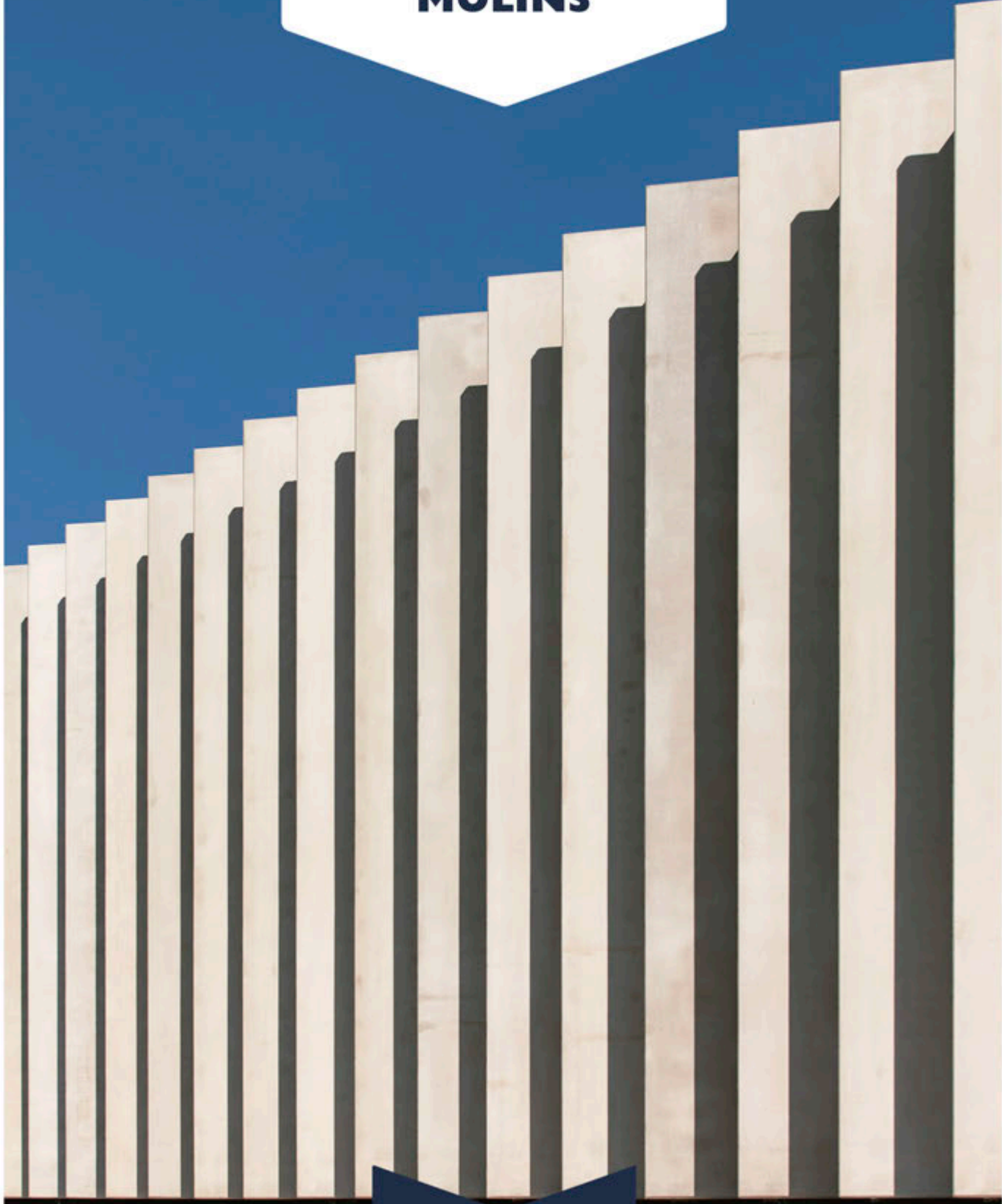




**CEMENTOS  
MOLINS**



**ANNUAL REPORT  
2016**



**CEMENTOS  
MOLINS**

ANNUAL REPORT  
2016



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# Letter from the Chairman

Dear Shareholders,

After presenting you with the Annual Report of our Group, I would like to highlight that 2016 has been a good year for Cementos Molins.

The results confirm the positive evolution of the company over the past years, and they consolidate our position in the markets where we perform our activity. Overall, we have exceeded the targets for 2016 with an excellent contribution from our international business, despite the negative impact of the depreciation of the currencies. In this sense, we would like to specifically highlight the results attained in Mexico. On the other hand, operating results improved in Spain due to cost reductions and the efficiency of factories despite the difficulties that persist in markets with very low growth.

The Consolidated Net Result was 63.9 million euros, 25.6% more than in the previous year. The international companies of the Group provide a net profit of 92.2 million euros, an improvement of 44% compared to 2015. However, companies located in Spain suffer the accounting impact arising from the adoption of Royal Decree Law 3/2016 of December 2, which approves measures in the taxation field aimed at the consolidation of public finances, including limitations on the recovery of negative tax bases from previous years. The consequence is that the contribution of the business in Spain to the Group's net results worsens by 15 million euros compared to the past year.

Concerning investments, we highlight the projects which have been developed and are being developed in Mexico, Bolivia, Colombia and Bangladesh.

In the Apazapan factory, Corporacion Moctezuma, Mexico, a second production line of 3,000 tonnes of clinker per day was launched in October 2016. This duplicates the current capacity of the plant. The investment has been of around 123 million USD.

In Bolivia, the new Itacamba Cementos factory was launched in November, with a 2,000 t/day capacity kiln. The investment has been 190 million USD and has been developed jointly with Grupo Votorantim and Coceca, our partners in the country.

In December of 2016 works for the construction of the new cement production plant began in the municipality of Sonsón, Antioquia (Colombia), in partnership with our local members of the Colombian group Corona. It is expected to launch in the first quarter of 2019.

At the end of 2016, our subsidiary Lafarge Surma Cement, Ltd., reached an agreement with Grupo LafargeHolcim for the purchase of 100% of the shares in Holcim Cement (Bangladesh) Ltd., whose principal assets are three cement grinding plants located in Bangladesh, with a production capacity of 2.2 million tonnes of cement. The operation is subject to the approval of the local market regulating bodies.

We would like to note that, regarding its commitment to ethics in business, the company has decided to strengthen and promote a system of Corporate Governance under corporate policies and good governance. These have been approved by the Board of Directors, together with a Model of Prevention of Crimes which reinforces the obligation and commitment to act and which will be developed progressively within the Cementos Molins Group.

Once again, along these lines, I would like to value the effort and dedication of all those who collaborate in the Group —managers, employees, workers— as well as all of those who have made the development of our activities possible. We would like to especially thank our customers, whose loyalty and trust stimulates us to improve every year.

I would also like to thank the shareholders, who renew their faith in us and the group year after year, and who are worthy of our greatest appreciation.

**Casimiro Molins Ribot**  
Chairman



# Cementos Molins Group



Cementos Molins, S.A. was founded on 9th of February 1928 and their objective was to start the manufacture of calcium aluminate cements and to give continuity to the quarry exploitations and the manufacture of limestone and natural cement in Pallejà, Vallirana and Sant Vicenç dels Horts. From the early 40s up to 1974 production capacity increased significantly with the building of the kilns for aluminous and Portland cements, which meant an important qualitative leap for the future of the company.

Towards the end of the 70s Cementos Molins clearly became an export company through Hispacement.

In the 80s Cementos Molins began its geographical expansion and diversification of its products, making it the mother Company of a wide group of both national and international companies.

Since 1980, Cementos Molins has been present in Argentina, through Cementos Avellaneda, S.A., in Uruguay since

1986, through Cementos Artigas, S.A. And in Mexico, since 1988, through Corporación Moctezuma, S.A. As of 2004 in Bangladesh and India through Surma Cement. Since 2009 it is also present in Tunisia with Sotacib Feriana, a white cement manufacturer, and Sotacib Kairouan, of gray cement. In 2014 Cementos Molins enters Bolivia through the company Itacamba Cemento, which inaugurated a factory at the end of 2016, and finally, since 2015, Cementos Molins is also present in Colombia, through the companies Empresa Colombiana de Cementos and Empresa Insumos y Agregados de Colombia, where it has started the construction project of a cement factory, whose completion is scheduled for 2019.

As far as the diversification of the products is concerned, since 1987 we have also participated in the concrete, aggregates, pre-cast concrete, special mortars and adhesive cement businesses in Spain. These lines of business are carried out by CementosMolins Industrial, S.A, Promotora Mediterránea-2, S.A., Prefabricaciones y Contratatas, S.A. and Propamsa, S.A.



In summary, our activity at present is centred around the manufacture and commercialization of Portland, grey, white and aluminous cements, concrete, mortars, aggregates, pre-cast concrete and environmental activities in nine different countries.

The Group makes a major effort to develop a business model based on sustainability, which creates value and which meets the expectations of stakeholders.

Our mission is to be a respected and attractive family business in the global cement sector creating value for all our “stakeholders” and our solutions seeking above all the satisfaction of our clients.

Technological knowledge, the obsession with costs, the quality of our products, culture of work and effort, the growth of our Group, as well as respect for the environment, the integration of sustainability in all the processes and appropriate care for people are the central concepts on which our business is built.

Our mission is to  
be a well-respected  
and attractive  
familiar company  
in the global  
cement industry





# Board of directors

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**Chairman**

Casimiro Molins Ribot

**First Deputy Chairman**

Juan Molins Amat

**Second Deputy Chairman**

Cartera de Inversiones C.M., S.A., represented by Joaquín M<sup>a</sup> Molins Gil (RC)

**Managing Director**

Julio Rodríguez Izquierdo

**Directors**

Miguel del Campo Rodríguez (AC, RC)

Eusebio Díaz-Morera Puig-Sureda (AC)

Joaquim Molins Amat (RC)

Emilio Gutiérrez Fernández de Lienres (CR)

Joaquín M<sup>a</sup> Molins López-Rodó (RC)

Noumea S.A., represented by Pablo Molins Amat (AC)

Foro Familiar Molins, S.L., represented by Roser Ràfols Vives (RC)

Otinix, S.L., represented by Ana M<sup>a</sup> Molins López-Rodó (AC)

Francisco Javier Fernández Bescós

Andrea Kathrin Christenson (AC, RC)

**Secretary non Director**

Jorge Molins Amat (AC, RC)

**Deputy Secretary non Director**

Ana M<sup>a</sup> Molins López-Rodó

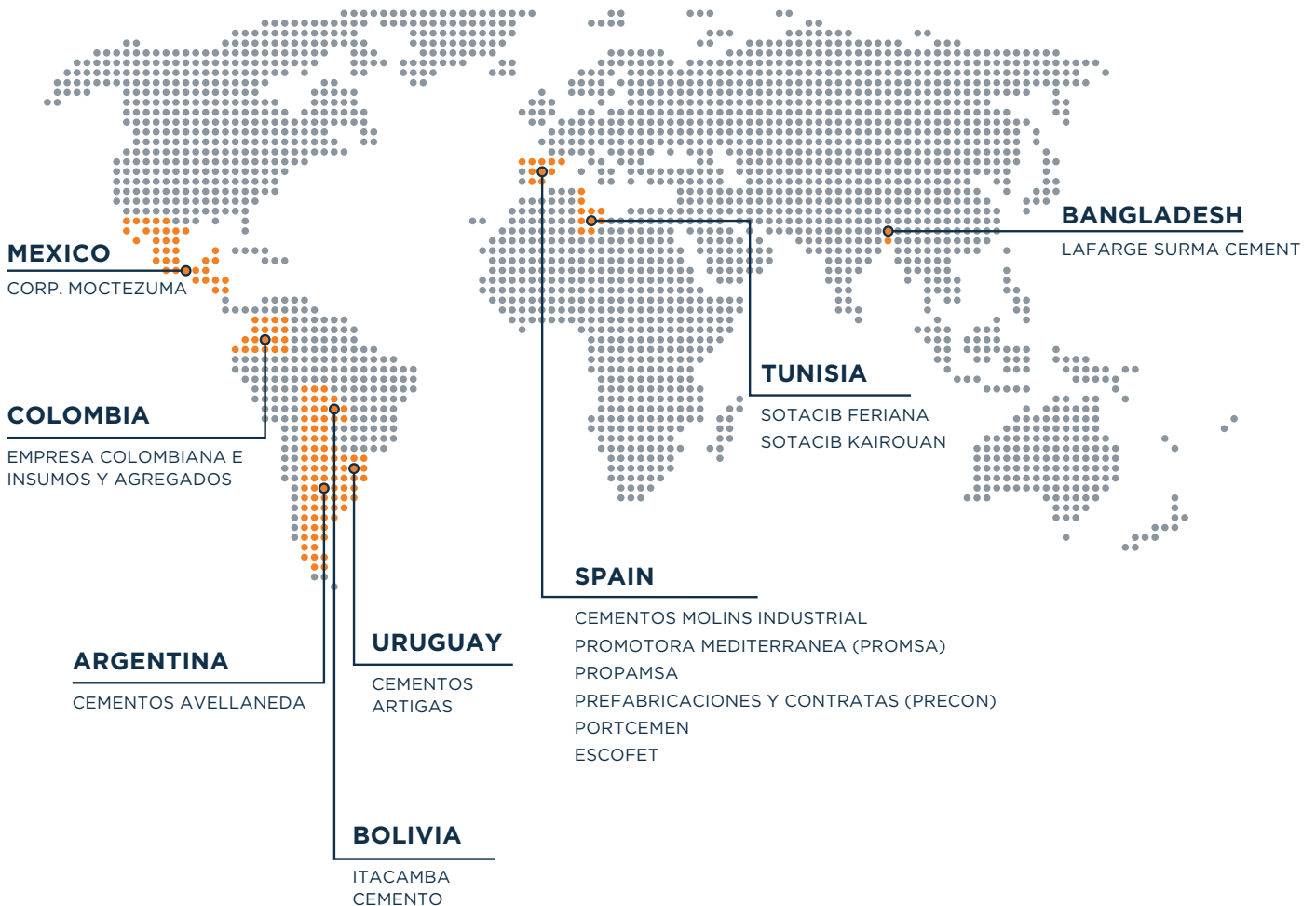
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Are members of:

AC: Audit and Compliance Committee (Chairman: Eusebio Díaz-Morera Puig-Sureda)

RC: Remunerations and Nominations Committee (Chairman: Miguel del Campo Rodríguez)

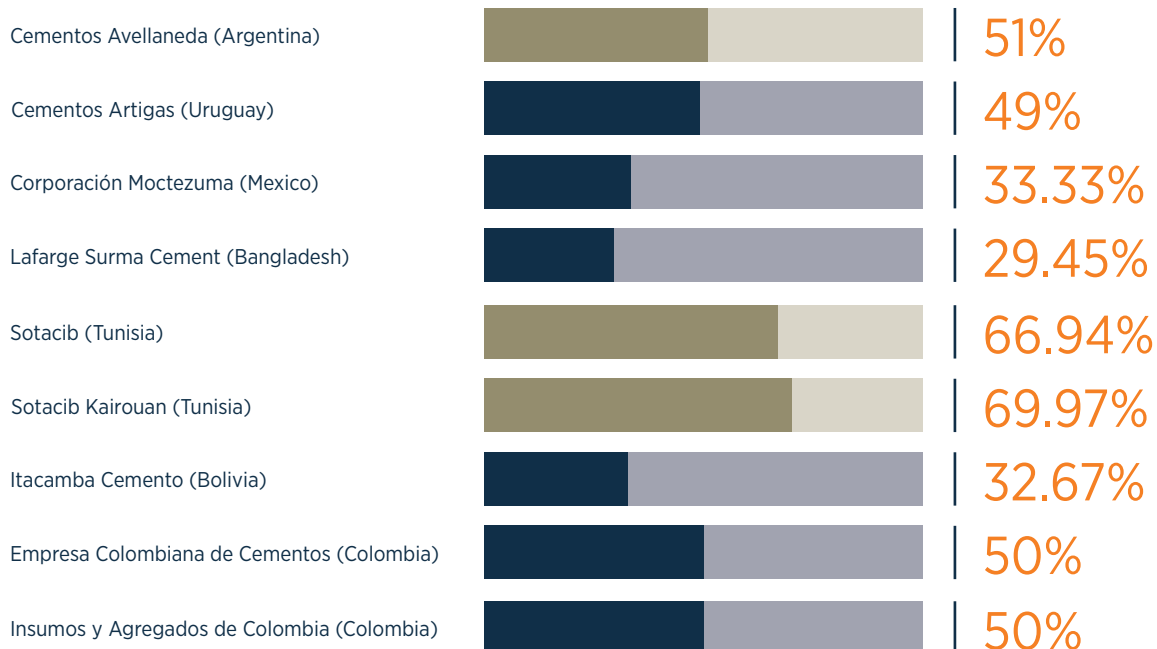
# Geographical presence of Cementos Molins Group and the main group companies



## NATIONAL GROUP



## INTERNATIONAL GROUP



● Organisation chart of the main operating companies with their final percentage of ownership.

● Companies accounted for in the consolidated financial statements using the equity method.

## CONSOLIDATED BALANCE SHEET (NIIF)

Thousands of euros

	31/12/2015	31/12/2016
<b>ASSETS</b>		
Intangible assets	27,628	29,522
Property, plant and equipment	536,627	501,526
Investment property	5,019	3,539
Non-current financial assets	3,564	1,548
Companies accounted for using the equity method	321,996	362,024
Goodwill on consolidation	23,372	23,144
Deferred tax assets	41,996	30,000
<b>NON-CURRENT ASSETS</b>	<b>960,202</b>	<b>951,303</b>
Inventories	77,647	84,907
Trade and other receivables	116,804	113,991
Current financial assets	59,864	82,543
Cash and cash equivalents	76,906	78,455
<b>CURRENT ASSETS</b>	<b>331,221</b>	<b>359,896</b>
<b>TOTAL ASSETS</b>	<b>1,291,423</b>	<b>1,311,199</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	19,835	19,835
Reserves of the Parent	157,884	163,213
Other reserves of consolidated companies	545,325	578,576
Net profit attributable to the Parent	50,833	63,869
Interim dividend	(11,901)	(14,545)
<b>Shareholders' equity</b>	<b>761,976</b>	<b>810,948</b>
Valuation adjustments	(153,535)	(181,517)
<b>EQUITY ATTRIBUTABLE TO THE PARENT</b>	<b>608,441</b>	<b>629,431</b>
<b>EQUITY OF NON-CONTROLLING INTERESTS</b>	<b>96,592</b>	<b>95,819</b>
<b>TOTAL EQUITY</b>	<b>705,033</b>	<b>725,250</b>
Deferred income	12,469	13,050
Non-current financial payables	346,945	339,912
Deferred tax liabilities	17,508	18,317
Provisions	10,181	16,321
Other non-current liabilities	782	380
<b>NON-CURRENT LIABILITIES</b>	<b>387,885</b>	<b>387,980</b>
Current financial payables	62,430	58,379
Trade payables	93,848	91,718
Tax payables	17,588	18,583
Other current liabilities	24,639	29,289
<b>CURRENT LIABILITIES</b>	<b>198,505</b>	<b>197,969</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,291,423</b>	<b>1,311,199</b>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS (NIIF)**

Thousands of euros

	<b>2015</b>	<b>2016</b>
Revenue	637,774	561,204
Other income	8,709	9,962
	<b>646,483</b>	<b>571,166</b>
Procurements	(209,904)	(186,817)
Staff costs	(115,796)	(111,400)
Change in operating allowances	(3,121)	(2,852)
Other operating expenses	(228,090)	(184,087)
In-house work on non-current assets	651	256
	<b>(556,260)</b>	<b>(484,900)</b>
Depreciation and amortisation charge	(45,110)	(40,116)
Impairment and gains or losses on disposals of assets	(30,365)	(2,414)
Other gains and losses	245	(547)
<b>PROFIT FROM OPERATIONS</b>	<b>14,993</b>	<b>43,189</b>
Financial loss	(3,688)	(5,979)
Share of profit of companies accounted for using the equity method	70,007	77,633
<b>PROFIT BEFORE TAX</b>	<b>81,312</b>	<b>114,843</b>
Income tax	(21,973)	(34,182)
<b>NET CONSOLIDATED PROFIT</b>	<b>59,339</b>	<b>80,661</b>
Net profit of non-controlling interests	8,506	16,792
<b>NET PROFIT FOR THE YEAR ATTRIBUTABLE TO THE PARENT</b>	<b>50,833</b>	<b>63,869</b>

**NET PROFIT FOR THE YEAR ATTRIBUTABLE TO THE PARENT**

Thousands of euros



2015



2016

**EARNINGS PER SHARE IN EUROS**

0.77 2015

0.97 2016

# Consolidated economic report

## The results of Group Cementos Molins increased by 26% in 2016

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

The **Cementos Molins Group's earnings** for 2016 confirm the positive performance and growth trend started in 2014; the businesses abroad performed strongly, warranting special mention in this connection are the earnings generated in Mexico, despite being adversely affected by the currency depreciations of the countries in which the Group is present, particularly Argentina and Mexico. On the other hand, profit from operations at the Spanish businesses improved as a result of the cost reductions and plant efficiency, despite persisting difficulties in markets displaying very weak growth.

**Consolidated revenue** fell by 12% compared to 2015 to EUR 561.2 million. Revenue of the international subsidiaries fell by 18%, primarily because of the Argentinian subsidiary Cementos Avellaneda, which suffered from the depreciation of the Argentine peso, and to a lesser extent of the Tunisian subsidiary Sotacib, given the instability of the markets in northern Africa. The domestic companies' figures remained stable compared to 2015 and their billings increased by 1%, despite the frailty of the domestic market.

**Profit from operations** amounted to EUR 43.2 million, up EUR 28.2 million on 2015. The Group's international business contributed EUR 51.7 million. The impact of the depreciation of the Argentine peso was offset by reduced asset impairment recognised in 2016. In 2015 profit from operations included asset impairment amounting to EUR 30 million.

**Profit from companies accounted for using the equity method** stood at EUR 77.6 million, up 10.9% on 2015, due to the excellent performance of the Mexican subsidiary. The Group uses this method to consolidate the results of the businesses in Mexico (Corporación Moctezuma), Uruguay (Cementos Artigas), Bangladesh (Surma Cement) and Bolivia (Itacamba Cementos).

**Consolidated net profit** was EUR 63.9 million, a 25.6% increase on 2015. The Group's international companies contributed net profit of EUR 92.2 million, up 44% on 2015, whereas the Spanish companies suffered the accounting impact arising from the approval of Royal Decree-Law 3/2016, of 2 December, adopting tax measures aimed at consolidating public finances, which include the limitation on the recovery of tax loss carryforwards. As a result, the Spanish businesses contributed EUR 15 million less to the Group's consolidated net profit compared with 2015.

**Investments** included most notably the projects completed and under development in Mexico, Bolivia and Colombia.

At Corporación Moctezuma's Apazapan plant in Mexico, a second 3,000 tonne/day clinker production line was started up in October 2016, which will double the plant's current capacity. The investment made amounts to around USD 123 million.

As a result of this expansion, Corporación Moctezuma has two production lines in operation at each of its three plants: Tepetzingo, Cerritos and Apazapan.

In Bolivia, the new plant of Itacamba Cementos, which has a kiln with an output of 2,000 tonnes/day, was started up in November. USD 190 million were invested in the construction of the plant, which was carried out together



Apazapan  
factory,  
Mexico

with the Votorantim Group and Coceca, our partners in the country.

In December 2016, earth works were commenced for the construction of the new cement production plant in the municipality of Sonsón, Antioquia (Colombia) in association with our local partners, the Colombian Corona Group. Its start-up is scheduled for the first quarter of 2019.

On 14 December 2016, Lafarge Surma Cement (a Bangladeshi company in which the Cementos Molins Group and the LafargeHolcim Group hold ownership interests) entered into an agreement with the LafargeHolcim Group for the purchase of all the shares of Holcim Cement (Bangladesh), the main assets of which are three cement milling plants located in Bangladesh with a production capacity of 2.2 million tonnes of cement. The acquisition was concluded for USD 117 million. The transaction is subject to approval by the regulatory bodies of the local market.

**Consolidated equity** was EUR 725 million, up EUR 20 million on 2015. The adverse impact on equity of the translation differences resulting from the devaluation of the currencies in the countries where the Group operates amounted to EUR 38 million. This was basically due to the devaluation of the Argentine and Mexican pesos.

## CONSOLIDATED NET PROFIT

	2012	2013	2014	2015	2016
<b>Consolidated net profit</b>	43,706	10,109	30,811	50,833	<b>63,869</b>
Spanish companies	-24,642	-46,628	-27,675	-13,122	<b>-28,378</b>
Foreign companies	68,348	56,738	58,486	63,955	<b>92,247</b>

Thousands of euros

## DIVIDENDS FOR THE YEAR

	2012	2013	2014	2015	2016
Dividends for the year	11,240	9,256	10,579	12,562	<b>15,207</b>

Thousands of euros



# Management information

## The EBITDA of the Group improved by 2.1%, despite the high negative impact of exchange differences

The Cementos Molins Group takes an active role in the management of the companies consolidated using the equity method, either jointly with another owners or through significant involvement in their decision-making bodies. The current corporate structure is mainly as follows:

Following the guidelines and recommendations of the ESMA (European Securities and Markets Authority), the aim of which is to foster the utility and transparency of the Alternative Performance Measures included in the regulated information or in any other information submitted by listed companies, the information disclosed in this section is based on the application of a proportionality criterion when consolidating its investees, i.e., it applies the final percentage of ownership held in each and every investee. Accordingly, the Group considers that the management of the businesses and the manner in which the results are analysed for decision-making purposes is appropriately reflected.

Therefore, the parameters used in this section are defined as follows:

“Revenue”: Revenue recognised in the separate and consolidated financial statements of the various companies included in the scope of consolidation, multiplied by the percentage of ownership held in every investee.

“EBITDA”: Profit from operations before the depreciation and amortisation charge, impairment losses and gains and losses on disposals of non-current assets of the various companies included in the scope of consolidation, multiplied by the percentage of ownership held in every investee.

“Net financial debt”: Financial debt after eliminating intra-Group positions, multiplied by the percentage of ownership held in every investee.

	2012	2013	2014	2015	2016
	Thousands of euros				
<b>REVENUE</b>	<b>649,914</b>	<b>613,988</b>	<b>635,310</b>	<b>746,581</b>	<b>690,823</b>
Spanish companies	176,932	170,065	192,959	205,424	207,541
Foreign companies	472,983	443,923	442,351	541,156	483,282
<b>EBITDA</b>	<b>117,985</b>	<b>107,014</b>	<b>127,434</b>	<b>164,853</b>	<b>168,370</b>
Spanish companies	-21,897	-12,469	6,076	12,467	10,880
Foreign companies	139,882	119,483	121,358	152,386	157,490

Companies consolidated in proportion to final percentage of ownership.

“Volumes”: Physical units sold corresponding to the various companies included in the scope of consolidation (without eliminating intra-Group sales).

“Balance sheet” and “Income Statement”: Balance Sheet and results summarized by the integration of the Companies included in the consolidation perimeter, multiplied by the percentage of participation held in each of them.

Applying a proportionality criterion, Group **revenue** amounted to EUR 690.8 million, down 7.5% on 2015. In Spain, the frailty of the cement and concrete markets meant that revenue increased by 1% to EUR 207.5 million. In turn, at the international companies the adverse effect of the fluctuations in the currencies of the countries in which the Group operates, particularly Argentina and Mexico, gave rise to an 11% drop in revenue to EUR 483.3 million.

On aggregate the Group companies sold a combined volume of 13.7 million tonnes of Portland cement and clinker in 2016, 0.8% less than in 2015. The increases in Spain, Bolivia, Mexico and Ban-

gladesh were not sufficient to offset the lower volumes in Argentina, Uruguay and Tunisia.

A total of 3 million cubic meters of concrete were sold, 10% less than the figure recognised in 2015 due to the decrease in volumes mainly in Mexico and to a lesser extent in Argentina.

Sales volume in the aggregates business increased by 5%, which was recognised mainly in Spain. Also, the Group's precast concrete sales amounted to EUR 61.1 million, a figure similar to that posted in 2015. The increase in the building construction activity was offset by reductions in civil engineering work and railway products.

**EBITDA** amounted to EUR 168.4 million, up 2.1% on 2015. Disregarding “Corporate and other”, the international business contributed EBITDA of EUR 158 million, up 3.2% on 2015. Noteworthy is the 13.5% increase in Mexico. The Spanish business reported EBITDA of EUR 19.7 million, down 5.4% on 2015.

At 31 December 2016, the Group's net borrowings amounted to EUR 187.7 million, a reduction of EUR 2.2 million on 2015.

## CONTRIBUTION TO REVENUE AND EBITDA:

Thousands of euros

	REVENUE			EBITDA		
	2016	2015	variation %	2016	2015	variation %
Spain	207,541	205,499	1.0%	19,653	20,780	(5.4%)
Argentina	142,388	175,214	(18.7%)	30,340	33,297	(8.9%)
Uruguay	35,586	44,934	(20.8%)	7,046	11,502	(38.7%)
Mexico	203,893	211,517	(3.6%)	97,460	85,885	13.5%
Bolivia	10,469	7,849	33.4%	322	706	(54.3%)
Bangladesh	36,501	37,506	(2.7%)	11,912	11,984	(0.6%)
Tunisia	54,442	64,062	(15.0%)	11,061	9,862	12.2%
Corporate & others	3	-	-	(9,425)	(9,164)	(2.9%)
<b>Total</b>	<b>690,823</b>	<b>746,581</b>	<b>(7.5%)</b>	<b>168,370</b>	<b>164,853</b>	<b>2.1%</b>

**SUMMARY BALANCE SHEET (EQUITY METHOD\*)**

Thousands of euros

	31/12/2015	31/12/2016
<b>ASSETS</b>		
Intangible assets	33,797	49,327
Property, plant and equipment	655,395	686,983
Non-current financial assets	4,855	2,302
Goodwill on consolidation	27,543	27,425
Others non-current assets	49,556	38,092
<b>NON-CURRENT ASSETS</b>	<b>771,146</b>	<b>804,129</b>
Inventories	90,338	95,967
Trade and other receivables	147,606	145,881
Current financial assets	59,810	84,273
Cash and cash equivalents	128,359	127,051
<b>CURRENT ASSETS</b>	<b>426,113</b>	<b>453,172</b>
<b>TOTAL ASSETS</b>	<b>1,197,259</b>	<b>1,257,301</b>
<b>EQUITY AND LIABILITIES</b>		
Equity profit attributable to the Parent	608,441	629,431
<b>TOTAL EQUITY</b>	<b>608,441</b>	<b>629,431</b>
Non-current bank borrowings	318,121	341,863
Other non-current liabilities	64,209	66,553
<b>NON-CURRENT LIABILITIES</b>	<b>382,330</b>	<b>408,416</b>
Current financial payables	60,809	57,547
Other current liabilities	145,679	161,907
<b>CURRENT LIABILITIES</b>	<b>206,488</b>	<b>219,454</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,197,259</b>	<b>1,257,301</b>

**SUMMARY STATEMENT OF PROFIT OR LOSS (EQUITY METHOD\*)**

Thousands of euros

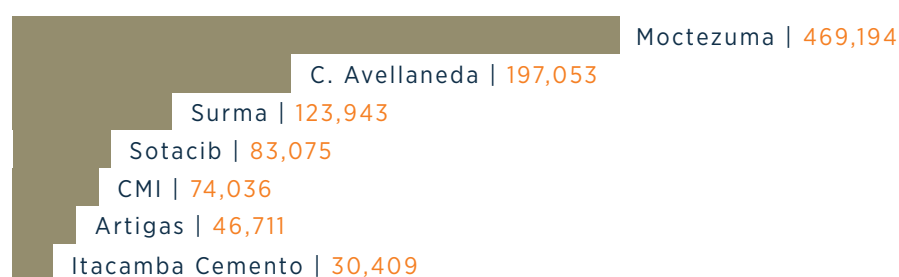
	31/12/2015	31/12/2016
<b>Income</b>	<b>746,581</b>	<b>690,823</b>
<b>EBITDA</b>	<b>164,853</b>	<b>168,370</b>
Depreciation and amortisation charge	(49,230)	(45,039)
Impairment and gains or losses on disposals of assets	(21,597)	(4,680)
<b>EBIT</b>	<b>94,026</b>	<b>118,651</b>
Financial loss	(4,968)	(3,145)
<b>Profit before tax</b>	<b>89,058</b>	<b>115,506</b>
Income tax	(38,225)	(51,637)
<b>NET CONSOLIDATED PROFIT</b>	<b>50,833</b>	<b>63,869</b>

(\*) Figures corresponding to the integration of balance sheets and profit and loss accounts of the different companies included in the scope of consolidation, by their participation percentage of ownership.

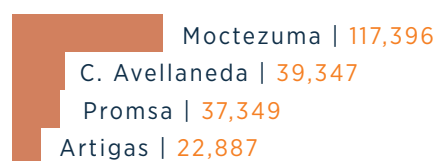
# Total sales by product

Thousands of euros

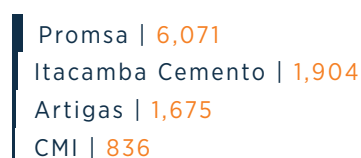
CEMENT 1,024,421



CONCRETE 216,979



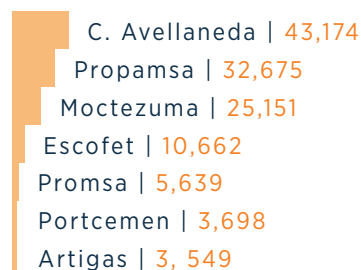
AGGREGATE 10,486



PRECAST CONCRETE 62,975



OTHERS 124,549



# Activity report by countries

## SPAIN



In 2016 Spain's GDP grew by 3.2%, a rate of growth similar to that of 2015. Thus, Spain's economy has grown for three consecutive years.

It continued to grow despite 2016 being characterised by political uncertainty that was not resolved until the last quarter of the year. The main driving force behind the economy was internal consumption, together with the services sector, led by the hospitality sector and tourism. Also, oil was bearish throughout nearly the entire year, thus reducing the bill in this regard in a country highly dependent on oil.

## Growth in a weak market

### SALES INFORMATION, EBITDA AND EMPLOYEES:

208  
SALES (M. €)

20  
EBITDA (M. €)

1,208  
N° OF EMPLOYEES

### CEMENTOS MOLINS INDUSTRIAL

1 cement factory

### PROMSA

20 concrete plants

6 aggregate plants

6 environmental plants

2 mortar plants

### PROPAMSA

5 tile cement and mortar plants

### PRECON

10 precast concrete plants

Another sector which helped to maintain growth was exports. 2016 ended with an increase of 1.6% in the annual rate to November. The strong performance is a result of increased exposure to the foreign market in recent years that the Spanish companies have had to face in order to maintain their revenue levels, which fell because domestic demand contracted due to the crisis.

Also, the European Central Bank (ECB) maintained its policy of low interest rates, which meant Spain was able to place its debt at the lowest rates on record.

In addition, the recovery of the employment market was reaffirmed at the end of 2016, and general inflation exceeded 1.0% for the first time since 2013.

With respect to the cement market, 2016 saw the re-emergence of the downward trend in Spanish consumption, ending the year at 11.1 million tonnes, down 3.1% on 2015, more than 350 thousand tonnes less than the prior year (source: Oficemen). The market continues to be at extremely low levels, a long way off from the 56 million tonnes reported in 2007, and mitigated, only in part, by an increase in exports.

## 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 in Sant Vicenç dels Horts plant.

In Catalonia, the main area of the Group's Spanish operations, consumption of cement grew for the second year running, reaching 6% in 2016. This growth was led by exports of clinker and cement, which helped mitigate the frailty of the domestic market despite the growth generated during the second half of the year, as a result of the supply to emblematic projects in the last six months of the year and the low level of consumption in the latter half of 2015. In this context the Group's sales grew by 10%.

The improvement in the domestic market enabled the company to increase cement volumes without abandoning foreign markets, where all the excess production not absorbed in the domestic market was supplied. The cost-optimisation

policy has enabled the Group to increase the profitability and the competitiveness of the businesses (a factor which has enabled the Group to gain access international markets).

The Group's clinker exports grew by 7% compared to 2015, a year marked by instability in markets with high levels of imports (Brazil, Egypt and Algeria), but this increase took place alongside a very significant decrease in selling prices.

The global calcium aluminate cement (CAC) market remained at the same level as 2015. Consumption of the two biggest sectors that use this cement, the refractory and chemical products for construction sectors, remained at similar levels to 2015.

The Group's sales of CAC grew by 18%, saturating the plant's production capacity and reducing to a minimum the stock of cement and clinker.



Sant Vicenç  
dels Horts factory

## 22 ACTIVITY REPORT

In 2016 production of Portland cement and Portland clinker increased by around 10% as a result of the increased volumes sold of both products. It should be noted that clinker production in 2016 is the best on record since the new production line (line 6) came into operation in 2010, and represents a 4% increase in production compared to 2015.

With respect to earnings, revenue stood at EUR 75 million, a similar amount to that obtained in 2015. Billings in the export market (EUR 39 million) were once again higher than in the domestic market (EUR 36 million), despite the sharp drop in clinker export prices due to strong competition in international markets.

The variable margins of Portland products sold in the domestic market remained at the same level as 2015 due, on the one hand, to the fall in prices because of fierce competition in the internal market, which was offset by variable costs which have fallen to an all-time low as a result of the steep drop in the cost of electricity and fuels, copying the changes in the price of oil with significant price drops, above all in the first three quarters of the year.

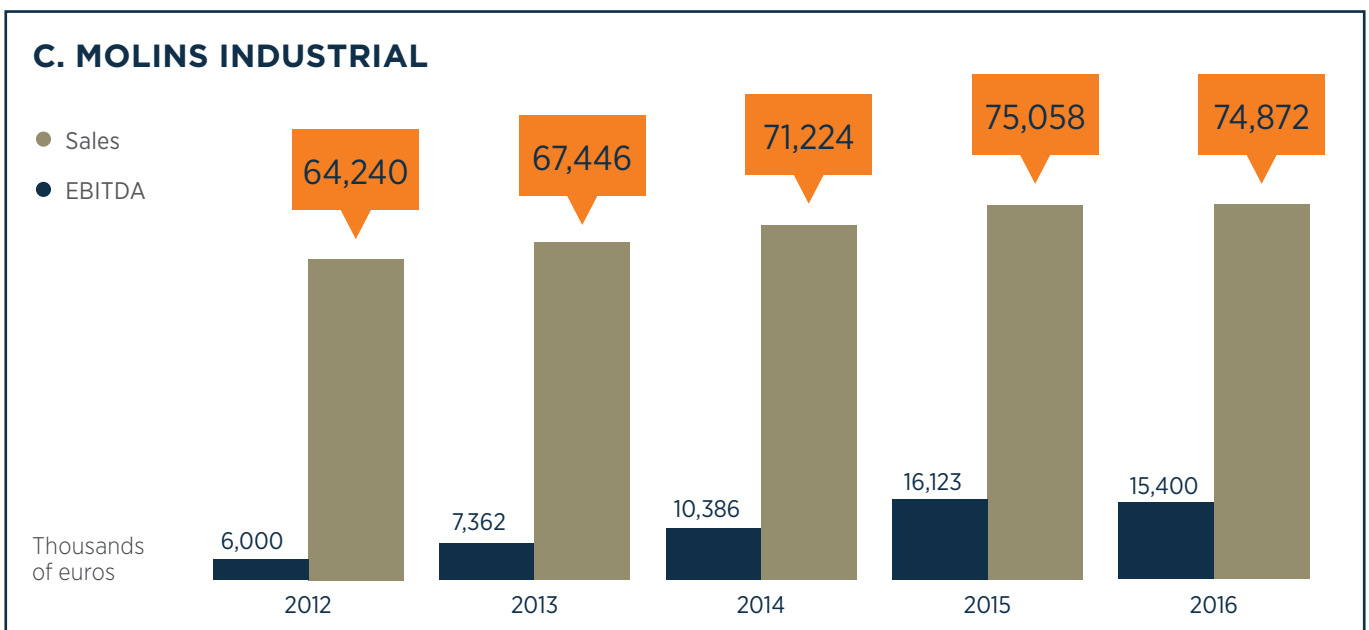
Global energy substitution in 2016 amounted to 34%. We have continued to use RDF (refuse derived fuel), wood and sewage sludge, as in previous years, and end-of-life tyres (ELTs) have been included as a habitual fuel, of which nearly 5,000 tonnes



were used. In order to increase the dosing of this fuel, maintaining the total amount of waste, a request to change the environmental authorisation was submitted which was granted at the beginning of 2017.

As a consequence of the foregoing, EBITDA is down 4.5% on 2015, amounting to EUR 15.4 million.

Investments in 2016 totalled EUR 2 million, of note in this connection are the acquisition of mobile equipment for plant and quarry, investments to optimise electricity consumption and work to improve the unloading of SRFs.



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

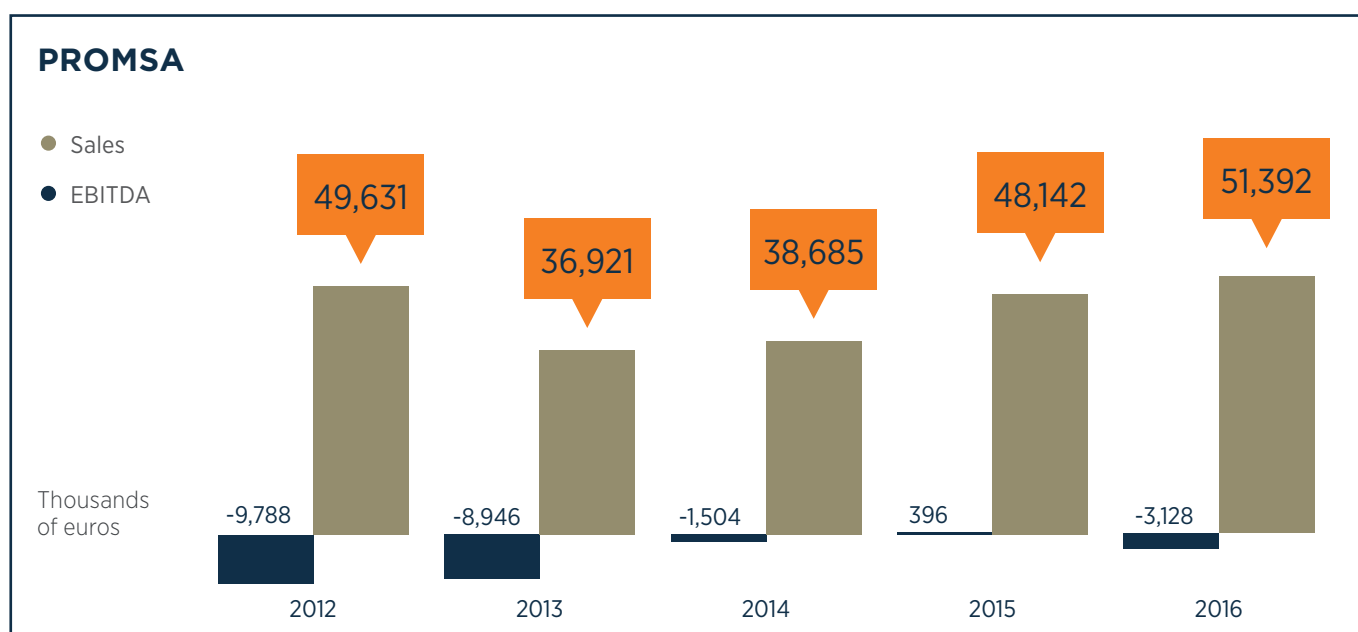
PROMSA manufactures and markets concrete, aggregates and mortar and has two construction services divisions, a pavement application division and a concrete structures for buildings division. It also has a business line engaging in environmental activities, which specialises in the recycling and recovery of waste as well as the manufacture of alternative fuels. The company operates mainly in the Catalan market, where it has 34 active production facilities.

The market remained stable in 2016, without any significant changes; the recovery of residential building construction work was offset by another drop in civil engineering construction work, with severe spending constraints at all levels of government. In this no-recovery environment, the market was subject to fierce competition in terms of prices, with prices falling in the majority of markets and lines of business. The concrete business suffered the biggest impact in this connection.

PROMSA's revenue for 2016 amounted to EUR 51.4 million, up 7% on 2015. This increase was possible thanks to the contribution of new diversified lines of business. In this connection, of note is the start-up of the new end-of-life tyres (ELTs) energy recovery plant, an activity which commenced at the beginning of the year through the investee Granulated Rubber Project, S.L.

Once again, PROMSA was present in the main construction work of importance in the market, participating in the construction of Amazon's Prat de Llobregat logistics centre and in the construction work for the railway connection between Barcelona and Terminals 1 and 2 of the airport (Lanzadera). Both construction projects will continue in 2017.

In general terms, contribution margins fell due to the strong price competition mentioned above. Despite tight controls on costs, the drop in prices had a negative impact on EBITDA.







Aggregates  
plant, PROMSA

In the context of the proceeding initiated against various cement and concrete companies, the Competition Chamber of the Spanish National Markets and Competition Commission handed down a decision on 5 September 2016, declaring certain collusive practices typified in Spanish competition legislation to have been proven and imposing a penalty of EUR 2.4 million on PROMSA. A provision for the aforementioned amount was recognised with the consequent adverse effect on EBITDA. In this connection, we consider that there are solid grounds for challenging the decision and therefore, an appeal for judicial review will be filed at the National Appellate Court.

Investment in 2016 related mainly to the maintenance and improvement of environmental conditions and safety conditions at the company's production facilities. As a relevant event, of note is the increase in the ownership interest in Pronatur Energy 2011, S.L. PROMSA now owns all the shares in this company, which engages in the production of solid recovered fuels (SCFs).

## 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 ten plants located throughout Spain.

PRECON's revenue in 2016 was similar to 2015, amounting to EUR 61.1 million, although the business lines performed differently as a result of the performance of the Spanish economy during the year, particularly in relation to public construction work.

Building construction activity rose by 40%, continuing the growth trend of recent years. Since it is closely linked to private arrangements, the company managed to consolidate and increase its sales as a result of its policy of strengthening ties with and/or attracting singular customers. Mention must be made of the construction of Amazon's new logistics centre in Prat de Llobregat (Barcelona), the new Ronal Ibérica plant in Teruel, the new Campofrío plant in Burgos, the Stradivarius - Inditex headquarters in Cerdanyola del Vallès (Barcelona), the new services building at the Inditex head office in Arteixo (la Coruña), the extension of the Ibertissue plant in Buñuel (Navarre), the multi-storey building for the Terrassa Plaça shopping centre in Terrassa (Barcelona) and the new Bauhaus building in Alfajar (Valencia).

By contrast, sales of civil engineering work are down 46% on 2015, due to the decline in volume of public construction work performed. In relation to emblematic construction work, of note are the bridges for the Coria del Río - Almesilla (Seville) section and subsection II Alcalá de Guadaíra - Dos Hermanas (Seville) of the SE-40 dual carriageway, the Valdelinares viaduct of the Madrid - Extremadura high-speed railway line, Plasencia station (Caceres), the Valdeluna and San Bernardo viaducts of the Ráfales - Castellón provincial border section of the N-232, the access bridge to the PPU-01 L'Ambit del Sector Ca n'Alemany de Viladecans (Barcelona) development, the bridge and roof of the Casco Viejo station section of Line 3 of the Bilbao metropolitan railway and the extension of the bridge over the Ebro River in Zaragoza.

PRECON's railway product business decreased by 36% with respect to 2015 due to the fall in the calls for tender and awards of projects by ADIF of high-speed train network projects, Mediterranean Corridor projects and other railway lines initiated in 2015, following the heavy volume of supplies of sleepers billed in 2014.

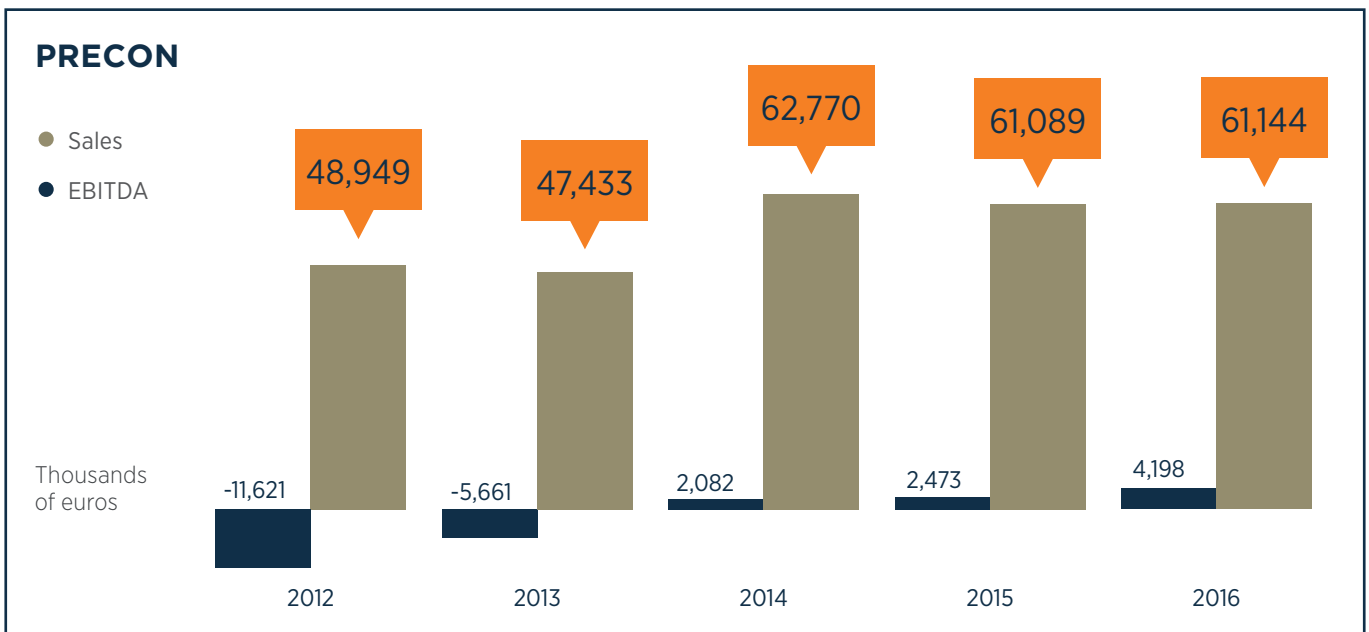
2016 was characterised by the decline in sale prices as part of a backdrop of lower price levels. This effect gave rise to reduced operating margins, offset of which was made possible by an in-

crease in production activity compared to 2015, with improved processes and procurements at plants and in projects, and greater efficiencies in staff costs as the gradual implementation of measures to enhance labour flexibility continued.

In 2016 EBITDA was positive and amounted to EUR 4.2 million, up 70% on 2015. This amount includes the net positive effect of non-recurring items of EUR 0.5 million. Disregard-

ing these non-recurring items, EBITDA would have increased by 49% on 2015.

Investment in property, plant and equipment and intangible assets amounted to EUR 1,623 thousand in 2016. They were earmarked mainly for improving occupational risk prevention, product quality, increasing capacity and improving the production capacity of the plants.



## Propamsa, S.A.U.

Propamsa is the Cementos Molins Group company which engages in specialist chemical products for construction. The company has vast experience in the chemistry of cement and its applications and, together with the inclusion of Betec, our experts have developed a range of products combining the chemistry of cement and polymers that provide the market with new solutions. BETEC's line of specialist products (Beton Technik) has been added to the ceramic tile laying and façade coating products lines of Propamsa's traditional business.

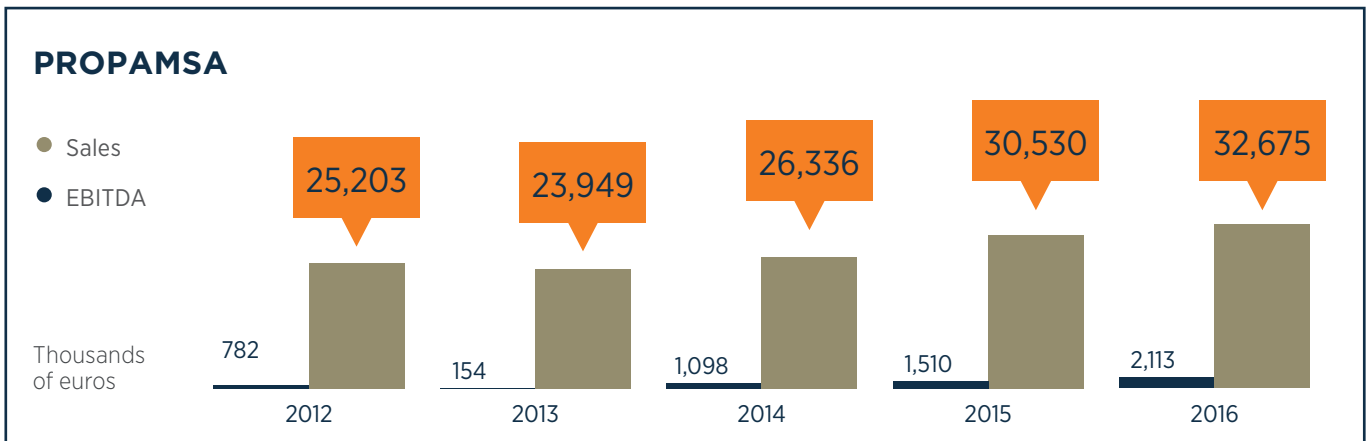
Coverage of the Spanish market, with five plants located in Barcelona, Guadalajara, Seville, Pontevedra and Valencia, enables products to be produced close to the market and the provision of a good service to the company's customers. It also has two logistics channels of its own, in Palma de Mallorca and Vizcaya, which complete its distribution network in the Spanish market.

In 2016 Propamsa's commercial policy, which focuses on searching for value, maintaining its quality positioning and differentiation with new products, continued to be implemented. The company continues with the tradition of providing support to our distribution warehouses through the launch of new products, presence at construction projects and training at points of sales.



The commercial plan has continued to be implemented in France and Portugal, consolidating the company's presence through its own commercial network.

Sales outside the EU experienced significant growth; they consolidated in the closest countries and expanded to very different locations.



Multiple varied marketing activities were carried out, always with the intention of providing customers and users with all information relating to our activity and products. Noteworthy among these activities are the production of a corporate business video, training videos on the use of the products and fostering communication through social networks.

The company took part in Cevisama, the International Trade Fair for Ceramic Tile and Bathroom Furnishings, in Valencia, as well as in other professional trade fairs relating to construction in the local area. The company has also continued to give presentations at various professional associations and technical schools. Of note is the collaboration, as preferred sponsor, with the Barcelona Professional Association of Surveyors, Architects and Construction Engineers.

In relation to the training we carry out annually at our customers' points of sales, it should be noted that in 2016 we were in contact with more than 3,500 users.

The company has continued to work with the CSTB (Centre Scientifique et Technique du Bâtiment). The company currently has certification for four ceramic tile cements and two single-layer mortars, a self-levelling mortar and two primers; the Sant Vicenç dels Horts (Barcelona), Quer (Guadalajara) and Guadassuar (Valencia) plants were audited in this connection.

Investments in 2016 were earmarked mainly for the maintenance and extension of the covered storage area at the Barcelona, Guadalajara and Galicia plants.

The sales growth trend continued in 2016, giving rise to an increase of 7.2% in earnings, which stood at EUR 32.7 million.

The aforementioned sales and the improved mix of products sold led to a substantial improvement in results in 2016 achieving EBITDA of EUR 2.1 million.



Anchoring a new attraction in Port Aventura with Propam 140

# ARGENTINA



## SALES INFORMATION, EBITDA AND EMPLOYEES:

**280**  
SALES (M. €)

**59**  
EBITDA (M. €)

**728**  
N° OF EMPLOYEES

## CEMENTOS AVELLANEDA, S.A.

- 1 Olavarria Factory
- 1 San Lu s Factory
- 8 Concrete plants

## Improvement of the EBITDA margins

In the first months of President Mauricio Macri's government, a series of measures was implemented which had a significant impact at economic level and on the business environment. The measures included the end of the foreign currency controls, the elimination and/or reduction of withholdings on the export of various products, the relaxing of the import regime and the gradual dismantling of the public tariff subsidies. Although the possible recessionary consequences of these measures in the first half of the year were considered, the expected revival of the economy in the second half of the year did not take place.

According to data published by the Argentine National Institute of Statistics and Censuses (INDEC), the preliminary estimate of GDP for the third quarter of 2016 shows the economy shrank by 3.8% compared to the same period in 2015. On the basis of the level of activity in the last quarter, private estimates indicate that the year might end with a drop of 2.5% compared to 2015.

As regards the CPI (consumer price index), the INDEC began to release official figures from May 2016 after the new government declared a statistical emergency towards the end of 2015. Consequently, as there is no annual indicator available to be used as reference, resort is had to the index calculated by the Argentinian Congress, which shows a year-on-year change of 40.3%. The INDEC reported a year-on-year change in the IPIM (internal wholesale price index) of 34.5%.

After several months of relative stability, the exchange rate began to appreciate from November, closing at year-end at ARS 15.9/USD, a change of 21.9% in this currency's exchange rate compared to 31 December 2015.

According to the Synthetic Indicator of Construction Activity (ISAC), the construction industry as a whole accumulated a decrease of 13.1% over the first eleven months of 2016 with respect to the same period in 2015.

## Cementos Avellaneda, S.A.

Cementos Avellaneda, S.A. is an Argentine company that manufactures and sells Portland cement, mortar, lime, adhesive cement and concrete. The company has two cement plants and six concrete plants, all of which are operational, and two mobile plants.

In 2016 the cement market in Argentina shrank by 10.7% compared to 2015, amounting to 10.8 million tonnes.

In this context, and as regards commercial management, efforts were stepped up to satisfy customers' demands. In the logistics field, the Argentine Government approved the use of double

trailer trucks for established routes, thereby enabling the commencement of operations from Olavarría, which will substantially reduce logistical costs. The operation of double trailer trucks in San Luis continued and proved to be a successful experience on the route between San Luis and Córdoba, which served as an example to expand it to national level.

The two kilns at the Olavarría plant performed excellently in 2016, with clinker production amounting to 1.7 million tonnes. Work is under way on improving the productivity of the lime kilns and catering for the increasing demand for this product. The company's tender for the quarrying preparation works at the Olavarría qua-



Olavarría  
factory

## 30 ACTIVITY REPORT

rry (extraction of inert material) was successful, and the development of the quarry will continue with a significant investment, thus maintaining sufficient reserves in quality and quantity terms for the company's current high level of consumption.

The San Luis plant achieved excellent operation of its kiln during 2016, which performed stably and posted record numbers. Also, the plant reached and maintained a steady thermal substitution (by alternative fuels) rate of more than 40%.

As regards concrete, operations in 2016 were affected by the reduced volume of public works, delayed by the commencement

of the new government's management; however, based on announcements, new projects are expected for 2017.

Investments in 2016 focused on growth. The most significant investments were the commencement of the clay activation project in Olavarría, the construction of an open-air coal storage area in Ramallo in the province of Buenos Aires and the completion of the lime factory at the Olavarría plant. Also, the acquisition of a limestone quarry in the province of Mendoza was concluded.

Sales in 2016 amounted to EUR 279.6 million and EBITDA stood at EUR 59.5 million, down 9% on 2015.



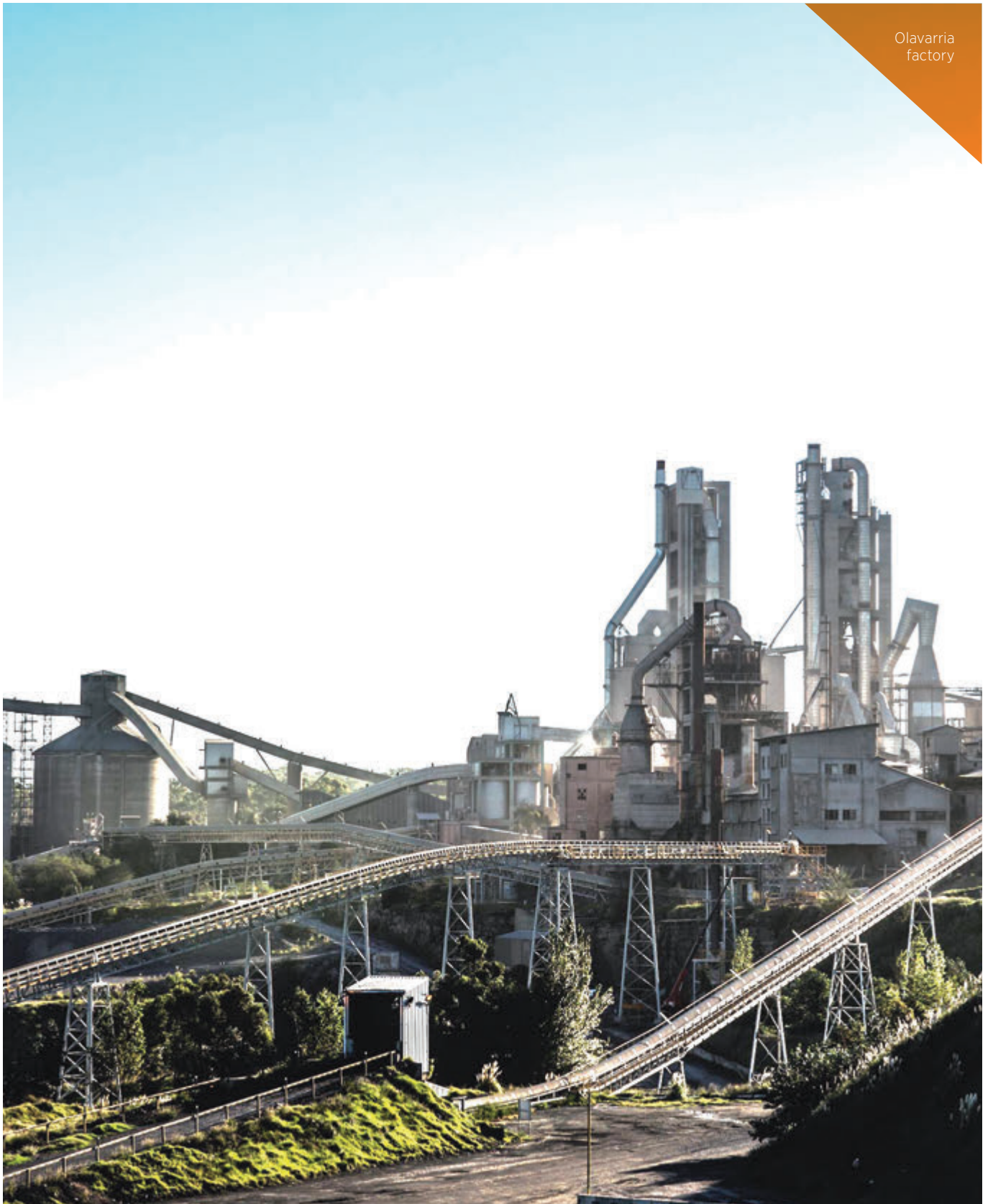
Control room,  
Olavarría factory

## C. AVELLANEDA

Thousands of euros

	2012	2013	2014	2015	2016
Assets	195,107	163,738	184,414	187,256	<b>205,899</b>
Shareholder's equity	130,076	112,371	125,041	124,940	<b>135,947</b>
Sales	259,052	284,620	251,132	344,501	<b>279,575</b>
EBITDA	60,029	51,284	41,215	65,288	<b>59,491</b>
Net profit	33,635	30,690	26,466	46,347	<b>40,929</b>

Olavarría  
factory





# URUGUAY



Based on private estimates, Uruguay's GDP would grow by 0.5% in 2016.

The Uruguayan economy experienced a slight rebound in economic activity towards the end of 2016 after two years of stagnation, as in the latter months of the year various economic activity indicators began to display signs of the beginning of a recovery.

## Contraction of the market

According to data published by the Uruguayan central bank, in the third quarter of 2016 the aggregate value of the construction segment fell by 3.9% in year-on-year terms as a result of reduced activity, especially in the public sector, since building construction recovered slightly.

The consumer price index (CPI) was estimated to have risen by 8.1% in 2016 in year-on-year terms, while the wholesale price index (IPPN) fell by 1.9% in the same period.

At 31 December 2016, the US dollar exchange rate had depreciated by 2% compared to 31 December 2015, to UYP 29.34/USD 1.

**SALES INFORMATION, EBITDA AND EMPLOYEES:**

**75**  
SALES (M. €)

**14**  
EBITDA (M. €)

**223**  
N° OF EMPLOYEES

**CEMENTOS ARTIGAS, S.A.**

- 1 Sayago Factory
- 1 Minas Factory
- 7 concrete plants
- 1 aggregate plant



Clinker Kiln, Minas plant

## Cementos Artigas, S.A.

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

It is estimated that the cement market in Uruguay shrank by around 9% in 2016 compared to 2015. In addition to the cement produced locally, imported bagged and bulk cement was also sold.

Commercial management of Cementos Artigas is working on implementing a commercial strategy to enable it to grow in the tile cement market, which it is now producing itself.

The Minas plant produced 400,000 tonnes of clinker and efforts were stepped up on a programme to reduce costs and improve productivity, which produced tangible results in the year.

Together with the authorities, a regulatory framework was established for the use of tyres as fuel, and an agreement was entered into with the Chamber of Tyre Importers. Also, the company is working on a project to generate electricity

from the kiln/cooler waste gases at the Minas plant, in order to increase competitiveness.

Global thermal substitution by alternative fuels at 2016 year-end was 35.5%, and in certain months record substitution rates of more than 50% were occasionally achieved.

Hormigones Artigas was the supplier for the roads of the routes that are being built in Uruguay and also supplied product for a singular construction project in Maldonado.

The company significantly restructured the operations of the concrete business in 2016 in order to adapt the overhead expenses to the level of activity.

Investments focused on optimisation and enhancement; of note in this connection is the completion of the transformation at the Minas plant of the electrofilter into a bag filter, which will enable emissions to be reduced. Mention should also be made of the start-up of the mortar plant in Sayago, as a result of which tile cements produced in Uruguay began to be sold.

Sales in 2016 amounted to EUR 74.8 million and EBITDA stood at EUR 14.4 million, down 38.7% on 2015.

### C. ARTIGAS

	Thousands of euros				
	2012	2013	2014	2015	2016
Assets	90,437	80,964	77,658	70,052	<b>85,591</b>
Shareholder's equity	73,630	62,534	58,573	52,692	<b>69,959</b>
Sales	97,423	104,299	88,230	94,518	<b>74,822</b>
EBITDA	26,237	31,595	23,881	23,473	<b>14,379</b>
Net profit	18,041	26,999	20,134	18,501	<b>11,908</b>

# MEXICO



2016 was a year of uncertainty that ended with several volatile episodes. Mexico faced a complex external environment, in which continued low oil prices, the normalisation of monetary policy in the US and the frailty of the external market represented the biggest challenges for the Mexican economy, resulting in economic growth that fell short of expectations and moderately higher levels of inflation compared to 2015. Economic activity depended in the main on private consumption, due to weak investments and exports not contributing to growth.

## Start-up of the new Apazapan production line

**SALES INFORMATION, EBITDA AND EMPLOYEES:**

**612**  
SALES (M. €)

**292**  
EBITDA (M. €)

**1,119**  
Nº OF EMPLOYEES

**CORPORACIÓN MOCTEZUMA S.A.B.**

- 1 Tepeztingo Factory
- 1 Cerritos Factory
- 1 Apazapan Factory
- 36 concrete plants

The victory of D. Trump, the Republican Party US presidential candidate, triggered an unstable cycle of speculation that left the Mexican peso in a vulnerable position. At economic level, the US' new administration has expressed its intention to put in practice a series of measures that, if implemented, would affect directly the Mexican economy in 2017.

In this context, estimated GDP growth in 2016 amounted to 2.3%, which, if ultimately proven to be the case, would represent a slowdown compared to 2015. GDP of the construction segment posted estimated growth of 1.5%, down on the figure reported in 2015 (2.5%). Inflation stood at 3.4%. The estimated unemployment rate at the end of November was 3.51%.

The cement industry was estimated to have grown at 1.2%. In 2016 the cement industry was affected by the decline in public investment; however, the momentum of the private sector remained unchanged compared to 2015, helping to offset the impact of reduced public investment.

## Corporación Moctezuma S.A.B. de C.V.



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 group Buzzi Unicem. In October 2016 Pedro Carranza was replaced by Fabrizio Donegá as general manager of Corporación Moctezuma.

In economic terms, 2016 was an improvement on 2015. Revenue in local currency increased by 14%; when translated

to euros revenue decreased by 3.6%, as a result of currency depreciation, to EUR 611.7 million, mainly as a result of the increase in cement and concrete prices. EBITDA also increased by 13.5% to EUR 292.4 million.

Generally speaking, it was a very positive year for Corporación Moctezuma. Facilities were at full production capacity and volume of sales reached almost 7 million tonnes, up 0.8% on 2015.

### C. MOCTEZUMA

	2012	2013	2014	2015	2016
Assets	618,168	570,477	597,534	635,423	<b>589,600</b>
Shareholder's equity	498,041	455,706	473,847	507,257	<b>464,907</b>
Sales	535,466	468,727	529,029	634,614	<b>611,741</b>
EBITDA	193,699	153,834	188,001	257,682	<b>292,411</b>
Net profit	120,934	85,918	114,985	162,030	<b>196,053</b>

Thousands of euros

Compared to 2015, prices performed positively due to demand, which in the main helped the company, and to the results of a series of strategies implemented to focus on coverage, service and distribution.

In October the construction of the second production line in Apazapan was completed and the trial phase was commenced, which enabled the company at the end of the year to increase cement production capacity by 1.3 million tonnes a year. In 2016 operations also commenced at the warehouses in Acayucan, in the state of Veracruz, and in Guadalajara.

In relation to unit costs, of note are the savings (in local currency) of 11% in petcoke resulting from the global fall in oil prices in the first half of the year and a 16% increase in sacks, mainly because of the depreciation of the Mexican peso against the US dollar.

As regards concrete, the volume of sales fell by 10% in 2016 compared to 2015, a situation the company is looking to offset by increasing efficiency and selling prices. Selling prices increased by 11% compared to 2015. There was an 18% increase in the unit price of cement and a 4% increase in that of aggregates.

In February the Naucalpan plant was started up, which has become one of the most profitable plants producing the largest volume. The construction of an aggregates plant in Tepetzingo also commenced in 2016.

The foregoing was reflected in the company's margins, since at 2016 year-end the EBITDA/sales ratio was 47.8%, an increase of 7.2 percentage points compared to 2015.

With respect to investments in 2016, the following is worthy of note in the cement business: the completion of the second production line at the plant in Apazapan in October and the relocation of the clay crusher; at the Tepetzingo plant, an increase in clinker production was initiated and the seals of cement mill 1 were changed; and at the Cerritos plant the distributed control system was updated.

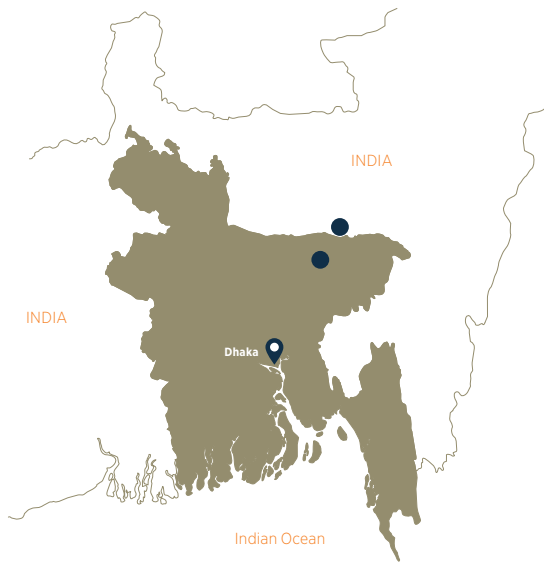
In the concrete business, mention should be made of the purchase of 20 concrete-mixer lorries, the assembly of the Xochimilco and Naucalpan plants, the construction of the TPZ aggregates line, renovation of the Iztapalapa plant and the purchase of various equipment items for the Atizapán and Teoloyucan plants.





View of the Cerritos plant

# BANGLADESH



2016 was a year of significant political stability, only muddied by July's terrorist attack in Dhaka, the country's capital, and which for the time being was a one-off, isolated event that has not had an impact on the peaceful coexistence in the country.

The political stability has enabled the country's economy to continue growing, driven by domestic demand and public sector investment. The remittances of workers located abroad, one of the country's main sources of resources, slowed down due to the general instability in the host nations, but particularly the effect of Brexit and the devaluation of the pound sterling.

## Agreement for the purchase of mills, with a capacity of 2.2 Mt

Inflation slowed in 2016, while exports grew significantly more slowly than imports and, accordingly, the trade deficit widened considerably.

The cement market grew by 19% in 2016, including in part the scant growth in 2015, when political instability held back the projected growth. By segment, growth has shifted from more residential consumption to government consumption and large infrastructure projects, which are expected to continue to be the largest drivers of growth next year, with projected growth of 10% in the sector.

**SALES INFORMATION, EBITDA AND EMPLOYEES:**

**124**  
SALES (M. €)

**40**  
EBITDA (M. €)

**504**  
N° OF EMPLOYEES

**LAFARGE SURMA CEMENT LIMITED**

- 1 Chhatak Factory
- 1 Megalaya (India) Quarry

## Lafarge Surma Cement Limited

Based in Bangladesh, Surma Cement engages in the manufacture and sale of cement. The factory is located in Bangladesh and the limestone quarry in India, connected by a conveyor belt. Cementos Molins and LafargeHolcim 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.

2016 was a good year for the company, which sold all its production capacity, which was only slightly affected by limitations regarding dispatch of goods from the plant to the main consumption centres. Heavy rains in the monsoon season and the lack of availability of barges at certain points of the year were the main factors which contributed to this limitation.

Thus, in a market environment in which cement consumption grew by 19%, the company managed to grow by 3% its sales of both cement and clinker. The plant achieved record-high production of clinker and cement since the commencement of operations in the country.

The price of clinker continued the bearish trend which began in 2015, and fell by another 9% in 2016 to end the year at prices of

around USD 37/tonne of clinker at the port of entry to the destination country. The decline in the price of clinker in a country which is mainly an importer also contributed to a decrease in cement prices. The company's main competitors, who increased their production capacity coinciding with the high market growth in recent years, have continued to very aggressively seek to increase sales volumes with intense commercial and marketing campaigns focusing on discount schemes in all segments of the distribution channel.

Lower clinker and cement selling prices were offset by very successful cost control. Thus, the variable cement production cost was lower than 2015 due to the reduced cost of energy consumption, in part because of the optimal management of the company's power plant, the maintenance cost of which decreased, and also because of the reduced cost of raw materials, bags, etc.

Lower fixed costs and overheads also contributed to offsetting the adverse effect of the lower selling prices.

2016 was marked by the obtainment of the much-awaited licence to exploit and transport 5 million tonnes of raw material from the quarry in India, which enables the company to guarantee the transportation of the limestone required for production and in

### SURMA CEMENT

	2012	2013	2014	2015	2016
Assets	176,041	177,452	211,287	242,152	<b>252,901</b>
Shareholder's equity	76,272	99,690	136,311	163,886	<b>181,027</b>
Sales	100,694	109,136	112,962	127,354	<b>123,943</b>
EBITDA	32,730	44,144	42,695	40,694	<b>40,447</b>
Net profit	5,607	24,524	27,500	26,585	<b>25,721</b>

Thousands of euros



turn creates the opportunity of being able to transport other raw materials such as slate to replace the use of clay currently obtained from deposits near the Bangladesh plant.

In terms of investments, mention must be made of the two most important projects which consisted of replacing the current conveyor belt between the quarry in India and the plant in Bangladesh. The project will be completed in 2017. Also, the project to install a mobile crusher, which is currently in the civil engineering phase, will be completed in 2017. The two projects combined represent around EUR 5 million of investment, of which the majority was made and paid in 2016.

Due to all the matters described above and also to the slight depreciation of the Bangladeshi taka against the euro, economic results show a decrease in sales to EUR 124 million, while EBITDA remained at similar levels to 2015, in this case EUR 40.4 million.

Also, an extraordinary event, but one which should characterise the future of the company's operations in the country, is that in December 2016 an agreement was concluded to acquire all of the shares of Holcim Bangladesh from the LafargeHolcim Group for USD 117 million. The transaction is subject to approval by the regulatory bodies of the local market.

The acquired company will enable production capacity to be increased by 2.2 million tonnes through three production units located in the centre and south west of the country, very close to large consumption markets.

The integration of the two businesses is expected to contribute significant synergies and enable the company to achieve a significant degree of leadership in the sector with products that always fall within the "premium" segment.



View of limestone conveyor belt with Chhatak factory in background

# TUNISIA



Economic activity was sluggish in 2016, with real GDP growth of 1.8%, higher than the growth of 0.8% in 2015.

Recovery of external demand was to a large extent absent, reflecting the performance of the European Union, while domestic demand was increasingly affected by less flexible macroeconomic policies.

## Slight improvement in results

Inflation only reached 4.2% in 2016, after 4.9% in 2015 and 5.5% in 2014, continuing the downward trend.

The tourism sector is beginning to recover thanks to a more secure environment, but it is still below pre-revolution levels; tourism's contribution to overall growth will be rather marginal, and given tourism is an important source of foreign currency, this might also jeopardise the country's foreign currency reserves.

**SALES INFORMATION, EBITDA AND EMPLOYEES:**

**83**  
SALES (M. €)

**16**  
EBITDA (M. €)

**575**  
N° OF EMPLOYEES

**SOTACIB**

1 Feriana Factory

**SOTACIB KAIROUAN**

1 Kairouan Factory



Feriana factory

## Société Tuniso Andalouse de Ciment Blanc “SOTACIB”

The Cementos Molins Group has operated in Tunisia since 2007 through SOTACIB which has a factory located in the city of Feriana, close to the border with Algeria, which engages in the production and sale of white cement. SOTACIB is a company of around 350 employees that sells its products in the region (Tunisia, Algeria and Libya) and also exports to Europe and the rest of Africa.

Selling prices in the domestic market continued to be controlled by the Ministry of Trade in 2016. Two price hikes were



approved in this period, one of 6.1% in December 2015, effective in January 2016, and another of 4.6% in June 2016. Despite the unofficial announcement, the decision to gradually eliminate basic subsidies for electricity and gas consumption was not implemented in 2016, which had a positive impact on costs.

Sales of white cement in the domestic market fell by 4.6% due to the slowdown in construction in Tunisia, as a result of the economic and political situation.

Exports increased by 9% compared to 2015 and, therefore, total sales in 2016 were up 3.2% on 2015.

A significant improvement in costs was achieved. The plant operated more efficiently and continuously. The investment to facilitate the use of petcoke instead of gas as fuel was completed. This reduced costs and increased the company's competitiveness.

In 2016 the company invested a total of EUR 0.5 million, mainly in repairs and maintenance.

Revenue in 2016 was down by 2.6% on 2015 at EUR 35.3 million, while EBITDA increased significantly to reach EUR 4.8 million.

### SOTACIB

	Thousands of euros				
	2012	2013	2014	2015	2016
Assets	101,570	86,021	83,078	86,236	<b>77,916</b>
Shareholder's equity	32,954	23,826	34,280	36,720	<b>31,793</b>
Sales	33,238	39,001	35,958	36,237	<b>35,278</b>
EBITDA	3,181	3,252	2,159	258	<b>4,766</b>
Net loss	-163	-5,942	-4,875	-7,242	<b>-2,901</b>

## SOTACIB KAIROUAN

SOTACIB Kairouan has a grey cement factory in the municipality of Jebel Rouissat (Kairouan, Tunisia) that has been in operation since the beginning of 2012. The plant has 208 employees.

SOTACIB KAIROUAN's total sales decreased in 2016 by approximately 9.7% compared to 2015, impacted primarily by 1.5 months of strikes, an incident that was resolved in January 2017. Despite export sales increasing by around 16%, local sales decreased by around 17.8% compared to 2015.

Average prices fell by 0.4% due to strong competition impacted by high production capacity and low consumption in the market.

The combined effect of these factors prompted an 18% decrease in EBITDA in 2016 compared to 2015, to EUR 11.2 million.

Total investment in 2016 amounted to EUR 1.3 million, mainly in the installation of alternative fuels and the installation of the petcoke mill.



Kairouan factory

## SOTACIB KAIROUAN

Thousands of euros

	2012	2013	2014	2015	2016
Assets	220,938	208,557	198,234	203,807	<b>178,615</b>
Shareholder's equity	84,728	76,542	77,087	83,925	<b>74,834</b>
Sales	36,506	51,199	52,673	57,041	<b>47,797</b>
EBITDA	13,542	17,798	18,940	13,739	<b>11,249</b>
Net profit/loss	380	481	776	-3,636	<b>-4,435</b>

# BOLIVIA



Bolivia's economy reflects the lower energy resource price scenario, which is its main source of GDP and affected 2015 (a fall of 29%) and 2016, albeit it to a lesser extent (a fall of 6%). GDP grew by 4.8% in 2015 and the economy is expected to grow 3.7% in 2016, above its principal neighbouring Latin American countries.

## Start-up of the Itacamba factory

The fall in GDP had a strong impact on the country's budget deficit, which suffered reduced revenues from oil and by-products, together with high and consistent public investment, resulting in a sharp drop in international reserves that has affected the government's current actions and delayed and slowed down certain public works. The IMF forecast an estimated budget deficit for 2016 of around 8%.

**SALES INFORMATION, EBITDA AND EMPLOYEES:**

30

SALES (M. €)

2

EBITDA (M. €)



170

Nº OF EMPLOYEES

**ITACAMBA CEMENTO, S.A.**

- 1 Yacuses factory
- 1 Puerto Quijarro cement grinding



Itacamba Cementos factory

## Itacamba Cemento, S.A.

For Itacamba, 2016 was a year full of successes, ranging from the training of the entire professional team, renewal of the trademark, production and sales records, the implementation of controls and compliance, a change in administrative system (SAP), a change of office and, mainly, the start-up of the new plant in Yacuses.

In November 2016 the new grey cement plant located in Yacuses commenced production. Its aim is to supply cement to the Santa Cruz (Bolivia) market. It has a production capacity of 2,000 tonnes of clinker/day, equal to 879,000 tonnes of cement a year in the first stage. The plant, in addition to the capacity to dispatch cement in bulk, bags or big bags, also has a railway branch line that allows for cement to be loaded on the train and dispatched directly to the new distribution centre in Guarachi, built in the centre of Santa Cruz. Specific cars were designed and manufactured to optimise loading and reduce costs.

Aside from the new plant in Yacuses, the cement mill located in Puerto Quijarro produced 180,000 tonnes in 2016, which we sold in the Santa Cruz market, together with 70,000 tonnes of cement imported in bags.

Revenue in 2016 was up 37.8% on 2015, amounting to EUR 30.4 million, while EBITDA decreased as a result of pre-operating expenses for the start-up of the new Yacuses plant, and amounted to EUR 1.5 million.



### ITACAMBA

Thousands of euros

	2014	2015	2016
Assets	57,524	120,511	<b>218,928</b>
Shareholder's equity	28,455	83,559	<b>85,639</b>
Sales	6,799	22,065	<b>30,409</b>
EBITDA	940	1,947	<b>1,504</b>
Net profit	667	1,616	<b>1,718</b>

# COLOMBIA



Thanks to its market size, the extent of its natural resources and a historical reputation as an exemplary debtor, the country has been experiencing strong growth for many years (average of 3% over the last thirty years). However, Colombia has recently experienced a moderate economic slowdown, due to low oil prices, the economic slowdown faced by its key trade partners and monetary tightening to reduce inflation.

GDP is expected to grow by only 2.2% in 2016, but a pick-up is expected thereafter, due to Government infrastructure projects and private investment growth.

In 2016, the loss of oil-related fiscal revenues, coupled with a weak global economy, weighed heavily on the country's economic situation. Growth continued to slow and the fiscal deficit to widen and inflation reached 6%.



**EMPRESA COLOMBIANA DE CEMENTOS**  
 1 Sonsón Factory (under construction)

Future cement factory location

## Start of construction works for the new cement factory

The government has implemented an ambitious programme of reforms with the aim of strengthening taxes, improving the management of territorial income, increasing competitiveness and controlling the appreciation of the peso.

## Empresa Colombiana de Cementos, S.A.S./ Insumos y Agregados de Colombia S.A.S.

On 30 September 2015, Cementos Molins entered into an agreement with the Colombian Corona Group to construct a cement production plant in the municipality of Sonsón in Antioquia, Colombia. The plant, with a production capacity of 1,350,000 tonnes per year, will foreseeably come into operation in first quarter of 2019, with an investment of USD 370 million. The plant will be equipped with the latest technology, including vertical crude cement milling, vertical coal mill clinkering, vertical cement milling and the dispatch of both bulk and bagged cement.

For this purpose, in October 2015 Empresa Colombiana de Cementos, S.A.S. (Ecocementos, S.A.S.) and Insumos y Agregados de Colombia, S.A.S. (Iacol Agregados, S.A.S)

were incorporated. Cemolins Internacional, S.L.U. subscribed 50% of the shares of both companies upon incorporation and in the capital increase

In 2016, the Colombian companies as a whole increased their share capital by EUR 80 million, half of which was subscribed by Cemolins Internacional.

In 2016 all the required licences were obtained, a plant construction contract was concluded with OHL for USD 239 million and local financing was granted so that the investment could be made.

The earth works required to perform the project commenced in December 2016.



Land on which  
the new factory  
will be built



# Human resources

**As of December 31 of 2016, the number of employees of Grupo Cementos Molins was of 4,541. This is an increase of 2.3%**

In Spain the number of employees at the Group rose to 1,208, an increase of 3.3% on 2015.

In 2016 17,783 hours of training were provided to 1,180 employees. In general terms, technical training relating to the environment, occupational risk prevention and quality was provided. Executives, managers and middle management received executive skills training. Furthermore, language skills continued to be developed, mainly English and French.

The Molins Group in Spain launched three important projects in the Human Resources area: the employee satisfaction survey, in which 89% of the headcount participated; the strategic personnel planning process; and the integrated Human Resources system, once the Performance Assessment module was implemented.

At international level, mention must be made of the growth projects conducted in 2016, projects that have led the Cementos Molins Group to have a very significant international presence and, consequently, an average increase in employees (from 3,270 to 3,333 employees) of 1.9% compared to 2015.

Corporación Moctezuma, for the second year running, obtained Súper Empresas Expansión certification, as one of the 20 best companies to work for in Mexico. Also, the Code of Conduct continues to be disseminated through the Micro Diploma of Citizenship and Enterprise. The process was strengthened with specific training with topics such as: harassment, discrimination and ethics at the company. Also, the collaboration agreements between Corporación Moctezuma and the universities maintained the flow of students. In 2016 142 individuals attended various master's, diploma, university and baccalaureate programmes, which they will complete in 2017. 22 employees completed their studies in 2016: 10 master's degrees, 4 bachelor's degrees, 6 diplomas and 2 baccalaureate programmes.

In 2016 Cementos Artigas and Cementos Avellaneda continued with the standardisation and training of middle management as safety leaders in order to decentralise management. It was established that "safety" would be included as a "value" and in this context training and awareness-raising activities and actions to consolidate managers and middle management in visible positions of safety leadership were performed.

Also, the number of employees at Cementos Itacamba experienced significant growth (83 employees in 2015 to 170 in 2016), which coincided with the start-up of the cement plant at the end of 2016. 2016 was also a year of important accomplishments, from the training of the entire professional team, renewal of the trademark, implementation of controls and compliance and in the social responsibility area, the Social Development Committee was established. The members of the committee are the main leaders of the Yacuces Community, who also participated in the leadership and project management training process. Education, health, sport, production development and infrastructure projects were carried out.

At Lafarge Surma Cement, Bangladesh, mention must be made of the recruitment of Commercial and Marketing Managers. Employee turnover was high (10%), the main cause of which was announcement of the possible merger with Holcim Bangladesh.

Sotacib Kairouan and Sotacib Feriana (Tunisia) conducted 906 hours of technical training, in which 224 employees participated.



## TOTAL NUMBER OF EMPLOYEES PER COMPANY AT 31 DECEMBER


4,541

+2.3%

	2012	2013	2014	2015	2016
Cementos Molins S.A.	61	58	31	31	32
Cementos Molins Industrial	196	178	169	175	169
Grupo Promsa	314	236	220	237	229
Precon	448	567	469	553	605
Propamsa	120	113	114	123	126
Cemolins Servicios Compartidos	-	-	37	41	39
Other companies	13	13	13	9	8
<b>SPANISH COMPANIES</b>	<b>1,152</b>	<b>1,165</b>	<b>1,053</b>	<b>1,169</b>	<b>1,208</b>
Cementos Avellaneda	713	702	720	730	728
Cementos Artigas	259	249	239	231	223
Corporacion Moctezuma	1,187	1,148	1,105	1,121	1,119
Surma	487	519	519	498	504
Grupo Sotacib	538	538	581	588	575
Itacamba Cementos	-	-	68	83	170
Other companies	-	-	30	19	14
<b>FOREIGN COMPANIES</b>	<b>3,184</b>	<b>3,156</b>	<b>3,262</b>	<b>3,270</b>	<b>3,333</b>
<b>TOTAL GROUP</b>	<b>4,336</b>	<b>4,321</b>	<b>4,315</b>	<b>4,439</b>	<b>4,541</b>

The number of employees relates to the full headcount of each company.

# Sustainability and environment

The Cementos Molins Group retains its firm commitment to sustainability and giving greater visibility to the actions and initiatives that the Parent performs in the corporate social responsibility area.

Sustainability is one of the cornerstones of the Group's corporate culture. The more sustainable the Group's operations are, the greater the possibility of growing, reducing costs, improving its social impact and mitigating risks.

The Cementos Molins Group feels jointly responsible for the development of the communities of which it forms part. Therefore, it participates in numerous social projects the main

aim of which is to contribute to satisfying the needs of the communities surrounding its production facilities, to support communities' socio-economic development and to respond to its stakeholders' varying expectations.

The Group companies continued to foster dialogue with their stakeholders in order to ascertain their expectations and give impetus to cooperation projects, which could facilitate the development of a strategy based on the generation of "shared value" with the surrounding area, i.e., that contributes to the sustainable development of the communities in which it operates.



The Cementos Molins Group works continuously to try to reduce the effects that its activities might have on society and the environment.

In 2016 the Group companies continued to implement policies which articulate the Group's commitment to environmental protection. In 2016 the Group companies took steps to minimise the environmental impact of their activities, and the environmental quality audits and certifications were maintained at most of their facilities.

As a result of this commitment, the Cementos Molins Group has prepared a Corporate Responsibility Report in accordance with the GRI guidelines. The first edition of this report, containing 2016 data, is a reality in 2017.

One of the Group's corporate culture pillars is sustainability, as well as the respect for the environment



# Research, development and innovation

The common denominator among the Molins Group companies was their focus on the R&D+i policy as means of equipping themselves with the appropriate tools to set themselves apart and be competitive in the face of the challenges posed by the various markets in the respective countries.

In this context, the companies have continued to focus on improving and optimising the manufacturing processes in cement production, increasing the performance of the various concretes and innovating and extending the catalogue of products in the adhesive and precast cement area, as well as providing customers with advice and assistance in the form of specific projects and products formulated to meet their requirements.

Our objective is to create products that are more sustainable and meet the needs of our clients















Complete financial information  
at the following web address:

[www.cemolins.es](http://www.cemolins.es)