

PRESS RELEASE

Financial year 2019 preliminary results – Amendment to the 2020 annual calendar of corporate events

- **Cement volumes at 29.1 million tons (+4.3%); ready-mix concrete at 12.1 million cubic meters (+0.2%)**
- **Consolidated net sales equal to €3,221 million (€2,873 million in 2018), up 12.1% (+8.6% like for like)**

Consolidated figures		2019	2018	% 19/18
Cement sales	t/000	29,122	27,910	4.3%
Ready-mix sales	m ³ /000	12,120	12,093	0.2%
Net sales	€m	3,221	2,873	12.1%
		Dec 19	Dec 18	Change
Net debt	€m	566	891	(325)

The Board of Directors of Buzzi Unicem SpA met today to examine the preliminary figures for the financial year just ended.

During 2019, sales volumes achieved by the group exceeded the level reached in the previous year in all the areas where we operate, thanks to the robust growth recorded in the United States of America, which was facilitated by the more favorable weather conditions compared to 2018, to the progress in Eastern Europe, mainly in Ukraine and Russia (net of a marginal decrease in Poland and the Czech Republic) and to the positive development of sales in Germany and Italy, also favored by the change in scope.

The growth of international economy remained moderate, characterized by a slowdown of expansion both in manufacturing activity and in investments, in a context worsened by commercial and geopolitical tensions. During the third quarter, international trade started to expand again, signs of easing the tariff disputes between the United States and China appeared and the risks of an un-agreed Brexit were reduced. Despite expectations that the cyclical phase will continue to be basically unfavorable in the manufacturing sector also in the last months of the year, signs of stabilization and less pessimistic expectations on growth emerged, with prospects for a modest recovery.

In the United States of America, expansion was once again supported by the strong labor market, good resilience in consumption and favorable financial conditions, while the net contribution of exports was neutral and investments showed some contractions. Economic

activity grew during the third quarter by 2.1%, substantially unchanged compared to the previous quarter. In December an initial commercial agreement was signed with China, which is preliminary for a wider regulation of economic relationships between the two countries and the Congress approved the new trade agreement between the United States, Mexico and Canada (USMCA) which replaces the previous one (NAFTA).

In Europe, economic activity, always driven by domestic demand and consumption, was held back by the lack of dynamism of the manufacturing sector, being particularly accentuated in Germany. During the third quarter, GDP growth remained modest. At the end of the year the decline in industrial production slightly attenuated, thanks to the better performance in Germany. In a context of weakness in international trade, the contribution of foreign trade was slightly negative. In Italy, the stagnation of the industrial cycle, particularly the manufacturing one, slowed down GDP growth, which for the whole of the year remained fairly stable (+0.2%).

As regards the main emerging economies, in China, after the slowdown in economic activity during the summer months following commercial tensions with the United States of America and the weakening of domestic demand, a stabilization is expected. India recorded a greater slowdown of growth, while in Russia and Brazil, albeit at modest levels, the recovery of economic activity was confirmed.

Financial conditions of the advanced economies remained accommodative: in October, the Federal Reserve reduced the reference rates for the third consecutive time, while the ECB confirmed its commitment in terms of expansionary measures. Central banks in some emerging countries, including Russia and Brazil, also further reduced benchmark rates. Investments in the construction sector in the United States of America confirmed moderate growth, supported by developments in the public and the residential building sector. In Central Europe and Italy development was modest, while expansion in Eastern Europe was more marked.

Group cement sales stood at 29.1 million tons, up 4.3% compared to 2018. Ready-mix concrete output, amounting to 12.1 million cubic meters, was in line with the volumes of the previous year (+0.2%). Consolidated net sales increased by 12.1%, from €2,873 to €3,221 million. Variances in the exchange rates, mainly consisting of the appreciation of the dollar, the Ukrainian hryvnia and the Russian ruble, had an overall unfavorable impact of €81 million. The scope of consolidation increased in Italy, thanks to the additional contribution, starting from 1 July, from the Testi cement plant (near Florence) and two grinding plants in Piedmont, and in Germany, where the first part of the year was favored by additional shipments referring to the Seibel & Söhne production plant, which was acquired in May 2018. Therefore, like for like net sales would have been up 8.6%.

Net debt at the end of 2019 amounts to €566 million, down €325 million compared to €891 million at the end of 2018. The significant improvement of the net financial position compared to the level of year-end 2018 is a result of the buoyant trend of cash flows from operations, despite an unfavorable impact of €95 million due to the adoption of the IFRS 16 (leasing) accounting standard and of €80 million referred to equity investments in Italy, among which,

in particular, the execution of the contract with HeidelbergCement regarding the strengthening of the Italian market position in the Center and North West of the country.

Italy

Economic activity, which was slightly growing during the third quarter, is expected to be almost stable during the fourth one. The development was supported by domestic demand, especially by household consumption, but was affected by the weakness of the manufacturing sector and the negative contribution of foreign trade. GDP for the whole of 2019 is expected to marginally improve (+0.2%), while inflation remained very weak (+0.5%). During the year, activity in the construction sector grew modestly, while the level of investments increased, in particular due to the continuation of the positive performance of the private residential and non-residential sector and to a first and visible sign of recovery in public works. However, internal cement consumption is estimated to have remained slightly lower than the levels reached in 2018.

Our sales of hydraulic binders and clinker, after a satisfactory start to the year favored by the not particularly cold weather, maintained a positive change thanks to the additional contribution, starting from 1 July, of the Testi cement plant (near Florence) and of the two grinding plants in Piedmont, despite a lower contribution of export shipments and of clinker. Average prices, thanks to the more stable market environment, were still improving. The ready-mix concrete sector stabilized on the production levels reached at the end of 2018, but with selling prices recovering.

Overall consolidated net sales of Italian operations amounted to €505 million, up 9.8% compared to 2018. Like for like they would have been up 7.5%.

Central Europe

In **Germany**, after the decline of 0.2% in the second quarter, the third quarter GDP is estimated to be marginally up (+0.1%), foreseeing a certain stabilization of the economic cycle, even if the expansion phase, during the whole of the year, confirmed a clear decrease, being the weakest one since 2013. Net foreign exports had a negative impact on growth, as a consequence of the decline in international demand. Additionally, the difficulties that affected the manufacturing sector, particularly the automotive industry, further weakened the economic situation, which was mainly fueled by the strong trend of domestic demand, by the further expansion of the labor market and the disposable income, as well as by the increase in public spending. Despite the decline in industrial production, the construction sector confirmed its positive trend, mainly supported by the residential sector. For the entire year, GDP growth is estimated at +0.5%, while inflation remained at a moderate level (+1.5%), below the wage growth rate.

Our deliveries of hydraulic binders, after a robust increase during the first half of the year, facilitated by the favorable weather conditions and the additional contribution of shipments from the Seibel & Söhne production plant, at a later time resumed a more regular pace which was not influenced by the scope of activities, still closing the year with a positive result and average selling prices improving. Production volumes in the ready-mix concrete sector confirmed the levels reached at the end of 2018, while average selling prices increased.

At year-end 2019, overall net sales thus stood at €680 million, up 7.5% compared to €632 million in 2018. On a like-for-like basis, they would have increased by 5.9%.

In **Luxembourg** and the **Netherlands**, thanks to a more lively trend in shipments in the second half of the year, overall cement and clinker volumes sold closed the year with a marginal decline and average unit prices slightly progressing. The ready-mix concrete sector, on the other hand, maintained an unfavorable change in volumes, mainly attributable to the slowdown in the works relating to an important infrastructure project in the Netherlands, albeit with prices well recovering.

Overall net sales came in at €192 million, down (-2.4%) compared to €197 million in the previous year.

Eastern Europe

In **Poland**, also in 2019 the solid development of domestic demand, supported by the favorable wage dynamics, the labor market close to full employment, a high mood of confidence and strengthened public spending, allowed the positive economic cycle to continue, with growth rates which, although decreasing, are expected to exceed 4%.

The level of construction investments, although decreasing compared to the extraordinary growth of the previous year, was confirmed to be significant and among the best performing ones in Europe.

Cement volumes sold by the group, after the progress achieved in the first months thanks to the particularly favorable weather conditions, in the second half of the year maintained a more regular trend, in line with expectations, closing at an only marginally lower level compared to the results recorded at year-end 2018. On the other hand, average selling prices in local currency showed a marked improvement. The ready-mix concrete sector achieved weaker results, with average selling prices in local currency confirming a clear rise. Net sales increased, despite the marginal depreciation of the local currency, from €111 million to €124 million (+11.1%). At constant exchange rates, net sales would have been up 12.1%.

In the **Czech Republic**, the economic cycle continued its long expansion phase in 2019, albeit at a slightly lower growth rate than the previous year, reflecting the decline in international demand and the deceleration of investments in the manufacturing sector, particularly in the automotive industry, which tightly depends on the production chain with the main European trading partners. GDP growth is expected to be 2.5% at the end of 2019, supported by robust domestic demand thanks to high employment rate levels, to growth in the disposable income and to a favorable mood of confidence. The level of construction investments, which are slowing down too, however remained favorable.

Cement sales confirmed for the whole of the year the slight decrease already recorded during the first half, with average selling prices in local currency improving. The ready-mix concrete sector, which also includes **Slovakia**, recorded weaker production levels, balanced by progressing prices.

Consolidated net sales, on which the slight depreciation of the Czech koruna marginally impacted, therefore came in at €168 million (+2.2%). At constant exchange rates, they would have been up 2.3%.

In **Ukraine**, also thanks to the measures taken by the new government with the aim of pursuing the path to make the economic context of the country more dynamic and competitive, economic activity has been continuing to recover since 2016. GDP growth is estimated at 3% for the whole of the current year, supported by the positive trend recorded in agriculture and in the services and construction sectors, as well as by the improvement in domestic demand, while the inflation rate, although further decreasing, is expected to remain at high levels (+8.7%).

Cement sales, also in the second half of the year, confirmed a significant improvement, in line with the development recorded at the beginning of the year, favored by the decline in imports from the neighboring countries, particularly Russia, following the recent imposition of restrictions on imports, closing the entire year with double-digit percentage progress and average prices in local currency still driven upwards by inflation. Ready-mix concrete output, on the other hand, confirmed a weak trend, but with average prices in local currency strongly improving.

Net sales stood at €132 million, substantially increasing compared to the €88 million achieved in 2018 (+49.3%). The good trend of the local currency positively affected the translation of results into euro. At constant exchange rates, they would have increased by 34.5%.

In **Russia**, during the first six months of 2019, economic activity visibly attenuated the pace of development. The weakening of global demand, in particular for hydrocarbons and metals, negatively influenced exports, while the slow recovery in domestic demand was conditioned by higher consumption taxes and by a weak growth in disposable income, which were unable to compensate inflation, being expected for the entire year at 4.7%. In the second half of 2019, some recovery of economic activity became more visible, stimulated by the gradual implementation of a significant program of public initiatives relating to investments in infrastructure, health and education. GDP growth for the entire year 2019 is estimated at 1.1%, slowing down compared to the previous year. Construction investments are expected to increase slightly.

Cement sales, after a significant acceleration in the first half of the year, mainly attributable to the expansion of the distribution network, continued their growth at a more regular pace, also favored by the progress recorded by the special oil-well cements. Average unit prices, in local currency, confirmed the positive performance already shown in the first part of 2019. Net sales amounted to €214 million, improving compared to €185 million in the previous year (+15.6%). The strengthening of the ruble favorably affected the translation of turnover into euro. At constant exchange rates, it would have increased by 13.2%.

United States of America

During the summer months GDP grew at similar rates (+2.1%) compared to those of the second quarter, confirming the solidity of the expansionary pace, albeit less brilliant than the

previous year. Stable progress in the labor market and in consumption, as well as favorable financial conditions continued to support growth, while investment dynamics signaled some contractions, as trade tensions with China intensified, and due to more uncertain prospects in the manufacturing sector, which attenuated the benefits deriving from the program of fiscal stimuli and an increase in public spending. GDP growth of 2.3% is expected for the year as a whole.

Investment in construction is estimated to be moderately developing, supported by the growth in infrastructure, the stabilization of the residential sector and some contractions in the commercial segment.

Our cement sales, thanks to the favorable weather conditions that characterized the second half of the year, including the winter months, improved during the second half by closing the year extremely progressing compared to 2018, which was strongly affected by intense cold at the beginning of the year and high rainfall in the third quarter. Selling prices, in local currency, showed a slight improvement. Ready-mixed concrete output, mainly present in Texas, recorded even more marked progress, supported by modestly growing prices.

Overall net sales stood at €1,242 million, robustly increasing (+16.2%) compared to the €1,070 million of the previous year. The appreciation of the dollar had a positive impact on the translation of the results into euro. At constant exchange rates, they would have increased by 10.1%.

Mexico (valued by the equity method)

During 2019 economic activity visibly contracted, affected both by the slowdown in the global manufacturing sector and by the drastic cuts in public spending and investments, as well as by some economic policy developments undertaken by the new government, which intensified the uncertainties and adversely affected private investment and business confidence. Net exports, despite the intensification of international trade tensions, and domestic demand, albeit with a weaker profile, continued to support the economic situation. GDP growth for the whole of 2019 is expected to be marginal, markedly slowing down compared to the previous year, while the inflation rate confirmed a further reduction (+3.8%). The level of investment in the construction sector weakened.

In this environment, the sales of the associate Corporación Moctezuma, after the clear decline achieved in the first half, started to stabilize, closing the year down, but less unfavorably compared to the levels recorded in the first six months of the year, with prices, in local currency, decreasing. Likewise, ready-mix concrete output also showed an even more marked decrease compared to the levels of the previous year, but the respective prices, in local currency, improved.

With reference to 100% of the associate, net sales are estimated at just over €590 million, down approximately 5% on the previous year, although the appreciation of the Mexican peso positively affected the translation of the results into euro. At constant exchange rates net sales would have decreased by approximately 10%.

Brazil (valued by the equity method)

Also for the current year, the pace of recovery has remained modest compared to the potential of the country. GDP expansion is expected to reach +1.2%, in line with the

developments made during the previous two years, supported by the improvement of consumer confidence and the strengthening of investments. The new government has prepared an ambitious plan of initiatives and structural reforms to implement the infrastructure, reform the pension system, develop the private initiative, reduce the presence of the state in the economy and simplify the tax system, which are expected to produce significant strengthening of the expansive cycle. Investment in construction, after a two-year contraction, is expected to develop upwards.

The cement shipments achieved by the new joint venture maintained a positive trend, above all thanks to the contribution of the North-East region, where the increase was more marked. Average selling prices, in local currency, showed a marginal improvement. Net sales of 2019, with reference to 100% of the associate, slightly increased from €133 million registered in 2018 to approximately €135 million. The depreciation of the Brazilian real adversely affected the translation of the results into euro. At constant exchange rates, net sales would have increased by approximately €5 million.

Outlook 2019

Thanks to quite favorable weather conditions, the last quarter also closed with sales higher than those of the same period of the previous year, confirming the positive developments in demand and prices, especially in the United States of America, Eastern Europe and Italy.

Based on the preliminary information available, we expect the consolidated financial statements for the year 2019 to close with a recurring Ebitda of approximately €700 million, about €20 million thereof deriving from the favorable exchange rate effect.

Amendment to the 2020 annual calendar of corporate events

As an amendment to the calendar of corporate events already disclosed pursuant to art. 2.6.2 of the Regulations of the markets organized and managed by Borsa Italiana S.p.A, we herewith inform you that the Board of Directors for the approval of the draft statutory financial statements and the consolidated financial statements for 2019, which was initially scheduled for March 26, 2020, will be held on March 25, 2020.

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 no. 92543/2015 and the guidelines ESMA/2015/1415 set out below are the definitions of such measures.

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, 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, February 7, 2020

Company contacts:

Investor Relations Assistant

Ileana Colla

Phone +39 0142 416 404

Email : icolla@buzziunicem.it

Internet: www.buzziunicem.com