Buzzi Unicem

Interim report

as of March 31, 2009

Buzzi Unicem S.p.A.
Registered Office: Casale Monferrato (AL) – Via Luigi Buzzi 6
Capital stock € 123,636,658.80
Chamber of Commerce of Alessandria no. 00930290044

CONTENTS

- Interim management review page 3 - 8
- Consolidated financial statements page 9 - 12
- Notes to the consolidated financial statements page 13 - 14

Interim management review

The first quarter of the year 2009 was strongly influenced by the repercussions of the financial crisis on the real economy, reporting a demand general decline. Moreover the first months of the year, which feature a high seasonability especially in the market areas having a continental climate, were penalized by a harsh winter. In a scenario of depressed sales volumes, no help came from the trend of costs which were still burdened by the raw materials and fuels hikes occurred in 2008. Finally, the slowdown of the emerging economies where the group operates put the respective currencies under high pressure (Czech koruna, Polish zloty, Ukranian hryvnia, Russian ruble and Mexican peso), negatively affecting the translation of the results into euro. As a consequence, results conspicuously contracted in the different geographical areas of operations, starting from Eastern Europe countries (Poland, the Czech Republic, Ukraine and Russia) which last year had allowed to counterbalance the downward trend of the more mature markets (Italy and the United States) and to maintain good profitability levels also in the first quarter.

Demand slowdown, although at a different pace, involved all construction industry segments. Residential building is recording large unsold volumes, burdened by the contraction in consumer demand consequent to the current economic difficulties and uncertain scenario. Non-residential sector is impacted by the cost rationalizations and investment reductions carried out in many business segments to meet cash requirements. Finally public civil engineering is not benefiting yet from the stimulus packages launched by central governments due to the decision-making and implementation procedures underlying the choice of works and the funds allocation, especially in some Eastern Europe countries, then the first positive effects will start to be seen towards the end of 2009 and then in 2010. Also the Unites States, where shorter-time moves are expected, was only marginally influenced by the stimulus packages launched by Obama's new administration.

In the first three months of the year, group's cement volumes at 5.5 million tons were down 20.0% from the same period a year earlier. Volumes scenario showed a contraction in almost all countries of group's operation and especially in Ukraine, Poland and the Czech Republic while the Mexican market recorded a positive sign. Ready-mix concrete volumes totalled 3.0 million cubic meters, down 20.4% from 1Q-08 due to volumes decline in Central and Eastern Europe countries and in Italy; volumes increased by 6% in Mexico and by 4.4% in the United States thanks to the inclusion in the scope of consolidation of Dorsett and Varmicon operations acquired in 2008.

Cement selling prices continued to show a favorable dynamics in Germany, Luxembourg and, in local currency, also in Mexico, Poland, the Czech Republic and Ukraine. A negative trend was recorded in Italy and Russia, in the latter country due to an adjustment toward international prices from the levels reached in early 2008. The United States showed a moderate decrease. Ready-mix concrete average unit prices in local currency slightly improved in all countries. Conversely, production costs have not benefited yet from the decreases in fuel and electric power costs, whose positive effects will start to be seen as from the second half of 2009.

Consolidated net sales decreased by 22.2% from €755.3 million to €587.3 million and Ebitda stood at €39.3 million, down €112.3 million (-74.1%). In the quarter, Ebitda to sales margin contracted from 20.1% to 6.7%. Changes in the scope of consolidation accounted for an increase of €16.7 million in net sales and €1.0 million in Ebitda. Foreign exchange fluctuations negatively impacted the two figures by €4.2 million and €1.2 million respectively. Like-for-like net sales and Ebitda would have decreased by 23.6% and 73.8% respectively.

After amortization and depreciation for €51.4 million (€49.3 million in 1Q-08) Ebit was negative for €12.1 million (positive for €102.3 million in 2008). Finance costs increased to €32.5 million versus €8.5 million, mainly due to the volatile components, namely foreign exchange losses. As a result, the first quarter 2009 closed with a loss before tax of €45.3 million versus a profit before tax of €101.8 million at March 2008. After income tax expense, net loss came in at €40.4 million (€43.0 million being the amount attributable to the equity holders of the company).

Ebitda breakdown by geographical area is as follows:

million euro	*1Q-09*	*1Q-08*	*Change absolute*
Italy	5.7	29.3	-23.5
United States of America	14.2	22.9	-8.7
Germany	-1.4	9.9	-11.2
Luxembourg	-2.2	-0.5	-1.7
Netherlands	-0.5	1.0	-1.5
Czech Republic	1.4	9.5	-8.1
Poland	2.3	9.8	-7.5
Ukraine	-6.1	13.2	-19.3
Russia	9.7	36.3	-26.6
Mexico	16.2	20.3	-4.1
	39.3	**151.6**	**-112.3**

Cash flow was equal to €11.0 million (€122.7 million at March 2008). Net debt as of 31 March 2009 amounted to €1,186.3 million, up €126.6 million over year-end 2008. In the first three months, the group invested a total of

€98.7 million, €55.5 million thereof for the capacity expansion projects under way in the United States, Russia, Mexico and Luxembourg.
As of March 31, 2009, total equity, inclusive of minority interest, stood at €2,697.5 million versus €2,705.5 million as of December 31, 2008. Consequently debt/equity ratio was equal to 0.44 (0.39 at 2008 year-end).

Italy

The GDP contraction which had sharpened towards the end of 2008 (-2.6% in the last quarter) continued with growing intensity in the first three months of 2009; IMF recently lowered its macroeconomic predictions for the whole year to -4.4%. In the first three months, cement shipments shrinked by more than 20% from 1Q-08. The construction market confirmed the downward trend, worsened by heavy snowfalls and by the stalemate of public investments for the refurbishing of the infrastructure network. Buzzi Unicem's performance was better than the market figure (-2.5% versus 1Q-08) thanks also to a wider scope of consolidation for the inclusion of the grinding centers acquired at the end of 2008. The month of March featured a fairly good progress in average selling pricing level thanks to the implementation of a lower discount policy with the aim of at least partly recovering the increases occurred in costs. The quarter figure however was still much lower than the 1Q-08 average one (-12.1%). Ready-mix concrete sales posted a 19.5% decrease with slightly higher prices.
Overall, net sales in Italy came in at €175.8 million, down 14.2% versus €204.9 million in 1Q-08. Ebitda stood at €5.7 million (€29.3 million in 2008, -80.4%), with a significant decline of Ebitda to sales margin (from 14.3% to 3.3%).

Central Europe

The year 2009 will be quite penalizing for the German economy, which seems to be the hardest hit among the mature European countries, probably because of the strong incidence of exports – in continuous contraction- on the country's performance. The latest estimates foresee a GDP decline of six percentage points versus 2008. To fight the recession phase, at the beginning of the year the German government approved a stimulus package which provides to earmark €17 billion funds for infrastructure projects already started. Although the plan can boost domestic demand in the short term, the lack of expansion policies together with a protracted slowdown in the construction market, led to a 20.9% contraction of cement sales as early as in the first quarter. Exports, mainly to the Netherlands, were instead slightly up. Ready-mix concrete sector recorded a volumes decrease of 21.5%.Overall net sales stood at €100.7 million versus €117.6 million in 1Q-08 and Ebitda decreased by €11.3 million, from €9.9 million to -€1.4 million.

In Luxembourg cement volumes sold showed a negative trend (-21.6%), with prices higher by 4.0%. Overall net sales decreased from €19.5 million to €14.9 million (-23.6%) and Ebitda declined from -€0.5 million to -€2.2 million. The results deterioration was mainly caused by the market dynamics (increases in production costs and decline in sales volumes); ongoing is the investment for the expansion of the finishing mill capacity at the Esch Sur Alzette plant whose completion will make it possible to substitute part of the clinker sales with sales of cement, thus favorably modifying the mix of average unit revenues.

In the Netherlands, in the first three months, volumes sold exceeded 0.21 million cubic meters of ready-mix concrete (0.25 million in 2008), with net sales at €24.1 million (-24.5%) and Ebitda negative for €0.5 million.

Eastern Europe

The negative phase which had already affected Eastern Europe countries in the fourth quarter of 2008 continued in the first months of 2009. Ukraine was the hardest hit with industrial production contracting by 32% in January and February and a prediction for the full year of a 9.0% GDP decline. Similarly in Russia, despite the key public actions to sustain demand, for the current year a negative growth of around -4.5% is foreseen. The macro-economic scenario has negatively impacted demand in the different segments of construction (from housing to public civil engineering), strongly penalizing cement sales volumes just in those countries which in the first quarter of 2008 had shown a most vigorous growth. Consequently, the downturn in volumes sold was especially marked in Ukraine (-63.5%), Poland (-47.5%) and the Czech Republic (-46.2%); the decline was more contained in Russia (-28.0%). Average selling prices in local currency improved in Poland (+7.6%) and in the Czech Republic (+7.0%) while in Ukraine they remained stable from the same period a year earlier. An opposite trend was recorded in Russia where prices plunged by 30.0% after having skyrocketed to medium-term unsustainable levels during 2008. Demand decline affected also ready-mix concrete output, which contracted in all countries of group's operation, especially in Ukraine, the Czech Republic/Slovakia and to a lesser extent in Poland while prices were in general improvement.

Overall net sales came in at €79.8 million from €186.1 million in 2008 (-57.1%), factoring in the effect of the heavy devaluation of all local currencies against the euro (-€16.7 million). The Ebitda realized in the area shrinked by 89.4%, from €68.8 million in 2008 to €7.3 million in 2009. The profitability deterioration was due to the low utilization of the production capacity, with a consequent higher product costs per unit, in addition to the variable cost component which was still influenced by electric power and fuels hikes (especially in Ukraine).

United States of America

Demand contraction in the three segments of the building industry brought to a heavy decline in cement consumption within the country. In the first months of the year, residential sector continued to be the hardest hit, penalized also by the ever increasing unemployment rate. Non-residential construction, which had featured a positive growth till the end of 2008, recorded a downturn of about 6 percentage points as a result of the cuts in investments made by the firms. Public investment declined by 4.5% awaiting the implementation of the stimulus plans, whose value is estimated at about US$100 billion and whose allocation should start in the forthcoming months and last throughout 2010. Figures however considerably differ in the various geographical areas of the country.

In this scenario, group's cement volumes sold were down 20.5% while average unit prices in local currency declined by 3.0%. Ready-mix concrete sales increased by 4.4% thanks to the wider scope of consolidation. Overall net sales totalled €149.9 million versus €149.5 million and Ebitda was down 38.1% from €22.9 million to €14.2 million. The dollar appreciation positively impacted the two figures for €19.7 million and €1.9 million respectively.

Mexico (50% consolidation)
In 2009 estimates foresee an around -3% negative growth of GDP, mainly as a consequence of the decline in trading with the United States, which is Mexican economy's first partner. In spite of this, Moctezuma's cement volumes sold increased by 6.9%, with average selling prices in local currency in slight improvement. Ready-mix concrete sales were up 6.0%, with prices on the rise. Net sales and Ebitda translated into euro showed a negative trend: net sales decreased by 4.6% (from €48.7 million to €46.4 million) and Ebitda was down 20.0% (from €20.3 million to €16.2 million). The two figures were negatively affected by foreign exchange and costs inflation. At constant exchange rate net sales and Ebitda would have come in at +10.3% and -7.5% respectively.

Outlook
The first quarter showed a substantial drop in group's results, due to the worsening of the economic crisis, starting from the fourth quarter of 2008. Moreover the first part of the year was influenced by worse weather conditions as compared with 2008. Demand weakness in the construction sector is likely to continue also in the forthcoming months of 2009, with a potential slight resilience in the second part of the year in some geographical areas, thanks also to the stimulus policies launched by the central governments.

The most penalized countries will continue to be Ukraine and Russia, whose emerging economies are more sensitive to global economic trends and are rather volatile. In the other countries of presence, market trend, despite the stimulus packages launched, does not allow to predict a demand recovery earlier than 2010.

Given the current poor visibility on the trend of the different market variables (volumes, prices, production costs and foreign exchange), for the full year 2009 we deem it advisable to confirm the expectations of recurring operating results down 20/30% from the ones posted in the previous year, likely in the lower end of such a range.

Casale Monferrato, May 13, 2009

for the Board of Directors
Alessandro Buzzi
(Chairman)

CONSOLIDATED BALANCE SHEET

	(in thousands of euro)	
	31.03.2009	31.12.2008
ASSETS		
Non-current assets		
Goodwill	575.197	576.104
Other intangible assets	14.948	15.130
Property, plant and equipment	3.325.623	3.222.193
Investment property	15.419	15.394
Investments in associates	235.634	232.701
Available-for-sale financial assets	60.514	65.731
Deferred income tax assets	54.478	44.057
Defined benefits plan assets	49.037	48.826
Other non-current assets	87.786	89.033
	4.418.636	**4.309.169**
Current assets		
Inventories	374.964	382.623
Trade receivables	508.690	511.281
Other receivables	139.718	132.595
Derivative financial instruments	10.115	9.096
Available-for-sale financial assets	3	2
Cash and cash equivalents	435.669	578.694
	1.469.159	**1.614.291**
Assets held for sale	31.689	30.267
Total Assets	**5.919.484**	**5.953.727**

	31.03.2009	31.12.2008
	(in thousands of euro)	
EQUITY		
Capital and reserves attributable to equity holders of the company		
Share capital	123.637	123.637
Share premium	458.696	458.696
Other reserves	110.527	71.568
Retained earnings	1.804.265	1.847.756
Treasury shares	(8.286)	(8.286)
	2.488.839	**2.493.371**
Minority interest	**208.467**	**212.085**
Total Equity	**2.697.306**	**2.705.456**
LIABILITIES		
Non-current liabilities		
Long-term debt	1.331.912	1.394.665
Employees benefits	324.617	322.490
Provisions for liabilities and charges	246.485	244.678
Deferred income tax assets	496.002	475.062
Other non-current liabilities	44.467	43.430
	2.443.483	**2.480.325**
Current liabilities		
Current portion of long-term debt	187.728	141.580
Short term debt	6.277	10.039
Trade payables	264.575	310.429
Income tax payables	59.472	63.171
Derivative financial instruments	47.475	61.395
Other payables	183.124	154.843
	748.651	**741.457**
Liabilities held for sale	30.044	26.489
Total Liabilities	**3.222.178**	**3.248.271**
Total Equity and Liabilities	**5.919.484**	**5.953.727**

CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

	January - March 2009	January - March 2008
Net sales	**587.348**	**755.283**
Changes in inventories of finished goods and works in progress	(15.914)	422
Other operating income	11.178	17.200
Raw materials, supplies and consumables	(264.738)	(318.977)
Services	(154.810)	(178.139)
Staff costs	(106.276)	(101.988)
Other operating expenses	(17.454)	(22.202)
Operating cash flow (EBITDA)	**39.334**	**151.599**
Depreciation, amortization and impairment charges	(51.442)	(49.315)
Operating profit	**(12.108)**	**102.284**
Gains on disposal of investments	1	7.063
Net finance costs	(32.484)	(8.513)
Equity in earnings of associates	(661)	967
Profit before tax	**(45.252)**	**101.801**
Income tax expense	4.817	(28.394)
Net profit	**(40.435)**	**73.407**
Attributable to		
Equity holders of the company	(42.994)	56.540
Minority interest	2.559	16.867

CONSOLIDATED NET FINANCIAL POSITION

(in thousands of euro)

	31.03.2009	*31.12.2008*
Short-term financial assets:		
Cash and cash equivalents	435.669	578.694
Derivative financial instruments	10.115	9.096
Other current financial receivables	7.398	9.882
Assets held for sale	167	151
Short-term financial liabilities:		
Current portion of long-term debt	(187.444)	(141.312)
Bank overdrafts and borrowings	(6.277)	(10.039)
Derivative financial instruments	(47.475)	(61.395)
Other current financial payables	(25.738)	(16.523)
Liabilities held for sale	(24.800)	(17.665)
Net short-term cash	**161.615**	**350.889**
Long-term financial assets:		
Other non-current financial receivables	18.288	16.982
Long-term financial liabilities:		
Long-term debt	(1.331.912)	(1.394.665)
Other non-current financial payables	(34.324)	(32.944)
Net debt	**(1.186.333)**	**(1.059.738)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

This interim report for the three months ended 31 March 2009 has been drawn up in compliance with art. 154 ter of Legislative Decree 58/1998. It has 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 the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2008, to which please refer for additional information.

The preparation of the interim report requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, of revenues and expenses and the disclosure of contingent assets and liabilities at the closing date. In case in the future such estimates and assumptions, based on the best knowledge of the management, should significantly differ from the actual circumstances, they would be modified accordingly in the period in which they change. Income tax expense is recognized based upon the weighted average tax rate expected for the full financial year.

The items of the consolidated income statement and balance sheet at 31 March 2009 are consistent with the previous year’s corresponding ones, which are reported for comparison.

The changes occurred in the scope of consolidation during the first three months of 2009 do not alter, overall, in a material way the comparability with the previous period. They mainly refer to the consolidation on a line-by-line basis of the 100% subsidiaries Calcestruzzi Nord Ovest Srl and Megamix Friesland BV, both active in the concrete sector, in Italy and the Netherlands respectively, and the disposal of the stake held in Dranaco NV and Dragage Mosan International SA. The 100% interests in Escalcementi Srl and Parmacementi SpA, acquired at the end of 2008, are still temporarily carried at cost, awaiting to adopt the full consolidation method effective January 2009, upon completion of the process aimed at acquiring accounting data consistent with the principles adopted by the group.

For the outlook please refer to the section “Interim management review”. Transactions with related parties were carried out at market conditions.

* * *

Equity attributable to equity holders of the company is down €4.5 million from 31 December 2008. The change is mainly the result of two separate effects: a decrease due to loss for the period (€43.0 million) and an increase associated with the positive changes in translation differences following the strengthening of the dollar against the euro (€38.6 million).

The decrease of 22.2% in net sales compared to the same period of 2008 is due to unfavorable trading conditions for 23.9%, to unfavorable currency effect for 0.6% and to additions in the scope of consolidation for 2.2%. The breakdown of net sales by line of business and geographical area is the following:

(thousands of euro)

	Cement and clinker	*RMC and aggregates*	*Related activities*	*Total*
Italy	88,984	85,898	962	175,844
Central Europe	73,730	61,676	–	135,406
Eastern Europe	51,173	28,612	–	79,785
United States of America	101,881	44,395	3,601	149,877
Mexico	36,305	10,131	–	46,436
	352,074	**230,712**	**4,563**	**587,348**

* * *

The manager responsible for preparing the company's financial reports, Silvio Picca, declares, pursuant to paragraph 2 of Article 154 bis of the Consolidated Law on Finance, that the accounting information contained in this interim report corresponds to the document results, books and accounting records.