Buzzi Unicem

PRESS RELEASE

Trading update at 30 September 2018

- **Cement volumes up 3.1%, ready-mix concrete down 1.8% from last year**
- **Improved level of activity in Italy and Central Europe, thanks to changes in the scope of consolidation**
- **In Eastern Europe, the positive trend in the Czech Republic, Poland and Russia offsets the persisting difficulties of Ukraine**
- **The United States of America worsen versus the end of June, mainly due to the exceptional rainfall during the summer months**
- **Net sales for the nine months period at €2,137.4 million (2017: €2,133.4 million)**

Consolidated figures		**Jan-Sep 18**	**Jan-Sep 17**	**% 18/17**
Cement sales	m ton	20.9	20.3	3.1%
Ready-mix sales	m m3	9.1	9.2	-1.8%
Net sales	€m	2,137.4	2,133.4	0.2%
		Sep 18	**Dec 17**	**change**
Net debt	€m	723.4	862.5	(139.1)

The Board of Directors of Buzzi Unicem SpA met today to briefly examine the economic performance from January to September 2018 as well as the net financial position at the end of the period.

In the first nine months of the current year, sales volumes recorded by the group were still higher than the level reached in the previous year, thanks to changes in the scope of consolidation in Italy and Germany and to progress achieved in the Czech Republic, Poland and Russia, although the market of the United States was strongly affected by unprecedented rainfall, above all in September, and our activity in Ukraine was clearly lower in comparison to 2017.

The economic situation in the main advanced economies remained solid, while international trade slowed down considerably and financial and currency tensions in some emerging countries appeared. The most recent estimates, revised downwards, foresee for the whole of 2018 a world GDP growth no longer accelerating but rather in line with the previous year and a marked decline in the level of international trade compared to 2017.
In the United States economic activity continued to expand, driven by domestic demand and accompanied by a sustained increase in the employment rate, while inflation declined to 2.3%

at the end of September. Growth continued in Europe, although it slowed down; domestic demand still provided the main support, while the sharp deceleration of international trade accompanied a weakening of foreign demand; inflation stopped at around 2.0% in the summer quarter and increased to 2.1% in September, mainly driven by the energy and food components. In Italy the expansion of investments in the second quarter contributed to sustain growth, while during the summer months the trend slowed down, reflecting a stagnation in industrial production.

Starting from the end of August oil prices, which had reached high levels in spring, began to increase again, for fear of a reduction in global supply.

The Federal Reserve raised the rates, responding to the continued strengthening of the labor market and to the strong growth in economic activity, while the ECB Governing Council, in October, reduced net purchases of assets and reaffirmed its intention to conclude them at the end of 2018, however clearly stating the need to preserve for a long time a large degree of monetary accommodation.

Several factors contribute to increasing the risks for the growth prospects: the commercial tensions, triggered by the protectionist measures implemented or announced by the United States and the consequent retaliation, could be amplified if the deterioration of trust on foreign orders was also followed by a revision of the business investment decisions; the tightening of financial conditions in emerging countries, following the normalization of monetary policy in the United States, could lead to larger capital outflows. Eventually the uncertainty about the evolution of economic relationships between the United Kingdom and the European Union remains high, due to modest progress in the negotiations on Brexit.

During the third quarter of 2018, in all the countries in which Buzzi Unicem operates, the construction sector maintained a rather favorable momentum, although slowed down by results significantly below expectations in the United States of America, mainly due to the weather conditions, as well as by the continuation of the unfavorable cycle in Ukraine.

Cement and clinker sales of the group in the period January-September 2018 stood at 20.9 million tons, up 3.1% compared to the previous year (-0.8% on a like-for-like basis). Ready-mix concrete sales achieved a slightly unfavorable change (-1.8%) compared to the same period of 2017, amounting to 9.1 million cubic meters. The price effect in local currency, compared to the same period of 2017, was positive in all the markets where the group operates, both in the cement and in the ready-mix concrete sector.

Consolidated net sales increased from €2,133.4 to €2,137.4 million (+0.2%), gross of an unfavorable currency effect of €77.7 million. Like for like, net sales would have increased by 1.6%. The volume effect and the price effect, both favorable, were respectively equal to €15.2 million and €78.5 million.

Net sales breakdown by geographical area is as follows:

million euro	*Q3-18*	*Q3-17*	*Change abs*
Italy	345.0	316.1	28.9
United States of America	791.0	852.2	-61.2
Germany	465.4	448.1	17.3
Luxembourg and Netherlands	145.1	137.0	8.1
Czech Republic and Slovakia	123.4	108.7	14.7
Poland	85.2	74.9	10.3
Ukraine	63.6	73.3	-9.7
Russia	144.8	145.7	-1.0
Eliminations	-26.0	-22.6	-3.5
	2,137.4	**2,133.4**	**4.0**

Net debt as at 30 September 2018 amounted to €723.4 million, down €139.1 million compared to the end of December 2017. The figure was affected by total capital expenditures of €218.8 million (€158.0 million in 2017), of which €66.6 million referred to equity investments among which, in particular, the acquisition of Seibel & Söhne, a company that operates with a full-cycle cement plant in Erwitte, North Rhine-Westphalia.

Italy

The trend of our cement and clinker sales maintained a significant improvement compared to the first nine months of 2017, thanks to the additional contribution of shipments referring to the former Cementizillo plants and to the growth in volumes exported overseas. On a like-for-like basis, however, the volumes sold would have resulted marginally down. In a market environment in which the demand tends to stabilize, average sales prices maintained a favorable variance of a few percentage points. The ready-mix concrete sector, which was subject to a restructuring and rationalization of the number of batching plants directly managed by the group, therefore achieved a lower level of production compared to the same period of the previous year, although with prices recovering.
Overall net sales increased from €316.1 to €345.0 million (+9.1%). Like for like they would have decreased by 2.2%.

Central Europe

In **Germany**, thanks to the strengthening of the market position following the acquisition of Seibel & Söhne and to the appreciable development of demand for special oil well products, sales in the cement sector were higher than the level achieved at the end of September of the previous year, with average prices improving. The ready-mix concrete sector, however, closed with a lower production compared to 2017, but with prices improving.
Overall net sales stood at €465.4 million, +3.9% compared to €448.1 million in 2017. Like for like they would have increased by 1.3%.

In **Luxembourg** and the **Netherlands**, cement sales volumes during the summer confirmed a similar development to that already reported in the first half, closing the first nine months with a decrease and with prices marginally better. On the contrary, ready-mix concrete sales posted volumes strongly recovering and prices also gradually improving. In line with such market dynamics, net sales amounted to €145.1 million, up 5.9% (€137.0 million in 2017).

Eastern Europe

The **Czech Republic**, thanks to a further acceleration of shipments in the summer quarter, confirmed a robust growth trend in cement sales for the first nine months, with average prices, in local currency, marginally progressing. The ready-mix concrete sector, **Slovakia** included, also showed a positive trend, as both the production and the average price level improved. Net sales, influenced by the strengthening of the Czech koruna, reached €123.4 million (€108.7 million in 2017, +13.5%). At constant exchange rates, they would have increased by 10.3%.

In **Poland**, the more lively development of third-quarter deliveries permitted a good recovery of cement sales in the first nine months compared to the previous year and ready-mix concrete output showed even more robust progress. Sales prices in local currency were confirmed higher than 2017 for both cement and ready-mix concrete. Net sales, slightly sustained by the exchange rate effect, increased from €74.9 to €85.2 million (+13.7%). At constant exchange rates they would have improved by 13.3%.

In **Ukraine**, despite some signs of awakening during the summer months, cement volumes sold still recorded, at the end of September, a double-digit percentage reduction, with an increase in prices in local currency reflecting the high inflation rate in the country. Ready-mix concrete output showed a clear increase and also benefited from average prices in local currency strongly improving. Net sales stood at €63.6 million, down €9.7 million compared to €73.3 million in 2017 (-13.2%). The translation of turnover into euro was penalized by the depreciation of the local currency; at constant exchange rates net sales would have decreased by 5.2%.

In **Russia** we witnessed some acceleration of shipments during the summer quarter that allowed us to close the first nine months with sales which are more clearly recovering than in the previous year, despite a still rather weak result of the oil well cement category. Average unit prices in local currency confirmed a favorable change. Net sales amounted to €144.8 million, down €1.0 million compared to €145.7 million in the same period of 2017. The translation into euro was negatively affected by the weakness of the ruble (-€18.7 million); in local currency, net sales would have increased by 12.2%.

United States of America

Our cement deliveries showed a regular trend until August, but performance in September was, to say the least, very disappointing. During the month we were hampered by bad weather in almost all of our regions. The Northeast and Texas especially recorded worst rain precipitation ever. In Dallas and San Antonio, in particular, rainfalls shattered all the historical records and even in the Midwest regions we witnessed a long stream of rainy days. Therefore, the summer quarter was well below expectations and sales ended the first nine-month with an unfavorable change compared to the same period of the previous year. Average prices in local currency maintained a good momentum, consistent with that achieved in the first half of the year. Ready-mix concrete output registered, in September, the worst month ever (on a like-for-like basis), therefore it closed the period with a negative sign; nevertheless prices, in local currency, confirmed the favorable variance. Overall net sales amounted to €791.0 million, down €61.2 million compared to €852.2 million achieved in the same period of 2017 (-7.2%). Net sales were negatively affected by the depreciation of the dollar; at constant exchange rates turnover would have decreased by 0.5%.

Mexico (valued by the equity method)
After a first half of the year characterized by the uncertainties associated with the results of the general elections that contributed negatively to the pace of shipments, during the summer quarter, in a more serene social and economic environment, the trend of cement sales achieved by our joint venture showed greater consistency with the levels recorded in 2017, thus allowing to close September year-to-date with a less marked decrease than that achieved in the first six months and with prices, in local currency, improving. Ready-mix concrete output continued to be weak, but with prices in local currency strongly increasing. Net sales in local currency declined by 1.9%. The weakening of the Mexican peso (-8.2%) had a negative impact on the translation of the results into euro; with reference to 100% of the associate, net sales decreased from €529.3 million to €479.6 million (-9.4%).

Outlook
The operating conditions of the first nine months, thanks to the balance deriving from the geographic diversification of the group, allowed to maintain, at a consolidated level, net sales in line with the same period of the previous year. The same cannot be asserted with regard to the likely economic performance of the whole year, since cost inflation showed a pronounced reawakening in recent months which contributes to penalizing the results of the markets most dependent on traditional energy sources. The updated version of the forecasts formulated a few months ago indicates a worsening of the outlook concentrated in the United States and Italy, and that the unfavorable difference so far accumulated in terms of operating results can very hardly be recovered.
In conclusion, due to all the reasons stated in this press release and based on the above mentioned considerations, we believe that the recurring Ebitda for the whole of 2018 will remain some percentage points below the level of the previous period. Nevertheless the financial year should close with an improvement in reported operating results versus 2017.

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Alternative performance measures
Buzzi Unicem uses in its financial disclosure some alternative performance measures that, although widespread, are not defined or specified by the accounting.
Pursuant to Consob Communication n. 92543/2015 and the guidelines ESMA/2015/1415 set out below is the definition of the measure which has been used in this disclosure.

Net debt: it’s a measure of the capital structure determined by the difference between financial liabilities and assets, both short and long term; under such items are included all interest-bearing liabilities or assets and those connected to them, such as derivatives and accruals.

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The manager responsible for preparing the company’s financial reports, Silvio Picca, declares, pursuant to paragraph 2 of Article 154 bis of the Consolidated Law on Finance, that the accounting information contained in this press release corresponds to the document results, books and accounting records.

Casale Monferrato, 7 November 2018

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