ITALMOBILIARE

Quarterly report
at September 30, 2014

ITALMOBILIARE

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

ITALMOBILIARE

Quarterly report

at September 30, 2014

November 14, 2014

ITALMOBILIARE
Società per Azioni

Head Office: Via Borgonuovo, 20
20121 Milan – Italy
Share Capital € 100,166,937
Milan Companies Register

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

Board of Directors

(Term ends on approval of financial statements at 12.31.2016)

Giampiero Pesenti	1	Chairman
Italo Lucchini	1-3	Deputy Chairman
Carlo Pesenti	1-2	Chief Executive Officer and Chief Operating Officer
Anna Maria Artoni	5-6	
Giorgio Bonomi	4	
Carolyn Dittmeier	4-5-6	
Sebastiano Mazzoleni		
Luca Minoli		
Gianemilio Osculati	6	
Clemente Rebecchini		
Paolo Domenico Sfameni	4-5-6-9	
Livio Strazzera	1-7	
Massimo Tononi	3-6-8	
Laura Zanetti	1-3-6	
Graziano Molinari	10	Secretary to the Board

Board of Statutory Auditors

(Term ends on approval of financial statements at 12.31.2016)

Acting Auditors

Francesco Di Carlo	Chairman
Angelo Casò	
Luciana Ravicini	

Substitute Auditors

Maria Rachele Vigani
Barbara Berlanda
Paolo Ludovici

Manager in charge of preparing the company's financial reports

Giorgio Moroni

Independent Auditors

KPMG S.p.A.

1 Member of the Executive Committee
2 Director in charge of the Internal Control & Risk Management Committee
3 Member of the Remuneration Committee
4 Member of the Control & Risk Committee
5 Member of the Committee for Transactions with Related Parties
6 Independent director (pursuant to the Voluntary Code of Conduct and Law no. 58, February 24, 1998)
7 Independent director (pursuant to law no. 58, February 24, 1998)
8 Lead independent director
9 Member of the Supervisory body
10 Secretary to the Executive Committee

COMMENTS ON OPERATIONS

Foreword

The quarterly report as at and for the nine months ended September 30, 2014, has been drawn up in accordance with article 154 ter, paragraph 5 of Legislative Decree no. 58 of February 24, 1998, and subsequent amendments and with the International Accounting and Financial Reporting Standards (IAS/IFRS).

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

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

In the third quarter of 2014, the project to simplify the corporate structure and strengthen the Group through the mandatory conversion of Italcementi savings shares into ordinary shares, an increase in Italcementi share capital and a voluntary public tender offer by Italcementi on Ciments Français minorities was completed.

In the first quarter of 2014, Suez Cement Company SAE acquired the residual 50% of the capital of International City for Ready Mix, a company in Saudi Arabia in which Italcementi S.p.A. already held 50%. The Saudi company has been fully consolidated in 2014; in 2013, it was consolidated using the proportionate method.

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

Information on operations

After the limited growth of the first half, global economic progress remained modest and uncertain in some areas. In the third quarter of 2014, the general international economic scenario weakened further, with divergences in conditions between the Eurozone, which continues to apply an expansionary monetary policy, and the USA and the UK, where the focus is on a return to standard policy and stability in financial instruments.

In the Eurozone, a contraction was also seen in the German economy, due to a downturn in foreign demand not offset by a recovery in domestic demand. In this context, inflation has fallen to exceptionally low levels, with the contained dynamic in commodity prices as an additional contributing factor; consequently, the risk that a deflationary spiral could be triggered in a number of countries remains significant.

On the financial markets, after a relaxed first half, volatility rose, especially in the European countries, with the emergence of political and financial uncertainty in Greece and geopolitical unrest in Ukraine and the Middle East. In this context, investors favored safer assets such as German treasury bonds, whose yields have reached an all-time low. Interest rates on ten-year treasury bonds in the advanced economies continued to fall, especially in the Eurozone, owing to the downturn in the prospects for a recovery and expectation of new expansionary measures by the European Central Bank.

The growing divergence between the monetary policies of the Federal Reserve and the ECB has caused the euro to depreciate against the dollar, with a loss in value of 6.1% since the end of June, although it remained stable against the pound.

In Italy, the economy began to weaken again in 2014, after the protracted decline in investments and the unfavorable trend in international trade, which affected exports. The weakness in economic activity was reflected in inflation, which was marginally negative in August and September. The construction sector remained fragile, with a fall in employment, in contrast to the moderately positive trend in industry and agriculture.

In this context, in the third quarter of 2014 the Group posted an **overall profit for the period** of 14.1 million euro and a **loss attributable to owners of the parent** of 0.8 million euro. This compared respectively with a loss of 42.4 million euro and a loss attributable to owners of the parent of 24.8 million euro for the third quarter of 2013.

For the nine months to September 30, 2014, the Group posted a **loss for the period** of 55.9 million euro and a **loss attributable to owners of the parent** of 37.5 million euro. This compared with a loss of 131.1 million euro and a loss attributable to owners of the parent of 103.8 million euro for the nine months to September 30, 2013.

The other main results in the third quarter and the nine months to September 30, 2014, are shown below, together with the changes from the year-earlier periods:

- **Revenue**: 1,136.5 million euro in the third quarter (+0.6%) and 3,339.9 million euro in the nine months (-2.4%);
- **Recurring gross operating profit**: 166.8 million euro in the third quarter (+5.8%) and 497.9 million euro in the nine months (+8.6%);
- **Gross operating profit**: 169.9 million euro in the third quarter (+14.5%) and 495.9 million euro in the nine months (+11.7%);

- **Operating profit**: 61.8 million euro in the third quarter (>100%) and 178.7 million euro in the nine months (>100%);
- **Finance income and costs** (including exchange-rate differences and derivatives): net costs of 29.0 million euro in the third quarter (a 31.4% cost reduction) and net costs of 106.6 million euro in the nine months (a 18.4% cost increase);
- **Profit before tax**: 39.3 million euro in the third quarter (>100%) and 53.4 million euro in the nine months (>100%).

At September 30, 2014, **total equity** was 4,232.7 million euro, compared with 4,339.3 million euro at December 31, 2013 and 4,287.8 million euro at June 30, 2014.

Net financial debt at September 30, 2014 was 2,135.7 million euro, compared with 1,830.0 million euro at December 31, 2013. At June 30, 2014, net financial debt was 1,824.2 million euro.

After the changes in equity and net financial debt, the gearing ratio rose from 42.17% at December 31, 2013 to 50.46% at September 30, 2014.

Italmobiliare Net Asset Value (NAV) at September 30, 2014 was 1,207.6 million euro (1,490.6 million euro at June 30, 2014 and 1,283.1 million euro at the end of 2013).

Performance in the individual segments of the Italmobiliare Group was as follows:

- in the third quarter of 2014, the **construction materials segment,** consisting of the Italcementi group, reported a revenue increase of 0.7% reflecting the positive trend in sales prices, with an improvement of 1.2% at constant exchange rates and on a like-for-like basis. Recurring gross operating profit was down 5.5% on the third quarter of 2013, despite the positive price effect (largely in Egypt), owing mainly to a negative overall volume effect and the increase in some operating expense stemming from trends in Egypt. Operating profit was 61.1 million euro, double the result of the year-earlier period thanks to the positive change in non-recurring items, lower amortization and depreciation and lower impairment losses on non-current assets. Net finance costs and income tax expense decreased with respect to the third quarter of 2013. This generated profit of 15.8 million euro compared with a loss of 36.9 million euro for the third quarter of 2013. In the nine months, cement and clinker sales volumes were stable compared with the first nine months of 2013, but volumes of ready mixed concrete and aggregates decreased. Revenue fell by 3.1% (-0.8% at constant exchange rates and on a like-for-like basis), benefitting from a positive overall price trend driven mainly by the dynamic on the Egyptian market. Recurring gross operating profit (-0.6%) was buoyed by the positive sales prices effect and containment of costs, which outweighed the negative volume effect and rise in some operating expense, relating largely to specific conditions in Egypt. Operating profit (+48.1%) benefitted from a positive change in non-recurring items, lower amortization and depreciation, and lower impairment losses on non-current assets. The period reported higher net finance costs, impairment losses on financial assets and higher income tax compared with 2013. The nine months to September 30, 2014 closed with a loss of 63.8 million euro compared with a loss of 80.0 million euro in the year-earlier period;
- the market situation remained difficult in the **food packaging and thermal insulation segment,** consisting of the Sirap Gema group, in terms of demand on core markets and medium-high prices for polystyrene raw materials used in production, despite a slight decrease compared with 2013. The third quarter of 2014 reported revenue of 60.4 million euro, slightly down on the year-earlier period (62.6 million euro), while

operating margins showed a significant improvement, confirming the performance of the first half of the year. After amortization and depreciation in line with the third quarter of 2013, operating profit amounted to 2.5 million euro (0.5 million euro in the year-earlier period). After a reduction of 18.0% in finance costs compared with the third quarter of 2013 and income tax expense of 0.6 million euro, the group reported a profit for the third quarter of 0.5 million euro, compared with a loss of 1.7 million euro in the year-earlier period. In the nine months, revenue was down 2.5%, due in part to the exchange-rate effect on Petruzalek group operations on Central East European markets. Gross operating profit amounted to 13.5 million euro, up by 4.4 million euro from September 30, 2013. After amortization and depreciation of 7.5 million euro, operating profit was 6.0 million euro (1.0 million euro in the first nine months of 2013). The segment posted a loss for the period of 0.2 million euro (loss of 4.5 million euro in the first nine months of 2013), after a decrease of 9.2% in net finance costs and income tax expense of 1.9 million euro (0.7 million euro in the nine months to September 30, 2013);

- the **financial segment,** which includes the parent Italmobiliare and the wholly owned company Société de Participation Financière Italmobiliare S.A. (Luxembourg), reported a loss for the third quarter of 2.8 million euro (loss of 1.0 million euro in the third quarter of 2013). The loss arose largely from the sharp decrease in finance income, which, net of finance costs, amounted to 0.2 million euro, compared with 4.3 million euro in the third quarter of 2013. In the first nine months of 2014, the upturn on the financial markets, which was particularly strong in the first half of the year, generated net finance income of 43.1 million euro (net finance costs of 19.0 million euro at September 30, 2013). This consisted chiefly of gains on the sale of equity instruments, in part through extraordinary transactions, dividends collected in the period, although these were lower than dividends in the first nine months of 2013, and gains on investments of cash and cash equivalents. After operating expense and tax, the segment reported a profit for the first nine months of 26.1 million euro (loss of 32.7 million euro at September 30, 2013);

- in the **banking segment** (Finter Bank Zürich and Crédit Mobilier de Monaco), third-quarter gross operating profit was 0.2 million euro (gross operating loss of 1.1 million euro in the year-earlier period), arising essentially from containment of operating expense in the period (-23.9%). After provisions and income tax expense, the segment reported a loss for the third quarter of 0.3 million euro (loss of 1.5 million euro in the year-earlier period). In the nine months, despite a reduction in total income (-11.3%) caused mainly by the contraction in commission income, the significant reduction in services and personnel expense (-21.5%) generated a small gross operating profit (39,000 euro), a significant improvement from the gross operating loss of 2.0 million euro at September 30, 2013. After income tax expense and extraordinary provisions, the segment posted a loss for the nine months of 2.1 million euro (loss of 4.2 million euro in the year-earlier period);

- the **property, services and other segment** is not of great importance within the global context of the Group. Its operating results in the third quarter of 2014 are not of material significance. The segment posted a profit of 195,000 euro for the first nine months of 2014 (297,000 euro for the nine months to September 30, 2013).

Key consolidated figures
Q3

(in millions of euro)	Q3 2014	Q3 2013 re-stated	% change	Q3 2013 published
Revenue	**1,136.5**		**0.6**	**1,130.8**
Recurring gross operating profit	**166.8**	**157.6**	**5.8**	**158.0**
% of revenue	*14.7*	*14.0*		*14.0*
Other income (expense)	3.1	(9.1)	n.s.	(9.2)
Gross operating profit	**169.9**	**148.5**	**14.5**	**148.8**
% of revenue	*15.0*	*13.1*		*13.2*
Amortization and depreciation	(103.7)	(108.3)	4.2	(108.1)
Impairment losses on non-current assets	(4.4)	(30.3)	85.5	(30.8)
Operating profit	**61.8**	**9.9**	**n.s.**	**9.9**
% of revenue	*5.4*	*0.9*		*0.9*
Net finance costs	(29.0)	(42.3)	31.4	(42.2)
Reversal on impairment losses on financial assets	-	13.0	n.s.	13.0
Share of profit (loss) of equity-accounted investees	6.5	3.9	69.0	3.8
Profit (loss) before tax	**39.3**	**(15.5)**	**n.s.**	**(15.5)**
% of revenue	*3.5*	*(1.4)*		*(1.4)*
Income tax expense	(25.2)	(26.9)	6.1	(27.0)
Profit (loss) for the period	**14.1**	**(42.4)**	**n.s.**	**(42.5)**
attributable: **Owners of the parent**	**(0.8)**	**(24.8)**	**97.0**	**(24.9)**
Non-controlling interests	14.9	(17.6)	n.s.	(17.6)

n.s. not significant

Revenue in the third quarter of 2014 showed a small increase compared with the year-earlier period, benefiting from the rise in sales volumes and sales prices in the construction materials segment.

The positive trend in non-recurring items and measures taken by the Group to improve efficiency drove a significant improvement in operating results for the period.

The Group posted a profit for the third quarter of 14.1 million euro (a loss of 42.4 million euro at September 30, 2013), after a reduction in finance costs and tax.

Recurring gross operating profit is the difference between revenue and costs, excluding: other non-recurring income (expense), amortization and depreciation, impairment losses on non-current assets, finance income (costs), the share of profit (loss) of equity-accounted investees and income tax expense.

Gross operating profit corresponds to recurring gross operating profit plus other non-recurring income (expense).

Operating profit corresponds to gross operating profit plus amortization, depreciation and impairment losses on non-current assets.

Revenue and operating performance by segment and geographical area Q3

	Revenue		Recurring gross operating profit (loss)		Gross operating profit (loss)		Operating profit (loss)	
Operating segment	**Q3 2014**	**% change vs. Q3 13**	**Q3 2014**	**% change vs. Q3 13**	**Q3 2014**	**% change vs. Q3 13**	**Q3 2014**	**% change vs. Q3 13**
Construction materials	1,067.3	0.7	164.4	(5.5)	166.3	0.1	61.1	100.0
Packaging and insulation	60.4	(3.5)	5.0	18.5	5.0	61.6	2.5	n.s.
Finance	4.5	(43.6)	(3.5)	80.5	(2.0)	88.9	(2.1)	88.4
Banking	5.3	5.8	0.3	n.s.	0.1	n.s.	(0.2)	84.9
Property,services,other	0.3	(27.8)	-	n.s.	-	n.s.	(0.1)	n.s.
eliminations	(1.3)	78.3	0.6	n.s.	0.5	n.s.	0.6	n.s.
Total	**1,136.5**	**0.6**	**166.8**	**5.8**	**169.9**	**14.5**	**61.8**	**n.s.**
Geographical area								
European Union	601.0	(7.3)	65.6	9.2	68.9	33.8	18.7	n.s.
Other European countries	8.1	(17.6)	0.2	n.s.	0.1	n.s.	(0.3)	78.8
North America	141.9	10.3	25.8	(0.8)	25.8	(0.6)	8.9	(9.1)
Asia and Middle East	154.3	3.1	28.6	21.2	28.5	20.9	15.4	49.6
Africa	220.1	25.8	49.7	1.5	49.8	1.8	28.1	8.5
Trading	52.0	25.3	2.2	(12.6)	2.2	(13.3)	(1.9)	n.s.
Others	76.0	7.5	(5.3)	n.s.	(5.4)	n.s.	(7.1)	(70.0)
Inter-area eliminations	(116.9)	(23.9)	-	n.s.	-	n.s.	-	n.s.
Total	**1,136.5**	**0.6**	**166.8**	**5.8**	**169.9**	**14.5**	**61.8**	**n.s.**

n.s. not significant

In the third quarter of 2014, Group consolidated **revenue** amounted to 1,136.5 million euro, a small increase of 0.6% on the third quarter of 2013 (1,129.5 million euro) reflecting positive contributions from the construction materials and banking segments. There was a slight reduction in the contribution of the Sirap Gema group in food packaging and thermal insulation, while the financial segment reported a decrease in income due to the absence of dividends and financial gains. The property, services, other segment made a marginal negative contribution.

Recurring gross operating profit (+5.8%) improved in all Group segments except construction materials, affected by a negative exchange-rate effect and increases in some operating expense, notably a sharp rise in the cost of fuel in Egypt. The most significant progress by geographical area was in the European Union countries, specifically Italy and Spain, and in Asia thanks to India and China.

Strong progress was achieved in **operating profit,** which totaled 61.8 million euro compared with 9.9 million euro in the third quarter of 2013. This result arose from the positive trend in non-recurring items, with net non-recurring income of 3.1 million euro (net non-recurring expense of 9.1 million euro in the year-earlier period), a decrease in amortization and depreciation (4.2%) and a significant reduction in impairment losses on non-current assets (4.4 million euro against 30.3 million euro at September 30, 2013).

After **net finance costs** of 29.0 million euro, down by 31.4% from the third quarter of 2013, and a positive contribution from the equity-accounted companies in the construction materials segment (6.5 million euro, from 3.9 million euro in the year-earlier period), the Group reported **profit before tax** of 39.3 million euro. This compared with a loss before tax of 15.5 million euro in the third quarter of 2013.

After income tax expense of 25.2 million euro, the **profit for the period** was 14.1 million euro (a loss of 42.4 million euro in the year-earlier period); a loss of 0.8 million euro was attributable to owners of the parent (a loss of 24.8 million euro in 2013).

Nine months ended September 30

(in millions of euro)		**Nine months to 09.30.14**	**9M to 09.30.13 re-stated**	**% change**	**9M to 09.30.13 published**
Revenue		**3,339.9**	**3,421.2**	**(2.4)**	**3,423.5**
Recurring gross operating profit		**497.9**	**458.7**	**8.6**	**459.2**
% of revenue		*14.9*	*13.4*		*13.4*
Other net expense		(2.0)	(14.7)	86.1	86.1
Gross operating profit		**495.9**	**444.0**	**11.7**	**545.3**
% of revenue		*14.8*	*13.0*		*13.0*
Amortization and depreciation		(308.2)	(326.7)	5.7	(327.5)
Impairment losses on non-current assets		(9.0)	(34.0)	73.5	(34.5)
Operating profit		**178.7**	**83.3**	**n.s.**	**183.3**
% of revenue		*5.4*	*2.4*		*2.4*
Net finance costs		(106.6)	(90.1)	(18.4)	(89.9)
Impairment losses on financial assets		(27.0)	(14.9)	(81.5)	(14.9)
Share of profit (loss) of equity-accounted investees		8.3	(17.0)	n.s.	(16.7)
Profit (loss) before tax		**53.4**	**(38.7)**	**n.s.**	**61.8**
% of revenue		*1.6*	*(1.1)*		*(1.1)*
Income tax expense		(109.3)	(92.4)	(18.4)	(92.5)
Loss for the period		**(55.9)**	**(131.1)**	**57.3**	**(30.7)**
attributable:	**Owners of the parent**	**(37.5)**	**(103.8)**	**63.8**	**(104.0)**
	Non-controlling interests	(18.4)	(27.3)	32.7	73.3
Employees at period end (heads)		**19,638**	**20,091**		**20,041**

n.s. not significant

(in millions of euro)	**September 30, 2014**	**June 30, 2014**	**Dec.31, 2013 re-stated**
Total equity	4,232.7	4,287.8	4,339.3
Equity attributable to owners of the parent	1,810.1	1,766.1	1,662.1
Net financial debt	2,135.7	1,824.2	1,830.0

Revenue and operating performance by segment and geographical area
Nine months ended September 30

	Revenue		Recurring gross operating profit (loss)		Gross operating profit (loss)		Operating profit (loss)	
Operating segment	**Sept.30 2014**	**% change vs. 09.30.13**	**Sept.30 2014**	**% change vs. 09.30.13**	**Sept.30 2014**	**% change vs. 09.30.13**	**Sept.30 2014**	**% change vs. 09.30.13**
Construction materials	3,115.7	(3.1)	469.3	(0.6)	469.2	2.1	160.9	48.1
Packaging and insulation	173.5	(2.5)	14.2	32.1	13.5	48.0	6.0	n.s.
Finance	57.4	71.3	32.4	n.s.	30.8	n.s.	30.5	n.s.
Banking	14.7	(14.7)	(1.2)	52.0	(0.9)	64.2	(2.0)	51.7
Property,services,other	1.5	(4.7)	0.3	(29.6)	0.3	(26.3)	0.3	(26.4)
eliminations	(22.9)	4.6	(17.1)	(57.7)	(17.0)	(57.7)	(17.0)	(58.0)
Total	**3,339.9**	**(2.4)**	**497.9**	**8.6**	**495.9**	**11.7**	**178.7**	**n.s.**
Geographical area								
European Union	1,829.3	(4.8)	229.0	23.3	230.2	37.4	74.3	n.s.
Other European countries	23.2	(19.6)	(1.1)	57.0	(0.7)	70.0	(1.8)	55.4
North America	326.9	(1.0)	19.7	(40.9)	19.7	(42.2)	(29.9)	(99.6)
Asia and Middle East	445.7	(4.4)	68.4	4.3	68.4	3.1	32.5	28.0
Africa	673.3	9.1	180.0	(4.0)	180.1	(5.9)	115.6	(5.2)
Trading	153.8	14.4	7.7	17.5	7.7	17.1	2.4	(44.7)
Others	239.3	3.4	(6.7)	61.5	(6.7)	64.3	(11.8)	50.8
Inter-area eliminations	(351.6)	(13.9)	0.9	n.s.	(2.8)	n.s.	(2.6)	n.s.
Total	**3,339.9**	**(2.4)**	**497.9**	**8.6**	**495.9**	**11.7**	**178.7**	**n.s.**

n.s. not significant

In the nine months to September 30, 2014, **revenue** amounted to 3,339.9 million euro, a decrease of 2.4% on the first nine months of 2013 (3,421.2 million euro). The downturn arose from:

- a 0.1% decline in business performance;
- a negative exchange-rate effect of 2.4%, relating largely to the depreciation against the euro of the Egyptian pound, Thai baht and Indian rupee, countries where the construction materials segment operates; the exchange with regard to the East European currencies had a negative effect on performance in the food packaging and thermal insulation segment. The exchange-rate effect relating to the Swiss franc was positive;
- a positive consolidation effect of 0.1% relating to the construction materials segment.

The business downturn arose in the Group’s industrial segments and the banking segment, while the financial segment reported strong progress (+98.0%).

At constant exchange rates, revenue by geographical area reflected a slowdown in the European countries and the largest improvements in Egypt, Thailand, North America and India, thanks to the construction materials segment. In absolute terms, the EU countries as a whole made the largest contribution to revenue (53.0% of the total).

The efficiency programs implemented by the Group and the reduction in operating expense supported an improvement in **recurring gross operating profit** to 497.9 million euro, an increase of 8.6% from the first nine months of 2013 (458.7 million euro). This result arose chiefly from the financial, banking and packaging and insulation segments. The contribution of the Italcementi group was slightly negative, due to the contraction in sales volumes, the rise in some operating expense relating largely to the Egyptian market, and the negative exchange-rate effect, mitigated only in part by a positive trend in sales prices and by income from carbon emission rights.

After net non-recurring expense of 2.0 million euro (expense of 14.7 million euro at September 30, 2013), chiefly in the financial segment (-1.6 million euro) and the food packaging and thermal insulation segment (-0.7 million euro) for restructuring charges net of proceeds from the sale of assets, **gross operating profit** increased by 51.9 million euro (to 495.9 million euro, from 444.0 million euro in the first nine months of 2013).

After a decrease of 5.7% in amortization and depreciation (308.2 million euro from 326.7 million euro at September 30, 2013) and impairment losses on non-current assets of 9.0 million euro at the Italcementi group (losses of 34.0 million euro in the first nine months of 2013), **operating profit** amounted to 178.7 million euro, a significant improvement from the year-earlier period (83.3 million euro).

Finance costs, other items and profit for the period

Net finance costs rose by 18.4%, from 90.1 million euro at September 30, 2013 to 106.6 million euro for the first nine months of 2014. Interest expense on net financial debt was 99.5 million euro, up 5.8% from the first nine months of 2013. Exchange-rate differences net of hedging reflected a loss of 1.8 million euro (a gain of 0.3 million euro in the year-earlier period), while there was no effect from carbon hedging derivatives (income of 8.8 million euro in the year-earlier period).

The caption does not include finance income and costs of the financial and banking segments, which are part of these segments' core businesses and therefore classified under the line items constituting recurring gross operating profit.

Impairment losses on financial assets amounted to 27.0 million euro, compared with losses of 14.9 million euro at September 30, 2013. They consisted largely of the impairment loss on the equity investment in the West China Cement company recognized by the construction materials segment.

The **share of profit (loss) of equity-accounted investees** reflected profit of 8.3 million euro (loss of 17.0 million euro at September 30, 2013). The figure arose from the profit of 9.6 million euro for the associates in the construction materials segment, while the contribution of the financial segment was negative, owing to the share of the loss reported by Società Editrice Sud (1.3 million euro).

The above items generated **profit before tax** of 53.4 million euro (loss of 38.7 million euro at September 30, 2013).

After **income tax expense** of 109.3 million euro, an increase of 18.4% from September 30, 2013 (92.4 million euro), the Group posted a **loss for the period** of 55.9 million euro (loss of 131.1 million euro in the nine months to September 30, 2013). After a loss attributable to non-controlling interests of 18.4 million euro (loss of 27.3 million euro at September 30, 2013), the **loss attributable to owners of the parent** was 37.5 million euro (loss of 103.8 million euro at September 30, 2013).

Total comprehensive income

In the nine months January 1 – September 30, 2014, other comprehensive income amounted to 157.6 million euro (expense of 111.2 million euro in the year-earlier period) arising from the following positive items:

- translation gains of 166.1 million euro,
- fair value gains of 19.9 million euro on available-for-sale financial assets,

the following negative items:

- re-measurement of the net liability for employee benefits, for 21.5 million euro,
- fair value losses of 14.2 million euro on cash flow hedging,

and the related positive tax effect of 7.3 million euro.

Considering the loss for the period of 55.9 million euro described in the previous section, and the items described above, total comprehensive income was 101.6 million euro (income of 10.0 million euro attributable to owners of the parent and income of 91.6 million euro attributable to non-controlling interests). This compared with total comprehensive expense of 242.3 million euro in the nine months to September 30, 2013 (expense of 102.2 million euro attributable to owners of the parent and expense of 140.1 million euro attributable to non-controlling interests).

The statement of comprehensive income is included in the consolidated financial statements.

Net financial debt

At September 30, 2014, net financial debt was 2,135.7 million euro, an increase of 16.7% from December 31, 2013 (1,830.0 million euro) since capital expenditure in the period was higher than cash flows from operating activities. The increase of 311.5 million euro from June 30, 2014 (1,824.2 million euro) stemmed essentially from the completion in July of the public tender offer and subsequent squeeze-out on the entire share capital of Ciments Français by Italcementi S.p.A..

(in millions of euro)	September 30, 2014	June 30, 2014	December 31, 2013
Current financial assets	(1,002.5)	(1,573.1)	(1,211.9)
Current financial liabilities	1,003.8	1,265.2	960.5
Non-current financial assets	(126.1)	(114.6)	(131.0)
Non-current financial liabilities	2,260.5	2,246.7	2,212.4
Net financial debt	**2,135.7**	**1,824.2**	**1,830.0**

Financial ratios

(absolute amounts in millions of euro)	September 30, 2014	June 30, 2014	December 31, 2013
Net financial debt	2,135.7	1,824.2	1,830.0
Consolidated equity	4,232.7	4,287.8	4,339.3
Gearing	**50.46%**	**42.55%**	**42.17%**
Net financial debt	2,135.7	1,824.2	1,830.0
Gross operating profit before other income and expense [1]	652.5	643.7	613.6
Leverage	**3.27**	**2.83**	**2.98**

[1]12-month rolling basis

Capital expenditure

Capital expenditure in the first nine months of 2014 totaled 409.4 million euro, a sharp increase from the year-earlier period (252.8 million euro). Industrial investments totaled 385.8 million euro and referred to the Italcementi group for strategic projects in Italy, India, Bulgaria, France, Belgium and Egypt, and, for a smaller proportion, to the Sirap group in food packaging.

Investments in non-current financial assets amounted to 17.0 million euro and were in the financial segment for 13.6 million euro, including 8.8 million euro for the purchase of Italcementi shares, and the construction materials segment for 3.4 million euro.

Construction materials segment

This segment constitutes Italmobiliare's industrial core business. It comprises the cement, ready mixed concrete and aggregates operations of the Italcementi group.

Q3

(in millions of euro)		Q3 2014	Q3 2013 re-stated	% change	Q3 2013 published
Revenue		**1,067.3**	**1,059.4**	**0.7**	**1,060.9**
Recurring gross operating profit		**164.4**	**174.1**	**(5.5)**	**174.5**
% of revenue		*15.4*	*16.4*		*16.5*
Other income (expense)		1.8	(8.0)	n.s.	(8.0)
Gross operating profit		**166.3**	**166.1**	**0.1**	**166.5**
% of revenue		*15.6*	*15.7*		*15.7*
Amortization and depreciation		(100.8)	(105.3)	4.3	(105.1)
Impairment losses on non-current assets		(4.4)	(30.2)	85.5	(30.7)
Operating profit		**61.1**	**30.5**	**>100.0**	**30.7**
% of revenue		*5.7*	*2.9*		*2.9*
Net finance costs		(27.9)	(40.8)	31.7	(40.8)
Impairment losses on financial assets		-	(5.9)	n.s.	(5.9)
Share of profit (loss) of equity-accounted investees		6.5	4.4	47.7	4.3
Profit (loss) before tax		**39.8**	**(11.8)**	**n.s.**	**(11.7)**
% of revenue		*3.7*	*(1.1)*		*(1.1)*
Income tax expense		(23.9)	(25.1)	4.6	(25.2)
Profit (loss) for the period		**15.8**	**(36.9)**	**n.s.**	**(36.9)**
attributable:	**Owners of the parent**	**0.7**	**(50.2)**	n.s.	**(50.1)**
	Non-controlling interests	15.2	13.3	**14.1**	13.3

n.s. not significant

In the third quarter of 2014, Group cement and clinker sales volumes were slightly up on the year-earlier period. However, there was a slowdown in ready mixed concrete and aggregates, although this eased compared with the previous quarter.

Revenue, at 1,067.3 million euro (1,059.4 million euro in the third quarter of 2013), rose 0.7% from the year-earlier period, determined by growth in business operations (+1.2%) and a positive consolidation effect (+0.1%), net of a negative exchange-rate effect (-0.6%).

Revenue performance was affected by the fall in sales volumes of ready mixed concrete and aggregates, whose effect was more than counterbalanced by an overall positive sales price dynamic, driven largely by Egypt despite the significant rise in operating expense.

At constant exchange rates, the strongest increases in absolute values were in Egypt, North America and Trading, while the largest reductions were in France-Belgium and Italy. The negative exchange-rate effect referred chiefly to the Egyptian pound and the Kazakh tenge.

Recurring gross operating profit was 164.4 million euro, down 5.5% from the third quarter of 2013. As noted above, the negative exchange-rate effect was a contributing factor. The positive trend in sales prices made up in part for the negative volume effect and unfavorable trend in some operating expense, caused largely by the significant increase in fuel costs in Egypt.

Looking at individual performance, the most significant progress in recurring gross operating profit from the third quarter of 2013 was in Italy, India and Spain, while the largest decrease was in France-Belgium.

Gross operating profit was 166.3 million euro (166.1 million euro in the third quarter of 2013), benefiting from net non-recurring income of 1.8 million euro (net expense of 8.0 million euro in the third quarter of 2013).

Operating profit was 61.1 million euro (30.5 million euro in the third quarter of 2013) after amortization and depreciation expense of 100.8 million euro (105.3 million euro in the year-earlier period) and impairment losses on non-current assets of 4.4 million euro (30.2 million euro in the third quarter of 2013).

Nine months ended September 30

(in millions of euro)		Nine months to 09.30.14	9M to 09.30.13 re-stated	% change	9M to 09.30.13 published
Revenue		**3,115.7**	**3,215.0**	**(3.1)**	**3,217.5**
Recurring gross operating profit		**469.3**	**472.3**	**(0.6)**	**473.1**
% of revenue		*15.1*	*14.7*		*14.7*
Other net expense		(0.1)	(13.0)	99.2	(13.0)
Gross operating profit		**469.2**	**459.3**	**2.1**	**460.1**
% of revenue		*15.1*	*14.3*		*14.3*
Amortization and depreciation		(299.3)	(317.0)	5.6	(317.8)
Impairment losses on non-current assets		(9.0)	(33.7)	73.3	(34.2)
Operating profit		**160.9**	**108.6**	**48.1**	**108.1**
% of revenue		*5.2*	*3.4*		*3.4*
Net finance costs		(102.9)	(85.9)	(19.8)	(85.7)
Impairment losses on financial assets		(26.8)	(14.9)	(80.7)	(14.9)
Share of profit (loss) on equity-accounted investees		9.6	2.1	>100.0	2.4
Profit before tax		**40.7**	**10.0**	**>100.0**	**10.0**
% of revenue		*1.3*	*0.3*		*0.3*
Income tax expense		(104.5)	(90.0)	(16.1)	(90.1)
Loss for the period		**(63.8)**	**(80.0)**	**20.3**	**(80.1)**
attributable	**Owners of the parent ***	(112.6)	**(135.2)**	**16.7**	(135.2)
	Non-controlling interests	48.9	55.2	(11.5)	55.1
Employees (heads)		18,311	18,667		18,617

(in millions of euro)	September 30, 2014	June 30, 2014	Dec.31, 2013 re-stated
Total equity	3,817.8	3,854.2	3,783.0
Equity attributable to owners of the parent *	3,048.6	2,937.3	2,603.8
Net financial debt	2,173.5	1,851.7	1,934.0

* Italcementi S.p.A.

In the nine months to September 30, 2014, cement and clinker sales volumes were stable compared with the year-earlier period, while sales volumes decreased in ready mixed concrete and aggregates.

Revenue was 3,115.7 million euro (3,215.0 million euro in the first nine months of 2013), down by 3.1% from the year-earlier period, arising from a business downturn (-0.8%) and a negative exchange-rate effect (-2.4%), against a marginally positive consolidation effect (+0.1%).

Revenue reflected the decline in sales volumes, although this was mitigated by an overall positive trend in sales prices, chiefly driven by Egypt.

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

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

Recurring gross operating profit, at 469.3 million euro, was substantially unchanged from the year-earlier period. The result arose from the fall in sales volumes, the increase in some operating expense, mainly in Egypt, and the negative exchange-rate effect, as well as from the positive sales prices effect, containment of overheads and income from carbon emissions rights trading.

At constant exchange rates, the strongest progress in recurring gross operating profit was in Italy and Thailand; there were downturns in France-Belgium, North America and India.

After net non-recurring expense of 0.1 million euro (net expense of 13.0 million euro in 2013), **gross operating profit** was 469.2 million euro, up 2.1% on the first nine months of 2013.

Operating profit, at 160.9 million euro, rose by 48.1% from the year-earlier period (108.6 million euro). The increase reflected lower amortization and depreciation (299.3 million euro against 317.0 million euro) and lower impairment losses on non-current assets (9.0 million euro against 33.7 million euro).

Finance costs net of finance income amounted to 102.9 million euro, an increase of 19.8% from the year-earlier period (85.9 million euro). Net borrowing expense increased from 92.9 million euro to 96.8 million euro. 2013 also benefited from positive derivatives on hedging, not present in the current year.

Impairment losses on financial assets totaled 26.8 million euro (14.9 million euro in the first nine months of 2013), and referred chiefly to the impairment loss on the equity investment in West China Cement.

The **share of profit (loss) of equity-accounted investees** reflected profit of 9.6 million euro (2.1 million euro in the first nine months of 2013), including 7.5 million euro for the Asment company in Morocco.

In the nine months ended September 30, **profit before tax** was 40.7 million euro (10.0 million euro in the year-earlier period). Income tax expense was 104.5 million euro, up 16.1% from the year-earlier period (90.0 million euro).

There was a **loss for the period** of 63.8 million euro (a loss of 80.0 million euro in 2013). The loss **attributable to owners of the parent** was 112.6 million euro (a loss of 135.2 million euro); profit attributable to non-controlling interests was 48.9 million euro (profit of 55.2 million euro).

Net financial debt at September 30, 2014, was 2,173.5 million euro, an increase of 239.5 million euro from December 31, 2013 (1,934.0 million euro). This was due to the seasonal trend in working capital and to the fact that capital expenditure in the period was higher than cash flow from operations. The increase of 321.8 million euro from June 30, 2014 (1,851.7 million euro) arose chiefly from the effect of completion in July 2014 of the outlays for the public tender offer and subsequent squeeze-out on the entire share capital of Ciments Français.

Capital expenditure in the first nine months of 2014 was 391.2 million euro, well above the figure for the year-earlier period (238.0 million euro). Expenditure was largely for industrial investments, relating in particular to current strategic projects in Italy, India, Bulgaria, France-Belgium and Egypt.

Sales volumes and internal transfers

Q3

Sales volumes[1]	Q3 2014	% change vs Q3 2013	
		historic	like-for-like
Cement and clinker *(millions of mt)*	10.9	0.9	0.9
Aggregates[2] *(millions of mt)*	7.8	(6.2)	(6.2)
Ready mixed concrete *(millions of m³)*	2.9	(5.4)	(5.9)

[1] amounts refer to consolidated companies and proportionately consolidated companies

[2] excluding decreases for processing

In the **cement and clinker** segment, a contained increase was reported in sales volumes compared with the year-earlier period. Performance was positive in Emerging Europe, North Africa and Middle East, largely thanks to Egypt, in North America and in Trading. In Asia, the growth reported in Kazakhstan and Thailand more than counterbalanced the downturn in India. Central Western Europe saw declines in France-Belgium and in Italy, offset only in part by the positive dynamics in Spain and Greece.

In the **aggregates** segment, the overall decrease in sales volumes arose largely from the downturn in Central Western Europe, principally in France-Belgium. The effects of the slowdown in Morocco were mitigated in part by the improvement in North America.

The decrease in sales volumes in **ready mixed concrete** arose from the performance of Central Western Europe (penalized by performance in Italy and France-Belgium) and Morocco. The trend was offset by the progress in Egypt and in North America.

Nine months ended September 30

Sales volumes[1]	Nine months to 09.30.2014	% change vs 09.30.2013	
		historic	like-for-like
Cement and clinker *(millions of mt)*	32.6	-	-
Aggregates[2] *(millions of mt)*	23.2	(6.3)	(6.3)
Ready mixed concrete *(millions of m³)*	8.6	(7.2)	(7.8)

[1] amounts refer to consolidated companies and proportionately consolidated companies

[2] excluding decreases for processing

In **cement and clinker**, sales volumes were stable compared with the first nine months of 2013. Despite reductions in France-Belgium and Italy, Central Western Europe reported only a small decline, thanks to upturns in Spain and Greece. All the other main areas reported progress, with the largest contributions coming from Egypt and Trading.

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

In **ready mixed concrete**, the fall in sales volumes was largely determined by the contraction in Central Western Europe, where the group has a larger presence, and in Morocco. This decline was countered in part by the lively performances of the other countries (Egypt, Thailand, Kuwait and North America).

Significant events in the period

As illustrated in the previous interim report, in March the Italcementi S.p.A. Board of Directors approved a plan to streamline the corporate structure and strengthen the group. The plan, consisting of the mandatory conversion of Italcementi savings shares into ordinary shares, an increase in Italcementi capital, and a voluntary public tender offer by Italcementi on Ciments Français minorities, was completed in July 2014. The operations are summarized below; for full details, reference should be made to the press releases issued over the period in question.

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

On July 3, at the close of the voluntary Public Tender Offer for all the shares of the subsidiary Ciments Français S.A. (CF) at a price of 79.5 euro per share “ex dividend”, Italcementi held 97.73% of capital (83.83% at the start of the operation) and 98.65% of CF voting rights (91.03% at the start of the operation). Since the share still held by CF minorities had decreased to below 5% of capital and voting rights, Italcementi applied the squeeze-out procedure (*retrait obligatoire*). Under this procedure, on July 15, 2014, CF shares were delisted from the Paris stock exchange (NYSE-Euronext Paris); the CF shares subject to the squeeze-out were assigned to Italcementi S.p.A., which opened a time deposit at the disposal of entitled parties.

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

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

At the end of July, after a review that began in March, the Moody's rating agency confirmed the Italcementi Ba3 corporate family rating, with the outlook passing from stable to positive.

Performance by geographical area

Q3

(in millions of euro)	Revenue		Recurring gross operating profit (loss)		Gross operating profit (loss)		Operating profit (loss)	
Geographical area	**Q3 2014**	**% change vs Q3 13**	**Q3 2014**	**% change vs Q3 13**	**Q3 2014**	**% change vs Q3 13**	**Q3 2014**	**% change vs Q3 13**
Central Western Europe	524.7	(8.2)	60.8	(15.6)	62.3	(3.5)	15.8	n.s.
North America	141.9	10.3	25.8	(0.8)	25.8	(0.6)	8.9	(9.1)
Emerging Europe, North Africa and Middle East	249.1	22.2	52.6	(0.9)	53.0	(0.1)	28.2	-
Asia	140.2	2.2	28.3	23.8	28.2	23.5	17.3	63.6
Cement and clinker trading	52.0	25.3	2.2	(12.6)	2.2	(13.3)	(1.9)	n.s.
Others	76.0	7.5	(5.3)	(>100.0)	(5.3)	(>100.0)	(7.1)	(70.0)
Inter-area eliminations	(116.5)	n.s.	-	-	-	-	-	-
Total	**1,067.3**	**0.7**	**164.4**	**(5.5)**	**166.3**	**0.1**	**61.1**	**>100.0**

n.s. not significant

Nine months ended September 30

(in millions of euro)	Revenue		Recurring gross operating profit (loss)		Gross operating profit (loss)		Operating profit (loss)	
Geographical area	**Sept. 30 2014**	**% change vs 09.30.13**	**Sept. 30 2014**	**% change vs 09.30.13**	**Sept. 30 2014**	**% change vs 09.30.13**	**Sept. 30 2014**	**% change vs 09.30.13**
Central Western Europe	1,584.4	(6.6)	189.2	(0.1)	192.3	11.3	55.4	n.s.
North America	326.9	(1.0)	19.7	(40.9)	19.7	(42.2)	(29.9)	(99.6)
Emerging Europe, North Africa and Middle East	762.0	7.5	192.2	(3.2)	192.7	(4.9)	113.0	(11.4)
Asia	399.7	(5.2)	66.2	6.7	66.2	5.7	34.4	39.5
Cement and clinker trading	153.8	14.4	7.7	17.5	7.7	17.1	2.4	(44.6)
Others	239.3	3.4	(6.7)	61.5	(6.7)	64.3	(11.8)	50.8
Inter-area eliminations	(350.5)	n.s.	0.9	n.s.	(2.7)	n.s.	(2.6)	n.s.
Total	**3,115.7**	**(3.1)**	**469.3**	**(0.6)**	**469.2**	**2.1**	**160.9**	**48.1**

n.s. not significant

In the construction industry, divergences continued to widen among the results reported by the regions where the group operates, and among the results of the individual countries in each region. Among the mature countries, the recessionary trend in Italy in particular was confirmed, if at a more moderate pace, while the signs of weakening observed in France since the beginning of the year intensified. Conversely, the improvement in the general domestic economic situation had positive repercussions for the construction sector in Spain, where an upturn in activity was reported driven by non-residential projects. In North America, the recovery accelerated in the summer quarter, although the pace was slowed by the weakness of infrastructure investment. In the group's main emerging countries, progress was reported in Egypt, India and Kazakhstan, but remained weak in Morocco, where the continuing fragility of private demand had a negative impact on segment performance.

E-business

In the first nine months of 2014, the BravoSolution group reported growth in revenue and gross operating profit. Consolidated revenue was 48.0 million euro (+9.2%); gross operating profit was 4.0 million euro (3.5 million euro in the year-earlier period). The group posted an operating loss of 0.2 million euro (operating loss of 0.4 million euro in the year-earlier period).

For the full year, despite an unfavorable economic situation and still uncertain outlook, the group expects to report an increase in full-year revenue, together with higher earnings compared with 2013.

Disputes and pending proceedings

An update is provided below on the developments in the main current disputes during the period.

Italy

On June 18, 2013, Italy's Competition & Market Authority (AGCM) notified Calcestruzzi S.p.A. that a procedure had begun for the redetermination of the fine of 10.2 million euro imposed in 2004 and partially revoked by rulings of the Lazio Regional Administrative Tribunal (TAR) and the Italian Council of State. On January 13, 2014, Calcestruzzi was informed of the AGCM decision to re-determine the fine at 8,125,509 euro, and furthermore to request payment of the additional sums pursuant to art. 27 paragraph 6 of law 689/81, amounting overall, according to a preliminary estimate, to more than 7 million euro. Calcestruzzi filed an appeal with the Lazio TAR requesting a suspension, which was granted on February 13, 2014, when a hearing to discuss the merits of the case was also scheduled for November 19, 2014. Acting for the AGCM, the *Avvocatura di Stato* (Government Legal Service) lodged an appeal with the Council of State against the suspension. On June 7, 2014, the Council of State partially upheld the *Avvocatura* appeal by annulling the TAR ruling relating to the basic fine (8.1 million euro) and confirming the TAR ruling with regard to the additional amounts (approximately 7 million euro), payment of which is therefore not currently due. Calcestruzzi applied to the AGCM for the amount currently due (8.1 million euro) to be paid in instalments pursuant to article 26 of law 689/81. The AGCM accepted the request, arranging for payment to be made over 30 months, with application of an annual legal interest rate of 1%. This is without prejudice to the effects of the TAR ruling on the merits of the appeal presented by Calcestruzzi.

Spain

On May 14, 2014, after a petition was 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.

Events after the reporting period

In October, the start-up of the new kiln marked the entry into operation of the new production plant of the Devnya Cement cement works. Devnya Cement is the group's Bulgarian subsidiary, located near the port of Varna in eastern Bulgaria. This is one of the largest investments in Bulgaria in the last 25 years, and will make it possible to respond adequately to both domestic demand and demand in neighboring regions of Eastern Europe. The overall investment amounted to more than 160 million euro; once the current test and commissioning phase has been completed, the cement plant will be fully operational from the start of 2015

In early November, Italian Prime Minister Matteo Renzi officially switched on the new kiln at the Italcementi cement plant in Rezzato, which has undergone an extensive revamp in the last two years to become one of the top-performing plants in Europe from the production and environmental viewpoints. The Rezzato plant revamp, for an investment of approximately 150 million euro, is part of the Pact for the Environment signed by Italcementi and the Ministry in July 2009, which set out an investment program for the renewal of the Italcementi S.p.A. industrial network and attainment of ambitious environmental targets.

These operations complete the strategic investment program drawn up to strengthen the group in Europe.

Outlook

In an economic scenario featuring signs of a recovery on the North American market, continuing weakness in demand in the main Eurozone countries and volatility in some of the emerging countries, the group confirms that it expects to report an improvement in full-year recurring gross operating profit compared with 2013.

After completion of the significant investments for the revamps of its strategic sites in Italy and Bulgaria and commencement of the energy diversification program at its main cement plants in Egypt, the group expects to keep year-end net financial debt in line with initial projections.

Food packaging and thermal insulation segment

The Group operates in the food packaging and thermal insulation segment through Sirap Gema S.p.A. and its subsidiaries. The condensed income statements for the third quarter and the first nine months are set out below.

Q3

(in millions of euro)	Q3 2014	Q3 2013*	% change
Revenue	**60.4**	**62.6**	**(3.5)**
Recurring gross operating profit	**5.0**	**4.2**	**18.6**
% of revenue	*8.2*	*6.7*	
Other net expense	-	(1.1)	n.s.
Gross operating profit	**5.0**	**3.1**	**61.6**
% of revenue	*8.2*	*4.9*	
Amortization and depreciation	(2.5)	(2.5)	(0.8)
Impairment losses on non-current assets	-	(0.1)	n.s.
Operating profit	**2.5**	**0.5**	**n.s.**
% of revenue	*4.1*	*0.8*	
Net finance costs	(1.4)	(1.7)	18.0
Profit (loss) before tax	**1.1**	**(1.2)**	**n.s.**
% of revenue	*1.8*	*(1.9)*	
Income tax expense	(0.6)	(0.5)	(11.4)
Profit (loss) for the period	**0.5**	**(1.7)**	**n.s.**
% of revenue	*0.8*	*(2.7)*	
Profit (loss) attributable to owners of the parent	**0.5**	**(1.7)**	**n.s.**
Non-controlling interests	n.s.	n.s.	

n.s. not significant
* unchanged with respect to published figure

Performance in the third quarter of 2014 was affected by the trends already experienced in the first half of the year. The continuing complexity of the economic situation made demand uncertain and substantially weak, generating further pressure in an already difficult competitive scenario; although prices for polystyrene raw materials were slightly lower than the average purchase cost, the level remained high. In this context, it was not possible to achieve a positive change in product sales prices. Nevertheless, careful monitoring of core markets, improved efficiency and structural re-organization measures enabled the group to report a significant improvement in operating results compared with 2013.

Revenue for the third quarter (60.4 million euro) was slightly down (-3.5%) on the year-earlier period (62.6 million euro).

Recurring gross operating profit was 5 million euro, an improvement of 18.6% from the third quarter of 2013 (4.2 million euro), confirming the trend of the previous months.

Operating profit was 2.5 million euro (0.5 million euro in the third quarter of 2013, which included lay-off and re-organization expense of 1.1 million euro).

Finance costs (1.4 million euro) were down on 2013 (1.7 million euro) thanks to lower average debt in the quarter and a smaller negative exchange-rate effect.

ITALMOBILIARE

The group posted a consolidated **profit for the period** of 0.5 million euro (loss of 1.7 million euro in the third quarter of 2013).

Nine months ended September 30

(in millions of euro)	Nine months to 09.30.14	Nine months to 09.30.13*	% change
Revenue	**173.5**	**178.0**	**(2.5)**
Recurring gross operating profit	**14.2**	**10.8**	**32.1**
% of revenue	*8.2*	*6.0*	
Other net expense	(0.7)	(1.7)	57.2
Gross operating profit	**13.5**	**9.1**	**48.0**
% of revenue	*7.8*	*5.1*	
Amortization and depreciation	(7.5)	(7.8)	3.9
Impairment losses on non-current assets	-	(0.3)	n.s.
Operating profit	**6.0**	**1.0**	**n.s.**
% of revenue	*3.4*	*0.5*	
Net finance costs	(4.3)	(4.8)	9.2
Profit (loss) before tax	**1.7**	**(3.8)**	**n.s.**
% of revenue	*1.0*	*(2.1)*	
Income tax expense	(1.9)	(0.7)	n.s.
Loss for the period	**(0.2)**	**(4.5)**	**96.7**
% of revenue	*(0.1)*	*(2.6)*	
Loss attributable to owners of the parent	**(0.2)**	**(4.5)**	**96.4**
Non-controlling interests	n.s.	n.s.	
Employees at period end (heads) ([1])	**1,194**	**1,273**	

* unchanged with respect to published figure

(*) of which 32 people on state-subsidized lay-off in 2013 (26 for closure of Corciano plant near Perugia)

(in millions of euro)	September 30, 2014	June 30, 2014	Dec. 31, 2013 re-stated
Total equity	14,7	14,3	9,5
Equity attributable to owners of the parent	14,3	13,9	9,1
Net financial debt	113.8	117.0	116.1

n.s. not significant

Revenue in the nine months (173.5 million euro) was down 2.5% from the year-earlier period (178.0 million euro). Given the continuing difficulties in economic conditions, the exchange-rate effect had a significant negative impact (-3.5 million euro) after the depreciation in currencies for some food packaging companies, especially in Central East European countries where the Petruzalek group operates.

Recurring gross operating profit was 14.2 million euro, a strong improvement (+32.1%) on the year-earlier period (10.8 million euro).

Operating profit amounted to 6.0 million euro, after restructuring expense of 0.7 million euro; there was a significant improvement compared with 2013 (1.0 million euro), although the year-earlier figure reflected other expense of 1.7 million euro and impairment losses on non-current assets of 0.3 million euro.

Finance costs (4.3 million euro) were down on the year-earlier period (4.8 million euro), despite the increase in the average cost of money, owing to a slight containment of debt exposure and lower exchange-rate losses.

The group posted a consolidated **loss for the period** of 0.2 million euro (a loss of 4.5 million euro in 2013) after income tax expense of 1.9 million euro (0.7 million euro in 2013).

Net financial debt was 113.8 million euro (116.1 million euro at December 31, 2013) and benefited from the capital injection of 6.0 million euro to cover losses made by the parent Italmobiliare S.p.A. in April.

Group equity stood at 14.3 million euro from 9.1 million euro at December 31, 2013. Leaving aside the loss for the period, factors contributing to the improvement were the capital injection of 6 million euro and a reduction of 0.6 million euro in the translation reserve.

Significant events in the period

On July 4, 2014, in Austria, the upstream merger of Dorner Pack G.m.b.H. into and with Petruzalek G.m.b.H. (the holding for Group operations in Central Eastern Europe) was formalized. The merger was dictated by organizational considerations. The merger deed was filed with the Austrian Trade Register on October 30, 2014.

Performance by operating segment and geographical area

Q3

(in millions of euro)	Revenue		Recurring gross operating profit		Gross operating profit		Operating profit	
	Q3 2014	% change vs Q3 13	Q3 2014	% change vs Q3 13	Q3 2014	% change vs Q3 13	Q3 2014	% change vs Q3 13
Food packaging								
Italy	22.9	2.9	1.9	17.0	1.9	n.s.	0.5	n.s.
France	6.1	(2.3)	0.7	(15.3)	0.7	(15.3)	0.5	(24.0)
Other EU countries	17.0	8.0	1.1	97.6	1.1	97.6	0.7	n.s.
Other non-EU countries	3.3	(50.9)	0.1	(45.5)	0.1	(45.5)	0.1	(38.3)
Eliminations	(4.2)		-		-		-	
Total	**45.1**	**(4.4)**	**3.8**	**17.4**	**3.8**	**78.4**	**1.8**	**n.s.**
Thermal insulation - Italy	**15.3**	**(0.7)**	**1.2**	**24.6**	**1.2**	**24.7**	**0.7**	**55.7**
Eliminations	-		-		-			
Total	**60.4**	**(3.5)**	**5.0**	**18.5**	**5.0**	**61.6**	**2.5**	**n.s.**

n.s. not significant

Nine months ended September 30

(in millions of euro)	Revenue		Recurring gross operating profit		Gross operating profit		Operating profit	
	Sept. 30 2014	% change vs 09.30.13	Sept. 30 2014	% change vs 09.30.13	Sept. 30 2014	% change vs 09.30.13	Sept. 30 2014	% change vs 09.30.13
Food packaging								
Italy	66.4	0.2	6.6	57.9	5.9	92.9	1.6	n.s.
France	17.5	(5.2)	1.8	(23.4)	1.8	(23.4)	1.1	(35.7)
Other EU countries	48.8	6.1	2.6	47.5	2.6	47.5	1.3	n.s.
Other non-EU countries	9.8	(41.0)	0.6	13.7	0.6	13.7	0.6	46.1
Eliminations	(11.0)		-		-	-	-	
Total	**131.5**	**(3.3)**	**11.6**	**30.9**	**10.9**	**40.9**	**4.6**	**n.s.**
Thermal insulation - Italy	**42.3**	**n.s.**	**2.6**	**37.5**	**2.6**	**87.8**	**1.4**	**n.s.**
Eliminations	(0.3)		-		-		-	
Total	**173.5**	**(2.5)**	**14.2**	**32.1**	**13.5**	**48.0**	**6.0**	**n.s.**

n.s. not significant

Food packaging

The economic crisis and climate of great uncertainty continued to have a negative impact on household propensity to consume; the situation varied from country to country in relation to specific difficulties.

On the Italian market, Sirap Gema S.p.A. confirmed revenue for the nine months (+0.2%) thanks to the recovery in the third quarter (+2.9%): revenue from sales of foamed containers was substantially stable, whereas there was a positive trend in the mix for rigid containers, with an increase in volumes of containers and a reduction in volumes of sheet. Margins improved significantly at all levels, thanks to consolidation of re-organization measures and production cost optimization, the improvement in the mix by both divisions, and a continuing reduction in overheads.

The French market was badly affected by the economic crisis. Sirap France revenue on foamed trays decreased during the period (-5.2%), although this eased in the third quarter (-2.3%), largely due to the fall in volumes caused by the sharp decline in domestic demand. Average sales prices were also down because of strong competitive pressures. Operating profit was 0.5 million euro in the third quarter (0.6 million euro in 2013) and 1.1 million euro in the nine months (1.7 million euro in 2013).

In Poland, thanks to effective action on the domestic market which drove the acquisition of new customers, revenue rose in the nine months (20.1 million euro, +7.9%) and in the third quarter in particular (6.9 million euro, +9.8%). Profitability made strong progress thanks to revenue growth and greater production-logistic efficiency. Operating profit was 1.1 million euro in the nine months (0.4 million euro in 2013) and 0.4 million euro in the third quarter (0.2 million euro in 2013).

In the Petruzalek group countries in Central Eastern Europe, revenue for the nine months (39 million euro) reflected the weakness of demand, which was particularly pronounced in a number of countries including Austria. The fall in revenue from the year-earlier period was 11.9%, of which 7.9 % due to an unfavorable exchange-rate trend; attention is drawn to the situation in Ukraine, where political and social tensions caused a depreciation in the grivna of 42.2% against the 2013 average value. Nevertheless, the measures introduced in the second half of 2013 to cut operating and re-organization expense, together with healthy performance in some countries including Ukraine, generated an operating profit of 0.7 million euro in the nine months (0.2 million euro in 2013 when the group reported impairment losses of 0.3 million euro). Performance was also positive in the third quarter (0.3 million euro against 0.1 million euro).

Thermal insulation

In Italy the difficulties in the building industry continued, although there were signs of a recovery in worksite activity in the third quarter. Moreover, the liquidity crisis required the segment to keep a close watch on credit risk, possibly foregoing potential volumes but continuing to implement rigorous credit check and credit management procedures.

The company responded to the reduction in domestic sales volumes (revenue -5%) by continuing to consolidate its presence on international markets (international revenue rose 11% accounting for approximately 36% of the total, especially in Switzerland, Austria and Germany), thanks in part to the introduction of extra-thick panels.

Revenue for the nine months (42.3 million euro) was therefore substantially unchanged from 2013, with a small decrease in the third quarter (-0.7%) arising from time differences in some product deliveries.

The segment’s margins were all up on the year-earlier period, thanks to containment of production costs and overheads. Operating profit in the nine months (1.4 million euro) made significant progress from the year-earlier period (0.1 million euro after provisions of 0.5 million euro in the first half against risks relating to bankruptcy proceedings). The positive trend was confirmed in the third quarter with operating profit of 0.7 million euro, an improvement of 55.7% from the year-earlier period.

Disputes and pending proceedings

With reference to the proceedings started in 2008 by the European Commission regarding alleged violations of EU competition laws on the market for plastic wrapping for food, no further developments have taken place since the date of the previous report on operations.

Environmental initiatives

On January 1, 2012, the Sirap Gema group adopted an Environmental Policy document to give visibility to its commitment to and activities for environmental protection in the countries where it operates. Guidelines have been drawn up and shared with group employees with regard to the group's intention to comply with local regulations and apply the best ecological standards for sustainable and responsible development; in addition, appropriate initiatives in this field are being implemented or are planned with set procedures and deadlines.

Significant events after the reporting period

No significant events took place.

Outlook

The general economic situation on the Sirap group's core markets remains weak.

Demand for food packaging continues to be influenced by the fall in food consumption and the promotional campaigns launched by mass merchandisers. In a particularly tense competitive environment, the group has taken commercial action to expand the product range, shift the sales mix toward products with higher added value and target new customers and markets. On the production and industrial front, additional re-organization measures are underway to cut costs and raise efficiency.

In thermal insulation, after nine months in which overall performance improved compared with the year-earlier period, full-year revenue is expected to be slightly higher than in 2013, thanks above all to good performance on international markets.

Financial segment

The financial segment consists of the parent Italmobiliare and the wholly owned company Société de Participation Financière Italmobiliare S.A. (Luxembourg).

Q3

(in millions of euro)	Q3 2014	Q3 2013 re-stated	% change	Q3 2013 published
Revenue	4.5	7.9	(43.6)	7.8
Recurring gross operating loss	(3.5)	(17.9)	80.5	(18.0)
Gross operating loss	(2.0)	(18.0)	88.9	(18.1)
Operating loss	(2.1)	(18.1)	88.4	(18.2)
Loss for the period	**(2.8)**	**(1.0)**	n.s.	**(1.0)**

n.s. not significant

Results in accordance with the financial model

Given the specific nature of the financial segment, to permit full understanding of performance, the table below sets out the results of the segment in the format normally used for financial companies. This reflects:

- "Net gains (losses) on equity investments", which includes, with regard to available-for-sale investments, dividends received, gains and losses realized on sales of equity investments, and impairment losses on these financial assets;
- "Net gains (losses) on investments of cash and cash equivalents", which includes interest income on bank coupons and deposits, impairment losses on securities and trading equities, capital gains/losses on the sale of trading securities, income/expense on trading derivatives;
- "Net borrowing costs", which consists essentially of interest expense on financing, bank commissions and costs;
- "Other income and expense", which includes personnel expense and operating expenses for the financial structure, net of amounts recovered from other Group companies and movements on provisions for risks.

Q3

(in millions of euro)	Q3 2014	Q3 2013 re-stated	% change	Q3 2013 published
Net gains (losses) on equity investments	(1.9)	2.8	n.s.	2.8
Net gains on investments of cash and cash equivalents	2.9	2.8	3.4	2.8
Net borrowing costs	(0.8)	(1.3)	41.4	(1.4)
Total finance income	**0.2**	**4.3**	(95.5)	**4.2**
Other net expense	(2.3)	(4.1)	42.5	(4.1)
Income tax expense	(0.7)	(1.2)	46.0	(1.1)
Loss for the period	**(2.8)**	**(1.0)**	**n.s.**	**(1.0)**

n.s. not significant

In the third quarter, conditions on the international financial markets and in the Eurozone continued to be relaxed in the early weeks, but volatility increased at the end of the period.

The deterioration in the general international economic situation and the uncertain prospects of some European countries led investors towards safer assets such as German treasury bonds, whose yields reached an all-time low, while sovereign risk premiums rose in the Eurozone countries, which were particularly vulnerable to tension. Stock prices too began to decline in the second half of September, after recovering from the fall at the beginning of the third quarter in connection with the growing unrest in Ukraine and the Middle East.

In this context, the segment posted **net losses on equity investments** of 1.9 million euro in the third quarter (gains of 2.8 million euro in the year-earlier period), due to losses on the sale of shares and the absence of dividend income in the period (1.5 million euro in 2013). There was a small improvement in **net gains on investments of cash and cash equivalents** from the year-earlier period (+3.4%), while **net borrowing costs** were significantly lower than in the year-earlier period (41.4%), largely owing to lower net financial debt in the period.

Other net expense fell by 42.5%, mainly due to gains on the sale of intangible assets and containment of operating expense.

After **income tax expense** of 0.7 million euro, the segment posted a **loss for the period** of 2.8 million euro (loss of 1.0 million euro in the third quarter of 2013).

Nine months ended September 30

(in millions of euro)	Nine months 09.30.2014	Nine months 09.30.2013 re-stated	% change	Nine months 09.30.2013 published
Revenue	57.4	33.5	71.3	33.3
Recurring gross operating profit (loss)	32.4	(11.5)	n.s.	(11.7)
Gross operating profit (loss)	30.8	(11.6)	n.s.	(11.9)
Operating profit (loss)	30.5	(11.9)	n.s.	(12.1)
Profit (loss) for the period	**26.1**	**(32.7)**	**n.s.**	**(33.0)**
Employees at period end (heads)	44	56		56

n.s. not significant

(in millions of euro)	September 30, 2014	June 30, 2014	Dec.31, 2013 re-stated
Equity	1,063.7	1,073.2	1,028.8
Net financial position	79.9	74.0	146.6

(*) redetermined on the basis of IAS 19

The table below sets out the results of the segment in accordance with the financial model, as described in the comments on the third quarter:

(in millions of euro)	Nine months 09.30.2014	Nine months 09.30.2013 re-stated	% change	Nine months 09.30.2013 published
Net gains (losses) on equity investments	34.5	(21.8)	n.s.	(21.8)
Net gains on investments of cash and cash equivalents	11.1	6.8	62.7	6.6
Net borrowing costs	(2.5)	(4.0)	37.5	(4.1)
Total finance income (costs)	**43.1**	**(19.0)**	**n.s.**	**(19.3)**
Other net expense	(14.1)	(12.2)	(16.1)	(12.2)
Income tax expense	(2.9)	(1.5)	(89.9)	(1.5)
Profit (loss) for the period	**26.1**	**(32.7)**	**n.s.**	**(33.0)**

n.s. not significant

The upturn on the financial markets in the first half of the year halted towards the end of the period under review due to the general weakening in the international and European economic situation. Interest rates on ten-year treasury instruments in the advanced economies continued to fall, particularly in the Eurozone in response to the worsening recovery outlook and expectations of new expansionary measures from the ECB. Performance on the stock markets in the first nine months of 2014 was positive overall, although toward the end of September stock prices contracted. In this context, the **net gains on equity investments** of 34.5 million euro (losses of 21.8 million euro in the first nine months of 2013) were largely generated by:

- the gain of 26.3 million euro on the sale of equity instruments, essentially the sale of Ciments Français shares for 15.2 million euro after uptake of the voluntary public offer made by Italcementi and the sale of some banking stocks for 12.7 million euro, net of the loss of 1.3 million euro recognized on the RCS MediaGroup investment;

- dividends of 9.6 million euro (11.9 million euro in the first nine months of 2013);
- a loss of 1.3 million euro for equity-accounted investees (loss of 19.2 million euro at September 30, 2013), owing to the loss posted by the associate Società Editrice Sud S.p.A..

There was a significant increase in **net gains on investments of cash and cash equivalents,** which totaled 11.1 million euro at September 30, 2014, against 6.8 million euro in the year-earlier period. The improvement was largely due to gains on the sale of trading instruments (4.3 million euro against 0.1 million euro at September 30, 2013) and measurement gains of 4.6 million euro on bonds (gains of 1.2 million euro at September 30, 2013). Interest income was down 1.4 million euro (3.6 million euro at September 30, 2014, compared with 5.0 million euro for the first nine months of 2013), while transactions on derivatives generated expense of 2.6 million euro compared with income of 0.3 million euro in the first nine months of 2013.

Net borrowing costs of 2.5 million euro were down on the year-earlier period (4.0 million euro), largely due to the reduction in the segment's average financial debt to 182.3 million euro, compared with 284.4 million euro in the year-earlier period.

Other expense net of other income amounted to 14.1 million euro, an increase of 1.9 million euro from the first nine months of 2013 (12.2 million euro), due mainly to extraordinary costs and provisions.

After income tax expense of 2.9 million euro (1.5 million euro at September 30, 2013), the segment posted a **profit for the period** of 26.1 million euro compared with the loss of 32.7 million euro in the first nine months of 2013.

The companies in the financial segment hold substantial equity investments, the majority classified as "Available for sale". The fair value changes on these investments, excluding consolidated investments carried at cost less impairment losses in the separate financial statements, are recognized in equity under the "Fair value reserve", or in the income statement if the correlated financial assets have been impaired, in line with the accounting standards adopted by the Italmobiliare Group. At September 30, 2014, the fair value reserve of the financial segment reflected a positive balance of 8.7 million euro, compared with a negative balance of 7.9 million euro at December 31, 2013. The improvement arose from the upturn in share prices during the nine months, particularly in banking stocks.

Significant events in the period

With reference to the project launched by the Italcementi group to streamline its corporate structure, supported by the Italmobiliare S.p.A. Board of Directors, the following transactions took place in June:

- conversion of Italcementi savings shares into ordinary shares at a rate of 0.65. This involved the conversion of 3,011,500 Italcementi savings shares held by Italmobiliare into 1,957,475 Italcementi ordinary shares;
- the uptake of the Italcementi S.p.A. public tender offer on Ciments Français shares with the tendering of all the shares held in Ciments Français at a price of 79.5 euro per share
- the pro-quota subscription of the Italcementi share capital increase, with an overall outlay of 225.1 million euro. The transaction was funded with income from the public tender offer described above, from the distribution of reserves by the Luxembourg subsidiary (Société de Participation Financière Italmobiliare S.A.) and from the sale of some equity investments in the banking segment.

In the third quarter of 2014, the segment purchased 1,641,125 Italcementi shares for an investment of 8.8 million euro. At September 30, after completion of the transactions held above, Italmobiliare held 45.00% of Italcementi S.p.A. capital.

In April, in order to guarantee an adequate financial structure for Sirap Gema S.p.A., Italmobiliare S.p.A. made a capital injection of 6 million euro to the subsidiary.

Net financial position of Italmobiliare and the financial segment

The table below sets out the totals and composition of the net financial positions of the parent Italmobiliare S.p.A. and the financial segment, which, in addition to the parent Italmobiliare S.p.A., includes the other wholly owned financial companies.

(in millions of euro)	September 30, 2014		June 30, 2014		December 31, 2013	
	Italmobiliare	Financial segment[1]	Italmobiliare	Financial segment[1]	Italmobiliare	Financial segment[1]
Current financial assets	8.6	213.4	14.6	248.9	13.5	385.0
Current financial liabilities	(139.0)	(139.8)	(178.3)	(181.2)	(226.8)	(228.2)
Current net financial position (debt)	**(130.4)**	**73.6**	**(163.7)**	**67.7**	**(213.3)**	**156.8**
Non-current financial assets	6.9	24.9	7.1	25.2	5.3	27.0
Non-current financial liabilities	(18.6)	(18.6)	(18.5)	(18.9)	(37.2)	(37.2)
Non-current net financial position (debt)	**(11.7)**	**6.3**	**(11.4)**	**6.3**	**(31.9)**	**(10.2)**
Net financial position (debt)	**(142.1)**	**79.9**	**(175.1)**	**74.0**	**(245.2)**	**146.6**

[1] Comprising: Italmobiliare S.p.A. and Société de Participation Financière Italmobiliare S.A.

Current financial assets in the financial segment at September 30, 2014 totaled 213.4 million euro and consisted largely of bonds (51%) and cash/money market instruments (36%). The bond portfolio consisted of floating-rate instruments for 47.4% and fixed-rate instruments for the remaining 52.6% with an average A rating. The portfolio was diversified on a geographical basis and a segment basis, and maximum exposure on a single bond accounted for 5.91% (A); maximum exposure to a single issuer (Italian treasury bonds) accounted for 14.22% (BBB) of the total bond portfolio at September 30, 2014. Treasury instruments in the portfolio amounted to 31.7 million euro, with an average rating of A+.

Italmobiliare S.p.A. had net financial debt of 142.1 million euro (245.2 million euro at December 31, 2013), an improvement of 103.1 million euro. The financial segment, which includes the parent Italmobiliare, had a consolidated net financial position of 79.9 million euro (146.6 million euro at December 31, 2013), a reduction of 66.7 million euro arising largely from transactions on equity investments, including subscription of the Italcementi S.p.A. share capital increase.

Significant events after the reporting period

No significant events took place.

Outlook

The world economy is experiencing a growth cycle, although at slower rates, and with significant divergences among different geographical regions and among countries within each region.

Specifically, the solid recovery in the USA is contrasted with a situation where the Eurozone and Japan are facing greater deflationary risks and stagnation.

World growth, historically low interest rates and low oil prices are sustaining performance on the global stock market, driven in particular by overseas corporate results with record profit margins. Both factors, earnings and interest-rate levels, are tending to compress credit spreads.

The scenario is also affected by geopolitical risks and the possible repercussions for the economic situation and for financial trends, with an increase in volatility on both stock and bond markets.

Although performance is affected by market instability and expectation of contained dividend income in the fourth quarter, the segment expects to report positive results.

Banking segment

The banking segment is composed of two wholly owned banks, Finter Bank Zürich and Crédit Mobilier de Monaco.

Q3

(in millions of euro)	Q3 2014	Q3 2013 *	% change
Revenue	5.3	5.0	5.9
Recurring gross operating profit (loss)	0.3	(1.1)	n.s.
Gross operating profit (loss)	0.1	(1.1)	n.s.
Operating loss	(0.2)	(1.5)	85.0
Loss for the period	**(0.3)**	**(1.5)**	**82.8**

n.s. not significant
* unchanged from the published figure

Results in accordance with the banking model

Given the specific nature of the banking segment, to permit full understanding of performance, the table below sets out the results of the segment in the format normally used for banks, as follows:

- "Net interest income", which reflects the balance on interest income and dividends received, net of interest expense and dividends paid;
- "Total income", which includes commission income and expense on lending transactions, on securities trading, other financial services and income on trading transactions;
- "Gross operating profit (loss)", which also includes personnel expense and overheads for the banking organization;
- "Profit (loss) from operations", which includes amortization and depreciation, impairment losses and provisions.

Q3

(in millions of euro)	Q3 2014	Q3 2013 *	% change
Net interest income	0.8	0.8	3.3
Total income	4.5	4.6	(2.3)
Operating expense	(4.3)	(5.7)	23.9
Gross operating profit (loss)	0.2	(1.1)	n.s.
Loss from operations	(0.2)	(1.5)	85.5
Loss for the period	**(0.3)**	**(1.5)**	**82.8**

n.s. not significant
* unchanged from published figure

Despite the contraction in total income and net trading revenue in the third quarter, the significant reduction in operating expense (-29.7%) and personnel expense (-19.6%)

generated gross operating profit of 0.2 million euro, up from a loss of 1.1 million euro in the third quarter of 2013.

After provisions and tax totaling 0.4 million euro in line with the year-earlier period, the segment posted a loss for the third quarter of 0.3 million euro (loss of 1.5 million euro in the year-earlier period).

Nine months ended September 30

(in millions of euro)	Nine months to 09.30.2014	Nine months to 09.30.13 *	% change
Revenue	14.7	17.2	(14.7)
Recurring gross operating loss	(1.2)	(2.6)	52.0
Gross operating loss	(0.9)	(2.5)	64.2
Operating loss	(2.0)	(4.1)	51.7
Loss for the period	**(2.1)**	**(4.2)**	**49.3**
Employees at period end (heads)	**77**	**83**	

* unchanged from published figure

(in millions of euro)	September 30, 2014	June 30, 2014	Dec.31, 2013 re-stated
Total equity	53.2	53.8	57.1
Net financial position	68.9	68.1	70.9

The table below sets out the results of the segment in accordance with the banking model, as described in the comments on the third quarter:

(in millions of euro)	Nine months to 09.30.2014	Nine months to 09.30.13 *	% change
Net interest income	2.4	2.6	(7.6)
Total income	13.9	15.6	(11.3)
Operating expense	(13.9)	(17.6)	21.5
Gross operating profit (loss)	0.0	(2.0)	n.s.
Loss from operations	(2.0)	(4.1)	52.3
Loss for the period	**(2.1)**	**(4.2)**	**49.3**

n.s. not significant
* unchanged from published figure

The results of the banking segment consist almost entirely of the results of Finter Bank Zürich.

Finter Bank Zürich

Despite the slow upturn on the Swiss market in the first nine months of 2014, the financial crisis of the last few years has left deep scars in the banking segment. The Swiss banking industry is undergoing a lengthy restructuring, with many banks, especially smaller concerns, struggling to convert to new services and new markets. In this context, banks serving European private banking clients are still suffering from the repercussions of the international economic crisis, and from the effects of voluntary fiscal disclosure processes introduced or under introduction in a number of countries.

This situation and the overall economic slowdown in Europe had repercussions on the performance of Finter Bank Zürich in the period under review.

The fall in total income in the first half of the year continued in the third quarter (-5.6%), mainly due to the contraction in net interest income (-14.7%) and in net trading revenue, from 0.7 million Swiss francs in the third quarter of 2013 to 0.4 million Swiss francs in the third quarter of 2014. The significant reduction in expense for services (-31.5%) and personnel (-22.5%) enabled the bank to report a small gross operating profit (36 thousand Swiss francs), an improvement from the year-earlier period (loss of 1.4 million Swiss francs). After amortization, depreciation and tax totaling 0.5 million Swiss francs in line with the year-earlier period, the bank posted a loss for the third quarter of 0.4 million Swiss francs (loss of 1.9 million Swiss francs in the third quarter of 2013).

The figures for the nine months to September 30, 2014, reflect performance in the third quarter. After the reduction of 0.5 million Swiss francs in net interest income compared with the first nine months of 2013, total income was 15.5 million Swiss francs, down 14.2% from 2013. This was largely the result of the reduction in commission income from 13.0 million Swiss francs to 11.0 million Swiss francs in the first nine months of 2014, due to fewer incoming client transactions and the reduction in third-party assets under management, offset only in part by an increase of 10.3% in net trading revenue from the year-earlier period.

The reduction in operating expense continued throughout the nine months (service expense -29.5%, personnel expense -19.0%), keeping the gross operating loss at 0.5 million Swiss francs (loss of 2.8 million Swiss francs at September 30, 2013).

After amortization and depreciation of 1.3 million Swiss francs (2.0 million Swiss francs in the nine months to September 30, 2013) and income tax expense of 40 thousand Swiss francs (a positive tax caption of 68 thousand Swiss francs in the year-earlier period), the bank posted a loss for the period of 2.9 million Swiss francs, although this was an improvement of 45.1% from the year-earlier period (a loss of 5.3 million Swiss francs). Specifically, the loss for the period included extraordinary provisions of 1.1 million Swiss francs in connection with costs for international tax questions concerning private banking in Switzerland.

Consolidated equity decreased from 63.0 million Swiss francs at December 31, 2013 to 57.1 million Swiss francs at September 30, 2014.

Third-party assets under management totaled 1.9 billion Swiss francs at September 30, 2014 (excluding assets invested in own funds), a decrease from 2013 arising largely from outflows of client assets.

Crédit Mobilier de Monaco

Crédit Mobilier de Monaco is a bank in Monaco whose main activity is guarantee-backed loans.

In the first nine months of 2014, the improvement in net interest income (+23.3% from the year-earlier period) generated an increase of 67.3% in gross operating profit from the year-earlier period, from 263 thousand euro to 440 thousand euro at September 30, 2014. After impairment losses on non-current assets and income tax expense, the bank posted a profit for the period of 274 thousand euro (128 thousand euro at September 30, 2013).

Performance was also positive in the third quarter of 2014, with a profit of 146 thousand euro, a sharp increase from the third quarter of 2013 (57 thousand euro).

Equity at September 30, 2014 stood at 5.9 million euro, in line with the figure at December 31, 2013.

* * * *

Significant events in the period

No significant events took place.

Significant events after the reporting period

No significant events took place.

Outlook

The segment's full-year results are affected by the weak economic recovery, developments in international tax laws and the changes in Swiss and European regulations; although results will reflect an improvement compared with 2013, the segment will again post a loss for the year.

Property, services and other segment

This segment includes a number of real estate companies and services companies essentially providing services within the Group. The segment is of marginal importance within the Italmobiliare Group.

Segment revenue in the nine months to September 30, 2014 was 1.5 million euro, a small reduction on the year-earlier period (1.6 million euro). After operating expense of 1.3 million euro (1.2 million euro at September 30, 2013) and a reduction of 47.7% in tax compared with the first nine months of 2013, the segment posted a profit for the period of 0.2 million euro (0.3 million euro at September 30, 2013).

There was a small loss of 59 thousand euro in the third quarter of 2014 (profit of 66 thousand euro in the year-earlier period).

Equity at September 30, 2014 stood at 2.6 million euro (2.7 million euro at December 31, 2013).

For the reasons detailed above, the 2014 full-year result for the segment is expected to be in line with the 2013 result.

Transactions with related parties

For the purposes of the Group consolidated financial statements, transactions with related parties in the period January 1 – September 30, 2014 were with:

- subsidiaries not consolidated on a line-by-line basis;
- joint ventures and their subsidiaries;
- associates and their subsidiaries;
- other related parties.

All transactions with related parties, whether for the exchange of goods and services or of a financial nature, are conducted at normal market conditions and in compliance with the Code of Conduct.

In the Italmobiliare S.p.A. consolidated financial statements, the amounts relating to transactions with related parties are immaterial.

No atypical or unusual transactions took place in the period.

Transactions with subsidiaries, joint ventures, associates and the subsidiaries of such companies

Transactions with subsidiaries, joint ventures, associates and non-consolidated subsidiaries of such companies are of a commercial nature (exchange of goods and/or services) or a financial nature.

Transactions with other related parties

Transactions with other related parties in the third quarter were as follows:

- administrative, financial, contractual and tax consultancy services, as well as support for the organization of corporate restructuring operations, supplied to the Italmobiliare Group by Finsise S.p.A., whose majority shareholder is Italo Lucchini, Deputy Chairman of Italmobiliare, for considerations totaling approximately 273.9 thousand euro;

- legal consultancy, judicial and extrajudicial assistance provided to the Italmobiliare Group by the law firm Gattai – Minoli & Partners, of which Italmobiliare director Luca Minoli is a partner, for considerations totaling approximately 205.3 thousand euro;

In the first nine months, the Italmobiliare Group made an endowment of 900 thousand euro to the Italcementi Cav. Lav. Carlo Pesenti foundation. Italcementi S.p.A. charged the foundation an amount of 117 thousand euro for administrative and corporate services and other services; CTG charged the foundation an amount of 19 thousand euro for services provided.

Disputes and pending proceedings

Appropriate provision has been made on an accruals basis for legal and tax disputes concerning Group companies, in cases where, with respect to risks that have emerged and assessment of related risks, contingent liabilities are probable and measurable.

Details of the main disputes are provided in the sections on the individual operating segments.

Outlook

The performance of the global economy this year has been slower than expected and uneven from one country to another: growth is expected to slow in the Eurozone countries and in Japan, with the current improvement in the USA providing only partial mitigation. The widening divergence among the regions is fuelling imbalances between the expansionary monetary policies in the Eurozone and the gradual return to standard policy on the North American market.

The repercussions for the financial markets of the general economic weakening and the unrest in Ukraine and the Middle East could provoke a rise in volatility on both the stock and the bond markets, with possible consequences for the 2014 fourth-quarter earnings of the financial and banking segments.

Despite this situation, the measures taken to improve industrial and commercial efficiency, the high levels of investment in production assets and the results achieved to date enable the Group to confirm its guidance of an improvement in full-year consolidated recurring gross operating profit compared with 2013.

Compliance with simplified rules pursuant to arts. 70 and 71 of the Issuers Regulation

Italmobiliare S.p.A. has adopted the opt-out regime envisaged by the Consob Issuers Regulation, exercising the right to waive the obligations to publish disclosure documents required in connection with significant merger and demerger transactions, acquisitions and sales, capital increases by contributions in kind.

In compliance with this regime, the company provided appropriate disclosures to the market.

Milan, November 14, 2014

for the Board of Directors
The Chairman
Giampiero Pesenti

Financial statements

ITALMOBILIARE

Income statement

(in thousands of euro)	Q3 2014	%	Q3 2013 re-stated	%	Change	%	Q3 2013 published	%
Revenue	**1,136,452**	**100.0%**	**1,129,454**	**100.0%**	**6,998**	**0.6%**	**1,130,825**	**100.0%**
Other revenue	7,270		11,700		(4,430)		11,754	
Change in inventories	3,706		(3,194)		6,900		(3,212)	
Internal work	14,710		8,426		6,284		8,426	
Raw materials and supplies	(471,392)		(445,217)		(26,175)		(444,091)	
Services	(275,580)		(276,707)		1,127		(278,743)	
Personnel expense	(222,494)		(224,526)		2,032		(224,605)	
Other net expense	(25,895)		(42,294)		16,399		(42,393)	
Recurring gross operating profit	**166,777**	**14.7%**	**157,642**	**14.0%**	**9,135**	**5.8%**	**157,961**	**14.0%**
Gains from sale of non-current assets	2,442		1,893		549		1,893	
Non-recurring personnel (expense) for re-organizations	791		(8,109)		8,900		(8,109)	
Other net non-recurring expense	(83)		(2,957)		2,874		(2,957)	
Gross operating profit	**169,927**	**15.0%**	**148,469**	**13.1%**	**21,458**	**14.5%**	**148,788**	**13.2%**
Amortization and depreciation	(103,733)		(108,310)		4,577		(108,058)	
Impairment losses on non-current assets	(4,386)		(30,304)		25,918		(30,804)	
Operating profit	**61,808**	**5.4%**	**9,855**	**0.9%**	**51,953**	**n.s.**	**9,926**	**0.9%**
Finance income	5,927		5,746		181		5,820	
Finance costs	(40,797)		(41,500)		703		(41,496)	
Exchange-rate differences and net gains (losses) on derivatives	5,876		(6,520)		12,396		(6,518)	
Impairment reversals (losses) on financial assets	(50)		13,000		(13,050)		13,000	
Share of profit (loss) of equity-accounted investees	6,545		3,873		2,672		3,724	
Profit (loss) before tax	**39,309**	**3.5%**	**(15,546)**	**-1.4%**	**54,855**	**n.s.**	**(15,544)**	**-1.4%**
Income tax expense	(25,226)		(26,853)		1,627		(26,957)	
Profit (loss) for the period	**14,083**	**1.2%**	**(42,399)**	**-3.8%**	**56,482**	**n.s.**	**(42,501)**	**-3.8%**
Attributable to:								
owners of the parent	**(755)**	**-0.1%**	**(24,838)**	**-2.2%**	**24,083**	**97.0%**	**(24,925)**	**-2.2%**
non-controlling interests	**14,838**	**1.3%**	**(17,561)**	**-1.6%**	**32,399**	**n.s.**	**(17,576)**	**-1.6%**

Income statement

(in thousands of euro)	Nine months 09.30.2014	%	Nine months 09.30.2013 re-stated	%	Change	%	Nine months 09.30.2013 published	%
Revenue	**3,339,896**	**100.0%**	**3,421,219**	**100.0%**	**(81,323)**	**-2.4%**	**3,423,543**	**100.0%**
Other revenue	28,064		36,240		(8,176)		36,375	
Change in inventories	(4,960)		(12,993)		8,033		(13,494)	
Internal work	28,031		24,061		3,970		24,061	
Raw materials and supplies	(1,346,470)		(1,384,699)		38,229		(1,381,548)	
Services	(814,045)		(828,206)		14,161		(832,537)	
Personnel expense	(680,952)		(700,722)		19,770		(700,918)	
Other net expense	(51,632)		(96,242)		44,610		(96,308)	
Recurring gross operating profit	**497,932**	**14.9%**	**458,658**	**13.4%**	**39,274**	**8.6%**	**459,174**	**13.4%**
Gains from sale of non-current assets	4,330		8,090		(3,760)		8,090	
Non-recurring personnel expense for re-organizations	(3,524)		(19,231)		15,707		(19,231)	
Other net non-recurring expense	(2,849)		(3,567)		718		(3,567)	
Gross operating profit	**495,889**	**14.8%**	**443,950**	**13.0%**	**51,939**	**11.7%**	**444,466**	**13.0%**
Amortization and depreciation	(308,150)		(326,704)		18,554		(327,494)	
Impairment losses on non-current assets	(9,003)		(33,974)		24,971		(34,474)	
Operating profit	**178,736**	**5.4%**	**83,272**	**2.4%**	**95,464**	**n.s.**	**82,498**	**2.4%**
Finance income	18,205		34,349		(16,144)		34,645	
Finance costs	(121,414)		(124,422)		3,008		(124,498)	
Exchange-rate differences and net gains (losses) on derivatives	(3,419)		19		(3,438)		(10)	
Impairment losses on financial assets	(26,976)		(14,859)		(12,117)		(14,859)	
Share of profit (loss) of equity-accounted investees	8,309		(17,056)		25,365		(16,748)	
Profit (loss) before tax	**53,441**	**1.6%**	**(38,697)**	**-1.1%**	**92,138**	**n.s.**	**(38,972)**	**-1.1%**
Income tax expense	(109,368)		(92,403)		(16,965)		(92,528)	
Loss for the period	**(55,927)**	**-1.7%**	**(131,100)**	**-3.8%**	**75,173**	**57.3%**	**(131,500)**	**-3.8%**
Attributable to:								
owners of the parent	**(37,520)**	**-1.1%**	**(103,768)**	**-3.0%**	**66,248**	**63.8%**	**(103,996)**	**-3.0%**
non-controlling interests	**(18,407)**	**-0.6%**	**(27,332)**	**-0.8%**	**8,925**	**32.7%**	**(27,504)**	**-0.8%**

ITALMOBILIARE

Statement of comprehensive income

(in thousands of euro)	Nine months 09.30.2014	%	Nine months 09.30.2013 re-stated	%	Change	%	Nine months 09.30.2013 published	%
Loss for the period	**(55,927)**	**-1.7**	**(131,100)**	**-3.8**	**75,173**	**57.3**	**(131,500)**	**-3.8**
Other comprehensive income (expense) relating to continuing operations								
Items that will not be reclassified to profit or loss subsequently								
Re-measurement of the net liability (asset) for employee benefits	(21,554)		18,845		(40,399)		18,583	
Re-measurement of the net liability (asset) for employee benefits - investments in equity-accounted investees			1					
Income tax (expense)	5,107		(1,438)		6,545		(1,031)	
Total items that will not be reclassified to profit or loss subsequently	**(16,447)**		**17,408**		**(33,854)**		**17,552**	
Items that might be reclassified to profit or loss subsequently								
Translation reserve on foreign operations	161,626		(158,089)		319,715		(157,788)	
Translation reserve on foreign operations - investments in equity-accounted investees	4,492		(5,968)		10,460		(5,929)	
Fair value gains (losses) on cash flow hedging	(14,213)		15,844		(30,057)		15,844	
Fair value gains on cash flow hedging - investments in equity-accounted investees			160		(160)		160	
Fair value gains on available-for-sale financial assets	19,873		17,165		2,708		17,165	
Fair value losses on available-for-sale financial assets - investments in equity-accounted investees			(862)		862		(862)	
Income tax (expense)	2,239		3,182		(943)		3,182	
Total items that might be reclassified to profit or loss subsequently	**174,017**		**(128,568)**		**302,585**		**(128,228)**	
Total other comprehensive income (expense) relating to continuing operations net of tax effect	**157,570**		**(111,160)**		**268,731**		**(110,676)**	
Total other comprehensive income (expense) relating to discontinued operations								
Total other comprehensive income (expense)	**157,570**		**(111,160)**		**268,731**		**(110,676)**	
Total comprehensive income (expense)	**101,643**	**3.0**	**(242,260)**	**-7.1**	**343,903**	**n.s.**	**(242,176)**	**-7.1**
Attributable to:								
owners of the parent	9,991		(102,224)		112,215		(101,970)	
non-controlling interests	91,652		(140,036)		231,688		(140,206)	

Condensed statement of change in total net financial position

(in thousands of euro)	09.30.2014	09.30.2013 re-stated
Net financial debt at beginning of period	**(1,829,988)**	**(1,923,178)**
Cash flow from operating activities before change in working capital	278,232	287,386
Change in working capital	(43,876)	(40,695)
Total cash flow from operating activities	**234,356**	**246,691**
Investments in PPE, investment property and intangible assets	(333,772)	(229,234)
Change in liabilities for purchase of PPE, investment property and intangible assets	(58,633)	(8,501)
Cash flow net of investments in PPE, investment property and intangible assets	**(158,049)**	**8,956**
Investments in equity investments	(17,152)	(14,779)
Change in liabilities for purchase of equity investments	119	(285)
Proceeds from sale of non-current assets	121,851	51,207
Dividends paid	(81,405)	(74,174)
Italcementi share capital increase	263,557	-
Change in equity investments in subsidiaries	(380,440)	-
Other changes	(54,223)	13,302
Change in the period	**(305,742)**	**(15,773)**
Net financial debt at end of period	**(2,135,730)**	**(1,938,951)**

Financial position

(in thousands of euro)	September 30, 2014	June 30, 2014	December 31, 2013	Change Sept. 30, 2014 Dec. 31, 2013	% change
Current financial assets	(1,002,455)	(1,573,119)	(1,211,892)	209,437	-17.3
Current financial liabilities	1,003,754	1,265,200	960,481	43,273	4.5
Non-current financial assets	(126,069)	(114,556)	(130,960)	4,891	-3.7
Non-current financial liabilities	2,260,500	2,246,715	2,212,359	48,141	2.2
Net financial debt	**2,135,730**	**1,824,240**	**1,829,988**	**305,742**	**16.7**
Total equity	**4,232,730**	**4,287,777**	**4,339,269**	**(106,539)**	**-2.5**

Net financial debt at September 30, 2014, computed in compliance with Consob communication no. DEM/6064293 of July 28, 2006 (i.e., not including non-current financial assets) amounted to 2,261,799 thousand euro (1,960,948 thousand euro at December 31, 2013).

Comments on the financial statements

The Italmobiliare S.p.A. quarterly report as at and for the nine months ended September 30, 2014, was approved by the Board of Directors on November 14, 2014. At the meeting, the Board authorized publication of a press release dated November 14, 2014, containing key information from the report.

The quarterly report as at and for the nine months ended September 30, 2014, has been drawn up in accordance with article 154 ter, paragraph 5 of Legislative Decree no. 58 of February 24, 1998, and subsequent amendments. It has also been prepared in compliance with the measurement and recognition criteria envisaged by the International Financial Reporting Standards (IFRS).

The consolidated financial statements are based on the accounts of the consolidated companies as at and for the nine months ended September 30, 2014.

Statement of compliance with the IFRS – Accounting policies

The quarterly report has been drawn up in compliance with the IFRS applicable at September 30, 2014, endorsed by the EC Commission.

The accounting policies used to prepare the quarterly report as at and for the nine months ended September 30, 2014, are consistent with those used to prepare the Group financial statements as at and for the year ended December 31, 2013, and, in addition, with the policies effective as from January 1, 2014:

- Amendments to IAS 32 “Financial instruments: presentation”, which require disclosure of offsetting rights and related agreements (e.g., guarantees).
- IFRS 10 “Consolidated financial statements”. The new standard replaces IAS 27 “Consolidated and separate financial statements” and SIC 12 “Consolidation – Special-purpose entities”. IFRS 10 introduces a new control model, applicable to all entities in which an investment is held, based on the Group’s power over the entities, its exposure or rights to variable returns arising from its involvement with the entities and its ability to affect those returns through its power over the entities.
- IFRS 11 “Joint arrangements”. The new standard replaces IAS 31 “Interests in joint ventures” and SIC 13 “Jointly controlled entities – Non-monetary contributions by venturers”; it sets out the accounting policies for entities taking part in joint arrangements. The standard provides for joint arrangements to be classified as joint operations if the Group has rights to the assets and obligations for the liabilities relating to the arrangement, or as joint ventures if the Group only has rights to the net assets of the arrangement. Classification depends upon the structure of the arrangement, the legal status of any separate entities, the terms of the contractual arrangement and other facts and circumstances.
- IFRS 12 “Disclosure of interests in other entities”, which organizes, strengthens and replaces disclosure requirements concerning interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.
- As a result of the introduction of the above standards, IAS 27 renamed “Separate financial statements”, which deals exclusively with the preparation of separate financial statements, and the amendments to IAS 28 “Investments in associates and joint ventures” will come into force”.
- Amendments to IAS 36 “Impairment of assets” to modify disclosure requirements relating to recoverable amounts in cases where recoverable amounts are based on fair value less costs to sell and in cases where an impairment loss is recognized.

- Amendments to IAS 39 "Financial instruments: Recognition and measurement" to govern the continuation of hedge accounting in the event of novation of derivatives following the introduction of new legislation/regulations.

The financial position and results of operations for the third quarter of 2013 and the nine months ended September 30, 2013, reflected in the comparative statements have been re-stated by applying IFRS 10, 11 and IAS 28 as from January 1, 2013.

Discretional measurements and use of estimates

In the preparation of this quarterly report, the discretional measurements made in the application of Group accounting policies and the main sources of uncertainty relating to estimates are the same as those in the preparation of the consolidated financial statements as at and for the year ended December 31, 2013.

Scope of consolidation

As illustrated in the half-year report as at and for the six months ended June 30, 2014, at its meeting on March 6, 2014, the Italcementi S.p.A. Board of Directors approved a plan to streamline the corporate structure and strengthen the group, through:

- the mandatory conversion of Italcementi savings shares into ordinary shares at a rate of 0.65 ordinary shares for each savings share;
- an increase in Italcementi share capital for a maximum amount of 499,979,628.82 euro including the share premium;
- a voluntary public tender offer on Ciments Français minorities for the purpose of delisting Ciments Français shares from the Paris stock exchange; the price was set at 79.5 euro per share.

Mandatory conversion
After the conversion, the Italmobiliare share in Italcementi increased from 39.449% (61.74% of voting rights) at December 31, 2013 to 45.106% at June 30, 2014.
Although Italmobiliare holds less than one half of the voting rights of the investee Italcementi, it believes it holds *de facto* control; the parent has more voting rights than any other shareholder, there are no organized groups of shareholders and the other shareholders are highly fragmented.

Share capital increase
Italmobiliare subscribed its portion of the increase with an outlay of 225.1 million euro.

The following operations were completed in the third quarter:

Share capital increase
On July 7, 2014, the Italcementi S.p.A. share capital increase was completed with the subscription of the outstanding 1,394,330 rights; the operation saw the full subscription and payment of the 103,622,721 shares offered, for an overall amount of 499,979,628.82 euro, of which 119,166,129.15 euro attributable to the nominal value.

Public tender offer on Ciments Français

The offer period (June 13 – July 3, 2014) for the simplified public tender offer on Ciments Français shares closed on July 3. At that date, Italcementi held 97.73% of the capital and 98.65% of the voting rights of the French company.

Since CF minorities held less than 5% of the capital and voting rights, Italcementi applied to the AMF (the French financial markets authority) for activation of the squeeze-out procedure (*retrait obligatoire*).

The squeeze-out was completed on July 15, at the same price as that paid under the offer, i.e., 79.5 euro per share, for a maximum of 808,794 shares representing 2.27% of Ciments Français capital. Italcementi opened a bank deposit with BNP Paribas Security Services for an amount corresponding to the compensation due to the shareholders who did not take up the offer; on the same day, Ciments Français shares were delisted from the Paris stock exchange.

Italcementi S.p.A. is now the sole shareholder of Ciments Français.

Purchase of Italcementi shares

In the third quarter, Italmobiliare purchased 1,641,125 Italcementi shares, for an investment of 8.8 million euro. At September 30, 2014, Italmobiliare consolidated 45.5031% of the subsidiary Italcementi.

Changes in the scope of consolidation

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

The Dorner Pack s.r.l. company (Austria) was the subject of an upstream merger into and with the parent Petruzalek Gmbh Vosendorf (Austria), which gained full control as from July 1, 2014.

Exchange rates used to translate the financial statements of foreign operations

Exchange rates for 1 euro:

Currencies	Average rate			Closing rate		
	September 30, 2014	Full year 2013	September 30, 2013	September 30, 2014	December 31, 2013	September 30, 2013
Thai baht	43.90713	40.79178	40.01738	40.80000	45.17800	42.26400
Czech crown	27.50434	25.97397	25.74941	27.50000	27.42700	25.73000
Swedish crown	9.04047	8.64856	-	9.14650	8.85910	-
Gambian dalasi	55.00977	46.73880	-	53.49030	54.41930	-
Kuwaiti dinar	0.38300	0.37687	0.37428	0.36280	0.38954	0.38237
Libyan dinar	1.68268	1.67945	1.67639	1.53887	1.70192	1.68691
Serbian dinar	116.21318	113.06400	112.66800	118.48500	114.79100	114.36500
UAE dirham	4.97641	4.87640	4.83620	4.62160	5.06539	4.96032
Moroccan dirham	11.20520	11.16730	11.14837	11.02540	11.25385	11.19109
Australian dollar	1.47598	1.37571	1.34602	1.44420	1.54230	1.44860
Canadian dollar	1.48192	1.36747	1.34778	1.40580	1.46710	1.39120
US dollar	1.35487	1.32764	1.31669	1.25830	1.37910	1.35050
Hungarian florin	308.76618	296.92600	296.76100	310.57300	297.04000	298.15000
Swiss franc	1.21801	1.23085	1.23133	1.20630	1.22760	1.22250
Ukrainian hrivna	15.14698	10.78280	10.65400	16.30000	11.32920	11.06380
Croatian kuna	7.62421	7.57870	7.56218	7.65250	7.62650	7.61530
Albanian lek	140.03258	140.29165	140.24368	139.42000	140.53300	141.30690
Moldavian leu	18.57413	16.71205	16.38391	18.32990	18.00690	17.48938
Bulgarian lev	1.95583	1.95583	1.95583	1.95583	1.95583	1.95583
Egyptian pound	9.57441	9.12954	9.04490	9.00270	9.58716	9.31174
Syrian pound	201.02165	136.64900	-	202.10900	195.47610	-
Bosnian mark	1.95583	1.95583	1.95583	1.95583	1.95583	1.95583
Mozambican metical	41.33354	-	-	38.69270	-	-
New Turkish lira	2.93310	2.52634	2.45182	2.87790	2.96050	2.74840
New Romanian leu	4.44712	4.41873	4.40827	4.41020	4.47100	4.46200
Mauritanian ouguiya	407.70479	399.27700	397.15626	382.06400	412.68900	410.75460
Mexican peso	17.77195	16.95204	16.69569	16.99770	18.07310	17.84620
Brazilian real	3.10282	2.86477	2.78983	3.08210	3.25760	3.04060
Chinese renminbi	8.35441	8.16286	8.12103	7.72620	8.34910	8.26450
Qatar riyal	4.93326	4.83385	4.79397	4.58237	5.02187	4.91746
Saudi riyal	5.08138	4.97905	4.93798	4.71974	5.17242	5.06464
Russian rouble	48.01516	42.30300	41.65020	49.76530	45.32460	43.82400
Indian rupee	82.26243	77.81510	75.65233	77.85640	85.36600	84.84400
Sri Lankan rupee	176.77415	171.46200	169.22070	164.14000	180.38600	178.27150
Pound sterling	0.81182	0.84908	0.85182	0.77730	0.83370	0.83605
Tenge kazako	241.94676	202.03991	199.62962	228.91800	212.43900	207.63300
Kazakh tenge	139.48592	129.52386	-	138.11000	144.72000	-
Polish zloty	4.17512	4.19670	4.20045	4.11760	4.15430	4.22880

The exchange rates used to translate the financial statements of foreign operations are those published by the Bank of Italy, with the exception of the “New Turkish lira”, published by the Central Turkish Bank.

Revenue

Revenue from sales and services totaled 1,136,452 thousand euro in the third quarter of 2014 and 3,339,896 thousand euro at September 30, 2014, as follows:

(in thousands of euro)	Q3 2014	Q3 2013	Change	% change
Industrial revenue				
Product sales	1,086,063	1,083,209	2,854	0.3%
Services provided	41,515	36,610	4,905	13.4%
Total	**1,127,578**	**1,119,819**	**7,759**	**0.7%**
Financial revenue				
Interest	477	1,624	(1,147)	-70.6%
Dividends	151	193	(42)	-21.8%
Gains and other revenue	3,129	3,118	11	0.4%
Total	**3,757**	**4,935**	**(1,178)**	**-23.9%**
Bank revenue				
Interest	771	737	34	4.6%
Commissions	3,973	3,407	566	16.6%
Other revenue	344	482	(138)	-28.6%
Total	**5,088**	**4,626**	**462**	**10.0%**
Property and services revenue	**29**	**74**	**(45)**	**-60.8%**
Grand total	**1,136,452**	**1,129,454**	**6,998**	**0.6%**

(in thousands of euro)	Nine months 09.30.2014	Nine months 09.30.2013	Change	% change
Industrial revenue				
Product sales	3,167,919	3,268,860	(100,941)	-3.1%
Services provided	121,343	116,821	4,522	3.9%
Total	**3,289,262**	**3,385,681**	**(96,419)**	**-2.8%**
Financial revenue				
Interest	3,051	4,604	(1,553)	-33.7%
Dividends	1,960	3,003	(1,043)	-34.7%
Gains and other revenue	31,642	11,543	20,099	n.s.
Total	**36,653**	**19,150**	**17,503**	**91.4%**
Bank revenue				
Interest	2,279	2,363	(84)	-3.6%
Commissions	10,251	11,877	(1,626)	-13.7%
Other revenue	1,196	1,519	(323)	-21.3%
Total	**13,726**	**15,759**	**(2,033)**	**-12.9%**
Property and services revenue	**255**	**629**	**(374)**	**-59.5%**
Grand total	**3,339,896**	**3,421,219**	**(81,323)**	**-2.4%**

The breakdown of consolidated revenue by segment and geographical area is set out below:

by segment:

(in thousands of euro)	Q3 2014	Q3 2013	Change	
			Amount	%
Construction materials	1,067,210	1,057,211	9,999	0.9%
Packaging and insulation	60,353	62,542	(2,189)	-3.5%
Finance	3,655	4,778	(1,123)	-23.5%
Banking	5,190	4,783	407	8.5%
Property, services, other	44	140	(96)	-68.6%
Total	**1,136,452**	**1,129,454**	**6,998**	**0.6%**

(in thousands of euro)	Nine months 09.30.14	Nine months 09.30.13	Change	
			Amount	%
Construction materials	3,115,338	3,207,729	(92,391)	-2.9%
Packaging and insulation	173,461	177,840	(4,379)	-2.5%
Finance	36,176	18,275	17,901	98.0%
Banking	14,208	16,652	(2,444)	-14.7%
Property, services, other	713	723	(10)	-1.4%
Total	**3,339,896**	**3,421,219**	**(81,323)**	**-2.4%**

by geographical area:

(in thousands of euro)	Q3 2014	Q3 2013	Change	
			Amount	%
European Union	574,690	625,830	(51,140)	-8.2%
Other European countries	7,936	9,610	(1,674)	-17.4%
North America	141,807	128,499	13,308	10.4%
Asia and Middle East	152,281	149,543	2,738	1.8%
Africa	214,621	171,869	42,752	24.9%
Trading	28,204	28,266	(62)	-0.2%
Other countries	16,913	15,837	1,076	6.8%
Total	**1,136,452**	**1,129,454**	**6,998**	**0.6%**

(in thousands of euro)	Nine months 09.30.14	Nine months 09.30.13	Change	
			Amount	%
European Union	1,747,853	1,850,052	(102,199)	-5.5%
Other European countries	22,633	28,317	(5,684)	-20.1%
North America	326,722	330,050	(3,328)	-1.0%
Asia and Middle East	440,916	465,841	(24,925)	-5.4%
Africa	652,042	604,575	47,467	7.9%
Trading	95,184	91,325	3,859	4.2%
Other countries	54,546	51,059	3,487	6.8%
Total	**3,339,896**	**3,421,219**	**(81,323)**	**-2.4%**

Raw materials and supplies

Raw materials and supplies amounted to 1,346,470 thousand euro, as follows:

(in thousands of euro)	Nine months 09.30.14	Nine months 09.30.13	Change	% change
Raw materials and semifinished goods	441,613	421,187	20,426	4.8%
Fuel	272,173	268,701	3,472	1.3%
Materials and machinery	188,936	189,365	(429)	-0.2%
Finished goods	124,118	130,308	(6,190)	-4.8%
Electricity, water, gas	312,648	346,910	(34,262)	-9.9%
Change in inventories of raw materials, consumables and other	6,982	28,228	(21,246)	-75.3%
Total	**1,346,470**	**1,384,699**	**(38,229)**	**-2.8%**

Services

Services amounted to 814,045 thousand euro, as follows:

(in thousands of euro)	Nine months 09.30.14	Nine months 09.30.13	Change	% change
External services and maintenance	260,231	262,179	(1,948)	-0.7%
Transport	364,500	364,158	342	0.1%
Legal fees and consultancy	31,069	33,292	(2,223)	-6.7%
Rents	59,794	60,588	(794)	-1.3%
Insurance	27,433	28,695	(1,262)	-4.4%
Other expense	71,018	79,294	(8,276)	-10.4%
Total	**814,045**	**828,206**	**(14,161)**	**-1.7%**

Personnel expense

Personnel expense totaled 680,952 thousand euro, as follows:

(in thousands of euro)	Nine months 09.30.14	Nine months 09.30.13	Change	% change
Wages and salaries	463,813	477,356	(13,543)	-2.8%
Social security contributions and pension funds	145,330	148,165	(2,835)	-1.9%
Cost of stock option plans	83	345	(262)	-75.9%
Other expense	71,726	74,856	(3,130)	-4.2%
Total	**680,952**	**700,722**	**(19,770)**	**-2.8%**

The number of employees is shown below:

(headcount)	Nine months 09.30.14	Nine months 09.30.13	Full year 2013
Number of employees at period end	19,638	20,091	19,865
Average number of employees	19,815	20,279	20,357

Other operating expense and (income)

Other operating expense net of other operating income amounted to 51,632 thousand euro, as follows:

(in thousands of euro)	Nine months 09.30.14	Nine months 09.30.13	Change	% change
Other taxes	59,704	60,690	(986)	-1.6%
Allowance for impairment	13,208	15,474	(2,266)	-14.6%
Provision for environmental restoration, quarries, other	34,590	28,809	5,781	20.1%
Interest expense and other expense for companies in the financial and banking segments	9,669	30,885	(21,216)	-68.7%
Miscellaneous income	(65,539)	(39,616)	(25,923)	65.4%
Total	**51,632**	**96,242**	**(44,610)**	**-46.4%**

"Interest expense and other expense for companies in the financial and banking segments" reflects interest expense and other expense totaling 8,898 thousand euro (27,075 thousand euro at September 30, 2013) and impairment losses of 771 thousand euro recognized by the companies in the financial segment on trading instruments and shares (3,810 thousand euro at September 30, 2013).

"Miscellaneous income" in the first nine months of 2014 included gains of 11.4 million euro arising from trading of carbon emission rights.

Non-recurring income and (expense)

(in thousands of euro)	Nine months 09.30.14	Nine months 09.30.13
Net gains from sale of non-current assets	4,330	8,090
Total personnel expense for re-organizations	(3,524)	(19,231)
Other non-recurring expense	(2,849)	(3,567)
Total	**(2,043)**	**(14,708)**

Amortization and depreciation

The total amount of 308,150 thousand euro (326,704 thousand euro at September 30, 2013) reflects depreciation of property, plant and equipment and investment property of 292,273 thousand euro (311,017 thousand euro at September 30, 2013) and amortization of intangible assets of 15,877 thousand euro (15,687 thousand euro at September 30, 2013).

Impairment losses on non-current assets

Impairment losses on non-current assets amounted to 9,003 thousand euro and referred largely to losses on property, plant and equipment of 7.8 million euro in Bulgaria and of 3.5 million euro in Libya, net of impairment reversals of 5.3 million euro on plant and industrial land in Italy.

Finance income (costs), exchange-rate differences and net gains (losses) on derivatives

Finance costs net of finance income and exchange-rate differences and net gains (losses) on derivatives amounted to 106,628 thousand euro, as follows:

	Nine months 09.30.14		Nine months 09.30.13	
(in thousands of euro)	**Income**	**Costs**	**Income**	**Costs**
Interest income	15,087		11,470	
Interest expense		(91,786)		(82,211)
Net dividends	1,586		1,451	
Gains on sales of equity investments	32	958		(908)
Other finance income	1,500		21,428	
Capitalized finance costs		2,920		1,555
Other finance costs		(33,506)		(42,858)
Total finance income (costs)	**18,205**	**(121,414)**	**34,349**	**(124,422)**
Gains/(losses) on interest-rate derivatives		(1,600)		(260)
Gains/(losses) on exchange-rate derivatives		(38,184)		(6,924)
Net exchange-rate differences	36,365		7,203	
Net exchange-rate differences and derivatives		**(3,419)**	**19**	
Total finance income (costs), exchange-rate differences and net gains (losses) on derivatives		**(106,628)**		**(90,054)**

“Other finance costs” includes net finance costs of 5,284 thousand euro on employee defined benefit plans (5,081 thousand euro at September 30, 2013).

Impairment losses on financial assets

Impairment losses on financial assets totaled 26,976 thousand euro (14,859 thousand euro at September 30, 2013), as follows:

- 26,687 thousand euro relating to the West China Cement equity investment, of which 13.4 million euro from the reclassification to the income statement of the negative fair value reserve formed in previous years;
- 2,157 thousand euro relating to the Al Badia equity investment, whose carrying amount was written down in full;
- 61 thousand euro relating to the Draper equity investment;
- 50 thousand euro relating to the equity investment in the Punta Ala Yacht Club;
- 19 thousand euro relating to the Atmos equity investment;
- the residual 2 thousand euro relating to the Atmos Venture equity investment.

Share of profit (loss) of equity-accounted investees

This caption reflects profit of 8,309 thousand euro, compared with a loss of 17,056 thousand euro at September 30, 2013, as follows:

(in thousands of euro)	Nine months 09.30.14	Nine months 09.30.13	Change	% change
Vassiliko (Cyprus)	(271)	(6,125)	5,854	-95.6%
Asment (Morocco)	7,521	6,998	523	7.5%
Ciment Quebec/Innocon (Canada)	2,702	1,972	730	37.0%
Techno Gravel (Egypt)	308	236	72	30.5%
Mittel (Italy)	-	(925)	925	-100.0%
SES (Italy)	(1,336)	(585)	(751)	n.s.
RCS MediaGroup (Italy)	-	(17,665)	17,665	-100.0%
Others	(615)	(962)	347	-36.1%
Total	**8,309**	**(17,056)**	**25,365**	**n.s.**

Income tax expense

Income tax for the period was 109,368 thousand euro, as follows:

(in thousands of euro)	Nine months 09.30.14	Nine months 09.30.13	Change	% change
Current tax	111,628	93,586	18,042	19.3%
Prior-year tax and other net non-recurring tax items	516	(2,824)	3,340	n.s.
Deferred tax	(2,776)	1,641	(4,417)	n.s.
Total	**109,368**	**92,403**	**16,965**	**18.4%**

Non-recurring transactions

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

(in thousands of euro)	09.30.2014 Equity		Profit (loss) for the period		Net financial debt	
	amount	%	amount	%	amount	%
Carrying amounts	**4,232,730**		**(55,927)**		**(2,135,730)**	
Net gains from sale of non-current assets	4,330	0.10%	4,330	7.74%	8,731	0.41%
Non-recurring personnel expense for re-organizations	(3,524)	0.08%	(3,524)	6.30%		
Other non-recurring income (expense)	(2,849)	0.07%	(2,849)	5.09%	(300)	0.01%
Tax on non-recurring transactions						
Total	**(2,043)**	**0.05%**	**(2,043)**	**3.65%**	**8,431**	**0.39%**
Figurative amount without non-recurring transactions	**4,234,773**		**(53,884)**		**(2,144,161)**	

(in thousands of euro)	09.30.2013 Equity		Profit (loss) for the period		Net financial debt	
	amount	%	amount	%	amount	%
Carrying amounts	**4,392,859**		**(131,100)**		**(1,938,951)**	
Net gains from sale of non-current assets	8,090	0.18%	8,090	6.17%	12,322	0.64%
Non-recurring personnel expense for re-organizations	(19,231)	0.44%	(19,231)	14.67%		
Other non-recurring income (expense)	(3,567)	0.08%	(3,567)	2.72%	1,203	0.06%
Tax on non-recurring transactions						
Total	**(14,708)**	**0.33%**	**(14,708)**	**11.22%**	**13,525**	**0.70%**
Figurative amount without non-recurring transactions	**4,407,567**		**(116,392)**		**(1,952,476)**	

Capital expenditure

Capital expenditure for the nine months to September 30, 2014, totaled 409,438 thousand euro, as follows:

(in thousands of euro)	Nine months 09.30.14	Nine months 09.30.13	Change Amount	%
Investments in intangible assets	6,642	8,132	(1,490)	-18.3%
Investments in PPE and investment property	327,130	221,102	106,028	48.0%
Investments in non-current financial asseets	17,152	14,779	2,373	16.1%
Change in liabilities/receivables for purchases of non-current financial assets	(119)	285	(404)	n.s.
Change in liabilities/receivables for purchases of PPE and investment property	58,633	8,501	50,132	n.s.
Total	**409,438**	**252,799**	**156,639**	**62.0%**

Investments in property, plant and equipment and investment property in the nine months to September 30, 2014 amounted to 327,130 thousand euro, an increase of 48% from the first nine months of 2013. They related to the European Union for 172,079 thousand euro (including Italy 82,145 thousand euro, Bulgaria 43,286 thousand euro, France 36,534 thousand euro, Belgium 6,913 thousand euro), Asia and Middle East for 71,504 thousand euro (including India 45,569 thousand euro), Africa for 55,009 thousand euro and North America for 26,055 thousand euro.

Investments in non-current financial assets in the nine months to September 30, 2014 amounted to 17,152 thousand euro; in the third quarter they totaled 10,048 thousand euro, of which 8,845 thousand euro at Italcementi S.p.A..

Financial position

Net financial debt at September 30, 2014, amounted to 2,135,730 thousand euro (1,829,988 thousand euro at December 31, 2013). It reflected gross financial liabilities of 3,264,254 thousand euro (3,172,840 thousand euro at December 31, 2013) and gross financial assets of 1,128,524 thousand euro (1,342,852 thousand euro at December 31, 2013).
Gross financial liabilities consisted of current liabilities for 1,003,754 thousand euro (960,481 thousand euro at December 31, 2013) and non-current liabilities for 2,260,500 thousand euro (2,212,259 thousand euro at December 31, 2013).
At September 30, 2014, non-current financial liabilities included bonds issued by Italcementi Finance S.A. on the European market for an aggregate nominal amount of 1,250 million euro; they comprised a ten-year bond for 750 million euro issued in 2010, 350 million euro issued on February 14, 2013 and 150 million euro issued on May 14, 2013. The latter two issues mature on February 21, 2018.

The increase in net financial debt from December 31, 2013 was 305,742 thousand euro, as follows:

(in thousands of euro)	**Change vs. Dec. 31, 2013**
Current financial assets	209,437
Current financial liabilities	43,273
Change in current net financial debt	***252,710***
Non-current assets	4,891
Non-current liabilities	48,141
Change in non-current net financial debt	***53,032***
Change in total net financial debt	**305,742**

Events after the reporting period

No significant events have taken place since the reporting period that require amendments to or additional comments on the Group's financial position and results of operations as at and for the nine months ended September 30, 2014,
Further details are provided in the report on operations.

* * *

The manager in charge of preparing the financial reports, Giorgio Moroni, declares, pursuant to paragraph 2 article 154 bis of the Consolidated Law on Finance, that the accounting information in this document corresponds to the document results, books and accounting entries.