

# HEIDELBERGCEMENT

## Commerzbank – German Investment Seminar 2011

10 - 11 January 2011

**Dr. Bernd Scheifele, CEO**



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## ■ Executive Summary

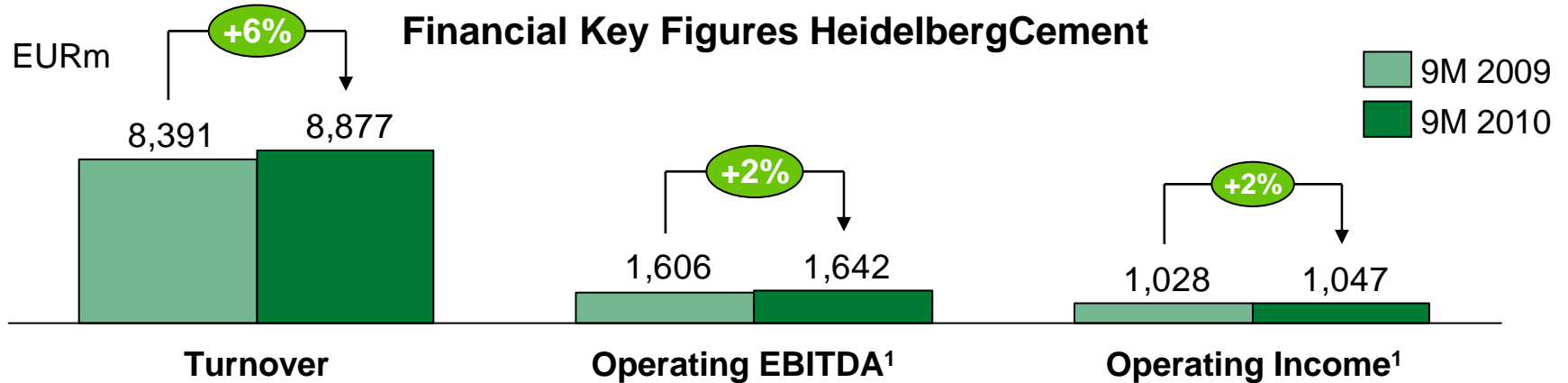
- HeidelbergCement: Global market leader for aggregates with international leading positions for cement and ready-mixed concrete
- Solid 9M 2010 performance reflecting:
  - Superior geographical footprint due to excellent micro markets in North America, Europe, Asia and Africa
  - Strength of product portfolio as global leader in aggregates
  - Proven operational excellence
- Targeting investment grade through deleveraging and cost cutting
- Investments focused on cement capacities in growth markets

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# ■ Agenda

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# Global market leader for aggregates & Top 3 global market positions in cement and ready-mixed concrete



## #1 Aggregates (Sales as of Sep 2010)



<b>HEIDELBERGCEMENT</b>	181 Mt
Lafarge	145 Mt
Cemex	120 Mt
Holcim	119 Mt

## #3 Cement<sup>2</sup> (Sales as of Sep 2010)



Lafarge	101 Mt
Holcim	103 Mt
<b>HEIDELBERGCEMENT</b>	59 Mt
Cemex	50 Mt

## #3 Ready-mixed concrete (Sales as of Sep 2010)



Cemex	38 Mcbm
Holcim	34 Mcbm
<b>HEIDELBERGCEMENT</b>	26 Mcbm
Lafarge	26 Mcbm

1. 9M 2009 includes EURm 84 income from CO<sub>2</sub> - in 2010 full effect coming in Q4

2. Anhui Conch with 118 Mt sales and CNBM with 113 Mt sales in 2009 not considered, as only active in China.

Source: Company information

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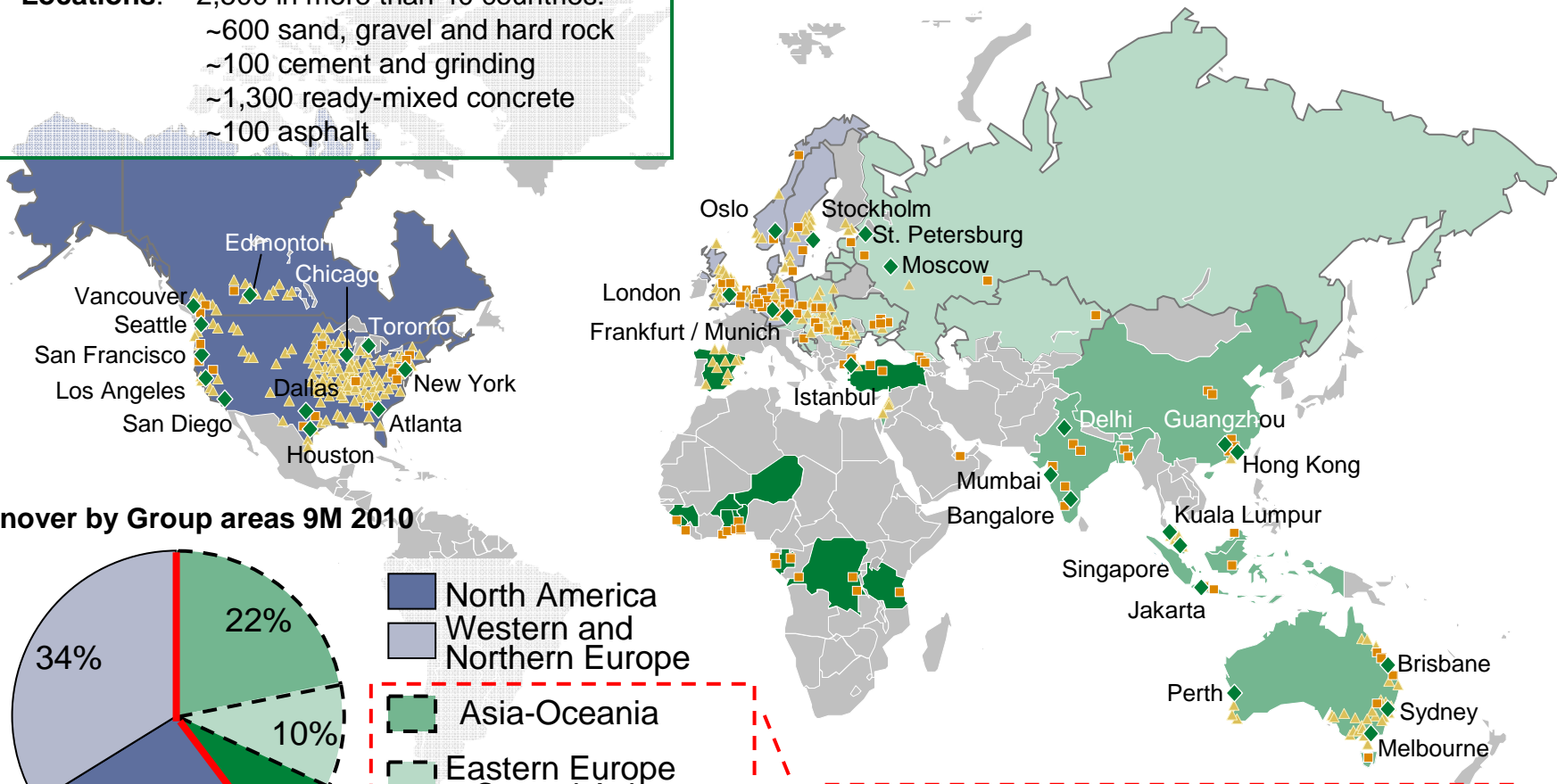
# Global footprint with up to 40 % sales in emerging markets

**Group HQ:** Heidelberg, Germany

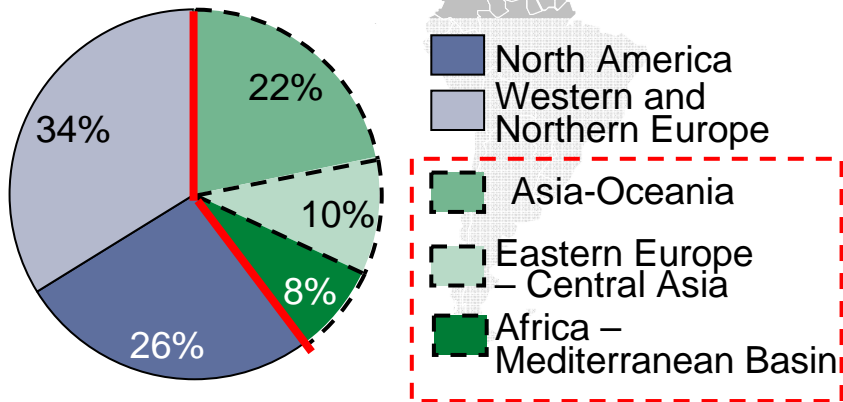
**Employees:** ~55,000 (as of end Sep 2010)

**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



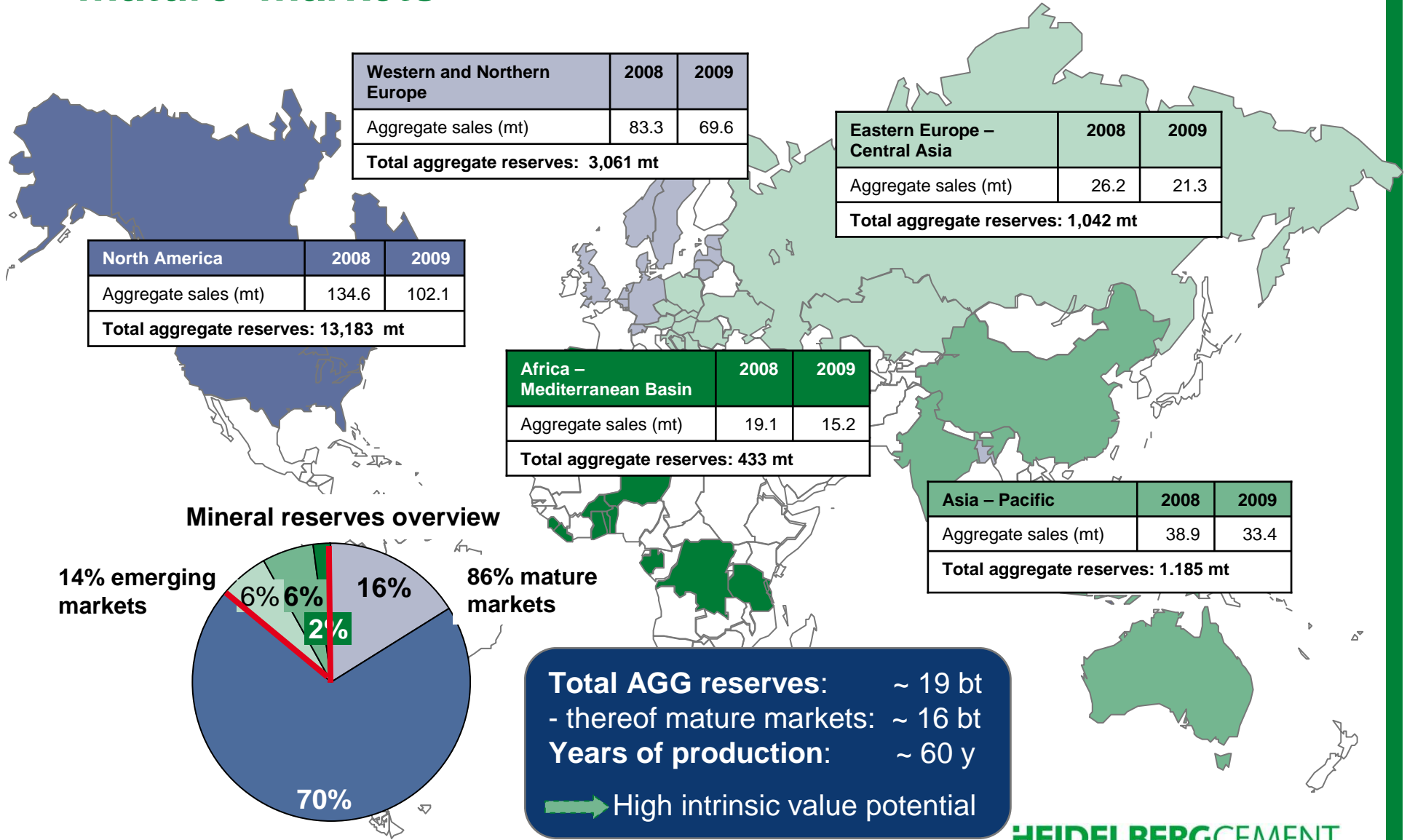
**Turnover by Group areas 9M 2010**



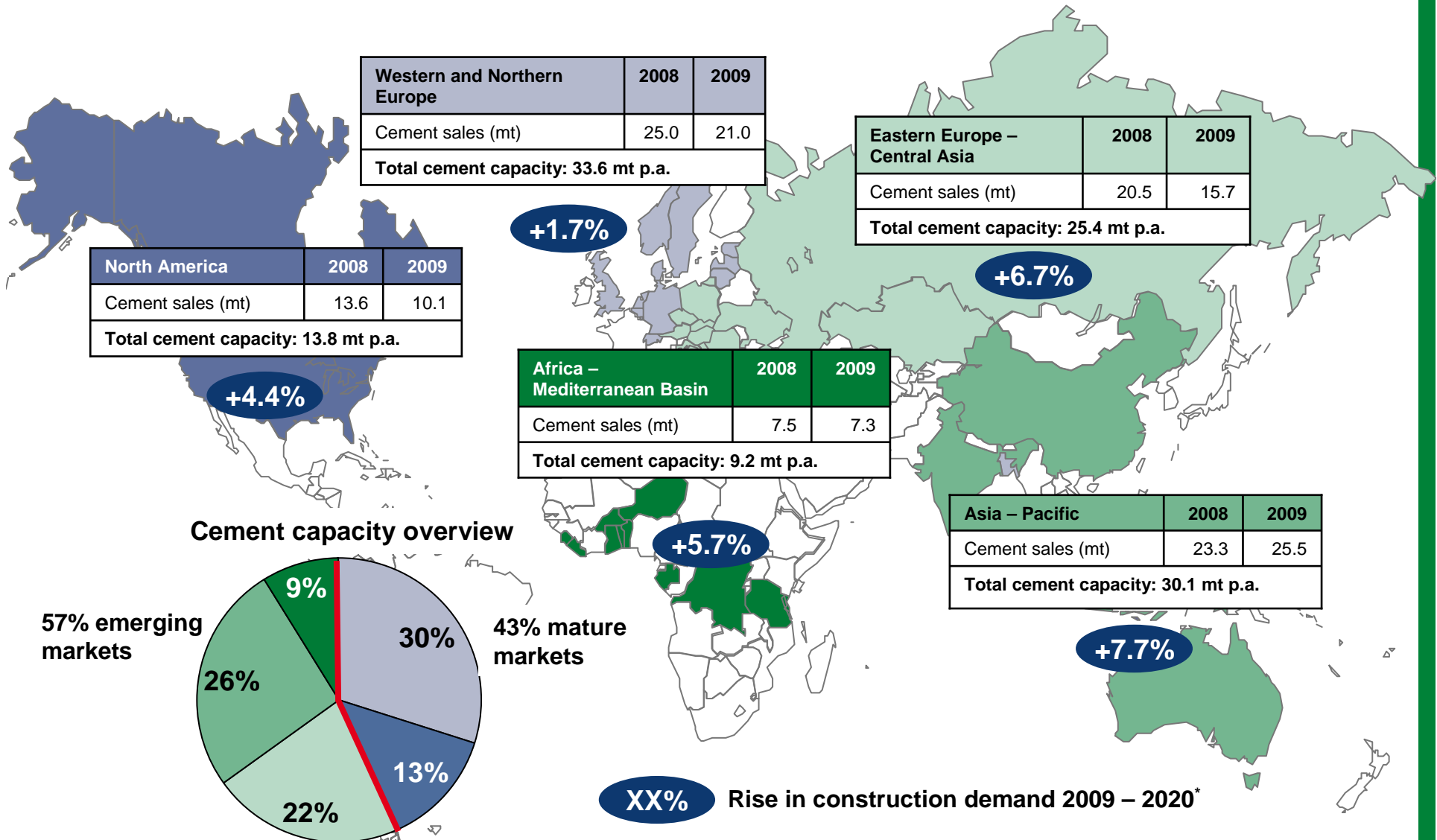
**~40% Emerging market exposure**

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



# Cement capacity of 111 mt: Focus on emerging markets



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

# HeidelbergCement Group: Top 5 core competencies

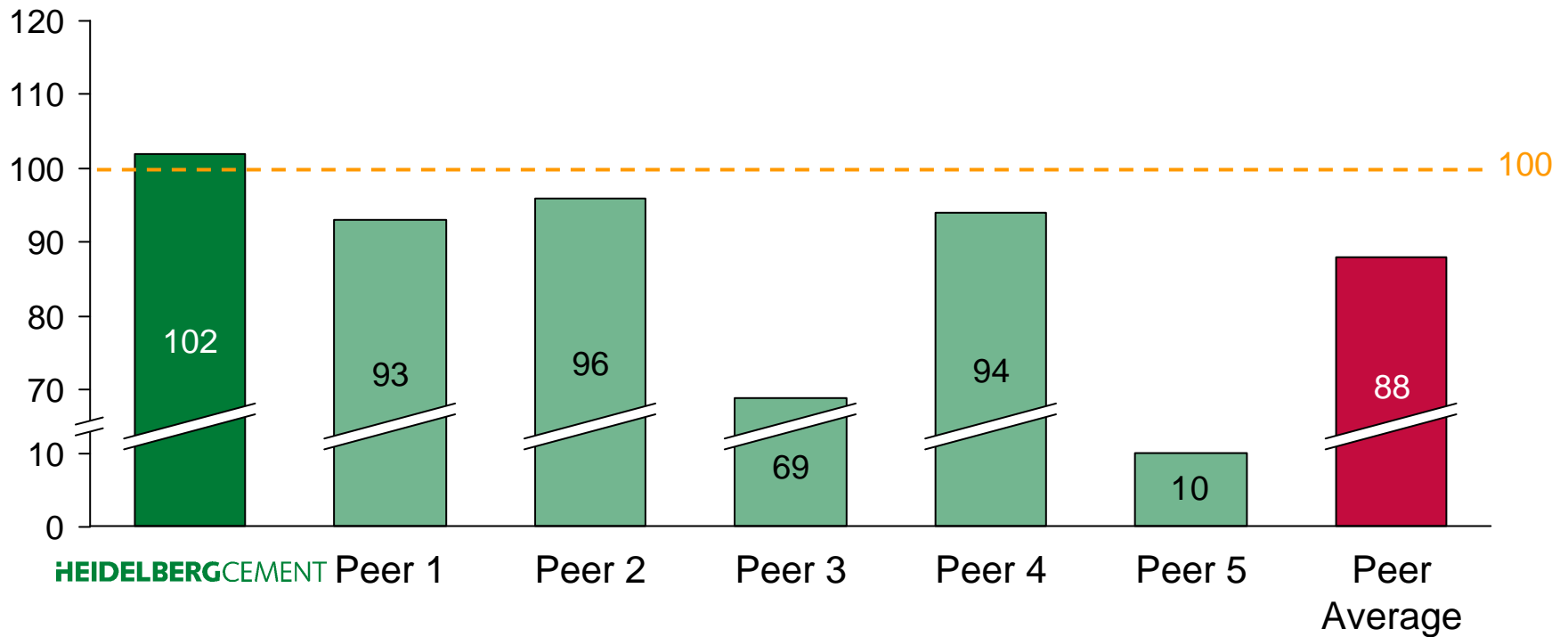
- ① **Assets:** *“Global market leader aggregates with attractive micro market positions”*
  - Largest aggregate reserve position
  - Superior footprint based on excellent regional growth pockets: Strong share in most attractive micro markets in North America, Europe, Asia and Africa
  - Strongest level 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:** *“Excellence by German engineering and benchmarking”*
  - Efficient world class German engineering used globally to minimise investment costs
  - Comprehensive internal & external benchmarking to achieve and maintain 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 9M 2010 performance compared to its peer group

First 9 months 2010 Group Operating Income<sup>1</sup> in % of first 9 months 2009

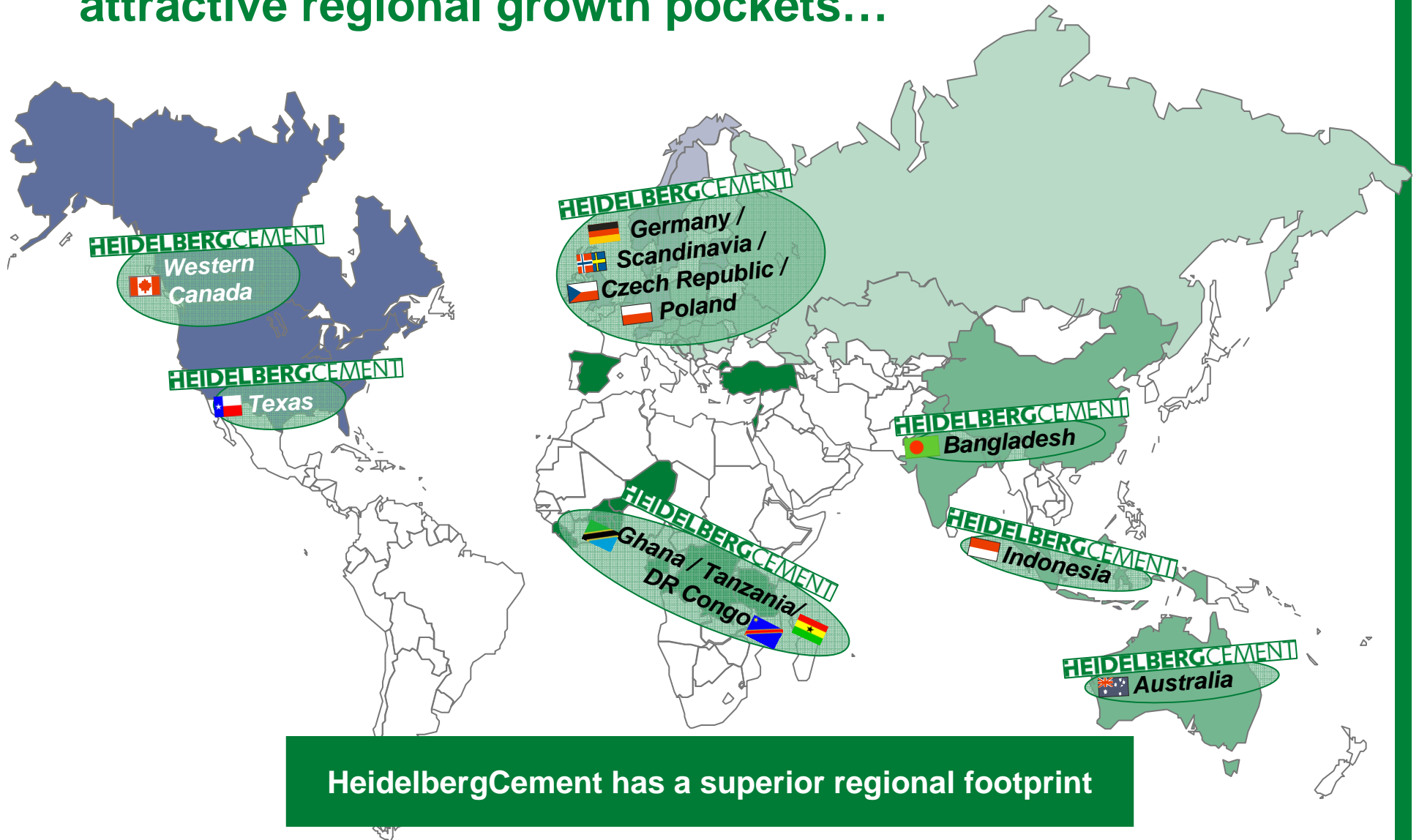


1. HeidelbergCement 9M 2009 Operating Income included EURm 84 income from CO<sub>2</sub> - in 2010 full effect coming in Q4

Source: based on published figures from Holcim, Lafarge, Cemex, Martin Marietta, Vulcan; including CO<sub>2</sub> income; peer average volume weighted

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

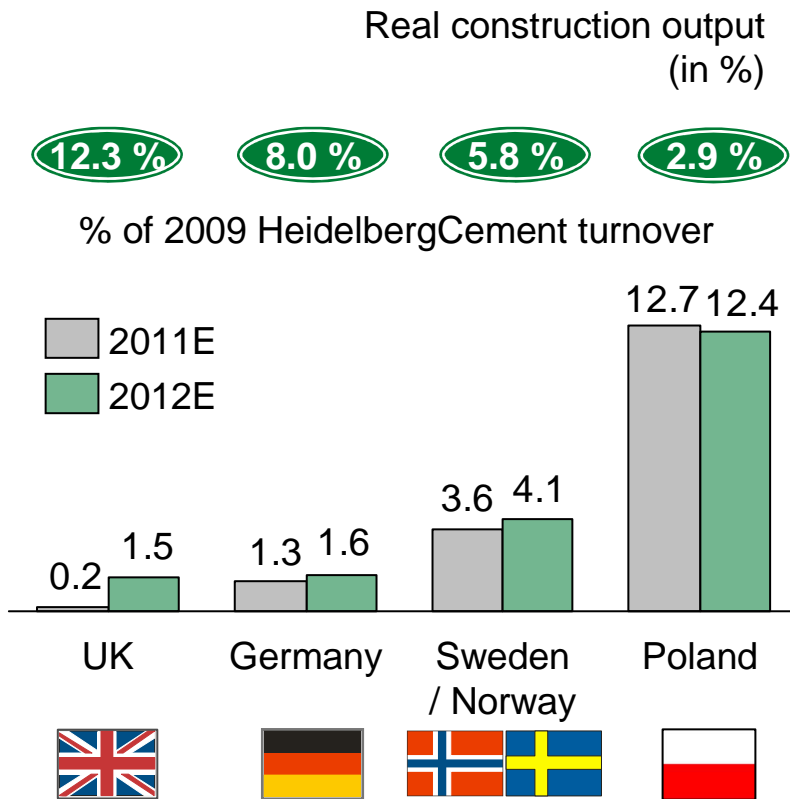


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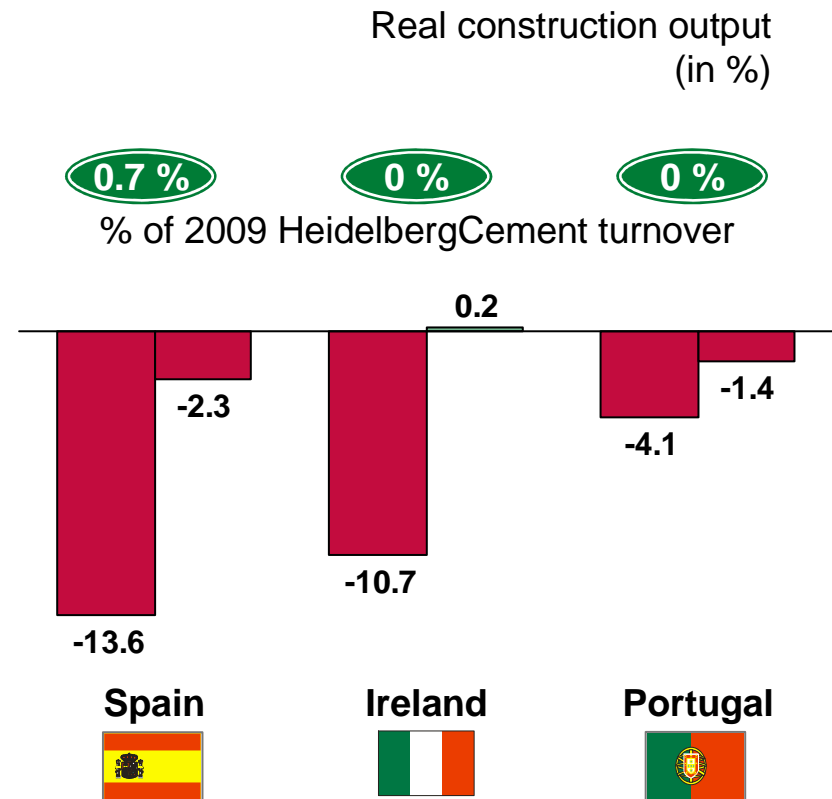
# Europe

## HeidelbergCement with favourable country exposure

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



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



Source: Euroconstruct December 2010.

# North America

Strong results due to superior market positions and cost management

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



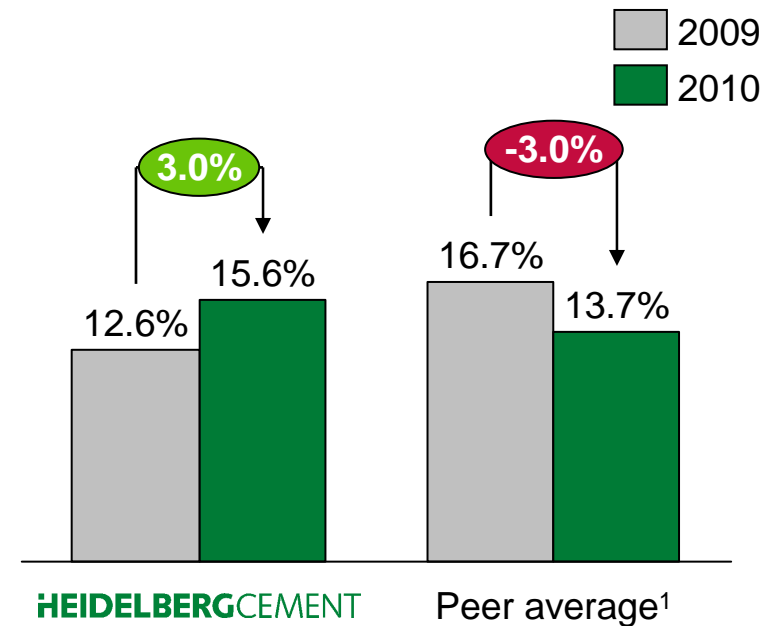
*Example North America*

- 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**

*First 9 months Operating EBITDA Margin*



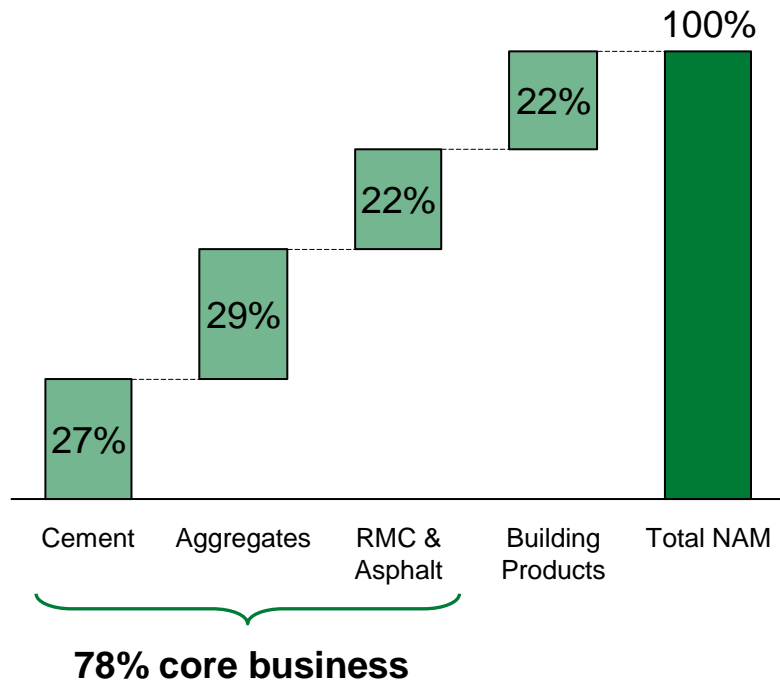
1. Cemex, Holcim, Martin Marietta, Vulcan; volume weighted based on published figures

# North America

Superior product portfolio and geographical balance

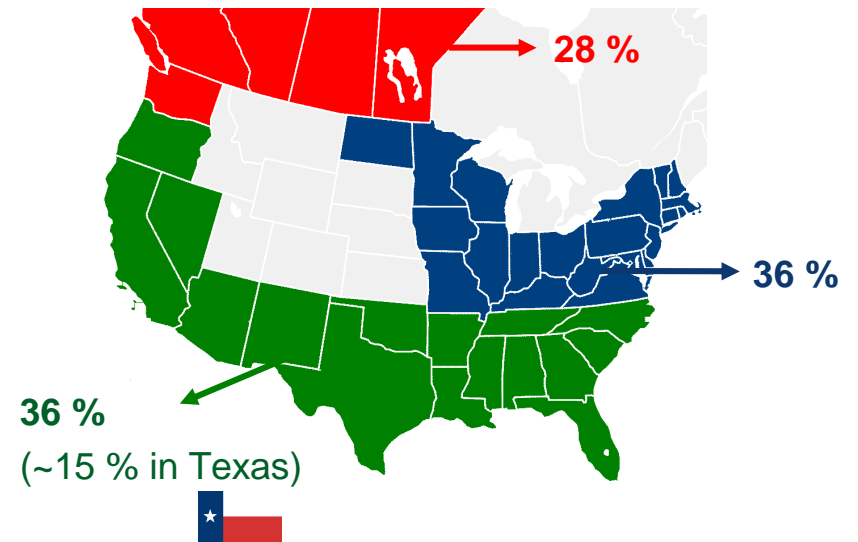
**Well balanced product portfolio with high level of vertical integration**

First 9 months Turnover by Business Line



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

NAM – First 9 months Turnover breakdown (\*)



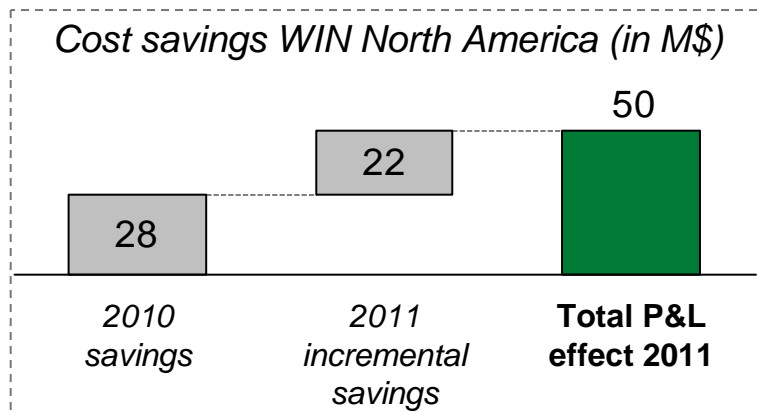
(\*) Excluding Building Products Business Line.

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

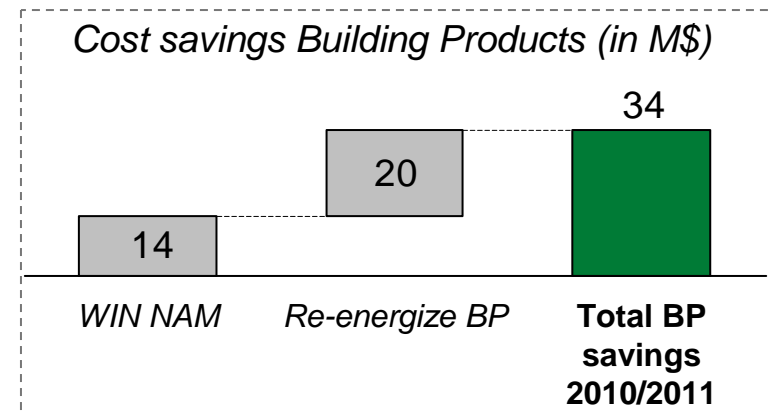
## Substantial Overhead savings achieved in WIN NAM exercise

- Headcount reduction of ~380 FTE is already ~95 % achieved ✓
- On track to deliver up to ~28 M\$ for the full year 2010 ✓
- Full year savings of 50 M\$ in 2011 on track ✓



## Continued cost focus: Improving profitability in Building Products

- 1 **SG&A costs:** Further reduction of 11.3 M\$ achieved on top of WIN NAM in 2010
- 2 **Operational excellence:** Action plans developed to optimise asset base
- 3 **Market approach:** Customer surveys to address strengths and weaknesses and outperform recovering markets

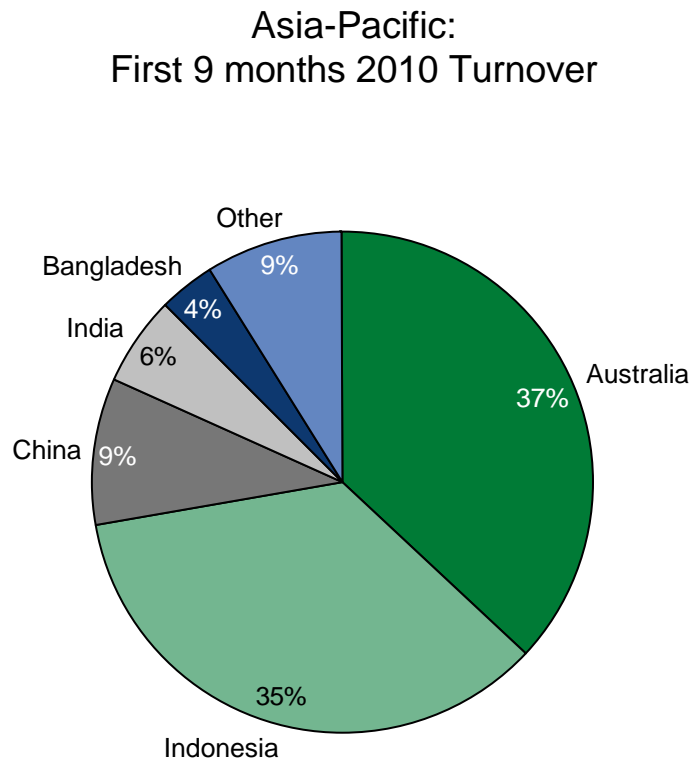


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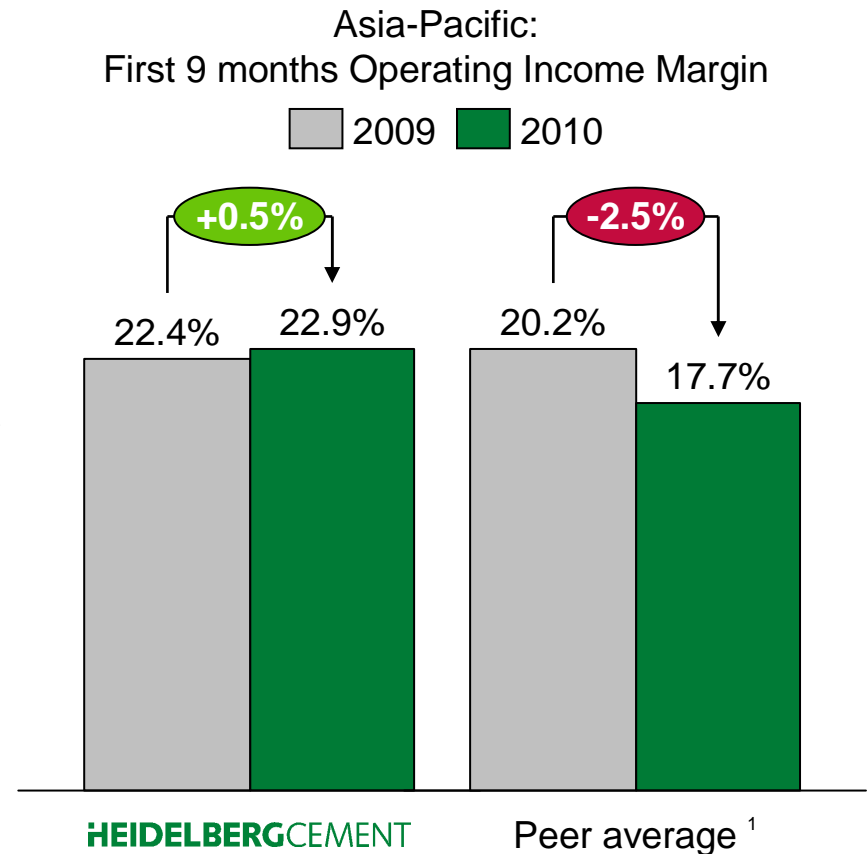
# Asia-Pacific

Strong margins in attractive markets

## Strong position in Indonesia and Australia...



## ...protects superior margin levels



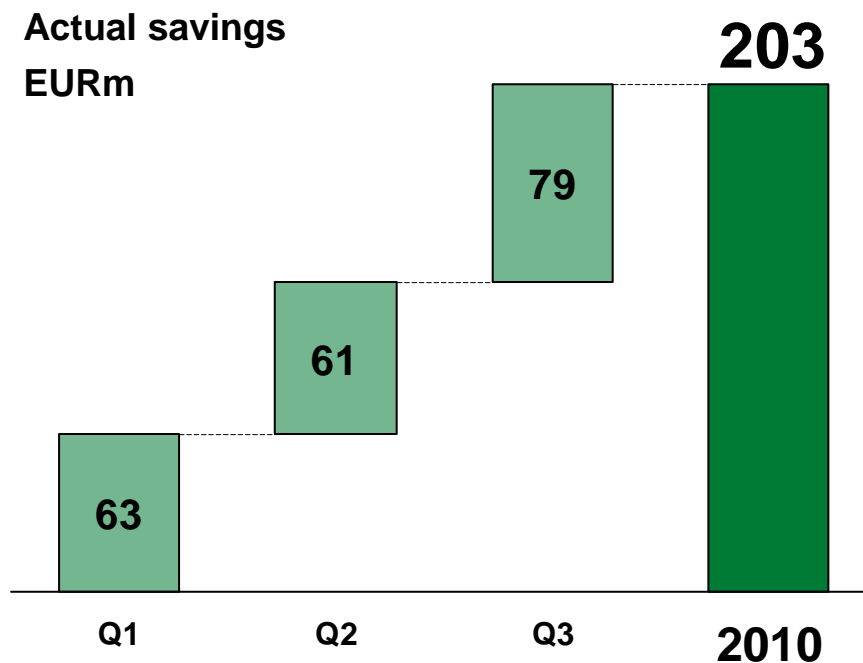
1. Cemex, Holcim, Lafarge; volume weighted based on published figures

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## ■ Focus on cost management & operational excellence: “FitnessPlus 2010” on track

**Total cost savings of EURm 300 targeted!  
EURm 203 realized as of September 2010**



### EURm 203 savings realized

#### Fixed costs:

Staff cost: EURm 75

Maintenance & other: EURm 29

#### Variable costs:

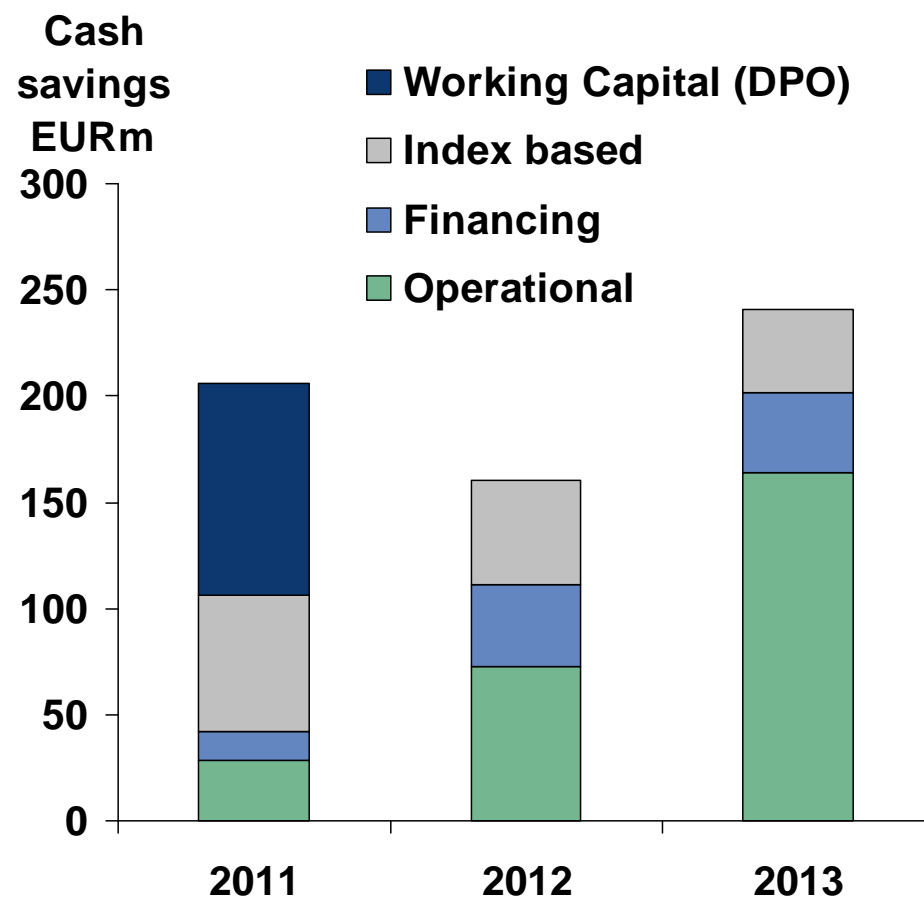
Purchasing: EURm 99

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## Continue cash and cost focus with FOX 2013 program

Three year Financial & Operational Excellence program 2011–2013:  
Cumulated cash savings of EURm 600 targeted

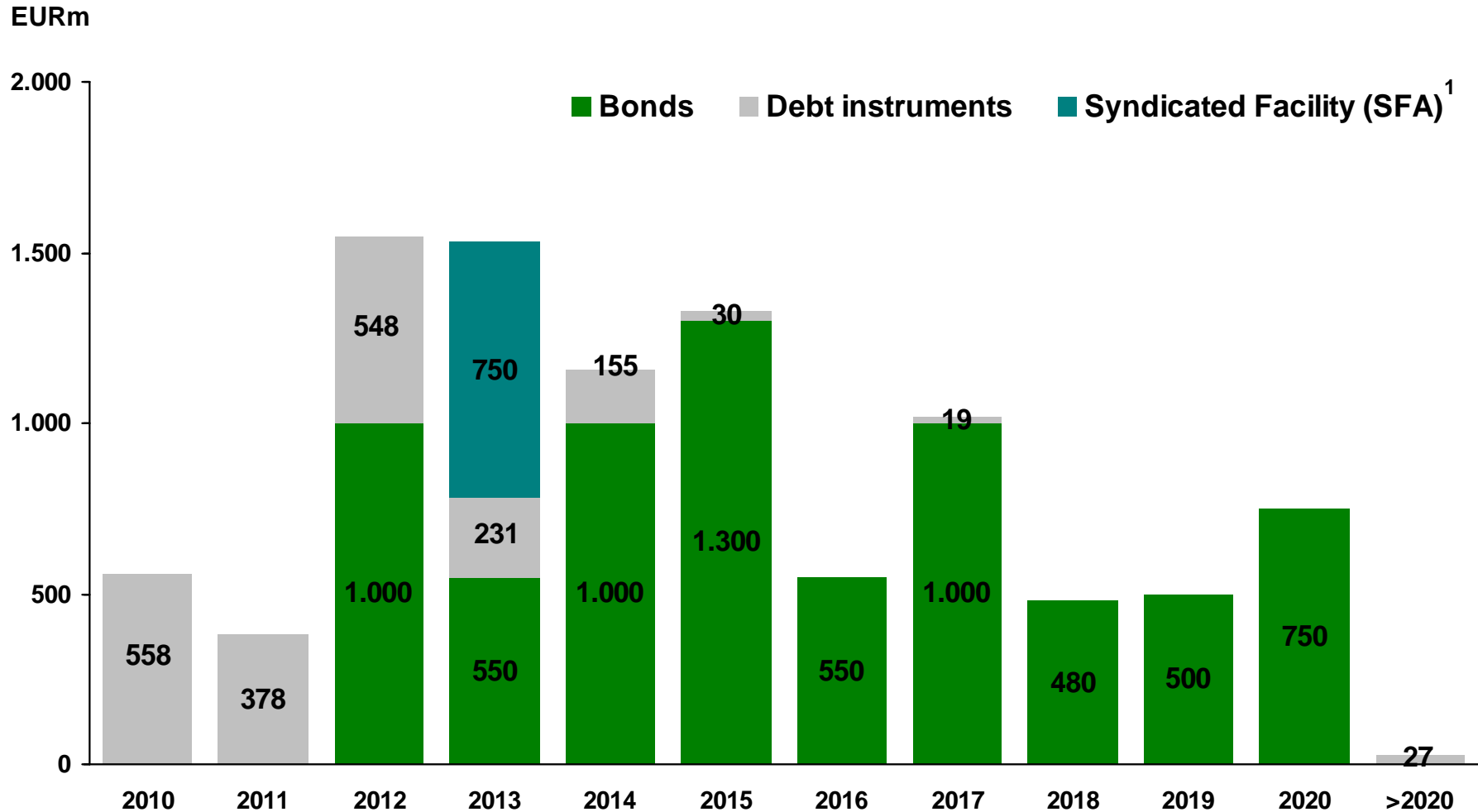
- FOX 2013 builds on strong cost and efficiency track record
- Focus on global efficiency improvement programs for core activities aggregates and cement
- P&L effective financing and operational savings targeted to increase to EURm 200 in 2013
- EURm 74 savings from purchasing planned for every single year (incl. index based)
- EURm 100 contribution from sustainable working capital (focus DPO) improvement targeted for 2011



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# No bond maturity in 2011 - debt maturity profile well balanced

as per 30 September 2010



1. Maturity date of SFA: 31. December 2013

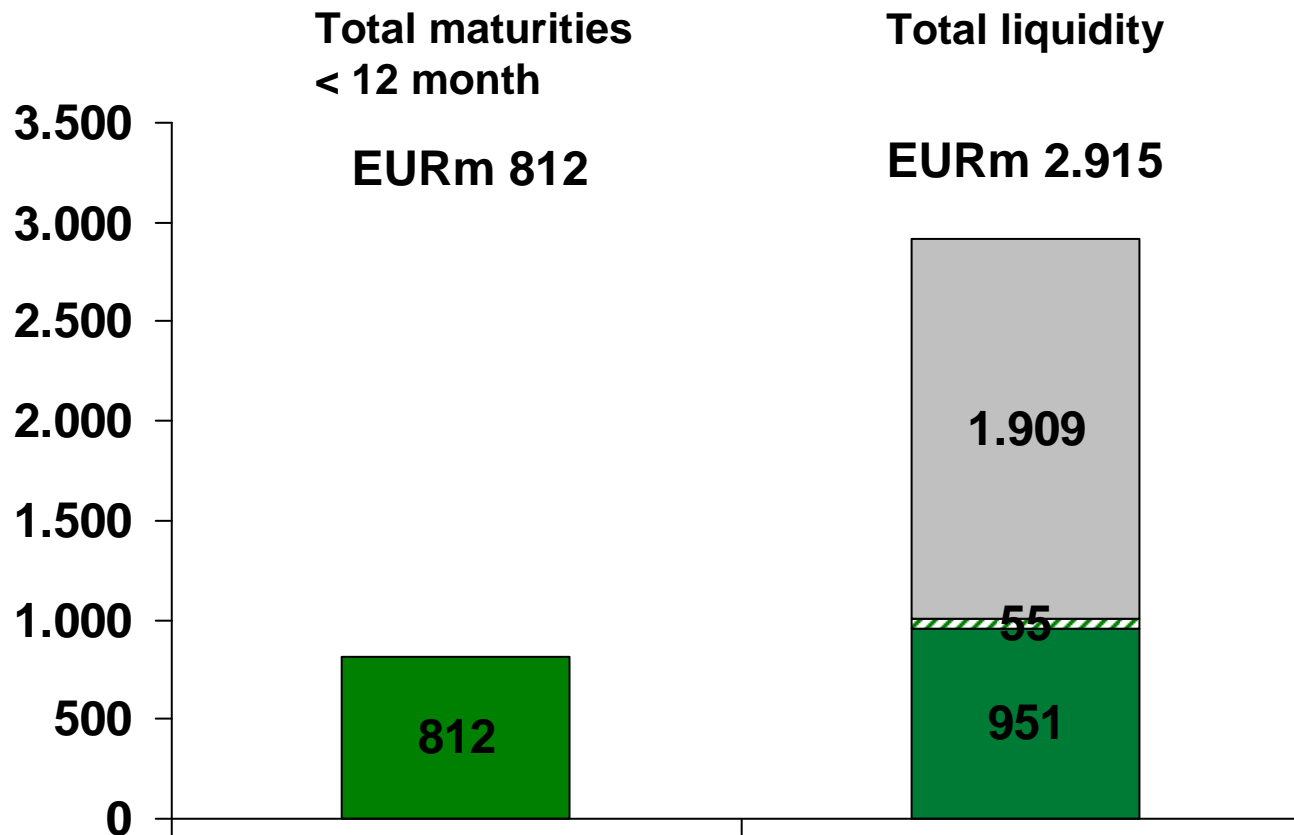
Note: Excluding reconciliation adjustments with a total amount of EUR -100 Mio.

(transaction costs to be amortized over the term of the SFA, issue prices and fair value adjustments)

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# Significant short-term liquidity headroom

as per 30 September 2010

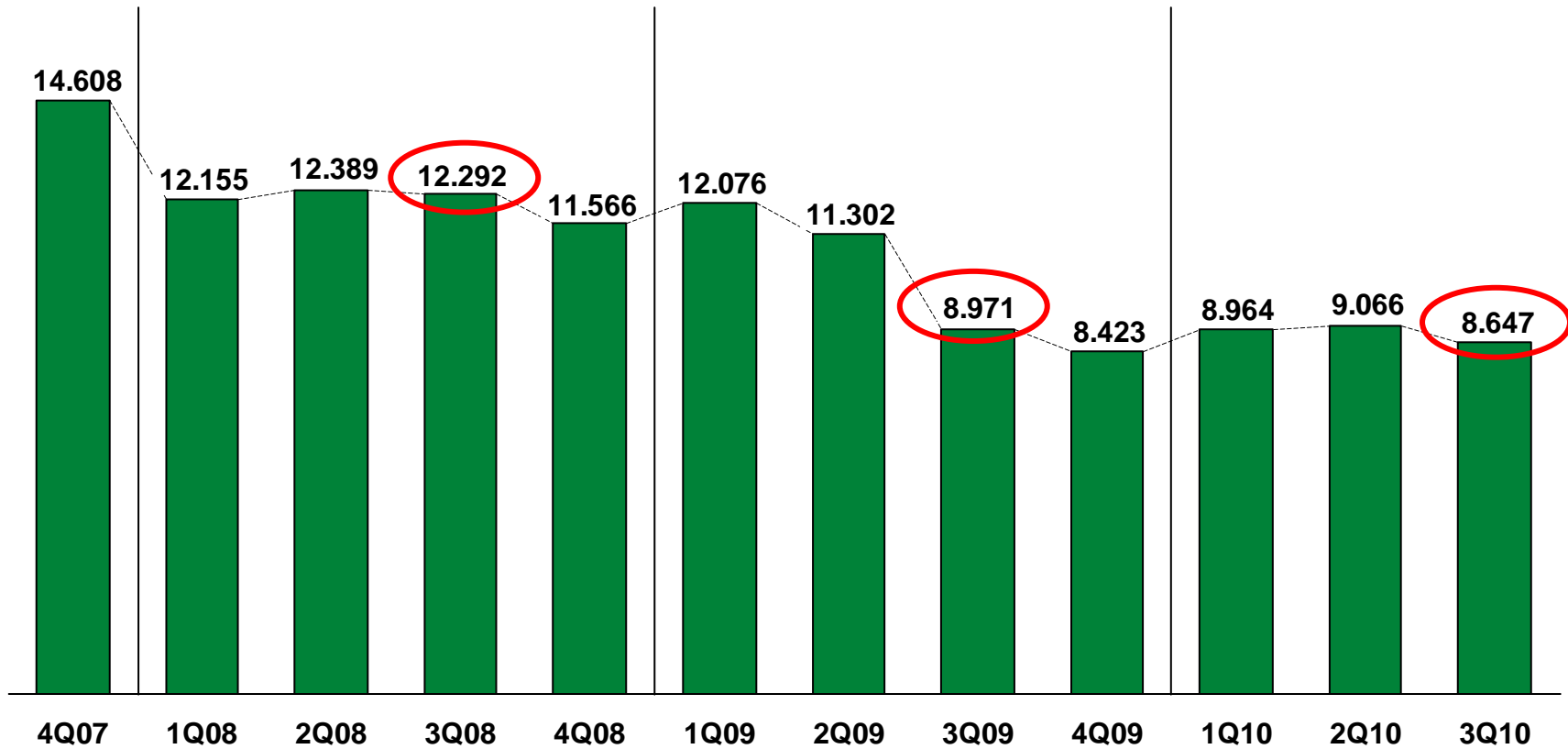


- Free credit lines (Total committed confirmed credit line EURm 3.000 restricted for guarantees EURm 341)
- Restricted cash
- Free cash

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# ■ EURbn 6 net debt reduction in the last 3 years!

EUR b



■ net debt (excl. puttable minorities)

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## Cash flow and deleveraging are top priorities

### Financial metrics consistently improved during the crisis:

	Q3 2008	Q3 2010
Net debt	EURm 12.292	EURm 8.647
Gearing	129%	71%
Net debt/LTM op. EBITDA	4.3x	4.0x

### Continued focus on cash generation and deleveraging:

- **EURm 600 cumulated cash savings targeted with FOX 2013 program**
- **Limited CapEx** with focus on growth markets - projects as published are included
- **Very selective approach to smaller fill-in acquisitions**
- **No aggressive leverage increasing acquisitions**
- **Limited dividends** – pay-out ratio to increase only mid-term
- **Disposals of non-core assets remain on our agenda – no fire sales!**

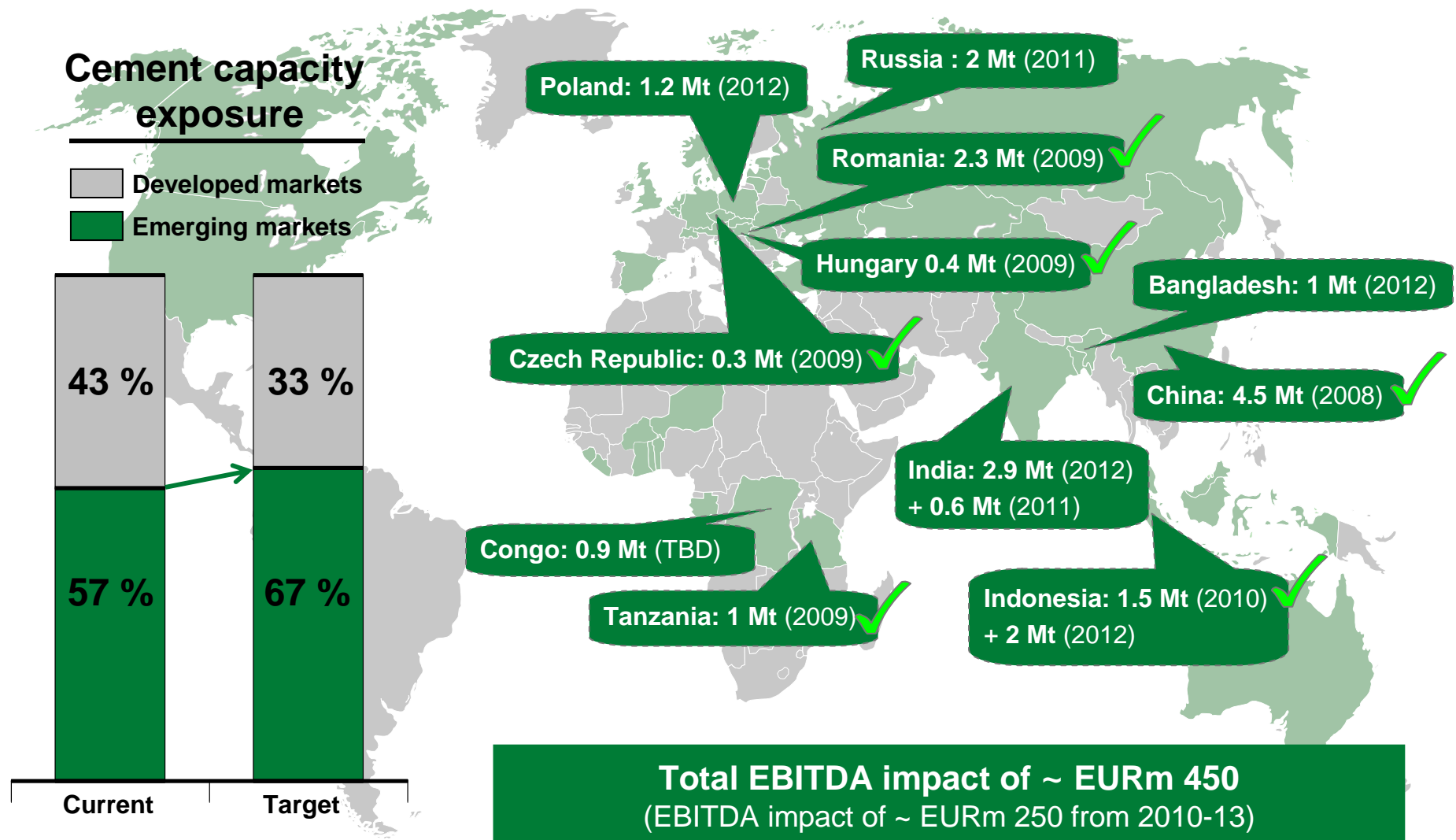
**Clear target:  
Return to investment grade credit metrics**

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# Continued focus on growth markets through the crisis

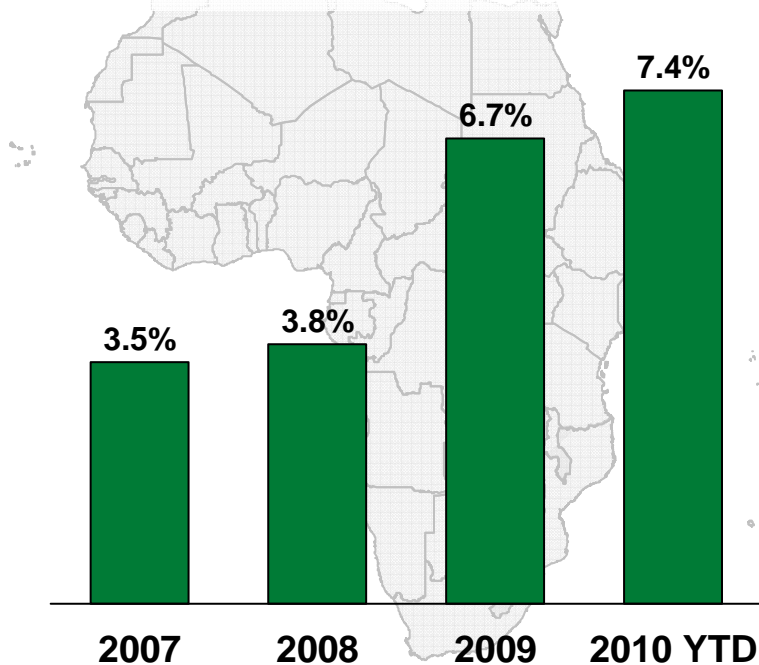


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# The emerging markets in Africa are a clear growth driver

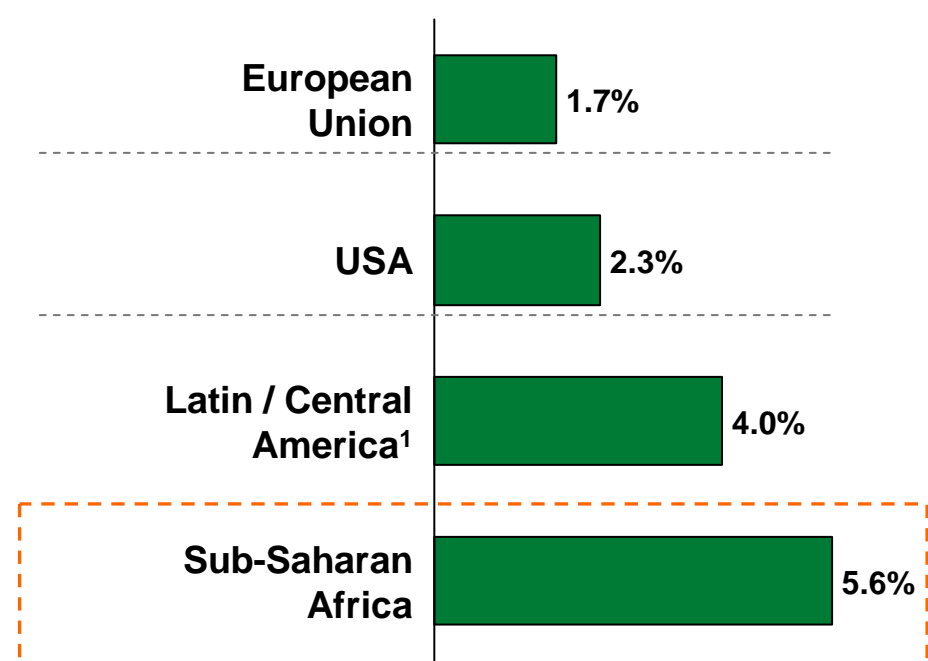
While we expand our exposure in Africa's emerging markets...

HC Africa share of Group Operating Income (in %)



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

Real GDP growth 2011e (in %)



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

1. Incl. Caribbean.

Source: IMF World Economic Outlook October Update 2010.

# Africa: Entry into DR Congo as market leader

Growth in Sub-Saharan Africa with local partners

## Democratic Republic of the Congo

- Partner with significant foothold in the DR Congo
- Partnership with largest private sector employer and industry leader Forrest Group (keeps 30% share)

### Assets

- Main capacity closest plant to Kinshasa with significant limestone reserves
- Expansion foreseen from 0.5 mty to > 1.4 mty

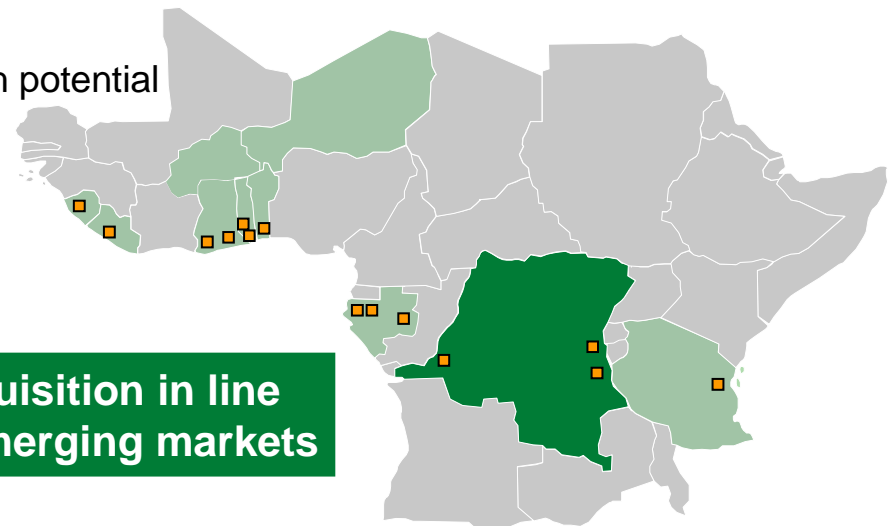
### Market perspectives attractive

- Optimisation of HeidelbergCement's Sub-Saharan African network
- Attractive market with double-digit growth in 2010
- Low per capita consumption with significant growth potential

### Financials

- Expected EBITDA: 31% ~ 33%
- Expected ROCE: 45% ~ 50%

**Compelling rationale for DR Congo acquisition in line with Group strategy to grow cement in emerging markets**



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## Market Outlook 2011

- The economic development in 2010 was overall better than expected, but growth forecasts (IMF) have been reduced for 2011 citing further risks from sovereign debt and weak consumers in the US
- **Asia:**
  - **China, Indonesia, Bangladesh:** Continued strong volume growth at attractive margins
  - **India:** Growth at lower margins
- **Australia:** Stable with strong margins; price increase targeted for 2011
- **Africa:** Above Sub-Saharan average growth expected in our core markets Tanzania, Ghana and DR Congo; strong pricing prevails
- **North America:**
  - **Canada:** Resource driven industry in Alberta, Saskatchewan and Manitoba
  - **USA:** Volume recovery expected to slowly continue, in particular also in California momentum visible. HC to benefit from presence in attractive regional markets (Northeast, Texas). Price increases launched in order to offset price erosion in core markets in 2010, rising input costs and NESHAP Capex

Note: Comments refer to year-on-year trends

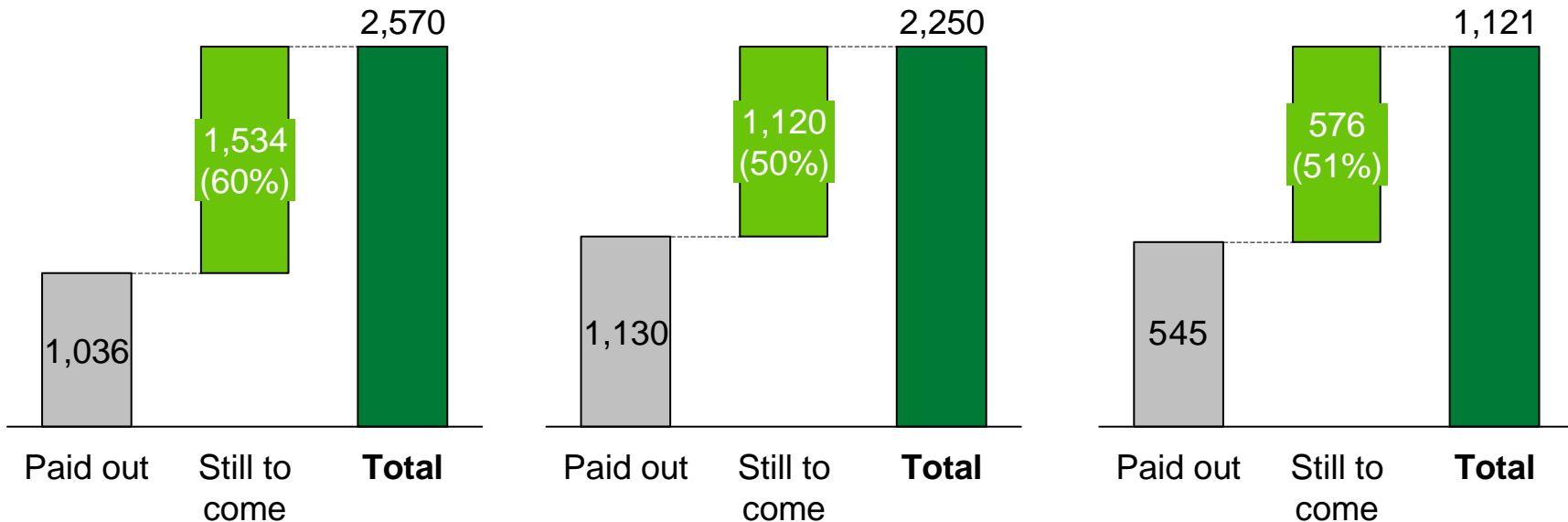
# Focus US: HeidelbergCement will still see significant ARRA impact in 2011

**California:**   
 ~60 % to come in 2011+

**Texas:**   
 ~50 % to come in 2011+

**New York:**   
 ~50 % to come in 2011+

ARRA Highway Stimulus data through November 2010 (in M\$)



**Our largest states still lag the national payout rate – substantial investments in 2011 expected**

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# ■ Market Outlook 2011

## ■ Western and Northern Europe:

- **UK:** Government budget cuts lower than expected; major transportation projects to be continued; pricing recovery in cement and concrete
- **Germany and Northern Europe:** Clear recovery led by sound economic development in Germany; positive volume and price trend for 2011
- **Benelux:** Slightly declining volume trends in Belgium and weak Dutch construction market lead to price pressure

## ■ Eastern Europe:

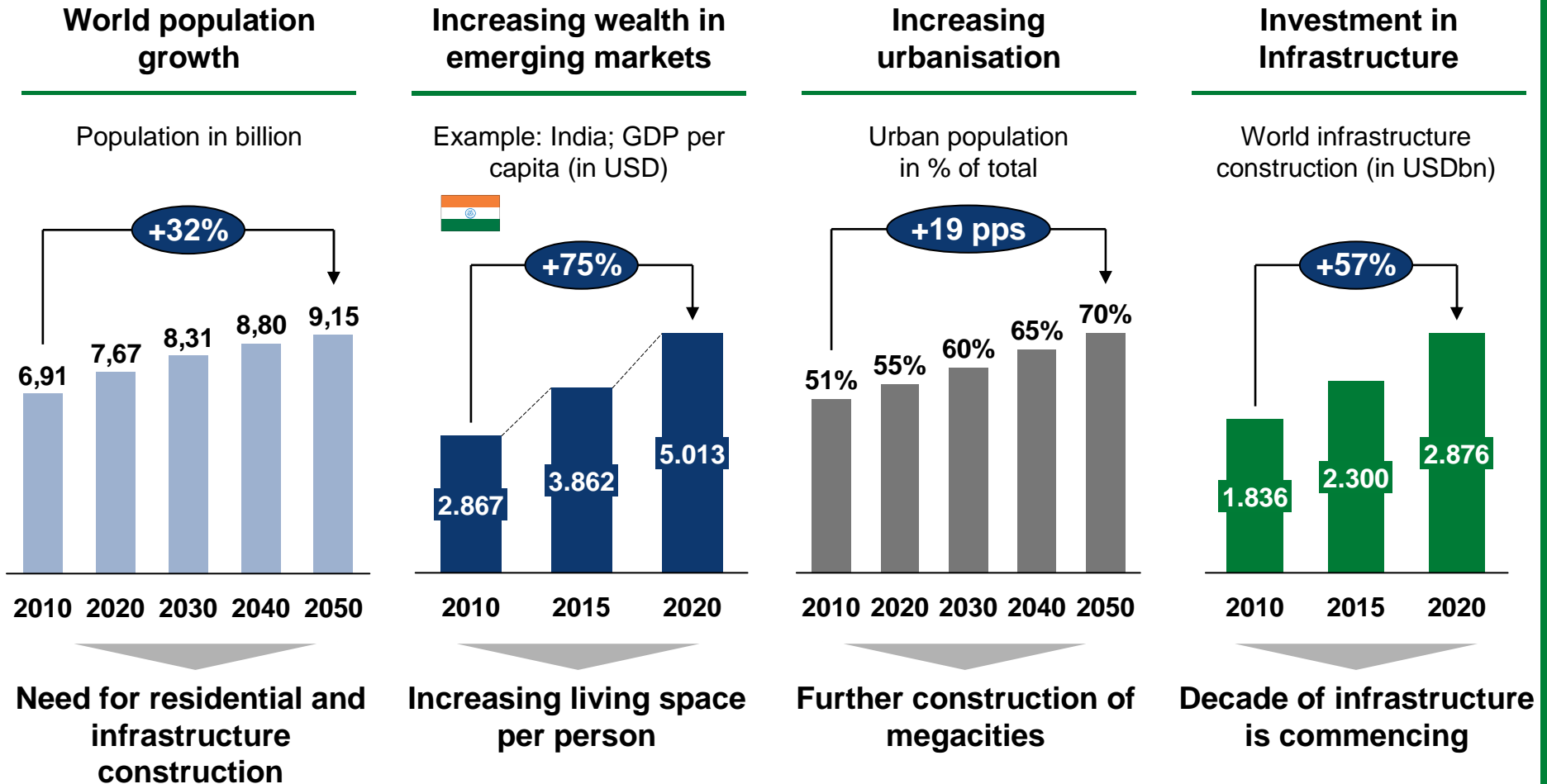
- **Poland:** Regaining momentum to pre-crisis growth
- **Czech Republic:** Turning positive in the second half 2011, pulled by German economy
- **Hungary, Romania:** Still weak, no trend change visible

## ■ Central Asia: Cement volumes coming back, price recovery starting in Russia, Ukraine, Georgia and Kazakhstan

Note: Comments refer to year-on-year trends

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# 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 (excluding Goodwill) + 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

## Event calendar

March 17, 2011	2010 Annual results
May 05, 2011	Annual General Meeting
May 05, 2011	2011 First quarter results

## Contact information

### Corporate Communications

#### **Mr. Andreas Schaller**

Phone: +49 (0) 6221 481 249

Fax: +49 (0) 6221 481 217

[info@heidelbergcement.com](mailto:info@heidelbergcement.com)

### Investor Relations

#### **Mr. Ozan Kacar**

Phone: +49 (0) 6221 481 925

Fax: +49 (0) 6221 481 217

#### **Mr. Steffen Schebesta**

Phone: +49 (0) 6221 481 9568

Fax: +49 (0) 6221 481 217

[Ir-info@heidelbergcement.com](mailto:Ir-info@heidelbergcement.com)

[www.heidelbergcement.com](http://www.heidelbergcement.com)

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## Safe Harbour Statement

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

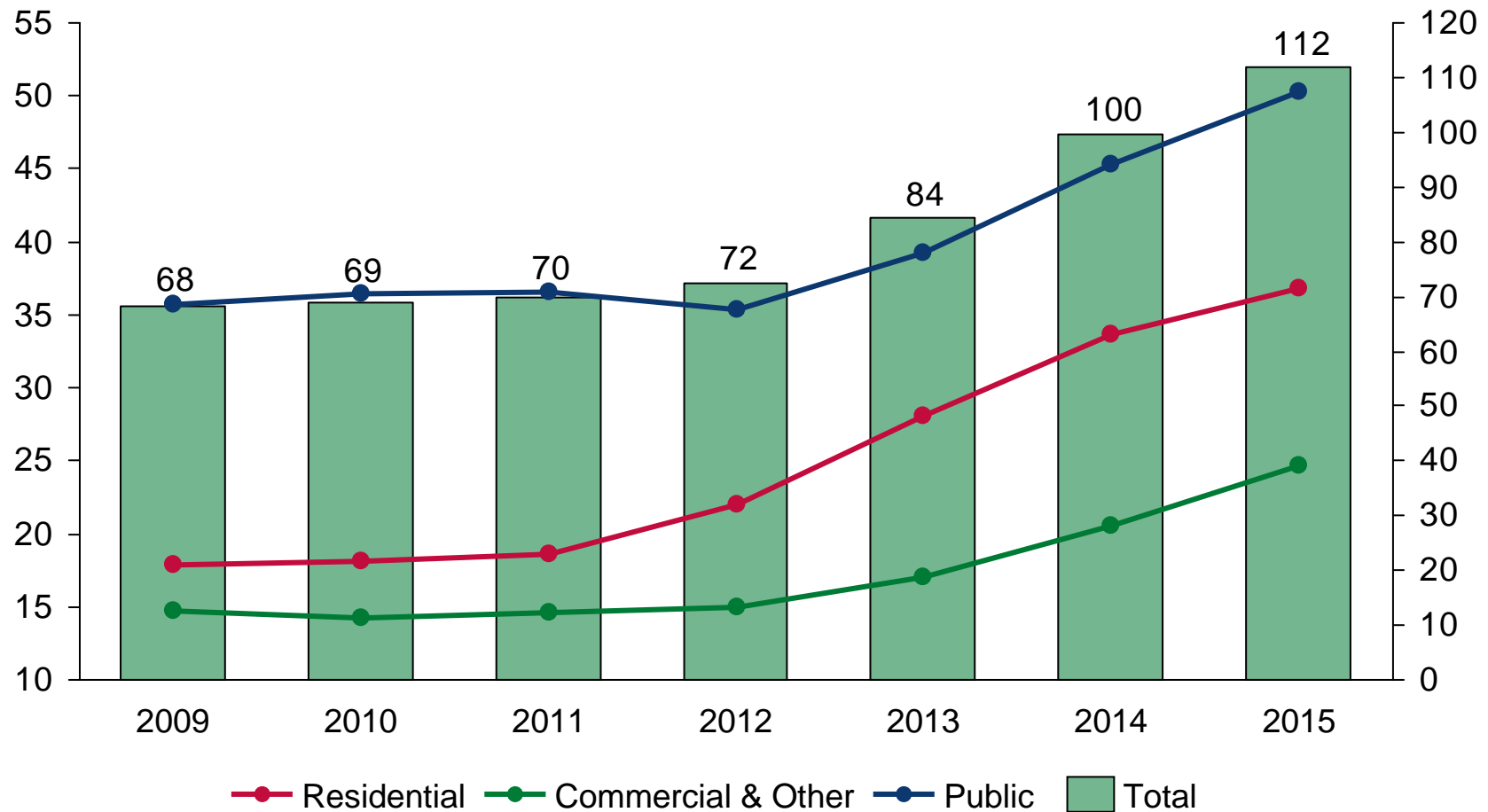
This presentation contains forward-looking statements and information. Forward-looking statements and information are statements that are not historical facts, related to future, not past, events. They include statements about our beliefs and expectations and the assumptions underlying them. These statements 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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# Positive mid-term outlook for U.S. cement consumption from PCA

PCA Fall Forecast – U.S. Cement Consumption ('000t)



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