ANNUAL
REPORT
2019

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 our usual practice, the Chairman of the company is tasked with presenting the Annual Report for the year that has just ended (I am referring to 2019, of course).

Before I embark on last year's results, it is incumbent upon me to draw your attention to what has been happening in Italy and around the world since March 2020.

It goes without saying that I am referring to the COVID-19 outbreak that, over the past month, has been impacting the economic outlook not only in Italy but also globally.
This is a completely unexpected and extraordinary event whose evolution is full of uncertainties. How long this will last and how severely it will affect people's health and the national and global economy is still unknown.
It is therefore particularly difficult to provide any 2020 guidance for our sector, both in Italy and abroad.

Having said that, 2019 saw a consolidation of the cement industry in Italy that is rewarding the efforts of the players, including some acquisitions made by your company.
By continuing to expand the scope of our business and keeping a watchful eye on reducing costs, we have finally achieved almost satisfactory production levels and improved our performance at the most important plants when compared to 2018 results.
We should also point out that during the year we undertook a radical reorganization of the concrete sector by reducing our spheres of influence in favor of the more profitable ones.
Our overall results in 2019 in Italy thus returned to a level that we can consider positive.

With a few exceptions, we achieved very gratifying results in 2019 across the "rest of the cement universe" in which we operate.

The United States have continued to be highly profitable, and we hope that they keep "rolling along" this entire year as well, despite the risks from COVID-19.

As you know, Germany is no longer the engine driving the European economy; however, our results in Germany and in the more dynamic EU countries (Poland, Czech Republic and Slovakia) were favorable.

Russia and Ukraine performed even better during 2019, mainly due to domestic reasons that boosted investments in construction.

Unfortunately, we cannot say the same about Mexico, where performance is declining as a result of the populist politics of President Andrés Manuel López Obrador (AMLO), which, in turn, does not foster investor confidence. The country has remained in an economic standstill and investors are cautious.

Last but not least, it appears that Brazil, where we entered a joint venture with the Ricardo Brennand Group in 2018, has begun a gradual recovery that we hope will become established and strengthen as the year progresses.

A careful reading of the Annual Report and Sustainability Report will provide you with plenty of interesting information so that you can see the extent to which Buzzi Unicem is forward-looking, beyond just its financial performance.

Our sector-specific internal research and the mindset of our entire workforce is increasingly focused on excelling in every area, putting the sustainability of the company first, which includes, among other initiatives, an ambitious and extensive program to reduce CO_2 emissions and to increase the use of alternative fuels in all production units.

At this point I will conclude my remarks by extending a special thank you and farewell as the outgoing Chairman, since I cannot be re-elected due to age limits.
I hope that as loyal shareholders you will continue to support us for a long time to come and far beyond these difficult times due to COVID-19.

Enrico Buzzi
Chairman


T. Dr. Günther
BUZZI

Group profile

Boards of Directors

Before Shareholders' meeting of 8 May 2020

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, mother of four children. Board member since 2011.
Degree in Economics and Business from the University of Turin.
Auditor for Arthur Andersen & Co. from 1996 to 1997. Subsequently, until 2001, auditor in the Financial Institutions and Corporate Finance practice at McKinsey & Co. Then, until 2002, auditor in the Investor Relations and Financial Planning department at Buzzi Unicem. Member of the supervisory board of Dyckerhoff GmbH and the Executive Council of AIdAF (Italian Association of Family Businesses) from 2013 to 2019. 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, for Yarpa S.p.A. an investment company of Vittoria Assicurazioni group and for CLN S.p.A., an industrial company in the automotive sector.

Elsa Fornero

Independent non-executive Director

Born in 1948. Board member from 2008 to 2011 and since 2014.
Honorary Professor of Economics at the University of Turin.
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.
Former 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 and of the Executive Committee 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).

Mario Paterlini

Independent non-executive Director

Born in 1963. Director since 2019.
Chemical Engineering degree from the Université de Technologie de Compiègne, AMP and IDP-C at Insead Fontainebleau. CEO of Gruppo Sapio, manufacturer and distributor of technical gases for the medical and household sectors, since 2010. Member of the Board of Directors of ERG S.p.A., Carbitalia Srl and Bomi SpA. Numerous international positions at Air Products and Chemicals Inc. from 1988-2010.

Linda Orsola Gilli
Independent non-executive Director

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. From 2010 to 2013 and since 2019, 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) and Vice President (2014-16). President of ISVI until 2019. Member of the Board of Directors of UCID – Milan and since 2016 member of the Board of Directors of Avvenire SpA. Advocate of the Centesimus Annus Pro Pontifice Foundation and former member of the Foundation's Advisory Board until 2019. 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).

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 Brembo SpA, Bocconi University, and the National Museum of Science and Technology Leonardo da Vinci.
Member of the Advisory Board of the Polytechnic University of Milan, Vice President and member of the Executive Committee of the Aspen Institute, member of the European Advisory Board of the Harvard Business School, of the International Cancer Center Executive Board of the Beth Israel Deaconess Medical Center, of the Trilateral Commission and of ERT (European Round Table of Industrialists).

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. A practicing lawyer, she has been a registered member of the Bar Association of Turin since 1998, specifically in the business assistance area. She specializes in labor law and is a board member of the Association of Italian Labor Lawyers (AGI), one of the biggest lawyers associations in the country. She has three children and serves as a representative of the Umberto I Sports Club, appointed by the Boards of Directors of the Convitto Nazionale Umberto I (Umberto I National Boarding School) in Turin.

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.

Alessandro Buzzi
Honorary Chairman (not member)

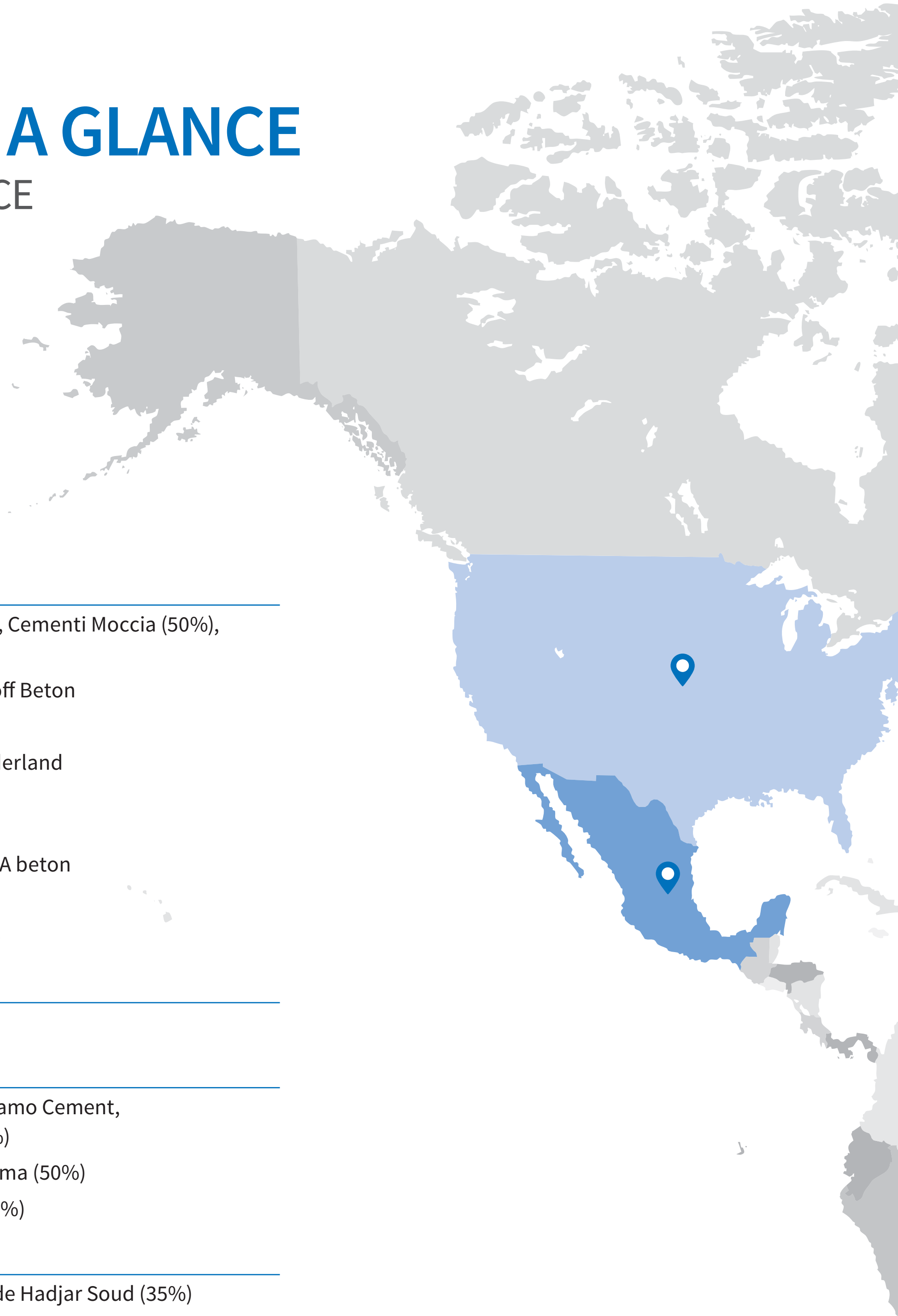
Born in 1933. Chairman until 2014.
He has built up years of outstanding experience in the industry, developing special knowledge of cement technology and its applications. For many years, he has been President of the Italian Cement Association (AITEC), Deputy Vice Chairman of UNI (Italian Standards Organization) 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).

Board of Statutory Auditors
Before Shareholders' meeting of 8 May 2020

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, 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	SLK Cement

America

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

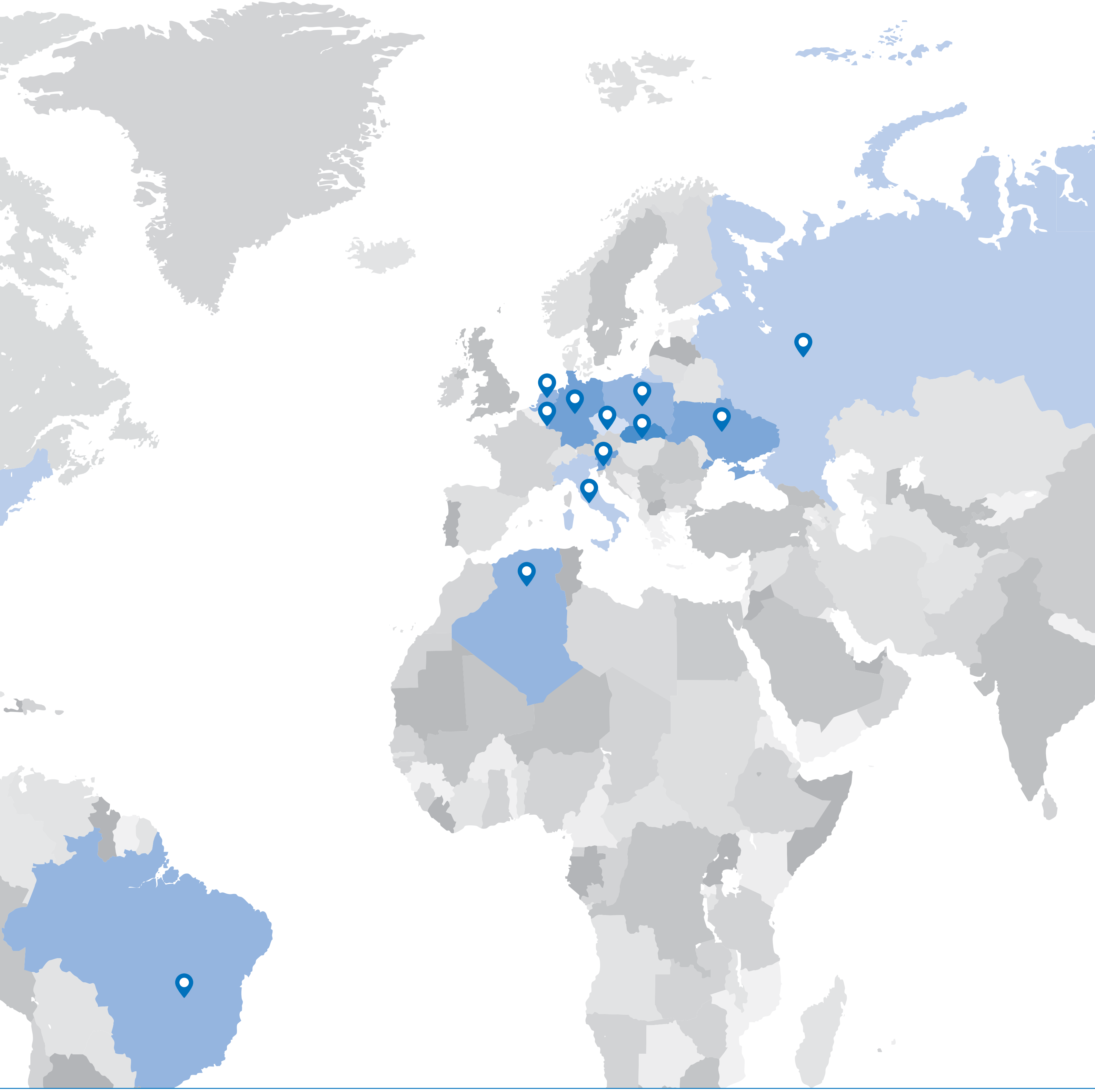
Africa

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**

37 Cement plants

7 Grinding plants



40
m tons/year
Cement production capacity

404
Ready-mix batch plants

18
Aggregate quarries

44
Terminals

Operating structure

		ITA	GER	LUX	NLD	POL	CZE SVK	UKR	RUS	USA	TOT	BRA[1]	MEX[1]
Cement plants	n.	13	8	2	-	1	1	2	2	8	**37**	2	3
of which grinding	n.	4	2	1	-	-	-	-	-	-	**7**	-	-
Cement production capacity	m tons/ year	10.8	7.2	1.4	-	1.6	1.1	3.0	4.3	10.2	**39.6**	4.1	8.3
Ready-mix batch plants	n.	114	110	3	14	21	69	5	-	68	**404**	-	28
Aggregate quarries	n.	6	3	-	-	-	6	-	-	3	**18**	-	3
Deposits and terminals	n.	2	2	-	-	1	-	2	1	36	**44**	2	-

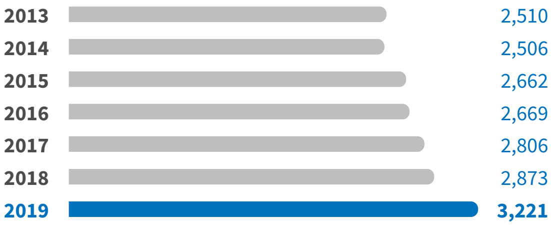
ITA/Italy, GER/Germany, LUX/Luxembourg, NLD/Netherlands, POL/Poland, CZE/Czech Republic, SVK/Slovakia, UKR/Ukraine, RUS/Russia, USA/United States of America, BRA/Brazil, MEX/Mexico.
[1] Figures at 100%

Key Figures

		2013	2014	2015	2016	2017	2018	2019
Cement production	t/000	23,852	24,280	24,857	24,901	26,173	27,143	**28,306**
Concrete sales	m^3/000	11,887	12,048	11,936	11,938	12,294	12,093	**12,120**
Aggregate sales	t/000	7,869	7,558	8,120	6,839	6,935	6,753	**5,551**
Net sales	€ m	2,510	2,506	2,662	2,669	2,806	2,873	**3,221**
Capital expenditures	€ m	222	318	304	236	218	444	**339**
Headcount at year end	n.	9,938	10,117	9,738	9,975	10,025	9,880	**9,841**

Sales revenue

(millions of euro)



Capital expenditures

(millions of euro)

Environmental Performance Indicators

		2017	2018	2019
CO_2 Emissions	kg / t cementitious	696	690	**688**
Specific thermal consumption	MJ / t clinker	4,121	4,080	**4,109**
Thermal substitution	%	26.0	27.1	**27.6**

Social Performance Indicators

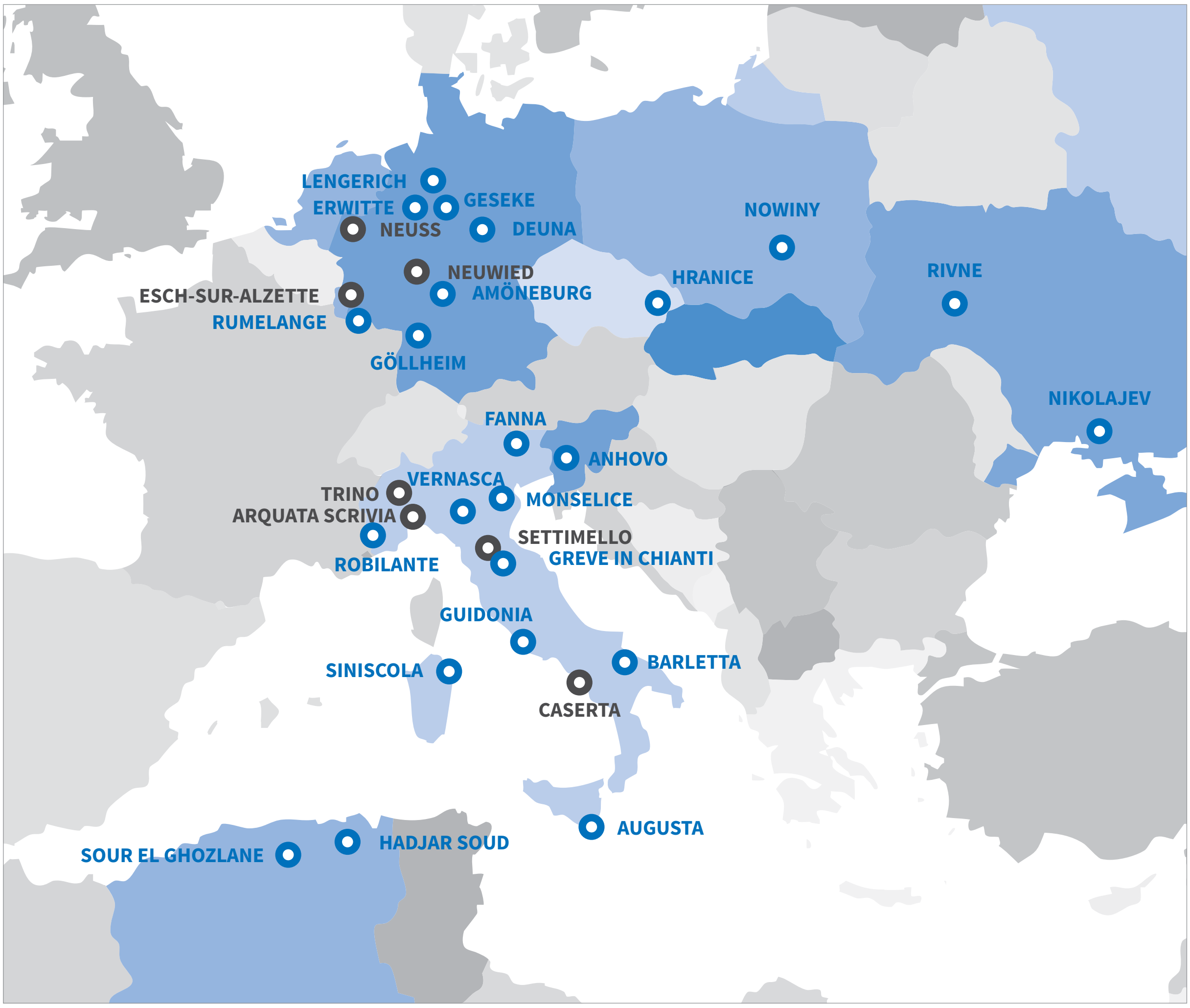
	2017	2018	2019
Headcount at year end	**10,025**	**9,880**	**9,841**
of which % Men	85.0	85.2	**85.5**
of which % Women	15.0	14.8	**14.5**
LTIFR *	6.9	6.4	**5.8**
Management	464	447	**436**
White collars	3,221	3,101	**3,141**
Blue collars	6,082	6,090	**6,003**
Trainees	156	153	**162**
Marginal/helpers	102	89	**99**
Total hires	1,585	1,759	**1,465**
Percentage of hiring	15.8	17.8	**14.9**
Total terminations	1,822	1,904	**1,637**
Turnover rate %	18.2	19.3	**16.6**
Absence rate % (illness/injuries)	3.2	3.7	**3.3**
Total hours of training	24.7	32.0	**24.0**

* 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 2019

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

13	10.8	114	6	2
plants	(million tons) cement production capacity	concrete batch plants	aggregate quarries	deposits and terminals

		2019	**2018**	**19/18**
Cement production	t/000	**4,708**	4,516	+4.3%
Concrete sales	m³/000	**2,603**	2,611	-0.3%
Aggregate sales	t/000	**766**	738	+3.8%
Net sales	€ m	**504.7**	459.8	+9.8%
Capital expenditures	€ m	**108.1**	37.1	n.s.
Headcount at year end	nr	**1,593**	1,485	+7.3%

Germany, Luxembourg and Netherlands

10	8.6	127	3	2
plants	(million tons) cement production capacity	concrete batch plants	aggregate quarries	deposits and terminals

		2019	**2018**	**19/18**
Cement production	t/000	**7,352**	7,103	+3.5%
Concrete sales	m³/000	**4,451**	4,540	-2.0%
Aggregate sales	t/000	**790**	2.690	-70.6%
Net sales	€ m	**872.1**	829.6	+5.1%
Capital expenditures	€ m	**56.1**	114.3	-50.9%
Headcount at year end	nr	**2,104**	2,198	-4.3%

Poland

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

		2019	2018	19/18
Cement production	t/000	**1,607**	1,638	-1.9%
Concrete sales	m^3/000	**742**	795	-6.7%
Net sales	€ m	**123.8**	111.4	+11.1%
Capital expenditures	€ m	**6.8**	6.9	-1.4%
Headcount at year end	nr	**356**	358	-0.6%

Czech Republic and Slovakia

1	1.1	69	6
plant	(million tons) cement production capacity	concrete batch plants	aggregate quarries

		2019	2018	19/18
Cement production	t/000	**1,004**	1,013	-0.9%
Concrete sales	m^3/000	**1,674**	1,791	-6.5%
Aggregate sales	t/000	**1,532**	1,398	+9.6%
Net sales	€ m	**168.2**	164.5	+2.2%
Capital expenditures	€ m	**13.5**	7.5	+80.0%
Headcount at year end	nr	**762**	789	-3.4%

Ukraine

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

		2019	2018	19/18
Cement production	t/000	**1,840**	1,543	+19.2%
Concrete sales	m³/000	**157**	217	-27.6%
Net sales	€ m	**131.9**	88.3	+49.4%
Capital expenditures	€ m	**10.5**	7.8	+34.6%
Headcount at year end	nr	**1,284**	1,313	-2.2%

Russia

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

		2019	2018	19/18
Cement production	t/000	**3,644**	3,431	+6.2%
Net sales	€ m	**214.5**	185.5	+15.6%
Capital expenditures	€ m	**40.3**	17.1	n.s.
Headcount at year end	nr	**1,387**	1,435	-3.3%

United States of America

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

		2019	2018	19/18
Cement production	t/000	**8,151**	7,899	+3.2%
Concrete sales	m³/000	**2,493**	2,140	+16.5%
Aggregate sales	t/000	**2,463**	1,927	+27.8%
Net sales	$ m	**1,391**	1,263.2	+10.1%
Capital expenditures	$ m	**116.5**	109.2	+6.7%
Headcount at year end	nr	**2,355**	2,302	+2.3%

Mexico[1]

3	8.3	28	3
plants	(million tons) cement production capacity	concrete batch plants	aggregate quarries

		2019	2018	19/18
Cement production	t/000	**6,240**	6,731	-7.3%
Concrete sales	m³/000	**1,124**	1,340	-16.1%
Aggregate sales	t/000	**990**	1,004	-1.4%
Net sales	$ m	**664.1**	737.8	-10.0%
Capital expenditures	$ m	**36.1**	20.1	+79.6%
Headcount at year end	nr	**1,078**	1,095	-1.6%

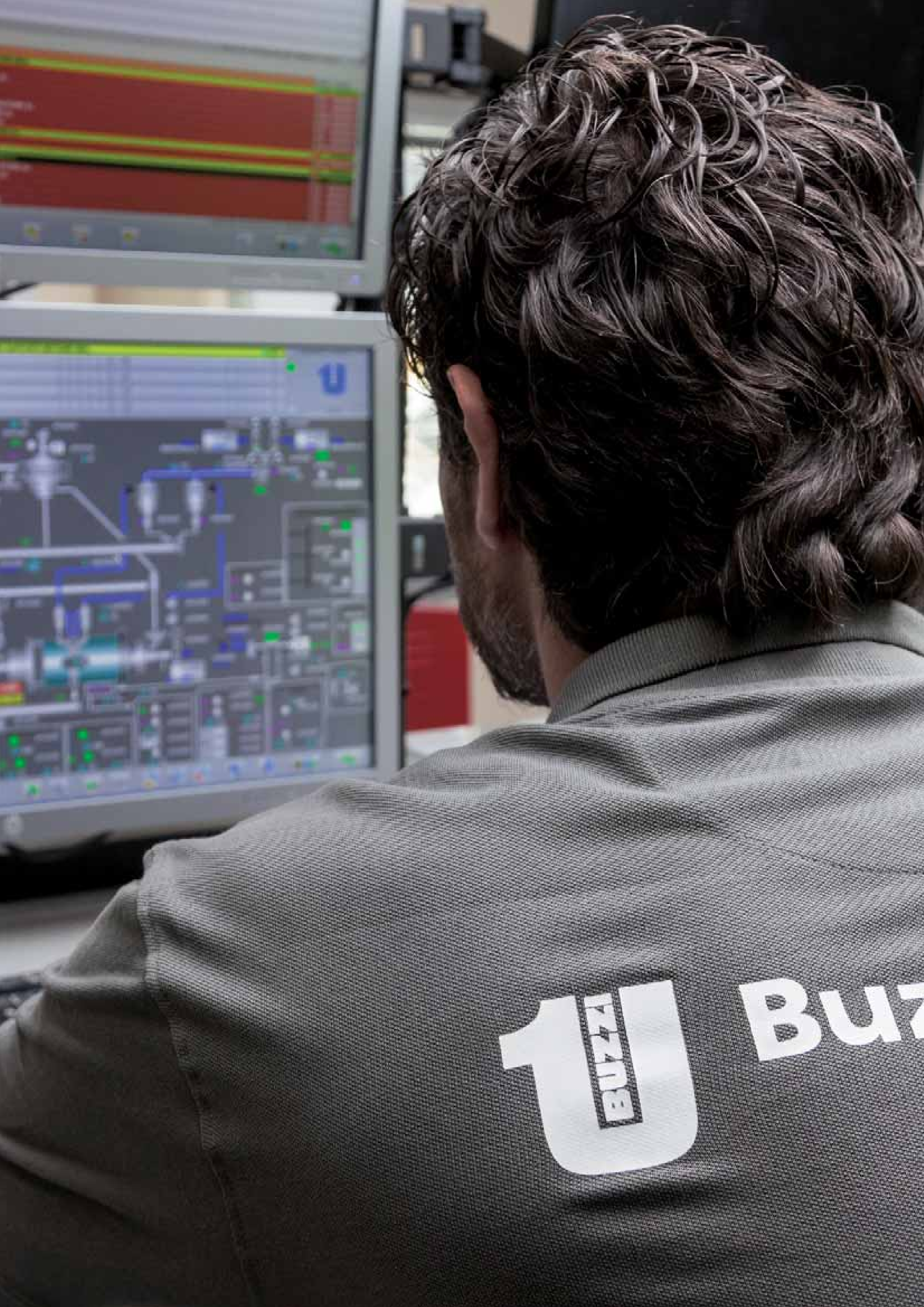
[1] Figures at 100% - valued by the equity method

Brazil[1]

2	4.1	2
plants	(million tons) cement production capacity	deposits and terminals

		2019	2018	19/18
Cement production	t/000	**2,923**	2,571	+13.7%
Net sales	$ m	**150.8**	156.7	-3.8%
Capital expenditures	$ m	**5.2**	5.5	-5.5%
Headcount at year end	nr	**681**	690	-1.3%

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


BUZZI
Buz


Cemento
CONCRETOS

Review of operations

Shares, Shareholders and Performance indicators

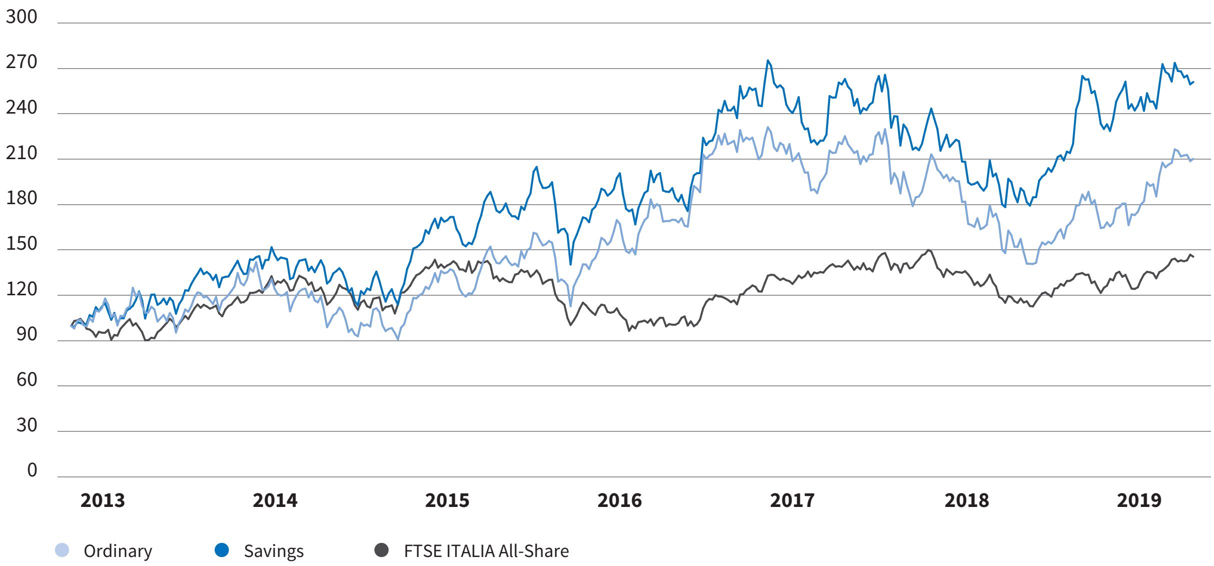
The ordinary and savings shares of Buzzi Unicem have been listed on the Milan Stock Exchange since September 1999. Market capitalization as at 31 December 2019 was €4,265 million. At that date the share capital consisted of 165,349,149 ordinary shares and 40,711,949 savings shares, with both share categories 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 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
Year 2019	**173,589,804**	**20,591,261**	**3,313.2**	**256.9**

Price trend of Buzzi Unicem shares

(base January 2013 = 100)



Main Shareholders

as at 31 December 2019

	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)	18,261,300	621,600	9.16	11.04

Distribution of shareholdings*

(ordinary shares)

	No. shareholders	in %	No. shares	in %
1 - 1,000	10,925	85.77	2,283,213	1.38
1,001 - 10,000	1,341	10.53	3,883,751	2.35
10,001 - 100,000	337	2.65	12,166,415	7.36
100,001 -	134	1.05	147,015,770	88.91

* Referred to the ex-dividend date (20 May 2019)

A total of 53,547,875 ordinary shares - corresponding to approximately 32% of voting capital - are held by foreign investors.

Market capitalization

as at 31 December (millions of euro)

Capital structure

as at 31 December 2019 (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)	2013	2014	2015	2016	2017	2018	2019
Basic eps (ordinary)	-0.31	0.56	0.60	0.70	1.90	1.86	**1.88**
Equity per share	10.98	11.33	12.40	13.47	13.81	15.77	**17.90**
Price/earnings ratio	n/a	18.8x	21.9x	32.3x	11.9x	8.1x	**12.0x**
Price at year-end							
ordinary shares	13.07	10.51	16.50	22.62	22.59	15.00	**22.42**
savings shares	7.04	6.35	10.10	11.55	12.84	9.62	**13.72**
Dividend per share[1]							
ordinary shares	0.05	0.05	0.07	0.10	0.12	0.13	**0.15**
savings shares	0.05	0.05	0.07	0.10	0.20	0.15	**0.17**
Yield							
ordinary shares	0.40%	0.50%	0.40%	0.40%	0.50%	0.83%	**0.67%**
savings shares	0.70%	0.80%	0.60%	0.90%	1.60%	1.55%	**1.27%**

[1] 2019: proposed to shareholders at the Annual General Meeting.

Financial Performance Indicators

(in %)	2019	2018	2017
EBITDA margin[1]	**22.7**	20.1	18.1
Return on sales (ROS)	**14.6**	12.2	10.2
Return on Equity (ROE)[2]	**10.5**	12.2	13.8
Return on Capital Employed (ROCE)[3]	**8.0**	7.2	5.8
Net debt/Equity	**15.3**	28.3	30.2

[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)	2019	2018
EBITDA	**728.1**	**577.2**
Restructuring costs	4.0	6.5
Additions to provisions for risks	-	4.3
Gains on disposal of fixed assets	-	(17.2)
Other expenses	-	(4.0)
IFRS 16 adoption	(27.7)	-
Antitrust fine	-	1.7
EBITDA recurring	**704.4**	**568.5**

- **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 economy growth remained moderate and was characterized by a slowing expansion both in manufacturing activity and in investments, in a context worsened by commercial and geopolitical tensions. In the third quarter, international trade started to expand again, there were signs of easing the tariff disputes between the United States and China and the risks of no-deal Brexit were reduced. Despite expectations that the cyclical phase will continue to be basically unfavorable in the manufacturing sector also in the last months of the year, signs of stabilization and less pessimistic expectations on growth have emerged, with prospects for a moderate recovery. At the end of February 2020, following the emergency due to the impacts of the epidemic COVID-19 (Coronavirus), the International Monetary Fund revised downwards the forecasts made on economic trend for the current year.
In the United States of America expansion was once again supported by the strong labor market, good resilience in consumption and favorable financial conditions, while the net contribution of exports was neutral and investments showed some contractions. Economic activity grew in the third quarter at a pace of 2.1%, substantially unchanged compared to the previous quarter. In December, an initial commercial agreement was signed with China, which is preliminary for a wider regulation of economic relations between the two countries and the Congress approved the new free trade agreement between the United States, Mexico and Canada (USMCA), replacing the previous one (NAFTA).
In Europe, economic activity, which continued to be driven by domestic demand and consumption, was held back by the lack of dynamism in the manufacturing sector, which was particularly accentuated in Germany. During the third quarter, GDP growth remained modest. By the end of the year the decrease in industrial production slightly attenuated, thanks to the better performance in Germany. In a context of weakness in international trade, the foreign contribution was slightly negative.
In Italy, the stagnation of the industrial cycle, particularly of the manufacturing sector, held back GDP growth, which for the whole of the year remained fairly stationary (+0.2%).
As for the main emerging economies, in China, after the slowdown in economic activity during the summer months following the commercial tensions with the United States of America and the weakening of domestic demand, a stabilization is expected. Growth slowed down more in India, while in Russia and Brazil, albeit at modest levels, the recovery of economic activity was confirmed.

The monetary conditions of the advanced economies remained accommodative: in October, the Federal Reserve reduced the benchmark rates for the third consecutive time, while the ECB confirmed its commitment in terms of expansionary measures. Central banks in some emerging countries, including Russia and Brazil, also further reduced the benchmark rates.

By analyzing more exhaustively the markets where the group operates, it should be noted that construction investments, whose performance is closely related to the trend of demand for cement and concrete, in the United States of America slightly contracted, showing a negative sign both in the residential and commercial segment, versus a positive sign in public works. In Central Europe, the performance of the construction sector confirmed slight growth, while in Italy, thanks to the positive dynamics of the

Net sales
(millions of euro)

EBITDA
(millions of euro)

residential and non-residential private sectors and to the first visible signs of recovery in public works, the construction activity marginally recovered. In Eastern Europe, the building sector confirmed a favorable development: in Poland and the Czech Republic, construction investments maintained a more than positive trend, albeit somewhat slower compared to the brilliant previous year, while in Russia and Ukraine initial signs of recovery emerged.

In 2019, the group sold 29.1 million tons of cement, up 4.3% compared to 2018, and 12.1 million cubic meters of ready-mix concrete, in line with the volumes of the previous year (+0.2%). Consolidated net sales increased by 12.1% to €3,221.4 million compared to €2,873.5 million in 2018.

The effect of changes in scope positively influenced net sales by €20.5 million, while the exchange rate effect had a favorable impact of €81.2 million. Like for like net sales would have increased by 8.6% compared to 2018. Ebitda stood at €728.1 million, up 26.1% compared to €577.2 million of the previous year. Furthermore, the 2019 figure includes non-recurring net benefits of €23.7 million, of which €27.7 million with a positive sign, associated with the first application of the IFRS 16 standard, and €0.4 million with negative sign, referring to restructuring expenses (net non-recurring income of €8.7 million in 2018).

After amortization and depreciation of €259.9 million, Ebit came in at €468.2 million, compared to €351.8 million in 2018. Net financial costs/revenues went from €24.7 million income to €58.6 million expense, €8.9 million thereof relating to non-cash income (€82.6 million in 2018). Profit before tax was €482.0 million compared to €465.3 million in 2018. After current and deferred income taxes of €96.0 million (€82.5 million in 2018), the income statement closed with a net profit of €385.9 million, of which €385.7 million attributable to the owners of the company. Net debt at the end of 2019 amounted to €567.8 million, down €322.7 million compared to €890.5 million at 31 December 2018, after carrying out capital expenditures of €339.3 million and distributing dividends of €26.6 million.
The debt/equity ratio stood at 0.15 (0.28 at the end of 2018).

Operating and financial performance

In 2019, consolidated cement sales amounted to 29.1 million tons, up 4.3% compared to 2018. In all the areas where the group operates, sales volumes exceeded the level reached in the previous year, thanks to the robust growth recorded in the United States of America, facilitated by the more favorable weather conditions compared to 2018, to the progress recorded in Eastern Europe, mainly in Ukraine and Russia (net of a marginal decrease in Poland and the Czech Republic) as well as in Italy and Germany, both favored also by the change in scope. Ready-mix concrete sales amounted to 12.1 million cubic meters, substantially in line with 2018 (+0.2%). Sales volumes posted a particularly significant growth in the United States of America, while in Italy they stood at levels in line with the previous year. A sharp decrease was recorded in Eastern Europe and in Benelux, due to the slowdown in the works on an infrastructure project, while in Germany the same levels of the previous year were recorded.

Consolidated net sales increased by 12.1%, from €2,873.5 to €3,221.4 million. Changes in scope had a positive effect of €20.5 million and the exchange rate effect of €81.2 million. Like for like net sales would have increased by 8.6%.

In Italy, economic activity, also following the slowdown in growth both at European and international level,

EBITDA Margin[1]

(in %)

[1] EBITDA recurring/Net sales

Net cash from operating activities

(millions of euro)

has been substantially stagnating since the first months of 2018. GDP development, which grew slightly during the third quarter due to the support of domestic demand and of household spending, tended to decline in the last quarter, continuing to suffer from the weakness of the manufacturing sector and of the contraction in investments. Industrial activity remained stationary and the business confidence indicators weakened. The fragility of international trade slowed down exports of goods and services, although during the summer months exports of goods within the EU stabilized and those towards non-EU countries marginally increased. The improvement in the disposable income recorded during the year supported household spending and in the summer quarter the employment rate increased, versus a participation in the labor market that remained stable. Inflation rate was very moderate. In the building industry, growth was modest while investments increased, supported by the positive trend of the private residential and non-residential segment and by a first and visible sign of recovery in public works.
During 2019, cement and clinker volumes maintained a positive trend: the period under review was characterized by a satisfactory start, thanks to the not particularly cold weather, which was followed, starting from 1 July, by the additional output from the cement plant in Testi (Florence) and the two grinding plants in Piedmont, despite a lower contribution from shipments of export volumes and clinker. Average prices, favored by a more stable market environment, continued to improve. The ready-mix concrete sector showed a trend consistent with the production level reached in the previous period, but with a recovery in price dynamics. Overall, consolidated net sales in Italy stood at €504.7 million, up 9.8%.

As regards the Central European countries, economic activity was supported by domestic demand and consumption, strongly strengthening thanks to the good performance of the employment rate, but the weakness of international trade had serious repercussions on exports, which traditionally represent the driving force for growth in the industrial sector. In Germany in particular, after the decrease in the second quarter, GDP in the third quarter recorded slight growth, thanks to the stimulus coming from the acceleration of public spending and private consumption, thus foreshadowing a stabilization of the economic cycle, but the expansion phase, for the whole of the year, confirmed a clear decline. Net foreign trade had a negative impact on the growth of the country, while inflation remained stable. The construction industry, despite the visible contraction of industrial production, confirmed the positive trend, mainly supported by the residential portion. Our deliveries of hydraulic binders, after a first half characterized by robust progress, favored by good weather conditions and by the additional contribution of shipments from the Seibel & Söhne plant, subsequently slowed down their pace, which became more regular without being influenced by the scope of activities, and closed the year with positive results and average selling prices improving. The ready-mix concrete sector recorded stable sales volumes compared to 2018, with selling prices increasing. Net sales grew from €801.2 to €843.7 million, up 5.3%. Germany posted a 7.5% increase in net sales revenue (from €632.5 to €679.6 million), while Benelux showed a 2.4% decrease (from €197.1 to €192.5 million).

Looking at the Eastern European markets, in Russia, after a first half visibly slowing down due to the weakening of international demand for hydrocarbons and metals and to the slower recovery of domestic demand, which was constrained by the increase in consumption taxes that allowed only a slight increase in the disposable income, during the second half of the year economic activity recovered, also thanks to public stimulus initiatives aimed at increasing capital expenditures in infrastructure, health and education. Construction investments confirmed a slight improvement. Our sales volumes, after a considerably progressing first half, mainly thanks to the expansion of the distribution network, continued at a more regular pace, also favored by the positive trend recorded by the oil well cement category, closing the financial year up on the previous year. Average prices in local currency registered a positive performance. Net turnover stood at €214.5 million, clearly increasing (+15.6%) compared to €185.5 million of the previous year. The appreciation of the ruble had a positive impact on sales revenues; at constant exchange rates they would have increased by 13.2%.

In Ukraine, although economic activity confirmed the continuation of the favorable cycle, which has been in place since 2016, the pace of recovery remains modest, inadequate with respect to the needs of the country, and highly influenced by the progress of structural reforms. The new government's initiatives and the active support of the international community, intended to continue the path to make the economic context of the country more efficient and dynamic, led

to significant improvements and guaranteed greater stability for development. The trend in domestic demand was favored by the recovery in the services, construction and agriculture sectors. The inflation rate, although decreasing, remained at high levels.
Cement sales continued the development achieved at the start to the year, closing the 2019 with double-digit percentage progress, favored by the decrease in imports from the neighboring countries and average prices in local currency still supported by the high inflation. Ready-mix concrete output, on the other hand, was confirmed at weak levels, but with markedly expanding average prices in local currency. Net sales, favored by the appreciation of the local currency (+9.9%) reached €131.9 million, up 49.3% compared to 2018 (+34.5% at constant exchange rates).

In Poland, the economy remained solid. The domestic demand, supported by wage dynamics, by growing employment rate, by a positive climate of confidence and by strengthened public spending, allowed the favorable economic cycle to continue, maintaining a growth rate higher than 4%. The level of construction investments, although slowing down, continued to be significant and among the best performing ones in Europe. Our cement sales, after a particularly lively start to the year, facilitated by favorable climatic conditions, maintained a more regular trend in the second semester, closing the 2019 period with volumes marginally decreasing compared to the results achieved in 2018. Conversely, selling prices in local currency recorded a marked improvement. The ready-mix concrete sector posted decreasing sales volumes, with prices in local currency clearly increasing. Net sales reached €123.8 million, up 11.1% on the previous year. The depreciation of the local currency had a marginal impact on the turnover: at constant exchange rates, net sales would have increased by 12.1%.

In the Czech Republic, the economic activity confirmed its long expansion phase, despite a lower momentum compared to the previous year, which was influenced by the decrease in international demand and in investments by the manufacturing industry, especially in the automotive sector. Construction investments confirmed a positive, albeit slowing, development. Our cement sales, following a subdued start to the year, recorded a slight decrease at the end of the period. On the other hand, the selling prices in local currency showed a clear improvement. The ready-mix concrete sector, which also includes Slovakia, recorded weaker production levels, which were balanced by progressing prices. Overall net sales, on which the exchange rate effect had only a marginally unfavorable impact, came in at €168.2 million, up 2.2% on the previous year. At constant exchange rates, they would have increased by 2.3%.

On the whole, Eastern European revenues stood at €635.9 million, up 16.1% compared to €547.9 million in 2018. Like for like they would have increased by 13.1%.

In the United States of America, the expansion cycle continued also during 2019, albeit at a less determining pace than in the previous years. The stability of the labor and consumption markets, together with favorable financial conditions, supported growth, despite some signs of a decline in investment dynamics emerged, mainly attributable to the intensification of trade tensions with China, greater uncertainties in the manufacturing sector and the weakening of the stimulus effects from the 2018 tax reform. Construction investments slightly decreased: growth in the public sector (infrastructures) could not offset the slowdown of the commercial segment and the weakening of the residential sector.
Cement sales, thanks to the favorable weather conditions that characterized the second half of the year, including the winter months, showed a progressive improvement, especially in the second half, closing the year with robust progress versus 2018, which was strongly affected by the intense cold in the first quarter and by much heavier rainfall than the average in the third one. Selling prices, in local currency, showed a slight increase. Ready-mix concrete output, mainly present in Texas, registered even more evident progress, supported by moderate price growth. Overall net sales, which were positively affected by the exchange rate effect, amounted to €1,242.5 million, markedly higher (+16.2%) compared to €1,069.6 million in 2018. At constant exchange rates they would have increased by 10.1%.

Ebitda stood at €728.1 million, +26.1% compared to €577.2 million in the previous year. The exchange rate effect was positive for €24 million. The figure for the year under review includes net non-recurring benefits of €23.7 million, €27.7 million thereof of a positive nature, following the first application of the IFRS 16 standard, and €4.0 million of a negative nature, for restructuring charges. In 2018 net non-recurring revenues of €8.7 million were recorded. Excluding non-recurring items, Ebitda increased from €568.5 million to €704.4 million (+23.9%), with Ebitda to sales margin standing at 21.9% (19.8% in 2018). The progress achieved in many of the markets where the group operates, in particular the United States of America, also favored by the positive exchange rate effect, and Italy, contributed to the strengthening of operating results.

Amortization and depreciation amounted to €259.9 million, compared to €225.4 million in 2018. Additional amortization deriving from the first adoption of the IFRS 16 accounting standard was equal to €24.3 million. Ebit stood at €468.2 million, up compared to €351.8 million in the previous year. Net finance costs and revenues went from €24.7 million income to €58.6 million expense, mainly due to the volatility of non-cash items, such as the valuation of derivative instruments, despite a reduction in interest expense referred to net debt. Losses on sale of investments recorded a negative contribution of €1.5 million, while equity in earnings of associates, among which our joint venture operating in Mexico stands out, decreased from €87.9 to €73.8 million. Due to the impact of the factors outlined above, net profit before tax stood at €482.0 million, up compared to €465.3 million in the previous year. The tax charge for the year was €96.0 million, compared to €82.5 million in 2018. The tax rate increase (20% compared to 18% of the previous period) was caused by the higher taxable income generated in the markets where taxation is higher, as Germany, Italy and the United States of America. Therefore, the income statement for 2019 closed with a net profit of €385.9 million (€382.8 million in 2018). Net profit attributable to the owners of the company increased from €382.1 million in 2018 to €385.7 million in the year under review.

Consolidated net debt as at 31 December 2019 stood at €567.8 million, down €322.7 million from €890.5 million at year-end 2018. In 2019 the group distributed dividends of €26.6 million and paid total capital expenditures of €339.3 million, €42.9 million thereof allocated to capacity expansion or special projects. In particular: block purchase of second-hand machinery and equipment for the Korkino plant in Russia (€23.6 million), modernization and expansion of the Maryneal plant in Texas (€9.1 million), acquisition of new batching plants in Germany, Italy and Poland (€8.5 million), expansion of the shipping department of the Nikolaev plant in Ukraine (€0.9 million). Additional investments attributable to strategic development projects amounted to €82.2 million, mostly relating to the execution of the contract with HeidelbergCement regarding the purchase of a full-cycle cement plant in Tuscany and two grinding plants in the North West of Italy.

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

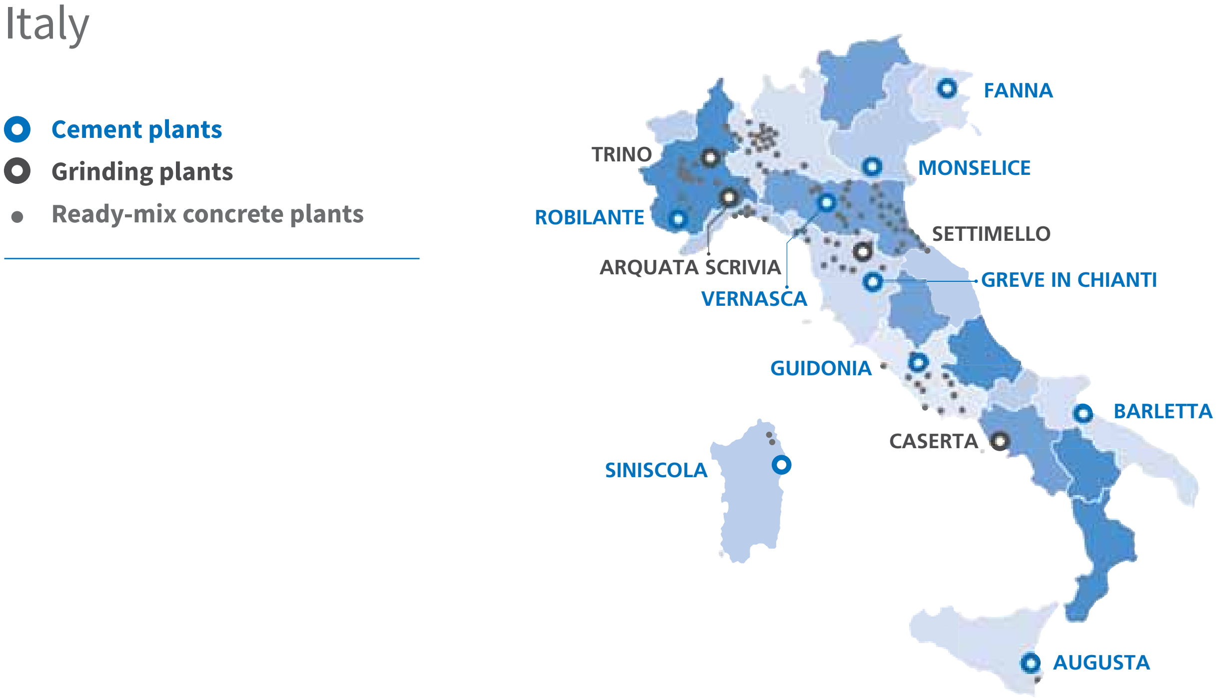
Net financial position

(millions of euro)	31.12.2019	31.12.2018
Cash and short-term financial assets:		
Cash and cash equivalents	837.4	440.5
Other current financial receivables	3.5	10.2
Short-term financial liabilities:		
Current portion of long-term debt	(26.4)	(327.8)
Current portion of lease liabilities	(22.5)	(0.2)
Short-term debt	(13.7)	(14.4)
Derivative financial instruments	-	(10.4)
Other current financial liabilities	(32.2)	(34.5)
Net short-term cash	**746.1**	**63.4**
Long-term financial liabilities:		
Long-term debt	(1,235.6)	(920.7)
Lease liabilities	(74.7)	(1.7)
Derivative financial instruments	(1.4)	-
Other non-current financial liabilities	(5.1)	(35.8)
Net financial position of continuing operations	**(570.7)**	**(894.8)**
Long-term financial assets:		
Other non-current financial receivables	2.9	4.3
Net debt	**(567.8)**	**(890.5)**

As at 31 December 2019, total equity, inclusive of non-controlling interests, stood at €3,690.8 million versus €3,143.6 million at 2018 year-end. Consequently the debt/equity ratio decreased to 0.15 from 0.28 in the previous year.


BUZZI

Italy



In 2019 GDP marginally improved by 0.2%, industrial production decreased by 1.3%, the unemployment rate declined to 9.8%, the public debt to GDP ratio was still above 130%, while inflation remained very weak (+0.6%). The economic development, albeit marginal, was supported by domestic demand, but was affected by the weakness of the manufacturing sector, by the negative contribution of foreign trade and by the decrease in investments, in particular those in capital equipment. The increase in disposable income supported consumption, the propensity to save remained unchanged, while since autumn there has been a decline in confidence indices.

During the year the construction activity grew modestly and was characterized by the continuation of the positive performance of the private residential and non-residential sector and to a first visible sign of recovery in public works. However we estimate that domestic cement consumption remained slightly lower than the level reached in 2018.

Our cement and clinker volumes, after a satisfactory start to the year favored by the not particularly cold climate, maintained a positive variation thanks to the scope change, starting from 1 July, attributable to the cement plant of Testi (Florence) and the two grinding plants in Piedmont, despite a lower contribution from export volumes and clinker

(millions of euro)	2019	2018	19/18
Net sales	**504.7**	459.8	9.8%
EBITDA	**43.4**	-1.7	n.s.
EBITDA recurring	**40.9**	5.8	n.s.
% of net sales	**8.1**	1.3	
Capital expenditures	**108.1**	37.1	n.s.
Headcount at year end n.	**1,593**	1,485	7.3%

(+3.0%). Average prices, thanks to the more stable market context, still improved. The ready-mix concrete sector stabilized on the production level reached at the end of 2018 (-0.3%), but with sales prices recovering.

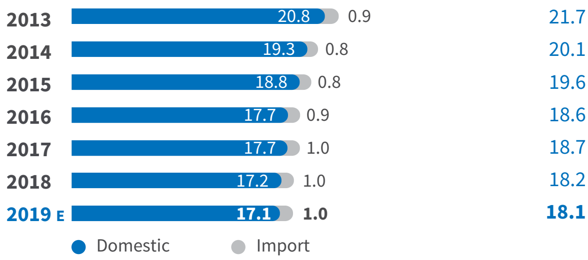
This trend in volumes and prices led to net sales of €504.7 million, up 9.8% (€459.8 million in 2018). On a like-for-like basis, net sales would have been up 7.5%. The unit production costs increased due to the unfavorable trend of energy and, albeit to a lesser extent, of fuels, while fixed costs were kept under control, thanks to an improvement of the operating leverage. Ebitda closed with a profit of €43.4 million, compared to a negative €1.7 million in the previous year. However, it should be remembered that the figure for the year under review includes net non-recurring benefits of €2.5 million, €6.1 million thereof referring to the adoption of the IFRS 16 standard and, with negative sign, to restructuring expenses equal to €3.6 million (€7.6 million net non-recurring costs in 2018). Recurring Ebitda stood at €40.9 million, up €35.0 million compared to €5.8 million in 2018. During the year other operating revenues of €23.8 million were achieved from the sale within the group of CO_2 emission rights (€11.8 million in 2018).

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 progression of the works for the feeding of alternative fuels in Vernasca and Augusta for a total of €3.8 million, the expansion of mineral reserves, as well as the overburden removal and securing of the quarry fronts for overall €3.5 million, the refurbishment with demolition of the mothballed line in Augusta for €1.3 million, the modernization of the grinding and transport department for cement and sulpho-aluminate cement in Robilante for €1.2 million, the conversion from electrofilter to baghouse filter for €0.5 million in Monselice and, in the ready-mix concrete sector, €1.4 million for the purchase of three batching plants.

Industrial investments made in 2019 include the execution of the contract with HeidelbergCement regarding the purchase of a full-cycle cement plant in Tuscany and two grinding plants in the North West of Italy (€76.2 million).

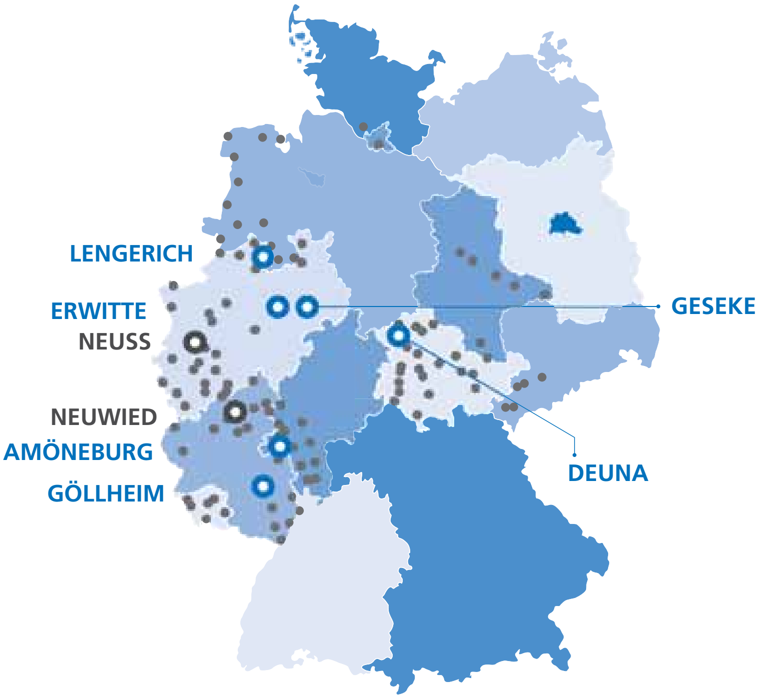
Cement consumption

(millions of tons)



Germany

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



For the entire year GDP growth is estimated at +0.5%, while inflation remained at a moderate level (+1.5%), below the wage growth rate. These data show that the expansionary phase in the country confirmed a clear decline resulting, for the whole of the year, the weakest one since 2013. Net exports had a negative impact on growth, as a consequence of the decline in international demand and the difficulties that affected the manufacturing sector, especially the automotive industry. Therefore, the economic situation was mainly fueled by the solid evolution of domestic demand, by further expansion of the labor market and disposable income, as well as by the increase in public spending. Despite the contraction in industrial production, the construction sector confirmed its positive trend, mainly supported by the residential sector.

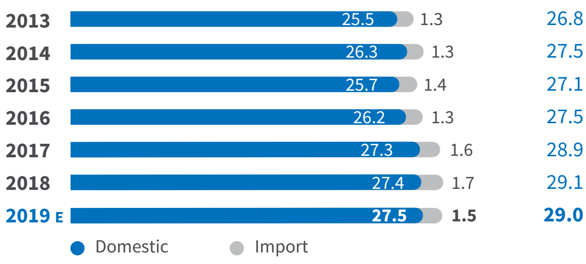
Our deliveries of hydraulic binders, after a robust first half of the year, facilitated by favorable weather and the additional contribution of shipments from the Seibel & Söhne plant, subsequently resumed a more regular pace, which was not influenced by the scope of activity, closing the year up (+3.2%) and with average selling prices improving. Ready-mix concrete output confirmed the levels reached at year-end 2018 (-0.2%), with average selling prices on the rise.
Overall net sales thus increased from €632.5 to €679.6 million (+7.5%) and Ebitda from €82.5 to €102.3 million (+24.0%). However, it should be remembered that the figure for the year under review includes a non-recurring item of €3.5 million referred to the adoption of IFRS 16 and of €0.4 million for restructuring costs (€4.0 million non-recurring expenses in 2018). Net of non-recurring items, Ebitda improved by €12.7 million on the previous year (+14.7%). The unfavorable trend of electric power, together with the considerable increase in the cost of CO_2 emission rights, was offset by the savings in fuel and fixed costs; thus unit production costs recorded a favorable, albeit slight, change. In 2019 the business incurred other operating costs of €18.2 million for the purchase, mainly from the parent company, of CO_2 emission rights (€7.7 million in 2018).

(millions of euro)	**2019**	**2018**	**19/18**
Net sales	**679.6**	632.5	7.5%
EBITDA	**102.3**	82.5	24.0%
EBITDA recurring	**99.1**	86.5	14.7%
% of net sales	**14.6**	13.7	
Capital expenditures	**50.2**	105.9	-52.6%
Headcount at year end n.	**1,802**	1,887	-4.5%

Total capital expenditures made in 2019 amounted to €50.2 million, €6.8 million thereof for the continuation of the installation of SCR technology at Deuna and Göllheim, €2.1 million for the modernization and efficiency improvements of the electrical installations in Lengerich and Deuna, €1.3 million for the purchase of quarry and plant vehicles, €1.0 million for the modification of the last stage of the pre-heater tower and other modernizations at Göllheim, €0.8 million for the completion of the NOx, CO and TOC reduction equipment in Geseke, as well as €6.7 million for the purchase of batching plants for the production of ready-mix concrete in Düsseldorf.

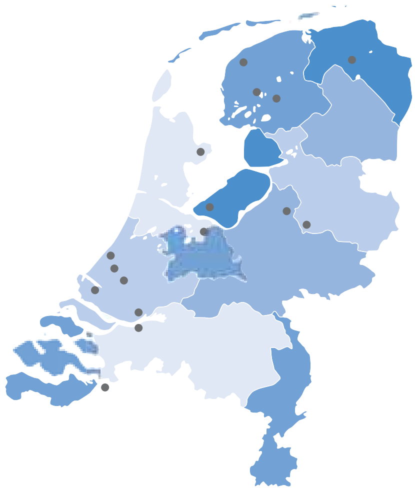
Cement consumption

(millions of tons)



Luxembourg and the Netherlands

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



In Luxembourg, the expansion phase remained solid and in line with the growth of the previous year. Development was supported by domestic demand, held up by favorable employment conditions and a certain recovery in investments, while exports of financial services signaled some slowdown. GDP growth estimate for the whole of 2019, equal to 2.6%, is in line with the previous year. Inflation also remained moderate, at around 2%.

In the Netherlands, after the acceleration of the recovery in the two-year period 2017-2018, the economic cycle maintained a rather stable development thanks to the support of domestic demand and exports, but decelerated its intensity, particularly in the second half of the year. GDP growth for the entire year 2019 is expected at 1.8%, while inflation stood at 2.5%.

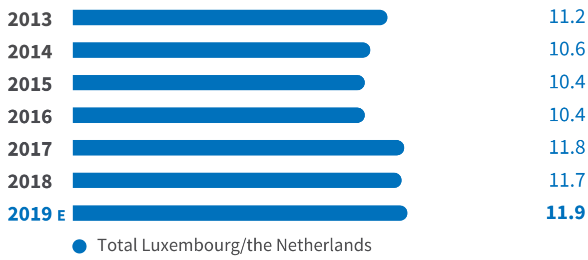
Our cement and clinker sales, inclusive of internal sales and exports, thanks to a more lively trend in shipments in the second half, ended the year with a marginal decrease (-0.9%) and average unit prices slightly up. The ready-mix concrete sector, on the other hand, posted an unfavorable change in volumes (-8.0%), mainly attributable to the slowdown in works relating to an important infrastructure project in the Netherlands, albeit with good recovering prices.
Net sales came in at €192.5 million, down 2.4% compared to the previous year (€197.1 million). Ebitda stood at €22.7 million (€23.1 million in 2018). Unit production costs showed overall a significant increase due to the particularly unfavorable trend in electric power and CO_2 emission rights, which were only partially offset by some savings in fuels. However, it should be remembered that the figure for the year includes a non-recurring item of €0.6 million referring to the adoption of the IFRS 16 standard (€0.1 million of non-recurring expenses in 2018). Net of non-recurring items Ebitda posted a negative change of €1.0 million. It should be noted that other operating costs of €2.6 million were incurred for the purchase of CO_2 emissions rights, mainly from the parent company (€0.8 million in 2018).

(millions of euro)	**2019**	**2018**	**19/18**
Net sales	**192.5**	197.1	-2.4%
EBITDA	**22.7**	23.1	-1.6%
EBITDA recurring	**22.1**	23.1	-4.3%
% of net sales	**11.5**	11.7	
Capital expenditures	**5.9**	8.4	-28.8%
Headcount at year end n.	**302**	311	-2.9%

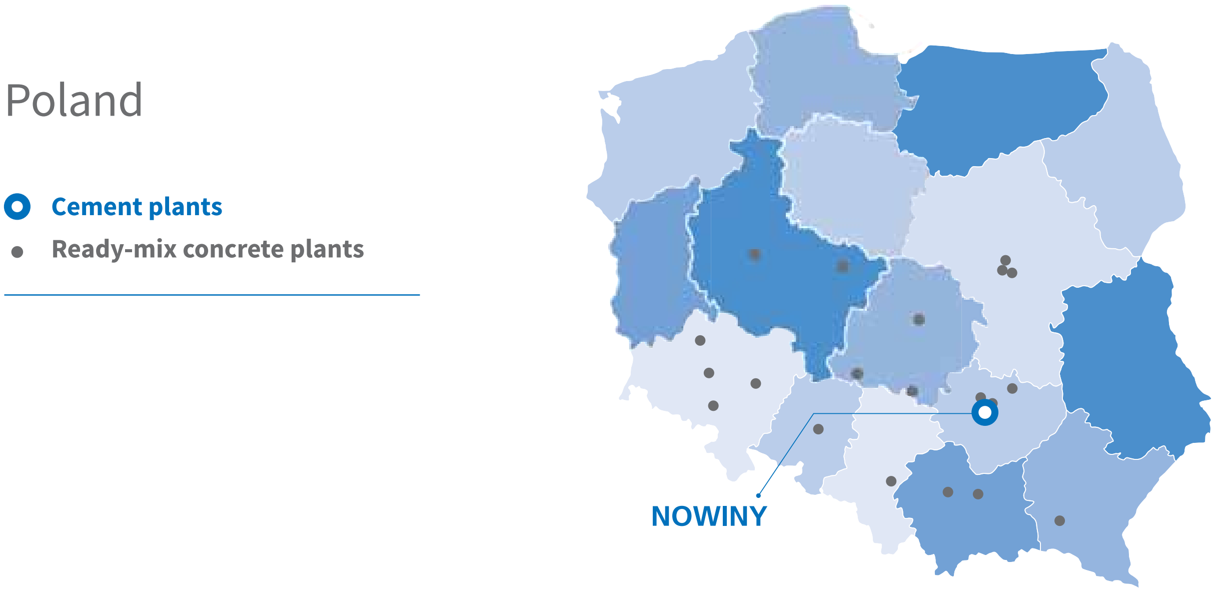
The total investments made in 2019 amounted to €5.9 million, of which €1.7 million were directed to the production cycle, in particular to improvement works at the shipping department, completion of the plant water drainage system, modernization of the electrofilter, as well as the purchase of truck mixer concrete pumps for €1.0 million.

Cement consumption

(millions of tons)



Poland



The robust development of domestic demand, supported by wage dynamics and by the labor market close to full employment, allowed to prolong the positive economic cycle with growth rates which, although attenuating, are expected to exceed 4%. The decline in public investment, due to the completion of some important infrastructure projects, was balanced by the recovery of business in the private sector. The level of construction investments, although decreasing compared to the extraordinary growth of the previous year, was confirmed to be significant and among the best performing in Europe.

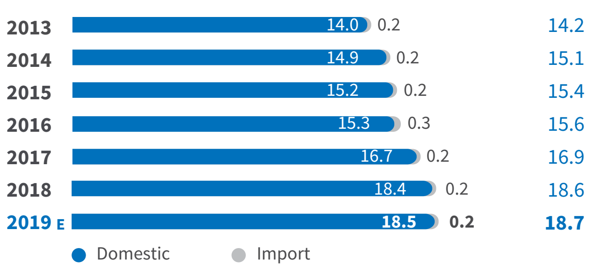
Cement volumes sold by the group, after the progress made in the first months thanks to the particularly favorable weather conditions, in the second half of the year kept a more regular trend in line with expectations, closing at an only marginally lower level (-1.6%) compared to the 2018 financial period. On the other hand, the average selling prices in local currency markedly improved. The ready-mix concrete sector achieved weaker results (-6.6%), with average selling prices in local currency which confirmed a clear increase. Net sales increased from €111.4 to €123.8 million (+11.1%) and Ebitda improved from €31.9 to €32.1 million (+0.9%). However, it should be remembered that the figure for the year includes a non-recurring item of €0.1 million referring to the adoption of the IFRS 16 standard (€5.4 million non-recurring income in 2018) and that the slight depreciation of the local currency marginally affected the translation of results into euro. Like for like net sales and recurring Ebitda would have increased by 12.1% and 22.0% respectively. Unit production costs in local currency showed double-digit percentage growth, mainly due to the increase in the cost of CO_2 emission rights, despite the savings achieved for fuels and electric power. It should be noted that during the year other operating costs of €7.2 million were incurred for the purchase of CO_2 emissions rights (€2.4 million in 2018), mainly from the parent company.

(millions of euro)	2019	2018	19/18
Net sales	**123.8**	111.4	11.1%
EBITDA	**32.1**	31.9	0.9%
EBITDA recurring	**32.1**	26.5	21.0%
% of net sales	**25.9**	23.8	
Capital expenditures	**6.8**	6.9	-2.1%
Headcount at year end n.	**356**	358	-0.6%

The total investments made in 2019 amounted to €6.8 million, of which €2.3 million referring to the modernization of the cement loading stations, the emissions monitoring system and the laboratory analysis instruments, as well as to the purchase, in the concrete sector, of a new plant for €0.4 million.

Cement consumption

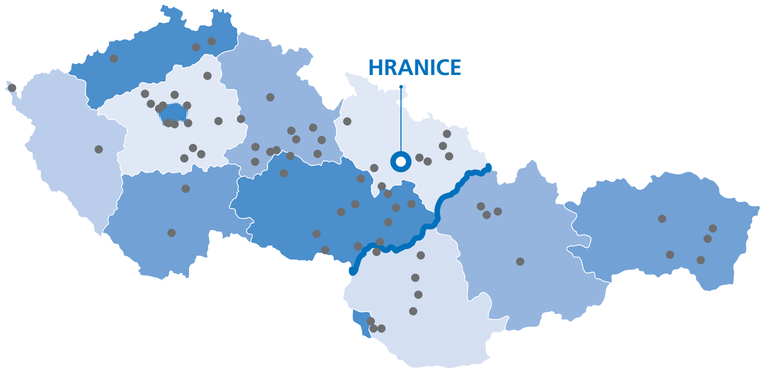
(millions of tons)



Czech Republic and Slovakia

Cement plants

Ready-mix concrete plants



The economic cycle has continued the long expansionary phase also in 2019, albeit at a slightly lower growth rate than the previous year, reflecting the drop in international demand and the deceleration of investments in the manufacturing industry, particularly in the automotive sector, which is very dependent on the production chain with the main European trading partners. GDP growth is expected to be equal to 2.5% at the end of 2019, supported by robust domestic demand, thanks to high employment rate levels, improvements in disposable income and in the confidence climate. However the level of construction investments, although slowing down, remained favorable.
Slovakia's economy in 2019, slowing down on the previous year, grew by 2.6%.

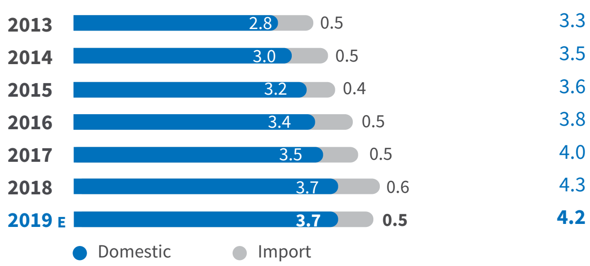
Cement sales confirmed for the whole of the year the slight decrease (-1.5%) recorded in the first half, with average selling prices in local currency improving. The ready-mix concrete sector, which also includes Slovakia, posted weaker production levels (-6.5%), offset by rising prices.
Consolidated net sales stood at €168.2 million (€164.5 million in 2018, +2.2%) and Ebitda increased from €43.6 to €46.3 million (+6.3%). However, it should be noted that the figure for the year includes a non-recurring item of €1.6 million referring to the adoption of the IFRS 16 standard and that the slight depreciation of the Czech koruna had an impact on the translation of results into euros. Like for like net sales would have improved by 2.3%, and Ebitda by 2.7%. Unit production costs in local currency increased by a double-digit percentage mainly due to the particularly unfavorable trend of electric power and the increase in the cost of CO_2 emission rights, despite the savings achieved for fuels. During the year the business incurred other operating charges of €2.7 million referring to CO_2 emission rights purchased mainly from the parent company (€0.9 million in 2018).

(millions of euro)	2019	2018	19/18
Net sales	**168.2**	164.5	2.2%
EBITDA	**46.3**	43.6	6.3%
EBITDA recurring	**44.7**	43.6	2.7%
% of net sales	**26.6**	26.4	
Capital expenditures	**13.5**	7.5	79.1%
Headcount at year end n.	**762**	789	-3.4%

The total investments made in 2019 amounted to €13.5 million, of which €4.1 million referring to the purchase of quarry land, €0.9 million for the completion of the new cement cooling and transport system, €0.4 million for improvements on the precalciner. In addition, in the concrete business, €3.2 million were spent for the purchase of truck pumps and mixers and €0.7 million for the modernization of the batching plant of Bratislava (Slovakia).

Cement consumption

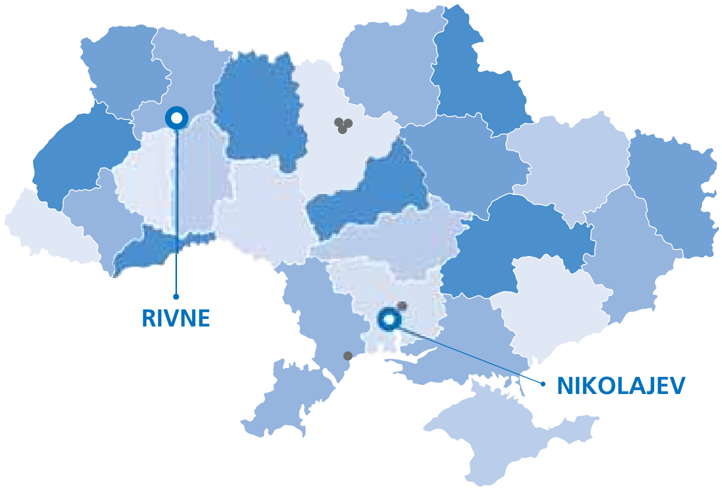
(millions of tons)



Ukraine

Cement plants

Ready-mix concrete plants



(millions of euro)	2019	2018	19/18
Net sales	**131.9**	88.3	49.3%
EBITDA	**21.0**	7.0	n.s.
% of net sales	**16.0**	8.0	
Capital expenditures	**10.5**	7.8	33.8%
Headcount at year end n.	**1,284**	1,313	-2.2%

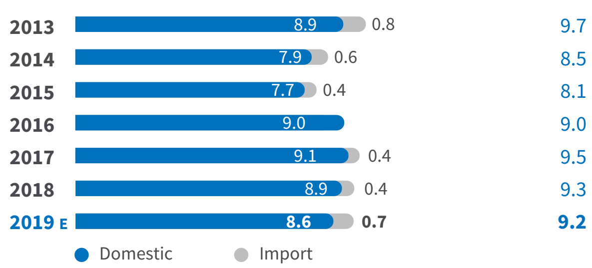
Economic activity confirmed the prolongation of the recovery in place since 2016. The initiatives of the new government and the active support of the international community brought about significant improvements and greater stability to the expansion. The pace of the recovery, however, is still unsuitable for the needs of the country and highly conditioned by the implementation of the structural reforms which are necessary for the transition process from an economy dominated by state-owned enterprises, which are largely inefficient, towards a more functional and inclusive market economy, capable of attracting both domestic and foreign investments. For the entire year under review, GDP growth is estimated at approximately 3%, supported by the positive performance recorded in the agriculture, services and construction sectors, as well as by the growth in domestic demand, while the inflation rate, although further declining, is expected at still high levels (+8.7%).

Cement sales, also in the second half of the year, confirmed a substantial improvement, consistent with the development made at the beginning of the year. Such dynamics were favored by the drop in imports from Russia, Belarus and Moldova, following the recent imposition of anti-dumping measures. The whole year closed with double-digit percentage progress and average prices in local currency still driven upwards by inflation. Ready-mix concrete output, on the other hand, confirmed a weak trend, but with average prices in local currency markedly expanding. Net sales reached €131.9 million, considerably increasing compared to the €88.3 million recorded in 2018 (+49.3%), and Ebitda improved from €7.0 to €21.0 million (+14.0 million), with Ebitda to sales margin doubled (16.0%). The positive trend of the local currency positively impacted the translation of the results into euros. At constant exchange rates net sales would have increased by 34.5% and Ebitda by €11.9 million. The increase of unit production costs in local currency is due to the particularly unfavorable trend of electric power, partially offset by some savings in fuel costs.

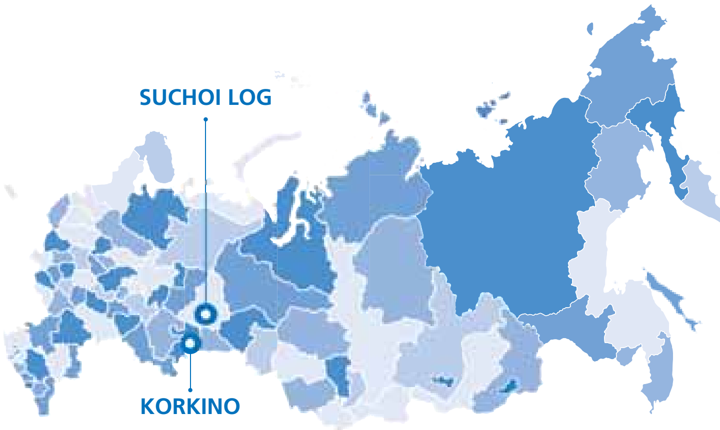
The total investments made in 2019 amounted to €10.5 million, of which €3.4 million referring to overburden removal in the quarry, €1.4 million for the purchase of railway wagons, €1.0 million for the modernization of the electrofilter and €0.9 million for the upgrade of the packing line.

Cement consumption

(millions of tons)



Russia



Cement plants

During the first six months of 2019, economic activity visibly slowed down its pace of development. The weakening of global demand, in particular for hydrocarbons and metals, negatively influenced exports, while the slow recovery of domestic demand was conditioned by the increase in consumption taxes and by a weak growth in disposable income, unable to offset inflation, which is expected for the whole of the year at 4.7%. In the second half of 2019, some recovery of business activity became more visible, stimulated by the gradual implementation of a significant program of public initiatives relating to investments in infrastructure, health and education. The acceleration of public investment was promoted to compensate for the weakness of private investments, slowed down by the trend of international trade, geopolitical uncertainties and high financing costs. GDP growth for the entire year 2019 is forecast at 1.1%, slowing down compared to the previous year. Construction investments maintained a favorable trend.

Our cement shipments, after a significant acceleration in the first half, mainly attributable to the expansion of the distribution network, continued to grow at a more regular pace, also spurred by the progress recorded by special oil well cements, closing the whole period with a favorable change (+5.0%) on the previous year. Average unit prices, in local currency, confirmed the positive performance already shown in the first part of 2019. Net revenues stood at €214.5 million, up compared to €185.5 million in the previous year (+15.6%) and Ebitda increased from €50.1 to €57.7 million (+15.0%). It must be pointed out that the figure for the year includes a non-recurring item of €0.1 million referring to the adoption of the IFRS 16 standard and that the strengthening of the ruble had a favorable impact on the translation of the results into euros. Like for like, net sales would have increased by 13.2%

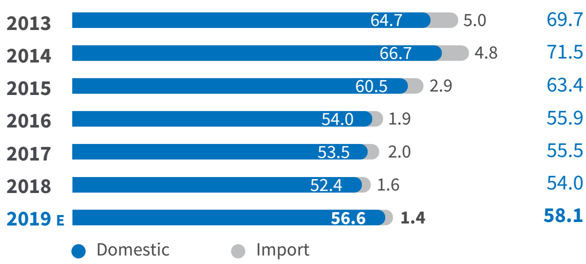
(millions of euro)	2019	2018	19/18
Net sales	**214.5**	185.5	15.6%
EBITDA	**57.7**	50.1	15.0%
EBITDA recurring	**57.6**	50.1	14.9%
% of net sales	**26.8**	27.0	
Capital expenditures	**40.3**	17.1	n.s.
Headcount at year end n.	**1,387**	1,435	-3.3%

and Ebitda by 12.5%. Ebitda to sales margin, although marginally decreasing, was confirmed at levels above the group average (26.8%). Unit production costs in local currency increased, being negatively affected by the particularly unfavorable trend of electric power and, to a less clear extent, of fuel costs.

The total investments made in 2019 amounted to €40.3 million, of which €23.6 million referring to the bulk purchase of second-hand machinery and equipment for the Korkino plant, where modernization works were also carried out on the cement silos, the plant water network and the cement mill for €1.7 million. The main investments made in Suchoi-Log concerned the purchase of railway wagons for €3.8 million and the modernization of the electrofilter and the kiln cooler for €3.2 million.

Cement consumption

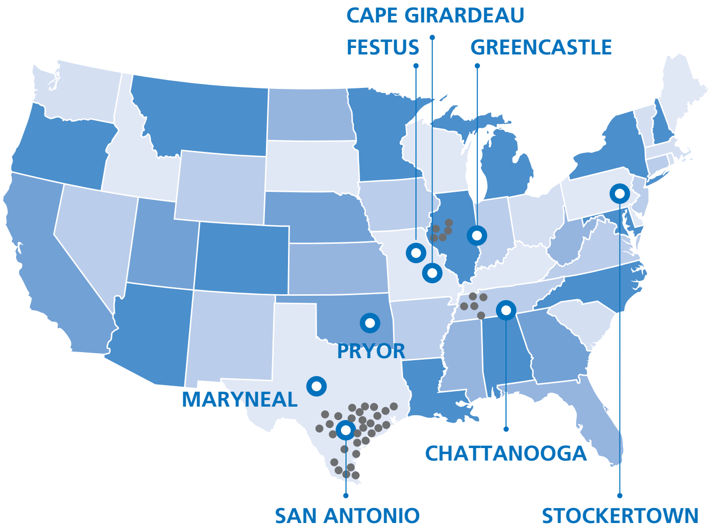
(millions of tons)



United States of America

Cement plants

Ready-mix concrete plants



During the third quarter, GDP grew at rates in line with those of the previous period, confirming the solidity of the expansionary pace. Stable progress in the labor market, in consumption and favorable financial conditions continued to support growth, while investment dynamics signaled some contractions, due to the intensification of trade tensions with China, and to the more uncertain prospects of the manufacturing sector, which mitigated the benefits deriving from the fiscal stimulus program and the increase in public spending. For the year as a whole, GDP growth stood at 2.4%, a result which, although slowing down on the previous period, allows to reach the eleventh consecutive year of expansionary economic phase in the country. The Federal Reserve at the end of October reduced the benchmark rates for the third consecutive time. Construction investments are estimated to be slightly contracting: the growth in infrastructure could not offset the decline in the commercial sector and the weakening of the residential one.

Our cement sales, thanks to the favorable weather conditions that characterized the second half of the year, including the winter months, improved during the second semester, closing the year robustly progressing (+6.0%) compared to 2018, which was strongly affected by intense cold at the beginning of the year and by heavy rainfall in the third quarter.

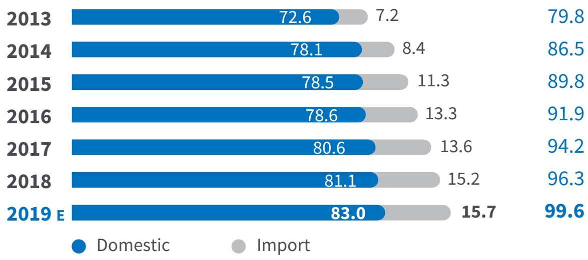
Selling prices in local currency showed a slight improvement. Ready-mix concrete output, mainly located in the state of Texas, recorded even more marked progress (+16.5%), supported by moderate price growth. Overall net sales increased from €1,069.6 to €1,242.5 million (+16.2%) and Ebitda from €341.2 to €402.7 million (+18.0%). The figure for the year includes a non-recurring item of €15.8 million referring to the adoption of the IFRS 16 standard (compared to net non-recurring income of €15 million in 2018). The appreciation of the dollar had a positive impact on the translation of the results into euros. Net of the exchange rate effect and of non-recurring items, net sales and Ebitda would have been up 10.1% and 12.4% respectively. Ebitda to sales margin improved and remained at the highest level of the group (31.1%). The increase in unit production costs in local currency was only slightly higher than inflation, thanks to the overall favorable trend for energy supplies, particularly electric power.

(millions of euro)	2019	2018	19/18
Net sales	**1,242.5**	1,069.6	16.2%
EBITDA	**402.7**	341.2	18.0%
EBITDA recurring	**387.0**	326.3	18.6%
% of net sales	**31.1**	30.5	
Capital expenditures	**104.1**	92.5	12.5%
Headcount at year end n.	**2,355**	2,302	2.3%

Total capital expenditures made in 2019 stood at €104.1 million. The main projects carried out in the period concerned the modernization of the distribution system for €24.4 million, of which €9.3 million referring to the complete renovation of the terminal in Dallas (Texas), for €9.1 million the new production line in Maryneal (Texas), for €3.2 million the expansion of mineral reserves and the overburden removal of the quarry fronts, for €6.7 million the purchase of new truck mixers, as regards the ready-mix concrete sector.

Cement consumption

(millions of tons)



Mexico

(valued by the equity method)

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

(millions of euro)	2019	2018	19/18
Net sales	**593.2**	624.7	-5.0%
EBITDA	**252.2**	289.0	-12.7%
EBITDA recurring	**250.0**	289.0	-13.5%
% of net sales	**42.1**	46.3	
Capital expenditures	**32.3**	17.0	89.9%
Headcount at year end n.	**1,078**	1,095	-1.6%

Figures at 100%

During the year, the economic activity of the country visibly contracted, reflecting both the slowdown in the global manufacturing sector and the drastic cuts in public spending, as well as due to some economic policy developments undertaken by the new government, including in particular the cancellation of the new Mexico City airport project, already in an advanced stage of construction, which intensified uncertainties and adversely affected private investment and business confidence. Net exports, despite the exacerbation of international trade tensions, and domestic demand, albeit with a weaker profile, continued to support the economy. GDP growth for the entire year 2019 is expected to be marginal, with a marked slowdown compared to the previous year, while the inflation rate confirmed a further reduction (+3.8%). The level of construction investments weakened. At the end of the year, an important four-year plan of infrastructure projects was launched for the building of roads, railways, airports and ports intended to strengthen the economic cycle.

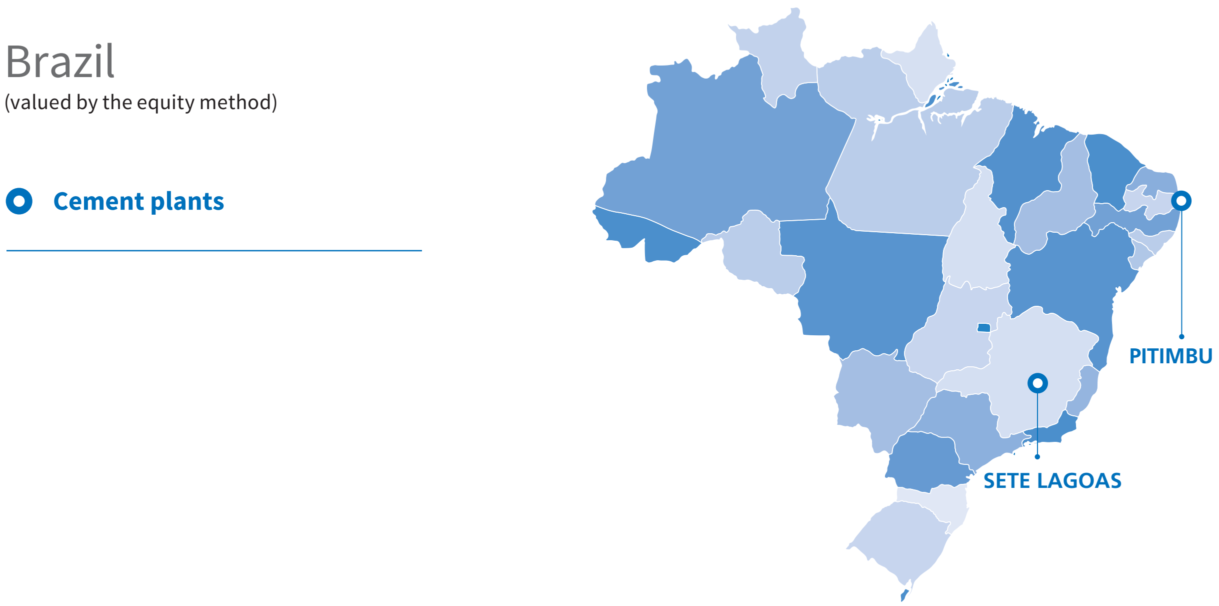
In this context, the sales of the associate Corporación Moctezuma, after the clear drop achieved in the first half, began to stabilize, closing the year down, but less unfavorably compared to the levels recorded in the first six months, with prices, in local currency, declining. Ready-mix concrete production showed an even more marked decrease compared to the levels of the previous year, but the relating prices improved. Net sales and Ebitda, in local currency, decreased by 9.8% and 17.1% respectively. The appreciation of the Mexican peso favored the translation of the results into euros. With reference to 100% of the associate, net sales stood at €593.2 million (-5%), and Ebitda at €252.2 million (-12.7%). It should be noted that the figure for the year includes a non-recurring item of €2.2 million related to the adoption of the IFRS 16 standard. Unit production costs grew more than the inflation rate did, penalized by the unfavorable trend in electric power, despite some savings in fuel costs. The equity earnings referring to Mexico, included in the line item that encompasses the investments valued by the equity method, amount to €52.9 million (€64.2 million in 2018).

Cement consumption

(millions of tons)

Brazil

(valued by the equity method)



The pace of recovery, also for the current year, has remained modest compared to the Country's potential. GDP expansion is expected to reach +1.2%, in line with the developments achieved in the previous two years, supported by the improvement of consumer confidence and by the strengthening of investments, in a more uncertain international context and due to commercial tensions, as well as to the crisis in Argentina and other South American countries. The new government has prepared an ambitious plan of initiatives and structural reforms to implement infrastructure, reform the pension system, develop private initiative, reduce the presence of the state in the economy and simplify the tax system, which are expected to result in significant strengthening of the expansive cycle. Construction investments, after a two-year decline, are expected to develop positively.

The cement shipments carried out by the new joint venture maintained a positive development, mainly thanks to the contribution of the Northeast region, where the improvement was more marked. Average selling prices, in local currency, showed marginal progress. Net sales and recurring Ebitda, in local currency, posted an increase of 3.8% and a decrease of 24.8% respectively. The depreciation of the Brazilian real negatively affected the translation of the results into euros. With reference to 100% of the associate, net sales stood at €134.7 million (+1.3%) and Ebitda at €23.4 million (-26.6%). However it should be noted that the figure for 2018 included non-recurring income of €11.3 million.

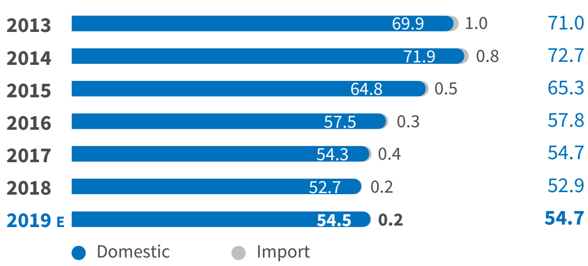
(millions of euro)	2019	2018	19/18
Net sales	134.7	133.0	1.3%
EBITDA	23.4	31.8	-26.6%
EBITDA recurring	23.4	20.5	13.9%
% of net sales	17.3	23.9	
Capital expenditures	4.6	4.6	0.3%
Headcount at year end n.	681	690	-1.3%

Figures at 100%

Therefore, like for like the recurring Ebitda would have improved by 16.7%. The unit production costs grew more than the inflation rate did and were penalized by the trend of energy factors. The equity earnings referring to Brazil, included in the line item that encompasses the investments valued by the equity method, amount to a €0.7 million loss (€1.7 million profit in 2018).

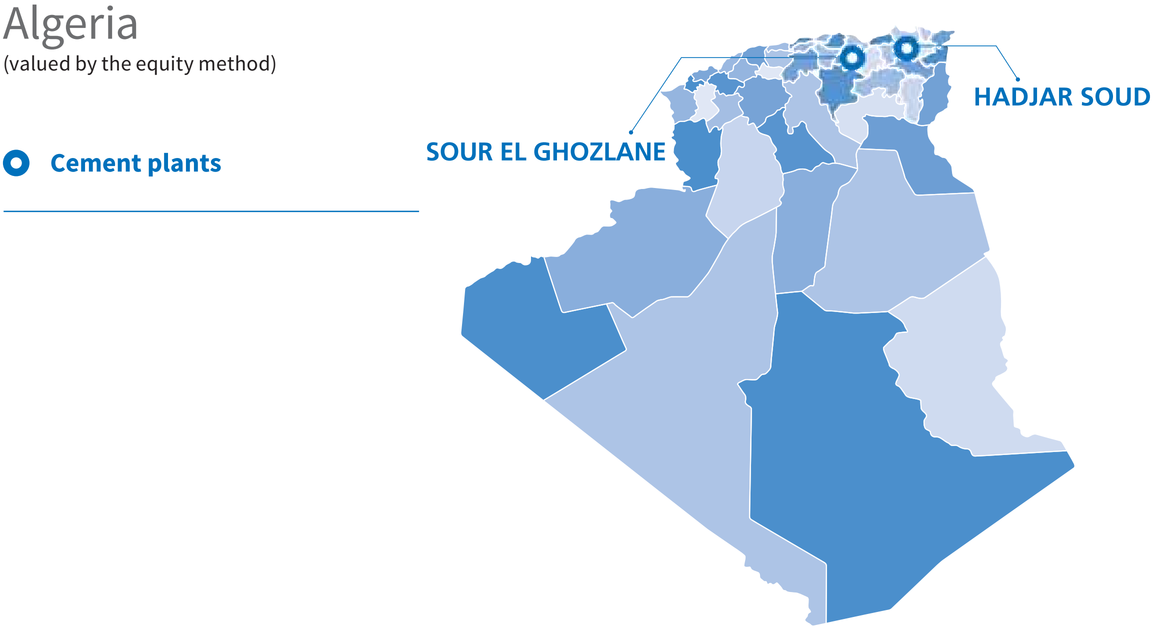
Cement consumption

(millions of tons)



Algeria

(valued by the equity method)



In Algeria, we estimate that cement consumption in the past year amounted to around 21 million tons, i.e. a clear reduction (-12%) compared to 2018 (24 million tons). The drop in consumption was mainly influenced by the decrease in public spending for investments, with the subsequent interruption of various infrastructure and housing projects, due to the weakness of the international price of hydrocarbons, the primary source of income for the Country, as well as to the increased political uncertainties and turbulence that characterized the entire course of the year.

Also in 2019, several new cement production lines were commissioned, while other lines are still under construction. On the supply side, therefore, the installed production capacity increased from 20 million tons in 2012 to about 30 million tons currently and is estimated to exceed 40 million tons in the next two years. GICA and LafargeHolcim, the two main producers, earmarked part of the excess production capacity for export. Clinker and cement export, mainly towards the countries of sub-Saharan Africa (Mali and Niger), is estimated at around 1.5 million tons. Looking ahead, this disproportionate excess production (almost 20 million tons), which can hardly be exported due to the lack of the necessary infrastructure, will create commercial turbulence and the possibility of negative repercussions on the price levels and the business of the individual production units.

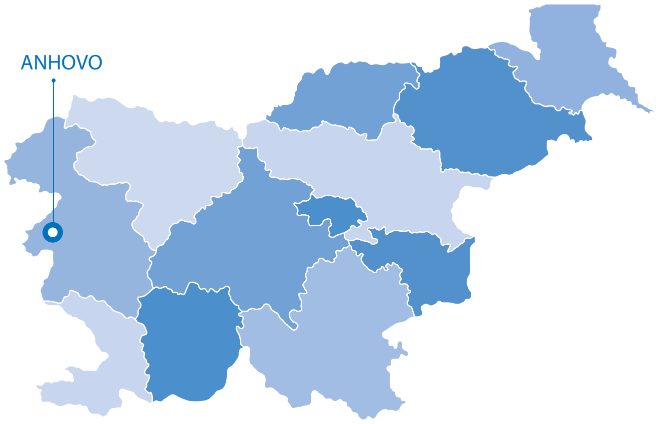
Cement and clinker sales, inclusive of export, leaving the Hadjar Soud facility, stood at 1.1 million tons, up 7.6% on the previous year. The activities for the revamping project of the production plant continued, aimed at an increase in the clinker production capacity of 0.3 million tons/year and a reduction in production costs, with the start of the construction phase relating to the raw material preparation and the pyroprocessing stage.

The Sour El Ghozlane plant, which was affected by the interruption and cancellation of some important state projects, in particular in the second half of the year, and by the increased competition from other producers who started new production lines, instead sold 0.8 million tons of cement, down 26% on the previous year.

With reference to 100% of both associates and their individual financial statements, the 2019 financial year closed with net sales of €85.1 million, down compared to €89.5 million in the previous year (-5.0%). The reduction is mainly attributable to the lower level of activity in Sour el Ghozlane. Ebitda was also down (equal to €32.0 million, i.e. -14.9%). Ebitda to sales margin, although declining, remained at interesting levels. Forecasts for 2020 indicate production, sales and results decreasing compared to the previous year, especially in the central area of the country.

Slovenia

(valued by the equity method)



Cement plants

The economic development of the country, although slowing down due to the decrease in international trade and, as a consequence, of lower exports, maintained an adequate growth rate thanks to the dynamics of domestic demand, supported by consumption and investments. Unemployment rate, which is continuing to decline, remained low (4.4%).

Construction investments, mainly thanks to the positive trend in the residential sector, showed a significant expansion. GDP growth for the year as a whole is expected at 2.9%. Domestic cement consumption in the country is estimated at approximately 0.9 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. The company owns 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 2019 the company produced approximately 1.2 million tons, increasing compared to the previous year. With reference to 100% of the associate, the 2019 financial year closed with net sales at €86.0 million (+3.2%), and Ebitda at €26.6 million, marginally down compared to the figure of 2018.

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.

In Italy, on 29 May 2019, after a tight negotiation phase started in 2018, the renewal of the national collective bargaining agreement for the cement sector was signed. Buzzi Unicem actively participated with its representatives in the employer negotiation team.

The launch of a joint working group for the establishment of a bilateral body in the cement industry sector, called Bilateral Building Materials Committee, should be noted. Its first activity deals with the study of the contract revision and adjustment to the changing organizational contexts.

In July 2019, a full-cycle cement plant in Tuscany (Testi Cementi Srl) and two grinding plants in Piedmont (Arquata Cementi Srl and Borgo Cementi Srl) were acquired for a total of about 120 employees.

On 5 and 6 October 2019, the “Open Day Family and Friends” and the “Open Plants” day of AITEC/Federbeton were held in the Monselice plant. During the first day, the plant employees, together with their families and friends, were invited for a celebration in their ordinary workplace, where educational and information opportunities on circular economy were also offered. This event is part of the corporate program of listening and dialogue initiatives with the territories. The second day was mainly addressed to the local community. The two days hosted 1,100 guests.

On 22 November 2019, the second-level company bargaining agreement, which started in January 2018, was concluded with the signing of the economic-performance bonus section. In January 2018 the industrial relations section was signed with the inclusion of the representation of workers in the coordination of the trade union representatives of the group and in May 2018 an agreement was signed on welfare activities in the territories.

In addition to the traditional productivity and profitability parameters, the sustainability parameter was introduced (kg CO_2/ton of cement produced), using the data stated in the 2018 Sustainability Report as reference index. For the employees registered in supplementary pension contracts, an additional part of the performance bonus is set aside for that purpose, as it has been the case since 2001.

The conclusion of two important negotiations, such as the renewal of the National Collective Bargaining Agreement and the Company Bargaining Agreement (second-level), without particular conflicts are examples of mature and constructive industrial relations.

In Germany, in March 2018 Dyckerhoff acquired Seibel & Söhne in Erwitte, North Rhine-Westphalia. Since September 2018, the company and the Works Council had agreed on a social plan with the aim of mitigating the inconveniences suffered by workers as a result of the plant closure program.

The plant was actually closed on 30 September 2019. Operating activities ended in an orderly manner. Overall 130 employees were involved in the staff reduction plan. A limited number of employees were offered positions available in the Lengerich and Geseke plants to replace staff who left for retirement.

On 31 July 2019 the Board of Directors of Deuna Zement GmbH approved the merger into Dyckerhoff GmbH with effect from 1 January 2019. The merger led to minimal rationalization in the administrative premises of the plant, which was carried out by using retirements and early retirements. The merger had no effect on the main line of the plant.

In 2019, several training courses were held on the subject of Compliance, including a very structured one on anti-corruption. The group's new Code of Conduct was distributed to all staff. All recipients were asked to behave on the basis of high ethical standards as regards sustainability, integrity and responsible corporate management. At the same time, the Code of Conduct provides a useful guide for staff's daily business.

In the United States also for 2019 the main challenge of the human resources function was to

maintain an adequate staff both in the plants and in the headquarters, in a very favorable economic scenario, in which the unemployment rate dropped to 3.5%, the lowest level since 1969. In addition, the unemployment rate for recent graduates reached 1.8%, further complicating selection and hiring activities. In some areas, such as the one of the Maryneal plant in Texas, also the recruitment of unskilled personnel is problematic.
For the sixth consecutive year, the graduate engineer hiring program continued. In 2019 a maintenance engineer, two process engineers and a quality control engineer were hired. Each newly hired engineer starts a two-year training program, during which he/she is given assignments in at least two plants. Thanks to this development program, at the moment there are 9 graduate engineers included in the training path and 6 who have already completed it and have been definitively assigned to a plant, thus continuing their career path.
The demand for manpower continued to put pressure on the cost of labor, which at the country level grew by 3.2%, with inflation at 1.8%.
In 2019 for the first year the use of e-learning was structured more organically. The Legal and Occupational Health & Safety functions identified the best service provider and signed a framework agreement. Through normal performance evaluation activities, the employees who should attend training courses for supervisor and manager roles were identified.
In 2020, plans are being made to extend access to the e-learning platform to all American staff. Specific company modules are also being developed for legal, environmental compliance, health and safety, managerial development.

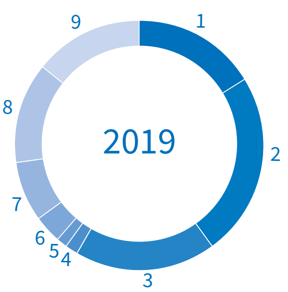
In 2019 two new collective agreements were signed between a subsidiary of the ready-mix concrete sector and the local trade union organizations.

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

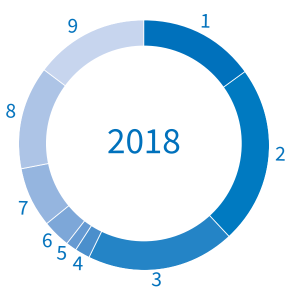
	2019	2018
Turnover[1]	**16.6%**	19.3%
Days of absence[2]	**80,553**	88,627
Training days[3]	**32,609**	39,209

[1] Ratio of outgoing employees to workforce at Dec 31, 2019;
[2] Total days of illness and accident;
[3] Total days of internal and external training.

Headcount by region at year end



1	Italy	**1,593**
2	United States of America	**2,355**
3	Germany	**1,802**
4	Luxembourg	**177**
5	Netherlands	**125**
6	Poland	**356**
7	Czech Republic and Slovakia	**762**
8	Ukraine	**1,284**
9	Russia	**1,387**
Total		**9,841**



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**

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.

In the **cement** sector, the research and development activity consists of 4 key strategic lines:

- **Innovative 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, belitic binders and calcined clays.
  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 2019 the optimization of the clinker production process 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. Market analyses and the evaluation of pilot applications of concretes based on these innovative binders are currently underway. Belitic cements represent as a matter of fact 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 and significant reductions in CO_2 emissions.
  In 2019 the company also decided to start a new project with the aim of developing innovative addition constituents to cements as an alternative to the more traditional ones. The project target is the production of cements with calcined clays, which can constitute an alternative to well-established blast furnace cements and to the use of fly ash as an addition. As a matter of fact, the supply of these traditionally used materials (slag and fly ash) will be put under pressure in the future, due to the closure of coal plants and the uncertainties related to the use of blast furnaces for the production of cast iron. Calcined clays are in fact a more and more remarkable material showing interesting hydraulic properties and deserving research investment.

- **High-performance concrete**, aimed at developing new classes of binders offering extremely high mechanical performance (mechanical resistance, modulus of elasticity, durability). The Nanodur and Variodur binders (that are already commercially available on the market) fall into this strategic line and are undergoing constant development and updating.
  In 2019, 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. In this regard it is worth noting the European project Lorcenis (European Horizon 2020 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.

Cleanker pilot plant in Vernasca

- **Sustainability and CO_2 reduction,** 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, for instance, the ongoing partnership through ECRA (European Cement Research Academy).
  In 2019 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 on an industrial scale 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/).
  The installation was completed and the first tests on the CO_2 capture process are supposed to start in the first half of 2020.
  The ANICA project (http://www.act-ccs.eu/anica) also started in 2019, coordinated by the University of Darmstadt within the ACT (Accelerating CCS Technologies) platform which aims to experiment a capture technology based on indirect Ca-Looping (IHCaL). Buzzi Unicem participates in the project with its German subsidiary Dyckerhoff, with the purpose of evaluating the possible adoption of the investigated technology in a group cement plant.
  In 2019 also the launch of the research consortium called "CI4C - Cement Innovation for Climate" was announced, which aims to study the practical application of the use of Oxyfuel technology for the capture of CO_2 in clinker production. In addition to Buzzi Unicem, the research consortium is made up of other cement producers.

The **ready-mix concrete** sector also pays great attention to research aimed at the development and production of concretes, innovative technologies and applications. In 2019 the commitment was focused on several technological and industrial lines of development:

- **Industrial research and production of concretes with lower CO_2 emissions**. Among the major European competitors, Buzzi Unicem is probably the one that most of all uses, in its ordinary production, cements with a high content of pozzolanas and limestones in place of clinker. In 2019 this trend significantly strengthened, with a further strong decrease in the use of cements with a higher clinker content. Research in this direction was crucial, as cements containing high quantities of limestone and pozzolanas are generally less suitable for many applications and less appreciated by the ordinary market. The in-depth study of rheological mechanisms permitted new formulation and admixtures models, which allowed a significant increase in the daily use of low CO_2 cements and their spread at an industrial level. This year, a strong boost was also given to research on concretes with a very low clinker content, which could be a basis for the green buildings of the future. By maintaining acceptable rheological properties for ordinary use, we have tested new concretes which, with the same mechanical strength, emit 50% less CO_2 than current ordinary products. This without resorting to active additions (slags, pozzolanas), whose availability on the market cannot be taken for granted in the future. In order to progress from the research to the industrial level, some adjustments to the European and Italian regulations are necessary, which are currently being studied.

- **Evolution and marketing effort for products for ultra-massive pourings**. Starting from the experiences of the last few years, during which Buzzi Unicem first introduced the concept of ultra-massive low heat pouring, this commitment reached its climax this year with the creation of some huge monolithic foundation slabs, including that of the new Galeazzi Hospital in Milan. The latter set the world record for a concrete producer: a 33,000 cubic meters foundation of self-compacting concrete with moderate heat, which allowed a saving of 3 months of work and at least 15% of CO_2 compared to the alternative solution of a multi-layer pouring.

- **Advanced use of waste components**. Also in this field our research activity in 2019 tried to anticipate the most probable regulatory developments in the near future, oriented towards the more stringent environmental sustainability objectives. The field of investigation first of all included industrial waste aggregates: blast furnace slags (not yet perfectly framed in the regulation) and the wastes of other industrial cycles, such as ceramic (unreservedly used right away). Our research, however, also included various types of demolition aggregates, the reuse of which is currently curbed by some legislation. Pending further regulatory liberalization, we have thoroughly investigated their properties and technological opportunities, not only for future use in low-performance concrete, but also for the use in ordinary and medium-high performance concrete.

- **New mix-design software**. An important part of the research activities in 2019 was aimed at consolidating the technological calculation and forecasting models necessary for the creation of a brand new concrete design and control software. This will see the light during 2020 and will allow us to respond in real time to the daily demands of today's market (increasingly stringent requirements and ever shorter response times) and to future sustainability challenges (smart use of innovative and low CO_2 cements). To make software development possible, we had to validate and reorganize the correlations known to us between the properties of the components and the performance of the concretes, seeking a predictive approach and a "deductive" design support, starting from the empirical-inductive observations coming from research.

The scientific collaboration with some of the main universities in the areas in which we operate continued this year and further consolidated, 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

The Ecology, Environment and Safety function has among its objectives that of guaranteeing the constant maintenance of compliance with regulations and the continuous improvement of performance, promoting the development of the Environment and Safety Management System, increasing the awareness of our stakeholders, carrying out periodical audits at the production units.

The environmental management systems, which are applied in most of the group production units, allow us to have a proactive vision towards significant environmental 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. These analyses led to the definition of some optimization targets in the short and medium term, 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.

All these aspects are discussed in detail in our Sustainability Report, drawn up according to the Global Reporting Initiative (GRI) guidelines. The objective that the GRI sets itself is to help promote a sustainable world economy, in which organizations manage responsibly and communicate transparently their performance and their economic, environmental, social and governance impacts, in the scope of the framework in which they operate.

The materiality matrix, at the basis of the GRI Guidelines, through which the company assesses the relevance of each individual environmental, social and economic aspect, is elaborated by evaluating the reference context. There are therefore two features that are considered to assess the materiality of an aspect: if it reflects significant impacts from an economic, social or environmental point of view and if it could substantially influence the assessments or decisions expressed by the stakeholders.
In particular, this last feature is treated following meetings with the main stakeholders and is also one of the main innovations introduced by the update 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.

Furthermore, this approach 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 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, also open to family and friends, with the aim of explaining to them, in a transparent manner, how the company operates. These events 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 industrial sites - as well as our dealings with local communities and the various student internships in the company.

With regard to workplace safety, a reduction in the main accident rates was confirmed in 2019, in line with the best comparable data in the sector. These results testify, in a tangible way, the importance of the commitment and collaboration of all Buzzi Unicem employees and external companies operating in our plants. In particular, the frequency index, which indicates the number of accidents per million hours worked, was equal to 5.8, constantly decreasing compared to the previous years.

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 distribution of the EPD (Environmental Product Declaration) certification. Such tool has many advantages, being a response to the ever increasing demand for environmental data coming from the market, with a simple interface and the guarantee of certified and validated information.

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 2019 Sustainability Report and is available on the company website 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, within certain jurisdictions, the use of databases to record any contracts with competitors. These tools are used in the various local businesses based upon the assessment of the 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 operations of our companies in terms of production, financial, labor, 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 their probability of occurrence and impact) is not sufficient to report them 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 recognition of provisions, by providing a more direct and complete knowledge of business events and more accurate valuations when determining an additional contingent liability.

In 2019 there was a decrease of residual risks, meaning risks after containment measures and net of any accounting provisions. The main short-term risk categories to which the group is exposed are currency and insurance.

- **Currency risks:** in terms of currency, the risk associated with the negative impact deriving from translation of financial statements in foreign currencies and of bank and intercompany loans remains stable. 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 these consolidated financial statements.

- **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.

Medium-long term risks are linked with the general conditions of politics, economy and the evolution of the markets in which the group operates. Geographical diversification allows to reduce the risk of the economic situation in the individual markets. It is worth highlighting the risks associated with climate change, which result from the targets of the new energy policy in the EU, and particularly of the EU Emission Trading System (EU ETS) and of the environmental protection laws and regulations, which could lead to competitive advantages in favor of producers in countries outside the ETS, such as Turkey, Egypt, the Middle East and China.
Following containment measures that have already been implemented or envisaged by the group's management and the divisions through insurance policies and accounting provisions, the residual risk represents a very limited fraction of equity.

During the past few weeks, following the Coronavirus (COVID-19) health emergency, the group's priorities have been to implement the first measures to protect employee health. The situation is constantly evolving and particularly worrying in Italy, where all business trips have been canceled, smart work has been encouraged, the use of video conferencing systems has been increased, business meetings have been reduced. As regards the economic and organizational issues, we estimate significant impacts and probability of occurrence for:

- employees: presence at work and feasibility of their movements among the group units and outside
- supply chain: possible lower availability or interruptions in the supply of raw materials, fuels and/or spare parts
- possible shutdowns in some plants
- lower sales of our products
- new rules and regulations issued with restrictions on movement and/or production.

Every day the operating departments are aiming to identify the best possible actions to contain negative impacts.

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 50 of this consolidated financial statement.

Outlook

The assumptions and objectives developed during the budget process outlined for the current financial year a substantial confirmation of the particularly positive results achieved in 2019, through further progress expected both in Italy and in Central Europe and basically neutral changes in Eastern Europe and the United States of America, all this assuming a fairly stable dollar and ruble exchange rate. The sales performance and the turnover so far during the first quarter of 2020, at least until a week ago, have been in line with the forecast of the original budget.

Recent developments concerning new Coronavirus (COVID-19) infection outbreaks in Europe, Asia, the Middle East and the United States of America have obviously changed the view according to which the health emergency would be short-lived and limited to China.

Almost all the countries involved are responding with very severe measures regarding the mobility of people and the carrying out of production and commercial activities. The economy is constrained and is rapidly moving towards a phase of global recession. The collapse of the stock markets was joined by that of the oil price and by the rapid devaluation of some currencies which are relevant to our financial statements, such as the Russian ruble, the Mexican peso and the Brazilian real.

From the new scenario that is emerging we expect impacts that could be significantly adverse on our business, such as: a marked drop in the demand for cement and ready-mix concrete, especially in markets where there are more infection cases and more severe restrictions, a favorable change in the fuel and electric power cost, partly offset by interruptions and difficulties in transportation and supply chains.

At the moment we are not able to reliably estimate the unfavorable effects of the ongoing pandemic on the group's results, which will mainly depend on its duration and the intensity of the infection in the various geographical areas of business. We will provide the market with more precise information when the visibility on short-term expectations improves.

Once the crisis is over, the rebound should be guided by the important support measures that governments have already approved or will approve in the next days (expansionary monetary policy, infrastructure projects, support to labor and employment).

Financial Information

Consolidated Income Statement

(thousands of euro)	Note	2019	2018
Net sales	7	**3,221,443**	**2,873,453**
Changes in inventories of finished goods and work in progress		12,228	10,744
Other operating income	8	52,136	82,154
Raw materials, supplies and consumables	9	(1,204,228)	(1,100,591)
Services	10	(764,710)	(722,535)
Staff costs	11	(518,379)	(483,205)
Other operating expenses	12	(70,386)	(82,811)
EBITDA		**728,104**	**577,209**
Depreciation, amortization and impairment charges	13	(259,866)	(225,385)
Operating profit		**468,238**	**351,824**
Equity in earnings of associates and joint ventures	14	73,837	87,872
Gains on disposal of investments	15	(1,495)	841
Finance revenues	16	59,895	134,847
Finance costs	16	(118,519)	(110,110)
Profit before tax		**481,956**	**465,274**
Income tax expense	17	(96,046)	(82,514)
Profit for the year		**385,910**	**382,760**
Attributable to:			
Owners of the company		385,671	382,133
Non-controlling interests		239	627

(euro)			
Earnings per share	18		
basic			
ordinary		1,878	1,862
savings		1,902	1,886

Consolidated Statement of Comprehensive Income

(thousands of euro)	2019	2018
Profit for the year	**385,910**	**382,760**
Items that will not be reclassified to profit or loss		
Actuarial gains (losses) on post-employment benefits	(49,258)	10,549
Fair value changes of equity investments	318	3,176
Income tax relating to items that will not be reclassified	11,606	(2,870)
Total items that will not be reclassified to profit or loss	**(37,334)**	**10,855**
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	114,838	51,919
Share of currency translation differences of associates and joint ventures valued by the equity method	7,355	5,082
Total items that may be reclassified subsequently to profit or loss	**122,193**	**57,001**
Other comprehensive income for the year, net of tax	**84,859**	**67,856**
Total comprehensive income for the year	**470,769**	**450,616**
Attributable to:		
Owners of the company	470,244	447,492
Non-controlling interests	525	3,124

Consolidated Balance Sheet

(thousands of euro)	Note	31/12/2019	31/12/2018
Assets			
Non-current assets			
Goodwill	19	619,002	575,537
Other intangible assets	19	70,814	38,609
Right-of-use assets	20	99,247	-
Property, plant and equipment	21	3,149,997	3,059,276
Investment property	22	20,796	20,280
Investments in associates and joint ventures	23	517,920	515,897
Equity investments at fair value	24	12,204	8,804
Deferred income tax assets	40	72,823	34,340
Other non-current assets	25	21,932	25,063
		4,584,735	**4,277,806**
Current assets			
Inventories	26	489,299	457,592
Trade receivables	27	414,468	399,396
Other receivables	28	70,514	92,355
Cash and cash equivalents	29	837,403	440,499
		1,811,684	**1,389,842**
Assets held for sale	30	6,145	6,499
Total Assets		**6,402,564**	**5,674,147**

(thousands of euro)	Note	31/12/2019	31/12/2018
Equity			
Equity attributable to owners of the company			
Share capital	31	123,637	123,637
Share premium	32	458,696	458,696
Other reserves	33	116,798	5,260
Retained earnings	34	2,986,360	2,669,357
Treasury shares		(373)	(119,465)
		3,685,118	**3,137,485**
Non-controlling interests	35	5,703	6,120
Total Equity		**3,690,821**	**3,143,605**
Liabilities			
Non-current liabilities			
Long-term debt	36	1,235,628	920,674
Lease liabilities	20	74,665	1,720
Derivative financial instruments	37	1,412	-
Employee benefits	38	442,610	391,563
Provisions for liabilities and charges	39	87,104	69,281
Deferred income tax liabilities	40	366,442	335,928
Other non-current liabilities	41	9,267	40,515
		2,217,128	**1,759,681**
Current liabilities			
Current portion of long-term debt	36	26,414	327,840
Short-term debt	36	13,737	14,381
Current portion of lease liabilities	20	22,527	193
Derivative financial instruments	37	-	10,340
Trade payables	42	235,365	234,985
Income tax payables	43	34,398	8,844
Provisions for liabilities and charges	39	28,479	30,957
Other payables	44	133,695	143,321
		494,615	**770,861**
Total Liabilities		**2,711,743**	**2,530,542**
Total Equity and Liabilities		**6,402,564**	**5,674,147**

Consolidated Statement of Cash Flows

(thousands of euro)	Note	2019	2018
Cash flows from operating activities			
Cash generated from operations	45	691,452	453,372
Interest paid		(31,698)	(45,384)
Income tax paid		(84,275)	(76,370)
Net cash generated from operating activities		**575,479**	**331,618**
Cash flows from investing activities			
Purchase of intangible assets	19	(7,067)	(3,524)
Purchase of property, plant and equipment	21	(250,017)	(211,747)
Acquisition of subsidiaries, net of cash acquired		(76,423)	(44,173)
Purchase of other equity investments	23, 24	(4,161)	(161,477)
Proceeds from sale of property, plant and equipment		11,976	43,443
Proceeds from sale of equity investments		467	1,793
Changes in financial receivables		7,692	(812)
Dividends received from associates	16, 23	84,384	80,853
Interest received		13,448	14,379
Net cash used in investing activities		**(219,701)**	**(281,265)**
Cash flows from financing activities			
Proceeds from long-term debt	36, 46	249,003	114,855
Repayment of long-term debt	36, 46	(150,114)	(370,213)
Net change in short-term debt	36, 46	(622)	(3,240)
Repayment of lease liabilities	20	(26,896)	-
Changes in other financial payables	46	(8,471)	754
Changes in ownership interests without loss of control	46	(1,663)	(22,866)
Purchase of treasury shares	31	-	(118,652)
Dividends paid to owners of the company	46, 47	(26,559)	(28,135)
Dividends paid to non-controlling interests	46	(289)	(484)
Net cash used in financing activities		**34,389**	**(427,981)**
Increase (decrease) in cash and cash equivalents		**390,167**	**(377,628)**
Cash and cash equivalents at beginning of year		440,499	810,630
Translation differences		6,794	7,497
Change in scope of consolidation		(57)	-
Cash and cash equivalents at end of year	**29**	**837,403**	**440,499**

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 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**
Profit for the year	**-**	**-**	**-**	**385,671**	**-**	**385,671**	**239**	**385,910**
Other comprehensive income for the year, net of tax	-	-	122,443	(37,596)	-	**84,847**	12	**84,859**
Total comprehensive income for the year	**-**	**-**	**122,443**	**348,075**	**-**	**470,518**	**251**	**470,769**
Dividends paid	-	-	-	(26,559)	-	**(26,559)**	(309)	**(26,868)**
Withholding tax on foreign dividends	-	-	-	(6,810)	-	**(6,810)**	-	**(6,810)**
Acquisition of non-controlling interests	-	-	-	(1,048)	-	**(1,048)**	(337)	**(1,385)**
Other changes	-	-	(10,905)	3,345	119,092	**111,532**	(22)	**111,510**
Balance as at 31 December 2019	**123,637**	**458,696**	**116,798**	**2,986,360**	**(373)**	**3,685,118**	**5,703**	**3,690,821**

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 - 15033 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 25 March 2020.

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, which has been amended, as requested, for the evaluation of financial assets/liabilities at fair value (including derivative instruments), as well as on the going concern basis.

The financial statements are presented in euro and all amounts have been rounded off to the nearest thousand euro, unless otherwise stated. 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 50 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 emission allowances allocated for free 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. The legislative framework of the so-called ETS (Emissions Trading System) for the period 2021 to 2030 (phase 4) was amended at the beginning of 2018 to reach the objectives set by the European Union for the reduction of emissions according to the "2030 climate and energy framework". Under the current phase 3 of the Emissions Trading System (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 adopted in 2019

- IFRS 16 Leases. 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 an agreed 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 (note 20).

The following standards, amendments and interpretations have been likewise adopted since 1 January 2019, without any material effect on these consolidated financial statements:

- IFRIC 23 Uncertainty over income tax treatments. The interpretation provides additional guidance with respect to IAS 12 by specifying how to reflect the effects of uncertainty in the accounting tax treatment of a specific transaction or circumstance. According to the interpretation, an entity has to consider whether it is probable that the taxation authority will accept each tax treatment; if it concludes that it is, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings.

- IFRS 9 Financial instruments (amendments): features of the extinctions with negative compensation. The amendments allow companies to measure particular financial assets characterized by an early settlement option with the so-called "negative compensation" at amortized cost or at fair value through other comprehensive income if specific conditions are met, instead of at fair value through profit and loss.

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

- Annual Improvements 2015-2017 Cycle: it is a series of amendments to four standards (IFRS 3, IFRS 11, IAS 12, IAS 23). They relate largely to clarifications, without any material impact on these financial statements.

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

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

- 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 associates or joint ventures. 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. At the date of this report the European Union has not yet endorsed the standard.

- Conceptual Framework of IFRS (effective from 1 January 2020), the document issued by the IASB containing changes, essentially of a technical and editorial nature, to the international accounting standards aimed at implementing the new IFRS reference framework, in particular:
  - an updated definition of assets and liabilities;
  - a new chapter on measurement, derecognition and disclosures;
  - clarifications on some postulates for the preparation of the financial statements, such as the prudence and the substance over form concept.

- 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 interests) 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. At the date of this report the European Union has not yet endorsed the standard.

- 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 materiality and how it should be applied, by including in the definition guidance that until now has featured elsewhere in IFRS standards.

- IFRS 9, IAS 39 and IFRS 7 (amendments): Interest rate benchmark reform (effective from 1 January 2020). The amendments modify some specific requirements in the so-called hedge accounting to provide relief from potential effects of the uncertainty caused by the IBOR reform and require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

2.2 Consolidation

Subsidiaries
Subsidiaries are all entities (including special purpose entities) over which the group has control, meaning is exposed to, or has rights to, variable returns from its involvement with the entity and as the ability to affect those returns through its power over the same 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 unsecured long-term interests), 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.

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)	**2019**	**2018**	**2019**	**2018**
US Dollar	1.1234	1.1450	1.1195	1.1810
Czech Koruna	25.4080	25.7240	25.6705	25.6470
Ukrainian Hryvnia	26.7195	31.7362	28.9220	32.1091
Russian Ruble	69.9563	79.7153	72.4553	74.0416
Polish Zloty	4.2568	4.3014	4.2976	4.2615
Hungarian Forint	330.5300	320.9800	325.2967	318.8897
Mexican Peso	21.2202	22.4921	21.5565	22.7054
Algerian Dinar	133.8916	135.4881	133.6757	137.6525
Brazilian Real	4.5157	4.4440	4.4134	4.3085

2.5 Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services is 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

Lease contracts within the group relate essentially to land, buildings, plant and machinery, vehicles and other equipment.

Before IFRS 16 adoption, a leasing contract was classified as finance lease if it substantially transferred all the risks and rewards associated with the asset use to the lessee, otherwise it was classified as operating lease.

Upon IFRS 16 adoption, starting from 1 January 2019, leases are recognized in the balance sheet as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Buzzi Unicem elected the modified retrospective approach by measuring the asset at an amount equal to the lease liability, net of any advanced payments. During the transition the group has used the practical expedient proposed by the standard for leases for which the term ends within 12 months or fewer at the effective date. Moreover, the group decided to apply the exemption that allows the exclusion of short-term leases and leases for which the underlying asset is of low value (less than €5,000).

Most part of the contracts previously considered as operating leases, has been 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 in the past years were recognized within services, are now split up between depreciation and interest expense, except for short-term and low value asset contracts.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following payments:
- fixed payments, less any lease incentives;
- variable payments that are based on an index or a rate, therefore determinable at the commencement date;
- amounts expected to be payable by the group under residual value guarantees;
- exercise price of a purchase option, if the group is reasonably certain to exercise it;
- penalties for termination, if the lease term reflects the group exercising that option.

Lease payments are discounted using the incremental borrowing rate of the lessee (IBR). The IBR at contract date is calculated as reference rate, considering the lease terms, the geography and the group specific rates (as at 1 January 2019 it was 3.16%). For leases which were previously classified as finance leases the group did not change the initial carrying amount of the assets and the liabilities at the transition date, therefore the right-of-use assets and the corresponding lease liabilities coincide with the ones recognized according to IAS 17.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Each lease payment is allocated between principal and finance costs. The finance cost is charged to the income statement over the lease period, so as to produce a constant periodic interest rate on the remaining balance of the liability for each year.

Right-of-use assets are measured at cost comprising the following:
- initial amount of the lease liability;
- any lease payments made at or before the commencement date of the contract, less incentives received;
- any initial direct costs;
- restoration costs.

Right-of-use assets are amortized on a straight line basis, over the shorter of the asset's useful life and the effective duration of the leasing. Right-of-use assets are also tested for impairment (note 2.13).

Until 31 December 2018, payments for operating leases were included in the cash flow statement within cash flows from operating activities; with IFRS 16 adoption, cash flows are now split between interest paid and repayments of lease liabilities: the repayment of the lease liability is classified within cash flows from financial activities.

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, licenses and customers lists 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.
Customer lists are amortized using the estimated client churn rate, over a period anyway not exceeding twenty years.
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 their ability to generate future economic benefits has been 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, included right of use assets, 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, Buzzi Unicem 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.

The group's business model for managing financial assets 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 asset is held within a business model whose objective is to collect contractual cash flows;
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest.

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.

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 exercise of the cash settlement option associated with the convertible bond expired in 2019 gave rise to a profit that was recognized in the income statement within finance revenues (note 36, 37).

At the end of 2018, a purchase agreement was signed aimed at acquiring a 50% interest in BCPAR SA, a stock company incorporated and domiciled in Brazil, operating in the cement industry, which provides for the joint control 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 (note 37).

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.

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 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.

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 consolidated 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 liabilities 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.

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 on tax loss carryforwards and timing differences are recognized to the extent that it is probable that future taxable profit will be available against which those temporary differences can be utilized. Deferred income tax assets are 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 of 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.

The Italian employee severance indemnities (TFR) was 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 Russian ruble. 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 and cash in foreign currency or derivative contracts, such as for example currency forward, transacted according to internal guidelines. The policy considers a hedge for the anticipated cash flows of a significant amount and that are denominated in high volatility currencies.

The net investment in foreign operations as well as their operating and net result 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)	2019	2018
Euro	(53,097)	(61,278)
US Dollar	(434,752)	(487,556)
Brazilian Real	-	157,516
Czech Koruna	1,949	(287)
Russian Ruble	(69,296)	(55,597)
Ukrainian Hryvnia	(181)	-
Polish Zloty	(3,164)	(9,017)

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 2019, with reference to the net exposure in euro reported above, if the euro had strengthened/weakened by 10%, against the major foreign currencies to which Buzzi Unicem is exposed, profit before tax for the year would have been €50,544 thousand higher/lower (2018: €39,494 thousand higher/lower). Profit for the year is especially sensitive to the euro/dollar and in euro/ruble exchange rates.

Compared to the previous year, net exposure to the dollar decreased mainly due to the partial repayment of dollar denominated intercompany loans, made by the US subsidiaries to the company. The exposure to the real went away in October 2019, with the conversion into capital of the loan that was indirectly used to acquire a 50% ownership of the Brazilian entity BCPAR.

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. Buzzi Unicem's policy is to maintain about 70% 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 84%, due to the expansive monetary policy that denotes the credit supply. Borrowings at variable rate at the end of 2019 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 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. Compared to the previous year, during 2019 the financial institutions, especially in some countries of the euro area, began to apply negative rates on the liquid assets of companies. Thus we decided to apply the total change of 1% also in the case of the decrease, removing the floor 0% used up to last year.

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 or fall would be an increase or a decrease of €6,322 thousand (2018: increase/decrease of €1,985 thousand). For each simulation, the same interest rate change is used for all currencies. The sensitivity scenarios are run only for assets and 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 2019, if interest rates on euro-denominated financial assets and financial liabilities had been 1% higher/lower with all other variables held constant, profit before tax for the year would have been €2,955 thousand higher/lower (2018: €111 thousand higher/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 2019, if interest rates on cash and equivalents denominated in US dollars at that date had been 1% higher/lower with all other variables held constant, profit before tax for the year would have been €2,929 thousand higher/lower (2018: €1,348 thousand higher/lower), mainly reflecting a higher cash and cash equivalents balance in US dollar compared to the previous year.

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 27. 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:

	2019			2018		
(thousands of euro)	Trade receivables (gross)	Loss allowance	% loss coverage	Trade receivables (gross)	Loss allowance	% loss coverage
Not overdue	306,376	(540)	0.2%	287,603	(1,668)	0.6%
Days past overdue						
30 or less	72,482	(670)	0.9%	75,432	(1,317)	1.7%
Between 30 and 60	19,656	(458)	2.3%	21,075	(1,569)	7.4%
Between 61 and 90	5,404	(480)	8.9%	6,042	(1,212)	20.1%
Between 91 and 180	6,795	(3,418)	50.3%	10,731	(4,116)	38.4%
Over 180	33,444	(24,122)	72.1%	31,721	(23,326)	73.5%
	444,157	**(29,689)**		**432,604**	**(33,208)**	

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.

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 36.

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 2019, 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 2019 and 2018 were as follows:

(thousands of euro)	**2019**	**2018**
Net debt [A]	567,775	890,496
Equity	3,690,821	3,143,605
Total Capital [B]	4,258,596	4,034,101
Gearing [A/B]	**13%**	**22%**
Net debt [A]	567,775	890,496
EBITDA [C]	728,104	577,209
Leverage [A/C]	**0.78**	**1.54**

The favorable change in the two ratios during 2019 resulted primarily from a substantial increase of operating cash flow, which supported a significant level of investment activity, aimed at strengthening the industrial structure in Italy, as well as at the recurring maintenance, efficiency, compliance and sustainable development projects at large.

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 2019:

(thousands of euro)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Other non-current assets	10,838	1,903	-	12,741
Current financial assets	-	74	-	74
Equity investments at fair value	-	-	12,204	12,204
Total Assets	**10,838**	**1,977**	**12,204**	**25,019**
Liabilities				
Derivative financial instruments (non-current)	-	-	(1,412)	(1,412)
Total Liabilities	**-**	**-**	**(1,412)**	**(1,412)**

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				
Derivative financial instruments (non-current)	10,879	1,456	-	12,335
Derivative financial instruments (current)	-	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)**

During 2019, 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, for 2018 only, of the cash settlement option related to the equity-linked bond. This option was fair valued using market quotes of the public bonds and of Buzzi Unicem ordinary share, considering the implied volatility.

The equity investments included in the line item Equity investments at fair value are all booked at fair value through other comprehensive income (OCI) and included in level 3. 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 24).

Level 3 derivatives include the put and call option on the remaining 50% share of BCPAR SA (note 2.16). The price of the option is defined on the basis of the equity value of BCPAR. At the financial statement date, the difference from the fair value of the ownership interest held by Brennand Cimentos equals €1,412 thousand. The changes in the fair value of the derivative have been recognized directly in profit or loss, according to IFRS 9 (note 37).

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. 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, 23 and 38)
- Legal claims and contingencies (note 49)

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 38.

– *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 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 (note 3.3).

– *Business combinations*
Accounting for business combinations means to measure the identifiable assets acquired and the liabilities assumed by the acquirer, as described in note 2.2. Fair value measurement includes a complex estimation process based on historical experience, assumptions based on available information and the facts and circumstances existing at the measurement date, also thanks to the support of external experts (note 51).

5. Scope of consolidation

The consolidated financial statements for the year ended 31 December 2019 include the company and 84 subsidiaries. The total number of consolidated subsidiaries is the same as at the end of the previous year. Excluded from consolidation are 11 subsidiaries that are either dormant or immaterial.

During 2019 the main change occurred is the acquisition of a 100% interest in three companies which respectively own a cement plant located in Tuscany (Testi Cementi Srl) and two grinding plants located in Piedmont (Borgo Cementi Srl and Arquata Cementi Srl), and the line-by-line consolidation of these entities from 1 July 2019.

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:

- with reference to the agreement executed in 2018 for the acquisition of a 50% interest in BCPAR SA, parent company of the Cimento Nacional group in Brazil, the holding Aspdinpar Participações Ltda, 100% owned by Buzzi Unicem, was merged into BCPAR SA;
- in Germany, Deuna Zement GmbH was merged into its parent Dyckerhoff GmbH.

In addition, the subsidiary OOO Russkiy Cement was wound up.

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.

2019

(thousands of euro)	**Italy**	**Central Europe**	**Eastern Europe**	**United States of America**	**Brazil**	**Unallo-cated items and adjust-ments**	**Total**	**Mexico 100%**	**Brazil 100%**
Segment revenue	499,346	843,684	635,937	1,242,476	-	-	**3,221,443**	593,208	134,729
Intersegment revenue	(5,371)	(671)	-	-	-	6,042	**-**	-	-
Revenue from external customers	493,975	843,013	635,937	1,242,476	-	6,042	**3,221,443**	593,208	134,729
Ebitda	43,390	125,012	157,120	402,743	-	(161)	**728,104**	252,238	23,447
Depreciation	(45,994)	(45,908)	(41,771)	(121,133)	-	(1,254)	**(256,060)**	(28,043)	(17,909)
Impairment charges	(598)	(47)	(3,609)	-	-	-	**(4,254)**	-	-
Write-ups	448	-	-	-	-	-	**448**	-	-
Operating profit	(2,754)	79,057	111,740	281,610	-	(1,415)	**468,238**	224,195	5,538
Equity earnings	62,110	3,155	256	8,316	-	-	**73,837**	62	-
Purchase of intangible and tangibles assets	27,789	54,153	71,045	104,097	-	-	**257,084**	32,277	23,211
Purchase of equity investments	80,285	1,962	-	-	-	-	**82,247**	-	-

2018

(thousands of euro)	Italy	Central Europe	Eastern Europe	United States of America	Brazil	Unallocated items and adjustments	Total	Mexico 100%	Brazil 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**	-	-

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

2019

(thousands of euro)	Italy	Central Europe	Eastern Europe	United States of America	Total	Mexico 100%	Brazil 100%
Cement	288,408	464,753	458,726	932,005	**2,143,892**	503,595	134,729
Concrete and aggregates	210,938	378,931	177,211	310,471	**1,077,551**	89,613	-
					3,221,443	**593,208**	**134,729**

2018

(thousands of euro)	Italy	Central Europe	Eastern Europe	United States of America	Total	Mexico 100%	Brazil 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**	-

The group is domiciled in Italy. Revenue from external customers realized in Italy is €390,144 thousand (2018: €415,880 thousand) and total revenue from external customers in foreign countries is €2,831,298 thousand (2018: €2,457,572 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 €845,307 thousand (2018: €683,103 thousand), while the total of such non-current assets located in foreign countries is €3,567,359 thousand (2018: €3,560,363 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 and services, whose breakdown by markets is illustrated below:

	2019		
(thousands of euro)	**Cement**	**Concrete and aggregates**	**Total**
Italy	288,408	210,938	**499,346**
Germany	365,272	288,413	**653,685**
Luxembourg and the Netherlands	99,481	90,518	**189,999**
Poland	83,766	39,999	**123,765**
Czech Republic and Slovakia	37,739	128,082	**165,821**
Russia	214,499	-	**214,499**
Ukraine	122,722	9,130	**131,852**
United States of America	932,005	310,471	**1,242,476**
	2,143,892	**1,077,551**	**3,221,443**

	2018		
(thousands of euro)	**Cement**	**Concrete and aggregates**	**Total**
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**

The 12.1% increase compared with the year 2018 is due to an increase in the scope of consolidation for 0.7%, to favorable market trends for 8.6% and favorable foreign currency effects for 2.8%.

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)	2019	2018
Recovery of expenses	7,296	8,373
Indemnity for damages	5,551	1,024
Revenue from leased properties	8,740	8,103
Gains on disposal of property, plant and equipment	4,499	26,045
Capital grants	1,766	638
Release of provisions	1,941	10,678
Internal work capitalized	1,576	1,913
Other	20,767	25,380
	52,136	**82,154**

The indemnity for damages includes an insurance refund for €3.841 thousand related to the sinking of a barge in the United States, which occurred during the exceptional flood of the Mississippi river.

The caption gains on disposal of property, plant and equipment includes the amounts relating to the sale of some land, buildings and other assets. In the previous period it included 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.

Also in 2018, the release of provisions included €5,348 thousand related to the antitrust risk in Poland.

The caption other includes, among others, an amount of €1,739 thousand deriving from receivables for property taxes already settled, which will be reimbursed or offset against the acceptance of the appeal presented by the company (note 49) and an income of €900 thousand deriving from the waiver of the penitential deposit paid in 2014 by the Wietersdorfer group, following the withdrawal from the purchase contract of the mothballed plant in Travesio (PN).

9. Raw materials, supplies and consumables

(thousands of euro)	2019	2018
Raw materials, supplies and consumables	692,919	631,579
Finished goods and merchandise	67,674	64,217
Electricity	202,486	180,238
Fuels	209,383	203,086
Emission rights	8,334	2,743
Other goods	23,432	18,728
	1,204,228	**1,100,591**

10. Services

(thousands of euro)	2019	2018
Transportation	469,067	415,637
Maintenance and contractual services	144,261	135,661
Insurance	15,656	13,142
Legal and professional consultancy	13,292	18,206
Operating leases of property and machinery	15,528	37,347
Travel	6,631	6,241
Other	100,275	96,301
	764,710	**722,535**

The decrease in the use of third party assets is essentially due to the adoption of the accounting standard IFRS 16 Leasing, which provides for the capitalization of the operating lease payments (€27,685 thousand in 2019, note 20).
In 2019 it includes the leasing payments that fall within the exemptions envisaged by IFRS 16, i.e. short-term contracts for €7,438 thousand, low-value assets for €757 thousand and variable amounts, which cannot be determined a priori and are generally based on the quantities produced, for €127 thousand. The line also includes leases of quarry land and rents outside the scope of the new IFRS 16 standard for €7,206 thousand.

11. Staff costs

(thousands of euro)	2019	2018
Salaries and wages	382,723	357,408
Social security contributions and defined contribution plans	114,340	104,007
Employee severance indemnities and defined benefit plans	12,067	11,390
Other long-term benefits	1,287	595
Other	7,962	9,805
	518,379	**483,205**

The increase of the line item is due to the exchange rate effect for an amount of €12,064 thousand.

The caption other includes restructuring expenses of €4,010 thousand concerning Italy and Germany (€6,443 thousand in 2018).

The average number of employees is the following:

(number)	2019	2018
White collar and executives	3,638	3,672
Blue collar and supervisors	6,305	6,337
	9,943	**10,009**

The decrease is mainly due to the restructuring of Seibel & Söhne (104 units) in Germany during 2019.

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)	2019	2018
Write-down of receivables	5,603	10,700
Provisions for liabilities and charges	8,236	10,601
Association dues	6,406	6,310
Indirect taxes and duties	34,560	33,878
Losses on disposal of property, plant and equipment	1,038	1,540
Antitrust fine	-	1,671
Other	14,543	18,111
	70,386	**82,811**

The write-down of receivables is netted by releases in the specific allowance for €3,284 thousand (2018: €3,638 thousand) and it is primarily related to bad debt in Italy.

Provisions for liabilities and charges include €4,204 thousand referring to the restoration of quarries (2018: €3,646 thousand), €1,072 thousand allocated for flooding contingencies in the United States, €779 thousand for litigation with a railway service provider in Russia (note 49) and €542 thousand for a dispute regarding sales tax in the United States.

13. Depreciation, amortization and impairment charges

(thousands of euro)	2019	2018
Intangible assets	6,433	4,750
Right-of-use assets	24,254	-
Property, plant and equipment	225,373	224,057
Impairment losses of non-current assets	3,806	(3,422)
	259,866	**225,385**

The caption right-of-use assets refers to the depreciation calculated on the capitalized leased assets, recognized in the balance sheet from 1 January 2019 with the first adoption of IFRS 16 Leasing (note 20).

The impairment losses mainly include €3,534 thousand relating to goodwill and ready-mix concrete plants in Slovakia.

In 2018, the impairment losses included a write-up of €7,053 thousand on land pertaining to the Oglesby plant in the United States, a write-down of €2,110 thousand relating to the Neubeckum inactive plant in Germany and other write-downs of €1,521 thousand applied to land and miscellaneous assets.

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)	2019	2018
Associates		
Société des Ciments de Hadjar Soud EPE SpA	3,004	2,993
Société des Ciments de Sour El Ghozlane EPE SpA	960	1,707
Bétons Feidt S.A.	579	254
Kosmos Cement Company	8,316	7,574
Laterlite SpA	1,921	1,546
Salonit Anhovo Gradbeni Materiali dd	2,922	4,393
TRAMIRA Transportbetonwerk Minden-Ravensberg GmbH & Co. KG	411	160
Other associates	265	667
	18,378	**19,294**
Joint ventures		
Corporación Moctezuma, SAB de CV	52,913	64,192
BCPAR SA *	(671)	1,685
Other joint ventures	3,217	2,701
	55,459	**68,578**
	73,837	**87,872**

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

15. Gains (losses) on disposal of investments

The loss recorded in 2019 derives essentially from the winding up of the subsidiary OOO Russkiy Cement.

In 2018 the line item mainly referred to non-recurring profits, arising from the sale of the associate Niemeier Beton GmbH and the winding up of the associate NCD Nederlandse Cement Deelnemingsmaatschappj BV.

16. Finance revenues and Finance costs

(thousands of euro)	2019	2018
Finance revenues		
Interest income on liquid assets	12,880	13,196
Interest income on plan assets of employee benefits	10,473	9,427
Changes in the fair value of derivative instruments	10,340	82,562
Foreign exchange gains	14,810	27,036
Dividend income	158	185
Other	11,234	2,441
	59,895	**134,847**
Finance costs		
Interest expense on bank borrowings	(15,941)	(12,336)
Interest expense on senior notes and bonds	(15,982)	(38,405)
Interest expense on employee benefits	(20,037)	(18,543)
Interest expense on lease liabilities	(2,735)	-
Changes in the fair value of derivative instruments	(1,412)	-
Discount unwinding on liabilities	(5,460)	(845)
Foreign exchange losses	(34,433)	(30,976)
Other	(22,519)	(9,005)
	(118,519)	**(110,110)**
Net finance costs	**(58,624)**	**24,737**

The increase in net finance costs compared to the previous period was essentially determined by the unfavorable change in non-cash items, i.e. the fair value estimation of the cash settlement option associated with the equity-linked bond (income of €10,340 thousand versus €82,562 thousand in 2018) and the net balance of foreign exchange gains and losses.

The caption other includes an amount of €17,859 thousand relating to the exercise of the cash settlement option associated with the equity-linked bond repaid in 2019.

17. Income tax expense

(thousands of euro)	2019	2018
Current tax	102,476	84,528
Deferred tax	(10,232)	(1,366)
Tax relating to prior years	3,802	(648)
	96,046	**82,514**

The increase in current tax is basically due to the higher taxable income generated in the geographical areas of business in which trading conditions were more favorable, in particular the United States of America, Germany and Russia.

In 2019, deferred tax assets on tax loss carryforwards were used for €4,750 thousand in Germany.

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 from the review or supplement of income tax returns referring to prior periods. In particular, €5,056 thousand refer to the outcome of a tax audit in Germany for the years 2011-2018, partially offset by favorable adjustments of taxable income in the United States for €1,216 thousand.

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)	2019	2018
Profit before tax	481,956	465,274
Italian income tax rate (IRES)	24.00%	24.00%
Theoretical income tax expense	**115,669**	**111,666**
Effect of permanent differences	(23,307)	(28,020)
Tax relating to prior years	3,802	(648)
Difference in foreign tax rate	(5,062)	(5,492)
Effect of rate changes on deferred income tax	(835)	2,121
Adjustments to deferred income tax	893	3,115
Italian regional income tax on production activities (IRAP)	11	41
Other differences	4,875	(269)
Income tax expense	**96,046**	**82,514**

The tax rate for 2019 is equivalent to 20% of profit before tax (18% in 2018).

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.

		2019	2018
Net profit attributable to owners of the company	thousands of euro	385,671	382,133
attributable to ordinary shares	thousands of euro	308,290	305,425
attributable to savings shares	thousands of euro	77,381	76,707
Average number of ordinary shares outstanding		164,152,492	164,074,006
Average number of savings shares outstanding		40,682,659	40,682,659
Basic earnings per ordinary share	euro	1.878	1.862
Basic earnings per savings share	euro	1.902	1.886

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.

The company has decided to proceed with the repayment of the convertible bond “Buzzi Unicem €220,000,000 - 1.375% Equity-Linked Bonds due 2019” without issuing new shares, that is through the delivery of all available treasury shares and in cash (Cash Alternative Amount) for the residual value of the shares requested in conversion (notes 36 and 37).

Therefore there is no dilutive effect and, as at 31 December 2019, the basic and diluted earnings per share are the same. As at 31 December 2018, Buzzi Unicem share price was lower than the conversion price, therefore last year as well there was no dilutive effect and the basic earnings per share corresponded to the diluted one.

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 2018					
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**
Year ended 31 December 2019					
Opening net book amount	575,537	35,835	459	2,315	38,609
Translation differences	6,881	4,601	42	-	4,643
Additions	-	5,534	689	-	6,223
Change in scope of consolidation	37,339	-	-	27,322	27,322
Disposals and other	-	-	-	(5)	(5)
Depreciation and impairment charges	(755)	(5,271)	-	(1,162)	(6,433)
Reclassifications	-	714	(259)	-	455
Closing net book amount	**619,002**	**41,413**	**931**	**28,470**	**70,814**
At 31 December 2019					
Cost/deemed cost	827,869	89,550	931	32,718	123,199
Accumulated depreciation and write-downs	(208,867)	(48,137)	-	(4,248)	(52,385)
Net book amount	**619,002**	**41,413**	**931**	**28,470**	**70,814**

At 31 December 2019, the column industrial patents, licenses and similar rights is made up of industrial licenses (€35,917 thousand), application software for plant and office automation (€2,913 thousand), mining rights (€2,386 thousand), industrial patents (€197 thousand).

The increase in the column others derives essentially from the definitive accounting for the business combination Testi Cementi Srl, Borgo Cementi Srl and Arquata Cementi Srl, which took place on 1 July 2019 and was determined at the end of the 2019 financial year (see detail in note 51), with the recognition of a customer list for €27,322 thousand.

The increase in goodwill is due to the definitive accounting for the business combination Testi Cementi Srl, Borgo Cementi Srl and Arquata Cementi Srl for €35,614 thousand and to the purchase of some concrete plants from Flock Beton in Germany for €1,047 thousand. Also, the translation differences had a positive impact of €6,202 thousand on the CGU Russia and of €603 thousand on the CGU United States of America. The goodwill referring to the Slovakian company ZAPA beton SK sro was written down for an amount of €755 thousand.

Goodwill and impairment test

Goodwill at 31 December 2019 amounts to €619,002 thousand and is broken-down as follows:

(thousands of euro)	**2019**	**2018**
Italy (Cement sector)	76,114	40,500
Italy (Concrete sector)	299	-
United States of America	39,138	38,536
Germany	129,995	128,569
Luxembourg	69,104	69,104
Poland	88,148	88,072
Czech Republic/Slovakia	105,944	106,699
Russia	110,260	104,057
	619,002	**575,537**

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:

- *estimation of cash flows:*
  The cash flow estimates 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									
2019	**0.58%**	**1.06%**	**1.24%**	**1.84%**	**2.30%**	**6.36%**	**2.84%**	**3.70%**	**1.78%**
2018	0.70%	1.28%	1.52%	2.06%	2.68%	7.10%	3.00%	4.22%	1.96%

- *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									
2019	**6.57%**	**4.40%**	**4.50%**	**5.22%**	**5.45%**	**16.77%**	**4.44%**	**8.73%**	**6.42%**
2018	8.20%	5.09%	5.21%	6.32%	6.52%	23.64%	5.11%	11.11%	7.60%

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 the discount rate by some percentage points, the recoverable amount would come out lower than the carrying amount at the balance sheet date.

The sensitivity analysis was updated by assessing in a preliminary way the possible impacts of the COVID-19 health emergency, which started in March 2020, on the cash flows of the plans used for the impairment test; based on the results of this exercise, it appears that the recoverable amounts of the various CGUs nevertheless remain higher than the carrying amounts at the balance sheet date.

20. Right-of-use assets and Lease liabilities

Upon IFRS 16 adoption (refer to note 2.8 for the criteria), the group has recognized in the opening balance right-of-use assets for an amount of €94,563 thousand and lease liabilities equal to €93,913 thousand.

Set out below is the summarized financial information of the amounts recognized in the balance sheet and income statement relating to leases, broken down by asset categories:

	Right-of-use assets					
(thousands of euro)	**Land and buildings**	**Plant and machinery**	**Industrial and commercial equipment**	**Other**	**Total**	**Lease liabilities**
At 1 January 2019						
Cost/deemed cost	28,193	11,035	11,882	43,453	94,563	93,913
Accumulated depreciation and write-downs	-	-	-	-	-	-
Net book amount	**28,193**	**11,035**	**11,882**	**43,453**	**94,563**	**93,913**
Year ended 31 December 2019						
Opening net book amount	28,193	11,035	11,882	43,453	94,563	93,913
Translation differences	225	25	(159)	30	121	138
Additions	4,961	5,217	7,570	9,895	27,643	27,197
Extinctions	(535)	(1,531)	(6)	(72)	(2,144)	-
Change in scope of consolidation	35	2,805	-	-	2,840	2,840
Depreciation and impairment charges	(5,275)	(1,570)	(13,006)	(4,403)	(24,254)	-
Reclassifications	-	-	39,668	(39,190)	478	-
Interest expense	-	-	-	-	-	2,735
Repayments	-	-	-	-	-	(29,631)
Closing net book amount	**27,604**	**15,981**	**45,949**	**9,713**	**99,247**	**97,192**
At 31 December 2019						
Cost/deemed cost	32,861	17,556	59,114	14,114	123,645	-
Accumulated depreciation and write-downs	(5,257)	(1,575)	(13,165)	(4,401)	(24,398)	-
Net book amount	**27,604**	**15,981**	**45,949**	**9,713**	**99,247**	**-**

Lease liabilities as at 1 January 2019 can be reconciled with the commitments deriving from operating leases as at 31 December 2018, as follows:

(thousands of euro)	**2019**
Operating lease commitments as at 31 December 2018	**124,017**
Commitments for short-term leases	(5,101)
Commitments for leases of low-value assets	(669)
Discounting	(14,429)
Outside the scope of IFRS 16 /Other	(11,818)
IFRS 16 adoption as at 1 January 2019	**92,000**
Financial leases as at 31 December 2018	1,913
Lease liabilities as at 1 January 2019	**93,913**

The new accounting standard, all other things being equal, had a favorable effect of €27,685 thousand on Ebitda in 2019 (lower costs for services, note 10), while at Ebit level the favorable impact was reduced to €3,431 thousand (higher depreciation, note 13). The increase in finance costs amounted to €2,735 thousand (note 16).

In the cash flow statement, the reclassification from operating cash flows to cash flows from financing activities, relating only to the principal portion of the lease liabilities, was €26,896 thousand. The following table shows the present value of lease liabilities broken down by maturity:

(thousands of euro)	2019	2018
Within 6 months	11,817	102
Between 6 and 12 months	10,710	92
Between 1 and 5 years	54,532	1,204
Over 5 years	20,133	515
	97,192	**1,913**

21. 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 2018						
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**
Year ended 31 December 2019						
Opening net book amount	1,703,683	1,147,540	96,013	92,252	19,788	3,059,276
Translation differences	29,950	28,874	3,376	3,644	641	66,485
Additions	30,253	60,630	27,474	114,919	3,394	236,670
Change in scope of consolidation	11,909	9,945	345	1,084	38	23,321
Disposals and other	(6,080)	1,021	(432)	(906)	(38)	(6,435)
Depreciation and impairment charges	(43,447)	(157,333)	(20,945)	(67)	(6,592)	(228,384)
Reclassifications	8,264	40,768	3,091	(66,716)	13,657	(936)
Closing net book amount	**1,734,532**	**1,131,445**	**108,922**	**144,210**	**30,888**	**3,149,997**
At 31 December 2019						
Cost/deemed cost	2,867,048	4,984,211	429,290	173,946	132,025	8,586,520
Accumulated depreciation and write-downs	(1,132,516)	(3,852,766)	(320,368)	(29,736)	(101,137)	(5,436,523)
Net book amount	**1,734,532**	**1,131,445**	**108,922**	**144,210**	**30,888**	**3,149,997**

Total additions of €236,670 thousand in 2019 are described in the business review, to which reference is made. In the cash flow statement and in the business review, capital expenditures are reported according to the actual outflows (€250,017 thousand).

The change in the scope of consolidation during the period is attributable to the definition of the amounts deriving from the business combination Testi Cementi Srl, Borgo Cementi Srl and Arquata Cementi Srl for €16,317 thousand. The caption also includes the machinery and the equipment, acquired through the purchase of two batching plants from Flock Beton, for €5,700 thousand.

During the year the group capitalized borrowing costs amounting to €368 thousand on qualifying assets (2018: €373 thousand). Borrowing costs were capitalized at the rate of approximately 2.1% (2018: approximately 2.5%).

Assets in progress and advances include €23,641 thousand relating to the bulk purchase of second-hand machinery and equipment for the Korkino plant in Russia (Iskitim project).

Positive translation differences of €66,485 thousand reflect basically the strengthening in the dollar/euro, ruble/euro and hryvnia/euro exchange rate. In 2018, the trend in the exchange rate of the dollar and the hryvnia had given rise to overall positive translation differences of €65,943 thousand.

In Slovakia, taking into account the mothballing of certain concrete batching plants, it was decided to write-down them for an amount equal to €2,778 thousand.

Real guarantees on assets of consolidated companies are represented by liens on industrial and commercial equipment for the amount of €126 thousand at 31 December 2019 (2018: €132 thousand).

During 2006, Buzzi Unicem USA entered into a series of agreements with Jefferson County, Missouri, related to the 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 €82,604 thousand at 31 December 2019. 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 €34,591 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 €5,226 thousand.

22. Investment property

It is accounted for using the cost model and it amounts to €20,796 thousand, showing an increase of €516 thousand versus last year.
The fair value at the balance sheet date, based on internal appraisals, amounts to €44,148 thousand (2018: €40,043 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 real estate agents operating in the same area and with other publicly available databases.

(thousands of euro)	2019	2018
At 1 January		
Cost/deemed cost	28,550	34,586
Accumulated depreciation and write-downs	(8,271)	(11,883)
Net book amount	**20,280**	**22,703**
Translation differences	19	49
Additions	-	16
Reclassifications	559	-
Disposals and other	(23)	(2,601)
Depreciation and impairment charges	(39)	113
At 31 December	**20,796**	**20,280**
Cost/deemed cost	35,864	28,550
Accumulated depreciation and write-downs	(15,068)	(8,270)
Net book amount	**20,796**	**20,280**

The caption reclassifications mainly includes the transfer from land and buildings of the mothballed Santarcangelo di Romagna (RN) plant for €420 thousand. This amount is composed of a historical cost and accumulated depreciation of €7,169 thousand and €6,759 thousand respectively.

23. Investments in associates and joint ventures

The amounts recognized in the balance sheet are as follows:

(thousands of euro)	2019	2018
Associates valued by the equity method	209,248	207,516
Joint ventures valued by the equity method	308,672	308,381
	517,920	**515,897**

The net increase of €2,024 thousand was affected upwards by equity earnings of €73,837 thousand, the reverse merger of Aspdinpar into BCPAR SA for €6,461 thousand and translation differences for €7,355 thousand; downwards by the elimination of dividends received for €84,384 thousand and the transfer of the equity investments in Ecotrade SpA and Cobéton SA among assets held for sale.

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.

23.1 Interests in associates

Set out below are the associates as at 31 December 2019, 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	45,160	equity
Société des Ciments de Sour El Ghozlane EPE SpA	Note 1	Algeria	35.0	44,053	equity
Kosmos Cement Company	Note 2	United States of America	25.0	41,316	equity
Salonit Anhovo Gradbeni Materiali dd	Note 3	Slovenia	25.0	29,265	equity
Other				49,454	equity
Total				**209,248**	

Note 1
Buzzi Unicem holds a 35% interest 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% interest 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.
A subsidiary of CEMEX, SAB de CV holds the remaining 75% of the equity investment in the associate. In November, Kosmos Cement Company signed a definitive agreement for the sale of all its assets to Eagle Materials Inc.

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 associate 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 same 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)	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Summarized balance sheet								
Current assets								
Cash and cash equivalents	34,572	24,433	34,075	43,093	4,082	4,005	8,441	10,114
Other current assets (excluding cash)	27,810	24,771	33,563	25,728	196,284	62,591	38,779	30,603
	62,382	**49,204**	**67,638**	**68,821**	**200,366**	**66,596**	**47,220**	**40,717**
Non-current assets	**72,922**	**74,129**	**40,893**	**38,096**	**1,249**	**131,909**	**109,675**	**108,436**
Current liabilities								
Financial liabilities (excluding trade and other payables and provisions)	-	-	-	-	-	-	5,543	5,621
Other current liabilities (including trade and other payables and provisions)	16,385	11,467	2,026	2,350	36,284	25,937	23,946	14,935
	16,385	**11,467**	**2,026**	**2,350**	**36,284**	**25,937**	**29,489**	**20,556**
Non-current liabilities								
Financial liabilities (excluding other payables and provisions)	-	-	-	-	-	-	10,561	13,834
Other non-current liabilities (including other payables and provisions)	4,502	4,564	6,821	12,790	68	3,471	-	-
	4,502	**4,564**	**6,821**	**12,790**	**68**	**3,471**	**10,561**	**13,834**
Summarized income statement								
Revenue	48,541	42,607	36,523	46,939	144,942	133,556	86,030	83,229
Depreciation, amortization and impairment charges	(10,619)	(9,270)	(10,432)	(11,773)	15,389	13,083	(8,983)	(9,303)
Finance revenues	1,248	426	337	121	74	209	651	2,678
Finance costs	(6)	(25)	(1)	(13)	(121)	(402)	(346)	(533)
Income tax expense	(1,557)	(1,879)	(879)	(1,134)	-	-	1,178	(1,292)
Profit (loss) for the year	**8,583**	**4,877**	**2,743**	**9,108**	**33,264**	**30,297**	**11,887**	**17,770**
Other comprehensive income	563	2,192	1,511	2,227	3,276	7,569	-	-
Total comprehensive income	**9,146**	**7,069**	**4,254**	**11,335**	**36,540**	**37,866**	**11,887**	**17,770**

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 same associates.

Reconciliation of summarized financial information

Reconciliation of the summarized financial information (presented above) to the carrying amount of the interest in associate companies that are material to the group:

	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)	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Opening net assets at 1 January	123,224	120,471	114,487	107,632	169,098	155,788	112,292	101,581
Profit for the year	8,583	4,877	2,743	9,108	33,264	30,297	11,887	17,770
Dividends	(3,343)	(4,316)	(4,939)	(4,480)	(40,374)	(24,556)	(8,029)	(7,059)
Translation differences	564	2,192	652	2,227	3,276	7,569	-	-
Closing net assets	**129,028**	**123,224**	**112,943**	**114,487**	**165,264**	**169,098**	**116,150**	**112,292**
Ownership share (35%; 35%; 25%; 25%)	45,160	43,128	39,530	40,070	41,316	42,274	29,037	28,073
Goodwill	-	-	4,523	4,469	-	-	228	278
Carrying value	**45,160**	**43,128**	**44,053**	**44,539**	**41,316**	**42,274**	**29,265**	**28,351**

23.2 Interests in joint ventures

Set out below are the two joint ventures as at 31 December 2019, which, in the opinion of the directors, are material to the group.

Name of entity	Place of business/country of incorporation	% of ownership	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. 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 investment for the group, whose operations are located in Mexico.
As at 31 December 2019, the fair value of our interest in Corporación Moctezuma, SAB de CV, which is listed on the Bolsa Mexicana de Valores, was €814,928 thousand (2018: €880,548 thousand); the corresponding book value was €145,845 thousand (2018: €150,078 thousand).

BCPAR SA has a share capital consisting solely of ordinary shares, which is held directly by the company. BCPAR 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, the investment is strategic 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, both valued by the equity method:

	Corporación Moctezuma, SAB de CV		BCPAR SA	
(thousands of euro)	**2019**	**2018**	**2019**	**2018**
Summarized balance sheet				
Current assets				
Cash and cash equivalents	99,464	125,451	3,336	34,828
Other current assets (excluding cash)	97,777	103,182	73,647	48,321
	197,241	**228,633**	**76,983**	**83,149**
Non-current assets	**340,309**	**320,537**	**405,056**	**334,165**
Current liabilities				
Financial liabilities (excluding trade and other payables and provisions)	(2,567)	(492)	(13,712)	(36,411)
Other current liabilities (including trade and other payables and provisions)	(65,415)	(61,122)	(16,863)	(13,093)
	(67,982)	**(61,614)**	**(30,575)**	**(49,504)**
Non-current liabilities				
Financial liabilities (excluding other payables and provisions)	(3,738)	(645)	(136,222)	(134,901)
Other non-current liabilities (including other payables and provisions)	(31,007)	(38,025)	(3,119)	(834)
	(34,745)	**(38,670)**	**(139,341)**	**(135,735)**
Summarized income statement				
Revenue	593,208	624,686	134,729	132,980
Depreciation, amortization and impairment charges	(28,043)	(24,058)	(18,793)	(18,770)
Finance revenues	12,020	19,928	5,314	8,912
Finance costs	(10,244)	(15,491)	(12,478)	(22,953)
Income tax expense	(68,380)	(77,704)	(1,856)	(3,990)
Profit for the year	**157,580**	**191,587**	**(1,342)**	**(4,917)**
Other comprehensive income	28,841	18,382	-	-
Total comprehensive income	**186,421**	**209,969**	**(1,342)**	**(4,917)**

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 same joint ventures.

Reconciliation of summarized financial information
Reconciliation of the summarized financial information (presented above) to the carrying amount of the interest in joint ventures that are material to the group:

	Corporación Moctezuma, SAB de CV		BCPAR SA	
(thousands of euro)	2019	2018	2019	2018
Opening net assets at 1 January	447,919	439,057	222,905	-
Profit for the year	157,580	191,587	(1,342)	3,369
Other comprehensive income	(230)	71	-	-
Dividends	(194,081)	(201,249)	-	-
Translation differences	28,611	18,453	(3,623)	(5,468)
Change in scope of consolidation	-	-	20,082	225,004
Other	(5,456)	-	-	-
Closing net assets	**434,343**	**447,919**	**238,022**	**222,905**
% of ownership (33%; 50%)	145,845	150,078	119,011	111,453
Goodwill	-	-	39,143	43,348
Carrying value	**145,845**	**150,078**	**158,154**	**154,801**

The caption change in scope of consolidation for BCPAR SA refers to the accounting of the business combination which occurred at the end of 2018 and became final during 2019.

24. Equity Investments at fair value

The line item refers to investments in unconsolidated subsidiaries and in other companies, all of them unlisted.

(thousands of euro)	Subsidiaries	Other	Total
At 1 January 2019	350	8,454	8,804
Additions	-	3,815	3,815
Change in scope of consolidation	-	48	48
Fair value changes	-	274	274
Write-downs	-	(753)	(753)
Disposals and other	-	16	16
At 31 December 2019	**350**	**11,854**	**12,204**

The variance for the year is due to the share capital increase in Energy for Growth Scarl for €3,810 thousand.

25. Other non-current assets

(thousands of euro)	2019	2018
Loans to third parties and leasing	2,495	2,145
Loans to associates	123	136
Loans to customers	287	485
Receivables from purchase of equity investments	-	1,317
Receivables from sale of equity investments	-	200
Tax receivables	1,160	620
Receivables from personnel	755	464
Guarantee deposits	13,900	13,924
Other	3,212	5,772
	21,932	**25,063**

Loans to third parties and leasing consist of the former for an amount of €748 thousand, mostly interest-bearing and adequately secured.

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

Receivables from purchase of equity investments decreased by €1,317 thousand following the reclassification to other receivables (current).

Receivables from personnel include loans to employees equal to €349 thousand (2018: €433 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 €12,096 thousand (2018: €12,967 thousand). The maximum exposure to credit risk is the carrying value of each class of receivable mentioned above.

26. Inventories

(thousands of euro)	**2019**	**2018**
Raw materials, supplies and consumables	294,429	283,446
Work in progress	89,807	78,063
Finished goods and merchandise	95,730	88,985
Advances	1,025	729
Emission rights	8,308	6,369
	489,299	**457,592**

The increase associated with the business combination Testi Cementi Srl, Borgo Cementi Srl and Arquata Cementi Srl amounts to € 8,972 thousand (note 51).

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 €32,476 thousand (2018: €27,503 thousand).

27. Trade receivables

(thousands of euro)	**2019**	**2018**
Trade receivables	431,998	419,747
Less: Loss allowance	(29,689)	(33,208)
Trade receivables, net	**402,309**	**386,539**
Other trade receivables:		
- From associates	12,105	12,829
- From parent companies	54	28
	414,468	**399,396**

The increase in trade receivables is due to the change in scope of consolidation for €3,910 thousand and the favorable exchange rate effect for €6,154 thousand.

Trade receivables are non-interest bearing and generally have a maturity 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)	2019	2018
Euro	212,162	216,156
US Dollar	143,620	133,192
Russian Ruble	14,529	12,673
Other currencies	31,998	24,518
	402,309	**386,539**

Movements in the loss allowance for trade receivables during the year are as follows:

(thousands of euro)	2019	2018
At 1 January	33,208	35,450
Translation differences	369	(217)
Increase recognized in profit or loss	8,668	14,181
Receivables written off as uncollectible	(9,289)	(11,527)
Unused amounts reversed and other	(3,267)	(4,679)
At 31 December	**29,689**	**33,208**

The additions to the loss allowance for trade 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.

28. Other receivables

(thousands of euro)	2019	2018
Tax receivables	38,006	44,425
Receivables from public institutions	-	13,100
Receivables from social security institutions	131	128
Receivables from unconsolidated subsidiaries and associates	200	701
Loans to customers	190	166
Receivables from suppliers	5,807	4,932
Receivables from personnel	348	285
Receivables from sale of equity investments	226	226
Receivables from purchase of equity investments	-	2,451
Current financial assets	1,501	5,425
Loans to third parties and leasing	440	581
Accrued interest income	910	607
Other accrued income and prepaid expenses	12,248	10,746
Other	10,507	8,582
	70,514	**92,355**

Tax receivables include 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) corresponded in 2018 to the rebate on electric power costs granted in Italy to the energy-intensive firms, so-called system charges bonus. 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 25).

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

Receivables from purchase of equity investments referred to sums owed by the previous controlling shareholder of Cementizillo SpA, based on the guarantees contractually identified in the share purchase agreement. The balance at the end of the previous year was partly cashed-in and partly canceled following a settlement agreement which occurred during the year.

Prepaid expenses refer to operating costs for the following period.

29. Cash and cash equivalents

(thousands of euro)	2019	2018
Cash at banks and in hand	573,002	328,535
Short-term deposits	264,401	111,964
	837,403	**440,499**

Foreign operating companies hold about 70.2% of the balance of €837,403 thousand (70.1% in 2018). At the closing date, short-term deposits and securities earn interest at about 1.66% on average (2.36% in 2018); yield in euro is around 0.01%, in dollar 1.73%, and in other currencies 4.63%. 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)	2019	2018
Euro	297,582	127,047
US Dollar	383,780	177,288
Russian Ruble	94,854	77,891
Other currencies	61,187	58,273
	837,403	**440,499**

30. Assets held for sale

They mainly refer to some plants and machinery of the mothballed Travesio plant, whose value has been aligned to the selling price following a new agreement for the disposal (€1,235 thousand, compared to €900 thousand in 2018), to the equity investments in Ecotrade SpA and Cobéton SA for €2,090 thousand and to quarries and land in Italy for €2,644 thousand.

At the end of 2018, they mainly referred 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.

31. Share capital

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

(number of shares)	2019	2018
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 changed during 2019 and at the balance sheet date is the following:

(number of shares)	Ordinary	Savings	Total
At 1 January 2019			
Shares issued	165,349,149	40,711,949	206,061,098
Less: Treasury shares	(7,050,000)	(29,290)	(7,079,290)
Outstanding at beginning of year	**158,299,149**	**40,682,659**	**198,981,808**
Year ended 31 December 2019			
Repayment of convertible bond	7,050,000	-	7,050,000
Outstanding at end of year	**165,349,149**	**40,682,659**	**206,031,808**
At 31 December 2019			
Shares issued	165,349,149	40,711,949	206,061,098
Less: Treasury shares	-	(29,290)	(29,290)
Outstanding at end of year	**165,349,149**	**40,682,659**	**206,031,808**

32. 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 2019 and it is unchanged versus last year.

33. Other reserves

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

(thousands of euro)	2019	2018
Translation differences	(334,483)	(456,652)
Revaluation reserves	88,286	88,286
Merger surplus	247,530	247,530
Other	115,465	126,096
	116,798	**5,260**

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 €122,169 thousand is the result of two opposite effects: an increase of €44,829 thousand due to the strengthening of the US dollar, €54,471 thousand of the Russian ruble, €12,280 thousand of the Ukrainian hryvnia, €9,594 thousand of the Mexican peso, €1,089 thousand of the Algerian dinar and €2.342 thousand of the other Eastern European currencies; a decrease of €2,436 thousand due to the weakening of the Brazilian real.

34. 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, the overall effect of which led to a decrease in retained earnings of €1,048 thousand.

The changes in gains and losses generated by the actuarial valuations of liabilities for employee benefits, net of related deferred tax, in 2019 brought to an increase in retained earnings equal to €37,596 thousand.

35. Non-controlling interests

The balance refers to Cimalux SA for €3,176 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	
		2019	**2018**	**2019**	**2018**	**2019**	**2018**
Cimalux S.A.	Luxembourg	1.57%	1.57%	202	182	3,176	3,096

(thousands of euro)	**2019**	**2018**
Summarized balance sheet		
Non-current assets	89,951	92,295
Current assets	150,725	139,981
Non-current liabilities	17,529	16,216
Current liabilities	20,743	18,818
Net assets	**202,404**	**197,242**
Summarized income statement		
Revenue	102,073	101,524
Operating expenses	(80,511)	(81,195)
Depreciation, amortization and impairment charges	(6,874)	(6,140)
Finance revenues	1,767	598
Finance costs	(278)	(235)
Income tax expense	(3,315)	(2,946)
Profit for the year	**12,862**	**11,606**
Other comprehensive income	17	10
Total comprehensive income	**12,879**	**11,616**
Dividends paid to non-controlling interests	104	156
Summarized statement of cash flows		
Cash flows from operating activities		
Cash generated from operations	19,829	23,689
Interest paid	(7)	-
Income tax paid	(3,260)	1,770
Net cash generated from operating activities	**16,562**	**25,459**
Net cash used in investing activities	**(2,028)**	**(6,676)**
Net cash generated (used) in financing activities	**(16,630)**	**(22,895)**
Increase (decrease) in cash and cash equivalents	**(2,096)**	**(4,112)**
Cash and cash equivalents at beginning of year	**7,818**	**11,930**
Cash and cash equivalents at end of year	**5,722**	**7,818**

36. Debt and borrowings

(thousands of euro)	2019	2018
Long-term debt		
Senior notes and bonds	497,042	496,173
Unsecured term loans	738,586	424,501
	1,235,628	**920,674**
Current portion of long-term debt		
Convertible bonds	-	215,646
Secured term loans	-	56
Unsecured term loans	26,414	112,138
	26,414	**327,840**
Short-term debt		
Bank debts	1,471	1,577
Accrued interest expense	12,266	12,804
	13,737	**14,381**

During 2019, the average interest rate on financial indebtedness was equal to 2.05% (2018: 2.16%).

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)	2019	2018
Within 6 months	14,443	23,599
Between 6 and 12 months	25,708	318,622
Between 1 and 5 years	1,029,331	673,174
Over 5 years	206,297	247,500
	1,275,779	**1,262,895**

Senior notes and bonds

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 €497,042 thousand in the balance sheet.

Convertible bonds

The change in the year is mainly due to repayment of the bond "Buzzi Unicem €220,000,000 - 1.375% Equity-Linked Bonds due 2019". Between 4 April and 10 July (deadline for the submission), the company received conversion notices for the total nominal value of €220,000,000, corresponding to overall no. 13,762,011 ordinary shares.

In view of these conversion notices:
- firstly all no. 7,050,000 ordinary shares held in treasury by the company were delivered;
- after all the treasury shares had been delivered, about the additional no. 6,712,011 ordinary shares for which the conversion was exercised, the company chose to pay the so-called cash alternative amount, with an outlay of €125,157 thousand.

Therefore following the conversion notices, no new ordinary shares were issued and the share capital remained unchanged. As a result of the total conversion of the bond, no further repayment took place on the natural maturity of the bond, which occurred on 17 July 2019.

Term loans and other borrowings
The change for the year is essentially stemming from an increase of €341,164 thousand due to proceeds from new loans and a decrease for principal repayments of €113,840 thousand.

In the month of August 2019 the group successfully completed the issuance of a Schuldschein loan of €200,000 thousand, while in October 2019 there was the renewal of the Bank of America loan of $100,000 thousand. Buzzi Unicem SpA is the debtor under both agreements.

As at 31 December 2019 the group has undrawn committed facilities for €321,466 thousand (2018: €323,715 thousand), thereof €299,980 thousand available to the company, at floating rate with maturity between 2020 and 2023, and the remaining €21,486 thousand to Dyckerhoff GmbH and its subsidiaries, always at floating rate, with maturity in 2020.

In respect to interest rate and currency, the gross indebtedness at 31 December 2019 can be shortly split as follows: 15.8% floating and 84.2% fix; 17% dollar-denominated and 83% euro-denominated.

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

	2019		2018	
(thousands of euro)	Carrying amount	Fair value	Carrying amount	Fair value
Floating rate borrowings				
Unsecured term loans	199,952	202,787	150,706	147,549
Fix rate borrowings				
Senior notes and bonds	497,042	522,605	496,173	508,095
Convertible bonds	-	-	215,646	232,043
Unsecured term loans	566,519	586,986	387,567	398,347
	1,263,513	**1,312,378**	**1,250,092**	**1,286,034**

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.

37. Derivative financial instruments

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. 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 SA 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.

As at 31 December 2019 the value of the derivative financial instrument, defined as the differential between the equity value of BCPAR SA and the fair value of the interest by Brennand Cimentos, corresponds to a liability of €1,412 thousand.

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

		2019		2018
(thousands of euro)	Notional	Fair value	Notional	Fair value
Cash settlement option on convertible bond	-	-	220,000	(10,340)
BCPAR SA takeover option	183,500	(1,412)	-	-

In 2019, following the repayment of the convertible bond issued by the parent company, the cash settlement option embedded in the bond expired. The change compared to 2018 was positive for €10,340 thousand and was recognized in the income statement (note 16).

38. 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 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 €18,149 thousand (2018: €18,035 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 €296,180 thousand (2018: €271,367 thousand) are partly funded through a contractual trust agreement. The value of trust assets is €29,986 thousand (2018: €26,561 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 and/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 €19,785 thousand (2018: €18,191 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 €19,470 thousand (2018: €17,465 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, meaning €321,457 thousand (2018: €273,305 thousand) is covered by an external pension fund; its fair value of €272,998 thousand (2018: €241,541 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 14 years. There are also unfunded obligations for a small group of individuals, whose weighted average duration is between 11 and 14 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 €2,343 thousand (2018: €1,464 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 accrued 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)	2019	2018
By category		
Post-employment benefits:		
Pension plans	338,256	296,627
Healthcare plans	76,751	67,703
Employee severance indemnities	18,149	18,035
Other	1,568	1,521
Other long-term benefits	7,886	7,677
	442,610	**391,563**
By geographical area		
Italy	19,717	19,556
Germany, Luxembourg, Netherlands	287,454	265,029
United States of America	130,606	104,346
Other Countries	4,833	2,632
	442,610	**391,563**

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)	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Present value of funded obligations	632,775	551,361	-	-	-	-	-	-
Fair value of plan assets	(322,454)	(285,567)	-	-	-	-	-	-
	310,321	**265,794**	**-**	**-**	**-**	**-**	**-**	**-**
Present value of unfunded obligations	27,938	30,833	76,751	67,703	18,149	18,035	1,568	1,521
Liability in the balance sheet	**338,259**	**296,627**	**76,751**	**67,703**	**18,149**	**18,035**	**1,568**	**1,521**

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)	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
At 1 January	582,194	590,213	67,703	85,087	18,035	21,641	1,521	1,671
Current service cost	8,021	8,674	1,603	1,807	-	-	120	114
Past service cost	623	(952)	-	-	-	-	-	-
Other costs	(25)	(12)	-	-	-	-	-	-
	8,619	**7,710**	**1,603**	**1,807**	**-**	**-**	**120**	**114**
Interest expense	17,487	15,439	2,821	2,825	287	259	24	19
(Gains) losses from changes in demographic assumptions	1,337	8,768	-	784	3	-	-	-
(Gains) losses from changes in financial assumptions	69,660	(25,250)	7,326	(18,365)	190	(477)	(8)	(22)
Experience (gains) losses	8,356	3,115	2,888	(1,832)	(185)	(118)	3	(104)
	79,353	**(13,367)**	**10,214**	**(19,413)**	**8**	**(595)**	**(5)**	**(126)**
Employee contributions	38	51	660	610	-	-	-	-
Benefit payments	(33,046)	(31,468)	(7,461)	(6,439)	(1,781)	(3,202)	(13)	(13)
Settlements	-	-	-	-	-	-	(170)	(144)
Translation differences	5,763	12,656	1,211	3,226	-	-	-	-
Change in scope of consolidation	-	960	-	-	1,576	-	91	-
Other changes	305	-	-	-	24	(68)	-	-
At 31 December	**660,713**	**582,194**	**76,751**	**67,703**	**18,149**	**18,035**	**1,568**	**1,521**

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)	**2019**	**2018**	**2019**	**2018**
Active members	230,284	191,044	12,395	26,476
Deferred members	44,960	36,959	23,019	-
Pensioners	385,469	354,191	41,337	41,227
At 31 December	**660,713**	**582,194**	**76,751**	**67,703**

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

	Pension plans	
(thousands of euro)	**2019**	**2018**
At 1 January	285,567	291,912
Interest income	10,925	9,427
Employer contributions	291	12,975
Employee contributions	38	51
Benefit payments	(18,133)	(16,497)
Settlements	(1,183)	(539)
Actuarial gains (losses)	40,426	(22,920)
Translation differences	4,523	11,158
At 31 December	**322,454**	**285,567**

Plan assets are comprised as follows:

	Germany		United States of America	
(thousands of euro)	**2019**	**2018**	**2019**	**2018**
Cash and cash equivalents	**700**	**1,944**	**1,951**	**5,077**
Equity instruments	**12,852**	**10,778**	**-**	**-**
Euro equities	7,312	5,924	-	-
Europe ex Euro equities	5,540	4,854	-	-
Debt instruments	**15,478**	**13,081**	**42,283**	**39,919**
Euro corporate investment grade	6,968	6,193	-	-
Euro corporate unrated	74	78	-	-
Euro sovereign investment grade	6,768	5,020	-	-
Dollar corporate investment grade	883	828	-	-
Dollar sovereign investment grade	-	-	42,283	39,919
Other corporate investment grade	785	962	-	-
Derivatives financial instruments	**(5)**	**65**	**-**	**-**
Equity derivatives	(5)	59	-	-
Currency derivatives	-	3	-	-
Debt derivatives	-	3	-	-
Investment funds	**961**	**693**	**228,764**	**196,544**
Dollar corporate bonds	-	-	35,631	43,023
Dollar sovereign bonds	-	-	89,237	69,514
Euro indexed equities	961	693	-	-
Dollar indexed equities	-	-	39,639	29,285
Other indexed equities	-	-	60,036	50,717
Dollar sundries	-	-	4,221	4,006
	29,986	**26,561**	**272,998**	**241,541**

The fair values stated above exclusively relate to quoted market prices in active markets (level 1). For the assets of the Netherlands, a breakdown is not available since these are investments made by the insurance company, that is the insurance contract underwritten in exchange for the pension benefits. In 2019, the fair value of these investments amounted to €19,470 thousand (€17,465 thousand in 2018). 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 2020 amount to €9,633 thousand.

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

(thousands of euro)	**Pension Plans**	**Healthcare Plans**	**Employee severance indemnities**
Year 2020	35,351	5,561	793
Year 2021	32,486	5,679	1,025
Year 2022	32,439	5,638	930
Year 2023	32,493	5,635	863
Year 2024	32,176	5,677	1,137
Year 2025-2029	156,149	25,683	5,920
	321,094	**53,873**	**10,668**

In addition to forecasts of mortality 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:

	2019						2018					
(in %)	ITA	GER	LUX	NLD	USA	RUS	ITA	GER	LUX	NLD	USA	RUS
Pension plans discount rate	0.8	1.0	1.0	1.2	3.3	6.3	1.6	1.7	1.7	1.9	4.3	8.8
Salary growth rate	0.8	2.8	2.8	2.5	4.2	4.0	2.4	2.8	2.8	2.5	4.2	4.0
Pension growth rate	-	1.8	-	-	-	4.0	-	1.8	-	-	-	4.0
Healthcare discount rate	-	-	-	-	3.1	-	-	-	-	-	4.2	-
Medical cost growth rate	-	1.8	-	-	6.3	-	-	1.8	-	-	6.5	-

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%	4,897	-	-
	Decrease 1%	(11,645)	-	-
Discount rate				
	Increase 1%	(85,206)	(7,042)	(785)
	Decrease 1%	108,026	8,478	825
Pension growth rate				
	Increase 1%	55,417	-	-
	Decrease 1%	(23,074)	-	-
Medical cost growth rate				
	Increase 1%	-	4,631	-
	Decrease 1%	-	(4,002)	-
Mortality				
	Increase 1%	21,908	575	-
	Decrease 1%	(22,042)	(570)	-

39. Provisions for liabilities and charges

(thousands of euro)	Environmental risks and restoration	Legal claims Tax risks	Other risks	Total
At 1 January 2019	61,383	20,101	18,754	100,238
Additional provisions	4,324	829	21,282	26,435
Discount unwinding	5,362	738	4	6,104
Unused amounts released	(300)	(940)	(1,149)	(2,389)
Used during the year	(2,578)	(4,673)	(20,607)	(27,858)
Translation differences	565	134	287	986
Reclassifications	-	-	7,327	7,327
Change in scope of consolidation	870	-	410	1,280
Other changes	1,039	(1,453)	3,874	3,460
At 31 December 2019	**70,665**	**14,736**	**30,182**	**115,583**

Total provisions can be analyzed as follows:

(thousands of euro)	2019	2018
Non-current	87,104	69,281
Current	28,479	30,957
	115,583	**100,238**

The environmental risks and restoration provision includes the obligations for site reclamation, 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 the period refer for €4,216 thousand to the future quarry restoration costs.

The provision for tax risks amounts to €4,195 thousand and reflects the probable liabilities following assessments and disputes over indirect and property taxes.
The provisions related to legal claims (equal to €10,541 thousand) include €9,188 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 (note 50).

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 restructuring costs for €4,390 and workers compensation claims not covered by insurance for €13,225 thousand, such as indemnities paid to employees and compensation in case of accidents, €7,327 thousand thereof reclassified from payables. The provisions include €4,000 thousand for restructuring costs and €11,059 thousand for workers compensation claims not covered by insurance, against uses for the same reason of €10,538 thousand.

40. Deferred income tax assets and liabilities

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)	**2019**	**2018**
Deferred income tax assets:		
To be recovered after more than 12 months	(174,086)	(146,799)
To be recovered within 12 months	(17,141)	(26,628)
	(191,227)	**(173,427)**
Deferred income tax liabilities:		
To be recovered after more than 12 months	457,149	447,720
To be recovered within 12 months	27,697	27,295
	484,846	**475,015**
Net deferred income tax liabilities	**293,619**	**301,588**

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

(thousands of euro)	**2019**	**2018**
Deferred income tax assets related to:		
Provisions for liabilities and charges	(12,408)	(13,027)
Trade receivables	(6,318)	(6,792)
Employee benefits	(80,700)	(68,499)
Long-term debt	(11,169)	(4,355)
Derivative financial instruments	(33)	-
Property, plant and equipment	(7,721)	(6,031)
Inventories	(7,738)	(8,757)
Tax loss carryforwards (theoretical benefit)	(116,246)	(147,512)
Other	(31,439)	(18,660)
Total deferred income tax assets	**(273,772)**	**(273,633)**
Valuation allowances	82,545	100,206
Net deferred income tax assets	**(191,227)**	**(173,427)**
Deferred income tax liabilities related to:		
Accelerated depreciation	118,200	110,819
Employee benefits	15	182
Other intangible assets	7,420	-
Property, plant and equipment	316,716	317,853
Inventories	3,128	3,245
Gains on disposal of fixed assets	4	77
Financial assets	8,898	10,968
Other	30,465	31,871
Total deferred income tax liabilities	**484,846**	**475,015**
Net deferred income tax liabilities	**293,619**	**301,588**

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)	**2019**	**2018**
At 1 January	301,588	287,255
Income statement charge (credit)	(10,232)	(1,366)
Statement of comprehensive income charge (credit)	(11,601)	2,866
Translation differences	6,241	12,887
Change in scope of consolidation	7,623	(54)
At 31 December	**293,619**	**301,588**

The change in scope of consolidation is represented by deferred tax liabilities related to the customer list that was recognized as part of accounting for the business combination Testi Cementi Srl, Borgo Cementi Srl and Arquata Cementi Srl (note 51).

41. Other non-current liabilities

(thousands of euro)	**2019**	**2018**
Purchase of equity investments	4,388	24,509
Non-controlling interests in partnerships	1,697	2,054
Payables to personnel	270	250
Financial tax payables	438	1,044
Payables to antitrust authority	239	10,203
Other	2,235	2,455
	9,267	**40,515**

The decrease of the caption purchase of equity investments is due to the reclassification of the amount relating to the business combination Cementizillo (€20,506 thousand) among other current liabilities. The remaining balance mainly refers to the business combination Seibel & Söhne.

Payables to antitrust authority decreased by €8,542 thousand following the reclassification to other current liabilities of the penalty imposed on Buzzi Unicem, within the proceedings that concerned the entire cement industry sector in Italy. The remaining amount relates to the penalty inflicted on Unical, redetermined by the Council of State with judgment of 26 July 2018.

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.

42. Trade payables

(thousands of euro)	2019	2018
Trade payables	233,613	232,327
Other trade payables:		
To associates	1,752	2,658
	235,365	**234,985**

43. Income tax payables

It reflects current income tax liabilities, net of advances, withholdings and tax credits. Compared to the previous period, the conclusion of a tax audit in Germany, referring to the 2011-2018 financial years, resulted in the acknowledgement of a liability equal to €5,056 thousand. In addition, the item includes the amounts due to the ultimate parent Fimedi SpA by the Italian companies that are members of a controlled group of corporations for domestic income tax purposes (€4,291 thousand).

44. Other payables

(thousands of euro)	2019	2018
Advances	3,796	2,719
Purchase of equity investments	18,434	126
Payables to social security institutions	14,931	14,331
Payables to personnel	38,036	33,752
Payables to customers	9,921	11,122
Deferred interest income	95	115
Other accrued expenses and deferred income	7,931	9,848
Tax payables	14,806	18,031
Financial tax payables	5,010	7,285
Payables to antitrust authority	9,996	26,992
Other	10,739	19,000
	133,695	**143,321**

Payables from purchase of equity investments include the reclassification from other non-current liabilities of the so-called earn-out provided in the purchase agreement of Cementizillo SpA (note 41); in February 2020 payment has been made the creditor. In addition, at the end of December, €1,455 thousand were offset following the settlement agreement based on the guarantees contractually identified in the same share purchase deal.

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 €4,090 thousand (2018: €6,522 thousand). It also includes an amount of €782 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 €8,563 thousand, within the proceedings that concerned the entire cement industry in Italy, and for €1,433 thousand the penalty inflicted on Unical, redetermined by the Council of State with judgment of 26 July 2018 (note 49).

45. Cash generated from operations

(thousands of euro)	2019	2018
Profit before tax	**481,956**	**465,274**
Adjustments for:		
Depreciation, amortization and impairment charges	259,866	225,385
Equity in earnings of associates and joint ventures	(73,837)	(87,872)
Gains on disposal of fixed assets	(1,966)	(25,346)
Net change in provisions and employee benefits	7,326	(46,746)
Net finance costs	58,624	(24,737)
Other non-cash movements	27	14,885
Changes in operating assets and liabilities:		
Inventories	(23,382)	(46,093)
Trade and other receivables	15,735	33,224
Trade and other payables	(32,897)	(54,602)
Cash generated from operations	**691,452**	**453,372**

46. 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	36	496,173	-	-	-	-	869	-	497,042
Unsecured term loans	36	424,501	249,003	-	-	-	212	64,870	738,586
		920,674	**249,003**	**-**	**-**	**-**	**1,081**	**64,870**	**1,235,628**
Current portion of long-term debt									
Convertible bonds	36	215,646	-	(125,158)	-	-	4,354	(94,842)	-
Secured term loans	36	56	-	(56)	-	-	-	-	-
Unsecured term loans	36	112,138	-	(24,961)	-	-	69	(60,832)	26,414
		327,840	**-**	**(150,175)**	**-**	**-**	**4,423**	**(155,674)**	**26,414**
Total from Statement of Cash Flows		**-**	**249,003**	**(150,175)**	**-**	**-**	**-**	**-**	**-**
Short-term debt									
Bank debts	36	1,577	1,492	(1,577)	-	-	-	(21)	1,471
Accrued interest expense	36	12,804	-	(12,803)	12,266	-	-	-	12,266
		14,381	**1,492**	**(14,380)**	**12,266**	**-**	**-**	**(21)**	**13,737**
Total from Statement of Cash Flows		**-**	**-**	**(622)**	**-**	**-**	**-**	**-**	**-**
Lease liabilities									
Lease liabilities	20	70,519	24,426	-	-	122	(206)	(20,196)	74,665
Current portion of lease liabilities	20	23,394	2,771	(26,896)	-	15	709	22,534	22,527
		93,913	**27,197**	**(26,896)**	**-**	**137**	**503**	**2,339**	**97,192**
Total from Statement of Cash Flows		**-**	**-**	**(26,896)**	**-**	**-**	**-**	**-**	**-**
Non-current financial liabilities									
Others	41	28,885	-	-	(13,372)	-	-	(7,249)	8,264
Total from Statement of Cash Flows		**-**	**-**	**-**	**(13,372)**	**-**	**-**	**(7,249)**	**-**
Changes in ownership interests without loss of control		**-**	**-**	**(1,663)**	**-**	**-**	**-**	**-**	**-**
Dividends paid to owners of the company	**47**	**-**	**-**	**(26,559)**	**-**	**-**	**-**	**-**	**-**
Dividends paid to non-controlling interests		**-**	**-**	**(289)**	**-**	**-**	**-**	**-**	**-**

47. Dividends

Dividends paid in 2019 and 2018 were respectively €26,559 thousand (12.5 eurocent per ordinary share and 14.9 eurocent per savings share) and €28,135 thousand (12 eurocent per ordinary share and 20.4 eurocent per savings share).

As for the year ended 31 December 2019 the board of directors will propose to the Annual General Meeting of 8 May 2020 to distribute a dividend of 15 eurocents per ordinary share and 17.4 eurocents per savings share. Therefore expected dividend distribution amounts to a total of €31,881 thousand. These financial statements do not reflect such payable to the shareholders.

48. Commitments

(thousands of euro)	2019	2018
Guarantees granted	46,897	8,027
Other commitments and guarantees	50,933	74,638

Guarantees granted include commitments toward banks in favor of investee companies, including an amount of €37,370 thousand for loans granted to the associate BCPAR SA.

Capital expenditure contracted for at the balance sheet date to acquire property, plant and equipment amounts to €49,763 thousand (2018: €71,538 thousand). It can be basically traced back to different modernization projects in the United States (€19,441 thousand), in Germany (€13,606 thousand), in Italy (€9,221 thousand), in Luxembourg (€1,456 thousand), in Russia (€4,815 thousand), in Ukraine (€911 thousand) and in the Czech Republic (€1,438 thousand).

The total amount of future minimum payments is related to short-term operating lease contracts, to low-value assets and to other contracts outside the scope of the new IFRS 16 standard (mainly represented by leasing of quarry land and railcars), it can be broken down as follows:

(thousands of euro)	2019	2018
Within 1 year	3,253	25,755
Between 1 and 5 years	11,553	63,262
Over 5 years	38,481	35,000
	53,287	**124,017**

49. 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

In 2016 the company was subject to audit by the Revenue Service for the year 2012 and controls on subsequent years (from 2013 to 2016). The Revenue Service followed-up in December 2017, December 2018 and July 2019 by notifying assessment notices relating to the 2012, 2013, 2014, 2015 and 2016 financial years, 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 five years totals approximately €77.6 million. For IRES purposes for all five 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, only for the years 2012, 2013 and 2014, for higher taxes and related penalties as well as interest for approximately €2.0 million. For the years 2015 and 2016 the declared negative taxable amount is higher than the disputed amounts, therefore for these financial years no higher IRAP, interests and penalties are due. The company has filed an appeal against all the assessment notices (years 2012, 2013, 2014, 2015 and 2016) 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, 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 Revenue Service has accepted the mutual agreement procedure requests (MAP) that the company decided to submit for all the periods subject to the dispute (financial years 2012, 2013, 2014, 2015 and 2016).

Between 2015 and 2018 the municipality of Guidonia Montecelio (Rome) notified Buzzi Unicem some notices of assessment related to higher ICI/IMU and TASI, penalties and interests regarding the years from 2008 to 2016 for a total amount of approximately €13.6 million. The municipality bases its request on the assumption that the land belonging to Buzzi Unicem which is used to quarry raw materials can be comparable, for the purpose of local property taxes, to land for development. Considering this request as incorrect, the company challenged all the tax deeds received before the competent Tax Courts. At present, with reference to the different years contested, the Regional Tax Court of Rome and the Regional Tax Court of Lazio have filed several unfavorable judgments to the company and also some favorable rulings. However, considering that it has valid reasons, Buzzi Unicem challenged, or intends to challenge, all the sentences with a negative outcome. With reference to some of the years for which Buzzi Unicem was losing at the outcome of the first instance judgment, the municipality ordered the provisional payment, first of an amount of approximately €3.1 million, which the company is paying in installments, and subsequently of approximately €4.9 million, which the company paid in full. Nevertheless Buzzi Unicem will request the reimbursement of the amounts paid on a provisional basis which, following the respective appeal proceedings, were not or will not be due. However, Buzzi Unicem fully recorded the higher taxes in the balance sheet, with the related interest and penalties, for all the years in which the appeals were rejected at first instance.

Antitrust

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. On 12 June 2018 the operating part of the judgment of the TAR of Lazio, which rejected the appeal proposed by Buzzi Unicem, was published and on 30 July 2018 the related reasons were issued. Considering that these reasons blindly reported the position of the Italian Antitrust Authority, ignoring many of our pleas in law, Buzzi Unicem challenged the sentence before the Council of State, trusting that it could demonstrate its non-involvement in the conduct envisaged by the Italian Antitrust Authority. The Council of State with sentence of 14 October 2019, no. 6985, confirmed the ruling of the TAR of Lazio. Buzzi Unicem, believing that the judgment of the Council of State is vitiated by a factual error of revocation, appealed before the same Council of State for the revocation of its judgment. The appeal of revocation was filed at the end of December 2019. The judge has not yet set the date of the hearing. The company is also preparing an appeal for a compensation claim to be submitted to the European Court of Human Rights (ECHR). The entire amount of the sanction has been accounted for in the financial statements. Regarding the behavior sanctioned by the Italian Antitrust Authority, Buzzi Unicem received several letters of compensation requests, to which it has always responded by rejecting any charge. To date, the company also received two summons for compensation for damages due as a result of the alleged surcharge paid following the agreement sanctioned by the Italian Antitrust Authority, for a total amount of approximately €0.4 million. The company, as mentioned, believes it acted in full compliance with the antitrust regulations and therefore appeared in court to demonstrate its non-involvement in any violation.

In September 2015, the Belgian company CDC presented a claim against HeidelbergCement AG at the Court of Mannheim. The claim is based on an alleged breach of the antitrust law by HeidelbergCement AG and other cement manufacturers including Dyckerhoff GmbH in the regions of South and East Germany. HeidelbergCement AG 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. In the first half of 2019, CDC and HeidelbergCement AG meanwhile closed the proceedings for all parties involved with a settlement agreement, the details of which are covered by confidentiality.

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. 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 and costs of the proceeding. The company is defending itself in the proceeding and does not expect a negative impact on the financial statements.

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 amended or terminated in accordance with their terms. During 2018 LSI commenced discussions with the major insurance carriers to amend the settlement agreements. The insurance carriers continue to follow the settlement agreements and no carrier has provided notice of termination. Estimating the costs associated with silica-related and asbestos-related claims involves many uncertainties that affect the amount and timing of any losses. The company however maintains a provision for amounts 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. We are awaiting a decision by the Court of Appeal, whose hearing, initially scheduled for 27 March 2020, has been postponed. A specific provision is being maintained in the books.

Our Dutch subsidiary Dyckerhoff Basal Betonmortel received a claim for compensation of approximately €1 million for alleged contractual infringements relating to land in the port of Amsterdam. The company does not expect any negative impact on the financial statements from this proceeding.

Our Russian subsidiary SLK Cement received a contractual claim for compensation from a railway service provider for a total amount of approximately €0.4 million. At first instance, however, this claim for compensation was rejected, except for an amount of €0.08 million. An appeal by the complainant against this decision is very likely. The company recorded a corresponding provision for risks in the financial statements.

50. 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, Calcestruzzi Zillo SpA and Serenergy Srl, 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 corresponding year-end balances:

(thousands of euro)	2019	in % of reported balance	2018	in % of reported balance
Sales of goods and services:	48,756	1.5	58,399	2.0
associates and unconsolidated subsidiaries	32,093		38,364	
joint ventures	16,583		19,925	
parent companies	22		22	
other related parties	58		88	
Purchases of goods and services:	71,001	3.5	55,279	2.9
associates and unconsolidated subsidiaries	53,886		37,420	
joint ventures	16,409		17,214	
parent companies	7		-	
other related parties	699		645	
Internal works capitalized:	11	0.7	7	0.4
joint ventures	-		7	
other related parties	11		-	
Finance revenues:	8,328	13.9	7,598	5.6
associates and unconsolidated subsidiaries	8,328		7,593	
joint ventures	-		5	
Trade receivables:	12,684	3.1	12,900	3.2
associates and unconsolidated subsidiaries	7,111		7,211	
joint ventures	5,461		5,583	
parent companies	54		28	
other related parties	58		78	
Loans receivable:	324	6.8	751	13.5
associates and unconsolidated subsidiaries	324		738	
joint ventures	-		13	
Other receivables:	15,338	16.6	22,285	19.9
associates and unconsolidated subsidiaries	26		45	
joint ventures	917		593	
parent companies	14,395		21,647	
Trade payables:	4,423	1.9	4,845	2.1
associates and unconsolidated subsidiaries	3,639		3,966	
joint ventures	769		874	
parent companies	7		-	
other related parties	8		5	
Loans payable:	4,970	14.8	4,962	11.1
parent companies	4,970		4,962	
Other payables:	4,313	3.0	5,200	2.9
associates and unconsolidated subsidiaries	22		-	
parent companies	4,291		5,200	
Guarantees granted:	38,870	-	1,500	-
joint ventures	38,870		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)	2019	2018
Salaries and other short-term employee benefits	4,487	4,345
Post-employments benefits	722	1,019
	5,209	**5,364**

51. Business combinations

On 5 April 2019 Buzzi Unicem signed an agreement with Italcementi SpA to acquire the entire share capital of three newly established companies, corresponding to three production facilities: a full cycle cement plant, located in Tuscany (Testi Cementi Srl) and two grinding units in Piedmont (Borgo Cementi Srl and Arquata Cementi Srl).
This non-recurring transaction, effective from 1 July 2019, is part of the plan aimed at strengthening the domestic market position, as well as within the framework of the process of rationalization and consolidation of the domestic production structure, which has been underway for some years now.

The initiative intends to best integrate the production entities with the current Italian network and yearns to extract synergies from economies of scale and from logistical and commercial optimization. In 2018 the three new plants posted sales of approximately 500,000 tons of cement overall, equal to around 2.5% of the national cement demand.
The consideration for the purchase consisted of a cash disbursement equal to €76,163 thousand.

The accounting of the business combination was completed in December 2019 with the recognition among other intangible assets of a customer list (€27,322 thousand) that, based on the customer turnover rate, will terminate its future utility in a period not exceeding 20 years. The determination of the customer list also led to the recording of deferred tax liabilities for €7,623 thousand. The final goodwill resulting from the acquisition amounts to €35,614 thousand and is not considered deductible for income tax purposes.

The consideration paid, the fair value of the assets acquired and of liabilities assumed at the acquisition date are as follow:

(thousands of euro)	Importo
Cash	76,163
Total consideration	**76,163**
Recognized amounts of identifiable assets acquired and liabilities assumed	
Other intangible assets	27,322
Property, plant and equipment	16,471
Investments	59
Inventories	7,813
Cash and cash equivalents	30
Provisions and employee benefits	(2,837)
Deferred income tax liabilities	(7,623)
Other non-current liabilities	(687)
Total identifiable net assets	**40,548**
Goodwill	**35,614**

At the same date, the group also subscribed two agreements for the purchase of three business units, consisting respectively of a concrete batching plant located in San Defendente di Cervasca (Cuneo) and of land, buildings and ready-mix concrete plants located in Bagno a Ripoli (Florence) and Massarosa (Lucca). The difference between the consideration paid (€1,400 thousand) and the fair value of the net assets acquired resulted in the recognition of a goodwill of €299 thousand, tax deductible.

Finally, during the year, the purchase of two concrete plants by Dyckerhoff Beton from Flock Beton in Germany was finalized for €7,095 thousand. The transaction resulted in a goodwill of €1,047 thousand, tax deductible.

It should be noted that, since these are not separately identifiable legal entities up to the acquisition date, it is not possible to determine the impact of the business combinations described above on the consolidated net sales for the whole year 2019.

52. Transparency requirements

The law 124/2017 art. 1, paragraphs 125-129, as modified by the law 58/2019, art. 35, introduced some new disclosure requirements regarding the transparency of public funds received not of a general nature and without consideration, remuneration or compensation nature. In particular, for companies, 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.

Subsequently, the law 12/2019, art. 3 quater, paragraph 2, with the aim of simplifying the disclosure requirements foreseen for the companies benefiting from the subsidies, provided that the recording of state and de minimis aids in the National State Aid Register, referred to in article 52 of the law 234/2012, replaces the duty to indicate them in the notes to the financial statements, asking the beneficiaries to simply declare the existence of such aids in the aforementioned Register.

For this purpose, it should be noted that Buzzi Unicem meets the requirements of the Ministerial Decree of 21 December 2017 containing "Provisions regarding the reduction of tariffs to cover the general system charges for energy-intensive companies", as well as those provided for by the Authority Resolution 921/2017/R/eel as subsequently amended.

For the purposes of transparency and control of State aid, CSEA as providing entity will register the concessions granted in application of the Ministerial Decree into the National State Aid Register, to which reference should therefore be made for the information required by the regulation: (https://www.rna.gov.it/RegistroNazionaleTrasparenza/faces/pages/TrasparenzaAiuto.jspx).

In addition to what is indicated in the National State Aid Register, "Transparency" section, 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	57,781	Excise duty reimbursement on diesel for industrial use
INAIL Istituto Nazionale per l'Assicurazione contro gli Infortuni sul lavoro - Pubbliche amministrazioni IPA	127,577	INAIL - discount on social security rate for safety achievements and certifications

53. Other information

Material non-recurring events and transactions

As stated in the review of operations, the year ended 31 December 2019 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 €23,685 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 2019, 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	2019	2018
Other current financial receivables		**3,467**	**10,157**
Receivables from unconsolidated subsidiaries and associates	28	200	701
Loans to customers	28	190	166
Receivables from sale of equity investments	28	226	226
Receivables from purchase of equity investments	28	-	2,451
Loans to third parties and leasing	28	440	581
Accrued interest income	28	910	607
Current financial assets	28	1,501	5,425
Other current financial payables		**(32,102)**	**(34,518)**
Purchase of equity investments	44	(18,434)	(126)
Financial tax payables	44	(5,010)	(7,285)
Payables to antitrust authority	44	(9,996)	(26,992)
Deferred interest income	44	(95)	(115)
Other non-current financial receivables		**2,905**	**4,283**
Loans to third parties and leasing	25	2,495	2,145
Loans to associates	25	123	136
Loans to customers	25	287	485
Receivables from purchase of equity investments	25	-	1,317
Receivables from sale of equity investments	25	-	200
Other non-current financial payables		**(5,065)**	**(35,756)**
Purchase of equity investments	41	(4,388)	(24,509)
Financial tax payables	41	(438)	(1,044)
Payables to antitrust authority	41	(239)	(10,203)

54. Events after the balance sheet date

In relation to the business combination Cementizillo, in January 2020 the selling party communicated the choice to exercise its right to receive payment of the so-called earn-out defined in the agreement. The final amount, calculated on the basis of the national average cement price for the year 2019, resulted in a cash outflow of €18.3 million, in line with the payable recognized in these financial statements.

In February, Buzzi Unicem SpA sold the entire investment (equal to 50% of the share capital) held in Ecotrade SpA, a company operating in the trade of industrial by-products and in particular in the business of raw materials and secondary products used in the production of cement and concrete. The sale took place at a total price of €1.7 million.

At the end of February 2020, following the emergency resulting from the impacts of the Covid-19 epidemic, a scenario of considerable uncertainty emerged, with a possible drop in general confidence and a strong slowdown in the economic situation, especially where the health emergency is particularly severe (Italy).
After the first two months of the year in which the operating activity was confirmed in line with the budget assumptions, the most recent developments, characterized by significant limitations to the mobility of people and to economic activities imposed by the national authorities, suggest for the coming months a decline in business, the extent of which cannot currently be reliably estimated.

In March, the transaction regarding the disposal of all the assets of Kosmos Cement Company, in which the group holds a 25% partnership interest, was completed. The business branch that was sold consists of the cement plant in Louisville (KY) and related assets, which include seven distribution terminals and raw material reserves. The net consideration received by Buzzi Unicem following the sale was $161 million.

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

Casale Monferrato, 25 March 2020

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 ownership
Companies consolidated on a line-by-line basis					
Buzzi Unicem SpA	Casale Monferrato (AL)	EUR	123,636,659		
Unical S.p.A.	Casale Monferrato (AL)	EUR	130,235,000	Buzzi Unicem SpA	100.00
Calcestruzzi Zillo S.p.A.	Casale Monferrato (AL)	EUR	4,004,676	Buzzi Unicem SpA	100.00
Testi Cementi S.r.l.	Casale Monferrato (AL)	EUR	1,000,000	Buzzi Unicem SpA	100.00
Arquata Cementi S.r.l.	Casale Monferrato (AL)	EUR	100,000	Buzzi Unicem SpA	100.00
Borgo Cementi S.r.l.	Casale Monferrato (AL)	EUR	50,000	Buzzi Unicem SpA	100.00
Serenergy S.r.l.	Casale Monferrato (AL)	EUR	25,500	Buzzi Unicem SpA	100.00
Dyckerhoff GmbH	Wiesbaden DE	EUR	105,639,816	Buzzi Unicem SpA	100.00
Buzzi Unicem International S.à r.l.	Luxembourg LU	EUR	37,529,900	Buzzi Unicem SpA	100.00
Buzzi Unicem Algérie S.à r.l.	El Mohammadia - Alger DZ	DZD	3,000,000	Buzzi Unicem SpA	70.00
Ghiaie Beton S.p.A.	Casale Monferrato (AL)	EUR	1,680,000	Calcestruzzi Zillo S.p.A.	87.39
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	99.98 0.02
OOO Dyckerhoff Korkino Cement	Pervomaysky settlement - Korkino district RU	RUB	30,000,000	Dyckerhoff GmbH	100.00
OOO SLK Cement	Suchoi Log RU	RUB	30,625,900	Dyckerhoff GmbH	100.00
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	90.70
sibobeton Wilhelmshaven GmbH & Co. KG	Lengerich DE	EUR	920,325	Dyckerhoff Beton GmbH & Co. KG sibobeton Osnabrück GmbH & Co. KG	85.44 14.56

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
Companies consolidated on a line-by-line basis (continued)					
sibobeton Ems GmbH & Co. KG	Lengerich DE	EUR	2,300,813	Dyckerhoff Beton GmbH & Co. KG sibobeton Osnabrück GmbH & Co. KG	80.49 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
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	65.13 24.20 10.67
sibobeton Enger GmbH & Co. KG	Lengerich DE	EUR	337,453	Dyckerhoff Beton GmbH & Co. KG sibobeton Osnabrück GmbH & Co. KG	50.00 50.00
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	OOO SLK Cement	100.00
OOO Dyckerhoff Suchoi Log obshestvo po sbitu tamponashnich zementow	Suchoi Log RU	RUB	4,100,000	OOO SLK Cement	100.00
OOO Omsk Cement	Omsk RU	RUB	779,617,530	OOO SLK Cement	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
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

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
Companies consolidated on a line-by-line basis (continued)					
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 SpA	50.00
Ecotrade S.p.A.	Genova	EUR	2,400,000	Buzzi Unicem SpA	50.00
BCPAR S.A.	Recife BR	BRL	873,072,223	Buzzi Unicem SpA	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
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 gGmbH	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
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

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
Investments in joint ventures valued by the equity method (continued)					
Brennand Projetos S.A.	Recife BR	BRL	11,193,955	BCPAR S.A.	100.00
Mineração Bacupari S.A.	Recife BR	BRL	6,138,950	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	26,319,159	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	2,266,000	Brennand Projetos S.A.	100.00
Mineração Delta de Sergipe S.A.	Aracaju, BR	BRL	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	5,094,139	Brennand Projetos S.A.	100.00
Agroindustrial Árvore Alta S.A.	Recife BR	BRL	522,000	Brennand Projetos S.A.	100.00
CCP Holding S.A.	Recife BR	BRL	307,543,000	Brennand Cimentos Paraíba S.A.	85.00
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 Portland Moctezuma, S.A. de C.V.	Emiliano Zapata 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
Cementos Moctezuma, S.A. de C.V.	Mexico MX	MXN	2,191,676,625	Corporación Moctezuma, S.A.B. de C.V. Inmobiliaria Lacosa, S.A. de C.V.	99.80 0.20
Inmobiliaria Lacosa, S.A. de C.V.	Mexico MX	MXN	50,068,500	Corporación Moctezuma, S.A.B. de C.V. Cementos Portland Moctezuma, S.A. de C.V.	98.00 2.00
Maquinaria y Canteras del Centro, S.A. de C.V.	Mexico MX	MXN	19,597,565	Cementos Moctezuma, S.A. de C.V.	51.00
CYM Infraestructura, S.A.P.I. de C.V.	Mexico MX	MXN	40,100,000	Cementos Moctezuma, S.A. de C.V.	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
Investments in associates valued by the equity method					
Premix S.p.A.	Melilli (SR)	EUR	3,483,000	Buzzi Unicem SpA	40.00
Société des Ciments de Sour El Ghozlane EPE S.p.A.	Sour El Ghozlane DZ	DZD	1,900,000,000	Buzzi Unicem SpA	35.00
Société des Ciments de Hadjar Soud EPE S.p.A.	Azzaba DZ	DZD	1,550,000,000	Buzzi Unicem SpA	35.00
Laterlite S.p.A.	Solignano (PR)	EUR	22,500,000	Buzzi Unicem SpA	33.33
Salonit Anhovo Gradbeni Materiali d.d.	Anhovo SI	EUR	36,818,921	Buzzi Unicem SpA	25.00
w&p Cementi S.p.A.	San Vito al Tagliamento (PN)	EUR	2,000,000	Buzzi Unicem SpA	25.00
Calcestruzzi Faure S.r.l.	Salbertrand (TO)	EUR	53,560	Unical S.p.A.	24.00
Edilcave S.r.l.	Villar Focchiardo (TO)	EUR	72,800	Unical S.p.A.	20.00
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	25,200	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
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
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
Kosmos Cement Company	Louisville US	USD	n/a	Lone Star Industries, Inc.	25.00

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
Other investments in subsidiaries at fair value					
Cooperatie Megamix B.A.	Almere NL	EUR	80,000	MegaMix Basal B.V.	37.50
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 2019 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 2019**
Audit	EY S.p.A.	Parent – Buzzi Unicem S.p.A.	161
	EY S.p.A.	Subsidiaries	89
	Network EY	Subsidiaries	1,195
Attestation	Network EY	Parent – Buzzi Unicem S.p.A. [1]	28
	Network EY	Subsidiaries [2]	22
Other	EY S.p.A.	Parent – Buzzi Unicem S.p.A. [3]	16
	Network EY	Parent – Buzzi Unicem S.p.A. [4]	30
	Network EY	Subsidiaries [5]	44
Total			**1,572**

(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 Dutch law;
(3) Assistance for IFRS16 adoption (€16 thousand);
(4) Assistance for disputes relating to Dyckerhoff squeeze-out (€30 thousand);
(5) IFRS16 adoption (€44 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 Elisa Bressan, 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 2019:

  – 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, 25 March 2020

Chief Executive Finance

Pietro Buzzi

Manager responsible for preparing financial reports

Elisa Bressan

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Buzzi Unicem S.p.A.

Consolidated financial statements as at December 31, 2019

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, 2019, 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, 2019, 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.

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We identified the following key audit matters:

Key Audit Matter	Audit Response
Valuation of Goodwill	
As at December 31, 2019 goodwill amounted to € 619 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 2.10 - "Intangible assets".	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, 2019, 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, 2019 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, 2019 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 has been approved by Directors.

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

Turin, April 3, 2020

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

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

Notes

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

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Maintenance workers at work at the Tepetzingo plant in Mexico.

Buzzi Unicem

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