corp. (United States), Asia Cement Co and Jalapathan Cement Company (Thailand), Italgen Maroc and Italgen Maroc Ener (Morocco), permanent representative of Menaf at the Board of Directors of Ciments du Maroc (Morocco). He is also Chief Executive Officer of the French subsidiaries Al Manar Cement Holding, Cifi, Cimfra (China) Limited, Cocimar, Codesib, Cofipar, Essroc International, Investcim, Menaf, Parcib, Sax and Tercim.
- **Carlo Bianchini**, director of Italcementi Finance, is also director in the following Italian companies: Gruppo Italsfusi, Ing. Sala and Nuova Sacelit, as well as manager in charge of the financial information at Italcementi S.p.A.
- **Giancarlo Berera**, director of Italcementi Finance, is also director of Previp - Fondo pensione as representative of Italcementi S.p.A.
- **Philippe Missika**, director of Italcementi Finance, does not hold any other term of office
- **Agostino Nuzzolo**, director of Italcementi Finance, is also director of Interbulk Trading (Switzerland), chairman of Sama s.r.l. and person responsible for the permanent establishment (*Établissement stable*) Italcementi S.p.A. in France. Since 31 March 2014, Agostino Nuzzolo is also the permanent representative of Ciments Français at the Board of Directors of Suez Cement Company (Egypt) and since 29 October 2014, he is the permanent representative of Suez Cement Company at the Board of Directors of Tourah Portland Cement Company (Egypt).

Except for the term of office of Giancarlo Berera in Previp, all the above-mentioned positions are held within companies of Italcementi Group.

All five directors have been elected for a six-year period and their term of office will end during the General Meeting called to approve the accounts for the year ending on 31 December 2015.

Conditions of preparation of the works of the Board

Pursuant to Article 13 of the By-laws, the Chairman is responsible for convening the Board.

As well as statutory rules, the Board of Directors meeting on 5 March 2010 adopted an Internal Charter specifying the following points:

- Directors' convening notices can be sent by any means of communication (oral communication, telecopy and email);
- Powers of attorney given by a director to another director are validly received no matter the way they are submitted;
- Apart from cases provided for by law, directors are considered present when they attend a meeting of the Board by way of videoconferencing or by any means of telecommunication allowing for their identification. The director attending by way of telephone or videoconferencing shall send the Board a telecopy or an email confirming his vote, immediately after the end of the Board. Such a document will be appended to the minutes;
- Lastly, the minutes of the meetings of the Board can be properly certified by certain people as provided for in the Internal Charter.

Prior to each meeting of the Board, the Chairman or any person empowered to do so, forwards to each director the agenda of the meeting together with a file containing the documents, memorandums, draft projects, etc. thereof required and upon which he will have to deliberate.

Italcementi Finance does not have any specialized committee (compensation, audit, etc.).

Every time he sees it fit, the Chairman can invite whoever he wants (either or not an employee of the company or of Italcementi Group) to participate in the meeting of the Board in order to give all the necessary clarification and explanations required by the issues on the agenda.

Meetings of the Board of Directors

Meetings of the Board of Directors

In 2014, the Board of Directors met five times. The attendance rate was 84%. Staff representatives attended every meeting.

Minutes of the proceedings of the Board

Minutes are prepared for each Board meeting. They are reviewed by the Chairman and submitted for approval to the next Board meeting.

All the Boards' minutes have been duly and unreservedly approved by the directors.

An attendance register is kept; it is signed by each director before the Board meeting is opened.

Minutes are recorded in the register of minutes and signed by the Chairman and a director. Copies or extracts can be certified by the Chairman, if needed.

Governance rules

During its meeting of 18 May 2010 the Board of Directors discussed the adoption of Italcementi Group corporate governance rules (Corporate governance and Finance governance).

The adoption of these rules was submitted to the shareholders, during a General Meeting on 8 June 2010. These rules were adopted together with the Code of Ethics of Italcementi Group.

The functioning of the Board is governed by all these rules. The Board of Directors of 25 July 2012 adopted various policies regarding the conditions of management and of use of the company's funds.

Participation of shareholders to the General Meetings is provided for in the By-laws of the company to which reference is explicitly made.

Italcementi Finance has decided not to implement any governance code, insofar as the application of a code of conduct, such as the AFEP/MEDEF code, would be totally inappropriate considering the size, structure and mode of functioning of the company. Furthermore, due to its status of almost wholly-owned subsidiary, it is the responsibility of its parent company Italcementi S.p.A. to implement Group governance.

The provisions of the Act dated 27 January 2011 pertaining to professional equality and representation of women and men in Boards of Directors and Supervisory Boards exclusively address listed companies admitted to trading shares on a regulated market; they are therefore not applicable to Italcementi Finance.

Internal control

Definition of internal control

Internal control represents all the control systems implemented by senior management and Group management. It is intended to ensure:

- conformity with laws and regulations
- application of instructions and directions set by senior management
- proper running of the company's internal processes, in particular those contributing to the protection of its assets
- accuracy of financial information

Internal control generally contributes to monitoring activities, ensuring operational effectiveness and guaranteeing the efficient use of the company's resources.

By helping to prevent and monitor the risk of failing to achieve the objectives set by the company and by Italcementi Group, the company's internal control system plays a vital role in the implementation and management of its various activities.

Internal control objectives

The company's internal control procedures are intended to prevent and monitor risks resulting from its operations as well as risks of error or fraud, particularly in accounting and finance; they should in particular meet the following objectives:

- ensure that management decisions abide by the values, orientations and goals set by the Board of Directors and senior management and comply with current laws and regulations, thus enabling the company to guarantee the protection of its employees and assets
- contribute to the reliability of the accounting, financial and management information disclosed and give a true and fair view of the business and position of the company

More generally, the internal control setup should enable the company to minimize the risks of error, fraud and non-compliance with regulations.

This process of internal control, aimed at protecting the people and assets of the company relies on organizational and procedural tools concerning the operating control and the accuracy of the financial statements and financial reporting. However, by its nature, such a system is not an iron-clad guarantee that all risk will be eliminated.

In accordance with Article L.225-37 of the French commercial code, this report will be submitted to the statutory auditors, who will prepare the report provided for in Article L.225-235 of the French commercial code. As the provisions of Article L.225-100-3 of the French commercial code do not apply to the company, no publication is requested.

3.2 Report of the statutory auditors, prepared in accordance with article L.225-235 of the French Commercial Law (*Code de commerce*), on the report prepared by the Chairman of the Board of Directors of Italcementi Finance SA

This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking readers.

This report should be read in conjunction with, and is construed in accordance with, French law and professional standards applicable in France.

KPMG Audit
Département de KPMG S.A.
1, cours Valmy
92923 Paris La Défense Cedex

ERNST & YOUNG et Autres
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1

Year ended 31 December 2014

To the Shareholders,

In our capacity as Statutory Auditors of Italcementi Finance, and in accordance with Article L.225-235 of the French Commercial Law ("Code de commerce"), we hereby report to you on the report prepared by the Chairman of your company in accordance with Article L.225-37 of the French Commercial Law for the year ended 31 December 2013.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the company and containing the other disclosures required by Article L.225-37 of the French Commercial Code relating to matters such as corporate governance measures.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and
- to confirm that this report contains the other disclosures required by Article L.225-37 of the French Commercial Law, it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

These standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consisted mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Board in accordance with Article L.225-37 of the French Commercial Law.

Other disclosures

We hereby attest that the Chairman's report includes the other disclosures required by Article L.225-37 of the French Commercial Law.

Paris-La Défense, 19 March 2015

The statutory auditors
French original signed by

KPMG Audit
Département de KPMG S.A.

Laurent des Places

ERNST & YOUNG Audit

Pierre-Henri Pagnon

4**Other information**

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4.1 Text of the resolutions submitted to the General Meeting of 13 April 2015

First resolution (Approval of the annual accounts)

The General Meeting after hearing the reports of the Board of Directors, of the Chairman on the operations of the Board and internal control procedures, and of the statutory auditors on the accounts for the year ended 31 December 2014 approves the annual accounts for the year 2014 as presented. The General Meeting gives the Board full and complete discharge for its management throughout the aforementioned year.

Second resolution (Earnings appropriation)

The General Meeting approves the following earnings appropriation:

(in euros)

Net profit as of 31 December 2014	822,814.56
Addition to the legal reserve (increased to 162,100 euros)	(41,150.00)
Balance	781,664.56
Prior retained earnings	7,493.12
Distributable profits	789,157.68
Dividend (0.15 euro per share)	(300,000.00)
Balance to be carried forward	489,157.68

Equity will amount to 20,651,257.68 euros after earnings appropriation.

Dividends paid over the last three years were as follows:

Year	Number of shares entitled to dividend	Net dividend
2013 (i)	2,000,000	€0.15
2013 (ii)	2,000,000	€0.885
2012	2,000,000	€0.11
2011	-	-

Third resolution (Related-party transactions)

The General Meeting after hearing the special report of the statutory auditors on the transactions covered by the provisions of Article L.225-38 of the French commercial code takes note of the report and approves the transactions described therein.

Fourth resolution (Powers to carry out formalities)

The General Meeting gives full powers to the bearer of an original, extract or copy of the minutes of this Meeting to carry out all filings and publications.

4.2 Statutory auditors

Identity

Auditors	Date of appointment	Date of first term	End of term	Deputy auditors
KPMG Audit Laurent des Places 1, cours Valmy 92923 Paris la Défense Cedex	AGM of 9 September 2011	AGM of 9 September 2011	2017	KPMG AUDIT IS
ERNST & YOUNG Audit Pierre-Henri Pagnon 1/2 place des Saisons 92400 Courbevoie - Paris - La Défense 1	AGM of 11 April 2013	AGO of 31 December 2001	2019	Auditex

Fees

The fees paid to the statutory auditors and other professional in their network and recognized in the accounts of Italcementi Finance are as follows:

Services <i>(in euros)</i>	ERNST & YOUNG AUDIT				KPMG AUDIT			
	2014		2013		2014		2013	
	Amount	%	Amount	%	Amount	%	Amount	%
AUDIT								
Statutory audit	15,600.00	60.10	14,950.00	61.48	15,600.00	32.25	14,950.00	31.93
Audit-related missions (EMTN program, capital transaction, letter of intent)	10,354.80	39.90	30,692.94	38.52	32,772.00	67.75	31,873.40	68.07
TOTAL	25,954.80	100.0	45,642.94	100.0	48,372.00	100.0	46,823.40	100.0