

HEIDELBERGCEMENT

Analyst Day 2010:

North America: Accelerating out of the recession

Heidelberg, May 19, 2010

Dr. Dominik von Achten

Member of the Managing Board



Economic Environment in North America: A mixed picture

HC's perception of the economic situation in 2010



Residential construction: +5 to +10%

- More robust with housing starts expected to increase by 8% to 595k in 2010



Commercial construction: -12 to -30%

- Contraction expected in 2010, with very modest growth not resuming until 2012.
- Funding for projects continues to be slow.



Public/Infrastructure construction +0,3 to +1,1%

- Markets are supported by ARRA funds and will form the foundation of the industry in 2010
- State funded public works will continue to be under pressure, with state finances suffering from the effects of a weaker economy.

Relevance of segment for Bus. Line	
Cement/ Concrete	Aggregates
~30%	~10%
~15%	~30%
~45%	~50%

(other*: 10%, source: PCA, HC)

→ Markets and prices flat in 2010 – volumes picking up

- Markets seem to have reached bottom, moderate and selective upside potential in 2010
- Pricing will remain challenging – we advance where possible
- Positive volume trends in March / April

Sources: City Group, March 2010, PCA April 2010

*other: Agriculture, oil & gas wells, public utility, special applications

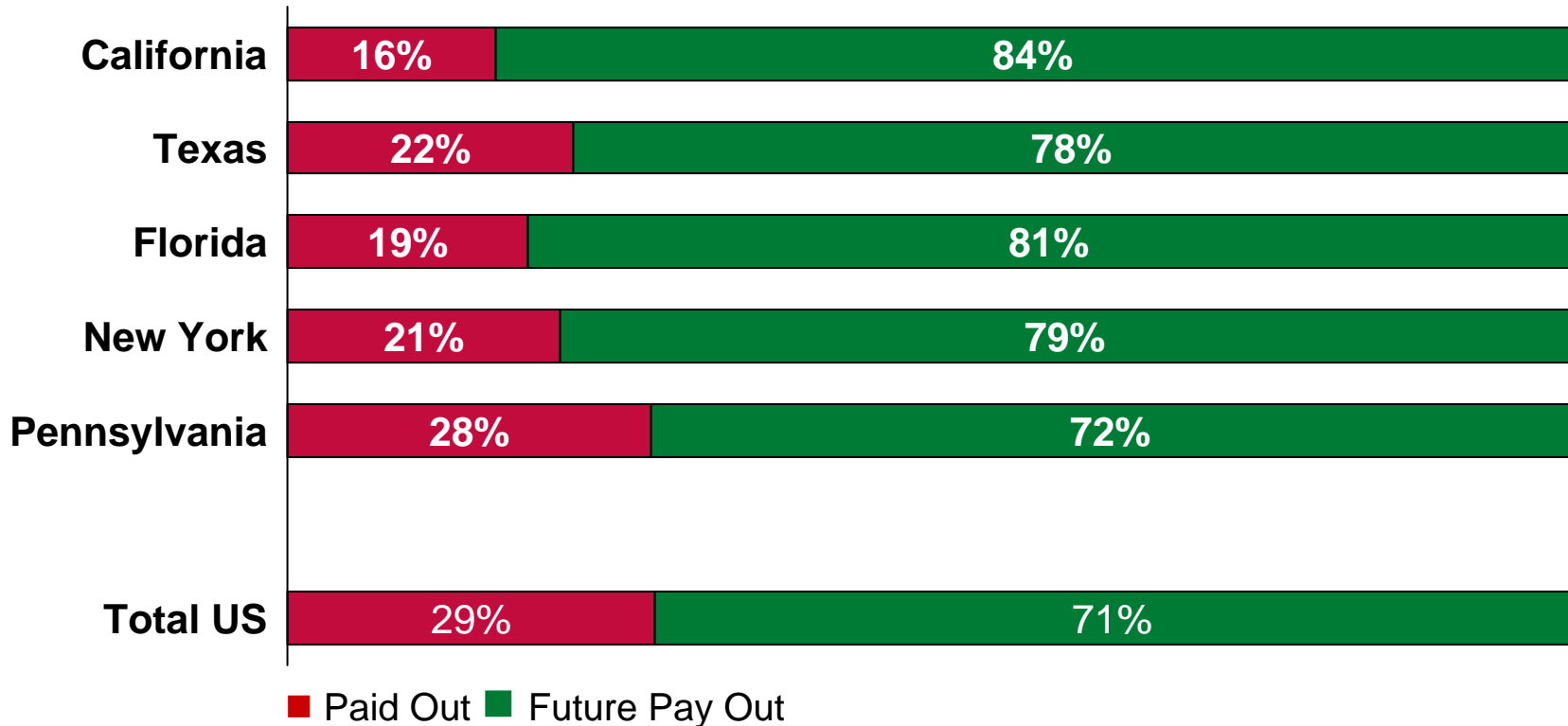
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ARRA – Pay outs in our states to come

ARRA pay out ratios for HeidelbergCement's key states in the USA*



- **Upside:** Most of the funding is obligated (97% total), while pay out ratio for the whole of the US is only ~ 28,6 % until today
- **Downside:** The impact of the stimulus will continue to be highly depending on the economic situation of the individual states and their investment policy in infrastructure

*Source: PCA, May 2010

We have a clear focus on the industry's key success factors

- 1 Assets**
 - One of the largest integrated players in America
 - Best regionally diversified footprint
- 2 Market**

Strong regional market presence - top 3 in almost all markets and often market leader
- 3 Costs**

Tight management in both, operations and SG&A
- 4 Reserves**

Top reserve lifetimes in all business lines
- 5 Management**

Proven record in managing economic cycles

HeidelbergCement with a strong asset base

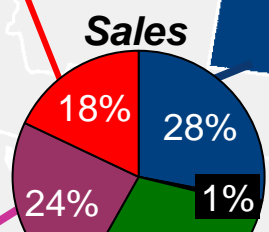
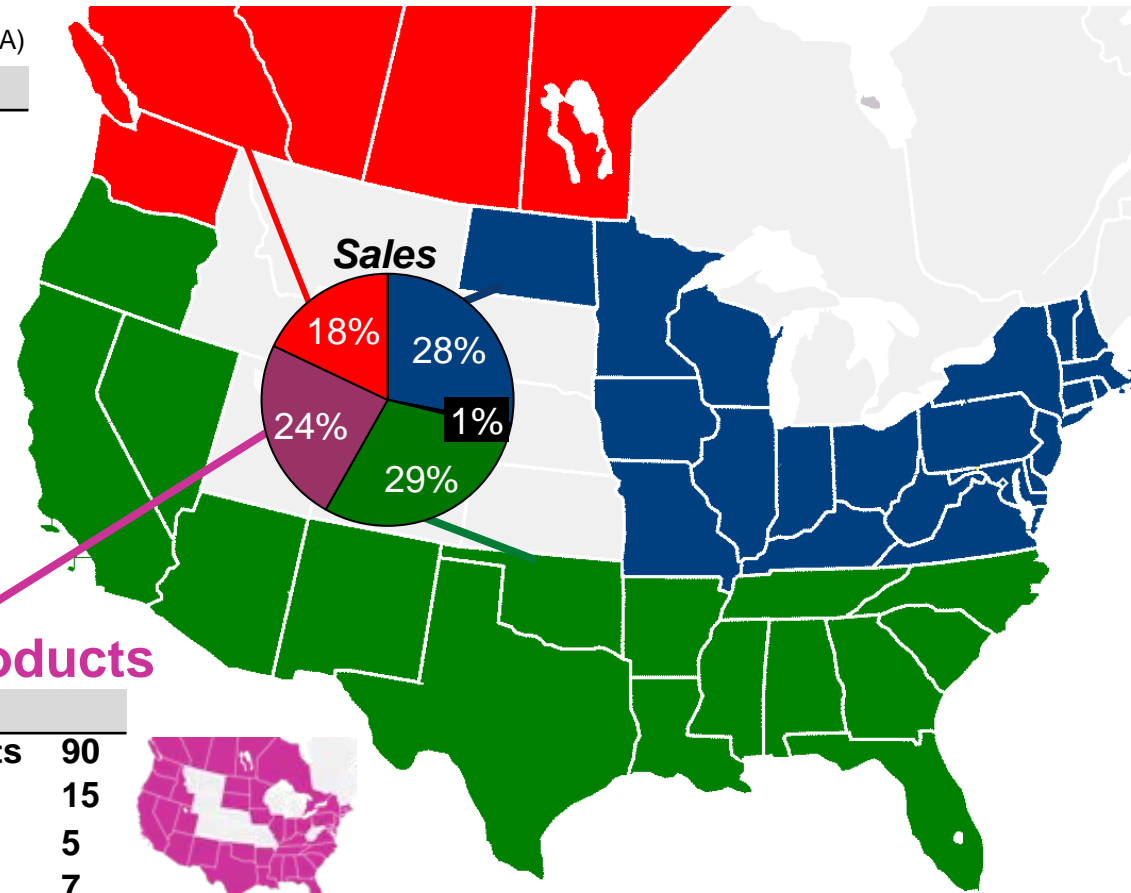
- Turnover 2009: \$ 4 billion
- Employees: 14,000
- ~ 600 locations in attractive urban areas across North America

Canada (incl. WA)

Nr. of Plants	
Cement	
- Clinker	2
- Grinding	1
- Terminals	8
Aggregates	39
RMC	53

North

Nr. of Plants	
Cement	
- Clinker	6
- Grinding	1
- Terminals	15
Aggregates	92
RMC	20
Asphalt	21



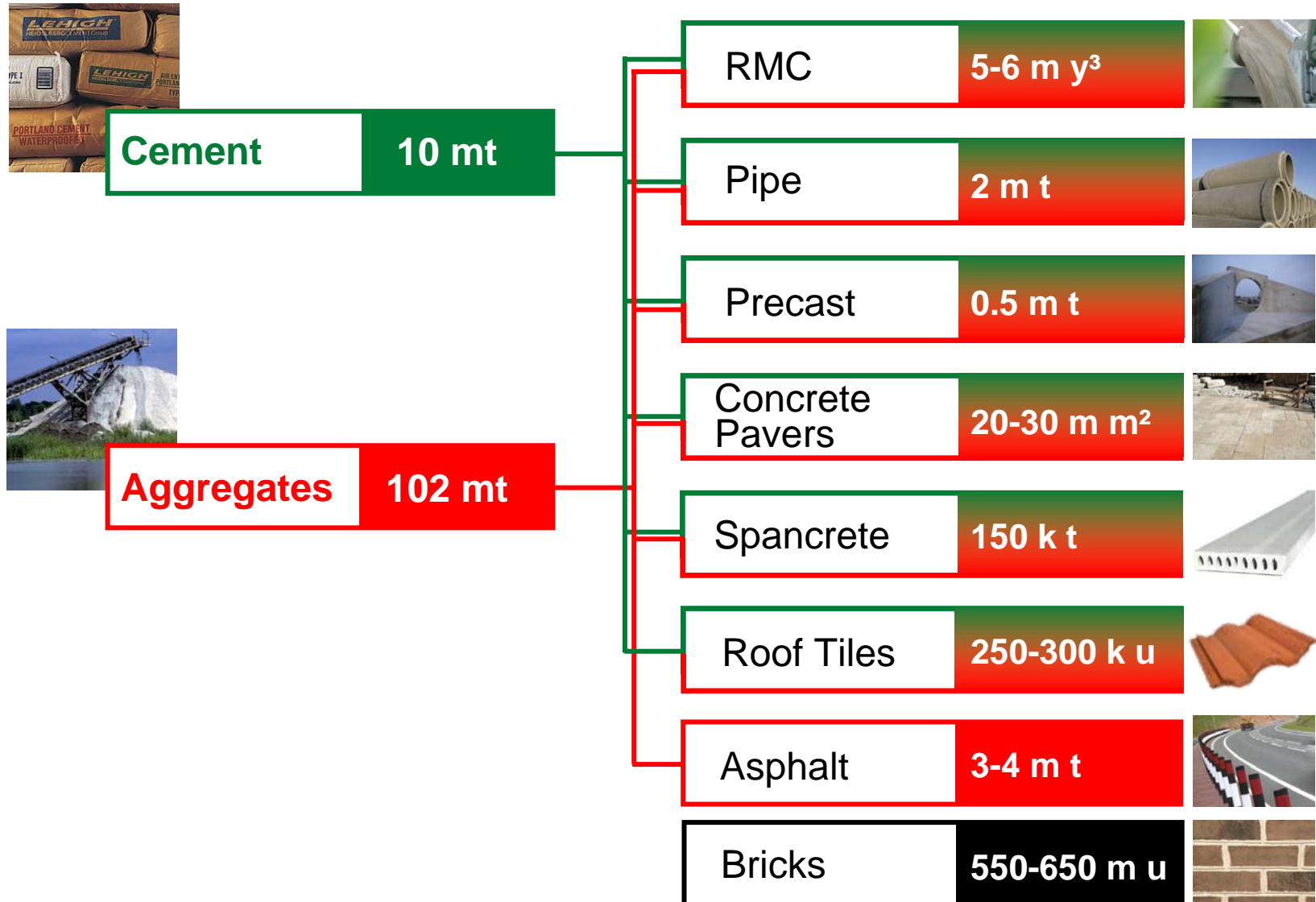
Building Products

Nr. of Plants	
Concrete products	90
Brick	15
Roof Tiles	5
Pavers	7

South-West

Nr. of Plants	
Cement	
- Production	6
- Terminals	21
Aggregates	92
RMC	85
Asphalt	13

Key supplier in North America – vertically integrated



Reaping value from vertical integration

Example: Product Synergies for supplying the construction of a power plant

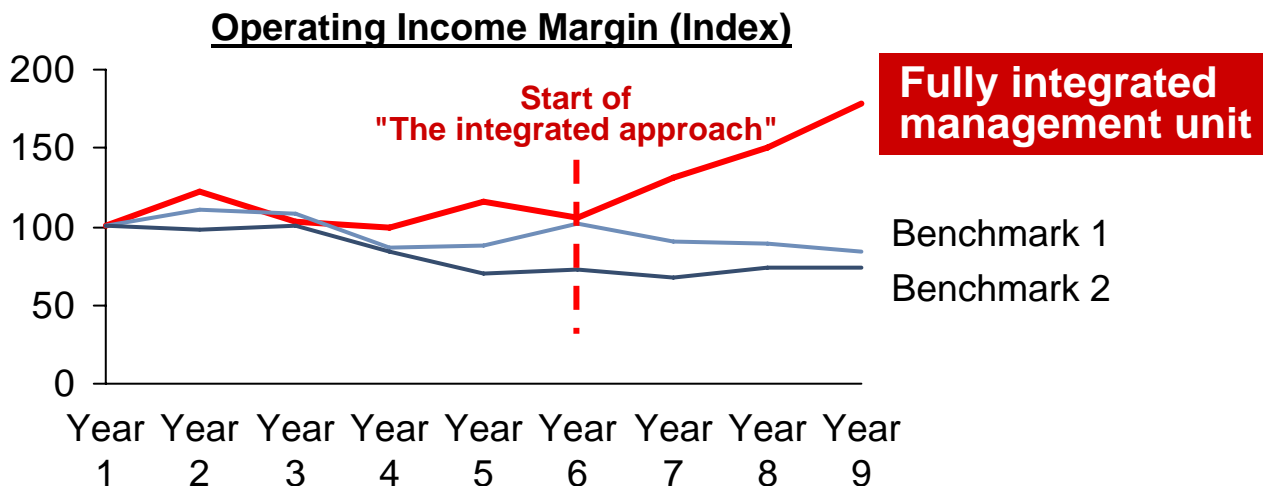
- Cement
- Aggregates
- Concrete
- Pressure Pipe
- Gravity Pipe
- Precast Concrete

Products supplied by HeidelbergCement

Concrete: 860,000 y³ per plant
Pipes: 20 miles per plant



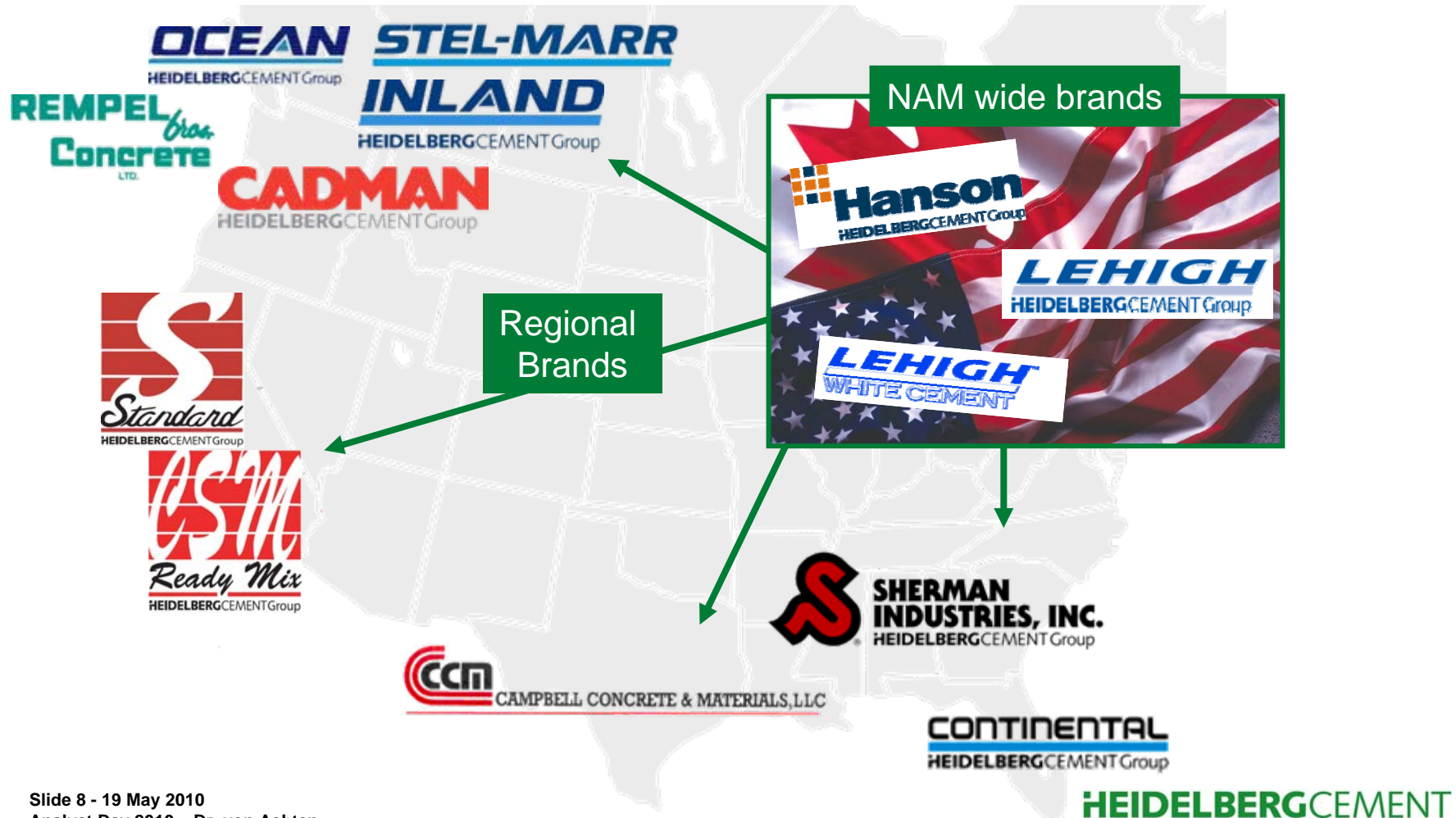
Example: Historic HeidelbergCement analysis demonstrates the value of an integrated management approach in regional business units



A strong customer base

Recognition as reliable and efficient producer throughout North America for >100 years

- **National brands:** Reliability and capabilities of a national industry champion
- **Local brands:** Trustful relationships with local customers
- **HeidelbergCement brand family:** Leveraging the know-how of a global player

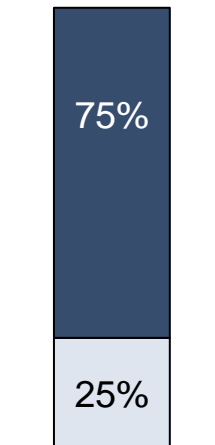


Strong market positions in regional markets

Cement

75%

of sales in markets
where HC has
top 3 position

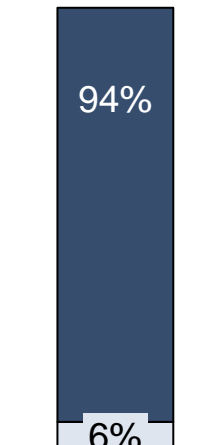


Sales
in NAM

Aggregates

94%

of sales in markets
where HC has
top 3 position

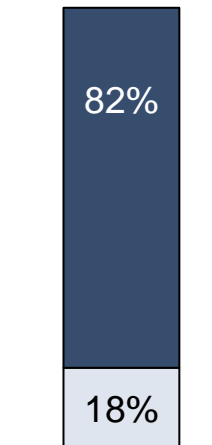


Sales
in NAM

RMC

82%

of sales in markets
where HC has
top 3 position

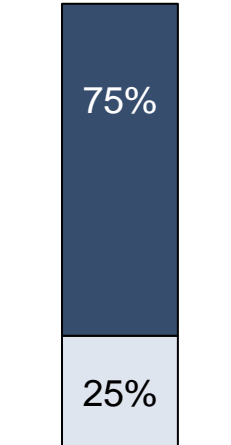


Sales
in NAM

Asphalt

75%

of sales in markets
where HC has
top 3 position



Sales
in NAM

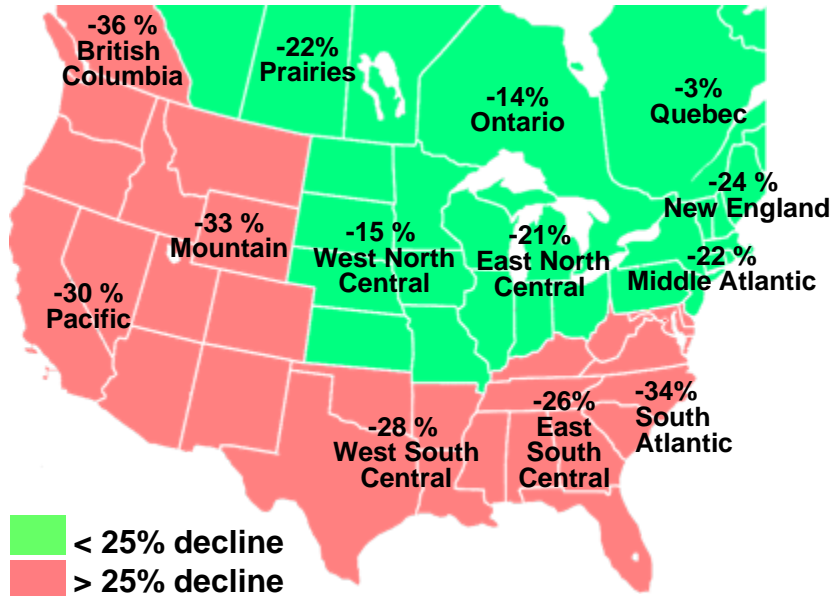
■ HC TOP 3 ■ HC Nr. 4+

% figures represent sold volumes

→ Market shares maintained during recession!

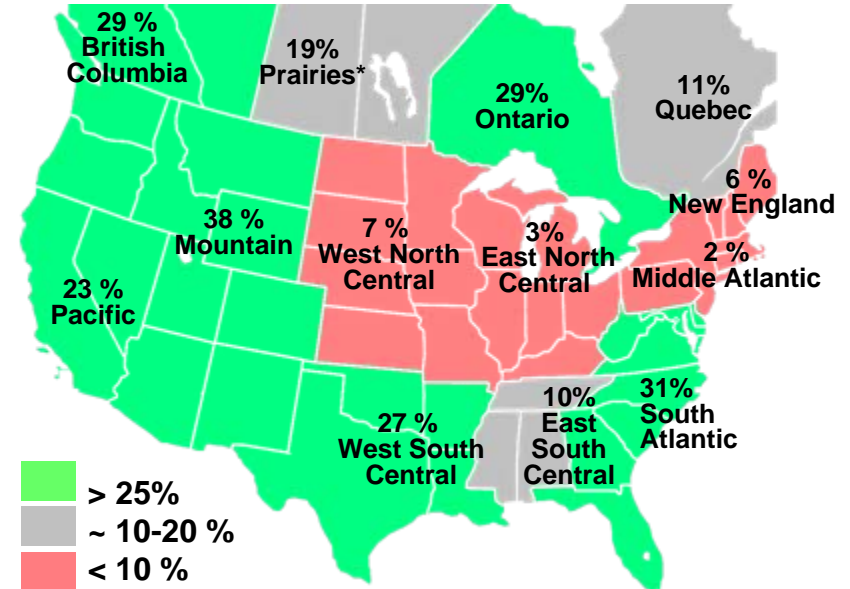
A geographically balanced footprint is key

Cement consumption 2009 vs. 2008



Population growth next 20 years

(US: 2010-2030, CA: 2005-3021)



HeidelbergCement with best geographically balanced footprint in the industry



*Alberta: 27%, Saskatchewan: -2%, Manitoba: 13%
 Sources: PCA, Statistics Canada, U.S. Census Bureau
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2010 WIN project: SG&A down another 50 m USD

Scope:

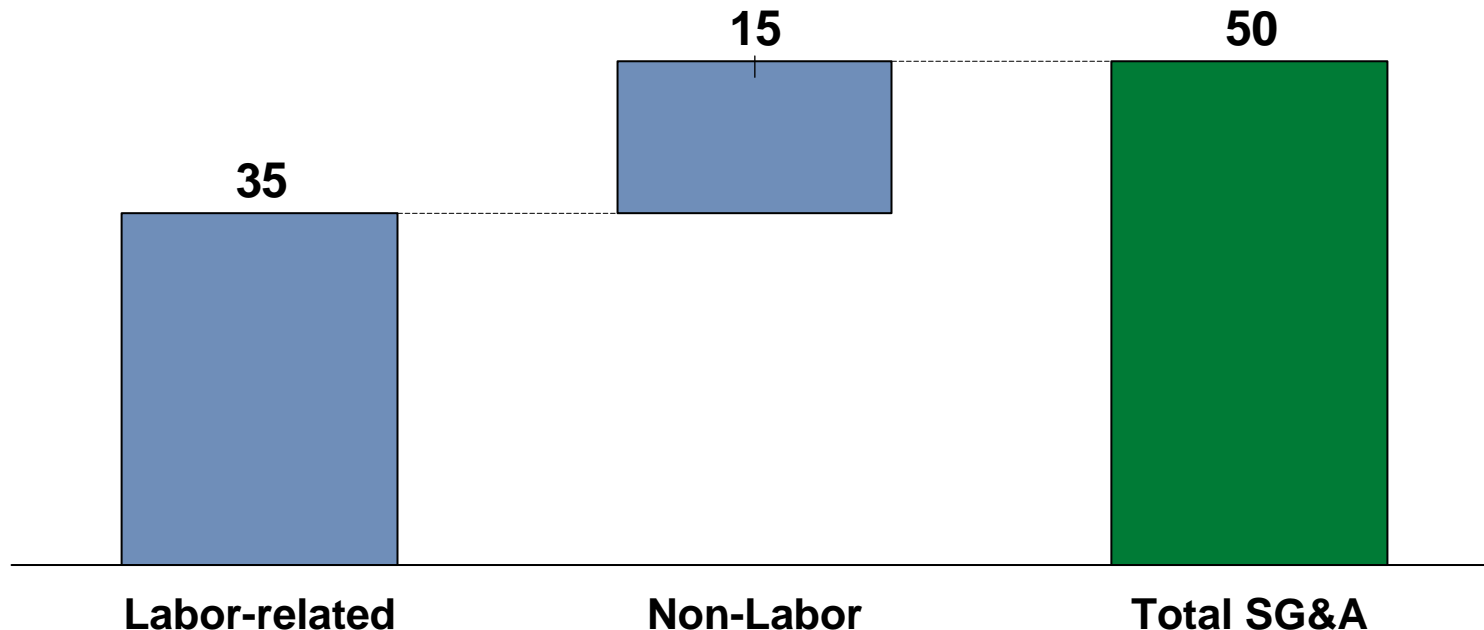
- All regional and central headquarters (SG&A)
- Both, labor and non-labor cost in focus

Timing: Q1/Q2 2010

Results:

- SG&A reduced by ~50 m USD – On top of integration and 3 y. cost reductions!
- Minimum of 50% expected to impact P+L in 2010

Cost reductions in million \$



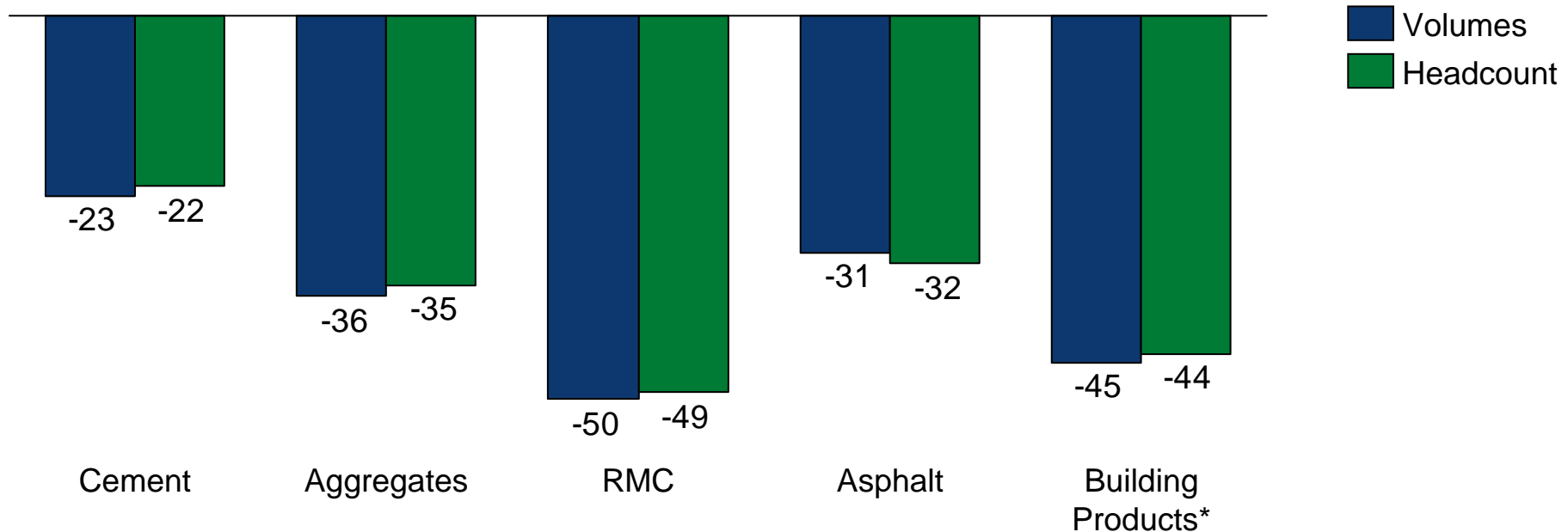
Source: HeidelbergCement

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Rigid and pro-active cost control

Volume and FTE development in %
between start of recession (~ AUG 2007) and end of 2009



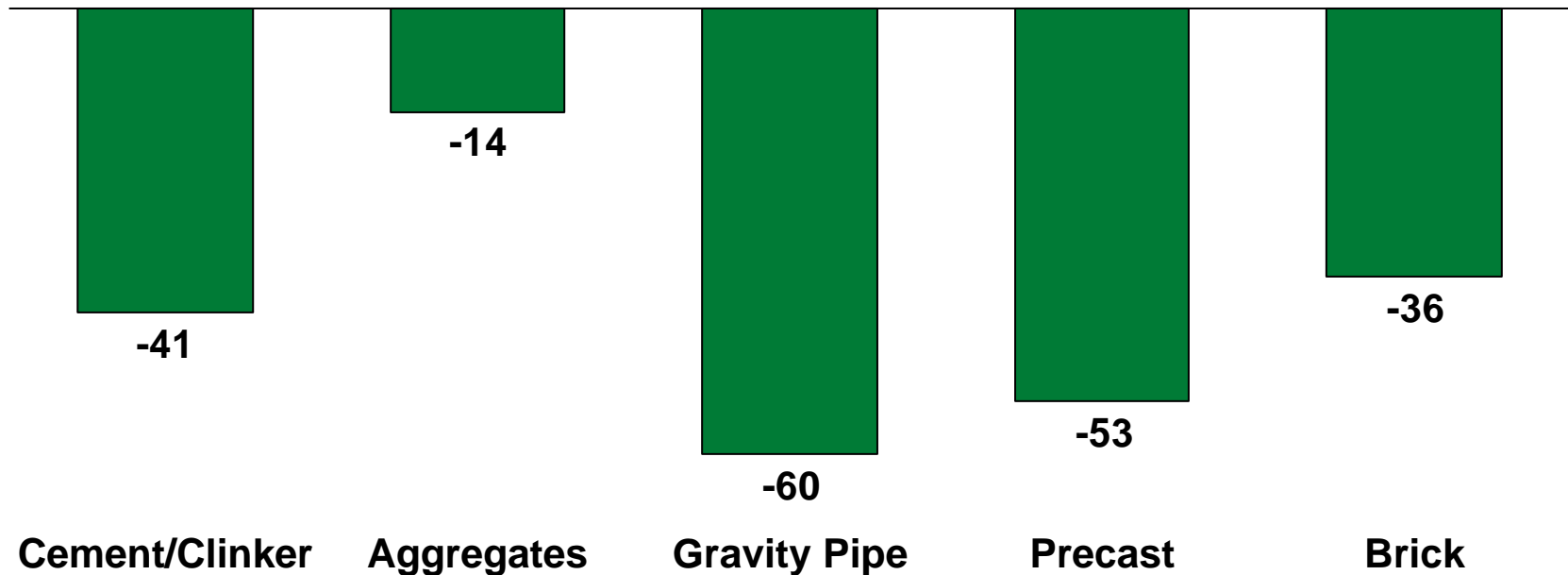
*BP volumes varying between products: -40 to -45

Reducing profit but generating cash: Inventory management

Strong cyclical cash management

Inventory Reductions 2009 vs. 2008

(volume reductions in %)

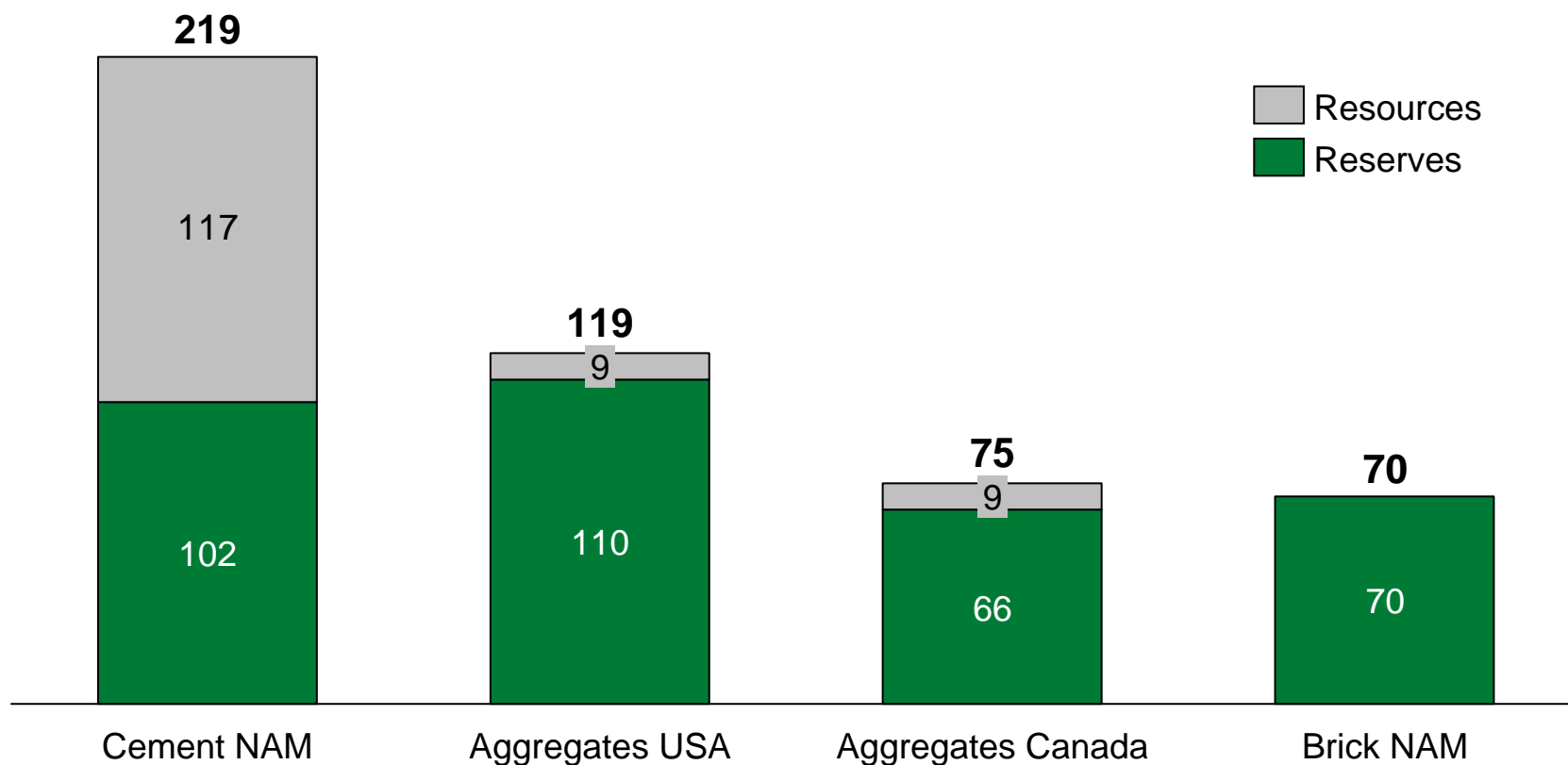


Leads to substantially increased cash flow

HC with very sustainable reserves in all business lines

Lifetimes of Reserves and Resources as on Dec. 31st 2009

(based on 3-year average production volumes of the years 2009, 2008, 2007)



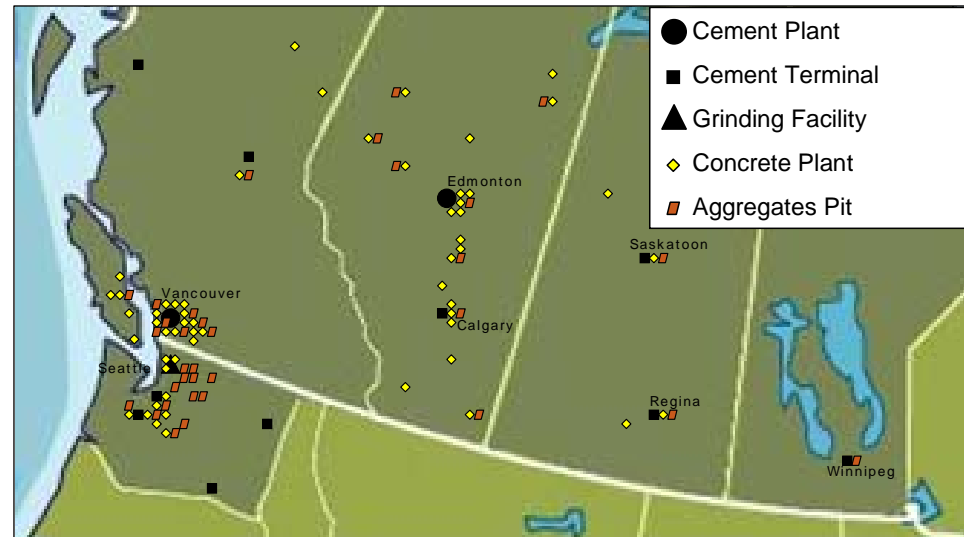
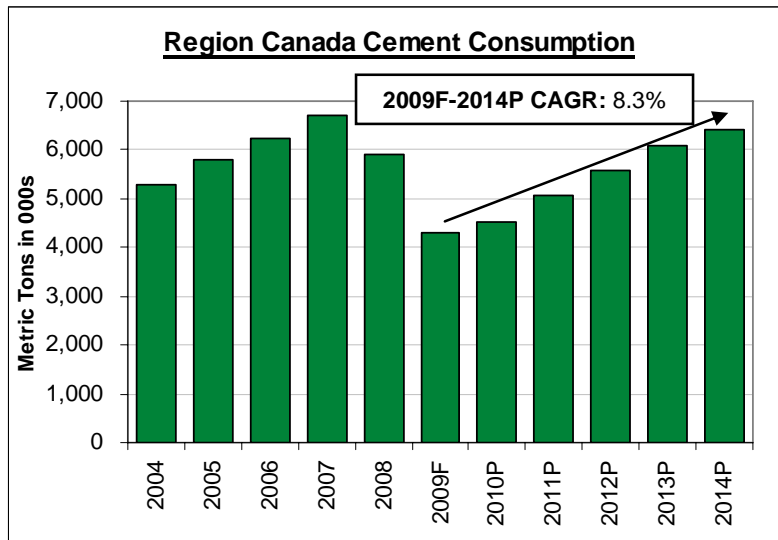
Canada: A strong footprint in a strong economy

Economic Outlook 2010

- **GDP: +2,7**
- **Construction spend: +5,8%**
 - Residential: +9,8 %
 - Non-Residential: -1,5 %
 - Infrastructure: +5,5 %
- **Cement: +5,3 %**

HC asset base in Canada

- **Cement**
 - Clinker 2
 - Grinding 1
 - Terminals 8
- **Aggregates** 39
- **RMC** 53



Building Products: What does that include?

1. Heavy building materials

Gravity pipe



Applications e.g.

- Culverts
- Groundwater recharge systems
- Highway culverts
- ...

Precast Structural precast Spancrete



Applications e.g.

- Modular Bridges
- Highway Noise Barriers
- Tunnel Segments
- ...

Pressure pipe



Applications e.g.

- Cooling water lines
- Irrigation water delivery lines
- Industrial pressure lines
- Raw water intake and discharge lines
- ...

Steel pressure pipe



Applications e.g.

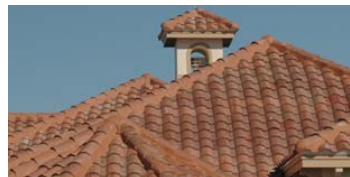
- Power plant piping
- Treated water transmission
- Raw water transmission
- ...

2. Light building materials

Bricks



Roof Tiles



Pavers

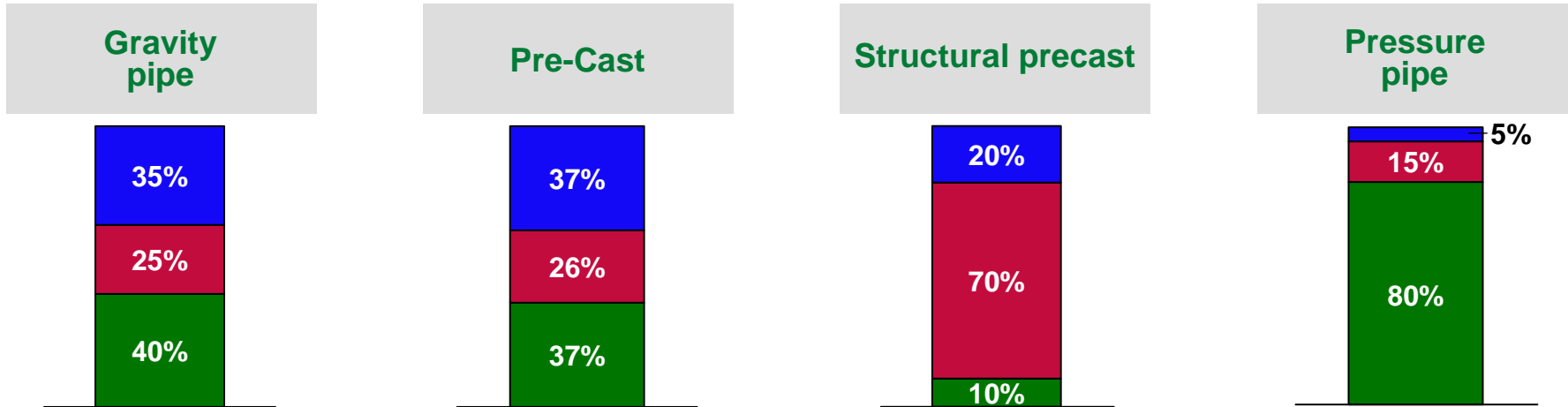


Applications: Light building materials are used for residential and commercial construction projects.

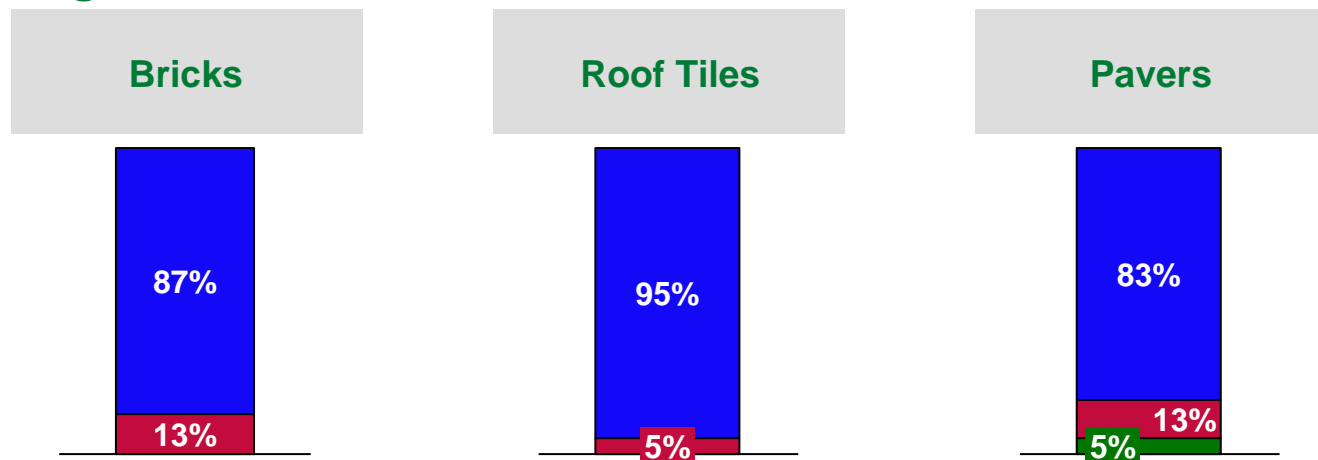
Building products: Market structure differs between product lines

Construction market exposure: ■ Residential ■ Commercial ■ Infrastructure

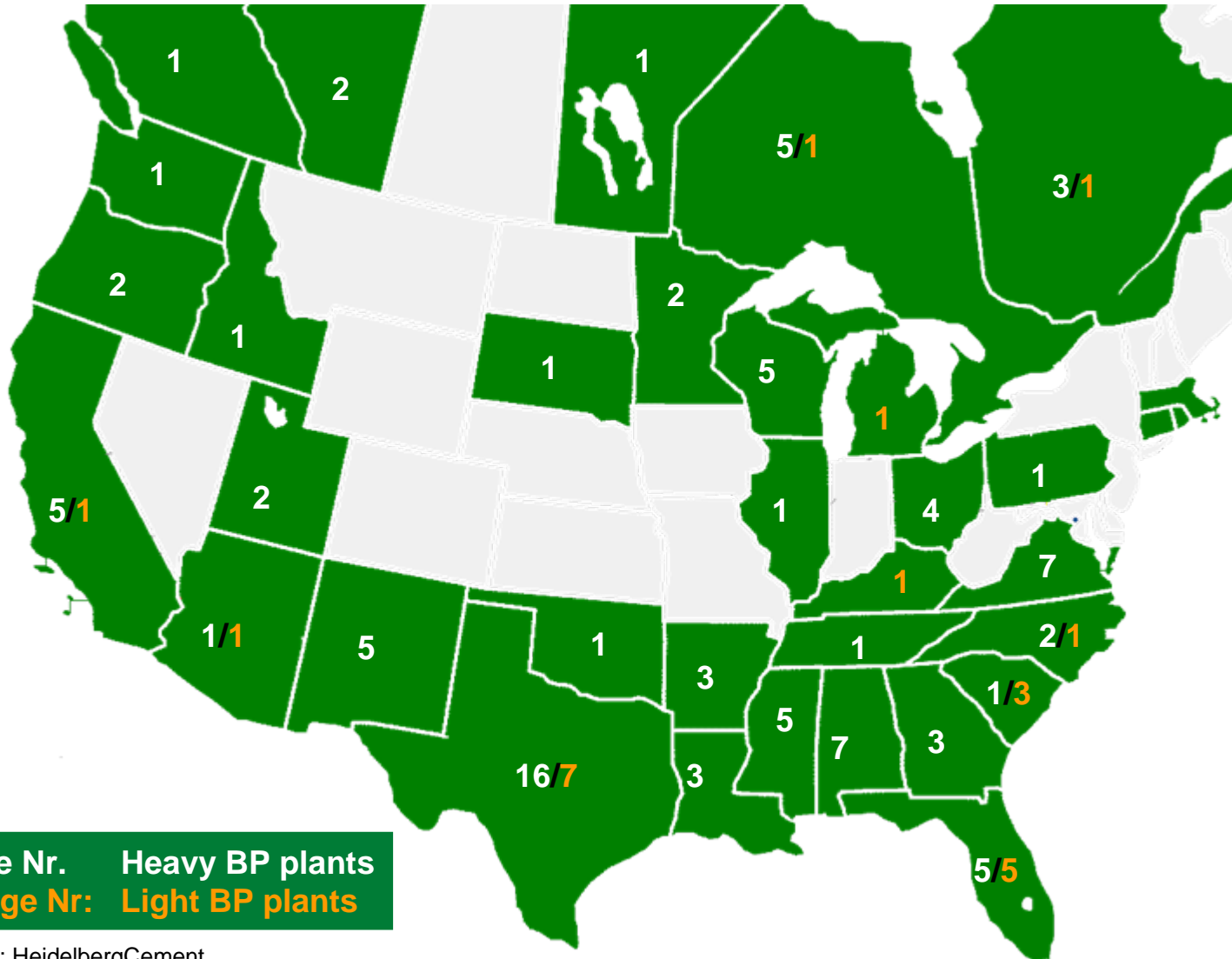
1. Heavy building materials



2. Light building materials



Building Products: National coverage with regional strongholds

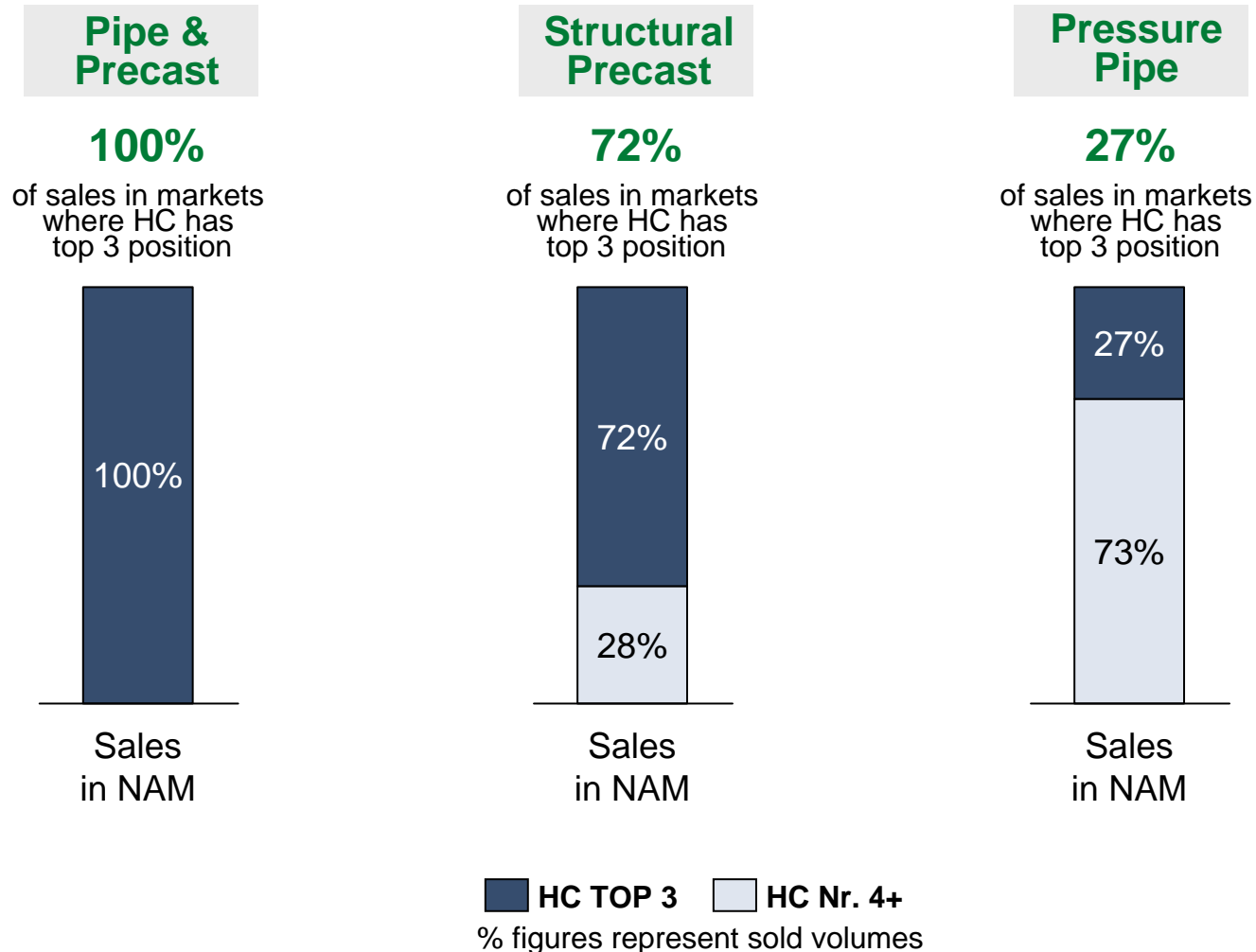


Maryland: 1
 Connecticut: 1
 Rhode Island: 1

White Nr. Heavy BP plants
Orange Nr. Light BP plants

Building Products: Strong market positions in regional markets (1)

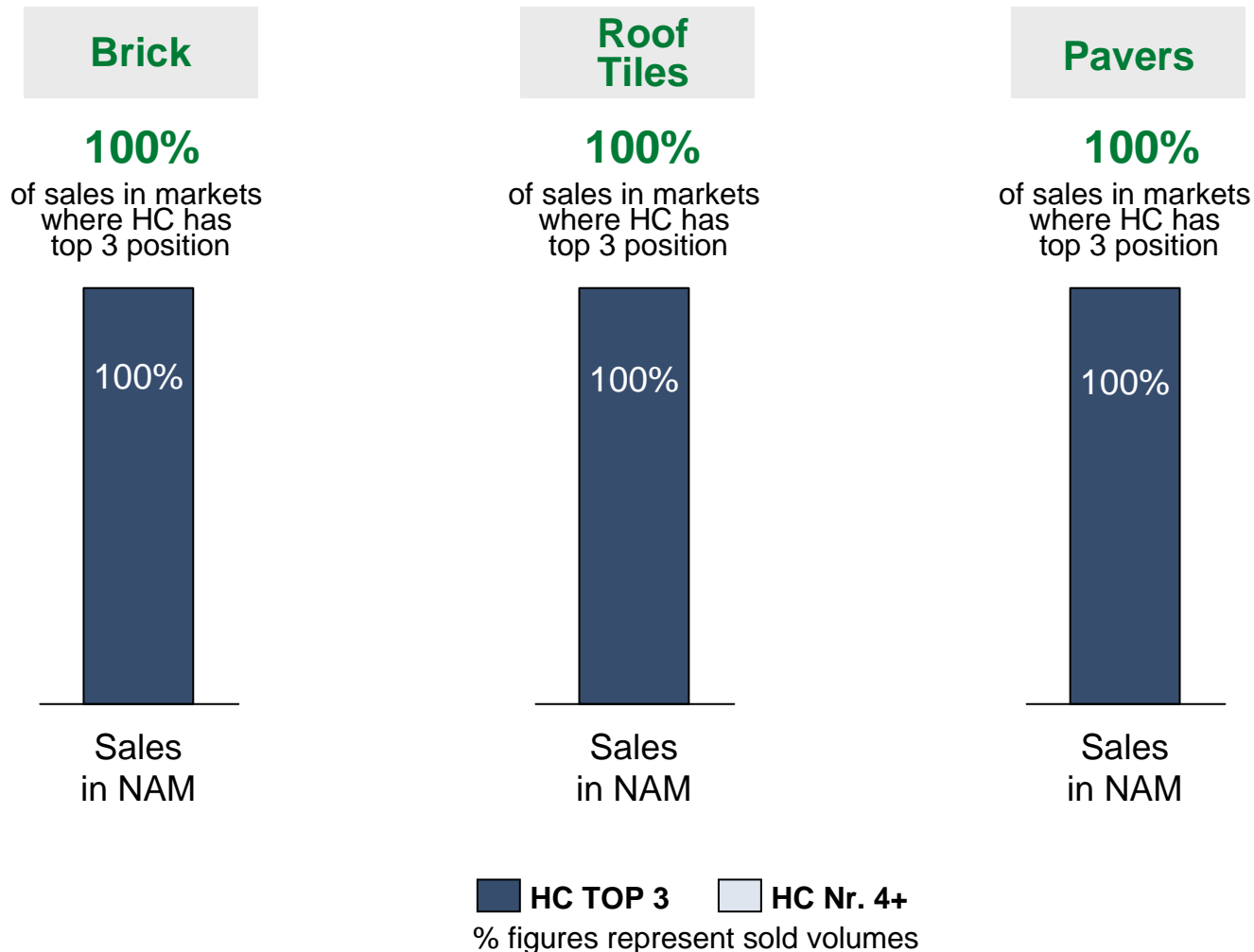
1. Heavy building materials



→ Market shares maintained during recession!

Building Products: Strong market positions in regional markets (2)

2. Light building materials



→ Market shares maintained during recession!

Pressure pipe deep dive

Pressure and Steel Pipes: They carry our main products

Pre-stressed Concrete Embedded Cylinder Pipe



E-301

Bar-Wrapped Cylinder Concrete Pipe



B-303

Pre-stressed Concrete Lined Cylinder Pipe

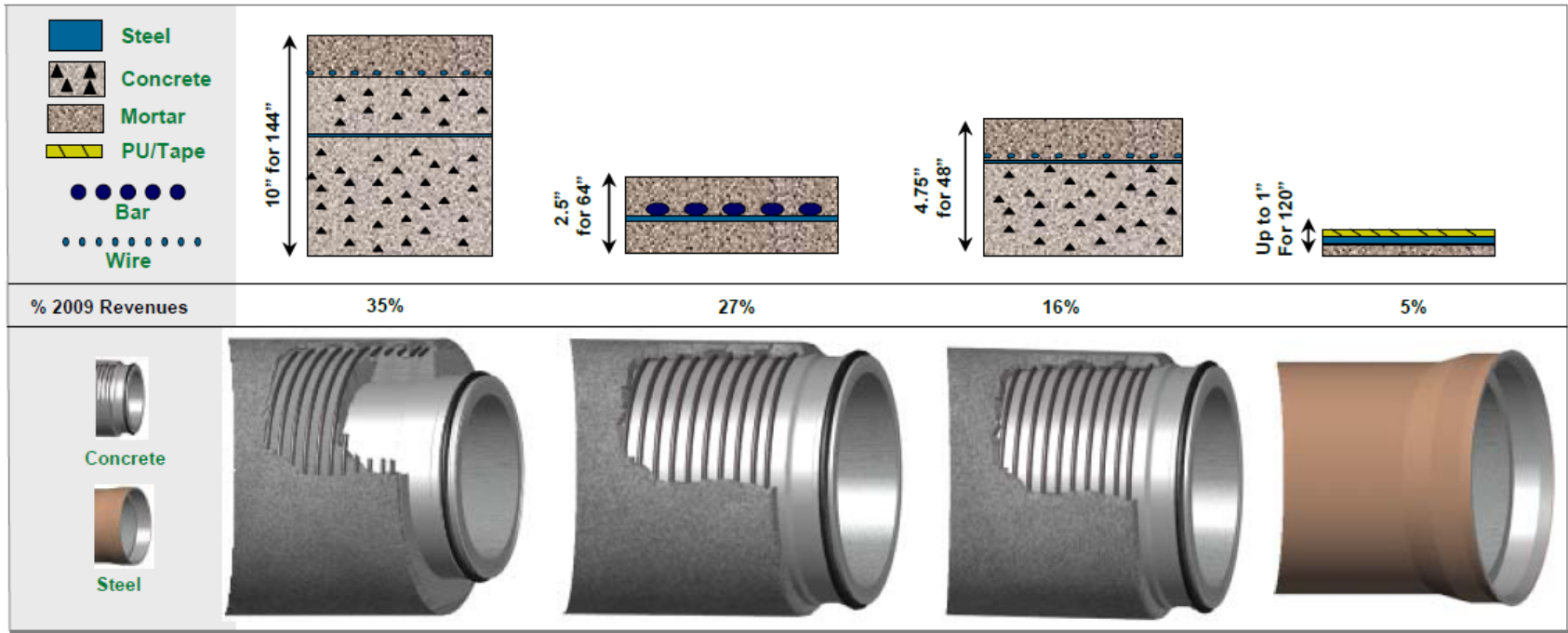


L-301

Welded Steel Pipe

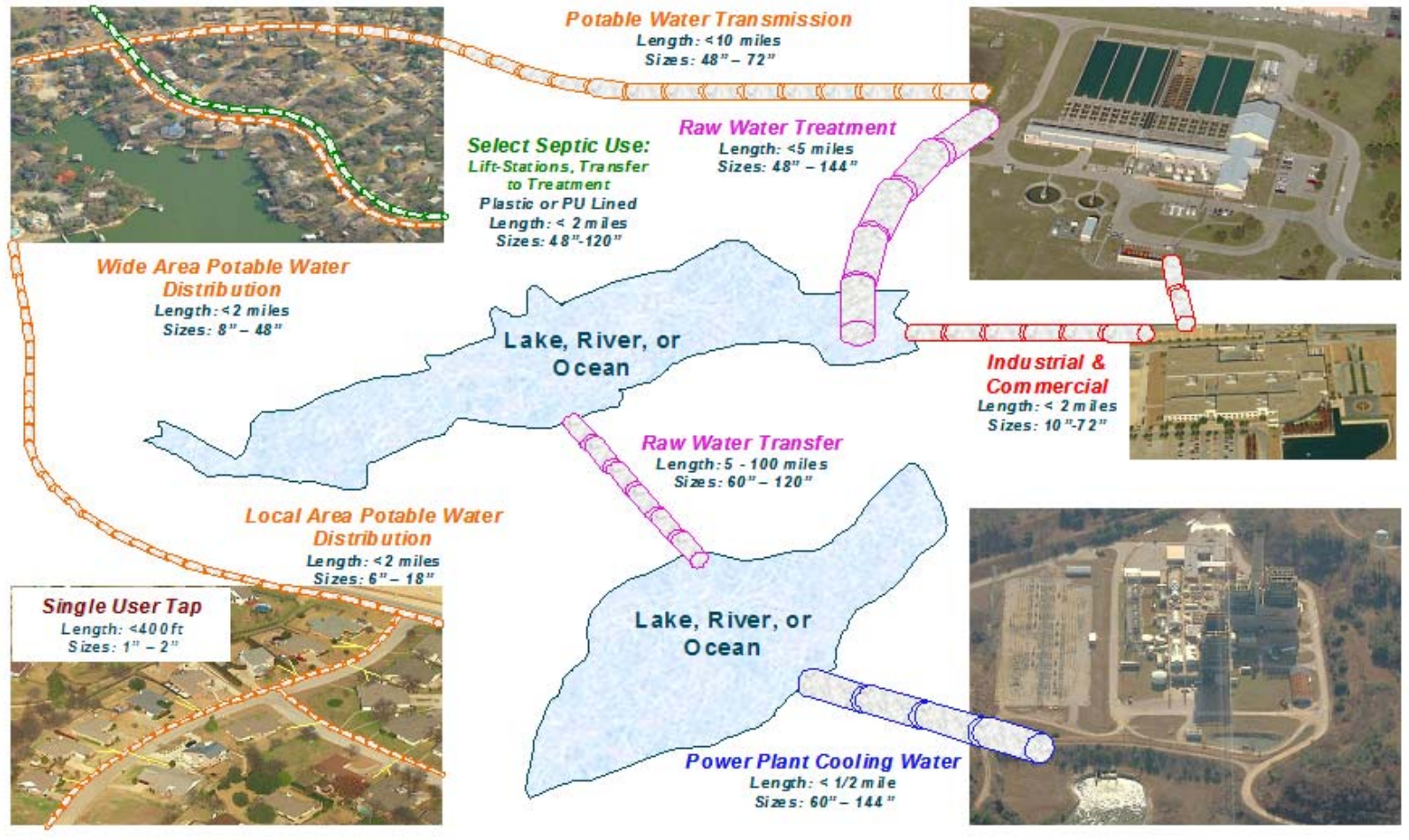


S-200



Transporting the nation's lifeline: Water

Pressure Pipe Applications



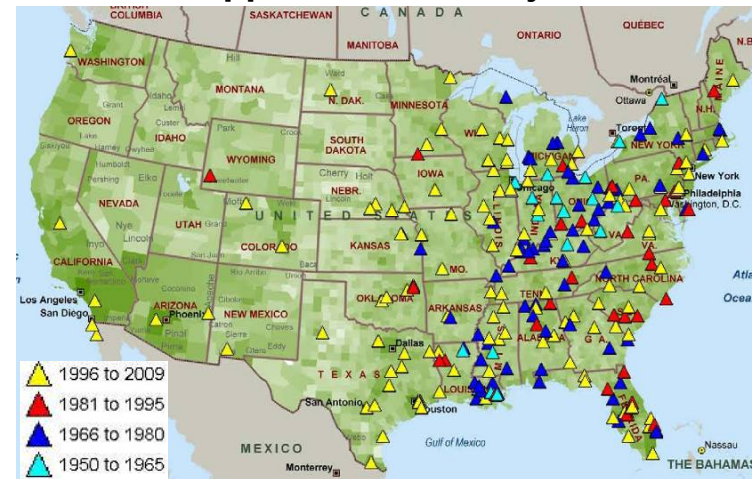
Increasing need is already materializing

- North America projecting some of the strongest **population growth** in the world
- Population growth requires substantial investment in **Water and Electrical Power** - both require **Pressure Pipe**
- Investments of \$277 billion over next twenty years required to **maintain current US infrastructure** (source: US Environmental Protection Agency).
- Majority of pipelines in US are well over 50 years old with a 30% leakage rate.

Project Example

- **Bechtel Elm Road (1230MW Coal Fired Power)**
Near Milwaukee, 50 miles from our South Beloit facility
- **Water Requirements:** 5.9 Million liters per minute
- **Material Requirements:** ~ \$7M of Hanson Pressure Pipe

Supplied Power Projects



HC in North America: Accelerating the end of the recession

We have strong fundamentals for growth & profitability going forward

- Strong integrated and regionally diversified footprint across North America
- Attractive market and reserves positions in urban areas
- Highly competitive cost base
- Proven management record

We are ambitious for more

- Further increase performance through operational excellence
- Continue to optimize the vertically integrated footprint

Our Strategic Objective

Best in class per business line,
extra profitability premium and cycle stability through
regionally diversified and vertically integrated market management

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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.

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