# Interim report as at

# March 31, 2016

Buzzi Unicem S.p.A.
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Share Capital euro 123.636.658,80
Company Register of Alessandria no.00930290044

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## INTERIM MANAGEMENT REVIEW

During the first quarter of the year, at consolidated level, cement demand increased by some percentage points compared to the same period last year. The intensity of the variance recorded in the United States of America, which in turn occurred thanks to more favorable weather conditions in comparison with the first quarter 2015, which was characterized by bad weather, was crucial for the results achieved. Central Europe confirmed the activity levels of 2015, as well as Italy. In Eastern Europe sales declined due to the continuation of the recession in Russia and the temporary weakness of Ukraine, while Poland and the Czech Republic registered shipment volumes in line with the ones achieved in the same period of 2015.

In the first months of 2016 the weakness of international economy and trade accentuated, but still with differentiations according to the geographies. In Europe the modest cyclical expansion strengthened, driven by domestic demand, although with a trend of weaker exports and inflation at null values. The recovery in the United States, albeit with some uncertainty and results below expectations, continued. In emerging economies, the fragility of expectations is the main risk factor for international growth, due to a recessionary phase which is worsening in Brazil and continuing in Russia, where there are yet visible signs of mitigation, and also to the slowdown in the manufacturing sector and the sharp decline in imports and exports in China. India is the only country among the major emerging ones which recorded a GDP growth at a steady fast pace. The decrease in oil prices did not lead to a strengthening of global economy, whose growth for the whole of the year, which had been recently revised downwards, is estimated at slightly lower levels than in 2015. The consumer price inflation is on the rise in the United States, still very low in the main advanced economies, remains low in China and very high in Brazil and Russia, where, however, it was reduced compared to January. In the early months of the year fears about global growth led to a sharp drop of prices on international financial markets, which then subsided in part; the expansive character of monetary policies in advanced countries was accentuated.

Cement sales of the group were up 2.8% from the first quarter of 2015, reaching 5.0 million tons. The volume trend was favorable in the United States (+16.3%) and fairly stable in Central Europe and Italy. Eastern Europe reported a decrease of 9.2%, mainly due to the declines recorded in Russia and Ukraine. Ready-mix concrete sales posted a slight decrease (-1.7%) compared to the same period of 2015, to 2.4 million cubic meters. The additional working day due to the leap year certainly favored the sales results achieved.
The price effect in local currency, compared to the first quarter of 2015, was positive in the United States and in Ukraine (driven by inflation). In Italy, Germany and the Czech Republic no significant variances were recorded, while, in local currency, unit net sales suffered a decline in Poland, and showed a slight negative trend also in Russia and Luxembourg.

Consolidated net sales increased from €513.4 million to €540.3 million (+5.2%), gross of a foreign exchange effect which was marginally unfavorable for €0.9 million and a negative change in scope for €1.5 million. Ebitda closed at €50.8 million (+€23.6 million compared to the first quarter of 2015); changes in scope of consolidation were a decrease of €0.1 million and the exchange rate effect was positive for €0.3 million.

On a like-for-like basis net sales would have increased by 5.7% and Ebitda would have come in at €50.5 million. The result for the period includes net non-recurring income of €3.4 million related to gains on sale of fixed assets (in 2015 net non-recurring income equal to €3.8 million).

Net of non-recurring items Ebitda increased from €23.4 million to €47.4 million, with Ebitda to sales margin at 8.8% (4.6% in 2015). After amortization and depreciation of €46.2 million (€46.4 million in the first quarter of 2015) Ebit stood at €4.5 million (it was negative for €19.2 million in 2015). Net finance costs for the period decreased compared to the previous year (€13.7 million against €43.0 million in 2015), also thanks to lower non-cash items included into this category (exchange rate differences, valuation of derivative instruments). Gains on disposal of investments contributed with €0.5 million, while equity in earnings of associates amounted to €14.1 million (€16.1 million in the first quarter of 2015). As a consequence of the above, the first quarter of 2016 closed with a profit before tax of €5.4 million against a loss of €46.2 million in March 2015.

After taxes, net profit for the period was €3.8 million (€3.6 million being the portion attributable to the owners of the company).

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

**Net sales**

| *million euro* | *Q1-16* | *Q1-15* | *Change abs* |
|---|---|---|---|
| Italy | 84.4 | 84.2 | 0.2 |
| United States of America | 243.5 | 204.5 | 39.0 |
| Germany | 112.0 | 115.1 | -3.1 |
| Luxembourg/Netherlands | 37.6 | 35.9 | 1.8 |
| Czech Republic | 21.5 | 20.8 | 0.7 |
| Poland | 14.5 | 17.5 | -3.1 |
| Ukraine | 9.0 | 10.3 | -1.3 |
| Russia | 26.0 | 33.7 | -7.7 |
| Eliminations | -8.1 | -8.5 | 0.5 |
| | **540.3** | **513.4** | **26.9** |

**Ebitda**

| *million euro* | *Q1-16* | *Q1-15* | *Change abs* |
|---|---|---|---|
| Italy | -7.5 | -8.2 | 0.7 |
| United States of America | 46.1 | 30.1 | 16.0 |
| Germany | -0.2 | -0.7 | 0.6 |
| Luxembourg/Netherlands | 7.5 | -1.9 | 9.4 |
| Czech Republic | 0.3 | 1.0 | -0.7 |
| Poland | 0.0 | -0.2 | 0.2 |
| Ukraine | -1.2 | -1.4 | 0.2 |
| Russia | 5.7 | 8.5 | -2.8 |
| | **50.8** | **27.2** | **23.6** |

Net debt as at 31 March 2016 amounted to €1,097.9 million, up €68.2 million over year-end 2015. Total capital expenditures of €69.3 million affected this figure (€68.7 million in the same period of 2015), €30.1 million thereof related to the expansion project at Maryneal (Texas). At the end of the quarter total equity, inclusive of non-controlling interests, stood at €2,492.1 million vs. €2,579.4 million as at December 31, 2015. Consequently debt/equity ratio was equal to 0.44 (0.40 at year-end).

## Italy

In early 2016 industrial production started to grow again and a moderate expansion of activity in the services continued. In the construction industry the signs of recovery strengthened. Confidence indicators, although slightly worse than the very favorable ones at the end of last year, remained at high levels. The pace of recovery remains low and only slightly higher than the last quarter of 2015. The increasing uncertainty on the prospects of the dynamics of foreign trade and the possible consequences on the manufacturing sector cycle led to revise downwards the GDP growth estimates for the whole year, now expected at between 1.0% and 1.2%. Since February, consumer price inflation returned to negative figures. In January-February the unemployment rate (-11.5%) was marginally higher than at the end of the year. In the construction sector the positive signals strengthened: the sales of residential properties increased, the decline in prices occurring since mid-2011 stopped and the operators' expectations on the recovery of the construction production improved. The performance of our cement and clinker sales recorded a slight increase from the first quarter of 2015, thanks to the favorable trend in export volumes and clinker, which allowed to offset the negative sign in the domestic market. Sales prices confirmed the level of the same period in 2015. The ready-mix concrete sector recorded a decline of some percentage points in production, but with prices up. Overall net sales increased from €84.2 million to €84.4 million; Ebitda closed with a loss of €7.5 million, compared to a figure with the same sign of €8.2 million achieved in the first quarter of 2015. To be reminded however that the figure for 2015 included net non-recurring income of €3.8 million.

**Central Europe**
The cyclical expansion driven by the internal components of demand is progressing moderately in this part of the Eurozone, while export dynamics weakened. The risks on recovery reflect the uncertainty which is associated with the slowdown in demand from emerging economies, the growing geopolitical tensions and the increased volatility in financial markets. Inflation remained at values close to zero. Construction investments report a stable development overall.

In Germany, the building materials demand was consistent with the same period of 2015; the reduction of our cement sales volumes is mainly due to the persisting weakness of oil well special products. Sales prices did not record significant changes in comparison with the first quarter 2015, thus showing a slight recovery from the exit level. Ready-mix concrete sales showed a favorable variance, with only marginally weaker prices. Overall net sales amounted to €112.0 million (€115.1 million in 2015) and Ebitda, although slightly improving, remained in negative territory at -€0.2 million (-€0.7 million in the first quarter 2015).

In Luxembourg and the Netherlands, thanks to favorable weather conditions, cement sales volumes achieved by our operations in the first three months of the year showed a good recovery, accompanied by an unfavorable price variation, while ready-mix concrete sales started the year with an opposite development (volumes down, prices up). Net sales increased by 5.0% from €35.9 million to €37.6 million. Ebitda amounted to €7.5 million (negative by €1.9 million in 2015). The figure for 2016 includes non-recurring income of €3.4 million from gains on disposal of fixed assets relating to the ready-mix concrete sector.

**Eastern Europe**
The European Union countries (Czech Republic, Slovakia, Poland) maintained a quite robust trend of economic growth which is well above the average; nevertheless the recessionary phase continued in Russia, while Ukraine, despite its difficult political situation, is estimated to return to growth during the year thanks to the strong international support.

In the Czech Republic cement sales softened, with substantially unchanged average prices in local currency. The ready-mix concrete sector, which also includes Slovak operations, started the year with volumes in line with the figures of last year and no significant variance in sales prices. Net sales, which were impacted positively by the exchange rate effect for €0.4 million and negatively by the consolidation scope effect for €0.7 million, came in at €21.5 million (€20.8 million in 2015), while Ebitda stood at €0.3 million compared to €1.0 million in the first quarter 2015.

In Poland cement deliveries marked a slight positive change, while ready-mix concrete output recorded a considerable decrease. Sales prices in local currency were lower than in 2015 both for the cement and the concrete sector. Net sales, negatively affected by the exchange rate effect for €0.6 million, stood at €14.5 million compared to €17.5 million in 2015. Ebitda was zero (-€0.2 million in 2015).

In Ukraine, albeit recovering since March, cement sales in the first three months closed down sharply, with prices in local currency considerably increasing, driven by the persisting inflationary pressure. Ready-mix concrete output, not meaningful in absolute terms, were also declining and with average prices in local currency that followed inflation. Net sales and Ebitda continued to be affected by the depreciation of the local currency (-18.5%) and respectively decreased from €10.3 million to €9.0 million (-12.3%) and improved from -€1.4 million to -€1.2 million. Net sales in local currency would have increased by 4.0%.

In Russia the most recent assessments revised the future outlook downwards; GDP contraction this year is estimated at -1.8%, while, according to the estimates, the exit from recession should occur in 2017. The trend in consumer prices remains high (8.1%), although markedly down since the beginning of the year. Sales in the first quarter of the year were frail, accompanied by an unfavorable variance of unit revenues in local currency as well. The translation of results into euro was still penalized by the weakness of the ruble (-16.2%). Net sales revenue stood at €26.0 million from €33.7 million in 2015, down 22.8%; in local currency they would have been down 10.4%. Ebitda amounted to €5.7 million against €8.5 million in 2015, down 32.8%, while in local currency it would have worsened by 21.9%.

**United States of America**

In early 2016, despite the uncertainties on the development of domestic consumption and some negative effect on exports due to the appreciation of the dollar, which led to a growth rate lower than expected, economic expansion consolidated, some comforting signs on employment rate arose and the real estate sector confirmed its good performance. Inflation, on the rise, stood at 1.0% in February. The Federal Reserve kept interest rates unchanged during the first quarter and downgraded its ratings on the normalization pace of monetary orientation. The latest estimates on cement consumption for the current year, although revised downwards, still confirm a growth in demand, in line with that achieved in the previous year. The good weather conditions in this first quarter, compared with the same period last year, which was characterized by extraordinary high rainfall in the South West regions, led to a strong improvement in volumes. Our overall cement sales increased, although the significant decline in oil well cement deliveries continued. Average prices in local currency improved by some percentage points. Ready-mix concrete output, mainly concentrated in Texas, were up on the volumes achieved in the same period last year, with a favorable price variance. Overall net sales therefore increased from €204.5 million to €243.5 million (+19.1%). The exchange rate effect was favorable for €5.2 million. Ebitda amounted to €46.1 million (€30.1 million in 2015), including a positive foreign exchange effect of €1.0 million. The modernization and expansion works of the plant in Maryneal, Texas are being completed, and the startup of the new kiln line is scheduled at the end of the current month of May.

**Mexico** (valued by the equity method)
The country's economy continues its solid expansion phase. Cement deliveries in the first quarter recorded a slight decrease compared to the volumes achieved in the previous year, which were yet very high, with average prices in local currency considerably improved versus the prior period. Ready-mix concrete sales developed with a similar trend, although with a more marked reduction in volumes. Net sales and Ebitda, in local currency, increased by 6.4% and 22.7% respectively. The depreciation of the Mexican peso (-18.2%) had an unfavorable impact on the translation of results into euro; with reference to 100% of the associate, net sales decreased from €159.0 million to €143.1 million (-10.0%) and Ebitda increased from €65.7 million to €68.2 million (+3.8%). The equity earnings referring to Mexico, included in the line item that encompasses the investments valued by the equity method, amount to €15.1 million (€13.8 million in 2015).

**Outlook**
At the end of April the placement of a Eurobond with institutional investors had been successfully completed, having the following main terms and conditions:
- nominal amount: €500 million
- maturity: 7 years bullet
- interest rate: fixed annual coupon of 2.125%
- issue price: equal to 99.397% of par value.

The Notes are listed on the regulated market of the Luxembourg Stock Exchange. The Eurobond issue allowed to promptly renew some short-term borrowings, to further diversify the funding sources of the company and to extend the average debt maturity profile.

Compared to the trends assumed on the occasion of the approval of the financial statements 2015, we recorded a more favorable development in the United States, mainly due to weather conditions, while in the other regions the trading conditions were in line with expectations.
More precise indications on the prospects for the current year will be possible following the interim results of the first six months, when the seasonality typically characterizing the levels of activity in the construction sector will likely be smoothed out.
In consideration of the positive start to the year, on the occasion of this first interim financial report, we deem it appropriate to confirm the estimate that at consolidated level the recurring Ebitda for the full year 2016 will show a slightly favorable variance versus the previous year.

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*Pursuant to articles 70 and 71 of Consob Regulation no 11971/99, the company avails itself of the faculty of making exception to the obligations to publish the Information Documents required in the event of significant transactions of mergers, spin-offs, capital increases by means of the conferral of assets in kind, acquisitions and disposals.*

Casale Monferrato, May 6th, 2016

For the Board of Directors

**Enrico Buzzi**

(Chairman)

## CONSOLIDATED BALANCE SHEET

| (thousands of euro) | Mar 31, 2016 | Dec 31, 2015 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Goodwill | 545,156 | 544,071 |
| Other intangible assets | 41,893 | 41,120 |
| Property, plant and equipment | 3,016,067 | 3,090,889 |
| Investment property | 22,036 | 22,786 |
| Investments in associates and joint ventures | 371,161 | 373,335 |
| Available-for-sale financial assets | 1,900 | 2,134 |
| Deferred income tax assets | 64,351 | 50,688 |
| Derivative financial instruments | 2,876 | 4,103 |
| Other non-current assets | 38,761 | 36,083 |
| | **4,104,201** | **4,165,209** |
| **Current assets** | | |
| Inventories | 370,771 | 377,682 |
| Trade receivables | 365,263 | 364,342 |
| Other receivables | 94,433 | 88,127 |
| Available-for-sale financial assets | 2,891 | 2,890 |
| Derivative financial instruments | 3,530 | 7,714 |
| Cash and cash equivalents | 428,516 | 503,454 |
| | **1,265,404** | **1,344,209** |
| Assets held for sale | 10,394 | 11,400 |
| **Total Assets** | **5,379,999** | **5,520,818** |

| (thousands of euro) | Mar 31, 2016 | Dec 31, 2015 |
|---|---|---|
| **EQUITY** | | |
| **Equity attributable to owners of the company** | | |
| Share capital | 123,637 | 123,637 |
| Share premium | 458,696 | 458,696 |
| Other reserves | 68,572 | 149,222 |
| Retained earnings | 1,819,711 | 1,826,238 |
| Treasury shares | (4,768) | (4,768) |
| | **2,465,848** | **2,553,025** |
| Non-controlling interests | 26,254 | 26,393 |
| **Total Equity** | **2,492,102** | **2,579,418** |
| **LIABILITIES** | | |
| **Non-current liabilities** | | |
| Long-term debt | 965,809 | 970,509 |
| Derivative financial instruments | 38,566 | 47,740 |
| Employee benefits | 438,757 | 432,263 |
| Provisions for liabilities and charges | 84,874 | 86,916 |
| Deferred income tax liabilities | 437,016 | 455,208 |
| Other non-current liabilities | 17,448 | 18,063 |
| | **1,982,470** | **2,010,699** |
| **Current liabilities** | | |
| Current portion of long-term debt | 521,174 | 527,733 |
| Short-term debt | 1,673 | 1,701 |
| Trade payables | 217,938 | 245,237 |
| Income tax payables | 13,390 | 19,502 |
| Provisions for liabilities and charges | 20,079 | 21,267 |
| Other payables | 129,198 | 114,749 |
| | **903,452** | **930,189** |
| Liabilities held for sale | 1,975 | 512 |
| **Total Liabilities** | **2,887,897** | **2,941,400** |
| **Total Equity and Liabilities** | **5,379,999** | **5,520,818** |

## CONSOLIDATED INCOME STATEMENT

| (thousands of euro) | January-March 2016 | 2015 |
|---|---|---|
| **Net sales** | **540,341** | **513,392** |
| Changes in inventories of finished goods and work in progress | (1,315) | 3,558 |
| Other operating income | 13,455 | 20,350 |
| Raw materials, supplies and consumables | (229,786) | (231,423) |
| Services | (145,415) | (149,899) |
| Staff costs | (111,468) | (110,182) |
| Other operating expenses | (15,055) | (18,643) |
| **EBITDA** | **50,757** | **27,153** |
| Depreciation, amortization and impairment charges | (46,209) | (46,391) |
| **Operating profit (EBIT)** | **4,548** | **(19,238)** |
| Equity in earnings of associates and joint ventures | 14,137 | 16,084 |
| Gains on disposal of investments | 465 | - |
| Finance revenues | 24,430 | 34,121 |
| Finance costs | (38,147) | (77,131) |
| **Profit (loss) before tax** | **5,433** | **(46,164)** |
| Income tax expense | (1,600) | 4,727 |
| **Profit (loss) for the period** | **3,833** | **(41,437)** |
| **Attributable to:** | | |
| Owners of the company | 3,613 | (41,548) |
| Non-controlling interests | 220 | 111 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | January-March | |
|---|---|---|
| | 2016 | 2015 |
| (thousands of euro) | | |
| **Profit (loss) for the period** | **3,833** | **(41,437)** |
| **Items that will not be reclassified to profit or loss** | | |
| Actuarial gains (losses) on post-employment benefits | (13,389) | (33,306) |
| Income tax relating to items that will not be reclassified | 3,736 | 10,599 |
| **Total items that will not be reclassified to profit or loss** | **(9,653)** | **(22,707)** |
| **Items that may be reclassified subsequently to profit or loss** | | |
| Currency translation differences | (79,600) | 243,367 |
| Income tax relating to items that may be reclassified | - | - |
| **Total items that may be reclassified subsequently to profit or loss** | **(79,600)** | **243,367** |
| **Other comprehensive income for the period, net of tax** | **(89,253)** | **220,660** |
| **Total comprehensive income for the period** | **(85,420)** | **179,223** |
| **Attributable to:** | | |
| Owners of the company | (86,691) | 176,024 |
| Non-controlling interests | 1,271 | 3,199 |

## CONSOLIDATED NET FINANCIAL POSITION

| (thousands of euro) | Mar 31, 2016 | Dec 31, 2015 |
|---|---|---|
| Cash and short-term financial assets: | | |
| - Cash and cash equivalents | 428,516 | 503,454 |
| - Derivative financial instruments | 3,530 | 7,714 |
| - Other current financial receivables | 7,093 | 7,199 |
| Short-term financial liabilities: | | |
| - Current portion of long-term debt | (521,174) | (527,733) |
| - Short-term debt | (1,674) | (1,701) |
| - Other current financial liabilities | (22,298) | (12,977) |
| **Net short-term cash** | **(106,007)** | **(24,044)** |
| Long-term financial assets: | | |
| - Derivative financial instruments | 2,876 | 4,103 |
| - Other non-current financial receivables | 13,365 | 12,246 |
| Long-term financial liabilities: | | |
| - Long-term debt | (965,809) | (970,509) |
| - Derivative financial instruments | (38,566) | (47,740) |
| - Other non-current financial liabilities | (3,804) | (3,791) |
| **Net debt** | **(1,097,945)** | **(1,029,734)** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Legislative Decree no. 25/2016 abrogated the requirement to publish interim reports for the first and third quarter of the year, as they were provided by Article 154-ter of Legislative Decree no. 58/1998, and simultaneously assigned to Consob the power to reintroduce them. At this intermediate stage, in continuity with the past, the company resolved to publish an interim report as at March 31, 2016 consistent with the previous ones, granted that this choice is not binding for the future and will be subject to further assessments in the coming months, also in the light of the regulatory measures which will be issued in this regard.

This interim report for the three months ended 31 March 2016 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 2015, 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 accrued using the tax rate that would be applicable to expected total annual profit or loss.

For the outlook please refer to the section “Interim management review”.

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Equity attributable to owners of the company decreased by €87.2 million from 31 December 2015. The change is mainly due to: an increase of the result for the period (€3.6 million), a decrease for translation differences (€80.6 million) and actuarial losses on post-employment benefits (€9.6 million).

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The increase of 5.2% in net sales compared to the same period of 2015 is due to favorable trading conditions (volumes and prices effect) for 5.7%, to unfavorable currency effect for 0.2% and to negative change in consolidation area for 0.3%.

**Segment information**
The breakdown of net sales, operating cash flow and operating profit by geographical area is the following:

| thousands of euro | Italy | Central Europe | Eastern Europe | United States of America | Unallocated items and adjustments | Total | Mexico 100% |
|---|---|---|---|---|---|---|---|
| **Three months ended 31 March 2016** | | | | | | | |
| Segment revenue | 84,147 | 144,805 | 70,479 | 240,760 | 150 | 540,341 | 143,117 |
| Intersegment revenue | (55) | - | - | - | 55 | - | - |
| Revenue from external customers | 84,092 | 144,805 | 70,479 | 240,760 | 205 | 540,341 | 143,117 |
| Ebitda | (7,550) | 7,388 | 4,819 | 46,069 | 32 | 50,757 | 68,162 |
| Operating profit | (14,819) | (2,782) | (3,810) | 25,926 | 32 | 4,548 | 61,672 |

| thousands of euro | Italy | Central Europe | Eastern Europe | United States of America | Unallocated items and adjustments | Total | Mexico 100% |
|---|---|---|---|---|---|---|---|
| **Three months ended 31 March 2015** | | | | | | | |
| Segment revenue | 83,738 | 146,090 | 81,752 | 201,446 | 366 | 513,392 | 159,051 |
| Intersegment revenue | (42) | - | - | - | 42 | - | - |
| Revenue from external customers | 83,696 | 146,090 | 81,752 | 201,446 | 408 | 513,392 | 159,051 |
| Ebitda | (8,314) | (2,619) | 7,864 | 30,112 | 110 | 27,153 | 65,731 |
| Operating profit | (15,360) | (13,467) | (1,091) | 10,570 | 110 | (19,238) | 58,324 |

* * *

*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.*

Casale Monferrato, May 6th, 2016

For the Board of Directors

**Enrico Buzzi**

(Chairman)