

# HEIDELBERGCEMENT

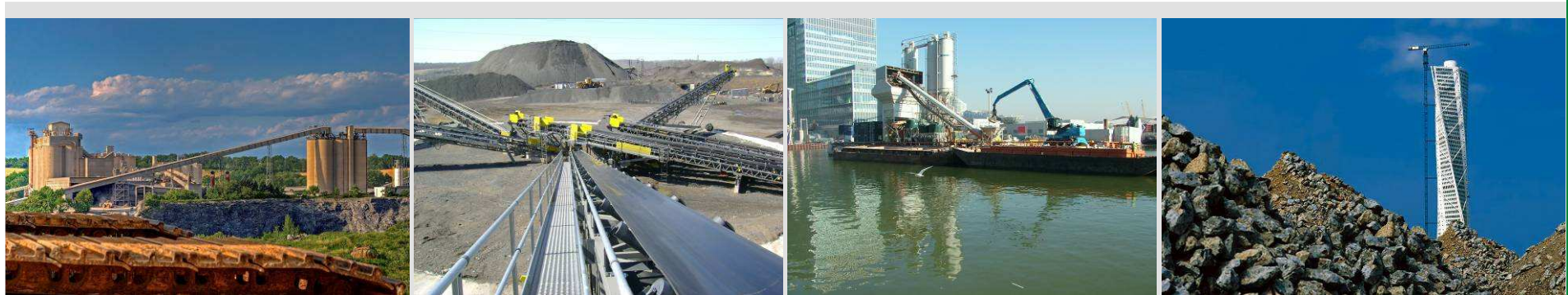
**Analyst Day 2010:**

**HeidelbergCement – Strengths & strategy**

Heidelberg, May 19, 2010

**Dr. Bernd Scheifele**

Chairman of the Managing Board



**HEIDELBERGCEMENT**

# ■ Agenda

## 1. Competitive strengths of HeidelbergCement

- *Management & corporate culture*
- *Organisational setup*
- *World market leadership in Aggregates*
- *HeidelbergCement with strong regional positions – worldwide!*
- *Vertical Integration as a key success factor*

## 2. Our strategy: Four pillars for excellence in heavy building materials

- *Strategy for profitable growth*
- *Continuous efficiency improvements*

## 3. Current & mid-term view of the market

- *2010, another challenging year ahead*
- *What to expect after the crisis*

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## Our management team



**Dr. Scheifele**

**CEO**

- Group HR
- Strategy and Development
- Comm. & IR
- Legal
- Compliance
- Internal Audit

- **Education:** Law

- **At HC since:** 2005  
(before: Chairman of Supervisory Board)



**Dr. Näger**

**CFO**

- Finance, Acc., Controlling
- Taxes
- Insurance & CRM
- IT
- Shared Service Center
- Logistics

- **Education:** Business Administration

- **At HC since:** 2004



**Dr. v. Achten**

- **Area:** North America
- Purchasing
- Competence Center Materials
- Hanson integration

- **Education:** Law / Economics

- **At HC since:** 2007



**Mr. Gauthier**

- **Area:** NW Europe, Mediterranean, Africa
- Environmental Sustainability
- Group Services (Fuels, Trading)

- **Education:** Mining / Engineering

- **At HC since:** 1982



**Mr. Kern**

- **Area:** Central Europe–Central Asia
- Sales and Marketing
- Secondary cementitious materials

- **Education:** Business Administration

- **At HC since:** 1983



**Dr. Scheuer**

- **Area:** Asia-Oceania
- Heidelberg Technology Center Cement

- **Education:** Mechanical Engineering

- **At HC since:** 1992

**Top management represents an excellent mix of long-term insiders and outsiders with a unique skillset**

# ■ Top 5 leadership principles at HeidelbergCement

## 1 Customer orientation

- **External:** Customer orientation by regular customer surveys and Group-wide complaint management
- **Internal:** Customer orientation by internal customer surveys
- **Strong local brands:** All business is local

## 2 Closeness

- Know your sites, people, markets and customers as well as your competitors

## 3 Simplicity

- Avoid complexity
- Fight bureaucracy
- Be accessible

## 4 Realism

- Be realistic – no wishful thinking!
- Hope is not a strategy

## 5 Integrity & loyalty

- Be open and honest
- Act solely on the basis of what is in the best interest of the company

## ■ Performance culture: A key aspect of the company

- **Performance and results orientation**
  - Quarterly management meetings (Group level)
  - Performance-based compensation (EBIT / Net Income targets and MBO) down to 4<sup>th</sup> management level
  - Regular (every 2 years) management appraisals (ABC analyses) down to level 3
  
- **Execution / Accountability**
  - Managers are responsible for delivering the promised results
  
- **Benchmarking principle (internal and external)**
  - Key performance indicators for core production processes and administrative functions (e.g. cement, aggregates and RMC plant, purchasing, SSC)
  - Site rankings
  - Financial competitive analysis per country
  
- **Speed**
  - Sense of urgency
  - Fast decision making
  - Avoidance of big company syndrome

# Management team with excellent track record of managing change projects

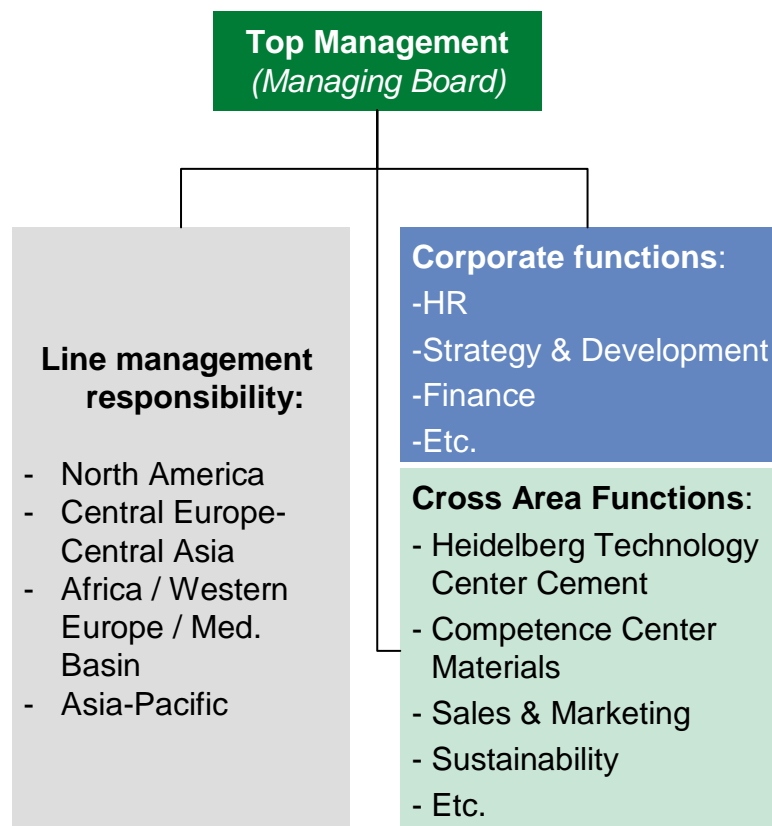
Project	Key facts	Target realization
"win Europe"	<ul style="list-style-type: none"> <li>• Reorganization and FTE efficiency</li> <li>• IT standardization and country SSCs</li> <li>• 37% G&amp;A FTE reduction</li> </ul>	50 M€      100% ✓
Hanson integration	<ul style="list-style-type: none"> <li>• Focus on Group/NAM/UK</li> <li>• &gt; 500 integration projects worldwide</li> <li>• Synergy areas: Market, SG&amp;A, Purchasing, IT, OpEx, Logistics, Tax, and Insurance.</li> </ul>	455 M€      130% ✓
Fitness programme	<ul style="list-style-type: none"> <li>• Capacity reduction</li> <li>• Operational improvements (Alternative Fuels, Clinker factor)</li> <li>• Rightsizing of commercial and staff organisations</li> </ul>	550 M€      220% ✓
Refinancing	<ul style="list-style-type: none"> <li>• Cash generation through "Cash-is-king" Initiative</li> <li>• Deleveraging</li> <li>• Capital Increase and Bond issues</li> </ul>	<ul style="list-style-type: none"> <li>➤ Net debt reduction of ~4 B€ ✓</li> <li>➤ Re-IPO of the company ✓</li> </ul>
Expansion projects	<ul style="list-style-type: none"> <li>• Successful brownfielding and greenfielding projects in Turkey, Africa, China, Russia, etc.</li> <li>• Use of Chinese and other LCC equipment</li> </ul>	<ul style="list-style-type: none"> <li>➤ Capacity expansions between 20-70 €/t ✓</li> <li>➤ On time and budget</li> </ul>

## ■ Management reflection on the crisis year 2009

- 1 Securing liquidity in the long term is worth its price**
  - Liquidity is more important than profitability in a crisis
  
- 2 Maintaining profitability by greatest possible flexibilisation of the cost basis**
  - Positive results are a must and guarantee credibility
  
- 3 Risk awareness: sceptical about forecasts**
  - It is difficult to forecast economic crises (even nowadays!)
  
- 4 Fast and consistent actions are decisive for crisis management**
  - “Hope is no strategy”
  
- 5 Creating trust through intensive dialogue with all stakeholders**
  - Trust is the most valuable asset in a crisis

# Clear organisational structures and principles

## Management with line management as well as functional responsibilities



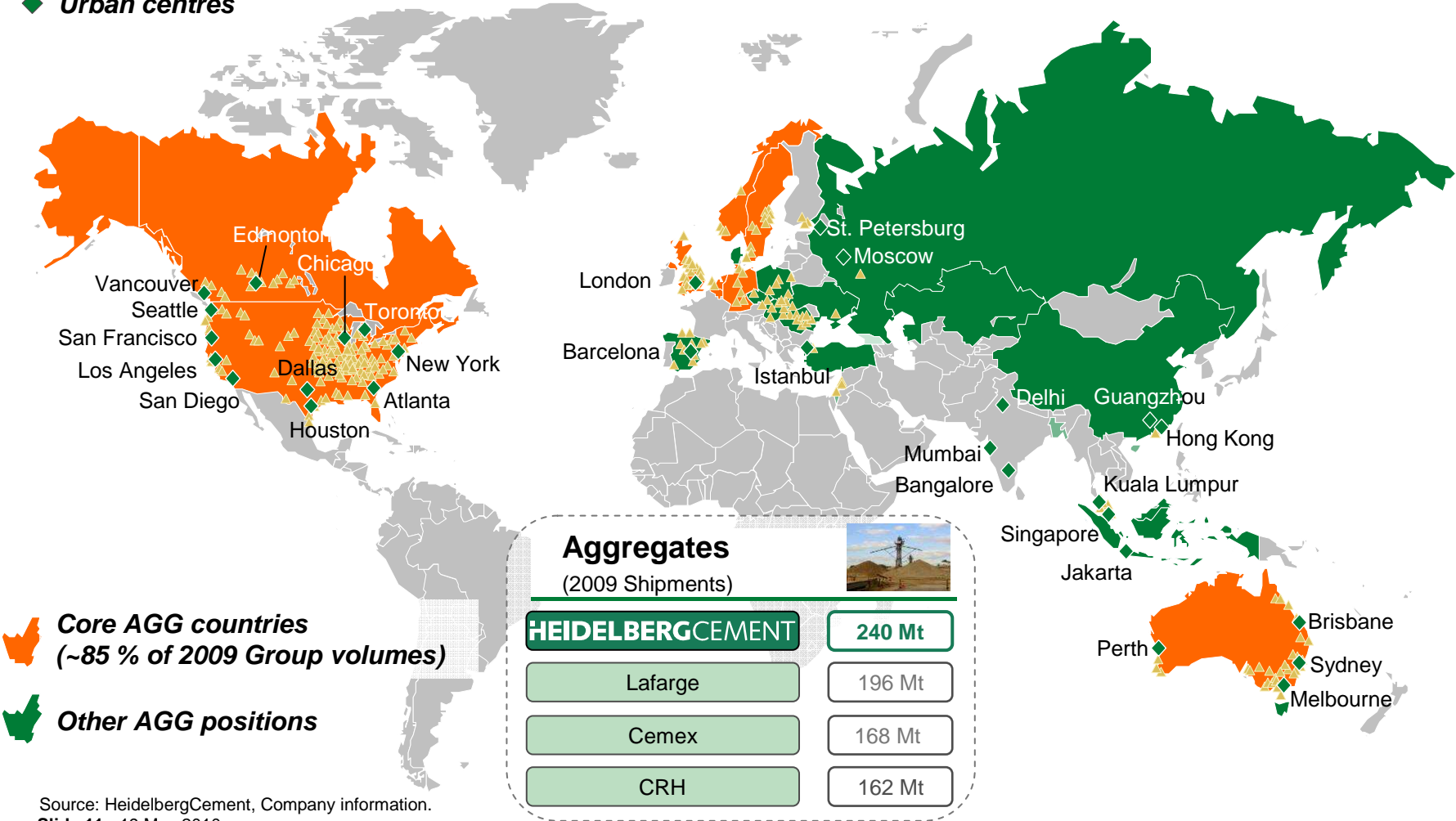
## Core principles of top management organisation

- **Acting as a team with clear leadership and two principles:**
  - No politics
  - No buddies
- **Top management and business organised along geographic areas**
- **Integrated management of business lines (CEM / AGG as core value drivers)**
- **Good balance of area / line management responsibility & Group-wide functional responsibility (not top heavy)**



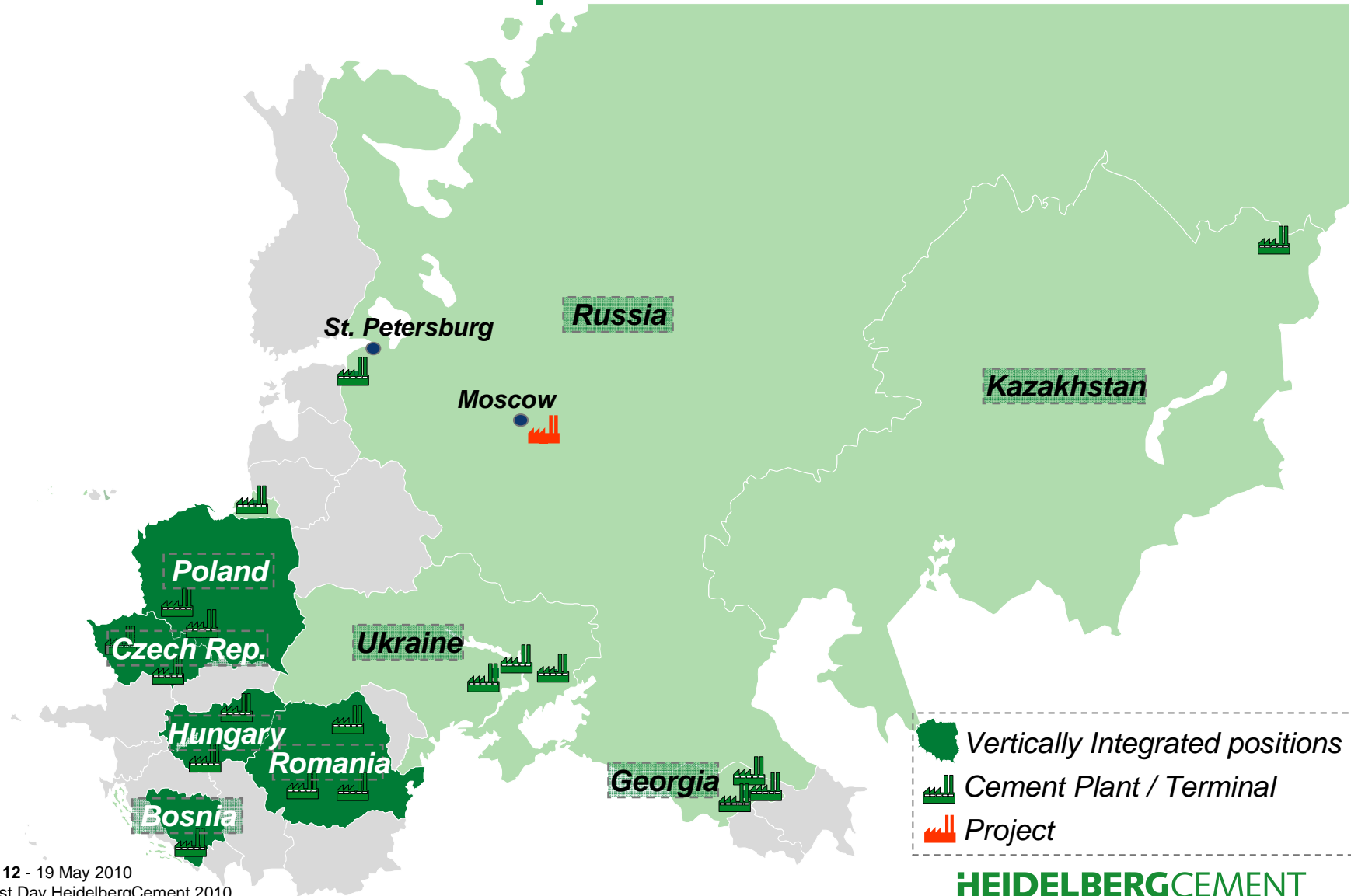
# World market leader for Aggregates – focus on highly attractive mature markets

- ▲ AGG plants
- ◆ Urban centres



Source: HeidelbergCement, Company information.  
 Slide 11 - 19 May 2010  
 Analyst Day HeidelbergCement 2010

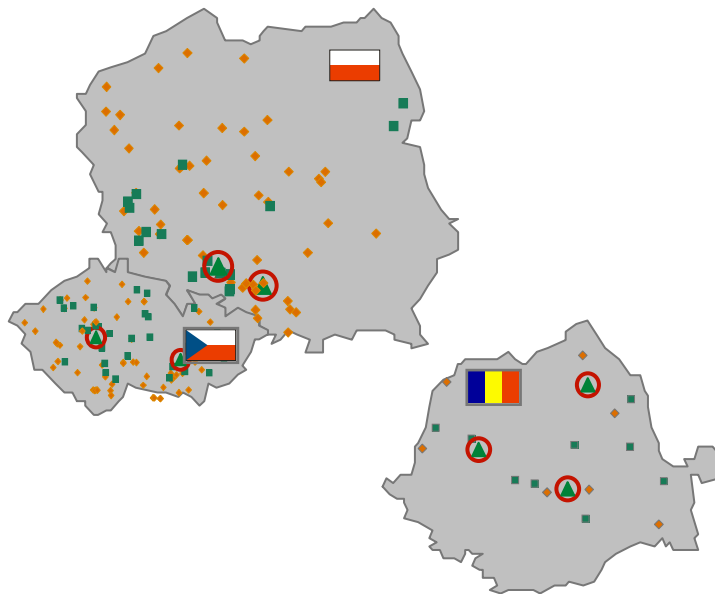
# HeidelbergCement is the leader in the emerging markets of Eastern Europe



# Strong integrated market positions in Eastern Europe: Poland, Romania, Czech Republic



## Regional footprint



Cement plant/Grinding plant  
 Agg pit/quarry  
 RMC plant

## Operating line

## Sales Volume 2009

## Market position

Operating line	Country	Sales Volume 2009	Market position
Cement	Poland	4 Mt	1
	Czech Republic	1.7 Mt	1
	Romania	2.9 Mt	1
Aggregates	Poland	6.1 Mt	1
	Czech Republic	10.4 Mt	1
	Romania	2.2 Mt	1
RMC	Poland	1.4 Mcbm	2
	Czech Republic	1.4 Mcbm	2
	Romania	0.4 Mcbm	1

**Future demand is driven by already approved an available EU accession funds of ~79 B€**

Source: EU Structural and Cohesion Funds, Strukturalni Fondy, Fundus Strukturalne, HeidelbergCement.

Slide 13 - 19 May 2010

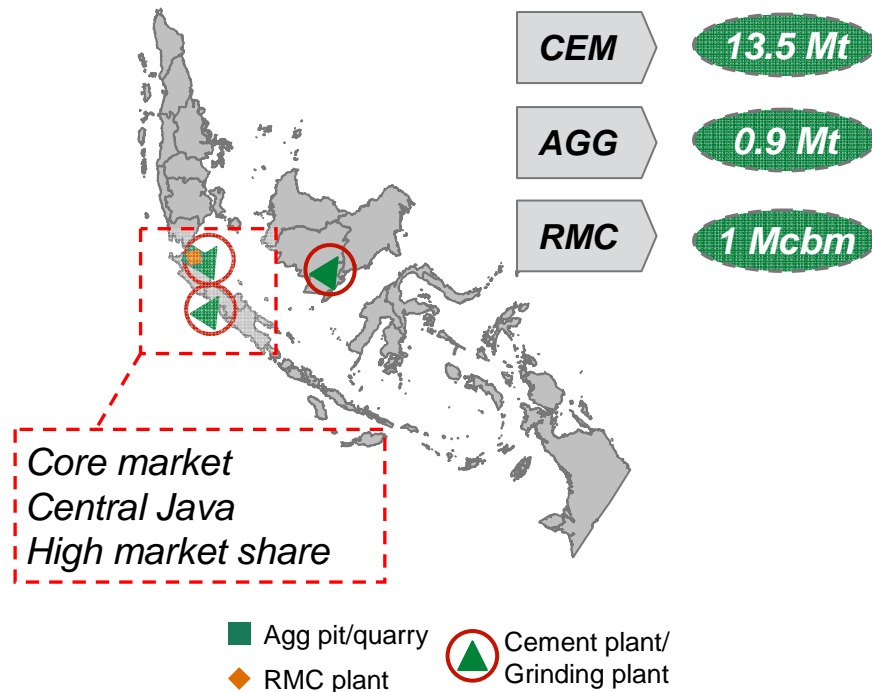
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# Key success story also throughout the crisis: Indonesia



## Country overview



## Excellent growth prospects & market structure

- GDP growth forecast: 6 %
- Budget deficit: -1 %
- Inflation:
  - Q1 2010: 3,4 %
  - Forecast: 5 %
- Highly attractive cement market structure drives profitability: Top 3 players have ~90 % market share

Indonesia delivered record profitability in 2009 and maintains strong growth rates since

# HeidelbergCement is a leader in the most attractive Sub-Saharan African countries: Ghana & Tanzania



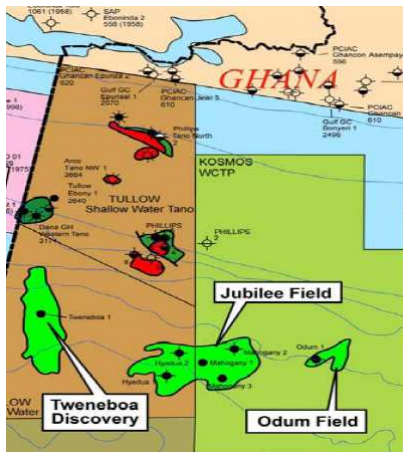
**Ghana: We are local leader in market with excellent prospects**

CEM volumes 2009 (in kt)	Market position
2 Mt	1



**Tanzania: Excellent cost structure due to unique expansion project**

CEM volumes 2009 (in kt)	Market position
1 Mt	1



- IMF forecasts up to 20 % GDP growth for the next years
- Jubilee oil field discovery with 0.8-1 billion bbl of light crude
- HeidelbergCement with strong brand & experienced management



- Capacity expansion on time and budget at 64 € / ton of capacity
- We expect a payback of below 4 years
- Highly competitive cost structure due to new equipment fosters market leading position

**HeidelbergCement with potential for further growth in Sub-Saharan Africa**

Source: HeidelbergCement.  
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# Western Canadian business with particular strength in the Prairies



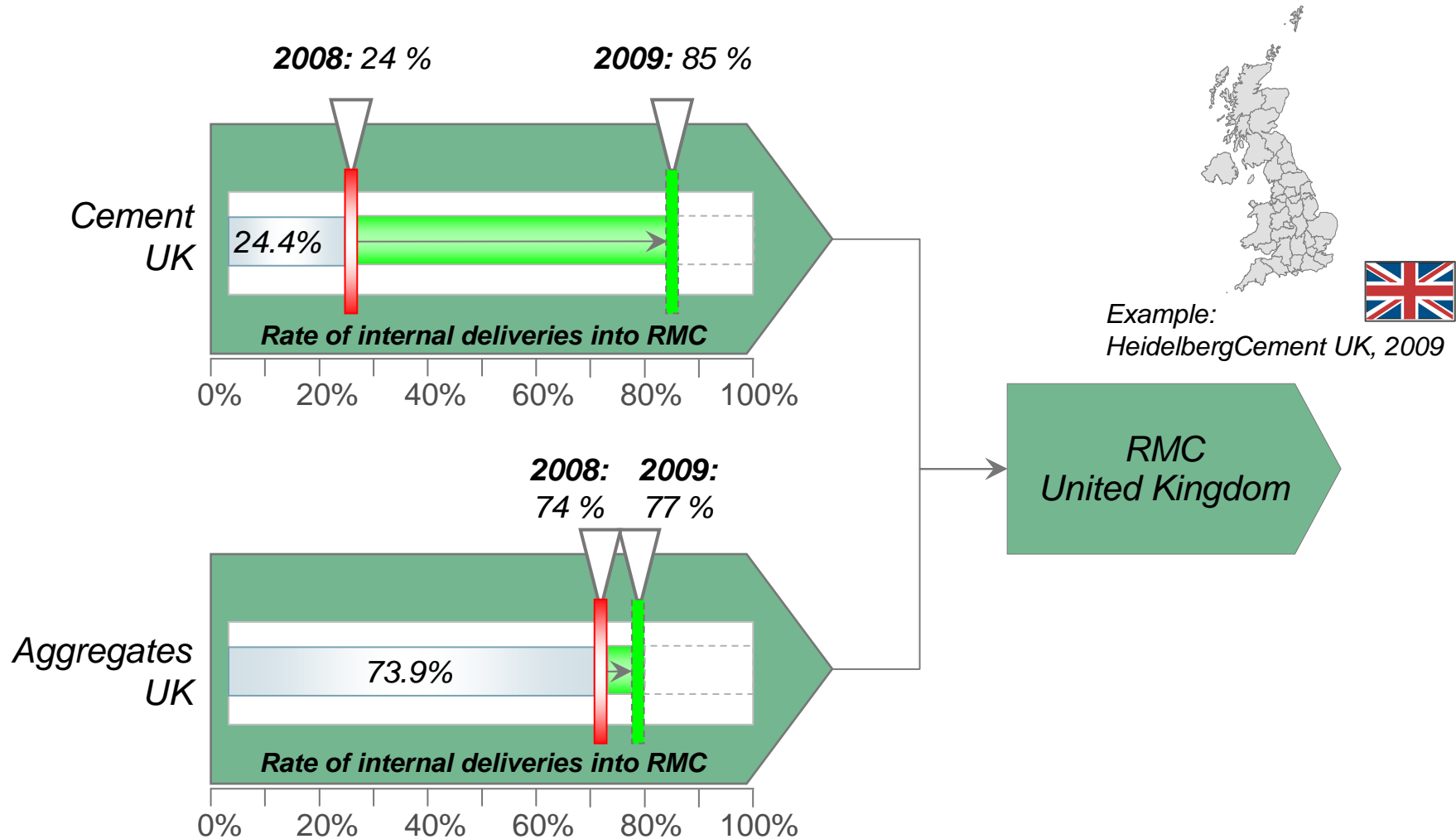
Country footprint	Operating line	Sales Volume	Market position <sup>1</sup>
	Cement	1.6 Mt	1
	Aggregates	12.5 Mt	1
	RMC	1.8 Mcbm	2

- Agg pit/quarry
- ◆ RMC plant
- ▲ Cement plant/ Grinding plant

**Business boosted by raw materials boom**

1. Western Canada, Prairie provinces. Source: HeidelbergCement.  
**Slide 16** - 19 May 2010  
 Analyst Day HeidelbergCement 2010

# Vertical integration a clear success factor...



...and proves its value especially in hard hit markets

Source: HeidelbergCement.  
Slide 17 - 19 May 2010  
Analyst Day HeidelbergCement 2010

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- *Strategy for profitable growth*
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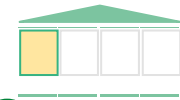
## 3. Current & mid-term view of the market

- *2010, another challenging year ahead*
- *What to expect after the crisis*

# Four pillars of long-term success in building materials

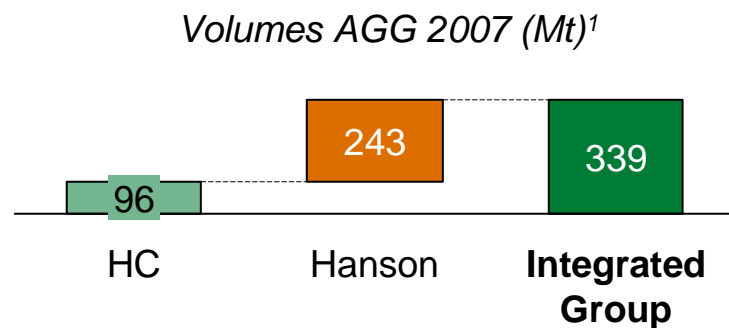
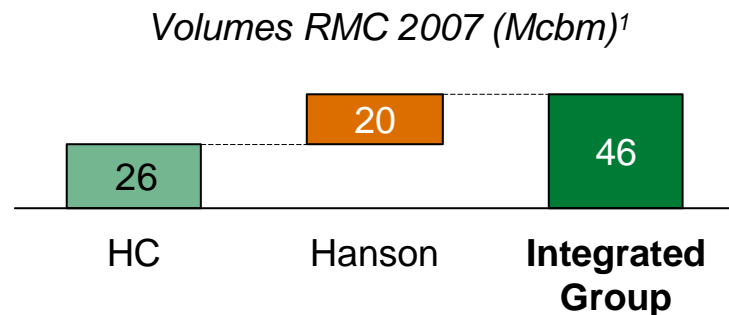


**Aggregates & Cement are key building raw materials**



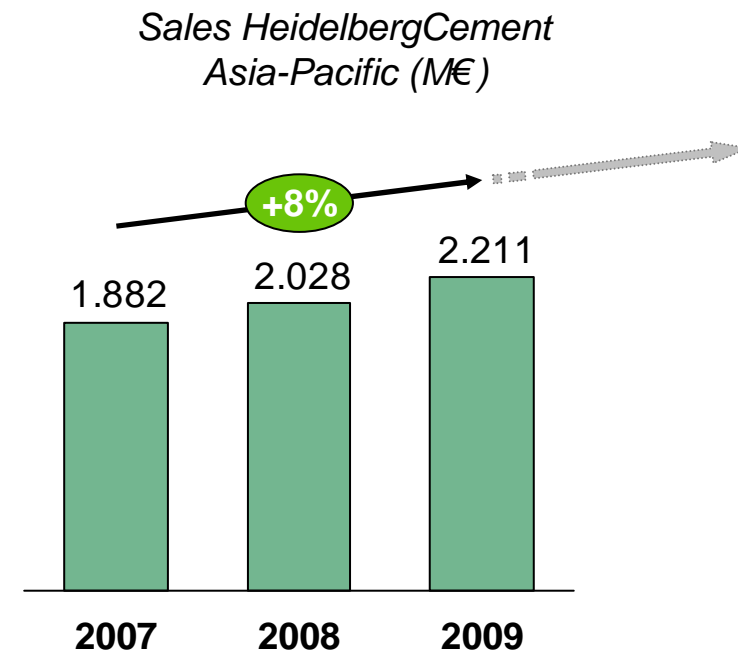
# Now focus is on growing cement in emerging markets

Hanson acquisition secures **vertical integration in core mature markets...**



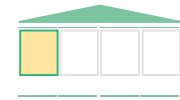
**Vertical integration in mature markets**

...now the consequent next step is **Cement in emerging markets**

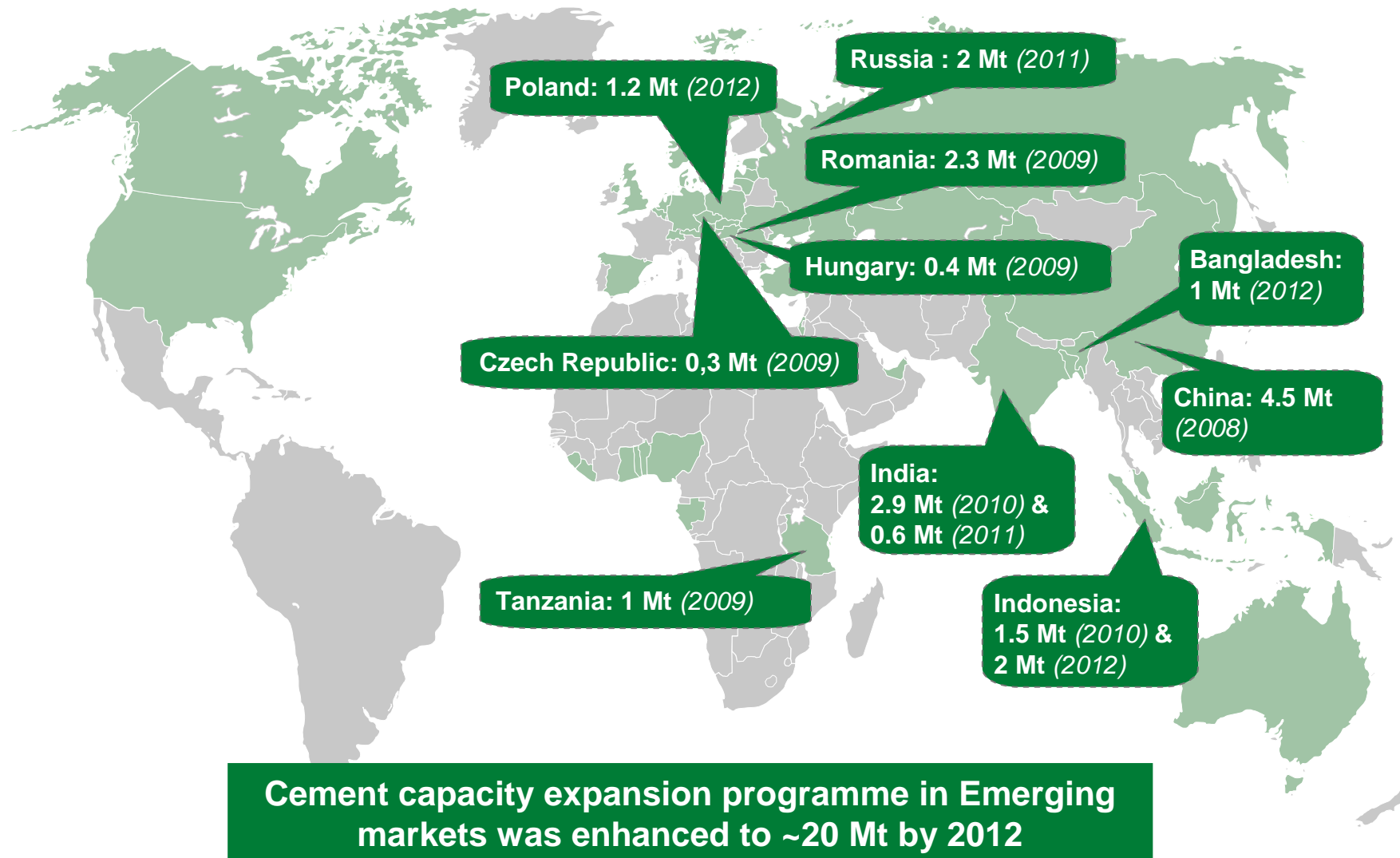


**Now focus on emerging markets**

<sup>1</sup>. Pro-forma values.  
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## ■ HeidelbergCement continued its strategy throughout the crisis

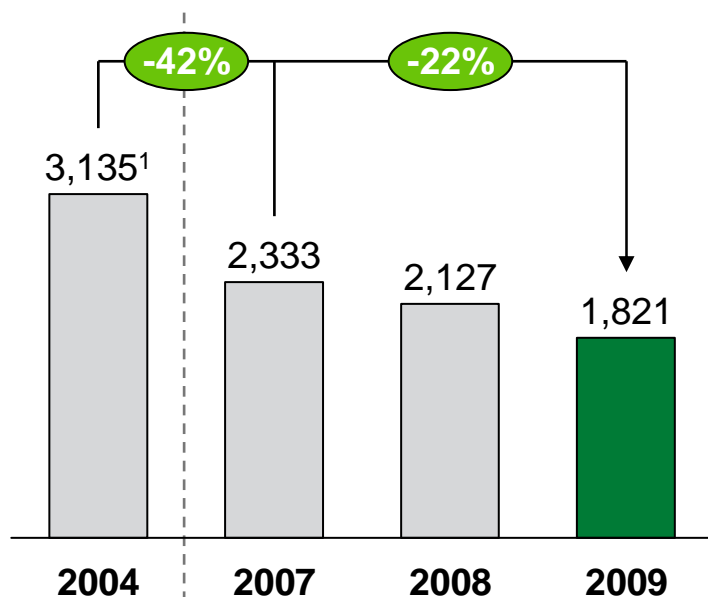




# Organizational fitness initiatives not only to reduce costs, but also improve performance

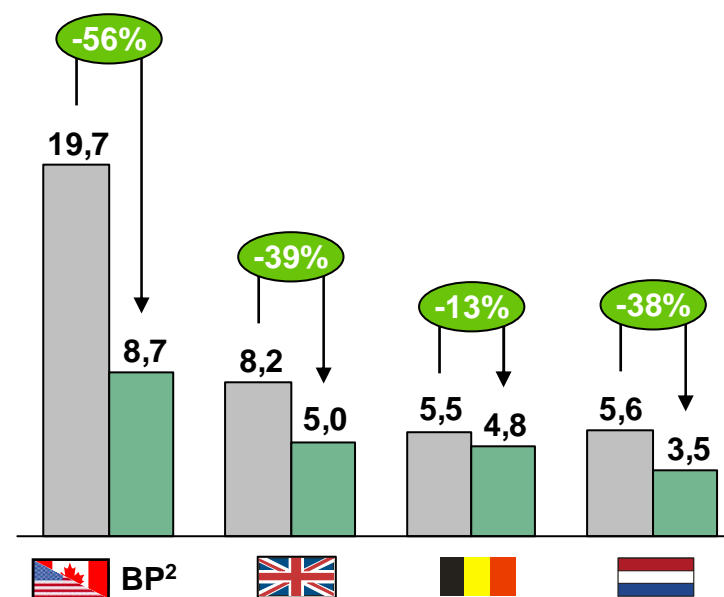
**Lean SG&A functions are a key strength of HeidelbergCement**

*FTE in Group SSC functions*



**Shared Service Centers become leaner, but also more effective**

*Query ratio in Group SSCs*



**Organisational efficiency is ingrained in our management culture – keeping the company fit**

1. Like-for-like development for comparability reasons. 2. Building Products North America.  
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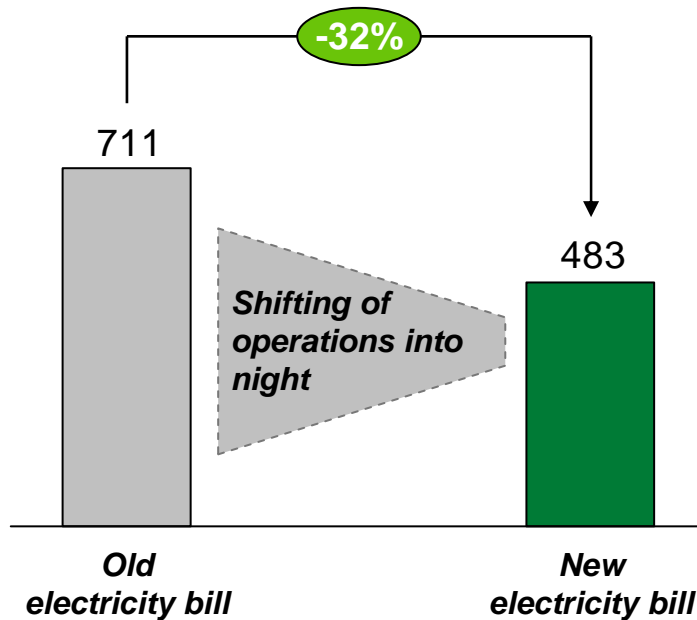
# Operational cost reduction constantly driven by centers of excellence



**Aggregates: Electricity cost reduction initiative launched**



*Example: Plum Run plant, USA*

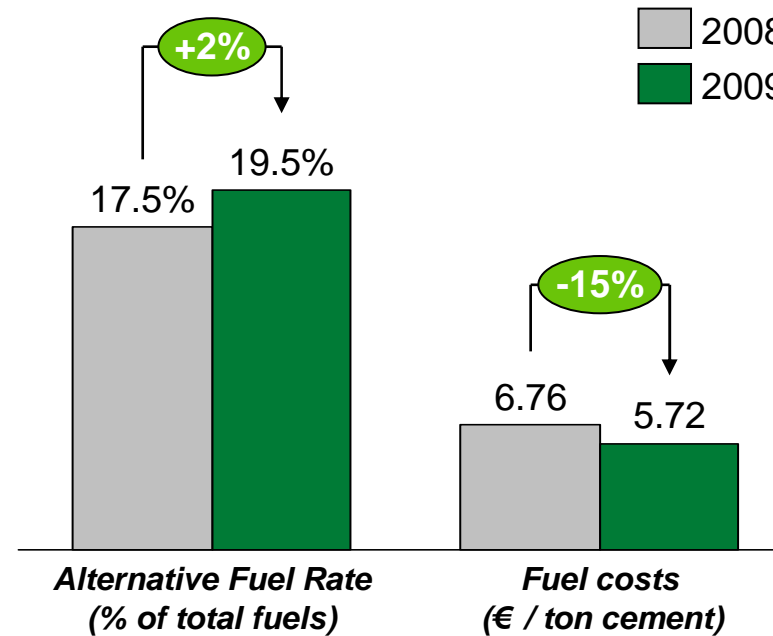


**Worldwide project checking  
16 levers plant by plant**



**Cement: Groupwide increase of Alternative Fuel usage**

*Group cement fuel bill 2009*



**Clear targets for the AF rate set in  
Fitness programme**

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# Unusually strong winter put burden on Q1 volumes in the USA and Europe— recent recovery visible!

## USA: Heavy winter in January / February, recently good news



US Snow depth : 28 February 2010



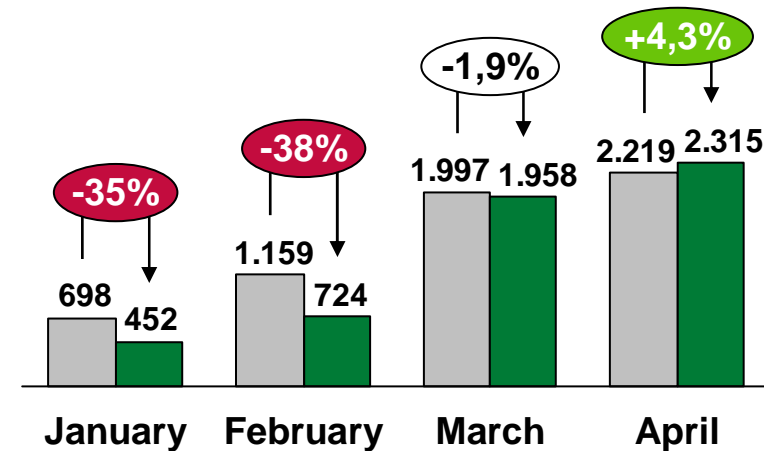
“[...] From what I'm hearing, it's a significant uptick in April and I think we're going to see a very good May as well [...]”  
 (Ed Sullivan, PCA; 10 May 2010)

## Germany: Volume recovery becomes visible in April



German Cement industry shipments

2009  
2010

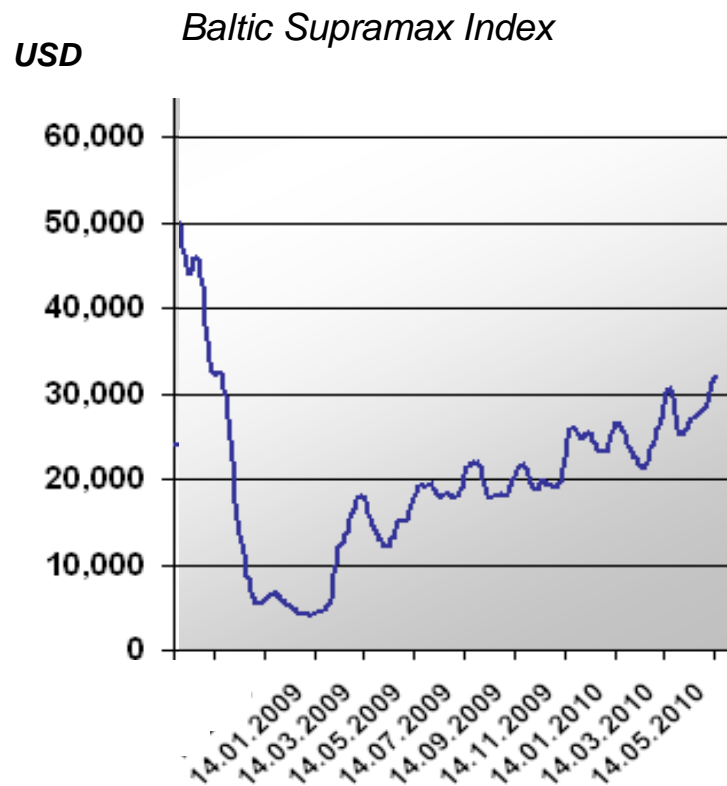


**Winter affected visibility on strength of recovery – Q2 will be a better indicator for 2010 development**

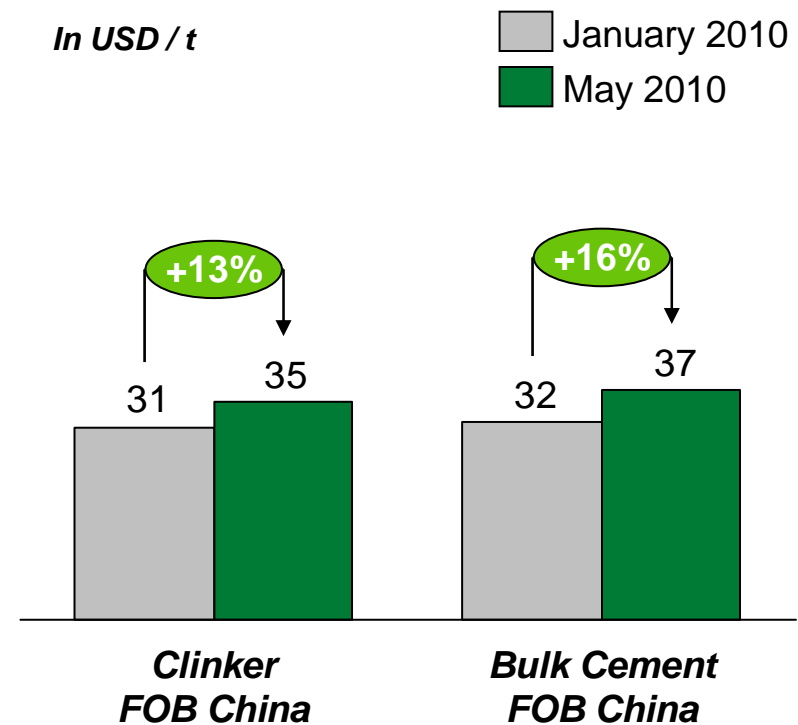
Source: NOHRSC, MorganStanley, BDZ, Bloomberg Business Week.  
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# Latest leading indicators suggest recovery in H2 2010

## Freight rates rise in line with port congestion & dry bulk demand



## CEM export prices FOB have increased 10-15 % since January



## Market Outlook 2010

- Economic research (OECD, IMF) expects continued recovery of world economy supported by infrastructure and strong development in Asia and Africa.

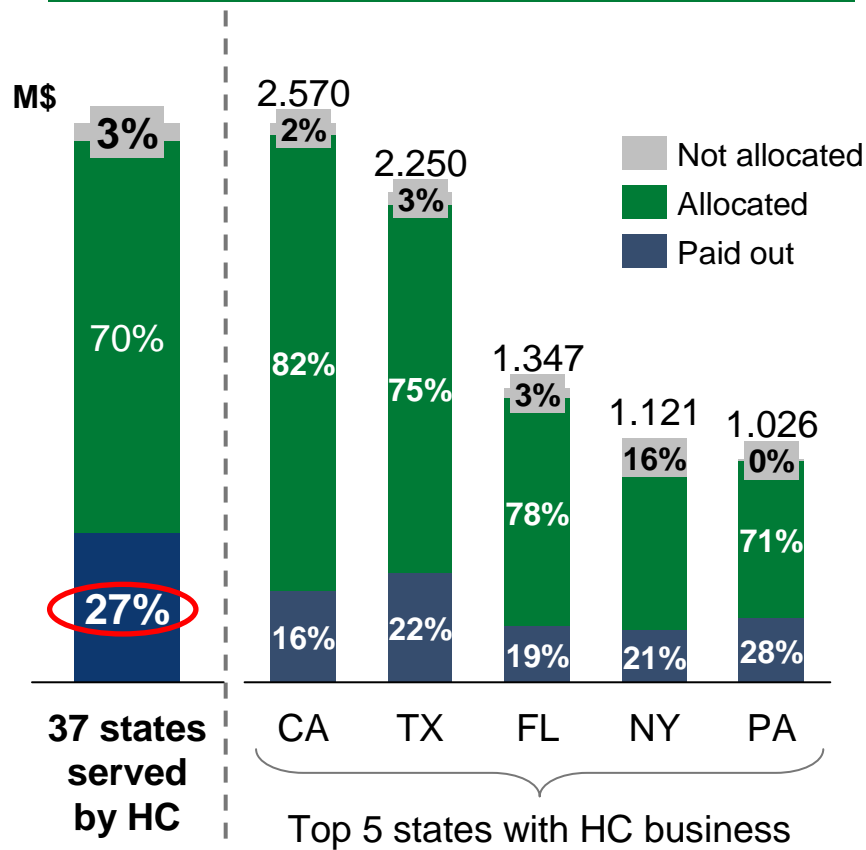
### Regional Outlook

- **Asia**: Accelerated growth in China, India, Indonesia and Bangladesh; Australia expected to further benefit from demand in Asia (2H 2010).
- **Africa**: Growth in a positive price environment.
- **North America**: Market recovery expected to continue in Q2 2010, confirmed by April volumes. Canada to benefit from strong oil prices. Positive signs from US stimulus program. Further development depends on residential construction, US-State spending and Federal Highway Program.
- **Europe**: Stabilisation of residential construction on low levels, severe decline in commercial construction and positive development in infrastructure.

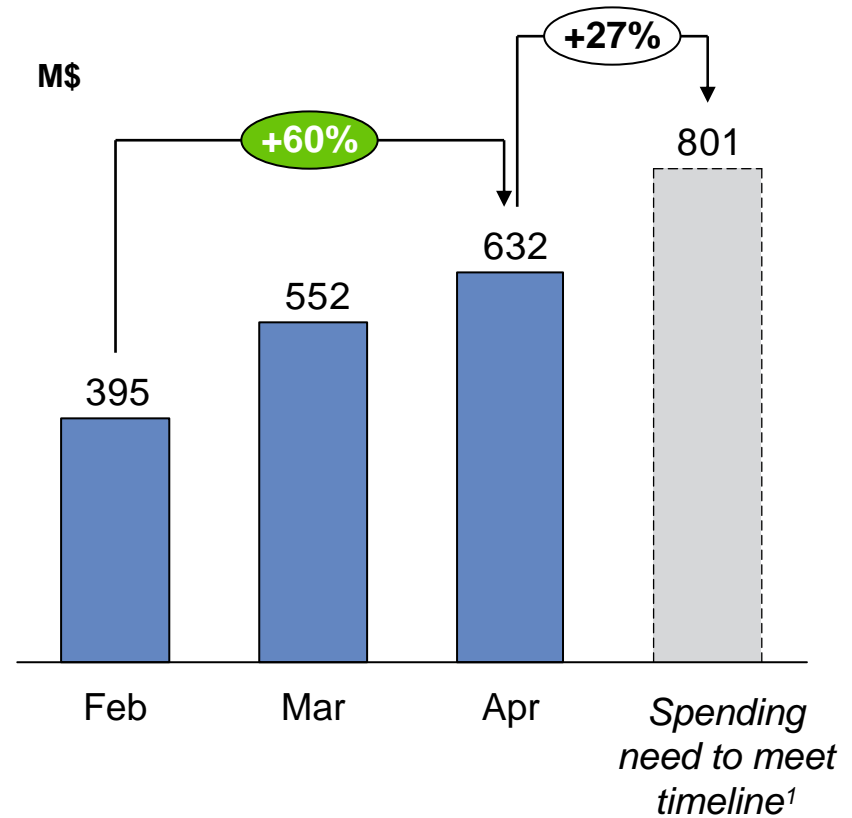


# Focus US recovery: ARRA highway funding needs to increase significantly

Most important states' payout ratios still trailing the national average



Spending increased ~15 % in April – still well below the needed level

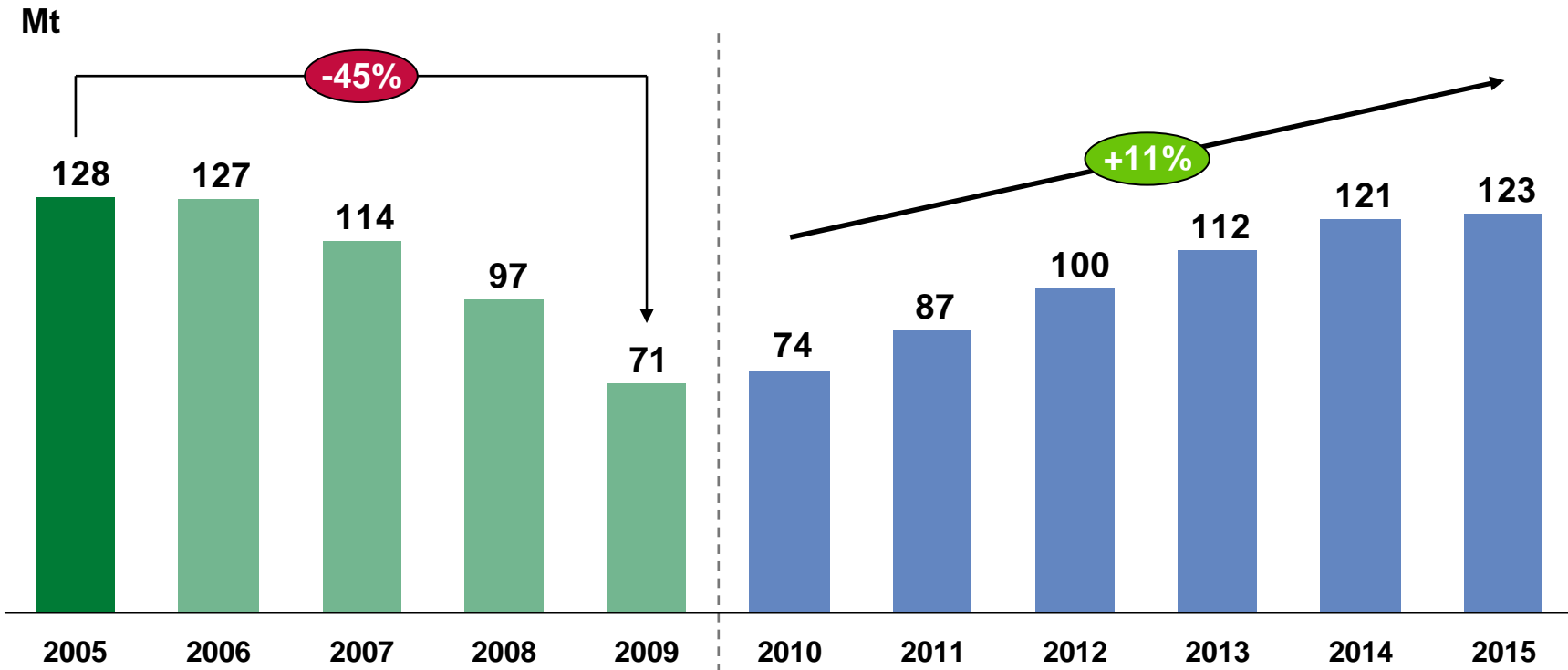


1. ARRA outlays must average 801 M\$ to meet the final 2-17-12 spending deadline.  
Source: PCA, Federal Highway Administration  
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# US Cement with a favorable mid-term outlook

US Cement consumption currently at depressed levels, but mid term growing



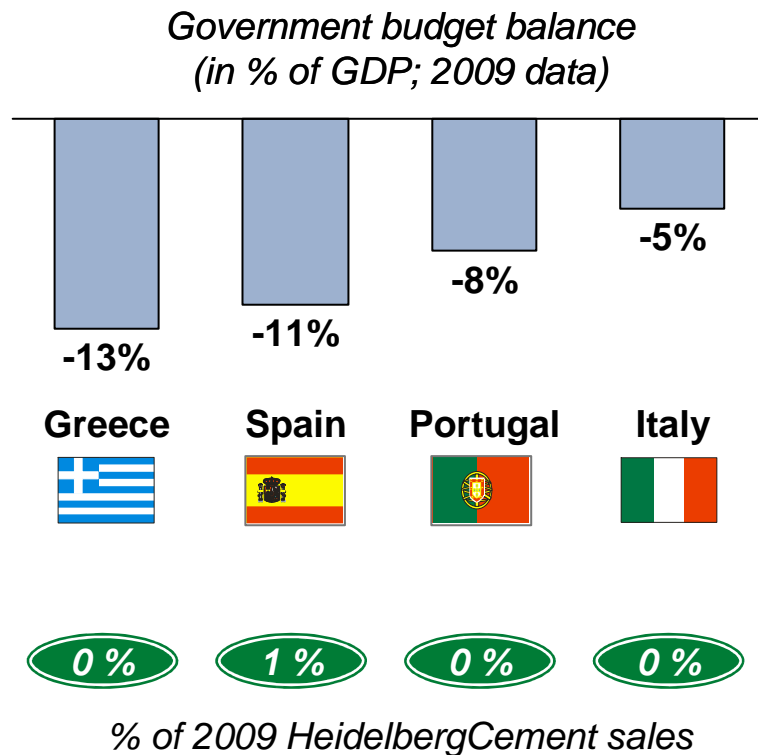
PCA April forecast confirms previous outlook –  
might even be improved given latest market data

Source: US Census Bureau, PCA.  
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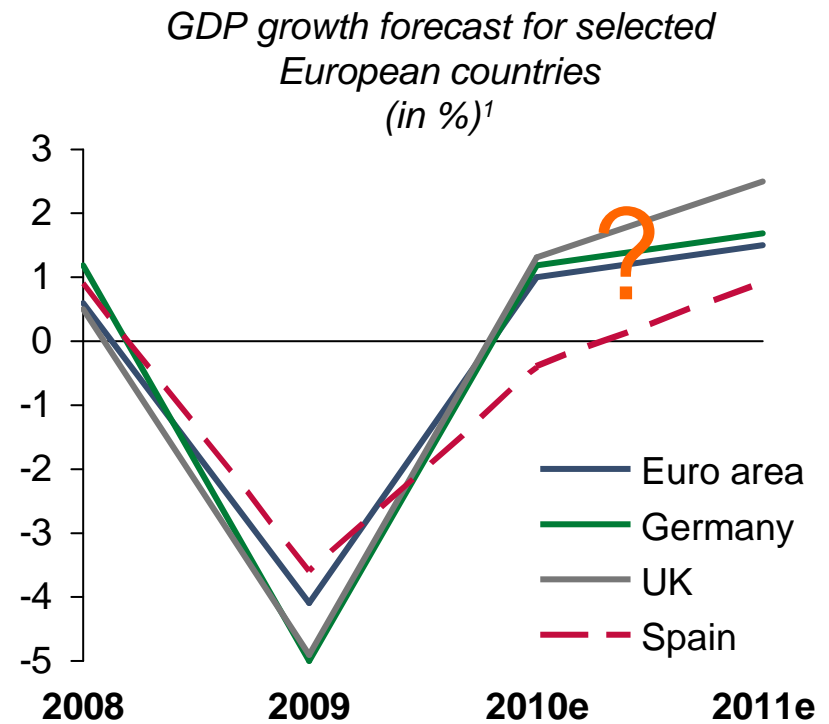
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# HeidelbergCement with no significant direct exposure to Greece crisis

HeidelbergCement with hardly any exposure to PIGS...



...however, wider European recovery remains fragile amid debt worries

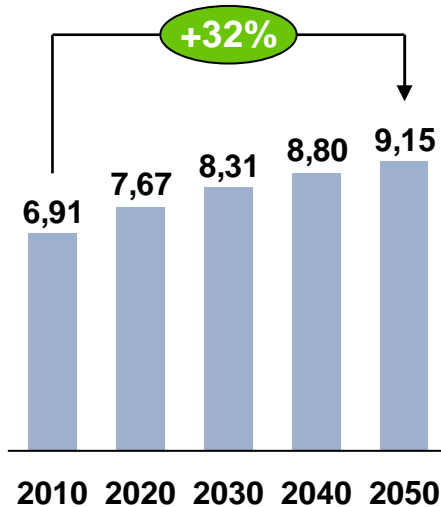


1. April IMF WEO.  
Source: European Commission, IMF.  
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# In the long term mega trends drive demand for heavy building materials

## World population growth

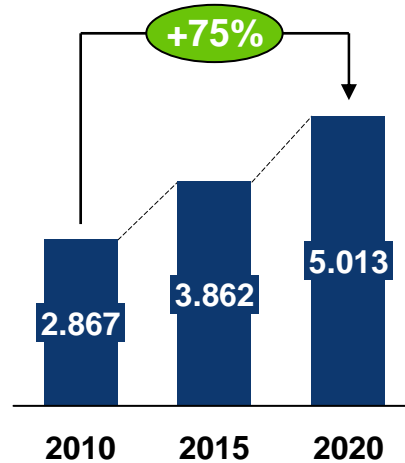
Population in billion



**Need for residential and infrastructure construction**

## Increasing wealth in emerging markets

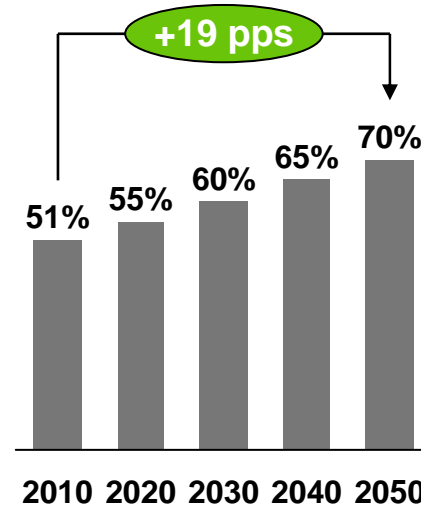
Example: India; GDP per capita (in \$)



**Increasing living space per head**

## Increasing urbanisation

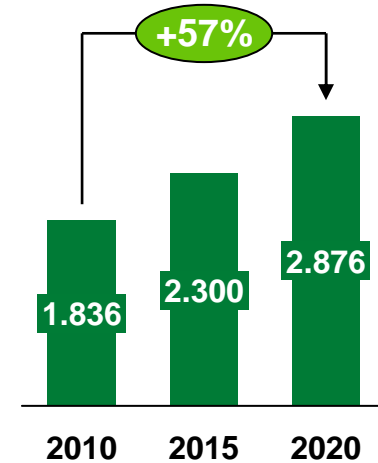
Urban population in % of total



**Further construction of megacities**

## Investment in Infrastructure

World infrastructure construction (in B\$)



**Decade of infrastructure is commencing**

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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# ■ HeidelbergCement emerges strengthened from crisis

## ➤ Balance sheet completely restructured:

- Net debt reduced by 4 B€ since mid 2008
- Bank debts massively reduced
- Improved margins, full entrepreneurial flexibility & focus on core banks with new SFA
- Equity base strengthened by 2.3 B€

## ➤ Cost leadership in the industry:

- Fitness Programme 2009 achieved doubling of targets – FitnessPlus 2010 launched
- Positive results throughout the crisis in hard hit US and UK markets

## ➤ DAX 30 index entry highly likely:

- Criterion market capitalisation: **# 22** (target: #25)
- Criterion LTM trading volumes: **# 24** (target: #25)

## ➤ HeidelbergCement prepares for growth after the crisis; focus on emerging markets:

- **Asia**; Focus on India, Indonesia and Bangladesh.
- **Africa**; Further expansion of existing strong foothold in Sub-Saharan Africa



# Thank you very much for your attention!

# 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 HeidelbergCements' 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 HeidelbergCements' 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 HeidelbergCements' 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.