ANNUAL **REPORT** 2018

Buzzi Unicem

Buzzi Unicem is an international multiregional, “heavy-side“ group, focused on cement, ready-mix concrete and aggregates.

The company’s dedicated management has a long-term view of the business and commitment towards a sustainable development, supported by high quality assets.

Buzzi Unicem pursues value creation through lasting, experienced know-how and operating efficiency of its industrial operations.

Vision

Contents

Dear Shareholders,

As in years past, it is standard practice for the Chairman of the Board of Directors to encourage you to read the following pages, summarizing the company's performance, through a note about the sector.

In my opinion, the overall picture of the global economy certainly cannot be defined as calm and stable, rather it is best described as "variably calm". Looking at the macro-regions of interest to us within the global cement sector, I draw your attention to the United States of America in particular, where the economy is still strong with a growth rate of approximately 3.0% expected in the first quarter of 2019, compared to the same period in 2018. However, the temperament of President Trump has resulted in some uncertainties and very rapid paradigm changes that have also partially affected our industry. And let us not forget the adverse weather events that severely curtailed sales activities in our key markets during the second half of 2018. However, the outlook continues to be positive, at least still for 2019.

Still overseas, the Mexican economy continued to grow throughout 2018, similar to the previous year. The entire country is going through a period of reflection due to the change in the Presidency of the Republic. With some questionable decisions, the newly elected President Andrés Manuel López Obrador (AMLO) has signaled a new socio-political direction for the country, which is negatively influencing investment decisions. The construction sector, and subsequently the cement market, fell by a few percentage points. This period of pause is expected to continue in 2019, although we are confident that the economy will recover at the end of the year, to be confirmed in 2020.

In Europe, the socio-economic picture for the year under review was rather uncertain.
The next elections for the European Parliament and the recent protest movements in France, along with volatile and erratic behavior from the new "yellow-green" Italian government, in particular, prevented a general resumption of construction and economic activities in Italy.

Yet in the face of all this, by leveraging on its positions overseas coupled with the stability of the German economy, the growth in Poland and several other Eastern countries, your company still managed to uphold its economic performance thanks to the significant efforts and contributions from the entire workforce.

As you are aware, we have been searching for new opportunities for some time.
In this regard, over the last two years we focused our attention and conducted a long search in Latin America, with our search successfully concluding at the end of the year in Brazil.
On November 27th, we closed an important agreement with Grupo Ricardo Brennand, which owns and operates two very recent cement plants. One facility is located in the State of Minas Gerais about 100 km from Belo Horizonte. It was built in 2011 and has an annual production capacity of 2.4 million tons. The other plant was built in 2015 in the State of Paraíba, not far from Recife, and has an annual production capacity of 1.7 million tons. Both the industrial equipment and the staff can most certainly be considered as first class.
Under the terms of the agreement, Buzzi Unicem acquired 50% ownership of the Brennand group, with an option to gain total control of the company after some years. The company currently has a domestic market share of approximately 5.0% in Brazil, but with a much greater influence in those states in which it operates, not to mention the considerable prospects for the future.

This acquisition opens up new horizons for Buzzi Unicem, in this huge country, where we intend to play an active part in the economic recovery. The cement sector in Brazil has had its ups and downs during the last decade but there are signs that give us hope for a turnaround being soon on its way. We are confident that Brazil will represent another strong contribution to your company's earnings. We trust that the recently elected President Bolsonaro will listen to the demands of the Brazilian people and initiate a new phase of reforms aimed at sustainable and lasting growth.

Our motto will always be "per aspera ad astra" (through hardships to the stars).
Thank you for your confidence now and in the future.

Enrico Buzzi
Chairman

Photo: Green wings Business Center in Warsaw, Poland. Supplier Dyckerhoff Polska. Ph. Projekt JEMS – Zdjęcia Juliusz Sokołowski

Group profile

Boards of Directors

Enrico Buzzi
Executive Chairman

Born in 1938. Director since 1999.
He has held various senior management positions in Buzzi Cementi, mainly related to plant management, strategic procurement, ready-mix concrete business, and the development of new industrial projects in Italy and Mexico. From October 2001 to March 2014 he was a member of Dyckerhoff AG Board of Management. He is currently Vice Chairman of the associate Corporación Moctezuma SAB de CV.

Veronica Buzzi
Non-executive Vice-Chairman

Born in 1971. Board member since 2011.
Degree in Economics and Business from the University of Turin. Auditor for Arthur Andersen & Co. from 1996 to 1997. In the Financial Institutions and Corporate Finance practice at McKinsey & Co. from 1998 to 2001. In the Investor Relations and Financial Planning department at Buzzi Unicem from 2001 to 2002. Member of the supervisory board of Dyckerhoff GmbH and the Executive Council of AIdAF (Italian Association of Family Businesses) since 2013. Independent director at Banca Patrimoni Sella & C. since 2016.

Pietro Buzzi
Chief Executive Finance

Born in 1961. Director since 2000.
After some external experiences, he joined Buzzi Cementi in 1989 first as a Controller and then with growing operating responsibilities mainly within the finance, administration and information system functions.
In 1999, he became Chief Financial Officer and in 2006 he was appointed Chief Executive Finance. He has been a member of Dyckerhoff GmbH's Supervisory Board since May 2007, currently holding the position of Vice-Chairman. Director of Banco Popolare Scrl from 2011 to 2014. Director of Teoresi SpA from 2017.

Michele Buzzi
Chief Executive Operations

Born in 1963. Director since 2005.
After joining Buzzi Cementi in 1990, he has held various management positions, at first in the ready-mix concrete division and then in marketing and sales for the cement division. In 2002 he became Chief Operating Officer of Cemento Italia.
For several years he has been Vice President of the Italian Cement Association (AITEC). From 2004 to March 2014 he was a member of Dyckerhoff AG Board of Management. He was appointed Chief Executive Operations in 2006.

Paolo Burlando
Non-executive Director
Member of the Control and Risk Committee

Born in 1962. Director since 2008.
Since 1997 he has worked as a chartered accountant, specializing in extraordinary corporate finance. He is a member of the boards and supervisory bodies for different companies; among the others he is a statutory auditor for Mutui Online SpA, a company listed on the Italian Stock Exchange, and SACE BT SpA, an insurance company of the SACE CdP group. From 1987 to 1997, he worked as a private equity analyst and executive manager.

Luca Dal Fabbro*
Independent non-executive Director

Born in 1966. Board member since 2018
Degree in Chemical Engineering, Master's in International Politics in Brussels, Advance Management at MIT Sloan School in Boston.
Presently the General Manager of INSO SpA (temporary restructuring assignment). Member of the Board of Directors of Terna SpA since 2014, currently President of the Nominations Committee, member of the Related Party Transactions Committee, and President of the Sustainability Governance Risk Management Committee since 2018. Vice President of the Circular Economy Network and a founding member of the OCCE (Organization for Climate and Circular Economy). On the Board of Directors of Tamini Transformers since 2016, and a member of the Advisory Board of the Friends of Aspen. Long-standing international experience in the industrial and energy sector, including CEO of GRT Group SA, a leading Swiss multinational company in the circular economy and green tech industry. Listed Electro Power Systems SA on the Paris Euronext while serving as President. Formerly President of Domotecnica, CEO of E.ON Italia SpA and E.ON Energia SpA, CEO of Enel Energia SpA, member of the Board of Directors of Enel Gas SpA and AMGA SpA, Head of Marketing of ENEL SpA and Business Development Director of Enron Capital & Trade in London. Prior to that, various business development roles in Argentina, China and Vietnam, including head of the Far East desk of the Istituto Affari Internazionali (International Affairs Institute).

*He resigned with effect from March 28, 2019.

Elsa Fornero
Independent non-executive Director

Born in 1948. Board member from 2008 to 2011 and since 2014.
Chair of Economics at the University of Turin (retired since November 2018). Scientific coordinator at the CeRP-Collegio Carlo Alberto and Vice President of SHARE-ERIC. Honorary Senior Fellow of Collegio Carlo Alberto, Research Fellow of Netspar, and Policy Fellow of the IZA in Bonn; member of the research committee of the International Network on Financial Education of the OECD, and of the Scientific Committee of the Observatoire de l'Epargne Européenne in Paris. Director of Centrale del Latte di Torino (now d'Italia) since 2014. Vice Chairman of the Supervisory Board of Intesa Sanpaolo (2010 –2011) and of the Compagnia di San Paolo (2008-2010). Minister of Labor in Monti's cabinet from 2011 to 2013.

Aldo Fumagalli Romario
Independent non-executive Director
Member of the Control and Risk Committee

Born in 1958. Board member since 2011.
President and CEO of the multinational SOL Group, operating in the production and distribution of industrial and medicinal gases sector and home health care assistance. Member of the General Council of the Aspen Institute. Formerly Vice President of Confindustria (1990-1996), Vice President of Assolombarda (2013-2015), Vice President of Credito Valtellinese (2012-2014), President of IOMA (2011), Vice President of Federchimica (1999-2007), President of Assogastecnici (2007-2010), and the Confindustria Young Entrepreneurs (1990-1994).

Linda Orsola Gilli
Independent non-executive Director

Born in 1953. Board member since 2014.
Degree in Business Management from Bocconi University, Milan. President and CEO of INAZ. Cavaliere del Lavoro (Order of Merit for Labor, highest Italian honor for an industry manager) since 2007; member of the Commissione per le Attività di Formazione della Federazione Nazionale (National Federation Educational Activities Commission) since 2009, and President since 2014. Member of the Board of Directors of the Federazione Nazionale dei Cavalieri del Lavoro - Gruppo Lombardo (National Federation of the Order of Merit for Labor – Lombardy Group) (2010-16), and Vice President (2014-16). President of ISVI and Member of the Board of Directors of UCID - Milan. Member of the Comitato Promotore del Premio Giorgio Ambrosoli (Giorgio Ambrosoli Award Sponsorship Committee), and member of the Board of Directors of Avvenire SpA since 2016. On the Board of Directors (2006-2009) and member of the Bicocca University Evaluation Committee (2009-2013). Director of ISPI (2013-2015) and Member of the Board of Assinform (2009-2013). Member of the Centesimus Annus Pro Pontifice Foundation, former member of the Foundation's Advisory Board.

Alessandro Buzzi
Honorary Chairman (not member)

Born in 1933. Chairman until 2014.
He has built up years of outstanding experience in the industry, developing special knowledge of cement technology and its applications. For many years, he has been President of the Italian Cement Association (AITEC), Deputy Vice Chairman of UNI (Italian Standards Organization) and President of Cembureau (European Cement Association) from 2005 to 2006. From 2001 to 2013 he was a member of Dyckerhoff AG's Supervisory in the position of Vice Chairman. He is a member of the Governing Council of Assonime (Association of Italian jointstock companies).

Antonella Musy
Independent non-executive Director

Born in 1968. Director since 2017.
Founding partner of the law firm Musy Bianco e Associati, with offices in Turin and Milan. She practises as a lawyer and has been a registered member of the Bar Association of Turin since 1998, in the specific area of business assistance. She is a lawyer specialising in labour law and a member of the Association of Italian Labour Lawyers (AGI), which is among the most represented associations at national level. She is the mother of three children and is Chair of the Board of Governors of the Umberto I National Boarding School in Turin for the 2016/2019 period.

Gianfelice Rocca
Independent non-executive Director

Born in 1948. Board member since 2003.
President of the Techint Group, of the Istituto Clinico Humanitas (Humanitas Research Hospital) of Milan. Member of the Board of Directors of Allianz SpA, Brembo SpA, Bocconi University, Luiss, and the National Museum of Science and Technology Leonardo da Vinci. Member of the Advisory Board of the Polytechnic University of Milan, the Allianz Group, the Executive Committee of the Aspen Institute, the European Advisory Board of the Harvard Business School, and the Trilateral Commission. Member of the Cancer Center International Executive Board of the Beth Israel Deaconess Medical Center.

Maurizio Sella
Independent non-executive board member
Chairman of the Control and Risk Committee

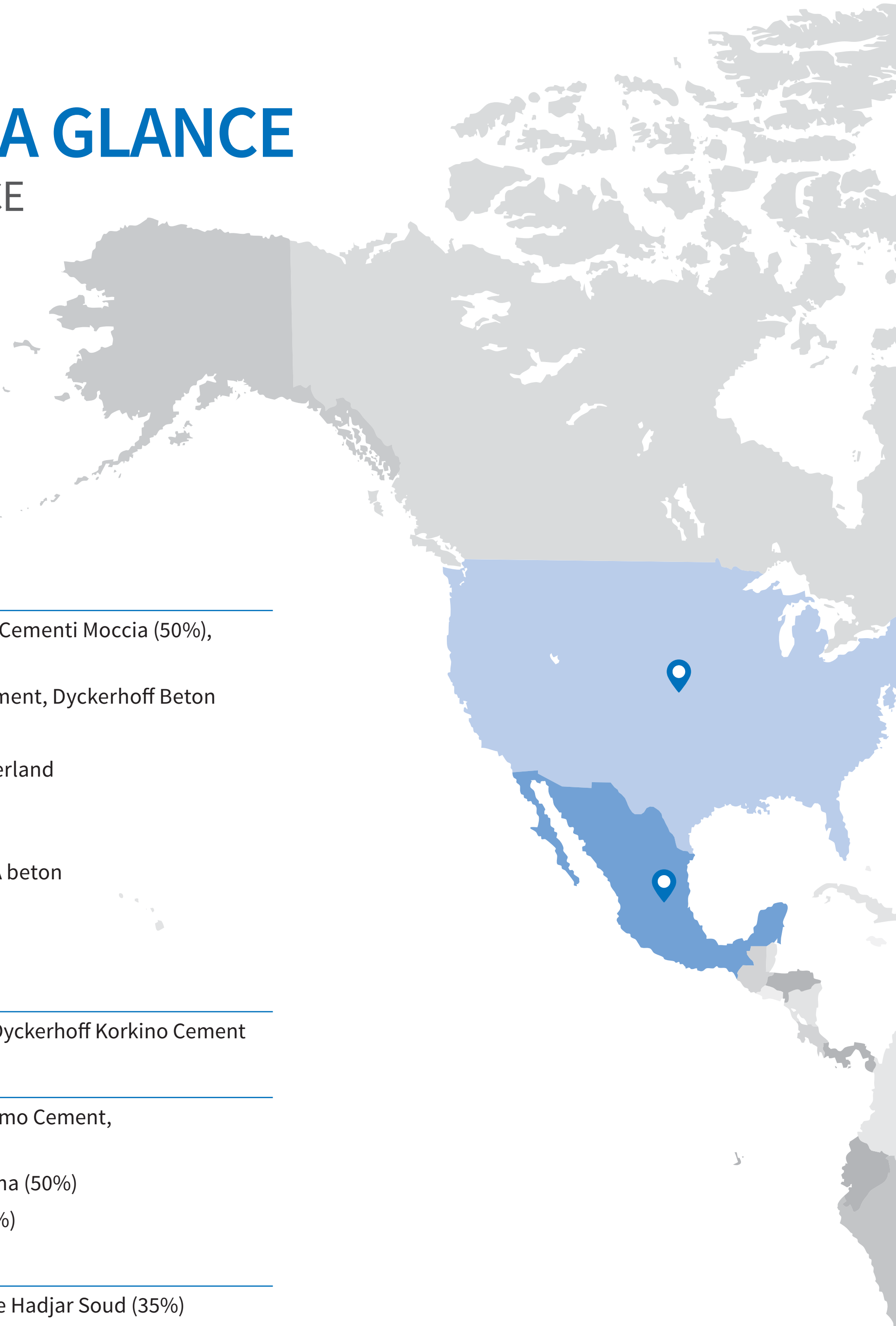
Born in 1942. Board member since 1999.
President of Banca Sella Holding (Banca Sella Group), President of Banca Sella SpA and Banca Patrimoni Sella & C. Formerly President of ABI (1998-2006), currently on the Board of Directors. Appointed director of Assonime in 2003, Vice President in 2011, President from 2013 to 2017, and currently the Honorary President. President of SIA, Società Interbancaria per l'Automazione, (Interbank Society for Automation) 1988-1999), and the Banking Federation of the European Union (1998-2004), currently a member of the Board of Directors.

Board of Statutory Auditors

Fabrizio Riccardo Di Giusto	Chairman
Paola Lucia Giordano	Statutory Auditor
Giorgio Zoppi	Statutory Auditor
Giulia De Martino	Alternate Auditor
Domenico Fava	Alternate Auditor
Margherita Gardi	Alternate Auditor

THE GROUP AT A GLANCE

INTERNATIONAL PRESENCE



Europe

Italy	Buzzi Unicem, Unical, Cementi Moccia (50%), Laterlite (33%)
Germany	Dyckerhoff, Deuna Zement, Dyckerhoff Beton
Luxembourg	Cimalux
Netherlands	Dyckerhoff Basal Nederland
Poland	Dyckerhoff Polska
Czech Republic and Slovakia	Cement Hranice, ZAPA beton
Ukraine	Dyckerhoff Ukraina
Slovenia	Salonit Anhovo (25%)

Asia

Russia	Sukholozhskcement, Dyckerhoff Korkino Cement

America

USA	Buzzi Unicem USA, Alamo Cement, Kosmos Cement (25%)
Mexico	Corporación Moctezuma (50%)
Brazil	Cimento Nacional (50%)

Africa

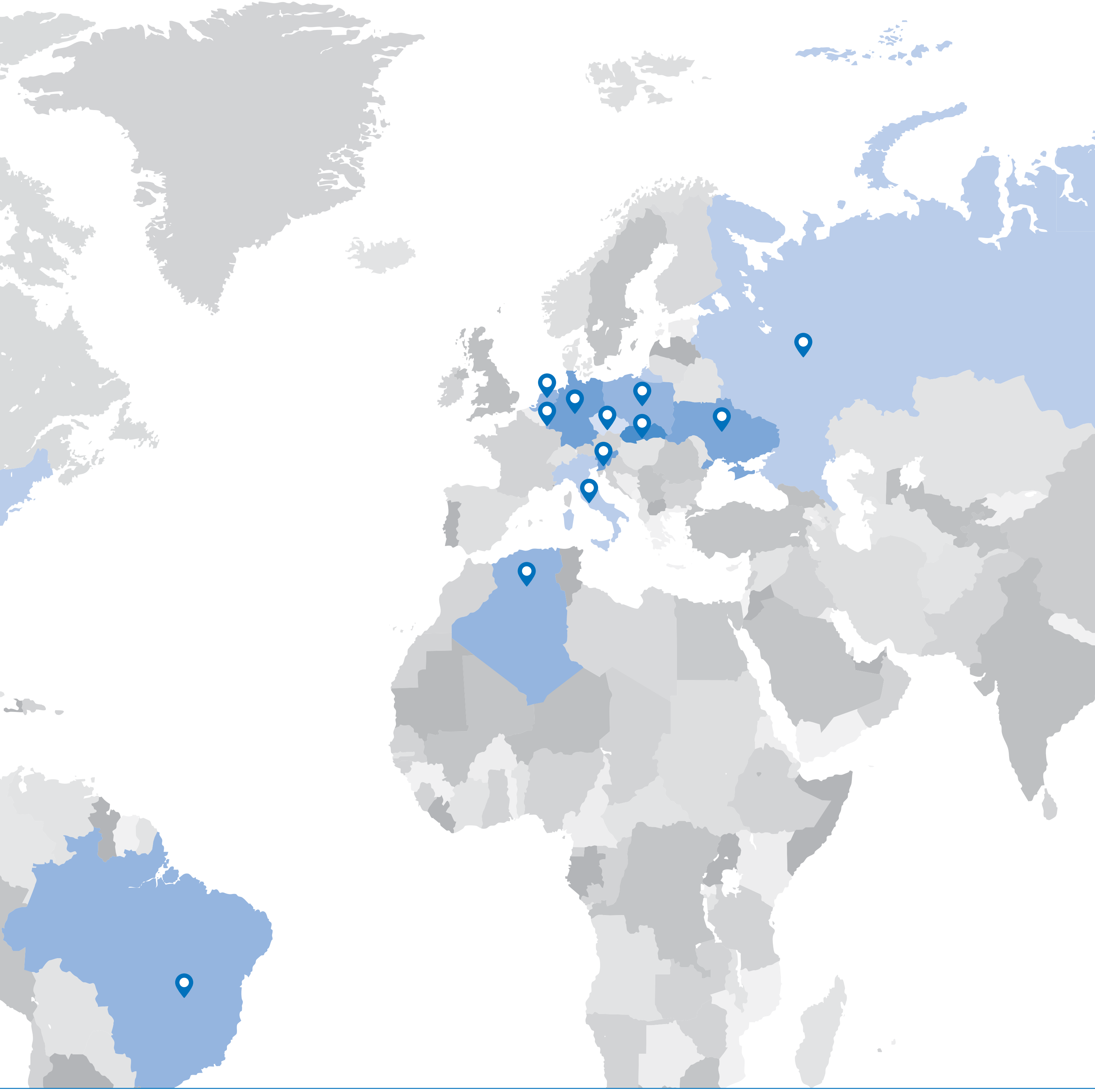
Algeria	Société des Ciments de Hadjar Soud (35%)
	Société des Ciments de Sour El Ghozlane (35%)

“

The Buzzi Unicem Group is committed to promoting sustainability in all countries in which it operates

35
Cement plants

6
Grinding plants



40 m tons/year
Cement production capacity

421
Ready-mix batch plants

20
Aggregate quarries

44
Terminals

Operating structure

		ITA	GER	LUX	NLD	POL	CZE SVK	UKR	RUS	USA	TOTAL	MEX[1]
Cement plants	n.	11	8	2	-	1	1	2	2	8	**35**	3
of which grinding	n.	3	2	1	-	-	-	-	-	-	**6**	-
Cement production capacity	m tons/ year	10.8	7.2	1.4	-	1.6	1.1	3.0	4.3	10.2	**39.6**	8.3
Ready-mix batch plants	n.	133	107	3	14	21	70	5	-	68	**421**	30
Aggregate quarries	n.	6	3	-	1	-	7	-	-	3	**20**	4
Deposits and terminals	n.	2	2	-	-	1	-	2	1	36	**44**	-

ITA/Italy, GER/Germany, LUX/Luxembourg, NLD/Netherlands, POL/Poland, CZE/Czech Republic, SVK/Slovakia, UKR/Ukraine, RUS/Russia, USA/United States of America, MEX/Mexico.
[1] Figures at 100%.

Key Figures

		2012	2013	2014	2015	2016	2017	2018
Cement production	t/000	27,263	23,852	24,280	24,857	24,901	26,173	**27,143**
Concrete sales	m^3/000	13,641	11,887	12,048	11,936	11,938	12,294	**12,093**
Aggregate sales	t/000	8,642	7,869	7,558	8,120	6,839	6,935	**6,753**
Net sales	€ m	2,813	2,510	2,506	2,662	2,669	2,806	**2,873**
Capital expenditures	€ m	234	222	318	304	236	218	**444**
Headcount at year end	n.	10,837	9,938	10,117	9,738	9,975	10,025	**9,880**

The year 2012 include Mexico at 50%. The years from 2013 do not include Mexico..

Photo: Toyota North America headquarters in Dallas, USA. Supplier Buzzi Unicem USA

Sales revenue

(millions of euro)

The year 2012 include Mexico at 50%.
The years from 2013 do not include Mexico.

Capital expenditures

(millions of euro)

The year 2012 include Mexico at 50%.
The years from 2013 do not include Mexico.

Environmental Performance

		2016	2017	2018
CO_2 Emissions	kg / t cementitious	705	696	**690**
Specific thermal consumption	MJ / t clinker	4,224	4,121	**4,080**
Thermal substitution	%	27.0	26.0	**27.1**

Social Performance

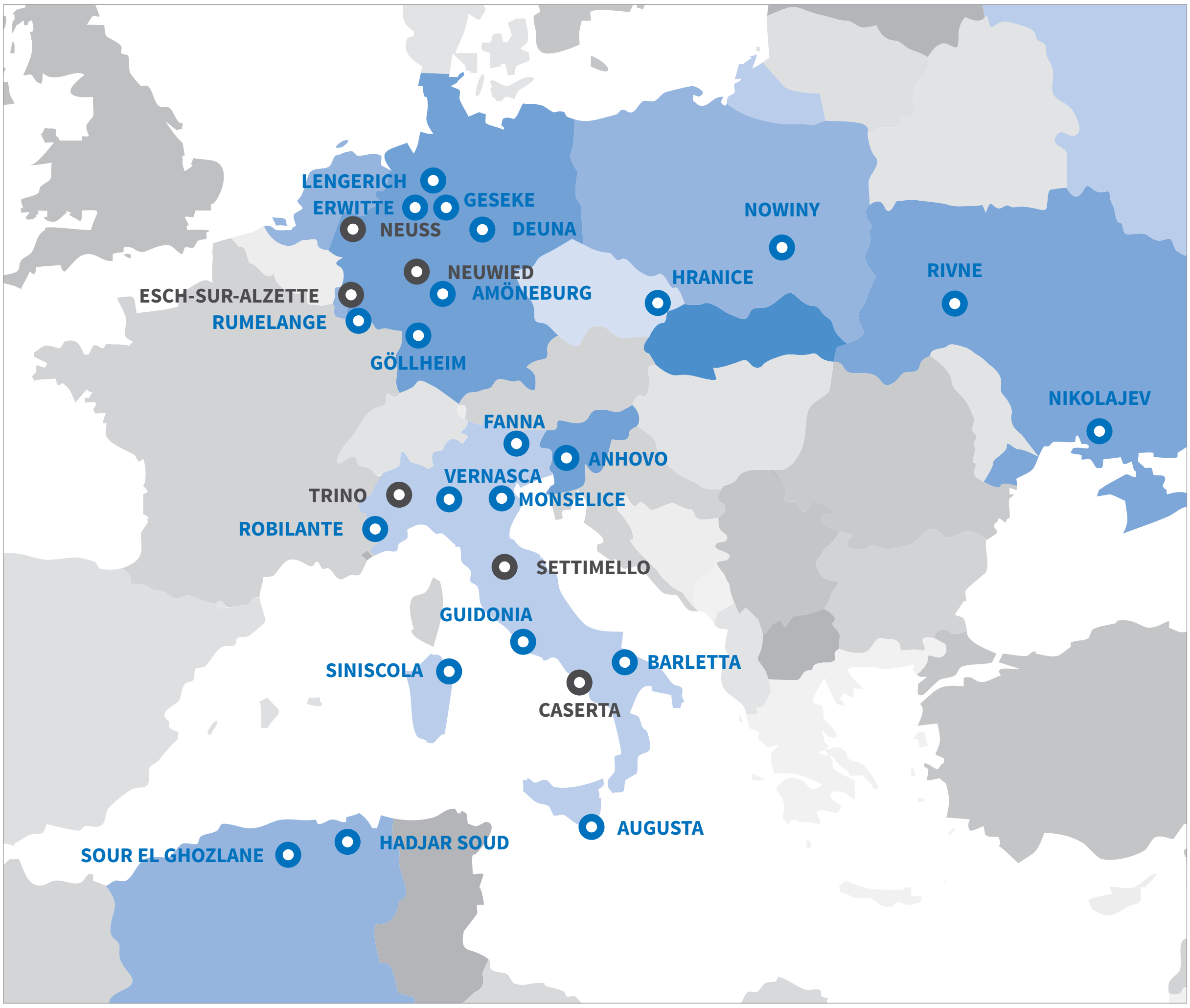
	2016	2017	2018
Headcount at year end	**9,975**	**10,025**	**9,880**
of which % Men	84.3	85.0	**85.2**
of which % Women	15.7	15.0	**14.8**
LTIFR *	7.9	6.9	**6.4**
Management	435	464	**447**
White collars	3,184	3,221	**3,101**
Blue collars	6,104	6,082	**6,090**
Trainees	159	156	**153**
Marginal/helpers	93	102	**89**
Total hires	1,905	1,585	**1,759**
Percentage of hiring	19.1	15.8	**17.8**
Total terminations	1,668	1,822	**1,904**
Turnover rate %	16.7	18.2	**19.3**
Absence rate % (illness/injuries)	3.3	3.2	**3.7**
Total hours of training	32.1	24.7	**32.0**

* LTIFR = total number of injuries causing absences from work divided by hours worked and multiplied by 1,000,000. The value includes cement, concrete and aggregates, employees + contractors.

Cement plant locations

As at 31 December 2018

Europe and Africa



Asia

Caption

Cement plants **Grinding plants**

America


GREENCASTLE
STOCKERTOWN
FESTUS
CAPE GIRARDEAU
PRYOR
CHATTANOOGA
MARYNEAL
SAN ANTONIO
CERRITOS
TEPETZINGO
APAZAPAN
PITIMBU
SETE LAGOAS

Italy

11	10.8	133	6	2
plants	(million tons) cement production capacity	concrete batch plants	aggregate quarries	deposits and terminals

		2018	2017	var% 18/17
Cement production	t/000	**4,516**	4,027	12.1%
Concrete sales	m^3/000	**2,611**	3,093	-15.6%
Aggregate sales	t/000	**738**	855	-13.7%
Net sales	€ m	**459.8**	427.8	7.5%
Capital expenditures	€ m	**37.1**	56.8	-34.7%
Headcount at year end	nr	**1,485**	1,632	-9,0%

Germany, Luxembourg and Netherlands

10	8.6	124	4	2
plants	(million tons) cement production capacity	concrete batch plants	aggregate quarries	deposits and terminals

		2018	2017	var% 18/17
Cement production	t/000	**7,103**	6,602	7.6%
Concrete sales	m^3/000	**4,540**	4,455	1.9%
Aggregate sales	t/000	**2,690**	2,906	-7.4%
Net sales	€ m	**829.6**	747.4	11.0%
Capital expenditures	€ m	**114.3**	49.9	129.1%
Headcount at year end	nr	**2,198**	2,164	1,6%

Poland

1	1.6	21	1
plant	(million tons) cement production capacity	concrete batch plants	terminal

		2018	2017	var% 18/17
Cement production	t/000	**1,638**	1,506	8.8%
Concrete sales	m³/000	**795**	716	11.0%
Net sales	€ m	**111.4**	97.0	14.8%
Capital expenditures	€ m	**6.9**	5.0	38.4%
Headcount at year end	nr	**358**	350	2.3%

Czech Republic and Slovakia

1	1.1	70	7
plant	(million tons) cement production capacity	concrete batch plants	aggregate quarries

		2018	2017	var% 18/17
Cement production	t/000	**1,013**	935	8.3%
Concrete sales	m³/000	**1,791**	1,696	5.6%
Aggregate sales	t/000	**1,398**	1,262	10.8%
Net sales	€ m	**164.5**	147.9	11.2%
Capital expenditures	€ m	**7.5**	8.5	-11.3%
Headcount at year end	nr	**789**	766	3.0%

Ukraine

2 plants	3.0 (million tons) cement production capacity	5 concrete batch plants	2 deposits and terminals

		2018	2017	var% 18/17
Cement production	t/000	**1,543**	1,768	-12.7%
Concrete sales	m^3/000	**217**	200	8.3%
Net sales	€ m	**88.3**	94.5	-6.6%
Capital expenditures	€ m	**7.8**	9.4	-16.4%
Headcount at year end	nr	**1,313**	1,384	-5.1%

Russia

2 plants	4.3 (million tons) cement production capacity	1 terminal

		2018	2017	var% 18/17
Cement production	t/000	**3,431**	3,274	4.8%
Net sales	€ m	**185.5**	184.3	0.6%
Capital expenditures	€ m	**17.1**	8.5	102.6%
Headcount at year end	nr	**1,435**	1,456	-1.4%

United States of America

8	10.2	68	3	36
plants	(million tons) cement production capacity	concrete batch plants	aggregate quarries	deposits and terminals

		2018	2017	var% 18/17
Cement production	t/000	**7,899**	8,061	-2.0%
Concrete sales	m^3/000	**2,140**	2,133	0.3%
Aggregate sales	t/000	**1,927**	1,912	0.8%
Net sales	$ m	**1,263.2**	1,265.0	-0.1%
Capital expenditures	$ m	**109.2**	89.9	21.5%
Headcount at year end	nr	**2,302**	2,273	1.3%

Messico[1]

3	8,3	30	4
plants	(million tons) cement production capacity	concrete batch plants	aggregate quarries

		2018	2017	var% 18/17
Cement production	t/000	**6,731**	7,139	-5.7%
Concrete sales	m^3/000	**1,340**	1,638	-18.2%
Aggregate sales	t/000	**1,004**	1,156	-13.1%
Net sales	$ m	**737.8**	775.1	-4.8%
Capital expenditures	$ m	**20.1**	31.9	-36.9%
Headcount at year end	nr	**1,095**	1,103	-0.7%

[1] Figures at 100% - valued by the equity method.

Photo: Total Tower in Berlin, Germany. Made with Dyckerhoff Weiss. Ph. Christian Richters

Review of operations

Shares, Shareholders and Performance indicators

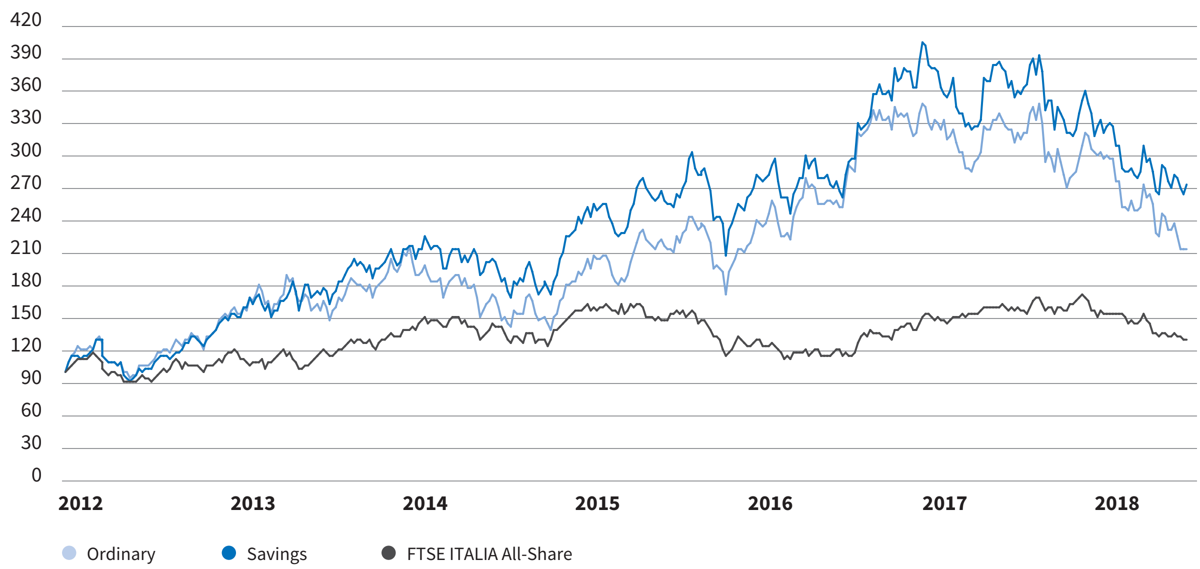
The ordinary and savings shares of Buzzi Unicem have been listed on the Milan Stock Exchange since September 1999. Market capitalization as at 31 December 2018 was €2,872 million. At that date the share capital consisted of 165,349,149 ordinary shares and 40,711,949 savings shares, with both share categories having a par value of €0.60. Each ordinary share is entitled to one vote. Savings shares, which grant no voting rights, may be registered shares or bearer shares, according to the individual shareholder's preference.

Trading in Buzzi Unicem shares

	Ordinary shares	Savings shares	Ordinary shares	Savings shares
Reference period	**number**	**number**	**€ m**	**€ m**
Year 2012	254,566,236	16,188,731	2,115.5	65.5
Year 2013	169,691,396	18,222,273	1,996.0	111.9
Year 2014	239,192,676	31,296,705	2,899.9	224.5
Year 2015	310,480,095	27,239,050	4,326.8	244.3
Year 2016	207,469,441	20,588,786	3,489.0	200.2
Year 2017	184,745,315	22,056,405	4,207.8	284.3
Year 2018	**195,237,204**	**20,433,371**	**3,818.7**	**221.6**

Price trend of Buzzi Unicem shares

(base January 2012 = 100)



Main Shareholders

as at 31 December 2018

	Ordinary shares	Savings shares	% of total capital	% of ordinary capital
Presa SpA (Buzzi Family)	79,200,000	-	38.44	47.90
Fimedi SpA (Buzzi Family)	18,250,000	621,600	9.16	11.04

Distribution of shareholdings*

(ordinary shares)

	No. shareholders	in %	No. shares	in %
1 - 1,000	9,921	84.29	2,372,395	1.43
1,001 - 10,000	1,358	11.54	4,007,974	2.42
10,001 - 100,000	347	2.95	12,541,993	7.58
100,001 -	144	1.22	146,426,787	88.57

* Referred to the ex-dividend date (21 May 2018)

A total of 55,594,112 ordinary shares - corresponding to approximately 34% of voting capital, are held by foreign investors.

Market capitalization

as at 31 December (millions of euro)

Capital structure

as at 31 December 2018 (in %)

no. of ordinary shares	165,349,149	80.2 %
no. of savings shares	40,711,949	19.8 %
Total no. of shares	**206,061,098**	**100.0 %**

Key per-share data

(euro)	2012	2013	2014	2015	2016	2017	2018
Basic eps (ordinary)	-0.18	-0.31	0.56	0.60	0.70	1.90	**1.86**
Equity per share	11.79	10.98	11.33	12.40	13.47	13.81	**15.77**
Price/earnings ratio	n/a	n/a	18.8x	21.9x	32.3x	11.9x	**8.1x**
Price at year-end							
ordinary shares	10.55	13.07	10.51	16.50	22.62	22.59	**15.00**
savings shares	5.16	7.04	6.35	10.10	11.55	12.84	**9.62**
Dividend per share[1]							
ordinary shares	0.05	0.05	0.05	0.075	0.10	0.12	**0.13**
savings shares	0.10	0.05	0.05	0.075	0.10	0.20	**0.15**
Yield							
ordinary shares	0.5%	0.4%	0.5%	0.4%	0.4%	0.5%	**0.8%**
savings shares	2.0%	0.7%	0.8%	0.6%	0.9%	1.6%	**1.6%**

[1] 2018: proposed to shareholders at the Annual General Meeting

Performance Indicators

(in %)	2018	2017	2016
EBITDA margin[1]	**20.1**	18.1	20.6
Return on sales (ROS)	**12.2**	10.2	13.0
Return on Equity (ROE)[2]	**12.2**	13.8	5.3
Return on Capital Employed (ROCE)[3]	**7.2**	5.8	6.5
Net debt/Equity	**28.3**	30.2	33.5

[1] Ratio between EBITDA and Sales, it expresses the result of a company's typical business operations;
[2] Ratio between Net Profit and Shareholders' equity, which expresses the profitability of the latter;
[3] Ratio between EBIT and the difference between Total Assets and Current Liabilities. It indicates the efficiency and profitability of a company's capital investments.

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 standards that are applicable to the preparation of the annual financial statements or interim consolidated reports. Pursuant to Consob Communication no. 92543/2015 and the guidelines ESMA/2015/1415 set out below are the definitions of such measures.

- **EBITDA:** subtotal presented in the financial statements; please refer to the consolidated income statement for the calculation.

- **EBITDA recurring:** it is calculated starting from the subtotal presented in the financial statements named EBITDA and applying to it the following adjustments (non-recurring income/expense):
  - restructuring costs, in relation to defined and significant plans;
  - write downs/ups of current assets except trade receivables greater than €1 million;
  - addition to/release of provisions for legal, fiscal or environmental risks greater than €1 million;
  - dismantling costs greater than €1 million;
  - gains/losses from the sales of fixed assets and non-instrumental real estate greater than €3 million;
  - other sizeable non-recurring income or expenses (greater than €3 million), that are attributable to significant events unrelated to the usual business.

The reconciliation between EBITDA and EBITDA recurring for the two comparative periods is as follows:

(millions of euro)	2018	2017
EBITDA	**577.2**	**508.2**
Restructuring costs	6.5	0.8
Write-downs of current assets	-	1.9
Additions (releases) of provisions for liabilities	4.3	1.3
Dismantling costs	-	2.0
Gains/losses on disposal of fixed assets	(17.2)	-
Other expenses	(4.0)	2.4
Antitrust fine	1.7	59.8
EBITDA recurring	**568.5**	**576.4**

- **Operating profit (EBIT):** subtotal presented in the financial statements; please refer to the consolidated income statement for the calculation.

- **Net debt:** 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.

Business review

International economic activity continued to show good performance, but the expansive momentum weakened and signs of cyclical deterioration in many advanced and emerging economies appeared. International trade visibly decelerated from the previous year, imports of goods weakened and the prospects for global trade and relationships continued to worsen. In the United States of America, the economy recorded robust growth, reflecting the effects of the pro-cyclical fiscal stimulus and the resilience of activity thanks to the solidity of the labor market, to the strength of domestic demand and exports, as well as to substantial corporate profits and favorable financial conditions. In Europe growth continued, but since the third quarter indications showed negative surprises, particularly in Germany and Italy, where the activity slowed down, both due to the weakening of foreign demand and a deterioration in business confidence. Nevertheless, the strength of domestic demand and the recovery in investments, also supported by the accommodating monetary policy, continue to support expansion, although with development prospects revised downwards. In Italy, starting from the summer quarter, there were signs of interruption of growth, weakness in production and indications of a rather steady underlying trend with possible further contractions. Among the main emerging economies, growth figures were more contrasting: slowdown in China, particularly in the manufacturing sector, strengthening in Russia, still fragile macroeconomic framework in Brazil, although with prospects of acceleration. Inflationary pressures, which slowed down in November mainly due to the decrease in energy prices, remained, on the whole, rather modest. At the end of the year, oil prices, although very volatile, recorded a significant decline, partly due to the persisting high rate of production in the United States. The financial conditions of the advanced economies remain accommodating, while the risks for international activity are confirmed to be high as a result of the uncertainties regarding the outcome of the negotiations for a relaxation of the commercial tensions between the United States and China, of a possible tightening of global financial conditions being more rapid than expected and of political and geopolitical scenarios, including the risks arising from the process with which Brexit will take place.

Looking more closely at our reference markets, it is to be pointed out that construction investments, to which cement and concrete demand is closely related, in the United States confirmed moderate expansion, with developments in the residential sector and a recovery in the public segment. Growth was modest in Central Europe and barely perceptible in Italy, where the positive signs in the residential and non-residential private sector did not succeed in offsetting the lack of expansion of public works. Among the Eastern European countries, the performance of the construction sector reaffirmed positive developments in the Czech Republic and Poland and a progressive recovery of capital expenditures in Russia. In Ukraine, on the other hand, a sharp decline in building activity was recorded.

In the financial year under review, the group sold 27.9 million tons of cement (+4.3% compared to 2017) and 12.1 million cubic meters of ready-mix concrete (-1.6%). Net sales increased by 2.4% to €2,873.5 million compared to €2,806.2 million in 2017. Changes in the scope of consolidation led to an increase in turnover of €52.9 million, while the exchange rate effect had a negative impact of €74.3 million. Like for like net sales would have increased by 3.2% compared to 2017. Ebitda improved by 13.6% to €577.2 million (€508.2 million in 2017). Moreover, the figure for 2018 was favored by net non-recurring revenues of €8.7 million (in 2017 costs of €68.2 million were recorded). After

Net sales

(millions of euro)

EBITDA

(millions of euro)

amortization and depreciation of €225.4 million, Ebit amounted to €351.8 million, compared to €286.0 million in 2017. Net financial costs/income reversed from €35.0 million costs to €24.7 million income, of which €82.6 million referring to non-cash income (€12.4 million in 2017). Therefore profit before tax amounted to €465.3 million compared to €348.7 million achieved in 2017. After current and deferred income taxes of €82.5 million (compared to a positive figure of €45.9 million in the previous year), the income statement closed with a net profit of €382.8 million, of which €382.1 million attributable to the owners of the company.
Net debt at the end of 2018 amounted to €890.5 million, up €28.0 million compared to €862.5 million at 31 December 2017, after capital expenditures of €443.8 million and dividend distribution of €28.1 million. Moreover the treasury share purchase program, which started during the last quarter of the year and involved 4.23% of the ordinary share capital for an outlay of €118.7 million, should be pointed out. The debt/equity ratio stood at 0.28 (0.30 at the end of 2017).

Operating and financial performance

In 2018, consolidated cement sales amounted to 27.9 million tons, up 4.3% compared to 2017. The improved dynamics of volumes compared to the previous year were mainly related to changes in the scope of consolidation in Italy and Germany and to the progress achieved in the Czech Republic, Poland and Russia. On the other hand, the year ended with a decline for cement shipments in the United States of America, following the extremely heavy rainfall, especially in September and October, as well as a rather clear decrease in our level of activity in Ukraine. Ready-mix concrete sales amounted to 12.1 million cubic meters, -1.6% compared to 2017. The volumes sold grew satisfactorily in Eastern Europe, the Czech Republic and Poland in particular, and in Benelux, while they were marginally recovering in the United States of America. The ready-mix concrete sales trend was characterized by a clear reduction of volumes in Italy, due to the recent process of restructuring and production rationalization which led, among other things, to a reduction in the number of managed plants, and by a marginal decrease in Germany.
Consolidated net sales increased by 2.4%, from €2,806.2 to €2,873.5 million. Changes in scope had a positive effect of €52.9 million, while the exchange rate effect had an unfavorable impact of €74.3 million. Like for like net sales would have increased by 3.2%.

In Italy the economic expansion, which has been in progress since the second quarter of 2014, came to a halt in the summer quarter following the decline in domestic demand and in investments. During the autumn months industrial production contracted and the dynamics of manufacturing activity slowed down. Business confidence indices declined and investments planned by companies slowed down. The export performance was more favorable towards the EU markets, despite the decline in sales to Germany due to the contraction of activity in the country. Foreign trade provided a positive contribution to growth overall, even if the outlook was affected by fears over the development of international exchanges. In the second half of the year, the household consumption expenditure weakened, against very discouraging signs coming from the labor market. In the third quarter the hours worked increased, but the number of employees diminished. In autumn, the unemployment rate started to rise again. Inflation declined in the last few months of 2018, reflecting the slowdown in energy prices since October. In the construction sector, growth expectations were disregarded due to the decline in capital spending for public works and there were signs of less optimism regarding the evolution of

EBITDA Margin[1]

(in %)

[1] EBITDA recurring/Net sales.

Net cash from operating activities

(millions of euro)

demand and employment rate. The year under review was marked by the additional contribution of the shipments referring to the ex-Cementizillo plants (full consolidation from the second half of 2017), by the increase in volumes for overseas export and by higher clinker sales, with the demand of hydraulic binder on domestic market being rather steady. Average prices, in a more stable market environment, confirmed the upward adjustment expectations. The ready-mix concrete sector recorded a visibly lower production level compared to the previous year, essentially due to the recent process of restructuring and production rationalization which, among other things, led to a reduction in the number of plants being managed directly. On the other hand, sales prices improved. Overall net sales increased from €427.8 to €459.8 million, up 7.5%.

As for Central European countries, economic activity, although sustained by the solid expansion of domestic demand, slowed down, partly due to temporary factors, but also to the deterioration in corporate expectations and to the weakness of foreign demand. In the last few months of the year industrial production suffered a decline which exceeded expectations, particularly in Germany, both in manufacturing and in services, and the prospects of companies on export sales worsened, in connection with the more uncertain ones of international trade. Inflation declined, held back by decelerating energy prices. The construction sector, which was more dynamic at the beginning of the year, subsequently slowed down, nevertheless closing the period on a positive note. Our deliveries of hydraulic binders, after a start to the year affected by unfavorable weather conditions, subsequently resumed more strength, also favored by a more lively demand for special oil well products and, thanks to the additional volumes resulting from the acquisition of Seibel & Söhne (full consolidation since May), they achieved good growth, with average prices improving. Overall, the ready-mix concrete sector recorded a positive change in production, with prices also improving. Net sales increased from €747.4 to €801.2 million, up 7.2%. Germany posted an increase in net sales revenue of 7.6% (from €588.0 to €632.5 million), while Benelux grew by 5.5% (from €186.8 to €197.1 million).

As regards the Eastern European markets, Russia slightly accelerated the recovery rate, gradually regaining from the recessionary biennium of 2015-2016. Growth is sustained by domestic demand and supported by advances in available income and by the improved access to credit, that facilitates consumption and investments. Despite the recent depreciation of the ruble, inflation further slowed down. Foreign trade remained positive, both due to the robustness of exports and the decline in imports caused by the weakness of the ruble. Construction investments showed a progressive improvement, which also positively influenced the demand for building materials. Our sales volumes, thanks to a more robust development in the second half of the year, despite a rather weak performance of special oil well cements, closed the entire period with a favorable change on the previous year and average prices in local currency increasing. Net sales amounted to €185.5 million, compared to €184.3 million in the previous year (+0.6%). The depreciation of the ruble (-12.3%) had an unfavorable impact on net sales. At constant exchange rates, they would have increased by 13.0%.

In Ukraine, the pace of the moderate recovery, although improving on the previous year, remains inadequate to recover what was lost during the previous economic crisis. Despite some significant improvements in the energy and banking sectors, efforts to build a more dynamic, open and competitive economic environment were affected by enforcement difficulties and by delays in the reforms. With the evolution in domestic demand, import growth continued to be stronger than exports. The inflation rate, albeit decreasing, remains high. In such scenario, investments in the construction sector weakened and cement consumption in the country decreased. Cement volumes sold by our industrial plants, despite the signs of reawakening during the summer months and some real recovery in the first winter months, closed with a double-digit percentage reduction compared to the levels achieved last year, with prices in local currency considerably increasing, while ready-mix concrete output remained buoyant, with average prices in local currency rising significantly. Net sales, also penalized by the depreciation of the local currency (-7.0%), decreased by 6.6%. At constant exchange rates, they would have confirmed the level achieved in the previous year (-0.1%).

The prolongation of the favorable economic cycle in Poland was supported by domestic demand, thanks to the increasing level of disposable income, unem-

ployment rate at all-time lows and improving social spending. The value of construction investments, in particular public ones, driven by the still high use of European funds for infrastructure, remained overall favorable. Our cement sales, thanks to the more buoyant development in the second half, showed a robust recovery, accompanied by average prices in local currency strengthening. Ready-mix concrete output achieved even more significant progress, with prices also improving. Net sales recorded an increase of 14.8% on the previous year. At constant exchange rates, the variation would have been 15.0%.
In the Czech Republic and Slovakia, economic development, although slowing down compared to the brilliant growth of the previous year, remained at a very satisfactory level. Together with the recovery in investment, domestic demand continued to support development, while the slowdown in foreign demand led to a negative contribution from net trade. The favorable phase of the construction investments was encouraged by the development of public works co-financed by the European Union. Our cement sales, after a less brilliant start to the year, subsequently accelerated, closing the year strongly increasing, with average sales prices in local currency marginally improving. The ready-mix concrete sector, which also includes Slovakia, achieved good production levels, with average prices on the rise. Overall net sales, which were positively influenced by the strengthening of the local currency, increased by 11.2%. At constant exchange rates, the growth rate would have been 9.0%.
Overall, turnover from Eastern Europe amounted to €547.9 million (€522.5 in 2017). The exchange rate effect had a negative impact of €25.7 million. Like for like net sales would have increased by 9.9%.

In the United States, investments in the construction sector confirmed moderate growth (+0.5%) with stability in the residential sector and positive changes in the infrastructures. The hydraulic binders sales of the group, in the course of 2018, were strongly affected by particularly adverse weather conditions: intense cold in the first quarter and unprecedented levels of rainfall in the third quarter, particularly in September. Therefore, even if the deliveries of the last quarter provided some indication of recovery, the whole financial year closed with volumes lower than the previous year and selling prices, in local currency, which achieved a positive variance of a few percentage points. Ready-mix concrete output, mainly present in Texas, closed with a marginal recovery compared to the previous year, with prices also improving. The decline in net sales from €1,110.6 to €1,069.6 million (-3.7%) was amplified by the trend of the dollar. At constant exchange rates, net sales would have been up 0.7%.

Ebitda amounted to €577.2 million, +13.6% compared to €508.2 million of the previous year. The exchange rate effect was negative for €21.1 million. The figure for the year under review includes positive net non-recurring items of €8.7 million, of which revenues of €17.2 million due to gains on disposal of the packaged concrete division in the United States, €5.4 million for the release of provisions for antitrust risks, €3.9 million for contract indemnification, €1.7 million for the release of provisions for legal risks and expenses of €7.3 million for tax disputes, €3.9 million for legal claims, €6.5 million for restructuring charges and €1.8 million of other charges. In 2017, net non-recurring costs of €68.2 million were incurred. Excluding non-recurring items, Ebitda decreased from €576.4 to €568.5 million (-1.4%), with Ebitda to sales margin at 19.8% (20.5% in 2017). Overall, the improvements achieved in Italy, which finally returned to positive territory, in Central Europe, in the Czech Republic and in Russia (despite a particularly unfavorable exchange effect), mostly offset the decrease in operating profitability in the United States of America, which was amplified by the negative exchange rate effect, and the evident decline in Ukraine.

Amortization and depreciation amounted to €225.4 million, against €222.1 million in the previous year. Ebit reached €351.8 million compared to €286.0 million in 2017. Net finance costs improved from €35.0 million negative to €24.7 million positive balance, thanks to the trend of non-cash items, i.e. the valuation of derivative financial instruments, and to the reduction of interest expense on gross debt. Gains on sale of investments contributed with €0.8 million, while equity in earnings of associates, among which our joint venture operating in Mexico stands out, decreased from €96.2 million to €87.9 million. Due to the impact of the factors outlined above, profit before tax amounted to €465.3 million versus €348.7 million in 2017. The tax charge for the year was €82.5 million, compared to a revenue for income taxes of €45,9 million in the previous year. Therefore, the income statement for the financial year 2018 closed with a profit

of €382.8 million (€394.6 million in 2017). Net profit attributable to the owners of the company decreased from €391.6 million in 2017 to €382.1 million in the year under review.
Consolidated net debt as at 31 December 2018 stood at €890.5 million, up €28.0 million compared to €862.5 million at the end of 2017. During 2018 the group distributed dividends of €28.1 million and paid total capital expenditures of €443.8 million, of which €31.5 million allocated to capacity expansion or special projects, mainly relating to the so-called phase 2 of the new production line at Maryneal plant (TX), to the reconstruction of the filtration system at Cape Girardeau (MO) and to the modernization of the terminal in Dallas (TX). Further investments referring to strategic development projects amounted to €44.6 million for the acquisition of Seibel & Söhne in Germany and to €161.4 million for the purchase of 50% of BCPAR, which operates in Brazil through the Cimento Nacional trademark. Furthermore the completion of the share buyback program, which started at the end of September and involved 4.23% of the voting capital for €118.7 million, should be pointed out.

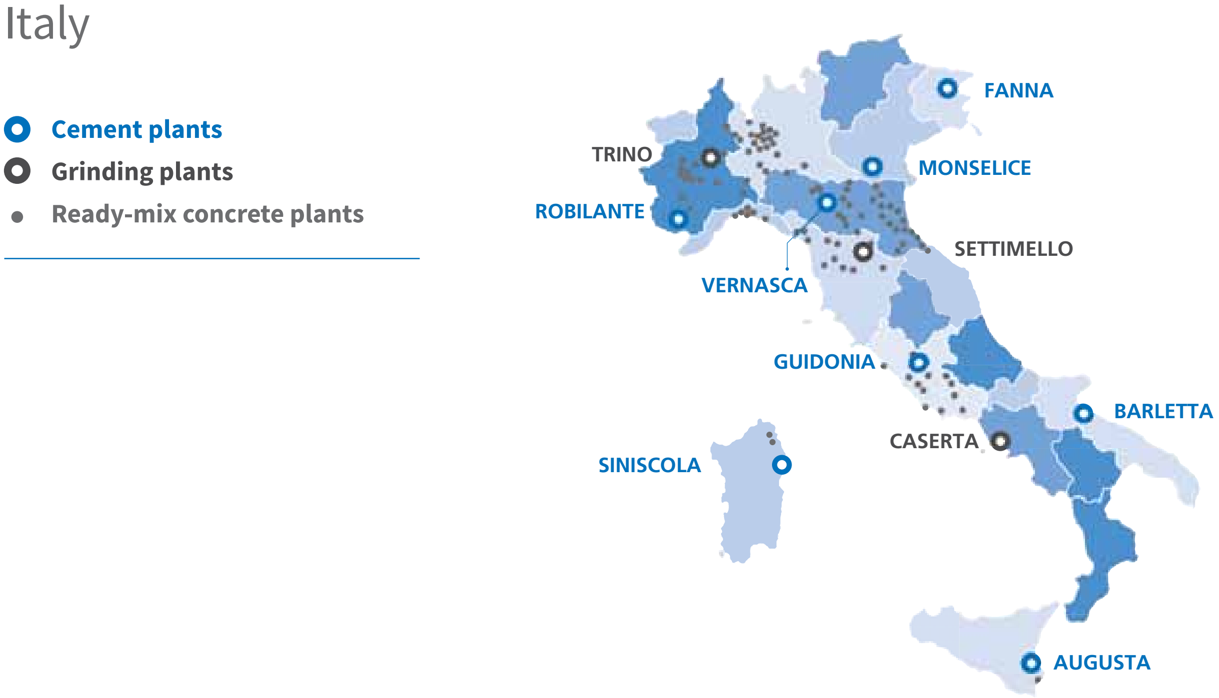
The assets and liabilities of the net financial position, broken down by degree of liquidity are shown in the following table:

Net financial position

(millions of euro)	31.12.2018	31.12.2017
Cash and short-term financial assets:		
Cash and cash equivalents	440.5	810.6
Other current financial receivables	10.2	19.2
Short-term financial liabilities:		
Current portion of long-term debt	(328.0)	(369.9)
Short-term debt	(14.4)	(17.6)
Derivative financial instruments	(10.4)	-
Other current financial liabilities	(34.5)	(37.1)
Net short-term cash	**63.4**	**405.2**
Long-term financial liabilities:		
Long-term debt	(922.4)	(1.120.0)
Derivative financial instruments	-	(92.9)
Other non-current financial liabilities	(35.8)	(58.0)
Net financial position of continuing operations	**(894.8)**	**(865.7)**
Long-term financial assets:		
Other non-current financial receivables	4.3	3.2
Net debt	**(890.5)**	**(862.5)**

As at 31 December 2018, total equity, inclusive of non-controlling interests, stood at €3,143.6 million versus €2,852.1 million at 2017 year-end. Consequently the debt/equity ratio decreased to 0.28 from 0.30 in the previous year.

Italy



(millions of euro)	2018	2017	18/17
Net sales	459.8	427.8	7.5%
EBITDA	-1.7	-79.7	97.8%
EBITDA recurring	5.8	-16.7	135.0%
% of net sales	1.3	-3.9	
Capital expenditures	37.1	56.8	-34.7%
Headcount at year end n.	1.485	1.632	-9.0%

In the summer quarter, GDP declined by 0.1%, thus interrupting the expansion which has been under way for over three years. The activity was held back by a decrease in investments, especially for capital goods, but also by the decline, albeit slight, in household spending.
Foreign trade continued to provide a positive contribution to growth: exports accelerated, showing a greater increase than imports. Inflation declined in the last months of 2018, reflecting the slowdown in energy prices under way since October.

In this economic context, GDP in 2018 increased by 0.9%, industrial production grew by 0.8%, the unemployment rate declined to 10.3% and the public debt to GDP ratio remained greater than 130%. The slowdown in spending flows for public works, the crisis of large construction companies, the continuing difficulties in implementing the Procurement Code in the use of allocated resources and the signs of less optimism regarding the evolution of demand and employment, canceled the benefits, albeit modest, of an expansive cycle under way in the residential and non-residential sectors, and led to a substantial stagnation of investments. Under such scenario, it is estimated that internal cement consumption virtually maintained the level reached in the previous year.
Our sales of hydraulic binders and clinker increased by 13.3%, mainly thanks to the additional contribution of the shipments referring to the former Cementizillo plants (full consolidation starting from the second half of 2017), to the growth in volumes exported overseas and to clinker sales. Average prices, in a more stable market environment, confirmed the upward adjustment expectations. The ready-mix concrete sector, which was involved in a process of restructuring and rationalization of production that led, among other things, to a reduction in the number of batching plants directly managed by the group, closed with a production level that is visibly lower than the previous year (-15,6%). On the other hand, selling prices improved. This trend in volumes and prices generated net sales of €459.8 million, up 7.5% (€427.8 million in 2017). On a like-for-like basis, they would have decreased by 0.9%. Unit production costs remained stable, as the unfavorable trend in fuels was more than offset by

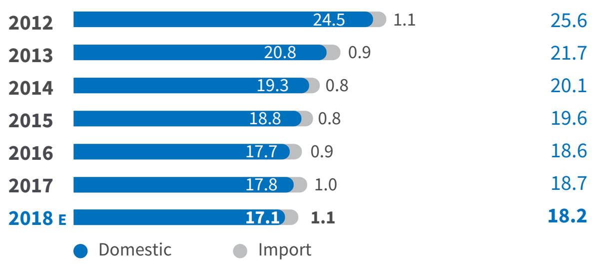
the reduction in electricity costs and by fixed costs under control, thanks to the improvement in the operating leverage. Despite the best attention paid to the entrustment and collection of trade receivables, the recent, numerous requests to participate in bankruptcy proceedings presented by leading national construction companies forced us to book a provision for losses of the related exposure, equal to approximately €7.6 million. Ebitda, which remained in negative territory, improved from -€79.7 to -€1.7 million.

However, it should be noted that the figure for the year under review includes net non-recurring costs totaling €7.6 million, consisting of charges referring to tax disputes of €7.3 million, restructuring expenses of €2.5 million, other charges of €1.7 million and non-recurring revenues for indemnification of €3.9 million (€63.0 million of non-recurring costs in 2017). The recurring Ebitda therefore finally returned to positive territory (+€5.8 million), up €22.5 million compared to -€16.7 million in 2017. It should be noted that during the year the company achieved other operating revenues of €11.8 million from the sale within the group of CO_2 emission rights (€6.0 million in 2017).

The investment activity aimed at improving our efficiency in technology, environment and occupational safety continued throughout the year. In particular, it is worth mentioning the modernization of the finish mill at Robilante for €6.0 million, the start of works for the new alternative fuel feeding at Vernasca and Augusta for a total of €1.5 million, the expansion of mineral reserves, in addition to overburden removal and securing of the quarry fronts, for a total of €2.0 million, the refurbishment with the demolition of the mothballed line at Augusta for a total of €0.8 million, quarry and plant vehicles for €0.8 million and completion of the project for oil well production in Siniscola for €0.2 million.

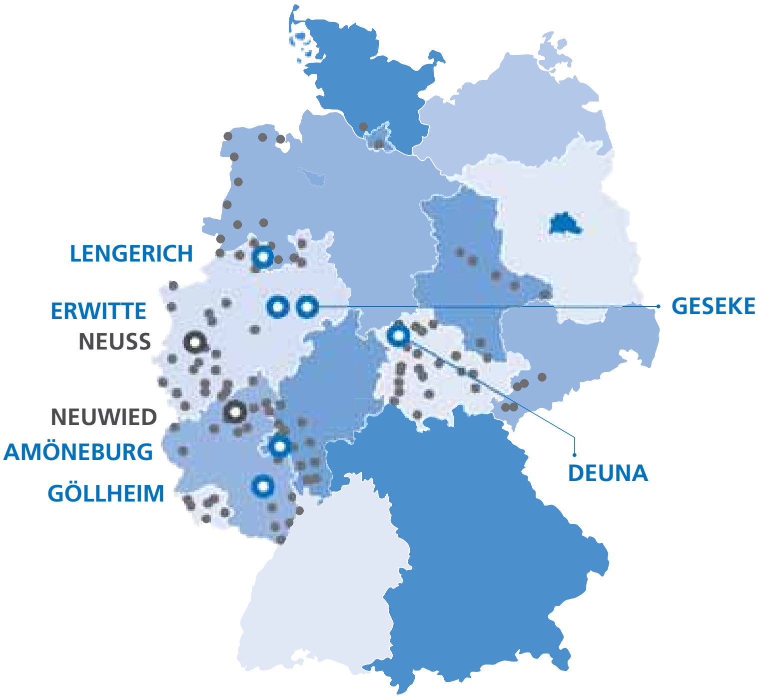
Cement consumption

(millions of tons)



Germany

- **Cement plants**
- **Grinding plants**
- **Ready-mix concrete plants**



The expansionary phase of the economic cycle, which has been under way for six years, steadily supported by domestic demand and by a labor market close to full employment, in the second half of the year underwent a rather evident slowdown. Growth has weakened since the third quarter and industrial production showed a decline above expectations. The weakness of foreign demand, in addition to partly temporary factors, related to a standstill in the production and registration of motor vehicles, had a pronounced impact, causing a significant slowdown in industrial production.

GDP growth, which in the third quarter closed with a slight negative sign, is estimated at 1.9% for the whole of the year, slowing down over the previous period. The inflation rate, rather moderate, was 1.8% at the end of the year. The construction sector, after a more dynamic start, subsequently slowed down, but still closed the year on a positive note.

Our shipments of hydraulic binders, thanks to the change in scope resulting from the acquisition of Seibel & Söhne, whose activities have been included in the consolidation area since May and favored by a lively strengthening demand for oil well cements, performed well (+7.9%), with average prices improving. Production volumes in the ready-mix concrete sector, which were rather weak in the first half, thanks to some recovery in the second half of the year closed the entire period marginally down (-0.6%), but with prices recovering. Overall net sales thus increased from €588.0 to €632.5 million (+7.6%) and Ebitda from €78.1 to €82.5 million (+5.8%). However, the figure for the year under review includes an amount of €4,0 million for restructuring charges (€1.9 million the non-recurring costs in 2017). Net of non-recurring items, Ebitda improved by €6.6 million. The unfavorable trend of electric power was offset by some savings in fuel and fixed costs. Unit production costs recorded a slight favorable change.

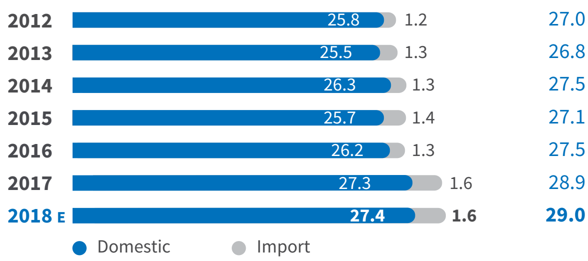
In 2018 the business incurred other operating costs of €7.7 million for the purchase of CO_2 emission rights from the parent company (€4.2 million in 2017).

(millions of euro)	2018	2017	18/17
Net sales	**632.5**	588.0	7.6%
EBITDA	**82.5**	78.1	5.7%
EBITDA recurring	**86.5**	79.9	8.2%
% of net sales	**13.7**	13.6	
Capital expenditures	**105.9**	41.4	156.1%
Headcount at year end n.	**1.887**	1.853	1.8%

The total investments made in 2018 amounted to €105.9 million, €44.6 million thereof for the acquisition of Seibel & Söhne. Among the other ones, the most significant investments concerned the installation of SCR technology to reduce emissions at Deuna and Göllheim for a total of €8.5 million, €6 million for the NOx, CO and TOC reduction equipment in Geseke, €4.3 million for the modification of the last stage of the pre-heater tower and other modernizations at Deuna, €2.8 million for the conversion from electrofilter to baghouse filter in Lengerich, €1.4 million to increase the storage and treatment capacity of alternative fuels in Geseke.

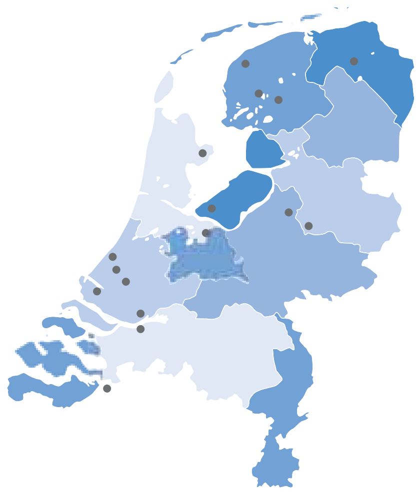
Cement consumption

(millions of tons)



Luxembourg and the Netherlands

Cement plants
Grinding plants
Ready-mix concrete plants



The main economic driver in Luxembourg, i.e. the international financial sector, slowed down its activity and the net flow of investments recorded moderated growth but, nonetheless, the economic expansion cycle of the country continued to be robust. Domestic demand was supported by private consumption, thanks to the strengthening of the employment rate and disposable income as well as by the recovery of investments.

GDP growth estimate for the current year, at 4.0%, is in line with the previous year. Inflation, rather moderate, was 1.5% the whole of the year. Domestic cement consumption confirmed the levels of the previous year.

In the Netherlands, after the acceleration of the economic recovery in 2017, the favorable economic phase continued in the current year, at a slightly more moderate but still solid pace. Growth support is provided by domestic demand driven by improvements in disposable income and rapid increase in the employment levels, while the contribution from exports, also positive, was reduced due to weaker foreign demand. The increase in GDP is estimated at 2.8% for the entire year, while inflation stopped at 1.4%. The construction sector, in a context of robust growth in real estate values, remained positive.

Our cement and clinker sales, inclusive of internal sales and exports, maintained also in the second half lower deliveries compared to the previous year, closing the year down (-5.0%), with a slight improvement in average unit revenues.

On the other hand, the ready-mix concrete sector recorded clearly recovering volumes (+11.1%) and also higher prices. Net sales came in at €197.1 million, up 5.5% compared to the previous year (€186.8 million). Ebitda stood at €23.1 million (€17.6 million in 2017). Unit production costs maintained overall the same level as the previous year, with unfavorable trend in electric power, which was offset by some savings in fuels as well as in fixed and overhead costs of the plant.

However an accrual of €0.1 million for non-recurring expenses pertaining to the period should be recalled (€1.3 million in 2017). Net of non-recurring items, Ebitda was up €4.3 million. During the year

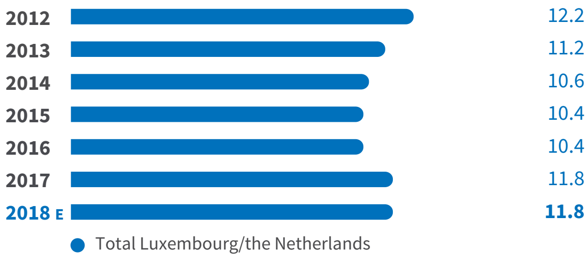
(millions of euro)	2018	2017	18/17
Net sales	**197.1**	186.8	5.5%
EBITDA	**23.1**	17.6	31.4%
EBITDA recurring	**23.1**	18.9	22.7%
% of net sales	**11.7**	10.1	
Capital expenditures	**8.4**	8.5	-2.1%
Headcount at year end n.	**311**	311	-

the business incurred other operating costs of €0.8 million referring to CO_2 emission rights purchased from the parent company (€0.2 million in 2017).

The total investments made in 2018 amounted to €8.4 million, of which €4.5 million for general improvements to the production line, in particular measures to improve the kiln and the coal mill, as well as the modernization of the laboratory.

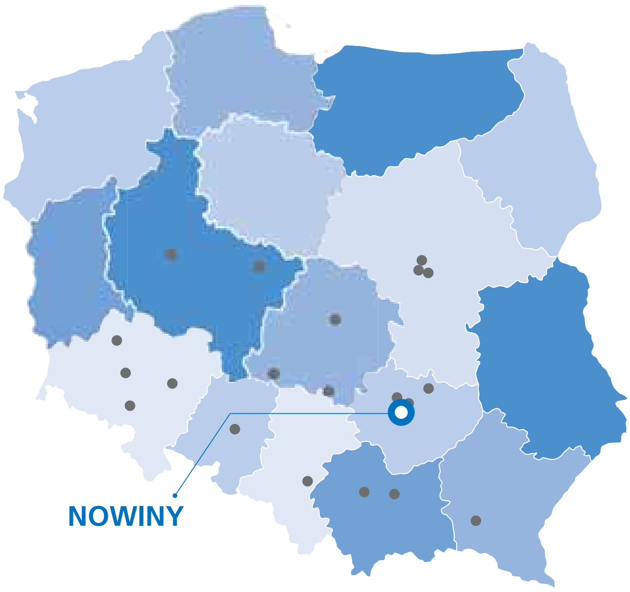
Cement consumption

(millions of tons)



Poland

- **Cement plants**
- **Ready-mix concrete plants**



GDP growth, after exceeding 5% in the first half of the year, is estimated at +4.4% for the full year 2018, thus confirming the brilliant acceleration achieved in the previous year. The rapidity of the development and the achievement of solid economic and integration results considerably reduced the gap in comparison with the most advanced economies, and foresee in the near future a qualification upgrade from transition economy to developed market.

The consolidation of recovery was affirmed thanks to the growth in domestic demand, driven by the development of disposable income, unemployment rate at an all-time low, increasing social spending aiming at reducing inequality and poverty factors within the country and extensive use of European structural funds for investments. The rapid influx of foreign workers, mostly temporary, helped to mitigate the problems related to labor shortage, without significant impact on inflation, which stabilized at 2%. Construction investments maintained a favorable trend, as did cement consumption.

Our cement volumes sold, thanks to the more lively development in the second half, showed a robust recovery (+6.5%), accompanied by average prices, in local currency, strengthening. Ready-mix concrete output achieved even more significant progress (+11.0%), with prices also improving.

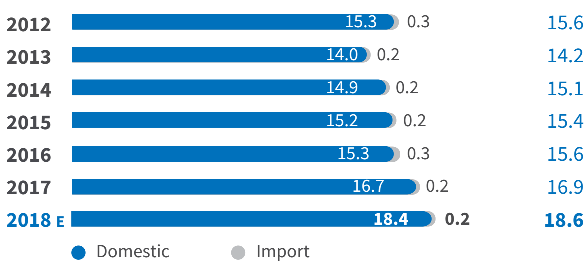
Net sales increased from €97.0 to €111.4 million (+14.8%). At constant exchange rates, net sales variance would have been only slightly higher (+15.0%). Ebitda improved from €24.1 to €31.9 million (+32.1%). However, it should be pointed out that the result under review includes non-recurring income of €5.4 million, referring to the release of provisions for antitrust risks. On a like-for-like basis Ebitda would have increased by 10.0%. Unit production costs in local currency showed double-digit percentage growth, mainly due to the unfavorable trend in electric power. Moreover it should be remembered that during the year the business incurred other operating costs of €2.4 million referring to CO_2 emission rights purchased from the parent company (€1.0 million in 2017).

(millions of euro)	**2018**	2017	18/17
Net sales	**111.4**	97.0	14.8%
EBITDA	**31.9**	24.1	32.1%
EBITDA recurring	**26.5**	24.1	10.0%
% of net sales	**23.8**	24.9	
Capital expenditures	**6.9**	5.0	38.4%
Headcount at year end n.	**358**	350	2.3%

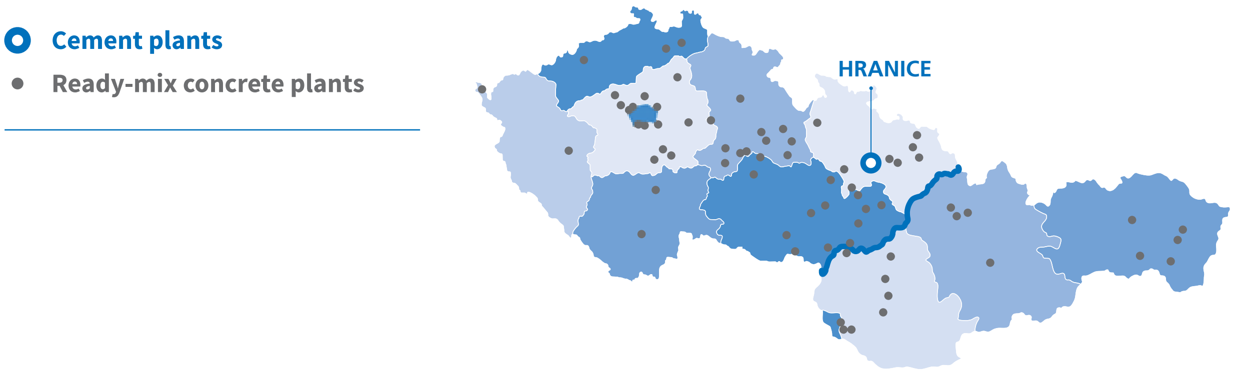
The total investments made in 2018 amounted to €6.9 million, of which €3.0 million referring to general improvement measures on the production line, in particular on the cement mill and the raw mill.

Cement consumption

(millions of tons)



Czech Republic and Slovakia



Economic growth, after the robust expansion phase achieved in 2017, continued at a more moderate pace, but remained solid. In a context in which the slowdown in foreign demand led to a negative contribution to the development of foreign trade, the growth in domestic demand and the recovery in investments continued to support the economy. The favorable wage trend, both in the public and private sectors, the unemployment rate at an all-time low (2.4%) and the good mood of confidence drove the development of demand. The combination of unemployment rate and labor supply for vacancies, being at the lowest levels in Europe, nevertheless show the clear lack of manpower, which is, in the future, a limit to the sustainability of development, together with the significant dependence of the country on the European production chain and the possible volatility linked to it. GDP growth in 2018 is estimated at +3.1%, while inflation, rather stable, is expected at 2.3%. The level of construction investments remained favorable, thanks to the good performance of public infrastructure works, co-funded by the European Union.
The economy of Slovakia in 2018 grew by 3.9%, performing well compared to the previous year.

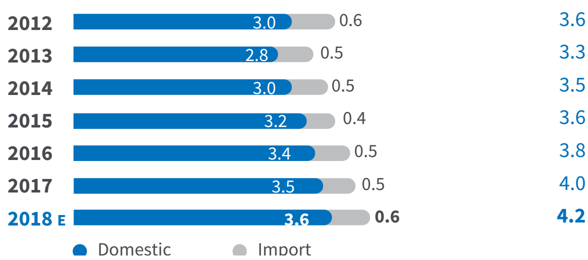
Our cement sales, after a not very brilliant start to the year, subsequently accelerated, closing the financial period clearly up (+9.6%), with average selling prices in local currency marginally improving. The ready-mix concrete sector, which also includes Slovakia, achieved favorable production levels (+5.6%), at a stronger average price. Consolidated net sales therefore amounted to €164.5 million (€147.9 million in 2017, +11.2%), and Ebitda increased from €36.5 to €43.6 million (+19.2%). The strengthening of the Czech koruna had a positive impact on the translation of results into euro. Net of the exchange rate effect, net sales would have been up 9.0%, while Ebitda would have increased by 16.1%. The unfavorable trend of electrical power was offset by some savings in fuel costs and in the main fixed costs. Unit production costs thus recorded a little positive change. During the year the business incurred other operating charges of €0.9 million referring to CO_2 emission rights purchased from the parent company (€0.4 million in 2017).

(millions of euro)	2018	2017	18/17
Net sales	164.5	147.9	11.2%
EBITDA	43.6	36.5	19.4%
% of net sales	26.4	24.7	
Capital expenditures	7.5	8.5	-11.3%
Headcount at year end n.	789	766	3.0%

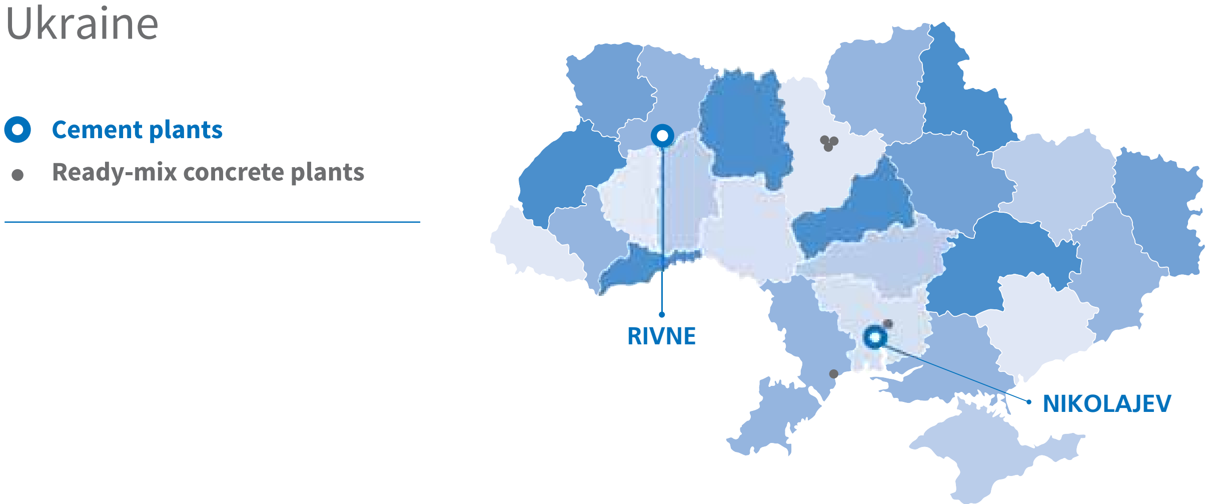
The total investments made in 2018 amounted to €7.5 million, of which €1.1 million referring to the modification of the combustion chamber and to the purchase of quarry land, and in the concrete sector €2.4 million for upgrades to the batching plants as well as €1.1 million for the purchase of truck mixers and pumps.

Cement consumption

(millions of tons)



Ukraine



Efforts to create a more dynamic, open and competitive economic environment, strongly supported by the international community, continue to be conditioned by the delays and difficulties in implementing reforms. The country, which nevertheless managed to recover stability and development, after the terrible crisis of 2014-2015, continued to maintain a pace of recovery not adequate to its real needs and potential and insufficient to recover what was lost during the two-year recession.

The lack of economic momentum and the complicated scenarios of real operations discourage investments, especially foreign ones, and the social unease in the country led, among other things, a considerable number of citizens to look for jobs abroad. GDP growth in 2018, improving on the previous year, is estimated at 3.5%, while the inflation rate, although declining, remained high (+10.9%). In this situation, investments in the construction sector weakened and cement consumption in the country decreased.

Cement volumes sold by our industrial plants, despite the signs of reawakening in the summer months and some recovery in the fourth quarter of the year, closed with a double-digit reduction (-11.8%) compared to the levels achieved in the last period, with prices in local currency which, again driven by inflation, grew significantly. Ready-mix concrete output, on the other hand, maintained a lively expansion (+8.3%), with average prices in local currency significantly increasing. Net sales revenues closed at €88.3 million, compared to €94.5 million reached in 2017, down 6.6%. Ebitda amounted to €7.0 million against €16.0 million

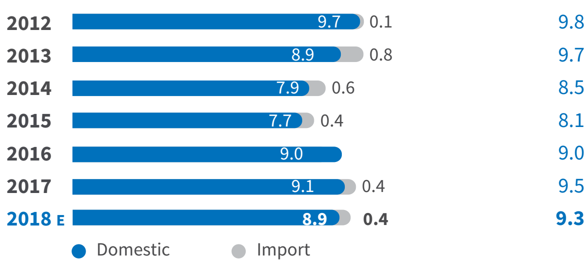
(millions of euro)	2018	2017	18/17
Net sales	88.3	94.5	-6.6%
EBITDA	7.0	16.0	-56.0%
% of net sales	8.0	16.9	
Capital expenditures	7.8	9.4	-16.4%
Headcount at year end n.	1.313	1.384	-5.1%

in 2017, with a marked contraction in Ebitda to sales margin. The translation of results into euro was penalized by the persistent depreciation of the local currency. At constant exchange rates, net sales would have only marginally decreased (-0.1%), while Ebitda in any case would have decreased by 52.9%. The increase of unit production costs in local currency, particularly fuels and electric power, maintained a much more accentuated pace than the already high general inflation rate.

The total investments made in 2018 amounted to €7.8 million, of which €2.3 million for overburden removal in the quarry, €1.1 million for the new packing line, as well as strategic spare parts for the coal mill and the kiln for €1.5 million.

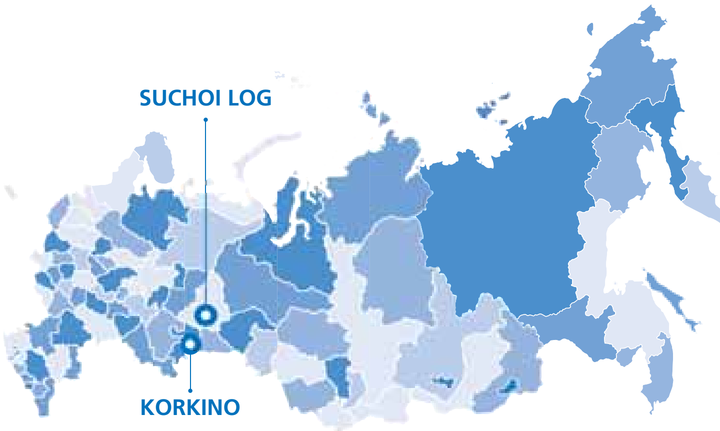
Cement consumption

(millions of tons)



Russia

Cement plants



The moderate recovery phase, which characterized the upswing from the recessive two-year period 2015-2016, continued during the current year, supported by the increase in available income and the growth in domestic demand. Development remains hampered by structural problems, such as the widespread state presence, excessive regulations, high concentration in many sectors of the economy and a large lack of infrastructure, which continue to slow down investments and growth.

Imports, after the rapid acceleration of the previous year, were held back by the weakness of the ruble, while exports remained robust, thanks also to a recovery in the production of the energy sector. The improved conditions of access to credit favored investments and consumption. GDP growth for the whole of 2018 is expected at 1.7%, while inflation, which is slowing down, is estimated at 2.8%.

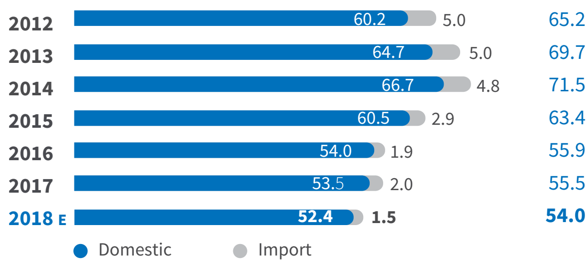
Our sales volumes, thanks to a more robust development in the second half of the year, despite some weakness of the special oil well cements, closed the entire period with a favorable change on the previous year (+5.4%) and average prices in local currency increasing. Net sales stood at €185.5 million, compared to €184.3 million in the previous year (+0.6%). The depreciation of the ruble negatively affected the turnover by €22.8 million. At constant exchange rates, net sales would have been up 13.0%. Ebitda increased from €46.0 to €50.1 million (+9.0%): in local currency, it would have been up 22.3%. Ebitda to sales margin, on the rise, confirmed a level above the group average (27.0%). Unit production costs, in local currency, showed double-digit growth, driven by the inflation of energy factors.

(millions of euro)	2018	2017	18/17
Net sales	185.5	184.3	0.6%
EBITDA	50.1	46.0	9.0%
% of net sales	27.0	24.9	
Capital expenditures	17.1	8.5	102.6%
Headcount at year end n.	1.435	1.456	-1.4%

The total investments made in 2018 amounted to €17.1 million, of which €8.9 million referring to the modernization of the kiln electrofilter and to the purchase of railway wagons in Suchoi-Log. The main investments made at Korkino concerned works on the cement silos, the kiln cooler and the fuel storage for €2.9 million.

Cement consumption

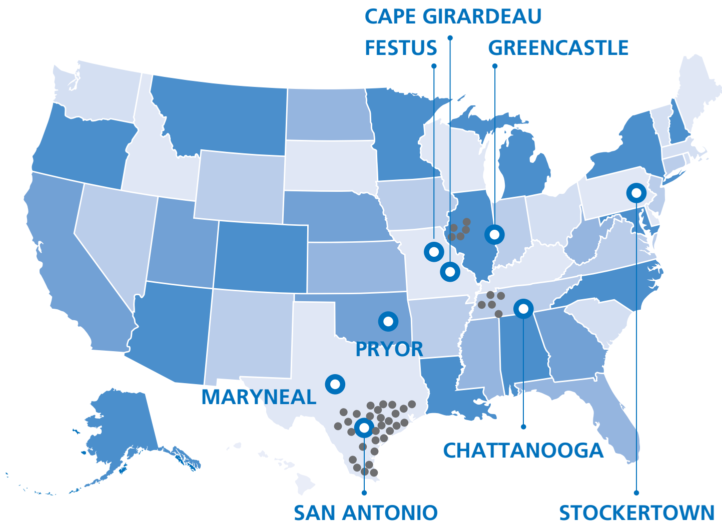
(millions of tons)



United States of America

Cement plants

Ready-mix concrete plants



GDP growth maintained a consistent development also in the final part of the year, assisted by the stable expansion of consumption, by progress in the labor market and by the high consumer confidence index, in an economic context that started to benefit from the tax cuts and increasing public spending, i.e. from new stimulus for both private and public investments.

Net exports, especially in the first half, contributed positively to the recovery and the unemployment rate decreased below 4%, confirming the lowest levels of the last 50 years. The recent shutdown of the public administration contributed to the climate of uncertainty generated by the trade policies towards China, that is affecting the country's economic activity and momentarily clouded growth prospects.

GDP for 2018 is expected to increase by 2.9%, thus significantly improving over the previous year, while inflation at the end of the year stood at 1.9%. The FED, in its meeting of 19 December 2018, raised the reference rates while, in the future, expectations foresee a more gradual monetary tightening. Construction investments slowed down to +0.5%, with stability in the residential, a decline in the commercial and recovery in the infrastructure sector.

Our sales of hydraulic binders, during 2018, were very affected by the particularly adverse weather: intense cold in the first quarter and unprecedented rainfall levels in the third quarter, in particular in September. Therefore, even if the deliveries of the last quarter provided some indication of recovery, the entire year closed with volumes lower than the previous period (-1.1%) and selling prices, in local currency, which achieved a favorable variation of a few percentage points.

(millions of euro)	2018	2017	18/17
Net sales	1,069.6	1,110.6	-3.7%
EBITDA	341.2	369.6	-7.7%
EBITDA recurring	326.3	371.6	-12.2%
% of net sales	30.5	33.5	
Capital expenditures	92.5	79.6	16.2%
Headcount at year end n.	2,302	2,273	1.3%

Ready-mix concrete production, mainly present in Texas, closed marginally up (+0.3%) compared to the previous year, with prices also recovering. Overall net sales decreased from €1,110.6 to €1,069.6 million (-3.7%), and Ebitda from €369.6 to €341.2 million (-7.7%). The figure for the year includes net non-recurring income of €15.0 million, consisting of gains on the sale of the packaged concrete business for €17.2 million, of €1.7 million for the release of provisions for legal risks and of other charges referring to legal claims for €3.9

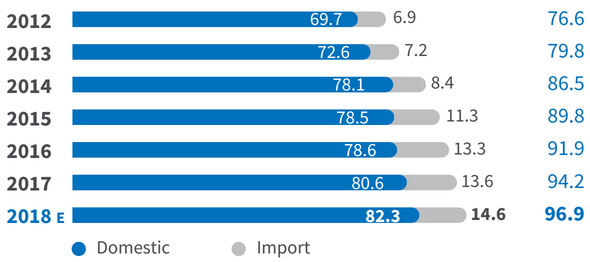
million (€2.0 million net non-recurring costs in 2017). The performance of the dollar had an unfavorable impact on the translation of results into euro. Net of the exchange rate effect and non-recurring items, net sales and Ebitda would have been +0.7% and -8.2%, respectively.

Ebitda to sales margin, although declining, is confirmed at the highest levels of the group (30.5%). Among unit production costs in local currency, which grew much more than inflation did, an unfavorable trend for electric power and an even more marked one for fuels should be pointed out.

The main investments made in the period concerned €12.6 million for the second phase of the modernization and expansion of the Maryneal plant (TX), €8.1 million for the reconstruction of the dedusting system at Cape Girardeau (MO), €6.1 million for the modernization of our distribution system and €3.9 million for the complete renovation of the terminal in Dallas (TX). Moreover, in the concrete sector, new truck mixers were purchased for €2.3 million.

Cement consumption

(millions of tons)



Mexico

(valued by the equity method)

- **Cement plants**
- **Ready-mix concrete plants**

The development of the country's economy, although conditioned by the uncertainties on the policies of the newly elected President and on the prospects for the relationship with the United States of America, showed resilience, confirming a favorable economic situation and positive signs of stabilization in the second half. As a matter of fact, GDP growth, which was lower than 2% in the first half, is expected to reach 2.2% for the year as a whole, improving over 2017. The risks of substantial changes to trade relations with the United States attenuated with the signature of the new commercial treaty between the USA, Mexico and Canada. Economic growth was sustained by domestic demand and by the expansion of net exports. The unemployment rate remained at very low levels (3.3%), while wages significantly increased. Inflation declined, stabilizing below 5%. The activity in the construction sector, after a prolonged period of weakness, showed some signs of recovery in the final part of the year.

Cement sales of the associate Corporación Moctezuma, after a first half affected by the electoral climate, in the second part of the year, in a more serene economic and social context, tended to recover. The entire period closed with volumes lower than the previous year and average selling prices, in local currency, up by a few percentage points. Ready-mix concrete output stopped at visibly weaker levels, but with prices, in local currency, strongly progressing. Net sales and Ebitda, in local currency, posted a reduction

(millions of euro)	2018	2017	18/17
Net sales	**624.7**	686.1	-9.0%
EBITDA	**289.0**	329.3	-12.2%
% of net sales	**46.3**	48.0	
Capital expenditures	**17.0**	28.2	-39.6%
Headcount at year end n.	**1,095**	1,103	-0.7%

of 3.1% and 6.6% respectively. The depreciation of the Mexican peso penalized the translation of the results into euro: with reference to 100% of the associate, net sales came in at €624.7 million (-9.0%), and Ebitda at €289.0 million (-12.2%). Unit production costs grew more than the inflation rate did, penalized by the unfavorable trend in energy factors, particularly of fuels.

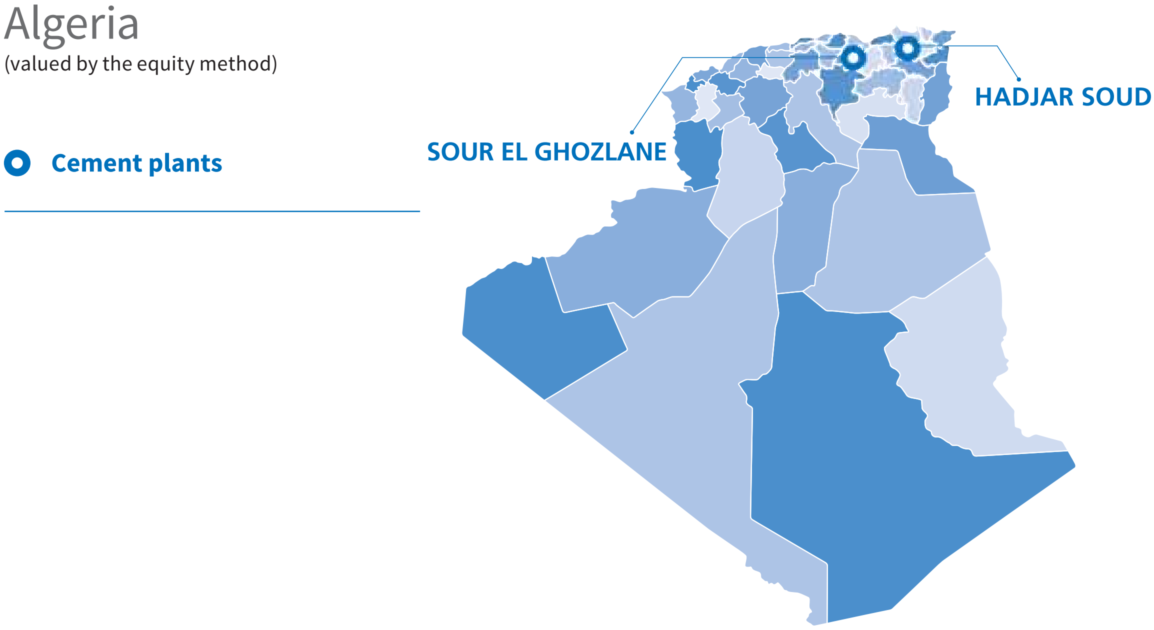
The equity earnings referring to Mexico, included in the line item that encompasses the investments valued by the equity method, amount to €64.2 million (€74.1 million in 2017).

Cement consumption

(millions of tons)

Algeria

(valued by the equity method)



In Algeria, cement consumption in the year under review slightly decreased compared to the previous year, reaching approximately 24 million tons compared to 25 million in 2017 (-4%). The slowdown is mainly due to the decrease in public investment spending, determined, among other things, by the persistence of low prices in the hydrocarbons sector. As a matter of fact, it should be highlighted that the country's economy still depends to a large extent on gas and oil exports.

In recent years many new cement production lines have been announced and most of them have been built. According to our estimates the installed production capacity increased from 20 million tons in 2012 to approximately 27 million tons in 2018. However, several initiatives are still in progress. Always according to our estimates, in 2020/2021 cement production capacity in the country will reach 35 million tons. This supply surplus with respect to demand should generate some commercial turbulence in the coming years with foreseeable effects on the price and activity levels of the individual plants. GICA and LafargeHolcim, the two main cement producers, announce their intention to allocate part of the excess production capacity to export. Currently exports remain episodic, but it is likely that the efforts made in this regard in the coming years will lead to some significant results, especially towards sub-Saharan Africa countries.

The Hadjar Soud cement plant sold 1.0 million tons of cement, down 8.7% compared to the previous year. The engineering activities for the revamping of the plant continued. A radical transformation of line 1 is foreseen, with a substantial technological modernization, which will entail, among other things, a reduction, like-for-like, of the production costs and an increase in clinker capacity of about 300,000 ton/year.

The Sour El Ghozlane cement plant sold 1.1 million tons of cement, down 3.6% compared to 2017.

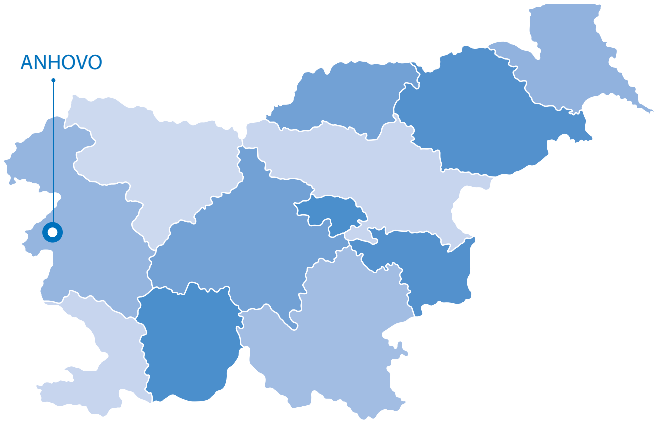
With reference to 100% of both associates and their individual financial statements, the 2018 financial year closed with net sales at €89.5 million, down compared to €105.3 million in the previous year. The reduction is attributable especially to the depreciation of the dinar and, partly, to the lower level of activity. Ebitda was also down (-12.2%), standing at €41.8 million. However, profitability remains interesting. Forecasts for 2019 indicate production, sales and results further decreasing compared to the period under review.

The presidential elections are scheduled during 2019, as a result of which the Algerian political framework, which has been stable for many years, could undergo some transformation. Currently it is not possible to make reliable forecasts regarding the impact that these elections may have on the country's general economic situation.

Slovenia

(valued by the equity method)

Cement plants

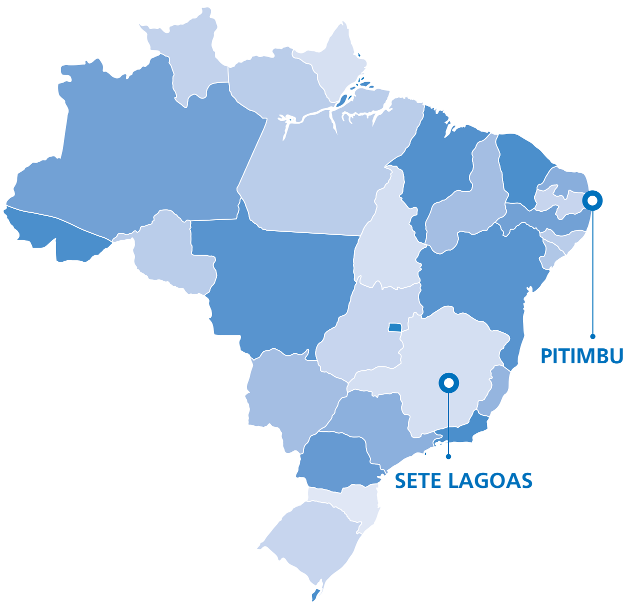


The country's economy, also in 2018, confirmed a balanced development, with robust GDP growth (+4.4%), supported by the positive trend in investments, in the domestic demand, in the employment rate, in net exports and with a reduction of public debt. The level of construction investments remained favorable, mainly thanks to the positive performance of the public infrastructure sector, co-funded by the European Union. Domestic cement consumption in the country is estimated at approximately 0.8 million tons. Buzzi Unicem operates in Slovenia through the associate Salonit Anhovo, a subsidiary of the Wietersdorfer group (Austria), which is the main hydraulic binders producer in the country and operates with a full-cycle cement plant with a production capacity of approximately 1.3 million tons/year, 3 batching plants and 3 natural aggregates quarries. In 2018 the company recorded a production of approximately 1.1 million tons, in line with the previous year. With reference to 100% of the associate, the 2018 financial year closed with net sales at €67.1 million, up from €58.7 million of the previous period, and Ebitda at €19.5 million, also improving compared to €16.6 million in 2017.

Brazil

(valued by the equity method)

Cement plants



The joint venture BCPAR is the holding company of a group that manufactures and sells cement in the Country, with the trademark Cimento Nacional and two full cycle plants, one located in the North East region (Paraíba) and the other in the South East (Minas Gerais). The investment has been accounted for under the equity method from the acquisition date (end of November 2018), without material impact on the income statement for the period.

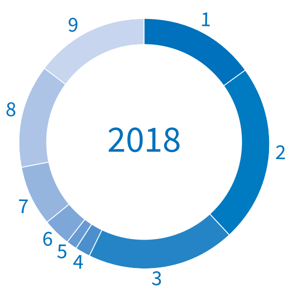
Human Resources

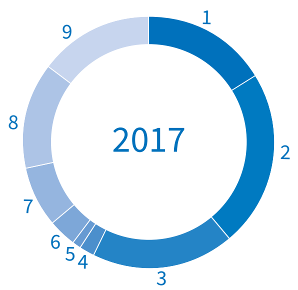
The different and articulated territorial needs where Buzzi Unicem operates have always characterized the international organization of a multi-regional group. Human resources are considered as a constant factor of company growth and the valorization of human capital has always been a pillar on which the competitive development of the company itself is based. The different skills, also as the result of various cultures, are interpreted in Buzzi Unicem as a drive for continuous improvement in order to motivate and maximize the commitment and loyalty within the group.

Due to the demographic change and as a consequence of the continuous reorganization processes, the maintenance and promotion of staff health is one of the most important management levers.
For the promotion of health protection, the subsidiary Dyckerhoff adopted common guidelines, model and objectives in all the businesses in Germany.
The main purpose of this management system is to maintain and improve the health and well-being of staff, refining working conditions and increasing the awareness, among colleagues, of the usefulness of adopting healthy lifestyles.
Within the certification model used, issued by the BG RCI (Association of insurance companies of industrial firms in the chemical and construction materials sectors), Dyckerhoff was the first company in the cement sector to complete the certification of the health management system for the headquarters and all the plants. Even the concrete production facilities will adopt a similar system.
Dyckerhoff was thus able to implement an integrated management system on health and safety at work, environment and energy.

On 9 March 2018 Buzzi Unicem, by means of Dyckerhoff, concluded the contract for the purchase of Portlandzementwerke Seibel & Söhne GmbH & Co. KG, which owns a production plant in Erwitte, North Rhine-Westphalia, thus strengthening its market share in Germany. In September 2018 a Social Plan was signed for the disposal of the industrial activities of Seibel & Söhne, scheduled for September 2019. Approximately 100 redundancies are expected, which had already been announced in February 2019.

Headcount by region at year end





1	Italy	**1,485**
2	United States of America	**2,302**
3	Germany	**1,887**
4	Luxembourg	**185**
5	Netherlands	**126**
6	Poland	**358**
7	Czech Republic and Slovakia	**789**
8	Ukraine	**1,313**
9	Russia	**1,435**
Total		**9,880**

1	Italy	**1,632**
2	United States of America	**2,273**
3	Germany	**1,853**
4	Luxembourg	**187**
5	Netherlands	**124**
6	Poland	**350**
7	Czech Republic and Slovakia	**766**
8	Ukraine	**1,384**
9	Russia	**1,456**
Total		**10,025**

Dyckerhoff has been successfully running a management development program in Germany for 9 years. In September 2017, participants from foreign branches were included for the first time. Out of 17 participants, 5 came from the Czech Republic, Poland and Russia. The program is a cornerstone of managerial potential development activities. It lasts 18 months, is divided into a phase of 12 months of training and 6 months of project work, both running simultaneously with the usual working activities.

In the United States the main topic of the human resources division was the hiring of quality people. The US unemployment rate decreased from 4.1% to 3.7%, reaching its lowest level of the last 50 years. The selection pool of low qualified but reliable personnel is particularly critical in some areas, such as Maryneal (TX).
On the other hand, the graduate engineer selection program is continuing its course for the fifth consecutive year. In 2018, further 4 maintenance engineers and 3 process engineers were hired, for a total of 17 engineers in the company. Each new employee starts a two-year on-the-job training course and is assigned to two or more plants. Once the training course is completed, the engineers are permanently assigned to a cement plant and begin their career path within their own specialization. In 2018 the average wage in the United States increased by 3% while inflation remained pegged at 2.4%.

In Italy, the headcount in the cement sector remained basically unchanged, increasing from 959 employees at 31 December 2017 (to which the 193 former Cementizillo employees are to be added) to 1,140 employees at 31 December 2018. The slight reduction in the total workforce of the cement sector (12 units) is the result of a limited reorganization, carried out at the level of administrative activities of the former central structures of Cementizillo, which started in July 2018. Out of approximately 30 organizational positions related to administrative and technical activities, about twenty were autonomously included in the staff of the two cement plants of Monselice and Fanna. In July 2018, negotiations began with the territorial trade union organizations and workers' representatives to identify shared paths aimed at recovering the other units who had not been relocated yet. The possibility of relocating also these colleagues at the headquarters in Casale Monferrato or at other Buzzi Unicem production facilities was considered, in case they were willing to move. Also the possibility of voluntary severance payments, early retirement and retraining with the support of the so-called outplacement was taken into account. As at 31 December 2018, ten positions had been positively defined.

In January 2018 a dialogue table reopened with the national trade union organizations and the coordination of the unitary trade union representatives of the group, for the resumption of negotiations regarding the second-level contract. Since the industrial (productivity) and economic performance (profitability) is still disappointing, despite the positive contribution of the former Cementizillo activities, the negotiation focused on expanding the representation of workers to the coordination of the unitary trade union representatives of the group, with the signing of an agreement in January 2018, and on welfare activities in the territories. In view of exhaustion of previous leave, the staff engaged in voluntary work will be granted up to five days of paid leave for the performance of the aforementioned activities (agreement signed in May 2018).
The company bargaining activities, due to the start of negotiations for the renewal of the national collective labor agreement, were suspended at the end of the year. Currently tight negotiations are under way for a rapid renewal of the national collective labor agreement of the cement sector, in which Buzzi Unicem is involved with its representatives in the delegation of the associative structure.

In Buzzi Unicem, in 2018, 2,976 training days were conducted with an average per person of approximately 2.65 days. Most of the training concerned occupational health and safety (1,223 days), foreign languages (148 days) and professional technology (1,565 days).

On 22 September 2018, the "Open Day Family and Friends" was held in the Guidonia plant. The employees of the factory, with their families and friends, were invited for a day of celebration in their usual workplace, where educational and informational opportunities were offered also on

the subject of circular economy. This event is part of the corporate program of listening and dialogue initiatives in the territories.
As for the ready-mix concrete sector, in the first half of the year we completed the activities of leasing to third parties the business units pertaining to the Puglia, Sicily and Sardinia regions, as well as Eastern Lombardy and Friuli Venezia Giulia (former Cementizillo). The reorganization involved a total of 110 employees. Almost all the staff moved to the tenant companies, while some employees were relocated to the cement sector. In very limited cases, above all concentrated on the administrative activities of the former regional offices, solutions were identified, together with the territorial trade union organizations, in order to penalize the personnel involved as little as possible.

In Unical, during 2018, 352 training days were recorded, approximately one day per person, mainly focused on the technical-professional field (234 days) and occupational health and safety (109 days).

The table below provides the main Human Resource management data of the group.

	2018	2017
Turnover[1]	19.3%	18.2%
Days of absence[2]	88,627	78,061
Training days[3]	39,209	30,683

[1] Ratio of outgoing employees to workforce at Dec 31, 2017;
[2] Total days of illness and accident;
[3] Total days of internal and external training.

Research and development

Buzzi Unicem devotes particular attention to applied research and thanks to continuous and intense experimentation it is able to pursue innovation in both its production process and products. For this purpose, the company participates as an industrial partner in national and international research projects, contributing to the development of new materials and technologies and the creation of knowledge networks with excellent facilities in the field of scientific research.
The research and development activity consists of 4 key strategic lines:

- **New hydraulic binders**, aimed at promoting activities for developing alternative binders to traditional ones, identifying technologies for re-utilizing scraps and alternative materials in Portland cements, while maintaining a careful eye on what is happening elsewhere in the market. This strategic line also encompasses projects centering on the subject of sulpho-aluminate cement and belitic binders. Sulpho-aluminate cement is a commercial product that is already available on the European and US market under the name of Buzzi Unicem Next. During the course of 2018 the ETA (European Technical Assessment) was renewed, thus allowing its use also in the structural field. The optimization of the clinker production process also continued and work is still underway to obtain technical authorizations in Germany, with the aim of extending its use in areas that are not yet foreseen.
  The development of innovative belitic binders - i.e. cements characterized by a lower need for limestone in raw materials, is now in the industrial experimentation phase, with a large-scale production trial where the technical production feasibility in existing plants was verified. Belitic cements may represent a new category of hydraulic binders for special applications, such as very low heat hydration concrete.
  The use of lower amounts of limestone allows potential cost savings but also significant reductions in CO_2 emissions.

- **High-performance concrete**, aimed at developing new classes of binders offering extremely high mechanical performance (mechanical resistance, modulus of elasticity, durability). The Nanodur binder (that is already commercially available on the market) falls into this strategic line and is undergoing constant development and updating.
  In 2018, the research activity focused on the objective of identifying applications of high performance binders in the structural jobs. One of the fields of use turned out to be the restoration of degraded bridge slabs which, by employing high performance binders, may be carried out with reduced costs and high durability. The regulatory aspects required a recipe optimization and the study of the aspects related to the pouring methods and the choice of plasticizers.

- **Improved construction materials**, aimed at developing new classes of construction materials characterized by improved durability, superior mechanical strength and features such as lightness, thermal insulation and resistance to chemicals, as well as materials that can revolutionize the supply chain of the construction sector, from design to casting of concrete, with the introduction of technological solutions that could lead to different construction techniques, e.g. with fiberglass reinforcement or reinforcement rods that are more resistant to chlorides. It is worth noting the European project Lorcenis (European Horizon2020 call), which is ongoing.
  The LORCENIS project (www.sintef.no/projectweb/lorcenis/) is an interdisciplinary research project involving more than 15 European partners in the research for technological solutions for more durable concrete in aggressive environments. Buzzi Unicem is responsible for the activity concerning durable concretes in acid aggressive environments.

- **Innovative production processes**, aimed at studying innovative technological processes that could have an impact on the properties of cement and concrete, and developing solutions for reducing, storing and converting CO_2. Given the complexity of these types of projects they are considered precompetitive research activities and are managed in pooled working groups with other companies within the sector, among which the ongoing partnership through ECRA (European Cement Research Academy) is worth mentioning.
  In 2018 the European project Cleanker, financed by the European Commission, was conducted

to test a CO_2 capture technology. The project involves 13 partners for a total budget of about €9 million and aims at testing in a demonstrator at the Vernasca plant the capture of a fraction of the CO_2 emitted by the plant through a technology called Calcium looping (http: //www.cleanker.eu/). Buzzi Unicem is involved in the design of the CO_2 capture plant. This project phase can be considered as completed, allowing to begin the preparatory activities for the installation of the equipment at Vernasca, which will start in the course of 2019 with the aim of carrying out the first tests on the CO_2 capture process in the first months of 2020.

As regards research for the concrete sector, this year the commitment on the three main technological lines of development continued:

- **Advanced use of the new components,** with the launch of a research project on the specific technical properties of the individual types of demolition aggregates, which are not yet widely used at industrial level but are intended to become increasingly widespread in the near future; with laboratory and industrial experiments on the most recent admixtures with facilitated rheology and low viscosity, properties being increasingly appreciated by those who carry out the works and which until now we had secured almost exclusively through the control of the properties of the ultrafine cements; with the first experimental applications of the new photoluminescent aggregates suitable for architectural elements with high added value.

- **Innovative properties and performance enhancement,** with the implementation of experimental research: on the fire resistance of high strength concretes, whose behavior in the event of fire must be investigated very carefully with the aim, in the future, of increasing more and more the use of this category of innovative products in the structures; on the influence of the conditions of the first curing of the specimens in relation to their long-term performances, which is particularly useful as a support to the understanding of anomalies that are often observed during the sampling and verification process for the acceptability of supplies; on the negative influence of the finest components of the mix - including the additions of cements and the ultrafine components present in the recycled water - regarding the dispersing capacity of the admixtures, with investigations on the different possibilities we have to compensate for these effects.

- **New dedicated products specifically for applications**, with the experimental study and the development of specific products for the most emerging types of construction: hard shrinkage compensating grouts for the repair of deteriorated or damaged buildings, being more versatile and economical than the various premixed products on the market; concretes for architectural exposed aggregate elements with successful appearance ensured by specific and reproducible rheological properties. Concretes for ornamental, polished or exposed aggregate elements today represent a modest market niche, but in our opinion they offer interesting prospects for the future, because they bring us closer to potential markets with moderate volume but with high added value and demonstrate once again the versatility of ready-mix concrete and its potential opening to applications which today are covered only by other industrial products.

All the properties guaranteed by the concretes, even the most innovative ones, have been uniquely coded in the technological and classification model of our catalog, and each of them has been associated to specific design criteria - general applicable composition restrictions and targets - which are in the phase of standardization and automation in all laboratories, in order to maximize the uniformity and repeatability of product performances in any plant by using local components.

The scientific collaboration with some of the main Italian universities continued this year, as well as the technical partnership with the engineering studios that are responsible for the major projects and see us increasingly involved as consultants both during feasibility analysis and decision-making processes in the execution phase, and during the preliminary design and definition phases of the specifications.

Ecology, Environment and Safety

For years Buzzi Unicem has considered environmental development to be an essential aspect in its approach to running a business. Sustainable development is defined as “development which satisfies the requirements of the present without compromising the capacity of future generations to satisfy theirs” and it can be seen as the interaction of three key elements: economic development, environmental protection and social equality.
The environmental management systems, which are applied in most of the group production units, allow us to have a proactive vision towards significant aspects in the context in which we operate, assessing the risks and opportunities of the implemented activities.

This is the aim of the company’s efforts to increase the thermal substitution rate from non-conventional fuels, to perform appropriate energy audits in the plants, to accurately control the incoming raw materials and fuels, to continuously monitor emissions. They led to the definition of group policies such as those related to climate change, workplace safety and stakeholder engagement.
Moreover, based on these policies, some improvement targets in the short and medium term were defined, as well as continual investments in environmental and safety projects, demonstrating that the group’s commitments go beyond merely complying with laws and in the perspective of a continuous improvement.

In particular, the assessment of the context and the knowledge of stakeholders, such as citizens, authorities, employees, media outlet, are at the base of the ISO 14001:2015 international standard concerning environmental management systems, and of the UNI EN ISO 45001:2015 international standard, relating to occupational health and safety management systems.

The new structure once again confirms that environmental choices are an increasingly integral part of the business of a company. Furthermore, this method is applied throughout the entire life cycle of the product, evaluating and directly involving a company’s customers, suppliers and workforce in the search for maximum eco-compatibility of the company’s processes and in the mitigating the impact of its products, by working safely towards the "zero accidents" target, a reachable although difficult one.
With regard to social aspects we are profoundly convinced that we are promoting the modern culture of “doing business”, with a social and corporate commitment in all areas, from work organization to the working environment, from the spreading of good practices to the involvement and active participation of employees. In particular we organized and planned various informational meetings in our plants, with the aim of explaining to them, in a transparent manner, how the company operates. These meetings have nothing to do with the now obsolete concept of "open plants" but are opportunities of real information on all the sustainability issues.

This has also been our aim during the numerous visits by students, private citizens and the media - who want to understand more about the activities that take place in our production sites - as well as our dealings with local communities and the various student internships in the company.

Aside from a continual improvement of the production process in accordance with environmental, energy and social standards, which is presented and certified within the Sustainability Report, efforts have also been concentrated on reporting on and improving our products’ environmental performance. In particular, in Italy a webtool has been set up that allows the calculation, with maximum transparency and starting from given data, of the environmental performance of our products, based on the diffusion of the EPD (Environmental Product Declaration) certification, which is foreseen by the Green Public Procurement and is available to customers.
This tool has many advantages, being a response to the ever increasing demand for environmental information coming from the market, having a simple interface and guaranteeing certified and validated data.

Non - financial statements

The company has prepared a consolidated non-financial statement pursuant to Legislative Decree no. 254/2016. Such statement is not included in the business review but it represents a distinct and separate report.

The consolidated non-financial statement is included in the 2018 Sustainability Report and is available on the company website www.buzziunicem.com inside the "Sustainability" section.

Internal control and risk management system

The internal control and risk management system of Buzzi Unicem is the set of rules, procedures and organizational structures designed to ensure sound and proper business conduct through a proper process of identification, measurement, management and monitoring of the main risks in a manner that is consistent with our objectives, so as to ensure the safeguarding of assets, the efficiency and effectiveness of business operations, reliability of financial reporting and compliance with laws and regulations.
The board of directors has ultimate responsibility for the system of internal control and risk management, and performs the duties provided by the Code of Conduct, with the support of its internal bodies, such as the Control and Risk Committee, the director responsible for the internal control and risk management system and the Internal Audit department.

Buzzi Unicem is an international group operating in Italy and various foreign countries through subsidiaries and associated companies. Given the complexity of the group, the Internal Audit Department has been adapted to local requirements. It is organic and balanced, is not subject to restrictions, and is entitled to unlimited access to information. The audit methods and techniques it uses are aligned with international standards.

To reduce the risk of a breach of regulations, laws or contractual agreements, Buzzi Unicem and its subsidiaries apply compliance tools, including the code of conduct, code of ethics, anti-trust code, training courses, controls on procedures and, in certain subsidiaries, the use of databases to record any contracts with competitors. These tools are used in the various local businesses based upon the assessment of specific risks.

As part of the internal control system, our corporate risk management involves a 6-monthly procedure of risk inventory-taking, control and reporting, based on a strategy for overall, known and acceptable risk.

The approach to risk in Buzzi Unicem does not aim to eliminate all potential risks, and instead takes into account corporate objectives and seeks to provide a systematic methodology that enables an informed evaluation of risks on the basis of available information on these risks and related issues. The same risks can then be avoided, reduced, transferred as part of the overall management process of risk control.
The operational responsibility for risk limitation is attributed to the heads of central departments and group divisions that are identified as important for risk management. The respective directors are responsible for all material risks that are foreseeable in their departments, regardless of whether they have been identified in the risk management system.

Risks are evaluated in consideration of the probability of their occurrence and the impact on the company assets and, in accordance with standard criteria, taking into account their respective importance and significance. Risk assessments valuations carried out by the group's departments and divisions are recorded in a central database. Analyses are conducted on the categories relating to the risks underlying all the activities of our companies in terms of production, financial, legal and tax matters.

For the sake of completeness, it should be noted that the risks highlighted by the Enterprise risk management system (ERM) and the financial statement provisions are not necessarily mutually consistent, because of the differing purposes of these two instruments (the former concerns prevention and management, while the second relates to correct accounting practice). Indeed, the ERM necessarily takes into account risks that are not included in the financial statement as well as risks the estimation of which (in terms of the their probability of occurrence and impact) is not sufficient for this to be reported in the financial statement. In any case, despite being a management tool that is available to senior management for the evaluation and control of risks, the ERM also has an important role in the allocation of provisions, by providing a more direct and complete knowledge of management events and more accurate valuations for the purpose of provisions.

In 2018 there was an increase of residual risks, meaning risks after containment measures and net of any accounting provisions. The main risk categories to which the group is exposed are: currency, cash and cash equivalents, insurance and sales. The main changes are illustrated below.

- **Currency risks:** In terms of currency, the risk for the parent company associated with the negative impact deriving from conversion to euro of financial statements in foreign currencies remains stable. Currency risks for bank and intercompany loans, in US dollars, are increasing. In the risks assessment database we have considered a 10% fluctuation of the local currencies against the euro versus the exchange rate used in the budget. Currency risks are further illustrated in Note 3 to the consolidated financial statements.

- **Risks on cash and cash equivalents:** The risk of loss of capital deposited in financial institutions, which fluctuates mainly in relation to the available liquidity, is decreasing.

- **Insurance risks:** In the United States we are exposed to risks for possible natural disasters not covered by insurance. These risks have a very low probability.

- **Sales risks:** Slight attenuation of short-term risks on sales in Europe, while in the United States the risk of potential slowdown in the construction market and public spending remains stable.

Medium-long term risks linked with the general conditions of economy and the evolution of the markets in which the group operates: we mention a potential risk of greater competition by producers operating in countries outside of the ETS (Emission Trading System) such as Egypt, Turkey and North African Countries.

Following containment measures that have already been implemented or envisaged by the group's management and the divisions through insurance policies and financial statement provisions, the residual risk represents a very limited fraction of equity.

Related-party transactions

Transactions with related parties, including intercompany transactions, are not considered either atypical or unusual. These transactions take place in accordance with market conditions, taking into account the characteristics of the goods and services being supplied. Information on transactions with related parties are provided in note 49 of this consolidated financial statement.

Outlook

In Italy, the signs of a slowdown in the economy make the performance of the construction sector still uncertain. Although expectations for 2019 refer to cement consumption being substantially stable, the less fragmented structure of the sector, the expectations of a possible upward adjustment of prices, the benefits deriving from the rationalization achieved in the ready-mix concrete sector, in addition to the belief that the level of provisions for bad debt receivables of 2018 is not repeatable in the current year, lead us to believe that a considerable improvement in the operating results can be achieved.

In Central Europe, the additional contribution of Seibel & Söhne for the entire year, which also includes the synergies deriving from the integration, in a context of a moderately expanding construction sector, suggests a favorable development and some further improvement in operating results.

In Poland and the Czech Republic, we expect the respective expansionary economic cycles to continue and the demand for cement at least to stay at 2018 levels. Increases in average selling prices are also expected, but actually they are supposed to absorb the higher energy and CO_2 emission rights costs, therefore with no clear improvements in the operating results.

In Ukraine, after the sharp contraction suffered in 2018 and despite the still fragile prospects of the recovery, some signs of upswing which glimpsed in the final part of last year lead us to cautious optimism. We expect an improvement in volumes and still robust prices to stem the very unfavorable trend in production costs. In short, this should result in a slight advancement of the results from continuing operations, assuming that the local currency does not depreciate excessively.

In Russia we expect the moderate recovery of the economic cycle to continue, which may favor some progress in demand and a gradual improvement of operating results in euro, assuming that the ruble will stabilize at the values recorded at the start to the year.

The development prospects for construction investment in the United States, in the still expansive economic context, suggest a positive trend for cement demand. On the whole, we believe a slight recovery of our volumes is possible, facilitated also by the comparison with the level of shipments made in 2018, which was strongly impacted by the adverse climate, together with the attempt to improve through better prices, depending on market areas, the inflationary pressure which already appeared last year. Ebitda in local currency should therefore reach 2018 levels.

These considerations outline, for the current year, an Ebitda improvement in Italy, slightly better operating results in Central and Eastern Europe areas and basically stable in the United States of America, assuming an average exchange rate of the dollar consistent with the year just ended. In conclusion, we expect that, for the group as a whole, the recurring Ebitda of the entire 2019 may achieve a favorable variance between 5% and 8% versus the previous year.

Photo: De Rotterdam, multifunctional building in Wilhelminapier, district of Rotterdam, Netherlands. Supplier Dyckerhoff Basal. Ph. Bart van Hoek

Financial Information

Consolidated Income Statement

(thousands of euro)	Note	2018	2017
Net sales	7	**2,873,453**	**2,806,213**
Changes in inventories of finished goods and work in progress		10,744	7,132
Other operating income	8	82,154	45,047
Raw materials, supplies and consumables	9	(1,100,591)	(1,068,182)
Services	10	(722,535)	(684,778)
Staff costs	11	(483,205)	(469,275)
Other operating expenses	12	(82,811)	(127,982)
EBITDA		**577,209**	**508,175**
Depreciation, amortization and impairment charges	13	(225,385)	(222,141)
Operating profit		**351,824**	**286,034**
Equity in earnings of associates and joint ventures	14	87,872	96,184
Gains on disposal of investments	15	841	1,507
Finance revenues	16	134,847	67,667
Finance costs	16	(110,110)	(102,707)
Profit before tax		**465,274**	**348,685**
Income tax expense	17	(82,514)	45,888
Profit for the year		**382,760**	**394,573**
Attributable to:			
Owners of the company		382,133	391,622
Non-controlling interests		627	2,951

(euro)			
Earnings per share	18		
basic			
ordinary		1.862	1.898
savings		1.886	1.922
diluted			
ordinary		1.862	1.770
savings		1.886	1.794

Consolidated Statement of Comprehensive Income

(thousands of euro)	**2018**	**2017**
Profit for the year	**382,760**	**394,573**
Items that will not be reclassified to profit or loss		
Actuarial gains (losses) on post-employment benefits	10,549	8,003
Fair value changes of equity investments	3,176	-
Income tax relating to items that will not be reclassified	(2,870)	(9,378)
Total items that will not be reclassified to profit or loss	**10,855**	**(1,375)**
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	51,919	(301,109)
Share of currency translation differences of associates and joint ventures valued by the equity method	5,082	(18,951)
Total items that may be reclassified subsequently to profit or loss	**57,001**	**(320,060)**
Other comprehensive income for the year, net of tax	**67,856**	**(321,435)**
Total comprehensive income for the year	**450,616**	**73,138**
Attributable to:		
Owners of the company	447,492	71,065
Non-controlling interests	3,124	2,073

Consolidated Balance Sheet

(thousands of euro)	Note	31/12/2018	31/12/2017
Assets			
Non-current assets			
Goodwill	19	575,537	548,327
Other intangible assets	19	38,609	44,039
Property, plant and equipment	20	3,059,276	3,000,314
Investment property	21	20,280	22,703
Investments in associates and joint ventures	22	515,897	346,971
Equity investments at fair value	23	8,804	6,688
Deferred income tax assets	39	34,340	43,873
Other non-current assets	24	25,063	23,499
		4,277,806	**4,036,414**
Current assets			
Inventories	25	457,592	403,549
Trade receivables	26	399,396	410,580
Other receivables	27	92,355	114,822
Cash and cash equivalents	28	440,499	810,630
		1,389,842	**1,739,581**
Assets held for sale	29	6,499	7,199
Total Assets		**5,674,147**	**5,783,194**

(thousands of euro)	Note	31/12/2018	31/12/2017
Equity			
Equity attributable to owners of the company			
Share capital	30	123,637	123,637
Share premium	31	458,696	458,696
Other reserves	32	5,260	(64,473)
Retained earnings	33	2,669,357	2,328,589
Treasury shares		(119,465)	(813)
		3,137,485	**2,845,636**
Non-controlling interests	34	6,120	6,490
Total Equity		**3,143,605**	**2,852,126**
Liabilities			
Non-current liabilities			
Long-term debt	35	922,394	1,119,986
Derivative financial instruments	36	-	92,902
Employee benefits	37	391,563	414,929
Provisions for liabilities and charges	38	69,281	85,382
Deferred income tax liabilities	39	335,928	331,128
Other non-current liabilities	40	40,515	64,208
		1,759,681	**2,108,535**
Current liabilities			
Current portion of long-term debt	35	328,033	369,906
Short-term debt	35	14,381	17,621
Derivative financial instruments	24	10,340	-
Trade payables	41	234,985	247,486
Income tax payables	42	8,844	6,613
Provisions for liabilities and charges	38	30,957	22,528
Other payables	43	143,321	158,379
		770,861	**822,533**
Total Liabilities		**2,530,542**	**2,931,068**
Total Equity and Liabilities		**5,674,147**	**5,783,194**

Consolidated Statement of Cash Flows

(thousands of euro)	Note	2018	2017
Cash flows from operating activities			
Cash generated from operations	44	453,372	506,629
Interest paid		(45,384)	(43,928)
Income tax paid		(76,370)	(91,855)
Net cash generated from operating activities		**331,618**	**370,846**
Cash flows from investing activities			
Purchase of intangible assets	19	(3,524)	(4,685)
Purchase of property, plant and equipment	20	(211,747)	(178,989)
Acquisition of subsidiaries, net of cash acquired		(44,173)	(26,851)
Purchase of other equity investments	22	(161,477)	(4,800)
Proceeds from sale of property, plant and equipment		43,443	10,196
Proceeds from sale of equity investments		1,793	2,264
Changes in financial receivables		(812)	(181)
Dividends received from associates	16, 22	80,853	85,257
Interest received		14,379	9,707
Net cash used in investing activities		**(281,265)**	**(108,082)**
Cash flows from financing activities			
Proceeds from long-term debt	35, 45	114,855	279,388
Repayments of long-term debt	35, 45	(370,213)	(226,758)
Net change in short-term debt	35, 45	(3,240)	(46,286)
Changes in financial payables	45	754	2,632
Changes in ownership interests without loss of control	45	(22,866)	(2,282)
Purchase of treasury shares	30	(118,652)	-
Dividends paid to owners of the company	45, 46	(28,135)	(20,553)
Dividends paid to non-controlling interests	45	(484)	(1,492)
Net cash used in financing activities		**(427,981)**	**(15,351)**
Increase (decrease) in cash and cash equivalents		**(377,628)**	**247,413**
Cash and cash equivalents at beginning of year		810,630	603,333
Translation differences		7,497	(40,116)
Cash and cash equivalents at end of year	**28**	**440,499**	**810,630**

Consolidated Statement of Changes in Equity

	Attributable to owners of the company							
(thousands of euro)	**Share capital**	**Share premium**	**Other reserves**	**Retained earnings**	**Treasury shares**	**Total**	**Non-controlling interests**	**Total Equity**
Balance as at 1 January 2017	**123,637**	**458,696**	**257,475**	**1,939,338**	**(4,768)**	**2,774,378**	**32,497**	**2,806,875**
Profit for the year	**-**	**-**	**-**	**391,622**	**-**	**391,622**	**2,951**	**394,573**
Other comprehensive income for the year, net of tax	-	-	(319,188)	(1,369)	-	**(320,557)**	(878)	**(321,435)**
Total comprehensive income for the year	**-**	**-**	**(319,188)**	**390,253**	**-**	**71,065**	**2,073**	**73,138**
Dividends paid	-	-	-	(20,553)	-	**(20,553)**	(1,056)	**(21,609)**
Withholding tax on foreign dividends	-	-	-	(5,728)	-	**(5,728)**	-	**(5,728)**
Acquisition of non-controlling interests	-	-	-	19,186	-	**19,186**	(19,394)	**(208)**
Other changes	-	-	(2,761)	6,093	3,955	**7,287**	(7,630)	**(343)**
Balance as at 31 December 2017	**123,637**	**458,696**	**(64,473)**	**2,328,589**	**(813)**	**2,845,636**	**6,490**	**2,852,126**
IFRS 9 adoption	-	-	2,792	-	-	**2,792**	-	**2,792**
Balance as at 1 January 2018	**123,637**	**458,696**	**(61,681)**	**2,328,589**	**(813)**	**2,848,428**	**6,490**	**2,854,918**
Profit for the year	**-**	**-**	**-**	**382,133**	**-**	**382,133**	**627**	**382,760**
Other comprehensive income for the year, net of tax	-	-	57,416	8,020	-	**65,436**	(372)	**65,064**
Total comprehensive income for the year	**-**	**-**	**57,416**	**390,153**	**-**	**447,569**	**255**	**447,824**
Dividends paid	-	-	-	(28,135)	-	**(28,135)**	(352)	**(28,487)**
Withholding tax on foreign dividends	-	-	-	(3,986)	-	**(3,986)**	-	**(3,986)**
Acquisition of non-controlling interests	-	-	-	(4,055)	-	**(4,055)**	(8,963)	**(13,018)**
Purchase of treasury shares	-	-	-	-	(118,652)	**(118,652)**	-	**(118,652)**
Other changes	-	-	9,525	(13,209)	-	**(3,684)**	8,690	**5,006**
Balance as at 31 December 2018	**123,637**	**458,696**	**5,260**	**2,669,357**	**(119,465)**	**3,137,485**	**6,120**	**3,143,605**

Notes to consolidated financial statements

1. General information

Buzzi Unicem SpA ('the company') and its subsidiaries (together 'the group' or 'Buzzi Unicem') manufacture, distribute and sell cement, ready-mix concrete and aggregates. The group has manufacturing plants in several countries, which also represent the natural outlet for its goods and services. The operations are located mainly in Italy, the United States of America, Germany, Luxembourg, the Netherlands, Poland, the Czech Republic and Slovakia, Ukraine, Russia, Mexico and Brazil.

Buzzi Unicem SpA is a stock corporation organized under the laws of Italy. The address of its registered office is Via Luigi Buzzi 6, Casale Monferrato (AL). The company has its primary listing on the Borsa Italiana (part of London Stock Exchange Group).

These consolidated financial statements were authorized for issue by the board of directors on 28 March 2019.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Buzzi Unicem SpA have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission and with the provisions implementing article 9 of Legislative Decree no. 38/2005. The definition of IFRS also encompasses all valid International Accounting Standards (IAS) as well as all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), including those formerly issued by the Standing Interpretations Committee (SIC).
The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets/liabilities (including derivative instruments) at fair value through profit or loss, as well as on the going concern basis.
The format of the financial statements selected by Buzzi Unicem is the following: for the income statement application of the nature of expense method and presentation of two separate schemes, i.e. a traditional income statement and a statement of comprehensive income; for the balance sheet implementation of the current/non-current classification, which is generally applied by industrial and commercial firms; for the statement of cash flows adoption of the indirect method. Where necessary, comparability of content entails a restatement of the prior year amounts. The items presented in these consolidated financial statements have been somewhat adjusted and integrated compared with those previously published, to give a better representation of the financial position and economic performance of the group.

The company does not show in the income statement, balance sheet and cash flow statement the amount of balances with related parties, separately by line item (pursuant to Consob resolution no. 15519 of 27 July 2006). This indication would not be significant for the representation of the financial and economic position of the group; furthermore, transactions with related parties are disclosed in note 49 of these consolidated financial statements.
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the

process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

The IASB withdrew IFRIC 3 Emission Rights in its June 2005 session. In the absence of new interpretations, the accounting method followed provides not to value as assets the free emissions allowances allocated and to recognize only the effects of emission rights purchasing and/or selling transactions. Moreover a liability is recognized only when emissions exceed the allowances allocated and the deficit will have to be remedied through the purchase of the rights at fair value. Considering the operating conditions expected for the near future, under the third phase of the Emissions Trading Scheme (2013-2020), the allowances allocated to Buzzi Unicem's manufacturing units in the EU countries other than Italy became partially in short supply versus the generated emissions. On the other hand, the emissions deriving from the Italian cement plants should continue to fall behind the allocated rights.

Standards, amendments and interpretations effective in 2018

- IFRS 9 Financial instruments and subsequent amendments. This new standard replaces IAS 39 Financial instruments: recognition and measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. IFRS 9 introduces a new model for expected losses that replaces the one for incurred losses used in IAS 39. The standard revises also the approach to the so called hedge accounting.
  The group adopted IFRS 9 without restatement of comparative information. Adjustments to the opening balance of retained earnings are recognized at 1 January 2018 in the statement of changes in equity.
  The group is now measuring at amortized cost all loans previously held at cost. Loans, as well as trade receivables, are held to collect contractual flows and are expected to generate cash flows representing solely payments of principal and interest. The impact of the new measurement has not been significant.
  Equity investments in non-consolidated companies, previously carried at cost within available-for-sale assets, are now instead measured at fair value through other comprehensive income. When no business plan is available, the valuation at book value of equity is considered to be the closest approximation of the fair value.
  The securities previously recorded at fair value through profit or loss, have been measured at fair value through other comprehensive income, as the group expected to hold these assets for selling and/or to collect contractual cash flows. However such securities have been sold during the year.
  IFRS 9 requires the group to recognize expected credit losses on loans, trade receivables, and all securities either on a 12-month or lifetime basis. The group applied the simplified approach and calculates lifetime expected losses on all trade receivables.
  The main effects on the balance sheet and equity derive from the change in the recognition and measurement of equity investments at fair value through other comprehensive income (increase of €3,083 thousand) and from the application of the impairment model on financial assets (decrease of €16 thousand).

- IFRS 15 Revenue from contracts with customers. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, the payment) to which the company expects to be entitled in exchange for those goods or services. The standard results in enhanced disclosures about revenues, provides guidance for transactions that were not previously addressed comprehensively and improves instructions for multiple-element arrangements.

The group adopted IFRS 15 on the required effective date using the modified retrospective application and booking any changes to the beginning balance of retained earnings at 1 January 2018 in the statement of changes in equity.
According to the nature of our business, the transaction price is allocated to goods delivered or services rendered to customers where there is no condition or uncertainty implying a reversal thereof, and customers assume the risk of loss. In fact the accounting treatment used by the group was already in line with the prescriptions of the new standard and therefore no significant accounting impact has emerged, while the disclosure has been adapted, where necessary, to match the additional requirements of the standard (note 2.5 and 7).

- IFRIC 22 Foreign currency transactions and advance consideration. The interpretation clarifies that, in determining the exchange rate to use for initial recognition of the related asset, expense or income (or part of it) at the time of the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. Buzzi Unicem has elected to apply the interpretation prospectively to all assets, expenses and income that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation. The group aligned its current practice with the interpretation, without any material effect on its consolidated financial statements.

- IFRS 2 Share based payments (amendment): classification and measurement of share based payment transactions. The amendments eliminate diversity in the classification and measurement of certain share-based payment transactions. There was no impact on the consolidated financial statements.

- IAS 40 Investment property (amendment): transfers of investment property. The amendment clarifies the requirements about transfers to and/or from investment property. No effect was recorded on the consolidated financial statements.

Standards, amendments and interpretations that are not yet effective and have not been early adopted.

- IFRS 16 Leases (effective from 1 January 2019). The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract and replaces the previous leases standard, IAS 17 Leases. IFRS 16, which is not applicable to service contracts, but only applicable to leases or lease components of a contract, defines a lease as a contract that conveys to the customer (lessee) the right to use an asset for a period of time in exchange for consideration. IFRS 16 eliminates the classification of leases for the lessee as either operating leases or finance leases as ruled by IAS 17; instead, it introduces a single lessee accounting model whereby a lessee is required to recognize assets and liabilities for all leases with a term that is greater than 12 months, unless the underlying asset is of low value, and to recognize depreciation of leased assets separately from interest expense on lease liabilities in the income statement.

Buzzi Unicem, within the process of assessing the impact that IFRS 16 will have on the accounting treatment of its lease contracts, elected the modified retrospective adoption with the lease liability as an amount equal to the right of use assets. During the transition the group will use the exemption proposed by the standard for contracts with a lease term of 12 months or less after the effective date. Moreover, the group decided to use the practical expedient that allows the exclusion of short-term leases and leases for which the underlying asset is of low value (less than 5.000 euro).
Most part of the contracts currently considered as operating leases, will be recognized in the balance sheet, increasing fixed assets and financial liabilities, with no material effect on the

net assets of the group. The expenses arising from operating leases that are now recognized as services expenses, will be split up between depreciation and interest expense, except for short term and low value asset contracts. Currently payments for operating leases are being shown under cash flows from operating activities in the statement of cash flows; from next year, these cash flows will be split between interest payments and repayments of financial liabilities: the repayment of the financial liability will be classified under cash flows from financing activities.
During the year the group conducted a detailed analysis about the impact of IFRS 16. The effect caused by the standard will concern essentially the accounting treatment of the operating leases and it can be summarized as follows.
At the balance sheet the group has non-cancellable operating lease commitments for €124 million (note 47). Of these commitments, €3 million relate to short-term leases which will be recognized on a straight-line basis as expense in profit or loss. For the remaining lease commitments the group expects to recognize right-of-use assets of approximately €90 million on 1 January 2019 and lease liabilities of equal amount; the residual amount refers to low value assets, so-called “non-lease components” (ancillary charges as insurance, stamps, etc.), as well as to the effect of discounting.
Based on the simulations carried out at 31 December 2018, the group expects that EBITDA will increase by about €24 million, as the operating lease payments were previously included in this intermediate result, unlike the amortization of the right-of-use assets and the interest cost on the lease liabilities.
The operating cash flows of 2019 will be reclassified to flows from financing activities for around €27 million because repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

- IFRIC 23 Uncertainty over income tax treatment (effective from 1 January 2019). IFRIC 23 provides additional guidance in respect to IAS 12 by specifying how to reflect the effects of uncertainty in the accounting tax treatment of a particular transaction or circumstance.

- IFRS 9 Financial Instruments (amendments): prepayment features with negative compensation (effective from 1 January 2019). The amendments allow companies to measure particular prepayable financial assets with the so-called negative compensation at amortized cost or at fair value through other comprehensive income if a specified condition is met, instead of at fair value through profit or loss.

- IAS 28 Investments in associates and joint ventures (amendments): long-term interests in associates and joint ventures (effective from 1 January 2019). The amendments clarify that IFRS 9 must be applied when an entity finances associates and joint ventures with preferred shares or by granting loans for which no reimbursement is expected in the foreseeable future.

At the date of this report the European Union has not yet completed the endorsement process for the following standards and amendments:

- IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures (amendments): sale or contribution of assets between an investor and its associate or joint venture. A full gain (or loss) is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. At the date of this report the European Union has deferred indefinitely the endorsement process required for the amendment to become effective and since which date.

- IFRS 17 Insurance contracts (effective from 1 January 2021). It replaces the previous standard IFRS 4 Insurance contracts and solves the comparison issues created by the same standard, by requiring all insurance contracts to be accounted for in a consistent manner, to the benefit of both investors and insurance companies. Insurance obligations will be accounted for using current values instead of historical cost.

- Annual Improvements 2015-2017 Cycle (effective from 1 January 2019); it is a series of amendments to four IFRSs (IFRS 3, IFRS 11, IAS 12, IAS 23). They relate largely to clarifications, therefore their adoption will not have a material impact on the group.

- IAS 19 Employee benefits (amendment): plan amendment, curtailment or settlement (effective from 1 January 2019). The reworking of the standard clarifies how to account for the amendment, curtailment, or settlement of a defined benefit plan. It is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the same remeasurement.

- IFRS 3 business combinations (amendment): definition of a business (effective from 1 January 2020). The amendment improves the definition of a business versus the definition of a group of asset, clarifying that a business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods and services to customers, generating investment income (in the form of dividends or interest) or generating other income from ordinary activities. The distinction is important because the acquirer will be able to recognize goodwill only in the latter case.

- IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors (amendments): definition of material (effective from 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS standards.

2.2 Consolidation

Subsidiaries
Subsidiaries are all entities (including special purpose entities) over which the group has control. Control over an entity exists when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Intercompany receivables and payables, costs and revenues are eliminated. Significant profits and losses resulting from transactions between consolidated companies and not yet realized with third parties are also eliminated. Dividends distributed within the group are eliminated from the consolidated income statement. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with those adopted by the group.

Subsidiaries either dormant or immaterial, both from an investment point of view and in terms of their net equity and results, are not consolidated and are valued at fair value through other comprehensive income. When no business plan is available, the valuation at book value of equity is considered to be the closest approximation of the fair value.

Changes in ownership interests in subsidiaries
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is as transactions with the owners in their capacity as owners.

The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity as long as control continues to exist.

When the group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to the income statement.

Non-controlling interests in fully consolidated partnerships are included with the line item Other non-current liabilities.

Joint arrangements
Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Buzzi Unicem has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

Associates

Associates are entities over which the group has significant influence but not control or joint control. Generally a holding of between 20% and 50% of the voting rights indicates significant influence. Investments in associates are usually valued by the equity method, i.e. the initial carrying amount of the investment is increased or decreased at each reporting date to reflect the investor's share of the associate's net profit or loss, less any dividends received. The investment in associates includes goodwill identified on acquisition.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the entire carrying amount of the investment is tested for impairment as a single asset, that is goodwill is not tested separately.

Accounting policies of associates have been adjusted where necessary to ensure consistency with those adopted by the group.

Investments in other companies

Other corporations or partnerships, normally not listed companies below 20% ownership, are carried at fair value through other comprehensive income, when this can be reliably determined. When no business plan is available, the valuation at book value of equity is considered to be the closest approximation of the fair value. The profits and losses deriving from the changes in the fair value are charged directly to the other components of the statement of comprehensive income.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.
The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors. Buzzi Unicem's segments are organized based on the geographical areas of operations, featuring similar types of products and services from which revenues are earned.

2.4 Foreign currency translation

Items included in the financial statements of each consolidated entity are measured using the functional currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in euro, which is the company's functional and presentation currency.

Transactions in foreign currency are translated into the functional currency using the exchange rate prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in the income statement. Monetary assets, monetary liabilities, derivative contracts denominated in foreign currencies are translated at the exchange rate ruling at the end of the year. Positive and/or negative differences between the amounts translated at the year-end exchange rate and those recorded at the date of the transactions are also booked to the income statement.

The gain or loss arising on translation of non-monetary items is treated in line with the recognition of the gain or loss on the change in fair value of such items (i.e. translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss are recognized, respectively, in other comprehensive income or profit or loss).

The translation of financial statements denominated in foreign currencies is done at the current rate method. Such method entails translating assets and liabilities at the rates of exchange ruling at the balance sheet date; income statement and cash flows figures are translated at the average exchange rates for the year. On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. The difference that arises from converting the balance sheet and the income statement at different exchange rates is also booked to other comprehensive income. When a foreign operation is sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

The results and financial position of all the group entities that have a functional currency different from the presentation currency have been translated using the following exchange rates:

	Year-end		Average	
(euro 1 = Currency)	**2018**	**2017**	**2018**	**2017**
US Dollar	1.1450	1.1993	1.1810	1.1297
Czech Koruna	25.7240	25.5350	25.6470	26.3258
Ukrainian Hryvnia	31.7362	33.7318	32.1091	30.0197
Russian Ruble	79.7153	69.3920	74.0416	65.9383
Polish Zloty	4.3014	4.1770	4.2615	4.2570
Hungarian Forint	320.9800	310.3300	318.8897	309.1933
Mexican Peso	22.4921	23.6612	22.7054	21.3286
Algerian Dinar	135.4881	137.8343	137.6525	125.3194
Brazilian Real	4.4440	3.9729	4.3085	3.6054

2.5 Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the group expects to be entitled in exchange for those goods or services. The group is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Revenue from contracts is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.
When a contract includes a variable amount of consideration, the amount of consideration to which the group will be entitled in exchange for transferring the goods to the customer, is estimated on the basis of the agreed discounts and premiums. The amount of the discounts is determined at the time of the agreement with the customer: usually a discount is offered to customers against delivery of significant quantities. Volume rebates are booked on an accrual basis and classified as a reduction of trade receivables or as other payables when they are settled in a separate transaction with the customer. Any other variable component (penalties and surcharges) are accounted for directly in the invoice upon delivery.

A trade receivable represents the group's unconditional right to an amount of consideration in exchange for goods or services transferred to the customer. A contract liability (advances received for the sale of cement, ready-mix concrete and aggregate) is the obligation to transfer goods or services to a customer for which the group has received consideration from the customer. If a customer pays consideration before the group transfers goods or services to the customer, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the group performs under the contract, they are not shown separately in the balance sheet but are classified under other payables.

2.6 Finance revenues

Interest income is recognized on a time-proportion basis, using the effective interest method. Dividend income from equity investments that are not consolidated is recognized when the right to receive payment is established.

2.7 Finance costs

They include interest and other costs, such as amortization of premiums or discounts, amortization of ancillary costs incurred in the arrangement of borrowings, finance charges on leases. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets and, therefore, are capitalized until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

2.8 Leases

Leases of property, plant and equipment where the group retains substantially all the risks and rewards of ownership are classified as finance leases. Leased assets are capitalized at the lease's commencement at the lower of the fair value and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in financial debt. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate on the financial balance outstanding. Property, plant and equipment acquired under finance leases are depreciated over their useful life.

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the lease term.

2.9 Government grants

Grants from the government are recognized at nominal value where there is a reasonable assurance that the grant will be received and the group will be able to comply with all attached conditions. The grants are recognized in profit or loss on a systematic basis over the period necessary to match them with the costs that they are intended to compensate.

2.10 Intangible assets

Intangible assets, acquired externally or internally generated, are recognized only if they are identifiable, controlled by the company and able to produce future economic benefit. Intangible assets with definite useful life are booked at the purchase or production cost and amortized on a straight-line basis over their useful lives. Intangible assets with indefinite useful life are not amortized but tested for impairment at least annually and whenever there is an indication of a potential impairment loss.

Goodwill represents the excess of the consideration transferred over the group's interest in the fair value of the net identifiable assets acquired and the fair value of the non-controlling interest in the acquiree. Goodwill is carried at cost less accumulated impairment losses. Goodwill is not amortized and its recoverable amount is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. For the purpose of impairment testing, goodwill is allocated to those cash-generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose.

Separately acquired trademarks and licenses are capitalized on the basis of the costs incurred. Trademarks and licenses acquired in a business combination are recognized at fair value at the acquisition date. Trademarks and licenses have a finite useful life and are amortized using the straight-line method over their estimated useful lives.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of five years. Costs associated with developing or maintaining computer software are recognized as an expense as incurred.

Development costs are capitalized only if and when demonstration of the ability to generate future economic benefits is established.

Mining rights are amortized in the ratio of quarried volumes to available mineral reserves under concession.

2.11 Property, plant and equipment

They are booked at purchase or production cost, including overheads, less accumulated depreciation and any accumulated impairment losses. Production cost includes the reasonably attributable portion of the direct and indirect costs incurred to bring the asset into service. Subsequent costs are capitalized or recognized as a separate asset, as appropriate, only when future economic benefits will flow to the group. The carrying amount of the replaced part is derecognized. Repairs and maintenance are charged to the income statement during the period in which they are incurred; the most relevant strategic spare parts are capitalized when acquired and their depreciation starts when being brought into service.

Property, plant and equipment include raw material reserves (quarries), carried at cost in accordance with IFRS 6 Exploration for and evaluation of mineral resources. They are depleted in the ratio of the quarried material during the period to extractable minerals. Costs incurred to gain access to raw materials deposits (stripping costs) are capitalized and depreciated using the units of production method over the expected useful life of the identified component of the ore body that becomes accessible as a result of the stripping activity.

Depreciation on other property, plant and equipment is calculated under the straight-line method to allocate the cost of each asset to their residual values over their estimated useful lives, as follows:

Buildings	10 – 40 years
Plant and machinery	5 – 20 years
Transportation equipment	3 – 14 years
Furniture, fittings and others	3 – 20 years

An asset's carrying amount is written down to its recoverable amount if the book value is greater than its estimated recoverable amount.

2.12 Investment property

Investment property, comprising land and buildings non-strictly pertinent to the business held to earn rental income and/or for capital appreciation, is carried at cost less accumulated depreciation and impairment losses.

2.13 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When it is not possible to determine the recoverable amount of a single item, the group tests the recoverable value of the cash-generating unit to which the asset belongs.

Where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written-down to their recoverable amount and the impairment loss is charged to income statement. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows expected to be derived through the continued use of an asset or cash-generating unit including its eventual disposal. Cash flows are based on budgets and reasonable and documented assumptions on the future company's results and macro-economic conditions. The discount rate takes into account the specific risks of industry and countries.

If there is an indication that an impairment loss recognized in prior years on an asset other than goodwill may have decreased, the impairment write-down is reversed. After reversal, the carrying amount of the asset shall not exceed the carrying amount that would have been determined (net of depreciation and amortization), had the impairment loss not been recognized.

2.14 Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2.15 Financial assets

The group classifies its financial assets in the following categories: at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, for which the group has applied the practical expedient, the group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest.

The group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

For purposes of subsequent measurement, financial assets are classified in the categories at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss.
The group measures financial assets at amortized cost if both of the following conditions are met:
- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The financial assets at amortized cost include loans to non-consolidated companies, loans to third parties or to customers and are included under other current and non-current receivables.

Financial assets at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the group can elect to designate irrevocably its equity investments at fair value through other comprehensive income, when they are not held for trading. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized in the statement of profit or loss when the right of payment has been established. The group classified in this category equity investments in non-consolidated subsidiaries.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. The group mainly classifies in this category derivative financial instruments and trust agreements in connection with retirement obligations in the United States.

Impairment of financial assets

The group recognizes an allowance for expected credit losses (ECLs) for financial assets at amortized cost. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the group expects to receive, discounted at an approximation of the original effective interest rate. Expected credit losses are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, an allowance is provided for credit losses that result from default events that are possible within the next 12-months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure. For financial assets at fair value through other comprehensive income, the group applies the low credit risk simplification; at every reporting date, the group evaluates whether the financial asset is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.16 Derivative financial instruments

The group makes use of derivative contracts for hedging purposes, to reduce currency, interest rate and market price risks. The cash settlement option related to the convertible bond (note 36) is accounted for as a financial liability for embedded derivative.

At the end of 2018, a purchase agreement was signed aimed at acquiring a 50% interest in BCPAR SA, a company under Brazilian law operating in the cement industry, which provides for the joint control of BCPAR by Buzzi Unicem and Brennand Cimentos, as well as the possible future exercise of the put and call option rights on the 50% interest still held by the same Brennand Cimentos (note 5). Being a jointly controlled entity, the put and call option on the remaining 50% represents a derivative financial instrument whose value is equal to the difference between the exercise price of the option and the fair value of the shares to be acquired (note 36).

Derivative financial instruments are initially recognized and subsequently measured in the balance sheet at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as hedging instrument and, if so, the nature of the item being hedged. Certain derivative instruments, while providing effective economic hedges, do not qualify for hedge accounting. Changes in the fair value of any these derivative instruments are recognized immediately in the income statement.

Hedge accounting is allowed only when at the inception of the hedge there is formal designation and documentation that identifies the hedging instrument, the hedged exposure, the nature of the hedged risk and how it is determined whether the hedging relationship is effective (including the analysis of the ineffectiveness causes and the methods for identifying the criterion). However Buzzi Unicem does not make use of this accounting treatment.

2.17 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost includes all expenditures incurred in acquiring the inventories and bringing them to their present location and condition. In the case of finished goods and work in progress, cost comprises direct materials, direct labor, other direct costs and attributable production overhead based on normal operating capacity; it excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

Inventories include the emission rights acquired against payment and not yet returned, stated at the lower of cost and net realizable value, which matches the market price at the balance sheet date.

2.18 Trade receivables and payables

Trade receivables represent the group's unconditional right to an amount of consideration in exchange for goods sold and services performed in the ordinary course of business. They are recognized at the transaction price, less provision for impairment. To assess the impairment provision, the group applies the simplified approach in calculating expected credit losses. Therefore, it uses a provision matrix that is based on the historical observed default rates, as well as on past due receivables, adjusted by specific predictors on the counterparty risk, type of product and geographical area.
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized at transaction cost that, given the short-term maturity, approximates their fair value.

2.19 Cash and cash equivalents

They include cash on hand, deposits held at call with banks, money market securities and other highly liquid investments with original maturities of three months or less, which are readily convertible to a known amount of cash and are subject to a very low risk of change in value.

2.20 Treasury shares

When the parent or its subsidiaries purchase the company's share capital, the consideration paid is deducted from equity attributable to owners of the company until the shares are cancelled or disposed of. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of treasury shares. Where such shares are subsequently reissued, the consideration received, net of the related income tax effects, is recognized in equity attributable to owners of the company.

2.21 Debt and borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred, and subsequently carried at amortized cost using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Convertible bonds are accounted for as a compound financial instrument made of two components, which are treated separately only if relevant: a liability and a conversion option. The liability is the present value of the future cash flows, based on the market interest rate at the time of issue for an equivalent non-convertible bond. The amount of the option is defined as the difference between the net proceeds and the amount of the liability component and included in equity. The value of the conversion option is not changed in subsequent periods.

The conversion features of the equity-linked bond issued by the company during 2013 fail equity classification because there are contractual terms entailing a change of both the number of shares and the amount of cash to be converted into shares. Upon exercise of a conversion right the company is entitled to deliver shares, or pay an amount of money or deliver a combination of shares and cash. Therefore, the option is accounted for as an embedded derivative liability, measured at fair value through profit or loss, while the debt host loan is carried at amortized cost as above stated.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement for at least twelve months after the balance sheet date.

2.22 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement except to the extent that it relates to items of other comprehensive income or directly in equity. In this case the related income tax effect is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the group operates and generate taxable income. The tax rates applied vary according to the jurisdiction and fiscal situation of each consolidated company. Income tax payables for the period are credited to current liabilities. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Some Italian companies are members of a controlled group of corporations for domestic income tax purposes, with Fimedi SpA (majority shareholder of the group) acting as the parent.

Deferred income tax is provided in full using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amount in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill and deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit (loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is provided on temporary differences arising from investments in subsidiaries, associates and joint arrangements, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Current tax assets and current tax liabilities are offset only if the enterprise has the legal right and the intention to settle on a net basis. Deferred income tax assets and deferred income tax liabilities are offset when the enterprise has the legal right to settle on a net basis and when they are levied by the same taxation authority on the same taxable entity or different taxable entities that intend to realize the asset and settle the liability at the same time.

2.23 Employee benefits

Pension plans
The companies of the group operate several defined benefit and/or defined contribution pension schemes.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually as a function of one or more factors such as age, years of service and compensation. The liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. Independent actuaries calculate the defined benefit obligation and the service cost annually, using the projected unit credit method. In determining the appropriate discount rate, the group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. If the calculation of the balance sheet amount results in an asset, the amount recognized is limited to the present value of economic benefits available in the form of refunds or reductions in future contributions to the plan. The expense related to the discounting of pension liabilities for defined benefit plans are reported separately within finance costs. All other expenses associated with pension plans are allocated to staff costs.

A defined contribution plan is a pension plan under which a company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis, and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all accrued benefits. The contributions are recognized as employees render their services and are included in staff costs.

Other post-employment benefits
Life insurance and health coverage plans are considered defined benefit programs. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as for defined benefit pension plans.

Until 31 December 2006, the scheme underlying the Italian employee severance indemnities (TFR) was classified as a defined benefit program. The legislation regarding this scheme was amended by the "Financial Law 2007" and subsequent regulations issued in the first part of 2007. Following these changes, for legal entities with at least 50 employees, the TFR only continues to be classified as a defined benefit plan for those benefits accrued up to 31 December 2006, while after that date the scheme is classified as a defined contribution plan.

2.24 Provisions for liabilities and charges

They are liabilities of uncertain timing or amount. A provision is recognized when the group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be estimated reliably. Amounts provided for are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Restructuring provisions are recognized in the period in which the company formally defines the plan and creates a valid expectation in the interested parties that the restructuring will occur.

Provisions are measured on a present value basis where the effect of discounting is material. The increase in the provision due to passage of time is recognized as interest expense.

2.25 Dividend distribution

Dividend distribution is recorded as a liability in the financial statements of the period in which the dividends are approved by the company's shareholders. Disclosure of dividends proposed but not formally approved for payment is made in the notes.

3. Financial risk management

3.1 Financial risk factors

The group's activities are exposed to a variety of financial risks such as market risk (including currency, price and interest rate), credit risk and liquidity risk. The group uses, infrequently, derivative financial instruments to hedge certain risk exposures. A central treasury and finance department carries out risk management and identifies, evaluates and possibly hedges financial risks in close co-operation with the group's operating units.

Market risk

Buzzi Unicem operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the currencies of Russia and Brazil. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. The foreign subsidiaries or joint ventures enjoy a natural hedging on market risk, since all major commercial transactions are made in their functional currency and are not suffering from the foreign exchange fluctuations. Management has introduced a policy to require the group entities to control their residual exposure to exchange rate risk, by using mainly debt instruments, cash in foreign currency or derivative contracts, such as for example forward purchase, transacted according to internal guidelines. The general medium/long-term policy is to evaluate hedging the anticipated cash flows of a significant amount and that are denominated in high volatility currencies.

The net investments in foreign operations as well as their operating and net results are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the group's foreign operations is managed partially through borrowings denominated in the relevant foreign currency.

The recognition of exchange rate risks concerning the financial instruments to which IFRS 7 is applicable, shows the following net exposure to foreign currencies:

(thousands of euro)	2018	2017
Euro	(61,278)	(55,334)
US Dollar	(487,556)	27,987
Brazilian Real	157,516	-
Czech Koruna	(287)	(1,855)
Russian Ruble	(55,597)	(46,262)
Polish Zloty	(9,017)	(585)

Hereinafter are the results of the sensitivity analysis that was conducted considering a revaluation/devaluation of the euro versus the currencies to which the group has a significant exposure, with a direct 10% effect on the net exposure in euros reported in the table above. The potential impact on profit before tax is therefore considered, keeping unchanged all other financial statement items that are not affected by the assumed variance.

As at 31 December 2018, with reference to the net exposure in euro reported above, if the euro had strengthened/weakened by 10%, with a direct effect on the same exposure, against the major foreign currencies to which Buzzi Unicem is exposed, profit before tax for the year would have been €39,494 thousand higher/lower (2017: €2,071 thousand higher/lower). Profit for the year is especially sensitive to the euro/dollar, euro/real and in euro/ruble exchange rates.
Compared to the previous year, net exposure to the dollar increased due to new borrowings and the decrease of cash and equivalents denominated in this currency. The exposure to the real refers to the intercompany loan which has been indirectly used to acquire 50% of the Brazilian holding BCPAR in November 2018.

Buzzi Unicem has a very limited exposure to equity securities price risks because of investments in non-consolidated companies at fair value representing less than 0.1% of total assets. The group is exposed to commodity price risk, mainly because of the repercussions that the trend of the oil price and emission rights can have on the cost of fuels, power and logistics. To cope with this risk the group diversifies its sources of supply and stipulates fixed price contracts over a sufficiently long time frame, sometimes greater than one year, at a level that management thinks being convenient.
Changes in market interest rates can affect the cost of the various forms of financing or the return on investments in monetary instruments, causing an impact at the level of net finance costs incurred. The interest rate risk arises mainly from long-term debt. Borrowings issued at variable rates expose the group to cash flow interest rate risk, which is partially offset by cash invested at variable rates. Borrowings issued at fixed rates expose the group to fair value interest rate risk. Buzzi Unicem's policy is to maintain about 60% of its long-term borrowings in fixed rate instruments. At the balance sheet date, the share of indebtedness at fixed rate is higher, close to 88%, due to the expansive monetary policy that denotes the credit supply. Borrowings at variable rate at the end of 2018 were denominated in euro and in US dollar. Management implements the best strategy about interest rates according to market conditions and, when deemed appropriate, the group may enter into derivative financial instruments to hedge the fair value interest rate risk.

Below are the results of the sensitivity analysis on the exposure to interest rates that was conducted considering a 1% rate increase and a 1% decrease (or by an amount equal to the actual rate in case of values between 0 and 1%) on the financial assets and liabilities of the various group entities, net of intercompany positions. We consider the potential impact on profit before tax, keeping unchanged all other financial statement items that are not affected by the assumed variance.

The group analyses its interest rate exposure on a dynamic basis, taking into consideration refinancing, renewal of existing positions, alternative financing and possible hedging. Based on the simulations performed, the impact on profit before tax of a 1% interest rate rise would be an increase of €1,985 thousand (2017: increase of €5,357 thousand), while the impact of an interest rate reduction of 1% or equal to the amount of the actual rate in case of values between 0 and 1%, would cause a decrease of €862 thousand (2017: decrease of €3,405 thousand). For each simulation, the same interest rate change is used for all currencies. The sensitivity scenarios are run only for liabilities that represent the major interest-bearing positions and for the fair value of interest rate derivatives (if actually outstanding at the balance sheet date).

At 31 December 2018, if interest rates on euro-denominated financial assets and financial liabilities had been 1% higher with all other variables held constant, profit before tax for the year would have been €111 thousand higher (2017: €1.599 thousand higher); if interest rates had been lower by 1% or by an amount equal to the actual rate in case of values between 0 and 1%, profit before tax for the year would have been €604 thousand higher (2017: €119 thousand lower). These fluctuations are mainly a result of financial debt that is denominated in euro at the parent company level, partly offset by cash and equivalents euro denominated across the group. At 31 December 2018, if interest rates on cash and equivalents denominated in US dollars at that date had been 1% higher with all other variables held constant, profit before tax for the year would have been €1,348 thousand higher (2017: €3,294 thousand higher), mainly reflecting a lower cash and cash equivalents balance in that currency compared to the previous year; if interest rates had been lower by 1% or by an amount equal to the actual rate in case of values between 0 and 1%, profit before tax for the year would have been €1,071 thousand lower (2017: €2,971 thousand lower).

Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only primary national and international entities with high credit quality are accepted as counterparts. Policies are in place that limit the amount of credit exposure to any financial institution.

The credit management functions assess the quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings. The utilization of credit limits is regularly monitored. Customer credit risk in Italy remained significant during the year.

Due to its widespread customer base, typical of the industry, and to active credit management, Buzzi Unicem has no significant concentration of credit risk in trade receivables. There are no customers generating revenues equal or greater than 10% of consolidated net sales.

An assessment of the possible losses is carried out at each closing date using a provision matrix (note 2.18). The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables presented in note 26. In some countries there are insurance policies or equivalent instruments to cover that risk.

Set out below is the information about the credit risk exposure arising from trade receivables:

	2018			2017		
(thousands of euro)	Trade receivables (gross)	Provision for receivables impairment	% loss coverage	Trade receivables (gross)	Provision for receivables impairment	% loss coverage
Not overdue	287,603	(1,668)	0.6%	269,956	(1,790)	0.7%
Days past overdue						
30 or less	75,432	(1,317)	1.7%	89,090	(1,034)	1.2%
Between 30 and 60	21,075	(1,569)	7.4%	17,853	(874)	4.9%
Between 61 and 90	6,042	(1,212)	20.1%	6,716	(708)	10.5%
Between 91 and 180	10,731	(4,116)	38.4%	13,642	(6,322)	46.3%
Over 180	31,721	(23,326)	73.5%	48,773	(24,722)	50.7%
	432,604	**(33,208)**		**446,030**	**(35,450)**	

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed and uncommitted credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the central treasury department aims to maintain flexibility in funding by keeping availability under committed credit lines.

Cash flow forecasting is performed in the operating subsidiaries and aggregated by the central treasury department. Group finance monitors rolling forecasts to ensure there is sufficient cash to meet operational needs while maintaining sufficient headroom on the undrawn committed borrowing facilities, so that the group does not exceed the borrowing limits or covenants (where applicable) on any of its facilities.

Estimates and projections, considering the changes that may occur in the profitability trend, show that the group is in a position to operate at the present level of financing. Buzzi Unicem prepares the refinancing of borrowings in due time before the upcoming maturities. The company uses different debt instruments and maintains a regular relationship with the usual and prospective financing institutions about the future needs, from which it appears that renewal may take place under acceptable terms. The analysis of maturity dates for the main financial liabilities is included within note 35.

3.2 Capital management

Buzzi Unicem's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or modify the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, make purchases of treasury shares or sell assets to reduce debt.

The capital expenditure program for the group is aligned with the long term objectives and the operating necessities of different geographical units. The executive directors and key managers prioritize the expenditure requirements that are determined by the divisions. Measures aimed at improving efficiency, capacity expansion or new market entries are subject to in-depth profitability analysis to derive their future contribution to operating income.

Consistent with other players in the industry, which is highly capital intensive, the group monitors capital on the basis of the Gearing ratio and the Net debt to EBITDA ratio (Leverage). The first ratio is calculated as net debt divided by total capital. Net debt is determined by the difference between total financial liabilities, cash equivalents and other financial assets. Total capital is calculated as equity as shown in the balance sheet plus net debt. The second ratio uses the same numerator as Gearing and the EBITDA figure as shown in the income statement as the divisor.

During 2018, the group's long term strategy, unchanged versus the previous year, was to maintain a gearing ratio below 40% and a Leverage ratio, that calculated across an adequate period of time (3-5 years) is about 2 times (or lower).

The ratios as at 31 December 2018 and 31 December 2017 were as follows:

(thousands of euro)	**2018**	**2017**
Net debt [A]	890,496	862,462
Equity	3,143,605	2,852,126
Total Capital [B]	4,034,101	3,714,588
Gearing [A/B]	**22%**	**23%**
Net debt [A]	890,496	862,462
EBITDA [C]	577,209	508,175
Leverage [A/C]	**1.54**	**1.70**

The favorable change in the two ratios during 2018 resulted primarily from a high cash flow generation despite a significant level of investment activity, aimed at strengthening the industrial structure in Germany, improving our geographical diversification through a new presence in Brazil, as well as the recurring maintenance, efficiency and compliance projects.

3.3 Fair value estimation

Hereunder an analysis of financial instruments carried in the balance sheet at fair value. The different levels have been defined as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the assets and liabilities that are measured at fair value at 31 December 2018:

(thousands of euro)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Other non-current assets	10,879	1,456	-	12,335
Current financial assets	-	5,425	-	5,425
Equity investments at fair value	-	-	8,804	8,804
Total Assets	**10,879**	**6,881**	**8,804**	**26,564**
Liabilities				
Derivative financial instruments (current)	-	(10,340)	-	(10,340)
Total Liabilities	**-**	**(10,340)**	**-**	**(10,340)**

The following table presents the assets and liabilities that are measured at fair value at 31 December 2017:

(thousands of euro)	Level 1	Level 2	Level 3	Total
Assets				
Other non-current assets	10,500	1,930	-	12,430
Available-for-sale financial assets (current)	1,884	2,816	-	4,700
Total Assets	**12,384**	**4,746**	**-**	**17,130**
Liabilities				
Derivative financial instruments (non-current)	-	(92,902)	-	(92,902)
Total Liabilities	**-**	**(92,902)**	**-**	**(92,902)**

During 2018, there were no transfers between the different levels of fair value measurement. No changes occurred either in the valuation techniques adopted across the two periods.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets is the current bid price. These instruments, when they exist, are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These methods maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required are observable, the instrument is included in level 2. If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Level 2 derivatives consist of the cash settlement option related to the equity-linked bond. This option has been fair valued using market quotes of the public bonds and of Buzzi Unicem ordinary share, considering the implied volatility.

With the adoption of IFRS 9, starting from 1 January 2019, the item "Available-for-sale financial assets" has been eliminated and renamed as "Equity investments at fair value", classified as level 3. The equity investments included in this item are all valued at fair value through other comprehensive income (OCI). When a multi-year plan is not available, the valuation at book value of equity is considered as the best approximation of the fair value (note 23).

Level 3 derivatives also include the put and call option on the remaining 50% share capital of BCPAR SA, following the aforementioned purchase agreement signed on 22 November 2018 (note 2.16). Being a jointly controlled entity, the option represents a derivative financial instrument whose value is equal to the difference between the exercise price of the option and the fair value of the shares to be acquired. Since the price of the option is defined on the basis of the equity value of BCPAR, we deem that it reasonably approximates the fair value of the ownership interest held by Brennand Cimentos. The value of the derivative financial instrument is therefore equal to zero at the date of these consolidated financial statements. Any subsequent changes in the fair value of the derivative will be recognized directly in profit or loss, according to IFRS 9 (note 36).

The group holds several financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments (trade receivables less provision for impairment, trade payables, other receivables, other payables) the carrying amount is considered to approximate their fair value.

The fair value of long-term financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

4. Critical accounting estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions concerning the future that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. By definition the actual results seldom equal the estimated results, above all in situations of economic and financial crisis.

Further disclosures about Buzzi Unicem exposure to risks and uncertainties are provided in the following notes:

- Capital management (note 3.2)
- Financial risk factors (note 3.1)
- Sensitivity analysis (note 19, 22 and 37)
- Legal claims and contingencies (note 48)

Estimates and assumptions

Estimates are continually evaluated according to management's best knowledge of the business and other factors reasonably assumed under the circumstances.
The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates can have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

- *Impairment of non-financial assets*

The information related to the evaluation of non-financial assets is disclosed in note 2.13. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are explained in detail in note 19.

- *Current and deferred income tax*

Significant management judgment is required to determine the amount of income taxes, also based upon the likely timing and the level of future taxable profits, together with tax planning strategies. Tax losses of the group to be carried forward are relevant; they relate to the company and some of its subsidiaries. They do not expire and, due to the judgment on their future utilization over the next five years, it is unlikely that they will be fully applied to offset taxable income. Further details on taxes are disclosed in note 17.

- *Defined benefit plans (pension plans)*

The cost of the defined benefit pension plan and post-employment medical benefits as well as the present value of the defined benefit pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, salary growth rate, mortality rates and pension growth rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details, including a sensitivity analysis, are provided in note 37.

- *Provisions for liabilities and charges*

The provisions result from an estimation process embracing both the amount of resources required to settle the obligation and its maturity. The litigations and claims to which the group is exposed are assessed by management with assistance of the internal expertise and with the support of external specialized lawyers. Disclosures related to such provisions, as well as contingent liabilities, also derive from highly discretionary judgment.

- *Fair value measurement of financial instruments*

When the fair value of a financial asset or liability recorded in the balance sheet cannot be measured based on quoted prices in active markets, then it is determined by using various valuation techniques, including the discounted cash flow model. The inputs to these models are taken from observable markets when possible, but when it is not then a certain degree of judgment is required in assessing the fair value. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in the assumptions relating to these variables could affect the reported fair value of the financial instrument (see note 3.3 for further disclosures).

5. Scope of consolidation

The consolidated financial statements for the year ended 31 December 2018 include the company and 84 consolidated subsidiaries. The total number of consolidated subsidiaries decreased by 3 compared with that at the end of the previous year. Excluded from consolidation are 11 subsidiaries that are either dormant or immaterial.

During 2018 the following changes occurred:

- acquisition of a 100% interest in Portland Zementwerke Seibel & Söhne GmbH & Co. KG and line by line consolidation of this company from 1 May 2018;
- purchase of all residual shares of the subsidiary OAO Sukholozhskcement held by minority shareholders, with no changes in the consolidation method (line by line);
- first line by line consolidation of the subsidiary Eaststone Kft from 1 January 2018 and subsequent merger of this company in the subsidiary Zapa Beton Hungaria Kft;
- acquisition on 22 November 2018 of a 50% interest in BCPAR SA, holding company of the Cimento Nacional group in Brazil, and valuation by the equity method of this company starting from the same date.

During the year, some mergers took place within the group, to continue streamlining and simplifying the organizational structure, without any material effect on the consolidated financial statements. The companies Cementizillo SpA and Cementeria di Monselice SpA were merged into Buzzi Unicem SpA, while Beton Verona Srl and Beton Asola Srl were merged into Calcestruzzi Zillo SpA. In addition, the group sold its ownership interest in the associates Niemeier Beton GmbH.

We recall that, at the beginning of the second half of 2017, Buzzi Unicem purchased 100% of Cementizillo SpA; the company and its subsidiaries have been consolidated line by line since 3 July 2017. Therefore, in the analysis of the income statement and cash flows data it shall be considered that the first six months of 2017 did not include yet that group of companies.

6. Segment information

The chief operating decision-maker identifies with the executive directors, who review the group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on those reports.

The executive directors consider the business by geographical area of operations and from a product perspective they assess in a combined way the performance of "cement" and "ready-mix concrete and aggregates", since the two businesses, vertically integrated, are strictly interdependent. In particular, ready-mix concrete represents essentially a distribution channel for cement and does not require, for the chief operating decision-maker, evidence of separate results.
The executive directors assess the performance of the reportable operating segments based, as main reference, on a measure of operating profit. Net finance costs and income tax expense are not included in the result of each operating segment reviewed by the executive directors.

The measurement of economic performance and of capital expenditures by segment is consistent with the one of the financial statements.

The segment named Central Europe consists of Germany, Luxembourg and the Netherlands; Eastern Europe covers Poland, the Czech Republic, Slovakia, Ukraine and Russia.

2018

(thousands of euro)	Italy	Central Europe	Eastern Europe	United States of America	Brazil	Unallocated items and adjustments	Total	Mexico 100%
Segment revenue	454,762	801,167	547,898	1,069,626	-	-	**2,873,453**	624,686
Intersegment revenue	(5,063)	(460)	-	-	-	5,523	**-**	-
Revenue from external customers	449,699	800,707	547,898	1,069,626	-	5,523	**2,873,453**	624,686
Ebitda	(1,764)	105,596	132,596	341,237	(6)	(450)	**577,209**	288,978
Depreciation	(43,320)	(49,435)	(38,335)	(96,173)	-	(1,543)	**(228,806)**	(24,610)
Impairment charges	(718)	(2,498)	(249)	(166)	-	-	**(3,631)**	-
Write-ups	-	-	-	7,053	-	-	**7,053**	-
Operating profit	(45,803)	53,663	94,012	251,951	(6)	(1,993)	**351,824**	264,369
Equity earnings	77,905	2,205	188	7,574	-	-	**87,872**	468
Purchase of intangible and tangibles assets	24,817	58,569	39,410	92,475	-	-	**215,271**	17,028
Purchase of equity investments	12,274	54,833	-	-	161,409	-	**228,516**	-

2017

(thousands of euro)	Italy	Central Europe	Eastern Europe	United States of America	Brazil	Unallo-cated items and adjust-ments	Total	Mexico 100%
Segment revenue	425,688	747,577	522,525	1,110,551	-	(128)	**2,806,213**	686,126
Intersegment revenue	(2,092)	(18)	-	-	-	2,110	**-**	-
Revenue from external customers	423,596	747,559	522,525	1,110,551	-	1,982	**2,806,213**	686,126
Ebitda	(79,686)	95,513	122,807	369,618	-	(77)	**508,175**	329,241
Depreciation	(37,149)	(41,705)	(39,103)	(98,316)	-	(1,173)	**(217,446)**	(26,488)
Impairment charges	(1,182)	(3,252)	(65)	(196)	-	-	**(4,695)**	-
Operating profit	(118,017)	50,556	83,639	271,106	-	(1,250)	**286,034**	302,753
Equity earnings	84,335	4,510	183	7,156	-	-	**96,184**	402
Purchase of intangible and tangibles assets	25,444	47,783	31,097	79,349	-	-	**183,673**	28,237
Purchase of equity investments	31,380	2,122	210	221	-	-	**33,933**	2,344

Revenues from external customers are derived from the sale of cement or concrete and aggregates and are detailed as follows:

2018

(thousands of euro)	Italy	Central Europe	Eastern Europe	United States of America	Brazil	Total	Mexico 100%
Cement	257,599	439,368	371,061	821,497	-	**1,889,525**	528,053
Concrete and aggregates	197,165	361,797	176,837	248,129	-	**983,928**	96,633
						2,873,453	624,686

2017

(thousands of euro)	Italy	Central Europe	Eastern Europe	United States of America	Brazil	Total	Mexico 100%
Cement	207,335	403,584	366,538	839,285	-	**1,816,742**	575,393
Concrete and aggregates	218,097	344,121	155,987	271,266	-	**989,471**	110,733
						2,806,213	686,126

The group is domiciled in Italy. Revenue from external customers realized in Italy is €415,880 thousand (2017: €351,464 thousand) and total revenue from external customers from other countries is €2,457,572 thousand (2017: €2,454,749 thousand).

The total of non-current assets, other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts), located in Italy is €683,103 thousand (2017: €694,607), while the total of such non-current assets located in other countries is €3,560,363 thousand (2017: €3,297,931 thousand).

As for the dependence degree from major clients, no customers exist generating revenues equal or greater than 10% of Buzzi Unicem consolidated net sales.

7. Net sales

Revenues from contracts with customers derive from goods transferred at a specific time, whose breakdown is illustrated below:

	2018		
(thousands of euro)	**Cement**	**Concrete and aggregates**	**Total**
Goods and services transferred at a point of time	1,889,525	983,928	**2,873,453**
By markets:			
Italy	257,599	197,165	**454,764**
Germany	340,724	266,121	**606,845**
Luxembourg and the Netherlands	98,644	95,676	**194,320**
Poland	73,113	38,268	**111,381**
Czech Republic and Slovakia	33,775	128,960	**162,735**
Russia	185,496	-	**185,496**
Ukraine	78,677	9,609	**88,286**
United States of America	821,497	248,129	**1,069,626**
	1,889,525	**983,928**	**2,873,453**

	2017		
(thousands of euro)	**Cement**	**Concrete and aggregates**	**Total**
Goods and services transferred at a point of time	1,816,742	989,471	**2,806,213**
By markets:			
Italy	207,591	218,097	**425,688**
Germany	305,196	258,433	**563,629**
Luxembourg and the Netherlands	98,132	85,688	**183,820**
Poland	64,816	31,906	**96,722**
Czech Republic and Slovakia	30,858	116,093	**146,951**
Russia	184,339	-	**184,339**
Ukraine	86,525	7,988	**94,513**
United States of America	839,285	271,266	**1,110,551**
	1,816,742	**989,471**	**2,806,213**

The 2.4% increase compared with the year 2017 is due to an increase in the scope of consolidation for 1.9%, to favorable market trends for 3.2% and unfavorable currency effects for 2.7%.

As regards the cement sector, the economic commitment towards the group arises at the time of delivery of the material and the payment is due within 30-120 days from the delivery date. The same pattern applies to the ready-mix concrete sector. However, in the cement sector, some contracts provide customers with the right to a premium, when a certain purchase volume is achieved.

8. Other operating income

This line item consists of income arising both from the ordinary and the non-recurring course of business that is not attributable to core sales of goods and rendering of services.

(thousands of euro)	2018	2017
Recovery of expenses	8,373	7,572
Indemnity for damages	1,024	1,067
Revenue from leased properties	8,103	7,266
Gains on disposal of property, plant and equipment	26,045	4,462
Capital grants	638	475
Release of provisions	10,678	2,743
Internal work capitalized	1,913	2,615
Sale of emission rights	-	240
Other	25,380	18,607
	82,154	**45,047**

The caption gains on disposal of property, plant and equipment includes the amount related to the sale of the business relating to the licensed production of packaged concrete, located in San Antonio (Texas), for a total of €17,150 thousand, as well as the amounts related to the sale of various plot of lands, buildings and other fixed assets situated in Germany (€2,924 thousand), the Netherlands (€617 thousand), Poland (€1,339 thousand), the USA (€3,014 thousand) and Italy (€1,017 thousand).

The release of provisions includes mainly €5,348 thousand related to the antitrust risk in Poland, since the appeal sentence published on 27 March 2018 has definitely reduced the corresponding fine (note 48), as well as the release of the quarry restoration deriving from the partial sale of land belonging to the inactive plant of Oglesby (Illinois) for €1,693 thousand.

The caption other includes an amount of €3,900 thousand for indemnification related to the contract that governs the business combination with Cementizillo, €700 thousand deriving from the earn-out provided in the agreement for the sale of the investment in Addiment Italia Srl to Sika and €729 thousand for higher reimbursement for system charges on the supplies of electrical power.

9. Raw materials, supplies and consumables

(thousands of euro)	2018	2017
Raw materials, supplies and consumables	658,767	649,398
Finished goods and merchandise	37,029	34,137
Electricity	180,238	181,774
Fuels	203,086	183,466
Emission rights	2,743	-
Other goods	18,728	19,407
	1,100,591	**1,068,182**

10. Services

(thousands of euro)	2018	2017
Transportation	415,637	392,100
Maintenance and contractual services	135,661	130,748
Insurance	13,142	13,281
Legal and professional consultancy	18,206	16,110
Operating leases of property and machinery	37,347	35,792
Travel	6,241	6,153
Other	96,301	90,594
	722,535	**684,778**

11. Staff costs

(thousands of euro)	2018	2017
Salaries and wages	357,408	350,536
Social security contributions and defined contribution plans	104,007	100,711
Employee severance indemnities and defined benefit plans	11,390	12,696
Other long-term benefits	595	1,068
Other	9,805	4,264
	483,205	**469,275**

The increase of the line item is due to the changes in the scope of consolidation occurred in 2018 (Seibel & Söhne) and in 2017 (Cementizillo) respectively for €8,337 thousand and €10,908 thousand.
The caption other includes restructuring expenses of €6,443 thousand concerning Germany and Italy (€1,154 thousand in 2017).

The average number of employees is the following:

(number)	2018	2017
White collar and executives	3,672	3,690
Blue collar and supervisors	6,337	6,467
	10,009	**10,157**

The 2018 column includes 87 employees of Seibel & Söhne, target of the business combination occurred during the year.

The decrease is mainly due to the restructuring of Cementizillo (78 employees) as well as the transfer of employees of the Italian ready-mix concrete sector to third parties, following the signing of lease contracts for batching plants that used to be directly managed (83 employees).

12. Other operating expenses

Other operating expenses, related to both the ordinary and the non-recurring course of business, are composed as follows:

(thousands of euro)	2018	2017
Write-down of receivables	10,700	6,272
Provisions for liabilities and charges	10,601	8,645
Association dues	6,310	6,151
Indirect taxes and duties	33,878	33,720
Losses on disposal of property, plant and equipment	1,540	1,425
Antitrust fine	1,671	59,793
Other	18,111	11,976
	82,811	**127,982**

The write-down of receivables is netted by releases in the provision for €3,638 thousand (2017: €2,713 thousand) and it is primarily related to bad debt in Italy.

Provisions for liabilities and charges include €3,646 thousand referring to the restoration of quarries (2017: €3,064 thousand), €3,898 thousand relating to the reimbursement of legal expenses to the plaintiff ruled by the arbitration panel that concluded the dispute with a supplier in the United States and €1,416 thousand referring to the ongoing litigation with the municipality of Guidonia (Rome) regarding property taxes on quarry land, for the years 2012 to 2016 (note 38 and 48).

The portion of the antitrust fine imposed on the subsidiary Unical, that was not covered by the respective risk provision, as reassessed by the Council of State on 26 July 2018, amounts to €1,671 thousand (note 48).
The caption other includes €5,878 thousand for taxes to be paid in installments, again referring to the dispute with the Municipality of Guidonia for the years 2012-2016 (note 48).

13. Depreciation, amortization and impairment charges

(thousands of euro)	2018	2017
Amortization of intangible assets	4,750	5,284
Depreciation of property, plant and equipment	224,057	207,263
Impairment losses of non-current assets	(3,422)	9,594
	225,385	**222,141**

The write-down of fixed assets shows a net positive balance of €3,422 thousand, which mainly derives from a write-up of €7,053 thousand on land pertaining to the Oglesby plant in the United States, due to the realignment of the carrying amount to the agreed sales price, from a write-down of €2,110 thousand relating to the Neubeckum inactive plant in Germany and from other write-downs of €1,521 thousand applied to land and miscellaneous assets.

The increase in property, plant and equipment should be attributed for €10,726 thousand to the positive differential resulting from the Cementizillo business combination, allocated to industrial assets, and for €7,894 thousand to unscheduled depreciation referring to the plants of Lengerich, Amöneburg and Göllheim in Germany, for adjustment of the useful life.

In 2017 the impairment losses included € 3,124 thousand relating to the Markelo sand quarry in the Netherlands and €4,898 thousand for the write-down of the goodwill allocated to the CGU Italy ready-mix concrete.

14. Equity in earnings of associates and joint ventures

The line item includes the share of profit (loss) of investments accounted for under the equity method and possible write-downs, set out in detail below:

(thousands of euro)	2018	2017
Associates		
Société des Ciments de Hadjar Soud EPE SpA	2,993	3,816
Société des Ciments de Sour El Ghozlane EPE SpA	1,707	3,085
Bétons Feidt S.A.	254	2,392
Kosmos Cement Company	7,574	7,051
Laterlite SpA	1,546	1,208
Salonit Anhovo Gradbeni Materiali dd	4,393	2,295
TRAMIRA Transportbetonwerk Minden-Ravensberg GmbH & Co. KG	160	867
Other associates	667	787
	19,294	**21,501**
Joint ventures		
Corporación Moctezuma, SAB de CV	64,192	74,124
BCPAR SA *	1,685	-
Other joint ventures	2,701	559
	68,578	**74,683**
	87,872	**96,184**

* The result refers to the period following the acquisition (December 2018)

15. Gains on disposal of investments

These are non-recurring profits, arising mainly from the sale of the associate Niemeier Beton GmbH and the winding up of the associate NCD Nederlandse Cement Deelnemingsmaatschappj BV.

In 2017 the line item mainly referred to the sale of the investment in the associate Betoncentrale Haringman BV.

16. Finance revenues and Finance costs

(thousands of euro)	2018	2017
Finance revenues		
Interest income on liquid assets	13,196	11,543
Interest income on plan assets of employee benefits	9,427	9,839
Changes in the fair value of derivative instruments	82,562	12,520
Foreign exchange gains	27,036	28,269
Dividend income	185	257
Other	2,441	5,239
	134,847	**67,667**
Finance costs		
Interest expense on bank borrowings	(12,336)	(10,454)
Interest expense on senior notes and bonds	(38,405)	(44,027)
Interest expense on employee benefits	(18,543)	(19,905)
Changes in the fair value of derivative instruments	-	(107)
Discount unwinding on liabilities	(845)	(130)
Foreign exchange losses	(30,976)	(25,614)
Other	(9,005)	(2,470)
	(110,110)	**(102,707)**
Net finance costs	**24,737**	**(35,040)**

The caption other costs includes an amount of €4,913 thousand relating to the earn-out clause in the purchase agreement of Cementizillo, which varies according to the trend of the average cement price in Italy, updated based on the most recent internal estimates.

The increase in net finance costs from the previous year is mainly due to the trend of non-cash items, in particular to the fair value estimation of the cash settlement option embedded in the equity-linked bond (income of €82.562 thousand in 2018 versus an income of €12.520 thousand in 2017). Finance costs also benefit from the reduction in the average cost of debt.

17. Income tax expense

(thousands of euro)	2018	2017
Current tax	84,528	105,749
Deferred tax	(1,366)	(148,453)
Tax relating to prior years	(648)	(3,184)
	82,514	**(45,888)**

The decrease in current tax is substantially due to the coming into force of the tax reform in the United States, which lowered from 35% to 21% the corporate income tax rate effective from 1 January 2018.

In 2018 deferred tax assets were recognized on tax losses of previous years for €20,555 thousand and deferred tax assets were used on losses carried forward for €25,273 thousand. It should be noted that no deferred tax assets were booked against interest expense of the period that can be carried over for €6,539 thousand. In 2017 deferred tax included a reduction of deferred tax liabilities of €165,930 thousand, following the aforementioned reform in the United States.

Tax relating to prior years includes income or charges resulting from the settlement, or probable settlement, with tax authorities of the claims that arose during tax audits and by the review or supplement of income tax returns referring to prior periods.

The reconciliation of income tax computed at the theoretical tax rate applicable in Italy to income tax expense recorded in the consolidated income statement, is the following:

(thousands of euro)	**2018**	**2017**
Profit before tax	465,274	348,685
Italian income tax rate (IRES)	24,00%	24,00%
Theoretical income tax expense	**111,666**	**83,684**
Effect of permanent differences	(28,020)	15,506
Tax relating to prior years	(648)	(3,184)
Effect of lower tax rates in Italy	(5,492)	(4,093)
Effect of rate changes on deferred income tax	2,121	(162,555)
Adjustments to deferred income tax	(3,424)	23,534
Italian regional income tax on production activities (IRAP)	41	272
Other differences	6,270	948
Income tax expense	**82,514**	**(45,888)**

The tax rate for 2018 is equivalent to 18% of profit before tax (compared to a non-recurring positive tax rate in 2017).

18. Earnings per share

Basic

Basic earnings per share is calculated, per each class of shares, by dividing net profit attributable to owners of the company by the weighted average number of shares outstanding during the period, excluding treasury shares. To calculate basic earnings per share attributable to ordinary shares, net profit is adjusted for the amount of the preferential dividend to which savings shares are entitled.

		2018	**2017**
Net profit attributable to owners of the company	thousands of euro	382,133	391,622
attributable to ordinary shares	thousands of euro	305,425	313,426
attributable to savings shares	thousands of euro	76,707	78,197
Average number of ordinary shares outstanding		164,074,006	165,124,149
Average number of savings shares outstanding		40,682,659	40,682,659
Basic earnings per ordinary share	euro	1.862	1.898
Basic earnings per savings share	euro	1.886	1.922

Diluted

Diluted earnings per share is calculated by adjusting the earnings and weighted average number of shares for the effects of dilutive options and other potential dilutive shares. In particular, the instrument “Buzzi Unicem €220,000,000 1.375% Equity-Linked Bonds due 2019” is assumed to have been converted into ordinary shares and the net profit attributable to owners of the company is adjusted to eliminate both the mark-to-market valuation of the cash settlement option and interest expense on the bond itself.
The conversion option attached to the bond “Buzzi Unicem €220,000,000 1.375% Equity-Linked Bonds due 2019”, is exercisable from 1 January 2014. As at 31 December 2018, Buzzi Unicem share price (strike) was lower than the conversion price, therefore there is no dilutive effect and the basic and diluted earnings per share are the same.

		2018	2017
Net profit attributable to owners of the company	thousands of euro	382,133	389,545
attributable to ordinary shares	thousands of euro	305,425	316,574
attributable to savings shares	thousands of euro	76,707	72,972
Average number of ordinary shares outstanding		164,074,006	178,886,190
Average number of savings shares outstanding		40,682,659	40,682,659
Diluted earnings per ordinary share	euro	1.862	1.770
Diluted earnings per savings share	euro	1.886	1.794

19. Goodwill and Other intangible assets

		Other intangible assets			
(thousands of euro)	Goodwill	Industrial patents, licenses and similar rights	Assets in progress and advances	Others	Total
At 1 January 2017					
Cost/deemed cost	767,363	78,915	931	4,664	84,510
Accumulated depreciation and write-downs	(206,129)	(35,201)	-	(2,403)	(37,604)
Net book amount	**561,234**	**43,714**	**931**	**2,261**	**46,906**
Year ended 31 December 2017					
Opening net book amount	561,234	43,714	931	2,261	46,906
Translation differences	(7,772)	(3,088)	(17)	-	(3,105)
Additions	-	4,157	145	513	4,815
Change in scope of consolidation	240	139	7	686	832
Depreciation and impairment charges	(4,898)	(5,008)	(17)	(710)	(5,735)
Reclassifications	(477)	1,224	(898)	-	326
Closing net book amount	**548,327**	**41,138**	**151**	**2,750**	**44,039**
At 31 December 2017					
Cost/deemed cost	759,797	79,460	169	5,863	85,492
Accumulated depreciation and write-downs	(211,470)	(38,322)	(18)	(3,113)	(41,453)
Net book amount	**548,327**	**41,138**	**151**	**2,750**	**44,039**
Year ended 31 December 2018					
Opening net book amount	548,327	41,138	151	2,750	44,039
Translation differences	(5,411)	(4,211)	8	-	(4,203)
Additions	-	2,987	430	154	3,571
Change in scope of consolidation	32,621	13	-	(20)	(7)
Depreciation and impairment charges	-	(4,227)	-	(568)	(4,795)
Reclassifications	-	135	(130)	(1)	4
Closing net book amount	**575,537**	**35,835**	**459**	**2,315**	**38,609**
At 31 December 2018					
Cost/deemed cost	783,605	77,030	476	5,503	83,009
Accumulated depreciation and write-downs	(208,068)	(41,195)	(17)	(3,188)	(44,400)
Net book amount	**575,537**	**35,835**	**459**	**2,315**	**38,609**

At 31 December 2018, the column industrial patents, licenses and similar rights is made up of industrial licenses (€31,622 thousand), application software for plant and office automation (€2,781 thousand), mining rights (€1,158 thousand), industrial patents (€274 thousand).

The increase in goodwill (€27,210 thousand) derives from the definitive accounting for the business combination Seibel & Söhne GmbH & Co. KG for €32,621 thousand, which took place on 5 April 2018 and became final during 2018, fully described in note 50. Also, the translation differences had a negative impact of €6,615 thousand on to the CGU Russia and a positive one of €1,419 thousand on the CGU United States of America.

Goodwill and impairment test
Goodwill at 31 December 2018 amounts to €575,537 thousand and is broken-down as follows:

(thousands of euro)	**2018**	**2017**
Italy (Cement sector)	40,500	40,500
United States of America	38,536	37,118
Germany	128,569	95,948
Luxembourg	69,104	69,104
Poland	88,072	88,287
Czech Republic/Slovakia	106,699	106,699
Russia	104,057	110,671
	575,537	**548,327**

For the purpose of impairment testing, the cash generating units ("CGUs") to which goodwill has been allocated are consistent with the management strategic vision and have been identified by country of operations, considering in a combined way the performance of cement and ready-mix concrete, since the two businesses, vertically integrated, are strictly interdependent. An exception is made for Italy where, considering both the corporate structure (two separate legal entities) and the organizational structure, two CGUs have been identified (cement and ready-mix concrete). The other CGUs correspond to the markets of presence, that are Germany, Luxembourg, the Netherlands, the Czech Republic/Slovakia, Poland, Ukraine, Russia and United States of America.

The recoverable amount of the CGUs, to which goodwill and intangible assets with indefinite useful lives have been allocated, is determined on the basis of their value in use, defined as the discounted value of the expected future cash flows at a rate that incorporates the risks associated with the particular cash-generating units as at the valuation date.

The key assumptions used for the calculation primarily concern:

- *cash flows estimation:*
  The cash flows estimate for each single CGU is based on 5-year plans approved by the board of directors. The management approach in determining the plans is based on sustainable and reasonable assumptions, which ensure consistency among prospective and historical flows and external information. The cash flow used is net of theoretical income tax, changes in working capital and capital expenditures.

- *terminal value:*
  The terminal value is calculated assuming that, at the end of the projection period, the CGU generates a constant cash flow (perpetual). The annual rate of perpetual growth (g) to deduce the terminal value is based on the long-term growth expected for the industry in the country of operation. The development of the cement and ready-mix concrete business, especially, is strictly linked to average per capita consumption, population growth and GDP of the respective country (or where the asset is used). Such parameters are reflected on the (g) factor, which has been determined for each market as follows:

(in %)	ITA	GER	NLD	CZE	POL	UKR	LUX	RUS	USA
g									
2018	**0.70%**	**1.28%**	**1.52%**	**2.06%**	**2.68%**	**7.10%**	**3.00%**	**4.22%**	**1.96%**
2017	1.00%	1.48%	1.48%	2.46%	3.14%	5.46%	3.28%	4.02%	1.86%

- *discount rate:*
  The discount rate represents the return expected by the company's lenders and shareholders to invest their capitals in the business; it is calculated as the weighted average between the equity cost and the cost of debt increased by the country-specific risk (WACC). The discount rates, after tax, applied to the main CGUs are as follows:

(in %)	ITA	GER	NLD	CZE	POL	UKR	LUX	RUS	USA
WACC									
2018	**8.20%**	**5.09%**	**5.21%**	**6.32%**	**6.52%**	**23.64%**	**5.11%**	**11.11%**	**7.60%**
2017	7.93%	5.52%	5.62%	6.61%	6.79%	20.53%	5.53%	10.66%	7.54%

Where present, the value has encompassed also the fair value of the owned raw material reserves, of some investment properties and of banked emission allowances.

Finally, a sensitivity analysis was performed on the recoverable amount of the different CGUs, in order to verify the effects of reasonably possible changes, if any, in the key assumptions. Specifically we reasoned upon changes in the cost of money (and consequently WACC discount rate) and net operating cash flow. In general we can assert that only in the event of a significant cash flow decrease or an increase of discount rate by some percentage points, the recoverable amount would come out lower than the carrying amount at the balance sheet date.

20. Property, plant and equipment

(thousands of euro)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Assets in progress and advances	Other	Total
At 1 January 2017						
Cost/deemed cost	2,933,996	4,567,227	399,666	135,956	110,457	8,147,302
Accumulated depreciation and write-downs	(1,190,492)	(3,318,424)	(305,233)	(30,323)	(94,797)	(4,939,269)
Net book amount	**1,743,504**	**1,248,803**	**94,433**	**105,633**	**15,660**	**3,208,033**
Year ended 31 December 2017						
Opening net book amount	1,743,504	1,248,803	94,433	105,633	15,660	3,208,033
Translation differences	(165,928)	(83,813)	(7,843)	(6,405)	(1,491)	(265,480)
Additions	20,125	52,759	18,746	78,325	3,459	173,414
Change in scope of consolidation	35,913	57,390	9,378	1,224	358	104,263
Disposals and other	(5,412)	(1,834)	(397)	118	(179)	(7,704)
Depreciation and impairment charges	(41,037)	(143,425)	(20,403)	(412)	(5,326)	(210,603)
Reclassifications	41,577	30,735	4,823	(84,337)	5,593	(1,609)
Closing net book amount	**1,628,742**	**1,160,615**	**98,737**	**94,146**	**18,074**	**3,000,314**
At 31 December 2017						
Cost/deemed cost	2,852,481	4,684,190	396,940	124,811	112,161	8,170,583
Accumulated depreciation and write-downs	(1,223,739)	(3,523,575)	(298,203)	(30,665)	(94,087)	(5,170,269)
Net book amount	**1,628,742**	**1,160,615**	**98,737**	**94,146**	**18,074**	**3,000,314**
Year ended 31 December 2018						
Opening net book amount	1,628,742	1,160,615	98,737	94,146	18,074	3,000,314
Translation differences	53,379	10,618	1,344	142	460	65,943
Additions	34,708	80,589	23,787	70,387	3,466	212,937
Change in scope of consolidation	12,284	2,361	198	61	39	14,943
Disposals and other	(5,950)	1,527	(9,649)	(659)	(244)	(14,975)
Depreciation and impairment charges	(42,279)	(152,622)	(19,892)	-	(5,867)	(220,660)
Reclassifications	22,799	44,452	1,488	(71,825)	3,860	774
Closing net book amount	**1,703,683**	**1,147,540**	**96,013**	**92,252**	**19,788**	**3,059,276**
At 31 December 2018						
Cost/deemed cost	2,782,711	4,832,041	410,690	121,916	117,168	8,264,526
Accumulated depreciation and write-downs	(1,079,028)	(3,684,501)	(314,677)	(29,664)	(97,380)	(5,205,250)
Net book amount	**1,703,683**	**1,147,540**	**96,013**	**92,252**	**19,788**	**3,059,276**

Total additions of €212,937 thousand in 2018 are described in the review of operations, to which reference is made. In the cash flow statement and in the review of operations, capital expenditures are reported according to the actual outflows (€211,747 thousand).

The change in the scope of consolidation during the period is attributable to the determination of the amounts deriving from the Seibel & Söhne GmbH & Co. KG business combination; for more details see note 50.

During the year the group capitalized borrowing costs amounting to €373 thousand on qualifying assets (2017: €119 thousand). Borrowing costs were capitalized at the rate of approximately 2.5% (2017: approximately 3.0%).

Positive translation differences of €65,943 thousand reflect basically the strengthening in the dollar/euro and hryvnia/euro exchange rate. In 2017, the trend in the exchange rate of the dollar and other currencies had given rise to overall negative translation differences of €265,480 thousand.

In Germany, since some equipment is idle, it was decided to write-down the same for an amount of €2,110 thousand.

Real guarantees on assets of consolidated companies are represented by liens on industrial and commercial equipment for the amount of €132 thousand at 31 December 2018 (2017: €135 thousand).

Property, plant and equipment include the following amounts where the group is a lessee under a finance lease. The average lease term is 5 years. Purchase options exists, but there are no renewal options. Purchase options are exercised if the strike price is more favorable than or equivalent to the market price at the time the contract expires:

(thousands of euro)	**2018**	**2017**
Cost - capitalized finance leases	3,039	4,803
Accumulated depreciation	(976)	(2,303)
	2,063	**2,500**

Rent expenses amounting to €37,347 thousand (2017: €35,792 thousand) relating to the operating lease of property and machinery are included in the income statement among services (note 10).

During 2006, Buzzi Unicem USA entered into a series of agreements with Jefferson County, Missouri, related to the new Selma plant. Legal title to the plant property was transferred to the County and at the same time the County then leased the same property back to the company, for a period of approximately 15 years, under a sale and lease-back contract. Correspondingly Buzzi Unicem USA has subscribed bonds issued by the County, with the same maturity for an amount of €81,046 thousand at 31 December 2018. Our subsidiary is responsible for all operation and maintenance of the leased assets and has the option to purchase the personal property at the conclusion of the lease term for $1. Should Buzzi Unicem USA not exercise the option, it shall be obliged to pay 125% of the personal property taxes that would normally apply. The plan provides for 50% abatement of personal property taxes for approximately 15 years. Since there was not and there will not be any financial flow between the parties, in compliance with the applicable accounting standards and based on the economic substance of the agreement, the company has not recorded the bond and the financial liability for the capital lease in its consolidated financial statements. The company recorded the original cost of the personal property within property, plant, and equipment and is depreciating the property over the appropriate useful lives. The carrying amount at the balance sheet date is €38,604 thousand.

During 2015, Buzzi Unicem USA entered into a series of agreements similar to the above cited ones with Bel Aire County, Kansas, regarding a new distribution terminal in the city of Wichita. The carrying amount of the assets at the balance sheet date is €5,382 thousand.

21. Investment property

It is accounted for using the cost model and it amounts to €20,280 thousand, showing a decrease of €2,423 thousand versus last year, due to the reclassification to assets held for the sale of land and buildings in Italy for €2,246 thousand. The fair value at the balance sheet date, based on internal appraisals, amounts to €40,043 thousand (2017: €38,489 thousand) and is classifiable as level 2, because based on observable data. The measurement of the market value built on internal appraisals was conducted using comparative estimates based on recent transactions for similar property, where available, and comparing them with information coming from estate agents operating in the same area and with other database publicly available.

(thousands of euro)	2018	2017
At 1 January		
Cost/deemed cost	34,586	33,540
Accumulated depreciation and write-downs	(11,883)	(11,883)
Net book amount	**22,703**	**21,657**
Translation differences	49	(157)
Additions	16	1,448
Disposals and other	(2,601)	(205)
Depreciation and impairment charges	113	(40)
At 31 December	**20,280**	**22,703**
Cost/deemed cost	28,550	34,586
Accumulated depreciation and write-downs	(8,270)	(11,883)
Net book amount	**20,280**	**22,703**

22. Investment in associates and joint ventures

The amounts recognized in the balance sheet are as follows:

(thousands of euro)	2018	2017
Associates valued by the equity method	207,516	197,382
Joint ventures valued by the equity method	308,381	149,511
Associates and joint ventures valued at cost	-	78
	515,897	**346,971**

The net increase of €168,926 thousand was affected upwards by the acquisition of the joint venture company BCPAR SA in Brazil, for €161,409 thousand, and by equity earnings of €87,872 thousand; downwards by the elimination of the dividends for €80,853 thousand.

When events or changes in circumstances indicate that there may be an impairment, the book value of the investments in associates has been tested accordingly. Management measured the value in use as the group's share in the present value of estimated future cash flows. In some cases, the assessment has encompassed the fair value of property owned by the associates. The comparison between the recoverable amount resulting from the calculation and the carrying amount did not provide any evidence of a permanent loss on these assets.

Furthermore, a sensitivity analysis was performed on the recoverable amount of the investments, to verify the effects of reasonably possible changes, if any, in the key assumptions. Specifically we reasoned upon changes in the cost of money (and consequently WACC discount rate) and net operating cash flow. In general we can assert that only in the event of a significant cash flow decrease or an increase of discount rate by some percentage points, the recoverable amount would come out lower than the carrying amount at the balance sheet date, despite the presence of some investments more sensitive to changes in the above assumptions.

22.1 Investments in associates

Set out below are the associates as at 31 December 2018, which, in the opinion of the directors, are material to the group. These associates have share capital consisting solely of ordinary shares, which are held directly or indirectly by the company. The country of incorporation is also their principal place of business.

Nature of investment in associates:

Name of entity	Nature of the relationship	Place of business/country of incorporation	% of ownership interest	Book value	Measurement method
Société des Ciments de Hadjar Soud EPE SpA	Note 1	Algeria	35.0	43,128	equity
Société des Ciments de Sour El Ghozlane EPE SpA	Note 1	Algeria	35.0	44,539	equity
Kosmos Cement Company	Note 2	United States of America	25.0	42,274	equity
Salonit Anhovo Gradbeni Materiali dd	Note 3	Slovenia	25.0	28,351	equity
Other				49,224	equity
Total				**207,516**	

Note 1

Buzzi Unicem holds 35% in Société des Ciments de Sour El Ghozlane EPE SpA and Société des Ciments de Hadjar Soud EPE SpA, two full-cycle cement plants operating in Algeria. They are strategic partnerships for the group presence in emerging markets, where the remaining majority stake is owned by the Algerian State through the industrial holding GICA.

Note 2

The group holds a 25% stake in Kosmos Cement Company, which operates a cement plant in Louisville, Kentucky and has a distribution network in Kentucky, Indiana, Ohio, Pennsylvania and West Virginia.

Note 3

The group holds a 25% stake in Salonit Anhovo Gradbeni Materiali dd, a company owning a full-cycle cement plant in Slovenia, located a few kilometers away from the Italian border. Salonit Anhovo is the main actor in the Slovenian market and it also exports regularly a meaningful portion of its production to the Italian regions across the border.

All four companies are private and there is no quoted market price available for their shares. There are no contingent liabilities relating to the group’s interest in the associates.

Summarized financial information for associates

Set out below is the summarized financial information for the associates that are material to the group, all valued by the equity method.

	Société des Ciments de Hadjar Soud EPE SpA		Société des Ciments de Sour El Ghozlane EPE SpA		Kosmos Cement Company		Salonit Anhovo Gradbeni Materiali dd	
(thousands of euro)	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Summarized balance sheet								
Current assets								
Cash and cash equivalents	24,433	45,361	43,093	32,239	4,005	3,825	10,114	6,874
Other current assets (excluding cash)	24,771	23,091	25,728	24,739	62,591	48,817	30,603	28,552
	49,204	**68,452**	**68,821**	**56,978**	**66,596**	**52,642**	**40,717**	**35,426**
Non-current assets	**74,129**	**50,196**	**38,096**	**38,494**	**131,909**	**128,512**	**108,436**	**109,008**
Current liabilities								
Financial liabilities (excluding trade and other payables and provisions)	-	-	-	-	-	-	5,621	6,345
Other current liabilities (including trade and other payables and provisions)	11,467	13,404	2,350	11,737	25,937	20,837	14,935	12,600
	11,467	**13,404**	**2,350**	**11,737**	**25,937**	**20,837**	**20,556**	**18,945**
Non-current liabilities								
Financial liabilities (excluding other payables and provisions)	-	-	-	-	-	-	13,834	19,260
Other non-current liabilities (including other payables and provisions)	4,564	4,494	12,790	3,095	3,471	4,528	-	-
	4,564	**4,494**	**12,790**	**3,095**	**3,471**	**4,528**	**13,834**	**19,260**
Summarized income statement								
Revenue	42,607	51,537	46,939	53,738	133,556	130,048	83,229	70,765
Depreciation, amortization and impairment charges	(9,270)	(9,896)	(11,773)	(12,371)	13,083	13,320	(9,303)	(9,397)
Finance revenues	426	552	121	188	209	629	2,678	735
Finance costs	(25)	(26)	(13)	(66)	(402)	(362)	(533)	(575)
Income tax expense	(1,879)	(1,504)	(1,134)	(1,474)	-	-	(1,292)	(287)
Profit for the year	**4,877**	**10,902**	**9,108**	**8,813**	**30,297**	**28,205**	**17,770**	**9,383**
Other comprehensive income	2,192	(21,896)	2,227	(19,529)	7,569	(21,722)	-	-
Total comprehensive income	**7,069**	**(10,994)**	**11,335**	**(10,716)**	**37,866**	**6,483**	**17,770**	**9,383**

The above information reflects the amounts presented in the financial statements of each associate (not Buzzi Unicem's share of those amounts) adjusted for possible differences in the accounting policies between the group and the associates.

Reconciliation of summarized financial information

Reconciliation of the summarized financial information presented to the carrying amount of the interest in each material associate.

	Société des Ciments de Hadjar Soud EPE SpA		Société des Ciments de Sour El Ghozlane EPE SpA		Kosmos Cement Company		Salonit Anhovo Gradbeni Materiali dd	
(thousands of euro)	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Opening net assets 1 January	120,471	134,808	107,632	121,421	155,788	181,172	101,581	96,213
Profit for the year	4,877	10,902	9,108	8,813	30,297	28,205	17,770	9,383
Dividends	(4,316)	(3,343)	(4,480)	(3,073)	(24,556)	(31,867)	(7,059)	(4,015)
Translation differences	2,192	(21,896)	2,227	(19,529)	7,569	(21,722)	-	-
Closing net assets	**123,224**	**120,471**	**114,487**	**107,632**	**169,098**	**155,788**	**112,292**	**101,581**
Ownership share (35%; 35%; 25%; 25%)	43,128	42,165	40,070	37,671	42,274	38,947	28,073	25,395
Goodwill	-	-	4,469	4,393	-	-	278	328
Carrying value	**43,128**	**42,165**	**44,539**	**42,064**	**42,274**	**38,947**	**28,351**	**25,723**

22.2 Investment in joint ventures

Set out below are the two joint ventures as at 31 December 2018, which, in the opinion of the directors, are material to the group.

On 22 November 2018, Buzzi Unicem acquired 50% of the capital of BCPAR SA, a company incorporated under Brazilian law active in the cement industry (note 5 and 36).

Name of entity	**Place of business/country of incorporation**	**% of ownership interest**	**Measurement method**
Corporación Moctezuma, SAB de CV	Mexico	33,3	equity
BCPAR SA	Brazil	50,0	equity

Corporación Moctezuma, SAB de CV has a share capital consisting solely of ordinary shares, which is held indirectly by the company. The country of incorporation also corresponds to its main place of business. Corporación Moctezuma, SAB de CV is the holding of a group which manufactures and sells cement, ready-mix concrete and natural aggregates. It is a strategic partnership for the group, whose operations are located in Mexico.
As at 31 December 2018, the fair value of our interest in Corporación Moctezuma, SAB de CV, which is listed on the Bolsa Mexicana de Valores, was €880,548 thousand (2017: €927,135 thousand); the corresponding book value was €150,078 thousand (2017: €147,109 thousand).

BCPAR SA has a share capital consisting solely of ordinary shares, which is held indirectly by the company. BCPAR SA is the holding company of a group that produces and sells cement and owns two full-cycle cement plants operating in Brazil, one in the north-eastern region of the country (state of Paraíba) and the other in the south-eastern area (state of Minas Gerais). In this case too, it is a strategic partnership for the group.

Summarized financial information for joint ventures

Set out below is the summarized financial information for the joint ventures that are material to the group, valued by the equity method:

	Corporación Moctezuma, SAB de CV		BCPAR SA	
(thousands of euro)	2018	2017	2018	2017
Summarized balance sheet				
Current assets				
Cash and cash equivalents	125,451	142,283	34,828	25,574
Other current assets (excluding cash)	103,182	96,195	48,321	43,336
	228,633	**238,478**	**83,149**	**68,910**
Non-current assets	**320,537**	**314,667**	**334,165**	**386,744**
Current liabilities				
Financial liabilities (excluding trade and other payables and provisions)	(492)	(517)	(36,411)	(44,982)
Other current liabilities (including trade and other payables and provisions)	(61,122)	(72,692)	(13,093)	(13,950)
	(61,614)	**(73,209)**	**(49,504)**	**(58,932)**
Non-current liabilities				
Financial liabilities (excluding other payables and provisions)	(645)	(661)	(134,901)	(205,690)
Other non-current liabilities (including other payables and provisions)	(38,025)	(39,256)	(834)	(3,435)
	(38,670)	**(39,917)**	**(135,735)**	**(209,125)**
Summarized income statement				
Revenue	624,686	686,126	132,980	149,352
Depreciation, amortisation and impairment charges	(24,058)	(25,750)	(18,770)	(21,606)
Finance revenues	19,928	17,710	8,912	5,246
Finance costs	(15,491)	(15,823)	(22,953)	(18,708)
Income tax expense	(77,704)	(84,555)	(3,990)	7
Profit for the year	**191,587**	**221,230**	**(4,917)**	**(3,717)**
Other comprehensive income	18,382	(33,334)	-	-
Total comprehensive income	**209,969**	**187,896**	**(4,917)**	**(3,717)**

The above information reflects the amounts presented in the financial statements of each joint venture (not Buzzi Unicem's share of those amounts) adjusted for possible differences in the accounting policies between the group and the joint ventures.

Reconciliation of summarized financial information

Reconciliation of the summarized financial information presented to the carrying amount of the interest in each material joint venture:

	Corporación Moctezuma, SAB de CV		BCPAR SA	
(thousands of euro)	**2018**	**2017**	**2018**	**2017**
Opening net assets 1 January	439,057	462,663	-	-
Profit for the year	191,587	221,168	3,369	-
Other comprehensive income	71	(4)	-	-
Dividends	(201,249)	(211,440)	-	-
Translation differences	18,453	(33,330)	(5,468)	-
Changes consolidation area	-	-	225,004	-
Closing net assets	**447,919**	**439,057**	**222,905**	**-**
% of ownership (33%; 50%)	150,078	147,109	111,453	-
Goodwill	-	-	43,348	-
Carrying value	**150,078**	**147,109**	**154,801**	**-**

23. Equity Investments at fair value

With the adoption of IFRS 9, the "Available for sale financial assets" category was eliminated and renamed as “Equity investments at fair value".

The line item refers to investments in unconsolidated subsidiaries and in other companies, all of them unlisted, whose fair value valuation as at 1 January 2018 has determined a write-up of €3,083 thousand (note 3).

(thousands of euro)	**Subsidiaries**	**Other**	**Total**
At 31 December 2017	**492**	**6,196**	**6,688**
Adoption of IFRS 9	-	3,083	3,083
At 1 January 2018	**492**	**9,279**	**9,771**
Additions	29	-	29
Fair value changes	-	109	109
Disposals and other	(171)	(934)	(1,105)
At 31 December 2018	**350**	**8,454**	**8,804**

24. Other non-current assets

(thousands of euro)	2018	2017
Loans to third parties and leasing	2,145	2,618
Loans to associates	136	136
Loans to customers	485	421
Receivables from purchase of equity investments	1,317	-
Receivables from sale of equity investments	200	-
Tax receivables	620	633
Receivables from personnel	464	477
Guarantee deposits	13,924	13,974
Other	5,772	5,240
	25,063	**23,499**

Loans to third parties and leasing consist of the former for an amount of €908 thousand, mostly interest-bearing and adequately secured.

Loans to customers are granted to some major accounts in the United States; they bear interests at market rates, are adequately secured and are performing regularly.

Receivables from purchase of equity investments relate to the amounts due by the previous controlling shareholder of Cementizillo, based on the guarantees contractually identified in the share purchase agreement.

Receivables from personnel include loans to employees equal to €433 thousand of euro (2017: €444 thousand).

The guarantee deposits mainly represent assets held in trust to secure the payment of benefits under certain executive pension plans, besides insurance deposits.

The receivables included in this item expiring after more than five years amount to €12,967 thousand of euro (2017: €13,551 thousand).

The maximum exposure to credit risk is the carrying value of each class of receivable mentioned above.

25. Inventories

(thousands of euro)	2018	2017
Raw materials, supplies and consumables	283,446	248,858
Work in progress	78,063	75,209
Finished goods and merchandise	88,985	78,477
Advances	729	1,005
Emission rights	6,369	-
	457,592	**403,549**

The increase associated with the Seibel & Söhne business combination amounts to €9,190 thousand, of which €6,369 thousand referring to emission rights (note 50).

Increases and decreases of the various categories depend on the trend in production and sales, on the price of the factors employed, as well as on changes in exchange rates used for the translation of foreign financial statements.

The amount shown is net of an allowance for obsolescence of €27,503 thousand (2017: €25,238 thousand).

26. Trade receivables

(thousands of euro)	2018	2017
Trade receivables	419,747	434,293
Less: Provision for receivables impairment	(33,208)	(35,450)
Trade receivables, net	**386,539**	**398,843**
Other trade receivables:		
From associates	12,829	11,710
From parent companies	28	27
	399,396	**410,580**

Trade receivables are non-interest bearing and generally have a maturity of between 30 and 120 days.

The year-end balances from associates arise from normal and regular business transactions entered into mostly with firms operating in the ready-mix concrete segment.

The carrying amounts of net trade receivables are denominated in the following currencies:

(thousands of euro)	2018	2017
Euro	216,156	249,965
US Dollar	133,192	105,254
Russian Ruble	12,673	17,549
Other currencies	24,518	26,075
	386,539	**398,843**

Changes in the provision for impaired trade receivables during the year are as follows:

(thousands of euro)	2018	2017
At 1 January	35,450	30,626
Translation differences	(217)	(180)
Provision for impairment	14,181	6,633
Receivables written off as uncollectible	(11,527)	(4,669)
Change in scope of consolidation	-	6,445
Unused amounts reversed and other	(4,679)	(3,405)
At 31 December	**33,208**	**35,450**

The additions to provision for impaired receivables are included among other operating expenses, net of related releases (note 12).

Information about the exposure to credit risk can be found in note 3.1.

27. Other receivables

(thousands of euro)	2018	2017
Tax receivables	44,425	42,729
Receivables from public institutions	13,100	28,175
Receivables from social security institutions	128	198
Receivables from unconsolidated subsidiaries and associates	701	775
Loans to customers	166	487
Receivables from suppliers	4,932	4,737
Receivables from personnel	285	289
Receivables from sale of equity investments	226	26
Receivables from purchase of equity investments	2,451	4,034
Current financial assets	5,425	4,700
Loans to third parties and leasing	581	8,835
Accrued interest income	607	381
Other accrued income and prepaid expenses	10,746	9,949
Other	8,582	9,507
	92,355	**114,822**

The caption current financial assets includes time deposits of € 5,425 thousand.
Tax receivables includes income tax payments in advance and the debit balance of periodic value added tax liquidation; this caption also includes amounts owed by the ultimate parent Fimedi SpA to certain Italian companies that are members of the controlled group of corporations for domestic income tax purposes.

The receivable from the energy and environmental services authority (public institution) corresponds to the rebate on electric power costs granted in Italy to the energy-intensive firms, so-called system charges bonus. The decrease of €15,075 thousand compared to 2017 derives from repayments during the year. Starting from 2018 the discount is deducted directly from the cost of electricity.

Loans to customers represent the current portion of the interest bearing lending granted in the United States (note 24)

Receivables from suppliers mainly include advances on the procurement of gas, electricity and other services.

Receivables from purchase of equity investments refer to sums owed by the previous controlling shareholder of Cementizillo, based on the guarantees contractually identified in the share purchase agreement.

The change in the caption loans to third parties and leasing refers to the repayment of a loan granted to third parties by the subsidiary Dyckerhoff.

Prepaid expenses refer to operating costs for the following period.

28. Cash and cash equivalents

(thousands of euro)	2018	2017
Cash at banks and in hand	328,535	500,791
Short-term deposits	111,964	309,839
	440,499	**810,630**

Foreign operating companies hold about 70.1% of the balance of €440,499 thousand (64.9% in 2017). At the closing date, short-term deposits and securities earn interest at about 2.36% on average (1.45% in 2017), yield in euro is around 0.07%, in dollar 2.02%, and in other currencies 4.92%. The average maturity of such deposits and securities is lower than 60 days.

The cash flows, the working capital and the available liquidity of the subsidiaries are handled locally but under a central finance function, to ensure an efficient and effective management of the resources generated and/or of the financial needs.

Cash and cash equivalents are denominated in the following currencies:

(thousands of euro)	2018	2017
Euro	127,047	223,973
US Dollar	177,288	448,631
Russian Ruble	77,891	70,186
Other currencies	58,273	67,840
	440,499	**810,630**

29. Assets held for sale

They refer to the mothballed Travesio plant (€900 thousand), to land relating to the Piacenza real estate initiative for €2,245 thousand and to quarries and real estate in Italy for €3,354 thousand.

At the end of 2017, it mainly referred to the mothballed Travesio plant (€900 thousand), to quarries and lands in Italy for €3,352 thousand, to lands in the Netherlands for €1,670 thousand and to assets sold to The Quikrete Companies for €1,185 thousand (note 8).

30. Share capital

At the balance sheet date the share capital of the company is as follows:

(number of shares)	2018	2017
Shares issued and fully paid		
Ordinary shares	165,349,149	165,349,149
Savings shares	40,711,949	40,711,949
	206,061,098	**206,061,098**
Share capital (thousands of euro)	123,637	123,637

All categories of shares have a par value of €0.60 each. Each ordinary share gives right to one vote, without any restrictions whatsoever. Savings shares are not entitled to vote and they can be either registered or bearer, at the shareholder's preference.

Savings shares are entitled to a preferential dividend equal to 5% of par value and a total dividend equal to ordinary shares' dividend plus 4% of par value. In case of no dividend distribution, the right to the preferential dividend is carried forward over the two following years.

If the savings shares are delisted, they shall be converted into preference shares, without changing their dividend and asset distribution rights, with features and in ways to be resolved upon by an extraordinary meeting of shareholders that will convene within three months from the date of delisting.

If the ordinary shares are delisted, the greater dividend payable to savings shares versus the dividend payable to ordinary shares shall be automatically increased to 4.5% of par value.

The number of shares outstanding did not change during 2018 and at the balance sheet date is the following:

(number of shares)	Ordinary	Savings	Total
At 1 January 2018	**165,124,149**	**40,682,659**	**205,531,808**
Shares issued	165,349,149	40,711,949	206,061,098
Less: Treasury shares	(50,000)	(29,290)	(79,290)
Outstanding at beginning of year	**165,299,149**	**40,682,659**	**205,981,808**
Year ended 31 December 2018			
Purchase of treasury shares	(7,000,000)	-	(7,000,000)
Outstanding at end of year	**158,299,149**	**40,682,659**	**198,981,808**
At 31 December 2018			
Shares issued	165,349,149	40,711,949	206,061,098
Less: Treasury shares	(7,050,000)	(29,290)	(7,079,290)
Outstanding at end of year	**158,299,149**	**40,682,659**	**198,981,808**

During the year, no. 7,000,000 ordinary shares were purchased, equal to 4.23% of the ordinary share capital, for a total value of €118,652 thousand, within the resolution approved by the Shareholders' Meeting on 10 May 2018.

31. Share premium

It consists of the overall premium on shares issued over time. The line item amounts to €458,696 thousand as at 31 December 2018 and it is unchanged versus last year.

32. Other reserves

The line item encompasses several captions, which are listed and described here below:

(thousands of euro)	2018	2017
Translation differences	(456,652)	(513,964)
Revaluation reserves	88,286	88,286
Merger surplus	247,530	247,530
Other	126,096	113,675
	5,260	**(64,473)**

The translation differences reflect the exchange rate variations that were generated starting from the first time consolidation of financial statements denominated in foreign currencies. The positive change in the balance of €57,312 thousand is the result of two opposite effects: an increase of €101,884 thousand due to the strengthening of the US dollar, €3,323 thousand of the Ukrainian hryvnia, €6,183 thousand of the Mexican peso and €1,481 thousand of the Algerian dinar; a decrease of €51,380 thousand due to the weakening of the Russian ruble, €155 thousand of the Brazilian real and €4.024 thousand of the other Eastern European currencies.

33. Retained earnings

The line item contains both retained earnings and profit for the financial year attributable to owners of the company. It also includes the legal reserve from the statutory financial statements of Buzzi Unicem SpA, changes in shareholders' equity of consolidated companies pertaining to the parent company that took place after the first consolidation and the revaluation reserves accrued by the Mexican companies that used inflation accounting up to the year 2001.

During the year some transactions took place with non-controlling interests after the acquisition of control. Specifically, the completion of the OAO Sukholozhskcement squeeze-out, which led to a decrease in retained earnings of €2,204 thousand, while the recording of the earn-out clause reserved to the minorities interests of BCPAR SA and subsidiaries, based on the agreements for the purchase of the remaining 50%, resulted in a decrease of €4,906 thousand (note 36).

The changes in gains and losses generated by the actuarial valuations of liabilities for employee benefits, net of related deferred tax, in 2018 brought to a decrease in retained earnings equal to €8,020 thousand.

34. Non-controlling interests

The balance refers to Cimalux SA for €3,096 thousand, Betonmortel Centrale Groningen (B.C.G.) BV for €1,387 thousand and other minor entities for the remainder.

Summarized financial information on subsidiaries with material non-controlling interests

Set out below is the summarized financial information for Cimalux SA before intercompany eliminations. The company operates in the cement industry in Luxembourg. In the opinion of the directors, it is the only subsidiary with non-controlling interests that are material to the group.

Name of the subsidiary	Place of business/ country of incorporation	Non-controlling interests		Profit attributable to non-controlling interests		Equity attributable to non controlling interests	
		2018	2017	2018	2017	2018	2017
Cimalux S.A.	Luxembourg	1.57%	1.57%	182	176	3,096	3,060

(thousands of euro)	2018	2017
Summarized balance sheet		
Non-current assets	92,295	90,973
Current assets	139,981	138,170
Non-current liabilities	16,216	17,463
Current liabilities	18,818	16,775
Net assets	**197,242**	**194,905**
Summarized income statement		
Revenue	101,524	103,979
Operating expenses	(81,195)	(83,561)
Depreciation, amortization and impairment charges	(6,140)	(6,460)
Finance revenues	598	291
Finance costs	(235)	(196)
Income tax expense	(2,946)	(2,822)
Profit for the year	**11,606**	**11,231**
Other comprehensive income	10	191
Total comprehensive income	**11,616**	**11,422**
Total comprehensive income attributable to non-controlling interests	-	(3)
Dividends paid to non-controlling interests	156	111
Summarized statement of cash flows		
Cash flows from operating activities		
Cash generated from operations	23,689	16,709
Income tax paid	1,770	(4,756)
Net cash generated from operating activities	**25,459**	**11,953**
Net cash used in investing activities	**(6,676)**	**(4,636)**
Net cash generated (used) in financing activities	**(22,895)**	**(8,374)**
Increase (decrease) in cash and cash equivalents	**(4,112)**	**(1,057)**
Cash and cash equivalents at beginning of year	**11,930**	**12,987**
Cash and cash equivalents at end of year	**7,818**	**11,930**

35. Debt and borrowings

(thousands of euro)	2018	2017
Long-term debt		
Senior notes and bonds	496,173	495,347
Convertible bonds	-	207,864
Finance lease obligations	1,720	1,963
Secured term loans	-	56
Unsecured term loans	424,501	414,756
	922,394	**1,119,986**
Current portion of long-term debt		
Senior notes and bonds	-	349,687
Convertible bonds	215,646	-
Finance lease obligations	193	394
Secured term loans	56	111
Unsecured term loans	112,138	19,714
	328,033	**369,906**
Short-term debt		
Bank debts	1,577	1,132
Accrued interest expense	12,804	16,489
	14,381	**17,621**

During 2018, the average interest rate on financial indebtedness was equal to 2.16% (2017: 2.89%).

The exposure of the group’s borrowings to interest rate changes and the contractual re-pricing dates at the end of the reporting period are as follows:

(thousands of euro)	2018	2017
Within 6 months	23,701	28,126
Between 6 and 12 months	318,714	359,400
Between 1 and 5 years	674,378	494,228
Over 5 years	248,015	625,759
	1,264,808	**1,507,513**

Senior Notes and Bonds

The change in the year is mainly due to repayment of the bond “Buzzi Unicem €350,000,000 - 6.250% Notes due 2018” at its nominal value.

At the balance sheet date the caption includes only the so-called Eurobond “Buzzi Unicem €500,000,000 - 2.125% Notes due 2023” issued in April 2016, for a nominal amount of €500 million with a 7-year maturity. The notes, placed with institutional investors and listed on the Luxembourg Stock Exchange, have a minimum denomination of €100,000 and pay a fixed annual coupon of 2.125%. The issue price was equal to €99.397 of par value and the notes are due in a single installment on 28 April 2023. This bond is carried at amortized cost, corresponding to an interest rate of 2.312% and to an amount of €496,173 thousand in the balance sheet.

Convertible Bonds
The change in the year is mainly due to an increase of €7,782 thousand for the update of the amortized cost valuation.

The caption comprises only the so-called "Buzzi Unicem €220,000,000 - 1.375% Equity-Linked Bonds due 2019" with a 6-year maturity, placed with institutional investors only. The notes, listed on the "Third Market", non-regulated market of Vienna Stock Exchange, have a minimum denomination of €100,000 and carry a fixed coupon of 1.375% per year, payable semi-annually. The conversion option combined with the loan is American style; the company has the right to elect to settle any exercise of conversion rights in Buzzi Unicem SpA ordinary shares, in cash or a combination of ordinary shares and cash. At the final maturity on 17 July 2019 the notes will be redeemed in one lump sum at their principal amount unless previously redeemed or converted. This bond is carried at amortized cost, corresponding to an effective interest rate of 1.522% and an amount of €215,646 thousand in the balance sheet. The cash settlement option represents an embedded derivative instrument and has been booked in the corresponding balance sheet item under liabilities. The fair value changes of this instrument are immediately charged to income statement; at the balance sheet date, the fair value of the option amounts to €10,340 thousand (note 36).

The following table summarizes the main terms of bond issues outstanding at 31 December 2018:

(Issue)	**Outstanding nominal amount**	**Maturity**	**Coupon**
Buzzi Unicem SpA			
Eurobond April 2016	€m 500.0	2023	2.125%
Buzzi Unicem SpA			
Equity-linked July 2013	€m 220.0	2019	1.375%

Term loans and other borrowings
The change for the year is essentially stemming from an increase of €117,630 thousand due to proceeds from new loans and a decrease for principal repayments of €21,232 thousand.

In July 2018 the group successfully completed the issuance of a Schuldschein loan of €135,000 thousand, with Buzzi Unicem SpA as debtor.

As at 31 December 2018 the group has undrawn committed facilities for €323,715 thousand (2017: €325,104 thousand), thereof €300,000 thousand available to Buzzi Unicem SpA, at floating rate with maturity between 2020 and 2023, and the remaining €23,715 thousand to Dyckerhoff GmbH and its subsidiaries, always at floating rate, with maturity between 2019 and 2020.

In respect to interest rate and currency, the gross indebtedness at 31 December 2018 is roughly split as follows: 11.8% floating and 88.2% fix; 16% dollar-denominated and 84% euro-denominated.

The following table summarizes the carrying amount of the borrowings compared with their fair value.

	2018		2017	
(thousands of euro)	Carrying amount	Fair value	Carrying amount	Fair value
Floating rate borrowings				
Secured term loans	-	-	56	56
Unsecured term loans	150,706	147,549	163,183	155,156
Fix rate borrowings				
Senior notes and bonds	496,173	508,095	845,034	906,852
Convertible bonds	215,646	232,043	207,864	316,520
Unsecured term loans	387,567	398,347	272,531	272,531
	1,250,092	**1,286,034**	**1,488,668**	**1,651,115**

The fair values are based on the cash flows discounted at current borrowing rates for the group and are within level 2 of the specific hierarchy. In these financial statements the calculation of the fair value of the loans also includes variable rate loans and short-term loans, therefore the 2017 figures have been adjusted accordingly for consistency.

Finance lease obligation

The following table shows the reconciliation of future minimum lease payments with their present value and the residual contractual maturities:

(thousands of euro)	2018	2017
Gross finance lease liabilities-minimum lease payments:		
No later than 1 year	240	450
Later than 1 year and no later than 5 years	1,564	1,738
Over 5 years	376	553
	2,180	**2,741**
Future finance charges on finance lease liabilities	(267)	(384)
Present value of finance lease liabilities	**1,913**	**2,357**

The present value of finance lease payments is broken down as follows:

(thousands of euro)	2018	2017
No later than 1 year	193	394
Later than 1 year and no later than 5 years	1,368	1,461
Over 5 years	352	502
	1,913	**2,357**

36. Derivative financial instruments

They consist solely of the fair value of the cash settlement option embedded in the convertible bond issued by the parent company, amounting to €10,340 thousand (€92,902 thousand at the end of 2017).

In 2018, changes in the fair value of this derivative financial instrument recognized in the income statement are positive for €82,562 thousand (2017: positive for €12,520 thousand).

On 22 November 2018, Buzzi Unicem signed a sales agreement aimed at acquiring a 50% interest in the capital of BCPAR SA, a company under Brazilian law operating in the cement industry (the company owns two full-cycle cement plants in the country). At the same time as the purchase agreement, Buzzi Unicem and Brennand Cimentos signed an additional shareholders' agreement which provides for the joint control of BCPAR by Buzzi Unicem and Brennand Cimentos as well as the possible future exercise of the put and call option rights on the 50% interest still held by the same Brennand Cimentos.

Being a jointly controlled entity, the put and call option on the remaining 50% represents a derivative financial instrument whose value is equal to the difference between the exercise price of the option and the fair value of the shares to be acquired. The value of the option was calculated also considering the financial debt deriving from the payment of the earn-out in favor of the minority interests.

Since the price of the option (€177,585 thousand) is defined on the basis of the equity value of BCPAR, we deem that it reasonably approximates the fair value of the ownership interest held by Brennand Cimentos. Therefore, at the date of these financial statements, the value of the derivative financial instrument is equal to zero. Any subsequent changes in the fair value of the derivative will be recorded directly in profit or loss, according to IFRS 9.

The notional principal amount and the fair value estimation of the outstanding derivative instruments are summarized as follows:

		2018		2017
(thousands of euro)	Notional	Fair value	Notional	Fair value
Takeover options (call)	-	-	884	-
Cash settlement option on convertible bond	220,000	(10,340)	220,000	(92,902)

The takeover options of 2017 referred to some land plots.

37. Employee benefits

The line item includes post-employment benefits and other long-term benefits.

Post-employment benefits

They consist of pension plans, life insurance and healthcare plans, employee severance indemnities and other. Group companies provide post-employment benefits for their employees either directly or indirectly, by paying contributions to independently administered funds. The way these benefits are provided varies according to the legal, fiscal and economic conditions of each country in which Buzzi Unicem operates. The obligations relate both to active employees and to retirees. Liabilities for contributions accrued but not yet paid are included within other payables.

Defined contribution plans

They primarily relate to public plans and/or supplemental private plans in Germany, the Netherlands, Luxembourg, Poland, the Czech Republic, Russia, Ukraine and the United States of America. Defined contribution plans for post-employment benefits exist also in Italy (employee severance indemnities or TFR for companies with at least 50 employees, after 31 December 2006). Expenses associated with defined contribution plans are charged to the income statement together with social security contributions under staff costs. No further commitments on the part of the employer exist over and above the payment of contributions to public plans or private insurance policies.

Defined benefit plans

Defined benefit plans may be unfunded, or they may be wholly or partly funded by the contributions paid by the company and, sometimes, by its employees to an entity or fund legally separate from the employer by which the benefits are paid.

Italy

The obligation for employee severance indemnities (TFR) is considered a defined benefit plan and is unfunded. It consists of the residual obligation that was required until 31 December 2006 under Italian legislation to be paid by companies with more than 50 employees, or accrued over the employee’s working life for other companies. The obligation is remeasured every year, according to national employment laws. The provision is settled upon retirement or resignation and may be partially paid in advance if certain conditions are met. The level of benefits provided depends on the date of hire, length of service and salary. The commitments that amount to €21,245 thousand (2017: €21,641 thousand) have a weighted average duration of approximately 9 years.

Germany and Luxembourg

These pension arrangements provide for retirement benefits, early-retirement benefits, widows/widowers’ benefits, orphans’ allowances and generally also include long-term disability benefits. The level of benefits provided depends on the date of hire, salary and length of service. The commitments have a weighted average duration of approximately 15 years.

The pension obligations in Germany totaling €271,367 thousand (2017: €274,716 thousand) are partly funded through a contractual trust agreement. The value of trust assets is €26,561 thousand (2017: €28,249 thousand) and reduces the amount to be recognized as a liability. All other commitments in Germany and Luxembourg are exclusively funded by accounting provisions.
In Germany the existing defined benefit pension plans were closed as of 31 December 2017. For employees, who joined the company after 31 December 2017, a newly defined contribution plan was established. At the same time, starting from 1 January 2018, the possibility of deferred compensation for the benefit of individual supplemental pension was changed

to defined contribution plans. Obligations for post-employment medical costs in Germany are unfunded and contain a commitment on the part of the employer to reimburse 50% of private healthcare insurance premiums to former employees and co-insured spouses or to widows/widowers. This healthcare plan was closed in 1993 and has a remaining weighted average duration of approximately 6 years.

Netherlands

In the Netherlands, commitments for retirement or early-retirement benefits, totaling €18,191 thousand (2017: €18,714 thousand) are dependent on salaries and length of service and generally also encompass surviving dependents' benefits. They are funded by contributions to an insurance policy, however the company retains certain payment obligations. The value of plan assets by the insurance policy amounts to €17,465 thousand (2017: €18,027 thousand) and reduces the amount to be recognized as a liability. The commitments have a weighted average duration of approximately 17 years.

United States of America

Pension plans are mainly funded, while healthcare obligations are unfunded in nature.
Pension arrangements provide for retirement and early-retirement benefits, surviving dependents' benefits (for the surviving spouse or, alternatively, children) as well as long-term disability benefits. Benefits to white collar employees or their dependents are linked to salary and length of service. For blue-collar workers, pension benefits are determined on the basis of length of service as well as a fixed, periodically re-negotiated multiple. The major part of pension obligations (€273,305 thousand; 2017: €274,532 thousand) is covered by an external pension fund; its fair value of €241,541 thousand (2017: €245,455 thousand) reduces the amount to be recognized as a liability. These pension plans have been closed since 1 January 2011 and the weighted average duration is approximately 13 years. There are also unfunded obligations for a small group of individuals, whose weighted average duration is between 11 and 15 years.

Healthcare plans cover the portion of medical costs that is not covered by state plans or the costs of a private supplementary health insurance policy. The allowances paid to employees and, if relevant, their spouses depend on the length of service and do not include surviving dependents' benefits. These commitments have a weighted average duration of approximately 10 years.

Russia

The outstanding pension plans guarantee retirement services and benefits to former employees such as health care and other forms of indemnities. The level of the various benefits provided depends on the salary and employment conditions at the company. The liabilities amount to €1,464 thousand (2017: €2,947 thousand) and are funded by specific accounting provisions. The pension plan was closed as of 31 December 2018.

Other long-term benefits

The group grants also other long-term benefits to its employees, which include those generally paid when the employee attains a specific seniority. In this case the valuation reflects the probability that payment is required and the length of time for which payment is likely to be made. These schemes are unfunded and the amount of the obligation is calculated on an actuarial basis, in accordance with the projected unit credit method. Actuarial gains and losses arising from this obligation are recognized in the income statement.

In the United States the group sponsors a deferred compensation plan for certain employees. Amounts deferred are funded into a trust and the earnings in the trust accrue to the benefit of the participants. The asset and liability are reported at fair value (the net asset value of each investment fund).

The obligations for employee benefits are analyzed as follows:

(thousands of euro)	2018	2017
By category		
Post-employment benefits:		
Pension plans	296,627	298,301
Healthcare plans	67,703	85,087
Employee severance indemnities	18,035	21,641
Other	1,521	1,671
Other long-term benefits	7,677	8,229
	391,563	**414,929**
By geographical area		
Italy	19,556	23,313
Germany, Luxembourg, Netherlands	265,029	268,305
United States of America	104,346	119,334
Other Countries	2,632	3,977
	391,563	**414,929**

The amounts recognized in the balance sheet for post-employment benefits are determined as follows:

	Pension plans		Healthcare plans		Employee severance indemnities		Other	
(thousands of euro)	2018	2017	2018	2017	2018	2017	2018	2017
Present value of funded obligations	551,361	557,764	-	-	-	-	-	-
Fair value of plan assets	(285,567)	(291,912)	-	-	-	-	-	-
	265,794	**265,852**	**-**	**-**	**-**	**-**	**-**	**-**
Present value of unfunded obligations	30,833	32,449	67,703	85,087	18,035	21,641	1,521	1,671
Liability in the balance sheet	**296,627**	**298,301**	**67,703**	**85,087**	**18,035**	**21,641**	**1,521**	**1,671**

The movement in the defined benefit obligation for post-employment benefits is illustrated below:

	Pension plans		Healthcare plans		Employee severance indemnities		Other	
(thousands of euro)	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
At 1 January	590,213	612,274	85,087	97,766	21,641	18,210	1,671	977
Current service cost	8,674	9,797	1,807	1,879	-	7	114	90
Past service cost	(952)	26	-	-	-	-	-	354
(Gains) losses from plan amendments	-	-	-	-	-	(202)	-	-
Other costs	(12)	(161)	-	-	-	-	-	-
	7,710	**9,662**	**1,807**	**1,879**	**-**	**(195)**	**114**	**444**
Interest expense	15,439	16,409	2,825	3,215	259	266	19	15
(Gains) losses from changes in demographic assumptions	8,768	206	784	-	-	-	-	-
(Gains) losses from changes in financial assumptions	(25,250)	16,851	(18,365)	2,642	(477)	454	(22)	22
(Gains)/losses recognized in OCI of the period	-	313	-	-	-	201	-	(4)
Experience (gains) losses	3,115	3,219	(1,832)	(2,768)	(118)	146	(104)	-
	(13,367)	**20,589**	**(19,413)**	**(126)**	**(595)**	**801**	**(126)**	**18**
Employee contributions	51	92	610	657	-	-	-	-
Benefit paid	(31,468)	(31,222)	(6,439)	(7,019)	(3,202)	(1,814)	(13)	(136)
Settlements	-	-	-	-	-	-	(144)	(55)
Translation differences	12,656	(37,591)	3,226	(11,285)	-	-	-	-
Change in scope of consolidation	960	-	-	-	-	4,373	-	408
Other changes	-	-	-	-	(68)	-	-	-
At 31 December	**582,194**	**590,213**	**67,703**	**85,087**	**18,035**	**21,641**	**1,521**	**1,671**

The present value of the defined benefit obligations is composed of the following at the end of each reporting period:

	Pension plans		Healthcare plans	
(thousands of euro)	**2018**	**2017**	**2018**	**2017**
Active members	191,044	201,492	26,476	33,352
Deferred members	36,959	38,344	-	-
Pensioners	354,191	350,377	41,227	51,735
At 31 December	**582,194**	**590,213**	**67,703**	**85,087**

Changes in the fair value of plan assets are as follows:

	Pension plans	
(thousands of euro)	2018	2017
At 1 January	291,912	293,548
Interest income	9,427	9,839
Employer contributions	12,975	8,202
Employee contributions	51	92
Benefits paid	(16,497)	(16,317)
Settlements	(539)	(949)
Actuarial gains (losses)	(22,920)	29,208
Translation differences	11,158	(31,711)
At 31 December	**285,567**	**291,912**

Plan assets are comprised as follows:

	Germany		United States of America	
(thousands of euro)	2018	2017	2018	2017
Cash and cash equivalents	**1,944**	**934**	**5,077**	**10,073**
Equity instruments	**10,778**	**15,876**	**-**	**-**
Euro equities	5,924	8,891	-	-
Europe ex Euro equities	4,854	6,985	-	-
Debt instruments	**13,081**	**4,504**	**39,919**	**44,761**
Euro corporate investment grade	6,193	-	-	-
Euro corporate unrated	78	24	-	-
Euro sovereign investment grade	5,020	4,480	-	-
Dollar corporate investment grade	828	-	-	-
Dollar sovereign investment grade	-	-	39,919	44,761
Other corporate investment grade	962	-	-	-
Derivatives financial instruments	**65**	**18**	**-**	**-**
Equity derivatives	59	5	-	-
Currency derivatives	3	-	-	-
Debt derivatives	3	13	-	-
Investment funds	**693**	**7,097**	**196,706**	**190,620**
Euro corporate bonds	-	6,226	-	-
Dollar corporate bonds	-	-	43,023	39,044
Dollar sovereign bonds	-	-	69,514	47,821
Euro indexed equities	693	871	-	-
Dollar indexed equities	-	-	29,285	39,751
Other indexed equities	-	-	50,717	60,118
Dollar sundries	-	-	4,167	3,886
	26,561	**28,429**	**241,702**	**245,454**

The fair values stated above exclusively relate to quoted market prices in active markets (level 1).

For pension assets in the Netherlands no breakdown is available due to the local insurance policy model (€17,034 thousand in 2018 and €18,027 thousand in 2017).

Plan assets in Germany are administered by a trust fund. The asset allocation strategy is aimed at optimizing returns on fund assets while limiting losses. The local treasurer, the group treasurer and a representative of the trustee participate in the “investment committee” that regularly oversees the administration and the investment strategy of the fund regarding the invested assets. Independent of its payment obligations to beneficiaries, Buzzi Unicem has the right to receive a dividend consistent with the annual result of the fund. The contribution to the trust does not directly depend on the market values of the underlying obligations. Buzzi Unicem has the option to fund benefit obligations regarding the trust out of the company’s current cash flow. The conditions linked to these commitments have been continually adapted over the past years; benefits paid to beneficiaries will therefore decline further. The assets of this fund are comprised in the table showing the fair value of plan assets.

In the United States, plan assets are administered by a trust fund. The asset allocation strategy is aimed at optimizing returns on fund assets and is subject to an annual limit of losses. Four members of local management form the “benefit committee”, which is responsible for maintaining an investment policy, managing the investment of the plan assets and ensuring compliance of the investments with legislation, documentation and with the investment policy. Regular meetings of the “benefit committee” occur with a consultancy firm to whom the day-to-day investment responsibilities for plan assets have been assigned. All pension payments to beneficiaries are made from those plan assets. For funded pension obligations, full coverage through plan assets is to be achieved in the long-term; for the short to medium-term, coverage must not fall short of 80% in order to avoid legally prescribed benefit curtailments. Healthcare plan benefits are exclusively funded by provisions, therefore annual payments to beneficiaries are made out of the company’s operating cash flow.

Expected contributions to post-employment benefits plans (including reimbursement rights on the part of the German entity) for 2019 amount to €7,349 thousand.

The maturity analysis for the same type of benefits is as follows:

(thousands of euro)	**Pension Plans**	**Healthcare Plans**	**Employee severance indemnities**
Year 2019	31,841	5,348	1,704
Year 2020	33,778	5,284	2,200
Year 2021	31,116	5,335	1,960
Year 2022	31,127	5,274	2,094
Year 2023	31,152	5,233	1,766
Year 2024-2028	152,679	25,208	12,562
	311,693	**51,682**	**22,286**

In addition to mortality forecasts and employee turnover based on current statistical insight, post-employment benefits and other long-term benefits are computed according to the following main actuarial assumptions, identified on the basis of independent sources that are constant over time:

	2018						2017					
(in %)	ITA	GER	LUX	NLD	USA	RUS	ITA	GER	LUX	NLD	USA	RUS
Pension plans discount rate	1.6	1.7	1.7	1.9	4.3	8.8	1.3	1.7	1.7	1.7	3.6	7.7
Salary growth rate	2.4	2.8	2.8	2.5	4.2	4.0	2.4	2.8	2.8	2.0	4.0	4.0
Pension growth rate	-	1.8	1.8	-	-	4.0	-	1.8	-	2.0	-	3.8
Healthcare discount rate	-	-	-	-	4.2	-	-	-	-	-	3.5	-
Medical cost growth rate	-	1.8	-	-	6.5	-	-	1.8	-	-	6.0	-

The assumptions listed above reflect the actual economic period and/or realistic expectations in each territory. The discount rate adopted is the rate applicable at the end of the reporting period for high quality fixed-interest securities or for corporate bonds with a term corresponding to the respective obligations for employee benefits.

The sensitivity of the defined benefit obligation to changes in the main assumptions is presented here below:

(thousands of euro)		Pension Plans	Healthcare plans	Employee severance indemnities
Salary growth rate				
	Increase 1%	6,381	-	-
	Decrease 1%	(6,567)	-	-
Discount rate				
	Increase 1%	(70,694)	(5,862)	(1,587)
	Decrease 1%	88,019	6,965	1,551
Pension growth rate				
	Increase 1%	19,321	-	-
	Decrease 1%	(33,069)	-	-
Medical cost growth rate				
	Increase 1%	-	3,574	-
	Decrease 1%	-	(3,117)	-
Mortality				
	Increase 1%	18,801	575	-
	Decrease 1%	(19,123)	(575)	-

38. Provisions for liabilities and charges

(thousands of euro)	Environmental risks and restoration	Antitrust	Legal claims Tax risks	Other risks	Total
At 1 January 2018	63,230	14,852	16,527	13,301	107,910
Additional provisions	3,801	-	5,901	10,931	20,633
Discount unwinding	367	-	785	3	1,155
Unused amounts released	(3,773)	(5,348)	(299)	(552)	(9,972)
Used during the year	(4,093)	(7,370)	(772)	(5,111)	(17,346)
Translation differences	386	(257)	215	133	477
Reclassifications	-	(1,877)	(579)	(1,639)	(4,095)
Change in scope of consolidation	557	-	-	1,807	2,364
Other changes	908	-	(1,677)	(119)	(888)
At 31 December 2018	**61,383**	**-**	**20,101**	**18,754**	**100,238**

Total provisions can be analyzed as follows:

(thousands of euro)	2018	2017
Non-current	69,281	85,382
Current	30,957	22,528
	100,238	**107,910**

The environmental restoration provision includes the obligations for site remediation, which are applicable to the locations where the extraction of raw materials takes place and for the fulfillment of related requirements concerning quarries, safety, health and environment. Additional provisions for environmental risks refer for €3,646 thousand to the future quarry remediation costs.

The antitrust provision, which was associated with the cartel fine inflicted in Poland (cement sector), was entirely used to pay the final amount (€7,370 thousand) and released for the excess, following the conclusion of the related disputes (note 48). The row reclassifications includes €1,877 thousand which were transferred from antitrust provisions to other payables, following the decision of the Council of State on 26 July 2018 to recalculate the fine inflicted on Unical (note 48).

The provision for tax risks amounts to €4,873 thousand and reflects liabilities that are considered probable as a result of tax audits and adjustments to tax returns. At year-end it included €2,494 thousand for the claim with the municipality of Guidonia (Rome) about property taxes on raw material extraction land (note 48).
The provisions related to legal claims (equal to €15,228 thousand) include €8,890 thousand referred to the judgment of the Court of Frankfurt, which accepted the appeal in the first instance filed by some minority shareholders of Dyckerhoff about the valuation for the squeeze-out procedure and €3,898 thousand set aside for the legal dispute with the supplier TKIS (note 48).

The provision for other risks represents the amounts set aside by the individual consolidated entities in connection with miscellaneous contractual and commercial risks and disputes, among which are included €4,634 thousand for restructuring costs and workers compensation claims not covered by insurance for €5,302 thousand. Additional provisions include €4,734 thousand for restructuring costs and €3,140 thousand for workers compensation. Uses during the year include the payment of workers compensation claims for €3,144 thousand and besides restructuring costs in Italy for €1.360 thousand.

39. Deferred income tax

Net deferred tax liability consists of deferred tax liabilities, net of deferred tax assets, which have been offset, where possible, by the individual consolidated companies.

The net balance may be analyzed as follows:

(thousands of euro)	2018	2017
Deferred income tax assets:		
To be recovered after more than 12 months	(146,799)	(155,193)
To be recovered within 12 months	(26,628)	(21,242)
	(173,427)	**(176,435)**
Deferred income tax liabilities:		
To be recovered after more than 12 months	447,720	443,380
To be recovered within 12 months	27,295	20,310
	475,015	**463,690**
Net deferred income tax liabilities	**301,588**	**287,255**

Temporary differences and carryforwards that give rise to deferred tax assets and liabilities are analyzed as follows:

(thousands of euro)	2018	2017
Deferred income tax assets related to:		
Provisions for liabilities and charges	(13,027)	(13,992)
Trade receivables	(6,792)	(6,456)
Employee benefits	(68,499)	(70,639)
Long-term debt	(4,355)	(777)
Property, plant and equipment	(6,031)	(7,999)
Inventories	(8,757)	(7,321)
Tax loss carryforwards (theoretical benefit)	(147,512)	(154,980)
Other	(18,660)	(19,967)
Total deferred income tax assets	**(273,633)**	**(282,131)**
Valuation allowances	100,206	105,696
Net deferred income tax assets	**(173,427)**	**(176,435)**
Deferred income tax liabilities related to:		
Accelerated depreciation	110,819	104,678
Employee benefits	182	-
Property, plant and equipment	317,853	309,888
Inventories	3,245	3,010
Gains on disposal of fixed assets	77	-
Financial assets	10,968	10,281
Other	31,871	35,833
Total deferred income tax liabilities	**475,015**	**463,690**
Net deferred income tax liabilities	**301,588**	**287,255**

The deferred tax liability related to property, plant and equipment refers mainly to the positive differential that in 1999, year of the acquisition, Dyckerhoff allocated to the raw material reserves of Lone Star Industries, following the business combination with this company.

The company recognizes deferred tax liabilities on undistributed profits of its associates.

Deferred tax assets on tax loss carryforwards were maintained within the limits of an updated judgment on their future utilization in the next five years.

The movement in deferred tax assets and liabilities during the year, taking into consideration the offsetting of balances within the same tax jurisdiction, is summarized in the following table:

(thousands of euro)	**2018**	**2017**
At 1 January	287,255	468,887
Income statement charge (credit)	(1,366)	(148,453)
Statement of comprehensive income charge (credit)	2,866	9,377
Translation differences	12,887	(48,980)
Change in scope of consolidation	(54)	6,424
At 31 December	**301,588**	**287,255**

In 2017, the net amount credited to the income statement and the amount charged to the consolidated statement of comprehensive income included the impact from the cut in the income tax rate for those companies that benefited from the tax reform approved by the federal government of the United States.

40. Other non-current liabilities

(thousands of euro)	**2018**	**2017**
Purchase of equity investments	24,509	22,665
Non-controlling interests in partnerships	2,054	2,258
Payables to personnel	250	351
Financial tax payables	1,044	1,208
Payables to antitrust authority	10,203	34,085
Other	2,455	3,641
	40,515	**64,208**

Payables for the purchase of equity investments include the future installments contractually agreed upon in the Cementizillo (€20,506 thousand) and Seibel & Söhne (€2,542 thousand) business combinations.

Accounts payable to the antitrust authority include the non-current portion of the penalty imposed on Buzzi Unicem for €8,541 thousand, within the proceedings that concerned the entire cement industry in Italy and for €1,662 thousand the penalty inflicted on Unical redetermined by the Council of State with judgment of 26 July 2018 (note 44).

All non-current liabilities are due within five years from the balance sheet date, except for the caption non-controlling interests in partnerships, whose maturity is indefinite. The carrying amount of the line item is deemed to approximate its fair value.

41. Trade payables

(thousands of euro)	2018	2017
Trade payables	232,327	243,875
Other trade payables:		
To associates	2,658	3,611
	234,985	**247,486**

42. Income tax payables

It reflects current income tax liabilities, net of advances, withholdings and tax credits.

43. Other payables

(thousands of euro)	2018	2017
Advances	2,719	2,577
Purchase of equity investments	126	10,721
Payables to social security institutions	14,331	15,411
Payables to personnel	33,752	48,273
Payables to customers	11,122	6,271
Deferred interest income	115	176
Other accrued expenses and deferred income	9,848	9,493
Tax payables	18,031	16,064
Financial tax payables	7,285	697
Payables to antitrust authority	26,992	25,538
Purchase of non-controlling interests	-	10,659
Other	19,000	12,499
	143,321	**158,379**

Payables to customers are represented by contractual liabilities, namely short-term advances received following the sale of products and by the volume rebates settled in a separate transaction with the customer.

Deferred income relates to operating revenues pertaining to the following period.

The caption tax payables includes the credit balance of periodic value added tax for €6,522 thousand (2017: €4,343 thousand). It also includes an amount of €704 thousand referring to the tax on real estate transfers in Germany, whose taxable event was reaching full ownership in Dyckerhoff a few years ago.

Accounts payable to the antitrust authority include the current portion of the penalty imposed on Buzzi Unicem for €25,567 thousand, within the proceedings that concerned the entire cement industry in Italy and for €1,425 thousand the penalty inflicted on Unical redetermined by the Council of State with judgment of 26 July 2018 (note 44).

Payables for the purchase of non-controlling interests have a zero balance due to the conclusion of the mandatory tender offer procedure on all remaining minority shares of the subsidiary OAO Sukholozhskcement, which was undertaken at the end of 2017. During the first half of 2018, the squeeze-out on the residual shares was executed. The two procedures (mandatory tender offer and squeeze-out) resulted in an overall outflow of €10,588 thousand.

44. Cash generated from operations

(thousands of euro)	2018	2017
Profit before tax	**465,274**	**348,667**
Adjustments for:		
Depreciation, amortization and impairment charges	225,385	222,141
Equity in earnings of associates and joint ventures	(87,872)	(96,165)
Gains on disposal of fixed assets	(25,346)	(4,545)
Net change in provisions and employee benefits	(46,746)	(15,412)
Net finance costs	(24,737)	35,040
Other non-cash movements	14,885	59,695
Changes in operating assets and liabilities:		
Inventories	(46,093)	(17,200)
Trade and other receivables	33,224	31,589
Trade and other payables	(54,602)	(57,181)
Cash generated from operations	**453,372**	**506,629**

45. Financing activities

Changes to the items included in the financing activities of the cash flow statement are detailed as follows:

			Cash		Non-cash				
(thousands of euro)	Note	Beg balance	Proceeds	Repay-ments	Accruals	Exchange differen-ces	Fair value	Other	Ending balance
Long-term debt									
Senior notes and bonds	35	495.347	-	-	-	-	826	-	496.173
Convertible bonds	35	207.864	-	-	-	-	-	(207.864)	-
Finance lease obligations	35	1.963	-	(24)	-	25	-	(244)	1.720
Secured term loans	35	56	-	-	-	-	-	(56)	-
Unsecured term loans	35	414.756	114.855	(11)	-	-	143	(105.242)	424.501
		1.119.986	**114.855**	**(35)**	**-**	**25**	**969**	**(313.406)**	**922.394**
Current portion of long-term debt									
Senior notes and bonds	35	349.687	-	(350.018)	-	-	331	-	-
Convertible bonds	35	-	-	-	-	-	7.782	207.864	215.646
Finance lease obligations	35	394	-	(308)	-	1	-	106	193
Secured term loans	35	111	-	(111)	-	-	-	56	56
Unsecured term loans	35	19.714	-	(19.741)	-	-	98	112.067	112.138
		369.906	**-**	**(370.178)**	**-**	**1**	**8.211**	**320.093**	**328.033**
Total from Statement of Cash Flows		**-**	**114.855**	**(370.213)**	**-**	**-**	**-**	**-**	**-**
Short-term debt									
Bank debts	35	1.132	1.577	(1.132)	-	-	-	-	1.577
Accrued interest expense	35	16.489	-	(16.489)	12.804	-	-	-	12.804
		17.621	**1.577**	**(17.621)**	**12.804**	**-**	**-**	**-**	**14.381**
Total from Statement of Cash Flows		**-**	**-**	**(3.240)**	**-**	**-**	**-**	**-**	**-**
Financial liabilities									
Non-current									
Others	40	27.505	-	-	754	-	-	626	28.885
Current									
Others	43	65	-	-	-	-	-	(65)	-
Total from Statement of Cash Flows		**-**	**-**	**-**	**754**	**-**	**-**	**561**	**-**
Changes in ownership interests without loss of control		**-**	**-**	**(22.866)**	**-**	**-**	**-**	**-**	**-**
Dividends paid to owners of the company	**46**	**-**	**-**	**(28.135)**	**-**	**-**	**-**	**-**	**-**
Dividends paid to non-controlling interests		**-**	**-**	**(484)**	**-**	**-**	**-**	**-**	**-**

46. Dividends

Dividends paid in 2018 and 2017 were respectively €28,135 thousand (12 eurocent per ordinary share and 20.4 eurocent per savings share, of which 6 eurocent as preferential dividend referred to the previous two years) and €20,553 thousand (10 eurocent per ordinary share and per savings share).

As for the year ended 31 December 2018 the board of directors will propose to the Annual General Meeting of 9 May 2019 to distribute a dividend of 12.5 eurocents per ordinary share and 14.9 eurocents per savings share. Therefore expected dividend distribution amounts to a total of €25,849 thousand. These financial statements do not reflect such payable to the shareholders.

47. Commitments

(thousands of euro)	2018	2017
Guarantees granted	8,027	16,252
Other commitments and guarantees	74,638	74,340

Guarantees granted include commitments toward banks in favor of investee companies.

Capital expenditure contracted for at the balance sheet date to acquire property, plant and equipment amounts to €71,538 thousand (2017: €69,463 thousand). It can be basically traced back to the work of building a new terminal that will be completed in September 2019 (€8.452 thousand), the purchase and transport of plant and equipment intended for the renovation of the plant in Korkino (€15,953 thousand) and different modernization projects in the United States (€16,448 thousand), in Germany (€16,117 thousand), in Italy (€8,027 thousand), in Luxembourg (€2,180 thousand), in Russia (€1,708 thousand), in Ukraine (€1,494 thousand) and in the Czech Republic (€1,159 thousand).

As part of the transaction for the purchase of a 50% ownership interest in BCPAR SA, it was contractually agreed that Buzzi Unicem will take over 50% of the bank guarantees which secure some of the loans granted to the new associates, for an amount of about R$400,000 thousand (equal to approximately €90 million at the exchange rate end of year).

Buzzi Unicem entered into operating lease contracts for the right to use land, industrial buildings, offices, vehicles and computer equipment. The leases have various terms, duration, escalation clauses and renewal rights. In the cancellable agreements, normally the group is required to give a six-month notice for the termination. The lease expenditure charged to the income statement during the year is disclosed in note 10.The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

(thousands of euro)	2018	2017
No later than 1 year	25,755	23,860
Later than 1 year and no later than 5 years	63,262	55,392
Later than 5 years	35,000	36,809
	124,017	**116,061**

48. Legal claims and contingencies

Buzzi Unicem is exposed to legal risks, stemming from the variety and complexity of the norms and regulations that apply to the industrial operations of the group, particularly in the areas of environment, health, safety, product liability, taxation and competition. Consequently there are claims arising in the normal course of business that are pending against the group. While it is not feasible to predict in a precise way the outcome of any case, it is the opinion of management that the ultimate dispositions will not have a material adverse effect on the group's financial condition. Instead, when it is likely that an outflow of resources is required to settle obligations and the amount can be reliably estimated, the group recognized specific provisions for this purpose.

Fiscal

As regards the litigation with the Italian Revenue Service (approximately €2.2 million), referring to the purchase in 2008 of the 100% ownership interest in Cementi Cairo Srl and requalified by the financial administration as purchase of a line of business, the Supreme Court rejected the appeal. The additional taxes with interests and penalties due had already been paid in full.

In 2016 the company was subject to audit by the Revenue Service for the year 2012. The same Revenue Service has also submitted a request for documentation for the subsequent years (from 2013 to 2016). Following the audit and the aforementioned checks, in December 2017 and in December 2018 notices of assessment relating to the years 2012, 2013 and 2014 have been notified, containing remarks on the corporate income tax (IRES) and the regional tax on production activities (IRAP). The greater taxable amount contested in the notices of assessment mainly refers to the failure to charge a royalty to Buzzi Unicem's foreign subsidiaries for the use of the corporate logo. For IRES and IRAP purposes, the higher taxable amount established for the three years totals approximately €44.4 million. For IRES purposes for all three years the declared tax loss is higher than the disputed amounts, therefore no higher IRES, interest or penalties are due. On the other hand, for IRAP purposes, the higher taxable amount entails a request, for all three years, for higher taxes and related penalties as well as interest for approximately €2.0 million. The company has filed an appeal against all the assessment notices received, considering that the defense elements are well-grounded and sound and the risk of losing is remote. Therefore, no provision was set aside in the financial statements and the amounts paid at the beginning of 2018, on a provisional basis pending judgment, were recorded as receivables in the balance sheet for the current year. It should also be noted that the company submitted a mutual agreement procedure request (MAP) for the 2012 financial year and that the same request will be submitted also for 2013 and 2014.

Between 2015 and 2018 the municipality of Guidonia Montecelio (Rome) has notified Buzzi Unicem some notices of assessment related to higher ICI/IMU and TASI, penalties and interests that for the years from 2008 to 2016 overall amount to approximately €13.6 million. The municipality bases its request on the consideration that the land belonging to Buzzi Unicem which is used to quarry raw materials can be comparable to land for development. Considering this request as incorrect the company has filed an appeal within the deadline against all the notices of assessment. The Regional tax Court of Rome in the course of 2017, has rejected the appeal of the company concerning ICI for the years 2008, 2009 and 2010 with sentences already challenged on appeal by Buzzi Unicem, following which we received an injunction for payment of approximately €3.1 million. In October 2018, the Regional Tax Court of Lazio filed the second instance ruling concerning ICI for the year 2008, with which it rejected the appeal proposed by the Company, while with reference to the appeals relating to 2009 and 2010 the hearing is still pending. Buzzi Unicem, considering that it has valid reasons, intends to challenge the unfavorable sentence concerning ICI for the year 2008. Furthermore, between February and May 2018, hearings were held to deal with the appeals presented at first instance against the ICI assessment notice for 2011 and the IMU assessment notices for the years 2012, 2013, 2014, 2015 and 2016. The Regional Tax Court of Rome has filed the judgment concerning the ICI for 2011, with which it has basically accepted the appeal of Buzzi Unicem. The Municipality of Guidonia has appealed against this sentence before the Regional Tax Court of Lazio and the fixing of the related hearing is pending. The Regional Tax Court of Rome has also filed the judgments concerning IMU for the years 2012, 2013, 2014, 2015 and 2016, which have instead substantially rejected the company's appeals and against which Buzzi Unicem, believing it has valid reasons, has already filed an appeal before the Regional Tax Court of Lazio (years from 2012 to 2015) or is preparing to do so (2016). With regard to the IMU for the years 2012, 2013, 2014 and 2015, the company received an injunction for payment of €4.9 million, for which installments have been requested. Finally, between July 2018 and January 2019, hearings were held to deal with appeals presented at first instance against the TASI assessment notices for the years 2014, 2015 and 2016. The Provincial Tax Court of Rome has filed the sentence relating to TASI for 2015, with which it has substantially accepted the company's appeal, while the filing of the judgments relating to TASI for the years 2014 and 2016 are still pending. The company has in any case fully booked in the financial statements the additional taxes, with the related interest and penalties for all the years in which the appeals have been rejected at first instance.

Antitrust
As regards the €11.0 million fine inflicted by the Italian antitrust authority to the subsidiary Unical for alleged anti-competitive practices in the Milan ready-mix concrete market and cancelled by the Council of State by judgment of 2009, the Antitrust Authority, by judgment of 10 December 2013, reassessed the fine reducing it to about €7.0 million. The Authority moreover ordered Unical to pay the additional charges due ex art. 27, paragraph 6, of law no. 689/81 for a total of about €6.3 million. The subsidiary Unical, deeming that the new assessment of the fine was excessive and not consistent with the precepts of the ruling of the Council of State and the additional charges were not due, appealed the assessment judgment before the TAR of Lazio. In the meantime Unical, for the mere purpose of preventing the accumulation of interest expense and without agreeing with the decision, considered appropriate to fully pay the fine. To this aim, it required and obtained from the Antitrust Authority the split-up of the penalty in 30 installments. The TAR of Lazio by judgment of 20 April 2015 no. 5758, partially accepted the appeal issue by Unical, recalculating the penalty in €3.5 million and cancelling the Antitrust Authority provision as regards the additional charges, because not due. A new installment plan for the payment of the remaining penalty was established and in January 2017 the last installment of the plan was paid. The Antitrust Authority appealed the judgment of TAR of Lazio to the Council of State on 20 July 2015. Unical has joined the lawsuit initiated by the Antitrust Authority and has also presented incidental appeal, in which it has requested a further reduction of the sanction which had been restated. The hearing to discuss was held on 14 December 2017. With ruling published on 26 July 2018, the Council of State partially accepted the appeal of the Italian Antitrust Authority, considering as proper the amount of the fine as it was reassessed by the Authority in 2013 and equal to about €7.0 million. Unical has requested and obtained from the Antitrust Authority that the payment of the difference between the amount already paid and the amount as it was restated by the State Council of State is split up in 30 installments. The full liability has been recognized in the financial statements.

On 7 August 2017 Buzzi Unicem was notified of the final decision adopted by the Italian Antitrust Authority following an investigation on the cement sector in Italy which began in 2015. According to the Authority, Buzzi Unicem and other companies operating in the cement market would have established anti-competitive practices from June 2011 until January 2016, aimed at coordinating cement sales prices throughout the country and systematically monitoring the performance of their respective market shares. The fine imposed on Buzzi Unicem amounted to €59.8 million. Buzzi Unicem appealed the provision of the Authority before the TAR of Lazio on 2 October 2017; together with the appeal, a request for revocation of the fine payment was also filed. The hearing to discuss the revocation took place on 8 November 2017. The TAR of Lazio believed that the legal protection needs of Buzzi Unicem could be sufficiently respected by promptly fixing the hearing for discussion on the substance of the case, scheduled for 6 June 2018, also considering the granting of the splitting of the sanction into installments by the Authority. In fact, Buzzi Unicem, for the sole purpose of avoiding the accumulation of interests and without acquiescing, has requested and obtained the split-up of the sanction in 30 installments by the Antitrust Authority. On 12 June 2018 the judgment of the ruling of the TAR of Lazio rejecting the appeal presented by Buzzi Unicem was published and on 30 July 2018 the related arguments were delivered. Considering that the reasons adhere slavishly to the position of the Italian Antitrust Authority, ignoring many of the justifications for the appeal adduced by the company, Buzzi Unicem has challenged the ruling in front of the Council of State, being confident to be able to prove its strangeness to the behavior assumed by the Authority A request for suspension of payment of the fine was also filed together with the appeal. The hearing for the discussion of the suspension was held on 14 February 2019 and the Council of State considered that the judicial protection requirements of Buzzi Unicem were sufficiently safeguarded through the urgent fixing of the hearing for discussion on the merits, set for 4 July 2019. The full liability has been recognized in the financial statements.

In September 2015, the Belgian company CDC presented a claim against Heidelberg Cement AG at the Court of Mannheim. The claim is based on an alleged breach of the antitrust law by Heidelberg Cement AG and other cement manufacturers including Dyckerhoff GmbH in the regions of South and East Germany. Heidelberg Cement has named Dyckerhoff as the third party jointly and severally liable and our subsidiary has joined to support the defense of Heidelberg considering the CDC claims to be unfounded for procedural and substantive reasons. On 24 January 2017 the Court of Mannheim rejected the claimants' request, who then filed an appeal against that judgment and the proceeding is currently pending before the Karlsruhe High Regional Court. We do not expect a negative financial impact from this proceeding.

Against the decision of the Antitrust Authority of Poland concluded by imposing sanctions on 6 producers, including the subsidiary Dyckerhoff Polska, for an amount of approximately €15 million, an appeal was filed before the Regional Court of Warsaw which ruled in December 2013 reducing the fine to approximately €12.3 million, entirely provisioned in the 2017 financial statements. Dyckerhoff Polska appealed against the recalculation of the penalty. The Court of Appeal, following a procedure of consultation with the Polish Constitutional Court, summarized the proceeding in January 2018 and in the hearing of 27 March 2018 decided to further reduce the fine to approximately €7.5 million, which have been fully paid. The company, once the motivations for the judgment have been acquired, has decided to challenge the decision before the Supreme Court.

In the context of this antitrust proceeding concerning the cement sector, the Polish company Thomas Beton Sp. z o.o. on 13 March 2019 notified a claim for compensation to our subsidiary Dyckerhoff Polska and to six more Polish cement producers, for a total inclusive amount referring to all seven cement producers of €14.4 million, plus interest from 29 January 2019 and costs of the proceeding. This request is being analyzed and our Polish subsidiary will submit its statement of defense within the deadlines set for 13 May 2019, also taking into account the limited volume of our supplies to Thomas Beton.

Environmental
As regards the measures adopted for the remediation of the Augusta (SR) roadstead, the land areas and the respective underneath aquifers, Buzzi Unicem is involved in a number of proceedings before the Regional Administrative Court (TAR) of Sicily – Catania division – and the Administrative Justice Council of Sicily (CGARS) against the Ministry for Environment, Land and Sea Protection and various public and private entities. The TAR of Sicily, Catania, with judgment dated 11 September 2012, not appealed by the Ministry, acknowledged that the company was not involved at all in the pollution of the Augusta roadstead and, based on this ruling, the Ministry at the end of 2017 warned the other companies operating on the Augusta roadway, with the exception of Buzzi Unicem, to clean up the roadstead. Recently, the CGARS, with sentence of 15 November 2018, established the need to correctly re-determine the responsibilities of the companies operating on the Augusta roadstead, making reference to the various positions, including that of Buzzi Unicem. Conversely, no jurisprudential pronouncements and major developments in the proceedings have been recorded as regards the final project for the remediation and safety of the land areas and underneath aquifer, against which the company has appealed before the competent jurisdiction authorities, together with some subsequent implementation acts. The company has maintained a technical confrontation with the Ministry for Environment in order to evaluate the feasibility, fairness and sustainability of an out-of-court settlement, which however would imply the acceptance of the Plan Agreement. However this option was not pursued, because of both uncertainties on the ensuing economic charges and the questionable compliance with the EC regulations in force about environmental damages. As an alternative to the acceptance of the Plan Agreement, the company has instead brought forward on its own the procedural fulfillments aimed at the characterization, risk analysis and remediation and/or permanent safety of its land areas and portions of the underneath aquifer affected. These compliance actions are currently being evaluated by the Ministry for Environment which has already ruled favorably on certain aspects through decision-making conference, with requirements that the company has not opposed. Awaiting the development of the above proceedings, the company prudentially maintains in the books the relevant provision of €3.0 million.

In the United States of America, numerous lawsuits and claims exist that have been filed against Lone Star Industries, Inc. (LSI) regarding silica-containing or asbestos containing materials sold or distributed by the company or its subsidiaries in the past and used primarily in construction and other industries. The plaintiffs allege that the use of such materials caused work-related injuries. LSI maintained product liability and comprehensive general liability insurance coverage, to the extent available, for most of the time that it sold or distributed silica-containing and asbestos containing materials. Further, between 2009 and 2010, LSI and its major insurance carriers entered into settlement agreements that define the parties responsibilities and cost shares for these liabilities until 2019. During 2018 LSI started a discussion with its main insurance companies for a review of these agreements. Estimating the costs associated with silica-related and asbestos-related claims involves many uncertainties that may affect the amount and timing of the losses. The company however maintains a provision for the liabilities not expected to be covered by insurance.

Other legal proceedings
In relation to the procedure for the transfer of all outstanding ordinary and preferred shares of the subsidiary Dyckerhoff held by minority shareholders (squeeze-out), concluded in August 2013, a total of 94 requests for price revision have been notified to Buzzi Unicem. The price of the shares was determined based on the evaluation of two different external auditors (one of them appointed by the Court of Frankfurt), pursuant to the enacted German law. On 8 June 2015, the Court of Frankfurt however decided that the price to be paid to the minority shareholders must be increased by €5.24 per share, based on a different valuation

method compared to the one used by the company. The company, considering valid its assessment methodology, appealed against the decision of the Court of first instance and is waiting for the decision of the Court of Appeal. A specific provision was added in the books.

Our Dutch subsidiary Dyckerhoff Basal Toeslagstoffen received on 2 March 2015 a damage claim in the amount of €7.4 million for an alleged failure to comply with some of its contractual obligations related to a sand quarry. The applicant filed an appeal against the decision of the arbitral tribunal which rejected the claim entirely and on 31 August 2017 the Arbitration Court of Appeal amended the rulings at first instance, recognizing as a precautionary measure a part of responsibility on the merits of our Dutch subsidiary. The amount of compensation has been defined by the arbitrators in €1.7 million (including legal costs and interest) which were paid in full.

In connection with the modernization of the cement plant in Maryneal, Texas, one of the primary contractors engaged on the project asserted a claim for additional compensation in 2016. The contractor also filed a materialman's lien by its unilateral declaration claiming an amount owed of $43.5 million, which can only be activated if it succeeds in the dispute and in case of non-payment of any sums owed to the contractor itself. Buzzi Unicem disputed that any additional amounts are owed and we have informed the contractor that we consider it liable of additional sums to the company for failing to perform its obligations in accordance with the terms of the parties' agreement. The parties then started the arbitration dispute resolution procedures which were specifically indicated in the agreement. The arbitrators issued a first decision on 20 December 2018 and then a final decision on 26 February 2019 on the basis of which the supplier was sentenced to pay the company $0.7 million and the company to pay the supplier $14.4 million; the company has already paid in full this sum net of the amount due by the supplier.

49. Related-party transactions

Buzzi Unicem SpA is controlled by Fimedi SpA, which directly and indirectly, through its subsidiary Presa SpA, owns 58.9% of the voting rights. The company assembles the professional skills, the human resources and the equipment that allow it to provide assistance to other subsidiaries and associates.

Buzzi Unicem SpA regularly carries out trading transactions with a number of associates and/or joint ventures, which mainly consist of sales of goods to entities operating in the business of cement and ready-mix concrete. Furthermore the company provides upon request to the same entities technical and engineering services. Goods are sold on the basis of the price lists in force with non-related parties. Services are usually negotiated with related parties on a cost-plus basis. There are also some transactions of financial nature with the same entities; equally, they have normal terms and interest rate conditions. The relationship with the parent company Fimedi SpA and its subsidiaries or other entities that are significantly influenced by individuals with significant voting power in Fimedi SpA, consists in the rendering of services in the area of administration, taxation, legal affairs, payroll and information systems, for limited amounts. The company and its Italian subsidiary Unical SpA are members of a controlled group of corporations for domestic income tax purposes, with Fimedi SpA acting as the parent.

Set out below are the main transactions carried out with related parties and the correspon-ding year-end balances:

(thousands of euro)	2018	in % of reported balance	2017	in % of reported balance
Sales of goods and services:	58,399	2.0	56,124	2.0
associates and unconsolidated subsidiaries	38,364		39,181	
joint ventures	19,925		16,823	
parent companies	22		22	
other related parties	88		98	
Purchases of goods and services:	55,279	2.9	32,769	1.7
associates and unconsolidated subsidiaries	37,420		27,192	
joint ventures	17,214		4,895	
other related parties	645		682	
Internal works capitalized:	7	0.4	-	-
joint ventures	7		-	
Finance revenues:	7,598	5.6	7,087	10.5
associates and unconsolidated subsidiaries	7,593		7,073	
joint ventures	5		14	
Finance costs:	-	-	1	-
joint ventures	-		1	
Trade receivables:	12,900	3.2	11,726	2.9
associates and unconsolidated subsidiaries	7,211		7,454	
joint ventures	5,583		4,169	
parent companies	28		27	
other related parties	78		76	
Loans receivable:	751	13.5	849	6.1
associates and unconsolidated subsidiaries	738		836	
joint ventures	13		13	
Other receivables:	22,285	19.9	16,714	12.5
associates and unconsolidated subsidiaries	45		196	
joint ventures	593		478	
parent companies	21,647		16,040	
Trade payables:	4,845	2.1	5,292	2.1
associates and unconsolidated subsidiaries	3,966		3,845	
joint ventures	874		1,429	
other related parties	5		18	
Loans payable:	4,962	11.1	4,953	3.8
parent companies	4,962		4,953	
Other payables:	5,200	2.9	-	-
parent companies	5,200		-	
Guarantees granted:	1,500	-	1,500	-
joint ventures	1,500		1,500	
Subscription to share capital increase:	78,758	-	-	-
joint ventures	78,758		-	

Key management includes the directors of the company (executive or not), the statutory auditors and 6 other senior executives of first level.

The compensation paid or payable to key management for employee services, not included in the previous table, is shown below:

(thousands of euro)	2018	2017
Salaries and other short-term employee benefits	4,345	4,404
Post-employments benefits	1,019	723
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	5,364	**5,127**

50. Business combinations

On 5 April 2018 the Bundeskartellamt (German Federal Cartel Authority) authorized Dyckerhoff GmbH to acquire the entire share capital of Portland Zementwerke Seibel & Söhne GmbH & Co. KG.

Seibel & Söhne operates a full-cycle cement plant located in Erwitte, North Rhine-Westphalia. Dyckerhoff operates in the region with two plants, in Geseke and Lengerich. Through the acquisition of Seibel & Söhne, Buzzi Unicem has strengthened its position in the German market. It is planned to stop the production of clinker and cement at Erwitte during 2019, with the transfer of the same to the current Dyckerhoff plants, which are equipped with modern process technology, to improve both the efficiency and the environmental impact.

The agreed purchase price consisted of a payment of €44,617 thousand; the agreement also envisages a potential deferred payment of €2,500 thousand.

The accounting of the business combination was completed in December 2018, following a specific appraisal, through which the values of the final identifiable net assets were recalculated. This process led to the alignment to fair value through land revaluations (€2,128 thousands) and the recognition of CO_2 emission rights under inventories (€6,354 thousand), as well as write-downs of equipment (€3,156 thousand) and inventories (€1,679 thousand).

The final goodwill resulting from the acquisition amounts to €32,621 thousand and is not considered deductible for income tax purposes.

The consideration paid, the fair value of the assets acquired, which was determined taking into account a specific appraisal, and of liabilities assumed at the acquisition date are as follows:

(thousands of euro)	**Importo**
Cash	44,617
Present value of deferred payment	2,500
Total consideration	**47,117**
Recognized amounts of identifiable assets acquired and liabilities assumed	
Other intangible assets	2
Property, plant and equipment	14,445
Investments	26
Deferred income tax assets	74
Inventories	9,677
Trade and other receivables	1,351
Cash and cash equivalents	892
Long-term debt	(7)
Provisions and employee benefits	(3,124)
Current portion of long-term debt	(6,002)
Trade and other payables	(2,838)
Total identifiable net assets	**14,496**
Goodwill	**32,621**
Acquisition-related costs	450

Had the acquisition occurred on 1 January 2018, consolidated net sales would have been €2,882,132 thousand and profit for the year €381,665 thousand.

51. Transparency requirements

The law 124/2017 introduced to the art. 1, paragraphs 125-129, new disclosure obligations regarding the transparency of public funds received and granted. In particular, for corporations, the legislation requires the publication in the notes to the financial statements of all the economic benefits, of an amount equal to or greater than €10,000, received from public resources.

More recently, the law 11 February 2019, no. 12 (with which the "simplification decree" had been converted), created a link between the obligations envisaged by law no. 124/2017 and the regulation of the National State Aid Registry, with the aim of simplifying the disclosure costs for the beneficiary entities.

The company meets the requirements of the Decree 21 December 2017 containing "Provisions on the reduction of tariffs to cover general system charges for energy-intensive businesses", as well as those envisaged by Authority Resolution 921/2017/R/eel as subsequently amended. Please refer to the list of energy-intensive businesses drawn up and published by CSEA on its website. For the purposes of transparency and state aid control, CSEA provides for the registration of the concessions granted in application of the Decree to the National Registry of State Aid.

In addition to what is indicated in the National State Aid Register, "Transparency" section (please visit the link https://www.rna.gov.it/RegistroNazionaleTrasparenza/faces/pages/TrasparenzaAiuto.jspx for further information), the following additional grants have been received:

Paying entity (euro)	**Amount of the economic benefit granted**	**Description of the kind of benefit granted**
Eni Fuel SpA	359,961	Excise duty reimbursement on diesel for industrial use
INPS - Pubbliche amministrazioni IPA	25,698	Allowance for INPS duties (over three years and over two years of Jobs Act)
INAIL Istituto Nazionale per l'Assicurazione contro gli Infortuni sul lavoro - Pubbliche amministrazioni IPA	75,023	INAIL - discount on social security rate for safety achievements and certifications

52. Other information

Material non-recurring events and transactions

As stated in the review of operations, the year ended 31 December 2018 was affected by material non-recurring events and transactions – as defined in Consob Communication no. DEM/6064293 of 28 July 2006 – with a net positive impact on EBITDA equal to €8,662 thousand.

Atypical and/or unusual transactions

Please note that Buzzi Unicem did not carry out atypical and/or unusual transactions during the year ended 31 December 2018, as defined in Consob Communication no. DEM/6064293 of 28 July 2006.

Components of net debt

Set out below is the reconciliation of those net debt components not directly inferable from the line items in the balance sheet scheme.

(thousands of euro)	Note	2018	2017
Other current financial receivables		**10,157**	**19,238**
Receivables from unconsolidated subsidiaries and associates	27	701	775
Loans to customers	27	166	487
Receivables from sale of equity investments	27	226	26
Receivables from purchase of equity investments	27	2,451	4,034
Loans to third parties and leasing	27	581	8,835
Accrued interest income	27	607	381
Current financial assets	27	5,425	4,700
Other current financial payables		**(34,518)**	**(37,132)**
Purchase of equity investments	43	(126)	(10,721)
Financial tax payables	43	(7,285)	(697)
Payables to antitrust authority	43	(26,992)	(25,538)
Deferred interest income	43	(115)	(176)
Other non-current financial receivables		**4,283**	**3,175**
Loans to third parties and leasing	24	2,145	2,618
Loans to associates	24	136	136
Loans to customers	24	485	421
Receivables from purchase of equity investments	24	1,317	-
Receivables from sale of equity investments	24	200	-
Other not-current financial payables		**(35,756)**	**(57,958)**
Purchase of equity investments	40	(24,509)	(22,665)
Financial tax payables	40	(1,044)	(1,208)
Payables to antitrust authority	40	(10,203)	(34,085)

53. Events after the balance sheet date

As far as the trading outlook is concerned, reference is made to the appropriate chapter in the review of operations.

Casale Monferrato, 28 March 2019

On behalf of the Board of Directors
The Chairman
Enrico Buzzi

List of companies included in the consolidated financial statements and of equity investments

Name	Registered office		Share capital	Ownership interest held by	% of owner-ship	% of voting rights
Companies consolidated on a line-by-line basis						
Buzzi Unicem S.p.A.	Casale Monferrato (AL)	EUR	123,636,659			
Unical S.p.A.	Casale Monferrato (AL)	EUR	130,235,000	Buzzi Unicem S.p.A.	100.00	
Calcestruzzi Zillo S.p.A.	Casale Monferrato (AL)	EUR	4,004,676	Buzzi Unicem S.p.A.	100.00	
Serenergy S.r.l.	Casale Monferrato (AL)	EUR	25,500	Buzzi Unicem S.p.A.	100.00	
Dyckerhoff GmbH	Wiesbaden DE	EUR	105,639,816	Buzzi Unicem S.p.A.	100.00	
Buzzi Unicem International S.à r.l.	Luxembourg LU	EUR	37,529,900	Buzzi Unicem S.p.A.	100.00	
Aspdinpar Participações Ltda	São Paulo BR	BRL	50,000	Buzzi Unicem S.p.A.	100.00	
Buzzi Unicem Algérie S.à r.l.	El Mohammadia - Alger DZ	DZD	3,000,000	Buzzi Unicem S.p.A.	70.00	
Ghiaie Beton S.p.A.	Osoppo (UD)	EUR	1,680,000	Calcestruzzi Zillo S.p.A.	69.75	
Deuna Zement GmbH	Deuna DE	EUR	5,113,000	Dyckerhoff GmbH	100.00	
Dyckerhoff Beton GmbH & Co. KG	Wiesbaden DE	EUR	18,000,000	Dyckerhoff GmbH	100.00	
GfBB prüftechnik GmbH & Co. KG	Flörsheim DE	EUR	50,000	Dyckerhoff GmbH	100.00	
Portland Zementwerke Seibel und Söhne GmbH & Co. KG	Erwitte DE	EUR	250,000	Dyckerhoff GmbH	100.00	
Dyckerhoff Basal Nederland B.V.	Nieuwegein NL	EUR	18,002	Dyckerhoff GmbH	100.00	
Cimalux S.A.	Esch-sur-Alzette LU	EUR	29,900,000	Dyckerhoff GmbH	98.43	
Dyckerhoff Polska Sp. z o.o.	Nowiny PL	PLN	70,000,000	Dyckerhoff GmbH	100.00	
Cement Hranice a.s.	Hranice CZ	CZK	510,219,300	Dyckerhoff GmbH	100.00	
ZAPA beton a.s.	Praha CZ	CZK	300,200,000	Dyckerhoff GmbH	100.00	
TOB Dyckerhoff Ukraina	Kyiv UA	UAH	230,943,447	Dyckerhoff GmbH	100.00	
PrAT Dyckerhoff Cement Ukraine	Kyiv UA	UAH	7,917,372	Dyckerhoff GmbH TOB Dyckerhoff Ukraina	99.03 0.02	
OOO Russkiy Cement	Ekaterinburg RU	RUB	350,000	Dyckerhoff GmbH	100.00	
OOO Dyckerhoff Korkino Cement	Pervomaysky settlement - Korkino district RU	RUB	30,000,000	Dyckerhoff GmbH	100.00	
OAO Sukholozhskcement	Suchoi Log RU	RUB	30,625,900	Dyckerhoff GmbH OOO Dyckerhoff Korkino Cement	99.86 0.14	
Alamo Cement Company	San Antonio US	USD	200,000	Buzzi Unicem International S.à r.l.	100.00	
RC Lonestar Inc.	Wilmington US	USD	10	Buzzi Unicem International S.à r.l. Dyckerhoff GmbH	51.50 48.50	
Dyckerhoff Gravières et Sablières Seltz S.A.S.	Seltz FR	EUR	180,000	Dyckerhoff Beton GmbH & Co. KG	100.00	
Dyckerhoff Kieswerk Trebur GmbH & Co. KG	Trebur-Geinsheim DE	EUR	125,000	Dyckerhoff Beton GmbH & Co. KG	100.00	
Dyckerhoff Kieswerk Leubingen GmbH	Erfurt DE	EUR	101,000	Dyckerhoff Beton GmbH & Co. KG	100.00	
SIBO-Gruppe GmbH & Co. KG	Lengerich DE	EUR	1,148,341	Dyckerhoff Beton GmbH & Co. KG	100.00	
MKB Mörteldienst Köln-Bonn GmbH & Co. KG	Neuss DE	EUR	125,500	Dyckerhoff Beton GmbH & Co. KG	100.00	
Dyckerhoff Transportbeton Thüringen GmbH & Co. KG	Erfurt DE	EUR	100,000	Dyckerhoff Beton GmbH & Co. KG	95.00	
sibobeton Osnabrück GmbH & Co. KG	Lengerich DE	EUR	5,368,565	Dyckerhoff Beton GmbH & Co. KG	87.63	90.70

List of companies included in the consolidated financial statements and of equity investments

(continued)

Name	Registered office		Share capital	Ownership interest held by	% of owner-ship	% of voting rights
Companies consolidated on a line-by-line basis (continued)						
sibobeton Wilhelmshaven GmbH & Co. KG	Lengerich DE	EUR	920,325	Dyckerhoff Beton GmbH & Co. KG sibobeton Osnabrück GmbH & Co. KG	85.44 14.56	
sibobeton Ems GmbH & Co. KG	Lengerich DE	EUR	2,300,813	Dyckerhoff Beton GmbH & Co. KG sibobeton Osnabrück GmbH & Co. KG	74.34 19.51	
Dyckerhoff Beton Rheinland-Pfalz GmbH & Co. KG	Neuwied DE	EUR	795,356	Dyckerhoff Beton GmbH & Co. KG	70.97	
TBG Lieferbeton GmbH & Co. KG Odenwald	Reichelsheim DE	EUR	306,900	Dyckerhoff Beton GmbH & Co. KG	66.67	
sibobeton Enger GmbH & Co. KG	Lengerich DE	EUR	337,453	Dyckerhoff Beton GmbH & Co. KG sibobeton Osnabrück GmbH & Co. KG	50.00 50.00	
Ostfriesische Transport-Beton GmbH & Co. KG	Lengerich DE	EUR	1,300,000	Dyckerhoff Beton GmbH & Co. KG sibobeton Ems GmbH & Co. KG sibobeton Wilhelmshaven GmbH & Co. KG	45.13 24.20 10.67	
Dyckerhoff Basal Toeslagstoffen B.V.	Nieuwegein NL	EUR	27,000	Dyckerhoff Basal Nederland B.V.	100.00	
Dyckerhoff Basal Betonmortel B.V.	Nieuwegein NL	EUR	18,004	Dyckerhoff Basal Nederland B.V.	100.00	
Béton du Ried S.A.S.	Krautergersheim FR	EUR	500,000	Cimalux S.A.	100.00	
Cimalux Société Immobilière S.à r.l.	Esch-sur-Alzette LU	EUR	24,789	Cimalux S.A.	100.00	
ZAPA beton SK s.r.o.	Bratislava SK	EUR	11,859,396	ZAPA beton a.s. Cement Hranice a.s.	99.97 0.03	
TOB Dyckerhoff Transport Ukraina	Kyiv UA	UAH	51,721,476	TOB Dyckerhoff Ukraina	100.00	
OOO CemTrans	Suchoi Log RU	RUB	20,000,000	OAO Sukholozhskcement	100.00	
OOO Dyckerhoff Suchoi Log obshestvo po sbitu tamponashnich zementow	Suchoi Log RU	RUB	4,100,000	OAO Sukholozhskcement	100.00	
OOO Omsk Cement	Omsk RU	RUB	779,617,530	OAO Sukholozhskcement	100.00	
Alamo Concrete Products Company	San Antonio US	USD	1	Alamo Cement Company	100.00	
Alamo Transit Company	San Antonio US	USD	1	Alamo Cement Company	100.00	
Buzzi Unicem USA Inc.	Wilmington US	USD	10	RC Lonestar Inc.	100.00	
Midwest Material Industries Inc.	Wilmington US	USD	1	RC Lonestar Inc.	100.00	
Lone Star Industries, Inc.	Wilmington US	USD	28	RC Lonestar Inc.	100.00	
River Cement Company	Wilmington US	USD	100	RC Lonestar Inc.	100.00	
River Cement Sales Company	Wilmington US	USD	100	RC Lonestar Inc.	100.00	
Signal Mountain Cement Company	Wilmington US	USD	100	RC Lonestar Inc.	100.00	
Heartland Cement Company	Wilmington US	USD	100	RC Lonestar Inc.	100.00	
Heartland Cement Sales Company	Wilmington US	USD	10	RC Lonestar Inc.	100.00	
Hercules Cement Holding Company	Wilmington US	USD	10	RC Lonestar Inc.	100.00	
Hercules Cement Company LP	Harrisburg US	USD	n/a	RC Lonestar Inc. Hercules Cement Holding Company	99.00 1.00	
Dyckerhoff Transportbeton Schmalkalden GmbH & Co. KG	Erfurt DE	EUR	512,000	Dyckerhoff Transportbeton Thüringen GmbH & Co. KG	67.55	

List of companies included in the consolidated financial statements and of equity investments

(continued)

Name	Registered office		Share capital	Ownership interest held by	% of owner-ship	% of voting rights
Companies consolidated on a line-by-line basis (continued)						
BTG Beton-Transport-Gesellschaft mbH	Lengerich DE	EUR	500,000	sibobeton Osnabrück GmbH & Co. KG	100.00	
BSN Beton Service Nederland B.V.	Franeker NL	EUR	113,445	Dyckerhoff Basal Betonmortel B.V.	100.00	
MegaMix Basal B.V.	Nieuwegein NL	EUR	27,228	Dyckerhoff Basal Betonmortel B.V.	100.00	
Friesland Beton Heerenveen B.V.	Heerenveen NL	EUR	34,487	Dyckerhoff Basal Betonmortel B.V.	80.26	
Betonmortel Centrale Groningen (B.C.G.) B.V.	Groningen NL	EUR	42,474	Dyckerhoff Basal Betonmortel B.V.	66.03	
ZAPA beton HUNGÁRIA kft.	Zsujta HU	HUF	88,000,000	ZAPA beton SK s.r.o.	100.00	
Buzzi Unicem Ready Mix, L.L.C.	Nashville US	USD	n/a	Midwest Material Industries Inc.	100.00	
RED-E-MIX, L.L.C.	Springfield US	USD	n/a	Midwest Material Industries Inc.	100.00	
RED-E-MIX Transportation, L.L.C.	Springfield US	USD	n/a	Midwest Material Industries Inc.	100.00	
Utah Portland Quarries, Inc.	Salt Lake City US	USD	378,900	Lone Star Industries, Inc.	100.00	
Rosebud Real Properties, Inc.	Wilmington US	USD	100	Lone Star Industries, Inc.	100.00	
Compañia Cubana de Cemento Portland, S.A.	Havana CU	CUP	100	Lone Star Industries, Inc.	100.00	
Transports Mariel, S.A.	Havana CU	CUP	100	Lone Star Industries, Inc.	100.00	
Proyectos Industries de Jaruco, S.A.	Havana CU	CUP	186,700	Compañia Cubana de Cemento Portland, S.A.	100.00	
Investments in joint ventures valued by the equity method						
Cementi Moccia S.p.A.	Napoli	EUR	7,398,300	Buzzi Unicem S.p.A.	50.00	
Ecotrade S.p.A.	Genova	EUR	2,400,000	Buzzi Unicem S.p.A.	50.00	
E.L.M.A. S.r.l.	Sinalunga (SI)	EUR	15,000	Unical S.p.A.	50.00	
Calcestruzzi Doc S.r.l.	Padova	EUR	100,000	Calcestruzzi Zillo S.p.A.	50.00	
Calcestruzzi Trieste Nord Est S.r.l. i. L.	Trieste	EUR	100,000	Calcestruzzi Zillo S.p.A.	50.00	
Fresit B.V.	Amsterdam NL	EUR	6,795,000	Buzzi Unicem International S.à r.l.	50.00	
Presa International B.V.	Amsterdam NL	EUR	7,900,000	Buzzi Unicem International S.à r.l.	50.00	
Bildungs-Zentrum-Deuna Gemeinnützige GmbH	Deuna DE	EUR	25,565	Dyckerhoff GmbH	50.00	
Lichtner-Dyckerhoff Beton GmbH & Co. KG	Berlin DE	EUR	200,000	Dyckerhoff Beton GmbH & Co. KG	50.00	
ZAPA UNISTAV s.r.o.	Brno CZ	CZK	20,000,000	ZAPA beton a.s.	50.00	
EKO ZAPA beton s.r.o.	Praha CZ	CZK	1,008,000	ZAPA beton a.s.	50.00	
ARGE Betonversorgung ICE Feste Fahrbahn Erfurt-Halle GbR	Erfurt DE	EUR	n/a	Dyckerhoff Transportbeton Thüringen GmbH & Co. KG	37.00	

List of companies included in the consolidated financial statements and of equity investments
(continued)

Name	Registered office		Share capital	Ownership interest held by	% of owner-ship	% of voting rights
Investments in joint ventures valued by the equity method (continued)						
Hotfilter Pumpendienst GmbH & Co. KG	Nordhorn DE	EUR	100,000	sibobeton Ems GmbH & Co. KG sibobeton Osnabrück GmbH & Co. KG	25.00 25.00	
Ravenswaarden B.V.	Lochem NL	EUR	18,000	Dyckerhoff Basal Toeslagstoffen B.V.	50.00	
Roprivest N.V.	Grimbergen BE	EUR	105,522	Dyckerhoff Basal Toeslagstoffen B.V.	50.00	
Aranykavics kft.	Budapest HU	HUF	11,500,000	Dyckerhoff Basal Toeslagstoffen B.V.	50.00	
Eljo Holding B.V.	Groningen NL	EUR	45,378	Dyckerhoff Basal Betonmortel B.V.	50.00	
Megamix-Randstad B.V.	Gouda NL	EUR	90,756	Dyckerhoff Basal Betonmortel B.V.	50.00	
BCPAR S.A.	Recife BR	BRL	873,072,223	Aspdinpar Participações Ltda	50.00	
Brennand Projetos S.A.	Recife BR	BRL	11,193,955	BCPAR S.A.	100.00	
Mineração Bacupari S.A.	Recife BR	BRL	5,788,950	BCPAR S.A.	100.00	
Companhia Nacional de Cimento - CNC	Recife BR	BRL	601,520,831	BCPAR S.A.	100.00	
Agroindustrial Delta de Minas S.A.	Recife BR	BRL	26,329,159	BCPAR S.A.	100.00	
Brennand Cimentos Paraíba S.A.	Recife BR	BRL	265,173,765	BCPAR S.A.	100.00	
CCS Cimento de Sergipe S.A.	Aracaju, BR	BRL	2,196,000	Brennand Projetos S.A.	100.00	
Mineração Delta de Sergipe S.A.	Aracaju, BR	BRL	2,373,184	Brennand Projetos S.A.	100.00	
Mineração Delta do Rio S.A.	Recife BR	BRL	1,569,385	Brennand Projetos S.A.	100.00	
Mineração Delta do Paraná S.A.	Recife BR	BRL	4,394,139	Brennand Projetos S.A.	100.00	
Agroindustrial Árvore Alta S.A.	Recife BR	BRL	497,000	Brennand Projetos S.A.	100.00	
CCP Holding S.A.	Recife BR	BRL	307,543,000	Brennand Cimentos Paraíba S.A.	85.00	
Mineração Sergipe S.A.	Laranjeiras, BR	BRL	898,000	Mineração Delta de Sergipe S.A.	100.00	
Companhia de Cimento da Paraíba - CCP	Recife BR	BRL	319,642,205	CCP Holding S.A.	100.00	
Mineração Nacional S.A.	Recife BR	BRL	31,756,571	CCP Holding S.A.	100.00	
Corporación Moctezuma, S.A.B. de C.V.	Mexico MX	MXN	171,376,652	Fresit B.V. Presa International B.V.	51.51 15.16	
Cementos Moctezuma, S.A. de C.V.	Mexico MX	MXN	1,130,605,605	Corporación Moctezuma, S.A.B. de C.V.	100.00	
Cementos Portland Moctezuma, S.A. de C.V.	Emiliano Zapata MX	MXN	50,000	Corporación Moctezuma, S.A.B. de C.V.	100.00	
Cemoc Servicios Especializados S.A. de C.V.	Mexico MX	MXN	50,000	Corporación Moctezuma, S.A.B. de C.V.	100.00	
Latinoamericana de Comercio, S.A. de C.V.	Emiliano Zapata MX	MXN	10,775,000	Corporación Moctezuma, S.A.B. de C.V.	100.00	
Lacosa Concretos, S.A. de C.V.	Emiliano Zapata MX	MXN	11,040,000	Corporación Moctezuma, S.A.B. de C.V.	100.00	
Latinoamericana de Concretos, S.A. de C.V.	Mexico MX	MXN	923,601,073	Corporación Moctezuma, S.A.B. de C.V. Cementos Portland Moctezuma, S.A. de C.V.	99.97 0.03	

List of companies included in the consolidated financial statements and of equity investments

(continued)

Name	Registered office		Share capital	Ownership interest held by	% of owner-ship	% of voting rights
Investments in joint ventures valued by the equity method (continued)						
Inmobiliaria Lacosa, S.A. de C.V.	Mexico MX	MXN	50,068,500	Corporación Moctezuma, S.A.B. de C.V.	98.00	
				Cementos Portland Moctezuma, S.A. de C.V.	2.00	
Concretos Moctezuma del Pacifico S.A. de C.V.	Mexico MX	MXN	29,472,972	Latinoamericana de Concretos, S.A. de C.V.	85.00	
				Inmobiliaria Lacosa, S.A. de C.V.	15.00	
Concretos Moctezuma de Xalapa, S.A. de C.V.	Xalapa MX	MXN	10,000,000	Latinoamericana de Concretos, S.A. de C.V.	60.00	
Maquinaria y Canteras del Centro, S.A. de C.V.	Mexico MX	MXN	19,597,565	Latinoamericana de Concretos, S.A. de C.V.	51.00	
Concretos Moctezuma de Jalisco S.A. de C.V.	Mexico MX	MXN	100,000	Latinoamericana de Concretos, S.A. de C.V.	51.00	
CYM Infraestructura, S.A.P.I. de C.V.	Mexico MX	MXN	40,100,000	Latinoamericana de Concretos, S.A. de C.V.	50.00	
Investments in associates valued by the equity method						
Premix S.p.A.	Melilli (SR)	EUR	3,483,000	Buzzi Unicem S.p.A.	40.00	
Société des Ciments de Sour El Ghozlane EPE S.p.A.	Sour El Ghozlane DZ	DZD	1,900,000,000	Buzzi Unicem S.p.A.	35.00	
Société des Ciments de Hadjar Soud EPE S.p.A.	Azzaba DZ	DZD	1,550,000,000	Buzzi Unicem S.p.A.	35.00	
Laterlite S.p.A.	Solignano (PR)	EUR	22,500,000	Buzzi Unicem S.p.A.	33.33	
Salonit Anhovo Gradbeni Materiali d.d.	Anhovo SI	EUR	36,818,921	Buzzi Unicem S.p.A.	25.00	
w&p Cementi S.p.A.	San Vito al Tagliamento (PN)	EUR	2,000,000	Buzzi Unicem S.p.A.	25.00	
Edilcave S.r.l.	Villar Focchiardo (TO)	EUR	72,800	Unical S.p.A.	30.00	
Calcestruzzi Faure S.r.l.	Salbertrand (TO)	EUR	53,560	Unical S.p.A.	24.00	
Nord Est Logistica S.r.l.	Gorizia	EUR	640,000	Calcestruzzi Zillo S.p.A.	32.38	
Warsteiner Kalksteinmehl GmbH & Co. KG	Warstein DE	EUR	51,129	Dyckerhoff GmbH	50.00	
Warsteiner Kalksteinmehl Verwaltungsgesellschaft mbH	Warstein DE	EUR	25,600	Dyckerhoff GmbH	50.00	
Projektgesellschaft Warstein-Kallenhardt Kalkstein mbH	Warstein DE	EUR	25,200	Dyckerhoff GmbH	25.00	
Köster/Dyckerhoff Vermögensverwaltungs GmbH	Warstein DE	EUR	25,000	Dyckerhoff GmbH	24.90	
Köster/Dyckerhoff Grundstücksverwaltungs GmbH & Co. KG	Warstein DE	EUR	10,000	Dyckerhoff GmbH	24.90	
Nordenhamer Transportbeton GmbH & Co. KG	Nordenham DE	EUR	322,114	Dyckerhoff Beton GmbH & Co. KG	51.59	
BLD Betonlogistik Deutschland GmbH	Rommerskirchen DE	EUR	25,000	Dyckerhoff Beton GmbH & Co. KG	50.00	
Lichtner-Dyckerhoff Beton Verwaltungs GmbH	Berlin DE	EUR	25,000	Dyckerhoff Beton GmbH & Co. KG	50.00	
TRAMIRA Transportbetonwerk Minden-Ravensberg GmbH & Co. KG	Minden-Dankersen DE	EUR	1,000,000	Dyckerhoff Beton GmbH & Co. KG	50.00	

List of companies included in the consolidated financial statements and of equity investments

(continued)

Name	Registered office		Share capital	Ownership interest held by	% of ownership	% of voting rights
Investments in associates valued by the equity method (continued)						
Transass S.A.	Schifflange LU	EUR	50,000	Cimalux S.A.	41.00	
S.A. des Bétons Frais	Schifflange LU	EUR	2,500,000	Cimalux S.A.	41.00	
Cobéton S.A.	Differdange LU	EUR	100,000	Cimalux S.A.	33.32	
Bétons Feidt S.A.	Luxembourg LU	EUR	2,500,000	Cimalux S.A.	30.00	
Houston Cement Company LP	Houston US	USD	n/a	Alamo Cement Company	20.00	
BLRP Betonlogistik Rheinland-Pfalz GmbH	Rommerskirchen DE	EUR	25,000	Dyckerhoff Beton Rheinland-Pfalz GmbH & Co. KG	50.00	
Hotfilter Pumpendienst Beteiligungsgesellschaft mbH	Nordhorn DE	EUR	25,000	sibobeton Ems GmbH & Co. KG sibobeton Osnabrück GmbH & Co. KG	25.00 25.00	
BLN Beton Logistiek Nederland B.V.	Heteren NL	EUR	26,000	Dyckerhoff Basal Betonmortel B.V.	50.00	
Van Zanten Holding B.V.	Zuidbroek NL	EUR	18,151	Dyckerhoff Basal Betonmortel B.V.	25.00	
V.O.F. “Bouwdok Barendrecht”	Barendrecht NL	EUR	n/a	Dyckerhoff Basal Betonmortel B.V.	22.65	
Kosmos Cement Company	Louisville US	USD	n/a	Lone Star Industries, Inc.	25.00	
Cooperatie Megamix B.A.	Almere NL	EUR	80,000	MegaMix Basal B.V.	37.50	
Other investments in subsidiaries, associates and joint ventures						
GfBB prüftechnik Verwaltungs GmbH	Flörsheim DE	EUR	25,600	Dyckerhoff GmbH	100.00	
Dyckerhoff Beton Verwaltungs GmbH	Wiesbaden DE	EUR	46,100	Dyckerhoff GmbH	100.00	
Lieferbeton Odenwald Verwaltungs GmbH	Flörsheim DE	EUR	25,000	Dyckerhoff GmbH	100.00	
Dyckerhoff Kieswerk Trebur Verwaltungs GmbH	Trebur-Geinsheim DE	EUR	25,000	Dyckerhoff Beton GmbH & Co. KG	100.00	
SIBO-Gruppe Verwaltungsgesellschaft mbH	Lengerich DE	EUR	26,000	Dyckerhoff Beton GmbH & Co. KG	100.00	
Dyckerhoff Beton Rheinland-Pfalz Verwaltungs GmbH	Neuwied DE	EUR	26,000	Dyckerhoff Beton GmbH & Co. KG	70.97	
Nordenhamer Transportbeton GmbH	Nordenham DE	EUR	25,565	Dyckerhoff Beton GmbH & Co. KG	56.60	
Seibel Beteiligungsgesellschaft mbH	Erwitte DE	EUR	25,000	Portland Zementwerke Seibel und Söhne GmbH & Co. KG	100.00	
Dyckerhoff Transportbeton Thüringen Verwaltungs GmbH	Erfurt DE	EUR	25,565	Dyckerhoff Transportbeton Thüringen GmbH & Co. KG	100.00	
Dyckerhoff Transportbeton Schmalkalden Verwaltungs GmbH	Erfurt DE	EUR	25,600	Dyckerhoff Transportbeton Thüringen GmbH & Co. KG	67.58	
MKB Mörteldienst Köln-Bonn Verwaltungsgesellschaft mbH	Neuss DE	EUR	25,000	MKB Mörteldienst Köln-Bonn GmbH & Co. KG	100.00	

For the German partnerships in the legal form of a GmbH & Co. KG consolidated on a line-by-line basis, the exemption according to Article 264b German Commercial Code is applicable.

Information required under article 149-*duodecies* of the CONSOB Regulation for listed companies

The following table, prepared in accordance with article 149-duodecies of the CONSOB Regulation no. 11971/99, reports the amount of fees charged in 2018 for audit and audit related services provided by the same audit firm and by entities that are part of its network.

(thousands of euro)	**Service provider**	**Service recipient**	**Fees Charged in 2018**
Audit	EY S.p.A.	Capogruppo – Buzzi Unicem S.p.A.	167
	EY S.p.A.	Subsidiaries	89
	Network EY	Subsidiaries	1,159
	Network EY	Capogruppo – Buzzi Unicem S.p.A. [1]	28
	Network EY	Subsidiaries [2]	22
Other	Network EY	Subsidiaries [3]	84
Total			**1,549**

1 Agreed upon procedures on the annual financial information of the Algerian associates Société des Ciments de Sour El Ghozlane and Société des Ciments de Hadjar Soud;
2 Certifications required under German law, Dutch law and Hungarian law;
3 Assistance for disputes relating to Dyckerhoff squeeze-out (€25 thousand), due diligence for transaction Aspdinpar/BCPAR (Brazil) (€29 thousand) and support for the application of European privacy regulation (€30 thousand).

Certification of the consolidated financial statements pursuant to article 81-ter of Consob regulation no. 11971 of 14 May 1999 as amended

- The undersigned Pietro Buzzi, as Chief Executive Finance, and Silvio Picca, as Manager responsible for preparing Buzzi Unicem's financial reports, hereby certify, pursuant to the provisions of article 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998, that the administrative and accounting procedures for the preparation of consolidated financial statements during the year 2018:

  – are adequate with respect to the company structure, and
  – have been effectively applied.

- The undersigned also certify that:
  a) the consolidated financial statements
  – have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and Counsel dated 19 July 2002;
  – correspond to the results documented in the books and the accounting records;
  – provide a true and correct representation of the financial conditions, results of operations and cash flows of the issuer and of the entities included in the scope of consolidation.

  b) the review of operations includes a reliable business and financial review as well as the situation of the issuer and of the entities included in the scope of consolidation, together with a description of the major risks and uncertainties to which they are exposed.

Casale Monferrato, 28 March 2019

Chief Executive Finance

Pietro Buzzi

Manager responsible for preparing financial reports

Silvio Picca

Building a better working world

Buzzi Unicem S.p.A.

Consolidated financial statements as at December 31, 2018

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Buzzi Unicem S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Buzzi Unicem Group (the Group), which comprise the consolidated balance sheet as at December 31, 2018, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Buzzi Unicem S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

EY S.p.A.
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We identified the following key audit matters:

Key Audit Matter	Audit Response
Valuation of Goodwill	
As at December 31, 2018 goodwill amounted to € 576 million and it has been allocated to the Group's Cash Generating Units (CGU). The processes and methods used by the Company to evaluate and determine the recoverable amount of each CGU, in terms of value in use, are based on assumptions that are in some cases complex and that, due to their nature, imply the use of judgement by Management, in particular with reference to the forecast of future cash flows and to the estimate of the long-term growth and discount rates applied to the future cash flow forecasts. Considering the level of judgement and complexity of the assumptions applied in estimating the recoverable amount of goodwill, we considered that this area represents a key audit matter. Disclosures related to the valuation of goodwill are provided in note 19 - "Goodwill and Other intangible assets" and note 4 - "Critical accounting estimates and assumptions".	Our audit procedures in response to this key audit matter included, among others: • the assessment of the processes implemented by the Company with reference to the criteria and methodology of the impairment test; • the validation of the CGUs perimeter and test of the allocation of the carrying value of the Group's assets to each CGU; • the assessment of the future cash flow forecasts, including comparisons with sector data and forecasts; • the assessment of the consistency of the future cash flow forecasts of each CGU with the Group business plan; • the assessment of the accuracy of future cash flow forecasts when compared to actual results; • the assessment of the long term growth rates and discount rates. In performing our analysis, we involved our experts in valuation techniques, who have performed independent calculations and sensitivity analyses of the key assumptions in order to determine any changes that could materially affect the valuation of the recoverable amount. Lastly, we assessed the adequacy of the disclosures provided in the notes to the consolidated financial statements with regard to the valuation of goodwill.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Buzzi Unicem S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Buzzi Unicem S.p.A., in the general meeting held on May 9, 2014, engaged us to perform the audits of the consolidated financial statements for each of the years ending December 31, 2014 to December 31, 2022.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Buzzi Unicem S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Group Buzzi Unicem as at December 31, 2018, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Buzzi Unicem Group as at December 31, 2018 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Buzzi Unicem Group as at December 31, 2018 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Buzzi Unicem S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by another auditor.

Turin, April 4, 2019

EY S.p.A.
Signed by: Stefania Boschetti, partner

This report has been translated into the English language solely for the convenience of international readers.

This Annual Report appears in Italian (original version) and English (non-binding version)

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Company Register of Alessandria no. 00930290044

Cover photo:
RheinMain CongressCenter: conference and event center located in the center of Wiesbaden, Germany. Opened in April 2018, it was partly built with Dyckerhoff cement and concrete.

Buzzi Unicem

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