

PRESS RELEASE

Trading update at 30 September 2022

- **After three quarters cement and ready-mix volumes are down 6.2% and 2.8% respectively**
- **Good activity level in Central Europe, stable demand in the United States of America, market contraction in Italy and Eastern Europe, particularly in Ukraine, due to the ongoing conflict**
- **Sharp increase in selling prices in all the markets where the group operates, driven by lasting and galloping inflation, not sustainable in the short term**
- **Consolidated net sales for the first nine months equal to €3,004 million (2021: €2,542 million)**

Consolidated figures		Jan-Sep 2022	Jan-Sep 2021	22/21
Cement sales	t/000	21,915	23,361	-6.2%
Ready-mix sales	m ³ /000	8,801	9,049	-2.8%
Net sales	€/m	3,004.0	2,541.7	+18.2%

		Sep 2022	Dec 2021	Change
Net financial position	€/m	328	236	92

The Board of Directors of Buzzi Unicem SpA has met today to briefly examine the economic performance during the first nine months of 2022 as well as the net financial position at the end of the third quarter.

During the summer quarter, the sales volumes achieved by the group showed a negative development, in line with a general slowdown in demand in the main areas where the company operates. The trend was particularly weak in Italy and Eastern Europe, Ukraine in particular, while in the United States the slowdown was more moderate and also attributable to operational reasons. In Central Europe, on the other hand, sales volumes improved. These dynamics led to a decrease in the sales volumes at a consolidated level in the first nine months of 2022, both in the cement (-6.2%) and in the ready-mix concrete sector (-2.8%). The strengthening of selling prices, however, was definitely confirmed also in the third quarter, in all regions where we operate.

The weakening of the economic situation, which has already been highlighted in the first half of the year, continued during the summer months, both in mature and emerging economies. A number of factors weighed on the evolution of the international economic cycle: exceptionally high inflation, general worsening of financial conditions, uncertainty linked to the conflict in

Ukraine, weakening of activity in China, as well as continuing tensions on global supply chains. The slowdown in global demand during the third quarter apparently caused on the one hand a contraction in international trade, on the other hand a marginal easing in supply chains and a relaxation of the conditions on the ocean freight market. Despite these dynamics, the International Monetary Fund has recently confirmed the forecasts on global GDP growth (+3.2%), already formulated in July. Instead, for 2023 forecasts assume a marked slowdown in the economic cycle and a following downward revision of GDP growth estimates.

In the United States, during the second quarter, GDP growth was still negative, reflecting the contraction in investments and public spending, in a context characterized by labor market conditions which nevertheless remained favorable. The weakness of economic activity also continued during the summer months, with a particularly evident contraction in services. Inflation decreased slightly, reaching 8.2% in September, but expectations remain nonetheless high. For the current year, based on recent estimates, GDP growth has been revised downwards (+1.6%).

In the Eurozone, after having grown in the first part of the year, supported by the recovery of investments and household consumption, economic activity stagnated during the third quarter, clearly affected by the further increases in energy commodities and by the higher uncertainty related to the continuation of war in Ukraine. In July industrial production suffered a clear setback, followed in August by a partial recovery. Inflation recorded a new high in September, reaching 9.9%, mainly due to the exceptional growth in the prices of energy goods. According to recent ECB projections, the GDP of the area will grow by 3.1% in 2022, slightly increasing compared to previous estimates, while in 2023 growth will be only 0.9%, due to tensions on energy supplies, the still high price dynamics and the deterioration of confidence.

In Italy, in the wake of what happened in the euro area, economic activity benefited from an expansionary mood during the second quarter, thanks to the improvement of the epidemiological framework and the increase in investments. In the third quarter, GDP is estimated to have decreased marginally compared to previous months. In September, inflation reached 9.4%, mainly fueled by the energy component. Based on the most recent estimates, characterized in any case by clear downside risks, GDP is expected to grow by 3.3% in 2022 and slow down (+0.3%) in 2023.

As for the emerging economies, in China the lockdowns that affected some of the main production centers in the spring, as well as the crisis in the real estate sector, weakened economic activity.

In Russia, due to the war and international sanctions, GDP contracted even if this decline was less evident than initially expected, thanks to the resilience of energy exports.

In Mexico, despite high inflation, tight monetary policy, fears of a US recession and continued bottlenecks in supply chains are all bearish risk factors, the outlook for economic activity remains positive thanks to favorable developments of industrial production, exports, remittances and employment.

In Brazil, growth expectations for the current year are overall positive, although some downside risks remain, essentially linked to high inflation, tightening of monetary policy and commodity prices.

The Federal Reserve, in July and September, further raised interest rates, confirming the need to maintain a firmly restrictive stance until inflation returns in line with the target. The ECB also raised rates with the aim of countering inflationary pressures and ensuring a return within values consistent with the objective of price stability. In emerging economies, on the other hand, orientations were more heterogeneous: in China and Russia the monetary authorities eased rates to support demand, while in Brazil and Mexico the trend continued to be restrictive.

During the summer quarter, oil prices, affected by the worsening prospects in the major economies and the slowdown of demand in China, returned to pre-Ukraine war levels, albeit remaining high. The price of natural gas, on the other hand, after hitting a peak in August, decreased in October, in a very volatile context. Natural gas futures indicate that the price will remain high throughout the next year, due to the risks associated with supply uncertainties.

Cement and clinker sales of the group, in the first nine months of 2022, reached 21.9 million tons, down 6.2% compared to the previous year. Ready-mix concrete sales closed with a more moderate slowdown at 8.8 million cubic meters (-2.8%). The price effect in local currency showed a very favorable trend in all the markets where the group operates.

Consolidated net sales stood at €3,004 million, up 18.2% compared to €2,542 million in 2021. Foreign exchange rate variances positively contributed for €160.9 million. Like for like net sales would have been up 11.9%.

Net sales breakdown by geographical area is as follows.

million euro	Q3-22	Q3-21	Δ %	Δ % lfl
Italy	541.5	453.1	+19.5	+19.5
United States of America	1,191.0	961.5	+23.9	+10.2
Germany	607.7	529.5	+14.8	+14.8
Luxembourg and Netherlands	169.4	147.5	+14.9	+15.3
Czech Republic and Slovakia	152.0	132.2	+14.9	+10.5
Poland	110.5	93.2	+18.5	+23.8
Ukraine	47.5	92.3	-48.5	-48.4
Russia	215.5	158.1	+36.3	+18.4
Eliminations	(31.2)	(25.8)		
	3,004.0	2,541.7	+18.2	+11.9
Mexico (100%)	552.7	500.6	+10.4	-1.1
Brazil (100%)	298.0	186.7	+59.6	+18.7

The net financial position at the end of the period, which includes long-term financial assets, is positive by €327.8 million, versus €235.5 million positive at 2021 year-end. Net debt improved from €16.8 million at the end of 2021 to a positive position of €58.7 million at 30 September 2022. During the period under review the company incurred capital expenditures of €168.8 million (€151.7 million in 2021), paid €123 million for the purchase of treasury shares and €72.3 million for dividends.

Italy

Hydraulic binders and clinker sales, after the clear contraction which has been already recorded during the first half, continued to be weak also during the summer quarter, closing the nine months sharply down. The continuous increases in the prices of raw materials, both energy and non-energy, contributed to fuel uncertainties about the development of private investments, with evident repercussions on the construction industry. These dynamics were reflected in the volumes of the ready-mix concrete sector, also sharply declining. Selling prices, both for the cement and the concrete sectors, increased again during the third quarter, but were unable to fully compensate for the inflation in production costs, in particular the power component.

Overall, net sales increased by 19.5%, from €453.1 to €541.5 million.

United States of America

During the summer quarter, cement demand remained robust, despite the restrictive monetary policy decisions implemented by the Fed certainly weakened activity in the residential sector. In this context, however, our cement sales, after the progress recorded in the first half, marginally contracted during the third quarter, mainly due to some production problems at the Festus (Missouri) plant and, in September, to the logistical problems caused by the low water level of the Mississippi River. In the first nine months of 2022, therefore, the cement volumes sold recorded a level in line with that of the previous year. These trends also affected the production of ready-mix concrete, which closed with an unfavorable sign also in the third quarter, still penalized by the shortage of drivers. In general, difficulties remain with regard to the human resources management, such as high turnover, shortage of staff and wage increases, already highlighted in the first half interim report. Unit selling prices grew nicely both in the cement and in the ready-mix concrete business.

Overall net sales came in at €1,191.0 million, up 23.9% compared to €961.5 million achieved in the same period of 2021. The strengthening of the dollar (+11.1%) influenced the translation of results into euro: at constant exchange rates net sales would have been up 10.2%.

Central Europe

In **Germany**, sales volumes confirmed an expansionary trend also during the summer quarter, supported by the favorable weather conditions and the stability of activity in construction. The

ready-mix concrete sector, despite a slowing third quarter, closed the nine months progressing. The improvement of selling prices was widespread and substantial.

Net sales improved by 14.8%, reaching €607.7 million (€529.5 million in 2021).

In **Luxembourg** and the **Netherlands**, our cement deliveries, including exports, slowed marginally down during the third quarter, penalized by a general weakening in demand, closing the first nine months of the year at the same levels as in 2021. The ready-mix concrete sector continued to progress well, both in the summer quarter and in the nine months as a whole. Both firms achieved a sound improvement in selling prices, thanks to the attempt to transfer downstream the cost increases due to high inflation.

Net sales amounted to €169.4 million, up 14.9% compared to 2021 (€147.5 million).

Eastern Europe

In the **Czech Republic**, the slowdown in activity in the construction sector, already partially detected during the second quarter, continued during the summer months, which were also penalized by the difficult comparison with the same period last year. In the nine months as a whole, therefore, sales volumes closed at a lower level than in 2021, but with average prices in local currency significantly increasing. The ready-mix concrete division, including **Slovakia**, in line with the trend of the cement sector, closed the period under review with decreasing volumes, penalized by a weakening of demand during the third quarter. Average prices in local currency, on the other hand, recorded significant growth.

Net sales, supported by the appreciation of the Czech koruna (+4.3%), stood at €152.0 million, up 14.9% compared to the level reached in 2021 (€132.2 million). At constant exchange rates the favorable variance of turnover would have been 10.5%.

In **Poland**, the third quarter, in line with the figures of the previous quarter, recorded a decline in sales volumes due to both the weakness of demand and the comparison with the same period of 2021, when the trend in volumes was particularly robust. Overall, in the nine months, our cement sales closed below the 2021 level, while average prices in local currency showed a clearly favorable evolution. In the ready-mix concrete sector, however, the trend in volumes was positive, with prices also improving.

Net sales, despite the depreciation of the Polish zloty (-4.5%), increased from €93.2 to €110.5 million (+18.5%). At constant exchange rates they would have been up 23.8%.

In **Ukraine**, during the third quarter, production activity continued only in the Volyn plant, in the north-west of the country, while it is still suspended at the Nikolayev production site, in the south of the country, due to the shortfall in demand and to operational risks related to the proximity to

the military action. Over the nine months as a whole, sales volumes virtually halved compared to the same period of 2021, with selling prices, however, sharply increasing.

Net sales came in at €47.5 million, down 48.5% (€92.3 million in 2021). The marginal depreciation of the local currency (-0.2%) had no impact on the translation of results into euro: at constant exchange rates they would have equally been down 48.4%.

In **Russia**, the decision taken in May, motivated by compliance with the international sanctions, to withdraw from any operational involvement in the activities carried out by the subsidiary SLK Cement, substantially canceled the flow of information about the management dynamics in the country. During the third quarter, based on the limited information available to us, sales volumes marginally contracted, while selling prices maintained a favorable trend.

In this context, net sales stood at €215.5 million, up 36.3% versus €158.1 million achieved in the same period 2021. The clear appreciation of the ruble (+13.1%) influenced the translation of results into euro: in local currency net sales would have increased by 18.4%.

Mexico (valued by the equity method)

The expansive trend of economic activity, which is under way since the beginning of the current year, also continued during the third quarter, thanks to the positive dynamics of the services sector, supported by the recovery in tourism, as well as by the soundness of manufacturing, exports and the consistency of foreign remittances. However, a certain weakness in investments, both public and private, continues. Growth prospects for 2022 remain positive but moderate, due to the risks associated with a slowdown in the US economy and the impacts of restrictive monetary policies. In this context, cement sales of our joint venture continued to be weak during the third quarter, despite a partial recovery in August and September. The first nine months, therefore, closed with sales volumes still lower than in 2021, but recovering compared to what was recorded in the first half of the current year. Selling prices, on the other hand, sharply increased. As regards the ready-mix concrete sector, the contraction in volumes was more evident.

With reference to 100% of the joint venture, net sales amounted to €552.7 million, improving by 10.4% compared to €500.6 million achieved in 2021. The appreciation of the Mexican peso (+10.5%), positively impacted the translation into euro. At constant exchange rates net sales would have been down 1.1%.

Brazil (valued by the equity method)

Economic growth, which slowed down during the first half of the year, showed partial signs of recovery during the summer months thanks to the growth in domestic demand which offset the lower contributions from public spending and exports. The country's growth prospects for the current year remain positive, albeit uncertain, influenced by the bearish risks associated with

global recession scenarios, as well as by high inflation and the resulting restrictions in monetary policy. In this context, the sales volumes of the joint venture, benefiting from the additional contribution of the former CRH plants acquired in April 2021, showed good development, with a markedly higher selling price. On a like-for-like basis, however, sales volumes would have contracted slightly.

Net sales in euros, referring to 100% of the joint venture, increased by 59.6% from €186.7 million in 2021 to €298.0 million in the period under review. The appreciation of the Brazilian real (+14.3%) had a positive impact on the translation into euro. Like for like net sales would have been up 18.7%.

Outlook

In the third quarter, the continuous increases in raw materials, energy and non-energy commodities, as well as the increase in financing and construction costs, amplified the uncertainties relating to the development of private investments, with an already visible impact on the activities of the construction industry.

Always during the summer quarter, the further pressure on production costs, mainly relating to the variable items, again made it necessary to make upward adjustments in sales prices. The group was therefore able to improve its turnover thanks to a favorable price effect that more than offset the penalizing trend of the volume component.

We believe that the dynamics highlighted may also continue during the last quarter, mainly in markets that have shown a more significant increase in production costs and a more visible slowdown in demand, such as Italy and Eastern Europe. In Central Europe, we expect that in the last months of the year it will be more difficult, from an economic standpoint, to confirm the trend acquired up to the third quarter. In the United States, we expect that the continuous increase in interest rates will start to penalize the demand in residential construction, without however overturning the development of our sales referring to the whole financial year.

In conclusion, based on the above considerations, we consider it reasonable to confirm the indications provided to the market in August, i.e. that the group foresees to achieve in 2022 a recurring Ebitda in line with that of the previous year. Such estimate considers the favorable translation effect from the strength of the main foreign currencies (dollar and ruble). Therefore, due to cost-push inflation, Ebitda to sales margin will diminish, despite the effectiveness of our efforts aimed at improving prices. Due to some delays in supplies, we think that investments for the current year will be lower than budgeted, but still higher than the level of 2021 and focused on the priorities identified within the roadmap "Our Journey to Net Zero".

Revision of the corporate structure

The Board of Directors took the resolutions aimed at implementing the corporate structure revision project launched by the Board on 3 August 2022.

It should be remembered that, as already communicated on 3 August, the project envisages separating the operational cement business in Italy from the guidelines and strategic coordination activities carried out by the parent company in relation to the entities which are active in the various countries in which Buzzi Unicem operates. The project, within the consolidation scope, aims to make the corporate structure of Buzzi Unicem consistent with the evolution of the organizational structure and the international nature of the group.

The transaction will be implemented through the contribution in kind of the business unit relating to the cement operations in Italy in favor of the company Buzzi Unicem Srl, whose share capital is held entirely and directly by Buzzi Unicem SpA. Following this contribution, the listed parent company will continue to deal with the definition and development of guidelines and strategic coordination for all subsidiaries.

To implement the transaction, Buzzi Unicem Srl will approve a paid capital increase, with a premium, for a total amount of €389,125,462 reserved for subscription to Buzzi Unicem SpA, as the sole shareholder, to be subscribed and fully released by the latter, through the contribution in kind of the business unit pertaining to the operating assets and liabilities of the Italian cement segment.

At present the resolution of capital increase by Buzzi Unicem Srl and the deed of contribution are supposed to be stipulated in December, with 1 January 2023 as effective date of the spin-off.

Finally, it should be remembered that pursuant to Consob Regulation no. 17221/2010 (RPT Regulation) the transferee company is a related party of Buzzi Unicem as it is wholly owned by the same. The transaction will not, however, be subject to the information and authorization procedures relating to transactions with related parties by virtue of the exemption pursuant to art. 14, paragraph 2, of the RPT Regulation and to art. 6, section III of the Procedure for related-party transactions of the company, since it is a transaction with a wholly owned subsidiary. Consequently, Buzzi Unicem will not publish any information document pursuant to art 5 of the RPT Regulation.

Equally, pursuant to art. 71 of the Issuers' Regulation no publication of information documents is expected, due to the fact that the transaction is carried out with a wholly owned subsidiary and that, in any case, Buzzi Unicem has exercised the right to derogate from the obligation to publish information documents pursuant to the aforementioned art. 71.

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 principles. Set out below is the definition of the measures which have been used in this disclosure.

Net financial position: it is 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.

Net debt: it is a measure of the capital structure corresponding to the difference between financial liabilities, both short and long term, and short term financial assets. Therefore, it includes all liabilities, a part of the interest-bearing assets and related items, such as derivative financial instruments and accruals. The measure complies with Consob Communication no. 92543/2015 and the guidelines ESMA32-382-1138.

The manager responsible for preparing the company's financial reports, Elisa Bressan, 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, 8 November 2022

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