# ANNUAL REPORT CEMENTOS MOLINS 2012

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# Letter from the Chairman

Dear Shareholders,

After five years of international financial crisis, which has seriously affected global economy, the building sector in Spain continues to progressively be on the decrease.

Cement consumption in Spain in 2012 registered a new fall of 34% dropping to 13.5 million tons, taking the annual consumption down to the figures registered in the sixties, which reflects the magnitude of how deep the crisis is we are going through. This means that the results of our activities in the home market show the harshness of the adjustments which the building field is undergoing, leading to an EBITDA and negative results.

Regretfully, this situation leads us to take all sorts of measures in order to help us improve the competitiveness and viability of our business. Hence, the necessary adjustments we have had to make in the staff of our different work centres.

The policy for investments and geographical diversification of the Cementos Molins Group gains a greater and special relevance when presenting you the results from 2012. Those investment decisions make us less dependent on the negative fluctuations which can happen when depending on the environment of a sole market or in a sole country. The operations of the Group in the international markets generally present positive results.

On the subject of investments we would point out that we have finalized and started up the new Portland cement plant in Kairouan (Sotacib Kairouan, Tunis) and started operating the facilities for the energetic valuation of alternative combustion in the Sant Vicenç dels Horts, Barcelona plant (Cementos Molins Industrial).

For yet another year I would like to take advantage of these lines to acknowledge the effort and dedication of all those who collaborate with the Group -Directors, employees, industrial workers – as well as all those others, each in his role – clients, suppliers, credit entities, the Authorities – all of whom have made it possible for us to develop our activities.

Also worthy of mention are the shareholders who year after year renew their trust in us and in the Group, and who deserve our highest recognition.

**Casimiro Molins Ribot**
Chairman

# Governing bodies

## BOARD OF DIRECTORS

**Chairman**
- Casimiro Molins Ribot

**First Deputy Chairman and Chief Executive Officer**
- Juan Molins Amat

**Second Deputy Chairman**
- Cartera de Inversiones C.M., S.A., represented by Joaquín Mª Molins Gil

**Directors**
- Joaquim Molins Amat
- Joaquín Mª Molins López-Rodó
- Noumea S.A., represented by Pablo Molins Amat
- Inversora Pedralbes S.A., represented by Ana María Molins López-Rodó
- Miguel del Campo Rodríguez
- Emilio Gutiérrez Fernández de Liencres
- Foro Familiar Molins S.L., represented by Roser Ràfols Vives
- Francisco Javier Fernández Bescós
- Eusebio Díaz -Morera Puig-Sureda

**Secretary no Director**
- Jorge Molins Amat

**Deputy Secretary no Director**
- Ana Mª Molins López-Rodó

> Kairouan plant, TUNISIA

# COMMITTEES OF THE BOARD OF DIRECTORS

## Remunerations and Nominations Committee

**Chairman**
- Emilio Gutiérrez Fernández de Liencres

**Vocals**
- Joaquim Molins Amat
- Cartera de Inversiones C.M., S.A., represented by Joaquín Mª Molins Gil
- Foro Familiar Molins S.L., represented by Roser Ràfols Vives
- Joaquín Mª Molins López-Rodó

**Secretary**
- Jorge Molins Amat

## Audit Committee

**Chairman**
- Miguel del Campo Rodríguez

**Vocals**
- Noumea S.A., represented by Pablo Molins Amat
- Inversora Pedralbes S.A., represented by Ana María Molins López-Rodó
- Eusebio Díaz -Morera Puig-Sureda

**Secretary**
- Jorge Molins Amat

## Corporate General Manager

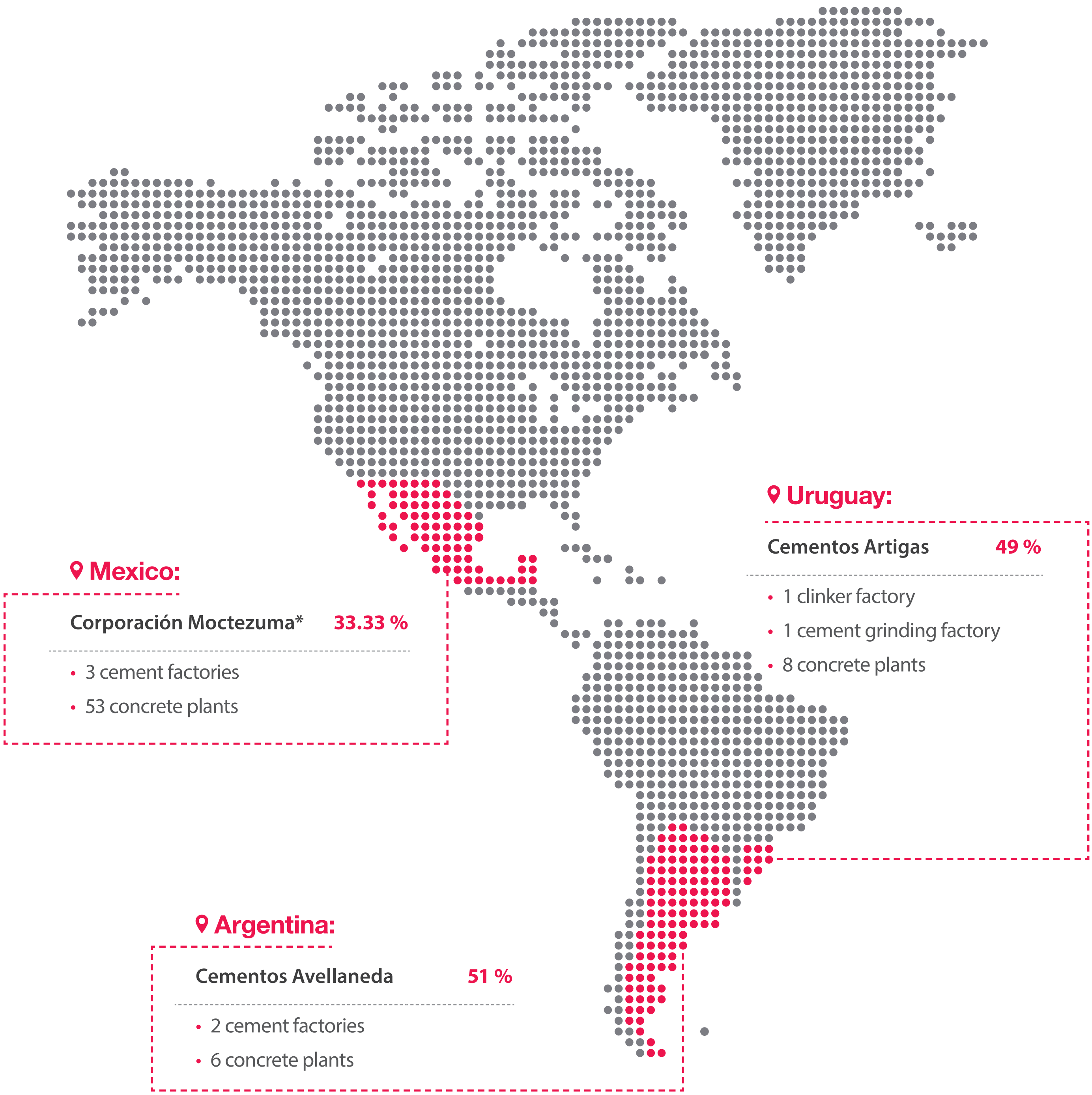
- Carlos Martínez Ferrer

## Operations General Manager

- Salvador Fernández Capo

# Geographic presence

## Main operating companies with final participation (%)




* Companies where management and domain is shared with other shareholders.

## Spain:

| Cementos Molins Industrial | 100.00 % |
|---|---|

- 1 cement factory

| Promotora Mediterránea - 2 | 98.94 % |
|---|---|

- 31 concrete plants
- 6 aggregate plants
- 2 mortar plants

| Propamsa | 100.00 % |
|---|---|

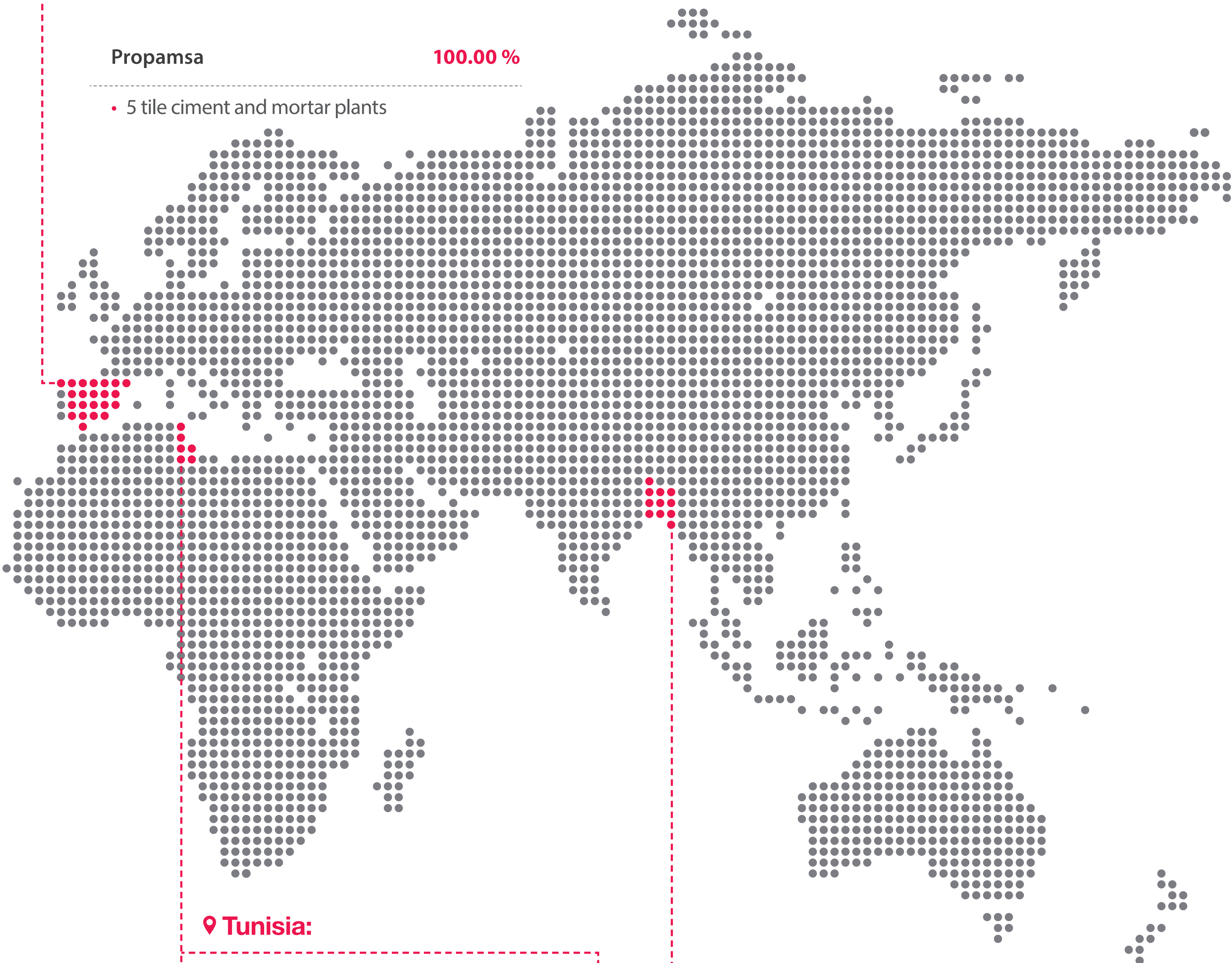
- 5 tile ciment and mortar plants

| Prefabricaciones y Contratas | 100.00 % |
|---|---|

- 8 precast concrete plants

| Portcemen | 33.33 % |
|---|---|

| Escofet | 36.48 % |
|---|---|



## Tunisia:

| Sotacib | 65.00 % |
|---|---|

- 1 white cement factory

| Sotacib Kairouan | 67.15 % |
|---|---|

- 1 cement factory

## Bangladesh:

| Lafarge Surma Cement* | 29.45 % |
|---|---|

- 1 cement factory

# Relevant group aggregates

Thousands of euros

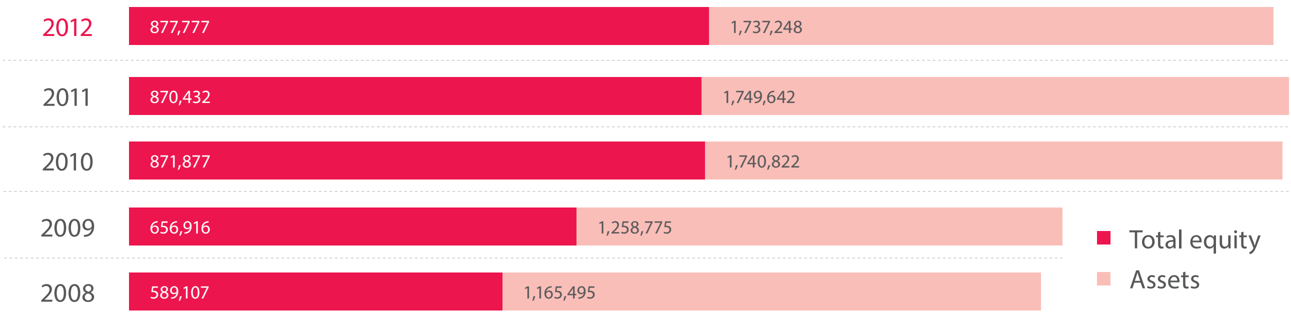
| Year | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| Assets | 1,165,495 | 1,258,775 | 1,740,822 | 1,749,642 | **1,737,248** |
| Total equity | 589,107 | 656,916 | 871,877 | 870,432 | **877,777** |
| Sales | 804,606 | 663,911 | 808,697 | 830,661 | **918,120** |
| EBITDA | 220,558 | 162,120 | 166,059 | 154,217 | **193,336** |
| Net profit | 108,556 | 66,734 | 65,485 | 24,300 | **43,706** |
| Dividends of the year | 20,496 | 15,868 | 13,223 | 11,240 | **11,240** |

| Year | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| **Breakdown of sales** | | | | | |
| Spanish companies | 452,375 | 325,991 | 276,032 | 214,750 | **175,264** |
| Foreign companies | 352,231 | 337,920 | 532,665 | 615,911 | **742,857** |
| **Breakdown of net profit** | | | | | |
| Spanish companies | 48,724 | 19,186 | -21,226 | -19,041 | **-24,642** |
| Foreign companies | 59,832 | 47,548 | 86,711 | 43,341 | **68,348** |

*The data have been adapted to International Financial Reporting Standards (IFRSs).*

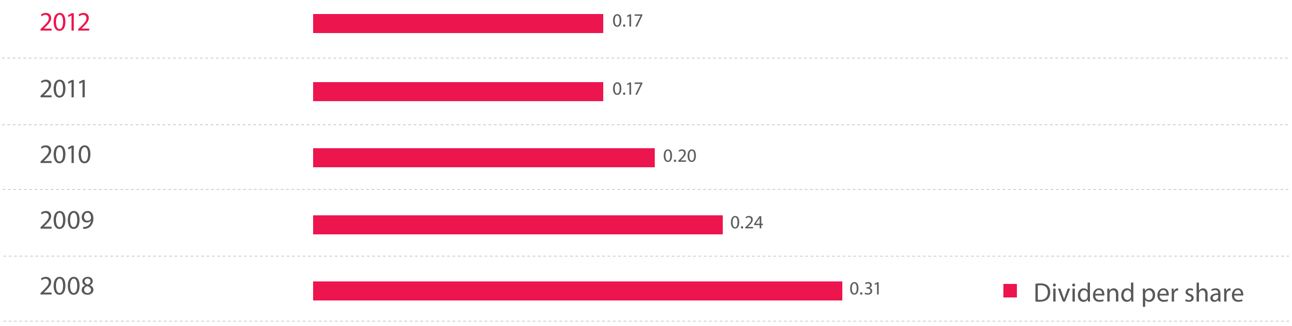
## Assets / Total equity

(Thousands of euros)



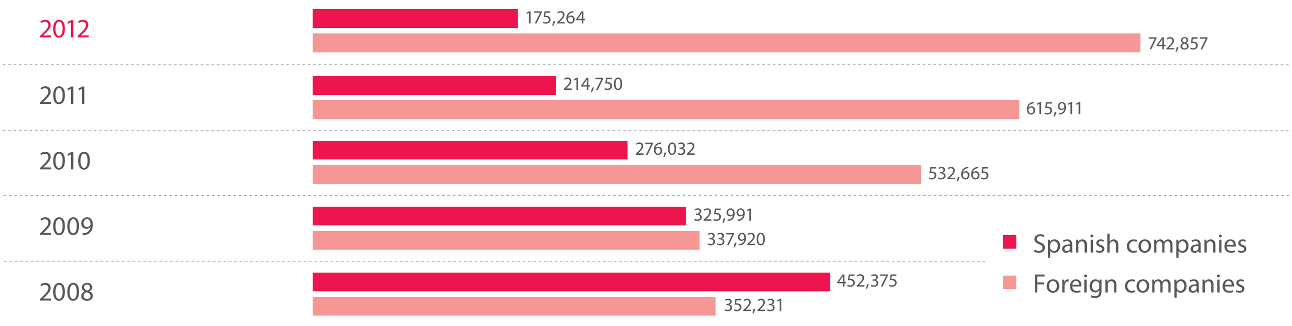
## Dividend per share

(euros)



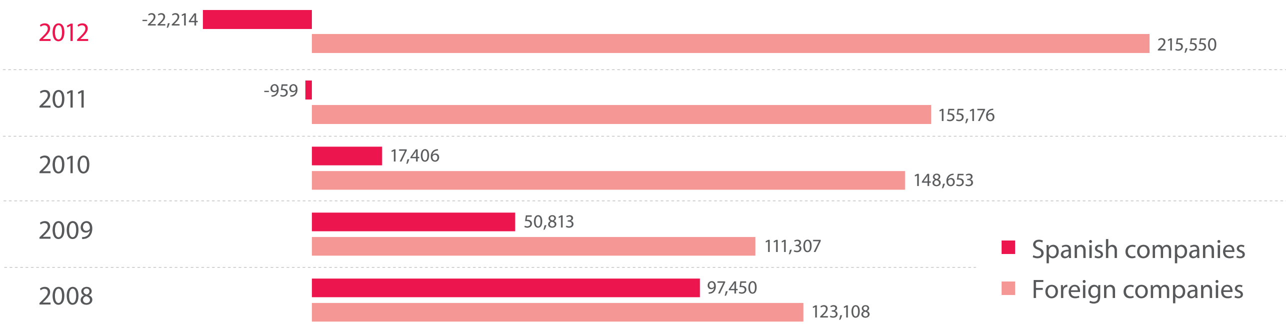

## Sales

(Thousands of euros)



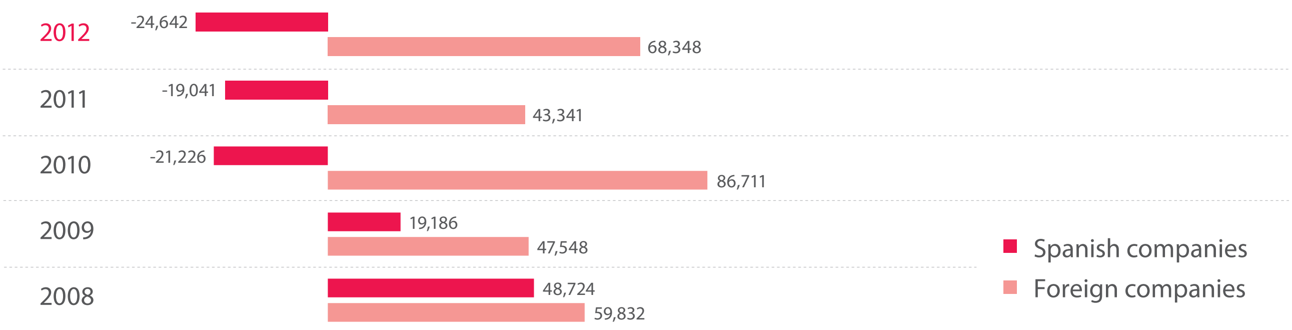

## EBITDA

(Thousands of euros)




## Net Profit

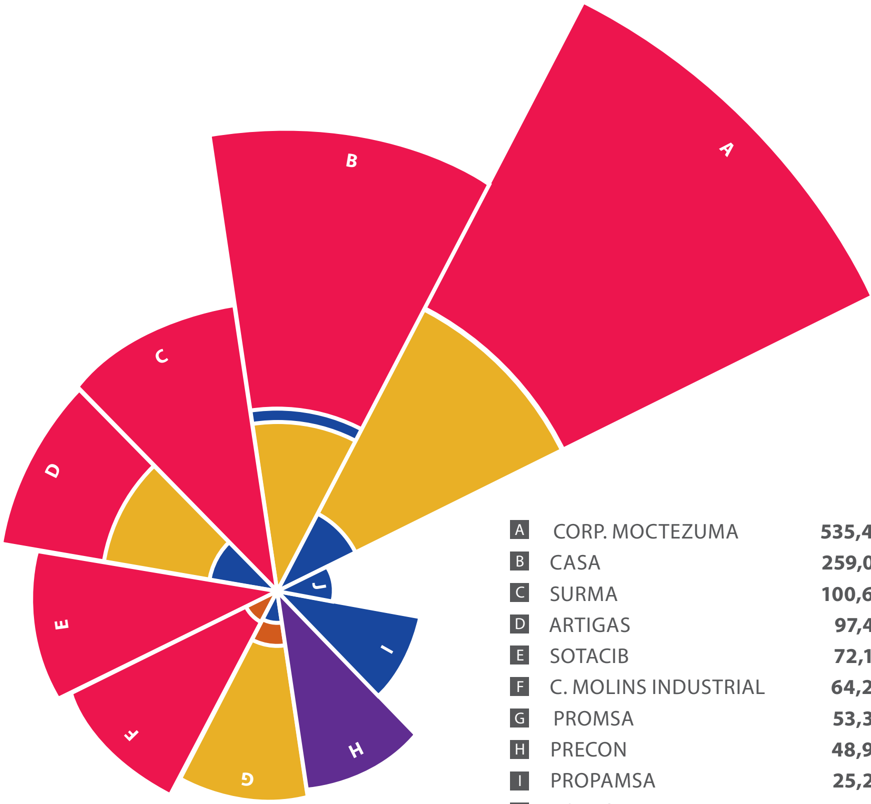
(Thousands of euros)



# REVENUES

## Total sales by company (Thousands of euros)

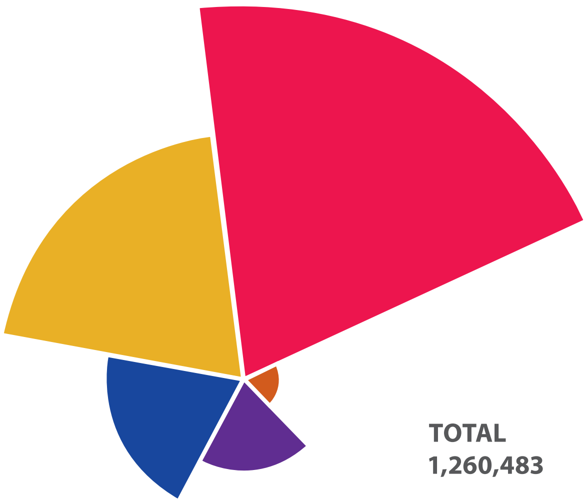
- CEMENT
- CONCRETE
- AGGREGATE
- PRECAST CONCRETE
- OTHERS




| | | |
|---|---|---|
| A | CORP. MOCTEZUMA | 535,466 |
| B | CASA | 259,052 |
| C | SURMA | 100,694 |
| D | ARTIGAS | 97,423 |
| E | SOTACIB | 72,100 |
| F | C. MOLINS INDUSTRIAL | 64,240 |
| G | PROMSA | 53,345 |
| H | PRECON | 48,949 |
| I | PROPAMSA | 25,203 |
| J | PORTCEMEN | 4,011 |

## Total sales by product (Thousands of euros)

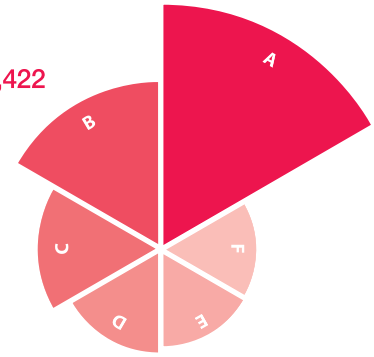
| | | |
|---|---|---|
| CEMENT | 875,422 | 69.5% |
| CONCRETE | 230,107 | 18.3% |
| OTHERS | 98,121 | 7.8% |
| PRECAST CONCRETE | 48,949 | 3.9% |
| AGGREGATE | 7,884 | 0.6 % |



**TOTAL**
**1,260,483**

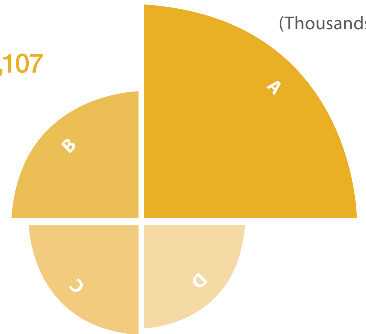
(Thousands of euros)

**Cement**
**Total 875,422**



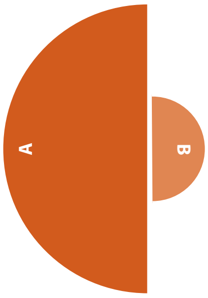

| | | | |
|---|---|---|---|
| A | CORP. MOCTEZUMA | | 393,618 |
| B | CASA | | 186,210 |
| C | SURMA | | 100,694 |
| D | SOTACIB | | 72,100 |
| E | C. MOLINS INDUSTRIAL | | 63,139 |
| F | ARTIGAS | | 59,661 |

**Concrete**
**Total: 230,107**



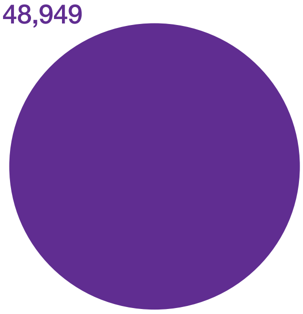

| | | |
|---|---|---|
| A | CORP. MOCTEZUMA | 121,167 |
| B | PROMSA | 44,069 |
| C | CASA | 34,373 |
| D | ARTIGAS | 30,498 |

**Aggregate**
**Total 7,884**



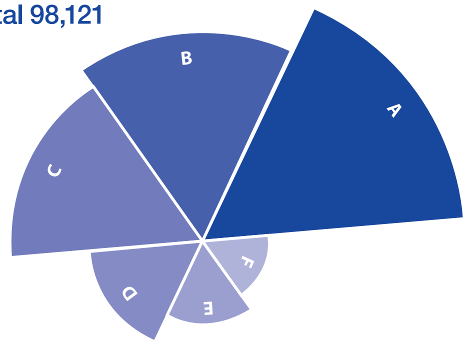

| | | |
|---|---|---|
| A | PROMSA | 6,783 |
| B | C. MOLINS INDUSTRIAL | 1,101 |

**Precast concrete**
**Total 48,949**



| | |
|---|---|
| PRECON | 48,949 |

**Others**
**Total 98,121**

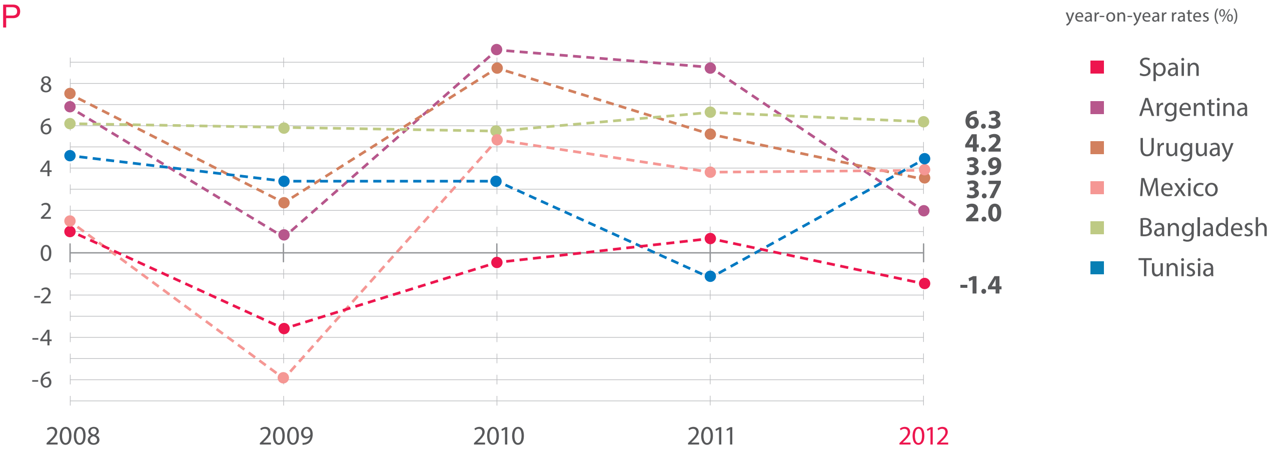



| | | |
|---|---|---|
| A | CASA | 38,469 |
| B | PROPAMSA | 25,203 |
| C | CORP. MOCTEZUMA | 20,681 |
| D | ARTIGAS | 7,264 |
| E | PORTCEMEN | 4,011 |
| F | PROMSA | 2,493 |

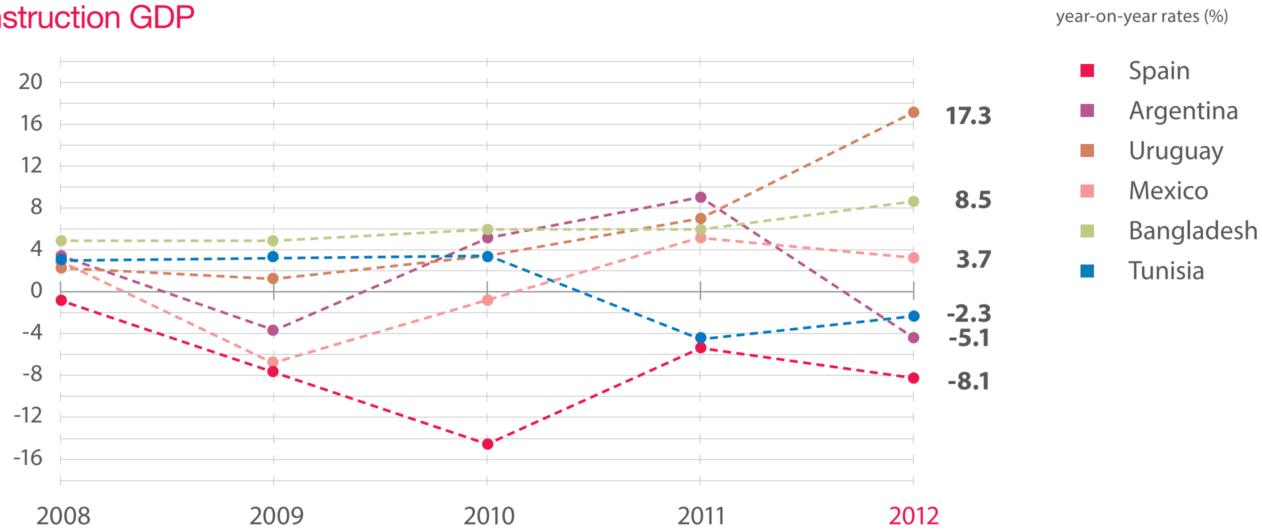
# Consolidated directors' report

## MACROECONOMIC BACKDROP

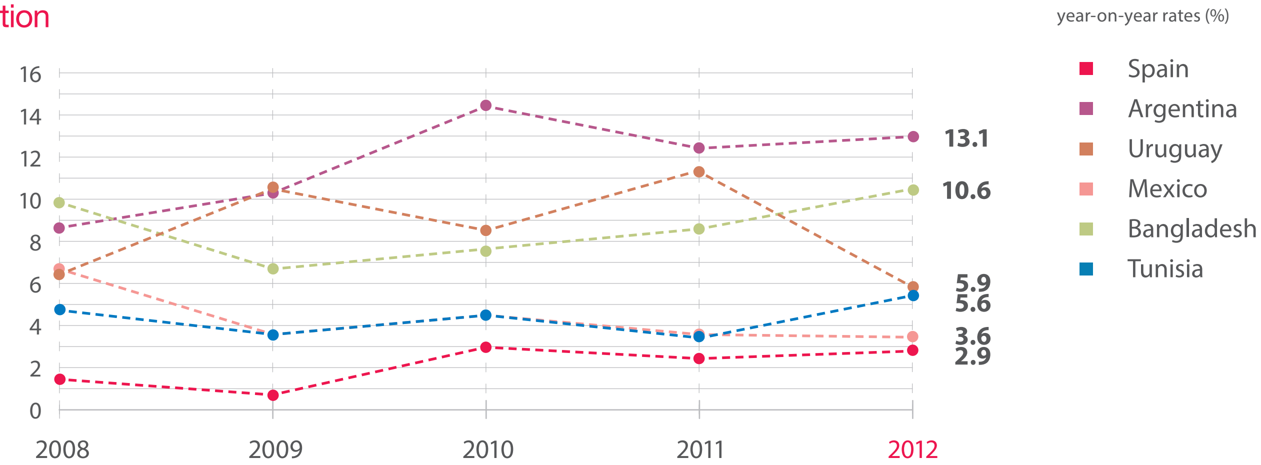
### GDP




### Construction GDP




### Inflation




*(*) The data for 2012 relate to the third quarter, except for those corresponding to Bangladesh, which are provisional estimates at June 2012 (Source: Central Banks and national statistics institutes in the various countries).*

## Spain

Five years have elapsed since the start of the international financial crisis, yet the same defining characteristics still prevail: slowdown in the global economy, financial uncertainty and deterioration in the fiscal position of many countries.

The Spanish economy has floundered in the wake of the international financial crisis, since the imbalances accumulated during the boom period have made it vulnerable to changes in macroeconomic and financial conditions. The crisis led to a correction of the excesses in the real estate market and of the private sector debt which characterised the high growth period prior to the recession. The deterioration in the macroeconomic scenario and the job market had a very adverse impact on public finances and on private consumption.

Spain entered a recession in the second quarter of 2008 and remained in that position until the first quarter of 2010, when it embarked on a modest recovery which was interrupted in the second half of 2011 by the worsening of the sovereign debt crisis and the public-sector deficit reduction policies, resulting in negative GDP growth in 2012.

Against this backdrop, the construction industry continues to record negative growth rates for another year. The effects of the plans to reduce public spending led to public works activity grinding to a halt. Residential building work continued at minimum levels, without showing signs of recovery.

Cement consumption in Spain fell once again in 2012, dropping 34% to 13.5 million tonnes. In percentage terms it represents the largest fall in a single year since 1936 and a return to consumption volumes similar to those last witnessed in the sixties, which shows the extent of the crisis in the industry.

In Catalonia, where the Group's cement works in Spain is located, 1.9 million tonnes of cement were consumed, down 29.2% from 2011. The concrete market in Catalonia also fell back once again in 2012, in this case by around 30%.

The year ended with inflation of 2.9%, slightly higher than in 2011.

With respect to currency, the euro continued to depreciate against the US dollar in 2012, especially in the second half of the year, ending the year 1.9% down on 2011.

> Cerritos plant, Mexico

## Argentina

In 2012 economic activity slowed with respect to 2011. The stagnation with respect to the previous year was evident in all sectors except financial intermediation, which recorded significant growth, and the agriculture and livestock industry, which saw a sharp fall due to weather conditions.

According to data published by the Argentine National Institute of Statistics and Censuses (INDEC), the provisional estimate of GDP was a cumulative figure of 2% between January and September 2012, a figure significantly lower than that of the year-ago period.

The Argentine Synthetic Indicator of Construction Activity (ISAC) (*), the construction industry saw a decline in activity with respect to the same period in 2011.

In 2012 the internal wholesale price index (IPIM) grew by 13.1% compared to 2011. The official consumer price index published by INDEC increased by 10.8%, while that published by the Provincial Directorate of Statistics and Censuses of the Province of San Luis (IPC-SL) recorded year-on-year growth of 23.0%.

The Central Bank of Argentina continued with its foreign exchange policy of devaluing the Argentine peso, causing it to depreciate by approximately 12.5% against the US dollar in 2012.

*(*) The ISAC shows the evolution of the industry based on the performance of demand for a set of representative inputs. It includes public and private construction at national level.*

## Uruguay

The Uruguayan economy continued to grow in 2012 and country risk was reduced to a minimum. According to the Quarterly National Accounts Report issued by the Central Bank of Uruguay, the Uruguayan economy continued to grow in the third quarter of 2012 and recorded growth at a rate of 3.7% compared to the same period in 2011, due mainly to the increased activity in the "Other Activities", "Transport, Storage and Communications" and "Construction" industries. The "Electricity, Gas and Water Supply" and "Primary Activities" industries saw a decrease in activity.

The Construction industry grew by 17.3% in the first three quarters of 2012, compared to the same period in 2011.

This growth in activity was due to the dynamism of both the private and public sector. The former was spurred by the impact of the installation of the cellulose pulp plant in the Department of Colonia. The public sector also recorded positive growth, particularly due to the increase in contracts awarded by the Uruguayan National Ports Administration and the State Sewage Works Administration.

The consumer price index (CPI) rose by 7.5% in 2012, while the wholesale price index (IPPN) increased by 5.9%.

At 31 December 2012, the exchange rate had appreciated by 2.6% to UYP 19.4/USD 1 compared to 31 December 2011.


> Concrete supply, Promsa

## Mexico

Mexico remained strong despite the adverse international business climate, led by Europe, and the US fiscal deficit, and used domestic demand to offset the adverse external events.

The Mexican economy continued to grow, although at a slower rate than that observed in the first half of the year, being particularly influenced by the 2012 presidential election.

Mexico's international reserves grew by USD 21 thousand million in 2012, standing at USD 163 thousand million at 31 December 2012.

The Mexican peso began 2012 on a weak note, reaching its highest volatility in June on the back of the Spanish banking crisis, uncertainty about Greece and the monetary policy measures announced by the Federal Reserve. This situation improved in the second half of the year, when the peso strengthened. The peso appreciated by 7.4% against the US dollar in 2012.

Estimated GDP growth in 2012 was 3.9%, while the construction industry recorded a growth of 3.7% compared to the same period in 2011. Inflation remained within the expected range and ended the year at 3.6%.

## Bangladesh

In line with prior years, in 2012 the economy grew by 6.3% in real terms. Inflation saw an upturn and the Bangladeshi taka recovered slightly from its sharp devaluation in 2011, ending the year at BDT 79.8/USD (2011: BDT 82/USD 1).

Public accounts showed an improvement in the trade balance, tax revenue and remittances from overseas workers, overcoming the negative signs visible at the end of 2011. Energy availability continues to be a pressing issue, placing limitations on improvement efforts.

Construction grew approximately 8.5%, to add to the 6.5% growth in 2011, supported mainly by private demand, and numerous public projects were awaiting funding.

## Tunisia

The country continued to experience the consequences of the revolution in January 2011 from an economic, social and political standpoint. The numerous social demands are affecting the functioning of the country, which is also suffering from inflation while the new government attempts to stabilise the situation completely.

The drafting of the new constitutional framework has not yet concluded and this is giving rise to tension between the Tunisian government, the opposition parties and the population.

The Tunisian economy improved slightly in 2012 compared to 2011, recording an increase of 4.2% in GDP. Inflation stood at 5.6% at the end of the year. The Tunisian dinar depreciated by 5.3% against the euro in 2012.


> Building work at the new factory of Precon in China

# CONSOLIDATED ECONOMIC REPORT

The Cementos Molins Group's core business is the manufacture and marketing of cement, concrete, mortars, aggregates and precast concrete products, and it has facilities in Spain, Argentina, Uruguay, Mexico, India, Bangladesh and Tunisia.

As in prior years, the Group's performance in 2012 cannot be explained without separating the businesses of the companies operating in the Spanish market from those operating abroad.

- The companies based in Spain were badly hit by the ongoing drop in activity, which led to losses and negative EBITDA.
- The Group's foreign companies are based in positive markets and economic environments (Argentina, Uruguay, Mexico and Bangladesh), thereby contributing to the Group's consolidated earnings.
- The exception to this international scenario can be found in Tunisia, which is still feeling the effects of the political, social and economic instability in North Africa in the year. However, mention must be made of the start-up of the new grey cement factory in Kairouan and its contribution to the Group's earnings.

Consolidated revenue amounted to EUR 918 million, up 10.5% on 2011.

- Domestic company sales totalled EUR 175 million in 2012, accounting for 19% of the total, down 18% on 2011.
- The Group's foreign companies accounted for 81% of consolidated revenue which, at EUR 743 million, rose by 21% on 2011.

The Group's companies sold 12 million tonnes of Portland cement and clinker, 16.8% up on 2011 due to the increase in the volumes sold by the foreign companies as a result of the start-up of the grey cement factory in Kairouan (Tunisia), in addition to the normalisation of the operations of the Group's factory in Bangladesh and the higher volumes sold in Mexico.

Concrete sales totalled 3.4 million cubic metres, representing a 2.4% decline mainly due to the market situation in Spain, which offset the increases recorded by the Group companies located in Uruguay and Mexico.

The aggregates business fell back by 24.5% which, as in the case of concrete, was recorded at the businesses located in Spain. Also, the Group's precast concrete sales of EUR 49 million were down 23% on 2011, due mainly to the impact of civil engineering and railway products.

EBITDA for 2012 stood at EUR 193 million, up 25.4% on 2011.

> Sant Vicenç dels Horts plant, Cementos Molins Industrial.

The improvement in consolidated EBITDA arose from the good results obtained by foreign investees, which contributed EUR 216 million, up 39% on 2011, while the Spanish companies recorded negative EBITDA of EUR 22 million. The overall EBITDA/sales ratio stood at 21.1%.

Noteworthy among the investments made in 2012 were the completion and start-up of the new Portland cement factory in Kairouan (Sotacib Kairouan, Tunisia) in April and the start-up of the facilities for energy recovery of alternative fuels at the factory in Sant Vicenç dels Horts (Cementos Molins Industrial).

Overall, in 2012 investments amounting to EUR 40 million were made at consolidated level.

On 27 December 2012, 10.61% of the share capital of Cementos Avellaneda (Argentina) and 12.61% of the share capital of Cementos Artigas (Uruguay) were sold to Votorantim Europe, S.L.U. for EUR 45.5 million and EUR 18.9 million, respectively.

As a consequence of these disposals, the ownership interest in the share capital of Cementos Avellaneda was reduced from 61.61% to 51% and from 61.61% to 49% in the case of Cementos Artigas, resulting in the loss of control of the latter. In accordance with the international accounting legislation in force (see Note 4 to the consolidated financial statements), the positive impact on the consolidated income statement arising from the sale of the ownership interest in Cementos Artigas (of which EUR 30.6 million were recognised under "Profit from Operations" and EUR 5 million arising from exchange differences were recognised under "Financial Profit") amounted to EUR 35.6 million , while the EUR 27.8 million arising from the sale of Cementos Avellaneda were recognised directly in consolidated reserves.

The Group's net borrowings fell by EUR 82 million to EUR 316 million, representing a ratio of 1.63 times EBITDA.

Consolidated net profit amounted to EUR 43.7 million, 79.9% higher than in 2011 due to the convergence of the following factors:

- Greater contribution to EBITDA by the companies operating in international markets.
- The gain arising on the sale of the ownership interest in Cementos Artigas for EUR 35.6 million.
- In accordance with the international accounting standard in force in relation to the impairment of assets, in 2012 the Group recognised an impairment loss on the goodwill of the Tunisian company Sotacib of a net amount of EUR 15.2 million.

Consolidated equity totalled EUR 877 million in 2012, up EUR 7 million on 2011.

## Research, development and innovation

In 2012 the Cementos Molins Group companies dedicated significant efforts to R&D+i in order to provide themselves with the tools required to be competitive in a highly demanding environment. Accordingly, the Group launched innovative products tailored to its customers' needs, streamlined the production processes and achieved or maintained the certifications that ratify its commitment to occupational risk prevention, the environment and quality. Following is a summary of the main activities carried on in the field of R&D+i.

Cementos Molins Industrial continued working towards optimising the production of calcium aluminate clinker, including a study of new formulas which, based on the needs of construction chemical customers, expand the product range. Also particularly noteworthy was the development of the process parameters required to increase the degree of thermal substitution by alternative fuels in the Portland process.

PROMSA continued to develop new products, expanding the range of self-levelling mortars and high-technology concrete for specific applications. In this connection, mention must be made of the self-levelling mortar "PROSILENCEmix", which is manufactured from recycled plastic fibre and forms part of the "PROMSA GREEN" product range; "Self-Draining Concrete" and "Fibre-Reinforced Self-Compacting Lightweight Concrete" are aimed at the refurbishment industry. In terms of research, the cooperation agreement with the Universidad Politécnica de Cataluña was maintained, the highlight being the research carried out in the field of steel aggregates and waste recovery for the development of new products for the construction industry.

PROPAMSA continued to expand its product range with the inclusion of several innovative products. In this connection, it launched "Borada ® Epolux" on the market, an epoxy mortar for grouting joints called a "clean joint" because it achieves impermeable joints that keep their original colour and do not become soiled. It also developed VAT ® Elástic, an epoxy-polyurethane based elastic adhesive formulated to fix ceramic to non-rigid surfaces and non-absorbent supports. With regard to the Betec special mortar range, a new shrink-proof and heavy-duty fluid mortar for pillar elevation in structural reinforcements was included. A fast-setting mortar (Propam Fast) was also developed, which is especially suited for fixing urban elements and non-structural repairs requiring fast commissioning.

PRECON continues to actively develop projects and has implemented several co-financed by the Centre for Industrial Technological Development (CDTI) and European Regional Development Funds (ERDF). These include: "Ballastless track system over bituminous mix (Bituvia)", "Design and development of polymer concrete piping (Tubhorpol)", "Noise screens made from olive stones (Panolston)", "Design of alternatives with new configurations for recycled concrete sleepers for high-speed railways (Ecotrav)" and "New precast recycled concrete ducts for cables, design and optimisation of their installation in construction works (Canaletas)." Also, the MI-11 sleeper was validated for use in track systems and the design was completed with a variant for slow-speed railways. In December 2012 work commenced on the "Dynamic transitions for high-speed and freight railways (DINATRANS)" project under the INNPACTO tender launched by the Ministry of Economy and Competitiveness in June 2012; the consortium is led by Ferrovial, Agroman and the partners ADIF, PRECON, Universidad de Cantabria and the Intelligent Infrastructure Innovation Centre.

In Argentina, Cementos Avellaneda, S.A. launched a new, high-quality cement range called "flexible glues" which was very well received by customers. Further studies were carried out on the design of cements with low hydration heat, presumably for the CP 30 category, intended for the construction of docks in the province of San Luis.

Hormigones Avellaneda has made progress in the use of additives such as fly ash and calcareous filler, and has defined the limits of the application of this product.

Hormigones Artigas worked intensely to minimise the effects of high potassium content, particularly in road construction work. Also noteworthy is the use in construction works of a concrete adhered to the asphalt manufactured from fibre-reinforced polymer concrete and laid using high-performance technology.

Corporación Moctezuma is developing a new pozzolanic cement made from a combination of clays that ensure higher performance and a faster setting time.

## Product quality and certification

The Cementos Molins Group companies implement a quality policy aimed at ensuring the quality of all their products and processes. To this end, they undertake to comply with the voluntary standards and quality marks, in addition to the regulations applicable in each of the countries in which their production centres, distribution centres and products will be based. The activities performed in 2012 for such purpose are summarised below:

Cementos Molins Industrial renewed its EC Seal and voluntary AENOR N certifications for all the cements produced. Certification of the environmental management system under the UNE-ISO 9001 standard was also renewed. In terms of the control of product quality, a new production process indicator model was set up to increase Portland clinker regularity and consolidate the improved characteristics of the calcium aluminate cement, the production of which commenced in 2011.

PRECON performed the corresponding EC seal audit on the certified products. In terms of management, the Group started adapting the quality system documentation to the new organisation and continued monitoring the Integrated Quality and Environment Management System already in place. In this connection, internal and external audits were performed in compliance with the registered company certificate according to UNE-EN ISO 9001 and the EC seal.

PROMSA retained its EC seal for aggregates for concrete, mortar, bituminous mixtures and aggregates for granular layers. The mortars manufactured by PROMSA and supplied in all their formats have obtained and retained their EC seal. The "Aripaq" and "Prosilence" products have the "Applus" voluntary quality seal. Concrete plants are being audited and some already have the ANEFHOP "Concrete+" seal.

Cementos Avellaneda and Cementos Artigas technicians participated in the drafting of the quality standards, including the IRAM Standard for aggregates, which enables cements with a limited alkali content and aggregates with moderate alkali-silica reactivity to be used. Cementos Avellaneda was awarded the first prize in Technology at the Road Congress held in the province of Córdoba and another two prizes at the Technology Congress of Bahía Blanca (province of Buenos Aires).

In Moctezuma, the Tepetzingo plant retained its ISO 9001:2008 quality system certification, its EMA (Mexican Entity of Accreditation) laboratory accreditation and its ONNCCE (National Organisation for

> Propam Fast. Ultra fast setting mortar

the Standardisation of Building and Construction Industries) product certification. The Apazapan plant started developing and implementing a quality management system based on ISO 9001:2008. Hormigones LACOSA retained its quality management system certification.

SURMA continued working towards obtaining a maximum use of clinker. In this connection, it started producing a cement which included limestone (28%) and slag (6%), which is appreciated in the market. The internal and external quality controls ratify the regularity of its characteristics. Noteworthy is the quality awareness at all levels of the organisation.

Sotacib retained its EC seal for cements, in accordance with standard EN 197-1, which enables them to be sold in all EU countries. It also retained the CCRR (Certificate of Compliance with Regulatory Requirements) from the Spanish Ministry of Industry, Tourism and Trade that certifies compliance with Spanish UNE 80.305 standard for white cement.

## Human resources

At the end of 2012 the Cementos Molins Group had 4,336 employees, of which 3,901 were men (90%) and 435 were women (10%).

27% of the workforce was employed at companies located in Spain and the remaining 73% was located at foreign investees.

In comparison with the end of 2011, the workforce decreased by 162 persons (3.6%), the breakdown of which was a reduction of 314 persons (21%) at the Spanish companies and an increase of 152 (5%) at the foreign companies. The largest increase was at SOTACIB as a consequence of the start-up of the new Kairouan grey cement factory.

In 2012 there were 23 disabled employees working at the Spanish companies. In order to comply with the provisions of the Law on the Social Integration of the Disabled, under the framework of the authorisations for the adoption of extraordinary measures applicable to most of them, these companies commissioned services from Special Employment Centres and made donations to entities whose objective is to carry out labour market entry and job creation activities for the disabled.

In relation to personnel training activities, mention must be made of those carried out in the field of occupational risk prevention and the development of management skills. Also worth noting is the completion at Corporación Moctezuma of the comprehensive sales training programme, which included monitoring of objectives, coaching for managers and a diploma in the development of sales and marketing skills. Also, the Cerritos factory completed its pilot technical training programme in cement processing, which was given to manual workers, shift managers, quality analysts and maintenance personnel.

Labour relations were carried on at all the work centres within the usual framework of dialogue and negotiation with the trade unions.

In this connection, the most significant events were as follows:

> Social activities around the plant in Chhatak, Bangladesh

In July 2012, Precon filed an application for a collective redundancy procedure in order to adapt to the sharp drop in activity in the Spanish construction industry. An agreement on the redundancy procedure was entered into with the workers' representatives, and finally affected 165 employees.

The collective negotiation process was still under way at Cementos Molins Industrial. The previous collective agreement expired on 31 December 2010 and to date a new agreement has not been reached.

After several months of negotiation of the terms and conditions of the collective agreement, a labour dispute arose at Sotacib's Kairouan factory, which ended in an agreement entered into on 11 January 2013.

In November 2012, the third Organisational Climate Survey was conducted at Cementos Avellaneda. Participation, at 98.5%, was very high and exceeded the participation in the previous survey. The general climate index remained stable at 66%. The feedback meetings will be held in 2013, where work will start on action plans.

In relation to communications and environmental relations policies, noteworthy is the continuation of previously implemented initiatives such as the publication of Konkret at PROMSA, Clinker at Cementos Molins Industrial, Corporación Moctezuma's magazine and the information sheet in Bangladesh.

Meetings were held with the Sustainability Committee, which acted as an external communication channel, in which trade unions, municipal councils, autonomous community governments and community associations from the surrounding areas of the factory were represented, in addition to company representatives.

As in previous years, there were numerous community relations activities in the areas in which the Group's factories are located. Of particular note were the activities carried out at SURMA CEMENT, where various child education, women's help centre and health centre initiatives were scheduled around the Chhatak factory (Bangladesh) and the Meghalaya quarry (India).

At Corporación Moctezuma, it should be noted that, in March, the Government of Morelos granted Cementos Moctezuma the award of Committed Family Business for both the development of its personnel at the Tepetzingo plant and for the initiatives implemented in relation to family integration and community relations.

The Government of the State of Veracruz granted the Apazapan plant a business excellence award for its contribution to the development of small and medium-


> "Las Tres T.", football team Tepezingo, Mexico

sized companies and for its contribution to the economic growth of its area of influence.

Other noteworthy initiatives include the scholarship programmes and donation of school material in primary and secondary schools in the areas around the Group's production plants and the continuity of the "Feria de la Salud" (Health Fair), which has become a symbol of Corporación Moctezuma's commitment to social welfare, and involves the provision, for a whole day, of preventive health services, the promotion of good hygiene habits and early detection of diseases, and cultural activities for the people living in the area around the company's factories.

The "El Día de Los Árboles y los Áridos" (Tree and Aggregates Day) was held once again. This year PROMSA's "El Serrat" quarry in Prullans (Lleida) opened its gates to local schoolchildren, more than 60 of whom participated a day aimed at raising environmental awareness and promoting the Group's business activity.

Number of persons by company at 31 December

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| Cementos Molins, S.A. | 64 | 68 | 68 | 66 | 61 |
| Cementos Molins Industrial, S.A.U. | 255 | 248 | 231 | 215 | 196 |
| Promotora Mediterránea-2, S.A. | 520 | 478 | 436 | 397 | 314 |
| Prefabricaciones y Contratas, S.A.U. | 828 | 772 | 715 | 644 | 448 |
| Propamsa, S.A.U. | 157 | 140 | 137 | 130 | 120 |
| Rest | 10 | 10 | 15 | 14 | 13 |
| **SPANISH COMPANIES** | **1,834** | **1,716** | **1,602** | **1,466** | **1,152** |
| Cementos Avellaneda, S.A. (Argentina) | 649 | 645 | 656 | 700 | 713 |
| Cementos Artigas, S.A. (Uruguay) | 210 | 209 | 212 | 224 | 259 |
| Corporación Moctezuma (Mexico) | 1,096 | 1,032 | 1,133 | 1,140 | 1,187 |
| Surma (Bangladesh) | 400 | 419 | 482 | 475 | 487 |
| Sotacib (Tunisia) | 301 | 353 | 488 | 493 | 538 |
| **FOREING COMPANIES** | **2,656** | **2,658** | **2,971** | **3,032** | **3,184** |
| **TOTAL GROUP** | **4,490** | **4,374** | **4,573** | **4,498** | **4,336** |

## Occupational risk prevention

The fulfilment of the plans designed for 2012 at the various companies effectively reduced the total number of accidents with loss of working days.

The ongoing commitment shown by the senior management of the companies to improving safety and promoting health has allowed their employees to become aligned and aware of these objectives.

Consequently, as a result of the work carried out by the production and occupational risk prevention teams, the safety and health system has become a global tool that is consolidated at the organisation.

The positive results in recent years evidence the improvement achieved in terms of lower accident figures.

However, the objective is to eliminate accidents altogether. The areas for potential improvement and occupational health, training, communication and other initiatives that can bring significant improvement in 2013 have been discussed.

Frequency indexes

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| SPANISH COMPANIES | 23.1 | 18.3 | 14.9 | 14.6 | **10.9** |
| FOREING COMPANIES | 16.1 | 11.2 | 9.2 | 8.5 | **7.9** |
| **TOTAL GROUP** | **18.2** | **12.8** | **10.2** | **9.6** | **8.4** |

> The Frequency Index shows the number of accidents with loss of working days per million hours worked.

# INDIVIDUAL COMPANY REPORTS

## Cementos Molins Industrial, S.A.U

Cementos Molins Industrial, S.A.U.'s activity is based on the manufacture and sale of both Portland and calcium aluminate cement. Its production plant, which was refurbished in 2010, is located in Sant Vicenç dels Horts (Barcelona).

2012 was another bad year for the industry in Catalonia, with another decrease in consumption of around 29%. Nevertheless, our Sant Vicenç del Horts plant was able to maintain acceptable activity levels given the current market situation, as a result of the significant increase in our clinker exports which, although these sales have a more limited margin, allowed us to achieve a cement kiln utilization rate of 71%.

The production of cement for the year taken as a whole was 17.7% lower than in 2011, while clinker production grew by 7.4% as a result of the aforementioned rise in exports.

In 2012 the billings of Cementos Molins Industrial, S.A.U. totalled EUR 64.2 million, down 14.7% on 2011. In the Spanish market billings amounted to EUR 43.4 million, representing a decrease with respect to 2011. Sales in the export markets totalled EUR 20.8 million.

Product margins contracted significantly in 2012 due to the downward pressure on sales prices. However, cost containment efficiencies were achieved in both raw materials and fuels, and in fixed costs and overheads. Worthy of note is the sharp rise in the substitution of alternative fuels throughout the year, representing more than 30% in December 2012, with the ensuing cost savings.

The sale of surplus CO2 allowances from the period and exchange of EUAs for CERs had a positive impact of EUR 1.2 million on the income statement.

EBITDA amounted to EUR 6 million in 2012, but was down 53.5% on 2011, and the year ended with a net loss of EUR 3.9 million.

Investments in 2012 amounted to EUR 2.5 million, including most notably:

- Start-up of the facilities for recovering SRF (Solid Recovered Fuels) in the calcinater of the pre-heating tower and dried sewage sludge through the principal kiln burner.

- PxP expert system for driving the kiln and cooler powered by alternative fuels.

> Sant Vicenç dels Horts plant, Cementos Molins Industrial

- Improvements in the facilities and in the operation of calcium aluminate kilns, with an increase in productivity and a decrease in thermal consumption.

- Reduction in overall electricity consumption due to the optimisation of the facilities and, in some cases, to the change in working methods. Worthy of note is the minimisation of electricity consumption in the pneumatic transport of the cement mills, including new air conditioning equipment.

Among the environmental activities of Cementos Molins Industrial in 2012, the following are of particular note:

- Reduction of $CO_2$ emissions, reaching a cumulative annual $CO_2$/clinker ratio (in tonnes) of 0.78.

- Installation of a new continuous total organic carbon meter.

- Start-up of the two air quality control booths in Pallejà and Sant Vicenç dels Horts.

- The follow-up audit on the certification of the environmental management system under the UNE-ISO 14001:2004 standard was performed.

- The types of authorised waste were extended to include wood without hazardous substances arising from mechanical waste treatment.

Thousands of euros

| C. MOLINS INDUSTRIAL | 2008 | 2009 | 2010 | 2011 | **2012** |
|---|---|---|---|---|---|
| Sales | 135,273 | 108,065 | 91,729 | 75,298 | **64,240** |
| EBITDA | 47,538 | 29,725 | 19,172 | 12,913 | **6,000** |

## Promotora Mediterránea-2, S.A. (PROMSA)

PROMSA manufactures and markets concrete, aggregates and mortar and has a pavement application division and an environmental division, which engages in the recycling and recovery of waste and manufacture of alternative fuels.

2012 ended with a sharp contraction in demand, leading to a drop in the Catalan concrete market of around 30%. This market situation did not contribute to the recovery of prices, but rather the complete opposite: prices continued to fall, with the ensuing decrease in contribution margins. In order to mitigate this effect, the company maintained an active cost reduction strategy that enabled it to obtain significant savings in 2012.

However, Promsa participated in the main infrastructure projects implemented in 2012, including most notably those relating to the completion of the work on the Barcelona-French border AVE high-speed train and on the Sants-Sagrera tunnel, Sagrera station and Sarria de Ter (Girona) stretches. The company also participated in the main construction work carried out in the port of Barcelona, such as the Container Terminal (TERCAT) and the improvement work carried out on the East Wharf of the Contiguous Dock.

The Promsa Group's revenue totalled EUR 52.1 million in 2012, down 27.7% on 2011. The company incurred a gross operating loss of EUR 10.1 million, due mainly to the ongoing drop in volumes and prices.

> Concrete production facilities, Promsa

In 2012 the investment policy was extremely prudent, resulting in investments of EUR 0.8 million, mostly for maintenance and improving safety conditions at the company's production plants.

As in prior years, PROMSA developed training initiatives for its personnel, with the objective of raising awareness and informing its employees of new environmental-legal developments aimed at ongoing improvement through the achievement of its environmental objectives. In this connection, based on the Efficiency Project, the company achieved the objective of reducing waste generated during the production process by more than 20%.

The company successfully renewed its ISO 14001 certification for environmental management and management of production centres and its head office for the next three years.

Promsa entered the National Sustainable Development in Quarries and Gravel Quarries Awards of the Federation of Aggregates (FdA) in the Environmental Best Practices category, obtaining the second prize and a special mention in technological innovation for environmental protection.

Thousands of euros

| PROMSA | 2008 | 2009 | 2010 | 2011 | **2012** |
|---|---|---|---|---|---|
| Sales | 181,509 | 122,418 | 93,219 | 72,067 | **52,130** |
| EBITDA | 31,666 | 17,756 | 1,960 | -3,828 | **-10,123** |

## Prefabricaciones y Contratas, S.A.U. (PRECON)

Precon's activity focuses on the customised design, production and sale of a wide range of precast concrete products for general building construction, public works and railway lines. The company centres its production on its eight plants located throughout Spain.

In 2012 the company's revenue amounted to EUR 48.9 million, down 23% on 2011, with an uneven performance by business line, especially in sectors related to construction, due to the evolution of the Spanish economy during the year.

Precon's building activity grew by 32%. Despite the ongoing impact of the economic crisis on this business line, the company grew its sales by opening new markets and implementing a policy of strengthening ties with and/or attracting private customers. Noteworthy are the works carried out on the Inditex Group's logistics centres - Zara and Massimo Dutti in Tordera (Barcelona), the construction of a new prison in Ceuta, the construction of a shopping centre in Mos - Vigo (Pontevedra), a university building in La Cartuja (Seville), several prefabricated buildings for Iberdrola and the construction of industrial buildings in La Gandariña - Vigo (Pontevedra) and in Cestona and Zarauz (Guipúzcoa).

Civil engineering sales fell by 52% with respect to 2011 due to the sharp drop in the volume of execution of public works in 2012, as a result of the measures adopted by the government in an attempt to reduce the budget deficit. Particularly noteworthy construction projects were the widening of the San Rafael-Villacastín (Segovia) stretch of the AP-6 toll road, the bridges on the SE-40 road (Seville), at the L. P. Navarre - Tiermas junction (Zaragoza) of the Autopista del Pirineo A-21 motorway, work for the Morell-Variante de Valls (Tarragona) stretch of the A-27 road, the Olesa de Montserrat-Viladecavalls (Barcelona) stretch of the B-40 road, the Sauquillo-Almazán (Soria) stretch of the A-15 road, the Palas-Guntín (Lugo) stretch of the A-54 road and for the Puente de Alba-La Robla canal (León).

Precon's railway product business decreased by 13% with respect to 2008 due to the reduction in the call for tenders and award by ADIF of high-speed train network projects and of the projects for the renewal and maintenance of traditional tracks.

In order to adjust Precon's production activity to the drop in demand, in 2012 the Fresno and Humilladero production centres were shut down. Also, a collective redundancy procedure was negotiated and agreed with the workers' representatives which affected 165 employees, 27% of the workforce.

The improvement in processes and procurements did not offset the reduction in sales prices, giving rise to a drop in operating margins. EBITDA was negative by EUR 11.6 million. Worthy of note was the adverse effect on

EBITDA of the cost of the individual termination benefit payments and the indemnity payments and costs of EUR 6.4 million associated with the collective redundancy adopted by the company to adjust its workforce to the level of activity.

Investments in 2012 amounted to EUR 2.7 million. They were earmarked mainly for improving the production capacity of the factories, improving product quality, occupational risk prevention and new R&D+i projects.

A new capital contribution of EUR 2,000 thousand was made at Precon (Linyi) Construction Co., Ltd. based in the province of Shandong, China. Lastly, this Chinese subsidiary will commence activity in 2013. In 2012 it acquired equipment and facilities and performed studies on raw materials. The structural elements of the factory are prefabricated and are currently being assembled.

> Installation of a prefabricated structure, Precon

Thousands of euros

| PRECON | 2008 | 2009 | 2010 | 2011 | **2012** |
|---|---|---|---|---|---|
| Sales | 139,652 | 96,465 | 87,142 | 63,624 | **48,949** |
| EBITDA | 20,949 | 8,945 | 2,990 | -3,236 | **-11,621** |

## Propamsa, S.A.U.

Propamsa is the Group company specialising in the manufacture and sale of tile, single-layer and special mortars. 2012 marked the eightieth anniversary of PAM ® tile cement, which was commemorated with the slogan "80+ years of experience and technology." This slogan was aimed at transmitting one of our strengths to our customers: they can trust Propamsa for its extensive experience, quality criteria and the ongoing research and rigour of our Technical Department.

With regard to the market, some significant figures give a clear idea of the situation. Less than 50 thousand housing starts were made in Spain in 2012. Construction production indices fell by 15%, refurbishment by 12% and civil engineering by 40%. The increase in the unemployment rate was not conducive to private individuals undertaking reforms in their homes. Despite these economic data, Propamsa remained focused on its differentiation by launching new products with greater value added and seeking new markets abroad.

In this context, Propamsa maintained its share of the Spanish market, and even increased it in the Levante and Northern regions. The Valencia factory enables the company to provide greater service to customers in the Levante region. The good performance of the Munguía deposit, in the North of Spain, confirms that customers in this area are satisfied with our commitment to quality and service in a market where we had no presence four years ago.

Of particular note was the increase in our actions in foreign markets, particularly in North Africa and France, where we achieved a significant increase in exports and consolidation in some of these markets.

The Betec product line continues to obtain growth in a wide range of products and better market positioning, meeting our warehouse customers' needs. This product line continued to provide a new boost for Propamsa, enabling it to be able to offer more technologically advanced solutions for civil engineering, construction, maintenance and repair, industry and refurbishment.

The most noteworthy investment was the start-up of the new automated bagging and palletising line of 5 kg bags of grout slurries. The objective is to offer our customers better product presentation through brighter packaging and a more resistant bag with a handle that makes it easier to manipulate.

In 2012 sales totalled EUR 25 million and EBITDA amounted to EUR 782 thousand.

Thousands of euros

| PROPAMSA | 2008 | 2009 | 2010 | 2011 | **2012** |
|---|---|---|---|---|---|
| Sales | 48,959 | 36,242 | 34,056 | 30,031 | **25,203** |
| EBITDA | 6,089 | 2,389 | 2,773 | 1,883 | **782** |


> Borada Epoluxe's advertising, the easy cleaning Epoxy grout , Propamsa

## Cementos Avellaneda, S.A. (Argentina)

Cementos Avellaneda, S.A. is an Argentine company that manufactures and sells Portland cement, mortar, lime, tile cement and concrete. It has two cement plants and six concrete plants in operation.

On 27 December 2012, Cementos Molins sold 10.61% of the share capital of Cementos Avellaneda to Votorantim Europea, S.L.U., thereby reducing its ownership interest to 51% of the company's share capital.

The Argentine cement market amounted to 10.5 million tonnes in 2012, down 8.2% on 2011. Per capita consumption in 2012 was 253 kg, down 9.0% on 2011.

The sales volume of all products fell by 4.2% in 2012, while the volume of the concrete business dropped 17.5% compared to 2011.

Profits increased with respect to 2011. EBITDA stood at EUR 60 million, representing a 21.7% rise with respect to 2011, mainly attributable to the start-up of kiln number 3 in the Olavarría factory at the end of 2011, which enabled the company to regain the profitability lost in 2011 as a result of clinker imports.

In terms of investments, in 2012 efforts were aimed at increasing production capacity and improving infrastructure.

> Olavarria plant, Argentina

The development of alternative fuels is a cornerstone of the company's environmental policy. 2012 saw the continuation of trials for the use of alternative fuels based on waste from local industries, including, inter alia, peanut shells and glycerol.

A stable level of around 34% of production using sustainable fuels as a replacement for traditional fuels has been achieved.

Cementos Avellaneda, S.A. is the first cement company in Argentina to receive United Nations approval for two Clean Development Mechanisms (CDM) based on the replacement of fossil fuels with biomass (San Luis) and energy efficiency (Olavarría). In 2010, a new CDM methodology was approved for the latter project (Cal Extra), paving the way for the obtainment of 450,000 new CERs. Also, progress was made on the monitoring plan for the reduction of emissions in both projects.

In 2012, the environmental management systems under the ISO 14001:2004 standard continued to be implemented at the cement and concrete plants.

At the San Luis plant, ISO 14001:2004 - ISO 9001:2008 certification was renewed in October 2012 after an external audit performed by the accreditation body TÜV Rheinland Argentina, S.A. with the following scope: production, sales and technical assistance for Portland cement and cement for masonry. This is the only plant to have integrated certification under both international standards.

Thousands of euros

| C. AVELLANEDA | 2008 | 2009 | 2010 | 2011 | **2012** |
|---|---|---|---|---|---|
| Assets | 114,902 | 124,127 | 144,907 | 179,004 | **195,107** |
| Equity | 64,698 | 73,882 | 91,446 | 115,387 | **130,076** |
| Sales | 145,299 | 144,793 | 189,233 | 233,864 | **259,052** |
| EBITDA | 37,962 | 36,364 | 52,096 | 49,334 | **60,029** |
| Net profit | 18,988 | 18,192 | 29,601 | 27,420 | **33,635** |

## Cementos Artigas, S.A. (Uruguay)

Cementos Artigas S.A. is a company based in Uruguay. It has a clinker manufacturing plant in Minas, a mill in Sayago and eight concrete production plants, and focuses its activity on the production and sale of Portland cement, mortar, concrete and aggregates.

On 27 December 2012, Cementos Molins sold 12.61% of the share capital of Cementos Artigas to Votorantim Europea, S.L.U., thereby reducing its ownership interest to 49% of the company's share capital.

Sales of Portland cement grew by 11% in the domestic market with respect to 2011. In the same period, clinker shipments declined 10.9%, and exports to Paraguay and Brazil dropped significantly in volume due to the allocation of production to domestic market growth.

Profits increased with respect to 2011. EBITDA amounted to EUR 26.2 million, representing a rise of 15.9% compared to that obtained in 2011, boosted by the growth in sales, particularly those earmarked for the aforementioned Montes de Plata works.

> Concrete production facilities, Cementos Artigas, Uruguay

With regard to investments, most noteworthy was the start-up of the crushing plant which enabled the company to fulfil the contract for the provision of stone and concrete to the Montes de Plata paper factory.

With regard to the company's environmental policy, trials continued of the use of alternative fuels such as rice husks and glycerol based on by-products from local industries. A stable level of around 21% of production at Minas using sustainable fuels as a replacement for traditional fuels has been achieved.

At the Sayago, Minas, Oncativo and Maldonado plants, certification with the accreditation body LSQA - Quality Austria under the ISO 14001:2004 standard was monitored and renewed in 2012 with the following scope: production of cement and concrete with onsite delivery.

> Minas plant, Uruguay

Thousands of euros

| C. ARTIGAS | 2008 | 2009 | 2010 | 2011 | **2012** |
|---|---|---|---|---|---|
| Assets | 50,518 | 61,833 | 64,151 | 85,007 | **90,437** |
| Equity | 41,020 | 54,005 | 52,525 | 71,141 | **70,630** |
| Sales | 50,709 | 48,067 | 64,038 | 85,977 | **97,423** |
| EBITDA | 13,064 | 10,626 | 17,949 | 22,647 | **26,237** |
| Net profit | 10,754 | 4,399 | 15,947 | 19,829 | **18,041** |

## Corporación Moctezuma S.A.B. de C.V. (Mexico)

Located in Mexico, the company engages in the production and sale of cement, concrete and mortar. Cementos Molins owns 33% of its shares and control is shared with the Italian cement company Buzzi Unicem.

At Corporación Moctezuma the volume of cement sales grew by 6.5%, while concrete sales rose by 11.7%.

Revenue (in euros) increased by 13.6% to EUR 536 million, while EBITDA amounted to EUR 194 million, up 18.8% on 2011, and a net profit of EUR 121 million was recorded.

In terms of costs, worthy of mention is the 16% drop in the price of fuel, in local currency, and a slight increase in electricity tariffs.

With regard to volume of cement sales, Cementos Moctezuma outperformed the construction industry, which grew by around 2%. These significant results were achieved by performing customer relationship-building activities.

Sales of packaged cement grew by 4%, reinforcing our presence and improving the positioning of our brand as one of the most important in the industry.

2012 saw the consolidation of the company's operations. The Apazapan plant, opened in 2010, ended 2012 operating at 94% of its capacity. The company's presence was consolidated in the South East of the country with the high-quality cement and exports of its products to the Brazilian market continued.

The concrete division ended 2012 with 12% growth in sales volume. In 2012 the company consolidated its market share in the states and cities where it was already present.

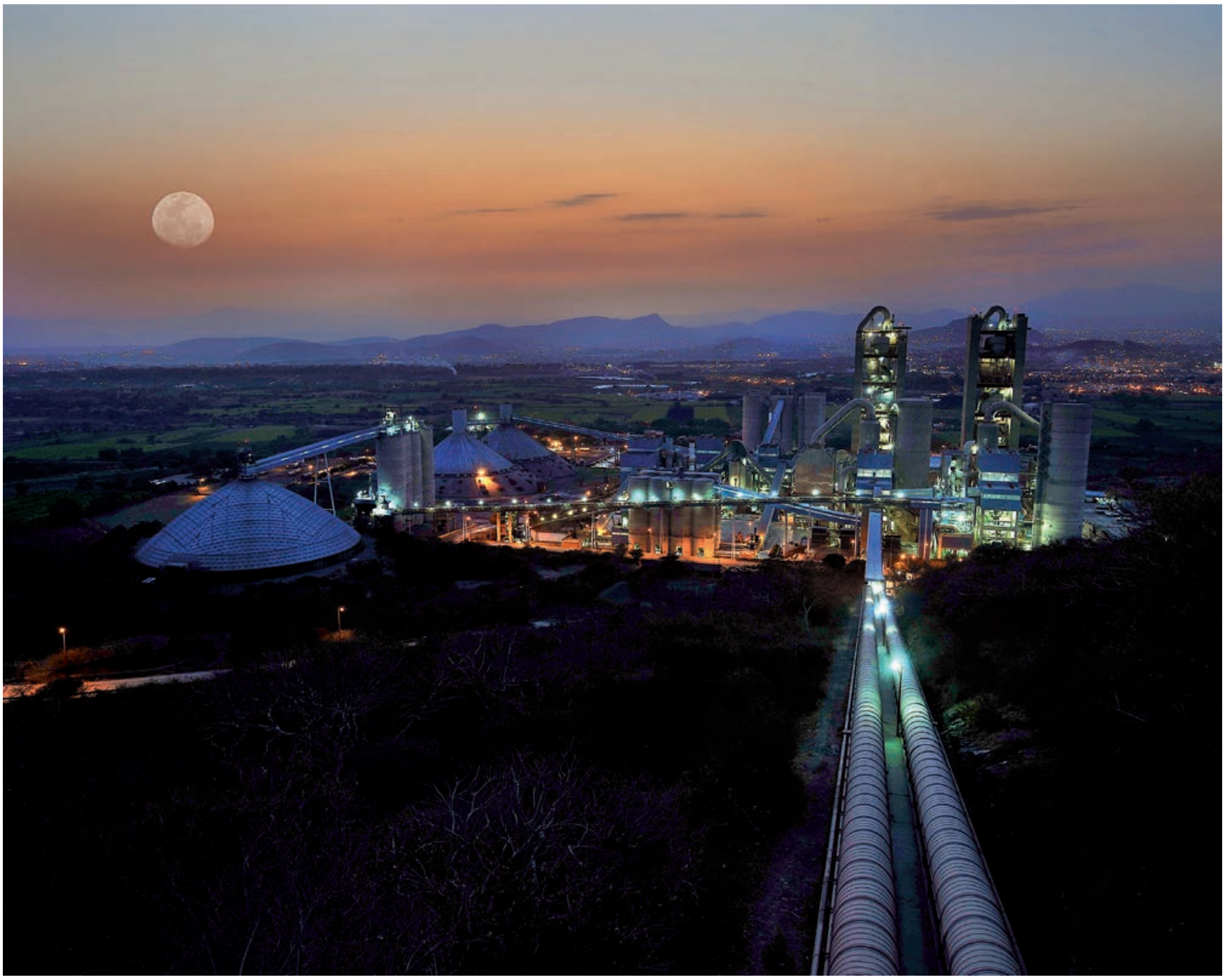
The most noteworthy works include the Atotonilco wastewater treatment plant, the Bancomer tower, the second storey of the Mexico City ring road, the fast-track expressway in Mexico City and the Altamira Tamaulipas seaport. The company supplied "customised" products for the Bancomer and Reforma towers, namely mass concrete containing specific mixtures for the foundations, adding value to customers' investments and to their economy, giving the company a significant competitive edge.

With regard to investments, worthy of mention in cement is the completion of the Apazapan plant in the state of Veracruz.

In concrete, noteworthy is the construction of the modern Central Marcantonini plant, located in Mexico City, which has completely covered aggregates storage and environmentally efficient facilities, which is even more important due to being located in a densely populated area.

Investments totalling approximately EUR 7 million started to be made from the last quarter of 2012 onwards, in concrete plants and equipment for the construction of the "Guadalajara relief road project".

In environment, in addition to the various initiatives implemented in each of the factories aimed at integrating them in their surroundings, worthy of mention is the renewal of the Tepetzingo plant's ISO 14001:2004 certification for a period of three years (2012-2015).



> Tepetzingo plant, Mexico

Thousands of euros

| C. MOCTEZUMA | 2008 | 2009 | 2010 | 2011 | **2012** |
|---|---|---|---|---|---|
| Assets | 467,844 | 507,669 | 676,336 | 649,656 | **618,168** |
| Equity | 396,412 | 436,101 | 557,057 | 536,648 | **498,041** |
| Sales | 405,524 | 358,127 | 428,148 | 471,640 | **535,466** |
| EBITDA | 157,600 | 138,353 | 154,524 | 163,307 | **193,699** |
| Net profit | 119,427 | 99,288 | 85,268 | 93,799 | **120,934** |

## Lafarge Surma Cement Limited (Bangladesh)

Based in Bangladesh, Surma Cement engages in the manufacture and sale of cement. The main factory is located in Bangladesh and the quarry that supplies the principal raw materials in India. Quarry materials are transported from the quarry to the factory by means of a conveyor belt.

Cementos Molins and Lafarge jointly own 60% of the share capital, while the rest is owned almost entirely by local shareholders. The company is listed on the Dhaka and Chittagong stock exchanges.

Most noteworthy in 2012 was the obtainment of the final authorisation to operate the quarry in India. Although the quarry had been operating since August 2011, in February 2012 the Supreme Court of India issued this long-awaited notification which allowed us to resume normal operation.

Further, in 2012 the cement market grew by 9.2%, in line with prior years, to 16.1 million tonnes and, more importantly, maintaining 2011 prices on the back of the sharp drop in the value of the taka. This growth was due to the maintenance of clinker prices in dollars and the recovery of the exchange rate, which led to a significant increase in the return on all cement operations.

Consequently, the company ended 2012 with a production of 1.9 million tonnes of limestone and a sales volume of 1.3 million tonnes of cement and 395 thousand tonnes of clinker.

Prices moved in line with volume, which explains the final figures. A highlight of 2012 was that the monsoon season did not bring the usual drop in sales prices, which may be a sign of the strength of demand. The recovery in production saw a return to normality in the cost structure.

Investments totalling USD 14 million were defined to improve shipment (bulk) and crushing capacity, and ordinary maintenance in each reporting period.

> Chhatak plant, Bangladesh

Thousands of euros

| SURMA CEMENT | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| Assets | 188,892 | 177,616 | 194,441 | 189,484 | **176,041** |
| Equity | 39,376 | 52,593 | 37,914 | 69,812 | **76,272** |
| Sales | 61,489 | 78,245 | 61,421 | 58,485 | **100,694** |
| EBITDA | 25,446 | 29,652 | -6,075 | 3,679 | **32,730** |
| Net profit | 7,471 | 15,169 | -18,177 | -18,939 | **5,607** |

## Société Tuniso Andalouse de Ciment Blanc "SOTACIB" (Tunisia)

The Cementos Molins Group has been present in Tunisia since 2007. Initially it operated a factory located in the city of Feriana engaging in the production and sale of white cement (SOTACIB).

SOTACIB is a company with 350 employees, capital of EUR 48 million and a production capacity of approximately 600 thousand tonnes of clinker. SOTACIB exports its product throughout the region (Algeria, Libya and Morocco), Europe and Africa.

SOTACIB's activity in 2012 was still affected by the post-revolution socio-political events in the country and the region, and the factory had yet to reach stable operating levels.

In 2012 the episodes of social instability were manifested in the difficulty in distributing and selling the product, border problems (the border with Libya was often closed) and problems with the Algerian market (new import franchise tax).

Social relations have become a critical factor in the company's management and earnings. The company has participated in many negotiation processes in an attempt to set a framework of stable labour relations.

An improvement is expected in the country's socio-political situation in the coming months that will allow us to achieve our targets for 2013. The freeze on local market prices is affecting profitability.

> Feriana plant, Tunisia

Thousands of euros

| SOTACIB | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| Assets | 90,452 | 113,623 | 107,990 | 99,696 | **101,570** |
| Equity | 31,148 | 43,445 | 39,798 | 29,987 | **32,954** |
| Sales | 22,830 | 23,861 | 35,586 | 31,156 | **33,238** |
| EBITDA | 4,534 | 3,388 | 5,554 | 1,115 | **3,181** |
| Net profit | 3,386 | 2,054 | -3,106 | -7,847 | **-163** |

## SOTACIB KAIROUAN (Tunisia)

SOTACIB Kairouan was incorporated for the purpose of building a grey cement factory in the municipality of Jebel Rouissat (Kairouan, Tunisia). This factory has around 170 employees and a share capital of EUR 90 million.

Of particular note in 2012 was the definitive start-up of the factory in April. The first sale of bagged white cement to the Tunisian market was made on 14 April. During the factory's first year of operation, 670 thousand tonnes of cement and 310 thousand tonnes of clinker were sold.

SOTACIB Kairouan also initiated export operations to Algeria and Libya in 2012.

EBITDA amounted to EUR 13.5 million in the factory's first year of operation.

Social turmoil within the framework of labour relations of SOTACIB KAIROUAN gave rise to a strike which was resolved at the beginning of 2013. In 2013 we hope to consolidate our industrial activity, rectifying some of the restrictions encountered in the operation of the factory in 2012.

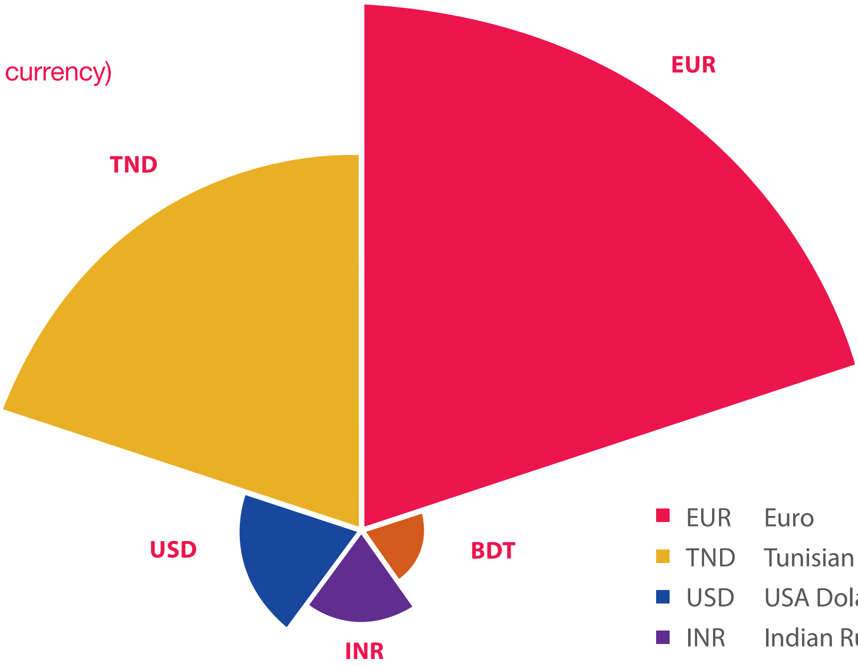
Thousands of euros

| SOTACIB KAIROUAN | 2011 | **2012** |
|---|---|---|
| Assets | 209,088 | **220,938** |
| Equity | 90,187 | **84,728** |
| Sales | - | **36,506** |
| EBITDA | -1,390 | **13,542** |
| Net profit | -538 | **380** |

> Kairouan plant, Tunisia

# Financial situation at December 31, 2012

## Gross debt (by currency)

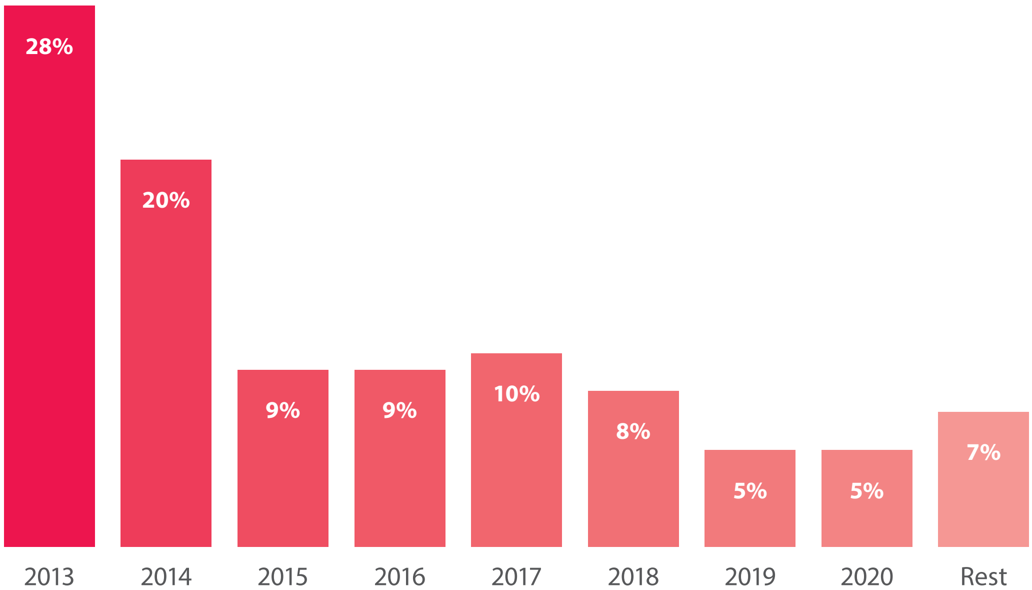



| | | |
|---|---|---|
| EUR | Euro | 62 % |
| TND | Tunisian Dinar | 32 % |
| USD | USA Dolar | 3 % |
| INR | Indian Rupee | 2 % |
| BDT | Bangladeshi Taka | 1 % |

Thousands of euros

| | 2011 | 2012 |
|---|---|---|
| Gross debt | -569,651 | -595,152 |
| Cash and cash equivalents | 171,678 | 279,577 |
| **Net financial position** | -397,972 | **-315,575** |

## Debt maturity (National and foreigners subsidiaries)



# Consolidated financial statements

## CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2012 (THOUSANDS OF EUROS)

| ASSETS | 31/12/2012 | 31/12/2011 |
|---|---|---|
| Intangible assets | 45,484 | 50,026 |
| Property, plant and equipment | 964,485 | 1,112,430 |
| Investment property | 6,324 | 3,428 |
| Non-current financial assets | 3,027 | 3,605 |
| Investments in companies accounted for using the equity method | 77,265 | 3,676 |
| Goodwill | 6,598 | 30,253 |
| Deferred tax assets | 43,270 | 23,846 |
| **NON-CURRENT ASSETS** | **1,146,453** | **1,227,264** |
| Non-current assets classified as held for sale | 3,755 | 7,431 |
| Inventories | 124,321 | 134,255 |
| Trade and other receivables | 183,141 | 209,014 |
| Current financial assets | 104,088 | 31,525 |
| Cash and cash equivalents | 175,490 | 140,153 |
| **CURRENT ASSETS** | **590,795** | **522,378** |
| **TOTAL ASSETS** | **1,737,248** | **1,749,642** |

| EQUITY AND LIABILITIES | | |
|---|---|---|
| **EQUITY** | **707,907** | **652,425** |
| Share capital | 19,835 | 19,835 |
| Reserves of the Parent | 134,907 | 127,970 |
| Reserves of consolidated companies | 519,376 | 490,899 |
| Net profit attributable to the Parent | 43,706 | 24,300 |
| Interim dividend | (9,917) | (10,579) |
| **VALUATION ADJUSTMENTS** | **(67,818)** | **(48,034)** |
| **EQUITY ATTRIBUTABLE TO THE PARENT** | **640,089** | **604,391** |
| **EQUITY OF NON-CONTROLLING INTERESTS** | **237,688** | **266,041** |
| **TOTAL EQUITY** | **877,777** | **870,432** |
| Deferred income | 2,862 | 6,389 |
| Non-current bank borrowings | 427,464 | 462,187 |
| Deferred tax liabilities | 85,139 | 88,955 |
| Provisions | 19,610 | 22,691 |
| Other non-current liabilities | 2,674 | 28,115 |
| **NON-CURRENT LIABILITIES** | **537,749** | **608,337** |
| Current bank borrowings | 167,689 | 107,462 |
| Trade payables | 116,346 | 122,371 |
| Tax payables | 16,870 | 20,627 |
| Other current liabilities | 20,817 | 20,413 |
| **CURRENT LIABILITIES** | **321,722** | **270,873** |
| **TOTAL EQUITY AND LIABILITIES** | **1,737,248** | **1,749,642** |

## CONSOLIDATED INCOME STATEMENT (THOUSANDS OF EUROS)
for the year ended 31 December 2012

| | 2012 | 2011 |
|---|---|---|
| Revenue | 918,120 | 830,661 |
| Other income | 14,740 | 20,066 |
| **INCOME** | **932,860** | **850,727** |
| Procurements | (242,749) | (250,199) |
| Staff costs | (151,361) | (136,465) |
| Change in operating provisions and allowances | (6,563) | (3,218) |
| Other operating expenses | (339,732) | (308,118) |
| Group work on non-current assets | 881 | 1,490 |
| **OPERATING COSTS** | **(739,524)** | **(696,510)** |
| Depreciation and amortisation charge | (76,576) | (68,027) |
| Impairment and gains or losses on disposals of assets | (23,318) | 1,308 |
| Other gains and losses | 33,724 | (51) |
| **PROFIT FROM OPERATIONS** | **127,166** | **87,447** |
| Financial loss | (14,195) | (23,156) |
| Share of results companies accounted for using the equity method | (62) | (55) |
| **PROFIT BEFORE TAX** | **112,909** | **64,236** |
| Income tax | (31,511) | (16,874) |
| **CONSOLIDATED NET PROFIT** | **81,398** | **47,362** |
| Net profit of non-controlling interests | 37,692 | 23,062 |
| **NET PROFIT FOR THE YEAR ATTRIBUTABLE TO THE PARENT** | **43,706** | **24,300** |
| Earnings per share in euros | 0.66 | 0.37 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (THOUSANDS OF EUROS)

for the year ended 31 December 2012

| | | | 2012 | | | 2011 |
|---|---|---|---|---|---|---|
| | Of the Parent | Of non-controlling interests | Total | Of the Parent | Of non-controlling interests | Total |
| **NET PROFIT** | **43,706** | **37,692** | **81,398** | **24,300** | **23,062** | **47,362** |
| **INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY** | **(18,539)** | **(12,313)** | **(30,852)** | **(21,786)** | **(10,380)** | **(32,166)** |
| Arising from hedges | | | | | | |
| Cash flow hedges | (235) | - | (235) | (939) | - | (939) |
| Tax effect | 53 | - | 53 | 285 | - | 285 |
| Arising from translation differences | (18,357) | (12,313) | (30,670) | (21,132) | (10,380) | (31,512) |
| **TRANSFERS TO PROFIT AND LOSS** | **(5,002)** | **-** | **(5,002)** | **-** | **-** | **-** |
| **TOTAL COMPREHENSIVE INCOME** | **20,165** | **25,379** | **45,544** | **2,514** | **12,682** | **15,196** |

## CONSOLIDATED STATEMENT OF CASH FLOWS (THOUSANDS OF EUROS)
for the year ended 31 December 2012

| | 2012 | 2011 |
|---|---|---|
| Cash flows from operating activities | | |
| **PROFIT FROM ORDINARY ACTIVITIES BEFORE TAX** | **112,909** | **64,236** |
| Adjustments for items not giving rise to operating cash flows: | | |
| Depreciation and amortisation charge | 76,576 | 68,027 |
| Change in period provisions for certain and quantifiable losses | 6,563 | 3,218 |
| Impairment and gains or losses on disposals of assets | 23,318 | (1,308) |
| Results of companies accounted for using the equity method | 62 | 55 |
| Finance income and costs | 14,195 | 23,156 |
| Gains on sale of equity instruments | (30,568) | - |
| Deferred income | (5,868) | (2,713) |
| Group work on non-current assets | (881) | (1,490) |
| **CASH GENERATED BY OPERATIONS (I)** | **196,306** | **153,181** |
| **CASH FLOWS FROM CHANGES IN WORKING CAPITAL (II)** | **12,923** | **(49,511)** |
| **INCOME TAX (III)** | **(40,099)** | **(6,087)** |
| **NET CASH FLOWS OBTAINED FROM OPERATING ACTIVITIES (A) = (I) + (II) + (III)** | **169,130** | **97,583** |
| Cash flows from investing activities | | |
| Net changes in cash due to loss of control | (21,987) | - |
| Acquisition / Disposal of guarantees and other non-current financial assets | (346) | (1,466) |
| Change in current financial assets | (5,413) | - |
| Acquisition / Disposal of intangible assets | 4,523 | 776 |
| Acquisition / Disposal of property, plant and equipment | (55,403) | (113,830) |
| Finance income received | 5,018 | 9,832 |
| **NET CASH FLOWS USED IN INVESTING ACTIVITIES (B)** | **(73,608)** | **(104,688)** |
| Cash flows from financing activities | | |
| Change in borrowings | 34,583 | 50,256 |
| Change in other long-term payables | (23,114) | (3,502) |
| Change in other investments | - | (30,058) |
| Payments / Proceeds arising from treasury share transactions | (5,075) | (1,002) |
| Interest paid | (23,868) | (31,476) |
| Dividends paid | (44,447) | (27,883) |
| Change in financing of non-controlling interests | 1,736 | 11,369 |
| **NET CASH FLOWS USED IN FINANCING ACTIVITIES (C)** | **(60,185)** | **(32,296)** |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS (A + B + C)** | **35,337** | **(39,401)** |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **140,153** | **179,554** |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | **175,490** | **140,153** |
| Cash | **42,370** | **31,322** |
| Cash equivalent | **133,120** | **108,831** |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (THOUSANDS OF EUROS)
for the year ended 31 December 2012

| | Share Capital | Reserves of the Parent | Treasury shares | Other reserves of consolidated companies | Translation differences |
|---|---|---|---|---|---|
| **31-12-10** | **19,835** | **113,687** | **(18,397)** | **470,479** | **(25,250)** |
| Distribution of profit | - | 14,283 | - | 37,979 | - |
| Final dividend | - | - | - | - | - |
| 2011 Interim dividend | - | - | - | - | - |
| Treasury shares | - | - | (1,002) | - | - |
| Changes in the scope of consolidation | - | - | - | - | - |
| Transfers | - | - | - | 1,230 | - |
| Other | - | - | - | 610 | - |
| Comprehensive income | - | - | - | - | (21,132) |
| **31-12-11** | **19,835** | **127,970** | **(19,399)** | **510,298** | **(46,382)** |
| Distribution of profit | - | 6,937 | - | 6,123 | - |
| Final dividend | - | - | - | - | - |
| 2012 Interim dividend | - | - | - | - | - |
| Treasury shares | - | - | (5,075) | - | - |
| Changes in the scope of consolidation | - | - | - | - | 3,757 |
| Sale of equity instruments | - | - | - | 27,846 | - |
| Capital increase | - | - | - | - | - |
| Other | - | - | - | (417) | - |
| Comprehensive income | - | - | - | - | (23,359) |
| **31-12-12** | **19,835** | **134,907** | **(24,474)** | **543,850** | **(65,984)** |

| Other valuation adjustments | Profit for the year | Final dividend | Interim dividend | Non-controling interests | Total |
|---|---|---|---|---|---|
| **(998)** | **65,485** | **-** | **(12,562)** | **259,598** | **871,877** |
| - | (65,485) | 661 | 12,562 | - | **-** |
| - | - | (661) | - | (12,083) | **(12,744)** |
| - | - | - | (10,579) | (4,644) | **(15,223)** |
| - | - | - | - | - | **(1,002)** |
| - | - | - | - | 11,369 | **11,369** |
| - | - | - | - | (1,230) | **-** |
| - | - | - | - | 349 | **959** |
| (654) | 24,300 | - | - | 12,682 | **15,196** |
| **(1,652)** | **24,300** | **-** | **(10,579)** | **266,041** | **870,432** |
| - | (24,300) | 661 | 10,579 | - | **-** |
| - | - | (661) | | (33,868) | **(34,529)** |
| - | - | - | (9,917) | - | **(9,917)** |
| - | - | - | - | - | **(5,075)** |
| - | - | - | - | (21,220) | **(17,463)** |
| - | - | - | - | - | **27,846** |
| - | - | - | - | 1,736 | **1,736** |
| - | - | - | - | (380) | **(797)** |
| (182) | 43,706 | - | - | 25,379 | **45,544** |
| **(1,834)** | **43,706** | **-** | **(9,917)** | **237,688** | **877,777** |

# Cementos Molins, S.A. and Subsidiaries

Consolidated Financial Statements and Consolidated Directors' Report for 2012, jointly with Auditor's Report.

Deloitte.

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*Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.*

## AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Cementos Molins, S.A.:

1. We have audited the consolidated financial statements of Cementos Molins, S.A. (the Parent) and Subsidiaries (the Group), which comprise the consolidated balance sheet at 31 December 2012 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended. As indicated in Note 2 to the accompanying consolidated financial statements, the Parent's directors are responsible for the preparation of the Group's consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.

2. In our opinion, the accompanying consolidated financial statements for 2012 present fairly, in all material respects, the consolidated equity and consolidated financial position of Cementos Molins, S.A. and Subsidiaries at 31 December 2012, and the consolidated results of their operations and their consolidated cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group.

3. The accompanying consolidated directors' report for 2012 contains the explanations which the Parent's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2012. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Cementos Molins, S.A. and Subsidiaries.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Raimon Ripoll

Raimon Ripoll

27 February 2013

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

# Cementos Molins, S.A. and Subsidiaries

Consolidated Financial Statements and Consolidated Directors' Report for 2012

*Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 36). In the event of a discrepancy, the Spanish-language version prevails.*

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# CEMENTOS MOLINS, S.A. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2012

(Thousands of euros)

| **ASSETS** | **Notes** | **31/12/12** | **31/12/11** |
|---|---|---|---|
| Intangible assets | 8 | 45,484 | 50,026 |
| Property, plant and equipment | 9 | 964,485 | 1,112,430 |
| Investment property | 11 | 6,324 | 3,428 |
| Non-current financial assets | 12 | 3,027 | 3,605 |
| Investments in companies accounted for using the equity method | 10 | 77,265 | 3,676 |
| Goodwill | 7 | 6,598 | 30,253 |
| Deferred tax assets | 23 | 43,270 | 23,846 |
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| Trade and other receivables | 15 | 183,141 | 209,014 |
| Current financial assets | 12 | 104,088 | 31,525 |
| Cash and cash equivalents | 12 | 175,490 | 140,153 |
| **CURRENT ASSETS** | | **590,795** | **522,378** |
| **TOTAL ASSETS** | | **1,737,248** | **1,749,642** |

| **EQUITY AND LIABILITIES** | **Notes** | **31/12/12** | **31/12/11** |
|---|---|---|---|
| **EQUITY** | | **707,907** | **652,425** |
| Share capital | | 19,835 | 19,835 |
| Reserves of the Parent | | 134,907 | 127,970 |
| Reserves of consolidated companies | | 519,376 | 490,899 |
| Net profit attributable to the Parent | | 43,706 | 24,300 |
| Interim dividend | | (9,917) | (10,579) |
| **VALUATION ADJUSTMENTS** | | **(67,818)** | **(48,034)** |
| **EQUITY ATTRIBUTABLE TO THE PARENT** | 16 | **640,089** | **604,391** |
| **EQUITY OF NON-CONTROLLING INTERESTS** | 17 | **237,688** | **266,041** |
| **TOTAL EQUITY** | | **877,777** | **870,432** |
| Deferred income | | 2,862 | 6,389 |
| Non-current bank borrowings | 21 | 427,464 | 462,187 |
| Deferred tax liabilities | 23 | 85,139 | 88,955 |
| Provisions | 19 | 19,610 | 22,691 |
| Other non-current liabilities | | 2,674 | 28,115 |
| **NON-CURRENT LIABILITIES** | | **537,749** | **608,337** |
| Current bank borrowings | 21 | 167,689 | 107,462 |
| Trade payables | | 116,346 | 122,371 |
| Tax payables | 23 | 16,870 | 20,627 |
| Other current liabilities | | 20,817 | 20,413 |
| **CURRENT LIABILITIES** | | **321,722** | **270,873** |
| **TOTAL EQUITY AND LIABILITIES** | | **1,737,248** | **1,749,642** |

The accompanying Notes 1 to 36 and Appendices I and II are an integral part of the consolidated balance sheet at 31 December 2012.

*Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 36). In the event of a discrepancy, the Spanish-language version prevails. version prevails.*

## CEMENTOS MOLINS, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED
31 DECEMBER 2012
(Thousands of euros)

| | Notes | 2012 | 2011 |
|---|---|---|---|
| Revenue | 6 & 25 | 918,120 | 830,661 |
| Other income | | 14,740 | 20,066 |
| | | **932,860** | **850,727** |
| Procurements | 25 | (242,749) | (250,199) |
| Staff costs | | (151,361) | (136,465) |
| Change in operating provisions and allowances | | (6,563) | (3,218) |
| Other operating expenses | 25 | (339,732) | (308,118) |
| Group work on non-current assets | | 881 | 1,490 |
| | | **(739,524)** | **(696,510)** |
| Depreciation and amortisation charge | | (76,576) | (68,027) |
| Impairment and gains or losses on disposals of assets | 26 | (23,318) | 1,308 |
| Other gains and losses | 4 | 33,724 | (51) |
| **Profit from operations** | | **127,166** | **87,447** |
| Financial loss | 27 | (14,195) | (23,156) |
| Share of profit (loss) of companies accounted for using the equity method | 10 | (62) | (55) |
| **Profit before tax** | | **112,909** | **64,236** |
| Income tax | 23 | (31,511) | (16,874) |
| **Consolidated net profit** | | **81,398** | **47,362** |
| Net profit of non-controlling interests | 17 | 37,692 | 23,062 |
| **Net profit for the year attributable to the Parent** | | **43,706** | **24,300** |
| Earnings per share in euros | 28 | 0.66 | 0.37 |

The accompanying Notes 1 to 36 and Appendices I and II are an integral part of the consolidated income statement for the year ended 31 December 2012.

*Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 36). In the event of a discrepancy, the Spanish-language version prevails.*

## CEMENTOS MOLINS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED
31 DECEMBER 2012
(Thousands of euros)

| | | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|---|
| | Note | Of the Parent | Of non-controlling interests | Total | Of the Parent | Of non-controlling interests | Total |
| **NET PROFIT** | | **43,706** | **37,692** | **81,398** | **24,300** | **23,062** | **47,362** |
| **INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY** | | **(18,539)** | **(12,313)** | **(30,852)** | **(21,786)** | **(10,380)** | **(32,166)** |
| Arising from hedges | Note 21.a | | | | | | |
| Cash flow hedges | | (235) | - | (235) | (939) | - | (939) |
| Tax effect | | 53 | - | 53 | 285 | - | 285 |
| Arising from translation differences | Note 16.h | (18,357) | (12,313) | (30,670) | (21,132) | (10,380) | (31,512) |
| **TRANSFERS TO PROFIT AND LOSS** | | **(5,002)** | **-** | **(5,002)** | **-** | **-** | **-** |
| **TOTAL COMPREHENSIVE INCOME** | | **20,165** | **25,379** | **45,544** | **2,514** | **12,682** | **15,196** |

The accompanying Notes 1 to 36 and Appendices I and II are an integral part of the consolidated statement of comprehensive income at 31 December 2012.

*Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 36). In the event of a discrepancy, the Spanish-language version prevails.*

**CEMENTOS MOLINS, S.A. AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012
(Thousands of euros)

| | **Share capital** | **Reserves of the Parent** | **Treasury shares** | **Other reserves of consolidated companies** | **Translation differences** | **Other valuation adjustments** | **Profit for the year** | **Final dividend** | **Interim dividend** | **Non-controlling interests** | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **31-12-10** | **19,835** | **113,687** | **(18,397)** | **470,479** | **(25,250)** | **(998)** | **65,485** | **-** | **(12,562)** | **259,598** | **871,877** |
| Distribution of profit | - | 14,283 | - | 37,979 | - | - | (65,485) | 661 | 12,562 | - | - |
| Final dividend | - | - | - | - | - | - | - | (661) | - | (12,083) | (12,744) |
| 2011 interim dividend | - | - | - | - | - | - | - | - | (10,579) | (4,644) | (15,223) |
| Treasury shares | - | - | (1,002) | - | - | - | - | - | - | - | (1,002) |
| Changes in the scope of consolidation | - | - | - | - | - | - | - | - | - | 11,369 | 11,369 |
| Transfers | - | - | - | 1,230 | - | - | - | - | - | (1,230) | - |
| Other | - | - | - | 610 | - | - | | | | 349 | 959 |
| Comprehensive income | - | - | - | - | (21,132) | (654) | 24,300 | - | - | 12,682 | 15,196 |
| **31-12-11** | **19,835** | **127,970** | **(19,399)** | **510,298** | **(46,382)** | **(1,652)** | **24,300** | **-** | **(10,579)** | **266,041** | **870,432** |
| Distribution of profit | - | 6,937 | - | 6,123 | - | - | (24,300) | 661 | 10,579 | - | - |
| Final dividend | - | - | - | - | - | - | - | (661) | | (33,868) | (34,529) |
| 2012 interim dividend | - | - | - | - | - | - | - | - | (9,917) | | (9,917) |
| Treasury shares | - | - | (5,075) | - | - | - | - | - | - | - | (5,075) |
| Changes in the scope of consolidation | - | - | - | - | 3,757 | - | - | - | - | (21,220) | (17,463) |
| Sale of equity instruments | - | - | - | 27,846 | - | - | - | - | - | - | 27,846 |
| Capital increase | - | - | - | - | - | - | - | - | - | 1,736 | 1,736 |
| Other | - | - | - | (417) | - | - | | | | (380) | (797) |
| Comprehensive income | - | - | - | - | (23,359) | (182) | 43,706 | - | - | 25,379 | 45,544 |
| **31-12-12** | **19,835** | **134,907** | **(24,474)** | **543,850** | **(65,984)** | **(1,834)** | **43,706** | **-** | **(9,917)** | **237,688** | **877,777** |

*Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 36). In the event of a discrepancy, the Spanish-language version prevails.*

# CEMENTOS MOLINS, S.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2012

| | 2012 | 2011 |
|---|---|---|
| **Cash flows from operating activities** | | |
| **Profit from ordinary activities before tax** | **112,909** | **64,236** |
| **Adjustments for items not giving rise to operating cash flows:** | | |
| Depreciation and amortisation charge | 76,576 | 68,027 |
| Change in period provisions for certain and quantifiable losses | 6,563 | 3,218 |
| Impairment and gains or losses on disposals of assets | 23,318 | (1,308) |
| Results of companies accounted for using the equity method | 62 | 55 |
| Finance income and costs | 14,195 | 23,156 |
| Gains on sale of equity instruments | (30,568) | - |
| Deferred income | (5,868) | (2,713) |
| Group work on non-current assets | (881) | (1,490) |
| **Cash generated by operations (I)** | **196,306** | **153,181** |
| **Cash flows from changes in working capital (II)** | **12,923** | **(49,511)** |
| **Income tax (III)** | **(40,099)** | **(6,087)** |
| **Net cash flows obtained from operating activities (A) = (I) + (II) + (III)** | **169,130** | **97,583** |
| **Cash flows from investing activities** | | |
| Net changes in cash due to loss of control | (21,987) | - |
| Acquisition/Disposal of guarantees and other non-current financial assets | (346) | (1,466) |
| Change in current financial assets | (5,413) | - |
| Acquisition/Disposal of intangible assets | 4,523 | 776 |
| Acquisition/Disposal of property, plant and equipment | (55,403) | (113,830) |
| Finance income received | 5,018 | 9,832 |
| **Net cash flows used in investing activities (B)** | **(73,608)** | **(104,688)** |
| **Cash flows from financing activities** | | |
| Change in borrowings | 34,583 | 50,256 |
| Change in other long-term payables | (23,114) | (3,502) |
| Change in other investments | - | (30,058) |
| Payments/Proceeds arising from treasury share transactions | (5,075) | (1,002) |
| Interest paid | (23,868) | (31,476) |
| Dividends paid | (44,447) | (27,883) |
| Change in financing of non-controlling interests | 1,736 | 11,369 |
| **Net cash flows used in financing activities (C )** | **(60,185)** | **(32,296)** |
| **Net change in cash and cash equivalents (A + B + C)** | **35,337** | **(39,401)** |
| **Cash and cash equivalents at beginning of year** | **140,153** | **179,554** |
| **Cash and cash equivalents at end of year** | **175,490** | **140,153** |
| Cash | 42,370 | 31,322 |
| Cash equivalents | 133,120 | 108,831 |

The accompanying Notes 1 to 36 and Appendices I and II are an integral part of the consolidated statement of cash flows for the year ended 31 December 2012.

*Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 36). In the event of a discrepancy, the Spanish-language version prevails.*

# Cementos Molins, S.A. and Subsidiaries

## Notes to the Consolidated Financial Statements for the year ended 31 December 2012

### 1. Group description and activity

Cementos Molins, Sociedad Anónima ("the Parent"), domiciled in Sant Vicenç dels Horts (Barcelona), at Carretera Nacional 340, nos. 2 to 38, km. 1,242.300, was incorporated by means of a public deed authorised by Barcelona Notary Cruz Usatorre Gracia on 9 February 1928.

It is registered in the Barcelona Mercantile Register on page B 4224 and its employer identification number is A08017535.

The Parent was incorporated for an indefinite period, and is therefore in existence for as long as it does not meet any of the conditions for dissolution set forth in Article 363 of the current Spanish Limited Liability Companies Law.

Its company object, as established in Article 2 of the bylaws, is:

a) The formation and operation of cement, lime and plaster plants. The manufacture of all manner of construction materials. The exploitation of clay, limestone and plaster quarries and deposits, and the formation and operation of companies to perform activities relating to these products;

b) Real estate activities;

c) The acquisition, ownership and disposal of movable property and marketable securities.

The Cementos Molins Group engages mainly in the manufacture and sale of cement and lime, precast concrete and other building materials, the extraction of aggregates, the preparation of concrete and environmental activities.

The Group carries on its activities in Spain, Mexico, Argentina, Uruguay, Tunisia, India, Bangladesh and China.

### 2. Basis of presentation of the consolidated financial statements

**Accounting standards**

The consolidated financial statements for 2012 of the Cementos Molins Group were formally prepared by the Parent's directors in accordance with International Financial Reporting Standards as adopted by the European Union ("EU-IFRSs"), in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, taking into account all the mandatory accounting principles and rules and measurement bases, the Spanish Commercial Code, the Spanish Limited Liability Companies Law and all other applicable Spanish corporate law and, accordingly, they present fairly the Cementos Molins Group's equity and financial position at 31 December 2012 and the results of its operations, the changes in equity and in the consolidated statement of comprehensive income and the Group's consolidated cash flows for the year then ended.

The accompanying consolidated financial statements were prepared from the separate accounting records of Cementos Molins, S.A. and of each of the consolidated companies (detailed in Appendices I and II) so that they present fairly the equity, financial position and results of the Cementos Molins Group under EU-IFRSs. However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements for 2012 may differ from those used by certain Group companies, the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with International Financial Reporting Standards.

The accompanying consolidated financial statements of the Cementos Molins Group for 2012 were formally prepared by the Parent's Board of Directors and will be submitted for approval by the shareholders at the Annual General Meeting of Cementos Molins, S.A., and it is considered that they will be approved without any changes. The consolidated financial statements of the Cementos Molins Group for 2011 were approved by the shareholders at the Annual General Meeting of Cementos Molins held on 31 May 2012.

EU-IFRSs provide for certain alternatives regarding their application. The alternatives applied by the Group in preparing the accompanying consolidated financial statements for 2012 are detailed in Note 3 'Accounting Policies and Measurement Bases'.

The accounting policies used to prepare these consolidated financial statements comply with all IFRSs in force at the date of their presentation.

**Basis of consolidation**

The Group companies over which effective control is exercised by virtue of ownership of a majority of the voting power in their representation and decision-making bodies were fully consolidated (see Appendix I).

Investments in joint ventures, which are those which the Group jointly manages with other shareholders, were proportionately consolidated (see Appendix II).

Investments in associates were accounted for using the equity method.

Non-controlling interests represent the share attributable to them of the equity and results at 31 December 2012 of the fully consolidated companies, and they are presented under “Equity of Non-Controlling Interests” in the accompanying consolidated balance sheet and under “Net Profit of Non-Controlling Interests” in the accompanying consolidated income statement.

The financial statements of foreign companies were translated using the year-end exchange rate method, using as a general rule the exchange rates prevailing at 31 December of each year for balance-sheet items, except for share capital and reserves, which were translated at the historical exchange rates, while income-statement items were translated at the average exchange rates for the year, recognising any differences under "Equity Attributable to the Parent - Translation Differences" in the accompanying consolidated balance sheet.

The Cementos Molins Group does not have any investments in companies whose functional currency differs from the local currency in which their financial statements are presented.

The translation differences included in the changes in non-current assets arose from application of the year-end exchange rate method in the consolidation of foreign companies and are recognised under “Equity - Translation Differences”.

All accounts and transactions between consolidated companies were eliminated on consolidation.

The Group used the acquisition method in all cases of business combinations that occurred subsequent to the date of transition to EU-IFRSs when accounting for these transactions and recognised as goodwill arising from the combination the difference between the cost of the combination and the net fair value of the acquired company's identified and recognised assets, liabilities and contingent liabilities.

**Comparative information**

The information relating to 2012 contained in these notes to the consolidated financial statements is presented, for comparison purposes, with information relating to 2011.

The consolidated income statement includes the reclassification from "Impairment and Gains or Losses on Disposals of Assets" and "Other Gains and Losses" for 2011, of a gain of EUR 1,308 thousand and a loss of EUR 51 thousand, respectively, to "Profit from Operations" to facilitate comparison of the information presented under both headings in 2012.

**Currency**

These consolidated financial statements are presented in euros since this is the currency of the primary economic environment in which the Group operates. Transactions denominated in functional currencies other than the euro are recognised in accordance with the policies described in Note 3.

**Responsibility for the information and use of estimates**

The information in these consolidated financial statements is the responsibility of the Parent's directors, who have verified that the various controls established to ensure the quality of the financial and accounting information prepared by them have operated effectively.

In the Group's accompanying consolidated financial statements judgments and estimates were occasionally made by management of the Parent and of the consolidated companies in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The useful life of the property, plant and equipment and intangible assets;
- The impairment losses on certain assets;
- The assumptions used in the actuarial calculation of the pension obligations; and
- The provisions for obligations to third parties and contingent liabilities.

Although these judgments and estimates were made on the basis of the best information available at 31 December 2012 on the events analysed, events that take place in the future (economic events, regulatory changes, etc.) might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be recognised in the related consolidated income statements or in consolidated equity, as appropriate.

## 3. Accounting policies and measurement bases

The principal accounting policies used in preparing the accompanying consolidated financial statements, in accordance with International Financial Reporting Standards and the interpretations in force at the time of preparing these consolidated financial statements, were as follows:

### a) Changes in accounting policies and in disclosures of information effective in 2012

The following standards (IFRSs) and interpretations (IFRICs) came into force in the reporting period that began on 1 January 2012, although they did not have a material impact or were not applicable to the Group in these consolidated financial statements:

- Amendments to IAS 12, Income Taxes - Deferred Taxes Arising from Investment Property. Effective for annual reporting periods beginning on or after 1 January 2012. (Effective under EU-IFRSs on or after 1 January 2013)

- Amendments to IFRS 7, Disclosure for Derecognition of Financial Assets. Effective for annual reporting periods beginning on or after 1 July 2011. Approved for use by the EU.

These consolidated financial statements were prepared without taking into account the EU-IFRSs, amendments thereto and interpretations that have been issued but will come into force on or after 1 January 2013, which are detailed below:

- Amendments to IAS 1, Presentation of Items of Other Comprehensive Income: minor amendments relating to the presentation of items of other comprehensive income. The standard is applicable for annual reporting periods beginning on or after 1 July 2012. Approved for use by the EU.

- Amendments to IAS 19, Employee Benefits. Effective for annual reporting periods beginning on or after 1 January 2013. Approved for use by the EU.

- IFRS 9, Financial Instruments. Effective for annual reporting periods beginning on or after 1 January 2015. Not yet adopted by the EU.

- IFRS 10, Consolidated Financial Statements. Effective for the IASB for annual reporting periods beginning on or after 1 January 2013. (Effective under EU-IFRSs on or after 1 January 2014).

- IFRS 11, Joint Arrangements. Effective for the IASB for annual reporting periods beginning on or after 1 January 2013. (Effective under EU-IFRSs on or after 1 January 2014).

- IFRS 12, Disclosure of Interests in Other Entities. Effective for the IASB for annual reporting periods beginning on or after 1 January 2013. (Effective under EU-IFRSs on or after 1 January 2014).

- IFRS 13, Fair Value Measurement. Effective for annual reporting periods beginning on or after 1 January 2013.

- IAS 27, Separate Financial Statements. Effective for the IASB for annual reporting periods beginning on or after 1 January 2013. (Effective under EU-IFRSs on or after 1 January 2014).

- IAS 28, Investments in Associates and Joint Ventures. Effective for the IASB for annual reporting periods beginning on or after 1 January 2013. (Effective under EU-IFRSs on or after 1 January 2014).

- Amendments to IAS 32, Financial Instruments: Presentation: amendments in relation to offsetting financial assets and financial liabilities. The standard is applicable for annual reporting periods beginning on or after 1 January 2014.

- Amendments to IFRS 7, Financial Instruments: amendments to disclosures in relation to offsetting financial assets and financial liabilities. The standard is applicable for annual reporting periods beginning on or after 1 January 2013.

- Improvements to IFRSs, 2009-2011 cycle: minor amendments to a series of standards (IAS 1, IAS 16, IAS 32 and IAS 34). Applicable for annual reporting periods beginning on or after 1 January 2013. Not yet adopted by the EU.

- IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine. Applicable for annual reporting periods beginning on or after 1 January 2013.

The Group's directors do not expect application of these standards and interpretations, where applicable, to have a significant impact on future consolidated financial statements, with the exception of the impact of the application of IFRS 10, Consolidated Financial Statements and IFRS 11, Joint Arrangements. These standards provide, inter alia, for the elimination of the option of proportionate consolidation of joint ventures and, accordingly, such interests will be accounted for using the equity method.

This change of policy would entail, in the consolidated balance sheet and in regard to interests in joint ventures, the elimination of non-controlling interests from consolidated equity along with their contributions to the other asset and liability items and the recognition of a non-current financial asset for the value of the percentage of the equity of the investee represented by the interest. With respect to the consolidated income statement, the profit or loss contributed by these investments would be recognised under "Share of Profit (Loss) of Companies Accounted for Using the Equity Method", and, therefore, the contributions of these investees would be eliminated from the various headings in the consolidated income statement.

## b) Intangible assets

Intangible assets are recognised initially at acquisition or production cost. If applicable, they are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets comprise administrative concessions, licences, trademarks, computer software and quarry prospecting and preparation expenditure.

In addition, there are intangible assets (trademarks) which are considered to have an indefinite useful life and, therefore, their contribution to profits are deemed not to be limited in time.

Quarry prospecting and preparation assets are measured at the cost incurred and are recognised when the legal rights to operate the quarry have been granted and once the technical and economic feasibility of each project has been guaranteed. They are transferred to profit or loss on the basis of the rate of extraction of the mineral resource in relation to the maximum assessed capacity. Expenses related to the exploration and assessment of mineral resources prior to ascertaining the technical feasibility and commercial viability thereof are scantly material with respect to the accompanying consolidated financial statements.

The companies amortise their intangible assets by the straight-line method over the following years of estimated useful life:

| | Years of estimated useful life |
|---|---|
| Computer software | 3 to 6 |
| Administrative concessions | 10 to 20 |
| Other | 5 to 10 |

Emission allowances:

In 2008 Cementos Molins Industrial S.A.U. received emission allowances equal to 5.7 million tonnes of $CO_2$ for the period 2008-2012, at a rate of 1.1 million tonnes for each year of the period, in accordance with the National Allocation Plan established by the Spanish Ministry of the Environment.

On 23 April 2012, the Secretariat of State for the Environment published the list of facilities that had requested to be allocated emission allowances for the period 2013-2020, and the proposed assignment of emission allowances for each of the aforementioned facilities. The Secretariat of State for the Environment proposed that Cementos Molins Industrial, S.A.U. be allocated emission allowances of 1,007,245 tonnes at zero cost for each year of the period 2013-2020.

The emission allowances granted at zero cost for 2008-2012 through the National Allocation Plan are recognised at market value on the asset side of the consolidated balance sheet under “Intangible Assets” with a credit to “Deferred Income”. These grants are recognised in the consolidated income statement under “Other Operating Income” as the $CO_2$ emissions for which the allowances were granted are made. Also, a provision for contingencies and charges is recognised to reflect the obligation to return $CO_2$ emission allowances in accordance with the criteria laid down in the National Allocation Plan, with a charge to “Other Operating Expenses” in the consolidated income statement. The amount of this provision is determined taking into account that the obligation will be offset through the return of the emission allowances granted at zero cost to the company under the National Allocation Plan or through other emission allowances banked in the consolidated balance sheet or acquired or generated subsequently.

If, at the balance sheet date, the $CO_2$ emissions made during the production process made it necessary to purchase emission allowances because actual emissions exceed the emissions corresponding to the emission allowances held by the Group at that date, the provision for this shortfall would be quantified at the market value of the emission allowances at the balance sheet date (see Note 29).

**c) Goodwill arising on consolidation**

Any differences between the cost of the investments in the share capital of the Group companies or associates and the related underlying carrying amounts, adjusted at the date of first-time consolidation, are allocated as follows:

- If they are attributable to specific assets and liabilities of the companies acquired, adjusting the value of the assets and liabilities whose market values differ from the carrying amounts shown in their balance sheets.
- If they are attributable to specific unrecognised intangible assets, recognising them explicitly in the consolidated balance sheet.
- The remaining amount is recognised as goodwill arising on consolidation, which is allocated to one or more specific cash-generating units.

Goodwill is only recognised when it has been acquired for consideration and represents, therefore, a payment made, or to be made with reasonable certainty, by the acquirer in anticipation of future economic benefits arising from the use of the assets of the acquired company.

At the end of each reporting period goodwill is reviewed for impairment (i.e. a reduction in value to below its carrying amount (see Note 3-h)) and, if there is any impairment, the goodwill is written down with a charge to “Impairment and Gains or Losses on Disposals of Assets” in the consolidated income statement. An impairment loss recognised for goodwill must not be reversed in a subsequent period.

On the sale of a Group company or associate, the attributable amount of goodwill, if any, is included in the determination of the gain or loss on the sale.

**d) Property, plant and equipment**

Property, plant and equipment are recognised at acquisition or production cost

The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

Group work on property, plant and equipment is determined on the basis of in-house warehouse materials consumed and labour costs.

Borrowing costs directly attributable to the acquisition or production of certain assets are capitalised until the assets are brought into operating condition, provided that the total value of the asset does not exceed its realisable value.

Upkeep and maintenance expenses are charged to the consolidated income statement for the year in which they are incurred.

Items in the course of construction are transferred to property, plant and equipment in use once the installation and start-up period has ended.

The companies depreciate their property, plant and equipment on a straight-line basis over the following years of estimated useful life:

| | Years of estimated useful life |
|---|---|
| Buildings | 33 to 68 |
| Plant | 8 to 20 |
| Machinery | 8 to 18 |
| Tools | 3 to 8 |
| Furniture | 10 to 15 |
| Computer hardware | 4 to 8 |
| Transport equipment | 8 to 18 |

**e) Government grants**

Non-refundable government grants received are measured at the amount granted. Grants related to income are taken directly to income. Grants related to assets are recognised in income in proportion to the period depreciation taken on the assets associated with these grants. In the case of non-depreciable assets, the grants are recognised in income in the year in which the assets are disposed of, become impaired or are derecognised.

The Group chose to present grants related to assets as reductions of the carrying amount of the assets to which they relate, rather than presenting them as deferred income in the consolidated balance sheet.

Emission allowances: see Note 29.

**f) Leases**

Finance leases

For finance leases in which the Group companies act as lessee, the cost of the leased assets is presented in the consolidated balance sheet based on the nature of the leased asset and, simultaneously, a liability for the same amount is recognised. This amount is the lower of the fair value of the leased asset and the present value, at the inception of the lease; of the minimum lease payments agreed upon, including the purchase option, when there is no reasonable doubt that it will be exercised. The minimum lease payments do not include contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor. The total finance charges arising under the lease are allocated to the income statement for the year in which they are incurred using the effective interest method. Contingent rent is recognised as an expense in the year in which it is incurred.

Leased assets are depreciated, based on their nature, using similar criteria to those applied to the items of property, plant and equipment that are owned.

Operating leases

In operating leases, the ownership of the leased asset and substantially all the risks and rewards relating to the leased asset remain with the lessor.

When the consolidated companies act as the lessee, lease costs are recognised in the income statement on an accrual basis.

**g) Investment property**

"Investment Property" includes assets, mainly land and buildings, held to earn rentals or for long-term capital appreciation for the Group, rather than for use in production or for administrative purposes.

Property, plant and equipment are initially measured at cost revalued pursuant to the applicable legislation, and, in the case of buildings, depreciated on a straight-line basis at 3% per annum.

**h) Impairment of property, plant and equipment, intangible assets and goodwill**

At each balance sheet date the companies review the carrying amounts of the property, plant and equipment and intangible assets with finite useful lives to assess whether there is any indication that the assets might have suffered an impairment loss. If any such indication exists, an estimate of the recoverable amount of these assets is made to determine the impairment loss incurred. Where the asset analysed does not generate cash flows that are independent from other assets, the Group estimates the fair value of the cash-generating unit to which the asset belongs.

Property, plant and equipment and intangible assets with indefinite useful lives not subject to systematic depreciation or amortisation, respectively, are tested for impairment at least annually, or where there is an indication that the asset might have suffered an impairment loss.

The recoverable amount of an asset subject to impairment is the higher of fair value less costs to sell and value in use. In order to estimate value in use, the future cash flows of the asset analysed (or of the cash-generating unit to which it belongs, as appropriate) are discounted to their present value using a discount rate that reflects both the time value of money and the risk specific to the asset. Where the recoverable amount of an asset is estimated to be less than its carrying amount, the difference is recognised with a charge to "Impairment Losses" in the consolidated income statement. Impairment losses recognised for an asset are reversed with a credit to this heading when the related recoverable amounts are expected to increase, thereby increasing the value of the asset up to the limit of the carrying amount that would have been determined had no impairment loss been recognised, except for goodwill and intangible assets with indefinite useful lives, the impairment losses on which are not reversible.

The method used to test impairment distinguishes between assets associated with businesses with indefinite and finite lives. Financial projections with a particular time frame and a perpetuity are used for businesses with indefinite lives. Projections in accordance with the actual lives of the assets or lines of business are used for businesses with finite lives. In both cases the projections are based on reasonable and well-founded assumptions.

Any losses arising from the excess of cost over the recoverable amount of these assets at the balance sheet date are allocated to the assets to which they relate (see Notes 7, 8 and 9).

The following discount rates were used to test for impairment:

**After tax rates in euros**

| | Spain | Tunisia |
|---|---|---|
| Discount rate | 7.1% | 8.1% |

**Equivalent rate before tax in local currency**

| | Tunisia |
|---|---|
| Discount rate | 11.29% |

The growth rates used are equivalent nominal rates: the after-tax calculation in euros is tied to inflation in the euro zone, estimated at 2%. The pre-tax calculations are tied to the inflation in each of their respective countries. This represents growth in real terms of close to zero.

Analysis by country:

In all cases, the key assumptions of these projections refer to:

- Production volume and sales
- Selling price and production costs

**Spain**

Five-year cash flow projections of the businesses were used and, consequently, an impairment loss of EUR 316 thousand was recognised on the goodwill. In addition, as a result of a halt in activity, property, plant and equipment related to the concrete, aggregate and precast businesses suffered an impairment loss of EUR 1,468 thousand.

Key assumptions used in the cash flow projections:

Production volume and sales

Based on market projections, the assumptions used indicate that after the decrease in production activity in 2012, and the fall forecast for 2013, an improvement in markets and sales is expected in subsequent periods, of varying intensity depending on the business in question. In certain businesses, such as the concrete and precast concrete businesses, the increase in exports and the inauguration of new businesses abroad has had a positive impact.

Selling prices and costs

Various assumptions were made on the basis of the business analysed (concrete, aggregates, mortars, etc.). Following the price adjustments in recent years, including 2012, prices are expected to recover in the medium term with subsequent increases basically in line with inflation.

Sensitivity analysis

In general, sensitivity was analysed in accordance with the changes in the main variables of the various businesses, without observing any possible impairment in the assets under analysis, except for that mentioned above.

**Tunisia**

The goodwill and the assets used for the production and sale of white cement at Sotacib were analysed. For this purpose five-year cash flow projections were used.

*Production volume and sales:*

The social instability in Tunisia caused problems in the operation of the Company's plant. Also, the Company had problems marketing products in the Libyan and Algerian markets. These two markets are the Company's main export destinations, representing 80% of exports and around 50% of total company sales in tonnes.

*Selling price and costs:*

As regards prices, it was not possible to pass on the estimates envisaged in the domestic and export markets. Production costs increased above the increase in the costs of the other materials.

Also, it should be noted that a capital increase of TND 20 million was approved, 50% of which was paid, to address the liquidity problems caused by the aforementioned marketing problems, the difficulty of passing on sale prices and cost increases.

Considering the foregoing and after reviewing and updating the assumptions used to make the financial projections, the Company wrote off the remainder of the goodwill allocated to Sotacib of EUR 21.6 million.

**i) Financial instruments**

**Financial assets**

The Group determines the most appropriate classification for each financial asset on acquisition and such classification is reviewed at the end of each year. Current and non-current financial assets are classified into the following categories:

- <u>Held-for-trading financial assets</u>: assets acquired mainly for the purpose of generating a profit as a result of changes in value.

  The assets included in this category are recognised at fair value in the accompanying consolidated balance sheet, and changes in value are recognised in the accompanying consolidated income statement under "Finance Costs" or "Finance Income", as appropriate.

- <u>Loans and receivables</u>: these are recognised initially at fair value, and are subsequently measured at amortised cost using the effective interest rate.

  The Group makes the appropriate provisions with a charge to income for the difference between the amount of the receivables expected to be recovered and the carrying amount at which they are recognised.

- <u>Held-to-maturity investments</u>: these are financial assets that the Group has the intention and ability to hold to the date of maturity, and are recognised at amortised cost using the effective interest rate.

- <u>Factoring transactions</u>: the Group derecognises the financial assets when they expire or when the rights to the cash flows from the financial asset have been transferred and substantially all the risks and rewards of ownership of the financial assets have also been transferred, where the Group does not retain any credit or interest rate risk.

- <u>Available-for-sale financial assets</u>: these are any assets that do not fall into any of the above four categories. These investments are carried at year-end fair value in the consolidated balance sheet. In the case of investments in unlisted companies, fair value is obtained through alternative methods such as comparison with similar transactions, or by discounting expected cash flows. Changes in fair value are recognised with a charge or credit to "Valuation Adjustments" in consolidated equity. On disposal of these investments, the cumulative net valuation adjustments are recognised in full in the consolidated income statement.

  Investments in the share capital of unlisted companies whose fair values cannot be measured reliably are measured at acquisition cost.

**Financial liabilities**

Financial liabilities include accounts payable by the Group that have arisen from the purchase of goods or services in the normal course of the Group's business and those which, not having commercial substance, cannot be classed as derivative financial instruments.

Accounts payable are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost.

Liability derivative financial instruments are measured at fair value using the same methods as those described above for held-for-trading financial assets.

The Group derecognises financial liabilities when the obligations giving rise to them cease to exist.

**j) Derivative financial instruments and hedge accounting**

The Cementos Molins Group had not identified any embedded derivatives (forward contracts at a fixed price) at any of the Group companies at 2012 year-end.

The transactions with financial derivatives at year-end relate to:

- Interest rate hedges on certain borrowings.
- Foreign currency hedging transactions in Bangladesh for intra-Group commercial transactions with India.
- Foreign currency hedging transactions in Bangladeshi to hedge the payment flows of debt denominated in foreign currencies. The aforementioned hedges are for a short period of up to a maximum of six months on the basis of local market possibilities.

The Group's use of financial derivatives is governed by financial risk management policies, which provide guidelines for their use.

Cementos Molins does not use derivative financial instruments for speculative purposes.

The accounting treatment of hedging transactions with derivative instruments is as follows:

- <u>Fair value hedges</u>

  Changes in the market value of the derivative financial instruments designated as hedges and of the hedged items are charged or credited to "Financial Loss" in the consolidated income statement.

- <u>Cash flow hedges</u>

  Changes in the market value of these derivative financial instruments are recognised, for the effective portion, directly in equity, whereas the ineffective portion is recognised in the consolidated income statement. The amount recognised in equity is not transferred to the consolidated income statement until the results of the hedges are recognised therein or until the expiry of these transactions.

  If hedge accounting is discontinued, the loss or gain accumulated in equity at that date is retained in equity until the hedged transaction occurs, at which time it will be allocated to profit or loss as an addition to or a reduction of the results of the transaction. The market value of the various financial instruments relates to their market price at the end of the reporting period.

**k) Investments in companies accounted for using the equity method**

Investments accounted for using the equity method are stated at the value of the share of the net assets of the investee, increased by the value of the goodwill still existing at the reporting date.

Investments arising from a loss of control accounted for using the equity method, are recognised at their fair value at the time of the transaction.

**l) Shares of the Parent**

The Parent's treasury shares, which are listed, are recognised at acquisition cost as a deduction from equity.

Gains or losses on the purchase, sale, issue or retirement of the Parent's own equity instruments are recognised directly in equity.

**m) Non-current assets and disposal groups classified as held for sale**

The Group classifies a non-current asset or disposal group as held for sale when the decision to sell it has been taken and the sale is expected to occur within twelve months.

These assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets classified as held for sale are not depreciated, but rather at the end of each reporting period the related valuation adjustments are made to ensure that the carrying amount is not higher than fair value less costs to sell.

Income and expenses arising from non-current assets and disposal groups classified as held for sale which do not qualify for classification as discontinued operations are recognised under the related heading in the income statement on the basis of their nature.

**n) Inventories**

Raw materials and supplies are recognised at the lower of acquisition cost and market value. In the most general case, acquisition cost is calculated by reference to the annual average cost.

Finished goods and work in progress are measured at average cost (materials, labour and direct and indirect manufacturing expenses).

Obsolete, defective or slow-moving inventories have been reduced to realisable value.

Any losses arising from the excess of cost over the realisable value of the inventories at the balance sheet date are recognised under "Write-downs".

**o) Debts**

Debts are recognised at nominal value. Debts due to be settled within more than twelve months are classified as non-current liabilities and those due to be settled within twelve months as current liabilities. Interest expenses are recognised on a time proportion basis in the year in which they accrue.

In accordance with IAS 32 and IAS 39, debt arrangement expenses are recognised in the accompanying consolidated balance sheet as a deduction from the related debt and are recognised in the consolidated income statement over the same period as the term of the debt.

**p) Pensions and similar obligations**

The pension obligations to the employees at the Spanish companies adhere to the provisions of the collective agreements in force, which are arranged through occupational pension plans under Law 8/1987, and are defined contribution plans. The amounts contributed are recognised in full under “Staff Costs - Contributions to Pension Plans”.

The defined benefit obligations for Cementos Molins, S.A. and Cementos Molins Industrial, S.A.U. are limited to the group of retirees prior to conversion of the obligation under the collective agreement into a defined contribution obligation and to the non-unionised employees belonging to the Corporación Moctezuma Group.

Methods applied in the valuations

The amount of the defined retirement benefit obligations was determined using the following techniques:

- Valuation method: the actuarial valuations were calculated on a projected unit credit basis, which is the method accepted under IFRSs. The value of the pension obligations is calculated on the basis of the present value of the benefit obligations and takes into account the number of years of service by employees.
- Actuarial assumptions employed: unbiased and mutually consistent.
- The estimated retirement age of each employee is the first at which the employee would be entitled to retire under the employment and social security legislation in force in each country taking into account, if any, such labour agreements as might be entered into pursuant to current legislation.

The regular contributions made during the year, made up basically of the ordinary cost and, where applicable, the risk premium, are recognised with a charge to the consolidated income statement for the year.

At the balance sheet date, the positive difference between the present value of the defined benefit liabilities and the fair value of the plan assets is recognised as a liability in the consolidated balance sheet. If this difference is negative, it is recognised as an asset in the consolidated balance sheet only for the portion relating to the present value of any future economic benefits that could become available through plan redemptions or reductions in future plan contributions.

Actuarial gains and losses that could arise due to either increases or decreases in the present value of the defined benefit liabilities, or to changes in the fair value of the plan assets, are recognised directly in profit or loss. Actuarial gains and losses arise from variances between the estimated and actual performance of actuarial assumptions or the restatement of established actuarial assumptions.

The causes of these gains and losses include the following:

- The effect of changes in estimates of the rates of employee turnover, mortality, early retirement and employee salary increase, and the effect of changes in benefits due to variances in inflation, and

- the differences between the actual and projected return on plan assets (discount rate used).

**q) Provisions and contingent liabilities**

1. Provisions: the Group recognises a provision where it has an obligation to a third party arising from past events, the settlement of which will give rise to an outflow of economic benefits whose amount and/or timing are not known with certainty but can be estimated with reasonable reliability.

Provisions are quantified on the basis of the best information available on the event and its consequences and are reviewed and adjusted at the end of each year. Provisions are used to cater for the specific risks for which they were originally recognised, and are fully or partially reversed when such risks cease to exist or are reduced.

The provision for third-party liability includes emission allowances and quarry restoration costs.

The Group's policy for companies which have acquired restoration obligations on the basis of the applicable legislation in each country in which they operate is to recognise a provision for the restoration costs incurred in proportion to the percentage of completion of the operation and an additional provision for restoration costs to be incurred only once the operation has been completed.

In relation to the latter costs, the Group considers as acquisition costs of the assets the related site restoration costs, to the extent that they must be considered a provision for future costs (IAS 37, Provisions, Contingent Liabilities and Contingent Assets). Consequently, restoration costs must be recognised at their discounted amount, provided that the effect of discounting is significant, and must be amortised over the asset's useful life or pattern of consumption. The provision must be reduced by the restoration costs actually incurred.

2. Contingent liabilities: contingent liabilities are possible obligations that arise from past events and whose future materialisation and associated loss are estimated to be unlikely. In accordance with EU-IFRSs, the Group does not recognise any provision in this connection. However, as required, they are disclosed.

   Emission allowances: see Note 29.

**r) Termination benefits**

Under the legislation prevailing in each case, the Spanish consolidated companies and certain Group companies located abroad are required to pay termination benefits to employees terminated without just cause.

**s) Revenue and expense recognition**

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. In accordance with the principles laid down in the EU-IFRS conceptual framework, the Group recognises revenue when it is earned together with all the required associated expenses. Sales of goods are recognised when the goods are delivered and the risks and rewards incidental to ownership have been substantially transferred.

Dividend income from investments in financial assets is recognised when the shareholder's rights to receive payment have been established.

Gains and losses arising from the sale or retirement of an asset are determined as the difference between the carrying amount of the asset and its selling price, which is recognised in the consolidated income statement.

Construction contracts: work in progress (Prefabricaciones y Contratas, S.A.U.)

Where the outcome of a contract in progress can be estimated reliably, contract revenue is recognised by reference to the stage of completion at the balance sheet date, i.e. by the proportion that costs incurred for work performed to date bear to the estimated total costs until completion.

Where the outcome of a contract in progress cannot be estimated reliably, contract revenue is recognised to the extent of costs incurred that are reasonably expected to be recovered in the future.

If it is probable that contract costs will exceed total contract revenue, the expected loss is recognised immediately.

If the actual progress of works exceeds progress billings, the costs incurred but not yet billed are recognised under “Inventories - Work in Progress and Semifinished Goods” in the accompanying consolidated balance sheet.

**t) Income tax**

The current income tax expense is the amount payable by the Group as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax assets are recognised to the extent that it is considered probable that the Group will have taxable profits in the future against which the deferred tax assets can be utilised.

Also, at consolidated level, any differences between the consolidated carrying amount of an investment in an investee and the related tax base are also taken into account. In general, such differences arise from the undistributed profits generated since the date of acquisition of the investee, from tax credits associated with the investment and, in the case of investees with a functional currency other than the euro, from translation differences. The deferred tax assets and deferred tax liabilities arising from these differences are recognised, unless, in the case of taxable temporary differences, the investor is able to control the timing of the reversal of the temporary difference and, in the case of deductible temporary differences, it is probable that the temporary difference will reverse in the foreseeable future and it is probable that the Group will have sufficient future taxable profits.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised in equity.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability.

The amount of tax credits that are expected to be taken is also recognised (see Note 23).

Cementos Molins, S.A. files consolidated tax returns as provided for in Chapter VII of Title VII of Legislative Royal Decree 4/2004, of 5 March, approving the Consolidated Spanish Corporation Tax Law. The companies forming the group for tax purposes: Cementos Molins, S.A., Cementos Molins Industrial, S.A.U., Cemolins Internacional, S.L.U., Prefabricados y Contratas, S.A.U., Promotora Mediterránea-2, S.A., Propamsa, S.A.U. and Monsó-Boneta, S.L. file consolidated tax returns. Consequently, the consolidated income tax expense includes the benefits arising from the use of tax loss and tax credit carryforwards that would not have been recognised had the companies that make up the aforementioned tax group filed individual tax returns.

**u) Earnings per share**

Basic earnings per share are calculated by dividing net profit attributable to the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing diluted net profit attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, adjusted by the weighted average number of effective ordinary shares that would have been outstanding assuming the conversion of all the potential ordinary shares into ordinary shares of the Parent. For these purposes, it is considered that the shares are converted at the beginning of the year or at the date of issue of the potential ordinary shares, if the latter were issued during the current period.

In the case of the Molins Group, the weighted average number of shares is not diluted since there are no additional equity instruments.

**v) Foreign currency transactions**

The Group's functional currency is the euro. Balances in foreign currencies are translated to euros in two consecutive phases:

- Translation of foreign currencies to the subsidiaries' functional currencies, and

- Translation to euros of balances held in the functional currencies of the subsidiaries whose functional currency is not the euro.

Transactions in foreign currencies by the consolidated companies are initially recognised in their respective financial statements at the equivalent value in their functional currencies based on the exchange rates prevailing at the date of the transaction. Subsequently, for the purposes of presentation in their separate financial statements, the consolidated companies translate the balances in foreign currencies to their functional currencies using the exchange rates prevailing at the balance sheet date.

The balances in the financial statements of consolidated companies whose functional currency is not the euro are translated to euros as follows:

- Assets and liabilities are translated by applying the exchange rates prevailing at the balance sheet date.

- Income, expenses and cash flows are translated at the average exchange rates for the year.

- Equity is translated at the historical exchange rates.

The average and closing spot rates used in the translation to euros of the balances in foreign currencies were as follows:

| **1 euro** | **31/12/12** | | **31/12/11** | |
|---|---|---|---|---|
| | Average | Closing | Average | Closing |
| US dollar | 1.293 | 1.319 | 1.400 | 1.294 |
| Argentine peso | 5.919 | 6.489 | 5.803 | 5.569 |
| Mexican peso | 17.001 | 17.136 | 17.456 | 18.047 |
| Uruguayan peso | 26.324 | 25.595 | 26.914 | 25.746 |
| Bangladeshi taka | 105.667 | 105.222 | 104.275 | 106.035 |
| Indian rupee | 70.179 | 72.273 | 66.786 | 68.921 |
| Tunisian dinar | 2.016 | 2.048 | 1.965 | 1.938 |
| Chinese yuan | 8.161 | 8.293 | 9.022 | 8.153 |

The financial balances held in euros by the companies included in the scope of consolidation do not give rise to exchange differences in the consolidated financial statements.

**w) Transactions with related parties**

The Group performs all its transactions with related parties on an arm's length basis. Also, the transfer prices are adequately supported and, therefore, the Parent's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

**x) The environment**

The Group companies generally classify the amounts used for the protection and enhancement of the environment as environmental expenses. However, the amounts relating to items added to fixtures, machinery and equipment used for this purpose are capitalised.

**y) Consolidated statement of cash flows**

The following terms are used in the consolidated statement of cash flows with the meanings specified:

- Cash flows: inflows and outflows of cash and equivalent financial assets, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

- Operating activities: the Group's principal revenue-producing activities and other activities that are not investing or financing activities.

- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Group companies that are not operating activities.

**z) Current/Non-current classification**

Current assets are assets associated with the normal operating cycle, which in general is considered to be one year; other assets which are expected to mature, be disposed of or be realised within twelve months from the end of the reporting period; financial assets held for trading, except for financial derivatives that will be settled in a period exceeding one year; and cash and cash equivalents. Assets that do not meet these requirements are classified as non-current assets.

Similarly, current liabilities are liabilities associated with the normal operating cycle, financial liabilities held for trading, except for financial derivatives that will be settled in a period exceeding one year; and, in general, all obligations that will mature or be extinguished at short term. All other liabilities are classified as non-current liabilities.

## 4. Business combinations

**Disposal of shares of Cementos Avellaneda, S.A. and Cementos Artigas, S.A.**

On 27 December 2012, shares representing 10.61% and 12.61%, respectively, of Cementos Avellaneda, S.A, and Cementos Artigas, S.A. were disposed of for EUR 45.5 million and EUR 18.9 million, respectively.

As a result of the aforementioned disposals, the ownership interests in the share capital of Cementos Avellaneda, S.A. and Cementos Artigas, S.A. were reduced from 61.61% to 51% and from 61.61% to 49%, respectively.

In the case of the first of the disposals, and in accordance with IAS 27, once control over a company is obtained, subsequent transactions in which the Parent acquires further ownership interests from non-controlling interests or disposes of investments without losing control are accounted for as transactions with equity instruments. Based on the foregoing, "Reserves of Consolidated Companies" and "Equity of Non-Controlling Interests" were adjusted to reflect the changes in the ownership interest in the subsidiary, and the difference between the amount by which "Equity of Non-Controlling Interests" was adjusted and the fair value of the consideration received was recognised in equity under "Reserves of the Parent". Also, in accordance with IAS 27, no adjustment was made to the carrying amount of the goodwill, nor was any amount arising from this transaction recognised in the consolidated income statement.

In the case of the second of the transactions, control over Cementos Artigas, S.A. was lost, with significant influence subsequently being exercised thereover. Consequently, in accordance with IAS 27, the Parent derecognised the net assets existing before the transaction and the "Equity of Non-Controlling Interests", the difference with respect to the fair value of the consideration received being recognised in the consolidated income statement for 2012.

In addition, the Parent recognised the residual interest of 49% at its fair value, reclassified the whole amount previously recognised under "Other Recognised Income and Expense - Translation Differences" to profit or loss, as if the assets and liabilities had been directly disposed of, and recognised the resulting difference as a gain in the consolidated income statement.

As a consequence of the loss of control, since the disposal date this company has been accounted for using the equity method in the consolidated financial statements. Since the transfer date was 27 December 2012, at 2012 year-end the company was recognised in the consolidated balance sheet as being accounted for using the new method. However, since the 2012 results were fully consolidated, the latter criteria were maintained when recognising them in the consolidated income statement.

The detail of the effects on the consolidated balance sheet and consolidated income statement for 2012 arising from the aforementioned transactions is as follows:

- Recognition under "Reserves of the Parent" of EUR 27.8 million relating to the difference between the amount by which the "Equity of Non-Controlling Interests" was adjusted and the fair value of the consideration received for the sale of 10.61% of the shares of Cementos Avellaneda, S.A.

- Recognition of the remaining 49% ownership interest in Cementos Artigas, S.A. as a financial asset at fair value amounting to EUR 73.6 million.

- Recognition of the gain of EUR 30.6 million arising from the disposal of 12.61% of the shares of Cementos Artigas, S.A. and from the revaluation of the remaining ownership interest under "Other Gains and Losses" in the consolidated income statement.

- In addition, pursuant to IAS 21.48, the amount recognised as valuation adjustments (in this case due to cumulative translation differences) to the equity interest in a company over which control was lost, amounting to EUR 5 million, was recognised under "Financial Loss" in the consolidated income statement for 2012.

- Also, in accordance with IAS 7, the detail of the effects of the loss of control on the net assets of Cementos Artigas, S.A. is as follows:

| | |
|---|---|
| **Consideration received** | |
| Cash and cash equivalents | - |
| Amount of the sale receivable | 18,954 |
| | **18,954** |
| | |
| **Net cash of the company sold** | **(21,987)** |

| | |
|---|---|
| **Net assets over which control has been lost** | |
| Current assets | |
| Current assets held for sale | 674 |
| Inventories | 14,960 |
| Trade and other receivables | 17,477 |
| Current financial assets | 5,708 |
| Cash and cash equivalents | 21,987 |
| | 60,807 |
| | |
| Non-current assets | 66,275 |
| | |
| Current liabilities | |
| Trade and other payables | (8,042) |
| Tax payables | (6,969) |
| Other current liabilities | (2,079) |
| | (17,090) |
| Non-current liabilities | |
| Deferred tax liabilities | (8,634) |
| Other non-current liabilities | (666) |
| | (9,300) |
| | |
| **Net assets disposed of** | **100,691** |

| | |
|---|---|
| **Gain (loss) on the sale of the investee** | |
| Consideration received | 18,954 |
| Net assets disposed of | (100,691) |
| Non-controlling interests | 38,655 |
| Investment accounted for at fair value using the equity method | 73,651 |
| | |
| **Gain on the transaction** | **30,569** |
| | |
| **Reclassification of translation differences to profit or loss** | **5,002** |

Furthermore, in April 2012 Promotora Mediterránea-2, S.A. (Promsa) incorporated a new company, Promsa Trading LLC, which will carry on its business activities in Qatar. The business activities of this company consist of the manufacture and sale of concrete and aggregates, and its operations are expected to commence in the first half of 2013. Promsa’s ownership interest in this company is 49%.

An additional capital disbursement of EUR 2,000 thousand was made at Precon (Linyi) Construction Co., Ltd., which is located in the province of Shandong in China. This subsidiary's business activities are expected to commence in 2013. In 2012 the equipment and facilities were acquired and the raw material studies were performed. The structural elements of the plant have already been manufactured, and the plant is currently being erected.

## 5. Risk management

The Cementos Molins Group carries on its activities in various businesses, all related to cement, cement by-products and building materials, and in highly diverse geographical areas, both in Spain and abroad.

These circumstances give rise to certain risks such as:

- industry risks, with particular consideration of environment and occupational risk prevention,
- operating risks inherent to the market in which the Group operates,
- risks arising from the economic environment depending on the country in question, with an impact on exchange rates,
- regulatory risks affected by the various tax and industry regulations.

The Board of Directors and the various committees, the corporate management committees, the various management committees of each of the business units and the functional committees (earnings, human resources and prevention, customer risk, etc.) meet on a periodic basis to assess the risks and attempt to minimise them to the extent possible.

Independently, the internal audit department is responsible for:

- reviewing the rules and procedures established and proposing improvements
- analysing, supervising and controlling financial risks
- systematically auditing the companies' various areas

The Cementos Molins Group's business activities may be affected by the performance of the business cycles in the areas in which it operates. However, due to its progressive internationalisation and diversification, the Group can mitigate the possible impacts of cycle changes.

The Company is exposed to various financial market risks that arise as a result of its ordinary business, of the borrowings arranged to finance its operations and its investments in companies. The Group's geographical diversification helps to partly offset these risks.

Specifically, the main market risks affecting the Group companies are:

1) Foreign currency risk:

Foreign currency risk arises principally due to:

(i) the international presence of Cementos Molins, which has investments and businesses in countries with currencies other than the euro: Mexico, Argentina, Uruguay, Bangladesh, India, China and Tunisia. The balance sheet risk of these investments is not hedged since it is considered that the earnings performance thereof amply offsets any possible depreciation of the currency. Over the last five years, profits generated by the foreign subsidiaries have totalled EUR 306 million and negative translation differences have amounted to EUR 38 million.

The sensitivity of the Group's consolidated earnings and equity to changes in exchange rates is as follows:

| | | | (In millions of euros) | |
|---|---|---|---|---|
| | **2012** | | **2011** | |
| | **+10%** | **-10%** | **+10%** | **-10%** |
| Effect on net profit | (7.46) | 9.11 | (5.15) | 6.30 |
| Effect on equity | (33.67) | 41.15 | (36.01) | 44.02 |

(ii) due to borrowings or cash in the currencies of the various countries in which the Group carries on its business or in which the companies have arranged the borrowings.

In those countries in which borrowings have been arranged, the company attempts to mitigate, at least partially, any potential loss in the value of the cash flows generated by the companies in these currencies (caused by the depreciation of the related currency against the euro) with savings arising from the decrease in the euro value of debt denominated in foreign currency. This is the case of the investments in Tunisia (where the Group has borrowings in local currency that represent 31.93% of the Group's total gross debt and all of the borrowings arranged in that country) and to a certain extent in Bangladesh and India (where the Group has borrowings in local currency that represent 3.13% of the Group's total gross debt and 38.30% of the borrowings arranged in that country).

For those countries in which the Group holds surplus positions, the company attempts to mitigate (at least partially) any potential loss on the value of the cash flows generated by the businesses in those currencies (caused by the depreciation of the related currency against the euro) with gains from holding euro or US dollar positions which are also invested in non-resident accounts overseas in these currencies to avoid the country risk component. This is the case of Mexico (where the Group holds cash in euros and US dollars which represents 4.81% of the Group's total cash and 24.43% of the total cash held in the investee.

2) Interest rate risk:

In the first half of 2009, as indicated in Note 21-a "Financial Liabilities" to the consolidated financial statements for 2009, the Group obtained new loans to finance its investments and, therefore, it prepared a financial risk management policy to hedge, basically, its exposure to interest rates.

The hedging instruments arranged by the Group, floating-to-fixed interest rate swaps, are perfectly aligned with the hedged items (all bank borrowings), both in terms of nominal amount and repayment terms and accrual of interest.

18% of gross bank borrowings bear a fixed-interest rate. Of this 18%, 6.93% are arranged through interest rate swaps and the other 11.35% through financing contracts with an established fixed interest rate.

The impact of the borrowing costs on the Group's earnings in 2012 and 2011 was as follows:

| | (In thousands of euros) | |
|---|---|---|
| | **2012** | **2011** |
| Interest income | 9,583 | 8,195 |
| Finance costs | 25,738 | 20,891 |
| **Total** | **16,155** | **12,696** |
| EBITDA / Finance costs | 11.97 | 12.15 |

The impact of sensitivity of interest rates is low due to the Group's consolidated balance sheet and consolidated income statement structure, the detail of which is as follows:

| Effect of an increase of 100 basis points in interest rates | (in millions of euros) | |
|---|---|---|
| | **2012** | **2011** |
| Effect on net profit | 2.48 | 2.35 |
| Effect on equity | 2.77 | 3.13 |

3) Liquidity risk

At 31 December 2012, the gross bank borrowings maturing in 2013 amounted to EUR 167,689 thousand, which are lower than available funds, measured as the sum of: a) cash and cash equivalents at 2012 year-end amounting to EUR 175,490 thousand and current financial assets at 31 December 2012 amounting to EUR 104,088 thousand; b) the annual cash generation envisaged for 2013; and c) the undrawn credit facilities arranged with banks with initial maturities of more than one year (EUR 39,592 thousand) and those maturing in 2013 (EUR 47,925 thousand).

At 31 December 2011, the gross bank borrowings maturing in 2012 amounted to EUR 107,462 thousand, which were lower than available funds, measured as the sum of: a) cash and cash equivalents at 2011 year-end amounting to EUR 140,153 thousand and current financial assets at 31 December 2011 amounting to EUR 31,525 thousand; b) the annual cash generation envisaged for 2012; and c) the undrawn credit facilities arranged with banks with initial maturities of more than one year (EUR 96,653 thousand) and those maturing in 2012 (EUR 13,562 thousand).

4) Credit risk

The Group's borrowings are arranged with banks with high credit ratings.

With respect to the credit risk of cash and cash equivalent items, the Group mainly places its cash surpluses in fixed-term investments and current accounts.

As regards the subsidiaries, the management of Cementos Molins, S.A. supervises and monitors the investments made outside the country of origin of the subsidiary (the policy of which is established by the Board of Directors of each subsidiary).

With respect to the credit risk of the Group’s customers, the Group is exposed to delays in collections and doubtful debts.

The Group pays particular attention to the management of loans granted and the monitoring thereof. This is regarded as a cornerstone for the Group's growth.

Every customer has a maximum credit limit that it can assume based on external reports, internal assessments or credit rating agencies.

All Group companies have a Risk Committee in which the credit limits granted and their performance are analysed. Also, the situation of customers is monitored by the Board of Directors of each company.

At 31 December 2012 and 2011, there was no significant unhedged or unguaranteed credit risk concentration. The allowance for doubtful debts in 2012 amounted to EUR 2.3 million (2011: EUR 2.8 million).

At 31 December 2012, the balance of past-due amounts for which provisions had not been recorded amounted to EUR 48.6 million (31 December 2011: EUR 43.5 million) with the following maturity periods:

| | **2012** | | **2011** | |
|---|---|---|---|---|
| | **Millions of euros** | **% of total** | **Millions of euros** | **% of total** |
| Less than 30 days | 19.35 | 40% | 14.83 | 34% |
| 30 to 60 days | 5.40 | 11% | 5.21 | 12% |
| 60 to 90 days | 4.49 | 9% | 2.68 | 6% |
| More than 90 days | 19.31 | 40% | 20.78 | 48% |
| **Total** | **48.55** | **100%** | **43.50** | **100%** |

At 31 December 2012, past-due amounts in Spain totalled EUR 6 million. Credit insurance and other guarantees ensure the collection of 52% of the past-due amounts. The past-due amounts of the foreign subsidiaries, mainly at Corporación Moctezuma, in which the collection periods are short (around 30 days), do not give rise to collection risks. The allowance for doubtful debts for 2012 for all foreign subsidiaries was 0.09% of sales. At 31 December 2011, past-due amounts in Spain totalled EUR 7.7 million. Credit insurance and other guarantees ensured the collection of 50% of the past-due amounts. The past-due amounts of the foreign subsidiaries, mainly at Corporación Moctezuma, in which the collection periods are short (around 30 days), did not give rise to collection risks. The allowance for doubtful debts for 2011 for all foreign subsidiaries was 0.09% of sales.

Note 21-a "Financial Liabilities" details the hedges arranged by the Group and their fair value.

At 31 December 2012, the Group was not using derivative financial instruments for speculative purposes.

## 6. Segment reporting and joint ventures

a. Geographical segments

The Cementos Molins Group has determined that the primary format of its segments is based on geographical areas, since it considers that the Group's risks and returns are affected predominantly by the fact that it operates in several countries. As a result, the information relating to business segments is presented on a secondary basis. The geographical segments identified by the Group are as follows:

Spain, Argentina, Mexico, Uruguay, Bangladesh, Tunisia and China.

The Group's revenue and profit after tax in 2012 and 2011, broken down by geographical segment, are as follows:

| | | | | | | | | (In thousands of euros) |
|---|---|---|---|---|---|---|---|---|
| **31 December 2012** | **Geographical segment** | | | | | | | |
| | **Spain** | **Argentina** | **Mexico** | **Uruguay** | **Bangladesh** | **Tunisia** | **China** | **Total** |
| Revenue | 175,264 | 257,294 | 267,733 | 97,422 | 50,347 | 70,060 | - | 918,120 |
| Other income | 14,519 | 118 | 118 | 73 | (208) | 120 | - | 14,740 |
| **Total income** | **189,783** | **257,412** | **267,851** | **97,495** | **50,139** | **70,180** | **-** | **932,860** |
| Operating expenses | (211,997) | (197,384) | (171,038) | (71,259) | (33,816) | (53,507) | (523) | (739,524) |
| Amortisation and depreciation charge | (19,359) | (19,278) | (13,810) | (6,918) | (2,951) | (14,247) | (13) | (76,576) |
| Other gains and losses | 28,686 | 168 | (74) | (2) | - | (18,372) | - | 10,406 |
| **Profit (Loss) from operations** | **(12,887)** | **40,918** | **82,929** | **19,316** | **13,372** | **(15,946)** | **(536)** | **127,166** |
| Finance costs | | | | | | | | (14,195) |
| Share of results of associates | | | | | | | | (62) |
| **Profit before tax** | | | | | | | | **112,909** |
| Income tax | | | | | | | | (31,511) |
| Profit of non-controlling interests | | | | | | | | (37,692) |
| **Profit after tax** | | | | | | | | **43,706** |

As indicated in Note 4 to these consolidated financial statements, Cementos Artigas is included under all the consolidated income statement headings.

| 31 December 2011 | | | | | | | (In thousands of euros) |
|---|---|---|---|---|---|---|---|
| | Geographical segment | | | | | | |
| | **Spain** | **Argentina** | **Mexico** | **Uruguay** | **Bangladesh** | **Tunisia** | **Total** |
| Revenue | 214,750 | 233,296 | 235,820 | 85,978 | 29,242 | 31,575 | 830,661 |
| Other income | 20,120 | 463 | 274 | 354 | (1,278) | 133 | 20,066 |
| **Total income** | **234,870** | **233,759** | **236,094** | **86,332** | **27,964** | **31,708** | **850,727** |
| Operating expenses | (235,828) | (184,427) | (154,441) | (63,685) | (26,124) | (32,005) | (696,510) |
| Amortisation and depreciation charge | (19,754) | (17,283) | (16,058) | (6,366) | (2,836) | (5,730) | (68,027) |
| Other gains and losses | 1,400 | 227 | (327) | 9 | - | (52) | 1,257 |
| **Profit (Loss) from operations** | **(19,312)** | **32,276** | **65,268** | **16,290** | **(996)** | **(6,079)** | **87,447** |
| Finance costs | | | | | | | (23,156) |
| Share of results of associates | | | | | | | (55) |
| **Profit before tax** | | | | | | | **64,236** |
| Income tax | | | | | | | (16,874) |
| Profit of non-controlling interests | | | | | | | (23,062) |
| **Profit after tax** | | | | | | | **24,300** |

The detail by geographical segment of certain items in the consolidated balance sheet at 31 December 2012 and 2011 is as follows:

| | | | | | | | (In thousands of euros) |
|---|---|---|---|---|---|---|---|
| **31 December 2012** | Geographical segment | | | | | | |
| | **Spain** | **Argentina** | **Mexico** | **Bangladesh** | **Tunisia** | **China** | **Total** |
| ASSETS | | | | | | | |
| Non-current assets | 400,672 | 184,005 | 201,097 | 69,168 | 281,719 | 3,194 | 1,139,855 |
| Goodwill | 3,688 | 2,910 | - | - | - | - | 6,598 |
| Current assets | 303,184 | 92,919 | 107,988 | 18,879 | 67,269 | 556 | 590,795 |
| **Total consolidated assets** | **707,544** | **279,834** | **309,085** | **88,047** | **348,988** | **3,750** | **1,737,248** |
| EQUITY AND LIABILITIES | | | | | | | |
| Group equity | 595,240 | 69,533 | 15,432 | (18,524) | (20,865) | (727) | 640,089 |
| Non-controlling interests | 2,143 | 88,842 | 83,902 | 15,787 | 47,014 | - | 237,688 |
| Non-current liabilities | 274,970 | 40,209 | 38,402 | 7,049 | 176,711 | 408 | 537,749 |
| Current liabilities | 173,687 | 53,450 | 21,661 | 42,856 | 30,002 | 66 | 321,722 |
| **Total consolidated equity and liabilities** | **1,046,040** | **252,034** | **159,397** | **47,168** | **232,862** | **(253)** | **1,737,248** |

| | | | | | | | (In thousands of euros) |
|---|---|---|---|---|---|---|---|
| **31 December 2011** | Geographical segment | | | | | | |
| | **Spain** | **Argentina** | **Mexico** | **Uruguay** | **Bangladesh** | **Tunisia** | **Total** |
| ASSETS | | | | | | | |
| Non-current assets | 326,088 | 226,797 | 195,043 | 72,294 | 78,149 | 298,640 | 1,197,011 |
| Goodwill | 4,004 | 3,374 | - | - | - | 22,875 | 30,253 |
| Current assets | 229,343 | 62,889 | 129,780 | 44,784 | 16,593 | 38,989 | 522,378 |
| **Total consolidated assets** | **559,435** | **293,060** | **324,823** | **117,078** | **94,742** | **360,504** | **1,749,642** |
| EQUITY AND LIABILITIES | | | | | | | |
| Group equity | 514,102 | 78,080 | 28,616 | 17,805 | (20,484) | (13,728) | 604,391 |
| Non-controlling interests | 2,588 | 75,874 | 90,113 | 34,290 | 14,405 | 48,771 | 266,041 |
| Non-current liabilities | 327,673 | 50,888 | 30,903 | 9,686 | 18,591 | 170,596 | 608,337 |
| Current liabilities | 118,868 | 50,902 | 25,595 | 13,641 | 41,245 | 20,622 | 270,873 |
| **Total consolidated equity and liabilities** | **963,231** | **255,744** | **175,227** | **75,422** | **53,757** | **226,261** | **1,749,642** |

Joint ventures

The foreign geographical segments relating to the companies in Tunisia and Argentina, in which the Group holds ownership interests of 65% and 51%, respectively, are fully consolidated.

Although the Group has an effective ownership interest in the Mexican subgroup of 33.33%, since effective control is exercised jointly and directly with other shareholders through an interposed company, 50% of this subgroup was proportionately consolidated in view of the joint management, giving rise to the recognition of the related non-controlling interest of 16.67%.

Also, although the Group has an ownership interest of 29.45% in the Bangladeshi subgroup, since effective control is exercised jointly and directly with other shareholders through an interposed company, 50% of this subgroup was consolidated by the proportionate consolidation method -in view of the situation of joint management- giving rise to the recognition of a non-controlling interest of 20.55%.

Cementos Artigas (Uruguay) was fully consolidated since the Group held an ownership interest of 61.61%. On 27 December 2012, 12.61% of this ownership interest was transferred. This loss of control gave rise to this company becoming an associate and, therefore, it was accounted for using the equity method (see Note 4).

b. Business segments

*Basis and methodology for geographical segment reporting*

The segment's total revenue consists of revenue directly attributable to the segment.

Segment assets are those directly related to the segment's operating activities.

The detail of revenue by the business segments in which the Cementos Molins Group operates is as follows:

| | | (In thousands of euros) |
|---|---|---|
| **Business segment** | **2012** | **2011** |
| Cement | 628,266 | 538,193 |
| Concrete and aggregates | 181,041 | 179,117 |
| Precast concrete | 48,949 | 63,624 |
| Tile cement and mortar | 61,320 | 68,719 |
| Other | 20,419 | 12,792 |
| **Total aggregate revenue** | **939,995** | **862,445** |
| **Intra-Group sales** | **(21,875)** | **(31,784)** |
| **Total** | **918,120** | **830,661** |

The analysis by business segment of the items of property, plant and equipment and intangible assets is as follows:

| | | (In thousands of euros) |
|---|---|---|
| **Business segment** | **2012** | **2011** |
| Cement | 877,073 | 1,045,744 |
| Concrete and aggregates | 60,195 | 44,072 |
| Precast concrete | 41,303 | 39,890 |
| Tile cement and mortar | 16,801 | 17,542 |
| Other | 14,597 | 15,208 |
| **Total** | **1,009,969** | **1,162,456** |

## 7. Goodwill

The detail of "Goodwill", by company giving rise to it, is as follows:

| | | (In thousands of euros) |
|---|---|---|
| | **2012** | **2011** |
| **Subsidiaries:** | | |
| Sotacib | 0 | 22,875 |
| Cementos Avellaneda, S.A. | 2,910 | 3,374 |
| Monsó-Boneta, S.L. | 2,343 | 2,659 |
| Montaspre Serveis Ambientals, S.L. | 855 | 855 |
| Tècniques Ambientals de Muntanya, S.L. | 490 | 490 |
| **Total** | **6,598** | **30,253** |

The net changes in "Goodwill" in the consolidated balance sheet were as follows:

| | | (In thousands of euros) |
|---|---|---|
| | **2012** | **2011** |
| **Beginning balance** | 30,253 | 30,500 |
| Increase in ownership interests in existing business combinations | | |
| Exchange differences | (1,693) | (247) |
| Impairment losses | (21,962) | |
| **Ending balance** | **6,598** | **30,253** |

The main change with respect to 2011 is the impairment of the goodwill recognised at Sotacib amounting to EUR 21,646 thousand (see Note 3-h).

## 8. Intangible assets

The changes in 2012 and 2011 in the main intangible asset accounts and in the related accumulated amortisation were as follows:

| (In thousands of euros) | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Balance at 01/01/12** | **Translation differences** | **Change in scope of consolidation** | **Additions or charge for the year** | **Increase (Decrease) due to transfer from another account** | **Disposals or reductions** | **Balance at 31/12/12** |
| Research and development expenditure | **2,435** | | | | | | **2,948** |
| Cost | 13,824 | (1) | (9,431) | 516 | 1,963 | (968) | 5,903 |
| Accumulated amortisation | (11,389) | 67 | 9,431 | (413) | (1,485) | 834 | (2,955) |
| Administrative concessions | **6,287** | | | | | | **6,199** |
| Cost | 8,464 | - | - | - | - | - | 8,464 |
| Accumulated amortisation | (2,177) | - | - | (88) | - | - | (2,265) |
| Intellectual property | **10,615** | | | | | | **10,048** |
| Cost | 11,440 | (566) | (2) | - | - | - | 10,872 |
| Accumulated amortisation | (825) | - | 2 | (1) | - | - | (824) |
| Goodwill | **4,231** | | | | | | **1,350** |
| Cost | 4,231 | (24) | - | - | - | (2,857) | 1,350 |
| Accumulated amortisation | - | | | | | | - |
| Leasehold assignment rights | - | | | | | | - |
| Cost | 8 | - | - | - | - | - | 8 |
| Accumulated amortisation | (8) | - | - | - | - | - | (8) |
| Computer software | **2,512** | | | | | | **3,408** |
| Cost | 12,288 | (484) | (611) | 953 | 1,676 | (161) | 13,661 |
| Accumulated amortisation | (9,776) | 406 | 526 | (1,083) | (495) | 169 | (10,253) |
| Other intangible assets | **23,946** | | | | | | **21,531** |
| Cost | 24,296 | (469) | - | 10,318 | (22) | (11,999) | 22,124 |
| Accumulated amortisation | (350) | 22 | - | (265) | - | - | (593) |
| **Total** | **50,026** | | | | | | **45,484** |
| **Cost** | **74,551** | **(1,544)** | **(10,044)** | **11,787** | **3,617** | **(15,985)** | **62,382** |
| **Accumulated amortisation** | **(24,525)** | **495** | **9,959** | **(1,850)** | **(1,980)** | **1,003** | **(16,898)** |

| | | | | | | (In thousands of euros) |
|---|---|---|---|---|---|---|
| | Balance at 01/01/11 | Translation differences | Additions or charge for the year | Increase (Decrease) due to transfer from another account | Disposals or reductions | Balance at 31/12/11 |
| Research and development expenditure | **2,293** | | | | | **2,435** |
| Cost | 13,104 | 213 | 923 | 4 | (420) | 13,824 |
| Accumulated amortisation | (10,811) | (350) | (228) | - | - | (11,389) |
| Administrative concessions | **6,472** | | | | | **6,287** |
| Cost | 8,500 | - | 155 | - | (191) | 8,464 |
| Accumulated amortisation | (2,028) | - | (149) | - | - | (2,177) |
| Intellectual property | **10,709** | | | | | **10,615** |
| Cost | 11,533 | (93) | - | - | - | 11,440 |
| Accumulated amortisation | (824) | - | (1) | - | - | (825) |
| Goodwill | **4,545** | | | | | **4,231** |
| Cost | 4,545 | (259) | - | - | (55) | 4,231 |
| Accumulated amortisation | - | | | | | - |
| Leasehold assignment rights | - | | | | | - |
| Cost | 8 | - | - | - | - | 8 |
| Accumulated amortisation | (8) | - | - | - | - | (8) |
| Computer software | **2,589** | | | | | **2,512** |
| Cost | 11,263 | (107) | 1,221 | (75) | (14) | 12,288 |
| Accumulated amortisation | (8,674) | 84 | (1,086) | (35) | (65) | (9,776) |
| Other intangible assets | **22,297** | | | | | **23,946** |
| Cost | 22,583 | (796) | 18,571 | 174 | (16,236) | 24,296 |
| Accumulated amortisation | (286) | 26 | (125) | 35 | - | (350) |
| **Total** | **48,905** | | | | | **50,026** |
| **Cost** | **71,536** | **(1,042)** | **20,870** | **103** | **(16,916)** | **74,551** |
| **Accumulated amortisation** | **(22,631)** | **(240)** | **(1,589)** | **-** | **(65)** | **(24,525)** |

“Other Intangible Assets” includes “Greenhouse Gas Emission Allowances” (see Note 29).

The change in the scope of consolidation in 2012 arose from the disposal of the intangible assets of Cementos Artigas due to the loss of control arising from the disposal of 12.61% of the ownership interest. This loss of control gave rise to this company becoming an associate and, therefore, it was accounted for using the equity method (see Note 4).

The Molins Group does not have any significant intangible asset investment commitments.

## 9. Property, plant and equipment

The changes in 2012 and 2011 in the property, plant and equipment accounts and in the related accumulated depreciation were as follows:

(In thousands of euros)

| | Balance at 01/01/12 | Translation differences | Change in scope of consolidation | Additions or charge for the year | Increase (Decrease) due to transfer from another account | Disposals or reductions | Balance at 31/12/12 |
|---|---|---|---|---|---|---|---|
| Land and buildings | **232,174** | | | | | | **241,916** |
| Cost | 300,736 | (4,686) | (16,875) | 1,104 | 30,885 | (140) | 311,024 |
| Accumulated depreciation | (68,404) | 1,451 | 4,136 | (6,429) | 976 | 13 | (68,257) |
| Impairment losses | (158) | | 0 | (693) | 0 | 0 | (851) |
| Plant and machinery | **583,114** | | | | | | **563,984** |
| Cost | 979,199 | (37,183) | (81,680) | 13,362 | 93,147 | (2,706) | 964,139 |
| Accumulated depreciation | (395,885) | 8,685 | 40,682 | (54,807) | (700) | 2,074 | (399,951) |
| Impairment losses | (200) | (4) | 0 | 0 | 0 | 0 | (204) |
| Other fixtures, tools and furniture | **124,133** | | | | | | **125,893** |
| Cost | 198,312 | 1,296 | (5,648) | 2,288 | 13,927 | (3,713) | 206,462 |
| Accumulated depreciation | (74,179) | (493) | 492 | (9,740) | (43) | 3,394 | (80,569) |
| Other items of property, plant and equipment | **7,885** | | | | | | **8,192** |
| Cost | 49,695 | 277 | (923) | 2,121 | 218 | (3,503) | 47,885 |
| Accumulated depreciation | (41,810) | (248) | 730 | (3,750) | 2,390 | 2,995 | (39,693) |
| Property, plant and equipment in the course of construction | **165,124** | | | | | | **24,500** |
| Cost | 165,124 | (8,242) | (5,386) | 17,366 | (143,817) | (545) | 24,500 |
| **Total** | **1,112,430** | | | | | | **964,485** |
| **Cost** | **1,693,066** | **(48,538)** | **(110,512)** | **36,241** | **(5,640)** | **(10,607)** | **1,554,010** |
| **Accumulated depreciation** | **(580,278)** | **9,395** | **46,040** | **(74,726)** | **2,623** | **8,476** | **(588,470)** |
| **Impairment losses** | **(358)** | **(4)** | **0** | **(693)** | **0** | **0** | **(1,055)** |

"Land and Buildings" includes EUR 60,271 relating to land.

The property, plant and equipment additions in 2012 include most notably those made for the purposes of the completion and start-up of the facilities relating to the energy recovery of alternative fuels to be used at the Sant Vicenç dels Horts plant, together with the modification and construction of new silos for the shipment of cement in bulk, the completion of the extension of the capacity of the clinker kiln in Olavarría, Argentina, and the completion and start-up of the new Portland cement works in Kairouan (Sotacib Kairouan) in Tunisia.

The change in the scope of consolidation in 2012 arose from the disposal of the property, plant and equipment of the assets of Cementos Artigas due to the loss of control arising from the disposal of 12.61% of the ownership interest. This loss of control gave rise to this company being accounted for using the equity method (see Note 4).

Consolidated capitalised borrowing costs amounted to EUR 2.21 million in 2012 (2011: EUR 5.30 million).

Capitalised borrowing costs are calculated on the basis of the actual cost of the loans used to finance investments in progress, the scheduled construction period of which exceeds one year. The average interest rate in 2012 for the loans used to finance investments in progress was 5.52%. In 2011 the average interest rate was 6.41%.

| (In thousands of euros) | | | | | | |
|---|---|---|---|---|---|---|
| | **Balance at 01/01/11** | **Translation differences** | **Additions or charge for the year** | **Increase (Decrease) due to transfer from another account** | **Disposals or reductions** | **Balance at 31/12/11** |
| Land and buildings | **211,094** | | | | | **232,174** |
| Cost | 258,969 | (7,866) | 4,091 | 46,109 | (567) | 300,736 |
| Accumulated depreciation | (47,717) | 1,484 | (7,354) | (14,865) | 48 | (68,404) |
| Impairment losses | (158) | | 0 | 0 | 0 | (158) |
| Plant and machinery | **600,815** | | | | | **583,114** |
| Cost | 977,558 | (26,150) | 12,325 | 18,084 | (2,618) | 979,199 |
| Accumulated depreciation | (376,348) | 9,468 | (45,337) | 14,664 | 1,668 | (395,885) |
| Impairment losses | (395) | | (55) | 0 | 250 | (200) |
| Other fixtures, tools and furniture | **132,968** | | | | | **124,133** |
| Cost | 201,175 | (8,407) | 1,114 | 6,582 | (2,152) | 198,312 |
| Accumulated depreciation | (68,207) | 1,645 | (9,639) | 395 | 1,627 | (74,179) |
| Other items of property, plant and equipment | **10,076** | | | | | **7,885** |
| Cost | 51,969 | (1,884) | 2,523 | 456 | (3,369) | 49,695 |
| Accumulated depreciation | (41,893) | 1,330 | (4,108) | (98) | 2,959 | (41,810) |
| Property, plant and equipment in the course of construction | **145,296** | | | | | **165,124** |
| Cost | 145,296 | (3,125) | 96,701 | (73,748) | 0 | 165,124 |
| **Total** | **1,100,249** | | | | | **1,112,430** |
| **Cost** | **1,634,967** | **(47,432)** | **116,754** | **(2,517)** | **(8,706)** | **1,693,066** |
| **Accumulated depreciation** | **(534,165)** | **13,927** | **(66,438)** | **96** | **6,302** | **(580,278)** |
| **Impairment losses** | **(553)** | **0** | **(55)** | **0** | **250** | **(358)** |

"Land and Buildings" includes EUR 63,745 relating to land.

In 2011 items of property, plant and equipment of Corporación Moctezuma amounting to EUR 2,318 thousand were reclassified to "Non-Current Assets Classified as Held for Sale".

The investments in property, plant and equipment in 2011 included most notably those at the facilities relating to the energy recovery of alternative fuels to be used at the Sant Vicenç dels Horts plant in Barcelona (EUR 8.8 million); the extension of the capacity of the clinker kiln in Olavarría, Argentina (EUR 23 million); the construction work at the new Portland cement works in Kairouan (Sotacib Kairouan, Tunisia) (EUR 30 million); and the completion of the facilities of the new plant in Apazapán (Corporación Moctezuma, Mexico) (EUR 24 million). The aforementioned figures relate to the full amount of the investments made, which were recognised in the consolidated balance sheet on the basis of the percentage of ownership in each case.

Fully depreciated items of property, plant and equipment in 2012 amounted to EUR 174,136 thousand (2011: EUR 182,408 thousand).

At 31 December 2012, the commitments to invest in property, plant and equipment amounted to EUR 26 million (see Note 30-a).

The detail, by subgroup, of the translation differences included in property, plant and equipment for 2012 and 2011 is as follows:

| (In thousands of euros) | | |
|---|---|---|
| | 2012 | 2011 |
| Cementos Avellaneda, S.A. (Argentina) | (35,430) | (9,486) |
| Cementos Artigas, S.A. (Uruguay) | 0 | 4,052 |
| Corporación Moctezuma Group (Mexico) | 10,341 | (18,087) |
| Surma Group (Bangladesh) | 77 | (8,417) |
| Precon Linyi (China) | (25) | |
| Sotacib (Tunisia) | (14,109) | (1,569) |
| **Total** | **(39,147)** | **(33,505)** |

The loss of control over Cementos Artigas, arising from the transfer of 12.61% of the Group's ownership interest in December 2012, gave rise to this company becoming an associate and, therefore, it was accounted for using the equity method (see Note 4).

The Group takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At the end of 2012 and 2011 the property, plant and equipment were fully insured against these risks.

## 10. Investments accounted for using the equity method

At 31 December 2012, the value of the Group's investments accounted for using the equity method in the share capital of Cementos Artigas, S.A. and Escofet 1886, S.A. amounted to EUR 73.6 million and EUR 3.6 million, respectively. Whereas, at 31 December 2011 the value of the Group's investments accounted for using the equity method in the share capital of Escofet 1886, S.A. amounted to EUR 3.7 million.

The gross changes in 2012 and 2011 in “Investments in Companies Accounted for Using the Equity Method" in the consolidated balance sheet were as follows:

| | (In thousands of euros) | | |
|---|---|---|---|
| | **2012** | | **2011** |
| | ESCOFET | CEMENTOS ARTIGAS | ESCOFET |
| **Beginning balance** | 3,676 | 0 | 3,848 |
| Loss for the year | (62) | | (55) |
| Dividends | | | (117) |
| Acquisitions | | 73,651 | |
| **Ending balance** | **3,614** | **73,651** | **3,676** |

The main change with respect to 2011 is due to the change in the method of accounting for the ownership interest in Cementos Artigas, described in Note 4, which is accounted for using the equity method. As indicated in this note, the profit for the year up to the disposal date was included under each heading in the consolidated income statement.

The companies accounted for using the equity method are not officially listed.

The main aggregates of these associates of the Group are as follows:

2012

| | (In thousands of euros) | | |
|---|---|---|---|
| | **Assets** | **Revenue** | **Profit (Loss) for the year** |
| ESCOFET 1886, S.A. | 13,459 | 9,332 | (171) |
| CEMENTOS ARTIGAS, S.A. | 100,380 | 100,272 | 18,555 |
| **Total** | **113,839** | **109,604** | **18,384** |

2011

| | (In thousands of euros) | | |
|---|---|---|---|
| | **Assets** | **Revenue** | **Loss for the year** |
| ESCOFET 1886, S.A. | 13,093 | 11,264 | (150) |
| **Total** | **13,093** | **11,264** | **(150)** |

## 11. Investment property

The net balances of investment property at 31 December 2012 and 2011 were as follows:

| | (In thousands of euros) | |
|---|---|---|
| | Balance at 31/12/12 | Balance at 31/12/11 |
| Land | 6,215 | 3,349 |
| Buildings | 109 | 79 |
| **Total** | **6,324** | **3,428** |

"Investment Property" in the consolidated balance sheet includes the value of land, buildings and other structures held either to earn rentals or for capital appreciation.

These assets are measured as indicated in the note on "Property, Plant and Equipment".

No disposals of these properties are planned for the short term.

## 12. Non-current financial assets, current financial assets and cash and cash equivalents

The changes in 2012 in "Non-Current Financial Assets" and "Current Financial Assets" and in the related impairment losses were as follows:

**a) Non-current financial assets**

| (In thousands of euros) | | | | | | |
|---|---|---|---|---|---|---|
| **2012** | **Beginning balance** | **Translation differences** | **Increases** | **Decreases** | **Changes in the scope of consolidation** | **Ending balance** |
| Other companies: | **510** | | | | | **438** |
| Cost | 961 | (23) | 1 | 0 | (50) | 889 |
| Impairment losses | (451) | 0 | 0 | 0 | 0 | (451) |
| Fixed-income securities | 62 | 0 | 0 | 0 | (57) | 5 |
| Other non-current financial assets | 3,033 | (33) | 1,131 | (786) | (761) | 2,584 |
| **Total** | **3,605** | (56) | 1,132 | (786) | (868) | **3,027** |

**b) Current financial assets**

Current financial assets comprise mainly the account receivable for the sale of ownership interests in the subsidiaries in Argentina and Uruguay (10.61% and 12.61%, respectively) amounting to EUR 64.4 million, which was collected on 18 January 2013. In addition, current financial assets comprise six term deposits made by the Spanish subsidiaries at three banks, which mature between May and December 2013 and contain clauses allowing them to be withdrawn on a quarterly basis.

**c) Cash and cash equivalents**

At 31 December 2012, the balance of cash was EUR 42,370 thousand, while that of cash equivalents amounted to EUR 133,120 thousand. The latter relates mainly to deposits maturing within three months. In some cases, they may have longer maturities but they always have clauses allowing them to be withdrawn early on a quarterly basis. 58% of the cash and cash equivalents relate to the Spanish companies, 15% to the subsidiary in Argentina, another 15% to the subsidiary in Mexico and the remainder to the Tunisian companies. Of the total, 58% is in euros, 4% in US dollars, 11% in Mexican pesos, 15% in Argentine pesos and 12% in Tunisian dinars.

At 31 December 2011, the balance of cash was EUR 31,322 thousand and that of cash equivalents amounted to EUR 108,831 thousand.

## 13. Non-current assets classified as held for sale

"Non-Current Assets Classified as Held for Sale" includes various premises of Prefabricados y Contratas, S.A. amounting to EUR 3.8 million. The company intends to sell these items over the next twelve months.

## 14. Inventories

The detail of inventories at 31 December 2012 and 2011 is as follows:

| (In thousands of euros) | | |
|---|---|---|
| | **2012** | **2011** |
| Raw materials and supplies | 29,208 | 33,432 |
| Fuel | 14,235 | 23,303 |
| Spare parts | 18,058 | 18,729 |
| Finished goods and work in progress | 57,751 | 54,179 |
| Other | 5,069 | 4,612 |
| **Total** | **124,321** | **134,255** |

There are no material amounts of inventories whose acquisition cost was lower than their net realisable value, or inventory sale and purchase commitments of a significant amount.

The Group takes out insurance policies to cover the possible risks to which its inventories are subject. At the end of 2012 and 2011 the inventories were fully insured against these risks.

## 15. Trade and other receivables

The detail of "Trade and Other Receivables" under current assets in the accompanying consolidated balance sheet is as follows:

| | | (In thousands of euros) |
|---|---|---|
| | **2012** | **2011** |
| Trade receivables for sales and services | 162,306 | 180,849 |
| Current tax assets | 16,992 | 26,370 |
| Receivable from companies accounted for using the equity method | 26 | 28 |
| Other receivables | 20,901 | 17,476 |
| Allowance for doubtful debts | (17,084) | (15,709) |
| **Total** | **183,141** | **209,014** |

The changes in "Allowance for Doubtful Debts" were as follows:

| | | (In thousands of euros) |
|---|---|---|
| | **2012** | **2011** |
| **Balance at 1 January** | **(15,709)** | **(13,703)** |
| Changes in the scope of consolidation | 157 | - |
| Charge for the year and additions | (2,622) | (2,781) |
| Reductions | 908 | 775 |
| Translation differences | 182 | - |
| **Balance at 31 December** | **(17,084)** | **(15,709)** |

## 16. Equity of the Parent

### a) Share capital

At 31 December 2012, the share capital of Cementos Molins, S.A. consisted of 66,115,670 fully subscribed and paid bearer shares of EUR 0.30 par value each.

At 31 December 2012, the shareholders of the Parent owning 10% or more of the share capital were as follows: Noumea, S.A. (32.086%), Cartera de Inversiones C.M., S.A. (24.015%), Inversora Pedralbes, S.A. (16.880%) and Otinix, S.A. (15.854%).

All of Cementos Molins, S.A.'s shares are listed on the Barcelona Stock Exchange.

**b) Legal reserve**

Under the Spanish Limited Liability Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve, amounting to EUR 3,967 thousand, can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

**c) Share premium**

The balance of the “Share Premium” account of the Parent arose as a result of the capital increases carried out at Cementos Molins, S.A. between 31 July 1950 and 30 December 1968.

The Spanish Limited Liability Companies Law expressly permits the use of the “Share Premium” account balance to increase capital and does not establish any specific restrictions as to its use.

**d) Revaluation reserves**

This consolidated balance sheet item arose as a result of several asset revaluations performed at the Parent and at Propamsa, S.A.U.

The surplus resulting from the revaluation performed in 1996, net of the single 3% tax, was credited to the “Revaluation Reserve Royal Decree-Law 7/1996, of 7 June” account.

The balance of this reserve can be used, free of tax, to offset accounting losses (both prior years' accumulated losses, current year losses or losses which might arise in the future), and to increase capital. From 1 January 2007 the balance of this account can be taken to unrestricted reserves, provided that the monetary surplus has been realised. The surplus will be deemed to have been realised in respect of the portion on which depreciation has been taken for accounting purposes or when the revalued assets have been transferred or derecognised.

On 28 July 1998, the tax authorities issued a notification to the Parent certifying that no irregularities had been found.

**e) Restrictions on the distribution of dividends**

At 31 December 2012, there were no restrictions on the distribution of dividends by the Parent.

**f) Treasury shares of the Parent**

At the beginning of 2012 Cementos Molins Industrial, S.A.U. held 1,341,662 shares of the Parent, which accounted for 2.03% of the share capital. Also in 2012, 641,056 shares were purchased for EUR 5 million. At 31 December 2012, Cementos Molins Industrial, S.A.U. held a total of 1,982,718 of the Parent’s shares representing 3.0% of the share capital, for a total cost of EUR 24.4 million.

In 2011 120,245 shares were purchased for EUR 1 million.

All of the impacts on the Group arising from the sales of treasury shares were recognised directly in equity pursuant to IAS 32.

**g) Consolidated reserves**

The detail, by company, of "Consolidated Reserves" in the consolidated balance sheet, after taking into account the effect of consolidation adjustments, is as follows:

| | | (In thousands of euros) |
|---|---|---|
| | **2012** | **2011** |
| Cementos Molins Industrial, S.A. | 62,110 | 61,294 |
| Promotora Mediterránea-2, S.A. | 77,627 | 82,818 |
| Prefabricaciones y Contratas, S.A. | 28,279 | 31,369 |
| Precon Linyi (China) | (45) | 0 |
| Propamsa, S.A. | 14,163 | 13,545 |
| Portcemen, S.A. | (4,440) | (4,385) |
| Holding companies | 226,516 | 180,586 |
| Cementos Avellaneda, S.A. Group (Argentina) | 75,329 | 62,763 |
| Cementos Artigas, S.A. (Uruguay) | 0 | 2,392 |
| Corporación Moctezuma Group (Mexico) | (1,710) | 31,246 |
| Surma Group (Bangladesh) | (16,852) | (10,554) |
| Sotacib Group | (4,817) | 1,260 |
| **Subtotal** | **456,160** | **452,334** |
| Adjustments and eliminations on consolidation which cannot be allocated to the companies | 87,690 | 57,964 |
| **Total** | **543,850** | **510,298** |

"Consolidation Adjustments and Eliminations not Attributable to the Companies" basically includes dividends received from subsidiaries and certain consolidation adjustments not attributable to a Group company.

**h) Translation differences**

The detail of translation differences at the end of the reporting periods is as follows:

| | | (In thousands of euros) |
|---|---|---|
| | **2012** | **2011** |
| Cementos Avellaneda, S.A. (Argentina) | (22,511) | (3,617) |
| Cementos Artigas, S.A. (Uruguay) | 0 | 4,487 |
| Corporación Moctezuma Group (Mexico) | (23,823) | (33,687) |
| Surma Group (Bangladesh) | (3,510) | (4,425) |
| Precon Linyi (China) | (121) | 0 |
| Sotacib Group (Tunisia) | (16,019) | (9,140) |
| **Total** | **(65,984)** | **(46,382)** |

The loss of control over Cementos Artigas, arising from the transfer of 12.61% of the Group's ownership interest therein in December 2012 gave rise to this company becoming an associate and, therefore, it was accounted for using the equity method (see Note 4). As a result of the foregoing and pursuant to IAS 21.48, the cumulative amount of the exchange differences at the date of transfer were transferred to the consolidated income statement for 2012 under "Financial Loss".

### i) Contribution to consolidated profit

The individual contributions to consolidated profit after consolidation adjustments and the calculation of non-controlling interests are as follows:

| | (In thousands of euros) | |
|---|---|---|
| | **2012** | **2011** |
| Cementos Molins, S.A. | (8,653) | (5,769) |
| Cementos Molins Industrial, S.A. | (4,125) | 489 |
| Promotora Mediterránea-2, S.A. Group | (11,976) | (5,648) |
| Prefabricaciones y Contratas, S.A. | (12,648) | (3,090) |
| Precon Linyi (China) | (561) | (45) |
| Propamsa, S.A. | 68 | 618 |
| Portcemen, S.A. | 293 | (55) |
| Holding companies and other | 12,320 | (5,541) |
| Cementos Avellaneda, S.A. (Argentina) | 16,715 | 12,566 |
| Cementos Artigas, S.A. (Uruguay) | 9,454 | 10,926 |
| Corporación Moctezuma Group (Mexico) | 40,965 | 31,057 |
| Surma Group (Bangladesh) | 1,883 | (5,360) |
| Sotacib Group (Tunisia) | (29) | (5,848) |
| **Total net profit of the Group** | **43,706** | **24,300** |

The profits attributable to non-controlling interests amounted to EUR 37,692 thousand in 2011 and EUR 23,062 thousand in 2011.

The contribution to consolidated profit of Holdings and other includes the proceeds from the sales of the shares of Cementos Artigas (see Note 4) and the impairment loss on goodwill of Sotacib (see Note 3-h)

### j) *Capital risk management*

The Group maintains degrees of leverage in line with its growth, solvency and profitability objectives. In this regard, one of the most significant ratios used in managing capital risk is financial leverage.

The data relating to the financial leverage ratio at 2012 and 2011 year-end are as follows:

| | 2012 | 2011 |
|---|---|---|
| Financial liabilities | 595,153 | 569,649 |
| Current financial assets | (104,088) | (31,525) |
| Cash and cash equivalents | (175,490) | (140,153) |
| Net financial debt | 315,576 | 397,972 |
| Total equity | 877,777 | 870,432 |
| Net debt/equity | 35.95% | 45.72% |

## 17. Equity of non-controlling interests

The balance of “Equity of Non-Controlling Interests” in the consolidated balance sheet reflects the underlying carrying amount of the non-controlling shareholders' investment in the consolidated companies. In addition, the balances shown in the consolidated income statement represent the share of the non-controlling shareholders in the profit for the year.

The detail of “Equity of Non-Controlling Interests” in the consolidated balance sheet at the end of 2012 and 2011 is as follows:

| | | (In thousands of euros) |
|---|---|---|
| | **2012** | **2011** |
| Promotora Mediterránea-2, S.A. Group (Spain) | 2,143 | 2,588 |
| Corporación Moctezuma Group (Mexico) | 83,902 | 90,113 |
| Cementos Avellaneda, S.A. (Argentina) | 88,842 | 75,874 |
| Cementos Artigas, S.A. (Uruguay) | 0 | 34,290 |
| Surma Group (Bangladesh) | 15,787 | 14,405 |
| Sotacib (Tunisia) | 47,014 | 48,771 |
| **Total** | **237,688** | **266,041** |

The loss of control over Cementos Artigas, arising from the transfer of 12.61% of the Group's ownership interest therein in December 2012 gave rise to this company becoming an associate and, therefore, it was accounted for using the equity method (see Note 4).

The changes in “Equity of Non-Controlling Interests” in 2012 and 2011 are summarised as follows:

| | | (In thousands of euros) |
|---|---|---|
| | **2012** | **2011** |
| **Beginning balance** | 266,041 | 259,598 |
| Profit for the year | 37,692 | 23,062 |
| Capital increases | 1,736 | 11,369 |
| Dividends paid to non-controlling interests | (33,868) | (16,727) |
| Exchange differences | (12,313) | (10,380) |
| Transfers and other | (380) | (881) |
| Changes in the scope of consolidation | (21,220) | |
| **Ending balance** | **237,688** | **266,041** |

## 18. Dividends and distribution of profit

In 2012 the Parent paid the following dividends:

- On 10 June 2012, an interim dividend of EUR 0.08 gross per share was paid out of 2011 profit. The amount paid totalled EUR 5,289 thousand.

- On 14 June 2012, a final dividend of EUR 0.01 gross per share was paid out of 2011 profit, giving rise to a total payment of EUR 661 thousand.

- Also on 14 June 2012, an interim dividend of EUR 0.07 gross per share was paid out of 2012 profit. The total payment made in this case amounted to EUR 4,628 thousand.

- In December the Company resolved to pay an additional interim dividend of EUR 0.08 gross per share on 8 January 2013. The amount paid totalled EUR 5,289 thousand.

A final dividend for 2012 of EUR 0.02 per share will be submitted for approval by the shareholders at the Annual General Meeting.

The resolutions of the shareholders at the Annual General Meeting were adopted on 31 May 2012 whilst those of the Company's Board of Directors were adopted on 20 December 2012.

The provisional liquidity statements prepared in accordance with legal requirements, evidencing the existence of sufficient earnings and liquidity for the distribution of the interim dividends, are as follows, in thousands of euros:

| (In thousands of euros) | **30/04/12** | **30/11/12** |
|---|---|---|
| Profit for the period before tax | 11,909 | 15,634 |
| Less: | | |
| Estimated income tax | 927 | 2,262 |
| Expected appropriation to the legal reserve | - | - |
| **Limit for distribution of interim dividends** | **12,836** | **17,896** |
| | | |
| **Unused cash balance** | **19,175** | **17,943** |

The proposed distribution of 2012 profit drawn up by the Parent's directors is as follows:

| 2012 | Thousands of euros |
|---|---|
| **Distributable profit (individual):** | |
| Profit for the year | **14,732** |
| **Distribution:** | |
| Dividends | 11,240 |
| To voluntary reserves | 3,492 |
| | **14,732** |

## 19. Provisions

The changes in "Provisions" were as follows:

| (In thousands of euros) | | |
|---|---|---|
| | **2012** | **2011** |
| **Balance at 1 January** | **22,691** | **24,136** |
| Changes in the scope of consolidation | 0 | (90) |
| Charge for the year and additions | 11,258 | 12,598 |
| Reductions | (13,349) | (13,594) |
| Translation differences | (990) | (359) |
| **Balance at 31 December** | **19,610** | **22,691** |

The changes in 2012 and 2011 include mainly the provision for greenhouse gas emission allowances amounting to EUR 8.1 million and EUR 10.8 million, respectively, and the remainder relates basically to the reversion reserve for quarry restoration. The ending balance of both years also includes the provision for the penalty imposed in the third quarter of 2005 by the Argentine National Antitrust Commission against the Group's subsidiary Cementos Avellaneda, S.A., which was appealed against. On 10 July 2012, the Supreme Court of Argentina (CSJN) admitted the appeal against the denial of leave to appeal submitted by Cementos Avellaneda, S.A., admitted the extraordinary appeal filed and ordered that execution of the sentence be stayed. The enforceability of the penalty is suspended until the CSJN hears the merits of the appeal.

## 20. Pension plans

In 1990 Cementos Molins, S.A. set up two pension plans pursuant to Law 8/1987 and Royal Decree 1307/1988, one for current employees and another for retired employees.

The plan for current employees is a defined contribution plan for the combined workforces of Cementos Molins, S.A., Cementos Molins Industrial, S.A.U. and Cemolins Internacional, S.L.U., to which EUR 155 thousand, EUR 337 thousand and EUR 55 thousand, respectively, were contributed in 2012. These contributions were recognised under "Staff Costs". In 2011 the amounts contributed were EUR 202 thousand, EUR 368 thousand and EUR 68 thousand, respectively.

The plan for retired employees is a defined benefit plan; the Parent has an obligation to make the annual contributions needed to secure the benefits with a certain solvency margin. In 2012, on the basis of actuarial calculations made, it contributed EUR 69 thousand to cover the benefits, with a commitment to contribute an additional EUR 43 thousand if there are no further changes to the expectations of the plan. In 2011 it contributed EUR 25 thousand to cover the benefits and the additional commitment amounted to EUR 137 thousand.

The actuarial financial assumptions used in 2012 to quantify the actuarial liability and the mathematical provisions in accordance with the applicable legislation on pension plans and funds were as follows:

- Discount rate: 3%
- Annual pension increase rate: 2%
- Mortality tables: PERM/F-2000C.

The total number of participants and beneficiaries in the defined contribution and defined benefit plans in 2012 was 378 (2011: 384). The assets funding the obligations amounted to EUR 10,074 thousand in 2012 and EUR 9,913 thousand in 2011. At 31 December 2012, 85% of the assets comprised fixed-income investments.

In 2006 the Spanish companies set up an employee benefit system aimed at improving the employee benefits of the Group companies' executives. The contributions are determined on an annual basis and, therefore, at any time and as established in the related regulations, the directors may unilaterally suspend or cancel the contributions. The contributions made in 2012 amounted to EUR 361 thousand (2011: EUR 402 thousand).

Cementos Avellaneda and Cementos Artigas set up individual defined contribution plans for the management of both companies, in relation to which EUR 110 thousand and EUR 18 thousand, respectively, were recognised in the consolidated income statement for 2012. In 2011 EUR 88 thousand and EUR 25 thousand, respectively, were recognised in this connection.

The Mexican investee Corporación Moctezuma and its Group companies set up a defined benefit pension plan. The objective is to ensure a supplementary plan for the retirement of non-unionised employees. The impact on the Group's consolidated income statement was EUR 607 thousand. In 2011 the impact on the consolidated financial statements amounted to EUR 547 thousand. There were 727 participants in the plan in 2012 (2011: 640).

The financial and actuarial assumptions used in 2012 to quantify actuarial liabilities (mathematical provisions) in accordance with applicable legislation were as follows:

- Discount rate: 6.50%
- Mortality tables: EMSSA H-97
- Disability: EISS- 97

The Group generally recognises actuarial gains and losses in profit or loss pursuant to the limits of the 10% corridor.

The changes in the present value of the defined benefit plan obligations in 2012 and 2011 were as follows:

(In thousands of euros)

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | **C. Molins** | **C. Moctezuma** | **C. Molins** | **C. Moctezuma** |
| **Present value of benefit obligations at 1 January** | **948** | **2,503** | **990** | **2,245** |
| Current service cost | 0 | 160 | 0 | 123 |
| Past service cost | 0 | 0 | 0 | (183) |
| Interest cost relating to provisions | 36 | 183 | 38 | 138 |
| Payment of plan benefits | (90) | (57) | (99) | (58) |
| Changes due to exchange rate effect | 0 | 133 | 0 | (192) |
| Actuarial gains | (25) | 0 | 0 | 0 |
| Actuarial losses | 0 | 291 | 18 | 430 |
| **Present value of benefit obligations at 31 December** | **869** | **3,213** | **948** | **2,503** |

The changes in the fair value of the plan assets in 2012 and 2011 were as follows:

(In thousands of euros)

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | **C. Molins** | **C. Moctezuma** | **C. Molins** | **C. Moctezuma** |
| **Fair value of plan assets at 1 January** | **810** | **1,334** | **917** | **1,145** |
| Expected return | 33 | 94 | 36 | 23 |
| Payments due to obligations | (90) | (57) | (99) | (58) |
| Rebates | 0 | 0 | 0 | 0 |
| Contributions | 69 | 384 | 25 | 322 |
| Changes due to exchange rate effect | 0 | 71 | 0 | (98) |
| Actuarial gains | 4 | 0 | 0 | 0 |
| Actuarial losses | 0 | 0 | (68) | 0 |
| **Fair value of plan assets at 31 December** | **826** | **1,826** | **810** | **1,334** |

The reconciliation of the actual change in the obligations less the plan assets to the balances effectively recognised in the consolidated balance sheet for 2012 and 2011 is as follows:

(In thousands of euros)

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | C. Molins | C. Moctezuma | C. Molins | C. Moctezuma |
| **Net balance of obligations less plan assets at end of year** | **43** | **1,387** | **137** | **1,168** |
| Actuarial gains/losses not recognised in the balance sheet (within the 10% limit) | 0 | (935) | 0 | (650) |
| Actuarial gains/losses not recognised in the balance sheet to be recognised in subsequent years | 0 | 0 | 0 | 0 |
| Past service cost not recognised in the consolidated balance sheet | 0 | 0 | 0 | 0 |
| **Net balance (liabilities-assets) recognised at end of year** | **43** | **452** | **137** | **518** |

The information relating to Corporación Moctezuma is presented in proportion to the Group's ownership interest therein, i.e. 50%.

## 21. Bank borrowings

The information relating to current and non-current non-trade payables is as follows:

### a) Non-current

The detail of the balance of non-current borrowings at the end of the reporting period and of the related maturities each year is as follows:

(In thousands of euros)

| Bank borrowings | Balance at 31/12/11 | Balance at 31/12/12 | 2014 | 2015 | 2016 | 2017 | Subsequent years |
|---|---|---|---|---|---|---|---|
| Spanish companies | 301,389 | 248,563 | 100,411 | 33,748 | 30,112 | 36,299 | 47,993 |
| Surma Group (Bangladesh) | 18,412 | 4,509 | 1,918 | 1,878 | 713 | - | - |
| Sotacib | 141,960 | 173,916 | 16,085 | 19,721 | 21,317 | 21,510 | 95,283 |
| Corporación Moctezuma | 427 | 476 | 276 | 195 | 5 | - | - |
| **Total** | **462,187** | **427,464** | **118,690** | **55,542** | **52,147** | **57,809** | **143,276** |

Spanish companies

Following is a detail of the main transactions comprising the Spanish portion of total non-current borrowings.

On 19 December 2007, the Group entered into a long-term loan agreement for EUR 70 million to finance a portion of the acquisition of Sotacib (Tunisia). On 30 June 2008, an agreement was reached to increase the loan by EUR 50 million, bringing the new amount of the loan to EUR 120 million. The term of this loan runs from the date of the agreement to 30 June 2014, and will foreseeably be repaid in eight instalments of EUR 15 million each, with a grace period of 30 months. The aforementioned loan includes interest tied to Euribor plus a market spread. At 31 December 2012, the outstanding balance of this loan amounted to EUR 80 million.

On 15 April 2011, the aforementioned loan was renewed and a new maturity date of 30 June 2016 was established. The principal repayment schedule was changed with the first repayment in 2011 amounting to EUR 5 million; five repayments of EUR 10 million to be repaid on a six-monthly basis from 30 June 2012 and lastly, four repayments of EUR 12.5 million to also be repaid every six months beginning 31 December 2014.

On 30 November 2012, this loan was amended and a new maturity date of 30 June 2018 was established. The principal repayment schedule was changed with three repayments of EUR 5 million, four repayments of EUR 6.25 million, one repayment of EUR 7.5 million, two repayments of EUR 10 million and one repayment of EUR 12.5 million to be repaid on a six-monthly basis.

In relation to this loan, as mentioned in Note 5, in the first half of 2009 the Group entered into two floating-to-fixed interest rate swaps amounting to EUR 60 million to partially hedge exposure to interest rate risk. These hedges, which have the same repayment terms as the related loan, were renewed in order to bring them into line with the new repayment schedule.

The negative fair value of the derivative hedging instruments is presented as non-current bank borrowings and is reported by the banks with which the loans were arranged. At 31 December 2011, the negative fair value amounted to EUR 2,376 thousand (31 December 2012: EUR 2,555 thousand).

These hedges are classified as cash flow hedges with changes in fair value recognised in equity. The transfer of fair value to income is performed on a time proportion basis to the extent that the hedged item, the bank borrowings, has an impact on the Group's consolidated profit.

In 2009 three additional loan agreements were entered into in order to finance the new clinker production line at Cementos Molins Industrial S.A.U. In April and June 2009 two of these loan agreements were entered into for EUR 15 million and EUR 10 million, respectively, maturing in December 2017 and 2014. In 2012 EUR 2.5 million were repaid.

Also, on 11 May 2009 the Group arranged a loan from the European Investment Bank (EIB) for EUR 60 million, which had been drawn down in full at 31 December 2009. The loan has a grace period of four years and runs from the date of the agreement to December 2021. At 31 December 2012, the loan was still in the grace period.

In connection with this loan from the EIB, the Group entered into financial counter-guarantee agreements with two banks acting as guarantors of the transaction.

These guarantees and the financial facility agreement mentioned above are subject to the Group’s fulfilment of certain reporting obligations and financial ratios which, at 31 December 2012, were all being met.

The loan from the EIB, which matures between 2014 and 2021, bears interest at a fixed rate of between 2.91% and 3.51%, respectively, plus a market spread.

In January 2010 a loan of EUR 25 million was arranged with a bank in order to finance the purchase of 11.61% of Cementos Avellaneda, S.A. (Argentina) and Cementos Artigas, S.A. (Uruguay), and in July 2010 a loan of EUR 20 million was arranged with a bank in order to finance the payment of the last tranche of the capital increase of Sotacib Kairouan, S.A. In 2012 EUR 5 million were repaid in this connection. In January 2013 the two aforementioned loans were renegotiated and a single loan of EUR 40 million was arranged, which matures in January 2017.

EUR 65 million drawn down against credit facilities arranged with various banks maturing in 2014 are also included.

In 2012 the average interest rate on the borrowings of the Spanish companies was 3.03%.

Surma Group (Bangladesh and India).

Following is a detail of the main transactions comprising the borrowings of the Surma Group subsidiaries located in Bangladesh and India:

The non-current borrowings relate mainly to two loans arranged in 2010 with banks in India, denominated in US dollars and Indian rupees, which mature in March and May 2016. The former bears interest at 3-month Libor + 300 basis points and the latter bears interest at a fixed rate of 11.15%. 50% of both loans were guaranteed by Cementos Molins, S.A. as project sponsor. At 31 December 2012, this guarantee amounted to EUR 6.3 million, of which EUR 4.4 million were recognised under “Non-Current Bank Borrowings”.

The aforementioned guarantees are within the framework of the financing obligations already assumed by the Group in 2003 in relation to its subsidiaries in Bangladesh and India.

Sotacib Group (Tunisia)

Following is a detail of the main transactions comprising the borrowings of Group subsidiaries in Tunisia.

Financing agreement entered into by a pool of local banks in order to finance the expansion of Sotacib's facilities in Feriana. This loan was granted in the local currency (Tunisian dinar), without recourse to the company's shareholders, and bears interest tied to the local TMM indicator plus a spread of 2.25%. The equivalent euro value of the total loan amount at 2012 year-end was EUR 58.6 million, which had been drawn down in full. The loan was arranged in 2008 and subsequently amended in 2009 and consists of various tranches of financing. The principal amount has a three-year grace period and will be repaid in seven annual instalments. In 2011 negotiations began with all the banks in the pool to obtain an additional grace period for both the interest and the principal. As a result of these negotiations an additional grace period was obtained and the interest borne over this period was capitalised.  At 2012 year-end EUR 52.4 million of the amount drawn down were included under "Non-Current Bank Borrowings".

A financing agreement was also entered into with a pool of local banks in order to finance the construction of a grey cement plant in Kairouan. This loan was also granted in the local currency (Tunisian dinar), without recourse to the company's shareholders, and bears interest tied to the local TMM indicator plus a spread of 2.25%. The equivalent euro value of the total loan amount at 2012 year-end was EUR 139.2 million, against which EUR 125 million had been drawn down. The remainder will foreseeably be drawn down in 2013. The loan was arranged at the beginning of 2009. The principal amount has a three-year grace period and will be repaid in nine annual instalments. At 31 December 2012, the loan was still in the grace period.  At 2012 year-end EUR 119.6 million of the amount drawn down was included under "Non-Current Bank Borrowings".

**b) Current**

The detail, by groups of companies, of the various account balances at 31 December 2012 and 2011 is as follows:

| | | | | | | (In thousands of euros) |
|---|---|---|---|---|---|---|
| | Spanish companies | Cementos Avellaneda, S.A. | Corporación Moctezuma | Surma Group (Bangladesh) | Sotacib (Tunisia) | Total |
| Borrowings | 126,052 | 691 | 276 | 28,046 | 12,624 | 167,689 |
| **2012 total** | **126,052** | **691** | **276** | **28,046** | **12,624** | **167,689** |
| Borrowings | 56,787 | 8,708 | 172 | 27,748 | 14,047 | 107,462 |
| **2011 total** | **56,787** | **8,708** | **172** | **27,748** | **14,047** | **107,462** |

The main amounts relate to the current borrowings of the Spanish companies and the Surma and Sotacib Group companies:

Spanish companies

The amount indicated in the table relates to the portion payable at short-term of the non-current borrowings detailed in Note 21-a) and the balances drawn down against credit facilities.

At the date of preparation of these consolidated financial statements, all the obligations acquired with banks arising from this financing agreement were being met without exception.

Surma Group

The main payables relate to current borrowings in the form of loans obtained from a group of supranational banks -the main providers of finance for the project- which at 31 December 2012 amounted to EUR 11.6 million, which are guaranteed by Cementos Molins S.A., the project sponsor. This guarantee provided by Cementos Molins S.A. covers the amount and its related maturity schedule until the forecast completion of the financing arrangement scheduled for the end of 2013.

The amount indicated in the table relates to the portion payable at short term of the non-current borrowings detailed in Note 21-a) and short-term financing in the form of short-term loans and credit facilities arranged by the Group companies in both Bangladesh and India, which mature within one year. In 2012 guarantees were issued for the short-term financing of the subsidiary in India. At 31 December 2012, these guarantees amounted to EUR 7.6 million.

Sotacib Group (Tunisia)

The main amount of the current borrowings in Tunisia relates to the portion payable at short-term of the non-current borrowings detailed in Note 21-a) and the amounts drawn down against the non-current loan to fund Kairouan, due to the functioning of the system used to draw down loans in Tunisia.

## 22. Disclosures on the payment periods to suppliers. Additional Provision Three. “Disclosure obligation” provided for in Law 15/2010, of 5 July.

The disclosures relating to the payment periods to suppliers of the Spanish companies included in the scope of consolidation ("the Companies") for 2012 and 2011 were as follows:

(In thousands of euros)

| | Amounts paid and payable at the end of the reporting period | | | |
|---|---|---|---|---|
| | 2012 | | 2011 | |
| | Amount | % | Amount | % |
| Paid in the maximum payment period | 69,385 | 51% | 106,826 | 61% |
| Remainder | 67,044 | 49% | 67,282 | 39% |
| **Total payments made in the year** | **136,429** | **100%** | **174,108** | **100%** |
| Weighted average period of late payment (in days) | 57 | | 52 | |
| Payments at year-end not made in the maximum payment period | 13,490 | 49% | 10,077 | 23% |

In both years this balance relates to suppliers that because of their nature are trade creditors for the supply of goods and services and, therefore, it includes the figures relating to “Payable to Suppliers” under “Current Liabilities” in the consolidated balance sheet.

However, the Group has reverse factoring agreements with most of its suppliers. This financial tool allows suppliers to obtain cash without using their own resources, since the credit facilities are provided by the Cementos Molins Group. The terms and conditions of this financing are more favourable than those generally offered by the market. In accordance with the Group's management information, these balances are discounted by its suppliers in a shorter period than that established by the aforementioned Law.

Pursuant to Transitional Provision Two of Law 15/2010, amending Law 3/2004, of 29 December, on combating late payment in commercial transactions, the maximum payment period applicable to the Group from the entry into force of the aforementioned Law 15/2010 until 31 December 2011 was 85 days (75 days until 31 December 2012).

## 23. Tax matters

In view of the Cementos Molins Group's presence in various tax jurisdictions, the Group companies file income tax returns in accordance with the tax regulations applicable to each country.

a) In Spain

Most of the companies that are resident in Spain file consolidated income tax returns. Under this regime, the companies in the tax group calculate the Group's taxable profit or loss and tax charge on an aggregate basis and share it out among themselves, as established by the Spanish Accounting and Audit Institute.

Cementos Molins, S.A. has been the parent of consolidated tax group 70/97 since 1997. The companies composing this group are all of those in which the Company has a direct or indirect ownership interest of more than 75%. The companies composing the aforementioned tax group in 2011 were as follows:

Parent: Cementos Molins, S.A.

Subsidiaries: Cementos Molins Industrial, S.A.U.

Cemolins Internacional, S.L.U.

Prefabricados y Contratas, S.A.U.

Promotora Mediterránea.2, S.A.

Propamsa, S.A.U.

Monsó-Boneta, S.L.

The other companies resident in Spain that do not form part of the tax group file individual tax returns.

The Spanish companies that file consolidated tax returns apply the standard tax rate of 30%. The companies that do not form part of the tax group are taxed at the standard tax rate of 30%, or 25% if they are considered to be small companies for tax purposes due to their revenue.

b) In other countries.

The fully and proportionately consolidated foreign subsidiaries calculate the income tax expense and the tax charges for the various taxes applicable to them in conformity with the legislation of, and at the tax rates in force in, their respective countries. In Mexico, the flat rate tax ("Impuesto Empresarial a la Tasa Única") is also applicable as a supplement to income tax.

The income tax rate is not the same in all countries. It varies according to the nationality of the foreign subsidiaries and to the circumstances in each particular case for tax purposes.

The detail of the various tax rates is as follows:

| Country | % |
|---|---|
| Argentina | 35 |
| Uruguay | 25 |
| Mexico | 30/17.5 |
| Bangladesh | 37.5 |
| Tunisia | 30 |

**Years open for review by the tax authorities**

At 2012 year-end Cementos Molins, S.A. had 2008 and subsequent years open for review by the tax authorities for income tax and 2009 and subsequent years for all the other taxes applicable to it. Similarly, most of its subsidiaries have the last four years open for review by the tax authorities for all the taxes applicable to them.

In the rest of the countries in which the Group has a significant presence, the years open for review by the tax authorities are as follows:

In Argentina, the statue-of-limitations period for domestic taxes is six years and, accordingly, the periods that were not statute-barred at 2012 year-end run from 2006 to 2011. The last full-scope tax audit was conducted for the 2008-2009 period, from which no adjustment arose.

In Uruguay the statute-of-limitations period is five years and may be extended to ten years by the tax authorities and, accordingly, the periods that are not statute-barred run from 2007 to 2011. Although the Company was audited for Uruguayan tax on income from industry and commerce (IRAE) and wealth tax for the years from 2007 to 2009, the tax inspection authorities concluded their inspection proceedings by issuing a formal notice of approval, and no contingencies arose therefrom.

The statute of limitations period is extended to ten years in the event that failure to submit tax returns, or tax fraud, etc. is proven and, therefore, this extension does not apply to Cementos Artigas.

In Mexico 2005 to 2011 are open for review.

In Tunisia 2006 to 2011 are open for review.

In Bangladesh 2005 to 2011 are open for review.

The criteria that the tax authorities might adopt could give rise to contingent liabilities for which no provision has been recognised in the accompanying consolidated financial statements. However, Group management considers that the effect of this difference in criteria would not be material with respect to the consolidated financial statements at 31 December 2012 and 2011.

**Reconciliation of the accounting profit to the taxable profit**

The reconciliation of the consolidated accounting profit to the income tax expense recognised in the consolidated income statement for 2012 and 2011 is as follows, in thousands of euros:

| | 2012 | 2011 |
|---|---|---|
| **Adjusted consolidated accounting profit for the year before tax** | **112,909** | **64,236** |
| | | |
| Effect of permanent differences: | | |
| - At individual companies | (506) | 518 |
| - Consolidation adjustments | (10,805) | |
| Effect of offsetting tax losses | (651) | (6) |
| Other adjustments | 3,396 | (1,064) |
| **Adjusted accounting profit** | **104,344** | **63,684** |
| **Income tax at the applicable tax rate** | **32,937** | **21,114** |
| Tax credits and tax relief | (1,426) | (4,240) |
| **Total income tax expense recognised in profit or loss** | **31,511** | **16,874** |

The reconciliation of consolidated accounting profit to the taxable profit for income tax purposes is as follows, in thousands of euros:

**2012**

| **Adjusted consolidated accounting profit for the year before tax** | | | **112,909** |
|---|---|---|---|
| | Increase | Decrease | |
| Permanent differences: | | | |
| - At individual companies | 3,350 | 6,193 | (2,843) |
| - Consolidation adjustments | - | 36,016 | (36,016) |
| Temporary differences: | | | |
| - At individual companies | | | |
| Arising in the year | 2,244 | 28,316 | (26,072) |
| Arising in prior years | 8,735 | 3,532 | 5,203 |
| - Consolidation adjustments | | | |
| Arising in the year | - | - | - |
| Arising in prior years | 13,671 | - | 13,671 |
| Offset of prior years' tax losses | | | (2,169) |
| **Taxable profit** | | | **64,683** |

**2011**

| **Adjusted consolidated accounting profit for the year before tax** | | | **64,236** |
|---|---|---|---|
| | Increase | Decrease | |
| Permanent differences: | | | |
| - At individual companies | 13,324 | 13,416 | (92) |
| - Consolidation adjustments | - | - | - |
| Temporary differences: | | | |
| - At individual companies | | | |
| - Arising in the year | 3,838 | 52,301 | (48,464) |
| - Arising in prior years | 55,519 | 1,664 | 53,855 |
| - Consolidation adjustments | | | |
| - Arising in the year | - | - | - |
| - Arising in prior years | 14,386 | - | 14,386 |
| Offset of prior years' tax losses | | | (46) |
| **Taxable profit** | | | **83,876** |

The permanent differences arise mainly from the tax exemption on the gain from the disposal of 12.6% of the ownership interest in the Uruguayan company Cementos Artigas.

The temporary differences of the individual companies include most notably those arising from the recognition of provisions not deductible for tax purposes and the accelerated amortisation of the investments in the subsidiaries in Mexico and Bangladesh. The temporary differences arising on consolidation comprise the reversal of the revaluation of the assets of Cementos Artigas and Cementos Avellaneda.

**Temporary differences**

Temporary differences arise as a result of the difference between the tax bases of the assets and liabilities and their carrying amounts. Deductible temporary differences, tax credits and tax relief and tax loss carryforwards give rise to deferred tax assets in the consolidated financial statements, whereas taxable temporary differences give rise to deferred tax liabilities in the consolidated financial statements. The changes in deferred tax assets and liabilities arising from temporary differences recognised at 31 December 2012 and 2011 are shown in the tables below:

(In thousands of euros)

| | 2012 | 2011 |
|---|---|---|
| Provisions for pension plans | 1,093 | 1,214 |
| Goodwill | 10,111 | 3,874 |
| Tax loss carryforwards | 27,242 | 15,991 |
| Tax credit carryforwards | 2,837 | 1,212 |
| Sundry provisions and other | 1,987 | 1,556 |
| **Total deferred tax assets** | **43,270** | **23,846** |

(In thousands of euros)

| | 2012 | 2011 |
|---|---|---|
| Revaluation of assets due to the obtainment of control | 28,633 | 48,277 |
| Depreciation and amortisation charge | 44,422 | 35,842 |
| Sundry provisions and other | 12,084 | 4,836 |
| **Total deferred tax liabilities** | **85,139** | **88,955** |

At 31 December 2012 and 2011, the balance of “Deferred Tax Assets" included tax credit carryforwards, tax loss carryforwards of Group companies and the amortisation for tax purposes of goodwill. "Deferred Tax Liabilities" at 31 December 2012 and 2011 related mainly to the Mexican, Argentine and Uruguayan companies and consist of accelerated depreciation and amortisation and the tax effect of the obtainment of control over Cementos Avellaneda.

**Tax loss carryforwards**

The tax loss carryforwards in Spain at 31 December 2012 relating to the Spanish Group companies amounted to EUR 107,043 thousand, EUR 102,892 thousand of which relate to the consolidated tax group. Pursuant to the tax legislation applicable in Spain, tax losses must be offset within 18 years from the year in which they are incurred.

The detail of the tax losses of the Spanish consolidated Group at 31 December 2012 is as follows:

| Year | Amount | Last year for offset |
|---|---|---|
| 2010 | 10,113 | 2028 |
| 2011 | 43,762 | 2029 |
| 2012 | 49,017 | 2030 |
| | **102,892** | |

The other tax losses of the Group in Spain relate mainly to the years 2010 to 2012.

The consolidated financial statements at 31 December 2012 include a deferred tax asset of EUR 24,022 thousand relating to tax loss carryforwards in Spain, of which EUR 22,776 thousand belong to the consolidated tax group. The Parent of the tax group uses conservative criteria to recognise deferred tax assets for tax loss and tax credit carryforwards based on the best estimate of its future earnings, of the last year for offset of tax losses and of the last year for use of tax credits, in each of its tax jurisdictions, based on conservative criteria.

**Tax credits**

The Group only recognised tax assets for the tax credits which, based on the best estimate of its future earnings, are expected to be realised.

At 2012 year-end the Group recognised tax credit carryforwards amounting to EUR 2,837 thousand earned by the Spanish companies in the Group, of which EUR 2,835 thousand relate to the consolidated tax group. These tax credits were calculated pursuant to Chapters II and IV of Title VI of the Spanish Corporation Tax Law and relate mainly to investments in assets used for the protection of the environment, research and development and technological innovation expenditure and donations, inter alia. The aforementioned tax credits must be used within 15 years from the date on which they are earned, except for those earned as a result of expenditure on research and development activities, which expire after 18 years. Since the tax credit carryforwards were earned in 2010, 2011 and 2012, the last year in which they can be used is 2027 and, in the case of those relating to research and development, in 2030. The detail of the tax credits belonging to the consolidated tax group is as follows:

(Thousands of euros)

| Year earned | Amount | Last year for offset |
|---|---|---|
| Tax credits earned in 2010 | 36 | 2017 |
| | 117 | 2020 |
| | 333 | 2025 |
| | 142 | 2028 |
| Tax credits earned in 2011 | 126 | 2018 |
| | 91 | 2021 |
| | 454 | 2026 |
| | 384 | 2029 |
| Tax credits earned in 2012 | 1 | 2019 |
| | 881 | 2022 |
| | 854 | 2027 |
| | 390 | 2030 |
| **TOTAL** | **3,810** | |

### Tax receivables and payables

The balances of tax receivables and payables shown in the consolidated balance sheet are as follows:

| | | (In thousands of euros) |
|---|---|---|
| | **2012** | **2011** |
| Tax receivables | | |
| Short term: | | |
| VAT refundable | 12,397 | 15,018 |
| Other receivables | 4,595 | 11,352 |
| **Total** | **16,992** | **26,370** |
| | | |
| Tax payables | | |
| Short term: | | |
| VAT payable | 230 | 1,860 |
| Personal income tax withholdings payable | 1,784 | 1,949 |
| Accrued social security taxes payable | 4,987 | 3,640 |
| Income tax payable | 2,993 | 867 |
| Other payables | 6,876 | 12,311 |
| **Total** | **16,870** | **20,627** |

## 24. Guarantee commitments to third parties

At 31 December 2012, the Group had received guarantees from banks and insurance companies which were provided to third parties amounting to EUR 28,162 thousand (2011: EUR 30,714 thousand). These guarantees were provided to government agencies to guarantee the restoration of natural areas affected by quarry operations, as required by current legislation, and to cover the third-party liability of the various businesses.

## 25. Operating income and expenses

### a) Sales

Following is a detail of revenue by company. The amounts shown are the result of multiplying the revenue of the companies by the percentages indicated in brackets, following the elimination of intra-Group transactions. These percentages are 100% for the Group companies and equal to the percentage of control for the jointly controlled entities.

| | | (In thousands of euros) |
|---|---|---|
| | **2012** | **2011** |
| Cementos Molins Industrial, S.A. (100%) | 48,585 | 48,624 |
| Promotora Mediterránea-2, S.A. Group (100%) | 51,365 | 72,068 |
| Prefabricaciones y Contratas, S.A. (100%) | 48,709 | 63,624 |
| Propamsa, S.A. (100%) | 25,025 | 29,859 |
| Portcemen, S.A. (33.33%) | 1,337 | 576 |
| Vescem-LID S.L. (25%) | 242 | 0 |
| Cementos Avellaneda, S.A. (100%) | 257,294 | 233,296 |
| Cementos Artigas, S.A. (Uruguay) (100%) | 97,423 | 85,977 |
| Corporación Moctezuma Group (Mexico) (50%) | 267,733 | 235,820 |
| Surma Group (Bangladesh) (50%) | 50,347 | 29,242 |
| Sotacib (Tunisia) (100%) | 70,060 | 31,575 |
| **Total** | **918,120** | **830,661** |

**b) Procurements**

The detail of “Procurements” in the consolidated income statements for 2012 and 2011 is as follows:

(In thousands of euros)

| | 2012 | 2011 |
|---|---|---|
| **Cost of goods held for resale sold:** | | |
| Purchases | 15,716 | 14,931 |
| Changes in inventories | (6,178) | (6,422) |
| **Total** | **9,538** | **8,509** |
| | | |
| **Cost of raw materials and other consumables used:** | | |
| Purchases | 202,608 | 241,037 |
| Work performed by other companies | 31,979 | 12,436 |
| Changes in inventories | (1,376) | (11,783) |
| **Total** | **233,211** | **241,690** |
| **Total procurements** | **242,749** | **250,199** |

**c) Employees**

The average number of employees at the Group companies in 2012 and 2011 was as follows:

| | Women | Men | Total 2012 | Total 2011 |
|---|---|---|---|---|
| Cementos Molins, S.A. | 29 | 36 | 65 | 67 |
| Cementos Molins Industrial, S.A. | 20 | 192 | 212 | 222 |
| Promotora Mediterránea-2, S.A. Group | 51 | 296 | 347 | 421 |
| Prefabricaciones y Contratas, S.A. | 64 | 505 | 569 | 689 |
| Propamsa, S.A. | 18 | 106 | 124 | 135 |
| Other Spanish companies | 2 | 11 | 13 | 15 |
| Cementos Avellaneda, S.A. (Argentina) | 46 | 660 | 706 | 675 |
| Cementos Artigas, S.A. (Uruguay) | 18 | 227 | 245 | 217 |
| Corporación Moctezuma Group (Mexico) (50%) | 62 | 525 | 587 | 569 |
| Surma Group (Bangladesh) (50%) | 9 | 228 | 237 | 236 |
| Sotacib (Tunisia) | 31 | 484 | 515 | 490 |
| **Total** | **350** | **3,270** | **3,620** | **3,736** |

The figure considered for Group companies is the total average headcount. The figure considered for jointly controlled entities is the result of multiplying the average headcount by the Group's annual average percentage of control over these companies.

At the companies located in Spain, pursuant to the Spanish Law on the Social Integration of Disabled Persons, the average number of disabled employees in 2012 was 23. In 2011 this number was 22.

In order to adjust the productivity of Prefabricaciones y Contratas S.A. to the decrease in demand and to the current level of activity, negotiations were held with the employees' representatives and a collective redundancy procedure affecting 165 employees -27% of the headcount- was agreed.

The final number of employees at the Group companies in 2012 and 2011 was as follows:

| | Women | Men | Total 2012 | Total 2011 |
|---|---|---|---|---|
| Cementos Molins, S.A. | 29 | 32 | 61 | 66 |
| Cementos Molins Industrial, S.A. | 20 | 176 | 196 | 215 |
| Promotora Mediterránea-2, S.A. Group | 49 | 265 | 314 | 393 |
| Prefabricaciones y Contratas, S.A. | 52 | 396 | 448 | 644 |
| Propamsa, S.A. | 17 | 103 | 120 | 130 |
| Other Spanish companies | 2 | 11 | 13 | 14 |
| Cementos Avellaneda, S.A. (Argentina) | 47 | 666 | 713 | 700 |
| Cementos Artigas, S.A. (Uruguay) | 19 | 240 | 259 | 224 |
| Corporación Moctezuma Group (Mexico) (50%) | 64 | 529 | 593 | 570 |
| Surma Group (Bangladesh) (50%) | 9 | 234 | 243 | 238 |
| Sotacib (Tunisia) | 33 | 505 | 538 | 493 |
| **Total** | **341** | **3,157** | **3,498** | **3,687** |

The figure considered for Group companies is the final total headcount. The figure considered for jointly controlled entities is the result of multiplying the final headcount by the Group's percentage of control over these companies.

### d) Other operating expenses

The detail of "Other Operating Expenses" in 2012 and 2011 is as follows:

| | | (In thousands of euros) |
|---|---|---|
| | **2012** | **2011** |
| Rent and royalties | 13,946 | 13,428 |
| Repair and upkeep expenses | 39,622 | 31,056 |
| Professional services | 14,542 | 11,593 |
| Transport | 91,137 | 87,662 |
| Utilities | 114,599 | 100,851 |
| Other current operating expenses | 8,445 | 10,811 |
| Taxes other than income tax | 18,562 | 16,777 |
| Other | 38,879 | 35,940 |
| **Total** | **339,732** | **308,118** |

### e) Leases

Operating leases

The detail of the operating lease payments recognised as an expense in 2012 and 2011 is as follows:

| | | (In thousands of euros) |
|---|---|---|
| | **2012** | **2011** |
| Minimum operating lease payments recognised in income for the year | 11,495 | 9,666 |

At 31 December 2012 and 2011, the Group had outstanding obligations for future minimum lease payments under non-cancellable operating leases falling due as follows:

| | (In thousands of euros) | |
|---|---|---|
| | **2012** | **2011** |
| Within one year | 9,766 | 8,453 |
| Between one and five years | 6,424 | 7,449 |
| After five years | 6,909 | 5,471 |

The assets corresponding to the lease obligations assumed relate basically to land and buildings. The average term of the leases varies considerably, since the facilities to be used for carrying on the activity of concrete manufacturing and the extraction and treatment of aggregates stand mainly on leased land. These activities are carried on at the various manufacturing plants of the Group's subsidiaries.

Finance leases

At the end of 2012 the Group, as the lessee under finance leases, had recognised the following leased assets:

| | (In thousands of euros) |
|---|---|
| Property, plant and equipment | 970 |
| Total | 970 |

The aforementioned leased assets correspond to the Corporación Moctezuma Group and relate to vehicles. The above-mentioned lease will expire in 2015.

At 2012 year-end the Company had contracted with lessors for the following minimum lease payments (including any purchase options), based on the leases currently in force, without taking into account the charging of common expenses, future increases in the CPI or future contractual lease payment revisions:

(In thousands of euros)

| Minimum finance lease payments | Nominal value 2012 |
|---|---|
| Within one year | 276 |
| Between one and five years | 476 |
| After five years | - |
| Total | 752 |

**f) Fees paid to auditors**

The fees for financial audit services provided to the various companies composing the Cementos Molins and subsidiaries Group in 2012 and 2011 were as follows:

| (In thousands of euros) | | | | | |
|---|---|---|---|---|---|
| | | 2012 | | 2011 | |
| Auditors | Country | Audit | Other services | Audit | Other services |
| Deloitte | Spain | 244 | 91 | 264 | 31 |
| Deloitte | Mexico | 406 | 18 | 378 | 26 |
| Deloitte | Argentina | 25 | 9 | 22 | 6 |
| Deloitte | Uruguay | 29 | 5 | 20 | 4 |
| Hoda Vasi Chowdhury & Co. | Bangladesh | 22 | 11 | 18 | 11 |
| KPMG Tunisie | Tunisia | 77 | 2 | 73 | 2 |
| **Total** | | **803** | **136** | **775** | **80** |

The aforementioned figures relate to the full amount of the fees, although they were recognised in the consolidated income statement taking into account the percentage of ownership.

## 26. Impairment and gains or losses on disposals of assets

The detail of the impairment and gains or losses on disposals of assets in 2012 and 2011 is as follows:

| | (In thousands of euros) | | | |
|---|---|---|---|---|
| | 2012 | | 2011 | |
| | Losses | Gains | Losses | Gains |
| On disposal or derecognition of property, plant and equipment | 1,906 | 550 | 648 | 1,956 |
| Impairment of goodwill | 21,962 | - | - | - |
| **Total** | **(23,318)** | | | **1,308** |

The amount of the impairment loss on goodwill relates mainly to the goodwill that had been allocated to the business in Tunisia (see Note 3-h).

## 27. Financial loss

The detail of the financial loss incurred in 2012 and 2011 is as follows:

| (In thousands of euros) | | |
|---|---|---|
| | 2012 | 2011 |
| **Finance income:** | | |
| Income from equity investments | 4 | 5 |
| Other interest income | 9,583 | 8,195 |
| Other finance income | 500 | 364 |
| Exchange gains | 9,803 | 1,268 |
| **Total finance income** | **19,890** | **9,832** |
| **Finance costs:** | | |
| Borrowing costs | 25,738 | 20,891 |
| Other finance costs | 2,122 | 5,680 |
| Exchange losses | 6,225 | 6,417 |
| **Total finance costs** | **34,085** | **32,988** |
| **Total financial loss** | **14,195** | **23,156** |

The positive translation differences include EUR 5,002 thousand relating to the reclassification of "Valuation Adjustments - Translation Differences" to the consolidated income statement as a consequence of the transaction resulting in the loss of control mentioned in Note 4.

## 28. Earnings per share

The calculation of basic and diluted earnings per share in 2012 and 2011 is as follows:

| | 2012 | 2011 |
|---|---|---|
| Net profit attributable to the Parent (thousands of euros) | 43,706 | 24,300 |
| Weighted average number of ordinary shares | 66,115,670 | 66,115,670 |
| **Basic and diluted earnings per share (euros)** | 0.66 | 0.37 |

## 29. Information on greenhouse gas emission allowances

The emission allowances granted at zero cost to the Group company Cementos Molins Industrial, S.A.U. under the 2008-2012 National Allocation Plan, approved by Royal Decree 1370/2006, of 24 November, and Ministry of the Presidency Order PRE/3420/2007, of 14 November, which in 2012 numbered 1,150,653, amounted to EUR 7.2 million as indicated in Note 3-b "Accounting Policies".

800,482 allowances with a value of EUR 8.1 million were used in 2012. The allowances used were recognised under "Other Current Operating Expenses", with a credit to "Provisions for Contingencies and Charges". Also, EUR 8.1 million were deducted from "Deferred Income" and credited to "Other Income".

In 2011 the emission allowances granted at zero cost to the Company under the 2008-2012 National Allocation Plan amounted to 1,150,653, of which it consumed 793,901 with a value of EUR 10.8 million.

In 2012 Cementos Molins Industrial sold 100,000 thousand emission allowances for their market value, giving rise to a gain of EUR 785 thousand, which was recognised under "Other Operating Income" in the consolidated income statement. In 2011 the company sold 150,000 allowances, giving rise to a gain of EUR 1,753 thousand.

Also, in 2012 Cementos Molins Industrial exchanged emission allowances (EUAs) received under the National Allocation Plan for investments in projects in developing countries (CERs). The exchange took place at market prices and gave rise to a gain for the company of EUR 435 thousand. In 2011 EUAs were exchanged for CERs, giving rise to a gain of EUR 270 thousand.

## 30. Obligations and contingencies

### a) Obligations

The Group's most significant obligations relate to the investments in progress associated basically with the plants in Tunisia, which are scheduled for completion in 2013. Investment obligations at 31 December 2012 totalled EUR 26 million.

### b) Contingencies

At 31 December 2012, no relevant contingencies had arisen on which additional disclosures were necessary in these consolidated financial statements.

## 31. Transactions with related parties

### a) Commercial transactions

As provided for in Ministry of Economy Order ECO 3722/2003, of 26 December, and Ministry of Economy and Finance Order EHA/3050/2004, of 15 September, the directors did not carry out any related-party transactions with CEMENTOS MOLINS, S.A. or with the companies in its consolidated Group.

### b) Situations involving direct or indirect conflict with Cementos Molins, S.A.'s business interest.

There are no situations involving a direct or indirect conflict of the directors with Cementos Molins, S.A.'s business interest.

### c) Existence and identity of directors who are also directors of companies holding significant ownership interests in Cementos Molins, S.A.

Pursuant to the provisions of Ministry of Economy Order ECO 3722/2003, of 26 December:

a) The individuals indicated below are members of the Board of Directors of the following companies which hold a significant ownership interest in Cementos Molins, S.A.:

Casimiro Molins Ribot is the Chairman of the Board of Directors of INVERSORA PEDRALBES, S.A. and OTINIX, S.A.

Joaquín Mª Molins López-Rodó is a director of INVERSORA PEDRALBES, S.A. and OTINIX, S.A.

Juan Molins Amat and Joaquim Molins Amat are directors of NOUMEA, S.A.

b) None of the other members of the Board of Directors are directors of any company which holds a significant ownership interest in Cementos Molins, S.A.

### d) Existence and identity of directors who are directors or executives of other companies belonging to the Cementos Molins, S.A. Group.

a) The individuals indicated below are members of the Board of Directors or executives of the following companies belonging to the Cementos Molins, S.A. Group:

Juan Molins Amat is:

- Chairman of (i) Cemolins Internacional, S.L.U., (ii) Cementos Avellaneda, S.A., (iii) Minus Inversora, S.A., (iv) Corporación Moctezuma, S.A. de C.V.; (v) Sotacib, S.A. and (vi) Sotacib-Kairouan, S.A.

- Deputy chairman of Cementos Artigas, S.A.

- Director of Fresit, B.V.

Miguel del Campo Rodríguez is a director of Sotacib S.A. and Sotacib-Kairouan, S.A.

None of the other members of the Board of Directors are directors or executives of any company belonging to the Cementos Molins, S.A. Group.

### e) Remuneration of executives

The remuneration of the Parent's key executives in all connections totalled EUR 3,489 thousand in 2012. In 2011 the amount in this connection was EUR 3,346 thousand.

## 32. Remuneration and other benefits of directors

In 2012 the remuneration earned by the members of the Parent's Board of Directors as a whole amounted to EUR 1,261 thousand, of which EUR 603 thousand related to the salary earned by the CEO. The detail of the rest of the retribution is as follows:

(In thousands of euros)

| Remuneration of Board of Directors 2012<br>Article 20 of the Board Regulations | Attendance fees | Directors' fees | Committee members' remuneration | Pension plans and life insurance |
|---|---|---|---|---|
| Casimiro Molins Ribot | 11 | 30 | 0 | - |
| Juan Molins Amat (CEO) | 11 | 30 | 0 | 13 |
| Joaquin Mª Molins López-Rodó | 14 | 30 | 14 | - |
| Cartera de Inversiones CM, S.A. | 14 | 30 | 14 | - |
| Miguel del Campo Rodríguez | 15 | 30 | 14 | - |
| Joaquim Molins Amat | 15 | 30 | 14 | - |
| Noumea, S.A. | 15 | 30 | 14 | - |
| Emilio Gutiérrez Fernández de Liencres | 15 | 30 | 14 | - |
| Inversora Pedralbes, S.A. | 13 | 30 | 8 | - |
| Foro Familiar Molins, S.L. | 15 | 30 | 14 | - |
| Eusebio Díaz-Morera Puig-Sureda | 6 | 18 | 8 | |
| Francisco Javier Fernández Bescós | 5 | 18 | 0 | |
| José Antonio Pujante Conesa | 6 | 13 | 6 | - |
| Ana Mª Molins López-Rodó | 6 | 13 | 6 | - |
| TOTAL | 161 | 362 | 126 | 13 |

In 2011 the remuneration earned by the members of the Parent's Board of Directors as a whole amounted to EUR 1,240 thousand, of which EUR 585 thousand related to the salary earned by the CEO. The detail of the rest of the retribution is as follows:

(In thousands of euros)

| Remuneration of Board of Directors 2011<br>Article 20 of the Board Regulations | Attendance fees | Directors' fees | Committee members' remuneration | Pension plans and life insurance |
|---|---|---|---|---|
| Casimiro Molins Ribot | 10 | 30 | 0 | - |
| Juan Molins Amat (CEO) | 10 | 30 | 0 | 13 |
| Joaquin Mª Molins López-Rodó | 15 | 30 | 14 | - |
| Cartera de Inversiones CM, S.A. | 11 | 30 | 14 | - |
| Miguel del Campo Rodríguez | 13 | 30 | 14 | - |
| Joaquim Molins Amat | 16 | 30 | 14 | - |
| Noumea, S.A. | 14 | 30 | 14 | - |
| Emilio Gutiérrez Fernández de Liencres | 16 | 30 | 14 | - |
| Inversora Pedralbes, S.A. | 10 | 30 | 0 | - |
| Foro Familiar Molins, S.L. | 14 | 30 | 14 | - |
| José Antonio Pujante Conesa | 14 | 30 | 14 | - |
| Ana Mª Molins López-Rodó | 14 | 30 | 14 | - |
| TOTAL | 157 | 360 | 126 | 13 |

## 33. Detail of investments in companies engaging in similar activities and the performance, as independent professionals or as employees, of similar activities by the directors and related parties

Pursuant to Article 229 of the Spanish Limited Liability Companies Law, following is a detail of the companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the company object of Cementos Molins, S.A., in which the members of the Board of Directors own direct or indirect equity interests, and of the functions, if any, that they discharge thereat according to the information provided to the Company:

| Owner | Investee | Activity | % of ownership | Functions |
|---|---|---|---|---|
| Casimiro Molins Ribot | Inversora Pedralbes, S.A. | Holding company | 22.88% | Chairman |
| | Otinix, S.A. | Holding company | 23.94% | Chairman |
| Juan Molins Amat | Cemolins Internacional, S.L.U. | Holding company | - | Chairman |
| | Minus Inversora, S.A. | Holding company | - | Chairman |
| | Fresit, B.V. | Holding company | - | Director |
| | Noumea, S.A. | Holding company | 10.73% | Director |
| Joaquim Molins Amat | Molins Consellers, S.L. | Holding company | - | Sole director |
| | Noumea, S.A. | Holding company | 4.51% | Director |
| Joaquín Mª Molins López-Rodó | Inversora Pedralbes, S.A. | Holding company | 7.55% | Director |
| | Otinix, S.A. | Holding company | 3.35% | Director |
| Inversora Pedralbes, S.A. | Otinix, S.A. | Holding company | 39.60% | - |

Pursuant to Article 229 of the Spanish Limited Liability Companies Law, following is a detail of the companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the company object of Cementos Molins, S.A., in which persons related to the Board of Directors own equity interests, pursuant to Article 231 of the Spanish Limited Liability Companies Law, and of the functions, if any, that they discharge thereat according to the information provided to the Company:

| Owner | Related to: | Investee | Activity | Ownership interest | Functions |
|---|---|---|---|---|---|
| Mª Gloria Molins Amat | Pablo Molins Amat<br>Juan Molins Amat<br>Joaquim Molins Amat | Noumea, S.A. | Holding company | 6.06% | Chairman |
| Cristina Molins Joly | Pablo Molins Amat | Noumea, S.A. | Holding company | 0.05% | --- |
| Pablo Molins Joly | Pablo Molins Amat | Noumea, S.A. | Holding company | 0.05% | --- |
| Juan Molins Amat | Pablo Molins Amat<br>Joaquim Molins Amat | Noumea, S.A. | Holding company | 10.73% | Director |
| Joaquim Molins Amat | Pablo Molins Amat<br>Juan Molins Amat | Noumea, S.A. | Holding company | 4.51% | Director |
| Isabel Molins Amat | Pablo Molins Amat<br>Juan Molins Amat<br>Joaquim Molins Amat | Noumea, S.A. | Holding company | 9.74% | Director |
| Carmen Molins Amat | Pablo Molins Amat | Noumea, S.A. | Holding company | 9.55% | Director |

| | | | | | |
|---|---|---|---|---|---|
| | Juan Molins Amat<br>Joaquim Molins Amat | | | | |
| Santiago Molins Amat | Pablo Molins Amat<br>Juan Molins Amat<br>Joaquim Molins Amat | Noumea, S.A. | Holding company | 10.43% | Director |
| Jorge Molins Amat | Pablo Molins Amat<br>Juan Molins Amat<br>Joaquim Molins Amat | Noumea, S.A. | Holding company | 6.61% | Director |
| José I. Molins Amat | Pablo Molins Amat<br>Juan Molins Amat<br>Joaquim Molins Amat | Noumea, S.A. | Holding company | 9.95% | Director |
| Javier Molins Amat | Pablo Molins Amat<br>Juan Molins Amat<br>Joaquim Molins Amat | Noumea, S.A. | Holding company | 7.59% | Director |
| Mª Eulalia Molins Amat | Pablo Molins Amat<br>Juan Molins Amat<br>Joaquim Molins Amat | Noumea, S.A. | Holding company | 10.03% | Director |
| Juan Molins Monteys | Juan Molins Amat | Noumea, S.A. | Holding company | 0.02% | --- |
| Esperanza Molins Monteys | Juan Molins Amat | Noumea, S.A. | Holding company | 0.02% | --- |
| Oriol Molins Monteys | Juan Molins Amat | Noumea, S.A. | Holding company | 0.02% | --- |
| Blanca Molins Monteys | Juan Molins Amat | Noumea, S.A. | Holding company | 0.02% | --- |
| Pablo Molins Amat | Juan Molins Amat<br>Joaquim Molins Amat | Noumea, S.A. | Holding company | 10.45% | Director |
| Joaquín Molins Vila | Joaquim Molins Amat | Noumea, S.A. | Holding company | 0.22% | --- |
| Ana Gloria Molins Vila | Joaquim Molins Amat | Noumea, S.A. | Holding company | 0.22% | --- |
| Nicolás Molins Vila | Joaquim Molins Amat | Noumea, S.A. | Holding company | 0.04% | --- |
| Montserrat Molins Vila | Joaquim Molins Amat | Noumea, S.A. | Holding company | 0.22% | --- |

| | | | | | |
|---|---|---|---|---|---|
| Mª Dolores López Rodó | Casimiro Molins Ribot | Inversora Pedralbes, S.A. | Holding company | 16.98% | Deputy Chairman |
| | Joaquín Mª Molins López-Rodó | | | | |
| | Casimiro Molins Ribot | Otinix, S.A. | Holding company | 16.31% | Deputy Chairman |
| | Joaquín Mª Molins López-Rodó | | | | |
| Ana Mª Molins López-Rodó | Casimiro Molins Ribot | Inversora Pedralbes, S.A. | Holding company | 7.55% | Director |
| | Joaquín Mª Molins López-Rodó | | | | |
| | Casimiro Molins Ribot | Otinix, S.A. | Holding company | 3.37% | Director |
| | Joaquín Mª Molins López-Rodó | | | | |
| Joaquín Mª Molins López-Rodó | Casimiro Molins Ribot | Inversora Pedralbes, S.A. | Holding company | 7.55% | Director |
| | Casimiro Molins Ribot | Otinix, S.A. | Holding company | 3.35% | Director |
| Mª Teresa Molins López-Rodó | Casimiro Molins Ribot | Inversora Pedralbes, S.A. | Holding company | 7.55% | Director |
| | Joaquín Mª Molins López-Rodó | | | | |
| | Casimiro Molins Ribot | Otinix, S.A. | Holding company | 3.36% | Director |
| | Joaquín Mª Molins López-Rodó | | | | |
| Laureano Molins López-Rodó | Casimiro Molins Ribot | Inversora Pedralbes, S.A. | Holding company | 7.55% | Director |
| | Joaquín Mª Molins López-Rodó | | | | |
| | Casimiro Molins Ribot | Otinix, S.A. | Holding company | 3.35% | Director |
| | Joaquín Mª Molins López-Rodó | | | | |
| Mª Regina Molins López-Rodó | Casimiro Molins Ribot | Inversora Pedralbes, S.A. | Holding company | 7.55% | Director |
| | Joaquín Mª Molins López-Rodó | | | | |
| | Casimiro Molins Ribot | Otinix, S.A. | Holding company | 3.38% | Director |
| | Joaquín Mª Molins López-Rodó | | | | |
| Silvia Molins Domingo | Casimiro Molins Ribot | Inversora Pedralbes, S.A. | Holding company | 1.89% | ----------- |
| | | Otinix, S.A. | Holding company | 0.84% | ----------- |
| Javier Molins Domingo | Casimiro Molins Ribot | Inversora Pedralbes, S.A. | Holding company | 1.89% | ----------- |
| | | Otinix, S.A. | Holding company | 0.84% | ----------- |

| | | | | | |
|---|---|---|---|---|---|
| Beatriz Molins Domingo | Casimiro Molins Ribot | Inversora Pedralbes, S.A. | Holding company | 1.89% | ----------- |
| | | Otinix, S.A. | Holding company | 0.84% | ----------- |
| Casimiro Molins Domingo | Casimiro Molins Ribot | Inversora Pedralbes, S.A. | Holding company | 1.89% | Director |
| | | Otinix, S.A. | Holding company | 0.84% | Director |
| Casimiro Molins Ribot | Joaquín Mª Molins López-Rodó | Inversora Pedralbes, S.A. | Holding company | 22.88% | Chairman |
| | Joaquín Mª Molins López-Rodó | Otinix, S.A. | Holding company | 23.94% | Chairman |
| Otinix, S.A. | Inversora Pedralbes, S.A. | Inversora Pedralbes, S.A. | Holding company | 9.79% | ----------- |
| Joaquim Mª Molins Gil | Cartera de Inversiones CM, S.A. | Cartera de Inversiones CM, S.A. | Holding company | 50.01% | Deputy Chairman |
| Juana Gil Santos | Cartera de Inversiones CM, S.A. | Cartera de Inversiones CM, S.A. | Holding company | Beneficial owner | Chairman |
| Marta Molins Gil | Cartera de Inversiones CM, S.A. | Cartera de Inversiones CM, S.A. | Holding company | 49.99% | --- |

**Detail of the ownership interests in CEMENTOS MOLINS, S.A.**

a) Pursuant to Article 116 of the Spanish Securities Market Law, following is a detail of the equity interests held by the members of the Board of Directors in Cementos Molins, S.A.:

| Owner | Number of shares | | Nominal value | Date of acquisition | Date of notification to the CNMV |
|---|---|---|---|---|---|
| Casimiro Molins Ribot | 41,350 | 0.063% | 12,405 | Various | 25/01/13 |
| Juan Molins Amat | 47,921 | 0.072% | 14,376.30 | Various | 18/12/12 |
| Cartera de Inversiones CM, S.A. | 15,878,000 | 24.015% | 4,763,400 | Various | 21/12/12 |
| Miguel del Campo Rodríguez | 1,000 | 0.002% | 300 | 12/11/04 | 15/04/08 |
| Joaquín Molins Amat | 70 | 0.000% | 21 | Various | 17/04/12 |
| Inversora Pedralbes, S.A. | 11,160,000 | 16.880% | 3,348,000 | Various | 17/04/12 |
| Emilio Gutiérrez Fernández de Liencres | 1,000 | 0.002% | 300 | 11/11/04 | 17/04/12 |
| Noumea, S.A. | 21,213,595 | 32.086% | 6,364,079 | Various | 20/12/07 |
| Foro Familiar Molins, S.L. | 377 | 0.001% | 113 | Various | 01/08/08 |
| Eusebio Díaz-Morera Puig-Sureda | 0 | 0% | 0 | - | 31/05/12 |
| Francisco Javier Fernández Bescós | 500 | 0.001% | 150 | 02/08/12 | 03/08/12 |
| Joaquín Mª Molins López-Rodó | 24,910 | 0.038% | 7,473 | 29/07/09 | 29/07/09 |
| Indirectly (guardianship) | 8,500 | 0.013% | 2,550 | | |
| Total | 33,410 | 0.051% | 10,023 | | |

## 34. Information on the environment

The Group companies have been carrying out a series of activities to prevent, minimise or repair damage to the environment, which entailed certain investments and expenses which are detailed below.

The main cumulative investments, by company, in fixtures, machinery and equipment added to non-current assets and aimed at protecting and enhancing the environment, and the related cost and accumulated depreciation are as follows:

| | | | | (In thousands of euros) |
|---|---|---|---|---|
| | **2012** | | **2011** | |
| Company | Cost | Accumulated depreciation | Cost | Accumulated depreciation |
| Cementos Molins Industrial, S.A. | 21,988 | 5,972 | 20,813 | 5,719 |
| Promotora Mediterránea-2, S.A. | 10,358 | 5,992 | 12,933 | 6,137 |
| Prefabricaciones y Contratas, S.A. | 588 | 251 | 584 | 213 |
| Propamsa, S.A. | 1,806 | 920 | 1,806 | 841 |
| Cementos Avellaneda, S.A. | 8,182 | 2,225 | 9,769 | 2,220 |
| Corporación Moctezuma Group (Mexico) | 9,217 | 3,037 | 8,729 | 2,454 |
| Cementos Artigas, S.A. (Uruguay) | - | - | 5,843 | 2,997 |
| Surma Group (Bangladesh) | 86 | 17 | 86 | 14 |
| Sotacib (Tunisia) | 296 | 11 | 57 | 2 |
| | **52,521** | **18,425** | **60,620** | **20,597** |

By company, the main expenses incurred with the aim of protecting and enhancing the environment were as follows:

| | | (In thousands of euros) |
|---|---|---|
| | **2012** | **2011** |
| Company | Ordinary expenses | Ordinary expenses |
| Cementos Molins Industrial, S.A. | 635 | 205 |
| Prefabricaciones y Contratas, S.A. | 142 | 149 |
| Propamsa, S.A. | 12 | 27 |
| Cementos Avellaneda, S.A. | 310 | 197 |
| Corporación Moctezuma Group (Mexico) | 529 | 369 |
| Cementos Artigas, S.A. (Uruguay) | 201 | 136 |
| | **1,829** | **1,083** |

The foregoing expense items consisted of: waste disposal, water, air and noise measurements, forest repopulation activities, studies and audits.

## 35. Events after the reporting period

No significant events that might have a material impact on the Group's equity have taken place since the end of 2012.

## 36. Explanation added for translation to English

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group (see Note 2). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

## APPENDIX I

Group companies:

(Thousands of euros)

| | | | Percentage of ownership | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Company Name / Registered Office | Activity | Direct | Indirect | Total | Share capital | Net profit (Loss) | Other shareholders' equity | Total shareholders' equity | Dividends |
| (A) | CEMENTOS MOLINS INDUSTRIAL, S.A.U.<br>CN-340, km. 1242,300, nº 2-38<br>08620 - Sant Vicenç dels Horts (Barcelona) | Cement | 100 | - | 100 | 56,247 | (3,899) | 92,936 | 145,284 | 226 |
| (A) | PROMOTORA MEDITERRÁNEA-2, S.A.<br>CN-340, km. 1242,300, nº 2-38<br>08620 - Sant Vicenç dels Horts (Barcelona) | Concrete and aggregates | 98.94 | - | 98.94 | 36,148 | (11,494) | 87,671 | 112,325 | 143 |
| (A) | PREFABRICACIONES Y CONTRATAS, S.A.U.<br>Apolonio Morales, 13 C<br>28036 - Madrid | Precast concrete | 100 | - | 100 | 56,577 | (12,709) | 28,828 | 72,696 | |
| (A) | PROPAMSA, S.A.U.<br>CN-340, km. 1242,300, nº 2-38<br>08620 - Sant Vicenç dels Horts (Barcelona) | Construction materials | 100 | - | 100 | 469 | 69 | 18,070 | 18,608 | |
| (A) | CEMOLINS INTERNACIONAL, S.L.U.<br>CN-340, km. 1242,300, nº 2-38<br>08620 - Sant Vicenç dels Horts (Barcelona) | Holding company | 100 | - | 100 | 30,468 | 113,641 | 144,817 | 288,926 | 69,835 |
| (G) | CEMOL CORPORATION, B.V.<br>Naritaweg, 165<br>1043 BW Amsterdam (Netherlands) | Holding company | - | 100 | 100 | 16,032 | 280 | 3,112 | 19,424 | |
| (A) | MINUS INVERSORA, S.A.<br>Reconquista, 336, 3º H<br>1335- Buenos Aires (Argentina) | Holding company | 4 | 96 | 100 | 838 | 7,124 | 22,174 | 30,136 | |
| (A) | CEMENTOS AVELLANEDA, S.A.<br>Defensa, 113, 6º<br>1065 - Buenos Aires (Argentina) | Cement | - | 51 | 51 | 4,623 | 30,681 | 94,404 | 129,708 | |
| (F) | SOCIÉTÉ TUNISO ANDALOUSE DE CIMENT BLANC "Sotacib"<br>Immeuble Alyssa<br>Angle rue du Lac Tanganyika et le pasage<br>du Lac Neusie<br>Les Berges du Lac, 1053 -Tunisia | Cement | - | 65 | 65 | 41,992 | (747) | (8,291) | 32,954 | |
| (F) | SOTACIB KAIROUAN<br>6 Rue IBN - Hazm<br>Cite Jardins Le Belvédère<br>1002 - Tunisia | Cement | - | 67.15 | 67.15 | 87,891 | (85) | (3,410) | 84,396 | |
| (F) | SOCIÉTÉ DES SILOS SOTACIB- SSS<br>6 Rue IBN - Hazm<br>Cite Jardins Le Belvédère<br>1002 - Tunisia | Services | - | 65 | 65 | 0 | (270) | 52 | (218) | |
| (G) | PROMSA-HGF DE ARAGÓN, S.L.<br>CN-340, km. 1242,300, nº 2-38<br>08620 - Sant Vicenç dels Horts (Barcelona) | Concrete | - | 54.42 | 54.42 | 1,500 | (476) | (165) | 859 | |
| (G) | PROMSA DEL BERGUEDÀ, S.L.<br>CN-340, km. 1242,300, nº 2-38<br>08620 - Sant Vicenç dels Horts (Barcelona) | Concrete | - | 50.46 | 50.46 | 900 | (141) | (200) | 559 | |
| (G) | MONSO-BONETA, S.L.<br>Pallars, 15<br>25620 - Tremp (Lleida) | Aggregates | - | 79.15 | 79.15 | 72 | (165) | 1,570 | 1,477 | |
| (G) | PRECON (LINYI) CONSTRUCTION CO., LTD<br>Yihe Road, Economic developing District of Linyi<br>Shandong Province (China) | Precast concrete | - | 100 | 100 | 3,932 | (610) | (46) | 3,276 | |

The above data were provided by the respective companies and their equity position is as shown in their financial statements at 31 December 2012.

The dividends relate to the dividends received by the various companies.

The above companies belong to the Group through ownership of the majority of the voting power. They were fully consolidated.

The financial statements of these companies were audited by:

A = Deloitte
F = KPMG
G = Unaudited financial statements (not subject to statutory audit)

# APPENDIX II

## Associates and jointly controlled entities:

(Thousands of euros)

| | Company Name / Registered Office | Activity | Percentage of ownership Direct | Indirect | Total | Share capital | Net profit (Loss) | Other shareholders' equity | Total shareholders' equity | Dividends |
|---|---|---|---|---|---|---|---|---|---|---|
| (A) | FRESIT, B.V.<br>Johannes Vermeerplein, 11<br>1071 - DV Amsterdam (Netherlands) | Holding company | - | 50.00 | 50.00 | 6,795 | (72) | 178,702 | 185,425 | |
| (A) | CEMENTOS ARTIGAS, S.A.<br>María Orticohea 4704<br>Montevideo (Uruguay) | Cement | - | 49.00 | 49.00 | 38,072 | 18,555 | 25,922 | 82,548 | |
| (C) | CORPORACIÓN MOCTEZUMA, S.A.B. de C.V.<br>Monte Elbruz, 134 PH - Colonia Lomas de Chapultepec<br>Deleg. Miguel Hidalgo<br>11000 - Mexico City | Holding company | - | 33.33 | 33.33 | 35,451 | 119,982 | 341,245 | 496,678 | |
| (C) | CEMENTOS PORTLAND MOCTEZUMA, S.A. de C.V.<br>Carretera Tezoyuca - Tepetzingo, km. 1,9<br>Municipio Emiliano Zapata<br>62765 - Estado de Morelos (Mexico) | Services | - | 33.33 | 33.33 | (621) | (370) | (848) | (1,839) | |
| (C) | CEMENTOS MOCTEZUMA, S.A. de C.V.<br>Monte Elbruz, 134 PH - Colonia Lomas de Chapultepec<br>Deleg. Miguel Hidalgo<br>11000 - Mexico City | Cement | - | 33.33 | 33.33 | 66,058 | 109,569 | 227,887 | 403,513 | |
| (C) | LATINOAMERICANA DE CONCRETOS, S.A de C.V.<br>Monte Elbruz, 134 PH - Colonia Lomas de Chapultepec<br>Deleg. Miguel Hidalgo<br>11000 - Mexico City | Concrete | - | 33.33 | 33.33 | 1,068 | 156 | 11,898 | 13,122 | |
| (C) | INMOBILIARIA LACOSA. S.A. de C.V.<br>Monte Elbruz, 134 PH - Colonia Lomas de Chapultepec<br>Deleg. Miguel Hidalgo<br>11000 - Mexico City | Real estate | - | 33.33 | 33.33 | 2,922 | 619 | 12,091 | 15,632 | |
| (C) | LATINOAMERICANA DE AGREGADOS Y CONCRETOS, S.A. de C.V.<br>Monte Elbruz, 134 PH - Colonia Lomas de Chapultepec<br>Deleg. Miguel Hidalgo<br>11000 - Mexico City | Aggregates | - | 33.33 | 33.33 | 638 | 575 | 13,195 | 14,407 | |
| (C) | LATINOAMERICANA DE COMERCIO, S.A. de C.V.<br>Carretera Tezoyuca - Tepetzingo, km. 1,9<br>Municipio Emiliano Zapata<br>62765 - Estado de Morelos (Mexico) | Services | - | 33.33 | 33.33 | 492 | 170 | 580 | 1,242 | |
| (C) | LACOSA CONCRETOS, S.A. de C.V.<br>Carretera Tezoyuca - Tepetzingo, km. 1,9<br>Municipio Emiliano Zapata<br>62765 - Estado de Morelos (Mexico) | Services | - | 33.33 | 33.33 | 802 | 1,418 | (504) | 1,715 | |
| (C) | LATINOAMERICANA DE CONCRETOS DE SAN LUIS, S.A. de C.V.<br>Prolongación Avenida San Antonio, 705<br>Colonia Lomas de Becerra<br>01280 - Mexico City | Concrete | - | 20.00 | 20.00 | 915 | (84) | 1,305 | 2,135 | |
| (C) | CONCRETOS MOCTEZUMA DE TORREON, S.A. de C.V.<br>Monte Elbruz, 134 PH - Colonia Lomas de Chapultepec<br>Deleg. Miguel Hidalgo<br>11000 - Mexico City | Concrete | - | 18.33 | 18.33 | 853 | (45) | 772 | 1,580 | |
| (C) | CONCRETOS MOCTEZUMA DE XALAPA, S.A. de C.V.<br>Calle B, Isla B, Bodega 7<br>Balcones de Xalapa<br>91194 - Xalapa . Veracruz | Concrete | - | 20.00 | 20.00 | 584 | 386 | 614 | 1,584 | |
| (C) | MAQUINARIA Y CANTERAS DEL CENTRO. S.A. de C.V.<br>Avda.Molier, 328, número 328, Dpto. 602<br>Colonia Los Morales Sección Palmas<br>Deleg. Miguel Hidalgo<br>11540 - Mexico City | Aggregates | - | 17.00 | 17.00 | 305 | 44 | (47) | 303 | |
| (C) | CONCRETOS MOCTEZUMA DE DURANGO, S.A. de C.V.<br>Monte Elbruz, 134 PH - Colonia Lomas de Chapultepec<br>Deleg. Miguel Hidalgo<br>11000 - Mexico City | Concrete | - | 33.33 | 33.33 | 6 | (12) | (116) | (122) | |
| (C) | PROYECTOS TERRA MOCTEZUMA, S.A. DE C.V.<br>Av. Insurgentes 33 - Colonia Moctezuma<br>Jiutepec - Morelos<br>62550 - Mexico City | Cement | - | 33.33 | 33.33 | 189 | 155 | 4,799 | 5,143 | |
| (C) | CONCRETOS MOCTEZUMA DEL PACÍFICO, S.A. de C.V.<br>Monte Elbruz, 134 PH - Colonia Lomas de Chapultepec<br>Deleg. Miguel Hidalgo<br>11000 - Mexico City | Concrete | - | 28.33 | 28.33 | 1,720 | 131 | (29) | 1,822 | |
| (C) | CONCRETOS MOCTEZUMA DE JALISCO, S.A. de C.V.<br>Monte Elbruz, 134 PH - Colonia Lomas de Chapultepec<br>Deleg. Miguel Hidalgo<br>11000 - Mexico City | Concrete | - | 17.00 | 17.00 | 6 | (65) | 91 | 31 | |

(Thousands of euros)

| | Company Name / Registered Office | Activity | Percentage of Ownership Direct | Indirect | Total | Share capital | Net Profit (Loss) | Other Shareholders' Equity | Total Shareholders' Equity | Dividends |
|---|---|---|---|---|---|---|---|---|---|---|
| (C) | NUEVO HORIZONTE AGROPECUARIO, S.A. DE C.V.<br>Miguel Ávila Camacho 184, Oficina 13 Est.21-24<br>Colonia Reforma Social - Deleg. Miguel Hidalgo<br>11000 - Mexico City | Services | - | 33.33 | 33.33 | 3 | (13) | (322) | (332) | |
| (B) | ESCOFET 1886, S.A.<br>c/ Montserrat, 162<br>08760 – Martorell | Precast concrete | - | 36.48 | 36.48 | 1,602 | (171) | 8,476 | 9,907 | |
| (G) | PORTCEMEN, S.A.<br>Moll Contradic Sud, s/n – Port Autònom Barcelona<br>08039 – Barcelona | Services | 33.33 | - | 33.33 | 3,736 | 879 | (1,195) | 3,420 | |
| (G) | MONTASPRE SERVEIS AMBIENTALS, S.L.<br>Barri La Garriga, s/n<br>17481 – Sant Julià de Ramis (Girona) | Services | - | 49.47 | 49.47 | 7 | 56 | 1,001 | 1,064 | |
| (G) | PROMOTORA DE FORMIGONS, S.A.<br>Carretera de la Comella, 11<br>AD 500 – Andorra la Vella | Aggregates | - | 49.37 | 49.37 | 300 | 6 | 76 | 382 | |
| (G) | TÈCNIQUES AMBIENTALS DE MUNTANYA, S.L<br>Zona Industrial Sant Marc -P.S Sant Marc, Nau 4<br>17520 - Puigcerdà (Girona) | Services | - | 49.47 | 49.47 | 6 | (33) | 360 | 333 | |
| (G) | PRONATUR ENERGY 2011, S.L.<br>CN-340, km. 1242,300, nº 2-38<br>08620 - Sant Vicenç dels Horts (Barcelona) | Services | - | 49.47 | 49.47 | 2,000 | (318) | (91) | 1,591 | |
| (G) | PROMSA TRADING L.L.C.<br>B-Ring Road, Al Handassa Street<br>Old Public Works Building – 7th floor<br>P.O. Box: 177, Doha - Qatar | Concrete | - | 48.48 | 48.48 | 42 | - | - | 42 | |
| (G) | VESCEM-LID, S.L.<br>c/ València, 245, 3r 5ª<br>08009- Barcelona | Services | - | 25.00 | 25.00 | 200 | (18) | 50 | 232 | |
| (G) | SURMA Holding company, B.V.<br>Herengracht, 458<br>1017 CA - Amsterdam (Netherlands) | Holding company | - | 50.00 | 50.00 | 28,636 | (84) | 53,261 | 81,813 | |
| (D) | LAFARGE SURMA CEMENT LTD<br>65 Gulshan Avenue, Gulshan -1<br>Dhaka 1212 (Bangladesh) | Cement | - | 29.45 | 29.45 | 113,613 | 5,796 | (40,899) | 78,510 | |
| (E) | LAFARGE UMIAM MINING PRIVATE LTD<br>Hotel Polo Tower, Polo Ground Oakland Road<br>Shillong 793001, Meghalaya (India) | Mining | - | 29.45 | 29.45 | 5,691 | 4,662 | (23,036) | (12,682) | |
| (E) | LUM MAWSHUN MINERALS PRIVATE LTD<br>Hotel Polo Tower, Polo Ground Oakland Road<br>Shillong 793001, Meghalaya (India) | Services | - | 21.79 | 21.79 | 8 | (1) | (13) | (7) | |
| (F) | SOCIÉTÉ TUNISIENNE DE TRANSPORT EN VRAC-STTV<br>22, Avenue Taieb Mhri<br>1240 - Feriana Kasserine (Tunisia) | Transport | - | 22.75 | 22.75 | 374 | (155) | (10) | 208 | |

The above data were provided by the companies and their equity position is as shown in their financial statements at 31 December 2012. The data relating to Corporación Moctezuma, S.A.B. de C.V. are consolidated in the Mexican Group.

All the above companies are jointly controlled entities since they are managed by Group companies jointly with one or more non-Group companies, except for Escofet 1886, S.A. and Cementos Artigas S.A. (see Note 4), which are associates.

These companies were proportionately consolidated, except for Escofet 1886, S.A. and Cementos Artigas S.A. (see Note 4), which were accounted for using the equity method.

Corporación Moctezuma, S.A.B. de C.V. is listed on the Mexican stock exchange. Lafarge Surma Cement Ltd is listed on the Dhaka and Chittagong stock exchanges.

Companies with financial statements audited by:

A = Deloitte, S.L.
B = Gassó y Cía. Auditors
C = Galaz, Yamazaki, Ruiz Urquija, S.L. (Deloitte)
D = Hoda Vasi Chowdhury & Co (Deloitte)
E = Deloitte Haskins and Sells
F = KPMG
G = Unaudited financial statements (not subject to statutory audit)

## RELEVANT GROUP AGGREGATES

Thousands of euros

| Year | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| **Assets** | 1,165,495 | 1,258,775 | 1,740,822 | 1,749,642 | 1,737,248 |
| **Total equity** | 589,107 | 656,916 | 871,877 | 870,432 | 877,777 |
| **Sales** | 804,606 | 663,911 | 808,697 | 830,661 | 918,120 |
| **EBITDA** | 220,558 | 162,120 | 166,059 | 154,217 | 193,336 |
| **Net profit** | 108,556 | 66,734 | 65,485 | 24,300 | 43,706 |
| **Profit for the year** | 20,496 | 15,868 | 13,223 | 11,240 | 11,240 |

Thousands of euros

| Year | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| **Distribution of sales** | | | | | |
| Spanish companies | 452,375 | 325,991 | 276,032 | 214,750 | 175,264 |
| Foreign companies | 352,231 | 337,920 | 532,665 | 615,911 | 742,857 |
| **Distribution of net profit** | | | | | |
| Spanish companies | 48,724 | 19,186 | -21,226 | -19,041 | -24,642 |
| Foreign companies | 59,832 | 47,548 | 86,711 | 43,341 | 68,348 |

## MACROECONOMIC BACKDROP

Year-on-year rates (%)

| GDP | 2008 | 2009 | 2010 | 2011 | 2012 (*) |
|---|---|---|---|---|---|
| Spain | 0.9 | -3.7 | -0.3 | 0.4 | -1.4 |
| Argentina | 6.8 | 0.9 | 9.2 | 8.9 | 2.0 |
| Uruguay | 7.2 | 2.4 | 8.9 | 5.7 | 3.7 |
| Mexico | 1.2 | -6.0 | 5.3 | 3.9 | 3.9 |
| Bangladesh | 6.2 | 5.9 | 5.8 | 6.7 | 6.3 |
| Tunisia | 4.7 | 3.3 | 3.2 | -1.1 | 4.2 |
| **Construction GDP** | **2008** | **2009** | **2010** | **2011** | **2012 (*)** |
| Spain | -0.2 | -7.8 | -14.3 | -5.9 | -8.1 |
| Argentina | 3.7 | -3.8 | 5.2 | 9.1 | -5.1 |
| Uruguay | 2.6 | 0.7 | 3.7 | 6.5 | 17.3 |
| Mexico | 3.1 | -7.3 | -0.6 | 4.6 | 3.7 |
| Bangladesh | 5.7 | 5.7 | 6.0 | 6.5 | 8.5 |
| Tunisia | 3.1 | 3.8 | 3.6 | -4.9 | -2.3 |
| **Inflation** | **2008** | **2009** | **2010** | **2011** | **2012** |
| Spain | 1.4 | 0.8 | 3.0 | 2.4 | 2.9 |
| Argentina | 8.8 | 10.3 | 14.6 | 12.7 | 13.1 |
| Uruguay | 6.4 | 10.5 | 8.4 | 11.1 | 5.9 |
| Mexico | 6.5 | 3.6 | 4.4 | 3.8 | 3.6 |
| Bangladesh | 9.9 | 6.7 | 7.3 | 8.8 | 10.6 |
| Tunisia | 4.9 | 3.5 | 4.4 | 3.5 | 5.6 |

(*) The data for 2012 relate to the third quarter, except for those corresponding to Bangladesh, which are provisional estimates at June 2012 (Source: Central Banks and national statistics institutes in the various countries).

## *Spain*

Five years have elapsed since the start of the international financial crisis, yet the same defining characteristics still prevail: slowdown in the global economy, financial uncertainty and deterioration in the fiscal position of many countries.

The Spanish economy has floundered in the wake of the international financial crisis, since the imbalances accumulated during the boom period have made it vulnerable to changes in macroeconomic and financial conditions. The crisis led to a correction of the excesses in the real estate market and of the private sector debt which characterised the high growth period prior to the recession. The deterioration in the macroeconomic scenario and the job market had a very adverse impact on public finances and on private consumption.

Spain entered a recession in the second quarter of 2008 and remained in that position until the first quarter of 2010, when it embarked on a modest recovery which was interrupted in the second half of 2011 by the worsening of the sovereign debt crisis and the public-sector deficit reduction policies, resulting in negative GDP growth in 2012.

Against this backdrop, the construction industry continues to record negative growth rates for another year. The effects of the plans to reduce public spending led to public works activity grinding to a halt. Residential building work continued at minimum levels, without showing signs of recovery.

Cement consumption in Spain fell once again in 2012, dropping 34% to 13.5 million tonnes. In percentage terms it represents the largest fall in a single year since 1936 and a return to consumption volumes similar to those last witnessed in the sixties, which shows the extent of the crisis in the industry.

In Catalonia, where the Group's cement works in Spain is located, 1.9 million tonnes of cement were consumed, down 29.2% from 2011. The concrete market in Catalonia also fell back once again in 2012, in this case by around 30%.

The year ended with inflation of 2.9%, slightly higher than in 2011.

With respect to currency, the euro continued to depreciate against the US dollar in 2012, especially in the second half of the year, ending the year 1.9% down on 2011.

## *Argentina*

In 2012 economic activity slowed with respect to 2011. The stagnation with respect to the previous year was evident in all sectors except financial intermediation, which recorded significant growth, and the agriculture and livestock industry, which saw a sharp fall due to weather conditions.

According to data published by the Argentine National Institute of Statistics and Censuses (INDEC), the provisional estimate of GDP was a cumulative figure of 2% between January and September 2012, a figure significantly lower than that of the year-ago period.

The Argentine Synthetic Indicator of Construction Activity (ISAC) (*), the construction industry saw a decline in activity with respect to the same period in 2011.

In 2012 the internal wholesale price index (IPIM) grew by 13.1% compared to 2011. The official consumer price index published by INDEC increased by 10.8%, while that published by the Provincial Directorate of Statistics and Censuses of the Province of San Luis (IPC-SL) recorded year-on-year growth of 23.0%.

The Central Bank of Argentina continued with its foreign exchange policy of devaluing the Argentine peso, causing it to depreciate by approximately 12.5% against the US dollar in 2012.

*(*) The ISAC shows the evolution of the industry based on the performance of demand for a set of representative inputs. It includes public and private construction at national level.*

## *Uruguay*

The Uruguayan economy continued to grow in 2012 and country risk was reduced to a minimum. According to the Quarterly National Accounts Report issued by the Central Bank of Uruguay, the Uruguayan economy continued to grow in the third quarter of 2012 and recorded growth at a rate of 3.7% compared to the same period in 2011, due mainly to the increased activity in the "Other Activities", "Transport, Storage and Communications" and "Construction" industries. The "Electricity, Gas and Water Supply" and "Primary Activities" industries saw a decrease in activity.

The Construction industry grew by 17.3% in the first three quarters of 2012, compared to the same period in 2011.

This growth in activity was due to the dynamism of both the private and public sector. The former was spurred by the impact of the installation of the cellulose pulp plant in the Department of Colonia. The public sector also recorded positive growth, particularly due to the increase in contracts awarded by the Uruguayan National Ports Administration and the State Sewage Works Administration.

The consumer price index (CPI) rose by 7.5% in 2012, while the wholesale price index (IPPN) increased by 5.9%.

At 31 December 2012, the exchange rate had appreciated by 2.6% to UYP 19.4/USD 1 compared to 31 December 2011.

## *Mexico*

Mexico remained strong despite the adverse international business climate, led by Europe, and the US fiscal deficit, and used domestic demand to offset the adverse external events.

The Mexican economy continued to grow, although at a slower rate than that observed in the first half of the year, being particularly influenced by the 2012 presidential election.

Mexico's international reserves grew by USD 21 thousand million in 2012, standing at USD 163 thousand million at 31 December 2012.

The Mexican peso began 2012 on a weak note, reaching its highest volatility in June on the back of the Spanish banking crisis, uncertainty about Greece and the monetary policy measures announced by the Federal Reserve. This situation improved in the second half of the year, when the peso strengthened. The peso appreciated by 7.4% against the US dollar in 2012.

Estimated GDP growth in 2012 was 3.9%, while the construction industry recorded a growth of 3.7% compared to the same period in 2011. Inflation remained within the expected range and ended the year at 3.6%.

## *Bangladesh*

In line with prior years, in 2012 the economy grew by 6.3% in real terms. Inflation saw an upturn and the Bangladeshi taka recovered slightly from its sharp devaluation in 2011, ending the year at BDT 79.8/USD (2011: BDT 82/USD 1).

Public accounts showed an improvement in the trade balance, tax revenue and remittances from overseas workers, overcoming the negative signs visible at the end of 2011. Energy availability continues to be a pressing issue, placing limitations on improvement efforts.

Construction grew approximately 8.5%, to add to the 6.5% growth in 2011, supported mainly by private demand, and numerous public projects were awaiting funding.

## *Tunisia*

The country continued to experience the consequences of the revolution in January 2011 from an economic, social and political standpoint. The numerous social demands are affecting the functioning of the country, which is also suffering from inflation while the new government attempts to stabilise the situation completely.

The drafting of the new constitutional framework has not yet concluded and this is giving rise to tension between the Tunisian government, the opposition parties and the population.

The Tunisian economy improved slightly in 2012 compared to 2011, recording an increase of 4.2% in GDP. Inflation stood at 5.6% at the end of the year. The Tunisian dinar depreciated by 5.3% against the euro in 2012.

## *CONSOLIDATED ECONOMIC REPORT*

The **Cementos Molins Group's** core business is the manufacture and marketing of cement, concrete, mortars, aggregates and precast concrete products, and it has facilities in Spain, Argentina, Uruguay, Mexico, India, Bangladesh and Tunisia.

As in prior years, the Group's performance in 2012 cannot be explained without separating the businesses of the companies operating in the Spanish market from those operating abroad.

- ✓ The companies based in Spain were badly hit by the ongoing drop in activity, which led to losses and negative EBITDA.
- ✓ The Group's foreign companies are based in positive markets and economic environments (Argentina, Uruguay, Mexico and Bangladesh), thereby contributing to the Group's consolidated earnings.
- ✓ The exception to this international scenario can be found in Tunisia, which is still feeling the effects of the political, social and economic instability in North Africa in the year. However, mention must be made of the start-up of the new grey cement factory in Kairouan and its contribution to the Group's earnings.

Consolidated revenue amounted to EUR 918 million, up 10.5% on 2011.

- ✓ Domestic company sales totalled EUR 175 million in 2012, accounting for 19% of the total, down 18% on 2011.
- ✓ The Group's foreign companies accounted for 81% of consolidated revenue which, at EUR 743 million, rose by 21% on 2011.

The Group's companies sold 12 million tonnes of Portland cement and clinker, 16.8% up on 2011 due to the increase in the volumes sold by the foreign companies as a result of the start-up of the grey cement factory in Kairouan (Tunisia), in addition to the normalisation of the operations of the Group's factory in Bangladesh and the higher volumes sold in Mexico.

Concrete sales totalled 3.4 million cubic metres, representing a 2.4% decline mainly due to the market situation in Spain, which offset the increases recorded by the Group companies located in Uruguay and Mexico.

The aggregates business fell back by 24.5% which, as in the case of concrete, was recorded at the businesses located in Spain. Also, the Group's precast concrete sales of EUR 49 million were down 23% on 2011, due mainly to the impact of civil engineering and railway products.

EBITDA for 2012 stood at EUR 193 million, up 25.4% on 2011.

The improvement in consolidated EBITDA arose from the good results obtained by foreign investees, which contributed EUR 216 million, up 39% on 2011, while the Spanish companies recorded negative EBITDA of EUR 22 million. The overall EBITDA/sales ratio stood at 21.1%.

Noteworthy among the investments made in 2012 were the completion and start-up of the new Portland cement factory in Kairouan (Sotacib Kairouan, Tunisia) in April and the start-up of the facilities for energy recovery of alternative fuels at the factory in Sant Vicenç dels Horts (Cementos Molins Industrial).

Overall, in 2012 investments amounting to EUR 40 million were made at consolidated level.

On 27 December 2012, 10.61% of the share capital of Cementos Avellaneda (Argentina) and 12.61% of the share capital of Cementos Artigas (Uruguay) were sold to Votorantim Europe, S.L.U. for EUR 45.5 million and EUR 18.9 million, respectively.

As a consequence of these disposals, the ownership interest in the share capital of Cementos Avellaneda was reduced from 61.61% to 51% and from 61.61% to 49% in the case of Cementos Artigas, resulting in the loss of control of the latter. In accordance with the international accounting legislation in force (see Note 4 to the consolidated financial statements), the positive impact on the consolidated income statement arising from the sale of the ownership interest in Cementos Artigas (of which EUR 30.6 million were recognised under "Profit from Operations" and EUR 5 million arising from exchange differences were recognised under "Financial Profit") amounted to EUR 35.6 million , while the EUR 27.8 million arising from the sale of Cementos Avellaneda were recognised directly in consolidated reserves.

The Group’s net borrowings fell by EUR 82 million to EUR 316 million, representing a ratio of 1.63 times EBITDA.

Consolidated net profit amounted to EUR 43.7 million, 79.9% higher than in 2011 due to the convergence of the following factors:

- ✓ Greater contribution to EBITDA by the companies operating in international markets.
- ✓ The gain arising on the sale of the ownership interest in Cementos Artigas for EUR 35.6 million.
- ✓ In accordance with the international accounting standard in force in relation to the impairment of assets, in 2012 the Group recognised an impairment loss on the goodwill of the Tunisian company Sotacib of a net amount of EUR 15.2 million.

Consolidated equity totalled EUR 877 million in 2012, up EUR 7 million on 2011.

## *Research, development and innovation*

In 2012 the Cementos Molins Group companies dedicated significant efforts to R&D+i in order to provide themselves with the tools required to be competitive in a highly demanding environment. Accordingly, the Group launched innovative products tailored to its customers' needs, streamlined the production processes and achieved or maintained the certifications that ratify its commitment to occupational risk prevention, the environment and quality. Following is a summary of the main activities carried on in the field of R&D+i.

Cementos Molins Industrial continued working towards optimising the production of calcium aluminate clinker, including a study of new formulas which, based on the needs of construction chemical customers, expand the product range. Also particularly noteworthy was the development of the process parameters required to increase the degree of thermal substitution by alternative fuels in the Portland process.

PROMSA continued to develop new products, expanding the range of self-levelling mortars and high-technology concrete for specific applications. In this connection, mention must be made of the self-levelling mortar "PROSILENCEmix", which is manufactured from recycled plastic fibre and forms part of the "PROMSA GREEN" product range; "Self-Draining Concrete" and "Fibre-Reinforced Self-Compacting Lightweight Concrete" are aimed at the refurbishment industry. In terms of research, the cooperation agreement with the Universidad Politécnica de Cataluña was maintained, the highlight being the research carried out in the field of steel aggregates and waste recovery for the development of new products for the construction industry.

PROPAMSA continued to expand its product range with the inclusion of several innovative products. In this connection, it launched “Borada ® Epolux” on the market, an epoxy mortar for grouting joints called a "clean joint" because it achieves impermeable joints that keep their original colour and do not become soiled. It also developed VAT ® Elástic, an epoxy-polyurethane based elastic adhesive formulated to fix ceramic to non-rigid surfaces and non-absorbent supports. With regard to the Betec special mortar range, a new shrink-proof and heavy-duty fluid mortar for pillar elevation in structural reinforcements was included. A fast-setting mortar (Propam Fast) was also developed, which is especially suited for fixing urban elements and non-structural repairs requiring fast commissioning.

PRECON continues to actively develop projects and has implemented several co-financed by the Centre for Industrial Technological Development (CDTI) and European Regional Development Funds (ERDF). These include: "Ballastless track system over bituminous mix (Bituvia)", "Design and development of polymer concrete piping (Tubhorpol)", "Noise screens made from olive stones (Panolston)", "Design of alternatives with new configurations for recycled concrete sleepers for high-speed railways (Ecotrav)" and "New precast recycled concrete ducts for cables, design and optimisation of their installation in construction works (Canaletas)." Also, the MI-11 sleeper was validated for use in track systems and the design was completed with a variant for slow-speed railways. In December 2012 work commenced on the "Dynamic transitions for high-speed and freight railways (DINATRANS)" project under the INNPACTO tender launched by the Ministry of Economy and Competitiveness in June 2012; the consortium is led by Ferrovial, Agroman and the partners ADIF, PRECON, Universidad de Cantabria and the Intelligent Infrastructure Innovation Centre.

In Argentina, Cementos Avellaneda, S.A. launched a new, high-quality cement range called "flexible glues" which was very well received by customers. Further studies were carried out on the design of cements with low hydration heat, presumably for the CP 30 category, intended for the construction of docks in the province of San Luis.

Hormigones Avellaneda has made progress in the use of additives such as fly ash and calcareous filler, and has defined the limits of the application of this product.

Hormigones Artigas worked intensely to minimise the effects of high potassium content, particularly in road construction work. Also noteworthy is the use in construction works of a concrete adhered to the asphalt manufactured from fibre-reinforced polymer concrete and laid using high-performance technology.

Corporación Moctezuma is developing a new pozzolanic cement made from a combination of clays that ensure higher performance and a faster setting time.

## *Product quality and certification*

The Cementos Molins Group companies implement a quality policy aimed at ensuring the quality of all their products and processes. To this end, they undertake to comply with the voluntary standards and quality marks, in addition to the regulations applicable in each of the countries in which their production centres, distribution centres and products will be based. The activities performed in 2012 for such purpose are summarised below:

Cementos Molins Industrial renewed its EC Seal and voluntary AENOR N certifications for all the cements produced. Certification of the environmental management system under the UNE-ISO 9001 standard was also renewed. In terms of the control of product quality, a new production process indicator model was set up to increase Portland clinker regularity and consolidate the improved characteristics of the calcium aluminate cement, the production of which commenced in 2011.

PRECON performed the corresponding EC seal audit on the certified products. In terms of management, the Group started adapting the quality system documentation to the new organisation and continued monitoring the Integrated Quality and Environment Management System already in place. In this connection, internal and external audits were performed in compliance with the registered company certificate according to UNE-EN ISO 9001 and the EC seal.

PROMSA retained its EC seal for aggregates for concrete, mortar, bituminous mixtures and aggregates for granular layers. The mortars manufactured by PROMSA and supplied in all their formats have obtained and retained their EC seal. The "Aripaq" and "Prosilence" products have the "Applus" voluntary quality seal. Concrete plants are being audited and some already have the ANEFHOP "Concrete+" seal.

Cementos Avellaneda and Cementos Artigas technicians participated in the drafting of the quality standards, including the IRAM Standard for aggregates, which enables cements with a limited alkali content and aggregates with moderate alkali-silica reactivity to be used. Cementos Avellaneda was awarded the first prize in Technology at the Road Congress held in the province of Córdoba and another two prizes at the Technology Congress of Bahía Blanca (province of Buenos Aires).

In Moctezuma, the Tepetzingo plant retained its ISO 9001:2008 quality system certification, its EMA (Mexican Entity of Accreditation) laboratory accreditation and its ONNCCE (National Organisation for the Standardisation of Building and Construction Industries) product certification. The Apazapan plant started developing and implementing a quality management system based on ISO 9001:2008. Hormigones LACOSA retained its quality management system certification.

SURMA continued working towards obtaining a maximum use of clinker. In this connection, it started producing a cement which included limestone (28%) and slag (6%), which is appreciated in the market. The internal and external quality controls ratify the regularity of its characteristics. Noteworthy is the quality awareness at all levels of the organisation.

Sotacib retained its EC seal for cements, in accordance with standard EN 197-1, which enables them to be sold in all EU countries. It also retained the CCRR (Certificate of Compliance with Regulatory Requirements) from the Spanish Ministry of Industry, Tourism and Trade that certifies compliance with Spanish UNE 80.305 standard for white cement.

## *Human resources*

At the end of 2012 the Cementos Molins Group had 4,336 employees, of which 3,901 were men (90%) and 435 were women (10%).

27% of the workforce was employed at companies located in Spain and the remaining 73% was located at foreign investees.

In comparison with the end of 2011, the workforce decreased by 162 persons (3.6%), the breakdown of which was a reduction of 314 persons (21%) at the Spanish companies and an increase of 152 (5%) at the foreign companies. The largest increase was at SOTACIB as a consequence of the start-up of the new Kairouan grey cement factory.

In 2012 there were 23 disabled employees working at the Spanish companies. In order to comply with the provisions of the Law on the Social Integration of the Disabled, under the framework of the authorisations for the adoption of extraordinary measures applicable to most of them, these companies commissioned services from Special Employment Centres and made donations to entities whose objective is to carry out labour market entry and job creation activities for the disabled.

In relation to personnel training activities, mention must be made of those carried out in the field of occupational risk prevention and the development of management skills. Also worth noting is the completion at Corporación Moctezuma of the comprehensive sales training programme, which included monitoring of objectives, coaching for managers and a diploma in the development of sales and marketing skills. Also, the Cerritos factory completed its pilot technical training programme in cement processing, which was given to manual workers, shift managers, quality analysts and maintenance personnel.

Labour relations were carried on at all the work centres within the usual framework of dialogue and negotiation with the trade unions.

In this connection, the most significant events were as follows:

In July 2012, Precon filed an application for a collective redundancy procedure in order to adapt to the sharp drop in activity in the Spanish construction industry. An agreement on the redundancy procedure was entered into with the workers' representatives, and finally affected 165 employees.

After several months of negotiation of the terms and conditions of the collective agreement, a labour dispute arose at Sotacib's Kairouan factory, which ended in an agreement entered into on 11 January 2013.

In November 2012, the third Organisational Climate Survey was conducted at Cementos Avellaneda. Participation, at 98.5%, was very high and exceeded the participation in the previous survey. The general climate index remained stable at 66%. The feedback meetings will be held in 2013, where work will start on action plans.

In relation to communications and environmental relations policies, noteworthy is the continuation of previously implemented initiatives such as the publication of Konkret at PROMSA, Clinker at Cementos Molins Industrial, Corporación Moctezuma's magazine and the information sheet in Bangladesh.

The collective negotiation process was still under way at Cementos Molins Industrial. The previous collective agreement expired on 31 December 2010 and to date a new agreement has not been reached.

Meetings were held with the Sustainability Committee, which acted as an external communication channel, in which trade unions, municipal councils, autonomous community governments and community associations from the surrounding areas of the factory were represented, in addition to company representatives.

As in previous years, there were numerous community relations activities in the areas in which the Group's factories are located. Of particular note were the activities carried out at SURMA CEMENT, where various child education, women's help centre and health centre initiatives were scheduled around the Chhatak factory (Bangladesh) and the Meghalaya quarry (India).

At Corporación Moctezuma, it should be noted that, in March, the Government of Morelos granted Cementos Moctezuma the award of Committed Family Business for both the development of its personnel at the Tepetzingo plant and for the initiatives implemented in relation to family integration and community relations.

The Government of the State of Veracruz granted the Apazapan plant a business excellence award for its contribution to the development of small and medium-sized companies and for its contribution to the economic growth of its area of influence.

Other noteworthy initiatives include the scholarship programmes and donation of school material in primary and secondary schools in the areas around the Group's production plants and the continuity of the "Feria de la Salud" (Health Fair), which has become a symbol of Corporación Moctezuma's commitment to social welfare, and involves the provision, for a whole day, of preventive health services, the promotion of good hygiene habits and early detection of diseases, and cultural activities for the people living in the area around the company's factories.

The "El Día de Los Árboles y los Áridos" (Tree and Aggregates Day) was held once again. This year PROMSA's "El Serrat" quarry in Prullans (Lleida) opened its gates to local schoolchildren, more than 60 of whom participated a day aimed at raising environmental awareness and promoting the Group's business activity.

Total number of employees per company at 31 December

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| CEMENTOS MOLINS S.A. | 64 | 68 | 68 | 66 | 61 |
| CEMENTOS MOLINS INDUSTRIAL | 255 | 248 | 231 | 215 | 196 |
| PROMSA GROUP | 520 | 478 | 436 | 397 | 314 |
| PRECON | 828 | 772 | 715 | 644 | 448 |
| PROPAMSA | 157 | 140 | 137 | 130 | 120 |
| OTHER | 10 | 10 | 15 | 14 | 13 |
| **SPANISH COMPANIES** | **1,834** | **1,716** | **1,602** | **1,466** | **1,152** |
| CEMENTOS AVELLANEDA | 649 | 645 | 656 | 700 | 713 |
| CEMENTOS ARTIGAS | 210 | 209 | 212 | 224 | 259 |
| CORPORACION MOCTEZUMA | 1,096 | 1,032 | 1,133 | 1,140 | 1,187 |
| SURMA | 400 | 419 | 482 | 475 | 487 |
| SOTACIB | 301 | 353 | 488 | 493 | 538 |
| **FOREIGN COMPANIES** | **2,656** | **2,658** | **2,971** | **3,032** | **3,184** |
| **TOTAL GROUP** | **4,490** | **4,374** | **4,573** | **4,498** | **4,336** |

## *Occupational risk prevention*

The fulfilment of the plans designed for 2012 at the various companies effectively reduced the total number of accidents with loss of working days.

The ongoing commitment shown by the senior management of the companies to improving safety and promoting health has allowed their employees to become aligned and aware of these objectives.

Consequently, as a result of the work carried out by the production and occupational risk prevention teams, the safety and health system has become a global tool that is consolidated at the organisation.

The positive results in recent years evidence the improvement achieved in terms of lower accident figures.

However, the objective is to eliminate accidents altogether. The areas for potential improvement and occupational health, training, communication and other initiatives that can bring significant improvement in 2013 have been discussed.

Frequency indices

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| SPANISH COMPANIES | 23.1 | 18.3 | 14.9 | 14.6 | 10.9 |
| FOREIGN COMPANIES | 16.1 | 11.2 | 9.2 | 8.5 | 7.9 |
| **TOTAL GROUP** | **18.2** | **12.8** | **10.2** | **9.6** | **8.4** |

The Frequency Index shows the number of accidents with loss of working days per million hours worked.

## INDIVIDUAL COMPANY REPORTS

### *Cementos Molins Industrial, S.A.U.*

Cementos Molins Industrial, S.A.U.'s activity is based on the manufacture and sale of both Portland and calcium aluminate cement. Its production plant, which was refurbished in 2010, is located in Sant Vicenç dels Horts (Barcelona).

2012 was another bad year for the industry in Catalonia, with another decrease in consumption of around 29%. Nevertheless, our Sant Vicenç del Horts plant was able to maintain acceptable activity levels given the current market situation, as a result of the significant increase in our clinker exports which, although these sales have a more limited margin, allowed us to achieve a cement kiln utilization rate of 71%.

The production of cement for the year taken as a whole was 17.7% lower than in 2011, while clinker production grew by 7.4% as a result of the aforementioned rise in exports.

In 2012 the billings of Cementos Molins Industrial, S.A.U. totalled EUR 64.2 million, down 14.7% on 2011. In the Spanish market billings amounted to EUR 43.4 million, representing a decrease with respect to 2011. Sales in the export markets totalled EUR 20.8 million.

Product margins contracted significantly in 2012 due to the downward pressure on sales prices. However, cost containment efficiencies were achieved in both raw materials and fuels, and in fixed costs and overheads. Worthy of note is the sharp rise in the substitution of alternative fuels throughout the year, representing more than 30% in December 2012, with the ensuing cost savings.

The sale of surplus CO2 allowances from the period and exchange of EUAs for CERs had a positive impact of EUR 1.2 million on the income statement.

EBITDA amounted to EUR 6 million in 2012, but was down 53.5% on 2011, and the year ended with a net loss of EUR 3.9 million.

Investments in 2012 amounted to EUR 2.5 million, including most notably:

- ✓ Start-up of the facilities for recovering SRF (Solid Recovered Fuels) in the calcinater of the pre-heating tower and dried sewage sludge through the principal kiln burner.
- ✓ PxP expert system for driving the kiln and cooler powered by alternative fuels.
- ✓ Improvements in the facilities and in the operation of calcium aluminate kilns, with an increase in productivity and a decrease in thermal consumption.
- ✓ Reduction in overall electricity consumption due to the optimisation of the facilities and, in some cases, to the change in working methods. Worthy of note is the minimisation of electricity consumption in the pneumatic transport of the cement mills, including new air conditioning equipment.

Among the environmental activities of Cementos Molins Industrial in 2012, the following are of particular note:

- Reduction of CO2 emissions, reaching a cumulative annual CO2/clinker ratio (in tonnes) of 0.78.

- Installation of a new continuous total organic carbon meter.

- Start-up of the two air quality control booths in Pallejà and Sant Vicenç dels Horts.

- The follow-up audit on the certification of the environmental management system under the UNE-ISO 14001:2004 standard was performed.

- The types of authorised waste were extended to include wood without hazardous substances arising from mechanical waste treatment.

Thousands of euros

| CMI SA | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| **Sales** | 135,273 | 108,065 | 91,729 | 75,298 | 64,240 |
| **EBITDA** | 47,538 | 29,725 | 19,172 | 12,913 | 6,000 |

## *Promotora Mediterránea-2, S.A. (PROMSA)*

PROMSA manufactures and markets concrete, aggregates and mortar and has a pavement application division and an environmental division, which engages in the recycling and recovery of waste and manufacture of alternative fuels.

2012 ended with a sharp contraction in demand, leading to a drop in the Catalan concrete market of around 30%. This market situation did not contribute to the recovery of prices, but rather the complete opposite: prices continued to fall, with the ensuing decrease in contribution margins. In order to mitigate this effect, the company maintained an active cost reduction strategy that enabled it to obtain significant savings in 2012.

However, Promsa participated in the main infrastructure projects implemented in 2012, including most notably those relating to the completion of the work on the Barcelona-French border AVE high-speed train and on the Sants-Sagrera tunnel, Sagrera station and Sarria de Ter (Girona) stretches. The company also participated in the main construction work carried out in the port of Barcelona, such as the Container Terminal (TERCAT) and the improvement work carried out on the East Wharf of the Contiguous Dock.

The Promsa Group's revenue totalled EUR 52.1 million in 2012, down 27.7% on 2011. The company incurred a gross operating loss of EUR 10.1 million, due mainly to the ongoing drop in volumes and prices.

In 2012 the investment policy was extremely prudent, resulting in investments of EUR 0.8 million, mostly for maintenance and improving safety conditions at the company's production plants.

As in prior years, PROMSA developed training initiatives for its personnel, with the objective of raising awareness and informing its employees of new environmental-legal developments aimed at ongoing improvement through the achievement of its environmental objectives. In this connection, based on the Efficiency Project, the company achieved the objective of reducing waste generated during the production process by more than 20%.

The company successfully renewed its ISO 14001 certification for environmental management and management of production centres and its head office for the next three years.

Promsa entered the National Sustainable Development in Quarries and Gravel Quarries Awards of the Federation of Aggregates (FdA) in the Environmental Best Practices category, obtaining the second prize and a special mention in technological innovation for environmental protection.

Thousands of euros

| PROMSA | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| **Sales** | 181,509 | 122,418 | 93,219 | 72,067 | 52,130 |
| **EBITDA** | 31,666 | 17,756 | 1,960 | -3,828 | -10,123 |

## *Prefabricaciones y Contratas, S.A.U. (PRECON)*

Precon's activity focuses on the customised design, production and sale of a wide range of precast concrete products for general building construction, public works and railway lines. The company centres its production on its eight plants located throughout Spain.

In 2012 the company's revenue amounted to EUR 48.9 million, down 23% on 2011, with an uneven performance by business line, especially in sectors related to construction, due to the evolution of the Spanish economy during the year.

Precon's building activity grew by 32%. Despite the ongoing impact of the economic crisis on this business line, the company grew its sales by opening new markets and implementing a policy of strengthening ties with and/or attracting private customers. Noteworthy are the works carried out on the Inditex Group's logistics centres - Zara and Massimo Dutti in Tordera (Barcelona), the construction of a new prison in Ceuta, the construction of a shopping centre in Mos - Vigo (Pontevedra), a university building in La Cartuja (Seville), several prefabricated buildings for Iberdrola and the construction of industrial buildings in La Gandariña - Vigo (Pontevedra) and in Cestona and Zarauz (Guipúzcoa).

Civil engineering sales fell by 52% with respect to 2011 due to the sharp drop in the volume of execution of public works in 2012, as a result of the measures adopted by the government in an attempt to reduce the budget deficit. Particularly noteworthy construction projects were the widening of the San Rafael-Villacastín (Segovia) stretch of the AP-6 toll road, the bridges on the SE-40 road (Seville), at the L. P. Navarre - Tiermas junction (Zaragoza) of the Autopista del Pirineo A-21 motorway, work for the Morell-Variante de Valls (Tarragona) stretch of the A-27 road, the Olesa de Montserrat-Viladecavalls (Barcelona) stretch of the B-40 road, the Sauquillo-Almazán (Soria) stretch of the A-15 road, the Palas-Guntín (Lugo) stretch of the A-54 road and for the Puente de Alba-La Robla canal (León).

Precon's railway product business decreased by 13% with respect to 2008 due to the reduction in the call for tenders and award by ADIF of high-speed train network projects and of the projects for the renewal and maintenance of traditional tracks.

In order to adjust Precon's production activity to the drop in demand, in 2012 the Fresno and Humilladero production centres were shut down. Also, a collective redundancy procedure was negotiated and agreed with the workers' representatives which affected 165 employees, 27% of the workforce.

The improvement in processes and procurements did not offset the reduction in sales prices, giving rise to a drop in operating margins. EBITDA was negative by EUR 11.6 million. Worthy of note was the adverse effect on EBITDA of the cost of the individual termination benefit payments and the indemnity payments and costs of EUR 6.4 million associated with the collective redundancy adopted by the company to adjust its workforce to the level of activity.

Investments in 2012 amounted to EUR 2.7 million. They were earmarked mainly for improving the production capacity of the factories, improving product quality, occupational risk prevention and new R&D+i projects.

A new capital contribution of EUR 2,000 thousand was made at Precon (Linyi) Construction Co., Ltd. based in the province of Shandong, China. Lastly, this Chinese subsidiary will commence activity in 2013. In 2012 it acquired equipment and facilities and performed studies on raw materials. The structural elements of the factory are prefabricated and are currently being assembled.

Thousands of euros

| PRECON | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| **Sales** | 139,652 | 96,465 | 87,142 | 63,624 | 48,949 |
| **EBITDA** | 20,949 | 8,945 | 2,990 | -3,236 | -11,621 |

## *Propamsa, S.A.U.*

Propamsa is the Group company specialising in the manufacture and sale of tile, single-layer and special mortars. 2012 marked the eightieth anniversary of PAM ® tile cement, which was commemorated with the slogan ***"80+ years of experience and technology."*** This slogan was aimed at transmitting one of our strengths to our customers: they can trust Propamsa for its extensive experience, quality criteria and the ongoing research and rigour of our Technical Department.

With regard to the market, some significant figures give a clear idea of the situation. Less than 50 thousand housing starts were made in Spain in 2012. Construction production indices fell by 15%, refurbishment by 12% and civil engineering by 40%. The increase in the unemployment rate was not conducive to private individuals undertaking reforms in their homes. Despite these economic data, Propamsa remained focused on its differentiation by launching new products with greater value added and seeking new markets abroad.

In this context, Propamsa maintained its share of the Spanish market, and even increased it in the Levante and Northern regions. The Valencia factory enables the company to provide greater service to customers in the Levante region. The good performance of the Munguía deposit, in the North of Spain, confirms that customers in this area are satisfied with our commitment to quality and service in a market where we had no presence four years ago.

Of particular note was the increase in our actions in foreign markets, particularly in North Africa and France, where we achieved a significant increase in exports and consolidation in some of these markets.

The Betec product line continues to obtain growth in a wide range of products and better market positioning, meeting our warehouse customers' needs. This product line continued to provide a new boost for Propamsa, enabling it to be able to offer more technologically advanced solutions for civil engineering, construction, maintenance and repair, industry and refurbishment.

The most noteworthy investment was the start-up of the new automated bagging and palletising line of 5 kg bags of grout slurries. The objective is to offer our customers better product presentation through brighter packaging and a more resistant bag with a handle that makes it easier to manipulate.

In 2012 sales totalled EUR 25 million and EBITDA amounted to EUR 782 thousand.

Thousands of euros

| PROPAMSA | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| **Sales** | 48,959 | 36,242 | 34,056 | 30,031 | 25,203 |
| **EBITDA** | 6,089 | 2,389 | 2,773 | 1,883 | 782 |

## *Cementos Avellaneda, S.A. (Argentina)*

Cementos Avellaneda, S.A. is an Argentine company that manufactures and sells Portland cement, mortar, lime, tile cement and concrete. It has two cement plants and six concrete plants in operation.

On 27 December 2012, Cementos Molins sold 10.61% of the share capital of Cementos Avellaneda to Votorantim Europea, S.L.U., thereby reducing its ownership interest to 51% of the company's share capital.

The Argentine cement market amounted to 10.5 million tonnes in 2012, down 8.2% on 2011. Per capita consumption in 2012 was 253 kg, down 9.0% on 2011.

The sales volume of all products fell by 4.2% in 2012, while the volume of the concrete business dropped 17.5% compared to 2011.

Profits increased with respect to 2011. EBITDA stood at EUR 60 million, representing a 21.7% rise with respect to 2011, mainly attributable to the start-up of kiln number 3 in the Olavarría factory at the end of 2011, which enabled the company to regain the profitability lost in 2011 as a result of clinker imports.

In terms of investments, in 2012 efforts were aimed at increasing production capacity and improving infrastructure.

The development of alternative fuels is a cornerstone of the company's environmental policy. 2012 saw the continuation of trials for the use of alternative fuels based on waste from local industries, including, inter alia, peanut shells and glycerol.

A stable level of around 34% of production using sustainable fuels as a replacement for traditional fuels has been achieved.

Cementos Avellaneda, S.A. is the first cement company in Argentina to receive United Nations approval for two Clean Development Mechanisms (CDM) based on the replacement of fossil fuels with biomass (San Luis) and energy efficiency (Olavarría). In 2010, a new CDM methodology was approved for the latter project (Cal Extra), paving the way for the obtainment of 450,000 new CERs. Also, progress was made on the monitoring plan for the reduction of emissions in both projects.

In 2012, the environmental management systems under the ISO 14001:2004 standard continued to be implemented at the cement and concrete plants.

At the San Luis plant, ISO 14001:2004 - ISO 9001:2008 certification was renewed in October 2012 after an external audit performed by the accreditation body TÜV Rheinland Argentina, S.A. with the following scope: production, sales and technical assistance for Portland cement and cement for masonry. This is the only plant to have integrated certification under both international standards.

Thousands of euros

| C. AVELLANEDA | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| **Assets** | 114,902 | 124,127 | 144,907 | 179,004 | 195,107 |
| **Equity** | 64,698 | 73,882 | 91,446 | 115,387 | 130,076 |
| **Sales** | 145,299 | 144,793 | 189,233 | 233,864 | 259,052 |
| **EBITDA** | 37,962 | 36,364 | 52,096 | 49,334 | 60,029 |
| **Net profit** | 18,988 | 18,192 | 29,601 | 27,420 | 33,635 |

## *Cementos Artigas, S.A. (Uruguay)*

Cementos Artigas S.A. is a company based in Uruguay. It has a clinker manufacturing plant in Minas, a mill in Sayago and eight concrete production plants, and focuses its activity on the production and sale of Portland cement, mortar, concrete and aggregates.

On 27 December 2012, Cementos Molins sold 12.61% of the share capital of Cementos Artigas to Votorantim Europea, S.L.U., thereby reducing its ownership interest to 49% of the company's share capital.

Sales of Portland cement grew by 11% in the domestic market with respect to 2011. In the same period, clinker shipments declined 10.9%, and exports to Paraguay and Brazil dropped significantly in volume due to the allocation of production to domestic market growth.

Profits increased with respect to 2011. EBITDA amounted to EUR 26.2 million, representing a rise of 15.9% compared to that obtained in 2011, boosted by the growth in sales, particularly those earmarked for the aforementioned Montes de Plata works.

With regard to investments, most noteworthy was the start-up of the crushing plant which enabled the company to fulfil the contract for the provision of stone and concrete to the Montes de Plata paper factory.

With regard to the company's environmental policy, trials continued of the use of alternative fuels such as rice husks and glycerol based on by-products from local industries. A stable level of around 21% of production at Minas using sustainable fuels as a replacement for traditional fuels has been achieved.

At the Sayago, Minas, Oncativo and Maldonado plants, certification with the accreditation body LSQA - Quality Austria under the ISO 14001:2004 standard was monitored and renewed in 2012 with the following scope: production of cement and concrete with onsite delivery.

Thousands of euros

| C. ARTIGAS | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| **Assets** | 50,518 | 61,833 | 64,151 | 85,007 | 90,437 |
| **Equity** | 41,020 | 54,005 | 52,525 | 71,141 | 73,630 |
| **Sales** | 50,709 | 48,067 | 64,038 | 85,977 | 97,423 |
| **EBITDA** | 13,064 | 10,626 | 17,949 | 22,647 | 26,237 |
| **Net profit** | 10,754 | 4,399 | 15,947 | 19,829 | 18,041 |

## *Corporación Moctezuma S.A.B. de C.V. (Mexico)*

Located in Mexico, the company engages in the production and sale of cement, concrete and mortar. Cementos Molins owns 33% of its shares and control is shared with the Italian cement company Buzzi Unicem.

At Corporación Moctezuma the volume of cement sales grew by 6.5%, while concrete sales rose by 11.7%.

Revenue (in euros) increased by 13.6% to EUR 536 million, while EBITDA amounted to EUR 194 million, up 18.8% on 2011, and a net profit of EUR 121 million was recorded.

In terms of costs, worthy of mention is the 16% drop in the price of fuel, in local currency, and a slight increase in electricity tariffs.

With regard to volume of cement sales, Cementos Moctezuma outperformed the construction industry, which grew by around 2%. These significant results were achieved by performing customer relationship-building activities.

Sales of packaged cement grew by 4%, reinforcing our presence and improving the positioning of our brand as one of the most important in the industry.

2012 saw the consolidation of the company's operations. The Apazapan plant, opened in 2010, ended 2012 operating at 94% of its capacity. The company's presence was consolidated in the South East of the country with the high-quality cement and exports of its products to the Brazilian market continued.

The concrete division ended 2012 with 12% growth in sales volume. In 2012 the company consolidated its market share in the states and cities where it was already present.

The most noteworthy works include the Atotonilco waste-water treatment plant, the Bancomer tower, the second storey of the Mexico City ring road, the fast-track expressway in Mexico City and the Altamira Tamaulipas seaport. The company supplied "customised" products for the Bancomer and Reforma towers, namely mass concrete containing specific mixtures for the foundations, adding value to customers' investments and to their economy, giving the company a significant competitive edge.

With regard to investments, worthy of mention in cement is the completion of the Apazapan plant in the state of Veracruz.

In concrete, noteworthy is the construction of the modern Central Marcantonini plant, located in Mexico City, which has completely covered aggregates storage and environmentally efficient facilities, which is even more important due to being located in a densely populated area.

Investments totalling approximately EUR 7 million started to be made from the last quarter of 2012 onwards, in concrete plants and equipment for the construction of the "Guadalajara relief road project".

In environment, in addition to the various initiatives implemented in each of the factories aimed at integrating them in their surroundings, worthy of mention is the renewal of the Tepetzingo plant's ISO 14001:2004 certification for a period of three years (2012-2015).

Thousands of euros

| C. MOCTEZUMA | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| **Assets** | 467,844 | 507,669 | 676,336 | 649,656 | 618,168 |
| **Equity** | 396,412 | 436,101 | 557,057 | 536,648 | 498,041 |
| **Sales** | 405,524 | 358,127 | 428,148 | 471,640 | 535,466 |
| **EBITDA** | 157,600 | 138,353 | 154,524 | 163,307 | 193,699 |
| **Net profit** | 119,427 | 99,288 | 85,268 | 93,799 | 120,934 |

## *Lafarge Surma Cement Limited (Bangladesh)*

Based in Bangladesh, Surma Cement engages in the manufacture and sale of cement. The main factory is located in Bangladesh and the quarry that supplies the principal raw materials in India. Quarry materials are transported from the quarry to the factory by means of a conveyor belt.

Cementos Molins and Lafarge jointly own 60% of the share capital, while the rest is owned almost entirely by local shareholders. The company is listed on the Dhaka and Chittagong stock exchanges.

Most noteworthy in 2012 was the obtainment of the final authorisation to operate the quarry in India. Although the quarry had been operating since August 2011, in February 2012 the Supreme Court of India issued this long-awaited notification which allowed us to resume normal operation.

Further, in 2012 the cement market grew by 9.2%, in line with prior years, to 16.1 million tonnes and, more importantly, maintaining 2011 prices on the back of the sharp drop in the value of the taka. This growth was due to the maintenance of clinker prices in dollars and the recovery of the exchange rate, which led to a significant increase in the return on all cement operations.

Consequently, the company ended 2012 with a production of 1.9 million tonnes of limestone and a sales volume of 1.3 million tonnes of cement and 395 thousand tonnes of clinker.

Prices moved in line with volume, which explains the final figures. A highlight of 2012 was that the monsoon season did not bring the usual drop in sales prices, which may be a sign of the strength of demand. The recovery in production saw a return to normality in the cost structure.

Investments totalling USD 14 million were defined to improve shipment (bulk) and crushing capacity, and ordinary maintenance in each reporting period.

Thousands of euros

| SURMA CEMENT | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| **Assets** | 188,892 | 177,616 | 194,441 | 189,484 | 176,041 |
| **Equity** | 39,376 | 52,593 | 37,914 | 69,812 | 76,272 |
| **Sales** | 61,489 | 78,245 | 61,421 | 58,485 | 100,694 |
| **EBITDA** | 25,446 | 29,652 | -6,075 | 3,679 | 32,730 |
| **Net profit** | 7,471 | 15,169 | -18,177 | -18,939 | 5,607 |

## *Société Tuniso Andalouse de Ciment Blanc "SOTACIB" (Tunisia)*

The Cementos Molins Group has been present in Tunisia since 2007. Initially it operated a factory located in the city of Feriana engaging in the production and sale of white cement (SOTACIB).

SOTACIB is a company with 350 employees, capital of EUR 48 million and a production capacity of approximately 600 thousand tonnes of clinker. SOTACIB exports its product throughout the region (Algeria, Libya and Morocco), Europe and Africa.

SOTACIB's activity in 2012 was still affected by the post-revolution socio-political events in the country and the region, and the factory had yet to reach stable operating levels.

In 2012 the episodes of social instability were manifested in the difficulty in distributing and selling the product, border problems (the border with Libya was often closed) and problems with the Algerian market (new import franchise tax).

Social relations have become a critical factor in the company's management and earnings. The company has participated in many negotiation processes in an attempt to set a framework of stable labour relations.

An improvement is expected in the country's socio-political situation in the coming months that will allow us to achieve our targets for 2013. The freeze on local market prices is affecting profitability.

Thousands of euros

| SOTACIB | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| **Assets** | 90,452 | 113,623 | 107,990 | 99,696 | 101,570 |
| **Equity** | 31,148 | 43,445 | 39,798 | 29,987 | 32,954 |
| **Sales** | 22,830 | 23,861 | 35,586 | 31,156 | 33,238 |
| **EBITDA** | 4,534 | 3,388 | 5,554 | 1,115 | 3,181 |
| **Net profit** | 3,386 | 2,054 | -3,106 | -7,847 | -163 |

## *SOTACIB KAIROUAN (Tunisia)*

SOTACIB Kairouan was incorporated for the purpose of building a grey cement factory in the municipality of Jebel Rouissat (Kairouan, Tunisia). This factory has around 170 employees and a share capital of EUR 90 million.

Of particular note in 2012 was the definitive start-up of the factory in April. The first sale of bagged white cement to the Tunisian market was made on 14 April. During the factory's first year of operation, 670 thousand tonnes of cement and 310 thousand tonnes of clinker were sold.

SOTACIB Kairouan also initiated export operations to Algeria and Libya in 2012.

EBITDA amounted to EUR 13.5 million in the factory's first year of operation.

Social turmoil within the framework of labour relations of SOTACIB KAIROUAN gave rise to a strike which was resolved at the beginning of 2013. In 2013 we hope to consolidate our industrial activity, rectifying some of the restrictions encountered in the operation of the factory in 2012.

Thousands of euros

| SOTACIB KAIROUAN | 2011 | 2012 |
|---|---|---|
| **Assets** | 209,088 | 220,938 |
| **Equity** | 90,187 | 84,728 |
| **Sales** | 0 | 36,506 |
| **EBITDA** | -1,390 | 13,542 |
| **Net profit** | -538 | 380 |

## *Main business risks*

The Cementos Molins Group carries on its activities in various businesses, all related to cement, cement by-products and building materials, and in highly diverse geographical areas, both in Spain and abroad.

These circumstances give rise to certain risks such as:

- industry risks, with particular consideration of environment and occupational risk prevention,
- operating risks inherent to the market in which the Group operates,
- risks arising from the economic environment depending on the country in question, with an impact on exchange rates,
- regulatory risks affected by the various tax, industry and environmental regulations.

This directors' report indicates the impacts, if any, of these risks on 2012 earnings.

## *Treasury share transactions*

At the beginning of 2012 Cementos Molins Industrial, S.A.U. held 1,341,662 shares of the Parent. 641,056 shares were purchased in 2012 for EUR 5 million.

## *Outlook for the Group*

A recovery in the markets where the Group's Spanish companies operate is not expected in 2013, which we hope will be mitigated by the consolidation of the positive results obtained by the Group's foreign companies.

## *Events after the reporting period*

No further significant events that might have a material impact on the Group's equity have taken place since 31 December 2012.

## *Capital structure*

Cementos Molins' share capital amounts to nineteen million eight hundred and thirty-four thousand seven hundred and one euros (EUR 19,834,701), represented by 66,115,670 ordinary shares of a single series, of thirty eurocents (EUR 0.30) par value each. The share capital has been fully subscribed and paid.

The most recent modification was made on 30 June 2005.

## *Restrictions on the transferability of the shares*

There are no restrictions on the transferability of the shares.

## *Significant direct and indirect ownership interests*

| | Ownership interest | | Par value |
|---|---|---|---|
| **Owner** | **Shares** | **%** | **(euros)** |
| Noumea, S.A. | 21,213,595 | 32.086% | 6,364,079 |
| Cartera de Inversiones C.M., S.A. | 15,878,000 | 24.015% | 4,763,400 |
| Inversora Pedralbes, S.A. | 11,160,000 | 16.880% | 3,348,000 |
| Otinix ,S.A. | 10,482,000 | 15.854% | 3,144,600 |

## *Restrictions on voting rights*

There are no restrictions on voting rights.

## *Shareholder agreements*

On 20 January 2011, the Group notified the Spanish National Securities Market Commission (CNMV) of the “Vote and Share Syndication Agreement" entered into on 15 January 2011 by the syndicated shareholders of Cementos Molins, S.A., which supersedes the previous agreement entered into on 15 December 2003. A copy of the full agreement entered into is attached hereto. This Agreement was filed at the Mercantile Registry of Barcelona with entry no. 272.

The significant shareholders involved in the agreement and their respective ownership interest therein is as follows:

| Parties involved in shareholder agreement | % of share capital affected |
|---|---|
| Cartera de Inversiones C.M. S.A. | 24.015 |
| Noumea S.A. | 23.358 |
| Inversora Pedralbes S.A. | 16.880 |
| Otinix S.A. | 15.854 |

## *Rules governing the appointment and replacement of members of the Board of Directors and the amendment of the Company’s bylaws*

The shareholders at the Annual General Meeting or, where appropriate, the Board of Directors shall have the power to designate the members of the Board of Directors in conformity with the Spanish Limited Liability Companies Law and the bylaws.

To hold a directorship it is not necessary to be a shareholder, except in the case of an appointment through co-optation to cover vacancies arising during the period of appointment of directors, in which case the Board of Directors may designate those persons from among the shareholders to occupy such vacancies until the following General Meeting.

The Board of Directors currently has twelve members. Directors are appointed by the shareholders at the General Meeting for a maximum of five years, although they may be re-elected on an indefinite basis for periods of up to five years each, except for the directors considered to be independent, who shall not remain in their position as independent directors for a continuous period of more than twelve years.

The proposals to appoint or re-elect directors that are submitted to the shareholders at the General Meeting by the Board of Directors, and the appointments through co-optation, shall be approved by the Board of Directors

(i) upon the proposal of the Remuneration and Nomination Committee in the case of independent directors, or
(ii) following a report of the Remuneration and Nomination Committee in the case of the other directors.

At all times, the shareholders at the General Meeting may resolve to remove the directors when deemed appropriate for the interests of the Company. Persons declared incompatible to the extent of and in accordance with the conditions established in the Law regarding incompatibilities, and any other that amends or amplifies it, are prohibited from occupying positions at the Company and, as the case may be, discharging them.

The directors shall cease to sit on the Board when the period for which they were appointed elapses, and in all other cases provided for by law, the bylaws or the Board regulations.

Any amendment to the bylaws must be resolved by the shareholders at the General Meeting and shall meet the requirements of the Spanish Limited Liability Companies Law.

## *Powers of the directors*

Article 24 of the bylaws states that the Board of Directors, which must act as a collective body in representation of the Company, may undertake and carry out any and all actions included in the company object and exercise all the powers that are not expressly reserved by law or by the bylaws for the shareholders at the General Meeting. The same article states that the presentation of accounts and balances to the General Meeting or the powers granted by the shareholders to the Board of Directors may not be delegated, unless expressly authorised by the former.

Of the members of the Board of Directors, only the Chief Executive Officer has been conferred powers to act individually, on the basis of the powers listed at the time of his appointment.

## *Significant agreements that may be amended or terminated in the event of a change in control*

The Company has entered into and deposited two shareholders agreements at the CNMV for public knowledge.

The first, relating to the subsidiary Fresit, B.V. entered into on 15 May 2009 by Cementos Molins, S.A. and Cemolins Internacional, S.L.U., of the one part, and Buzzi Unicem, SpA and Buzzi Unicem Internacional, S.à.r.l., of the other part.

The second, relating to Cementos Avellaneda, S.A. (Argentina), entered into on 18 December 2012, by Cementos Molins, S.A., Cemolins Internacional, S.L.U. and Minus Inversora, S.A., of the one part, and the Votorantim Group, of the other part.

The third, relating to Cementos Artigas, S.A. (Uruguay), entered into on 18 December 2012, by Cementos Molins, S.A. and Cemolins Internacional, S.L.U., of the one part, and the Votorantim Group, of the other part.

The three agreements envisage that the change of control by either of the parties grants the other party a pre-emption right on the ownership interest held by the party which modifies its control of the companies governed by the agreement.

## *Agreements between the Company, the directors, executives or employees that provide for termination benefits upon termination of the relationship with the Company as the result of a takeover bid*

Three agreements entered into by the Company and three executives envisage a termination benefit equal to 45 days' salary (based on the gross annual remuneration) per year of service, up to a maximum of 42 months' monetary remuneration at the date of termination, as provided for in Article 10.3-d of Royal Decree 1382/1985, i.e. in the event of succession of the Company or a significant change in the ownership thereof that results in a renewal of its governing bodies or the substance and approach of its main business.

## *Annual Corporate Governance Report*

The Annual Corporate Governance Report is attached as an Appendix to this 2012 Consolidated Directors' Report of the Cementos Molins Group and is an integral part hereof.

# ANNUAL CORPORATE GOVERNANCE REPORT

**LISTED COMPANIES**

ISSUER'S PARTICULARS

REPORTING DATE: 31/12/12

Employer identification number: A-08017535

Company name: CEMENTOS MOLINS, S.A.

# MODEL ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

For a better understanding of the model and subsequent preparation of the report, please read the instructions at the end before filling it in.

## A - OWNERSHIP STRUCTURE

A.1 Fill in the following table on the company's share capital:

| Date of last change | Share capital (EUR) | Number of shares | Number of voting rights |
|---|---|---|---|
| 30/06/05 | 19,834,701.00 | 66,115,670 | 66,115,670 |

Indicate whether there are different classes of shares carrying different rights:

NO

A.2 List the direct and indirect holders of significant ownership interests in the company at year-end, excluding directors:

| Name or company name of shareholder | Number of direct voting rights | Number of indirect voting rights (*) | % of total voting rights |
|---|---|---|---|
| JOAQUÍN M MOLINS GIL | 0 | 15,878,000 | 24.015 |
| OTINIX, S.A. | 10,482,000 | 0 | 15.854 |

Detail the most significant changes in the shareholder structure during the year:

A.3 Fill in the following tables on the members of the company's Board of Directors who own voting shares in the company:

| Name or company name of director | Number of direct voting rights | Number of indirect voting rights (*) | % of total voting rights |
|---|---|---|---|
| CASIMIRO MOLINS RIBOT | 41,350 | 0 | 0.063 |
| JUAN MOLINS AMAT | 47,921 | 0 | 0.072 |
| CARTERA DE INVERSIONES C.M., S.A. | 15,878,000 | 0 | 24.015 |
| EMILIO GUTIÉRREZ FERNÁNDEZ DE LIENCRES | 1,000 | 0 | 0.002 |
| FORO FAMILIAR MOLINS, S.L. | 377 | 0 | 0.001 |
| FRANCISCO JAVIER FERNÁNDEZ BESCOS | 500 | 0 | 0.001 |
| INVERSORA PEDRALBES, S.A. | 11,160,000 | 0 | 16.880 |
| JOAQUIM MOLINS AMAT | 70 | 0 | 0.000 |
| JOAQUÍN M MOLINS LÓPEZ-RODÓ | 24,910 | 8,500 | 0.051 |
| MIGUEL DEL CAMPO RODRÍGUEZ | 1,000 | 0 | 0.002 |
| NOUMEA, S.A. | 21,213,595 | 0 | 32.086 |

| | |
|---|---|
| **% of total voting power held by the Board of Directors** | 73.171 |

Fill in the following tables on the members of the company's Board of Directors who hold rights over shares in the company:

A.4 Indicate, as appropriate, any relationships of a family, commercial, contractual or corporate nature existing between the holders of significant ownership interests, insofar as they are known to the company, unless they have scant relevance or arise from the ordinary course of business:

A.5 Indicate, as appropriate, any relationships of a commercial, contractual or corporate nature existing between the holders of significant ownership interests and the company and/or the group, unless they have scant relevance or arise from the ordinary course of business:

A.6 Indicate whether the company has been notified of any shareholders agreements that affect it in accordance with Art. 112 of the Spanish Securities Market Law (LMV). If so, provide a brief description and list the shareholders that are party to the agreement:

YES

**% of share capital involved :**
24,015

**Brief description of the agreement :**
VOTE AND SHARE SYNDICATION AGREEMENT

| Parties involved in the shareholders' agreement |
|---|
| CARTERA DE INVERSIONES C.M., S.A. |

**% of share capital involved :**
23,358

**Brief description of the agreement :**
VOTE AND SHARE SYNDICATION AGREEMENT

| Parties involved in the shareholders' agreement |
|---|
| NOUMEA, S.A. |

**% of share capital involved :**
16,880

**Brief description of the agreement :**
VOTE AND SHARE SYNDICATION AGREEMENT

| Parties involved in the shareholders' agreement |
|---|
| INVERSORA PEDRALBES, S.A. |

**% of share capital involved :**
15,854

**Brief description of the agreement :**
VOTE AND SHARE SYNDICATION AGREEMENT

| Parties involved in the shareholders' agreement |
|---|
| OTINIX, S.A. |

Indicate whether the company is aware of any concerted action among its shareholders. If so, provide a brief description:

YES

**% of share capital involved :**
81,995

**Brief description of the concerted action :**
VOTE AND SHARE SYNDICATION AGREEMENT

| Participants in concerted action |
|---|
| INVERSORA PEDRALBES, S.A. |
| OTINIX, S.A. |
| CARTERA DE INVERSIONES C.M., S.A. |
| NOUMEA, S.A. |

Expressly indicate any amendment to or termination of such agreements or concerted action during the year:

No

A.7 Indicate, stating the name thereof, if applicable, whether any natural or legal person exercises, or can exercise, control over the company, in accordance with Article 4 of the Securities Market Law. If so, provide a description:

NO

A.8 Fill in the following tables on the company's treasury shares:

At year-end:

| Number of direct shares | Number of indirect shares (*) | Total % of share capital |
|---|---|---|
| 0 | 1,982,718 | 2.999 |

(*) Through:

| Name or company name of holder of direct ownership interest | Number of direct shares |
|---|---|
| CEMENTOS MOLINS INDUSTRIAL, S.A.U. | 1,982,718 |

| | |
|---|---|
| **Total** | 1,982,718 |

Give details of any significant changes during the year, in accordance with Royal Decree 1362/07:

| Notification date | Total direct shares acquired | Total indirect shares acquired | Total % of share capital |
|---|---|---|---|
| 27/04/2012 | 0 | 641,056 | 0.970 |

| | |
|---|---|
| **Gains/(Losses) on treasury shares disposed of during the year (thousands of euros)** | 0 |

A.9 Give details of the conditions and time period of the current authorisation from the shareholders at the General Meeting for the Board of Directors to acquire or transfer treasury shares.

The shareholders at the General Meeting of 26 May 2010 adopted the following resolution, being item SIX on the agenda:

To authorise and empower the Board of Directors of Cementos Molins, S.A. and those companies of which CEMENTOS MOLINS, S.A. is the Parent to acquire, as permitted by law, the shares of CEMENTOS MOLINS, S.A. within the limits and with the following requirements:

a) The par value of the shares acquired, in addition to those already held by CEMENTOS MOLINS, S.A. and its subsidiaries, may not at any time exceed 10% of the total share capital.

b) The acquisition, including the shares that the company may have acquired previously and held in its portfolio, must not cause equity to be less than share capital plus the legal or restricted bylaw reserves.

c) The acquired shares must be fully paid.

d) Acquisitions for valuable consideration must be performed at a minimum price of the par value applicable of the shares and a maximum price of the quoted price at the date of acquisition, and with express compliance with the other legal requirements.

e) This authorisation is established for a period of five years, as of the date hereof, 26 May 2010, without prejudice to the situations provided for under the Law, such as unrestricted acquisition.

A.10 Indicate any legal or bylaw restrictions on the exercise of voting rights and any legal restrictions on the acquisition or transfer of ownership interests in the share capital. Indicate whether there are any legal restrictions on the exercise of voting power:

NO

| | |
|---|---|
| **Maximum percentage of voting rights that may be exercised per shareholder due to legal restrictions** | 0 |

Indicate whether there are any bylaw restrictions on the exercise of voting rights:

NO

| | |
|---|---|
| **Maximum percentage of voting rights that may be exercised per shareholder due to bylaw restrictions** | 0 |

Indicate whether there are any legal restrictions on the acquisition or transfer of ownership interests in the share capital:

NO

A.11 Indicate whether the shareholders at the General Meeting have resolved to take measures to neutralise a takeover bid pursuant to Law 6/2007.

NO

Explain any measures approved and the situations in which the restrictions would be inoperative:

## B - MANAGEMENT STRUCTURE OF THE COMPANY

### B.1 Board of Directors

B.1.1 Detail the maximum and minimum number of directors as per the bylaws:

| | |
|---|---|
| **Maximum number of directors** | 16 |
| | |

| | |
|---|---|
| **Minimum number of directors** | 6 |

B.1.2 Fill in the following table with the directors' particulars:

| Name or company name of director | Representative | Position on the Board | Date of first appointment | Date of last appointment | Appointment procedure |
|---|---|---|---|---|---|
| CASIMIRO MOLINS RIBOT | -- | CHAIRMAN | 15/11/45 | 03/06/09 | VOTE AT GENERAL MEETING |
| JUAN MOLINS AMAT | -- | DEPUTY CHAIRMAN AND CHIEF EXECUTIVE OFFICER | 19/06/67 | 31/05/12 | VOTE AT GENERAL MEETING |
| CARTERA DE INVERSIONES C.M., S.A. | JOAQUIN Mª MOLINS GIL | SECOND DEPUTY CHAIRMAN | 26/06/96 | 03/06/09 | VOTE AT GENERAL MEETING |
| EMILIO GUTIÉRREZ FERNÁNDEZ DE LIENCRES | -- | DIRECTOR | 21/06/02 | 31/05/12 | VOTE AT GENERAL MEETING |
| EUSEBIO DIAZ-MORERA PUIG-SUREDA | -- | DIRECTOR | 31/05/12 | 31/05/12 | VOTE AT GENERAL MEETING |
| FORO FAMILIAR MOLINS, S.L. | ROSER RÀFOLS VIVES | DIRECTOR | 28/06/07 | 31/05/12 | VOTE AT GENERAL MEETING |
| FRANCISCO JAVIER FERNÁNDEZ BESCOS | -- | DIRECTOR | 31/05/12 | 31/05/12 | VOTE AT GENERAL MEETING |
| INVERSORA PEDRALBES, S.A. | ANA Mª MOLINS LÓPEZ-RODÓ | DIRECTOR | 26/06/96 | 03/06/09 | VOTE AT GENERAL MEETING |
| JOAQUIM MOLINS AMAT | -- | DIRECTOR | 15/06/01 | 03/06/09 | VOTE AT GENERAL MEETING |
| JOAQUÍN Mª MOLINS LÓPEZ-RODÓ | -- | DIRECTOR | 29/07/09 | 26/05/10 | VOTE AT GENERAL MEETING |
| MIGUEL DEL CAMPO RODRÍGUEZ | -- | DIRECTOR | 21/05/02 | 03/06/09 | VOTE AT GENERAL MEETING |
| | | | | | |

| Name or company name of director | Representative | Position on the Board | Date of first appointment | Date of last appointment | Appointment procedure |
|---|---|---|---|---|---|
| NOUMEA, S.A. | PABLO MOLINS AMAT | DIRECTOR | 26/06/96 | 31/05/12 | VOTE AT GENERAL MEETING |

| | |
|---|---|
| **Total number of directors** | 12 |

Indicate any removals of directors during the year:

B.1.3 Fill in the following tables on the members of the Board and their status:

EXECUTIVE DIRECTORS

| Name or company name of director | Committee proposing appointment | Position per company organisation chart |
|---|---|---|
| JUAN MOLINS AMAT | NOMINATION AND REMUNERATION COMMITTEE | CHIEF EXECUTIVE OFFICER |

| | |
|---|---|
| **Total number of executive directors** | 1 |
| **Total % of Board** | 8.333 |

NON-EXECUTIVE PROPRIETARY DIRECTORS

| Name or company name of director | Committee proposing appointment | Name or company name of significant shareholder represented or proposing appointment |
|---|---|---|
| CASIMIRO MOLINS RIBOT | -- | INVERSORA PEDRALBES, S.A. |
| CARTERA DE INVERSIONES C.M., S.A. | -- | CARTERA DE INVERSIONES C.M., S.A. |
| EMILIO GUTIÉRREZ FERNÁNDEZ DE LIENCRES | -- | CONCERTED ACTION BETWEEN INVERSORA PEDRALBES, OTINIX, CARTERA DE |

| Name or company name of director | Committee proposing appointment | Name or company name of significant shareholder represented or proposing appointment |
|---|---|---|
| | | INVERSIONES C.M. AND NOUMEA |
| FORO FAMILIAR MOLINS, S.L. | -- | NOUMEA, S.A. |
| FRANCISCO JAVIER FERNÁNDEZ BESCOS | -- | CONCERTED ACTION BETWEEN INVERSORA PEDRALBES, OTINIX, CARTERA DE INVERSIONES C.M. AND NOUMEA |
| INVERSORA PEDRALBES, S.A. | -- | INVERSORA PEDRALBES, S.A. |
| JOAQUIM MOLINS AMAT | -- | NOUMEA, S.A. |
| JOAQUÍN Mª MOLINS LÓPEZ-RODÓ | -- | INVERSORA PEDRALBES, S.A. |
| NOUMEA, S.A. | -- | CONCERTED ACTION BETWEEN INVERSORA PEDRALBES, OTINIX, CARTERA DE INVERSIONES C.M. AND NOUMEA |

| | |
|---|---|
| **Total number of proprietary directors** | 9 |
| **Total % of Board** | 75.000 |

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Name or company name of director**

EUSEBIO DIAZ-MORERA PUIG-SUREDA

**Profile**

GRADUATE IN ECONOMICS AND MASTER'S DEGREE FROM IESE. EXTENSIVE KNOWLEDGE OF THE FINANCIAL SECTOR. PROPOSED BY THE NOMINATION AND REMUNERATION COMMITTEE

**Name or company name of director**

MIGUEL DEL CAMPO RODRÍGUEZ

**Profile**

ECONOMIST WITH EXTENSIVE KNOWLEDGE IN THE CEMENT INDUSTRY. PROPOSED BY THE NOMINATION AND REMUNERATION COMMITTEE

| | |
|---|---|
| **Total number of independent directors** | 2 |
| **Total % of Board** | 16.667 |

## OTHER NON-EXECUTIVE DIRECTORS

| | |
|---|---|
| **Total number of non-executive directors** | 0 |
| **Total % of Board** | 0.000 |

Give details of the reasons why they cannot be considered proprietary or independent directors and of their relationship links with the company and its executives or shareholders.

Indicate any changes in the status of each director that may have occurred during the year:

B.1.4 Explain the reasons for the appointment of any proprietary directors at the request of shareholders controlling less than 5% of the share capital.

Indicate any rejection of a formal request for a place on the Board from shareholders whose ownership interest is equal to or greater than that of others whose nomination of proprietary directors was accepted. Explain the reasons for the rejection.

NO

B.1.5 Indicate whether any directors resigned from office before the expiration of their term of office, whether and in what manner the director explained the reasons for resignation to the Board and, in the event that resignation was tendered in writing to the Board in full, detail below the reasons given by the director.

NO

B.1.6 Indicate what powers, if any, have been delegated to the chief executive officer(s):

**Name or company name of director**

JUAN MOLINS AMAT

**Brief description**

The chief executive officer may, individually, exercise all the powers required for the smooth running of the company's business in accordance with the resolutions of the Board of Directors meeting of 31 March 2005.

B.1.7 Identify, as appropriate, the Board members who hold office as directors or executives at other companies forming part of the listed company's group:

| Name or company name of director | Name of Group entity | Position |
|---|---|---|
| | | |

| Name or company name of director | Name of Group entity | Position |
|---|---|---|
| JUAN MOLINS AMAT | CEMENTOS ARTIGAS, S.A. | DEPUTY CHAIRMAN |
| JUAN MOLINS AMAT | CEMENTOS AVELLANEDA, S.A. | CHAIRMAN |
| JUAN MOLINS AMAT | CEMOLINS INTERNACIÓNAL, S.L.U. | CHAIRMAN |
| JUAN MOLINS AMAT | CORPORACIÓN MOCTEZUMA, S.A. de C.V. | CHAIRMAN |
| JUAN MOLINS AMAT | FRESIT, B.V. | DIRECTOR |
| JUAN MOLINS AMAT | MINUS INVERSORA, S.A. | CHAIRMAN |
| JUAN MOLINS AMAT | SOCIETE TUNISO-ANDALOUSE DE CIMENT BLANC SOCIETÉ ANONYME SOTACIB, S.A. | CHAIRMAN |
| JUAN MOLINS AMAT | SOTACIB-KAIROUAN, S.A. | CHAIRMAN |
| MIGUEL DEL CAMPO RODRÍGUEZ | SOCIETE TUNISO-ANDALOUSE DE CIMENT BLANC SOCIETÉ ANONYME SOTACIB, S.A. | DIRECTOR |
| MIGUEL DEL CAMPO RODRÍGUEZ | SOTACIB-KAIROUAN, S.A. | DIRECTOR |

B.1.8 Give details, as appropriate, of any directors of the company who are members of the Boards of Directors of other non-group companies that are listed on official securities markets in Spain, as disclosed to the company:

| Name or company name of director | Company name of listed company | Position |
|---|---|---|
| CARTERA DE INVERSIONES C.M., S.A. | COMPAÑÍA GENERAL DE INVERSIONES, S.A. SIMCAV | DIRECTOR |

B.1.9 Give details of any rules established by the company with respect to the number of boards to which its directors may belong:

NO

B.1.10 With respect to Recommendation 8 of the Unified Code, indicate the general policies and strategies of the company reserved for approval by the Board in plenary session:

| | |
|---|---|
| **Investment and financing policy** | YES |
| **The definition of the structure of the corporate group** | YES |
| **Corporate governance policy** | YES |
| | |

| | |
|---|---|
| **Corporate social responsibility policy** | YES |
| **The strategic or business plan and the annual management and budget targets** | YES |
| **The policy of remuneration and evaluation of the performance of senior executives** | YES |
| **Risk control and management, and the periodic monitoring of internal information and control systems** | YES |
| **Dividend policy, as well as the policies and limits applying to treasury shares** | YES |

B.1.11 Fill in the following tables on the aggregate remuneration of directors paid during the year:

a) At the reporting company:

| Remuneration item | Figures in thousands of euros |
|---|---|
| Fixed remuneration | 603 |
| Variable remuneration | 0 |
| Attendance fees | 160 |
| Bylaw-stipulated directors' emoluments | 486 |
| Share options and/or other financial instruments | 0 |
| Other | 0 |

| | |
|---|---|
| **Total** | 1,249 |

| Other benefits | Figures in thousands of euros |
|---|---|
| Advances | 0 |
| Loans granted | 0 |
| Pension funds and plans: contributions | 13 |
| Pension funds and plans: obligations | 0 |
| Life insurance premiums | 0 |
| Guarantees provided by the company for directors | 0 |

b) Due to company directors' membership of other boards of directors and/or of the senior management of group companies:

| Type of remuneration | Figures in thousands of euros |
|---|---|
| Fixed remuneration | 0 |
| Variable remuneration | 0 |
| Attendance fees | 0 |
| Bylaw-stipulated directors' emoluments | 0 |
| Share options and/or other financial instruments | 0 |
| Other | 0 |

| | |
|---|---|
| **Total** | 0 |

| Other benefits | Figures in thousands of euros |
|---|---|
| Advances | 0 |
| Loans granted | 0 |
| Pension funds and plans: contributions | 0 |
| Pension funds and plans: obligations | 0 |
| Life insurance premiums | 0 |
| Guarantees provided by the company for directors | 0 |

c) Total remuneration by type of director:

| Type of director | By company | By group |
|---|---|---|
| Executive directors | 643 | 0 |
| Non-executive proprietary directors | 515 | 0 |
| Independent non-executive directors | 91 | 0 |
| Other non-executive directors | 0 | 0 |

| | | |
|---|---|---|
| **Total** | 1,249 | 0 |

d) With respect to profit attributable to the parent:

| | |
|---|---|
| **Total directors' remuneration (thousands of euros)** | 1,249 |
| **Total directors' remuneration/profit attributable to the parent (expressed as %)** | 2.9 |

B.1.12 Identify the senior executives who are not executive directors and indicate the total remuneration paid to them during the year:

| Name or company name | Position |
|---|---|
| CARLOS MARTINEZ FERRER | CORPORATE GENERAL MANAGER |
| SALVADOR FERNANDEZ CAPO | GENERAL MANAGER - OPERATIONS |
| ANGEL CERCOS CASALE | GENERAL MANAGER - CEMENTOS MOLINS INDUSTRIAL, S.A.U. |
| CARLOS RAICH CABARROCAS | GENERAL MANAGER - PROMOTORA MEDITERRANEA 2, S.A. |
| HIGINI MANUEL ALFAGEME CARRERA | GENERAL MANAGER - PREFABRICACIONES Y CONTRATAS, S.A.U. |
| JAUME MESTRES MARTIN DE LOS SANTOS | GENERAL MANAGER - PROPAMSA, S.A.U. |
| FRANCISCO JAVIER MOLINS AMAT | MANAGER FOR ARGENTINE AND URUGUAYAN INVESTEES |
| JOSE MARIA FONTDECABA ANTICO | MANAGER FOR BANGLADESHI INVESTEES |
| JOSÉ MANUEL ALÓS CAYUELA | MANAGER FOR TUNISIAN INVESTEES |
| RAMON TARGARONA PUJADAS | DEVELOPMENT MANAGER |
| SANTIAGO CALVO JIMÉNEZ | CORPORATE TECHNICAL MANAGER |
| | |

| Name or company name | Position |
|---|---|
| CARLOS MARIN CASCUDO | HUMAN RESOURCES MANAGER |
| JORGE MOLINS AMAT | MANAGER- CORPORATE LEGAL SERVICES |
| MARCOS CELA REY | FINANCIAL MANAGER |
| GABRIEL IGLESIAS SANTONJA | MANAGER- ORGANISATION AND SYSTEMS |
| ANTONIO MARTÍN DEL RÍO | MANAGER- ADMINISTRATION |
| XAVIER ESCUDÉ TORRENTE | MANAGER- MANAGEMENT CONTROL |
| SERGIO MARTINEZ PIE | INTERNAL AUDITOR |

| | |
|---|---|
| **Total remuneration of senior executives (thousands of euros)** | 3,489 |

B.1.13 Identify in aggregate terms whether there are any guarantee or golden parachute clauses for senior executives, including executive directors of the company or of its group, in the event of termination or changes in control. Indicate whether these contracts have to be disclosed to and/or approved by the bodies of the company or of its group:

| | |
|---|---|
| **Number of beneficiaries** | 3 |

| | Board of Directors | General Meeting |
|---|---|---|
| **Body authorising the clauses** | YES | NO |

| | |
|---|---|
| **Is the General Meeting informed of the clauses?** | NO |

B.1.14 Describe the process for setting Board members' remuneration and the relevant provisions in the company bylaws.

| Process for setting Board members' remuneration and the provisions in the bylaws |
|---|
| Pursuant to Article 27 of the Bylaws, the remuneration of directors shall comprise, where appropriate, a fixed amount which shall be determined annually by the shareholders at the General Meeting. The aforementioned remuneration shall be distributed among the directors as determined by the Board. |

| Process for setting Board members' remuneration and the provisions in the bylaws |
|---|
| In addition to this payment, the directors shall receive individual remuneration for attendance fees for each Board meeting, Delegated Committee or Board Committees that they personally attend which will be established by the shareholders at the General Meeting.<br><br>Article 20 of the Board Regulations stipulates that:<br><br>1. The directors' remuneration shall consist, where appropriate, of a fixed amount which shall be determined annually by the shareholders at the General Meeting. The aforementioned remuneration shall be distributed among the directors as determined by the Board.<br><br>2. Non-executive directors' remuneration should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.<br><br>3. The Board of Directors shall approve the remuneration policy for the company's managing bodies, following a proposal from the Nomination and Remuneration Committee which shall address the following issues at least:<br><br>a) The amount of the fixed components, itemised where necessary, Board and Board committee attendance fees, with an estimate of the fixed annual payment they give rise to;<br><br>b) Variable components, in particular:<br><br>i) The types of directors they apply to, with an explanation of the relative weight of variable remuneration items with respect to fixed remuneration items;<br>ii) Performance evaluation criteria used to calculate entitlement to the award of shares or share options or any performance-related remuneration;<br>iii) The main parameters and grounds for any system of annual bonuses (bonds) or other, non cash benefits; and<br><br>iv) An estimate of the sum total of variable payments arising from the remuneration policy proposed, on the basis of the degree of compliance with pre-set targets or benchmarks.<br><br>c) The main characteristics of welfare systems (for example, supplementary pensions, life insurance and similar arrangements), with an estimate of their amount or annual equivalent cost.<br><br>d) The conditions to apply to the contracts of executive directors exercising senior management functions, including the following:<br><br>i) Term;<br>ii) Notice periods; and<br>iii) Any other clauses covering joining bonuses, termination benefits or golden parachutes in the event of early termination of the contractual relationship between the company and the executive director.<br><br>4. Each year the Board may resolve, with the frequency deemed appropriate, to make payments on account of the amounts which correspond to each director for the work performed in the year.<br><br>5. The directors' remuneration shall be transparent, reflecting in the information that all listed companies must publish such disclosures thereon as required.<br><br>6. A detail of individual directors' remuneration in the year shall be included in the notes to the financial statements :<br><br>or A breakdown of the remuneration earned by each director, to include where appropriate:<br>i) Attendance fees and other fixed director payments;<br>ii) Additional remuneration for acting as chairman or member of a Board committee;<br>iii) Any payments made under profit-sharing or bonus schemes, and the reason for their accrual; |

| Process for setting Board members' remuneration and the provisions in the bylaws |
|---|
| iv) Contributions on the director's behalf to defined-contribution pension plans, or any increase in the director's vested rights in the case of contributions to defined-benefit schemes;<br>v) Any termination benefits agreed or paid;<br>vi) Any remuneration they receive as directors of other companies in the group;<br>vii) Any kind of remuneration other than those listed above, of whatever nature and provenance within the group, especially when it may be deemed a related party transaction or when its omission would detract from the fair presentation of the total remuneration received by the director.<br><br>or An individual breakdown of deliveries to directors of shares, share options or other share-based instruments. |

Indicate whether the plenary Board meeting reserves approval of the following decisions:

| | |
|---|---|
| **At the proposal of the Company's chief executive, the appointment and possible removal of senior executives and provisions relating to termination benefits.** | NO |
| **Directors' remuneration and, in the case of executive directors, the additional consideration for their management duties and other contract conditions.** | YES |

B.1.15 Indicate whether the Board of Directors approves a detailed remuneration policy and specify the matters addressed by it:

YES

| | |
|---|---|
| **Amount of the fixed components with a breakdown, if applicable, of the fees for attending Board and committee meetings and an estimate of the annual fixed remuneration arising therefrom** | YES |
| **Variable remuneration** | YES |
| **Main features of welfare systems and the estimated amount or equivalent annual cost** | YES |
| **Conditions to be met in the contracts of executive directors who discharge senior management functions** | YES |

B.1.16 Indicate whether the Board, for consultation purposes, puts a report on the directors' remuneration policy to the vote at the General Meeting, as a separate point on the agenda. If so, explain the remuneration policy matters approved by the Board for future years, the most significant changes in the policy with respect to that applied in the year and a summary of the application of the remuneration policy in the year. Detail the role played by the Remuneration Committee and, if external advisors were used, the identity of the external consultants:

YES

| Matters addressed in the remuneration policy |
|---|
| At the General Meeting held on 31 May 2012, the Board, for consultation purposes, put a report on the directors' remuneration policy to the vote at the General Meeting, as a separate point on the agenda.<br><br>The Board, at the proposal of the Nomination and Remuneration Committee, is the body responsible for establishing directors' remuneration in accordance with the provisions of in Article 27 of the bylaws. The annual remuneration of the directors is annually submitted for approval by the shareholders at the General Meeting.<br><br>The remuneration of non-executive directors for their activities as Board members is structured, pursuant to the applicable legislation and bylaws, in accordance with the following criteria:<br><br>a) fixed annual remuneration commensurate with market standards.<br><br>b) attendance fees for actual attendance by each director at meetings of the Board and its committees.<br><br>The remuneration of executive directors for the discharge of their executive duties is structured as follows:<br><br>a) fixed remuneration: at a level comparable to that customary in the market at companies of a similar size.<br><br>b) variable remuneration: remuneration with objective criteria in relation to the individual performance and the achievement of the business objectives of the company and the group, including a significant annual variable component -whilst avoiding an excessive weight- associated with the achievement of specific, predefined, quantifiable objectives in line with the corporate interest in, among other objectives, occupational risk prevention, in particular.<br><br>However, the remuneration methods for directors and senior executives of the Cementos Molins Group do not include the possibility of the delivery of company shares or options on its shares or remuneration rights linked to the value of the shares.<br><br>In addition, the Board of Directors assumes the obligation to abide by the principle of complete transparency for all the remuneration received by the directors, providing sufficient transparent information issued with all due notice and in accordance with the good corporate governance recommendations.<br><br>Lastly, at its meeting of 8 November 2012 the Nomination and Remuneration Committee resolved to propose to the Board of Directors not to change the remuneration to be received by the Board in 2013. |

| Role played by the Remuneration Committee |
|---|
| The Nomination and Remuneration Committee is in charge of shaping the remuneration policy for the Board of Directors and for proposing the fixed annual remuneration of its members. |

| | |
|---|---|
| **Were external advisors used?** | **NO** |

| Identity of the external consultants |
|---|

B.1.17 Indicate, as appropriate, which members of the Board are, in turn, members of the Boards of Directors, executives or employees of companies that hold significant ownership interests in the listed company and/or group companies:

| Name or company name of director | Company name of significant shareholder | Position |
|---|---|---|
| CASIMIRO MOLINS RIBOT | OTINIX, S.A. | CHAIRMAN |
| CASIMIRO MOLINS RIBOT | INVERSORA PEDRALBES, S.A. | CHAIRMAN |
| JUAN MOLINS AMAT | NOUMEA, S.A. | DIRECTOR |
| JOAQUIM MOLINS AMAT | NOUMEA, S.A. | DIRECTOR |
| JOAQUÍN Mª MOLINS LÓPEZ-RODÓ | OTINIX, S.A. | DIRECTOR |
| JOAQUÍN Mª MOLINS LÓPEZ-RODÓ | INVERSORA PEDRALBES, S.A. | DIRECTOR |

Give details, as appropriate, of any material relationships, other than those envisaged under the preceding heading, of the members of the Board of Directors with significant shareholders and/or at group companies:

B.1.18 Indicate the amendments, if any, to the Board Regulations during the year:

YES

| Description of the amendments |
|---|
| In the minutes of the meeting held on 29 March 2012, the Board of Directors resolved to amend to Article 9.5 of the Board Regulations. |

B.1.19 Indicate the procedures for the appointment, re-election, evaluation and removal of directors. Give details of the competent bodies, the formalities to be fulfilled and the criteria to be used in each of the procedures.

The shareholders at the General Meeting or, where appropriate, the Board of Directors shall have the power to designate the members of the Board in conformity with the Spanish Public Limited Liability Companies Law and with the bylaws.

To hold a directorship it is not necessary to be a shareholder, except in the case of an appointment through co-optation to cover vacancies arising during the period of appointment of directors, in which case the Board may designate those persons from among the shareholders to occupy such vacancies until the following Annual General Meeting.

The Board of Directors currently has twelve members. Directors are appointed by the Annual General Meeting for a maximum of 5 years, although they may be re-appointed on an indefinite basis for periods of up to five years each term, except for the directors considered to be independent, who shall not remain in their position as independent directors for a continuous period of more than 12 years.

The proposal for the appointment or re-election of directors which the Board submits to the General Meeting, as well as provisional appointments by the method of co-optation, shall be approved by the Board of Directors:

(i) On the proposal of the Remuneration and Nomination Committee, in the case of independent directors.
(ii) Subject to a report from the Nomination Committee in all other cases.

At all times, the Annual General Meeting may resolve the removal of the directors when deemed appropriate for the interests of the company.

Persons declared incompatible to the extent of and in accordance with the conditions established in the Law regarding conflicts of interest, and any other that amends or broadens it, are prohibited from holding positions in the Company and, as the case may be, discharging them.

Directors shall cease to sit on the Board when the period for which they were appointed elapses, and in all other cases provided for by law, the bylaws or the Board regulations.

As stipulated in Article 11 of the Board Regulations, the Board of Directors in plenary session shall evaluate once a year:

a) The quality and efficiency of the Board's operation;

b) On the basis of a report submitted by the Remuneration and Nomination Committee, the performance of the Chairman of the Board and the company's chief executive;

c) The performance of its committees on the basis of the reports furnished by them.

## B.1.20 Indicate the cases in which the directors must resign.

1. Pursuant to Article 15 of the Board Regulations, proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

2. The Board of Directors shall not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the Board of Directors, based on a proposal from the Remuneration and Nomination Committee. In particular, just cause will be presumed to exist when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds enumerated in section III.5 (Definitions) of the Unified Good Governance Code for Listed Companies.

3. The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out by the company.

4. Directors are obliged to inform the Board of any circumstance that could harm the company's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial. When a director is sued or tried for any of the offences stated in Article 213 of the Spanish Limited Liability Companies Law the Board should examine the matter and, in view of the particular circumstances, decide whether or not he/she should be called on to resign. The Board shall also disclose all such determinations, giving a reasoned account thereof, in the Annual Corporate Governance Report.

## B.1.21 State whether the chairman of the Board of Directors also performs the functions of the company's chief executive. If so, describe the measures taken to limit the risks of power being concentrated in the hands of one person:

NO

Indicate and, if applicable, explain whether rules have been established to enable one of the independent directors to convene a Board meeting or add items to the agenda, to coordinate and give voice to the concerns of non-executive directors and lead the Board's evaluation of the Chairman.

NO

B.1.22 Are qualified majorities, other than statutory majorities, required for any type of decision?:

NO

Describe how resolutions are adopted by the Board of Directors and specify, at least, the minimum attendance quorum and the type of majority for adopting resolutions:

**Description of resolution:**

For all types of agreements

| Quorum | % |
|---|---|
| The Board shall be validly convened where one half plus one of its members attends the meeting in person or represented by another director. Proxies shall be granted in a letter to the Chairman. | 58.33 |

| Type of majority | % |
|---|---|
| Resolutions shall be adopted by absolute majority of the directors attending the meeting in person or by proxy.<br><br>In the event of a tied vote, the Chairman of the Board of Directors shall have the casting vote, except in the case of the permanent delegation of powers. | 58.33 |

B.1.23 Explain whether there are any specific requirements, apart from those relating to directors, to be appointed chairman.

NO

B.1.24 State whether the chairman has a casting vote:

YES

| Matters on which there is a casting vote |
|---|
| Article 26 of the bylaws and Articles 10 and 21 of the Board Regulations provide that the Chairman of the Board of Directors shall have the casting vote in the event of a tied vote, except in the case of the permanent delegation of powers. |

B.1.25 Indicate whether the bylaws or the Board Regulations set any age limit for directors:

NO

| Age limit - chairman | Age limit - CEO | Age limit - directors |
| --- | --- | --- |
| 0 | 0 | 0 |

B.1.26 Indicate whether the bylaws or the Board Regulations set a limited term of office for independent directors:

YES

| | |
| --- | --- |
| **Maximum term of office (years)** | 12 |

B.1.27 In the event that there are few or no female directors explain the reasons for the situation and the measures taken to correct it.

In particular, indicate whether the Nomination and Remuneration Committee has established procedures for selection processes to ensure that they do not suffer from any implicit bias against women candidates and that purposely identify candidates with the target profile:

NO

B.1.28 Indicate whether there are any formal procedures for granting proxies to vote at Board meetings. If so, give brief details.

Article 10.2 of the Board Regulations provides that directors may appoint any other director as his/her proxy for the Board meeting without limiting the number of proxies that each director may hold.

Article 26 of the bylaws states that proxies shall be granted in a letter to the Chairman.

B.1.29 Indicate how many Board of Directors meetings were held during the year. Also indicate any occasions on which the Board held meetings in which the Chairman was not present:

| | |
| --- | --- |
| **Number of Board meetings** | 15 |
| **Number of Board meetings without chairman's attendance** | 0 |

Indicate how many meetings of the various Board committees were held during the year:

| | |
|---|---|
| **Number of Executive or Delegated Committee meetings** | 0 |
| **Number of Audit Committee meetings** | 8 |
| **Number of Nomination and Remuneration Committee meetings** | 7 |
| **Number of Nomination Committee meetings** | 0 |
| **Number of Remuneration Committee meetings** | 0 |

B.1.30 Indicate the number of Board meetings held during the year that were not attended by all the directors. The calculation of absences shall include proxies granted without specific instructions.

| | |
|---|---|
| **Number of absences of directors during the year** | 13 |
| **Number of absences as % of the total votes during the year** | 7.222 |

B.1.31 Indicate whether the separate and consolidated financial statements submitted for approval by the Board are certified previously:

NO

Indicate, as appropriate, the person(s) who certified the company's separate and consolidated financial statements for authorisation for issue by the Board:

B.1.32 Explain the mechanisms, if any, established by the Board of Directors to prevent qualified auditors' reports on the separate and consolidated financial statements prepared by it from being submitted at the General Meeting.

The Audit Committee shall support the Board of Directors in relation to its surveillance duties through the periodic review of the economic and financial information preparation process, the company's internal controls and the independence of the company's external auditor.

In performing its functions, the Audit Committee must evaluate the need to adapt the financial statements prepared by the Board of Directors on the basis of the notes or qualifications outlined by the company's auditors and, accordingly, make a proposal to the Board of Directors so that it can make an informed decision. If it is not possible to adapt the financial statements in order to avoid a qualified auditors' report, the Chairman of the Audit Committee and the company's auditors shall give a clear account to the shareholders of the notes or qualifications.

B.1.33 Is the Board secretary a director?

NO

B.1.34 Explain the procedure for appointing and removing the secretary of the Board and indicate whether the appointment and removal are subject to a report of the Nomination Committee and are approved by the Board in plenary session.

| Procedure for appointment and removal |
|---|
| Pursuant to Article 23.5 of the Board Regulations, the appointment and removal of the Secretary shall be subject to a report of the Nomination Committee and approved by the Board in plenary session. |

| | |
|---|---|
| **Does the Nomination Committee report on the appointment?** | YES |
| **Does the Nomination Committee report on the removal?** | YES |
| **Does the Board in plenary session approve the appointment?** | YES |
| **Does the Board in plenary session approve the removal?** | YES |

Is the secretary of the Board particularly entrusted with ensuring compliance with good governance recommendations?

YES

B.1.35 Indicate the mechanisms, if any, established by the company to preserve the independence of the auditors, of financial analysts, investment banks and of rating agencies.

Article 27.8.1 of the Board of Directors Regulations stipulates that the Audit Committee is responsible, inter alia , for monitoring the independence of the external auditors, to which end:

o Submitting proposals to the Board for the selection, appointment, re-appointment and removal of the external auditors and the terms and conditions of the engagement.

o Receiving regular information from the external auditors on the progress and findings of the audit plan, and check that senior management is acting on its recommendations.

o Monitoring the independence of the external auditors, to which end:

(i) Establish the required relations with the external auditors in order to receive information on any matters that might jeopardise the auditors' independence and any other matters related to the financial audit process and to receive information and communicate with the auditors as provided in financial audit legislation and technical auditing standards. In any event, each year the auditors will be required to furnish written confirmation of its independence with respect to the entity or entities related directly or indirectly to the company, as well as the information on any manner of additional services provided to the aforementioned entities by the auditor, or by any legal persons o entities related thereto, in accordance with the Audit Law.

(ii) Issue annually, prior to the issue of the auditors' report, a report expressing an opinion on the independence of the auditors. The aforementioned report should express an opinion on the additional services referred to in the preceding point.

(iii) The company should notify any change of auditors to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditors and the reasons for the same;

(iv) The Committee should ensure that the company and the auditors adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditors' business and, in general, other requirements designed to safeguard auditors' independence;

(v) The Committee should investigate the issues giving rise to the resignation of any external auditors.

(vi) Prevail on the Group's auditors to take on the audit of the Group companies.

B.1.36 Indicate whether the company changed its external auditors during the year. If so, specify the outgoing and incoming auditors:

NO

| Outgoing auditors | Incoming auditors |
|---|---|
| | |

In the event of any disagreement with the outgoing auditors, specify the substance thereof:

NO

B.1.37 Indicate whether the audit firm performs other non-audit work for the company and/or its group, and if so, state the amount of fees received for such work and the percentage they represent of the fees billed to the company and/or its group:

YES

| | Company | Group | Total |
|---|---|---|---|
| **Amount of other non-audit work (thousands of euros)** | 15 | 108 | 123 |
| **Amount of other non-audit work/total amount billed by audit firm (as a %)** | 13.890 | 15.020 | 14.870 |

B.1.38 Indicate whether the auditors' report for the previous year included any reservations or qualifications. If so, specify the reasons given by the Chairman of the Audit Committee to explain the content and scope of the reservations or qualifications.

NO

B.1.39 Indicate the number of years that the current audit firm has been uninterruptedly auditing the financial statements of the company and/or the group. Also indicate the number of years audited by the current audit firm as a percentage of the total number of years during which the financial statements have been audited:

| | Company | Group |
|---|---|---|
| **Number of uninterrupted years** | 11 | 11 |

| | Company | Group |
|---|---|---|
| **Number of years audited by current audit firm/number of years the Company has been audited (as a %)** | 42.3 | 42.3 |

B.1.40 Indicate any ownership interests, disclosed to the company, held by the members of the company's Board of Directors in the capital of entities engaging in an activity that is identical, similar or complementary to the activity that constitutes the object of the company, or of its group. Also indicate the positions they hold or the functions they discharge at these companies:

| Name or company name of director | Name of investee | % ownership interest | Position or functions |
|---|---|---|---|
| CASIMIRO MOLINS RIBOT | INVERSORA PEDRALBES, S.A. | 22.880 | Chairman |
| CASIMIRO MOLINS RIBOT | OTINIX, S.A. | 23.940 | Chairman |
| JUAN MOLINS AMAT | NOUMEA, S.A. | 10.729 | Director |
| JUAN MOLINS AMAT | GRUPO MECANOTUBO, S.A. | 2.650 | - |
| CARTERA DE INVERSIONES C.M., S.A. | GRUPO MECANOTUBO, S.A. | 22.360 | Director |
| INVERSORA PEDRALBES, S.A. | OTINIX, S.A. | 39.600 | - |
| JOAQUIM MOLINS AMAT | NOUMEA, S.A. | 4.506 | Director |
| JOAQUÍN Mª MOLINS LÓPEZ- - RODÓ | OTINIX, S.A. | 3.350 | Director |
| JOAQUÍN Mª MOLINS LÓPEZ- - RODÓ | INVERSORA PEDRALBES, S.A. | 7.550 | Director |

B.1.41 Indicate whether there is a procedure for directors to be able to receive outside advisory services, and if so, give details:

YES

| Details of the procedure |
|---|
| Article 18 of the Board Regulations establishes in relation to the directors' right to receive advisory services and information that:<br><br>1.-The directors shall have access to all the Company's services and may, with the broadest powers, obtain the information and advisory services they need on any aspect relating to the Company, provided that it is required for the discharge of their duties. The right to information extends to the subsidiaries, whether domestic of foreign, and shall be channelled through the Chairman, the Chief Executive Officer, the General Manager or the Secretary of the Board, who shall meet the requests of the director, providing him or her with the information directly, offering the appropriate liaisons or making the necessary arrangements to fulfil his or her request.<br><br>2.-The Company provides new directors with the information required to best acquaint them with the workings of the Company and its corporate governance rules. The Company also offers refresher programmes when circumstances so advise.<br><br>Also, as stipulated in Article 25.2 c) of the Board Regulations, the Audit Committee and the Remuneration and Nomination Committee may engage external advisors when they feel this is necessary for the discharge of their duties. |

B.1.42 Indicate whether there is a procedure for the directors to be able to receive the necessary information to prepare for meetings of the managing bodies sufficiently in advance, and if so, give details:

YES

| Details of the procedure |
|---|
| Article 21.5 of the Board Regulations stipulates that the Chairman of the Board of Directors, as the person responsible for the proper functioning of the Board of Directors, is obliged to ensure that directors are supplied with sufficient information in advance of Board meetings. |

B.1.43 Indicate whether the company has established rules obliging directors to report and, if applicable, resign, in situations which could harm the company's good name and reputation and if so, give details:

YES

| Explain |
|---|
| Article 15.6 of the Board Regulations stipulates that directors are obliged to inform the Board of any circumstance that could harm the Company's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.<br><br>When a director is sued or tried for any of the offences stated in Article 213 of the Spanish Limited Liability Companies Law the Board should examine the matter and, in view of the particular circumstances, decide whether or not he/she should be called on to resign. The Board shall also disclose all such determinations, giving a reasoned account thereof, in the Annual Corporate Governance Report. |

B.1.44 Indicate whether any of the directors have informed the company of any indictments or the commencement of oral proceedings against him/her for any of the offences specified in Article 124 of the Spanish Public Limited Liability Companies Law:

NO

Indicate whether the Board of Directors has examined the matter. If so, give reasons for the decision taken for the continuation or otherwise of the director in his/her position:

NO

| Decision | Reasoned explanation |
|---|---|
| | |

## B.2 Committees of the Board of Directors

### B.2.1 Give details of all the committees of the Board of Directors and their members:

**AUDIT COMMITTEE**

| Name | Position | Type of director |
|---|---|---|
| MIGUEL DEL CAMPO RODRÍGUEZ | CHAIRMAN | INDEPENDENT DIRECTOR |
| EUSEBIO DIAZ-MORERA PUIG-SUREDA | MEMBER | INDEPENDENT DIRECTOR |
| INVERSORA PEDRALBES, S.A. | MEMBER | PROPRIETARY |
| NOUMEA, S.A. | MEMBER | PROPRIETARY |

**NOMINATION AND REMUNERATION COMMITTEE**

| Name | Position | Type of director |
|---|---|---|
| EMILIO GUTIÉRREZ FERNÁNDEZ DE LIENCRES | CHAIRMAN | PROPRIETARY |
| CARTERA DE INVERSIONES C.M., S.A. | MEMBER | PROPRIETARY |
| FORO FAMILIAR MOLINS, S.L. | MEMBER | PROPRIETARY |
| JOAQUIM MOLINS AMAT | MEMBER | PROPRIETARY |
| | | |

| Name | Position | Type of director |
|---|---|---|
| JOAQUÍN Mª MOLINS LÓPEZ-RODÓ | MEMBER | PROPRIETARY |

B.2.2 Indicate whether the Audit Committee is charged with the following duties:

| | |
|---|---|
| **Overseeing the preparation and integrity of the financial information of the Company and, if applicable, of the group, and for checking compliance with legal provisions, the accurate demarcation of the scope of consolidation and the correct application of accounting standards.** | YES |
| **Reviewing internal control and risk management systems on a periodic basis so that the main risks are properly identified, managed and disclosed.** | YES |
| **Monitoring the independence and effectiveness of the internal audit function; proposing the selection, appointment, re-appointment and removal of the head of internal audit; proposing the internal audit department's budget and receiving periodic information on its activities; and checking that senior management acts on the findings and recommendations of its reports.** | YES |
| **Establishing and monitoring a mechanism whereby employees can report, in a confidential or, if appropriate, anonymous manner, any potentially significant irregularities within the company, particularly of a financial and accounting nature** | YES |
| **Submitting proposals to the Board for the selection, appointment, re-appointment and removal of the external auditors and the terms and conditions of the engagement** | YES |
| **Receiving regular information from the external auditors on the progress and findings of the audit plan, and checking that senior management is acting on their recommendations.** | YES |
| **Ensuring the independence of the external auditors** | YES |
| **In the case of groups, prevailing on the group's auditors to take on the audit of the group companies.** | YES |

B.2.3 Describe the rules relating to the organisation and functioning of the Board committees, as well as the responsibilities attributed to each of them.

**Name of committee**

AUDIT COMMITTEE

**Brief description**

Article 27 of the Board Regulations stipulates that:

27.1. The Audit Committee shall be composed of at least three and a maximum of five non-executive directors, i.e., directors who do not have executive functions in the Company. The members of the Committee and its Chairman are appointed by the Board of Directors. The Board shall also appoint a Secretary who is not a member of the Committee, a function which must be discharged specifically by the Secretary or Deputy Secretary of the Company's Board of Directors.

27.2. The members of the Audit Committee, particularly its chairman, are appointed having regard to their knowledge and background in audit matters.

27.3. The term of office of directors is two years, although they may be reappointed for successive periods of the same duration. The Chairman shall be replaced every four years, although he/she may be re-elected after one year has elapsed from his/her removal. However, the Board of Directors may resolve at any time to remove any member of the Committee when deemed appropriate.

27.4. The Audit Committee provides support to the Board of Directors in relation to its oversight duties through the periodic review of the economic and financial information preparation process, of the company's internal controls and the independence of the company's external auditors.

27.5 The Audit Committee shall meet, as convened by the Chairman or at the request of two of its members as needed and, at least twice a year.

27.6. Any member of the company's management team or any of its employees summoned to attend the Committee's meetings shall be obliged to do so and to provide his or her cooperation and access to the information available to them and the Committee may require them to appear without the presence of any other director. The Committee may also request the auditors' attendance at the meetings.

27.7. Cementos Molins, S.A. has an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of reporting and internal control systems. The head of internal audit presents an annual work programme to the Audit Committee; reports to it directly on any incidents arising during its implementation; and submits an activities report annually.

27.8. Functions of the Audit Committee:

27.8.1.- With respect to external audit:

Submitting proposals to the Board for the selection, appointment, re-appointment and removal of the external auditors and the terms and conditions of the engagement.

Receive regular information from the external auditors on the progress and findings of the audit plan, and check that senior management is acting on its recommendations.

Monitor the independence of the external auditors, to which end:

(i) Establish the required relations with the company's auditors in order to receive information on any matters that might jeopardise the auditors' independence and any other matters related to the financial audit process and to communicate with the auditors as provided for in financial audit legislation and technical auditing standards. In any event, each year the auditors will be required to furnish written confirmation of its independence with respect to the entity or entities related directly or indirectly to the company, as well as the information on any manner of additional services provided to the aforementioned entities by the auditor, or by any legal persons or entities related thereto, in accordance with the Audit Law.

(ii) Issue annually, prior to the issue of the auditors' report, a report expressing an opinion on the independence of the auditors. The aforementioned report should express an opinion on the additional services referred to in the preceding point.

(iii) The company should notify any change of auditors to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditors and the reasons therefor.

(iv) The Committee should ensure that the company and the auditors adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditors' business and, in general, other requirements designed to safeguard auditors' independence;

(v) The Committee should investigate the issues giving rise to the resignation of any external auditors.

(vi) Prevail on the Group's auditors to take on the audit of the Group companies.

27.8.2.- In relation to financial statements:

o Evaluate the need to adapt the financial statements prepared by the Board of Directors on the basis of the notes or qualifications outlined by the company's auditors and, accordingly, make a proposal to the Board of Directors so that it can make an informed decision. If it is not possible to adapt the financial statements in order to avoid a qualified auditors' report, the Chairman of the Audit Committee and the company's auditors shall give a clear account to the shareholders of the notes or qualifications.

27.8.3 - In relation to Internal Audit:

o Ensure the independence and efficiency of the internal audit function;

o Propose the selection, appointment, re-appointment and removal of the head of internal audit; receive regular reports on its activities; and verify that senior management acts on the findings and recommendations of its reports;

o Approve the internal audit plan to evaluate the System of Internal Control over Financial Reporting (ICFR); receive regular reports on its findings and those of the action plan to correct any deficiencies identified.

27.8.4.- In relation to financial information:

o Oversee the preparation, reporting and integrity of the financial information, checking compliance with legal provisions, the accurate demarcation of the scope of consolidation and the correct application of accounting standards.

o Understand the processes used to prepare the financial statements and to obtain reasonable assurance that the supporting reporting systems are reliable.

o Review internal control and risk management systems on a regular basis so that the main risks are properly identified, managed and disclosed.

o Review, analyse and discuss the financial statements and any other key financial information with senior management, internal and external auditors, to verify the reliability of the aforementioned information and that the accounting policies were applied on a basis consistent with the prior year-end.

27.8.5.- In relation to Board of Directors:

The Audit Committee shall report to the Board prior to the passing of the related resolutions by the Board on the following matters:

o The financial information that all listed companies must periodically disclose. The Committee shall ensure that interim statements are drawn up under the same accounting policies as the annual statements and, to this end, may ask the external auditors to conduct a limited review;

o The creation or acquisition of ownership interests in special purpose vehicles or entities resident in jurisdictions considered to be tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

o Related party transactions.

27.8.6.- With respect to internal control and reporting systems:

o Supervising the preparation and integrity of the financial information of the company and, if applicable, of the group, and for checking compliance with legal provisions, the accurate demarcation of the scope of consolidation and the correct application of accounting standards.

o Reviewing internal control and risk management systems on a regular basis so that the main risks are properly identified, managed and disclosed;

o Establishing and monitoring a mechanism whereby employees can report, in a confidential or, if appropriate, anonymous manner, any potentially significant irregularities within the company, particularly of a financial and accounting nature.

27.8.7.- In relation to the control and risk management policy, specifying at least:

o The different types of risk (operational, technological, financial, legal, reputational, etc.) the company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;

o The determination of the risk level the company sees as acceptable;

o Measures in place to mitigate the impact of identified risks, should they occur;

o The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

The provisions of the Board Regulations related to the Audit Committee’s operation shall be applicable to it.

**Name of committee**

NOMINATION AND REMUNERATION COMMITTEE

**Brief description**

1. The Nomination and Remuneration Committee shall be composed of at least three non-executive directors, i.e., directors who do not have executive responsibilities at the Company. The members of the Committee and its Chairman are appointed by the Board of Directors. The Board shall also appoint a Secretary who is not a member of the Committee, a function which must be discharged specifically by the Secretary or Deputy Secretary of the company's Board of Directors.

2. The term of office of directors is two years, although they may be reappointed for successive periods of the same duration. However, the Board of Directors, at all times, may resolve to remove any member of the Committee when deemed appropriate.

3. The responsibility of this Committee is to inform and advise the Board of Directors in their decisions relating to their area of competence, through reports and proposals on:

a) The remuneration policy for directors and senior executives.

b) The individual remuneration and other contractual conditions of executive directors.

c) The standard conditions for senior executive employment contracts.

d) Oversee compliance with the remuneration policy set by the company.

e) Propose the remuneration payable to the Chief Executive Officer and the General Manager.

f) The system of appointing directors, the appointment and re-election, of directors and the members of the Board committees. To evaluate the skills, knowledge and experience required of the Board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.

g) The proposals of the Chief Executive Officer of appointments and removals of senior executives and members of the Board of Directors of the Company’s subsidiaries;

h) Monitor fulfilment of the Company's internal conduct codes and corporate governance rules and periodically review compliance with their rules, recommendations and principles.
i) Examine or organise as the Committee deems fit the succession of the Chairman and the chief executive and, if applicable, submit proposals to the Board in order to ensure a smooth and well-planned handover.
j) Report to the Board on gender diversity issues.

4. The Nomination and Remuneration Committee shall consult with the company's Chairman and Chief Executive Officer, especially on matters relating to executive directors and senior executives. Any director may suggest directorship candidates to the Remuneration and Nomination Committee for its consideration.

5. The Nomination and Remuneration Committee shall meet whenever the Board or its Chairman requests that a report be issued or a proposal be adopted and, in any case, whenever it is deemed necessary for the proper performance of its functions. In any case, the Committee shall meet once a year to prepare the information on the remuneration payable to the Directors that the Board of Directors must approve and include as part of its annual public documents.

6. Any member of the executive team or Company employee requested to do so shall be obliged to attend the Committee meetings and to provide cooperation and access to the information available to them.

7. The provisions of the Board Regulations related to the Nomination and Remuneration Committee's operation shall be applicable to it to the extent possible given its nature and functions.

B.2.4 Indicate, where appropriate, the advisory and consultative powers and any delegated authority held by each of the committees:

**Name of committee**

AUDIT COMMITTEE

**Brief description**

SEE SECTION B.2.3

**Name of committee**

NOMINATION AND REMUNERATION COMMITTEE

**Brief description**

SEE SECTION B.2.3

B.2.5 Indicate, as appropriate, whether there are any regulations for the Board committees; if so, indicate where they can be consulted and whether any amendments have been made during the year. Also indicate whether any annual report on the activities of each committee has been prepared voluntarily.

**Name of committee**

AUDIT COMMITTEE

**Brief description**

The regulation of the Audit Committee is set out in Article 27 of the Board Regulations. It is registered at the Mercantile Registry of Barcelona and can be consulted on the Company's website (www.cemolins.es).

The Audit Committee prepared an annual activities report which served as the basis for the Board of Directors' evaluation of the Committees' performance in 2012.

**Name of committee**

NOMINATION AND REMUNERATION COMMITTEE

**Brief description**

The regulation of the Nomination and Remuneration Committee is set out in Article 29 of the Board Regulations. They are registered at the Mercantile Registry of Barcelona and can be consulted on the Company's website (www.cemolins.es).

The Remuneration and Nomination Committee prepared an annual activities report which served as the basis for the Board of Directors' evaluation of the Committees' performance in 2012.

B.2.6 Indicate whether the composition of the Executive Committee reflects the participation of the various directors on the Board according to their status:

NO

| If "no" explain the composition of the executive committee |
|---|
| Cementos Molins, S.A. does not have an Executive Committee. |

## C - RELATED PARTY TRANSACTIONS

C.1 Indicate whether, subject to a favourable report of the Audit Committee or any other committee entrusted with this function, the Board in plenary session reserves the approval of company transactions with directors, significant shareholders or representatives on the Board or with persons related thereto:

YES

C.2 Give details of material transactions entailing a transfer of funds or obligations between the company or group companies and the significant shareholders of the company:

C.3 Give details of material transactions entailing a transfer of funds or obligations between the company or group companies and the company's directors or executives:

C.4 Give details of material transactions by the company with other companies of the same group, where such transactions are not eliminated in the process of preparing the consolidated financial statements and from the standpoint of their subject-matter or terms and conditions are not part of the company's ordinary business:

C.5 Indicate any conflicts of interest of the company's directors, as provided for in Article 127 ter of the Spanish Public Limited Liability Companies Law.

NO

C.6 Give details of the mechanisms in place for detecting, identifying and resolving any potential conflicts of interest between the company and/or its group and its directors, executives or significant shareholders.

In relation to conflicts of interest, Article 17.2 of the Board Regulations stipulates that:

Directors shall notify the Board of Directors of any situation that may entail a direct or indirect conflict with the company's interests. In the event of a conflict of interest, the directors concerned shall refrain from participating in the transaction to which the conflict refers. In all cases, such situations shall be disclosed in the annual corporate governance report.

C.7 Is more than one group company listed in Spain?

NO

Indicate the listed subsidiaries:

## D - RISK CONTROL SYSTEMS

D.1 General description of the risk policy of the company and/or its group, giving details of and evaluating the risks covered by the system, together with evidence that the system is appropriate for the profile of each type of risk.

The Cementos Molins Group carries on its activities in various business lines, all related to cement, its by-products and building materials, and in highly diverse geographical areas, both in Spain and abroad. These circumstances give rise to certain risks such as:

- industry risks, with particular consideration given to the environment and occupational risk prevention;

- operational risks inherent to the markets in which the company operates;

- and risks arising from the economic climate depending on the country in question, with an impact on exchange rates;

- regulatory risks affected by the various tax, industry and environmental regulations.

The Board of Directors and the various Committees, the Corporate Management Committees, the various Management Committees of each of the business units and the functional Committees (earnings, human resources and prevention, customer risk, quality and research and development) meet on a periodic basis to assess the risks and attempt to minimise them to the extent possible.

Independently, the internal audit department is responsible for:

- reviewing the rules and procedures established and proposing improvements;

- analysing, supervising and controlling financial risks; and

- systematically auditing the companies' various areas.

D.2 Indicate whether any of the different types of risk (operational, technological, financial, legal, reputational, tax, etc.) affecting the company and/or its group have materialised during the year.

YES

If so, indicate the circumstances that caused them and whether the control systems in place worked.

**Risk materialised during the year**

There is constant exposure to risks such as regulatory risk, interest rate risk, foreign currency risk, etc.

**Circumstances that caused the materialisation**

The risks were maintained within normal terms and in line with the company's business activity.

**Functioning of the control systems**

The control systems functioned properly.

D.3 Indicate whether any committee or other governing body is responsible for establishing and overseeing these control mechanisms.

YES

If so, give details of its functions.

**Name of committee or body**

AUDIT COMMITTEE

**Description of functions**

Cementos Molins S.A., has an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of reporting and internal control systems. The head of internal audit presents an annual work programme to the Audit Committee; reports to it directly on any incidents arising during its implementation; and submits an activities report annually.

Consequently, the Committee is responsible for:

With respect to internal control and reporting systems:

o Supervising the preparation and integrity of the financial information of the company and, if applicable, of the group, and for checking compliance with legal provisions, the accurate demarcation of the scope of consolidation and the correct application of accounting standards.

o Reviewing internal control and risk management systems on a regular basis so that the main risks are properly identified, managed and disclosed;

Establishing and monitoring a mechanism whereby employees can report, in a confidential or, if appropriate, anonymous manner, any potentially significant irregularities within the company, particularly of a financial and accounting nature.

In relation to Internal Audit:

o Ensure the independence and efficacy of the internal audit function;

o Propose the selection, appointment, re-appointment and removal of the head of internal audit; receive regular reports on its activities; and verify that senior management acts on the findings and recommendations of its reports;

o Approve the internal audit plan to evaluate the System of Internal Control over Financial Reporting (ICFR); receive regular reports on its findings and those of the action plan to correct any deficiencies identified.

In relation to the control and risk management policy, specifying at least:

o The different types of risk (operational, technological, financial, legal, reputational, etc.) the company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;

o The determination of the risk level the company sees as acceptable;

o Measures in place to mitigate the impact of identified risks, should they occur;

o The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

### D.4 Identification and description of the processes for compliance with regulations affecting the company and/or its group.

The main function of the Audit Committee is to ensure compliance with all of the rules and procedures applicable to the company and report on all of the significant legal changes that could affect the company.

## E - GENERAL MEETINGS

### E.1 Indicate whether quorums for convening the General Meeting differ from the system of minimum quorums established in the Spanish Public Limited Liability Companies Law (LSA). If so, give details.

NO

| | **% quorum differing from that established** | **% quorum differing from that established** |
|---|---|---|

| | in Art. 102 of Spanish Public Limited Liability Companies Law (LSA) for general cases | in Art. 103 of LSA for special cases pursuant to Art. 103 |
|---|---|---|
| **Quorum required on 1st call** | 0 | 0 |
| **Quorum required on 2nd call** | 0 | 0 |

E.2 Indicate and, if applicable, describe any differences between the rules established in the Spanish Public Limited Liability Companies Law (LSA) for adopting resolutions and the company's rules.

NO

Describe the differences with respect to the rules established in the LSA.

E.3 List any rights of the shareholders in connection with General Meetings that differ from those established in the LSA.

The Company's shareholders have all the rights stipulated in Articles 514 et seq. of the Spanish Limited Liability Companies.

E.4 Indicate the measures, if any, adopted to encourage participation by shareholders at General Meetings.

Article 6 of the General Meeting Regulations regulates the shareholders' right to take part and to be informed as follows:

The shareholders' right to information shall be satisfied as established by law and through the company's website, the content of which shall be determined by the company's Board of Directors.

The company's website will include a Shareholders e-Forum, which both the individual shareholders and the voluntary groupings that may be constituted will be able to access with the appropriate guarantees in order to facilitate their communication prior to holder Annual General Meetings. The e-Forum may be used to post proposals for addendums to the agenda announced in the notice, requests for adhesion to the aforementioned proposals, initiatives to achieve sufficient percentage to exercise a minority right as provided for in the law, as well as offers and request for voluntary representation.

The Board of Directors has approved and published on the company's website, the specific regulation applicable to the Shareholders e-Forum.

In addition to the statutory or bylaw requirements, from the date of publication of the General Meeting notice, the company will post on its website the text of the proposals put forward by the Board of Directors in relation to the matters on the agenda, including, in the case of the appointment of directors, the following information:

a) Professional experience and background;
b) Directorships held at other companies, listed or otherwise;
c) An indication of the director's classification as executive, proprietary or independent; in the case of proprietary directors, stating the shareholder they represent or have links with;
d) The date of their first and subsequent appointments as a company director, and;
e) Shares held in the company and any options thereon.

In addition, when there is an addendum to the notice, at the date of its publication, the company shall post on its website the text of the proposals to which the aforementioned addendum refers, provided that they have been sent to the company.

Until seven days prior to the date of the meeting, shareholders may request any information or clarification deemed necessary from the Company's Board of Directors on the agenda for the Meeting or put in writing any questions considered relevant.

The Board of Directors shall provide in writing the information or clarifications requested up to the date of the General Meeting.

Also, shareholders may request from the directors, in writing, up to seven days prior to the meeting or, orally, during the meeting, the clarifications that they deem necessary regarding the publicly available information supplied by the company to the National Securities Market Commission since the last general meeting and regarding the auditors' report.

During the General Meeting the Company's shareholders may request orally any information or clarification they consider appropriate about the items included on the agenda and if it is not possible to meet the shareholder's request at that time the directors shall provide the related information in writing within seven days of the end of the General Meeting.

The Board of Directors shall be obliged to provide the information set forth above unless, in the view of the Chairman, the publication of the information could have an adverse effect on the company's interests.

The information may not be refused when the request is supported by shareholders controlling at least a quarter of the share capital.

Article 7 of the regulations of the General Meeting establishes the eligibility to attend of all shareholders who, at least five days before the date of the general meeting, have evidenced their status in accordance with the legislation in force at any given time.

Lastly, Article 8 of the regulations of the General Meeting regulates the right to grant proxies and voting rights by remote means of communication in accordance with the following terms and conditions:

All shareholders eligible to attend the General Meeting may grant a proxy to another person. The appointment of a proxy by the shareholder and the notification of such appointment to the company may be made in writing or by electronic means, in accordance with that determined by the Board of Directors in the resolution to call each meeting.

The Board of Directors' shall determine in the resolution to call each meeting the procedures, requirements, system and period for granting and sending to the company the proxy voting cast electronically or telematically and for their possible revocation, and shall state the aforementioned circumstances in the Meeting notices.

Proxies must be granted in writing specifically for each Meeting pursuant to and with the scope established in the Spanish Limited Liability Companies Law. This requirement need not be met where the proxy is a spouse, ascendant or descendant of the person represented or is the holder of a general power or attorney granted in a public deed to manage all the shareholders' assets in Spain.

Proxies may always be revoked. Attendance in person at the Meeting shall revoke any proxy.

In the event of a conflict of interest, the provisions of the Law shall apply. In any event, in anticipation of the possibility that a conflict might arise, the representation by proxy may be granted to another person.

In the event that a public request for a proxy is made, the provisions of the Spanish Limited Liability Companies Law shall apply. In the event that the directors of the Company, the entities which are the depositories of the shares or those responsible for the book-entry request a proxy for themselves or for another and, in general, when the request is public, the document which contains the proxy must contain or attach the agenda and include detailed voting instructions or state the manner in which the proxy-holder is to vote if no specific instructions are issued.

By exception, the proxy may vote differently when circumstances arise which were unknown when the instructions were sent and there is a risk of going against the interests of the shareholder represented. Where a vote is cast which is contrary to the instructions, the proxy shall immediately inform the represented shareholder in writing explaining the reasons for the vote. A public request for proxy is deemed to have been made when the same person represents more than three shareholders.

Taking part in the General Meeting and the vote on the proposals on items on the agenda at any type of general meeting may be delegated or exercised by shareholders by post, email or any other remote means of communication, provided that the identity of the shareholder taking part or exercising its vote and the security of the electronic communications are duly guaranteed.

Casting a vote by post will be exercised by sending the Company a document stating the vote together with the attendance card and the document evidencing the shareholder's identity.

Electronic voting will only be permitted when, following verification of the required security conditions, the Board of Directors so determines by a resolution and subsequent communication in the notice of the meeting in question. In the resolution, the Board of Directors shall determine the applicable conditions for casting an electronic vote remotely, which shall necessarily include the conditions whereby the authenticity and identity of the shareholder exercising its vote and the security of the electronic communications are duly guaranteed.

To be regarded as valid, a vote cast remotely by any of the means referred to above must be received by the Company five (5) days prior to the date of the General Meeting on first call. The Board of Directors may reduce this time, communicating this change in the same way as the call notice.

Shareholders that cast their votes remotely shall be considered as present for the purpose of convening the meeting.

## E.5 Indicate whether the Chairman of the Board of Directors chairs General Meetings. Give details of what measures, if any, are adopted to ensure the independence and correct functioning of the General Meeting:

YES

| Detail the measures |
|---|
| The directors may request the presence of a notary to draw up the minutes of the General Meeting and shall be obliged to do so where shareholders who represent at least one percent of the share capital so request five days prior to the General Meeting. The notary fees shall be borne by the company. |

E.6 Indicate, as appropriate, any amendments introduced in the General Meeting Regulations during the year.

Amendments were made to Article 5 (relating to the General Meeting notice), Article 6, (right to be informed), Article 8 (proxy and casting votes remotely) and Article 13 (posting of the resolutions adopted at the Meeting) in order to adapt them the new wording of the Spanish Limited Liability Companies Law.

E.7 Indicate the data on attendance at the General Meetings held in the year to which this report refers:

| Attendance data | | | | | |
|---|---|---|---|---|---|
| Date of General Meeting | % attendance in person | % attendance by proxy | % remote voting | | Total |
| | | | Electronic voting | Other | |
| 31/05/12 | 90.360 | 4.670 | 0.000 | 0.000 | 95.030 |

E.8 Briefly indicate the resolutions adopted at the General Meetings held in the year to which this report refers and the percentage of votes with which each resolution was adopted.

All of the resolutions were adopted unanimously.

One. To approve the financial statements of Cementos Molins, S.A. (balance sheet, income statement, statement of cash flows, statement of changes in equity and notes to the financial statements) and the directors' report, which includes the annual corporate governance report, the report on dealings involving the company's treasury shares and the environmental information statement for the year ended 31 December 2011.

These financial statements coincide with the audited financial statements and are accompanied by a duly signed copy of the auditors' report.

To approve the consolidated financial statements of Cementos Molins, S.A. and subsidiaries (consolidated balance sheet, consolidated income statement, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements) and the consolidated directors' report, which includes the annual corporate governance report for the year ended 31 December 2011.

To approve the following distribution of the profit obtained in 2011.

Profit after tax
for 2011: EUR 18,176,013.01

Interim dividends: EUR 10,578,507.20

Dividends: EUR 661,156.70
To voluntary reserves: EUR 6,936,349.11

Total: EUR 18,176,013.01

This corresponds to a dividend of EUR 0.17 per share, interim dividends of EUR 0.08 per share having been paid on 14 June 2011 and of EUR 0.08 on 10 January 2012 with a total payment of EUR 10,578,507.20. Consequently, a final dividend of EUR 0.01 per share for a total of EUR 661,157.70 was proposed to the Shareholders at the Annual General Meeting.

Two. To approve, as the case may be, the management of the Board of Directors, of the Board committees and the Chief Executive Officer in 2011.

To approve the management and all of the actions taken by the Board of Directors, the Board Committees and the Chief Executive Officer in 2011.

Three. To approve the creation of a corporate website for Cementos Molins S .A., which can be consulted at www.cemolins.es, pursuant to Article 11 bis of the Spanish Limited Liability Companies Law.

In accordance with Article 11 bis of the Spanish Limited Liability Companies Law, to approve the creation of the corporate website for the company, which can be consulted at www.cemolins.es .

Four. Examination and approval, where appropriate, of the amendments to the following articles of the Bylaws:

4.1. Inclusion of a third paragraph in Article 5, relating to the corporate website.

4.2. Amendment to Article 17, relating to meetings' notices.

4.3. Amendment to Article 19, relating to proxies and taking part in meetings remotely.

4.4.Amendment to Article 19 bis, relating to the shareholders' right to information.

4.5. Amendment to Article 20, relating to extraordinary general meeting notices.

4.6.Amendment to Article 22, relating to general meeting voting results.

4.7.Amendment to Article 29, relating to the composition of the financial statements.

4.8.Amendment to Article 3.1, relating to filing of the financial statements.

Five. Examination and approval, as appropriate, of the amendments to the following articles of the Company's General Meeting Regulations:

5.1. Article 5, relating to general meeting notices.

5.2.Article 6, relating to the right to information.

5.3. Article 8, relating to proxies and taking part in meetings remotely.

5.4. Article 13, relating to the posting of meeting resolutions.

Six. Removal, re-appointment and, as applicable, appointment of directors.

6.0 To remove Ana M Molins López-Rodó and José Antonio Pujante Conesa as directors.

6.1.To re-elect Juan Molins Amat as an executive director.

6.2.To re-elect Emilio Gutiérrez Fernández de Liencres as a non-executive proprietary director.

6.3. To re-elect Noumea, S.A., represented by Pablo Molins Amat, as a non-executive proprietary director.

6.4. To re-elect Foro Familiar Molins S.L., represented by Roser Ràfols Vives, as a non-executive proprietary director.

6.5. To appoint Francisco Javier Fernández Bescós as an external proprietary director.

6.6. To appoint Eusebio Díaz-Morera Puig-Sureda as an independent director.

Seven. To report to the shareholders at the General Meeting on the amendments to the Board Regulations.

The shareholders at the General Meeting resolved to approve the information provided by the Board of Directors in relation to the amendment of Article 9.5 of the Board Regulations, the only amendment to the Board Regulations since the Annual General Meeting held on 26 May 2011.

Eight. To appoint, in accordance with the provisions of Article 264 of the Spanish Limited Liability Companies Law, Deloitte S.L., registered in the Official Auditors' Register (ROAC) under number S0692, as our company's audit firm for the statutory period of one year from 1 January 2013, which will therefore, include the performance of the audit of the separate financial statements of Cementos Molins, S.A. and the consolidated financial statements of Cementos Molins, S.A. and Subsidiaries for 2013.

Nine: To determine, in accordance with Article 27 of the bylaws, the fixed remuneration of the company's management bodies.

To set, in accordance with Article 27 of the bylaws the remuneration of the company's management bodies for 2012 at EUR 486,000.

Ten. To submit the annual report on the remuneration of the directors to the vote, for consultation purposes, of the shareholders at the General Meeting.

Pursuant to Article 61 ter of the Securities Market Law, the annual report on the directors' remuneration, approved by the Board of Directors on 28 February 2012, was submitted to the vote, for consultation purposes, of the shareholders at the General Meeting and was made available to the shareholders on the company's website when the General Meeting notice was published.

The shareholders at the General Meeting resolved to approve the aforementioned annual report on the directors' remuneration, which described the criteria and grounds used by the Board of Directors' to determine the remuneration of its members for 2012, the overview of how the remuneration policy was applied in 2011 and a detail of the individual remuneration earned by each of the directors in 2011.

Eleven. To empower the Board of Directors so that it or a third-party which it expressly authorises, may execute such resolutions adopted at the General Meeting that require execution and grant as many public and/or private documents as are required or merely advisable for the aforementioned purpose, including deeds of rectification, and perform any acts required or appropriate for the aforementioned purpose, in the broadest terms, for the validity of these resolutions and their, full or partial, registration, in the corresponding Mercantile Registry.

The full wording of the resolutions adopted by the shareholders' at the General Meeting held on 31 May 2012 was submitted to the CNMV as a significant event on that date and is available on the company's website www.cemolins.es.

## E.9 Indicate whether the bylaws contain any restrictions with respect to a minimum number of shares required to attend General Meetings.

NO

| | |
|---|---|
| **Number of shares required to attend General Meetings** | |

## E.10 Indicate and provide support for the policies followed by the company with respect to proxy voting at General Meetings.

Pursuant to Article 19 of the bylaws, all shareholders eligible to attend the General Meeting may grant a proxy to another person. The appointment of a proxy by the shareholder and the notification of such appointment to the company may be made in writing or by electronic means, as determined by the Board of Directors in the resolution to call each meeting.

The Board of Directors' shall determine in the resolution to call each meeting the procedures, requirements, system and period for granting and sending to the company the proxy voting cast electronically or telematically and for their possible revocation, and shall state the aforementioned circumstances in the Meeting notices.

Proxies must be granted in writing specifically for each Meeting pursuant to and with the scope established in the Spanish Limited Liability Companies Law.

This requirement need not be met where the proxy is a spouse, ascendant or descendant of the person represented or is the holder of a general power or attorney granted in a public deed to manage all the shareholders' assets in Spain.

Proxies may always be revoked. Attendance in person at the Meeting shall revoke any proxy.

In the event of a conflict of interest, the provisions of the Law shall apply. In any event, in anticipation of the possibility that a conflict might arise, the representation by proxy may be granted to another person.

In the event that a public request for a proxy is made, the provisions of the Spanish Limited Liability Companies Law shall apply.

Taking part in the General Meeting and the vote on the proposals on items on the agenda at any type of general meeting may be delegated or exercised by shareholders by post, email or any other remote means of communication, provided that the identity of the shareholder taking part or exercising its vote and the security of the electronic communications are duly guaranteed.

Casting a vote by post will be exercised by sending the Company a document establishing the vote together with the attendance card and the document evidencing the shareholder's identity .

Casting a vote electronically will only be permitted when, following verification of the required security conditions, the Board of Directors so determines by a resolution and subsequent communication in the notice of the meeting in question. In the resolution, the Board of Directors shall determine the applicable conditions for casting an electronic vote remotely, which shall necessarily include the conditions whereby the authenticity and identity of the shareholder exercising its vote and the security of the electronic communications are duly guaranteed.

To be regarded as valid, the vote cast remotely by any of the means referred to above shall be received by the company five (5) days seven days prior to the date of the General Meeting on first call. The Board of Directors may reduce this time, communicating this change in the same as the notice of the call.

Shareholders that cast their votes remotely shall be considered as present for the purpose of convening the meeting.

Article 8 of the General Meeting Regulations states that in the event that the directors of the company, the entities which are the depositories of the shares or those responsible for the book-entry request a proxy for themselves or for another and, in general, when the request is public, the document which contains the proxy must contain or attach the agenda and include detailed voting instructions or state the manner in which the proxy-holder is to vote if no specific instructions are issued.

By exception, the proxy may vote differently when circumstances arise which were unknown when the instructions were sent and there is a risk of going against the interests of the shareholder represented. Where a vote is cast which is contrary to the instructions, the proxy shall immediately inform the represented shareholder in writing explaining the reasons for the vote. A public request for proxy is deemed to have been made when the same person represents more than three shareholders.

E.11 Indicate whether the company is aware of the policy of institutional investors on participating or not participating in the company's decisions:

NO

E.12 Indicate the URL and means of accessing corporate governance content on your website.

The company URL is www.cemolins.es. On the homepage, click on the section Information for Shareholders and Investors on the left side of the page. In the submenu to the right, a green banner drops down where the Corporate Governance Report appears in pdf format.

## F - DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the company's degree of compliance with the recommendations of the Unified Good Governance Code. In the event of non-compliance with any of the Recommendations, explain the recommendations, rules, practices or criteria applied by the company.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

*See sections: A.9, B.1.22, B.1.23, E.1 and E.2*

Followed

2. When a parent and a subsidiary are listed companies, both should provide detailed disclosure on:

a) The types of activity they engage in, and any business dealings between them, as well as between the listed subsidiary and other group companies;

b) The mechanisms in place to resolve possible conflicts of interest.

*See sections: C.4 and C.7*

Not applicable

3. Even when not expressly required under company law, any decisions involving a fundamental corporate change should be submitted to the General Meeting for approval. In particular:

a) The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating core activities to subsidiaries that were previously carried out by the originating company, even though the latter retains full control of the former;

b) Any acquisition or disposal of key operating assets that would effectively alter the company's object;

c) Operations that effectively add up to the company's liquidation.

Followed

4. Detailed proposals of the resolutions to be adopted at the General Meeting, including the information stated in la Recommendation 28, should be made available at the same time as the publication of the Meeting notice.

Followed

5. Separate votes should be taken at the General Meeting on materially separate items, so shareholders can express their preferences in each case. This rule shall apply in particular to:

a) The appointment or ratification of directors, with separate voting on each candidate;
b) Amendments to the bylaws, with votes taken on all articles or groups of articles that are materially different.

*See section: E.8*

Followed

6. Companies should allow votes to be divided, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to the latters' instructions.

*See section: E.4*

Followed

7. The Board of Directors should perform its duties with unity of purpose and independent judgement, according all shareholders the same treatment. It should be guided at all times by the company's best interest and, as such, strive to maximise its value over time.

It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the industries and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Followed

8. The Board should fulfil the core components of its mission of approving the company's strategy and authorising the organisational resources to carry it forward, and of ensuring that management meets the objectives set while pursuing the company's interests and object. As such, the Board in plenary session should reserve the right to approve:

a) The company's general policies and strategies, and in particular:

i) The strategic or business plan, management targets and annual budgets;
ii) Investment and financing policy;
iii) Design of the structure of the corporate group;
iv) Corporate governance policy;
v) Corporate social responsibility policy;
vi) Remuneration and evaluation of senior executives;
vii) Risk control and management, and the periodic monitoring of internal information and control systems;
viii) Dividend policy, as well as the policies and limits applying to treasury shares.

*See sections: B.1.10, B.1.13, B.1.14 and D.3*

b) The following decisions:

i) At the proposal of the company's chief executive, the appointment and removal of senior executives and provisions relating to termination benefits.

*See section: B.1.14*

ii) Directors' remuneration and, in the case of executive directors, the additional consideration for their management duties and other contract conditions.

*See section: B.1.14*

iii) The financial information that all listed companies must periodically disclose.

iv) Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Meeting;

v) The creation or acquisition of ownership interests in special-purpose entities domiciled in countries or territories with the status of tax havens and any transactions or operations of a similar nature which, due to the complexity thereof, may adversely affect the Group's transparency.

c) Transactions which the company conducts with directors, significant shareholders, shareholders with Board representation or other persons related thereto ("related party transactions").

However, Board authorisation shall not be required for related party transactions that simultaneously meet the following three conditions:

1. They are governed by standard form agreements applied on an across-the-board basis to a large number of clients;

2. They are performed at market rates, generally set by the person supplying the goods or services;

3. Their amount is no more than 1 % of the company's annual revenue.

It is advisable that related party transactions should only be approved on the basis of a favourable report from the Audit Committee or some other committee charged with the same function; and that the directors involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the Board deliberates and votes.

Ideally, the above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the Executive Committee in urgent cases and later ratified by the Board in plenary session.

*See sections: C.1 and C.6*

Partially followed

The evaluation of senior executives' performance is conducted by the Nomination and Remuneration Committee.

The policy on the appointment and removal of senior executives is as follows:
The Board, at the proposal of the Chief Executive Officer, on the basis of a report from the Nomination and Remuneration Committee, approves the appointment and removal of members of the Board of Directors of its subsidiaries.

The directors' remuneration is proposed by the Remuneration and Nomination Committee, agreed upon by the Board of Directors and approved by the shareholders at the General Meeting. The remuneration of the executive director and the other conditions to be included in his/her contract are proposed by the Remuneration and Nomination Committee and ratified by the Board of Directors.

9. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and no more than fifteen members.

*See section: B.1.1*

Followed

10. Non-executive, proprietary and independent directors should occupy an ample majority of Board places, while the number of executive directors should be the minimum number required, bearing in mind the complexity of the corporate group and the ownership interests held by the executive directors.

*See sections: A.2, A.3, B.1.3 and B.1.14*

Followed

11. In the event that non-executive director can be deemed neither proprietary nor independent, the company should disclose this circumstance and the links that person maintains with the company, its senior executives, or its shareholders.

*See section: B.1.3*

Not applicable

12. Among non-executive directors, the relation between proprietary and independent members should match the proportion of the capital represented on the Board by proprietary directors to the remainder of the company's capital.

This proportional criterion can be relaxed so the weight of proprietary directors is greater than would strictly correspond to the total percentage of capital they represent:

1) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the existence of shareholders with considerable investments in absolute terms.

2) In companies with multiple shareholders represented on the Board but not otherwise related.

*See sections: B.1.3, A.2 and A.3*

Explain

Currently, there is no group within the company's shareholder structure other than that which currently holds a large majority with sufficient capability to appoint directors. Therefore, nine of the directors are proprietary directors, one director is an executive director and the other two are independent directors.

13.Thenumber of independent directors should represent at least one third of all Board members.

*See section: B.1.3*

Explain

Currently, there is no group within the company's shareholder structure other than that which currently holds a large majority with sufficient capability to appoint directors. Therefore, nine of the directors are proprietary directors, one director is an executive director and the other two are independent directors.

14. The nature of each director should be explained by the Board to the shareholders at the General Meeting, who will appoint or ratify his or her appointment. Such determination should subsequently be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Nomination Committee. The report should also disclose the reasons for the appointment of proprietary directors at the request of shareholders controlling less than 5% of capital and explain any rejection of a formal request for a Board place from shareholders whose ownership interest is equal to or greater than that of others applying successfully for a proprietary directorship.

*See sections: B.1.3 and B.1.4*

Followed

15. When women directors are few or non-existent, the Board should state the reasons for this situation and the measures taken to correct it; in particular, the Nomination Committee should take steps to ensure that:

a) The process of filling Board vacancies has no implicit bias against women candidates;

b) The company makes a conscious effort to include women with the target profile among the candidates for Board places.

*See sections: B.1.2, B.1.27 and B.2.3*

Followed

16. The Chairman, as the person responsible for the proper operation of the Board of Directors, should ensure that directors are supplied with sufficient information in advance of Board meetings, and work to procure a good level of debate and the active involvement of all members, safeguarding their rights to freely express and adopt positions; he or she should organise and coordinate regular evaluations of the Board with the Committee chairmen and, where appropriate, the evaluation of the chief executive officer or chief executive.

*See section: B.1.42*

Followed

17. When company's Chairman is also its chief executive, an independent director should be empowered to request the calling of Board meetings or the inclusion of new business on the agenda; to coordinate and give voice to the concerns of non-executive directors; and to manage the Board's evaluation of the Chairman.

*See section: B.1.21*

Not applicable

18. The Secretary should take special care to ensure that the Board's actions:

a) Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory bodies;

b) Comply with the company bylaws and the regulations of the General Meeting, the Board of Directors and others;

c) Are informed by those good governance recommendations of the Unified Code that the company has subscribed to.

In order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Nomination Committee and approved by the Board in plenary session; the relevant appointment and removal procedures being stipulated in the Board Regulations.

*See section: B.1.34*

Followed

19. The Board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agenda set at the beginning of the year, to which each director may propose the addition of other items.

*See section: B.1.29*

Followed

20. Directors' absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.

*See sections: B.1.28 and B.1.30*

Followed

21. When directors or the Secretary express concerns about a proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minutes.

Followed

22. The Board in plenary session should evaluate the following points on a yearly basis:

a) The quality and efficiency of the Board's operation;

b) On the basis of a report submitted by the Nomination Committee, the performance of the Chairman of the Board and the company's chief executive;

c) The performance of its committees on the basis of the reports furnished by them.

*See section: B.1.19*

Followed

23. All directors should be able to exercise their right to receive any additional information they require on matters within the Board's competence. Unless the bylaws or Board Regulations indicate otherwise, such requests should be addressed to the Chairman or Secretary.

*See section: B.1.42*

Followed

24. All directors should be entitled to call on the company for the advice and guidance they need to carry out their duties. The company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.

*See section: B.1.41*

Followed

25. Companies should organise induction programmes for new directors to acquaint them rapidly and sufficiently with the workings of the company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.

Followed

26. Companies should require their directors to devote sufficient time and effort to perform their duties effectively, and, as such:

a) Directors should apprise the Nomination Committee of any other professional obligations, in case they might detract from the necessary dedication;

b) Companies should lay down rules about the number of directorships their Board members can hold.

*See sections: B.1.8, B.1.9 and B1.17*

Partially followed

Cementos Molins, S.A. does not lay down rules about the number of directorships its Board members can hold.

27. The proposal for the appointment or re-election of directors which the Board submits to the General Meeting, as well as provisional appointments by the method of co-optation, should be approved by the Board:

a) On the proposal of the Nomination Committee, in the case of independent directors.

b) Subject to a report from the Nomination Committee in all other cases.

*See section: B.1.2*

Followed

28. Companies should post the following director particulars on their websites, and keep them permanently updated:

a) Professional experience and background;

b) Directorships held at other companies, listed or otherwise;

c) An indication of the director's classification as executive, proprietary or independent; in the case of proprietary directors, stating the shareholder they represent or have links with.

d) The date of first and subsequent appointments as a company director, and;

e) Shares held in the company and any options thereon.

Followed

29. Independent directors should not hold office as such for a continuous period of more than twelve years.

*See section: B.1.2*

Followed

30. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

*See sections: A.2, A.3 and B.1.2*

Followed

31. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause, is found by the Board, based on a report from the Nomination Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds enumerated in section III.5 (Definitions) of this Code.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 12.

*See sections: B.1.2, B.1.5 and B.1.26*

Followed

32. Companies should establish rules obliging directors to inform, the Board of any circumstance that might harm the company's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

In this connection if a director is sued or tried for any of the offences set out in Article 124 of the Spanish Limited Liability Companies Law, the Board will examine the case forthwith and, in view of the specific circumstances, decide whether or not the director should continue in his position. The Board should also disclose all such determinations in the Annual Corporate Governance Report.

*See sections: B.1.43 and B.1.44*

Followed

33. All directors should express clear opposition when they feel a proposal submitted for the Board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking Board representation.

When the Board makes material or reiterated decisions about which a director has expressed serious reservations, then he/she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this Recommendation should also apply to the Secretary of the Board, director or otherwise.

Followed

34. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the Board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

*See section: B.1.5*

Not applicable

35. The Company's company's remuneration policy, as approved by its Board of Directors, should specify at least the following points:

a) Amount of the fixed components with a breakdown, if applicable, of fees for attending Board and Committee meetings and an estimate of the annual fixed remuneration arising therefrom.

b) Variable components, in particular:

i) The types of directors they apply to, with an explanation of the relative weight of variable remuneration items with respect to fixed remuneration items.

ii) Performance evaluation criteria used to calculate entitlement to the award of shares or share options or any performance-related remuneration;

iii) The main parameters and grounds for any system of annual bonuses (bonds) or other , non cash benefits; and

iv) An estimate of the sum total of variable payments arising from the remuneration policy proposed, on the basis of the degree of compliance with pre-set targets or benchmarks.

c) The main characteristics of welfare systems (for example, supplementary pensions, life insurance and similar arrangements), with an estimate of their amount or annual equivalent cost.

d) The conditions to apply to the contracts of executive directors exercising senior management functions, including the following:

i) Term;
ii) Notice periods; and
iii) Any other clauses covering signing bonuses, termination benefits or golden parachutes in the event of early termination of the contractual relationship between the company and the executive director.

*See section: B.1.15*

Followed

36. Remuneration comprising the delivery of shares in the company or other companies in the group, share options or other share-based instruments, payments linked to the company's performance or membership of welfare schemes should be confined to executive directors.

The delivery of shares is excluded from this limitation when directors are obliged to retain them until the end of their tenure.

*See sections: A.3 and B.1.3*

Followed

37. External directors' remuneration should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.

Followed

38. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditors' report entailing a decrease in such earnings.

Not applicable

39. In the case of variable remuneration, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the recipients and not simply the general progress of the markets or the company's industry or circumstances of this kind.

Not applicable

40. The Board should submit a report on the directors' remuneration policy to the advisory vote of the General Meeting, as a separate point on the agenda. This report can be supplied to shareholders separately or in the manner each company sees fit.

The report will focus on the remuneration policy the Board has approved for the current year with reference, as the case may be, to the policy planned for future years. It will address all the points referred to in Recommendation 35, except those potentially entailing the disclosure of sensitive commercial information. It will emphasise the most significant changes to these policies in relation to those applied in the previous year to which the General Meeting refers. It will also include an overall summary of how the remuneration policy was applied in this previous year.

The role of the Remuneration Committee in designing the policy should be reported to the Meeting, along with the identity of any external advisors engaged.

*See section: B.1.16*

Followed

41. The notes to the financial statements should disclose individual directors' remuneration in the year, including:

a) A breakdown of the remuneration earned by each director, to include where appropriate:

i) Attendance fees and other fixed director payments;

ii) Additional remuneration for acting as chairman or member of a Board committee;

iii) Any payments made under profit-sharing or bonus schemes, and the reason for their accrual;

iv) Contributions on the director's behalf to defined-contribution pension plans, or any increase in the director's vested rights in the case of contributions to defined-benefit schemes;

v) Any termination benefits agreed or paid;

vi) Any remuneration they receive as directors of other companies in the group;

vii) The remuneration executive directors receive in respect of their senior management functions;

viii) Any kind of remuneration other than those listed above, of whatever nature and provenance within the group, especially when it may be deemed a related party transaction or when its omission would detract from the fair presentation of the total remuneration received by the director.

b) An individual breakdown of deliveries to directors of shares, share options or other share-based instruments, itemised by:

i) Number of shares or options granted in the year, and the exercise terms;

ii) Number of options exercised in the year, specifying the number of shares involved and the exercise price;

iii) Number of share options outstanding at the annual close, specifying their price, date and other exercise conditions;

iv) Any change in the year in the exercise terms of previously granted options.

c) Information on the relation in the year between the remuneration obtained by executive directors and the company's profits, or some other measure of company performance.

Followed

42. When the company has an Executive or Delegated Committee ("Executive Committee"), the breakdown of its members by director category should be similar to that of the Board itself. The Secretary of the Board should also act as secretary to the Executive Committee.

*See sections: B.2.1 and B.2.6*

Not applicable

43. The Board should be kept fully informed of the business transacted and resolutions adopted by the Executive Committee. To this end, all Board members should receive a copy of the Committee's minutes.

Not applicable

44. In addition to the Audit Committee mandatory under the Securities Market Law, the Board of Directors should form a committee, or two separate committees, of Nomination and Remuneration.

The rules governing the composition and operation of the Audit Committee and the Nomination and Remuneration Committee or Committees should be set forth in the Board regulations, and include the following:

a) The Board of Directors should appoint the members of such Committees having regard to the knowledge, aptitudes and experience of its directors and remit of each Committee and shall discuss their proposals and reports. The Committees should report the business transacted and account for the work performed at the first plenary session of the Board following each Committee meeting;

b) These Committees should be formed exclusively of non-executive directors and have a minimum of three members. Executive directors or senior executives may also attend meetings at the Committee's invitation.

c) Committees should be chaired by an independent director.

d) They may engage external advisors, when they feel this is necessary for the discharge of their duties.

e) Meetings should be recorded in minutes and a copy sent to all Board members.

*See sections: B.2.1 and B.2.3*

Partially followed

Except for section e) the minutes of the Committees are at the disposal of the directors on request.

45. The job of overseeing compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Nomination Committee or, as the case may be, separate Compliance or Corporate Governance Committees.

Followed

46. All members of the Audit Committee, particularly its chairman, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters.

Followed

47. Listed companies should have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of reporting and internal control systems.

Followed

48. The head of internal audit should present an annual work programme to the Audit Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

Followed

49. The control and risk management policy should specify at least:

a) The different types of risk (operational, technological, financial, legal, reputational, etc.) the company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;

b) The determination of the risk level the company sees as acceptable;

c) Measures in place to mitigate the impact of identified risks, should they occur;

d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

*See section: D*

Followed

50. The Audit Committee's role should be:

1) With respect to internal control and reporting systems:

a) Supervising the preparation and integrity of the financial information of the company and, if applicable, of the Group, and checking compliance with legal provisions, the accurate demarcation of the scope of consolidation and the correct application of accounting standards.

b) Reviewing internal control and risk management systems on a periodic basis so that the main risks are properly identified, managed and disclosed.

c) Ensure the independence and efficiency of the internal audit function; propose the selection, appointment, re-appointment and removal of the head of internal audit; propose the internal audit department's budget and receive periodic information on its activities; and check that senior management acts on the findings and recommendations of its reports.

d) Establish and monitor a mechanism whereby employees can report, in a confidential or, if appropriate, anonymous manner, any potentially significant irregularities within the Company, particularly of a financial and accounting nature.

2) In relation to external audit:

a) Submitting proposals to the Board for the selection, appointment, re-appointment and removal of the external auditors and the terms and conditions of the engagement.

b) Receive regular information from the external auditors on the progress and findings the audit plan, and check that senior management is acting on its recommendations.

c) Ensure the independence of the external auditors and, for such purpose:

i) The company should notify any change of auditors to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing and the reasons for the same.

ii) The Committee should ensure that the company and the auditors adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditors' business and, in general, other requirements designed to safeguard auditors' independence;

iii) The Committee should investigate the issues giving rise to the resignation of any external auditors.

d) In the case of groups, the Committee should prevail on the group auditors to take on the auditing of all component companies.

*See sections: B.1.35, B.2.2, B.2.3 and D.3*

Followed

51. The Audit Committee may call on any Company employee or executive to be present at its meeting, even ordering their presence without another senior executive.

Followed

52. The Audit Committee should prepare information on the following points from Recommendation 8 for input to Board decision-making:

a) The financial information that all listed companies must periodically disclose. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.

b) The creation or acquisition of ownership interests in special purpose vehicles or entities resident in jurisdictions considered to be tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Related party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.

*See sections: B.2.2 and B.2.3*

Followed

53. The Board of Directors should seek to present the financial statements to the General Meeting without reservations or qualifications for any matters in the auditors' report. Should such reservations or qualifications exist, both the Chairman of the Audit Committee and the auditors should give a clear account to the shareholders of the related matters and scope limitations.

*See section: B.1.38*

Followed

54. The majority of Nomination Committee members - or Nomination and Remuneration Committee members, as the case may be, should be independent directors.

*See section: B.2.1*

Explain

The company does not have independent directors on this Committee.

55. The Nomination Committee should have the following functions in addition to those stated inearlier Recommendations:

a) To evaluate the skills, knowledge and experience required of the Board, definethe roles and capabilities required of the candidates to fill each vacancy, and decide the time anddedication necessary for them to properly perform their duties.

b) To examine or organise as the Committee deems fit the succession of the Chairman and the chief executive and, if applicable, submit proposals to the Board in order to ensure a smooth and well-planned handover.

c) Report on the senior executive appointments and removals which the chief executive proposes to the Board.

d) Report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

*See section: B.2.3*

Followed

56. The Nomination Committee should consult with the company's Chairman and chief executive, especiallyon matters relating to executive directors.

Any Board member may suggest directorship candidates to the Nomination Committeefor its consideration.

Followed

57. The Remuneration Committee should have the following functionsin addition to those stated in earlier Recommendations:

a) Make proposals tote Board of Directors regarding the following:

i) The remuneration policy for directors and senior executives;

ii) The individual remuneration and other contractual conditions of executive directors.

iii) The standard conditions for senior executive employment contracts.

b) Oversee compliance with the remuneration policy set by the company.

*See sections: B.1.14 and B.2.3*

Followed

58. The Remuneration Committee should consult with the company's Chairman and chief executive, especially on matters relating to executive directors and senior executives.

Followed

## G - OTHER INFORMATION OF INTEREST

If you consider that there is any material aspect or principle relating to the corporate governance practices followed by your company that has not been addressed in this report, indicate and explain below.

Section B.1.3 indicates that the non-executive proprietary directors Casimiro Molins Ribot, Joaquín M Molins López-Rodó and Inversora Pedralbes, S.A. were appointed at the proposal of the significant shareholder Inversora Pedralbes, S.A. when they were actually jointly proposed for appointment by the significant shareholders Inversora Pedralbes, S.A. and Otinix, S.A.

This section can include any other information, clarification or qualification relating to the previous sections of the report, provided that it is material and not repetitive.

In particular, indicate whether the company is subject to any legislation other than the Spanish legislation on corporate governance, and if so, include the information that it is required to provide, where such information differs from that required in this report.

Binding definition of independent director:

Indicate whether any of the independent directors has, or has had, any relationship with the company, its significant shareholders or its executives that, had it been sufficiently significant or material, would have determined that the director concerned could not be considered independent in conformity with the definition set forth in section 5 of the Unified Good Governance Code:

NO

Date and signature:

This Annual Corporate Governance Report was approved by the company's Board of Directors at its meeting held on

27/02/13

Indicate whether any directors voted against or abstained in relation to the approval of this report.

YES

**Name or company name of director who did not vote in favour of the report**

FORO FAMILIAR MOLINS, S.L.

**Reasons (against, abstention, non-attendance)**

Abstention.

**Explain the reasons**

The director Foro Familiar Molins, S.A., represented by Roser Ràfols Vives, abstained in section F ( degree of compliance with corporate governance recommendations), question 8, section a) points i) to iv).

## APPENDIX TO THE CORPORATE GOVERNANCE REPORT OF CEMENTOS MOLINS, S.A. FOR 2012

Additional disclosures required of listed companies to the Corporate Governance Report of Cementos Molins, S.A., for 2012, pursuant to Article 61 bis of Securities Market Law 24/1988, of 28 July, as amended by Sustainable Economy Law 2/2011, of 4 March.

**1. Securities that are traded on a regulated Community market, indicating, where appropriate, the various classes of shares and, for each class of shares, the rights and obligations that they confer.**

Not applicable.

**2. Any restrictions on the transferability of shares or on the exercise of voting rights.**

There are no restrictions on the transferability of the shares. There are no restrictions on voting rights.

**3. Rules governing amendments of the company's by-laws.**

Any amendment to the by-laws must be resolved by the shareholders at the Annual General Meeting and shall meet the requirements of the Spanish Limited Liability Companies Law.

**4. Significant agreements entered into by the company which take effect, are amended or terminated in the event of a change of control of the company following a takeover bid and the effects thereof.**

The company has entered into and deposited three shareholders agreements at the Spanish National Securities Market Commission for public knowledge.

The first, relating to the subsidiary Fresit, B.V. entered into on 15 May 2009 by Cementos Molins, S.A. and Cemolins Internacional, S.L.U., of the one part, and Buzzi Unicem, SpA and Buzzi Unicem Internacional, S.à.r.l., of the other part.

The second, relating to Cementos Avellaneda, S.A. (Argentina) entered into on 18 December 2012, by Cementos Molins, S.A., Semolina International, S.L.U. and Minus Inversora, S.A., of the one part, and the Votorantim Group, of the other part.

The third, relating to Cementos Artigas, S.A. (Uruguay) entered into on 18 December 2012, by Cementos Molins, S.A. and Cemolins Internacional, S.L.U. of the one part, and the Votorantim Group, of the other part.

All three agreements provide that change of control of either of the parties grants the other party a pre-emption right on the ownership interest held by the party whose control changes of the companies that are the subject-matter of the agreement.

**5. Agreements between the company and its directors, executives or employees which provide for termination benefits upon resignation or unjustified dismissal or upon termination of the employment relationship as a result of a takeover bid.**

Three agreements entered into by the Company and three directors provide for termination benefits equivalent to 45 days' salary (based on the gross annual remuneration) per year of service, up to a maximum of 42 months' monetary remuneration at the date of termination, as provided for in Article 10.3-d of Royal Decree 1382/1985, i.e. in the event of succession of the company or a significant change in the ownership thereof that results in a renewal of its governing bodies or the substance and approach of its main business.

**6. Description of the key aspects of the internal control and risk management systems with respect to the financial reporting process.**

In responding to this point, section F, "Systems of control and risk management in connection with financial reporting (ICFR)" of the Spanish National Securities Market Commission Draft Circular, amending specimen annual corporate governance reports, of 14 November 2011, was followed.

***SYSTEMS OF INTERNAL CONTROL AND RISK MANAGEMENT IN CONNECTION WITH FINANCIAL REPORTING (ICFR)***

Mechanisms comprising the risk control and management systems as they affect the internal control over financial reporting (ICFR) of Cementos Molins, S.A.

**F.1 The entity's control environment** Provide information, indicating salient features, on at least:

1) **F.1.1.** Bodies and/or functions responsible for: (i) the existence and maintenance of a suitable, effective ICFR; (ii) its implementation; and (iii) its oversight.

   The Board of Directors of Cementos Molins is responsible (pursuant to Article 5.n of its Regulations) for the implementation and monitoring of a suitable, effective system of internal control over financial reporting that ensures the completeness and reliability of financial information.

   The Board of Directors delegates oversight of the design and effectiveness of internal control to the Audit Committee.

   Article 28 of the Board Regulations specifies that the duties of the Audit Committee in connection with financial reporting are, inter alia:

   - Oversee the preparation, reporting and integrity of the financial information, checking compliance with legal provisions, the accurate demarcation of the scope of consolidation and the correct application of accounting standards.

- Understand the processes used to prepare the financial statements and to obtain reasonable assurance that the supporting reporting systems are reliable.
- Review internal control and risk management systems on a regular basis so that the main risks are properly identified, managed and disclosed.

Cementos Molins S.A. has an internal audit department, reporting to the Audit Committee, whose remit is to ensure that the systems of internal control and financial reporting function correctly, to assess the effectiveness of ICFR and to report regularly on any weaknesses identified in the course of its work and the time frame set for the proposed adaptation or corrective action.

The Audit Committee members are kept apprised of all regulatory changes that may arise in this connection.

The senior executives of Cementos Molins, S.A. are responsible, under the supervision of the Audit Committee, for designing, implementing and ensuring the functioning of an appropriate internal control system, as specified in Cementos Molins' organisational model for the systems of control over financial reporting.

Thus, the duty of internal control over financial reporting is discharged at the level of general corporate management of Cementos Molins, S.A. and thereafter at the various functional divisions (administration, finance, human resources, legal services and information systems), who are responsible for designing and implementing the internal control systems.

Internal control over financial reporting is centralised at corporate management, which ensures that it is maintained and that all the documentation relating to the procedures and controls in place from time to time is updated and also to notify the Group's various companies and organisational areas of the approval of policies and procedures of internal control over financial reporting.

The documentation and regulations relating to ICFR are notified. The Company has established the corporate intranet as the means of dissemination and communication.

**2)** **F.1.2.** Indicate the following, if in place, particularly in connection with the process of preparing financial reporting:

✓ The departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) ensuring procedures are in place to communicate this structure effectively throughout the entity:

The corporate management officers ensure that tasks and responsibilities are adequately distributed and assigned for the process of preparing financial information, establishing and, where appropriate, proposing to the corporate management officers and human resources management the design and structure requires to carry them out.

Human resources management, together with the other functional management divisions, is responsible for disseminating and notifying the organisational structure and any possible changes therein, including those relating to the financial reporting process.

- ✓ Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action:

At the proposal of the Audit Committee, on 28 February 2012 the Board of Directors approved the Code of Conduct of the Cementos Molins Group, the contents of which have been notified and disseminated to all the employees of the Cementos Molins Group.

Oversight for compliance therewith is the remit of the Steering Committee, made up of the corporate human resources manager and the corporate legal services manager. The Audit Committee is entrusted with its review and periodic update.

Section 8 of the Code of Conduct, "The business environment of the Cementos Molins Group/Company", makes express reference to the recognition of the transactions, indicating that our accounting systems, controls and audits will be appropriate, guaranteeing the reliability, truthfulness and accuracy of our accounts, records and reports. Similarly, it is stated that the economic and financial reporting of the Cementos Molins Group will reflect fairly its economic, financial and equity position, in accordance with generally accepted accounting principles and applicable International Financial Reporting Standards.

Also notable in this connection are Cementos Molins' Internal Rules of Conduct vis-à-vis the Securities Market, established in a resolution passed by the Board of Directors on 29 July 2004 and reviewed by a Board Resolution adopted on 28 February 2012.

Both sets of regulations are available on the Company's website at www.cemolins.es.

- ✓ 'Whistle-blowing' channel, for reporting any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and irregular activities within the organisation to the Audit Committee, stating, as applicable, whether such reports are confidential:

Since 23 April 2009, the Cementos Molins Group has a reporting channel available for all employees of the Spanish companies in the Cementos Molins Group, whereby they can inform Cementos Molins confidentially of any potentially significant irregularities, particularly those of a financial and accounting nature, of internal control over fraud that, to the best of their knowledge and belief, constitute inappropriate conduct or action.

Employees may use the procedure for notifying potentially significant irregularities by sending a letter addressed to the Secretary of the Audit Committee of Cementos Molins.

The Audit Committee is informed on a half-yearly basis of the functioning of the reporting mechanism.

At its meeting on 23 February 2012 the Audit Committee established new procedure regulations for this type of reporting, which was implemented in the second half of 2012.

- ✓ Training and periodic refresher courses for personnel involved in preparing and reviewing financial information or evaluating the system of ICFR, which address, at least, accounting rules, auditing, internal control and risk management.

Human resources management and administration and finance management check that the updating procedures for the accounting and financial tasks are appropriate when this is called for due to legislative and regulatory changes, including changes in the international accounting standards, that affect the preparation of the Group's financial statements.

The various functional divisions also receive information on a regular basis from external advisers and the Company's external auditors on regulatory changes or interpretations of standards that may affect the preparation of the Group's financial information, for which fluid communication with the latter is established in order to be informed of and to interpret and adapt to such standards. Internal dissemination within the Group to the areas that might be affected is also ensured.

**F.2 Assessment of reporting risks.** Provide information on, at least:

3) **F.2.1.** The main features of the risk identification process, including risks of error or fraud, as regards:

- ✓ Whether the process exists and is documented:
- ✓ Whether the process covers all financial reporting objectives (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and has frequently:
- ✓ Whether a specific process is in place to define the scope of consolidation, taking into account, inter alia, the possible existence of complex corporate structures and special purpose entities or vehicles.
- ✓ Whether the process addresses other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements.
- ✓ Indicate the entity's governing body that oversees the process.

The Molins Group's system of internal control over financial reporting is overseen by the Audit Committee and the purpose thereof is to ensure the reliability of significant financial information.

With a view to defining the sphere of application of ICFR at Group level, the following factors were borne in mind:

- At Spanish investees that are over 50% controlled the procedures of the key processes in place are defined on the basis of quantitative and qualitative materiality, establishing a risk matrix and the controls associated with each process in order to safeguard the reliability of the resulting financial information.
- In the case of the international companies the necessary control mechanisms to enable the consolidation process to ensure reasonable reliability of the information and the processes generating it have been established. Thus, the various companies' internal audit departments review the procedures and processes taking into account the risk criteria. The external auditors also identify and inform Cementos Molins of any control weaknesses observed in the course of their work. On the basis of the conclusions drawn, which are reported to the internal audit department of Cementos Molins, the companies improve the procedures in place. Internal audit reviews these processes in situ in the context of its annual audit and risk map schedule.

On the basis of the foregoing, the risks and processes to be documented that have a potentially material impact on the financial information have been identified and, in Cementos Molins' risk identification process, are covered by the following financial reporting objectives:

- **Existence and occurrence**: transactions, facts and other events reflected in the financial information exist in reality and were recorded in due time.

- **Completeness**: The information reflects all the transactions, facts and other events in which the entity is the affected party.

- **Valuation**: transactions, facts and other events are recognised and measured in accordance with the applicable standards.

- **Presentation, disclosure and comparability**: transactions, facts and other events are classified, presented and disclosed in the financial information in accordance with the applicable standards.

- **Rights and obligations**: the financial information reflects, at the corresponding date, the rights and obligations through the related assets and liabilities, in accordance with the applicable standards.

Also, in identifying risks, those arising from external factors that could have a material effect on the business and the Group's financial reporting are also assessed, namely:

- Safeguarding of assets
- Possibility of fraud
- Environmental legislation
- Specific market situations (legal and regulatory changes)
- Estimates, lawsuits and provisions.

The scope of consolidation of Cementos Molins is defined on a monthly basis by corporate administration management, based on the information available in its files and in accordance with international accounting standards and is confirmed on a half-yearly basis by the external auditors. Any significant change in the scope of consolidation is notified to the Audit Committee.

Cementos Molins has a model of internal control over financial reporting that provides reasonable assurance that the following objectives are met:

- Reliability of financial reporting
- Compliance with the applicable legislation and standards
- Risk assessment and control activities

Based on the foregoing, Cementos Molins has defined the key processes for the preparation of its financial information and has drawn up the related map, containing:

- Purchases and payables.
- Income and receivables.
- Cash and financial items.
- Investments and non-current assets.
- Human resources.
- Inventories.
- Accounting close and consolidation.
- Tax.
- Information systems.
- Impairment of assets.

All the related processes are formally documented. The documentation generated in connection with these procedures includes detailed descriptions of transactions performed and those relating to the preparation of financial information from commencement until their recognition in the accounting records.

The basic elements for each process are the activities flowcharts, the associated risks in each case and the control activities that mitigate them. The result is a risk and controls matrix for each process that enables the control objectives of Cementos Molins to be complied with in the case of all relevant financial information.

Corporate administration management, together with the other managements and functional areas involved, coordinates the documentation and dissemination of the key processes identified. This management is also in charge of the ongoing updating of the flowcharts of each of the processes, of the risks and associated controls.

All information relating to the internal control over financial reporting model is documented and is available to the users thereof and to those involved in the preparation of financial information by means of the corporate intranet.

**F.3 Control activities.** Provide information, indicating salient features, if available, on, at least:

4) **F.3.1.** Procedures for reviewing and authorising financial information and the description of ICFR to be disclosed to the securities markets, indicating the corresponding lines of responsibility, as well as documentation describing the flows of activities and controls (including those addressing the risk of fraud) for the various types of transactions that may materially affect the financial statements, including procedures for the accounting close procedure and for the separate review of critical judgements, estimates, evaluations and projections.

The Molins Group furnishes the securities market with financial information on a quarterly basis. The information is prepared by administrative management reporting to general corporate management.

In the process of preparing the financial information to be published, administrative management carries out certain control activities to check its reliability. Additionally, the management control department, also reporting to general corporate management, oversees the information prepared. The guidelines for preparing and reviewing the information are based on the internal control "Statutory reporting manual" .

The CEO, general corporate management and general operations management analyse the information to be published provisionally, approving it prior to sending it to the Audit Committee, which oversees the financial information submitted. Lastly, the Audit Committee informs the Board of Directors of its conclusions on the information submitted, so that once it has been approved by the Board, it may be published in the securities market.

For the half-yearly and annual reporting, the Audit Committee and the Board of Directors also have available the information prepared by the Group's external auditors on the results of their work.

In the case of the report on the description of ICFR, the same procedure as that described in this section is followed prior to its publication in the securities market.

5) **F.3.2.** Internal control policies and procedures for IT systems (including access security, control of changes, system operation, continuity and separation of duties) giving support to key company processes involved in the preparation and publication of financial information.

Management of organisation and systems of Cementos Molins, S.A., reporting to general corporate management, is responsible for the information systems and telecommunications of Cementos Molins, S.A. and its Spanish subsidiaries. Its functions include defining, implementing and monitoring compliance with the security policies and standards, as well as the business continuity plan of the various applications and infrastructure that support it.

The control model addresses all the applications, infrastructure for support and access, communication systems and the physical locations in all cases, placing particular emphasis on processes that are relevant for business continuity on a normal basis, directly or indirectly related to financial information.

The control model defined at Cementos Molins, S.A. comprises the following processes:

- Physical security of the data processing centres.
- Logical security of applications.
- Project management. Implementation, development and evolutive advances.
- Operations management.
- Service provider management.
- Infrastructure and communications.
- Back-up and recovery systems.
- User management.

These processes are supported by a series of documented automatic and manual steps, standards, procedures and security rules, which define, inter alia, the control activities required to address the risks to which the following spheres of information systems management are exposed.

- Information systems environment.
  - Organisational charts and descriptions of the duties of the employees involved in the information systems.
  - Systems map.
  - Telecommunications network map.
- Applications change management.
  - Management of requests for new development, improvements and changes.
  - Requests registration, analysis and approvals circuit.
  - Development and implementation of new systems.
  - Bringing into service of such applications, their validation and completion.
  - Documentation and training
- Operations and use of systems.
  - Management of operating activities.
  - Management of back-up systems.
  - Incidents management.
  - Contingency and recovery plans.
  - Service provider management.
- User training and information.
  - User information systems.
  - Ongoing training procedures.
- Physical and logical security.
  - Management of security activities.
  - Physical security of control rooms.
  - Logical security of access to systems.
  - Security in data transfers in public networks.

In compliance with the applicable regulatory standards, Cementos Molins defined the role of Information Security. This role is responsible for protecting the Company's information systems, in order to achieve and maintain the required security standards. In order to ensure that these standards are defined correctly an internal procedure, compliant with the legislative requirements, is in place that defines the standards and also the security requirements to be implemented.

The control model envisages various internal audits that help to keep the security systems updated at acceptable and good functional levels for Cementos Molins, S.A.

6) **F.3.3.** Internal control policies and procedures for overseeing the management of outsourced activities to third parties and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements:

Cementos Molins does not outsource to third parties, either fully or partially, any phase of its process of preparing financial statements.

In the event of hiring outside advisers for accounting, legal, tax or employment-related issues, to handle a specific matter, the results thereof are overseen by the persons in charge of each functional area in order to ratify the reasonableness of the conclusions drawn.

**F.4 Reporting and communication.** Provide information, indicating salient feature, if available, on, at least:

7) **F.4.1.** Whether there is a specific role in charge of defining and maintaining accounting policies (accounting policies area or department) and resolving doubts or disputes over their interpretation, communicating on a regular basis with the team in charge of operations at the organisation. The role is also responsible for updating the accounting policies manual and disseminating it to the Company's operating units.

Corporate administration management is responsible for applying the Group's accounting policies. This management also encompasses the corporate accounting department, whose remit includes:

- Defining and updating the Group's accounting policies.
- Keeping track of international accounting standards and their effects on the Group's financial statements.
- Ensuring that the accounting treatment of the transactions of the consolidated Group and its individual companies is appropriate.
- Informing and addressing any queries on the application of the accounting standards that could be raised at the Group companies or at the request of functional areas.

In cases where the accounting rules are complex and require a more detailed technical analysis for their interpretation, administrative management contacts the Group's external auditors in order to establish a position thereon.

The Group has an Accounting and Tax Policies Manual. The manual is revised whenever an accounting and/or tax amendment is made and communicated to those in charge and those responsible for the preparation of the financial reporting.

8) **F.4.2.** Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the company or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

Cementos Molins has implemented a single computer tool to meet the accounting needs of its Spanish companies and a computer tool for the consolidation process. The information of the Spanish companies is uploaded onto the consolidation tool with standardised criteria and formats that comply with the Molins Group's accounting policies. With respect to the Group's international companies a single applicable reporting model has been established, standardised in compliance with the Group's accounting policies and is included in the consolidation tool, once the integrity of the information has been checked using internal controls.

The computer consolidation tool centralises in a single system the separate financial statements of the subsidiaries making up the Group, as well as the consolidated financial statements and the main disclosures required for the preparation of the consolidated financial statements.

**F.5 Oversight of system operation.** Provide information, stating the main features, on at least:

9) **F.5.1.** ICFR monitoring activities performed by the Audit Committee, including an indication of whether the entity has an internal audit department whose competencies include supporting the Audit Committee in its role of monitoring the internal control system, including ICFR. Also describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate the findings. State also whether the company has an action plan specifying corrective measures and whether it has taken stock of the potential impact of any flaws on its financial information:

The internal audit department notifies the Audit Committee of the correct functioning of ICFR and is responsible for reviewing the controls in place, reporting any potential weaknesses identified, the steps to be taken to mitigate them and for monitoring the implementation of such steps.

In verifying the ICFR and in ensuring the quality of financial reporting the Audit Committee focused its activity on overseeing the preparation of the separate and consolidated financial statements, as well as the accompanying information thereto, the consolidation process and the scope of consolidation and all the periodic information (half-yearly and quarterly) that must be reported to the markets. In its work it is supported by the internal audit department and the Company's external auditors, with whom meetings are held periodically.

Action plans envisaging corrective steps are established, in conjunction with internal audit and corporate management, in the event of detecting any weaknesses in the quality of the information or in the internal systems of control over financial reporting.

10) **F.5.2.** Indicate whether there is a discussion procedure whereby the financial auditors (pursuant to TAS), the internal audit department and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other reviews they have been engaged to perform to the company's senior executives and its Audit Committee or Board of Directors. State also whether the entity has an action plan to correct or mitigate the weaknesses identified.

The internal audit department reports at least on a half-yearly basis to the senior executives and to the Audit Committee on any significant weaknesses in internal control that have been identified during the review of the audits performed and the ICFR reviews.

At the Audit Committee meetings, of which at least three a year are attended by the external auditors, the latter can discuss matters with the senior executives and committee members and inform on the review of conclusions drawn from their review of the financial statements and also on any control weaknesses identified.

## F.6 Other relevant information

**F.7 External auditors' report.** Indicate:

F.7.1. Whether the ICFR information reported to the markets has been reviewed by the external auditors. If "yes", the related report should be included in the corresponding report as an Appendix. If "no", give reasons.

The external auditors reviewed Cementos Molins' ICFR information that was reported to the markets for 2012. The scope of the auditors' review procedures was set in accordance with the Draft Guidance and the related specimen auditors' report, dated 28 October 2011, publicised by the financial auditors' representative entities.

Also, on 25 January 2012, in its Circular E 01/2012, the Spanish Institute of Certified Public Accountants set forth certain additional considerations relating to the matter, which were also taken into account in the procedures applied by the external auditors.

Sant Vicenç del Horts, at 27 February 2013.

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*Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.*

AUDITORS' REPORT ON THE "INFORMATION RELATING TO THE SYSTEM OF THE INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)" OF CEMENTOS MOLINS, S.A. FOR 2012

To the Directors,

In accordance with the request of the Audit Committee of Cementos Molins, S.A. ("the Entity") and with our proposal-letter of 14 January 2013, we have applied certain procedures to the "Information relating to the system of ICFR" contained in the accompanying Annual Corporate Governance Report of Cementos Molins, S.A. for 2012, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the accompanying Information relating to the system of ICFR.

It should be noted in this regard, irrespective of the quality of the design and operativity of the internal control system adopted by the Entity in relation to its annual financial reporting, that the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

Under Spanish Securities Market Law 24/1988, of 28 July, duly amended by Sustainable Economy Law 2/2011, of 4 March, for financial years beginning on or after 1 January 2011, the Annual Corporate Governance Report ("ACGR") must include a description of the main characteristics of the internal control and risk management systems in relation to the regulated financial reporting process. In this connection, on 26 October 2011 the Spanish National Securities Market Commission (CNMV) published a draft Circular, modifying the Annual Corporate Governance Report form to be published, which included the approach to be taken by entities with respect to the description of the main features of their system of ICFR. A CNMV letter dated 28 December 2011 contains a reminder of the legal amendments to be taken into consideration when preparing the "Information relating to the system of ICFR" until final publication of the CNMV Circular defining a new ACGR form.

Pursuant to subparagraph no. 7 of the system of ICFR contained in the annual corporate governance report form included in the draft CNMV Circular, whereby entities are required to indicate whether the description of the system of ICFR has been reviewed by an external auditor and, if so, to include the relevant report, the financial auditors' representative bodies published Draft Guidelines on 28 October 2011 and the corresponding illustrative auditors' report ("the Draft Guidelines"). In addition, on 25 January 2012, the Spanish Institute of Certified Public Accountants established certain additional considerations in this connection in its Circular E01/2012.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
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In the course of our audit work on the financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Entity was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Entity's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the Draft Guidelines on the Auditors' Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report.

Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Entity's annual financial reporting for 2012 described in the accompanying Information on the system of ICFR. Therefore, had procedures additional to those provided for in the engagement letter been applied or an audit or a review of the system of internal control over the regulated annual financial reporting been performed, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the Consolidated Spanish Audit Law, approved by Legislative Royal Decree 1/2011, of 1 July, we do not express an audit opinion in the terms provided for in that Law.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Entity in relation to the system of ICFR - disclosure information included in the Directors' Report- and assessment of whether this information addresses all the information required in accordance with the minimum content described in the annual corporate governance report form included in the draft CNMV Circular.

2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of: (i) understanding the preparation process; (ii) obtaining the information required in order to assess whether the terminology used is in keeping with the definitions provided in the reference framework; (iii) obtaining information on whether the aforementioned control procedures have been implemented and are in use at the Entity.

3. Review of the explanatory documentation supporting the information detailed in point 1 above, including mainly the documentation furnished directly to the personnel in charge of preparing the information describing the system of ICFR. In this respect, the aforementioned documentation includes reports prepared by the Internal Audit Department, senior executives or other internal or external experts providing support functions to the Audit Committee.

4. Comparison of the information detailed in point 1 above with the knowledge of the Entity's system of ICFR obtained as a result of the application of the procedures carried out as part of the audit of its financial statements.

5. Perusal of minutes of meetings of the Board of Directors, the Audit Committee and of other Entity committees in order to assess the consistency between the ICFR issues addressed therein and the information detailed in point 1 above.

6. Obtainment of the representation letter concerning the work performed, duly signed by the personnel in charge of the preparation of the information detailed in point 1 above.

The procedures applied to the Information relating to the system of ICFR did not disclose any inconsistencies or incidents that might affect the Information.

This report has been prepared exclusively in the framework of the requirements of Spanish Securities Market Law 24/1988, of 28 July, amended by Sustainable Economy Law 2/2011, of 4 March, and the provisions of the draft CNMV Circular, of 26 October 2011, for the purposes of the description of the system of ICFR in Annual Corporate Governance Reports.

DELOITTE, S.L.

Raimon Ripoll

Raimon Ripoll

27 February 2013

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