Buzzi Unicem

Interim report as of

September 30, 2010

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

CONTENTS

Interim management review

The signs of improvement in the international economic context that began to show during the second quarter were moderately confirmed by the dynamics of the summer 2010. Although uncertainties persisted and visibility was still poor, stronger indications appeared of a greater confidence in brighter scenarios and approaching cycles of economic growth.

The construction industry is still penalized by the long-term repercussions of the international economic crisis: public infrastructure investments included in the stimulus packages launched by central governments, mainly in the United States, are starting to produce some visible effects, demand in non-residential building suffers from the investment reductions carried out by the private sector, the residential segment fails so far to show clear signs of improvement.

In the first nine months of the year 2010, cement and clinker volumes stood at 20.0 million tons, up 1.3% from the same period a year earlier. Sales showed some improvement or remained stable in many countries of operations, apart from the Czech Republic, the United States of America and Mexico. Deliveries were more sustained in Russia, Ukraine, Poland and Luxembourg. Ready-mix concrete volumes totaled 10.7 million cubic meters, up 1.9% from 9M-09. The positive trend recorded in Germany, Ukraine and Mexico allowed to more than offset the decline reported mainly in the Czech Republic and Italy.

Cement selling prices in local currency remained unfavorable in all countries of operations, apart from Mexico and Luxembourg. The most sizeable decline was recorded in Italy and Russia but also Ukraine, the Czech Republic and the United States showed a price deterioration of nearly 10%. In Italy the further strong contraction posted during summer months, due to a market featuring large excess capacity and a fierce competition, had a punitive impact and jeopardized the quarter profitability. Ready-mix concrete prices remained under pressure everywhere, but with lower volatility than in the cement sector. Decline was more marked in the United States, Poland, Ukraine and Italy.

Production costs, overall, remained under control, also thanks to the cost saving and efficiency enhancement actions implemented by the management. However the price of energy factors, especially fuels, started rising again in the last quarter which gives some cause for concern.

Consolidated net sales decreased by 3.7% from €2,075.8 million to €1,999.5 million and Ebitda stood at €326.4 million, down €99.9 million (-23.4%). Net of non-recurring items Ebitda would have declined by €68.2 million (-17.3%). Thus recurring Ebitda to sales margin contracted from 19.0% to 16.3%. Foreign exchange fluctuations accounted for an increase of €57.0 million in net sales and €15.3 million in Ebitda, thanks to the strengthening of the dollar and of the emerging countries currencies. Changes in the scope of consolidation had a slight positive impact on the two figures, i.e. €19.9 million and €1.1 million respectively. Like-for-like net sales and Ebitda would have decreased by 7.4% and 27.3% respectively. After depreciation, amortization and impairment charges of €171.6 million (€165.5 million in 9M-09), Ebit amounted to €154.8 million (€260.9 million in 2009). Net finance costs decreased from €77.7 million to €72.1 million, mainly due to favorable foreign exchange differences and to hedging derivatives valuation; stable was the contribution from equity-accounted associates (-0.7%). Profit before tax thus stood at €87.7 million versus €193.3 million at September 2009 (-54.6%). Income tax benefited from a release equal to €22.4 million of provisions set aside for potential tax claims abroad. The income statement closed with net profit for the period down by 43.7% to €80.2 million (€142.6 million in 2009), of which €59.6 million attributable to owners of the company (vs. €117.3 million in 9M-09).

Ebitda breakdown by geographical area is as follows:

	Year to date		*3rd quarter*	
EBITDA	Sep-10	Sep-09	Jul-Sep 10	Jul-Sep 09
Italy	40.3	59.9	(0.6)	26.3
United States of America	69.3	105.8	34.3	45.4
Germany	63.4	97.2	31.1	34.6
Luxembourg	12.0	10.3	6.4	4.7
Netherlands	0.0	1.3	(0.6)	0.3
Czech Republic	27.0	37.3	15.3	18.5
Poland	27.6	32.8	14.9	15.1
Ukraine	(5.0)	(8.1)	2.1	1.1
Russia	32.1	33.7	13.7	12.6
Mexico	59.7	56.2	20.7	18.7
Total consolidated	326.4	426.3	137.2	177.3

Cash flow was equal to €251.8 million (€308.1 million at September 2009). Net debt as of September 30, 2010 amounted to €1,280.3 million, up €71.0 million over year-end 2009. In the first nine months, the group invested a total of €207.8 million in property, plant and equipment, €119.2 million thereof for capacity expansion or special projects. In this respect to be noticed that the new production line at Suchoi Log (Russia) came on stream during the third quarter; the greenfield cement plant of Apazapan (Mexico) will start production as early as 2010; in Ukraine the equipment to switch fuel from natural gas to coal were started up some months ago. Equity investments amounted to €3.7 million.

As of September 30, 2010, total equity, inclusive of minority interest, stood at €2,876.3 million versus €2,712.4 million as of December 31, 2009. Consequently debt/equity ratio was equal to 0.45 (0.45 as well at 2009 year-end).

Italy

The GDP growth of 0.9% YoY reported in the first half and the 0.5% growth QoQ confirm some moderately positive developments in the country's economy. However the intensity of the recovery remains much lower than the growth of the euro-zone countries which have recorded a 1% increase QoQ. Imports increased by 3.3%, gross fixed investments rose by 1.3% while spending remained stable. However the growth in investments was represented by a 3.9% increase in equipment and a further decline in building activity. The announced infrastructure investments, which would have a driving and anti-cyclical effect on the construction sector, did not materialize with the opening of new sites. In such an environment, cement demand at the end of August posted a 5.5% contraction, less evident in the islands and northern regions and more marked in central markets.
Our sales volumes of cement and clinker, including export, increased by 4.8%, mainly driven by exports and clinker. Selling prices, due to weak demand and fierce competition, plummeted in summer months, leading to a progressive decline of over 20% from the previous year. Ready-mix concrete sales showed some rebound in the third quarter, closing with a 3.3% decrease versus September 2009, in a weak price environment (-4.0%). On the costs front, fuels continued their upward trend which sped up in summer months. Overall, net sales in Italy came in at €469.2 million, down 13.2% versus €540.4 million in 9M-09. Ebitda stood at €40.3 million versus €59.9 million in 2009 (-32.7%). During the first nine months, the company achieved other operating revenues of €29.5 million from the sale of CO_2 emission rights which, based on the output expected, are deemed to be surplus. Recurring Ebitda to sales margin decreased to 8.6% versus 11.1% in 2009.

Central Europe

German GDP continued to grow at a pace which had not been so strong for many years: the EU interim economic forecasts point to a 3.4% growth for the current year. The local economy confirmed to be capable of getting the most from the benefits of the revival of foreign trade, especially towards newly industrialized countries.
The construction sector in the latest months showed some signs of improvement despite the cuts in investments carried out by most firms, which negatively impacted industrial and commercial building.

In Germany, during the first nine months, cement volumes sold remained stable (+0.9%) while ready-mix concrete sector recorded a sales increase of 20.1%, (11.5% of which due to the addition in the scope of consolidation of "Sibo" group). Average unit revenues declined by around 3% for cement and 5.0% for ready-mix concrete. Overall net sales stood at €412.9 million versus €401.3 million in 9M-09 and Ebitda decreased by 34.7%, from €97.2 million to €63.4 million. However, net of non recurring items (revenues for €37.4 million realized in 2009) Ebitda to sales margin improved from the previous year. During the first nine months, the company achieved other operating revenues of €4.7 million from the sale of CO2 emission rights which, based on the output expected, are deemed to be surplus.

In Luxembourg, also thanks to the new grinding capacity, cement volumes sold showed a positive development (+10%) and prices confirmed the favorable trend (+1.3%). Overall net sales increased from €62.1 million to €69.8 million (+12.5%) and Ebitda was up 16.6%, from €10.3 million to €12.0 million.

In the Netherlands, volumes sold reached 0.67 million cubic meters of ready-mix concrete (-0.9% versus 9M-09), with net sales at €83.0 million (-1.2%) and Ebitda at a lower level than in 2009 (from €1.3 million to €0.0 million).

Eastern Europe
Russia, Ukraine and Poland showed good dynamics of economic growth, confirmed and strengthened in the summer quarter. Suchoi Log cement factory in Russia, after a buoyant second quarter, continued to grow in the third quarter, closing with a volume progress of 28.2% from the beginning of the year. In Ukraine, although dynamics were more volatile, cement sales confirmed the second quarter's indications and increased by 8.5% in the nine months. In Poland, the public investments financed thanks to the EU funds for infrastructures and some major works referred to the forthcoming Football European Championship progressed. Consequently in the third quarter activities were boosting and at the end of September volumes sold stood at +7.4%. Conversely, the Czech Republic, whose industrial production is still far from the levels reached before the 2009 recession, continued to show some difficulty. Cement sale volumes contracted by 13.5% from the beginning of the year, although in improvement over the first half. Cement average selling prices in local currency were everywhere in marked decline: in Russia –17.6%, Ukraine -9.4%, Poland –8.3%, the Czech Republic – 9%.
Ready-mix concrete output in the area decreased by 5.8% due to the protracted contraction in the Czech Republic and Slovakia (-11.1%) and prices showed the same negative trend as in the cement sector. The positive volumes trend, unfortunately mitigated by the unfavorable pricing environment, led to an increase of 1.9% in overall net sales, from €368.3 million to €375.2 million; Ebitda realized in the area shrunk by 14.6%, from €95.7 million to €81.7 million. The local currencies revaluation (zloty 8.6%, Czech koruna 4.4%, hryvnia 3.5%, ruble 10.2%) favored the translation of the results into euro (+€25.0 million for net sales, +€6.8 million for Ebitda).

United States of America

The recent Federal Reserve announcements on the country's exit from the crisis and on the long and rough way to go before recovery, clearly explain the state of the US economy. Industrial and commercial building investments remain weak, also because of companies' difficulties in accessing credit, the residential segment suffers from limited job creation with a consequent fall in new home purchases. Infrastructure spending, spurred by the American Recovery and Reinvestment Act (Arra) only in the latest months began materializing in more sustained cement consumption.

In this scenario, group's cement volumes sold had a quite positive trend in the third quarter and at the end of September were down 6.4% from 9M-09. Ready-mix concrete output remained virtually unchanged (-0.4%). Average selling prices in local currency continued to be penalized both for cement (-8.7%) and for ready-mix concrete (-7.3%). Overall net sales totaled €452.1 million versus €494.0 million (-8.5%) and Ebitda was down 34.5% from €105.8 million to €69.3 million. Excluding the negative non-recurring items from the 2009 figure, Ebitda would have decreased by 37.8%. Foreign exchange positively impacted the two figures for €16.2 million and €2.5 million respectively. The profitability deterioration was attributable to different causes, such as volumes and prices trend, rise in cost of power and logistics, higher incidence of unit fixed costs due to underutilization of production capacity.

Mexico (50% consolidation)

In 2010 Mexican economy is growing at the pace exceeding 4%. The country can boast an inflation rate under control, positive macro-economic and structural indicators, a spending-inclined young population. The construction sector, after the slowdown recorded in the first six months, became stable. In the first nine months, Corporación Moctezuma's cement volumes decreased by 3.6%, (-6.1% at June end) with average selling prices in local currency up 1.2%. Ready-mix concrete sales were up 9.4%, with prices slightly lower than in 2009 (-0.9%). Net sales increased by 10.6% (from €140.7 million to €155.6 million and Ebitda was up 6.1% (from €56.2 million to €59.7 million). The revaluation of the Mexican peso positively impacted the translation of the results into euro; at constant foreign exchange rate, net sales and Ebitda would have decreased by 0.6% and 4.6% respectively.

Outlook

In Italy, the price environment remaining still very penalizing, no profitability improvement is expected in the last quarter of the year.

Central Europe will close 2010 with net sales on the rise, favored also by a change in the ready-mix concrete area of consolidation, and a recurring profitability in improvement from the previous year.

In Eastern Europe, volumes sold should confirm the latest months' positive trend (except for the Czech Republic) and consequently assumptions are for a greater price stability. The full year Ebitda to sales margin is expected to remain some percentage points lower than in 2009.

In the United States of America, cement demand is stabilizing at around 70 million tons/year, which means a still very low utilization of production capacity and consequently few possibilities of prices improvement. In the ready-mix concrete sector, given the current price-cost ratio, operating result continues to be negative. We estimate that recurring Ebitda will decline.

In Mexico, for the full year, prospects are for stable volumes and prices; consequently results are expected to be in line with those posted in 2009.

Overall, based on the third quarter trend, the gradual weakening of the dollar and the enduring pressure on selling prices in some markets, we may reasonably assume that the results reported in full year 2010 will be lower that the indications set forth in the 1H10 interim financial report.

Casale Monferrato, November 11, 2010

for the Board of Directors
Alessandro Buzzi
(Chairman)

CONSOLIDATED BALANCE SHEET

	(thousands of euro)		
	Sep 30, 2010	Sep 30, 2009	Dec 31, 2010
ASSETS			
Non-current assets			
Goodwill	587,399	567,960	565,655
Other intangible assets	16,240	13,519	14,113
Property, plant and equipment	3,575,940	3,801,200	3,411,174
Investment property	18,654	15,211	14,834
Investment in associates	217,889	234,807	227,167
Available-for-sale financial assets	6,049	5,918	6,108
Deferred income tax assets	51,592	57,328	44,997
Defined benefit plan assets	43,066	51,157	46,782
Derivative financial instruments	1,776	17,057	250
Other non-current assets	58,326	71,920	81,793
	4,576,931	**4,836,077**	**4,412,873**
Current assets			
Inventories	373,102	408,247	387,061
Trade receivables	539,616	562,834	436,245
Other receivables	135,908	138,712	124,513
Available-for-sale financial assets	11	11	1,024
Derivative financial instruments	1,729	8,087	782
Cash and cash equivalents	444,246	487,705	696,965
	1,494,612	**1,605,596**	**1,646,590**
Assets held for sale	—	16,000	—
Total Assets	**6,071,543**	**6,457,673**	**6,059,463**

	Sep 30, 2010	Sep 30, 2009	Dec 31, 2010
	(thousands of euro)		
EQUITY			
Capital and reserves attributable to owners of the company			
Share capital	123,637	123,637	123,637
Share premium	458,696	458,696	458,696
Other reserves	128,324	334,878	10,604
Retained earnings	1,936,627	1,883,780	1,910,690
Treasury shares	(6,985)	(6,985)	(7,671)
	2,640,299	**2,794,006**	**2,495,956**
Minority interest	236,005	244,928	216,418
Total Equity	**2,876,304**	**3,038,934**	**2,712,374**
LIABILITIES			
Non-current liabilities			
Long-term debt	1,496,559	1,560,227	1,448,713
Derivative financial instruments	31,662	11,763	58,552
Employee benefits	317,423	327,662	314,754
Provisions for liabilities and charges	118,387	143,093	137,014
Deferred income tax liabilities	483,152	530,068	462,285
Other non-current liabilities	19,251	15,990	15,350
	2,466,434	**2,588,803**	**2,436,668**
Current liabilities			
Current portion of long-term debt	150,311	158,066	354,655
Short-tem debt	428	1,677	7,789
Derivative financial instruments	1,023	5,838	14,604
Trade payables	281,266	323,625	265,667
Income tax payables	50,368	57,452	40,681
Provisions for liabilities and charges	36,472	47,410	49,460
Other payables	208,937	235,868	177,565
	728,805	**829,936**	**910,421**
Total Liabilities	**3,195,239**	**3,418,739**	**3,347,089**
Total Equity and Liabilities	**6,071,543**	**6,457,673**	**6,059,463**

CONSOLIDATED INCOME STATEMENT

(thousands of euro)

	July-September		January-September	
	2010	2009	2010	2009
Net sales	**772,286**	**729,759**	**1,999,515**	**2,075,804**
Changes in inventories of finished goods and work in progress	(14,619)	(12,045)	(35,386)	(21,504)
Other operating income	15,248	14,558	79,251	82,507
Raw materials, supplies and consumables	(326,642)	(276,805)	(851,521)	(840,697)
Services	(182,986)	(163,097)	(491,237)	(492,485)
Staff costs	(110,417)	(100,187)	(322,717)	(314,194)
Other operating expenses	(15,736)	(14,856)	(51,493)	(63,090)
Operating cash flow (EBITDA)	**137,134**	**177,327**	**326,412**	**426,341**
Depreciation, amortization and impairment charges	(55,344)	(53,246)	(171,575)	(165,507)
Operating result (EBIT)	**81,790**	**124,081**	**154,837**	**260,834**
Gains on disposal of investments	–	4,660	110	4,661
Finance revenues	53,050	41,205	89,068	91,417
Finance costs	(75,249)	(59,483)	(161,179)	(169,100)
Equity in earnings of associates	1,791	2,539	4,840	5,505
Profit before tax	**61,382**	**113,002**	**87,676**	**193,317**
Income tax expense	1,855	(26,027)	(7,462)	(50,738)
Profit for the period	**63,237**	**86,975**	**80,214**	**142,579**
Attributable to:				
Owners of the company	54,473	76,658	59,611	117,281
Minority interest	8,764	10,317	20,603	25,298

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(thousands of euro)			
	July-September		January-September	
	2010	2009	2010	2009
Profit for the period	**63,237**	**86,975**	**80,214**	**142,579**
Currency translation differences	(224,976)	(66,089)	131,817	(107,083)
Changes from adoption of IAS 32 for partnerships	–	(1,735)	–	(2,002)
Other comprehensive income for the period, net of tax	**(224,976)**	**(67,824)**	**131,817**	**(109,085)**
Total comprehensive income for the period	**(161,739)**	**19,151**	**212,031**	**33,494**
Attributable to:				
Owners of the company	(153,045)	14,878	176,997	16,363
Minority interest	(8,694)	4,273	35,034	17,131

CONSOLIDATED NET FINANCIAL POSITION

(thousands of euro)

	Sep 30, 2010	June 30, 2010	Dec 31, 2009
Cash and short-term financial assets:			
- Cash and cash equivalents	444,246	487,705	696.965
- Derivative financial instruments	1,729	8,087	782
- Other current financial receivables	13,042	7,388	8.560
Short-term financial liabilities:			
- Current portion of long-term debt	(150,311)	(158,066)	(354.655)
- Short-term debt	(428)	(1,677)	(7.789)
- Derivative financial instruments	(1,023)	(5,838)	(14.604)
- Other current financial liabilities	(65,946)	(58,953)	(42.818)
Net short-term cash	**241,309**	**278,646**	**286,441**
Long-term financial assets:			—
- Derivative financial instruments	1,776	17,057	250
- Other non-current financial assets	6,811	18,973	15.889
Long-term financial liabilities :			—
- Long-term debt	(1,496,558)	(1,560,227)	(1.448.713)
- Derivative financial instruments	(31,662)	(11,763)	(58.552)
- Other non-current financial liabilities	(1,955)	(5,461)	(4.575)
Net debt	**(1,280,279)**	**(1,262,775)**	**(1,209,260)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

This interim report for the nine months ended 30 September 2010 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 2009, 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 30 September 2010 are consistent with the previous year's corresponding ones or with those of the current year, which are reported for comparison.

The changes occurred in the scope of consolidation during the first nine months of 2010 do not alter, overall, in a material way the comparability with the previous period. They mainly refer to the first-time consolidation on a line by line basis, effective as from July 2010, of the "Sibo" group operations, consisting of 13 ready-mix concrete batching plants located in Germany.

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

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Equity attributable to owners of the company is up €144.3 million from 31 December 2009. The change is mainly the result of three separate effects: an increase due to profit for the period (€59.6 million), an increase associated with the positive changes in translation differences following the weakening of the euro against the main currencies of the countries where the group operates (€117.4 million), a decrease due to dividends paid out by the parent company (€37.9 million).

Provisions for liabilities and charges (current and non-current) decrease by €31.6 million from the beginning of the year, due mainly to a release to income statement equal to €22.4 million of provisions set aside for potential tax claims abroad. The corresponding income was transferred to the caption income tax expense of the income statement, among tax relating to prior periods.

The decrease of 3.7% in net sales compared to the same period of 2009 is due to unfavorable trading conditions (volumes and prices effect) for 7.4%, to favorable currency effect for 2.7% and to additions in the scope of consolidation for 1.0%.

The breakdown of net sales 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*
Nine months ended 30 September 2010							
Net sales	467,950	548,536	375,206	452,111	155,568	144	1,999,515
Intersegment revenue	(168)	(818)	–	–	–	986	–
Revenue from external customers	467,782	547,718	375,206	452,111	155,568	1,130	1,999,515
Operating profit	5,555	35,748	57,556	10,197	50,647	(4,866)	154,837

thousands of euro	*Italy*	*Central Europe*	*Eastern Europe*	*USA*	*Mexico*	*Unallocated items and adjustments*	*Total*
Nine months ended 30 September 2009							
Net sales	537,069	533,560	368,311	493,470	140,661	2,733	2,075,804
Intersegment revenue	(149)	(910)	–	–	–	1,059	–
Revenue from external customers	536,920	532,650	368,311	493,470	140,661	3,792	2,075,804
Operating profit	17,087	70,274	72,580	52,566	47,760	2,394	262,661

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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.