# 2003 results

AIAF - April, 20th 2004

BUZZI UNICEM

# CONTENTS

**2003 overview**

>**Significant events**

>Results

>Operating highlights

Dyckerhoff update - Pro-forma consolidation

2004 outlook

# 2003 SIGNIFICANT EVENTS

**VOLUMES**

- Growth both in cement, tot +3.9% (Italy +1.3%, USA +7.8%, Mexico + 6.9%) and ready-mix concrete, +10.1%

**PRICES**

- Italy: stable environment (+1,8%over avg 2002) with 1Q 2004 softer and some recovery expected later in the year
- US: -2,5% due to 1Q 2003 weakness, recovery expected in 2004
- Mexico: ahead of inflation in Mxn in 2003, similar trend expected in 2004

**EXCHANGE RATES**

- US$ devaluation (-20% in 2003) and Mxn devaluation (-30% in 2003) strongly impacting P&L (-43 €m in Ebitda), but helping Net Financial Position (-36.6 €m)

**COSTS**

- On the rise, especially fuel costs (mostly due to marine freight), enduring pressure in 2004 on energy and logistic

**DYCKERHOFF**

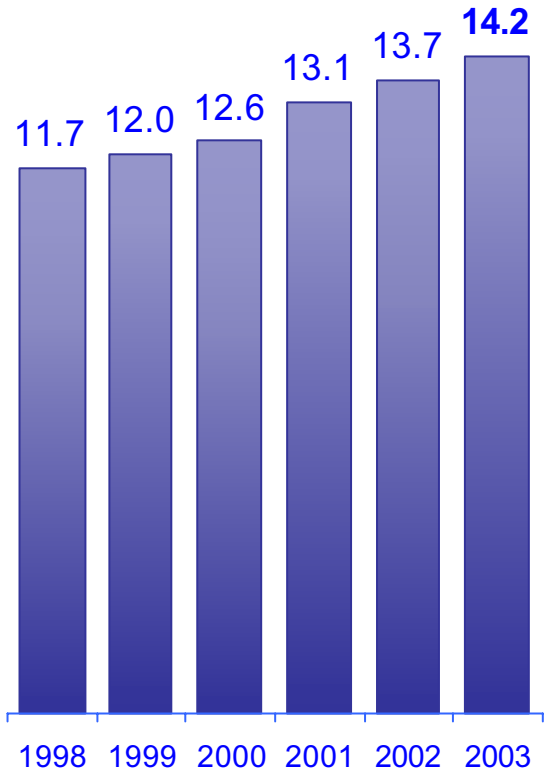
- German market still weak, but "Dyckerhoff 21" paying off. Extraordinary gains from disposals (218.8 €m) major contributor to debt reduction (from 1,230.6 to 785.2, -445.4 €m)

**RESULTS**

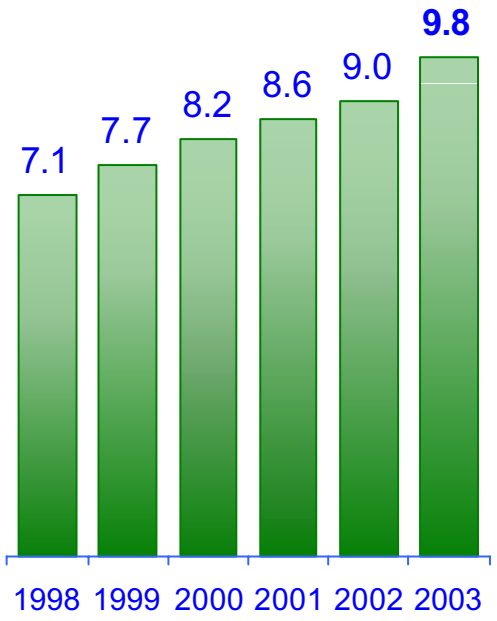
- Ebitda/Ebit moderately down, mostly due to FX
- Net income strongly up, with less extraordinary adjustments and minorities more than offsetting lower Ebit and higher income tax

# VOLUMES

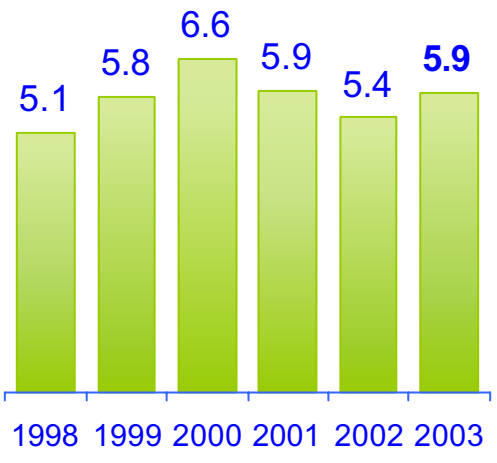
## CEMENT
(mt)



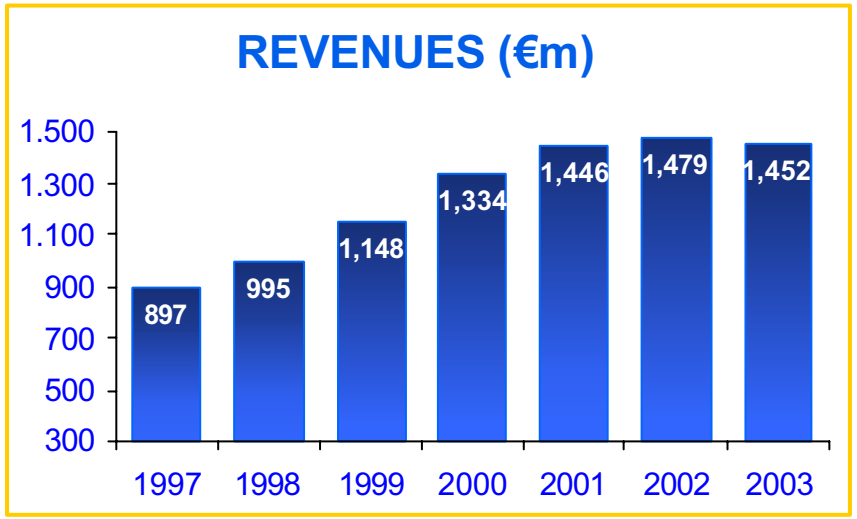

## READY-MIX CONCRETE
($mm^3$)

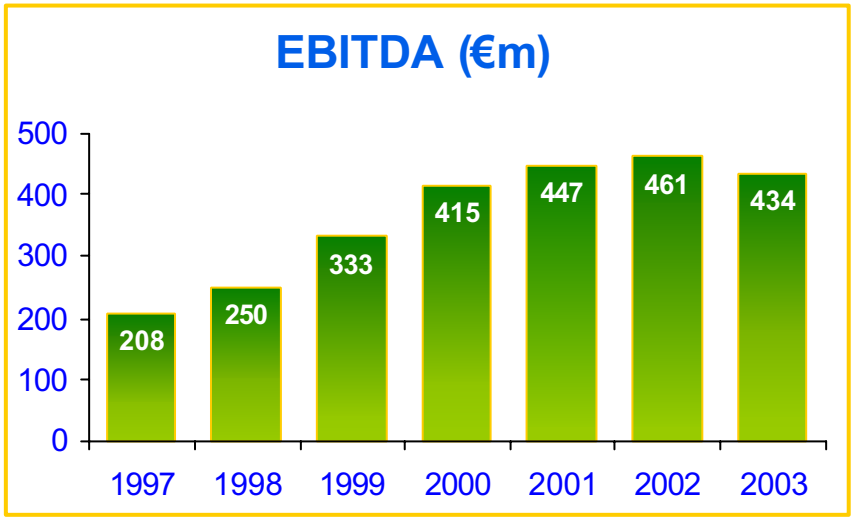


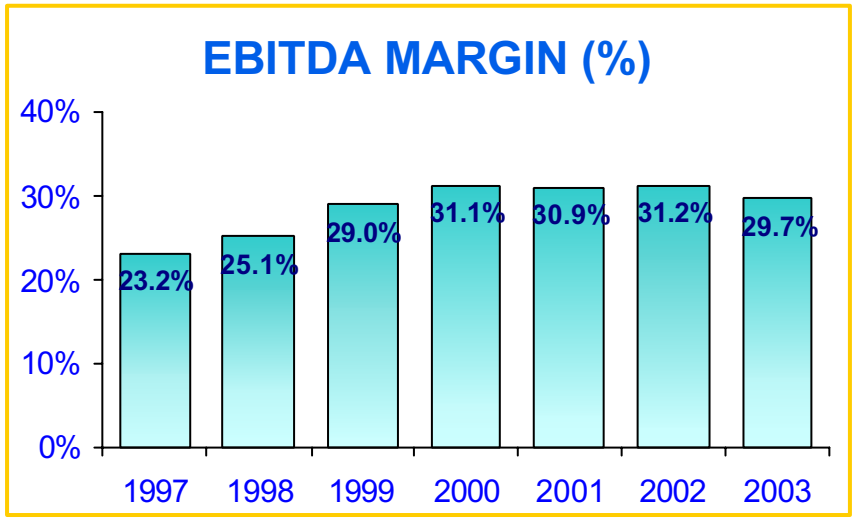

## AGGREGATES
(mt)

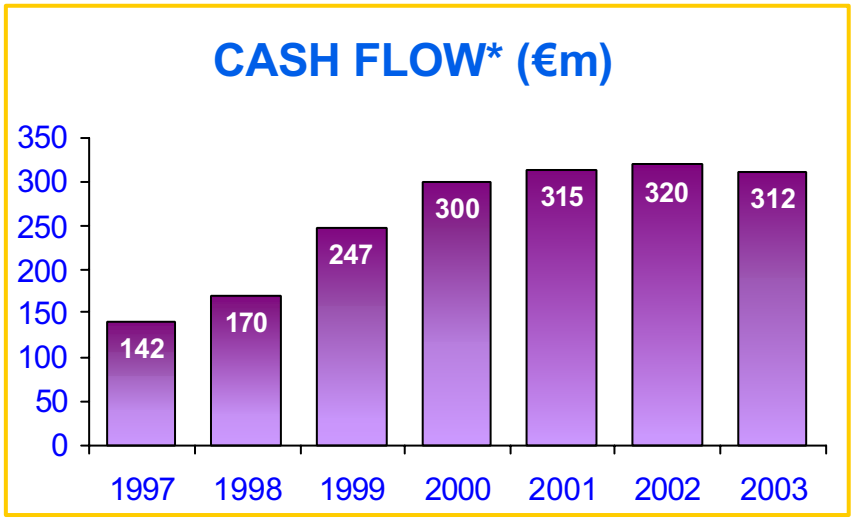


# TRACK RECORD



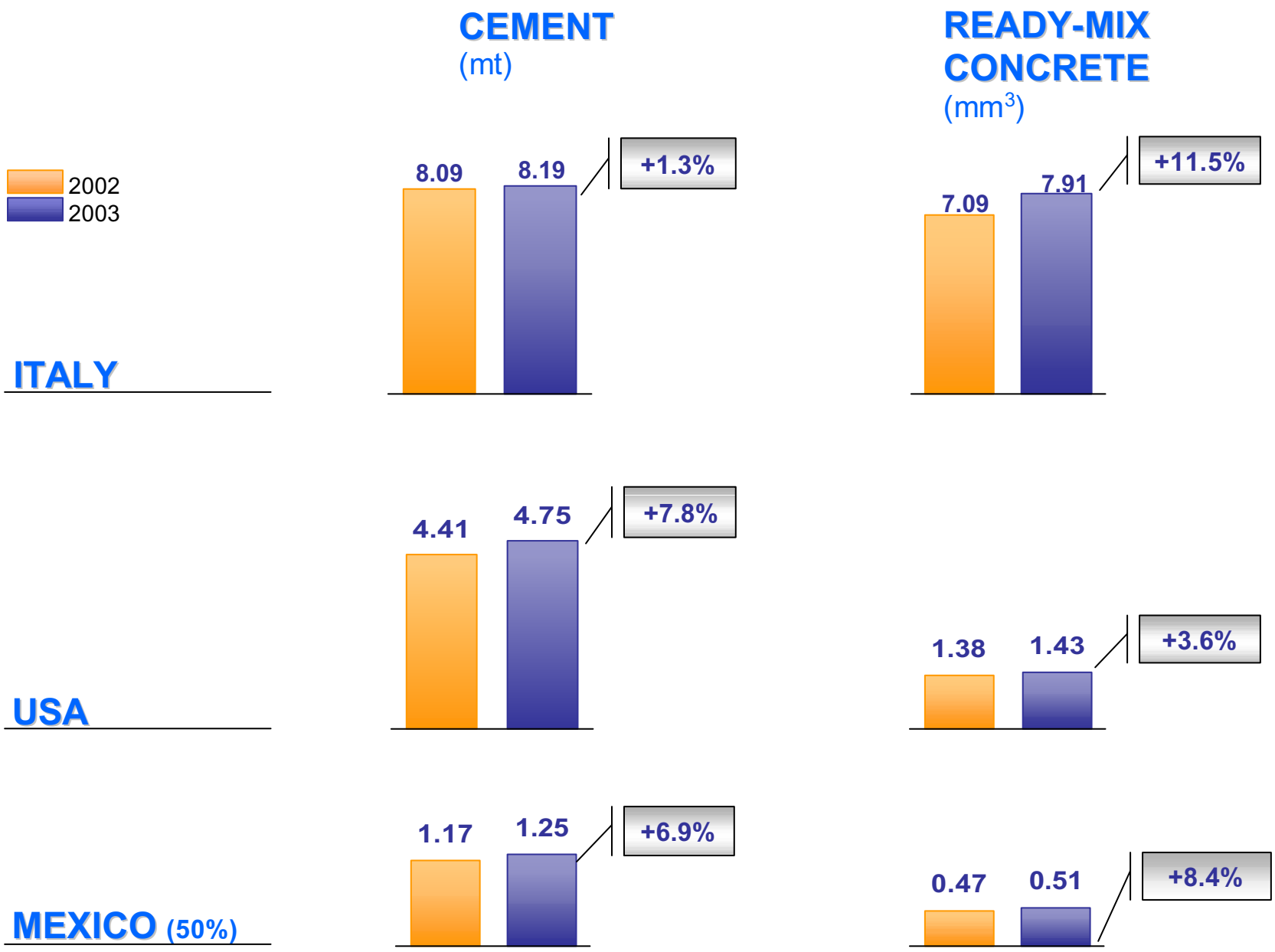




* Consolidated net income + minorities + depreciation + amortization (including Dyckerhoff goodwill)

# VOLUMES BY MARKETS



# CONTENTS

**2003 overview**

>Significant events

>**Results**

>Operating highlights

Dyckerhoff update - Pro-forma consolidation

2004 outlook

# INCOME STATEMENT

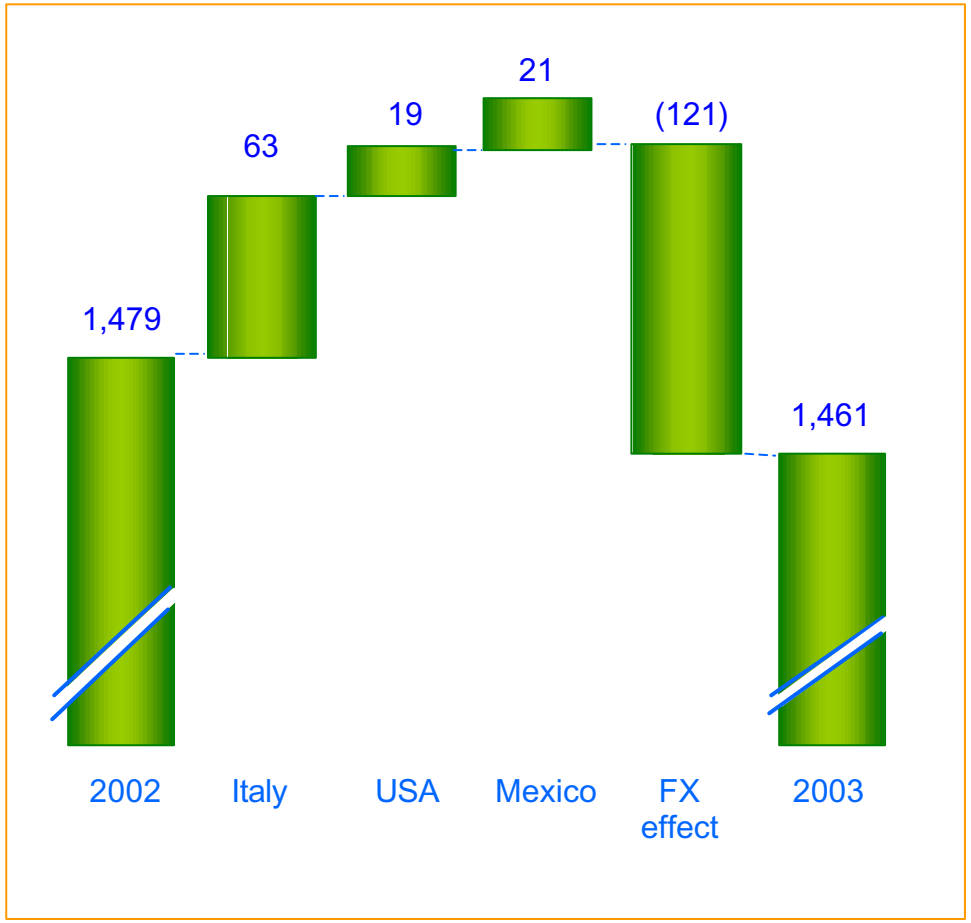
| €m | 2003 | 2002 | Δ '03/'02 abs. | fav/(unfav) % |
|---|---|---|---|---|
| **REVENUES (1)** | **1,461.6** | **1,478.7** | **(17.1)** | **(1.2)** |
| **EBITDA (1)** | **433.9** | **461.3** | **(27.4)** | **(5.9)** |
| *% revenues* | *29.7%* | *31.2%* | | |
| Depreciation & amortization | (114.1) | (129.9) | 15.8 | |
| **OPERATING INCOME** | **319.8** | **331.4** | **(11.6)** | **(3.5)** |
| *% revenues* | *21.9%* | *22.4%* | | |
| Net interest expense | (21.0) | (15.5) | (5.5) | |
| Adjustments | (9.0) | (66.7) | | |
| Extraordinary income / expense | 3.4 | (0.1) | 3.5 | |
| **PROFIT BEFORE TAXES** | **293.2** | **249.1** | **44.1** | **17.7** |
| Income taxes | (114.1) | (97.3) | (16.8) | |
| **COMBINED NET INCOME** | **179.1** | **151.8** | **27.3** | **18.0** |
| **CONSOLIDATED NET INCOME** | **159.3** | **128.7** | **30.6** | **23.8** |
| | | | | |
| Net income adj.for Dy goodwill | 178.5 | 166.7 | 11.8 | |
| Net income adj.for Dy goodwill / equity | 172.2 | 190.8 | (18.6) | (9.7) |

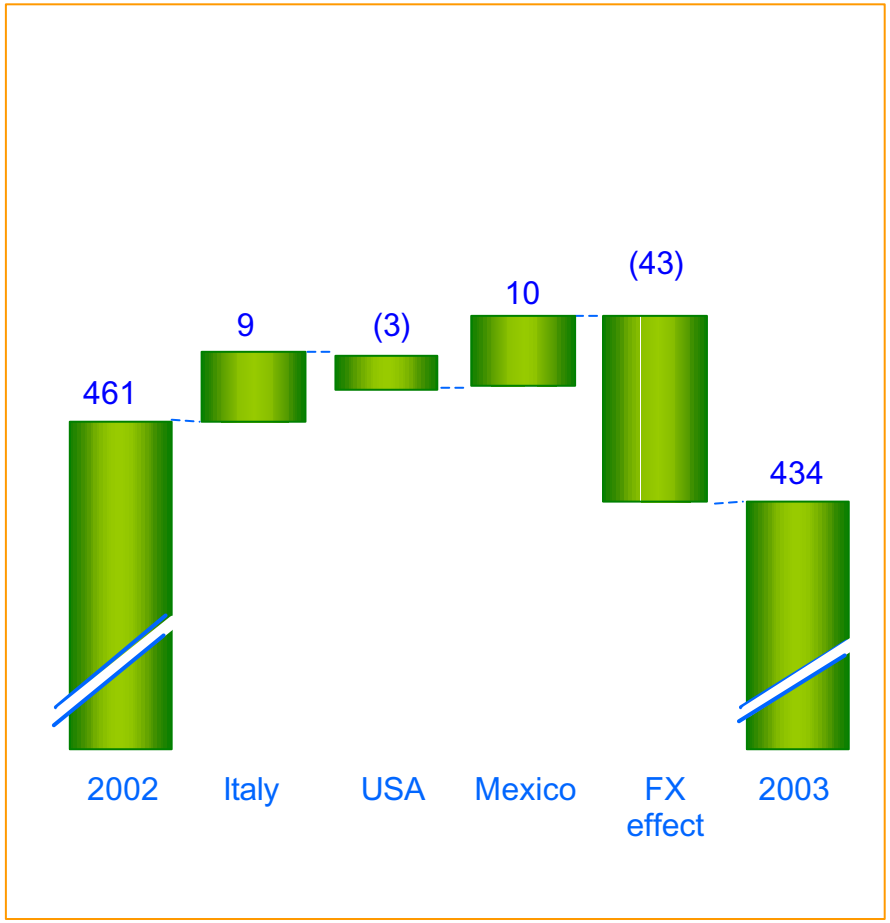
(1) Net of exchange rates effect: **Revenues** 1,582.2 €m (+ 103.5 €m, **+7.0%**), **EBITDA** 476.8 €m (+15,5 €m, **+3.4%**)

# REVENUES & EBITDA DRIVERS

## 2003 vs 2002

**REVENUES** **€m** **EBITDA**



# FROM EBITDA TO NET INCOME

| €m | 2003 | 2002 | Δ '03/'02 fav/(unfav) |
|---|---|---|---|
| **EBITDA** | **433.9** | **461.3** | **(27.4)** |
| **Depreciation & amortization** | **(114.1)** | **(129.9)** | **15.8** |
| **Interest expense, adjustments to financial assets, extraordinary items** | **(26.6)** | **(82.3)** | **55.7** |
| *of which: - net interest expense[1]* | *(21.0)* | *(15.5)* | *(5.5)* |
| *- adjustments to fin. assets* | *(9.0)* | *(66.7)* | *57.7* |
| *•share of DY period results* | *65.8* | *(24.1)* | |
| *•DY goodwill amortization* | *(19.2)* | *(19.1)* | |
| *•DY goodwill impairment* | *(59.5)* | *(18.9)* | |
| *•others* | *3.9* | *(4.6)* | |
| *- extraord. income / expense* | *3.4* | *(0.1)* | *3.5* |
| *•tax refund Moctezuma* | | *3.8* | |
| *•US pension plan adj.* | *3.0* | *(3.5)* | |
| *•other* | *0.4* | *(0.4)* | |
| **Income taxes** | **(114.1)** | **(97.3)** | **(16.8)** |
| **Minorities** | **(19.8)** | **(23.0)** | **3.3** |
| **CONSOLIDATED NET INCOME** | **159.3** | **128.7** | **30.6** |

(1) 2002 includes € 10.5 non recurring hedging fx gains

# CASH FLOW STATEMENT

| €m | 2003 | 2002 | 2001 |
|---|---|---|---|
| **CASH FLOW** [1] | **312.4** | **319.7** | **314.8** |
| *% of revenues* | *21.3%* | *21.6%* | *21.8%* |
| Change in working capital | (16.2) | (29.5) | (24.9) |
| CapEx Ordinary | (73.4) | (62.4) | (76.5) |
| " Expansion | (28.7) | (18.7) | (59.3) |
| **AVAILABLE CASH FLOW** | **194.1** | **209.1** | **154.1** |
| *% of revenues* | *13.3%* | *14.1%* | *10.6%* |
| Equity investment in Dyckerhoff | (30.4) | (206.5) | (509.8) |
| Dividends [2] | (40.1) | (36.2) | (30.9) |
| Other | 2.2 | 45.6 | 26.9 |
| **FREE CASH FLOW** | **125.8** | **12.0** | **(359.7)** |
| **NET FINANCIAL POSITION (end of period)** | **(406.3)** | **(532.1)** | **(544.1)** |

(1) Consolidated net income + minorities + depreciation + amortization (including Dyckerhoff goodwill) or FFO
(2) Of which parent company: 2003 €m 35.6; 2002 €m 32; 2001 €m 28

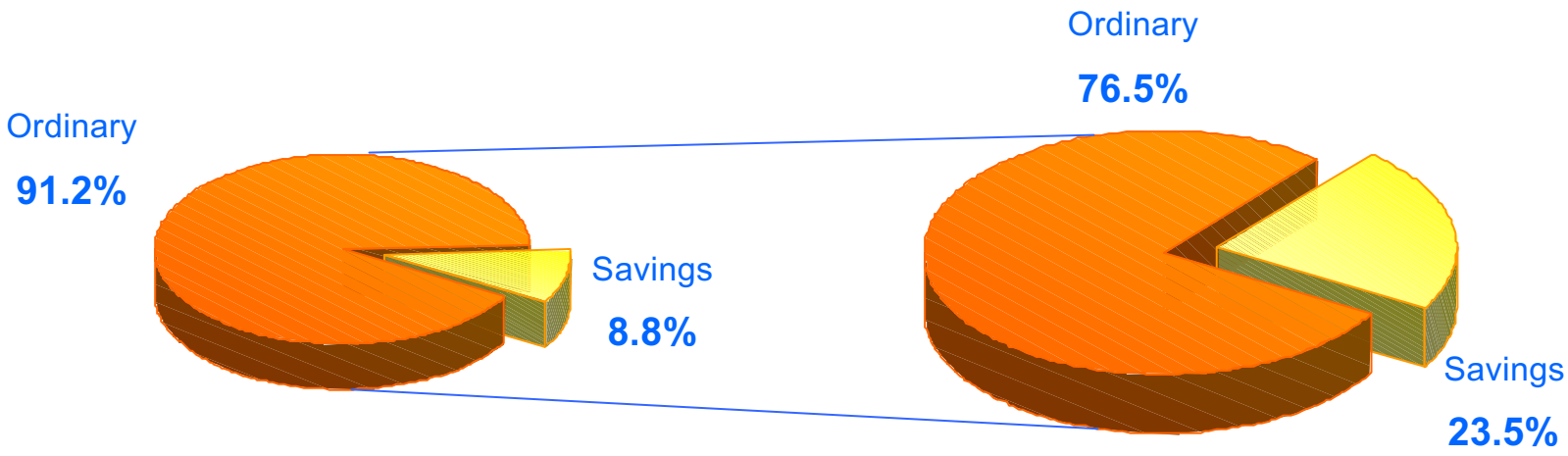
# CAPITAL STRUCTURE AFTER SSTO ON DYCKERHOFF PREFS

**Before Stock Offer**

| | |
|---|---|
| **Number of shares** | **143,949,848** |
| **- Ordinary** | **131,085,809** |
| **- Savings** | **12,864,039** |

**After Stock Offer**
(11.4m DY pref. tendered, 27.4m BU sav. issued)

| | |
|---|---|
| **Number of shares** | **171,406,046** |
| **- Ordinary *** | **131,132,015** |
| **- Savings** | **40,274,031** |

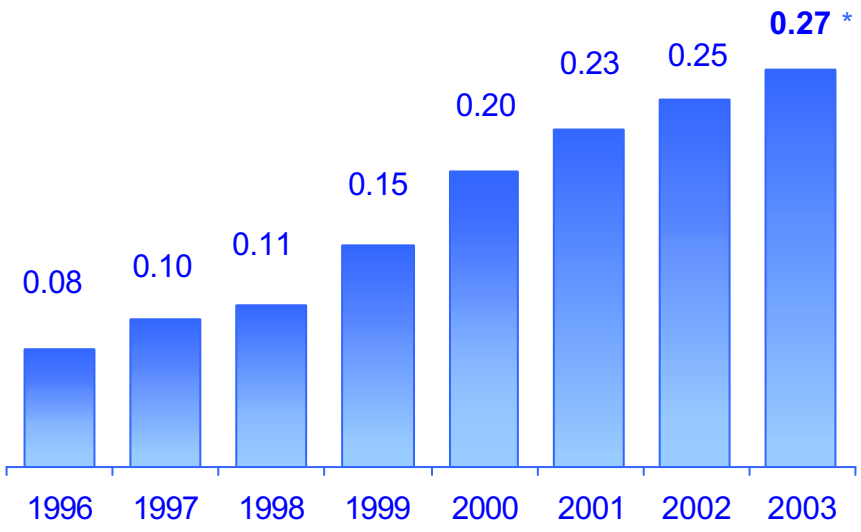



* After conversion of 53,867 bonds; in case of full conversion, ordinary shares will reach 141,185,447

# DIVIDEND GROWTH

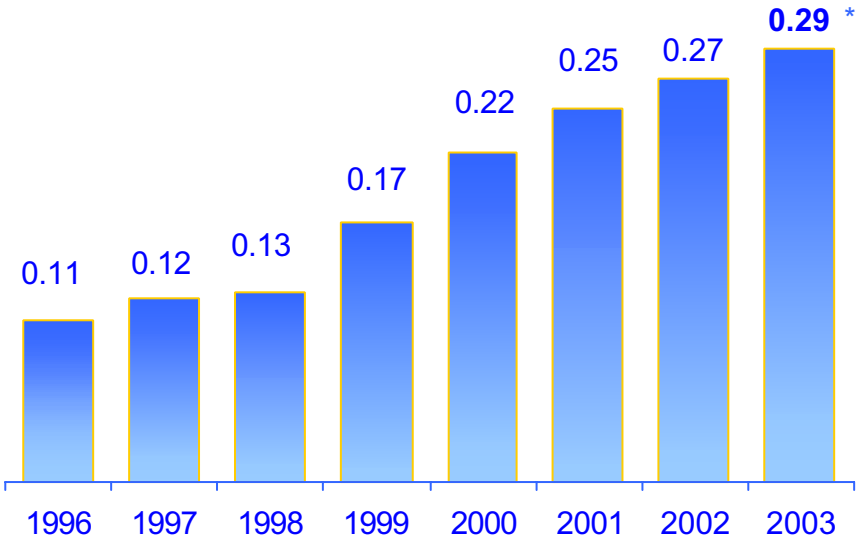
**Ordinary share dividend (€)**

1996 - 2003 CAGR +18.4%




**Saving share dividend (€)**

1996 - 2003 CAGR +13.9%



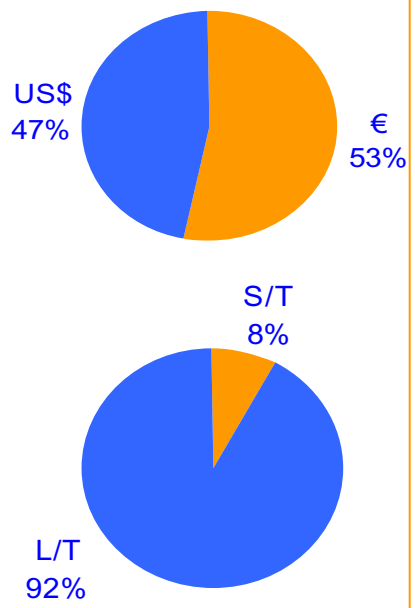

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Total div.(ord.+sav.), €m | 10.3 | 12.3 | 13.0 | 24.7 | 28.1 | 32.0 | 35.6 | 46.7 |
| Pay out ratio | 42.3% | 8.6% | 26.1% | 20.8% | 17.6% | 19.9% | 27.6% | 29.3% |

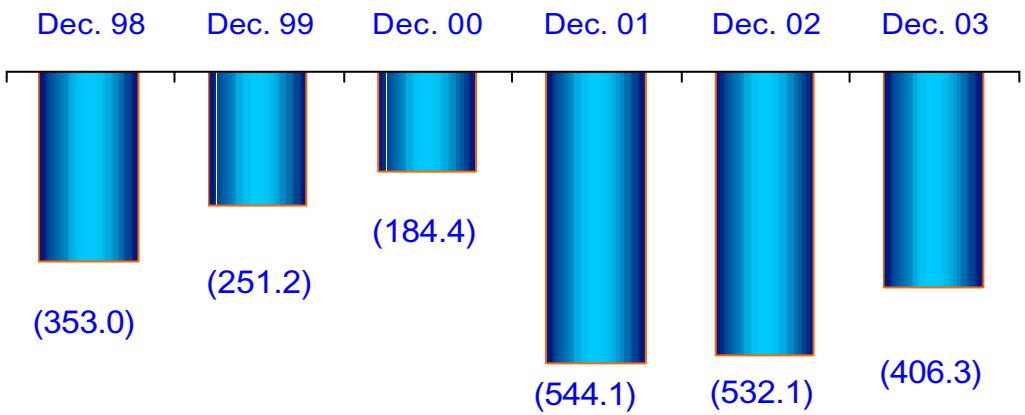
* Subject to April, 30th AGM's approval

# NET FINANCIAL POSITION

| €m | Dec 02 | Jun 03 | Dec 03 |
|---|---|---|---|
| Cash and equivalents | 297.6 | 322.5 | 333.2 |
| Short-term debt | (235.4) | (198.3) | (62.4) |
| **Net short-term cash (debt)** | **62.2** | **124.2** | **270.8** |
| Long-term assets | 23.3 | 26.1 | 21.9 |
| Long-term debt | (617.6) | (660.3) | (699.0) |
| **NET FINANCIAL POSITION** | **(532.1)** | **(510.0)** | **(406.3)** |
| **Shareholders'equity** | **1,172.2** | **1,191.6** | **1,435.7** |

**761 €m gross debt breakdown**




- FX positive impact: 37 €m
- In 2003, 30 €m investment in Dyckerhoff stock
- Including 530 €m for DY stock 04 and 05 put options, **adjusted net financial position equal to 936 €m at 2003 year end.**
- ~300 €m equity strengthening from SSTO on DY prefs

# CONTENTS

**2003 overview**

>Significant events

>Results

>**Operating highlights**

Dyckerhoff update - Pro-forma consolidation

2004 outlook

# BREAKDOWN OF REVENUES AND EBITDA

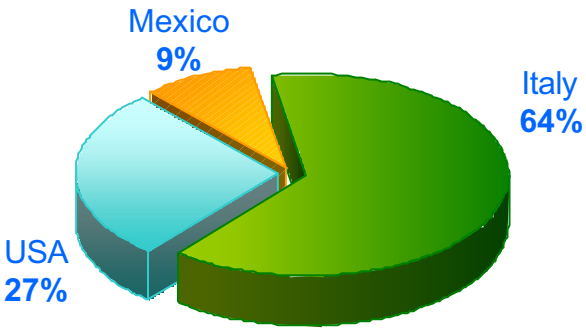
## REVENUES

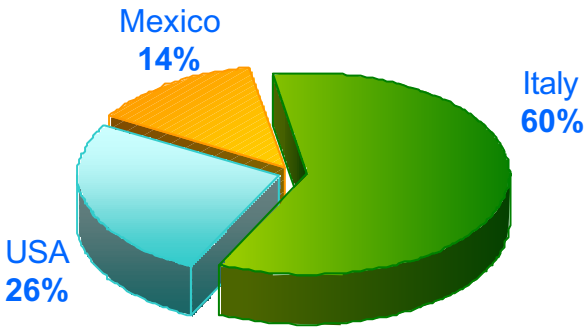
**2003 = 1,461 €m**

## EBITDA

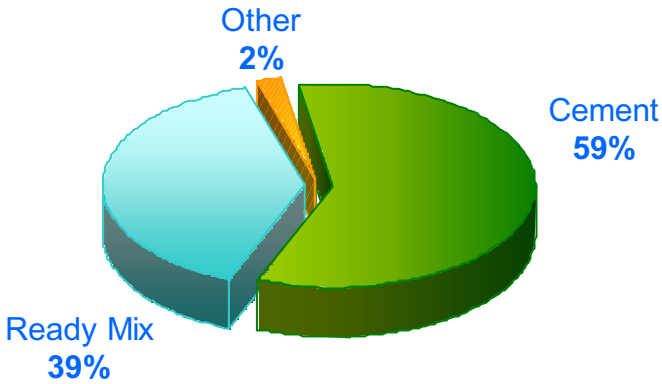
**2003 = 434 €m**

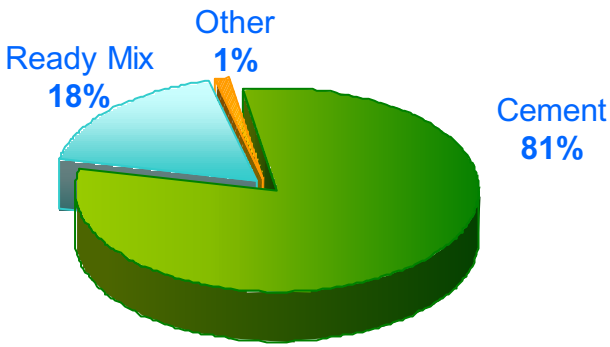
**MARKETS**




**PRODUCTS**



# RESULTS BY MARKETS

## Italy

| | | 2003 | 2002 | %Δ |
|---|---|---|---|---|
| Revenues | €m | 938.3 | 875.6 | 7.2% |
| EBITDA | €m | 258.3 | 248.9 | 3.8% |
| *EBITDA margin* | *%* | *27.5* | *28.4* | |

- **After exceptional 1H, 3Q slowdown in cement sales, coupled with rising fuel (big jump in freights) and logistics**
- **Strong ready-mix concrete, remarkable contribution of civil engineering**

## USA

| | | 2003 | 2002 | %Δ |
|---|---|---|---|---|
| Revenues | $m | 446.3 | 427.8 | 4.3% |
| EBITDA | $m | 129.0 | 132.0 | (2.2%) |
| *EBITDA margin* | *%* | *28.9* | *30.8* | |

- **Sustained volumes recovery in 2H, prices in line with 1H**
- **Construction activity robust. Low interest rates coupled with tax cuts offset unemployment and lack of business investments**

## Mexico

| | | 2003 | 2002 | %Δ |
|---|---|---|---|---|
| Revenues | MXNm | 1,575.9 | 1,384.0 | 13.9% |
| EBITDA | MXNm | 752.5 | 668.2 | 12.6% |
| *EBITDA margin* | *%* | *47.7* | *48.3* | |

- **Volumes & prices improvement; Tepetzingo running at full capacity waiting for Cerritos**
- **Outstanding efficiency, continuos efforts (pet-coke conversion) towards further improvements**

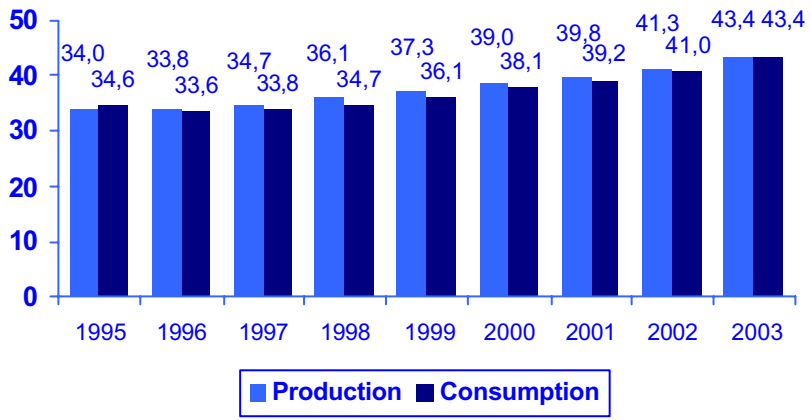
## Group at constant FX

| | | 2003 | 2002 | %Δ |
|---|---|---|---|---|
| Revenues | €m | 1,582.2 | 1,478.7 | 7.0% |
| EBITDA | €m | 476.8 | 461.3 | 3.4% |
| *EBITDA margin* | *%* | *30.1* | *31.2* | |

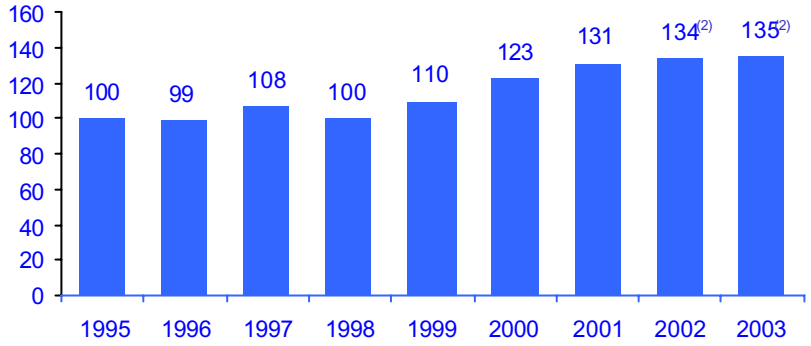
- **Good performance despite weak 1Q in the USA**
- **Stable operating results net of FX effect**

# ITALIAN MARKET

## Cement (millions of tonnes)




## Prices[1]

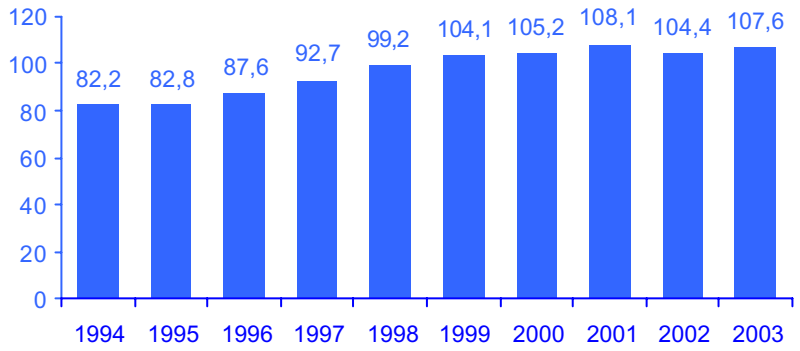



- Italy is Europe's second largest market, 43.4 million tons in 2003
- Italian cement volumes back up since 1998
  - Primarily driven by the Northern regions
  - Stable outlook for 2004 onwards
- Since 1998 prices have gradually recovered up to avg european level
- 2003 and 2004 strong cost pressures should allow for a moderate price adjustment later in 2004
- Industry still fragmented at regional levels, however the six largest producers hold approximately 80% of the market

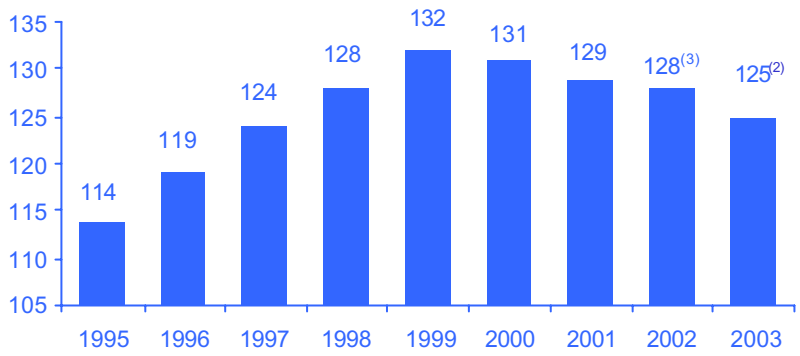
*Source: AITEC*
*(1) Index 1994 = 100* *(2) Buzzi Unicem estimates*

# US MARKET

## Cement (millions of tonnes)[1]




## Prices[2]



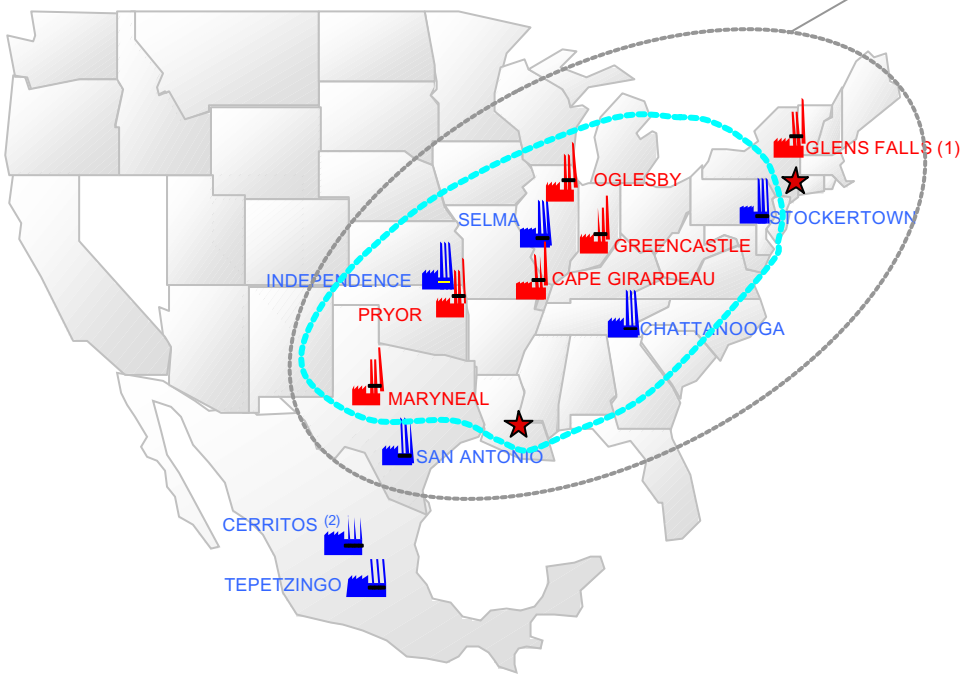

- Since the early 1990s, the US cement market has been a high performer
  - High infrastructure and public works
  - Increase in cement usage for residential housing
  - General expansion of the US economy
- In years 2002 and 2003 the US cement industry softened, whilst still at a high consumption level
  - Moderate price decreases in 1H 2003
  - Pressure on margins from rising energy costs
- Confidence on medium term outlook and recovery, with 1Q 2004 volumes up in a firmer pricing environment

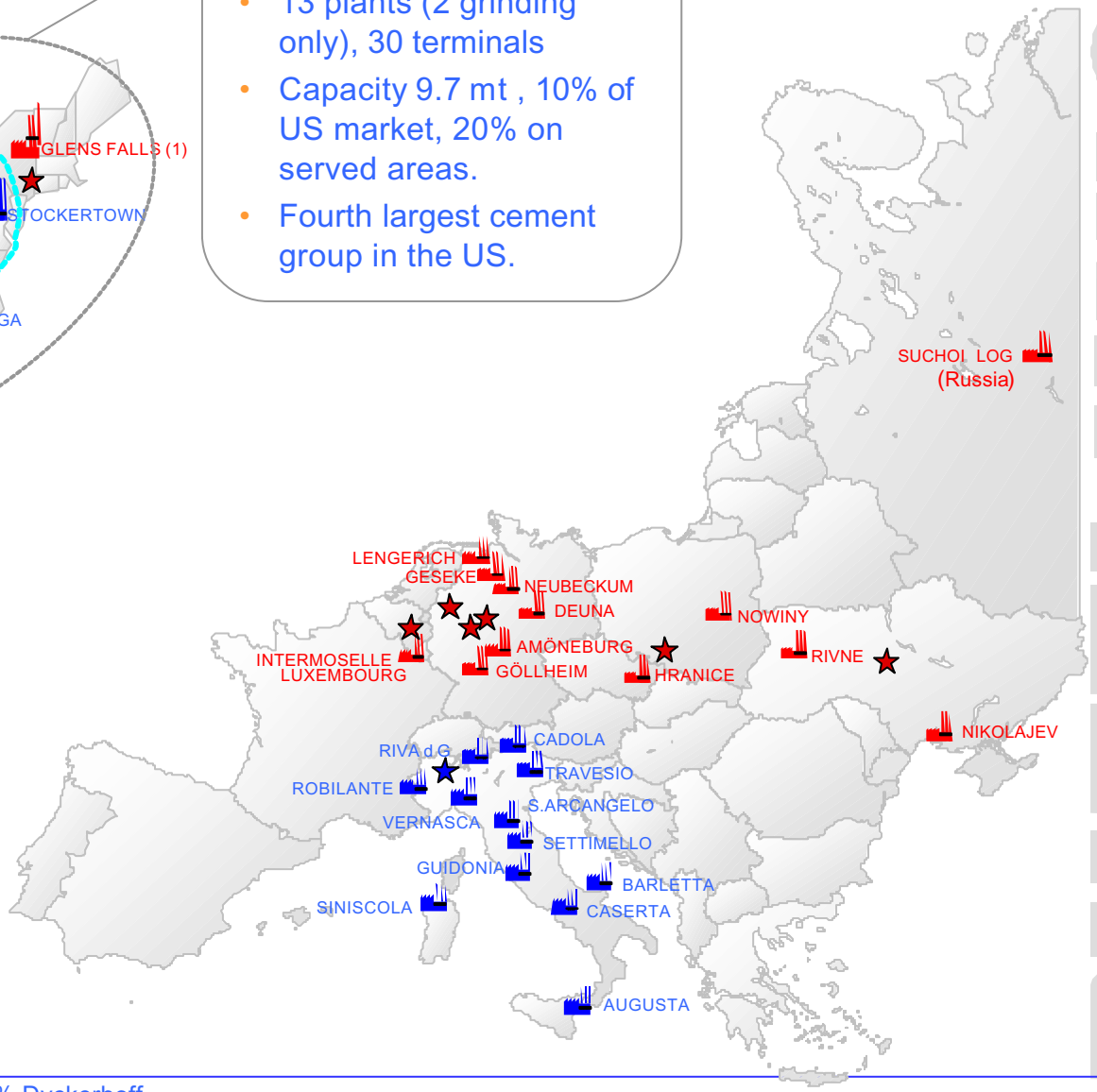
*(1) Portland (including blended cement). Source: PCA. (2) Index 1994 = 100 (3) Buzzi Unicem estimate*

# CEMENT PLANTS LOCATION

Buzzi Unicem USA

- 13 plants (2 grinding only), 30 terminals
- Capacity 9.7 mt , 10% of US market, 20% on served areas.
- Fourth largest cement group in the US.




BU DY

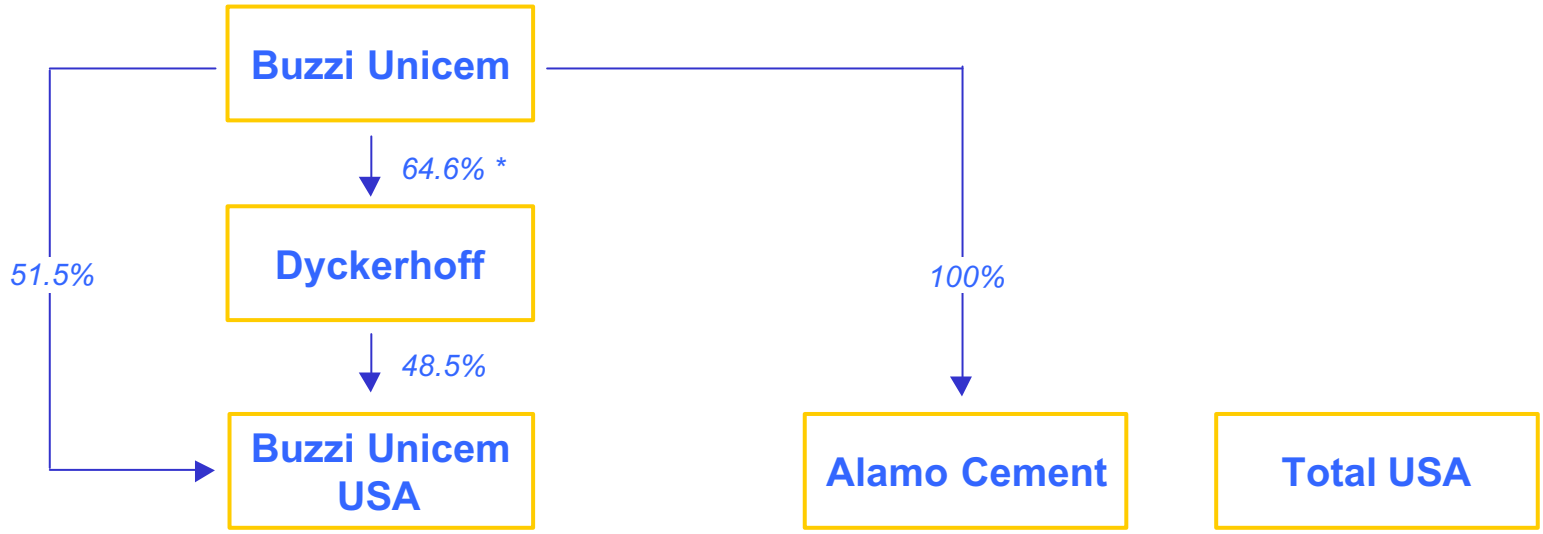
Cement plant

Grinding plant

Buzzi Unicem USA: ownership 51.5% Buzzi Unicem and 48.5% Dyckerhoff

(1) Glens Falls held by Dyckerhoff (50%) and Heidelberg Zement (50%) (2) Under construction; start up expected 1H 2004

# US OPERATIONS - 2003 KEY DATA




| | | Buzzi Unicem USA | Alamo Cement | Total USA |
|---|---|---|---|---|
| Cement sales | tons m | 8.858 | 1.215 | 10.073 |
| Revenues | US$ m | 697.4 | 185.2 | 882.6 |
| EBITDA | US$ m | 233.2 | 44.6 | 277.8 |
| *EBITDA margin* | *%* | *29.5%* | *24.1%*** | *28.3%* |
| Capex | US$ m | *41.4* | *10.0* | *51.4* |

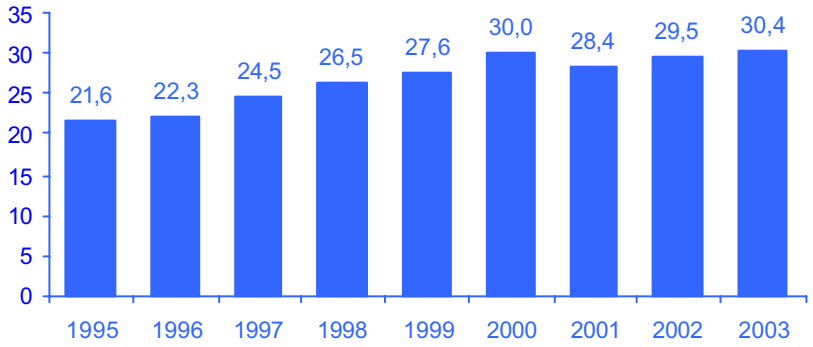
Thereof 27+ US$m non recurring from Lone Star

Net of non recurring items

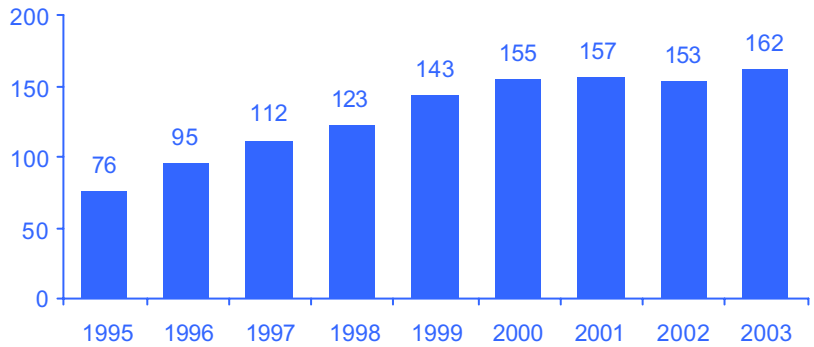
** In 2005 assuming IMI Finance put option exercise Buzzi Unicem will reach 76.7% DY total capital, therefore economic stake in Buzzi Unicem USA will rise from 82.8% to 88.7%  ** More than 1/3 of Alamo EBIDTA comes from ready-mix concrete and other product sales, with structural lower margin*

# MEXICAN MARKET

**Cement (millions of tonnes)[1]**




**Prices[2]**




- Mexico is the second largest cement market in Latin America
- Consistent growth in both pricing and consumption since end of 1994 devaluation.
- A large portion of Mexico's cement industry is very "modern", whereby then operating efficiency translates into high margins.
- Cemex holds 52% market share, Apasco (Holcim) 23%.
- Moctezuma ranks 4th, with a sound growth potential.

*(1) Source: Buzzi Unicem internal estimates* *(2) Index 1994 = 100*

# CONTENTS

2003 overview

**Dyckerhoff update - Pro-forma consolidation**

2004 outlook

# DYCKERHOFF SHAREHOLDERS

| | Jul. 03 | Oct. 03 | Jan. 04 | Jan.05 (1) |
|---|---|---|---|---|
| **Ordinary Shares only** | | | | |
| Buzzi Unicem | 49.3% | 49.3% | 67.0% | 91.2% |
| IMI Investments S.A | 24.2% | 24.2% | 24.2% | - |
| Holcim, Schwenk | 16.9% | 16.9% | - | - |
| Free float | 9.6% | 9.6% | 8.8% | 8.8% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| **Preferred Shares only** | | | | |
| Buzzi Unicem | 6.8% | 62.2% | 62.2% | 62.2% |
| Free float | 93.2% | 37.8% | 37.8% | 37.8% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| **Total Capital Stock** | | | | |
| Buzzi Unicem | 28.1% | 55.7% | 64.6% | 76.7% |
| IMI Investments S.A | 12.1% | 12.1% | 12.1% | - |
| Holcim, Schwenk | 8.5% | 8.5% | - | - |
| Free float | 51.3% | 23.7% | 23.3% | 23.3% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |

**Avg. cash+equity cost per share 44.9 € (2)**

(1) In case of IMI put option exercise (2) Book value at 41.9 € due to partial write-down in 2002

# DYCKERHOFF 2003 RESULTS - SUMMARY

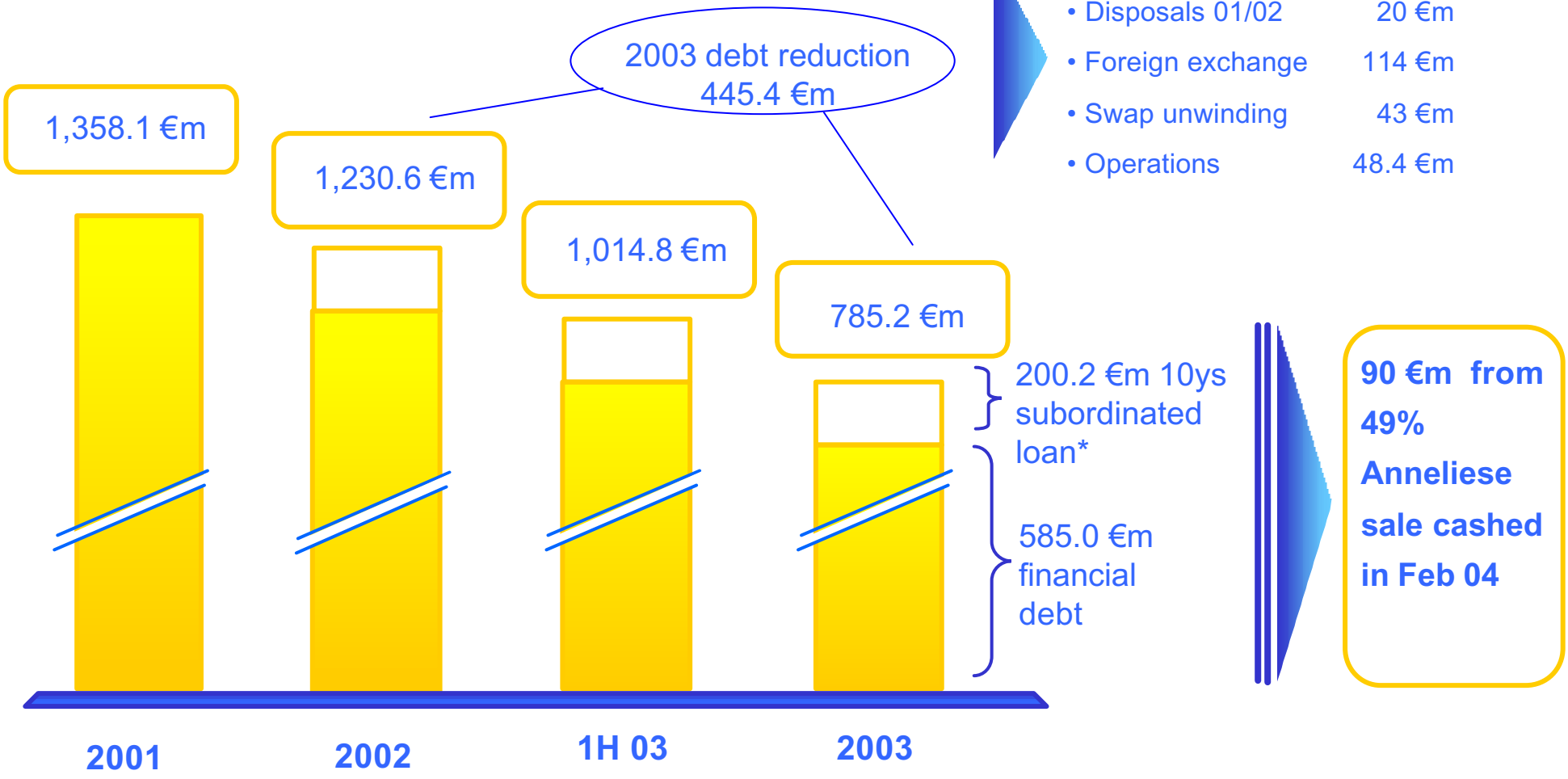
**Income Statement**

| €m | 2003 | 2002 | Δ'03/'02 abs. | fav/ (unfav) % |
|---|---|---|---|---|
| **Revenues** (1) | **1,320.3** | **1,545.2** | **(224.9)** | **(14.6)** |
| **EBITDA** | **274.0** | **269.1** | **4.9** | **1.8** |
| *% revenues* | *20.8%* | *17.4%* | | |
| Depreciation and Amortization | (158.0) | (188.9) | 30.9 | |
| OPERATING INCOME | 116.0 | 80.2 | 35.8 | 44.6 |
| *% revenues* | *8.8%* | *5.2%* | | |
| Interest expense/Adjustments | (85.9) | (115.0) | 29.1 | |
| Antitrust fine | – | (107.2) | 107.2 | |
| Gain on disposals | 218.8 | – | 218.8 | |
| PROFIT BEFORE TAXES | 248.9 | (142.0) | nm | nm |
| Income taxes | – | 14.1 | | |
| Minority interests | (4.9) | (2.8) | | |
| **CONSOLIDATED NET INCOME** | **244.0** | **(130.7)** | nm | nm |
| **Net financial position** | **785.2** | **1,230.6** | **445.4** | |

- German pricing environment and FX negatively impacting profitability.
- Price decline in Germany offset by DY 21 restructuring plan
  - 900 headcount reduction in Germany like-for-like (excluding disposals)
  - capacity utilization improved to 80-85% even with less volumes
  - more savings expected from DY 21 rollout in other countries.
- Bottom line results benefit from €219m extraordinary capital gain.
- Dramatic improvement in NPF

(1) Like-for-like changes: -8.9%

# DYCKERHOFF NET DEBT DEVELOPMENT




* 10 years, advance retirement in case of substantial net worth increase, however not earlier than 2008

# DYCKERHOFF OPERATIONS BREAKDOWN

| €m | Revenues | EBITDA | Ebitda margin % |
|---|---|---|---|
| Germany & Luxembourg | 659.5 | 82.6 | 12.5% |
| USA | 384.7 | 131.7 * | 34.2% |
| Poland | 72.0 | 23.8 | 33.1% |
| Czech Republic | 105.5 | 36.1 | 34.2% |
| Russia & Ukraine | 82.6 | 21.6 | 26.1% |
| Central services, Spain | | (21.8) | |
| **Total** | **1,320.3** | **274.0** | **20.8%** |

28% net of non recurring items

* USA including 27+ US$m (~24 €m non recurring)

# DYCKERHOFF CENTRAL / EAST EUROPE

| | Cement consumption tons m | Var. % yoy | Per capita consumption kg | Per capita GDP US$ ths |
|---|---|---|---|---|
| Poland | 11.2 | (0.9%) | 297 | 10.2 |
| Czech Republic | 3.9 | 5.8% | 369 | 11.9 |
| Russia | 3.7 * | 2.8% | 249 | 5.5 |
| Ukraine | 7.7 | 28.9% | 128 | 2.7 |
| *France* | 20.2 | (2.5%) | *346* | *26.9* |

* Suchoi Log relevant market

# PRO-FORMA CONSOLIDATION*

| year 2003, €m | BU | DY | BU&DY pro-forma |
|---|---|---|---|
| **REVENUES** | **1,461.6** | **1,320.3** | **2,781.9** |
| **EBITDA** | **433.9** | **274.0** | **680.1** |
| *% revenues* | *29.7%* | *20.8%* | *24.4%* |
| Depreciation & amortization | (114.1) | (158.0) | (273.5) |
| **EBIT** | **319.8** | **116.0** | **406.6** |
| *% revenues* | *21.9%* | *8.8%* | *14.6%* |
| *Net financial charges* | *(21.0)* | *(77.6)* | *(98.5)* |
| *Adjustments to financial assets* | *(9.0)* | *(8.3)* | *(5.5)* |
| *Capital gains and extraordinary items* | *3.4* | *218.8* | *188.7* |
| PROFIT BEFORE TAXES | 293.2 | 248.9 | 491.2 |
| *Income taxes* | *(114.1)* | - | *(130.1)* |
| **COMBINED NET INCOME** | **179.1** | **248.9** | **361.1** |
| Minorities | (19.8) | (4.9) | (201.9) |
| **CONSOLIDATED NET INCOME** | **159.3** | **244.0** | **159.3** |
| **CASH FLOW** | **312.4** | **188.1** ** | **500.5** |

* Due to line by line consolidation according to Italian GAAP, 2003 pro-forma equates BU + DY only for some items.
**Excluding extraordinary gains

# PRO-FORMA CONSOLIDATION (cont.)*

| year 2003, €m | BU | DY | BU&DY pro-forma |
|---|---|---|---|
| **CASH FLOW** | **312.4** | **188.1** | **500.5** |
| CapEx Ordinary | 73.4 | 78.7 | 152.1 |
| " Expansion | 28.7 | | 28.7 |
| Acquisitions | 30.4 | 30.0 | 60.4 |
| Total Capex+Acquisitions | 132.4 | 108.7 | 241.1 |
| **Adjusted Net Debt** | **936.0** | **785.2** | **1,721.2** |
| **Shareholders'equity** | **1,435.7** | **1,051.6** | **1,896.4** |
| thereof group | 1,356.6 | 1,036.5 | 1,356.6 |
| " minorities | 79.1 | 15.1 | 539.9 |
| Adjusted Net Debt / EBITDA | 2.16 | 2.87 | 2.53 |
| Adjusted Net Debt / Equity | 0.65 | 0.75 | 0.91 |
| Adjusted Net Debt / Cash flow | 2.99 | 4.17 | 3.44 |

**Total Debt reduction from 2,322.8 end of 02** **601.6**

- Disposals 03/02 240.0
- FX+swap unwinding 193.6
- Operations 168.0

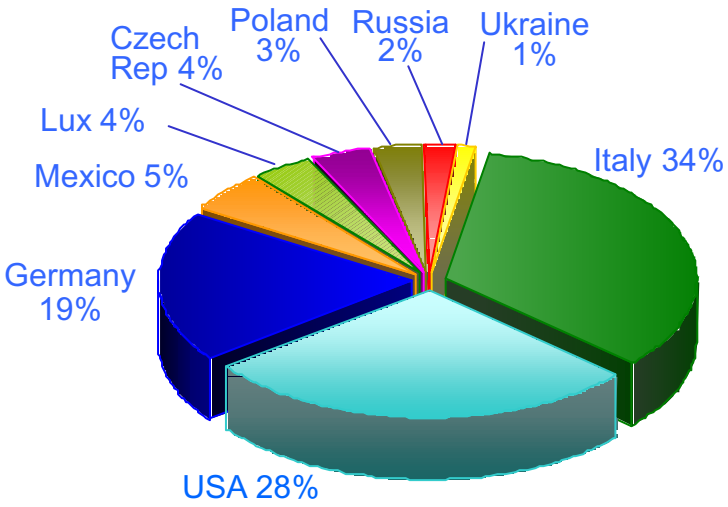
* Italian GAAP

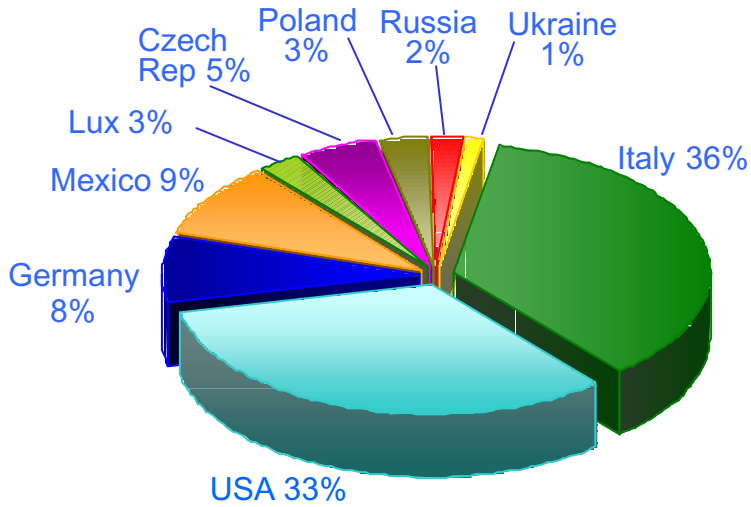
# REVENUES & EBITDA - COMBINED BREAKDOWN

## REVENUES
**2003 = 2,782 €m**

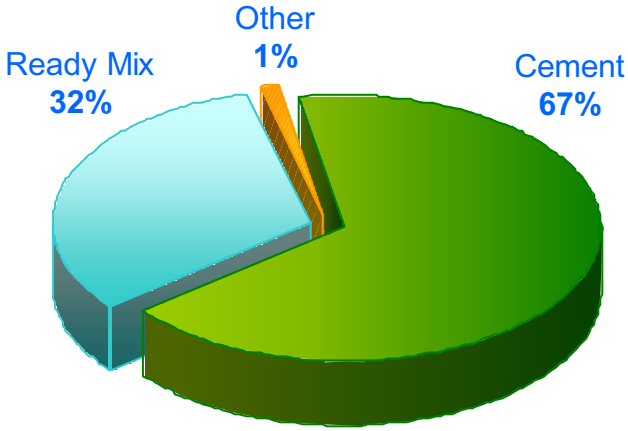
## EBITDA
**2003 = 680 €m**

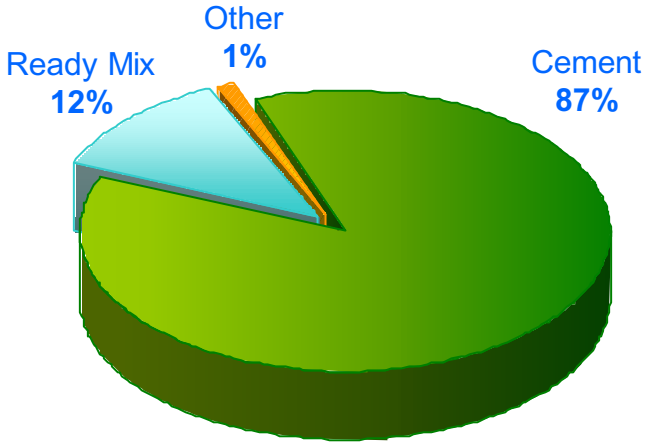
**MARKETS**




**PRODUCTS**



# CONTENTS

2003 overview

Dyckerhoff update - Pro-forma consolidation

**2004 outlook**

# MARKET OUTLOOK

USA

- Overall cement consumption should be up versus 2003.
- Commercial and industrial construction likely bottomed out in 2003; first signs of improvement expected (rebound from depressed levels after 2-3 years with double digit decrease).
- TEA 21 expired last September; 2nd short term extension till end of April. New Highway Spending Bill negotiations in progress, 17% minimum expected increase over TEA 21 (proposals ranging from 256 US$ Administration's and Senate's 318 US$)
- Higher marine freight and a weak dollar will make imports more expensive.
- Firmer pricing environment.

MEXICO

- Construction activity enjoys strong fundamentals: population growth (high % of young people), per capita consumption (< 300kg/year per person), lack of infrastructure. Housing key driver for cement demand.
- Cement consumption expected to improve further, Moctezuma seeking to further increase market share, via the new Cerritos plant and also through new ready mix concrete operations.

ITALY

- Stable outlook for construction estimated for 2004 and near future.
- Enduring significantly cost pressure from fuel (petcoke) and sea freight and logistic.
- Pricing should be overall equal to average 2003 or slightly better.

# MARKET OUTLOOK

| | |
|---|---|
| **GERMANY**<br>**bottoming out** | • Construction investments bottoming out and flat cement consumption.<br>• Announced price increases (Sept. '03 and Jan. '04) will lead to higher prices, but expected level still far away from European average. |
| **LUXEMBOURG**<br>**positive trend** | • Construction investments and cement consumption slightly increasing.<br>• Stable pricing level. |
| **POLAND**<br>**recovering** | • Upturn in construction investments and cement consumption.<br>• Positive price development. |
| **CZECH REP.**<br>**positive outlook** | • Further growth in construction investments and cement consumption.<br>• Stable development in pricing. |
| **RUSSIA**<br>**positive trend** | • Further growth in construction investments and cement consumption flat.<br>• Further positive price development in the Jekaterinburg region, the relevant market for DY's Suchoi Log plant, DY selling at capacity limit. |
| **UKRAINE**<br>**positive outlook** | • Construction activity and cement consumption rising strongly in a positive general economic environment.<br>• Increasing volumes, positive price development. |

# KEY STEPS

- **DY control**: after Holcim and Schwenk call / put options exercise (16.9% of DY ordinary capital, equal to 8.5% DY of total capital), Buzzi Unicem now holds 64.6% Dyckerhoff and consolidate 100% line by line. German market expected to recover in pricing, not yet in volume.

- **USA** : merger of Buzzi Unicem and Dyckerhoff operations in the US. Synergies in terms of cost savings, marketing, capex, tax optimization. No antitrust issues, "Buzzi Unicem USA" to be among top 4 cement producer in the country.

- **Mexico**: Cerritos' first line ready to start up in 1H 04, 1.25 million tons (+50% on current production capacity). Second 1.25 mtons line expected by early 2006.

# STRATEGIC GUIDELINES

- Focus on **operating efficiency**, **cash generation** and **further financial consolidation.**

- **Investment opportunities** and **bolt-on acquisitions in emerging markets** will be looked at, however limited in size and on a selective basis.

# 2003 results

AIAF - April, 20th 2004

BUZZI UNICEM