The Outlook For Germany & Eastern Europe

London, January 15th, 2009
Company profile
Vision

- International multi-regional, heavy-side group, focused on cement, ready-mix concrete and aggregates

- Long term view of the business and dedicated management towards a sustainable development

- High quality and environmentally friendly assets

- Value creation through lasting experienced know-how and operating efficiency
Cement plants location and capacity

<table>
<thead>
<tr>
<th>Country</th>
<th>CEM mil. ton.</th>
<th>RMC mil. m³</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>10.4</td>
<td>6.8</td>
</tr>
<tr>
<td>United States</td>
<td>10.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Germany</td>
<td>7.0</td>
<td>2.9</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>1.0</td>
<td>--</td>
</tr>
<tr>
<td>Netherlands</td>
<td>--</td>
<td>1.0</td>
</tr>
<tr>
<td>Poland</td>
<td>1.6</td>
<td>1.0</td>
</tr>
<tr>
<td>Czech Rep.</td>
<td>1.1</td>
<td>2.3</td>
</tr>
<tr>
<td>Ukraine</td>
<td>3.0</td>
<td>0.4</td>
</tr>
<tr>
<td>Russia</td>
<td>2.4</td>
<td>--</td>
</tr>
<tr>
<td>Mexico (100%)</td>
<td>5.0</td>
<td>1.6</td>
</tr>
<tr>
<td>Algeria (100%)</td>
<td>2.1</td>
<td>--</td>
</tr>
</tbody>
</table>
Revenues and Ebitda by product and market (9M08)

Product

<table>
<thead>
<tr>
<th>Product</th>
<th>Revenues</th>
<th>Ebitda</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cement &amp; clinker</td>
<td>64%</td>
<td>90%</td>
</tr>
<tr>
<td>Ready-mix &amp; aggregates</td>
<td>36%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Market

<table>
<thead>
<tr>
<th>Market</th>
<th>Revenues</th>
<th>Ebitda</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico</td>
<td>6%</td>
<td>9%</td>
</tr>
<tr>
<td>East Europe</td>
<td>27%</td>
<td>43%</td>
</tr>
<tr>
<td>Central Europe</td>
<td>22%</td>
<td>13%</td>
</tr>
<tr>
<td>United States</td>
<td>21%</td>
<td>20%</td>
</tr>
<tr>
<td>Italy</td>
<td>24%</td>
<td>16%</td>
</tr>
</tbody>
</table>
Volumes (9M08)

Cement (mt)

<table>
<thead>
<tr>
<th>Year</th>
<th>2002</th>
<th>2003</th>
<th>2004*</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>9M07</th>
<th>9M08</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>13.6</td>
<td>14.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td></td>
<td></td>
<td>31.9</td>
<td>32.2</td>
<td>33.3</td>
<td>34.1</td>
<td>25.9</td>
<td>24.9</td>
</tr>
</tbody>
</table>

Ready-mix concrete (mm³)

<table>
<thead>
<tr>
<th>Year</th>
<th>2002</th>
<th>2003</th>
<th>2004*</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>9M07</th>
<th>9M08</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>9.0</td>
<td>9.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td></td>
<td></td>
<td>15.2</td>
<td>15.6</td>
<td>16.5</td>
<td>17.1</td>
<td>12.7</td>
<td>12.9</td>
</tr>
</tbody>
</table>

* first time consolidation of Dyckerhoff
Breakdown of volumes by country (9M08)

Cement

- Italy: 27%
- USA: 23%
- Germany: 17%
- Poland: 8%
- Luxembourg: 7%
- Czech Rep.: 5%
- Russia: 3%
- Mexico: 3%
- Ukraine: 3%

Ready-mix concrete

- Italy: 34%
- USA: 19%
- Germany: 13%
- Poland: 14%
- Luxembourg: 6%
- Czech Rep.: 5%
- Russia: 2%
- Mexico: 7%
Outlook by country
Germany

- Germany has entered into a likely recession
- In the mid-term, independently of the economic course, only restrained growth in residential construction
- Impulses of growth in new building only from non-residential construction
- Positive impulses from civil engineering and renovation
- 5b€ of stimulus package allocated to support infrastructure and housing renovation, of which:
  - 2b€ to infrastructure over a 2yrs time period
  - 3b€ to building renovation over a 3yrs time period
- Analysts estimate the annualized impact of these measures to be ~1% positive on the overall construction output, mitigating the downturn and boosting the infrastructure
- Positive impact on the cement volume into 2009-10 will be limited
German cement scenario

Cement consumption (mton)

- 2007: 27.4
- 2008E: 27.6
- 2009E: 24.9

Price trend
- Cement consumption: 1%
- Construction Investments: -5-10%

Gross Domestic Product
- 2007: +2.5%
- 2008E: +1.5%
- 2009E: -2.2%

Construction Investments
- 2007: +1.8%
- 2008E: +3.7%
- 2009E: -1-2%
Poland

- Economy seems less affected by financial crisis, thus slowdown could be milder than in the Euro zone
- Threats coming from currency devaluation:
  - reducing household disposable income and consumption (foreign debt being held)
  - credit growth so far underestimated (thanks to strong PLN) is reversing and lending standard are getting tighten
- Trade partners slowdown (Germany, EU, Russia, Ukraine) will affect exports and domestic production: manufacturing indexes are moving into negative territory
- Foreign investments into the country may be delayed or temporary stopped limiting spending in the non-residential private construction
- 2012 European Football Championship will strongly favor building industry, mainly in the sport and services objects related to the event, as well as transportation infrastructures (121 bPLN for road + motorways and 9.4b€ for railroads till 2012)
- Civil engineering is expected to grow double digit: EU cohesion funds granted to Poland for infrastructural spending should benefit from PLN depreciation
- Residential construction to slow down considerably
Polish cement scenario

Price trend

- Gross Domestic Product: + 6.6 %, + 4.5 %, + 2-3 %
- Construction Investments: + 12.3 %, + 12.4 %, + 5-8 %

Cement consumption (mton)

- 2007: 16.6
- 2008E: 17.1
- 2009E: 17.5

3.0 %, ~ 2%
Czech Republic

- Economy more affected by weaker external demand (75-80% of GDP) than Poland, with a business cycle strictly correlated to Euroland and tightening credit condition.
- Net export which compensated a sluggish domestic demand in 2008 is expected to weaken; currency devaluation could dampen import into 2009.
- Solid fundamentals, with current account and fiscal deficits manageable: budget deficit to remain well below 1.5% of GDP in 2008, public debt less than 1/3 of the GDP.
- Residential building sector expected to face some stagnation given the high level of dwelling completion already reached and flat prices risen faster than salaries.
- Only modest growth (or stagnation) in non-residential construction related to commercial and industrial building (e.g. automakers, etc.)
- After 2 yrs stagnation, caused by high comparison base, civil construction has been growing again in 2008 in all sector (road, railways, telecom, energy) and should continue into 2009.
- Cement and ready-mix demand within the country should be flat to slightly deteriorating with no major impact on the industry.
### Czech cement scenario

**Cement consumption (mton)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2008E</th>
<th>2009E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cement plant</td>
<td>5.1</td>
<td>5.1</td>
<td>5.0</td>
</tr>
<tr>
<td>Concrete plants</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Gravel pits</td>
<td>78</td>
<td>78</td>
<td>78</td>
</tr>
<tr>
<td>(incl. Slovakia)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Price trend**
  - **Cement**
    - 2007: + 6.5%
    - 2008E: + 3.2%
    - 2009E: + 1-2%

- **Gross Domestic Product**
  - 2007: + 6.5%
  - 2008E: + 3.2%
  - 2009E: + 1-2%

- **Construction Investments**
  - 2007: + 6.9%
  - 2008E: + 2.2%
  - 2009E: + 2-3%
Ukraine

- Politically instable and strongly hit by the international financial crisis; highly dependant on foreign credit as well as exports
- In autumn 2008, almost on the brink of financial solvency; IMF sustains with a credit over 16.4b$, thereof 4.5b$ immediately available
- Total indebtedness of country up to about 100b$, thereof about 30% are short-term due; refunding is to be asked
- Monetary reserves up to about 40b$
- Extreme high current account deficit to be reduced
- Latest steel demand trend, sharply declining, caused a shock in the industrial output
- Building activities widely stopped in Kiev and in other big cities
- The instable banking conditions strike the building industry by failing of credit inflow
- Upward economic trend stopped, 2009 recession very likely
- European Football Championship 2012 should help building industry, but for now no signs of recovery
Ukrainian cement scenario

- Development in the Ukraine is currently unpredictable; no positive sign expected into 2009
- Competition may put pressure on prices
- High level of attention toward receivables could negatively affect sales volume
- Ongoing investments to strengthen competitiveness (coal burning available from 2010)

Cement consumption (mton)

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2008E</th>
<th>2009E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumption</td>
<td>14.1</td>
<td>15.0</td>
<td>13.0</td>
</tr>
</tbody>
</table>

Gross Domestic Product

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2008E</th>
<th>2009E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>+ 6.5 %</td>
<td>+ 3-4 %</td>
<td>- 2 %</td>
</tr>
</tbody>
</table>
Russia

- Stable political condition with good monetary reserves
- Household income and consumption slowed in the last quarter of 2008
- Budget planning may appear troubled if oil stays below 70$/barrel. Housing and infrastructure could be under pressure
- In the construction sector leveraged developers in the Moscow and St. Petersburg area hit by a frozen financial system
- Geographical positioning in the country is key for cement market (Urals District +17.8% yoy floor space completed in first 10M 08; Central District -9.1% in the same period)
- Still large housing demand; average housing size / inhabitant about 20m² (Western EU, USA: 40-70m²), 3 bil. m² actual housing need to be renovated
- National program for affordable housing established the construction of annually 80mil. m² living space between 2004-10; estimated 2008 level around 60-63mil.m²
- National program for joint private/public investments in infrastructure projects (25b€)
- Additional public issues for road construction amounting to 100b RUB
- Stimulus plan of 200 bRUB to support cement sector of which 125 bRUB to build energy and transport infrastructure; a working group has been set up, first results by end of January
Russian cement scenario

- Re-introduction on import duties to help cement sector
- Prices are cooling down (- 15-20%) from 2008 peaks (~ 80-85 €/ton grey cem. 2009e)
- Profitability still very high

Cement consumption (mton)

- 2007: 60.1
- 2008E: 62.0
- 2009E: 59.0

Price trend
- + 3.2 %
- + 4-5 %

Gross Domestic Product
- + 8.1 %
- + 6-7 %
- + 1-2 %
Trading outlook summary

GERMANY
– Volumes declining with price improvement
– Stable revenues and profitability

CZECH REPUBLIC
– Stable to slightly declining volumes, in a stable pricing environment
– Negative translation effect on the results

POLAND
– Holding construction market with stable to slightly improving volumes
– Negative impact of PLN currency on the results

UKRAINE
– Market declining, potential pricing pressure, gas cost inflation and currency depreciation
– Results seriously deficient into 2009; coal usage starting in 2010 to restore good profitability

RUSSIA
– Price reduction to stabilize and some lower volumes (improving again into 2010)
– Profitability still at the top of the group
Group Strategies
Strategic guidelines

- High level operating performance and outstanding financial condition
- Strengthening of the industrial system
  - Replacing obsolete capacity with best available technologies
  - Increasing capacity in emerging countries
  - Best in class valuation: maintenance capex to improve efficiency following accurate internal benchmarking
- Growth record and future opportunities
  - Selective and performance oriented
  - Seeking for low energy cost countries
  - Potential synergies with current system
- Adequate shareholders’ investment return
  - Rewarding pay-out policy
Financial condition

- Solid leverage conditions, allowing good flexibility
- Conservative debt profile to maintain favorable ratios

<table>
<thead>
<tr>
<th>Year</th>
<th>Leverage (net debt / ebitda)</th>
<th>Net debt / Equity %</th>
<th>Interest coverage (ebitda / net interest cost)</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/05</td>
<td>1.3</td>
<td>47</td>
<td>9.1</td>
</tr>
<tr>
<td>12/06</td>
<td>0.7</td>
<td>25</td>
<td>12.6</td>
</tr>
<tr>
<td>12/07</td>
<td>0.6</td>
<td>25</td>
<td>19.9</td>
</tr>
<tr>
<td>09/08</td>
<td>0.8</td>
<td>28</td>
<td>16.9</td>
</tr>
</tbody>
</table>
Preserving financial condition

- Market conditions are progressively deteriorating: visibility for the year 2009 is still low, consequently operating results will be less positive than in the past

- Preserving cash flow is a key point, monitoring ordinary capex, working capital and new project outlay (expansion capex)

- Capex deployment will adapt to new conditions

- Expansion projects schedule is monitored and multiple scenarios have been evaluated:
  - Akbulak (RUS) greenfield project to proceed up to civil works completion, until market stabilizes, before implementing the second phase of the project, committing only 40-50% of budget
  - Volyn (UKR) brownfield project working on permits and engineering; no further commitment for now
  - USA project 2 to be delayed until market conditions improve (no equipment committed)

- Compliance with financial ratios to maintain an implicit strong investment grade rating, avoiding to miss any potential alternative or complementary opportunity to the above mentioned projects
Russia Suchoi Log expansion

- The SL5 project is to be commissioned by end of 2009, expanding capacity by 1.2mton (+50%)
- The new brownfield production line will add variable costs only, leveraging on the current staff and strengthening the profitability scenario in the country
- Serving the Ural region markets, with sales mainly direct toward commercial and infrastructures
- Local demand still strong, less affected by credit crunch like in Moscow or St.Petersburg area
- Given the high levels of profitability reached, prices in the area may soften (oil-well and specialty cements, representing 30% of sales, sold at premium price)