ANNUAL **REPORT** 2016

Buzzi Unicem
110 YEARS

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 plants.

Vision

Contents

Dear shareholders,

Before writing these few notes to present the 2016 Annual Financial Report of your company, I asked myself what the shareholders would like to hear, or rather, what would be the most important aspect for each one of them.
I think the easiest answer is that everyone is primarily interested in the financial results. But is this the only aspect that is of interest to the shareholders or do they also want to feel a part of and be informed about the life of the company itself?
Therefore, before letting you read the figures and results on the following pages, I thought you might like to see some updates on the activities that have occurred during the past year.
In 2017, your company will celebrate its 110th year of operation and has now reached full maturity, after strengthening its international presence over the years in the five macro-regions where it has long been successfully operating: Italy, United States, Central Europe, Eastern Europe and Mexico.

In the west, our subsidiary Corporación Moctezuma in Mexico is outdoing itself, scoring new successes every year.
The second production line of the Apazapan Cement Plant in the State of Veracruz started up on schedule in November 2016, bringing the total capacity of the subsidiary to 8 million tons/year of binders.
We are proud to say that these three Mexican plants, which arose from the extensive experience of our engineering department in Casale Monferrato, are leading the sector globally in terms of efficiency and lower energy costs, with a particular focus on the workplace environment.

In the United States, 2016 saw the startup of the new line at Maryneal, Texas, which has become a modern facility, producing cement at competitive costs. As you know, the US economy has been very favorable and the entire cement sector has benefited.
All of our companies operating in this market achieved very positive results, greater than the highs of 2005-2006. We have reason to believe that this trend will continue at least through 2017, facilitated by the new political administration.

In Europe, our subsidiary Dyckerhoff, now completely reorganized following delisting from the Frankfurt Stock Exchange, has been reinvigorated, driven by a vertically developed leadership team. Under the guidance of management at Casale Monferrato, Dyckerhoff is performing very well and yielding excellent results, even in a weak socio-economic climate due to the notable crisis of European institutions.
Both the cement and ready-mix concrete sectors performed fairly well in Germany and Luxembourg. Poland is growing compared to 2015, and its prospects are good.
Cement production in the Czech Republic is stable, while the concrete sector is improving due to a major reorganization that also involves Slovakia.
Although the situation in Ukraine is still problematic, the favorable location of our plants proved to be advantageous since they were able to partly service the markets that have been paralyzed by the conflict in the Donbass. Their financial results were better than expected, notwithstanding the uncertainty of the future.
In Russia, where we operate solely in the Ural region with the two production units of Suchoi-Log and Korkino, the market is in slight recovery. Our production capacity is approximately 4 million/tons per year, a large part of which is used for oil well consolidation.

Lastly, let's turn a dutiful eye to the situation in Italy, which we know is not easy to interpret for anyone who tries to make an economic forecast in our country. Unfortunately, the cement industry continues

to decline in the teeth of a downturn that has persisted for over nine years. Consumption rates per capita for developed countries are now at almost historic lows.
The sector in Italy has an excess production capacity of over 15 million tons/year. Ideally, the number of plants should be consolidated and reduced but this has been made very difficult by the general uncertainty in the country and the lack of a long-term view within the industry.

I would like to close by borrowing a phrase from Dr. Sergio Marchionne, which he expressed on the 150th anniversary of the daily "La Stampa": "Faced with the certainty of uncertainty, the only weapon we have is courage."

For our part, we have shown our courage many times and have not given up, preferring to work to effect change within the industry.
We have succeeded on many occasions and we will not stop, despite the many problems in Italy today.
Let us all roll up our sleeves, we businessmen and businesswomen, you colleagues at all levels, and also you, our loyal shareholders.
Let's strive to move forward with confidence and courage in the interests of your company and our country!
Thank you everyone and keep up the good work.

Enrico Buzzi
Chairman


Buzzi Unicem

Group profile

Boards of Directors

Before Shareholders' meeting of May 12, 2017

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 Board in the position of Vice Chairman. He is a member of the Governing Council of Assonime (Association of Italian joint-stock companies).

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 Supervisory Board. He is the current Chairman of the associate Corporación Moctezuma SAB de CV.

Veronica Buzzi
Non-executive Vice-Chairman

Born in 1971. Director since 2011.
Degree in Business Administration from University of Turin. From 1996 to 1997 she was an auditor at Arthur Andersen & Co. From 1998 to 2001 she worked at McKinsey & Co., in the area of Financial Institutions and Corporate Finance. She also gained experience in Buzzi Unicem from 2001 to 2002, in the Investor Relations and Financial Planning department. Since 2013 she has been a member of Dyckerhoff GmbH's Supervisory Board and of the Governing Council of AIdAF (Italian Association of Family Businesses).

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.

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.

Oliviero Maria Brega
Non-executive Independent Director

Born in 1944. Director since 2014.
Self-employed professional since 2010. He built up various experiences in management planning and control.
Since 1981 in family holding listed companies and earlier in industrial firms. Director of listed companies, among which Sogefi from 1998 to 2009, group Editoriale l'Espresso from 2000 to 2005, and earlier in insurance and industrial firms. He was in charge of Internal Control at Cir from 1999 to 2009 and at Cofide from 1999 to 2004.

Paolo Burlando
Non-executive Director
Member of 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. From 1987 to 1997, he worked as a private equity analyst and executive manager.

York Dyckerhoff
Non-executive Independent Director

Born in 1963. Director since 2008.
He manages his own companies, Dyckerhoff International in Hamburg, Green Aqua Farming in Wismar and Garnelen Farm GVM GmbH & Co. KG. International work experience with Man Ferrostaal: 1990 – 1994 Project Manager in Germany, 1994 – 2000 General Manager of Ferrostaal Bolivia, 2000 – 2004 General Manager of Ferrostaal Argentina, 2004 – 2006 Area Manager for South America. Managing Partner of Komrowski Maritime GmbH from 2006 to 2009. From 2010 to 2011 Director of United Food Technologies AG.

Elsa Fornero
Non-executive Independent Director

Born in 1948. Board member from 2008 until 2011, and since 2014.
Full Professor of Political Economics at the University of Turin. Scientific Coordinator of the CeRP and Vice President of SHARE-ERIC. Honorary Senior Fellow of Collegio Carlo Alberto, Research Fellow of Netspar and Policy, Fellow of IZA of Bonn, INFE, OCSE and the Scientific Committee of the Observatoire de l'Epargne Européenne of Paris. Vice President of the Supervisory Board of Intesa Sanpaolo (2010-2011) and the Compagnia di San Paolo (2008-2010). Member of the Monti Government from 2011 until 2013, and board member of the Centrale del Latte of Turin (now Centrale del Latte d'Italia) since 2014.

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

Born in 1958. Board member since 2011.
President and CEO of Gruppo SOL, multinational company in the industrial gases and pharmaceuticals production and distribution sector, and home medical care. Member of the Board of Directors of Confindustria and the Aspen Institute. Former Vice President of Assolombarda, Vice President of Credito Valtellinese, President of IOMA, Vice President of Federchimica, President of Assogastecnici and the Giovani Imprenditori Confindustria from 1990 until 1994.

Linda Orsola Gilli
Non-executive Independent Director

Born in 1953. Board member since 2014.
Bachelor's Degree in Business Economics from Bocconi University in Milan. President and CEO of INAZ. Board of Directors (2006-09) and member of the Evaluation Team of Bicocca University (2009-12). Order of Merit for Labor, member of the Training Activities Board of the National Federation since 2009, and President since 2014. Member of the Board of Directors of the Order of Merit for Labor National Federation (2010-16), currently Vice President of ISVI, board member of ISVI and Assinform (2009-2013), member of the Advisory Board - "Centesimus Annus" Vatican Foundation and the Board of Directors of UCID, Milan. Member of the Giorgio Ambrosoli Prize Promotion Committee and, since 2016 board member of Avvenire SpA.

Gianfelice Rocca
Non-executive Independent Director

Born in 1948. Board member since 2003.
President of the Gruppo Techint of the Istituto Clinico Humanitas in Milan. President of Assolombarda since June 2013. Vice President of Confindustria with responsibilities for Education from 2004 until 2012. Board of Directors of Allianz SpA, Brembo SpA, Bocconi University and Luiss University and member of the Advisory Board of Allianz Group, the Executive Committee of Aspen Institute, The European Advisory Board of Harvard Business School and the Trilateral Commission.

Maurizio Sella
Non-executive Independent Director
Chairman of Control and Risk Committee

Born in 1942. Director since 1999.
Chairman of Banca Sella Holding (Banca Sella Group), Banca Sella SpA and Banca Patrimoni Sella & C. He has been Chairman of ABI (1998 – 2006) where he sits on the Executive Committee. He has been Director of Assonime (Association of Italian joint-stock companies) since 2003, Vice-Chairman since 2011 and Chairman since 2013. Chairman of Emittenti Titoli SpA since 2016, of S.I.A. (Società Interbancaria per l'Automazione) from 1988 to 1999 and President of the Banking Federation of the European Union from 1998 to 2004.

Marco Weigmann
Non-executive Director

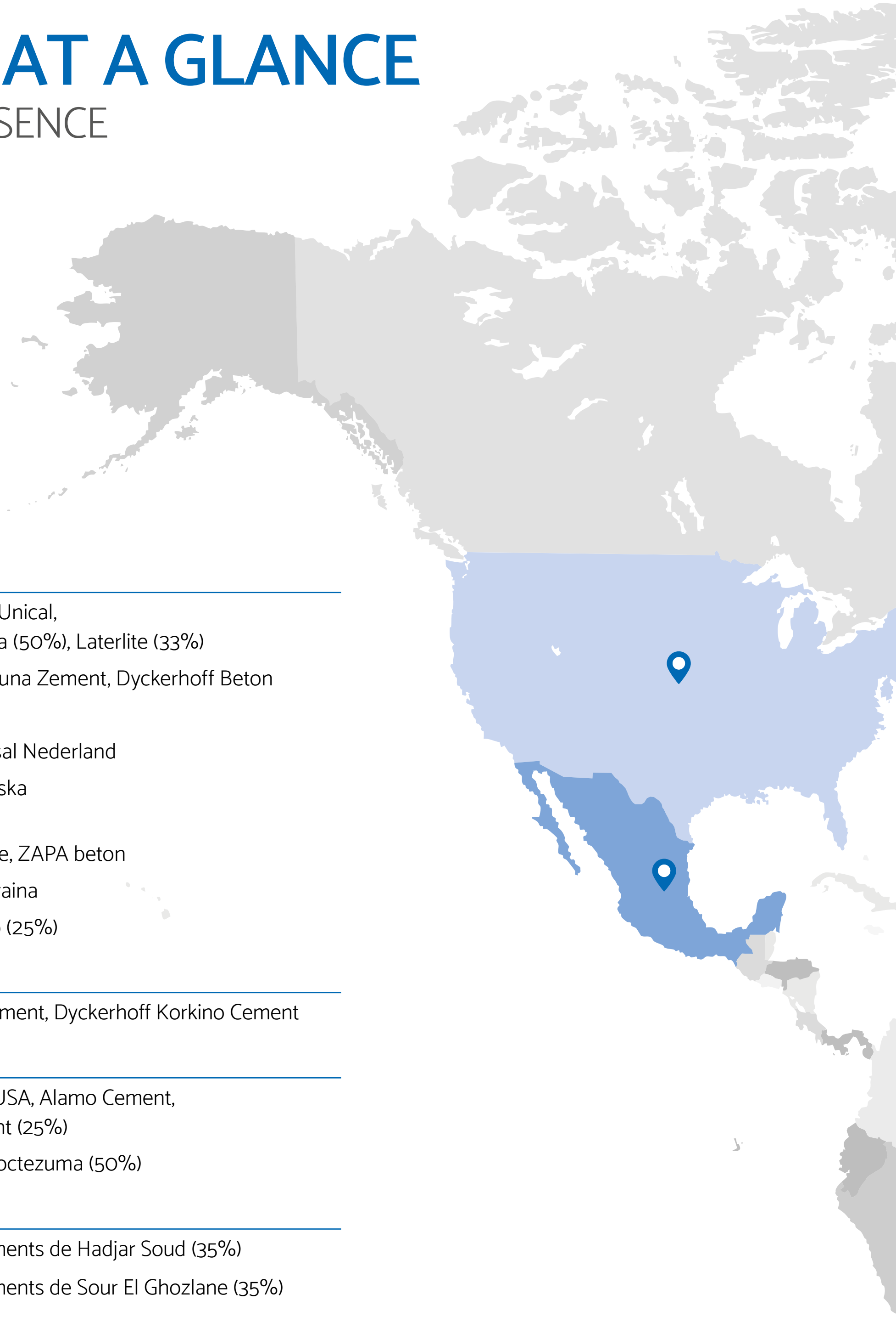
Born in 1940. Board member since 1999.
Leading partner of Tosetto, Weigmann & Associati, law firm founded in 1877 and currently comprising approximately 40 professionals, with operations in Turin and Milan. Former member of the Milan Court of National and International Arbitration and the Piedmont Court of Arbitration.
Board member of various companies: Reale Mutua di Assicurazioni, Italiana Assicurazioni SpA, Reale Immobili SpA, Banca Reale SpA, Auchan Italia SpA, ASTM SpA, and Baratti & Milano srl.

Board of Statutory Auditors

Before Shareholders' meeting of May 12, 2017

Fabrizio Riccardo Di Giusto	Chairman
Mario Pia	Statutory Auditor
Paola Lucia Giordano	Statutory Auditor
Margherita Gardi	Alternate Auditor
Massimo Cremona	Alternate Auditor

THE GROUP AT A GLANCE
INTERNATIONAL PRESENCE



Europe

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

Asia

Russia	Sukholozhskcement, Dyckerhoff Korkino Cement

America

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

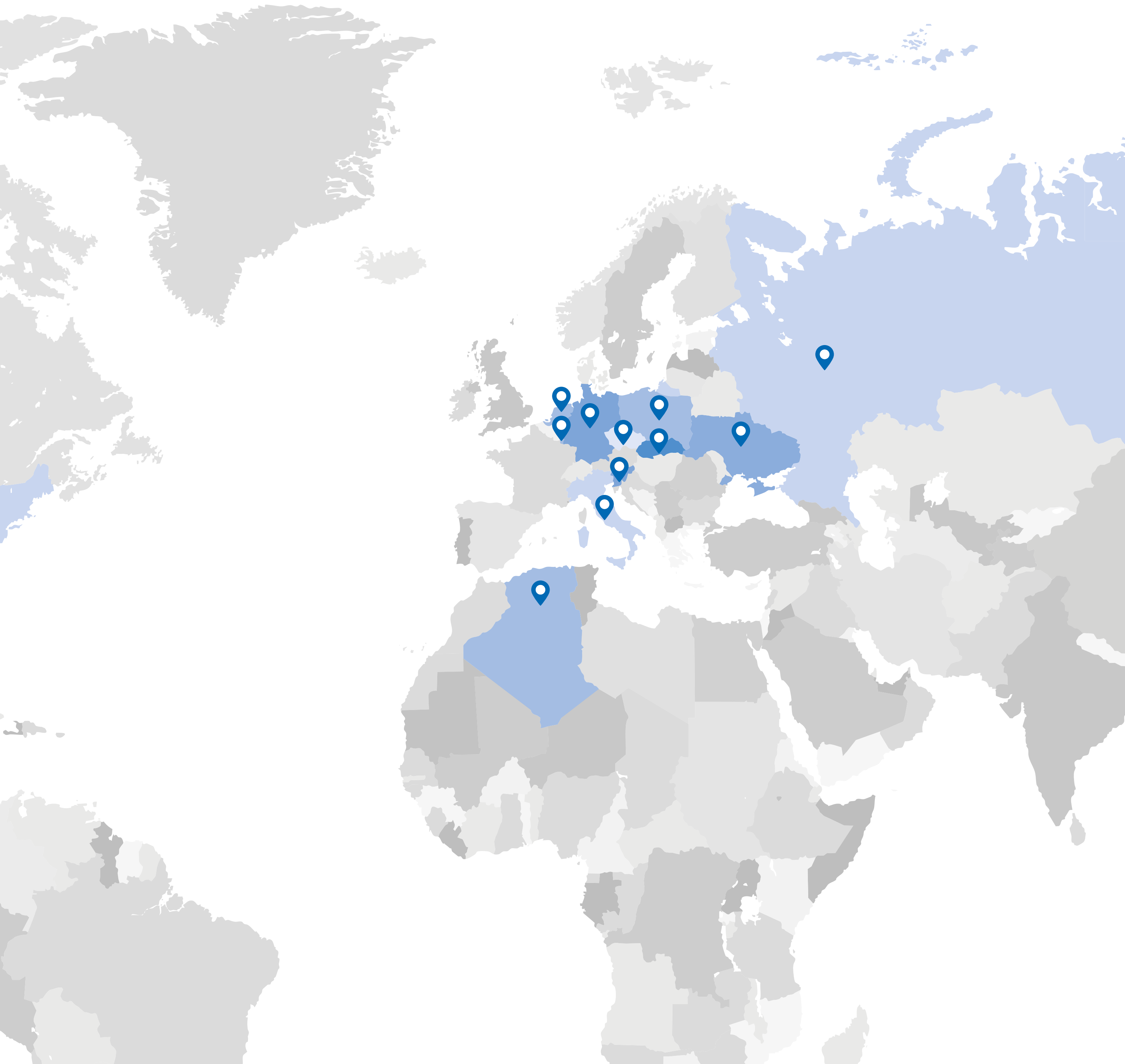
Africa

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

32
Cement plants

6
Grinding plants



38
m tons/year
Cement production capacity

431
Ready-mix batch plants

21
Aggregate quarries

46
Terminals

Operating structure

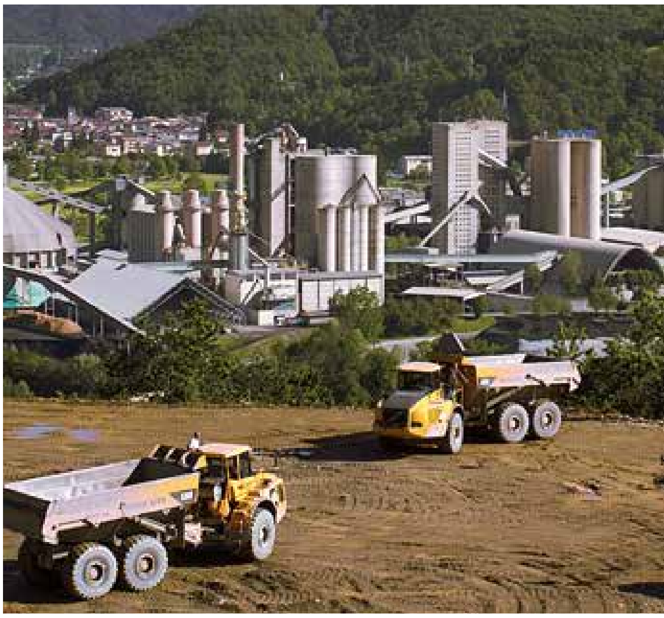
		ITA	GER	LUX	NLD	POL	CZE SVK	UKR	RUS	USA	TOTAL	MEX[1]
Cement plants	n.	9	7	2	-	1	1	2	2	8	**32**	3
of which grinding	n.	3	2	1	-	-	-	-	-	-	**6**	-
Cement production capacity	m tons/ year	9.0	7.2	1.4	-	1.6	1.1	3.0	4.3	10.2	**37.8**	8
Ready-mix batch plants	n.	132	110	3	13	27	69	5	-	72	**431**	36
Aggregate quarries	n.	5	3	-	1	-	9	-	-	3	**21**	3
Deposits and terminals	n.	3	3	-	-	1	-	2	1	36	**46**	-

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

Key Figures

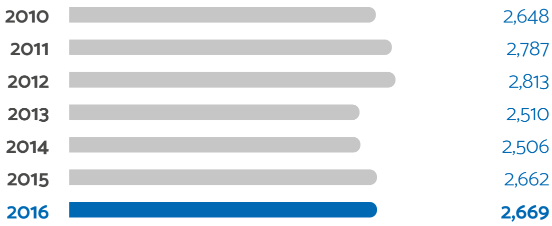
		2010	2011	2012	2013	2014	2015	2016
Cement sales	t/000	26,570	28,218	27,263	23,852	24,280	24,857	**24,901**
Concrete sales	m³/000	14,379	15,066	13,641	11,887	12,048	11,936	**11,938**
Aggregate sales	t/000	10,651	9,708	8,642	7,869	7,558	8,120	**6,839**
Sales revenues	€ m	2,648	2,787	2,813	2,510	2,506	2,662	**2,669**
Capital expenditure	€ m	268	157	234	222	318	304	**236**
Headcount at year end	n.	11,316	10,956	10,837	9,938	10,117	9,738	**9,975**

The years from 2010 to 2012 include Mexico at 50%. The years from 2013 do not include Mexico.



Sales revenue

(millions of euro)



The years from 2010 to 2012 include Mexico at 50%.
The years from 2013 do not include Mexico.

Capital expenditures

(millions of euro)

The years from 2010 to 2012 include Mexico at 50%.
The years from 2013 do not include Mexico.

Environmental performance - highlights

		2012*	2013*	2014*	2015**	2016**
CO_2 Emissions	kg / t cem. eq.	688	689	706	697	**699**
Specific thermal consumption	MJ / t clinker	4,021	3,979	4,009	4,190	**4,224**
Thermal substitution	%	18.5	19.1	19.3	24.4	**27.0**

(*) Mexico: figures at 100%
(**) Excluding Mexico

Social performance - highlights

	2012*	2013*	2014*	2015**	2016**
Total Workforce	**11,426**	**11,094**	**11,222**	**9,738**	**9,975**
Management	-	-	-	-	**435**
White collars	4,292	4,207	4,190	3,764	**3,184**
Blue collars	7,134	6,887	7,032	5,974	**6,104**
Trainees	-	-	-	-	**159**
Marginal / Helpers	-	-	-	-	**93**
Total hiring	1,228	1,134	1,784	1,069	**1,905**
Percentage of hiring	10.8%	10.2%	15.9%	11.0%	**19.1%**
Total terminations	1,330	1,466	1,656	1,448	**1,668**
Turnover rate	11.6%	13.2%	14.8%	14.9%	**16.7%**
% of absence rate (illness/injuries)	2.8	3.0	2.8	3.2	**3.3**
Total hours of training	31.0	34.0	39.0	35.5	**32.1**

(*) Mexico: figures at 100%
(**) Excluding Mexico

Cement plant locations

As at 31 December 2016

Europe and Africa

Caption

- Cement plants
- Grinding plants

America and Asia

Italy

9	9.0	132	5	3
plants	(million tons) cement production capacity	concrete batch plants	aggregate quarries	deposits and terminals

		2016	2015	var% 16/15
Cement production	t/000	**3,443**	3,682	-6.5%
Concrete sales	m³/000	**2,779**	2,569	+8.2%
Aggregate sales	t/000	**893**	1,153	-22.5%
Net sales	€ m	**375.2**	381.1	-1.6%
Capital expenditures	€ m	**25.4**	18.6	+36.2%
Headcount at year end	no.	**1,377**	1,435	-4.0%

Germany, Luxembourg and Netherlands

9	8.6	126	4	3
plants	(million tons) cement production capacity	concrete batch plants	aggregate quarries	deposits and terminals

		2016	2015	var% 16/15
Cement production	t/000	**6,231**	6,099	+2.2%
Concrete sales	m³/000	**4,512**	4,452	+1.4%
Aggregate sales	t/000	**2,924**	3,067	-4.7%
Net sales	€ m	**723.2**	720.1	+0.4%
Capital expenditures	€ m	**51.3**	39.1	+31.4%
Headcount at year end	no.	**2,162**	2,113	+2.3%

Poland

1 plant	1.6 (million tons) cement production capacity	27 concrete batch plants	1 terminal

		2016	2015	var% 16/15
Cement production	t/000	**1,535**	1,350	+13.7%
Concrete sales	m³/000	**777**	729	+6.6%
Net sales	€ m	**95.0**	96.8	-1.8%
Capital expenditures	€ m	**9.2**	4.6	+99.5%
Headcount at year end	no.	**368**	365	+0.8%

Czech Republic and Slovakia

1 plant	1.1 (million tons) cement production capacity	69 concrete batch plants	9 aggregate quarries

		2016	2015	var% 16/15
Cement production	t/000	**859**	836	+2.8%
Concrete sales	m³/000	**1,535**	1,621	-5.3%
Aggregate sales	t/000	**1,271**	1,524	-16.6%
Net sales	€ m	**136.2**	135.6	+0.4%
Capital expenditures	€ m	**8.9**	5.0	+76.7%
Headcount at year end	no.	**778**	747	+4.1%

Ukraine

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

		2016	2015	var% 16/15
Cement production	t/000	**1,765**	1,710	+3.2%
Concrete sales	m³/000	**125**	115	+8.4%
Net sales	€ m	**79.8**	69.8	+14.3%
Capital expenditures	€ m	**4.1**	6.5	-38.0%
Headcount at year end	no.	**1,558**	1,304	+19.5%

Russia

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

		2016	2015	var% 16/15
Cement production	t/000	**3,286**	3,363	-2.3%
Net sales	€ m	**154.4**	166.7	-7.4%
Capital expenditures	€ m	**12.7**	9.9	+27.9%
Headcount at year end	no.	**1,455**	1,469	-1.0%

United States of America

8	10.2	72	3	36
plants	(million tons) cement production capacity	concrete batch plants	aggregate quarries	deposits and terminals

		2016	2015	var% 16/15
Cement production	t/000	**7.782**	7.817	-0,4%
Concrete sales	m³/000	**2.210**	2.451	-9,8%
Aggregate sales	t/000	**1.751**	2.376	-26,3%
Net sales	$ m	**1.237,3**	1.230,1	+0,6%
Capital expenditures	$ m	**138,3**	244,5	-43,5%
Headcount at year end	no.	**2.277**	2.305	-1,2%

Mexico[1]

3	8.0	36	3
plants	(million tons) cement production capacity	concrete batch plants	aggregate quarries

		2016	2015	var% 16/15
Cement production	t/000	**6,958**	6,879	+1.1%
Concrete sales	m³/000	**1,789**	1,996	-10.4%
Aggregate sales	t/000	**1,119**	1,113	+0.5%
Net sales	$ m	**674.1**	694.4	-2.9%
Capital expenditures	$ m	**69.0**	51.3	+34.6%
Headcount at year end	no.	**1,119**	1,121	-0.2%

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


Buzzi Unicem

Review of operations

Shares, Shareholders and Indexes

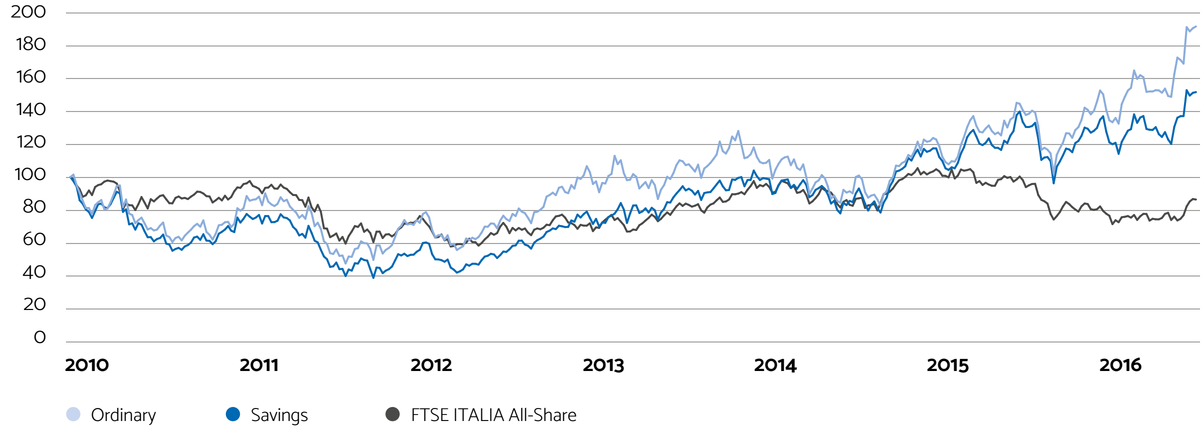
The ordinary and savings shares of Buzzi Unicem SpA have been listed on the Milan Stock Exchange since September 1999. Market capitalization as at 31 December 2016 was €4,210 million. At that date the share capital consisted of 165,349,149 ordinary shares and 40,711,949 savings shares, with both share 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 2010	365,608,536	31,748,299	3,277.7	171.9
Year 2011	303,044,199	20,525,035	2,546.1	96.4
Year 2012	254,566,236	16,188,731	2,115.5	65.5
Year 2013	169,691,396	18,222,273	1,996.0	111.9
Year 2014	239,192,676	31,296,705	2,899.9	224.5
Year 2015	310,480,095	27,239,050	4,326.8	244.3
Year 2016	**207,469,441**	**20,588,786**	**3,489.0**	**200.2**

Price trend of Buzzi Unicem shares

(base January 2010 = 100)



Main Shareholders

as at 31 December 2016

	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)	17,750,000	100,000	8.66	10.73

Distribution of shareholdings

as at 31 December 2016 (ordinary shares)

	No. shareholders	in %	No. shares	in %
1 - 1,000	6,004	78.33	1,945,201	1.18
1,001 - 10,000	1,183	15.43	3,567,173	2.16
10,001 - 100,000	350	4.57	12,355,489	7.47
100,001 -	128	1.67	147,481,286	89.19

A total of 54,602,490 ordinary shares – corresponding to approximately 33% of voting capital – are held by foreign investors.

Market capitalization

as at 31 December 2016 (millions of euro)

Capital structure

as at 31 December 2016 (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)	2010	2011	2012	2013	2014	2015	2016
Basic eps (ordinary)	-0.31	0.13	-0.18	-0.31	0.56	0.60	**0.70**
Cash flow per share	1.68	1.45	1.26	1.47	1.77	1.64	**1.71**
Shareholders' equity per share	12.48	12.44	11.79	10.98	11.33	12.40	**13.47**
Price/earnings ratio	n/a	51.9x	n/a	n/a	18.8x	21.9x	**32.3x**
Price at year-end							
ordinary shares	8.62	6.75	10.55	13.07	10.51	16.50	**22.62**
savings shares	5.36	3.37	5.16	7.04	6.35	10.10	**11.55**
Dividend per share[1]							
ordinary shares	-	0.05	0.05	0.05	0.05	0.075	**0.10**
savings shares	0.03	0.05	0.10	0.05	0.05	0.075	**0.10**
Yield							
ordinary shares	-	0.7%	0.5%	0.4%	0.5%	0.4%	**0.4%**
savings shares	0.6%	1.5%	2.0%	0.7%	0.8%	0.6%	**0.9%**

[1] 2016: proposed to shareholders at the Annual General Meeting.

Performance Indicators

(in %)	2016	2015	2014
EBITDA margin[1]	**20.6**	17.8	16.9
Return on Sales (ROS)	**13.0**	9.9	7.1
Return on Equity (ROE)[2]	**5.3**	5.0	5.1
Return on Capital Employed (ROCE)[3]	**6.5**	5.8	3.9
Net debt/Equity	**33.5**	40	45

[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 n. 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)	2016	2015
EBITDA	**550.6**	**473.2**
Restructuring costs	0.4	4.1
Additions to provisions for risks	1.2	(5.4)
Dismantling costs	1.9	6.9
Gains on disposal of fixed assets	(3.4)	-
EBITDA recurring	**550.7**	**478.8**

- **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

The global economy was characterized by moderate continuous growth, with a more marked recovery in the second half of 2016. After an anemic first half of the year, the intensity of growth began to strengthen during the summer months, thanks especially to the recovery in the advanced economies and a slight improvement in emerging economies. International trade, which had been stagnating at the start of the year, subsequently experienced a modest expansion driven by trade in developing economies and despite slowdowns in mature economies resulting from a weakening of investments.

In the United States, a subdued first part of the year, with a winter quarter below expectations and sluggish investments, marked the consolidation of the recovery, leading to GDP growth for the year as a whole that was well below 2015. However, the soundness of the economy's fundamentals was highlighted by the strong acceleration achieved during the summer months, thanks to the contribution of net exports, the expansion of private consumption and the labor market reaching almost full employment.

In Europe, thanks to the boost provided by internal demand components, economic expansion continued at a moderate pace, showing progress from the previous financial year. Favorable financial conditions and improving profitability of companies promoted a recovery in investments, while increases in employment supported private consumption by increasing households' real disposable incomes. However, growth was held back by the slow implementation of structural reforms and budget adjustments in some EU countries. Foreign trade remained weak, although at year-end there was a slight recovery in demand in both emerging economies - especially China and Russia - and mature economies.

In Italy, after an acceleration during the summer quarter, the economic recovery continued at a slower pace, driven by an increase in investment – although this remained very low in absolute terms - and an expansion of consumption. The pace of growth consolidated in the industrial sector thanks to the positive performance of the manufacturing and retail segments, while the value added worsened slightly in the construction sector. Exports, which were rather stationary during the summer, showed some recovery at year-end with prospects of further improvements, in particular towards non-EU countries. Unfortunately in 2016 GDP growth remained weak compared to other EU countries.

There were heterogeneous growth trends in emerging countries. The situation was fairly stable in China while the economy grew rapidly in India. The recession remained severe in Brazil, while in Russia, thanks also to the recovery in oil prices, the fall in GDP was mitigated and prospects of a return to growth improved.

Inflation slightly increased in advanced economies, mainly due to the effect of energy prices, but there are still no convincing signs regarding the real underlying trend. In the BRIC countries, however, inflation fell. Since late November, oil prices have risen following an agreed output cut signed by the OPEC countries and some non-OPEC countries such as Russia. But given the weakness of demand and a possible resumption of production in the United States - where the number of new drillings has been growing again since the summer - the effects on prices could prove temporary. In December, the Federal Reserve increased the target for the federal funds rate by 25 basis points and expectations for higher US interest rates have increased, reflecting the prospect of a budget expansion by the new government. The ECB Governing Council extended the duration of the bond purchase program to ensure adequate expansionary conditions for a rise in inflation; even in developing countries monetary policy remained accommodating.

Net sales

(millions of euro)

EBITDA

(millions of euro)

Looking more closely at our core markets, it should be pointed out that in the United States investments in construction - to which the cement and concrete demand is closely related - maintained an expansionary trend, particularly in the commercial building sector, albeit at a more regular pace than was observed during the years 2014-2015. In Germany, the recovery in building activity proved to be better than expected. In Italy, construction investments increased overall but were only robust in the renovation of residential property. Amongst Eastern European nations, the trend within the construction sector was lively in Poland and the Czech Republic, while in Russia it remained weak and declining. In Ukraine, after two years of heavy reductions, investments returned to growth, albeit modestly.

In 2016 the group sold 25.6 million tons of cement (+0.3% compared to 2015) and 11.9 million cubic meters of ready-mix concrete (same as in 2015). Consolidated sales revenue increased by 0.3%, to €2,669.3 million (compared to €2,662.1 million in 2015). Variations in scope resulted in a reduction in sales revenue of €10.0 million, while the currency exchange generated a loss of €27.4 million. Like for like, sales revenue in 2016 would have increased by 1.7% on the previous year. EBITDA rose by 16.4%, from €473.2 to €550.6 million. The 2016 figure was penalized by net non-recurring costs of €0.1 million (compared to €5.6 million in 2015). After amortization and depreciation charges of €202.6 million, EBIT amounted to €348.0 million, compared to €264.0 million in 2015. Net finance costs increased from €105.1 to €147.2 million, including €64.0 million without a monetary event; therefore profit before taxes amounted to €280.9 million compared to €222.1 million in 2015. After current and deferred taxes on income totaling €132.2 million (€94.0 million in the previous financial year) the income statement closed within net profit of €148.7 million, of which €145.9 million was attributable to the shareholders of the company.

At the end of 2016 net debt amounted to €941.6 million, which represents a reduction compared to the level at 31 December 2015 of €1,029.7 million, after industrial investments of €236.4 million and distributed dividends of €15.4 million. The net debt to shareholders' equity ratio was 0.34 (it was 0.40 at the end of 2015).

In the various markets where we are present, the year 2016 was characterized by diverse operating conditions. In Italy the growth in economic activity remained modest and was stimulated by a resumption of investments and the expansion of domestic demand. Despite the recovery during the summer quarter, GDP growth for the year as a whole remained weaker than in other European countries as it was hampered by an uncertain outlook for demand. All the main business sectors contributed to economic growth, with the exception of construction, where the slight recovery in the residential sector was offset by the persistent weakness in the public works segment. The reform of the Public Procurement Code had a negative impact on the opening of new construction sites, thus expectations for stabilization in cement consumption were disappointed as this decreased again for the year.

In Central European countries, the economic recovery continued to be driven by employment trends, growing disposable income and increases in government spending. The strength of domestic demand offset weaker trends for net exports and overall the construction sector displayed interesting signs of progress.

The developments in Eastern European countries continued to be inconsistent. In Russia, the economic situation strengthened thanks to a resilient improvement in industrial output and accelerating domestic

EBITDA Margin[1]

(in %)

[1] EBITDA/net sales.

Cash Flow[1]

(millions of euro)

[1] Profit for year + depreciation, ammortization and impairment charges.

demand. There was some respite in the recessionary trend, thanks also to the recovery in oil prices, but investments in construction, and resulting cement consumption in Russia, remained weak in 2016. In Poland there was a further consolidation in the economy and both construction investment and cement consumption continued to expand. In the Czech Republic the positive economic situation continued and allowed us to confirm the good levels of construction investments and cement consumption from the previous year. In Ukraine there were some signs of stabilization and a return to economic growth as construction investments resumed a positive trajectory after a major decline in recent years.
In the United States, the expansion of domestic consumption and the robust net exports stabilized the recovery, although the growth rate was held back by sluggish investment activity. The construction sector grew again, albeit at a slower pace than the previous year, with the trend for cement consumption changing accordingly.

Operating and financial performance

In 2016, cement sales on a consolidated basis amounted to 25.6 million tons, +0.3% compared to 2015. The trend in terms of volumes was favorable in Central Europe thanks to a recovery in dispatches starting from the spring months and, on the whole, it was also favorable in Eastern Europe, with improvements in Poland, the Czech Republic and Ukraine more than offsetting the slight reduction in Russia. In the United States, weak demand in the second semester resulted in a limited fall in sales although the fall was more significant in Italy where there were no signs of a recovery in consumption.
Sales of ready-mix concrete amounted to 11.9 million cubic meters, just as in 2015. Volumes increased in a satisfactory manner in Italy – thanks to the increase in scope - and Poland; in Germany and Benelux the sales trend was up slightly on the previous year, while there was a reduction in volumes in the Czech Republic and the United States.

Consolidated sales revenue increased by 0.3%, from €2,662.1 to €2,669.3 million; changes in scope resulted in a €10.0 million decrease while foreign exchange rates generated a loss of €27.4 million; like-for-like sales revenue would have increased by 1.7%.

In Italy, investment, especially in means of transport, machinery and equipment, supported the expansion of the business in the summer months, and in Q3 2016 GDP increased by 0.3%, in line with the Eurozone as whole. Domestic demand contributed to growth, while the balance of trade was down as a result of imports increasing against exports. Household expenditure weakened slightly, growing at a more limited pace than in the previous year and the increase in disposable income resulted in a slight increase in the propensity to save. Employment increased slightly, especially for workers being hired on open-ended contracts, with a peak at the end of the year prior to the definitive removal of tax relief for companies offering this type of contract. Inflation return to being positive at the end of the year, initially as a result of the trend for energy prices, but the underlying fundamentals remained weak, as a result of salary trends and persistently high levels of unused production capacity. In the real estate sector there was a consolidation in signs of stabilization, despite the more uncertain prospects in the non-residential segment. Investments in construction were on the whole positive but the figures were only robust in the renovation of residential property. Difficulties associated with the application of the new public procurement code had a negative impact on the opening of new sites. In the 2016 financial year the reduction in sales of hydraulic binders in the domestic market was accompanied by a net reduction in exports; there were no significant year-on-year price variations. In the ready-mix concrete operations, the sales trend was up, favored by the positive change in scope, with prices in line with last year. On the whole, sales revenue fell by 1.6% from €381.1 to €375.2 million.

As regards the countries of Central Europe, economic growth strengthened moderately on the back of domestic demand stemming from high levels of employment and an increase in disposable income as well as a recovery in public expenditure. On the whole there was a good level of growth in the construction sector, particularly in the residential sector, that was partly driven by demand resulting from the high level of net immigration. Our deliveries of hydraulic binders, thanks to a more robust pace in the second half of the year, showed a favorable trend, albeit with weak average prices. In this situation, characterized by improving volumes but unfavorable price variations for both the cement and ready-mix concrete sectors, the sales revenue increased by 0.4% from €720.1 to €723.2 million. There was a marginal reduction in net revenues in Germany (-0.2%, from €573.6 to €572.4 million), while net revenues in Benelux rose by 3.9% (€169.0 to €175.6 million).

In Eastern European markets, there was a progressive softening of the intensity of the recession in Russia, particularly in the second half of the year, but construction investments remained weak, and thus had a negative impact on demand for construction materials in the country. Our overall sales of cement improved in the second half of the year but closed the year down slightly, with fairly stable prices in the local currency. Net revenues were €154.4 million (-7.4%). The depreciation of the ruble (-8.9%) had a negative impact on sales revenue; without this relative depreciation revenues would have increased by 0.9%.

In Ukraine, the process of economic and social transformation resulting from the institutional reforms and financial support of the international community, enabled the country to halt the violent recession that had characterized the previous two years and embark on a process of growth, with a recovery of disposable incomes and a more sustainable level of inflation. In this more favorable context, there were signs of growth in terms of construction investments, not following the significant reductions in the recent past, and the quantities of cement sold in our factories increased compared to the previous financial year, as prices in local currency also rose sharply. Despite being penalized by the depreciation of the local currency (-16.5%), sales revenue was up 14.3%, and would have increased by 33.2% at a constant exchange rate.

Economic development remained solid and consistent in Poland in 2016. The trend for investment in construction also remained positive and our sales of cement, which accelerated in the second part of the year, experienced a robust increase with average prices in the local currency lower than in 2015. Ready-mix concrete output also showed a positive trend, with improved prices. Sales revenue was penalized by the depreciation of the zloty and was down 1.8% on the previous financial year; at a constant exchange rate, revenues would have increased by 2.4%.

In the Czech Republic and Slovakia, the favorable economic situation continued and was driven by domestic demand, investment and net exports. Thanks to the strengthening of private investment, construction investment remained positive and our sales of cement exceeded the good results of the previous year. The ready-mix concrete sector, which also includes Slovak operations, achieved lower production levels but with higher average prices. Overall sales revenue was also buoyed by the strengthening of the local currency and grew by 0.4%. Like for like, the increase would have been 3.9%.

Overall, revenues in Eastern Europe were €463.3 million – down from €466.0 in 2015; the exchange-rate effect had a negative impact of €30.0 million. With a constant exchange rate, sales revenue would have increased by 6.9%.

In the United States investments in the construction sector slowed down to +2.2%, with more robust variations in the commercial and residential segments. After the brilliant start to the year and the clear decline during the summer months, our hydraulic binders sales decreased slightly, with a more pronounced weakness of demand in Texas, particularly in the Houston area, where the economy is strongly influenced by oil price trends. Deliveries of special oil well products showed some signs of recovery at the beginning of winter but declined over the year as a whole. Ready-mix concrete output – that is principally in Texas – suffered from the unfavorable weather conditions and indirectly from the oil and gas crisis. Sale prices trends in local currency were favorable, and there was a greater change in the cement sector than in the ready-mix concrete sector. The increase in revenues stated in euro - €1,108.7 to €1,117.8 million (+0,8%) - was marginally favored by the Dollar exchange rate. At constant conditions sales revenue would have increased by 0.6%.

EBITDA improved by 16.4% from €473.2 to €550.6 million. The foreign exchange effect was negative to the tune of €5.8 million. The figure for the year under review includes net non-recurring costs of €0.1 million, of which non-recurring income of €3.4 million for gains on the disposal of fixed assets, and non-recurring costs of €1.9 million relating to facility disassembling costs, €1.2 million provisions for tax claims and €0.4 million for restructuring expenses. In 2015 non-recurring costs amounted to €5.6 million. Excluding non-recurring components, EBITDA increased from €478.8 to €550.7 million (+15,0%), with an incidence on sales revenue of 20.6% (compared to 18.0% in 2015). The progress of the United States of America was crucial, together with an improved result in Central Europe. In Eastern

Europe, despite unfavorable exchange rates, EBITDA strengthened overall due to progress in Ukraine, the Czech Republic and Poland, which more than offset the decline in Russia. In Italy operating cash flow remained negative despite the remarkable improvement over the previous year.

Amortization and depreciation amounted to €202.6 million, compared to €209.2 million in the previous year. The figure for the year under review includes impairment of fixed assets of €5.5 million (it was €14.1 million in the previous year) mainly due to write-downs of property, plant and equipment in Italy and the Czech Republic.
EBIT amounted to €348.0 million compared to €264.0 million in 2015. Net finance costs increased from €105.1 million to €147.2 million, mainly due to the evolving dynamics of non-cash items that fall into this category, especially the valuation of derivative financial instruments. Gains on sale of investments contributed €0.2 million, while earnings of associates valued using the equity method – including our joint venture in Mexico - improved the contribution compared to the previous year (€79.9 million compared to €57.4 million in 2015). Due to the impact of the factors outlined above, profit before tax amounted to €280.9 million compared to €222.1 million in 2015. The entry for tax charges for the year, that nominally amount to approximately 47%, was mainly affected by the assessments of deferred tax assets on tax losses in certain jurisdictions, which are unrelated to the taxable income of the period. Therefore, after deducting income taxes of €132.2 million (€94.0 million in 2015) the income statement for 2016 closed with a profit of €148.7 million (€128.1 million in 2015). Net profit attributable to the owners of the company increased from €125.3 million in 2015 to €145.9 million during the year under review.
Rough cash flow for the year 2016 - which includes non-recurring income and expenses - was equal to €351.3 million, compared to €337.3 million in 2015. Net debt for the group as at 31 December 2016 stood at €941.6 million, down €88.2 million from €1,029.7 million at year-end 2015. In 2016 the group distributed dividends of €15.4 million and paid total capital expenditures of €236.4 million, with €76.8 million of this allocated to capacity expansion or special projects. This sum related almost entirely to the renovation of the Maryneal plant (Texas). Furthermore it should be pointed out that the liability side of net debt includes the fair value of the cash settlement option attached to the outstanding convertible bond for €105.4 million (€47.7 million at year-end 2015).

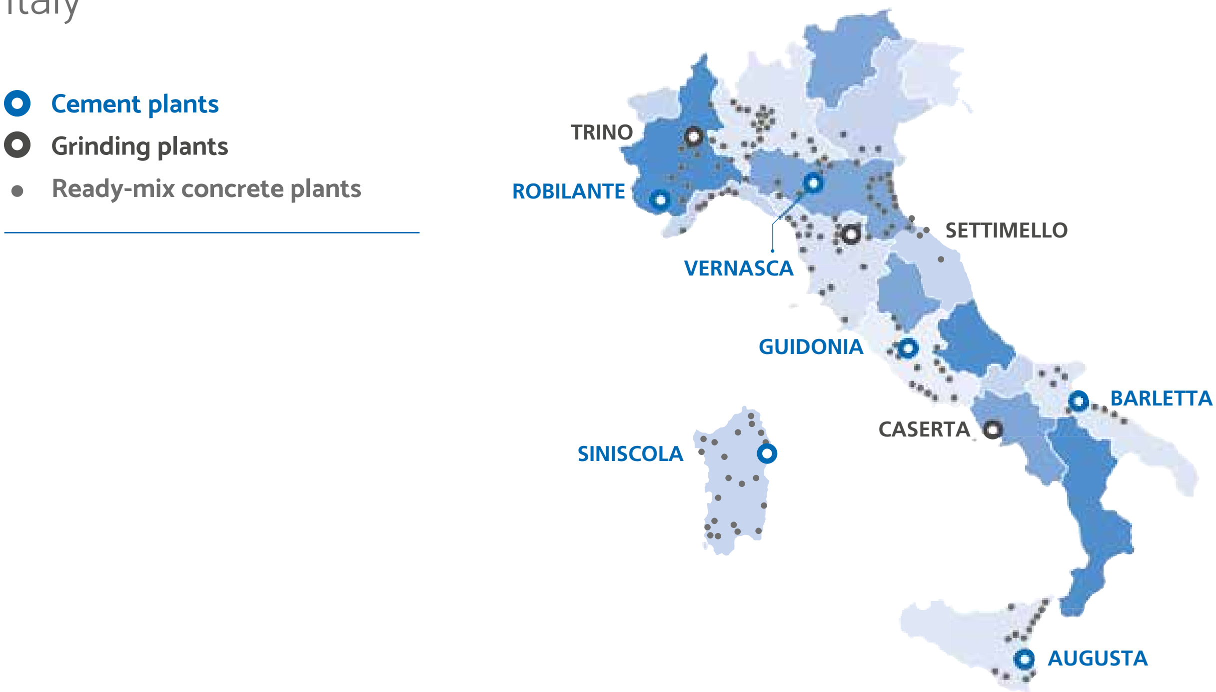
The assets and liabilities of the net financial position, broken down by degree of liquidity are shown in the following table:

Net financial position

(millions of euro)	Dec 31, 2016	Dec 31, 2015
Cash and short-term financial assets:		
Cash and cash equivalents	603.3	503.5
Derivative financial instruments	-	7.7
Other current financial receivables	6.3	7.2
Short-term financial liabilities:		
Current portion of long-term debt	(56.4)	(527.7)
Short-term debt	(0.7)	(2.0)
Other current financial liabilities	(18.7)	(12.7)
Net short-term cash	**533.8**	**(24.0)**
Long-term financial liabilities:		
Long-term debt	(1,381.4)	(970.5)
Derivative financial instruments	(105.4)	(47.7)
Other non-current financial liabilities	(1.8)	(3.8)
Net financial position of continuing operations	**(954.8)**	**(1,046.0)**
Long-term financial assets		
Derivative financial instruments	-	4.1
Other non-current financial receivables	13.2	12.2
Net debt	**(941.6)**	**(1,029.7)**

As at 31 December 2016, shareholders' equity, inclusive of non-controlling interests, stood at €2,806.9 million compared to €2,579.4 million at 2015 year-end. Consequently the net debt/equity ratio fell to 0.34 from 0.40 in the previous year.

Italy



After the slight recovery at the start of the year and an acceleration in the summer quarter, which was especially driven by an increase in investment, there was a marginal growth in economic activity. During the fall, business confidence remained stationary, but consolidated on cyclically high levels. Even though prospects for exports of goods – especially to non-EU markets - improved in the final months of the year, the balance of trade worsened as imports increased more than exports. The unemployment rate in Q3 remained constant, thus interrupting the upward trend that had been ongoing for more than a year. The increase in credit to the non-financial private sector continued with an increase of loans to companies, albeit at different levels depending on business sectors: credit to service companies increased, loans to manufacturing companies and financing to construction companies worsened once again. The quality of credit held by Italian banks continues to benefit from the improvement in the economic situation, with further reductions in new non-performing loans. In the final part of the year stock prices increased, thanks also to the recovery of the banking sector, which preceded the introduction of government measures to support the liquidity and capitalization of banks. The trend for consumer prices became positive again during the last two months of 2016, and increased to +0.5% in December, mainly as a result of energy price trends and the increase in the price of certain food. In this economic context, GDP increased by 0.9%, industrial output rose by 1.6%, the unemployment rate reached 11.9% and the public debt to GDP ratio remained stable at 133%. In the property sector there was a consolidation in signs of stabilization, despite the more uncertain prospects for the non-residential segment. Investments in construction increased slightly, although this increase was only robust for refurbishment of residential property. The Italian cement Association, Aitec, has estimated internal deliveries of cement of approximately 18.7 million tons, which represents a reduction of 4.7% from the previous year. This was the tenth consecutive year in which domestic demand fell (and in absolute terms it is now 60% down on the peak level that was reached in 2006). Our hydraulic binders and clinker sales volumes were down 6.2%, having been penalized by a sharp reduction in exports. Sales prices did not change signifi-

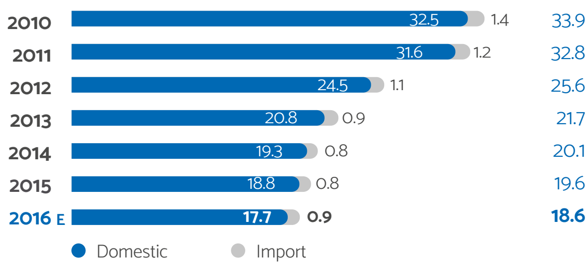
(millions of euro)	**2016**	**2015**	**16/15**
Net sales	**375.2**	381.1	-1.6%
EBITDA	**-22.2**	-37.2	40.3%
EBITDA recurring	**-21.1**	-36.5	42.3%
% of net sales	**-5.6**	-9.6	
Capital expenditures	**25.4**	18.6	36.2%
Headcount end of period n.	**1.377**	1.435	-4.0%

cantly in the year-on-year comparison (-0.8%). In our ready-mix concrete operations, the sales trend was up (+8.2%), favored by the increase in scope resulting from the business combination in the Milan area, with prices in line with last year (+0.4%). This trend in volumes and prices led to sales revenue of €375.2 million, down 1.6% on 2015 (€381.1 million). Thanks to a favorable trend in fuel prices - which more than offset higher electricity prices - and under control fixed costs, unit production costs fell marginally. In the ready-mix concrete sector the impact of bad debts, which were significant in 2015, returned to more sustainable levels in the current year (€2.3 million compared to €6.4 million in 2015). EBITDA remained negative at -€22.2 million (-€37.2 million in 2015). However, it should be pointed out that the figure for the year under review includes non-recurring costs of €1.2 million for provisions for tax claims (€0.7 million in 2015). The recurring EBITDA was therefore -€21.1 million, compared to -€36.5 million in 2015. Moreover, last year the company achieved other operating income of €2.9 million from the sale and transfer within the group of CO_2 emission rights (€0.6 million in 2015).

Investment activities aimed at improving technological and environmental efficiency and workplace safety continued during the course of the year. Some noteworthy projects include the oil-well cement production project in Siniscola for €2.7 million; the expansion of mineral reserves, the overburden removal and securing of the quarry fronts in Robilante, Augusta, Vernasca and Guidonia for a total of €1.8 million; the new feeding pitch line and the installation of the Polab in Vernasca for €1.1 million; structural refurbishment and other civil engineering works in Augusta, Guidonia and Siniscola for €1.2 million; installation of de-dusting filters and hot gas pipelines in Robilante for €0.5 million; expansion of the electrical bagging system and other departments in Barletta for €0.3 million; installation of new belting for the raw material conveyor belt in conveyor Augusta for €0.3 million.

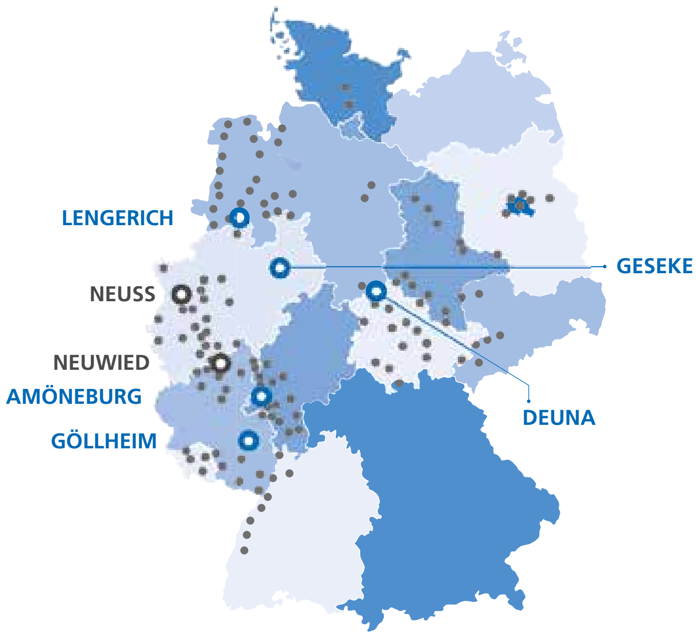
Cement consumption

(millions of tons)



Germany

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



After an initial acceleration, the German economy grew at a solid but more linear rate on the back of a progressive expansion in domestic demand. Household consumption was driven by the trend for the labor market, with close to full employment, and significant improvements in disposable income. Public expenditure was also stimulated by outlays made in virtue of the many asylum seekers. Net exports were marginally weaker, as the growth in imports exceeded that of exports. The trend for public and private investment was also expansionary and was stronger in the construction sector and weaker in terms of investments in machinery and equipment. Inflation rose at the end of the year, especially as a result of the increase in energy prices and the price of certain foodstuffs. The GDP growth rate for the current year (+1.9%), which was revised upwards, was greater than in the previous year. There was good overall growth in the construction sector, which was also driven by the high level of net immigration. In Germany our deliveries of hydraulic binders closed up 3.4%, thanks to a more robust pace in the second half of the year, albeit with weak average prices (-2.4%). Despite falling for the year as a whole, demand for oil-well cement showed an encouraging recovery during Q4. Ready-mix concrete output recorded a fairly consistent development (+1.6%), with a marginal decline in prices (-0.5%). Overall sales revenue fell from €573.6 to €572.4 million (-0.2%) and EBITDA increased from €72.1 to €76.8 million (+6.6%) Like-for-like sales would have increased by 0.6% and EBITDA by 6.1%. Unit production costs were down marginally, thanks to the favorable trends for fuel and energy prices which more than offset the increases in fixed costs. Moreover last year the company incurred other operating costs of €1.2 million for CO_2 emission rights purchased from other companies of the group (that figure was €3.1 million in 2015).

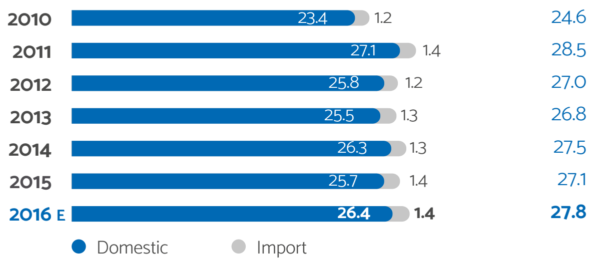
(millions of euro)	2016	2015	16/15
Net sales	572.4	573.6	-0.2%
EBITDA	76.8	72.1	6.6%
% of net sales	13.4	12.6	
Capital expenditures	39.7	31.8	25.0%
Headcount end of period n.	1,849	1,758	5.2%

Investments in 2016 amounted to €39.7 million. The most significant investments related to improvement works of €6.8 million in Göllheim, comprising the conversion to a baghouse filter, the modernization of the final phase pre-heater, the installation of the SCR technology to reduce emissions, the updating of the firing system for the use of alternative fuels, the amendment to the raw mill separator. The Deuna plant received investments worth €4.2 million, that were essentially used for the expansion of the evaporation towers, the introduction of the SCR technology and the conversion from electrofilter to a baghouse filter. It is also worth noting the purchase of operational quarry vehicles in

Lengerich and Göllheim for a total of €2.7 million; the increase of the storage and processing capacity of alternative fuels and the conversion of the electrofilter to a baghouse filter in Lengerich for €2.1 million; the secondary tank for alternative liquid fuels and the conversion to a baghouse filter in Amöneburg for €1.9 million; the enlargement of the terminal in Hamburg for €0.8 million and the modernization of the clinker silo in Neuss for €0.7 million.

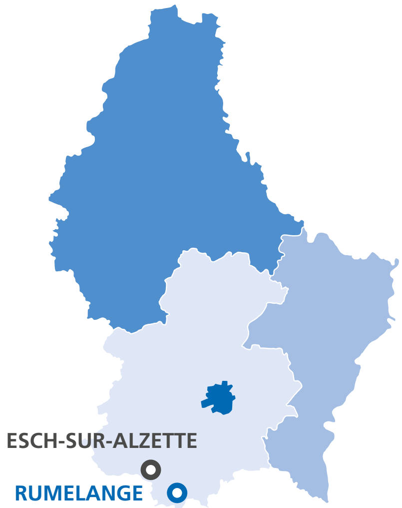
Cement consumption

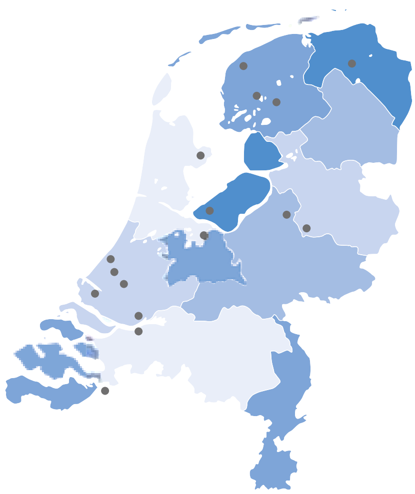
(millions of tons)



Luxembourg and the Netherlands

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





In the context of European integration, the member countries of Benelux have put in place agreements and cooperation proposals in order to harmonize the regional cross-border platform, particularly with regard to the transport, retail and electronic, waste management and media sectors.

After a relatively weak start to the year, resulting from unfavorable development in financial markets, the economy of Luxembourg experienced an acceleration that was driven by significant improvements in exports of financial services and the expansion of domestic demand. The latter was buoyed by an improvement in employment and disposable income and, in a context of higher inflation and interest rates at a historical low. Estimates for GDP growth for the current year, which were revised upwards to 3.8%, were slightly higher than the previous year. Investment in the construction sector and domestic consumption of cement confirmed their positive trend.

In the Netherlands, the economic recovery that began in the previous two-year period consolidated thanks to an increase in domestic demand and an acceleration of investment, particularly in the segment of private constructions. Household consumption was sustained by increasing employment levels and an improvement of disposable income, while exports confirmed the trend for international trade and slowed down development. GDP is expected to grow at 2.1% for the year as a whole, which represents a slight improvement on initial expectations. Thanks to the recovery in the real estate market, there were visible signs of progress in the construction sector, particularly for residential property.

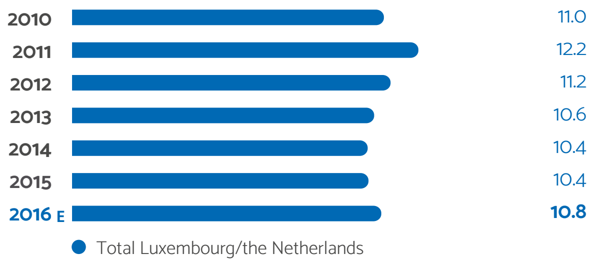
In Luxembourg and the Netherlands, thanks to the good performance in the domestic market and the support of exports, our cement sales, including intercompany transfers and exports, led to a solid growth (+8.2%) with marginally weaker average unit revenues (-3.9%). Ready-mix concrete output was similar to the previous year (+0.3%), with favorable prices (+2.6%). Net sales came in at €175.6 million, up 3.9% on the previous year (€169.0 million). EBITDA amounted to €25.8 million euro (€19.7 million in 2015). The unit production costs showed a favorable development, thanks to the trend for energy prices and the stability of fixed and overhead costs in the plant. However it must be remembered that the figure for 2016 includes net non-recurring income of €2.9 million, resulting from €3.4 million for gains on the disposal of fixed assets and €0.4 million of restructuring expenses, while the 2015 result included net non-recurring costs of €0.5 million. Therefore, net of non-recurring items, EBITDA improved by €2.7 million.

(millions of euro)	2016	2015	16/15
Net sales	**175.6**	169.0	3.9%
EBITDA	**25.8**	19.7	31.0%
EBITDA recurring	**22.9**	20.2	13.5%
% of net sales	**13.0**	11.9	
Capital expenditures	**11.6**	7.3	59.7%
Headcount end of period n.	**313**	355	-11.8%

In 2016 investments amounted to €11.6 million, which included €4.0 million for the silos for storing filter dust; €0.9 million for the storage and feeding of alternative fuels; €0.7 million for the pipelines gas to the raw mill, €0.6 million for the rainwater reservoir; €0.6 million for the dosage of industrial slurry; €0.5 million for the collection and transportation of dust from the conditioning towers; €0.5 million for the enlargement of quarry reserves.

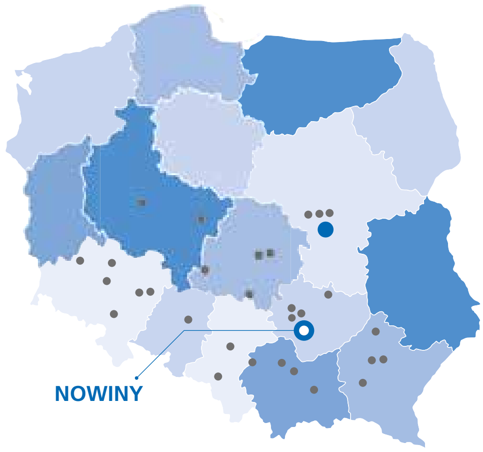
Cement consumption

(millions of tons)



Poland

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



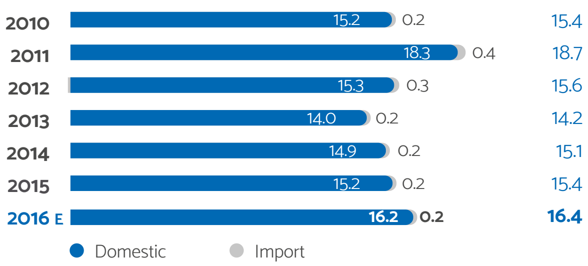
Thanks to its strong commercial and financial integration with Europe, particularly the production chain in Germany, the Polish economy confirmed a growth that was fairly consistent to that in the previous year, which had been the best result in the previous five years. Recovery continues to be sustained by domestic demand, which is progressively expanding. The trend for net export was positive and was favored by a low cost of labor and the exchange rate. The reduction in public investment, which followed a lesser use of European structural funds, was the main reason for lower GDP growth in 2016; despite the fall in public investment, private investment continued to grow. The forecast for GDP growth in 2016 is +2.8%, which is down from the level of +3.6% that was recorded in 2015. The trend for investments in construction has on the whole been positive, as has consumption of cement. In Poland, volumes sold accelerated in the second half of the year and increased significantly throughout the year as a whole (+11.9%), although average prices in local currency were lower than the previous year (-8.6%). Ready-mix concrete output also showed a positive trend, with an increase of 6.6%, with prices up (+3.5%). Net sales, which were penalized by the depreciation of the zloty, decreased from €96.8 million to €95 million (-1.8%); at a constant exchange rate there would have been a 2.4% increase. EBITDA improved from €21.9 to €23.4 million (+6.6%) with the EBITDA to sales margin increasing from 22.7% to 24.6%. There was also an improvement in unit production costs in local currency thanks to a reduction of fuel and energy costs, while fixed costs improved as a result of the operating leverage effect. Moreover it should be remembered that during the year the company had other operating costs of €1.1 million for CO_2 emission rights purchased from other entities of the group.

(millions of euro)	**2016**	**2015**	**16/15**
Net sales	**95.0**	96.8	-1.8%
EBITDA	**23.4**	21.9	6.6%
% of net sales	**24.6**	22.7	
Capital expenditures	**9.2**	4.6	99.5%
Headcount end of period n.	**368**	365	0.8%

In 2016 investments amounted to €9.2 million, including €2.0 million for the storage of alternative fuels, €0.5 million for laboratory automation, €0.5 million for the continual analysis of raw materials, €0.4 million for operational quarry machines and €1.2 million for a mobile plant in the concrete sector.

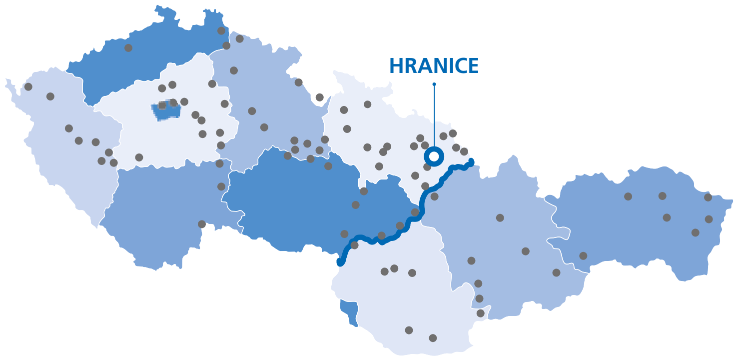
Cement consumption

(millions of tons)



Czech Republic and Slovakia

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



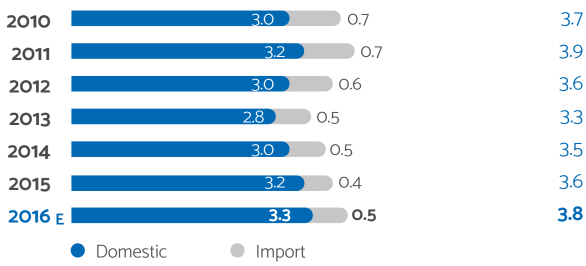
After the particularly robust expansion in 2015, that was influenced by an exceptional level of public investment, with the contribution of European infrastructure development funds, the recovery was consolidated on the back of domestic demand, with unemployment at just over 4%, a further acceleration of disposable income and a positive trend in terms of net exports. GDP growth in 2016, which is forecast to be +2.4%, was in line with the previous year (+4.5%), after discounting the exceptional effects of the European funds. Construction investment remain favorable thanks to the strengthening of the private component.
The Slovak economy grew by 3.3% in 2016, continuing on from the growth of 3.5% in 2015.
In the Czech Republic our sales volumes for cement exceeded by 4.4% the good figures from the previous year, with average prices in local currency marginally down (-0.8%). The ready-mix concrete sector, which also includes Slovak operations, achieved lower production levels (-5.3%) but with higher average prices (+2.7%). Consolidated net revenues were €136.2 million (€135.6 million in 2015, +0.4%), and EBITDA increased from €32.6 to €34.3 million (+5.2%). EBITDA to sales margin improved from 24.0% to 25.2%. The strengthening of the Czech koruna had a slightly favorable impact on results into euro; like-for-like, net sales and EBITDA would have been up respectively +3,9% and +5,1%. The unit production costs in local currency showed a positive trend, thanks to the reduction of fuel and energy costs that offset the increases of major fixed costs. Moreover during the year the company had other operating income of €0.1 million from CO_2 emission rights sold to other companies of the group (€1.2 million in 2015).

(millions of euro)	**2016**	**2015**	**16/15**
Net sales	**136.2**	135.6	0.4%
EBITDA	**34.3**	32.6	5.2%
% of net sales	**25.2**	24.0	
Capital expenditures	**8.9**	5.0	76.7%
Headcount end of period n.	**778**	747	4.1%

In 2016 investments amounted to €8.9 million, including €1.4 million for the improvement of the electrofilter, €0.9 million for the purchase of land, €0.4 million for the cement dispatch department, €0.3 million for blending and dosage of bypass dust in cement grinding, €0.3 million for the renewal of the bridge crane and, in the concrete sector, €0.9 million for the modernization of ready-mix systems.

Cement consumption

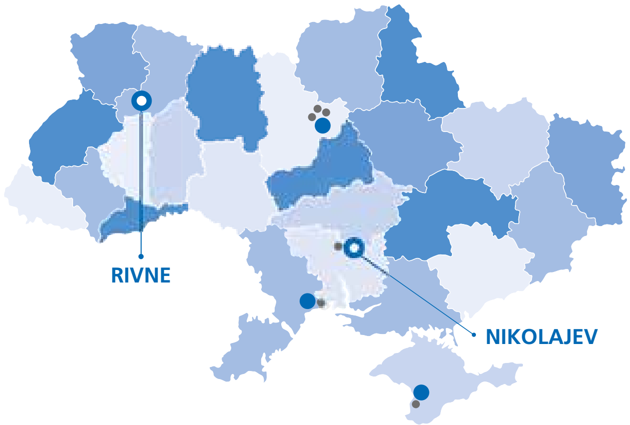
(millions of tons)



Ukraine

Cement plants

Ready-mix concrete plants



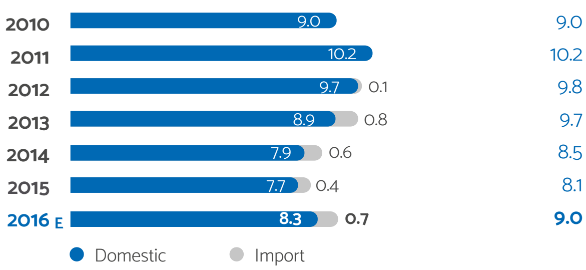
As the conflict alleviated, thanks to the institutional reforms that were initiated and the financial support of the international community, the first tangible signs of stabilization could be seen as the country came out of the violent recession that had characterized the previous two years and embarked on a recovery. The banking sector was recapitalized and strengthened and there were positive signs from the agricultural and consumer good sector. Moreover disposable income recovered from the slump and confidence amongst consumers and investors also improved. The inflation rate, which was down sharply from previous peaks, returned to more sustainable levels. In this situation of profound economic and social change, even though prospects for the future are still dependent on the development of the conflict and the advancement of reforms, the process of transition has strengthened and the country's GDP has started to grow again, albeit marginally (+1.5%). There were encouraging signs in terms of investments in construction, in contrast with the major reductions in recent years. In Ukraine cement volumes sold by our plants, under regular operations, were up compared to last year (+4.0%), with prices in local currency moving up strongly (+30.2%). Ready-mix concrete output grew, albeit not very significantly (+8.4%), with average prices in local currency in line with inflationary adjustments. Net sales closed at €79.8 million, compared to €69.8 million in 2015 (+14.3%). EBITDA amounted to €12.8 million compared to €4.0 million in 2015, with EBITDA to sales margin improving (+16.1% compared to 5.7% in 2015). The translation of results into euro was penalized by a continual depreciation of the local currency: at a constant exchange rate, net sales would have increased by 33.2% and EBITDA would have been up by €10.9 million. The growth in unit production costs in local currency, especially for fuel and energy, reflected the inflation rate in the country.

(millions of euro)	2016	2015	16/15
Net sales	**79.8**	69.8	14.3%
EBITDA	**12.8**	4.0	221.6%
% of net sales	**16.1**	5.7	
Capital expenditures	**4.1**	6.5	-38.0%
Headcount end of period n.	**1,558**	1,304	19.5%

In 2016 investment amounted to €4.1 million, that were concentrated in the Volyn plant where €1.9 million was invested in quarry excavation costs, €0.4 million was invested for interventions on kiln electrofilter 5 and €0.3 million was spent on modernizing the cooling filter and the clinker transporter for kiln 5.

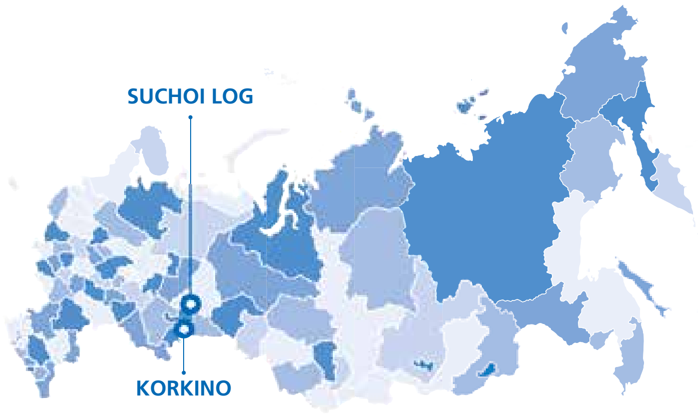
Cement consumption

(millions of tons)



Russia

Cement plants



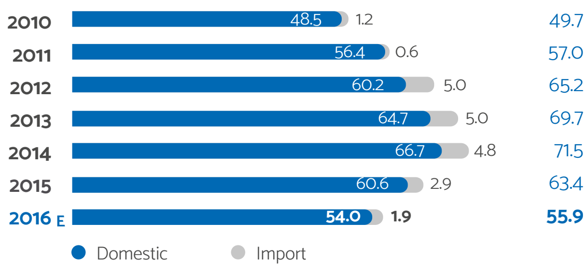
The recession which began in 2015 as a result of the collapse in oil prices and international sanctions - causing a significant fall in domestic demand and a major reduction in investment – continued in 2016, albeit in a less pronounced manner. The economy reacted to these unfavorable effects with a strong stimulation of exports, that were promoted by a week ruble and a significant improvement of industrial output. By the end of the year consumer price inflation was back down to less than 6% and domestic demand was once again expanding. The recent strengthening of oil prices accelerated that recovery process and softened the severity of the crisis, with GDP falling by 0.6% for the year as a whole. Investments in the construction sector remained weak in 2016, but there is reason to be optimistic given the marked slowdown of the decline. In Russia our sales volumes improved in the second half of the year and over the twelve months closed slightly down on the previous year (-1.0%). Average prices in local currency remained stable (+0.2%). Thanks to the recovery in demand in Q4, the category of oil well cements – that are used in the extraction industry – were up for the year. Net sales stood at €154.4 million, down 7.4% from €166.7 million in the previous year. The depreciation of the ruble meant sales fell by €13.8 million; at a constant exchange rate, net sales would have increased by 0.9%. EBITDA decreased from €48.4 million in 2015 to €43.2 million (-10.7%); in local currency it would have fallen by 2.7%. Despite being penalized in absolute terms by the foreign exchange effect, our operations in the country confirmed an absolutely remarkable EBITDA to sales margin within the group (28.0%). The unit production costs in local currency grew less than inflation, with prices substantially stable for fuels while there was an unfavorable change for electrical power.

(millions of euro)	**2016**	2015	16/15
Net sales	**154.4**	166.7	-7.4%
EBITDA	**43.2**	48.4	-10.7%
% of net sales	**28.0**	29.0	
Capital expenditures	**12.7**	9.9	27.9%
Headcount end of period n.	**1,455**	1,469	-1.0%

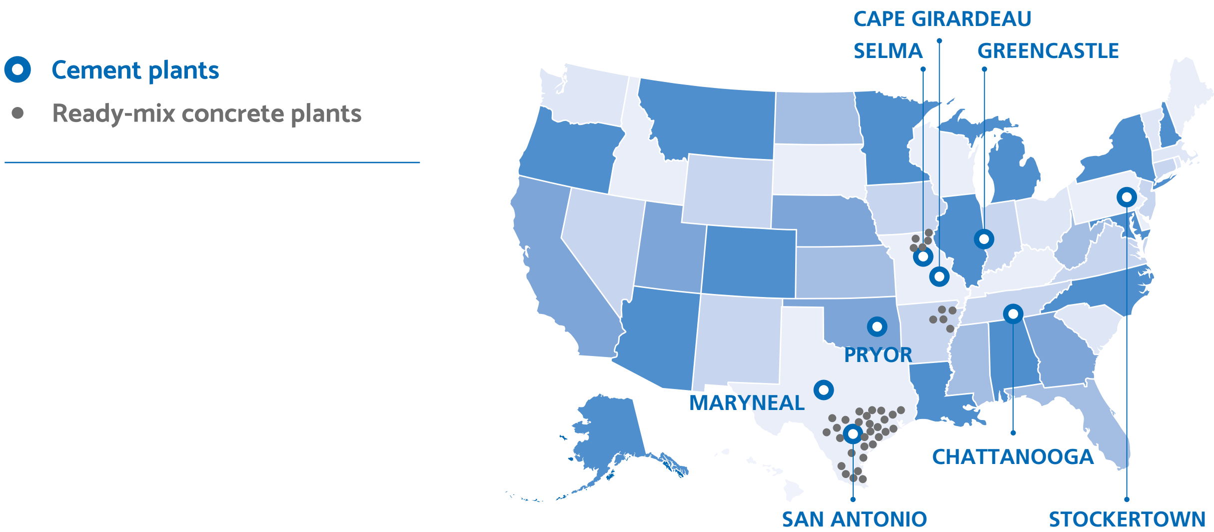
In 2016 investments amounted to €12.7 million, including €3.2 million in Korkino for their heating system, the internal refurbishment of the finish mills and kiln rings. The main investments in Suchoi-Log involved strategic replacements, the expansion of the feeding and extraction to the finish mills, the modernization of cement silos, the dosing feeders of the raw mix, the bridge crane and finally the purchase of operational plant and vehicles and railway cars for distribution.

Cement consumption

(millions of tons)



United States of America



There was a further consolidation of the recovery and the labor market is now approaching full employment. GDP accelerated by 3.5% in Q3 thanks to the contribution of net exports and the variation in inventories. The expansion in household consumption remained robust, while investment stagnated. Consumer prices inflation increased at the end of the year, even when considered net of food and energy products; as a result, expectations for an interest rate rise are now greater, also reflecting prospects for a budget expansion by the new government. The US economy ended 2016 with growth slowing down to 1.9% in Q4, which was short of expectations.

Therefore, for the year as a whole, GDP increased by 1.6%, which was 1 % less than in the previous year and the country's worst result since 2011. Investments in the construction sector slowed down to +2.2%, with more robust variations in the commercial and residential segments, and consumption of cement in the country grew less than in the previous year (2.3%), to reach 91.9 million tons.

After the brilliant start to the year and the clear decline during the summer months, our hydraulic binders sales decreased slightly (1.7%), with a more pronounced weakness of demand in Texas, particularly in the Houston area, where the economy is strongly influenced by oil price trends.

Deliveries of special oil well products showed some signs of recovery at the beginning of winter but declined as a whole over the year.

Ready-mix concrete output – that is principally in Texas - suffered from the unfavorable weather conditions and indirectly from the oil and gas crisis, closing down 9.8% on the previous year. Sale prices trends in local currency were favorable, and there was a greater change in the cement sector (+5.3%) than in the ready-mix concrete sector (+2.1%).

Overall sales revenue increased from €1,108.7 to €1,117.8 million (+0.8%), and was accompanied by more marked improvement of EBITDA, from €311.7 to €356.5 million (+14.4%). Variations in the dollar exchange rate were not significant.

The figure for the year also includes non-recurring costs of €1.9 million for disassembling and dismantling of equipment (€4.5 million non-recurring costs in 2015). Net of foreign exchange and non-recurring items, net sales and EBITDA would have increased by 0.6% and 13.1% respectively. EBITDA to sales margin improved from 28.5% to 32.1%.

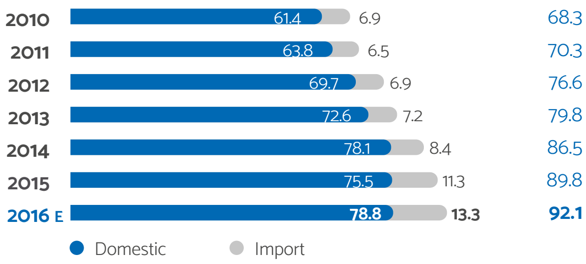
(millions of euro)	2016	2015	16/15
Net sales	**1,117.8**	1,108.7	0.8%
EBITDA	**356.5**	311.7	14.4%
EBITDA recurring	**358.4**	316.2	13.3%
% of net sales	**32.1**	28.5	
Capital expenditures	**124.9**	220.4	-43.3%
Headcount end of period n.	**2,277**	2,305	-1.2%

Unit production costs, expressed in local currency, remained quite stable, with favorable developments for fuels and an unchanged trend for electric power.

The main investments during the financial year included €75.0 million for the modernization and enlargement project of the plant in Maryneal (Texas); the new production line was opened in July 2016. The completion of the projects for the adaptation to the new environmental standards (NESHAP) involved investments of €2.3 million; in addition, €4.6 million were invested in the construction of the new distribution terminal in Temple (Texas) and €2.3 million were invested in the purchase of new truck-mixers.

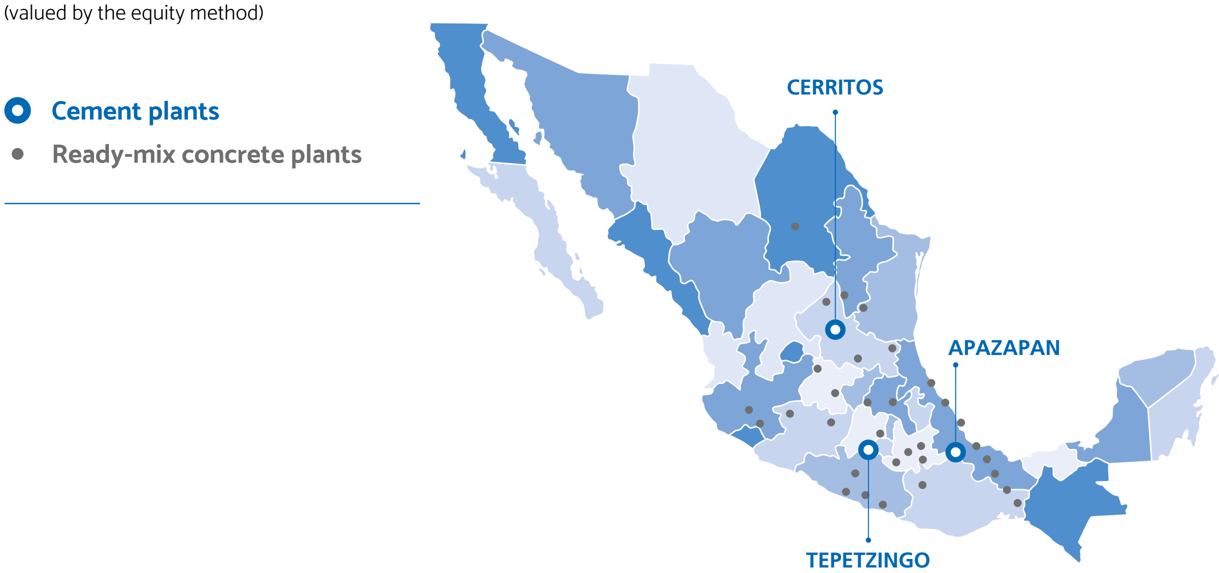
Cement consumption

(millions of tons)



Mexico

(valued by the equity method)



The Mexican economy confirmed its robust expansion, driven by an increase in domestic demand and favored by improvements in employment levels, an increase in disposable income and the growing flow of remittance from abroad. At the end of the year, after the statements by the new US president with regard to future bilateral relations and NAFTA, suffered from greater financial tension and uncertainty which resulted in outflows of capital, a significant depreciation of the currency and an increase of interest rates. GDP growth for 2016 was revised downwards to +2.2%, which represented a slowdown compared to the previous year. Cement sales of our associate, Corporación Moctezuma, slightly exceeded the very high volumes achieved in the previous year, with strongly strengthened average prices in local currency. Ready-mix concrete output was down but prices in local currency were noticeably up. Net sales and EBITDA, in local currency, posted an increase of 14.2% and 34.4% respectively. The depreciation of the Mexican peso (-17.3%) penalized translation of results into euro; with reference to 100% of the associate, net sales came in at €609 million (-2.7%), however EBITDA increased from €256.1 million to €293.4 million (+14.6%). The unit production costs benefited from the favorable trend in energy factors and the reduced incidence of fixed costs due to the high level of capacity utilization. In November the second line of the Apazapan (Veracruz) cement plant was commissioned and increased the plant's overall capacity to 2.8 million tons/year.

(millions of euro)	2016	2015	16/15
Net sales	609.0	625.9	-2.7%
EBITDA	293.4	256.1	14.6%
% of net sales	48.2	40.9	
Capital expenditures	62.3	46.2	34.9%
Headcount end of period n.	1,119	1,121	-0.2%

Figures at 100% - valued by the equity method.

The equity earnings referring to Mexico, included in the line item that encompasses investments valued using the equity method, amount to €65.6 million (€54.4 million in 2015).

Cement consumption

(millions of tons)

Algeria

(valued by the equity method)

In Algeria consumption of cement in 2016 remained in line with the previous year. Despite the price of oil remaining weak for the entire financial year, scheduled infrastructure work based on the government's investment plan continued. However, should the weak oil prices continue, it is reasonable to assume there will be a progressive slowdown of new works.

During the course of 2016 two new production lines came into operation and a third is scheduled to come into operation in the first half of 2017; these production lines are in plants in which Buzzi Unicem holds a stake. Consumption of cement for the year 2016 is forecast to be approximately 26 million tons. New domestic production has in part replaced imports of cement, which fell from 6.0 million tons to 3.5 million tons in 2016, as well as 1.2 million tons of clinker. The new restrictive rules (import licenses) promoted by the government have come into place to control imports in general, including cement imports.

The results of the companies in which Buzzi Unicem holds a 35% stake, stated in euro, were down on the previous financial year (€30.8 million compared to €32.1 million) merely as a result of the weakening of the dinar/euro exchange rate and an increase in energy costs.

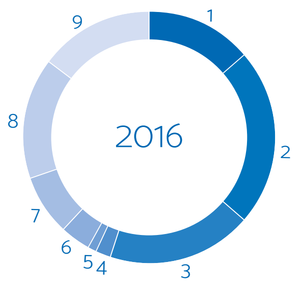
The Hadjar Soud cement plant produced 1.1 million tons of cement, which was in line with the previous financial year; the production of clinker was 0.85 million tons which was also in line with 2015. Preliminary activities are underway for the revamping of the plant which should lead to a clinker production capacity increase of approximately 300,000 tons/year.

The Sour El Ghozlane cement plant produced 1 million tons of cement with an increase of 22.5% compared to the same period in 2015; the production of clinker was 0.8 million tons, +16.1% compared to the previous year. Looking at the absolute results of both associates and their individual financial statements, the 2016 financial year closed with net revenues at €104 million, which was in line with the previous financial year despite the depreciation of the dinar (-9%), and EBITDA at €43.1 million (-5% on 2015). EBITDA stated in local currency improved by approximately 3% from 5.07 to 5.21 billion dinars. Forecasts for the 2017 financial year are for production, sales and results in line with 2016.

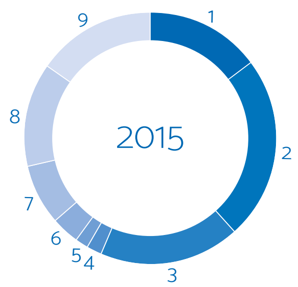
Human Resources

Buzzi Unicem considers the development and management of human resources to be of the utmost importance, starting from the diverse and specific local requirements that characterize the international organization of a multi-regional group. These requirements always represent the starting-point in terms of development plans for professional skills across all staff levels, from blue-collar workers through to management. The more significant company projects, from technical investments to the review of transnational procedures and organizational optimization, are always entrusted to teams comprising specialists working for Buzzi Unicem's subsidiaries in the various countries.
Once again the most significant market is the United States, where the unemployment rate has now fallen below 4.7%, and the company had the highest number of new recruits (more than 450 people were hired by Buzzi Unicem USA and Alamo). The human resources management structure was therefore mainly involved in selection activities and negotiating hiring terms of candidates, who do not always have the required experience and professionalism to meet the requirements of our plants. During the course of the last 3-4 years, graduates were recruited to junior engineer positions on structured training programs. There were 22 internal promotions and 12 transfers and this trend is expected to be confirmed in 2017. We continued to liaise with plant directors to identify individual training and development needs for each employee while evaluating their strengths, weaknesses and future potential. Five new bargaining agreements were signed which were satisfactory in terms of impact on costs and relations with staff.
In Germany, we have concluded the project to protect staff from the risk of mental fatigue and stress in the workplace, which required companies to conduct a detailed evaluation of working conditions, which also focused on the opinions of the employees concerned.
The aim was to involve at least 25% of the workforce and all hierarchical levels. The interviews identified four factors of stress: "Working role" (e.g. area of activity, information), "organization" (hours of work for example, intensity), "interpersonal relations with colleagues and superiors" and "working environment". The second step involved developing measures to reduce stress as much as possible or, in the best-case scenario, eliminate it completely. The list of measures that was developed was then presented to the management.
For all employees and the management of Dyckerhoff GmbH the variable remuneration system was standar-

Headcount by region at year end



1	Italy	**1,377**
2	United States of America	**2,277**
3	Germany	**1,849**
4	Luxembourg	**194**
5	Netherlands	**119**
6	Poland	**368**
7	Czech Republic and Slovakia	**778**
8	Ukraine	**1,558**
9	Russia	**1,455**
Total		**9,975**



1	Italy	**1,435**
2	United States of America	**2,305**
3	Germany	**1,758**
4	Luxembourg	**188**
5	Netherlands	**167**
6	Poland	**365**
7	Czech Republic and Slovakia	**747**
8	Ukraine	**1,304**
9	Russia	**1,469**
Total		**9,738**

dized. This new system was applied without any exceptions to the management of all foreign companies of Dyckerhoff GmbH, and is currently in force for the first time for the 2017 financial year. This means that the Dyckerhoff Group now has a homogeneous variable remuneration system, with unified remuneration elements.
In Italy the negative trend continued for the cement and concrete sector and had a significant effect on the management of human resources. We were forced to dismiss 51 employees at the expiration of the Extended Layoff Fund in two Buzzi Unicem production units (Travesio, Manfredonia and Sorbolo). That is no doubt that this number could have been higher, had we not implemented procedures to transfer staff to other production units.

In 2016 we initiated a corporate communication project to involve stakeholders and employees that involved over 270 white-collar and blue-collar workers in the plants in Augusta, Barletta, Siniscola and Vernasca.
There were no significant variations in the number of employees in other countries.

The following table provides some important data relating to our staff:

	2016	**2015**
Turnover[1]	**16.2%**	14.9%
Days of absence[2]	**78,865**	77,102
Training days[3]	**39,686**	43,244

[1] Ratio of outgoing employees to workforce at Dec 31, 2015;
[2] Total days of illness and accident;
[3] Total days of internal and external training.

Research and development

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

In 2016 the major overhaul of the research functions continued. This has taken on a new international dimension with the creation of joint working groups and departments involving the laboratories of Wiesbaden (Germany) and Trino (Italy). The goal of the new organizational setup is to promote greater sharing of facilities, procedures, know-how, protect intellectual property, while improving our capacity to generate new ideas and academic collaborations.

The research and development activity consists of 5 key strategic lines:

- **New hydraulic binders,** aimed at promoting activities for developing alternative binders to Portland, identifying technologies for re-utilizing scraps and alternative materials in Portland cements, while maintaining a careful eye on what is happening elsewhere in the market. This strategic line also encompasses projects centering on the subject of sulpho-aluminate cement and belitic binders. Sulpho-aluminate cement is a commercial product that is already available on the market under the name of Buzzi Unicem Next. During the course of 2016 the technology for the production of sulpho-aluminate clinker was verified with some experimental clinker burning campaigns including in one of the group's industrial kilns, which demonstrated the feasibility of reduced CO_2 emissions in the production cycle (760 kg/ton compared to 914 kg/ton of the Portland clinker) and certain performance characteristics, including high mechanical resistance and reduced hygrometric shrinkage.

  The development of innovative belitic binders - i.e. cements characterized by a lower need for limestone in raw materials - is still in a pre-industrialization phase, nevertheless in 2016 numerous preliminary tests were conducted for large-scale experimentation. The use of lower quantities of limestone generates energy-savings for factories as well as significant reductions in CO_2 emissions. These activities are managed through internal research studies or in collaboration with university partners, including the Politecnico of Milan and the University of Weimar, and with the support of National or European funding (Dyfracem project, Geomat).

- **High-performance concrete,** aimed at developing new classes of binders offering extremely high mechanical performance (mechanical resistance, modulus of elasticity, durability). The Nanodur binder (that is already commercially available on the market) falls into this strategic line and is undergoing constant development and updating. The European H-House project that is financed under the European Horizon 2020 research program, and the BMBF Vakubäude and Euro Trough projects (funded by the German research ministry) see our research facility involved as an industrial partner with expertise in high-performance concrete. The product Nanodurbeton E80 won the innovation award in the category "concrete technology" at the annual concrete conference in Ulm (Germany).

- **Multifunctional building materials,** aimed at generating new ideas and developing a broader vision of ongoing scientific research, focusing mainly on construction material with photo-catalytic, self-cleaning and self-repairing properties. It is worth mentioning the PureBau project - that was funded in Germany - that allowed us to acquire know-how and take strategic decisions.

- **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 roads that are more resistant to chlorides. It is worth noting the European projects Lorcenis (European Horizon2020 call) and Seacon (EU-USA Infravation call) or the C^3 project that was funded by the German research ministry that was recently awarded the technological innovation award for the year 2016 by the German Chancellor.

During 2016 Buzzi Unicem was a partner in the SEACON project (http://seacon.um-sml.com/), where it was involved in the development in Pontenure (PC) of an experimental demonstration of an innovative technology that aims to revolutionize the construction industry. Indeed, thanks to the use of reinforcements in materials with an increased durability (stainless steel or polymeric composite GFRP materials) it will be possible to use seawater in a concrete mix without running the risk of corroding the rods and thus increase the durability of structures that will no longer be vulnerable to chemical attack by chlorides. This activity is managed in collaboration with the University of Miami and the Politecnico of Milan.

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.

- **Innovative production processes**, aimed at studying innovative technological processes that could have an impact on the properties of cement and concrete, and developing solutions for reducing, storing and converting CO_2. Given the complexity of these types of projects they are considered precompetitive research activities and are managed in pooled working groups with other companies within the sector, such as the groups operating in the ECRA (European Cement Research Academy).

Buzzi Unicem is represented in all major national and international bodies that deal with legislation and certification. The Research, Development and Technology Department has responsibility for all R&D projects and the coordination of the Central laboratories of Guidonia and Trino (Buzzi Unicem) and Wiesbaden (Dyckerhoff).

With regard to research in the concrete sector, the activities were carried out in three different areas. The first relates to the development of dedicated products for specific applications, based on predictive design mix techniques that will enable these to be available almost immediately in all Italian plants. This includes high-performance and shrinkage-compensating mortars and plastering for various types of structural refurbishments, or concrete with a predefined permeability with a significant guaranteed load-bearing capacity. A second research area relates to the study of the conduct of numerous chemical components that were recently introduced to the market by major producers, based on our own previous research and recommendations. These are additives for maximizing the efficiency of water reducing polymers in the most difficult electrochemical conditions due to unfavorable combinations of dust and granulates (admixture killing effect). This study will shortly enable a targeted and adaptive use of new additives in various plants that have local chemically "challenging" components. The third area relates to the in-depth study of certain fundamental performance of concretes (modulus of elasticity, hygrometric shrinkage, expansive capacity) depending on the various components and in particular the locally available lithological types, in order to be able to forecast these and guarantee for the end user without the need to await the outcome of lengthy empirical tests. From the perspective of the management and analysis of technological data, the development and cross-referencing of different databases (formulations, properties of components, product sold, etc.) has enabled us to calculate a series of indices of technological efficiencies for the mix designs, including environmental sustainability measures (content of recycled material and carbon footprint in absolute terms and per performance unit). Like every year we have continued and intensified the technical and scientific collaboration with professionals and the design departments of the main Italian buyers that utilize the Unical research service as a qualified partner in their planning stage in order to identify the most effective technical solutions.

Ecology, Environment and Safety

For years Buzzi Unicem has considered environmental development to be an essential aspect in its approach to running a business. Sustainable development is defined as “development which satisfies the requirements of the present without compromising the capacity of future generations to satisfy theirs” and it can be seen as the interaction of three key elements: economic development, environmental protection and social equality.
Economic growth in a sustainable manner is the cornerstone of the terms that were ratified in the Paris agreement on climate (COP21) on 12 December 2015, which commits signatories to limiting global warming within 2 degrees of the pre-industrial level. The framework policies of the European Union have also established a reduction in internal greenhouse gas emissions of at least 40% by 2030 compared to 1990 levels, a share of renewable sources of energy and an improvement in energy efficiency of at least 27%.
This is the aim of the company’s efforts to increase the thermal substitution rate from non-conventional fuels, especially in nations where there is still ample scope for improvement. The energy audits in our production sites, which helped define the short and medium-term improvement objectives, as well as the continual investments in health and safety that amounted to approximately 20% of total investment, demonstrate that the group’s commitments go beyond merely complying with laws.
Without any undue excess or ideological emphasis Buzzi Unicem has for sometime been advocating a pragmatic approach to these issues through the concrete promotion of the values of its Environmental and Safety Policy and shared responsibility, since we are profoundly convinced that environmental propriety should become an important choice for all operators, quite aside from any practical reasons of convenience.

All of these issues are addressed in-depth in our Sustainability Report, that was drafted in accordance to the G4 Guidelines of the Global Reporting Initiative (GRI).
The objective set by GRI is that of helping to promote a sustainable global economy, in which organizations manage in a responsible manner and communicate in a transparent fashion their performance and economic, environmental, social and governance impacts, within the context in which they operate. Knowledge of a specific context forms the basis of the new guidelines, along with the materiality matrix, through which the company evaluates the relevance of every single environmental, social and economic aspect.

There are two characteristics that are considered in order to evaluate the materiality of an aspect: whether this reflects significant impacts from an economic, social or environmental perspective and whether it could influence in a substantial manner the valuations and decisions expressed by the stakeholders.

Knowledge of the operating context was also one of the main new concepts introduced by the ISO 14001:2015 International standard and, aside from relations with stakeholders, there is greater emphasis on involvement by top management. This change once again confirms that environmental choices are an increasingly integral part of the business of a company wishing to work in a sustainable manner. This approach is applied to the production phase as well as to the entire life cycle of a product, with the progressive aim of raising awareness and directly involving a company’s customers, suppliers and workforce in the search for maximum eco-compatibility of the company’s processes and in the mitigating the impact of its products.

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 various informational meetings in our plants which were also open to family and friends, with the aim of explaining to them, in a transparent manner, how the company operates. This has also been our aim during the numerous visits by students, private citizens and the media - who want to understand more about the activities that take place in our production sites - as well as our dealings with local communities.

With regard to safety in the workplace, 2016 confirmed the injury trend that was observed in recent years, which is aligned with the best in class for our sector; these results provide tangible proof of the relevance of our commitment and the collaboration of all Buzzi Unicem employees and external companies operating in our production sites. Their constant support will also be necessary in the future to maintain and improve our already high standards, in the search for a more correct and balanced interaction between people, machines and the environment.
The main technical/ management interventions related

to the completion of the production line in Maryneal (Texas) and the second line in Apazapan (Mexico); the production of new delivery and dosage systems for alternative fuels or the enlargement of existing plants, the conversion of electrostatic filters with modern bag head filters and the installation of SCR catalytic reduction systems for limiting emissions associated with the burning of clinker.

Aside from a continual improvement of the production process in accordance with environmental, energy and social standards, efforts have also been concentrated on reporting on and improving our products' environmental performance. With the aim of achieving the utmost transparency in reporting environmental performance, based on the take-up of the EPD (Environmental Product Declaration) for our products, we studied and produced cements and concretes with high performance, in full compliance with the strict qualitative and environmental standards. An example of this is the production of Carbonbeton, a concrete with high performance and extremely high durability and significantly better energy and CO_2 performances. Buildings and structural elements will stand out for their high performance and lower environmental impact. The next objective is the development of modern instruments that will allow us to evaluate the environmental impact of our products through simple applications that have been designed for our customers.

Internal control and risk management system

The internal control and risk management system of Buzzi Unicem is the set of rules, procedures and organizational structures designed to ensure sound and proper business conduct through a proper process of identification, measurement, management and monitoring of the main risks in a manner that is consistent with our objectives, so as to ensure the safeguarding of assets, the efficiency and effectiveness of business operations, reliability of financial reporting and compliance with laws and regulations.

The board of directors has ultimate responsibility for the system of internal control and risk management, and performs the duties provided by the Code of Conduct, with the support of its internal bodies, such as the Control and Risk Committee, the director responsible for the internal control and risk management system and the Internal Audit department.

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

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

In accordance with the principles of modern corporate governance, governing bodies, such as the Board of Directors of Buzzi Unicem, as well as the board of directors of its main subsidiaries, regularly inform the supervisory bodies on the functionality and need for updates to the system of internal control and risk management.

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 groups departments and divisions are recorded in a central database. Analyses are conducted on the categories relating to the risks underlying all the activities of our companies in terms of production, financial, legal and tax matters.

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

In 2016 there was a significant reduction of residual risks, meaning risks after containment measures and net of any accounting provisions. There were reductions in 10 of the 16 categories that are utilized. The risk categories with greatest value were: *capital investment, currency, purchases, sales and insurance*. The main variations are illustrated below.

The risk of losing capital invested in financial institutions fluctuates mainly as a result of available liquidity. This risk reduced in Italy but was partially offset by an increase in Germany.

In terms of currency, there was an increase in the risk for the parent company associated with the negative impact deriving from conversion to euro of financial statements in foreign currencies (dollar area).

Currency risks for intercompany loans and the collection of dividends and impact on EBITDA remain constant and relate to subsidiaries in Eastern Europe and Mexico; in the risks database we have considered a 10% appreciation of the local currencies against the euro in terms of exchange rate used in budgets.

In Ukraine, as a result of the more solid signs of stabilization and the commencement of a process of growth, the market risks (sale of cement) reduced significantly as did risks associated with greater costs relating to purchases denominated in currencies other than the local currency.

In the United States the sales revenue risk remains stable as a result of a potential slowdown of investments in construction and a reduction in public expenditure. Also in the United States, there are still risks associated to natural catastrophes that are not covered by our insurance policies, however these risks are deemed very unlikely.

We report a potential risk of greater competition by producer countries outside of the ETS (Emission Trading System) such as China, Turkey and Middle Eastern nations.

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

Related-party transactions

Transactions with related parties, including intercompany transactions, are not considered either atypical or unusual. These transactions take place in accordance with market conditions, taking into account the characteristics of the goods and services being supplied. Information on transactions with related parties are provided in note 48 of this consolidated financial statement.

Outlook

In Italy, according to recent estimates by the cement industry association, the best-case scenario is for cement consumption in 2017 to be in line with the previous year. The production structure is still highly fragmented and would require consolidation between the various players to finally achieve a better balance between supply and demand. In the second half of the year 2016 there was a sharp trend reversal as regards costs, especially for energy, the impact of which will be clearly visible during the current year. We believe that, although we will not reach break-even, our results should continue to improve progressively through a higher level of activity in the ready-mix concrete sector resulting from the expansion in scope, and a possible hike in prices after four years of gradual decline.

In Central Europe, the market conditions are expected to remain in line with the previous year, therefore we foresee a favorable effect on volumes, no significant changes in prices and slightly improving results.

The outlook in Poland is of a consistently strong demand, which should support a trend reversal in prices after recent decreases, and thus result in similar operating profits to the previous year.

In the Czech Republic we estimate a substantial stability of market conditions, with possible improvements in variable and overhead costs and consequently operating results that are in line with or slightly higher than 2016.

In Ukraine, although the prospects for economic development are uncertain and clearly influenced by the progress of reforms, we can reasonably expect an improvement in volumes in line with 2016 and a further considerable increase in prices to try to offset the trend in energy costs which is expected to be very unfavorable. Assuming that the local currency will become more stable against the euro, operating results will be similar or slightly lower than last year.

In Russia the economic situation is showing encouraging signs of recovery. The demand for cement, after two years of slowdown, should stabilize. The purchasing power of the ruble is still weak when compared with the situation three years ago, but if its relative appreciation is confirmed, operating results in euro will be better than the previous year.

The pace of recovery in the United States of America remains robust, reinforcing the expectations of development in construction investments and cement demand. In this favorable context, despite some difficulties related to the development of the market in Texas, it is reasonable to assume that prices will rise, with energy costs inflation at about 10%. We therefore expect an improved result for the year as a whole, which will also reflect the contribution of the higher production efficiency at Maryneal (Texas).

The above considerations suggest an increasing level of profitability for the current year in the United States and slightly better results in Central and Eastern Europe. In Italy, the economic performance will be influenced by a demand that is still sluggish and a rise in inflation within the industry. In conclusion, we estimate that, in the group financials, recurring EBITDA for the whole of 2017 could increase by between 5% and 10% compared to the previous year.

Financial Information

Consolidated Income Statement

(thousands of euro)	Note	2016	2015
Net sales	7	**2,669,320**	**2,662,071**
Changes in inventories of finished goods and work in progress		6,423	(9,035)
Other operating income	8	61,292	65,150
Raw materials, supplies and consumables	9	(1,017,015)	(1,066,726)
Services	10	(651,417)	(650,420)
Staff costs	11	(456,180)	(454,518)
Other operating expenses	12	(61,823)	(73,323)
EBITDA		**550,600**	**473,199**
Depreciation, amortization and impairment charges	13	(202,611)	(209,160)
Operating profit		**347,989**	**264,039**
Equity in earnings of associates and joint ventures	14	79,876	57,428
Gains on disposal of investments	15	179	5,733
Finance revenues	16	55,682	54,712
Finance costs	16	(202,846)	(159,788)
Profit before tax		**280,880**	**222,124**
Income tax expense	17	(132,186)	(94,006)
Profit for the year		**148,694**	**128,118**
Attributable to:			
Owners of the company		145,866	125,330
Non-controlling interests		2,828	2,788

(euro)			
Earnings per share	18		
basic			
ordinary		0.705	0.605
savings		0.729	0.629
diluted			
ordinary		0.970	0.754
savings		0.994	0.778

Consolidated Statement of Comprehensive Income

(thousands of euro)	**2016**	**2015**
Profit for the year	**148,694**	**128,118**
Items that will not be reclassified to profit or loss		
Actuarial gains (losses) on post-employment benefits	(16,979)	10,996
Income tax relating to items that will not be reclassified	3,497	(1,924)
Total items that will not be reclassified to profit or loss	**(13,482)**	**9,072**
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	136,099	126,236
Share of currency translation differences of associates and joint ventures valued by the equity method	(24,074)	(24,010)
Total items that may be reclassified subsequently to profit or loss	**112,025**	**102,226**
Other comprehensive income for the year, net of tax	**98,543**	**111,298**
Total comprehensive income for the year	**247,237**	**239,416**
Attributable to:		
Owners of the company	239,528	238,855
Non-controlling interests	7,709	561

Consolidated Balance Sheet

(thousands of euro)	Note	Dec 31, 2016	Dec 31, 2015
Assets			
Non-current assets			
Goodwill	19	561,234	544,071
Other intangible assets	19	46,906	41,120
Property, plant and equipment	20	3,208,033	3,090,889
Investment property	21	21,657	22,786
Investments in associates and joint ventures	22	366,859	373,335
Available-for-sale financial assets	23	2,154	2,134
Deferred income tax assets	39	38,874	50,688
Derivative financial instruments	24	-	4,103
Other non-current assets	25	36,429	36,083
		4,282,146	**4,165,209**
Current assets			
Inventories	26	397,378	377,682
Trade receivables	27	391,937	364,342
Other receivables	28	125,984	88,127
Available-for-sale financial assets	23	3,513	2,890
Derivative financial instruments	24	-	7,714
Cash and cash equivalents	29	603,333	503,454
		1,522,145	**1,344,209**
Assets held for sale	30	4,594	11,400
Total Assets		**5,808,885**	**5,520,818**

(thousands of euro)	Note	Dec 31, 2016	Dec 31, 2015
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	257,475	149,222
Retained earnings	34	1,939,338	1,826,238
Treasury shares		(4,768)	(4,768)
		2,774,378	**2,553,025**
Non-controlling interests	35	32,497	26,393
Total Equity		**2,806,875**	**2,579,418**
Liabilities			
Non-current liabilities			
Long-term debt	36	1,381,407	970,509
Derivative financial instruments	24	105,422	47,740
Employee benefits	37	444,406	432,263
Provisions for liabilities and charges	38	87,187	86,916
Deferred income tax liabilities	39	507,761	455,208
Other non-current liabilities	40	11,990	18,063
		2,538,173	**2,010,699**
Current liabilities			
Current portion of long-term debt	36	56,379	527,733
Short-term debt	36	691	1,701
Trade payables	41	237,875	245,237
Income tax payables	42	16,869	19,502
Provisions for liabilities and charges	38	21,873	21,267
Other payables	43	130,150	114,749
		463,837	**930,189**
Liabilities held for sale	30	-	512
Total Liabilities		**3,002,010**	**2,941,400**
Total Equity and Liabilities		**5,808,885**	**5,520,818**

Consolidated Statement of Cash Flows

(thousands of euro)	Note	2016	2015
Cash flows from operating activities			
Cash generated from operations	44	467,463	444,881
Interest paid		(61,531)	(74,909)
Income tax paid		(101,793)	(68,350)
Net cash generated from operating activities		**304,139**	**301,622**
Cash flows from investing activities			
Purchase of intangible assets	19	(3,240)	(4,507)
Purchase of property, plant and equipment	20	(232,731)	(300,241)
Acquisition of subsidiaries, net of cash acquired		(191)	1,408
Purchase of other equity investments	22	(23)	(13)
Proceeds from sale of property, plant and equipment		21,111	10,308
Proceeds from sale of equity investments		433	9,023
Changes in available-for-sale financial assets	23	(517)	816
Changes in financial receivables		610	10,549
Dividends received from associates	16, 22	66,991	39,890
Interest received		14,573	8,561
Net cash used in investing activities		**(132,984)**	**(224,206)**
Cash flows from financing activities			
Proceeds from long-term debt	36	494,115	166,455
Repayments of long-term debt	36	(563,784)	(168,965)
Net change in short-term debt	36	(240)	1,085
Changes in financial payables		13,368	3,724
Changes in ownership interests without loss of control		(217)	(874)
Dividends paid to owners of the company	45	(15,415)	(10,277)
Dividends paid to non-controlling interests		(858)	(460)
Net cash used in financing activities		**(73,031)**	**(9,312)**
Increase in cash and cash equivalents		**98,124**	**68,104**
Cash and cash equivalents at beginning of year		503,454	412,590
Translation differences		2,232	22,540
Change in scope of consolidation		(477)	220
Cash and cash equivalents at end of year	**29**	**603,333**	**503,454**

Consolidated Statement of Changes in Equity

(thousands of euro)	Share capital	Share premium	Other reserves	Retained earnings	Treasury shares	Total	Non-controlling interests	Total Equity
	Attributable to owners of the company							
Balance as at January 1, 2015	**123,637**	**458,696**	**46,465**	**1,711,064**	**(4,768)**	**2,335,094**	**27,038**	**2,362,132**
Profit for the year	**-**	**-**	**-**	**125,330**	**-**	**125,330**	**2,788**	**128,118**
Other comprehensive income for the year, net of tax	-	-	104,460	9,066	-	**113,526**	(2,228)	**111,298**
Total comprehensive income for the year	**-**	**-**	**104,460**	**134,396**	**-**	**238,856**	**560**	**239,416**
Dividends paid	-	-	-	(10,277)	-	**(10,277)**	(1,216)	**(11,493)**
Withholding tax on foreign dividends	-	-	-	(2,054)	-	**(2,054)**	-	**(2,054)**
Acquisition of non-controlling interests	-	-	-	(8,770)	-	**(8,770)**	11	**(8,759)**
Other changes	-	-	(1,703)	1,879	-	**176**	-	**176**
Balance as at December 31, 2015	**123,637**	**458,696**	**149,222**	**1,826,238**	**(4,768)**	**2,553,025**	**26,393**	**2,579,418**
Profit for the year	**-**	**-**	**-**	**145,866**	**-**	**145,866**	**2,828**	**148,694**
Other comprehensive income for the year, net of tax	-	-	107,114	(13,453)	-	**93,661**	4,882	**98,543**
Total comprehensive income for the year	**-**	**-**	**107,114**	**132,413**	**-**	**239,527**	**7,710**	**247,237**
Dividends paid	-	-	-	(15,415)	-	**(15,415)**	(806)	**(16,221)**
Withholding tax on foreign dividends	-	-	-	(2,981)	-	**(2,981)**	-	**(2,981)**
Acquisition of non-controlling interests	-	-	-	(145)	-	**(145)**	(800)	**(945)**
Other changes	-	-	1,139	(772)	-	**367**	-	**367**
Balance as at December 31, 2016	**123,637**	**458,696**	**257,475**	**1,939,338**	**(4,768)**	**2,774,378**	**32,497**	**2,806,875**

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 and Mexico.

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

These consolidated financial statements were authorized for issue by the board of directors on 30 March 2017.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of Buzzi Unicem SpA have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission and with the provisions implementing article 9 of Legislative Decree no. 38/2005. The definition of IFRS also encompasses all valid International Accounting Standards (IAS) as well as all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), including those formerly issued by the Standing Interpretations Committee (SIC).

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets/liabilities (including derivative instruments) at fair value through profit or loss, as well as on the going concern basis.

The format of the financial statements selected by Buzzi Unicem is the following: for the income statement application of the nature of expense method and the 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 48 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. Awaiting new interpretations, the accounting method followed provides not to value as assets the free emissions allowances allocated and to recognize only the effects of emission rights purchasing and/or selling transactions. Moreover a liability is recognized only when emissions exceed the allowances allocated and the deficit will have to be remedied through the purchase of the rights at fair value. Considering the operating conditions expected for the near future, under the third phase of the Emissions Trading Scheme (2013-2020), we expect the allowances allocated to Buzzi Unicem's manufacturing units in the EU countries other than Italy to become gradually in short supply versus the foreseen emissions. On the other hand, the emissions produced by the Italian cement plants should continue to fall behind the allocated rights.

Standards, amendments and interpretations effective in 2016

The following standards, amendments and interpretations are mandatory for the first time effective from 1 January 2016, but they are not relevant for the group and/or have had no impact on the consolidated financial statements presented herein.

- IAS 1 Presentation of financial statements (amendment): disclosure initiative. It is designed to further encourage companies to apply a professional judgment in determining which information to disclose in their financial statements. For example, the amendment makes clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Its adoption had no effect on the financial statements items, but only an impact on the format of the disclosures.

- IFRS 11 Joint arrangements (amendment): Accounting of investments in jointly controlled entities. The standard provides clarifications about the method to account for interests in jointly controlled entities which represents an activity segment.

- IAS 16 Property, plant and equipment and IAS 38 Intangible assets (amendments) clarification of acceptable methods of depreciation and amortization. The amendments clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate, because such method reflects a pattern of generation of economic benefits that arise from the operation of the business of which an asset is part, rather than the pattern of consumption of an asset's expected future economic benefits.

- IAS 27 Separate financial statements (amendment): equity method in separate financial statements. The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Annual improvements 2012-2014 Cycle; is a series of amendments to IFRSs in response to four issues raised during the 2012-2014 cycle. They relate largely to clarifications, therefore their adoption had no material impact on the group.

- Investment entities (amendments to IFRS 10, IFRS 12 and IAS 28): applying the consolidation exception The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities.

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

- IFRS 9 Financial instruments and subsequent amendments (effective from 1 January 2018, early adoption is allowed). The complete version of this standard was published in July 2014. This new standard replaces IAS 39 Financial instruments: recognition and measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. IFRS 9 introduces a new model for expected losses that replaces the one for incurred losses used in IAS 39. For financial liabilities the main change relates to the accounting for changes in fair value attributable to changes in the credit risk of financial liabilities designated at fair value through profit or loss. According to the new accounting principle, those changes shall be presented directly in other comprehensive income, without affecting the income statement. The standard revises also the approach to the so called hedge accounting. Based on the preliminary analysis that has been carried out, IFRS 9 is likely to affect mainly the presentation of financial instruments and the associated disclosures.

- IFRS 15 Revenue from contracts with customers (effective from 1 January 2018). The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, the payment) to which the company expects to be entitled in exchange for those goods or services. The standard results in enhanced disclosures about revenues, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. According to the nature of our business - whereas the transaction price is allocated to goods delivered or services rendered to customers where there is no condition or uncertainty implying a reversal thereof, and customers assume the risk of loss - it is expected that the adoption of IFRS 15 should not have any significant impact on the consolidated financial statements, except for the related disclosures requirements.

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

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

- IFRS 16 Leases (effective from 1 January 2019). The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract and replaces the previous leases standard, IAS 17 Leases. IFRS 16, which is not applicable to service contracts, but only applicable to leases or lease components of a contract, defines a lease as a contract that conveys to the customer (lessee) the right to use an asset for a period of time in exchange for consideration. IFRS 16 eliminates the classification of leases for the lessee as either operating leases or finance leases as ruled by IAS 17 and instead, introduces a single lessee accounting model whereby a lessee is required to recognize assets and liabilities for all leases with a term that is greater than 12 months, unless the underlying asset is of low value, and to recognize depreciation of leased assets separately from interest expense on lease liabilities in the income statement. Buzzi Unicem is assessing the impact that IFRS 16 will have on the accounting treatment of its lease contracts. Preliminarily, we consider that upon simplified retrospective adoption of IFRS 16, most of the actual operating leases will be recognized on the balance sheet increasing fixed assets and financial liabilities, with no material effect on the net assets of the group. The information relating to future minimum lease payments and the nature of operating lease contracts is provided in note 46.

- IAS 12 Income Taxes (amendment): recognition of deferred tax assets for unrealized losses (effective from 1 January 2017). The amendment clarifies how to account for deferred tax assets related to debt instruments measured at fair value.

- IAS 7 Statement of Cash Flows (amendment): disclosure initiative (effective from 1 January 2017). The amendment introduces additional disclosures that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

- Clarifications to IFRS 15 Revenue from contracts with customers (effective from 1 January 2018). The amendments clarify several implementation issues discussed by the Transition Resource Group, among which how to identify a performance obligation in a contract; how to determine whether a company is a principal or an agent and how to determine whether the revenue from granting a licence should be recognized at a point in time or over time.

- IFRS 2 Share based payments (amendments): classification and measurement of share-based payment transactions (effective from 1 January 2018).The amendments eliminate diversity in the classification and measurement of particular share-based payment transactions.

- Annual Improvements 2014–2016 Cycle; is a series of amendments to three IFRSs. They relate largely to clarifications, therefore their adoption will not have a material impact on the group.

- IFRIC 22 Foreign currency transactions and advance consideration (effective from 1 January 2017). The interpretation addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency.

- IAS 40 Investment property (amendment): transfers of investment property (effective from 1 January 2018). The amendment clarifies the requirements on transfers to and/or from investment property.

2.2 Consolidation

Subsidiaries

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

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

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

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

Subsidiaries either dormant or immaterial, both from an investment point of view and in terms of their net equity and results, are not consolidated and are valued at cost less any provision for impairment.

Changes in ownership interests in subsidiaries

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

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

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

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

Joint arrangements

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

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

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

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

Associates

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

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

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

Associates either dormant or immaterial, both from an investment point of view and in terms of their net equity and results, are valued at cost less any provision for impairment.

Investments in other companies

Other corporations or partnerships, normally not listed companies below 20% ownership, are carried at fair value (available-for-sale financial assets), when this can be reliably determined. Gains or losses arising from changes in fair value are recognized directly in other comprehensive income until the assets are sold or impaired, when the accumulated fair value adjustments previously recognized in other comprehensive income are included in the income statement of the period. Impairment losses recognized in the income statement on available-for-sale equity instruments are not reversed through the income statement.

Those unquoted equity instruments for which fair value is not available and it cannot be measured reliably are carried at cost less any provision for impairment.

2.3 Segment reporting

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

2.4 Foreign currency translation

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

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

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss, are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

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)	**2016**	**2015**	**2016**	**2015**
US Dollar	1.0541	1.0887	1.1069	1.1095
Czech Koruna	27.0210	27.0230	27.0343	27.2792
Ukrainian Hryvnia	28.7386	26.1587	28.2849	24.2814
Russian Ruble	64.3000	80.6736	74.1446	68.0720
Polish Zloty	4.4103	4.2639	4.3632	4.1841
Hungarian Forint	309.8300	315.9800	311.4379	309.9956
Mexican Peso	21.7719	18.9145	20.6673	17.6157
Algerian Dinar	116.3790	116.7020	121.0972	111.3613

2.5 Revenue recognition

The group recognizes revenue when it is probable that future economic benefits will flow to the entity and the amount of revenue can be reliably measured. Revenue from the sale of goods and services is reported net of value-added tax, returns, rebates and discounts.

Sales of goods are recognized when a group entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured. Sales of services are recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

2.6 Finance revenues

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

2.7 Finance costs

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

2.8 Leases

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

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

2.9 Government grants

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

2.10 Intangible assets

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

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

Separately acquired trademarks and licenses are capitalized on the basis of the costs incurred. Trademarks and licenses acquired in a business combination are recognized at fair value at the acquisition date. Trademarks and licenses have a finite useful life and are amortized using the straight-line method over their estimated useful lives.
Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of five years. Costs associated with developing or maintaining computer software are recognized as an expense as incurred.

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

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

2.11 Property, plant and equipment

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

Land is not depreciated. Raw material reserves (quarries) are depleted in the ratio of the quarried material during the period to extractable minerals.

Costs incurred to gain access to raw materials deposits (stripping costs) are capitalized and depreciated using the units of production method over the expected useful life of the identified component of the ore body that becomes accessible as a result of the stripping activity.

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

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

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

2.12 Investment property

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

2.13 Impairment of non-financial assets

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

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

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

2.14 Non-current assets held for sale

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

2.15 Financial assets

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. Purchases and sales of financial assets are accounted for at settlement date.

A financial asset at fair value through profit or loss is a financial asset that is classified as held for trading or upon initial recognition it is designated as such by the entity. Assets held for trading are included within current assets. Other assets at fair value through profit or loss, like a derivative that is not held for trading purposes or is a designated hedging instrument, are presented as current or non-current on the basis of their settlement date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

Financial assets at fair value through profit or loss and financial assets available-for-sale are initially recognized and subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains and losses arising from changes in the fair value of financial assets at fair value through profit and loss are included in the income statement in the period in which they arise. Fair value changes of securities classified as available-for-sale are recognized in other comprehensive income, except for impairment losses, interest calculated using the effective interest method and foreign exchange gains or losses. The cumulative fair value adjustments are included in the income statement when an available-for-sale financial asset is derecognized.

The group assesses at each balance sheet date whether there is objective evidence of impairment relating to financial assets carried at amortized cost or as available-for-sale. If any such evidence exists, a detailed calculation is carried out to determine whether an impairment loss should be recognized in the income statement. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired.

2.16 Derivative financial instruments

The group makes use of derivative contracts only for hedging purposes, to reduce currency, interest rate and market price risks.

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

Hedge accounting is allowed only when at the inception of the hedge there is formal designation and documentation of the hedging relationship, the hedge is expected to be highly effective, its effectiveness can be reliably measured and it is highly effective both at inception and on an ongoing basis. The group doesn't 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 are amounts due from customers for goods sold or services performed in the ordinary course of business. They are recognized at fair value, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The allowance covers collection risks, calculated on individual doubtful accounts, as well as on the basis of past experience and the level of solvency of debtors or classes of debtors.

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 fair value.

2.19 Cash and cash equivalents

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

2.20 Treasury shares

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

2.21 Debt and borrowings

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

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

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

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

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

2.22 Current and deferred income tax

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

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

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

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

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

2.23 Employee benefits

Pension plans

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

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

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

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

Other post-employment benefits

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

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

2.24 Provisions for liabilities and charges

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

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

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

2.25 Dividend distribution

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

3. Financial risk management

3.1 Financial risk factors

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

Market risk

Buzzi Unicem operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the currencies of Russia, Ukraine and Poland. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. The foreign subsidiaries or joint ventures enjoy a natural hedging on market risk, since all major commercial transactions are made in their functional currency and are not suffering from the foreign exchange fluctuations. Management has introduced a policy to require the group entities to control their residual exposure to exchange rate risk, by using mainly debt instruments, cash in foreign currency or derivative contracts, such as for example forward purchase, transacted according to internal guidelines. The general medium/long-term policy is to hedge between 40% and 60% of anticipated cash flows in each major foreign currency for the subsequent twelve months.

The net investments in foreign operations 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)	2016	2015
Euro	(97,507)	(97,538)
US Dollar	(7,431)	(5,096)
Czech Koruna	(1,509)	(1,550)
Russian Ruble	(40,448)	(32,474)
Polish Zloty	(12,974)	(23,279)

As at 31 December 2016, with reference to the same data 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 €6,236 thousand higher/lower (2015: €7,121 thousand higher/lower). Profit is especially sensitive to movement in euro/dollar, euro/zloty and in euro/ruble exchange rates.

Buzzi Unicem has a very limited exposure to equity securities price risks because of investments classified on the balance sheet as available for sale 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 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 to be convenient.

For the group changes in market interest rates can affect the cost of the various forms of financing or the return on investments in monetary instruments, causing an impact at the level of net finance costs incurred. The interest rate risk arises mainly from long-term debt. Borrowings issued at variable rates expose the group to cash flow interest rate risk, which is partially offset by cash invested at variable rates. Borrowings issued at fixed rates expose the group to fair value interest rate risk. Buzzi Unicem's policy is to maintain about 60% of its long-term borrowings in fixed rate instruments. At the balance sheet date, the share of indebtedness at fixed rate is higher, close to 78%. Borrowings at variable rate at the end of 2016 were denominated in euro and in US dollar.

The group analyses its interest rate exposure on a dynamic basis, taking into consideration refinancing, renewal of existing positions, alternative financing and possible hedging. Based on the simulations performed, the impact on profit before tax of a 1% interest rate rise would be an increase of €2,731 thousand (2015: decrease of €673 thousand), while the impact of an interest rate reduction of 1% or equal to the amount of the actual rate in case of values between 0 and 1%, would cause a decrease of €324 thousand (2015: increase of €3,270 thousand). For each simulation, the same interest rate shift is used for all currencies. The sensitivity scenarios are run only for liabilities that represent the major interest-bearing positions and for the fair value of interest rate derivatives.

Generally, the group raises long-term borrowings at fixed rates. Management implements the best strategy about interest rates according to market conditions and, when deemed appropriate, the group enters into interest rate derivatives to hedge the fair value interest rate risk.

At 31 December 2016, if interest rates on euro-denominated financial assets and financial liabilities had been 1% higher with all other variables held constant, profit before tax for the year would have been €6 thousand lower (2015: €2,029 thousand lower); if instead interest rates had been lower by 1% or by an amount equal to the actual rate in case of values between 0 and 1%, profit before tax for the year would have been €1,442 thousand higher (2015: €2,892 thousand higher). 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 2016, if interest rates on cash and equivalents denominated in US dollars at that date had been 1% higher with all other variables held constant, profit before tax for the year would have been €2,269 thousand higher (2015: €953 thousand higher), mainly reflecting the repayment of USPP bonds which occurred during the year and of a greater cash balance in foreign currency; if instead interest rates had been lower by 1% or by an amount equal to the actual rate in case of values between 0 and 1%, profit before tax for the year would have been €1,462 thousand lower (2015: €654 thousand higher).

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. In some countries there are insurance policies or equivalent instruments to cover trade credit risk.

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 at all times so that the group does not breach borrowing limits or covenants (where applicable) on any of its facilities.

Estimates and projections, considering the changes that may occur in the profitability trend, show that the group is in a position to operate at the present level of financing. Buzzi Unicem prepares the refinancing of borrowings in due time before the upcoming maturities. The company uses different debt instruments and maintains a regular relationship with the usual and prospective financing institutions about the future needs, from which it appears that renewal may take place under acceptable terms. The analysis of maturity dates for the main financial liabilities is included within note 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 calculated as total borrowings less cash and cash equivalents. 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 2016, the group's long term strategy, unchanged versus the previous year, was to maintain a gearing ratio below 40%, to aim at a Net debt/EBITDA ratio of about 2 times and to regain its investment grade credit rating (currently BB+ with positive Outlook).

The ratios as at 31 December 2016 and 31 December 2015 were as follows:

(thousands of euro)	**2016**	**2015**
Net debt [A]	941,555	1,029,734
Equity	2,806,875	2,579,418
Total Capital [B]	3,748,430	3,609,152
Gearing [A/B]	**25%**	**29%**
Net debt [A]	941,555	1,029,734
Operating cash flow (EBITDA) [C]	550,600	473,199
Leverage [A/C]	**1.71**	**2.18**

The favorable change in the two ratios during 2016 resulted primarily from an improvement in cash flows from operating activities and the close monitoring of capital expenditures, both for expansion of production capacity and for the recurring maintenance and compliance projects.

3.3 Fair value estimation

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

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

The following table presents the assets and liabilities that are measured at fair value at 31 December 2016:

(thousands of euro)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Derivative financial instruments (non-current)	-	-	-	-
Derivative financial instruments (current)	-	-	-	-
Available-for-sale financial assets (current)	3,513	-	-	3,513
Total Assets	**3,513**	**-**	**-**	**3,513**
Liabilities				
Derivative financial instruments (non-current)	-	(105,422)	-	(105,422)
Total Liabilities	**-**	**(105,422)**	**-**	**(105,422)**

The following table presents the assets and liabilities that are measured at fair value at 31 December 2015:

(thousands of euro)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Derivative financial instruments (non-current)	-	4,103	-	4,103
Derivative financial instruments (current)	-	7,714	-	7,714
Available-for-sale financial assets (current)	2,889	1	-	2,890
Total Assets	**2,889**	**11,818**	**-**	**14,707**
Liabilities				
Derivative financial instruments (non-current)	-	(47,740)	-	(47,740)
Total Liabilities	**-**	**(47,740)**	**-**	**(47,740)**

During 2016, there were no transfers between the different levels of fair value measurement.

The fair value of assets and liabilities was mainly influenced by the trend of the euro/dollar exchange rate, by interest rates curves and by the development of the stock market.

The fair value of derivatives considers the adjustment for credit and/or counterparty risk, also taking into account any guarantees granted. There were no changes in the valuation techniques adopted during both 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 usually comprise forward foreign exchange, interest rate swaps, cross currency swaps and the cash settlement option related to the equity linked convertible bond. Forward foreign exchange contracts have been valued considering quoted exchange rates. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves and applied to different contract maturities. Cross currency swaps have been fair valued using the quotation of currency exchange rates and the forward interest rates extracted from observable yield curves and applied to different contract maturities. The cash settlement option of the convertible bond has been fair valued using quotations of the public bonds and of Buzzi Unicem ordinary share, considering the implied volatility. Level 2 available-for-sale financial assets are fair valued at nominal value.

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

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

4. Critical accounting estimates and assumptions

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

Other disclosures about Buzzi Unicem exposure to risks and uncertainties are provided in the following notes:
- Capital management (note 3.2)
- Financial risk factors (note 3.1)
- Sensitivity analysis (note 19, 22 and 37)

Estimates and assumptions

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

- *Impairment of non-financial assets*

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

- *Current and deferred income tax*

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

- *Defined benefit plans (pension plans)*

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

- *Provisions for liabilities and charges*

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

- *Fair value measurement of financial instruments*
  When the fair value of a financial asset or liability recorded in the balance sheet cannot be measured based on quoted prices in active markets, then it is determined by using various valuation techniques, including the discounted cash flow model. The inputs to these models are taken from observable markets when possible, but if 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 instruments (see note 3.3 for further disclosures).

5. Scope of consolidation

The consolidated financial statements as at and for the year ended 31 December 2016 include the company and 83 consolidated subsidiaries. The total number of consolidated subsidiaries decreased by 8 compared with that at the end of the previous year. Excluded from consolidation are 12 subsidiaries that are either dormant or immaterial. During the year some mergers took place within the group, to continue streamlining and simplifying the organizational structure, and without any material effect on the consolidated financial statements.

The following changes in scope of consolidation occurred during 2016:

- sale of Lichtner Dyckerhoff Beton Niedersachsen GmbH & Co. KG (50%) (50%) and of Beton Union Plzen sro (71,2%), previously consolidated line-by-line;

- at the beginning of 2016 the cement operations in Ukraine, carried out by the two fully consolidated companies PAT YUGcement and PAT Volyn-Cement, were transferred to a new line-by-line consolidated subsidiary named PAT Dyckerhoff Cement Ukraine effective 1 January 2016; the two idle entities entered into a liquidation process, which was completed in November and September 2016 respectively.

The above mentioned scope changes are not, overall, material for comparative purposes.

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 segment profit or loss and of capital expenditures by segment is consistent with that 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.

2016

(thousands of euro)	Italy	Central Europe	Eastern Europe	United States of America	Unallo-cated items and adjust-ments	Total	Mexico 100%
Segment revenue	372,850	723,237	463,315	1,109,072	846	**2,669,320**	609,006
Intersegment revenue	(1,480)	(17)	-	-	1,497	**-**	-
Revenue from external customers	371,369	723,220	463,315	1,109,072	2,344	**2,669,320**	609,006
Ebitda	(22,445)	102,633	113,752	356,472	188	**550,600**	293,409
Depreciation	(29,414)	(41,393)	(37,066)	(89,211)	-	**(197,084)**	(31,504)
Impairment charges	(3,437)	(313)	(1,781)	-	-	**(5,531)**	-
Write-ups	-	-	-	4	-	**4**	-
Operating profit	(55,295)	60,927	74,905	267,264	188	**347,989**	261,905
Equity earnings	70,836	2,582	266	6,192	-	**79,876**	-
Purchase of intangible and tangibles assets	25,364	51,150	34,555	124,902	-	**235,971**	62,334
Purchase of equity investments	26	171	234	-	-	**431**	-

2015

(thousands of euro)	Italy	Central Europe	Eastern Europe	United States of America	Unallo-cated items and adjust-ments	Total	Mexico 100%
Segment revenue	379,430	720,156	466,033	1,096,206	246	**2,662,071**	625,927
Intersegment revenue	(1,391)	(42)	-	-	1,433	**-**	-
Revenue from external customers	378,039	720,114	466,033	1,096,206	1,679	**2,662,071**	625,927
Ebitda	(37,427)	91,840	106,952	311,729	105	**473,199**	256,166
Depreciation	(30,845)	(43,990)	(38,222)	(81,969)	22	**(195,004)**	(28,166)
Impairment charges	(13,852)	(484)	(738)	-	-	**(15,074)**	-
Write-ups	918	-	-	-	-	**918**	-
Operating profit	(81,207)	47,366	67,992	229,761	127	**264,039**	228,000
Equity earnings	51,445	2,065	239	3,679	-	**57,428**	-
Purchase of intangible and tangibles assets	18,551	39,760	26,040	220,397	-	**304,748**	46,325
Purchase of equity investments	95	(662)	46	-	-	**(521)**	-

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

2016

(thousands of euro)	Italy	Central Europe	Eastern Europe	United States of America	Total	Mexico 100%
Cement	173,515	379,850	324,137	815,030	**1,692,532**	496,654
Concrete and aggregates	201,698	343,370	139,178	292,542	**976,788**	112,351
					2,669,320	609,006

2015

(thousands of euro)	Italy	Central Europe	Eastern Europe	United States of America	Total	Mexico 100%
Cement	193,168	379,495	326,714	778,551	**1,677,928**	494,133
Concrete and aggregates	186,549	340,619	139,319	317,656	**984,143**	131,794
					2,662,071	625,927

The group is domiciled in Italy. Revenue from external customers realized in Italy is €353,562 thousand (2015: €352,106 thousand) and total revenue from external customers from other countries is €2,315,758 thousand (2015: €2,309,965 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 €645,115 thousand (2015: €663,185 thousand), while the total of such non-current assets located in other countries is €3,598,158 thousand (2015: €3,447,234 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

Net sales breakdown is as follows:

(thousands of euro)	2016	2015
Cement and clinker	1,662,705	1,650,545
Ready-mix concrete and aggregates	978,543	985,391
Related activities	28,072	26,135
	2,669,320	**2,662,071**

The 0.3% increase compared with the year 2015 is due to unfavorable currency effects for 1.0%, to a decrease in the scope of consolidation for 0.4% and to favorable market trends for 1.7%. Reference is made to the operating segment information for additional disclosure (note 6).

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)	2016	2015
Recovery of expenses	11,493	7,924
Indemnity for damages	932	1,335
Revenue from leased properties	8,175	10,254
Gains on disposals of property, plant and equipment	12,774	7,933
Capital grants	418	433
Release of provisions	2,549	6,929
Internal work capitalized	2,703	3,910
Sale of emission rights	712	798
Other	21,536	25,634
	61,292	**65,150**

The caption gains on disposals of property, plant and equipment includes the amounts related to the sale of various plot of lands and buildings situated in Germany, the Netherlands, Poland and Italy for a total amount of €4,215 thousand, the sale of mixer trucks in the Netherlands for €1,194 thousand and the sale of the vessel "Emmy Yvonne", also in the Netherlands, for €3,386 thousand.
In 2015 the caption included the amounts related to the sale of fixed assets from the idle plants in Independence, Kansas, for €1,803 thousand and Oglesby, Illinois, for €397 thousand besides land in Germany for €1.770 thousand.

In 2015 the caption release of provisions included €5,600 thousand referred to the restatement of the Unical (ready-mix) antitrust fine by the Tar of Lazio, with 20 April 2015 judgment.

9. Raw materials, supplies and consumables

(thousands of euro)	2016	2015
Raw materials, supplies and consumables	620,346	630,885
Finished goods and merchandise	38,999	47,174
Electricity	176,160	182,625
Fuels	155,131	185,276
Other goods	26,379	20,766
	1,017,015	**1,066,726**

10. Services

(thousands of euro)	2016	2015
Transportation	363,470	364,134
Maintenance and contractual services	126,043	126,822
Insurance	13,363	12,596
Legal and professional consultancy	14,588	16,019
Operating leases of property and machinery	36,226	35,381
Travel	6,120	6,169
Other	91,607	89,299
	651,417	**650,420**

11. Staff costs

(thousands of euro)	2016	2015
Salaries and wages	338,841	335,423
Social security contributions and defined contribution plans	101,456	100,378
Employee severance indemnities and defined benefit plans	11,762	12,331
Other long-term benefits	527	(308)
Other	3,594	6,694
	456,180	**454,518**

In 2016 other costs included restructuring expenses of €408 thousand (2015: €3,695 thousand) related to Italy and Germany.

The average number of employees is the following:

(number)	2016	2015
White collar and executives	3,695	3,740
Blue collar and supervisors	6,419	6,180
	10,114	**9,920**

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)	2016	2015
Write-down of receivables	2,421	8,768
Provisions for liabilities and charges	7,542	7,917
Association dues	5,714	6,198
Indirect taxes and duties	33,132	31,903
Losses on disposal of property, plant and equipment	1,323	1,416
Other	11,691	17,121
	61,823	**73,323**

The write-down of receivables is netted by releases in the provision for doubtful accounts amounting to €4,366 thousand.

The provision for environmental restoration (quarries) accrued during the year is €3,820 thousand (2015: €3,393 thousand).

13. Depreciation, amortization and impairment charges

(thousands of euro)	2016	2015
Amortization of intangible assets	5,067	4,894
Depreciation of property, plant and equipment	192,017	190,131
Impairment losses of non-current assets	5,527	14,135
	202,611	**209,160**

The impairment losses of fixed assets include €2,097 thousand related to machinery and equipment of the Sorbolo (PR) plant in Italy, €1,686 thousand to sand and gravel quarries in the Czech Republic and Slovakia and €1,014 thousand to land in Salussola (BI, Italy).

In 2015 the caption included: impairment losses related to machinery and equipment of the plants in Sorbolo (PR) for € 6,248 thousand and in Cairo Montenotte (SV) for €2,745 thousand. The caption also included the impairment of various lands and quarries of the ready-mix concrete sector in Italy for a total amount of €4,714 thousand.

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)	2016	2015
Associates		
Société des Ciments de Hadjar Soud EPE SpA	2,713	(1,175)
Société des Ciments de Sour El Ghozlane EPE SpA	2,827	(688)
Bétons Feidt S.A.	1,587	1,154
Kosmos Cement Company	6,192	3,660
Houston Cement Company	66	19
w&p Cementi SpA	4	(831)
Salonit Anhovo Gradbeni Materiali dd	1,010	1,108
Other associates	32	691
	14,431	**3,938**
Joint ventures		
Corporación Moctezuma, SAB de CV	65,629	54,366
Other joint ventures	(184)	(876)
	65,445	**53,490**
	79,876	**57,428**

15. Gains on disposal of investments

This line item consists of non-recurring income arising mainly from the sale of the ownership interest in the subsidiaries Lichtner Dyckerhoff Beton Niedersachsen GmbH & Co. KG and Beton Union Plzen sro.

In 2015 this item mainly referred to the sale of our stake in the joint venture Addiment Italia Srl.

16. Finance revenues and Finance costs

(thousands of euro)	2016	2015
Finance revenues		
Interest income on liquid assets	6,454	3,563
Interest income on interest rate swap contracts	1,512	3,594
Interest income on plan assets of employee benefits	10,624	10,585
Changes in the fair value of derivative instruments	5,826	10,950
Foreign exchange gains	28,510	21,910
Dividend income	82	324
Other	2,674	3,786
	55,682	**54,712**
Finance costs		
Interest expense on bank borrowings	(10,890)	(12,689)
Interest expense on senior notes and bonds	(63,526)	(61,122)
Interest expense on employee benefits	(22,213)	(21,538)
Changes in the fair value of derivative instruments	(69,499)	(31,343)
Discount unwinding on liabilities	(4,235)	(279)
Foreign exchange losses	(28,843)	(27,594)
Other	(3,640)	(5,223)
	(202,846)	**(159,788)**
Net finance costs	**(147,164)**	**(105,076)**

The increase in net finance costs from the previous year is due to the trend of non-cash items, in particular to the fair value estimation of the cash settlement option embedded in the equity-linked bond (charge of €57,682 thousand), partially offset by the favorable effect due to the improvement in the net financial position.

17. Income tax expense

(thousands of euro)	2016	2015
Current tax	81,611	89,600
Deferred tax	51,400	10,299
Tax relating to prior years	(825)	(5,893)
	132,186	**94,006**

The decrease in current tax is basically ascribable to the tax benefit deriving from the accelerated depreciation plan relating to the new Maryneal plant, Texas.

Simultaneously the increase in deferred taxes is attributable to the accelerated depreciation on the new production line at Maryneal, Texas, amounting to € 33,121 thousand; in Ukraine deferred tax assets were written off for an amount of €4,425 thousand (see also note 47).

Furthermore, the caption is negatively affected by the non-recognition of deferred tax assets on tax losses accrued in Italy for €51,243 thousand (2015: €42,184 thousand) due to the judgment on their future utilization in the next five years.

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

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

(thousands of euro)	**2016**	**2015**
Profit before tax	280,880	222,124
Italian income tax rate (IRES)	27.50%	27.50%
Theoretical income tax expense	**77,242**	**61,084**
Tax effect of permanent differences	(38,358)	(29,460)
Tax relating to prior years	(825)	(5,893)
Effect of difference between Italian and foreign tax rates	18,612	12,670
Effect of a rate change on deferred income tax	1,377	1,640
Use of tax losses for which no deferred income tax assets was recognized	(2)	(90)
Adjustments to deferred income tax	67,292	52,126
Other differences	6,848	1,929
Income tax expense	**132,186**	**94,006**

The tax rate for the year (47% of profit before tax versus 42% in 2015), as above stated, was mainly negatively affected by the non-recognition of deferred tax assets on tax losses in Italy.

18. Earnings per share

Basic

Basic earnings per share is calculated, per each class of shares, by dividing net profit attributable to equity 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.

		2016	2015
Net profit attributable to owners of the company	thousands of euro	145,866	125,330
attributable to ordinary shares	thousands of euro	116,210	99,739
attributable to savings shares	thousands of euro	29,656	25,591
Average number of ordinary shares outstanding		164,849,149	164,849,149
Average number of savings shares outstanding		40,682,659	40,682,659
Basic earnings per ordinary share	euro	0.705	0.605
Basic earnings per savings share	euro	0.729	0.629

Diluted

Diluted earnings per share is calculated by adjusting the earnings and weighted average number of shares for the effects of dilutive options and other potential dilutive shares. In particular, the instrument “Buzzi Unicem €220,000,000 1.375% Equity-Linked Bonds due 2019” is assumed to have been converted into ordinary shares and the net profit attributable to owners of the company is adjusted to eliminate both the mark-to-market valuation of the cash settlement option and interest expense on the bond itself.
The conversion option attached to the bond “Buzzi Unicem €220,000,000 1.375% Equity-Linked Bonds due 2019”, is exercisable from 1 January 2014. As at 31 December 2016, Buzzi Unicem share price was higher than the strike price.

		2016	2015
Net profit attributable to owners of the company	thousands of euro	213,679	166,428
attributable to ordinary shares	thousands of euro	173,243	134,758
attributable to savings shares	thousands of euro	40,436	31,670
Average number of ordinary shares outstanding		178,611,190	178,611,190
Average number of savings shares outstanding		40,682,659	40,682,659
Diluted earnings per ordinary share	euro	0.970	0.754
Diluted earnings per savings share	euro	0.994	0.778

19. Goodwill and Other intangible assets

(thousands of euro)	Goodwill	Other intangible assets: Industrial patents, licenses and similar rights	Assets in progress and advances	Others	Total
At 1 January 2015					
Cost/deemed cost	783,373	35,394	273	4,794	40,461
Accumulated depreciation and write-downs	(212,160)	(28,118)	-	(2,017)	(30,135)
Net book amount	**571,213**	**7,276**	**273**	**2,777**	**10,326**
Year ended 31 December 2015					
Opening net book amount	571,213	7,276	273	2,777	10,326
Translation differences	(1,644)	(4,100)	(2)	-	(4,102)
Depreciation and impairment charges	(112)	(4,636)	-	(258)	(4,894)
Additions	-	4,298	130	-	4,428
Change in scope of consolidation	(25,386)	35,009	-	-	35,009
Reclassifications	-	418	(65)	-	353
Closing net book amount	**544,071**	**38,265**	**336**	**2,519**	**41,120**
At 31 December 2015					
Cost/deemed cost	756,558	69,699	336	4,796	74,831
Accumulated depreciation and write-downs	(212,487)	(31,434)	-	(2,277)	(33,711)
Net book amount	**544,071**	**38,265**	**336**	**2,519**	**41,120**
Year ended 31 December 2016					
Opening net book amount	544,071	38,265	336	2,519	41,120
Translation differences	12,028	7,566	2	-	7,568
Depreciation and impairment charges	-	(4,809)	-	(258)	(5,067)
Additions	5,135	2,378	861	-	3,239
Change in scope of consolidation	-	(48)	-	-	(48)
Reclassifications	-	362	(268)	-	94
Closing net book amount	**561,234**	**43,714**	**931**	**2,261**	**46,906**
At 31 December 2016					
Cost/deemed cost	767,363	78,915	931	4,664	84,510
Accumulated depreciation and write-downs	(206,129)	(35,201)	-	(2,403)	(37,604)
Net book amount	**561,234**	**43,714**	**931**	**2,261**	**46,906**

At 31 December 2016, the caption industrial patents, licenses and similar rights is made up of industrial licenses (€39,668 thousand), application software for plant and office automation (€2,550 thousand), mining rights (€952 thousand), industrial patents (€420 thousand), trademarks (€124 thousand).

The increase in goodwill (€5,135 thousand) refers to the provisional value allocated to the Monvil Beton business unit, following the business combination on 31 May 2016 that is closely described in note 49. The final measurement of assets acquired and liabilities assumed at acquisition-date fair value will be determined within one year since the execution of the initial contract.

The translation differences relate for €11,188 thousand to the adjustment to the final exchange rate of the goodwill resulting from the business combination OOO Dyckerhoff Korkino Cement, which occurred at the end of 2014.

Goodwill and impairment test

Goodwill at 31 December 2016 amounts to €561,234 thousand and is broken-down as follows:

(thousands of euro)	2016	2015
Italy (Cement sector)	40,500	40,500
Italy (Concrete sector)	5,135	-
United States of America	41,238	40,156
Germany	95,948	95,948
Luxembourg	69,104	69,104
Poland	87,894	88,136
Czech Republic/Slovakia	106,699	106,699
Russia	114,716	103,528
	561,234	**544,071**

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, that are Germany, Luxembourg, the Netherlands, the Czech Republic/Slovakia, Poland, Ukraine and Russia. In the US, where the group operates through two main subsidiaries (Alamo Cement and Buzzi Unicem USA), starting from 2016 the CGUs have been unified, following the increasingly stronger integration of processes, like purchasing production and cement distribution.

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

The key assumptions used for the calculation primarily concern:

- *cash flows estimation:*

The cash flows estimate for each single CGU is based on 5-year plans approved by the board of directors. The management approach in determining the plans is based on sustainable and reasonable assumptions, which ensure consistency among prospective and historical flows and external information. Specifically, due to the lasting global financial crisis and the changed economic and market conditions, the management has adapted the risk of the countries of Buzzi Unicem's operations on the basis of the recent sector studies, adjusting similarly the average discount rates. 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									
2016	**0.98%**	**1.20%**	**1.36%**	**2.08%**	**2.84%**	**6.82%**	**2.82%**	**4.06%**	**1.94%**
2015	0.88%	1.58%	1.88%	2.78%	3.82%	5.84%	1.78%	5.20%	2.44%

- *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									
2016	**7.62%**	**5.05%**	**5.15%**	**6.26%**	**6.46%**	**24.55%**	**5.05%**	**10.70%**	**6.53%**
2015	7.53%	5.08%	5.18%	6.24%	6.43%	23.28%	5.08%	12.12%	6.42%

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.

Looking at the different CGUs, the comparison between the recoverable amount resulting from the calculation and the carrying amount did not indicate the need to recognize an impairment loss on goodwill.

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

20. Property, plant and equipment

(thousands of euro)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Assets in progress and advances	Other	Total
At 1 January 2015						
Cost/deemed cost	2,627,302	4,078,747	372,166	183,598	106,644	7,368,457
Accumulated depreciation and write-downs	(1,094,806)	(3,030,411)	(282,690)	(33,861)	(91,279)	(4,533,047)
Net book amount	**1,532,496**	**1,048,336**	**89,476**	**149,737**	**15,365**	**2,835,410**
Year ended 31 December 2015						
Opening net book amount	1,532,496	1,048,336	89,476	149,737	15,365	2,835,410
Translation differences	122,554	21,529	3,937	14,261	812	163,093
Additions	13,794	54,837	22,649	215,024	1,756	308,060
Change in scope of consolidation	(1,382)	(536)	1,067	(1,178)	(219)	(2,248)
Disposals and other	(5,669)	(2,378)	(277)	(445)	(90)	(8,859)
Depreciation and impairment charges	(36,270)	(141,631)	(20,401)	(80)	(4,416)	(202,798)
Reclassifications	(17,642)	91,683	(7,806)	(68,900)	896	(1,769)
Closing net book amount	**1,607,881**	**1,071,840**	**88,645**	**308,419**	**14,104**	**3,090,889**
At 31 December 2015						
Cost/deemed cost	2,757,345	4,246,543	381,446	338,671	104,349	7,828,354
Accumulated depreciation and write-downs	(1,149,464)	(3,174,703)	(292,801)	(30,252)	(90,245)	(4,737,465)
Net book amount	**1,607,881**	**1,071,840**	**88,645**	**308,419**	**14,104**	**3,090,889**
Year ended 31 December 2016						
Opening net book amount	1,607,881	1,071,840	88,645	308,419	14,104	3,090,889
Translation differences	49,799	43,969	3,189	(1,385)	465	96,037
Additions	45,868	94,769	18,852	64,963	4,064	228,516
Change in scope of consolidation	-	(154)	(37)	(97)	(5)	(293)
Disposals and other	(3,228)	(1,170)	(2,191)	(258)	(1,522)	(8,369)
Depreciation and impairment charges	(34,667)	(138,064)	(20,030)	(115)	(4,548)	(197,424)
Reclassifications	77,851	177,613	6,005	(265,894)	3,102	(1,323)
Closing net book amount	**1,743,504**	**1,248,803**	**94,433**	**105,633**	**15,660**	**3,208,033**
At 31 December 2016						
Cost/deemed cost	2,933,996	4,567,227	399,666	135,956	110,457	8,147,302
Accumulated depreciation and write-downs	(1,190,492)	(3,318,424)	(305,233)	(30,323)	(94,797)	(4,939,269)
Net book amount	**1,743,504**	**1,248,803**	**94,433**	**105,633**	**15,660**	**3,208,033**

Total additions of €228,516 thousand in 2016 are described in the review of operations to which reference is made. In the cash flow statement and in the review of operations, capital expenditures are reported according to the actual outflows.

During the year the group has capitalized borrowing costs amounting to €1,531 thousand on qualifying assets (2015: €5,148 thousand). Borrowing costs were capitalized at the rate of 3.1% (2015: 5.7%).

Positive translation differences of €96,037 thousand reflect the strengthening in the ruble/euro exchange rate. In 2015, the trend in the exchange rate of the dollar and other currencies had given rise to overall positive translation differences of €163,093 thousand.

Real guarantees on assets of consolidated companies are represented by liens on industrial and commercial equipment for the amount of €142 thousand at 31 December 2016 (2015: €146 thousand).

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

(thousands of euro)	**2016**	**2015**
Cost - capitalized finance leases	2,448	4,162
Accumulated depreciation	(1,235)	(1,995)
	1,213	**2,167**

Rent expenses amounting to €36,226 thousand (2015: €35,381 thousand) relating to the operating lease of property and machinery are included in the income statement among services (note 10).

During 2006, Buzzi Unicem USA entered into a series of agreements with Jefferson County, Missouri, related to the new Selma plant. Legal title to the plant property was transferred to the County and at the same time the County then leased the same property back to the company, for a period of 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 €88,036 thousand at 31 December 2016. 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 €51,466 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 €6,489 thousand.

21. Investment property

It is accounted for using the cost model and it amounts to €21,657 thousand, showing a decrease of €1,129 thousand versus last year, due to the sale of land and buildings in Germany for an amount of €1,161 thousand.

The fair value at the balance sheet date, based on internal appraisals, amounts to €37,399 thousand (2015: €37,965 thousand) and is classifiable as level 2, because based on observable data.

The measurement of the market value made by internal appraisals was conducted using comparative estimates based on recent transactions for similar buildings, where available, and comparing them with information coming from estate agents operating in the same area and with other public databanks available.

The fair value of the land and buildings belonging to the real estate initiative in Piacenza was determined on the basis of an external appraisal made in 2015, whose values were confirmed internally in 2016.

(thousands of euro)	**2016**	**2015**
At 1 January		
Cost/deemed cost	35,790	35,694
Accumulated depreciation and write-downs	(13,004)	(11,872)
Opening net book amount	**22,786**	**23,822**
Translation differences	41	134
Additions	46	243
Disposals and other	(1,161)	-
Depreciation and impairment charges	(99)	(1,409)
Reclassifications	44	(4)
At 31 December	**21,657**	**22,786**
Cost/deemed cost	33,540	35,790
Accumulated depreciation and write-downs	(11,883)	(13,004)
Opening net book amount	**21,657**	**22,786**

22. Investments in associates and joint ventures

The amounts recognized in the balance sheet are as follows:

(thousands of euro)	**2016**	**2015**
Associates valued by the equity method	208,756	187,963
Joint ventures valued by the equity method	158,025	185,294
Associates and joint ventures valued at cost	78	78
	366,859	**373,335**

The net decrease of €6,476 thousand was affected upwards by equity earnings of €13,920 thousand and downwards by negative translation differences of €20,487 thousand.

The book value of the investments in associates has been tested for impairment. 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.

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

22.1 Investments in associates

Set out below are the associates as at 31 December 2016, 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 2016:

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	47,183	equity
Société des Ciments de Sour El Ghozlane EPE SpA	Note 1	Algeria	35.0	47,701	equity
Kosmos Cement Company	Note 2	United States of America	25.0	45,293	equity
Salonit Anhovo Gradbeni Materiali dd	Note 3	Slovenia	25.0	24,431	equity
Other				44,148	equity
Total				**208,756**	

Note 1

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

Note 2

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

Note 3

The group holds a 25% stake in Salonit Anhovo Gradbeni Materiali dd, a company owning a powerful cement plant in Slovenia, located a few kilometers away from the Italian border. Through this associate, Buzzi Unicem maintains a presence in the North-East of Italy, which is supported by the one in the Slovenian market, in which Salonit Anhovo is the main actor.

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

Summarized financial information for associates

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

	Société des Ciments de Hadjar Soud EPE SpA		Société des Ciments de Sour El Ghozlane EPE SpA		Kosmos Cement Company		Salonit Anhovo Gradbeni Materiali dd	
(thousands of euro)	2016	2015	2016	2015	2016	2015	2016	2015
Summarized balance sheet								
Current assets								
Cash and cash equivalents	36,267	29,169	30,779	24,630	4,351	3,726	4,933	5,308
Other current assets (excluding cash)	25,335	27,418	25,745	29,056	59,266	36,259	19,425	20,566
	61,602	**56,587**	**56,524**	**53,686**	**63,617**	**39,985**	**24,358**	**25,874**
Non-current assets	**68,113**	**81,042**	**44,648**	**90,272**	**143,755**	**137,566**	**108,843**	**104,545**
Current liabilities								
Financial liabilities (excluding trade and other payables and provisions)	-	-	-	-	-	-	8,122	8,975
Other current liabilities (including trade and other payables and provisions)	16,253	22,143	13,559	9,923	23,419	16,111	9,589	7,237
	16,253	**22,143**	**13,559**	**9,923**	**23,419**	**16,111**	**17,711**	**16,212**
Non-current liabilities								
Financial liabilities (excluding other payables and provisions)	-	-	-	5,107	-	-	21,527	20,785
Other non-current liabilities (including other payables and provisions)	5,579	31,562	7,663	52,702	2,781	1,106	-	374
	5,579	**31,562**	**7,663**	**57,809**	**2,781**	**1,106**	**21,527**	**21,159**
Summarized income statement								
Revenue	52,465	57,210	49,732	44,290	127,721	115,426	47,868	47,062
Depreciation, amortization and impairment charges	(10,798)	(33,201)*	(12,417)	(11,841)	(12,727)	(9,040)	(7,934)	(8,406)
Finance revenues	469	247	77	39	64	102	1,502	1,526
Finance costs	(9)	(25)	(10)	(51)	(690)	(719)	(1,579)	(1,202)
Income tax expense	(2,250)	(365)	(2,108)	(1,590)	-	-	-	-
Profit (loss) for the year	**7,752**	**(3,358)**	**8,076**	**(1,966)**	**24,769**	**14,639**	**4,439**	**5,291**
Total comprehensive income	**7,752**	**(3,358)**	**8,076**	**(1,966)**	**24,769**	**14,639**	**4,439**	**5,291**

* Includes the write-down of assets value of the company following the impairment test, for a pro-quota amount of €5,436 thousand.

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

Reconciliation of summarized financial information

Reconciliation of the summarized financial information presented to the carrying amount of its interest in associates.

	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)	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Opening net assets 1 January	129,874	150,079	114,805	132,172	160,334	130,396	95,990	91,361
Profit (loss) for the year	7,752	(3,358)	8,077	(1,966)	24,769	14,639	4,238	4,629
Dividends	(3,321)	(3,950)	(2,006)	(4,011)	(9,938)	-	(4,015)	-
Translation differences	503	(12,897)	545	(11,390)	6,007	15,299	-	-
Closing net assets	**134,808**	**129,874**	**121,421**	**114,805**	**181,172**	**160,334**	**96,213**	**95,990**
% of ownership (35%; 35%; 25%; 25%)	47,183	45,456	42,497	40,182	45,293	40,084	24,053	23,998
Goodwill	-	-	5,204	5,189	-	-	378	427
Carrying value	**47,183**	**45,456**	**47,701**	**45,371**	**45,293**	**40,084**	**24,431**	**24,425**

22.2 Investment in joint ventures

Set out below is the only joint venture as at 31 December 2016, which, in the opinion of the directors, is material to the group. The joint venture has share capital consisting solely of ordinary shares, which is held indirectly by the company. The country of incorporation is also its main place of business.

Name of entity	Place of business/country of incorporation	% of ownership interest	Measurement method
Corporación Moctezuma, SAB de CV	Mexico	33.3	equity

Corporación Moctezuma, SAB de CV is the industrial holding of a group which manufactures and sells cement, ready-mix concrete and natural aggregates. It's a strategic partnership for the group, whose operations are located in Mexico.

As at 31 December 2016, the fair value of our interest in Corporación Moctezuma, SAB de CV, which is listed on the Bolsa Mexicana de Valores, was €810,265 thousand (2015: €861,193 thousand); the corresponding book value was €155,018 thousand (2015: €169,032 thousand).

Summarized financial information for joint ventures

Set out below is the summarized financial information for Corporación Moctezuma, SAB de CV group, which is accounted for using the equity method:

(thousands of euro)	2016	2015
Current assets		
Cash and cash equivalents	150,576	157,111
Other current assets (excluding cash)	101,909	121,974
	252,485	**279,085**
Non-current assets	**339,048**	**356,312**
Current liabilities		
Financial liabilities (excluding trade and other payables and provisions)	(532)	(584)
Other current liabilities (including trade and other payables and provisions)	(79,038)	(66,826)
	(79,570)	**(67,410)**
Non-current liabilities		
Financial liabilities (excluding other payables and provisions)	(880)	(1,021)
Other non-current liabilities (including other payables and provisions)	(46,492)	(60,758)
	(47,372)	**(61,779)**
Summarized income statement		
Revenue	609,006	625,907
Depreciation, amortization and impairment charges	(30,849)	(28,166)
Finance revenues	18,364	8,609
Finance costs	(7,291)	(4,617)
Income tax expense	(76,570)	(69,158)
Profit for the year	**195,990**	**162,240**
Other comprehensive income	126	11
Total comprehensive income	**196,116**	**162,251**

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

Reconciliation of summarized financial information

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

(thousands of euro)	2016	2015
Opening net assets 1 January	504,488	472,594
Result (loss) for the year	195,941	162,258
Other comprehensive income	126	11
Dividends	(170,253)	(100,227)
Translation differences	(67,639)	(30,148)
Closing net assets	**462,663**	**504,488**
% of ownership (33%)	155,018	169,032
Carrying value	**155,018**	**169,032**

23. Available-for-sale financial assets

The non-current portion refers to the investments in unconsolidated subsidiaries and other companies, all of which are unlisted.

(thousands of euro)	Subsidiaries	Other	Total
At 1 January 2016	568	1.566	2.134
Additions	190	10	200
Write-downs	-	(11)	(11)
Disposals and other	(240)	71	(169)
At 31 December 2016	**518**	**1.636**	**2.154**

The equity investments included in this line item are all carried at cost less any provision for impairment. In fact, these are immaterial companies both from an investment point of view and in terms of their net equity and results, for which a reliable determination of the fair value would only be possible as part of specific sale negotiations.

The current portion, amounting to €3,513 thousand, refers to short-term or marketable securities.

24. Derivative financial instruments

The derivative contracts, seldom entered into to mitigate currency, interest rate and market price risks, are all "plain vanilla" type. They do not qualify for hedge accounting under IFRS.

	2016		2015	
(thousands of euro)	Assets	Liabilities	Assets	Liabilities
Non-current				
Not designated as hedges	-	105,422	4,103	47,740
Current				
Not designated as hedges	-	-	7,714	-

In 2016, the contracts set up by the company to reduce foreign exchange and interest rate risk on the dollar denominated long term debt (at year-end 2015 amounting to €11,817 thousand, among assets) expired. Therefore, liabilities include only the value of cash settlement option combined with the equity-linked bond issued by the company, for a total amount of €105,422 thousand (€47,740 thousands in 2015 always among liabilities).

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

	2016		2015	
(thousands of euro)	Notional	Fair value	Notional	Fair value
Interest rate swaps	-	-	-	-
Currency swaps	-	-	-	-
Cross currency swaps	-	-	73,481	7,714
Forward foreign exchange	-	-	32,148	-
Takeover commitments (put writer)	241	-	355	-
Takeover options (call)	884	-	1,044	-
Cash settlement option on convertible bond	220,000	(105,422)	220,000	(47,740)

The purchase options, for a total amount of €884 thousand of nominal value, refer to land both in 2016 and 2015, while the purchase commitments (€241 thousand) relate to lease contracts for mobile equipment.

During 2016, the changes in the fair value of derivative financial instruments recognized in the income statement are negative for €63,673 thousand (2015: €20,393 thousand negative).

25. Other non-current assets

(thousands of euro)	2016	2015
Loans to third parties and leasing	12,254	11,477
Loans to associates	259	115
Loans to customers	677	654
Tax receivables	720	843
Receivables from personnel	323	467
Guarantee deposits	16,201	15,465
Other	5,995	7,062
	36,429	**36,083**

Loans to third parties and leasing consist of the former for an amount of €10,190 thousand, mostly interest-bearing and adequately secured.

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

Receivables from personnel include loans to employees equal to €289 thousand (2015: €431 thousand).

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

The receivables included in this item expiring after more than five years amount to €18,073 thousand (2015: €18,274 thousand).

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

26. Inventories

(thousands of euro)	2016	2015
Raw materials, supplies and consumables	246,456	236,283
Work in progress	70,837	61,360
Finished goods and merchandise	79,164	78,840
Advances	921	1,199
	397,378	**377,682**

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 changes in exchange rates used for the translation of foreign financial statements. The amount shown is net of an allowance for obsolescence of €25,771 thousand (2015: €24,795 thousand).

27. Trade receivables

(thousands of euro)	2016	2015
Trade receivables	413,132	393,828
Less: Provision for receivables impairment	(30,626)	(37,934)
Trade receivables, net	**382,506**	**355,894**
Other trade receivables:		
From associates	9,410	8,427
From parent companies	21	21
	391,937	**364,342**

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.

At the balance sheet date, trade receivables that are past due but not impaired amount to €121,102 thousand (2015: €123,240 thousand). The ageing analysis of these trade receivables is as follows:

(thousands of euro)	2016	2015
Past due up to 2 months	100,153	99,288
Past due between 2 and 6 months	15,251	17,352
Past due over 6 months	5,698	6,600
	121,102	**123,240**

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

(thousands of euro)	2016	2015
Euro	217,213	196,758
US Dollar	123,255	125,718
Russian Ruble	15,848	9,382
Other currencies	26,190	24,036
	382,506	**355,894**

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

(thousands of euro)	2016	2015
At 1 January	37,934	43,665
Translation differences	132	557
Provision for impairment	6,473	12,697
Receivables written off as uncollectible	(8,740)	(16,202)
Unused amounts reversed and other	(5,173)	(2,783)
At 31 December	**30,626**	**37,934**

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

The maximum exposure to credit risk at the reporting date is the carrying value of the line item.

28. Other receivables

(thousands of euro)	2016	2015
Tax receivables	61,282	40,049
Receivables from public institutions	34,315	22,947
Receivables from social security institutions	288	435
Receivables from unconsolidated subsidiaries and associates	755	1,017
Loans to customers	273	256
Receivables from suppliers	4,536	4,525
Receivables from personnel	377	375
Receivables from sale of equity investments	26	26
Loans to third parties and leasing	727	1,034
Accrued interest income	981	1,132
Other accrued income and prepaid expenses	11,122	9,494
Other	11,302	6,837
	125,984	**88,127**

Tax receivables includes income tax payments in advance and the debit balance of periodic value added tax liquidation; this caption also includes amounts owed by the ultimate parent Fimedi SpA to certain Italian companies that are members of the controlled group of corporations for domestic income tax purposes.

The receivable from the energy and environmental services authority (public institution) corresponds to the rebate on electric power costs granted in Italy to the energy-intensive firms, so-called system charges bonus. At the beginning of January 2017 the amount decreased by €11,336 thousand, following the collection of the balance referred to 2014.

Loans to customers represent the current portion of the interest bearing lending granted in the United States (note 25).

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

Accrued income is made up primarily of interest income on marketable securities and time deposits. Prepaid expenses are related to operating expenses pertaining to the following period.

29. Cash and cash equivalents

(thousands of euro)	2016	2015
Cash at banks and in hand	501,399	445,464
Short-term deposits	101,934	57,990
	603,333	**503,454**

Foreign operating companies hold about 71.2% of the balance of €603,333 thousand (72.4% in 2015). At the closing date, short-term deposits and securities earn interest at about 1.59% on average (0.9% in 2015): yield in euro is around 0.27%, in dollar 0.81%, and in other currencies 5.62%. 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 equivalents are denominated in the following currencies:

(thousands of euro)	2016	2015
Euro	153,332	128,813
US Dollar	334,798	309,427
Russian Ruble	60,195	28,784
Other currencies	55,008	36,430
	603,333	**503,454**

30. Assets held for sale

The amount relates to some equipment and machinery of the idle plant in Santarcangelo di Romagna (€1,070 thousand), to the mothballed Travesio plant (€900 thousand), to some lots of land in Italy for €2,208 thousand and in the United States for €392 thousand.

At the end of 2015, it referred to some equipment and machinery of the idle plant in Santarcangelo di Romagna (€1,070 thousand), to the mothballed Travesio plant (€900 thousand), to the variable component (earn-out) of the sale price of the investment in Addiment Italia Srl (€695 thousand), to machinery and equipment originally purchased to expand production capacity in Russia (€900 thousand), to some lots of lands in Italy (€959 thousand) and in the United States (€409 thousand). The item also included the assets (€3,614 thousand, of which €844 thousand cash) and liabilities (€512 thousand) of the subsidiary Beton Union Plzen sro, which was sold on 11 January 2016.

31. Share capital

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

(number of shares)	2016	2015
Shares issued and fully paid		
- Ordinary shares	165,349,149	165,349,149
- Savings shares	40,711,949	40,711,949
	206,061,098	**206,061,098**
Share capital (thousands of euro)	123,637	123,637

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

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

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

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

The number of shares outstanding did not change during 2016 and at the balance sheet date is the following:

number of shares	Ordinary	Savings	Total
At 31 December 2016	**164,849,149**	**40,682,659**	**205,531,808**
Shares issued	165,349,149	40,711,949	206,061,098
Less: Treasury shares	(500,000)	(29,290)	(529,290)
Shares outstanding	**164,849,149**	**40,682,659**	**205,531,808**

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 2016 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)	2016	2015
Translation differences	(194,835)	(301,950)
Revaluation reserves	88,286	88,286
Merger surplus	247,530	247,530
Other	116,494	115,356
	257,475	**149,222**

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 €107,115 thousand is the result of two opposite effects: an increase of €67,639 thousand due to the strengthening of the US dollar, €72,168 thousand of the Russian ruble and €396 thousand of the Algerian dinar; a decrease of €22,662 thousand due to the weakening of the Mexican peso and €10,426 thousand of the other Eastern European currencies.

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.

The changes in gains and losses generated by the actuarial valuations of liabilities for employee benefits, net of related deferred tax, in 2016 brought to a decrease in retained earnings equal to €13,453 thousand.

35. Non-controlling interests

The balance as at 31 December 2016 refers to OAO Sukholozhskcement for €26,482 thousand, to Cimalux SA for €2,991 thousand, to Betonmortel Centrale Groningen (B.C.G.) BV for €1,387 thousand.

Summarized financial information on subsidiaries with material non-controlling interests

Set out below is the summarized financial information for OAO Sukholozhskcement before intercompany eliminations. The company operates in the cement industry in Russia. 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 interest	
		2016	2015	2016	2015	2016	2015
OAO Sukholozhskcement	Russia	9.60%	9.62%	2,220	2,918	26,482	19,605

(thousands of euro)	2016	2015
Summarized balance sheet		
Non-current assets	254,176	190,738
Current assets	56,258	35,300
Non-current liabilities	5,117	3,046
Current liabilities	19,259	9,158
Net assets	**286,058**	**213,834**
Summarized income statement		
Revenue	36,513	47,875
Depreciation, amortization and impairment charges	(9,917)	(10,501)
Finance revenues	7,661	4,450
Finance costs	(101)	(128)
Income tax expense	(7,382)	(8,011)
Profit for the year	**23,125**	**30,317**
Other comprehensive income	37,681	(17,487)
Total comprehensive income	**60,806**	**12,830**
Total comprehensive income attributable to non controlling interests	5,477	(2,493)
Dividends paid to non-controlling interests	1,064	1,471
Summarized cash flows		
Cash flows from operating activities		
Cash generated from operations	42,541	57,406
Interest paid	(101)	(128)
Income tax paid	(7,891)	(8,144)
Net cash generated from operating activities	**34,549**	**49,134**
Net cash used in investing activities	**(9,807)**	**(35,225)**
Net cash generated (used) in financing activities	**(19,135)**	**(9,764)**
Increase (decrease) in cash and cash equivalents	**5,607**	**4,145**
Cash and cash equivalents at beginning of year	**7,081**	**3,992**
Translation differences	2,666	(1,056)
Cash and cash equivalents at end of year	**15,354**	**7,081**

36. Debt and borrowings

(thousands of euro)	2016	2015
Long-term debt		
Senior notes and bonds	843,784	380,892
Convertible bonds	200,447	193,342
Finance lease obligations	900	1,143
Unsecured term loans	336,276	395,132
	1,381,407	**970,509**
Current portion of long-term debt		
Senior notes and bonds	-	502,350
Finance lease obligations	368	1,024
Unsecured term loans	56,011	24,359
Debts to banks	691	1,701
	57,070	**529,434**

During 2016, the average interest rate on financial indebtedness was equal to 3.05% (2015: 3.80%).

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)	2016	2015
6 months or less	19,656	89,442
6-12 months	37,414	439,992
1-5 years	885,865	969,039
Over 5 years	495,542	1,470
	1,438,477	**1,499,943**

Senior Notes and Bonds

The change in the year is mainly due to a decrease of €532,191 thousand for principal repayments, a decrease of €3,043 thousand for translation differences and an increase of €494,007 thousand for the issuance of a new bond.

On 9 December 2016 the Eurobond "Buzzi Unicem € 350,000,000 5.125% Notes due 2016" was repaid and in September the senior Unsecured Notes placed in the US market (USPP) have been redeemed, partially at their natural maturity, partially one year in advance, for a total amount of €182,191 thousand. The issuer was the subsidiary RC Lonestar Inc. with the company as guarantor. These found-raising operations were partially backed by interest rate swap and forward exchange contracts entered into by Buzzi Unicem SpA, which have been closed and generated in 2016 interest income of €1,512 thousand.

At the balance sheet date the caption includes:

- 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 is 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 €494,540 thousand in the balance sheet;

- The so-called Eurobond “Buzzi Unicem € 350,000,000 - 6.250% Notes due 2018”. The notes, placed with institutional investors only, are listed on the Luxembourg Stock Exchange, have a minimum denomination of €100,000, pay a fixed annual coupon of 6,250% and their due date is 28 September 2018. This bond is carried at amortized cost, corresponding to an effective interest rate of 6.380% and to an amount of €349,244 thousand in the balance sheet.

Convertible Bonds
They comprise the so-called “Buzzi Unicem € 220,000,000 - 1.375% Equity-Linked Bonds due 2019” with a 6-year maturity, placed with institutional investors only. The notes, listed on the “Third Market” non-regulated market of Vienna Stock Exchange, have a minimum denomination of €100,000 and carry a fixed coupon of 1.375% per year, payable semi-annually. The conversion option combined with the loan is American style; the company has the right to elect to settle any exercise of conversion rights in Buzzi Unicem SpA ordinary shares, in cash or a combination of ordinary shares and cash. At the final maturity on 17 July 2019 the notes will be redeemed in one lump sum at their principal amount unless previously redeemed or converted. This bond is carried at amortized cost, corresponding to an effective interest rate of 1.522% and an amount of €200,447 thousand in the balance sheet. The conversion option represents an embedded derivative instrument and has been booked in the corresponding balance sheet item under liabilities. The fair value changes of this instrument are immediately charged to income statement; at the balance sheet date, the fair value of the option amounts to €105,422 thousand (note 24).

The following table summarizes the main terms of bond issues outstanding at 31 December 2016:

Issue	Outstanding nominal amount	Maturity	Coupon
Buzzi Unicem SpA			
Eurobond April 2016	€m 500.0	2023	2.125%
Buzzi Unicem SpA			
Equity-linked July 2013	€m 220.0	2019	1.375%
Buzzi Unicem SpA			
Eurobond September 2012	€m 350.0	2018	6.250%

Term loans and other borrowings
During 2016 no new term loans were obtained and principal payments amounted to €33,124 thousand.

As at 31 December 2016 the group has undrawn committed facilities for €328,430 thousand (2015: €437,446 thousand), thereof €300,000 thousand available to Buzzi Unicem SpA, at floating rate with maturity beyond the year 2020, and the remaining €28,430 thousand to Dyckerhoff GmbH and its subsidiaries, always at floating rate, with maturity between 2017 and 2019.

In respect to interest rate and currency, the gross indebtedness at 31 December 2016 is roughly split as follows: 22% floating and 78% fix; 7% dollar-denominated and 93% euro-denominated.

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

	2016		2015	
(thousands of euro)	Carrying amount	Fair value	Carrying amount	Fair value
Fix rate borrowings				
Senior notes and bonds	843,784	909,286	855,698	920,363
Convertible bonds	200,447	323,450	193,342	272,800
Unsecured term loans	71,403	74,292	69,883	76,193
	1,115,634	**1,307,028**	**1,118,923**	**1,269,356**

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.
The carrying amount of short-term and floating rate borrowings approximate their fair value, as the impact of discounting is not significant.

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

(thousands of euro)	2016	2015
Gross finance lease liabilities-minimum lease payments		
No later than 1 year	409	1,081
Later than 1 year and no later than 5 years	487	734
Over 5 years	548	638
	1,444	**2,453**
Future finance charges on finance lease liabilities	(176)	(286)
Present value of finance lease liabilities	**1,268**	**2,167**

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

(thousands of euro)	2016	2015
No later than 1 year	368	1.024
Later than 1 year and no later than 5 years	369	629
Over 5 years	531	514
	1,268	**2,167**

37. Employee benefits

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

Post-employment benefits

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

DEFINED CONTRIBUTION PLANS

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

DEFINED BENEFIT PLANS

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

ITALY

The obligation for employee severance indemnities (TFR) is considered a defined benefit plan and is unfunded. It consists of the residual obligation that was required until 31 December 2006 under Italian legislation to be paid by companies with more than 50 employees, or accrued over the employee's working life for other companies. The obligation is remeasured every year, according to national employment laws. The provision is settled upon retirement or resignation and may be partially paid in advance if certain conditions are met. The level of benefits provided depends on the date of hire, length of service and salary. The commitments that amount to €18,210 thousand (2015: €19,608 thousand) have a weighted average duration of approximately 10 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 €281,375 thousand (2015: €265,894 thousand) are partly funded through a contractual trust agreement. The value of trust assets is €27,204 thousand (2015: €27,596 thousand) and reduces the amount to be recognized as a liability. All other commitments in Germany and Luxembourg are exclusively funded by accounting provisions.

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

NETHERLANDS

In the Netherlands, commitments for retirement or early-retirement benefits, totaling €18,336 thousand (2015: €16,387 thousand) are dependent on salaries and length of service and generally also encompass surviving dependents' benefits. They are funded by contributions to an insurance policy, however the company retains certain payment obligations. The value of plan assets by the insurance policy amounts to €17,509 thousand (2015: €15,496 thousand) and reduces the amount to be recognized as a liability. The commitments have a weighted average duration of approximately 19 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 (€289,408 thousand; 2015: €283,521 thousand) is covered by an external pension fund; its fair value of €248,835 thousand (2015: €237,365 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 12 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.

Other long-term benefits

The group grants also other long-term benefits to its employees, which include those generally paid when the employee attains a specific seniority. In this case the valuation reflects the probability that payment is required and the length of time for which payment is likely to be made. These schemes are unfunded and the amount of the obligation is calculated on an actuarial basis, in accordance with the projected unit credit method. Actuarial gains and losses arising from this obligation are recognized in the income statement.
In the United States the group sponsors a deferred compensation plan for certain employees. Amounts deferred are funded into a trust and the earnings in the trust accrue to the benefit of the participants. The asset and liability are reported at fair value (the net asset value of each investment fund).

The obligations for employee benefits are analyzed as follows:

(thousands of euro)	2016	2015
By category		
Post-employment benefits:		
Pension plans	318,726	304,492
Healthcare plans	97,766	98,072
Employee severance indemnities	18,210	19,608
Other long-term benefits	9,704	10,091
	444,406	**432,263**
By geographical area		
Italy	19,187	20,554
Germany, Luxembourg, Netherlands	277,268	260,886
United States of America	143,865	148,436
Other Countries	4,086	2,387
	444,406	**432,263**

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

	Pension plans		Healthcare plans		Employee severance indemnities	
(thousands of euro)	2016	2015	2016	2015	2016	2015
Present value of funded obligations	579,655	554,939	-	-	-	-
Fair value of plan assets	(293,548)	(280,457)	-	-	-	-
	286,107	**274,482**	**-**	**-**	**-**	**-**
Present value of unfunded obligations	32,619	30,010	97,766	98,072	18,210	19,608
Liability in the balance sheet	**318,726**	**304,492**	**97,766**	**98,072**	**18,210**	**19,608**

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

	Pension plans		Healthcare plans		Employee severance indemnities	
(thousands of euro)	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
At 1 January	584,949	587,077	98,072	93,242	19,608	22,805
Current service cost	9,053	9,782	1,996	2,075	-	-
Past service cost	1,901	46	-	-	-	-
(Gains) losses from plan amendments	(7,666)	-	-	-	-	-
Other costs	(278)	148	-	-	-	-
	3,010	**9,976**	**1,996**	**2,075**	**-**	**-**
Interest expense	18,150	17,576	3,670	3,628	377	320
(Gains) losses from changes in demographic assumptions	42	2	-	-	(9)	-
(Gains) losses from changes in financial assumptions	26,566	(18,114)	2,258	(2,308)	868	(899)
Experience (gains) losses	7	(2,880)	(4,510)	(2,537)	(621)	(338)
	26,615	**(20,992)**	**(2,252)**	**(4,845)**	**238**	**(1,237)**
Employee contributions	68	71	672	710	-	-
Benefit paid	(30,359)	(39,357)	(7,317)	(6,835)	(2,150)	(2,280)
Translation differences	9,841	30,478	2,925	10,097	-	-
Other changes	-	120	-	-	137	-
At 31 December	**612,274**	**584,949**	**97,766**	**98,072**	**18,210**	**19,608**

During 2016, in the United States the risk exposure to the defined benefit obligation has been reduced by amending the salaried and hourly pension plans to allow a temporary, one-time lump sum payment option for terminated vested participants. Approximately 53% of the terminated vested participants accepted the offer and received payments out of the pension plan assets. The settlement of this one-time offer reduced the defined pension plan liability by €7,666 thousands.

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)	**2016**	**2015**	**2016**	**2015**
Active members	207,737	186,298	36,276	36,533
Deferred members	40,397	47,789	-	-
Pensioners	364,140	350,862	61,490	61,539
At 31 December	**612,274**	**584,949**	**97,766**	**98,072**

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

	Pension plans	
(thousands of euro)	**2016**	**2015**
At 1 January	280,457	272,234
Interest income	10,624	10,585
Employer contributions	9,286	4,783
Employee contributions	68	71
Benefits paid	(15,557)	(16,921)
Settlements	(6,982)	(232)
Actuarial gains (losses)	7,570	(16,098)
Translation differences	8,082	26,035
At 31 December	**293,548**	**280,457**

Plan assets are comprised as follows:

	Germany		United States of America	
(thousands of euro)	2016	2015	2016	2015
Cash and cash equivalents	**857**	**407**	**3,779**	**2,935**
Equity instruments	**15,900**	**-**	**-**	**-**
Euro equities	7,627	-	-	-
Europe ex Euro equities	8,273	-	-	-
Debt instruments	**10,517**	**16,137**	**39,554**	**38,129**
Euro corporate investment grade	-	1,575	-	-
Euro corporate non-rated	93	93	-	-
Euro corporate non-investment grade	-	671	-	-
Euro sovereign investment grade	9,725	13,200	-	-
Euro sovereign non-investment grade	699	598	-	-
Dollar sovereign investment grade	-	-	39,554	38,129
Derivatives financial instruments	**(70)**	**317**	**-**	**-**
Interest rate swap	-	115	-	-
Equity derivatives	(71)	-	-	-
Currency derivatives	19	-	-	-
Debt derivatives	(18)	202	-	-
Investment funds	**-**	**10,735**	**205,502**	**196,301**
Dollar corporate bonds	-	-	62,750	60,475
Dollar sovereign bonds	-	-	23,185	22,257
Dollar indexed equities	-	-	61,999	58,119
Other indexed equities	-	688	53,246	51,374
Other equities	-	5,415	-	-
Euro sundries	-	4,177	-	-
Dollar sundries	-	-	4,322	4,076
Other sundries	-	455	-	-
	27,204	**27,596**	**248,835**	**237,365**

The fair values stated above almost exclusively relate to quoted market prices in active markets (level 1). For pension assets in the Netherlands no breakdown is available due to the local insurance policy model (€17,509 thousand in 2016 and €15,496 thousand in 2015).

Plan assets in Germany are administered by a trustee. The asset allocation strategy is aimed at optimizing returns on fund assets while limiting losses. The local head of finance, the group treasurer and a representative of the trustee participate in the "investment committee" that regularly oversees the administration and the investment strategy regarding the invested assets. Independent of its payment obligations to beneficiaries, Buzzi Unicem has the right to receive the annual return from plan assets. The contribution to the trust does not directly depend on the market values of the underlying assets. 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. Retained earnings of the fund are comprised in the table of the development in the fair value of plan assets.

In the United States, plan assets are administered by a trustee. The asset allocation strategy is aimed at optimizing returns on fund assets and is subject to an annual limit of losses. Three members of local management form the "benefit committee" that determines the long- and short-term investment strategy and oversees the work of the trustee. Regular meetings of the "benefit committee" with the trustee are also attended by a representative from a consultancy firm who advises the company on risk-adequate investments of its assets while taking the obligation structure into account. 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 2017 amount to €16,840 thousand.

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

(thousands of euro)	**Pension Plans**	**Healthcare Plans**	**Employee severance indemnities**
Year 2017	33,568	7,499	1,133
Year 2018	33,290	7,408	885
Year 2019	34,213	7,300	1,135
Year 2020	34,260	7,261	1,270
Year 2021	32,744	7,138	1,218
Year 2022-2026	162,051	34,177	6,091
	330,126	**70,783**	**11,732**

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

	2016					2015				
(in %)	ITA	GER	LUX	NLD	USA	ITA	GER	LUX	NLD	USA
Pension plans discount rate	1.3	1.7	1.7	1.8	4.0	2.0	2.1	2.1	2.4	4.3
Salary growth rate	2.1	2.8	2.8	2.0	4.0	2.8	2.8	2.8	2.0	4.0
Pension growth rate	-	1.8	-	2.0	-	-	1.8	-	2.0	-
Healthcare discount rate	-	-	-	-	4.0	-	-	-	-	4.0
Medical cost growth rate	-	1.8	-	-	6.5	-	1.8	-	-	7.5

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%	6,459	-	-
	Decrease 1%	(8,045)	-	-
Discount rate				
	Increase 1%	(8,551)	(8,800)	(1,577)
	Decrease 1%	11,413	10,525	1,745
Pension growth rate				
	Increase 1%	20,965	-	-
	Decrease 1%	(35,212)	-	-
Medical cost growth rate				
	Increase 1%	-	7,113	-
	Decrease 1%	-	(6,151)	-
Mortality				
	Increase 1%	19,168	738	-
	Decrease 1%	(19,315)	(738)	-

38. Provisions for liabilities and charges

(thousands of euro)	Environmental risks and restoration	Antitrust	Local claims Tax risks	Other risks	Total
At 1 January 2016	59,185	15,445	17,313	16,240	108,183
Additional provisions	3,876	-	2,256	7,167	13,299
Discount unwinding	3,803	-	(603)	44	3,244
Unused amounts released	(1,144)	-	(1,433)	(1,179)	(3,756)
Used during the year	(2,586)	(792)	(1,124)	(8,968)	(13,470)
Translation differences	314	(422)	78	714	684
Change in scope of consolidation	-	-	-	(34)	(34)
Other changes	386	-	(1)	525	910
At 31 December 2016	**63,834**	**14,231**	**16,486**	**14,509**	**109,060**

Total provisions can be analyzed as follows

(thousands of euro)	2016	2015
Non-current	87,187	86,916
Current	21,873	21,267
	109,060	**108,183**

The environmental restoration provision includes the obligations for site remediation, which are applicable to the locations where the extraction of raw materials takes place and for the fulfillment of related requirements concerning quarries, safety, health and environment. Additional provisions for environmental risks refer for €3,820 thousand to the future quarry remediation costs.

The antitrust provision is associated with the cartel fines inflicted in Italy (ready-mix concrete) and Poland (cement), which are currently under litigation.

The provision for tax risks amounts to €4,645 thousand and reflects liabilities that are considered probable as a result of tax audits and adjustments to tax returns. The provisions related to legal claims include €8,292 thousand referred to the judgement 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 47).

The provision for other risks represents the amounts set aside by the individual companies in connection with miscellaneous contractual and commercial risks and disputes, among which are included €303 thousand for restructuring costs and workers compensation claims not covered by insurance for €1,897 thousand. Additional provisions include €304 thousand for restructuring costs, €1,518 thousand for workers compensation claims and €2,082 thousand for miscellaneous risks. Uses during the year include €3,046 thousand against general damages, the payment of workers compensation claims for €1,604 thousand and besides restructuring costs in Italy and Germany for €2,881 thousand.

39. Deferred income tax

Net deferred tax liability as at 31 December 2016 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)	2016	2015
Deferred income tax assets:		
To be recovered after more than 12 months	(186,050)	(211,642)
To be recovered within 12 months	(22,466)	(23,724)
	(208,516)	**(235,366)**
Deferred income tax liabilities:		
To be recovered after more than 12 months	654,411	620,372
To be recovered within 12 months	22,992	19,514
	677,403	**639,886**
Net deferred income tax liabilities	**468,887**	**404,520**

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

(thousands of euro)	2016	2015
Deferred income tax assets related to:		
Provisions for liabilities and charges	(18,701)	(23,338)
Trade receivables	(5,406)	(7,554)
Employee benefits	(95,324)	(92,948)
Long-term debt	(786)	(6,539)
Derivative financial instruments	-	(2,263)
Property, plant and equipment	(9,871)	(15,039)
Inventories	(14,274)	(8,818)
Tax loss carryforwards (theoretical benefit)	(159,936)	(167,525)
Other	(14,425)	(13,389)
Total deferred income tax assets	**(318,723)**	**(337,413)**
Valuation allowances	110,207	102,047
Net deferred income tax assets	**(208,516)**	**(235,366)**
Deferred income tax liabilities related to:		
Accelerated depreciation	174,712	136,930
Employee benefits	4	4
Property, plant and equipment	457,333	452,022
Inventories	2,813	3,413
Financial assets	11,358	10,786
Other	31,183	36,731
Total deferred income tax liabilities	**677,403**	**639,886**
Net deferred income tax liabilities	**468,887**	**404,520**

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.

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)	**2016**	**2015**
At 1 January	404,520	341,412
Income statement charge (credit)	51,400	10,299
Statement of comprehensive income charge (credit)	(3,508)	1,917
Translation differences	16,955	45,238
Change in scope of consolidation	(480)	5,654
At 31 December	**468,887**	**404,520**

The net amount charged to the income statement includes deferred taxes related to accelerated depreciation on the new production line of the plant in Maryneal plant in Texas, for an amount of €33,121 thousand.

40. Other non-current liabilities

(thousands of euro)	**2016**	**2015**
Purchase of equity investments	1,802	3,791
Non-controlling interests in partnerships	2,482	2,521
Payables to personnel	518	763
Other	7,188	10,988
	11,990	**18,063**

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

41. Trade payables

(thousands of euro)	2016	2015
Trade payables	236,473	244,208
Other trade payables:		
To associates	1,402	1,029
	237,875	**245,237**

42. Income tax payables

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

43. Other payables

(thousands of euro)	2016	2015
Advances	2,385	2,044
Purchase of equity investments	2,323	-
Payables to social security institutions	13,519	13,871
Payables to personnel	49,244	45,990
Payables to customers	6,606	6,487
Accrued interest expense	16,329	12,677
Other accrued expense and deferred income	7,693	7,658
Tax payables	15,657	10,965
Other	16,394	15,057
	130,150	**114,749**

A former manager has an obligation to sell his minority interest in the subsidiary OAO Sukholozhskcement. The liability for purchase of equity investments recognizes the present value of that obligation, which is due in 2017.

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

The caption tax payables includes the credit balance of periodic valued added tax for €5,562 thousand (2015: €4,839 thousand).

44. Cash generated from operations

(thousands of euro)	2016	2015
Profit before tax	**280,880**	**222,124**
Adjustments for:		
Depreciation, amortization and impairment charges	202,611	209,160
Equity in earnings of associates	(79,875)	(57,428)
Gains on disposal of fixed assets	(11,629)	(12,251)
Net change in provisions and employee benefits	(33,090)	(33,713)
Net finance costs	147,165	105,075
Other non-cash movements	8,269	4,890
Changes in operating assets and liabilities:		
Inventories	(13,181)	3,386
Trade and other receivables	(26,816)	258
Trade and other payables	(6,871)	3,380
Cash generated from operations	**467,463**	**444,881**

45. Dividends

The dividends paid in 2016 and 2015 were respectively €15,415 thousand (7.5 eurocent per ordinary share and per savings share) and €10,277 thousand (5 eurocent per ordinary share and per savings share).

As for the year ended 31 December 2016 the board of directors will propose to the Annual General Meeting of 12 May 2017 to distribute out of available reserves a dividend of 10 eurocent per ordinary share and per savings share. Therefore expected dividend distribution amounts to a total of €20,553 thousand. These financial statements do not reflect such payable to the shareholders.

46. Commitments

(thousands of euro)	2016	2015
Guarantees granted	5,254	4,489
Other commitments and guarantees	49,069	80,141

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

Capital expenditure contracted for at the balance sheet date to acquire property, plant and equipment, but not yet incurred, amounts to €41,922 thousand (2015: €70,390 thousand). It can be basically traced back to the modernization and expansion project of the Maryneal plant (Texas), which was commissioned in June 2016 (€3,914 thousand), besides various refurbishing and regulatory compliance projects in Italy, Germany, Luxembourg and the Czech Republic (€25,262 thousand).

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

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

(thousands of euro)	2016	2015
No later than 1 year	24,351	23,059
Later than 1 year and no later than 5 years	60,058	61,771
Later than 5 years	45,399	26,927
	129,808	**111,757**

47. 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 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 contingencies

As regards the two notices of assessment on the year 2000 related to the deductibility of the antitrust fines inflicted to the group by the European authority, the company has fully paid the tax-assessment bills received. To date the appeal with the Supreme Court has not been discussed yet.

As regards the litigation with the Italian Revenue Service (approximately €2.2 million), referring to the purchase in 2008 of the 100% ownership interest in Cementi Cairo Srl and requalified by the financial administration as purchase of a line of business, the Tax Courts rejected the appeal. The company, deeming that the defense elements are well-grounded, has appealed to the Supreme Court. To date the appeal has not been discussed yet. The additional taxes with interests and sanctions due have been fully paid.

About the litigation with the Italian Revenue Service (for a total amount of €0.4 million, of which €0.2 million pertaining to the subsidiary Unical), referring to the purchase in October 2008 of the 100% ownership interest in Calcestruzzi Nord Ovest Srl and re-qualified by the financial administration as purchase of a line of business, the Provincial Tax Court ruled in our favor. Against that judgment the Italian Revenue Service filed an appeal with the Regional Tax Court that with judgment dated 12 July 2016 reformed the first degree decision accepting the Revenue Service thesis. The company, in accordance with the other entity jointly liable, did not file any appeal against this decision to the Supreme Court. The higher corporate taxes with related interest and penalties in charge of the subsidiary Unical have been entirely paid.

At the end of 2011 and in 2012, the company underwent a tax audit by the Revenue Service concerning the years from 2006 to 2011. The inspection ended with a single remark on the fair market value of the intra-group interest expense and consequently with a notification of a higher taxable income of €19.6 million approximately, referring to all the years being audited. So far the company received notices of assessment for the years from 2006 to 2010 including a total claim of approximately €10.5 million for higher taxes assessed, sanctions and interests. An appealed was filed against those notices of assessment for the years from 2006 to 2009 to the Turin Provincial Tax Court, which with judgment dated 1 April 2015 ruled in our favor. The Revenue Service appealed against that judgment to the Regional Tax Court and the company entered an appearance within the terms of law. The company, also to avoid additional legal charges and considering the length of the judgment process, reached an agreement with the Revenue Service for all the fiscal years (from 2006 to 2011) with the definition of a final adjustment equal to €1.3 million, thus obtaining the reduction of about 93% of the initial adjustment of €19.6 million (further reduced following the use of tax loss carryforwards), with subsequent definition of higher income taxes, interests and penalties due by Buzzi Unicem for a total amount of about €0.5 million, compared to €10.5 million claimed.

In September 2016 the Revenue Service started a tax audit concerning direct and indirect taxes for the fiscal year 2012 for Buzzi Unicem and the merged subsidiary Buzzi Unicem Investimenti Srl, which ended in December 2016. For Buzzi Unicem Investimenti the audit was closed without any remark. Concerning Buzzi Unicem the tax audit ended with proposed adjustments of €7.9 million for State income tax and €8.6 million for Regional income tax, of which €7.7 million (both at the State and Regional level) related to the missing recharge of a royalty to the subsidiaries for usage of the brand name. We deem that our defense elements are well-grounded and sound and the risk of losing is remote. Consequently the company has filed its defenses and has not set aside any provision in the financial statements. Shall the company receive notice of assessment, it will proceed against the act as provided by the law.

In Ukraine there are pending litigations concerning claims filed by the Revenue Service that relate to value-added tax and deductibility of operating expenses for production plants. After closing some of the proceedings with judgments in favor of the company during 2016 and considering the significant devaluation of the local currency, the total amount of outstanding litigations decreased to approximately €0.5 million. The claims by the Revenue Service seem not to be supported by the enacted local legislation and an appeal was lodged against the requests that are still unresolved. In addition, a litigation is pending with regard to the transferability of unused tax loss carryforwards accrued before the merger of the subsidiary Dyckerhoff Cement Ukraine. The Company has challenged the decision of the Revenue Service not to permit the transfer and has won in first and second instance. However, the tax authority filed an appeal to the Supreme Court. As the outcome of the litigation remains uncertain, no deferred tax assets for unused tax loss carryforwards have been recognized in Ukraine.

Antitrust contingencies

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

On 25 November 2015, during an inspection at Buzzi Unicem offices, the Antitrust Authority notified the company of the opening of an investigation under Article 14 of Law 287/90, for infringement of Article 101 TFEU in relation to an alleged agreement between Buzzi Unicem and three other competitors for the coordination of cement sales price increases in a part of the national territory. Following other inspections in May 2016, the Authority extended its proceedings both as regards the contents (alleged information exchange through the industry association AITEC) and individually to other competitors, considering that the alleged agreement was nationally spread. The end of the proceeding is expected on 31 May 2017. At the current status of the action it is believed there are no factors such as to constitute cases of breach of the competition law and consequently the company did not create any provision.

The appeal process of a Belgian company (CDC) against Dyckerhoff GmbH and other German cement producers in front of the Court of Düsseldorf, for damages to customers arising from an alleged cartel agreement at the national level, closed with the rejection of the claimants' requests, who did not propose a further appeal against the decision. However CDC presented in September 2015 another claim against Heidelberg Cement AG at the Court of Mannheim. The claim is based on an alleged breach of the Antitrust Law by Heidelberg Cement AG and other cement manufacturers including Dyckerhoff GmbH in the regions of South and East Germany. Heidelberg Cement AG has named as the third party jointly and severally liable Dyckerhoff GmbH, which has joined to support the defense of Heidelberg considering the CDC claims to be unfounded for procedural and substantive reasons. On 24 January 2017 the Court of Mannheim also rejected the claimants' request, who then filed an appeal against that judgment. We do not expect a negative financial impact from these new CDC proceedings.

The final decision of the Polish Cartel Office, which inflicted a monetary penalty to six cement producers, including the subsidiary Dyckerhoff Polska that has been fined around €15 million, has been appealed before the Warsaw Regional Court, which issued its pronouncement in December 2013 reducing the penalty to an amount of approximately €11.3 million. Our subsidiary Dyckerhoff Polska appealed against the reassessment of the fine. The Court of Appeal decided on 11 March 2016 to question the Supreme Court of Poland on the constitutional compatibility of the provision which governs the penalty computation. The amount of the fine, as revised in 2013, has been fully provided for in the financial statements.

In February 2012, the Antitrust Authority in the Netherlands (ACM) opened a preliminary investigation on the domestic ready-mix concrete market, where the company operates through its subsidiaries. The subsidiary Dyckerhoff Basal Nederland presented on 7 March 2016 some formal commitments. The ACM declared those commitments and identical ones presented by several other competitors as binding and irrevocable on 29 June 2016. In addition, the ACM closed the investigation on the domestic ready-mix concrete market in respect of all committing parties.

Environmental contingencies
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 legal suit and had to institute a number of proceedings before the Regional Administrative Court (TAR) of Sicily – Catania division – against the Ministry 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. 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 accep-

tance of the Plan Agreement. However this option was not pursued, because of both uncertainties on the ensuing economic charges and the questionable compliance with the EC regulations in force about environmental damages. As an alternative to the acceptance of the Plan Agreement, the company has instead brought forward on its own the procedural fulfillments aimed at the characterization, risk analysis and remediation and/or permanent safety of its land areas and portions of the underneath aquifer affected. These compliance actions are currently being evaluated by the Ministry for Environment which has already ruled favorably on certain aspects through decision-making conference, with requirements that the company has not opposed. Awaiting the development of the above proceedings, the company prudentially maintains in the books the relevant provision of €3.0 million.

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

Other legal contingencies

In relation to the procedure for the transfer of all outstanding common 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. A specific provision was added in the books.

Our Dutch subsidiary Dyckerhoff Basal Toeslagstoffen received on 2 March 2015 a damage claim in the amount of €7.4 million for an alleged failure to comply with some of its contractual obligations related to a sand quarry. The applicant filed an appeal against the decision of the arbitral tribunal which rejected the claim entirely. The company did not create any provision as the risk of an adverse outcome of the appeal proceedings is deemed to be remote.

In connection with the modernization of the cement plant in Maryneal, Texas, one of the primary contractors engaged on the project has asserted a claim for additional compensation for an amount in excess of $25 million. The contractor also filed a materialman's lien by its unilateral declaration claiming an amount owed of $43.5 million, which can only be activated if it succeeds in the dispute and in case of non-payment of any sums owed to the contractor itself. Buzzi Unicem disputes that any additional amounts are owed. Furthermore, we have informed the Contractor that we consider it liable of additional sums to the company for failing to perform its obligations in accordance with the terms of the parties' agreement. The company and the contractor are starting the dispute resolution procedures as outlined in the contract, in order to resolve the matter. Buzzi Unicem believes that no additional amounts are owed to the contractor based upon the assertions made in the claim and, as such, did not record a provision for this claim at the balance sheet date.

48. Related-party transactions

Buzzi Unicem SpA is controlled by Fimedi SpA, which directly and indirectly, through its subsidiary Presa SpA, owns 58.6% 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 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)	2016	in % of reported balance	2015	in % of reported balance
Sales of goods and services:	42,347	1.6	39,339	1.4
associates and unconsolidated subsidiaries	29,900		28,723	
joint ventures	12,332		10,502	
parent companies	17		17	
other related parties	98		97	
Purchases of goods and services:	27,057	1.6	32,478	1.8
associates and unconsolidated subsidiaries	24,451		27,568	
joint ventures	1,761		4,083	
other related parties	845		827	
Internal works capitalized:	130	4.8	-	-
joint ventures	130		-	
Finance revenues:	26	-	76	0.1
associates and unconsolidated subsidiaries	16		54	
joint ventures	10		12	
other related parties	-		10	
Finance costs:	2	-	1	-
associates and unconsolidated subsidiaries	2		-	
joint ventures	-		1	
Trade receivables:	9,420	2.4	8,445	2.3
associates and unconsolidated subsidiaries	7,438		6,667	
joint ventures	1,894		1,698	
parent companies	21		21	
other related parties	67		59	
Loans receivable:	829	5.0	301	2.0
associates and unconsolidated subsidiaries	708		121	
joint ventures	121		180	
Other receivables:	19,140	11.8	20,472	16.5
associates and unconsolidated subsidiaries	200		602	
joint ventures	882		174	
parent companies	18,058		19,696	
Cash and cash equivalents:	-	-	96	-
other related parties	-		96	
Trade payables:	2,467	1.0	2,873	1.2
associates and unconsolidated subsidiaries	2,260		2,794	
joint ventures	207		79	
Finance payables:	-	-	300	1.8
joint ventures	-		300	
Other payables:	1,511	1.1	1,609	1.2
associates and unconsolidated subsidiaries	1,511		34	
joint ventures	-		1,575	
Guarantees granted:	1,500		1.500	
joint ventures	1,500		1.500	

Key management includes the directors of the company (executive and non-executive), the statutory auditors and 5 other senior executives. The 2015 compensation includes amounts paid to a manager that ceased his relationship with the group during last year.

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

(thousands of euro)	**2016**	**2015**
Salaries and other short-term employee benefits	3,995	4,185
Post-employments benefits	617	646
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	4,612	**4,831**

49. Business combinations

On 31 May 2016 the group signed with Monvil Beton Srl a lease contract of a business unit, with option to purchase within 5 years, related to 8 batching plants operating in the ready-mix concrete sector, mainly located in the Milan hinterland. With the integration of the Monvil Beton plants, Buzzi Unicem, through its subsidiary Unical, will rely on a more widespread presence in the Milan metropolitan area and on greater efficiency in the concrete distribution to customers, with more alternative distribution points.
The total purchase price of the business unit amounts to €8,000 thousand, paid partly by an advance upon signing of the contract (€2,500 thousand), partly by annual rents (€700 thousand payable annually over 5 years). The remaining balance of €2,000 thousand will be paid upon exercise of the option to purchase the plants. The contract provides that, if the option to purchase is not exercised, the company loses the amounts already funded and must pay a penalty amounting to €1,000 thousand.
It should be noted that, as of 3 October 2016, Unical communicated to Monvil Beton Srl, which accepted, the will to exercise the right of option to purchase the business unit.
From an accounting standpoint, the transaction is considered as a business combination in accordance with IFRS 3, therefore it is assumed that the plants are purchased at the signing of the lease contract.
The initial accounting for the business combination could be determined only provisionally as of 31 December. Hence, the fair values assigned to the acquiree's assets, liabilities or contingent liabilities represent management's best estimate of likely values. The provisional goodwill resulting from the acquisition amounts to €5,135 thousand. According to the accounting principle, the final measurement will be determined within 1 year from the signing of the initial contract.

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

(thousands of euro)	**Amount**
Cash	2,908
Present value of deferred payment	5,092
Total consideration	**8,000**
Recognized amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	2,865
Total identifiable net assets	**2,865**
Goodwill	**5,135**
	8,000
Acquisition-related costs	-

50. Other information

Material non-recurring events and transactions

As stated in the review of operations, the year ended 31 December 2016 was affected by material non-recurring events and transactions – as defined in Consob Communication no. DEM/6064293 of 28 July 2006 – with an overall positive impact on EBITDA of €115 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 2016, as defined in Consob Communication no. DEM/6064293 of 28 July 2006.

Components of net debt

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

(thousands of euro)	Note	2016	2015
Other current financial receivables		**6,275**	**7,199**
Loans to unconsolidated subsidiaries and associates	28	755	1,017
Loans to customers	28	273	256
Receivables from sale of equity investments	28	26	26
Loans to third parties and leasing	28	727	1,034
Accrued interest income	28	981	1,132
Available-for-sale financial assets	23	3,513	2,890
Assets held for sale	30	-	844
Other current financial liabilities		**(18,652)**	**(12,677)**
Purchase of equity investments	43	(2,323)	-
Accrued interest expense	43	(16,329)	(12,677)
Other not-current financial liabilities		**(1,802)**	**(3,791)**
Purchase of equity investments	40	(1,802)	(3,791)
Other not-current financial receivables		**13,190**	**12,246**
Loans to third parties and leasing	25	12,254	11,477
Loans to associates	25	259	115
Loans to customers	25	677	654

51. Events after the balance sheet date

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

Casale Monferrato, 30 March 2017

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 S.p.A.	Casale Monferrato (AL)	EUR	123,636,659		
Unical S.p.A.	Casale Monferrato (AL)	EUR	130,235,000	Buzzi Unicem S.p.A.	100.00
Serenergy S.r.l.	Casale Monferrato (AL)	EUR	25,500	Buzzi Unicem S.p.A.	100.00
Dyckerhoff GmbH	Wiesbaden DE	EUR	105,639,816	Buzzi Unicem S.p.A.	100.00
Buzzi Unicem International S.à r.l.	Luxembourg LU	EUR	37,529,900	Buzzi Unicem S.p.A.	100.00
Buzzi Unicem Algérie S.à r.l.	El Mohammadia - Alger DZ	DZD	3,000,000	Buzzi Unicem S.p.A.	70.00
Deuna Zement GmbH	Deuna DE	EUR	5,113,000	Dyckerhoff GmbH	100.00
Dyckerhoff Beton GmbH & Co. KG	Wiesbaden DE	EUR	18,000,000	Dyckerhoff GmbH	100.00
GfBB prüftechnik GmbH & Co. KG	Flörsheim DE	EUR	50,000	Dyckerhoff GmbH	100.00
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
PAT Dyckerhoff Cement Ukraine	Kyiv UA	UAH	7,917,372	Dyckerhoff GmbH TOB Dyckerhoff Ukraina	99.03 0.01
OOO Russkiy Cement	Ekaterinburg RU	RUB	350,000	Dyckerhoff GmbH	100.00
OOO Dyckerhoff Korkino Cement	Pervomaysky settlement Korkino district RU	RUB	30,000,000	Dyckerhoff GmbH	100.00
OAO Sukholozhskcement	Suchoi Log RU	RUB	30,625,900	Dyckerhoff GmbH OOO Dyckerhoff Korkino Cement	90.38 0.03
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	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	Osnabrück DE	EUR	1,148,341	Dyckerhoff Beton GmbH & Co. KG	100.00
MKB Mörteldienst Köln-Bonn GmbH & Co. KG	Hückelhoven DE	EUR	125,500	Dyckerhoff Beton GmbH & Co. KG	100.00
Dyckerhoff Transportbeton Thüringen GmbH & Co. KG	Erfurt DE	EUR	100,000	Dyckerhoff Beton G mbH & Co. KG	95.00
sibobeton Osnabrück GmbH & Co. KG	Osnabrück DE	EUR	5,368,565	Dyckerhoff Beton GmbH & Co. KG	87.63
sibobeton Wilhelmshaven GmbH & Co. KG	Osnabrück DE	EUR	920,325	Dyckerhoff Beton GmbH & Co. KG sibobeton Osnabrück GmbH & Co. KG	85.44 14.56
sibobeton Ems GmbH & Co. KG	Lengerich DE	EUR	2,300,813	Dyckerhoff Beton GmbH & Co. KG sibobeton Osnabrück GmbH & Co. KG	74.34 19.51

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)					
TBG Lieferbeton GmbH & Co. KG Odenwald	Reichelsheim DE	EUR	306,900	Dyckerhoff Beton GmbH & Co. KG	66.67
TB Rheinland GmbH & Co. KG	Neuwied DE	EUR	795,356	Dyckerhoff Beton GmbH & Co. KG	55.00
sibobeton Enger GmbH & Co. KG	Lengerich DE	EUR	337,453	Dyckerhoff Beton GmbH & Co. KG sibobeton Osnabrück GmbH & Co. KG	50.00 50.00
Ostfriesische Transport-Beton GmbH & Co. KG	Osnabrück DE	EUR	1,300,000	Dyckerhoff Beton GmbH & Co. KG sibobeton Ems GmbH & Co. KG sibobeton Wilhelmshaven GmbH & Co. KG	45.13 24.20 10.67
Dyckerhoff Basal Toeslagstoffen B.V.	Nieuwegein NL	EUR	27,000	Dyckerhoff Basal Nederland B.V.	100.00
Dyckerhoff Basal Betonmortel B.V.	Nieuwegein NL	EUR	18,004	Dyckerhoff Basal Nederland B.V.	100.00
Béton du Ried S.A.S.	Krautergersheim FR	EUR	500,000	Cimalux S.A.	100.00
Cimalux Société Immobilière S.à r.l.	Esch-sur-Alzette LU	EUR	24,789	Cimalux S.A.	100.00
ZAPA beton SK s.r.o.	Bratislava SK	EUR	11,859,396	ZAPA beton a.s. Cement Hranice a.s.	99.97 0.03
TOB Dyckerhoff Transport Ukraina	Kyiv UA	UAH	51,721,476	TOB Dyckerhoff Ukraina	100.00
OOO CemTrans	Suchoi Log RU	RUB	20,000,000	OAO Sukholozhskcement	100.00
OOO Dyckerhoff Suchoi Log obshestvo po sbitu tamponashnich zementow	Suchoi Log RU	RUB	4,100,000	OAO Sukholozhskcement	100.00
OOO Omsk Cement	Omsk RU	RUB	779,617,530	OAO Sukholozhskcement	100.00
Alamo Concrete Products Company	San Antonio US	USD	1	Alamo Cement Company	100.00
Alamo Transit Company	San Antonio US	USD	1	Alamo Cement Company	100.00
Buzzi Unicem USA Inc.	Wilmington US	USD	10	RC Lonestar Inc.	100.00
Midwest Material Industries Inc.	Wilmington US	USD	1	RC Lonestar Inc.	100.00
Lone Star Industries, Inc.	Wilmington US	USD	28	RC Lonestar Inc.	100.00
River Cement Company	Wilmington US	USD	100	RC Lonestar Inc.	100.00
River Cement Sales Company	Wilmington US	USD	100	RC Lonestar Inc.	100.00
Signal Mountain Cement Company	Wilmington US	USD	100	RC Lonestar Inc.	100.00
Heartland Cement Company	Wilmington US	USD	100	RC Lonestar Inc.	100.00
Heartland Cement Sales Company	Wilmington US	USD	10	RC Lonestar Inc.	100.00
Hercules Cement Holding Company	Wilmington US	USD	10	RC Lonestar Inc.	100.00
Hercules Cement Company LP	Harrisburg US	USD	n/a	RC Lonestar Inc. Hercules Cement Holding Company	99.00 1.00
Dyckerhoff Transportbeton Schmalkalden GmbH & Co. KG	Erfurt DE	EUR	512,000	Dyckerhoff Transportbeton Thüringen GmbH & Co. KG	67.55
BTG Beton-Transport-Gesellschaft mbH	Lengerich DE	EUR	500,000	sibobeton Osnabrück GmbH & Co. KG	100.00
Harex Nederland B.V.	Nieuwegein NL	EUR	18,151	Dyckerhoff Basal Toeslagstoffen B.V.	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	27,227	Dyckerhoff Basal Betonmortel B.V.	100.00
Wolst Transport B.V.	Dordrecht NL	EUR	45,378	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 k.f.t.	Zsujta HU	HUF	88,000,000	ZAPA beton SK s.r.o.	100.00
Buzzi Unicem Ready Mix, L.L.C.	Nashville US	USD	n/a	Midwest Material Industries Inc.	100.00
RED-E-MIX, L.L.C.	Springfield US	USD	n/a	Midwest Material Industries Inc.	100.00
RED-E-MIX Transportation, L.L.C.	Springfield US	USD	n/a	Midwest Material Industries Inc.	100.00
Utah Portland Quarries, Inc.	Salt Lake City US	USD	378,900	Lone Star Industries, Inc.	100.00
Rosebud Real Properties, Inc.	Wilmington US	USD	100	Lone Star Industries, Inc.	100.00
Compañia Cubana de Cemento Portland, S.A.	Havana CU	CUP	100	Lone Star Industries, Inc.	100.00
Transports Mariel, S.A.	Havana CU	CUP	100	Lone Star Industries, Inc.	100.00
Proyectos Industries de Jaruco, S.A.	Havana CU	CUP	186,700	Compañia Cubana de Cemento Portland, S.A.	100.00

Investments in joint ventures valued by the equity method

Cementi Moccia S.p.A.	Napoli	EUR	7,398,300	Buzzi Unicem S.p.A.	50.00
E.L.M.A. S.r.l.	Sinalunga (SI)	EUR	15,000	Unical S.p.A.	50.00
S. Paolo S.c.r.l. i.L.	Calenzano (FI)	EUR	50,000	Unical 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
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 a.s.	Praha CZ	CZK	1,008,000	ZAPA beton a.s.	50.00
Hotfilter Pumpendienst GmbH & Co. KG	Nordhorn DE	EUR	100,000	sibobeton Ems GmbH & Co. KG sibobeton Osnabrück GmbH & Co. KG	25.00 25.00
Ravenswaarden B.V.	Lochem NL	EUR	18,000	Dyckerhoff Basal Toeslagstoffen B.V.	50.00
Roprivest N.V.	Grimbergen BE	EUR	105,522	Dyckerhoff Basal Toeslagstoffen B.V.	50.00
Aranykavics k.f.t.	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)					
VOF CBDB	Cruquius NL	EUR	1	Dyckerhoff Basal Betonmortel B.V.	50.00
Corporación Moctezuma, S.A.B. de C.V.	Mexico MX	MXN	171,376,652	Fresit B.V. Presa International B.V.	51.51 15.16
Cementos Moctezuma, S.A. de C.V.	Mexico MX	MXN	1,127,317,866	Corporación Moctezuma, S.A.B. de C.V.	100.00
Cementos Portland Moctezuma, S.A. de C.V.	Emiliano Zapata MX	MXN	50,000	Corporación Moctezuma, S.A.B. de C.V.	100.00
Cemoc Servicios Especializados S.A. de C.V.	Mexico MX	MXN	50,000	Corporación Moctezuma, S.A.B. de C.V.	100.00
Comercializadora Tezuma S.A. de C.V.	Mexico MX	MXN	50,000	Corporación Moctezuma, S.A.B. de C.V.	100.00
Latinoamericana de Agregados y Concretos, S.A. de C.V.	Mexico MX	MXN	10,929,252	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
Proyectos Terra Moctezuma, S.A. de C.V.	Jiutepec MX	MXN	3,237,739	Corporación Moctezuma, S.A.B. de C.V.	100.00
Latinoamericana de Concretos, S.A. de C.V.	Mexico MX	MXN	912,670,821	Corporación Moctezuma, S.A.B. de C.V. Cementos Portland Moctezuma, S.A. de C.V.	99.97 0.03
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
Concretos Moctezuma de Durango, S.A. de C.V.	Mexico MX	MXN	100,000	Latinoamericana de Concretos, S.A. de C.V. Cementos Moctezuma, S.A. de C.V.	99.00 1.00
Concretos Moctezuma del Pacifico S.A. de C.V.	Mexico MX	MXN	29,472,972	Latinoamericana de Concretos, S.A. de C.V.	85.00
Latinoamericana de Concretos de San Luis, S.A. de C.V.	Mexico MX	MXN	15,676,550	Latinoamericana de Concretos, S.A. de C.V.	60.00
Concretos Moctezuma de Xalapa, S.A. de C.V.	Xalapa MX	MXN	10,000,000	Latinoamericana de Concretos, S.A. de C.V.	60.00
Concretos Moctezuma de Torreón, S.A. de C.V.	Mexico MX	MXN	14,612,489	Latinoamericana de Concretos, S.A. de C.V.	55.00
Maquinaria y Canteras del Centro, S.A. de C.V.	Mexico MX	MXN	19,597,565	Latinoamericana de Concretos, S.A. de C.V.	51.00
Concretos Moctezuma de Jalisco S.A. de C.V.	Mexico MX	MXN	100,000	Latinoamericana de Concretos, S.A. de C.V.	51.00
CYM Infraestructura, S.A.P.I. de C.V.	Mexico MX	MXN	100,000	Latinoamericana de Concretos, 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 S.p.A.	40.00
Société des Ciments de Sour El Ghozlane EPE S.p.A.	Sour El Ghozlane DZ	DZD	1,900,000,000	Buzzi Unicem S.p.A.	35.00
Société des Ciments de Hadjar Soud EPE S.p.A.	Azzaba DZ	DZD	1,550,000,000	Buzzi Unicem S.p.A.	35.00
Laterlite S.p.A.	Solignano (PR)	EUR	22,500,000	Buzzi Unicem S.p.A.	33.33
Salonit Anhovo Gradbeni Materiali d.d.	Anhovo SI	EUR	36,818,921	Buzzi Unicem S.p.A.	25.00
w&p Cementi S.p.A.	San Vito al Tagliamento (PN)	EUR	2,000,000	Buzzi Unicem S.p.A.	25.00
Edilcave S.r.l.	Villar Focchiardo (TO)	EUR	72,800	Unical S.p.A.	30.00
Calcestruzzi Faure S.r.l.	Salbertrand (TO)	EUR	53,560	Unical S.p.A.	24.00
NCD Nederlandse Cement Deelnemingsmaatschappij B.V. i.L.	Nieuwegein NL	EUR	82,750	Dyckerhoff GmbH	63.12
Warsteiner Kalksteinmehl GmbH & Co. KG	Warstein DE	EUR	51,129	Dyckerhoff GmbH	50.00
Nordenhamer Transportbeton GmbH & Co. KG	Nordenham DE	EUR	322,114	Dyckerhoff Beton GmbH & Co. KG	51.59
TRAMIRA Transportbetonwerk Minden-Ravensberg GmbH & Co. KG	Minden-Dankersen DE	EUR	1,000,000	Dyckerhoff Beton GmbH & Co. KG	50.00
Niemeier Beton GmbH & Co. KG	Diepholz DE	EUR	766,938	Dyckerhoff Beton GmbH & Co. KG	33.33
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
TB Rheinland Betonlogistik GmbH	Neuwied DE	EUR	25,000	TB Rheinland GmbH & Co. KG	50.00
BLN Beton Logistiek Nederland B.V.	Nieuwegein NL	EUR	26,000	Dyckerhoff Basal Betonmortel B.V.	50.00
Van Zanten Holding B.V.	Zuidbroek NL	EUR	18,151	Dyckerhoff Basal Betonmortel B.V.	25.00
V.O.F. "Bouwdok Barendrecht"	Barendrecht NL	EUR	n/a	Dyckerhoff Basal Betonmortel B.V.	22.65
Kosmos Cement Company	Louisville US	USD	n/a	Lone Star Industries, Inc.	25.00
Cooperatie Megamix B.A.	Almere NL	EUR	80,000	Megamix Basal B.V.	37.50

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, associates and joint ventures					
GfBB prüftechnik Verwaltungs GmbH	Flörsheim DE	EUR	25,600	Dyckerhoff GmbH	100.00
Dyckerhoff Beton Verwaltungs GmbH	Wiesbaden DE	EUR	46,100	Dyckerhoff GmbH	100.00
Lieferbeton Odenwald Verwaltungs GmbH	Flörsheim DE	EUR	25,000	Dyckerhoff GmbH	100.00
Warsteiner Kalksteinmehl Verwaltungsgesellschaft mbH	Warstein DE	EUR	25,600	Dyckerhoff GmbH	50.00
Bildungs-Zentrum-Deuna Gemeinnützige GmbH	Deuna DE	EUR	25,565	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
sibobeton Hannover Beteiligungsgesellschaft mbH	Lengerich DE	EUR	25,000	Dyckerhoff Beton GmbH & Co. KG	100.00
SIBO-Gruppe Verwaltungsgesellschaft mbH	Osnabrück DE	EUR	25,565	Dyckerhoff Beton GmbH & Co. KG	100.00
Nordenhamer Transportbeton GmbH	Nordenham DE	EUR	25,565	Dyckerhoff Beton GmbH & Co. KG	56.60
TB Rheinland Verwaltungs GmbH	Neuwied DE	EUR	26,000	Dyckerhoff Beton GmbH & Co. KG	55.00
Lichtner-Dyckerhoff Beton Verwaltungs GmbH	Berlin DE	EUR	25,000	Dyckerhoff Beton GmbH & Co. KG	50.00
Niemeier-Beton GmbH	Sulingen DE	EUR	25,565	Dyckerhoff Beton GmbH & Co. KG	33.20
ARGE Betonüberwachung Nesserlander Schleuse GbR	Haren DE	EUR	n/a	GfBB prüftechnik GmbH & Co. KG	50.00
OOO Sukholozhskcemremont	Suchoi Log RU	RUB	10,000	OAO Sukholozhskcement	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
ARGE Betonversorgung ICE Feste Fahrbahn Erfurt-Halle GbR	Erfurt DE	EUR	n/a	Dyckerhoff Transportbeton Thüringen GmbH & Co. KG	37.00
MKB Mörteldienst Köln-Bonn Verwaltungsgesellschaft mbH	Hückelhoven DE	EUR	25,000	MKB Mörteldienst Köln-Bonn GmbH & Co. KG	100.00
Hotfilter Pumpendienst Beteiligungsgesellschaft mbH	Nordhorn DE	EUR	25,000	sibobeton Ems GmbH & Co. KG sibobeton Osnabrück GmbH & Co. KG	25.00 25.00
Betoncentrale Haringman B.V.	Goes NL	EUR	45,378	Dyckerhoff Basal Betonmortel B.V.	50.00
Eaststone Kft	Budapest HU	HUF	3,000,000	ZAPA beton SK s.r.o.	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 2016 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 2016
Audit	EY S.p.A.	Parent – Buzzi Unicem S.p.A.	155
	EY S.p.A.	Subsidiaries	54
	Rete EY	Subsidiaries	1,066
Attestation	EY S.p.A.	Parent – Buzzi Unicem S.p.A. [1]	50
	Rete EY	Parent – Buzzi Unicem S.p.A. [2]	28
	Rete EY	Subsidiaries [3]	72
Total			**1,425**

1 Audit procedures agreed on the annual financial information the company must provide to the sub-scribers of the secured senior notes (in compliance with covenants) and for statements for income tax purpose;
2 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;
3 Certifications required under German law, Czech law, Ukrainian law, Dutch law and Luxembourg law.

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

- The undersigned Pietro Buzzi, as Chief Executive Finance, and Silvio Picca, as Manager responsible for preparing Buzzi Unicem's financial reports, hereby certify, pursuant to the provisions of article 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998, that the administrative and accounting procedures for the preparation of consolidated financial statements during the year 2016:

  – 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, 30 March 2017

Chief Executive Finance	Manager responsible for preparing financial reports
Pietro Buzzi	**Silvio Picca**

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Independent auditor's report in accordance with articles 14 and 16 of Legislative Decree n. 39, dated 27 January 2010

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Buzzi Unicem Group, which comprise the consolidated balance sheet as at December 31, 2016, 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 a summary of significant accounting policies and other related notes.

Directors' responsibility for the consolidated financial statements

The Directors of Buzzi Unicem S.p.A. are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree n. 38, dated 28 February 2005.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Buzzi Unicem Group as at December 31, 2016, 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 article 9 of Legislative Decree n. 38, dated 28 February 2005.

Report on other legal and regulatory requirements

Opinion on the consistency of the Review of operations and of specific information of the Report on Corporate Governance and ownership structure with the consolidated financial statements

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion, as required by law, on the consistency of the Review of operations and of specific information of 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. The Directors of Buzzi Unicem S.p.A. are responsible for the preparation of the Review of operations and of the Report on Corporate Governance and the ownership structure in accordance with the applicable laws and regulations. In our opinion the Review of operations and the specific information of the Report on Corporate Governance and the ownership structure are consistent with the consolidated financial statements of Buzzi Unicem Group as at December 31, 2016.

Turin, April 7, 2017

EY S.p.A.
Signed by: Stefania Boschetti
(Partner)

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

Editorial coordination
SDWWG
Milan

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Company Register of Alessandria no. 00930290044

Cover picture:
Realization of the white cement staircase for the “Montforthaus” town hall in Feldkirch (Austria).

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