

BUZZI UNICEM



**Quarterly report
as of March 31, 2004**

Buzzi Unicem S.p.A.
Registered Office: Casale Monferrato (AL) – Via Luigi Buzzi 6
Capital Stock € 102,843,627.60
Chamber of Commerce of Alessandria no. 00930290044

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REVIEW OF OPERATIONS

Operating and financial results

In the first quarter of 2004 the market showed a favorable trend in Italy and a net improvement in the United States which in the corresponding period of 2003 had been badly affected by exceptionally rigorous weather conditions. Also in Mexico sales trend was more than satisfactory. The trade markets of the subsidiary Dyckerhoff, which for the first time is fully consolidated into Buzzi Unicem, are traditionally very seasonably affected which means that the first quarter results cannot be relied upon for the full-year trend. The first indications point to a German market with weak volumes but improved prices and Central-Eastern Europe markets (Poland, Czech Republic, Russia, Ukraine) confirming their growth potential.

The improved performance realized by the foreign subsidiaries active in non euro-zone countries is highly constrained by the foreign exchange effect; in fact US dollar and Mexican peso have lost 16% and 18% respectively of their value since the first quarter of 2003.

Group's cement sale volumes amount to over 6 million tons, up 2.9% over first quarter 2003 at constant scope of consolidation (i.e. excluding Cementos Hispania and 50% of Anneliese Zement). Ready-mix concrete consolidated sale volumes total 3.2 million cubic meters, up 2.5% over 2003.

Consolidated net sales stand at €m 544.8 compared with €m 335.6 in 2003 first quarter. At constant scope of consolidation the decrease versus the proforma figure as of March 2003 (€m 559.5) is 2.6%. At constant exchange rate an increase of 2.9% would have been posted.

EBITDA at €m 95.5 is up 8.1% over the first three months of the prior year on a comparable basis. At constant exchange rate a 15% improvement would have occurred.

EBITDA to sales margin increases to 17.5% from 16.0% proforma at constant scope. EBIT comes in at €m 34.9 versus €m 24.1 proforma in the first quarter of 2003, after amortization for €m 60.6, €m 5.5 thereof for Dyckerhoff goodwill. Financial expenses have increased to €m 28.5 versus proforma €m 25.5 in the same period of 2003 which however included non-recurring gains on forex hedging for approx. €m 5.1.

Income before taxes totals €m 16.7 after negative adjustments to financial assets for €m 2.9 and a positive extraordinary item for €m 13.2 referring to the sale of land in Piacenza, where a cement plant was once located. Net income stands at €m 11.4 (€m 4.3 at March 2003).

EBITDA ⁽¹⁾ breakdown by geographical areas is as follows:

	(millions of euro)		
	January – March		
	2004	2003	2003 <i>pro-forma</i> ⁽²⁾
Italy	53.6	55.6	55.6
USA	21.0	12.7	22.4
Mexico	14.3	16.0	16.0
Germany	1.6	-	(6.1)
Spain	-	-	6.2
Luxembourg	2.4	-	0.6
Czech Republic	2.1	-	1.1
Poland	0.1	-	(1.8)
Ukraine	(0.6)	-	0.1
Russia	1.1	-	0.5
Total	95.5	84.2	94.6

⁽¹⁾ difference between value and costs of production (A-B) + amortization & depreciation;

⁽²⁾ of which €m 6.5 from Anneliese Zement and Cementos Hispania.

Following Dyckerhoff consolidation line by line, net indebtedness as of March 31, 2004 amounts to €m 1,239.6 versus €m 1,191.5 proforma at December 2003. Debt/equity ratio is 0.71.

In the first quarter of this year, Buzzi Unicem invested €m 111.2 to increase its stake in Dyckerhoff and €m 5.2 to acquire 100% control of Cementi Riva. Dyckerhoff cashed in the last tranche of the sale of Anneliese Zement, for an amount of €m 90.

Italy – In the first three months of the year the market confirmed the favourable trend; the group's cement volumes increase by 4.4% over the prior year. Cement prices report a slight decline compared with 2003 first quarter and year-end.

Ready-mix concrete dynamics is less favourable. Volumes are down 3.9% versus 2003, due to lower supplies to the Turin-Novara High Speed Railway project.

Overall net sales in Italy decrease from €m 226.8 to €m 222.9 (-1.7%), mainly as a consequence of ready-mix concrete smaller contribution, while EBITDA goes from €m 55.6 to €m 53.6. EBITDA to sales margin stands at 24%, half a percentage point lower than in March 2003.

United States of America – In the first quarter of the year, cement consumption remarkably increased compared with the same period of 2003 when in fact demand had been badly affected by the very harsh winter.

Both subsidiaries (Buzzi Unicem USA and Alamo Cement) benefit from the market momentum. The group US overall volumes increase by 6% over the first quarter 2003's proforma figure. The bounce however is likely to slowdown further into the year. Pricing development is slightly favourable, especially in Texas where, since January some increases have been implemented.

Net sales and EBITDA in local currency come in at US\$ 166.7 million and 26.3 million respectively, up 7.5% and 9.3% at constant scope. Due to dollar weakness, the two figures translated into euro decrease by 7.7% and 6.2% respectively.

Mexico – The first quarter confirmed the market potential which allowed our associated company Corporación Moctezuma to increase cement and ready-mix concrete volumes by 5.9% and 18.2% respectively; prices in pesos are in line with 2003 year-end ones and some percentage points higher than in last year corresponding period. Net sales in local currency have grown by 13.1% and EBITDA by 5.9%. The results translated into euro are highly penalized by the over 18% devaluation of Mexican peso. Thus net sales come in at €m 30.6 (-4.4%) and EBITDA stands at €m 14.3 (-10.5%). The foreign exchange negative effect should be mitigated during the current year.

As planned, at the beginning of May the new Cerritos cement plant came on stream; this should give a significant contribution to group's result starting from 2004 second half.

Western Europe - German and Luxembourg markets are usually very seasonably affected. Consequently first quarter figures alone cannot be a good sign for the full year trend. Some recently published indicators of the German construction market seem to show a slightly brighter outlook for the industry. On the other hand, other macroeconomic factors (such as industrial orders, unemployment rate) indicate an enduring difficult scenario.

In the first three months of the year Dyckerhoff's cement sales in Germany are down some percentage points on a like-for-like consolidation scope. Cement selling prices are slightly higher than the 2003 average. At same scope, revenues decrease by 6.3%. Although of little significance for seasonal factors, EBITDA of German operations which was negative for approx. €m 6 as of March 2003 is positive again (+€m 1.5).

Luxembourg results report a slight improvement over the first quarter 2003 (+ €m1.8 million).

Central-Eastern Europe – Also in Central-Eastern Europe markets (Poland, Czech Republic, Russia, Ukraine) the first quarter of the year is penalized by

seasonal factors which heavily slowdown building activities and consequently cement and ready-mix concrete consumption.

However in the first three months cement sales in the area are up over 15% versus the previous year, thus confirming the good market potential. Ready-mix concrete has shown a similar improvement in the markets of operation (Poland and Czech Republic). Despite a generally negative foreign exchange effect, the average selling price in euro has increased by some percentage points.

In the first three months of the year, the area net sales are up 17.9% to €m 39.4 and EBITDA stands at €m 2.7 (-€m 0.1 in 2003).

Most significant events

On January 1, 2004, the US activities of Buzzi Unicem, owned by the 100% subsidiary RC Cement Holding and all of Dyckerhoff's US activities were merged together resulting in the establishment of RC Lonestar Inc., in which Buzzi Unicem has a 51.5% interest and Dyckerhoff a 48.5% stake. The new company operates under the trademark Buzzi Unicem USA.

At the beginning of February, as a result of the exercise of put options allotted to Holcim and Schwenk in March 2003, Buzzi Unicem acquired a total of 3,500,981 Dyckerhoff ordinary shares (16.9% of ordinary stock) at a price of €m 108.6. Buzzi Unicem now holds 67.0% of ordinary capital stock and 62.2% of preferred capital stock, corresponding to 64.6% of Dyckerhoff's total capital stock.

In March, Buzzi Unicem SpA, already holding a 90% interest in Cementi Riva Srl, acquired the remaining 10% at a price of €m 5.2, becoming the sole shareholder.

During the year 2003, the US dollar devaluation has positively impacted the net financial position thanks to the decrease in euro value of the loans denominated in dollars. Subsequent to March 31, the company deemed it advisable to partly hedge the possible US currency strengthening, by buying dollars forward. In fact US\$ 210 million were purchased, corresponding to the first and third tranche of the USPP deal of total US\$ 450 million placed in 2002. The hedging, which relates only to the principal and not to the coupon payments, was effected at a medium exchange rate euro/dollar of 1.21 versus 0.94 at the time when the loan facility was entered into.

Outlook for operations

In Italy market and cement consumption are confirming the favourable trend; however unless the enduring upward pressure on certain primary costs is offset by revenues improvement, operating results might be lower than in 2003.

US economy resilience is confirmed, with first positive signs also on employment. The improvement of the key macroeconomic indicators could determine a gradual increase in interest rates with a consequent slowdown of residential construction after a few years of continuous booming. However investment in commercial and industrial constructions and public works will keep cement consumption at least at 2003 levels. Less competitive imports due to higher marine freight allow for some recovery in pricing. Consequently, the Group's US companies operating results in dollar are expected to be at least in line with 2003 ones.

In Mexico the strong fundamentals of the construction activities are likely to result in an increase of some percentage points in cement consumption. The coming on stream of the new Cerritos cement plant will gradually allow for increased sales volume with a positive effect on operating performance.

The German economy is still weak; after years of stagnation, a slight recovery is expected in the construction market. Cement consumption should be a little lower than in 2003, while the recent prices increases should foster improved operating results.

Central-Eastern Europe markets show a positive macroeconomic scenario, with good prospects for construction investments. The operating results of these areas in local currency will be in general improvement.

Overall, if exchange rates keep stable and barring further unexpected increases in primary costs, the group expects to attain in 2004 operating results slightly better than the 2003 proforma ones.

Casale Monferrato, May 14, 2004

For the Board of Directors

Franco Buzzi
Deputy Chairman

CONSOLIDATED BALANCE SHEET

(in thousands of euro)

ASSETS

	March 31, 2004	Dec. 31, 2003	Dec. 31, 2002
A) RECEIVABLES FROM STOCKHOLDERS FOR SUBSCRIBED CAPITAL UNPAID	–	–	–
B) FIXED ASSETS			
I Intangible fixed assets	545.304	88.459	117.244
II Property, plant and equipment	2.927.696	780.889	848.507
III Financial fixed assets	233.397	959.399	683.187
TOTAL FIXED ASSETS (B)	3.706.397	1.828.747	1.648.938
C) CURRENT ASSETS			
I Inventories	273.103	119.033	132.013
II Receivables	684.597	393.665	386.143
III Financial assets not held as fixed assets	272.623	140.572	164.687
IV Cash and cash equivalent	422.086	205.460	147.908
TOTAL CURRENT ASSETS (C)	1.652.409	858.730	830.751
D) ACCRUED REVENUES AND PREPAID EXPENSES	17.705	4.204	3.817
TOTAL ASSETS	5.376.511	2.691.681	2.483.506

LIABILITIES

A) STOCKHOLDERS' EQUITY

I Capital stock	102.841	102.821	86.281
II Paid-in capital	173.344	173.017	33.628
III Revaluation reserves	85.520	85.520	85.520
IV Legal reserve	12.897	12.897	10.391
V Reserve for treasury stock	15.305	15.833	15.487
VI Statutory reserves			–
VII Other reserves	324.335	166.624	271.222
VIII Retained earnings (losses)	677.233	640.533	460.243
IX Consolidated net income (loss) for the period	11.461	159.283	128.731
Total Stockholders' equity of the Group	1.402.936	1.356.528	1.091.503
X Minority interests	342.359	79.134	80.700
Total	1.745.295	1.435.662	1.172.203
B) RESERVES FOR RISKS AND CHARGES	1.096.535	223.245	165.388
C) RESERVE FOR EMPLOYEE SEVERANCE INDEMNITIES	39.649	39.913	39.784
D) PAYABLES	2.445.260	976.827	1.087.711
E) ACCRUED EXPENSES AND DEFERRED REVENUES	49.772	16.034	18.420
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	5.376.511	2.691.681	2.483.506

CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

	<u>January - March</u>	
	2004	2003
A) VALUE OF PRODUCTION		
1) Revenues from sales and services	544.812	335.647
2) Changes in inventories of work in progress, semi-finished and finished products	6.616	(6.366)
3) Changes in contract work in progress		-
4) Additions to internally produced fixed assets	277	54
5) Other revenues and income	12.036	2.801
Total	563.741	332.136
B) COSTS OF PRODUCTION		
6) Raw materials, supplies, consumables and goods for resale	229.006	127.292
7) Services	123.864	70.031
8) Use of third party assets	7.470	3.933
9) Labour costs	99.242	41.976
10) Amortization, depreciation and writedowns	62.992	29.411
11) Changes in inventories of raw materials, supplies, consumables and goods for resale	(6.374)	(2.613)
12) Provisions for risks	-	-
13) Other provisions	-	-
14) Other expenses	12.613	5.756
Total	528.813	275.786
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A-B)	34.928	56.350
C) FINANCIAL INCOME AND EXPENSES		
15) Income from equity investments	687	-
16) Other financial income	22.274	8.413
17) Interests and other financial expenses	(51.469)	(13.699)
TOTAL (15 + 16 - 17)	(28.508)	(5.286)
D) ADJUSTMENTS TO FINANCIAL ASSETS		
18) Revaluations	691	14
19) Writedowns	(3.567)	(17.867)
TOTAL ADJUSTMENTS (18 - 19)	(2.876)	(17.853)
E) EXTRAORDINARY INCOME AND EXPENSES		
20) Income	13.322	68
21) Expenses	(144)	(331)
TOTAL EXTRAORDINARY ITEMS (20-21)	13.178	(263)
INCOME BEFORE TAXES	16.722	32.948
22) Income taxes	(8.749)	(23.588)
23) COMBINED NET INCOME	7.973	9.360
24) Minority interests	3.488	(5.086)
CONSOLIDATED NET INCOME (LOSS) FOR THE PERIOD	11.461	4.274

CONSOLIDATED NET FINANCIAL POSITION

(in thousands of euro)

March 31, 2004 *December 31, 2003*

Cash, banks and marketable securities	682,3	333,2
Short-term debt	(330,6)	(62,4)
Net short-term cash	351,7	270,8
Long-term assets	5,3	21,9
Long-term debt	(1.596,5)	(699,0)
Net Financial Position	(1.239,5)	(406,3)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The first quarter 2004 report has been prepared in accordance with article 82 of Consob's Resolution 11971 of May 14, 1999 as amended. It is consistent with the accounting policies and consolidation principles used in the 2003 consolidated financial statements, to which please refer for additional information.

Income statement figures are not comparable with the previous year's corresponding ones and similarly the balance sheet items cannot be compared with those of the financial statements as of December 31, 2003 since major changes have occurred in the scope of consolidation following the first consolidation on a line-by-line basis of Dyckerhoff AG. In fact in the first months of 2004 Buzzi Unicem SpA reached a 67% stake in Dyckerhoff ordinary capital stock. To improve the representation of the group's economic results and financial position, pro-forma consolidated financial statements have been drawn up for the year 2003, in which Dyckerhoff AG is accounted for on a line-by-line basis. The highlights are reported hereinafter.

To be noted that the consolidated financial statements as of March 31, 2003 disclosed for comparative information have been restated also in the pro-forma version, to reflect the writedown of the positive differential referred to the assets sold by Dyckerhoff in the first quarter 2003, equal to €m 59.5. This adjustment has been necessary to align them with the principles used in the 2003 consolidated annual report.

Although net income for the period amounts to €m 11.5, stockholders' equity of the group increases by €m 46.4 compared with December 31, 2003 as a consequence of the positive change in translation differences (€m 33.7) caused by the depreciation of the euro against the US dollar and the Mexican peso.

The *Reserve for deferred exchange gains* amounts to €m 112.1 at the end of the period, €m 11.6 thereof generated by the change in the euro/dollar exchange rate in the first three months of 2004. In this respect the release to income statement of this provision, as provided by the new art. 2426 Civil Code paragraph 8 bis, will be effected as soon as the related fiscal implications are clarified.

The breakdown of net sales by line of business and geographical area for the first three months of the year 2004 is the following:

(thousands of euro)

	<i>Cement & clinker</i>	<i>Ready-mix & aggregates</i>	<i>Related activities</i>	<i>TOTAL</i>
Italy	98,720	123,459	636	222,815
United States	107,921	22,766	2,598	133,285
Mexico	22,157	8,436	-	30,593
Western Europe	81,981	36,719	-	118,700
Central-Eastern Europe	26,509	12,910	-	39,419
	337,288	204,290	3,234	544,812

BUZZI UNICEM + DYCKERHOFF PRO-FORMA FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

		(euro million)	
		<u>January - March</u>	
		<i>2004</i>	<i>2003</i>
Net sales revenue	(note 1)	544,8	590,0
Materials and services		(350,1)	(379,5)
Labor cost		(99,2)	(115,9)
EBITDA	(note 2)	95,5	94,6
<i>% of revenues</i>		<i>17,5%</i>	<i>16,0%</i>
Depreciation and amortization		(60,6)	(70,5)
EBIT		34,9	24,1
<i>% of revenues</i>		<i>6,4%</i>	<i>4,1%</i>
Financial income (expenses)		(28,4)	(25,5)
Adjustments to financial assets		(2,9)	(2,2)
Extraordinary income (expenses)		13,2	170,1
Income before taxes		16,8	166,5
Income taxes		(8,8)	(29,3)
Combined net income		8,0	137,2
Minority interests		3,5	(133,0)
Consolidated net income		11,5	4,2
		<i>March 31, 2004</i>	<i>March 31, 2003</i>
NET FINANCIAL POSITION		(1.239,6)	(1.191,5)

Note 1: of which 30.5 million in 2003 referred to Cementos Hispania and Anneliese Zement.

Note 2: of which 6,5 million in 2003 referred to Cementos Hispania ed Anneliese Zement.

The above financial statements have been prepared in accordance with the Italian GAAP.