Buzzi Unicem

PRESS RELEASE

Interim results at June 30, 2017

- **Sales volumes settling down during the second quarter; at the end of June favorable variance confirmed for both cement (+2.3%) and ready-mix concrete sector (+6.0%)**

- **In the first six months, muted demand in the United States, more marked recovery in Central Europe, positive change in Eastern Europe, improvement in Italy thanks to export. Widespread resurgence of variable production and distribution costs, but favorable price variance only in a few markets**

- **Net sales at €1,354 million (2016: €1,261 million), Ebitda at €241 million (2016: €223 million). Favorable average exchange rate impact in the period of €34 million on net sales and €9 million on Ebitda, thanks to the strengthening of dollar and ruble**

- **Outlook for the full year 2017 confirmed (improvement of recurring Ebitda between 5% and 10%) with good chances of drawing near the upper end of the range**

Consolidated data		**Jan-Jun 17**	**Jan-Jun 16**	**% 17/16**
Cement sales	m ton	12.5	12.2	+2.3
Ready-mix sales	m m3	5.9	5.6	+6.0
Net sales	€m	1,353.8	1,261.3	+7.3
Ebitda	€m	241.1	222.5	+8.4
Net profit	€m	119.3	91.5	+30.4
Consolidated net profit	€m	117.6	90.3	+30.3
		Jun 17	**Dec 16**	**Change**
Net debt	€m	909.2	941.6	32.4

The Board of Directors of Buzzi Unicem SpA has met today to examine the interim financial report as at 30 June 2017.

The international economic cycle is strengthening. The recovery of investments in most countries is driving trade, while growth in the advanced markets has been consolidated and the frame has remained positive in the emerging economies. Growth prospects are still favorable and have improved compared to last year.

In the United States, following a slowdown during the first quarter, a further acceleration in domestic demand led to the strengthening in growth that still benefited from good employment performance. Recovery continued to consolidate, but, since the details about the entity, composition and timing of the tax cut and stimulus measures proposed by the new administration have not yet been defined, a certain climate of uncertainty persists as well as downside risk factors for the prospects of economy.

In the Euro area, favorable development signs were highlighted, mainly driven by investments and the good dynamics of both manufacturing and service activities. GDP growth at the beginning of the year was better than initially estimated. In Germany, the favorable trend in international trade, the accelerating public spending and a labor market near to full employment, supported a strong GDP growth during the first quarter (+0.6%), which continued at similar rates also during the second. In Italy, business activity strengthened again, thanks to the clear rise in household spending and the consolidation of the tertiary sector; GDP growth during the spring months continued at the same rate, however revised upward, as in the first quarter (+0.4%).

Among the emerging countries, the boosting growth in China, driven by the recovery in foreign demand, and the exit from the recession phase of Russia and Brazil contributed to the improvement of results and prospects for development.

During the first weeks of July oil prices decreased below $45 a barrel, thus reaching their lowest level since the beginning of the year, due to the recovery of production in the United States, Nigeria and Libya and a more gradual reduction in the crude oil stocks, despite the continuing supply cuts by OPEC countries and Russia. Futures contracts outline a gradual rise in prices for the rest of the year.

Consumer price index slightly declined in the major advanced economies; in the United States by May it contracted below 2%, in Europe it surprisingly declined again (1.3% in June) compared to expectations, and in many countries it suffered from the still high unemployment rate and the wage moderation. Price dynamics remain subdued even in emerging economies.

At its June meeting, the Federal Reserve, as expected, raised the rates and presented the balance sheet reduction plan. The Governing Council of the ECB, on the other hand, confirmed the need to maintain a high level of monetary accommodation to ensure a durable adjustment of inflation towards the target. In China, the Central Bank left its benchmark rates unchanged.

Net sales revenues for the first half-year amounted to €1,353.8 million (+7.3%), compared to €1,261.3 million in 2016, while Ebitda increased by 8.4%, from €222.5 to €241.1 million. The price effect in local currency showed a favorable variance in the United States and, helped by inflation, in Ukraine too; there was a slight improvement in Poland and Luxembourg and basically no change in Germany, the Czech Republic, Russia and Italy. The volume effect, with the exception of the slight declines in Russia and the United States, was favorable or neutral in all other markets of presence. The trend of foreign currencies, which was characterized by stronger ruble and dollar, had a net positive impact of €34.4 million on turnover and €9.4 million on Ebitda. Like for like, net sales would have increased by 4.6%, and Ebitda by 4.1%. After amortization and depreciation of €108.6 million (€93.5 million in the previous year), Ebit amounted to €132.5 million (+€3.6 million compared to 2016). The half-yearly income statement closed with a net profit of €119.3 million, compared to €91.5 million in the same period of 2016.

Operating and financial results

Group cement sales in the first six months of 2017 increased by 2.3% compared to the same period of 2016, reaching 12.5 million tons. Changes were favorable or neutral in all the markets of presence, with the exception of Russia and the United States, which posted a moderate decline. Ready-mix concrete output confirmed the volume of 5.9 million cubic meters, with good recovery (+6.0%) over the previous year.

Consolidated Ebitda stood at €241.1 million, compared with €222.5 million in 2016 (+8.4%). The figure of the first half was penalized by non-recurring charges of €4.5 million (non-recurring revenues of €3.2 million in the same period of 2016); net of these amounts, Ebitda for the first half of 2017 would have increased by €26.3 million (+12.0%). Foreign exchange fluctuations had a positive net impact mainly thanks to the appreciation of the ruble and the dollar. Like for like Ebitda for the first half of 2017 would have increased by 7.7%. The recurring Ebitda margin over the first six months improved by over 70 basis points, with favorable changes in the United States, Russia, Ukraine and Germany, while it was stable or deteriorating in the other countries.

After amortization and depreciation of €108.6 million (€93.5 million in the first half of 2016), Ebit reached €132.5 million (€129.0 million in June 2016). Profit before tax amounted to €170.1 million (€129.2 million in 2016), considering a contribution of €48.8 million from equity earnings (€36.4 million in 2016), gains on disposal of investments of €0.9 million (€0.2 million in 2016) and net financial costs of €12.2 million (€36.4 million in 2016), the reduction of which was also influenced by the valuation of derivative financial instruments. The income statement of the period closed with a net profit of €119.3 million, compared to €91.5 million in the first half of 2016; net profit attributable to the owners of the company increased from €90.3 million in the previous year to €117.6 million for the first six months of 2017.

Cash flow for the half year stood at €227.9 million, compared to €185.0 million in the same period of 2016. Net debt as at 30 June 2017 amounted to €909.2 million, down €32.4 million compared to €941.6 million at 31 December 2016. In the six months under review, the group distributed dividends of €21.8 million, of which €20.6 million by the parent company, and completed total capital expenditures of €117.7 million. Investments in property, plant and equipment referring to expansion or special projects totaled €11.9 million, almost entirely related to the completion of the new production line in Maryneal (Texas). Equity investments essentially concerned a 47.9% share in Cementizillo SpA (€22.6 million), under the agreement signed on 16 June 2017 for the purchase of 100% of Zillo group, which was closed at the beginning of July. The liability side of net debt includes the fair value of the cash settlement option attached to the outstanding convertible bond for €93.0 million (€105.4 million at year-end 2016).

Italy

Our cement and clinker sales, which were stable on the domestic market, thanks to higher exports closed the first six months up from the same period last year (+4.6%). Selling prices were affected by the mix effect, i.e. the greater importance of exports and clinker, so that the average value did not show any variation compared to the levels achieved in the first half of 2016. In the ready-mix concrete sector, thanks also to the positive change in scope occurred in the Milan area, sales showed a remarkable growth but with prices down. In line with this trend of volumes and prices, net sales in Italy amounted to €200.2 million, up 6.7% (€187.7 million in 2016). At the end of June, Ebitda came in at a loss of €13.4 million (compared with -€9.3 million in 2016). However it should be remembered that the 2017 figure includes non-recurring expenses of €2.4 million for property tax provisions (€0.2 million in 2016) and that the inventory dynamics, determined by the pace of production and sales, had a negative impact on the result of €1.4 million. Net of non-recurring items, Ebitda worsened by €1.9 million. The unit production costs were unfavorable, mainly due to inflation related to fuels.

Central Europe

In **Germany**, after the significant growth achieved at the beginning of the year, during the second quarter shipments maintained a favorable performance, but with more regular and sustainable levels, also favored by the recovery in demand for oil well special products. During the first half of the year, our cement sales increased by 6.1% compared to the same period last year, with stable average prices. The ready-mix concrete sector confirmed the production levels of 2016, with prices slightly better. Total net sales were €282.5 million (€271.2 million in 2016), up 4.2% and Ebitda stood at €32.7 million compared to €29.7 million (+10.0%).

In **Luxembourg** and the **Netherlands**, cement deliveries, including intercompany transfers and exports, maintained a favorable performance (+2.5%) with average unit revenues marginally strengthening compared to the previous year. Ready-mix concrete output recorded a more lively recovery (+4.6%), associated with some improvement in prices. Net sales amounted to €90.7 million, up €3.2% compared to the previous year (€87.8 million). Ebitda stood at €6.2 million (€13.5 million in 2016). However it should be noted that the 2016 result included non-recurring income of €3.4 million. Among the main operating costs fuels posted a significant increase.

Eastern Europe

In the **Czech Republic** and **Slovakia**, cement sales achieved in the first six months of the year confirmed a good acceleration (+11.9%), with average prices in local currency marginally down. Ready-mix concrete sector, which also includes Slovak operations, showed even livelier production levels (+13.4%) with slightly improving prices. Overall net sales, with little impact from the positive exchange rate, increased from €60.6 to €65.6 million (+8.3%) and Ebitda by €0.6 million, from €12.8 million in 2016 to €13.4 million in the period under review.

In **Poland**, cement volumes sold by our plant slightly exceeded the levels achieved in the same period of the previous year (+0.1%), while ready-mix concrete output was up (+1.2%). Average prices in local currency finally showed signs of strengthening both for cement (+3.7%) and ready-mix concrete. These market dynamics led to net sales at €45.6 million, compared to €43.6 million in 2016 (+4.6%). However Ebitda stopped at €9.2 million, compared to €11.7 million in 2016 (-€21.4%). It should be pointed out though that the 2016 result included gains on disposal of fixed assets of €2.2 million. The strengthening of the zloty (+2.3%) had a positive exchange rate effect: like for like revenues would have increased by 2.2% and Ebitda would have decreased by 23.2%.

In **Ukraine**, during the first six months, cement volumes sold by our plants showed a satisfactory increase (+5.1%), with average prices in local currency still driven by high inflation (+30.3%). Net sales increased from €31.6 million in 2016 to €42.6 million in the period under review (+34.8%) and Ebitda from €4.6 to €8.8 million (+4.1% million). The further weakening of the local currency (-2.0%) had an unfavorable impact on the translation of results into euro: at constant exchange rates the turnover variation would have been positive by 37.5%, while Ebitda would have increased by €4.3 million. Among the main operating costs in local currency power increased significantly and also did fuels, even if to a lesser extent.

In **Russia**, cement volumes sold in the first half year, despite the improvement in the category of special oil well cements, were overall slightly down (-0.6%) compared to the volumes achieved in the previous year, with average unit prices in local currency marginally improving. Net sales increased from €67.2 to €87.0 million (+29.4%), and Ebitda from €16.8 to €22.9 million, up 36.0%. The strengthening of the ruble (+19.8%) had a significant impact on the translation of results into euro; at constant exchange rates, net sales and Ebitda would have been up respectively by 3.8% and 9.1%. Among the main operating costs in local currency both fuels and power posted material unfavorable changes.

United States of America

Our cement sales confirmed, apart from a slight decrease (-0.9%), the level achieved in the same period of the previous year. The deliveries improvement in the Midwest regions and the notable recovery of oil well cements failed to balance demand weakness in Texas, specifically in the Houston area, which continued to suffer from difficult market and climate conditions. Cement average selling prices in local currency increased by 5.0%. Ready-mix concrete production, mainly located in Texas, although recovering during the second quarter, suffered both from the weakness in demand and the weather conditions and closed with a slight contraction (-1.1%) and selling prices also decreasing. Net sales in dollar amounted to $606.9 million, up 2.6% from $591.7 million in the same period of 2016. Ebitda came in at $174.8 million (+9.8% from $159.2 million of the previous year). Net sales in euro, which benefited from the strengthening of the dollar, increased from €530.2 to €560.4 million (+5.7%) and Ebitda from €142.7 to €161.4 million (+13.1%). It should also be pointed out that the result for 2017 includes non-recurring costs of €2.1 million for disassembling and dismantling of equipment. Net of exchange rate effect and non-recurring items, net sales and Ebitda would have increased by 2.6% and 11.2% respectively.

Mexico (valued by the equity method)
Cement sales trend of our joint venture, which benefited from the increased production capacity associated with the second production line at Apazapan (Veracruz), continued to grow promisingly, with average prices in local currency strongly up. Ready-mix concrete sales maintained a weaker profile, but with prices in Mexican peso significantly increasing. Net sales and Ebitda, in local currency, improved by 24.0% and 23.1%, respectively. The depreciation of the Mexican peso (-4.3%) penalized the translation of results into euro. With reference to 100% of the associate, net sales amounted to €358.5 million (+18.9%) and Ebitda increased from €146.6 to €173.0 million (+18.0%). The equity earnings referring to Mexico, which are included in the line item that encompasses the investments valued by the equity method, amount to €37.9 million (€33.6 million in 2016).

Outlook
The first six months of 2017 were characterized by operating conditions consistent with the expected ones, such as the satisfactory progress in the United States, due to the favorable performance of prices and better productive efficiency associated with the new production line in Maryneal (Texas), the improved volumes in Central Europe, the recovery of profitability in Eastern Europe, and the stabilization of demand in Italy, albeit at the trough of the cycle. Ebitda to sales margin overall improved, but the market regions in which no favorable price effect was recorded suffered from the increase in energy costs.
In the second half of the year, assuming less penalizing weather conditions, the United States should benefit from an easier comparison basis, and consequently consolidate the progress achieved. However, the recent weakness of the dollar could negatively affect the translation of results into euro.
In Italy demand is expected to be stable or possibly slightly improving, while the supply side of the industry remains unbalanced with respect to a really sustainable sector structure. The recent acquisition of the Zillo group represents a strengthening of our presence and a tangible signal of rationalization and consolidation. Unfortunately results will still remain unsatisfactory, but we trust the possibility to record anyway an improvement compared to the previous year.
In Central Europe we expect a still favorable cement demand, but in the absence of an upward trend in prices, the improvement of operating margins will probably be limited in absolute terms. Also in Poland, the Czech Republic and Ukraine a slightly positive development is reckoned. Finally, for Russia we can confirm the assumption of operating results in local currency in line with last year.
Based on the above considerations, we believe that, for the group as a whole, the guidance disclosed at the beginning of the year on the likely outlook can still be considered valid. Therefore, for the full financial year 2017, we expect to report an improvement of recurring Ebitda between 5% and 10% compared to the previous year, with good chances of drawing near the upper end of the range.

Senior Notes and Bonds
In the period from January 1 to June 30, 2017, no new bond were issued.

In the 18 months subsequent to 30 June 2017, a principal repayment of €350.0 million referred to the Eurobond “Buzzi Unicem €350.000.000 6,250% Notes due 2018”, issued by the parent company Buzzi Unicem SpA in 2012, is due on 28 September 2018.

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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 press release corresponds to the document results, books and accounting records.

Casale Monferrato, August 3, 2017

Company contacts:
Investor Relations Assistant
Ileana Colla
Phone. +39 0142 416 404
Email: icolla@buzziunicem.it
Internet: www.buzziunicem.it

Buzzi Unicem H1 2017 results will be illustrated during a **conference call** to be held today, Thursday August 3rd, at 04:30 pm CEST. To join the conference, dial +39 02 805 8811.

BUZZI UNICEM SPA

CONSOLIDATED INCOME STATEMENT (in thousands of euro)

	1H 2017	1H 2016
Net sales	**1.353.756**	**1.261.298**
Changes in inventories of finished goods and work in progress	(5.467)	(571)
Other operating income	21.806	29.288
Raw materials, supplies and consumables	(521.476)	(494.775)
Services	(340.673)	(317.171)
Staff costs	(234.657)	(225.336)
Other operating expenses	(32.178)	(30.239)
EBITDA	**241.111**	**222.494**
Depreciation, amortization and impairment charges	(108.564)	(93.497)
Operating profit (EBIT)	**132.547**	**128.997**
Equity in earnings of associates and joint ventures	48.812	36.394
Gains on disposal of investments	876	171
Finance revenues	39.123	29.631
Finance costs	(51.284)	(66.033)
Profit before tax	**170.074**	**129.160**
Income tax expense	(50.777)	(37.707)
Profit for the period	**119.297**	**91.453**
Attributable to		
Owners of the company	117.640	90.312
Non-controlling interests	1.657	1.141

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1H 2017	1H 2016
Profit for the period	**119.297**	**91.453**
Items that will not be reclassified to profit or loss		
Actuarial gains (losses) on post-employment benefits	15.801	(59.552)
Income tax relating to items that will not be reclassified	(5.431)	20.312
Total items that will not be reclassified to profit or loss	**10.370**	**(39.240)**
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	(178.861)	(6.842)
Share of currency translation differences of associates and joint ventures valued by the equity method	9.295	(17.224)
Total items that may be reclassified subsequently to profit or loss	**(169.566)**	**(24.066)**
Other comprehensive income for the period, net of tax	**(159.196)**	**(63.306)**
Total comprehensive income for the period	**(39.899)**	**28.147**
Attributable to		
Owners of the company	(40.409)	24.626
Non-controlling interests	510	3.521

CONSOLIDATED BALANCE SHEET

	30.06.2017	31.12.2016
ASSETS		
Non-current assets		
Goodwill	555.818	561.234
Other intangible assets	44.527	46.906
Property, plant and equipment	3.014.092	3.208.033
Investment property	21.354	21.657
Investments in associates and joint ventures	381.779	366.859
Available-for-sale financial assets	19.806	2.154
Deferred income tax assets	33.159	38.874
Other non-current assets	33.466	36.429
	4.104.001	**4.282.146**
Current assets		
Inventories	390.480	397.378
Trade receivables	440.246	391.937
Other receivables	112.281	125.984
Available-for-sale financial assets	20.243	3.513
Cash and cash equivalents	611.668	603.333
	1.574.918	**1.522.145**
Assets held for sale	4.556	4.594
Total Assets	**5.683.475**	**5.808.885**
EQUITY		
Equity attributable to owners of the company		
Share capital	123.637	123.637
Share premium	458.696	458.696
Other reserves	86.236	257.475
Retained earnings	2.047.678	1.939.338
Treasury shares	(4.768)	(4.768)
	2.711.479	**2.774.378**
Non-controlling interests	31.533	32.497
Total Equity	**2.743.012**	**2.806.875**
LIABILITIES		
Non-current liabilities		
Long-term debt	1.397.662	1.381.407
Derivative financial instruments	93.049	105.422
Employee benefits	416.260	444.406
Provisions for liabilities and charges	87.949	87.187
Deferred income tax liabilities	474.651	507.761
Other non-current liabilities	6.861	11.990
	2.476.432	**2.538.173**
Current liabilities		
Current portion of long-term debt	36.522	56.379
Short-term debt	23.801	16.779
Trade payables	248.041	237.875
Income tax payables	10.442	16.869
Provisions for liabilities and charges	22.562	21.873
Other payables	122.663	114.062
	464.031	**463.837**
Total Liabilities	**2.940.463**	**3.002.010**
Total Equity and Liabilities	**5.683.475**	**5.808.885**

The interim report for the six months ended 30 June 2017 has been endorsed by the Board of Directors and is being revised by the independent auditors.

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 standards applicable to the preparation of the annual financial statements or interim consolidated reports. Pursuant to Consob Communication n. 92543 and the guidelines ESMA/2015/1415 set out below are the definitions of such measures.

- **EBITDA:** subtotal presented in the financial statements; please refer to the consolidated income statement for the calculation.

- **EBITDA recurring**: it is calculated starting from the subtotal presented in the financial statements named EBITDA and applying to it the following adjustments (non-recurring income/expense):

  - restructuring costs, in relation to defined and significant plans
  - write downs/ups of current assets except trade receivables greater than €1 million
  - addition to/release of provisions for legal, fiscal or environmental risks greater than €1 million
  - dismantling costs greater than €1 million
  - gains/losses from the sales of fixed assets and non-instrumental real estate greater than €3 million
  - other sizeable non-recurring income or expense (greater than €3 million), that is attributable to significant events unrelated to the usual business.

The reconciliation between EBITDA and EBITDA recurring, for the two comparative periods, is as follows:

(millions of euro)	1H 2017	1H 2016
Ebitda	**241.1**	**222.5**
Restructuring costs	-	0.2
Additions to provisions for risks	2.4	-
Dismantling costs	2.1	-
Gains on disposal of fixed assets	-	(3.4)
EBITDA recurring	**245.6**	**219.3**

- **Operating profit (EBIT);** subtotal presented in the financial statements; please refer to the consolidated income statement for the calculation.

- **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.