

PRESS RELEASE

Trading update at 30 September 2017

- **Cement sales up 4.1%, ready-mix concrete volumes +4.8% from last year**
- **Activity level increasing in Italy, thanks to the change in scope, and recovery persisting in Central Europe; favorable trend in the United States, despite the impact of the hurricane Harvey along the Texas coast**
- **In Eastern Europe the good performance of shipments above all in the Czech Republic, as well as in Russia and Poland, is partly offsetting a certain weakness in Ukraine**
- **Net sales at €2,133.4 million (€1,998.5 million in 2016)**

Consolidated data		Jan-Sep 17	Jan-Sep 16	% 17/16
Cement sales	m ton	20.3	19.5	4.1%
Ready-mix sales	m m3	9.2	8.8	4.8%
Net sales	€m	2,133.4	1,998.5	6.7%
		Sep 17	Dec 16	change
Net debt	€m	915.2	941.6	(26.4)

The Board of Directors of Buzzi Unicem SpA met today to briefly examine the economic performance from January to September 2017 as well as the net financial position at the end of the period.

In the first nine months of the current year, although the operating performance was penalized at the end of August and in September by the impact of hurricane Harvey along the Texas coast, sales volumes of the group continued to grow compared to the previous year, thanks also to the change in scope referring to the first line-by-line consolidation of the Zillo Group (starting from the beginning of July). With the exception of Ukraine, which was slightly declining, favorable variations of shipments to customers were achieved in all the other countries where the group operates, more marked in Italy, Germany, the Czech Republic and Luxembourg and more linear in the United States of America, Russia and Poland.

Economic growth in the major advanced and emerging countries showed some signals of consolidation and confirmed more favorable expansion prospects. International trade, albeit moderated after the strong acceleration of the beginning of the year, confirms for the current year the forecast of development at a higher rate than GDP.

In the United States, the economic situation continued to be driven by consumption and investment, while inflation, which stood at 2.2% in September, was surprisingly low, falling below expectations. In Europe the growth, mainly supported by domestic demand, strengthened in the second quarter (+0.6%) and continued at similar rates in the third one. Inflation however stopped at 1.5%, with underlying pressures curbed by wage developments, which are still moderate in many economies of the area and with still wide underutilization margins. Growth in Italy, both for the service and the industrial sector, appears to be more widespread, and GDP dynamics were still strong in the third quarter as well.

On the basis of the most recent futures contracts, oil prices are expected to be rather stable and close to current prices, after going up from the end of September as a result of the OECD inventory reduction and production discontinuation in some regions.

The Federal Reserve began the process of reducing the budget and markets expect a further interest rate increase in December. The ECB Governing Council, on the other hand, confirmed the need for a high degree of monetary adjustment, considering the conditions for a stable return of inflation to close to 2%.

Although global growth prospects and international trade forecasts further improved, there are still relevant risk factors surrounding the uncertainty about the expansion and revision measures of financial regulation proposed by the US administration and those related to the outcome of the UK exit negotiations from the European Union, which could have negative repercussions on family and business confidence and reflect on spending and investment decisions.

During the third quarter of 2017, in the various countries where Buzzi Unicem operates, the construction sector overall maintained a satisfactory growth rate, with still positive figures in Germany and the Czech Republic and some strengthening compared to the first half of the year in the United States, Luxembourg and Russia, while in Ukraine some signs of discontinuity were recorded compared to the first part of the year.

Cement and clinker sales of the group in the period January-September 2017 amounted to 20.3 million tons, up 4.1% over the previous year (+2.6% like for like). Ready-mix concrete sales accounted for a somewhat more pronounced change (+4.8%) compared to the same period of 2016, reaching 9.2 million cubic meters (9.1 million cubic meters like for like). Price effect in local currency, compared with the same period of 2016, remained positive in the United States, in Ukraine (driven by inflation) and slightly improved in Poland, while in the other countries no significant variances were registered.

Consolidated net sales improved from €1,998.5 to €2,133.4 million (+6,7%), gross of a foreign exchange effect which favorably accounted for €23.4 million. On a like-for-like basis, net sales would have increased by 4.5%. The volume and price effect, both favorable, came in at respectively €69.0 million and €35.5 million.

Net sales breakdown by geographical area is as follows:

<i>million euro</i>	Q3-17	Q3-16	<i>Change abs</i>
Italy	316.1	279.7	36.4
United States of America	860.5	831.7	28.9
Germany	448.1	429.6	18.5
Luxembourg and Netherlands	137.0	131.7	5.3
Czech Republic and Slovakia	108.7	101.5	7.2
Poland	74.9	73.4	1.5
Ukraine	73.3	60.6	12.7
Russia	145.7	118.5	27.2
Eliminations	-30.9	-28.1	-2.8
	2,133.4	1,998.5	134.9

Net debt as at 30 September 2017 amounted to €915.2 million, down €26.4 million from year-end 2016. Total capital expenditure of €158.0 million affected this figure (€176.9 million in the same period of 2016), of which €26.9 million relate to cash outflows for the purchase of 100% of the Zillo Group.

Italy

Our sales of hydraulic binders and clinker increased significantly compared to the first nine months of 2016, mainly due to the first time consolidation of the Zillo Group (starting from 3 July 2017), as well as the increasing overseas export volumes and clinker. Average sales prices were marginally weaker, due to the effect of the different mix, that is an increasing export and clinker quota. The ready-mix concrete sector also benefited from the change in scope associated with the acquisition of Zillo, as well as that in the Milan area, with a remarkable growth in production, although with prices down. Overall net sales increased from €279.7 to €316.1 million (+13.0%). Like for like net sales would have increased by 5.3%.

Central Europe

In Germany, the demand for hydraulic binders continued to maintain a favorable performance. Our deliveries confirmed a gradual level of growth, with an acceleration of oil well special cements greater than the average. Average sales prices showed a fairly linear trend and closed the nine months marginally up. The pace of ready-mix concrete production remained slightly below that of the same period of the previous year, with prices recovering. Overall net sales amounted to €448.1 million, up 4.3% compared to €429.6 million in 2016.

In Luxembourg and the Netherlands cement sales volumes, thanks to the good performance of the domestic demand and to the support of exports towards the neighboring countries, which strengthened during the summer months, closed the period with a favorable change and prices marginally improving. Ready-mix concrete sales confirmed even more lively volumes and prices slightly down. Net sales came in at €137.0 million, up 4.0% (€131.7 million in 2016).

Eastern Europe

The Czech Republic at the end of September confirmed a strengthening trend in cement sales, with average prices in local currency basically unchanged. Ready-mix concrete output, which also includes Slovak operations, marked a net improvement as well, with an average price level marginally up. Net sales, which were influenced by the strengthening of the Czech koruna, amounted to €108.7 million (€101.5 million in 2016, i.e. +7.1%). At constant exchange rate net sales would have increased by 5.6%.

In Poland, at the end of the first nine months, cement sales closed at the same level of the previous year, while ready-mix concrete output declined. Selling prices in local currency were still above 2016, both for cement and concrete. Net sales, which were positively influenced by an exchange rate effect of €1.6 million, increased from €73.4 to €74.9 million (+2.0%). At constant exchange rate net sales instead would have decreased by 0.1%.

In Ukraine, after a satisfactory growth in the first half of the year, a slowdown in cement deliveries during the summer months resulted in a moderate decrease of cement sales at the end of September, however with prices in local currency always remarkably favorable, due to the high inflation rate of the country. Ready-mix concrete output, albeit insignificant in absolute terms, has been growing steadily, with average prices in local currency increasing at double-digit percentage. Turnover improved from €60.6 to €73.3 million (+21.0%). The translation of results into euro was penalized by the depreciation of the local currency; at constant exchange rate net sales would have increased by 25.5%.

In Russia, the favorable trend in the oil well cement products was confirmed and we recorded some recovery of shipments during the summer months, which allowed to close the first nine months of sales slightly up over the previous year. Average unit prices in local currency marginally improved. Net sales increased from €118.5 to €145.7 million (+22.9%). The translation of results into euro was favored by the strengthening of the ruble (+€21.4 million); in local currency net sales would have increased by 4.9%.

United States of America

Our overall cement sales, thanks also to a less challenging comparison with the summer quarter of the previous year, recovered the slight disadvantage accumulated in the first half, closing the first nine months slightly improving. The trend in deliveries was rather inconsistent across the different regions where the group operates and was influenced both by a substantial recovery of oil well cements and by the devastating effect of hurricane Harvey, that hit in the south-east of Texas, particularly in the Houston metropolitan area. Average prices in local currency maintained a favorable change, consistent with the level achieved in the first half of the year. Ready-mix concrete output, mainly located in Texas, and therefore penalized by the hurricane, however closed the first nine months at an only marginally lower level and prices down in local currency. Overall net sales thus increased from €831.7 to €860.5 million (+3.5%). Foreign exchange effect was favorable for €1.6 million.

Mexico (valued by the equity method)

September was characterized by strong earthquakes, that mainly affected the central areas of the country and made ordinary operations difficult for a few days. Fortunately, the company did not suffer damage to people or equipment, if not to a minimum extent. In this context cement sales trend of our joint venture, thanks to the gradual introduction of the new production capacity at the Apazapan plant (Veracruz), confirmed an appropriate growth, with average prices in local currency clearly improving over the same period of the previous year. Ready-mix concrete sales decreased below 2016 levels, but with prices in local currency strongly increasing. Net sales in local currency grew by 20.9%. The depreciation of the Mexican peso (-2.8%) had an unfavorable impact on the translation of results into euro; with reference to 100% of the associate, net sales increased from €450.2 million to €529.3 million (+17.6%).

Outlook

The operating conditions of the first nine months, though affected in the United States of America and Mexico by exceptional weather and seismic events, maintained a positive trend anyway, consistent with the expected developments. Starting from the second half of the year, there has been a sharp and significant reduction in the value of the dollar against the euro, which entails a negative translation effect of net assets denominated in that currency. In addition, over the last few weeks prices increased more than expected in the electricity and fossil fuel market.

All in all our best current guidance, which is consistent with the one already disclosed to the market in the half-yearly report, foresees for the full financial year 2017 an improvement of recurring Ebitda between 5% and 10%, with good probability of achieving the higher end of the range.

With reference to the antitrust sanction imposed in August on Buzzi Unicem and other companies operating in the cement market in Italy, the TAR Lazio has informed us today that, also due to the fact that the company has already been granted by the Authority the payment by installments, the interests of the parties can be safeguarded by the prompt scheduling of the oral hearing on this subject (established on 6 June 2018), thus not deeming it necessary to grant withholding of the payment of the sanction itself. Regarding this lawsuit we reaffirm our desire to pursue all the legal channels available for the most determined opposition, knowing that we have acted in full compliance with antitrust legislation and that the allegations made by the Authority are unfounded. We also specify that the rejection of the precautionary suspensive payment order, although not prejudicial to the outcome of the appeal, leads to the booking of the entire sanction, pending the result of the judgment.

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 n. 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's 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, 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, 9 November 2017

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