

# Investor Presentation

January 2009



# Agenda

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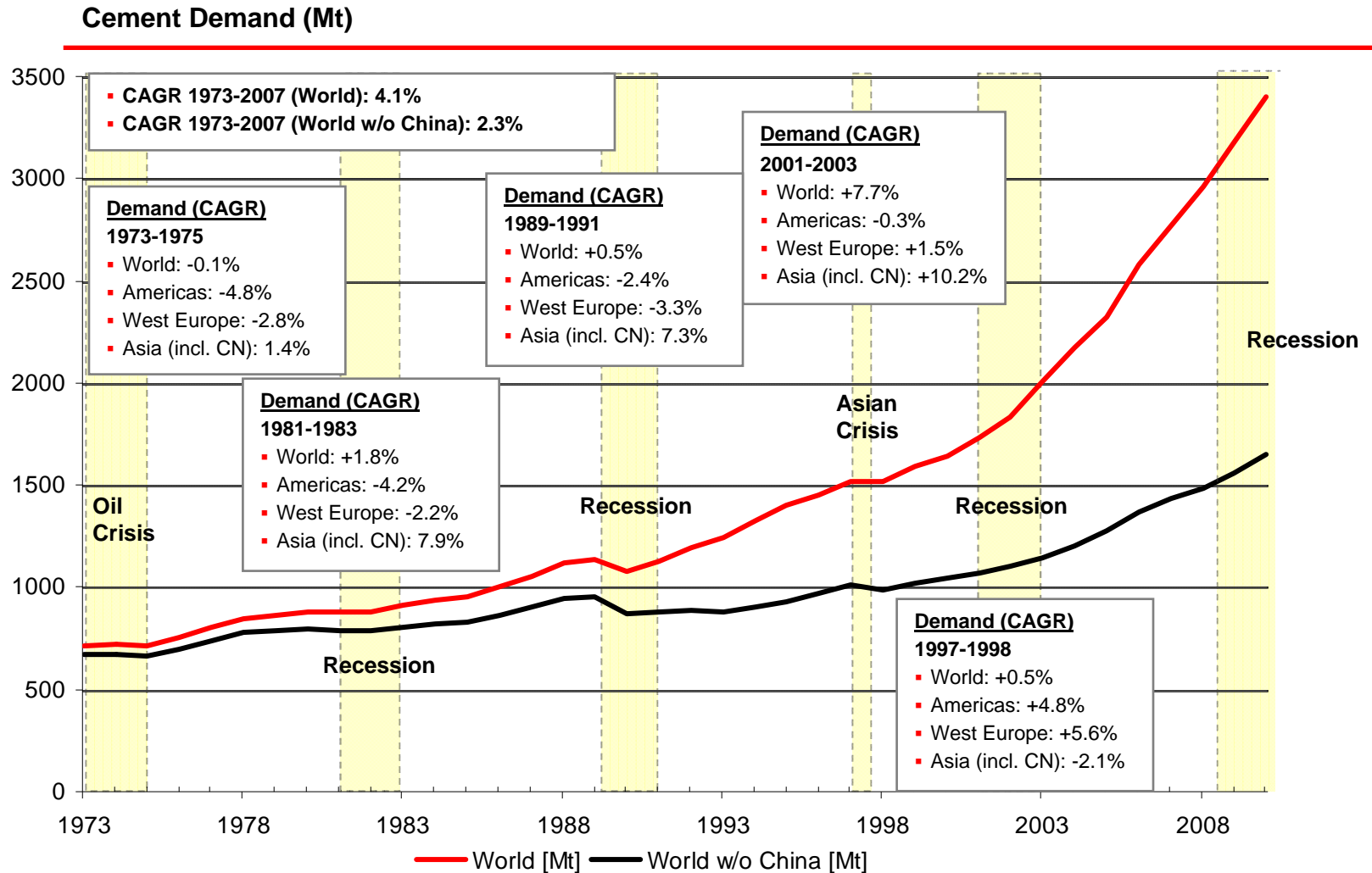
**1** An attractive industry

**2** Holcim is the strongest player in the industry

**3** Our priorities in the difficult environment

**4** Conclusion

# Even during recessionary periods, cement demand has historically held up well and recovered quickly

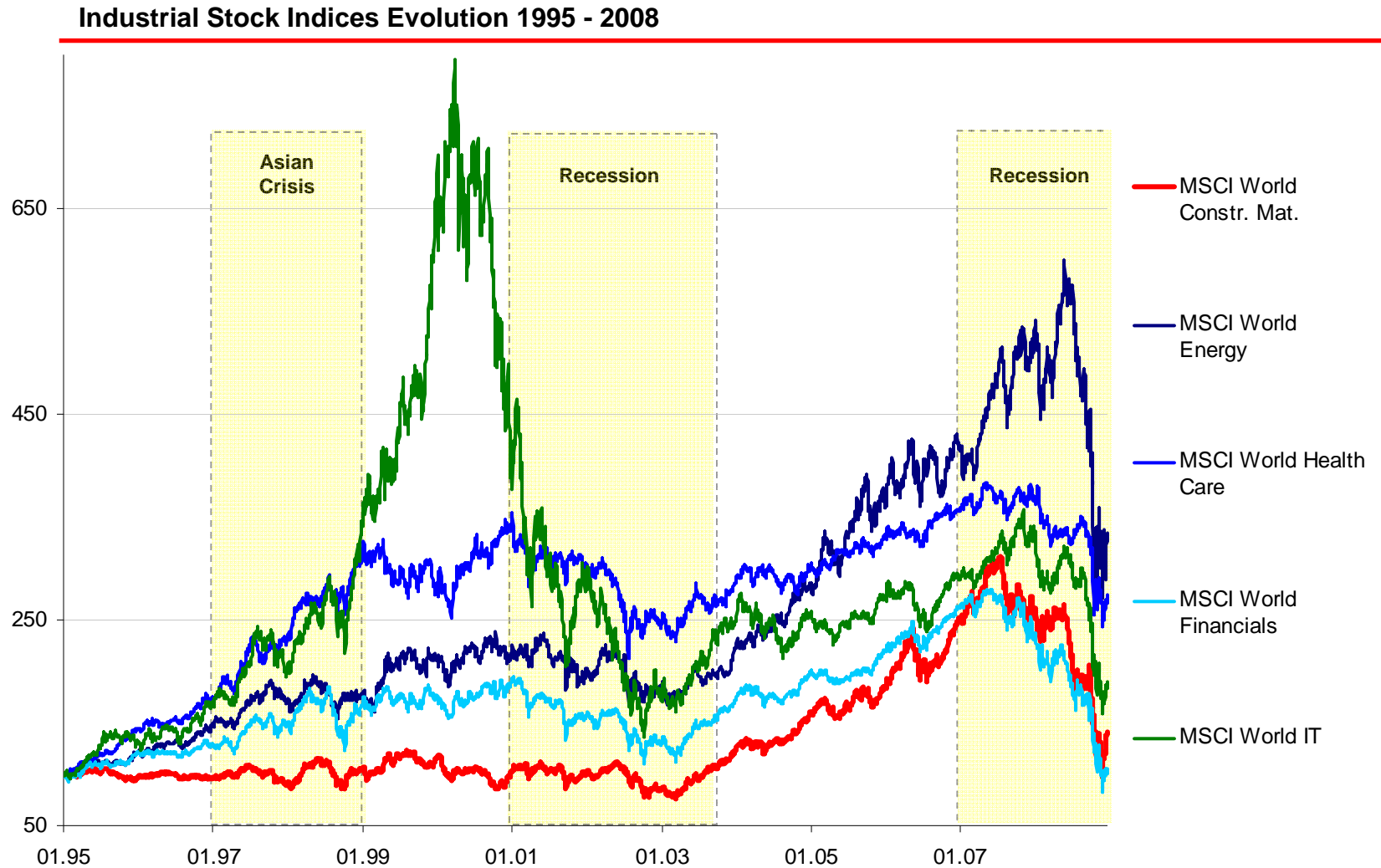


Assumption: China grew by 10% per annum before 1990  
 Source: Cembureau, The Global Cement Report 7th Edition, Holcim Estimates

# Attractiveness of the heavy-side building materials

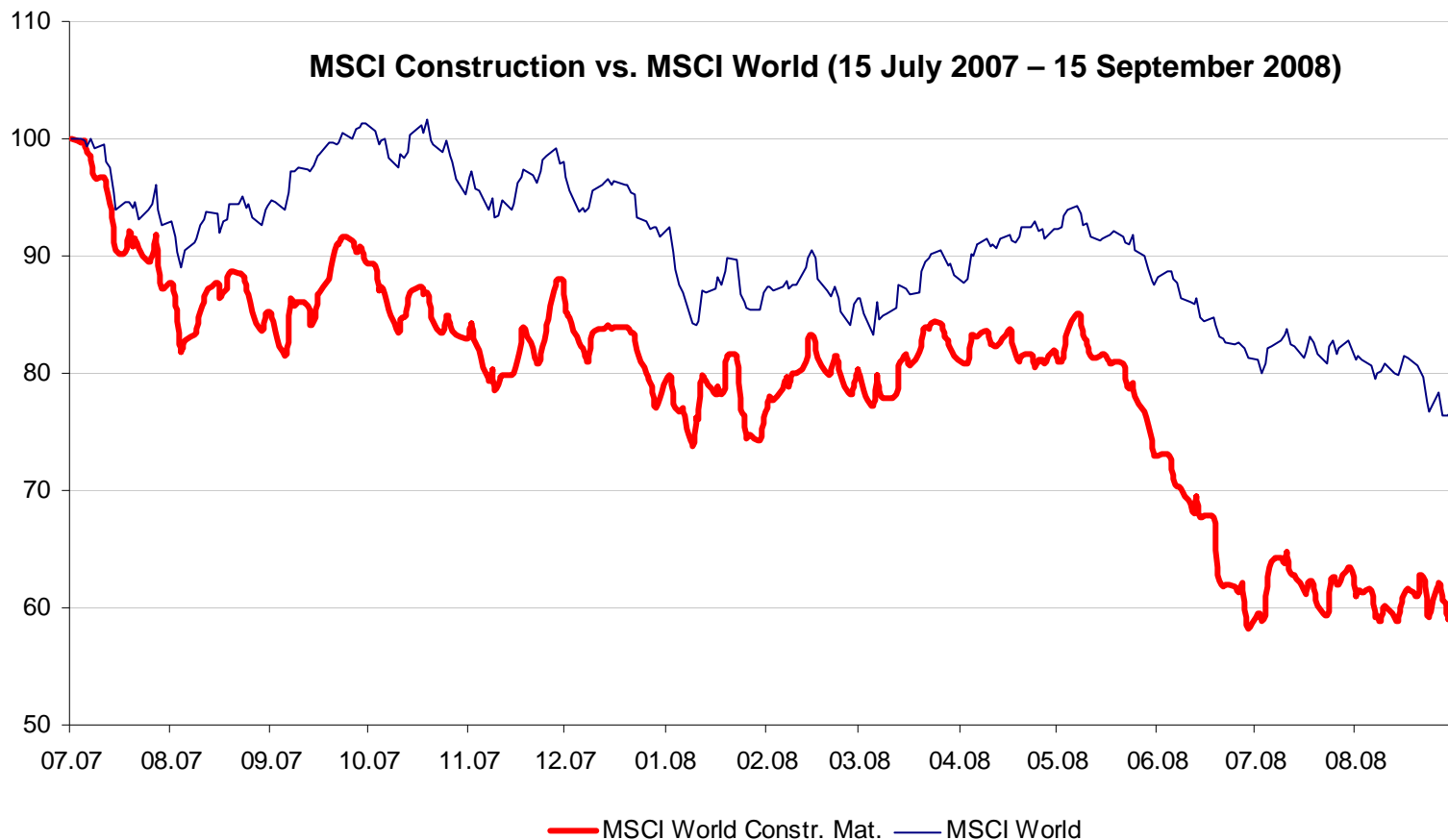
- The basis of cement and aggregates investments are large scale
  - ▶ Hedge against inflation (real value)
  - ▶ No technical obsolescence
  - ▶ Cement and aggregates do not go out of fashion
- Raw material reserves for decades
- Distribution, logistics and transportation network requirements
- Limited substitution potential
- Relative demand inelasticity
- Housing and infrastructure requirements are basic needs
- Concrete is the second most used commodity after water and is an eco-friendly building material

# Construction material has lower volatility compared to other industries



# The industry is hurt first in difficult times, but...

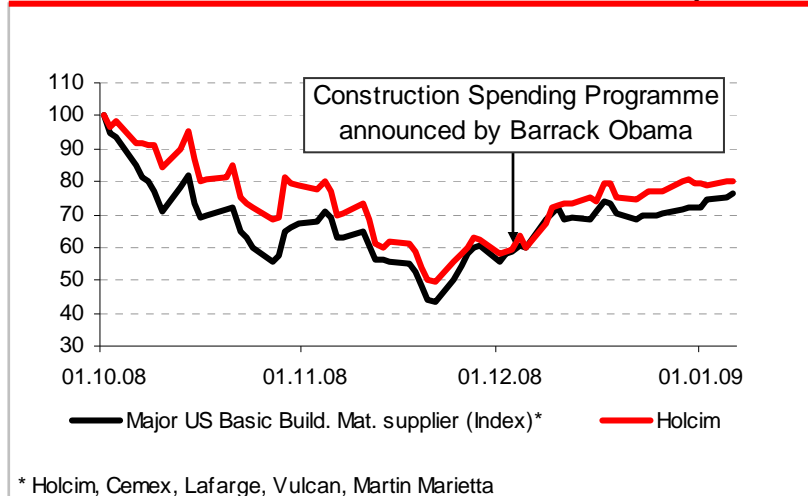
- The building material industry is hurt first when talking about cooling down of the economy





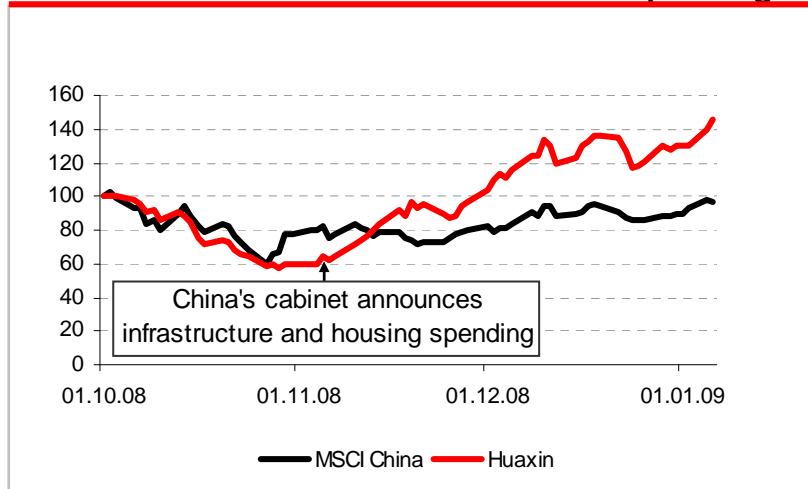
# ... stands first in line to profit from proposed government stimulation programs

## Barrack Obama announcement of infrastructure plan



- “Single largest new investment” since the Eisenhower Administration (US\$ 300bn/y<sup>1</sup> [2% of GDP] expected)
  - ▶ Construction spending in roads, bridges and public buildings
  - ▶ to lift the sagging economy and create jobs

## China's announcement of infrastructure spending

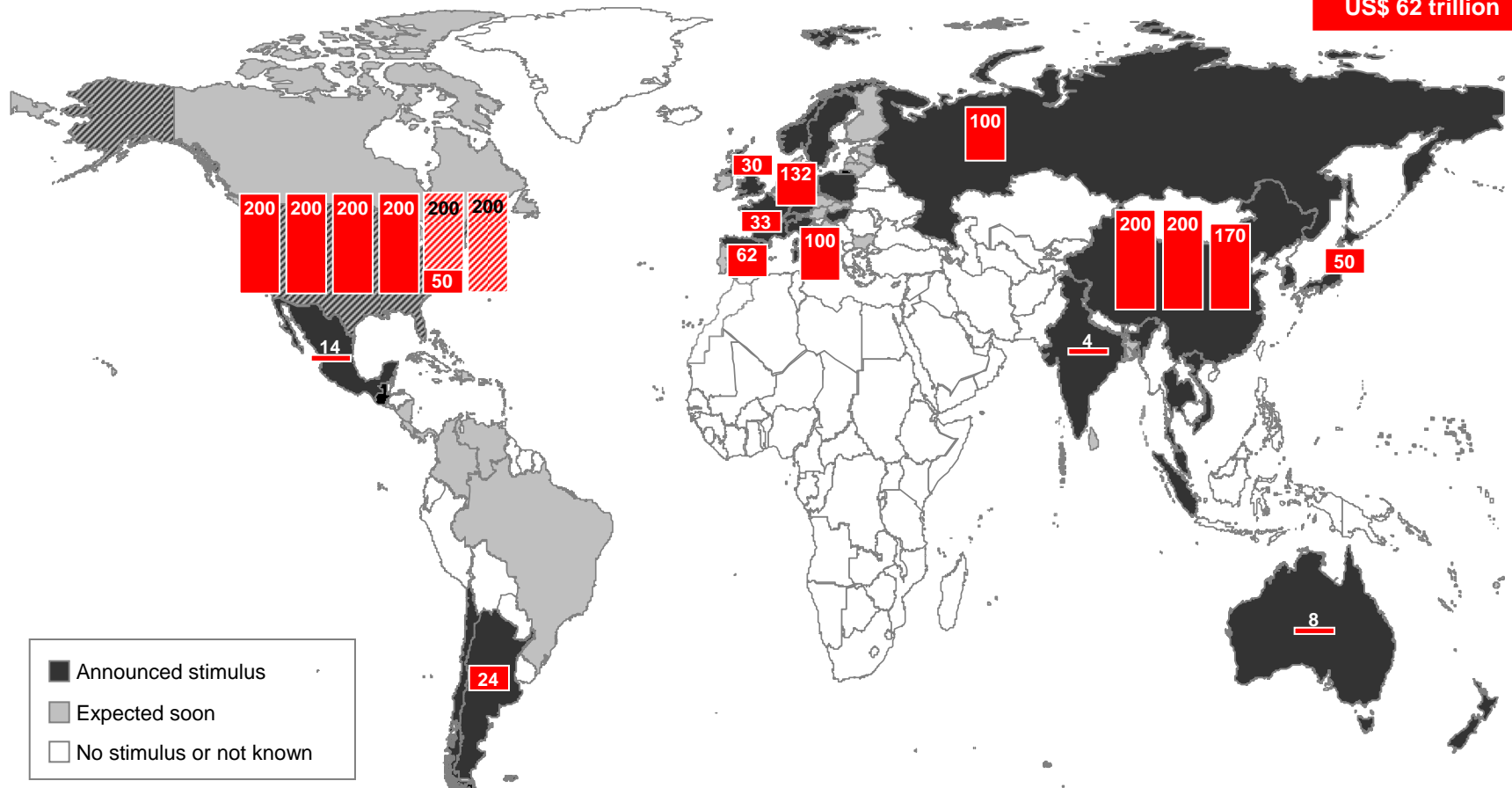


- Government announcement of stimulus plan of ~US\$ 600bn (most already committed)

# Massive fiscal stimulus initiatives have been announced, and more are potentially in the making

USD billions, known status January 12th, 2009

World GDP 2008  
US\$ 62 trillion



- Announced stimulus
- Expected soon
- No stimulus or not known

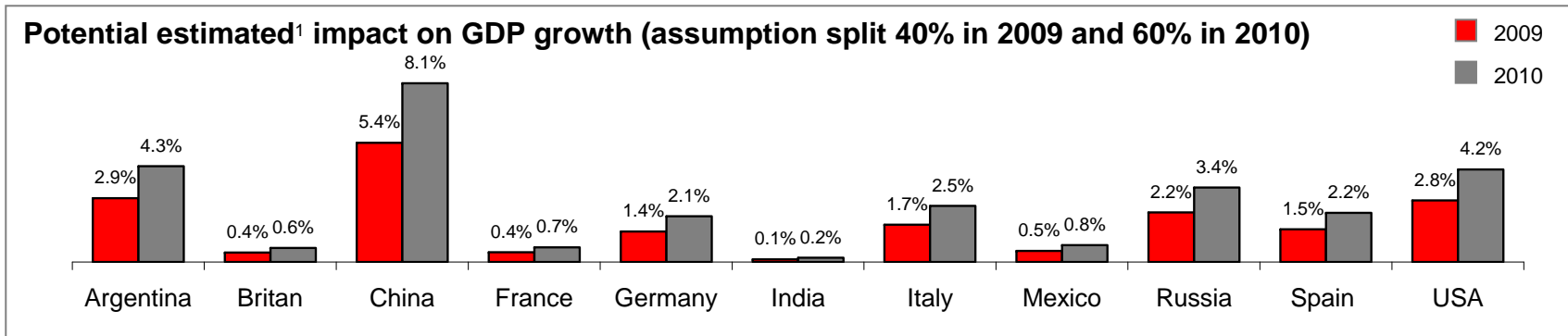
**Stimulus estimated at US\$ 1.8-2.3 trillion or 3.5% of world GDP**

Note: Includes only major countries and excludes EU package (additional announced packages account for up to 8.2% of world GDP)  
Source: Reuters, Bloomberg, Economist, plus miscellaneous other media sources, GDP data IMF October 2008





# Stimulus initiatives would significantly help economies maintain or regain growth



- Packages are significant – estimated country GDP impact varies from 0.1% to 8.1% per annum
- Key mature and emerging markets show the power and initiative to implement fiscal stimulus and manage their economy
- Important will be the real implementation rate, response speed
- Infrastructure is a key part of many stimulus programs
- Potential multiplier effect would add further stimulus<sup>2</sup>

Holcim is positioned well to gain from the stimulus initiatives

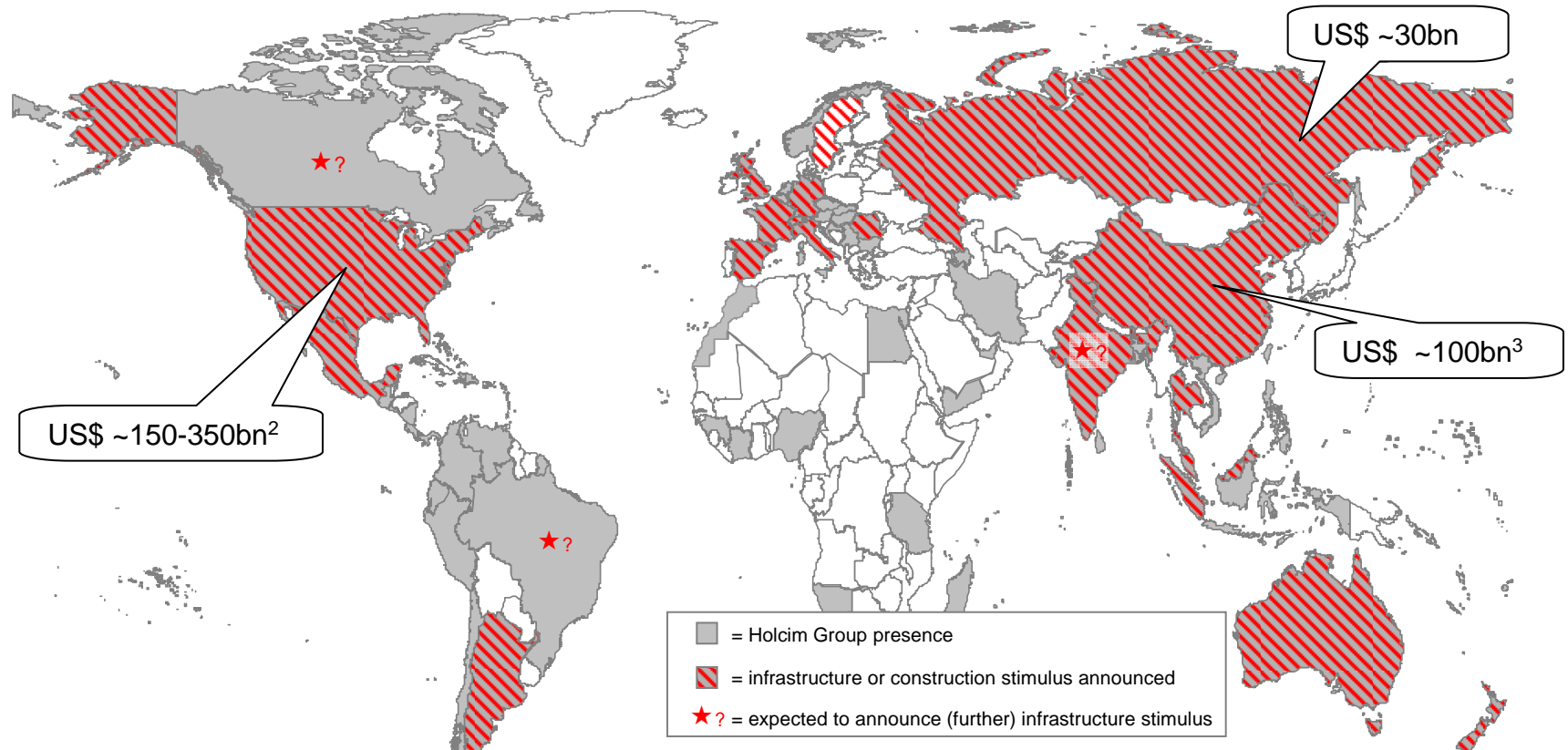
<sup>1</sup> Calculated on IMF October 2008 GDP forecast, simulation with 40% spent in 2009 and 60% spent in 2010.

<sup>2</sup> Keynes “Multiplier effect” has not been simulated – however in theory this mechanic should add further economic stimulus.

Source: Reuters, Bloomberg, Economist, plus miscellaneous other media sources, IMF October 2008 (GDP data)

# Construction: stimulus projects add up to ~US\$ 430-680bn, mainly focused on infrastructure

Known stimulus projects as of January 12th, 2009



Projects equal approx. 12%-18%<sup>1</sup> of world construction market

<sup>1</sup> Construction market in OECD countries is between 4% and 7% of GDP. Assumed to be an average of 6% of world GDP equaling US\$3.7trillions, assumption calculated for implementation of US\$ 430-680 bn during one year

<sup>2</sup> Range of construction stimulus projects in the US; as of Jan. 09. 2009 (Goldman Sachs and others)

<sup>3</sup> Mostly consumed nationally, therefore impacting export

Source: Reuters, Bloomberg, Economist, plus other sources, IMF Oct. 2008 (GDP data), OECD Dec. 2008 (Construction % share)

# Infrastructure spending translates into demand for building materials



- One km of concrete pavement highway (2x2 lane) requires:
  - ▶ 7,200 m<sup>3</sup> of concrete
  - ▶ 3,300 tonnes cement
  - ▶ 85,000 tonnes aggregates

Project example from Germany



- One km of concrete tunnel (2x2 lane) requires:
  - ▶ 18,000 m<sup>3</sup> of concrete
  - ▶ 8,000 tonnes cement
  - ▶ 48,000 tonnes aggregates

Project example from Croatia



- 100 meter concrete bridge (2x2 lane) requires:
  - ▶ 2,400 m<sup>3</sup> of concrete
  - ▶ 900 tonnes cement
  - ▶ 4,300 tonnes aggregates

Project example from Croatia

# Rural areas are not as dependent on financial markets or monetary policy

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- Rural market demand is more impacted by
  - ▶ Agricultural productivity gains and crop yields
  - ▶ Population growth and migration trends
  - ▶ Water and power generation availability
  - ▶ Regional food supply and demand dynamics
  - ▶ Household savings rates
- Brand recognition and commercial initiatives are also important factors in rural markets
  - ▶ Retail market sold predominantly in bags
  - ▶ Reliance on do-it-yourself (DIY) market



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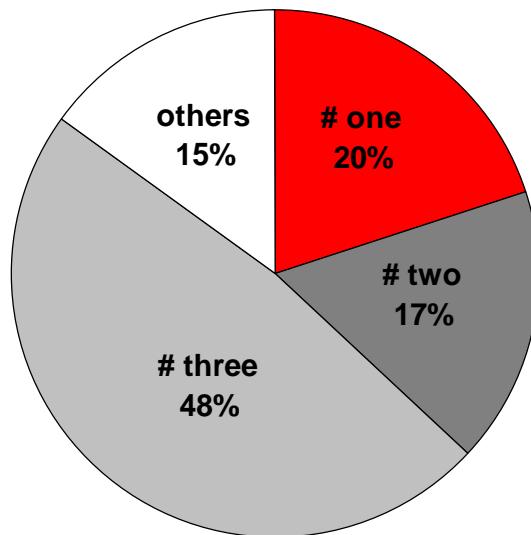
2 Holcim is the strongest player in the industry

3 Our priorities in the difficult environment

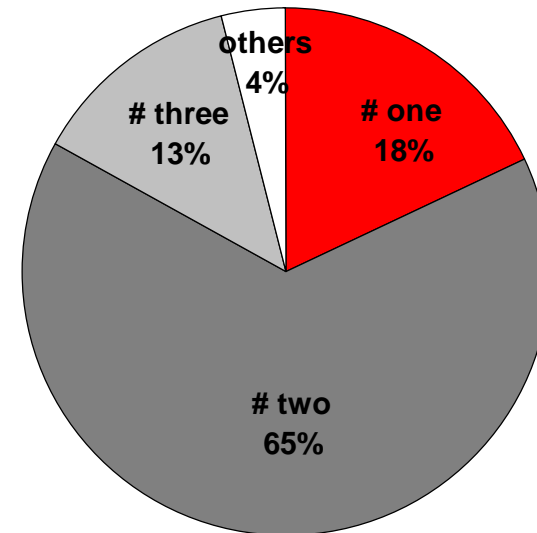
4 Conclusion

# Holcim targets to be one of the top 3 players in its core markets

## Mature Markets



## Emerging Markets



- EBITDA contribution where Holcim holds a number one, two or three position based on cement volumes



# Emerging markets offer significant growth potential

## – Example India

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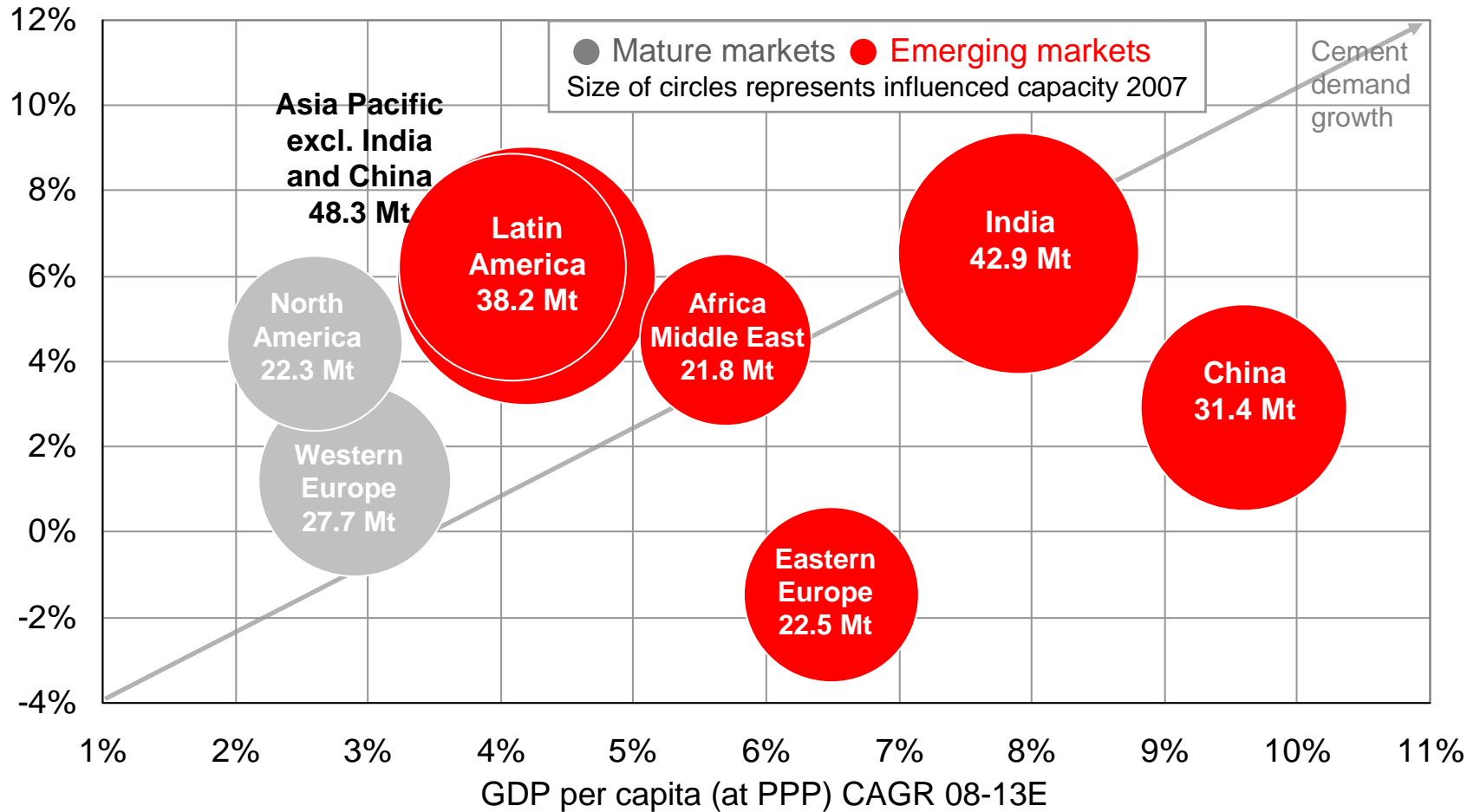
- In India, more than 72% of population is rural
  - ▶ Individual Home Builder (IHB) make up 45% of market
  - ▶ Projected rural housing creation estimated at 40 million units over the next 15 years<sup>1</sup>
- Marketing focus on rural and low cost housing needs
  - ▶ “ACC help” designed to support IHBs in every aspect including libraries, website, home plans, testing, etc.
  - ▶ Agreement with internet provider (ITC E-Choupal) to establish direct access to agricultural community
  - ▶ Expansion of rural distribution network through partnerships and agreements
  - ▶ Low cost housing initiatives (<10 US\$/sq. ft.) based on thin-shell material providing low-weight and long life

## Example of a low cost housing in India



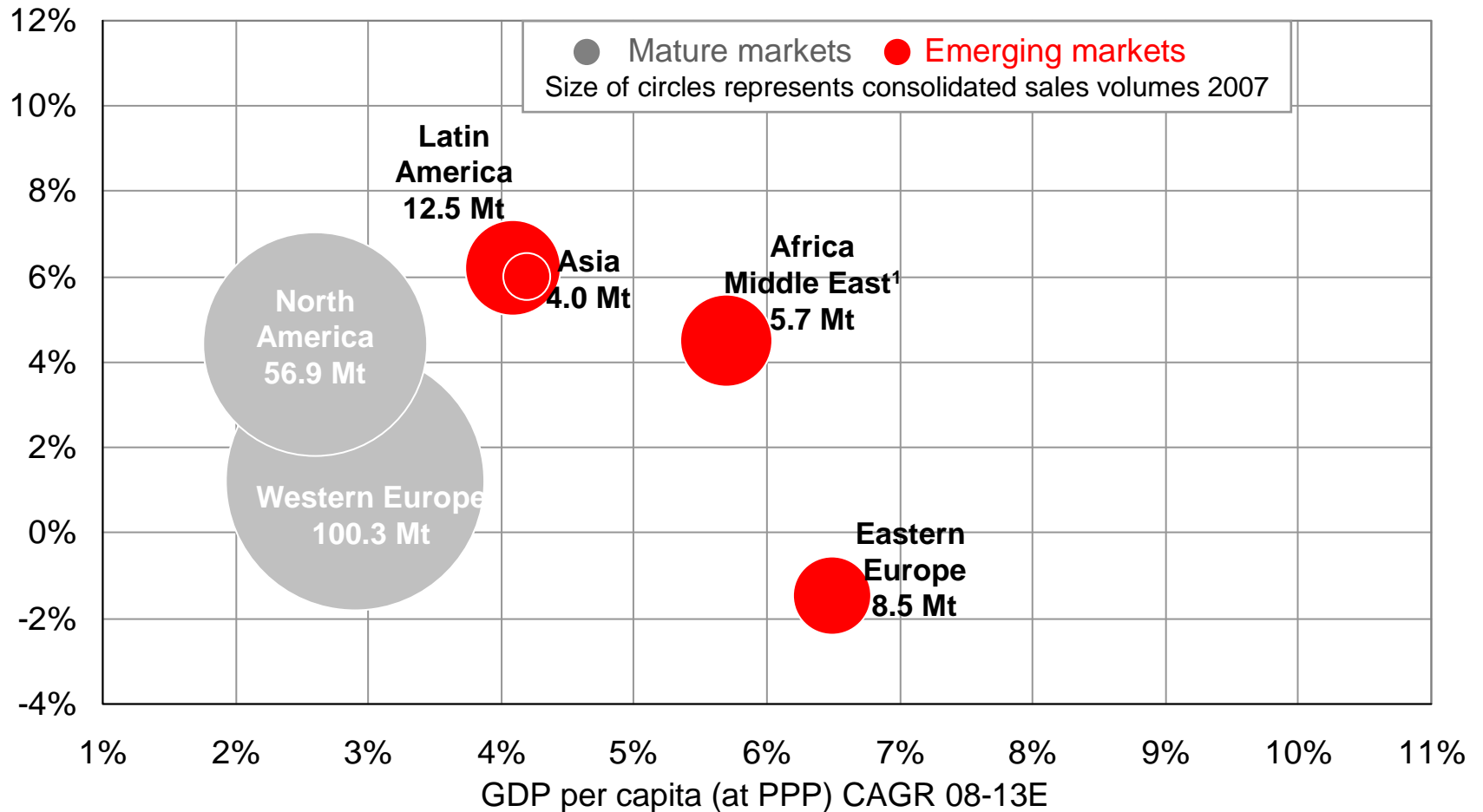
# The resulting cement portfolio is well balanced...

Cumulated population growth 08-13E



# ... and complemented by a strong position in the most attractive aggregates markets

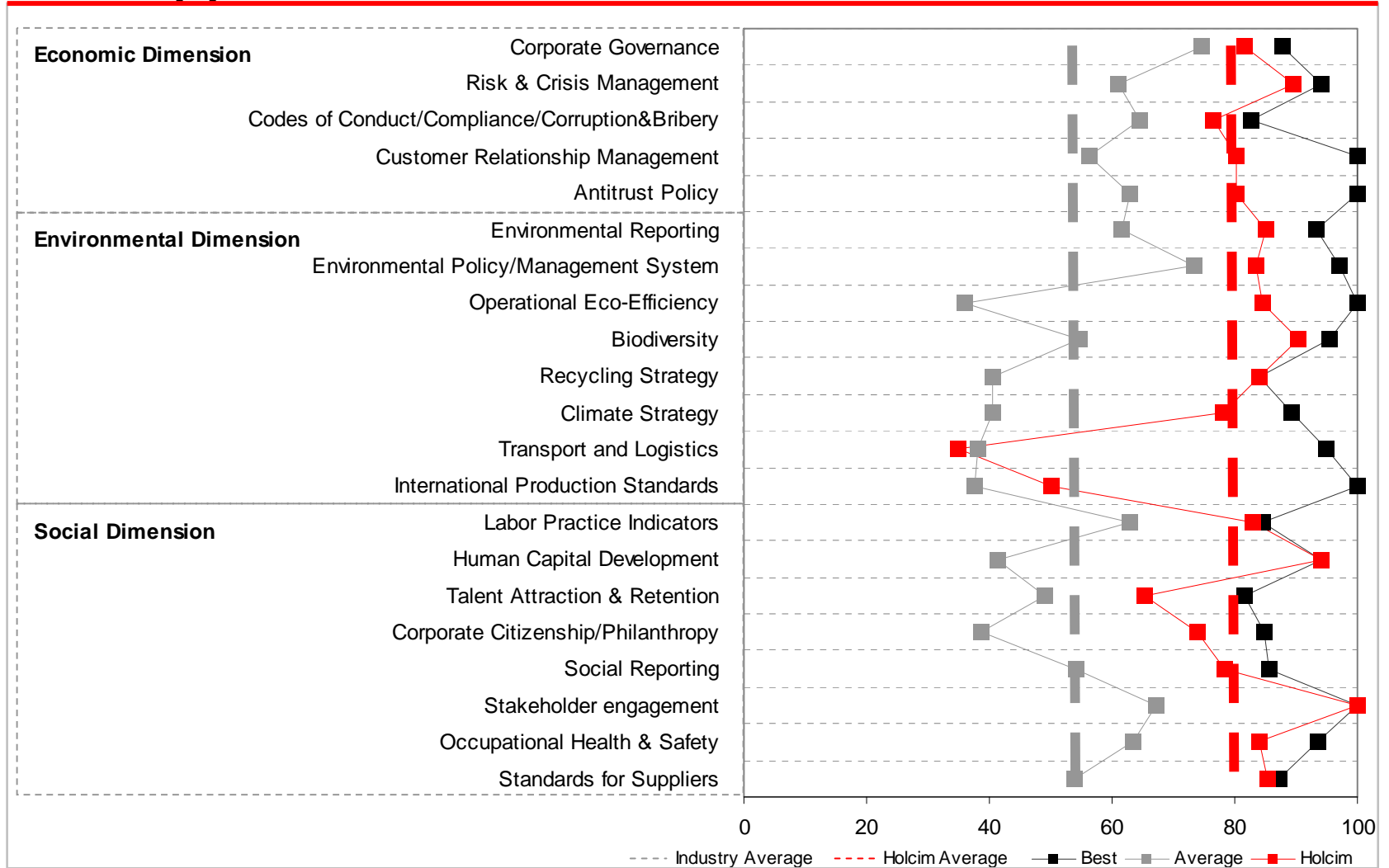
Cumulated population growth 08-13E



<sup>1</sup> Incl. 5 months of South Africa (aggregates sales of 3.6 Mt)  
Sources: Holcim, US Census Bureau, Economist Intelligence Unit

# Holcim 4 times leader ('05-'08) in the Dow Jones Sustainability Index for Building Mat. & Fixtures

## 2008 Results [%]



Source: Dow Jones Sustainability Indexes

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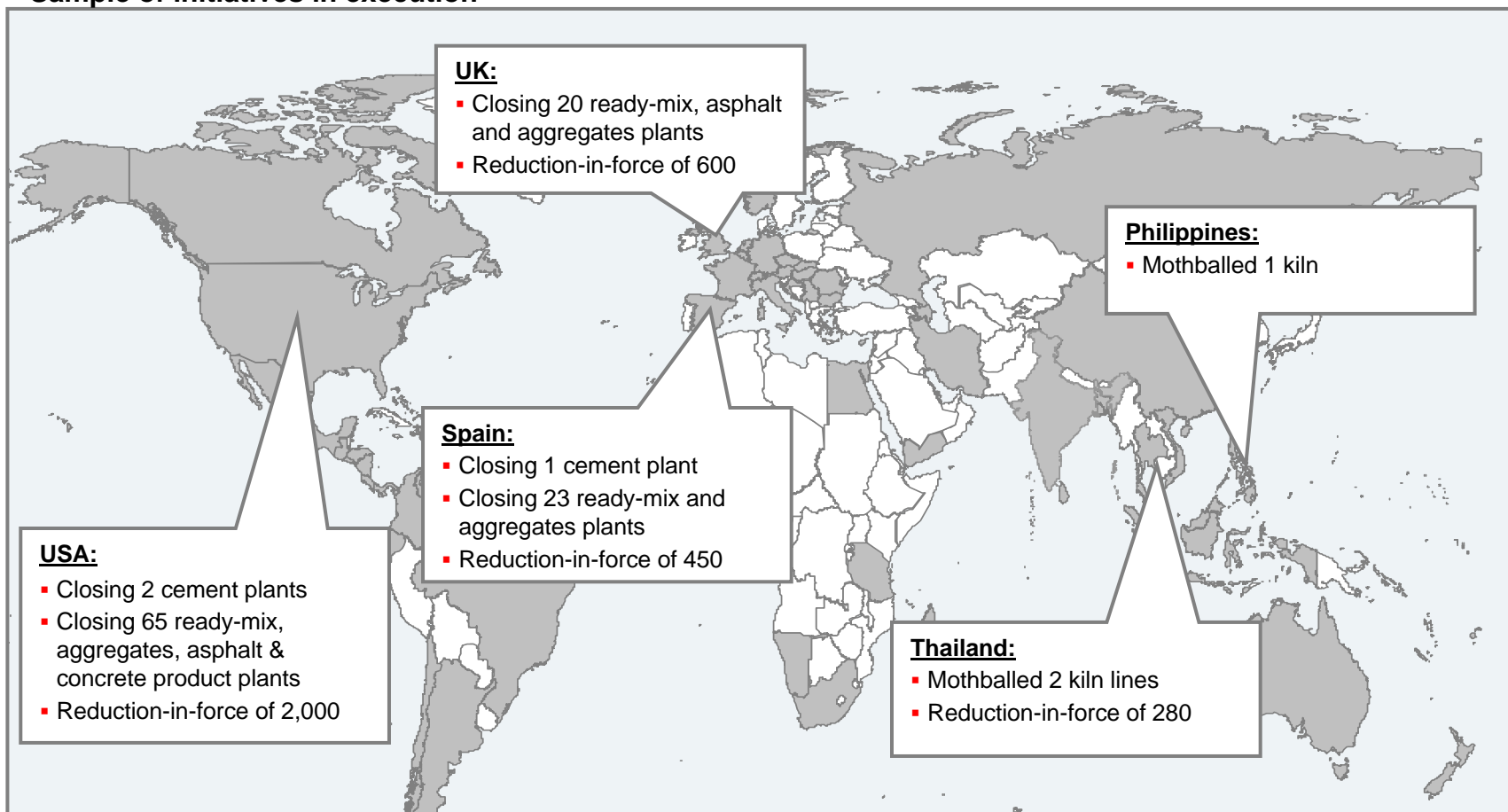
# Holcim is well prepared for challenging times ahead

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- Cash flow is the focus
  - ▶ Minimize investment to maintain in 2009 (net CHF 0.4bn vs. 1.2bn in 2008) → will only approve projects with short term payback periods
  - ▶ Commissioning of most of the additional expansion projects in the pipeline in 2009 (CHF 2.5bn vs. 3.5bn in 2008) → no new investments
  - ▶ Focus on free operating cash flow
- Cost management and timely capacity adjustments are paramount in all segments
- Crisis-proven management at corporate and regional level:
  - ▶ Learning from previous crises → Mexico, Latin America, Asia, Russia
  - ▶ Leveraging current know-how from operations in more than 70 countries

# Capacity adjustments and cost management are paramount in all segments

## Sample of initiatives in execution



Holcim is responding fast to the economic challenge

Note: Select cost and capacity initiatives – largely completed in 2008 as communicated with Q3 2008 (November 12, 2008) – are highlighted using estimated numbers.

## Holcim has a solid balance sheet and adequate liquidity (prerequisites in dysfunctional credit markets)

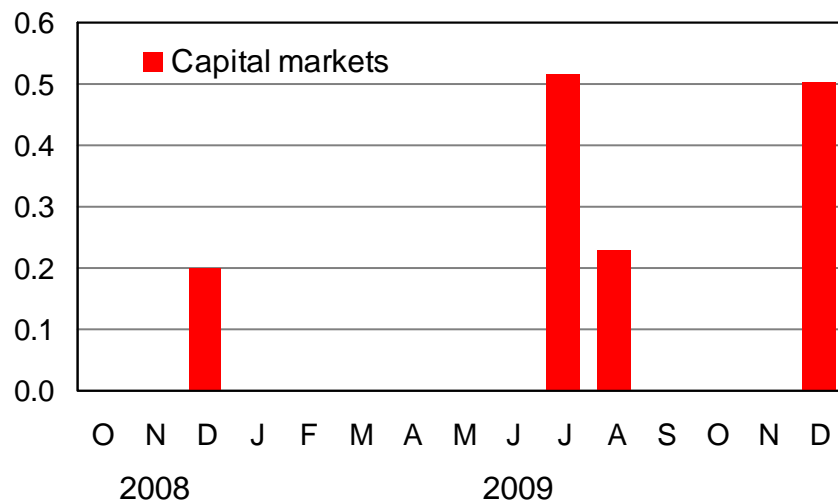
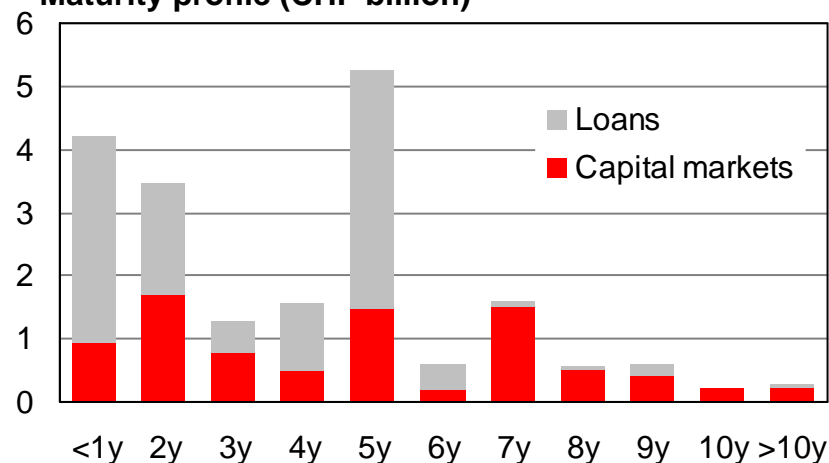
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- Strong liquidity
- Very limited short-term refinancing needs
- Low leverage
- Well diversified financings
- No financial covenants at corporate level
- A strong bank relationship management (no large exposure to any single bank)

Holcim is well positioned to manage the downturn

# Financial debt, maturities and liquidity as of Q3 2008 (no significant change since)

Maturity profile (CHF billion)<sup>1</sup>



## Liquidity summary<sup>2</sup>

- Liquidity II: CHF 3.7 billion
- Liquidity III: CHF 5.7 billion

## Debt summary

- Fixed to floating ratio: 32% Fixed
- Capital markets 43%; loans 57%
- Corporate vs. subsidiary debt: 79% Corporate
- Ø Total maturity: 3.7 years
- CP Borrowings: EUR 424 million

## New financings since September 30, 2008

- More than CHF 500 million

## Ratings summary as of January 15, 2009

- S&P Credit Rating: BBB+ LT outlook negative
- Fitch Credit Rating: BBB+ LT outlook negative
- Moody's Credit Rating: Baa1 LT outlook negative

<sup>1</sup> Current financial liabilities adjusted for short-term drawings under long term committed credit lines

<sup>2</sup> Liquidity II = Cash + marketable securities

Liquidity III = Liquidity II + unused committed credit lines

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# Conclusions

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- The cement industry is attractive even during recessionary periods, cement demand has historically held up well and recovered quickly
- Real value investments
- Holcim is well positioned due to its balanced geographical diversification
- Holcim with its strong balance sheet has a:
  - ▶ Management team with a long standing track record in successfully managing through rough times
  - ▶ Strong liquidity
  - ▶ Low leverage with balanced maturity profile and no financial covenants at the corporate level
  - ▶ Limited short-term refinancing needs



# Conclusions

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- The emerging markets offer unique opportunities but require:
  - ▶ Strong customer focus and understanding of local requirements
  - ▶ Strategies to access and service the rural communities
  - ▶ Brand recognition and brand loyalty
  - ▶ Value proposition for low-cost housing
- Stimulus packages will provide the basis for building material demand over the next two to three years

Holcim is well prepared for the challenging times ahead

# Disclaimer

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## Cautionary statement regarding forward-looking statements

This presentation may contain certain forward-looking statements relating to the Group's future business, development and economic performance.

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# Contact information and event calendar

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## Contact information

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Bernhard A. Fuchs  
Marco Knuchel  
Binit Sanghvi

Investor Relations  
Phone +41 58 858 87 87  
Fax +41 58 858 80 09  
[investor.relations@holcim.com](mailto:investor.relations@holcim.com)  
[www.holcim.com/investors](http://www.holcim.com/investors)

Mailing list:  
[www.holcim.com/subscribe](http://www.holcim.com/subscribe)

## Event calendar

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|                   |  |
|-------------------|--|
| March 4, 2009     | Annual results 2008<br>Conferences for press and analysts        |
| May 6, 2009       | First quarter results 2009                                       |
| May 7, 2009       | Annual General Meeting   |
| May 12, 2009      | Dividend payment (ex date)                                       |
| August 20, 2009   | Half-year results 2009   |
| November 11, 2009 | Third quarter results 2009<br>Conferences for press and analysts |