ANNUAL **REPORT** 2017

Buzzi Unicem

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

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

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

Vision

Contents

Dear Shareholders,

I am pleased to provide you with an update on some key topics of interest, together with a few remarks on the results and developments during 2017, which we are bringing to your attention today.

The economic situation in Italy is still very uncertain but there are developments that give us hope for a more positive outlook in the future. Your company has been working to consolidate the domestic market for a long time and in 2017 we realized an important achievement with the acquisition of the Zillo Group, operating with two plants in Monselice, province of Padua and Fanna, province of Pordenone.
The plants have been under our control since July 2017 and have operated with good results. We plan to officially merge them into Buzzi Unicem SpA this year.

In addition to our transaction, another important development in the Italian cement sector was the acquisition of Cementir Italia by Italcementi, which is now owned by Heidelberg Cement.
Both of these recent initiatives have changed the landscape in the sector. We hope they will bring stability in the near future, facilitated by the long-awaited and hoped-for recovery in consumption.

Abroad, Buzzi Unicem has obtained very good financial results.

In the United States, partly as a result of the economic and fiscal policies of President Trump, the economy and stock market have reached very high levels, resulting in positive effects on the construction industry.
The new Maryneal cement plant in particular has strengthened its position on the Texas market by reducing costs and improving the logistics of its distibution.
On the other hand, it should be noted that several climatic events that occurred during and at the end of the year had a negative effect on consumption, particularly in the concrete sector.

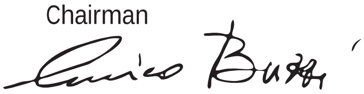
In Europe, our Dyckerhoff subsidiary continues to achieve good results by reducing costs, mainly through the increased use of alternative fuels. Unlike Italy, where a climate of disinformation and environmental controversies prevails, Germany and the East European countries benefit from a wise industrial policy and a very strict but farsighted legislation that favor the use of these fuels in cement plants, thus helping to reduce the age-old problem of landfills.

Still the engine of European economic progress, the German economy has also had a positive effect on our sector in the East European countries.
Poland continues to recover slightly but steadily, which bodes well for 2018.
The Czech Republic yielded good results in both the cement and concrete sectors last year, boosted by some large, public infrastructure works which we hope will continue in 2018.
Although Ukraine remains problematic due to the high energy costs, it has exited the most critical phase of the downturn and continues to demonstrate a satisfactory economic equilibrium. Favored by the return to more appropriate exchange rates for the ruble, Russia is exiting from a recession caused by the decline of the market and the oil price and is moving toward a slow recovery in the cement sector, marked by above-average operating margins.

Last but not least, our associate Corporación Moctezuma continues to expand, driven by a prosperous economy in the sector, even though it experienced a slight decline during the last two months of the year. This can be attributed to a slowdown in public investments, a hiatus that typically occurs during the semester preceding the presidential elections in July 2018. The prospects for the post-electoral period in Mexico are expected to be bright, especially if the current political direction continues.

In conclusion, dear Shareholders, your company has demonstrated its vitality during 2017, by pursuing a path of growth that it intends to continue, both in Italy and abroad, so that we can present you even better results, confident that we will receive your attention and confirmation of your trust.
I would personally like to thank our workforce for the huge effort required to make all this possible. I must also extend a special thank you to my closest collaborators and the entire Board of Directors.

Enrico Buzzi
Chairman



Group profile

Boards of Directors

Alessandro Buzzi
Honorary Chairman (not member)

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

Enrico Buzzi
Executive Chairman

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

Veronica Buzzi
Non-executive Vice-Chairman

Born in 1971. 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 2003 she has been a member of Dyckerhoff GmbH's Supervisory Board and of the Governing Council of AIdAF (Italian Association of Family Businesses). Since 2016 she has been an Indipendent Director in Banca Patrimoni Sella & C.

Pietro Buzzi
Chief Executive Finance

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

Michele Buzzi
Chief Executive Operations

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

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

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

Luca Dal Fabbro
Independent non-executive Director

Born in 1966. Director since 2018.
Bachelor's Degree in Engineering, Master's in International Politics in Brussels, Advanced Management at the MIT Sloan School in Boston. He has been a director of Terna SpA since 2014, where he is also Chairman of the Appointments Committee and member of the Related Parties Committee. He is currently Chief Executive Officer of GRT Group SA, a Swiss multinational at the forefront of circular economy, and has been a member of the Board of Directors of Tamini Trasformatori since 2016.
Member of the Friends of Aspen Advisory Board and Adjunct professor at the LUISS University. He has years of international experience in the industrial and energy sector.
As its Chairman, he listed the company Electro Power Systems SA on the Euronext Paris stock exchange. Previously, he was Chairman of Domotecnica, Chief Executive Officer of E.ON Italia SpA and E.ON Energia SpA, Chief Executive Officer of Enel Energia SpA, member of the Board of Directors of Enel Gas SpA and AMGA SpA, Head of Marketing at ENEL SpA and Business Development director at Enron Capital & Trade in London. Before that, he gained a range of experience in business development in Argentina, China and Vietnam. He was head of the Far East desk of the Institute of International Affairs.

Elsa Fornero
Independent non-executive 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, of Netspar and Policy, Fellow of IZA of Bonn, INFE, OCSE and the Scientific Committee of the Observatoire de l'Epargne Européenne of Paris. She is a board member of the Centrale del Latte of Turin (now of Italy) since 2014. Vice President of the Supervisory Board of Intesa Sanpaolo (2010-2011) and the Compagnia di San Paolo (2008-2010). From 2011 to 2013, she was the Minister of Labour in the Monti cabinet.

Antonella Musy
Independent non-executive Director

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

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

Born in 1958. Director 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 the Aspen Institute. Former Member of the Board of Confindustria (2016-2017); Vice President of Assolombarda (2013-2015), Vice President of Credito Valtellinese (2012-2014), President of IOMA (2011), Vice President of Federchimica (1999-2007), President of Assogastecnici (2007-2010) and the Giovani Imprenditori Confindustria (1990-1994).

Gianfelice Rocca
Independent non-executive Director

Born in 1948. Director since 2003.
President of the Gruppo Techint of the Istituto Clinico Humanitas in Milan. From 2013 until 2017 President of Assolombarda and Vice President of Confindustria with responsibilities for Education from 2004 until 2012. Board member of Allianz SpA, Brembo SpA., Bocconi University, LUISS and the Leonardo da Vinci National Science and Technology Museum. Member of the Advisory Board of the Politecnico di Milano, of Allianz Group, the Executive Committee of Aspen Institute, The European Advisory Board of Harvard Business School, and the Trilateral Commission. Member of the Cancer Center International Executive Board of the Beth Israel Deaconess Medical Center.

Linda Orsola Gilli
Independent non-executive Director

Born in 1953. Director since 2014.
Bachelor's Degree in Business Economics from Bocconi University in Milan. President and CEO of INAZ SpA. From 2007 Order of Merit for Labor and from 2009 member of the Training Activities Board of the National Federation, and President since 2014. Member of the Board of Directors of the National Federation of Cavalieri del Lavoro (individuals with the Order of Merit for Labour) - Lombardy Group (2010-2016) and Vice-President (2014-2016). Board member of ISPI, President of ISVI, member of the Advisory Board - "Centesimus Annus" Vatican Foundation and the Board of Directors of UCID, Milan. Member of the Giorgio Ambrosoli Prize Organising Committee and, since 2016, Member of the Board of Directors of Avvenire SpA. Board of Directors (2006-2009) and member of the Evaluation Team of Bicocca University (2009-13).

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

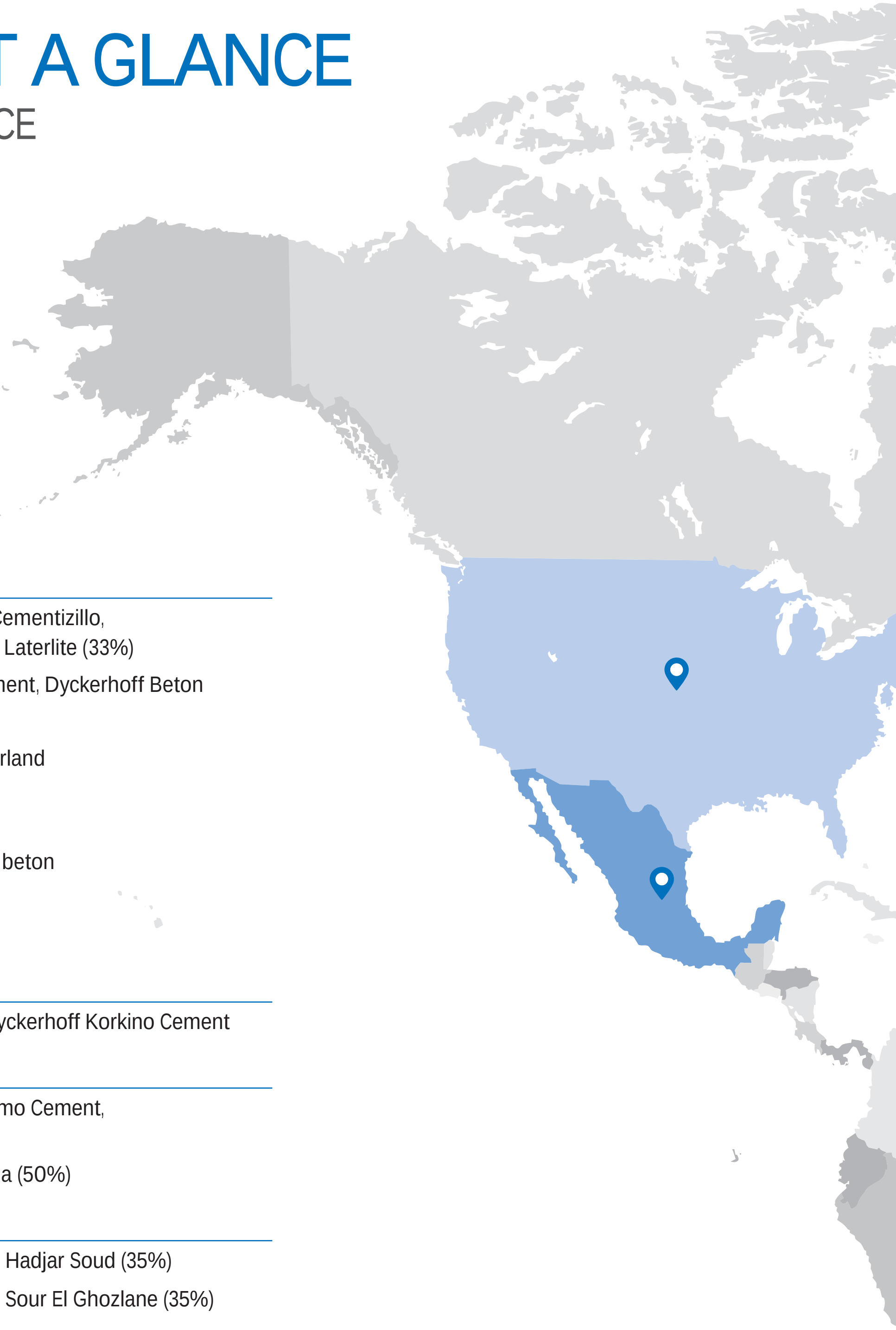
Born in 1942. Director since 1999.
Chairman of Banca Sella Holding (Banca Sella Group), Banca Sella SpA and Banca Patrimoni Sella & C. He has been Chairman of ABI (1998-2006) where he sits on the Executive Committee. He has been Director of Assonime (Association of Italian jointstock companies) since 2003, Vice-Chairman since 2011 and was Chairman from 2013 to 2017; he is now Honorary Chairman. He was Chairman of Emittenti Titoli SpA from 2016 to 2017, he has been Chairman of S.I.A. (Società Interbancaria per l'Automazione, 1988-1999) and President of the Banking Federation of the European Union (1998-2004).

Board of Statutory Auditors

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

THE GROUP AT A GLANCE

INTERNATIONAL PRESENCE



Europe

Italy	Buzzi Unicem, Unical, Cementizillo, 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%)

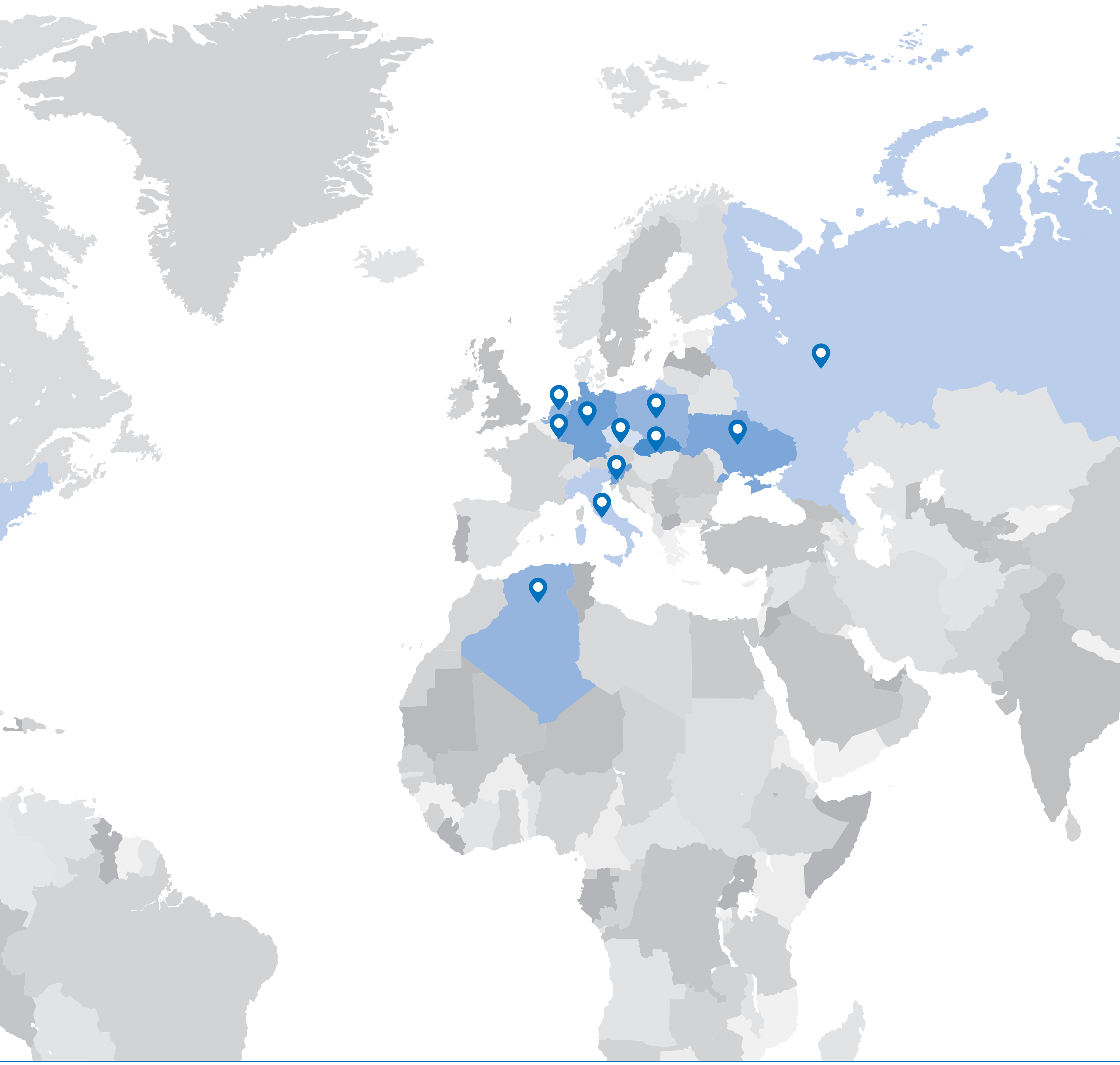
Africa

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

34
Cement plants

6
Grinding plants



40
m tons/year
Cement production capacity

452
Ready-mix batch plants

20
Aggregate quarries

46
Terminals

Operating structure

		ITA	GER	LUX	NLD	POL	CZE SVK	UKR	RUS	USA	TOTAL	MEX[1]
Cement plants	n.	11	7	2	-	1	1	2	2	8	**34**	3
of which grinding	n.	3	2	1	-	-	-	-	-	-	**6**	-
Cement production capacity	m tons/ year	11	7	1	-	2	1	3	4	10	**40**	8
Ready-mix batch plants	n.	159	108	3	14	25	68	5	-	70	**452**	34
Aggregate quarries	n.	6	3	-	1	-	7	-	-	3	**20**	4
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

		2011	2012	2013	2014	2015	2016	2017
Cement sales	t/000	28,218	27,263	23,852	24,280	24,857	24,901	**26,173**
Concrete sales	m^3/000	15,066	13,641	11,887	12,048	11,936	11,938	**12,294**
Aggregate sales	t/000	9,708	8,642	7,869	7,558	8,120	6,839	**6,935**
Sales revenues	€ m	2,787	2,813	2,510	2,506	2,662	2,669	**2,806**
Capital expenditure	€ m	157	234	222	318	304	236	**218**
Headcount at year end	n,	10,956	10,837	9,938	10,117	9,738	9,975	**10,025**

The years 2011 and 2012 include Mexico at 50%, The years from 2013 do not include Mexico,

Sales revenue

(millions of euro)

The years 2011 and 2012 include Mexico at 50%.
The years from 2013 do not include Mexico.

Capital expenditures

(millions of euro)

The years 2011 and 2012 include Mexico at 50%.
The years from 2013 do not include Mexico.

Environmental performance

		2015	2016	2017
CO_2 Emissions	kg / t cementitious	708	705	**696**
Specific thermal consumption	MJ / t clinker	4,190	4,224	**4,121**
Thermal substitution	%	24.4	27.0	**26.0**

Social performance

	2015	2016	2017
Headcount at year end	**9,738**	**9,975**	**10,025**
of which % Men	85.1	84.3	**85.0**
of which % Women	14.9	15.7	**15.0**
LTIFR *	8.6	7.9	**6.9**
Management	-	435	**464**
White collars	3,764	3,184	**3,221**
Blue collars	5,974	6,104	**6,082**
Trainees	-	159	**156**
Marginal/helpers	-	93	**102**
Total hires	1,069	1,905	**1,585**
Percentage of hiring	11.0	19.1	**15.8**
Total terminations	1,448	1,668	**1,822**
Turnover rate %	14.9	16.7	**18.2**
Absence rate % (illness/injuries)	3.2	3.3	**3.2**
Total hours of training	35.5	32.1	**24.7**

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

Cement plant locations

As at 31 December 2016

Europe and Africa

Caption

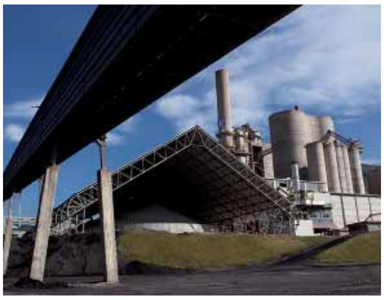
- **Cement plants**
- **Grinding plants**

America and Asia

Italy

11	10.8	159	6	3
plants	(million tons) cement production capacity	concrete batch plants	aggregate quarries	deposits and terminals

		2017	2016	var% 17/16
Cement production	t/000	**4,027**	3,443	17.0%
Concrete sales	m³/000	**3,093**	2,779	11.3%
Aggregate sales	t/000	**855**	893	-4.3%
Sales revenue	€ m	**427.8**	375.2	14.0%
Capital expenditures	€ m	**56.8**	25.4	123.8%
Headcount at year end	no.	**1,632**	1,377	18.5%



Germany, Luxembourg and Netherlands

9	8.6	125	4	3
plants	(million tons) cement production capacity	concrete batch plants	aggregate quarries	deposits and terminals

		2017	2016	var% 17/16
Cement production	t/000	**6,602**	6,231	6.0%
Concrete sales	m³/000	**4,455**	4,512	-1.3%
Aggregate sales	t/000	**2,906**	2,924	-0.6%
Net sales	€ m	**747.4**	723.2	3.3%
Capital expenditures	€ m	**49.9**	51.3	-2.8%
Headcount at year end	no.	**2,164**	2,162	0.1%

Poland

1
plant

1.6
(million tons) cement production capacity

25
concrete batch plants

1
terminal

		2017	2016	var% 17/16
Cement production	t/000	**1,506**	1,535	-1.9%
Concrete sales	m^3/000	**716**	777	-7.9%
Sales revenue	€ m	**97.0**	95.0	2.1%
Capital expenditures	€ m	**5.0**	9.2	-45.6%
Headcount at year end	no.	**350**	368	-4.9%

Czech Republic and Slovakia

1
plant

1.1
(million tons) cement production capacity

68
concrete batch plants

7
aggregate quarries

		2017	2016	var% 17/16
Cement production	t/000	**935**	859	8.8%
Concrete sales	m^3/000	**1,696**	1,535	10.5%
Aggregate sales	t/000	**1,262**	1,271	-0.7%
Net sales	€ m	**147.9**	136.2	8.6%
Capital expenditures	€ m	**8.5**	8.9	-4.4%
Headcount at year end	no.	**766**	778	-1.5%

Ukraine

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

		2017	2016	var% 17/16
Cement production	t/000	**1,768**	1,765	0.2%
Concrete sales	m^3/000	**200**	125	60.8%
Net sales	€ m	**94.5**	79.8	18.5%
Capital expenditures	€ m	**9.4**	4.1	130.9%
Headcount at year end	no.	**1,384**	1,558	-11.2%

Russia

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

		2017	2016	var% 17/16
Cement production	t/000	**3,274**	3,286	-0.4%
Net sales	€ m	**184.3**	154.4	19.4%
Capital expenditures	€ m	**8.5**	12.7	-33.2%
Headcount at year end	no.	**1,456**	1,455	0.1%

United States of America

8 plants	10.2 (million tons) cement production capacity	70 concrete batch plants	3 aggregate quarries	36 deposits and terminals

		2017	2016	var% 17/16
Cement production	t/000	**8,061**	7,782	3.6%
Concrete sales	m³/000	**2,133**	2,210	-3.5%
Aggregate sales	t/000	**1,912**	1,751	9.2%
Net sales	$ m	**1,265.0**	1,237.3	2.2%
Capital expenditures	$ m	**89.9**	138.3	-35.0%
Headcount at year end	no.	**2,273**	2,277	-0.2%

Mexico[1]

3 plants	8.3 (million tons) cement production capacity	34 concrete batch plants	4 aggregate quarries

		2017	2016	var% 17/16
Cement production	t/000	**7,139**	6,958	2.6%
Concrete sales	m³/000	**1,638**	1,789	-8.4%
Aggregate sales	t/000	**1,156**	1,119	3.3%
Net sales	$ m	**775.1**	674.1	15.0%
Capital expenditures	$ m	**31.9**	69.0	-53.8%
Headcount at year end	no.	**1,103**	1,119	-1.4%

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

Review of operations

Shares, Shareholders and Performance indicators

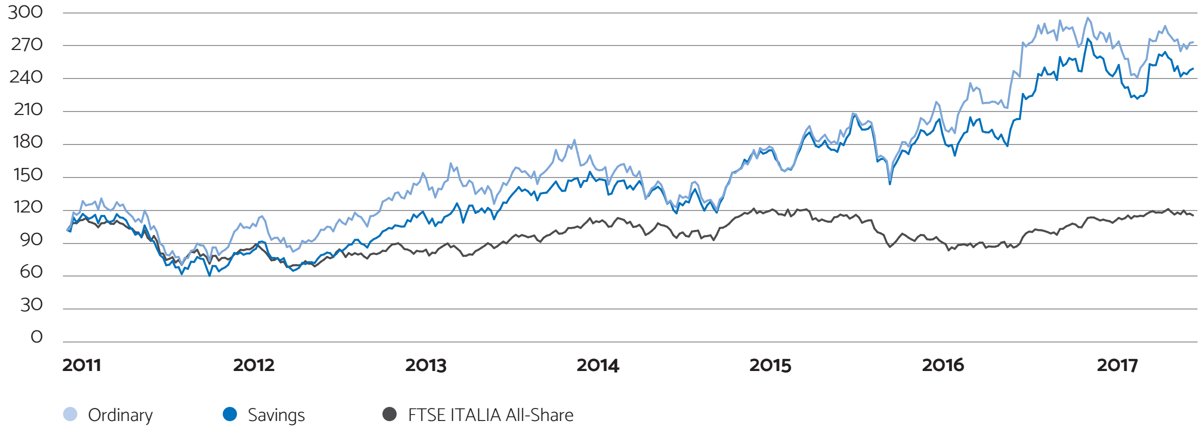
The ordinary and savings shares of Buzzi Unicem SpA have been listed on the Milan Stock Exchange since September 1999. Market capitalization as at 31 December 2017 was €4,258 million. At that date the share capital consisted of 165,349,149 ordinary shares and 40,711,949 savings shares, with both share 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 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
Year 2017	**184,745,315**	**22,056,405**	**4,207.8**	**284.3**

Price trend of Buzzi Unicem shares

(base January 2011 = 100)



Main Shareholders

as at 31 December 2017

	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 2017 (ordinary shares)

	No. shareholders	in %	No. shares	in %
1 - 1,000	6,711	80.45	1,857,960	1.11
1,001 - 10,000	1,120	13.43	3,482,961	2.11
10,001 - 100,000	359	4.30	12,449,305	7.53
100,001 -	152	1.82	147,558,923	89.25

A total of 58,440,704 ordinary shares - corresponding to approximately 35% of voting capital, are held by foreign investors.

Market capitalization

as at 31 December 2017 (millions of euro)

Capital structure

as at 31 December 2017 (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)	2011	2012	2013	2014	2015	2016	2017
Basic eps (ordinary)	0.13	-0.18	-0.31	0.56	0.60	0.70	**1.90**
Equity per share	12.44	11.79	10.98	11.33	12.40	13.47	**13.81**
Price/earnings ratio	51.9x	n/a	n/a	18.8x	21.9x	32.3x	**11.9x**
Price at year-end							
ordinary shares	6.75	10.55	13.07	10.51	16.50	22.62	**22.59**
savings shares	3.37	5.16	7.04	6.35	10.10	11.55	**12.84**
Dividend per share[1]							
ordinary shares	0.05	0.05	0.05	0.05	0.075	0.10	**0.12**
savings shares	0.05	0.10	0.05	0.05	0.075	0.10	**0.20**
Yield							
ordinary shares	0.7%	0.5%	0.4%	0.5%	0.4%	0.4%	**0.5%**
savings shares	1.5%	2.0%	0.7%	0.8%	0.6%	0.9%	**1.6%**

[1] 2017: proposed to shareholders at the Annual General Meeting.

Performance Indicators

(in %)	2017	2016	2015
EBITDA margin[1]	**18.1**	20.6	17.8
Return on sales (ROS)	**10.2**	13.0	9.9
Return on Equity (ROE)[2]	**13.8**	5.3	5.0
Return on Capital Employed (ROCE)[3]	**5.8**	6.5	5.8
Net debt/Equity	**30.2**	33.5	40

[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)	2017	2016
EBITDA	**508.2**	**550.6**
Restructuring costs	0.8	0.4
Write-downs of current assets	1.9	-
Additions (releases) of provisions for liabilities	1.3	1.2
Dismantling costs	2.0	1.9
Gains/losses on disposal of fixed assets	-	(3.4)
Other expenses	2.4	-
Antitrust fine	59.8	-
EBITDA recurring	**576.4**	**550.7**

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

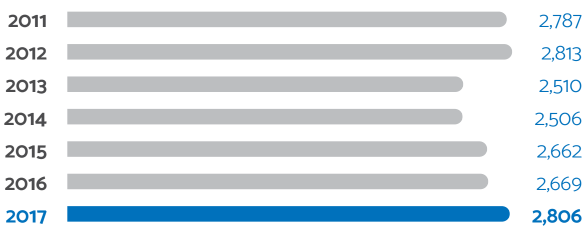
- **Net debt:** it is a measure of the capital structure determined by the difference between financial liabilities and assets both short and long term; under such items are included all interest-bearing liabilities or assets and those connected to them, such as derivatives and accruals.

Business review

The world economy, which continued to strengthen also during the second half of 2017, outlined a widespread and dynamic recovery with increasing signs of synchronization foreseeing favorable expectations for the future. The positive and considerable evolution recorded in particular at the end of the year reflected the vigorous expansion which is under way in the advanced economies and the lively recovery in the emerging ones, however accompanied by a general underlying weakness in inflation. Economic activity continued to benefit from globally favorable financial conditions and a positive trend in business confidence indicators. The continuation of the strong momentum of international trade, also in the last quarter, allowed to consolidate a robust expansion and to confirm higher growth than that of business activity.
In the United States of America, after a temporary slowdown in the first quarter, GDP growth consolidated a strong and lively development. In line with the robust economic activity, the labor market continued to strengthen and fueled further consumption expansion in a business environment which is characterized by accommodative financial conditions, by high mood of confidence and, in the last quarter of the year, by the stimulus associated with the reconstruction operations that followed the hurricanes occurred at the end of the summer.
In Europe, economy continued to expand, with an acceleration higher than expected in the second half of 2017. Thanks to constant improvement in labor markets, consumer spending strengthened, thus continuing to play its essential role by supporting the ongoing expansion cycle, which was also driven by the robust recovery in net foreign demand, particularly since the third quarter, and by the investment support. The strong momentum of the recovery made it possible to increase the level of capacity utilization, avoiding deflationary risks and stimulating investments.
In Italy, since the third quarter, economic activity accelerated, consolidating the expansive cyclical phase and the favorable trend. National demand, stimulated by investments in capital goods, and international trade, with a marked increase in exports, contributed equally to GDP development. The employment rate increased, while wage dynamics remained moderate. Nevertheless the GDP pace of growth, which yet recorded a significant improvement compared to the previous year, remained below the European average.
Although the economies of the advanced countries contributed to the overall growth to a greater extent in the last two years, the ongoing recovery continued also in the emerging countries, with good upswing from China and India in particular. Expansion in China, after exceeding expectations in the previous quarters, stabilized at a higher level than the government targets; in India and Brazil, GDP has accelerated since the summer months, and in Russia, after the recession in the previous two years, the economic cycle strengthened.
The increase in oil prices contributed to the global inflation growth, while the same indicator without energy and food products remained more stable; in the United States of America inflationary pressure accentuated, it remained moderate in the main emerging economies, while in Europe there were no signs of a clear upward trend. The increase in oil prices has continued starting from the end of September, driven by the buoyant demand dynamics and the steadiness of the agreement on supply restraint among the main oil producing countries. Looking ahead, based on the current values of futures contracts, oil prices for the coming months should remain around current levels. The Federal Reserve raised the rates, while the ECB Governing Council recalibrated the monetary policy instruments, preserving, also in the future, very expansive monetary conditions, while in China the central bank gradually tightened the monetary conditions, favoring a further increase in interest rates. In return for the overall favorable global outlook, there are still risks due to a possible increase in volatility on the financial markets accompanied by an intensification of

Net sales

(millions of euro)



EBITDA

(millions of euro)

geopolitical tensions; furthermore uncertainties on the outcome of the Brexit negotiations and the revision of the North American Free Trade Agreement (NAFTA) are still high.

Looking more closely at our reference markets, it should be pointed out that construction investments, to which cement and concrete demand is closely related, showed a modest recovery in Italy, lower than expected and more focused on renovation investments, rather than in new buildings. In the United States, they continued their moderate expansion phase, still driven by the residential segment, with no support by the public sector. In Germany, the performance of the construction sector showed a significant strengthening, particularly in the residential and infrastructure segments. Among the Eastern European countries, developments in the construction sector confirmed a positive trend in the Czech Republic and Poland, gradual improvements and some recovery in Russia and finally moderate growth in Ukraine.
In 2017 the group sold 26.8 million tons of cement (+4.4% compared to 2016) and 12.3 million cubic meters of ready-mix concrete (+3.0%). Consolidated net sales increased by 5.1%, from €2,669.3 to €2,806.2 million. Changes in scope were favorable to the extent of €42.4 million, while foreign exchange effect negatively impacted for €3.1 million; like for like net sales would have increased by 3.7%. Ebitda decreased by 7.7% from €550.6 to €508.2 million. Moreover, the 2017 figure was penalized by net non-recurring costs of €68.2 million (€0.1 million in 2016). After amortization and depreciation of €222.1 million, Ebitda amounted to €286.0 million, against €348.0 million in 2016. Net finance costs decreased from €147.2 to €35.0 million, of which €15.1 million relating to non-cash income (€64.0 million of non-cash expenses in 2016); therefore profit before tax stood at €348.7 million compared to €280.9 million recorded in 2016. The approval of the tax reform in the United States allowed to achieve a non-cash non-recurring income of €165.9 millions, included in deferred taxes, and consequently income taxes were positive for €45.9 million (they were negative for €132.2 million in the previous year). Benefiting from this revenue, the income statement closed with a net profit of €394.6 million, of which €391.6 million attributable to the owners of the company.
Net debt at the end of 2017 amounted to €862.5 million, down from €941.6 million at 31 December 2016, after carrying out capital expenditures of €217.6 million and distributing dividends for €20.6 million. The impact on the net financial position due to the acquisition of Cementizillo was €113.2 million. Debt/equity ratio stood at 0.30 (0.34 at the end of 2016).
In the various markets where we operate, the year 2017 was characterized by operating conditions being differentiated from each other. In Italy the accelerating economic growth confirmed a favorable trend, thanks to the expansion of domestic demand, the boost resulting from investments in capital goods and foreign trade. Manufacturing activity, which is strongly recovering, supported the development of industrial production. The construction scenario confirmed the levels of the previous year and was characterized by a persisting negative trend in the public works sector and the stagnation of the new residential building segment, which canceled out the positive contribution of the non residential sector. Domestic cement consumption closed with a slight, positive change, which finally interrupted the continuous and structural reduction in demand that occurred from 2007 to 2016.
In Central European countries, growth continued at a strengthened and sustained rate, driven by consumption and, starting from the third quarter, by the recovery in net foreign demand. The positive economic situation was characterized by a high capacity utilization and a labor market close to full employment, in a context of accelerating public spending and investments stimulated

EBITDA Margin[1]

(in %)

[1] EBITDA recurring/Net sales.

Net cash from operating activities

(millions of euro)

by favorable financing conditions and high business confidence. The construction sector confirmed good overall growth.

Among Eastern European countries the pace of development continued to be differentiated. In Russia, after overcoming the recession cycle of the previous two-year period, the economic scenario consolidated a moderate recovery. Domestic demand strengthened, driven by the recovery of industrial production, the progress of disposable income and the slowdown in inflation. In the context of gradual consolidation of the economic recovery, despite the limitations in the loan supply, the construction sector also showed a progressive improvement and some recovery in investments. In Poland, the pace of economic growth accelerated, consolidating a favorable economic cycle among the best performing ones in Europe. The recovery in public works, particularly in the second half of the year, was boosted by the re-launch of the use of European structural funds for infrastructure, while private investments maintained a more gradual development; therefore, overall, an expansion of cement demand was confirmed. In the Czech Republic, a more robust development phase was resumed, thanks to the growth in domestic demand and the recovery in investments and exports. The level of construction investments and cement consumption remained favorable. In Ukraine, the path of recovery and implementation of economic growth that began in 2016 continued, signaling broad improvements in the industrial, agricultural and trade sectors, but the pace of recovery remained at rather modest levels, which are not suitable to the real needs and potentials of the country; construction investments showed a moderate development.

In the United States economy, particularly in the central months of the year, resulted in a solid expansion, assisted by the progress in consumption and by the improvements in the labor market, now close to full employment. Construction investments showed some slowdown in pace, with still positive changes in the residential and commercial sectors, combined with a contraction in infrastructure, which however led to a moderate growth in cement consumption in the country.

Operating and financial performance

In 2017, cement sales at consolidated level amounted to 26.8 million tons, +4.4% compared to 2016. The volume improvement trend was very significant in Italy, thanks to the change in the scope resulting from the full consolidation of Cementizillo starting from the second half of the year. In Central Europe the development was clearly positive, while in Eastern Europe only a slight improvement was achieved, due to the good expansion in the Czech Republic and the favorable change in Russia and Poland, which more than offset a marginal decline in Ukraine. At the end of the year cement deliveries in the United States of America were strongly affected by bad weather conditions and very low temperatures. Our sales volumes, which had already suffered the shipments stop during some weeks in the Houston area for the passage of Hurricane Harvey, closed the whole period at the same level achieved in the previous year.

Ready-mix concrete sales amounted to 12.3 million cubic meters, +3.0% compared to 2016. Volumes increased satisfactorily in Italy, favored by the changes in the scope of consolidation associated with the Cementizillo and Monvil Beton acquisitions (in 2016), and also in the Czech Republic, Benelux and Ukraine. Sales performance was instead characterized by a reduction in volumes in Germany, due to the closure of some important construction sites in the fourth quarter, in the United States, both due to the passage of the hurricane in Texas and the adverse weather conditions at the end of the year, and in Poland, where the productive structure was optimized.

Consolidated net sales increased by 5.1%, from €2,669.3 to €2,806.2 million. Changes in scope were favorable to the extent of €42.4 million, while foreign exchange effect negatively impacted for €3.1 million; like for like net sales would have increased by 3.7%.

In Italy, domestic and foreign demand supported the economic activity, which slightly accelerated since the third quarter. GDP expansion was stimulated by investments, in particular capital goods and, to a lesser extent, means of transport, and by a marked increase in exports which, after stagnating in the spring months, recorded a robust recovery. Employees and hours worked continued to grow, while the wage trend was very moderate and the unemployment rate remained unchanged. Even with a recovery in prices and some early favorable signs on wages, consumer price inflation remained weak and the underlying inflation was particularly low. The construction industry scenario showed some signs of recovery, even if lower than expected, closing the year with steady investments, mainly due to the positive trend of the renovation of existing properties, which offset the ongoing weakness of new buildings, and to the typical difficulties of public administration to implement investment programs. The year under review was characterized by the effects of the first full consolidation of Cementizillo, starting from the beginning of July, by the growth in volumes for overseas export and by the favorable pace of clinker sales, in a context of hydraulic binders sales being rather stationary in the domestic market. Average prices, in the year-over-year comparison, slightly decreased. The ready-mix concrete sector also benefited from the change in the scope of consolidation following the Cementizillo acquisition, in addition to that occurred in the Milan area in 2016, achieving a significant increase in production, although with rather weak sales prices. Overall net sales increased from €375.2 to €427.8 million (+14.0%).

As for Central European countries, economic activity strengthened, supported by domestic demand and the recovery of exports. The particularly favorable context was characterized by robust growth in the employment rate and in consumption, high capacity utilization and investments stimulated by favorable financing conditions and the climate of business confidence. The construction sector confirmed good growth, particularly robust in the residential sector due to the increasing demand for new residential buildings, and in the civil engineering sector, thanks to the acceleration of public spending. Our deliveries of hydraulic binders during the year maintained a fairly constant and adequate development. Therefore, in a context of strengthening volumes with a slight favorable change in cement prices and a downturn in the ready-mix concrete output, although with prices recovering, net sales increased from €723.2 to €747.4 million, up 3.3%. Germany recorded an increase in net sales of 2.7% (from €572.4 to €588.0 million), while the figure for Benelux improved by 6.4% (from €175.6 to €186.8 million).

Concerning the Eastern European markets, Russia, after overcoming the previous recession phase, consolidated a moderate recovery. Domestic demand strengthened, driven by the recovery of industrial production and the progress of disposable income, in a scenario characterized by the slowdown in inflation, the strengthening of the ruble and a general improvement in the climate of business confidence, while the contribution of net exports, after a period of recovery, returned to be negative due to the acceleration of imports. Construction investments showed a progressive improvement, which also positively impacted on the demand for building materials. Our overall cement sales, which were recovering more strongly in the second half, closed the entire period with a favorable change on the previous year and average prices in local currency marginally increasing. Net sales amounted to €184.3 million, compared to €154.4 million in the previous year (+19.4%). The appreciation of the ruble (+11.1%) had a positive impact on net sales; at constant exchange rates, they would have increased by 6.2%.

In Ukraine, the pace of recovery, supported by promising improvements in manufacturing and positive developments in the construction and export sectors, although accelerating over the previous year, stabilized at rather modest growth rates and the inflation rate level, which slightly declined, remained high. The promotion of development was affected by the limitations resulting from the failure to complete the institutional reforms and the progression of the conflict in the Eastern border regions, which implied contractions in important sectors of the country's economy. In this context, construction investments also showed moderate growth. Cement volumes sold by our industrial plants closed the year marginally down compared to the levels achieved in the previous period, with prices in local currency which, driven by inflation, were significantly higher, while ready-mix concrete output confirmed a clear expansion, with average prices in local currency increasing to double-digit percentage. Despite the depreciation of the local currency (6.1%), net sales were up 18.5%. At constant exchange rates, they would have increased by 25.7%.

Economic growth in Poland accelerated, confirming a situation among the most solid and favorable ones in Europe. The strengthening was supported by domestic demand, thanks to the increasing level of disposable income in a context of high capacity utilization and unemployment rate at an all-time low. The recovery in construction investments, especially since the second half of the year, was driven by the relaunch of the use of European structural funds for infrastructure, while private investments maintained a more gradual development. Our cement sales posted a slight positive change, associated with improving average prices in local currency. On the other hand, ready-mix concrete output declined, with stable prices. Net sales, favored by the appreciation of the zloty, recorded an increase of 2.1% over the previous year; at constant exchange rates, net sales would have been marginally down (-0.4%).

In the Czech Republic and Slovakia, a brisker phase of economic development resumed, thanks to solid growth in domestic demand and the recovery in investments and exports. The level of activity in the construction sector remained favorable thanks to the recovery of the infrastructures co-financed by the European Union, in addition to the good performance of private works. Our cement sales achieved a robust growth trend, with average sales prices in local currency marginally down. The ready-mix concrete sector, which also includes Slovakia operations, achieved production levels growing similarly, with improved prices. Overall net sales, which were positively

influenced by the strengthening of the local currency, increased by 8.6%. At constant exchange rates, net sales would have been up 6.4%.
On the whole, net sales of Eastern Europe amounted to €522.5 million (€463.3 in 2016); the exchange rate effect had a positive impact of €20.0 million. Like for like they would have increased by 8.3%.
In the United States, construction investments slowed down to +1.1%, with still positive changes in the residential and commercial sectors compared to a contraction in infrastructure. Our hydraulic binder sales, which during the third quarter had more than recovered the slight disadvantage accumulated in the first six months, in December were strongly affected by the cold wave that hit the country. The trend of deliveries was quite uneven in the different regions of presence: considerable recovery of oil-well cements, over an easy basis for comparison, gradual development in the Midwest regions, production stop for a few weeks in Houston and surroundings, due to the devastating passage of Hurricane Harvey and, in December, an early winter with snowfall and particularly cold temperatures even at low latitudes. 2017 closed with volumes virtually identical to the previous year and prices in local currency which confirmed a favorable change of a few percentage points. Ready-mix concrete output, essentially present in Texas, was penalized both by the passage of the hurricane and by the weather conditions at the end of the year, and decreased compared to 2016, with prices down. The increase in net sales from €1,117.8 to €1,119.7 million (+0.2%) was negatively affected by the performance of the dollar, particularly in the second half of the year. At constant exchange rates they would have been up 2.2%.
Ebitda decreased by 7.7% from €550.6 to €508.2 million. The foreign exchange effect was negative for €2.0 million. The figure for the year under review includes non-recurring costs of €68.2 million, of which €59.8 million for antitrust sanctions inflicted to the Italian cement sector, €3.2 million for provision for legal claims, €2.4 million for provisions for fiscal claims, €2.0 million related to facility disassembling costs and €0.8 million for restructuring expenses. In 2016 net non-recurring costs of €0.1 million were recorded. Excluding non-recurring items, Ebitda increased from €550.7 to €576.4 million (+4.7%), with Ebitda to sales margin at 20.5% (20.6% in 2016). Despite the unfavorable foreign exchange effect, the contribution of the United States of America continued to be crucial, together with the improvement achieved in Eastern Europe, where, however, the main local currencies strengthened. In Central Europe a marginal decline occurred, while in Italy, although the result was unfortunately still negative, the recurring figure improved on the previous year, thanks also to the contribution of the Cementizillo group.

Amortization and impairment charges amounted to €222.1 million, versus €202.6 million of the previous year. The figure for the year under review includes impairment of fixed assets for €9.6 million (€5.5 million in the previous year) mainly due to write-downs of goodwill as well as of property, plant and equipment in the ready-mix concrete sector in Italy and the Netherlands. Ebit amounted to €286.0 million compared to €348.0 million in 2016. Net finance costs decreased from €147.2 million to €35.0 million, due both to the improvement of the net financial position as well as of financing conditions, and to the unfolding of non-cash items, namely the valuation of derivative financial instruments, which switched from €63.7 million of costs in the previous year to €12.4 million of income in 2017. Gains on the disposal of investments contributed for €1.5 million, while equity in earnings of associates, among which our joint venture operating in Mexico stands out, improved the contribution on the previous year (€96.2 million compared to €79.9 million in 2016). Due to the impact of the factors outlined above, profit before tax amounted to €348.7 million versus €280.9 million in 2016. Income taxes of the year were a positive item of the income statement, due to a non-recurring non-cash revenue of €165.9 million resulting from the reduction of deferred tax liabilities due to the tax rate cut established by the tax reform in the United States of America. Therefore, after revenues for income taxes of €45.9 million (€132.2 million of costs in 2016) the income statement for 2017 closed with a profit of €394.6 million (€148.7 million in 2016). Net profit attributable to the owners of the company increased from €145.9 million in 2016 to €391.6 million in this financial year.
Net debt as at 31 December 2017 stood at €862.5 million, down €79.1 million from €941.6 million at year-end 2016. In 2017 the group distributed dividends of €20.6 million and paid total capital expenditures of €217.6 million, €28.7 million thereof allocated to capacity expansion or special projects, mainly relating to the so-called phase 2 of the new production line in Maryneal (TX) and to the reconstruction of the filtration system at Cape Girardeau (MO). The impact on the net financial position following the acquisition of Cementizillo was €113.2 million. Finally 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 €92.9 million (€105.4 million at year-end 2016).

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)	2017	2016
Cash and short-term financial assets:		
Cash and cash equivalents	810.6	603.3
Other current financial receivables	19.2	6.3
Short-term financial liabilities:		
Current portion of long-term debt	(369.9)	(56.4)
Short-term debt	(17.6)	(16.8)
Other current financial liabilities	(37.1)	(2.6)
Net short-term cash	**405.2**	**533.8**
Long-term financial liabilities:		
Long-term debt	(1,120.0)	(1,381.4)
Derivative financial instruments	(92.9)	(105.4)
Other non-current financial liabilities	(58.0)	(1.8)
Net financial position of continuing operations	**(865.7)**	**(954.8)**
Long-term financial assets:		
Other non-current financial receivables	3.2	13.2
Net debt	**(862.5)**	**(941.6)**

As at 31 December 2017, total equity, inclusive of non-controlling interests, stood at €2,852.1 million versus €2,806.9 million at 2016 year-end. Consequently the debt/equity ratio decreased to 0.30 from 0.34 in the previous year.

Italy

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

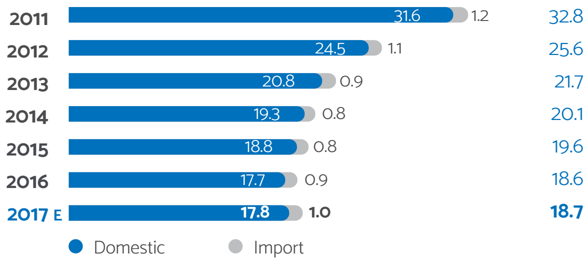
(millions of euro)	2017	2016	17/16
Net sales	**427.8**	375.2	14.0%
EBITDA	**-79.7**	-22.2	-258.1%
EBITDA recurring	**-16.7**	-21.1	20.9%
% of net sales	**-3.9**	-5.6	30.6%
Capital expenditures	**56.8**	25.4	123.8%
Headcount at year end n.	**1,632**	1,377	18.5%

Economic activity slightly accelerated during the third quarter and maintained the same development also in the last months of the year. Domestic demand, stimulated by investments in capital goods, and foreign trade, particularly towards EU countries outside the euro and territories outside the EU, contributed equally to GDP expansion. The added value increased in industry, thanks to the strong expansion in manufacturing and the recovery in construction, while in the service sector the activity remained stable overall. Household consumption strengthened starting from the summer: growth affected both purchases of durable goods and services. Even with some recovery in prices and some early favorable signs on wages, consumer price inflation remained weak. In this economic scenario, GDP in 2017 increased by 1.5%, industrial production was up 3.0%, the unemployment rate declined to 10.8% and the public debt to GDP ratio remained higher than 130%. The real estate sector consolidated signs of stabilization and recovery, although much weaker than expected, recording some progress only in the non residential sector. The Italian cement association (AITEC) estimated internal deliveries of cement at approximately 18.7 million tons, therefore slightly up (+0.3%) over the previous year; the continuous and structural reduction in demand which has occurred for 10 consecutive years, from 2007 to 2016, was finally interrupted. Our cement and clinker volumes sold were up 19.5%, mainly thanks to the first full consolidation of Cementizillo in the second part of the year, to the growth in volumes exported overseas and to clinker sales. Average selling prices, in the year-over-year comparison, slightly decreased. The ready-mix concrete sector also benefited from the change in scope following the Cementizillo acquisition, in addition to that which occurred in Milan in 2016, thus achieving a good increase in production (+11.3%), however with rather weak selling prices. This trend in volumes and prices generated net sales of €427.8 million, up 14.0% (€375.2 million in 2016); like for like net sales would have increased by 2.7%. Due to the unfavorable fuel trend, although offset by a little contraction in power and fixed charges under control, unit production costs increased. Ebitda, which remained negative, declined from -€22.2 to -€79.7 million. To be reminded however that the figure for the year under review includes total non-recurring costs of €63.0 million, of which €59.8 million for the antitrust sanction, €2.4

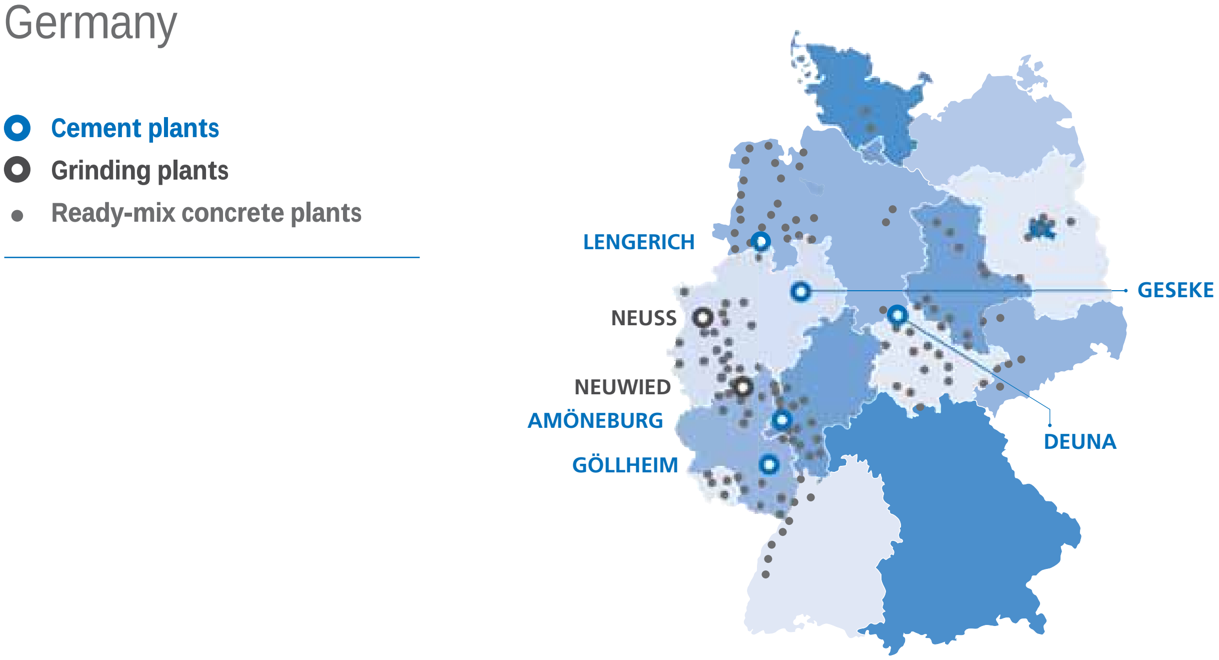
million for provisions for fiscal claims and €0.8 million for restructuring expenses (€1.2 million non-recurring costs in 2016). Recurring Ebitda closed with a negative result amounting to €16.7 million, therefore, €4.4 million better compared to -€21.1 million in 2016. The 2017 income statement benefits from other operating revenues of €6.0 million resulting from the sale within the group of CO2 emission rights (€2.9 million in 2016).
The investment activity aimed at improving technological, environmental and occupational safety efficiency continued throughout the year. In particular, it is worth mentioning the expansion of mineral reserves, in addition to the overburden removal and securing of the quarry fronts for a total of €1.5 million; structural refurbishment and other civil engineering works totaling €1.3 million, €1.0 million for the new feed line for high viscosity fuel in Vernasca; €0.9 million for the storage and transportation of alternative fuel to Robilante; €0.6 million for quarry and plant vehicles; €0.5 million for the modernization of the finish mill at Robilante; €0.4 million for improvements to the corrective store at Augusta.

Cement consumption

(millions of tons)



Germany



The favorable economic phase, supported by domestic demand and by construction investments, already solidly improving in the first six months, further strengthened in the second half of the year, thanks to the acceleration of exports and productive investments. The economic situation is characterized by high capacity utilization and by a labor market close to full employment, with robust growth in public spending and investments stimulated by advantageous financing conditions and high business confidence climate. GDP growth, which accelerated to 0.8% during the third quarter, is expected to reach 2% for the whole of the year, improving over 2016. Inflation, rather moderate, stood at 1.6% at the end of the year. The construction sector showed good overall growth, particularly strong in the residential sector, due to the increasing demand for new residential buildings and in the civil engineering sector for the launch of important infrastructure development plans for improving road, rail practicability and river navigation. Our deliveries of hydraulic binders maintained a fairly constant and appropriate development (+4.5%), also favored by a lively demand for oil well cements. Selling prices remained virtually stable, closing the year marginally up.

The slight downturn that characterized the production volumes of the ready-mix concrete sector in the first nine months intensified in the last months of the year, leading to a decline for the whole of the period (-5.0%), but with prices recovering. Overall net sales thus increased from €572.4 to €588.0 million (+2.7%) and Ebitda increased from €76.8 to €78.1 million (+1.7%). However, it should be pointed out that the figure for the year includes non-recurring costs of €1.9 million relating to provisions for legal claims. Net of non-recurring items, Ebitda showed an improvement of €3.1 million. Unit production costs, despite some savings in energy factors, showed double-digit growth. Moreover in 2017 the company incurred other operating costs of €4.2 million for CO_2 emission rights, purchased from the parent company (€1.3 million in 2016).

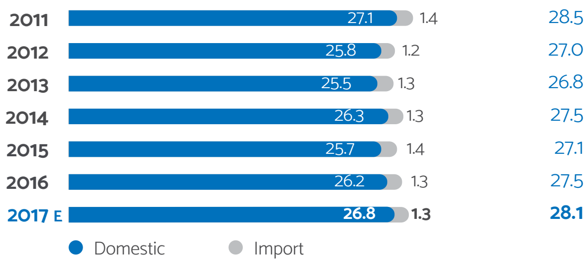
(millions of euro)	2017	2016	17/16
Net sales	588.0	572.4	2.7%
EBITDA	78.1	76.8	1.7%
EBITDA recurring	79.9	76.8	4.1%
% of net sales	13.6	13.4	1.3%
Capital expenditures	41.4	39.7	4.1%
Headcount at year end n.	1,853	1,849	0.2%

The total investments made in 2017 amounted to €41.4 million. The most significant ones concerned the installation of SCR technology to reduce emissions and the modernization of the alternative fuels burner at Deuna, Geseke and Göllheim for a total of

€8.9 million; €4.8 million for the increase in the storage and treatment capacity of alternative fuels and the conversion from electrofilter to a baghouse filter in Lengerich and Amöneburg; €2.3 million for laboratory automation and plant services works; €3.3 million for other investments dedicated to kiln lines; €0.6 million for the barge loading facility in Neuwied and in the ready-mix concrete sector €1.5 million for a mobile batching plant and new administrative buildings.

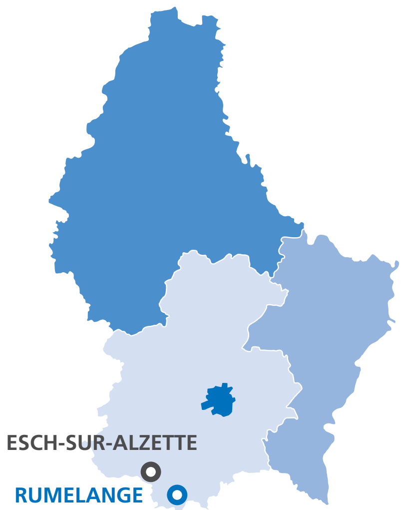
Cement consumption

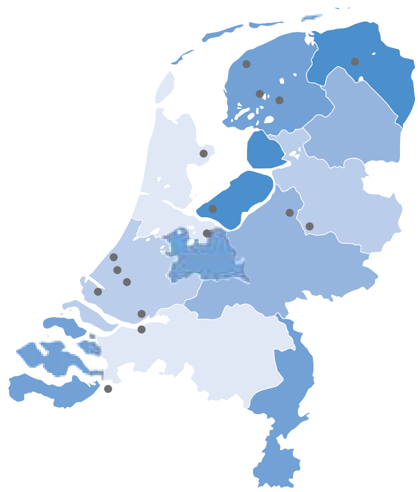
(millions of tons)



Luxembourg and the Netherlands

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





In the EU, Luxembourg economic growth, which accelerated in the second half of the year, reconfirmed its capacity to develop as one of the best in Europe. Consistently with the results of the previous two-year period, robust expansion was sustained by domestic demand, by investments, particularly in the aerospace sector, and by the more than solid contribution of financial services exportation. Private consumption continued to be driven by the strengthening of employment and of disposable income, favored by both low inflation and the entry into force at the beginning of the year of a tax reform that attenuated taxation. GDP growth for the current year, estimated at 3.9% is in line with that of the previous year. Investments in the construction sector and domestic cement consumption confirmed a positive trend.
In the Netherlands, the favorable economic situation consolidated and strengthened. The domestic demand

development as well as investments continued to be the main support for growth. The improvements in disposable income, the increasing level of employment rate and the benefits of a more favorable taxation drove consumption, while the return of capacity utilization to pre-crisis levels stimulated private investments. GDP increase is estimated at 3.1% for the whole year, with a substantial improvement over the previous year, while inflation stopped at 1.3%. The construction sector, in a favorable real estate context, consolidated further progress.

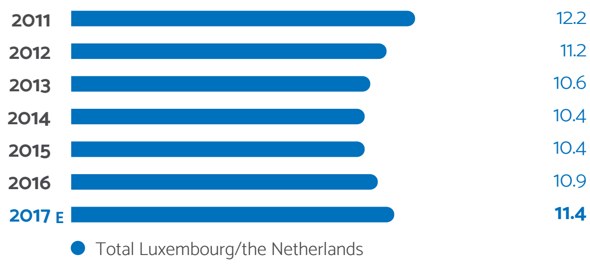
Our cement and clinker sales, intercompany transfers included, thanks to the strengthening recorded in the second half-year both in the domestic market and in exports, closed the period up (+4.5%) with average unit revenues slightly improving. The ready-mix concrete output was characterized by clearly brilliant sales volumes (+15.8%), with prices slightly down. Net sales came in at €186.8 million, up 6.4% on the previous year (€175.6 million). Ebitda amounted to €17.6 million (€25.8 million in 2016). Unit production costs showed overall growth, with unfavorable trend in fuels as well as in fixed and overhead costs of the plant, only partially offset by some savings in electric power. However it must be remembered that the figure for 2017 includes non-recurring costs of €1.3 million for provisions for legal claims, while the 2016 result included a non-recurring gain of €3.0 million. Net of non-recurring items, Ebitda decreased by €4.0 million. During the year the company incurred other operating costs of €0.2 million referring to CO_2 emission rights purchased from the parent company (€0.1 million in 2016).

The total investments made in 2017 amounted to €8.5 million, of which, among others, €2.9 million for general improvements to the line, in particular measures to develop the raw material crushing process and to optimize the spare parts warehouse, in addition to €0.6 million for the installation of a gas pipe from the pre-heater tower to the conditioning tower.

(millions of euro)	2017	2016	17/16
Net sales	186.8	175.6	6.4%
EBITDA	17.6	25.8	-32.0%
EBITDA recurring	18.9	22.9	-17.6%
% of net sales	10.1	13.0	-22.6%
Capital expenditures	8.5	11.6	-26.3%
Headcount at year end n.	311	313	-0.6%

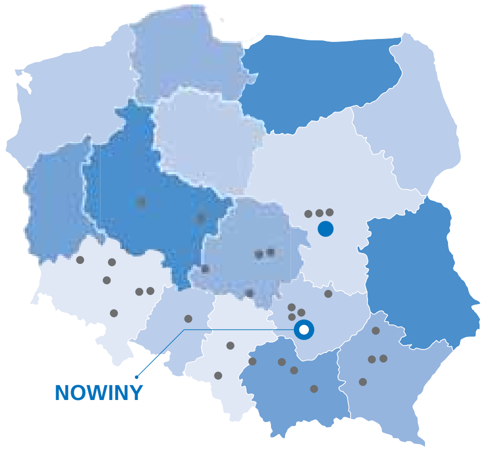
Cement consumption

(millions of tons)



Poland

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



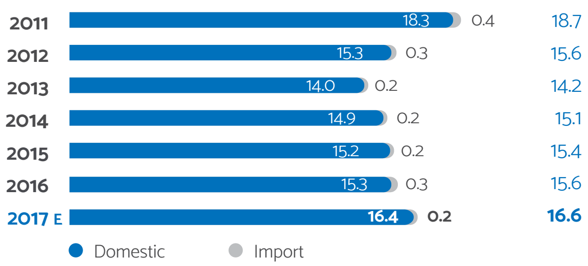
During 2017, the pace of economic growth accelerated to 3.8%, thus strengthening the already favorable economic cycle, which clearly reflected the benefits of rapid commercial and financial integration with Europe and the effects deriving from the brilliant implementation of institutional reforms. The recovery was supported by domestic demand, driven by the growing level of disposable income, in a context characterized by high capacity utilization, unemployment at an all-time low and high indicators of consumer confidence. Exports, which continued to expand, were more than offset by the strengthening of imports, due to the acceleration of consumption and investments. The recovery in investments from the second half of the year, in particular the public ones, was supported by the relaunching of the use of European structural funds for infrastructure, while private investments expressed a more modest and gradual development. Inflation is estimated at 1.9%, driven primarily by fuels and food products. Construction investments maintained a favorable trend, as did cement consumption. The cement volumes sold marked a slight increase (+0.7%), with average prices in local currency improving. Ready-mix concrete output instead was down (-7.9%), with stable prices. Net sales, which were favored by the appreciation of the zloty, increased from €95.0 million to €97.0 million (+2.1%); at constant exchange rate they would have been slightly down (-0.4%). Ebitda improved from €23.4 million to €24.1 million (+3.0%), with Ebitda to sales margin slightly increasing (24.9%); at constant exchange rate it would have increased by 0.5%. Among unit production costs in local currency, which grew more than inflation, energy factors were essentially stable and fixed costs increased. Moreover it should be remembered that during the year the company achieved other operating costs of €1.0 million referring to CO_2 emission rights purchased from the parent company (€1.1 million in 2016).

(millions of euro)	2017	2016	17/16
Net sales	**97.0**	95.0	2.1%
EBITDA	**24.1**	23.4	3.0%
% of net sales	**24.9**	24.6	0.9%
Capital expenditures	**5.0**	9.2	-45.6%
Headcount at year end n.	**350**	368	-4.9%

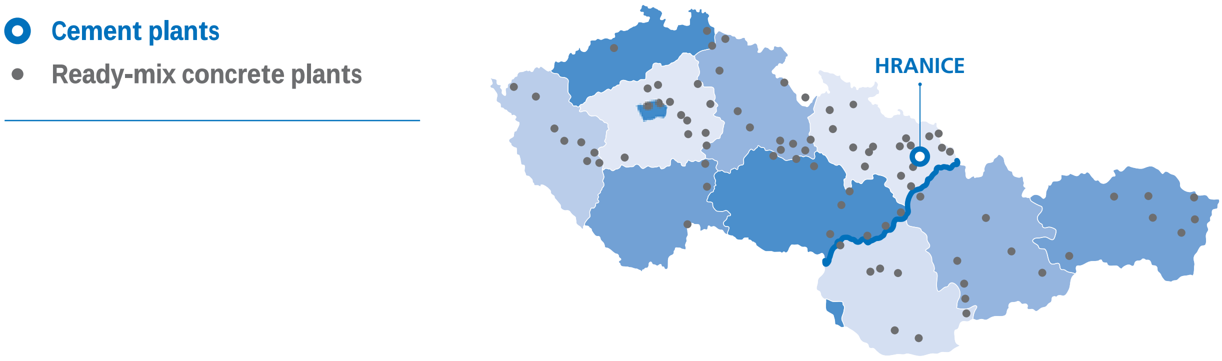
The total investments made in 2017 amounted to €5.0 million, of which €2.6 million referred to general improvement measures on the line, in particular on the raw mill elevator.

Cement consumption

(millions of tons)



Czech Republic and Slovakia



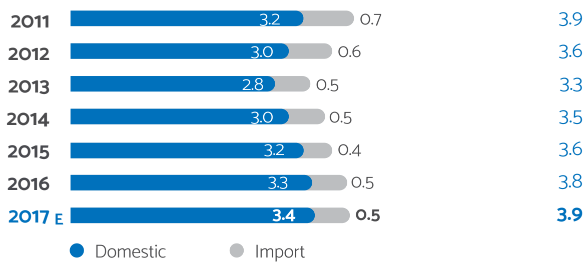
Thanks to the solid growth in domestic demand and the recovery in investments, the country reactivated a more robust development phase. The unemployment rate, which was confirmed as the lowest one in the European Union, declined to 3% and household disposable income strengthened considerably. Net exports, driven by the recovery of international trade, and private and public investments sustained the economy. GDP growth in 2017, estimated at +3.5%, significantly improved compared to the previous year, while inflation, which is increasing, is expected to reach 2.3%. The level of construction investments remained favorable, thanks to the good performance of private works and the recovery of public infrastructures, co-funded by the European Union.
The economy of Slovakia in 2017 increased by 3.3%, in line with the previous year.
Our cement volumes sold reported a strong growth trend (+8.2%), with average selling prices in local currency slightly down. The ready-mix concrete sector, which also includes Slovak operations, achieved a similar improvement of the production levels (+10.5%), with higher average prices. Hence consolidated net sales increased from €136.2 million to €147.9 million (+8.6%), and Ebitda from €34.3 million to €36.5 million (+6.4%). The strengthening of the Czech koruna had a favorable impact on the translation of results into euro; like for like, net sales and Ebitda would have been up respectively 6.4% and 3.7%. The increase in unit production costs in local currency was in line with inflation: the reduction of energy costs only partially offset the unfavorable trend of fuels, while the main fixed costs remained under control. Moreover during the year the company achieved other operating costs of €0.4 million referring to CO_2 emission rights purchased from the parent company (€0.1 million in 2016).

(millions of euro)	2017	2016	17/16
Net sales	147.9	136.2	8.6%
EBITDA	36.5	34.3	6.4%
% of net sales	24.7	25.2	-2.0%
Capital expenditures	8.5	8.9	-4.4%
Headcount at year end n.	766	778	-1.5%

The total investments made in 2017 amounted to €8.5 million, of which €0.8 million referred to the installation of a new overhead crane for the alternative fuel handling and the related fire-fighting system, €1.0 million for the weighing system of the shipping department, and in the concrete sector €2.6 million for upgrades to the batching plants.

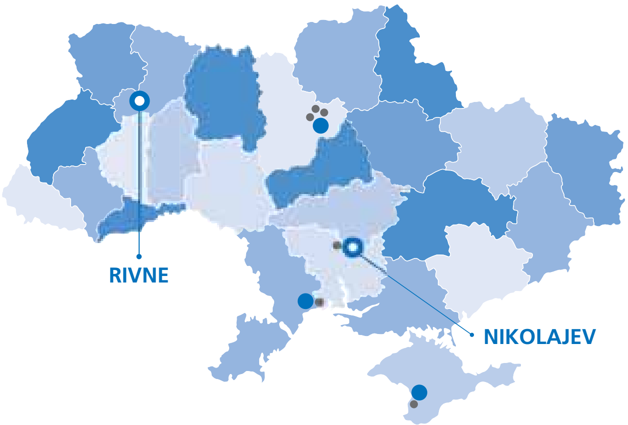
Cement consumption

(millions of tons)



Ukraine

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



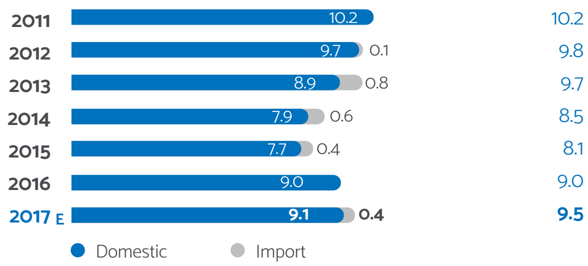
The country continued its path of stabilization and development of economic growth, which is under way since 2016, but the pace of recovery remained rather modest and not suitable to the real needs and local potential. It was influenced by the effects of the structural reforms initiated (but not completed) and by the developments of the conflict in the Eastern border regions, which implied contractions in the production sectors of steel, coal and electricity. Significant improvements were made in manufacturing and a positive development took place in the construction sector, in the export of goods and in investments. GDP growth in 2017, although improving over the previous year, stopped at 2%, while the inflation rate, which also decreased, remained at high levels (+12.8%). Cement volumes sold by our plants closed the period slightly down compared to last year (-1.5%), with prices in local currency strongly moving up, driven by inflation. Ready-mix concrete output showed a further, clear expansion (+60.8%), with average prices in local currency increasing almost vertically. Net sales closed at €94.5 million, compared to €79.8 million achieved in 2016 (+18.5%). Ebitda amounted to €16.0 million versus €12.8 million in 2016, with Ebitda to sales margin improving (+16.9%). The translation of results into euro was affected by the continuous depreciation of the local currency: at constant exchange rate, net sales would have increased by 25.7% and Ebitda by 32.6%. Unit production costs in local currency grew at a much more marked pace than the already high inflation rate, especially for energy factors.

(millions of euro)	2017	2016	17/16
Net sales	**94.5**	79.8	18.5%
EBITDA	**16.0**	12.8	24.9%
% of net sales	**16.9**	16.1	5.4%
Capital expenditures	**9.4**	4.1	130.9%
Headcount at year end n.	**1,384**	1,558	-11.2%

The total investments made in 2017 amounted to €9.4 million, of which €4.8 million for overburden removal in the quarry and the purchase of quarry land and vehicles, plus €0.8 million for railway wagons for cement transport.

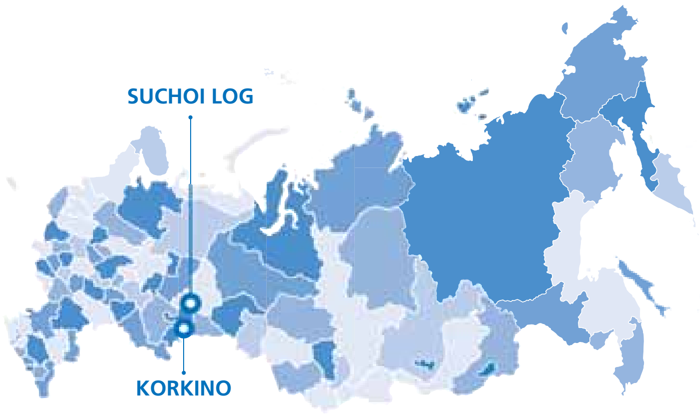
Cement consumption

(millions of tons)



Russia

Cement plants



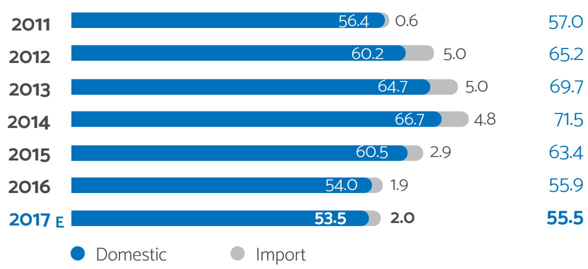
After the recession in the previous two years was overcome, the economic situation, stimulated by the strengthening of the oil price, by easier financing conditions and by the improvement in the business confidence, during 2017 consolidated a moderate recovery. Domestic demand strengthened, driven by the upswing of industrial production, the progress of disposable income, the slowdown in inflation, which stood at 2.5% in December, as well as the appreciation of the ruble. The contribution of net exports, after a period of slight recovery, returned to be negative due to the acceleration of imports, while the level of investments was still positive, thanks to an easing of restrictions on the loan supply, and the development of demand for home loans remained rather robust. GDP growth for the whole of 2017 is expected at 1.8%. Our sales volumes, which have been improving in the second semester, closed the entire period slightly up on the previous year (+1.7%), thanks also to the positive trend of special oil well cements, with average prices in local currency barely perceptibly up. Net sales stood at €184.3 million, up 19.4% from €154.4 million in the previous year. The strengthening of the ruble had a favorable impact on sales of €20.4 million; at constant exchange rates, net sales would have increased by 6.2%. Ebitda increased from €43.2 million to €46.0 million (+6.4%); in local currency instead it would have contracted by 5.4%. Ebitda to sales margin, although declining, remained at levels which are above the average of the group (24.9%). Unit production costs, in local currency, grew more or less like inflation did, with a slight increase in fuels and an unfavorable variance for electrical power.

(millions of euro)	2017	2016	17/16
Net sales	184.3	154.4	19.4%
EBITDA	46.0	43.2	6.4%
% of net sales	24.9	28.0	-10.9%
Capital expenditures	8.5	12.7	-33.2%
Headcount at year end n.	1,456	1,455	0.1%

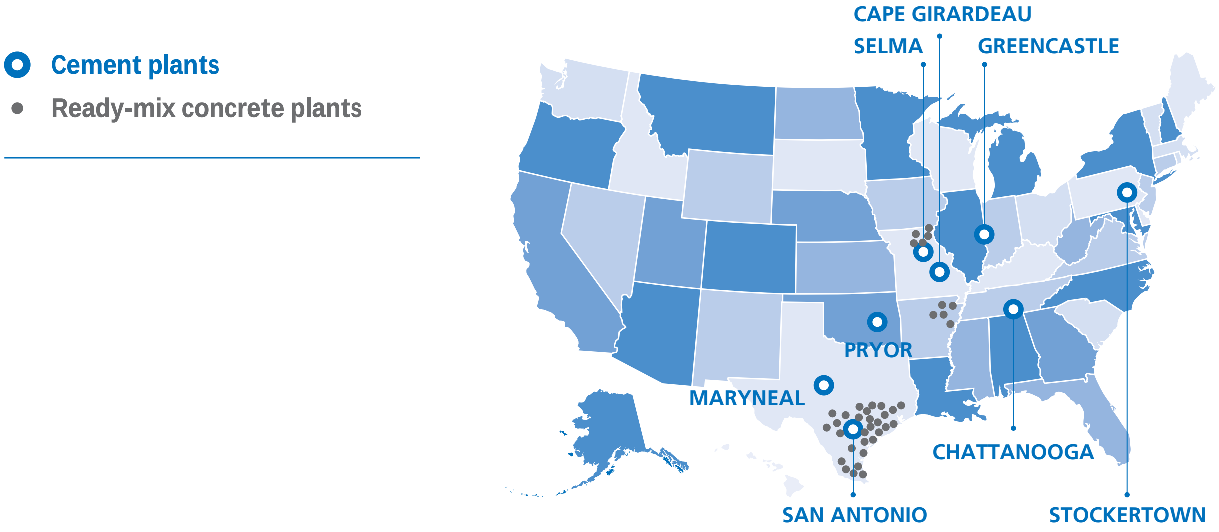
The total investments made in 2017 amounted to €8.5 million, of which €1.3 million referring to the modernization of the cement silos in Korkino. The main investments made at Suchoi-Log concerned the cement silos feeding system, the control of the cement mill, the internal railway practicability, the modernization of the laboratory and the strategic spare parts.

Cement consumption

(millions of tons)



United States of America



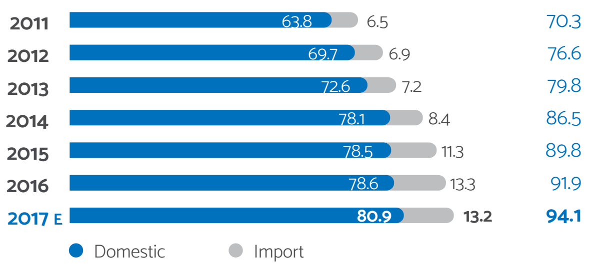
GDP growth in the central quarters of the year consolidated a sustained growth higher than 3%, associated with the solid expansion of consumption, by the progress of the labor market and favored by accommodative financial conditions and by a general climate of business confidence. The unemployment rate stood at 4.1% in December. Overall inflation at the end of the year declined to 2.1%, due to price trends in the energy sector, while that net of food and energy goods increased to 1.8%. GDP growth for 2017, which was recently revised upwards, is estimated at 2.2%, significantly improving over the previous year. The Federal Reserve raised rates and in October the gradual downsizing of the Central Bank balance sheet began; the gradual transition to a less accommodative orientation is therefore under way. The effects of the tax reform, approved on 20 December, could be a further stimulating factor for growth in the future. Construction investments slowed down to +1.1%, with still positive changes in the residential and commercial sectors, but contraction in infrastructures. Our cement sales, which during the third quarter had more than recovered the slight weakness accumulated in the first six months, in the last two months were very affected by the cold wave that hit the country. The trend of deliveries was quite uneven in the different regions where the group is present: substantial recovery of oil well cements, compared to an easy basis of comparison, gradual development in the Midwest, shipments stop for a few weeks in Houston and surroundings, due to the devastating passage of Hurricane Harvey and, at the end of the year, an early winter with snowfall and particularly cold temperatures even at low latitudes. The full year closed with volumes virtually identical to the previous one and average selling prices in local currency which confirmed a favorable change of a few percentage points. Ready-mix concrete output, mainly present in Texas, was penalized both by the passage of the hurricane and by high rainfall during the period, and closed down (-3.5%) compared to the previous year, with prices declining. Overall net sales increased from €1,117.8 million to €1,119.7 million (+0.2%) and Ebitda from €356.5 million to €369.6 million (+3.7%). The figure for the year also includes non-recurring costs of €2.0 million for disassembling and dismantling of equipment (€1.9 million non-recurring costs in 2016). The development of the dollar, particularly in the second half of the year, had an unfavorable impact on the translation of the results into euro. Net of foreign exchange effect and non-recurring items, net sales and Ebitda would have increased by respectively 2.2% and 5.8%. Ebitda to sales margin improved from 32.1% to 33.2%. Unit production costs, expressed in local currency, grew more than inflation, with an unfavorable trend for electric power and an even more marked one for fuels.

(millions of euro)	2017	2016	17/16
Net sales	1,119.7	1,117.8	0.2%
EBITDA	369.6	356.5	3.7%
EBITDA recurring	371.6	358.4	3.7%
% of net sales	33.2	32.1	3.5%
Capital expenditures	79.6	124.9	-36.3%
Headcount at year end n.	2,273	2,277	-0.2%

The main investments made during the period involved the second phase of the modernization and expansion project of the Maryneal plant in Texas (€13.3 million), the renovation of the filtering system in Cape Girardeau, Missouri (€10.7 million), the modernization of the client-server distributed network (€7.5 million) and the renewal of the terminal in Dallas, Texas (€2.0 million); in the concrete sector, €1.9 million were allocated to the purchase of new concrete mixers.

Cement consumption

(millions of tons)



Mexico

(valued by the equity method)

Cement plants

Ready-mix concrete plants

(millions of euro)	2017	2016	17/16
Net sales	**686.1**	609.0	12.7%
EBITDA	**329.3**	293.4	12.2%
% of net sales	**48.0**	48.2	-0.4%
Capital expenditures	**28.2**	62.3	-54.8%
Headcount at year end n.	**1,103**	1,119	-1.4%

Figures at 100%

The economic activity of the country showed strong resilience in facing a complicated exogenous situation which was triggered, at the start to the year, by the positions taken by the new US administration on the renegotiation of the NAFTA treaty, the migration flows between the two countries and the border barriers. Despite the escalation of tensions, the insecurity on the prospects of economic relations with the United States of America and the growing uncertainties about the future political context after the next presidential elections of July 2018, the economic situation remained favorable. GDP growth, standing at 2.5% in the first half, is expected at 2.1% for the full year, supported by a robust trend in private consumption, good employment performance and a still significant manufacturing export, while the exchange flexibility allowed to cushion the violent external shocks. Inflation, which had accelerated during the first half, subsequently returned to more tolerable levels, closing below 6% in December. Private investments, due to the more uncertain prospects, slowed down and public ones also contracted. Cement sales of the associate Corporación Moctezuma, thanks to the gradual and sustainable introduction of the new production line erected at the Apazapan (Veracruz) plant, achieved satisfactory growth, with strongly strengthened average prices in local currency. Ready-mix concrete output developed a clearly weaker profile, but with prices, always in local currency, in line with the increase in the raw material cement. Net sales and Ebitda, in local currency, posted an improvement of respectively 16.3% and 15.8%. The depreciation of the Mexican peso penalized the translation of results into euro; with reference to 100% of the associate, net sales came in at €686.1 million (+12.7%), and Ebitda increased from €293.4 million to €329.3 million (+12.2%). Unit production costs, mainly penalized by the renewed upward trend in energy factors, grew more than the inflation rate. The equity earnings referring to Mexico, included in the line item that encompasses the investments valued by the equity method, amount to €74.1 million (€65.6 million in 2016).

Cement consumption

(millions of tons)

Algeria

(valued by the equity method)

In Algeria, despite the slowdown in economic growth, largely due to lower revenues from gas and oil exports, cement consumption in 2017 remained in line with the previous year, at approximately 25 million tons.

During the year, the second production line of the Ain El Kebira plant (1.5 million tons) of the GICA group began operating on the reference markets of the cement plants partially owned by Buzzi Unicem. The GICA Group is also planning to build a new production line in Oum el Bouaghi (2 million tons) in the East region by 2020, as well as the expansion of the production capacity of the Chlef cement plant (+2 million tons), in the North-West area.

The new domestic production completely replaced cement imports; in 2017 the new restrictive rules (import licenses) wanted by the government to regulate imports in general, including those of hydraulic binders, were fully applied. The new installed capacity will lead to a surplus of available cement. GICA and LafargeHolcim, the two national cement producers, are organizing to find export markets being able to absorb this surplus.

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 2016. The design activities for the revamping of the production plant began. A radical transformation of line 1 is planned, with a substantial modernization of the plants, which will entail, among other things, a clinker production capacity increase of approximately 300,000 tons/year.

The Sour El Ghozlane cement plant produced 1.2 million tons of cement with an increase of 13% compared to 2016; the production of clinker was 0.9 million tons (+17 %). The reasons for this significant increase are to be found in the renewed management continuity, which was missing in 2016.

Looking at the absolute results of both associates and their individual financial statements, the 2017 financial year closed with net revenues at €105.3 million, which were increasing compared to the previous financial year (€102.2 million) despite the depreciation of the dinar (-3.5%), and EBITDA at €47.6 million (+10.5%), essentially thanks to the increase in production and sales at the Sour el Ghozlane cement plant. Forecasts for the 2018 financial year are for production, sales and results in line with 2017.

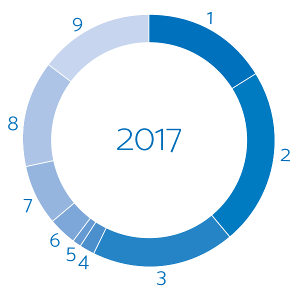
Human Resources

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

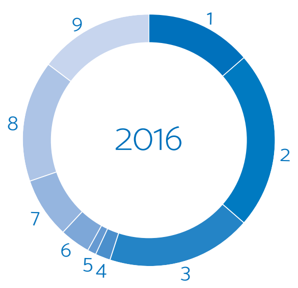
The United States continue to experience a period of sustained economic growth making them the country with the lowest unemployment rate. Economists describe it as the period with the highest employment rate in the last ten years. The human resources management structure therefore had to engage above all in the recruitment of candidates, who not always have the suitable experience and professionalism to meet the plants needs. This situation will strengthen during 2018, as a large part of our workforce will retire. During 2017, 228 positions were held, of which 43 thanks to internal promotions, the others due to new hires. 8 new engineers were employed, for whom a two-year training program was set up. Finally, 3 new collective labor agreements were satisfactorily signed, as regards both the impact on costs and the salary.

The HR division in Germany was strongly committed to the adaptation of corporate pension schemes, which underwent a major change. The company pension scheme for employees has always been handled as a direct, determined and defined commitment, in order to meet future social security obligations, generating adequate financial provisions also against the bankruptcy of the German Pension Guarantee Associations (GPGA). At the end of 2017, this scheme was amended for employees hired from 1 January 2018, who will benefit from a pension and social security scheme in the form of a direct insurance policy. This type of insurance is personal and will "follow" the employee also in any future business changes. In this way the company will continue to offer an adequate corporate pension, according to a method widely used in the context of occupational pension schemes.

Headcount by region at year end



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



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**

In Italy the negative trend continued for the cement and concrete sector and had a significant effect on the management of human resources. Only at the end of the year shy signs of recovery were recorded, which help more from a psychological point of view than they really do. In 2017 the corporate communication project aimed at the involvement of stakeholders and collaborators continued.

2017 was marked by the Cementizillo acquisition. Thanks to this, Buzzi Unicem strengthened its presence and domestic market share, contributing to the rationalization and consolidation of the cement sector in Italy. As at 31 December 2017, the employees registered in the Single Employment Ledger of Italian companies (Buzzi Unicem, Unical, Cementizillo and its subsidiaries) were 1,632, 255 more than at the end of 2016, mainly due to the Cementizillo staff headcount.

The country that recorded the most significant change in the number of employees (-174) is Ukraine, due to two factors: 1) the introduction of a visa-free regime with the EU that led to a high migration flow; 2) an internal project aimed at increasing the efficiency of personnel, inevitably leading to staff reduction. The number of employees in the other countries did not register significant variances.

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

	2017	2016
Turnover[1]	**18.2%**	16.2%
Days of absence[2]	**78,061**	78,865
Training days[3]	**30,683**	39,686

[1] Ratio of outgoing employees to workforce at Dec 31, 2016;
[2] Total days of illness and accident;
[3] Total days of internal and external training.

Research and development

Buzzi Unicem devotes particular attention to applied research and thanks to continuous and intense experimentation it is able to pursue innovation in both its production process and products. For this purpose, the company participates as an industrial partner in national and international research projects, contributing to the development of new materials and technologies and the creation of knowledge networks with excellent facilities in the field of scientific research.
The research and development activity consists of 5 key strategic lines:

- **New hydraulic binders**, aimed at promoting activities for developing alternative binders to traditional ones, identifying technologies for re-utilizing scraps and alternative materials in Portland cements, while maintaining a careful eye on what is happening elsewhere in the market. This strategic line also encompasses projects centering on the subject of sulpho-aluminate cement and belitic binders. Sulpho-aluminate cement is a commercial product that is already available on the European and US market under the name of Buzzi Unicem Next. During the course of 2017 some collaborations were created with the University of Rome Tor Vergata aiming at experimenting the use of these binders in concretes for the construction of prefabricated segments for tunnels. The optimization of the clinker production process also continued and work is still underway to obtain technical authorizations in Germany, with the aim of extending its use in areas that are not yet foreseen.
  The development of innovative belitic binders - i.e. cements characterized by a lower need for limestone in raw materials, is now in the industrial experimentation phase, with a large-scale production trial where the technical production feasibility in existing plants was verified. The use of lower amounts of limestone allows potential cost savings but above all significant reductions in CO_2 emissions.

- **High-performance concrete**, aimed at developing new classes of binders offering extremely high mechanical performance (mechanical resistance, modulus of elasticity, durability). The Nanodur binder (that is already commercially available on the market) falls into this strategic line and is undergoing constant development and updating. Worth noting is an important project using this binder in architecture in Qatar, where the facade of the Manateq company headquarters is under construction.

- **Multifunctional building materials**, aimed at generating new ideas and developing a broader vision. Studies and activities concerning scientific research on construction materials with photo-catalytic, self-cleaning and self-repairing properties are ongoing.

- **Improved construction materials**, aimed at developing new classes of construction materials characterized by improved durability, superior mechanical strength and features such as lightness, thermal insulation and resistance to chemicals, as well as materials that can revolutionize the supply chain of the construction sector, from design to casting of concrete, with the introduction of technological solutions that could lead to different construction techniques, e.g. with fiberglass reinforcement or reinforcement rods that are more resistant to chlorides. It is worth noting the European projects Lorcenis (European Horizon2020 call) and Seacon (EU-USA Infravation call).
  The activities of the SEACON project (http://seacon.um-sml.com/), under which new reinforcements are being experimented in materials with an increased durability (stainless steel or polymeric composite GFRP materials), continue with the final objective of demonstrating the feasibility of the use also of 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. Buzzi Unicem is responsible for the activity concerning durable concretes in aggressive environments.

- **Innovative production processes**, caimed 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 poo-

led working groups with other companies within the sector, among which the ongoing partnership through ECRA (European Cement Research Academy) is worth mentioning.
In 2017, an important result was achieved as a financing of approximately €2.8 million was obtained to test a CO_2 capture technology in an Italian plant of the group. The project involves 13 partners for a total budget of about €9 million and aims at testing in a demonstrator at the Vernasca plant the capture of a fraction of the CO_2 emitted by the plant through a technology called Calcium looping (http: //www.cleanker.eu/).

Applied research for the concrete sector has long been oriented towards promoting the advancement of the technological level of the sector and a technical partnership with the most important commissions. This year the commitment on the three main technological lines of development continued:
Advanced use of the new components, searching for the most suitable technical solutions to manage the components of the future, i.e. low clinker cements and the unconventional and recycled aggregates. In both cases, the main critical issues of the industrial production relate to the rheological strength and were faced by using new additives with low electrochemical vulnerability, new formulation criteria, and new experimental methods of rheological characterization of dusts and aggregates. The in-depth study of the rheological characteristics of the most recent low-carbon footprint cements was particularly useful, especially as regards the influence in concrete of mineralogy and of grinding fineness of the mineral additions used in cements.
Innovative properties and performance enhancement, in particular regarding the performances that in the near future will be more and more requested: high resistance, with the study of UHPC grouts (>150 MPa) having certain industrial feasibility; self-healing capacity, with a strong development of the production and supply of products containing different types of crystallizers; absence of shrinkage, with the development of non-shrink formulations even after three months thanks to new generation expansive agents and SRA combinations; bending resistance, which is now assured, in its various performance classes, by new experimental correlations that will guarantee a competitive advantage in the construction of fiber-reinforced elevation structures, which in the next future will no longer be subject to regulatory limitations.

New dedicated products specifically for applications, with the experimental study and the development of dedicated products for the most innovative uses: concretes for big jointless paving with guaranteed flatness, which are more and more widespread in modern robotic warehouses; controlled rheology HPC for wind towers made with sliding formwork; ultralight grouts (<300 Kg/m3) for continuous roofing with certified insulation; second generation draining concretes, also with architectural finishes, with considerable mechanical performances (over 20 MPa) and high drainage features (over 1000 l/m2/min).

All the properties and innovative products developed by our applied research starting from this year are classified in a structured way and ready to be inserted in the design circuits using the BIM (Building Information Modeling) system.

This year the technical and scientific collaboration with professionals and the design departments of the main Italian buyers go on, but above all the technological and operational synergy between the cement and the concrete sectors significantly strengthened, with the continuous joint research of the most effective and economic technical solutions from both points of view.

Ecology, Environment and Safety

For years Buzzi Unicem has considered environmental development to be an essential aspect in its approach to running a business. Sustainable development is defined as “development which satisfies the requirements of the present without compromising the capacity of future generations to satisfy theirs” and it can be seen as the interaction of three key elements: economic development, environmental protection and social equality.
The environmental management systems, which are applied in most of the group production units, allow us to have a proactive vision towards significant aspects in the context in which we operate, assessing the risks and opportunities of the implemented activities.
This is the aim of the company’s efforts to increase the thermal substitution rate from non-conventional fuels, to perform appropriate energy audits in the plants, to accurately control the incoming raw materials and fuels, to continuously monitor emissions. These assessments, which were carried out by top management, allowed to define improvement targets in the short and medium term, as well as continual investments in health, demonstrating that the group’s commitments go beyond merely complying with laws and in the perspective of a continuous improvement.

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.
The materiality matrix, being the basis of GRI guidelines, through which the company evaluates the relevance of every single environmental, social and economic aspect, is processed by examining the context in which we operate. 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.

In particular, this last aspect is handled following meetings with the main stakeholders and is also one of the main new concepts introduced by the update of the ISO 14001:2015 International standard concerning environmental management systems. Aside from relations with stakeholders, there is greater emphasis on involvement by top management. The latest publication of the new international standard EN ISO 45001, relating to occupational health and safety management systems, confirms this approach and will be the challenge that Buzzi Unicem will face in the coming years.
The new structure once again confirms that environmental choices are an increasingly integral part of the business of a company. Furthermore, this method is applied throughout the entire life cycle of the product, evaluating and directly involving a company’s customers, suppliers and workforce in the search for maximum eco-compatibility of the company’s processes and in the mitigating the impact of its products, by working safely towards the “zero accidents” target, a reachable although difficult one.

With regard to social aspects we are profoundly convinced that we are promoting the modern culture of “doing business”, with a social and corporate commitment in all areas, from work organization to the working environment, from the spreading of good practices to the involvement and active participation of employees.
In particular we organized and planned various informational meetings in our plants which were also open to family and friends, with the aim of explaining to them, in a transparent manner, how the company operates. These meetings have nothing to do with the now obsolete concept of “open plants” but are opportunities of real information on all the sustainability issues. This has also been our aim during the numerous visits by students, private citizens and the media - who want to understand more about the activities that take place in our production sites - as well as our dealings with local communities and the various student internships in the company.

With regard to safety in the workplace, 2017 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. In particular, the frequency index, indicating the number of accidents per million hours worked, was equal to 6.9 times, constantly decreasing

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

Non - financial statements

The company has prepared a consolidated non-financial statement pursuant to Legislative Decree no. 254/2016. Such statement is not included in the business review but it represents a distinct and separate report. The consolidated non-financial statement is included in the 2017 Sustainability Report and is available on the company website www.buzziunicem.it inside the "Sustainability" section.

Internal control and risk management system

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

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

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

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

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

The approach to risk in Buzzi Unicem does not aim to eliminate all potential risks, and instead takes into account corporate objectives and seeks to provide a systematic methodology that enables an informed evaluation of risks on the basis of available information on these risks and related issues. The same risks can then be avoided, reduced, transferred as part of the overall management process of risk control.

The operational responsibility for risk limitation is attributed to the heads of central departments and group divisions that are identified as important for risk management. The respective directors are responsible for all material risks that are foreseeable in their departments, regardless of whether they have been identified in the risk management system.

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

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

In 2017 there was a significant reduction of residual risks, meaning risks after containment measures and net of any accounting provisions. There were reductions in 13 of the 16 categories that are utilized. The main risk categories to which the group is exposed are: currency, cash and cash equivalents, insurance and purchases. The main variations are illustrated below.

Currency risks:
In terms of currency, the risk for the parent company associated with the negative impact deriving from conversion to euro of financial statements in foreign currencies (dollar area) was stable.
Currency risks for intercompany loans decreased, while risks associated with foreign dividends and with the impact on EBITDA related to subsidiaries in Eastern Europe and Mexico slightly increased. In the risks database we have considered a 10% depreciation of the local currencies against the euro in terms of exchange rate used in budgets.

Risks on cash and cash equivalents:
The risk of loss of capital invested in financial institutions, which fluctuates mainly in relation to the available liquidity, is increasing in Italy but is more than offset by its reduction in Germany.

Insurance risks:
In the United States the risks for possible natural disasters not covered by insurance remain. These risks have a very low probability.

Sales risks:
General decrease in short-term risks on sales, recorded both in Europe and in the United States, where the risk of potential slowdown in the construction market and public spending declined.

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.
Medium-long term risks are linked with the general conditions of economy and the evolution of the markets in which the group operates. They do not fall within the above evaluation criteria and do not participate in the registration in the central database. Among them we report a potential risk of greater competition by producer operating in countries outside of the ETS (Emission Trading System) such as China, Turkey and North Africa.

Related-party transactions

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

Outlook

In Italy, following the important consolidation transactions that occurred in 2017, the industry structure is now less fragmented and, in perspective, it should achieve a better balance between supply and demand. Expectations on cement consumption in 2018 are characterized by moderate growth. In this more promising context, thanks to the contribution resulting from the results of Cementizillo, the downsizing of the ready-mix concrete sector in some areas and the likely favorable price effect, we believe that the operating cash flow can finally return to be positive.

In Central Europe, the good conditions of demand that distinguished 2017 should continue and, in the context of a general increase in costs, we expect prices to strengthen. In summary, operating results should show a slight improvement.

In Poland, we expect continuity in the demand trend, which suggests possible improvement in prices and a resulting progress in results.

Also in the Czech Republic we estimate a continuation of favorable market trends and an evolution in operating results.

In Ukraine, despite the wide uncertainties about the prospects for the implementation of the reforms and the developments in the border areas, we expect some improvement in volumes and a still robust price increase, to try to offset a very unfavorable trend in production costs. Assuming that the local currency is relatively stable against the euro, the characteristic results should be similar to the previous year.

In Russia, cement demand should show some strengthening and, assuming that the ruble is stabilizing at the rate recorded at the start to the year, we believe that the operating results, in euro, will improve on the previous year.

The soundness of the economic cycle in the United States of America suggests expectations of an increase in construction investment and cement demand. Despite some likely, greater difficulties of the market in certain areas, on the whole we envisage a strengthening of the price level, moreover associated with a situation of clear inflation concerning all the main cost items. Ebitda in local currency should confirm the 2017 level, however the translation of the same into euro, at current exchange rates, would lead to a decline compared to the previous year.

The above considerations outline for the current period a probable return to positive figures as regards Ebitda in Italy, improving results in Central and Eastern Europe, while in the United States of America, due to the weakness of the dollar, we expect a fairly significant decrease. In conclusion, we estimate that, in the consolidated financials, recurring Ebitda for the entire 2018 will possibly achieve a favorable change of few percentage points, subject to uncertainties related to the trend of foreign exchange rates.

Financial Information

Consolidated Income Statement

(thousands of euro)	Note	2017	2016
Net sales	7	**2,806,213**	**2,669,320**
Changes in inventories of finished goods and work in progress		7,132	6,423
Other operating income	8	45,047	61,292
Raw materials, supplies and consumables	9	(1,068,182)	(1,017,015)
Services	10	(684,778)	(651,417)
Staff costs	11	(469,275)	(456,180)
Other operating expenses	12	(127,982)	(61,823)
EBITDA		**508,175**	**550,600**
Depreciation, amortization and impairment charges	13	(222,141)	(202,611)
Operating profit		**286,034**	**347,989**
Equity in earnings of associates and joint ventures	14	96,184	79,876
Gains on disposal of investments	15	1,507	179
Finance revenues	16	67,667	55,682
Finance costs	16	(102,707)	(202,846)
Profit before tax		**348,685**	**280,880**
Income tax expense	17	45,888	(132,186)
Profit for the year		**394,573**	**148,694**
Attributable to:			
Owners of the company		391,622	145,866
Non-controlling interests		2,951	2,828

(euro)			
Earnings per share	18		
basic			
ordinary		1.898	0.705
savings		1.922	0.729
diluted			
ordinary		1.770	0.970
savings		1.794	0.994

Consolidated Statement of Comprehensive Income

(thousands of euro)	2017	2016
Profit for the year	**394,573**	**148,694**
Items that will not be reclassified to profit or loss		
Actuarial gains (losses) on post-employment benefits	8,003	(16,979)
Income tax relating to items that will not be reclassified	(9,378)	3,497
Total items that will not be reclassified to profit or loss	**(1,375)**	**(13,482)**
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	(301,109)	136,099
Share of currency translation differences of associates and joint ventures valued by the equity method	(18,951)	(24,074)
Total items that may be reclassified subsequently to profit or loss	**(320,060)**	**112,025**
Other comprehensive income for the year, net of tax	**(321,435)**	**98,543**
Total comprehensive income for the year	**73,138**	**247,237**
Attributable to:		
Owners of the company	71,065	239,528
Non-controlling interests	2,073	7,709

Consolidated Balance Sheet

(thousands of euro)	Note	31/12/2017	31/12/2016
Assets			
Non-current assets			
Goodwill	19	548,327	561,234
Other intangible assets	19	44,039	46,906
Property, plant and equipment	20	3,000,314	3,208,033
Investment property	21	22,703	21,657
Investments in associates and joint ventures	22	346,971	366,859
Available-for-sale financial assets	23	6,688	2,154
Deferred income tax assets	39	43,873	38,874
Other non-current assets	24	23,499	36,429
		4,036,414	**4,282,146**
Current assets			
Inventories	25	403,549	397,378
Trade receivables	26	410,580	391,937
Other receivables	27	110,122	125,984
Available-for-sale financial assets	23	4,700	3,513
Cash and cash equivalents	28	810,630	603,333
		1,739,581	**1,522,145**
Assets held for sale	29	7,199	4,594
Total Assets		**5,783,194**	**5,808,885**

(thousands of euro)	Note	31/12/2017	31/12/2016
Equity			
Equity attributable to owners of the company			
Share capital	30	123,637	123,637
Share premium	31	458,696	458,696
Other reserves	32	(64,473)	257,475
Retained earnings	33	2,328,589	1,939,338
Treasury shares		(813)	(4,768)
		2,845,636	**2,774,378**
Non-controlling interests	34	6,490	32,497
Total Equity		**2,852,126**	**2,806,875**
Liabilities			
Non-current liabilities			
Long-term debt	35	1,119,986	1,381,407
Derivative financial instruments	36	92,902	105,422
Employee benefits	37	414,929	444,406
Provisions for liabilities and charges	38	85,382	87,187
Deferred income tax liabilities	39	331,128	507,761
Other non-current liabilities	40	64,208	11,990
		2,108,535	**2,538,173**
Current liabilities			
Current portion of long-term debt	35	369,906	56,379
Short-term debt	35	17,621	16,779
Trade payables	41	247,486	237,875
Income tax payables	42	6,613	16,869
Provisions for liabilities and charges	38	22,528	21,873
Other payables	43	158,379	114,062
		822,533	**463,837**
Total Liabilities		**2,931,068**	**3,002,010**
Total Equity and Liabilities		**5,783,194**	**5,808,885**

Consolidated Statement of Cash Flows

(thousands of euro)	Note	2017	2016
Cash flows from operating activities			
Cash generated from operations	44	506,629	467,463
Interest paid		(43,928)	(61,531)
Income tax paid		(91,855)	(101,793)
Net cash generated from operating activities		**370,846**	**304,139**
Cash flows from investing activities			
Purchase of intangible assets	19	(4,685)	(3,240)
Purchase of property, plant and equipment	20	(178,989)	(232,731)
Acquisition of subsidiaries, net of cash acquired		(26,851)	(191)
Purchase of other equity investments	22	(4,800)	(23)
Proceeds from sale of property, plant and equipment		10,196	21,111
Proceeds from sale of equity investments		2,264	433
Changes in available-for-sale financial assets	23	(1,556)	(517)
Changes in financial receivables		1,375	610
Dividends received from associates	16, 22	85,257	66,991
Interest received		9,707	14,573
Net cash used in investing activities		**(108,082)**	**(132,984)**
Cash flows from financing activities			
Proceeds from long-term debt	35, 45	279,388	494,115
Repayments of long-term debt	35, 45	(226,758)	(563,784)
Net change in short-term debt	35, 45	(46,286)	(240)
Changes in financial payables	45	2,632	13,368
Changes in ownership interests without loss of control	45	(2,282)	(217)
Dividends paid to owners of the company	45, 46	(20,553)	(15,415)
Dividends paid to non-controlling interests	45	(1,492)	(858)
Net cash used in financing activities		**(15,351)**	**(73,031)**
Increase in cash and cash equivalents		**247,413**	**98,124**
Cash and cash equivalents at beginning of year		603,333	503,454
Translation differences		(40,116)	2,232
Change in scope of consolidation		-	(477)
Cash and cash equivalents at end of year	**28**	**810,630**	**603,333**

Consolidated Statement of Changes in Equity

(thousands of euro)	Share capital	Share premium	Other reserves	Retained earnings	Treasury shares	Total	Non-con-trolling interests	Total Equity
	Attributable to owners of the company							
Balance as at 1 January 2016	**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 31 December 2016	**123,637**	**458,696**	**257,475**	**1,939,338**	**(4,768)**	**2,774,378**	**32,497**	**2,806,875**
Profit for the year	**-**	**-**	**-**	**391,622**	**-**	**391,622**	**2,951**	**394,573**
Other comprehensive income for the year, net of tax	-	-	(319,188)	(1,369)	-	**(320,557)**	(878)	**(321,435)**
Total comprehensive income for the year	**-**	**-**	**(319,188)**	**390,253**	**-**	**71,065**	**2,073**	**73,138**
Dividends paid	-	-	-	(20,553)	-	**(20,553)**	(1,056)	**(21,609)**
Withholding tax on foreign dividends	-	-	-	(5,728)	-	**(5,728)**	-	**(5,728)**
Acquisition of non-controlling interests	-	-	-	19,186	-	**19,186**	(19,394)	**(208)**
Other changes	-	-	(2,761)	6,093	3,955	**7,287**	(7,630)	**(343)**
Balance as at 31 December 2017	**123,637**	**458,696**	**(64,473)**	**2,328,589**	**(813)**	**2,845,636**	**6,490**	**2,852,126**

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 28 March 2018.

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), the allowances allocated to Buzzi Unicem's manufacturing units in the EU countries other than Italy became partially in short supply versus the generated emissions. On the other hand, the emissions deriving from the Italian cement plants should continue to fall behind the allocated rights.

Standards, amendments and interpretations effective in 2017

The following standards, amendments and interpretations are mandatory for the first time effective from 1 January 2017, but they are not relevant for the group and/or have had no impact on the consolidated financial statements presented herein.

- IAS 12 Income Taxes (amendment): recognition of deferred tax assets for unrealized losses. The amendment clarifies how to account for deferred tax assets for unrealized losses that are related to liabilities measured at fair value.

- IAS 7 Statement of Cash Flows (amendment): disclosure initiative. The amendment introduces additional disclosures that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. To this purpose the group prepared a new note containing a reconciliation table (note 45).

- Annual Improvements 2014–2016 Cycle; is a series of amendments to three IFRSs (IFRS 1, IFRS 12, IAS 28). They relate largely to clarifications, therefore their adoption will not have a material impact on the group.

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. The standard revises also the approach to the so called hedge accounting.

  The group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, we performed an impact assessment of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information becoming available in 2018. The main effects on the balance sheet and equity will derive from the application of the impairment model on financial assets according to IFRS 9 and from the change in the recognition and measurement of investments and loans previously recorded at cost. The relative impact is illustrated in the following narrative.

Classification and measurement

The group will measure at amortized cost all loans currently held at cost. Loans as well as trade receivables are held to collect contractual flows and are expected to generate cash flows representing solely payments of principal and interest. The group has determined that the impact of the new measurement will not be significant.

Equity investments in non-consolidated companies, currently carried at cost within available-for-sale assets, will instead be measured at fair value through other comprehensive income. When no business plan is available, the valuation under the equity method will be considered as best estimate of the fair value. The company believes that the impact on equity deriving from the new measurement method will not be significant.

The securities previously recorded at fair value through profit or loss, will be measured at fair value through other comprehensive income under IFRS 9, as the group expects to hold the assets for selling and/or to collect contractual cash flows. The company has determined that the reclassification from income statement to other comprehensive income is not material.

Impairment

IFRS 9 requires the group to recognize expected credit losses on loans, trade receivables, and all securities either on a 12-month or lifetime basis.

The group will apply the simplified approach and calculate lifetime expected losses on all trade receivables.

- 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 instructions for multiple-element arrangements. The group plans to adopt the new standard on the required effective date using the modified retrospective application.

  According to the nature of our business, the transaction price is allocated to goods delivered or services rendered to customers where there is no condition or uncertainty implying a reversal thereof, and customers assume the risk of loss. Our assessment basically indicates that the current accounting treatment is already in line with the new standard prescriptions and therefore no significant accounting impact will emerge; the disclosure instead will be amended, where necessary, to match the additional request of the standard.

- 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, within the process of assessing the impact that IFRS 16 will have on the accounting treatment of its lease contracts, elected the modified retrospective adoption. As a consequence 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 expenses arising from operating leases that are now recognized as services expenses, will be reflected in depreciation and interest expenses. Until now, payments for operating leases have been shown under cash flow from operating activities in the statement of cash flows. In future, these cash flows will be split between interest payments and repayments of financial liabilities: the repayments of the financial liability will be classified in cash generated from financing activities. The information relating to future minimum lease payments and the nature of operating lease contracts is provided in note 47.

- 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.

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.

- IFRIC 22 Foreign currency transactions and advance consideration (effective from 1 January 2018). The interpretation clarifies that, in determining the exchange rate to use for initial recognition of the related asset, expense or income (or part of it) at the time of the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. Buzzi Unicem has elected to apply the interpretation prospectively to all assets, expenses and income that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation. The group will align its current practice with the interpretation, and it does not expect a material effect on its consolidated financial statements.

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

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

- IFRIC 23 Uncertainty over income tax treatment (effective from 1 January 2019). IAS 12 Income taxes does not specify how to reflect the effects of uncertainty. In some situations it may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept the tax treatment chosen by an entity. IFRIC 23 provides additional guidance in respect to IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes.

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

- IAS 28 Investments in associates and joint ventures (amendments): long-term interests in associate and joint ventures (effective from 1 January 2019). The amendments clarify that an entity must apply IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

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

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)	2017	2016	2017	2016
US Dollar	1.1993	1.0541	1.1297	1.1069
Czech Koruna	25.5350	27.0210	26.3258	27.0343
Ukrainian Hryvnia	33.7318	28.7386	30.0197	28.2849
Russian Ruble	69.3920	64.3000	65.9383	74.1446
Polish Zloty	4.1770	4.4103	4.2570	4.3632
Hungarian Forint	310.3300	309.8300	309.1933	311.4379
Mexican Peso	23.6612	21.7719	21.3286	20.6673
Algerian Dinar	137.8343	116.3790	125.3194	121.0972

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.

Property, plant and equipment include raw material reserves (quarries), carried at cost in accordance with IFRS 6 Exploration for and evaluation of mineral resources. They are depleted in the ratio of the quarried material during the period to extractable minerals.

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

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

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

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 evaluate and hedge anticipated cash flows in each major foreign currency.

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:

As at 31 December 2017, 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 €2,071 thousand higher/lower (2016:

(thousands of euro)	2017	2016
Euro	(55,334)	(97,507)
US Dollar	27,987	(7,431)
Czech Koruna	(1,855)	(1,509)
Russian Ruble	(46,262)	(40,448)
Polish Zloty	(585)	(12,974)

€6,236 thousand higher/lower). Profit is especially sensitive to movement in euro/dollar, euro/zloty, euro/Czech Koruna 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 it 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 89%. Borrowings at variable rate at the end of 2017 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 €5,357 thousand (2016: increase of €2,731 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 €3,405 thousand (2016: decrease of €324 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 (if actually outstanding at the balance sheet date).

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 may enter into interest rate derivatives to hedge the fair value interest rate risk.

At 31 December 2017, 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 €1.599 thousand higher (2016: €6 thousand lower); if interest rates had been lower by 1% or by an amount equal to the actual rate in case of values between 0 and 1%, profit before tax for the year would have been €119 thousand lower (2016: €1,442 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 2017, 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 €3,294 thousand higher (2016: €2,269 thousand higher), mainly reflecting the repayment of USPP bonds which occurred during the year and of a greater cash balance in foreign currency; if interest rates had been lower by 1% or by an amount equal to the actual rate in case of values between 0 and 1%, profit before tax for the year would have been €2,971 thousand lower (2016: €1,462 thousand lower).

Credit risk

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

The credit management functions assess the quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings. The utilization of credit limits is regularly monitored. Customer credit risk in Italy remained significant during the year. Due to its widespread customer base, typical of the industry, and to active credit management, Buzzi Unicem has no significant concentration of credit risk in trade receivables. 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, so that the group does not exceed the borrowing limits or covenants (where applicable) on any of its facilities.

Estimates and projections, considering the changes that may occur in the profitability trend, show that the group is in a position to operate at the present level of financing. Buzzi Unicem prepares the refinancing of borrowings in due time before the upcoming maturities. The company uses different debt instruments and maintains a regular relationship with the usual and prospective financing institutions about the future needs, from which it appears that renewal may take place under acceptable terms. The analysis of maturity dates for the main financial liabilities is included within note 36.

3.2 Capital management

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

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

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

Consistent with other players in the industry, which is highly capital intensive, the group monitors capital on the basis of the Gearing ratio and the Net debt to EBITDA ratio (Leverage). The first ratio is calculated as net debt divided by total capital. Net debt is determined by the difference between total financial liabilities, cash equivalents and other financial activities. 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 2017, 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 as soon as possible its investment grade credit rating (currently BB+ with positive Outlook).

The ratios as at 31 December 2017 and 31 December 2016 were as follows:

(thousands of euro)	2017	2016
Net debt [A]	862,462	941,555
Equity	2,852,382	2,806,875
Total Capital [B]	3,714,844	3,748,430
Gearing [A/B]	**23%**	**25%**
Net debt [A]	862,462	941,555
Operating cash flow (EBITDA) [C]	508,175	550,600
Leverage [A/C]	**1.70**	**1.71**

The favorable change in the two ratios during 2017 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 2017:

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

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)	12,427	2,268	-	14,695
Available-for-sale financial assets (current)	3,513	-	-	3,513
Total Assets	**15,940**	**2,268**	**-**	**18,208**
Liabilities				
Derivative financial instruments (non-current)	-	(105,422)	-	(105,422)
Total Liabilities	**-**	**(105,422)**	**-**	**(105,422)**

During 2017, there were no transfers between the different levels of fair value measurement. No changes occurred either in the valuation techniques.

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

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

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

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 when it's 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 2017 include the company and 87 consolidated subsidiaries. The total number of consolidated subsidiaries increased by 4 compared with that at the end of the previous year. Excluded from consolidation are 11 subsidiaries that are either dormant or immaterial.

During 2017 the following changes occurred:

- acquisition of a 100% interest in Cementizillo SpA and line by line consolidation of this company and its subsidiaries from 3 July 2017;

- purchase of a further 6.5% interest in the subsidiary OAO Sukholozhskcement, without changes in the consolidation method already used (line by line).

The analysis of the financial statement items provided in the course of these notes highlights the relevant impacts following the inclusion of Cementizillo SpA and subsidiaries in the scope of consolidation.
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; in addition also the sale of the joint venture Betoncentrale Haringman B.V. occurred.

6. Segment information

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

The executive directors consider the business by geographical area of operations and from a product perspective they assess in a combined way the performance of "cement" and "ready-mix concrete and aggregates", since the two businesses, vertically integrated, are strictly interdependent. In particular, ready-mix concrete represents essentially a distribution channel for cement and does not require, for the chief operating decision-maker, evidence of separate results.

The executive directors assess the performance of the reportable operating segments based, as main reference, on a measure of operating profit. Net finance costs and income tax expense are not included in the result of each operating segment reviewed by the executive directors.

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

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

2017

(thousands of euro)	Italy	Central Europe	Eastern Europe	United States of America	Unallocated items and adjust-ments	Total	Mexico 100%
Segment revenue	425.688	747.577	522.525	1.110.551	(128)	**2.806.213**	686.126
Intersegment revenue	(2.092)	(18)	-	-	2.110	**-**	-
Revenue from external customers	423.596	747.559	522.525	1.110.551	1.982	**2.806.213**	686.126
Ebitda	(79.763)	95.513	122.807	369.618	-	**508.175**	329.241
Depreciation	(38.322)	(41.705)	(39.103)	(98.316)	-	**(217.446)**	(26.488)
Impairment charges	(1.182)	(3.252)	(65)	(196)	-	**(4.695)**	-
Operating profit	(119.267)	50.556	83.639	271.106	-	**286.034**	302.753
Equity earnings	84.335	4.510	183	7.156	-	**96.184**	402
Purchase of intangible and tangibles assets	25.444	47.783	31.097	79.349	-	**183.673**	28.237
Purchase of equity investments	31.380	2.122	210	221	-	**33.933**	2.344

2016

(thousands of euro)	Italy	Central Europe	Eastern Europe	United States of America	Unallocated 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**	161
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**	-

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

2017

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

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

The group is domiciled in Italy. Revenue from external customers realized in Italy is €351,464 thousand (2016: €353,562 thousand) and total revenue from external customers from other countries is €2,454,749 thousand (2016: €2,315,758 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 €694,607 thousand (2016: €645,115), while the total of such non-current assets located in other countries is €3,297,931 thousand (2016: €3,598,158 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)	2017	2016
Cement and clinker	1,784,645	1,662,705
Ready-mix concrete and aggregates	991,446	978,543
Related activities	30,122	28,072
	2,806,213	**2,669,320**

The 5.1% increase compared with the year 2016 is due to an increase in the scope of consolidation for 1.6% to favorable market trends for 3.6% and unfavorable currency effects for 0.1%. The impact of the Cementizillo business combination led to an increase in revenues of €42,390 thousand, which were entirely achieved in the second half of the year. 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)	2017	2016
Recovery of expenses	7,572	11,493
Indemnity for damages	1,067	932
Revenue from leased properties	7,266	8,175
Gains on disposals of property, plant and equipment	4,462	12,774
Capital grants	475	418
Release of provisions	2,743	2,549
Internal work capitalized	2,615	2,703
Sale of emission rights	240	712
Other	18,607	21,536
	45,047	**61,292**

The caption gains on disposals of property, plant and equipment includes the amounts related to the sale of various plot of lands, buildings and other fixed assets located in Germany, the Netherlands, Poland and Italy. In 2016, the same included 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.

9. Raw materials, supplies and consumables

(thousands of euro)	2017	2016
Raw materials, supplies and consumables	649,398	620,346
Finished goods and merchandise	34,137	38,999
Electricity	181,774	176,160
Fuels	183,466	155,131
Other goods	19,407	26,379
	1,068,182	**1,017,015**

10. Services

(thousands of euro)	2017	2016
Transportation	392,100	363,470
Maintenance and contractual services	130,748	126,043
Insurance	13,281	13,363
Legal and professional consultancy	16,110	14,588
Operating leases of property and machinery	35,792	36,226
Travel	6,153	6,120
Other	90,594	91,607
	684,778	**651,417**

The impact of the Cementizillo business combination led to an increase in the caption transportation of €6,165 thousand.

11. Staff costs

(thousands of euro)	2017	2016
Salaries and wages	350,536	338,841
Social security contributions and defined contribution plans	100,711	101,456
Employee severance indemnities and defined benefit plans	12,696	11,762
Other long-term benefits	1,068	527
Other	4,264	3,594
	469,275	**456,180**

The increase in the caption salaries and wages includes the effect deriving from the Cementizillo business combination for an amount of €7,476 thousand.

Other costs include restructuring expenses of €1,154 thousand (2016: €408 thousand) related to Italy.

The average number of employees is the following:

(numero)	2017	2016
White collar and executives	3,690	3,695
Blue collar and supervisors	6,467	6,419
	10,157	**10,114**

The 2017 column includes 134 employees of the Cementizillo group, target of the business combination occurred during the year.

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)	2017	2016
Write-down of receivables	6,272	2,421
Provisions for liabilities and charges	8,645	7,542
Association dues	6,151	5,714
Indirect taxes and duties	33,720	33,132
Losses on disposal of property, plant and equipment	1,425	1,323
Antitrust autority fine	59,793	-
Other	11,976	11,691
	127,982	**61,823**

The write-down of receivables is netted by releases in the provision for doubtful accounts amounting to €2,713 thousand of euro (2016: €4,366 thousand).

Provisions for liabilities and charges include €3,064 thousand referring to the restoration of quarries (2016: €3,820 thousand).

The fine of €59,793 thousand was imposed in August by the antitrust authority to Buzzi Unicem and other companies operating in the Italian cement sector. For more details, see note 48.

The Cementizillo business combination affected the item for €1,252 thousand.

13. Depreciation, amortization and impairment charges

(thousands of euro)	2017	2016
Amortization of intangible assets	5,284	5,067
Depreciation of property, plant and equipment	207,263	192,017
Impairment losses of non-current assets	9,594	5,527
	222,141	**202,611**

The increase in property, plant and equipment is due to the depreciation on the new production line in Maryneal, Texas, for €14,700 thousand and to the change in the scope of consolidation for €3,053 thousand.

The impairment losses of fixed assets include € 3,124 thousand related to the Markelo sand quarry located in the Netherlands. The caption also includes the write-down of the goodwill allocated to the CGU Italy ready mix concrete for €4,898 thousand (note 19). In 2016 the caption included: €2,097 thousand of impairment losses of fixed assets related to machinery and equipment of the Sorbolo (PR) plant in Italy, €1,686 thousand referring to sand and gravel quarries in the Czech Republic and Slovakia and €1,014 thousand referring to land in Salussola (BI, Italy).

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)	2017	2016
Associates		
Société des Ciments de Hadjar Soud EPE SpA	3,816	2,713
Société des Ciments de Sour El Ghozlane EPE SpA	3,085	2,827
Bétons Feidt S.A.	2,392	1,587
Kosmos Cement Company	7,051	6,192
Laterlite SpA	1,208	329
Salonit Anhovo Gradbeni Materiali dd	2,295	1,010
TRAMIRA Transportbetonwerk Minden-Ravensberg GmbH & Co. KG	867	106
Other associates	787	(58)
	21,501	**14,706**
Joint ventures		
Corporación Moctezuma, SAB de CV	74,124	65,629
Other joint ventures	559	(459)
	74,683	**65,170**
	96,184	**79,876**

15. Gains on disposal of investments

These are non-recurring profits, arising mainly from the sale of the investment in the associate Betoncentrale Haringman BV.

In 2016 this item mainly referred to the sale of the ownership interest in the subsidiaries Lichtner Dyckerhoff Beton Niedersachsen GmbH & Co. KG and Beton Union Plzen sro.

16. Finance revenues and Finance costs

(thousands of euro)	2017	2016
Finance revenues		
Interest income on liquid assets	11,543	6,454
Interest income on interest rate swap contracts	-	1,512
Interest income on plan assets of employee benefits	9,839	10,624
Changes in the fair value of derivative instruments	12,520	5,826
Foreign exchange gains	28,269	28,510
Dividend income	257	82
Other	5,239	2,674
	67,667	**55,682**
Finance costs		
Interest expense on bank borrowings	(10,454)	(10,890)
Interest expense on senior notes and bonds	(44,027)	(63,526)
Interest expense on employee benefits	(19,905)	(22,213)
Changes in the fair value of derivative instruments	(107)	(69,499)
Discount unwinding on liabilities	(130)	(4,235)
Foreign exchange losses	(25,614)	(28,843)
Other	(2,470)	(3,640)
	(102,707)	**(202,846)**
Net finance costs	**(35,040)**	**(147,164)**

The decrease in net finance costs from the previous year is mainly due to the trend of non-cash items, in particular to the fair value estimation of the cash settlement option embedded in the equity-linked bond (income of €12.413 thousand in 2017 versus a charge of €57.682 thousand in 2016), and the favorable effect due to the improvement in the net financial position.

17. Imposte sul reddito

(thousands of euro)	2017	2016
Current tax	105,749	81,611
Deferred tax	(148,453)	51,400
Tax relating to prior years	(3,184)	(825)
	(45,888)	**132,186**

The increase in current tax is essentially ascribable to the higher taxable income generated in the market areas where the operating conditions were more favorable.

Deferred income tax for 2017 comprises a reduction of deferred tax liabilities of €165,930 thousand that has been posted following the signature of the so-called Tax Cuts and Jobs Act, a reform that substantially changes US income tax law and includes, among other things, a reduction from 35% to 21% of the corporate income tax rate, effective from 1 January 2018. From 2018 onwards, the lower tax rate will have a favorable impact on the group's net profit and cash flow.

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)	**2017**	**2016**
Profit before tax	348,685	280,880
Italian income tax rate (IRES)	24,00%	27,50%
Theoretical income tax expense	**83,684**	**77,242**
Tax effect of permanent differences	15,506	(38,358)
Tax relating to prior years	(3,184)	(825)
Effect of difference between Italian and foreign tax rates	(4,093)	18,612
Effect of a rate change on deferred income tax	(162,555)	1,377
Use of tax losses for which no deferred income tax assets was recognized	9,700	(2)
Adjustments to deferred income tax	13,834	67,292
Italian regional income tax on production activities (IRAP)	272	-
Other differences	948	6,848
Income tax expense	**(45,888)**	**132,186**

The tax rate for 2017 is positive compared to 47% of profit before tax in the previous year, because the amount of deferred tax has been affected, as indicated above, by a very meaningful reduction of deferred income tax liabilities, following the tax reform enacted in the United States.

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.

		2017	2016
Net profit attributable to owners of the company	thousands of euro	391,622	145,866
attributable to ordinary shares	thousands of euro	313,426	116,210
attributable to savings shares	thousands of euro	78,197	29,656
Average number of ordinary shares outstanding		165,124,149	164,849,149
Average number of savings shares outstanding		40,682,659	40,682,659
Basic earnings per ordinary share	euro	1.898	0.705
Basic earnings per savings share	euro	1.922	0.729

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 2017, Buzzi Unicem share price was higher than the strike price.

		2017	2016
Net profit attributable to owners of the company	thousands of euro	389,545	213,679
attributable to ordinary shares	thousands of euro	316,574	173,243
attributable to savings shares	thousands of euro	72,972	40,436
Average number of ordinary shares outstanding		178,886,190	178,611,190
Average number of savings shares outstanding		40,682,659	40,682,659
Diluted earnings per ordinary share	euro	1.770	0.970
Diluted earnings per savings share	euro	1.794	0.994

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 2016					
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**
Year ended 31 December 2017					
Opening net book amount	561,234	43,714	931	2,261	46,906
Translation differences	(7,772)	(3,088)	(17)	-	(3,105)
Depreciation and impairment charges	(4,898)	(5,008)	(17)	(710)	(5,735)
Additions	-	4,157	145	513	4,815
Change in scope of consolidation	240	139	7	686	832
Reclassifications	(477)	1,224	(898)	-	326
Closing net book amount	**548,327**	**41,138**	**151**	**2,750**	**44,039**
At 31 December 2017					
Cost/deemed cost	759,797	79,460	169	5,863	85,492
Accumulated depreciation and write-downs	(211,470)	(38,322)	(18)	(3,113)	(41,453)
Net book amount	**548,327**	**41,138**	**151**	**2,750**	**44,039**

At 31 December 2017, the column industrial patents, licenses and similar rights is made up of industrial licenses (€36,518 thousand), application software for plant and office automation (€3,077 thousand), mining rights (€1,190 thousand), industrial patents (€352 thousand), trademarks (€2 thousand).

The decrease in goodwill (€12,907 thousand) was caused for €4,658 thousand by the write-down of the amount resulting from the Monvil Beton business combination, occurred on 31 May 2016, which became final during 2017 and is fully described in note 50. Also, the translation differences had a negative impact of €4,045 thousand pertaining to the goodwill resulting from the business combination OOO Dyckerhoff Korkino Cement, which occurred at the end of 2014, and of €4,121 thousand pertaining to the CGU United States of America.

Goodwill and impairment test

Goodwill at 31 December 2017 amounts to €548,327 thousand and is broken-down as follows:

(thousands of euro)	2017	2016
Italy (Cement sector)	40,500	40,500
Italy (Concrete sector)	-	5,135
United States of America	37,118	41,238
Germany	95,948	95,948
Luxembourg	69,104	69,104
Poland	88,287	87,894
Czech Republic/Slovakia	106,699	106,699
Russia	110,671	114,716
	548,327	**561,234**

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, Russia and United States of America.

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

The key assumptions used for the calculation primarily concern:

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

- *terminal value:*
  The terminal value is calculated assuming that, at the end of the projection period, the CGU generates a constant cash flow (perpetual). The annual rate of perpetual growth (g) to deduce the terminal value is based on the long-term growth expected for the industry in the country

of operation. The development of the cement and ready-mix concrete business, especially, is strictly linked to average per capita consumption, population growth and GDP of the respective country (or where the asset is used). Such parameters are reflected on the (g) factor, which has been determined for each market as follows:

(in %)	ITA	GER	NLD	CZE	POL	UKR	LUX	RUS	USA
g									
2017	**1.00%**	**1.48%**	**1.48%**	**2.46%**	**3.14%**	**5.46%**	**3.28%**	**4.02%**	**1.86%**
2016	0.98%	1.20%	1.36%	2.08%	2.84%	6.82%	2.82%	4.06%	1.94%

- *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									
2017	**7.93%**	**5.52%**	**5.62%**	**6.61%**	**6.79%**	**20.53%**	**5.53%**	**10.66%**	**7.54%**
2016	7.62%	5.05%	5.15%	6.26%	6.46%	24.55%	5.05%	10.70%	6.53%

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.

In the case of the CGU Italy concrete, considering the delay in the recovery and the failure to achieve the targets set in the budget, it was decided to write down the residual goodwill amounting to €4,898 thousand.

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

20. Property, plant and equipment

(thousands of euro)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Assets in progress and advances	Other	Total
At 1 January 2016						
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**
Year ended 31 December 2017						
Opening net book amount	1,743,504	1,248,803	94,433	105,633	15,660	3,208,033
Translation differences	(165,928)	(83,813)	(7,843)	(6,405)	(1,491)	(265,480)
Additions	20,125	52,759	18,746	78,325	3,459	173,414
Change in scope of consolidation	35,913	57,390	9,378	1,224	358	104,263
Disposals and other	(5,412)	(1,834)	(397)	118	(179)	(7,704)
Depreciation and impairment charges	(41,037)	(143,425)	(20,403)	(412)	(5,326)	(210,603)
Reclassifications	41,577	30,735	4,823	(84,337)	5,593	(1,609)
Closing net book amount	**1,628,742**	**1,160,615**	**98,737**	**94,146**	**18,074**	**3,000,314**
At 31 December 2017						
Cost/deemed cost	2,852,481	4,684,190	396,940	124,811	112,161	8,170,583
Accumulated depreciation a nd write-downs	(1,223,739)	(3,523,575)	(298,203)	(30,665)	(94,087)	(5,170,269)
Net book amount	**1,628,742**	**1,160,615**	**98,737**	**94,146**	**18,074**	**3,000,314**

Total additions of €173,414 thousand in 2017 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.

The change in the scope of consolidation during the period is attributable to the determination of the amounts deriving from the Cementizillo business combination; for more details see note 50.

During the year the group capitalized borrowing costs amounting to €119 thousand on qualifying assets (2016: €1,531 thousand). Borrowing costs were capitalized at the rate of approximately 3% (2016: 3.1%).

Negative translation differences of €265,480 thousand reflect basically the weakening in the dollar/euro exchange rate. In 2016, the trend in the exchange rate of the dollar and other currencies had given rise to overall positive translation differences of €96,037 thousand.

Real guarantees on assets of consolidated companies are represented by liens on industrial and commercial equipment for the amount of €135 thousand at 31 December 2017 (2016: €142 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)	2017	2016
Cost - capitalized finance leases	4,803	2,448
Accumulated depreciation	(2,303)	(1,235)
	2,500	**1,213**

Rent expenses amounting to €35,792 thousand (2016: €36,226 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 €77,377 thousand at 31 December 2017. 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 €45,235 thousand.

During 2016, Buzzi Unicem USA entered into a series of agreements similar to the above cited ones with Bel Aire County, Kansas, regarding a new distribution terminal in the city of Wichita. The carrying amount of the assets at the balance sheet date is €5,703 thousand.

21. Investment property

It is accounted for using the cost model and it amounts to €23,789 thousand, showing an increase of €1,448 thousand versus last year, due to the purchase of land and buildings in The Netherlands for €1,139 thousand and in Italy for €309 thousand. The fair value at the balance sheet date, based on internal appraisals, amounts to €38,489 thousand (2016: €37,399 thousand) and is classifiable as level 2, because based on observable data. The measurement of the market value built on internal appraisals was conducted using comparative estimates based on recent transactions for similar property, where available, and comparing them with information coming from estate agents operating in the same area and with other databanks publicly available.

(thousands of euro)	2017	2016
At 1 January		
Cost/deemed cost	33,540	35,790
Accumulated depreciation and write-downs	(11,883)	(13,004)
Net book amount	**21,657**	**22,786**
Translation differences	(157)	41
Additions	1,448	46
Disposals and other	(205)	(1,161)
Depreciation and impairment charges	(40)	(99)
Reclassifications	-	44
At 31 December	**22,703**	**21,657**
Cost/deemed cost	34,586	33,540
Accumulated depreciation and write-downs	(11,883)	(11,883)
Net book amount	**22,703**	**21,657**

22. Investment in associates and joint ventures

The amounts recognized in the balance sheet are as follows:

(thousands of euro)	2017	2016
Associates valued by the equity method	197,382	208,756
Joint ventures valued by the equity method	149,511	158,025
Associates and joint ventures valued at cost	78	78
	346,971	**366,859**

The net decrease of €19,888 thousand was affected upwards by equity earnings of €13,480 thousand and downwards by negative translation differences of €33,014 thousand.

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

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

22.1 Investments in associates

Set out below are the associates as at 31 December 2017, which, in the opinion of the directors, are material to the group. These associates have share capital consisting solely of ordinary shares, which are held directly or indirectly by the company. The country of incorporation is also their principal place of business.

Nature of investment in associates:

Name of entity	Nature of the relationship	Place of business/country of incorporation	% of ownership interest	Book value	Measurement method
Société des Ciments de Hadjar Soud EPE SpA	Note 1	Algeria	35.0	42,165	equity
Société des Ciments de Sour El Ghozlane EPE SpA	Note 1	Algeria	35.0	42,064	equity
Kosmos Cement Company	Note 2	United States of America	25.0	38,947	equity
Salonit Anhovo Gradbeni Materiali dd	Note 3	Slovenia	25.0	25,723	equity
Other				48,483	equity
Total				**197,382**	

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 full cycle cement plant in Slovenia, located a few kilometers away from the Italian border. Salonit Anhovo is the main actor in the Slovenian market and it also exports regularly a meaningful portion of its production to the Italian regions across the border.

All four companies are private and there 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)	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Summarized balance sheet								
Current assets								
Cash and cash equivalents	45,361	36,267	32,239	30,779	3,825	4,351	6,874	4,933
Other current assets (excluding cash)	23,091	25,335	24,739	25,745	48,817	59,266	28,552	19,425
	68,452	**61,602**	**56,978**	**56,524**	**52,642**	**63,617**	**35,426**	**24,358**
Non-current assets	**50,196**	**68,113**	**38,494**	**44,648**	**128,512**	**143,755**	**109,008**	**108,843**
Current liabilities								
Financial liabilities (excluding trade and other payables and provisions)	-	-	-	-	-	-	6,345	8,122
Other current liabilities (including trade payables, other payables and provisions)	13,404	16,253	11,737	13,559	20,837	23,419	12,600	9,589
	13,404	**16,253**	**11,737**	**13,559**	**20,837**	**23,419**	**18,945**	**17,711**
Non-current liabilities								
Financial liabilities (excluding other payables and provisions)	-	-	-	-	-	-	19,260	21,527
Other non-current liabilities (including other payables and provisions)	4,494	5,579	3,095	7,663	4,528	2,781	-	-
	4,494	**5,579**	**3,095**	**7,663**	**4,528**	**2,781**	**19,260**	**21,527**
Summarized income statement								
Revenue	51,537	52,465	53,738	49,732	130,048	127,721	70,765	47,868
Depreciation, amortization and impairment charges	(9,896)	(10,798)	(12,371)	(12,417)	13,320	(12,727)	(9,397)	(7,934)
Finance revenues	552	469	188	77	629	64	735	1,502
Finance costs	(26)	(9)	(66)	(10)	(362)	(690)	(575)	(1,579)
Income tax expense	(1,504)	(2,250)	(1,474)	(2,108)	-	-	(287)	-
Profit for the year	**10,902**	**7,752**	**8,813**	**8,076**	**28,205**	**24,769**	**9,383**	**4,439**
Other comprehensive income	(21,896)	503	(19,529)	545	(21,722)	6,007	-	-
Total comprehensive income	**(10,994)**	**8,255**	**(10,716)**	**8,621**	**6,483**	**30,776**	**9,383**	**4,439**

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)	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Opening net assets 1 January	134,808	129,874	121,421	114,805	181,172	160,334	96,213	95,990
Profit for the year	10,902	7,752	8,813	8,077	28,205	24,769	9,383	4,238
Dividends	(3,343)	(3,321)	(3,073)	(2,006)	(31,867)	(9,938)	(4,015)	(4,015)
Translation differences	(21,896)	503	(19,529)	545	(21,722)	6,007	-	-
Closing net assets	**120,471**	**134,808**	**107,632**	**121,421**	**155,788**	**181,172**	**101,581**	**96,213**
Ownership share (35%; 35%; 25%; 25%)	42,165	47,183	37,671	42,497	38,947	45,293	25,395	24,053
Goodwill	-	-	4,393	5,204	-	-	328	378
Carrying value	**42,165**	**47,183**	**42,064**	**47,701**	**38,947**	**45,293**	**25,723**	**24,431**

22.2 Investments in joint ventures

Set out below is the only joint venture as at 31 December 2017, 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 2017, the fair value of our interest in Corporación Moctezuma, SAB de CV, which is listed on the Bolsa Mexicana de Valores, was €927,135 thousand (2016: €810,265 thousand); the corresponding book value was €147,135 thousand (2016: €155,018 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)	2017	2016
Summarized balance sheet		
Current assets		
Cash and cash equivalents	142,283	150,576
Other current assets (excluding cash)	96,195	101,909
	238,478	**252,485**
Non-current assets	**314,667**	**339,048**
Current liabilities		
Financial liabilities (excluding trade and other payables and provisions)	(517)	(532)
Other current liabilities (including trade payables, other payables and provisions)	(72,692)	(79,038)
	(73,209)	**(79,570)**
Non-current liabilities		
Financial liabilities (excluding other payables and provisions)	(661)	(880)
Other non-current liabilities (including other payables and provisions)	(39,256)	(46,492)
	(39,917)	**(47,372)**
Summarized income statement		
Revenue	686,126	609,006
Depreciation, amortization and impairment charges	(25,750)	(30,849)
Finance revenues	17,710	18,364
Finance costs	(15,823)	(7,291)
Income tax expense	(84,555)	(76,570)
Profit for the year	**221,230**	**195,990**
Other comprehensive income	(33,334)	(67,513)
Total comprehensive income	**187,896**	**128,477**

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)	2017	2016
Opening net assets 1 January	462,663	504,488
Profit for the year	221,168	195,941
Other comprehensive income	(4)	126
Dividends	(211,440)	(170,253)
Translation differences	(33,330)	(67,639)
Closing net assets	**439,057**	**462,663**
Ownership share (33%)	147,109	155,018
Carrying value	**147,109**	**155,018**

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 2017	518	1,636	2,154
Additions	-	3,420	3,420
Change in scope of consolidation	-	1,276	1,276
Write-downs	(13)	(138)	(151)
Disposals and other	(13)	2	(11)
At 31 december 2017	**492**	**6,196**	**6,688**

Among the increases in the column other, an outflow of €3,043 thousand for future capital increases in favor of Energy for Growth Scarl, corresponding to our shareholding (9%), is included. It will be used to finance a new electrical power infrastructure to connect with France built by Interconnector Italia ScpA, which is in turn owned by Energy for Growth Scarl.

The change in scope of consolidation includes the effect deriving from the Cementizillo business combination, which led to the purchase of further 3% in the same Energy for Growth Scarl, for an amount of €1,128 thousand.

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 €4,700 thousand, refers to short-term or marketable securities.

24. Other non-current assets

(thousands of euro)	2017	2016
Loans to third parties and leasing	2,618	12,254
Loans to associates	136	259
Loans to customers	421	677
Tax receivables	633	720
Receivables from personnel	477	323
Guarantee deposits	13,974	16,201
Other	5,240	5,995
	23,499	**36,429**

Loans to third parties and leasing consist of the former for an amount of €1,064 thousand, mostly interest-bearing and adequately secured. The decrease is essentially due to the reclassification of a position among current assets (note 27).

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 €444 thousand of euro (2016: €289 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 €13,551 thousand of euro (2016: €18,073 thousand).

The impact of the Cementizillo business combination was €718 thousand.

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

25. Inventories

(thousands of euro)	2017	2016
Raw materials, supplies and consumables	248,858	246,456
Work in progress	75,209	70,837
Finished goods and merchandise	78,477	79,164
Advances	1,005	921
	403,549	**397,378**

The increase deriving from the Cementizillo business combination amounts to €14,083 thousand.

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 €25,238 thousand (2016: €25,771 thousand).

26. Trade receivables

(thousands of euro)	2017	2016
Trade receivables	434,293	413,132
Less: Provision for receivables impairment	(35,450)	(30,626)
Trade receivables, net	**398,843**	**382,506**
Other trade receivables:		
From associates	11,710	9,410
From parent companies	27	21
	410,580	**391,937**

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

The increase deriving from the Cementizillo business combination is equal to €41,628 thousand for trade receivables and €6,997 thousand for the related bad debt provision.

At the balance sheet date, trade receivables that are past due but not impaired amount to €113,767 thousand (2016: €121,102 thousand).

The ageing analysis of these trade receivables is as follows:

(thousands of euro)	2017	2016
Past due up to 2 months	89,570	100,153
Past due between 2 and 6 months	12,588	15,251
Past due over 6 months	11,609	5,698
	113,767	**121,102**

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

(thousands of euro)	2017	2016
Euro	249,965	217,213
US Dollar	105,254	123,255
Russian Ruble	17,549	15,848
Other currencies	26,075	26,190
	398,843	**382,506**

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

(thousands of euro)	2017	2016
At 1 January	30,626	37,934
Translation differences	(180)	132
Provision for impairment	6,633	6,473
Receivables written off as uncollectible	(4,669)	(8,740)
Change in scope of consolidation	6,445	-
Unused amounts reversed and other	(3,405)	(5,173)
At 31 December	**35,450**	**30,626**

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.

27. Other receivables

(thousands of euro)	2017	2016
Tax receivables	42,729	61,282
Receivables from public institutions	28,175	34,315
Receivables from social security institutions	198	288
Receivables from unconsolidated subsidiaries and associates	775	755
Loans to customers	487	273
Receivables from suppliers	4,737	4,536
Receivables from personnel	289	377
Receivables from sale of equity investments	26	26
Receivables from purchase of equity investments	4,034	-
Loans to third parties and leasing	8,835	727
Accrued interest income	381	981
Other accrued income and prepaid expenses	9,949	11,122
Other	9,507	11,302
	110,122	**125,984**

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. It also includes the effect of the changes in the scope of consolidation, due to the entry of Cementizillo, for an amount of €6,843 thousand. The decrease of €12,983 thousand compared to 2016 derives from repayments for 2014 and 2015 of €22,947 thousand and the discount accrued during the year for €9,964 thousand.

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

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

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

The caption loans to third parties and leasing includes interest-bearing loans to third parties reclassified from other non-current assets for €8,020 thousand (note 24).

Prepaid expenses refer to operating costs for the following period.

28. Cash and cash equivalents

(thousands of euro)	2017	2016
Cash at banks and in hand	500,791	501,399
Short-term deposits	309,839	101,934
	810,630	**603,333**

Foreign operating companies hold about 64.9% of the balance of €810,630 thousand (71.2% in 2016). At the closing date, short-term deposits and securities earn interest at about 1.45% on average (1.59% in 2016): yield in euro is around 0.07%, in dollar 1.38%, and in other currencies 3.90%. 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)	2017	2016
Euro	223,973	153,332
US Dollar	448,631	334,798
Russian Ruble	70,186	60,195
Other currencies	67,840	55,008
	810,630	**603,333**

29. Assets held for sale

The amount mainly relates to the mothballed Travesio plant (€900 thousand), to quarries and lands in Italy for €3,352 thousand and to lands in the Netherlands for €1,670 thousand. In the early days of 2018 the subsidiary Alamo Cement sold to The Quikrete Companies, for a cash consideration of €18,177 thousand, the set of assets relating to the licensed production of packaged concrete. These assets have therefore been classified as held for sale and the respective book value amounts to €1,185 thousand.

At the end of 2016, 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 land in Italy for €2,208 thousand and in the United States for €392 thousand.

30. Share capital

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

(number of shares)	2017	2016
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 2017 and at the balance sheet date is the following:

number of shares	Ordinary	Savings	Total
At 1 January 2017	**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)
Outstanding at beginning of year	**164,849,149**	**40,682,659**	**205,531,808**
Year ended 31 December 2017			
Payment settled with treasury shares	450,000	-	450,000
Oustanding at year end	**165,299,149**	**40,682,659**	**205,981,808**
At 31 December 2017			
Shares issued	165,349,149	40,711,949	206,061,098
Less: Treasury shares	(50,000)	(29,290)	(79,290)
Outstanding at year end	**165,299,149**	**40,682,659**	**205,981,808**

During the year, no. 450,000 ordinary shares were used as partial payment in the acquisition of Cementizillo SpA. The amount paid for the purchase of those shares amounted to €3,955 thousand. The positive difference between the carrying amount and the fair value at the transaction date was recorded under retained earnings.

31. Share premium

It consists of the overall premium on shares issued over time. The line item amounts to €458,696 thousand as at 31 December 2017 and it is unchanged versus last year.

32. Other reserves

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

(thousands of euro)	2017	2016
Translation differences	(513,964)	(194,835)
Revaluation reserves	88,286	88,286
Merger surplus	247,530	247,530
Other	113,675	116,494
	(64,473)	**257,475**

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 negative change in the balance of €319,129 thousand is the result of two opposite effects: a decrease of €266,602 thousand due to the weakening of the US dollar, €37,252 thousand of the Russian ruble and Ukrainian hryvnia, €15,310 thousand of the Algerian dinar and €11,168 thousand of the Mexican peso; an increase of €11,203 thousand due to the strengthening of the other Eastern European currencies.

33. Retained earnings

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

During the year some transactions took place with non-controlling interests after the acquisition of control, specifically the purchase of a 6.5% interest in OAO Sukholozhskcement, which led to an increase in retained earnings equal to €19,211 thousand.

As regards the Cementizillo business combination, Buzzi Unicem used as partial consideration no. 450,000 treasury shares, thus generating an increase in retained earnings of €5,999 thousand.

The changes in gains and losses generated by the actuarial valuations of liabilities for employee benefits, net of related deferred tax, in 2017 brought to a decrease in retained earnings equal to €1,369 thousand of euro.

34. Non-controlling interests

By the end of the financial year, the subsidiary Dyckerhoff, having reached the ownership stake required by law, formalized the procedure of mandatory tender offer on all the remaining minority shares of OAO Sukholozhskcement. Following this procedure, non-controlling interests referring to the same company was reclassified under other payables (note 43).

The balance of this item refers mainly to Cimalux SA (€3,060 thousand) and to Betonmortel Centrale Groningen (B.C.G.) BV (€1,387 thousand).

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

Name of the subsidiary	Place of business/ country of incorporation	Non-controlling interests		Profit attributable to non-controlling interests		Equity attributable to non controlling interests	
		2017	2016	2017	2016	2017	2016
Cimalux S.A.	Luxemburg	1.57%	1.57%	176	157	3,060	2,991

(thousands of euro)	2017	2016
Summarized balance sheet		
Non-current assets	90,973	90,077
Current assets	138,170	130,845
Non-current liabilities	17,463	17,914
Current liabilities	16,775	12,483
Net assets	**194,905**	**190,525**
Summarized income statement		
Revenue	103,979	100,610
Depreciation, amortization and impairment charges	(6,460)	(5,821)
Finance revenues	291	362
Finance costs	(196)	(307)
Income tax expense	(2,822)	(2,945)
Profit for the year	**11,231**	**10,025**
Other comprehensive income	191	(698)
Total comprehensive income	**11,422**	**9,327**
Total comprehensive income attributable to non-controlling interests	(3)	10
Dividends paid to non-controlling interests	111	80
Summarized statement of cash flows		
Cash flows from operating activities		
Cash generated from operations	16,709	13,256
Income tax paid	(4,756)	(1,113)
Net cash generated from operating activities	**11,953**	**12,143**
Net cash used in investing activities	**(4,636)**	**(9,371)**
Net cash generated (used) in financing activities	**(8,374)**	**(899)**
Increase (decrease) in cash and cash equivalents	**(1,057)**	**1,874**
Cash and cash equivalents at beginning of year	**12,987**	**11,113**
Cash and cash equivalents at end of year	**11,930**	**12,987**

35. Debt and borrowings

(thousands of euro)	2017	2016
Long-term debt		
Senior notes and bonds	495,347	843,784
Convertible bonds	207,864	200,447
Finance lease obligations	1,963	900
Secured term loans	56	-
Unsecured term loans	414,756	336,276
	1,119,986	**1,381,407**
Current portion of long-term debt		
Senior notes and bonds	349,687	-
Finance lease obligations	394	368
Secured term loans	111	-
Unsecured term loans	19,714	56,011
	369,906	**56,379**
Short-term debt		
Debts to banks	1,132	691
Accrued interest expense	16,489	16,088
	17,621	**16,779**

To provide a better representation of the group financial position, the caption accrued interest expense was reclassified from other payables to borrowings; in fact, since it represents an accrual of interest expense based upon the passage of time, it can be identified and classified as a monetary debt.

The effect of the change in scope of consolidation on debt and borrowings is equal to €2,163 thousand, of which leasing for €1,539 thousand and debts to banks for €624 thousand.

During 2017, the average interest rate on financial indebtedness was equal to 2.89% (2016: 3.05%).

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)	2017	2016
6 months or less	28,126	35,744
6-12 months	359,400	37,414
1-5 years	494,228	885,865
Over 5 years	625,759	495,542
	1,507,513	**1,454,565**

Senior Notes and Bonds

The change in the year is mainly due to an increase of €1,232 thousand for the update of the amortized cost valuation.

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 €495,348 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 €349,670 thousand in the balance sheet.

Convertible Bonds
The change in the year is mainly due to an increase of €7,417 thousand for the update of the amortized cost valuation.

The caption comprises only the so-called “Buzzi Unicem € 220,000,000 - 1.375% Equity-Linked Bonds due 2019” with a 6-year maturity, placed with institutional investors only. The notes, listed on the “Third Market” non-regulated market of Vienna Stock Exchange, have a minimum denomination of €100,000 and carry a fixed coupon of 1.375% per year, payable semi-annually. The conversion option combined with the loan is American style; the company has the right to elect to settle any exercise of conversion rights in Buzzi Unicem SpA ordinary shares, in cash or a combination of ordinary shares and cash. At the final maturity on 17 July 2019 the notes will be redeemed in one lump sum at their principal amount unless previously redeemed or converted. This bond is carried at amortized cost, corresponding to an effective interest rate of 1.522% and an amount of €207,864 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 €92,902 thousand (note 36).

The following table summarizes the main terms of bond issues outstanding at 31 December 2017:

(Prestito)	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

The change for the year is essentially stemming from an increase of €279,380 thousand due to proceeds from new loans, a decrease of €11,567 thousand due to foreign exchange gains and a decrease of €226,758 thousand for principal repayments.

In September 2017 the issuing of a Schuldschein loan of €250,000 thousand (€200,000 thousand held by Buzzi Unicem SpA and €50,000 thousand held by Dyckerhoff GmbH) was concluded to replace a previous Schuldschein issued by Dyckerhoff GmbH for €185,000 thousand.

As at 31 December 2017 the group has undrawn committed facilities for €325,104 thousand (2016: €328,430 thousand), thereof €300,000 thousand available to Buzzi Unicem SpA, at floating rate with maturity beyond the year 2020, and the remaining €25,104 thousand to Dyckerhoff GmbH and its subsidiaries, always at floating rate, with maturity between 2018 and 2019.

In respect to interest rate and currency, the gross indebtedness at 31 December 2017 is roughly split as follows: 10.7% floating and 89.3% fix; 6% dollar-denominated and 94% euro-denominated.

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

	2017		2016	
(thousands of euro)	Carrying amount	Fair value	Carrying amount	Fair value
Fix rate borrowings				
Senior notes and bonds	845,018	906,852	843,784	909,286
Convertible bonds	207,864	316,520	200,447	323,450
Unsecured term loans	272,531	262,512	71,403	74,292
	1,325,413	**1,485,884**	**1,115,634**	**1,307,028**

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

(thousands of euro)	2017	2016
Gross finance lease liabilities-minimum lease payments:		
No later than 1 year	450	409
Later than 1 year and no later than 5 years	1,738	487
Over 5 years	553	548
	2,741	**1,444**
Future finance charges on finance lease liabilities	(384)	(176)
Present value of finance lease liabilities	**2,357**	**1,268**

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

(thousands of euro)	2017	2016
No later than 1 year	394	368
Later than 1 year and no later than 5 years	1,461	369
Over 5 years	502	531
	2,357	**1,268**

36. Derivative financial instruments

They consist solely of the fair value of the cash settlement option embedded in the equity-linked convertible bond issued by the parent company, amounting to €92,902 thousand (€105,422 thousand at the end of 2016).

In 2017, changes in the fair value of this derivative financial instrument recognized in the income statement are positive for €12,520 thousand (2016: negative for €57,682 thousand).

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

	2017		2016	
(thousands of euro)	Notional	Fair value	Notional	Fair value
Takeover commitments (put writer)	-	-	241	-
Takeover options (call)	884	-	884	-
Cash settlement option on convertible bond	220,000	(92,902)	220,000	(105,422)

The purchase options, for a total amount of €884 thousand of nominal value, refer to land both in 2017 and 2016, while in 2016 the purchase commitments (€241 thousand) were related to lease contracts for mobile equipment.

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 €21,641 thousand (2016: €18,210 thousand) have a weighted average duration of approximately 9 years. effect of the change in scope of consolidation, following the entry of Cementizillo, amounts to €4,373 thousand of euro.

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 €274,716 thousand (2016: €281,375 thousand) are partly funded through a contractual trust agreement. The value of trust assets is €28,429 thousand (2016: €27,204 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 €18,714 thousand (2016: €18,336 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 €18,027 thousand (2016: €17,509 thousand) and reduces the amount to be recognized as a liability. The commitments have a weighted average duration of approximately 18 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 (€274,532 thousand; 2016: €289,408 thousand) is covered by an external pension fund; its fair value of €245,455 thousand (2016: €248,835 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.

RUSSIA

The outstanding pension plans guarantee retirement services and benefits to former employees such as health care and other forms of indemnities. The level of the various benefits provided depends on the salary and employment conditions at the company. The liabilities amount to €2,947 thousand (2016: €3,179 thousand) and are guaranteed by specific funds.

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)	2017	2016
By category		
Post-employment benefits:		
Pension plans	298,301	318,726
Healthcare plans	85,087	97,766
Employee severance indemnities	21,641	18,210
Other	1,671	977
Other long-term benefits	8,229	8,727
	414,929	**444,406**
By geographical area		
Italy	23,313	19,187
Germany, Luxembourg, Netherlands	268,305	277,268
United States of America	119,334	143,865
Other Countries	3,977	4,086
	414,929	**444,406**

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

	Pension plans		Healthcare plans		Employee severance indemnities		Other	
(thousands of euro)	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Present value of funded obligations	557,764	579,655	-	-	-	-	-	-
Fair value of plan assets	(291,912)	(293,548)	-	-	-	-	-	-
	265,852	**286,107**	**-**	**-**	**-**	**-**	**-**	**-**
Present value of unfunded obligations	32,449	32,619	85,087	97,766	21,641	18,210	1,671	977
Liability in the balance sheet	**298,301**	**318,726**	**85,087**	**97,766**	**21,641**	**18,210**	**1,671**	**977**

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

	Pension plans		Healthcare plans		Employee severance indemnities		Other	
(thousands of euro)	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
At 1 January	612,274	584,949	97,766	98,072	18,210	19,608	977	946
Current service cost	9,797	9,053	1,879	1,996	7	-	90	77
Past service cost	26	1,901	-	-	-	-	354	-
(Gains) losses from plan amendments	-	(7,666)	-	-	(202)	-	-	-
Other costs	(161)	(278)	-	-	-	-	-	-
	9,662	**3,010**	**1,879**	**1,996**	**(195)**	**-**	**444**	**77**
Interest expense	16,409	18,150	3,215	3,670	266	377	15	18
(Gains) losses from changes in demographic assumptions	206	42	-	-	-	(9)	-	(3)
(Gains) losses from changes in financial assumptions	16,851	26,566	2,642	2,258	454	868	22	22
(Gains) losses recognized in OCI of the period	313	-	-	-	201	-	(4)	-
Experience (gains) losses	3,219	7	(2,768)	(4,510)	146	(621)	-	28
	20,589	**26,615**	**(126)**	**(2,252)**	**801**	**238**	**18**	**47**
Employee contributions	92	68	657	672	-	-	-	-
Benefit paid	(31,222)	(30,359)	(7,019)	(7,317)	(1,814)	(2,150)	(136)	(111)
Settlements	-	-	-	-	-	-	(55)	-
Translation differences	(37,591)	9,841	(11,285)	2,925	-	-	-	-
Change in scope of consolidation	-	-	-	-	4,373	-	408	-
Other changes	-	-	-	-	-	137	-	-
At 31 December	**590,213**	**612,274**	**85,087**	**97,766**	**21,641**	**18,210**	**1,671**	**977**

The change in scope of consolidation refers to the Cementizillo's business combination (note 50).

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)	**2017**	**2016**	**2017**	**2016**
Active members	201,492	207,737	33,352	36,276
Deferred members	38,344	40,397	-	-
Pensioners	350,377	364,140	51,735	61,490
At 31 December	**590,213**	**612,274**	**85,087**	**97,766**

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

	Pension plans	
(thousands of euro)	**2017**	**2016**
At 1 January	293,548	280,457
Interest income	9,839	10,624
Employer contributions	8,202	9,286
Employee contributions	92	68
Benefits paid	(16,317)	(15,557)
Settlements	(949)	(6,982)
Actuarial gains (losses)	29,208	7,570
Translation differences	(31,711)	8,082
At 31 December	**291,912**	**293,548**

Plan assets are comprised as follows:

	Germany		United States of America	
(thousands of euro)	2017	2016	2017	2016
Cash and cash equivalents	**934**	**857**	**10,073**	**3,779**
Equity instruments	**15,876**	**15,900**	**-**	**-**
Euro equities	8,891	7,627	-	-
Europe ex Euro equities	6,985	8,273	-	-
Debt instruments	**4,504**	**10,517**	**44,761**	**39,554**
Euro corporate non-rated	24	93	-	-
Euro sovereign investment grade	4,480	9,725	-	-
Euro sovereign non-investment grade	-	699	-	-
Dollar sovereign investment grade	-	-	44,761	39,554
Derivatives financial instruments	**18**	**(70)**	**-**	**-**
Equity derivatives	5	(71)	-	-
Currency derivatives	-	19	-	-
Debt derivatives	13	(18)	-	-
Investment funds	**7,097**	**-**	**190,620**	**205,502**
Euro corporate bonds	6,226	-	-	-
Dollar corporate bonds	-	-	39,044	62,750
Dollar sovereign bonds	-	-	47,821	23,185
Euro indexed equities	871	-	-	-
Dollar indexed equities	-	-	39,751	61,999
Other indexed equities	-	-	60,118	53,246
Dollar sundries	-	-	3,886	4,322
	28,429	**27,204**	**245,454**	**248,835**

The fair values stated above exclusively relate to quoted market prices in active markets (level 1). For pension assets in the Netherlands no breakdown is available due to the local insurance policy model (€18,027 thousand in 2017 and €17,509 thousand in 2016).

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 2018 amount to €15,225 thousand.

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

(thousands of euro)	**Pension Plans**	**Healthcare Plans**	**Employee severance indemnities**
Year 2018	30,789	6,211	2,460
Year 2019	32,608	6,112	988
Year 2020	32,303	6,081	1,248
Year 2021	30,585	6,169	1,380
Year 2022	30,616	6,101	1,340
Year 2023-2027	150,214	29,240	7,143
	307,115	**59,914**	**14,559**

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:

	2017						2016					
(in %)	ITA	GER	LUX	NLD	USA	RUS	ITA	GER	LUX	NLD	USA	RUS
Pension plans discount rate	1.3	1.7	1.7	1.7	3.6	7.7	1.3	1.7	1.7	1.8	4.0	8.6
Salary growth rate	2.4	2.8	2.8	2.0	4.0	4.0	2.1	2.8	2.8	2.0	4.0	6.3
Pension growth rate	-	1.8	-	2.0	-	3.8	-	1.8	-	2.0	-	3.7
Healthcare discount rate	-	-	-	-	3.5	-	-	-	-	-	4.0	-
Medical cost growth rate	-	1.8	-	-	6.0	-	-	1.8	-	-	6.5	-

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

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

(thousands of euro)		Pension Plans	Healthcare plans	Employee severance indemnities
Salary growth rate				
	Increase 1%	6,066	-	-
	Decrease 1%	(7,662)	-	-
Discount rate				
	Increase 1%	(8,127)	7,486	(2,756)
	Decrease 1%	10,384	(6,514)	892
Pension growth rate				
	Increase 1%	20,192	-	-
	Decrease 1%	(33,884)	-	-
Medical cost growth rate				
	Increase 1%	-	6,711	-
	Decrease 1%	-	(5,654)	-
Mortality				
	Increase 1%	18,674	669	-
	Decrease 1%	(18,946)	(669)	-

38. Provisions for liabilities and charges

(thousands of euro)	Environmental risks and restoration	Antitrust	Legal claims Tax risks	Other risks	Total
At 1 January 2017	63,834	14,231	16,486	14,509	109,060
Additional provisions	3,369	-	2,323	6,267	11,959
Discount unwinding	29	-	-	2	31
Unused amounts released	(1,594)	-	(292)	(1,039)	(2,925)
Used during the year	(2,925)	(66)	(705)	(5,420)	(9,116)
Translation differences	(1,301)	687	(261)	(977)	(1,852)
Reclassifications	-	-	(1,024)	(103)	(1,127)
Change in scope of consolidation	41	-	-	62	103
Other changes	1,777	-	-	-	1,777
At 31 December 2017	**63,230**	**14,852**	**16,527**	**13,301**	**107,910**

Total provisions can be analyzed as follows:

(thousands of euro)	2017	2016
Non-current	85,382	87,187
Current	22,528	21,873
	107,910	**109,060**

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 €3,051 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 €3,228 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 €8,591 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 50). Provisions for various legal risks amounted to €1,853 thousand.

The provision for other risks represents the amounts set aside by the individual consolidated entities in connection with miscellaneous contractual and commercial risks and disputes, among which are included €1,270 thousand for restructuring costs and workers compensation claims not covered by insurance for €5,067 thousand. Additional provisions include €1,262 thousand for restructuring costs, €1,576 thousand for workers compensation claims and €2,041 thousand for miscellaneous risks. Uses during the year include €3,226 thousand against general damages, the payment of workers compensation claims for €1,644 thousand and besides restructuring costs in Italy and Germany for €174 thousand.

39. Deferred income tax

Net deferred tax liability as at 31 December 2017 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)	2017	2016
Deferred income tax assets:		
To be recovered after more than 12 months	(155,193)	(186,050)
To be recovered within 12 months	(21,240)	(22,466)
	(176,433)	**(208,516)**
Deferred income tax liabilities:		
To be recovered after more than 12 months	443,380	654,411
To be recovered within 12 months	20,308	22,992
	463,688	**677,403**
Net deferred income tax liabilities	**287,255**	**468,887**

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

(thousands of euro)	2017	2016
Deferred income tax assets related to:		
Provisions for liabilities and charges	(13,992)	(18,701)
Trade receivables	(6,456)	(5,406)
Employee benefits	(70,639)	(95,324)
Long-term debt	(777)	(786)
Property, plant and equipment	(7,999)	(9,871)
Inventories	(7,321)	(14,274)
Tax loss carryforwards (theoretical benefit)	(154,980)	(159,936)
Other	(19,967)	(14,425)
Total deferred income tax assets	**(282,131)**	**(318,723)**
Valuation allowances	105,696	110,207
Net deferred income tax assets	**(176,435)**	**(208,516)**
Deferred income tax liabilities related to:		
Accelerated depreciation	104,678	174,712
Property, plant and equipment	309,888	457,333
Inventories	3,010	2,813
Financial assets	10,281	11,358
Other	35,833	31,187
Total deferred income tax liabilities	**463,690**	**677,403**
Net deferred income tax liabilities	**287,255**	**468,887**

The deferred tax liability related to property, plant and equipment refers mainly to the positive differential that in 1999, year of the acquisition, Dyckerhoff allocated to the raw material reserves of Lone Star Industries, following the business combination with this company. Thanks to the tax reform enacted at year end in the United States, this component was reduced by an amount of €117,913 thousand (note 17).

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)	2017	2016
At 1 January	468,887	404,520
Income statement charge (credit)	(148,453)	51,400
Statement of comprehensive income charge (credit)	9,377	(3,508)
Translation differences	(48,980)	16,955
Change in scope of consolidation	6,424	(480)
At 31 December	**287,255**	**468,887**

The change in the scope of consolidation is represented by the first line-by-line consolidation of the companies belonging to the Cementizillo group (note 50).

The net amount credited to the income statement and the amount charged to the consolidated statement of comprehensive income include the impact from the cut in the income tax rate for those companies that benefited from the tax reform approved by the federal government of the United States at the end of 2017 (note 17).

40. Other non-current liabilities

(thousands of euro)	2017	2016
Purchase of equity investments	22,665	1,802
Non-controlling interests in partnerships	2,258	2,482
Payables to personnel	351	518
Financial tax payables	1,208	-
Payables to antitrust authority	34,085	-
Other	3,641	7,188
	64,208	**11,990**

Payables for the purchase of equity investments include €20,869 thousand for future installments contractually agreed upon in the Cementizillo business combination (note 50).

Accounts payable to the antitrust authority include the non-current portion of the penalty imposed on Buzzi Unicem in the proceedings that concerned the entire cement industry in Italy (note 48).

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)	2017	2016
Trade payables	243,875	236,473
Other trade payables:		
To associates	3,611	1,402
	247,486	**237,875**

42. Income tax payables

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

43. Other payables

(thousands of euro)	2017	2016
Advances	2,577	2,385
Purchase of equity investments	10,721	2,323
Payables to social security institutions	15,411	13,519
Payables to personnel	48,273	49,244
Payables to customers	6,271	6,606
Deferred interest income	165	241
Other accrued expenses and deferred income	9,493	7,693
Tax payables	16,064	15,657
Financial tax payables	697	-
Payables to antitrust authority	25,549	-
Purchase of non-controlling interests	10,659	-
Other	12,499	16,394
	158,379	**114,062**

To provide a better representation of the group financial position, the caption accrued interest expense was reclassified from other payables to debt and borrowings.

Payables for the purchase of equity investments include €10,582 thousand for the short-term debt referring to the Cementizillo business combination (note 50).

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

The caption tax payables includes the credit balance of periodic value added tax for €4,343 thousand (2016: €5,562 thousand). It also includes an amount of €996 thousand referring to the tax on real estate transfers in Germany, whose taxable event was reaching full ownership in Dyckerhoff a few years ago.

Accounts payable to the antitrust authority includes the current portion of the penalty imposed on Buzzi Unicem in the proceedings that concerned the entire cement industry in Italy (note 48).

Payables for the acquisition of non-controlling interests refer to the reclassification of the minority interests of OAO Sukholozhskcement, following the compulsory tender offer procedure on all outstanding shares still held by minorities, recently undertaken by the group (note 34).

44. Cash generated from operations

(thousands of euro)	2017	2016
Profit before tax	**348,667**	**280,880**
Adjustments for:		
Depreciation, amortization and impairment charges	222,141	202,611
Equity in earnings of associates	(96,165)	(79,875)
Gains on disposal of fixed assets	(4,545)	(11,629)
Net change in provisions and employee benefits	(15,412)	(33,090)
Net finance costs	35,040	147,165
Other non-cash movements	59,695	8,269
Changes in operating assets and liabilities:		
Inventories	(17,200)	(13,181)
Trade and other receivables	31,589	(26,816)
Trade and other payables	(57,181)	(6,871)
Cash generated from operations	**506,629**	**467,463**

45. Financing activities

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

			Cash		Non-cash				
(thousands of euro)	**Note**	**Beg balance**	**Proceeds**	**Repay-ments**	**Accruals**	**Exchange differen-ces**	**Fair value**	**Other**	**Ending balance**
Long-term debt									
Senior notes and bonds	35	843,784	-	-	-	-	1,232	(349,669)	495,347
Convertible bonds	35	200,447	-	-	-	-	7,417	-	207,864
Finance lease obligations	35	900	-	(202)	-	(78)	-	1,343	1,963
Secured term loans	35	-	-	-	-	-	-	56	56
Unsecured term loans	35	336,276	279,388	(171,094)	-	(11,485)	261	(18,590)	414,756
		1,381,407	**279,388**	**(171,296)**	**-**	**(11,563)**	**8,910**	**(366,860)**	**1,119,986**
Current portion of long-term debt									
Senior notes and bonds	35	-	-	(195)	-	-	-	349,882	349,687
Finance lease obligations	35	368	-	(280)	-	(3)	-	309	394
Secured term loans	35	-	-	-	-	-	-	111	111
Unsecured term loans	35	56,011	-	(54,987)	-	-	91	18,599	19,714
		56,379	**-**	**(55,462)**	**-**	**(3)**	**91**	**368,901**	**369,906**
Total from cash flow statement		**-**	**279,388**	**(226,758)**	**-**	**-**	**-**	**-**	**-**
Short-term debt									
Debts to banks	35	691	721	(47,663)	255	(12)	-	47,140	1,132
Accrued interest expense	35	16,088	-	(16,088)	16,489	-	-	-	16,489
		16,779	**721**	**(63,751)**	**16,744**	**(12)**	**-**	**47,140**	**17,621**
Total from cash flow statement		**-**	**-**	**(46,286)**	**-**	**-**	**-**	**-**	**-**
Financial liabilities									
Non-current									
Others	40	529	-	-	1,839	-	-	-	2,368
Current									
Others	43	581	-	-	793	-	-		1,374
Total from cash flow statement		**-**	**-**	**-**	**2,632**	**-**	**-**	**-**	**-**
Changes in ownership interests without loss of control		**-**	**-**	**(2,282)**	**-**	**-**	**-**	**-**	**-**
Dividends paid to owners of the company	**46**	**-**	**-**	**(20,553)**	**-**	**-**	**-**	**-**	**-**
Dividends paid to non-controlling interests		**-**	**-**	**(1,492)**	**-**	**-**	**-**	**-**	**-**

46. Dividends

The dividends paid in 2017 and 2016 were respectively €20,553 thousand of euro (10 eurocent per ordinary share and per savings share) and €15,415 thousand of euro (7.5 eurocent per ordinary share and per savings share).

As for the year ended 31 December 2017 the board of directors will propose to the Annual General Meeting of 10 May 2018 to distribute a dividend of 12 eurocent per ordinary share and 20 eurocent per savings share, of which 6 eurocent as preferential dividend referred to the previous two years. Therefore expected dividend distribution amounts to a total of €28,135 thousand. These financial statements do not reflect such payable to the shareholders.

47. Commitments

(thousands of euro)	**2017**	**2016**
Guarantees granted	16,252	5,254
Other commitments and guarantees	74,340	49,069

Guarantees granted include commitments toward banks in favor of investee companies. They include €10,414 thousand from the Cementizillo's business combination.

Capital expenditure contracted for at the balance sheet date to acquire property, plant and equipment amounts to €69,463 thousand (2016: €41,922 thousand). It can be basically traced back to the modernization and expansion project of the Maryneal plant (Texas), which was commissioned in June 2016 (€6,136 thousand), besides various refurbishing and regulatory compliance projects in United States (€25,748 thousand), in Germany (€24,381 thousand), in Italy (€5,729 thousand), in Luxembourg (€3,072 thousand) and the Russia (€2,511 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)	**2017**	**2016**
No later than 1 year	23,860	24,351
Later than 1 year and no later than 5 years	55,392	60,058
Later than 5 years	36,809	45,399
	116,061	**129,808**

48. Legal claims and contingencies

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

Fiscal

As regards the two notices of assessment referring to the year 2000 and related to the deductibility of the antitrust fines inflicted to the group by the European authority, the appeal with the Supreme Court has been discussed and the Supreme Court confirmed the decision of the Regional Tax Commission that had considered the antitrust sanction to be non-deductible, but the sanctions as not applicable, considering that there was an objective condition of uncertainty regarding the extent and scope of application of the regulation. The company had already fully paid the tax-assessment bills received.

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.

In December 2017, two notices of assessment concerning the financial year 2012 were notified, containing some remarks on corporate income taxes (IRES and IRAP). The proposed adjustment amounted to approximately €14.2 million for IRES and €14.6 million for IRAP, of which approximately €13.7 million (for both taxes) related to the missing charge of a royalty to the foreign subsidiaries of Buzzi Unicem for usage of the corporate logo. As regards IRES, the higher taxable amount is absorbed by the tax loss, which in 2012 exceeded the disputed €14.2 million; therefore, neither IRES nor interest and penalties are due. On the contrary, as regards IRAP, the adjustment implies higher taxes as well as related penalties and interest for approximately €0.65 million. The company has appealed against both notices of assessment, considering that the defense elements are well-grounded and sound and the risk of losing is remote. Therefore, no provision was set aside in the financial statements and the amounts paid at the beginning of 2018, on a provisional basis pending judgment, were recorded as receivables in the financial statements for the current year.

Between 2015 and 2018 the municipality of Guidonia Montecelio (Rome) has notified Buzzi Unicem some notices of assessment related to higher ICI/IMU, penalties and interests that for the years from 2008 to 2016 overall amount to approximately €13,6 million. The municipality funds its request on the consideration that the land belonging to Buzzi Unicem which is used to quarry raw materials can be comparable to land for development. Considering this request as incorrect the company has filed an appeal within the deadline against all the notices of assessment. The Regional tax Court of Rome in the course of 2017, has rejected the appeal of the company for the years 2008, 2009 and 2010 and in the first few months of 2018 it discussed the appeals for the years 2011-2015; to date, the sentence relating to 2011 alone has substantially upheld our appeal, while we are waiting the publication of the sentences relating to the other years. Buzzi Unicem, considering to have valid reasons, has appealed against the unfavorable rulings relating to the years 2008, 2009 and 2010 and is considering whether to appeal some minor issues related to the sentence for the year 2011. On 1 August 2017, as a result of unfavorable rulings relating to the years 2008, 2009 and 2010, a tax injunction of about €3.1 million was notified to Buzzi Unicem, for the payment of which the company has disbursed a first installment of €1 million and obtained, for the remaining amount of about €2.1 million, a rescheduling plan in 9 installments secured by a bank guarantee. However a provision for the tax risk plus the related interests and penalties for the years 2008, 2009 and 2010 has been fully booked in the financial statements.

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. On the other hand, the litigation concerning the transferability of unused tax loss carryforwards accrued before the merger of the subsidiary Dyckerhoff Cement Ukraine, came to a positive conclusion, with a decision of the Supreme Court that established the net operating losses as transferable.

Antitrust

As regards the €11.0 million fine inflicted by the Italian antitrust authority to the subsidiary Unical for alleged anti-competitive practices in the Milan ready-mx concrete market and cancelled by the Council of State by judgment of 2009, the Antitrust Authority, by judgment of 10 December 2013, reassessed the fine reducing it to about €7.0 million. The Authority moreover ordered Unical to pay the additional charges due ex art. 27, paragraph 6, of law no 689/81 for a total of about €6.3 million. The subsidiary Unical, deeming that the new assessment of the fine was excessive and not consistent with the precepts of the ruling of the Council of State and the additional charges were not due, appealed the assessment judgment before the TAR of Lazio. In the meantime Unical, for the mere purpose of preventing the accumulation of interest expense and without agreeing with the decision, considered appropriate to fully pay the fine. To this aim, it required and obtained from the Antitrust Authority the split-up of the penalty in 30 installments. The TAR of Lazio by judgment of 20 April 2015 no. 5758, partially accepted the appeal issue by Unical, recalculating the penalty in €3.5 million and cancelling the Antitrust Authority provision as regards the additional charges, because not due. A new installment plan for the payment of the remaining penalty was established and in January 2017 the last installment of the plan was paid. The Antitrust Authority appealed the judgment of TAR of Lazio to the Council of State on 20 July 2015. Unical has joined the lawsuit initiated by the Antitrust Authority and has also presented incidental appeal, in which it has requested a further reduction of the sanction which had been restated. The hearing to discuss was held on 14 December 2017, but the decision has not been published yet. 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. On 7 August 2017 Buzzi Unicem was notified of the final decision adopted by the Italian Antitrust Authority, according to which Buzzi Unicem and other companies operating in the cement market would have established anti-competitive practices from June 2011 until January 2016, aimed at coordinating cement sales prices throughout the country and systematically monitoring the performance of their respective market shares. The fine imposed on

Buzzi Unicem amounted to €59.8 million. Buzzi Unicem appealed the provision of the Authority before the TAR of Lazio on 2 October 2017; together with the appeal, a request for revocation of the fine payment was also filed. The hearing to discuss the revocation took place on 8 November 2017. The TAR of Lazio believed that the legal protection needs of Buzzi Unicem could be sufficiently respected by promptly fixing the hearing for discussion on the substance of the case, scheduled for 6 June 2018, also considering the granting of the division of the sanction into installments by the authority. In fact, Buzzi Unicem, for the sole purpose of avoiding the accumulation of interests and without acquiescing, has requested and obtained the split-up of the sanction in 30 installments from the antitrust authority. The full amount of the fine was recorded in the financial statements.

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

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

Environmental

As regards the measures adopted for the remediation of the Augusta (SR) roadstead, the land areas and the respective underneath aquifers, Buzzi Unicem is involved in a 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 acceptance of the Plan Agreement. However this option was not pursued, because of both uncertainties on the ensuing economic charges and the questionable compliance with the EC regulations in force about environmental damages. As an alternative to the acceptance of the Plan Agreement, the company has instead brought forward on its own the procedural fulfillments aimed at the characterization, risk analysis and remediation and/or permanent safety of its land areas and portions of the underneath aquifer affected. These compliance actions are currently being evaluated by the Ministry for Environment which has already ruled favorably on certain aspects through decision-making conference, with requirements that the company has not opposed.

Awaiting the development of the above proceedings, the company prudentially maintains in the books the relevant provision of €3.0 million.

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

Other legal proceedings

In relation to the procedure for the transfer of all outstanding 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 and on 31 August 2017 the Arbitration Court of Appeal amended the rulings at first instance, recognizing as a precautionary measure a part of responsibility on the merits of our Dutch subsidiary. The amount of compensation has not been defined by the arbitrators yet. Based on the precautionary decision, the company made a provision in the financial statements.

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 started 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.

49. 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 Unical 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)	2017	in % of reported balance	2016	in % of reported balance
Sales of goods and services:	56,124	2.0	42,347	1.6
associates and unconsolidated subsidiaries	39,181		29,900	
joint ventures	16,823		12,332	
parent companies	22		17	
other related parties	98		98	
Purchases of goods and services:	32,769	1.7	27,057	1.6
associates and unconsolidated subsidiaries	27,192		24,451	
joint ventures	4,895		1,761	
other related parties	682		845	
Internal works capitalized:	-	-	130	4.8
joint ventures	-		130	
Finance revenues:	7,087	10.5	26	-
associates and unconsolidated subsidiaries	7,073		16	
joint ventures	14		10	
Finance costs:	1	-	2	-
associates and unconsolidated subsidiaries	-		2	
joint ventures	1		-	
Trade receivables:	11,726	2.9	9,420	2.4
associates and unconsolidated subsidiaries	7,454		7,438	
joint ventures	4,169		1,894	
parent companies	27		21	
other related parties	76		67	
Loans receivable:	849	6.1	829	5.0
associates and unconsolidated subsidiaries	836		708	
joint ventures	13		121	
Other receivables:	16,714	12.5	19,140	11.8
associates and unconsolidated subsidiaries	196		200	
joint ventures	478		882	
parent companies	16,040		18,058	
Trade payables:	5,292	2.1	2,467	1.0
associates and unconsolidated subsidiaries	3,845		2,260	
joint ventures	1,429		207	
other related parties	18		-	
Loans payable:	4,953	3.8	-	-
parent companies	4,953		-	
Other payables:	-	-	1,511	1.1
associates and unconsolidated subsidiaries	-		1,511	
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 6 other senior executives of first level, (of which 1 joined this group from 1 January 2017).

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

(thousands of euro)	2017	2016
Salaries and other short-term employee benefits	4,404	3,995
Post-employments benefits	723	617
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	5,127	**4,612**

50. Business combinations

Within the agreement signed on 16 June 2017 for the purchase of a 100% stake in Cementizillo SpA, Buzzi Unicem acquired 47.9% of the company share capital directly from the minority shareholders. The purchase of the remaining 52.1% occurred on 3 July 2017 after the sale of some non-core assets, outside the scope of Buzzi Unicem's interest.

The consideration agreed for the purchase consists of a fixed portion of €60,000 thousand plus 450,000 Buzzi Unicem ordinary shares already in treasury, and a variable portion based on the trend in the average price of cement achieved by Buzzi Unicem in Italy in the financial years from 2017 to 2020, calculated equal to €16,258 thousand (discounted value). The acquisition is assisted by usual guarantees for similar transactions.

The amount due to minority shareholders was paid on 16 June 2017 (€22,610 thousand). The payment for the 52.1% stake was made for €18,500 thousand on 3 July 2017, together with the transfer of 450,000 ordinary treasury shares of Buzzi Unicem, with a market value of €9,954 thousand at the transaction date.

By 3 July 2018 is scheduled an additional payment of €7,500 thousand (€7,265 thousand the discounted value) and, finally, on 3 July 2020 the last tranche of €7,500 thousand (€7,037 thousand the discounted value) will be executed. The commitments already incurred and those envisaged for the completion of the transaction have been financed with the use of cash and/or credit facilities already granted and readily available.
Zillo is a leading industrial group, founded in 1882 and focused on the cement and ready-mix sector in the North-East of Italy. The firm operates with two full-cycle cement plants (Fanna, province of Pordenone and Monselice, province of Padua) and about 40 batching plants. In 2016, Zillo's cement and clinker sales came in at approximately 1.1 million tons and ready-mix concrete volumes amounted to about 440,000 cubic meters.

Through the acquisition of Zillo group, Buzzi Unicem, in addition to strengthening its presence and market share in Italy, aims at contributing to the rationalization and consolidation of the domestic cement sector, which nowadays suffers from a significant surplus of production capacity coupled with permanently reduced sales volumes. The combination will also have, ceteris paribus, a positive impact on Buzzi Unicem's profitability. Furthermore some synergies arising from economies of scale and the integration of the main organizational functions are expected, which will also contribute to improving the operating results of the Italian market.

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

(thousands of euro)	**Amount**
Cash	33,294
Acquirer's assets (treasury shares)	9,954
Present value of potential earn-out	16,258
Present value of deferred payment	13,606
Total consideration	**73,112**
Recognized amounts of identifiable assets acquired and liabilities assumed	
Goodwill	241
Other intangible assets	835
Property, plant and equipment	104,263
Investments	1,885
Deferred income tax assets	9,404
Other non-current assets	877
Inventories	15,048
Trade and other receivables	68,178
Cash and cash equivalents	6,444
Long-term debt	(1,363)
Provisions and employee benefits	(4,889)
Deferred income tax liabilities	(15,787)
Other non-current liabilities	(2,177)
Current portion of long-term debt	(47,964)
Trade and other payables	(61,266)
Total identifiable net assets	**73,729**
Non-controlling interests	**617**
Goodwill	**-**
Acquisition-related costs	-

Had the acquisition occurred on 1 January 2017, consolidated net sales would have been €2,847,633 thousand and profit for the year €376,382 thousand.

In April 2017, by the exercise of the option right, the subsidiary Unical purchased from Monvil Beton Srl the business unit formed by land and equipment for a total consideration of €8,168 thousand. With the integration of the Monvil Beton batching plants Unical can rely on a more widespread presence in the Milan metropolitan area and on greater efficiency in the distribution of ready-mix concrete to customers, with more alternative delivery locations.

The final goodwill resulting from the business combination, determined after applying to property, plant and equipment the replacement value method, updated to consider the actual wear and tear, amounts to €4,658 thousand and is fully deductible for income tax purposes.

As described in note 19 the value of such goodwill, allocated to the CGU Italy Concrete, was fully written down under the impairment testing procedure.

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

(thousands of euro)	**Amount**
Cash	8,168
Total consideration	**8,168**
Recognized amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	3,510
Total identifiable net assets	**3,510**
Goodwill	**4,658**
	8,168
Acquisition-related costs	-

51. Other information

Material non-recurring events and transactions

As stated in the review of operations, the year ended 31 December 2017 was affected by material non-recurring events and transactions – as defined in Consob Communication no. DEM/6064293 of 28 July 2006 – with a negative impact on EBITDA equal to €68,230 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 2017, as defined in Consob Communication no. DEM/6064293 of 28 July 2006.

Components of net debt

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

(thousands of euro)	Note	2017	2016
Other current financial receivables		**19,238**	**6,275**
Receivables from unconsolidated subsidiaries and associates	27	775	755
Loans to customers	27	487	273
Receivables from sale of equity investments	27	26	26
Receivables from purchase of equity investments	27	4,034	-
Loans to third parties and leasing	27	8,835	727
Deferred interest income	27	381	981
Available-for-sale financial assets	23	4,700	3,513
Other current financial liabilities		**(37,132)**	**(2,564)**
Purchase of equity investments	43	(10,721)	(2,323)
Financial tax payables	43	(697)	-
Payables to antitrust authority	43	(25,549)	-
Deferred interest income	43	(165)	(241)
Other not-current financial liabilities		**(57,958)**	**(1,802)**
Purchase of equity investments	40	(22,665)	(1,802)
Financial tax payables	40	(1,208)	-
Payables to antitrust authority	40	(34,085)	-
Other not-current financial receivables		**3,175**	**13,190**
Loans to third parties and leasing	24	2,618	12,254
Tax receivables	24	136	259
Guarantee deposits	24	421	677

52. Events after the balance sheet date

Following the appeal sentence published on 27 March 2018, which concluded the antitrust litigation concerning the cement industry in Poland, the associated fine was reduced from €12.3 to €7.5 million. We are still waiting to learn the grounds of the judgement.

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

Casale Monferrato, 28 March 2018

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		
Cementizillo S.p.A.	Padova	EUR	75,000,000	Buzzi Unicem S.p.A.	100.00
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
Cementeria di Monselice S.p.A.	Padova	EUR	26,000,000	Cementizillo S.p.A.	100.00
Calcestruzzi Zillo S.p.A.	Padova	EUR	6,161,040	Cementizillo S.p.A.	100.00
Beton Asola S.r.l.	Padova	EUR	100,000	Calcestruzzi Zillo S.p.A.	100.00
Beton Verona S.r.l.	Monselice (PD)	EUR	80,000	Calcestruzzi Zillo S.p.A.	100.00
Ghiaie Beton S.p.A.	Osoppo (UD)	EUR	1,680,000	Calcestruzzi Zillo S.p.A.	69.75
Deuna Zement GmbH	Deuna DE	EUR	5,113,000	Dyckerhoff GmbH	100.00
Dyckerhoff Beton GmbH & Co. KG	Wiesbaden DE	EUR	18,000,000	Dyckerhoff GmbH	100.00
GfBB prüftechnik GmbH & Co. KG	Flörsheim DE	EUR	50,000	Dyckerhoff GmbH	100.00
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 0.02
OOO Russkiy Cement	Ekaterinburg RU	RUB	350,000	Dyckerhoff GmbH	100.00
OOO Dyckerhoff Korkino Cement	Pervomaysky settlement - Korkino district RU	RUB	30,000,000	Dyckerhoff GmbH	100.00
OAO Sukholozhskcement	Suchoi Log RU	RUB	30,625,900	Dyckerhoff GmbH OOO Dyckerhoff Korkino Cement	96.77 0.14
Alamo Cement Company	San Antonio US	USD	200,000	Buzzi Unicem International S.à r.l.	100.00
RC Lonestar Inc.	Wilmington US	USD	10	Buzzi Unicem International S.à r.l. Dyckerhoff GmbH	51.50 48.50
Dyckerhoff Gravières et Sablières Seltz S.A.S.	Seltz FR	EUR	180,000	Dyckerhoff Beton GmbH & Co. KG	100.00
Dyckerhoff Kieswerk Trebur GmbH	Trebur-Geinsheim DE	EUR	125,000	Dyckerhoff Beton GmbH & Co. KG	100.00
Dyckerhoff Kieswerk Leubingen GmbH	Erfurt DE	EUR	101,000	Dyckerhoff Beton GmbH & Co. KG	100.00
SIBO-Gruppe GmbH & Co. KG	Lengerich DE	EUR	1,148,341	Dyckerhoff Beton GmbH & Co. KG	100.00
MKB Mörteldienst Köln-Bonn GmbH & Co. KG	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 GmbH & Co. KG	95.00

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)					
sibobeton Osnabrück GmbH & Co. KG	Lengerich DE	EUR	5,368,565	Dyckerhoff Beton GmbH & Co. KG	87.63
sibobeton Wilhelmshaven GmbH & Co. KG	Lengerich DE	EUR	920,325	Dyckerhoff Beton GmbH & Co. KG sibobeton Osnabrück GmbH & Co. KG	85.44 14.56
sibobeton Ems GmbH & Co. KG	Lengerich DE	EUR	2,300,813	Dyckerhoff Beton GmbH & Co. KG sibobeton Osnabrück GmbH & Co. KG	74.34 19.51
TBG Lieferbeton GmbH & Co. KG Odenwald	Reichelsheim DE	EUR	306,900	Dyckerhoff Beton GmbH & Co. KG	66.67
Dyckerhoff Beton Rheinland-Pfalz 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	Lengerich DE	EUR	1,300,000	Dyckerhoff Beton GmbH & Co. KG sibobeton Ems GmbH & Co. KG sibobeton Wilhelmshaven GmbH & Co. KG	45.13 24.20 10.67
Dyckerhoff Basal Toeslagstoffen B.V.	Nieuwegein NL	EUR	27,000	Dyckerhoff Basal Nederland B.V.	100.00
Dyckerhoff Basal Betonmortel B.V.	Nieuwegein NL	EUR	18,004	Dyckerhoff Basal Nederland B.V.	100.00
Béton du Ried S.A.S.	Krautergersheim FR	EUR	500,000	Cimalux S.A.	100.00
Cimalux Société Immobilière S.à r.l.	Esch-sur-Alzette LU	EUR	24,789	Cimalux S.A.	100.00
ZAPA beton SK s.r.o.	Bratislava SK	EUR	11,859,396	ZAPA beton a.s. Cement Hranice a.s.	99.97 0.03
TOB Dyckerhoff Transport Ukraina	Kyiv UA	UAH	51,721,476	TOB Dyckerhoff Ukraina	100.00
OOO CemTrans	Suchoi Log RU	RUB	20,000,000	OAO Sukholozhskcement	100.00
OOO Dyckerhoff Suchoi Log obshestvo po sbitu tamponashnich zementow	Suchoi Log RU	RUB	4,100,000	OAO Sukholozhskcement	100.00
OOO Omsk Cement	Omsk RU	RUB	779,617,530	OAO Sukholozhskcement	100.00
Alamo Concrete Products Company	San Antonio US	USD	1	Alamo Cement Company	100.00
Alamo Transit Company	San Antonio US	USD	1	Alamo Cement Company	100.00
Buzzi Unicem USA Inc.	Wilmington US	USD	10	RC Lonestar Inc.	100.00
Midwest Material Industries Inc.	Wilmington US	USD	1	RC Lonestar Inc.	100.00
Lone Star Industries, Inc.	Wilmington US	USD	28	RC Lonestar Inc.	100.00
River Cement Company	Wilmington US	USD	100	RC Lonestar Inc.	100.00
River Cement Sales Company	Wilmington US	USD	100	RC Lonestar Inc.	100.00
Signal Mountain Cement Company	Wilmington US	USD	100	RC Lonestar Inc.	100.00
Heartland Cement Company	Wilmington US	USD	100	RC Lonestar Inc.	100.00
Heartland Cement Sales Company	Wilmington US	USD	10	RC Lonestar Inc.	100.00
Hercules Cement Holding Company	Wilmington US	USD	10	RC Lonestar Inc.	100.00
Hercules Cement Company LP	Harrisburg US	USD	n/a	RC Lonestar Inc. Hercules Cement Holding Company	99.00 1.00

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)					
Dyckerhoff Transportbeton Schmalkalden GmbH & Co. KG	Erfurt DE	EUR	512,000	Dyckerhoff Transportbeton Thüringen GmbH & Co. KG	67.55
BTG Beton-Transport-Gesellschaft mbH	Lengerich DE	EUR	500,000	sibobeton Osnabrück GmbH & Co. KG	100.00
BSN Beton Service Nederland B.V.	Franeker NL	EUR	113,445	Dyckerhoff Basal Betonmortel B.V.	100.00
MegaMix Basal B.V.	Nieuwegein NL	EUR	27,228	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 kft	Zsujta HU	HUF	88,000,000	ZAPA beton SK s.r.o.	100.00
Buzzi Unicem Ready Mix, L.L.C.	Nashville US	USD	n/a	Midwest Material Industries Inc.	100.00
RED-E-MIX, L.L.C.	Springfield US	USD	n/a	Midwest Material Industries Inc.	100.00
RED-E-MIX Transportation, L.L.C.	Springfield US	USD	n/a	Midwest Material Industries Inc.	100.00
Utah Portland Quarries, Inc.	Salt Lake City US	USD	378,900	Lone Star Industries, Inc.	100.00
Rosebud Real Properties, Inc.	Wilmington US	USD	100	Lone Star Industries, Inc.	100.00
Compañia Cubana de Cemento Portland, S.A.	Havana CU	CUP	100	Lone Star Industries, Inc.	100.00
Transports Mariel, S.A.	Havana CU	CUP	100	Lone Star Industries, Inc.	100.00
Proyectos Industries de Jaruco, S.A.	Havana CU	CUP	186,700	Compañia Cubana de Cemento Portland, S.A.	100.00

Investments in joint ventures valued by the equity method

Cementi Moccia S.p.A.	Napoli	EUR	7,398,300	Buzzi Unicem S.p.A.	50.00
Ecotrade S.p.A.	Genova	EUR	2,400,000	Buzzi Unicem S.p.A.	50.00
E.L.M.A. S.r.l.	Sinalunga (SI)	EUR	15,000	Unical S.p.A.	50.00
Calcestruzzi Doc S.r.l.	Padova	EUR	100,000	Calcestruzzi Zillo S.p.A.	50.00
Calcestruzzi Trieste Nord Est S.r.l.	Trieste	EUR	100,000	Calcestruzzi Zillo S.p.A.	50.00
Fresit B.V.	Amsterdam NL	EUR	6,795,000	Buzzi Unicem International S.à r.l.	50.00
Presa International B.V.	Amsterdam NL	EUR	7,900,000	Buzzi Unicem International S.à r.l.	50.00
Lichtner-Dyckerhoff Beton GmbH & Co. KG	Berlin DE	EUR	200,000	Dyckerhoff Beton GmbH & Co. KG	50.00
ZAPA UNISTAV s.r.o.	Brno CZ	CZK	20,000,000	ZAPA beton a.s.	50.00
EKO ZAPA beton s.r.o.	Praha CZ	CZK	1,008,000	ZAPA beton a.s.	50.00

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)					
Hotfilter Pumpendienst GmbH & Co. KG	Nordhorn DE	EUR	100,000	sibobeton Ems GmbH & Co. KG sibobeton Osnabrück GmbH & Co. KG	25.00 25.00
Ravenswaarden B.V.	Lochem NL	EUR	18,000	Dyckerhoff Basal Toeslagstoffen B.V.	50.00
Roprivest N.V.	Grimbergen BE	EUR	105,522	Dyckerhoff Basal Toeslagstoffen B.V.	50.00
Aranykavics kft i. L.	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
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	1,130,605,605	Corporación Moctezuma, S.A.B. de C.V.	100.00
Cementos Portland Moctezuma, S.A. de C.V.	Emiliano Zapata MX	MXN	50,000	Corporación Moctezuma, S.A.B. de C.V.	100.00
Cemoc Servicios Especializados S.A. de C.V.	Mexico MX	MXN	50,000	Corporación Moctezuma, S.A.B. de C.V.	100.00
Latinoamericana de Comercio, S.A. de C.V.	Emiliano Zapata MX	MXN	10,775,000	Corporación Moctezuma, S.A.B. de C.V.	100.00
Lacosa Concretos, S.A. de C.V.	Emiliano Zapata MX	MXN	11,040,000	Corporación Moctezuma, S.A.B. de C.V.	100.00
Latinoamericana de Concretos, S.A. de C.V.	Mexico MX	MXN	923,601,073	Corporación Moctezuma, S.A.B. de C.V. Cementos Portland Moctezuma, S.A. de C.V.	99.97 0.03
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 del Pacifico S.A. de C.V.	Mexico MX	MXN	29,472,972	Latinoamericana de Concretos, S.A. de C.V.	85.00
Concretos Moctezuma de Xalapa, S.A. de C.V.	Xalapa MX	MXN	10,000,000	Latinoamericana de Concretos, S.A. de C.V.	60.00
Maquinaria y Canteras del Centro, S.A. de C.V.	Mexico MX	MXN	19,597,565	Latinoamericana de Concretos, S.A. de C.V.	51.00
Concretos Moctezuma de Jalisco S.A. de C.V.	Mexico MX	MXN	100,000	Latinoamericana de Concretos, S.A. de C.V.	51.00
CYM Infraestructura, S.A.P.I. de C.V.	Mexico MX	MXN	100,100,000	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
Nord Est Logistica S.r.l.	Gorizia	EUR	640,000	Calcestruzzi Zillo S.p.A.	32.38
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
BLD Betonlogistik Deutschland GmbH	Rommerskirchen DE	EUR	25,000	Dyckerhoff Beton GmbH & Co. KG	50.00
TRAMIRA Transportbetonwerk Minden-Ravensberg GmbH & Co. KG	Minden-Dankersen DE	EUR	1,000,000	Dyckerhoff Beton GmbH & Co. KG	50.00
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
Betonlogistik Rheinland-Pfalz GmbH	Rommerskirchen DE	EUR	25,000	Dyckerhoff Beton Rheinland-Pfalz GmbH & Co. KG	50.00
BLN Beton Logistiek Nederland B.V.	Heteren NL	EUR	26,000	Dyckerhoff Basal Betonmortel B.V.	50.00
Van Zanten Holding B.V.	Zuidbroek NL	EUR	18,151	Dyckerhoff Basal Betonmortel B.V.	25.00
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
SIBO-Gruppe Verwaltungsgesellschaft mbH	Lengerich DE	EUR	26,000	Dyckerhoff Beton GmbH & Co. KG	100.00
Nordenhamer Transportbeton GmbH	Nordenham DE	EUR	25,565	Dyckerhoff Beton GmbH & Co. KG	56.60
Dyckerhoff Beton Rheinland-Pfalz 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 i. L.	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
Eaststone Kft	Budapest HU	HUF	3,000,000	ZAPA beton SK s.r.o.	100.00

The companies based in Germany, established as a GmbH & Co. KG and consolidated line by line, the exemption provided for in Article 264b of the Geman Commercial Code.

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 2017 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 2017
Audit	EY S.p.A.	Parent – Buzzi Unicem S.p.A.	158
	EY S.p.A.	Subsidiaries	163
	Network EY	Subsidiaries	1,170
Attestation	Network EY	Parent – Buzzi Unicem S.p.A. [1]	28
	Network EY	Subsidiaries [2]	11
Total			**1,530**

[1] Agreed upon procedures on the annual financial information of the Algerian associates Société des Ciments de Sour El Ghozlane and Société des Ciments de Hadjar Soud;

[2] Certifications required under German law, 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 2017:

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

  delle procedure amministrative e contabili per la formazione del bilancio consolidato, nel corso del 2017.

- 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 operation and cash flows of the issuer and of the entities included in the scope of consolidation.

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

Casale Monferrato, 28 March 2018

Chief Executive Finance

Pietro Buzzi

Manager responsible for preparing financial reports

Silvio Picca

Building a better working world

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

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Buzzi Unicem Group (the Group), which comprise the consolidated balance sheet as at December 31, 2017, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

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

Key Audit Matters

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

We identified the following key audit matters:

Key Audit Matter	Audit Response
Valuation of Goodwill	
As at December 31, 2017 goodwill amounted to € 548 million and it has been allocated to the Group's Cash Generating Unit (CGU). The processes and methods used by the Company to evaluate and determine the recoverable amount of each CGU, in terms of value in use, are based on assumptions that are in some cases complex and that, due to their nature, imply the use of judgement by Management, in particular with reference to the forecast of future cash flows and to the estimate of the long-term growth and discount rates applied to the future cash flow forecasts. Considering the level of judgement and complexity of the assumptions applied in estimating the recoverable amount of goodwill, we considered that this area represents a key audit matter. Disclosures related to the valuation of goodwill are provided in note 19 - "Goodwill and Other intangible assets" and in note 4 - "Critical accounting estimates and assumptions".	Our audit procedures in response to this key audit matter included, among others: • the analysis of the procedures implemented by the Company, with reference to the criteria and methodology of the impairment test; • the validation of the CGUs perimeter and test of the allocation of the carrying values of the Group's assets to each CGU; • the analysis of the future cash flow forecasts, including companies with sector data and forecasts; • the assessment of the consistency of the forecast future cash flows of each CGU with the Group business plan; • the assessment of the forecasts, in light of their historical accuracy; • the assessment of the long term growth rates and discount rates. In performing our analysis, we involved our experts in valuation techniques, who have independently performed their own calculation and sensitivity analyses of the key assumptions in order to determine which changes assumptions could materially affect the valuation of the recoverable amount. Finally, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements with regard to the valuation of goodwill.
Business Combination	
On July 3, 2017, the Company implemented the agreement signed with the majority shareholders, concluding the acquisition of the share capital of Cementizillo S.p.A. ("Zillo") for a total consideration estimated at € 73 million. The purchase price includes a variable component (initially estimated at € 16,3 million), linked to the future trend of the average price of cement in Italy: the variable part of the price may therefore vary from a minimum of zero to a maximum of € 21 million,	Our audit procedures in response to this key audit matter included, among others: • the analysis of the contractual agreements concluded between the parties; • the examination of the main assumptions applied in estimating the contingent consideration of the purchase price allocation, also with the support of our experts in valuation techniques; • the identification and validation of the estimate of the fair value of the assets and

based on the contractual previsions included in a specific earn-out option.

The business combination has been considered significant in respect to the estimates made by management with regard to the contingent consideration and to the determination of the fair value of assets and liabilities acquired in the purchase price allocation process.
The Company has provided the disclosures on the business combination, the assumptions made in the estimate of the earn-out and its possible effects on subsequent years and the purchase price allocation in Note 50. "Business combinations".

liabilities acquired also through the analysis of the report prepared by the expert who assisted the Company, supported by our experts in valuation techniques.

Finally, we reviewed the adequacy of the disclosures made in the notes to the consolidated financial statements with regard to the business combination.

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

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

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

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

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

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

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

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

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

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

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

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

The shareholders of Buzzi Unicem S.p.A., in the general meeting held on May 9, 2014, engaged us to perform the audits of the consolidated financial statements for each of the years ending December 31, 2014 to December 31, 2012.

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

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

Report on compliance with other legal and regulatory requirements

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

The Directors of Buzzi Unicem S.p.A. are responsible for the preparation of the Report on Operation and of the Report on Corporate Governance and Ownership Structure of Group Buzzi Unicem as at December 31, 2017, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Buzzi Unicem Group as at December 31, 2017 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operation and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Buzzi Unicem Group as at December 31, 2017 and comply with the applicable laws and regulations.

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

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

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

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

Turin, April 6, 2018

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

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

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

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Share Capital € 123,636,658.80

Company Register of Alessandria no. 00930290044

Cover picture:
New production and storage hall of eyewear manufacturer "Silhouette" in Linz, Austria. The white concrete used for the façade with several circular and regularly arranged window cutouts is based on Dyckerhoff WHITE DECOR.
Architects: X ARCHITEKTEN ZT GmbH, Linz, Austria
Photo: © Schreyer David

Buzzi Unicem

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