

PRESS RELEASE**Trading update at 31 March 2020**

- **Cement sales stable (+0.4%) and ready-mix concrete volumes down 3.5% versus 2019**
- **In the first two months of the year, favorable operating performance in all operating regions, also thanks to benign weather conditions**
- **Since March, production and business activities severely hampered by the outbreak of the Covid-19 pandemic in Italy, Luxembourg and Eastern Europe; construction industry not directly affected by the lockdown in Germany and the United States**
- **Net sales in the first quarter of €688.5 million (2019: €656.0 million)**

Consolidated figures		Jan-Mar 20	Jan-Mar 19	% 20/19
Cement sales	t/000	6,018	5,995	0.4%
Ready-mix sales	m ³ /000	2,521	2,612	-3.5%
Net sales	€m	688.5	656.0	4.9%
		Mar 20	Dec 19	change
Net debt	€m	525.2	567.8	(42.6)

The Board of Directors of Buzzi Unicem SpA met today to briefly examine the economic performance during the first three months of 2020 as well as the net financial position at the end of the quarter.

In the first quarter of 2020, sales volumes of the group overall confirmed the levels, which were however strong, recorded in the same period of the previous year, thanks to the growth in shipments achieved in all markets where we operate during January and February, and to the subsequent continuation of the positive development in the United States of America, which was able to offset the sharp decrease in sales caused by the impact of the Covid-19 pandemic, particularly marked in March, in Italy, Luxembourg and Eastern Europe.

The spread of the Covid-19 epidemic led to a clear and generalized deterioration in economic activity and to strong repercussions on international trade flows, which resulted into a marked contraction in the development prospects for the current year.

The epidemic, which began in January in China, quickly spread globally, first to neighboring countries and then, in February and March, to Europe, the Middle East and the United States of America.

The most affected countries adopted more and more stringent containment measures, including school closure, suspension of public events, restriction on the free movement of persons and interruption of various production activities.

In China large areas of the country were isolated, with severe restrictions on mobility, while in Italy, the first country outside Asia to experience a high number of infections, since the beginning of March the measures of restriction on mobility and the lockdown of non-essential economic activities were rapidly broadened to the whole national territory and their duration was gradually extended. Similar restriction measures were also implemented in the major European countries, including Spain, France and Germany, while the Netherlands and the United Kingdom, which initially had decided not to impose such provisions, subsequently revised their strategy, adopting more severe measures. In the United States of America, following the national emergency declaration, the quarantine, social distancing and reduced mobility measures were extended, with the concurrent limitation of private and public businesses, although with significant differences among the States.

The impact of the Covid-19 pandemic on the dynamics of economic growth for the current year, albeit difficult and highly uncertain to quantify, due to both the difficulty in estimating the duration of the epidemic together with the effects of the policies necessary to deal with it, and to the continuation of some restriction measures even at a later stage, is expected to be very significant. The most recent estimates foresee a global GDP contraction of 3%, down 6.4 percentage points compared to the previous evaluations which were released in January, with a more pronounced recession in the advanced countries, where so far on average more stringent containment measures have been implemented.

In the United States of America, where employment rate visibly declined and requests for unemployment benefits rapidly increased to extraordinarily high levels, a GDP decline of approximately 6% is foreseen, down 7.9% on previous estimates. However during the first quarter the first signs of deterioration were already evident in the manufacturing and very pronounced in the services sector.

In Europe, the effects of the epidemic were immediately significant: sharp drop in the services sector, far more pronounced than in manufacturing, signs of a much longer delivery time for the manufacturing sector, attributable to interruptions in the supply chain, and drastic contraction in the confidence indicators of both families and companies. In line with the decrease in business and the fear of more permanent scarring on the economy, GDP growth expectations for 2020 have been fully revised downwards (8.8%), corresponding to a recession of 7.5%.

In Italy, the measures adopted by the government and the local administrations starting from the end of February, in addition to the progressive restrictions on mobility, had immediate repercussions on the activity in the hospitality, catering, travel and transport, recreational, cultural sectors and retail trade, while since 22 March the lockdown has affected all segments of the economy defined as "non-essential". The scenarios on the trend of Italian GDP foresee a strongly negative evolution, decreasing by 9.1%.

Among the emerging countries, in China, where the stop of infections in March allowed a first return to normal, after the contraction of economic activity at the start to the year, modest GDP growth is expected (+1.2%), while in Mexico, Brazil and Russia visible contractions in business

are foreseen, to the tune of more than 7 percentage points compared to the previous estimates, with a GDP decrease higher than 5%.

In all the main countries monetary and tax authorities implemented strong expansionary measures to support household and business incomes, credit to the economy and liquidity on the markets.

During the first quarter of the current year, cement sales of the group stabilized on the levels of 2019, reaching 6.0 million tons (+0.4%).

After a start to the year characterized by growth in demand in all the markets where we operate, the effects of the spread of the Covid-19 infection and of the containment measures adopted in March had a significant negative impact on the volumes of shipments in Italy, Luxembourg, Eastern Europe, but a limited one in Germany. On the other hand in the United States of America the resilience of demand, except for the North-East region, allowed the quarter to close with a favorable sign. Ready-mix concrete sales were more influenced by the spread of the pandemic, recording a 3.5% contraction compared to the same period of 2019, reaching 2.5 million cubic meters.

The price effect in local currency, compared to the first quarter of 2019, was positive or neutral in all regional operations.

Consolidated net sales stood at €688.5 million, up 4.9% compared to €656.0 million in the first quarter of 2019. The effect due to exchange rate changes was favorable for €10.9 million. Like for like net sales would have increased by 2.5%.

Net sales breakdown by geographical area is as follows:

<i>million euro</i>	<i>Q1-20</i>	<i>Q1-19</i>	<i>Change abs</i>
Italy	114.7	119.6	-4.9
United States of America	273.7	252.8	20.9
Germany	149.3	137.1	12.2
Luxembourg and Netherlands	41.2	43.5	-2.4
Czech Republic and Slovakia	30.5	28.5	2.0
Poland	24.8	23.4	1.4
Ukraine	22.1	18.5	3.5
Russia	40.3	40.2	0.1
Eliminations	-8.1	-7.8	-0.3
	688.5	656.0	32.5

Net debt as at 31 March 2020 amounted to €525.2 million, €42.6 million lower compared to the year-end 2019. The figure was affected by total capital expenditures of €83.1 million (€67.9 million in 2019), €18.3 million thereof for the so-called earn-out relating to the Cementizillo acquisition (with no impact on the net financial position). Furthermore, at the beginning of March the sale of all the assets of the associate Kosmos Cement Company was concluded, with the subsequent distribution to Buzzi Unicem of a dividend equal to 162 million dollars.

Italy

The development of our cement and clinker volumes, after a satisfactory start to the year, favored by the substantially dry and mild climate, as well as by the additional contribution of the Testi cement plant and the two grinding plants in Piedmont, recorded a marked contraction in March, caused by the epidemic containment provisions that led, at first, to the almost complete stop of businesses in the service sector and non-food retail trade, then, starting from 22 March, of "non-essential" industrial sectors, including cement production and building. Overall in the first quarter, cement and clinker sales showed a considerable reduction, although the price effect was favorable. The ready-mix concrete sector recorded a more marked decline, also with prices increasing. Net sales decreased from €119.6 to €114.7 million (-4.1%). At constant scope, they would have declined by 7.4%.

Central Europe

In **Germany**, the restriction and epidemic containment measures launched by the government authorities coupled with the efficiency of the domestic healthcare system allowed to effectively limit the negative impacts of the pandemic. The restrictions did not affect the production activities and, consequently, the shipments from our production plants continue at a fairly regular pace. Hydraulic binders volumes slightly progressed, with selling prices improving. Ready-mix concrete output performed well, benefitting from the additional contribution of some plants acquired last year, with prices also improving. Total net sales stood at €149.3 million (+8.9% compared to €137.1 million in 2019). At constant scope, net sales would have been up 7.8%.

In **Luxembourg** and the **Netherlands**, after a particularly brilliant start to the year, following the governmental restrictions on industrial activities, aimed at containing the infection, in March we suspended production and sale from our Rumelange cement plant. The progress of cement volumes achieved in January and February offset the clear decline of March, allowing to close the quarter at a stable level versus 2019, with prices slightly progressing. In the ready-mix concrete sector, exposed to the Netherlands and France, the decline in sales volumes was more marked. Overall net sales decreased from €43.5 to €41.2 million (-5.5%).

Eastern Europe

In the **Czech Republic**, thanks to the particularly positive growth achieved in January and February, cement sales volumes in the first quarter of the current year improved compared to 2019 levels, despite a visible slowdown occurred in March, caused by the restrictions that the country immediately implemented to counter the spread of the Covid-19 epidemic. Also selling prices in local currency showed a favorable momentum. The ready-mix concrete market, which includes **Slovakia**, recorded a similar trend in sales volumes, in a context of slightly lower prices in local currency. Net sales came in at €30.5 million (€28.5 million in 2019, +6.9%), with a neutral exchange rate effect.

In **Poland**, although the measures to contain the outbreak of the epidemic did not lead to the suspension of the production activity for our cement plant in Nowiny, cement volumes sold during the first quarter of the current year showed a visible slowdown, particularly clear in

March, however accompanied by selling prices, in local currency, markedly progressing. Ready-mix concrete output also decreased, in a context of stable prices in local currency. Net sales, influenced by a negative exchange rate effect of €0.1 million, increased from €23.4 million in 2019 to €24.8 million in the current year (+6.0%).

In **Ukraine**, cement shipments, due to the particularly pronounced decline in March, when the effects of the epidemic and of the restrictions began to visibly influence economic activity in the country, closed the quarter overall down, while selling prices, in local currency, maintained a favorable momentum. The ready-mix concrete sector, after posting growth in production also in March, recorded sales volumes markedly progressing, with prices in local currency higher compared to the reference period. Net sales increased from €18.5 to €22.1 million (+18.9%). On the translation of results into euro the strengthening of the local currency had a positive impact of €2.4 million.

In **Russia**, the restrictions on economic activities imposed by the government to contain the spread of the infection negatively impacted shipments from our production plants. In addition, the price war with Saudi Arabia caused oil prices to collapse, leading, among other things, to a major devaluation of the ruble and to a visible reduction in demand for special oil-well cements. Cement volumes therefore contracted in the first quarter, with prices in local currency slightly improving. Net sales revenue increased from €40.2 million to €40.3 million (+0.2%). The translation of results into euro was favored by the temporary appreciation of the ruble for €0.6 million. In local currency, net sales would have decreased by 1.3%.

United States of America

In a context of still lively demand, thanks to the favorable weather conditions and the absence of widespread restrictions on activities in the construction sector, our cement sales closed the first quarter up. The improvement in sales was particularly robust in the South-West regions, despite a rather visible drop in the demand for special oil-well cements, with selling prices in local currency with no relevant changes. Ready-mix concrete output, mainly located in Texas, stood on the levels reached in 2019, with selling prices strengthening. Overall net sales thus increased from €252.8 to €273.7 million (+8.3% compared to the same period of the previous year). The translation into euro was favored by the appreciation of the dollar for €8.0 million. In local currency, net sales would have increased by 5.1%.

Mexico (valued by the equity method)

The policy of containing the spread of the epidemic, which became more and more stringent in the country, since March has defined a series of infrastructural works as an essential strategic sector. In this context, it was possible to achieve a slight increase in cement volumes in the quarter under review, with selling prices, in local currency, showing a weaker momentum. Ready-mix concrete output, on the other hand, showed a marked contraction and similar weakness in the selling price trend. Net sales, in local currency, decreased by 0.6%. The depreciation of the Mexican peso had a negative impact on the translation of results into euro. With reference to 100% of the associate, net sales decreased from €150.5 million to €147.7 million (-1.9%).

Brazil (valued by the equity method)

In the first quarter, cement and clinker sales of our joint venture decreased, both due to the heavy rains that hit the South-East region of the country, and to the first effects from the spread of the epidemic. Selling prices, in local currency, showed instead a positive trend. Net sales in local currency recorded a decrease of 0.6%. The depreciation of the real (-14.9%) penalized the translation of results into euro. With reference to 100% of the associate, net sales decreased from €33.3 million to €28.8 million (-13.5%).

Outlook

In Italy, the construction sector, with limited exceptions, was not included among the core activities, and therefore almost all of our production and trade business has also been suspended since 23 March. The return of the health emergency indicators to more sustainable levels has allowed the government authorities to prepare a gradual plan to ease the restrictions, which has allowed the resumption of our business since Monday 4 May, even if subject to the implementation of very stringent security and social distancing measures. However, generalized restrictions on the mobility of persons are still in force in the country. The reopening plan initially envisages the restart of shipments and then, according to demand levels, of continuous production in the various plants. For the entire year, we expect a clear decrease in domestic cement consumption compared to the 2019 figure.

In Germany, the spread of the pandemic was effectively countered and maintained at a level allowing the conduct of production and commercial activities, including the construction sector. Despite fewer restrictions on personal mobility, shipments from our plants showed a downward trend in April, with oil-well cement sales penalized by the collapse in the oil price. Germany is among the countries least affected in the short term by the pandemic, however, it will also have to face a rather serious recession in the near future, which is normally associated with a reduction in capital expenditure feeding cement consumption.

In Luxembourg, after the first two months well above average, the restrictions on our production and sales activities, in force since March, have been suspended since the last week of April. The plant then resumed commercial activity and cement production, together with the reopening of the construction sites. Due to the restrictions, shipments during April were almost null and only through a possible abolition of the traditional summer closure the lost volumes could be recovered during the year.

In the Czech Republic, where the infection was countered with generalized restriction measures taken well in advance, health indicators, being under control, allowed the gradual relaxation of restrictions which, however, had only partially affected our production activity and more generally, the construction sector. In April sales were down, more in the cement business than in the ready-mix concrete one, while a possible return to levels close to normal is expected in May. Looking at the whole year, it should be the market least affected by the Covid-19 effect among those in the Eastern Europe region.

In Poland, epidemic indicators remained rather high: the worsening of the infections in April led to widespread restrictions on mobility. A gradually easing plan is expected from May. In April, cement sales, which also suffered from the difficulty of supplying some raw materials, showed

a clear reduction. Ready-mix concrete output recorded an even sharper decline. The whole financial year is likely to close with a noticeable slowdown. In the penalizing framework of the pandemic, however, it must be borne in mind that Poland comes from a long period of expansion of construction investments and that both Warsaw and Wroclaw had shown signs of weakness before the health problem emerged.

In Ukraine, in view of the growing number of infections and the extreme difficulty of the healthcare system in managing them, the restrictive regulations issued, which however did not concern industrial activities, are expected to remain in force until mid-May. In this context of emergency so far, despite the absence of prohibitions for construction sites, our volumes sold in April slowed down strongly. In the next few months of 2020, demand is expected to be weak, as the crisis of confidence and the worries induced by the spread of the virus lead the private sector to postpone investments, both for ordinary and for more significant projects.

In Russia, the implications of Covid-19 have rapidly worsened, mainly in the Moscow and St. Petersburg areas, where severe restrictions on individual mobility and production activities were introduced, including the construction sector until mid-May. In late April, new disease outbreaks were identified in other areas of the country, including the Ekaterinburg area, capital of the Urals region where our production plants are located, which have remained up and running for the time being. Sales throughout April, however, indicate a clear slowdown in demand from the private sector, due to general uncertainty, while the government is showing active support to some infrastructure projects. In the rest of the year, we expect a more sizable drop in oil-well cement sales, caused by the expected production cut.

In the United States of America, with the spread of the health emergency, the governors of the various States issued lockdown measures, which normally concerned the closure of schools, of activities open to the public and the strong recommendation to maintain the social distancing while staying as much as possible home. Throughout April, our plants, with the exception of Stockertown, PA which suffered from the interruption of construction activities in the North-East, maintained regular operations and sales volumes have remained in line with 2019 year to date. However, the coming months are of great concern, considering that the PCA bureau of economic studies expects demand to decline by around 20% during the second quarter.

By analyzing the comments above it is clear that in the first quarter of 2020 the impact of the Covid-19 pandemic was limited and that the two central quarters of the year will provide a more precise indication of the intensity of the global recession and the demand for building materials in the scenario that is taking shape. In this regard, it should be pointed out that the measures to reduce costs and to postpone investments that many companies, including Buzzi Unicem, are implementing will result in a difficult market cycle, which will be fully visible only after a few months. Due to the constantly changing context, a reliable estimate of the group's operating results for the entire 2020 is not yet possible and we prefer to postpone any quantification until the end of the first half, when, hopefully, we will have fully entered the phase of manageable circulation of the virus.

Alternative performance measures

Buzzi Unicem uses in its financial disclosure some alternative performance measures that, although widespread, are not defined or specified by the accounting.

Pursuant to Consob Communication no. 92543/2015 and the guidelines ESMA/2015/1415 set out below is the definition of the measure which has been used in this disclosure.

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

The manager responsible for preparing the company's financial reports, Elisa Bressan, 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, 8 May 2020

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