

# Value Growth – Financials

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Mumbai, September 26, 2007

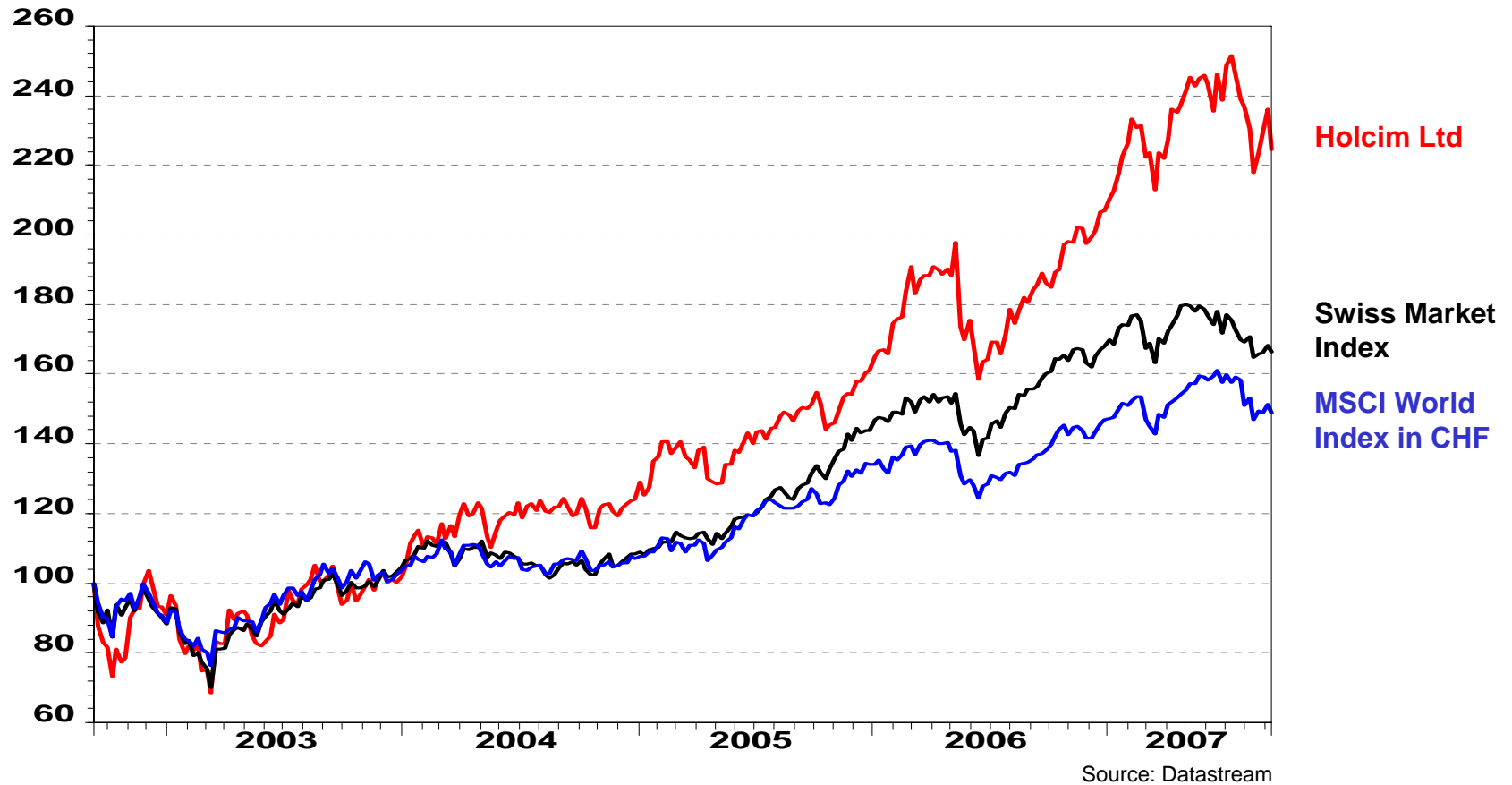


# Agenda

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- Delivering shareholder returns
- Positioning and potential of the Group
- Investment criteria
- Holcim's financing policy
- Performance management
- Management compensation
- Conclusion: Rewards for Holcim investors

# Superior returns for Holcim's investors



A market index-beating share performance



# Superior returns for Holcim's investors (cont.)

| TSR 10 years back (in CHF, CAGR) |       |             |             |             |              |
|----------------------------------|-------|-------------|-------------|-------------|--------------|
|                                  | until | 31.12.03    | 31.12.04    | 31.12.05    | 31.12.06     |
| Oil & Gas                        |       | 9.5%        | 11.9%       | 17.1%       | 14.5%        |
| Banks                            |       | 5.6%        | 7.9%        | 10.9%       | 10.1%        |
| <b>Building Materials</b>        |       | <b>1.9%</b> | <b>4.7%</b> | <b>9.5%</b> | <b>10.0%</b> |
| Insurance                        |       | 7.2%        | 9.2%        | 11.1%       | 9.7%         |
| Pharmaceuticals                  |       | 12.1%       | 12.2%       | 12.0%       | 9.1%         |
| Food                             |       | 6.0%        | 7.7%        | 9.7%        | 8.5%         |
| Chemicals                        |       | 5.8%        | 6.4%        | 10.0%       | 8.1%         |
| Automobiles                      |       | 5.0%        | 4.9%        | 8.7%        | 7.6%         |
| Paper                            |       | 2.6%        | 2.3%        | 4.7%        | 4.7%         |

| TSR 10 years back (in CHF, CAGR) |       |             |             |              |              |
|----------------------------------|-------|-------------|-------------|--------------|--------------|
|                                  | until | 31.12.03    | 31.12.04    | 31.12.05     | 31.12.06     |
| <b>Holcim</b>                    |       | <b>5.8%</b> | <b>7.7%</b> | <b>11.9%</b> | <b>13.6%</b> |

Holcim's long-term Total Shareholder Return (TSR)  
outperforms industry and market indices

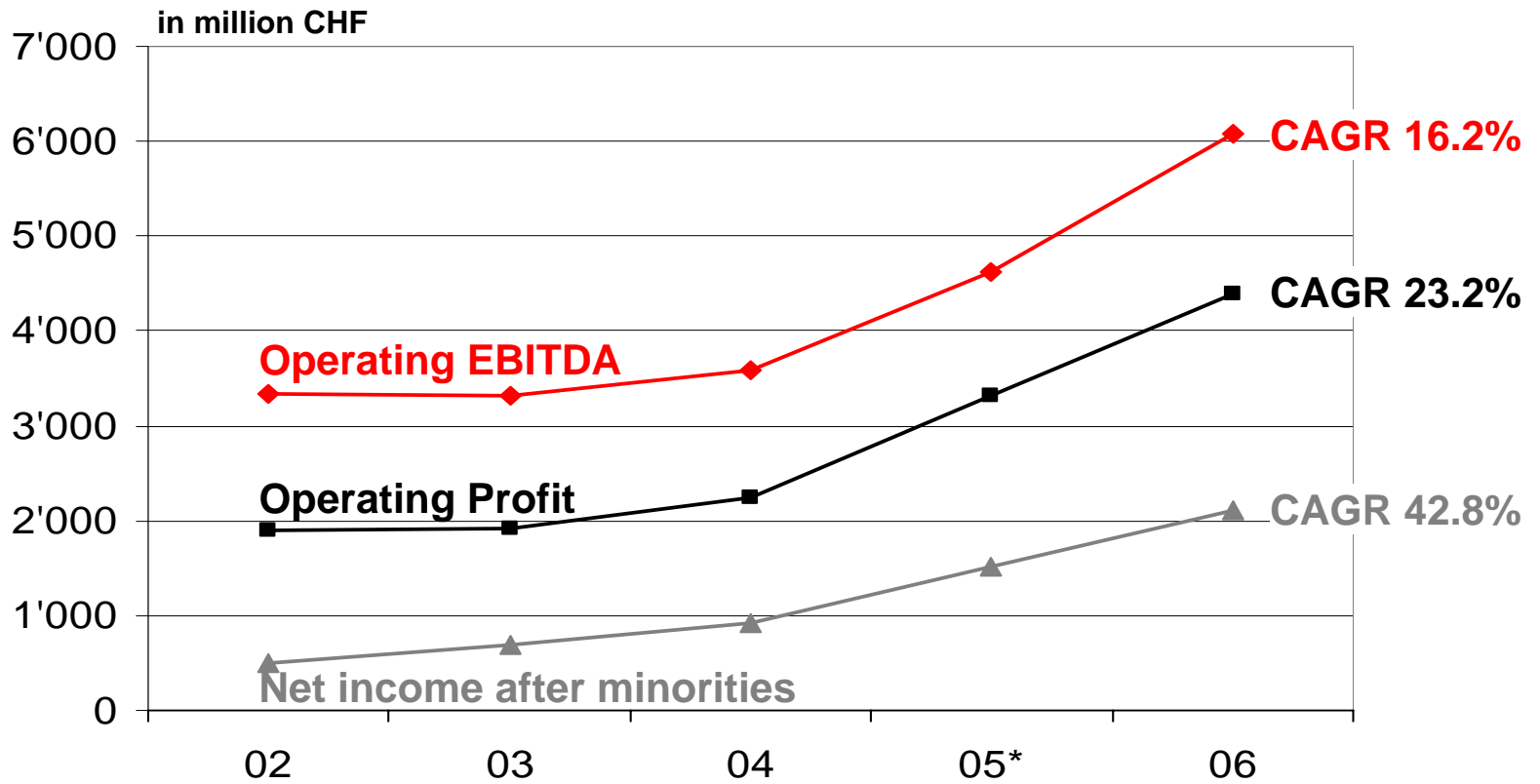


Source: Datastream

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Investor/Analyst Capital Market Event

# What is supporting Holcim's TSR



| ROIC <sub>AT</sub> | 2002 | 2003 | 2004 | 2005* | 2006  |
|--------------------|------|------|------|-------|-------|
|                    | 6.6% | 7.3% | 8.8% | 10.6% | 11.0% |

**Sustained and sustainable earnings improvement**



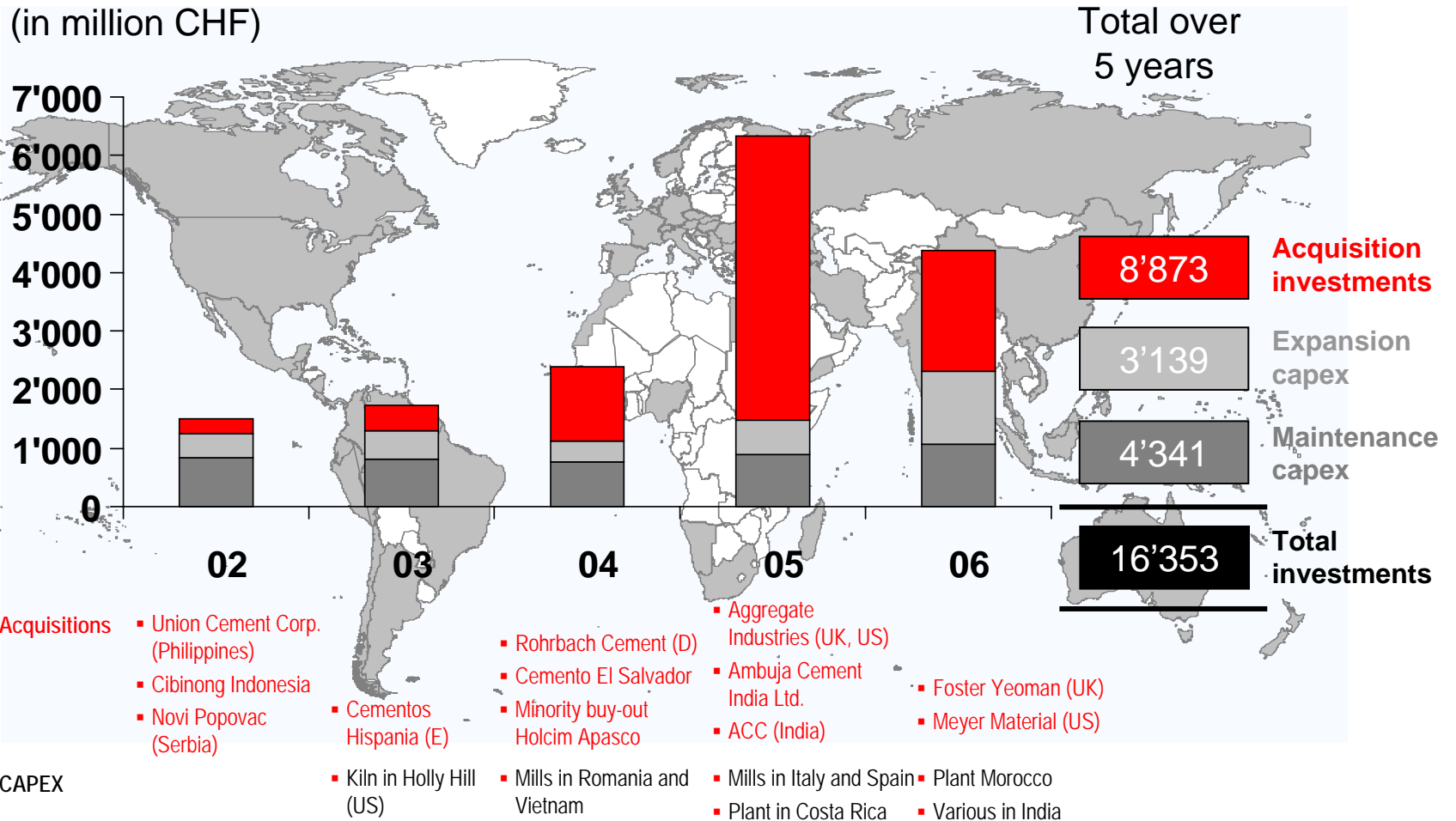
\* Periodic straight line goodwill amortisation discontinued from 2005 onwards.

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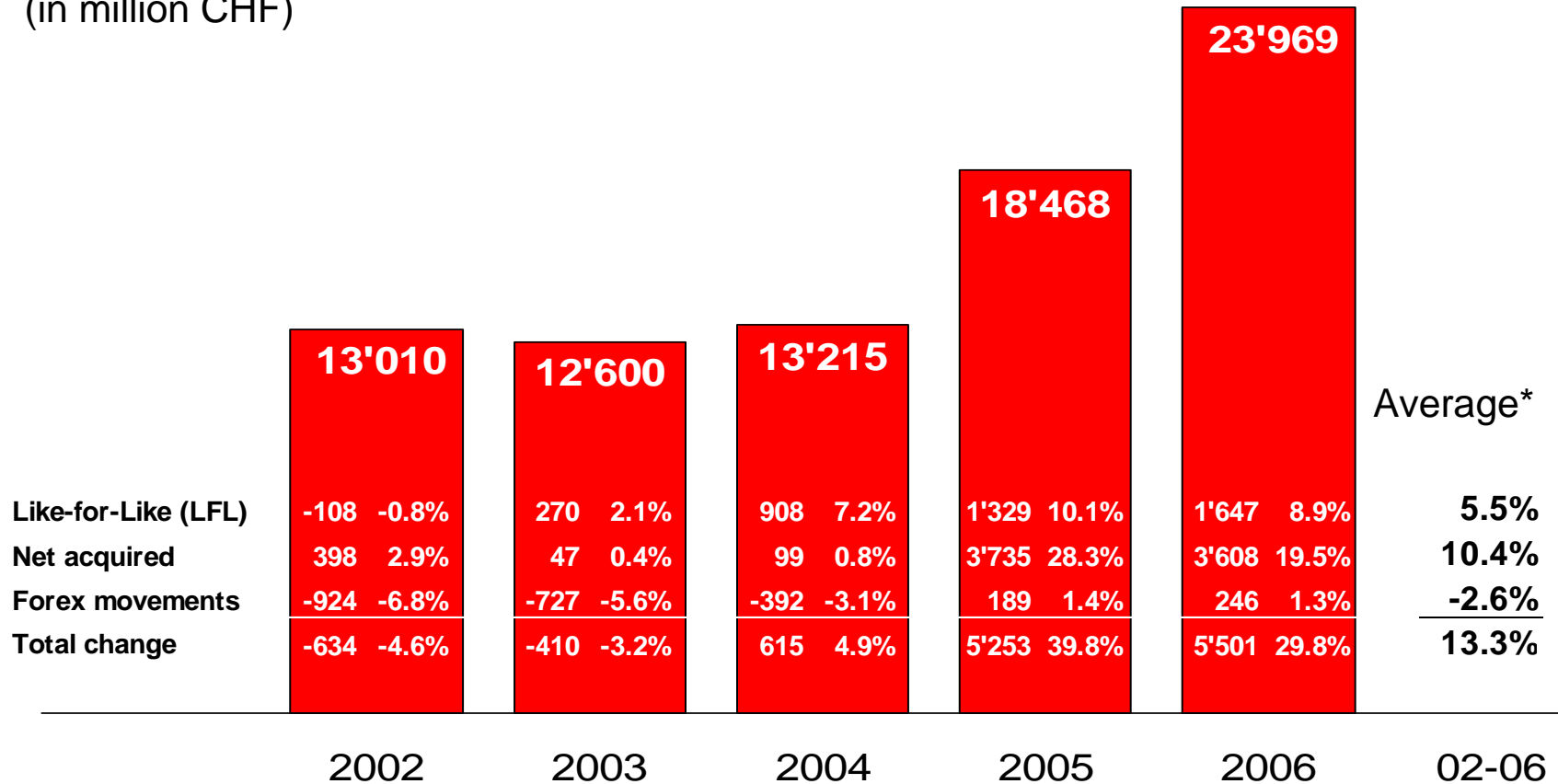
# Active investment strategy



Over CHF 16 billion invested over the last 5 years

# Top line growth

(in million CHF)



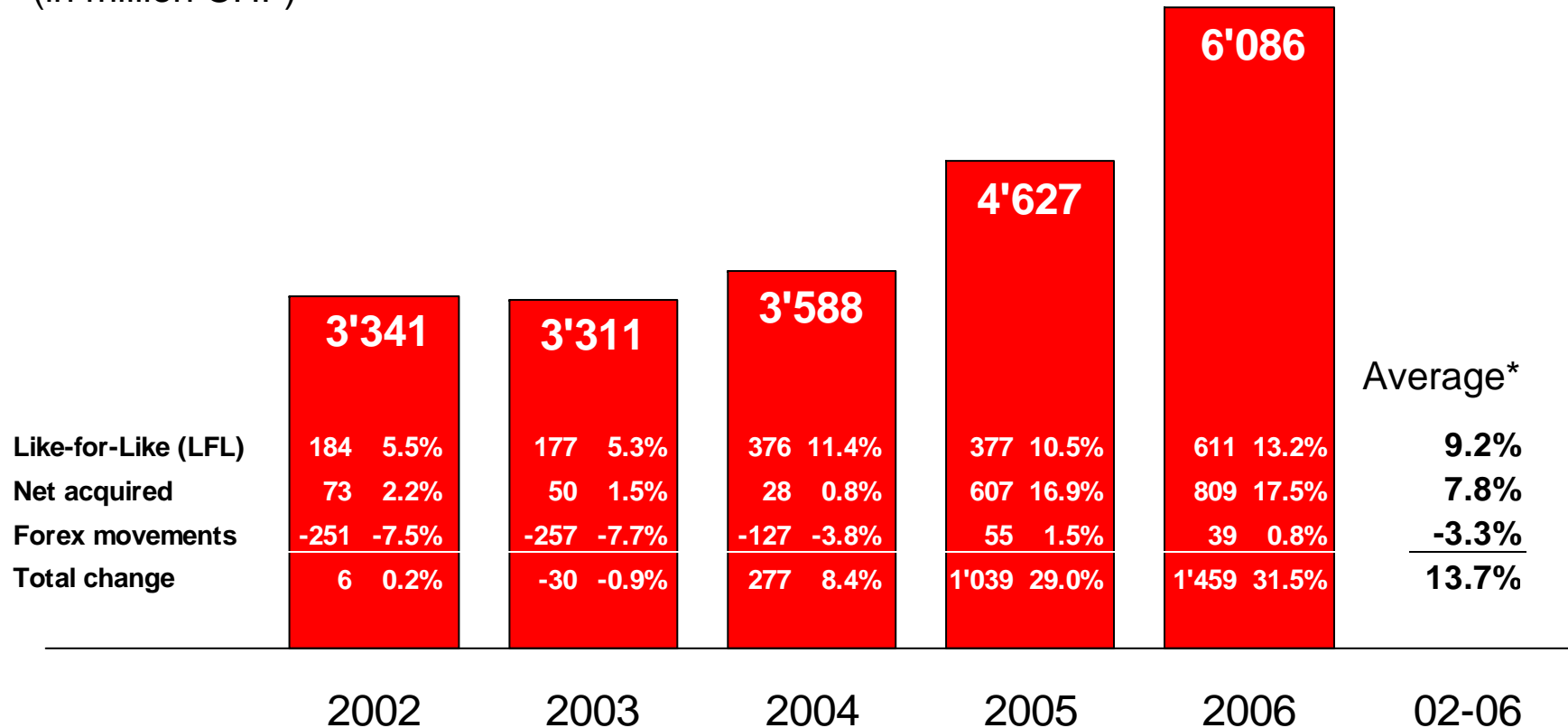
Organic top line growth of 5% accelerated by external growth of more than 10%



\*Arithmetic mean from 2002 – 2006 in %

# EBITDA growth

(in million CHF)

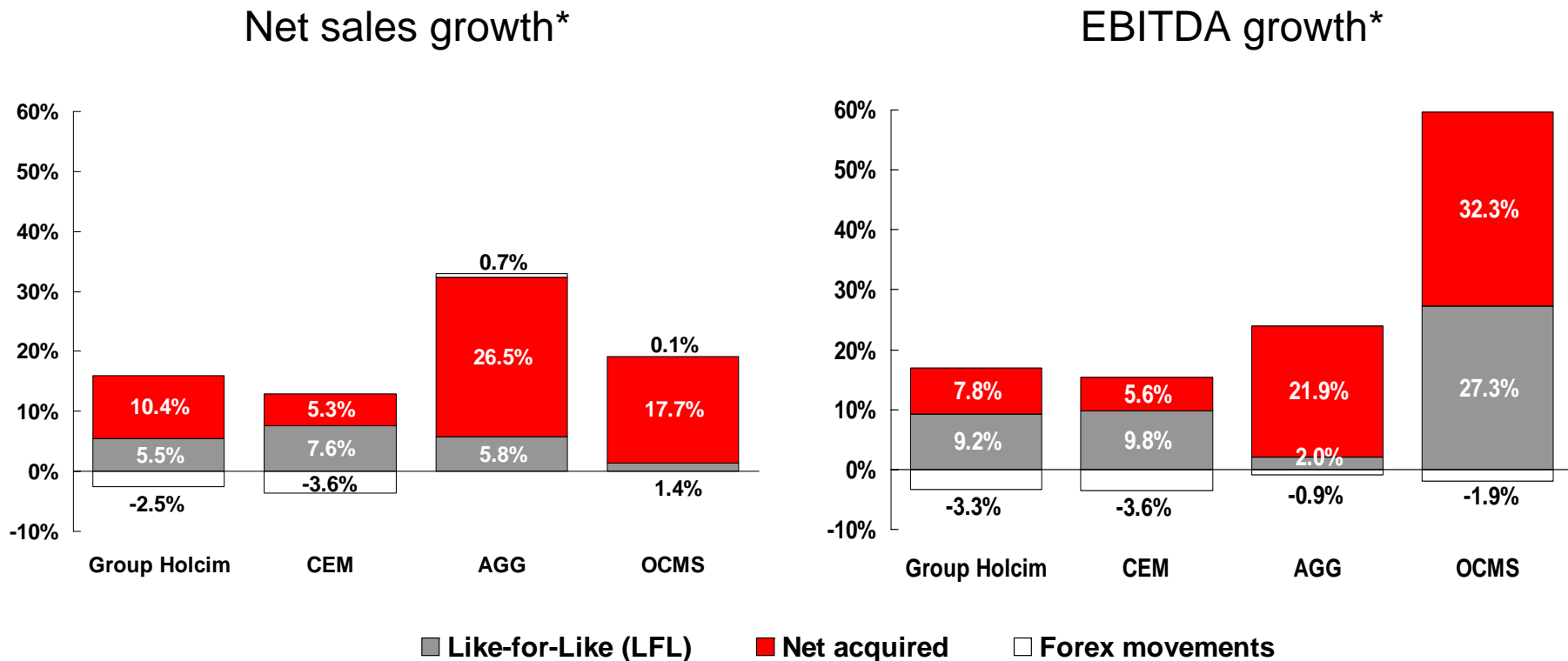


**5% organic and external EBITDA growth targets consistently exceeded since 2002**



\*Arithmetic mean from 2002 – 2006 in %

# Average growth by segments 2002-06



**Strong organic growth in CEM and significant external growth in AGG and OCMS**



\*Arithmetic mean from 2002 – 2006 in %

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# Value-driven investment criteria

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1. Strategy
  - ▶ Strategic fit with existing portfolio
  - ▶ Networking possibilities and partnerships
  - ▶ Two leg strategy (cement and aggregates) according to market maturity
2. Geographic markets
  - ▶ Growth potential, favorable demographics
  - ▶ Substantial market share in relevant markets
  - ▶ Deficit markets (net importers)
3. Human resources
  - ▶ Management and manpower resources
4. Financials
  - ▶ DCF valuation tools
  - ▶ Hurdle Rate Concept (above average returns)
  - ▶ Reasonable investment costs
  - ▶ Investment scorecards to measure investment performance
  - ▶ Financing in line with Holcim policy

**Success factor: Thorough investment analysis and discipline**

# Hurdle Rate Concept

- Targeted Group WACC of 8% after tax (implying a TSR expectation of 10%)
- NPV / IRR calculation based on detailed financial projections

| Hurdle Rate                                 | Country Risk Categories | Low risk (AA to AA-) | Medium risk (A+ to BBB-) | Significant risk (below BBB-) |
|---|-------------------------|----------------------|--------------------------|-------------------------------|
|   | Group WACC              |                      | 8%                       | 8%                            |
| Standard entrepreneurial risk factor        |                         | 1%                   | 1%                       | 1%                            |
| Country risk premium                        |                         | 0%                   | 2%                       | 4%                            |
| Inflation adjustment ( $\Delta$ CH / local) |                         | xx%                  | xx%                      | xx%                           |
| Applied hurdle rate                         |                         | 9+xx%                | 11+xx%                   | 13+xx%                        |

Investment returns above risk-adjusted hurdle rates  
assures value creation

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# Holcim's financing policy

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## ■ Liquidity

- ▶ Minimum cash & marketable securities group target of CHF 2 billion
- ▶ Unused committed credit lines group target of CHF 2.5 billion
- ▶ As of June 30, 2007 total liquidity amounts to CHF 9.2 billion

## ■ Financing

- ▶ Maintain investment grade rating
- ▶ Balanced maturity profile (target average maturity 4 – 6 years)
- ▶ Structural subordination (target group financing of 70 – 80%)
- ▶ Strength in capital markets (capital markets financing target of 70%)

## ■ Risk

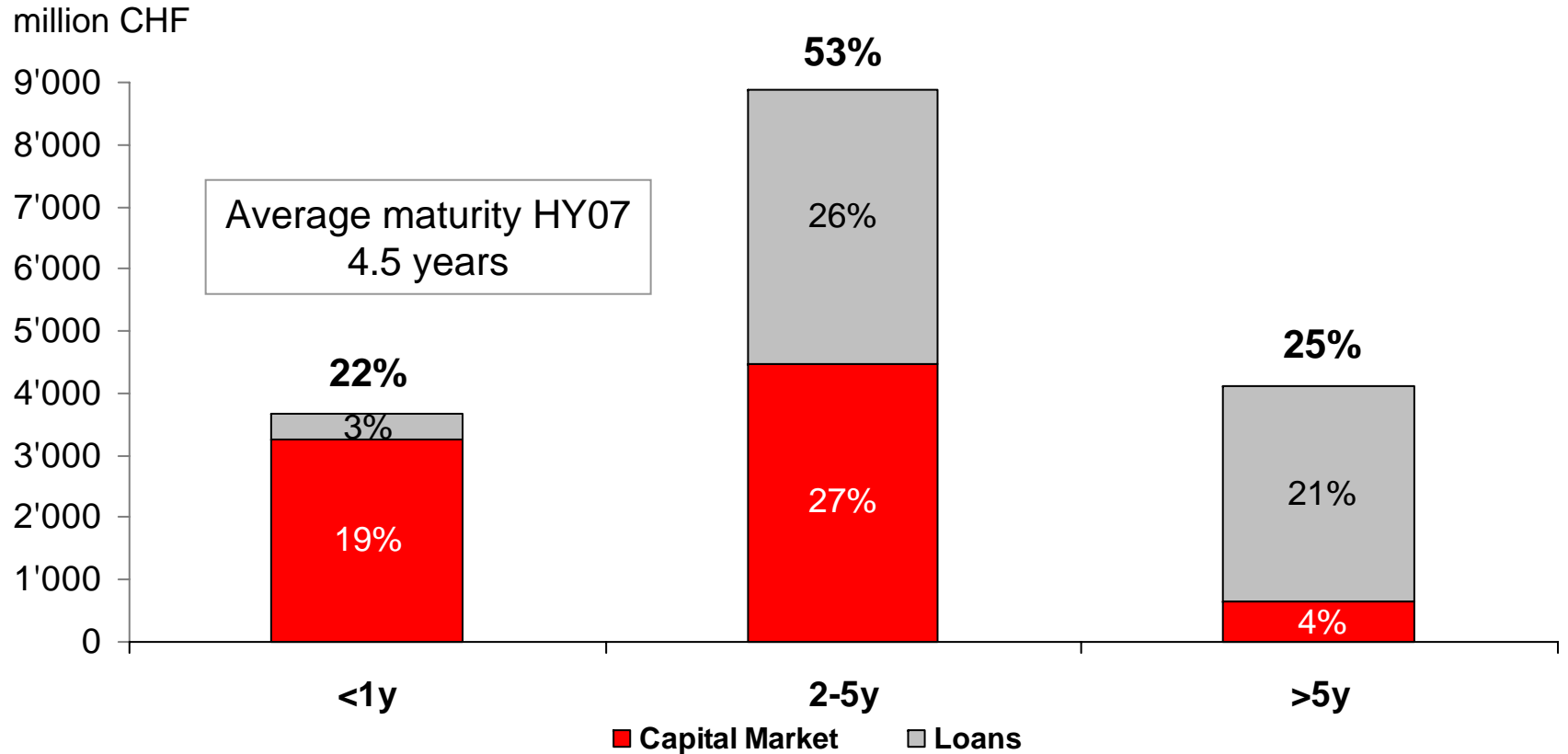
- ▶ Currency risk
  - Matching financial liabilities with cash flows (natural hedge)
  - Minimizing FX exposure in local balance sheets
- ▶ Interest rate risk
  - Fix to floating rate ratio of 45 : 55  $\pm$ 5%
  - Favorable financing costs (average interest expense 5.2%)

# Financial position of the Group

|  | Rating threshold | 2002 <sup>1)</sup> | 2003 <sup>1)</sup> | 2004 <sup>1)</sup> | 2005 <sup>1)</sup> | 2006        |
|--|------------------|--------------------|--------------------|--------------------|--------------------|-------------|
| Gearing (in %)                               | < 100            | <b>90.4</b>        | 88.0               | 64.2               | 89.1               | <b>68.6</b> |
| FFO <sup>2</sup> / net financial debt (in %) | > 25             | <b>26.7</b>        | 28.5               | 37.6               | 24.6               | <b>34.6</b> |
| EBITDA net interest coverage                 | > 5              | <b>6.2</b>         | 6.8                | 6.8                | 6.0                | <b>6.8</b>  |
| EBIT net interest coverage                   | > 3              | <b>3.4</b>         | 3.9                | 4.1                | 4.3                | <b>5.0</b>  |
| Net financial debt / EBITDA                  | < 3              | <b>2.6</b>         | 2.5                | 1.9                | 2.7                | <b>2.0</b>  |

Holcim is in a very strong financial position for further growth

# Balanced debt maturity profile



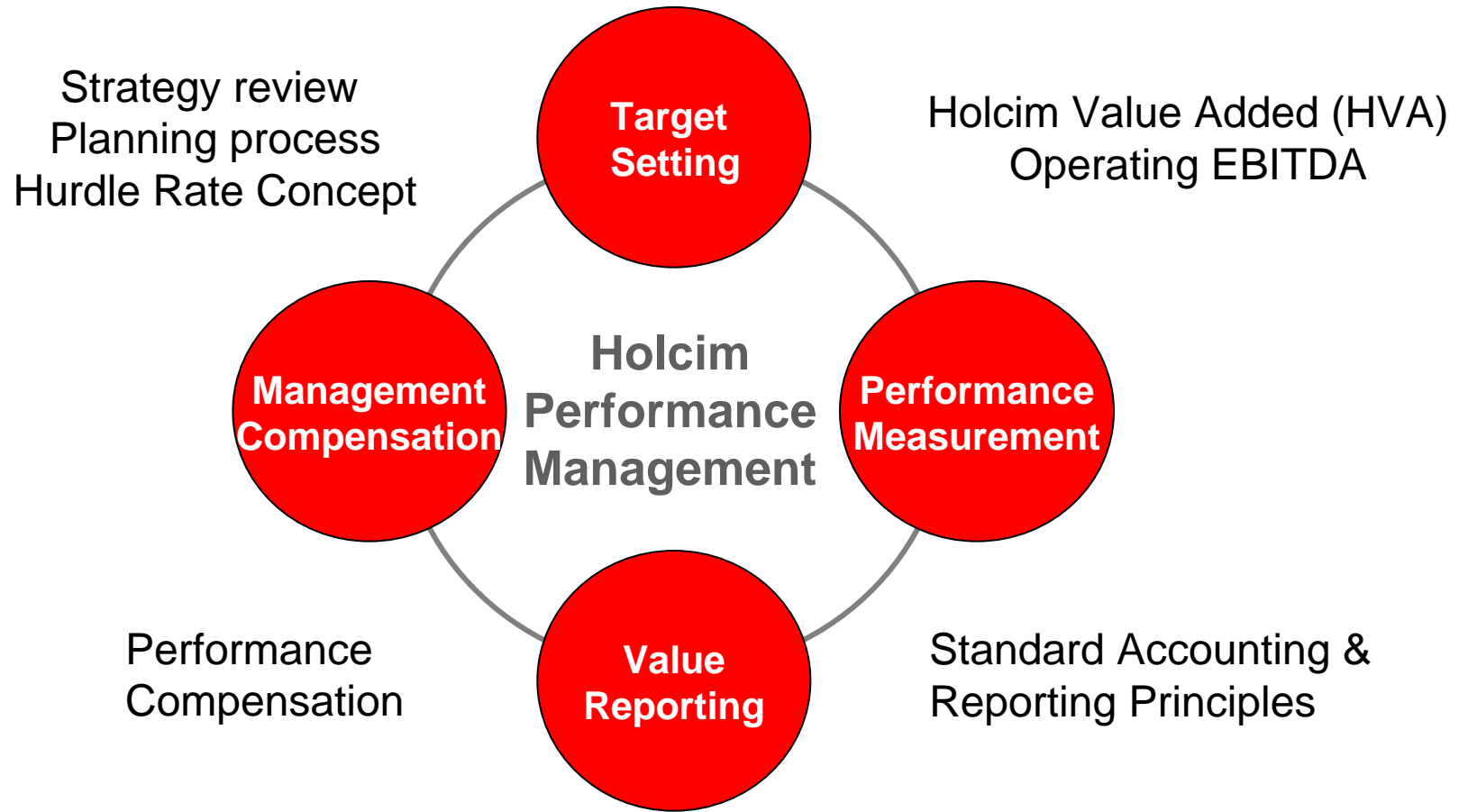
Flexibility due to balanced maturity and sources mix

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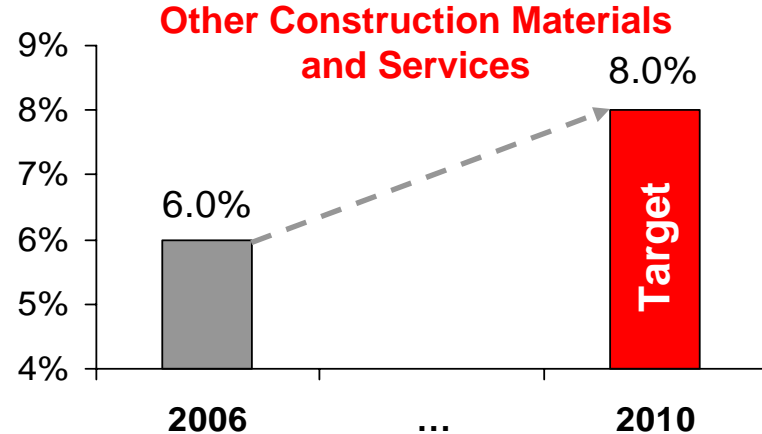
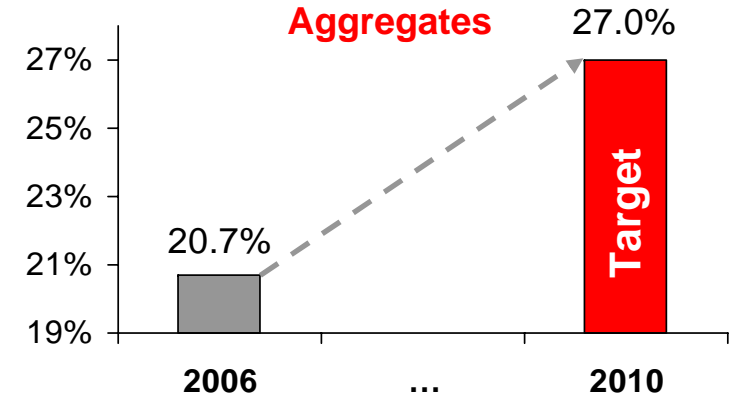
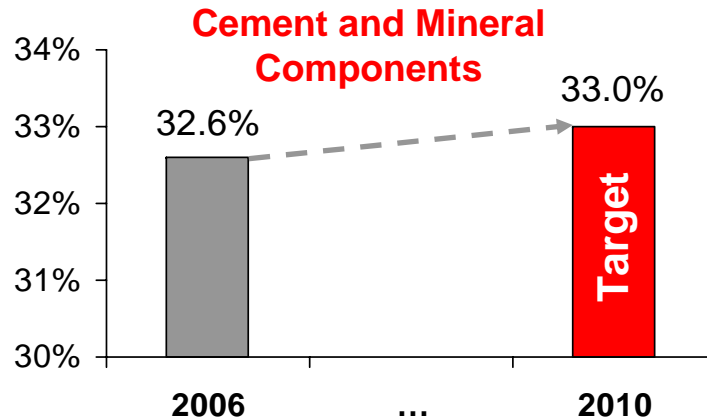
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# Holcim's Performance Management cycle



Performance management aims to reward value creation

# Operating EBITDA margin targets by segment



EBITDA segment targets encourage performance culture

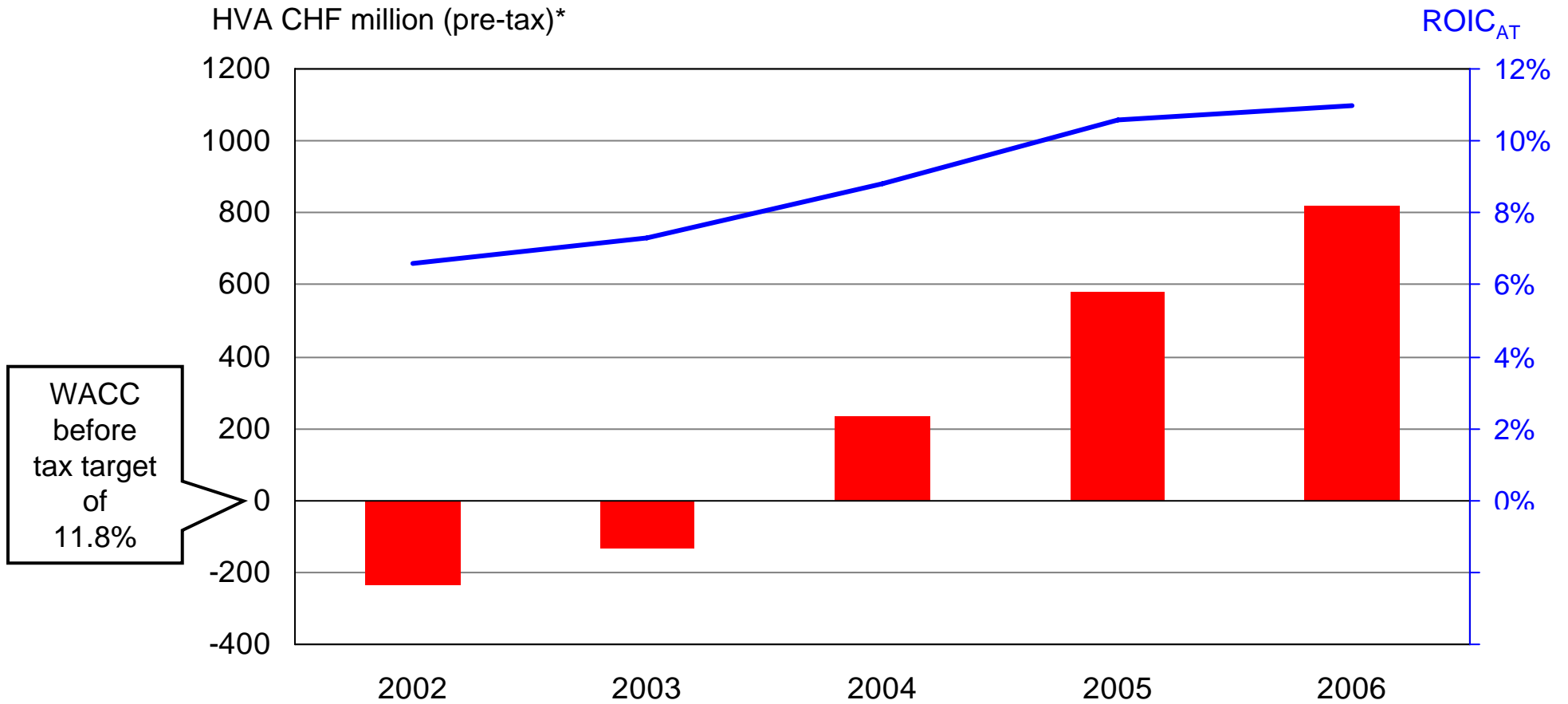
# Holcim Value Added (HVA)

- An economic profit concept – tailored to the needs of Holcim
- A book value concept based on Holcim's financial reporting standards (IFRS)
- HVA indicates the value created after considering all costs of capital, including cost of equity
  - assets are charged with Standard Costs of Capital (SCC)

$$\text{HVA} = \text{EBIT} - (\text{SCC} * \text{Capital Invested})$$

- To measure true management performance, HVA is focused on HVA increase – i.e. not on absolute value added in the reporting year
- HVA is tailored to maintain accountability at all levels of top and senior management

# Holcim Value Added (HVA) – a convincing concept



**Strong positive HVA trend since 2002**



Note: ROIC<sub>AT</sub> = Return on Invested Capital after tax. Periodic straight line goodwill amortisation discontinued from 2005 onwards.

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# Management compensation within Holcim

- Performance-related compensation scheme
  - ▶ bonus target structure based on operating EBITDA margin, individual targets and HVA
  - ▶ compensation scheme extended from originally 283 to 612 employees in 2007 (Exco, Senior and Top Management on Corporate and local level)
- Due to the positive HVA development in 2006, 88% of entitled employees received Holcim shares as part of their variable compensation (3 year lockup period)
- Performance-related compensation normally accounts for 20% to 100% of basic salary

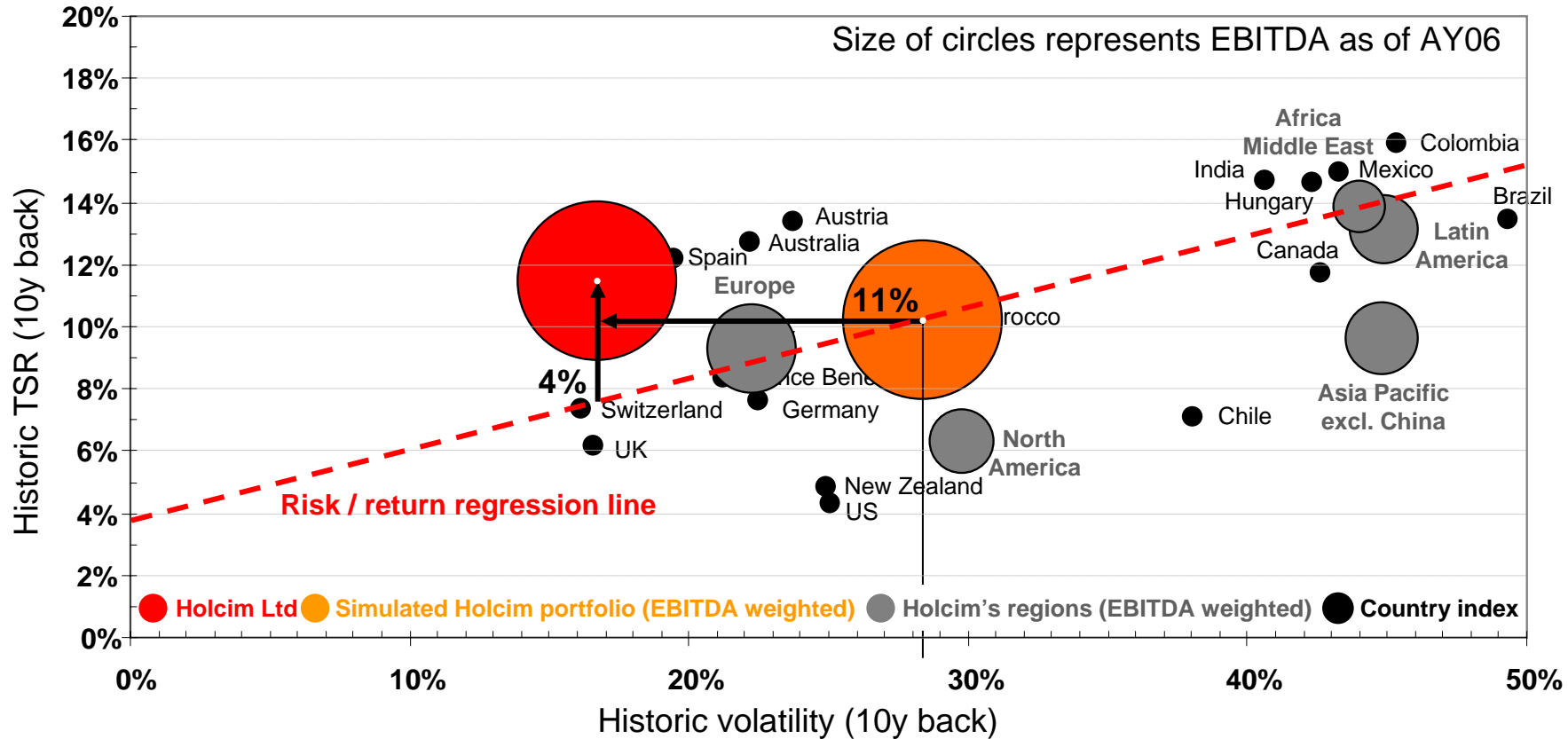
Performance-related compensation ensures management focus on shareholder value

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# Rewards for Holcim investors



**Holcim offers increased returns with lower volatility!**



Source of country information: MSCI and FTSE daily average (Datastream)

## Holcim shareholder premium

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- Strong growth potential due to portfolio focus on growth markets
- Low volatility of Group earnings due to well geographically diversified portfolio
- Strong operational track record supported by homogenous process & production technologies and corporate knowledge transfer
- Managerial and financial support, synergies, tax optimization and Group standards

Holcim's business model and strategy execution leads to sustainable value creation

# Holcim's achievements are well documented



# Disclaimer

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## Cautionary statement regarding forward-looking statements

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