Buzzi Unicem

# PRESS RELEASE

## Trading update at 31 March 2018

- **Cement sales down 1.6% and ready-mix concrete volumes minus 6.3% versus last year**
- **Both in the United States and in Central Europe business operations were penalized by severe weather conditions and fewer working days compared to the first quarter of 2017**
- **Volumes in Eastern Europe performing well thanks to the favorable trend of the Czech Republic and Russia; Italy improving thanks to the enlarged scope of consolidation**
- **Net sales at €539.1 million (2017: €588.5 million)**

| **Consolidated data** | | **Jan-Mar 18** | **Jan-Mar 17** | **% 18/17** |
|---|---|---|---|---|
| Cement sales | m ton | 5.1 | 5.2 | -1.6 |
| Ready-mix sales | m m3 | 2.4 | 2.6 | -6.3 |
| Net sales | €m | 539.1 | 588.5 | -8.4 |
| | | **Mar 18** | **Dec 17** | **change** |
| Net debt | €m | 896.2 | 862.5 | 33.7 |

The Board of Directors of Buzzi Unicem SpA met today to briefly examine the economic performance of the first three months of 2018 as well as the net financial position at the end of the quarter.

In the first quarter of 2018 sales volumes achieved by the group marked a decrease compared to the previous year. The exceptional wave of snow and ice that hit the United States of America, a prolonged rainy period in Europe and fewer working days compared to the first quarter of the previous year, including the Holy Week period, affected the shipments in most countries where we operate. In this context, the growth achieved in the Czech Republic can be considered to be encouraging, together with the progressive (slight) recovery in Russia, while in Italy the positive change only occurred due to the addition of Cementizillo in the scope of consolidation.

In the first few months of 2018 the world economy maintained a sustained pace of growth and international trade dynamics remained buoyant. In the United States of America, where at the start to the year there were signs foreshadowing a robust expansion, the entry into force of the tax reform and the budget agreement which foresees an increase in public spending in the twoyear period 2018-2019 led to an upward revision of growth expectations. In Europe, the economic indicators, which also reflect a more moderate evolution, remain consistent in highlighting a solid and general development, thanks to the good performance of exports and the recovery of investments. In Italy, GDP continued to expand, albeit at a lower pace and with some signs of slowdown, due to more contained progress in industrial activity. Among the emerging countries, the growth of national product continued at a robust pace in China and India and the economic prospects of Russia and Brazil improved. Inflation in the main advanced countries remained moderate and stable, while in the emerging countries the price dynamics did not show signs of acceleration. Despite showing wide fluctuations, during the first quarter oil prices increased modestly. The Federal Reserve raised official rates while the ECB Governing Council confirmed the need to maintain a broad monetary accommodation. In March the US administration introduced tariffs on imports of steel and aluminum; although this procedure affects a rather limited volume of trade, the threat of further protectionist measures and possible retaliation led to strong uncertainty about the prospects for international trade.

Group cement sales closed the period with a decrease of 1.6% compared to the first quarter of 2017, amounting to 5.1 million tons. The trend in volumes was unfavorable in all markets of presence, except in the Czech Republic, Russia and Italy. Ready-mix concrete sales achieved a more marked adverse change (-6.3%) compared to the same period of 2017, amounting to 2.4 million cubic meters. The sales results obtained were affected by quite harsh weather conditions and fewer working days compared to the first quarter of 2017, as the Holy Week fell between March and April.
The price effect in local currency, compared to the first quarter of 2017, was positive almost in all markets of presence; only in the Czech Republic a less significant decline was recorded.
Consolidated net sales stood at €539.1 million, down 8.4% compared to €588.5 million posted in the first quarter of 2017. The effect due to foreign exchange changes was unfavorable for €36.3 million. On a like-for-like basis net sales would have decreased by 5.2%. The volume effect was negative for €24.7 million, while the price effect was positive for €16.7 million.

Net sales breakdown by geographical area is as follows:

| *million euro* | *Q1-18* | *Q1-17* | *Change abs* |
|---|---:|---:|---:|
| Italy | 103.0 | 95.1 | 8.0 |
| United States of America | 208.6 | 256.8 | -48.2 |
| Germany | 110.3 | 120.2 | -10.0 |
| Luxembourg and Netherlands | 39.0 | 39.1 | -0.1 |
| Czech Republic and Slovakia | 26.9 | 23.5 | 3.5 |
| Poland | 16.5 | 15.9 | 0.6 |
| Ukraine | 11.7 | 13.0 | -1.3 |
| Russia | 32.7 | 33.9 | -1.1 |
| Eliminations | -9.5 | -8.9 | -0.7 |
| | **539.1** | **588.5** | **-49.4** |

Net debt as at 31 March 2018 amounted to €896.2 million, up €33.7 million from year-end 2017. Total capital expenditures during the period was €52.3 million (€49.2 million in the first quarter of 2017).

**Italy**

Thanks to the additional contribution of the deliveries from the former Cementizillo plants, the trend of our cement and clinker volumes recorded a clear positive change. At constant scope, however, the development would have deteriorated, influenced, particularly in March, by a prolonged rainfall and by fewer available working days. In a less volatile market, which reflects the important consolidation and rationalization transactions occurred in the previous year, selling prices, after five consecutive years of decline, started to show some promising signs of upward adjustment. The ready-mix concrete sector recorded a decline in production, associated with recovering prices. Overall net sales increased from €95.1 to €103.0 million (+8.4%), while on a like-for-like basis they would have decreased by 10.1%.

**Central Europe**

In Germany, after a start to the year characterized by a good performance of demand, our deliveries suffered in March, both due to the worsening weather conditions and the fewer working days compared to the same period last year. Therefore overall volumes were down, while the price effect, after several years of substantial stability, was favorable. Ready-mix concrete output posted a more marked reduction than cement, with prices improving. The recent acquisition of Seibel & Söhne, owner of a full-cycle cement plant in Erwitte, in addition to strengthening the group's presence in the North Rhine-Westphalia region, will allow a more efficient production capacity utilization of the Dyckerhoff plants, which are already equipped with the best process and environmental technologies. Overall net sales stood at €110.3 million, down 8.3% compared to €120.2 million in 2017.

In Luxembourg and the Netherlands, cement sales achieved by our plants in the first three months of the year, which were also influenced by unfavorable weather conditions and fewer working days, were down, with prices marginally strengthening, while ready-mix concrete sales began the year with volumes strongly recovering and prices improving. Net sales of €39.0 million were consistent with the level recorded in the same period of the previous year (€39.1 million).

**Eastern Europe**

In the Czech Republic the construction industry remained buoyant, continuing its recovery cycle that has been running for five consecutive years. Cement sales registered a promising favorable change, with average prices in local currency marginally declining. The ready-mix concrete market, which also includes Slovakia, started the year with an even more positive change, with strengthening selling prices. Net sales, positively influenced by an exchange rate effect of €1.2 million, came in at €26.9 million (€23.5 million in 2017, i.e. +14.8%).

In Poland, cement sales closed the quarter down, while ready-mix concrete output registered a favorable change. Selling prices in local currency showed a good recovery both for cement and concrete. Net sales, positively influenced by an exchange rate effect of €0.5 million, increased from €15.9 in 2017 to €16.5 million in the period under review (+4.0%).

In Ukraine, cement deliveries were down, with prices in local currency still pushed up by inflation. Ready-mix concrete output maintained a rather buoyant trend, with average prices in local currency being robustly strengthened. Net sales decreased from €13.0 to €11.7 million (-10.2%). The translation of results into euro was penalized by the depreciation of the local currency for €1.9 million.

In Russia, shipments for the first quarter showed a slight increase compared to the volumes achieved in the previous year, with average unit prices in local currency recovering. Net sales decreased from €33.9 million to €32.7 million (-3.4%), but the translation into euro was penalized by the depreciation of the ruble for €3.9 million; in local currency net sales instead would have increased by 8.1%.

**United States of America**

The intense cold that had characterized the last period of 2017 continued also at the beginning of the current year. Our cement sales, despite a trend in March which was less penalized by adverse weather conditions, overall registered a slowdown, which is more evident because of the challenging comparison with the rather brilliant results achieved in the first quarter of 2017. Average prices in local currency improved by some percentage points. Ready-mix concrete output, mainly concentrated in Texas, showed a rather weak trend, with prices in local currency substantially unchanged. Thus overall net sales decreased from €256.8 to €208.6 million (-18.8% compared to the same period last year). The translation of results into euro was penalized by the weakness of the dollar for €32.2 million; in local currency, net sales would have decreased by 6.2%.

**Mexico** (valued by the equity method)

The demand for building materials remained rather lively, albeit characterized by greater uncertainties associated with the imponderable outcomes and prospects resulting from the forthcoming general elections. First-quarter cement shipments, which reflect an adequate capacity utilization in the three cement plants, were influenced by fewer working days compared to the first quarter of 2017 and recorded a downturn, although with higher average prices in local currency compared to the same period last year. Ready-mix concrete sales showed an even slower trend, although with a favorable price effect. Net sales in local currency recorded a reduction of 6.3%. The depreciation of the Mexican peso (-6.6%) had a negative impact on the translation of results into euro; with reference to 100% of the associate, net sales decreased from €171.8 to €151.1 million (-12.1%).

**Outlook**

Severe weather and an earlier Holy Week surely influenced to a large extent the results of the first quarter. The operating trend at the end of March was below expectations, but this is a volatile and less significant period compared to the figures of the full year. Usually the results of the first six months, when the influence of seasonality will be milder, allow to evaluate more precisely the expectations for the current year compared to the indications disclosed at the end of March. At the moment therefore, we consider it appropriate to confirm the outlook that was assumed with the approval of the 2017 financial statements, namely that the consolidated recurring EBITDA for the whole of 2018 will possibly achieve a favorable change of few percentage points compared to the previous year, subject to uncertainties related to the fluctuations of foreign exchange rates.

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**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.

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.

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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, 10 May 2018

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