

# Italian Infrastructure Day

Milan – 6 September 2018

# Executive summary H1 2018

## ▪ Volumes

- Cement up 7.7% in Q2 (+2.3% lfl) and +3.8% YTD (-1.5% lfl)
- Volume reduction in Ukraine. Russia stable. Positive trend in the USA, the Czech Republic and Poland. Volumes up in Italy and in Germany mainly thanks to scope changes
- Ready-mix concrete down 0.7% YTD (+3.8% in Q2)

## ▪ Prices

- Basically unchanged in the Czech Republic and favorable variances in all other markets

## ▪ Foreign Exchange

- Negative impact on sales (€m 72.2) and EBITDA (€m 18.8) mainly due to weaker dollar and ruble

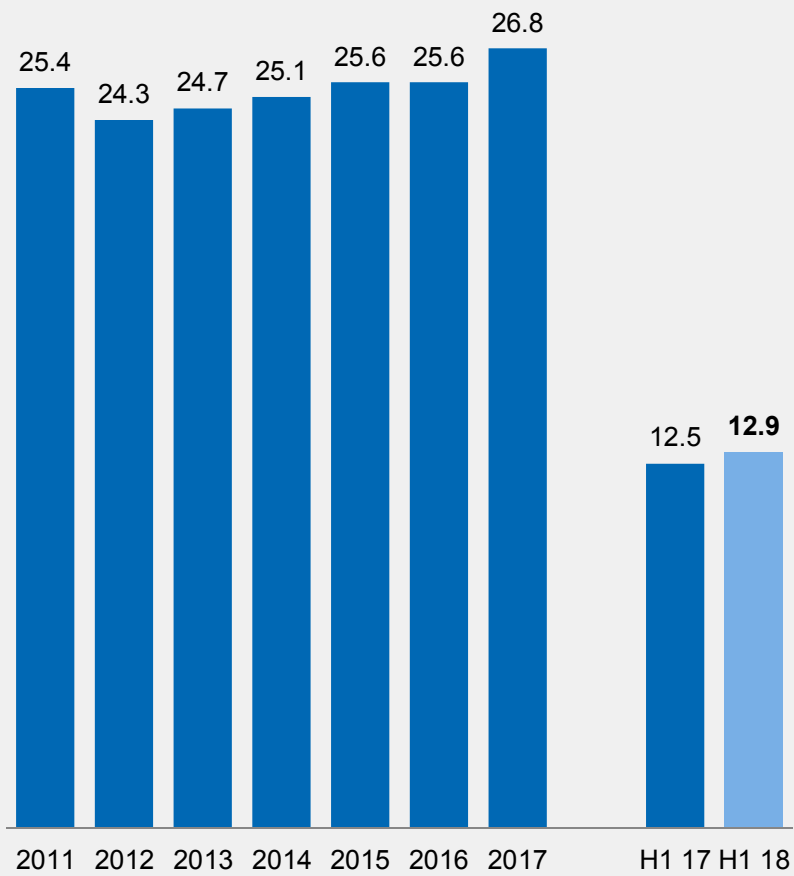
## ▪ Results

- Revenues at €m 1,337.4 versus €m 1,353.8 in H1 2017
- EBITDA at €m 227.4 (recurring €m 216.4) versus €m 241.1 (recurring €m 245.6) in H1 2017

# Volumes H1 2018

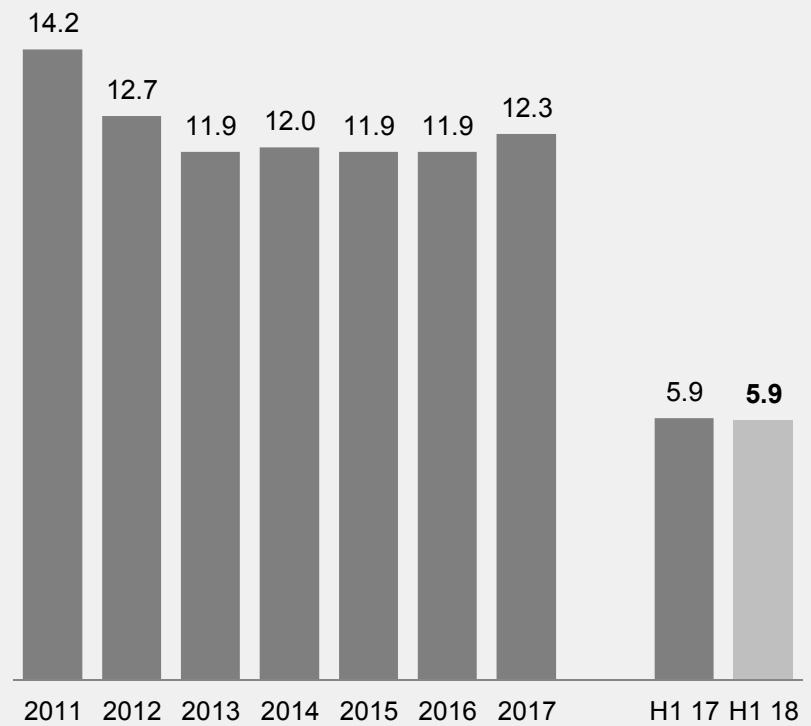
## Cement

(m ton)

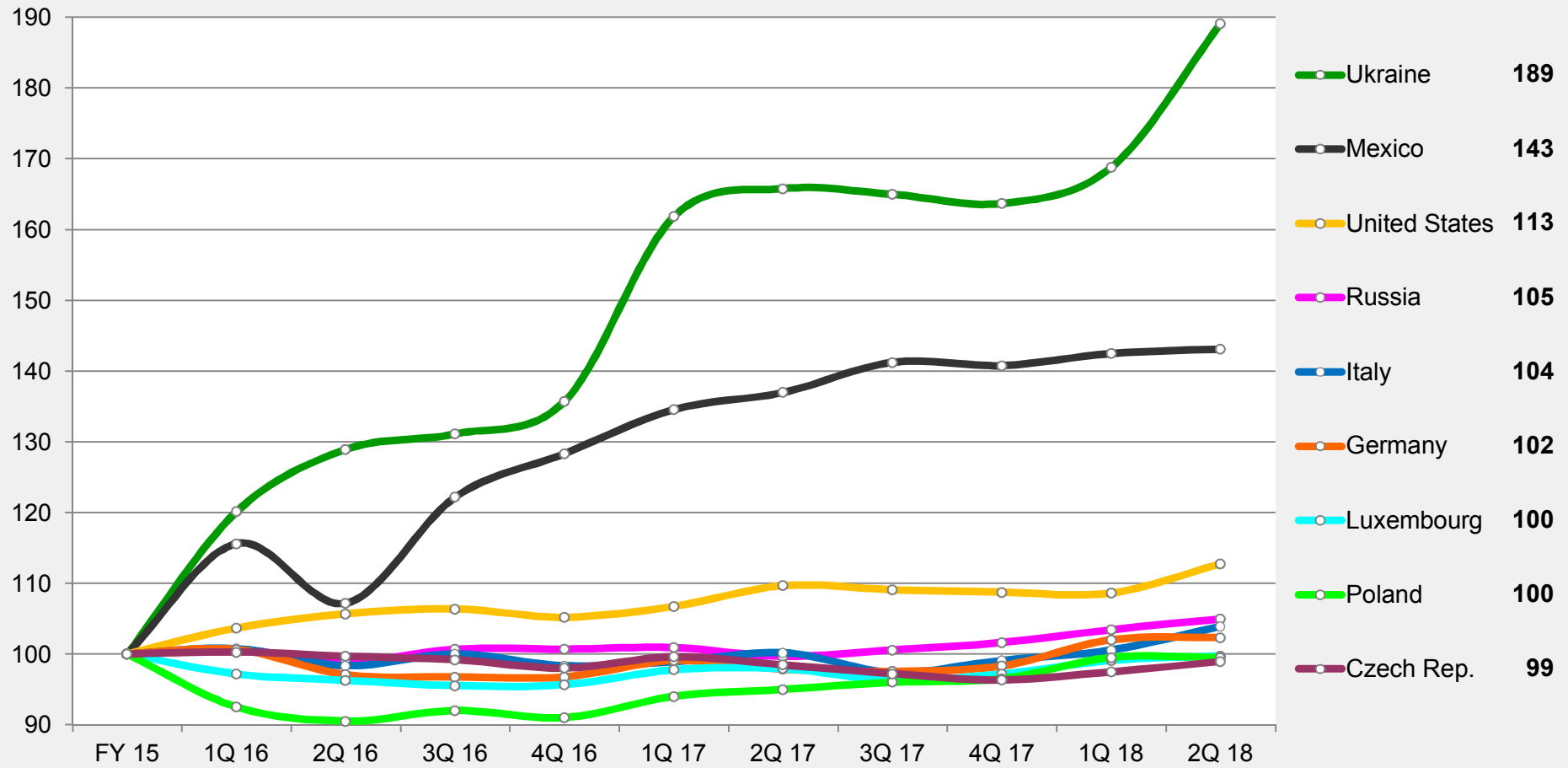


## Ready-mix concrete

(m m3)









# Price index by country












In local currency; FY15 = 100










## FX changes

|                                                                                     |     | H1 18 | H1 17 | Δ     | 2017  | current |
|-------------------------------------------------------------------------------------|-----|-------|-------|-------|-------|---------|
| EUR 1 =                                                                             |     | avg   | avg   | %     | avg   |         |
|    | USD | 1.21  | 1.08  | -11.8 | 1.13  | 1.17    |
|    | RUB | 71.96 | 62.81 | -14.6 | 65.94 | 79.10   |
|    | UAH | 32.37 | 28.97 | -11.7 | 30.02 | 32.92   |
|    | CZK | 25.50 | 26.78 | +4.8  | 26.33 | 25.74   |
|  | PLN | 4.22  | 4.27  | +1.1  | 4.26  | 4.29    |
|  | MXN | 23.09 | 21.04 | -9.7  | 21.33 | 22.36   |

## Net sales by country

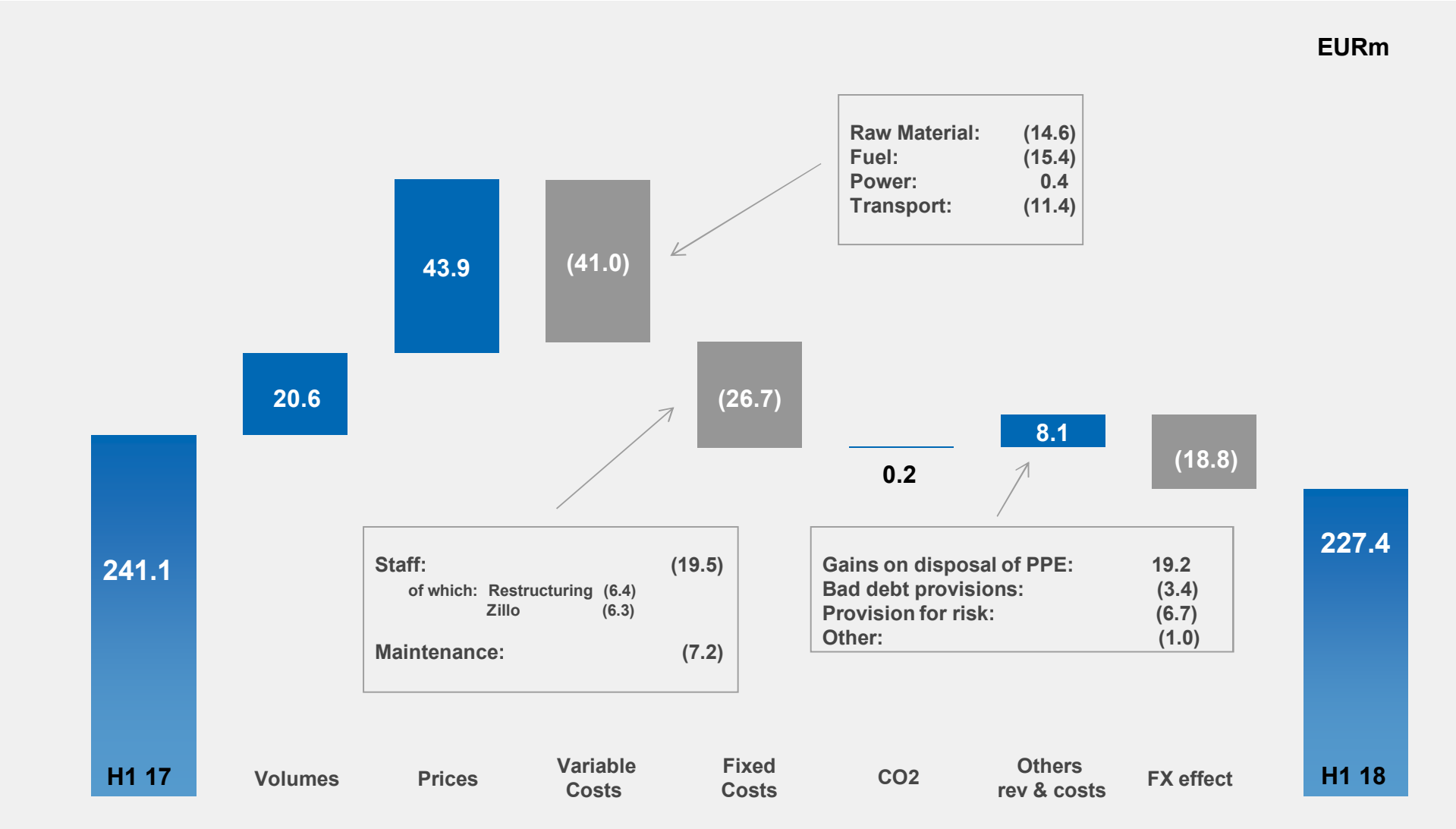
|                                                                                                      | H1 18          | H1 17          | Δ             | Δ           | Forex         | Scope       | Δ I-f-I     |
|------------------------------------------------------------------------------------------------------|----------------|----------------|---------------|-------------|---------------|-------------|-------------|
| EURm                                                                                                 |                |                | abs           | %           | abs           | abs         | %           |
|  Italy              | 227.9          | 200.2          | 27.7          | +13.8       | -             | 36.0        | -4.2        |
|  United States      | 504.7          | 560.4          | (55.6)        | -9.9        | (59.4)        | -           | +0.7        |
|  Germany            | 287.2          | 282.5          | 4.6           | +1.6        | -             | 5.0         | -0.1        |
|  Lux/Netherlands    | 96.5           | 90.7           | 5.8           | +6.4        | -             | -           | +6.4        |
|  Czech Rep/Slovakia | 75.7           | 65.6           | 10.2          | +15.5       | 2.8           | -           | +11.2       |
|  Poland             | 50.1           | 45.6           | 4.5           | +9.8        | 0.6           | -           | +8.6        |
|  Ukraine            | 35.5           | 42.6           | (7.1)         | -16.6       | (4.2)         | -           | -6.8        |
|  Russia            | 82.6           | 87.0           | (4.4)         | -5.1        | (12.0)        | -           | +8.8        |
| <i>Eliminations</i>                                                                                  | (22.9)         | (20.9)         | (2.1)         |             |               |             |             |
| <b>Total</b>                                                                                         | <b>1,337.4</b> | <b>1,353.8</b> | <b>(16.4)</b> | <b>-1.2</b> | <b>(72.2)</b> | <b>41.0</b> | <b>+1.1</b> |
|  Mexico (100%)    | 315.3          | 358.5          | (43.2)        | -12.1       | (30.6)        | -           | -3.5        |

## EBITDA by country

| EURm                                                                                |                    | H1 18        | H1 17        | Δ             | Δ           | Forex        | Scope       | Δ I-f-I     |
|-------------------------------------------------------------------------------------|--------------------|--------------|--------------|---------------|-------------|--------------|-------------|-------------|
|                                                                                     |                    |              |              | abs           | %           | abs          | abs         | %           |
|    | Italy              | (8.9)        | (13.4)       | 4.5           | +33.5       | -            | 4.8         | -2.2        |
|                                                                                     | recurring          | (2.9)        | (11.0)       | 8.1           | +74.0       |              | 4.8         | +30.4       |
|    | USA                | 143.0        | 161.4        | (18.4)        | -11.4       | (16.8)       | -           | -1.0        |
|                                                                                     | recurring          | 126.3        | 163.5        | (37.1)        | -22.7       | (14.9)       |             | -13.6       |
|    | Germany            | 27.8         | 32.7         | (4.9)         | -15.0       | -            | (5.9)       | +3.1        |
|                                                                                     | recurring          | 32.8         | 32.7         | 0.1           | +0.3        | -            | (5.9)       | +18.4       |
|    | Lux/Netherlands    | 8.3          | 6.2          | 2.0           | +32.5       | -            | -           | +32.5       |
|    | Czech Rep/Slovakia | 19.7         | 13.4         | 6.3           | +46.9       | 0.9          | -           | +40.3       |
|    | Poland             | 16.4         | 9.2          | 7.2           | +79.0       | 0.2          | -           | +77.0       |
|                                                                                     | recurring          | 11.0         | 9.2          | 1.8           | +19.8       | 0.1          | -           | +18.5       |
|  | Ukraine            | 1.6          | 8.8          | (7.2)         | -81.8       | (0.2)        | -           | -79.7       |
|  | Russia             | 19.6         | 22.9         | (3.3)         | -14.3       | (2.9)        | -           | -1.8        |
| <b>Total</b>                                                                        |                    | <b>227.4</b> | <b>241.1</b> | <b>(13.7)</b> | <b>-5.7</b> | <b>-18.8</b> | <b>-1.1</b> | <b>+2.6</b> |
|                                                                                     | recurring          | 216.4        | 245.6        | (29.2)        | -11.9       | -16.9        | -1.1        | -4.6        |
|  | Mexico (100%)      | 153.2        | 173.0        | (19.8)        | -11.4       | (14.9)       | -           | -2.8        |

# EBITDA variance analysis

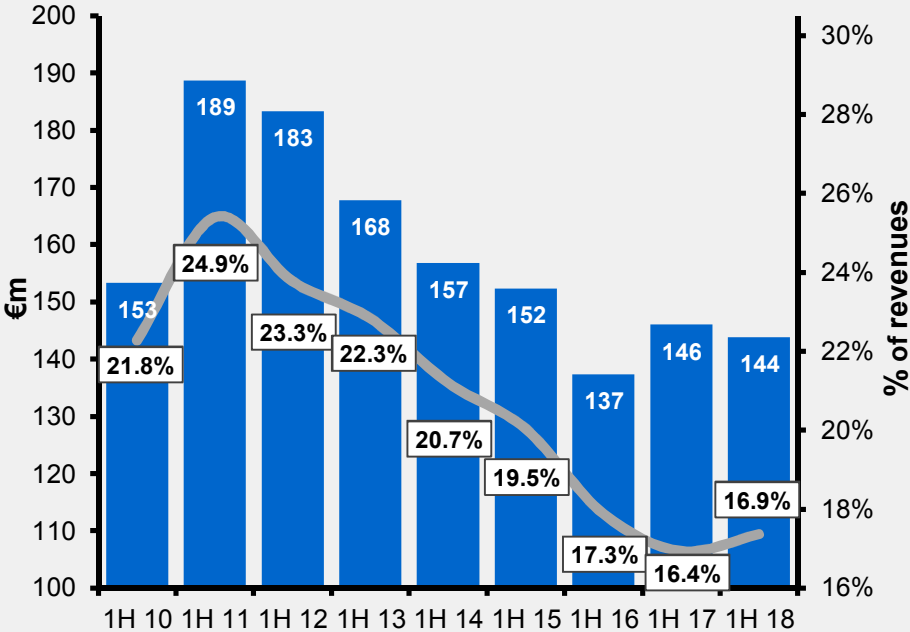
EURm





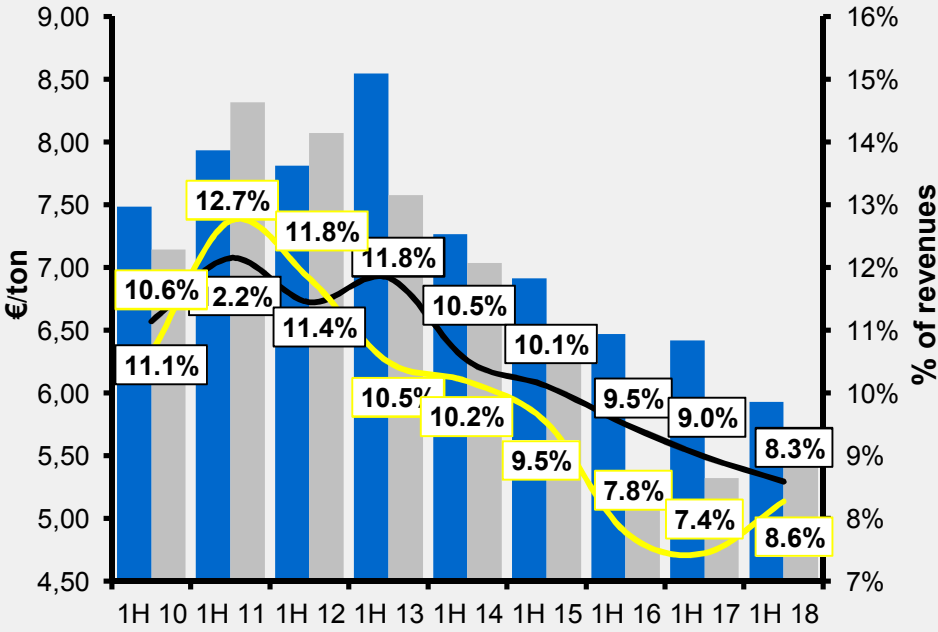
# Energy costs impact

## Total energy



■ Energy cost (€m)  
— Energy cost / Cement revenues

## Power & Fuel



■ Power cost (€/ton)  
— Fuel cost / revenues (%)  
■ Fuel cost (€/ton)  
— Power cost / revenues (%)

# Consolidated Cash Flow Statement

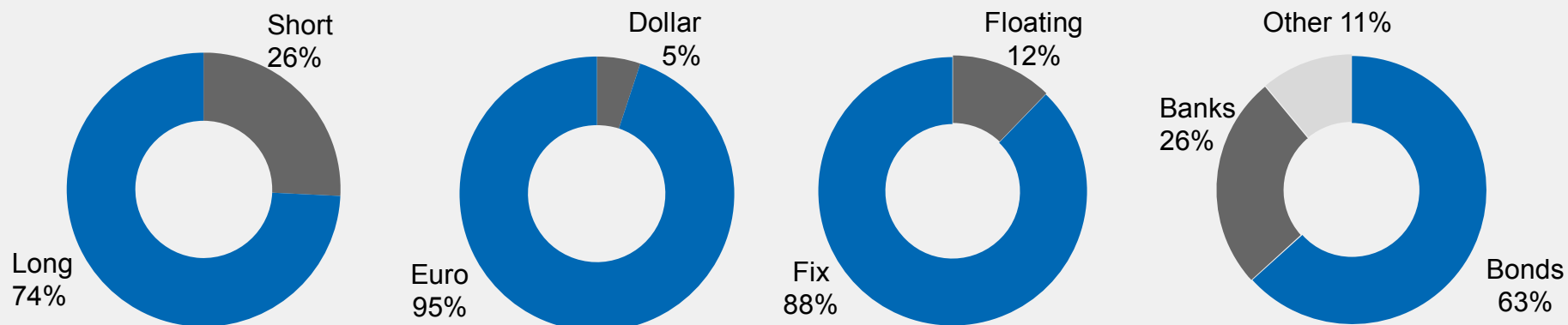
| EURm                                          | H1 18          | H1 17          | 2017           |
|-----------------------------------------------|----------------|----------------|----------------|
| <b>Cash generated from operations</b>         | <b>96.0</b>    | <b>186.5</b>   | <b>506.6</b>   |
| <i>% of sales</i>                             | 7.2%           | 13.8%          | 18.1%          |
| Interest paid                                 | (15.1)         | (15.5)         | (43.9)         |
| Income tax paid                               | (27.7)         | (37.1)         | (91.9)         |
| <b>Net cash by operating activities</b>       | <b>53.2</b>    | <b>133.9</b>   | <b>370.8</b>   |
| <i>% of sales</i>                             | 4.0%           | 9.9%           | 13.2%          |
| Capital expenditures <sup>1)</sup>            | (107.8)        | (90.4)         | (183.7)        |
| Equity investments                            | (54.5)         | (27.5)         | (33.9)         |
| Dividends paid                                | (28.3)         | (21.8)         | (22.0)         |
| Dividends from associates                     | 51.9           | 32.5           | 85.3           |
| Disposal of fixed assets and investments      | 26.3           | 5.5            | 12.5           |
| Translation differences and derivatives       | 27.9           | (9.6)          | (40.2)         |
| Accrued interest payable                      | (5.7)          | 6.9            | (1.4)          |
| Interest received                             | 6.4            | 4.1            | 9.7            |
| Contingent liabilities                        |                |                | (61.5)         |
| Change in consolidation area and other        | (0.9)          | (1.3)          | (56.4)         |
| <b>Change in net debt</b>                     | <b>(31.6)</b>  | <b>32.3</b>    | <b>79.1</b>    |
| <b>Net financial position (end of period)</b> | <b>(894.0)</b> | <b>(909.2)</b> | <b>(862.5)</b> |

1) of which expansion projects 18.5 (11.9 in H1 17; 28.7 in 2017)










# Net Financial Position

|                                 | Jun 18         | Dec 17         | Δ             | Jun 17         |
|---------------------------------|----------------|----------------|---------------|----------------|
| <b>EURm</b>                     |                |                |               |                |
|                                 |                |                | abs           |                |
| Cash and other financial assets | 772.1          | 829.8          | (57.7)        | 635.0          |
| Short-term debt                 | (430.4)        | (424.6)        | (5.7)         | (64.2)         |
| <b>Net short-term cash</b>      | <b>341.7</b>   | <b>405.2</b>   | <b>(63.5)</b> | <b>570.8</b>   |
| Long-term financial assets      | 4.5            | 3.2            | 1.3           | 12.5           |
| Long-term debt                  | (1,240.3)      | (1,270.9)      | 30.6          | (1,492.4)      |
| <b>Net debt</b>                 | <b>(894.0)</b> | <b>(862.5)</b> | <b>(31.6)</b> | <b>(909.2)</b> |

Gross debt breakdown (€m 1,670.6)



# Expected trading in 2018

|                                                                                                            | $\Delta$ Volume | $\Delta$ Price |
|------------------------------------------------------------------------------------------------------------|-----------------|----------------|
|  Italy                    | +               | +              |
|  United States of America | +               | +              |
|  Germany                  | +               | +              |
|  Luxembourg               | -               | +              |
|  Czech Republic           | +               | +              |
|  Poland                  | +               | +              |
|  Ukraine                | -               | +              |
|  Russia                 | +               | +              |
|  Mexico                 | -               | +              |

Note: Prices in local currency

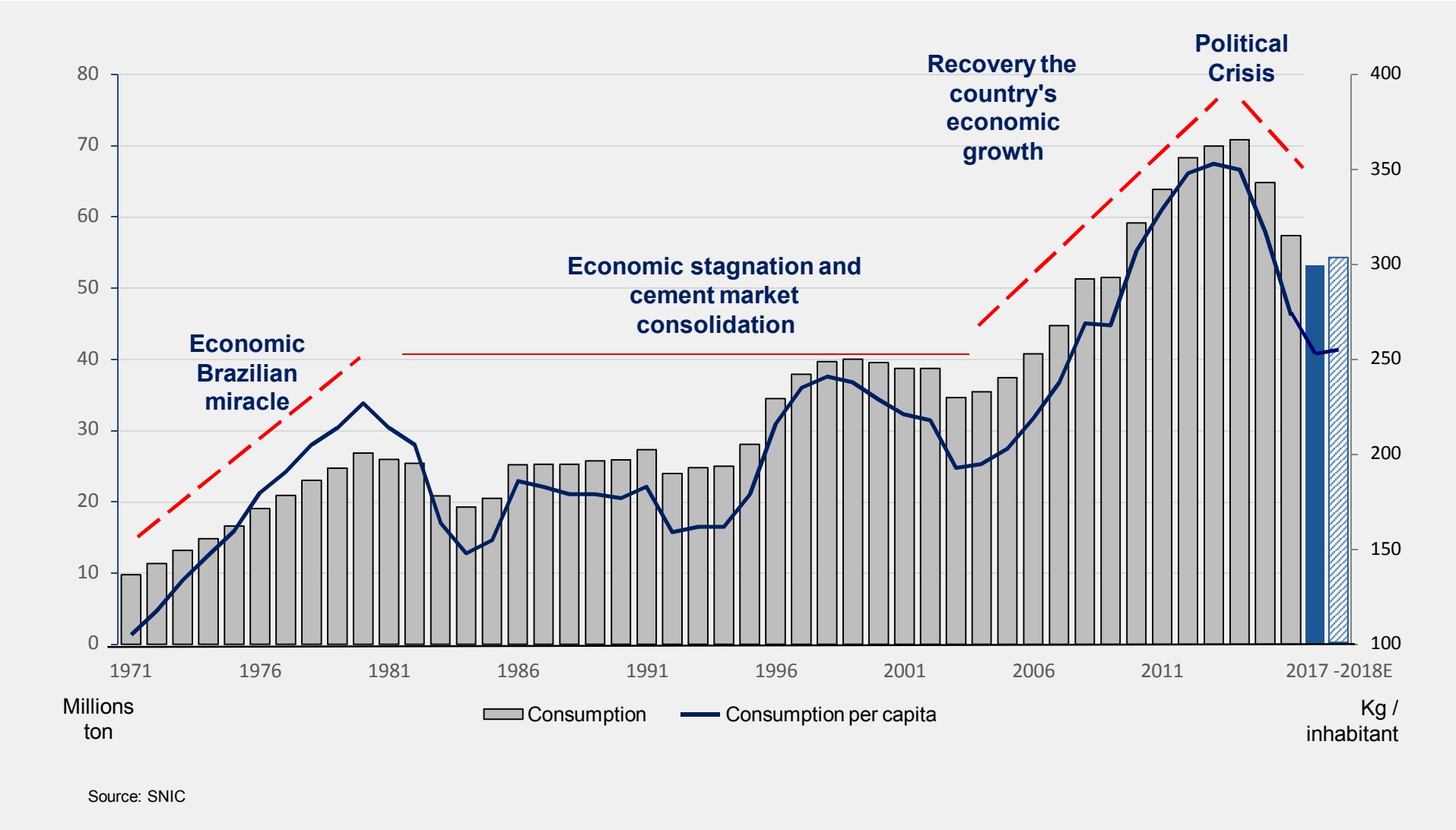
## Strategic move: agreement with Grupo Ricardo Brennand (1/6)

### RATIONALE

- 1- Stable improvement in the Buzzi Unicem financial situation
- 2- Enlargement of the geographical diversification
- 3- Brazil: largest economy in South America
- 4- Per capita cement consumption in Brazil is currently at its lowest levels in years
- 5- Current downturn in the Brazilian economy and cement industry in particular, is expected to be positively resolved starting from 2019

# Strategic move: agreement with Grupo Ricardo Brennand (2/6)

## National cement market: evolution over last 45 years



## Strategic move: agreement with Grupo Ricardo Brennand (3/6)

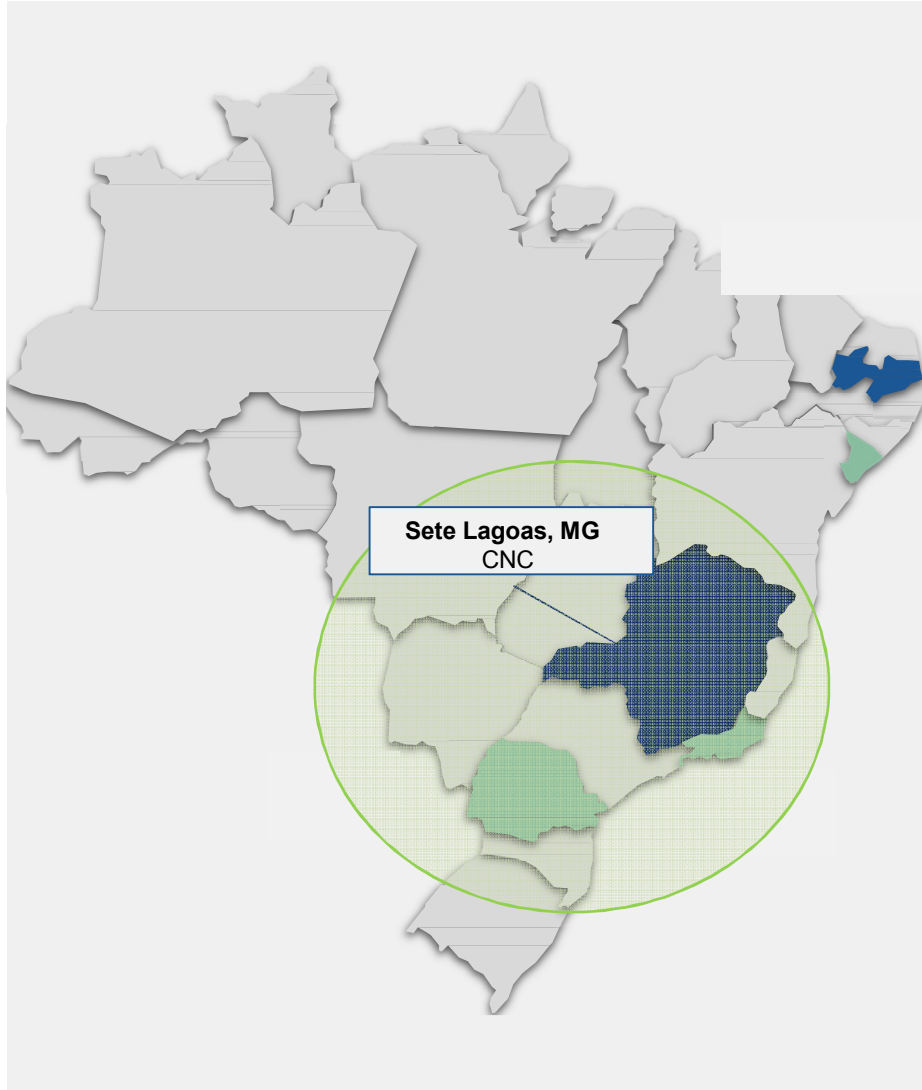
- On 6 September, 2018 Buzzi Unicem has signed an agreement with Grupo Ricardo Brennand aimed at acquiring 50% of BCPAR SA, a subsidiary of Brennand Cimentos
- BCPAR SA owns, among other things, two full-cycle cement plants operating in Brazil, one in the North-East region of the country (state of Paraíba) and the other in the South-East (state of Minas Gerais)
- The first step of the agreements entails an outlay by Buzzi Unicem of R\$ 700 million (of which R\$ 350 million for the stake purchase held by the current minority shareholders and R\$ 350 million for the dedicated capital increase) corresponding to approximately € 150 million
- A shareholders' agreement will be signed between the Ricardo Brennand Group and Buzzi Unicem providing for the co-control management rules of the joint venture BCPAR SA, on the basis of an equal participation in the board of directors and the shareholders' meeting. The agreement also entails a Put option (exercisable from 1 January 2013) and a Call option (exercisable from 1 January 2025) referring to the residual ownership interest by Brennand Cimentos (50%)

## Strategic move: agreement with Grupo Ricardo Brennand (4/6)

- The exercise price of the options will be established on the basis of the consolidated average EBITDA achieved by BCPAR SA during the three years before the exercise of the option, taking into account the net financial position
- The minimum exercise price of the options is equal to US\$250 million, to which the corresponding portion (50%) of the net financial position at the time of purchase must be added or deducted
- The strike is the same in case of either Put or Call
- The completion of the 100% acquisition, if the option are exercised, will occur no later than 2026
- Closing is expected to take place by 31 December 2018



# Strategic move: agreement with Grupo Ricardo Brennand (5/6)

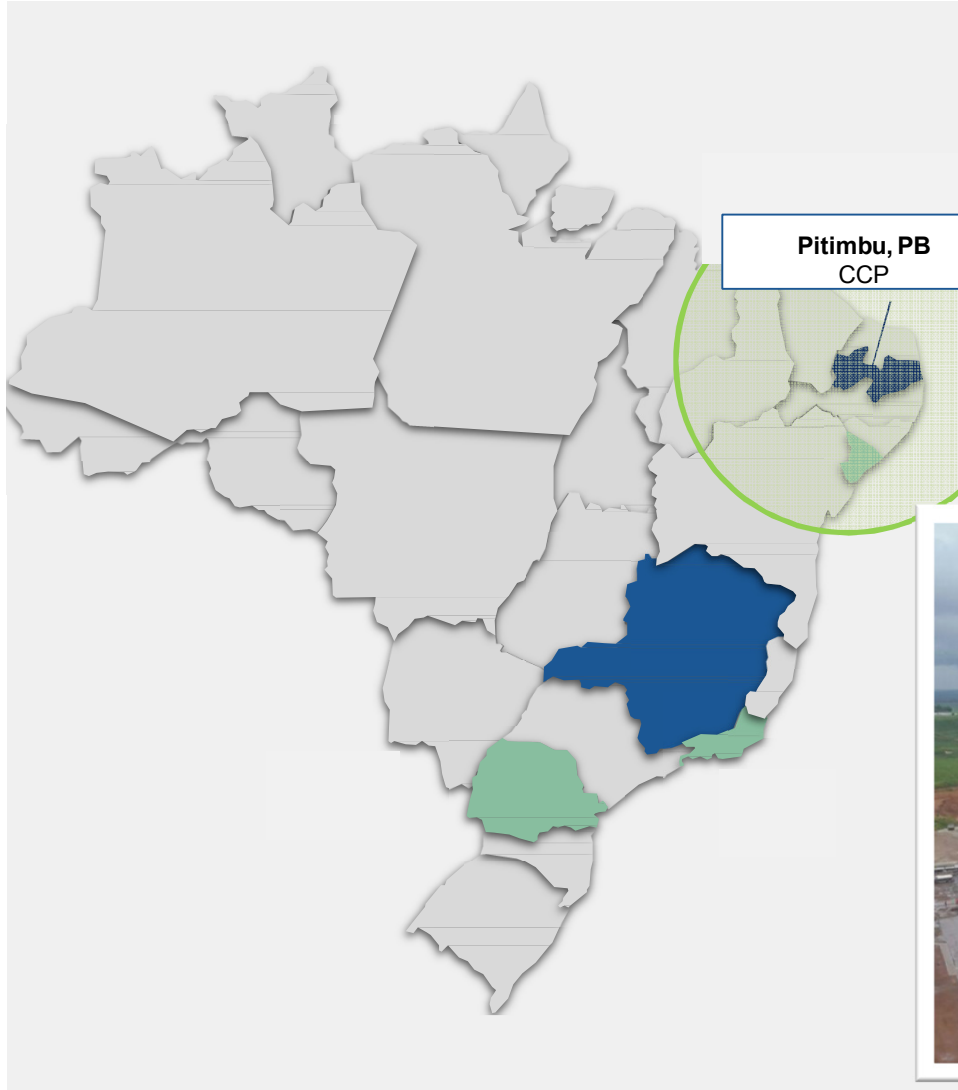


## Minas Gerais Cement Plant (CNC):

- **CNC is a complete cement production line**, able to produce clinker (1 rotary kiln) and cement (2 cement mills)
- **Started** its operation in May 2011. The total production capacity is 2.4 million tons of cement per year and 1.2 million tons of clinker per year
- **The plant meets cement demand** of Southeast Region (largest Brazilian Market), part of the South, Mid-West and North



# Strategic move: agreement with Grupo Ricardo Brennand (6/6)



## Paraíba Cement Plant (CCP):

- **CCP is a complete cement production line**, able to produce clinker (1 rotary kiln) and cement (1 cement mill)
- **Started** its operation in August 2015, with total production capacity of 1.7 million tons of cement per year and 1.4 million tons of clinker per year
- **The plant meets cement demand** of Northeast Region (second largest cement market in Brazil)

