

# HEIDELBERGCEMENT

## Unicredit – German Investment Conference

22 - 23 September 2010

Dr. Lorenz Näger, CFO



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## Executive Summary

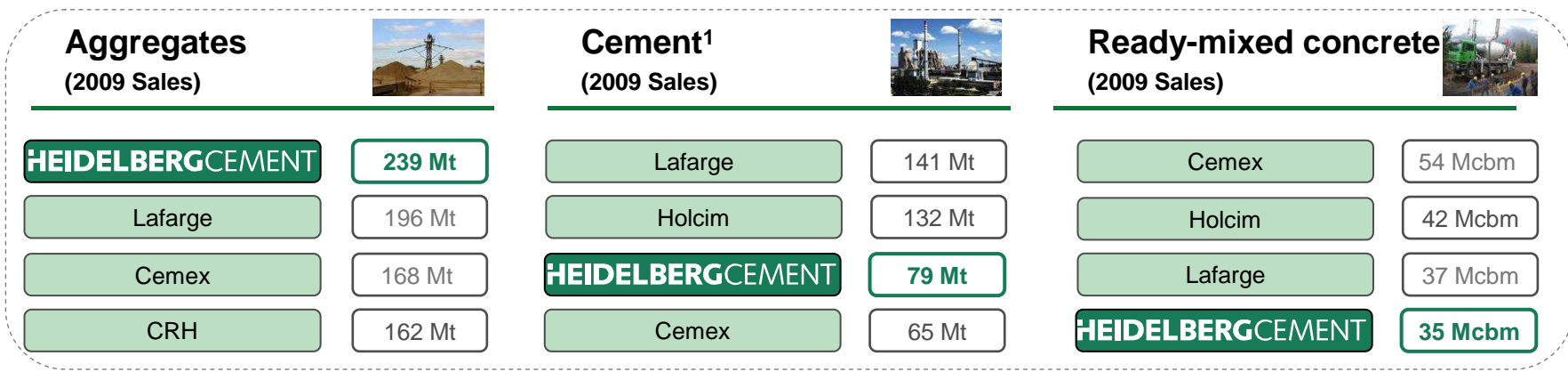
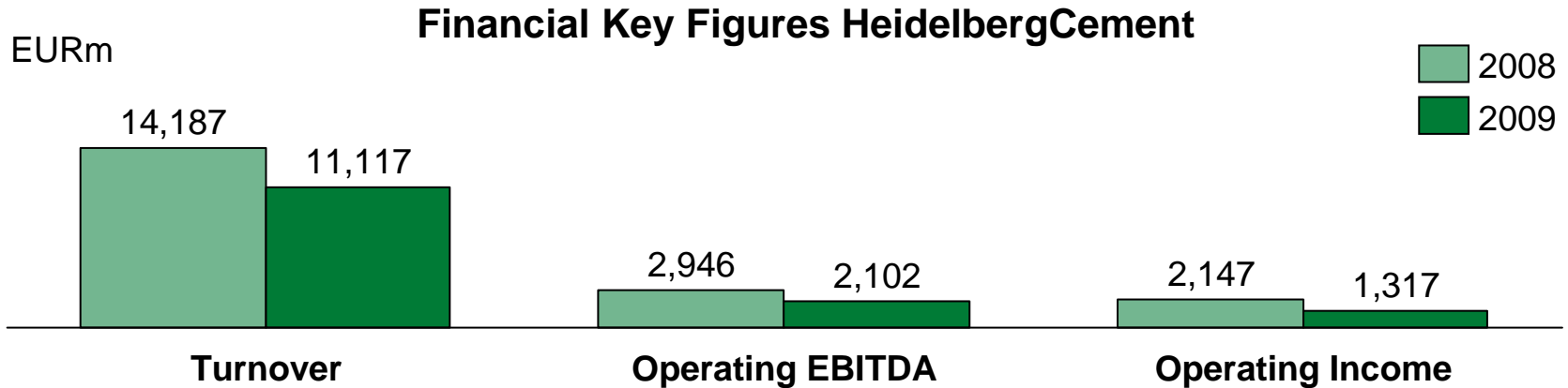
- HeidelbergCement: Global market leader for aggregates with international leading positions for cement and ready-mixed concrete
- Solid 1H 2010 performance reflecting:
  - Superior geographical footprint due to excellent regional growth pockets,
  - Strength of product portfolio
  - Proven operational excellence,
- Cost cutting and deleveraging are highest priorities
- Investments focused on cement capacities in growth markets
- Global heavy material markets expected to continue on recovery path:
  - Asia and Africa: ✓ Solid growth
  - Mixed picture in Europe: ✓ GER, Benelux, Northern EU, Poland, Czech R.  
? UK  
- Hungary, Romania, Slovakia
  - North America: ? USA - no major trend change since Q2  
✓ Canada
  - Central Asia: ✓ Volumes coming back

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# Global market leader for aggregates & international leading positions for cement and ready-mixed concrete



1. Anhui Conch with 118 Mt sales and CNBM with 113 Mt sales in 2009 not considered, as only active in China.  
Source: Company information

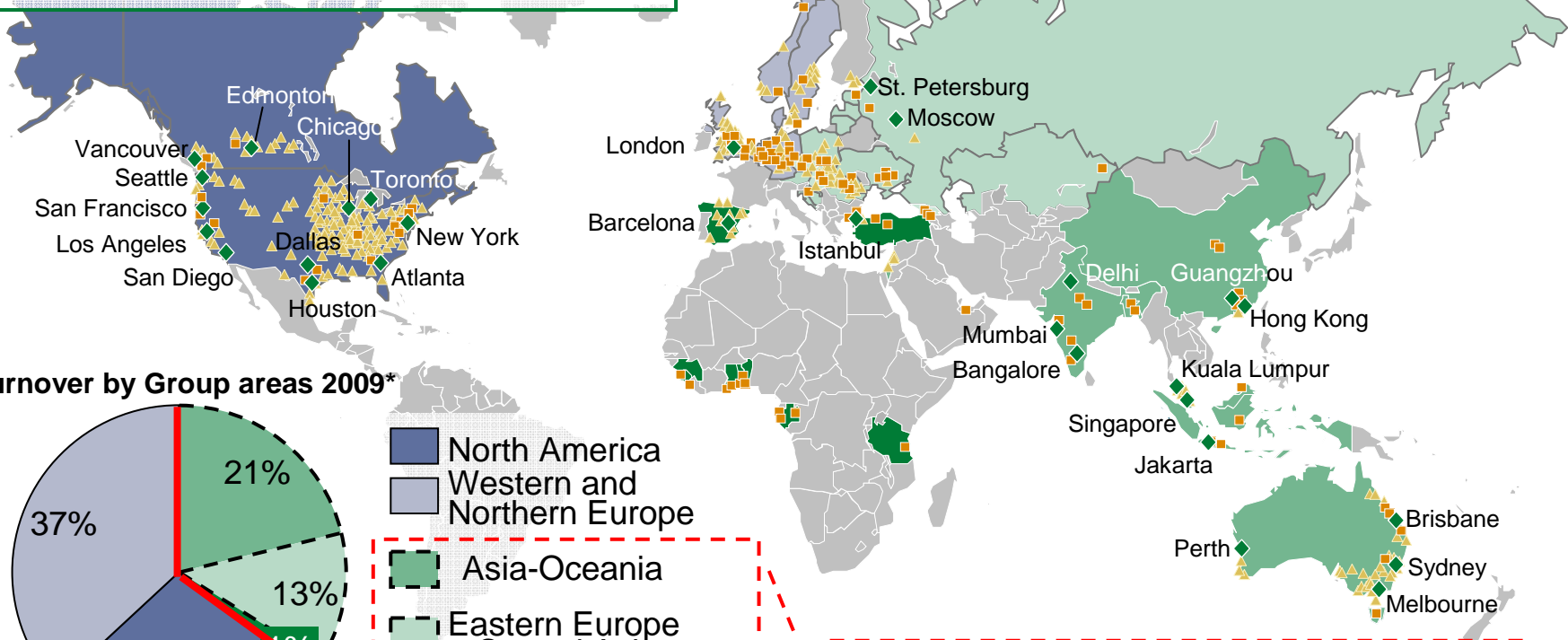
# Global footprint with up to 40 % sales in emerging markets

**Group HQ:** Heidelberg, Germany

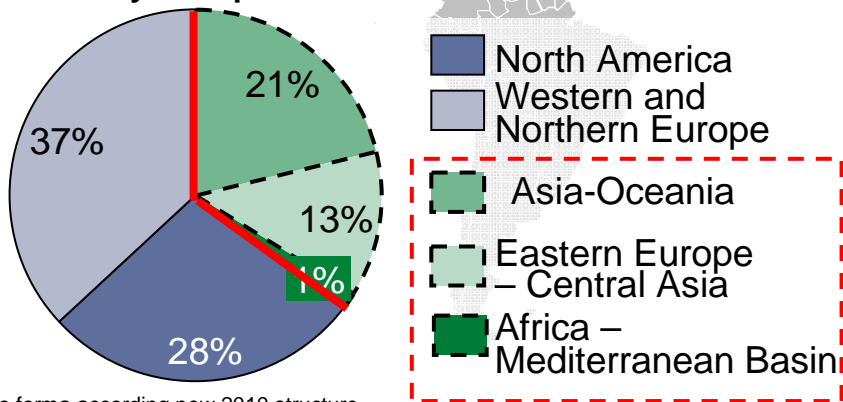
**Employees:** ~53,000 (as of end 2009)

**Locations:** ~2,500 in more than 40 countries:  
 ~600 sand, gravel and hard rock  
 ~100 cement and grinding  
 ~1,300 ready-mixed concrete  
 ~100 asphalt

- Cement and grinding plants
- ▲ Aggregates
- ◆ Metropolitan areas



**Turnover by Group areas 2009\***

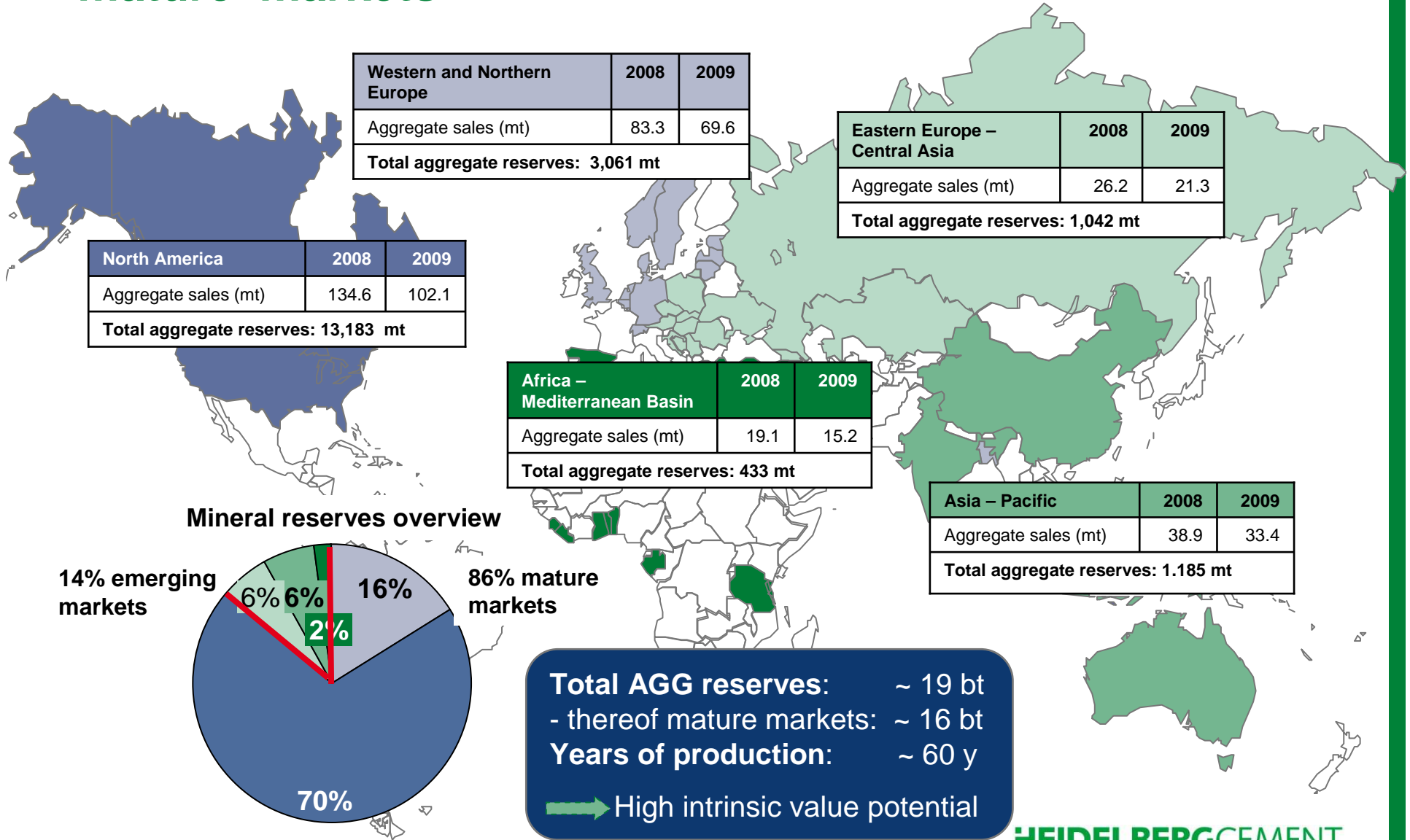


**~40% Emerging market exposure**

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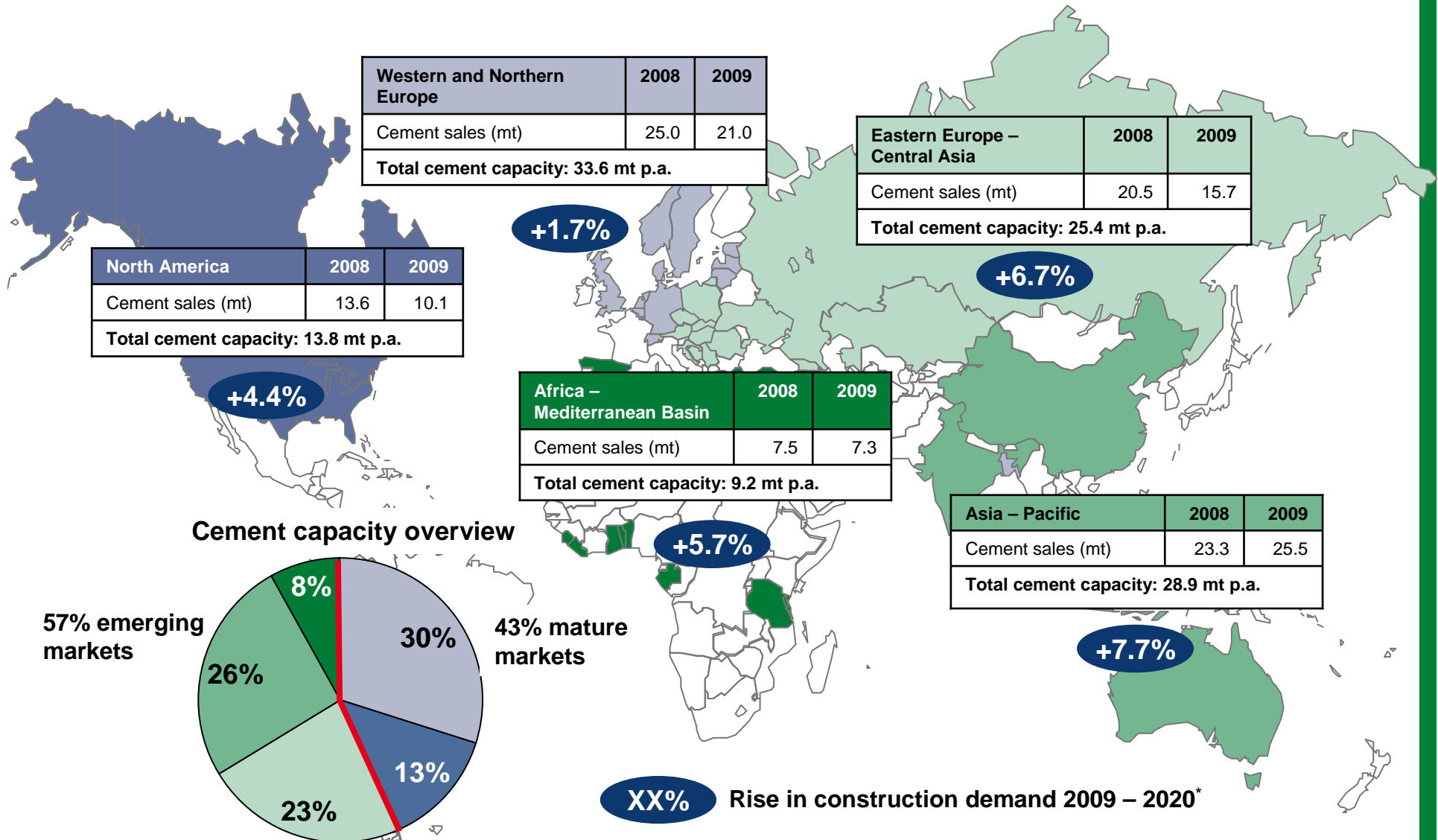
\* Pro forma according new 2010 structure

# Strong aggregate reserve positions of 19 bt: focus on mature markets



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# Cement capacity of 111 mt: focus on emerging markets



\* Source: Global construction perspectives / Oxford Economics study.

# HeidelbergCement Group: Top 5 core competencies

## 1 **Assets:** *“Micro market leadership”*

- Aggregate world market leader with largest global reserve position
- Superior footprint based on excellent regional growth pockets: Strong share in most attractive regions / micro markets (North America / Europe / Asia Oceania)
- Strongest level of vertical integration in the industry

## 2 **Management:** *“Results count, Speed matters”*

- Top management “feet on the street” style & locally recruited country managers
- Performance-driven culture: KPIs, implementation & result focus
- Fast decision making, consistent implementation, tight controls

## 3 **Organisation:** *“All business is local”*

- Local responsibilities: Integrated management organisation maximises profits on country level
- Flat hierarchies and slim central organisation speed up processes and motivate people
- Global functional coordination of key value drivers ensure realisation of synergies

## 4 **Operations:** *“Living efficiency”*

- Efficient German engineering used globally to minimise investment costs
- Comprehensive benchmarking to drive internal & external search for excellence
- Consequent low cost country sourcing approach

## 5 **Sustainability:** *“Responsibility turned into opportunity”*

- World market leader in alternative fuel usage for cement production
- Promoting biodiversity via worldwide quarry restoration plans
- Environmental protection: Reduction of specific emissions by 18 % since 1990

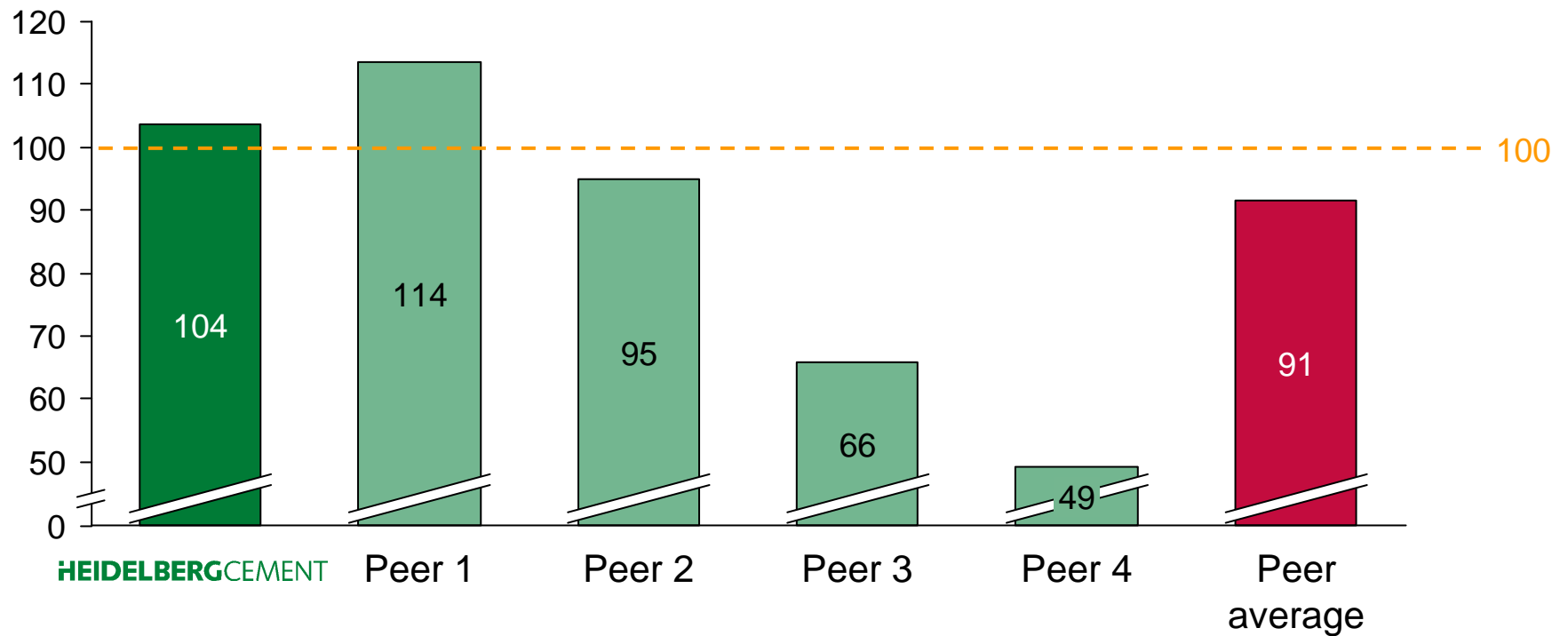
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# HeidelbergCement with strong 1H 2010 performance compared to its peer group

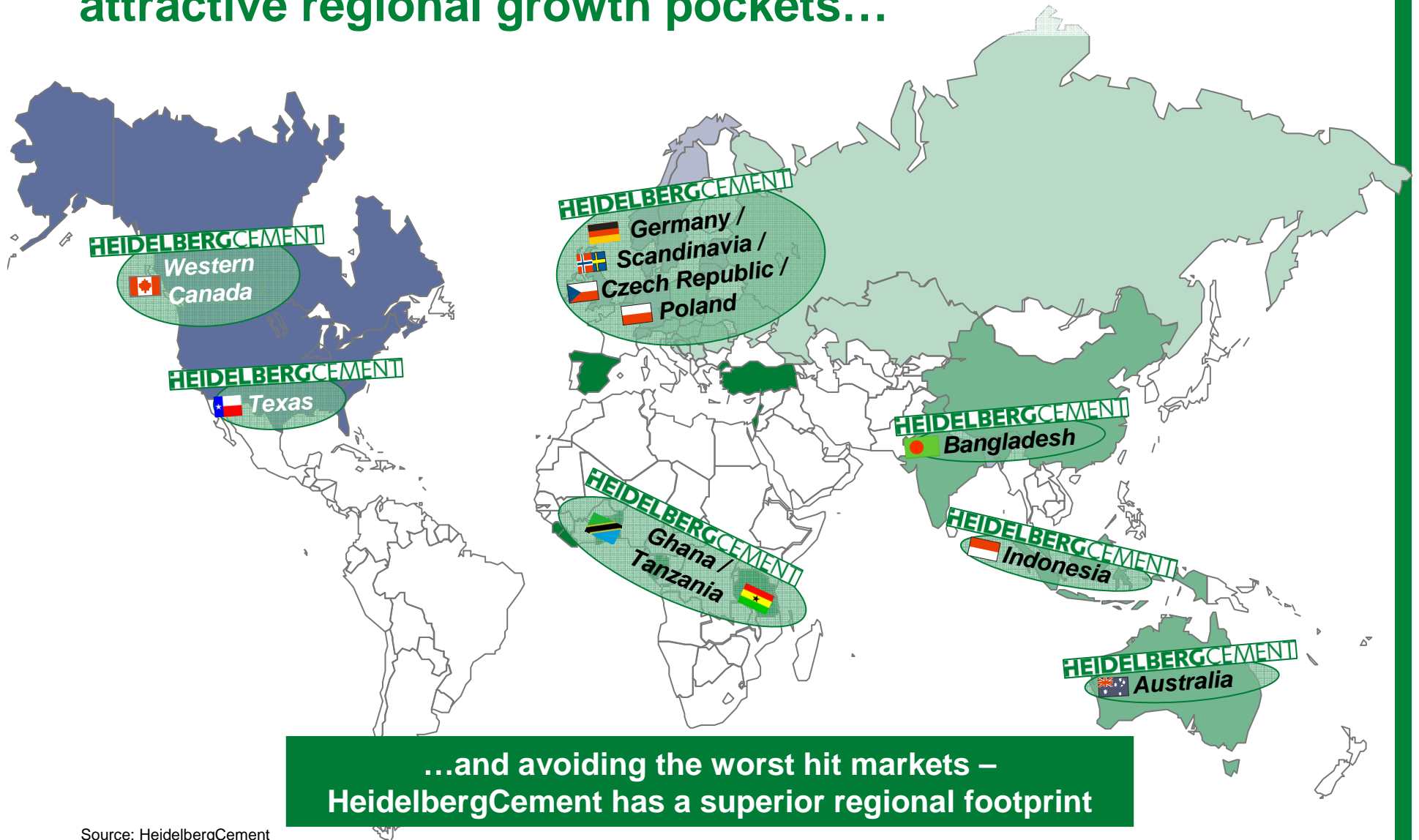
Half-year 2010 Group operating income in % of 1H 2009



Note: based on published figures from Holcim, Lafarge, Cemex, CRH; including CO2 income; peer average volume weighted

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# Better performance driven by being active in the most attractive regional growth pockets...



Source: HeidelbergCement

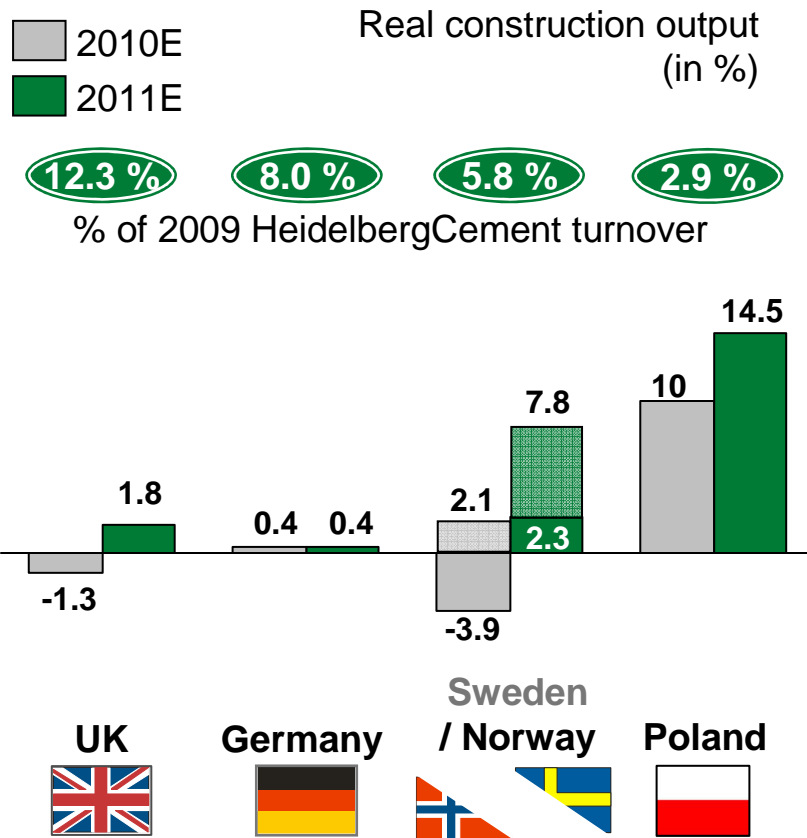
...and avoiding the worst hit markets –  
HeidelbergCement has a superior regional footprint

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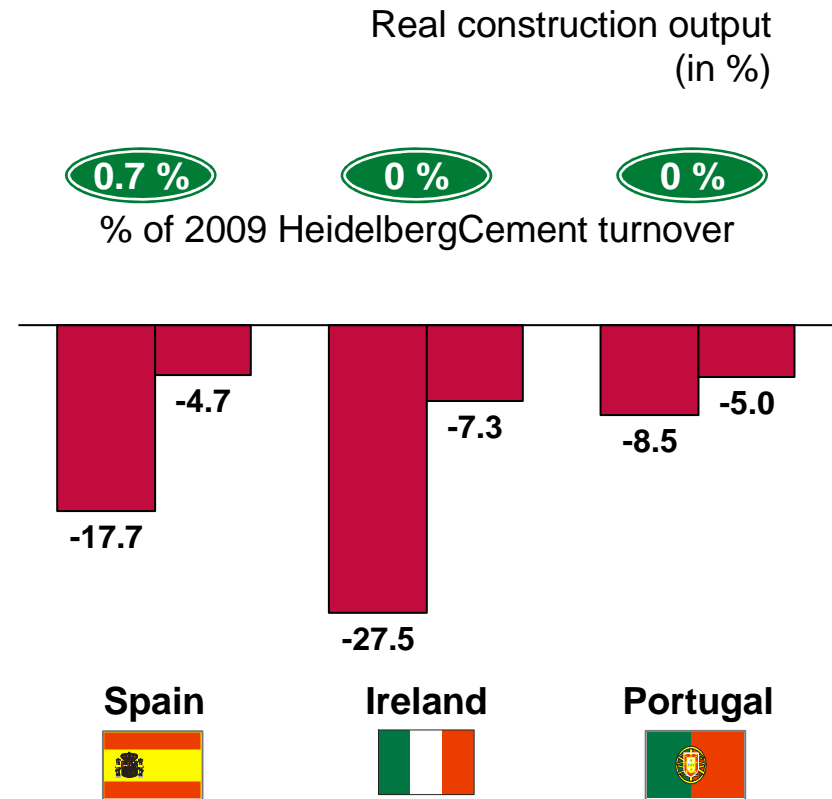
# Europe

## HeidelbergCement with favorable country exposure

**Our Main European markets are on track to recovery...**



**...while our exposure to the crisis hot spots (PIGS) is low**



Source: Euroconstruct June 2010.

# North America

Strong results due to superior market positions and cost management

**Better positioning and management of local markets...**



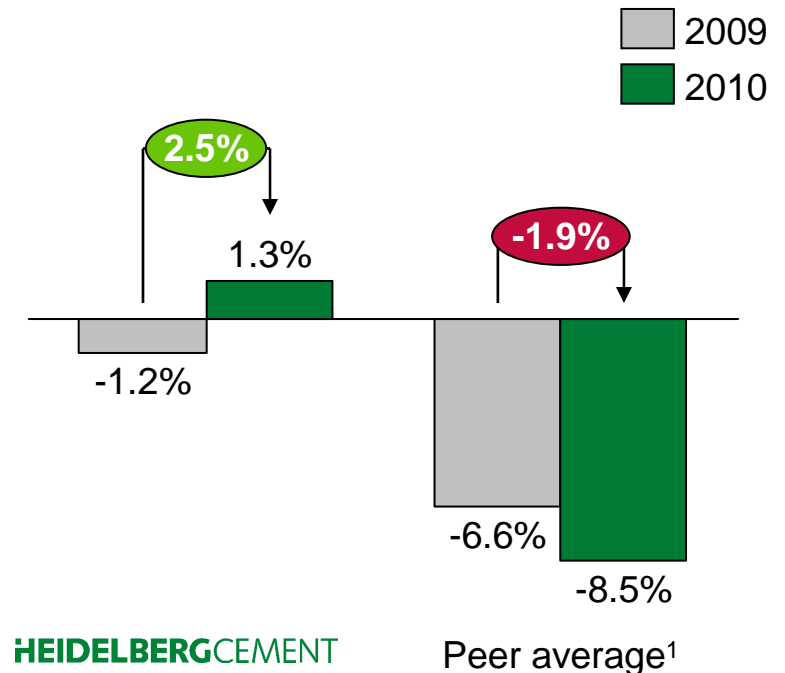
*Example North America*

- Geographical footprint → strong presence in Canada, balanced position between Sunbelt & NE states
- Efficient cost management
- Benefit from fully vertically integrated structure
- Well balanced, strong aggregates position all over North America

**...leads to better results**

**NAM**

*Half-year Operating Income Margin*



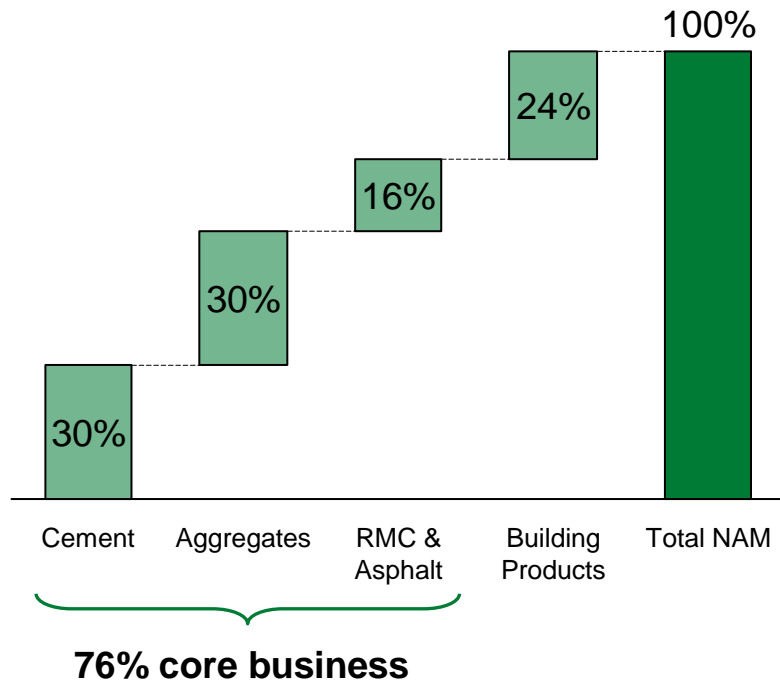
1. Cemex, CRH Americas-Materials, Holcim & Lafarge; volume weighted based on published figures

# North America

Superior product portfolio and geographical balance

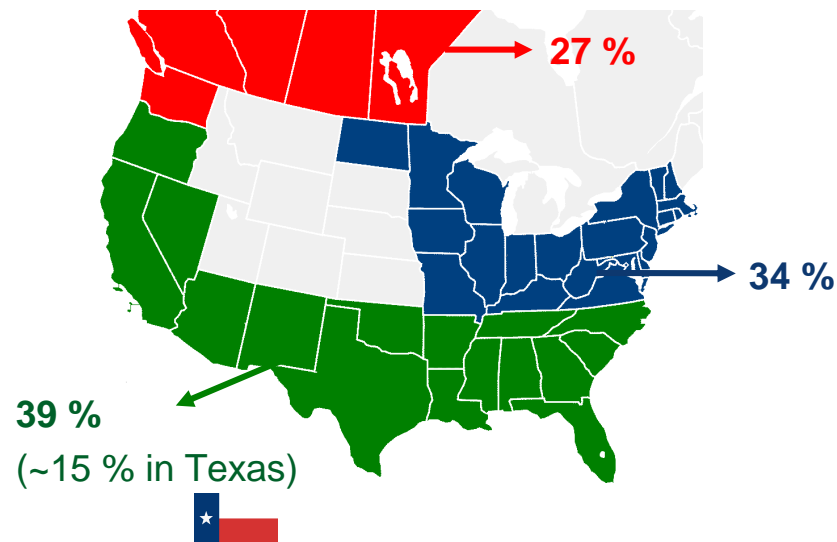
**Well balanced product portfolio with high level of vertical integration**

H1 2010 Turnover by Business Line



**HC with best geographically balanced footprint in the industry**

NAM - Breakdown of H1 2010 Turnover (\*)

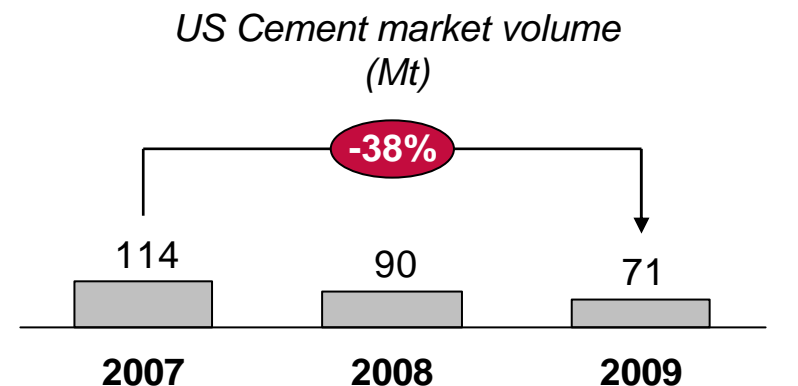


(\*) Excluding building products business line.

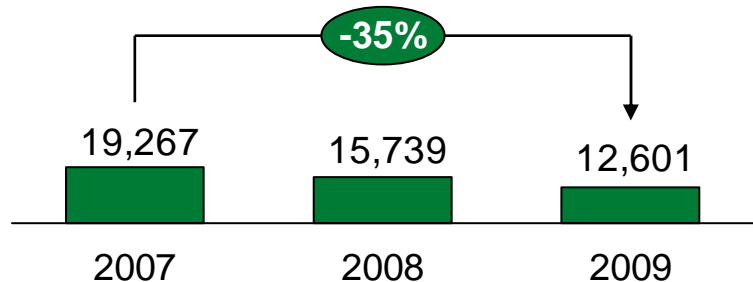
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# Cost management in NAM: Maintain momentum out of the crisis

Headcount adjusted to lower demand during the crisis...

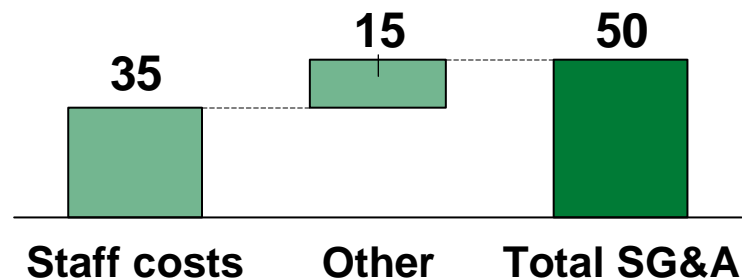


Headcount development HC North America



...now targeting USDm 50 SG&A savings: Project "win"

- **Fast impact:** Minimum of 50% expected to impact P+L in 2010
- **Focus on lean headquarters:** 70% staff cost savings from reduction of ~300 FTE
- **Determined implementation:** 85% of all personnel changes already made
- **All central functions and regional HQs:** Central HQ (40%) and regional SG&A (60%)



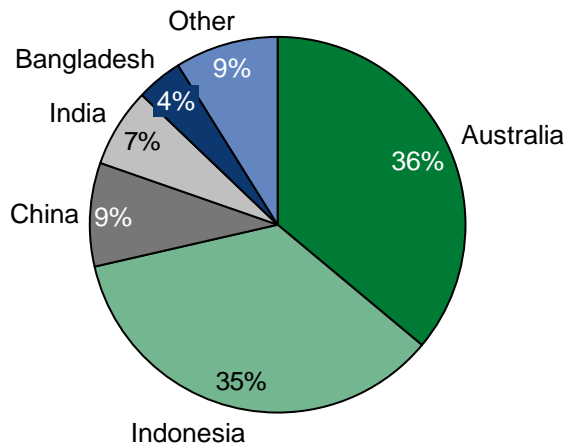
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# Asia-Pacific

Strong margins in attractive markets

Strong position in Indonesia and Australia...

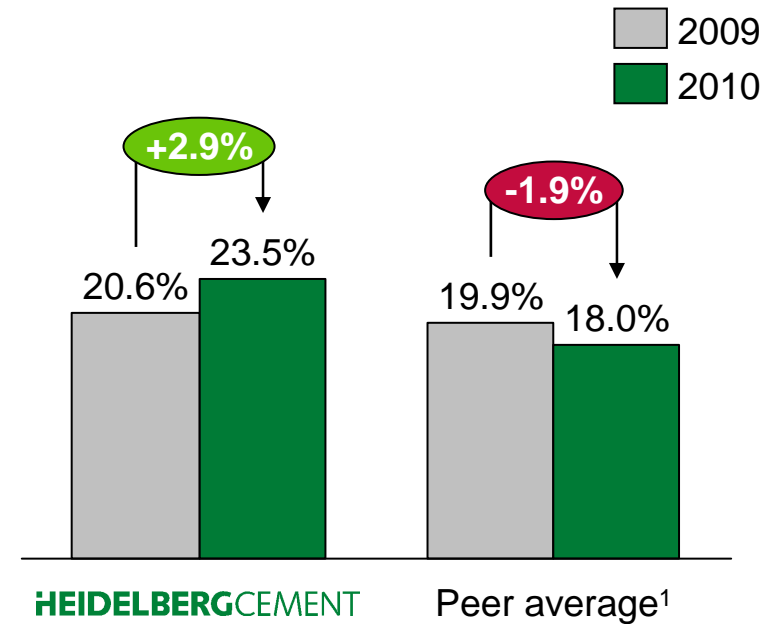
Example Asia-Pacific: H1 2010 Turnover



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...leads to superior margin levels

Asia-Pacific:  
Half-year Operating Income Margin



1. Cemex, CRH Americas-Materials, Holcim & Lafarge; volume weighted based on published figures

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## 2009: Stringent cash and cost management during the downturn

### EURbn 1.5 liquidity improvement „Cash is king“ initiative (2009)

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1. Reduction in  
working capital

EURm 557

2. Strict reduction  
in investments

EURm 430

3. Asset disposals

EURm 496

---

EURm 1500

### EURm 550 cost cutting „Fitness 2009“ programme

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#### Main cost saving items:

#### Fixed costs:

- Staff cost savings: EURm 284  
Staff reduction:
  - 7,500 employees in 2009
  - 15,500 employees since 2007
- Maintenance & repair: EURm 150

#### Variable costs:

- Alternative fuels: EURm 20
- Purchasing: EURm 30

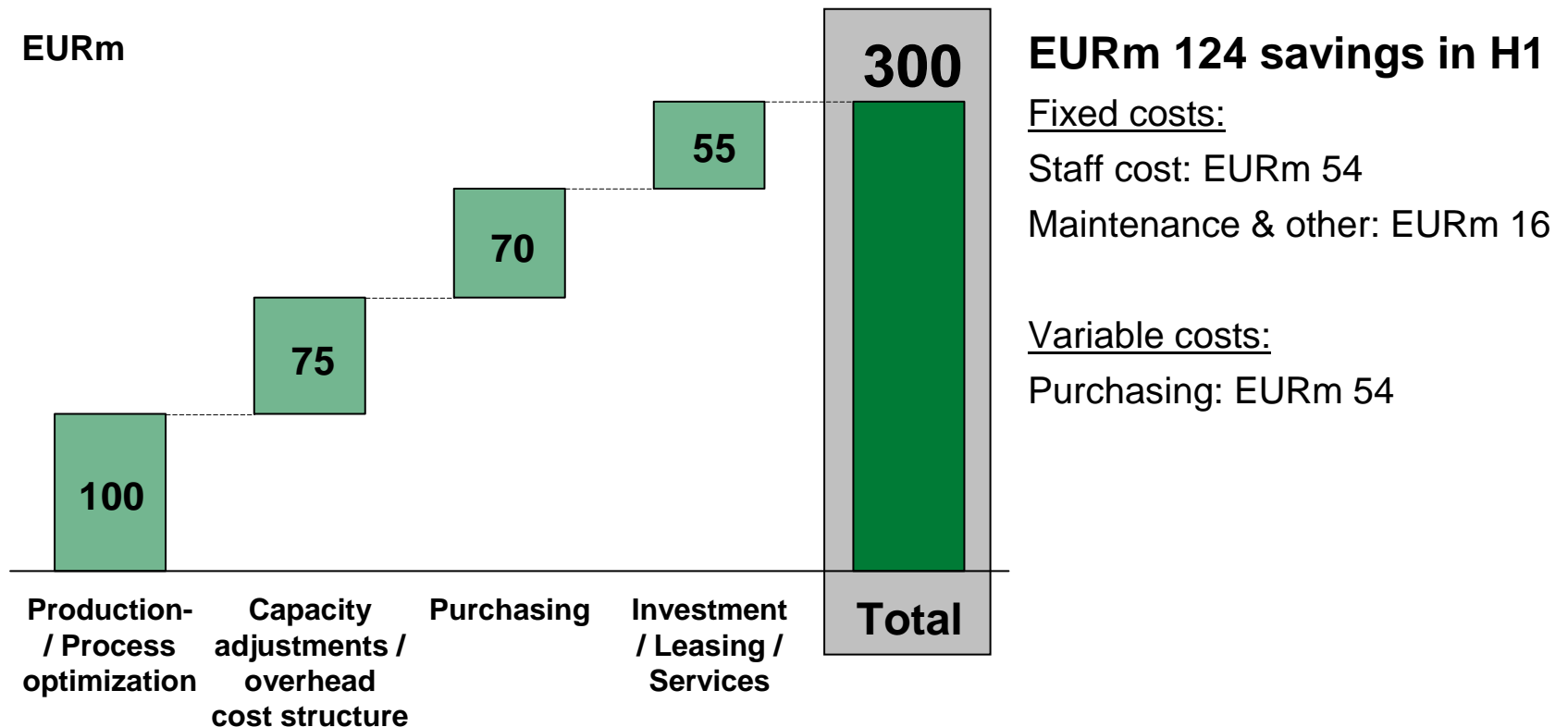
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EURm 550

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## 2010: Continued focus on cost management: “FitnessPlus 2010” on track

**Total cost savings of EURm 300 targeted!  
EURm 124 realized in first half of the year**



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## ■ Financing structure successfully optimized

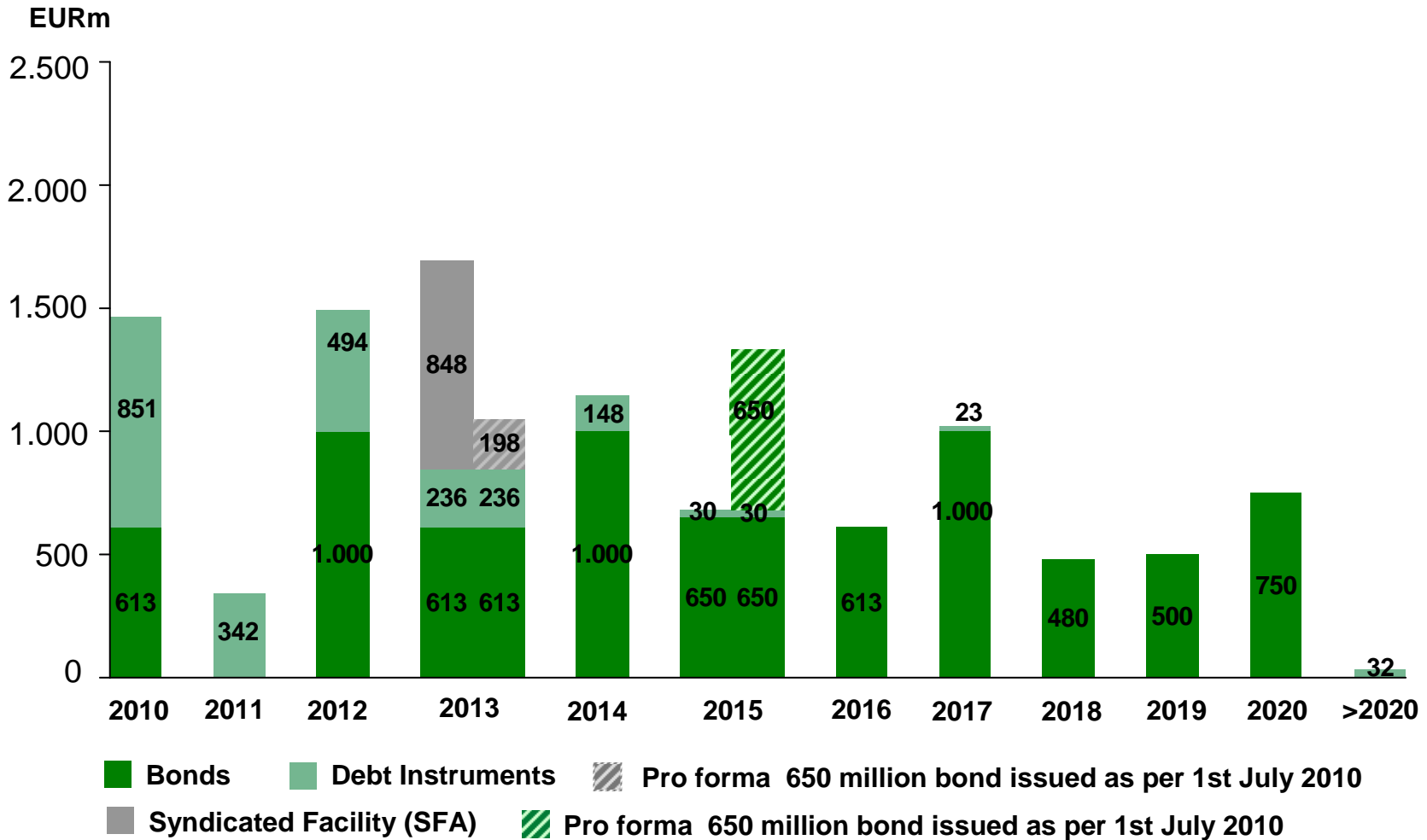
### Refinancing of 8.7 EURbn SFA from June 2009 with:

- 2.23 EURbn capital increase (Sep'09)
- 2.5 EURbn triple tranche bond (Oct'09 – 5yr, 7yr, 10yr)
- 1.4 EURbn double tranche bond (Jan'10 – 5yr, 10yr)
- **New 3 EURbn credit facility (Apr'10 - maturity end of Dec'13)**
- 650 EURm bond (Jul'10 – 5.5yr)

- ✓ **Positive rating actions by Moody's, Fitch and S&P**
- ✓ **Access to debt and money markets on unsecured basis**

# Debt maturity profile well balanced

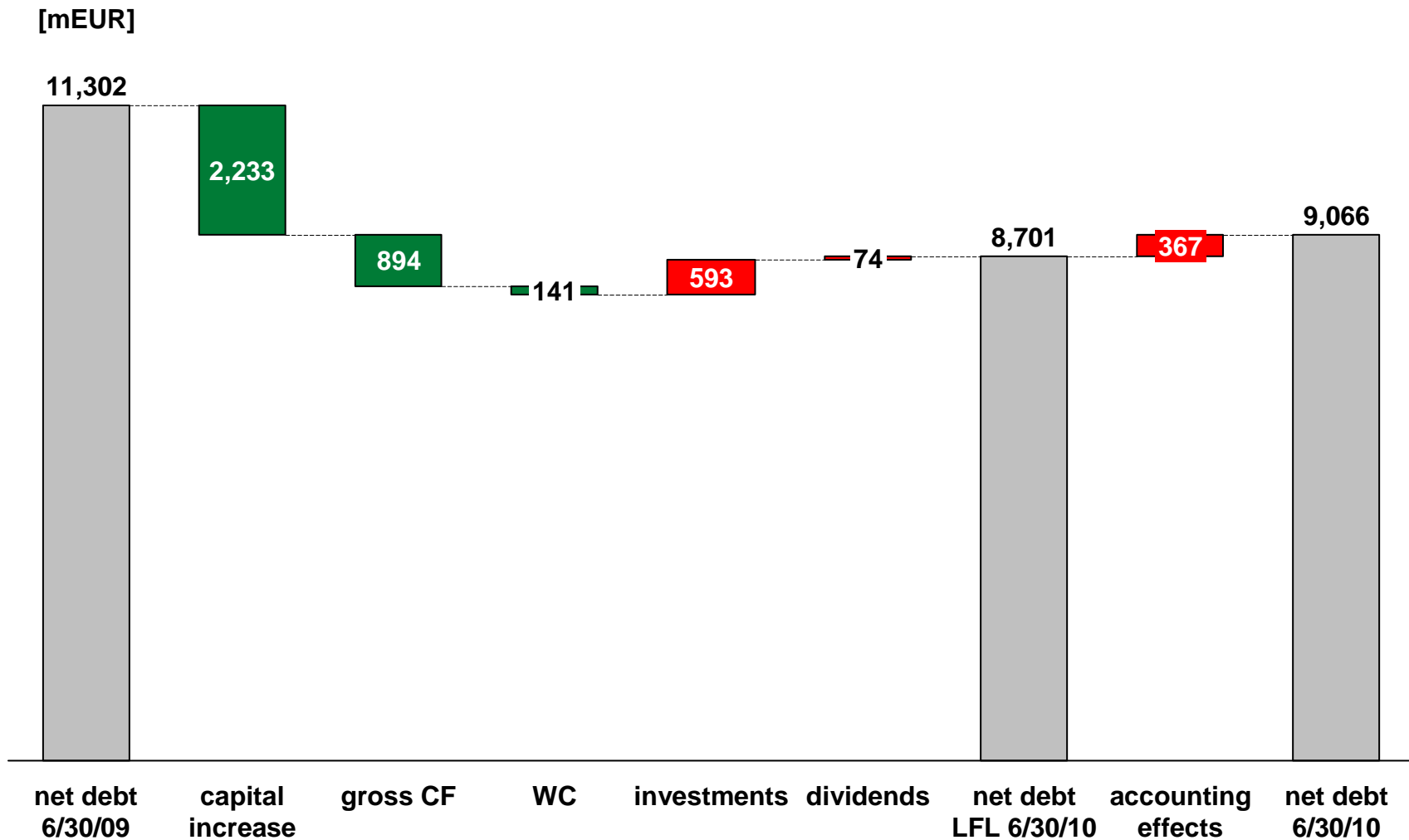
as per 30 June 2010



Excluding reconciliation adjustments with a total amount of EUR -104 Mio.  
 (transaction costs to be amortized over the term of the SFA, issue prices and fair value adjustments)

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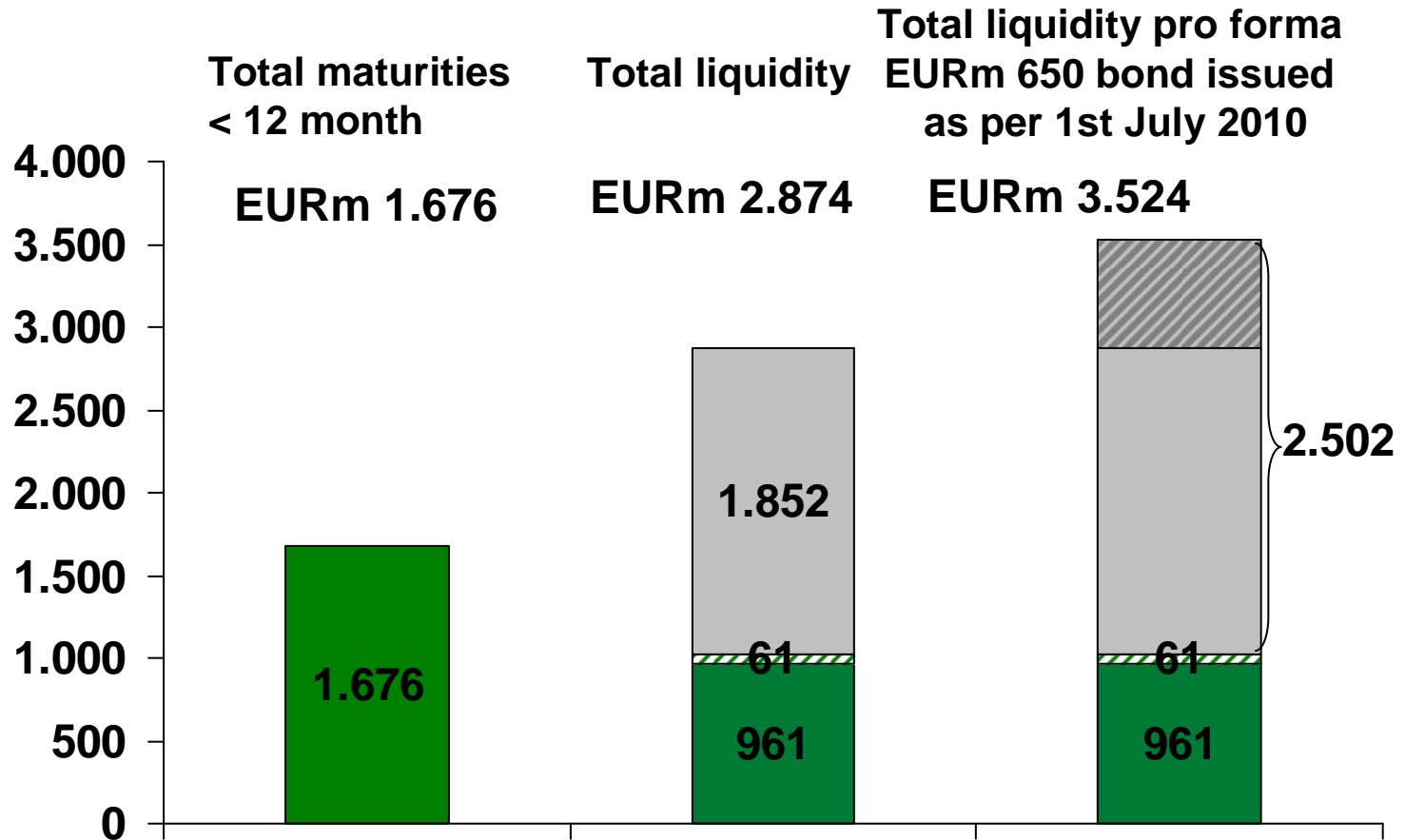
## Net debt – significantly reduced over last 12 months; Accounting effects with negative impact



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# Significant short-term liquidity headroom

as per 30 June 2010



- Free credit lines (Total committed confirmed credit line EURm 3.000 restricted for guarantees EURm 300)
- ▨ Restricted cash
- Free cash
- ▨ Free credit lines pro forma 650 million bond issued as per 1st July 2010

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## Cash flow and deleveraging are top priorities

### Financial metrics significantly improved during the crisis:

	Q2 2008	Q2 2010
Net debt	EURm 12.389	EURm 9.066
Gearing	144%	71%
Net debt/LTM op. EBITDA	5.0x	4.3x

### Continued focus on cash generation and deleveraging:

#### – Working capital improvement:

- **SNAP:** Sale of non-usable assets and parts
- **DPO improvement program**

– **Limited capex** with focus on growth markets - projects as published are included

– **Limited dividends** – pay-out ratio to increase only mid-term

– **Disposals of non-core assets remain on our agenda – no fire sales!**

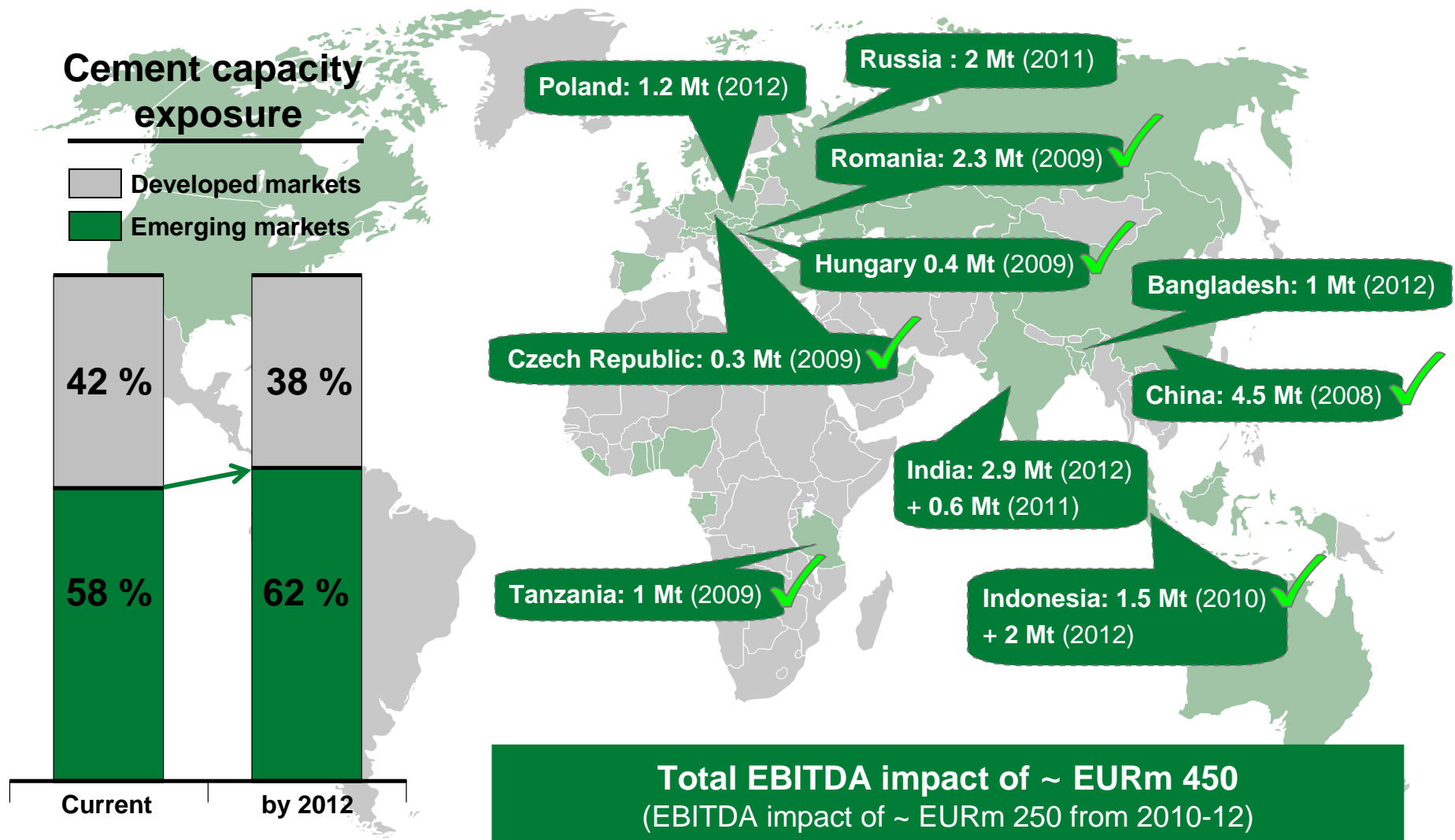
**Clear target:  
Return to investment grade credit metrics**

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# Continued focus on growth markets through the crisis

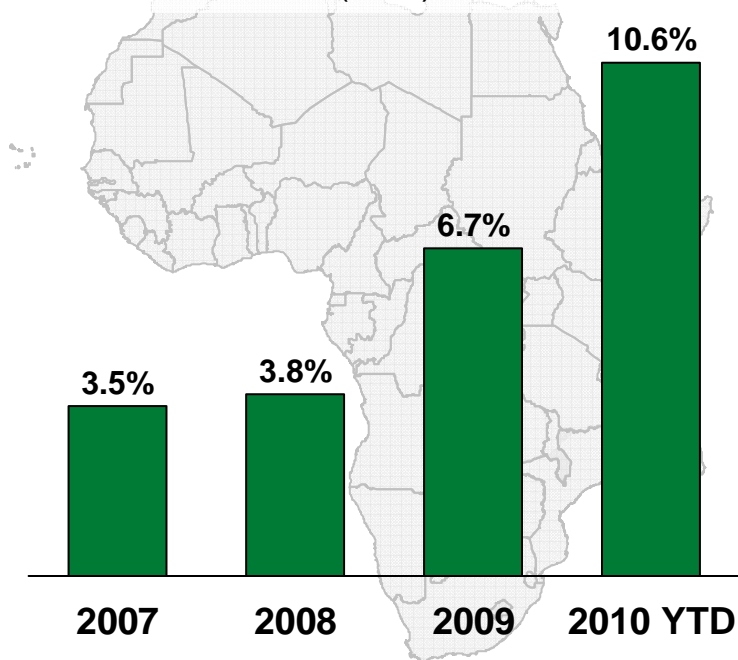


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# The emerging markets in Africa are a clear growth driver

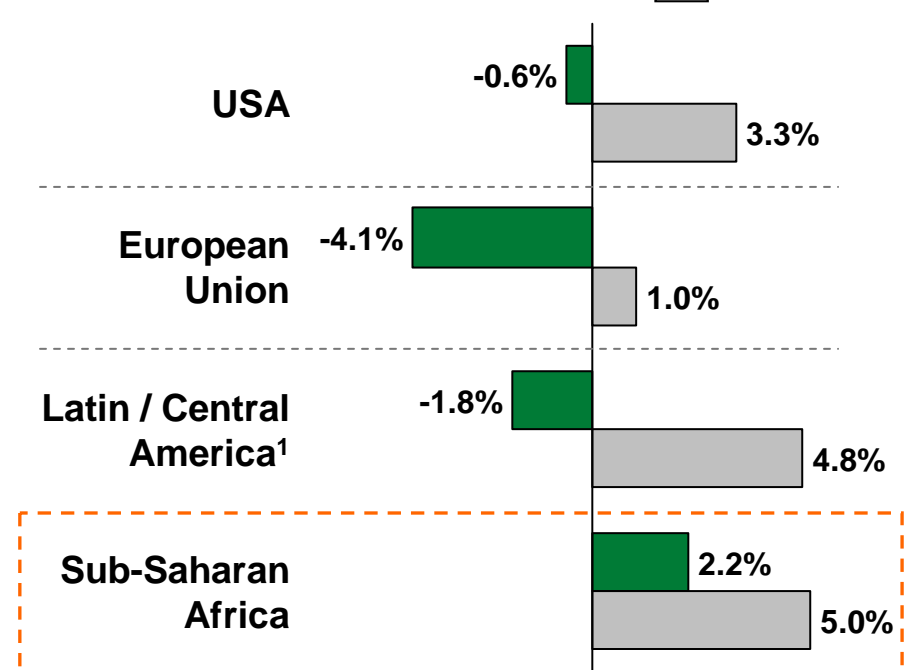
While we expand our exposure in Africa's emerging markets...

HC Africa share of Group Operating Income (in %)



...the continent clearly emerges stronger from the crisis than most

Real GDP growth (in %) 2009 2010



Well established market positions and management competence in Sub-Saharan Africa's growth markets

1. Incl. Caribbean.

Source: IMF World Economic Outlook July Update 2010.

# Africa

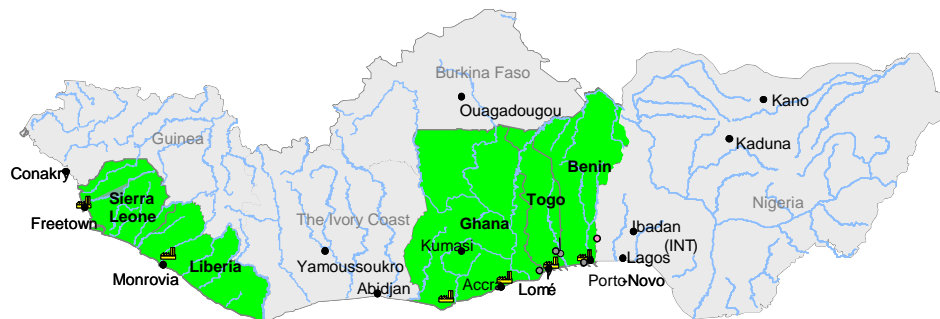
## Growth in sub-Saharan Africa with local partners

### Cooperation with the world bank

- Minority stake for the IFC in HeidelbergCement's African business
- Up to USDm 180 equity injection from IFC to HC Africa helps to finance business development
- Initial capital injection: USDm 60
- Full operational control by HC

### Democratic Republic of the Congo

- Attractive market with double-digit growth in 2010
- Partnership with largest private sector employer and cement leader Forrest Group (keeps 30% share)
- Main capacity close to Kinshasa with significant limestone reserves
- Plants: CILU (55%), Interlacs (70%)
- Expansion from 0.5 mty to > 1.4 mty
- Expected EBITDA: 31% ~ 33%
- Expected ROCE: 45% ~ 50%



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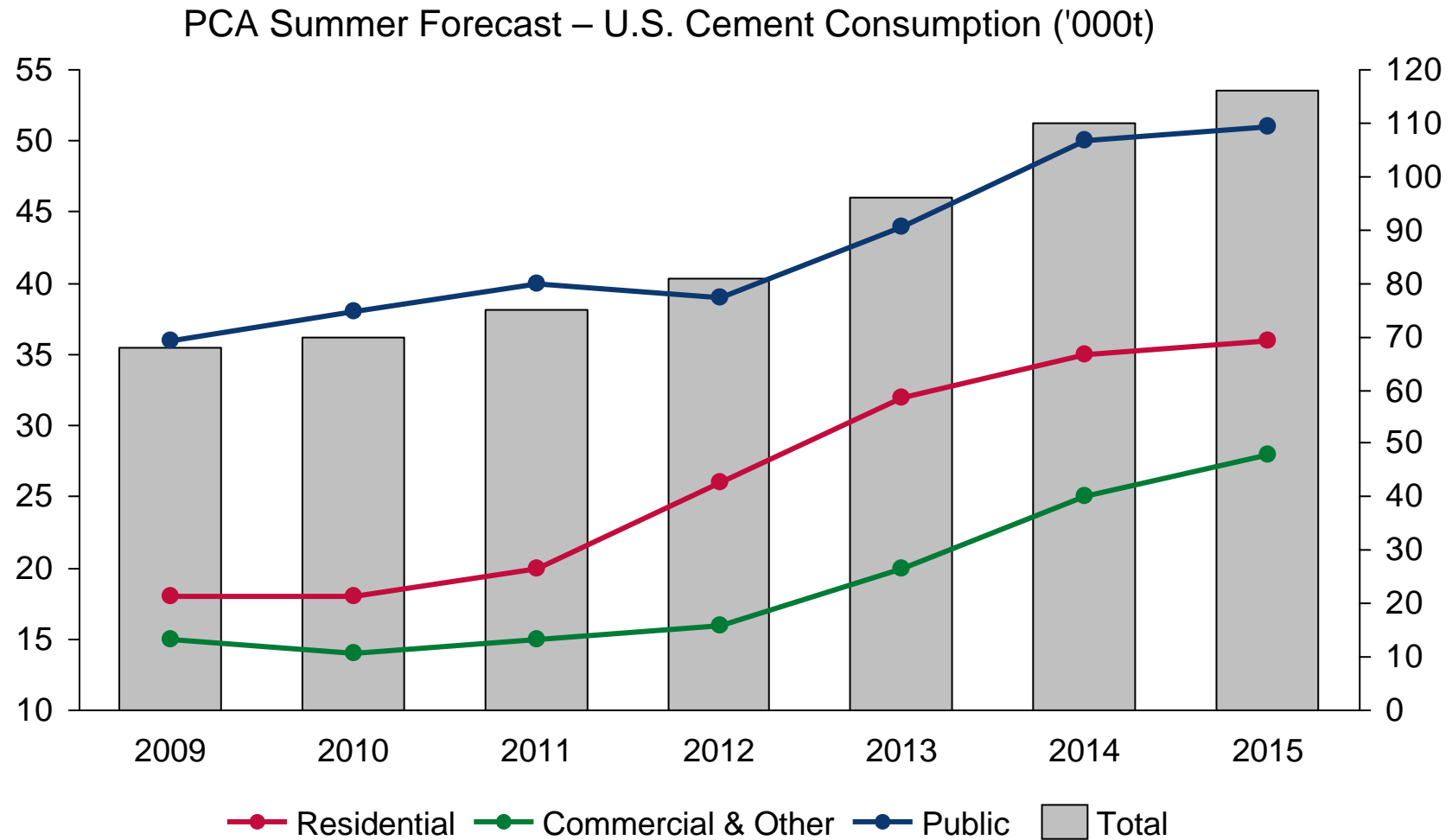
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## Market Outlook 2H 2010

- Economic research (OECD, IMF) increase estimates for 2010 global GDP growth based on ytd development. Risks have risen due to uncertainty about economic impact of country and state budget deficits.
- ✓ **Asia:** Continued growth in China, India, Indonesia and Bangladesh; Australia expected to further benefit from demand in Asia
- ✓ **Africa:** Growth in a positive price environment. Strong volumes in West Africa where demand is driven by oil & gas field discoveries (Ghana)
- **North America:**
  - ✓ Canada to benefit from robust resource industry.
  - ? Positive signs from US stimulus program - further development depends on US-State spending. Rebound of residential construction dependent on decrease of unemployment rate. Further development additionally depending on congress elections and new highway program.

## Positive mid-term outlook for U.S. cement consumption from PCA



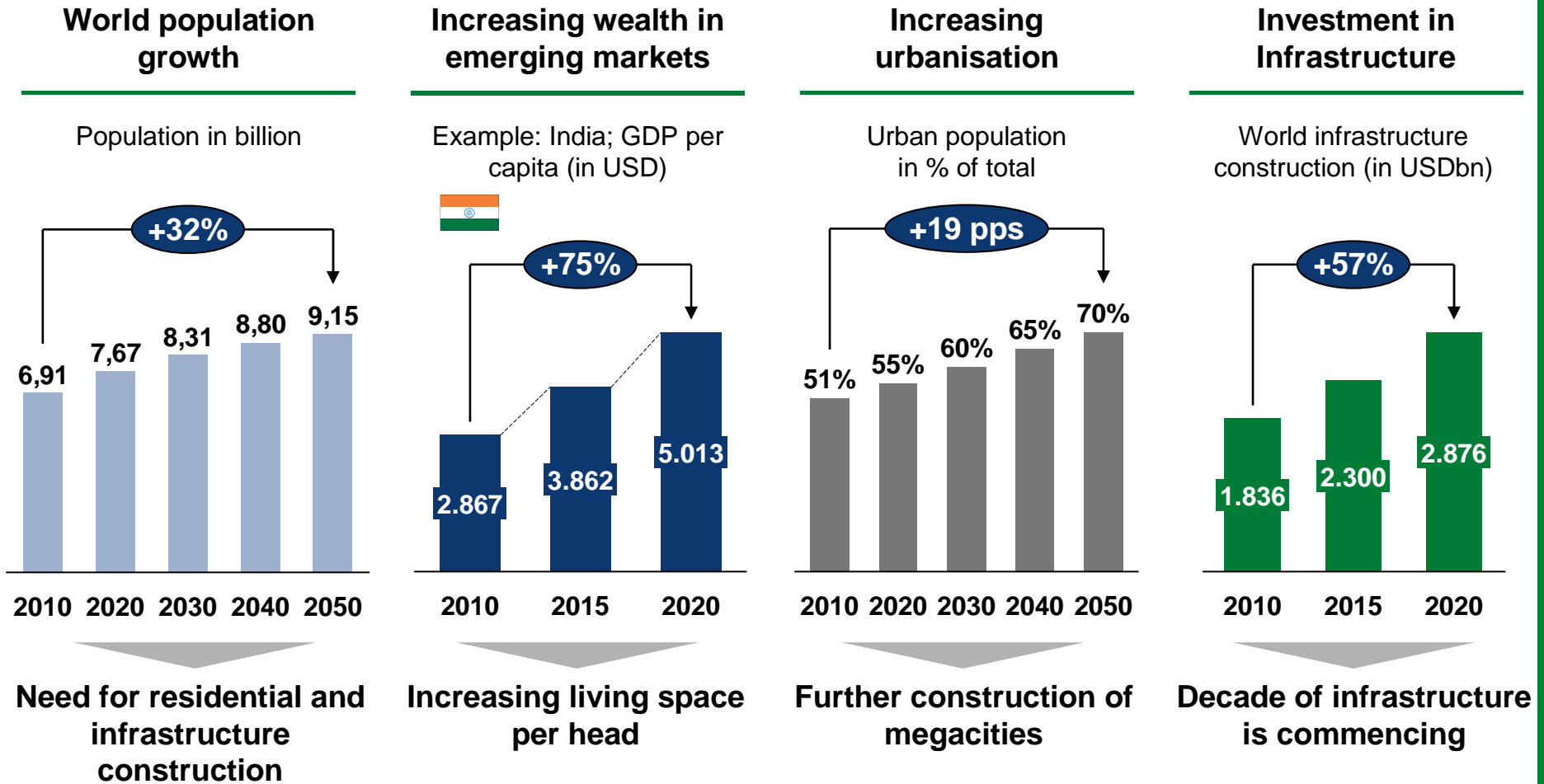
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## ■ Market Outlook 2H 2010

### Europe – a mixed picture

- ✓ **Germany, Benelux, Northern Europe, Poland, Czech Republic:**  
Positive trend driven among others by strength of German industry.
- ? **UK:** Still solid business, but uncertainties about effects of government austerity program to be announced in October 2010
- **Hungary, Romania and Slovakia** still remain weak
- ✓ **Central Asia: Russia, Ukraine, Georgia, Kazakhstan** - Cement volumes coming back, price recovery starting.

# Long term growth drivers intact: Mega trends drive demand for heavy building materials



Source: United Nations (Population data as of 2008 Revision; World Urbanization as of the 2007 Revision), Global Insight (September 2009), McKinsey Global Institute.

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## ■ HC: Key value drivers identified – targets defined

- **Strengthening of earnings power in the crisis**
  - Retain achieved cost savings in the economic upswing
- **Return to investment grade rating**
  - Reducing net debt while increasing operating EBITDA at the same time
- **Distribution of a dividend in line with the market**
  - Increase in payout ratio up to 30% - 35% in the medium term

### ■ **Financial mid-cycle targets**

- **Operating EBITDA** > 3 EURbn
- **Net debt/operating EBITDA** < 2.8
- **ROCE<sup>1</sup>** 19% - 20%

<sup>1</sup> ROCE = (Operating income + result from participations) / (Fixed assets (without intangible assets) + net current assets)

## ■ Conclusion

- HeidelbergCement is a company with
  - Excellent market positions and an attractive product portfolio
  - Strong corporate culture with strict cost focus
- HC continues to focus on cash generation & deleveraging with the clear goal to return to investment grade
- Disciplined investment policy: Focus on growth markets
- Market recovery expected to continue with long term growth drivers intact

**HC well positioned to benefit over proportionally from recovery**

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# Contact information and event calendar

## Contact information

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## Event calendar

4 November 2010 Interim Financial Report January to September 2010

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## Safe Harbour Statement

Unless otherwise indicated, the financial information provided herein has been prepared under International Financial Reporting Standards (IFRS).

This presentation contains forward-looking statements and information. Forward-looking statements and information are statements that are not historical facts, related to future, not past, events. They include statements about our beliefs and expectations and the assumptions underlying them. These statements and information are based on plans, estimates, projections as they are currently available to the management of HeidelbergCement. Forward-looking statements and information therefore speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

By their very nature, forward-looking statements and information are subject to certain risks and uncertainties. A variety of factors, many of which are beyond HeidelbergCement's control, could cause actual results to differ materially from those that may be expressed or implied by such forward-looking statement or information. For HeidelbergCement particular uncertainties arise, among others, from changes in general economic and business conditions in Germany, in Europe, in the United States and elsewhere from which we derive a substantial portion of our revenues and in which we hold a substantial portion of our assets; the possibility that prices will decline as result of continued adverse market conditions to a greater extent than currently anticipated by HeidelbergCement's management; developments in the financial markets, including fluctuations in interest and exchange rates, commodity and equity prices, debt prices (credit spreads) and financial assets generally; continued volatility and a further deterioration of capital markets; a worsening in the conditions of the credit business and, in particular, additional uncertainties arising out of the subprime, financial market and liquidity crises; the outcome of pending investigations and legal proceedings and actions resulting from the findings of these investigations; as well as various other factors. More detailed information about certain of the risk factors affecting HeidelbergCement is contained throughout this presentation and in HeidelbergCement's financial reports, which are available on the HeidelbergCement website, [www.heidelbergcement.com](http://www.heidelbergcement.com). Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the relevant forward-looking statement or information as expected, anticipated, intended, planned, believed, sought, estimated or projected.

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