

ZAPA beton a.s.

ANNUAL REPORT
FOR THE YEAR 2017

ZAPA beton a.s.
Víteňská 495, 142 00 Praha 4
Corporate ID No.: 25137026
recorded in the Commercial Register by the Municipal Court in Prague under file No. B 4785

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Company Profile

The Past and the Present

The history of the company ZAPA beton began at the start of the nineties as a small business with only a few employees. Production initially took place in batching stations. The first conventional concrete mixing plant operated by ZAPA was in Kačerov in Prague. For financial reasons, the company's initial expansion mainly went the way of renting older plants and their gradual modernisation. The first markets in the Czech Republic were Prague and Central Bohemia and the first plant in Moravia was the concrete mixing plant in Hulín. The acquisition of new plants took place swiftly and, over the course of the 1990s, ZAPA beton became one of the leading producers on the Czech market for ready mixed concrete.

At the end of the same decade, ZAPA beton was incorporated into the structure of the German Dyckerhoff Group, which later became part of the multinational Buzzi Unicem Group from Italy. This holding company is orientated towards the production of cement and ready mixed concrete and is active in Europe, Russia, the USA, Mexico and North Africa. The company thus stabilised its capital at the turn of the millennium and continued to grow. In 2003, ZAPA beton a.s. became a company with 100% foreign capital participation. It also gradually achieved an important position on the Slovakian market, where it has now been present since 2001, and is also active on the Hungarian market. ZAPA beton also produces aggregates.

Production in ZAPA beton a.s. takes place on the level of individual plants (concrete mixing plants and plants producing aggregates), with a basic division into the regions of Bohemia and Moravia. The same regional division also applies (in the case of ready mixed concrete) to sales activities. Company management – economic and administrative control – is performed centrally. The company does not have any branch or another part of enterprise abroad. At the end of 2017, ZAPA beton a.s. was producing in 52 concrete mixing plants, 2 quarries, 2 grinding plants and 4 gravel pits in the Czech Republic and through its subsidiary companies it also controlled another 2 concrete mixing plants. In the Slovak Republic it was operating 16 concrete mixing plants and 2 gravel pits. One gravel pit was operated under the ZAPA beton brand also in Hungary, where another sand pit was acquired in 2016.

ZAPA beton a.s. participated in establishing the Czech Association of Concrete Producers and is one of its active members. Its subsidiary, ZAPA beton SK s.r.o., is a member of the Slovak Association of Ready Mixed Concrete Producers. These are professional interest groups made up of the most important companies in the field.

ZAPA beton – years and events:

1991	- Company founded by Jiří Pavlica, with its first plant in Prague
1993	- 3 plants in Prague
1994	- 5 plants, expansion into central Bohemia
1996	- 12 plants, expansion into eastern Bohemia and Moravia - Transformed into a limited liability company
1997	- Transformed into a joint-stock company
1998	- Purchase of 49.97% of ZAPA beton a.s. shares by Dyckerhoff - Acquisition of the subsidiary company VIA – VODA spol. s r.o.
2000	- Foundation of the subsidiary company ZAPA UNISTAV, s.r.o.
2001	- Entry into the Slovak market, foundation of the subsidiary company ZAPA beton SK s.r.o. - Acquisition of the subsidiary EKO ZAPA beton, a.s.
2002	- Expansion into the Hungarian market, foundation of the subsidiary company ZAPA BETON HUNGÁRIA Kft. - Takeover of the ownership interests in the subsidiary companies of Dyckerhoff: Bohemia Beton Union Děčín s.r.o., Beton Union Plzeň s.r.o., BLANK BETON CHEB, k.s., ZS BETON CHEB, s.r.o., BLANK BETON MOST, k.s. and MOST BETON, s.r.o. (in 2003 and 2004, the last four companies named merged with ZAPA beton a.s.)
2002 - 2003	- Increase in Dyckerhoff's ownership interest to 100% - Acquisition of a part of the Pískovny Hrádek a.s. shares
2003	- ZAPA beton a.s. surpassed 1 million m ³ of ready mixed concrete produced in one year - The ZAPA beton Group became the Czech market leader for the first time

2006	<ul style="list-style-type: none"> - The ZAPA beton Group produced over 2 million m³ in the Czech Republic and Slovakia - The Group was again the leader on the Czech market this year - Merger of the subsidiary VIA – VODA spol. s r.o. with ZAPA beton a.s.
2007	<ul style="list-style-type: none"> - Sale of Bohemia Beton Union Děčín s.r.o.
2008	<ul style="list-style-type: none"> - Production by the ZAPA beton Group in the Czech Republic and Slovakia exceeded record 2.5 million m³ - ZAPA beton becomes the number one on the Slovak market for the first time - Acquisition of SONDA, s.r.o. (Slovak Republic)
2009	<ul style="list-style-type: none"> - Impact of the economic crisis on the sales of the ZAPA beton Group: production in the Czech and Slovak Republics in total dropped to 1.7 million m³
2010	<ul style="list-style-type: none"> - Production by the ZAPA beton Group in the Czech Republic and Slovakia amounted to almost 1.6 million m³ - The first concrete mixing plant was opened at ZAPA BETON HUNGÁRIA Kft. - Takeover of a share in the Slovak company EURO BETON, s.r.o.
2011	<ul style="list-style-type: none"> - The ready mixed concrete production of the Group in the Czech Republic and Slovakia reached almost 1.8 million m³
2013	<ul style="list-style-type: none"> - Buzzi Unicem “squeezed out” the remaining minority shareholders of Dyckerhoff Aktiengesellschaft and became its sole shareholder - Sale of the ownership interest in EURO BETON, s.r.o.
2014	<ul style="list-style-type: none"> - New General Manager, the reorganization of the company started - Merger of Pískovny Hrádek a.s. with ZAPA beton a.s. - Merger of SONDA, s.r.o. with ZAPA beton SK s.r.o.
2015	<ul style="list-style-type: none"> - Commencement of the KOVV Project (Quality and Sale Are a Common Affair)
2016	<ul style="list-style-type: none"> - Ongoing reorganization of the company and its procedures; the KOVV Project in progress - Sale of the ownership interest in Beton Union Plzeň s.r.o. - Acquisition of another Hungarian sand pit company
2017	<ul style="list-style-type: none"> - Commencement of the NEMO Project; completion of the KOVV Project

Fundamental Company Data

Company name:	ZAPA beton a.s.
Corporate ID No.:	25137026
Tax ID No.:	CZ25137026
Data Box ID No.:	94wg39w
Registered office:	Videňská 495, 142 00 Praha 4, Czech Republic
Telephone:	+ 420 226 004 444
Fax:	+ 420 226 004 440
Website:	www.zapa.cz
E-mail:	zapa@zapa.cz
Date of incorporation:	16 th June 1997
Legal form:	joint-stock company
Registered capital:	CZK 300,200,000 (3,002 registered shares with a nominal value of CZK 100,000)
Commercial Register:	Commercial Register by the Municipal Court in Prague under file No. B 4785
Company Shareholder:	Dyckerhoff GmbH (100%), with its registered office at Biebricher Strasse 68, 65203 Wiesbaden, Germany (at the Registration Court in Wiesbaden under No. HRB 27594)
Statutory Body	Chairman: Paolo Zelano
-Board of Management:	Members: Marco Duranda, Jörg Reiner Wild
Supervisory Board:	Chairman: Luigi Buzzi
	Members: Massimo Paris, Dirk Beese
Proxy:	Jiří Haša
	Vlastimil Hanáček

Company Executive Management

General Manager:

Marco Duranda

Finance Director:

Jiří Haša

Director for Bohemia:

Peter Markulínek

Director for Moravia:

Vlastimil Hanáček

Director of Quarries and Sandpits, Head of the Central Services Dpt.:

Jörg Reiner Wild

Head of Quality:

Giuseppe Giunti

HR Manager:

Alžběta Vlachová

The Company did not acquire or own any own shares in 2017.

An entity does not have a branch or other part of a business establishment abroad.

Other disclosures are not required by other than accounting policies.

Foreword from the General Manager on the Development of Company Activities and Expected Development

Dear Shareholders, Business Partners and Colleagues,

I am happy to report, once more, positive results for 2017. ZAPA beton Group's **operating profit (EBITDA)**, including consolidated companies, have shown a slightly increase compared to 2016 but the **whole group's production output**, grew almost by 10% year-on-year arriving over 1,7 millions of cubic meter.

However in any region where ZAPA is present we had significant increase in volumes, the largest increases in sales were realized in Slovakia, mainly due to the contract for the **construction of two tunnels and several bridges as part of the extension of the D1 motorway near Žilina**, carried out by the Italian company SALINI IMPREGILO. Concrete work on the site will continue for another two years.

In the end of the past year we signed an important contract in Slovakia with the Consortium D4R7 between the Spanish Ferrovial Agroman and the Austrian PORR for the **construction of the main part of the By-pass of Bratislava (27 km of motorway and 32 km of expressway) including the east part of the long bridge on Danube river**.

The production for this contract will start in the first half of 2018 and it will last for 30 months.

Looking at the internal organization we have continued with the introduction of **corporate process and standards as with the implementation of new software in technology, transportation and production control and we have quite finalized the restructuring** of the company.

We had the effects of **optimization of our plants network** as the improving of our productivity and profitability in term of production/employee and profit/unit of product.

In addition the implementation of an integrated business scheme with our sister company Cement Hranice a.s. brought us positive results in term of constancy of quality and saving of fixed costs.

The project **"Quality and Sale Are a Common Affair"** (*Kvalita a Obchod je Věcí Všech*, KOVV), started in 2015, has evolved in a new **Project NEMO (New Evolved Materials for InnOvation)**.

We have developed not only a winning marketing campaign but, involving any employee in ZAPA, we got the interest and the sensitivity of our clients and partners. Main target is to be focused on the add value that special products could bring them.

We are proud to say that we have a special product for any specific application and if not, we can design and provide a special product „Na miru“ (Taylor made) for our clients.

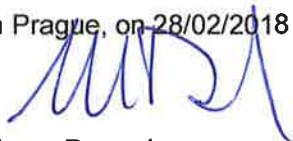
Our efforts to implement a **new employee remuneration system** are proceeding apace, we work strongly on motivation of our employees through the update of their KPI (key performance indicators) and, as in the past years, we shared with them part of the add value of our EBITDA.

We continuously evaluate the appreciation of benefits by our employees: private pension fund, life insurance contribution, dining coupons, English lessons, flexible working time and part time jobs for mums, yearly events for employees and their families, free legal internal consultancy, bonus for retirement leave, 20 years working anniversary present.

Our company lives in a market environment that is showing a positive trend but not for this reason we found a „comfort zone“. There are many tasks ahead for the next years, the business's competition has grown stronger but our target has not changed: we all work every single day to reaffirm our position as quality and service market leader in order to expand and reinforce our competitive edge.

We are lucky: every year is even more challenging for us, and this stimulates us to work harder and better. Therefore, I would like to thank all of you for the good work you have done and wish you success and happiness in the year ahead.

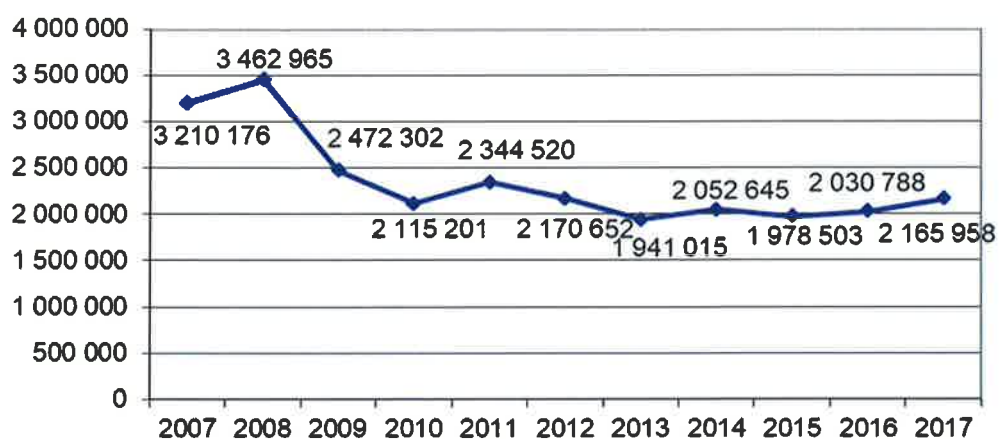
In Prague, on 28/02/2018



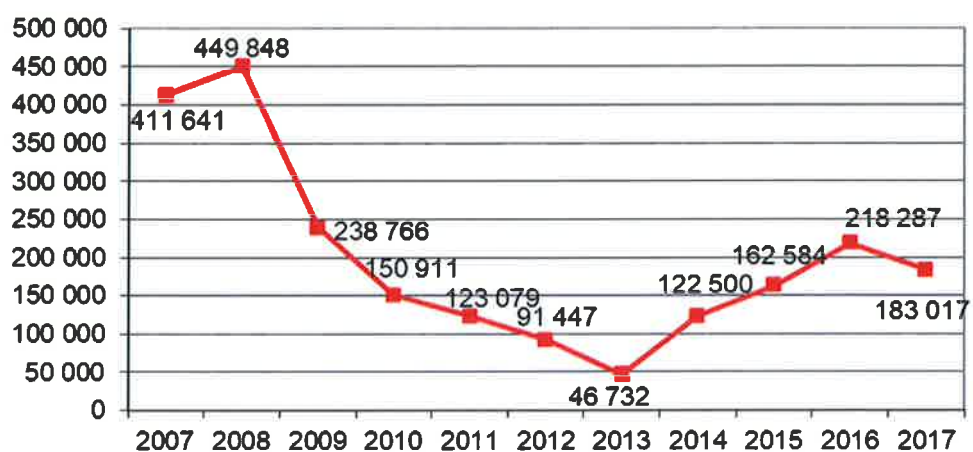
Marco Duranda
General Manager
Member of Board of Management

Sales and After-Tax Profit

Sales of own products and services (TCZK)



After-tax profit (TCZK)



Selected Financial Indicators of ZAPA beton a.s.

Indicator	Calculation of the Indicator	Indicator Level										
		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Economic Effectiveness (Profitability)												
Return on total capital	= (after-tax profit + interest expenses* (1 - tax rate 19 % / 100)) / total capital	23%	25%	15%	9%	8%	6%	3%	9%	12%	17%	13%
Return on equity (ROE)	= after-tax profit / equity	38%	40%	28%	18%	15%	11%	6%	15%	18%	23%	20%
Return on assets (ROA)	= after-tax profit / total net assets	23%	25%	15%	9%	7%	5%	3%	9%	12%	17%	13%
Financial Independence, Equity Level and Indebtedness												
Financial independence	= equity / liabilities liabilities = rows of the Balance Sheet B. Liabilities + C. Other liabilities	152%	167%	125%	96%	92%	99%	95%	149%	193%	244%	185%
Equity level	= equity / total capital	60%	63%	56%	49%	48%	50%	49%	60%	66%	71%	65%
Total indebtedness	= liabilities / total net assets liabilities = rows of the Balance Sheet B. Liabilities + C. Other liabilities	40%	37%	44%	51%	52%	50%	51%	40%	34%	29%	35%

Research and Development

Expenditure on activities associated with research and development amounted to CZK 2 363 thousand in 2017. This mainly involved the costs at our accredited laboratory and a share of the testing costs (services of material testing and concrete consumption for testing purposes). Naturally, we want to be self-sufficient in this area and so an ever-larger part of this activity is provided by our own technologists and specialists.

Quality

An integral part of the quality management system is the quality policy set by senior company management, which conforms to the company's strategies, plans, objectives and possibilities and which defines customer satisfaction with the products and services offered as one of the company's main priorities. The introduction, maintenance and constant improvement of the quality management system and its subsequent control are ensured in the company by highly-qualified workers. In 2014, the documentation of the quality management system and the environmental management was converted into electronic form in the company intranet and became to be on-line accessible for each plant. In 2016, this documentation was extended by the Energy Management System. Senior company management performs regular evaluations of the effectiveness of the company's quality management system, including the adoption of measures to increase this and to ensure the constant deepening of the awareness of all of the company's employees of the quality management system that has been introduced within the company.

Efforts to ensure quality for the customers include (amongst other things) the regular checking and evaluation of quality claims made concerning concrete. Accredited laboratories perform continuous supervision of production. The company has an elaborate system of training for plant leaders, dispatchers and sales representatives.

The company has defined its QMS, EMS, and EnMS policies, valid for all plants, in a Directors Declaration. In terms of ensuring the quality of its products and services, ZAPA beton a.s. introduced and successfully certified a quality management system (QMS) in line with ČSN EN ISO 9002:1995 in 1995 – for the Kačerov concrete mixing plant. In the following years, the QMS was introduced in line with ČSN EN ISO 9001:2001 and certified in other (existing and new) company concrete mixing plants. QMS certification pursuant to ČSN EN ISO 9001:2009 was performed at concrete mixing plants in Bohemia and Moravia within 2009. Already the second QMS recertification pursuant to ČSN EN ISO 9001:2009 took place over the course of 2015 in concrete mixing plants in Bohemia and Moravia. In 2015, the first QMS certification pursuant to ČSN EN ISO 9001:2009 in all aggregates plants has been carried out. As at the end of 2017, 23 concrete mixing plants in Bohemia, 28 concrete mixing plants in Moravia held a QMS certificate as well as 6 aggregates plants.

From among the subsidiary companies, a QMS certificate in line with ČSN EN ISO 9001:2009 is held by EKO ZAPA beton, s.r.o. and ZAPA UNISTAV, s.r.o. The quality management system has been gradually introduced and adopted in Slovakia since 2002. By the end of 2016, QMS certificates issued in line with EN ISO 9001:2008 were held in ZAPA beton SK s.r.o. by 12 concrete mixing plants and the administration centre in Bratislava.

In 2018, our company expects the introduction of the revised standard ČSN EN ISO 9001:2016 by or EN ISO 9001:2015 and also the recertification by the certification body according to this standard.

Environmental Protection

The production of concrete mixtures and the mining and processing of aggregates are industrial activities that place great demands on environmental protection, especially in the field of decreasing emissions, dust and noise pollution. Constant efforts focused on the timely implementation of environmental protection measures and increasing the technological level of production in all of its stages ensure that ZAPA beton a.s. is managing to keep up with current trends in environmental management and not coming into conflict with the interests of environmental protection.

As early as 2015 the environmental legislation was significantly amended to comply with European Union law and unify hazardous waste and substances classification pursuant to EU Commission Regulation. It was reflected in extended efforts of our company's management and control bodies which prepared and carried out special trainings of responsible persons in respective plants and implemented changes in our concrete mixing plants.

Concrete Mixing Plants

The main purpose of the business of ZAPA beton a.s. is the production and placing of ready mixed concrete. Strict ecological norms are complied within individual plants, in line with the relevant legislation and in close cooperation with the specialist centres of the individual ministries concerned (e.g. the Ministry of the Environment) and with the regulatory authorities or state administration (e.g. the Czech Environmental Inspectorate). The strategic aim of ZAPA beton a.s. is to situate individual plants in approved industrial zones, with the aim of minimising any possible impact on the environment. In terms of environmental protection, production technology is especially focused on reducing the release of solid pollutants into the atmosphere. Individual concrete mixing plants are encased and insulated, in order to provide protection against operational noise and dust, and, furthermore, some of them are equipped with misting or sprinkling equipment to moisten individual aggregate sizes and the whole plant premises. High-performance filters are installed in cement and fly-ash silos, capable of catching more than 99.829% of dust particles. The treatment of sludge water and solid waste constitutes an integral part of environmental protection. Most plants are equipped with recycling equipment, which allows the further processing of sludge water and solid recyclable material when preparing mixtures according to approved prescriptions. This means that practically waste-free operation is achieved. Great emphasis is placed on the regular training of staff at concrete mixing plants in fields relating to the production of technically more-advanced mixtures and environmental protection.

In Chvaletice and Středokluky, there was a reconstruction of the technology – new covering and insulation were installed in 2017, which helped to reduce energy consumption and also to reduce noise and dust emissions. In Strážnice was installed new recycling facility. In the others concrete plants – 30 boilers from 90th have been replaced with the modern and more economical boilers. The admixtures in Zlín, which were temporarily stored outside, were transferred to the new Eko-cell. In 2017 ZAPA company bought three new truck mixers and one concrete pump according to the current standard EURO 6, replacing vehicles, that were over 15 years old.

The high level of the environmental protection has been documented also by the EMS (Environmental Management System) certification in line with ČSN EN 14001:2005, when in 2017 the certification of concrete plants has been expanded from 6 original concrete plants to 22 concrete plants in Bohemia region and 23 concrete plants in Moravia region. As concerns ZAPA beton SK s.r.o., the original certificate EMS in line with EN ISO 14001:2004 was extended from the scope of 2 concrete plants and administration in Bratislava to a range of 4 concrete plants and administration in Bratislava.

In 2016, ZAPA beton a.s. introduced a ČSN EN ISO 50001:2012-compliant Energy Management System (EnMS) in all its concrete mixing plants in the Bohemia and Moravia regions and all aggregates plants. Through the adoption of this system, the company strives to decrease the energy consumption of its operations and seeks further opportunities to improve energy efficiency, thereby decreasing its environmental impact and production costs. This also enables us to offer our products to customers at better prices. Also in 2016, the company received EnMS certification for all its concrete mixing plants in the Bohemia and Moravia regions and all its aggregates plants.

Quarries and Sand Pits

Locations which are a habitat of wild fauna, particularly amphibians and reptiles, are guaranteed, during mining operation, to be preserved in their original condition so that there is no disturbance to the functioning of the environment or any new negative impact. New biotopes (mostly pools) are designed and created so that the population of such animals is not endangered by mining and related activities, and vice versa, so that mining can be carried out in a sustainable range. In pursuit of maintaining a good state of pools by, for example, securing permanently stable conditions in their vicinity, keeping the water level during droughts, controlled succession, etc., we secure permanent care performed by our employees under a supervision of professional biomonitoring that regularly monitors given locations and instructs on how to maintain such locations' good condition and enhance them. New habitats (bodies of water, pools, wetlands, shrubberies, forest or rock cultures, and other things) are further created as a part of reclamation of excavation voids.

Employees

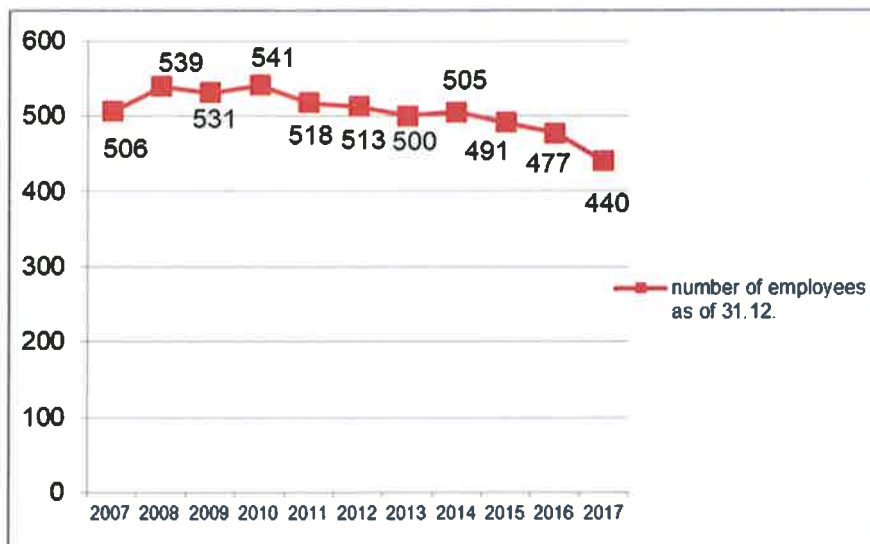
As at the end of 2017, number of employees in ZAPA beton a.s. was 440. This concerns all employees as at 31st December 2017, with deductions for social security and health insurance, including those working subject to agreements for repeated work and including agreements for the performance of one-off work, in cases where there was an obligation to deduct social security and health insurance contributions. The number of employees decreased in size year-on-year by 7.8% and total payroll costs increased by 3.6%, particularly due to organizational changes commenced with purpose of the centralization of company supporting processes as well as of the effectivity increase of the plant operations and plant network. Most of our personnel (87%) were male; women were mainly employed in administration.

The company has an elaborate system of material incentives in place (bonuses, evaluation of personal targets, participation in the company results - EBITDA bonus, retirement bonus, a company car if required, which is also available for personal use etc.). ZAPA beton a.s. provides its employees with contributions towards private life insurance and towards additional private pension insurance. In order to support a healthy lifestyle - regular catering of the employees, there have been introduced dining coupons for employees. Holiday entitlement is 5 days more above the legal minimum. Employees are entitled to free legal consultancy. The company is insured for (employer's) damage caused by employees whilst performing work. At childrens birth, fathers will have entitlement for one additional free day paid by company over the entitlement set by law. Each year, the company organizes regional Christmas meetings of employees.

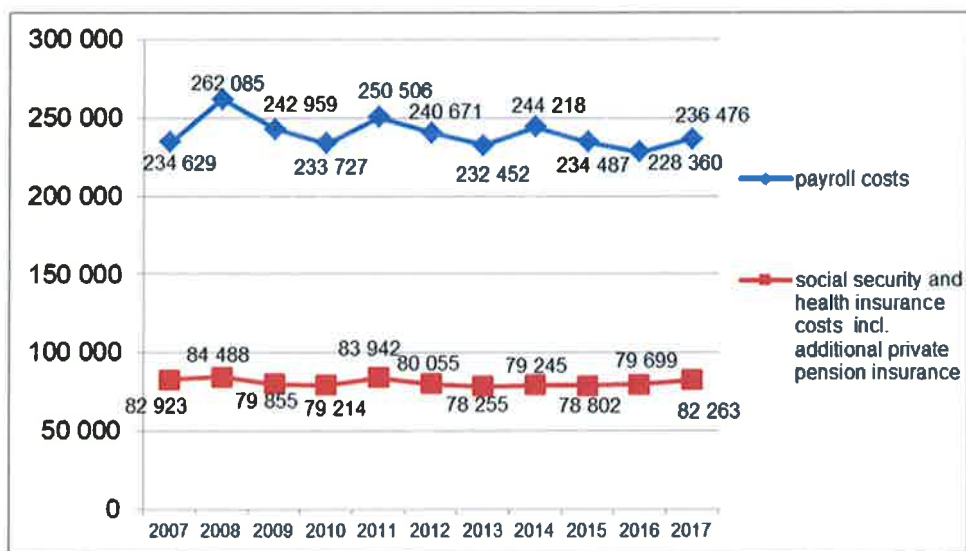
Numerous training sessions are organized each year for operating and administration employees using external and in-house trainers. Operational training sessions are mostly focused on working with machinery inclusive of driving and occupational health and safety. The company is also focused on the training measures connected with the environmental protection. Other professions in the field of administration undergo regular training sessions, which are mainly orientated to the provision of information on current legislation and other knowledge (accounting, tax, HR and salaries, IT skills, training for drivers of company passenger cars, the Legal Department etc). English courses also take place for the administrative positions. The total training costs in 2017 amounted to TCZK 1,442. In 2017 was realized 7 318 trainings hours, average training hours per employees is 16,63.

Increased attention and special accent are paid to occupational health and safety during the execution of work duties. The goal of company is – via the work organization and risk prevention – to ensure a maximal safety of the employees, especially when working with machines, electrical equipment and means of transport, moving around building sites or handling chemical or explosive substances. This effort includes all above the organisation of regular obligatory training sessions, ensuring optimum working conditions, the provision of safety signs, work clothing and protective aids, etc. There were six accidents at work recorded over the course of 2017. No job-related illness was reported.

Number of employees as of 31st December (employees with social security & health insurance contributions)

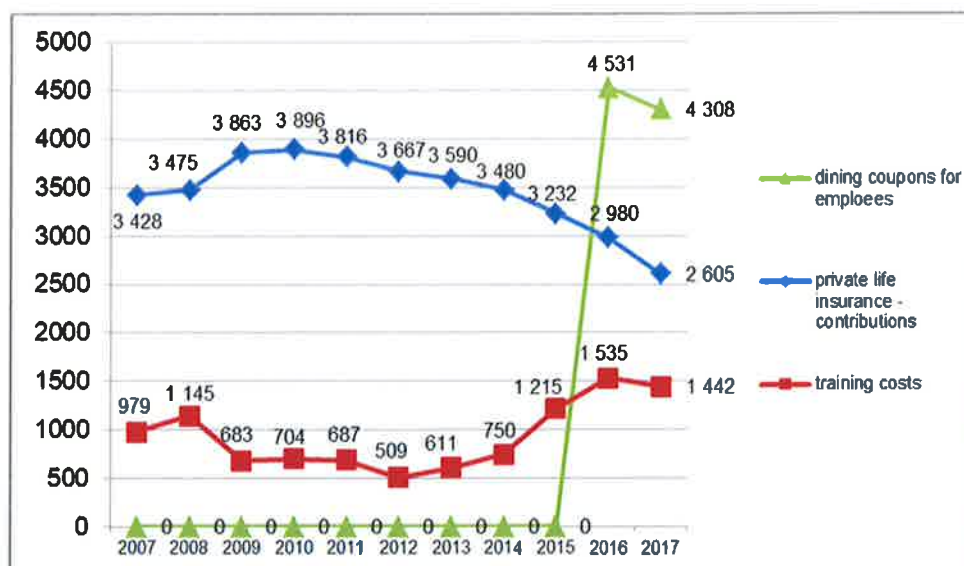


Selected personnel costs – payroll costs, social and health insurance costs (TCZK)



*since 2016, incl. additional private pension insurance

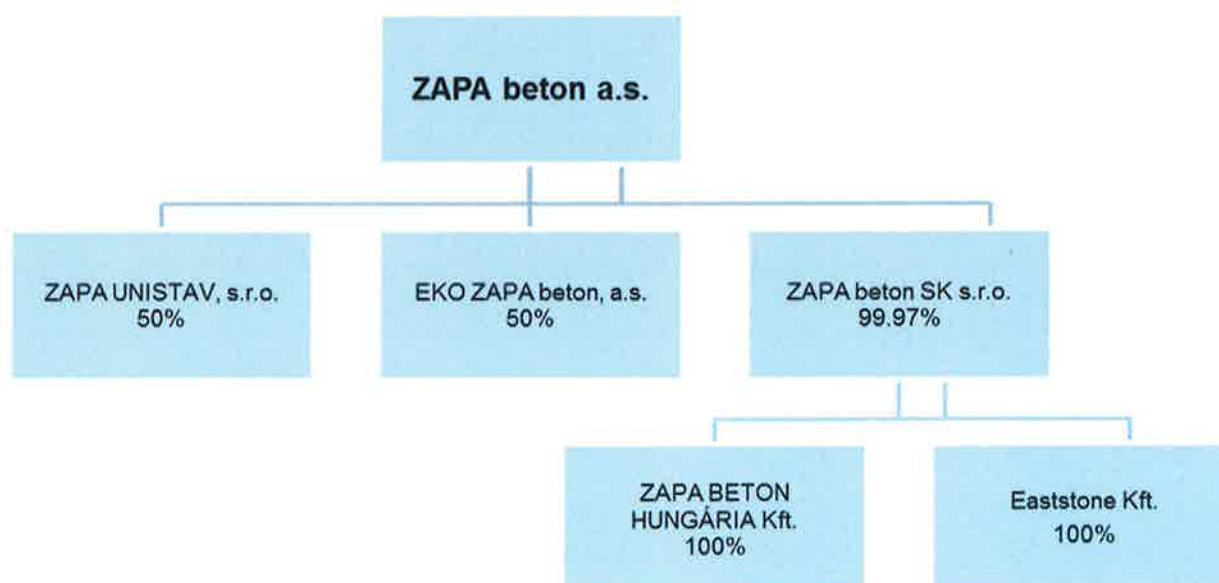
Selected personnel costs – dining coupons, private life insurance contributions, training (TCZK)



Important Events Occurring after the Balance Sheet Date

Subsidiaries ZAPA BETON Hungária Kft. and Eaststone Kft. were merged on 1 January 2018. The successor company is ZAPA BETON Hungária Kft.

Equity Participations of ZAPA beton a.s. (as of 31st December 2017)



ZAPA beton a.s.

Financial Statements for the year ended 31 December 2017

(Translation of Financial Statements Originally Issued in Czech –
See Note 2 to the Financial Statements)

BALANCE SHEET

		Current year			Prior year 2016
		Gross	Allowances	Net	Net
	TOTAL ASSETS	2,725,767	(1,333,151)	1,392,616	1,322,746
A.	STOCK SUBSCRIPTION RECEIVABLE				
B.	FIXED ASSETS	2,057,943	(1,171,167)	886,776	861,700
B. I.	Intangible fixed assets	25,976	(24,317)	1,659	3,180
B. I. 1.	Research and development	2,881	(2,881)	0	
2.	Valuable rights	15,558	(14,176)	1,382	3,180
1.	Software	10,270	(8,888)	1,382	3,180
2.	Other valuable rights	5,288	(5,288)	0	
3.	Goodwill				
4.	Other intangible fixed assets	7,260	(7,260)	0	
5.	Advances granted for intangible fixed assets and intangible fixed assets in progress	277		277	
1.	Advances granted for intangible fixed assets				
2.	Intangible fixed assets in progress	277		277	
B. II.	Tangible fixed assets	1,721,865	(1,146,850)	575,015	547,309
B. II. 1.	Land and structures	785,192	(439,448)	345,744	349,603
1.	Land	172,570	(10,339)	162,231	160,038
2.	Structures	612,622	(429,109)	183,513	189,565
2.	Movable assets and sets of movable assets	846,376	(656,647)	189,729	156,721
3.	Gain or loss on revaluation of acquired property	45,442	(40,815)	4,627	5,918
4.	Other tangible fixed assets	11,252	(7,884)	3,368	3,963
1.	Perennial crops				
2.	Livestock				
3.	Miscellaneous tangible fixed assets	11,252	(7,884)	3,368	3,963
5.	Advances granted for tangible fixed assets and tangible fixed assets in progress	33,603	(2,056)	31,547	31,164
1.	Advances granted for tangible fixed assets	5,587	(893)	4,694	1,977
2.	Tangible fixed assets in progress	28,016	(1,163)	26,853	29,187
B. III.	Long-term investments	310,102	0	310,102	311,151
B. III. 1.	Interests – controlled or controlling entity	277,699		277,699	277,699
2.	Loans and borrowings – controlled or controlling entity				
3.	Interests – significant influence	14,296		14,296	14,296
4.	Loans and borrowings – significant influence	18,107		18,107	19,156
5.	Other long-term securities and interests				
6.	Loans and borrowings – other				
7.	Other long-term investments				
1.	Miscellaneous long-term investments				
2.	Advances granted for long-term investments				
C.	CURRENT ASSETS	652,894	(161,984)	490,910	445,620
C. I.	Inventories	34,551	0	34,551	37,491
C. I. 1.	Materials	19,070		19,070	16,320
2.	Work in progress and semi-finished production				
3.	Finished products and goods	15,481		15,481	21,171
1.	Finished products	13,840		13,840	19,029
2.	Goods	1,641		1,641	2,142
4.	Livestock				
5.	Advances granted for inventories				
C. II.	Receivables	595,806	(161,984)	433,822	386,931
C. II. 1.	Long-term receivables	4,342	(1,699)	2,643	4,074
1.	Trade receivables	1,699	(1,699)	0	1,200
2.	Receivables – controlled or controlling entity				
3.	Receivables – significant influence				
4.	Deferred tax asset				
5.	Other receivables	2,643		2,643	2,874
5.1.	Receivables from partners				
5.2.	Long-term advances granted	2,635		2,635	2,733
5.3.	Unbilled revenue				
5.4.	Miscellaneous receivables	8		8	141

The accompanying income statement, cash flow statement, statement of changes in equity and notes are an integral part of the financial statements.

BALANCE SHEET

		Current year			Prior year 2016
		Gross	Allowances	Net	Net
C. II. 2.	Short-term receivables	591,464	(160,285)	431,179	382,857
1.	Trade receivables	546,237	(159,096)	387,141	342,760
2.	Receivables – controlled or controlling entity	23,701		23,701	23,611
3.	Receivables – significant influence				
4.	Other receivables	21,526	(1,189)	20,337	16,486
4.1.	Receivables from partners	59		59	272
4.2.	Social security and health insurance				
4.3.	Due from government - tax receivables	12,755		12,755	6,877
4.4.	Short-term advances granted	4,134	(1,189)	2,945	4,163
4.5.	Unbilled revenue	1,821		1,821	2,096
4.6.	Miscellaneous receivables	2,757		2,757	3,078
C. III.	Short-term financial assets	0	0	0	0
1.	Interests - controlled or controlling entity				
2.	Other short-term financial assets				
C. IV.	Cash	22,537	0	22,537	21,198
1.	Cash in hand	255		255	36
2.	Cash at bank	22,282		22,282	21,162
D.	Prepaid expenses and accrued income	14,930	0	14,930	15,426
D. 1.	Prepaid expenses	6,663		6,663	6,646
2.	Prepaid expenses (specific-purpose expenses)	8,260		8,260	8,773
3.	Accrued income	7		7	7

BALANCE SHEET

		Current year	Prior year 2016
	TOTAL EQUITY & LIABILITIES	1,392,616	1,322,746
A.	EQUITY	903,214	938,484
A. I.	Basic capital	300,200	300,200
A. I. 1.	Registered capital	300,200	300,200
2.	Own ownership interests (-)		
3.	Changes in basic capital		
A. II.	Share premium and revaluation reserve	424	424
A. II. 1.	Share premium		
2.	Capital funds	424	424
1.	Other capital funds		
2.	Gain or loss on revaluation of assets and liabilities (+/-)		
3.	Gain or loss on revaluation upon corporate transformation (+/-)	424	424
4.	Differences arising on corporate transformation (+/-)		
5.	Differences arising between balance sheet date and transformation date (+/-)		
A. III.	Reserves from profit	94,340	94,340
A. III. 1.	Other reserves	94,340	94,340
2.	Statutory and other reserves		
A. IV.	Profit (loss) brought forward (+/-)	325,233	325,233
IV. 1.	Retained earnings	325,233	325,233
2.	Accumulated loss (-)		
3.	Other profit (loss) brought forward (+/-)		
A. V.	Profit (loss) for the year (+/-)	183,017	218,287
A. VI.	Approved decision on advances for profit distribution (-)	0	0
B. + C.	PROVISIONS AND LIABILITIES	489,216	383,951
B.	Provisions	56,637	53,981
B. 1.	Provision for pensions and similar obligations		
2.	Provision for corporate income tax		
3.	Provisions recognized under special legislation	23,069	20,333
4.	Other provisions	33,568	33,648
C.	Liabilities	432,579	329,970
C. I.	Long-term liabilities	9,097	5,336
1.	Bonds payable		
1.	Convertible bonds		
2.	Other bonds		
2.	Amounts owed to credit institutions		
3.	Long-term advances received		
4.	Trade payables		
5.	Long-term notes payable		
6.	Liabilities – controlled or controlling entity		
7.	Liabilities – significant influence		
8.	Deferred tax liability	9,097	5,336
9.	Other liabilities		
1.	Liabilities to partners		
2.	Unbilled deliveries		
3.	Miscellaneous liabilities		
C. II.	Current liabilities	423,482	324,634
1.	Bonds payable		
1.	Convertible bonds		
2.	Other bonds		
2.	Amounts owed to credit institutions		
3.	Short-term advances received	1,072	1,091
4.	Trade payables	315,671	262,123
5.	Short-term notes payable		
6.	Liabilities – controlled or controlling entity	58,989	3,032
7.	Liabilities – significant influence		
8.	Other liabilities	47,750	58,388
1.	Liabilities to partners	10	6,163
2.	Short-term borrowings		
3.	Liabilities to employees	13,445	15,062
4.	Liabilities arising from social security and health insurance	8,210	8,646
5.	Due to government – taxes and subsidies	5,318	13,118
6.	Unbilled deliveries	20,649	15,887
7.	Miscellaneous liabilities	118	(488)
D.	Accruals and deferred income	188	311
D. 1.	Accruals	103	173
2.	Deferred income	83	138

Prepared on:	Signature of entity's statutory body:	Person responsible for accounting (name, signature):	Person responsible for financial statements (name, signature):
28.2.2018	Marco Duranda, Jörg Reiner Wild	Jan Macháň	Jiří Haša
			Phone:

The accompanying income statement, cash flow statement, statement of changes in equity and notes are an integral part of the financial statements.

ZAPA beton a. s. for the year ended 31 December 2017

Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

INCOME STATEMENT

		Current year	Prior year 2016
I.	Revenue from sale of finished products and services	2,165,958	2,030,787
II.	Revenue from sale of goods	7,806	11,269
A.	Production-related consumption	1,538,342	1,459,657
A.1.	Cost of goods sold	7,577	11,155
A.2.	Consumption of material and energy	1,168,587	1,115,892
A.3.	Services	362,178	332,610
B.	Change in inventory produced internally (+/-)	9,443	6,931
C.	Own work capitalized (-)	(600)	4,499
D.	Personnel expenses	324,029	313,905
D.1.	Wages and salaries	237,458	229,579
D.2.	Social security and health insurance costs and other costs	86,571	84,326
D.2.1.	Social security and health insurance costs	82,263	79,699
D.2.2.	Other costs	4,308	4,627
E.	Value adjustments in respect of operating activities	58,168	48,118
E.1.	Value adjustments in respect of intangible and tangible fixed assets	56,486	67,603
E.1.1.	Value adjustments in respect of intangible and tangible fixed assets - permanent	56,367	56,871
E.1.2.	Value adjustments in respect of intangible and tangible fixed assets - temporary	119	10,732
E.2.	Value adjustments in respect of inventory	(3,952)	567
E.3.	Value adjustments in respect of receivables	5,634	(20,052)
III.	Other operating income	37,022	50,767
III.1.	Income from sale of fixed assets	3,298	17,788
III.2.	Income from sale of materials	21,221	22,380
III.3.	Miscellaneous operating income	12,503	10,599
F.	Other operating expenses	59,764	78,887
F.1.	Net book value of fixed assets sold	3,162	8,532
F.2.	Net book value of materials sold	18,341	18,990
F.3.	Taxes and charges relating to operations	10,100	10,338
F.4.	Provisions relating to operations and prepaid expenses (specific-purpose expenses)	3,169	2,462
F.5.	Miscellaneous operating expenses	24,992	38,565
*	Profit or loss on operating activities (+/-)	221,640	203,686
IV.	Income from long-term investments - interests	7,207	37,092
IV.1.	Income from interests in subsidiaries or parents	7,207	37,092
IV.2.	Other income from interests		
G.	Cost of interests sold	0	20,025
V.	Income from other long-term investments	0	40,296
V.1.	Income from other long-term investments - subsidiaries or parents		40,296
V.2.	Other income from other long-term investments		
H.	Expenses relating to other long-term investments	0	0
VI.	Interest receivable and similar income	606	632
VI.1.	Interest receivable and similar income - subsidiaries or parents	606	620
VI.2.	Other interest receivable and similar income		12
I.	Value adjustments and provisions relating to financial activities	0	0
J.	Interest payable and similar expenses	372	421
J.1.	Interest payable and similar expenses - subsidiaries or parents	363	421
J.2.	Other interest payable and similar expenses	9	
VII.	Other finance income	2,030	745
K.	Other finance cost	4,691	1,683
*	Profit or loss on financial activities (+/-)	4,780	56,636
**	Profit or loss before taxation (+/-)	226,420	260,322


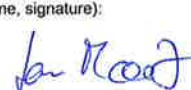

The accompanying balance sheet, cash flow statement, statement of changes in equity and notes are an integral part of the financial statements.

ZAPA beton a. s. for the year ended 31 December 2017

Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

INCOME STATEMENT

		Current year	Prior year 2016
L.	Income tax	43,403	42,035
L.1.	Income tax due	39,642	40,040
L.2.	Income tax deferred (+/-)	3,761	1,995
**	Profit or loss after taxation (+/-)	183,017	218,287
M.	Transfer of share of profit or loss to partners (+/-)	0	0
***	Profit or loss for the year (+/-)	183,017	218,287
*	Net turnover	2,220,629	2,171,588

Prepared on:	Signature of entity's statutory body:	Person responsible for accounting (name, signature):	Person responsible for financial statements (name, signature):
28.2.2018	  Marco Duranda, Jörg Reiner Wild	 Jan Machán	 Jiří Hgša tel. +420 581 829 428

The accompanying balance sheet, cash flow statement, statement of changes in equity and notes are an integral part of the financial statements.

ZAPA beton a. s. for the year ended 31 December 2017
Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

CASH FLOW STATEMENT

For the years ended 31 December 2017 and 2016

		Current year	Prior year 2016
Cash flows from operating activities			
Z.	Profit or loss on ordinary activities before taxation (+/-)	226,420	260,322
A. 1.	Adjustments to reconcile profit or loss to net cash provided by or used in operating activities	47,393	3,416
A. 1. 1.	Depreciation and amortization of fixed assets and write-off of receivables	56,367	77,556
A. 1. 2.	Change in allowances	1,801	(8,754)
A. 1. 3.	Change in provisions	2,656	1,443
A. 1. 4.	Foreign exchange differences	1,353	
A. 1. 5.	(Gain)/Loss on disposal of fixed assets	(7,343)	(26,323)
A. 1. 6.	Interest expense and interest income	(234)	(211)
A. 1. 7.	Other non-cash movements (e.g. revaluation at fair value to profit or loss, dividends received)	(7,207)	(40,296)
A *	Net cash from operating activities before taxation, changes in working capital and extraordinary items	273,813	263,737
A. 2.	Change in non-cash components of working capital	6,102	(2,517)
A. 2. 1.	Change in inventory	6,892	(3,194)
A. 2. 2.	Change in trade receivables	(53,049)	(28,416)
A. 2. 3.	Change in other receivables and in prepaid expenses and unbilled revenue	(3,337)	3,882
A. 2. 4.	Change in trade payables	53,659	28,439
A. 2. 5.	Change in other payables, and in accruals and deferred income	1,937	(3,228)
A **	Net cash from operating activities before taxation, interest paid and extraordinary items	279,915	261,220
A. 3. 1.	Interest paid	(372)	(421)
A. 4. 1.	Income Tax paid	(46,208)	(44,253)
A ***	Net cash provided by (used in) operating activities	233,335	216,546
Cash flows from investing activities			
B. 1. 1.	Purchase of fixed assets	(84,724)	(66,756)
B. 2. 1.	Proceeds from sale of fixed assets	10,505	54,880
B. 3. 1.	Loans granted	123	(685)
B. 4. 1.	Interest received	606	632
B. 5. 1.	Dividends received	7,207	40,296
B ***	Net cash provided by (used in) investing activities	(66,283)	28,367
Cash flows from financing activities			
C. 1.	Change in long-term liabilities, and long-term and short-term loans	49,804	(97,266)
C. 2. 1.	Effect of other changes in equity on cash		
C. 2. 2.	Profit shares paid	(218,287)	(162,584)
C. 2. 3.	Effect of other changes in own capital on cash		
C ***	Net cash provided by (used in) financing activities	(168,483)	(259,850)
F.	Net increase (decrease) in cash	(1,431)	(14,937)
P.	Cash and cash equivalents at beginning of year	3,635	18,572
R.	Cash and cash equivalents at end of year	2,204	3,635

Prepared on:	Signature of entity's statutory body:	Person responsible for accounting (name, signature):	Person responsible for financial statements (name, signature):
28.2.2018	Marco Duranda, Jörg Reiner Wild	Jan Macháň	Jiří Haša
			Phone:

The accompanying balance sheet, income statement, statement of changes in equity and notes are an integral part of the financial statements.

ZAPA beton a.s.

Financial Statements for the year ended 31 December 2017

1. DESCRIPTION OF THE COMPANY

ZAPA beton a.s. ("the Company") is a joint stock company that was established by the Memorandum of Association of 2 April 1997 and was incorporated on 16 June 1997 by entry into the Commercial Register maintained with the Municipal Court in Prague. The Company's registered office is located in Prague 4, Videňská 495, post code 142 00, the Czech Republic, and the business registration number (IČ) is 251 37 026. The Company is involved in the production, transport and laying of concrete mixtures.

The sole shareholder of the Company is Dyckerhoff GmbH., Wiesbaden, Biebricher Strasse 68, 65203, Germany, registration No.: HRB 27594.

The Company is a member of the Dyckerhoff/BUZZI Group (Buzzi Unicem S.p.A.), with its registered office located at via Luigi Buzzi 6, 150 33 Casale Monferatto (AL), Italy (registered by the Commercial Court in Alessandria under No. 00930290044).

Changes in the composition of the Supervisory Board and the Board of Directors made in 2017 were as follows: The sole shareholder appointed Dirk Beese member of the Supervisory Board as of 1 February 2017. Dirk Beese replaced Paolo Zelano whose term of office terminated on 31 December 2016. The newly composed Board of Directors elected Luigi Buzzi as its Chairman on 1 February 2017.

On 17 May 2017, the Supervisory Board acknowledged termination of office of member of the Board of Directors Jaromír Chmela as of 12 June 2017 and, effective from 13 June 2017, recalled Jiří Haša from the position of Board of Directors member and appointed new Board members Paolo Zelano a Jörg Reiner Wild. Members of the Board of Directors elected Paolo Zelano Chairman of the Board of Directors on 13 June 2017. The Board of Directors granted proxy to Jiří Haša and Vlastimil Hanáček on the same date. The proxy holders act jointly toward third parties and are empowered to alienate and encumber real estate.

Members of the statutory bodies as at 31 December 2017 were as follows:

Board of Directors

Chair:	Paolo Zelano
Member:	Jörg Reiner Wild
Member:	Marco Duranda

Proxy holders:

Proxy holder:	Jiří Haša
Proxy holder:	Vlastimil Hanáček

Supervisory Board

Chair:	Luigi Buzzi
Member:	Massimo Paris
Member:	Dirk Beese

ZAPA beton a.s.

Financial Statements for the year ended 31 December 2017

The Company's statutory body is the Board of Directors; the Company's supervisory body is the Supervisory Board. As for the reporting structure, the CEO reports to the Board of Directors; executive director for the Bohemia region, the executive director for the Moravia region, the executive director for quarries and sand quarries (being a head of central services department at the same time), the quality assurance manager, the financial director and HR manager all report to the CEO.

The Company has no foreign branch or other part of the business abroad.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements were prepared in accordance with the Czech Act on Accounting and the related guidelines as applicable for 2017 and 2016.

The figures contained in these financial statements are presented in thousands of Czech crowns (CZK thousands).

Explanation Added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in preparing the 2017 and 2016 financial statements are as follows:

a) Intangible Fixed Assets

Intangible fixed assets are recorded at their acquisition cost and related expenses.

Intangible fixed assets are assets with a value exceeding CZK 40 thousand and useful economic life exceeding one year in each individual case. Intangible fixed assets with a cost exceeding CZK 40 thousand are amortized over their useful economic lives.

Amortization

Amortization is calculated based on the acquisition cost and the estimated useful life of the related asset. The useful economic lives are as follows:

	Years
Certification	4
Software	4
License	5

b) Tangible Fixed Assets

Tangible fixed assets are assets with a value exceeding CZK 20 thousand and useful economic life exceeding one year in each individual case.

Purchased tangible fixed assets are recorded at their acquisition cost, which consists of purchase price, freight, customs duties and other related costs.

Internally-developed tangible fixed assets are recorded at their accumulated cost, which consists of direct costs, indirect costs directly related to the creation of the internally-developed asset (production overheads), and/or indirect administrative costs, if the period of development of the asset exceeded one year.

The costs of technical improvements are capitalized. Repairs and maintenance expenses are expensed as incurred.

Depreciation

Depreciation is calculated based on the acquisition cost and the estimated useful life of the related asset. The useful economic lives are as follows:

	Years
IT	4
Passenger cars	4
Building machinery	10
Pumps	10
Mix trucks and other trucks	10
Safety equipment	10
Furniture and fixtures	10
Concrete plant technology	10
Other machinery and equipment	10
Utility supply networks	15
Handling areas	15
Gain or loss on revaluation of acquired property	15
Constructions + fences	30
Fixed assets introduced after expiration of lease contracts	2

Any gain or loss on the revaluation of acquired property represents the difference between either the valuation of an enterprise, or a part thereof, acquired by transfer for consideration, passage of ownership interest or by contribution, or between the valuation of assets and liabilities made in connection with the business corporation transformation (except the cases where the transformation brings a change in the legal form), and the aggregate of individually revalued asset components in accounting of a selling, contributing or dissolving accounting entity, net of assumed liabilities. Gain on the revaluation of acquired property is depreciated on a straight-line basis over 15 years from the enterprise acquisition date.

ZAPA beton a.s.

Financial Statements for the year ended 31 December 2017

Allowance making policy

Based on inventory-taking, allowances may be created against unused tangible fixed assets whose carrying value temporarily does not correspond to their actual condition. The amount of such allowances is determined by comparing the book value and the fair value of the relevant asset.

c) Cash

Cash includes liquid valuables, cash in hand and at bank.

Long-term financial assets consist of ownership interests, available-for-sale securities and loans with maturity exceeding one year.

Upon acquisition, securities and ownership interests are valued at their acquisition cost, which includes direct costs related to the acquisition, e.g. fees paid to consultants.

On the date of acquisition of ownership interests, these long-term financial investments are classified by the Company as subsidiaries or associates (ownership interests constituting controlling or significant influence).

Ownership interests were acquired as a consideration for a non-monetary contribution to a business company and are valued at the net book value of the non-monetary contribution. If the contribution constitutes a taxable supply, such net book value shall be increased by value added tax.

Investments in enterprises in which the Company has the power to govern the financial and operating processes so as to obtain benefits from their operations are treated as 'Equity investment in subsidiaries'.

Investments in enterprises in which the Company is in a position to exercise significant influence over their financial and operating processes so as to obtain benefits from their operations are treated as 'Equity investments in associates'.

The long-term portion of a loan provided to group companies which is due after one year is recorded as 'Loans and borrowings – receivables from group companies' in the balance sheet. The short-term portion of a loan provided to group companies which is due within one year and outstanding interest is recorded in 'Short-term receivables from group companies with majority control' in the balance sheet.

If there is a decrease in the carrying value of long-term financial assets that are not revalued at the balance sheet date, the difference is considered a temporary diminution in value and is recorded as an allowance.

Within the group, a system for utilization of idle money of individual group companies, i.e. cash pool, has been introduced. Cash used from this system as at the date of the financial statements is reported in 'Current liabilities to group companies with majority control' in the accompanying balance sheet and the change in the deposited cash is reported in 'Changes in long-term liabilities and long-/short-term loans' in the accompanying cash flow statement.

d) Inventory

Purchased inventory is stated at cost. Costs of purchased inventory include acquisition-related costs (freight, customs, warehousing, commission, insurance, etc.). Finished goods and work-in-progress are recorded at actual cost.

ZAPA beton a.s.

Financial Statements for the year ended 31 December 2017

The cost of inventory produced internally includes material and labor costs and a proportion of production overhead costs allocated on the basis of stage of completion.

Inventory released from warehouse is recorded using the weighted average method.

Allowances are recorded on the basis of evaluation of marketability of inventory as a percentage of the warehouse value of inventory.

e) Receivables

Upon origination, receivables are stated at their nominal value as subsequently reduced by appropriate allowances for doubtful and bad amounts. Receivables acquired for a consideration or by payment are carried at their acquisition cost and, subsequently, they are carried at this value adjusted for doubtful and uncollectible amounts. No accounting or statutory allowances are created against group receivables.

f) Equity

The basic capital of the Company is stated at the amount recorded in the Commercial Register maintained in the Regional Court. Any increase or decrease in the basic capital made pursuant to the decision of the General Meeting which was not entered in the Commercial Register as at the financial statements date is recorded through changes in basic capital.

In accordance with the Articles of Association, the Company creates a reserve fund from profit or from amounts contributed by partners above their contributions.

g) Provisions and Liabilities

The Company creates legal provisions in accordance with the Act on Provisions and provisions for losses and risks if the related purpose amount and timing can be reliably estimated and the accrual and matching principles are observed.

The provision for restoration and rehabilitation of land is created over the period of the lease contract based on estimated costs of rehabilitation of the land and costs of liquidation of the concrete plant after the lease contract expires.

The provision for remediation and reclamation and for mining damage is created based on the instructions of the relevant Mining Authority taking into account the volume of extracted material. Additions to the provision are credited to a restricted bank account.

Long-term liabilities and current liabilities are carried at their nominal values. Amounts resulting from the revaluation of financial derivatives at fair value are shown in other payables.

h) Leases

The Company records leased assets by expensing the lease payments and, for finance leases, capitalizing the residual value of the leased assets when the lease contract expires and the purchase option is exercised. Lease payments paid in advance are recorded as prepaid expenses and amortized over the lease term.

i) Foreign Currency Transactions

Assets and liabilities whose acquisition or production costs were denominated in foreign currencies are translated into Czech crowns at the exchange rate prevailing at the transaction date. On the balance sheet date monetary items are adjusted to the exchange rates as published by the Czech National Bank as at 31 December.

Realized and unrealized exchange rate gains and losses were charged or credited, as appropriate, to finance income for the year.

j) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. The Company management prepared these estimates and predictions based on all available relevant information. These estimates and assumptions are based on information available as at the date of the financial statements and may differ from actual results.

k) Recognition of Revenues and Expenses

Revenues and expenses are recognized on an accrual basis, that is, they are recognized in the periods in which the actual flow of the related goods or services occurs, regardless of when the related monetary flow arises.

Revenues are recorded on the date on which the goods are dispatched from warehouse and the ownership passes to customer or on the date on which the services are provided, and are recorded net of discounts and value added tax.

Interest revenues are recognized on an accrual basis based on the outstanding principal amount and the valid interest rate.

Revenues from dividends are recorded when the right to receive dividends is declared.

l) Cash Flow Statement

The cash flow statement was prepared using the indirect method. Cash equivalents are short-term liquid assets that can be easily translated to a known amount of cash.

Cash and cash equivalents from operating, investment and financial activities included in the cash flow statement are not mutually offset.

Current accounts as at 31 December 2017 and 31 December 2016 include restricted accounts maintained with banks and used for the purpose of the statutory provision for remediation and reclamation; the use of the funds in this account is restricted. As a result, these funds are reflected as an increase in receivables rather than cash and cash equivalents in the cash flow statement.

m) Income Tax

The corporate income tax expense is calculated based on the statutory tax rate and book income before taxes, increased or decreased by the appropriate permanent and temporary differences (e.g. non-deductible provisions and allowances, entertainment expenses, differences between book and tax depreciation, etc.). In addition, the following items are taken into consideration: tax base decreasing

items (donations), tax deductible items (tax loss, research and development costs) and income tax reliefs.

The deferred tax position reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for corporate income tax purposes, taking into consideration the period of realization.

n) Diminution in Value

On the balance sheet date, the book value of the Company's assets is evaluated in order to identify any signs of impairment loss. If there are such signs, the realizable value of such asset and the scope of impairment loss, if any, is estimated. If the realizable value of an asset cannot be estimated, the Company shall determine the realizable value of the revenue unit to which such asset belongs.

The realizable value is the higher of the net selling price and the value in use. To determine the value in use, the estimated future cash flows are discounted to their current value using a discount rate before tax that reflects the current market estimate of the time value of money and risks specifically relating to the given asset.

If the estimate shows that the realizable value of an asset (or revenue unit) is lower than its book value, the book value of such asset (revenue unit) is written down to its realizable value.

o) Subsequent Events

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation is recognized in the financial statements provided these events provide additional evidence about conditions that existed at the date of the balance sheet.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these events are disclosed in the notes to the financial statements but not recognized in the financial statements.

ZAPA beton a.s.

Financial Statements for the year ended 31 December 2017

4. **FIXED ASSETS**

a) **Intangible Fixed Assets (in CZK thousands)**

COST

	At beginning of year	Additions	Disposals	Transfers	At end of year
Research and development	2,881	-	-	-	2,881
Software	10,217	-	-	53	10,270
Patents, royalties and similar rights	5,288	-	-	-	5,288
Foundation and organization expenses	7,130	-	-	-	7,130
Other intangibles	130	-	-	-	130
Intangible fixed assets in progress	-	-	307	(30)	277
2017 Total	25,646	-	307	23	25,976
2016 Total	24,760	886	-	-	25,646

ACCUMULATED AMORTIZATION

	At beginning of year	Amortization during year	Disposals	At end of year	Net book value
Research and development	(2,881)	-	-	(2,881)	-
Software	(7,037)	(1,851)	-	(8,888)	1,382
Patents, royalties and similar rights	(5,288)	-	-	(5,288)	-
Foundation and organization expenses	(7,130)	-	-	(7,130)	-
Other intangibles	(130)	-	-	(130)	-
Intangible fixed assets in progress	-	-	-	-	277
2017 Total	(22,466)	(1,851)	-	(24,317)	1,659
2016 Total	(20,827)	(1,639)	-	(22,466)	3,180

b) Tangible Fixed Assets (in CZK thousands)**COST**

	At beginning of year	Additions	Disposals	Transfers	At end of year
Land	170,258	-	(220)	2,532	172,570
Structures	601,970	-	(267)	10,919	612,622
Machinery and equipment	720,258	-	(10,836)	51,259	760,681
Vehicles	68,031	-	(5,036)	20,629	83,624
Furniture and fixtures	2,252	-	(181)	-	2,071
Gain or loss on revaluation of acquired property	45,442	-	-	-	45,442
Miscellaneous tangible fixed assets	11,252	-	-	-	11,252
Advances granted for tangible fixed assets	2,870	14,568	-	(11,851)	5,587
Tangible fixed assets in progress	30,350	71,339	(185)	(73,488)	28,016
2017 Total	1,652,683	85,907	(16,725)	-	1,721,865
2016 Total	1,605,878	65,903	(19,098)	-	1,652,683

ACCUMULATED DEPRECIATION

	At beginning of year	Depreciation during year	Cost of sales or liquidation	Disposals	At end of year	Allowances	Net book value
Land	-	-	-	-	-	(10,339)	162,231
Structures	(410,405)	(16,760)	(211)	267	(427,109)	(2,000)	183,513
Machinery and equipment	(615,062)	(28,686)	(2,407)	10,836	(635,319)	-	125,362
Vehicles	(16,523)	(7,175)	(603)	5,036	(19,265)	-	64,359
Furniture and fixtures	(2,235)	(9)	-	181	(2,063)	-	8
Gain or loss on revaluation of acquired property	(39,524)	(1,291)	-	-	(40,815)	-	4,627
Miscellaneous tangible fixed assets	(7,289)	(595)	-	-	(7,884)	-	3,368
Advances granted for tangible fixed assets	-	-	-	-	-	(893)	4,694
Tangible fixed assets in progress	-	-	-	-	-	(1,163)	26,853
2017 Total	(1,091,038)	(54,516)	(3,221)	16,320	(1,132,455)	(14,395)	575,015
2016 Total	(1,045,050)	(54,836)	(7,219)	16,067	(1,091,038)	(14,276)	547,369

In 2017, the Company put into operation a newly acquired concrete plant at Chvaletice (acquisition of concrete plant technology, land and building) at a value of approximately CZK 11 million, comprehensive refurbishment of the concrete plant at Brandýs nad Labem at a value of CZK 9.5 million and a concrete

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Financial Statements for the year ended 31 December 2017

plant at Lanškroun at a value of CZK 7 million. Significant additions to investments included acquisition of vehicles.

The total value of small tangible fixed assets which are not reflected in the accompanying balance sheet was CZK 28,999 thousand and CZK 27,589 thousand as at 31 December 2017 and 2016, respectively.

c) Long-Term Financial Investments (in CZK thousands)

Summary of changes in long-term financial investments.

	Balance as at 31/ 12/ 2015	Revaluation	Cost of sales	Balance as at 31/ 12/ 2016	Revaluation	Balance as at 31/ 12/ 2017
Subsidiaries	297,723	-	(20,024)	277,699	-	277,699
Associates	14,296	-	-	14,296	-	14,296
Loans to subsidiaries and associates	19,159	(3)	-	19,156	(1,049)	18,107
Total	331,178	(3)	(20,024)	311,151	(1,049)	310,102

Subsidiaries and associates as at 31 December 2017 were as follows (in CZK thousands):

Name	ZAPA beton SK s.r.o.	ZAPA UNISTAV, s.r.o.	EKO ZAPA beton, s.r.o.
Registered office	Vajnorská 142, 730 00 Bratislava	Moravanská 224/98, 619 00 Brno	Čerčanská 2053/18, 140 00 Prague 4
Currency	EUR	CZK	CZK
Percentage of ownership	99.96	50	50
Total assets	22,515	48,235	22,765
Equity	8,406	40,806	17,883
Basic capital and capital funds	11,952	24,650	13,891
Reserves from profit	292	2,000	202
Retained earnings/ Accumulated loss	(4,363)	8,312	-
Profit/loss for the current year	584	5,844	3,790

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Subsidiaries and associates as at 31 December 2016 were as follows (in CZK thousands):

Name	ZAPA beton SK s.r.o. Vajnorská 142, 730 00 Bratislava	ZAPA UNISTAV, s.r.o. Moravanská 224/98, 619 00 Brno	EKO ZAPA beton, s.r.o. Čerčanská 2053/18, 140 00 Prague 4
Currency	EUR	CZK	CZK
Percentage of ownership	99.96	50	50
Total assets	20,595	52,704	24,138
Equity	7,822	43,889	19,580
Basic capital and capital funds	11,952	24,650	13,891
Reserves from profit	292	2,000	202
Retained earnings/ Accumulated loss	(3,736)	8,312	-
Profit/loss for the current year	(627)	8,927	5,487

Financial information about these companies was obtained from the companies' standalone unaudited financial statements.

5. INVENTORY

Excess, obsolete and slow-moving inventory has been written down to its estimated net realizable value by an allowance account (see Note 7).

6. RECEIVABLES

Allowances against outstanding short-term receivables that are considered doubtful were charged to income in 2017 and 2016, respectively (see Note 7).

Year	Category	Due	Overdue					Total overdue	Total
			0 - 90 days	91 - 180 days	181 - 360 days	1 - 2 years	2 years and more		
2016	Gross	217,859	106,156	5,229	4,084	14,702	143,269	273,440	491,299
	Allowances	6,586	2,469	353	1,508	10,705	126,918	141,953	148,539
	Net	211,273	103,687	4,876	2,576	3,997	16,351	131,487	342,760
2017	Gross	253,179	100,122	17,742	11,214	26,085	137,895	293,058	546,237
	Allowances	5,393	2,095	408	9,105	14,445	127,650	153,703	159,096
	Net	247,786	98,027	17,334	2,109	11,640	10,245	139,355	387,141

The Company wrote off irrecoverable receivables of CZK 7,846 thousand and CZK 20,454 thousand in 2017 and 2016, respectively due to cancellation of bankruptcy proceedings, unsatisfying the claims in bankruptcy proceedings, etc.

As at 31 December 2017 and 2016, the Company had CZK 4,342 thousand and CZK 11,657 thousand, respectively of long-term receivables comprising in particular ceded receivables. Allowances against the above receivables totaled CZK 1,699 thousand and CZK 7,583 thousand in 2017 and 2016, respectively.

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Receivables from related parties (see Note 18).

7. ALLOWANCES

Allowances reflect a temporary diminution in the value of assets (see Notes 4, 5 and 6).

Changes in the allowance accounts (in CZK thousands):

Allowances against:	Balance as at 31/ 12/ 2015	Additions	Deductions	Balance as at 31/ 12/ 2016	Additions	Deductions	Balance as at 31/ 12/ 2017
Fixed assets	3,544	10,744	(12)	14,276	119	-	14,395
Inventory	3,385	3,952	(3,385)	3,952	-	(3,952)	-
Receivables – legal	120,118	12,545	(23,278)	109,385	13,871	(4,736)	118,520
Receivables – other	56,284	16,232	(25,551)	46,965	24,469	(27,970)	43,464

Legal allowances are created in compliance with the Act on Provisions and are tax deductible.

8. CASH

Cash consists of cash in hand, liquid valuables and cash at bank.

In 2016, the funds on blocked accounts totaled CZK 17,563 thousand. In the cash flow statement, cash and cash equivalents were reduced by the same amount and CZK 17,563 thousand were recorded as an increase in receivables. In 2017, the balance at blocked account increased to CZK 20,333 thousand. Similarly as in 2016, the cash flow statement was adjusted and the balance of receivables was increased by the above amount at the expense of the cash balance.

9. PREPAID EXPENSES AND ACCRUED INCOME

Prepaid expenses include in particular rental fees and other overhead and are charged to income for the year in which they were incurred.

Prepaid expenses (specific purpose expenses) include in particular the costs of overburden.

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10. EQUITY

Statement of changes in equity (in CZK thousands):

	Balance as at 31/ 12/ 2015	Increase	Decrease	Balance as at 31/ 12/ 2016	Increase	Decrease	Balance as at 31/ 12/ 2017
Number of shares	3,002	-	-	3,002	-	-	3,002
Basic capital	300,200	-	-	300,200	-	-	300,200
Gain or loss on revaluation upon corporation transformations	424	-	-	424	-	-	424
Reserve fund	94,340	-	-	94,340	-	-	94,340
Retained earnings/ accumulated loss	325,233	-	-	325,233	-	-	325,233
Profit (loss) for the year	162,584	218,287	(162,584)	218,287	183,017	(218,287)	183,017

The basic capital of the Company consists of 3,002 registered shares, fully subscribed and paid, with a nominal value of CZK 100,000 each.

The sole shareholder's decision of 9 March 2017 approved the distribution of the 2016 profit after tax totaling CZK 218,287 thousand to the sole shareholder.

The sole shareholder's decision of 16 March 2016 approved the distribution of the 2015 profit after tax totaling CZK 162,584 thousand to the sole shareholder.

11. PROVISIONS

The movements in the provision accounts were as follows (in CZK thousands):

Provisions	Balance as at 31/ 12/ 2015	Additions	Deductions	Balance as at 31/ 12/ 2016	Creation of provisions	Deductions	Balance as at 31/ 12/ 2017
Legal	17,562	2,771	-	20,333	2,736	-	23,069
Other	34,976	1,265	(2,593)	33,648	7,260	(7,340)	33,568

Legal provision was created against mining damage, remediation and reclamation in compliance with the decision of the competent Regional Mining Authority.

Other provisions are created for the purposes of provision for holiday, provision for restoration and rehabilitation of leased land and accounting provisions for mining damage, remediation and reclamation.

12. CURRENT LIABILITIES

As at 31 December 2017 and 2016, the Company had liabilities of CZK 8,210 thousand and CZK 8,646 thousand, respectively owing to social security and health insurance premiums.

Unbilled deliveries represent, in particular, unbilled rent, energy consumption and repairs.

Payables to related parties (see Note 18).

13. ACCRUALS AND DEFERRED INCOME

Accruals include, in particular, costs of material and freight, which are charged to income for the year in which they were incurred.

14. INCOME TAXES

On the basis of preliminary calculation the Company calculated tax as follows (in CZK thousands):

	2016	2017
Profit before taxes	260,322	226,420
Non-taxable revenues	(77,388)	(7,207)
Difference between book and tax depreciation	(3,707)	(12,847)
Non-deductible expenses		
Creation/(reversal) of allowances, net	1,980	(7,334)
Creation/(reversal) of provisions, net	(1,328)	(80)
Other (e.g. entertainment expenses, shortages and losses)	31,781	10,290
Taxable income	211,660	209,242
Current income tax rate	19%	19%
Tax	40,215	39,756
Tax relief (Section 35)	(114)	(72)
Adjustment of the tax paid in previous years	(61)	(42)
Current tax expense	40,040	39,642

The Company quantified deferred taxes as follows (in CZK thousands):

	2016		2017	
Deferred tax items	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Difference between net book value of fixed assets for accounting and tax purposes	-	(21,403)	-	(23,733)
Other temporary differences:				
Allowance against receivables	8,923	-	8,258	-
Allowance against inventory	751	-	-	-
Allowance against fixed assets	-	-	-	-
Provisions	6,393	-	6,378	-
Total	16,067	(21,403)	14,636	(23,733)
Net	-	(5,336)	-	(9,097)

15. LEASES

Assets which are being used by the Company under operating leases as at 31 December 2017 and 2016 consist of the following (in CZK thousands):

Description	Terms/Conditions	Expense in 2016	Expense in 2017
Trucks	48 - 72 months	15,259	11,010
Passenger cars	48 - 72 months	5,661	6,891

16. REVENUES

The breakdown of revenues on ordinary activities is as follows (in CZK thousands):

	2016		2017	
	Domestic	Foreign	Domestic	Foreign
Goods - concrete	4,658	-	2,160	-
Goods - stone	1,348	-	2,737	-
Goods - land	1,240	-	-	-
Goods - cement	-	-	237	-
Other	3,415	608	1,545	1,127
Revenues from the sale of goods	10,661	608	6,679	1,127

	2016		2017	
	Domestic	Foreign	Domestic	Foreign
Sale of product - concrete	1,587,593	-	1,670,107	43
Sale of product - stone	89,464	-	90,914	-
Other revenues	823	-	873	-
Services - freight	340,275	933	388,701	98
Services - rent	1,514	1,807	1,464	2,295
Other services	7,894	484	11,087	376
Revenues from the sale of products and services	2,027,563	3,224	2,163,146	2,812

In 2017 the revenues of the Company were concentrated primarily with the sale of concrete to customers in the construction industry. Revenues from ordinary activities were generated mainly within the Czech Republic.

17. PERSONNEL AND RELATED EXPENSES

The breakdown of personnel expenses is as follows (in CZK thousands):

	2016		2017	
	Total personnel	Members of managerial bodies	Total personnel	Members of managerial bodies
Average number of employees	466	40	440	35
Wages and salaries	228,359	38,317	236,476	38,376
Bonuses of members of the corporation	1,220	1,220	982	982
Social security and health insurance	79,699	11,893	82,263	11,691
Social cost	4,627	2,681	4,308	2,392
Total personnel expenses	313,905	54,111	324,029	53,441

The members of statutory and supervisory bodies received total bonuses and other remuneration of CZK 982 thousand and CZK 1,220 thousand in 2017 and 2016, respectively.

No loans, guarantees, advances and other benefits were granted to the members and former members of statutory and supervisory bodies and to directors and executive officers in 2017 and they do not hold any shares of the Company. Members of statutory and supervisory bodies and directors and executive officers use company cars for private purposes.

18. RELATED PARTY INFORMATION

The Company sells products to related parties in the ordinary course of business. Sales were CZK 9,866 thousand and CZK 15,062 thousand in 2017 and 2016, respectively.

Receivables from related parties as at 31 December 2017 and 2016 were as follows (in CZK thousands):

Related party	2016	2017
Cement Hranice a.s	2	-
ZAPA BETON Hungária Kft.	681	736
ZAPA beton SK	53,217	54,962
ZAPA UNISTAV	325	116
EKO ZAPA beton	314	140
Total	54,539	55,954

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Financial Statements for the year ended 31 December 2017

The Company purchases products and receives services from related parties in the ordinary course of business. Purchases were CZK 430,228 thousand and CZK 329,627 thousand in 2017 and 2016, respectively.

Short-term payables to related parties as at 31 December 2017 and 2016 were as follows (in CZK thousands):

Related party	2016	2017
	CZK	CZK
Cement Hranice a.s	57,857	88,425
Dyckerhoff GmbH	7,003	-
ZAPA UNISTAV	35	2
EKO ZAPA beton	143	278
Total	65,038	88,705

Loans and borrowings to group companies as at 31 December 2017 and 2016 were as follows (in CZK thousands):

Company	Terms/Conditions	2016	2017
ZAPA beton SK s.r.o.	Due date: 31/ 12/ 2018	19,156	18,107

As at 31 December 2017 and 2016, outstanding interest on the loan to ZAPA beton SK s.r.o. amounted to CZK 23,701 thousand and CZK 23,611 thousand, respectively, and was recorded in 'Receivables from group companies with majority control'. The interest rate is 3.075% p.a.

Short-term loans from group companies (Cash Pool) as at 31 December 2017 and 2016 were as follows (in CZK thousands):

Loans received	2016	2017
Cement Hranice	3,032	58,989
Total	3,032	58,989

The interest expense related to the Cash Pool for 2017 and 2016 amounted to CZK 372 thousand and CZK 421 thousand, respectively and related interest income was CZK 23 thousand and CZK 19 thousand in 2017 and 2016, respectively. Debit balances of Cash Pool are charged by PRIBOR O/N + 0.4% p.a., credit balances of Cash pool are charged by PRIBOR O/N + 0.18% p.a.

In 2017 and 2016, the Company received dividends from finance investments amounting to CZK 7,207 thousand and CZK 40,296 thousand, respectively.

ZAPA beton a.s.

Financial Statements for the year ended 31 December 2017

19. SIGNIFICANT ITEMS OF INCOME STATEMENT

Operation related consumption as at 31 December 2017 and 2016 was as follows (in CZK thousands):

	2016	2017
Consumption of material	1,084,304	1,138,248
Consumption of energy	31,588	30,339
Total consumed purchases	1,115,892	1,168,587

Miscellaneous operating expenses as at 31 December 2017 and 2016 were as follows (in CZK thousands):

	2016	2017
Gifts	607	612
Write-off of receivables and ceded receivables	20,454	8,122
Other operating expenses	17,506	16,258
Total other operating expenses	38,567	24,992


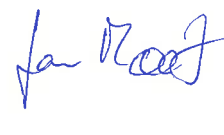

Statutory auditor's fees as at 31 December 2017 and 2016 were as follows (in CZK thousands):

	2016	2017
Audit of the financial statements	777	831

20. SUBSEQUENT EVENTS

No significant events occurred after the financial statements' date.

21. STATEMENT OF CHANGES IN EQUITY (SEE NOTE 10)

Prepared on:	Signature of accounting entity's statutory body:	Person responsible for accounting (name, signature):	Person responsible for financial statements (name, signature):
			
28 February 2018	Marco Duranda, Jörg Reiner Wild	Jan Macháň	Jiří Haša

Related Party Transactions Report

of the company
ZAPA beton a.s.
Videňská 495, 142 00 Prague 4
Reg. No.: 25137026

registered in the Commercial Register maintained by the Municipal Court in Prague
under file reference B 4785

registered capital: CZK 300,200,000

3,002 registered shares in the nominal value of CZK 100,000 per share

sole shareholder: Dyckerhoff GmbH
Biebricher Straße 68, 65203 Wiesbaden, Germany
commercial registration: Amtsgericht District Court in Wiesbaden,
under reference number HRB 27594

Tax ID No.: CZ25137026

Data Box ID: 94wg39w

Bank: UniCredit Bank Czech Republic and Slovakia a.s.

Account No.: 801811006 / 2700

Tel.: +420 226 004 444

Fax: +420 226 004 440

Email: zapa@zapa.cz

Preamble

Composition of the Board of Management: Chairman Paolo Zelano, members Marco Duranda and Jörg Reiner Wild, as a statutory body of ZAPA beton a.s., in accordance with the provisions of Section 82 et seq. of Act No. 90/2012 Coll., on Business Corporations (hereinafter the "Business Corporations Act"), as fulfilment of their duties have prepared this report, which describes relationships between connected persons and entities, meaning relationships between the controlled entity and the controlling entity and relationships between the controlled entity and other entities controlled by the same controlling entity. The relationships are described with consideration for the need to respect the provisions of Section 504 of Act No. 89/2012 Coll., the Civil Code, related to trade secrets.

I.

Structure of relationships in the business grouping and the controlled entity's role

1. Controlling entity:

Pursuant to the provisions of Section 74 of the Business Corporations Act, the controlling entity of ZAPA beton a.s. is: Dyckerhoff GmbH, a company with its registered office located at: Biebricher Straße 68, 65203 Wiesbaden, Germany, registered in the Commercial Register of the Amtsgericht District Court in Wiesbaden, under reference number HRB 27594.

Since 2013, the sole owner of the controlling entity has been Buzzi Unicem SpA, a joint-stock company with its registered office at via Luigi Buzzi, 6, 15033 Casale Monferrato (AL), Italy (the governing entity).

2. ZAPA beton a.s. is a Czech subsidiary of the cement concern Dychkerhoff/Buzzi Unicem, the shares of Buzzi Unicem SpA are quoted on the exchange in Milan, and the code of the shares is: ISIN IT0001347308. The detailed structure of the relationships within the business group can be found on the parties' websites (www.buzziunicem.it, www.dyckerhoff.com).

3. The controlled entity ZAPA beton a.s. is one of the leading manufacturers of ready mixed concrete in the Czech Republic. As a member of the Italian concern Buzzi Unicem (since 2004), it is also one of the world's leading manufacturers of construction materials. The joint-stock company's main production activity is manufacturing, transport and placing of concrete and other products containing cement or other types of binding materials.

A dualistic system of management has been implemented in the company. The Board of Management of the joint-stock company as its statutory body and the Supervisory Board of the joint-stock company as its control body each have three members, who serve three-year terms. In all matters, the members of the Board of Management represent the joint-stock company; two members of the Board of Management always acting jointly on the company's behalf.

In 2017, there were changes in the Commercial Register based on the following facts.

Paolo Zelano was a chairman of the Supervisory Board until 31st December 2016. With effect from 1st February 2017 Dirk Beese was appointed as the member of Supervisory Board. On the same day the Supervisory Board elected its Chairman - Luigi Buzzi. The Supervisory Board thus has three members in line with the Articles of Association: Chairman Luigi Buzzi and members Dirk Beese and Massimo Paris.

The Supervisory Board re-elected Marco Duranda as a member of the Board of Management on 1st February 2017. The Supervisory Board took note of termination of the office of Jaromír Chmela as a member of the Board of Management as of 12th June 2017. With effect from 13th June 2017 the Supervisory Board removed Jiří Haša from the position of a member of the Board of Management. On 13th June 2017 the Board of Management elected its Chairman – Paolo Zelano. The Board of Management thus has three members in line with the Articles of Association: Chairman Paolo Zelano and members Marco Duranda and Jörg Reiner Wild. On the same day, the Board of Directors also elected Jiří Haša and Vlastimil Hanáček as proxies. Proxies act outwardly together and are entitled to dispose properties and burden them.

The executive management of the company in 2017 consisted of: General Manager Marco Duranda, Director for Bohemia Peter Markulínek, Director for Moravia Vlastimil Hanáček, Director of Quarries and Sandpits and Head of the Central Services Department Jörg Reiner Wild, Head of Quality Giuseppe Giunti, Finance Director Jiří Haša, and HR Manager Alžběta Vlachová.

II.

Method and means of control and other important activities

1. The Chairman of the Supervisory Board, Luigi Buzzi, serves within the concern as a member of the Supervisory Board of Dyckerhoff GmbH, and Supervisory Board Member Dirk Beese, who is Managing Director of Dyckerhoff GmbH, and Supervisory Board Member Massimo Paris, who within the concern is Director of Group Quality Assurance, through their decision making activities within the control body of the controlled entity promote the interests of the sole shareholder.
2. Besides their independent activities carried out pursuant to the Statutes of the company, in 2017, the members of the Board of Management and the Supervisory Board attended three joint meetings, at which they discussed the controlled entity's business plan and at which the process of approving legal acts and other measures taken by the Board of Management were carried out, for which the Supervisory Board's consent is needed.
3. A concern agreement, a joint-venture agreement, an agreement on exercising of voting rights and similar agreements have not been entered into.

III.

Overview of contracts within the business grouping, other legal acts and other measures

1. Relations between the controlled entity ZAPA beton a.s. and the controlling entity Dyckerhoff GmbH: in 2017, the controlling entity invoiced and re-invoiced the liability insurance, invoiced SAP hosting, data archiving, infrastructure services (these three last mentioned services according to the Contract on Provision of Information Services, entered with this company as the provider on 1st January 2013). No other contracts, which could be categorised under the group of mutual contracts, have not been entered into.
2. In 2017, Buzzi Unicem SpA (governing entity), as the lender, provided fulfilment according to the International Hiring Out of Labour from 19th February 2014. No other contracts, which could be categorised under the group of mutual contracts, have not been entered into.

3. In 2017, the following transactions were carried out with other entities controlled by the controlling entity, Dyckerhoff GmbH or Buzzi Unicem SpA, involving ZAPA beton a.s. (hereinafter "ZAPA"):

Cement Hranice, joint-stock company

registered office: Bělotínská 288, 753 01 Hranice I – Město

Reg. No.: 155 04 077

- Yearly purchase contracts entered into for selected plants (concrete mixing plants), sale of bulk cement, where Cement Hranice, joint-stock company, is the supplier,
 - The Contract for Work of 4th April 2017, in which Cement Hranice, joint-stock company, is specified as the contractor for ensuring IT services and related activities, entered into for the year 2017,
 - The Contract for Work of 5th April 2017, where Cement Hranice, joint-stock company, is specified as the contractor for ensuring accounting and related services, entered into for the year 2017,
 - The Contract on cooperation between the two companies in the field of technology of concrete and other materials with cement binders was concluded on 2 January 2015 with a three-month notice period,
 - The Contract on Automatic Transfer of Balances of Cash-pooling of 1st October 2003, as amended by Amendments No. 1 of 22nd December 2006 and No. 2 of 20th September 2010, entered into with HVB Bank Czech Republic a.s., with ZAPA and Cement Hranice, joint-stock company, as clients,
 - The Contract on Mutual Settlement of Interest from Cash-pooling of 20th October 2003, as amended by the Amendment of 25th September 2009, and the Amendment No. 2 of 1st July 2016, with the market interest rate of O/N PRIBOR + 0.4% for a debit balance; and 0.18% for a credit balance,
 - The Lease Contract of 31st August 2000, with an Amendment No. 16 for year 2017, with Cement Hranice, joint-stock company, as the Lessor, for leasing of land for the concrete mixing plant in Hranice,
 - Lease Contracts, with Cement Hranice, joint-stock company, as the Lessor, for leasing of business space (offices, laboratory with equipment, sanitary facility) including services, three contracts, concluded during 2016, lease for an indefinite period of time, with 3-months cancellation period,
 - The Contract on Supplying of Water and Drainage of Waste Water of 17th February 2014, with Cement Hranice, joint-stock company specified as the supplier, for the concrete mixing plant in Hranice and since 1st August 2015 also for the laboratory in Hranice, as amended by the Amendment No. 2 of 30th January 2017, to this contract,
 - The Contract on Composite Supply of Electricity of 31st July 2015, with automatic prolongation, as amended in Amendment No. 2 of 30th January 2017, Cement Hranice, joint-stock company, as the supplier, supplies for laboratory in Hranice,
 - The Liability Insurance Contract of 2nd June 2017, with HDI Versicherung AG as the insurer and ZAPA and Cement Hranice, joint-stock company, as the co-insured,
 - Both parties invoiced each other during 2017 and re-invoiced each other based on individual orders for the costs connected with operation of the plant, such as costs for water consumption, fuel etc., with total costs for ZAPA of CZK 233,390 and revenues of CZK 10,210.
4. It was decided by the controlling entity on 9th March 2017 on payment of dividends for 2016 in the total amount of CZK 218,287,000.
5. In the most recent accounting period, no actions were carried out initiated by or in the interest of the controlling entity or entities controlled by the controlling entity in relation to assets that exceeded 10% of the equity of the controlled entity determined based on the most recent financial statements, and no other measures were adopted or carried out in the interest of or initiated by controlled entities in 2017, except as described herein.

IV. Assessment of harm

1. The controlled company, ZAPA beton a.s., did not suffer any harm from its relationships with Dyckerhoff GmbH/Buzzi Unicem SpA. The performance based on the business relationships described above was arranged in standard prices for the given locations and time.
2. Inclusion of the controlled entity in the business grouping brings financial stability, an open approach to technological know-how and the advantage of vertical interconnection: production of cement – aggregates – concrete.

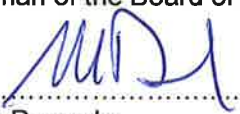
V. Statutory Body's declaration


The Board of Management as the statutory body of ZAPA beton a.s. hereby declares that the details contained herein are accurate and complete and that this report was prepared pursuant to the provisions of Section 82 of the Business Corporations Act with full inclusion of all information and details that the statutory body has available and/or were determined while exercising proper care.

In Prague, on 28/02/2018

ZAPA beton a.s.


.....
Paolo Zelano
Chairman of the Board of Management


.....
Marco Duranda
Member of the Board of Management


.....
Jörg Reiner Wild
Member of the Board of Management

(Translation of a report originally issued in Czech - see Note 2 to the financial statements.)

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of ZAPA beton a.s.:

Opinion

We have audited the accompanying financial statements of ZAPA beton a.s. (the Company) prepared in accordance with accounting principles generally accepted in the Czech Republic, which comprise the balance sheet as at 31 December 2017, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Company, see Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Company's Board of Directors and Supervisory Board for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the Czech Republic and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

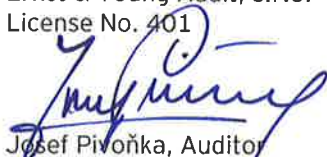
As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young Audit, s.r.o.
License No. 401



Josef Pivoňka, Auditor
License No. 1963

28 February 2018
Prague, Czech Republic