Buzzi Unicem

PRESS RELEASE

Interim results at June 30, 2013

- **Sales volumes recovering in the second quarter but still lower than in 2012; building activity always very weak in Italy and slowdown in Mexico**
- **Price effect moderately favorable but production costs penalized by low level of activity and electric power hikes; acceleration of cost-saving and efficiency projects in the most critical markets**
- **Net sales at €1,274 million (€1,351million in 2012); Ebitda at €151 million (€201 million in 2012)**
- **Second half expected in sizeable improvement: for full year 2013, outlook of recurring Ebitda down 5% to 10% from the previous year**

Consolidated data		**Jan-Jun 13**	**Jan-Jun 12**	**% 13/12**
Cement sales	m ton	12.3	13.1	-5.8
Ready-mix sales	m m3	5.9	6.6	-9.8
Net sales	€m	1,273.7	1,350.9	-5.7
EBITDA	€m	150.7	200.5	-24.8
Net profit (loss)	€m	(26.6)	18.5	n.s.
Consolidated net profit (loss)	€m	(37.3)	3.6	n.s.
		Jun 13	**Dec 12**	**Change**
Net debt	€m	1,197.1	1,124.9	-72.2

The Board of Directors of Buzzi Unicem met on August 2, 2013 to examine the interim financial report as at June 30, 2013.

The world economy, during the first months of 2013, benefited from the strengthening of the recovery in the United States and from the expansion in Japan, while growth in the major emerging countries, albeit sustained, slowed the pace in Cina, Russia and India. In the Eurozone, after a GDP contraction in the first quarter, some signs of progress appeared, but the development levels remained low. Weakness spread also to the countries not directly exposed to the financial market tensions, so much that GDP declined in all main economies, except for a modest growth in Germany driven by a rise in household consumption. Although the cyclical sluggishness is mitigating, the latest growth projections for the Eurozone have been revised downwards. The strengthening of the economic activity in the United States reflected the acceleration of household consumption, while the reduction in public spending negatively affected growth to a lesser extent that in the last quarter of 2012. The prices of commodities and energy factors decreased, favoring a generalized fall in inflation and future contracts implicit indications point to further possible declines of crude oil in the second half of the year. Monetary policies in advanced countries maintained an expansionary stance. World economy trend in 2013 is expected to be similar to the previous year's one (+3.1%) but the outlook is still subject to downside risks due to higher uncertainties on the growth of the main emerging economies.

Net sales posted in the first six months were down 5.7% to €1,273.7 million from €1,350.9 million in H1-12 while Ebitda amounted to €150.7 million vs. €200.5 million (-24.8%). Price effect was overall favorable, but showed a quite different trend in the various geographical areas: stable in Italy, on the rise in Germany and the United States, slightly declining in Luxembourg, the Czech Republic and Mexico, and more markedly down in Poland. The unfavorable volume effect and the high inflation of production factors in Russia reduced operating profitability. Moreover, the penalizing comparison with a quite brilliant 1H-12 amplified the unfavorable change both in absolute terms and in percentage. Foreign exchange effect was not material: it negatively impacted net sales for €4.0 million and was nil on Ebitda.

Operating and financial results

In the first six months of the year, group's cement volumes at 12.3 million tons were down 5.8% from the same period a year earlier. A progress was reported only in the United States and Russia. Ready-mix concrete output decreased to 5.9 million cubic meters (-9.8% vs. 2012).

Consolidated Ebitda decreased by 24.8% to €150.7 million from €200.5 million in 2012. The 2013 figure was penalized by non-recurring costs for €1.7 million, while in 1H-12 it included non-recurring income of €7.7 million. Net of these amounts, Ebitda would have decreased by €40.5 million (-21.0%). Foreign exchange fluctuations had no material impact, since the strengthening of the Mexican peso and the Polish zloty offset the weakness of the US dollar, the Russian ruble and the Ukrainian hryvnia. Changes in the scope of consolidation accounted for a slight increase (+€0.2 million). Like-for-like, Ebitda would have decreased by 21.1%. In the second quarter Ebitda to sales margin declined in all areas of presence, sometimes slightly (United States, Central Europe), sometimes more markedly (Eastern Europe, Mexico); in Italy the operating loss was amplified by the lack of demand and the ongoing difficulties in the ready-mix concrete sector. After amortization and depreciation for €112.9 million (€113.2 million in H1-12), Ebit came in at €37.8 million (€87.3 million at June 2012). Profit before tax was negative for €8.3 million vs. a positive of €22.6 million in H1-12, after net finance costs of €47.6 million (€65.0 million in 2012) and a positive contribution of €1.5 million from the associates accounted for under the equity method. Income tax expense was affected by the non-recognition of deferred tax assets on tax losses accrued in Italy, due to a rigorous judgment on the future utilization. Consequently, income statement for the period closed with a net loss of €26.6 million vs. a net profit of €18.5 million in 1H-12. The profit attributable to owners of the company amounted to a loss of €37.3 million vs. profit of €3.6 million in 2012.

Cash flow was equal to €86.3 million vs. €131.6 million at June 2012. Net debt as at 30 June 2013 amounted to €1,197.1 million vs. €1,124.9 million at 31 December 2012. In the first six months, the group paid out dividends for €23.9 million, €12.5 million of which by the parent company and undertook capital expenditures for a total of €81.4 million.

Italy

Cement and clinker volumes, exports included, shrank by 13.5% from H1-12, less than the trend of domestic consumption, thanks to growing exports. Selling prices slightly strengthened thanks to the price list increase applied at the beginning of the year and reported a 1.3% improvement over the same period of 2012. Ready-mix concrete reported a 30.6% decrease in sales volumes, with prices up 4.3%. Overall net sales came in at €202.6 million, down 17.5% from €245.7 million in H1-12. Fuel cost showed a slightly favorable trend from the beginning of the year while the price of electric power was still rising. Ebitda remained negative and dropped from -€0.9 million to -€17.8 million, €10.7 million thereof represented by provisions for impairment on trade receivables.

Central Europe

In Germany, cement volumes sold decreased by 7.3% from H1-12, with prices slightly up (+1.8%). The breakdown between domestic deliveries and exports indicates that the former decreased by 5.1% and the latter fell by 23.4%, mainly due to a plunge in demand from the Netherlands. After a start of the year negatively affected by the climate, the second quarter showed a fair resilience, despite persistent rainy weather. Ready-mix concrete sector recorded an output decrease of 4.5%, with prices slightly up too. To be noticed however that since the beginning of the year, following an organization restructuring, some ready-mix concrete production and sale activities have been transferred to Luxembourg. At constant scope, output decrease would have been of 1.2%. Consequently overall net sales decreased to €269.0 million from €286.0 million in 2012 (-5.9%) and Ebitda fell to €20.2 million from €30.2 million in the previous year. During the first half of the year, other operating costs were accrued equal to €1.9 million for inter-group purchases of CO2 emission rights, while in the same period of 2012 the company had realized other operating revenues for €1.8 million deriving from the sale of the rights. As for energy factors, both fuel and electric power showed a slightly negative trend. Labor costs include €1.8 million of extraordinary provisions for employee benefits.

In Luxembourg, after a start of the year heavily affected by adverse weather, the second quarter showed a resilience of sales more in line with the results reached in the same period of 2012. In the six months, cement and clinker volumes sold, including internal sales and exports, decreased by 9.6%, with slightly lower average unit revenues (-2.7%). Net sales came in at €51.6 million, down 4.6% from €54.0 million in H1-12. Ebitda increased to €6.6 million vs. €6.2 million in 2012. The trend of energy factors was favorable for fuels and stable for electric power. During the period, the company realized other operating revenues equal to €0.6 million deriving from the inter-group sale of CO2 emission rights (nil in 2012). To be noticed that since the beginning of the year, following an organization restructuring, some ready-mix concrete production and sale activities have been transferred from Germany to Luxembourg, whose contribution to Ebitda for the period was equal to €0.8 million.

In the Netherlands, volumes sold totaled 0.3 million cubic meters of ready-mix concrete, in sharp decline from the previous year, with net sales amounting to €36.1 million (€47.0 million in H1-12). Ebitda continued to be negative, decreasing to -€4.0 million from -€1.7 million. With the aim of achieving important cost-savings, major reorganization plans to improve efficiency are currently being studied, which, inter alia, provide for a tighter coordination with the ready-mix concrete structure in Germany.

Eastern Europe

In the Czech Republic and Slovakia, cement volumes decreased by 16.7% from the same period a year earlier and average selling prices in local currency were slightly down (-1.3%). Also the ready-mix concrete market confirmed a significant decline in volumes (-12.0%) with prices higher by 2.0%. Overall net sales, also penalized by a weaker koruna, decreased by 16.2%, from €64.1 million to €53.8 million while Ebitda stood at €3.7 million vs. €7.9 million in H1-12 (-53.0%). Ebitda to sales margin continued to drop, going from 12.3% to 6.9%. Fuel cost showed a favorable trend while electric power price was on the rise. During the period, other operating revenues were realized, equal to €0.9 million deriving from inter-group sale of CO2 emission rights (nil in 2012). To ease the return to higher profitability levels, some organization improvement plans are being implemented, among which the establishment of a shared administrative centre in the Country for both cement and ready mix-concrete sectors.

In Poland cement sales volumes were lower than in 1H-12 (-6.5%). An even more marked decline was reported in ready-mix concrete output (-18.3%). After a start of the year penalized by the comparison with the 2012 very positive performance, the second quarter showed a favorable change. Selling prices in local currency continued to drop (-6.6% for cement and -8.2% for ready-mix concrete) but the turnabout which began in the second quarter bodes well for the second half of the year. Net sales in euro, which benefited from a revaluation of the local currency (+1.6%), came in at €45.5 million, down 14.3% from €53.1 million in 2012. Ebitda decreased by 8.0% to €9.1 million vs. €9.9 million in H1-12 with Ebitda margin however improving from 18.6% to 20.0%. The trend of energy factors' cost was favorable for electric power while fuel price slightly increased. During the period, other operating revenues were realized, equal to €0.4 million deriving from inter-group sale of CO2 emission rights (nil in 2012).

In Ukraine, in the first six months, cement volumes sold fell by 15.1% in a favorable price environment (+4.5% in local currency). Net sales and Ebitda decreased from €60.8 million to €52.6 million (-13.5%) and from €4.4 million to €1.3 million respectively, penalized by the weakening of the local currency (-2.0%). Ebitda includes €1.7 million non-recurring costs relating to a litigation with the public administration about VAT on gas supplies. Fuel cost trend was slightly favorable while a high inflation rate characterized electric power (+23%).

In Russia volumes sold increased by 3.0% from H1-12, with prices in local currency on the rise (+10.2% HoH). Net sales were up 7.4% from €105.4 million to €113.2 million while Ebitda stood at €36.0 million from €41.2 million in 2012 (-12.6%). The ruble devaluation (-2.6%) negatively impacted the results translation into euro. Net of foreign exchange effect, net sales and Ebitda would have posted a change of +10.3% and -10.2% respectively. Energy factors trend was very unfavorable for both fuels (+12%) and electric power (+33%). In the second quarter, due to a fire in the raw meal grinding department, production stopped in the dry-process kiln 5. To meet demand, inventories of works in progress were used, with a decrease of around €9 million vs. 2012 year-end. Kiln 5 is expected to resume normal running during the month of August.

United States of America

In the first six months, cement volumes pace of growth continued to be different: quite robust in the South-West of the Country and only in slight progress in the Midwestern regions. Sales volumes, which in 1H-12 had posted a remarkable increase, closed the first half of the year in further improvement (+4.4%). Ready-mix concrete output, thanks to a strong presence in the Southwestern regions, rose by 10.4%. Cement selling prices in local currency rose by 1.8%, thus confirming the positive environment and the receptivity of a growing market. Overall net sales came in at $453.2 million, up 8.2% from $418.8 million in H1-12 and Ebitda increased to $70.3 million (+1.2% from $69.4 million in 2012). Foreign exchange effect was unfavorable; consequently, translated into euro, overall net sales increased by 6.8% from €323.1 million to €345.1 million and Ebitda at €53.5 million remained virtually unchanged (€53.6 million in 2012, -0.1%). However, net of non recurring items, consisting of €7.7 million gains in 2012, Ebitda improved by €7.7 million from 2012. As for energy factors cost, fuels showed a favorable trend while electric power price was still on the rise.

Mexico (50% consolidation)

Cement volumes sold by the associate Corporación Moctezuma decreased by 12.3% and ready-mix concrete output stood at the same levels as in the previous year. Cement prices in local currency were penalized by market slowdown and keener competition, thus contracting by 3.8% while ready-mix concrete ones maintained a good pitch (+2.2% from H1-12). Net sales and Ebitda in local currency showed a decline of 12.6% and 18.8% respectively. The revaluation of the Mexican peso had a positive effect on the translation of the results into euro. Consequently net sales decreased by 9.0%, from €131.6 million to €119.8 million and Ebitda was down 15.4%, from €49.8 million to €42.1 million. Ebitda to sales margin was equal to 35.1% vs. 37.8% in 2012, achieved in a scenario of cement production unit costs virtually stable.

Outlook

The first half of 2013 featured results below expectations, due to the extremely difficult economic situation in Italy, a flat activity level in Central Europe, the lack of clear signs of recovery in Eastern Europe and an unforeseen slowdown in Mexico. We believe that in the second half sound grounds exist for a sizeable improvement of results, thanks especially to volume recovery in Central Europe, acceleration of sales and prices in the United States and the attainment of an operating profitability closer to the previous year's one in Eastern Europe. The expected improvements, although substantial, are however not sufficient to let us assume that the targets previously disclosed to the market will be attained. Consequently, based on the above considerations, for the full financial year 2013, we now expect to report a recurring Ebitda down 5% to 10% from the previous year.

Senior Notes and Bonds on maturity

In the period from January 1 to June 30, 2013 no new bonds were issued.

In July 2013 the placement was completed of the equity-linked bond "Buzzi Unicem €220,000,000 1.375% Equity-Linked Bonds due 2019" for an aggregate principal amount of €220 million and with a 6-year maturity. The Notes, placed with institutional investors only, have a minimum denomination of €100,000 and pay a six-month coupon of 1.375% per annum. The Notes may be converted into ordinary shares of the company subject to approval by the extraordinary general meeting of the company to be held by 31 December 2013 of a capital increase excluding pre-emption rights, pursuant to art. 2441, paragraph 5, of the Italian civil code, to be solely reserved for the purposes of the conversion of such Notes. The initial conversion price of the Notes is equal to €15,9860.

In the 18 months subsequent to June 30, 2013, the following repayments of bond principals shall be effected:

- on September 12, 2013 €30.0 million referred to the Senior Notes Series C issued by the subsidiary RC Lonestar Inc. in 2003.
- -on September 12, 2014 €80.0 million referred to the Senior Notes Series C issued by the subsidiary RC Lonestar Inc. in 2003.

Moreover the Board of Directors approved the merger by incorporation of the 100% subsidiary Buzzi Unicem Investment Srl. The merging transaction is expected to be completed within the end of the current 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, August 2, 2013

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Buzzi Unicem 1H-13 results will be illustrated during a **conference call** to be held today, Friday August 2, at 5:00 pm CEST. To join the conference, dial +39 02 8058811.

BUZZI UNICEM SPA

CONSOLIDATED BALANCE SHEET (in thousands of euro)

	30.06.2013	31.12.2012
ASSETS		
Non-current assets		
Goodwill	583.973	584.199
Other intangible assets	11.853	12.425
Property, plant and equipment	3.174.068	3.208.706
Investment property	28.314	19.299
Investments in associates	199.425	202.944
Available-for-sale financial assets	3.113	3.513
Deferred income tax assets	69.537	66.244
Other non-current assets	50.956	55.284
	4.121.239	**4.152.614**
Current assets		
Inventories	393.950	437.565
Trade receivables	502.819	439.383
Other receivables	127.327	116.085
Available-for-sale financial assets	2.126	86.989
Derivative financial instruments	2.968	2.307
Cash and cash equivalents	495.500	556.193
	1.524.690	**1.638.522**
Assets held for sale	12.888	11.546
Total Assets	**5.658.817**	**5.802.682**
EQUITY		
Equity attributable to owners of the company		
Share capital	123.637	123.637
Share premium	458.696	458.696
Other reserves	145.807	156.324
Retained earnings	1.663.350	1.694.273
Treasury shares	(4.768)	(4.768)
	2.386.722	**2.428.162**
Non-controlling interests	165.654	174.461
Total Equity	**2.552.376**	**2.602.623**
LIABILITIES		
Non-current liabilities		
Long-term debt	1.311.822	1.385.154
Derivative financial instruments	20.666	22.310
Employee benefits	413.201	437.640
Provisions for liabilities and charges	126.207	126.239
Deferred income tax liabilities	408.600	403.282
Other non-current liabilities	16.909	16.655
	2.297.405	**2.391.280**
Current liabilities		
Current portion of long-term debt	271.275	288.146
Short-term debt	73.846	70.685
Derivative financial instruments	2.766	4.994
Trade payables	234.003	244.713
Income tax payables	9.943	11.223
Provisions for liabilities and charges	38.955	40.342
Other payables	178.248	148.676
	809.036	**808.779**
Total Liabilities	**3.106.441**	**3.200.059**
Total Equity and Liabilities	**5.658.817**	**5.802.682**

CONSOLIDATED INCOME STATEMENT	**1H 2013**	**1H 2012** *restated **
Net sales	**1.273.715**	**1.350.865**
Changes in inventories of finished goods and work in progress	(17.917)	1.022
Other operating income	32.169	41.818
Raw materials, supplies and consumables	(542.573)	(586.547)
Services	(318.965)	(344.202)
Staff costs	(227.777)	(220.767)
Other operating expenses	(47.946)	(41.658)
Operating cash flow (EBITDA)	**150.706**	**200.531**
Depreciation, amortization and impairment charges	(112.929)	(113.189)
Operating profit (EBIT)	**37.777**	**87.342**
Gains on disposal of investments	11	343
Finance revenues	21.803	32.518
Finance costs	(69.438)	(97.511)
Equity in earnings of associates	1.502	(82)
Profit (loss) before tax	**(8.345)**	**22.610**
Income tax expense	(18.269)	(4.155)
Profit (loss) for the period	**(26.614)**	**18.455**
Attributable to		
Owners of the company	(37.336)	3.599
Non-controlling interests	10.722	14.856

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Profit (loss) for the period	**(26.614)**	**18.455**
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains (losses) on post employment benefit obligations	26.263	(634)
Income taxes relating to actuarial gains (losses)	(9.730)	245
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	(13.333)	68.507
Income taxes relating to components of other comprehensive income	(17)	(321)
Other comprehensive income for the period, net of tax	**3.183**	**67.797**
Total comprehensive income for the period	**(23.431)**	**86.252**
Attributable to		
Owners of the company	(33.672)	62.974
Non-controlling interests	10.241	23.278

* restated data following the early adoption of IAS 19 revised - Employee benefits

Figures as at June 30, 2013 have been approved by the Board of Directors and are being revised by the Auditing firm