

# HEIDELBERGCEMENT

## HeidelbergCement AG

(a stock corporation incorporated under the laws of the Federal Republic of Germany, having its corporate domicile in Heidelberg, Federal Republic of Germany)

**Euro 1,000,000,000 7.5% Notes of 2009 due 2014**

**Euro 1,000,000,000 8.0% Notes of 2009 due 2017**

**Euro 500,000,000 8.5% Notes of 2009 due 2019**

**guaranteed by**

**Hanson Limited**

(a private company limited by shares incorporated under the laws of England and Wales, having its corporate domicile in Maidenhead, United Kingdom)

HeidelbergCement AG (the “**Issuer**”, “**HeidelbergCement AG**” or “**HeidelbergCement**”) will issue on October 21, 2009 (the “**Issue Date**”) € 1,000,000,000 7.5% notes due 2014 (the “**2014 Notes**”), € 1,000,000,000 8.0% notes due 2017 (the “**2017 Notes**”) and € 500,000,000 8.5% notes due 2019 (the “**2019 Notes**” and, together with the 2014 Notes and the 2017 Notes, the “**Notes**”). The 2014 Notes will bear interest from and including October 21, 2009 to, but excluding, October 31, 2014 at a rate of 7.5% per annum, payable semi-annually in arrear on April 30 and October 31 in each year. The first payment of interest on the 2014 Notes shall be made on April 30, 2010, relates to the first long interest period from and including October 21, 2009 to but excluding April 30, 2010 and will amount of € 39.37 for each specified denomination. The 2014 Notes will be redeemed at par on October 31, 2014. The 2017 Notes will bear interest from and including October 21, 2009 to, but excluding, January 31, 2017 at a rate of 8.0% per annum, payable semi-annually in arrear on January 31 and July 31 in each year. The first payment of interest on the 2017 Notes shall be made on January 31, 2010, relates to the first short interest period from and including October 21, 2009 to but excluding January 31, 2010 and will amount to € 22.00 for each specified denomination. The 2017 Notes will be redeemed at par on January 31, 2017. The 2019 Notes will bear interest from and including October 21, 2009 to, but excluding, October 31, 2019 at a rate of 8.5% per annum, payable semi-annually in arrear on April 30 and October 31 in each year. The first payment of interest on the 2019 Notes shall be made on April 30, 2010, relates to the first long interest period from and including October 21, 2009 to but excluding April 30, 2010 and will amount to € 22.31 for each specified denomination. The 2019 Notes will be redeemed at par on October 31, 2019.

The obligations under the Notes constitute unsubordinated and, except for the guarantee described in the next sentence, unsecured obligations of the Issuer ranking pari passu among themselves and pari passu with all other unsecured and unsubordinated obligations of the Issuer, unless such obligations are accorded priority under mandatory provisions of statutory law. The Notes have the benefit of an unconditional and irrevocable guarantee which may expire, see page 178, (the “**Guarantee**”) of Hanson Limited (the “**Guarantor**”). The Notes and the Guarantee will be effectively subordinated to all secured indebtedness of the Issuer and the Guarantor to the extent of the value of the collateral securing such indebtedness.

The Notes are subject to the redemption provisions as set out elsewhere in this Prospectus.

Application has been made to list the Notes on the official list of the Luxembourg Stock Exchange and admit the Notes to trading on the regulated market of the Luxembourg Stock Exchange, a market appearing on the list of regulated markets issued by the E.C. pursuant to Directive 2004/39/EC of 21 April 2004 on markets in financial instruments.

**Investing in the Notes involves risks. See “Risk Factors” beginning on page 32.**

**2014 Notes Issue Price: 98.4650% plus accrued interest from the Issue Date**

**2017 Notes Issue Price: 97.3490% plus accrued interest from the Issue Date**

**2019 Notes Issue Price: 96.7390% plus accrued interest from the Issue Date**

**The Notes have been accepted for clearing through the Clearing System.**

This Prospectus dated October 19, 2009 (the “**Prospectus**”) constitutes a prospectus within the meaning of Article 5 para. 3 of the Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003 (the “**Prospectus Directive**”). This Prospectus will be published in electronic form together with all documents incorporated by reference on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). This Prospectus has been approved by the Commission de Surveillance du Sector Financier of the Grand Duchy of Luxembourg (the “**CSSF**”) in its capacity as competent authority under the Luxembourg law relating to prospectuses (Loi relative aux prospectus pour valeurs mobilières), which implements Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003. The Issuer has requested the CSSF to provide the competent authority in the Federal Republic of Germany (“**Germany**”) with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Luxembourg law relating to prospectuses for securities (the “**Notification**”).

The Notes will be issued in bearer form with a denomination of € 1,000 each and are governed by German law.

The 2014 Notes have been assigned the following securities codes: ISIN XS0458230082, Common Code 045823008, WKN A1A6T6.

The 2017 Notes have been assigned the following securities codes: ISIN XS0458230322, Common Code 045823032, WKN A1A6PG.

The 2019 Notes have been assigned the following securities codes: ISIN XS0458685913, Common Code 045868591, WKN A1A6PH.

**The Notes and the Guarantee have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”). The Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except to certain persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act (“Regulation S”). See “Notice” for additional information about eligible offerees and transfer restrictions.**

Global Coordinators

Joint Lead Managers and Bookrunners

**Deutsche Bank**

**The Royal Bank of Scotland**

Joint Lead Managers and Bookrunners

**BofA Merrill Lynch**

**Commerzbank**

Joint Lead Managers

**Citi**

**ING Wholesale Banking**

**Nordea Markets**

**Société Générale  
Corporate & Investment  
Banking**

**Handelsbanken  
Capital Market**

Co-Lead Managers

**Banca IMI**

**Danske Bank**

**Helaba**

**Mediobanca — Banca di Credito Finanziario S.p.A.**

**NATIXIS**

**SEB**

## Responsibility Statement

The Issuer with its registered office in Germany accepts responsibility for the information contained in this Prospectus. The Issuer declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its importance.

The Issuer further confirms that (i) this Prospectus contains all information with respect to the Issuer and its subsidiaries (including the Guarantor) taken as a whole (the “**HC Group**”) and to the Notes and the Guarantee which is material in the context of the issue and offering of the Notes and the Guarantee, including all information which, according to the particular nature of the Issuer and the Guarantor and of the Notes and the Guarantee is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer, the Guarantor and HC Group and of the rights attached to the Notes and the Guarantee; (ii) the statements contained in this Prospectus relating to the Issuer, the Guarantor, HC Group, the Notes and the Guarantee are in every material particular true and accurate and not misleading; (iii) there are no other facts in relation to the Issuer, the Guarantor, HC Group, the Notes or the Guarantee the omission of which would, in the context of the issue and offering of the Notes, make any statement in the Prospectus misleading in any material respect; and (iv) reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

## NOTICE

No person is authorized to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by or on behalf of the Issuer, the Guarantor or the Managers (as defined in “*Subscription and Sale of the Notes*”). Neither the delivery of this Prospectus nor any offering, sale or delivery of any Notes made hereunder shall, under any circumstances, create any implication (i) that the information in this Prospectus is correct as of any time subsequent to the date hereof or, as the case may be, subsequent to the date on which this Prospectus has been most recently amended, or supplemented, or (ii) that there has been no adverse change in the affairs or the financial situation of the Issuer or the Guarantor which is material in the context of the issue and sale of the Notes since the date of this Prospectus or, as the case may be, the date on which this Prospectus has been most recently amended or supplemented, or the balance sheet date of the most recent financial statements which are deemed to be incorporated into this Prospectus by reference or (iii) that any other information supplied in connection with the issue of the Notes is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

This Prospectus contains certain forward-looking statements. Forward-looking statements are all statements that do not refer to historical facts or events, and forward-looking statements containing wording such as “believes”, “estimates”, “assumes”, “expects”, “anticipates”, “foresees”, “intends”, “hopes”, “could” or similar expressions. These expressions can be found in several sections in this Prospectus, however, in particular in the sections “*Risk Factors*”, “*General Information about the Issuer – Business*” as well as “*General Information about the Issuer – Recent Developments and Outlook*”, and wherever information is contained in the Prospectus regarding intentions, beliefs, or current expectations of HeidelbergCement regarding its future financial condition and results of operation, plans, liquidity, business outlooks, growth, strategy and profitability, as well as the economic and legal conditions to which the Issuer is subjected. Such forward-looking statements are subjected to risks and uncertainties, as they relate to future events and are based on current assumptions by the Issuer, which may not occur at all in the future or may not occur as assumed.

Such forward-looking statements do not represent a guarantee for the future; HeidelbergCement’s actual financial condition and results of operations, and the development of economic and legal conditions, may differ materially from (in particular, be more negative than) those conditions expressly or implicitly assumed or described. None of the Issuer, the Guarantor or the Managers assumes any obligation to update such forward-looking statements or to adapt them to future events or developments.

HeidelbergCement recommends reading in particular the sections “*Risk Factors*” and “*General Information about the Issuer – Business*” contained in this Prospectus for a more complete review of the factors that might influence the future business development of HC Group and the markets in which it is active. Neither the Issuer nor the Underwriters assume any obligation to update such forward-looking statements and to adapt them to future events or developments. The requirement under Luxembourg law to update the Prospectus remains unaffected.

In particular, factors that can cause actual results to differ materially from results and developments expressed or implied by forward-looking statements include, but are not limited to the cyclical activity of the construction sector; changes in economic conditions, especially in the USA, the UK, Central and Eastern Europe and Western Europe, changes in the competitive market in which HC Group operates, changes in the demand or

pricing for HC Group's products, HC Group's inability to achieve success in its financing strategy, changes in governmental policy or legislation relating to public works expenditure and housing, changes in governmental policy or legislation that could affect regulatory compliance and other operating costs, costs to comply with current and future environmental, health and safety laws and regulations, unfavorable weather conditions, disruption to, or increased costs of, the supply of materials, energy and fuel to HC Group's business, including as a result of increased or new regulation such as market-based (cap-and-trade) greenhouse gas emissions control mechanisms, exchange rate fluctuations, changes in pension and post-retirement healthcare costs, ineffective implementation of computer software systems, potential liabilities arising out of former businesses and activities, adequacy of environmental and hazardous materials exposure insurance and insurance covering HC Group's litigation exposure and natural disasters and other unforeseen events.

Furthermore, this Prospectus contains industry and customer-related data as well as calculations taken or derived from industry reports published by third parties, market research reports, publicly available information and commercial publications ("**External Data**"). Commercial publications generally state that the information they contain originated from sources assumed to be reliable, but that the accuracy and completeness of such information is not guaranteed and that the calculations contained therein are based on a series of assumptions.

The External Data have not been independently verified by the Issuer, the Guarantor or the Managers. Therefore, neither the Issuer nor the Guarantor assumes any responsibility for the accuracy of the External Data taken or derived from public sources.

Particular note should be taken of the fact that External Data were referred to in defining markets and determining their size. The categories used in these sources were also used to define markets and determine their size. These categories generally do not correspond to the categories applied by HeidelbergCement in determining its financial and other data. The ability to compare External Data with the financial and other data of HeidelbergCement is therefore limited, and this limited comparability should particularly be taken into account of in regard to the statements made concerning HeidelbergCement's market shares.

The External Data contained in this Prospectus and defined above are taken from the following sources, or were derived from them:

- IMF World Economic Outlook Update dated July 8, 2009
- Agrupación de Fabricantes de Cemento de España (Oficemen), press release dated January 16, 2009
- Mineral Products Association (MPA), June 2009
- U.S. Census Bureau, history table and press release dated February 18, 2009
- Portland Cement Association (PCA), U.S. Cement and Construction Forecast, Spring 2009
- Portland Cement Association (PCA), U.S. Cement and Construction Forecast, Summer 2009
- Portland Cement Association (PCA), Flash Report, June 17, 2009
- Intergovernmental Panel on Climate Change (IPCC), Climate Change 2007: Synthesis Report dated November 17, 2007
- Economist Intelligence Unit (EIU), Global Insight Update June 30, 2009
- EXANE BNP PARIBAS, Building Materials & Construction, March 2, 2009

The External Data were rendered correctly by the Issuer in the Prospectus, and the Issuer assumes responsibility for this, and there have been no facts omitted that would lead to an incorrect or misleading representation of the External Data to the knowledge of the Issuer and as far as these data can be taken from the External Data available to the Issuer. The Issuer does not have access to the underlying facts and assumptions of numerical and market data and other information contained in publicly available sources. Consequently, numerical and market data or other information cannot be verified by the Issuer. This Prospectus also contains estimates of market data and information derived from them, which could not be taken from an independent source. This information is based on HeidelbergCement's internal estimates and may therefore vary from estimates of the Issuer's competitors or from future data collected by independent sources.

Figures contained in this Prospectus stated in "€", "EUR", or "Euro" refer to the legal currency of the Federal Republic of Germany since January 1, 1999. Both "€ thousands" and "EUR thousands" refer to thousands of euros. Figures contained in this Prospectus stated in "\$", "USD", "US\$" or "U.S. Dollar" refer to the legal currency of the United States of America. Figures contained in this Prospectus stated in "£", "GB£", "GBP", "Pound Sterling" or "British Pound" refer to the legal currency of the United Kingdom of Great Britain and Northern Ireland. Figures contained in this Prospectus stated in "CAD" or "C\$" refer to the legal currency of Canada. Figures contained in this Prospectus stated in "Rupiah", "IDR" or "Indonesian Rupiah" refer to the legal currency of the Republic of Indonesia. Figures contained in this Prospectus stated in "PLN" refer to the legal currency of the Republic of Poland. Figures contained in this Prospectus stated in "RON" refer to the legal currency of Romania. Figures contained in this Prospectus stated in "CZK" refer to the legal currency of the

Czech Republic. Figures contained in this Prospectus stated in “GHC” refer to the legal currency of the Republic of Ghana. Figures contained in this Prospectus stated in “NIS” refer to the legal currency of Israel.

The following table presents the currency exchange rates of the US\$, GBP, CAD, IDR, PLN, RON, CZK, GHC and NIS against EUR as of and, as an average exchange rate, for the six-month period ended June 30, 2009 and 2008 as well as the years ended December 31, 2008, 2007 and 2006.

<b>Exchange Rate</b>	<b>January 1 to June 30, 2009</b>	<b>January 1 to June 30, 2008</b>	<b>January 1 to December 31, 2008</b>	<b>January 1 to December 31, 2007</b>	<b>January 1 to December 31, 2006</b>
Period end (US\$ to EUR) . . . . .	1.4033	1.5755	1.3978	1.4589	1.3196
Average (US\$ to EUR) . . . . .	1.3345	1.5311	1.4711	1.3707	1.2565
Period end (GBP to EUR) . . . . .	0.8524	0.7906	0.9557	0.7351	0.6737
Average (GBP to EUR) . . . . .	0.8929	0.7753	0.7942	0.6848	0.6816
Period end (CAD to EUR) . . . . .	1.6313	1.6084	1.7004	1.4536	1.5373
Average (CAD to EUR) . . . . .	1.6087	1.5419	1.5693	1.4719	1.4247
Period end (IDR to EUR) . . . . .	14,348.74	14,533.99	15,305.91	13,741.38	11,902.79
Average (IDR to EUR) . . . . .	14,720.83	14,120.74	14,353.58	12,560.94	11,485.67
Period end (PLN to EUR) . . . . .	4.4455	3.3449	4.1389	3.5976	3.8279
Average (PLN to EUR) . . . . .	4.4700	3.4924	3.5407	3.7881	3.8955
Period end (RON to EUR) . . . . .	4.2009	3.6411	4.0286	3.6063	3.3808
Average (RON to EUR) . . . . .	4.2289	3.6706	3.7038	3.3363	3.5245
Period end (CZK to EUR) . . . . .	25.9765	23.8814	26.7175	26.5053	27.4741
Average (CZK to EUR) . . . . .	27.1284	25.1957	25.0733	27.7863	28.3324
Period end (GHC <sup>(1)</sup> to EUR) . . . . .	2.0687	1.6327	1.7256	1.4153	1.2222
Average (GHC <sup>(1)</sup> to EUR) . . . . .	1.8384	1.5214	1.5688	1.2867	1.1562
Period end (NIS to EUR) . . . . .	5.5122	5.2637	5.2795	5.6211	–
Average (NIS to EUR) . . . . .	5.4120	5.3860	5.2669	5.6269	–

<sup>(1)</sup> Ghana's currency was redenominated on July 3, 2007 by dividing old cedi (GHC) with 10,000.

If not otherwise stated, the financial data contained in this Prospectus are derived from the audited consolidated financial statements of the Issuer prepared in accordance with the International Financial Reporting Standards of the International Accounting Standards Board (IASB) as adopted by the EU (“IFRS”) and the additional requirements of German Commercial law pursuant to Section 315a(1) of the German Commercial Code (*Handelsgesetzbuch* – “HGB”) for the fiscal years ended December 31, 2007 and 2008, from the unaudited condensed consolidated interim financial statements of the Issuer prepared in accordance with IFRS (IAS 34) for the six-month period ended June 30, 2009, from the audited unconsolidated financial statements and separate audited cash flow statements of the Guarantor prepared in accordance with United Kingdom Generally Accepted Accounting Practice for the fiscal years ended December 31, 2007 and 2008 and from the unaudited financial statements of the Guarantor for the six-month period ended June 30, 2009 also prepared in accordance with United Kingdom Generally Accepted Accounting Practice. Any financial data referred to as “unaudited” in this Prospectus means that the financial data is not stemming or derived from financial statements which were subject to an “audit” within the meaning of paragraph 13.3.3 of Annex IV to the European Commission Regulation (EC) No. 809/2004.

Individual figures (including percentages) stated in this Prospectus have been rounded using the common commercial method (*kaufmännische Rundung*). The totals or interim totals contained in the tables may possibly differ from the non-rounded figures contained elsewhere in this Prospectus due to this rounding. Furthermore, figures that have been rounded may not add up to the interim totals, or totals contained in the tables or stated elsewhere in this Prospectus.

A glossary with technical terms and abbreviations used herein can be found at the end of this Prospectus.

Neither the Managers nor any other person mentioned in this Prospectus, except for the Issuer, is responsible for the information contained in this Prospectus or any other document incorporated herein by reference, and accordingly, and to the extent permitted by the laws of any relevant jurisdiction, none of these persons makes any representation, warranty or undertaking express or implied and none of these persons accepts any responsibility for the accuracy and completeness of the information contained in any of these documents. The Managers have not independently verified any such information and accept no responsibility for the accuracy thereof.

Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Guarantor.

This Prospectus does not constitute an offer of Notes or an invitation by or on behalf of the Issuer, the Guarantor or the Managers to purchase any Notes. Neither this Prospectus nor any other information supplied in connection with the Notes should be considered as a recommendation by the Issuer, the Guarantor or the Managers to a recipient hereof and thereof that such recipient should purchase any Notes.

This Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation.

The Issuer, the Guarantor and the Managers do not represent that this Prospectus may be lawfully distributed or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor or the Managers in any jurisdiction where action for that purpose is required.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any of the Notes shall in any circumstances create any implication that the information contained herein concerning the Issuer or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Notes is correct as of any time subsequent to the date of this Prospectus. The Managers expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the term of the Notes or to advise any Investor in the Notes of any information coming to their attention.

The offer, sale and delivery of the Notes and the distribution of this Prospectus in certain jurisdictions is restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Guarantor and the Managers to inform themselves about and to observe any such restrictions. In particular, the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and are subject to U.S. tax law requirements. Subject to certain limited exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons.

For a further description of certain restrictions on offerings and sales of the Notes and distribution of this Prospectus (or of any part thereof) see “*Subscription and Sale of the Notes - Selling Restrictions.*”

The legally binding language of this Prospectus is English. Any part of the Prospectus in German language constitutes a translation, except for the conditions of issue of the Notes and the terms of the Guarantee in respect of which German is the legally binding language.

IN CONNECTION WITH THE ISSUE OF THE NOTES, DEUTSCHE BANK AG, LONDON BRANCH AND THE ROYAL BANK OF SCOTLAND PLC (OR PERSONS ACTING ON THEIR BEHALF) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT DEUTSCHE BANK AG, LONDON BRANCH OR THE ROYAL BANK OF SCOTLAND PLC (OR PERSONS ACTING ON THEIR BEHALF) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN AT ANY TIME AFTER THE ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. SUCH STABILIZING OR OVER-ALLOTMENT SHALL BE CONDUCTED IN COMPLIANCE WITH ALL LAWS, DIRECTIVES, REGULATIONS AND RULES OF ANY RELEVANT JURISDICTION.

## TABLE OF CONTENTS

<b>SUMMARY</b> .....	6
<b>GERMAN TRANSLATION OF THE SUMMARY</b> .....	18
<b>RISK FACTORS</b> .....	32
<b>USE OF PROCEEDS</b> .....	57
<b>CAPITALIZATION AND INDEBTEDNESS</b> .....	58
<b>GENERAL INFORMATION ABOUT THE ISSUER</b> .....	60
<b>SELECTED HISTORICAL FINANCIAL INFORMATION ABOUT THE ISSUER</b> .....	133
<b>GENERAL INFORMATION ABOUT THE GUARANTOR</b> .....	137
<b>SELECTED HISTORICAL FINANCIAL INFORMATION ABOUT THE GUARANTOR</b> .....	140
<b>CONDITIONS OF ISSUE</b> .....	143
<b>SUMMARY OF RULES REGARDING RESOLUTIONS OF HOLDERS</b> .....	175
<b>GUARANTEE</b> .....	177
<b>TAXATION</b> .....	179
<b>SUBSCRIPTION AND SALE OF THE NOTES</b> .....	183
<b>GENERAL INFORMATION/INCORPORATION BY REFERENCE</b> .....	186
<b>GLOSSARY</b> .....	189
<b>NAMES AND ADDRESSES</b> .....	S-1



## SUMMARY

The following constitutes the summary (the “**Summary**”) of the essential characteristics of and risks associated with the Issuer, the Guarantor and the Notes. This Summary should be read as an introduction to this Prospectus. It does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus. Any decision by an investor to invest in the Notes should be based on consideration of this Prospectus as a whole. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of such court, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches to the Issuer, but only if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus.

Words and expressions defined in the Conditions of Issue of the Notes reproduced elsewhere in this Prospectus shall have the same meanings in this Summary.

### Summary in Respect of the Notes

<i>Issuer:</i>	HeidelbergCement AG, Heidelberg, Germany
<i>Guarantor:</i>	Hanson Limited, Maidenhead, United Kingdom of Great Britain and Northern Ireland (“ <b>United Kingdom</b> ”)
<i>Status of the Notes:</i>	The obligations under the Notes constitute unsubordinated and, except for the Guarantee, unsecured obligations of the Issuer ranking <i>pari passu</i> among themselves and <i>pari passu</i> with all other unsecured and unsubordinated obligations of the Issuer, unless such obligations are accorded priority under mandatory provisions of statutory law.
<i>Guarantee:</i>	Hanson Limited (the “ <b>Guarantor</b> ”) has unconditionally and irrevocably guaranteed the due payment of principal of, and interest on, and any other amount payable under the Notes (the “ <b>Guarantee</b> ”) pursuant to an existing guarantee dated October 19, 2007. The Guarantee will automatically expire without any further notice upon the date of payment in full of all obligations (i) of the Guarantor under the 7.875% notes due 2010, (ii) of Hanson Australia Funding Limited under the 5.25% notes due 2013 and (iii) of Hanson Limited under the 6.125% notes due 2016. The obligations under the Guarantee constitute unsecured and unsubordinated obligations of the Guarantor, ranking <i>pari passu</i> among themselves and <i>pari passu</i> with all other unsubordinated and unsecured obligations of the Guarantor, except for obligations mandatorily preferred by law.
<i>Subsidiary Guarantee:</i>	The Issuer has undertaken, to procure that in the event that any Relevant Subsidiary (other than a Finance Subsidiary) incurs any Capital Market Indebtedness or issues any guarantees with respect to, or otherwise guarantees, any Capital Market Indebtedness of the Issuer or any Relevant Subsidiary, such Relevant Subsidiary issues a direct and unconditional guarantee in favour of the Holders (an “ <b>Additional Guarantee</b> ”) for all amounts payable under the Notes; all as more fully set out in the Conditions of Issue.
<i>Global Coordinators Joint Lead Managers and Bookrunners:</i>	Deutsche Bank AG, London Branch The Royal Bank of Scotland plc
<i>Joint Lead Managers and Bookrunners:</i>	Commerzbank Aktiengesellschaft Merrill Lynch International
<i>Joint Lead Managers:</i>	Citigroup Global Markets Limited ING Bank N.V., London branch Nordea Bank Danmark A/S Société Générale Svenska Handelsbanken AB (publ)
<i>Co-Lead Managers:</i>	Banca IMI S.p.A. Danske Bank A/S Landesbank Hessen-Thüringen Girozentrale Mediobanca — Banca di Credito Finanziario S.p.A.

	NATIXIS Skandinaviska Enskilda Banken AB (publ)
<i>Principal Paying Agent:</i>	Deutsche Bank Aktiengesellschaft
<i>Luxembourg Listing and Paying Agent:</i>	Deutsche Bank Luxembourg S.A.
<i>Calculation Agent:</i>	Deutsche Bank Aktiengesellschaft
<i>Tranches:</i>	The Issuer issues three tranches of notes which have identical conditions of issue save as to aggregate principal amount, specified denomination term and maturity, interest period and applicable interest rate. These tranches (the “ <b>Tranches</b> ”) are the “ <b>2014 Notes</b> ”, the “ <b>2017 Notes</b> ” and the “ <b>2019 Notes</b> ”. All notes under any Tranche are defined as the “ <b>Notes</b> ”.
<i>Aggregate Principal Amount:</i>	For the 2014 Notes: EUR 1,000,000,000 For the 2017 Notes: EUR 1,000,000,000 For the 2019 Notes: EUR 500,000,000
<i>Issue Price:</i>	For the 2014 Notes: 98.465% For the 2017 Notes: 97.349% For the 2019 Notes: 96.739%
<i>Issue Date and Interest Commencement Date:</i>	October 21, 2009
<i>Maturity Date:</i>	For the 2014 Notes: October 31, 2014 For the 2017 Notes: January 31, 2017 For the 2019 Notes: October 31, 2019
<i>Denomination:</i>	The Notes will be issued in a denomination of EUR 1,000 each.
<i>Form of Notes:</i>	Each Tranche of Notes will initially be represented by a temporary global bearer Note (the “ <b>Temporary Global Note</b> ”) without coupons which will be kept in custody by a common safekeeper on behalf of both, Clearstream Banking, société anonyme, Luxembourg “ <b>CBL</b> ”) and Euroclear Bank SA/NV (“ <b>Euroclear</b> ”, Euroclear and CBL together, the “ <b>Clearing System</b> ” and the “ <b>ICSDs</b> ”). Notes represented by the Temporary Global Note will be exchangeable for Notes represented by a permanent global bearer Note (the “ <b>Permanent Global Note</b> ”, and each of the Temporary Global Note and the Permanent Global Note, a “ <b>Global Note</b> ”) without coupons not earlier than 40 days after the Issue Date in accordance with the provisions set out in the Conditions of Issue. In particular such exchange and any payment of interest on Notes represented by the Temporary Global Note shall only be made upon delivery of certifications as to non-U.S. beneficial ownership in accordance with the rules and operating procedures of the Clearing System. Payments on the Temporary Global Note will only be made against presentation of such certifications. No definitive notes or coupons will be issued.
	The Notes are issued in new global note (“ <b>NGN</b> ”) form and are kept in custody by a common safekeeper on behalf of the ICSDs.
<i>Interest:</i>	The 2014 Notes will bear interest from and including October 21, 2009 to, but excluding, October 31, 2014 at a rate of 7.5% per annum, payable semi-annually in arrear on April 30 and October 31 in each year. The first payment of interest on the 2014 Notes shall be made on April 30, 2010, relates to the first long interest period from and including October 21, 2009 to but excluding April 30, 2010 and will amount of EUR 39.37 for each specified denomination.  The 2017 Notes will bear interest from and including October 21, 2009 to, but excluding, January 31, 2017 at a rate of 8.0% per annum, payable semi-annually in arrear on January 31 and July 31 in each year. The first payment of interest on the 2017 Notes shall be made on January 31, 2010, relates to the first short interest period from and including October 21, 2009 to but excluding January 31,



2010, and will amount to EUR 22.00 for each specified denomination.

The 2019 Notes will bear interest from and including October 21, 2009 to, but excluding, October 31, 2019 at a rate of 8.5% per annum, payable semi-annually in arrear on April 30 and October 31 in each year. The first payment of interest on the 2019 Notes shall be made on April 30, 2010, relates to the first long interest period from and including October 21, 2009 to but excluding April 30, 2010 and will amount to EUR 22.31 for each specified denomination.

*Taxation:*

All amounts payable in respect of the Notes shall be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied at source by or on behalf of Germany, the United Kingdom or any political subdivision or any authority thereof or therein having power to tax (the “**Withholding Taxes**”), unless such withholding or deduction is required by law. In such event, the Issuer will, subject to the exceptions set out in the Conditions of Issue, pay such additional amounts as shall be necessary in order that the net amounts received by the holders of a proportionate co-ownership or other beneficial interest or right in the Notes (each a “**Holder**”) after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in the absence of such withholding or deduction.

*Early Redemption for Taxation Reasons:*

Early redemption of the Notes at the principal amount plus accrued interest at the option of the Issuer, in whole but not in part, for reasons of taxation will be permitted, if as a result of any change in, or amendment to, the laws or regulations (including any amendment to, or change in, an official interpretation or application of such laws or regulations) of Germany, the United Kingdom or any political subdivision or taxing authority thereto or therein affecting taxation or the obligation to pay duties of any kind, the Issuer or, as the case may be, the Guarantor, will become obligated to pay additional amounts on the Notes, all as more fully set out in the Conditions of Issue.

*Make Whole Redemption:*

The Conditions of Issue provide that the Issuer may redeem the Notes at any time, in whole but not in part, at its option, at a price equal to the principal amount plus interest accrued and plus an Applicable Premium. The Applicable Premium is calculated, *inter alia*, by discounting the present value of the Notes and all remaining scheduled interest payments at the yield of a comparable *Bundesanleihe* (senior unsecured bond) of the Federal Republic of Germany plus 0.5%, all as more fully set out in the Conditions of Issue.

*Early Redemption in case of Change of Control:*

The Conditions of Issue provide that the Holders may require an early redemption of the Notes, in whole or in part, at 101% of their principal amount plus interest accrued in the event of a change of control in respect of the Issuer, all as more fully set out in the Conditions of Issue.

*Limitation of Indebtedness:*

Under the Conditions of Issue and subject to certain exceptions as more fully set out in the Conditions of Issue, the Issuer will not, and will procure that none of its Relevant Subsidiaries will, after the Issue Date incur any additional Financial Indebtedness if on the date of the incurrence of such additional Financial Indebtedness the Consolidated Coverage Ratio of the Issuer is not at least 2.0 to 1.0 all as more fully set out in the Conditions of Issue.

*Negative Pledge:*

In the Conditions of Issue the Issuer agrees – subject to certain exceptions – not to create or permit to subsist, and to procure that none of its subsidiaries will create or permit to subsist, any security for any Capital Market Indebtedness or any granted guarantee or indemnity in respect of any Capital Market Indebtedness of any other person, without at the same time providing all amounts

payable under the Notes either the same or equivalent security, all as more fully set out in the Conditions of Issue. **“Capital Market Indebtedness”** means any obligation for the payment of borrowed money which is in the form of, or represented or evidenced by, either (i) a certificate of indebtedness (*Schuldschein*) governed by German law or by (ii) bonds, loan stock, notes or other securities which are, or are capable of being, quoted, listed, dealt in or traded on a stock exchange or other recognized securities market.

*Events of Default:*

The Notes will provide for events of default entitling Holders to demand immediate redemption of the Notes, all as more fully set out in the Conditions of Issue. The events of default include reporting obligations as to timing and content regarding the Consolidated Coverage Ratio.

*Cross Default:*

The Conditions of Issue contain a cross default clause in relation to indebtedness for borrowed money exceeding EUR 50,000,000.

*Resolutions of Holders:*

In accordance with the German Act on Debt Securities of 2009 (*Schuldverschreibungsgesetz*), the Notes contain provisions pursuant to which the Holders of each Tranche may agree by resolution to amend the Conditions of Issue relating to that Tranche and to decide upon certain other matters regarding the Notes relating to that Tranche including, without limitation, the appointment or removal of a common representative for the Holders. Resolutions of Holders properly adopted, by vote taken without a meeting in accordance with the Conditions of Issue, are binding upon all Holders. Resolutions which do not provide for identical conditions for all Holders are void, unless Holders which are disadvantaged expressly consent to their being treated disadvantageously. In no event, however, may any obligation to make any payment or render any other performance be imposed on any Holder by resolution. As set out in the Conditions of Issue, resolutions providing for certain material amendments to the Conditions of Issue require a majority of not less than – depending on the matter to be resolved – 85% or 75%. Resolutions regarding other amendments are passed by a simple majority.

*Governing Law:*

The Notes and the Guarantee are governed by German law.

*Jurisdiction:*

Non-exclusive place of jurisdiction for any legal proceedings in connection with the Notes is Heidelberg. Exclusive place of jurisdiction for any legal proceedings arising out of or in connection with the Guarantee is Heidelberg.

*Use of Proceeds:*

The net proceeds from the issuance of the Notes will amount to approximately EUR 2,397 million and will be used in total for partial repayment of the EUR 8.7 billion syndicated facilities agreement.

*Listing and admission to trading:*

Application has been made for admission to trading of the Notes on the regulated market of the Luxembourg Stock Exchange and for listing of the Notes on the official list of the Luxembourg Stock Exchange.

*Selling Restrictions:*

The offer and the sale of the Notes and the distribution of offering materials are subject to specific restrictions. The relevant restrictions applicable in the European Union, the United States of America and the United Kingdom are set out under “Subscription and Sale of the Notes”.

*Clearance and Settlement:*

The Notes have been accepted for clearing through the Clearing System. The ISIN for the 2014 Notes is XS0458230082, for the 2017 Notes is XS0458230032 and for the 2019 Notes is XS0458685913.

*Availability of documents:*

The Prospectus and the documents incorporated by reference herein can either be found on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) or are obtainable in printed form at the

address of the Paying Agent in Luxembourg, Deutsche Bank Luxembourg S.A. Luxembourg, Luxembourg.

### ***The Business of HC Group***

HC Group operates in around 40 countries on five continents as a vertically integrated building materials company. The core activities include the production and distribution of cement and aggregates, the two essential raw materials for concrete production. The product range is supplemented by downstream activities such as ready-mixed concrete, asphalt, concrete products and concrete elements, as well as other related building products and services, thus covering almost the entire concrete value chain.

After the acquisition of Hanson plc ("**Hanson**") in August 2007, HC Group has consolidated its position in the building materials industry. HC Group believes that, based on sales volumes for 2008, among the globally diversified building materials companies, it is the world's number one in aggregates with sales of approximately 300 million metric tons, the world's number three in cement with sales of approximately 89 million metric tons, and the world's number three in ready-mixed concrete with sales of approximately 44 million cubic meters. As of December 31, 2008, the consolidated HC Group consisted of 1,027 subsidiaries in around 40 countries in which it maintained a total of approximately 2,600 locations. In the six-month period ended June 30, 2009, HC Group generated turnover of € 5.4 billion, and in the fiscal year ended December 31, 2008, it generated turnover of €14.2 billion. Operating income before depreciation ("**OIBD**") in the six-month period ended June 30, 2009 amounted to € 836 million, and in the fiscal year ended December 31, 2008, it amounted to € 2.9 billion. As of June 30, 2009, HC Group had approximately 57,000 employees worldwide.

HC Group reports its different local businesses according to three geographic Group areas: Europe, North-America and Asia-Australia-Africa. Within these three geographic Group areas, the business of HC Group is divided into the following business lines:

*Cement:* In its cement business line, HC Group produces different types of cement in approximately 100 cement and grinding plants for various uses, such as residential or commercial construction and civil engineering. In the six-month period ended June 30, 2009, HC Group's cement business line generated turnover of € 2,531 million (corresponding to approximately 47.1% of HC Group's total turnover (after Intra-Group eliminations but including Group Services and excluding Inter-Group area turnover) for the period) (fiscal year ended December 31, 2008: € 6,298 million).

*Aggregates and Concrete:* The aggregates and concrete business line is composed of four operating lines engaged in the production and distribution of aggregates, ready-mixed concrete, concrete products and asphalt. The product range in the aggregates and concrete business line consists of the different forms of aggregates (sand, gravel, crushed rock) mined from approximately 600 sand, gravel and hard rock sites as well as a wide range of different types of ready-mixed concrete produced in approximately 1,400 plants with various characteristics designed for specific applications and environmental conditions. It is complemented by asphalt produced in approximately 100 asphalt plants. In the six-month period ended June 30, 2009, HC Group's aggregates and concrete business line generated turnover of € 2,445 million (corresponding to approximately 45.5% of HC Group's total turnover (after Intra-Group eliminations but including Group Services and excluding Inter-Group area turnover) for the period) (fiscal year ended December 31, 2008: € 6,766 million).

*Building Products:* The building products business line mainly comprises activities in North America and the United Kingdom and is composed of three operating lines engaged in the production and distribution of bricks, aircrete blocks and pipes. The building products business line offers a wide product range that is mainly used in residential construction. In the six-month period ended June 30, 2009, HC Group's building products business line generated turnover of € 652 million (corresponding to approximately 12.1% of HC Group's total turnover (after Intra-Group eliminations but including Group Services and excluding Inter-Group area turnover) for the period) (fiscal year ended December 31, 2008: € 1,677 million).

### ***The Competitive Strengths of HC Group***

HC Group believes that it distinguishes itself by the following competitive strengths:

*Leading Worldwide Market Positions and Excellent Footprint in Key Global Markets:* Through its organic growth as well as its strategic acquisitions and joint ventures over the past several years, HC Group believes it has established on a global level a leading position in the key markets for its core business lines of cement, aggregates and concrete. According to its own estimate, which is supported mostly by publications of other companies and studies of the Global Cement Directory, HC Group is, based on sales volumes in 2008, among the globally diversified players the world's number one producer of aggregates, number three in cement and number three in ready-mixed concrete. These strong global market positions are supported by leading regional positions. HC Group believes that, with regard to its sales, it holds the first, second or third market position in many of its key regional cement markets around the world.

*A Vertically Integrated Building Materials Company with a well-balanced Business and Geographic Portfolio:* After the acquisition of Hanson in 2007, HC Group has transformed itself into a vertically integrated building materials company with leading cement, aggregates and ready-mixed concrete positions in many of its key markets. In line with this transformation process HC Group manages its three business lines as an integrated business within the different Group areas, thereby strengthening cost efficiency and profitability. HC Group believes that its vertical integration helps to secure a sufficient supply of raw materials, acts as a hedge against raw material price fluctuations, and generates cross-selling potential between its Group areas and business lines. It also provides a wide range of distribution channels and access to the market.

*Hanson Acquisition and Integration as Key to Horizontal Diversification and Vertical Integration on a Global Level:* The acquisition of Hanson in 2007 has contributed to a large extent to HC Group's goal of reaching a leading position as a horizontally diversified and vertically integrated global supplier of cement, aggregates and concrete. Hanson's strong market position in aggregates and ready-mixed concrete added important operations to the existing product portfolio of HC Group, thereby completing HC Group's value chain within its core business, while at the same time Hanson's particular geographical market presence complemented HC Group's regional footprint.

*Long-standing Experience in Core Markets with Significant Barriers to Entry:* HC Group combines a long-standing track record as a producer in the cement market with sustainable access to the necessary raw materials. This is complemented by advanced, proprietary technological process know-how and expertise in complex concrete production techniques. To reach this position, HC Group has continuously made substantial investments in production facilities and processes. The capital intensity of establishing and operating an integrated cement plant, the need to have mining permits for, and close access to, raw materials, and the complexity of vertical integration create significant barriers to entry to the markets for cement and aggregates.

*Reputation as a Quality Leader Combined with a Stable, Diversified Global Customer Base:* HC Group distinguishes itself with its products through high and constant quality and reliability, and is, according to its own estimate, considered by its customers a quality leader in the markets for cement, aggregates, concrete and concrete-related building products. Consequently, its relationships with customers from the construction industry are usually of a long-term nature. As a result, over the last decades HC Group has built up a stable, diversified customer base with a well-balanced geographical distribution.

*Global Network of Production Facilities with Easy Access to Key Urban Centers:* HC Group's international network of cement, aggregates and concrete production facilities, combined with the strength of its worldwide trading activities, enables it to easily access its core markets and distribute its products more effectively, both to its customers and within HC Group. Its production plants are spread worldwide. In the opinion of HC Group, the cement plants, in particular, are highly efficient and, in certain instances, represent industry benchmarks in terms of cost competitiveness. HC Group operates from approximately 2,600 locations in around 40 countries in Europe, North America, Asia, Africa and Australia. This geographic diversity leads to great proximity to its customers, helps to protect it against volatility in regional markets and lessens the relative impact of any particular regional downturn. HC Group's different production facilities are to a great extent located closely to key urban centers on all continents where it has business operations. This proximity provides easy access to HC Group's key markets on these continents and reduces transportation costs.

*HC Group's Earnings and Turnover Profile Benefits from the Widespread Geographical Diversification of its Business, Economies of Scale and Relatively Stable Prices for its Products:* Due to its global market presence, integrated management of the different business lines and the diversity of its broad customer base, ranging from construction companies for residential houses to public administrative bodies, HC Group can compensate to some extent for the cyclical fluctuations in the construction industry to which it is exposed, although in a global recession, as it has developed since the second half of 2007, these measures are unlikely to insulate against the downturn. Further positive contributions to HC Group's earnings and turnover profile arise from its ability to generate economies of scale resulting from higher efficiency of large production units and bundling of purchasing volumes, as well as from the relatively stable price levels for HC Group's key products.

*Experienced Management Team:* HeidelbergCement's senior management team has a high degree of experience in the markets in which HC Group operates and possesses significant operational, technical and market knowledge. Since 2005, HeidelbergCement's management team has continued to successfully transform HeidelbergCement into a vertically integrated global building materials company with a clear dual growth strategy focusing on cement and aggregates for the production of ready-mixed concrete and other concrete products.

### **The Strategy of HC Group**

The key components of HC Group's business strategy are as follows:

*Vertical Integration as the Long-term Goal:* In order to safeguard its market position in the long term, HC Group has adjusted its corporate strategy. As a consequence of the acquisition of Hanson, aggregates now form a second strategic pillar in addition to the traditional core business of cement. This strong raw material base is

complemented by a broad distribution channel with a variety of downstream products such as ready-mixed concrete, asphalt and concrete related building products. HC Group has since become a horizontally diversified and vertically integrated global player with broad geographical diversification and a focus on raw materials and downstream products.

*Focus on Dual Growth Strategy:* HC Group's value creating efforts in the processing of natural resources follow a dual growth strategy focusing on cement and aggregates for the production of ready-mixed concrete and other concrete products which are used in most parts of construction activities. This dual growth strategy is closely related to the different degrees of maturity of HC Group's markets. When entering into attractive emerging markets, the focus is on the production and sale of cement, as it represents a key product in these markets. This allows HC Group to make use of its technological know-how and operational experience in connection with the production of cement. In the maturing and mature markets, HC Group offers its complete core product range thereby particularly focusing on aggregates due to the inherent scarcity of available resources in these markets. The Hanson acquisition substantially contributed to this concept as HC Group gained access to what it believes to be some of the industry's most attractive aggregates reserves in the United States and the United Kingdom. While HC Group focuses on increasing market share in the cement business line primarily by external growth measures (i.e., acquisitions), it develops the aggregates and concrete business line in both ways, by external growth and organically.

*Focus on Global Expansion and Diversification:* HC Group has been an active player in the consolidation processes in its mature markets as well as in the expansion process in emerging markets. In this respect, albeit on considerably lower levels compared to recent years, HC Group intends to continue to diversify its product and asset portfolio in its core business lines and increase its production capacities through targeted investments, financing permitting. By strengthening its global reach, HC Group believes it can generate several key advantages, which support its leading market positions. Fluctuations in regional and/or temporary demand can be mitigated through its geographical diversification as different geographic markets often follow different economic cycles. In addition, HC Group can realize economies of scale as purchasing volumes are bundled.

*Improvement of Cost Efficiency, Internal Operational Decision-Making Processes and Profitability:* As part of the group-wide program "Fitness 2009", HC Group pursues its strategy of increasing cost efficiency along the value chain by further eliminating redundancies and streamlining corporate structures. This includes a reduction of the clinker ratio and increased use of alternative fuels in cement plants, centralizing administrative functions, improving the procurement of raw materials and logistics as well as continuing its discipline regarding capital expenditures. In this context, HC Group also intends to increase its profitability by means of enhanced decision-making processes and tight cost control.

*Sustainability:* Sustainability provides an important foundation for the Issuer. HC Group strives to act in a socially and ecologically responsible way. Central parts of HC Group's sustainability strategy are derived from its core business and its effects on the environment and society. The focal areas of this sustainability strategy are occupational health and safety, energy and climate protection, biological diversity, sustainable building, use of alternative fuels and reduction of other detrimental environmental effects.

*Strengthening HC Group's Financial Structure:* The Issuer is determined to rearrange and strengthen HC Group's financing structure on a long-term basis. In this context, HC Group aims at enhancing its liquidity profile and strengthening its financial flexibility in order to pursue future growth opportunities. In addition, HC Group is focusing on stricter cash management. These measures are intended to improve the Issuer's debt ratings, thereby improving access to various funding sources.

### ***Selected Financial Information Regarding HC Group***

The following table sets out the key financial information about HC Group derived from the audited consolidated financial statements of the Issuer for the fiscal years ended December 31, 2007 and 2008, prepared in accordance with the International Financial Reporting Standards of the International Accounting Standards Board (IASB) as adopted by the EU ("IFRS") and the additional requirements of German Commercial law pursuant to Section 315a (1) of the German Commercial Code (*Handelsgesetzbuch* – "**HGB**") as well as the



unaudited condensed consolidated interim financial statements of the Issuer for the six-month period ended June 30, 2009 which were prepared in accordance with IFRS (IAS 34):

	Year ended December 31,		January 1 – June 30	
	2007	2008	2008	2009
	(in € millions) audited		(in € millions) unaudited	
Turnover . . . . .	10,862.3	14,187.1	6,927.7	5,369.9
Operating revenue . . . . .	10,805.2	14,285.1	6,935.5	5,219.3
Operating income before depreciation (OIBD) . . . . .	2,423.2 <sup>(1)</sup>	2,945.6	1,289.9 <sup>(3)</sup>	836.2
Operating income . . . . .	1,850.4 <sup>(1)</sup>	2,146.7	901.2 <sup>(3)</sup>	456.9
Earnings before interest and taxes (EBIT) . . . . .	2,838.8 <sup>(1)</sup>	1,827.4	961.2 <sup>(3)</sup>	523.8
Profit before tax from continuing operations . . . . .	2,343.4	997.9	578.8	161.9
Net income from continuing operations . . .	1,974.4	670.5	459.8	328.0
Profit for the financial year / period . . . . .	2,118.8	1,919.8	1,730.6	318.3
Thereof group share of profit . . . . .	2,021.8	1,808.2	1,674.3	270.0
Balance sheet total . . . . .	29,201.4 <sup>(2)</sup>	26,288.1	—	27,078.5
Net income from continuing operations . . .	1,974.4	670.5	459.8	328.0
Cash flow . . . . .	1,679.5	2,044.2	904.2	222.8
Changes in working capital . . . . .	308.6 <sup>(1)</sup>	–170.1	–661.8 <sup>(3)</sup>	–27.6
Cash flow from operating activities – continuing operations . . . . .	1,750.0	1,553.8	121.6	59.2
Cash flow from operating activities . . . . .	1,911.2	1,523.4	91.2	59.2
Cash flow from investing activities – continuing operations . . . . .	–10,640.4	1,118.4	1,636.4	46.2
Cash flow from investing activities . . . . .	–10,676.5	1,112.5	1,630.5	46.2
Cash flow from financing activities – continuing operations . . . . .	9,512.0	–2,590.8	–2,055.6	509.3
Cash flow from financing activities . . . . .	9,386.2	–2,550.0	–2,014.8	509.3

<sup>(1)</sup> In the consolidated financial statements for the fiscal year ended December 31, 2008, 2007 prior year comparative figures were restated to show certain reclassifications that took effect in 2008.

<sup>(2)</sup> In the consolidated financial statements for the fiscal year ended December 31, 2008, 2007 prior year comparative figures have been adjusted for the final results of the Hanson purchase price allocation.

<sup>(3)</sup> In the unaudited condensed consolidated interim financial statements for the six-month period ended June 30, 2009, 2008 six-month comparative figures were restated to show certain reclassifications that took effect in the second half of 2008.

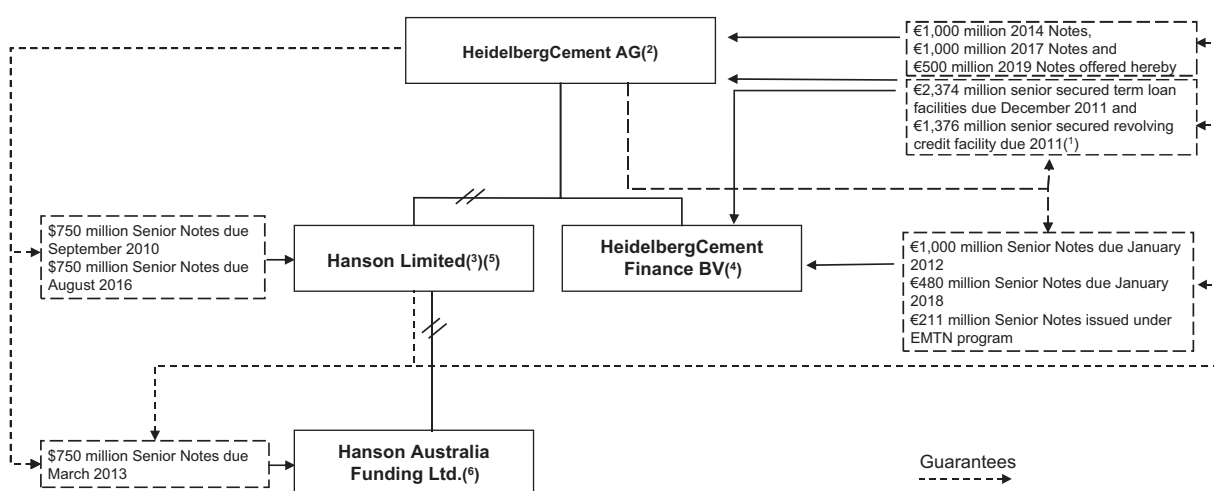
### Recent Refinancing of HC Group and Capital Increase

On June 16, 2009 HeidelbergCement and certain of its subsidiaries entered into a new syndicated facilities agreement in the total amount of approximately € 8.7 billion (the “**SFA**”). The facilities are divided into two term loan tranches of € 5.21 billion and € 1.25 billion, respectively, as well as a multicurrency revolving credit facility in an amount of € 2.29 billion (the “**RCF**”). The SFA will mature on December 15, 2011. The main purpose of the SFA was to refinance the previous acquisition financing for the purchase of Hanson in 2007 and of working capital loans and certain other indebtedness of HC Group.

On September 13, 2009, the managing board resolved with approval of the supervisory board on the same day to make use of HeidelbergCement’s authorized capital and to increase the share capital of HeidelbergCement in a capital increase against cash contributions by € 187,500,000 from € 375,000,000 to € 562,500,000 by issuing 62,500,000 new ordinary bearer shares with no-par value, each such share with a notional par value of € 3.00 (the “**Capital Increase 2009**”). The Capital Increase 2009 was registered with the Commercial Register on September 22, 2009. From the Capital Increase 2009, HeidelbergCement received net proceeds in the amount of approximately € 2.25 billion.



## Overview of Main Long-term Financial Liabilities



- <sup>(1)</sup> Guaranteed by HeidelbergCement AG and approximately 60 of its major direct and indirect subsidiaries. For illustrative purposes only based on the Issuer's receipt of net proceeds of € 2,253 million in the Capital Increase 2009 and the expected receipt of net proceeds of € 2,397 million on the Issue Date through the issuance of the Notes and the application of these proceeds to repay (i) € 3,293 million under the Term Loan A Facility (€ 1,361 million from the proceeds of the Capital Increase 2009 and € 1,932 million from the proceeds of the issuance of the Notes), (ii) € 793 million under the Term Loan B Facility (€ 328 million from the proceeds of the Capital Increase 2009 and € 465 million from the proceeds of the issuance of the Notes) and (iii) € 564 million under the RCF from the proceeds under the Capital Increase 2009. Not the entire amount under the RCF (€ 2,285) has been drawn.
- <sup>(2)</sup> Guarantor of notes issued by HeidelbergCement B.V., Hanson Limited and Hanson Australia Funding Ltd.
- <sup>(3)</sup> Guarantor of the 2014 Notes, the 2017 Notes and the 2019 Notes, HeidelbergCement AG indebtedness and HC Group indebtedness to the extend such financial indebtedness is guaranteed by HeidelbergCement AG.
- <sup>(4)</sup> Directly wholly owned subsidiary of HeidelbergCement AG.
- <sup>(5)</sup> Indirectly wholly owned subsidiary of HeidelbergCement AG (via HeidelbergCement International Holding GmbH, HeidelbergCement Holding S.à r.l., HeidelbergCement UK Holdings Limited, Lehigh UK Limited).
- <sup>(6)</sup> Indirectly wholly owned subsidiary of HeidelbergCement AG (via HeidelbergCement International Holding GmbH, HeidelbergCement Holding S.à r.l., HeidelbergCement UK Holdings Limited, Lehigh UK Limited, Hanson Limited, Hanson Holdings Limited).

## Miscellaneous Information Regarding the Issuer

HeidelbergCement AG is a stock corporation (*Aktiengesellschaft*) incorporated under the laws of Germany and has its registered office and business address at Berliner Straße 6, 69120 Heidelberg, Germany. It is registered with the Commercial Register at the Local Court of Mannheim (*Amtsgericht Mannheim*) under HRB 330082. HeidelbergCement AG is the parent company of HC Group. In accordance with Section 2 of its Articles of Association, the purpose of HeidelbergCement AG is the production and sale of building materials of all kinds and other products from the stone and quarry industry and from related or other industry sectors; the acquisition and operation of facilities for such purposes; and the planning, construction and operation of such facilities for or the provision of advisory services to third parties.

As of the date of this Prospectus, according to information provided to the Issuer, Mr. Ludwig Merckle holds (indirectly, including through several subsidiaries such as VEM Vermögensverwaltung GmbH ("**VEM**") and Spohn Cement GmbH ("**Spohn**") approximately 24.42% of the voting rights in the Issuer. The remaining 75.58% of the voting rights are widely held, thereof approximately 3.51% held by the State of Norway via Norges Bank (Central Bank of Norway) and approximately 3.26% by Gartmore Investment Ltd.

## Miscellaneous Information Regarding the Guarantor

The Guarantor is an indirectly wholly owned subsidiary of the Issuer. The Guarantor is a holding company within HC Group and has no relevant business or operational activities other than the administration and financing of its direct and indirect subsidiaries.

The Guarantor was incorporated as a private company limited by shares in England and Wales on December 31, 2002. The Guarantor as well as many of its subsidiaries bears the name "Hanson" for business purposes.

The company number of the Guarantor with the Registrar of Companies for England and Wales at Companies House, Cardiff, is 04626078. The Guarantor's registered office is at Hanson House, 14 Castle Hill, Maidenhead, Berkshire SL6 4JJ, United Kingdom, telephone number +44 (0) 1628 774 100. The Guarantor's internet address is [www.hanson.com](http://www.hanson.com).

The issued share capital of the Guarantor as at September 30, 2009 amounted to GBP 72,466,968.80, divided into 724,669,688 fully paid up ordinary shares of GBP 0.10 each. The Guarantor has an authorized capital of GBP 100,000,000.00, divided into 1,000,000,000 ordinary shares of GBP 0.10 each.

The following tables set out key financial information about the Guarantor derived from the unaudited unconsolidated half-year financial information as of June 30, 2009 (prepared in accordance with United Kingdom Generally Accepted Accounting Practice).

	<b>January 1 to June 30, 2009</b>	<b>January 1 to June 30, 2008</b>
	<b>(in GBP thousands) unaudited</b>	
Called up share capital . . . . .	72,466	72,411
Share premium . . . . .	3,454,618	3,451,899
Profit and loss account . . . . .	1,452,150	1,539,626
Fixed assets (Investments in subsidiary undertakings <sup>(1)</sup> ) . . . . .	15,729,775	15,725,607
Net assets . . . . .	4,979,233	5,063,936
Profit/loss for the financial period . . . . .	-40,106	90,524
Net debt . . . . .	-924,900	-763,082
Net cash inflow/outflow from operating activities . . . . .	153,161	23,127
Return on investment and servicing of finance . . . . .	-43,063	91,970

<sup>(1)</sup> Investments in subsidiary undertakings are stated based on calculated recoverable values as at the previous year end only and therefore, subject to adjustment; recalculations are only carried out by the Guarantor as part of the annual financial reporting process.

## **Summary in Respect of Risk Factors**

HeidelbergCement and HC Group are exposed to a number of risks that either individually or collectively may have material adverse effects on the assets, financial condition and results of operations of the Issuer and HC Group.

## **Summary of Risk Factors Regarding the Issuer**

### **Market and Business-related Risks**

The current worldwide economic downturn has impaired and is expected to continue to impair HC Group's business and results of operations.

HC Group is dependent on the development of the construction industry and is therefore particularly exposed to the risk of cyclical market movements and weather conditions.

The cyclical weakness of the construction industry, a significant decrease in demand or an increase of capacities might lead to overcapacity and therefore to a reduction of the utilization of HC Group's plants.

HC Group's business is partly based on government-funded building activities the reduction or different allocation of which could have a negative impact on HC Group's turnover and profit.

An increase in energy prices represents a significant risk for HC Group.

The availability and cost of transportation represent a significant risk for HC Group.

HC Group's long-term success is dependent upon securing and permitting reserves for cement, aggregates and concrete production in strategically located areas.

An increase of the prices for or an interruption in the availability of raw materials will negatively affect HC Group's business and results of operations.

Currency rate fluctuations could lead to negative effects on HC Group's sales and profit.

HC Group has obligations to its employees relating to retirement, health care and other obligations, the calculations of which are based on a number of assumptions, including discount rates and rates of return on plan assets, which may vary from actual rates in the future.

A substantial amount of HC Group's assets are intangible assets, including goodwill. HC Group has recently recognized charges for goodwill impairment, and if market and industry conditions continue to deteriorate or if interest rates rise, further impairment charges may be recognized.

HC Group is subject to risks in connection with divestitures.

HC Group is dependent on qualified personnel in key positions and employees having special technical knowledge.

HC Group depends on sound and uninterrupted operations of its information and communication technology.

Intense competition could adversely affect HC Group's sales, profits and market shares.

HC Group's compliance controls and procedures may not be sufficient to prevent or discover violations of the law and other group-wide risk management and control procedures may be inadequate or not be adhered to.

HC Group is exposed to general political, economic, legal and taxation risks in countries in various stages of development in which it has significant operations or interests.

HC Group's insurance coverage may not be sufficient.

HeidelbergCement does not control the business of the investments in which it is not the (only) controlling shareholder and is limited by the rights of minority investors in some of its subsidiaries.

HC Group is subject to risks that future acquisitions and participation in joint ventures may not be successful.

### **Risks Associated with HC Group's Capital Structure**

HC Group has significant debt outstanding subjecting it to certain financial covenants and undertakings and has high refinancing requirements in 2010 and 2011.

Substantial cash flows are needed to cover HC Group's debt service expenditure and an increase in market interest rates as well as a further downgrade in HC Group's credit ratings may further increase HC Group's interest expense.

Limitations on the availability of financing could have a material adverse impact on HC Group's business, liquidity and financial condition.

### **Regulatory, other Legal and Tax-related Risks**

HC Group is exposed to legal risks regarding anti-trust fines and related damage claims.

Regulations regarding carbon dioxide emissions, an unfavorable allocation of rights to emit carbon dioxide or other air emission related issues could have a material adverse effect on HC Group's business, financial condition and results of operations.

HC Group is subject to a large number of environmental and health and safety laws and regulations.

HC Group is exposed to risks associated with the release of hazardous substances or other contamination of the environment, including risks arising under the U.S. Comprehensive Environmental Response, Compensation and Liability Act.

HC Group is exposed to risks associated with asbestos-related claims arising out of former activities in the United States.

HC Group is exposed to liabilities arising out of former activities in the United States that are not related to the environmental contamination and asbestos liabilities referred to above.

HC Group may not have insurance coverage for certain non-asbestos environmental claims and liabilities arising out of former activities in the United States.

HC Group is subject to significant reclamation, recultivation and quarry closure obligations which may not be sufficiently covered by provisions and HC Group is required to maintain financial assurances to meet these obligations.

HC Group could be subject to claims for taxes for previous tax assessment periods.

HC Group might be exposed to tax-related risks in connection with the acquisition of Hanson and the related restructuring and financing.

HC Group might be exposed to tax-related risks in connection with the implemented capital increase (registered with the Commercial Register on September 22, 2009).

Tax-related risks might arise if HC Group's interest expenses are disallowed.

Changes in tax laws or tax-related case law may have adverse effects on the business and HC Group's financial condition and results of operations.

HeidelbergCement may have to indemnify Saint-Gobain in connection with the divestiture of its dry mortar business (maxit) for an anti-trust fine and alleged non-compliance with environmental laws.

### **Summary of Risk Factors regarding the Guarantor**

As an indirect subsidiary of the Issuer, the Guarantor is dependent on the Issuer, which can influence it, including its financial position. A Holder may thus face the situation that it can neither successfully enforce its claims under the Notes against the Issuer nor the Guarantor.

The Guarantor is exposed to currency risks.

Furthermore, by its nature as a holding company, the Guarantor is indirectly exposed to risks and uncertainties similar to those faced by the Issuer.

The Guarantor and the Issuer may incur liabilities under pension regulations in the UK because of or in connection with the issue of Notes.

### **Summary of Risk Factors regarding the Notes**

The Notes may not be a suitable investment for all investors.

Prior to the issue, there has been no public market for the Notes and there can be no assurance that a liquid secondary market for the Notes will develop or, if it does develop, that it will continue; in an illiquid market, an investor might not be able to sell his Notes at any time at fair market prices.

The Notes may be subject to early redemption at the principal amount, if the Issuer becomes obligated to bear withholding taxes which are or will be leviable on payments of principal or interest in respect of the Notes; if the Issuer calls and redeems the Notes in such case, the noteholders may only be able to reinvest the redemption proceeds in securities with a lower yield.

The price of the Notes may fall as a result of changes in market interest rates.

Market value of the Notes could decrease if the creditworthiness of HC Group worsens.

The Euro denominated Notes could represent a currency risk for a Holder if the Euro represents a foreign currency to such Holder; in addition governments and competent authorities could impose exchange controls in the future.

A Holder of the fixed rate Notes is particularly exposed to the risk that the price of such Notes falls as a result of changes in the market interest rate.

A Holder is subject to the risk to be outvoted and to lose rights towards the Issuer against his will in the case that Holders agree pursuant to the Conditions of Issue to amendments of the Conditions of Issue by majority vote according to the German Act on Debt Securities of 2009 (*Schuldverschreibungsgesetz*). In the case of an appointment of a noteholders' representative for all Holders a particular Holder may lose, in whole or in part, the possibility to enforce and claim his rights against the Issuer regardless of other Holders.

The market value of the Notes might decrease if the market changes its perception of the Issuer's creditworthiness following potential future changes of accounting standards and positions.

There is no restriction on the amount of debt which the Issuer may incur in the future.

### **Summary of Risk Factors regarding the Guarantee**

The Guarantor is also a guarantor under the syndicated facilities agreement and under a USD 250 million letter of guarantee facility, has issued two bonds in an aggregate amount of USD 1,500 million and is guarantor of a USD 750 million bond issued by one of its subsidiaries. The Guarantor also provided an upstream guarantee for the benefit of the creditors of any financial indebtedness of the Issuer. These existing liabilities of the Guarantor together with its liabilities under the Guarantee may exceed its assets; the Guarantee may therefore prove less valuable or even valueless.

The Guarantor could grant future security for any other liabilities, including capital market indebtedness. In an insolvency of the Guarantor the Holders thus risk that their claims under the Guarantee will not be satisfied because the remaining assets could be used as collateral for satisfaction of secured creditors.

The realization of any of the risks described above may affect the Issuer's or the Guarantor's ability to fulfill their payment obligations under the Notes or the Guarantee, respectively, and/or lead to a decline in the market price of the Notes.

## GERMAN TRANSLATION OF THE SUMMARY ZUSAMMENFASSUNG

Der folgende Abschnitt stellt die Zusammenfassung (die "**Zusammenfassung**") der wesentlichen Merkmale und Risiken der Emittentin, der Garantin und der Schuldverschreibungen dar. Die Zusammenfassung ist als Einleitung zu diesem Prospekt zu verstehen. Sie ist keine vollständige Darstellung und im Zusammenhang mit dem Prospekt zu lesen. Der Anleger sollte jede Entscheidung zur Anlage in die Schuldverschreibungen auf die Prüfung des gesamten Prospekts stützen. Für den Fall, dass vor einem Gericht Ansprüche aufgrund der in diesem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der klagende Anleger in Anwendung einzelstaatlicher Rechtsvorschriften die Kosten für die Übersetzung des Prospekts vor Prozessbeginn zu tragen haben. Die Emittentin kann haftbar gemacht werden, jedoch nur für den Fall, dass die Zusammenfassung irreführend, unrichtig oder widersprüchlich ist, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird.

### **Zusammenfassung in Bezug auf die Schuldverschreibungen**

Worte und Begriffe, die in den an anderer Stelle in dem Prospekt wiedergegebenen Anleihebedingungen definiert sind, haben in der Zusammenfassung dieselbe Bedeutung.

<i>Emittentin:</i>	HeidelbergCement AG, Heidelberg, Deutschland
<i>Garantin:</i>	Hanson Limited, Maidenhead, Vereinigtes Königreich von Großbritannien und Nordirland (" <b>Vereinigtes Königreich</b> ")
<i>Status der Schuldverschreibungen:</i>	Die Schuldverschreibungen begründen nicht nachrangige und – mit Ausnahme der Garantie – nicht besicherte Verbindlichkeiten der Emittentin, die untereinander und mit allen anderen nicht besicherten und nicht nachrangigen Verbindlichkeiten der Emittentin gleichrangig sind, soweit diesen Verbindlichkeiten nicht durch zwingende gesetzliche Bestimmungen ein Vorrang eingeräumt wird.
<i>Garantie:</i>	Hanson Limited (die " <b>Garantin</b> ") hat unbedingt und unwiderruflich die pünktliche Zahlung von Kapital und Zinsen sowie sonstiger auf die Schuldverschreibungen zu zahlender Beträge unter einer bestehenden Garantie vom 19. Oktober 2007 garantiert. Die Garantie endet in jedem Fall – ohne dass es einer weiteren Mitteilung bedarf – am Datum der vollständigen Zahlung sämtlicher Verpflichtungen (i) der Garantin unter den 7,875% Schuldverschreibungen fällig 2010, (ii) der Hanson Australia Funding Limited unter den 5,25% Schuldverschreibungen fällig 2013 und (iii) der Hanson Limited unter den 6,125% Schuldverschreibungen fällig 2016. Die Garantie begründet nicht besicherte und nicht nachrangige Verbindlichkeiten der Garantin, die untereinander und mit allen anderen nicht besicherten und nicht nachrangigen Verbindlichkeiten der Garantin gleichrangig sind, ausgenommen solche Verbindlichkeiten, die auf Grund gesetzlicher Bestimmungen zwingend vorrangig sind.
<i>Garantien durch Tochtergesellschaften:</i>	Für den Fall, dass ein Relevantes Tochterunternehmen (mit Ausnahme einer Finanzierungsgesellschaft) Kapitalmarktverbindlichkeiten eingeht oder eine Garantie für Kapitalmarktverbindlichkeiten der Emittentin oder eines Relevanten Tochterunternehmens stellt oder solche auf andere Weise garantiert, hat sich die Emittentin verpflichtet sicherzustellen, dass dieses Relevante Tochterunternehmen den Gläubigern eine unmittelbare und unbedingte Garantie für alle unter den Schuldverschreibungen zu zahlenden Beträge gewährt (eine " <b>Zusätzliche Garantie</b> "), wie im Einzelnen in den Anleihebedingungen beschrieben.
<i>Global Coordinators Joint Lead Managers und Bookrunners:</i>	Deutsche Bank AG, London Branch The Royal Bank of Scotland plc
<i>Joint Lead Managers und Bookrunners:</i>	Commerzbank Aktiengesellschaft Merrill Lynch International
<i>Joint Lead Managers:</i>	Citigroup Global Markets Limited ING Bank N.V., London branch Nordea Bank Danmark A/S

	Société Générale Svenska Handelsbanken AB (publ)
<i>Co-Lead Managers:</i>	Banca IMI S.p.A. Danske Bank A/S Landesbank Hessen-Thüringen Girozentrale Mediobanca – Banca di Credito Finanziaio S.p.A. NATIXIS Skandinaviska Enskilda Banken AB (publ)
<i>Hauptzahlstelle:</i>	Deutsche Bank Aktiengesellschaft
<i>Luxemburger Listing- und Zahlstelle:</i>	Deutsche Bank Luxembourg S.A.
<i>Berechnungsstelle:</i>	Deutsche Bank Aktiengesellschaft
<i>Tranchen:</i>	Die Emittentin begibt insgesamt drei Tranchen Schuldverschreibungen, die sich in ihren Anleihebedingungen bis auf Gesamtnennbetrag, festgelegte Stückelung, Laufzeit und Fälligkeit, Zinszeiträumen sowie anwendbaren Zinssatz entsprechen. Diese Tranchen (die " <b>Tranchen</b> ") sind die " <b>2014 Schuldverschreibungen</b> ", die " <b>2017 Schuldverschreibungen</b> " und die " <b>2019 Schuldverschreibungen</b> ". Jede Schuldverschreibung unter einer der Tranchen ist als " <b>Schuldverschreibung</b> " definiert.
<i>Gesamtnennbetrag:</i>	2014 Schuldverschreibungen: EUR 1.000.000.000 2017 Schuldverschreibungen: EUR 1.000.000.000 2019 Schuldverschreibungen: EUR 500.000.000
<i>Ausgabepreis:</i>	2014 Schuldverschreibungen: 98,465% 2017 Schuldverschreibungen: 97,349% 2019 Schuldverschreibungen: 96,739%
<i>Tag der Begebung und Verzinsungsbeginn:</i>	21. Oktober 2009
<i>Fälligkeitstag:</i>	2014 Schuldverschreibungen: 31. Oktober 2014 2017 Schuldverschreibungen: 31. Januar 2017 2019 Schuldverschreibungen: 31. Oktober 2019
<i>Stückelung:</i>	Die Schuldverschreibungen werden im Nennbetrag von je EUR 1.000 begeben.
<i>Form der Schuldverschreibungen:</i>	Jede Tranche der Schuldverschreibungen wird anfänglich durch eine vorläufige Inhaber-Globalurkunde (die " <b>vorläufige Globalurkunde</b> ") ohne Zinsscheine verbrieft, welche bei einem common safekeeper im Namen von sowohl Clearstream Banking, société anonyme, Luxemburg (" <b>CBL</b> ") als auch Euroclear Bank SA/NV (" <b>Euroclear</b> ", Euroclear und CBL zusammen das " <b>Clearing System</b> " und die " <b>ICSDs</b> ") hinterlegt werden. Schuldverschreibungen, die durch die vorläufige Globalurkunde verbrieft sind, werden gegen Schuldverschreibungen, die durch eine Inhaber-Dauerglobalurkunde (die " <b>Dauerglobalurkunde</b> ", und jede der vorläufigen Globalurkunden und der Dauerglobalurkunde, die " <b>Globalurkunde</b> ") ohne Zinsscheine verbrieft sind, nicht früher als 40 Tage nach dem Begebungstag gemäß den in den Anleihebedingungen dargelegten Bestimmungen ausgetauscht. Insbesondere ein solcher Austausch und jegliche Zinszahlung auf durch die vorläufige Globalurkunde verbrieft Schuldverschreibungen erfolgen erst nach Vorlage von Bescheinigungen, wonach der wirtschaftliche Eigentümer der durch die vorläufige Globalurkunde verbrieften Schuldverschreibungen keine U.S.-Person ist, gemäß den Regelungen und Betriebsverfahren des Clearing Systems. Zahlungen auf die vorläufige Globalurkunde erfolgen erst nach Vorlage solcher Bescheinigungen. Es werden keine Einzelurkunden und keine Zinsscheine begeben.  Die Schuldverschreibungen werden in Form einer <i>New Global Note</i> (" <b>NGN</b> ") ausgegeben und von einem <i>common safekeeper</i> (gemeinsamer Verwahrer) im Namen beider ICSDs verwahrt.



*Zinsen:*

Die 2014 Schuldverschreibungen werden vom 21. Oktober 2009 (einschließlich) bis zum 31. Oktober 2014 (ausschließlich), mit einem jährlichen Zinssatz von 7,5% verzinst. Die Zinsen sind nachträglich halbjährlich am 30. April und am 31. Oktober eines jeden Jahres zahlbar. Die erste Zinszahlung auf die 2014 Schuldverschreibungen erfolgt am 30. April 2010, bezieht sich auf den ersten langen Zinszeitraum vom 21. Oktober 2009 (einschließlich) bis zum 30. April 2010 (ausschließlich) und beläuft sich auf EUR 39,37 pro festgelegte Stückelung.

Die 2017 Schuldverschreibungen werden vom 21. Oktober 2009 (einschließlich) bis zum 31. Januar 2017 (ausschließlich), mit einem jährlichen Zinssatz von 8,0% verzinst. Die Zinsen sind nachträglich halbjährlich am 31. Januar und am 31. Juli eines jeden Jahres zahlbar. Die erste Zinszahlung auf die 2017 Schuldverschreibungen erfolgt am 31. Januar 2010, bezieht sich auf den ersten kurzen Zinszeitraum von 21. Oktober 2009 (einschließlich) bis zum 31. Januar 2010 (ausschließlich) und beläuft sich auf EUR 22,00 pro festgelegte Stückelung.

Die 2019 Schuldverschreibungen werden vom 21. Oktober 2009 (einschließlich) bis zum 31. Oktober 2019 (ausschließlich) mit einem jährlichen Zinssatz von 8,5% verzinst. Die Zinsen sind nachträglich halbjährlich am 30. April und am 31. Oktober eines jeden Jahres zahlbar. Die erste Zinszahlung auf die 2019 Schuldverschreibungen erfolgt am 30. April 2010, bezieht sich auf den ersten langen Zinszeitraum vom 21. Oktober 2009 (einschließlich) bis zum 30. April 2010 (ausschließlich) und beläuft sich auf EUR 22,31 pro festgelegte Stückelung.

*Steuern:*

Sämtliche auf die Schuldverschreibungen zu zahlenden Beträge sind ohne Einbehalt oder Abzug von oder aufgrund von gegenwärtigen oder zukünftigen Steuern oder sonstigen Abgaben gleich welcher Art zu leisten, die von oder in der Bundesrepublik Deutschland, dem Vereinigten Königreich oder für deren Rechnung oder von oder für Rechnung einer politischen Untergliederung oder Steuerbehörde an der Quelle auferlegt oder erhoben werden (die "**Quellensteuer**"), es sei denn, ein solcher Einbehalt oder Abzug ist gesetzlich vorgeschrieben. In einem solchen Fall wird die Emittentin, vorbehaltlich der in den Anleihebedingungen festgelegten Ausnahmen, diejenigen zusätzlichen Beträge zahlen, die erforderlich sind, damit die den Inhabern eines Miteigentumsanteils oder anderen vergleichbaren Rechts an den Schuldverschreibungen (jeweils ein "**Gläubiger**") zufließenden Nettobeträge nach diesem Einbehalt oder Abzug jeweils den Beträgen an Kapital und Zinsen entsprechen, die ohne einen solchen Einbehalt oder Abzug empfangen worden wären.

*Vorzeitige Rückzahlung aus steuerlichen Gründen:*

Die vorzeitige insgesamt, jedoch nicht teilweise Rückzahlung der Schuldverschreibungen zu ihrem Nennwert zuzüglich aufgelaufener Zinsen aus steuerlichen Gründen ist nach Wahl der Emittentin zulässig, falls als Folge einer Änderung oder Ergänzung der Steuer- oder Abgabengesetze oder Vorschriften (einschließlich jeder Änderung oder Ergänzung der Anwendung oder der offiziellen Auslegung dieser Gesetze oder Vorschriften) der Bundesrepublik Deutschland oder des Vereinigten Königreichs oder deren politischen Untergliederungen oder Steuerbehörden, die Emittentin bzw. die Garantin zur Zahlung zusätzlicher Beträge auf die Schuldverschreibungen verpflichtet ist, wie im Einzelnen in den Anleihebedingungen beschrieben.

*Vollständige Rückzahlung:*

Die Anleihebedingungen sehen vor, dass die Emittentin die Schuldverschreibungen jederzeit nach ihrer Wahl insgesamt, jedoch nicht teilweise, zu dem Nennbetrag zuzüglich aufgelaufener Zinsen und einer Anwendbaren Prämie zurückzahlen kann. Die Anwendbare Prämie wird, unter anderem, mittels einer Abzinsung des Nennbetrags der Schuldverschreibungen und der verbleibenden

	<p>vorgesehenen Zinszahlungen anhand der Verzinsung einer vergleichbaren Bundesanleihe der Bundesrepublik Deutschland zuzüglich 0,5% berechnet; alles wie im Einzelnen in den Anleihebedingungen beschrieben.</p>
<i>Vorzeitige Rückzahlung bei Kontrollwechsel:</i>	<p>Die Anleihebedingungen gewähren den Gläubigern das Recht, die vorzeitige Rückzahlung der Schuldverschreibungen zu 101% ihres Nennbetrags zuzüglich aufgelaufener Zinsen, insgesamt oder teilweise zu verlangen, sofern ein Kontrollwechsel im Zusammenhang mit der Emittentin stattfindet, wie im Einzelnen in den Anleihebedingungen beschrieben.</p>
<i>Beschränkung der Verschuldung:</i>	<p>Vorbehaltlich bestimmter Ausnahmen, wie im Einzelnen in den Anleihebedingungen beschrieben, wird die Emittentin nach dem Begebungstag keine zusätzlichen Finanzverbindlichkeiten eingehen und veranlassen, dass ihre Relevanten Tochterunternehmen (wie nachfolgend definiert) keine zusätzlichen Finanzverbindlichkeiten eingehen, wenn der Konsolidierte Deckungsgrad der Emittentin bei Eingehung der zusätzlichen Finanzverbindlichkeit nicht mindestens 2,0 zu 1,0 betragen würde; wie im Einzelnen in den Anleihebedingungen beschrieben.</p>
<i>Negativverpflichtung:</i>	<p>In den Anleihebedingungen stimmt die Emittentin – vorbehaltlich bestimmter Ausnahmen – zu, keine Sicherheiten zur Besicherung von Kapitalmarktverbindlichkeiten oder einer gewährten Garantie oder Freistellung bezüglich einer Kapitalmarktverbindlichkeit einer anderen Person zu bestellen oder fortbestehen zu lassen und ihre Tochterunternehmen zu veranlassen, keine solchen Sicherungsrechte zu bestellen oder fortbestehen zu lassen, ohne gleichzeitig für alle unter den Schuldverschreibungen zahlbaren Beträge entweder dieselben oder gleichwertige Sicherheiten zu stellen, wie im Einzelnen in den Anleihebedingungen beschrieben. <b>„Kapitalmarktverbindlichkeit“</b> bedeutet jede Verbindlichkeit hinsichtlich der Rückzahlung geliehener Geldbeträge, die entweder durch (i) einen deutschem Recht unterliegenden Schuldschein oder durch (ii) Schuldverschreibungen, Anleihen oder sonstige Wertpapiere, die an einer Börse oder an einem anderen anerkannten Wertpapiermarkt notiert oder gehandelt werden oder werden können, verbrieft, verkörpert oder dokumentiert sind.</p>
<i>Kündigungsgründe:</i>	<p>Die Schuldverschreibungen sehen Kündigungsgründe vor, die die Gläubiger berechtigen, die unverzügliche Rückzahlung der Schuldverschreibungen zu verlangen, wie im Einzelnen in den Anleihebedingungen beschrieben. Die Kündigungsgründe beinhalten auch zeit- und inhaltsgebundene Berichtspflichten bezüglich des konsolidierten Deckungsgrads.</p>
<i>Cross Default:</i>	<p>Die Anleihebedingungen enthalten eine Cross-Default-Klausel (Drittverzugsklausel) in Bezug auf Verbindlichkeit für geliehene Gelder in Höhe von mehr als EUR 50.000.000.</p>
<i>Gläubigerbeschluss:</i>	<p>Im Einklang mit dem Gesetz über Schuldverschreibungen aus Gesamtemissionen von 2009 (Schuldverschreibungsgesetz – SchVG) enthalten die Schuldverschreibungen Bedingungen, die die Gläubiger jeder Tranche zur Änderung der Anleihebedingungen der jeweiligen Tranche durch Beschluss berechtigen, sowie zu weiteren Beschlüssen im Zusammenhang mit den Schuldverschreibungen der jeweiligen Tranche wie z.B. der Bestellung oder Abberufung eines gemeinsamen Vertreters der Gläubiger. Ordnungsgemäß durch Abstimmung ohne Abhaltung einer Versammlung gefasste Beschlüsse der Gläubiger sind für alle Gläubiger verbindlich, wobei jedoch Beschlüsse, die nicht für alle Gläubiger identische Bedingungen vorsehen, unwirksam sind, es sei denn, dass die benachteiligten Gläubiger ausdrücklich einer solchen Benachteiligung zustimmen. In keinem Fall ist jedoch ein Beschluss zulässig, durch den ein Gläubiger verpflichtet wird, eine Zahlung oder sonstige Leistung zu erbringen. Im Einklang mit den</p>

	Anleihebedingungen ist für Beschlüsse über wesentliche Änderungen der Anleihebedingungen eine Stimmenmehrheit von mindestens – je nach zu beschließender Maßnahme – 85% oder 75% erforderlich. Beschlüsse über alle anderen Änderungen bedürfen einer einfachen Mehrheit.
<i>Anwendbares Recht:</i>	Die Schuldverschreibungen und die Garantie unterliegen deutschem Recht.
<i>Gerichtsstand:</i>	Nicht ausschließlicher Gerichtsstand für alle gerichtlichen Verfahren im Zusammenhang mit den Schuldverschreibungen ist Heidelberg. Ausschließlicher Gerichtsstand für alle gerichtlichen Verfahren aus oder im Zusammenhang mit der Garantie ist Heidelberg.
<i>Verwendung der Erlöse:</i>	Der Nettoerlös aus der Ausgabe der Schuldverschreibungen wird sich auf ca. EUR 2.397 Millionen belaufen und insgesamt zur Teilrückzahlung der EUR 8,7 Mrd. syndizierten Kreditfazilität verwendet werden.
<i>Börsenzulassung und Listing:</i>	Für die Schuldverschreibungen wurde die Zulassung zum Handel im regulierten Markt der Luxemburger Wertpapierbörse sowie die Notierung an der official list der Luxemburger Wertpapierbörse beantragt.
<i>Verkaufsbeschränkungen:</i>	Das Angebot und der Verkauf von Schuldverschreibungen sowie die Verteilung von Angebotsmaterialien unterliegen regulatorischen Beschränkungen. Die in der Europäischen Union, den Vereinigten Staaten von Amerika und dem Vereinigten Königreich geltenden Beschränkungen sind unter "Subscription and Sale of the Notes" dargestellt.
<i>Abwicklung und Settlement:</i>	Die Schuldverschreibungen sind zur Abwicklung durch das Clearing System angenommen worden. Die ISIN der 2014 Schuldverschreibungen lautet XS0458230082, die der 2017 Schuldverschreibungen XS0458230322 und die der 2019 Schuldverschreibungen XS0458685913.
<i>Verfügbarkeit von Dokumenten:</i>	Der Prospekt und die hierin einbezogenen Dokumente können entweder auf der Internetseite der Luxemburger Wertpapierbörse ( <a href="http://www.bourse.lu">www.bourse.lu</a> ) abgerufen werden und sind in gedruckter Form unter der Adresse der Zahlstelle in Luxemburg, Deutsche Bank Luxembourg S.A. Luxemburg, Luxemburg erhältlich.

### **Die Geschäftstätigkeit des HC Konzerns**

Der HC-Konzern ist in ungefähr 40 Ländern auf fünf Kontinenten als voll vertikal integrierter Baustoffhersteller tätig. Zum Kerngeschäft gehören die Herstellung und der Vertrieb von Zement und Zuschlagstoffen als die zwei wesentlichen Komponenten für die Herstellung von Beton. Die Produktpalette wird durch nachgelagerte Aktivitäten wie Transportbeton, Asphalt, Betonprodukte und Betonelemente sowie weitere verwandte Produkte und Serviceleistungen ergänzt und umfasst somit annähernd die gesamte Zement-Wertschöpfungskette.

Nach der Übernahme der Hanson plc („**Hanson**“) im August 2007 hat der HC-Konzern seine Position in der Baustoffindustrie weiter gefestigt. Ausgehend von den Absatzzahlen für 2008 ist der HC-Konzern nach eigener Einschätzung unter den global diversifizierten Baustoffherstellern weltweit die Nummer 1 im Bereich Zuschlagstoffe mit einem Absatz von annähernd 300 Mio. Tonnen und steht sowohl im Bereich Zement mit einem Absatz von etwa 89 Mio. Tonnen als auch im Bereich Transportbeton mit einem Absatz von annähernd 44 Mio. Kubikmetern weltweit jeweils an dritter Stelle. Zum 31. Dezember 2008 gehörten 1.027 Tochtergesellschaften zum HC-Konzern mit insgesamt ungefähr 2.600 Standorten in ungefähr 40 Ländern. In dem Sechs-Monats-Zeitraum bis zum 30. Juni 2009 erzielte der HC-Konzern einen Umsatz in Höhe von € 5,4 Mrd.; in dem am 31. Dezember 2008 endenden Geschäftsjahr betrug der Umsatz € 14,2 Mrd. Das operative Ergebnis vor Abschreibungen („**OIBD**“) betrug für den am 30. Juni 2009 endenden Sechs-Monats-Zeitraum € 836 Mio., und für das am 31. Dezember 2008 endende Geschäftsjahr € 2,9 Mrd. Zum 30. Juni 2009 beschäftigte der HC-Konzern weltweit etwa 57.000 Mitarbeiter.

Der HC-Konzern berichtet über seine verschiedenen lokalen Geschäftsaktivitäten für drei geographische Konzerngebiete: Europa, Nordamerika und Asien-Australien-Afrika. Innerhalb dieser drei geographischen

Konzerngebiete werden die Geschäftsaktivitäten des HC-Konzerns in die folgenden Geschäftsbereiche unterteilt:

*Zement:* Im Geschäftsbereich Zement stellt der HC-Konzern unterschiedliche Zementarten in etwa 100 Zement- und Zementmahlwerken für unterschiedlichen Gebrauch wie beispielsweise im Wohnungs- und Wirtschaftsbau und im Hoch- und Tiefbau her. In dem am 30. Juni 2009 endenden Sechs-Monats-Zeitraum betrug der im Geschäftsbereich Zement des HC-Konzerns erzielte Umsatz € 2.531 Mio. (das entspricht etwa 47,1% des Gesamtumsatzes des HC-Konzerns (nach Abzug der Innenumsätze aber einschließlich Konzernservice und abzüglich Innenumsätze zwischen den Konzerngebieten) für diesen Zeitraum) (im Geschäftsjahr 2008: € 6.298 Mio.).

*Zuschlagstoffe und Beton:* Der Geschäftsbereich Zuschlagstoffe und Beton besteht aus vier an der Herstellung und dem Vertrieb von Zuschlagstoffen, Transportbeton, Betonprodukten und Asphalt beteiligten Sparten. Die Produktpalette des Geschäftsbereichs Zuschlagstoffe und Beton umfasst die verschiedenen Arten von Zuschlagstoffen (Sand, Kies, Schotter), die aus etwa 600 Sand-, Schotter- und Hartgesteinsgruben gewonnen werden, sowie einer großen Bandbreite unterschiedlicher Arten von Transportbeton, die mit unterschiedlichen Eigenschaften in annähernd 1.400 Werken für spezifische Anwendungen und Umweltbedingungen produziert werden. Dieser Geschäftsbereich wird durch die Asphaltproduktion in etwa 100 Asphaltwerken ergänzt. In dem am 30. Juni 2009 endenden Sechs-Monats-Zeitraum betrug der im Geschäftsbereich Zuschlagstoffe und Beton des HC-Konzerns erzielte Umsatz € 2.445 Mio. (das entspricht etwa 45,5% des Gesamtumsatzes des HC-Konzerns (nach Abzug der Innenumsätze aber einschließlich Konzernservice und abzüglich Innenumsätze zwischen den Konzerngebieten) für diesen Zeitraum) (im Geschäftsjahr 2008: € 6.766 Mio.).

*Bauprodukte:* Der Geschäftsbereich Bauprodukte umfasst vornehmlich die Aktivitäten in Nordamerika und dem Vereinigten Königreich und besteht aus drei an der Herstellung und dem Vertrieb von Mauerziegeln, Luftporenbeton und Rohren beteiligten Sparten. Der Geschäftsbereich Bauprodukte bietet eine große Bandbreite an Produkten, die hauptsächlich im Wohnungsbau eingesetzt werden. In dem am 30. Juni 2009 endenden Sechs-Monats-Zeitraum betrug der im Geschäftsbereich Bauprodukte des HC-Konzerns erzielte Umsatz € 652 Mio. (das entspricht etwa 12,1% des Gesamtumsatzes des HC-Konzerns (nach Abzug der Innenumsätze aber einschließlich Konzernservice und abzüglich Innenumsätze zwischen den Konzerngebieten) für diesen Zeitraum) (im Geschäftsjahr 2008: € 1.677 Mio.).

### **Die Wettbewerbsstärken des HC Konzerns**

Der HC-Konzern zeichnet sich nach eigener Auffassung durch die folgenden Wettbewerbsstärken aus:

*Führende Marktpositionen weltweit und ausgezeichnete Aufstellung in den wichtigsten Märkten weltweit:* Durch sein organisches Wachstum, seine strategischen Übernahmen und Joint Ventures hat sich der HC-Konzern nach seiner Ansicht in den letzten Jahren eine weltweit führende Position in den wichtigsten Märkten für Zement, Zuschlagstoffe und Beton, die Kerngeschäftsbereiche des Konzerns, gesichert. Nach eigenen Schätzungen, die im Wesentlichen von Veröffentlichungen anderer Unternehmen und Studien des Global Cement Directory bestätigt werden, ist der HC-Konzern, ausgehend von den Absatzzahlen für 2008, unter den global diversifizierten Herstellern weltweit die Nummer 1 bei Zuschlagstoffen, und steht sowohl im Bereich Zement als auch im Bereich Transportbeton weltweit jeweils an dritter Stelle. Diese starken globalen Marktpositionen werden durch regionale Führungspositionen weiter gestärkt. Nach eigener Auffassung belegt der HC-Konzern nach Umsatz in vielen wichtigen regionalen Zementmärkten weltweit die erste, zweite oder dritte Marktposition.

*Ein vertikal integriertes Baustoffunternehmen mit einem ausgewogenen Portfolio an Geschäftsaktivitäten und geographischen Regionen:* Nach der Übernahme von Hanson im Jahre 2007 hat sich der HC-Konzern in ein vertikal integriertes Baustoffunternehmen gewandelt, das in vielen seiner Hauptmärkte eine Führungsposition in den Bereichen Zement, Zuschlagstoffe und Transportbeton innehat. Im Rahmen dieses Transformationsprozesses hat der HC-Konzern das Management seiner drei Geschäftsbereiche innerhalb der verschiedenen Konzerngebiete auf ein integriertes Organisationsmodell umgestellt und dadurch eine höhere Kosteneffizienz und größere Profitabilität erzielt. Der HC-Konzern ist der Ansicht, dass seine vertikale Integration zur Absicherung einer ausreichenden Rohstoffversorgung beiträgt, einen wirksamen Schutz gegen Schwankungen der Rohstoffpreise darstellt und darüber hinaus ein Cross-Selling-Potenzial zwischen den einzelnen Konzerngebieten und Geschäftsbereichen bietet. Außerdem ergeben sich daraus ein breiteres Netz von Vertriebskanälen und zusätzliche Marktzugänge.

*Die Hanson-Übernahme und -Integration als Schlüssel für eine horizontale Diversifikation und vertikale Integration auf globaler Ebene:* Die Übernahme von Hanson im Jahre 2007 hat beträchtlich zur Umsetzung des Ziels des HC-Konzerns im Hinblick auf eine führende Marktposition als horizontal diversifizierter und vertikal integrierter Zulieferer von Zement, Zuschlagstoffen und Beton beigetragen. Während Hansons starke Marktposition bei Zuschlagstoffen und Transportbeton wichtige Geschäftsbereiche zum bestehenden Produktportfolio des HC-Konzerns hinzufügte und die Wertschöpfungskette des Konzerns innerhalb seines Kerngeschäfts komplettierte, trug die besondere geographische Marktpresenz von Hanson gleichzeitig dazu bei, die regionale Präsenz des HC-Konzerns weiter auszubauen.

*Langjährige Erfahrung in den wichtigsten Märkten mit erheblichen Eintrittsbarrieren:* Der HC-Konzern vereinigt eine langjährige Erfolgsgeschichte als Zementhersteller am Zementmarkt mit einem nachhaltigen Zugang zu den notwendigen Rohstoffen. Dies wird weiter ergänzt durch hoch entwickeltes eigenes Know-How in der Verarbeitung und Fachwissen in komplexen Betonherstellungstechniken. Um diese Position zu erreichen hat der HC-Konzern kontinuierlich beträchtliche Investitionen in den Bereichen Produktionsmittel und Verarbeitung getätigt. Der kapitalintensive Aufbau und Betrieb eines integrierten Zementwerkes, die erforderlichen Lizenzen/Konzessionen für den Abbau von Rohstoffen und der notwendige, möglichst nahe Zugang zu den Rohstoffen sowie die Komplexität vertikaler Integration bilden hohe Eintrittsbarrieren zu den Märkten für Zement und Zuschlagstoffe.

*Reputation als Marktführer in Bezug auf Qualität, in Kombination mit einer stabilen weltweit diversifizierten Kundenbasis:* Der HC-Konzern zeichnet sich mit seinen Produkten durch hohe und konstante Qualität und Verlässlichkeit aus und wird nach eigener Einschätzung von seinen Kunden in den Märkten für Zement, Zuschlagstoffe, Beton und verwandte Bauprodukte als führend in der Qualität angesehen. Entsprechend sind die Beziehungen des HC-Konzerns zu Kunden in der Baubranche in aller Regel langfristiger Natur. Dadurch war es dem HC-Konzern möglich, über die letzten Jahrzehnte eine stabile, breit aufgestellte Kundenbasis mit einer ausgewogenen geographischen Diversifikation aufzubauen.

*Globales Netzwerk von Produktionsanlagen mit einfachem Zugang zu den wichtigsten Ballungsgebieten:* Das internationale Netz an Produktionsanlagen zur Herstellung von Zement, Zuschlagstoffen und Beton des HC-Konzerns in Verbindung mit seinem starken weltweiten Handelsgeschäft sorgen für einen einfacheren Zugang zu den Hauptmärkten des HC-Konzerns und einen effektiveren Vertrieb seiner Produkte sowohl an seine Kunden als auch innerhalb des HC-Konzerns. Die Produktionsanlagen des Konzerns sind auf der ganzen Welt verteilt. Insbesondere die Zementwerke zeichnen sich nach Ansicht des HC-Konzerns durch hohe Leistungsfähigkeit aus und setzen in manchen Fällen Branchenstandards in Bezug auf Kosteneffizienz. Der HC-Konzern operiert mit etwa 2.600 Betriebsstätten in ungefähr 40 Ländern in Europa, Nordamerika, Asien, Afrika und Australien. Die geographische Streuung ermöglicht eine große Nähe zu den Kunden und trägt zum Schutz gegen die Volatilität an regionalen Märkten bei, während gleichzeitig die potenziellen Auswirkungen eines etwaigen regionalen Abschwungs gemildert werden. Die verschiedenen Produktionsanlagen des HC-Konzerns befinden sich auf allen Kontinenten, auf denen er geschäftlich aktiv ist, zum überwiegenden Teil in der Nähe von Ballungsräumen. Diese Nähe sorgt für einen einfachen Zugang des HC-Konzerns zu seinen Hauptmärkten auf diesen Kontinenten und verringert die Transportkosten.

*Das Ertrags- und Umsatzprofil des HC-Konzerns profitiert von der großen geographischen Streuung seiner Geschäftstätigkeit, Skaleneffekten und relativ stabilen Preisen für seine Produkte:* Aufgrund seiner globalen Marktpräsenz, des integrierten Managementmodells für die verschiedenen Geschäftsbereiche und der großen breitgefächerten Kundenbasis, die von Wohnungsbauunternehmen bis hin zu öffentlichen Bauträgern reicht, kann der HC-Konzern in gewissem Maße die zyklischen Schwankungen in der Bauindustrie ausgleichen, denen er ausgesetzt ist, obwohl diese Maßnahmen in einer globalen Rezession wahrscheinlich keinen Schutz gegen einen Abschwung bieten können, wie er sich seit der zweiten Jahreshälfte 2007 entwickelt hat. Weitere positive Beiträge zum Ertrags- und Umsatzprofil des HC-Konzerns ergeben sich aus seiner Fähigkeit zur Erzielung von Skaleneffekten, die sich aus der höheren Effizienz großer Produktionseinheiten und gebündelter Einkaufsvolumina ergeben, sowie aus dem relativ stabilen Preisniveau für die Schlüsselprodukte des HC-Konzerns.

*Erfahrenes Management-Team:* Das Senior-Management-Team der HeidelbergCement verfügt nicht nur über ein hohes Maß an Erfahrung in den Märkten, in denen der HC-Konzern aktiv ist, sondern auch über beträchtliche betriebliche, technische und marktspezifische Kenntnisse. Seit 2005 hat das Management-Team von HeidelbergCement das Unternehmen auf kontinuierlichem Wege in ein vertikal integriertes Bausstoffunternehmen umgewandelt, mit einer klaren dualen Wachstumsstrategie, die auf Zement und Zuschlagstoffe zur Herstellung von Transportbeton und anderen Betonprodukten ausgerichtet ist.

### **Die Strategie des HC Konzerns**

Die Eckpfeiler der Geschäftsstrategie des HC-Konzerns sind:

*Vertikale Integration als langfristiges Ziel:* Um seine Marktposition langfristig zu sichern hat der HC-Konzern seine Unternehmensstrategie neu ausgerichtet. Mit der Übernahme von Hanson bilden nunmehr neben dem traditionellen Kerngeschäft Zement Zuschlagstoffe die zweite strategische Säule. Diese starke Rohstoffbasis wird durch weit verzweigte Vertriebskanäle mit einer Vielzahl von nachgelagerten Produkten wie Transportbeton, Asphalt und verwandte Bauprodukte ergänzt. Der HC-Konzern hat sich seit dieser Zeit zu einem horizontal diversifizierten und vertikal integrierten „Global Player“ mit breiter geographischer Diversifikation und Fokus auf Rohstoffen und nachgelagerten Produkten entwickelt.

*Fokus auf dualer Wachstumsstrategie:* Die Wertschöpfungsmaßnahmen des HC-Konzerns bei der Verarbeitung natürlicher Ressourcen basieren auf einer dualen Wachstumsstrategie mit Schwerpunkt auf Zement und Zuschlagstoffen zur Herstellung von Transportbeton und anderen Betonprodukten, welche bei Baumaßnahmen in fast allen Bauabschnitten zum Einsatz kommen. Diese duale Wachstumsstrategie ist eng auf die unterschiedliche Reife der Märkte des HC-Konzerns abgestellt. Bei Eintritt in einen attraktiven Schwellenmarkt liegt der Fokus auf der



Produktion und dem Verkauf von Zement, als einem der Hauptprodukte an diesen Märkten. Dies ermöglicht es dem HC-Konzern, sein technologisches Know-How und seine betriebliche Erfahrung in der Herstellung von Zement einzusetzen. In den reiferen und entwickelten Märkten bietet der HC-Konzern seine gesamte Kernproduktpalette an, mit besonderem Schwerpunkt auf Zuschlagstoffen, bedingt durch die typische Ressourcenknappheit in diesen Märkten. Die Hanson-Übernahme hat erheblich zu diesem Konzept beigetragen, da der HC-Konzern dadurch Zugang zu einigen der nach seiner Ansicht attraktivsten Rohstoffvorkommen für Zuschlagstoffe der Branche in den Vereinigten Staaten und im Vereinigten Königreich erhalten hat. Während der Schwerpunkt des HC-Konzerns bei der Erhöhung des Marktanteils im Zementgeschäft primär auf externe Wachstumsmaßnahmen (d.h. Akquisitionen) ausgerichtet ist, entwickelt er den Geschäftsbereich Zuschlagstoffe und Beton in beide Richtungen, d.h. sowohl durch Wachstumsmaßnahmen als auch durch organische Weiterentwicklung.

*Fokus auf globaler Expansion und Diversifikation:* Der HC-Konzern war aktiv am Konsolidierungsprozess in den reifen Märkten und den Expansionsprozessen in den Schwellenmärkten beteiligt. In diesem Zusammenhang beabsichtigt der HC-Konzern, wenn auch in geringerem Maße als in den vergangenen Jahren, sein Produkt- und Anlagenportfolio in den Kerngeschäftsbereichen weiter zu diversifizieren und die Produktionskapazitäten über gezielte Investitionen, soweit deren Finanzierung gesichert werden kann, weiter auszubauen. Die Stärkung seiner globalen Aufstellung bringt für den HC-Konzern nach eigener Einschätzung verschiedene entscheidende Vorteile, die zur Sicherung seiner Position als Marktführer beitragen. Schwankungen der regionalen und/oder saisonalen Nachfrage können durch die breite geographische Aufstellung des Konzerns abgefangen werden, da unterschiedliche geographische Märkte häufig unterschiedlichen Wirtschaftszyklen unterworfen sind. Außerdem kann der HC-Konzern von Größenvorteilen durch Bündelung bei der Beschaffung profitieren.

*Verbesserung der Kosteneffizienz, der internen operativen Entscheidungsprozesse und der Profitabilität:* Im Rahmen des konzernweiten Programms „Fitness 2009“ verfolgt der HC-Konzern seine Strategie zur Verbesserung der Kosteneffizienz durch Eliminierung von Redundanzen und Rationalisierung der Unternehmensstrukturen über alle Stationen der Wertschöpfungskette. Dazu gehören auch die Verringerung des Klinkeranteils, die verstärkte Nutzung von alternativen Brennstoffen in Zementwerken, die Zentralisierung administrativer Funktionen, die Optimierung der Versorgung mit Rohstoffen und der Logistik sowie ein weiterhin hohes Maß an Disziplin in Bezug auf die Investitionstätigkeit. In diesem Zusammenhang beabsichtigt der HC-Konzern seine Rentabilität durch Verbesserung der Entscheidungsprozesse und eine strikte Kostenkontrolle zu erhöhen.

*Nachhaltigkeit:* Nachhaltigkeit ist eine wichtige Säule in der Unternehmensstrategie der Emittentin. Der HC-Konzern ist bestrebt, in einer sozial und ökologisch verantwortungsvollen Weise zu handeln. Die zentralen Bestandteile der Nachhaltigkeitsstrategie des HC-Konzerns ergeben sich aus seinem Kerngeschäft und dessen Auswirkungen auf die Umwelt und die Gesellschaft. Die Schwerpunkte dieser Nachhaltigkeitsstrategie sind Arbeits- und Gesundheitsschutz, Energie und Klimaschutz, biologische Vielfalt, nachhaltiges Bauen, Nutzung alternativer Brennstoffe und Verringerung sonstiger schädlicher Umwelteffekte.

*Stärkung der Finanzstruktur des HC-Konzerns:* Die Emittentin ist entschlossen, die Finanzierungsstruktur des HC-Konzerns langfristig neu zu ordnen und zu stärken. In diesem Zusammenhang ist der HC-Konzern bestrebt, sein Liquiditätsprofil zu verbessern und die finanzielle Flexibilität im Hinblick auf die Wahrnehmung künftiger Wachstumschancen zu stärken. Zusätzlich zu der Stärkung seiner Finanzstruktur liegt der Fokus des HC-Konzerns auf einem strikten Liquiditätsmanagement. Diese Maßnahmen sollen die Ratings der Emittentin verbessern und den Zugang zu verschiedenen Finanzierungsquellen erleichtern.

### **Ausgewählte Finanzinformationen in Bezug auf den HC-Konzern**

Die folgende Aufstellung stellt die wichtigsten finanziellen Angaben des HC-Konzerns dar, basierend auf den geprüften nach den International Financial Reporting Standards des International Accounting Standards Board (IASB), wie sie in der EU anzuwenden sind („IFRS“), und den nach § 315a Abs. 1 Handelsgesetzbuch („HGB“) ergänzend anzuwendenden handelsrechtlichen Vorschriften erstellten Konzernabschlüssen der Emittentin für die zum 31. Dezember 2007 und 2008 endenden Geschäftsjahre sowie auf dem ungeprüften verkürzten



Konzernzwischenabschluss der Emittentin für den zum 30. Juni 2009 endenden Sechs-Monats-Zeitraum, der nach den IFRS (IAS 34) erstellt wurde:

	Geschäftsjahr endend zum 31. Dezember		1. Januar – 30. Juni	
	2007	2008	2008	2009
	(in Millionen €) geprüft		(in Millionen €) ungeprüft	
Umsatzerlöse . . . . .	10.862,3	14.187,1	6.927,7	5.369,9
Gesamtleistung . . . . .	10.805,2	14.285,1	6.935,5	5.219,3
Operatives Ergebnis vor Abschreibungen (OIBD) . . . . .	2.423,2 <sup>(1)</sup>	2.945,6	1.289,9 <sup>(3)</sup>	836,2
Operatives Ergebnis . . . . .	1.850,4 <sup>(1)</sup>	2.146,7	901,2 <sup>(3)</sup>	456,9
Betriebsergebnis (EBIT) . . . . .	2.838,8 <sup>(1)</sup>	1.827,4	961,2 <sup>(3)</sup>	523,8
Ergebnis vor Steuern aus fortzuführenden Geschäftsbereichen . . . . .	2.343,4	997,9	578,8	161,9
Ergebnis nach Steuern aus fortzuführenden Geschäftsbereichen . . . . .	1.974,4	670,5	459,8	328,0
Jahresüberschuss . . . . .	2.118,8	1.919,8	1.730,6	318,3
davon Anteil der Gruppe . . . . .	2.021,8	1.808,2	1.674,3	270,0
Bilanzsumme . . . . .	29.201,4 <sup>(2)</sup>	26.288,1	—	27.078,5
Ergebnis nach Steuern aus fortzuführenden Geschäftsbereichen . . . . .	1.974,4	670,5	459,8	328,0
Cashflow . . . . .	1.679,5	2.044,2	904,2	222,8
Veränderung des Working Capital . . . . .	308,6 <sup>(1)</sup>	–170,1	–661,8 <sup>(3)</sup>	–27,6
Mittelfluss aus operativer Geschäftstätigkeit – fortzuführendes Geschäft . . . . .	1.750,0	1.553,8	121,6	59,2
Mittelfluss aus operativer Geschäftstätigkeit . . . . .	1.911,2	1.523,4	91,2	59,2
Mittelfluss aus Investitionstätigkeit – fortzuführendes Geschäft . . . . .	–10.640,4	1.118,4	1.636,4	46,2
Mittelfluss aus Investitionstätigkeit . . . . .	–10.676,5	1.112,5	1.630,5	46,2
Mittelfluss aus Finanzierungstätigkeit – fortzuführendes Geschäft . . . . .	9.512,0	–2.590,8	–2.055,6	509,3
Mittelfluss aus Finanzierungstätigkeit . . . . .	9.386,2	–2.550,0	–2.014,8	509,3

<sup>(1)</sup> Im Konzernabschluss für das zum 31. Dezember 2008 endende Geschäftsjahr wurden die Vorjahresvergleichszahlen für 2007 angepasst, um die Effekte verschiedener in 2008 vorgenommenen Ausweisänderungen zu zeigen.

<sup>(2)</sup> Im Konzernabschluss für das zum 31. Dezember 2008 endende Geschäftsjahr wurden die Vorjahresvergleichszahlen für 2007 angepasst, um die Effekte aus der in 2008 vorgenommenen finalen Hanson Kaufpreisallokation zu zeigen.

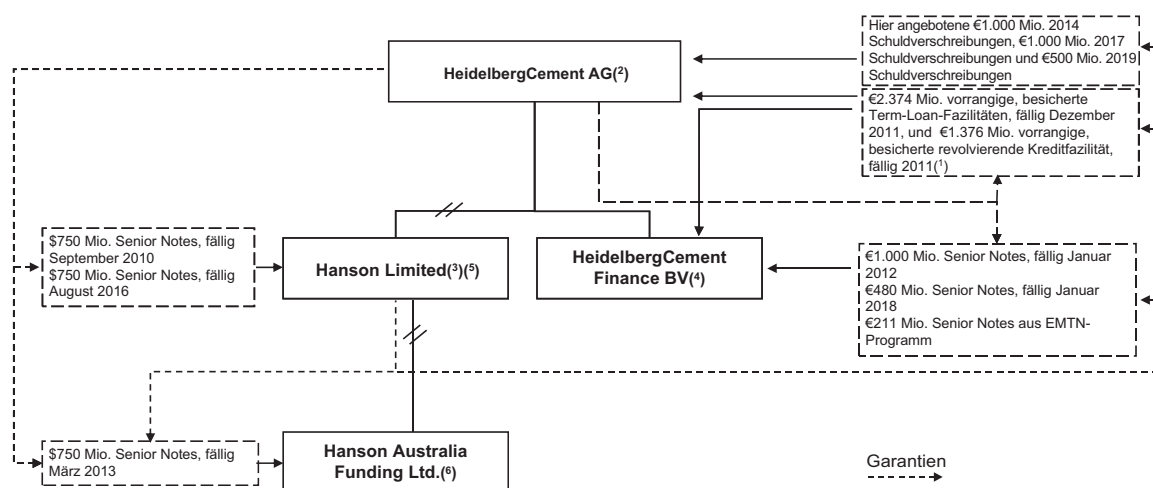
<sup>(3)</sup> Im ungeprüften verkürzten Konzernzwischenabschluss für den zum 30. Juni 2009 endende Sechs-Monatszeitraum wurden die Vorjahresvergleichszahlen für den entsprechenden Zeitraum 2008 angepasst, um die Effekte verschiedener in der zweiten Hälfte des Jahres 2008 vorgenommenen Ausweisänderungen zu zeigen.

### **Kürzliche Refinanzierung des HC Konzerns und Kapitalerhöhung**

Am 16. Juni 2009 haben HeidelbergCement und einige ihrer Tochtergesellschaften eine Vereinbarung über eine neue syndizierte Kreditfazilität in Höhe von insgesamt annähernd € 8,7 Mrd. geschlossen (syndicated facilities agreement — „SFA“). Die Kreditfazilität besteht aus zwei Term-Loan-Tranchen in Höhe von € 5,21 Mrd. bzw. € 1,25 Mrd. sowie einer revolving Multiwährungs-Kreditfazilität in Höhe von € 2,29 Mrd. Die Kreditfazilität im Rahmen des SFA wird am 15. Dezember 2011 fällig. Hauptzweck des SFA war die Refinanzierung der bisherigen Akquisitionsfinanzierung im Zusammenhang mit der Übernahme von Hanson im Jahr 2007 sowie der Working-Capital-Darlehen und bestimmter weiterer Verbindlichkeiten des HC-Konzerns.

Am 13. September 2009 hat der Vorstand mit Zustimmung des Aufsichtsrates vom selben Tag beschlossen, das genehmigte Kapital von HeidelbergCement auszunutzen und das Grundkapital von HeidelbergCement durch die Ausgabe von 62.500.000 neuen, auf den Inhaber lautenden Stammaktien ohne Nennwert (Stückaktien) mit einem anteiligen Betrag des Grundkapitals von € 3,00 je Aktie gegen Bareinlagen um € 187.500.000 von € 375.000.000 auf € 562.500.000 zu erhöhen (die „**Kapitalerhöhung 2009**“). Die Kapitalerhöhung 2009 wurde am 22. September 2009 im Handelsregister eingetragen. Aus der Kapitalerhöhung 2009 hat HeidelbergCement einen Nettoerlös in Höhe von etwa € 2,25 Mrd. erzielt.

## Überblick über die hauptsächlichen langfristigen Finanzverbindlichkeiten



(1) Garantiert von HeidelbergCement AG und etwa 60 ihrer größten unmittelbaren und mittelbaren Tochtergesellschaften. Ausschließlich zur Veranschaulichung, basierend auf den Nettoerlösen der Emittentin in Höhe von € 2.253 Mio. aus der Kapitalerhöhung 2009 und auf den für Begebungstag erwarteten Nettoerlösen in Höhe von € 2.397 Mio. aus der Ausgabe der Schuldverschreibungen und der Verwendung der Erlöse zur Rückzahlung folgender Beträge: (i) € 3.293 Mio. der Term-Loan-A-Fazilität (€ 1.361 Mio. aus den Erlösen aus der Kapitalerhöhung 2009 und € 1.932 Mio. aus den Erlösen aus der Emission der Schuldverschreibungen), (ii) € 793 Mio. der Term-Loan-B-Fazilität (€ 328 Mio. aus den Erlösen aus der Kapitalerhöhung 2009 und € 465 Mio. aus den Erlösen aus der Emission der Schuldverschreibungen) sowie (iii) € 564 Mio. der RCF (revolvierenden Kreditfazilität) aus den Erlösen aus der Kapitalerhöhung 2009. Es wurde nicht der gesamte Betrag der RCF (€ 2.285) in Anspruch genommen.

(2) Garantin der von HeidelbergCement B.V., Hanson Limited und Hanson Australia Funding Ltd. begebenen Schuldverschreibungen.

(3) Garantin der 2014 Schuldverschreibungen, der 2017 Schuldverschreibungen und der 2019 Schuldverschreibungen, der Verbindlichkeiten von HeidelbergCement AG sowie der Verbindlichkeiten des HC-Konzerns, soweit diese Finanzverbindlichkeiten von HeidelbergCement AG garantiert werden.

(4) Unmittelbare 100%ige Tochtergesellschaft von HeidelbergCement AG.

(5) Mittelbare 100%ige Tochtergesellschaft von HeidelbergCement AG (über HeidelbergCement International Holding GmbH, HeidelbergCement Holding S.à r.l., HeidelbergCement UK Holdings Limited, Lehigh UK Limited).

(6) Mittelbare 100%ige Tochtergesellschaft von HeidelbergCement AG (über HeidelbergCement International Holding GmbH, HeidelbergCement Holding S.à r.l., HeidelbergCement UK Holdings Limited, Lehigh UK Limited, Hanson Limited, Hanson Holdings Limited).

## Allgemeine Informationen in Bezug auf die Emittentin

HeidelbergCement AG ist eine nach deutschem Recht errichtete Aktiengesellschaft. HeidelbergCement AG hat ihren eingetragenen Sitz und ihre Geschäftsadresse in der Berliner Straße 6, 69120 Heidelberg. Die Emittentin ist im Handelsregister des Amtsgerichts Mannheim unter der Nummer HRB 330082 eingetragen. HeidelbergCement ist die Muttergesellschaft des HC-Konzerns. Im Einklang mit Artikel 2 ihrer Satzung ist der Unternehmensgegenstand von HeidelbergCement AG die Herstellung und der Vertrieb von Baustoffen aller Art und sonstigen Erzeugnissen der Steine- und Erdenindustrie, verwandter und anderer Industriezweige sowie der Erwerb und Betrieb von Bergwerken, die Planung, die Errichtung, der Erwerb und der Betrieb von Anlagen für diese Zwecke, die Planung, die Errichtung und der Betrieb von solchen Anlagen für Dritte und deren Beratung.

Nach den der Emittentin vorliegenden Informationen hält zum Datum dieses Prospekts Herr Ludwig Merckle (mittelbar über mehrere Tochtergesellschaften, zu denen auch VEM Vermögensverwaltung GmbH („**VEM**“) und Spohn Cement GmbH („**Spohn**“) gehören) ungefähr 24,42% der Stimmrechte an der Emittentin. Die übrigen 75,58% der Stimmrechte an der Emittentin befinden sich im Streubesitz, wobei der Staat Norwegen über Norges Bank (Zentralbank von Norwegen) ungefähr 3,51 % und Gartmore Investment Ltd ungefähr 3,26 % halten.

## Allgemeine Informationen in Bezug auf die Garantin

Die Garantin ist eine mittelbare, zu 100 % gehaltene Tochtergesellschaft der Emittentin. Die Garantin ist eine Holdinggesellschaft innerhalb des HC-Konzerns und hat keine anderen bedeutenden Geschäftsaktivitäten als die Verwaltung und Finanzierung ihrer unmittelbaren und mittelbaren Tochtergesellschaften.

Die Garantin wurde am 31. Dezember 2002 in England und Wales als Gesellschaft mit beschränkter Haftung (*private company limited by shares*) gegründet. Die Garantin und viele ihrer Tochtergesellschaften treten im Geschäftsleben unter dem Namen „Hanson“ auf.

Die Gesellschaftsnummer der Garantin bei dem *Registrar of Companies for England and Wales at Companies House, Cardiff*, ist 04626078. Der eingetragene Sitz der Garantin ist Hanson House, 14 Castle Hill, Maidenhead,

Berkshire SL6 4JJ, Großbritannien. Die Telefonnummer ist +44 (0) 1628 774 100. Die Internetadresse lautet [www.hanson.com](http://www.hanson.com).

Das gezeichnete Kapital der Garantin zum 30. September 2009 betrug GBP 72.466.968,80 und war in 724.669.688 voll eingezahlte Stammaktien zu je GBP 0,10 eingeteilt. Das genehmigte Kapital der Garantin beträgt GBP 100.000.000,00 und ist in 1.000.000.000 Stammaktien zu je GBP 0,10 eingeteilt.

Die nachfolgenden Tabellen stellen die wichtigsten Finanzangaben der Garantin basierend auf dem ungeprüften Halbjahresabschluss zum 30. Juni 2009 (erstellt im Einklang mit den allgemein anerkannten Rechnungslegungsvorschriften Großbritanniens (UK GAAP)) dar.

	<b>Halbjahreszeitraum zum 30. Juni 2009</b>	<b>Halbjahreszeitraum zum 30. Juni 2008</b>
	<b>(GBP tausend) ungeprüft</b>	
Gezeichnetes Kapital, eingezahlt . . . . .	72.466	72.411
Kapitalrücklage . . . . .	3.454.618	3.451.899
Gewinnrücklagen . . . . .	1.452.150	1.539.626
Anlagevermögen (Beteiligungen in Tochterunternehmen <sup>(1)</sup> ) . .	15.729.775	15.725.607
Reinvermögen . . . . .	4.979.233	5.063.936
Gewinn/Verlust der Periode . . . . .	–40.106	90.524
Nettoverschuldung . . . . .	–924.900	–763.082
Mittelzu- und -abflüsse aus operativer Geschäftstätigkeit . .	153.161	23.127
Return on investment und servicing of finance . . . . .	–43.063	91.970

<sup>(1)</sup> Beteiligungen in Tochtergesellschaften sind zu realisierbaren Werten berechnet zum Jahresende angegeben und unterliegen daher Anpassungen; die Garantin nimmt Neuberechnungen nur innerhalb ihrer jährlichen Finanzberichterstattung vor.

### **Zusammenfassung in Bezug auf die Risikofaktoren**

*HeidelbergCement und der HC-Konzern sind einer Reihe von Risiken ausgesetzt, die einzeln oder zusammen erhebliche nachteilige Auswirkungen auf die Vermögens-, Finanz- und Ertragslage der Emittentin und des HC-Konzerns haben können.*

### **Zusammenfassung der Risikofaktoren in Bezug auf die Emittentin**

#### **Markt- und branchenbezogene Risiken**

Der derzeitige weltweite wirtschaftliche Abschwung hat die Geschäftstätigkeit und die Ertragslage des HC-Konzerns beeinträchtigt und wird diese auch voraussichtlich weiter beeinträchtigen.

Der HC-Konzern ist von den Entwicklungen der Baubranche abhängig und unterliegt daher in besonderem Maße den Risiken zyklischer Marktbewegungen und den Wetterbedingungen.

Die zyklische Schwäche der Bauwirtschaft, ein erhebliches Sinken der Nachfrage oder eine Ausweitung der Kapazitäten könnten zu Überkapazitäten und entsprechend zu einer Verringerung der Auslastung der Produktionsstätten des HC-Konzerns führen.

Die Geschäftstätigkeit des HC-Konzerns basiert zum Teil auf staatlich finanzierten Bauprojekten, deren Verringerung oder andere Zuteilung eine negative Auswirkung auf den Umsatz oder das Ergebnis des HC-Konzerns haben könnte.

Ein Anstieg der Energiepreise stellt ein erhebliches Risiko für den HC-Konzern dar.

Die Verfügbarkeit von Transportmitteln und die Transportkosten bilden ein erhebliches Risiko für den HC-Konzern.

Der langfristige Erfolg des HC-Konzerns hängt von der Sicherung der und den Abbaulizenzen/Konzessionen für die Rohstoffvorkommen für die Zement-, Zuschlagstoffe- und Betonproduktion an strategisch wichtigen Orten ab.

Ein Anstieg der Preise für Rohstoffe oder eine mangelnde Verfügbarkeit von Rohstoffen werden sich nachteilig auf die Geschäftstätigkeit und die Ertragslage des HC-Konzerns auswirken.

Wechselkursänderungen könnten negative Auswirkungen auf Umsatz und Gewinn des HC-Konzerns haben.

Der HC-Konzern hat Verpflichtungen gegenüber seinen Mitarbeitern in Bezug auf Rentenzahlungen und Gesundheitsversorgung und weitere Verpflichtungen, deren Berechnung auf einer Reihe von Annahmen, einschließlich Abzinsungsfaktoren und Renditen von Versorgungsplänen, basieren, die von den tatsächlich in der Zukunft erzielten Zahlen abweichen können.

Ein wesentlicher Teil des Vermögens des HC-Konzerns besteht aus immateriellen Vermögenswerten, einschließlich des Firmenwertes (Goodwill). Der HC-Konzern hat erst vor kurzem Abschreibungen auf den Goodwill ausgewiesen und könnte weitere Goodwill-Abschreibungen vornehmen, sofern sich die Markt- und Branchenbedingungen weiterhin verschlechtern oder ein Zinsanstieg zu verzeichnen ist.

Der HC-Konzern unterliegt Risiken im Zusammenhang mit Desinvestitionen.

Der HC-Konzern ist von qualifiziertem Personal in Schlüsselpositionen und Mitarbeitern mit besonderen technischen Kenntnissen abhängig.

Der HC-Konzern ist von einem stabilen und störungsfreien Betrieb seiner Informations- und Kommunikationstechnologie abhängig.

Eine Verschärfung des Wettbewerbs könnte sich negativ auf die Umsätze, Gewinne und Marktanteile des HC-Konzerns auswirken.

Die Verfahren und Einrichtungen zur Compliance-Prüfung des HC-Konzerns sind möglicherweise nicht ausreichend, um etwaige rechtliche Verstöße zu verhindern oder aufzudecken, und andere gruppenweite Risikomanagement- oder Kontrollverfahren sind möglicherweise unangemessen oder werden möglicherweise nicht befolgt.

Der HC-Konzern unterliegt allgemeinen politischen, wirtschaftlichen, rechtlichen und steuerlichen Risiken in unterschiedlich weit entwickelten Ländern, die einen bedeutenden Teil seiner betrieblichen Tätigkeit oder seiner Geschäftsinteressen ausmachen.

Der Versicherungsschutz des HC-Konzerns ist möglicherweise nicht ausreichend.

HeidelbergCement kontrolliert nicht die Geschäftstätigkeit der Investments, bei denen sie nicht die (alleinige) beherrschende Anteilseignerin ist, und ist bei einigen Tochtergesellschaften durch die Rechte von Minderheitsaktionären beschränkt.

Der HC-Konzern unterliegt Risiken, dass künftige Übernahmen und Beteiligungen an Joint Ventures nicht erfolgreich sind.

#### ***Risiken im Zusammenhang mit der Kapitalstruktur des HC-Konzerns***

Der HC-Konzern ist in erheblichem Umfang verschuldet und muss aufgrund der Finanzierungsverträge bestimmte Finanzkennzahlen und Verpflichtungen einhalten und wird 2010 und 2011 einen hohen Refinanzierungsbedarf haben.

Zur Deckung des Schuldendienstes des HC-Konzerns sind erhebliche Cashflows erforderlich; außerdem können eine Erhöhung der Marktzinsen sowie eine weitere Herabstufung des Kreditratings des HC-Konzerns den Zinsaufwand des HC-Konzerns zusätzlich erhöhen.

Eine eingeschränkte Verfügbarkeit von Finanzierungsmöglichkeiten könnte sich in erheblichem Maße nachteilig auf die Geschäftstätigkeit, die Liquidität und die Finanzlage des HC-Konzerns auswirken.

#### ***Aufsichtsrechtliche und sonstige rechtliche und steuerliche Risiken***

Der HC-Konzern unterliegt den rechtlichen Risiken in Bezug auf Geldbußen bei Kartellrechtsverstößen und damit verbundenen Schadenersatzansprüchen.

Vorgaben für Kohlendioxidemissionen, eine ungünstige Zuteilung bei den Emissionsrechten für Kohlendioxid oder sonstige emissionsbezogene Umstände könnten sich in erheblichem Maße nachteilig auf die Geschäfte und die Finanz- und Ertragslage des HC-Konzerns auswirken.

Der HC-Konzern unterliegt einer ganzen Reihe umwelt- und gesundheits- und sicherheitsbezogener Gesetze und Vorschriften.

Der HC-Konzern unterliegt mit der Freisetzung gefährlicher Stoffe oder anderer Umweltverschmutzungen verbundenen Risiken, einschließlich der Risiken, die sich aus dem US-Umweltschutzgesetz (U.S. Comprehensive Environmental Response, Compensation and Liability Act) ergeben.

Der HC-Konzern unterliegt Risiken in Verbindung mit Ansprüchen im Zusammenhang mit Asbest, die sich aus seiner früheren Tätigkeit in den Vereinigten Staaten ergeben.

Der HC-Konzern unterliegt Haftungsverbindlichkeiten im Zusammenhang mit seiner früheren Tätigkeit in den Vereinigten Staaten, die nicht mit den vorstehend genannten Verbindlichkeiten aus Umweltverschmutzung und Asbestbelastung im Zusammenhang stehen.

Der HC-Konzern verfügt möglicherweise nicht über Versicherungsschutz für bestimmte nicht auf Asbest bezogene umweltrechtliche Ansprüche und Haftungsverbindlichkeiten, die sich im Zusammenhang mit seiner früheren Tätigkeit in den Vereinigten Staaten ergeben.

Der HC-Konzern unterliegt umfangreichen Pflichten im Zusammenhang mit der Wiederurbarmachung, Rekultivierung und Schließung von Steinbrüchen, die unter Umständen nicht ausreichend durch Rückstellungen gedeckt sind, und der HC-Konzern ist verpflichtet, finanzielle Sicherheiten zur Erfüllung dieser Verpflichtungen aufrechtzuerhalten.

Der HC-Konzern könnte für Steuerpflichten aus früheren Veranlagungszeiträumen in Anspruch genommen werden.

Der HC-Konzern könnte steuerbedingten Risiken im Zusammenhang mit der Übernahme von Hanson und der damit verbundenen Restrukturierung und Finanzierung unterliegen.

Der HC-Konzern könnte im Zusammenhang mit der durchgeführten Kapitalerhöhung (eingetragen im Handelsregister am 22. September 2009) unterliegen.

Steuerbedingte Risiken könnten sich bei einem steuerlichen Abzugsverbot der Zinsaufwendungen des HC-Konzerns ergeben.

Änderungen der Steuergesetze oder steuerlich relevante Gerichtsentscheidungen können sich nachteilig auf die Geschäfte und die Finanz- und Ertragslage des HC-Konzerns auswirken.

Unter Umständen ist HeidelbergCement im Zusammenhang mit dem Verkauf ihres Trockenmörtel-Geschäfts (maxit) zu Entschädigungsleistungen an Saint-Gobain für Kartellstrafen und angebliche Nichteinhaltung von Umweltvorschriften verpflichtet.

### ***Zusammenfassung der Risikofaktoren betreffend die Garantin***

Als mittelbare Tochtergesellschaft der Emittentin ist die Garantin von der Emittentin abhängig. Die Emittentin kann Einfluss auf die Garantin, einschließlich ihrer Finanzlage, nehmen. Ein Gläubiger einer Schuldverschreibung kann daher Gefahr laufen, dass er weder gegenüber der Emittentin noch gegenüber der Garantin seine Ansprüche aus den Schuldverschreibungen erfolgreich geltend machen kann.

Die Garantin ist Währungsrisiken ausgesetzt.

Des Weiteren ist die Garantin aufgrund ihrer Funktion als Holdinggesellschaft indirekt solchen Risiken und Unwägbarkeiten ausgesetzt, die den für die Emittentin geltenden vergleichbar sind.

Der Garantin oder der Emittentin können unter Pensionsplänen im Vereinigten Königreich wegen oder im Zusammenhang mit der Emission der Schuldverschreibungen Verbindlichkeiten entstehen.

### ***Zusammenfassung der Risikofaktoren in Bezug auf die Schuldverschreibungen***

Die Schuldverschreibungen sind möglicherweise nicht für jeden Anleger geeignet.

Vor der Begebung der Schuldverschreibungen existierte für diese kein Markt und es besteht keine Gewissheit, dass ein liquider Sekundärmarkt für die Schuldverschreibungen entstehen wird, oder, sofern er entsteht, fortbestehen wird; in einem illiquiden Markt könnte es sein, dass ein Anleger seine Schuldverschreibungen nicht jederzeit zu angemessenen Marktpreisen veräußern kann. Der Wert der Schuldverschreibungen kann auf Grund von Veränderungen des Zinsniveaus fallen.

Die Schuldverschreibungen können vorzeitig zum Nennbetrag zurückgezahlt werden, falls die Emittentin zur Zahlung von Quellensteuern auf die Zahlung von Kapital oder Zinsen der Schuldverschreibungen verpflichtet ist; wenn die Emittentin die Schuldverschreibungen kündigt und zurückzahlt, kann es sein, dass die Gläubiger den aus der Rückzahlung vereinnahmten Betrag lediglich in Wertpapiere mit niedrigerer Rendite reinvestieren können.

Der Marktwert der Schuldverschreibungen kann fallen, wenn sich die Kreditwürdigkeit ändert.

Die auf Euro lautenden Schuldverschreibungen können für solche Anleger ein Währungsrisiko bedeuten, für die der Euro eine Fremdwährung bedeutet; ferner könnten Regierungen und zuständige Behörden künftig Devisenkontrollen einführen.

Ein Gläubiger der festverzinslichen Schuldverschreibungen ist besonders den Risiken ausgesetzt, dass der Preis dieser Schuldverschreibungen aufgrund von Änderungen des Marktzinssatzes sinkt.

Ein Gläubiger ist dem Risiko ausgesetzt, überstimmt zu werden und gegen seinen Willen Rechte gegenüber der Emittentin zu verlieren, falls die Gläubiger nach den Anleihebedingungen durch Mehrheitsbeschluss nach Maßgabe des Schuldverschreibungsgesetzes von 2009 (SchVG) Änderungen der Anleihebedingungen zustimmen. Im Falle der Bestellung eines gemeinsamen Vertreters aller Gläubiger kann ein einzelner Gläubiger ganz oder teilweise die Möglichkeit verlieren, seine Rechte gegenüber der Emittentin unabhängig von anderen Gläubigern geltend zu machen und durchzusetzen. Ein vergleichbares Risiko besteht, soweit die für die Emission geltenden Bestimmungen über Beschlüsse der Gläubiger sinngemäß auch für die Garantie gelten.



Der Marktwert der Schuldverschreibungen könnten sinken falls der Markt seine Sicht der Kreditwürdigkeit der Emittentin wegen möglicher zukünftiger Änderungen von Rechnungslegungsstandards und damit von Abschlussposten ändert.

Die Höhe der Schulden, die die Emittentin in Zukunft eingehen kann, ist nicht begrenzt.

#### ***Zusammenfassung der Risikofaktoren in Bezug auf die Garantie***

Die Garantin ist auch Garantin unter dem Konsortialkreditvertrag und unter einer USD 250 Millionen Letter of Guarantee Fazilität, hat zwei Schuldverschreibungen in einer Gesamtsumme von USD 1.500 Millionen begeben und ist Garantin einer von einer ihrer Tochtergesellschaften begebenen Schuldverschreibungen in Höhe von USD 750 Millionen. Die Garantin hat weiterhin eine Upstream-Garantie zu Gunsten der Gläubiger sämtlicher Finanzverbindlichkeiten der Emittentin abgegeben. Diese bestehenden Verbindlichkeiten der Garantin zusammen mit den Verbindlichkeiten unter der Garantie können die Vermögenswerte der Garantin übersteigen; die Garantie kann sich daher als weniger werthaltig oder sogar wertlos erweisen.

Die Garantin könnte weitere Sicherheiten für andere Verbindlichkeiten, einschließlich Kapitalmarktverbindlichkeiten, bestellen. Die Inhaber der Schuldverschreibungen riskieren dadurch im Fall der Insolvenz der Garantin mit ihren Ansprüchen unter der Garantie nicht befriedigt zu werden, da das verbleibende Vermögen Sicherungsgut zur Befriedigung gesicherter Gläubiger sein könnte.

Der Eintritt eines jeden der vorgenannten Risiken kann die Fähigkeit der Emittentin oder der Garantin beeinträchtigen, ihre aus den Schuldverschreibungen oder der Garantie resultierenden Zahlungsverpflichtungen nachzukommen und/oder zu einem Wertverlust der Schuldverschreibungen führen.

## RISK FACTORS

*Potential investors should carefully read and consider the risk factors described below and the other information contained in this Prospectus before they make a decision about acquiring the Notes. The realization of one or more of these risks could individually or together with other circumstances adversely affect the business activities and have material adverse effects on the financial condition and results of operations of HeidelbergCement, the Guarantor or HC Group. The market price of the Notes could decline as the result of any of these risks, and investors could lose all or part of their investments. The risks described below may not be the only risks to which HeidelbergCement, the Guarantor or HC Group is exposed. Additional risks which are presently not known to HeidelbergCement, the Guarantor or HC Group or which currently are considered immaterial could also adversely affect the business operations of HC Group and have material adverse effects on HC Group's business activities, financial condition and results of operations. The sequence in which the risk factors are presented below is not indicative of their likelihood of occurrence, the scope of their financial consequences or the importance of the risk factors mentioned below.*

### **Risks Relating to the Issuer**

#### **Market and Business-related Risks**

*The current worldwide economic downturn has impaired and is expected to continue to impair HC Group's business and results of operations.*

Beginning in the second half of 2007 and continuing throughout the years 2008 and 2009, global economies have been experiencing a considerable downturn. The series of vicious cycles which contributed to this crisis included high energy and commodity prices and the collapse of a substantial housing price bubble centered in the United States, which led to an interrelated and ongoing financial crisis resulting in the deepest recession in decades. Around the world, many large and well-established investment and commercial banks suffered massive losses and even faced bankruptcy. The financial crisis has in turn spread to other areas of the economy and has worldwide negative effects. Uncertainty about the stability of the financial system has contributed to a deterioration in the consumer and investment climate on a global scale, affecting a wide range of financial and economic activities and institutions.

The International Monetary Fund ("IMF") recently revised its forecasts and is now projecting a decrease of world output and world trade volume of 1.4% and 12.2% respectively in 2009 compared to 2008, with HC Group's core markets, the USA, the UK and Germany among the most severely affected countries, projecting decreases in output of 4.2%, 2.6% and 6.2%, respectively. As for 2010, the IMF's forecasts show an end of the downward trend but no substantial improvement of world output and world trade with 2.5% and 1.0% respectively over 2009 levels. Since official forecasts have been fluctuating as of late, there can be no assurance that the negative economic trend will not become worse.

Despite indications of stabilization and aggressive measures taken by governments and central banks, there is a significant risk that the global economy could fall into an even deeper and longer lasting recession.

The construction sector has been facing ongoing and broadening declines in business activity which intensified in recent months in line with the spread and the worsening of the financial and economic crisis, specifically in North America, the UK, Western Europe and some countries in Central and Eastern Europe. The adjustment has been particularly acute in those countries which experienced the largest housing market bubbles during the credit boom years (such as the USA, Spain and the UK).

In the construction sector, the residential market downturn could be longer than initially anticipated with non-residential construction experiencing a sharper decline than originally expected. The envisaged boost to infrastructure spending that is hoped to result from the fiscal stimulus programs announced by a number of governments to improve the ailing economies could be much lower than projected due to bureaucratic hurdles, funding problems or lags in implementation. Moreover, monies could be earmarked to high tech and/or green tech projects instead of construction projects. All this could have negative effects on HC Group's business and financial results.

In the Europe Group area, the decline in construction activity has been particularly acute in Spain and the UK. According to Oficemen, the Spanish cement trade organization, Spanish domestic cement demand declined by 23.8% in 2008 compared to 2007. In the UK, according to the Mineral Products Association (MPA), domestic cement demand decreased by 15% in 2008 compared to 2007 (MPA, June 2009). In Germany, in particular the commercial construction sector decreased under the influence of the current economic downturn. Public stimulus programs have not shown a major impact yet.

Large structural financing needs, a housing price bubble and strong trade links with Western Europe have left most Eastern European countries particularly vulnerable to the global developments and led many of them into a deep and still aggravating recession. Eastern European economies could face delays in implementation of European Union Structural Funds related projects (funds provided by the European Union to member states

with lowest national income per capita) due to logistical and funding problems, which could have a negative effect on cement and/or ready-mixed concrete activity.

In the North America Group area, the current downturn is expected to be the longest and deepest recession since the Great Depression of the 1930s. North America is facing a credit crunch that is expected to continue to negatively affect the housing market in the near future. Building construction, the fundamental driver of cement demand in the residential sector, decreased by 33% in 2008 compared to 2007, according to the U.S. Census Bureau, running at a historically low annual rate of only 905,500 housing units started in 2008. A housing recovery may not take place in 2009 given the current market environment, the high housing oversupply, tight credit conditions and rising unemployment.

There can be no assurance that infrastructure plans announced in the USA will offset the expected decline in cement and ready-mixed concrete demand as a result of the current economic conditions. The uncertain economic environment and tight credit conditions have also affected the U.S. industrial and commercial sector. This combination of factors resulted in the worst decline in sales volumes that HC Group has experienced in North America in recent history. HC Group's cement and ready-mixed concrete sales volumes in North America decreased approximately by 13.9% and 20.6%, respectively, in 2008 compared to 2007. In 2009, as of June 30, HC Group's cement sales volumes are 30.9% lower and ready-mixed concrete sales volumes are 41.1% lower compared to the first six months of 2008.

The Asia-Australia-Africa Group area will likely be affected by a further deterioration of the global economic landscape. An additional increase in country risk and/or decreased confidence among global investors may limit capital flows and investments in these regions. In addition, lower oil sales and tighter credit conditions may moderate economic growth and adversely affect construction investment in the Middle East. The accumulated housing overhang, the rapid downfall in property prices and the radical change in the international financial situation is likely to result in a significant adjustment of the residential markets in some of the countries in the region.

The extraordinary difficult economic conditions described above have had a significant negative effect on HC Group's operations and financial situation in 2008 and 2009. The worldwide economic downturn has resulted in a decrease in consolidated turnover in the six month period ended June 30, 2009 of approximately 22.5% (€ 5,370 million in January-June 2009, € 6,928 million in January-June 2008) and a decrease in operating income before depreciation ("**OIBD**") in the same period of approximately 35.2% (€ 836 million in January-June 2009, € 1,290 million in January-June 2008). A deeper and longer lasting recession or even a depression would likely lead in all of the aforementioned geographic areas to a further decrease in demand for HC Group's products. Declining sales combined with high fixed costs may result in overcapacities and further declining margins. At the same time, should the financial markets crisis continue for an extended period of time, or even worsen, it could negatively affect HC Group's ability to generate strong cash flows and realize its outstanding sales receivables, especially in case of an increasing insolvency rate of HC Group's customers, to obtain further financing and the terms on which it can refinance its existing debt when due.

The aforementioned factors are likely to materially adversely affect the business, financial condition and results of operations of HC Group. The following specific risks discussed in this section may be aggravated by a continued or sharpened economic crisis.

*HC Group is dependent on the development of the construction industry and is therefore particularly exposed to the risk of cyclical market movements and weather conditions.*

The building materials industry is dependent on the development of the construction industry, which is closely linked to the general economic situation. Within each regional market, the construction industry is cyclical and dependent upon the residential and commercial construction markets, public investments and spending on infrastructure projects. These are in turn influenced by macroeconomic factors, such as gross domestic product ("**GDP**") growth, demographics, developments in long-term interest rates and availability of financing, and monetary and government policies, which are outside of HC Group's control. HC Group operates in numerous geographic markets to help mitigate the influences of cyclical market movements in the construction industry in any particular market and diversify market risk exposure. However, negative global trends in the construction industry or in key regional markets could have a negative impact on HC Group's liquidity, financial condition and results of operations. Economic downturns may lead to recessions in the construction industry, either in individual markets or globally, and construction spending can fall even in growing economies. For example, the currently weak global economic environment has caused a significant downturn in the construction industry in many of HC Group's key markets, in particular in the United States, the United Kingdom and the Eastern European countries. As a result, HC Group's turnover and profit in some of these markets have materially declined. If the global construction markets experience further contractions or recovery from these conditions does not materialize or takes place over a prolonged period, HC Group's business, financial condition and results of operations will be materially adversely affected.

Moreover, the construction industry is dependent on weather conditions. Lower demand for building materials occurs in periods of cold weather and heavy rain, which also leads to a volatile development of the quarterly

financial figures of HC Group. A single result of a financial quarter might therefore not present a reliable basis for the expectations of a full fiscal year of HC Group. Although HC Group's world-wide activities include regions in the Northern and the Southern Hemispheres, weather-related decline in sales in Europe and the USA have in the past not been offset by higher demand in the Southern Hemisphere. Furthermore, according to the Intergovernmental Panel on Climate Change, climate change may contribute to changes and variability in precipitation and in the intensity and frequency of extreme weather events. Such adverse weather conditions can materially and adversely affect the business, financial condition and results of operations of HC Group if they occur with unusual intensity, during abnormal periods, or last longer than usual in HC Group's major markets, especially during peak construction periods.

*The cyclical weakness of the construction industry, a significant decrease in demand or an increase of capacities might lead to overcapacity and therefore to a reduction of the utilization of HC Group's plants.*

Within each market it is an important task to strike the right balance between production capacity and long-term demand. HC Group is able to adjust its production volumes within a certain capacity "corridor". A cyclical weakness of the construction industry or a significant decrease in demand beyond the lower end of such "corridor" as well as delays in the capacity adjustment process might lead to overcapacity and a reduction in the utilization of HC Group's plants in the respective regional markets. This may result in reduced sales volumes and/or a decrease in prices, which could have a negative impact on the overall operating profitability of HC Group. Should HC Group in such a situation not succeed in reducing overcapacity (for example by plant closures) at reasonable costs and thereby lowering its cost base and helping to minimize the excess supply that is contributing to a potential decrease in prices, it may face a further decline in turnover, cash flow and results of operations. Even if HC Group successfully reduces its capacity, such reduction may lead to significant exceptional costs in particular for closures of plants or other restructuring measures (€ 77.1 million in 2008, € 69.2 million thereof charged to EBITDA and € 7.9 million thereof recorded as depreciation; € 5.3 million in the first half of 2009, € 5.3 million thereof charged to EBITDA). In addition, the pricing and production policies of competitors could, in some markets, frustrate HC Group's efforts. Moreover, there is a risk that declining prices could extend to neighboring strategic business regions, thereby causing further declines in turnover, cash flow and results of operations.

There is also the risk that HC Group could build up capacities, for example as a result of an incorrect evaluation of market developments, which cannot be appropriately used. Any failure to fully use the production capacities could lead to extraordinary depreciation on production equipment and significant impairment charges on goodwill and have negative consequences for HC Group's earnings situation due to the relatively high level of fixed costs.

The realization of one or more of the aforementioned risks could have material adverse effects on HC Group's business, financial condition and results of operations.

*HC Group's business is partly based on government-funded building activities the reduction or different allocation of which could have a negative impact on HC Group's turnover and profit.*

National governments' policies relating to the development of transport infrastructure, public sector construction and housing have a significant effect on demand for HC Group's products and, as a result, on its profitability. For instance, around half of HC Group's turnover in the United States is generated in the infrastructure sector. Reductions of existing tax incentives, decreases in governmental funding, or the allocation of such funds to areas in which HC Group has a lower market share, could reduce the funds available for spending on HC Group's products, therefore potentially reducing sales and profits.

HC Group's future turnover also depends in part on current or expected subsidies, including those that are a part of public economic stimulus plans for the building and construction industry contemplated or being implemented in several key HC Group markets, such as the United States, the United Kingdom, Germany or Australia. Should these subsidies be reduced, delayed or not utilized, the demand for HC Group's building materials would be lower than anticipated.

Downward changes in government spending policies and subsidy programs benefiting the construction industry could have material adverse effects on HC Group's business, financial condition and results of operations.

*An increase in energy prices represents a significant risk for HC Group.*

For an energy intensive operation, such as HC Group's business, an increase in energy prices represents a significant risk. HC Group is a significant purchaser of energy and fuel. Gas, coal, electricity and other energy supplies are used in its cement, aggregates and other building materials manufacturing operations and fuel is used for the processing and transport of its products. The availability and pricing of these resources are subject to market forces beyond HC Group's control. In addition, regulations relating to the emission of carbon dioxide by HC Group's energy suppliers could result in materially increased energy costs for HC Group's operations.

*See “– Regulations regarding carbon dioxide emissions, an unfavorable allocation of rights to emit carbon dioxide or other air emission related issues could have a material adverse effect on HC Group’s business, financial condition and results of operations.”* In recent years, worldwide energy and fuel costs have fluctuated significantly and have generally increased over the past decades. In particular the coal prices in China and Romania and the gas price in the Ukraine in 2008 and even in 2009 increased significantly. HC Group seeks to mitigate energy and fuel price volatility on a case-by-case basis and by considering the relevant market environment through the use of long-term supply contracts or hedging instruments for a part of its energy needs, by switching some of its cement plants to other fuels or to alternative fuel sources, such as used tires, and by implementing more fuel efficient production processes. Given the financial constraints under which it is currently operating, HC Group may decide to reduce or eliminate the use of hedging instruments in the future. Also, while it has been to some extent possible to pass on higher energy and fuel prices to customers in some countries by increasing prices, this might not be the case in the future. The use of long-term supply contracts and hedging instruments limits HC Group’s exposure to energy price increases, but carries the risk of HC Group benefiting not at all (in case of long-term supply agreements) or only partially (in case of hedging instruments due to the associated costs) from falling energy prices. The aforementioned effects, as well as a significant increase in energy prices not mitigated by long-term supply or hedging agreements could have material adverse effects on HC Group’s business, financial condition and results of operations.

*The availability and cost of transportation represent a significant risk for HC Group.*

Transportation plays an important part in HC Group’s supply chain, with HC Group’s products being distributed by road to local markets or by rail, sea or river to more remote markets. Also, some raw materials need to be transported to HC Group’s production facilities. Any material disruption in or lack of availability of transportation or significant increases in energy prices leading to higher transportation costs as well as increasing costs relating to emissions control requirements that have been or may be imposed in the future due to climate change-related legislation could have a material adverse effect on HC Group’s business, financial condition and results of operations.

*HC Group’s long-term success is dependent upon securing and permitting reserves for cement, aggregates and concrete production in strategically located areas.*

HC Group’s business model and long-term strategy are based on the vertical integration of its cement, aggregates and concrete business. Vertical integration and, thus, the viability of HC Group’s business model and the long-term implementation of its strategy are dependent upon the availability of sufficient reserves and resources of raw materials for HC Group’s aggregates and cement business in strategically important locations. Aggregates and raw materials for the production of cement are bulky and heavy and, therefore, difficult to transport efficiently. Because of the nature of the products, the freight costs are a significant factor compared to the product value. Therefore, except for geographic regions that do not possess commercially viable deposits of aggregates and are served by rail, barge or ship, the markets for HC Group’s aggregates products and production sites for their further processing, e.g., in ready-mixed concrete or asphalt, tend to be very localized around its quarry sites. Similarly, raw materials used for cement production are generally mined from quarries that are located in close proximity to HC Group’s worldwide cement plants. New quarry sites often take a number of years to develop, so HC Group’s strategic planning and new site development must stay ahead of actual growth. Additionally, in a number of urban and suburban areas in which HC Group operates, it is increasingly difficult to receive permissions for new sites or to expand existing sites due to environmental regulation, zoning laws or community resistance. Therefore, HC Group’s future success is dependent, in part, on its ability to accurately forecast future areas of high growth in order to locate optimal facility sites and on its ability to secure operating and environmental permits to operate at those sites. Should HC Group not be able to secure sufficient raw material reserves for its cement, aggregates and concrete business, this would materially adversely affect its business, financial condition and results of operations.

*An increase of the prices for or an interruption in the availability of raw materials will negatively affect HC Group’s business and results of operations.*

HC Group purchases significant amounts of raw materials and other inputs which it cannot exploit or produce itself. These include slag, fly ash and other materials for its cement production, cement for use in its ready-mixed concrete and concrete product operations, steel for use in its concrete product and pipe operations and bitumen for use in its asphalt activities. The prices for raw materials are subject to significant cyclical fluctuations and have continuously and at times substantially increased in the recent past. Increases in materials costs, shorter terms of payment and requests for transaction security, such as bank guarantees or surety bonds, have led to increasing procurement costs and may do so in the future. If there are increases in procurement costs and if HC Group does not succeed in passing these increases on to its customers or compensating for them with other cost savings or technological advances, this could negatively affect HC Group’s profitability. HC Group production would also be materially impaired by disruptions in the availability of such raw materials. For example, there may be bottlenecks in the availability of slag in the Ukraine. All of the



aforementioned risks could have material adverse effects on HC Group's business, financial condition and results of operations.

*Currency rate fluctuations could lead to negative effects on HC Group's sales and profit.*

As a group that operates worldwide, HC Group generates a significant portion of its turnover and incurs a significant portion of its expenses in currencies other than Euro, which primarily include the British pound, U.S. Dollar, Australian Dollar, Indonesian Rupiah, Canadian Dollar and certain Eastern European currencies. The Euro is HC Group's reporting currency. As a result of the acquisition of the Hanson group, the proportion of HC Group's turnover and expenses in British pounds and U.S. Dollars increased substantially. For example in 2008, 8.5% of operating income was generated in British pounds; 10.4% in U.S. Dollars, 4.8% in Australian Dollars, 8.0% in Indonesian Rupiah, 9.7% in Canadian Dollars and 25.8% in Eastern European currencies, while 12.7% were generated in Euro. In the first six months of 2009, 6.0% of operating income was generated in British pound; -6.7% in U.S. Dollars (due to an operating loss), 8.7% in Australian Dollars, 22.7% in Indonesian Rupiah, 7.0% in Canadian Dollars and 21.0% in Eastern European currencies, while 9.3% were generated in Euro. Fluctuations in the exchange rates of the currencies of the countries in which HC Group operates may have two effects: transaction effects and translation effects.

Transaction risk refers to the risk of a change in value in the currency in which the financial statements are maintained resulting from the translation of a specific future stream of payments in foreign currency into the currency of the financial statements (financial risk). HC Group's expenses and turnover in the respective currencies rarely match for any given period. As a result, an unfavorable movement in these foreign currencies in relation to each other and in relation to the Euro may, due to cross-border supply of goods and services, lead to differences between the costs of the goods and services which HC Group supplies in one currency and the turnover it generates from them in another currency.

Transaction risks are hedged by HC Group only on a case-by-case basis, using derivative instruments with a term of up to 12 months. Currency risks arising from intra-Group transactions are not hedged, as the inflows and outflows in the various currencies offset each other at HC Group level to a large extent.

It might, however, not be possible to enter into effective hedging in the future. In particular, this may be the case because HC Group might not have sufficient credit lines or liquidity available to proceed with such hedging activities. Some currencies cannot or may not be hedged in the quantities and on the terms deemed appropriate. Currency risks arising as a result of processing transactions in foreign currency could materially adversely affect HC Group's business, financial condition and results of operations.

Translation risk refers to the risk of a change in value in the currency in which the financial statements are maintained, resulting from the translation of positions in the balance sheet and income statement originally expressed in a foreign currency during the course of consolidation (balance sheet risk). Currency risks arising from converting the annual accounts of foreign subsidiaries into Euro are generally not hedged, and changes in currency exchange rates could materially adversely affect HC Group's business, financial condition and results of operations.

Currency fluctuations in the U.S. Dollar, British pound and the relevant Eastern European currencies have had a materially adverse effect on HC Group's operating income in 2008 and continue to present a material risk in the future. On the basis of HC Group's turnover and expenses for 2008, a 10% decline of the U.S. Dollar, Canadian Dollar, Australian Dollar, British pound, Indonesian Rupiah and the Eastern European currencies against the Euro would have resulted in an approximately 1.0%, 1.0%, 0.8%, 0.9%, 1.1% and 2.6% reduction in annual profits, respectively. In the six-month period ending June 30, 2009, the negative impact of the decline of the British pound, the Swedish and the Norwegian Krona and the Eastern European currencies against the Euro amounted to approximately minus € 340 million.

*HC Group has obligations to its employees relating to retirement, health care and other obligations, the calculations of which are based on a number of assumptions, including discount rates and rates of return on plan assets, which may vary from actual rates in the future.*

HC Group operates both funded and unfunded defined-benefit pension schemes and medical care plans for pension recipients under arrangements that have been established in the various countries in which HC Group offers employee pension benefits. At June 30, 2009, € 507,394 (14.8%) of HC Group's pension obligations and € 203,650 (100%) of its other post-employment benefit obligations were unfunded. HC Group's projected benefit obligations are based on certain actuarial assumptions which vary from country to country, including discount rates, life expectancies, long-term rates of return on invested plan assets and rates of increase in compensation levels. Although the funded plans are currently fully funded or even overfunded, if actual results, especially discount rates and/or rates of return on plan assets, were to differ from these assumptions, HC Group's pension, retirement and other post-employment as well as health care costs could be higher than expected, and its cash flows could be adversely impacted should additional funding of these obligations according to local funding rules become necessary.

Changes in assumptions or under-performing plan assets could also adversely affect HC Group's balance sheet and profit and loss statement. Benefit obligations will have a direct impact on HeidelbergCement's equity. For the fiscal years 2007 and 2008, the difference between estimated and actual returns was € 61.3 million and € -237.9 million, respectively. HC Group expects that the amortization of any such differences to come will require it to record an additional € 300 million expense in 2009 which will be directly recognized in its equity (without any direct effect on the profit and loss). If invested pension plan assets continue to perform negatively or below assumptions, then HC Group would have to revise its assumptions, and record the revisions by charges to its equity. Future declines in the value of plan assets or lower-than-expected returns may require HC Group to make additional or larger than the current cash contributions to pension plans or non-cash charges to its profit and loss statement.

Significantly increased contribution obligations could have material adverse effects on HC Group's business, financial condition and results of operations. For example, in 2008, a 1% decrease in return on invested plan assets or a 1% decrease in discount rate/compensation level rates would lead to an increase in Other Comprehensive Income (shown in each of the consolidated financial statements in the "statement of recognized income and expense") of approximately € 30 million and € 519 million, respectively. In addition, in 2008, a one per cent increase in expected health care cost would have increased HC Group's pension service and interest costs by € 0.7 million and defined benefit obligations by € 14.7 million. Moreover, local funding rules might require additional contributions to avoid underfunding.

*A substantial amount of HC Group's assets are intangible assets, including goodwill. HC Group has recently recognized charges for goodwill impairment, and if market and industry conditions continue to deteriorate or if interest rates rise, further impairment charges may be recognized.*

As of December 31, 2008, approximately 38.6% of HC Group's total assets were intangible assets, 37.6% of total assets corresponded to goodwill. As of June 30, 2009, approximately 38.3% of HC Group's total assets were intangible assets, 37.4% of total assets corresponded to goodwill.

Goodwill is recognized as an intangible asset and is subject to an impairment review, at least annually or upon the occurrence of significant events or changes in circumstances that indicate an impairment. For purposes of impairment testing following an acquisition, goodwill is allocated to a cash-generating unit (usually a country or a region) that is expected to benefit from the synergies of the acquisition. In the impairment test, the carrying amount of the cash-generating unit to which goodwill is allocated is compared to the recoverable amount of such cash-generating unit. Once the carrying amount exceeds its recoverable amount, an impairment loss is recognized in the income statement under "additional ordinary result". Recoverable amount of a cash-generating unit is the higher of its fair value less cost to sell and its value in use. Fair value less cost to sell is determined as the amount obtainable from the sale of the cash-generating unit in an arm's length transaction less cost of disposal. Value in use is calculated by discounting estimated future cash flows with a risk-adjusted discount rate (weighted average cost of capital). The cash flow projections are based on a five-year operational planning period, after which a perpetual growth rate is applied. Key areas of judgment in estimating the values in use of businesses are forecasted long-term growth rates and the appropriate discount rates to be applied to forecasted cash flows.

The current worldwide economic downturn (see "– The current worldwide economic downturn has impaired and is expected to continue to impair HC Group's business and results of operations.") has lowered the growth expectations within the countries in which HC Group operates, motivated by the cancellation or deferral of investment projects, particularly affecting the construction industry. These conditions, which constitute an impairment indicator, were taken into consideration in the last annual impairment tests. For the fiscal year ended December 31, 2008, HC Group recognized goodwill impairment losses of approximately € 329.4 million which primarily relate to the UK (€ 212.2 million), Georgia (€ 68.2 million), Spain (€ 34.5 million) and Singapore (€ 8.4 million).

Due to the important role that economic factors play in testing goodwill for impairment, a further downturn in the global economy or a potential increase in global interest rates could necessitate new impairment tests and a possible readjustment of HC Group's goodwill. Such impairment charges could have material adverse effects on the financial condition and results of operations of HC Group.

*HC Group is subject to risks in connection with divestitures.*

An important component of the refinancing of the acquisition of Hanson and HC Group's current program for the strengthening of its financing structure is the divestment of selected activities of HC Group. In connection with the refinancing of HC Group's bank debt in June 2009 (see "– Risks Associated with HC Group's Capital Structure – HC Group has significant debt subjecting it to certain financial covenants and undertakings and has high refinancing requirements in 2010 and 2011.") HC Group committed itself in the syndicated facilities agreement dated June 16, 2009 (the "SFA"), to use best efforts to divest assets in an aggregate value of at least € 2 billion by December 2011.

In particular, HC Group is examining the potential sale of activities in regions where vertical integration is unlikely to be achieved in the mid-to-long term. Such divestments have already been made and some of them have led to warranty claims of the purchasers, see, e.g. *“– Regulatory, other Legal and Tax-related Risks – HeidelbergCement may have to indemnify Saint-Gobain in connection with the divestiture of its dry mortar business (maxit) for an anti-trust fine and alleged non-compliance with environmental laws”*. On July 17, 2009 a subsidiary of the Issuer (formerly part of Hanson group) in the United States received notice of an indemnification claim from the current owner of property initially sold in 1990 by such subsidiary, subject to certain warranties and indemnification provisions. The notice was given pursuant to provisions of the contract under which the property was initially sold. The claim relates to a lawsuit commenced on June 22, 2009, by the State of Texas, against the current owner of the property alleging the wrongful removal and sale of construction aggregates from the property and seeking damages against the current owner in the amount of \$558 million. The State of Texas did not name the Issuer’s subsidiary in the lawsuit. The lawsuit against the current owner does not state the method used to calculate the alleged damages. The current owner denies and disputes the claims and believes that the lawsuit is without merit. The indemnification claim by the current owner alleges that the Issuer’s subsidiary failed to adequately disclose the claimed interests of the State of Texas in the property, but does not specify a particular amount for which it is seeking indemnification. The Issuer has been informed by its subsidiary that the contract under which the property was sold contained a cap on the seller’s liability equal to the purchase price of less than \$15 million and that Hanson itself has an indemnification claim against its original counterparty from which it initially purchased the subsidiary. Hanson has notified its original counterparty of the current owner’s claim and tendered defense of that claim to such original counterparty. Moreover, based on the initial documents it has reviewed, the Issuer’s subsidiary believes that it is likely there was no misrepresentation in the 1990 contract, but that the potential interests of the State of Texas were properly disclosed. However, because of the early stage of this litigation and these indemnity claims, the Issuer cannot provide any assurance at this time that this matter may not result in significant liability on the part of such Issuer subsidiary.

Warranty or indemnification claims in connection with divestitures, if determined against HC Group, would negatively influence the financial condition of HC Group.

In light of the ongoing and possibly worsening economic crisis (see *“– The current worldwide economic downturn has impaired and is expected to continue to impair HC Group’s business and results of operations.”*), and due to the time pressure resulting from the best efforts requirement to divest assets provided for in the SFA dated June 16, 2009, further divestitures may not be realized at all or may be realized only on unfavorable conditions or at lower than anticipated valuation levels. Furthermore, HC Group may be subject to far-reaching warranty obligations or other obligations resulting from such divestitures relating to the condition of the divested assets, which may lie beyond HC Group’s control after the divestiture.

The realization of individual or multiple risks mentioned above could have material adverse effects on HC Group’s business, financial condition and results of operations.

*HC Group is dependent on qualified personnel in key positions and employees having special technical knowledge.*

Qualified and motivated personnel is one of the key factors for the further development of HC Group’s business, in particular its further technological development and geographic expansion. Competition for such personnel has increased in recent years, and in certain cases in the past HC Group was facing challenges in obtaining or retaining the desired personnel. Personnel shortages as well as the loss of important employees could negatively influence HC Group’s further business development. In addition, there are risks related to HC Group’s dependence on individual persons in key positions, particularly at the level of the managing board as well as in the areas of development, distribution, service, production, finance and marketing. The loss of management personnel or employees in key positions would lead to a loss of know-how, or under certain circumstances to the passing on of this know-how to competitors.

If one of the above mentioned risks is realized, this could materially adversely affect HC Group’s business, financial condition and results of operations.

*HC Group depends on sound and uninterrupted operations of its information and communication technology.*

The operation of the production facilities of HC Group as well as its sales and service activities depend on the efficient and uninterrupted operation of its computer, telecommunication and data processing systems. Computer and data processing systems are generally prone to disturbances, damage, electricity failures, computer viruses, fire and similar events. Disruptions to operations or interruptions in operations involving the systems cannot be completely excluded and have already occurred in individual cases in the past. Especially the IT infrastructure in Asia and Australia is not yet standardized and adjusted to the rest of HC Group and some IT replacement projects have been delayed. Although administration and production networks are separated, an interruption of the operations of the computer or data processing systems could adversely affect HC Group’s

ability to efficiently maintain its production processes and to ensure their adequate controlling. Disruptions to or interruptions in operations could lead to production downtime which, in turn, could result in lost sales. Information and communication technology-related risks are particularly relevant at HC Group since its information technology landscape is decentralized and strongly influenced by a history of acquisitions of businesses which operated their own distinct information technology solutions. For example, the takeover of Hanson added numerous different IT systems to the existing structures. In addition, much of the software used by HC Group is end user-developed by local personnel. As a consequence, the different platforms in use for key processes may lead to inefficiencies, such as problems with interoperability, malfunctions and higher costs.

The realization of one or more of these risks could materially adversely affect HC Group's business, financial condition and results of operations.

*Intense competition could adversely affect HC Group's sales, profits and market shares.*

HC Group operates in many markets around the world, and many factors affect the competitive environment HC Group faces in any particular market. The aggregates, ready-mixed concrete and asphalt markets are regional markets that are mainly characterized by regional and local competitive factors, including in particular the number of competitors in a given market, such competitors' degree of vertical integration and pricing policies, the development of regional demand and capacity, the availability and cost of raw materials, other cost impacts, the possible entry of additional competitors in markets, or changes to competitive conditions through increases in imports or first-time imports in markets by competitors. As a result, the prices that HC Group may be able to charge to its customers are not likely to be materially different from the prices charged by producers of the same product in the same markets to their customers. Accordingly, HC Group's profitability is generally dependent on the level of demand for such building materials and services as a whole, and on its ability to control its efficiency and operating costs. Prices in these markets are subject to changes in response to relatively minor fluctuations in supply and demand, general economic conditions, and other market conditions beyond the control of HC Group. As a consequence, HC Group may face price, margin or volume declines in the future. Any significant volume, margin or price declines could have material adverse effects on HC Groups results of operations.

In addition, these factors are often subject to varying developments in the regions and countries where HC Group operates. Individual regional and local competitive factors could in the future change to HC Group's disadvantage, significantly intensifying competition in certain regions or countries. For example, competitors may expand their capacities in the Eastern European markets or enter markets in other regions. In the United States, an abolition of the "anti-dumping duties" that historically protected the U.S. cement industry in particular from competition from Mexico could lead to increased imports of lower-priced cement products from, e.g. Mexico or China. Market entry by additional competitors or increased cement imports into the North American market could lead in the long term to an oversupply of cement in North America and possibly to overcapacity and, as a result, to a decline in demand and lower prices for HC Group's products. In particular in Romania, the Ukraine, the UK, Norway, the Benelux countries and China, HC Group is faced with price and/or volume decreases, as well as threats of rising imports. The consequences of such changes or of other possible changes in the competitive environment could have material adverse effects on HC Group's business, financial condition and results of operations.

Competitors could also improve the functionality or performance of their products. This could lead to decreases in the prices for HC Group's products and services and a loss of sales volumes and of market shares.

In order to maintain or further reinforce its competitive position, HC Group relies on continuous investments in the areas of development and production and in its service and distribution network. In the future, HC Group may not have adequate resources to make investments or sufficient access to qualified personnel in order to continue to successfully compete in the market. Competitors could react more quickly to the changing needs of customers or expend greater means on marketing their products than HC Group does. Each of these factors could lead to a loss of the market share and have material adverse effects on HC Group's business, financial condition and results of operations.

*HC Group's compliance controls and procedures may not be sufficient to prevent or discover violations of the law and other group-wide risk management and control procedures may be inadequate or not be adhered to.*

Recent scandals accusing other German stock corporations of corruption have encouraged HC Group to further intensify its focus and efforts in the field of compliance (for risks regarding anti-trust fines and competition regulation see "– Regulatory, other Legal and Tax-related Risks – HC Group is exposed to legal risks regarding anti-trust fines and related damage claims"). HC Group's existing compliance controls and procedures may not be sufficient to prevent or detect improper practices, fraud and violations of law on the part of HC Group intermediaries and employees. HC Group uses under certain circumstances intermediaries whose activities it cannot control, particularly when soliciting business with customers in certain countries or in connection with acquisition activities. Such intermediaries receive a commission from HC Group upon successfully obtaining an



order or facilitating the respective activity, and the amount of the commission is a percentage of the value of the obtained order or the transaction.

HC Group also engages advisors in connection with the expansion of its business operations, particularly in Eastern European countries. HC Group is aware that such advisory agreement practice can be susceptible to the camouflage of illegal practices, in particular if the remuneration paid under the advisory relationship is not justified by the services rendered.

If such intermediaries, advisors or employees receive or grant improper benefits when soliciting business or use other corrupt, fraudulent or improper business practices, this could lead to legal sanctions for HC Group, including fines, the loss of orders and considerable harm to HC Group's reputation. In light of HC Group's vast geographic diversification, size and complex group structure and the ongoing use of advisors and intermediaries, no assurance can be given as to the adequacy of, and future adherence to, HC Group's internal compliance procedures and guidelines, as well as its other group-wide risk management and control procedures. This could materially adversely affect HC Group's business, financial condition and results of operations.

*HC Group is exposed to general political, economic, legal and taxation risks in countries in various stages of development in which it has significant operations or interests.*

HC Group is dependent, in large part, on the socioeconomic conditions in the countries in which it produces and distributes its products or in which it intends to broaden its international business activities and customer base. Such international activities involve countries or regions in various stages of development and thus entail difficulties and risks. These include initially the expenses involved in certifying HC Group's products in the new countries or obtaining other permits, as well as start-up costs, all of which may be substantial. On an ongoing basis, HC Group faces risks related to general political, economic, legal and taxation conditions in the individual countries, unexpected changes in regulatory requirements, the reduction in or termination of government subsidies as well as compliance with a large number of foreign laws and regulations. The risks might further involve inflation, social and political instability, war, corruption, import or export restrictions, restrictions in currency transfer and, occasionally, expropriation.

Other risks involved in international operations can result from trade restrictions and changes in tariffs and customs duties. Operating and protecting IT structures as well as establishing and maintaining appropriate risk management and control structures present a particular challenge in international business operations.

HC Group also faces the risk of revocations of existing exploitation permits with respect to aggregates or of existing operation permits with respect to its production facilities in the countries in which it operates. Governmental organizations in these countries might also change the legal framework for the retention of such permits, thereby creating encumbrances.

HC Group's legal rights or entitlements may also be contested by third parties. For example, in Kazakhstan HC Group faces a dispute with a minority investor regarding the validity of his alleged shareholding in Bukhtarminskaya Cement.

HC Group faces some of the aforementioned risks particularly in certain African and Asian countries. In particular, HC Group has been affected by the war-related economic and social dislocations in Georgia, as well as social unrest due to economic and political difficulties in Indonesia.

The aforementioned risks may have material adverse effects on HC Group's business, financial condition and results of operations.

*HC Group's insurance coverage may not be sufficient.*

HC Group decides on the type and scope of its insurance coverage on the basis of a commercial cost-benefit analysis. As a result of such analysis, HC Group has taken out insurance coverage for risks related to its business operations which is low compared to general industry standards. Some business-related risks are not covered by insurance at all and, in line with standard market practice, most insurance agreements in connection with HC Group's business activities are subject to various exclusions of liability and deductibles. For example, the insurance cover for damages to HC Group's production plants is limited to a maximum amount of €/\$200 million per insured event (currency depending on location of the respective plant). Also, large parts of HC Group's external insurance cover are subject to a retainer amount of a maximum €/\$20 million per insured event. There can be no assurance that HC Group will not incur losses or that no claims will be raised which exceed the type or scope of existing insurance coverage. In addition, HC Group's locations in California, Indonesia and Turkey are exposed to increased risks of earthquakes and other natural disasters for which HC Group has not acquired full insurance coverage. In countries other than the USA, HC Group has not obtained full insurance cover for potential asbestos related claims. If HC Group incurs damage for which there is insufficient insurance coverage or if it cannot obtain insurance coverage for future risks, this could have material adverse effects on HC Group's business, financial condition and results of operations.



*HeidelbergCement does not control the business of the investments in which it is not the (only) controlling shareholder and is limited by the rights of minority investors in some of its subsidiaries.*

HeidelbergCement has important operations where it is not the (only) controlling shareholder (e.g. joint ventures in Indonesia, China, Turkey and Australia). The other shareholders in these operations might have different business interests than HeidelbergCement. With regard to these companies there might be situations where decisions are taken against HeidelbergCement's business interests or where decisions in the business interest of HeidelbergCement cannot be taken or can be taken only with a delay.

HC Group conducts its operations through many subsidiaries, some of which have minority investors. The interests of such minority investors may not always be aligned with those of the Issuer. Restrictions arising from minority interests may adversely impact HC Group's operating and financial strategies and result in, among other things, reduced ability to implement organizational efficiencies through transferring cash and other assets from one subsidiary to another to allocate assets most effectively. Similarly, HC Group has only limited influence over companies in which it holds a minority stake only.

This could have material adverse effects on HeidelbergCement's business, financial condition and results of operations.

*HC Group is subject to risks that future acquisitions and participation in joint ventures may not be successful.*

Albeit on considerably lower levels compared to recent years, HC Group still considers part of its strategy to be the acquisition of companies and entering into joint ventures or acquiring other strategic shareholdings in order to expand or complement its product or technology portfolio, or to realize synergies. The acquisition and integration of acquired enterprises and joint ventures involves considerable investments, uncertainties and risks and requires, among other factors, the ability to integrate the newly acquired businesses or joint ventures into the existing operational units and to retain or quickly replace a sufficient number of qualified management personnel, other key employees and persons with the necessary know-how. HC Group may not be able to successfully carry out such integrations or realize planned savings, synergies and/or opportunities for growth originally planned in the context of the acquisition or the joint venture. Furthermore, disagreements with joint venture partners or developments in respect of strategic shareholdings could arise which are not in line with HC Group's expectations. The purchase price for the acquisition of businesses, joint ventures or other strategic shareholdings may turn out to be excessive, or unforeseen restructuring expenses may be necessary. Therefore, the success of future acquisitions of or shareholdings in companies cannot be guaranteed. Furthermore, HC Group may not be able to identify appropriate candidates for acquisitions or joint ventures or to acquire them or participate in them on attractive terms. This could lead to HC Group falling behind, particularly in terms of regional competition. Furthermore, there can be no assurance that HC Group will have the financial resources to carry out such transactions. The currently high level of HC Group's debt and certain restrictive covenants contained in its financing instruments will adversely affect its ability to carry out and finance acquisitions. This could mean that intended growth targets, economies of scale, cost savings or other strategic goals cannot be realized in whole or in part. Anti-trust law could also prove an obstacle to mergers or acquisitions.

The realization of one or more of the aforementioned risks may have material adverse effects on HC Group's business, financial condition and results of operations.

### ***Risks Associated with HC Group's Capital Structure***

*HC Group has significant debt outstanding subjecting it to certain financial covenants and undertakings and has high refinancing requirements in 2010 and 2011.*

Resulting in particular from the acquisition of the Hanson group in August 2007 for € 11.7 billion, HC Group has significant debt and will continue to have a high level of debt after the issue of 62,500,000 shares in September 2009. As of June 30, 2009, HC Group's financial liabilities (equal to the sum of long-term and short-term financial liabilities) amounted to € 12.8 billion, with net financial liabilities totaling € 11.3 billion. Between March 31, 2009 and June 30, 2009, HeidelbergCement's net financial liabilities decreased by an amount of € 774 million. As a result of the successful capital increase by the issue of 62,500,000 shares in September 2009, HeidelbergCement's net financial liabilities further decreased by approximately € 2,253 million.

In June 2009, HC Group completed a comprehensive refinancing of its existing bank debt involving more than 50 international lenders. The new syndicated facilities agreement (the "**SFA**") totaling approximately €8.7 billion matures on December 15, 2011. In connection with the refinancing, HeidelbergCement and HeidelbergCement Finance B.V. had to grant security over bank accounts and intra-group loan receivables as well as numerous guarantees by subsidiaries. The lenders under the SFA have also obtained share pledges over the shares in HeidelbergCement's major direct or indirect subsidiaries.

The SFA and certain other financing agreements of HC Group provide for substantial restrictions with respect to HC Group's operational flexibility. In particular, HC Group has to adhere to certain financial ratios (covenants) and general undertakings, allowing the lenders to claim immediate repayment of the outstanding loans if such covenants or undertakings are not satisfied. There is a potential risk that the requirements in connection with the financial covenants in particular will not be met in the future.

After the debt refinancing accomplished in June 2009 and taking into account repayments made, the maturities of HC Group's financial liabilities are as follows: € 415 million will mature between June 30, 2009 and December 31, 2009, € 147 million between January 1, 2010 and June 30, 2010, € 740 million will mature between July 1, 2010 and June 30, 2011, € 7.9 billion between July 1, 2011 and June 30, 2012 and € 987 million between July 1, 2012 and June 30, 2013. There is a potential risk that HC Group will not be able to meet the now agreed maturities or implement refinancing measures in time, which would have a material adverse effect on HC Group. The difficulties in refinancing HC Group's bank financing which matures in December 2011 are further increased by the tight credit market conditions and weak economic environment in which HC Group could continue to face decreasing operating results.

HC Group's comparably high indebtedness in general combined with the resulting interest burden and below investment grade credit rating, as well as the restrictions under the SFA in particular, will negatively affect its business, financial condition and results of operations by:

- rendering HC Group more vulnerable to the consequences of the economic downturn;
- limiting HC Group's ability to obtain additional financing to fund future working capital, capital expenditures, to make strategic acquisitions or to obtain alternative sources of funds;
- requiring the dedication of a substantial portion of HC Group's cash flow from operations to the payment of principal of, and interest and fees on, its indebtedness, which means that this cash flow will not be available to fund operations, capital expenditures or other corporate purposes or to pay dividends;
- limiting HC Group's flexibility to react to changes in its business, the competitive environment and the industry; and
- placing HC Group at a competitive disadvantage to competitors with less leverage and more financial flexibility.

*Substantial cash flows are needed to cover HC Group's debt service expenditure and an increase in market interest rates as well as a further downgrade in HC Group's credit ratings may further increase HC Group's interest expense.*

HC Group has substantial annual financing costs; its financial results (interest income, interest expenses, foreign exchange gains and losses and other financial result) in the fiscal year 2008 amounted to minus € 829.5 million and totaled minus € 361.9 million in the first six months of 2009. As part of the June 2009 debt refinancing, HC Group had to agree to higher fees and interest margins payable to its lenders in addition to the interest base rate, such as EURIBOR and LIBOR. As of the date hereof, this increase in financing costs is partially off-set by a decrease in the market interest base rate in 2009 compared to 2008. HC Group estimates a net interest result for the fiscal year 2009 in the range of between minus € 750 million and minus € 900 million.

The interest for approximately 68% of HC Group's outstanding financial indebtedness is determined on a variable basis depending on market rates, such as EURIBOR and LIBOR. Consequently, rising market interest rates would lead to substantially higher financing costs in the future. For example, in the first six months of 2009, a 100 basis point change in the rate of interest paid on HC Group's indebtedness would have increased or decreased, as applicable, HC Group's interest expense by € 81 million, compared to € 88 million in 2008, € 73 million in 2007 and € 28 million in 2006.

In part due to its persisting high indebtedness and the maturity profile, HeidelbergCement's credit ratings are below investment grade, for example B1, B, B- by the rating agencies Moody's, Fitch Rating and Standard & Poor's, respectively. HC Group's high indebtedness and low credit ratings have made and will make the implementation of refinancing measures more difficult. A further deterioration in the Issuer's business results and financial condition could lead to a further downgrade of its credit ratings and thereby to higher financing costs. Higher financing costs could have material adverse effects on HC Group's business, financial condition and results of operations.

*Limitations on the availability of financing could have a material adverse impact on HC Group's business, liquidity and financial condition.*

HC Group's production facilities require continuous investments for maintenance and modernization. There is a risk that HeidelbergCement or its subsidiaries may not be able to obtain financing in the future or that financing may be obtained only at considerable costs. In the past, HC Group used a number of financing instruments to help minimize financing risks. Historically, these have included the issuance of commercial paper for short term

funding on an unsecured basis, the issuance of private placements and bonds under its existing Euro Medium Term Notes program, as well as syndicated and bilateral credit lines, loans and loan notes from banks. These financial instruments are currently not available, or not available on meaningful terms, to HC Group due to its current credit rating and adverse developments in the global capital markets, as well as HC Group's high level of overall indebtedness.

If HC Group is unable to make sufficient investments in its existing production facilities, this could result in the deterioration of production assets and adversely affect its ability to deliver products in the quality and quantity expected by the market which could materially adversely affect its competitive position and thus HC Group's business, financial condition and results of operations.

### **Regulatory, other Legal and Tax-related Risks**

*HC Group is exposed to legal risks regarding anti-trust fines and related damage claims.*

In 2003, the German Federal Cartel Office ("**FCO**") levied anti-trust fines against HeidelbergCement and its subsidiaries Anneliese Zementwerke AG (merged into HeidelbergCement in 2005) and HC Zementwerk Hannover GmbH (formerly TEUTONIA Zementwerk AG, acquired in 2005) and five former managing board members of these companies in an aggregate amount of € 286.5 million, of which € 251.5 million were levied against the Issuer, € 26 million against Anneliese Zementwerke AG and € 8 million against HC Zementwerk Hannover GmbH (the remainder of € 1 million was levied against former managing board members of these companies). The fines are based on alleged quota (sales share allocation) agreements over several years in the cement markets of Southern Germany, North Rhine-Westphalia (*Nordrhein-Westfalen*) and Lower Saxony (*Niedersachsen*) and certain other anti-trust violations. HeidelbergCement, Anneliese Zementwerke AG and HC Zementwerk Hannover GmbH filed appeals. In 2007, the case was submitted to the Higher Regional Court (*Oberlandesgericht*) Düsseldorf. In parallel in 2007, certain isolated infringements (in part relating to HeidelbergCement and those relating to Anneliese Zement AG) were no longer contested and € 32.5 million in fines were paid. On June 26, 2009, the court rendered its decision with respect to the fines levied on HeidelbergCement. It reduced the remaining fine for HeidelbergCement to € 169.9 million, to be paid in three instalments. HeidelbergCement further appealed this decision to the Federal Court of Justice (*Bundesgerichtshof*). As the General Prosecution Office (*Generalstaatsanwaltschaft*) did not appeal the court's decision, the fine can not be further increased. The proceeding against HC Zementwerk Hannover GmbH was separated from the proceeding against HeidelbergCement and is still pending with the Higher Regional Court (*Oberlandesgericht*) Düsseldorf, which is not bound by the results of the investigations of the FCO and could levy a different and even a higher fine. Neither HeidelbergCement nor HC Zementwerk Hannover GmbH is obliged to pay the anti-trust fines until a binding final court decision will be issued. HeidelbergCement and HC Zementwerk Hannover GmbH continue to defend themselves against the court's assumption of the duration of the cartel and any incremental earnings (on which the amount of the fine is based). There can be no assurance regarding the outcome of the appeals.

In November 2008, the EU Commission conducted on-site investigations of a number of locations of cement producers in Germany, Belgium, The Netherlands and the UK investigating suspected infringements of EU competition law. Offices of HeidelbergCement and its respective subsidiaries in Heidelberg/Germany (Headquarters), Mainz/Germany (Sales Office), Brussels/Belgium (Country Headquarters), s'Hertogenbosch/The Netherlands (Country Headquarters) and Maidenhead/UK (Country Headquarters) were searched and a number of documents and electronic files were seized. HeidelbergCement has no information about any conclusion the EU Commission may draw from its investigation which is in a preliminary phase. Although preliminary internal investigations and a preliminary review of the seized documents and files do not confirm the far-reaching suspected infringements as stated in the investigation authorization, HeidelbergCement can offer no assurance regarding the outcome of this proceeding. If the EU Commission concludes that HeidelbergCement or any of its affiliates participated in anti-competitive practices, the EU Commission may impose a fine on HeidelbergCement, which requires a comprehensive factual, legal and economic analysis, and HeidelbergCement may face follow-on civil actions by its customers and the customers of other companies involved in the anti-competitive practices.

In addition, certain subsidiaries of HeidelbergCement are subject to investigations and proceedings by anti-trust and competition authorities in various countries, including Belgium, Hungary, India, Indonesia, Poland (two of the proceedings, relating in particular to the slag market, concern preliminary general market investigations by the Polish Competition Agency) and Ukraine which are at different stages including court proceedings. HeidelbergCement cannot predict the outcome of pending proceedings or investigations, including, but not limited to, the amount of any fine. With respect to five of these proceedings, those in Belgium, Hungary, Indonesia, Poland and Ukraine, new fine orders might be issued in the future while the other pending proceedings are at the appeal stage and/or payments had to be made. For two of these proceedings in Poland and Ukraine, a fine of more than € 10 million may be assessed – based on the current provisions applicable to the calculation of fines.

One further cartel case involves maxit Deutschland GmbH, a former German subsidiary of HeidelbergCement sold to Saint-Gobain in 2007: Following investigations started in May 2006, the FCO imposed on July 3, 2009 a fine in the amount of € 12.4 million on maxit Deutschland GmbH for alleged concerted introduction in early 2006 of a silo lease fee for all dry mortar products sold through on-site mixing silos. maxit Deutschland GmbH has lodged an appeal against the FCO's decision with the Higher Regional Court (*Oberlandesgericht*) Dusseldorf which is not bound by the results of the investigations of the FCO. Based on the court's own findings, it may levy a different or even higher fine. There has been no hearing yet and the case is still pending. The levied fine does not have to be paid until a binding final court decision has been issued. The judgement of the Higher Regional Court can further be appealed to the Federal Court of Justice (*Bundesgerichtshof*). Pursuant to the share purchase agreement with Saint-Gobain, HeidelbergCement would have to indemnify Saint Gobain for the fine imposed if the FCO's decision becomes final and binding to the extent such fine combined with other warranty claims of Saint-Gobain under the share purchase agreement exceeds € 20 million. For further risks resulting from this transaction see: "*– HeidelbergCement may have to indemnify Saint-Gobain in connection with the divestiture of its dry mortar business (maxit) for an anti-trust fine and alleged non-compliance with environmental laws.*".

Furthermore, Cartel Damage Claims SA ("**CDC**"), a Belgian company which is asserting potential claims on behalf of 36 potentially damaged customers, has filed a lawsuit against the six alleged main participants of the cement cartel in Germany as described in more detail above, including HeidelbergCement. The claimed amount totals approximately € 132 million plus interest in a higher amount (€ 148 million as of July 2009), whereby CDC has asked that the precise amount be fixed by the court. CEMEX Deutschland AG, Dyckerhoff AG, Lafarge Zement GmbH and Holcim (Deutschland) AG filed a third-party notice (*Streitverkündung*) against HeidelbergCement's subsidiary HC Zementwerk Hannover GmbH, and Dyckerhoff AG and Lafarge Zement GmbH filed a third-party notice against HeidelbergCement's subsidiary Kerpen & Kerpen GmbH & Co. KG. Neither HC Zementwerk Hannover GmbH nor Kerpen & Kerpen GmbH & Co. KG have joined the respective defendants. In case the courts decide in favour of CDC, CDC may claim the full amount awarded by the court from any of the defendants as joint and several debtors (*Gesamtschuldner*), which then has the burden and risk to claim (partial) recourse against other proven participants of the cartel. Although the judgment of the Higher Regional Court (*Oberlandesgericht*) Dusseldorf – and ultimately the judgment of the Federal Court of Justice (*Bundesgerichtshof*) – in the German cement cartel case (see above) is not legally binding on the court deciding the CDC case, it cannot be excluded that the findings in these proceedings might have a certain factual relevance for the CDC case including with respect to the amount of damages. HeidelbergCement cannot rule out that this lawsuit might be successful to some extent. In that event, CDC or other customers of HeidelbergCement or another company involved in the alleged cartel activities could be encouraged to bring further actions, which could pertain to longer periods in time than currently under review, against HeidelbergCement as participant of the cement cartel in Germany, as described in more detail above. Moreover and more generally, HeidelbergCement could also face further civil lawsuits for damages suffered by customers due to alleged excessive cement prices as a result of (other) anti-trust infringements.

There can be no assurance that the outcome of the German cartel case (see above) and the civil law damage claim, for which HeidelbergCement has made provisions (based on the advice of external counsel), will not be worse than expected, which could materially adversely affect the Issuer's business, financial condition or results of operations.

The geographic and product markets in which HeidelbergCement or certain of its subsidiaries and affiliates are active vary significantly in terms of the competitive market structure and the nature and extent of their participation in such markets. In certain markets (i) the concentration of cement, concrete and aggregate markets among a few competitors, (ii) the homogeneity of cement, concrete and aggregates and their sensitivity to transportation costs, (iii) the frequent use of restrictive provisions in supply, distribution and license agreements and/or (iv) the practice of supplying competitors and entering into joint venture and/or distribution agreements with competitors and/or their affiliates (potentially giving rise to the allegation of unlawfully coordinating competitors' behavior in the course of such relationships), may induce anti-trust authorities in those areas to initiate other anti-trust investigations or third parties to file anti-trust complaints against HeidelbergCement or certain of its subsidiaries and affiliates. HeidelbergCement has clear policies requiring compliance with applicable competition laws. However, there can be no assurance that HeidelbergCement is not a party to agreements that might be found to infringe applicable anti-trust laws in certain jurisdictions.

A successful anti-trust law challenge could adversely affect HC Group in a variety of ways. For example, it could result in: (i) the imposition of significant fines by one or more authorities (in the case of the EC Commission, up to a maximum of 10% of an undertaking's worldwide annual group revenue) and (ii) third parties (such as competitors and customers) initiating substantial civil litigation claiming damages caused by anti-competitive practices. In addition, involvement in illegal anti-competitive conduct may give rise to a reputational risk for HC Group and a requirement for HC Group to share assets, business secrets or know-how. Apart from the consequences that may result from any potential involvement in illegal conduct, HC Group may be restricted in its ability to carry out acquisitions due to merger regulations in a certain jurisdiction. Furthermore, compliance



with competition laws and regulations may involve significant costs or require changes in business practices that may result in reduced revenues and, accordingly, have a material adverse effect on the business, the results of operations and financial condition of HC Group.

Finally, third parties have on occasion asserted, and may in the future assert, damage claims in very significant amounts against HC Group based on alleged violations of numerous laws, including anti-trust laws, unrelated to any actual specific investigation or proceedings. HC Group defends vigorously against any claims that they consider as being without merit or even made arbitrarily. Depending on whether a claimant actually goes to court, HC Group's defense against such claims may involve significant legal costs. Should HC Group not be able to recoup such costs from the claimant, this may materially adversely affect its business, results of operations and financial condition.

*Regulations regarding carbon dioxide emissions, an unfavorable allocation of rights to emit carbon dioxide or other air emission related issues could have a material adverse effect on HC Group's business, financial condition and results of operations.*

HC Group operates cement plants and other industrial facilities worldwide. Substantial quantities of carbon dioxide (CO<sub>2</sub>) are released by HC Group, in particular during cement clinker production. Compliance with existing, new or proposed regulations governing such emissions might lead to a need to reduce such greenhouse gas emissions, to purchase rights to emit from third parties, or to make other changes to HC Group's business, all of which could result in significant additional costs or could reduce demand for HC Group's products, as regulations and the enforcement of those regulations tend to become more stringent over time. In addition, HC Group is a significant purchaser of energy. Existing, new and proposed regulations relating to the emission of carbon dioxide by HC Group's energy suppliers could result in materially increased energy costs for its operations and HC Group may be unable to pass along these increased energy costs to its customers, which could have a material adverse effect on HC Group's business, financial condition and results of operations.

#### *European Union carbon emission laws*

Beginning in 2005, the EU Member States implemented a system which set out the legal framework relating to placing limits on carbon dioxide emissions for certain energy-intensive plants, including cement and lime plants, and set forth rules on trading those rights to emit. Under this EU regulation, companies currently receive from the relevant Member States allowances that set limitations (caps) on the levels of carbon dioxide emissions from their industrial facilities ("**Emission Rights**"). These Emission Rights are tradable; companies that reduce their emissions may sell their excess Emission Rights to companies that are exceeding their emissions limitations. Failure to meet emissions limitations can lead to significant penalties. Based on the national allocation plans for the current emission trading period 2008 to 2012, and HC Group's current calculation of its carbon dioxide emissions in this period, HC Group estimates that its European plants which are subject to the emissions trading scheme will receive sufficient Emission Rights for their ongoing operations. However, deviations from HC Group's current estimates or changes to the allocations could lead to significant additional costs.

A revised emission trading system will apply in the EU from 2013 onwards (this will be the third trading period under the EU emissions trading system). Under this revised system, the Community-wide quantity of Emission Rights issued each year starting in 2013 will be cut from the midpoint of the 2008 to 2012 period by a linear factor of 1.74% annually as compared to the average annual total quantity of Emission Rights issued in the EU between 2008 and 2012. Further, in general, manufacturing companies will have to purchase a significant (and steadily increasing) share of Emission Rights in auctions from 2013 onwards. The amount of Emission Rights allocated free of charge for manufacturing plants will generally be reduced from 80% in 2013 to 30% in 2020 and to 0% in 2027. However, currently, the cement industry is, as well as some other energy-intensive industries, in the process of being recognized as a sector with a significant risk of carbon leakage, *i.e.*, as a sector in which a risk of relocation of plants to countries with less strict climate protection laws exists. By the end of 2009, the European Commission must determine which industries have a significant carbon leakage risk. These industries will generally be exempted from auctioning and granted Emission Rights for free for the period determined. Given the current status of the process, HC Group believes that the cement industry will be granted an exemption from auctioning. But even if such an exemption is granted and Emission Rights are allocated free of charge to the cement industry, new benchmarks apply which will result in stricter caps for many of HC Group's plants in the EU in the third trading period. These stricter caps will probably require HC Group to purchase a steadily increasing share of additional Emission Rights to cover its carbon dioxide emissions in excess of those covered by the Emission Rights allocated for free. Therefore, even if (and as long as) an exemption applies, significant additional costs may arise for HC Group in the third trading period. Even though the EU may implement supporting measures for designated industries with significant carbon leakage risk, there can be no assurance that such measures will be implemented for the cement industry.

Should no exemption from auctioning be granted for the third trading period, which HC Group considers very unlikely, HC Group would have to purchase a significant (and steadily increasing) amount of Emission Rights in auctions (from 20% in 2013 to 70% in 2020 and to 100% in 2027) to cover its carbon dioxide emissions, which



would result in massive additional costs for HC Group. In addition, significant additional costs may arise for HC Group due to the stricter caps applicable to the share of Emission Rights allocated for free, which would require HC Group to purchase additional Emission Rights. Therefore, HC Group could suffer a massive loss in market share to competitors outside the EU should no exemption from auctioning be granted.

Furthermore, the revised emission trading system is expected to result in a significant increase in indirect costs for HC Group. Full auctioning will be the rule for the energy sector from 2013 onwards, which will probably increase energy prices in the EU significantly. Even though EU Member States may adopt financial measures in favor of industries which have a significant carbon leakage risk resulting from an increase in energy prices under the revised emission trading scheme, there can be no assurance that such measures will be adopted for the cement industry. HC Group may not be able to pass on higher energy costs to customers in the form of price increases, which could have a material adverse effect on HC Group's business, financial condition and results of operations.

#### *North American carbon emission laws*

In addition, considerable and increasing government attention in the United States and Canada is being paid to carbon dioxide and other greenhouse gas emissions. Legislators are considering the adoption of significant new laws and regulators are considering using existing laws to limit greenhouse gas emissions, including carbon dioxide. Laws and regulations that are being considered include:

- *Federal legislation.* The U.S. House of Representatives recently passed, and the Senate is currently considering, greenhouse gas legislation that would, among other things, impose a nationwide cap on greenhouse gas emissions and require major sources, including some of HC Group's cement facilities, to obtain allowances to meet that cap. U.S. President Obama has expressed support for such legislation.
- *Federal regulation.* In April 2009, the U.S. Environmental Protection Agency (the "EPA") issued a proposed finding that emissions of carbon dioxide and other greenhouse gases contribute to air pollution and endanger human health and welfare (the "Endangerment Finding"). The Endangerment Finding, if ultimately adopted, would permit the EPA to begin regulating greenhouse gas emissions under the U.S. Clean Air Act.
- *State and provincial action.* A growing number of states in the United States and provinces in Canada, including those in which HC Group has operations, have adopted measures or are considering adopting measures, sometimes as part of regional initiatives, to reduce carbon dioxide and other greenhouse gas emissions within their jurisdictions, including by requiring reductions on carbon dioxide emissions from cement plants. For example, in California, Governor Arnold Schwarzenegger signed AB32 into law in late 2006. AB32 calls for specific emissions reduction measures as well as a cap on greenhouse gas emissions throughout California, including from HC Group's cement plants, and a state-wide reduction of greenhouse gas emissions to 1990 levels by 2020.

In addition, HC Group's operations are or will be impacted by other measures to reduce greenhouse gas emissions that are being imposed already, including the following:

- *Canadian regulations.* The province of British Columbia enacted a carbon tax law that went into effect in 2008 and imposes a tax on each metric ton of carbon dioxide equivalent emissions. This tax started at C\$15/metric ton in 2009 and will increase by C\$ 5/metric ton annually until it reaches C\$ 30/metric ton in 2012. In 2007, the province of Alberta implemented its Specified Gas Emitters Regulation, which requires a 12% reduction in greenhouse gas emission intensity vis-à-vis a baseline calculated as an average of emission intensity in 2003, 2004 and 2005.
- *Regional actions.* At the regional level, ten northeastern and mid-Atlantic states have formed the Regional Greenhouse Gas Initiative agreement, or RGGI. RGGI calls for signatory states to hold carbon dioxide emissions from power plants constant at current levels from 2009 to 2014, followed by a 2.5% reduction each year from 2015 to 2018. Auctions for carbon dioxide allowances under the program began in September 2008 and occur on a quarterly basis. This has and will in the future result in increased energy costs for HC Group's operations in the states party to RGGI.

Also in other jurisdictions, measures to reduce carbon dioxide and other greenhouse gas emissions that could affect HC Group are currently being developed or may be developed in the future, in particular, in connection with the UN climate conference in Copenhagen in December 2009. These existing and possible new regulations regarding carbon dioxide and other greenhouse gas emissions, especially the revised emission trading scheme for Emission Rights in the EU and any future federal actions in the United States and Canada, could have a material adverse effect on HC Group's business, financial condition and results of operations.

*HC Group is subject to a large number of environmental and health and safety laws and regulations.*

HC Group's operations are subject to various supranational, national, regional and local laws and regulations relating to the protection of the environment, health and safety. These laws and regulations govern, among other things, the generation, storage, handling, use and transportation of hazardous materials and wastes; the emission and discharge of hazardous materials into the ground, air or water; and the health and safety of employees. HC Group is also required to obtain and maintain permits from governmental authorities for many of its operations. These laws, regulations and permits are complex, change frequently, are often subject to public review and comment and have tended to become more stringent over time. For example, California recently adopted a diesel vehicle rule which will begin to take effect in 2011 and will require the installation of pollution controls on vehicles and accelerate vehicle replacement requirements over a period of approximately ten years. HC Group will need to make changes to or replace its vehicle fleet as a result of this regulation. HC Group anticipates it will spend approximately US\$ 40 million, in the aggregate, over the next 8 to 10 years to make the required changes to or replace its vehicle fleet as a result of this regulation. Even though HC Group has in the past incurred and will in the future incur significant ordinary course costs to comply with these laws, regulations and permits, there can be no assurance that HC Group's operations will at all times be in compliance with them. A failure to comply could result in governmental fines and other sanctions, the temporary or permanent shutdown of production facilities, third party claims and/or negative publicity.

Under HC Group's estimates, aggregate costs needed to address non-compliance with environmental and health and safety requirements now in effect or expected to be in effect in the next three years amount to an undiscounted total between approximately € 285 million and € 407 million in the next five years (which does not include ordinary course costs to comply with environmental and health and safety laws, costs of recultivation and costs in connection with soil and groundwater contamination). For example, at a cement plant in Bukhtama, Kazakhstan, the air emissions of the plant do not comply with the limit values required by the competent authority. Respective costs to address this issue could amount to up to approximately € 16 million. At a cement plant in Slite, Sweden, upgrade measures have to be conducted to comply with limit values for dust emissions applicable as of 2010. These measures are expected to result in costs of up to approximately € 11 million. In addition, in the United States the EPA recently proposed a new rule that would limit emissions of mercury, particulate matter, total hydrocarbons and hydrochloric acid from cement operations. If finalized, HC Group expects the aggregate, undiscounted costs needed to comply with this new rule will range between approximately € 85 million and € 103 million over the next three years (these costs are included in HC Group's cost estimates to address non-compliance with environmental and health and safety requirements noted above).

Further, in a number of areas in which HC Group operates, it is increasingly difficult to obtain permits for new sites and to expand existing sites due to community resistance, and any such resistance can also lead to a delay in obtaining or amending permits that could adversely affect HC Group's ongoing operations or any expansion of its operations.

HC Group maintains settlement ponds and other waste impoundments at some of its quarries and facilities. Although these ponds and impoundments are subject to extensive regulation, there could be more stringent and more costly regulation imposed in the future. Earlier this year, a bill was introduced in the U.S. House of Representatives that, if enacted, would increase regulatory requirements for and oversight of waste impoundments. This was introduced in part in response to a recent, well publicized failure of a coal ash impoundment in the USA maintained by the Tennessee Valley Authority. Any new legislation and regulation may impose significant and costly new obligations on HC Group.

HC Group has in the past incurred and will in the future incur significant costs for capital and operating expenditures to obtain and maintain permits, to comply with these laws and regulations and to address non-compliance issues. Given all of the foregoing there can be no assurance that future costs and liabilities relating to compliance with environmental and health and safety laws, regulations and permits will not materially adversely affect HC Group's business, financial condition and results of operations.

*HC Group is exposed to risks associated with the release of hazardous substances or other contamination of the environment, including risks arising under the U.S. Comprehensive Environmental Response, Compensation and Liability Act.*

Environmental laws can provide for environmental liability in case of the release of hazardous substances which contaminate the environment or which affect human health and safety. These environmental laws, including, but not limited to, the U.S. Comprehensive Environmental Response, Compensation and Liability Act ("**CERCLA**"), commonly known as Superfund, impose liability on current or previous owners or operators of real property for the cost of removal or remediation of hazardous substances. These laws often impose liability even if the owner or operator did not know of, or was not responsible for, the release of such hazardous substances. These environmental laws can also result in liability for persons who arrange for hazardous substances to be sent to disposal or treatment facilities when such facilities are found to be contaminated. Such persons can be responsible for cleanup costs even if they never owned or operated the contaminated facility. Liability may be imposed without regard to fault and may be strict, joint and several, so that HC Group

may be held responsible for more than its share of contamination or other damages, or even for the entire amount. In addition to actions brought by governmental agencies, private plaintiffs may also bring property damage and personal injury claims arising from the presence, emission or release of hazardous substances.

Many of HC Group's current and historical operations are located on sites with long histories of industrial operations, some of which were of a different nature than HC Group's current operations. In addition, HC Group has responsibility for a large number of sites relating to companies HC Group acquired, owned or operated in the past that had businesses and operations unrelated to those presently carried on by HC Group, especially Beazer East, Inc. (formerly known as Koppers Company, Inc. and acquired by Hanson prior to HC Group's acquisition of Hanson), or for some share of third party sites to which those "legacy" companies sent waste. Many of these sites now or in the past have stored or released significant amounts of waste and used hazardous substances. Such wastes or substances have in the past been, and may in the future be, released into the air, surface water, groundwater, sediments or the ground. These releases can contaminate the property and natural resources, such as streams or bodies of water and wildlife, and can result in related governmental fines or other sanctions, claims, including claims for property damages or personal injury, and a requirement to investigate, clean up or monitor soil, surface water, groundwater, sediments and other media under laws such as CERCLA.

In connection with ongoing operations, several cases of soil and groundwater contamination are known to HC Group. HC Group estimates costs in connection with such soil and groundwater contamination in a range between approximately € 20 million and, should remote risks materialize, up to approximately € 150 million (undiscounted costs).

At June 30, 2009, HC Group had recorded provisions of € 168.6 million in total for environmental liabilities and environmental claims, including legal and other costs on an undiscounted basis, of which € 29.2 million relate to ongoing operations and € 139.4 million relate to historical businesses and activities unrelated to those presently carried on by HC Group. In addition, HC Group has an undiscounted contingency reserve of € 86.3 million as of June 30, 2009 related to environmental liabilities and environmental claims from historical businesses and activities. There is a potential risk that these provisions are not sufficient with respect to the abovementioned issues. Actual costs could differ materially from HC Group's current estimates due to a range of factors, including: (i) identification of additional sites requiring environmental investigation and/or remediation; (ii) new releases or the discovery of unknown adverse conditions at sites; (iii) development of additional facts at sites, particularly relating to the extent of contamination and any potential or alleged adverse effects on neighboring properties; (iv) third party claims in excess of estimates; (v) changes to regulatory requirements or investigatory or clean-up standards; (vi) changes in remediation techniques or the length of any ongoing monitoring; (vii) the failure of other responsible parties to pay their share of costs; and (viii) any other significant variations to assumptions made in support of these cost estimates. Any increased costs or any of the developments mentioned above could result in the need to increase the provision by material amounts and could have a material adverse effect on HC Group's business, financial condition and results of operations.

In addition, at a significant number of HC Group's sites, asbestos containing materials exist which will have to be demolished and disposed of in the future. According to HC Group's estimates, there is a risk of future (long-term) liability in connection with demolition and disposal of asbestos containing material which amounts to an undiscounted total between approximately € 26 million and € 33 million (excluding costs in connection with asbestos-related claims from third parties). In case demolition and disposal should be required at a site, the costs to be incurred in this respect will be, in part, incurred over several years. There can be no assurance that actual costs for demolition and disposal do not exceed the costs estimated by HC Group. If such costs are incurred this could significantly affect HC Group's business, financial condition and results of operations.

*HC Group is exposed to risks associated with asbestos-related claims arising out of former activities in the United States.*

U.S. subsidiaries of HC Group are defendants in a number of lawsuits alleging bodily injury due to exposure to asbestos-containing products before 1984. At June 30, 2009, there were approximately 103,400 outstanding claims, which is a reduction of approximately 1,400 from 2008. These outstanding claims include over 49,000 matters filed in Ohio that are currently inactive, and include approximately 1,400 new claimants (since 2008). The number of pending claims (including newly filed claims) does not necessarily indicate the probable cost as many claims are ultimately dismissed without payment or are non-malignancy matters that present minimal risk. In the last four years, over 90% of resolved claims were dismissed without payment. The gross U.S. dollar cost of resolutions, judgments, settlement and defense costs, before insurance, was US\$ 27 million including legal fees of US\$ 12 million for the first half of 2009 and US\$ 54 million including legal fees of US\$ 20 million for all of 2008. Net costs after insurance were US\$ 26 million for the first half of 2009 and US\$ 51 million for all of 2008.

HC Group accounts for the asbestos claims against its U.S. subsidiaries by providing for those costs of resolution that are both probable and reasonably estimable. HC Group estimates such aggregate, undiscounted and prior-to-insurance costs, to be US\$ 505 million over the next eight years and has made corresponding

provisions. Although further claims are likely to be resolved beyond this eight-year period, HC Group cannot reliably estimate the associated costs of resolution. Therefore, no provision has been made to cover these future liabilities. One of HC Group's subsidiaries is currently involved in an on-going insurance coverage dispute with its insurance providers which might result in increased cash outflows if HC Group were required to assume responsibility for any of the settlement and/or defense costs currently paid by the related insurers under interim coverage agreements. However, an unfavorable resolution of this dispute would not impact the provision for asbestos claims since the provision does not include any recoveries from the related insurers for this subsidiary. Several factors could cause actual results to differ from current estimates and expectations, including: (i) adverse trends in the ultimate number of asbestos claims filed against HC Group's U.S. subsidiaries; (ii) increases in the cost of resolving current and future asbestos claims as a result of adverse trends relating to settlement and/or defense costs, dismissal rates and/or judgment amounts, including as a result of an increased percentage of claims being filed in jurisdictions that have historically produced higher jury verdicts; (iii) decreases in the amount of insurance available to cover asbestos claims as a result of adverse changes in the interpretation of insurance policies or the insolvency of insurers; (iv) the timing of insurance recoveries; (v) the emergence of new trends or legal theories that enlarge the scope of potential claimants; (vi) the impact of bankruptcies of other defendants whose share of the liability may be imposed on HC Group's U.S. subsidiaries under certain state liability laws; (vii) the unpredictable aspects of the U.S. litigation process; (viii) adverse changes in the mix of asbestos-related diseases with respect to which asbestos claims are made against HC Group's U.S. subsidiaries; and (ix) potential legislative changes. Therefore, the liability of HC Group's U.S. subsidiaries for resolving asbestos claims may be materially different from current estimates. The impact of such claims might have a material adverse effect on HC Group's business, financial condition and results of operations.

*HC Group is exposed to liabilities arising out of former activities in the United States that are not related to the environmental contamination and asbestos liabilities referred to above.*

Former and existing subsidiaries of HC Group, especially Beazer East, Inc. (formerly known as Koppers Company, Inc. and acquired by Hanson prior to HC Group's acquisition of Hanson), engaged in businesses and activities unrelated to the businesses and activities presently performed by HC Group. In addition to the environmental contamination risks described above, claims and lawsuits alleging property damage or bodily injury have been filed against certain U.S. subsidiaries or against companies for which U.S. subsidiaries have indemnity obligations relating to the operations of, or the products formerly manufactured or sold by, these subsidiaries or their predecessors relating to certain building products, chemicals and silica. Members of HC Group remain liable for costs related to these claims and lawsuits. HC Group estimates the aggregate, undiscounted and prior-to-insurance cost of such claims and lawsuits to be US\$ 54.6 million at June 30, 2009 and has made a corresponding provision. In addition, HC Group has made an undiscounted provision (contingency reserve) of US\$ 42.9 million as of June 30, 2009 for claims and lawsuits alleging property damage or bodily injury related to historical businesses and activities in the United States unrelated to those presently carried on by HC Group.

The costs of defense and the amounts that are claimed by the plaintiffs, particularly in those lawsuits which involve numerous claimants, can be significant, and the ultimate outcome is difficult to determine with any certainty, given, in particular, the inability to predict the results of any litigation, the potential risk of a significant adverse verdict and the potential for juries to award punitive damages.

An increase in the number or rate of claims or adverse developments in settlement discussions or trials or in HC Group's ability to recover under insurance policies may result in a need to increase the provisions taken in the future, and may cause the resolution of these claims and lawsuits to have a material adverse effect on HC Group's business, financial condition and results of operations.

*HC Group may not have insurance coverage for certain non-asbestos environmental claims and liabilities arising out of former activities in the United States.*

HC Group has insurance coverage for some of the non-asbestos environmental claims and lawsuits that it faces as a result of historical businesses and activities of some of HC Group's current and former subsidiaries. During 1998 an agreement was signed under which, for a one-time premium and related transaction costs totaling US\$ 275 million, insurance cover of US\$ 800 million in perpetuity (after payment by members of HC Group of the first US\$ 100 million of remediation costs arising since January 1, 1998) was provided by subsidiaries of two reinsurance companies, Centre Solutions and Swiss Re. This insurance coverage applies to environmental remediation costs at certain scheduled properties and any property damage claims arising at any of those same properties, as well as property damage claims arising out of a formerly-manufactured roofing product. At June 30, 2009, US\$ 573 million of the US\$ 800 million insurance cover had been utilized. Based on existing known circumstances, HC Group expects the remaining US\$ 227 million of insurance cover under this policy to be sufficient to meet substantially all of the related future costs of the liabilities covered by the policy. However, HC Group's estimate of future probable costs could increase and new sites may arise to which the insurance cover does not apply.



In addition, not all of HC Group's liabilities arising out of historical businesses and activities will be covered by this or HC Group's other insurance policies. Further, with respect to the liabilities that are covered by insurance there are significant limitations on some of that insurance coverage, including (i) self-insured retention amounts, (ii) retrospective premiums, (iii) exclusion of coverage for punitive damages if any were to be awarded and (iv) other defenses that have been or may be raised by insurance carriers. Should HC Group's current insurance cover be insufficient to meet the future costs of its liabilities related to historical businesses and activities, this could have a material adverse effect on HC Group's business, financial condition and results of operations.

*HC Group is subject to significant reclamation, recultivation and quarry closure obligations which may not be sufficiently covered by provisions and HC Group is required to maintain financial assurances to meet these obligations.*

HC Group is obligated to reclaim, recultivate and occasionally re-naturate certain of its quarries at closure. Based on HC Group's estimates at the time, it had taken provisions as of December 31, 2008 and June 30, 2009 for obligations relating to reclamation, recultivation and renaturation of € 210.7 million and € 217.1 million, respectively. HC Group is undertaking further assessment but, based on more current information, may determine that additional provisions in an amount between approximately € 41 million and € 58 million might have to be taken.

The estimated liability resulting from reclamation, recultivation and renaturation could further change and the amount of costs not covered by provisions could further increase if the assumptions underlying the estimates are inaccurate, if actual costs vary from assumptions, if the underlying facts change or if governmental requirements change. This could require HC Group to expend greater amounts than anticipated and could have a material adverse effect on HC Group's business, financial condition and results of operations.

In addition, HC Group is required in many jurisdictions to secure certain of its reclamation and closure obligations for its quarries. HC Group primarily uses reclamation financial assurances (such as bonds, bank guarantees, etc.) to meet these obligations. In the event of a material adverse change in HC Group's financial condition, or in response to the current economic downturn and volatility and disruption in the credit markets, financial assurance providers may have the right and could decide not to issue or renew the financial assurances, to demand additional collateral upon renewal, or to require HC Group to obtain a discharge of the financial assurance provider's liability under the financial assurances or to provide cash or letters of credit equal to 100% of the amount of the outstanding financial assurances. A failure to maintain or renew, or the inability to acquire or provide a suitable alternative for, reclamation financial assurances and any exercise of rights the financial assurance providers have to require HC Group to discharge the related liability or to provide additional collateral would have a material adverse effect on HC Group's business, financial condition and results of operations.

*HC Group could be subject to claims for taxes for previous tax assessment periods.*

Additional tax expenses could accrue at the level of HeidelbergCement or the relevant Group entity in relation to past fiscal years which have not been subject to a tax audit yet. In future tax audits, provisions under tax law and sets of facts could be evaluated differently by the tax authorities than by HeidelbergCement or the relevant Group entity. Thus, on the basis of a tax audit, the tax authorities could revise their tax assessments and increase the tax payment obligations of the affected Group entities. This also includes the risk of interest or penalty payments in a substantial amount in addition to the risk of supplemental payments of taxes. This could have material adverse effects on HC Group's business, financial condition and results of operations. The last completed tax audit for HeidelbergCement in Germany related to the assessment periods up to and including 2000 and did not result in any material objections. Currently, HeidelbergCement, along with many of its German subsidiaries, is under a routine tax audit by the German authorities for the assessment periods 2001 through 2004. HeidelbergCement expects the audit to be concluded by mid of 2010. To date, the tax authorities have not notified HeidelbergCement or its subsidiaries of any substantial findings. Thus, at present, there is no indication that the tax burden will be increased significantly based on the outcome of the audit. It cannot, however, be ruled out that the audit may lead to an additional tax burden.

Several foreign subsidiaries of the Issuer have not been subject to a tax audit for many years or have not yet been audited at all as they have been established only recently. At present, tax audits are pending in the USA. The tax liabilities that may result from these and forthcoming audits are estimated at US\$ 32 million and have already been disclosed as provisions in the consolidated balance sheet of HeidelbergCement for the fiscal year 2008. As the estimated figures reflect the outcome of ongoing discussions with the tax authorities in the USA, HeidelbergCement assumes that the current amount of such provisions and liabilities is sufficient to cover the potential tax risks. In relation to the Australian members of the Hanson group, tax risks of approximately € 50 million arising from a tax audit for the years 2003 – 2005 were reflected as provision in the consolidated balance sheet of HeidelbergCement for the fiscal year 2008. In the meantime, the tax audit was finalized, and the Australian tax authorities confirmed that no further actions will be taken with regard to the audited years. Though the Australian tax authorities have not yet formally closed the relevant tax years, the Issuer considers it



unlikely that the Australian tax authorities will reopen those tax years at a later stage and assumes that no additional tax payments will arise as a result of the audit for the years 2003–2005. With respect to several major Group entities in the UK and Spain, tax audits have been recently completed. The respective additional tax payment obligations that could result from such and forthcoming tax audits are estimated at £ 53 million (UK) and € 42 million (Spain); these potential tax exposures have already been reflected as provisions in the consolidated balance sheet of HeidelbergCement for the fiscal year 2008.

With respect to HC Group entities in Canada, litigation is pending over certain tax matters concerning the years 1995 to 1997. HeidelbergCement strongly believes it will prevail in the lawsuits and as a result has not established a corresponding provision in the consolidated balance sheets for the fiscal year 2008. Should the lawsuits be lost, however, additional payments of approximately CAD 16 million would become due. Since refund claims against the Canadian tax authorities have been shown as receivables in the balance sheets, the negative (non-cash) effect on the balance sheet profits in this case would be approximately CAD 26 million. Such amount may be material in relation to HC Group's results of operations for a particular quarter.

*HC Group might be exposed to tax-related risks in connection with the acquisition of Hanson and the related restructuring and financing.*

The acquisition of Hanson in 2007 – in particular, the financing of the acquisition and the related restructuring of HC Group – raises several tax issues. As to the tax treatment of the financing and restructuring, binding rulings were issued by the tax authorities in several jurisdictions, or agreements with the tax authorities were reached. On the basis of these rulings and agreements, HeidelbergCement believes that the Hanson acquisition, its financing and the related restructuring of HC Group were, in principle, implemented in a tax-efficient manner. HeidelbergCement, in particular, believes that the restructuring does not trigger the realization of significant capital gains. With respect to the tax treatment of the interest expenses of specific UK entities of HC Group, an agreement was entered into with the UK tax authorities, whereby the interest expenses will be deductible if certain financial conditions are satisfied. Since these financial conditions could not be satisfied in 2008, interest expenses will be disallowed in an amount estimated to be approximately € 50 million. Due to the expected tax losses incurred by these UK entities in 2008, however, such disallowance should not lead to an additional tax payment obligation. Unless the agreement is extended, the term of the agreement will expire on December 31, 2009. There can be no assurance that such interest expenses will be fully deductible in 2009 and/or in forthcoming years. This could increase the taxable income or reduce tax losses, and may have material adverse effects on HC Group's business, financial condition and results of operations. In addition, it is possible that not all relevant tax matters in relation to the Hanson acquisition are covered by the granted rulings and agreements. Such rulings are usually binding for the tax authorities only if the facts on which they are based later do not significantly deviate from those presented in the applications for the rulings. Generally, rulings may also be revoked or cease to be binding if it later turns out that they conflict with statutory law, or if the rules on which they are based are later repealed or changed. Finally, agreements reached with the tax authorities are in some cases subject to a definite term; once the term expires, the tax authorities are no longer bound to the agreement. Therefore, it cannot be ruled out that, in connection with the Hanson acquisition, tax risks might materialise in the future if, in particular, the tax authorities change their view on the tax treatment of the financing and/or restructuring. In this case, HC Group's tax burden could materially increase, which may have material adverse effects on HC Group's business, financial condition and results of operations.

*HC Group might be exposed to tax-related risks in connection with the implemented capital increase (registered with the Commercial Register on September 22, 2009).*

HeidelbergCement and several of HC Group entities have considerable tax losses carried forward (e.g., HeidelbergCement for corporate income tax purposes per December 31, 2008 € 427 million, certain U.S. Group entities € 298 million, and certain UK Group entities total losses of € 493 million (mainly capital losses), in all cases corporate income tax losses are subject to tax audit), and might also incur tax losses in current tax years. For German tax purposes, the existence or utilization of these tax losses should not have been affected by the death of Mr. Adolf Merckle whose family directly and indirectly held, prior to the increase of HeidelbergCement's capital by the issue of 62,500,000 shares in September 2009 (registered with the commercial register on September 22, 2009, the "**Capital Increase 2009**"), a majority shareholding in HeidelbergCement. However, tax losses in the future may be forfeited in whole or in part, or their utilization may be restricted by operation of the tax laws of the jurisdictions in which HC Group is active. The tax burden for future tax periods would be increased if profit was generated that cannot be set-off against current tax losses or tax losses carried forward. The forfeiture or restricted utilization of current tax losses or tax losses carried forward thus could adversely affect HC Group's business, financial condition and results of operations. As regards HeidelbergCement and other German corporate entities of HC Group, the use of their current tax losses and/or tax losses carried forward might be restricted pursuant to Section 8c of the German Corporate Income Tax Act (*Körperschaftsteuergesetz*, "**KStG**") in the case that within a five year period more than 25% of the share capital or the voting rights are directly or indirectly transferred to one single person (or its related parties) or to a group of persons with similar interests, or when a comparable event occurs. Changes to the shareholdings in the aforementioned sense of more than 25% to 50% would reduce the deductible current tax losses

and tax losses carried forward in a proportionate amount; changes in excess of 50% would forfeit the deductible current tax losses and tax losses carried forward in full. This is also true of such changes in the shareholdings resulting from the non-exercise of subscription rights and the acquisition of the newly created shares by one single person (or its related parties) or a group of persons with parallel interests in the course of the implemented Capital Increase 2009 or future capital increases or resulting from a sale of existing shares, e.g., by the VEM Companies or Spohn (which shares are pledged to the Spohn Lenders on the one hand and the VEM Lenders on the other hand as collateral for loans granted to Spohn and certain of the VEM Companies by the Spohn Lenders and the VEM Lenders, as described above). In addition, the utilization of tax losses carried forward by HeidelbergCement or other German corporations of the HC Group would be excluded if the corporation claiming utilization is not economically identical with the corporation incurring the loss (Section 8(4) KStG in the version before entering into force of the Corporate Tax Reform Act 2008, *Unternehmensteuergesetz 2008*, Section 34(6) s. 3 KStG). Economic identity typically ceases to exist if (i) more than 50% of the shares in the relevant corporation are transferred within a period of five years and such period has commenced prior to January 1, 2008, and (ii) such corporation's business is continued or resumed with predominantly new business assets. The utilization of tax losses is excluded if the loss of the economic identity occurs prior to January 1, 2013.

Also under U.S. and UK tax law, a change in the ownership of the shareholdings in the Issuer, including a change resulting from the implemented Capital Increase 2009, may – subject to certain prerequisites – limit the utilization of current tax losses, tax losses carried forward or (in the case of the UK) non-trade loan relationship deficits.

Since the tax losses carried forward partially have been capitalized as deferred tax assets in the consolidated balance sheet of HeidelbergCement for the fiscal year 2008 (€ 107 million and € 17 million in respect of the U.S. and UK Group entities), the forfeiture or restricted utilization of tax losses carried forward might also have a negative (non-cash) effect on HC Group's financial condition and results of operations once these assets need to be written off.

HC Group holds many properties in Germany through partnerships. It cannot be ruled out that in some cases, in which there has been directly or indirectly a substantial shifting of the interests in such partnerships during the last five years, the acquisition of shares in the course of the implemented Capital Increase 2009 triggered real estate tax and, thus, increases the tax burden of HC Group. This could adversely affect HC Group's business, financial condition and results of operations.

*Tax-related risks might arise if HC Group's interest expenses are disallowed.*

HC Group incurs significant interest expenses which result predominantly from the financing of the Hanson acquisition. Subject to certain prerequisites, the tax laws of Germany and other important countries, in which HC Group is active, disallow the deduction of interest expenses for tax purposes (including so-called interest stripping or thin capitalization rules). Mainly on the basis of the binding rules and agreements obtained and reached in connection with the acquisition of the Hanson group (see above), HeidelbergCement believes that HC Group's interest expenses, for the most part, are deductible for tax purposes. However, it cannot be ruled out that the interest expenses will be disallowed in forthcoming tax periods (e.g., due to a change of the financial situation of HC Group). This could have material adverse effects on HC Group's business, financial condition and results of operations.

*Changes in tax laws or tax-related case law may have adverse effects on the business and HC Group's financial condition and results of operations.*

Changes in fiscal regulations or the interpretation of tax laws by the courts in all jurisdictions in which HC Group is doing business may have adverse effects on HC Group's business, for example, because certain tax exemptions no longer apply. Changes in tax laws may also lead to higher tax liabilities for HC Group, and might have materially adverse consequences for its business, financial condition and results of operations.

*HeidelbergCement may have to indemnify Saint-Gobain in connection with the divestiture of its dry mortar business (maxit) for an anti-trust fine and alleged non-compliance with environmental laws.*

In August 2007, HeidelbergCement disposed of its dry mortar business to Saint-Gobain for consideration of more than € 2 billion. After the closing in March 2008, Saint-Gobain notified HeidelbergCement of two major events which allegedly qualify as breach of the representations and warranties given by HeidelbergCement under the share purchase agreement:

- The first case relates to maxit Deutschland GmbH, one of the dry mortar subsidiaries sold to Saint-Gobain. Following investigations started in May 2006, on July 3, 2009 the German Federal Cartel Office ("FCO") imposed a fine in the amount of € 12.4 million on maxit Deutschland GmbH for alleged concerted introduction of a silo lease fee for all dry mortar products sold through on-site mixing silos in early 2006. maxit Deutschland GmbH has lodged an appeal against the FCO's decision with the Higher

Regional Court (*Oberlandesgericht*) Dusseldorf which is not bound by the results of the investigations of the FCO. Based on the court's own findings, it may levy a different or even higher fine. There has been no hearing yet and the case is still pending. The levied fine does not have to be paid until a binding final court decision has been issued. The judgment of the Higher Regional court can further be appealed to the Federal Court of Justice (*Bundesgerichtshof*).

- The second case relates to an exclay plant in Los Hueros/Madrid, Spain: Saint-Gobain notified HeidelbergCement that the local plant management made use of non-permitted toxic burning materials. Arguing that the plant had to be closed in June 2009 due to non-compliance with environmental laws, Saint-Gobain has indicated that it suffered an impairment loss of a minimum of approximately € 55 million. Discussions with Saint-Gobain are ongoing and no formal court proceedings have yet been initiated.

Pursuant to the share purchase agreement, HeidelbergCement would have to indemnify Saint-Gobain for (i) the imposed anti-trust fine if the FCO's decision becomes final and binding or a different fine that is determined in a final and binding manner by the courts and (ii) the alleged impairment loss, to the extent the aggregate amount thereof combined with other warranty claims of Saint-Gobain under the share purchase agreement exceeds € 20 million. While HeidelbergCement believes to have arguments against both claims, it cannot be ruled out that one of the two cases mentioned or both cases together will exceed the threshold of € 20 million agreed in the share purchase agreement. In this event HeidelbergCement would have to indemnify Saint-Gobain for any amount in excess of € 20 million. In addition, although currently there are no indications, HeidelbergCement may receive additional notifications related to other potential indemnification claims from Saint-Gobain raised under the share purchase agreement.

The above described risks relating to the maxit divestiture can materially and adversely affect the business, financial condition and results of operations of HC Group.

### ***Risks relating to the Guarantor***

#### *Dependency on the Issuer*

The Guarantor is an indirect subsidiary of the Issuer and not an independent third party. The Guarantor is thus dependent on the Issuer which can influence it, including its financial position. In cases where the Issuer weakened the financial position of the Guarantor e.g. because of own liquidity needs, a holder of a proportionate co-ownership or other beneficial interest or right in the Notes ("**Holder**") may thus face the situation that it can neither successfully enforce its claims under the Notes against the Issuer nor the Guarantor.

#### *Currency Risk*

The Guarantor is exposed to currency risks. Those risks are similar to the currency risks applicable to the Issuer (see "*Risks Relating to the Issuer – Market and Business-related Risks – Currency rate fluctuations could lead to negative effects on HC Group's sales and profit.*").

#### *Further Risks*

The Guarantor's financial results arise from transactions with group companies of HC Group. The Guarantor's direct subsidiaries are Hanson Holdings Limited, HeidelbergCement UK Holding II Limited and Houserate Limited. Hanson Holdings Limited acts as holding company for a large number of smaller members of HC Group, both operational and holding companies. HeidelbergCement UK Holding II Limited holds major operations of HC Group in Canada and the U.S.A., including Lehigh Cement Company LLC and HBMA Holdings LLC, which are both material subsidiaries of the Issuer. Houserate Limited is the holding company for large parts of HC Group's Australian operations, including Hanson Australia (Holdings) Proprietary Limited, a material subsidiary of the Issuer. By its nature as a holding company the Guarantor is indirectly exposed to similar risks and uncertainties to those faced by the Issuer (see – "*Risks Relating to the Issuer*").

#### *UK Pensions*

Under the UK Pensions Act 2004, as amended, the UK's Pensions Regulator has the power to issue notices against companies that sponsor a UK defined benefit pension scheme and any group companies in circumstances where the recipient has taken actions which has materially reduced the security of the said pension scheme. The recipient of the notice is required to make a payment of the sum stated in the notice into the said pension scheme. The Guarantor is a sponsor of two UK defined benefit pension schemes and the Pensions Regulator may argue that the issue of the Notes with the guarantee constitutes such an action, and may attempt to issue notices against the Guarantor or the Issuer. The Pensions Regulator has other powers to demand payment or assumption of liability from companies in the HC Group in certain circumstances in relation to any of the five UK defined benefit pension schemes, particularly if the financial strength of the UK sponsors of those schemes becomes impaired. If the Pensions Regulator issues a notice or otherwise demands payment or assumption of liability, this may increase the liabilities of the Guarantor, the Issuer or other HC Group companies.

## ***Risks Relating to the Notes***

An investment in the Notes involves certain risks associated with the characteristics, specification and type of Notes which could lead to substantial losses that Holders would have to bear in the case of selling their Notes or with regard to receiving interest payments and repayment of principal. Risks regarding the Notes comprise, *inter alia*, the following risks:

### *Notes May not be a Suitable Investment for All Investors*

Each potential investor in Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation and the investment(s) it is considering, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing, and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

### *Liquidity Risk*

Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the official list of the Luxembourg Stock Exchange. However, there is a risk that no liquid secondary market for the Notes will develop or, if it does develop, that it will not continue. The fact that the Notes may be listed does not necessarily lead to greater liquidity as compared to unlisted Notes. In an illiquid market, an investor is subject to the risk that he will not be able to sell his Notes at any time at fair market prices. The possibility to sell the Notes might additionally be restricted by country specific reasons.

### *Risk of Early Redemption*

The Notes may be redeemed at the option of the Issuer (in whole, but not in part) at the principal amount of the Notes plus accrued interest to the date fixed for redemption, for reasons of taxation, as more fully described in the Conditions of Issue. In the event that the Issuer exercises the option to redeem the Notes, the Holders might suffer a lower than expected yield and might not be able to reinvest the funds on the same terms.

### *Market Price Risk*

The development of market prices of the Notes depends on various factors, such as changes of market interest rate levels, the policies of central banks, overall economic developments, inflation rates or the lack of or excess demand for the Note. The Holders are therefore exposed to the risk of an unfavorable development of market prices of their Notes which materialize if the Holders sell the Notes prior to the final maturity. If a Holder decides to hold the Notes until final maturity, the Notes will be redeemed at the amount set out in the Conditions of Issue.

### *The Market Value of the Notes could Decrease if the Creditworthiness of HC Group Worsens*

If, for example, because of the materialization of any of the risks regarding the Issuer, the likelihood that the Issuer will be in a position to fully perform all obligations under the Notes when they fall due decreases, the market value of the Notes will suffer. In addition, even if the likelihood that the Issuer will be in position to fully perform all obligations under the Notes when they fall due actually has not decreased, market participants could nevertheless have a different perception. In addition, the market participants' estimation of the creditworthiness of corporate debtors in general or debtors operating in the same business as HC Group could adversely change.

If any of these risks occurs, third parties would only be willing to purchase Notes for a lower price than before the materialization of said risk. Under these circumstances, the market value of the Notes will decrease.

### *Currency Risk*

The Notes are denominated in Euro. If the Euro represents a foreign currency to a Holder, such Holder is particularly exposed to the risk of changes in currency exchange rates which may affect the yield of such Notes. Changes in currency exchange rates result from various factors such as macro-economic factors, speculative transactions and interventions by central banks and governments.

In addition, government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable currency exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

### *Fixed Rate Notes*

The Notes bear a fixed interest rate. A Holder of fixed rate notes is particularly exposed to the risk that the price of such notes falls as a result of changes in the market interest rate. While the nominal interest rate of a fixed rate note as specified in the Conditions of Issue is fixed during the life of the Notes, the market interest rate typically changes on a daily basis. As the market interest rate changes, the price of fixed rate notes also changes, but in the opposite direction. Thus, if the market interest rate increases, the price of fixed rate notes typically falls, until the yield of such notes is approximately equal to the market interest rate of comparable issues. If the market interest rate decreases, the price of fixed rate notes typically increases, until the yield of such notes is approximately equal to the market interest rate of comparable issues. If a Holder of the Notes holds his Notes until maturity, changes in the market interest rate are without relevance to such Holder as the Notes will be redeemed at the principal amount of the Notes.

### *Risks in Connection with the Application of the German Act on Debt Securities of 2009 (Schuldverschreibungsgesetz)*

A Holder is subject to the risk of being outvoted and losing rights towards the Issuer against his will in the event Holders agree pursuant to the Conditions of Issue to amend the Conditions of Issue by majority vote in accordance with the *Schuldverschreibungsgesetz 2009* (Law on Debt Securities). In the case of an appointment of a noteholders' representative (*Gemeinsamer Vertreter*) for all Holders a particular Holder may lose, in whole or in part, the possibility to enforce and claim his rights against the Issuer.

### *Changes in Accounting Standards (IFRS and HGB/German Commercial Code)*

HeidelbergCement's consolidated financial statements are issued in accordance with IFRS Standards as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a Abs. 1 HGB (*Handelsgesetzbuch*, "German Commercial Code"). New or changed accounting standards may lead to adjustments in the relevant HeidelbergCement accounting positions. This might lead to a different perception of the market regarding HeidelbergCement's creditworthiness. As a result, there is a risk that the market value of the Notes might decrease.

### *No Restriction on the Amount of Debt which the Issuer May Incur in the Future*

Other than the limitation of indebtedness undertaken in the Conditions of Issue, there is no restriction on the amount of debt which the Issuer may issue which ranks equal to the Notes. Any issuance of further debt – to the extent permitted under the Conditions of Issue – may reduce the amount recoverable by the Holders upon winding-up or insolvency of the Issuer.



## ***Risks Relating to the Guarantee***

### *Existing Liabilities; no Negative Pledge*

The Guarantor is also a guarantor under the SFA and under a USD 250 million letter of guarantee facility. The Guarantor has further issued two New-York law-governed and U.S. dollar denominated bonds in an aggregate amount of USD 1,500 million. Another New-York law-governed and U.S. dollar denominated bond in an amount of USD 750 million has been issued by the Guarantor's subsidiary, Hanson Australia Funding Ltd., and is guaranteed by the Guarantor. All three bonds are guaranteed by the Issuer. The Guarantor provided a corresponding upstream guarantee for the benefit of the creditors of any financial indebtedness of the Issuer. These existing liabilities of the Guarantor together with its liabilities under the Guarantee may exceed its assets. If the Guarantor is required to fulfill some or all of these obligations, the Guarantee may prove less valuable or even worthless if the other creditors have equal rank with or priority over the Holders.

The Guarantor could grant security for certain other liabilities, including for capital market indebtedness. In an insolvency of the Guarantor the Holders face the risk that their claims under the Guarantee will not be satisfied because the remaining assets of the Guarantor may have been pledged as collateral and will be used for satisfying the claims of the secured creditors prior to satisfying the claims of Holders. Thus, secured creditors, even those who became creditors after the issue of the Notes, would have a priority claim to the assets of the Guarantor in which they had a security claim.

## USE OF PROCEEDS

In connection with the offering of the Notes, the Issuer will receive net proceeds of approximately € 2,397 million, after deducting aggregate costs and underwriting commission of approximately € 45 million. The Issuer will use the net proceeds for partial repayment of outstanding amounts under the € 8.7 billion syndicated facilities agreement (the "**SFA**") which has a total outstanding amount of approximately € 4.89 billion.

## CAPITALIZATION AND INDEBTEDNESS

The following table shows an overview of the consolidated capitalization of HC Group as of June 30, 2009 on the basis of the unaudited condensed consolidated interim financial statements for the six-month period ended June 30, 2009 prior to the implementation of the Capital Increase 2009 and the issuance of the Notes and as of June 30, 2009 after assumed implementation of the Capital Increase 2009 and the issuance of the Notes.

The as adjusted information in the right-hand column of the following table is based on the Issuer's receipt of net proceeds of € 2,253 million in the Capital Increase 2009 and the expected receipt of net proceeds of approximately € 2,397 million on the Issue Date through the issuance of the Notes (as regards the Capital Increase 2009, gross proceeds of approximately € 2,313 million less underwriting commissions and other offering-related expenses of approximately € 60 million and as regards the issuance of the Notes, gross proceeds of approximately € 2,442 million less underwriting commissions and other offering-related expenses of approximately € 45 million). For simplification purposes the underwriting commissions and other offering-related expenses related to the Capital Increase 2009 are deducted in full from the share premium not taking into account any related deferred taxes. The underwriting commissions and other offering-related expenses related to the issuance of the Notes, which have to be amortized over the term of the Notes, are deducted from the nominal amount of the Notes not taking into account any effects on the profit and loss and any effects related to deferred taxes.

This table should be read together with the consolidated financial statements of HC Group and the notes related to those financial statements which are available on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)), and the information in this Prospectus under "*Use of Proceeds*".

Other than as indicated below, there has not been any material change to HC Group's consolidated capitalization or indebtedness since June 30, 2009.

	As of June 30, 2009	
	Actual	As Adjusted for illustrative purposes only <sup>(1)</sup>
	(in € millions)	
<b>Liquid Assets<sup>(5)</sup></b> . . . . .	<b>1,488</b>	<b>1,488</b>
Short-term financial liabilities		
Of which Unsecured:		
bank loans (current portion) . . . . .	83	83
debenture loans (current portion) . . . . .	192	192
other short-term financial liabilities <sup>(6)</sup> . . . . .	290	290
<b>Total short-term financial liabilities</b> . . . . .	<b>565</b>	<b>565</b>
Long-term financial liabilities		
Of which Secured by HC Group companies <sup>(3)</sup>		
thereof Term Loan A Facility due December 2011 . . . . .	5,206	1,913 <sup>(1)</sup>
thereof Term Loan B Facility due December 2011 . . . . .	1,254	461 <sup>(1)</sup>
thereof RCF due December 2011 . . . . .	1,940	1,376 <sup>(1)</sup>
thereof transaction costs to be amortized over the term of the SFA . . . . .	–188	–100 <sup>(2)</sup>
Of which Unsecured:		
thereof HeidelbergCement Finance BV Senior Notes due January 2012 . . . . .	1,000	1,000
thereof HeidelbergCement Finance BV Senior Notes due January 2018 . . . . .	480	480
thereof Hanson Ltd Senior Notes due September 2010 <sup>(4)</sup> . . . . .	534	534
thereof Hanson Australia Funding Senior Notes due March 2013 <sup>(4)</sup> . . . . .	534	534
thereof Hanson Ltd Senior Notes due August 2016 <sup>(4)</sup> . . . . .	534	534
thereof revaluation Senior Notes due January 2012, issue prices below par Senior Notes due 2012 and Senior Notes due 2018 and fair value adjustments Hanson Senior Notes . . . . .	10	10
thereof Notes offered hereby . . . . .	0	2,397 <sup>(1)</sup>
thereof other bank facilities . . . . .	684	684
thereof other long-term financial liabilities <sup>(6)</sup> . . . . .	287	287
<b>Total long-term financial liabilities</b> . . . . .	<b>12,275</b>	<b>10,110</b>
<b>Total financial liabilities</b> . . . . .	<b>12,840</b>	<b>10,675</b>
<b>Total shareholders' equity and minority interests</b> . . . . .	<b>9,089</b>	<b>11,254<sup>(1)(2)</sup></b>
<b>Total capitalization</b> . . . . .	<b>21,929</b>	<b>21,929</b>

<sup>(1)</sup> For illustrative purposes only based on the Issuer's receipt of net proceeds of € 2,253 million in the Capital Increase 2009 and the expected receipt of net proceeds of € 2,397 million on the Issue Date through the issuance of the Notes and the application of these proceeds to repay (i) € 3,293 million under the Term Loan A Facility (€ 1,361 million from the proceeds of the Capital Increase 2009 and € 1,932 million from the proceeds of the issuance of the Notes), (ii) € 793 million under the Term Loan B Facility (€ 328 million from the proceeds of the Capital Increase 2009 and € 465 million from the proceeds of the issuance of the Notes) and (iii) € 564 million under the RCF from the proceeds under the Capital Increase 2009.

<sup>(2)</sup> Due to the partial repayment of the SFA, the amortization costs related to the Term Loan A and B Facilities under the SFA have been partly charged off based on an estimated calculation with a proportionate part of 47% effecting the profit and loss in an amount of € 88 million (for simplification purposes without calculating any effects on related deferred taxes).

<sup>(3)</sup> Secured by way of upstream guarantees, cash pool pledges, shares pledges and pledges of intercompany loans.

<sup>(4)</sup> In each instance USD 750,000,000 translated into EUR at a rate of 1.4033 USD per 1 EUR.

<sup>(5)</sup> Cash at bank and in hand as well as financial investments and derivative financial instruments.

<sup>(6)</sup> Includes putable minorities with an amount of € 50 million.

## GENERAL INFORMATION ABOUT THE ISSUER

### ***Formation, Incorporation, History and Development***

HeidelbergCement AG, founded in 1873 as an "offene Handelsgesellschaft", was incorporated in 1889 as a German stock corporation (*Aktiengesellschaft*) under the name of "Portland-Cementwerk Heidelberg AG, vorm. Schifferdecker & Söhne". In 1938, the Issuer changed its name to "Portland-Zementwerke Heidelberg Aktiengesellschaft" and in 1978, it took the name of "Heidelberger Zement Aktiengesellschaft". The annual general meeting held on May 7, 2002 decided to rename the Issuer "HeidelbergCement AG". The change became legally effective on June 20, 2002 upon registration of this resolution in the commercial register.

### ***Registered Office, Fiscal Year, Duration***

HeidelbergCement AG is registered under number HRB 330082 with the commercial register of the local court of Mannheim. The Issuer has its registered seat and head office at Berliner Strasse 6, 69120 Heidelberg, Germany. The telephone number of HeidelbergCement AG is +49 (0) 6221 481 0, and the internet address is <http://www.heidelbergcement.com>.

The fiscal year is the calendar year. The Issuer has been formed for an unlimited period of time. The Issuer as well as many of its subsidiaries bears the name "HeidelbergCement" for business purposes.

### ***Object of the Issuer***

In accordance with Section 2 of its Articles of Association, the object of HeidelbergCement AG is the production and sale of building materials of all kinds and other products from the stone and quarry industry and from related or other industry sectors; the acquisition and operation of facilities for such purposes; and the planning, construction and operation of such facilities for or the provision of advisory services to third parties. Within these parameters, HeidelbergCement AG may engage in any transactions or take any steps which appear necessary or useful to attain the Issuer's objects, including in particular the purchase and sale of plots of land, and the establishment of domestic and foreign branches. Moreover, the Issuer may acquire interests in the same, similar or other enterprises.

### ***Auditor***

The auditor of the consolidated financial statements of HeidelbergCement AG for the fiscal years ended December 31, 2007 and 2008 was Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft (now Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft), Mittlerer Pfad 15, 70499 Stuttgart, Germany ("**E&Y**"). E&Y has audited in accordance with Section 317 HGB the consolidated financial statements prepared in accordance with International Financial Reporting Standards of the International Accounting Standards Board (IASB) as adopted by the EU ("**IFRS**") and the additional requirements of German commercial law pursuant to Section 315a (1) HGB and issued an audit opinion in each case. E&Y is a member of the German Chamber of Auditors (*Wirtschaftsprüferkammer*).



## BUSINESS

### Overview

HC Group operates in around 40 countries on five continents as a vertically integrated building materials company. The core activities include the production and distribution of cement and aggregates, the two essential raw materials for concrete production. The product range is supplemented by downstream activities such as ready-mixed concrete, asphalt, concrete products and concrete elements, as well as other related building products and services, thus covering almost the entire concrete value chain.

In August 2007, HC Group acquired the British building materials manufacturer Hanson plc ("**Hanson**") for a cash consideration of approximately € 11.7 billion. Through this acquisition, HC Group complemented its traditionally strong cement business with Hanson's strong position in aggregates, thereby transforming its business operations into a vertically integrated building materials company offering products along the building materials value chain. In addition to complementing HC Group's products range, Hanson also provided a complementary geographic fit by strengthening HC Group's U.S. and UK business and adding presence in regions such as in Australia, Malaysia, Israel and Spain.

In June 2007, the Issuer divested its 35% stake in the cement company Vicat S.A. for approximately € 1.4 billion and in March 2008 completed the sale of the maxit group for approximately € 2.1 billion. Both divestures were part of HC Group's portfolio reassessment in connection with the Hanson acquisition.

After the acquisition of Hanson, HC Group has consolidated its position as one of the world's leading players in the building materials industry. HC Group believes that, based on sales volumes for 2008 among the globally diversified building materials companies, it is the world's number one in aggregates with sales of approximately 300 million metric tons, the world's number three in cement with sales of approximately 89 million metric tons, and the world's number three in ready-mixed concrete with sales of approximately 44 million cubic meters. As of December 31, 2008, the consolidated HC Group consisted of 1,027 subsidiaries in around 40 countries in which it maintained a total of approximately 2,600 locations. In the six-month period ended June 30, 2009, HC Group generated turnover of € 5.4 billion, and in the fiscal year ended December 31, 2008, it generated turnover of € 14.2 billion. Operating income before depreciation ("**OIBD**") in the six-month period ended June 30, 2009 amounted to € 836 million, and in the fiscal year ended December 31, 2008, it amounted to € 2.9 billion. As of June 30, 2009, HC Group had approximately 57,000 employees worldwide.

HC Group reports its different local businesses according to three geographic Group areas:

- **Europe** – covering 23 countries, including the Baltic countries, Belgium, Denmark, Eastern Europe (Bosnia-Herzegovina, Croatia, Czech Republic, Hungary, Poland, Romania, Slovakia and Ukraine), Georgia, Germany, Israel, the Netherlands, Norway, Russia, Spain, Sweden, Switzerland and the United Kingdom;
- **North America** – covering the United States and Canada; and
- **Asia-Australia-Africa** – covering 18 countries, including sub-Saharan countries in Africa (Benin, Gabon, Ghana, Liberia, Sierra Leone, Tanzania and Togo), Australia, Bangladesh, Brunei, China, India, Indonesia, Kazakhstan, Malaysia, Singapore, Turkey and the United Arab Emirates.

The plants in the countries within these Group areas are under country management for the respective country and manufacture and distribute HC Group's various products under responsibility of such country management. The geographic Group areas are complemented by the business unit Group Services which comprises the activities of HC Trading, one of the largest international trading companies for cement and clinker, and HC Fuels, which manages worldwide procurement of fossil fuels for Group-owned companies as well as trading with third-party companies and HC Group's trading of CO<sub>2</sub> emission rights.

Within these three geographic Group areas, the business of HC Group is divided into the following business lines:

### Cement

In its cement business line, HC Group produces different types of cement in approximately 100 cement and grinding plants for various uses, such as residential or commercial construction and civil engineering. In the six-month period ended June 30, 2009, HC Group's cement business line generated turnover of € 2,531 million (corresponding to approximately 47.1% of HC Group's total turnover (after Intra-Group eliminations but including Group Services and excluding Inter-Group area turnover) for the period) (fiscal year ended December 31, 2008: € 6,298 million).

### *Aggregates and concrete*

The aggregates and concrete business line is composed of four operating lines engaged in the production and distribution of aggregates, ready-mixed concrete, concrete products and asphalt. The product range in the aggregates and concrete business line consists of the different forms of aggregates (sand, gravel, crushed rock) mined from approximately 600 sand, gravel and hard rock sites as well as a wide range of different types of ready-mixed concrete produced in approximately 1,400 plants with various characteristics designed for specific applications and environmental conditions. It is complemented by asphalt produced in approximately 100 asphalt plants. In the six-month period ended June 30, 2009, HC Group's aggregates and concrete business line generated turnover of € 2,445 million (corresponding to approximately 45.5% of HC Group's total turnover (after Intra-Group eliminations but including Group Services and excluding Inter-Group area turnover) for the period) (fiscal year ended December 31, 2008: € 6,766 million).

### *Building products*

The building products business line mainly comprises activities in North America and United Kingdom and is composed of three operating lines engaged in the production and distribution of bricks, aircrete blocks and pipes. The building products business line offers a wide product range that is mainly used in residential construction. In the six-month period ended June 30, 2009, HC Group's building products business line generated turnover of € 652 million (corresponding to approximately 12.1% of HC Group's total turnover (after Intra-Group eliminations but including Group Services and excluding Inter-Group area turnover) for the period) (fiscal year ended December 31, 2008: € 1,677 million).

## **Competitive Strengths**

HC Group believes that it distinguishes itself by the following competitive strengths:

### *Leading worldwide market positions and excellent footprint in key global markets*

Through its organic growth as well as its strategic acquisitions and joint ventures over the past several years, HC Group has established, on a global level, a leading position in the key markets for its core business lines of cement, aggregates and concrete. According to its own estimate, which is supported mostly by publications of other companies and studies of the Global Cement Directory, HC Group is, based on sales volumes in 2008, among the globally diversified players the world's number one producer of aggregates, number three in cement and number three in ready-mixed concrete. These strong global market positions are supported by leading regional positions. HC Group believes that, with regard to its sales, it holds the first, second or third market position in many of its key regional cement markets around the world. HC Group believes that its leading position in its key markets enables it to exercise a substantial degree of pricing power and to generate attractive profitability levels in its core markets. In emerging markets, where HC Group has often been a first mover, it has continuously benefited from relatively strong growth rates in the cement and concrete markets. This especially applies to those countries that have recently joined the European Union. In North America, where the market is more fragmented than in most other regions, HC Group's leading position in key regional markets, including Texas, California, the Northeast, the Washington-Baltimore region, and the Edmonton, Alberta region, was further strengthened following the acquisition of Hanson.

### *A vertically integrated building materials company with a well-balanced business and geographic portfolio*

After the acquisition of Hanson in 2007, HC Group has transformed itself into a vertically integrated building materials company with leading cement, aggregates and ready-mixed concrete positions in many of its key markets. In line with this transformation process HC Group manages its three business lines as an integrated business within the different Group areas, thereby strengthening cost efficiency and profitability. HC Group believes that its vertical integration helps to secure a sufficient supply of raw materials, acts as a hedge against raw material price fluctuations, and generates cross-selling potential between its Group areas and business lines. It also provides a wide range of distribution channels and access to the market. With its extensive, vertically integrated and horizontally diversified product range covering almost the entire concrete value chain, its worldwide production and distribution capacities and, in its own view, leading market positions, HC Group possesses a well-balanced business and geographic portfolio. This enables HC Group to supply its customers with a broad product range at consistently high quality on a global basis. In turn and due to the trading operations of HC Group, it also allows HC Group to better balance swings in regional and/or temporary demand and achieve a more efficient capacity utilization even in weak markets.

### *Hanson acquisition and integration as key to horizontal diversification and vertical integration on a global level*

The acquisition of Hanson in 2007 has contributed to a large extent to HC Group's goal of reaching a leading position as a horizontally diversified and vertically integrated global supplier of cement, aggregates and concrete. Hanson's strong market position in aggregates and ready-mixed concrete added important

operations to the existing product portfolio of HC Group, thereby completing HC Group's value chain within its core business, while at the same time Hanson's particular geographical market presence complemented HC Group's regional footprint. This enables HC Group to offer its customers on five continents cement, aggregates and the different materials derived therefrom, such as ready-mixed concrete, asphalt and other concrete-made building products (for example concrete blocks). As a consequence, HC Group believes it is in an improved position to pursue its dual growth strategy for its core products. The integration of the Hanson business was largely completed by the end of 2008, taking around one and a half years from the closing of the acquisition. The acquisition and the quick integration have also enabled HC Group to achieve substantial synergies as a consequence of economies of scale, micro market network opportunities and the creation of sustainable competitive advantages.

*Long-standing experience in core markets with significant barriers to entry*

HC Group combines a long-standing track record as a producer in the cement market with sustainable access to the necessary raw materials. This is complemented by advanced, proprietary technological process know-how and expertise in complex concrete production techniques. To reach this position, HC Group has continuously made substantial investments in production facilities and processes. The capital intensity of establishing and operating an integrated cement plant, the need to have mining permits for, and close access to, raw materials, and the complexity of vertical integration create significant barriers to entry to the markets for cement and aggregates. All this has contributed to a competitive landscape in most markets in which only a few major producers compete, particularly in the cement market, and where market shares remain relatively stable. Somewhat higher numbers of less vertically integrated competitors can be seen in the aggregates and ready-mixed concrete market.

*Reputation as a quality leader combined with a stable, diversified global customer base*

HC Group distinguishes itself with its products through high and constant quality and reliability, and is, according to its own estimate, considered by its customers a quality leader in the markets for cement, aggregates, concrete and concrete-related building products. Consequently, its relationships with customers from the construction industry are usually of a long-term nature. As a result, over the last decades HC Group has built up a stable, diversified customer base with a well-balanced geographical distribution. At the same time, HC Group has consistently pursued the internationalization of its customer base in order to reduce dependence on individual national markets or customer groups. Special knowledge of key customer groups in both the public and private sector is a cornerstone for economic success in these markets, even more so in times of a global economic crisis. Over the years, cooperation with many different customers in various business lines has given HC Group an extensive understanding of the needs and expectations of the customer groups, which facilitates the service performed by HC Group and can simultaneously increase customer loyalty. In times of a global economic crisis, loyal customers are a strategic asset.

*Global network of production facilities with easy access to key urban centers*

HC Group's international network of cement, aggregates and concrete production facilities, combined with the strength of its worldwide trading activities, enables it to easily access its core markets and distribute its products more effectively, both to its customers and within HC Group. Its production plants are spread worldwide. In the opinion of the HC Group, the cement plants, in particular, are highly efficient and, in certain instances, represent industry benchmarks in terms of cost competitiveness. HC Group operates from approximately 2,600 locations in around 40 countries in Europe, North America, Asia, Africa and Australia. This geographic diversity leads to great proximity to its customers, helps to protect it against volatility in regional markets and lessens the relative impact of any particular regional downturn. HC Group's different production facilities are to a great extent located closely to key urban centers on all continents where it has business operations. This proximity provides easy access to HC Group's key markets on these continents and reduces transportation costs. Moreover, within each of its regional markets, HC Group supplies its products for use in different end-user markets, typically including residential and commercial construction as well as public infrastructure projects, and within each of these end-user markets, HC Group has a broad customer base and is not dependent on any single customer, or group of customers, for a significant amount of its turnover.

*HC Group's earnings and turnover profile benefits from the widespread geographical diversification of its business, economies of scale and relatively stable prices for its products*

Due to its global market presence, integrated management of the different business lines and the diversity of its broad customer base, ranging from construction companies for residential houses to public administrative bodies, HC Group can compensate to some extent for the cyclical fluctuations in the construction industry to which it is exposed, although in a global recession, as it has developed since the second half of 2007, these measures are unlikely to insulate against the downturn. Further positive contributions to HC Group's earnings and turnover profile arise from its ability to generate economies of scale resulting from higher efficiency of large

production units and bundling of purchasing volumes, as well as from the relatively stable price levels for HC Group's key products.

#### *Experienced management team*

HeidelbergCement's senior management team has a high degree of experience in the markets in which HC Group operates and possesses significant operational, technical and market knowledge. Since 2005, HeidelbergCement's management team has continued to successfully transform HeidelbergCement into a vertically integrated global building materials company with a clear dual growth strategy focusing on cement and aggregates for the production of ready-mixed concrete and other concrete products. In the process, the management has carried out a number of strategic acquisitions, divestments, targeted investments aimed at expanding and rationalizing operations, as well as restructurings and cost reduction measures. Based on vertical integration principles, HC Group has established a global organization with a decentralized management approach, where many of the responsibilities of HeidelbergCement's managing board are delegated to local management (under guidelines and policies established and monitored by HeidelbergCement's managing board) to capitalize on local manager's operational experience, customer relationships and knowledge of local markets, business practices, and regulations. The Issuer believes that integration and decentralization enhance returns in the different regions across business lines and that its management has in recent years demonstrated an ability to manage its business through difficult market conditions.

#### **Strategy**

The key components of HC Group's business strategy are as follows:

##### *Vertical integration as the long-term goal*

In order to safeguard its market position in the long term, HC Group has adjusted its corporate strategy. As a consequence of the acquisition of Hanson, aggregates now form a second strategic pillar in addition to the traditional core business of cement. This strong raw material base is complemented by a broad distribution channel with a variety of downstream products such as ready-mixed concrete, asphalt and concrete related building products. HC Group has since become a horizontally diversified and vertically integrated global player with broad geographical diversification and a focus on raw materials and downstream products. In Europe, for example, captive supply for HC Group's ready-mixed concrete operations with cement and aggregates amounts on average to approximately 79% and 34% respectively.

##### *Focus on dual growth strategy*

HC Group's value creating efforts in the processing of natural resources follow a dual growth strategy focusing on cement and aggregates for the production of ready-mixed concrete and other concrete products which are used in most parts of construction activities. This dual growth strategy is closely related to the different degrees of maturity of HC Group's markets. When entering into attractive emerging markets, the focus is on the production and sale of cement, as it represents a key product in these markets. This allows HC Group to make use of its technological know-how and operational experience in connection with the production of cement. In the maturing and mature markets, HC Group offers its complete core product range thereby particularly focusing on aggregates due to the inherent scarcity of available resources in these markets. The Hanson acquisition substantially contributed to this concept as HC Group gained access to what it believes to be some of the industry's most attractive aggregates reserves in the United States and the United Kingdom. While HC Group focuses on increasing market share in the cement business line primarily by external growth measures (i.e. acquisitions), it develops the aggregates and concrete business line in both ways, by external growth and organically. HC Group concentrates on strengthening its vertical integration and horizontal diversification. As a consequence, securing access to raw materials for aggregates as well as the integration of distribution channels are of special importance.

##### *Focus on global expansion and diversification*

HC Group has been an active player in the consolidation processes in its mature markets as well as in the expansion process in emerging markets. In this respect, albeit on considerably lower levels compared to recent years, HC Group intends to continue to diversify its product and asset portfolio in its core business lines and increase its production capacities through targeted investments, financing permitting. By strengthening its global reach, HC Group believes it can generate several key advantages, which support its leading market positions. Fluctuations in regional and/or temporary demand can be mitigated through its geographical diversification as different geographic markets often follow different economic cycles. Both efficient capacity allocation and utilization can be achieved by directing raw materials and products from regions or countries experiencing economic downturns to markets showing more positive dynamics. In this context, HC Group's business unit HC Trading serves as a bridge between HC Group's global setup and the regional market structure. Hereby, HC Group can take advantage of demand opportunities and price movements worldwide. In

addition, HC Group can realize economies of scale as purchasing volumes are bundled. A continuous benchmarking leads to an immediate know-how exchange and guarantees standardized management processes as well as a high-quality product portfolio offered to HC Group's customers globally. HC Group believes that this will enable future improvements of its operating margin. In addition, HC Group believes its global presence and diversification put it in a good position to profit particularly from the infrastructure programs implemented by the national governments worldwide.

#### *Improvement of cost efficiency, internal operational decision-making processes and profitability*

As part of the group-wide program "Fitness 2009", HC Group pursues its strategy of increasing cost efficiency along the value chain by further eliminating redundancies and streamlining corporate structures. This includes a reduction of the clinker ratio and increased use of alternative fuels in cement plants, centralizing administrative functions, improving the procurement of raw materials and logistics as well as continuing its discipline regarding capital expenditures. In this context, HC Group also intends to increase its profitability by means of enhanced decision-making processes and tight cost control. This includes, for example, improved IT systems, measures intended to improve efficiency, reorganization and divestitures of non-core activities. For example, HC Group has recently introduced a new group-wide IT system which will be the main development and integration platform for all future software development projects within HC Group. Moreover, HC Group has implemented group-wide a so-called Maintenance Improvement Project (MIP) by means of which it intends to obtain maintenance excellence and lower costs.

#### *Sustainability*

Sustainability provides an important foundation for the Issuer. HC Group strives to act in a socially and ecologically responsible way. Central parts of HC Group's sustainability strategy are derived from its core business and its effects on the environment and society. The focal areas of this sustainability strategy are as follows:

*Occupational health and safety:* The Issuer's commitment to occupational health and safety has the highest priority and is an integral part of all business activities. HeidelbergCement is striving to reduce accidents, injuries and occupational illness to zero.

*Energy and climate protection:* As part of an energy-intensive industry HC Group places climate protection at the center of its environmental protection activities at its operations. HC Group is working continually to reduce its carbon dioxide emissions. Since 1990 the specific net CO<sub>2</sub> emissions have been reduced by 18%.

*Biological diversity:* HC Group is committed to its pioneering role in the preservation of species diversity at quarries and aggregates pits.

*Sustainable building:* Due to targeted research the Issuer is able to supply sustainable building materials in an environmentally conscious way.

*Use of alternative fuels:* By using waste materials and by-products as fuels, HC Group reduces the use of natural resources and offers solutions for sustainable waste management. Between 1990 and 2008 the percentage of alternative fuels in the fuel mix in the cement production process increased by 12 percentage points to 17%.

*Reducing other environmental effects:* HC Group is aiming to secure a leading position in the reduction of other emissions, such as dust, nitrogen oxides and sulfur oxides. By using modern technologies and optimizing the production processes, the Issuer reduces its impact on the environment.

#### *Strengthening HC Group's financial structure*

The Issuer is determined to rearrange and strengthen HC Group's financing structure on a long-term basis. In this context, HC Group aims at enhancing its liquidity profile and strengthening its financial flexibility in order to pursue future growth opportunities. In addition, HC Group is focusing on stricter cash management. In this context the Issuer has launched the group-wide "Cash is King" project, that focuses on strict expenditure and investment discipline, working capital management adjustment, adjusting of tax prepayments to forecasted taxable income and disposals of unused assets, for example property. Furthermore, the Issuer plans to divest non-strategic businesses. This includes operations outside the core business lines cement, aggregates and concrete as well as in regions which have been identified as unsuitable for vertical integration. These measures are intended to improve the Issuer's debt ratings, thereby improving access to various funding sources.

### **Market Overview**

#### *Economic environment*

As a globally active building materials company, HC Group distinguishes three core business lines: cement, aggregates and concrete, and building products. The aggregates and concrete business line covers the product



groups aggregates, ready-mixed concrete and ready-mixed mortar, as well as asphalt. According to its own estimates and third party sources, based on sales volumes of globally diversified peers, HC Group is the world's number one in aggregates, the world's number three in cement and the world's number three in ready-mixed concrete and competes with a group of less than ten other major building materials companies as well as many regional businesses.

HC Group's business is affected directly by the cyclical nature of the building materials industry. This cyclical nature applies to all key areas of the construction market including residential and commercial property construction as well as to infrastructure projects. Activity levels and demand from the construction industry vary across regions, and are influenced by national and regional economic factors, such as GDP growth rates, housing starts and, to a lesser extent, prevailing long-term interest rates. In addition, fiscal, tax and other policies of national and regional governments have the effect of stimulating or discouraging construction activity. Consequently, HC Group's operations in each of its geographic markets are cyclical, with periods of growth typically followed by downturns.

Total annual construction output showed steady growth with an average growth rate of ca. 4.5% between 2000 and 2007 (source: EIU Global Insight (Update June 30, 2009)), whereas on a global level, the assessment of the economic environment is in general pessimistic for the current year and for 2010. The building materials industry has been severely affected by ongoing and broadening declines in residential construction activity. The adjustment process has been particularly acute in those countries which experienced the largest housing market bubbles during the credit boom years (such as the USA, Spain and the United Kingdom). After a strong decline of global economic performance in the first quarter of 2009, however, leading indicators have recently pointed to an economic stabilization but individual regions still exhibit considerable differences. In Europe, recessionary tendencies prevail in most countries, including most notably the United Kingdom. In some European countries, for example Germany, Russia or Romania, indicators point to a slowing of the downward trend. In the United States, important indicators point to a smaller decrease of general economic activity and the residential construction sector showed some stabilization in June 2009.

In Germany, the GDP growth forecast for 2009 has been decreased to more than negative 6% (IMF update July 2009); according to the latest indications, although a stabilization is expected in 2010, the economic downturn could prove to be even more severe. Throughout the euro zone, a significant decrease in the gross domestic product is expected. The occurrence of these negative forecasts would have severe effects on the construction markets as construction is mainly driven by GDP development. In the UK, according to the Mineral Products Association (MPA), domestic cement demand decreased by 15% in 2008 compared to 2007 (MPA, June 2009). According to Oficemen, the Spanish cement trade organization, in Spain, domestic cement demand declined by 23.8% in 2008 compared to 2007. In North America, building construction, the fundamental driver of cement demand in the residential sector, decreased by 33% in 2008 compared to 2007, according to the U.S. Census Bureau, and has been running at historical lows with an annual rate of 905,000 in December 2008. A housing recovery is unlikely to take place in 2009 given the current market environment, tight credit conditions, the still elevated housing oversupply and the deteriorating labor market. In the emerging countries development is also expected to be much less dynamic in the years 2009 and 2010 than in the previous years.

The fact that the economic environment is more negative than originally expected during the year 2008 creates a number of challenges; besides, risks arising from global imbalances, fluctuations in the dollar exchange rate and the volatility of oil prices must also be considered.

In spite of the negative overall assessment of the economic environment, a positive impact for the building materials industry is expected from the stimuli packages adopted by governments across the globe as they are intended to have a mitigating effect on market slowdowns. These packages particularly focus on infrastructure projects. For example, the U.S. stimulus plan provides for a significant infrastructure investment which is suitable to have a direct effect on the building materials markets. Key elements are investments in transportation network infrastructure and energy-efficient public buildings as well as the modernization of school buildings. In Germany, the stimulus program contains infrastructure measures such as the modernization and/or construction of municipal buildings and road networks. In China, the government has also set up a program for infrastructural development focusing on the public rail network and residential housing installation.

## *Cement*

### *General market situation*

On a global level, the cement markets are characterized by high fragmentation and, thus, a regional or local structure. These different markets are served by a few multinational group companies on the one hand and regional and local producers in various markets around the world on the other hand. Due to the capital intensity of cement production and especially the significant initial capital costs, high transportation costs as well as the high degree of environmental regulation of the industry, few new competitors appear on the markets.

In 2008, particularly in the second half of the year, the cement market globally suffered considerable decreases because of the intensifying financial market crisis. Cement consumption is expected to decline by 1.7% in 2009

(source: Portland Cement Association (PCA), Flash Report, June 17, 2009). China remained the largest national market (with a total cement consumption of 1.4 billion metric tons although Chinese cement production mainly consists of shaft kiln cement), followed by India (174 million metric tons) and the United States (97 million metric tons) (Sources: EXANE BNP PARIBAS, Building Materials Construction, March 2, 2009; Portland Cement Association (PCA), Flash Report, June 17, 2009; Portland Cement Association (PCA), U.S. Cement and Construction Forecast, Spring 2009).

Demand in the cement markets is generally cyclical and influenced by the overall investment climate and, in many countries, climatic conditions and fluctuations. Prices in regional cement markets depend particularly on the trends in energy prices (fuel and electricity) as well as on raw material costs in that region. This dependence primarily exists because energy and raw materials costs form a large part of the variable costs of cement production. In order to succeed in the cement markets, minimizing energy and transportation costs is crucial. Due to the shipping costs of cement and its relationship to the product value, cement (depending on the geographical situation and the availability of lime stone reserves) is not often delivered over distances of more than 150 to 200 km.

Another decisive competitive factor is access to raw materials (for example, quarries and mining concessions) which varies from market to market. HC Group as well as its competitors have achieved increasing vertical integration in the cement business in order to internalize cement demand in mature markets.

The nature of any particular regional cement market is determined primarily by regional rather than global competitive factors. These competitive factors include:

- the number of competitors,
- pricing policies of competitors,
- trends in regional demand,
- the existence of regional sources of raw materials,
- barriers to entry of additional competitors, and
- competition from imports.

These factors frequently differ among the various regions and countries in which HC Group operates and consequently, the market conditions among various cement markets may vary considerably.

Cement markets are currently characterized by substantial regional overcapacities. As a consequence, expansion cuts are reported in many countries around the globe, for example in the United States, in Europe (UK, Spain, Russia) and China.

Regional demand for cement is derived from the demand for ready-mixed concrete and concrete related products which, in turn, is dependent on the demand for construction. The construction industry is composed of three major sectors, namely, the residential sector, the industrial and commercial sector and the public sector. The public sector is the most cement intensive sector, particularly for infrastructure projects such as streets, highways and bridges. In the mature markets a country's cement demand basically follows the respective level of infrastructure and construction spending which is typically closely connected with that country's economic cycle. Furthermore, cement is seen as a mere commodity with the consequence of hardly any differentiation in quality. In these markets competition is therefore characterized by the defense of market shares, including through price. However, price is not the only relevant competitive factor. Market shares are also influenced by the reliability of the producer's supply and its service and technical capabilities.

Whereas the cement markets in the Western European countries are to a large extent saturated, the Eastern European markets were in recent years characterized by sustainable growth rates due to an increasing demand from infrastructure and housing. However, resulting from the continuing economic crisis, the positive development of the construction industry in most countries of the Europe Group area has slowed down.

#### *HC Group as a competitor*

The majority of the world's cement markets are characterized by competition among a small number of global companies and regional and local producers in which the large international cement manufacturers such as Lafarge, Holcim, HC Group and CEMEX hold leading market positions in various combinations. They compete against each other and regional and local producers in the respective markets. Competition among the named international cement manufacturers is more and more determined by vertical integration focusing on downstream activities within the building materials value chain. In this context, ready-mixed concrete serves as distribution channel for cement and protects at the same time the comparatively high cement margins.

In the major markets of the Europe Group area, the North America Group area, China as well as in Indonesia the cement industry is highly competitive. Despite the strong market positions of the large international cement manufacturers, a number of active local producers remain present. The Chinese cement market, even though it

was the world's largest consumer of cement in 2008, is still very fragmented. It is characterized by a small number of relatively sizeable producers and a large number of manufacturers ranging in size from small to very small, that produce cement using the shaft kiln technology even though the quality of the cement produced by this technology falls below the quality standards of cement produced in modern rotary kilns.

HC Group's most important cement markets in terms of volumes sold are Europe, North America, China and Indonesia. HC Group is also active in Africa where it has substantial positions in its main African markets Ghana and Tanzania, and it increases its focus on Asian markets.

On a global basis, HC Group's main competitors in the cement market are Lafarge (France), Holcim (Switzerland), CEMEX (Mexico), and Italcementi (Italy), all of which have extensive international operations.

#### *Aggregates and ready-mixed concrete*

Aggregates and ready-mixed concrete are like cement homogenous mass goods and are subject to complex and cost intensive transportation. Transportation imposes natural delivery limitations so that, for example, due to the shipping costs and their relationship to the product value aggregates (depending on the location of the nearest site of a competitor) would often not be delivered over distances of more than 80 km. For ready-mixed concrete the hardening process of the product limits its ability to be transported and cuts the transport distance further down to about 25-30 km. Therefore, the markets for aggregates, ready-mixed concrete and asphalt are local and highly fragmented by character.

The markets for these products are not in general characterized by a high degree of price competition and competition based on differences in quality is hardly possible. The markets for aggregates and ready-mixed concrete are served by a few multinational group companies on the one hand and a number of independent regional and local producers on the other hand, all competing against each other.

#### *Market for aggregates*

Overall, the aggregates industry has faced an ongoing consolidation process in recent years. HC Group itself has actively participated in this process by the acquisition of Hanson in 2007. As environmental regulations in many countries constrain new quarry development, the entry barriers for new competitors in the aggregates business remain high and are even increasing. In the aggregates business, access to raw material reserves owned or leased with the respective mining rights and their location as close as possible to the customers and markets is of particular importance. Market participants who have access to their own sources of raw materials, like HC Group, have a significant advantage over others who do not have access to raw materials and have to buy them. In addition, the quality of plant operators, their long time experience and the engineering know-how resulting in optimal plant layouts are the main levers for cost-efficient production processes and therefore substantially add to the competitiveness of the business.

#### *Market for concrete*

In comparison to the market for aggregates, consolidation in the concrete industry is less advanced. The ready-mixed concrete markets are very local and fragmented in character since ready-mixed concrete is produced in liquid form and has to be kept moving during transport to prevent solidification. Therefore, ready-mixed concrete cannot be transported over long distances and must be delivered by truck mounted transit mixers to consumers within a short period of time. The ready-mixed concrete markets are characterized by low barriers to entry due to less capital intensive production processes often along with easy access to readily available and competitively priced raw materials. This leads to a higher price sensitivity of ready-mixed concrete compared to cement and aggregates. Specific market conditions may also vary strongly within a country. To succeed in these micro-markets, building up a network of ready-mixed concrete facilities located close to the ultimate customers enabling a flexible reaction to changes in demand and price is of key importance. As in the cement business, regional competitive factors are crucial in the concrete business. Concrete, which is produced mainly on the basis of cement and aggregates, is the natural distribution channel for these products. Therefore, HC is focusing on and benefiting from the vertical integration through its ready-mixed activities and those operated in joint ventures with third parties.

Concrete markets, like cement markets, are highly dependent on the business cycle and overall activity of construction and other key factors such as general investment and climatic conditions prevalent in a given market. As a result, concrete markets develop in a highly cyclical manner, similar to the cement markets.

#### *Market for asphalt*

The principles discussed for ready-mixed concrete also apply for most hot mix asphalt markets. Like the markets for ready-mixed concrete, the asphalt markets are of a regional and local nature and, thus, rather fragmented. Due to the viscous nature of asphalt, transportation is possible only over short distances in order to prevent the asphalt from solidifying and getting too cold to work with. As the asphalt production process as such does not require a great extent of know-how and can be set up without high initial investment costs, the

entry barriers are rather low. Like for ready-mixed concrete, competition is very much influenced by pricing. The access to local supply of raw materials, such as aggregates, sand and bitumen, proves to be essential for competitive production. In this context, it is desirable to locate the plants inside the quarries to reduce the costs of transportation for the aggregates used in asphalt, as they stand for 95% of the total weight of asphalt.

#### *HC Group as a competitor*

##### *Aggregates*

Based on volumes sold (300 million metric tons in 2008), HC Group believes itself to be the world-wide market leader for aggregates. Its main competitors include Lafarge (248 million metric tons in 2008), CEMEX (242 million metric tons in 2008) and CRH (Ireland) (226 million metric tons in 2008).

HC Group's most important aggregates markets in terms of volumes are Europe, North America and Australia. HC Group's main competitors differ from market to market. The Australian market as well as some European markets are rather consolidated like the United Kingdom, whereas others are fragmented like Germany.

In the United States, HC Group faces strong competition from companies like Vulcan and Martin Marietta (only operating in the United States) as well as multi-national companies like CRH, CEMEX, Holcim and Lafarge.

In Europe, competition for HC Group does not only come from these multi-national companies, but also from strong international companies like Tarmac, Asamer, construction companies such as STRABAG and Vinci, and local competitors in each country of the Europe Group area.

In Australia, HC Group's main competitors are CEMEX (announced sale to Holcim in June 2009) and Boral.

##### *Ready-mixed concrete*

In the opinion of HC Group, the integration of Hanson into HC Group has created one of the world's largest producers of ready-mixed concrete. In 2008, HC Group sold 44.4 million cubic meters of ready-mixed concrete. According to its own estimates, HC Group considers CEMEX (77 million cubic meters in 2008), Holcim (49 million cubic meters in 2008) and Lafarge (44 million cubic meters in 2008) to be its most important competitors. Except for the United Kingdom and Australia, ready-mixed concrete markets are very fragmented and HC Group faces competition from mostly local competitors.

##### *Asphalt*

Based on volume HC Group believes itself to be one of the four leading companies for the production of asphalt in the world. Most of HC Group's asphalt plants are inside its own quarries which, according to its own estimation, gives HC Group a competitive advantage.

In the United Kingdom, the east and west coast of the United States and Malaysia, HC Group sees itself as one of the market leaders for asphalt with respect to volumes. In the United Kingdom, HC Group faces competition mostly from multi-national companies like CEMEX, Holcim and Tarmac. In the United States and Malaysia, HC Group is confronted with mostly local and regional asphalt producers.

##### *Building products*

HC Group's building products business line comprises primarily businesses in the United Kingdom and North America, with smaller operations in Scandinavia and Central Europe.

The main product groups include pre-cast concrete elements, clay bricks and other clay products, as well as limestone products.

##### *Markets*

Although the building products market is extremely broad and incorporates many different categories of products which span residential, commercial and infrastructure segments, the residential market tends to be the main driver for product demand.

Two major markets, the market for concrete pre-cast products and the market for clay products, can be distinguished.

In general, concrete products tend to have low barriers to entry due to the relatively low start up costs, high availability of raw materials and limited production expertise required. Aside from a few product niches, the industry is relatively fragmented. As is the case for other heavy building materials, transportation costs tend to limit the market scope. In niches where significant technical expertise is required in the design, manufacturing and sales processes (such as for large diameter concrete pipes) there are significant start-up costs required and the leading players can realize large economies of scale from their position.

The main barriers to entry in the brick market are access to mineral reserves and high start-up costs. Start-up costs, aside from the acquisition of reserves include significant capex on building kilns and automated manufacturing facilities. These barriers to entry are increasing in developed markets as planning and environmental regulation become ever more onerous.

#### *HC Group as a competitor*

HC Group's building products operations are mainly located in North America and the United Kingdom. Furthermore, HC has smaller presences in Germany, Sweden and a few other European countries.

In North America, Hanson Building Products North America is – according to its own estimate – the number one producer of concrete pipes and one of the leading producers of bricks and concrete roof tiles. It has operations in more than 20 states and in Canada.

In the bricks product line, HC Group's main competitors are CRH, Wienerberger, Boral and Acme. Together the top 5 players – according to HC Group's estimates – account for more than half of the market in North America.

In roof tiles, the main competitors are Monier, Eagle and CRH, while in the pipe segment the main players aside from Hanson are Rinker (CEMEX) and Oldcastle (CRH).

In the United Kingdom, HC Group considers itself to be the market leader in bricks, followed by Ibstock (CRH) and Wienerberger. In aerated concrete blocks, HC Group again holds the number one position, followed by H+H and Tarmac. The market is highly consolidated.

The aggregate concrete blocks market in the United Kingdom is more fragmented, but HC Group still holds – according to HC Group's estimates – the number two market position behind Tarmac and ahead of CEMEX and smaller local competitors. Aerated concrete blocks can serve as a substitute in certain walling applications for aggregate concrete blocks.

#### **Key Products of HC Group**

HC Group divides its business activities by product into the following three product business lines:

- Cement,
- Aggregates and Concrete, and
- Building Products.

Through these three business lines, which are managed as a vertically integrated business within each of the different Group areas, HC Group covers almost the entire concrete value chain and the building materials value chain. In this context, cement and aggregates serve as key raw materials for ready-mixed concrete, asphalt and building products: the cement business line supplies to a large degree the cement used by HC Group's concrete production facilities which also receive substantial amounts of the aggregates used to produce ready-mixed concrete and concrete made building products. Aggregates are also supplied to HC Group's asphalt production.

HC Group believes that its vertical integration helps to secure a sufficient supply of raw materials, acts as a hedge against raw material price fluctuations and generates cross-selling potential between its Group areas and business lines. Excess raw materials are sold to third parties for profit. In those countries where HC Group cannot itself fully cover its own demand for cement and aggregates, it depends, like other construction firms, on local suppliers.

In addition to its business lines, HC Group's services business unit includes one of the largest trading companies active in international cement and clinker trading and coordinates the worldwide procurement of fossil fuels for HC Group.



The following table shows the turnover of HC Group by business line for fiscal year 2008 as well as for the first six months of fiscal year 2009. The reconciliation line shows intra-group turnover, which is eliminated from the consolidated financial statements of the Issuer.

	Fiscal year ended December 31, 2008	Six-month period ended June 30, 2009
	(in € million)	(in € million)
	(audited)	(unaudited)
<b>Cement</b> .....	6,298	2,531
<b>Aggregates and Concrete</b> .....	6,766	2,445
<b>Building Products</b> .....	1,677	652
<b>Group Services</b> .....	701	259
Intra-group eliminations and Inter-Group area turnover <sup>(1)</sup> .....	–1,256	–518
<b>TOTAL</b> .....	<u>14,187</u>	<u>5,370</u>

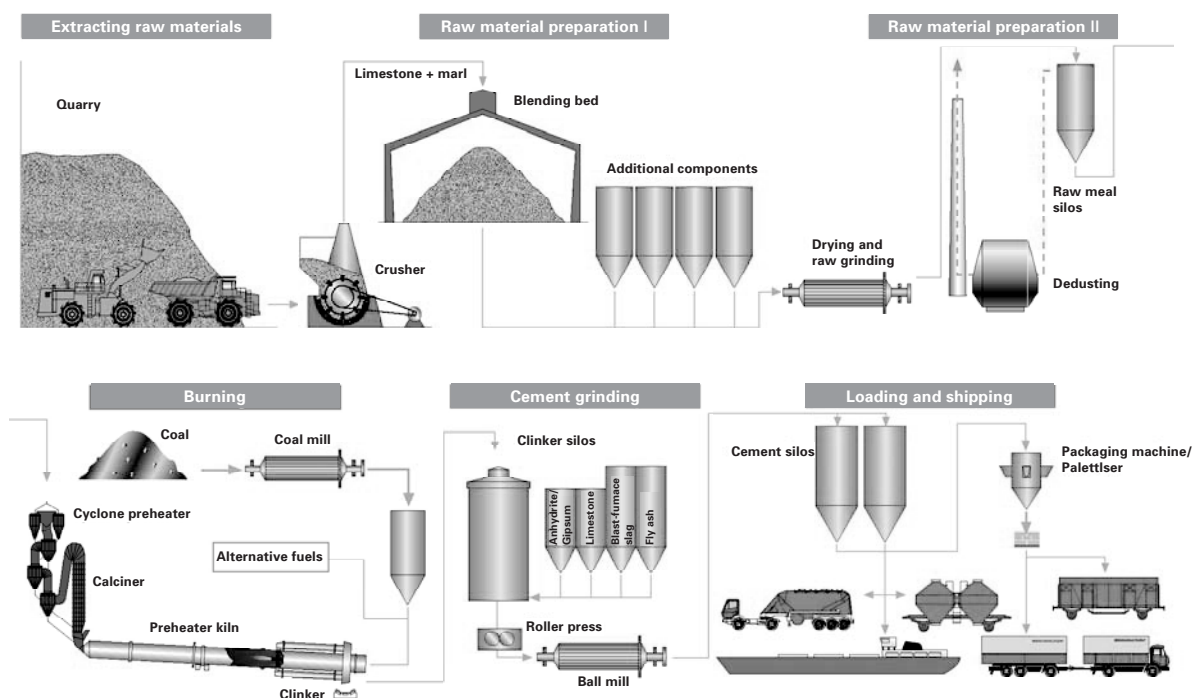
(<sup>1</sup>) Intra-group eliminations and Inter-Group area turnover represent transactions within and among the business lines that are eliminated on consolidation.

## Cement

### Overview

As the principal constituent of concrete, cement is a key component of all major construction projects throughout the world. Different forms of cement serve as a finely ground, hydraulic binder for mortar and concrete. When water is added to cement, it becomes a viscous suspension; through chemical reactions hydrate phases are formed that lead to hardening in the air as well as under water forming a waterproof solid. Cement serves as a hydraulic binder in concrete production and determines to a large degree its other specifications.

### Manufacturing process



Source: HeidelbergCement

The cement manufacturing process as shown above basically depends on three key inputs:

1. mined raw materials (limestone, clay, marl) for the production of cement clinker;
2. additives (gypsum, blast-furnace slag, fly ash, trass) for the cement grinding process;
3. a considerable quantity of fuel (due to the high burning temperatures) and electric energy (due to the two separate grinding processes).

In industrial cement production, dried raw chippings made of limestone, clay and marl are mined from quarries, finely ground and then burned in rotary kilns at approximately 1,450 degrees Celsius. Heating, decarbonization and the sintering processes convert the raw materials into cement clinker and release substantial quantities of carbon dioxide during the chemical process of decarbonization.

There are two different clinker production processes: the traditional wet process and the modern dry process. In the wet process, water is added to the raw materials which are then ground into a raw slurry, blended with paddle mixers and (either still wet or partially dried) burned in rotary kilns to form cement clinker. In the dry process, on the other hand, no water is added to the raw materials which are mixed, ground and dried in mills with hot gas. Compared to the wet process, considerably less water must be evaporated during the burning process in the dry process, requiring substantially less energy. As a result, the dry process requires less fuel and thereby conserves natural resources and reduces energy costs.

Although the dry process is already used in over 90% of its cement plants worldwide, HC Group continues to use the wet process in a few cement plants due to the high costs of converting these to the dry process. Traditionally, conventional fossil fuels such as coal and oil have been used for clinker production. However, in order to conserve natural resources and to reduce costs, HC Group is increasing its use of alternative fuels like used tires, waste oil, plastic, wood and meat and bone meal.

The next step in cement production involves grinding the small gray-black pebble-like cement clinker into a fine powder, adding gypsum, or a mixture of gypsum and anhydrite, and, if required, other additives (for example blast-furnace slag, fly ash or limestone). Ground granulated blast-furnace slag ("**GGBS**") is a by-product of steel production while fly ash is a by-product of coal-fired power plants. Limestone generally originates from HC Group's quarries. The properties of cement may be varied by changing the type and quantity of the additives to produce different types of cement suitable for specific applications. Similar to the grinding of raw chippings, the grinding of clinker requires energy, mainly in the form of electricity.

#### *Product range*

HC Group's range of products produced in approximately 100 cement and grinding plants (incl. ground granulated blast-furnace slag – GGBS) includes different types of cement suitable for various uses such as residential construction, commercial construction and civil engineering. Essentially, its range of products includes the following:

- *Standard cements*: defined according to applicable national regulations (for example, Portland cement, Portland composite cement and blast-furnace slag cement);
- *Special cements*: White cement (used for bright facade elements and overlayment plaster), trass cement (used as binder for natural stones and tiles), highly sulphate resisting cement (used in foundations in sulphate containing soils, for hydraulic power plants and constructing sewage treatment plants); Microcem (very fine special cement for soil injection and reconstruction of masonry); low heat cement for foundations, oilwell cement and Tiocem, a photocatalytic cement for the abatement of air pollution;
- Masonry cements;
- *Special binders*: adapted ready-mixes used in geo-technics, environmental technology and road construction (for example, special products used for seals in landfill construction, geothermal applications, and the like).

In addition to the production itself, the transport of the mined raw materials as well as the produced cement is a decisive factor in the cement business since due to their specific weight, they are very costly to transport over land. Therefore, the location of a cement plant, short transport routes and cost-effective transport methods are of paramount importance for the profitability of the cement production. As a result, cement plants are typically located close to the sources of raw materials. The transport itself is done by truck, rail and/or ship.

#### *Aggregates and concrete*

The HC Group aggregate and concrete business line covers the following operating lines:

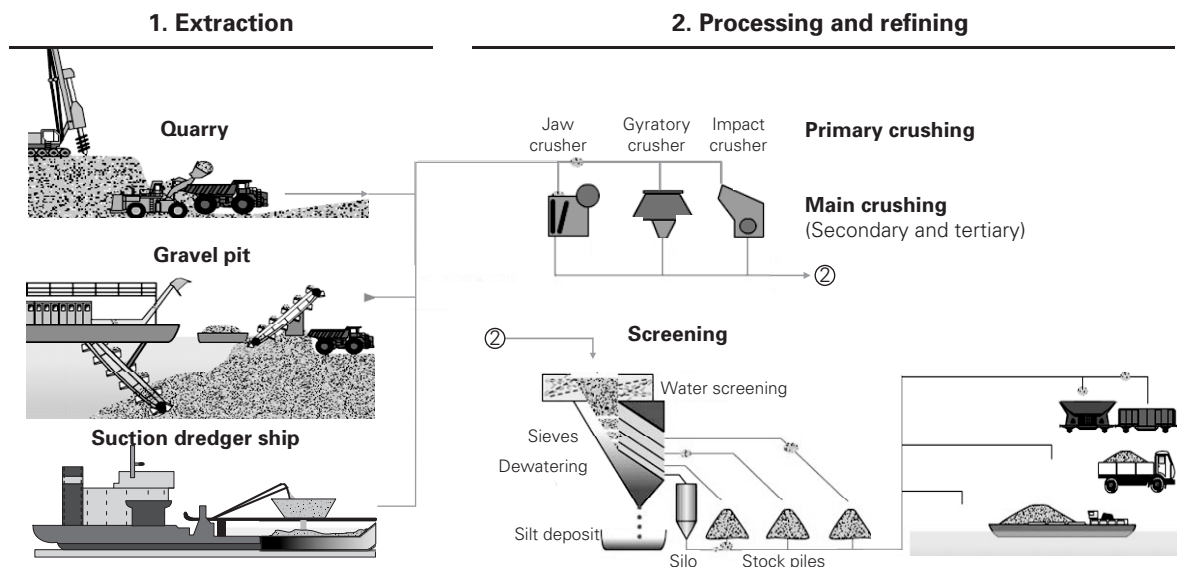
- Aggregates (sand, gravel and crushed rock)
- Ready-mixed concrete and ready-mixed mortar
- Asphalt.

## Aggregates

Aggregates are used as raw material for concrete, masonry, asphalt and other industrial processes, and as base materials for roads, landfills and buildings. Typical aggregates are hard crushed rock (for example limestone, basalt and granite), natural sand and gravel as well as recycled asphalt and concrete. Aggregates differ in their physical and chemical properties, in granularity and hardness. The type of aggregates available in a certain market is determined by local geology. Not all types of aggregates are available in all markets.

Aggregates are usually a local product as the transportation costs for 50 km by truck are normally higher than the price of one metric ton of aggregates ex works. HC Group globally operates approximately 600 sand and gravel pits and quarries where aggregates are mined.

### Overview of aggregates production process



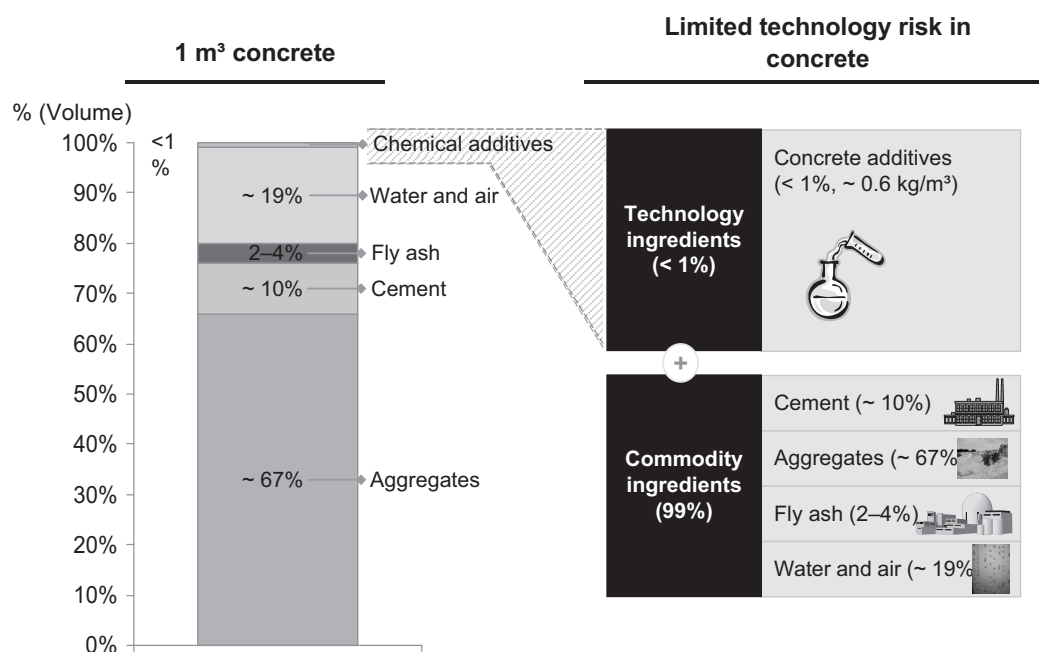
Source: HeidelbergCement

Aggregates production in quarries begins with drilling and blasting of rock, in sand and gravel pits or in the marine business it starts with the excavation of the raw material. The material is then transported to the processing lines where it is crushed, washed and screened into various sizes depending on customers' needs. The production process requires heavy equipment, such as wheel-loaders, large haul trucks, crushers etc.

## Concrete

Concrete is a blend of aggregates (sand and gravel), binders (cement), cementitious material such as fly ash, water and chemical concrete admixtures that are mixed in a batch plant, transported to the job site where the concrete is finally placed. After a certain period of time, a chemical reaction hardens the concrete into a permanent form of artificial stone. Tensile strength, resistance to pressure, durability, setting times, ease of placing, aesthetics, workability under various weather and construction conditions characterize this globally most utilized building material.

## Overview of concrete composition



Source: HeidelbergCement

Ready-mixed concrete is produced in concrete plants and transported directly to construction sites as ready-mixed concrete in ready mix trucks.

In the ready-mixed concrete industry, it is crucial to have a close network of ready-mixed concrete plants to meet customers' delivery needs. Because cement mixed with water enters the hydrate phase, ready-mixed concrete cannot be transported over long distances. A ready-mixed concrete plant primarily consists of storage silos for sand, gravel and cement and a concrete mixer in which the components are mixed with water and, if necessary, concrete admixtures in a proportion of approximately 67% sand and gravel, 10% cement, 2-4% fly ash and 19% water and air. The ready-mixed concrete (which can be used immediately after the mixing process) is poured into ready mix trucks in the plant and is transported directly to construction sites. Mobile concrete mixing plants are used occasionally at large construction projects, such as highway or tunnel construction sites. In these cases, cement and aggregates are delivered to the construction site where they are mixed in mobile concrete mixing plants.

HC Group globally operates approximately 1,400 ready-mixed concrete plants and supplies a wide range of types of concrete with various characteristics designed for specific applications and environmental conditions. In addition to concrete used in standard industrial applications, HC Group's product portfolio includes innovative types of concrete such as self-compacting concrete (that is easy to place), high-performance concrete (with extremely high strength for example for the construction of high rise buildings), floor mixes and translucent concrete elements (allowing architects and designers a high degree of creativity).

The aggregates and concrete business line also includes asphalt production. Asphalt is manufactured from a mixture of graded aggregates, sand, filler and bitumen. The aggregates are dried and heated in a drum, screened into various sizes, stored in hot bins, mixed in a mixer with bitumen at asphalt production plants and loaded to delivery trucks. HC Group obtains most of the aggregates required for the asphalt production in its approximately 100 asphalt plants from internal sources whereas the bitumen is purchased from third parties. The asphalt production plants mostly consist of raw material storage facilities and equipment for combining raw materials in the proper ratio under heat.

### Building products

HC Group's building products business line comprises HC Group's downstream activities, primarily including the former Hanson's building products business in the United Kingdom and North America. It offers a wide product range that is mainly used in residential and commercial construction.

The main product groups in the building products business line are:

- Pre-cast concrete elements (concrete components made from lightweight, porous and normal concrete, concrete pavers, wall and ceiling elements, pre-cast cellars, concrete pipes, concrete blocks, aircrete blocks, etc.);

- Clay brick and other clay products such as roof tiles, pavers, chimney pots, etc.;
- Limestone products (limestone aggregates, crushed limestone sand, pulverized limestone, burnt limestone, white pulverized limestone and fine white hydrated lime);
- Sand-lime brick (sand-lime brick construction systems, full and ventilated sand-lime bricks, large format sand-lime brick, faced sand-lime brick).

In pre-cast concrete plants, concrete is poured into various forms and moulds and compressed (depending on the final product). The specific mixtures of concrete used in the production process depend on the anticipated use of the pre-cast elements. The different products are usually produced and sold in standard sizes, which may vary from market to market.

### Group Areas

In view of the described regional market structures, HC Group reports its local businesses according to three geographic Group areas:

- **Europe** – covering 23 countries in Europe, including the Baltic countries, Belgium, Denmark, Eastern Europe (Bosnia-Herzegovina, Croatia, Czech Republic, Hungary, Poland, Romania, Slovakia and Ukraine), Georgia, Germany, Israel, the Netherlands, Norway, Russia, Sweden, Spain, Switzerland and the United Kingdom;
- **North America** – covering the United States and Canada; and
- **Asia-Australia-Africa** – covering 18 countries, including sub-Saharan countries in Africa (Benin, Gabon, Ghana, Liberia, Sierra Leone, Tanzania and Togo), Australia, Bangladesh, Brunei, China, India, Indonesia, Kazakhstan, Malaysia, Singapore, Turkey and the United Arab Emirates.

In 2008, HC Group renamed HC Group areas Europe-Central Asia to Europe and Asia-Australia-Africa-Mediterranean to Asia-Australia-Africa. The allocation of countries to these segments did not change, with the exception of Kazakhstan, which until 2008 was included in the old Europe-Central Asia Group area and is now reported under Asia-Australia-Africa.

Each of the geographical Group areas manufactures and distributes HC Group's various products under its own operating responsibility. They are complemented by a Group Services business unit which comprises the activities of two subsidiaries: HC Trading, which HC Group believes to be one of the largest international trading companies for cement and clinker, and HC Fuels, which manages worldwide trading in fossil fuels sold to Group-owned and third-party companies as well as CO<sub>2</sub> emission rights trading.

The following table presents external turnover by Group areas for fiscal year 2008 as well as for the first six months of fiscal year 2009. The location/seat of the customer determines regional allocation.

	<b>Fiscal year ended December 31, 2008</b>	<b>Six-month period ended June 30, 2009</b>
	<b>(audited)</b>	<b>(unaudited)</b>
	<b>(in € million)</b>	
<b>Europe</b> . . . . .	7,190	2,543
<b>North America</b> . . . . .	3,958	1,420
<b>Asia-Australia-Africa</b> . . . . .	2,943	1,369
<b>Group Services</b> . . . . .	701	259
<b>Inter-Group area turnover</b> . . . . .	–605	–222
<b>Total</b> . . . . .	<u>14,187</u>	<u>5,370</u>

### Europe

The Europe Group area comprises 23 countries. While Germany has traditionally been the most important country by turnover, as a consequence of the Hanson takeover, the United Kingdom has become the largest national market in this Group area and the second largest in HC Group. The integration of Hanson has significantly improved the vertical integration of HC Group within its Europe Group area as the aggregates and concrete business line was materially strengthened. This development is particularly reflected in the expansion of the aggregates and ready-mixed concrete operating lines in Germany, the Benelux countries and the Czech Republic.

With a total of 47 cement and grinding plants (incl. GGBS), HC Group believes that in most of the countries of the Europe Group area, where it operates cement plants, it is the market leader in the cement business based on the sales volume. In addition to cement ready-mixed concrete, aggregates and – in some countries – asphalt and building products such as pre-cast concrete parts, concrete paving stones as well as concrete blocks and



bricks are manufactured in a total of 1,460 production sites. Overall, turnover in the Europe Group area in 2008 amounted to € 7,190 million. This corresponds to approximately 50% of the total turnover of HC Group in 2008. In the first six months of 2009, turnover in the Europe Group area decreased by approximately 30.2% to € 2,543 million (as compared to the first six months of 2008). This corresponds to approximately 47.4% of the total turnover of HC Group in the relevant period.

The following table presents certain key business data for the Europe Group area:

<b>Europe</b>	<b>Fiscal year ended December 31, 2008 (audited)</b>	<b>Six-month period ended June 30, 2009 (unaudited)</b>
<b>Operating Income (OI) (€ million)</b> . . . . .	1,223	210
<b>Capital expenditures (€ million)<sup>(1)</sup></b> . . . . .	630	180
<b>Cement and clinker sales volume (Mt)</b> . . . . .	43.2	17.0
<b>Aggregates sales volume (Mt)</b> . . . . .	125.1	46.4
<b>Ready-mixed concrete sales volume (Mm<sup>(3)</sup>)</b> . . . . .	24.1	9.2
<b>Asphalt sales volume (Mt)</b> . . . . .	4.6	2.0
<b>Employees (as of December 31, 2008/June 30, 2009)</b> . . . . .	27,035	25,013

<sup>(1)</sup> Capital expenditures = Tangible fixed assets and intangible assets investments

### *Cement*

In its Europe Group area, HC Group's cement business line has production sites in 15 countries. In 2008, the Europe Group area's 47 cement and grinding plants (incl. GGBS) achieved total annual sales volumes of 43.2 million metric tons and generated 54.5% of HC Group's total turnover in the cement business line. In the six-month period ended June 30, 2009, the sales volumes were 17.0 million metric tons and generated 48.8% of HC Group's total turnover in the cement business line for this period.

On the basis of percentage rate of group turnover, number of plants and number of employees as of December 31, 2008 and as of June 30, 2009, HC Group considers the countries listed in the following tables to be of most importance for its cement business:

As of December 31, 2008

<b>Country</b>	<b>% of group turnover</b>	<b>Number of cement and grinding plants</b>	<b>Number of employees</b>
Germany . . . . .	3.94%	13	1,452
Benelux . . . . .	3.28%	7	970
UK . . . . .	2.85%	3	1,824
Poland . . . . .	2.35%	2	673
Ukraine . . . . .	2.08%	3	2,152
Romania . . . . .	2.03%	3	1,131
Sweden . . . . .	1.49%	3	500
Norway . . . . .	1.35%	2	486
Hungary . . . . .	1.23%	2	447
Czech Republic . . . . .	1.21%	2	600

As of June 30, 2009

<b>Country</b>	<b>% of group turnover</b>	<b>Number of cement and grinding plants</b>	<b>Number of employees</b>
Germany . . . . .	4.49%	13	1,459
Benelux. . . . .	3.89%	7	955
UK . . . . .	2.99%	3	1,658
Poland. . . . .	2.13%	2	674
Romania . . . . .	1.82%	3	1,141
Sweden . . . . .	1.62%	3	507
Norway . . . . .	1.32%	2	472
Hungary . . . . .	1.19%	2	426
Czech Republic . . . . .	1.17%	2	598
Ukraine . . . . .	0.85%	3	1,835

Overall, most of the production sites of the Europe Group area are characterized by their proximity to major metropolitan areas which facilitates access to the main customers, and their flexibility to produce a large variety of different cement types. HC is continuously increasing the energy efficiency of its plants. The company is focusing on increasing the use of alternative fuels, thereby reducing fossil fuel usage. In addition, the use of raw materials is increasingly reduced by replacing them with alternative raw materials such as blast-furnace slag or fly ash.

#### *Aggregates and concrete*

HC Group produces aggregates, ready-mixed concrete and asphalt in 20 countries of its Europe Group area. The total number of production facilities for aggregates, ready-mixed concrete and asphalt amounts to more than 1,200 within this Group area. The production facilities for aggregates comprise sand and gravel pits, quarries as well as maritime dredgers whereas ready-mixed concrete and asphalt are produced in special production plants. In addition, HC Group has secured substantial raw material deposits in all countries where it operates in the aggregates business.

On the basis of percentage rate of group turnover, number of plants and number of employees as of December 31, 2008 and as of June 30, 2009, HC Group considers the countries listed in the following tables to be of most importance:

As of December 31, 2008

<b>Country</b>	<b>% of group turnover</b>	<b>Number of production sites for aggregates</b>	<b>Number of ready-mixed concrete and asphalt production plants</b>	<b>Number of employees</b>
UK . . . . .	8.15%	74	200 (RMC) 40 (Asphalt)	2,059
Benelux. . . . .	3.70%	1	24 (RMC)	1,261
Germany . . . . .	3.16%	40	139 (RMC) 4 (Asphalt)	1,389
Sweden. . . . .	2.06%	8	33 (RMC)	1,123
Norway . . . . .	1.38%	18	22 (RMC)	328
Czech Republic . . . . .	1.37%	31	60 (RMC)	968
Spain. . . . .	1.21%	12	24 (RMC)	303
Poland. . . . .	1.19%	13	49 (RMC)	636
Hungary. . . . .	0.28%	7	20 (RMC)	147

As of June 30, 2009

<b>Country</b>	<b>% of group turnover</b>	<b>Number of production sites for aggregates</b>	<b>Number of ready-mixed concrete and asphalt production plants</b>	<b>Number of employees</b>
UK . . . . .	7.36%	74	200 (RMC) 40 (Asphalt)	2,011
Germany . . . . .	2.91%	40	139 (RMC) 4 (Asphalt)	1,299
Benelux . . . . .	4.36%	1	24 (RMC)	1,256
Sweden . . . . .	1.96%	8	33 (RMC)	932
Czech Republic . . . . .	1.27%	31	60 (RMC)	996
Spain . . . . .	1.07%	12	24 (RMC)	280
Norway . . . . .	1.33%	18	22 (RMC)	302
Poland . . . . .	0.83%	13	49 (RMC)	638
Hungary . . . . .	0.24%	7	20 (RMC)	140

Following the acquisition and subsequent integration of Hanson as well as the commissioning of new production facilities in fast growing and developing markets, for example Russia, Poland and Czech Republic, the aggregates and concrete business line contributes significantly to HC Group's turnover and operating income. Within the Europe Group area it now constitutes a strong second pillar of HC Group's raw materials activities. In 2008, the Europe Group area's production sites achieved a total annual sales volume of 125.1 million metric tons of aggregates, 24.1 million cubic meters of ready-mixed concrete and 4.6 million metric tons of asphalt. Overall, the Europe Group area generated 52% of HC Group's total turnover in the aggregate and concrete business line. In the six-month period ended June 30, 2009, the total sales volume amounted to 46.4 million metric tons of aggregates, 9.2 million cubic meters of ready-mixed concrete and 2.0 million metric tons of asphalt hereby generating 51.3% of HC Group's total turnover in the aggregate and concrete business line for that period.

As a result of the substantial growth from the Hanson acquisition and in response to the ongoing decrease of construction activities since 2008, HC Group has shifted its focus in the Europe Group area to modernization measures of its production sites on the one hand as well as capacity adjustments and shutdowns of production sites on the other hand. In the United Kingdom, for example, HC Group carried out four major quarry replants and equipped all its marine aggregate dredgers with new propulsion systems. Investments also focused on increasing the use of more recycled material, taken from worn-out roads, in asphalt production and increasing the proportion of this material used in such production. In addition, several production sites in the United Kingdom were decommissioned or sold.

By purchasing Hanson, HeidelbergCement extended the network of ready-mixed concrete plants in this Group area to Israel, Spain and, in particular, the United Kingdom. With approximately 200 locations, the United Kingdom has the highest density of plants. In 2008, the total sales volumes of HC Group's ready-mixed concrete plants within its Europe Group area grew by 37% compared to the previous fiscal year. Excluding Hanson, sales volumes remained stable. Benelux, Germany, Sweden, Czech Republic, Hungary, Bosnia and Romania experienced a decent growth in volumes, while Poland, Norway, Denmark and especially the Baltic States suffered from a considerable decline in demand as a result of the weaker construction activity. In the first six months of 2009, the total sales volumes of HC Group's ready-mixed concrete plants within its Europe Group amounted to 9.2 million cubic meters. Since 2006, HC Group has sold 46 production sites for ready-mixed concrete, mainly in eastern Germany, that were not located in the supply radius of own cement plants and where captive supply was close to zero.

HC Group also operates 42 asphalt plants in the United Kingdom apart from several asphalt production sites in Israel (which have been sold with closing expected before year end 2009) and four plants in Germany. While in 2007, five new or replacement asphalt plants were constructed in the United Kingdom and the efficiency of existing facilities was increased, in 2008, by contrast, 4 production sites were decommissioned due to the decline in road construction. In the first six months of 2009, the total sales volumes of the asphalt plants amounted to 2.0 million metric tons.

#### *Building products*

In its Europe Group area, the activities of HC Group's building products business line are mainly concentrated on the United Kingdom, Germany and Sweden. Whereas the activities in Germany and Sweden are limited to concrete products and sand-lime bricks (Germany only), the acquisition of Hanson expanded the building products business line to include substantial activities in the United Kingdom, such as bricks, aircrete blocks,

wall cladding and flooring systems, pavers and roof tiles. In 2007, Hanson acquired one of the leading British masonry and bricklaying companies – Irvine Whitlock – with 900 employees which is now part of HC Group.

The increased importance of the building products business line following the integration of the Hanson business is reflected by a rise in turnover in 2008 of 60.4% to € 664 million. In 2008, 39.6% of HC Group's total turnover in this business line was generated in the Europe Group area (six-month period ended June 30, 2009: 40.6%). Currently, HC Group operates 43 production plants. While the concrete products operating line in Germany and Sweden recorded increases in turnover, results declined in both countries. The sales volumes in the German sand-lime brick plants experienced a cyclical decrease. In the United Kingdom, sales volumes were severely affected in 2008 by weakening residential construction activity. As a consequence, HC Group decommissioned and down-sized several production facilities.

### *North America*

The United States and Canada form the Group area North America. HC Group considers itself to be one of the leading manufacturers of cement, aggregates, ready-mixed concrete, asphalt and building products (reinforced concrete pipes and pressure pipes, pre-cast concrete products, structural pre-cast, concrete pavers, roof tiles, and bricks) in this Group area.

HeidelbergCement has been present in the United States since the acquisition of the Lehigh Cement Company in 1977. Heidelberg Cement acquired its Canadian operations in 1993 and Hanson, plc. in 2007. Today, the Lehigh Cement Company and the Hanson business in North America are combined under the company name Lehigh Hanson, Inc.

Today, the subsidiaries of HeidelbergCement located in the United States and Canada operate approximately 660 production facilities.

The cement, aggregate, asphalt and ready-mixed concrete business lines are organized into four integrated regions: North, South, West and Canada. In 2008, the building products business line was divided into three units: Hanson building products East, Hanson Building Products West and Hanson Pressure Pipe.

In the United States, the drastic decline in residential construction activity in 2008 (minus 27.2% compared to 2007) continued as a result of the sustained financial market crisis and affected all business lines in this Group area. The tightening of the credit conditions and the sustained weakness of the economy as a whole also negatively affected commercial construction and public construction investments.

Overall, with the integration of the Hanson business, turnover in the North America Group area increased on a consolidated basis by 23.5%, or € 753 million, to € 3,958 million in 2008 from € 3,205 million in 2007. In the first six months of 2009, turnover decreased by 23.5% to € 1,420 million, a reduction of € 435 million compared to the first six months of 2008. Turnover in the North America Group area corresponds to approximately 26.4% of the total turnover of HC Group in such period.

The following table presents certain key business data for the North America Group area:

<b>North America</b>	<b>Fiscal year ended December 31, 2008</b>	<b>Six-month period ended June 30, 2009</b>
	<b>(audited)</b>	<b>(unaudited)</b>
	<b>(in € million)</b>	
<b>Operating Income (OI) (€ million)</b> . . . . .	406	–24
<b>Capital expenditures (€ million)<sup>(1)</sup></b> . . . . .	199	50
<b>Cement and clinker sales volume (Mt)</b> . . . . .	13.6	4.7
<b>Aggregates sales volume (Mt)</b> . . . . .	134.6	45.3
<b>Ready-mixed concrete sales volume (Mm<sup>(3)</sup>)</b> . . . . .	9.0	2.8
<b>Asphalt sales volume (Mt)</b> . . . . .	4.0	1.1
<b>Employees (as of December 31, 2008/June 30, 2009)</b> . . . . .	15,739	14,999

<sup>(1)</sup> Capital expenditures = Tangible fixed assets and intangible assets investments

### *Cement*

In North America, HC Group operates its cement business primarily through Lehigh Hanson, Inc., Dallas, Texas (United States). HC Group operates a total of 14 cement plants, 46 terminals and 2 grinding plants, the majority of which are in the United States. In addition, HC Group controls a 50% interest in Texas-Lehigh Cement Company in Buda, Texas, a joint venture with Eagle Materials Inc., and established a further joint venture called Lehigh White Cement Company with its joint venture partners Aalborg Cement Company Inc. and the Mexican cement manufacturer CEMEX S.A.B. de C.V. (HeidelbergCement holds 51% of the shares in Lehigh White Cement Company, and Aalborg and CEMEX each hold 24.5%).

North America's cement business line generated 18.1% of HC Group's total turnover in the cement business line in 2008 (16.7% in the first six months of 2009). While cement consumption in the USA dropped by 15.6% in comparison to 2007 to 96.5 million metric tons, approximately 12 million metric tons had to be imported in order to cover the demand. A further significant decline around 22% (PCA Forecast, Summer 2009) in cement demand is expected in 2009. In Canada, since the growth in the western provinces could no longer compensate for the weakened demand in the east of the country, cement consumption in 2008 decreased slightly by 2.2% in comparison with 2007 to 9.9 million metric tons. The cement and clinker sales volumes of HC Group's plants in North America decreased by 8.2% to 13.6 million metric tons in 2008 (2007: 14.9 million metric tons), excluding consolidation effects by 13.9%. HC Group's market share, however, increased slightly in 2008 compared to 2007 and remained stable in the first six months of 2009.

The following tables show percentage rate of group turnover, number of cement and grinding plants and number of employees as of December 31, 2008 and as of June 30, 2009.

As of December 31, 2008

<b>Country</b>	<b>% of group turnover</b>	<b>Number of cement and grinding plants</b>	<b>Number of employees</b>
US .....	6.01%	14	1,840
Canada .....	2.02%	2	306

As of June 30, 2009

<b>Country</b>	<b>% of group turnover</b>	<b>Number of cement and grinding plants</b>	<b>Number of employees</b>
US .....	6.24%	14	1,585
Canada .....	1.63%	2	254

The production sites of the North America Group area are mostly located close to the main metropolitan areas at the eastern and western coasts of the continent. In recent years they have been continuously modernized and expanded.

In response to the unfavorable market conditions, the North America Group focused on improving manufacturing efficiency as well as the shutdown of older, less efficient production sites. These efforts generated cost savings, ensured compliance with tightening regulatory standards and increased limestone reserves. Through modification of production processes and firing systems in Canada (Delta), Pennsylvania and California, HC Group could substantially increase alternative fuel usage in 2008. These accomplishments lowered overall energy input costs through greater use of tires and pet coke.

#### *Aggregates and concrete*

In 2008, sales volumes of aggregates amounted to 134.6 million metric tons (six-month period ended June 30, 2009: 45.3 million metric tons). The aggregates and concrete business line in North America generated 30.1%, or € 2,035 million of HC Group's total turnover in this business line in 2008 (six-month period ended June 30, 2009: 28.3%).

The North America Group area possesses numerous gravel and sand plants for mining and reprocessing aggregates as well as production plants for concrete products. There are 102 sand and gravel plants, 130 crushed rock plants, 3 marine dredgers, 39 asphalt plants and 173 ready-mixed concrete plants in North America. In addition, HC Group has secured substantial raw material deposits throughout the United States and Canada.

During 2008, several significant projects were completed within the aggregates business line which intended to improve production capacity and cost profile in Canada, Indiana and New York.

Ready-mixed concrete volumes declined 8.5% in 2008 to 9.0 million cubic meters (as compared to 2007). Declines were evenly spread across Florida, California and Western Canada. Operations aggressively managed their fleet and production assets through the downturn.

Asphalt volumes rose by 73.5% in 2008 to 4.0 million metric tons as a result of consolidation effects. While the 39 asphalt production sites, located largely in New York, Pennsylvania and California, came under pressure from increased oil costs and lower volumes, the overall contribution through vertical integration and cost management had a positive impact on results.



The following tables show percentage rate of group turnover, number of production sites for aggregates, number of ready-mixed concrete and asphalt production plants and number of employees as of December 31, 2008 and as of June 30, 2009.

As of December 31, 2008

<b>Country</b>	<b>% of group turnover</b>	<b>Number of production sites for aggregates</b>	<b>Number of ready-mixed concrete and asphalt production plants</b>	<b>Number of employees</b>
US .....	10.51%	212	124 (RMC) 39 (Asphalt)	6,260
Canada .....	3.83%	21	49 (RMC)	1,566

As of June 30, 2009

<b>Country</b>	<b>% of group turnover</b>	<b>Number of production sites for aggregates</b>	<b>Number of ready-mixed concrete and asphalt production plants</b>	<b>Number of employees</b>
US .....	9.90%	212	124 (RMC) 39 (Asphalt)	6,671
Canada .....	2.98%	21	49 (RMC)	1,663

#### *Building products*

In the North America Group area the building products business line expanded in recent years as a result of the acquisition of Hanson to a total of 32 production plants in the USA and Canada. They produce reinforced concrete pipes, concrete and steel pressure pipes, pre-cast bridge products, manholes, drainage structures, box culverts, foundation systems, vaults, railroad crossings, retaining walls as well as bricks, roof tiles and pavers. In 2008, the entire business line was divided into three units: Hanson building products East, Hanson Building Products West and Hanson Pressure Pipe.

The brick, roof tile and pavers businesses are significantly dependent on residential construction. As a result of the continuing weakness of residential construction in 2008, all operating lines recorded significant declines in sales volumes and turnover.

In 2008, 57.2%, or € 959 million of HC Group's total turnover in the building products business line were generated in the North America Group area (six-month period ended June 30, 2009: 56.9%).

HC Group's response to the negative market developments now includes intensified cost reduction and several rationalization measures as well as location mergers and capacity adjustments. In 2008, the building products business line recorded a reduction between 17% and 24% in manufactured volumes and around 30% in head count to 5,767 employees (as of December 31, 2008).

#### *Asia-Australia-Africa*

The Asia-Australia-Africa Group area comprises 18 countries in which HC Group operates a total of 489 production sites. Following the takeover of Hanson, the Group area Asia-Australia-Africa has been significantly enlarged, now also including Australia, Malaysia and Singapore. This business is operated by wholly or majority-owned subsidiaries as well as joint-ventures with local companies. In Africa, HC Group produces only cement in seven countries.

HC Group operates a total of 16 cement and 17 grinding plants in this area. In addition to the cement business, ready-mixed concrete, aggregates, asphalt and pre-cast concrete parts are manufactured at 441 production sites in 10 Asian countries (including Turkey) and in Australia.

Turnover in the Asia-Australia-Africa Group area increased by 54.1%, or € 1,034 million, to a total of € 2,943 million in 2008 (as compared to 2007). This corresponds to 20.7% of the total turnover of HC Group in 2008. In the first six months of 2009, turnover decreased slightly by 0.8% to € 1,369 million (as compared to the first six months of 2008). This corresponds to 25.5% of the total turnover of HC Group in this period.

The following table presents certain key business data for the Asia-Australia-Africa Group area:

<b>Asia-Australia-Africa</b>	<b>Fiscal year ended December 31, 2008</b>	<b>Six-month period ended June 30, 2009</b>
	<b>(audited)</b>	<b>(unaudited)</b>
	<b>(in € million)</b>	
<b>Operating Income (OI)</b> . . . . .	497	248
<b>Capital expenditures<sup>(1)</sup></b> . . . . .	270	44
<b>Cement and clinker sales volume (Mt)</b> . . . . .	32.2	15.9
<b>Aggregates sales volume (Mt)</b> . . . . .	39.8	16.6
<b>Ready-mixed concrete sales volume (Mm<sup>(3)</sup>)</b> . . . . .	11.3	4.8
<b>Asphalt sales volume (Mt)</b> . . . . .	3.6	1.3
<b>Employees (as of December 31, 2008/ June 30, 2009)</b> . . . . .	18,015	16,746

<sup>(1)</sup> Capital expenditures = Tangible fixed assets and intangible assets investments

### *Cement*

HC Group produces cement in seven Asian and seven African countries. HC Group holds a 25% participation in a cement company in Australia which is consolidated at equity (as of June 30, 2009). In 2008, the Asia-Australia-Africa Group area's cement and grinding capacity was 34 million metric tons. They contributed 27.4% to HC Group's total turnover in the cement business line. Overall, HC Group's cement and clinker sales volumes in this Group area rose by 4.3% to 32.2 million metric tons (six-month period ended June 30, 2009: 15.9 million metric tons).

On the basis of percentage rate of group turnover, number of plants and number of employees in 2008 HC Group considers the countries as listed in the following table to be of most importance:

As of December 31, 2008

<b>Country</b>	<b>% of group turnover</b>	<b>Number of cement and grinding plants</b>	<b>Number of employees</b>
Indonesia . . . . .	4.7%	3	5,508
Africa (collectively) . . . . .	3.4%	11	1,328
India . . . . .	0.9%	6	2,547
Turkey . . . . .	0.9%	4	376
China . . . . .	0.8%	5	1,142

As of June 30, 2009

<b>Country</b>	<b>% of group turnover</b>	<b>Number of cement and grinding plants</b>	<b>Number of employees</b>
Indonesia . . . . .	5.9%	3	5,307
Africa (collectively) . . . . .	4.7%	11	1,262
India . . . . .	1.5%	6	2,388
Turkey . . . . .	0.9%	4	351
China . . . . .	1.8%	5	1,078

In Indonesia, an important Asian market for cement, HC Group's subsidiary PT Indocement Tungal Prakarsa Tbk. ("**Indocement**") headquartered in Jakarta – according to HC Group's estimates – is the second-largest cement manufacturer. HC Group entered the Indonesian market in 2005 and, following the sale of a stake of 14.1% in June 2009, holds 51.0% of the shares in Indocement (as of June 30, 2009). Indocement operates three cement plants (Citeureup and Cirebon on Java as well as Tarjun on Kalimantan). The Citeureup plant, located in the vicinity of the Indonesian capital Jakarta, has 9 rotary kilns and, with an annual capacity of 10.6 million metric tons of cement, is one of the largest cement plants in the world. In addition to expansion measures, the kiln capacity at the Citeureup plant, which operates 2 kiln lines was also modernized allowing Indocement to use more cost-efficient alternative fuels. At the Cirebon plant, which operates 2 kiln lines, two new cement mills with a planned annual capacity of approximately 1.5 million metric tons are currently under construction and scheduled for commission at the end of 2009.

The Indocement plants sold approximately 14.7 million metric tons of cement and clinker in 2008 (six-month period ended June 30, 2009: 6.1 million metric tons). Since domestic demand increased significantly (cement consumption rose by 11.5% to 30.1 million metric tons in 2008) due to private construction and the government's infrastructural projects, export deliveries were reduced and accounted for only around 0.6% of the total sales volumes. While cement exports fell considerably, clinker deliveries, for example to Bangladesh and Brunei, increased strongly.

In the People's Republic of China, HC Group operates through two joint ventures. HC Group has a 50% participation in China Century Cement Limited ("**CCC**") in Guangzhou in Guangdong Province (southern China) (as of June 30, 2009). The remainder is indirectly held by Yue Xiu Group, which is indirectly owned by the Guangzhou municipal government. CCC operates three cement plants with modern kiln lines at Zhujiang, Guangzhou and Huadu and believes to occupy leading market positions which are being expanded through the construction of new facilities.

By establishing another joint venture with Tangshan Jidong Cement, one of the top five cement producers in China, HeidelbergCement has secured a second foothold in the Chinese market. The joint venture formed at the end of 2005 comprises an existing cement plant with a capacity of 1.2 million metric tons in the Fufeng district and the new Jingyang cement plant in the central province of Shaanxi with a cement capacity of 2.3 million metric tons per annum, which started operation in Summer 2007. With the construction of two new production lines Fufeng II and Jingyang II production, capacity in the Shaanxi province was increased to 9 million metric tons by the end of 2008.

Overall, HeidelbergCement's consolidated cement and clinker sales volumes in China rose in 2008 by 22.4% to 4.6 million metric tons (six-month period ended June 30, 2009: 3.3 million metric tons).

By entering the Indian market in 2006, HC Group continued its strategy of making targeted investments in growth regions. The cement and clinker sales volumes of HeidelbergCement's three Indian plants decreased by 4.3% in 2008 (as compared to 2007), mainly as a result of a significant slowdown in residential construction, cheap imports from Pakistan and increasing excess capacities. The Indian cement plants were additionally adversely affected by heavy monsoon rainfall and flooding. Indorama Cement ("**Indorama**") was consolidated as from April 1, 2006 and Mysore Cements as from September 1, 2006. The consolidation of Cochin Cements, a grinding facility in southern India, became effective January 1, 2007. HC Group founded Indorama as a 50:50 joint venture on the west coast of India in March 2006, and acquired the remaining 50% of the shares in March 2008. Its cement grinding plant supplies the cities of Mumbai and Pune. In August 2006, HeidelbergCement acquired a majority participation in the cement manufacturer Mysore Cements which was merged with Indorama in February 2009, changing its name to HeidelbergCement India Ltd. on April 16, 2009. Former Mysore Cements operates two cement plants and a grinding plant in central and southern India with a total production capacity of 3.5 million metric tons.

Other operations of HC Group in Asia include a 60.7% stake in HeidelbergCement Bangladesh Ltd. (as of June 30, 2009). HeidelbergCement Bangladesh operates two grinding plants at Dhaka and Chittagong.

In the United Arab Emirates, HeidelbergCement has a management contract with a cement sales company in which it holds a stake of 40%.

In Turkey, HeidelbergCement operates its cement business through a 39.7% participation in Akçansa Çimento Sanayi ve Ticaret A. S. ("**Akçansa**") in Istanbul (as of June 30, 2009). Hacı Ömer Sabancı Holding A. S. also holds a share of 39.7% in Akçansa. The remaining free-float shares are traded on the Istanbul stock exchange. Akçansa operates three cement plants at Çanakkale (Aegean coast), Büyükçekmece (near Istanbul) and Ladik (central Black Sea region). Akçansa operates also a 50:50 joint venture in the cement grinding plant Karçimsa in Karabük (central Black Sea region). Measures to expand the capacity of the Çanakkale cement plant were completed by the commission of a new production line in May 2008; this has increased Akçansa's capacity to over 9 million metric tons cement and 6.5 million metric tons of clinker per annum. The operations in Turkey provide HC Group with access to international cement trading. Approximately one third of the volume produced in Akçansa's Turkish cement plants is exported (primarily to the United States and Africa).

In 2008, cement and clinker sales volumes in Turkey amounted to 6.6 million metric tons. While domestic sales volumes decreased slightly by 2% in 2008, cement exports increased significantly, leading to a rise in total sales volumes by 22.7% to 6.6 million metric tons (consolidated: 2.6 million metric tons). In the first six months of 2009, consolidated sales volumes decreased by 5.4% to 1.2 million metric tons compared to the first six months of 2008.

In Africa, HC Group produces cement and clinker but not aggregates and ready-mixed concrete. In 2008, sales of cement through the consolidated participations reached a total of over 4.9 million metric tons (first six months of 2009: 2.4 million metric tons).

HC Group's subsidiaries have been operating in Africa since 1965. With the exception of Tanzania, all of the production sites are located in six West African countries south of the Sahara. HC Group is focused on the cement business line and operates two cement and nine grinding plants. Most of the grinding plants utilize clinker delivered from HC Group plants in Northern Europe and Turkey.

In Africa, HC Group cement plants and grinding facilities recorded a significant rise in overall demand in 2008, with varied development in the individual markets. In Ghana, HC Group's largest market in Africa, cement turnovers rose by 20% (as compared to 2007). HC Group also realized significant volume increases in Sierra Leone, Togo and Tanzania in 2008 compared to 2007.

In Tanzania, HC Group's second largest market in Africa in terms of sales volumes, HC Group invested € 55.9 million in the expansion of its Wazo Hills plant (TPCC expansion project) until the end of 2008 and intends to invest another € 16.4 million. In order to cover the growing cement demand in the coastal metropolis of Dar es Salaam, the cement capacity of Tanzania Portland Cement Company (TPCC) has been increased to around 1.2 million metric tons per annum with a new kiln line and a cement mill.

#### *Aggregates and concrete*

HC Group produces aggregates and ready-mixed concrete in 6 countries of its Asia-Australia-Africa Group area. The total number of production facilities for aggregates, ready-mixed concrete, asphalt, and pre-cast concrete amounts to 441 which are located in Asia (153) and Australia (288).

On the basis of percentage rate of group turnover, number of plants and number of employees in 2008 HC Group considers the countries as listed in the following table to be of most importance:

As of December 31, 2008

<b>Country</b>	<b>% of group turnover</b>	<b>Number of production sites for aggregates</b>	<b>Number of ready-mixed concrete and asphalt production plants</b>	<b>Number of employees</b>
Australia . . . . .	6.1%	56	229	2,860
Malaysia/Singapore . . . . .	1.4%	19	66	987
Turkey . . . . .	0.4%	3	33	74
Indonesia . . . . .	0.2%	2	14	671

In addition to its aggregates production sites, HC Group has secured substantial raw material deposits in all important countries of its Asia-Australia-Africa Group area. In this Group area HC Group's aggregates and concrete business line was in 2008 mainly characterized by the integration of Hanson as well as the commissioning of new production facilities in Kazakhstan and Turkey.

Following the acquisition of Hanson, the aggregates and concrete business line has grown substantially: In Australia, HC Group now operates 229 ready-mixed concrete plants and 56 aggregate operations. In 2008, the Asia-Australia-Africa Group area's production sites achieved total annual sales volumes of 39.8 million metric tons of aggregates, 11.3 million cubic meters of ready-mixed concrete and 3.6 million metric tons of asphalt. Overall, the Asia-Australia-Africa Group area generated 17.9% of HC Group's total turnover in the aggregate and concrete business line (six-month period ended June 30, 2009: 20.4%).

In Malaysia, HC Group now operates around 46 ready-mixed concrete facilities, 19 aggregates sites and 20 asphalt plants. Indocement acquired a majority participation in an aggregates company in West Java.

In Kazakhstan the first ready-mixed concrete facility has started production in autumn 2008.

In Turkey, HeidelbergCement operates through the ready-mixed concrete operations of Akçansa. Akçansa operates 33 ready-mixed concrete plants in the Marmara and Aegean regions. In addition, HeidelbergCement operates three plants for the production of aggregates in Turkey.

#### *Building products*

HC Group does not have production facilities in the building products business line in its Asia-Australia-Africa Group area.

#### *Group services*

	<b>Fiscal year ended December 31, 2008</b>	<b>Six-month period ended June 30, 2009</b>
	<b>(audited)</b>	<b>(unaudited)</b>
	<b>(in € million)</b>	
<b>Turnover</b> . . . . .	701	259
<b>Operating Income (OI)</b> . . . . .	21	22
<b>Employees (as of December 31, 2008/June 30, 2009)</b> . . . .	52	52

The HC Group Services business unit comprises the activities of HC Trading and HC Fuels ("HCF"). In 2008, the turnover of HC Group Services business unit totaled € 701 million (six-month period ended June 30, 2009: € 259 million).

HC Trading B.V. in 's-Hertogenbosch (The Netherlands) and HC Trading Malta Ltd. in St. Julian's (Malta) form the "international trading arm" of HC Group with offices in Istanbul, Fort Lauderdale, Malta, Shanghai, Singapore, and Dubai. With a trade volume of 9.9 million metric tons of cement and clinker in 2008 (six-month period ended June 30, 2009: 4.1 million metric tons). HC Trading is one of the largest international trading companies for cement and clinker. In the six-month period January to June 2009, HC Trading was able to keep its trading volumes with 4.1 million metric tons at the same level as the previous year despite the global downturn in international seaborne trade. This was achieved due to new customers in regions such as the Middle East and North Africa.

HC Trading coordinates the international trade within HC Group as well as between HeidelbergCement and third-party customers and suppliers.

HC Trading's primary business objective is to maximize capacity utilization of HC Group's cement plants and serve the import needs of countries with HC presence. Surplus production, which cannot be sold domestically, is purchased and shipped to overseas customers in need of cement. International trade in cement and clinker within HC Group occurs mainly between cement facilities in coastal areas in the exporting countries of Turkey, Indonesia, Sweden and Norway and terminals in importing countries such as the United States, countries in Sub-Saharan Africa, Asia and Mediterranean countries. In addition, HC Trading has established a sustainable amount of pure third party trade and therewith contributes to HC Group's results.

The HC Group Services business unit also includes HC Fuels, a London based fuel trading company responsible for the worldwide procurement of fossil fuels for HC Group. A team of 8 traders and logistics specialists manages the purchase and delivery of coal and petroleum coke for Group operations across Europe, Africa and Central Asia. They are responsible for sourcing all international coal and petroleum coke and provide strategic fuel sourcing support to local teams purchasing domestic fuel in Asia and North America.

Over the last 3 years, HCF has taken responsibility for the procurement of lubricants, light and heavy oils and bitumen. By bundling together the requirements of all three business lines on a continent-wide basis, substantial savings have been secured.

In 2008, a fuel trading operation was established in Malta to sell coal and petroleum coke to companies outside HC Group. The two man team, trading as HC Trading Malta, has focused on the sale of fuels to those clients already under contract with HC Trading for sale or purchase of cement or clinker.

In 2005, with the introduction of a cap and trade scheme to control the growth of CO<sub>2</sub> emissions in Europe, HCF was mandated to trade Emission Rights for HC Group. HCF's carbon team trade European Allowances and Certified Emission Reductions ("CERs") in the EU Emission Trading Scheme to ensure that all operating units are fully compliant. HCF is also responsible for the sale of CERs generated by Clean Development Mechanism projects in developing countries. HCF has already sold CERs from Mysore Cement's project in India and from Indocement's very large emission reducing projects.

### ***Customers, Distribution and Marketing***

HC Group sells its key products in local markets to numerous customers. These customers comprise *inter alia* concrete and pre-cast concrete producers, asphalt producers, contractors, construction companies and municipal authorities as well as building materials wholesalers. As a consequence of its global presence in mainly local markets, HC Group has no customers who account for more than a 5% share in HC Group's turnover or purchase products in what HC Group would consider substantial quantities. Rather, the Issuer has large numbers of small-scale customers and is not dependent on any particular customer.

#### ***Cement***

HC Group produces cement and clinker for both domestic and export markets. Due to the special character of the cement markets, sales are organized at local or regional levels. HC Group does not grant uniform worldwide discounts to individual customers. So, even sales to international customers that buy cement in several of the various regions and countries in which HC Group operates (for example large internationally active construction companies) are subject to the relevant local terms and conditions applicable in their region and country. Furthermore, HC Group does not undertake any specific measures to support the marketing of cement. Following the concept of vertical integration, cement that is not produced for export purposes or directly sold to the operators of large construction sites, is, for the most part, transported from the cement and grinding plants of HC Group to ready-mixed concrete and pre-cast concrete plants operated by HC Group as well as third party concrete manufacturers. HC Group's ready-mixed concrete plants represent an important distribution channel.

In general, customers of HC Group purchase cement through current orders in quantities corresponding to their immediate requirements. The operators of large construction sites purchasing cement from HC Group may also enter into medium-term procurement contracts to supply some or all of the cement required for the duration of the relevant construction project. These large construction sites belong to the various sectors of the construction industry (residential and commercial construction and infrastructure). In addition, in some regions



cement is sold to companies active in other industry sectors, for example in the oil and gas industry in Western Canada and Texas. Only a small part of the cement production in the mature markets of the Europe and North America Group areas is sold in bags by building materials dealers, whereas in developing markets, such as Asia and Africa, most cement is sold as bagged cement.

Cement and clinker produced for export purposes are shipped to each of the respective sales regions. The export cement plants in Slite, Sweden, Kjøpsvik in Norway and Çanakkale in Turkey have high capacity port terminals, whereas the Tarjun cement plant in Borneo (Indonesia) has its own deep-sea harbor. In countries that import cement and clinker, HC Group owns high capacity import terminals from where the imported goods are transferred to railway carriages, silo lorries (cement tankers) or bagged for storage and subsequently transported to their respective destination.

#### *Aggregates and ready-mixed concrete*

In ready-mixed concrete and asphalt HC Group's key customers are construction companies that operate in the residential and commercial construction industry and participate in infrastructure projects. HC Group's ready-mixed concrete is delivered directly to construction sites by concrete trucks. It is crucial to have short transport routes and a close network of ready-mixed concrete facilities as ready-mixed concrete by its nature cannot be transported over long distances and has to be kept moving constantly during transport to prevent it from solidifying. The same characteristics are valid in the asphalt business, where HC group operates own production facilities in UK and North America.

Aggregates are being delivered to ready-mixed concrete facilities and pre-cast concrete plants belonging to HC Group and non-affiliated companies and sold directly to asphalt producers and construction sites, for example operators of large road construction projects.

Marketing for the above mentioned product types is not organized centrally but on country or regional level. Overall the marketing efforts are very limited. They concentrate mostly on product specifications for customers. In Germany the companies marketing ready-mixed concrete are being supported via communication platforms such as BetonMarketing Deutschland GmbH, initiated by the Federation of the German Cement Industry (*Bundesverband der Deutschen Zementindustrie*).

#### *Building products*

The business line "building products" contains all activities which do not belong to the business lines cement, ready-mixed concrete (including asphalt) and aggregates. They are mostly prefabricated elements, concrete blocks, concrete pavers, bricks and roof tiles. In North America the company is engaged in the production of concrete pipes as well. In Germany major activities in this area are sand-lime bricks and limestone and lime products.

Target customers are mostly construction companies and building materials dealers (for example concrete pavers and masonry blocks).

Again marketing activities are decentralized on local level. In the case of products like concrete pavers and roof tiles, where the aesthetic possibilities of the products should be presented, marketing activities are undertaken covering the needs of the end consumer as well.

### **Raw Materials**

#### *Securing of mining rights for raw materials*

Whilst at a series of production facilities (cement grinding plants, ready-mixed concrete plants, pre-cast concrete plants, asphalt plants, ground granulated blast-furnace slag plants, sand-lime bricks plants, building products plants) raw materials that already have run through one or more preparation steps are processed further, the raw materials required for production in integrated cement plants (incl. cement clinker plants), aggregates plants, lime plants and bricks plants are generally extracted via quarrying work in the first place. Only in exceptional cases (mainly for correcting materials for purposes of quality improvement) raw materials are bought from third party suppliers rather than produced through HC Group's own quarry.

The long-term secure access to suitable raw materials is a condition precedent for the successful operation of HC Group's cement and aggregates plants. The same applies to the operation of lime plants and bricks plants. Without sufficient raw materials as a basis, the operation of raw material-quarrying plants is practically infeasible. A plant may fail to extract sufficient raw materials if:

- the raw materials are not available in sufficient quality and volume,
- the quarrying permits and licenses are not granted at all, are not granted for a sufficiently long term or are not granted with sufficient legal certainty

and/or if

- access to the real property where the raw materials are to be found is not possible from a legal perspective or is only possible to a limited extent.

On the other hand, the long-term, legally certain access to high-quality raw materials may give a company critical competitive advantages in the local market in which a plant is located. In particular, in mature markets public authorities only issue raw material quarrying licenses or permits after a comprehensive review of the relevant environmental aspects, and then frequently only issue their approvals for limited time periods. Once a market participant has obtained a license or permit for raw material quarrying, the market entry of a competitor may become substantially more difficult, impossible or uneconomical.

For this reason, one of the most important tasks and responsibilities of every plant manager, managing director of a HC Group company with raw material quarries and every general manager of a HC Group country is to ensure long-term and ongoing raw material management.

As a first step HC Group must gain knowledge, backed up by geological investigations, of the availability and the quality of the natural mineral deposits that supply the raw materials suitable for processing in HC Group's local plants. In most countries, the second step is the designation of suitable areas as raw material quarrying areas in public plans at a national, regional or local level, followed by early advance planning and execution of a quarrying permit procedure.

The locally responsible managers are supported in this matter at a national or group level by staff function departments of HeidelbergCement. HeidelbergCement Technology Center experts provide assistance to the managers responsible for the cement and lime plants, and the Competence Center Materials experts support the managers responsible for the aggregates and bricks plants. This support includes both securing of raw materials as well as cost-efficient operation of the plants (from the planning of new production facilities via repairs and maintenance of production facilities to purchasing of replacement parts and new production facilities).

The public law authorization for raw material quarrying is, however, only one aspect of ensuring long-term raw material supplies. In addition, the access to the real property where the material to be quarried is located must be ensured by corresponding rights under law. This can be achieved through purchasing the relevant parcels of land, agreements which grant rights of exploitation in rem or in personam over the relevant parcels of land, the grant of state quarrying concessions over the relevant mineral deposit or any combination of the measures set out above. Both the public law planning and authorization process and the process to ensure access rights to the real property from a legal perspective take place years prior to the intended commencement of quarrying activities in order to remain independent of the then current economic interests of individual site owners and to avoid having to initiate dispossession proceedings against site owners, as is possible in some jurisdictions, unless absolutely necessary. Depending on the situation in the country in question, in some cases the efforts to gain legal access to the real property may have to commence prior to the initiation of the application procedures for the public law authorization or vice versa. However, generally both efforts are commenced simultaneously.

The expected lifetime of the reserves of the raw material stated in the tables below (see section "cement", section "aggregates and concrete" and section "others"), are based on raw material reserves secured by public law quarrying permits/licenses, according to legal rights of exploitation or a combination of both. Further, the lifetime of the resources stated in the tables below are based on raw materials with well known geological characteristics (location, structure, quality and quantity) of the deposits and where usually some planning has at least started and resources are secured against third parties (for example competitors), but no public law quarrying permits/licenses or civil law rights of exploitation or a combination of both have yet been secured. Both the expected lifetime of the reserves and of the resources refer only to fully consolidated companies and to proportionally consolidated joint-ventures, and they record only those raw material reserves and resources which are economically, legally and technically mineable. In line therewith, neither the top soil and overburden (material located above the raw materials which is not suitable for production and must be removed in order to get at the raw materials) nor such areas which cannot be mined and removed for legal reasons (in particular as a result of quarrying prohibitions imposed by environmental law, for example nature protection legislation or water law) or which cannot be quarried and removed for technical reasons (in particular slopes, benches, safety distances, etc., that cannot be mined for statically or security-relevant reasons), have been taken into account in the calculation of raw material lifetime reserves and resources.

The calculation of the expected lifetime of the reserves and of the resources in the tables below, stated in terms of years, is based on the volume of the raw materials determined as at December 31, 2008 (in mt). These were then divided by the average production quantity of the respective plants in the years 2006 to 2008 (in mt) to the extent the affected plants were already producing goods as an HC Group company within this three-year period. To the extent a plant has not been an HC Group company during the entire three-year period, the volume of the raw materials determined on December 31, 2008 (in mt) was also divided by the average production quantity of the respective plant in the years 2006 to 2008 (in mt) despite the fact that HC Group may have to rely solely on third-party information regarding past production quantity. For plants which did not engage in production during the entire three-year period, the average production quantity is based on a shorter period.

The calculation of the expected lifetime of reserves and resources of raw materials based on the Issuer's internal methodology described above is subject to uncertainties and involves subjective judgments. Therefore, the expected lifetime of reserves and resources so calculated is subject to variations that may prove to be significant.

The legal requirements applicable to the existing raw material quarrying licenses/permits under public law vary from country to country, from plant to plant and from quarry to quarry. Typically, they contain regulations on the technical framework conditions of the quarrying work, for the protection of the environment (in particular of flora, fauna, water, air, soil) and the neighborhood (in particular against emissions of dust, noise and vibrations), and requirements for work safety and for the subsequent use of the quarry areas once the quarrying work has ended. Due to the differences in legal framework conditions in the individual countries where HC Group is active, the content and scope of regulations deviate greatly from each other and cannot be generalized. The same holds true for the time periods for which the public law licenses/permits are issued: whereas in some countries quarrying licenses/permits are issued at the longest for the subsequent 1-5 years, in other countries quarrying licenses/permits may be issued for the next 10-20 years or even for an unlimited period, meaning until the raw materials reserves within the approved quarry area have been exhausted.

### *Cement*

The cement manufacturing process basically depends on the following key inputs: raw materials (limestone, clay, marl) for the production of cement clinker; additives (gypsum, blast-furnace slag, fly ash, trass) for the cement grinding process and a considerable quantity of fuel (due to the high burning temperatures) and electric energy (due to the two separate grinding processes). Mining permits for the raw materials are of particular importance.

### *Mining of raw materials for cement production*

Since the transportation of raw materials for the production of cement is very cost intensive, cement producers strive to locate their production facilities in close proximity to the required raw materials. Raw materials used in the clinker manufacturing process are generally mined from quarries that are located in close proximity to HC Group's worldwide cement plants (except the plant in Edmonton, Canada, which transports its raw materials from own quarries by railway over a distance of ca. 290 km). Only the plants in Dniprocement (Ukraine), Vancouver/Delta (Canada), and Huadu (China) do not have access to quarries and must purchase raw materials from other companies. The plants in Büyükçekmece (Turkey), Kryvy Rih (Ukraine), Waco (Texas, USA) and York (Pennsylvania, USA) currently purchase raw materials predominantly or solely from third parties but also have some limited access to their own sources of raw materials.

HC Group also uses sources of alternative raw materials (such as by-products and waste from other industries) in the cement clinker production. In order to ensure the continuous operation of cement plants over a long period of time, the site must have sufficient quantities of raw materials at hand and mining permits (with respect to primary raw materials) with a sufficiently long term. Assuming a constant rate of utilization of the relevant cement plant, the term of a mining permit usually does not cover the entire operational life of a cement plant and the given geological reserves and resources of raw materials. As of December 31, 2008, the expected lifetime of the reserves and of the resources (as defined in section *Securing of mining rights for raw materials*

and calculated based on the Issuer's internal methodology) of the cement business line is stated in the following table:

Country/Countries	Expected lifetime (in years)		
	Reserves	Resources	Total
Germany . . . . .	71	66	136
Belgium/Netherlands . . . . .	61	18	79
United Kingdom . . . . .	53	14	67
Norway/Sweden/Estonia . . . . .	121	31	151
Poland/Czech Republic . . . . .	101	0	101
Hungary/Bosnia-Herzegovina . . . . .	148	14	162
Romania . . . . .	87	30	117
Ukraine . . . . .	85	0	85
Kazakhstan/Georgia/Russia . . . . .	97	77	173
USA/Canada . . . . .	103	17	121
China . . . . .	71	0	71
India . . . . .	81	2	83
Indonesia . . . . .	87	50	138
Turkey . . . . .	152	0	152
Gabon/Tanzania . . . . .	38	22	61

With the exception of the plants listed below which together contributed less than 2% to HC Group's total turnover in 2008, all of HC Group's 69 cement plants worldwide have expected lifetimes of reserves of raw materials for at least the next 20 years:

- The Büyükçekmece plant in Turkey, which purchases the vast majority of its raw materials from third parties, has raw material reserves for approximately 11 years. However, the mining permit was further restricted to 2012 due to water law issues. The plant is seeking to have this time restriction removed.
- The Maastricht plant in the Netherlands has raw material reserves for approximately 13 years.
- The Leimen plant in Germany has raw material reserves for approximately 18 years.

#### *Purchasing of other materials (additives, fuels etc.) for cement production*

The need for additives used in the cement manufacturing process is primarily met by long-term purchasing contracts with suppliers (in particular coal power stations for fly ash and steel producers for granulated blast-furnace slag). The following long term purchase contracts for granulated blast-furnace slag cover a large amount of the Issuer's total actual volume of blast-furnace slag worldwide:

- *Poland*: purchase contract until 2020 with respect to the purchase of 1,200,000 metric tons of granulated blast-furnace slag per year for the cement plant in Gorazdze and the grinding plant in Katowice.
- *Romania*: purchase contract until 2012 with respect to the purchase of 678,000 metric tons (2009, from 2010: 720,000 metric tons) of granulated blast-furnace slag per year for the cement plant in Fieni.
- *Ukraine*: purchase contract until 2012 with respect to the purchase of 750,000 metric tons of granulated blast-furnace slag per year for the cement plants in Kryvyi Rih and Dnepropetrovsk.
- *Germany*: purchase contract until 2013 with respect to the purchase of 1,000,000 metric tons of granulated blast-furnace slag per year for the cement plants in Ennigerloh, Paderborn, Wetzlar, Mainz, Leimen and Lengfurt.
- *Belgium*: one purchase contract until 2010 (steel works in Liège is expected to be shut down in 2010) with respect to the purchase of 450,000 metric tons of granulated blast-furnace slag per year for the cement plant in Lixhe and another purchase contract until 2014 with respect to the purchase of 850,000 metric tons of granulated blast-furnace slag per year for the grinding plant in Gent and the cement plant in Lixhe.
- *Netherlands*: purchase contract until 2012 with respect to the purchase of at least 1,000,000 metric tons of granulated blast-furnace slag per year for the grinding plant in IJmuiden and the cement plant in Maastricht.
- *United Kingdom*: purchase contract until 2029 with respect to the purchase of 2,200,000 metric tons of granulated blast-furnace slag for the plants of Civil & Marine in the UK.

Since no renewal options exist with respect to the above contracts, HC Group has to negotiate new purchase contracts upon their expiration. However, the purchase prices might in some cases significantly rise due to increasing demand for blast-furnace slag (as a substitute for clinker) by other cement producers in the European Union as a result of an eventually reduced allocation of Emission Rights in the post-Kyoto period after 2012 (see also “General Information about the Issuer – Business – Regulatory Environment – Climate change law – Emission trading law in the EU”).

HC Group’s supply of fossil fuels is secured via medium term and, where practical, long term contracts with suppliers. In addition, HC Group employs various hedging instruments to reduce the Issuer’s exposure to increases in electricity prices. In order to reduce its dependence on fossil fuels, HC Group makes continuous efforts to produce low-clinker cements with a high proportion of additives. Low-clinker cements conserve natural energy resources and reduce fuel costs.

HC Group considers itself a leading player in the use of alternative fuels (for example used tires, waste oil, plastic waste, waste wood and meat and bone meal). These alternative fuels often attract an additional fee paid to HC Group by the supplier for the thermal recovery of these fuels (i.e., burning of the wastes) which in combination with the savings made on conventional fuels significantly reduces the fuel costs incurred by HC Group. The cement plants in Western and Northern Europe all burn a very high proportion of alternative or secondary fuels and the expertise gained at these plants is currently being applied to improve the performance of plants in Eastern Europe and Asia. HC Group has also developed platforms for the collection and processing of waste streams to be fired in cement kilns. In some countries, HC Group subsidiaries operate several sites for the treatment of secondary fuels where they recycle the waste products of other industries.

In countries with liberalized electricity markets (such as, for example, Germany, Great Britain, the Scandinavian countries and parts of the USA), HC Group has established a framework for a global portfolio management by which it purchases through electricity exchanges the electric energy required for the two separate grinding processes in cement production. Thereby, HC Group satisfies a minor part of its energy needs at fixed prices set for several years at a time. In electricity markets which have not been liberalized (as, for example, in the countries of the Central European/Eastern region) energy is purchased from local electricity suppliers.

### Aggregates

Aggregates are, in addition to cement and ready-mixed concrete, a fundamental part of HC Group’s integrated value chain. Based on sales volumes, HC Group is the world’s largest aggregates producer, supplying sand, gravel or crushed stone for applications like ready-mixed concrete, road construction or building products. Aggregates are produced in approximately 600 plants or with marine production vessels in Europe, America, Asia and Australia.

HC Group’s leading position as aggregates supplier is based on a very significant aggregates reserve capacity. Substantial reserves are held in all Group areas and are to a large extent located close to attractive urban markets. A breakdown of the reserves by HC Group’s geographic areas illustrates that approximately 70% of the reserves are located in the North America Group area, 23% in the Europe Group area and 7% in the Group area Asia-Australia-Africa. As of December 31, 2008, the expected lifetime of the reserves and of the resources (as defined in section *Securing of mining rights for raw materials* and calculated based on the Issuer’s internal methodology) of the aggregates business line is stated in the following table:

<u>Country/Countries</u>	<u>Expected lifetime (in years)</u>		
	<u>Reserves</u>	<u>Resources</u>	<u>Total</u>
Germany . . . . .	46	3	49
Belgium/Netherlands . . . . .	42	16	58
United Kingdom . . . . .	54	5	59
Norway/Sweden . . . . .	15	37	52
Spain . . . . .	15	2	17
Poland . . . . .	33	19	52
Czech Republic/Slovakia . . . . .	26	12	38
Hungary/Romania . . . . .	33	18	51
Russia/Ukraine . . . . .	214	0	214
USA . . . . .	92	8	100
Canada . . . . .	32	8	40
Australia . . . . .	47	9	56
Indonesia/Malaysia/Hong Kong . . . . .	18	18	36
Turkey/Israel . . . . .	20	13	33



As these figures vary across individual sites and HC Group considers a strong reserves position in attractive markets to be a key element of its business strategy, a global team of experts is continuously working on further enhancing HC Group's reserve position.

#### *Others*

Besides the cement and aggregates business line, HC Group also operates quarries to supply its three lime plants being operated in Germany and the United Kingdom with high quality limestone and to supply its 26 brick plants being operated in the United Kingdom, the United States and Canada with clay and loam. As of December 31, 2008, the expected lifetimes of the reserves and of the resources (as defined in section *Securing of mining rights for raw materials* and calculated based on the Issuer's internal methodology) of the lime and brick plants are stated in the following table:

<u>Country/Countries</u>	<u>Expected lifetime (in years)</u>		
	<u>Reserves</u>	<u>Resources</u>	<u>Total</u>
Lime Plants (Germany/United Kingdom) . . . . .	40	13	54
Bricks Plants (United Kingdom) . . . . .	65	3	68
Bricks Plants (USA/Canada) . . . . .	56	0	56

With the exception of the lime plant in Istein, Germany, which has raw material reserves for approximately 18 years, all lime plants have expected lifetimes of reserves of raw materials for at least the next 20 years. The Istein lime plant contributed less than 0.2% to HC Group's total turnover in 2008.

#### **Investments**

During the last few years, HC Group has increased activities to follow the rising cement market demands especially in Eastern Europe and Far East.

HC Group aims to secure strong market positions in the long term not only in its cement business line but – in line with its strategic goal of vertical integration – also in the aggregates and concrete business line.

To follow its overall strategy HC initiated and completed an investment program to increase its clinker and cement capacity in growing markets by means of new construction projects and upgrading existing production plans. All investment projects have been financed with debt.

Major capital expenditures in the last 3 years and in the current year are as follows:

*Tangible fixed assets*

				€ million
<b>2006</b>				
Çanakkale Plant New Kiln Line . . . . .	TURKEY	Cement	Expansion	12.6
P8 Kiln & clinker modification . . . . .	INDONESIA	Cement	Improvement	12.6
Master plan 2006 – Harmignies . . . . .	BENELUX	Cement	Improvement	12.1
General Gravel Sales Property - Edmonton . . . . .	NAM <sup>(1)</sup>	Aggregates	Strategic <sup>(2)</sup>	10.9
New plant Jingyang . . . . .	CHINA	Cement	Expansion	10.9
<b>2007</b>				
Ladik Plant Acquisition . . . . .	TURKEY	Cement	Strategic <sup>(2)</sup>	47.1
Çanakkale Plant New Kiln Line . . . . .	TURKEY	Cement	Expansion	29.4
Jingyang I – cement plant . . . . .	CHINA	Cement	Expansion	17.8
Cement import terminal – Everett . . . . .	NAM <sup>(1)</sup>	Cement	New Terminal	17.8
TPCC expansion project . . . . .	TANZANIA	Cement	Expansion	15.3
Modernization of kiln No.II. . . . .	HUNGARY	Cement	Improvement	14.4
Winnipeg-pine ridge Crush/Wash Plant . . . . .	NAM <sup>(1)</sup>	Aggregates	Replacement	12.9
<b>2008</b>				
TPCC expansion project . . . . .	TANZANIA	Cement	Expansion	32.3
Modernization of kiln No.II. . . . .	HUNGARY	Cement	Improvement	31.9
Fufeng II – new production line . . . . .	CHINA	Cement	Expansion	21.3
Jingyang II – cement plant . . . . .	CHINA	Cement	Expansion	18.6
Quarry extension . . . . .	GERMANY	Aggregates	Expansion	18.3
Spyhill Pipe Plant . . . . .	NAM <sup>(1)</sup>	Concrete	Expansion	15.6
Lands Adjacent to Scott Property – Calgary . . . . .	NAM <sup>(1)</sup>	Aggregates	Expansion	14.0
Stewartby Project Kimberley . . . . .	UK	Others	Improvement	13.8
Restart kiln no. 2 . . . . .	ROMANIA	Cement	Improvement	10.9
<b>2009</b>				
Tula . . . . .	RUSSIA	Cement	Strategic <sup>(2)</sup>	80.0
Construction of cement mill no 4 . . . . .	POLAND	Cement	Expansion	25.4
Clinker and cement capacity expansion . . . . .	INDIA	Cement	Expansion	17.7
Restart kiln no. 2 . . . . .	ROMANIA	Cement	Improvement	17.2
TPCC expansion project . . . . .	TANZANIA	Cement	Expansion	16.4
Additional cement grinding mill . . . . .	INDONESIA	Cement	Expansion	13.6
Clinker kiln modernization . . . . .	CZECH REP.	Cement	Improvement	13.1
Modernization of kiln No 2. . . . .	POLAND	Cement	Improvement	10.6
Silo project. . . . .	NAM <sup>(1)</sup>	Cement	Improvement	10.0

<sup>(1)</sup> "NAM" consists of the USA and Canada.

<sup>(2)</sup> "Strategic" investments aim at either expanding production capacities for existing products into new markets or the introduction of new products.

*Financial fixed assets*

		Acquired stock (percentage rate)	€ million
<b>2006</b>			
Mysore Cements Ltd. . . . .	INDIA	50.57%	80.3
Amvroisijvske Open Joint Stock Company "Doncement" . . .	UKRAINE	92.2%	60.4
Dansk Leca A/S . . . . .	DENMARK	100%	53.7
<b>2007</b>			
Hanson Limited . . . . .	UK	100%	11,696.7
CaucasusCement Holding B.V. . . . .	GEORGIA	75%	71.6
<b>2008</b>			
CaspiCement LLP. . . . .	KAZAKHSTAN	100%	42.7

## **Industrial Property Rights and Trademarks**

Cement and concrete are subject to widely recognized national and international rules and regulations (for example in Europe EN 197 for cement and EN 206 for concrete) that standardize its composition, properties and applications. Therefore, patents do not play a prominent role in the mass production of cement and concrete. Patents are only relevant in the area of niche and specialist products with low sales volumes and are therefore not of material importance to HC Group. HC Group's companies hold a wide range of patents and utility models (*Gebrauchsmuster*), however, as discussed above, these are not of material importance for HC Group's business activities.

HeidelbergCement owns, directly or indirectly, a range of national, international and European trademarks (for example Hanson (Great Britain), ENCI (Netherlands), Heidelberger Zement (Germany), Lehigh (USA)) and various domain names. They are used for the distribution of HC Group's product range. Unlike other cement manufacturers, such as Lafarge, HC Group does not operate under one single brand in its various regional markets. Instead, the members of HC Group operate under their original names together with a reference to their membership in HC Group.

In the Issuer's view the business activities of HC Group are not materially dependent upon the availability of the above-mentioned industrial property rights and trademarks.

## **Research and Development**

HC Group's investments in research and development totaled approximately € 53 million in 2008, approximately € 47 million in 2007 and approximately € 31 million in 2006. The research and development activities of HC Group focus on the following areas:

- *Sustainable product development:* the production of clinker, the base product for cement, is the main source of CO<sub>2</sub> emissions in the cement production process. It also consumes the highest proportion of fuel and electrical energy. For several years, HC Group has therefore pursued the goal of reducing the proportion of clinker in cement and replacing it with substitute products such as blast furnace slag, fly ash and limestone.
- *Durability and broad application possibilities:* especially in highway construction and other infrastructure projects life cycle and maintenance costs play a major part. Such projects benefit from the durability of concrete as construction material, which is further improved in continuous R&D work also for the new types of composite cements.
- *Additional functionalities and special products:* examples are cements with photocatalytic activity that eliminate nitrogen oxide (NO<sub>x</sub>) and other air pollutants, airfield and road repair cements, self-leveling floors and cements with very high early strength for the pre-cast industry.

Reducing the consumption of natural resources and improving the durability of cement and concrete has an important place in HC Group's research and development activities. In addition, HC Group is planning further projects to optimize the strength and processing characteristics of cement and concrete. HC Group will also continue to work on developing new properties and applications for cement-based building materials, in order to increase their versatility and range of uses.

HC Group operates two research institutions, the Competence Center Materials (CCM) and the Heidelberg Technology Center (HTC). In 2008, the CCM was set up with branches in Europe and the USA, to meet the increased requirements in the aggregates, ready-mixed concrete and asphalt business. The CCM organizes the knowledge transfer between Hanson and HC Group, provides operational support in the day-to-day business and assists in the conception and construction of new production plants and the upgrading of existing facilities. Particular emphasis is placed on improving productivity and managing energy efficiently.

The HTC has branches in Europe, North America and Oceania. It supports the cement plants in all issues relating to production technology, facility planning and product quality. The close contact between the cement plants and the HTC accelerates enhancements and technological developments of existing applications. In the HTC Europe branch, Group-wide performance comparisons, systematic networking of experts and innovative studies are being carried out in order to create the conditions needed to identify potential areas for improvement. The research and development activities for the cement and concrete lines are also combined centrally in the HTC Europe branch. In close consultation with the local companies, new projects, applications, or research and improvement requirements are identified and implemented in practice. The fundamental research activities involve close co-operation with numerous European universities. The HTC has close contact with leading European researchers in the field of cement science, particularly through the Nanocem research network. Via HeidelbergCement's subsidiary Norcem, HC Group is also involved in what is currently the largest national development programme in the field of building materials research, "COIN" (CONcrete INnovation), in Norway.

## ***Risk Management and Compliance***

HC Group's risk management system, standardized across HC Group, consists of a number of different elements, which are co-ordinated and systematically incorporated in the organizational structures and processes. It is based on the financial resources, operational planning and the risk management strategy established by the managing board. The managing board has identified three major categories of risk: Financial risks, market and strategic risks and operational risks. Regular risk reporting at country level, aligned primarily with the geographical organizational structure of HC Group, forms the foundation for HC Group's risk management system. Appropriate thresholds for risk reporting have been established for the individual countries, taking into account their specific circumstances. The presentation and discussion of the risk report is an integral part of the quarterly meetings between the managing board and the national management teams. Short channels of communication and quick decisions allow prompt countermeasures to be taken. After the acquisition of Hanson the Hanson group was included in the risk reporting of the 2008-2010 operating plan. Hanson's existing risk reporting was adapted to the existing HC Group standards as part of the integration, thus allowing uniform risk assessment for the enlarged HC Group.

HC Group's globalization process – characterized by geographical expansion due to organic growth and strategic acquisitions – has required the integration of many different cultures. By adopting Group-wide corporate compliance principles, HC Group has established a common management culture based on a firm commitment to lawful and ethical conduct. As part of a Group-wide compliance structure, the HC Group Code of Business Conduct describes values of high ethical and legal standards for all business activities of HC Group from strategic planning to day-to-day procedures in all countries in which the Issuer operates. This Code of Business Conduct is complemented by special guidelines dealing with competition and anti-trust, prevention of corruption, advisory agreements and insider-trading. At a Group-level, compliance of management and employees with these standards is supervised by an independent Group function called Group Compliance headed by a Chief Compliance Officer and accompanied by regular educational and training measures. In addition, HC Group has established a Group-wide compliance hotline which is available to approximately 90% of its employees.

## ***Property, Plant and Equipment***

### *Overview of HC Group's property, plant and equipment*

As of December 31, 2008, HC Group owned real properties with a total size of approximately 1625 million m<sup>2</sup>, thereof approximately 77 million m<sup>2</sup> located in Germany, approximately 306 million m<sup>2</sup> located in other countries of the Europe Group area (mostly the United Kingdom), approximately 1077 million m<sup>2</sup> in North America (United States and Canada), and approximately 165 million m<sup>2</sup> located in Asia-Africa-Oceania. Land and buildings had a net book value of approximately € 4,767 million as of June 30, 2009.

For the most part, the real properties owned by HC Group are used for its own production facilities.

The following table provides an overview of HC Group's property, plant and equipment as of June 30, 2009:

	<b><u>Land and buildings</u></b>	<b><u>Plant and machinery</u></b>	<b><u>Fixtures, fittings, tools and equipment</u></b>	<b><u>Other<sup>(1)</sup></u></b>	<b><u>Total</u></b>
	<b>in € million</b>				
<b>Costs of purchase and manufacturing costs</b> . . . . .	6,588.6	9,128.0	746.0	741.5	17,204.1
<b>Depreciation</b> . . . . .	1,821.1	4,843.7	500.7		7,165.5
<b>Net book value</b> . . . . .	4,767.5	4,284.3	245.3	741.5	10,038.5

<sup>(1)</sup> Includes advance payments and assets under construction.

### *Real property owned by HC Group*

HC Group operates a total of 68 cement plants and 28 grinding plants worldwide. The cement produced in these plants is handled for transport at 128 terminals worldwide. As part of its concrete production process, HC Group operates approximately 1,400 ready-mixed concrete plants and 128 concrete products plants worldwide. Furthermore, there are 300 aggregates plants in which sand and gravel are extracted and processed as concrete aggregates. HC Group also produces asphalt in approximately 100 plants and operates a smaller number of lime plants (3 sites) and sand-lime brick plants (17 locations). Overall, HC Group maintains approximately 2,600 sites worldwide in which it operates its various activities.

HC Group owns the large majority of the real estate of its most important sites worldwide. This includes almost all of the cement and grinding plants across the world, the most important sites for the quarrying of raw

materials for the production of cement, concrete and building materials and HeidelbergCement's headquarters in Heidelberg, Germany. A large majority of the real property of the sites for the production of concrete and building materials, including the corresponding sites for the quarrying of raw materials, is owned by HeidelbergCement. Some of the sites, however, are operated on leased real estate.

The following tables show the net book value and the allocation of HC Group's land and buildings within the Group areas and the most important countries.

As of December 31, 2008

	<u>Exploitation land</u>	<u>Land without building</u>	<u>Land with building</u>	<u>Total owned Land</u>	<u>Total leased Land</u>
	(Net book value in € thousands)			(in million m <sup>(2)</sup> )	
<b>Europe</b> . . . . .	<b>861,385</b>	<b>173,467</b>	<b>113,789</b>	<b>327.0</b>	<b>56.0</b>
United Kingdom . . . . .	666,426	22,861	279	124.1	17.9
Germany . . . . .	101,327	95,583	59,385	75.1	1.8
<b>North America</b> . . . . .	<b>1,031,597</b>	<b>20,645</b>	<b>375,517</b>	<b>812.9</b>	<b>264.2</b>
<b>Asia-Africa-Oceania</b> . . . . .	<b>320,547</b>	<b>33,571</b>	<b>12,185</b>	<b>111.8</b>	<b>52.9</b>
<b>Total</b> . . . . .	<b>2,213,529</b>	<b>227,683</b>	<b>501,492</b>	<b>1,251.7</b>	<b>373.2</b>

As of June 30, 2009

	<u>Exploitation land</u>	<u>Land without building</u>	<u>Land with building</u>
	(Net book value in € thousands)		
<b>Europe</b> . . . . .	<b>951,637</b>	<b>138,328</b>	<b>138,646</b>
United Kingdom . . . . .	755,752	142	18,266
Germany . . . . .	100,538	83,662	67,209
<b>North America</b> . . . . .	<b>1,035,494</b>	<b>21,555</b>	<b>380,365</b>
<b>Asia-Africa-Oceania</b> . . . . .	<b>352,982</b>	<b>35,153</b>	<b>11,414</b>
<b>Total</b> . . . . .	<b>2,340,112</b>	<b>195,036</b>	<b>533,427</b>

#### *Real property owned by third parties and used by HC Group*

The following table provides an overview of the directly attributable expenses incurred by HC Group in the fiscal year 2008 for real property assets owned by third parties that are rented, let or leased:

	<u>Europe</u>	<u>North America</u>	<u>Asia-Africa-Oceania</u>	<u>Total</u>
	in € million			
<b>Rental and leasing expenses<sup>(1)</sup></b> . . . . .	85.4	80.6	29.6	195.6

<sup>(1)</sup> Other operating expenses: rental and leasing expenses without expenses for movables, IT and infrastructure

HC Group has rented or leased several real property assets, the use of which is necessary in the course of its operations, from third parties outside HC Group. The directly attributable rental and leasing expenses incurred by HC Group for the use of these assets amounted to € 195.6 million in 2008.

#### *Overview of HC Group's equipment*

The net book value of HC Group's fixtures, tools and equipment totaled € 237.4 million as of December 31, 2008. For the most part, these machines and equipments are used at key production facilities of the cement and aggregates and concrete business lines.

### **IT Systems**

HC Group's IT Systems are characterized by a vastly decentralized organization which involves many different individual solutions among various brands and countries. HeidelbergCement, in recent years, took considerable steps towards a more standardized IT-landscape within HC Group in order to introduce stable IT Systems and clear processes and to improve operating efficiency as well as operating transparency. However, on a group level this development fell victim to the integration of Hanson since Hanson group has added numerous different IT-Systems to the existing IT-landscape. As a consequence, today, a great variety of software solutions is used within HC Group. Even though certain software systems, such as SAP, do play a significant role, HC Group is not dependent on the serviceability of any particular software system.

### **Insurance**

Within HC Group, the organizational unit "Insurance" (*Versicherungen*) is responsible for handling insurance matters. When entering into new contracts with insurance companies and structuring the scope and coverage



of insurance protection HeidelbergCement applies a so-called high-retention policy on the basis of a commercial cost-benefit analysis and with a focus on minimizing risk transfer costs.

Hence, risks with a high frequency but with a limited significance as well as some risks with a greater significance but with a relatively limited likelihood are typically not covered by insurance. According to HC Group's own estimation, the first group of risks includes inter alia employment practice liability, fiduciary liability, crime, electronic risks and vehicle own damage, whereas the second group of risks comprises political risks, terrorism, gradual pollution and site clean-up as well as natural hazard exposure beyond the insured limits of the group insurance programs of HC Group. So, HC Group has taken out insurance coverage for risks related to its business operations which are, in the view of the Issuer, low compared to general industry standards. Some business related risks are not covered by insurance at all and most insurance agreements in connection with its business activities are subject to various exclusions of liability and deductibles.

Following this general strategy, HeidelbergCement has developed an insurance program that uses mainly group insurance policies to cover the identified relevant business risks of HeidelbergCement and the other companies of HC Group. These group insurance policies are centrally entered into by HeidelbergCement as the contracting party. In that regard, those subsidiaries whose business risks are to be covered by a particular insurance policy are included as being additionally insured in the coverage under the respective policy without being contracting parties themselves. In individual cases, due to practical or political reasons, especially regarding companies in which HC Group holds a participation of 50% or less or in the event of a specific need for insurance triggered by certain business activities, HeidelbergCement or its subsidiaries also take out local insurance coverage as individual policy holders.

The group insurance coverage can be broken down primarily into the areas of general and product liability insurance covering legal liability of HC Group resulting from damages to third parties, all risk property insurance including all real and personal property and resulting business interruptions, marine insurance including hull, cargo and marine liabilities, and D&O insurance. This is complemented by personal and automobile insurances as well as some mandatory insurances, all taken out by the relevant operating entity and monitored at group level.

Within the areas of group insurance protection HC Group's insurance coverage is basically characterized by a three-step-structure: In the first step, insurance protection from HC Group's insurer is subject to certain local operational deductibles. These deductibles range from € 2,500 to GBP 500,000 in connection with the general and product liability program, from € 100,000 to € 4.5 million (up to US\$10 million for natural hazards only) with regard to the all risk property program, and € 200,000 to € 500,000 for the marine insurance. In the second step two HC Group owned re-insurance companies (reinsurance captives), Palatina, located in Malta, and Recem, located in Luxembourg, provide reinsurance coverage (captive retentions) for HC Group's insurers and retain the risk. For the general and product liability program and the all risk property program these captive retentions amount to € 20 million per occurrence (US\$ 20 million per occurrence for the North America Group area) and to a maximum of € 10 million per occurrence for the marine insurance. The third step specifies the maximum amount of insurance protection per occurrence and in the annual aggregate in excess of the captive retentions. The insurance coverage for damages to HC Group's production plants under the all risk property program is limited to a maximum amount of € 200 million per insured event (US\$ 200 million per insured event for the North America Group area). Under the general and product liability program there is a maximum coverage of € 100 million. For the marine insurance, coverage is limited to € 5 million for cargo, € 23.5 million for hull and € 500 million for marine liabilities (so-called "protection and indemnity").

HC Group operates cement plants in areas with a potential danger of earthquakes and other natural hazards (in particular in Turkey, Indonesia, British Columbia/Canada and California/USA). These risks are insured within HC Group's all risks property insurance program for an amount of up to € 220 million per year, before deductibles and captive retentions (US\$ 220 million for North America per year, before deductibles and captive retentions).

In addition to the group insurance protection, the insurance program developed by HeidelbergCement comprises certain complementary insurance policies under which, in view of the specific risks insured, only certain subsidiaries of HeidelbergCement are insured. In the United Kingdom, for example, there is an insurance protection against automobile and employers liability with a maximum coverage after the captive retention of GBP 50 million (automobile) and GBP 25 million (employers liability), respectively.

HC Group's international liability insurance program excludes asbestos risks. As a general rule, HC Group does not hold insurances which cover costs of removal, demolition and rebuilding in connection with asbestos (see also "*– Litigation/Administrative Proceedings – Asbestos litigation*").

Members of corporate bodies of HeidelbergCement, and of all companies in which HeidelbergCement directly or indirectly holds more than 50% of the voting rights (or exercises a controlling influence on management and/or voting rights), are also insured under HeidelbergCement's directors and officers insurance, with a maximum annual amount of US\$50 million per loss and in the aggregate per body.

In HC Group's view, insurance coverage is in place for HC Group of a scope that overall is economically reasonable and sufficient. However, it cannot be excluded that, in individual cases, the insurance protection

may prove to be insufficient (see also *“Risk Factors – Risks Relating to the Issuer – Market and Business-related Risks – HC Group’s insurance coverage may not be sufficient”*).

## **Regulatory Environment**

HC Group is subject to various environmental, health and safety and regulatory laws and regulations applicable in the jurisdictions in which it is active.

### *Environmental regulations*

#### *Overview of environmental regulations*

The manufacturing operations of HC Group, including cement plants, grinding plants, ready mixed concrete facilities, pre-cast concrete plants, aggregates facilities, asphalt plants, lime plants, sand-lime bricks plants, bricks plants and other building products facilities, are subject to various environmental laws and regulations. All countries in which HC Group operates have adopted comprehensive laws, regulations, technical rules and standards concerning environmental protection. They regulate, among other things, air pollution (thresholds for certain air emissions, such as sulfur dioxide, sulfur trioxide, nitrogen dioxide, nitrogen oxide, mercury, organics, carbon monoxide, carbon dioxide, heavy metals and dust) and noise as well as vibrations, odor emissions, pollution of, and discharges into, soil, surface water and groundwater, equipment and plant safety, the production, handling, storage and transportation of hazardous materials (including the use of explosives), the treatment and disposal of waste as well as the use of waste as secondary fuel and secondary raw material, mining of raw materials, protection of natural resources and recultivation. They can also cover wetlands preservation and protection of endangered species. HC Group is required to obtain and maintain permits from governmental authorities for many of its operations. These laws, regulations and permits are subject to change over time and require the ongoing improvement and retrofitting of plants, equipment and operations, which can at times require substantial investments. Meeting these regulatory and permit requirements may require HC Group to incur material costs, alter its operations or forego planned business opportunities. In addition, future challenges to HC Group’s permits or operations may impose burdensome conditions on its operations and activities.

An example of increased risks due to tighter environmental regulation is EU Directive 2004/35/EC which had to be implemented into national law by April 30, 2007 by the EU Member States. Under this directive, manufacturing companies are subject to comprehensive liability with regard to preventing and remediating environmental damages which result from certain activities with potential environmental impact. The term “environmental damages” in the directive not only includes damage to water and soil but also to protected species and natural habitats. Under this directive, companies may face liability for approved emissions or activities which are not necessarily limited to cases of willful misconduct.

In addition, there are several other new actions which will result in stricter environmental oversight of HC Group, for example the EU directive on groundwater protection which had to be implemented by EU Member States prior to January 16, 2009, new future thresholds for air emissions under the EU directive concerning integrated pollution prevention and control (“IPPC Directive”) and the revised emission trading scheme in the EU as well as the potential for carbon emission legislation or regulation in the United States and Canada (see “– Climate change law”).

### *Implications for HC Group*

The operations of HC Group, as well as its ownership and operation of real property, may trigger a range of legal obligations and other environmental risks including the following:

#### *Soil and groundwater contamination*

HC Group’s current and historical operations include the use of hazardous materials and can otherwise have an impact on the soil and groundwater. In addition, its operations are and at times have been located on sites with long histories of industrial operations and past activities that were of a different nature than HC Group’s current activities. As a result, some of HC Group’s sites are affected by soil and groundwater contamination, including from the use of settling ponds, septic systems and associated leach fields, surface impoundments or landfills, which are or were situated on or adjacent to the production sites. In some cases, HC Group is obligated to perform further investigation and/or clean-up operations.

Additional contamination of soil and groundwater might be discovered at various sites in the future due to, among other things, the storage of hazardous substances above-ground or underground (for example, storage of heating fuel oil, lubricating oil or fuel at company filling stations), the current or former use of the site or parts thereof as settling ponds, septic systems and associated leach fields, surface impoundments or landfills and the backfilling of quarries with filter dusts. In case of discovery of contamination, HC Group may, as the present owner and/or user of the respective property, be held liable for addressing that contamination. Under the laws of some countries, HC Group could be held responsible even if it did not cause the contamination. In addition,

HC Group, as the previous owner, or user, of properties, could be responsible for soil or groundwater contamination that may be discovered in the future at those sites. Specific risks associated with hazardous substances exist for HC Group in the United States. CERCLA and similar state laws impose liability for investigation and clean-up of contaminated properties and for damages to natural resources. Under CERCLA or similar state laws, strict, joint and several liability may be imposed on waste generators, current and former site owners or operators and others regardless of fault. In addition to actions brought by governmental agencies, private plaintiffs may also bring property damage and personal injury claims arising from the presence of hazardous substances on a property. Thus, members of HC Group may be responsible for investigating or remediating sites that it currently owns or operates or that it or a former member of HC Group previously owned or operated as well as sites to which it or a former member of HC Group sent waste material or to which substances have migrated from any of the types of sites listed above, for damages to natural resources and for claims for property damages or personal injury.

In connection with ongoing operations, several cases of soil and groundwater contamination are known. In addition, environmental contamination exists which relates to sites and companies HC Group acquired, owned or operated in the past that had businesses and operations unrelated to those presently carried on by HC Group, especially Beazer East, Inc. (formerly known as Koppers Company, Inc. and acquired by Hanson prior to HC Group's acquisition of Hanson). For additional information on environmental contamination which relates to current or historical businesses and activities, see *"Risk Factors – Risks Relating to the Issuer – Regulatory, other Legal and Tax-related Risks – HC Group is exposed to risks associated with the release of hazardous substances or other contamination of the environment, including risks arising under the U.S. Comprehensive Environmental Response, Compensation and Liability Act."* For additional information on current environmental contamination claims, see *"– Litigation/Administrative Proceedings"*.

#### *Emissions (air, noise, odors and vibrations)*

At some of the plants operated by HC Group, emissions of harmful substances into the air have in the past and may in the future exceed permissible thresholds. For example, at a cement plant in Bukhtama, Kazakhstan, air emissions do not comply with the limit values required by the competent authority. At a cement plant in Slite, Sweden, upgrade measures have to be conducted to comply with limit values for dust emissions applicable as of 2010. For respective costs to address these issues, see *"Risk Factors – Risks Relating to the Issuer – Regulatory, other Legal and Tax-related Risks – HC Group is subject to a large number of environmental and health and safety laws and regulations"*.

Applicable noise thresholds have also been exceeded at some plants of HC Group. These emissions as well as emissions of noxious odors or vibrations may require investments in improvement for the relevant plants such as installing or upgrading filters and/or implementing noise abatement measures.

In the EU, more stringent thresholds for certain air emissions will apply in the future under the directive concerning integrated pollution prevention and control ("IPPC Directive"), in particular for nitrogen oxide, which might require HC Group to install additional pollution control equipment especially for certain of its cement plants. HC Group is subject to significant requirements with respect to emissions of substances into the air pursuant to the Clean Air Act in the United States. For 2008 to 2010, the EPA has declared cement plant compliance with provisions of this Act a national enforcement priority. Pursuant to the terms of the Clean Air Act, the EPA has issued information requests to the owners of a number of cement plants, including a few of HC Group's plants, asking for additional information on compliance with the requirements of the Clean Air Act's new source review program, which requires existing emission sources, including cement plants, to comply with current standards when creating new emissions sources and when undertaking significant modifications of existing emissions sources. Any plants found not to be in compliance could be required to install additional control equipment and could be subject to significant fines and penalties. Further, the EPA is evaluating whether to revise the regulations governing the incineration of waste, which could affect HC Group's cement plant operations. The EPA also recently issued a proposed new rule that calls for an 81% reduction in mercury emissions from cement operations by 2013. Emissions of particulate matter, total hydrocarbons and hydrochloric acid would also be affected by the new rule. For expected costs to comply with this new rule, see *"Risk Factors – Risks Relating to the Issuer – Regulatory, other Legal and Tax-related Risks – HC Group is subject to a large number of environmental and health and safety laws and regulations"*. The EPA has also recently proposed new, more stringent standards on nitrogen oxide and sulfur oxide emissions for future modified or constructed cement facilities. Developments relating to any of the above might require the installation of expensive pollution control equipment at certain of HC Group's U.S. cement plants or require HC Group to find alternative raw materials, such as low mercury limestone.

#### *Water and waste water*

Water is used in the cement production process only to a minor extent, primarily for the cooling of machines. In the production of concrete and building materials, however, water is an important component of the final products. Therefore, large quantities of water must be available for the production of these materials, and appropriate permits to use the water must be obtained and maintained. At certain HC Group sites, the

extraction of water for HC Group's operations can impact the availability of water for neighboring uses, including residential drinking water wells. In such instances, HC Group could be required to alter its operations or to take certain precautionary measures to protect the local water supply, which measures could cause HC Group to incur significant costs or change its operations in a manner that adversely affects it.

Waste water is either discharged directly (usually after pre-treatment) into public waters or indirectly into the public sewage system. In individual cases, damage to the sewer pipes has been detected which required repair or replacement measures. However, the investments with respect thereto are not expected to be significant. Further, water laws affect HC Group's operations, especially its aggregates operations, by restricting the discharge of pollutants, including in storm water run-off, into waters and requiring certain permits for discharge.

HC Group has in the past been, and will in the future be, required to incur capital and operating costs to maintain or upgrade its operations or facilities to comply with these laws, regulations and permits. In addition, HC Group's operations have not in the past and may not in the future always be able to remain in full compliance with all obligations under water and wastewater laws and related permit requirements, and as a result, may be subject to compliance orders, fines and penalties, may have difficulty obtaining or maintaining permits and may have to alter its operations in a manner that adversely affects it.

#### *Handling and storage of hazardous substances*

Hazardous substances are used regularly at HC Group's sites. Explosive materials are used for the extraction of raw materials in quarries. Other environmentally sensitive substances required for the operation of the sites, such as fuel, heating fuel oil and lubricating oil, are used and stored at HC Group's sites. These substances are usually stored in above-ground or underground tanks.

On some of HC Group's sites, asbestos was used in production processes and in the construction of buildings, including in the production of fiber cement containing asbestos. At present, asbestos used at the sites is usually bound in other materials, such as asbestos-containing cement boards used for heat insulation. The replacement of bound-asbestos is usually not required under environmental laws. If a building is refurbished or demolished, however, or if asbestos containing materials are in a condition that could cause asbestos to become air borne, precautions for the protection of employees must be taken and the material must be properly disposed of. At some of HC Group's sites, asbestos containing materials will have to be demolished and disposed of in the future. According to HC Group's estimates, there is a risk of future (long-term) liability in connection with demolition and disposal of asbestos-containing material at several of HC Group's sites. For respective costs for demolition and disposal, see *"Risk Factors – Risks Relating to the Issuer – Regulatory, other Legal and Tax-related Risks – HC Group is exposed to risks associated with the release of hazardous substances or other contamination of the environment, including risks arising under the U.S. Comprehensive Environmental Response, Compensation and Liability Act"* (see also *"—Litigation/Administrative Proceedings"* and *"Risk Factors – Risks Relating to the Issuer – Regulatory, other Legal and Tax-related Risks – HC Group is exposed to risks associated with asbestos-related claims arising out of former activities in the United States."*).

HC Group's cement operations manage significant quantities of cement kiln dust ("**CKD**"). In the United States, the EPA has been evaluating the regulatory status of CKD under the U.S. Resource Conservation and Recovery Act ("**RCRA**") for a number of years. In 1999, the EPA proposed a rule that would allow states to regulate properly managed CKD as a nonhazardous waste under state laws and regulations governing solid waste. In contrast, CKD that was not properly managed would be treated as a hazardous waste under RCRA. In 2002, the EPA confirmed its intention to exempt properly managed CKD from the hazardous waste requirements of RCRA. At that time, the agency announced that it would collect additional data over the next three to five years to determine if the states' regulation of CKD is effective, which may lead the EPA to withdraw its 1999 proposal to treat any CKD as a nonhazardous waste. Any obligation to manage CKD as a hazardous waste under RCRA would result in the need to incur substantial costs. However, HC Group cannot predict what U.S. environmental laws relating to CKD will be enacted or adopted in the future or how such future environmental laws or regulations will be administered or interpreted.

#### *Excavation of raw materials and recultivation*

For the excavation of raw materials by HC Group, in most countries not only operating permits but also mining rights are required and sometimes royalties have to be paid (see also *"– Raw Materials"*). Raw materials used in the production of cement clinker, aggregates, lime products and bricks are predominantly excavated from adjacent quarries. After the complete or partial termination of mining activities, it is usually necessary to reclaim, recultivate and/or re-nature the respective quarry. Several quarries of HC Group are located in environmentally sensitive areas for which very strict provisions apply to their operation as well as to their reclamation, recultivation and renaturation resulting in especially high costs for HC Group. For additional information on reclamation, recultivation and renaturation obligations, see *"Risk Factors – Risks Relating to the Issuer – Regulatory, other Legal and Tax-related Risks – HC Group is subject to significant reclamation, recultivation and quarry closure obligations which may not be sufficiently covered by provisions and HC Group is required to maintain financial assurances to meet these obligations."*



## Summary

According to HC Group's estimates, costs that are probable and reasonably estimable in connection with soil and groundwater contamination which are attributable to sites and companies HC Group acquired, owned or operated in the past that had businesses and operations unrelated to those presently carried on by HC Group, especially Beazer East, Inc. (formerly known as Koppers Company, Inc. and acquired by Hanson prior to HC Group's acquisition of Hanson) amount to an undiscounted total of approximately € 139 million. HC Group estimates costs in connection with soil and groundwater contamination attributable to ongoing operations in a range of from approximately € 20 million up to, should remote risks materialize, approximately € 150 million (undiscounted costs). Provisions in connection with environmental liabilities and environmental claims have been made as of June 30, 2009 in an undiscounted total amount of € 168.6 million. In addition, HC Group has an undiscounted contingency reserve of € 86.3 million as of June 30, 2009 for environmental matters related to historical businesses and activities unrelated to those presently carried on by HC Group. For additional information, see *"Risk Factors – Risks Relating to the Issuer – Regulatory, other Legal and Tax-related Risks – HC Group is exposed to risks associated with the release of hazardous substances or other contamination of the environment, including risks arising under the U.S. Comprehensive Environmental Response, Compensation and Liability Act."*

In addition to such liability issues, under HC Group's estimates, aggregate costs needed to address non-compliance with environmental and health and safety requirements now in effect or expected to be in effect in the next three years, including required upgrading measures necessary to address changes in laws, amount to an undiscounted total of between approximately € 285 million and € 407 million over the next five years (which does not include ordinary course costs to comply with environmental and health and safety requirements and costs of recultivation). The capital expenditure plan for environmental/legal issues – which does not only address environmental regulatory non-compliance issues – amounts to approximately € 150 million for 2009 to 2011. Regulatory non-compliance issues may also be addressed internally by HC Group in capital expenditure figures for replacement and improvement, which amount to approximately € 2,331 million for 2009 to 2011.

Further, with regard to demolition and disposal of asbestos containing material, HC Group estimates there is a risk of future (long-term) liability which amounts to an undiscounted total of between approximately € 26 million and € 33 million (excluding costs in connection with asbestos-related claims from third parties). In case demolition and disposal should be required at a site, the costs to be incurred in this respect will be, in part, incurred over several years.

For risks associated with asbestos-related claims and other claims and liabilities (other than claims and liabilities related to soil and groundwater contamination) related to companies HC Group acquired, owned or operated in the past that had businesses and operations unrelated to those presently carried on by HC Group, see *"– Litigation/Administrative Proceedings"* and *"Risk Factors – Risks Relating to the Issuer – Regulatory, other Legal and Tax-related Risks – HC Group is exposed to risks associated with asbestos-related claims arising out of former activities in the United States."* and *"– HC Group is exposed to liabilities arising out of former activities in the United States that are not related to the environmental contamination and asbestos liabilities referred to above."*

## Environmental risk assessment and sustainability

HC Group operates risk assessment systems with a goal of achieving a high level of compliance at its plants and sites with environmental requirements and to reduce risks of environmental liability (see also *"– Risk Management and Compliance"*). The Issuer has introduced, and is currently rolling out to each of its sites, a group-wide environmental policy and has set forth environmental group guidelines, for example, guidelines for the promotion of biological diversity that define reclamation and renaturation standards. HC Group has committed itself to sustainable development and, in May 2008, created the Group-wide department, Group Environmental Sustainability, which is responsible for the worldwide co-ordination of HC Group's activities in the area of environmental protection and sustainability. One of the focal areas of HC Group's measures in 2009/2010 will be the consistent reduction of its emissions. Additionally there are activities to improve the energy efficiency of its production sites and increase the use of alternative fuels.

## Health and safety regulations

All countries in which HC Group operates have comprehensive laws, regulations and standards in place concerning health and safety protection. These regulations are updated on a constant basis and require improvements of plants, equipments and operation processes which may result in significant costs for HC Group. For a few plants and sites, instances of non-compliance with health and safety requirements have been identified which require HC Group to implement additional measures. The costs to address these issues are included in HC Group's current estimates for non-compliance costs, see above *"– Regulatory Environment – Environmental regulations – Implications for HC Group."*



In the past few years, the frequency rate of accidents at HC Group has been slightly above average rates for this industry. A group-wide guideline for occupational health and safety has been implemented by the Issuer to establish a common standard across HC Group and various plants have developed management systems for occupational health and safety. For 2009/2010, HC Group is focusing on systematically expanding the occupational health and safety measures. HC Group intends to undertake targeted campaigns to tackle specific accident areas each year and initiate measures that will lead to significant improvements in the medium term.

#### *Climate change law*

In various jurisdictions in which HC Group operates, considerable and increasing government attention is being paid to reducing carbon dioxide and other greenhouse gas emissions. All of HC Group's operations produce some amount of carbon dioxide, but its cement production activities are particularly carbon dioxide intensive as carbon dioxide is produced as a natural by-product of the cement manufacturing process when raw materials are decarbonized and converted to clinker. In the EU, HC Group's plants are subject to emission trading law. Other regions, such as the United States and Canada, have implemented or intend to implement climate change law as well. In addition, in connection with the UN climate conference in Copenhagen in December 2009, measures to reduce carbon dioxide and other greenhouse gas emissions that could affect HC Group could be developed in additional jurisdictions.

#### *Emission trading law in the EU*

In June 2003, the European Parliament adopted the Emission Trading Directive which was incorporated into national law by the EU Member States. By introduction of a trading system for Emission Rights, the EU will considerably reduce the output of greenhouse gases. The emissions trading system provides for the allocation of a specific quantity of Emission Rights to certain energy-intensive plants that are subject to the limitations (caps) on the levels of carbon dioxide emissions. Each Emission Right permits the emission of one metric ton of carbon dioxide. If the carbon dioxide emissions of a company exceed the amount allowed according to its Emission Rights, the company will have to purchase the necessary Emission Rights from another company with excess Emission Rights. Beginning in 2005, participation in such system is mandatory for all industries with high energy consumption levels, including the cement and lime industry. Although some plants of HC Group did not receive sufficient Emission Rights to cover their carbon dioxide emissions arising out of their current production, HC Group's overall position showed a surplus of Emission Rights in the first trading period (2005-2007).

For the second trading period (2008-2012), national allocation plans have been approved and implemented in all EU Member States, and all HC Group's plants have received their Emission Rights for 2008 and 2009. For this trading period, the overall availability of Emission Rights has been significantly reduced from those available in the first trading period. HC Group's estimates show that, although a significant number of plants will not receive sufficient Emission Rights to cover their full carbon dioxide emissions arising out of their estimated production, HC Group's overall position will most probably show a surplus of Emission Rights again in the second trading period. HC Group continues to actively follow national developments to protect its interest (in some cases it is also taking legal action) and in some countries it is applying for an increase of its Emission Right allocation (see also "*– Litigation/Administrative Proceedings*").

For the third trading period from 2013 onwards, the emission trading system has been revised by Directive 2009/29/EC of April 23, 2009 which entered into force on June 25, 2009. Under this revised emission trading scheme, the Community-wide quantity of Emission Rights issued each year starting 2013 will be cut from the mid-point of the 2008 to 2012 period by a linear factor of 1.74% annually as compared to the average annual total quantity of Emission Rights issued in the EU between 2008 and 2012. In addition, from 2013 onwards, full auctioning of Emission Rights will be gradually introduced for the manufacturing sector. The amount of Emission Rights allocated free of charge will generally be reduced from 80% in 2013 to 30% in 2020 and to 0% in 2027. Affected companies will have to purchase a significant (and steadily increasing) share of Emission Rights in auctions from 2013 onwards which will result in substantial additional costs for such companies.

An exemption from auctioning will be made for energy-intensive sectors which are exposed to a significant risk of carbon leakage, *i.e.* for sectors in which a risk of relocation of plants to countries with less strict climate protection laws exists. The European Commission will determine by end of 2009 (and every five years thereafter) which sectors are affected by carbon leakage. For this decision, it will assess the extent to which it is possible for the sector concerned to pass on the direct and indirect costs (especially increased energy prices) resulting from the revised emission trading system to consumers by increasing product prices without significantly losing market share to less carbon efficient plants outside the EU. The designated sectors will be allocated Emission Rights free of charge for the period determined.

HC Group believes that the European Commission will determine the cement industry to have a significant carbon leakage risk from 2013 onwards because it assumes that additional costs induced by the revised emission trading scheme will result in a substantial increase in production costs for this industry of more than 30%. Currently, the cement industry is, as well as some other energy intensive industries, in the process of

being recognized as a sector with a significant risk of carbon leakage. If the European Commission determines the cement industry has a significant carbon leakage risk, in general, the plants of HC Group are exempted from auctioning and receive Emission Rights for their plants located in the EU free of charge for the period determined.

However, for such free allocation, the European Commission will determine Community-wide ex-ante benchmarks for each sector. These new benchmarks will be based on most efficient techniques and positions in a sector and result in even stricter caps for HC Group's plants. Therefore, in case an exemption is granted, the stricter caps applicable to the plants of HC Group in the third trading period will probably require HC Group to purchase a steadily increasing share of additional Emission Rights to cover its carbon dioxide emissions in excess of those covered by the Emission Rights allocated for free. Therefore, even if (and as long as) an exemption applies to HC Group, significant additional costs may arise for HC Group in the third trading period. The EU may implement supporting measures for industries which have been determined to have a significant carbon leakage risk. However, there can be no assurance that such measures will be implemented for the cement industry.

HC Group believes that it is unlikely that the European Commission will not grant the cement industry an exemption due to a significant carbon leakage risk. However, if (and as long as) no such exemption should be granted, HC Group would have to purchase a significant (and steadily increasing) amount of Emission Rights in auctions (20% in 2013, 70% in 2020 and 100% in 2027) to cover its carbon dioxide emissions in the EU. This would result in massive additional costs for HC Group. In addition, the stricter caps would apply to the share of Emission Rights allocated for free which could require HC Group to purchase additional Emission Rights to cover its carbon dioxide emissions.

Furthermore, under the revised emission trading system, a significant increase in indirect costs is expected for HC Group because full auctioning will be the rule for the energy sector from 2013 onwards. This will probably result in a significant increase in energy prices in the EU. It is unclear if HC Group will be able to pass on these higher energy costs to customers in the form of price increases. EU Member States may adopt financial measures in favor of industries which have a significant carbon leakage risk due to an increase in energy prices under the revised emission trading scheme. However, there can be no assurance that such measures will be adopted for the cement industry.

In general, HC Group believes that with regard to its carbon dioxide emissions in the EU, it is well positioned as compared to its competitors.

#### *North American carbon emission laws*

In addition, considerable and increasing government attention in the United States and Canada is being paid to carbon dioxide and other greenhouse gas emissions. Legislators are considering the passage of significant new laws and regulators are considering using existing laws to limit greenhouse gas emissions, including carbon dioxide. Laws and regulations that are being considered include:

- *Federal legislation.* The U.S. House of Representatives recently passed, and the Senate is currently considering, greenhouse gas legislation that would, among other things, impose a nationwide cap on greenhouse gas emissions and require major sources, including some of HC Group's cement facilities, to obtain allowances to meet that cap. U.S. President Obama has also expressed support for such legislation.
- *Federal regulation.* In April 2009, the U.S. Environmental Protection Agency (the "EPA") issued a proposed finding that emissions of carbon dioxide and other greenhouse gases contribute to air pollution and endanger human health and welfare (the "Endangerment Finding"). The Endangerment Finding, if ultimately adopted, would permit the EPA to begin regulating greenhouse gas emissions under the U.S. Clean Air Act.
- *State and provincial action.* A growing number of states in the United States and provinces in Canada, including those in which HC Group has operations, have adopted measures or are considering adopting measures, sometimes as part of regional initiatives, to reduce carbon dioxide and other greenhouse gas emissions within their jurisdictions, including by requiring reductions on carbon dioxide emissions from cement plants. For example, in California, Governor Arnold Schwarzenegger signed AB32 into law in late 2006. AB32 calls for specific emissions reduction measures as well as a cap on greenhouse gas emissions throughout California, including from HC Group's cement plants, and a state-wide reduction to 1990 levels by 2020.

In addition, HC Group's operations are or will be impacted by other measures to reduce greenhouse gas emissions that are being imposed already, including the following:

- *Canadian regulations.* The province of British Columbia enacted a carbon tax that went into effect in 2008 and imposes a tax on each metric ton of carbon dioxide equivalent emissions. This tax began at C\$15/metric ton in 2009 and will escalate by C\$5/metric ton annually until it reaches C\$30/metric ton in

2012. In 2007, the province of Alberta implemented its Specified Gas Emitters Regulation, which requires a 12% reduction in greenhouse gas emission intensity vis-à-vis a baseline calculated as an average of emission intensity in 2003, 2004 and 2005.

- *Regional actions.* At the regional level, ten northeastern and mid-Atlantic states have formed the Regional Greenhouse Gas Initiative agreement, or RGGI. RGGI calls for signatory states to hold carbon dioxide emissions from power plants constant at current levels from 2009 to 2014, followed by a 2.5% reduction each year from 2015 to 2018. Auctions for carbon dioxide allowances under the program began in September 2008 and occur on a quarterly basis. This has resulted in an increase in energy costs for HC Group's operations in the states party to RGGI.

As these initiatives are implemented and as new requirements are imposed, HC Group and its customers may be materially adversely affected.

#### *Internal reduction target*

Independent of the introduction of emission trading systems, HC Group internally set a target to reduce its specific net carbon dioxide emissions (carbon dioxide emissions measured in kilograms per metric ton of cement produced) by 15% at all production sites by 2010 worldwide across HC Group (relative to the base year 1990). From 1990 to 2008, HC Group has already reduced its net carbon dioxide emissions from 783 kg/metric ton cement in 1990 to 640 kg/metric ton in 2008 throughout HC Group. This corresponds to a reduction of 18.3% compared to 1990.

#### *Chemical regulation (REACH)*

In June 2007, Regulation (EC) No. 1907/2006 concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) entered into force in the EU. It contains certain requirements as well as restrictions with respect to chemical substances. Under REACH, it is compulsory to (pre-)register chemical substances which are manufactured or imported into the EU in quantities of more than one metric ton per annum. If a chemical substance is not (pre-)registered as required, it cannot be manufactured in or placed into the European market. REACH applies to various substances which are purchased by HC Group from EU-manufacturers or from suppliers that import these substances into the EU. These substances have to be (pre-)registered by the respective manufacturers and suppliers. When purchasing these substances, HC Group ensures that the required (pre-)registration measures have been conducted. HC Group has certain information requirements with regard to these manufacturers and suppliers.

REACH also applies to some substances manufactured or imported by HC Group. For these substances, HC Group has already conducted all required pre-registration measures. Further registration measure will be necessary for single substances which will then involve additional inspections and analyses. HC Group believes that the measures currently conducted with respect to REACH requirements will be sufficient to ensure HC Group's compliance in this regard.

#### ***Litigation/Administrative Proceedings***

HC Group is not aware of any pending or threatened litigation or administrative proceedings, other than those described below, which could have any material adverse effects on HC Group's business activities, financial condition or results of operations or had such effects during the last 12 months. The companies in HC Group are involved in a series of court cases, arbitration and administration proceedings in Germany and in its foreign locations. Although the outcome of these proceedings is uncertain, HC Group does not anticipate that an unfavorable outcome of such proceedings would, other than as described below, have a material adverse impact on HC Group's business operations.

#### *Anti-trust proceedings*

In 2003, the German Federal Cartel Office ("FCO") levied anti-trust fines against the Issuer and its subsidiaries Anneliese Zementwerke AG (in 2005 merged into the Issuer), HC Zementwerk Hannover GmbH (formerly TEUTONIA Zementwerk AG, acquired in 2005) and five former managing board members of these companies in an aggregate amount of € 286.5 million, of which € 251.5 million were levied against the Issuer, € 26 million against Anneliese Zementwerke AG and € 8 million against HC Zementwerk Hannover GmbH (the remainder of € 1 million was levied against former managing board members of these companies). The fines are based on alleged quota (sales share allocation) agreements over several years primarily in the cement markets of Southern Germany, North-Rhine Westphalia (*Nordrhein-Westfalen*) and Lower Saxony (*Niedersachsen*) and certain other anti-trust violations.

The amounts of the fines were determined on the basis of assumed incremental earnings resulting from an alleged cartel. The Issuer has admitted several anti-trust violations but denies the majority of the accusations, including the allegation of a qualified cartel in southern Germany and all incremental earnings resulting therefrom. The Issuer and its subsidiaries (including the managing board members concerned) have appealed

the fines. In the further course of the proceeding the FCO concluded that the Issuer, being the universal successor of Anneliese Zementwerke AG, is also liable for infringements of Anneliese Zementwerke AG. The file was submitted to the Higher Regional Court (*Oberlandesgericht*) in Dusseldorf in January 2007. In parallel in 2007, certain isolated infringements (in part relating to the Issuer and those relating to Anneliese Zement AG) were no longer contested and € 32.5 million in fines were paid by the Issuer, but the Issuer continued to defend against the FCO's assumption of a qualified cartel in Southern Germany and any incremental earnings. On June 26, 2009 the court rendered its decision with respect to the fines levied on the Issuer. It reduced the remaining fine for the Issuer to € 169.9 million (which includes € 0.5 million of the fines already paid), to be paid in three installments. The Issuer further appealed this decision to the Federal Court of Justice (*Bundesgerichtshof*). As the General Prosecution Office (*Generalstaatsanwaltschaft*) did not appeal the court's decision, the fine cannot be further increased as a result of the Issuer's further appeal. The proceeding against HC Zementwerk Hannover GmbH was separated from the proceeding against the Issuer and is still pending with the Higher Regional Court (*Oberlandesgericht*) Dusseldorf, which is not bound by the results of the investigations of the FCO and could levy a different and even a higher fine. Neither the Issuer nor HC Zementwerk Hannover GmbH are obliged to pay the anti-trust fine until a legally binding final decision has been issued. The Issuer has established provisions that the Issuer's managing board considers currently to be an appropriate risk provision for potential liabilities resulting from these anti-trust proceedings.

From November 4 to 6, 2008 the EU Commission executed on site investigations of a number of locations of cement producers investigating suspected infringements of EU competition law relating to Germany, Belgium, The Netherlands and the UK. The EU Commission searched the offices of the Issuer and its respective subsidiaries in Heidelberg, Germany (Headquarters), Mainz, Germany (Sales Office), Brussels, Belgium (Country Headquarters), s'Hertogenbosch, The Netherlands (Country Headquarters) and Maidenhead, UK (Country Headquarters). The suspected infringements are very widely described in the authorizations of the inspection. HC has no information about any conclusion the EU Commission may draw from its investigation, which is in a preliminary state. Immediate preliminary internal investigations and a preliminary review of the seized documents and electronic files did not confirm the far reaching suspected infringements as stated in such authorizations. However, the Issuer has no knowledge about the other information available to the EU Commission besides what was seized by the EU Commission at HC Groups's offices.

In addition, certain other subsidiaries of the Issuer are subject to investigations by anti-trust and competition authorities in various countries, including Belgium, Hungary, India, Indonesia, Poland (two of the proceedings, relating to the slag market and reloading services, currently concern preliminary general market investigations by the Polish Competition Agency) and Ukraine, which are at different stages including court proceedings. The potential outcome of such proceedings including the possible amount of a definite fine is difficult to predict, but to the extent that these investigations have led to a fine in the last three years, they have not had material financial consequences for the Issuer. However, the Issuer cannot accurately predict the outcome of pending proceedings or investigations. New fines can be imposed only with respect to five of these proceedings, i.e., those in Belgium, Hungary, Poland, Indonesia and Ukraine. The other pending proceedings are at the appeal stage and/or fines have already been paid. According to the judgment of the Issuer and its external advisers which is based on the current rules applicable for the calculation of fines, only for the following two proceedings in Poland and Ukraine is a fine of more than € 10 million not excluded:

- In 2006, the Polish Competition Agency conducted a dawn raid on the premises of Górażdze Cement SA and Ekocem Sp. Z o.o. (now a 100% subsidiary of Górażdze Cement SA) searching for evidence relating to (i) an agreement on the price or other conditions of cement sale in the Polish cement market since the late 1990s, (ii) sharing the cement market and (iii) distribution and exchange of confidential business information. While Górażdze Cement SA filed a leniency application, Ekocem Sp. Z o.o. filed a motion to close the file with the Polish Competition Agency claiming that it was not directly active on the market. The proceedings are close to completion (seized documents have been approved as evidence). The Issuer estimates the potential fine to be imposed to amount to approximately € 18 million (based on a 5% cap of the annual turnover of Górażdze in the fiscal year preceding the decision). Provisions have been made in this regard.
- In late 2008, the Ukrainian Competition Authority started an investigation in the development of the cement prices in the country and preliminarily concluded in May 2009 that this development was based on anti-competitive practices of the main market participants including subsidiaries of the Issuer. The authority did not indicate the range of the fine it intends to issue so far since the proceedings are still at an preliminary stage, but stated that the maximum possible fine under Ukrainian law would be 10% of the relevant company's (not the group's) yearly turnover. The relevant subsidiaries deny the allegation and filed a statement of defence. However, it can not be ruled out, that finally a fine will be issued. The maximum fine based on the turnover in 2008 of the accused HeidelbergCement subsidiaries would be € 20 million.

One further cartel case involves maxit Deutschland GmbH, a former German subsidiary of the Issuer sold to Saint-Gobain in 2007: Following investigations started in May 2006, on July 3, 2009 the FCO imposed a fine in the amount of € 12.4 million on maxit Deutschland GmbH for alleged concerted introduction of a silo lease fee in



early 2006 for all dry mortar products sold through on-site mixing silos. maxit Deutschland GmbH has lodged an appeal against the FCO's decision with the Higher Regional Court (*Oberlandesgericht*) Dusseldorf which is not bound by the results of the investigations of the FCO. Based on the court's own findings, it may levy a different or even higher fine. There has been no hearing yet and the case is still pending. The levied fine does not have to be paid until a binding final court decision has been issued. The judgment of the Higher Regional Court can further be appealed to the Federal Court of Justice (*Bundesgerichtshof*). Pursuant to the share purchase agreement with Saint-Gobain, the Issuer would have to indemnify Saint-Gobain for the fine imposed if the FCO's decision becomes final and binding to the extent such fine combined with other warranty claims of Saint-Gobain under the share purchase agreement exceeds € 20 million. Saint-Gobain has notified the Issuer of an indemnification claim in the amount of € 55 million for breach of representations and warranties under the share purchase agreement relating to compliance with environmental laws of an exclay plant in Los Hueros, Madrid. While the Issuer believes it has defenses against both claims, it cannot be ruled out that one of the two claims mentioned or both claims together will exceed the threshold of € 20 million agreed in the share purchase agreement, and if so, the Issuer would have to indemnify Saint-Gobain for any amount in excess of € 20 million. In addition, although currently there are no indications, it cannot be ruled out, that the Issuer will receive additional notifications related to potential other indemnification claims from Saint-Gobain raised under the share purchase agreement.

The geographic and product markets in which HeidelbergCement or certain of its subsidiaries and affiliates are active vary significantly in terms of the competitive market structure and the nature and extent of their participation in such markets. In certain markets (i) the concentration of cement, concrete and aggregate markets among a few competitors, (ii) the homogeneity of cement, concrete and aggregates and their sensitivity to transportation costs, (iii) the frequent use of restrictive provisions in supply, distribution and license agreements and/or (iv) the practice of supplying competitors and entering into joint venture and/or distribution agreements with competitors and/or their affiliates (potentially giving rise to the allegation of unlawfully coordinating competitors' behavior in the course of such relationships), may induce anti-trust authorities in those areas to initiate other anti-trust investigations or third parties to file anti-trust complaints against HeidelbergCement or certain of its subsidiaries and affiliates. HeidelbergCement has clear policies requiring compliance with applicable competition laws. However, there can be no assurance that HeidelbergCement is not a party to agreements that might be found to infringe applicable anti-trust laws in certain jurisdictions.

#### *Lawsuits for damages suffered by customers*

In connection with the above-mentioned anti-trust proceedings, Cartel Damage Claims SA ("**CDC**"), a Belgian company which asserts potential claims on behalf of 36 potentially damaged customers, has filed a lawsuit against the six alleged main participants of the alleged cement cartel in Germany, including *inter alia* the Issuer. The claim amounts to approximately € 132 million plus interest of more than the same amount (€ 148 million as of July 2009), whereby CDC has asked that the precise amount be fixed by the court. In case the courts decide in favor of CDC, it can order the Issuer to be liable on a joint and several basis ("*Gesamtschuldner*"). Although the judgment of the Higher Regional Court (*Oberlandesgericht*) Dusseldorf – and finally the judgment of the Federal Court of Justice (*Bundesgerichtshof*) – in the German Cement Cartel Case (see above) is not legally binding on the court deciding the CDC case, it cannot be excluded that the findings in these proceedings might have a certain factual relevance for the CDC case including with respect to the amount of damages. The Issuer cannot rule out that this lawsuit might be successful to some extent. In that event, CDC or other customers of the Issuer or another company involved in the cartel activity could be encouraged to bring further actions, even pertaining to longer periods in time than currently being under review, against the Issuer as participant in the cement cartel in Germany as described in more detail above. CEMEX Deutschland AG, Dyckerhoff AG, Lafarge Zement GmbH and Holcim (Deutschland) AG filed a third party notice (*Streitverkündung*) against the Issuer's subsidiary HC Zementwerk Hannover GmbH, and Dyckerhoff AG and Lafarge Zement GmbH filed a third party notice against the Issuer's subsidiary Kerpen & Kerpen GmbH & Co. KG. Neither HC Zementwerk Hannover GmbH nor Kerpen & Kerpen GmbH & Co. KG have joined the respective defendants yet. The Issuer could also face further civil lawsuits for damages suffered by customers due to alleged excessive cement prices as a result of (other) anti-trust infringements.

#### *Asbestos litigation*

Various of HC Group's U.S. subsidiaries are defendants, typically with other non-affiliated companies, in lawsuits filed in state and federal courts by claimants who allege that they have suffered bodily injury as a result of exposure to asbestos-containing products, the manufacture of which by such subsidiaries ceased, depending on the subsidiary involved, between 1973 and 1984, which was prior to the time that these subsidiaries became members of the group. The majority of the claims relate to products and services related to the steel industry and various building materials.

At June 30, 2009, there were approximately 103,400 outstanding claims, which is a reduction of approximately 1,400 from 2008. These outstanding claims include over 49,000 matters filed in Ohio that are currently inactive,



and include new claimants (since 2008) of approximately 1,400. The number of pending claims (including any newly filed claims) does not necessarily indicate the probable cost as many claims are ultimately dismissed without payment or are non-malignancy matters that present minimal risk. In the last four years, over 90% of resolved claims were dismissed without payment. The gross U.S. dollar cost of resolutions, judgments, settlement and defense costs, before insurance, was US\$27 million including legal fees of US\$12 million for the first half of 2009 and US\$54 million including legal fees of US\$20 million for all of 2008. Net costs after insurance were US\$26 million for the first half of 2009 and US\$51 million for all of 2008.

HC Group's approach to accounting for the asbestos claims against its U.S. subsidiaries is to provide for those costs of resolution that are both probable and reasonably estimable. HC Group estimates such aggregate, undiscounted and prior to insurance costs to be US\$505 million over the next eight years and has made corresponding provisions. The current reserve and the reserving process have remained consistent since 2004. Although further claims are likely to be resolved beyond this eight-year period, HC Group cannot reliably estimate the associated costs of resolution. Therefore, no provision has been made to cover these possible liabilities. One of HC Group's subsidiaries is currently involved in an on-going insurance coverage dispute with its insurance providers which might result in increased cash outflows if HC Group were required to assume responsibility for any of the settlement and/or defense costs currently paid by the related insurers under interim coverage agreements. However, an unfavorable resolution of this dispute would not impact the provision for asbestos claims since the provision does not include any recoveries from the related insurers for this subsidiary. Several factors could cause actual results to differ from current estimates and expectations, including: (i) adverse trends in the ultimate number of asbestos claims filed against HC Group's U.S. subsidiaries; (ii) increases in the cost of resolving current and future asbestos claims as a result of adverse trends relating to settlement and/or defense costs, dismissal rates and/or judgment amounts, including as a result of an increased percentage of claims being filed in jurisdictions that have historically produced higher jury verdicts; (iii) decreases in the amount of insurance available to cover asbestos claims as a result of adverse changes in the interpretation of insurance policies or the insolvency of insurers; (iv) the timing of insurance recoveries; (v) the emergence of new trends or legal theories that enlarge the scope of potential claimants; (vi) the impact of bankruptcies of other defendants whose share of the liability may be imposed on HC Group's U.S. subsidiaries under certain state liability laws; (vii) the unpredictable aspects of the U.S. litigation process; (viii) adverse changes in the mix of asbestos-related diseases with respect to which asbestos claims are made against HC Group's U.S. subsidiaries; and (ix) potential legislative changes.

#### *Environmental contamination claims in the United States*

HC Group is responsible for addressing environmental contamination at present and former U.S. operating sites, or portions thereof, currently or previously owned and/or leased by current or former acquired HC Group companies that are the subject of claims, investigations, monitoring and/or remediation under CERCLA, the U.S. Federal Resource Conservation and Recovery Act or comparable U.S. state statutes or agreements with third parties. In addition, a number of present and former HC Group operating units (responsibility for which remains with an acquired HC Group entity) have been named as potentially responsible parties (PRPs) at off-site landfills under CERCLA or comparable state statutes.

At June 30, 2009, HC Group had recorded provisions of € 161.2 million primarily for environmental obligations related to such sites, including legal and other costs on an undiscounted basis. A provision is recorded for costs associated with environmental assessments and remediation efforts when HC Group determines such costs represent a probable loss and are capable of being reasonably estimated. In addition, HC Group has an undiscounted contingency reserve of € 86.3 million as of June 30, 2009 for environmental matters related to historical businesses and activities unrelated to those presently carried on by HC Group. Factors which could cause actual costs to differ materially from HC Group's current estimates and provisions include, but are not limited to: (i) identification of additional sites requiring environmental investigation and/or remediation; (ii) new releases at or the discovery of unknown adverse conditions at sites; (iii) development of additional facts at sites, particularly relating to the extent of the contamination and any potential or alleged adverse effects on neighboring properties; (iv) third party claims in excess of estimates; (v) changes to regulatory requirements or investigatory or clean-up standards; (vi) changes in remediation techniques or the length of any ongoing monitoring; (vii) the failure of other responsible parties to pay their share of the costs; and (viii) any other significant variations to assumptions made in support of these cost estimates.

HC Group has insurance coverage for some of the environmental liabilities that it faces as a result of historical businesses and activities of some of HC Group's current and former subsidiaries. During 1998 an agreement was signed under which, for a one-time premium and related transaction costs totaling US\$275 million, insurance cover of US\$800 million in perpetuity (after payment by members of HC Group of the first US\$100 million of remediation costs arising since January 1, 1998) was provided by subsidiaries of two reinsurance companies, Centre Solutions and Swiss Re. This insurance coverage applies to environmental remediation costs at certain properties identified at the time the policy was purchased in 1998 and any property damage arising at any of those same properties, as well as property damage claims arising out of a formerly-manufactured roofing product. As of June 30, 2009, US\$573 million of the US\$800 million insurance cover had

been utilized. The estimate of future probable costs (after discounting) is shown as a provision of US\$166.4 million at June 30, 2009 in HC Group's accounts. These costs are the responsibility of the insurers and therefore a receivable of US\$166.4 million is recorded at June 30, 2009. Based on existing known circumstances, HC Group expects the remaining US\$227 million of insurance cover under this policy to be sufficient to meet substantially all of the related future costs of the liabilities covered by the policy. However, HC Group's estimate of future probable costs could increase and new sites may arise to which the insurance cover does not apply.

In addition, not all of HC Group's liabilities arising out of historical businesses and activities are covered by the insurance policy described above. Further, with respect to certain liabilities (including some described further below) that are covered by insurance there may be significant limitations on some of that insurance coverage, including (i) self-insured retention amounts, (ii) retrospective premiums, (iii) exclusion of punitive damages and (iv) other defenses that have been or may be raised by insurance carriers.

#### *Building product, chemical and silica claims*

Former and existing subsidiaries of HC Group, especially Beazer East, Inc. (formerly known as Koppers Company, Inc. and acquired by Hanson prior to HC Group's acquisition of Hanson), have engaged in businesses and activities unrelated to the business and activities presently performed by HC Group. In particular, claims and lawsuits alleging property damage or bodily injury have been filed against certain U.S. subsidiaries or against companies for which U.S. subsidiaries have indemnity obligations, relating to the operations of and the products formerly manufactured or sold by these subsidiaries or their predecessors relating to certain building products, chemicals and silica. Members of HC Group remain liable for costs related to these claims and lawsuits. HC Group estimates the aggregate, undiscounted and prior to insurance cost of such claims and lawsuits to be US\$54.6 million at June 30, 2009 and has made a corresponding provision. In addition, HC Group has an undiscounted contingency reserve of US\$42.9 million as of June 30, 2009 for claims and lawsuits alleging property damage or bodily injury related to historical businesses and activities unrelated to those presently carried on by HC Group.

The costs of defense and the amounts that are claimed by the plaintiffs, particularly in those lawsuits which involve numerous claimants, can be significant, and the ultimate outcome is difficult to determine with any certainty, given, in particular, the inability to predict the results of any litigation, the potential risk of a significant adverse verdict and the potential for juries to award punitive damages. In addition, as described below, HC Group may not have insurance for some of these claims, such as those relating to fire retardant lumber, and when there is potential insurance, the costs of obtaining the insurance may at times require the incurrence of significant defense, deductible and other costs.

The insurance relating to the environmental obligations provided by Centre Solutions and Swiss Re described above in the *Environmental contamination claims in the United States* section does not cover the bodily injury claims and lawsuits described in this section, although it does cover certain of the property damage claims. Based on current facts, HC Group does not expect the ultimate costs to resolve these lawsuits to materially adversely affect the financial condition or results of operations of HC Group, however an increase in the number or rate of claims, adverse developments in settlement discussions or trials or in HC Group's ability to recover under insurance policies may cause these claims and lawsuits to have a material adverse impact on HC Group's financial condition and results of operations.

#### *Hexavalent chromium exposure claims*

In August 2009, two similar complaints by multiple individual plaintiffs were filed against certain HC Group subsidiaries and a former affiliate as well as other defendants. These complaints allege personal injury, property damage and wrongful death due to exposure to hexavalent chromium and other harmful substances allegedly resulting from operations at two California cement plants, one of which was owned or operated by the HC Group subsidiaries and a former affiliate prior to 1995. The current owners of the plants have also been named in other similar lawsuits, including putative class actions. While the HC Group subsidiaries and the former affiliate have not been named in those lawsuits, it is possible that the HC Group subsidiaries and the former affiliate could later be named in some or all of the other pending cases. Further, the current owner of the plant previously owned or operated by the HC Group subsidiaries and the former affiliate has notified HC Group it may be making a claim against certain HC Group subsidiaries for indemnification under the terms of a contract. The HC Group subsidiaries intend to vigorously defend against these claims. However, because of the early stage of the litigation and the nature of the claims, HC Group cannot at this time provide any assurance that the currently filed or any future similar litigation or indemnification claims may not result in significant liability on the part of these subsidiaries.

#### *Claims in connection with past divestitures*

In August 2007, HeidelbergCement divested its dry mortar business (maxit) to Saint-Gobain for a consideration of more than € 2 billion. After the closing in March 2008, Saint-Gobain notified HeidelbergCement of two major

events which allegedly qualify as breach of the representations and warranties given by HeidelbergCement under the share purchase agreement:

- The first case relates to maxit Deutschland GmbH, one of the dry mortar subsidiaries sold to Saint-Gobain. Following investigations started in May 2006, the German Federal Cartel Office ("**FCO**") imposed on July 03, 2009 a fine in the amount of € 12.4 million on maxit Deutschland GmbH for alleged concerted introduction of a silo lease fee for all dry mortar products sold through on-site mixing silos in early 2006. maxit Deutschland GmbH has lodged an appeal against the FCO's decision with the Higher Regional Court (*Oberlandesgericht*) Dusseldorf which is not bound by the results of the investigations of the FCO. Based on the court's own findings, it may levy a different or even higher fine. There has been no hearing yet and the case is still pending. The levied fine does not have to be paid until a binding final court decision has been issued. The judgment of the Higher Regional court can further be appealed to the Federal Court of Justice (*Bundesgerichtshof*).
- The second case relates to an exclay plant in Los Hueros/Madrid, Spain: Saint-Gobain notified HeidelbergCement that the local plant management made use of non-permitted toxic burning materials. Arguing that the plant had to be closed in June 2009 due to non-compliance with environmental laws, Saint-Gobain has indicated to have suffered an impairment loss of a minimum of about € 55 million. The dispute is in an early stage of discussion and no formal court proceedings have yet been initiated.

Pursuant to the share purchase agreement, HeidelbergCement would have to indemnify Saint Gobain for (i) the imposed anti-trust fine if the FCO's decision becomes final and binding or a different fine that is determined in a final and binding manner by the courts and (ii) the alleged impairment loss to the extent the aggregate amount thereof combined with other warranty claims of Saint-Gobain under the share purchase agreement exceeds € 20 million. While HeidelbergCement believes it has defenses against both claims, it cannot be ruled out that one of the two cases mentioned or both cases together will exceed the threshold of € 20 million agreed in the share purchase agreement, and if so, HeidelbergCement would have to indemnify Saint-Gobain for any amount in excess of € 20 million. In addition, although currently there are no indications, HeidelbergCement may receive additional notifications related to other potential indemnification claims from Saint-Gobain raised under the share purchase agreement.

On July 17, 2009 a subsidiary of the Issuer (formerly part of Hanson group) in the United States received notice of an indemnification claim from the current owner of property initially sold in 1990 by such subsidiary, subject to certain warranties and indemnification provisions. The notice was given pursuant to provisions of the contract under which the property was initially sold. The claim relates to a lawsuit commenced on June 22, 2009, by the State of Texas, against the current owner of the property alleging the wrongful removal and sale of construction aggregates from the property and seeking damages against the current owner in the amount of \$558 million. The State of Texas did not name the Issuer's subsidiary in the lawsuit. The lawsuit against the current owner does not state the method used to calculate the alleged damages. The current owner denies and disputes the claims and believes that the lawsuit is without merit. The indemnification claim by the current owner alleges that the Issuer's subsidiary breached certain warranties and representations in the 1990 sales contract by failing to disclose the claimed interests of the State of Texas in the property, but does not specify a particular amount for which it is seeking indemnification. The Issuer has been informed by its subsidiary that the contract under which the property was sold contained a cap on the seller's liability equal to the purchase price of less than \$15 million and that Hanson itself has an indemnification claim against its original counterparty from which it initially purchased the subsidiary. Hanson has notified its original counterparty of the current owner's claim and tendered defense of that claim to such original counterparty. Moreover, based on the initial documents it has reviewed, the Issuer's subsidiary believes that it is likely there was no misrepresentation in the 1990 contract, but that the potential interests of the State of Texas were properly disclosed and the buyer was aware of those potential claims at the time of the sale. However, because of the early stage of this litigation and these indemnity claims, the Issuer cannot provide any assurance at this time that this matter may not result in significant liability on the part of such Issuer subsidiary.

#### *Claims in connection with legal title in BCC/Kazakhstan*

In November 2005, HeidelbergCement entered the Kazakhstan cement market by an acquisition of 100% of the shares in the company of Bukhtarminskaya Cement Company ("**BCC**") via its Dutch subsidiary. These BCC shares were acquired from three British Virgin Islands domiciled shareholders amongst them being Wermec Finance Ltd. Wermec Finance Ltd. came into possession of 20% of the BCC shares previously held by "TENIR GROUP" LLP ("**Tenir**"). Mr. Kassymov, a Kazakhstan resident, on July 2007, obtained an Almaty City court verdict against Tenir which concluded that Tenir had wrongfully acquired BCC shares from Mr. Kassymov and ordered Tenir to re-transfer BCC shares to him. As Tenir was not in a legal position to re-transfer the shares, Mr. Kassymov in 2008 obtained an Almaty City court order against HC Central Asia B.V., a HeidelbergCement subsidiary. Following that court order, on March 18, 2009, Mr. Kassymov was registered into the shareholders register as a 20% shareholder in BCC.

In parallel to HC Central Asia B.V.'s appeal to the Almaty City Court/Supervisory Panel, the effectiveness of the court decision was suspended by the Supreme Court of Kazakhstan. However, the court bailiff already forced the registrar of shares to transfer the 20% shares to Mr. Kassymov claiming afterwards that she received the Supreme Court resolution only after taking action. HC has filed an application to freeze the shares, ordering that Mr. Kassymov cannot dispose of them. The freeze order was granted.

HC Central Asia B.V.'s appeal was successful as the Supervisory Panel of the Almaty City Court cancelled the previous court decisions against HC Central Asia B.V. (from 2008) and sent the case for new consideration to the lower court of first instance. The court hearings are pending.

Currently, there are still several appeals pending before the Almaty City court panels, and HeidelbergCement has reasons to believe that strong arguments will convince the Kazakhstan courts that HC Central Asia B.V. has good and valid titles to all of its BCC shares. However, HeidelbergCement cannot estimate the duration of these proceedings and cannot guarantee that Mr. Kassymov will ultimately be de-registered as a shareholder of BCC. If this result cannot be achieved, HC Central Asia B.V. can pursue its warranty claims under the 2005 share purchase agreement against Wermec Finance Ltd. While HeidelbergCement believes to have strong claims under this agreement against Wermec Finance Ltd., the possibilities of a timely and satisfactory enforcement of such claims may be limited or even impossible.

#### *Claims for additional compensation payments following a squeeze-out of minority shareholders in Ceskomoravský cement, a.s.*

In 2001, the Czech entity Ceskomoravský cement, a.s. was merged into Ceskomoravský cement, a.s., nástupnická společnost, a material subsidiary of the Issuer holding at that time 97% of Ceskomoravský cement, a.s.'s share capital. As a result, minority shareholders holding the remaining 3% of the share capital lost their shareholdings and obtained a compensation in an amount of CZK 753 per share which had been determined by an expert's opinion.

Following the merger, two minority shareholders filed complaints claiming that the compensation was too low and asked the court to determine a fair compensation. In June 2008, the Municipal Court in Prague rejected their claims mainly on procedural grounds. The minority shareholders filed an appeal which is still pending as of the date of this Prospectus. Before rejecting the claims on procedural grounds, an expert's opinion solicited by the court opined that a fair compensation would have been approximately 25% higher than the amounts paid in 2001 to the minority shareholders.

While HC Group has reason to believe that the initial compensation paid to the minority shareholders was appropriate, there can be no assurance that the court of appeal will acknowledge this fact and, consequently, will dismiss the appeal. Should the court award a compensation up to the full amount currently claimed by the two plaintiffs, the aggregate costs of the compensation payment to the two plaintiffs would amount to approximately CZK 420 million (as per December 31, 2008: € 15.6 million) and interest accrued since 2001 thereon (approximately € 10 million). Theoretically, the court could increase the compensation owed by Ceskomoravský cement, a.s., nástupnická společnost even beyond the amounts initially claimed by the plaintiffs, should such higher amounts be sufficiently supported by further independent expert opinions. In a worst case scenario, the court of appeal could attribute such additional payments to all minority shareholders, even if they had not filed a complaint.

#### *Administrative proceedings/litigation in connection with emission trading law*

In connection with the EU-emission trading scheme, there are pending proceedings which have been initiated by HC Group to obtain additional Emission Rights for certain cement plants (see also "*Regulatory Environment – Climate change law*").

For a cement plant in Hannover, for the first trading period (2005 to 2007), the competent authority considered a particular case of hardship and allocated additional Emission Rights. HC Group believes that also for the second trading period (2008 to 2012), the cement plant is entitled to additional Emission Rights under a hardship clause. Since the competent authority did not allocate these additional Emission Rights to this plant, HC Group has filed an objection for up to an additional 0.5 million Emission Rights in total for the second trading period. The competent authority has not yet decided on this objection.

Further, there is a dispute between HC Group and the competent authority with regard to the transfer of allocation of Emission Rights between plants. The dispute relates to the transfer of allocation from three HC Group cement plants, which received an allocation in the first trading period (2005 to 2007) but were closed afterwards, to active cement plants of HC Group for the second trading period (2008 to 2012). Cement clinker production has been transferred from the closed plants to the active cement plants. Between the competent authority and HC Group the calculation of the allocation that can be transferred as a result of the transfer of production is disputed. While the competent authority approved only a partial transfer of the allocation because its calculation is based on the date when the three plants were legally closed, HC Group believes that the calculation must be based on the day when the closed plants effectively stopped their cement clinker

For three plants in Romania, HC Group is currently claiming 3 million additional Emission Rights in total for the second trading period. HC Group assumes that these plants are entitled to such an amount of additional Emission Rights because it believes that, in comparison to some of its competitors, HC Group was discriminated against by the allocation decision for the second trading period and that, as a result, the allocation distorts competition. HC Group understands that its competitors in Romania were allocated more Emission Rights than they would require even if they used their full production capacity. In contrast, HC Group was allocated even less Emission Rights for its cement plants in Romania than it would require for its clinker production at a level equal to the average volume of the past years (which is below the existing production capacity of that plants). The competent authority refused to allocate additional Emission Rights to HC Group for its plants in Romania, as had been requested by HC Group. HC Group has appealed this decision in court. The court has not yet issued a decision.

HeidelbergCement AG is the parent company in HC Group. The consolidated financial statements of HeidelbergCement AG for the fiscal year ended December 31, 2008 included 1,027 subsidiaries. HC Group has adopted a long-term program to rationalize and simplify its complex group structure. In particular, subject to applicable legal and tax requirements, HC Group attempts to reduce the large number of subsidiaries it maintains in a number of jurisdictions, including the USA and the UK. However, although desired for organizational reasons, a merger or other combination or liquidation of subsidiaries may not in all instances be legally permissible, tax and cost efficient and prudent in all other respects.

[illegible]



## Material Shareholdings

The table below contains information relating to the material subsidiaries of the Issuer as of June 30, 2009. All shareholdings in affiliated companies have been fully paid in.

### S.A. Cimenteries CBR /Belgium

Registered holder	Heidelberg Cement Holding S.a r.l. HeidelbergCement AG (1 share)
Book value at registered holder (in € thousands)	4,501,817
Book value at HeidelbergCement AG	–
Percentage of subscribed share capital held	100.00%

	as of 12 month period ended December 31, 2008	as of six month period ended June 30, 2009
	(in € thousands)	
Subscribed share capital	150,280	150,280
Reserves	365,195	408,450
Profit or loss for the period	43,255	–534
Turnover	264,760	119,647
Balance sheet total	2,333,733	2,474,072
Dividends paid to HeidelbergCement AG	–	–
Dividends paid to other participations within HC Group	–	–
Receivables against HeidelbergCement AG	350,221	444,105
Receivables against other participations within HC Group	62,598	53,603
Liabilities against HeidelbergCement AG	160,211	151,345
Liabilities against other participations within HC Group	980,116	1,148,426

### Gorazdze Cement S.A./Poland

Registered holder	CBR Baltic B.V.
Book value at registered holder (in € thousands)	206,780
Book value at HeidelbergCement AG	–
Percentage of subscribed share capital held	99.99%

	as of 12 month period ended December 31, 2008	as of six month period ended June 30, 2009
	(in PLN thousands)	
Subscribed share capital	96,882	96,882
Reserves	296,767	250,030
Profit or loss for the period	495,033	293,978
Turnover	1,258,880	552,024
Balance sheet total	1,421,039	1,409,389
Dividends paid to HeidelbergCement AG	–	–
Dividends paid to other participations within HC Group	400,117	541,528
Receivables against HeidelbergCement AG	39,118	715
Receivables against other participations within HC Group	50,148	54,520
Liabilities against HeidelbergCement AG	2,748	288,147
Liabilities against other participations within HC Group	287,007	578,848

### Carpatcement Holding S.A./Romania

Registered holder	HeidelbergCement Central Europe East Holding B.V.
Book value at registered holder (in € thousands)	180,607
Book value at HeidelbergCement AG	–
Percentage of subscribed share capital held	99.03%

	as of 12 month period ended December 31, 2008	as of six month period ended June 30, 2009
	(in RON thousands)	
Subscribed share capital . . . . .	286,201	286,201
Reserves . . . . .	402,526	406,458
Profit or loss for the period . . . . .	323,162	92,462
Turnover . . . . .	1,083,097	424,779
Balance sheet total . . . . .	1,200,303	1,324,438
Dividends paid to HeidelbergCement AG . . . . .	–	–
Dividends paid to other participations within HC Group . . . . .	318,432	–
Receivables against HeidelbergCement AG . . . . .	107	107
Receivables against other participations within HC Group . . . . .	6,987	10,146
Liabilities against HeidelbergCement AG . . . . .	42	50
Liabilities against other participations within HC Group . . . . .	26,634	10,486

**Ceskomoravský cement, a.s., nástupnická společnost/Czech Republic**

Registered holder . . . . .	HeidelbergCement Central Europe East Holding B.V.
Book value at registered holder (in € thousands) . . . . .	222,999
Book value at HeidelbergCement AG . . . . .	–
Percentage of subscribed share capital held . . . . .	100.00%

	as of 12 month period ended December 31, 2008	as of six month period ended June 30, 2009
	(in CZK thousands)	
Subscribed share capital . . . . .	1,000,000	1,000,000
Reserves . . . . .	714,667	2,322,212
Profit or loss for the period . . . . .	1,609,034	1,012,182
Turnover . . . . .	4,631,507	1,827,973
Balance sheet total . . . . .	7,123,983	7,627,845
Dividends paid to HeidelbergCement AG . . . . .	–	–
Dividends paid to other participations within HC Group . . . . .	1,100,000	–
Receivables against HeidelbergCement AG . . . . .	593,777	81,794
Receivables against other participations within HC Group . . . . .	130,041	349,173
Liabilities against HeidelbergCement AG . . . . .	2,659,883	2,010,444
Liabilities against other participations within HC Group . . . . .	10,144	145

**PT Indocement Tunggak Prakarsa Tbk./Indonesia**

Registered holder . . . . .	Birchwood Omnia Limited
Book value at registered holder (in € thousands) . . . . .	724,977
Book value at HeidelbergCement AG . . . . .	–
Percentage of subscribed share capital held . . . . .	51.00%

	as of 12 month period ended December 31, 2008	as of six month period ended June 30, 2009
	(in IDR thousands)	
Subscribed share capital . . . . .	3,373,102,252	3,373,102,252
Reserves . . . . .	5,127,091,309	5,745,639,668
Profit or loss for the period . . . . .	1,745,500,936	1,172,471,616
Turnover . . . . .	9,780,498,326	4,795,496,983
Balance sheet total . . . . .	11,286,706,864	11,262,927,047
Dividends paid to HeidelbergCement AG . . . . .	–	–
Dividends paid to other participations within HC Group . . . . .	95,918,173	359,693,149
Receivables against HeidelbergCement AG . . . . .	–	–
Receivables against other participations within HC Group . . . . .	38,763,862	52,084,795
Liabilities against HeidelbergCement AG . . . . .	–	–
Liabilities against other participations within HC Group . . . . .	548,559,236	1,857,894

#### Enci B.V./Netherlands

Registered holder . . . . .	ENCI Holding N.V.
Book value at registered holder (in € thousands) . . . . .	93,369
Book value at HeidelbergCement AG . . . . .	–
Percentage of subscribed share capital held . . . . .	100.00%

	as of 12 month period ended December 31, 2008	as of six month period ended June 30, 2009
	(in € thousands)	
Subscribed share capital . . . . .	6,135	6,135
Reserves . . . . .	143,997	201,782
Profit or loss for the period . . . . .	57,729	13,739
Turnover . . . . .	226,956	97,781
Balance sheet total . . . . .	307,341	324,847
Dividends paid to HeidelbergCement AG . . . . .	–	–
Dividends paid to other participations within HC Group . . . . .	39,000	–
Receivables against HeidelbergCement AG . . . . .	79,408	64,852
Receivables against other participations within HC Group . . . . .	84,305	118,089
Liabilities against HeidelbergCement AG . . . . .	15	–
Liabilities against other participations within HC Group . . . . .	21,394	19,989

#### Hanson Australia (Holdings) Proprietary Limited/Australia

Registered holder . . . . .	- Sinclair General Corporation
Book value at registered holder (in € thousands) . . . . .	697,574
Book value at HeidelbergCement AG . . . . .	–
Percentage of subscribed share capital held . . . . .	100.00%

	<b>as of 12 month period ended December 31, 2008<sup>(1)</sup></b>
	<b>(in AUD thousands)</b>
Subscribed share capital . . . . .	2,319,300
Reserves . . . . .	–294,300
Profit or loss for the period . . . . .	279,400
Turnover . . . . .	1,631,800
Balance sheet total . . . . .	4,040,300
Dividends paid to HeidelbergCement AG . . . . .	–
Dividends paid to other participations within HC Group . . . . .	–
Receivables against HeidelbergCement AG . . . . .	195,091
Receivables against other participations within HC Group . . . . .	735,509
Liabilities against HeidelbergCement AG . . . . .	138,972
Liabilities against other participations within HC Group . . . . .	1,353,786

<sup>(1)</sup> Figures for the six month period ended June 30, 2009 are not available.

### **Ghacem Ltd./Ghana**

Registered holder . . . . .	Scancem International ANS
Book value at registered holder (in € thousands) . . . . .	22,265
Book value at HeidelbergCement AG . . . . .	–
Percentage of subscribed share capital held . . . . .	93.10%

	<b>as of 12 month period ended December 31, 2008</b>	<b>as of six month period ended June 30, 2009</b>
	<b>(in GHC thousands)</b>	
Subscribed share capital . . . . .	500	500
Reserves . . . . .	55,430	62,863
Profit or loss for the period . . . . .	10,303	7,434
Turnover . . . . .	303,712	158,449
Balance sheet total . . . . .	55,930	63,363
Dividends paid to HeidelbergCement AG . . . . .	–	–
Dividends paid to other participations within HC Group . . . . .	1,273	–
Receivables against HeidelbergCement AG . . . . .	–	–
Receivables against other participations within HC Group . . . . .	2,472	4,214
Liabilities against HeidelbergCement AG . . . . .	131	0
Liabilities against other participations within HC Group . . . . .	11,915	15,526

### **Lehigh Cement Company LLC/USA**

Registered holder . . . . .	Lehigh Hanson Inc.
Book value at registered holder (in € thousands) . . . . .	359,340
Book value at HeidelbergCement AG . . . . .	–
Percentage of subscribed share capital held . . . . .	100.00%

	as of 12 month period ended December 31, 2008	as of six month period ended June 30, 2009
	(in USD thousands)	
Subscribed share capital . . . . .	1	1
Reserves . . . . .	1,050,916	1,137,078
Profit or loss for the period . . . . .	158,458	–11,971
Turnover . . . . .	2,052,166	687,323
Balance sheet total . . . . .	2,757,704	2,818,266
Dividends paid to HeidelbergCement AG . . . . .	–	–
Dividends paid to other participations within HC Group . . . . .	–	–
Receivables against HeidelbergCement AG . . . . .	–	–
Receivables against other participations within HC Group . . . . .	–	–
Liabilities against HeidelbergCement AG . . . . .	–	–
Liabilities against other participations within HC Group . . . . .	–	–

### HBMA Holdings LLC/USA

Registered holder . . . . .	HNA Investments
Book value at registered holder (in € thousands) . . . . .	3,738,750
Book value at HeidelbergCement AG . . . . .	–
Percentage of subscribed share capital held . . . . .	100.00%

	as of 12 month period ended December 31, 2008	as of six month period ended June 30, 2009
	(in USD thousands)	
Subscribed share capital . . . . .	15	15
Reserves . . . . .	–83,932	399,308
Profit or loss for the period . . . . .	414,591	–50,270
Turnover . . . . .	2,700,420	920,351
Balance sheet total . . . . .	4,666,706	4,521,472
Dividends paid to HeidelbergCement AG . . . . .	–	–
Dividends paid to other participations within HC Group . . . . .	–	–
Receivables against HeidelbergCement AG . . . . .	49,224	93,605
Receivables against other participations within HC Group . . . . .	507	609
Liabilities against HeidelbergCement AG . . . . .	–	–
Liabilities against other participations within HC Group . . . . .	–	–

### Rating

#### General

Individual ratings reflect the assessment of the respective rating agency only on the date of the assignment. Rating agencies may change their ratings at any time. The outlook for a particular HeidelbergCement rating provides an indication of the rating agency's view on the anticipated further development of the rating over the medium or long-term (Standard & Poor's), the medium term (Moody's Investors Service) or over a period of one to two years (Fitch Ratings). A positive or negative rating outlook does not suggest that a change in the rating is inevitable. A rating of long-term or short-term liabilities or of financial strength does not constitute a rating of shares. For this reason, the ratings indicated below do not constitute a statement in regard to the shares of the Issuer. A rating is not a recommendation to buy, sell or hold securities. Each rating should be taken for itself and considered independently of other ratings.

#### Credit and Financial Strength Ratings

HeidelbergCement is rated by three major international rating agencies with respect to its creditworthiness: Standard & Poor's ("**S&P**"), Moody's Investors Service ("**Moody's**") and Fitch Ratings ("**Fitch**"). Moody's and



Fitch not only rate HeidelbergCement's creditworthiness, but also its financial strength. As of the date of this Prospectus, HeidelbergCement's ratings were as follows:

	<b>Corporate credit</b>	<b>Outlook</b>	<b>Sen. guar. debt</b>	<b>Sen. unsec. debt</b>	<b>Short- term debt</b>
<b>Standard &amp; Poor's October 15, 2009</b>	B+	Positive		B+	B
<b>Moody's Investors Service September 24, 2009</b>	B1	Positive		B3	Not prime
<b>Fitch Ratings October 12, 2009</b>	B	Positive		CCC	B

S&P's ratings for long-term liabilities include ratings ranging from AAA (highest rating i.e. highest creditworthiness and financial strength) to D (lowest rating). An A- rating follows an A rating and precedes BBB+ and lower ratings. An Aa2 rating for long-term liabilities by Moody's follows an Aa1 rating and precedes Aa3 and lower ratings. Fitch's ratings for long-term liabilities include ratings ranging from AAA (highest rating) to D (lowest rating). Fitch's A rating follows an A+ rating and precedes A- and lower ratings.

## **Management and Administrative Bodies**

### **Overview**

The corporate bodies of the Issuer are the managing board (*Vorstand*), the supervisory board (*Aufsichtsrat*) and the general shareholders' meeting (*Hauptversammlung*). The powers vested in these bodies are governed by the German Stock Corporation Act (*Aktiengesetz* – "**AktG**"), the Articles of Association (*Satzung*) and respective rules of procedure (*Geschäftsordnung*) of the managing board and supervisory board.

### **Managing Board**

#### *General*

According to the Articles of Association, the managing board of the Issuer is comprised of at least two members. The number of managing board members is otherwise determined by the supervisory board. At present, the managing board has six members.

## Members

The members of the Issuer's managing board and the divisions for which they are responsible are shown in the table below.

At the beginning of 2008, the managing board's responsibilities were restructured. The new managing board organization is characterized by dual management responsibility. The operating units in the group areas fall under the line responsibility of individual members of the managing board. In addition, they have cross-area responsibility for specific corporate functions with great strategic importance for HC Group. Memberships of the managing board members in administrative, management or supervisory bodies or as partners outside of HeidelbergCement during the last five years are stated in the following table. These memberships continue, provided nothing to the contrary is stated.

<b>Name and Position held in HC Managing Board</b>	<b>Year of Commencement/Expiration of the term</b>	<b>Area of responsibility</b>	<b>Current and previous board memberships and activities outside HC Group (unless stated otherwise: supervisory board)</b>
<b>Dr. Bernd Scheifele</b> Chairman	2005/2015	Chairman of the managing board Strategy and Development, Communication & Investor Relations, Human Resources, Legal, Compliance, Internal Audit	<ul style="list-style-type: none"> <li>Phoenix Aktiengesellschaft (chairman; until 01/05 chairman of managing board at PHOENIX Pharmahandel AG Co. KG)</li> <li>Verlagsgruppe Georg von Holtzbrinck GmbH (deputy chairman)</li> <li>Landesbank Hessen-Thüringen Girozentrale (non-executive member of board of directors)</li> <li>TAMRO Oyj (chairman of board of directors)</li> </ul>
<b>Dr. Dominik von Achten</b> Member	2007/2012	North America, Purchasing and worldwide coordination of Competence Center Materials	<ul style="list-style-type: none"> <li>The Boston Consulting Group GmbH (managing director, 01/06-09/07)</li> </ul>
<b>Daniel Gauthier</b> Member	2000/2011	North and Western Europe, Mediterranean, Africa, Group Services and Environmental Sustainability	<ul style="list-style-type: none"> <li>Akcansa Cimento Sanayi ve Ticaret A.S.</li> <li>LVI Holding N.V. (previously: Carmeuse Holding SA)</li> <li>Genlis Metal</li> <li>Vicat (01/06-06/07)</li> </ul>
<b>Andreas Kern</b> Member	2000/2011	Central Europe and Central Asia, Sales and Marketing, worldwide coordination of secondary cementitious materials,	<ul style="list-style-type: none"> <li>Basalt-Actien-Gesellschaft</li> <li>Kronimus AG</li> <li>Nederlandse Cement Handelsmaatschappij B.V. (in liquidation) (deputy chairman)</li> <li>Gmundener Zementproduktions- und Handels GmbH</li> </ul>
<b>Dr. Lorenz Näger</b> Member	2004/2014	CFO Finance, Group Accounting, Controlling, Taxes, Insurance & Corporate Risk Management, IT, Shared Service Center and Logistics	<ul style="list-style-type: none"> <li>Phoenix Aktiengesellschaft</li> <li>TAMRO Oyj</li> </ul>
<b>Dr. Albert Scheuer</b> Member	2007/2012	Asia & Oceania and worldwide coordination of Heidelberg Technology Center	

## Shareholdings, Loans, Other Legal Relationships and Conflicts of Interest

Based on information provided by the members of the managing board between the end of August and the beginning of September 2009, the members of the managing board then jointly held less than 1 % of the share capital of the Issuer.

Members of the managing board are insured by directors' and officers' liability insurance (D&O insurance). Since January 1, 2003, the Issuer in line with the German Corporate Governance Code (the "**Code**") has introduced a deductible of 25% of the fixed yearly remuneration to managing board members.

There are no loans extended to managing board members.

Besides their functions as members of the administrative bodies, the members of the managing board have not entered into any other material legal relationship with the Issuer and have no potential conflicts of interest with regard to their duties vis-à-vis the Issuer on the one hand and their private interests or other duties on the other hand. No service agreements exist between the Issuer and its subsidiaries on the one hand and one or more

members of the managing board on the other hand, which provide for benefits in the event that the service agreement is terminated. No agreements or understandings exist with shareholders, customers, suppliers or others, according to which a member of the managing board was appointed to the managing board.

Members of the managing board can be contacted at the business address of the Issuer at Berliner Straße 6, 69120 Heidelberg, Germany.

## **Supervisory Board**

### *General*

Pursuant to the Articles of Association, the supervisory board has twelve members. Half of the supervisory board members representing the shareholders are elected by the general shareholders' meeting in accordance with the provisions of the AktG. The other half of the members representing employees are elected in accordance with the provisions of the German Co-Determination Act of 1976 (*Mitbestimmungsgesetz — "MitbestG"*).

### *Members*

The current members of the supervisory board of the Issuer, their principle functions as well as memberships in administrative, management and supervisory bodies or as partners outside of HeidelbergCement during the last five years are set forth in the following table. These memberships continue, provided nothing to the contrary is stated.

### *Shareholders' representatives*

<b>Name and Position</b>	<b>Year of the first election/ expiration of the term</b>	<b>Main occupation</b>	<b>Current and previous board memberships and activities outside HC Group (unless stated otherwise: supervisory board)</b>
<b>Fritz-Jürgen Heckmann</b> Chairman	2003/2014	Business Lawyer	<ul style="list-style-type: none"> <li>• Drews Holding AG</li> <li>• Paul Hartmann AG (chairman)</li> <li>• schlott gruppe Aktiengesellschaft (chairman)</li> <li>• Wieland-Werke AG (chairman)</li> <li>• HERMA Holding GmbH + Co. KG (deputy chairman)</li> <li>• Hübner GmbH (chairman)</li> <li>• Neue Pressegesellschaft mbH &amp; Co. KG</li> <li>• Süddeutsche Verlag GmbH (deputy chairman)</li> <li>• Südwestdeutsche Medien Holding GmbH</li> <li>• URACA GmbH &amp; Co. KG (deputy chairman)</li> <li>• All for One Systemhaus AG (until 07/08)</li> <li>• businessMart AG (temporarily chairman, until 01/07)</li> <li>• Infoman AG (until 10/07)</li> <li>• Informatik Consulting Systems AG (until 03/08)</li> <li>• garma AG (until 2006)</li> </ul>
<b>Gerhard Hirth</b> Member	2005/2014	Managing director of SCHWENK Geschäftsführungs GmbH	<ul style="list-style-type: none"> <li>• Köster AG</li> <li>• Paul Hartmann AG</li> <li>• Wieland-Werke AG</li> <li>• Duna-Dráva Cement Kft</li> <li>• Ohorongo Cement (PTY) Ltd.</li> <li>• SCHWENK Namibia (PTY) Ltd.</li> <li>• Raysut Cement Company S.A.O.G.</li> <li>• Energy for Future (PTY) Ltd.</li> <li>• SCHWENK Geschäftsführungs GmbH (managing director)</li> <li>• SCHWENK Zement Beteiligungen GmbH (managing director)</li> <li>• SCHWENK Zement Middle East GmbH (managing director)</li> </ul>

Name and Position	Year of the first election/ expiration of the term	Main occupation	Current and previous board memberships and activities outside HC Group (unless stated otherwise: supervisory board)
<b>Max Dietrich Kley</b> Member	2004/2014	Attorney	<ul style="list-style-type: none"> <li>• SCHWENK Zement International Geschäftsführungs GmbH (managing director)</li> <li>• SCHWENK Donau Geschäftsführungs GmbH (managing director)</li> <li>• SCHWENK Lech Geschäftsführungs GmbH (managing director)</li> <li>• Open Joint Stock Company Kryvih Rih Cement (02/05-12/05)</li> <li>• Open Joint Stock Company Dniprocement (02/05-12/05)</li> <li>• Infineon Technologies AG (chairman)</li> <li>• BASF SE</li> <li>• Schott AG</li> <li>• SGL Carbon SE (chairman)</li> <li>• Bayerische Hypo- und Vereinsbank AG (until 11/05)</li> <li>• UniCredito Italiano S.p.A. (non-executive member of board of directors, 01/06 -04/09)</li> </ul>
<b>Ludwig Merckle</b> Member	1999/2014	Employee of VEM Vermögensverwaltung GmbH	<ul style="list-style-type: none"> <li>• Kässbohrer Geländefahrzeug AG (chairman)</li> <li>• Württembergische Leinenindustrie AG (chairman)</li> <li>• Mepha AG (non-executive member of board of directors)</li> <li>• Phoenix Aktiengesellschaft (deputy chairman, 2005-2009)</li> </ul>
<b>Tobias Merckle</b> Member	2006/2014	Managing director of the association prisma e.V. – Initiative für Jugendhilfe und Kriminalprävention	<ul style="list-style-type: none"> <li>• Phoenix Aktiengesellschaft (until 08/09)</li> <li>• MeTo Beteiligungen GmbH (managing director)</li> <li>• PH Pharma-Holding Aktiengesellschaft (member of the managing board, until 03/07)</li> </ul>
<b>Eduard Schleicher</b> Member	1999/2014	Partner with unlimited liability of SCHWENK Zement KG	<ul style="list-style-type: none"> <li>• Paul Hartmann AG</li> <li>• Wieland-Werke AG</li> <li>• Duna-Dráva Cement Kft</li> <li>• SCHWENK Namibia (PTY) Ltd.</li> <li>• SCHWENK Zement KG (partner with unlimited liability)</li> <li>• SCHWENK Geschäftsführungs GmbH (managing director)</li> <li>• SCHWENK Transportbeton GmbH &amp; Co. KG (partner with unlimited liability)</li> <li>• SCHWENK Putztechnik GmbH &amp; Co. KG (partner with unlimited liability)</li> <li>• WBC Verwaltungs GmbH &amp; Co. KG (partner with unlimited liability)</li> <li>• SCHWENK Industrie GmbH &amp; Co. KG (partner with unlimited liability)</li> <li>• SCHWENK GmbH, Bernburg (managing director)</li> <li>• SCHWENK Lech GmbH &amp; Co. KG (partner with unlimited liability)</li> <li>• SCHWENK Lech Geschäftsführungs GmbH (managing director)</li> <li>• SCHWENK Dämmtechnik GmbH &amp; Co. KG (partner with unlimited liability)</li> </ul>

Name and Position	Year of the first election/ expiration of the term	Main occupation	Current and previous board memberships and activities outside HC Group (unless stated otherwise: supervisory board)
			<ul style="list-style-type: none"> <li>• Fertigteilwerk Glöthe Verwaltungs-GmbH (managing director)</li> <li>• Isotex Baustoffwerke GmbH (managing director)</li> <li>• Richard Josenhans Baumaterialien GmbH (managing director)</li> <li>• Zementwerke Bernburg GmbH (managing director)</li> <li>• E. SCHWENK Betontechnik Beteiligungs GmbH (managing director)</li> <li>• SCHWENK Zement Beteiligungen GmbH (managing director)</li> <li>• SCHWENK Zement Middle East GmbH (managing director)</li> <li>• SCHWENK Zement International Geschäftsführungs GmbH (managing director)</li> <li>• Transbeton Beteiligungs-GmbH (managing director)</li> <li>• SCHWENK Invest Geschäftsführungs GmbH (managing director)</li> <li>• SCHWENK Limes Geschäftsführungs GmbH (managing director)</li> <li>• SCHWENK Familien GbR (managing director)</li> <li>• SCHWENK GbR für Grundbesitz (managing director)</li> <li>• SCHWENK GbR mbH für Zentrales Cash-Management der SCHWENK-Gruppe (managing director)</li> <li>• Grundstücks- und Baugesellschaft AG (07/04-06/06)</li> <li>• Wohnungsbauverein Ulm AG (05/03-2007)</li> <li>• Nederlandse Cement Handelmaatschappij B.V. (06/98-2007)</li> </ul>



## Employee Representatives

Name and Position	Year of the first election/ expiration of the term	Main occupation	Current and previous board memberships and activities outside HC Group (unless stated otherwise: Supervisory Board)
<b>Heinz Schmitt</b> Deputy Chairman	2004/2014	Chairman of the council of employees at the headquarters, HeidelbergCement AG	
<b>Robert Feiger</b> <b>Member</b>	2008/2014	Member of the federal executive committee, IG Bauen-Agrar-Umwelt	<ul style="list-style-type: none"> <li>• BAUER Aktiengesellschaft (deputy chairman)</li> <li>• Zusatzversorgungskasse des Baugewerbes AG</li> <li>• Zusatzversorgungskasse des Gerüstbaugewerbes VVaG</li> <li>• Zusatzversorgungskasse der Steine- und Erden-Industrie und des Betonsteinhandwerks Bayern VVaG (member of the managing board)</li> <li>• Sozialkasse des Gerüstbaugewerbes</li> <li>• Vermögensverwaltungs- und Treuhandgesellschaft mbH der Industriegewerkschaft Bauen-Agrar-Umwelt (managing director)</li> <li>• Urlaubs- und Lohnausgleichskasse der Bauwirtschaft (non-executive member of the board of directors)</li> </ul>
<b>Josef Heumann</b> Member	2004/2014	Chairman of the council of employees at the Burglengenfeld plant, HeidelbergCement AG	
<b>Hans Georg Kraut</b> Member	2004/2014	Director of the Schelklingen plant, HeidelbergCement AG	
<b>Werner Schraeder</b> Member	2009/2014	Chairman of the general council of employees of HeidelbergCement AG and Chairman of the Council of Employees at the Ennigerloh plant, HeidelbergCement	
<b>Frank-Dirk Steining</b> Member	2008/2013	Specialist in employment law for the federal executive committee, IG Bauen-Agrar-Umwelt	

Members of the supervisory board can be contacted at the business address of the Issuer, Berliner Strasse 6, 69120 Heidelberg, Germany (Tel.: +49 (0) 6221 481-0).

## Committees

The supervisory board may form committees in addition to the mediation committee required under the provisions of the German Co-Determination Act (*Mitbestimmungsgesetz*) of 1976. They act in the name and on behalf of the entire supervisory board in discharging the tasks assigned to them under the supervisory board rules of procedure and by special resolutions adopted by the supervisory board. The supervisory board has currently formed four committees: the personnel committee, the audit committee, the nomination committee and the mediation committee. The supervisory board may form further committees.

Tasks performed by the personnel committee include inter alia the following:

- The preparation of decisions of the supervisory board as to the appointment, the revocation of appointment, or the extension of the terms, of the members of the managing board.
- The preparation of the election of the chairman of the managing board.
- Decisions regarding the legal relationships between the Issuer and the members of the managing board, including former members.
- The preparation of decision of the Supervisory Board relating to conditions and arrangements of share options plans or similar remuneration components for members of the managing board.

The members of the personnel committee currently are: Ludwig Merckle (Chairman), Fritz-Jürgen Heckmann, Josef Heumann, Hans Georg Kraut, Eduard Schleicher and Heinz Schmitt. The personnel committee met twice in the fiscal year 2008. In the current fiscal year, it has met six times so far.

The audit committee inter alia performs the following tasks:

- The preparation of decisions of the supervisory board in respect of the determination of the annual financial statements and approval of the consolidated financial statements.
- The inspection of the risk management system and the compliance management system of HC Group.
- Granting the auditing instructions, determining the auditing points of main emphasis and reaching the fee agreement and the pertinent framework agreement with the auditor.
- Obtaining the independence statement of the auditor and deciding on measures if, during an audit, reasons for a potential exclusion or bias of the auditor arise.

The members of the audit committee currently are: Ludwig Merckle (Chairman), Robert Feiger, Fritz-Jürgen Heckmann, Eduard Schleicher, Heinz Schmitt and Werner Schraeder. The audit committee met once in the fiscal year 2008. In the current fiscal year, the audit committee has met five times so far.

The nomination committee proposes suitable candidates to the supervisory board for its proposal to the general shareholders' meeting. The members of the nomination committee currently are: Fritz-Jürgen Heckmann (Chairman), Ludwig Merckle and Eduard Schleicher. The nomination committee did not meet in the fiscal year 2008. In the current fiscal year, the nomination committee has met once so far.

Pursuant to Section 27 (3) and Section 31 (3) MitbestG the task of the mediation committee is to make a recommendation for a second round of voting if the required two thirds majority of supervisory board members is not achieved in the first round of voting on the appointment of managing board members. In the second round of voting, a simple majority vote of the supervisory board members suffices for the appointment. If no majority is achieved in the second round of voting, the chairman of the supervisory board has two votes in a further round of voting. The four members of the mediation committee currently are: Fritz-Jürgen Heckmann (Chairman), Hans Georg Kraut, Eduard Schleicher and Heinz Schmitt. The mediation committee did not meet in the fiscal year 2008 nor has there been occasion for a meeting of the mediation committee in the current fiscal year.

#### *Shareholdings, loans, other legal relationships and conflicts of interest*

According to information provided to the Issuer, Mr. Ludwig Merckle indirectly held 45,780,912 (24.42%) of the issued shares of the Issuer as per September 29, 2009. For further details see "*Shareholders*". Based on information provided by the members of the supervisory board between the end of August and the beginning of September 2009, the remaining members of the supervisory board jointly held less 1% of the share capital of the Issuer.

There are no loans extended to supervisory board members other than a loan with a very low outstanding amount granted to a supervisory board member in connection with a HeidelbergCement employee building loan program. In addition, two subsidiaries of HeidelbergCement have each granted one loan at market conditions to Schwenk Zement KG. Mr. Hirth and Mr. Schleicher are affiliated with Schwenk Zement KG. The two loans were granted in the total amount of approximately € 31 million. As of the date of this Prospectus, € 30 million of the aggregate principal amount of the loans remain outstanding.

Besides their function as members of the corporate body, the members of the supervisory board have not entered into any other material legal relationship with the Issuer and have no potential conflicts of interest with regard to their duties vis-à-vis the Issuer on the one hand and their private interests or other duties on the other hand, except for Mr. Ludwig Merckle's indirect shareholding in HeidelbergCement and Mr. Eduard Schleicher's participation in Schwenk Beteiligungen GmbH & Co. KG which was a shareholder of HeidelbergCement. No service agreements exist between the Issuer and its subsidiaries on the one hand and one or more members of the supervisory board on the other hand, which provide for benefits in the event the service agreement is terminated. No agreements or understandings exist with shareholders, customers, suppliers or other persons, according to which a member of the supervisory board was appointed to the supervisory board.

## Corporate Governance

The "Government Commission for the German Corporate Governance Code" (*Regierungskommission Deutscher Corporate Governance Kodex*), appointed by the Federal Minister of Justice in September 2001, adopted the German Corporate Governance Code (the "**Code**") on February 26, 2002 and resolved various amendments to the Code, most recently on June 18, 2009. The Code contains recommendations and suggestions relating to the management and supervision of German listed companies. It follows internationally and nationally recognized standards for good and responsible corporate governance. The Code aims at making the German corporate governance system transparent and understandable. The Code contains corporate governance recommendations (so called "shall" provisions) and suggestions (so called "should" or "can" provisions) with respect to shareholders and the general shareholders' meeting, the managing board and supervisory board, transparency, accounting policies and audits. The Code may be viewed at [www.corporate-governance-code.de](http://www.corporate-governance-code.de).

There is no duty to comply with the recommendations or suggestions of the Code. The German stock corporation law only obliges the managing boards and supervisory boards of listed companies to issue an annual declaration stating either that the Code recommendations have been complied with and are being complied with, or to declare which recommendations have not been applied or are not being applied. The declaration has to be made accessible to shareholders at all times. Non-compliance with suggestions contained in the Code need not be disclosed.

On March 17, 2009 the managing board and supervisory board of the Issuer issued the last declaration of compliance regarding the Code in accordance with Section 161 AktG. With the following qualifications, HeidelbergCement AG has been and is in compliance with the recommendations of the Code:

- The Management Board compensation system is not resolved by the full Supervisory Board (Section 4.2.2 of the Code) and the management board service contracts do not contain a severance payment cap for the case of premature termination (Section 4.2.3 of the Code). These deviations result from the Issuer's decision to await the final version of the act regarding executive compensation (*Vorstandsvergütungsgesetz*) before adjusting the resolution procedures in connection with the remuneration of the management board members.
- According to a resolution passed by the general shareholders' meeting on May 23, 2006 the compensation of the members of the managing board is not broken down by individual members in the corporate governance report (Section 4.2.4 of the Code). The majority of shareholders acknowledged that the additional transparency gained by disclosing the individual remuneration of the members of the managing board would be disproportionate compared to the interference with the privacy of the members of the managing board.
- The chairman of the supervisory board is not the chairman of the personnel committee (Section 5.2 of the Code). The supervisory board was of the opinion that the representative of the majority shareholder should preside over the personnel committee of the supervisory board.
- There is no age limit for members of the supervisory board (Section 5.4.1 of the Code). The supervisory board is not convinced that the reaching of a certain age would generally disqualify a member of the supervisory board from the duly performance of its statutory supervisory tasks.
- An application for appointment of a supervisory board member by court filed in February 2008 had not been limited in time until the next general shareholders' meeting (section 5.4.3 of the code). However, since the election of the new shareholders' representatives in the supervisory board was scheduled for the general shareholders' meeting on May 7, 2009, it was ensured that the court order would only last for a limited period of less than 15 months.
- The compensation of the members of the supervisory board does not contain a performance related component (Section 5.4.7 of the Code). The proposal to the general shareholders' meeting which resolved upon the compensation of the supervisory board members was based on the opinion that retaining a fixed compensation system for the members of the supervisory board would neither impair its general supervisory and advisory functions nor the individual performance of its members.
- Information on shareholdings of members of the supervisory board which exceed 1% of the shares issued by the Issuer is not provided in the corporate governance report (Section 6.6 of the Code). Pursuant to Sections 21 and 15a WpHG, members of the supervisory board have a legal obligation to disclose their shareholding in the Issuer and any "directors dealings" in this respect. The Issuer is convinced that this dynamic disclosure regime leads to a sufficient degree of transparency.
- The supervisory board has not discussed the quarterly financial report per September 30, 2008 with the managing board by prior to its publication (Section 7.1.2 of the Code). The Issuer's corporate governance principles had only been adjusted in this respect after the publication of the interim report as per September 30, 2008.

- The company takes out a D&O (directors and officers' liability insurance) policy for the managing board, but the agreed deductible is currently capped at a lower amount than 1.5 times the fixed remuneration of the respective managing board members (Section 3.8 of the Code). Section 3.8 of the Code has been amended in the most recent Code version as per June 18, 2009. In accordance with the transition rules for the corresponding amendment of Section 93 para (2) sentence 3 AktG the Issuer assumes that no alteration of the existing D&O policies are required during the lifetime of the current service contracts with the respective managing board members.

The online transmission of information to shareholders has been approved by the general shareholders' meeting in 2008. On the basis of this resolution, the documents convening the general shareholders' meeting may, at the shareholder's request, also be transmitted electronically.

The Issuer presently assumes that it will be able to issue a substantially similar declaration of compliance for 2009.

## **Material Contracts**

### *Profit and Loss Pooling Agreement with HeidelbergCement International Holding GmbH*

On March 21, 2002 HeidelbergCement and HeidelbergCement International Holding GmbH ("**HCIH**") concluded a profit and loss pooling agreement (*Gewinnabführungsvertrag*) under which HCIH is obliged to transfer its profits to HeidelbergCement and HeidelbergCement is obliged to compensate HCIH for any annual deficits, each with effect of January 1, 2002. The profit and loss pooling agreement can be terminated unilaterally with six months prior notice on December 31 of each year.

### *Divestiture of Shareholding in Vicat S.A.*

HeidelbergCement decided to dispose of its 35% shareholding in the French listed company Vicat S.A. in the year 2007. On March 2, 2007, in a "protocol d'accord" HeidelbergCement agreed to sell part of its shareholding to the Vicat family, acting through their investment vehicles Parfininco and Soparfi. The remaining part of the shareholding was publicly offered in France in June 2007.

### *Acquisition of Hanson*

In August 2007 HeidelbergCement acquired the British building materials manufacturer Hanson for a cash consideration of approximately € 11.7 billion. The acquisition was implemented by way of a court sanctioned scheme of arrangement. The scheme of arrangement was conditional upon the requisite approval of Hanson's shareholders and the High Court of Justice in England and Wales. The acquisition was also conditional upon the satisfaction or waiver of European, Canadian and U.S. competition authority clearance. At the shareholders' meetings held on July 31, 2007, the shareholders of Hanson approved the recommended cash offer by HeidelbergCement. The U.S. Federal Trade Commission and the European Commission granted their approval in the first week of August 2007. Approval from the High Court of Justice in England and Wales was finally issued on August 23, 2007. Upon such approval, the transfer to HeidelbergCement of all shares of Hanson not yet owned by HeidelbergCement or any of its subsidiaries was effected. Not the least due to the nature of the transaction, in acquiring Hanson, HeidelbergCement relied exclusively on information provided in Hanson's annual report and gathered from other publicly available sources as well as on certain information provided to it by the management of Hanson. A comprehensive legal and business due diligence for internal purposes was carried out immediately after the acquisition. The Hanson group has been included in the consolidated financial statements since August 24, 2007.

### *Divestiture of maxit group*

On August 7, 2007 HeidelbergCement and Lehigh UK Limited as sellers and Compagnie de Saint-Gobain as purchaser entered into an agreement for the sale of all shares in maxit Holding AB and maxit Holding GmbH (together and including all their subsidiaries the "**maxit group**"). The sale of the maxit group was completed on March 13, 2008 for a total purchase price of approximately € 2,125 million.

In addition to several representations and warranties by the sellers and the purchaser as usually contained in share purchase agreements, this agreement contains detailed provisions under which the sellers could be held liable to indemnify the purchaser. These indemnities cover (i) the conduct of business, (ii) indemnifications in connection with environmental liabilities, (iii) the impairment or hazard of health, (iv) anti-competitive matters, (v) subsidies and (vi) insurance.

The indemnification in connection with environmental liabilities cover, in summary and with certain exceptions and exclusions as contained in the agreement and an exhibit thereto, the sellers' obligation to indemnify the purchaser (i) in case of a breach of an environmental representation or warranty and (ii) in case of an environmental contamination of the maxit group properties, including any pollution, contaminants or other hazardous materials existing in the air, soil, groundwater or surface water if the respective maxit group entity is

required under environmental law to remedy such matter. Under the environmental representations and warranties the sellers represent and warrant, in summary, that (i) no legal actions, proceedings or investigations of any type are pending against maxit group in relation to material violations of environmental laws, (ii) maxit group has obtained and complies with all required permits under environmental law, (iii) maxit group has not arranged for disposal, disposed of or stored hazardous materials in a way which is likely to give rise to any material order, liability or claim, and (iv) maxit group has not received any written claim and no legal actions are pending which could lead to losses in excess of € 750,000 or, depending on the maxit entity, € 1 million in connection with liabilities resulting from certain claims under environmental laws.

The indemnification in connection with anti-competitive matters covers, in summary, sellers' obligation to indemnify the purchaser or the respective entity of the maxit group in case a final decision of a competent authority or a final judgment is imposed on the purchaser or an entity of the maxit group for participating in anti-competitive activities prior to June 30, 2007.

In general, the sellers owe payment in case their liability under the agreement exceeds a de minimis amount of € 1 million and the deductible of € 20 million. Except for breaches of certain representations, the indemnity regarding impairment or hazard of health, the indemnity regarding anti-competitive matters for which liability may amount up to the purchase price of the shares and for intentional acts for which no limitation exists, sellers' liability under the agreement is generally limited to 20% of the purchase price for the shares (which is, simplified, the total purchase price less an amount which was paid for the acquisition of existing shareholder loans). Furthermore, claims against the sellers are time-barred. In brief, indemnity claims regarding anti-competitive matters become time-barred on March 13, 2011, indemnity claims regarding environmental matters become time-barred on March 13, 2013, indemnity claims regarding impairment or hazard of health become time-barred on March 13, 2018 and other claims become time-barred on March 13, 2010.

For the notification of a minimum of approximately € 55 million impairment loss by Saint-Gobain due to alleged non-compliance with environmental laws and for a pending case involving a fine of € 12.4 million imposed by the FCO on maxit Deutschland GmbH for alleged concerted introduction of a silo lease fee in early 2006 see *"– Business – Litigation/Administrative Proceeding – Claims in connection with past divestitures"* and *"Risk Factors – Risks Relating to the Issuer – Regulatory, other Legal and Tax-related Risks – HeidelbergCement may have to indemnify Saint-Gobain in connection with the divestiture of its dry mortar business (maxit) for an anti-trust fine and alleged non-compliance with environmental laws"*.

#### *Placement of Shares in Indocement*

In a private placement, Birchwood Omnia Limited, an HC Group company, sold a 14.1 % stake in PT Indocement Tungal Prakarsa Tbk. for € 220 million with effect of June 2009. Following the divestiture, HC Group continues to hold 51 % in Indocement.

#### *Syndicated Facilities Agreement; Letter of Guarantee Facility*

On June 16, 2009 HeidelbergCement and certain of its subsidiaries have entered into a new syndicated facilities agreement in the total amount of approximately EUR 8.7 billion (the **"SFA"**). The facilities are divided into two term loan tranches of € 5.21 billion and € 1.25 billion, respectively, as well as a multicurrency revolving credit facility in an amount of € 2.29 billion. The SFA will mature on December 15, 2011. The main purpose of the SFA was to refinance the previous acquisition financing for the purchase of Hanson in 2007 and of working capital loans and certain other indebtedness of HC Group.

The terms of the SFA contain restrictions which may affect the operating flexibility of HC Group. These restrictions include financial covenants relating to the ratio of HC Group's net debt to EBITDA and the ratio of HC Group's EBITDA to consolidated net finance charges for each three-month testing period.

Further restrictions include a limitation on the amount of HC Group's capital expenditure in any fiscal year, a negative pledge undertaking and the obligation to apply the major portion of the net proceeds from capital market transactions, other debt financing and major asset disposals (subject to certain exceptions) towards repayment of the SFA. The SFA also provides for a cash sweep mechanism, whereby excess cash flow above a certain threshold in any fiscal year of the Issuer will have to be utilized for prepayment of the SFA. HC Group shall also use best efforts to sell businesses, shares and/or undertakings in an amount of at least € 2 billion over the lifetime of the SFA. The Issuer is obliged to arrange for prepayments (from disposal proceeds, capital markets proceeds or excess cash flow) of the SFA in an amount of at least € 600 million by June 30, 2010 (from this € 600 million an amount of € 415 million has already been prepaid in 2009) and further € 600 million by June 30, 2011.

There are also certain general restrictions in effect for the entire term of the SFA that, among other things, restrict HC Group's ability to offer assets as collateral, sell assets, participate in joint ventures, acquire other businesses, repurchase own shares, pay dividends, borrow additional funds, grant loans or issue guarantees, enter into leasing obligations or undertake certain restructuring measures. Any breach of the contractual undertakings and the agreed financial covenants will in general trigger a right of early termination on the part of



the lenders, who will in this case be entitled to demand immediate repayment. The lenders also have other rights of termination, for example, if the Issuer's shareholders' meeting resolves to pay to the shareholders of the Issuer a dividend in excess of the minimum dividend pursuant to Section 254 of the German Stock Corporation Act (being € 0.12 per share), if assurances under the SFA are not (or cannot be) given truthfully, if an obligor under the SFA or a material company of HC Group becomes insolvent, if HC Group companies are in default on financial liabilities above a certain threshold, or if the creditors of such financial liabilities have the right to demand early repayment because of the occurrence of a cause of termination (of any kind).

If a person or a group of persons acting in concert gain control of the Issuer (change of control event), the lenders have a right of early termination which each lender may exercise individually.

The interest rate corresponds to the sum of a margin, which reflects the risk premium in line with the current financial market, EURIBOR (or, in case of a foreign currency, LIBOR) and the regulatory costs of the lenders (if any).

Under the terms of the SFA, HeidelbergCement is obligated to pay an up-front fee, a customary commitment fee on the unused portions of the facility commitments and a duration fee, which is subject to a reduction mechanism related to the level of prepayments under the SFA. Compared to cost of funds before the refinancing through the SFA, HC Group's financing costs have increased substantially after the refinancing. However, this increase is currently partially offset by a reduction in the amount of indebtedness and a decline of the EURIBOR/LIBOR rate (see *"Risk Factors – Risks Relating to the Issuer – Risks Associated with HC Group's Capital Structure"*).

On June 16, 2009 HeidelbergCement and certain of its subsidiaries also entered into an amendment and restatement agreement with respect to an existing USD 250,000,000 Letter of Guarantee Facility. The terms of the Letter of Guarantee Facility do not substantially deviate from the terms accepted by HC Group under the SFA.

In connection with the refinancing, HeidelbergCement and HeidelbergCement Finance B.V. had to grant security over intra-group loan receivables and the main cash pooling bank accounts in Germany, Ireland, England, Belgium, the Czech Republic, Estonia, Latvia, Norway and Sweden. The security package for the benefit of the lenders under the SFA and the Letter of Guarantee Facility also includes guarantees by the Issuer and its major direct and indirect subsidiaries (approximately 60 worldwide), as well as share pledges over the shares in HeidelbergCement's major direct or indirect subsidiaries (45 worldwide). The SFA and the Letter of Guarantee Facility as well as certain other financing agreements of HC Group which are not material contracts within the meaning of the description of the first paragraph in this section provide for substantial restrictions with respect to HC Group's operational flexibility. In particular, HC Group has to adhere to certain financial ratios (covenants) and general undertakings, allowing the lenders to claim immediate repayment of the outstanding loans if such covenants or undertakings are not satisfied.

#### *HeidelbergCement as guarantor for bonds*

At June 30, 2009, HC Group had € 1,691 million of bonds outstanding under its Euro Medium Term Note Programme (EMTN program). The following table sets forth certain information for such bonds at June 30, 2009:

	<b>Issued amount</b>	<b>Interest rate</b>	<b>Issue date</b>	<b>Maturity date</b>	<b>Outstanding amount</b>
	<b>(in € millions)</b>	<b>(%)</b>			<b>(in € millions)</b>
Euro Bond <sup>(1)</sup> . . . . .	480	5.625	October 22, 2007	January 4, 2018	480
Euro Bond <sup>(1)</sup> . . . . .	1,000	7.625	January 25, 2008	January 25, 2012	1,000
Euro Bond <sup>(1)</sup> . . . . .	50	3M Euribor + 2.900%	April 5, 2004	April 8, 2011	50
Euro Bond <sup>(1)</sup> . . . . .	10	6M Euribor + 2.500%	March 26, 2004	May 20, 2011	10
Euro Bond . . . . .	10	3M Euribor + 2.500%	April 1, 2004	May 20, 2011	10
SEK Bond <sup>(1)(2)</sup> . . . . .	14	4.400%	November 7, 2006	November 7, 2011	14
SEK Bond <sup>(1)(2)</sup> . . . . .	14	3M Stibor + 0.400%	November 7, 2006	November 7, 2011	14
Euro Bond <sup>(1)</sup> . . . . .	6	6M Euribor + 0.200%	January 20, 2005	January 20, 2012	6
Euro Bond <sup>(1)</sup> . . . . .	50	3M Euribor + 0.200%	January 23, 2007	January 23, 2012	50
SEK Bond <sup>(2)</sup> . . . . .	27	3M Stibor + 1.050%	October 25, 2007	October 25, 2012	27
Euro Bond <sup>(1)</sup> . . . . .	30	3M Euribor + 1.450%	June 9, 2005	June 9, 2015	30
<b>Total</b> . . . . .	<u>1,691</u>				<u>1,691</u>

<sup>(1)</sup> Issued by HeidelbergCement Finance B.V. and guaranteed by HeidelbergCement AG.

<sup>(2)</sup> The issued and outstanding amounts in Euro were calculated using the SEK/Euro exchange rate on June 30, 2009 of SEK 10.8155/€ 1.

The EMTN program is currently not available for the issuance of additional debt securities as it has not been updated. The bonds issued under the EMTN program are governed by German law. The terms of the bonds

include an undertaking by HC Group not to create or permit to subsist any security interest upon the whole or any part of its undertakings, assets or turnover, present or future, to secure any capital market indebtedness without at the same time providing to the holders of the bonds the same security. The terms of the bonds also include certain events of default, including a customary cross-default provision (only in some cases limited to other capital market indebtedness).

Outside of the EMTN program, at June 30, 2009, HC Group had the following material outstanding long and medium-term debt instruments:

	<b>Issued amount</b> <b>(in US\$ millions)</b>	<b>Interest rate</b> <b>(%)</b>	<b>Issue date</b>	<b>Maturity date</b>	<b>Outstanding amount</b> <b>(in US\$ millions)</b>
2000/2010 Hanson Bond <sup>(1)</sup> . . . . .	750	7.875	September 27, 2000	September 27, 2010	750
2003/2013 Hanson Bond <sup>(2)</sup> . . . . .	750	5.250	March 18, 2003 and May 2, 2003	March 15, 2013	750
2006/2016 Hanson Bond <sup>(1)</sup> . . . . .	750	6.125	August 16, 2006	August 15, 2016	750
<b>Total</b> . . . . .	<u>2,250</u>				<u>2,250</u>

<sup>(1)</sup> Issued by Hanson Ltd. (formerly Hanson PLC) and guaranteed by HeidelbergCement AG.

<sup>(2)</sup> Issued by Hanson Australia Funding Ltd. and guaranteed by Hanson Ltd. (formerly Hanson PLC) as well as HeidelbergCement AG.

#### *Commercial Paper Program*

In addition to the use of own cash resources and the above-described credit facilities, HC Group's short-term funding needs have been met also through the issuance of commercial paper. HC Group has a € 1 billion multi-currency commercial paper program. At June 30, 2009, € 9.0 million of commercial paper was outstanding, maturing at the end of 2009.

#### *Co-operation Agreement, Indemnification Agreement*

In connection with the Capital Increase 2009, on September 13, 2009, the Issuer, Spohn, VEM and two entities (the "**Trustees**") mandated by Spohn and VEM, respectively, to sell the shares in the Issuer held by Spohn on the one hand and VEM, certain of VEM's subsidiaries as well as companies related to VEM (*Seitengesellschaften*) (together the "**VEM Companies**") on the other hand, concluded a co-operation agreement (the "**Co-operation Agreement**"). In addition to supporting the placement of shares held by Spohn, VEM and the Trustees, the Issuer, *inter alia*, committed to support in various ways future sales of shares by Spohn, VEM and the Trustees in the form of a public offering or private placement, provided the shares to be sold amount to at least 5% of the Issuer's share capital prior to the Capital Increase 2009. The Issuer also committed not to make use of its authorization to issue convertible bonds convertible into new shares issued from the "Conditional Capital 2009" as resolved in the annual general shareholders' meeting of 2009 (*see "– Share Capital– Conditional Capital, Authorization to Issue Warrant Bonds or Convertible Bonds, Profit Participation Rights or Participating Bonds"*) for a period of 365 days from the date of the expiration of the lock-up period agreed by the Issuer vis-à-vis the underwriters in the underwriting agreement of the Capital Increase 2009 (which lock-up is expected to expire on April 7, 2010). In case of a further offering of shares or convertible bonds, the Issuer agreed to facilitate the concurrent sale by Spohn, VEM and the Trustees of shares, provided this is regarded as reasonable based on the advice from the investment banks involved in the potential offering and to the extent legally permissible. The Co-operation Agreement is subject only to termination for cause and will otherwise terminate on June 30, 2011. In particular, the Co-operation Agreement may be terminated if one or more shareholders that have participated in the Capital Increase 2009 have violated their lock-up agreements.

In connection with the Co-operation Agreement, on September 13, 2009, the Issuer on the one hand and the Trustees on the other hand entered into an indemnification agreement (the "**Indemnification Agreement**"). The Indemnification Agreement provides for an indemnification of each Trustee and any person who may be deemed to control such Trustee and its directors, officers and employees (each an "**Indemnified Person**") against any losses, claims, damages or liabilities to which such Indemnified Person may become subject and which arise out of, or in relation to, any material misstatement or alleged material misstatement contained in the prospectus of the Capital Increase 2009 or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make this statements therein not misleading.

## **Relationships with Related Parties**

### *General*

According to the International Accounting Standard 24 (IAS 24), parties considered related to HeidelbergCement are such entities with which HeidelbergCement forms a group of companies (*Konzernverbund*), or in which HeidelbergCement holds a share enabling it to exert a material influence on the business policy of the entity. Under IAS 24, related parties also include the members of the managing board and supervisory board, including their close family members, as well as any entities that members of the managing board and supervisory board of the Issuer or their close family members are capable of significantly influencing or in which they hold a material share of voting rights.

Pursuant to Section 312 AktG any dependent company must prepare a dependence report (*Abhängigkeitsbericht*) on an annual basis. An entity is considered to be dependent if another entity can directly or indirectly exercise a controlling influence on the dependent entity. Prior to the Capital Increase 2009 which was registered with the commercial register of Mannheim on September 22, 2009, the Issuer was a dependent company at least of Spohn Cement GmbH. In the dependence report, the Issuer must report all transactions in the preceding fiscal year between the Issuer and related parties or any of their affiliated companies, or at the instruction or in the interest of these companies in the preceding fiscal year, as well as on other measures taken or not taken by the Issuer at the instruction or in the interest of these companies in the preceding fiscal year. The report must include information on the performance and consideration for each of the aforementioned transactions, and state the reasons for any such measures, and the benefits and detriments for the Issuer. If the Issuer has been compensated for detriments suffered, details of how such detriments were actually compensated during the fiscal year must be provided, or to what benefit a legal claim was granted to the Issuer. At the end of the report, the managing board must state whether the Issuer, under the circumstances known to it at the time at which the transaction or measure was or was not effectuated or taken, received adequate compensation and was not adversely affected by taking or not taking the measure. To the extent the Issuer was adversely affected, the managing board must state whether the detriments have been compensated.

The dependence report must be audited. If there are no objections raised based on the audit's findings, the auditor must confirm that the reported facts are accurate, that any consideration paid by the Issuer for any transactions listed in the report was not inappropriately high or that any disadvantages were compensated for with respect to the transactions listed in the report, and that there are no reasons for an assessment materially differing from that of the managing board with respect to the measures described in the report. The supervisory board of the Issuer must review the dependence report and report the results of its review to the general shareholders' meeting, including comments on the audit opinion.

The Issuer believes that all transactions with related parties conducted in the course of ordinary business have conformed to standard market conditions. In the 2008 dependence report, which was prepared with respect to the Issuer's dependence on Spohn Cement GmbH, the managing board accordingly reported that the Issuer, under the circumstances known at the time of the respective transaction, always received adequate consideration for each service within the meaning of the dependence report. No measures were taken or not taken at the instruction or in the interest of related parties or their affiliates. The Issuer's auditor has audited the report and confirmed that the facts reported in the 2008 dependence report are correct and that the consideration paid or received by the Issuer for the transactions listed in the report was not inappropriate. The audit did not result in any objections.

For details on receivables from, liabilities to, and profits and expenses towards related companies, see note 44 to the 2008 consolidated financial statements (page 133 of the Annual Report 2008), which are incorporated by reference into this Prospectus.

### *Relationships with Spohn Cement GmbH and VEM Vermögensverwaltung GmbH*

Spohn Cement GmbH currently holds 24.06% of the share capital of the Issuer. No domination or profit and loss pooling agreement between Spohn Cement GmbH and the Issuer has been established. The Issuer specifically maintains the following legal relationships with Spohn Cement GmbH:

The Issuer has prepared the consolidated financial statements of Spohn Cement GmbH ("**Spohn Konzernabschluss 2008**"). The Issuer and Spohn Cement GmbH agreed on the payment of a market-standard compensation for the Issuer's services based on its expenditure of time. Thus, in 2009 the Issuer invoiced € 49,861 (including VAT) to Spohn Cement GmbH for its services rendered in connection with the Spohn Konzernabschluss 2008.

A management service agreement, dated November 7, 2008, between the Issuer and VEM Vermögensverwaltung GmbH terminated with effect as of December 2, 2008.

On September 13, 2009, the Issuer, Spohn, VEM and the Trustees, concluded the Co-operation Agreement. For details on the Co-operation Agreement see "*– Material Contracts – Co-operation Agreement, Indemnification Agreement*".

### *Relationships with Other Related Parties*

In the ordinary course of business entities of HC Group (including HeidelbergCement) have entered into several consulting, lease, share purchase and transfer agreements and other agreements with Schwenk Zement KG and entities with which Schwenk Zement KG forms a group of companies (*Konzernverbund*) which the Issuer believes conform to standard market conditions. This includes loans granted by two subsidiaries of HeidelbergCement at market conditions to Schwenk Zement KG in the total amount of approximately € 31 million. As of the date of this Prospectus, € 30 million of the aggregate principal amount of these loans remain outstanding.

### **Share Capital**

The following overview presents a summary of certain information regarding the share capital of the Issuer, which is divided into shares, as well as certain provisions of the Articles of Association of the Issuer and of German law, whereby special features may result, particularly in regard to capital increases, authorized capital, profit participation rights and notification obligations for material shareholdings. This overview does not purport to be exhaustive, and the information contained herein relates exclusively to the Articles of Association of the Issuer and German law in effect as of the time of publication of this Prospectus.

#### *Issued Share Capital and Shares*

Following the Capital Increase 2009 which was registered with the commercial register of the Local Court of Mannheim on September 22, 2009, the share capital of HeidelbergCement amounts to € 562,500,000 and is divided into 187,500,000 no-par value ordinary bearer shares, each representing a notional amount of € 3.00 in the share capital and carrying full dividend rights as from the fiscal year 2009, i.e. as commencing on January 1, 2009. All shares are fully paid in. Each share entitles its owner to one vote at the Issuer's shareholders' meeting.

All shares of the Issuer are no-par value bearer shares. The current share capital is represented by global certificates without dividend coupons which are deposited with Clearstream Banking AG, Frankfurt am Main, and physical share certificates (*effektive Stücke*) that are held in individual safe-deposits or private custody (*Streifband- oder Eigenverwahrung*).

The Issuer is entitled to issue certificates representing multiple shares. The right of the shareholders to request certification of individual shares is excluded pursuant to Section 5 para. 1 of the Articles of Association of HeidelbergCement. The form of the share certificates as well as dividend and renewable coupons is determined by the managing board with the consent of the supervisory board.

#### *Conditional Capital, Authorization to Issue Warrant Bonds or Convertible Bonds, Profit Participation Rights or Participating Bonds*

On May 7, 2009 the general shareholders' meeting resolved that the share capital of the Issuer is conditionally increased by an additional amount of up to € 187,500,000, divided into up to 62,500,000 new no-par value bearer shares (Conditional Capital 2009). The conditional capital increase serves the purpose of granting no-par value bearer shares upon the exercise of conversion or option rights (or upon fulfillment of corresponding option/conversion obligations), or upon exercise of the Issuer's right to grant, instead of payment of the amount in cash due (or parts thereof), shares of the Issuer to the holders of convertible bonds or warrant bonds, profit participation rights or participating bonds (or combinations of these instruments) issued on the basis of the authorization resolved by the general shareholders' meeting on May 7, 2009. The general shareholders' meeting authorized the managing board, with the consent of the supervisory board, to issue, until May 6, 2014, once or several times, warrant bonds or convertible bonds, profit participation rights or participating bonds, made out to bearer, or a combination of these instruments (together the "**Bonds**") up to a total nominal amount of € 2,000,000,000, and to grant option rights or impose obligations to the holders of the bonds with warrants or participation rights or option rights under the participating bonds, and/or conversion rights or obligations to the holders of convertible bonds and/or convertible participation rights or convertible participating bonds, relating to bearer shares in the Issuer representing an aggregate pro rata amount in the share capital of up to € 187,500,000 subject to the terms and conditions of the Bonds.

The managing board is authorized, with the approval of the supervisory board, to determine all other details regarding the issuance and the features of the Bonds which have not yet been resolved by the general shareholders' meeting, including without limitation, interest rates, issue price, term to maturity and denomination, anti-dilution provisions and the applicable option and conversion periods, and/or where applicable, to determine such details in consultation with the relevant bodies of the group company of the Issuer issuing the bonds with warrants or convertible bonds.

In a co-operation agreement with Spohn, VEM and two entities mandated by Spohn and VEM, respectively, to sell the shares in the Issuer held by Spohn on the one hand and VEM, VEM's subsidiaries and companies related to it (*Seitengesellschaften*) on the other hand, the Issuer committed not to make use of its authorization to issue convertible bonds convertible into new shares issued from the "Conditional Capital 2009" as resolved in the

annual general shareholders' meeting of 2009 for a period of 365 days from the date of the expiration of the lock-up period agreed by the Issuer vis-à-vis the Underwriters in the Underwriting Agreement (which lock-up is expected to expire on April 7, 2010).

### **Shareholders**

The shareholders listed below informed the Issuer pursuant to Section 21 et seq. of the German Securities Trading Act (*Wertpapierhandelsgesetz*, "**WpHG**") that a share of voting rights of over 3% in the Issuer is either held by them directly or is attributed to them or provided information on their shareholdings in the Issuer by other means. The reported or provided share of voting rights or numbers of shares may have changed since the effective date of the notice or the effective date of the threshold crossing or the date that information was provided to the Issuer by other means, respectively. The shareholders may have purchased or sold shares.

#### **Shareholder**

Ludwig Merckle (to the full extent via companies controlled by him, including Spohn and VEM) <sup>(1),(2)</sup> . . . . .	24.42%
State of Norway via Norges Bank (Central Bank of Norway) <sup>(3)</sup> . . . . .	3.51%
Gartmore Investment Ltd <sup>(4)</sup> . . . . .	3.26%

(<sup>1</sup>) The shares held through VEM have partly been transferred to banks under sale and repurchase agreements. Voting and dividend rights have remained with VEM.

(<sup>2</sup>) According to information provided to the Issuer by means of a notification pursuant to Section 21 et seq. WpHG on September 29, 2009.

(<sup>3</sup>) According to information provided to the Issuer by means of a notification pursuant to Section 21 et seq. WpHG on October 5, 2009.

(<sup>4</sup>) According to information provided to the Issuer by means of a notification pursuant to Section 21 et seq. WpHG on September 30, 2009.

### **Key Financial Information about HC Group**

The following table sets out the key financial information about HC Group derived from the audited consolidated financial statements of the Issuer for the fiscal years ended December 31, 2007 and 2008, prepared in accordance with the International Financial Reporting Standards of the International Accounting Standards Board (IASB) as adopted by the EU ("**IFRS**") and the additional requirements of German Commercial law pursuant to Section 315a (1) of the German Commercial Code (*Handelsgesetzbuch* — "**HGB**"), as well as the



unaudited condensed consolidated interim financial statements of the Issuer for the six-month period ended June 30, 2009 which were prepared in accordance with IFRS (IAS 34):

	Year ended December 31,		January – June	
	2007	2008	2008	2009
	(in € millions) audited		(in € millions) unaudited	
Turnover . . . . .	10,862.3	14,187.1	6,927.7	5,369.9
Operating revenue . . . . .	10,805.2	14,285.1	6,935.5	5,219.3
Operating income before depreciation (OIBD) . . . . .	2,423.2 <sup>(1)</sup>	2,945.6	1,289.9 <sup>(3)</sup>	836.2
Operating income . . . . .	1,850.4 <sup>(1)</sup>	2,146.7	901.2 <sup>(3)</sup>	456.9
Earnings before interest and taxes (EBIT) . . . . .	2,838.8 <sup>(1)</sup>	1,827.4	961.2 <sup>(3)</sup>	523.8
Profit before tax from continuing operations . . . . .	2,343.4	997.9	578.8	161.9
Net income from continuing operations . . . . .	1,974.4	670.5	459.8	328.0
Profit for the financial year/period . . . . .	2,118.8	1,919.8	1,730.6	318.3
Thereof group share of profit . . . . .	2,021.8	1,808.2	1,674.3	270.0
Balance sheet total . . . . .	29,201.4 <sup>(2)</sup>	26,288.1	—	27,078.5
Net income from continuing operations . . . . .	1,974.4	670.5	459.8	328.0
Cash flow . . . . .	1,679.5	2,044.2	904.2	222.8
Changes in working capital . . . . .	308.6 <sup>(1)</sup>	–170.1	–661.8 <sup>(3)</sup>	–27.6
Cash flow from operating activities – continuing operations . . . . .	1,750.0	1,553.8	121.6	59.2
Cash flow from operating activities . . . . .	1,911.2	1,523.4	91.2	59.2
Cash flow from investing activities – continuing operations . .	–10,640.4	1,118.4	1,636.4	46.2
Cash flow from investing activities . . . . .	–10,676.5	1,112.5	1,630.5	46.2
Cash flow from financing activities – continuing operations . .	9,512.0	–2,590.8	–2,055.6	509.3
Cash flow from financing activities . . . . .	9,386.2	–2,550.0	–2,014.8	509.3
Earnings per share in € . . . . .	17.1	14.6	13.5	2.2
Earnings per share in € – continuing operations . . . . .	15.9	4.5	3.3	2.2
Earnings per share in € – discontinued operations . . . . .	1.2	10.1	10.3	–0.1

<sup>(1)</sup> In the consolidated financial statements for the fiscal year ended December 31, 2008, 2007 prior year comparative figures were restated to show certain reclassifications that took effect in 2008.

<sup>(2)</sup> In the consolidated financial statements for the fiscal year ended December 31, 2008, 2007 prior year comparative figures have been adjusted for the final results of the Hanson purchase price allocation.

<sup>(3)</sup> In the unaudited condensed consolidated interim financial statements for the six-month period ended June 30, 2009, 2008 six-month comparative figures were restated to show certain reclassifications that took effect in the second half of 2008.

### ***Incorporation by Reference of Historical Annual and Interim Financial Information***

The audited consolidated financial statements of HC Group for the fiscal years ended December 31, 2007 and 2008 and the respective audit opinion thereon are incorporated by reference into this Prospectus.

The unaudited condensed consolidated interim financial statements of HC Group for the six-month period ended June 30, 2009 are incorporated by reference into this Prospectus.

### ***Recent Developments and Outlook***

The first six months of 2009 marked a decrease in HC Group's turnover by € 1,558 million or 22.5% to € 5,370 million and in operating income before depreciation (OIBD) by € 454 million or 35.2% to € 836 million, in each case compared to the corresponding prior year period. The decrease of turnover and OIBD was due to a decline in sales volumes of all products across many of HC Group's markets due to a continued weakness in the economic environment and the construction sector, in particular in Europe and North America. Compared to the corresponding prior-year periods, the decrease in sales volumes was greater in the first quarter of 2009 and slowed down in the second quarter.

Signs of stabilization of global economic performance emerged in the second quarter of 2009 and continued in the first two months of the third quarter. However, the speed and scope of economic recovery varies considerably from country to country in the different HC Group areas and there can be no assurance that any of such areas is embarking on a sustainable recovery trend as of yet. In Europe, recessionary tendencies have prevailed in most countries in the second quarter of 2009 and to the date of this Prospectus, including

most notably in the United Kingdom. In some European countries indicators point to a slowing of the downward trend. In Germany the GDP in the second quarter of 2009 increased by 0.3% compared to the first quarter 2009. The German domestic cement demand, however, is expected to decline in 2009 compared to 2008. HeidelbergCement expects the positive impact from the government stimulus programs to somewhat mitigate the decline in the months to come. In the United States, important indicators support the view of a slowing of the decrease of general economic activity despite a labor market slump. By contrast, based on most recent estimates of PCA, U.S. domestic cement demand is expected to decline by 22% in 2009 as compared to 2008 followed by a strong rebound by 11% in 2010. In various emerging countries in the Asia-Australia-Africa Group area, such as China, the economies have returned to growth, albeit at lower levels than before the global economic crisis that started in the second half of 2007, spurred by massive government economic stimulus programs.

In light of the still challenging macroeconomic conditions in important HC Group areas and the weak first half of 2009, HeidelbergCement continues to expect a decrease in HC Group's turnover and operating income for the full year 2009 compared to 2008. In the second half of the year, Heidelberg Cement expects its rigid cost-savings program, lower energy costs and the economic stimulus programs in some of the countries in which it operates to partially offset the negative trends in HC Group's operating performance primarily resulting from weaker than 2008 sales volumes and turnover. Also, relatively robust product pricing in numerous regions throughout 2009 until this date has somewhat mitigated the drop in revenues.

As a response to the lack of growth of the economies in some of the core markets in which HC Group operates, HC Group will continue capacity adjustments and cost reduction measures that were initiated as part of its "Fitness 2009" program in the summer of 2008 and have been significantly intensified since then. The program has resulted in significant cost savings in the first six months of 2009, particularly in the second quarter of 2009, and further rationalisation measures are underway for the second half of the year 2009, especially in the United Kingdom and North America. In 2009, HC Group expects cost savings of approximately € 470 million related to the Fitness 2009 program.

In addition to its rigid cost management, HC Group continues to focus on the improvement of cash flows and liquidity. HC Group's "Cash is King" initiative is designed to concentrate liquidity within HC Group at the level of HeidelbergCement and generate additional liquidity through, among other things, significant reductions in capital expenditures and improved working capital management, especially inventories and receivables management. HC Group plans to generate additional liquidity in an aggregate amount of approximately € 500 million in 2009, approximately € 300 million of which relate to liquidity transfers and other liquidity-related transactions within HC Group for the purpose of concentrating liquidity at HeidelbergCement.

In keeping with its goal of further reducing its debt, HC Group will continue to focus on its program for the divestiture of non-strategic businesses. In the first half of 2009, HC Group has completed divestitures for an aggregate sales price of € 324 million, including the reduction of its stake in Jakarta-listed PT Indocement Tunggal Prakarsa by 14.1% to 51% and the sale of its asphalt operating line in Australia. In addition, in July 2009, HC Group sold its entire business activities in Israel, with the closing of the transaction expected before year end 2009. HC Group is currently in discussions with various potential counterparties regarding possible divestitures of further non-core businesses. The outcome of these discussions and more generally the scope and timing of further material divestitures and their effects on HC Group cannot be predicted.

## SELECTED HISTORICAL FINANCIAL INFORMATION ABOUT THE ISSUER

The following selected consolidated financial and operating data of HeidelbergCement should be read in conjunction with the consolidated financial statements of the Issuer for the fiscal years ended December 31, 2007 and 2008, the unaudited condensed consolidated interim financial statements of the Issuer for the six-month period ended June 30, 2009 and the notes thereto, which are incorporated by reference in this Prospectus. The consolidated balance sheet data, the consolidated income statement data, the consolidated cash flow statement data, the segment results and the other key operating figures for the years ended December 31, 2007 and 2008 were derived from the respective consolidated financial statements prepared in accordance with the International Financial Reporting Standards of the International Accounting Standards Board (IASB) as adopted by the EU (hereinafter referred to as “IFRS”) and the additional requirements of German commercial law pursuant to Section 315a (1) HGB, which have been audited in accordance with Section 317 HGB, and for which an audit opinion has been issued in each case, by E&Y. The consolidated balance sheet data, the consolidated income statement data, the consolidated cash flow statement data, the segment results and the other key operating figures for the six-month period ended June 30, 2009 (with comparative figures for the relevant period of the previous year) were derived from the unaudited, condensed consolidated interim financial statements of the Issuer for the six-month period ended June 30, 2009, which were prepared in accordance with IFRS (IAS 34).

### Consolidated Balance Sheet Data

	December 31,		June 30,
	2007 <sup>(1)</sup>	2008	2009
	audited		unaudited
	(in € millions)		
Intangible assets . . . . .	10,882.3	10,151.0	10,374.3
Tangible fixed assets . . . . .	10,425.8	9,935.5	10,038.5
Financial fixed assets . . . . .	1,013.4	694.5	714.8
Fixed assets . . . . .	22,321.6	20,780.9	21,127.6
Deferred taxes . . . . .	157.4	129.5	152.1
Receivables and other assets <sup>(2)</sup> . . . . .	2,876.9	2,629.3	2,801.5
Stock . . . . .	1,566.6	1,731.0	1,509.8
Cash at bank and in hand and financial investments and derivative financial instruments . . . . .	872.6	1,017.3	1,487.5
Assets held for sale and discontinued operations . . . . .	1,406.3	0.0	0.0
<b>Balance sheet total</b> . . . . .	<b>29,201.4</b>	<b>26,288.1</b>	<b>27,078.5</b>
Equity attributable to shareholders . . . . .	6,997.0	7,720.1	8,428.5
Minority interests . . . . .	521.9	540.7	660.8
Shareholders' equity and minority interests . . . . .	7,518.8	8,260.8	9,089.3
Long-term provisions (excluding deferred taxes) . . . . .	1,729.7	1,714.6	1,786.5
Deferred taxes . . . . .	1,137.8	966.6	878.9
Operating liabilities <sup>(3)</sup> . . . . .	2,889.8	2,713.0	2,483.9
Financial liabilities <sup>(4)</sup> . . . . .	15,566.6	12,633.1	12,839.9
Provisions and liabilities associated with assets held for sale and discontinued operations . . . . .	358.6	0.0	0.0
<b>Balance sheet total</b> . . . . .	<b>29,201.4</b>	<b>26,288.1</b>	<b>27,078.5</b>

<sup>(1)</sup> In the consolidated financial statements for the fiscal year ended December 31, 2008, 2007 prior year comparative figures have been adjusted for the final results of the Hanson purchase price allocation.

<sup>(2)</sup> Other long-term receivables, long-term tax assets as wells as short-term receivables and other assets.

<sup>(3)</sup> Other long-term operating liabilities, long-term tax liabilities, short-term provisions, trade payables, current income taxes payable and other short-term operating liabilities.

<sup>(4)</sup> Debenture loans, bank loans and other long-term and short-term financial liabilities.

# Consolidated Income Statement Data

	Year ended December 31,		January – June	
	2007 <sup>(1)</sup>	2008	2008 <sup>(2)</sup>	2009
	(in € millions unless otherwise indicated) audited		(in € millions unless otherwise indicated) unaudited	
<b>Turnover</b> . . . . .	<b>10,862.3</b>	<b>14,187.1</b>	<b>6,927.7</b>	<b>5,369.9</b>
Change in stock and work in progress . . . . .	–59.2	91.8	6.6	–154.1
Own work capitalised . . . . .	2.0	6.2	1.2	3.5
<b>Operating revenue</b> . . . . .	<b>10,805.2</b>	<b>14,285.1</b>	<b>6,935.5</b>	<b>5,219.3</b>
Other operating income . . . . .	226.9	370.2	115.7	133.8
Material costs . . . . .	–4,114.2	–5,692.9	–2,707.1	–2,081.3
Employee and personnel costs . . . . .	–1,670.6	–2,297.6	–1,171.4	–1,042.4
Other operating expenses . . . . .	–2,824.0	–3,719.2	–1,882.9	–1,393.2
<b>Operating income before depreciation (OIBD)</b> . . . . .	<b>2,423.2</b>	<b>2,945.6</b>	<b>1,289.9</b>	<b>836.2</b>
Depreciation of tangible fixed assets . . . . .	–558.5	–772.6	–377.1	–366.4
Amortisation of intangible assets . . . . .	–14.4	–26.3	–11.7	–12.8
<b>Operating income</b> . . . . .	<b>1,850.4</b>	<b>2,146.7</b>	<b>901.2</b>	<b>456.9</b>
Additional ordinary result . . . . .	821.8	–370.7	26.5	46.7
Results from associated companies <sup>(3)</sup> and from other participations . . . . .	166.6	51.4	33.5	20.1
<b>Earnings before interest and taxes (EBIT)</b> . . . . .	<b>2,838.8</b>	<b>1,827.4</b>	<b>961.2</b>	<b>523.8</b>
Financial results <sup>(4)</sup> . . . . .	–495.3	–829.5	–382.4	–361.9
<b>Profit before tax from continuing operations</b> . . . . .	<b>2,343.4</b>	<b>997.9</b>	<b>578.8</b>	<b>161.9</b>
Taxes on income . . . . .	–369.1	–327.4	–119.0	166.1
<b>Net income from continuing operations</b> . . . . .	<b>1,974.4</b>	<b>670.5</b>	<b>459.8</b>	<b>328.0</b>
Net income from discontinued operations . . . . .	144.4	1,249.3	1,270.8	–9.7
<b>Profit for the financial year/period</b> . . . . .	<b>2,118.8</b>	<b>1,919.8</b>	<b>1,730.6</b>	<b>318.3</b>
Thereof minority interests . . . . .	–97.0	–111.6	–56.2 <sup>(*)</sup>	–48.3 <sup>(*)</sup>
<b>Thereof group share of profit</b> . . . . .	<b>2,021.8</b>	<b>1,808.2</b>	<b>1,674.3</b>	<b>270.0</b>
Earnings per share attributable to parent in € . . . . .	17.1	14.6	13.5	2.2

<sup>(1)</sup> In the consolidated financial statements for the fiscal year ended December 31, 2008, 2007 prior year comparative figures were restated to show certain reclassifications that took effect in 2008.

<sup>(2)</sup> In the unaudited condensed consolidated interim financial statements for the six-month period ended June 30, 2009, 2008 six-month comparative figures were restated to show certain reclassifications that took effect in the second half of 2008.

<sup>(3)</sup> Net result from associated companies.

<sup>(4)</sup> Interest income, interest expenses, foreign exchange gains and losses and other financial result.

<sup>(\*)</sup> As this line item is called “Thereof minority interests”, the Issuer decided to show the value as a “+” (same sign as for “Profit for the financial year”) in the unaudited condensed consolidated interim financial statements for the six-month period ended June 30, 2009. In order to be consistent with the prior years’ figures and the common understanding of the financial tables, it is included as “-” in the Prospectus.

## Consolidated Cash Flow Statement Data

	Year ended December 31,		January – June	
	2007	2008	2008	2009
	(in € millions) audited		(in € millions) unaudited	
<b>Net income from continuing operations</b>	<b>1,974.4</b>	<b>670.5</b>	<b>459.8</b>	<b>328.0</b>
Taxes on income	369.1	327.4	119.0	–166.1
Interest income/expenses	466.3	740.4	367.6	290.6
Dividends received	77.8	44.0	25.7	14.7
Interest paid	–495.6	–660.6	–359.4	–545.9
Taxes paid	–406.3	–334.7	–208.5	–93.7
Elimination of non-cash items	–306.2	1,257.0	500.0	395.1
<b>Cash flow</b>	<b>1,679.5</b>	<b>2,044.2</b>	<b>904.2</b>	<b>222.8</b>
<b>Changes in working capital</b>	<b>308.6<sup>(1)</sup></b>	<b>–170.1</b>	<b>–661.8<sup>(2)</sup></b>	<b>–27.6</b>
Decrease in provisions through cash payments	–238.2 <sup>(1)</sup>	–320.3	–120.7 <sup>(2)</sup>	–136.0
<b>Cash flow from operating activities – continuing operations</b>	<b>1,750.0</b>	<b>1,553.8</b>	<b>121.6</b>	<b>59.2</b>
Cash flow from operating activities – discontinued operations	161.3	–30.4	–30.4	0.0
<b>Cash flow from operating activities</b>	<b>1,911.2</b>	<b>1,523.4</b>	<b>91.2</b>	<b>59.2</b>
Investments (cash outflow)	–12,774.3	–1,251.1	–524.2	–290.3
Proceeds from fixed assets disposal and cash from changes in consolidation scope	2,133.9	2,369.5	2,160.6	336.5
<b>Cash flow from investing activities – continuing operations</b>	<b>–10,640.4</b>	<b>1,118.4</b>	<b>1,636.4</b>	<b>46.2</b>
Cash flow from investing activities – discontinued operations	–36.1	–5.9	–5.9	0.0
<b>Cash flow from investing activities</b>	<b>–10,676.5</b>	<b>1,112.5</b>	<b>1,630.5</b>	<b>46.2</b>
Capital increase	527.2	512.5	512.5	0.0
Dividend payment – HeidelbergCement AG	–144.5	–162.5	–162.5	–15.0
Dividend payments – minority shareholders	–32.1	–31.4	–24.9	–29.1
Proceeds from bond issuances and loans and repayment of bonds and loans	9,161.4	–2,909.4	–2,380.7	553.5
<b>Cash flow from financing activities – continuing operations</b>	<b>9,512.0</b>	<b>–2,590.8</b>	<b>–2,055.6</b>	<b>509.3</b>
Cash flow from financing activities – discontinued operations	–125.8	40.8	40.8	0.0
<b>Cash flow from financing activities</b>	<b>9,386.2</b>	<b>–2,550.0</b>	<b>–2,014.8</b>	<b>509.3</b>
Net change in cash and cash equivalents	620.9	85.9	–293.1	614.7
Effects of exchange rate changes	5.9	–88.0	–39.9	17.8
Reclassification of cash and cash equivalents according to IFRS 5 from discontinued operations	–14.2	0.0	0.0	0.0
Cash and cash equivalents presented in the balance sheet at December 31/at June 30	831.6	843.6	512.8	1,476.1

<sup>(1)</sup> In the consolidated financial statements for the fiscal year ended December 31, 2008, 2007 prior year comparative figures were restated to show certain reclassifications that took effect in 2008.

<sup>(2)</sup> In the unaudited condensed consolidated interim financial statements for the six-month period ended June 30, 2009, 2008, six-month comparative figures were restated to show certain reclassifications that took effect in the second half of 2008.

## Segment Results

OIBD	Year ended December 31,		Increase/Decrease 2007/2008	January – June		Inc/Decr 2009/2008
	2007	2008		2008	2009	
	(in € millions, except margins)			(in € millions, except margins)		
Europe	1,383	1,627	17.6%	742	386	–48.0%
OIBD margin <sup>(1)</sup>	24.1%	22.6%	–1.5	20.4%	15.2%	–5.2
North America	619	662	6.9%	239	111	–53.6%
OIBD margin <sup>(1)</sup>	19.3%	16.7%	–2.6	12.9%	7.8%	–5.1
Asia-Australia-Africa	405	636	57.0%	299	316	5.7%
OIBD margin <sup>(1)</sup>	21.2%	21.6%	0.4	21.6%	23.1%	1.4
Group Services	16	22	37.5%	10	23	130.0%
OIBD margin <sup>(1)</sup>	2.3%	3.1%	0.7	3.0%	8.8%	5.9
<b>Total</b>	<b>2,423</b>	<b>2,946</b>	<b>21.6%</b>	<b>1,290</b>	<b>836</b>	<b>–35.2%</b>
<b>as % of turnover</b>	<b>22.3%</b>	<b>20.8%</b>	<b>–1.5</b>	<b>18.6%</b>	<b>15.6%</b>	<b>–3.0</b>

<sup>(1)</sup> OIBD margin as % of turnover.



## Other Key Operating Figures

	Year ended December 31,		June	June
	2007	2008	2008	2009
	(in € millions, unless otherwise indicated)			
	audited		unaudited	
Profit for the financial year/period . . . . .	2,118.8	1,919.8	1,730.6	318.3
Minority interests . . . . .	–97.0	–111.6	–56.2	–48.3
Group share of profit . . . . .	2,021.8	1,808.2	1,674.3	270.0
Number of shares in thousands (weighted average) . . . . .	118,177	124,315	123,618	125,000
<b>Earnings per share in € . . . . .</b>	<b>17.1</b>	<b>14.6</b>	<b>13.5</b>	<b>2.2</b>
Net income from continuing operations – attributable to the parent entity . . . . .	1,880.7	558.5	403.1	279.7
<b>Earnings per share in € – continuing operations . . . . .</b>	<b>15.9</b>	<b>4.5</b>	<b>3.3</b>	<b>2.2</b>
Net income/loss from discontinued operations – attributable to the parent entity . . . . .	141.1	1,249.7	1,271.3	–9.7
<b>Earnings per share in € – discontinued operations . . . . .</b>	<b>1.2</b>	<b>10.1</b>	<b>10.3</b>	<b>–0.1</b>

## **GENERAL INFORMATION ABOUT THE GUARANTOR**

### ***Formation, Incorporation, History and Development***

The Guarantor was incorporated in England and Wales on December 31, 2002 under the name Broadcast Sales Limited, changed its name to Hanson Building Materials Limited on June 4, 2003, was re-registered as a public limited company and changed its name to Hanson Building Materials PLC on July 10, 2003, changed its name to Hanson PLC on October 14, 2003, and was re-registered as a private company limited by shares under the laws of England and Wales and renamed Hanson Limited on September 11, 2007.

### ***Registered Office, Fiscal Year, Duration, Business Name***

The company number of the Guarantor with the Registrar of Companies for England and Wales at Companies House, Cardiff, is 04626078. The Guarantor's registered office is at Hanson House, 14 Castle Hill, Maidenhead, Berkshire SL6 4JJ, United Kingdom, telephone number +44 (0) 1628 774 100. The Guarantor's internet address is [www.hanson.com](http://www.hanson.com).

The fiscal year of the Guarantor is the calendar year. The Guarantor has been formed for an indefinite period of time.

The Guarantor as well as many of its subsidiaries bear the name "Hanson" for business purposes.

### ***Objects of the Guarantor***

The Guarantor acts as a group investment holding company. The objects of the Guarantor, as contained in clause 4 of its memorandum of association, include the carrying on of business as a general commercial company and the co-ordination of the activities and finances of its subsidiaries in the broadest sense, including, but not limited to, the borrowing or raising of money, the lending and advancing of money, the giving of guarantees or security for any such persons, firms or companies and on such terms as may seem expedient, the acquisition or other investment in companies or businesses in such manner as the Guarantor shall deem fit and furthermore all activities which are incidental to or which may be conducive to any of the foregoing.

### ***Share Capital***

The issued share capital of the Guarantor as at September 30, 2009 amounted to GBP 72,466,968.80, divided into 724,669,688 fully paid up ordinary shares of GBP 0.10 each.

The Guarantor has an authorized capital of GBP 100,000,000.00, divided into 1,000,000,000 ordinary shares of GBP 0.10 each.

### ***Auditor***

The auditor of the Guarantor for the fiscal year ended December 31, 2007 was Ernst & Young LLP, 1 More London Place, London SE1 2AF, United Kingdom. The auditor of the Guarantor for the fiscal year ended December 31, 2008 was Ernst & Young LLP, 1 Bridewell Street, Bristol, BS1 2AA, United Kingdom. The auditors audited the financial statements of the Guarantor for the fiscal years ended December 31, 2007 and 2008 and issued an unqualified auditors' report thereon in each case. Ernst & Young LLP is a member of the Institute of Chartered Accountants in England and Wales.

### ***Business Organization of the Guarantor***

The Guarantor is an intermediate investment holding company within HC Group and has no relevant business or operational activities other than the administration and financing of its direct and indirect subsidiaries. For details on the business activities of its subsidiaries see: "*Organizational Structure*".

Because of this holding company status, the Guarantor does not have any markets in which it competes and, therefore, no statement can be made in respect of the Guarantor regarding its competitive position in any markets.

### ***Management of the Guarantor and Corporate Governance***

The board of directors of the Guarantor consists of Christian Leclercq (finance director), Edward Gretton (head of legal), Graham Dransfield (executive director), Dr. Bernd Scheifele (non-executive director) and Dr. Lorenz Näger (non-executive director).

Dr. Bernd Scheifele is also CEO of the Issuer and Dr. Lorenz Näger is also CFO of the Issuer. For a detailed description of their current and previous board memberships and other relevant activities outside HC Group see: "*General Information about the Issuer – Managing Board – Members*".

Graham Dransfield is a non-executive director of Hanson Family Holdings Limited which acts as the family office of the Hanson family and is the umbrella company under which the Hanson family interests and companies are managed. Hanson Family Holdings Limited is neither affiliated to the Issuer nor to the Guarantor. He is also a director of Electricity Pensions Limited and of CHB PHR Limited and Hanson Pension Trustees Limited.

The board of directors of the Guarantor can be reached at the company address of the Guarantor set out above.

The controlling shareholder of the Guarantor may appoint or remove any director and the directors may appoint a director either to fill a vacancy or as an additional director. The minimum number of directors shall be one. The articles of association of the Guarantor govern the appointment and removal of directors.

Subject to the provisions of the Companies Act 2006, the memorandum and the articles and any directions given by special resolution, the business of the company shall be managed by the directors who may exercise all the powers of the company.

The board of directors of the Guarantor have appointed a board committee consisting of any two directors for the purposes of the routine administration and governance of the Guarantor. The Guarantor does not have an audit committee in place.

In addition to the functions of the directors Dr. Bernd Scheifele, Dr. Lorenz Näger and Graham Dransfield as members of administrative bodies of direct or indirect shareholders of the Guarantor and of non-affiliated enterprises, there are no conflicts of interests between the private interests of the members of the board of directors and their duties vis-à-vis the Guarantor.

The Guarantor complies in all material respect with the laws of England and Wales applicable to the corporate governance of a private company limited by shares. No specific corporate governance code rules are applicable to the Guarantor as a private company limited by shares.

### **Shareholders and Organizational Structure**

The Guarantor is a 100% indirect subsidiary of the Issuer. All shares in the Guarantor are beneficially owned by Lehigh UK Limited a private limited company incorporated in England and Wales, which itself is a 100% subsidiary of HeidelbergCement UK Holding Limited. All shares in HeidelbergCement UK Holding Limited are held by HeidelbergCement Holding S.à r.l., a holding company having its corporate seat in Luxembourg which is held to 54.05% by HeidelbergCement International Holding GmbH (which is a wholly owned direct subsidiary of the Issuer) and to 45.95% directly by the Issuer.

In the usage of its controlling power the Issuer as indirect shareholder is subject to the applicable company law provisions in England and Wales, Luxembourg and Germany (as the case may be) and to the respective constitutions of the Guarantor and the aforementioned subsidiaries of the Issuer.

In connection with the SFA and the Letter of Guarantee Facility Lehigh UK Limited has entered on June 17, 2009 into a Security over Shares Agreement in favor of The Royal Bank of Scotland plc acting as security agent on behalf of the lenders of the SFA. The shares in the Guarantor are charged under this agreement. The Royal Bank of Scotland plc may – under certain preconditions – enforce the security in such a manner that it can transfer or appropriate the shares in the Guarantor.

The direct subsidiaries of the Guarantor are Hanson Holdings Limited, HeidelbergCement UK Holding II Limited and Houserate Limited. Hanson Holdings Limited acts as an intermediate holding company for a large number of smaller members of HC Group, both operational and holding companies. HeidelbergCement UK Holding II Limited indirectly holds major operations of HC Group in Canada and the U.S.A., including Lehigh Cement Company LLC and HBMA Holdings LLC, which are both material subsidiaries of the Issuer. Houserate Limited is an intermediate holding company for large parts of HC Group's Australian operations, including Hanson Australia (Holdings) Proprietary Limited, a material subsidiary of the Issuer.

### **Litigation/Administrative Proceedings**

Other than the asbestos litigations in the U.S.A. described further above, there are currently no, and the Guarantor has not been involved in any, governmental, legal or arbitration proceedings during the period of the last twelve months, against or affecting the Guarantor, nor is the Issuer aware of any pending or threatened proceedings, which (in either case) may have or have had in the recent past significant effects on the financial position or profitability of the Guarantor.

For a description of the asbestos litigations and the other legal and arbitration proceedings regarding the HC Group as a whole please refer to *“General Information about the Issuer – Litigation/Administrative Proceedings”*.

### **Material Contracts**

The Guarantor is a guarantor under the SFA and the Letter of Guarantee Facility. For a description of the SFA and the Letter of Guarantee Facility please refer to *“General Information about the Issuer – Material Contracts”*.

The Guarantor has issued two New-York law-governed and U.S. dollar denominated bonds in an aggregate amount of US\$ 1,500 million. Another New-York law-governed and U.S. dollar denominated bond in an amount of US\$ 750 million has been issued by the Guarantor’s subsidiary Hanson Australia Funding Ltd. and is guaranteed by the Guarantor. All three bonds are guaranteed by the Issuer. The Guarantor provided a corresponding upstream guarantee for the benefit of the creditors of any financial indebtedness of the Issuer. For a more detailed description of these bonds and the upstream guarantee please refer to *“General Information about the Issuer – Material Contracts”*.

### **Investments**

The Guarantor has made no material investments since the date of its last published financial statements.

As at the date of this Prospectus and other than the envisaged transfer of HC Group’s major operations in Poland from the current holding company in the Netherlands to an entity held by Lehigh Hanson Materials Limited, a Canadian indirect subsidiary of the Guarantor as more particularly described under *“Recent Developments and Outlook”* below, the management of the Guarantor has made no firm commitments on material investments in the future.

### **Recent Developments and Outlook**

The Issuer has identified certain potential to improve HC Group’s governance, in particular in order to improve the operating income of the Hanson Limited sub-group. The Issuer has, therefore, set up a plan to restructure certain parts of HC Group with a view to the realization of efficiency improvements. Such restructuring includes the transfer of HC Group’s major operations in Poland from the current holding company in the Netherlands to an entity held by Lehigh Hanson Materials Limited, a Canadian indirect subsidiary of the Guarantor. The transfer requires the consent of a certain majority of lenders under the SFA and the Letter of Guarantee Facility. In case such consent is granted, the transfer is expected to be effected before March 31, 2010.

For other recent developments and an outlook regarding HC-Group please refer to *General Information about the Issuer – Recent Development and Outlook”*.

## SELECTED HISTORICAL FINANCIAL INFORMATION ABOUT THE GUARANTOR

The following tables set out the key financial information about the Guarantor derived from audited unconsolidated financial statements for the fiscal years ended December 31, 2007 and 2008 and separate audited cash flow statements for these fiscal years (both prepared in accordance with United Kingdom Generally Accepted Accounting Practice).

### Balance Sheet<sup>(1)</sup>

	<b>Fiscal year ended December 31, 2008</b>	<b>Fiscal year ended December 31, 2007</b>
	<b>(in GBP thousands)</b>	
<b>Fixed assets</b>		
Investments in subsidiary undertakings . . . . .	15,729,775	15,725,607
<b>Current assets</b>		
Amounts owed by group undertakings . . . . .	1,387,603	1,034,354
Other debtors . . . . .	–	25
<b>Creditors: amounts falling due within one year</b>		
Debenture loans . . . . .	–23,271	–16,432
Amounts owed to group undertakings . . . . .	–11,052,469	–10,884,365
Other creditors . . . . .	–7,001	–22,358
Accruals and deferred income . . . . .	–304	–1,633
<b>Total assets less current liabilities</b>	<b>6,034,333</b>	<b>5,835,198</b>
<b>Creditors: amounts falling due after more than one year</b>		
Debenture loans . . . . .	–1,017,399	–749,074
<b>Net assets</b>	<b>5,016,934</b>	<b>5,086,124</b>
<b>Capital and reserves</b>		
Called up share capital . . . . .	72,414	72,312
Share Premium . . . . .	3,452,264	3,448,164
Profit and loss account . . . . .	1,492,256	1,565,648
<b>Equity shareholders' funds</b>	<b>5,016,934</b>	<b>5,086,124</b>
<b>Net debt</b>	<b>–1,040,670</b>	<b>–765,506</b>

<sup>(1)</sup> Prepared on the basis of UK GAAP

### Profit and Loss Account<sup>(1)</sup>

	<b>Fiscal year ended December 31, 2008</b>	<b>Fiscal year ended December 31, 2007</b>
	<b>(in GBP thousands)</b>	
Turnover . . . . .	–	–
Administrative expenses . . . . .	–8,821	–15,841
Exceptional items . . . . .	722	–58,351
<b>Operating loss</b>	<b>–8,099</b>	<b>–74,192</b>
Income from Fixed Asset Investments . . . . .	292,529	47,382
Interest receivable and similar income . . . . .	–	50,773
Interest payable and similar charges . . . . .	–75,200	–54,369
<b>Profit/loss on ordinary activities before taxation</b>	<b>209,230</b>	<b>–30,406</b>
Tax on profit/loss on ordinary activities . . . . .	–	–
<b>Profit/loss for the financial year</b>	<b>209,230</b>	<b>–30,406</b>

<sup>(1)</sup> Prepared on the basis of UK GAAP



## Cash flow Statement<sup>(1)</sup>

	<b>Fiscal year ended December 31, 2008</b>	<b>Fiscal year ended December 31, 2007</b>
	<b>(in GBP thousands)</b>	
Operating loss . . . . .	–8,099	–74,192
Share based payments . . . . .	–	9,413
Changes in working capital . . . . .	–201,050	178,882
<b>Net cash outflow/inflow from operating activities . . . . .</b>	<b>–209,149</b>	<b>114,103</b>
Dividends received . . . . .	292,529	47,382
Interest received . . . . .	–	50,773
Interest paid . . . . .	–75,200	–54,369
<b>Return on investments and servicing of finance . . . . .</b>	<b>217,329</b>	<b>43,786</b>
<b>Equity dividend paid . . . . .</b>	<b>–292,529</b>	<b>–156,916</b>
Capital contribution . . . . .	9,907	3,831
Issue of ordinary share capital . . . . .	4,202	5,386
<b>Financing . . . . .</b>	<b>14,109</b>	<b>9,217</b>
<b>Decrease/increase in cash . . . . .</b>	<b>–270,240</b>	<b>10,190</b>
Exchange differences . . . . .	–4,924	–220
<b>Movement in net debt . . . . .</b>	<b>–275,164</b>	<b>9,970</b>

(<sup>1</sup>) Prepared on the basis of UK GAAP

The following tables set out the key financial information about the Guarantor derived from unconsolidated unaudited half-year financial information as of June 30, 2009 (prepared in accordance with United Kingdom Generally Accepted Accounting Practice).

## Balance Sheet<sup>(1)</sup>

	<b>As of June 30, 2009</b>	<b>As of June 30, 2008</b>
	<b>(in GBP thousands)</b>	
<b>Fixed assets</b>		
Investments in subsidiary undertakings <sup>(2)</sup> . . . . .	15,729,775	15,725,607
<b>Current assets</b>		
Amounts owed by group undertakings . . . . .	1,235,020	1,023,788
<b>Creditors: amounts falling due within one year</b>		
Debenture loans . . . . .	–19,505	–16,302
Amounts owed to group undertakings . . . . .	–11,055,378	–10,915,376
Other creditors . . . . .	–4,756	–7,001
Accruals and deferred income . . . . .	–528	–
<b>Total assets less current liabilities . . . . .</b>	<b>5,884,628</b>	<b>5,810,716</b>
<b>Creditors: amounts falling due after more than one year</b>		
Debenture loans . . . . .	–905,395	–746,780
<b>Net assets . . . . .</b>	<b>4,979,233</b>	<b>5,063,936</b>
<b>Capital and reserves</b>		
Called up share capital . . . . .	72,466	72,411
Share premium . . . . .	3,454,618	3,451,899
Profit and loss account . . . . .	1,452,150	1,539,626
<b>Equity shareholders' funds . . . . .</b>	<b>4,979,233</b>	<b>5,063,936</b>
<b>Net debt . . . . .</b>	<b>–924,900</b>	<b>–763,082</b>

(<sup>1</sup>) Prepared on the basis of UK GAAP

(<sup>2</sup>) Investments in subsidiary undertakings are stated based on calculated recoverable values as at the previous year end only and therefore, subject to adjustment; recalculations are only carried out by the Guarantor as part of the annual financial reporting process.

**Profit and Loss Account<sup>(1)</sup>**

	<b>January 1 to June 30, 2009</b>	<b>January 1 to June 30, 2008</b>
	<b>(in GBP thousands)</b>	
Turnover . . . . .	–	–
Administrative expenses . . . . .	2,957	–2,168
Exceptional items . . . . .	–	722
<b>Operating profit/loss . . . . .</b>	<b>2,957</b>	<b>–1,446</b>
Income from fixed asset investments . . . . .	–	126,452
Interest payable and similar charges . . . . .	–43,063	–34,482
<b>(Loss)/profit on ordinary activities before taxation . . . . .</b>	<b>–40,106</b>	<b>90,524</b>
Tax on (loss)/profit on ordinary activities . . . . .	–	–
<b>(Loss)/profit for the financial period . . . . .</b>	<b>–40,106</b>	<b>90,524</b>

<sup>(1)</sup> Prepared on the basis of UK GAAP

**Cash Flow Statement<sup>(1)</sup>**

	<b>January 1 to June 30, 2009</b>	<b>January 1 to June 30, 2008</b>
	<b>(in GBP thousands)</b>	
Operating profit/loss . . . . .	2,957	–1,446
Changes in working capital . . . . .	150,204	24,573
<b>Net cash inflow from operating activities . . . . .</b>	<b>153,161</b>	<b>23,127</b>
Dividends received . . . . .	–	126,452
Interest paid . . . . .	–43,063	–34,482
<b>Return on investments and servicing of finance . . . . .</b>	<b>–43,063</b>	<b>91,970</b>
<b>Equity dividend paid . . . . .</b>	<b>–</b>	<b>–126,452</b>
Capital contribution . . . . .	–	9,907
Issue of ordinary share capital . . . . .	2,405	3,834
<b>Financing . . . . .</b>	<b>2,405</b>	<b>13,741</b>
<b>Increase in cash . . . . .</b>	<b>112,503</b>	<b>2,386</b>
Exchange differences . . . . .	3,267	38
<b>Movement in net debt . . . . .</b>	<b>115,770</b>	<b>2,424</b>

<sup>(1)</sup> Prepared on the basis of UK GAAP

**Incorporation by Reference of Historical Annual and Interim Financial Information**

The audited unconsolidated financial statements of the Guarantor for the fiscal years ended December 31, 2007 and 2008 and the respective auditors' report thereon are incorporated by reference into this Prospectus. In addition, the separate audited cash flow statements of the Guarantor for the fiscal years ended December 31, 2007 and 2008 and the auditors' report thereon are incorporated by reference into this Prospectus.

The unconsolidated unaudited half-year financial statements of the Guarantor as of June 30, 2009 are incorporated by reference into this Prospectus.

## CONDITIONS OF ISSUE

*The following is the text of the terms and conditions of the notes (the “**Conditions of Issue**”) applicable to the 2014 Notes, the 2017 Notes and the 2019 Notes. The final Conditions of Issue of each of the 2014 Notes, the 2017 Notes and the 2019 Notes will be an integral part of the respective Global Notes.*

*These Conditions of Issue are written in the German language and provided with an English language translation. The German text shall be the legally binding version. The English language translation is provided for convenience only.*

*Nachfolgend ist der Text der Anleihebedingungen (die “**Anleihebedingungen**”) für die 2014 Schuldverschreibungen, die 2017 Schuldverschreibungen und die 2019 Schuldverschreibungen abgedruckt. Die endgültigen Anleihebedingungen für die 2014 Schuldverschreibungen, die 2017 Schuldverschreibungen und die 2019 Schuldverschreibungen werden Bestandteil der jeweiligen Globalurkunde.*

*Diese Anleihebedingungen sind in deutscher Sprache abgefasst und mit einer englischen Übersetzung versehen. Der deutsche Wortlaut ist rechtsverbindlich. Die englische Übersetzung dient nur zur Information.*

### ANLEIHEBEDINGUNGEN

#### § 1

#### WÄHRUNG, NENNBETRAG, STÜCKELUNG, FORM, BESTIMMTE DEFINITIONEN

(1) *Währung, Gesamtnennbetrag, Festgelegte Stückelung:* Die auf Euro (“**EUR**”) lautenden Schuldverschreibungen (die “**Schuldverschreibungen**”) der HeidelbergCement AG (die “**Emittentin**”), begeben am 21. Oktober 2009 (der “**Begebungstag**”) im Gesamtnennbetrag (vorbehaltlich § 1 Absatz (6)) von [im Fall der 2014 Schuldverschreibungen einzufügen: EUR 1.000.000.000] [im Fall der 2017 Schuldverschreibungen einzufügen: EUR 1.000.000.000] [im Fall der 2019 Schuldverschreibungen einzufügen: EUR 500.000.000] sind eingeteilt in [im Fall der 2014 Schuldverschreibungen einzufügen: 1.000.000] [im Fall der 2017 Schuldverschreibungen einzufügen: 1.000.000] [im Fall der 2019 Schuldverschreibungen einzufügen: 500.000] Schuldverschreibungen im Nennbetrag von je EUR 1.000 (die “**festgelegte Stückelung**”).

(2) *Form:* Die Schuldverschreibungen lauten auf den Inhaber.

(3) *Vorläufige Globalurkunde – Austausch:*

(a) Die Schuldverschreibungen sind anfänglich durch eine vorläufige Globalurkunde (die “**vorläufige Globalurkunde**”) ohne Zinsscheine verbrieft. Die vorläufige Globalurkunde wird gegen Schuldverschreibungen in den festgelegten Stückelungen, die durch eine Dauerglobalurkunde (die “**Dauerglobalurkunde**”) und zusammen mit der vorläufigen Globalurkunde jeweils eine “**Globalurkunde**”) ohne Zinsscheine verbrieft sind, ausgetauscht. Die vorläufige Globalurkunde und die Dauerglobalurkunde tragen jeweils die Unterschriften ordnungsgemäß bevollmächtigter Vertreter der Emittentin und die eigenhändige Kontrollunterschrift der Hauptzahlstelle. Einzelurkunden und Zinsscheine werden nicht ausgegeben.

### CONDITIONS OF ISSUE

#### § 1

#### CURRENCY, PRINCIPAL AMOUNT, DENOMINATION, CERTAIN DEFINITIONS

(1) *Currency, Aggregate Principal Amount, Specified Denomination:* The euro (“**EUR**”) denominated notes (the “**Notes**”) issued by HeidelbergCement AG (the “**Issuer**”) on October 21, 2009 (the “**Issue Date**”) in the aggregate principal amount (subject to § 1(6)) of [in case of the 2014 Notes insert: EUR 1,000,000,000] [in case of the 2017 Notes insert: EUR 1,000,000,000] [in case of the 2019 Notes insert: EUR 500,000,000] are divided into [in case of the 2014 Notes insert: 1,000,000] [in case of the 2017 Notes insert: 1,000,000] [in case of the 2019 Notes insert: 500,000] notes in the principal amount of EUR 1,000 (the “**Specified Denomination**”).

(2) *Form:* The Notes are being issued in bearer form.

(3) *Temporary Global Note – Exchange:*

(a) The Notes are initially represented by a temporary global note (the “**Temporary Global Note**”) without interest coupons. The Temporary Global Note will be exchangeable for Notes in the Specified Denomination represented by a permanent global note (the “**Permanent Global Note**”), and together with the Temporary Global Note, each a “**Global Note**”) without coupons. The Temporary Global Note and the Permanent Global Note shall each be signed by authorised signatories of the Issuer and shall bear a manual control signature of the Principal Paying Agent. Definitive notes and coupons will not be issued.

(b) Die vorläufige Globalurkunde wird an einem Tag (der "**Austauschtag**") gegen die Dauerglobalurkunde ausgetauscht, der nicht mehr als 180 Tage nach dem Begebungstag der durch die vorläufige Globalurkunde verbrieften Schuldverschreibungen liegt. Der Austausch tag darf nicht weniger als 40 Tage nach dem Begebungstag liegen. Ein solcher Austausch darf nur nach Vorlage von Bescheinigungen erfolgen, wonach der oder die wirtschaftlichen Eigentümer der durch die vorläufige Globalurkunde verbrieften Schuldverschreibungen keine U.S.-Personen sind (ausgenommen bestimmte Finanzinstitute oder bestimmte Personen, die Schuldverschreibungen über solche Finanzinstitute halten), jeweils im Einklang mit den Regeln und Verfahren des Clearing Systems. Zinszahlungen auf durch eine vorläufige Globalurkunde verbriefte Schuldverschreibungen erfolgen erst nach Vorlage solcher Bescheinigungen. Eine gesonderte Bescheinigung ist für jede solche Zinszahlung erforderlich. Jede Bescheinigung, die am oder nach dem 40. Tag nach dem Tag der Ausgabe der durch die vorläufige Globalurkunde verbrieften Schuldverschreibungen eingeht, wird als ein Ersuchen behandelt werden, diese vorläufige Globalurkunde gemäß Absatz (b) dieses § 1 Absatz (3) auszutauschen. Wertpapiere, die im Austausch für die vorläufige Globalurkunde geliefert werden, dürfen nur außerhalb der Vereinigten Staaten (wie in § 1 Absatz (7) definiert) geliefert werden.

(4) *Clearing System*: Jede Globalurkunde wird von einem oder für ein Clearing System verwahrt. "**Clearing System**" bedeutet jeweils folgendes: Clearstream Banking, société anonyme (42 Avenue JF Kennedy, 1855 Luxemburg, Luxemburg) ("**CBL**") und Euroclear Bank SA/NV (Boulevard du Roi Albert II, 1210 Brüssel, Belgien) ("**Euroclear**") (CBL und Euroclear jeweils ein "**ICSD**" und zusammen die "**ICSDs**") sowie jeder Funktionsnachfolger.

Die Schuldverschreibungen werden in Form einer New Global Note ("**NGN**") ausgegeben und von einem *common safekeeper* (gemeinsamer Verwahrer) im Namen beider ICSDs verwahrt.

(5) *Gläubiger von Schuldverschreibungen*: "**Gläubiger**" bedeutet jeder Inhaber eines Miteigentumsanteils oder anderen vergleichbaren Rechts an den Schuldverschreibungen.

(6) *Register der ICSDs*: Der Gesamtnennbetrag der durch die Globalurkunde verbrieften Schuldverschreibungen entspricht dem jeweils in den Registern beider ICSDs eingetragenen Gesamtbetrag. Die Register der ICSDs (unter denen die Register zu verstehen sind, die jeder ICSD für seine Kunden über den Betrag ihres Anteils an den Schuldverschreibungen führt) sind

(b) The Temporary Global Note shall be exchanged for the Permanent Global Note on a date (the "**Exchange Date**") not later than 180 days after the Issue Date of the Notes represented by the Temporary Global Note. The Exchange Date will not be earlier than 40 days after the Issue Date. Such exchange shall only be made upon delivery of certifications to the effect that the beneficial owner or owners of the Notes represented by the Temporary Global Note is not a U.S. person (other than certain financial institutions or certain persons holding Notes through such financial institutions) in accordance with the rules and operating procedures of the Clearing System. Payments of interest on Notes represented by a Temporary Global Note will be made only after delivery of such certifications. A separate certification shall be required in respect of each such payment of interest. Any such certification received on or after the 40th day after the date of issue of the Notes represented by the Temporary Global Note will be treated as a request to exchange such Temporary Global Note pursuant to subparagraph (b) of this § 1(3). Any securities delivered in exchange for the Temporary Global Note shall be delivered only outside of the United States (as defined in § 1(7)).

(4) *Clearing System*: Each Global Note will be kept in custody by or on behalf of the Clearing System. "**Clearing System**" means each of the following: Clearstream Banking, société anonyme (42 Avenue JF Kennedy, 1855 Luxembourg, Luxembourg) ("**CBL**") and Euroclear Bank SA/NV (Boulevard du Roi Albert II, 1210 Brussels, Belgium) ("**Euroclear**") (CBL and Euroclear each an "**ICSD**" and together the "**ICSDs**") and any successor in such capacity.

The Notes are issued in new global note ("**NGN**") form and are kept in custody by a common safekeeper on behalf of both ICSDs.

(5) *Holder of Notes*: "**Holder**" means any holder of a proportionate co-ownership or other beneficial interest or right in the Notes.

(6) *Records of the ICSDs*: The aggregate principal amount of Notes represented by the Global Note shall be the aggregate amount from time to time entered in the records of both ICSDs. The records of the ICSDs (which expression means the records that each ICSD holds for its customers which reflect the amount of such customer's interest in the Notes) shall be conclusive evidence of the principal

maßgeblicher Nachweis des Nennbetrages der durch die Globalurkunde verbrieften Schuldverschreibungen, und eine für zu diesem Zweck von einem ICSD jeweils ausgestellte Bescheinigung mit dem Nennbetrag der so verbrieften Schuldverschreibungen ist maßgebliche Bestätigung des Inhalts des Registers des betreffenden ICSD zu dem fraglichen Zeitpunkt.

Bei jeder Tilgung oder Zahlung einer Rückzahlungsrate oder einer Zinszahlung auf die durch die Globalurkunde verbrieften Schuldverschreibungen bzw. beim Kauf und der Entwertung der durch die Globalurkunde verbrieften Schuldverschreibungen stellt die Emittentin sicher, dass die Einzelheiten der Rückzahlung, Zahlung oder des Kaufs und der Entwertung bezüglich der Globalurkunde entsprechend in die Unterlagen der ICSDs eingetragen werden, und dass nach dieser Eintragung vom Nennbetrag der in die Register der ICSDs aufgenommenen und durch die Globalurkunde verbrieften Schuldverschreibungen der Gesamtnennbetrag der zurückgekauften bzw. gekauften und entwerteten Schuldverschreibungen bzw. der Gesamtbetrag der so gezahlten Raten abgezogen wird.

Bei Austausch nur eines Teils von Schuldverschreibungen, die durch eine vorläufige Globalurkunde verbrieft sind, wird die Emittentin sicherstellen, dass die Einzelheiten dieses Austauschs entsprechend in die Register der ICSDs aufgenommen werden.

(7) *Vereinigte Staaten:* Für die Zwecke dieser Anleihebedingungen bezeichnet **“Vereinigte Staaten”** die Vereinigten Staaten von Amerika (einschließlich deren Bundesstaaten und des District of Columbia) sowie deren Territorien (einschließlich Puerto Rico, der U.S. Virgin Islands, Guam, American Samoa, Wake Island und Northern Mariana Islands).

(8) *Durch Verweis einbezogene Verfahrensregeln:* Die Bestimmungen gemäß Anlage 7 des Emissions- und Zahlstellenvertrag vom 19. Oktober 2009 (der **“Emissions- und Zahlstellenvertrag”**) zwischen der Emittentin und Deutsche Bank Aktiengesellschaft als Hauptzahlstelle (einsehbar unter [www.bourse.lu](http://www.bourse.lu)), die überwiegend das für Gläubigerversammlungen und Abstimmungen der Gläubiger ohne Versammlung zu wählende Verfahren betreffend, sind in vollem Umfang in diese Anleihebedingungen einbezogen.

## § 2

### STATUS, NEGATIVVERPFLICHTUNG UND GARANTIE

(1) *Status:* Die Schuldverschreibungen begründen nicht nachrangige und, vorbehaltlich § 2 Absatz (3), nicht besicherte Verbindlichkeiten der Emittentin, die untereinander und mit allen anderen nicht

amount of Notes represented by the Global Note and, for these purposes, a statement issued by an ICSD stating the principal amount of Notes so represented at any time shall be conclusive evidence of the records of the relevant ICSD at that time.

On any redemption or payment of an instalment or interest being made in respect of, or purchase and cancellation of, any of the Notes represented by the Global Note the Issuer shall procure that details of any redemption, payment or purchase and cancellation (as the case may be) in respect of the Global Note shall be entered accordingly in the records of the ICSDs and, upon any such entry being made, the principal amount of the Notes recorded in the records of the ICSDs and represented by the Global Note shall be reduced by the aggregate principal amount of the Notes so redeemed or purchased and cancelled or by the aggregate amount of such instalment so paid.

On an exchange of a portion only of the Notes represented by a Temporary Global Note, the Issuer shall procure that details of such exchange shall be entered accordingly in the records of the ICSDs.

(7) *United States:* For the purposes of these Conditions of Issue, **“United States”** means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).

(8) *Procedural rules incorporated by Reference:* The provisions set out in Annex 7 of the agency agreement dated October 19, 2009 (the **“Agency Agreement”**) between the Issuer, Deutsche Bank Aktiengesellschaft as Principal Paying Agent (on display on [www.bourse.lu](http://www.bourse.lu)) containing primarily the procedural provisions regarding resolutions of Holders in and without meetings shall be hereby fully incorporated into these Conditions of Issue.

## § 2

### STATUS, NEGATIVE PLEDGE AND GUARANTEE

(1) *Status:* The obligations under the Notes constitute unsubordinated and, subject to § 2 (3), unsecured obligations of the Issuer ranking *pari passu* among themselves and *pari passu* with all



besicherten und nicht nachrangigen Verbindlichkeiten der Emittentin gleichrangig sind, soweit diesen Verbindlichkeiten nicht durch zwingende gesetzliche Bestimmungen ein Vorrang eingeräumt wird.

(2) *Negativverpflichtung*: Die Emittentin verpflichtet sich, solange Schuldverschreibungen ausstehen, jedoch nur bis zu dem Zeitpunkt, an dem alle Beträge an Kapital und Zinsen der Hauptzahlstelle zur Verfügung gestellt worden sind, keine Grundpfandrechte, Pfandrechte, Belastungen oder sonstigen Sicherungsrechte (jedes solches Sicherungsrecht ein **“Sicherungsrecht”**) in Bezug auf ihren gesamten Geschäftsbetrieb, ihr gesamtes Vermögen oder ihre gesamten Einkünfte, jeweils gegenwärtig oder zukünftig, oder Teile davon zur Sicherung von anderen Kapitalmarktverbindlichkeiten oder zur Sicherung einer von der Emittentin oder eines ihrer Tochterunternehmen gewährten Garantie oder Freistellung bezüglich einer Kapitalmarktverbindlichkeit einer anderen Person zu bestellen oder fortbestehen zu lassen, und ihre Tochterunternehmen zu veranlassen, keine solchen Sicherungsrechte zu bestellen oder fortbestehen zu lassen, ohne gleichzeitig für alle unter den Schuldverschreibungen zahlbaren Beträge dasselbe Sicherungsrecht zu bestellen oder für alle unter den Schuldverschreibungen zahlbaren Beträge solch ein anderes Sicherungsrecht zu bestellen, das von einer unabhängigen, international anerkannten Wirtschaftsprüfungsgesellschaft als gleichwertig anerkannt wird; diese Verpflichtung gilt jedoch nicht

- (a) für zum Zeitpunkt des Erwerbs von Vermögenswerten durch die Emittentin bereits an solchen Vermögenswerten bestehende Sicherungsrechte, soweit solche Sicherungsrechte nicht im Zusammenhang mit dem Erwerb oder in Erwartung des Erwerbs des jeweiligen Vermögenswerts bestellt wurden und der durch das Sicherungsrecht besicherte Betrag nicht nach Erwerb des betreffenden Vermögenswertes erhöht wird;
- (b) Sicherungsrechte, die einem Tochterunternehmen der Emittentin an Forderungen bestellt werden, die ihm aufgrund der Weiterleitung von aus dem Verkauf von Kapitalmarktverbindlichkeiten in der Form von Wandelschuldverschreibungen erzielten Erlösen gegen die Emittentin zustehen, sofern solche Sicherheiten der Besicherung von Verpflichtungen aus den jeweiligen Kapitalmarktverbindlichkeiten des betreffenden Tochterunternehmens dienen.

Für Zwecke dieser Anleihebedingungen bedeutet **“Kapitalmarktverbindlichkeit”** jede Verbindlichkeit hinsichtlich der Rückzahlung geliehener Geldbeträge, die entweder durch (i) einen deutschen Recht unterliegenden Schuldschein oder durch (ii) Schuldverschreibungen, Anleihen oder sonstige

other unsecured and unsubordinated obligations of the Issuer, unless such obligations are accorded priority under mandatory provisions of statutory law.

(2) *Negative Pledge*: The Issuer undertakes, so long as any of the Notes are outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Principal Paying Agent, not to create or permit to subsist, and to procure that none of its subsidiaries will create or permit to subsist, any mortgage, lien, pledge, charge or other security interest (each such right a **“Security Interest”**) over the whole or any part of its undertakings, assets or revenues, present or future, to secure any Capital Market Indebtedness (as defined below) or to secure any guarantee or indemnity given by the Issuer or any of its subsidiaries in respect of any Capital Market Indebtedness of any other person, without at the same time providing all amounts payable under the Notes either the same Security Interest or providing all amounts payable under the Notes such other Security Interest as shall be approved by an independent accounting firm of internationally recognized standing as being equivalent security, provided, however, that this undertaking shall not apply with respect to

- (a) any Security Interest existing on assets at the time of the acquisition thereof by the Issuer, provided that such Security Interest was not created in connection with or in contemplation of such acquisition and that the amount secured by such Security Interest is not increased subsequently to the acquisition of the relevant assets;
- (b) any Security Interest which is provided by any subsidiary of the Issuer with respect to any receivables of such subsidiary against the Issuer which receivables exist as a result of the transfer of the proceeds from the sale by the subsidiary of any Capital Market Indebtedness in the form of convertible bonds, provided that any such security serves to secure obligations under such Capital Market Indebtedness of the relevant subsidiary.

For the purposes of this Conditions of Issue, **“Capital Market Indebtedness”** means any obligation for the payment of borrowed money which is in the form of, or represented or evidenced by, either (i) a certificate of indebtedness governed by German law or by (ii) bonds, loan stock, notes or other

Wertpapiere, die an einer Börse oder an einem anderen anerkannten Wertpapiermarkt notiert oder gehandelt werden oder werden können, verbrieft, verkörpert oder dokumentiert sind.

(3) *Garantie:* Hanson Limited (die "**Garantin**") hat unbeding und unwiderruflich die pünktliche Zahlung von Kapital und Zinsen sowie sonstiger auf die Schuldverschreibungen zu zahlender Beträge unter einer bestehenden Garantie vom 19. Oktober 2007 garantiert (die "**Garantie**"). Die Garantie endet in jedem Fall – ohne dass es einer weiteren Mitteilung bedarf – am Tag der vollständigen Zahlung sämtlicher Verbindlichkeiten (i) der Garantin unter den USD 750.000.000 7,875% Schuldverschreibungen fällig 2010, (ISIN: US411352AA50), (ii) der Hanson Australia Funding Limited unter den USD 750.000.000 5,25% Schuldverschreibungen fällig 2013 (ISIN: US411336AA85) und (iii) der Hanson Limited unter den USD 750.000.000 6,125% Schuldverschreibungen fällig 2016 (ISIN: 411349AA15).

(4) *Zusätzliche Garantien:* Die Emittentin verpflichtet sich, solange Schuldverschreibungen ausstehen, jedoch nur bis zu dem Zeitpunkt, an dem alle Beträge an Kapital und Zinsen der Hauptzahlstelle zur Verfügung gestellt worden sind, für den Fall, dass ein Relevantes Tochterunternehmen (mit Ausnahme einer Finanzierungsgesellschaft) eine Kapitalmarktverbindlichkeit eingeht oder eine Garantie für Kapitalmarktverbindlichkeiten der Emittentin oder eines Relevanten Tochterunternehmens gewährt, oder solche anderweitig garantiert sicherzustellen, dass dieses Relevante Tochterunternehmen den Gläubigern eine entsprechende und gleichrangige unmittelbare und unbedingte Garantie für alle unter den Schuldverschreibungen zu zahlenden Beträge gewährt (eine "**Zusätzliche Garantie**"). Dies gilt nicht für den Fall der Eingehung von Kapitalmarktverbindlichkeiten durch Relevante Tochterunternehmen, (i) bei denen es sich um Gemeinschaftsunternehmen handelt, deren Sitz und wesentliche Geschäftstätigkeit außerhalb der Vereinigten Staaten von Amerika oder einem Mitgliedsstaat der Europäischen Union liegt, und (ii) bei denen gemeinsam keine Kapitalmarktverbindlichkeiten im Gesamtnennbetrag von mehr als EUR 500.000.000 ausstehen. Jede Zusätzliche Garantie soll nach ihren Bedingungen marktüblichen Standards entsprechen, wobei die Zusätzliche Garantie vorsehen kann, dass sie wegfällt, wenn und sobald die von dem Relevanten Tochterunternehmen garantierte Kapitalmarktverbindlichkeit oder von ihr übernommene Kapitalmarktverbindlichkeit vollständig erfüllt ist. Die Emittentin wird die Gläubiger über eine solche Zusätzliche Garantie entsprechend § 14 informieren. Sie wird die Zusätzliche Garantie auf ihrer Internetseite veröffentlichen

securities which are, or are capable of being, quoted, listed, dealt in or traded on a stock exchange or other recognized securities market.

(3) *Guarantee:* Hanson Limited (the "**Guarantor**") has unconditionally and irrevocably guaranteed the due payment of principal of, and interest on, and any other amount payable under the Notes (the "**Guarantee**") pursuant to an existing guarantee dated October 19, 2007. The Guarantee will automatically expire without any further notice upon the date of payment in full of all obligations of (i) the Guarantor under the USD 750,000,000 7.875% notes due 2010 (ISIN: US411352AA50), (ii) of Hanson Australia Funding Limited under the USD 750,000,000 5.25% notes due 2013 (ISIN: US411336AA85) and (iii) of Hanson Limited under the USD 750,000,000 6.125% notes due 2016 (ISIN: 411349AA15).

(4) *Additional Guarantees:* The Issuer undertakes, so long as any of the Notes are outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Principal Paying Agent, to procure that in the event that any Relevant Subsidiary (other than a Finance Subsidiary) incurs Capital Market Indebtedness or issues any guarantees with respect to, or otherwise guarantees, any Capital Market Indebtedness of the Issuer or any Relevant Subsidiary, such Relevant Subsidiary shall simultaneously provide a direct and unconditional guarantee equally and rateably in favour of the Holders (an "**Additional Guarantee**") for all amounts payable under the Notes. This shall not be applicable with respect to the incurrence of Capital Markets Indebtedness by Relevant Subsidiaries (i) which are joint venture entities having their seat and primary operations outside the United States of America or any member state of the European Union and (ii) who do not collectively have Capital Market Indebtedness outstanding in excess of an aggregate nominal amount of EUR 500,000,00. The terms of each Additional Guarantee shall be documented in accordance with market standards provided that the terms of the Additional Guarantee may provide that such guarantee will fall away if and when the Capital Market Indebtedness guaranteed or the Capital Market Indebtedness incurred by such Relevant Subsidiary is fully discharged. The Issuer shall inform the Holders of such Additional Guarantee in accordance with § 14. It will be published on the internet website of the Issuer. A certified copy of the Additional Guarantee will be made available to the Principal Paying Agent.

und der Hauptzahlstelle in beglaubigter Abschrift zur Verfügung stellen.

**“Relevantes Tochterunternehmen”** ist jedes voll konsolidierte Tochterunternehmen der Emittentin, jedoch – für die Zwecke dieses § 2 Absatz (4) allein – ausgenommen solche Tochterunternehmen, deren Eigenkapital/Wertpapiere jedweder Art (außer oder zusätzlich zu Wandelschuldverschreibungen oder ähnliche Wertpapiere mit Beteiligungscharakter) an einer geregelten Börse gelistet sind oder gehandelt werden.

**“Finanzierungsgesellschaft”** im Sinne dieses § 2 Absatz (4) bedeutet jedes unmittelbare und mittelbare Tochterunternehmen der Emittentin dessen alleinige Aufgabe darin besteht Fremdkapital für den Konzern der Emittentin aufzunehmen und die weder wesentliche Vermögenswerte (mit Ausnahme von Forderungen aus Darlehen gegen andere Gesellschaften des Konzerns und Bankguthaben) hat noch Beteiligungen an anderen Unternehmen hält.

### § 3 ZINSEN

(1) *Zinssatz und Zinszahlungstage:* Die Schuldverschreibungen werden bezogen auf ihren Nennbetrag verzinst, und zwar vom 21. Oktober 2009 (einschließlich) (der **“Zinsbeginn”**) bis zum Fälligkeitstag (wie in § 5 Absatz (1) definiert) (ausschließlich) mit jährlich **[im Fall der 2014 Schuldverschreibungen einfügen: 7,5%]** **[im Fall der 2017 Schuldverschreibungen einfügen: 8,0%]** **[im Fall der 2019 Schuldverschreibungen einfügen: 8,5%]**. Die Zinsen sind halbjährlich nachträglich am **[im Fall der 2014 und der 2019 Schuldverschreibungen einfügen: 30. April und am 31. Oktober]** **[im Fall der 2017 Schuldverschreibungen einfügen: 31. Januar und 31. Juli]** eines jeden Jahres zahlbar (jeweils ein **“Zinszahlungstag”**). **[im Fall der 2014 Schuldverschreibungen einfügen:** Die erste Zinszahlung erfolgt am 30. April 2010. (**“Erster Zinszahlungstag”**), bezieht sich auf den ersten langen Zinszeitraum vom Zinsbeginn (einschließlich) zum Ersten Zinszahlungstag (ausschließlich) und beläuft sich auf EUR 39,37 pro festgelegte Stückelung.] **[im Fall der 2017 Schuldverschreibungen einfügen:** Die erste Zinszahlung erfolgt am 31. Januar 2010 (**“Erster Zinszahlungstag”**), bezieht sich auf den ersten kurzen Zinszeitraum vom Zinsbeginn (einschließlich) zum Ersten Zinszahlungstag (ausschließlich) und beläuft sich auf EUR 22,00 pro festgelegte Stückelung.] **[im Fall der 2019 Schuldverschreibungen einfügen:** Die erste Zinszahlung erfolgt am 30. April 2010 (**“Erster Zinszahlungstag”**), bezieht sich auf den ersten langen Zinszeitraum vom Zinsbeginn (einschließlich) zum Ersten Zinszahlungstag (ausschließlich) und beläuft sich auf EUR 22,31 pro festgelegte Stückelung.]

**“Relevant Subsidiary”** means any fully consolidated subsidiary of the Issuer and for purposes only of this § 2(4) does not include any subsidiary which has one or more classes of equity securities (other than, or in addition to any convertible bonds or similar equity linked securities) which are listed or traded on a regulated stock exchange.

**“Finance Subsidiary”** in this § 2(4) means each direct or indirect subsidiary of the Issuer whose sole purpose is to raise financing for the Issuer’s consolidated group, and which neither owns any material assets (other than receivables arising from loans to other members of the group and bank deposits) nor has any equity interests in any person.

### § 3 INTEREST

(1) *Rate of Interest and Interest Payment Dates:* The Notes shall bear interest on their principal amount at the rate of **[in case of the 2014 Notes insert: 7.5%]** **[in case of the 2017 Notes insert: 8.0%]** **[in case of the 2019 Notes insert: 8.5%]** per annum from (and including) October 21, 2009 (the **“Interest Commencement Date”**) to (but excluding) the Maturity Date (as defined in § 5(1)). Interest shall be payable semi-annually in arrear on **[in case of the 2014 and the 2019 Notes insert: April 30 and October 31]** **[in case of the 2017 Notes insert: January 31 and July 31]** in each year (each such date, an **“Interest Payment Date”**). **[in case of the 2014 Notes insert:** The first payment of interest shall be made on April 30, 2010 (the **“First Interest Payment Date”**), relates to the long first interest period from and including the Interest Commencement Date to but excluding the First Interest Payment Date and will amount to EUR 39.37 for each Specified Denomination.] **[in case of the 2017 Notes insert:** The first payment of interest shall be made on January 31, 2010 (the **“First Interest Payment Date”**), relates to the first short interest period from and including the Interest Commencement Date to but excluding the First Interest Payment Date and will amount to EUR 22.00 for each Specified Denomination.] **[in case of the 2019 Notes insert:** The first payment of interest shall be made on April 30, 2010 (the **“First Interest Payment Date”**), relates to the long first interest period from and including the Interest Commencement Date to but excluding the First Interest Payment Date and will amount to EUR 22.31 for each Specified Denomination.]

(2) *Auflaufende Zinsen*: Falls die Emittentin die Schuldverschreibungen bei Fälligkeit nicht einlöst, erfolgt die Verzinsung der Schuldverschreibungen vom Tag der Fälligkeit bis zum Tag der tatsächlichen Rückzahlung der Schuldverschreibungen in Höhe des gesetzlich festgelegten Satzes für Verzugszinsen. Der gesetzliche Verzugszinssatz beträgt für das Jahr fünf Prozentpunkte über dem von der Deutsche Bundesbank von Zeit zu Zeit veröffentlichten Basiszinssatz, §§ 288 Absatz (1), 247 Absatz (1) BGB.

(3) *Berechnung der Zinsen für Teile von Zeiträumen*: Sofern Zinsen für einen Zeitraum von weniger als einem Jahr zu berechnen sind, erfolgt die Berechnung auf der Grundlage des Zinstagequotienten (wie nachstehend definiert).

(4) *Zinstagequotient*: "**Zinstagequotient**" bezeichnet im Hinblick auf die Berechnung eines Zinsbetrages auf eine Schuldverschreibung für einen beliebigen Zeitraum (der "**Zinsberechnungszeitraum**") die Anzahl von Tagen im Zinsberechnungszeitraum, dividiert durch 360, wobei die Anzahl der Tage auf der Grundlage eines Jahres von 360 Tagen mit zwölf Monaten zu je 30 Tagen zu ermitteln ist.

#### § 4 Zahlungen

(1) *Zahlungen auf Kapital und von Zinsen*: Zahlungen von Kapital und Zinsen in Bezug auf die Schuldverschreibungen erfolgen nach Maßgabe des nachstehenden Absatzes (2) an das Clearing System oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearing Systems.

Die Zahlung von Zinsen auf Schuldverschreibungen, die durch die vorläufige Globalurkunde verbrieft sind, erfolgt nach Maßgabe des nachstehenden Absatzes (2) an das Clearing System oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearing Systems, und zwar nach ordnungsgemäßer Bescheinigung gemäß § 1 Absatz (3)(b).

(2) *Zahlungsweise*: Vorbehaltlich geltender steuerlicher und sonstiger gesetzlicher Regelungen und Vorschriften erfolgen zu leistende Zahlungen auf die Schuldverschreibungen in Euro.

(3) *Erfüllung*: Die Emittentin bzw. die Garantin wird durch Leistung der Zahlung an das Clearing System oder dessen Order von ihrer Zahlungspflicht befreit.

(4) *Zahltag*: Fällt der Fälligkeitstag einer Zahlung in Bezug auf eine Schuldverschreibung auf einen Tag, der kein Zahltag ist, dann hat der Gläubiger keinen Anspruch auf Zahlung vor dem nächsten Zahltag. Der Gläubiger ist nicht berechtigt, weitere Zinsen oder sonstige Zahlungen aufgrund dieser Verspätung zu verlangen.

(2) *Accrual of Interest*: If the Issuer shall fail to redeem the Notes when due, interest shall continue to accrue beyond the due date until the actual redemption of the Notes at the default rate of interest established by law. The default rate of interest established by law is five percentage points above the basic rate of interest published by Deutsche Bundesbank from time to time; §§ 288(1), 247(1) German Civil Code (*Bürgerliches Gesetzbuch, BGB*).

(3) *Calculation of Interest for Partial Periods*: If interest is required to be calculated for a period of less than a full year, such interest shall be calculated on the basis of the Day Count Fraction (as defined below).

(4) *Day Count Fraction*: "**Day Count Fraction**" means with regard to the calculation of interest on any Note for any period of time (the "**Calculation Period**") the number of days in the Calculation Period divided by 360, the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months.

#### § 4 Payments

(1) *Payment of Principal and Interest*: Payment of principal and interest in respect of Notes shall be made, subject to subparagraph (2) below, to the Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System.

Payment of interest on Notes represented by the Temporary Global Note shall be made, subject to subparagraph (2) below, to the Clearing System or to its order for credit to the relevant account holders of the Clearing System, upon due certification as provided in § 1(3)(b).

(2) *Manner of Payment*: Subject to applicable fiscal and other laws and regulations, payments of amounts due in respect of the Notes shall be made in euro.

(3) *Discharge*: The Issuer or, as the case may be, the Guarantor, shall be discharged by payment to, or to the order of, the Clearing System.

(4) *Payment Business Day*: If the date for payment of any amount in respect of any Note is not a Payment Business Day then the Holder shall not be entitled to payment until the next such day and shall not be entitled to further interest or other payment in respect of such delay.



Für diese Zwecke bezeichnet "**Zahltag**" einen Tag, der ein Tag (außer einem Samstag oder Sonntag) ist, an dem das Clearing System sowie alle betroffenen Bereiche des Trans-European Automated Real-time Gross Settlement Express Transfer System 2 (TARGET2) ("**TARGET**") betriebsbereit sind, um die betreffenden Zahlungen weiterzuleiten.

(5) *Bezugnahmen auf Kapital und Zinsen:* Bezugnahmen in diesen Anleihebedingungen auf Kapital der Schuldverschreibungen schließen, soweit anwendbar, die folgenden Beträge ein: den Rückzahlungsbetrag der Schuldverschreibungen (wie in § 5 Absatz (1) definiert); den Vorzeitigen Rückzahlungsbetrag (Put) (wie in § 5 Absatz (3) definiert); den Vorzeitigen Rückzahlungsbetrag (Call) (wie in § 5 Absatz (4) definiert); sowie jeden Aufschlag sowie sonstige auf oder in Bezug auf die Schuldverschreibungen zahlbaren Beträge. Bezugnahmen in diesen Anleihebedingungen auf Zinsen auf die Schuldverschreibungen sollen, soweit anwendbar, sämtliche gemäß § 7 zahlbaren Zusätzlichen Beträge einschließen.

(6) *Hinterlegung von Kapital und Zinsen:* Die Emittentin ist berechtigt, beim Amtsgericht Heidelberg Zins- oder Kapitalbeträge zu hinterlegen, die von den Gläubigern nicht innerhalb von zwölf Monaten nach dem Fälligkeitstag beansprucht worden sind, auch wenn die Gläubiger sich nicht in Annahmeverzug befinden. Soweit eine solche Hinterlegung erfolgt und auf das Recht der Rücknahme verzichtet wird, erlöschen die diesbezüglichen Ansprüche der Gläubiger gegen die Emittentin.

## **§ 5 RÜCKZAHLUNG**

(1) *Rückzahlung bei Endfälligkeit:* Soweit nicht zuvor bereits ganz oder teilweise zurückgezahlt oder angekauft und entwertet, werden die Schuldverschreibungen zu ihrem Rückzahlungsbetrag am **[im Fall der 2014 Schuldverschreibungen einzufügen: 31. Oktober 2014] [im Fall der 2017 Schuldverschreibungen einzufügen: 31. Januar 2017] [im Fall der 2019 Schuldverschreibungen einzufügen: 31. Oktober 2019]** (der "**Fälligkeitstag**") zurückgezahlt. Der "**Rückzahlungsbetrag**" in Bezug auf jede Schuldverschreibung entspricht dem Nennbetrag der Schuldverschreibungen.

(2) *Vorzeitige Rückzahlung aus steuerlichen Gründen:* Die Schuldverschreibungen können insgesamt, jedoch nicht teilweise, nach Wahl der Emittentin jederzeit mit einer Kündigungsfrist von nicht weniger als 30 und nicht mehr als 60 Tagen gegenüber der Hauptzahlstelle und gemäß § 14 gegenüber den Gläubigern vorzeitig gekündigt und zum Nennbetrag zuzüglich bis zum für die Rückzahlung festgesetzten Tag (ausschließlich) aufgelaufener Zinsen zurückgezahlt werden, falls die

For these purposes, "**Payment Business Day**" means any day which is a day (other than a Saturday or a Sunday) on which the Clearing System as well as all relevant parts of the Trans-European Automated Real-time Gross Settlement Express Transfer System 2 (TARGET2) ("**TARGET**") are operational to forward the relevant payment.

(5) *References to Principal and Interest:* References in these Conditions of Issue to principal in respect of the Notes shall be deemed to include, as applicable: the Final Redemption Amount of the Notes (as defined in § 5(1)); the Early Put Redemption Amount (as defined in § 5(3)); the Early Call Redemption Amount (as defined in § 5(4)); and any premium and any other amounts which may be payable under or in respect of the Notes. References in these Conditions of Issue to interest in respect of the Notes shall be deemed to include, as applicable, any Additional Amounts which may be payable under § 7.

(6) *Deposit of Principal and Interest:* The Issuer may deposit with the local court (*Amtsgericht*) in Heidelberg principal or interest not claimed by Holders within twelve months after the Maturity Date, even though such Holders may not be in default of acceptance of payment. If and to the extent that the deposit is effected and the right of withdrawal is waived, the respective claims of such Holders against the Issuer shall cease.

## **§ 5 REDEMPTION**

(1) *Final Redemption:* Unless previously redeemed in whole or in part or purchased and cancelled, the Notes shall be redeemed at their Final Redemption Amount on **[in case of the 2014 Notes insert: October 31, 2014] [in case of the 2017 Notes insert: January 31, 2017] [in case of the 2019 Notes insert: October 31, 2019]** (the "**Maturity Date**"). The "**Final Redemption Amount**" in respect of each Note shall be its principal amount.

(2) *Early Redemption for Reasons of Taxation:* If as a result of any change in, or amendment to, the laws or regulations of the Federal Republic of Germany or the United Kingdom of Great Britain and Northern Ireland ("**United Kingdom**") or any political subdivision or taxing authority thereto or therein affecting taxation or the obligation to pay duties of any kind, or any change in, or amendment to, an official interpretation or application of such laws or regulations, which amendment or change becomes effective on



Emittentin bzw. die Garantin als Folge einer Änderung oder Ergänzung der Steuer- oder Abgabengesetze und -vorschriften der Bundesrepublik Deutschland oder des Vereinigten Königreichs von Großbritannien und Nordirland (**"Vereinigtes Königreich"**) oder deren politischen Untergliederungen oder Steuerbehörden oder als Folge einer Änderung oder Ergänzung der Anwendung oder der offiziellen Auslegung dieser Gesetze und Vorschriften (vorausgesetzt, diese Änderung oder Ergänzung wird am oder nach dem Begebungstag wirksam) am nächstfolgenden Zinszahlungstag (wie in § 3 Absatz (1) definiert) zur Zahlung von Zusätzlichen Beträgen (wie in § 7 definiert) verpflichtet sein wird und diese Verpflichtung nicht durch das Ergreifen vernünftiger, der Emittentin bzw. der Garantin zur Verfügung stehender Maßnahmen vermieden werden kann.

Eine solche Kündigung darf allerdings nicht (i) früher als 90 Tage vor dem frühestmöglichen Termin erfolgen, an dem die Emittentin bzw. die Garantin verpflichtet wäre, solche Zusätzlichen Beträge zu zahlen, falls eine Zahlung auf die Schuldverschreibungen dann fällig sein würde, oder (ii) erfolgen, wenn zu dem Zeitpunkt, zu dem die Kündigung erfolgt, die Verpflichtung zur Zahlung von Zusätzlichen Beträgen nicht mehr wirksam ist.

Eine solche Kündigung hat gemäß § 14 zu erfolgen. Sie ist unwiderruflich, muss den für die Rückzahlung festgelegten Termin nennen und eine zusammenfassende Erklärung enthalten, welche die das Rückzahlungsrecht der Emittentin begründenden Umstände darlegt.

Vor Bekanntmachung der Kündigung gemäß diesem § 5 Absatz (2) hat die Emittentin der Hauptzahlstelle eine Bescheinigung vorzulegen, die von zwei Mitgliedern des Vorstands der Emittentin bzw. von zwei Mitgliedern des Vorstands der Garantin unterzeichnet ist, und die feststellt, dass die Emittentin zur Kündigung berechtigt ist und die Umstände auflistet, aus denen hervorgeht, dass die Voraussetzungen des Kündigungsrechts der Emittentin vorliegen sowie ein Gutachten anerkannter, unabhängiger Rechtsberater darüber, dass die Emittentin bzw. die Garantin verpflichtet ist oder sein wird, diese Zusätzlichen Beträge als Folge einer solchen Änderung oder Ergänzung zu zahlen.

*(3) Vorzeitige Rückzahlung nach Wahl der Gläubiger bei einem Kontrollwechsel:*

(a) Wenn ein Kontrollwechsel (wie nachfolgend definiert) eintritt, hat jeder Gläubiger das Recht, aber nicht die Verpflichtung, von der Emittentin die Rückzahlung oder, nach Wahl der Emittentin, den Ankauf seiner Schuldverschreibungen durch die Emittentin (oder auf ihre

or after the Issue Date, the Issuer or, as the case may be, the Guarantor is required to pay Additional Amounts (as defined in § 7) on the next succeeding Interest Payment Date (as defined in § 3(1)), and this obligation cannot be avoided by the use of reasonable measures available to the Issuer or, as the case may be, the Guarantor, the Notes may be redeemed, in whole but not in part, at the option of the Issuer, at any time upon not more than 60 days' nor less than 30 days' prior notice of redemption given to the Principal Paying Agent and, in accordance with § 14 to the Holders, at the principal amount together with interest accrued to (but excluding) the date fixed for redemption.

However, no such notice of redemption may be given (i) earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obligated to pay such Additional Amounts if a payment in respect of the Notes was then due, or (ii) if at the time such notice is given, such obligation to pay such Additional Amounts does not remain in effect.

Any such notice shall be given in accordance with § 14. It shall be irrevocable, must specify the date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem.

Prior to the publication of any notice of redemption pursuant to this § 5 (2), the Issuer shall deliver to the Principal Paying Agent a certificate signed by two members of the Managing Board of the Issuer or two members of the board of directors of the Guarantor, as the case may be, stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such Additional Amounts as a result of such change or amendment.

*(3) Early Redemption at the Option of the Holders upon a Change of Control:*

(a) If a Change of Control (as defined below) occurs, each Holder shall have the right, but not the obligation, to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) in whole or in part his Notes at the Early Put Redemption Amount (as defined

Veranlassung durch einen Dritten) zum Vorzeitigen Rückzahlungsbetrag (Put) (wie nachstehend definiert) insgesamt oder teilweise zu verlangen (die "**Rückzahlungsoption**"). Diese Rückzahlungsoption ist wie nachstehend unter § 5 Absatz (3) (b)-(c) beschrieben auszuüben.

Ein "**Kontrollwechsel**" liegt vor, wenn eines der folgenden Ereignisse eintritt:

- (i) die Emittentin erlangt Kenntnis davon, dass eine Person oder gemeinsam handelnde Gruppe von Personen im Sinne von § 2 Absatz 5 Wertpapiererwerbs- und Übernahmegesetz (jeweils ein "**Erwerber**") der rechtliche oder wirtschaftliche Eigentümer von mehr als 30% der Stimmrechte der Emittentin geworden ist; oder
- (ii) die Verschmelzung der Emittentin mit einer oder auf eine dritte Person (wie nachfolgend definiert) oder die Verschmelzung einer dritten Person mit oder auf die Emittentin, oder der Verkauf aller oder im Wesentlichen aller Vermögensgegenstände (konsolidiert betrachtet) der Emittentin an eine dritte Person, außer im Zusammenhang mit Rechtsgeschäften, infolge von denen (A) im Falle einer Verschmelzung die Inhaber von 100% der Stimmrechte der Emittentin wenigstens die Mehrheit der Stimmrechte an dem überlebenden Rechtsträger unmittelbar nach einer solchen Verschmelzung halten und (B) im Fall des Verkaufs von allen oder im Wesentlichen allen Vermögensgegenständen der erwerbende Rechtsträger ein Tochterunternehmen der Emittentin ist oder wird und Garantin bezüglich der Schuldverschreibungen wird;

"**dritte Person**" im Sinne dieses § 5 Absatz (3) (a) (ii) ist jede Person außer ein Tochterunternehmen der Emittentin.

"**Vorzeitiger Rückzahlungsbetrag (Put)**" bedeutet für jede Schuldverschreibung 101% des Nennbetrags der Schuldverschreibung, zuzüglich aufgelaufener und nicht gezahlter Zinsen bis zum nachfolgend definierten Rückzahlungstag (ausschließlich).

- (b) Wenn ein Kontrollwechsel eintritt, wird die Emittentin unverzüglich nachdem sie hiervon Kenntnis erlangt den Gläubigern Mitteilung vom Kontrollwechsel gemäß § 14 machen (eine "**Rückzahlungsmitteilung**"), in der die Umstände des Kontrollwechsels sowie das Verfahren für die Ausübung der in diesem § 5 Absatz (3) genannten Rückzahlungsoption angegeben sind.

below) (the "**Put Option**"). Such Put Option shall operate as set out below under § 5(3) (b)-(c).

"**Change of Control**" means the occurrence of any of the following events:

- (i) the Issuer becomes aware that any person or group of persons acting in concert within the meaning of § 2(5) of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz, WpÜG*) (each an "**Acquirer**") has become the legal or beneficial owner of more than 30% of the voting rights of the Issuer; or
- (ii) the merger of the Issuer with or into a third person (as defined below) or the merger of a third person with or into the Issuer, or the sale of all or substantially all of the assets (determined on a consolidated basis) of the Issuer to a third person other than in a transaction following which (A) in the case of a merger holders that represented 100% of the voting rights of the Issuer own directly or indirectly at least a majority of the voting rights of the surviving person immediately after such merger and (B) in the case of a sale of all or substantially all of the assets, each transferee becomes a guarantor in respect of the Notes and is or becomes a subsidiary of the Issuer;

"**third person**" shall for the purpose of this § 5(3) (a) (ii) mean any person other than a subsidiary of the Issuer.

"**Early Put Redemption Amount**" means for each Note 101% of the principal amount of such Note, plus accrued and unpaid interest up to (but excluding) the Put Date (as defined below).

- (b) If a Change of Control occurs, then the Issuer shall, without undue delay, after becoming aware thereof, give notice of the Change of Control (a "**Put Event Notice**") to the Holders in accordance with § 14 specifying the nature of the Change of Control and the procedure for exercising the Put Option contained in this § 5(3).

(c) Zur Ausübung der Rückzahlungsoption muss der Gläubiger seine Schuldverschreibung(en) an einem Zahltag innerhalb eines Zeitraums (der "**Rückzahlungszeitraum**") von 30 Tagen, nachdem die Rückzahlungsmitteilung veröffentlicht wurde, bei der festgelegten Geschäftsstelle der Hauptzahlstelle unter Beifügung einer ordnungsgemäß ausgefüllten und unterzeichnenden Ausübungserklärung einreichen, die in ihrer jeweils maßgeblichen Form bei der Hauptzahlstelle erhältlich ist (die "**Ausübungserklärung**"). Die Hauptzahlstelle, der die Schuldverschreibung(en) und die Ausübungserklärung übermittelt werden, wird dem jeweiligen Gläubiger eine nicht übertragbare Quittung für die Schuldverschreibung übergeben. Die Emittentin wird nach ihrer Wahl die maßgebliche(n) Schuldverschreibung(en) 7 Tage nach Ablauf des Rückzahlungszeitraums (der "**Rückzahlungstag**") zurückzahlen oder erwerben (bzw. erwerben lassen), soweit sie nicht bereits vorher zurückgezahlt oder erworben und entwertet wurde(n). Die Zahlung in Bezug auf solchermaßen eingereichte Schuldverschreibung(en) erfolgt in der üblichen Weise über das Clearing System. Eine einmal gegebene Ausübungserklärung ist unwiderruflich.

*(4) Vorzeitige Rückzahlung nach Wahl der Emittentin:*

Die Emittentin ist berechtigt, alle ausstehenden Schuldverschreibungen insgesamt, jedoch nicht teilweise, mit einer Kündigungsfrist von mindestens 60 und höchstens 90 Tagen gegenüber der Hauptzahlstelle und gemäß § 14 gegenüber den Gläubigern nach ihrer Wahl jederzeit vorzeitig zu kündigen und diese zum Vorzeitigen Rückzahlungsbetrag (Call) (wie nachstehend definiert) zurück zu zahlen.

Der Emittentin steht dieses Wahlrecht nicht in Bezug auf eine Schuldverschreibung zu, deren Rückzahlung bereits der Gläubiger in Ausübung seines Wahlrechts nach § 5 Absatz (3) verlangt hat.

Der "**Vorzeitige Rückzahlungsbetrag (Call)**" einer Schuldverschreibung entspricht der Summe aus:

- (i) des Nennbetrags der zurückzuzahlenden Schuldverschreibung; und
- (ii) der Anwendbaren Prämie (wie nachstehend definiert); und
- (iii) etwaigen bis zum Tag der Rückzahlung aufgelaufener und nicht gezahlter Zinsen.

Der Vorzeitige Rückzahlungsbetrag (Call) wird von der Berechnungsstelle berechnet.

"**Anwendbare Prämie**" bezeichnet die etwaige Differenz zwischen

- (i) dem Barwert zum Tag der Rückzahlung

(c) To exercise the Put Option, the Holder must deliver such Note(s) on any Payment Business Day within 30 days after a Put Event Notice has been published (the "**Put Period**"), to the specified office of the Principal Paying Agent accompanied by a duly signed and completed notice of exercise in the then current form obtainable from the Principal Paying Agent (a "**Put Notice**"). The Principal Paying Agent to which such Note(s) and Put Notice are delivered will issue to the relevant Holder a non-transferable receipt in respect of the Note(s) so delivered. The Issuer shall, redeem or at its option, purchase (or procure the purchase of) the relevant Note(s) on the date (the "**Put Date**") seven days after the expiration of the Put Period unless previously redeemed or purchased and cancelled. Payment in respect of any Note so delivered will be made in accordance with the customary procedures through the Clearing System. A Put Notice, once given, shall be irrevocable.

*(4) Early Redemption at the Option of the Issuer:*

The Issuer may at any time upon not less than 60 days' nor more than 90 days' prior notice of redemption given to the Principal Paying Agent and, in accordance with § 14 to the Holders redeem, at its option, the remaining Notes in whole but not in part, at their Early Call Redemption Amount (as defined below).

The Issuer may not exercise such option in respect of any Note which is the subject of the prior exercise by the Holder thereof of its option to require the redemption of such Note under § 5(3).

The "**Early Call Redemption Amount**" of a Note shall be an amount equal to the sum of:

- (i) the principal amount of the relevant Note to be redeemed; and
- (ii) the Applicable Premium (as defined below); and
- (iii) accrued but unpaid interest, if any, to, the redemption date).

The Early Call Redemption Amount shall be calculated by the Calculation Agent.

"**Applicable Premium**" means the excess, if any, of

- (i) the present value on such redemption date of

- (A) des Nennbetrags der zurückzuzahlenden Schuldverschreibung; zuzüglich
- (B) aller bis zum Fälligkeitstag (ausschließlich) vorgesehenen und noch fällig werdenden Zinszahlungen,

abgezinst mit der Benchmark-Verzinsung zuzüglich 0,5%

und

- (ii) des Nennbetrags der Schuldverschreibung zum Tag der Rückzahlung.

Die "**Benchmark Verzinsung**" entspricht der am Rückzahlungs-Berechnungstag bestehenden Rendite bis zur Fälligkeit einer Bundesanleihe der Bundesrepublik Deutschland mit einer festen Laufzeit (wie offiziell bestimmt und in den jeweils zum Rückzahlungs-Berechnungstag zuletzt verfügbaren Finanzinformationen der Bundesrepublik Deutschland veröffentlicht — oder falls solche Finanzinformationen nicht veröffentlicht oder zugänglich sind, wie aus anderen von der Emittentin ordnungsgemäß ausgewählten, öffentlich zugänglichen vergleichbaren Marktdaten ersichtlich), die der Zeitspanne vom Tag der Rückzahlung bis zum Fälligkeitstag am ehesten entspricht. Sollte jedoch diese Zeitspanne vom Tag der Rückzahlung bis zum jeweiligen Fälligkeitstag nicht der Festlaufzeit einer solchen Bundesanleihe der Bundesrepublik Deutschland entsprechen, für die eine wöchentliche Durchschnittsrendite angegeben wird, so ist die Benchmark-Verzinsung im Wege der linearen Interpolation (berechnet auf das nächste Zwölftel eines Jahres) aus den wöchentlichen Durchschnittsrenditen solcher Bundesanleihen der Bundesrepublik Deutschland zu ermitteln, für die solche Renditen angegeben werden. Soweit die Zeitspanne vom Tag der Rückzahlung bis zum Fälligkeitstag geringer als ein Jahr ist, so ist jedoch die wöchentliche Durchschnittsrendite einer tatsächlich gehandelten Bundesanleihe der Bundesrepublik Deutschland angepasst auf eine Festlaufzeit von einem Jahr anzuwenden.

"**Rückzahlungs-Berechnungstag**" ist der sechste Zahltag vor dem Tag, an dem die Schuldverschreibungen infolge eines der in diesem § 5 Absatz (4) genannten Ereignisse zurückgezahlt werden.

## § 6

### DIE HAUPTZAHLSTELLE, DIE ZAHLSTELLE UND DIE BERECHNUNGSSTELLE

(1) *Bestellung; bezeichnete Geschäftsstelle:* Die anfänglich bestellte Hauptzahlstelle, die anfänglich bestellten Zahlstelle und die anfänglich bestellte Berechnungsstelle und deren bezeichnete Geschäftsstellen lauten wie folgt:

Hauptzahl-  
stelle: Deutsche Bank

- (A) the principal amount of the relevant Note, plus
- (B) all remaining scheduled interest payments on such Note to (but excluding) the Maturity Date

discounted with the Benchmark Yield plus 0.5%

over

- (ii) the principal amount of such Note on the redemption date.

The "**Benchmark Yield**" shall be the yield to maturity at the Redemption Calculation Date of a *Bundesanleihe* (senior unsecured bond) of the Federal Republic of Germany with a constant maturity (as officially compiled and published in the most recent financial statistics of the Federal Republic of Germany that have then become publicly available on the Redemption Calculation Date (or if such financial statistics are not so published or available, as apparent from any publicly available source of similar market data selected by the Issuer in good faith)), most nearly equal to the period from the redemption date to the Maturity Date of the relevant Note *provided, however*, that if the period from the redemption date to the Maturity Date is not equal to the constant maturity of the *Bundesanleihe* of the Federal Republic of Germany for which a weekly average yield is given, the Benchmark Yield shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of *Bundesanleihen* of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to the Maturity Date is less than one year, the weekly average yield on actually traded *Bundesanleihen* of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

"**Redemption Calculation Date**" means the sixth Payment Business Day prior to the date on which the Notes are redeemed as a result of any event specified in this § 5(4).

## § 6

### THE PRINCIPAL PAYING AGENT, THE PAYING AGENT AND THE CALCULATION AGENT

(1) *Appointment; Specified Office:* The initial Principal Paying Agent, the initial Paying Agent and the initial Calculation Agent and their initial specified offices shall be:

Principal  
Paying Agent: Deutsche Bank

	Aktiengesellschaft Trust & Securities Services (TSS) Grosse Gallustrasse 10-14 60272 Frankfurt am Main Deutschland		Aktiengesellschaft Trust & Securities Services (TSS) Grosse Gallustrasse 10-14 60272 Frankfurt am Main Germany
Zahlstelle:	Deutsche Bank Luxembourg S.A. 2 Boulevard Konrad Adenauer 1115 Luxemburg Großherzogtum Luxemburg	Paying Agent:	Deutsche Bank Luxembourg S.A. 2 Boulevard Konrad Adenauer 1115 Luxemburg The Grand Duchy of Luxembourg
Berechnungs- stelle:	Deutsche Bank Aktiengesellschaft Trust & Securities Services (TSS) Grosse Gallustrasse 10-14 60272 Frankfurt am Main Deutschland	Calculation Agent:	Deutsche Bank Aktiengesellschaft Trust & Securities Services (TSS) Grosse Gallustrasse 10-14 60272 Frankfurt am Main Deutschland

Die Hauptzahlstelle, die Zahlstelle und die Berechnungsstelle behalten sich das Recht vor, jederzeit ihre bezeichneten Geschäftsstellen durch eine andere Geschäftsstelle in derselben Stadt zu ersetzen.

(2) *Änderung der Bestellung oder Abberufung:* Die Emittentin behält sich das Recht vor, jederzeit die Bestellung der Hauptzahlstelle, einer Zahlstelle oder der Berechnungsstelle zu ändern oder zu beenden und eine andere Hauptzahlstelle, zusätzliche oder andere Zahlstellen oder eine andere Berechnungsstelle zu bestellen. Die Emittentin wird zu jedem Zeitpunkt (i) eine Hauptzahlstelle, (ii) solange die Schuldverschreibungen an der *official list* der Luxemburger Börse notiert sind, eine Zahlstelle (die die Hauptzahlstelle sein kann) mit Geschäftsstelle in Luxemburg und/oder an solchen anderen Orten, die die Regeln dieser Börse verlangen, und (iii) eine Berechnungsstelle unterhalten. Eine Änderung, Abberufung, Bestellung oder ein sonstiger Wechsel wird nur wirksam (außer im Insolvenzfall, in dem eine solche Änderung sofort wirksam wird), sofern die Gläubiger hierüber gemäß § 14 vorab unter Einhaltung einer Frist von mindestens 30 und nicht mehr als 45 Tagen informiert wurden.

(3) *Erfüllungsgehilfe(n) der Emittentin:* Die Hauptzahlstelle, die Zahlstelle und die Berechnungsstelle handeln ausschließlich als Erfüllungsgehilfen der Emittentin und übernehmen keinerlei Verpflichtungen gegenüber den Gläubigern und es wird kein Auftrags- oder Treuhandverhältnis zwischen ihnen und den Gläubigern begründet.

## § 7 STEUERN

Sämtliche auf die Schuldverschreibungen zu zahlenden Beträge sind ohne Einbehalt oder Abzug von oder aufgrund von gegenwärtigen oder zukünftigen Steuern oder sonstigen Abgaben gleich welcher Art zu leisten, die von oder in der Bundesrepublik Deutschland oder dem Vereinigten

The Principal Paying Agent, the Paying Agent and the Calculation Agent reserve the right at any time to change their specified offices to some other office in the same city.

(2) *Variation or Termination of Appointment:* The Issuer reserves the right at any time to vary or terminate the appointment of the Principal Paying Agent, any Paying Agent or the Calculation Agent and to appoint another Principal Paying Agent, additional or other Paying Agents or another Calculation Agent. The Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) so long as the Notes are listed on the official list of the Luxembourg Stock Exchange, a Paying Agent (which may be the Principal Paying Agent) with an office in Luxembourg and/or in such other place as may be required by the rules of such stock exchange and (iii) a Calculation Agent. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Holders in accordance with § 14.

(3) *Agent of the Issuer:* The Principal Paying Agent, the Paying Agent and the Calculation Agent act solely as the agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for any Holder.

## § 7 TAXATION

All amounts payable in respect of the Notes shall be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied at source by way of withholding or deduction by or on behalf of the Federal Republic of Germany or the United



Königreich oder für deren Rechnung oder von oder für Rechnung einer politischen Untergliederung oder Steuerbehörde der oder in der Bundesrepublik Deutschland oder dem Vereinigten Königreich an der Quelle auferlegt oder erhoben werden, es sei denn, ein solcher Einbehalt oder Abzug ist gesetzlich vorgeschrieben. Ist ein solcher Einbehalt gesetzlich vorgeschrieben, so wird die Emittentin diejenigen Zusätzlichen Beträge (die **“Zusätzlichen Beträge”**) zahlen, die erforderlich sind, damit die den Gläubigern zufließenden Nettobeträge nach diesem Einbehalt oder Abzug jeweils den Beträgen entsprechen, die ohne einen solchen Einbehalt oder Abzug von den Gläubigern empfangen worden wären; die Verpflichtung zur Zahlung solcher Zusätzlichen Beträge besteht jedoch nicht im Hinblick auf Steuern und Abgaben, die:

- (a) von einer als Depotbank oder Inkassobeauftragter des Gläubigers handelnden Person oder sonst auf andere Weise zu entrichten sind als dadurch, dass die Emittentin aus den von ihr zu leistenden Zahlungen von Kapital oder Zinsen einen Abzug oder Einbehalt vornimmt; oder
- (b) wegen einer gegenwärtigen oder früheren persönlichen oder geschäftlichen Beziehung des Gläubigers zur Bundesrepublik Deutschland oder zum Vereinigten Königreich zu zahlen sind, und nicht allein deshalb, weil Zahlungen auf die Schuldverschreibungen aus Quellen in der Bundesrepublik Deutschland oder dem Vereinigten Königreich stammen (oder für Zwecke der Besteuerung so behandelt werden) oder dort besichert sind; oder
- (c) aufgrund (i) einer Richtlinie oder Verordnung der Europäischen Union betreffend die Besteuerung von Zinserträgen oder (ii) einer zwischenstaatlichen Vereinbarung über deren Besteuerung, an der die Bundesrepublik Deutschland oder das Vereinigte Königreich oder die Europäische Union beteiligt ist, oder (iii) einer gesetzlichen Vorschrift, die diese Richtlinie, Verordnung oder Vereinbarung umsetzt oder befolgt, abzuziehen oder einzubehalten sind; oder
- (d) aufgrund einer Rechtsänderung zu zahlen sind, welche später als 30 Tage nach Fälligkeit der betreffenden Zahlung von Kapital oder Zinsen oder, wenn dies später erfolgt, ordnungsgemäßer Bereitstellung aller fälligen Beträge und einer diesbezüglichen Bekanntmachung gemäß § 14 wirksam wird; oder
- (e) im Fall der Ausgabe von Einzelurkunden, von der oder einer anderen Zahlstelle einbehalten oder abgezogen werden, wenn die Zahlung von einer anderen Zahlstelle ohne den Einbehalt oder Abzug hätte vorgenommen werden können.

Kingdom or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law. If such withholding is required by law, the Issuer will pay such Additional Amounts (the **“Additional Amounts”**) as shall be necessary in order that the net amounts received by the Holders, after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable on account of any taxes or duties which:

- (a) are payable by any person acting as custodian bank or collecting agent on behalf of a Holder, or otherwise in any manner which does not constitute a deduction or withholding by the Issuer from payments of principal or interest made by it, or
- (b) are payable by reason of the Holder having, or having had, some personal or business connection with the Federal Republic of Germany or the United Kingdom and not merely by reason of the fact that payments in respect of the Notes are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, the Federal Republic of Germany or the United Kingdom, or
- (c) are deducted or withheld pursuant to (i) any European Union Directive or Regulation concerning the taxation of interest income, or (ii) any international treaty or understanding relating to such taxation and to which the Federal Republic of Germany or the United Kingdom or the European Union is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty or understanding, or
- (d) are payable by reason of a change in law that becomes effective more than 30 days after the relevant payment becomes due, or is duly provided for and notice thereof is published in accordance with § 14, whichever occurs later. or
- (e) in the case of the issuance of definitive notes, are withheld or deducted by the Paying Agent or another paying agent from a payment if the payment could have been made by another paying agent without such withholding or deduction.

Die gegenwärtig in der Bundesrepublik Deutschland erhobene Kapitalertragsteuer und der darauf jeweils anfallende Solidaritätszuschlag sind keine Steuer oder sonstige Abgabe im oben genannten Sinn, für die Zusätzliche Beträge seitens der Emittentin zu zahlen wären.

## § 8 VORLEGUNGSFRIST

Die in § 801 Absatz (1) Satz 1 BGB bestimmte Vorlegungsfrist wird für die Schuldverschreibungen auf zehn Jahre verkürzt.

## § 9 KÜNDIGUNG

(1) *Kündigungsgründe*: Jeder Gläubiger ist berechtigt, seine Schuldverschreibungen zu kündigen und deren sofortige Rückzahlung zu ihrem Nennbetrag zuzüglich (etwaiger) bis zum Tage der Rückzahlung aufgelaufener Zinsen zu verlangen, falls:

- (a) *Nichtzahlung von Kapital oder Zinsen*: die Emittentin Kapital, Zinsen oder sonstige auf die Schuldverschreibungen zahlbare Beträge nicht innerhalb von 30 Tagen nach dem betreffenden Fälligkeitsdatum zahlt; oder
- (b) *Nichtzahlung der Garantin*: die Garantin auf die Garantie zahlbare Beträge nicht innerhalb von 30 Tagen nach dem betreffenden Fälligkeitsdatum zahlt; oder
- (c) *Verletzung der Verpflichtungen gegenüber den Gläubigern bei Kontrollwechsel*: die Emittentin die ordnungsgemäße Erfüllung ihrer Verpflichtungen nach § 5 Absatz (3) im Fall eines Kontrollwechsels unterlässt; oder
- (d) *Verletzung einer sonstigen Verpflichtung*: die Emittentin die ordnungsgemäße Erfüllung einer anderen Verpflichtung aus den Schuldverschreibungen unterlässt und diese Unterlassung länger als 30 Tage fort dauert, nachdem die Hauptzahlstelle hierüber eine Benachrichtigung von einem Gläubiger erhalten und die Emittentin entsprechend benachrichtigt hat; oder
- (e) *Zahlungseinstellung*: die Emittentin, die Garantin (bei Bestehen der Garantie) oder ein Wesentliches Tochterunternehmen (wie nachstehend definiert) ihre Zahlungsunfähigkeit bekannt gibt oder ihre Zahlungen allgemein einstellt; oder
- (f) *Insolvenz u.ä.*: ein Gericht ein Insolvenzverfahren gegen die Emittentin, die Garantin (bei Bestehen der Garantie) oder ein Wesentliches Tochterunternehmen eröffnet, oder die Emittentin, die Garantin (bei Bestehen der Garantie) oder ein Wesentliches Tochterunternehmen ein solches Verfahren einleitet oder beantragt oder eine allgemeine Schuldenregelung zu Gunsten ihrer Gläubiger anbietet oder trifft, oder ein Dritter ein Insolvenzverfahren gegen

The withholding tax (*Kapitalertragsteuer*) currently levied in the Federal Republic of Germany and the solidarity surcharge (*Solidaritätszuschlag*) imposed thereon do not constitute a tax or duty as described above in respect of which Additional Amounts would be payable by the Issuer.

## § 8 PRESENTATION PERIOD

The presentation period provided in § 801 (1) sentence 1 German Civil Code (*Bürgerliches Gesetzbuch, BGB*) is reduced to ten years for the Notes.

## § 9 EVENTS OF DEFAULT

(1) *Events of default*: Each Holder shall be entitled to declare his Notes due and demand immediate redemption thereof at the principal amount plus accrued interest (if any) to the date of repayment, in the event that

- (a) *Non-Payment of Principal or Interest*: the Issuer fails to pay principal, interest or any other amounts due on the Notes within 30 days after the relevant due date, or
- (b) *Non-payment by the Guarantor*: the Guarantor fails to pay amounts payable under the Guarantee within 30 days after the relevant due date; or
- (c) *Breach of obligations vis-à-vis the Holders in the case of a Change of Control*: the Issuer fails to duly perform its obligations under § 5(3) in case of a Change of Control; or
- (d) *Breach of other Obligation*: the Issuer fails to duly perform any other obligation arising from the Notes and such failure continues unremedied for more than 30 days after the Principal Paying Agent has received notice thereof from a Holder and has informed the Issuer accordingly, or
- (e) *Cessation of Payment*: the Issuer, the Guarantor (as long as the Guarantee is outstanding) or a Significant Subsidiary (as defined below) announces its inability to meet its financial obligations or ceases its payments generally, or
- (f) *Insolvency etc.*: a court opens insolvency proceedings against the Issuer, the Guarantor (as long as the Guarantee is outstanding) or a Significant Subsidiary or the Issuer, the Guarantor (as long as the Guarantee is outstanding) or a Significant Subsidiary applies for or institutes such proceedings or offers or makes an arrangement for the benefit of its creditors generally, or a third party applies for insolvency proceedings against the Issuer, the Guarantor

- die Emittentin, die Garantin (bei Bestehen der Garantie) oder ein Wesentliches Tochterunternehmen beantragt und ein solches Verfahren nicht innerhalb einer Frist von 30 Tagen aufgehoben oder ausgesetzt worden ist; oder
- (g) *Liquidation*: die Emittentin, die Garantin (bei Bestehen der Garantie) oder ein Wesentliches Tochterunternehmen in Liquidation geht (es sei denn, dies geschieht im Zusammenhang mit einer Verschmelzung oder einer anderen Form des Zusammenschlusses mit einer anderen Gesellschaft oder im Zusammenhang mit einer Umwandlung, sofern die andere oder neue Gesellschaft oder gegebenenfalls die anderen oder neuen Gesellschaften im Wesentlichen alle Aktiva und Passiva der Emittentin, der Garantin oder des Wesentlichen Tochterunternehmens übernimmt oder übernehmen); oder
- (h) *Cross Default*: die Emittentin oder die Garantin (bei Bestehen der Garantie) eine Zahlungsverpflichtung in Höhe oder im Gegenwert von mehr als EUR 50.000.000 aus einer Verbindlichkeit für geliehene Gelder oder aufgrund einer Bürgschaft oder Garantie, die für solche Verbindlichkeiten Dritter gegeben wurde, oder ein Wesentliches Tochterunternehmen eine Zahlungsverpflichtung in Höhe oder im Gegenwert von mehr als EUR 50.000.000 unter einer Kapitalmarktverbindlichkeit oder aufgrund einer Bürgschaft oder Garantie, die für solche Verbindlichkeiten Dritter gegeben wurde, nicht innerhalb von 30 Tagen nach ihrer Fälligkeit bzw. im Falle einer Bürgschaft oder Garantie nicht innerhalb von 30 Tagen nach Inanspruchnahme aus dieser Bürgschaft oder Garantie erfüllt, es sei denn, die Emittentin, die Garantin oder das betreffende Wesentliche Tochterunternehmen bestreitet in gutem Glauben, dass diese Zahlungsverpflichtung besteht oder fällig ist bzw. diese Bürgschaft oder Garantie berechneterweise geltend gemacht wird; oder
- (i) *Nachteilige Urteile*: Ein rechtskräftiges und vollstreckbares Urteil und/oder ein solcher Beschluss zur Zahlung eines Betrags von mehr als (einzeln oder zusammen mit anderen Urteilen/Beschlüssen) EUR 50.000.000 (oder der entsprechende Gegenwert in der jeweils anwendbaren Währung) ist gegenüber der Emittentin, der Garantin (bei Bestehen der Garantie) oder eines Wesentlichen Tochterunternehmens erlassen worden und solche Urteile oder Beschlüsse werden nicht innerhalb von 30 Tagen nach ihrem Erlass erfüllt oder es sind keine anderen Schritte zur Abwendung der Zwangsvollstreckung innerhalb dieses Zeitraums von 30 Tagen erfolgreich veranlasst worden; oder
- (j) *Konsolidierter Deckungsgrad*: die Emittentin macht in (i) ihrem mit dem jährlichen Konzernabschluss veröffentlichten Konzernlagebericht, (ii) ihrem Halbjahresbericht oder (iii) ihren Quartalsberichten für das erste und dritte Quartal
- (as long as the Guarantee is outstanding) or a Significant Subsidiary and such proceedings are not discharged or stayed within 30 days, or
- (g) *Liquidation*: the Issuer, the Guarantor (as long as the Guarantee is outstanding) or a Significant Subsidiary enters into liquidation (except in connection with a merger or other form of combination with another company or in connection with a reconstruction and such other or new company or, as the case may be, companies effectively assume substantially all of the assets and liabilities of the Issuer, the Guarantor or the Significant Subsidiary), or
- (h) *Cross-Default*: the Issuer or the Guarantor (as long as the Guarantee is outstanding) fails to fulfill any payment obligation in excess of EUR 50,000,000 or the equivalent thereof under any indebtedness for borrowed money or under any guarantees or suretyships given for any such indebtedness of others or a Significant Subsidiary fails to fulfill any payment obligation in excess of EUR 50,000,000 or the equivalent thereof under any Capital Market Indebtedness or under any guarantees or suretyships given for any such indebtedness of others in each case within 30 days from its due date or, in the case of such guarantee or suretyship, within 30 days of such guarantee or suretyship being invoked, unless the Issuer, the Guarantor or the relevant Significant Subsidiary contests in good faith that such payment obligation exists or is due or that such guarantee or suretyship has been validly invoked; or
- (i) *Adverse Judgments*: A final and enforceable judgment and/or order for the payment of an amount exceeding (individually or when aggregated with other judgment(s) and/or order(s) EUR 50,000,000 (or its equivalent in the applicable currency) is rendered against the Issuer, the Guarantor as long as the Guarantee is outstanding) or a Significant Subsidiary and such judgments or orders is not satisfied within a period of 30 days after the rendering of the judgment and/or order or no other steps preventing enforcement have been successfully taken within such 30 days' period; or
- (j) *Consolidated Coverage Ratio*: the Issuer does not report in each of (i) its group report published with the consolidated annual financial statements (ii) its half year report or (iii) its quarterly reports for the first and third quarter

eines Geschäftsjahres keine Angaben zum Konsolidierten EBITDA und zum Konsolidierten Zinsergebnis (jeweils wie in § 10 Absatz (3) definiert) jeweils zum letzten Tag des Berichtszeitraums, die eine Berechnung des Konsolidierten Deckungsgrads (wie in § 10 Absatz (3) definiert) zu den jeweiligen Stichtagen ermöglichen.

Das Kündigungsrecht erlischt, falls der Kündigungsgrund vor Ausübung des Rechts geheilt wurde.

**“Wesentliches Tochterunternehmen”** bezeichnet ein konsolidiertes Tochterunternehmen der Emittentin, (i) dessen Umsatzerlöse 5 % der konsolidierten Umsatzerlöse der Emittentin übersteigen, wobei dies anhand der Daten in dem jeweils letzten geprüften oder, im Fall von Halbjahresabschlüssen, ungeprüften konsolidierten Abschluss der Emittentin und in dem jeweils letzten geprüften (soweit verfügbar) oder (soweit nicht verfügbar) ungeprüften nicht konsolidierten Abschlusses des betreffenden Tochterunternehmens zu ermitteln ist, oder (ii) dessen Bilanzsumme 5 % der konsolidierten Bilanzsumme der Emittentin übersteigt, wobei dies anhand der Daten in dem jeweils letzten geprüften oder, im Fall von Halbjahresabschlüssen, ungeprüften konsolidierten Abschluss der Emittentin und in dem jeweils letzten geprüften (soweit verfügbar) oder (soweit nicht verfügbar) ungeprüften nicht konsolidierten Abschluss des betreffenden Tochterunternehmens zu ermitteln ist. Für den Fall dass, ungeachtet des Vorstehenden, ein Bericht der Wirtschaftsprüfer der Emittentin bestimmt, dass ein konsolidiertes Tochterunternehmen zu einem bestimmten Zeitpunkt ein Wesentliches Tochterunternehmen ist oder war, so ist, sofern nicht ein offensichtlicher Irrtum vorliegt, diese Bestimmung für alle Beteiligten maßgeblich und bindend.

(2) *Benachrichtigung*: Eine Benachrichtigung, einschließlich einer Kündigung der Schuldverschreibungen gemäß Absatz (1) (**“Kündigungserklärung”**), ist entweder (a) schriftlich in deutscher oder englischer Sprache gegenüber der Hauptzahlstelle zu erklären und zusammen mit dem Nachweis in Form einer Bescheinigung der Depotbank (wie in § 15 Absatz (3) definiert) oder in einer anderen geeigneten Weise, dass der Benachrichtigende zum Zeitpunkt der Benachrichtigung ein Gläubiger der betreffenden Schuldverschreibung ist, persönlich oder per Einschreiben an dessen bezeichnete Geschäftsstelle zu übermitteln oder (b) bei seiner Depotbank zur Weiterleitung an die Emittentin über das Clearing System zu erklären.

(3) *Quorum*: In den Fällen gemäß Absatz (1) (a), (b), (c), (d), (e), (h) und/oder (i) wird eine Kündigungserklärung, sofern nicht bei deren Eingang zugleich einer der in Absatz (1) (f), (g), und (j) bezeichneten Kündigungsgründe vorliegt, erst wirksam, wenn bei der Hauptzahlstelle Kündigungserklärungen von Gläubigern im Nennbetrag von mindestens 10% des Gesamtnennbetrages der zu diesem

of each fiscal year the amount of the Consolidated EBITDA and the Consolidated Interest Expenses (each as defined in § 10 (3) as of the last day of the reporting period in a manner which allows the calculation of the Consolidated Coverage Ratio (as defined in § 10 (3) for the relevant dates.

The right to declare Notes due shall terminate if the situation giving rise to it has been cured before the right is exercised.

**“Significant Subsidiary”** means any consolidated subsidiary of the Issuer (i) whose turnover exceeds 5 % of the consolidated turnover of the Issuer as determined on the basis of the data included in the most recent audited or, in case of half-yearly financial statements, unaudited consolidated financial statements of the Issuer and in the most recent audited (if available) or (if not available) unaudited unconsolidated financial statements of such consolidated subsidiary, or (ii) whose total assets exceed 5 % of the consolidated total assets of the Issuer as determined on the basis of the data included in the most recent audited or, in case of half-yearly financial statements, unaudited consolidated financial statements of the Issuer and the most recent audited (if available) or (if not available) unaudited unconsolidated financial statements of such consolidated subsidiary. In the case that, irrespective of the foregoing, a report by the Issuer’s auditors determines that a consolidated subsidiary is or is not or was or was not at a specified date a Significant Subsidiary, this determination shall, in the absence of manifest error, be conclusive and binding on all parties.

(2) *Notice*: Any notice, including any notice declaring Notes due in accordance with subparagraph (1) (**“Default Notice”**), shall be either be made (a) by means of a written declaration in the German or English language delivered by hand or registered mail to the specified office of the Principal Paying Agent together with a proof that such notifying Holder at the time of such notice is a holder of the relevant Notes by means of a statement of his Custodian (as defined in § 15(3)) or any other appropriate manner or (b) with its Custodian for the notice to be delivered to the Clearing System for communication by the Clearing System to the Issuer.

(3) *Quorum*: In the events specified in subparagraph (1) (a), (b), (c), (d), (e), (h) and/or (i), any Default Notice shall, unless at the time such notice is received any of the events specified in subparagraph (1) (f), (g) and (j) entitling Holders to declare their Notes due has occurred, become effective only when the Principal Paying Agent has received such Default Notices from the Holders



Zeitpunkt noch insgesamt ausstehenden Schuldverschreibungen eingegangen sind.

## § 10

### BESCHRÄNKUNG DER VERSCHULDUNG

(1) *Beschränkung:* Vorbehaltlich der Ausnahmen unter § 10 Absatz 2 wird die Emittentin nach dem Begebungstag keine zusätzlichen Finanzverbindlichkeiten (wie nachfolgend definiert) eingehen und veranlassen, dass ihre Relevanten Tochterunternehmen (wie in § 2 Absatz (4) definiert) keine zusätzlichen Finanzverbindlichkeiten eingehen, wenn der Konsolidierte Deckungsgrad (wie nachfolgend definiert) bei Eingehung der zusätzlichen Finanzverbindlichkeit nicht mindestens 2.0 zu 1.0 betragen würde.

(2) *Ausnahmen:* Die Emittentin und ihre Relevanten Tochterunternehmen dürfen unbeschadet des Konsolidierten Deckungsgrads folgende Finanzverbindlichkeiten eingehen:

(a) Finanzverbindlichkeiten,

- (i) bis zu einem Betrag, der (A) in Bezug auf die Tilgungskreditlinien (*term loans*) EUR 4.730.000.000 abzüglich der Nettoerlöse aus dem ersten Verkauf dieser Schuldverschreibungen und der **[im Fall der 2014 Schuldverschreibungen einzufügen:** EUR 1.000.000.000 8,0% Schuldverschreibungen fällig 2017 (ISIN XS0458230322) und der EUR 500.000.000 8,5% Schuldverschreibungen fällig 2019 (ISIN XS0458685913)] **[im Fall der 2017 Schuldverschreibungen einzufügen:** EUR 1.000.000.000 7,5% Schuldverschreibungen fällig 2014 (ISIN XS0458230082) und der EUR 500.000.000 8,5% Schuldverschreibungen fällig 2019 (ISIN XS0458685913)] **[im Fall der 2019 Schuldverschreibungen einzufügen:** EUR 1.000.000.000 7,5% Schuldverschreibungen fällig 2014 (ISIN XS0458230082) und der EUR 1.000.000.000 8,0% Schuldverschreibungen fällig 2017 (ISIN XS0458230322)] und (B) in Bezug auf die revolvingierenden Kreditlinien (*revolving loans*) EUR 2.300.000.000 zu keiner Zeit übersteigen soll, jeweils unter dem EUR 8.744.558.153 syndizierten Kreditvertrag zwischen der Emittentin und den anderen Vertragsparteien vom 16. Juni 2009, arrangiert von, unter anderem, der Deutsche Bank Aktiengesellschaft und der Royal Bank of Scotland plc;
- (ii) die unter dem USD 250.000.000 syndizierten Avalkreditvertrag vom 21. Mai 2008, wie am 16. Juni 2009 geändert, zwischen der Emittentin und den anderen

representing at least 10 per cent. of the aggregate principal amount of Notes then outstanding.

## § 10

### LIMITATION ON INDEBTEDNESS

(1) *Limitation:* Subject to the exceptions set out under § 10(2), the Issuer will not, and will procure that none of its Relevant Subsidiaries (as defined in § 2 (4)) will, after the Issue Date, incur any additional Financial Indebtedness (as defined below) if on the date of the incurrence of such additional Financial Indebtedness the Consolidated Coverage Ratio (as defined below) is not at least 2.0 to 1.0.

(2) *Exceptions:* Irrespective of the Consolidated Coverage Ratio the Issuer or its Relevant Subsidiaries are permitted to incur the following Financial Indebtedness:

(a) Financial Indebtedness incurred under

- (i) up to an amount not to exceed at any time outstanding (A) with respect to the term loans, EUR 4,730,000,000 less the aggregate net proceeds of the Issuer from the initial sale of these Notes and the **[in case of the 2014 Notes insert:** EUR 1,000,000,000 8.0% notes due 2017 (ISIN XS0458230322) and the EUR 500,000,000 8.5% notes due 2019 (ISIN XS0458685913)] **[in case of the 2017 Notes insert:** EUR 1,000,000,000 7.5% notes due 2014 (ISIN XS0458230082) and the EUR 500,000,000 8.5% notes due 2019 (ISIN XS0458685913)] **[in case of the 2019 Notes insert:** EUR 1,000,000,000 7.5% notes due 2014 (ISIN XS045820082) and the EUR 1,000,000,000 8.0% notes due 2017 (ISIN XS0458230322)] and (B) with respect to the revolving loans, EUR 2,300,000,000 each as incurred under the EUR 8.744.558.153 syndicated facilities agreement among the Issuer and the other parties thereto dated June 16 2009, and arranged by, among others, Deutsche Bank Aktiengesellschaft and the Royal Bank of Scotland plc;
- (ii) incurred under the USD 250,000,000 syndicated letter of guarantee facility agreement dated 21 May 2008 as amended on 16 June 2009 among the Issuer and the



- Vertragsparteien, arrangiert von, unter anderem, der Bank of America Securities Limited; und
- (iii) bis zu einem jeweils ausstehenden Gesamtbetrag von nicht mehr als insgesamt EUR 250.000.000 aus unter sonstigen am Begebungstag bestehenden Avalkreditlinien oder anderen Kreditlinien; aufgenommen wurden oder werden;
- (b) Finanzverbindlichkeiten der Emittentin gegenüber ihren Tochterunternehmen oder Finanzverbindlichkeiten ihrer Relevanten Tochterunternehmen gegenüber der Emittentin oder einem Tochterunternehmen der Emittentin;
- (c) Finanzverbindlichkeiten unter diesen Schuldverschreibungen und den **[im Fall der 2014 Schuldverschreibungen einzufragen: EUR 1.000.000.000 8,0% Schuldverschreibungen fällig 2017 (ISIN XS0458230322) und den EUR 500.000.000 8,5% Schuldverschreibungen fällig 2019 (ISIN XS0458685913)] [im Fall der 2017 Schuldverschreibungen einzufragen: EUR 1.000.000.000 7,5% Schuldverschreibungen fällig 2014 (ISIN XS0458230082) und den EUR 500.000.000 8,5% Schuldverschreibungen fällig 2019 (ISIN XS0458685913)] [im Fall der 2019 Schuldverschreibungen einzufragen: EUR 1.000.000.000 7,5% Schuldverschreibungen fällig 2014 (ISIN XS0458230082) und den EUR 1.000.000.000 8,0% Schuldverschreibungen fällig 2017 (ISIN XS0458230322)] und andere Finanzverbindlichkeiten als die unter (a), (b) (g), (h), (i) und (j) genannten, die zum Begebungstag bestehen;**
- (d) Finanzverbindlichkeiten eines Relevanten Tochterunternehmens, die zu dem Zeitpunkt eingegangen und ausstehend waren, zu dem die Emittentin dieses Relevante Tochterunternehmen nach dem Begebungstag erworben hat oder dieses Relevante Tochterunternehmen auf andere Weise ein Relevantes Tochterunternehmen geworden ist;
- (e) Finanzverbindlichkeiten der Emittentin und ihrer Relevanten Tochterunternehmen mit einer Laufzeit von weniger als einem Jahr unter Finanzierungsleasing, grundpfandrechtlich besicherten Krediten, Kaufpreisverbindlichkeiten oder ähnlichen Verbindlichkeiten bezüglich Grundbesitz oder anderer Vermögenswerten bis zu einem Gesamtbetrag von EUR 250.000.000;
- (f) Finanzverbindlichkeiten der Emittentin und ihrer Relevanten Tochterunternehmen unter Kreditverträgen, *commercial paper* Programmen oder anderen Vereinbarungen, jeweils
- other parties thereto, arranged by, among others, Bank of America Securities Limited; and
- (iii) up to an amount not to exceed EUR 250,000,000 in the aggregate outstanding at any time incurred under any other letter of credit facilities or other credit lines existing on the Issue Date;
- (b) Financial Indebtedness of the Issuer owing to any of its subsidiaries or Financial Indebtedness of any of its Relevant Subsidiaries owing to the Issuer or any subsidiary of the Issuer;
- (c) Financial Indebtedness under these Notes and the **[in case of the 2014 Notes insert: EUR 1,000,000,000 8.0% notes due 2017 (ISIN XS0458230322) and the EUR 500,000,000 8.5% notes due 2019 (ISIN XS0458685913)] [in case of the 2017 Notes insert: EUR 1,000,000,000 7.5% notes due 2014 (ISIN XS0458230082) and the EUR 500,000,000 8.5% notes due 2019 (ISIN XS0458685913)] [in case of the 2019 Notes insert: EUR 1,000,000,000 7.5% notes due 2014 (ISIN XS045820082) and the EUR 1,000,000,000 8.0% notes due 2017 (ISIN XS0458230322)] and any Financial Indebtedness (other than the Financial Indebtedness under (a), (b), (g) (h), (i) and (j)) outstanding on the Issue Date;**
- (d) Financial Indebtedness of a Relevant Subsidiary incurred and outstanding on the date on which such Relevant Subsidiary was directly or indirectly acquired by the Issuer after the Issue Date or on the date it otherwise becomes a Relevant Subsidiary;
- (e) Financial Indebtedness with a term of less than 1 year of the Issuer and its Relevant Subsidiaries represented by capital lease obligations, mortgage financings, purchase money obligations or other similar indebtedness with respect to assets or property not to exceed in the aggregate EUR 250,000,000;
- (f) Financial Indebtedness of the Issuer and its Relevant Subsidiaries to fund working capital requirements and other general corporate purposes under loan agreements, commercial

für Zwecke der Betriebsmittelfinanzierung oder andere allgemeine Unternehmenszwecke, jedoch nur bis zu einem Gesamtbetrag von EUR 250.000.000;

- (g) Im Rahmen des gewöhnlichen Geschäftsbetriebs begründete Finanzverbindlichkeiten der Emittentin und ihrer Tochterunternehmen unter Vergütungsansprüchen von Arbeitnehmern, Eigenversicherungen, Erfüllungs-, Sicherungs- und ähnlicher Bürgschaften sowie Garantien und Erfüllungsgarantien;
- (h) Finanzverbindlichkeiten der Emittentin und ihrer Relevanten Tochterunternehmen unter Freistellungsverpflichtungen, Kaufpreisanpassungsverpflichtungen oder ähnliche Verpflichtungen im Zusammenhang mit dem Erwerb oder der Veräußerung von Unternehmen, Vermögenswerten oder Kapitalanteilen an Beteiligungsgesellschaften nach dem Begebungstag;
- (i) Finanzverbindlichkeiten, die dadurch im üblichen Geschäftsbetrieb entstehen, dass eine Bank oder ein sonstiges Finanzinstitut einen nicht durch ausreichende Guthaben oder Kreditlinien gedeckten Scheck, Wechsel oder ein vergleichbares Papier einlöst, vorausgesetzt dass solch eine Finanzverbindlichkeit innerhalb von 7 Tagen nach ihrer Begründung beglichen wird;
- (j) erhaltene Anzahlungen von Kunden für Waren und Dienstleistungen und eingeräumte Zahlungsziele im üblichen Geschäftsbetrieb;
- (k) Finanzverbindlichkeiten unter Cash-Pooling Vereinbarungen und Hedging Vereinbarungen (Zins- und Währungsrisiken, Commodityrisiken) im Rahmen des üblichen Geschäftsbetriebs;
- (l) zusätzlich zu den vorgenannten Ausnahmen, Finanzverbindlichkeiten der Emittentin und ihrer Relevanten Tochterunternehmen, die den Gesamtbetrag von EUR 500.000.000 nicht übersteigen; und
- (m) jede Refinanzierungsverbindlichkeit (wie nachstehend definiert), die zur Refinanzierung einer unter (a), (c), (d) oder (m) erlaubten Finanzverbindlichkeit begründet wird.

(3) *Definitionen:* Für die Zwecke dieses § 10 gelten folgende Definitionen:

**“Finanzverbindlichkeit”** bedeutet (i) Verpflichtungen aus der Aufnahme von Darlehen, (ii) Verpflichtungen unter Schuldverschreibungen, Schuldscheinen oder ähnlichen Schultiteln, (iii) die Hauptverpflichtung aus Akzept-, Wechseldiskont- und ähnlichen Krediten, (iv) Zahlungsverpflichtungen unter einem gestundeten und unbezahlten Kaufpreis für Gegenstände (mit Ausnahme vom Verpflichtungen aus

paper programs or other agreements, not to exceed in the aggregate EUR 250,000,000;

- (g) Financial Indebtedness of the Issuer and its subsidiaries incurred in respect of worker's compensation claims, self-insurance obligations, performance, surety and similar bonds and completion guarantees provided by the Issuer and its subsidiaries in the ordinary course of business;
- (h) Financial Indebtedness of the Issuer and its Relevant Subsidiaries providing for indemnification, adjustment of purchase price or similar obligations in connection with the acquisition or disposition of any business, assets or capital stock of a subsidiary after the Issue Date;
- (i) Financial Indebtedness arising from honouring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds or credit lines in the ordinary course of business provided that such Financial Indebtedness is disbursed within 7 days of incurrence;
- (j) advance payments received from customers for goods and services purchased and credit periods in the ordinary course of business;
- (k) Financial Indebtedness under cash pooling arrangements and hedging arrangements (currency risks, interest rate risks, commodity price risks) in the ordinary course of business;
- (l) in addition to the aforementioned exceptions, Financial Indebtedness of the Issuer and its subsidiaries, not to exceeding an aggregate amount of EUR 500,000,000; and
- (m) any Refinancing Indebtedness (as defined below) incurred with respect to the refinancing of any Financial Indebtedness permitted under (a), (d), (e) or m).

(3) *Definitions:* For the purpose of this § 10 the following definitions shall apply:

**“Financial Indebtedness”** means (i) indebtedness for borrowed money, (ii) obligations evidenced by bonds, debentures, notes or other similar instruments, (iii) the principal component of obligations in respect of letters of credit, bankers' acceptances and similar instruments, (iv) obligations to pay the deferred and unpaid purchase price of property other than trade debt in the

Lieferung und Leistung im gewöhnlichen Geschäftsbetrieb, soweit nicht mehr als 90 Tage überfällig), (v) Verpflichtungen unter Finanzierungsleasing und Sale und Leaseback Vereinbarungen, (vi) Freistellungsverpflichtungen unter durch Dritte übernommenen Garantien und (vii) (in Höhe des Nettobetrag) Verpflichtungen aus Währungs-, Zins- und Rohstoff- und Energiepreisrisikohedginggeschäften.

**“Refinanzierungsverbindlichkeit”** bedeutet jede Finanzverbindlichkeit, durch die eine Finanzverbindlichkeit im Einklang mit diesen Anleihebedingungen refinanziert wird, jedoch vorausgesetzt dass

- (i) eine solche Refinanzierungsverbindlichkeit nicht früher fällig wird als die refinanzierte Finanzverbindlichkeit fällig geworden wäre;
- (ii) eine solche Refinanzierungsverbindlichkeit hat zum Zeitpunkt ihrer Eingehung eine durchschnittliche Laufzeit, die der durchschnittlichen Laufzeit der refinanzierten Finanzverbindlichkeit entspricht oder diese übersteigt; und
- (iii) eine solche Refinanzierungsverbindlichkeit hat einen Gesamtnennbetrag (oder falls mit Disagio begeben, einen Gesamtausgabebetrag), der dem ausstehenden oder zugesagten Gesamtnennbetrag (oder falls mit Disagio begeben, dem insgesamt aufgelaufenen Wert) der refinanzierten Finanzverbindlichkeit (zuzüglich Gebühren und Kosten sowie einschließlich Prämien) entspricht oder diesen unterschreitet.

**“Konsolidierter Deckungsgrad”** bedeutet zu jedwedem Berechnungszeitpunkt das Verhältnis (x) des Gesamtbetrags des Konsolidierten EBITDA der Emittentin für den Zeitraum ihrer letzten vier aufeinander folgenden Geschäftsquartale, die vor dem Berechnungszeitpunkt enden, für den Abschlüsse vorliegen, zu (y) dem Gesamtbetrag des Konsolidierten Zinsergebnisses der Emittentin für solche vier Geschäftsquartale wobei bei der Berechnung des Konsolidierten Deckungsgrads

- (a) das Konsolidierte EBITDA und das Konsolidierte Zinsergebnis für den relevanten 12-Monatszeitraum auf einer *pro forma* Basis so zu berechnen ist,
  - (aa) als wären Finanzverbindlichkeiten, welche die Emittentin oder ein Relevantes Tochterunternehmen seit dem Beginn des betreffenden Berechnungszeitraums eingegangen ist oder sind und die zum Berechnungszeitpunkt noch ausstehen, am ersten Tag des relevanten 12-Monatszeitraums begründet worden;

ordinary course of business and not overdue by 90 days or more; (v) capitalized lease obligations and attributable indebtedness related to sale/leaseback transactions; (vi) with respect to guarantees provided by an entity, the principal amount of indebtedness guaranteed by such guarantee and (vii) net obligations under currency hedging agreements and interest rate, commodity price risk and energy price risk hedging agreements.

**“Refinancing Indebtedness”** means any Financial Indebtedness that refinances any Financial Indebtedness in compliance with these Conditions of Issue, *provided, however*:

- (i) such Refinancing Indebtedness has a stated maturity no earlier than the stated maturity of the Financial Indebtedness being refinanced;
- (ii) such Refinancing Indebtedness has an average life at the time such Refinancing Indebtedness is incurred that is equal to or greater than the average life of the Financial Indebtedness being refinanced; and
- (iii) such Refinancing Indebtedness has an aggregate principal amount (or if issued with an original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if incurred with original issue discount, the aggregate accreted value) then outstanding or committed (plus fees and expenses, including any premiums) under the Financial Indebtedness being refinanced.

**“Consolidated Coverage Ratio”** means as of any date of determination the ratio of (x) the aggregate amount of the Consolidated EBITDA of the Issuer for the period of its most recent four consecutive fiscal quarters ending prior to the date of such determination for which financial statements are in existence to (y) the aggregate amount of the Consolidated Interest Expense of the Issuer for such four fiscal quarters provided that with respect to the calculation of the Consolidated Coverage Ratio

- (a) the Consolidated EBITDA and the Consolidated Interest Expense shall be calculated for the relevant 12 month period by giving effect on a *pro forma* basis
  - (aa) as if Financial Indebtedness incurred by the Issuer or any Relevant Subsidiary since the beginning of such period that remains outstanding on such date of determination and being still outstanding at the date of determination, had been incurred on the first day of the relevant 12 month period;

- (bb) wenn das Geschäft, das eine Berechnung des Konsolidierten Deckungsgrades erforderlich macht, die Eingehung von Finanzverbindlichkeiten ist, als wären diese zu begründenden Finanzverbindlichkeiten am ersten Tag des relevanten 12-Monatszeitraums begründet worden; und
  - (cc) als wären Finanzverbindlichkeiten, die nach dem letzten relevanten Quartalsende durch die Erlöse aus der Eingehung der unter (aa) und (bb) genannten Finanzverbindlichkeiten getilgt, zurückgekauft, oder auf sonstige Weise zurückgeführt werden, am ersten Tag des relevanten 12-Monatszeitraums getilgt worden; und
- (b) für den Fall, dass Finanzverbindlichkeiten seit dem Beginn des entsprechenden 12-Monatszeitraums getilgt, zurückgekauft oder auf sonstige Weise zurückgeführt wurden, so dass sie am relevanten Quartalsende nicht mehr ausstehend sind (mit Ausnahme der Rückzahlung von revolving Kreditfazilitäten, es sei denn die Rückzahlung war endgültig und die entsprechende Kreditzusage wurde aufgehoben), das Konsolidierte EBITDA und das Konsolidierte Zinsergebnis für diesen Zeitraum auf einer pro forma Basis so zu berechnen ist, als sei die Ablösung solcher Finanzverbindlichkeiten, selbst wenn sie durch Erlöse aus der Eingehung neuer Finanzverbindlichkeiten erfolgte, am ersten Tag des relevanten 12-Monatszeitraums erfolgt;
  - (c) wenn die Emittentin oder ein Relevantes Tochterunternehmen seit dem Beginn des relevanten 12-Monatszeitraums Vermögensgegenstände veräußert haben:
    - (aa) das Konsolidierte EBITDA für diesen Zeitraum um das auf die veräußerten Vermögensgegenstände entfallende Konsolidierte EBITDA für den relevanten 12-Monatszeitraum zu reduzieren ist (bzw. um diesen Betrag zu erhöhen ist, soweit er negativ war); und
    - (bb) das Konsolidierte Zinsergebnis für diesen Zeitraum um das Konsolidierte Zinsergebnis reduziert wird, das für den relevanten 12-Monatszeitraum unmittelbar denjenigen Finanzverbindlichkeiten zuzuordnen ist, die aufgrund der Veräußerung der Vermögensgegenstände getilgt, zurückgekauft oder auf sonstige Weise zurückgeführt wurden (oder, im Falle der Veräußerung von Anteilen an einem Relevanten Tochterunternehmen, um das Konsolidierte Zinsergebnis, welches für den
- (bb) if the transaction requiring the calculation of the Consolidated Coverage Ratio is an incurrence of Indebtedness as if such Financial Indebtedness to be incurred, had been incurred on the first day of the relevant 12 month period; and
  - (cc) as if Financial Indebtedness repaid, repurchased or otherwise discharged after the end of the last relevant quarter end date with the proceeds of the incurrence of the Financial Indebtedness referred to under (aa) and (bb), had been discharged on the first day of the relevant 12 month period.
- (b) if any Financial Indebtedness has been repaid, repurchased, or otherwise discharged since the beginning of the relevant 12 month period so that is no longer outstanding on the relevant quarter end date (other than Financial Indebtedness incurred under any revolving credit facility unless such Financial Indebtedness has been permanently repaid and the related commitment terminated), Consolidated EBITDA and Consolidated Interest Expense for such period will be calculated after giving effect on a pro forma basis to such discharge of such Financial Indebtedness, including with the proceeds of such new Financial Indebtedness, as if such discharge had occurred on the first day of the relevant 12 month period;
  - (c) if since the beginning of the relevant 12 month period the Issuer or any Relevant Subsidiary will have made any disposal of assets:
    - aa) the Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA for the relevant 12 month period directly attributable to the assets which are the subject of such disposal of assets for such period (or increased by such amount, if it was negative); and
    - (bb) Consolidated Interest Expense for such period will be reduced by an amount equal to the Consolidated Interest Expense for the relevant 12 month period directly attributable to any Financial Indebtedness repaid, repurchased or otherwise discharged in connection with such disposal of assets (or, if the shares of any Relevant Subsidiary are sold, the Consolidated Interest Expense for the relevant 12 month period directly attributable to the Financial Indebtedness of such

relevanten 12-Monatszeitraum unmittelbar den Finanzverbindlichkeiten dieses Relevanten Tochterunternehmens zuzuordnen ist, wenn und soweit die Emittentin und die verbleibenden Relevanten Tochterunternehmen nach der Veräußerung für diese Finanzverbindlichkeiten nicht mehr haften);

- (d) im Falle einer Investition der Emittentin oder eines Relevanten Tochterunternehmens während des relevanten 12-Monatszeitraums in ein Relevantes Tochterunternehmen (oder eine Person, welche zum Relevanten Tochterunternehmen wird oder mit der bzw. auf die Emittentin verschmolzen wird) oder des Erwerbs von Vermögensgegenständen, die für sich genommen eine betriebliche Einheit, eine Abteilung oder einen Geschäftsbereich bilden, das Konsolidierte EBITDA und das Konsolidierte Zinsergebnis für den betroffenen Zeitraum auf einer pro forma Basis (unter Einbeziehung von eingegangenen Finanzverbindlichkeiten) so zu berechnen ist, als sei die Investition oder der Erwerb am ersten Tag des relevanten 12-Monatszeitraums erfolgt.

Jede erforderliche pro forma Berechnung ist durch einen leitenden Angestellten der Finanz- oder Buchhaltungsabteilung der Emittentin nach ordnungsgemäßem Ermessen vorzunehmen. Sollten Finanzverbindlichkeiten variabel verzinslich sein, so wird im Rahmen der pro forma Berechnung des Zinsaufwands der am Berechnungstag geltende Zinssatz so berücksichtigt, als habe er während des gesamten für die Berechnung relevanten Zeitraums gegolten (unter Berücksichtigung eines Zinshedgings für solche Finanzverbindlichkeiten).

**“Konsolidiertes EBITDA”** für einen Zeitraum bedeutet (ohne doppelte Berücksichtigung) das Konsolidierte Ergebnis für diesen Zeitraum,

- (a) zuzüglich der folgenden Positionen, wenn und soweit sie bei der Berechnung des Konsolidierten Ergebnisses abgezogen wurden:
- (i) Konsolidierte Zinsaufwendungen;
  - (ii) Konsolidierte Steuern;
  - (iii) konsolidierte Abschreibungen auf Sachanlagen;
  - (iv) konsolidierte Abschreibungen auf immaterielle Vermögenswerte;
  - (v) Abschreibung und Wertberichtigung von Goodwill;
  - (vi) jeder Verlust, der infolge eines Verkaufs oder anderer Veräußerung von Vermögensgegenständen (einschließlich

Relevant Subsidiary if and to the extent the Issuer and its continuing Relevant Subsidiaries are no longer liable for such Financial Indebtedness after such sale);

- d) if during the relevant 12 month period the Issuer or a Relevant Subsidiary made an investment in any Relevant Subsidiary (or any person which becomes a Relevant Subsidiary or is merged with or into the Issuer) or an acquisition of assets which – taken as such – constitute an operating unit, division or line of business, Consolidated EBITDA and Consolidated Interest Expense for such period will be calculated after giving pro forma effect thereto (including the incurrence of any Financial Indebtedness) as if such investment or acquisition had occurred on the first day of the relevant 12 month period.

Whenever a pro forma effect is to be given to any calculation, the pro forma calculations will be determined in good faith by a responsible financial or accounting officer of the Issuer. If any Financial Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest expense on such Financial Indebtedness will be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any interest rate hedging applicable to such Financial Indebtedness).

**“Consolidated EBITDA”** for any period means, (without double counting) the Consolidated Net Income for such period,

- (a) plus the following to the extent deducted in calculating such Consolidated Net Income:
- (i) Consolidated Interest Expense;
  - (ii) Consolidated Income Taxes;
  - (iii) consolidated depreciation of tangible assets;
  - (iv) consolidated amortization of intangible assets;
  - (v) depreciation and value adjustment of goodwill;
  - (vi) each loss realized by the Issuer or a Relevant Subsidiary outside the ordinary course of business as a result of a sale



Beteiligungen) durch die Emittentin oder ein Relevantes Tochterunternehmen (einschließlich infolge von sale/lease-back Geschäften) außerhalb des üblichen Geschäftsbetriebs realisiert wird;

- (vii) jeder andere außergewöhnliche Verlust und Aufwand (einschließlich Restrukturierungsaufwendungen); und

(b) abzüglich der folgenden Positionen, wenn und soweit sie bei der Berechnung des Konsolidierten Ergebnisses erhöhend einbezogen wurden:

- (i) Gewinne assoziierter Unternehmen und Gemeinschaftsunternehmen, die nach der Equity-Methode bilanziert werden, soweit der Betrag solcher Gewinne den Betrag von Barausschüttungen übersteigt, welche in diesem Zeitraum direkt oder indirekt an die Emittentin oder ein Relevantes Tochterunternehmens als Dividende oder auf andere Weise durch solche assoziierte Unternehmen oder Gemeinschaftsunternehmen ausgeschüttet wurden;
- (ii) jeder Gewinn, der infolge eines Verkaufs oder einer anderen Veräußerung von Vermögensgegenständen (einschließlich Beteiligungen) durch die Emittentin oder ein Relevantes Tochterunternehmen (einschließlich infolge von sale/lease-back Geschäften) außerhalb des üblichen Geschäftsbetriebs realisiert wird;
- (iii) jeder andere außergewöhnliche Gewinn.

**“Konsolidiertes Ergebnis”** bedeutet, für einen relevanten Zeitraum, das Ergebnis der Emittentin und ihrer konsolidierten Tochterunternehmen, gemäß IAS 1 sowie gemäß den IFRS Konsolidierungsvorschriften, jedoch vorausgesetzt, dass das Konsolidierte Ergebnis kumulative Auswirkungen einer Änderung von Rechnungslegungsvorschriften nicht berücksichtigen darf.

**“Konsolidierte Steuern”** bedeutet Steuern oder anderweitige Abgaben, die von einer staatlichen Stelle zur Besteuerung erhoben oder an diese zu bezahlen sind, soweit solche Steuern und Abgaben an Hand des Ergebnisses oder des Gewinns berechnet und erhoben werden (in dem Ausmaß wie ein solches Ergebnis oder ein solcher Gewinn bei der Berechnung des Konsolidierten Ergebnisses und der Ermittlung des Konsolidierten EBITDA berücksichtigt wurde), unabhängig davon, ob solche Steuern und Abgaben tatsächlich an eine staatliche Stelle abgeführt werden müssen.

**“Konsolidiertes Zinsergebnis”** bedeutet die gesamten Zinsaufwendungen der Emittentin und

or other disposal of assets (including participations) (including as a result of sale/lease back transactions);

- (vii) all other extraordinary loss or expense (including restructuring expenses); and

(b) minus the following to the extent added in calculating such Consolidated Net Income:

- (i) any profits of associated companies and joint ventures which are accounted at equity, to the extent the amount of such profits exceeds the amount of cash dividends which were made in this period directly or indirectly to the Issuer or any Relevant Subsidiary by dividend payment or in any other manner by such associated companies or joint ventures;
- (ii) each profit realized by the Issuer or a Relevant Subsidiary outside the ordinary course of business as a result of a sale or other disposal of assets (including participations) (including as a result of sale/lease back transactions);
- (iii) any other extraordinary profit.

**“Consolidated Net Income”** means, for any relevant period, the net income of the Issuer and its consolidated subsidiaries determined in accordance with IAS 1 and the consolidation rules of IFRS, provided, however, Consolidated Net Income shall not include the cumulative effect of a change in accounting principles.

**“Consolidated Income Taxes”** means taxes or other duties levied by or payable to any governmental authority in so far as such taxes and duties are calculated and levied by reference to the income or profits (to the extent such income or profits were included in calculating Consolidated Net Income and the Consolidated EBITDA), regardless of whether such taxes or duties are required to be remitted to any governmental authority.

**“Consolidated Interest Expense”** means the total interest expense of the Issuer and its

ihrer konsolidierten Tochterunternehmen, seien es gezahlte oder aufgelaufene Zinsen, gekürzt um Zinseinkünfte (einschließlich Zinseinkünfte aus Darlehen oder Vorschüssen an Gemeinschaftsunternehmen), zuzüglich – soweit nicht in den Zinsaufwendungen enthalten:

- (a) Zinsaufwendungen, die sich auf Miet- und Leasingverbindlichkeiten beziehen, die nach den anwendbaren Rechnungslegungsvorschriften als Capital Lease bilanziert werden, sowie der Zinsanteil auf Aufwendungen für Miete und Leasing, die sich auf Finanzverbindlichkeiten aus dem jeweiligen Miet- oder Leasingvertrag beziehen, berechnet als wäre eine solche Miete-/Leasing ein *Capital Lease (Finanzierungsleasing)* im Einklang mit IFRS, sowie die Zinskomponente aus gestundeten Zahlungsverpflichtungen;
- (b) die Amortisation eines Disagio und von Finanzierungskosten;
- (c) nicht liquiditätswirksame Zinsaufwendungen;
- (d) Kommissionen, Abschläge und andere Gebühren, die für Akzept- und Wechseldiskontkrediten geschuldet sind, insofern als diese gemäß IFRS IAS 23 Fremdkapitalkosten sind;
- (e) Nettokosten, die sich auf Fremdwährungs-, Zins- und Commoditypreissicherungsgeschäfte beziehen (ausgenommen aber nicht realisierte Gewinne und Verluste aus und in Bezug auf solche Sicherungsgeschäfte); und
- (f) die konsolidierten Zinsaufwendungen, die während eines solchen Zeitraums kapitalisiert wurden.

(4) *Berichtspflicht*: die Emittentin wird jeweils in (i) ihrem mit dem jährlichen Konzernabschluss veröffentlichten Konzernlagebericht, (ii) ihrem Halbjahresbericht und (iii) ihren Quartalsberichten für das erste und dritte Quartal eines Geschäftsjahres Angaben zum Konsolidierten EBITDA und zum Konsolidierten Zinsergebnis jeweils zum letzten Tag des Berichtszeitraums machen, die eine Berechnung des Konsolidierten Deckungsgrads zu den jeweiligen Stichtagen ermöglichen.

## § 11 ERSETZUNG

(1) *Ersetzung*: Die Emittentin ist jederzeit berechtigt, sofern sie sich nicht mit einer Zahlung von Kapital oder Zinsen auf die Schuldverschreibungen in Verzug befindet, ohne Zustimmung der Gläubiger ein mit ihr verbundenes Unternehmen (wie nachfolgend definiert) an ihrer Stelle als Hauptschuldnerin (die "**Nachfolgeschuldnerin**") für alle Verpflichtungen aus und im Zusammenhang mit diesen

consolidated subsidiaries, whether paid or accrued, net of interest income (including interest income on loans or advances to joint ventures), plus, to the extent not included in such interest expense:

- (a) interest expenses attributable to rent and lease obligations to be treated under applicable accounting rules as a capital lease and the interest portion of rent and lease expense associated with Financial Indebtedness in respect of the relevant rent or lease agreement giving rise thereto, determined as if such lease were a capitalized lease in accordance with IFRS, and the interest component of any deferred payment obligations;
- (b) amortization of debt discount and debt issuance cost;
- (c) non-cash interest expenses;
- (d) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing in so far as they qualify as borrowing costs under IFRS IAS 23;
- (e) net costs associated with currency, interest rate and commodity price hedging (but excluding unrealized gains and losses arising with respect to such hedging); and
- (f) the consolidated interest expenses that were capitalized during such period.

(4) *Reporting*: the Issuer will report in each of (i) its group report published with the annual financial statements, (ii) its half year report or (iii) its quarterly reports for the first and third quarter of each fiscal year the amount of the Consolidated EBITDA and the Consolidated Interest Expenses as of the last day of the reporting period in a manner which allows the calculation of the Consolidated Coverage Ratio for the relevant dates.

## § 11 SUBSTITUTION

(1) *Substitution*: The Issuer may, without the consent of the Holders, if no payment of principal of or interest on any of the Notes is in default, at any time substitute for the Issuer any Affiliate (as defined below) of it as principal debtor in respect of all obligations arising from or in connection with this issue (the "**Substitute Debtor**") provided that:

Schuldverschreibungen einzusetzen, vorausgesetzt, dass:

- (a) die Nachfolgeschuldnerin alle Verpflichtungen der Emittentin in Bezug auf die Schuldverschreibungen übernimmt;
  - (b) die Emittentin unwiderruflich und unbedingt gegenüber den Gläubigern die Zahlung aller von der Nachfolgeschuldnerin auf die Schuldverschreibungen zahlbaren Beträge zu Bedingungen garantiert, wobei diese unwiderrufliche und unbedingte Garantie nach ihren Bedingungen marktüblichen Standards zu entsprechen hat und (ii) die Garantin (soweit die Garantin nicht die Nachfolgeschuldnerin ist) erklärt, dass die Garantie bezüglich der Schuldverschreibungen auch im Hinblick auf die Nachfolgeschuldnerin gilt (die Garantie und Erklärung jeweils eine "**Nachfolgegarantie**"); und
  - (c) die Nachfolgeschuldnerin, die Emittentin und die Garantin (soweit die Garantin nicht die Nachfolgeschuldnerin ist) alle staatlichen und behördlichen Genehmigungen und Zustimmungen erhalten haben, die für die Ersetzung und, ggf. für die Ausgabe einer Nachfolgegarantie durch die Emittentin bzw. die Garantin erforderlich sind, und dass die Nachfolgeschuldnerin alle staatlichen und behördlichen Genehmigungen und Zustimmungen erhalten hat, die für die Erfüllung ihrer Verpflichtungen aus den Schuldverschreibungen erforderlich sind, und dass diese Genehmigungen und Zustimmungen rechtskräftig und wirksam sind und dass die von der Nachfolgeschuldnerin in Bezug auf die Schuldverschreibungen und die von der Emittentin bzw. Garantin unter der Nachfolgegarantie übernommenen Verpflichtungen jeweils wirksame und gemäß ihren jeweiligen Bedingungen verbindliche Verpflichtungen darstellen, die von jedem Gläubiger durchgesetzt werden können;
  - (d) die Nachfolgeschuldnerin berechtigt ist, an die Hauptzahlstelle die zur Erfüllung der Zahlungsverpflichtungen aus den Schuldverschreibungen zahlbaren Beträge in der festgelegten Währung zu zahlen, ohne verpflichtet zu sein, jeweils in dem Land, in dem die Nachfolgeschuldnerin, die Emittentin oder die Garantin (soweit die Garantin nicht die Nachfolgeschuldnerin ist) ihren Sitz oder Steuersitz haben, erhobene Steuern oder andere Abgaben jeder Art abzuziehen oder einzubehalten;
  - (e) die Nachfolgeschuldnerin sich verpflichtet hat, jeden Gläubiger hinsichtlich solcher Steuern, Abgaben oder behördlichen Lasten freizustellen, die einem Gläubiger bezüglich der Ersetzung auferlegt werden; und
- (a) the Substitute Debtor assumes all obligations of the Issuer in respect of the Notes;
  - (b) the Issuer irrevocably and unconditionally guarantees in favor of each Holder the payment of all sums payable by the Substitute Debtor in respect of the Notes on market standard terms and (ii) the Guarantor (provided that the Guarantor is not the Substitute Debtor) declares that the Guarantee shall with respect to the Notes also apply to the Substitute Debtor (each such guarantee and declaration a "**Substitution Guarantee**"); and
  - (c) the Substitute Debtor, the Issuer and the Guarantor (provided that the Guarantor is not the Substitute Debtor) have obtained all necessary governmental and regulatory approvals and consents for such substitution and, where relevant, for the issue by the Issuer or, as the case may be, the Guarantor of a Substitute Guarantee, that the Substitute Debtor has obtained all necessary governmental and regulatory approvals and consents for the performance by the Substitute Debtor of its obligations under the Notes and that all such approvals and consents are in full force and effect and that the obligations assumed by the Substitute Debtor in respect of the Notes and the obligations assumed by the Issuer or, as the case may be, the Guarantor under the Substitute Guarantee are, in each case, valid and binding in accordance with their respective terms and enforceable by each Holder;
  - (d) the Substitute Debtor may transfer to the Principal Paying Agent in the currency required and without being obligated to deduct or withhold any taxes or other duties of whatever nature levied by the country in which the Substitute Debtor, the Issuer or the Guarantor (provided that the Guarantor is not the Substitute Debtor) has its domicile or tax residence, all amounts required for the fulfillment of the payment obligations arising under the Notes;
  - (e) the Substitute Debtor has agreed to indemnify and hold harmless each Holder against any tax, duty, assessment or governmental charge imposed on such Holder in respect of such substitution; and

(f) die Emittentin eine Bestätigung bezüglich der betroffenen Rechtsordnungen von anerkannten Rechtsanwälten bei einer dafür beauftragten Stelle verfügbar macht, dass die Bestimmungen in den vorstehenden Unterabsätzen (a), (b), (c), (d) und (e) erfüllt wurden.

Für die Zwecke dieses § 11 bedeutet "**verbundenes Unternehmen**" ein verbundenes Unternehmen im Sinne von § 15 Aktiengesetz, einschließlich der Garantin.

(2) *Bekanntmachung*: Spätestens 20 Tage nach Durchführung jeder Ersetzung hat die Nachfolgeschuldnerin diese Ersetzung gemäß § 14 bekannt zu machen.

(3) *Änderung von Bezugnahmen*: Im Fall einer Ersetzung gilt jede Bezugnahme in diesen Anleihebedingungen auf die Emittentin ab dem Zeitpunkt der Ersetzung als Bezugnahme auf die Nachfolgeschuldnerin und jede Bezugnahme auf das Land, in dem die Emittentin ihren Sitz oder Steuersitz hat, gilt ab diesem Zeitpunkt als Bezugnahme auf das Land, in dem die Nachfolgeschuldnerin ihren Sitz oder Steuersitz hat. Des Weiteren gilt im Fall einer Ersetzung folgendes:

In § 7 und § 5 Absatz (2) gilt eine alternative Bezugnahme auf die Bundesrepublik Deutschland als aufgenommen (zusätzlich zu der Bezugnahme nach Maßgabe des vorstehenden Satzes auf das Land, in dem die Nachfolgeschuldnerin ihren Sitz oder Steuersitz hat) und in § 9 Absatz (1) (b), (e), (f), (g), (h), (i) und (j) gilt eine alternative Bezugnahme auf die Emittentin in ihrer Eigenschaft als Garantin als aufgenommen (zusätzlich zu der Bezugnahme auf die Nachfolgeschuldnerin).

§ 9 Absatz (1) gilt dergestalt als ergänzt, dass der Wegfall der Wirksamkeit, Rechtsverbindlichkeit oder Durchsetzbarkeit der Nachfolgegarantie gegen die Emittentin und - vorbehaltlich der Regelungen der Garantie zu ihrem Erlöschen – gegen die Garantin (falls die Garantin nicht selbst die Nachfolgeschuldnerin ist) jeden Gläubiger zur Kündigung seiner Schuldverschreibungen berechtigt und deren Rückzahlung zu ihrem Nennbetrag zuzüglich (etwaiger) aufgelaufener Zinsen bis zum Tage der Rückzahlung verlangen kann.

(4) *Weitere Ersetzung*: Nach einer Ersetzung gemäß vorstehendem Absatz (1) ist die Nachfolgeschuldnerin jederzeit berechtigt, ohne Zustimmung der Gläubiger eine weitere Ersetzung durchzuführen, mit der Maßgabe, dass alle in den vorstehenden Absätzen (1), (2) und (3) enthaltenen Bestimmungen entsprechend Anwendung finden und Bezugnahmen in diesen Anleihebedingungen auf die Emittentin, wo der Zusammenhang dies erfordert, ohne Einschränkung als

(f) the Issuer shall have made available at an agent appointed for that purpose one opinion for each jurisdiction affected of lawyers of recognized standing to the effect that subparagraphs (a), (b), (c), (d) and (e) above have been satisfied.

For purposes of this § 11, "**Affiliate**" means any affiliated company (*verbundenes Unternehmen*) within the meaning of § 15 of the German Stock Corporation Act (*Aktiengesetz*), including the Guarantor.

(2) *Notice*: Not later than 20 days after the execution of any substitution the Substitute Debtor shall publish a notice of such substitution in accordance with § 14.

(3) *Change of References*: In the event of any such substitution, any reference in these Conditions of Issue to the Issuer shall from then on be deemed to refer to the Substitute Debtor and any reference to the country in which the Issuer is domiciled or resident for taxation purposes shall from then on be deemed to refer to the country of domicile or residence for taxation purposes of the Substitute Debtor. Furthermore, in the event of such substitution the following shall apply:

In § 7 and § 5(2) an alternative reference to the Federal Republic of Germany shall be deemed to have been included in addition to the reference according to the preceding sentence to the country of domicile or residence for taxation purposes of the Substitute Debtor and in § 9(1)(b), (e), (f), (g), (h), (i) and (j) an alternative reference to the Issuer in its capacity as guarantor shall be deemed to have been included in addition to the reference to the Substitute Debtor.

§ 9 shall be deemed to be amended to the effect that if the Substitution Guarantee ceases to be valid or binding on or enforceable against the Issuer and – subject to the rules of the expiry of the Guarantee – the Guarantor (provided that the Guarantor is not itself the Substitute Debtor) each Holder shall be entitled to declare his Notes due and demand the immediate redemption thereof at their principal nominal amount plus accrued interest thereon (if any) to the date of repayment.

(4) *Further Substitution*: At any time after a substitution pursuant to paragraph (1) above, the Substitute Debtor may, without the consent of the Holders, effect a further substitution provided that all the provisions specified in paragraphs (1), (2) and (3) above shall apply, *mutatis mutandis*, and, without limitation, references in these Conditions of Issue to the Issuer shall, where the context so requires, be deemed to be or include references to any such further Substitute Debtor.

Bezugnahmen auf die weitere Nachfolgeschuldnerin gelten oder diese einschließen.

## **§ 12 BEGEBUNG WEITERER SCHULDVERSCHREIBUNGEN UND ANKAUF**

(1) *Begebung weiterer Schuldverschreibungen:* Die Emittentin ist berechtigt, jederzeit ohne Zustimmung der Gläubiger weitere Schuldverschreibungen mit gleicher Ausstattung (gegebenenfalls mit Ausnahme des Begebungstags, des Verzinsungsbeginns und/oder des Ausgabepreises) in der Weise zu begeben, dass sie mit diesen Schuldverschreibungen eine einheitliche Serie bilden.

(2) *Ankauf:* Die Emittentin ist berechtigt, jederzeit Schuldverschreibungen im Markt oder anderweitig zu jedem beliebigen Preis zu kaufen. Die von der Emittentin erworbenen Schuldverschreibungen können nach Wahl der Emittentin von ihr gehalten, weiterverkauft oder bei der Hauptzahlstelle zwecks Entwertung eingereicht werden.

## **§ 13 BESCHLÜSSE DER GLÄUBIGER – ÄNDERUNGEN DER ANLEIHEBEDINGUNGEN**

(1) *Grundsatz:* Die Gläubiger können durch Mehrheitsbeschluss Änderungen der Anleihebedingungen zustimmen. Eine Verpflichtung zur Leistung kann für die Gläubiger durch Mehrheitsbeschluss nicht begründet werden.

(2) *Verbindlichkeit:* Die Mehrheitsbeschlüsse der Gläubiger sind für alle Gläubiger gleichermaßen verbindlich. Ein Mehrheitsbeschluss der Gläubiger, der nicht gleiche Bedingungen für alle Gläubiger vorsieht, ist unwirksam, es sei denn die benachteiligten Gläubiger stimmen ihrer Benachteiligung ausdrücklich zu.

(3) *Beschlussgegenstände:* Die Gläubiger können durch Mehrheitsbeschluss insbesondere folgenden Maßnahmen zustimmen:

- (i) der Veränderung der Fälligkeit, der Verringerung oder dem Ausschluss der Zinsen;
- (ii) der Veränderung der Fälligkeit der Hauptforderung;
- (iii) der Verringerung der Hauptforderung;
- (iv) dem Nachrang der Forderungen aus den Schuldverschreibungen im Insolvenzverfahren der Emittentin;
- (v) der Umwandlung oder dem Umtausch der Schuldverschreibungen in Gesellschaftsanteile, andere Wertpapiere oder andere Leistungsversprechen;

## **§ 12 FURTHER ISSUES AND PURCHASES**

(1) *Further Issues:* The Issuer may from time to time, without the consent of the Holders, issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the Issue Date, interest commencement date and/or issue price) so as to form a single Series with the Notes.

(2) *Purchases:* The Issuer may at any time purchase Notes in the open market or otherwise and at any price. Notes purchased by the Issuer may, at the option of the Issuer, be held, resold or surrendered to the Principal Paying Agent for cancellation.

## **§ 13 RESOLUTIONS OF HOLDERS – AMENDMENTS TO THE CONDITIONS OF ISSUE**

(1) *General Principle:* The Holders may agree by majority resolution to amend the Conditions of Issue, provided that no obligation to make any payment or render any other performance shall be imposed on any Holder by majority resolution.

(2) *Binding Effect:* Majority resolutions shall be binding on all Holders. Resolutions which do not provide for identical conditions for all Holders are void, unless Holders who are disadvantaged have expressly consented to their being treated disadvantageously.

(3) *Matters of Resolutions:* Holders may in particular agree by majority resolution to the following:

- (i) the change of the due date for payment of interest, the reduction, or the cancellation, of interest;
- (ii) the change of the due date for payment of principal;
- (iii) the reduction of principal;
- (iv) the subordination of claims arising from the Notes in insolvency proceedings of the Issuer;
- (v) the conversion of the Notes into, or the exchange of the Notes for, shares, other securities or obligations;



- (vi) dem Austausch und der Freigabe von Sicherheiten;
  - (vii) der Änderung der Währung der Schuldverschreibungen;
  - (viii) dem Verzicht auf das Kündigungsrecht der Gläubiger oder dessen Beschränkung;
  - (ix) die Bestellung oder Abberufung eines gemeinsamen Vertreters der Gläubiger; und
  - (x) der Änderung oder Aufhebung von Nebenbestimmungen der Schuldverschreibungen.
- (4) *Mehrheitsprinzip:* Die Gläubiger entscheiden mit der einfachen Mehrheit der an der Abstimmung teilnehmenden Stimmrechte. In den Fällen dieses § 13 Absatz (3) (i) bis (iii), (v) und (vii) bedürfen Beschlüsse zu ihrer Wirksamkeit einer Mehrheit von mindestens 85 % ("**85% qualifizierte Mehrheit**"). Andere Beschlüsse, durch welche der wesentliche Inhalt der Anleihebedingungen geändert wird, insbesondere in den Fällen dieses § 13 Absatz (3) (iv), (vi), (viii) und (ix), bedürfen zu ihrer Wirksamkeit einer Mehrheit von mindestens 75% ("**75% qualifizierte Mehrheit**").
- (5) *Abstimmungsmethode:* Die Gläubiger beschließen im Wege der Abstimmung ohne Versammlung.
- (6) *Stimmrecht:* An Abstimmungen der Gläubiger nimmt jeder Gläubiger nach Maßgabe des Nennwerts oder des rechnerischen Anteils seiner Berechtigung an den ausstehenden Schuldverschreibungen teil. Das Stimmrecht ruht, solange die Anteile der Emittentin oder einem mit ihr verbundenen Unternehmen (§ 271 Absatz (2) Handelsgesetzbuch) zustehen oder für Rechnung der Emittentin oder eines mit ihr verbundenen Unternehmens gehalten werden. Die Emittentin darf Schuldverschreibungen, deren Stimmrechte ruhen, einem anderen nicht zu dem Zweck überlassen, die Stimmrechte an ihrer Stelle auszuüben; dies gilt auch für ein mit der Emittentin verbundenes Unternehmen. Niemand darf das Stimmrecht zu dem in Satz 3 erster Halbsatz bezeichneten Zweck ausüben.
- (7) *Kein Versprechen von Vorteilen:* Niemand darf dafür, dass eine stimmberechtigte Person nicht oder in einem bestimmten Sinne stimme, Vorteile als Gegenleistung anbieten, versprechen oder gewähren.
- (8) *Kein Fordern von Vorteilen:* Wer stimmberechtigt ist, darf dafür, dass er nicht oder in einem bestimmten Sinne stimme, keinen Vorteil und keine Gegenleistung fordern, sich versprechen lassen oder annehmen.
- (9) *Bestellung eines Gemeinsamen Vertreters:* Die Gläubiger können durch Mehrheitsbeschluss zur
- (vi) the exchange or release of security;
  - (vii) the change of the currency of the Notes;
  - (viii) the waiver or restriction of Holders' rights to terminate the Notes;
  - (ix) the appointment or removal of a common representative for the Holders; and
  - (x) the amendment or rescission of ancillary provisions of the Notes.
- (4) *Majority Vote:* Resolutions shall be passed by simple majority of the votes cast. In the cases of this § 13 (3) items (i) through (iii), (v) and (vii) above, resolutions require a majority of not less than 85 % (a "**85% qualified majority**"). Other resolutions relating to material amendments to the Conditions of Issue, in particular to provisions relating to the matters specified in this § 13 (3) items (iv), (vi), (viii) and (ix) above, require a majority of not less than 75% (a "**75% qualified majority**").
- (5) *Voting Method:* Holders shall pass resolutions by vote taken without a meeting.
- (6) *Right to Vote:* Each Holder participating in any vote shall cast votes in accordance with the nominal amount or the notional share of its entitlement to the outstanding Notes. As long as the entitlement to the Notes lies with, or the Notes are held for the account of, the Issuer or any of its affiliates (§ 271(2) of the German Commercial Code (*Handelsgesetzbuch*)), the right to vote in respect of such Notes shall be suspended. The Issuer may not transfer Notes, of which the voting rights are so suspended, to another person for the purpose of exercising such voting rights in the place of the Issuer; this shall also apply to any affiliate of the Issuer. No person shall be permitted to exercise such voting right for the purpose stipulated in sentence 3, first half sentence, herein above
- (7) *No offer of benefits:* No person shall be permitted to offer, promise or grant any benefit or advantage to another person entitled to vote in consideration of such person abstaining from voting or voting in a certain way.
- (8) *No demanding of benefits:* A person entitled to vote may not demand, accept or accept the promise of, any benefit, advantage or consideration for abstaining from voting or voting in a certain way.
- (9) *Appointment of a Holders' Representative:* The Holders may by majority resolution appoint a

Wahrnehmung ihrer Rechte einen gemeinsamen Vertreter (der "**Gemeinsame Vertreter**") für alle Gläubiger bestellen. Zum gemeinsamen Vertreter kann jede geschäftsfähige Person oder eine sachkundige juristische Person bestellt werden. Eine Person, welche

- (i) Mitglied des Vorstands, des Aufsichtsrats, des Verwaltungsrats oder eines ähnlichen Organs, Angestellter oder sonstiger Mitarbeiter der Emittentin oder eines mit dieser verbundenen Unternehmens ist;
- (ii) am Stamm- oder Grundkapital der Emittentin oder eines mit dieser verbundenen Unternehmens mit mindestens 20% beteiligt ist;
- (iii) Finanzgläubiger der Emittentin oder eines mit dieser verbundenen Unternehmens mit einer Forderung in Höhe von mindestens 20% der ausstehenden Schuldverschreibungen oder Organmitglied, Angestellter oder sonstiger Mitarbeiter dieses Finanzgläubigers ist; oder
- (iv) auf Grund einer besonderen persönlichen Beziehung zu den in den Nummern (i) bis (iii) aufgeführten Personen unter deren bestimmenden Einfluss steht

muss den Gläubigern vor ihrer Bestellung zum gemeinsamen Vertreter die maßgeblichen Umstände offen legen. Der Gemeinsame Vertreter hat die Gläubiger unverzüglich in geeigneter Form darüber zu unterrichten, wenn in seiner Person solche Umstände nach der Bestellung eintreten.

(10) *Aufgaben und Befugnisse:* Der Gemeinsame Vertreter hat die Aufgaben und Befugnisse, welche ihm durch Gesetz oder von den Gläubigern durch Mehrheitsbeschluss eingeräumt wurden. Er hat die Weisungen der Gläubiger zu befolgen. Soweit er zur Geltendmachung von Rechten der Gläubiger ermächtigt ist, sind die einzelnen Gläubiger zur selbständigen Geltendmachung dieser Rechte nicht befugt, es sei denn der Mehrheitsbeschluss sieht dies ausdrücklich vor. Über seine Tätigkeit hat der Gemeinsame Vertreter den Gläubigern zu berichten.

(11) *Haftung:* Der Gemeinsame Vertreter haftet den Gläubigern als Gesamtgläubiger für die ordnungsgemäße Erfüllung seiner Aufgaben; bei seiner Tätigkeit hat er die Sorgfalt eines ordentlichen und gewissenhaften Geschäftsleiters anzuwenden. Die Haftung des gemeinsamen Vertreters kann durch Beschluss der Gläubiger beschränkt werden. Über die Geltendmachung von Ersatzansprüchen der Gläubiger gegen den gemeinsamen Vertreter entscheiden die Gläubiger.

(12) *Abberufung:* Der Gemeinsame Vertreter kann von den Gläubigern jederzeit ohne Angabe von Gründen abberufen werden. Der Gemeinsame Vertreter

common representative (the "**Holders' Representative**") to exercise the Holders' rights on behalf of each Holder. Any natural person having legal capacity or any qualified legal person may act as Holders' Representative. Any person who:

- (i) is a member of the management board, the supervisory board, the board of directors or any similar body, or an officer or employee, of the Issuer or any of its affiliates;
- (ii) holds an interest of at least 20% in the share capital of the Issuer or of any of its affiliates;
- (iii) is a financial creditor of the Issuer or any of its affiliates, holding a claim in the amount of at least 20% of the outstanding Notes, or is a member of a corporate body, an officer or other employee of such financial creditor; or
- (iv) is subject to the control of any of the persons set forth in numbers (i) to (iii) above by reason of a special personal relationship with such person

must disclose the relevant circumstances to the Holders prior to being appointed as a Holders' Representative. If any such circumstances arise after the appointment of a Holders' Representative, the Holders' Representative shall inform the Holders promptly in appropriate form and manner.

(10) *Duties and Powers:* The Holders' Representative shall have the duties and powers provided by law or granted by majority resolution of the Holders. The Holders' Representative shall comply with the instructions of the Holders. To the extent that the Holders' Representative has been authorized to assert certain rights of the Holders, the Holders shall not be entitled to assert such rights themselves, unless explicitly provided for in the relevant majority resolution. The Holders' Representative shall provide reports to the Holders on its activities.

(11) *Liability:* The Holders' Representative shall be liable for the performance of its duties towards the Holders who shall be joint and several creditors (*Gesamtgläubiger*); in the performance of its duties it shall act with the diligence and care of a prudent business manager. The liability of the Holders' Representative may be limited by a resolution passed by the Holders. The Holders shall decide upon the assertion of claims for compensation of the Holders against the Holders' Representative.

(12) *Removal:* The Holders' Representative may be removed from office at any time by the Holders without specifying any reasons. The Holders'

kann von der Emittentin verlangen, alle Auskünfte zu erteilen, die zur Erfüllung der ihm übertragenen Aufgaben erforderlich sind. Die durch die Bestellung eines Gemeinsamen Vertreters entstehenden Kosten und Aufwendungen, einschließlich einer angemessenen Vergütung des Gemeinsamen Vertreters, trägt die Emittentin.

#### **§ 14 MITTEILUNGEN**

(1) *Bekanntmachung.* Alle die Schuldverschreibungen betreffenden Mitteilungen erfolgen durch elektronische Publikation auf der Internetseite der Luxemburger Börse ([www.bourse.lu](http://www.bourse.lu)). Jede Mitteilung gilt am dritten Tag nach dem Tag der Veröffentlichung als wirksam erfolgt.

(2) *Mitteilungen an das Clearing System.* Solange Schuldverschreibungen an der *official list* (offiziellen Liste) der Luxemburger Börse notiert sind, findet Absatz (1) Anwendung. Soweit die Mitteilung den Zinssatz betrifft oder die Regeln der Luxemburger Börse dies sonst zulassen, kann die Emittentin eine Veröffentlichung nach Absatz (1) durch eine Mitteilung an das jeweilige Clearing System zur Weiterleitung an die Gläubiger ersetzen; jede derartige Mitteilung gilt am siebten Tag nach dem Tag der Mitteilung an das jeweilige Clearing System als den Gläubigern mitgeteilt.

(3) *Form der Mitteilung.* Mitteilungen, die von einem Gläubiger gemacht werden, müssen schriftlich erfolgen und zusammen mit der oder den betreffenden Schuldverschreibung(en) per Kurier oder per Einschreiben an die Hauptzahlstelle geleitet werden. Solange Schuldverschreibungen durch eine Global-urkunde verbrieft sind, kann eine solche Mitteilung von einem Gläubiger an die Hauptzahlstelle über das jeweilige Clearing System in der von der Hauptzahlstelle und dem jeweiligen Clearing System dafür vorgesehenen Weise erfolgen.

Representative may demand from the Issuer to furnish all information required for the performance of the duties entrusted to it. The Issuer shall bear the costs and expenses arising from the appointment of a Holders' Representative, including reasonable remuneration of the Holders' Representative.

#### **§ 14 NOTICES**

(1) *Publication.* All notices concerning the Notes shall be made by means of electronic publication on the internet website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). Any notice so given will be deemed to have been validly given on the third day following the date of such publication.

(2) *Notification to Clearing System.* So long as any Notes are listed on the official list of the Luxembourg Stock Exchange, subparagraph (1) shall apply. In the case of notices regarding the Rate of Interest or, if the Rules of the Luxembourg Stock Exchange otherwise so permit, the Issuer may deliver the relevant notice to the relevant Clearing System for communication by the relevant Clearing System to the Holders, in lieu of publication as set forth in subparagraph (1) above; any such notice shall be deemed to have been validly given on the seventh day after the day on which the said notice was given to the relevant Clearing System.

(3) *Form of Notice.* Notices to be given by any Holder shall be made by means of a written declaration to be delivered by hand or registered mail together with the relevant Note or Notes to the Principal Paying Agent. So long as any of the Notes are represented by a global note, such notice may be given by any Holder of a Note to the Principal Paying Agent through the relevant Clearing System in such manner as the Principal Paying Agent and the relevant Clearing System may approve for such purpose.

## § 15

### ANWENDBARES RECHT, GERICHTSSTAND UND GERICHTLICHE GELTENDMACHUNG

(1) *Anwendbares Recht.* Form und Inhalt der Schuldverschreibungen sowie die Rechte und Pflichten der Gläubiger und der Emittentin bestimmen sich in jeder Hinsicht nach deutschem Recht.

(2) *Gerichtsstand.* Nicht-ausschließlicher Gerichtsstand für sämtliche im Zusammenhang mit den Schuldverschreibungen entstehenden Klagen oder sonstige Verfahren ist Heidelberg.

(3) *Gerichtliche Geltendmachung.* Jeder Gläubiger von Schuldverschreibungen ist berechtigt, in jedem Rechtsstreit gegen die Emittentin oder die Garantin oder in jedem Rechtsstreit, in dem der Gläubiger und die Emittentin oder die Garantin Partei sind, seine Rechte aus diesen Schuldverschreibungen im eigenen Namen auf der folgenden Grundlage zu schützen oder geltend zu machen: (i) er bringt eine Bescheinigung der Depotbank bei, bei der er für die Schuldverschreibungen ein Wertpapierdepot unterhält, welche (a) den vollständigen Namen und die vollständige Adresse des Gläubigers enthält, (b) den Gesamtnennbetrag der Schuldverschreibungen bezeichnet, die unter dem Datum der Bestätigung auf dem Wertpapierdepot verbucht sind und (c) bestätigt, dass die Depotbank gegenüber dem Clearing System eine schriftliche Erklärung abgegeben hat, die die vorstehend unter (a) und (b) bezeichneten Informationen enthält; und (ii) er legt eine Kopie der die betreffenden Schuldverschreibungen verbriefenden Globalurkunde vor, deren Übereinstimmung mit dem Original eine vertretungsberechtigte Person des Clearing Systems oder des Verwahrers des Clearing Systems bestätigt hat, ohne dass eine Vorlage der Originalbelege oder der die Schuldverschreibungen verbriefenden Globalurkunde in einem solchen Verfahren erforderlich wäre. Für die Zwecke des Vorstehenden bezeichnet "**Depotbank**" jede Bank oder ein sonstiges anerkanntes Finanzinstitut, das berechtigt ist, das Wertpapierverwahrungsgeschäft zu betreiben und bei der/dem der Gläubiger ein Wertpapierdepot für die Schuldverschreibungen unterhält, einschließlich des Clearing Systems. Unbeschadet des Vorstehenden kann jeder Gläubiger seine Rechte aus den Schuldverschreibungen auch auf jede andere Weise schützen oder geltend machen, die im Land des Rechtsstreits prozessual zulässig ist.

## § 16

### SPRACHE

Diese Anleihebedingungen sind in deutscher Sprache abgefasst. Der deutsche Text ist bindend und maßgeblich. Die Übersetzung in die englische Sprache ist unverbindlich.

## § 15

### APPLICABLE LAW, PLACE OF JURISDICTION AND ENFORCEMENT

(1) *Applicable Law.* The Notes, as to form and content, and all rights and obligations of the Holders and the Issuer, shall be governed by German law.

(2) *Submission to Jurisdiction.* The place of non-exclusive jurisdiction for any action or other legal proceedings or in connection with the Notes shall be Heidelberg.

(3) *Enforcement.* Any Holder of Notes may in any proceedings against the Issuer or the Guarantor, or to which such Holder and the Issuer or the Guarantor are parties, protect and enforce in his own name his rights arising under such Notes on the basis of (i) a statement issued by the Custodian with whom such Holder maintains a securities account in respect of the Notes (a) stating the full name and address of the Holder, (b) specifying the aggregate principal amount of Notes credited to such securities account on the date of such statement and (c) confirming that the Custodian has given written notice to the Clearing System containing the information pursuant to (a) and (b) and (ii) a copy of the Note in global form certified as being a true copy by a duly authorised officer of the Clearing System or a depository of the Clearing System, without the need for production in such proceedings of the actual records or the global note representing the Notes. For purposes of the foregoing, "**Custodian**" means any bank or other financial institution of recognised standing authorised to engage in securities custody business with which the Holder maintains a securities account in respect of the Notes and includes the Clearing System. Each Holder may, without prejudice to the foregoing, protect and enforce his rights under these Notes also in any other way which is admitted in the country of the proceedings.

## § 16

### LANGUAGE

These Conditions of Issue are written in the German language. The German text shall be controlling and binding. The English language translation is provided for convenience only.

## SUMMARY OF RULES REGARDING RESOLUTIONS OF HOLDERS

Pursuant to the Conditions of Issue, the Holders of each Tranche of Notes may agree to amendments to the Conditions of Issue of the respective Tranche or decide on other matters relating to the Notes of the respective Tranche with binding effect on all Holders of that Tranche by way of resolution to be passed by taking votes without a meeting. Any such resolution duly adopted by resolution of the Holders shall be binding on each Holder of the respective Tranche, irrespective of whether such Holder took part in the vote and whether such Holder voted in favour or against such resolution.

In addition to the provisions included in the Conditions of Issue, the rules regarding the solicitation of votes and the conduct of the voting by the Holders, the passing and publication of resolutions as well as their implementation and challenge before German courts are set out in Annex 7 to the Agency Agreement which is incorporated by reference into the Conditions of Issue. Under the German Act on Debt Securities (*Schuldverschreibungsgesetz*), these rules are largely mandatory, although they permit in limited circumstances supplementary provisions set out in or incorporated into the Conditions of Issue.

The following is a brief summary of some of the statutory rules regarding the solicitation and conduct of the voting, the passing and publication of resolutions as well as their implementation and challenge before German courts.

### ***Specific Rules regarding Votes without Meeting***

The voting shall be conducted by the voting administrator (the “**Chairperson**”). The Chairperson shall be (i) a notary public appointed by the Issuer, (ii) where a common representative of the Holders (the “**Holders’ Representative**”) has been appointed, the Holders’ Representative if the vote was solicited by the Holders’ Representative, or (iii) a person appointed by the competent court.

The notice soliciting the Holders’ votes shall set out the period within which votes may be cast. Such period shall be at least 72 hours. During such voting period, the Holders may cast their votes to the Chairperson. The notice shall also set out in detail the conditions to be met for the votes to be valid.

The Chairperson shall ascertain each Holder’s entitlement to cast a vote based on evidence provided by such Holder and shall prepare a list of the Holders entitled to vote. If it is established that no quorum exists, the Chairperson may convene a meeting of the Holders. Within one year following the end of the voting period, each Holder participating in the vote may request a copy of the minutes of such vote and any annexes thereto from the Issuer.

Each Holder participating in the vote may object in writing to the result of the vote within two weeks following the publication of the resolutions passed. The objection shall be decided upon by the Chairperson. If the Chairperson remedies the objection, the Chairperson shall promptly publish the result. If the Chairperson does not remedy the objection, the Chairperson shall promptly inform the objecting Holder in writing.

The Issuer shall bear the costs of the vote and, if the court has convened a meeting or appointed or removed the Chairperson, also the costs of such proceedings.

### ***Rules regarding Noteholders’ Meetings applicable to Votes without Meeting***

In addition, the statutory rules applicable to the convening and conduct of noteholders’ meetings will apply *mutatis mutandis* to any vote without a meeting. The following summarizes some of such rules.

Meetings of noteholders may be convened by the issuer or the noteholders’ representative, if any. Meetings of noteholders must be convened if one or more noteholders holding 5% or more of the outstanding notes so require for specified reasons permitted by statute.

Meetings shall be convened at least 14 days prior to the date of the meeting. Attendance and exercise of voting rights at the meeting may be made subject to prior registration of noteholders. The convening notice will specify the evidence required for attendance and voting at the meeting. The venue of the noteholders’ meeting in respect of a German issuer is the place of the issuer’s registered office, provided, however, that where the relevant notes are listed on a stock exchange within the European Union or the European Economic Area, the meeting may be held at the place of such stock exchange.

The convening notice shall be made publicly available together with the agenda of the meeting setting out the proposals for resolution.

Each noteholder may be represented by proxy. The quorum for any noteholders’ meeting will be one or more persons representing by value at least 50% of the outstanding notes. If it is established that no quorum exists, a second meeting may be convened at which no quorum will be required, provided that where a resolution may only be adopted by a qualified majority, the quorum will be one or more persons representing at least 25% of the outstanding notes.



All resolutions passed by the noteholders must be properly published. Resolutions which amend or supplement the terms and conditions of notes certificated by one or more global notes are to be implemented by supplementing or amending the relevant global note(s).

In insolvency proceedings instituted in Germany against the issuer, the noteholders' representative, if appointed, is obliged and exclusively entitled to assert the noteholders' rights under the notes. Any resolutions passed by the noteholders are subject to the provisions of the German Insolvency Code (*Insolvenzordnung*).

If a resolution constitutes a breach of the statute or the terms and conditions of the notes, Holders may bring an action to challenge such resolution. Such action must be filed with the competent court within one month following the publication of the relevant resolution.

## GUARANTEE

### Garantie/Guarantee

der Hanson Limited  
London  
Großbritannien

zugunsten der Gläubiger sämtlicher bestehender und zukünftiger (i) Verbindlichkeiten der HeidelbergCement AG unter aufgenommenen Krediten oder aus der Begebung von Schuldverschreibungen, Wechseln, Anleihen oder ähnlichen Finanzinstrumenten oder (ii) entsprechender Verbindlichkeiten einer Tochtergesellschaft der HeidelbergCement AG, sofern und soweit diese Verbindlichkeiten von der HeidelbergCement AG garantiert werden (die **Garantierten Verbindlichkeiten**).

- 1.1 Die Hanson Limited übernimmt hiermit gegenüber den jeweiligen Gläubigern der Garantierten Verbindlichkeiten (die **HeidelbergCement Gläubiger**) die unbedingte und unwiderrufliche Garantie für die ordnungsgemäße Zahlung der Garantierten Verbindlichkeiten durch die HeidelbergCement AG mit der Maßgabe, dass soweit eine Garantie der HeidelbergCement AG für Garantierte Verbindlichkeiten von Tochtergesellschaften der HeidelbergCement AG subordiniert ist, die Garantie der Hanson Limited unter diesem Vertrag entsprechend den Bedingungen der entsprechenden Subordinierung subordiniert sein soll (die **Garantie**).
- 1.2 Die Hanson Limited verzichtet hiermit darauf, von den HeidelbergCement Gläubigern zunächst die Durchsetzung ihrer jeweiligen Ansprüche gegen den jeweiligen Schuldner der Garantierten Verbindlichkeiten zu verlangen, bevor diese Zahlung von Hanson Limited unter dieser Garantie verlangen können.
2. Die Verbindlichkeiten der Hanson Limited unter dieser Garantie haben den selben Rang wie ihre Verbindlichkeiten gegenüber ihren anderen unbesicherten und nicht subordinierten Kreditgebern, ausgenommen solche Verbindlichkeiten, die auf Grund gesetzlicher Bestimmungen zwingend vorrangig sind.
- 3.1 Die Verpflichtungen der Hanson Limited unter dieser Garantie bleiben von der Werthaltigkeit, Wirksamkeit und Durchsetzbarkeit von Ansprüchen unter den Garantierten Verbindlichkeiten unberührt.

of Hanson Limited  
London  
United Kingdom

in favour of the creditors of any existing and future (i) indebtedness of HeidelbergCement AG for or in respect of moneys borrowed and under any bonds, notes, debentures or any similar instruments or (ii) comparable indebtedness of any subsidiary of HeidelbergCement AG, if and to the extent such financial indebtedness is guaranteed by HeidelbergCement AG (the **Guaranteed Indebtedness**).

- 1.1 Hanson Limited hereby unconditionally and irrevocably guarantees to each of the creditors of the Guaranteed Indebtedness (the **HeidelbergCement Creditors**) the due payment of the Guaranteed Indebtedness by HeidelbergCement AG provided that if any guarantee by HeidelbergCement AG with respect to the Guaranteed Indebtedness of a subsidiary of HeidelbergCement AG is subordinated the guarantee of Hanson Limited under this agreement shall be subordinated in accordance with the terms of such subordination (the **Guarantee**).
- 1.2 Hanson Limited herewith waives any right it may have of first requiring the HeidelbergCement Creditors to enforce any of their respective claims for payment against the relevant debtor of the Guaranteed Indebtedness before claiming payment from Hanson Limited under this Guarantee.
2. The obligations of Hanson Limited under this Guarantee shall rank *pari passu* with the obligations of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law.
- 3.1 The value, validity and enforceability of the claims under the Guaranteed Indebtedness shall not affect the obligations of Hanson Limited under this Guarantee.

**3.2** Soweit Zahlungen auf Garantierte Verbindlichkeiten infolge einer Insolvenz der HeidelbergCement AG oder einer ihrer Tochtergesellschaften oder eines ähnlichen Ereignisses keine oder nur teilweise erfüllende Wirkung haben, bleiben die Verpflichtungen der Hanson Limited unter dieser Garantie bestehen und jeder HeidelbergCement Gläubiger ist insoweit berechtigt, von der Hanson Limited die Freistellung von einer entsprechenden Rückzahlungsverpflichtung bzw. die Erstattung einer entsprechenden Rückzahlung zu verlangen.

**4.1** Diese Garantie erlischt automatisch und ohne dass es einer weiteren Erklärung bedarf mit dem Tage der vollständigen Zahlung sämtlicher Verbindlichkeiten der Hanson Limited unter den 7.875% Notes fällig 2010, der Hanson Australia Funding Limited unter den 5.25% Notes fällig 2013 und der Hanson Limited unter den 6.125% Notes fällig 2016.

**4.2** Nachträglich können weder der unter 2. bestimmte Nachrang dieser Garantie aufgehoben noch die unter 4.1 bestimmte Laufzeit dieser Garantie verkürzt werden.

**5.** Bei dieser Garantie handelt es sich um einen Vertrag zugunsten der jeweiligen HeidelbergCement Gläubiger als begünstigte Dritte gemäß § 328 (1) BGB.

**6.1** Diese Garantie unterliegt ausschließlich dem Recht der Bundesrepublik Deutschland.

**6.2** Zuständig für alle Klagen und sonstigen Verfahren aus oder im Zusammenhang mit dieser Garantie ist ausschließlich das Landgericht in Heidelberg.

**7.** Diese Garantie ist in deutscher Sprache mit englischer Übersetzung abgefasst. Nur die deutsche Fassung ist die rechtlich verbindliche. Die englische Übersetzung dient lediglich der Erleichterung des Verständnisses.

Heidelberg, 19. Oktober 2007

Hanson Limited

Wir nehmen die Garantie an:

Heidelberg, 19. Oktober 2007

HeidelbergCement AG

**3.2** To the extent that as a result of the insolvency of HeidelbergCement AG or any of its subsidiaries or any comparable event a payment on the Guaranteed Indebtedness does not or not fully satisfy such obligation, the liability of Hanson Limited under this Guarantee shall continue and each HeidelbergCement Creditor shall insofar be entitled to claim from Hanson Limited indemnification from such repayment obligation or, as the case may be, to recover the amount of a repayment.

**4.1** This Guarantee shall automatically expire without any further notice upon the date of payment in full of all obligations of Hanson Limited under the 7.875% notes due 2010, of Hanson Australia Funding Limited under the 5.25% notes due 2013 and of Hanson Limited under the 6.125% notes due 2016.

**4.2** The subordination of this Guarantee within the meaning of 2. above may neither be abolished retrospectively nor may the term of this Guarantee under 4.1. above be shortened by any subsequent agreement.

**5.** This Guarantee constitutes a contract in favour of the respective HeidelbergCement Creditors as third party beneficiaries pursuant to § 328 (1) of the German Civil Code.

**6.1** This Guarantee shall be governed exclusively by the laws of the Federal Republic of Germany.

**6.2** Any action or other legal proceedings arising out of or in connection with this Guarantee shall exclusively be brought in the District Court (*Landgericht*) in Heidelberg.

**7.** This Guarantee is drawn up in the German language and provided with an English language translation. The German version shall be the only legally binding version. The English translation is for convenience purposes only.

Heidelberg, 19. Oktober 2007

Hanson Limited

We accept the Guarantee:

Heidelberg, 19. Oktober 2007

HeidelbergCement AG

# TAXATION

## **Federal Republic of Germany**

The following is a general discussion of certain German tax consequences of the acquisition and ownership of Notes. This discussion does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase Notes. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the laws of Germany currently in force and as applied on the date of this prospectus. These laws are subject to change, possibly with retroactive or retrospective effect.

Prospective purchasers of notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of notes, including the effect of any state or local taxes, under the tax laws of Germany and each country of which they are residents.

## **Income Tax**

### *Notes held by tax residents as private assets*

#### *Taxation of interest*

Payments of interest on the Notes to Holders who are tax residents of the Federal Republic of Germany (*i.e.*, persons whose residence or habitual abode is located in the Federal Republic of Germany) are subject to German income tax, and, if applicable, church tax. In each case where German income tax arises, a solidarity surcharge (*Solidaritätszuschlag*) is levied in addition. If coupons or interest claims are disposed of separately (*i.e.* without the Notes), the proceeds from the disposition are subject to income tax. The same applies to proceeds from the redemption of coupons or interest claims if the Note is disposed of separately.

Payments of interest on the Notes to individual tax residents of the Federal Republic of Germany are generally subject to a flat income tax at a rate of 25% (plus solidarity surcharge in an amount of 5.5% of such tax, resulting in a total tax charge of 26.375%). The total investment income of an individual will be decreased by a lump sum deduction (*Sparer-Pauschbetrag*) of € 801 (€ 1,602 for married couples filing jointly), not by a deduction of expenses actually incurred.

If the Notes are held in a custodial account which the Holder maintains with a German branch of a German or non-German bank or financial services institution or with a securities trading business or bank in the Federal Republic of Germany (the “**Disbursing Agent**”) the flat income tax will be levied by way of withholding from the gross interest payment to be made by the Disbursing Agent.

In general, no withholding tax will be levied if the Holder is an individual (i) whose Note does not form part of the property of a trade or business and (ii) who filed a withholding exemption application (*Freistellungsauftrag*) with the Disbursing Agent but only to the extent the interest income derived from the Note together with other investment income does not exceed the maximum exemption amount shown on the withholding exemption certificate. Similarly, no withholding tax will be deducted if the Holder has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) issued by the relevant local tax office.

If no Disbursing Agent (as defined above) is involved in the payment process the Holder will have to include its income on the Notes in its tax return and the flat income tax of 25% plus solidarity surcharge will be collected by way of assessment.

Payment of the flat income tax will generally satisfy any income tax liability of the Holder in respect of such investment income. Holders may apply for a tax assessment on the basis of general rules applicable to them if the resulting income tax burden is lower than 25%.

#### *Taxation of capital gains*

From January 1, 2009, also capital gains from the disposition or redemption of the Notes acquired after December 31, 2008 will be subject to the flat income tax on investment income at a rate of 25% (plus solidarity surcharge in an amount of 5.5% of such tax, resulting in a total tax charge of 26.375%), irrespective of any holding period. This will also apply to Notes on which the principal is effectively repaid in whole or in part although the repayment was not guaranteed.

If the Notes are held in a custodial account which the Holder maintains with a Disbursing Agent (as defined above) the flat income tax will be levied by way of withholding from the difference between the redemption amount (or the proceeds from the disposition) and the issue price (or the purchase price) of the Notes. If the Notes have been transferred into the custodial account of the Disbursing Agent only after their acquisition, and no evidence on the acquisition data has been provided to the new Disbursing Agent by the Disbursing Agent which previously kept the Notes in its custodial account, withholding tax will be levied on 30% of the proceeds from the disposition or redemption of the Notes.

If no Disbursing Agent is involved in the payment process the Holder will have to include capital gains from the disposition or redemption of the Notes in its tax return and the flat income tax of 25% plus solidarity surcharge will be collected by way of assessment.

Payment of the flat income tax will generally satisfy any income tax liability of the Holder in respect of such investment income. Holders may apply for a tax assessment on the basis of general rules applicable to them if the resulting income tax burden is lower than 25%.

#### *Notes held by tax residents as business assets*

Payments of interest on Notes and capital gains from the disposition or redemption of Notes held as business assets by German tax resident individuals or corporations (including via a partnership, as the case may be), are generally subject to German income tax or corporate income tax (in each case plus solidarity surcharge). The interest and capital gain will also be subject to trade tax if the Notes form part of the property of a German trade or business.

If the Notes are held in a custodial account which the Holder maintains with a Disbursing Agent (as defined above) tax at a rate of 25% (plus a solidarity surcharge of 5.5% of such tax) will also be withheld from interest payments on Notes and (since January 1, 2009) generally also from capital gains from the disposition or redemption of Notes held as business assets. In these cases the withholding tax does not satisfy the income tax liability of the Holder, as in the case of the flat income tax, but will be credited as advance payment against the personal income or corporate income tax liability and the solidarity surcharge of the Holder.

With regard to capital gains no withholding will generally be required under certain circumstances in the case of Notes held by corporations resident in Germany and upon application in the case of Notes held by individuals or partnerships as business assets.

#### *Notes held by non-residents*

Interest and capital gains are not subject to German taxation in the case of non-residents, *i.e.* persons having neither their residence nor their habitual abode nor legal domicile nor place of effective management in the Federal Republic of Germany, unless the Notes form part of the business property of a permanent establishment maintained in the Federal Republic of Germany. Interest may, however, also be subject to German income tax if it otherwise constitutes income taxable in Germany, such as income from the letting and leasing of certain German-situs property or income from certain capital investments directly or indirectly secured by German situs real estate.

Non-residents of the Federal Republic of Germany are in general exempt from German withholding tax on interest and capital gains and from solidarity surcharge thereon. However, if the interest or capital gain is subject to German taxation as set forth in the preceding paragraph and the Notes are held in a custodial account with a Disbursing Agent (as defined above), withholding tax will be levied as explained above at “Notes held by tax residents as business assets” or at “Notes held by tax residents as private assets”, respectively.

### ***Inheritance and Gift Tax***

No inheritance or gift taxes with respect to any Note will generally arise under the laws of the Federal Republic of Germany, if, in the case of inheritance tax, neither the decedent nor the beneficiary, or, in the case of gift tax, neither the donor nor the donee, is a resident of the Federal Republic of Germany and such Note is not attributable to a German trade or business for which a permanent establishment is maintained, or a permanent representative has been appointed, in the Federal Republic of Germany. Exceptions from this rule apply to certain German citizens who previously maintained a residence in the Federal Republic of Germany.

### ***Other Taxes***

No stamp, issue, registration or similar taxes or duties will be payable in the Federal Republic of Germany in connection with the issuance, delivery or execution of the Notes. Currently, net assets tax (*Vermögensteuer*) is not levied in the Federal Republic of Germany.

### ***Luxembourg***

The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.



## ***Non-Residents***

Under (i) the Luxembourg law of June 21, 2005 implementing the EU Savings Tax Directive and (ii) several agreements concluded between Luxembourg and certain dependent and associated territories of the European Union, payments of interest or similar income made or ascribed (*attribué*) by a paying agent established in Luxembourg to or under certain circumstances for the immediate benefit of an individual or certain residual entities which are residents or are deemed to be residents of, or are established in another EU Member State or one of those dependent or associated territories, will be subject to a withholding tax unless the relevant beneficiary has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence, deemed residence or establishment or has provided a tax certificate from his/her/its fiscal authority in the format required by Luxembourg law.

Where withholding tax is applied, it will be levied at a rate of 20% until June 30, 2011 and at a rate of 35% thereafter.

## ***Residents***

### *Resident Individuals*

Interest payments made by a paying agent established in Luxembourg to an individual resident holder of a Note acting in the course of the management of its private wealth or to foreign residual entities receiving the payment for the benefit of the holder of a Note are subject to withholding tax at the rate of 10 per cent.

In the case of interest payments made to an individual resident holder of a Note acting in the course of the management of its private wealth or to a foreign residual entity receiving the payment for the benefit of the holder of a Note by a paying agent established in a Member State of the EU or the EEA other than Luxembourg or in a State party to an international convention linked to the Savings Directive, the holder is liable to pay income tax at a rate of up to 38 per cent. (plus surcharges) or, alternatively, may opt for the application of withholding tax at the rate of 10 per cent. in accordance with the provisions of the law of December 23, 2005. In such a case, the holder of a Note will be responsible for certain related payment and declaration obligations.

If the individual holder who holds a Note acts in the course of the management of his or her private wealth, the aforementioned 10% withholding tax will operate a full discharge of income tax due on such payments.

Individual resident holders of Notes acting in the course of the management of their private wealth are not subject to taxation on capital gains upon the disposal of Notes held by them, unless the disposal precedes the acquisition of the relevant Notes or the Notes are disposed of within six months from the date of their acquisition. Upon redemption of the Notes, the individual resident holders of Notes must however include the portion of the redemption price corresponding to accrued but unpaid interest in their taxable income, unless the 10 per cent. withholding tax has been levied.

Individual resident holders of Notes that hold their Notes as business assets must include (i) interest received or accrued, and (ii) the difference between the sale or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of Notes sold or redeemed in their taxable income. The 10% withholding tax levied is then credited against the final tax liability of the holders of Notes. Individual resident holders of Notes that hold their Notes as business assets will not be subject to income tax on the repayment of principal.

### *Corporate holder of a Note*

Interest on Notes paid by a Luxembourg paying agent to a corporate holder of a Note is not subject to withholding tax.

Unless exempt from tax under the provisions of Luxembourg tax law, resident corporate holders of Notes or foreign corporate holders of Notes having a permanent establishment in Luxembourg with which the holding of the Notes is connected are subject to income tax on (i) interest received or accrued, and (ii) the difference between the sale or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed.

### *Net wealth tax*

Luxembourg net wealth tax will not be due by a holder of a Note, unless (i) such holder of a Note is a Luxembourg resident company, or (ii) the Notes are connected to a permanent establishment in Luxembourg of a non-resident holder of a Note.

When used in the preceding paragraphs "interest", "paying agent" and "residual entity" have the meaning given thereto in the EU Savings Tax Directive, the Luxembourg laws of June 21, 2005 and December 23, 2005, as amended. "Interest" will include accrued or capitalised interest at the sale, repayment or redemption of the Notes.

### ***EU Savings Tax Directive***

Under the EU Council Directive 2003/48/EC dated 3 June 2003 on the taxation of savings income in the form of interest payments (the “**EU Savings Tax Directive**”) each EU Member State must require paying agents (within the meaning of such directive) established within its territory to provide to the competent authority of this state details of the payment of interest made to any individual resident in another EU Member State as the beneficial owner of the interest. The competent authority of the EU Member State of the paying agent is then required to communicate this information to the competent authority of the EU Member State of which the beneficial owner of the interest is a resident.

For a transitional period, Austria, Belgium and Luxembourg may opt instead to withhold tax from interest payments within the meaning of the EU Savings Tax Directive at a rate of 20% from July 1, 2008, and of 35% from July 1, 2011.

In Germany, provisions for implementing the EU Savings Tax Directive have been enacted by legislative regulations of the Federal Government. These provisions apply since July 1, 2005.

Holders who are individuals should note that the Issuer will not pay additional amounts under § 7(c) of the Conditions of Issue in respect of any withholding tax imposed as a result of the EU Savings Tax Directive.

## SUBSCRIPTION AND SALE OF THE NOTES

### **General**

HeidelbergCement AG has agreed in an agreement dated October 19, 2009 (the “**Underwriting Agreement**”) to sell to Deutsche Bank AG, London Branch, The Royal Bank of Scotland plc, Commerzbank Aktiengesellschaft, Merrill Lynch International, Citigroup Global Markets Limited, ING Bank N.V., London branch, Nordea Bank Danmark A/S, Société Générale, Svenska Handelsbanken AB (publ), Banca IMI S.p.A., Danske Bank A/S, Landesbank Hessen-Thüringen Girozentrale, Mediobanca — Banca di Credito Finanziario S.p.A., NATIXIS and Skandinaviska Enskilda Banken AB (publ) (together, the “**Managers**”), and the Managers have agreed, subject to certain customary closing conditions, to subscribe to and pay for the Notes on October 21, 2009 (the “**Issue Date**”) at a price of 98.465% of the Aggregate Principal Amount of the 2014 Notes, 97.349% of the Aggregate Principal Amount of the 2017 Notes and 96.739% of the Aggregate Principal Amount of the 2019 Notes. Proceeds to the Issuer will be net of commissions of 1.4% of the Aggregate Principal Amounts of the Notes payable to the Managers. The Issuer has furthermore agreed to reimburse the Managers for certain expenses incurred in connection with the issue of the Notes.

In the Underwriting Agreement, the Issuer has made certain representations and warranties in respect of its legal and financial matters. The Managers are entitled, under certain circumstances, to terminate the Underwriting Agreement. In such event, no Notes will be delivered to investors. Furthermore, HeidelbergCement AG has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Notes.

### **Interests and Conflicts of Interest of Persons Involved in the Issue**

The Managers entered into the Underwriting Agreement with the Issuer described above. Upon successful completion of the transaction, they will receive a commission.

The Managers or their affiliates have provided from time to time, and expect to provide in the future, investment services to the Issuer and its affiliates, for which the Managers or their affiliates have received or will receive customary fees and commissions.

The Managers (and/or their affiliates) are lenders under the SFA. As the proceeds of the issue will be used for a partial repayment of outstanding term loans and advances under the SFA, the named persons have an economic interest in the issue.

There are no other interests of natural and legal persons other than the Issuer involved in the issue, including conflicting ones that are material to the issue.

### **Offer of the Notes**

The Issuer has made an application to the CSSF for the passporting of the prospectus approval of the CSSF to Germany with effect on or after the Issue Date. Following the effectiveness of such passporting the Notes may be offered to investors in Germany in compliance with all applicable laws, rules and regulations. In the case of a secondary market public offer, specific procedures relating to the (i) time period, including any possible amendments, during which the offer will be open and the description of the application process, (ii) details of the minimum and/or maximum amount of application (whether in number of Notes or aggregate amount to invest), (iii) method and time limits for paying and for delivery of the Notes, (iv) the full description of the manner in and the date on which results of the offer are to be made public the acceptance of offers and (v) plan of distribution and allotment (including the various categories of potential investors to which the Notes are offered, the process for notification to applicants of the amount allotted and indication whether dealing may begin before this notification is made) may be determined and communicated by any person making an offer. Generally, the price of any such offer may be determined with reference to the quotation of the Notes on the regulated market of the Luxembourg Stock Exchange or any other stock exchange on which the Notes may be listed in compliance with all applicable laws, rules and regulations.

### **Selling Restrictions**

#### **General**

Each Manager has represented and agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in or from which it purchases, offers, sells or delivers the Notes or possesses or distributes this Prospectus and that it will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Guarantor nor any of the other Managers shall have any responsibility therefor.

Neither the Issuer, the Guarantor nor any of the Managers has represented that the Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to the Notes, the Managers will be required to comply with such other additional restrictions as the Issuer and the Managers shall agree.

### ***European Economic Area***

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State in accordance with the Prospectus Directive or, where appropriate, published in another Relevant Member State and notified to the competent authority in that Relevant Member State in accordance with Article 18 of the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State at any time:

- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last fiscal year; (2) a total balance sheet of more than € 43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or
- (d) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive;

provided that no such offer of Notes shall require the Issuer or Managers to publish a Prospectus pursuant to Article 3 of the Prospectus Directive or supplement a Prospectus pursuant to Articles 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression “**Prospectus Directive**” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

### ***United States of America and its Territories***

Each Manager has acknowledged that the Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), and may not be offered, sold or delivered within the United States of America (the “**United States**”) to or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Manager has represented and agreed that neither it nor any persons acting on its behalf has offered, sold or delivered and will offer, sell or deliver any Notes within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, each Manager has represented and agreed that neither it, its affiliates nor any persons acting on its or their behalf has engaged or will engage in any directed selling efforts or general solicitation with respect to the Notes. Terms used in this subparagraph have the meaning given to them by Regulation S.

The Notes will be issued in accordance with the provisions of United States Treasury Regulation § 1.163-5(c)(2)(i)(D) (the “**TEFRA D Rules**” or “**TEFRA D**”).

- (a) Except to the extent permitted under TEFRA D, each Manager has represented that (i) it has not offered or sold, and agrees that during the restricted period it will not offer or sell, such Notes to a person who is within the United States or its possessions or to a United States person, and (ii) it has not delivered and agrees that it will not deliver within the United States or its possessions such Notes that are sold during the restricted period;
- (b) Each Manager has represented that it has and agreed that throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling such Notes are aware that such Notes may not be offered or sold during the restricted period to a

person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

- (c) If it is a United States person, each Manager has represented that it is acquiring such Notes for purposes of resale in connection with their original issuance and if it retains such Notes for its own account, it will only do so in accordance with the requirements of U.S. Treasury Regulation 1.163-5(c)(2)(i)(D)(6); and
- (d) With respect to each affiliate that acquires such Notes from a Manager for the purpose of offering or selling such Notes during the restricted period, such Manager has repeated and confirmed the representations and agreements contained in paragraphs (a), (b) and (c) above on such affiliate's behalf.

Terms used in this subparagraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the TEFRA C Rules and the TEFRA D Rules.

### ***United Kingdom of Great Britain and Northern Ireland***

*Each Manager has represented and agreed that,*

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended ("**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### ***Republic of Italy***

The offering of the Notes has not been registered pursuant to Italian securities legislation and no Notes may be offered, sold or delivered, nor may copies of the Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except to qualified investors ("investitori qualificati") as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "Financial Services Act") and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time ("Regulation No. 11971") or otherwise in compliance with Article 100 (including Article 100-bis) of the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007, as amended, and Legislative Decree No. 385 of 1 September 1998 and all other applicable laws, rules and decrees, including any implementing guidelines of the Bank of Italy.

Please note that in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on offers of securities to the public applies, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.



## GENERAL INFORMATION / INCORPORATION BY REFERENCE

### **Authorization**

The creation and issue of the Notes has been authorized by resolutions of the managing board of the Issuer dated October 14, 2009 and the supervisory board of the Issuer dated October 14, 2009. The giving of the Guarantee has been authorized by resolution of the board of directors of the Guarantor dated October 12, 2007. The Issue Date of the Notes is expected to be on October 21, 2009.

### **Clearance and Settlement**

The Notes have been accepted for clearance by the Clearing System. The 2014 Notes have been assigned the following securities codes: ISIN XS0458230082, Common Code 045823008, WKN A1A6T6. The 2017 Notes have been assigned the following securities codes: ISIN XS0458230322, Common Code 045823032, WKN A1A6PG. The 2019 Notes have been assigned the following security codes: ISIN XS0458685913, Common Code 045868591, WKN A1A6PH.

### **Listing and Admission to Trading**

Application has been made to list the Notes on the official list of the Luxembourg Stock Exchange and admit the Notes to trading on the regulated market of the Luxembourg Stock Exchange. The Notes are expected to be traded from October 21, 2009.

The Issuer has appointed Deutsche Bank Luxembourg S.A., 2, Boulevard Konrad Adenauer, L – 1115 Luxembourg as the initial Listing Agent for the Luxembourg Stock Exchange. For as long as any of the Notes are listed on the Luxembourg Stock Exchange the Issuer will maintain a Listing Agent in Luxembourg.

### **Yield**

The yield of the 2014 Notes is 7.875% per annum, the yield of the 2017 Notes is 8.5% per annum and the yield of the 2019 Notes is 9.0% per annum. Such yield is calculated in accordance with the ICMA (International Capital Markets Association) method.

### **Expenses**

The total expenses of the issue of the Notes are expected to amount to approximately € 45 million.

### **Legal and Arbitration Proceedings**

Other than as set out in this Prospectus in sections "*General Information about the Issuer – Litigation/Administrative Proceedings*", and "*General Information about the Issuer – Litigation/Administrative Proceedings*" there are currently and have been in the previous twelve months no lawsuits, governmental, legal or arbitration proceedings which have had or which the Issuer believes could have in the future a substantial impact on the financial position of the Issuer, HC Group or the Guarantor.

### **Significant Change in the Financial or Trading Position**

On September 13, 2009 the managing board resolved with approval of the supervisory board on the same day to make use of HeidelbergCement's authorized capital and to increase the share capital of HeidelbergCement in the Capital Increase 2009 from € 375,000,000 by € 187,500,000 against cash contributions to € 562,500,000 by issuing 62,500,000 new ordinary bearer shares with no-par value, each such share with a notional par value of € 3.00. The Capital Increase 2009 was registered with the commercial register on September 22, 2009. From the Capital Increase 2009, HeidelbergCement received net proceeds in the amount of approximately € 2.25 billion.

Besides the aforementioned significant change in the financial position of HeidelbergCement, there has been no significant change in the financial or trading position of either Issuer or the Guarantor since June 30, 2009.

### **Trend Information**

There has been no material adverse change in the prospects of either the Issuer or the Guarantor since December 31, 2008.

No developments are currently foreseen that are reasonably likely to have a material effect on the prospects of each of the Issuer and the Guarantor.

## ***Incorporation by Reference***

The following documents are incorporated by reference into this Prospectus:

### ***Issuer***

- (1) The audited HC Group annual accounts (IFRS) for the fiscal year ended December 31, 2008 included in the English language "Annual Report 2008" and consisting of
  - Group profit and loss accounts (page 64 in the Annual Report 2008),
  - Group cash flow statement (page 65 in the Annual Report 2008),
  - Group balance sheet (page 66 to 67 in the Annual Report 2008),
  - Statement of recognised income and expense (page 68 in the Annual Report 2008),
  - Reconciliation of changes in total equity/Notes to the annual accounts (page 69 in the Annual Report 2008),
  - Segment reporting/Notes to the annual accounts (pages 70 to 71 in the Annual Report 2008),
  - Notes to the 2008 Group annual accounts (pages 74 to 138 in the Annual Report 2008),
  - Audit Opinion<sup>(1)</sup> (pages 139 to 140 in the Annual Report 2008).

<sup>(1)</sup> The audit opinion is a translation of the German language audit opinion (*Bestätigungsvermerk*) which refers to the group annual accounts and the combined management report of HC Group and Heidelberg Cement AG for the fiscal year ended December 31, 2008 as a whole and not solely to the group annual accounts incorporated by reference.
- (2) The audited HC Group annual accounts (IFRS) for the fiscal year ended December 31, 2007 included in the English language "Annual Report 2007" and consisting of
  - Group profit and loss accounts (page 64 in the Annual Report 2007),
  - Group cash flow statement (page 65 in the Annual Report 2007),
  - Group balance sheet (page 66 to 67 in the Annual Report 2007),
  - Statement of recognised income and expense (page 68 in the Annual Report 2007),
  - Reconciliation of changes in total equity/Notes to the annual accounts (page 69 in the Annual Report 2007),
  - Segment reporting/Notes to the annual accounts (pages 70 to 71 in the Annual Report 2007),
  - Notes to the 2008 Group annual accounts (pages 74 to 137 in the Annual Report 2007),
  - Audit Opinion<sup>(1)</sup> (page 138 in the Annual Report 2007).

<sup>(1)</sup> The audit opinion is a translation of the German language audit opinion (*Bestätigungsvermerk*) which refers to the group annual accounts and the combined management report of HC Group and Heidelberg Cement AG for the fiscal year ended December 31, 2007 as a whole and not solely to the group annual accounts incorporated by reference.
- (3) The unaudited condensed HC Group interim accounts (IFRS (IAS 34)) for the six months period ended June 30, 2009 included in the English language "Half-Year Financial Report January to June 2009" and consisting of
  - Group profit and loss accounts (page 8 in the Half-Year Financial Report January to June 2009),
  - Group cash flow statement (page 9 in the Half-Year Financial Report January to June 2009),
  - Group balance sheet (page 10 in the Half-Year Financial Report January to June 2009),
  - Statement of recognised income and expense (page 11 in the Half-Year Financial Report January to June 2009),
  - Reconciliation of changes in total equity (page 12 in the Half-Year Financial Report January to June 2009),
  - Segment reporting/Notes (page 13 in the Half-Year Financial Report January to June 2009),
  - Notes to the interim Group accounts (pages 14 to 16 in the Half-Year Financial Report January to June 2009).

The English-language HC Group annual accounts and unaudited condensed HC Group interim accounts set out above and incorporated by reference into this Prospectus are translations of the German-language group annual accounts and unaudited condensed group interim accounts.

### **Guarantor**

- (1) The audited unconsolidated financial statements (UK GAAP) of the Guarantor for the fiscal year ended December 31, 2008 included in the English language "Directors' Report and Financial Statements in respect of the year ended 31 December 2008 (the "**Hanson Annual Report 2008**") and consisting of
  - Profit and loss account (page 5 in the Hanson Annual Report 2008),
  - Balance sheet (page 6 in the Hanson Annual Report 2008),
  - Notes to the financial statements (pages 7 to 16 in the Hanson Annual Report 2008),
  - Independent auditor's report (page 4 in the Hanson Annual Report 2008).
- (2) The audited unconsolidated financial statements (UK GAAP) of the Guarantor for the fiscal year ended December 31, 2007 included in the English language "Directors' Report and Accounts in respect of the year ended 31 December 2007 (the "**Hanson Annual Report 2007**") and consisting of
  - Profit and loss account (page 4 in the Hanson Annual Report 2007),
  - Balance sheet (page 5 in the Hanson Annual Report 2007),
  - Notes to the financial statements (pages 6 to 20 in the Hanson Annual Report 2007),
  - Independent auditor's report (page 3 in the Hanson Annual Report 2007).
- (3) The separate audited unconsolidated cash flow statements of the Guarantor for the fiscal years ended on December 31, 2008 and 2007 (the "**Separate Cash Flow Statements**") and consisting of
  - Cash flow statement for the fiscal year ended December 31, 2008 (page 3 of the Separate Cash Flow Statements),
  - Cash flow statement for the fiscal years ended December 31, 2007 (page 4 of the Separate Cash Flow Statements),
  - Independent auditor's report relating to the separate unconsolidated cash flow statements for the fiscal years ended December 31, 2008 and 2007 dated October 5, 2009 (page 1 of the Separate Cash Flow Statements).
- (4) The unaudited unconsolidated interim financial statements (UK GAAP) of the Guarantor for the half-year period ended on June 30, 2009 included in the English language "Unaudited Interim Financial Statements" (the "**Hanson H1 Report 2009**") and consisting of
  - Profit and loss account as of June 30, 2009 (page 2 in the Hanson H1 Report 2009),
  - Balance sheet as of June 30, 2009 (page 1 in the Hanson H1 Report 2009),
  - Cash flow statement as of June 30, 2009 (page 3 in the Hanson H1 Report 2009),
  - Notes to the financial statements (page 4 to 5 in the Hanson H1 Report 2009).

### **Other**

- Annex 7 of the Agency Agreement between the Issuer, Deutsche Bank Aktiengesellschaft as Principal Paying Agent dated October 19, 2009 containing primarily the procedural provisions regarding resolutions of Holders in and without meetings;

Any information not listed in the lists above but included in the documents incorporated by reference is given for information purposes only.

### **Documents on Display**

For so long as any Note is outstanding, copies of the following documents may be inspected during normal business hours at the specified office of the Paying Agent and as long as the Notes are listed on the official list of the Luxembourg Stock Exchange the documents set out below will be available on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and (free of charge) at the head office of the Listing Agent in Luxembourg:

- (a) the articles of association of the Issuer;
- (b) the memorandum and articles of association of the Guarantor;
- (c) the Prospectus;
- (d) the Guarantee;
- (e) the documents incorporated by reference set out above.

## GLOSSARY

<i>Aggregates</i>	Mineral raw materials such as sand and gravel that are used as additives to manufacturer concrete.
<i>Blast-furnace slag sand</i>	By-product of steel production (granulated blast furnace slag).
<i>Cement</i>	Finely ground, hydraulic binder for mortar and concrete that is produced by grinding clinker and adding gypsum or a mixture of gypsum and anhydrite and may include various types of specific additives (blast-furnace slag, trass or fly ash).
<i>Cement plant</i>	Location at which all key steps of cement manufacture take place, in particular where clinker is burned and ground with aggregates into cement.
<i>CERCLA</i>	United States Comprehensive Environmental Response Compensation and Liability Act.
<i>CKD</i>	Cement kiln dust.
<i>Clinker</i>	Interim product of cement manufacture that is formed by heating and sintering a finely ground mixture of mineral components in a rotary kiln. Clinker is a key component in most cement types.
<i>Concrete</i>	Concrete is a building material produced by mixing cement, aggregates (usually gravel, sand or chippings) and water.
<i>Credit rating</i>	Classification of the credit of debt instruments and their issuers. Specialist agencies such as Standard & Poor's, Moody's Investor Service and Fitch Ratings issue credit ratings. The ratings range from AAA/Aaa for the best credit to C or D for the lowest.
<i>Dry mortar</i>	Plant-mixed mortars such as internal and exterior plasters, fluidized floor finishes and masonry mortars, that are supplied in bags or loose in silos or containers and mixed on the construction site by adding water.
<i>EBITDA</i>	Earnings before interest and taxes (EBIT) as well as depreciation of tangible fixed assets and amortization of intangible assets.
<i>Emission Rights</i>	Allowances under the EU emission trading scheme that set limitations (caps) on the levels of carbon dioxide emissions from industrial facilities.
<i>EPA</i>	United States Environmental Protection Agency.
<i>Fly ash</i>	By-product from coal-fired power stations.
<i>GGBS</i>	Ground granulated blast furnace slag.
<i>Grinding plant</i>	Location at which not all steps in cement manufacture take place but where the clinker burned in the cement plants is delivered and, with added aggregates, ground into cement.
<i>International Accounting Standards (IAS)</i>	The IAS are accounting regulations promulgated by the International Accounting Standards Board (IASB) for purposes of international harmonization and better comparability of group results. HeidelbergCement has reported its Group annual accounts in accordance with IAS since 1994. IAS have been renamed International Financial Reporting Standards (IFRS).
<i>International Financial Reporting Standards (IFRS)</i>	Formerly International Accounting Standards (IAS).
<i>Marl</i>	Calciferous loam with 20-40% clay.

<i>Mature market</i>	A market that has reached a state of equilibrium marked by the absence of significant growth or innovation.
<i>Net debt</i>	The sum of all long and short term financial liabilities minus cash and cash equivalents and short-term securities. Synonyms: Net financial liabilities, net indebtedness, net liabilities.
<i>Net financial liabilities</i>	The sum of all long and short term financial liabilities minus cash and cash equivalents and short-term securities. Synonyms: Net debt, net indebtedness, net liabilities.
<i>Net liabilities</i>	The sum of all long and short term financial liabilities minus cash and cash equivalents and short-term securities. Synonyms: Net financial liabilities, net debt, net indebtedness.
<i>Other Comprehensive Income</i>	Other Comprehensive Income includes all changes in the equity, which are not related to the profit and loss. The actuarial gains and losses (IAS 19) based on actuary reports of defined benefit plans, revaluation based on the purchase price allocation according to IFRS 3, valuation of assets available for sale (IAS 39), cash flow hedges as a part of the derivative financial instruments (IAS 39) are included in this line of the balance sheet.
<i>OCF margin</i>	The share of operating cash flow in the turnover of a business region or unit.
<i>Operating income before depreciation (OIBD)</i>	Operating income before depreciation of tangible fixed assets and of intangibles.
<i>PCA</i>	Portland Cement Association
<i>RCRA</i>	United States Resource Conservation and Recovery Act
<i>REACH</i>	EU Regulation No. 1907/2006 concerning the Registration, Evaluation, Authorization and Restriction of Chemicals.
<i>Reifer/reiferer Markt</i>	Ein Markt, der ein gewisses Gleichgewicht erreicht hat und der durch Fehlen von wesentlichem Wachstum und Neuentwicklung gekennzeichnet ist.
<i>RGGI</i>	Regional Greenhouse Gas Initiative in the United States.
<i>RMC (ready-mixed concrete)</i>	Concrete produced in a ready-mixed concrete facility and transported with suitable vehicles (ready mix trucks) to the construction site.
<i>Slag cement</i>	Cement that in addition to Portland cement clinker contains a substantial proportion of blast-furnace slag sand. Individual types of slag cement include blast-furnace slag cement, Portland slag cement and Portland fly ash slag cement.
<i>Slag cement plant</i>	Cement or grinding plant that produces slag cement.
<i>Trass</i>	Finely ground, volcanic eruption stone, comprising a high proportion of free silicon dioxide, various minerals and chemically and physically bonded water.



## NAMES AND ADDRESSES

### ISSUER

#### HeidelbergCement AG

Berliner Straße 6  
69120 Heidelberg  
Germany

### GUARANTOR

#### Hanson Limited

Hanson House, 14 Castle Hill  
Maidenhead  
Berkshire SL6 4JJ  
England  
United Kingdom

### GLOBAL COORDINATORS

#### JOINT LEAD MANAGERS AND BOOKRUNNERS

##### Deutsche Bank AG, London Branch

Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
Great Britain

##### The Royal Bank of Scotland plc

135 Bishopsgate  
London EC2M 3UR  
England

#### JOINT LEAD MANAGERS AND BOOKRUNNERS

##### Merrill Lynch International

Bank of America Merrill Lynch Financial Centre  
2 King Edward Street  
London EC1A 1HQ  
Great Britain

##### Commerzbank

**Aktiengesellschaft**  
Kaiserstrasse 16 (Kaiserplatz)  
60311 Frankfurt am Main  
Germany

#### JOINT LEAD MANAGERS

##### Citigroup Global Markets Limited

Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
Great Britain

##### ING Bank N.V., London branch

60 London Wall  
London EC2M 5TQ  
Great Britain

##### Nordea Bank Danmark A/S

Christiansbro,  
Standgade 3  
1401 Copenhagen K  
Denmark

##### Société Générale

29, boulevard Haussmann  
75009 Paris  
France

##### Svenska

**Handelsbanken AB (publ)**  
Blasieholmstorg 11  
10670, Stockholm  
Sweden

#### CO-LEAD MANAGERS

##### Banca IMI S.p.A.

Piazzetta Giordano Dell'Amore, 3  
20121 Milan  
Italy

##### Danske Bank A/S

2-12 Holmens Kanal  
1092 Copenhagen K  
Denmark

##### Landesbank Hessen-Thüringen Girozentrale

Neue Mainzer Strasse 52-58  
60311 Frankfurt am Main  
Germany

##### Mediobanca — Banca di Credito Finanziario S.p.A.

Piazza Enrico Cuccia 1  
20121 Milan  
Italy

##### NATIXIS

30 avenue Pierre Mendès France  
75013 Paris  
France

##### Skandinaviska Enskilda Banken AB (publ)

Kungsträdgårdsgatan 8,  
10640 Stockholm  
Sweden

#### PRINCIPAL PAYING AGENT

##### Deutsche Bank Aktiengesellschaft

Trust & Securities Services (TSS)  
Grosse Gallustrasse 10-14  
60272 Frankfurt am Main  
Germany

#### LUXEMBOURG LISTING AGENT AND PAYING AGENT

##### Deutsche Bank Luxembourg S.A.

2, Boulevard Konrad Adenauer  
L- 1115 Luxembourg  
Luxembourg

## **LEGAL ADVISERS**

*To the Issuer*  
as to German law:

**Hengeler Mueller**  
**Partnerschaft von Rechtsanwälten**  
Bockenheimer Landstrasse 24  
60323 Frankfurt am Main  
Germany

*To the Managers*  
as to German law:

**Freshfields Bruckhaus Deringer LLP**  
Bockenheimer Anlage 44  
60322 Frankfurt am Main  
Germany

## **AUDITORS**

*To the Issuer*

**Ernst & Young GmbH**  
**Wirtschaftsprüfungsgesellschaft**  
**(formerly Ernst & Young AG**  
**Wirtschaftsprüfungsgesellschaft**  
**Steuerberatungsgesellschaft)**  
Mittlerer Pfad 15  
70499 Stuttgart  
Germany

*To the Guarantor*

For the fiscal year 2007  
**Ernst & Young LLP**  
1 More London Place  
London SE1 2AF  
United Kingdom

For the fiscal year 2008  
**Ernst & Young LLP**  
1 Bridewell Street  
Bristol, BS1 2AA  
United Kingdom