Buzzi Unicem

Interim report as of

March 31, 2011

Buzzi Unicem S.p.A.
Registered Office in Casale Monferrato (AL) – Via Luigi Buzzi 6
Share Capital € 123,636,658.80
Company Register of Alessandria no. 00930290044

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Interim management review

In the first quarter of the year 2011, in the different countries where the group operates, cement and ready-mix concrete demand showed some significant acceleration from the same period a year earlier, with robust growth in Central and Eastern Europe markets. The sale volumes rebound was favored by the comparison with Q1-10, which had been penalized by an exceptionally harsh winter not only in continental Europe, but also in geographical areas which are usually less affected by seasonability. The inflation tensions on fuel costs, which have been going on since the second half of 2010, continued especially in Italy, the United States, Mexico, Ukraine, Russia and Germany. Conversely, electricity cost decreased in Germany, Poland, the Czech Republic and the United States whereas it rose considerably in Ukraine and Russia. The group's functional currencies strengthened, with a consequent favorable foreign exchange effect in the translation of the results into euro.
Central, Eastern Europe and Mexico confirmed a robust and continuous economic growth, but uncertainty remains on the development of the business trend in the United States and Italy. This incertitude which reflects on the investment choices of the operators and dampens private and industrial building, combines with the troubles of several central Governments on the sovereign debt front, which restrain demand stimulus possibilities and make stabilization and prospects of the financial industry and consequently of the real economy, more difficult. In such a context the underutilization of production capacity, the prolonged softness of selling prices and tensions on fuel costs complicate any significant recovery of profitability.

In the first three months of the year, group's cement volumes at 5.6 million tons were up 27.0% from the same period a year earlier. Volumes increase was reported in all countries of group's operations and especially in Central and Eastern Europe, Mexico and the United States of America. Ready-mix concrete volumes totaled 3.3 million cubic meters, up 27.2% from Q1-10.
Selling prices were lower than in Q1-10, except for Mexico. However it must be remarked that such variable featured a downward trend throughout 2010 and that the Q1-11 prices are in line or in progress compared with those of 2010 year-end. Also in the ready-mix concrete, selling prices in general showed an unfavorable change compared with the same period a year earlier.
Consolidated net sales increased by 23.9% from €459.6 million to €569.4 million (+€109.8 million); volumes boost was decisive and positively accounted for €123.9 million whereas pricing effect had an unfavorable impact of €21.8 million. Ebitda stood at €42.7 million, up €28.8 million from Q1-10. Changes in the scope of consolidation and foreign exchange fluctuation accounted for an increase in net sales of €11.1 million and €8.1 million respectively. Ebitda was positively impacted by €1.3 million and €1.7 million. On a like-for-like basis, net sales and Ebitda would have increased

by 19.7% and 135.1% respectively. The Q1-11 figure, however, includes non-recurring gains for €7.1 million referring to the sale of an investment property in Luxembourg. Net of non-recurring items, the quarter's Ebitda to sales margin increased to 6.3% from 3.0% in the previous year. After amortization and depreciation for €60.9 million (€54.2 million in Q1-10) Ebit was negative for €18.2 million (-€40.3 million in 2010). Net finance costs decreased from €33.5 million to €28.0 million: the favorable change is attributable to a reduction of net interest expense on financial position and to lower costs associated with the more volatile components (foreign exchange differences, derivatives valuation). Due to the effects of the factors outlined above, the first quarter 2011 closed with a loss before tax of €46.7 million vs. €74.4 million at March 2010. After income tax expense, net loss came in at €32.8 million (€36.6 million being the loss attributable to the owners of the company).

Net sales and Ebitda breakdown by geographical area is as follows:

Net sales

million euro	*1Q-11*	*1Q-10*	*Change abs*
Italy	131.7	136.2	-4.5
United States of America	113.7	105.4	8.3
Germany	130.9	81.9	49.1
Luxembourg	27.9	15.2	12.7
Netherlands	27.4	18.8	8.6
Czech Republic	28.6	17.7	10.9
Poland	18.5	12.4	6.1
Ukraine	12.4	6.9	5.5
Russia	27.6	22.7	4.9
Mexico	58.7	45.4	13.2
Eliminations	-8.0	-3.0	-5.0
	569.4	**459.6**	**109.8**

EBITDA

million euro	*1Q-11*	*1Q-10*	*Change abs*
Italy	0.2	6.5	-6.4
United States of America	-9.1	-5.6	-3.5
Germany	13.9	-1.8	15.7
Luxembourg	13.3	-3.4	16.7
Netherlands	-0.4	-1.4	1.0
Czech Republic	1.2	-0.2	1.4
Poland	-0.9	-1.9	-1.0
Ukraine	-2.3	-3.0	0.6
Russia	4.4	7.6	-3.2
Mexico	22.4	17.0	5.4
	42.7	**13.9**	**28.8**

Cash flow was equal to €28.2 million (€4.0 million at March 2010). Net debt as of 31 March 2011 amounted to €1,294.3 million, up €27.4 million over year-end 2010. Investments accounted for a total of €37.7 million of the figure (€90.3 million in 1Q-10), €15.3 million thereof for the completion of the capacity expansion projects in Russia, Ukraine and Mexico. As of March 31, 2011, total equity, inclusive of non-controlling interest, stood at €2,670.2 million versus €2,803.7 million as of December 31, 2010. Consequently debt/equity ratio was equal to 0.48 (0.45 at 2010 year-end).

Italy

The country's economic trend for the year is estimated in shy recovery, which a GDP expected at around +1.1%. Forecasts are for a growth will lower than that of the Eurozone countries (+1.6%), especially those that are most benefiting from the trade with emerging countries. Statistics on cement domestic shipments in 1Q-11 show a 4.5% increase from the same period a year earlier. Group sales were up 6.3%, mainly thanks to increased export and clinker deliveries. Selling prices decreased by 12.3%. Despite the discount reductions implemented as from January 2011, fierce competition and unused overcapacity kept prices at levels which did not allow to absorb the sizeable hikes in fuel and electricity costs. Ready-mix concrete showed a less penalizing trend, with sales volumes up 1.7% and slightly lower prices. Overall, net sales in Italy came in at €131.7 million, down 3.3% versus €136.2 million in Q1-10. Ebitda stood at €0.2 million vs. €6.5 million in 2010. During the quarter, the company realized other operating revenues equal to €6.4 million deriving from the sale of CO_2 emission rights which, based on the output expected, were estimated to be surplus to requirements (€7.6 million in 2010).

Central Europe
The vigorous foreign trade continues to enliven industrial production in Germany. Although GDP growth prospects remain lower than those reached in 2010, a promising increase of 2.8% is expected for 2011. Thus recovery goes on and also in the construction sector a progress is expected, estimated at 2.2%. Cement consumption in the country should post an over 5% progress. In Germany the year 2011 began quite well, with cement and ready-mix concrete volumes increasing by more than 55.7% and 89.4% respectively from the same period of 2010. At constant scope of consolidation (SIBO acquisition occurred in mid 2010), ready-mix concrete sector would have grown by around 53%. In 2011 deliveries benefited from favorable weather conditions which instead had been very adverse in the first three months of the previous year. Cement selling prices decreased (-3.3%). Overall net sales stood at €130.9 million vs. €81.9 million in Q1-10 and Ebitda increased from -€1.8 million to €13.9 million. During the quarter, the company realized other operating revenues equal to €3.1 million deriving from the sale of CO2 emission rights which, based on the output expected, were estimated to be surplus to requirements (€2.5 million in 2010).

In Luxembourg, thanks also to favorable climate, cement and clinker volumes reported a sizeable increase (+75.3%), in a quite stable selling price environment (-1.8%). Net sales at €27.9 million, were up 83.4% from €15.2 million in 2010. Ebitda jumped from -€3.4 million to €13.3 million. However, during the quarter, the company realized other operating revenues equal to €4.9 million deriving from the sale of CO2 emission rights which, based on the output expected, were estimated to be surplus to requirements, and other non-recurring income for €7.1 million for gains on disposal of an investment property.

In the Netherlands, in the first three months, volumes sold increased by 42.5%, with slightly lower prices. Net sales improved by 45.8% and Ebitda was negative for €0.4 million (-€1.4 million in 2010).

Eastern Europe
The phase of economic recovery which this geographical area has enjoyed since the second half of 2010, is expected to last also in the 2-year period 2011-2012. Estimates hints at a GDP growth in all the countries where the group operates, with significant changes in Ukraine and Russia (+4.6% and +5.4% respectively), which will have a favorable impact also on the construction sector. The beginning of the year, which featured milder weather conditions, was positive for the cement industry and our sale volumes that posted a sizeable increase in the Czech Republic (+103.4%) Ukraine (+88.6%), Russia (+42.1%) and Poland (+38.9%). Price effect, expressed in local currency, continued to be widely unfavorable, i.e.: the Czech Republic (-18.5%), Russia (-15.2%), Ukraine (-7.7%) and Poland (-1.5%). Demand strengthening reflected also on ready-mix concrete volumes which showed a significant improvement everywhere.

Overall net sales came in at €86.4 million from €59.8 million in 2010 (+44.5%). The Ebitda realized in the area was virtually unchanged, from €2.5 million in 2010 to €2.4 million in 2011. At constant exchange rate, it would have decreased by 16.0%. The inadequate profitability was due to still soft prices, higher costs borne in the period for the commissioning works of the new dry-process production line at Suchoi Log in Russia and largely to the growing pressure on fuel costs.

United States of America

The major international observers' estimates are conservative on the resumption of significant rates of economic growth. Estimates for 2011 points to a growth similar to the 2010's one (+2.4%), with a gradual reduction of unemployment. In the construction sector, we can legitimately expect a slight recovery in residential building, a still difficult context for the industrial and commercial segment and stagnation in public spending on infrastructures. Consequently demand has difficulty in picking up and cement consumption will only slightly exceed the 2010 levels.

In this scenario, Group's cement volumes sold were up 12.2% while average unit prices in local currency declined by 7.9%. Ready-mix concrete sales increased by 8.4% with prices in slight contraction. Volumes positive trend was mainly due to favorable weather conditions compared with Q1-10. Overall net sales totaled €113.7 million versus €105.4 million (+7.9%). Foreign exchange effect was favorable for €1.3 million. The above described volume/price mix and the hikes in fuel costs negatively impacted profitability. Ebitda consequently was negative for €9.1 million (also negative for €5.6 million in 2010).

Mexico (50% consolidation)

The economic momentum is confirmed by the results posted in the first three months of the year: Moctezuma's cement volumes sold increased by 17.5%, with favorable price effect in local currency (+4.1%). A contributor to this result was the activity of the new cement plant at Apazapan, inaugurated at the end of 2010. Ready-mix concrete sales were stable (-0.7%), with slightly better prices. Net sales in euro showed a sizeable increase (+29.1%) from €45.4 million to €58.7 million. Ebitda was up 31.9% to €22.4 million vs. €17.0 million in 2010. The Mexican peso appreciation (+6.7%) positively impacted the translations of the results into euro. At constant exchange rate, net sales and Ebitda would have increased by 20.4% and 23.0% respectively.

Outlook

The first quarter of 2011 was encouraging from the outset and posted better economic results. Such an improvement, generated by the strong resilience of sale volumes, was decisively favored by the mild weather conditions as opposed to the adverse ones in the previous year. Signs of recovery are consolidating in many countries, but to gauge their intensity better we have to wait for the outcome of the attempts currently underway to improve prices, aimed at balancing the very high inflation of energy costs. In Mexico, the new Apazapan cement plant had a smooth start-up and the troubleshooting phases of the new dry-process production line at Suchoi Log in Russia and of the equipment to switch from natural gas to coal in Ukrainian plants are virtually completed.

We take note of the favorable start of the year but we think that only the development of trading conditions in the forthcoming months will allow a better visibility into the scenario trend. Based on the first quarter results, for the current year we deem it advisable to confirm the expectations of operating results not lower than the ones posted in the previous year.

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 press release corresponds to the document results, books and accounting records.

Casale Monferrato, May 13, 2011

for the Board of Directors
Alessandro Buzzi
(Chairman)

CONSOLIDATED BALANCE SHEET

	(thousands of euro)	
	March 31, 2011	Dec 31, 2010
ASSETS		
Non-current assets		
Goodwill	585,011	586,180
Other intangible assets	11,021	11,282
Property, plant and equipment	3,345,127	3,477,712
Investment property	17,755	19,093
Investment in associates	208,759	216,505
Available-for-sale financial assets	6,350	5,524
Deferred income tax assets	45,394	40,082
Defined benefits plan assets	42,259	41,882
Derivative financial instruments	228	2,630
Other non-current assets	50,005	69,000
	4,311,909	**4,469,890**
Current assets		
Inventories	384,424	394,760
Trade receivables	465,626	451,025
Other receivables	129,986	138,010
Available-for-sale financial assets	10	11
Derivative financial instruments	467	1,859
Cash and cash equivalents	348,583	396,459
	1,329,096	**1,382,124**
Assets held for sale	—	3,250
Total Assets	**5,641,005**	**5,855,264**

	Mar 31, 2011	Dec 31, 2010
	(thousands of euro)	
EQUITY		
Capital and reserves attributable to owners of the company		
Share capital	123,637	123,637
Share premium	458,696	458,696
Other reserves	62,941	157,499
Retained earning	1,791,499	1,828,581
Treasury shares	(6,986)	(6,986)
	2,429,787	**2,561,427**
Non-controlling interest	240,449	242,252
Total equity	**2,670,236**	**2,803,679**
LIABILITIES		
Non-current liabilities		
Long-term debt	1,399,214	1,458,850
Derivative financial instruments	47,486	28,991
Employee benefits	309,596	318,002
Provisions for liabilities and charges	118,684	119,531
Deferred income tax liabilities	400,043	442,291
Other non-current liabilities	17,032	18,278
	2,292,055	**2,385,943**
Current liabilities		
Current portion of long-term debt	176,014	175,718
Short-term debt	7,531	2,198
Derivative financial instruments	4,329	1,317
Trade payables	277,880	278,576
Income tax payables	17,418	15,857
Provisions for liabilities and charges	37,610	52,352
Other payables	157,932	139,624
	678,714	**665,642**
Total Liabilities	**2,970,769**	**3,051,585**
Total Equity and Liabilities	**5,641,005**	**5,855,264**

CONSOLIDATED INCOME STATEMENT

	(thousands of euro)	
	January - March	
	2011	2010
Net sales	**569,404**	**459,629**
Changes in inventories of finished goods and work in progress	(7,192)	(17,088)
Other operating income	32,456	24,466
Raw materials, supplies and consumables	(274,101)	(204,350)
Services	(156,154)	(132,472)
Staff costs	(105,945)	(100,434)
Other operating expenses	(15,766)	(15,828)
Operating cash flow (EBITDA)	**42,702**	**13,923**
Depreciation, amortization and impairment charges	(60,931)	(54,194)
Operating profit (EBIT)	**(18,229)**	**(40,271)**
Gains on disposal of investments	558	10
Finance revenues	40,447	42,833
Finance costs	(68,464)	(76,341)
Equity in earnings of associates	(1,042)	(582)
Loss before tax	**(46,730)**	**(74,351)**
Income tax expense	13,967	24,148
Loss for the period	**(32,763)**	**(50,203)**
Attributable to:		
Owners of the company	(36,580)	(52,867)
Non-controlling interest	3,817	2,664

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(thousands of euro)	
	January - March	
	2011	2010
Loss for the period	**(32,763)**	**(50,203)**
Currency translation differences	(99,144)	173,820
Other comprehensive income for the period, net of tax	**(99,144)**	**173,820**
Total comprehensive income for the period	**(131,907)**	**123,617**
Attributable to:		
Owners of the company	(131,430)	101,119
Non-controlling interest	(477)	22,498

CONSOLIDATED NET FINANCIAL POSITION

(thousands of euro)

	Mar 31, 2011	*Dec 31, 2010*
Cash and short-term financial assets:		
Cash and cash equivalents	348,583	396,459
Derivative financial instruments	467	1,859
Other current financial receivables	8,714	8,155
Short-term financial liabilities:		
Current portion of long-term debt	(176,014)	(175,637)
Short-term debt	(7,531)	(2,279)
Derivative financial instruments	(4,330)	(1,317)
Other current financial liabilities	(26,090)	(15,452)
Net short-term cash	**143,799**	**211,788**
Long-term financial assets:		
Derivative financial instruments	228	2,630
Other non-current financial assts	11,918	10,176
Long-term financial liabilities:		
Long-term debt	(1,399,214)	(1,458,850)
Derivative financial instruments	(47,486)	(28,991)
Other non-current financial liabilities	(3,575)	(3,687)
Net debt	**(1,294,330)**	**(1,266,934)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

This interim report for the three months ended 31 March 2011 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 2010, 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, the disclosure of contingent assets and liabilities at the closing date and the reported amounts of revenues and expenses for the period. 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 relevant period in which they change. Income tax expense is recognized based upon the best estimate of the weighted average tax rate expected for the full financial year.

The items of the consolidated income statement and balance sheet at 31 March 2011 are consistent with the previous year's corresponding ones.

The changes occurred in the scope of consolidation during the first three months of 2011 do not alter, overall, in a material way the comparability with the previous period.

For the outlook please refer to the section "Interim management review".

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Equity attributable to owners of the company is down €131.6 million from 31 December 2010. The change is mainly due to the loss for the period (€36.6 million) and the negative changes in translation differences following the weakening of the main currencies of the countries where the group operates against the euro (€94.8 million).

* * *

The increase of 23.9% in net sales compared to the same period of 2010 is due to favorable trading conditions (volumes and prices effect) for 19.7%, to favorable currency effect for 1.8% and to additions in the scope of consolidation for 2.4%.

Segment information

The breakdown of net sales and EBIT by line of business and geographical area is the following:

thousands of euro	*Italy*	*Central Europe*	*Eastern Europe*	*USA*	*Mexico*	*Unallocated items and adjustments*	*Total*
Three months ended 31 March 2011							
Segment revenue	130,756	179,034	86,393	113,698	58,658	865	569,404
Intersegment revenue	–	(71)	–	–	–	71	–
Revenue from external customers	130,756	178,963	86,393	113,698	58,658	936	569,404
Operating loss	(11,633)	13,829	(12,759)	(26,302)	18,827	(191)	(18,229)

thousands of euro	*Italy*	*Central Europe*	*Eastern Europe*	*USA*	*Mexico*	*Unallocated items and adjustments*	*Total*
Three months ended 31 March 2010							
Segment revenue	134,405	112,848	59,781	105,413	45,448	1,734	459,629
Intersegment revenue	(22)	(56)	–	–	–	78	–
Revenue from external customers	134,383	112,792	59,781	105,413	45,448	1,812	459,629
Operating loss	(5,308)	(19,405)	(5,252)	(24,237)	14,134	(203)	(40,271)

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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.