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Analyst Day 2013

Update Financial Management

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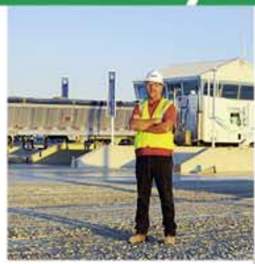

Dr. Lorenz Näger

Member of the Managing Board
and Chief Financial Officer

Heidelberg, 19 September 2013

2013

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Key financials: 2013 Half Year Results

€m	June Year to Date				Q2			
	2012[1]	2013	Variance	L-f-L	2012[1]	2013	Variance	L-f-L
Volumes								
Cement (Mt)	42,719	**42,397**	-1 %	-2%	24,512	**24,326**	-1 %	-2 %
Aggregates (Mt)	114,104	**107,545**	-6 %	-6%	67,109	**65,628**	-2 %	-3 %
Ready-Mix Concrete (Mm3)	18,512	**18,804**	2 %	3%	10,409	**10,873**	4 %	6 %
Asphalt (Mt)	3,668	**3,522**	-4 %	-6%	2,278	**2,253**	-1 %	-5 %
Income statement								
Revenue	6,580	**6,560**	0 %	1%	3,781	**3,799**	0 %	2 %
Operating EBITDA	907	**953**	5 %	6%	696	**734**	6 %	6 %
in % of revenue	*13.8%*	***14.5%***			*18.4%*	***19.3%***		
Operating income	505	**540**	7 %	8%	493	**524**	6 %	6 %
Profit / Loss for the period	86	**285**	232 %		245	**469**	92 %	
Earnings per share in € (IAS 33) [2]	-0.15	**0.93**	N/A		0.96	**2.19**	127 %	
Statement of cash flows								
Cash flow from operating activities	71	**-281**	-352		505	**90**	-414	
Total investments	-332	**-720**	-388		-169	**-302**	-134	
Balance sheet								
Net debt [3]	8,117	**8,199**	81					
Gearing	58.1%	**61.6%**						

1) 2012 values are restated due to the change in International Accounting Standards (IAS)19.
2) Attributable to the parent entity.
3) Excluding puttable minorities.

Like-for-Like: Excluding currency and consolidation impacts

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Financial key messages: 2013 Half Year Results

- **Significant increase in profit for the period and earnings per share**
  - Significantly reduced net interest expenses of -126 m€ (Q2 2012: -145 m€); partly compensated by foreign exchange losses and decreasing other financial result
  - Final favorable Supreme Court of California ruling reduces risk position from Hanson Asbestos claim liabilities and leads to profit from discontinued operations of 96 m€ net of tax
  - Purchase of the outstanding 49% in the Russian cement company CJSC "Construction Materials" reduces minority share of profit
- **Reduced cash flow compared to prior year due to higher investments and payment of cartel fine**
  - Unusually high amount for acquisitions in Australia, UK and Russia as well as expansion CapEx in Indonesia and Africa in H1 2013 (ca. 500 m€); no change in overall disciplined investment policy
- **Net debt with 8,199 m€ close to prior year's level (8,117 m€)**
- **Strong liquidity headroom and a well-balanced debt maturity profile ensures our financial flexibility**

Agenda

1. **Where is the cash gone? No change in strategy**
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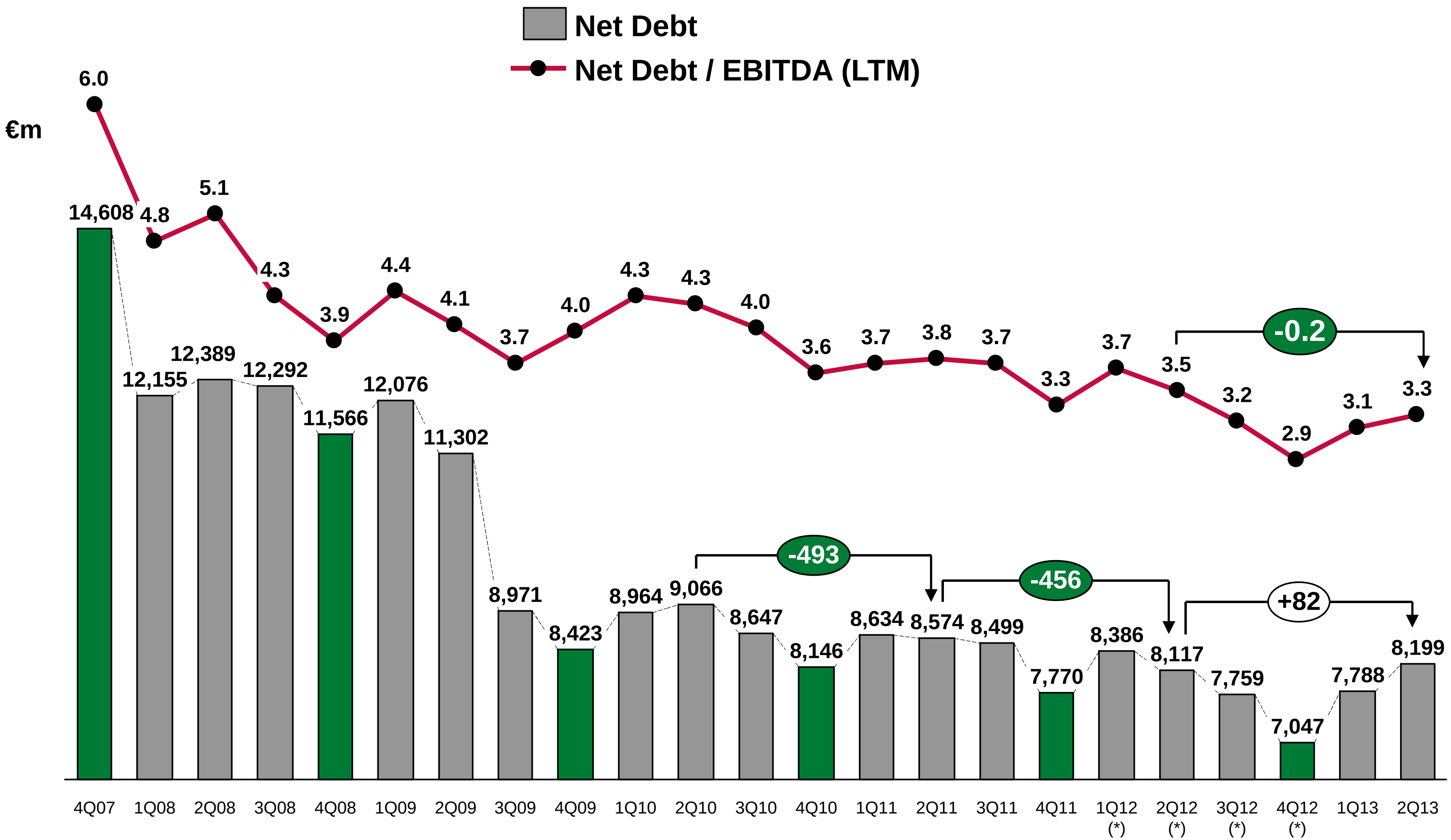
Net debt development



(*) 2012 values are restated due to the change in International Accounting Standards (IAS)19

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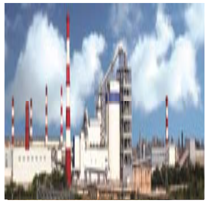
No change in overall disciplined investment policy

	**Cement Australia**	Acquisition of additional 25% of the share capital to balance respective interests in Cement Australia	**~ 400 m€**
	**CJSC “Construction Materials”, Sterlitamak**	Increase of holding in the Russian cement company CJSC “Construction Materials” from 51% to 100%.	
	**Midland Quarry Products (MQP)**	Exercising contractual pre-emption right to take full ownership	
	**Cartel fine payment**	Fine order relating to cartel infringements during the years 1990 until 2002	**161 m€**

Front-loaded CapEx and the cartel fine payment lead to an increase in Net Debt in 1HY 2013

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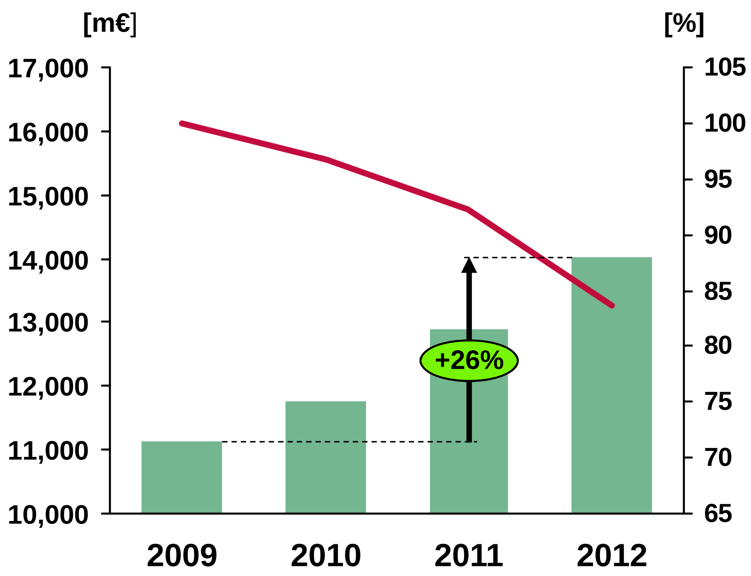
Compared to peers HC was able to reduce debt significantly without selling any core assets

HC's strategy: Deleveraging and growth



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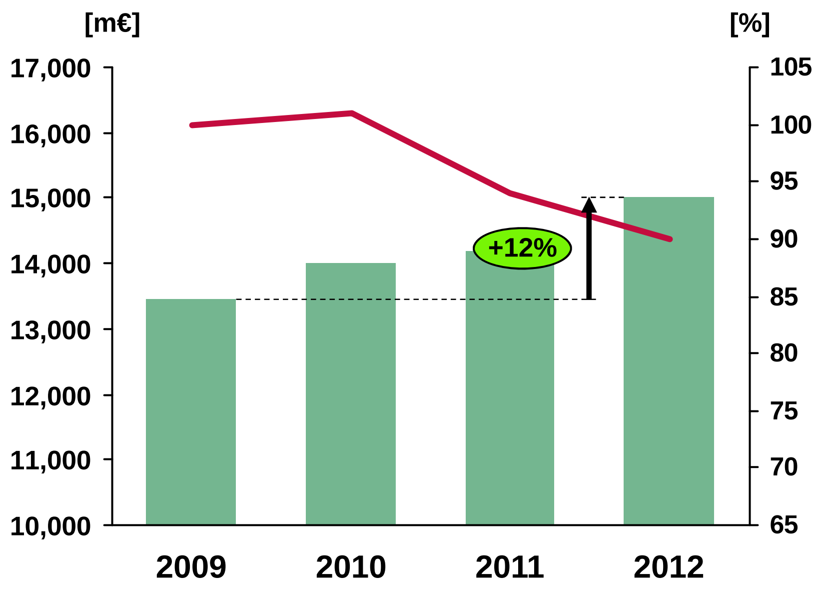
Partially cutting debt by divestment



Ø peer companies

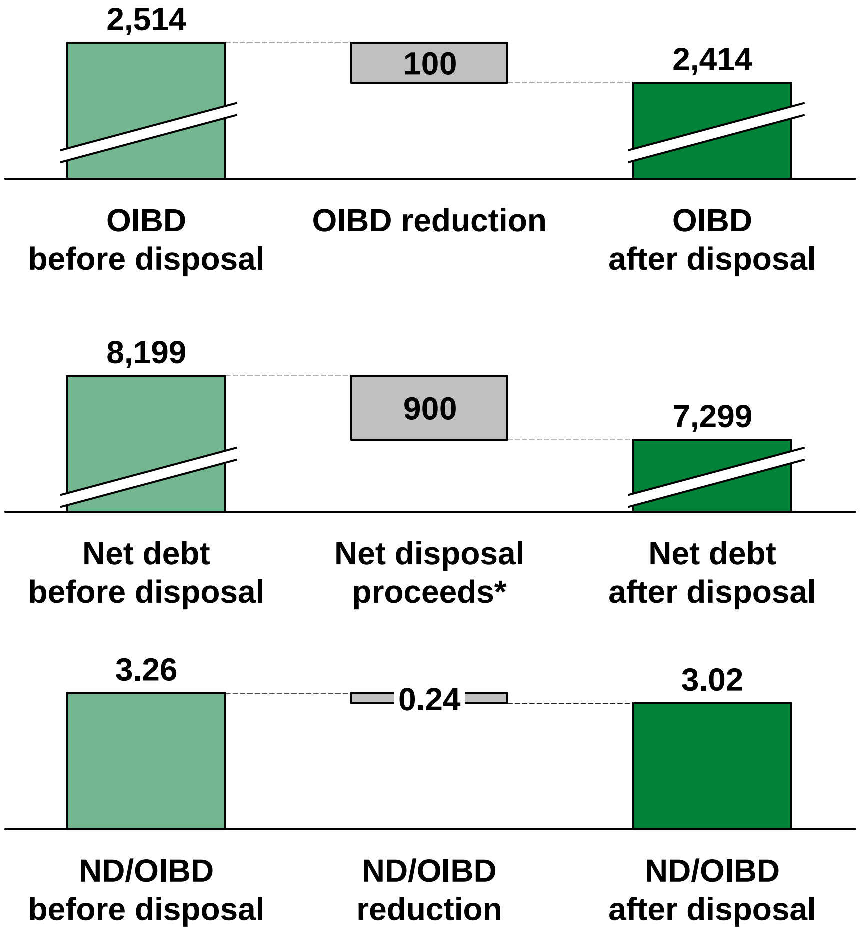
Net debt (Index: Base 2009=100%) **Gross sales**

Disposal of business unit – case study

Disposal of business unit at EV/EBITDA net multiple of 9x

Proceeds are used to buy back bonds and hence to reduce debt

ND/EBITDA declines by 0.24x



*) Net proceeds after financing.

Disposal would buy less than 1 year of operational deleverage, while giving a strategic position

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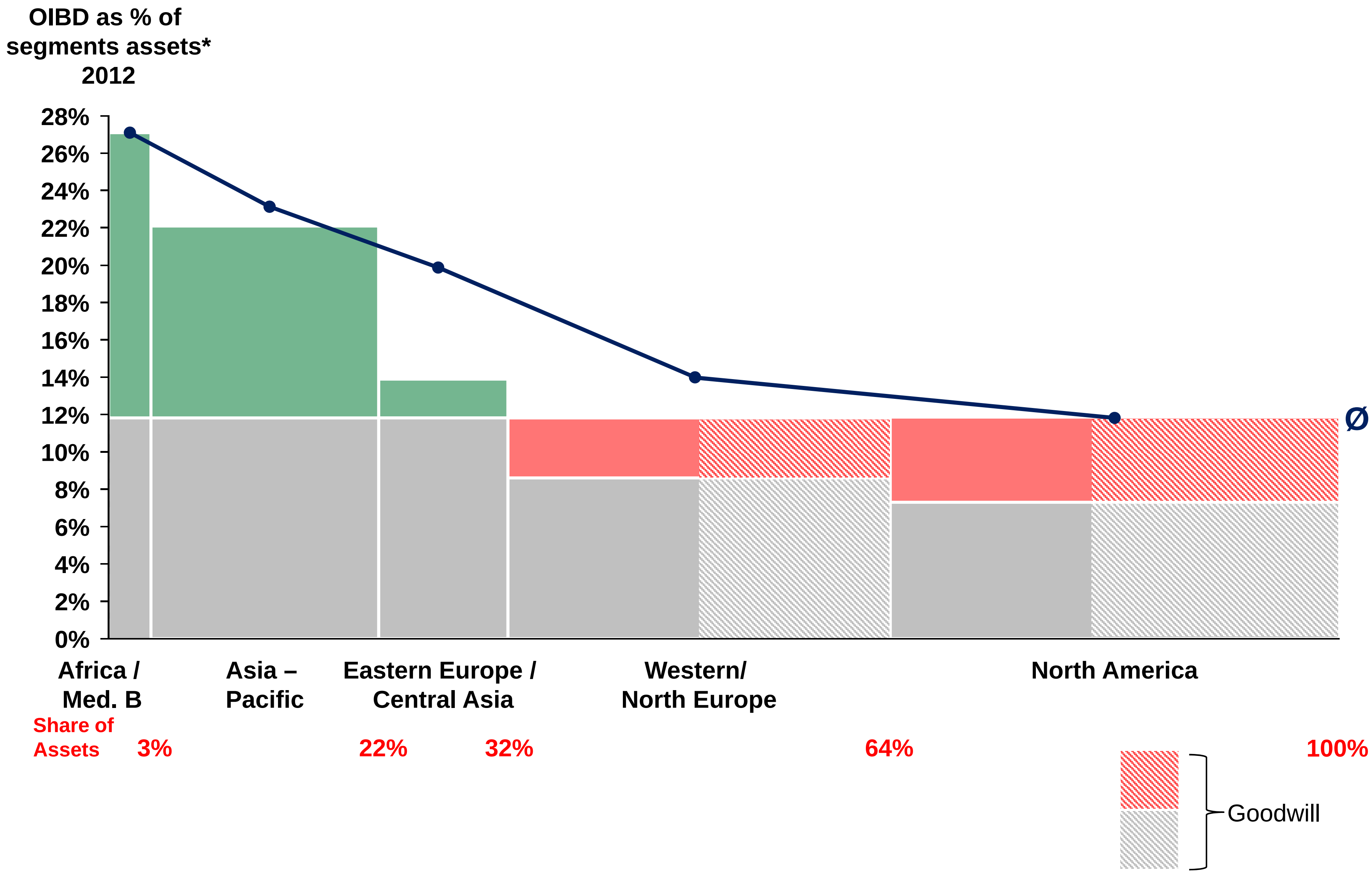
OIBD as % of segment assets by Group Areas



* Segment assets = property plant and equipment as well as intangible assets.

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Strategic directions

1. **Cost leadership by continuous improvement of operational efficiency and margin improvement by sales excellence initiatives**
   - FOX 2013: 1,010 m€ cash savings in 3 years
   - LEO: Target 150 m€ improvement in distribution & logistics related costs
   - PERFORM: 230 m€ improvement in cement margin by 2015
   - CLIMB Commercial: 120 m€ improvement in aggregates margin by 2015

2. **Focus on asset base improvements in underperforming markets**

3. **Develop asset base in good countries**

   Targeted investments to maintain market position and grow in profitable micro markets

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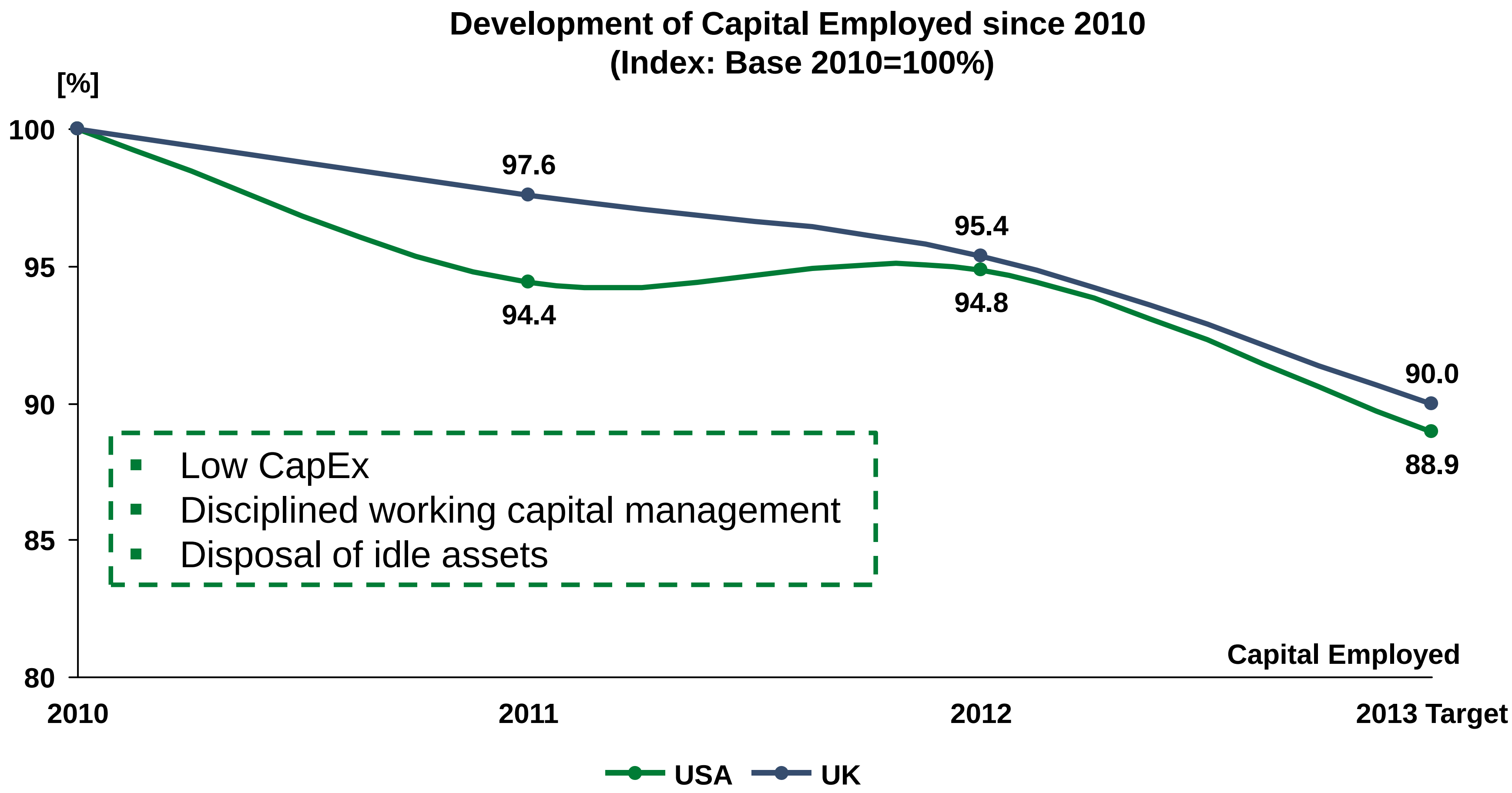
Successful reduction of asset base in the US and UK without destroying our strong reserve position



Strict management of the asset base and disposals of single non-core assets lead to a considerable reduction in the last three years

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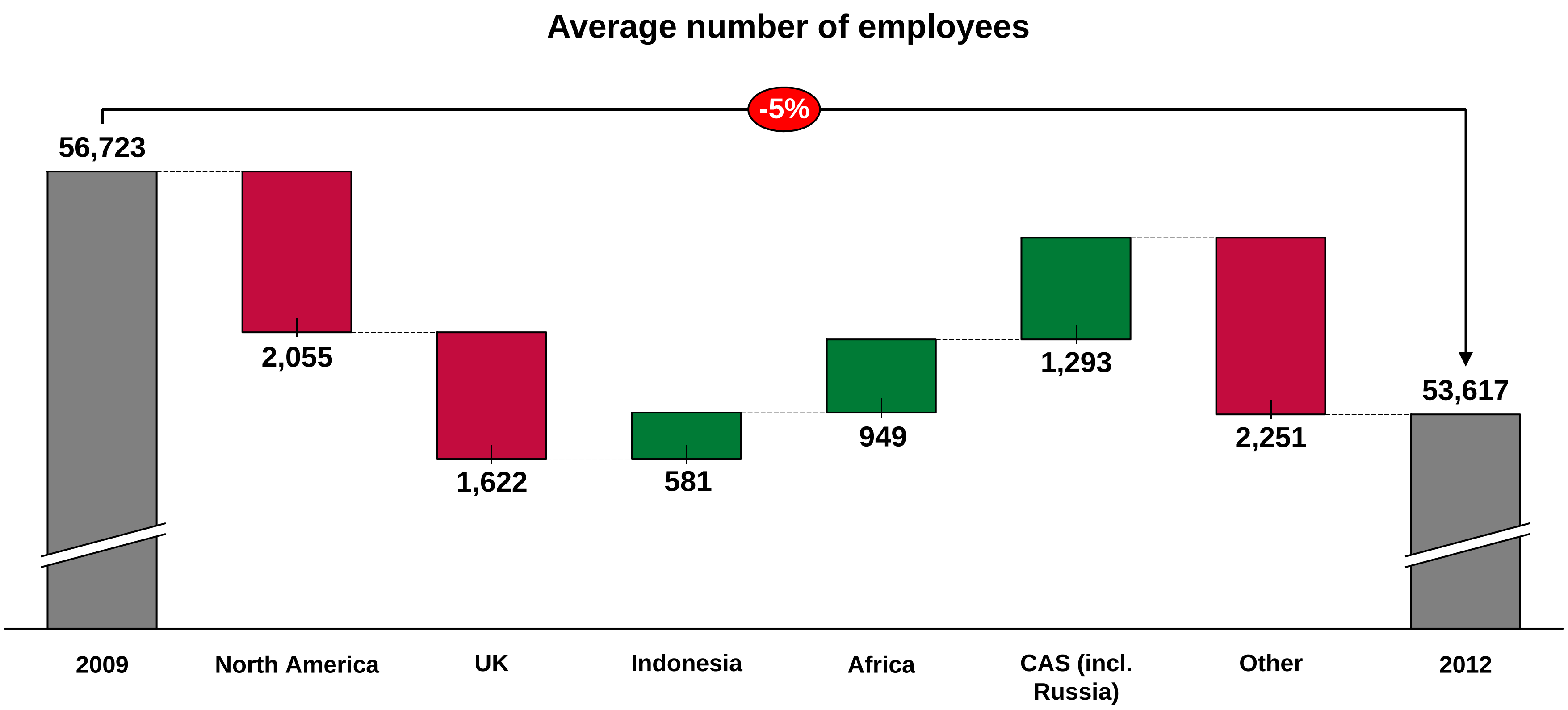
Moreover, we have clearly reduced the number of employees in underperforming markets….



… and have grown in highly attractive markets in Asia, Africa and CAS

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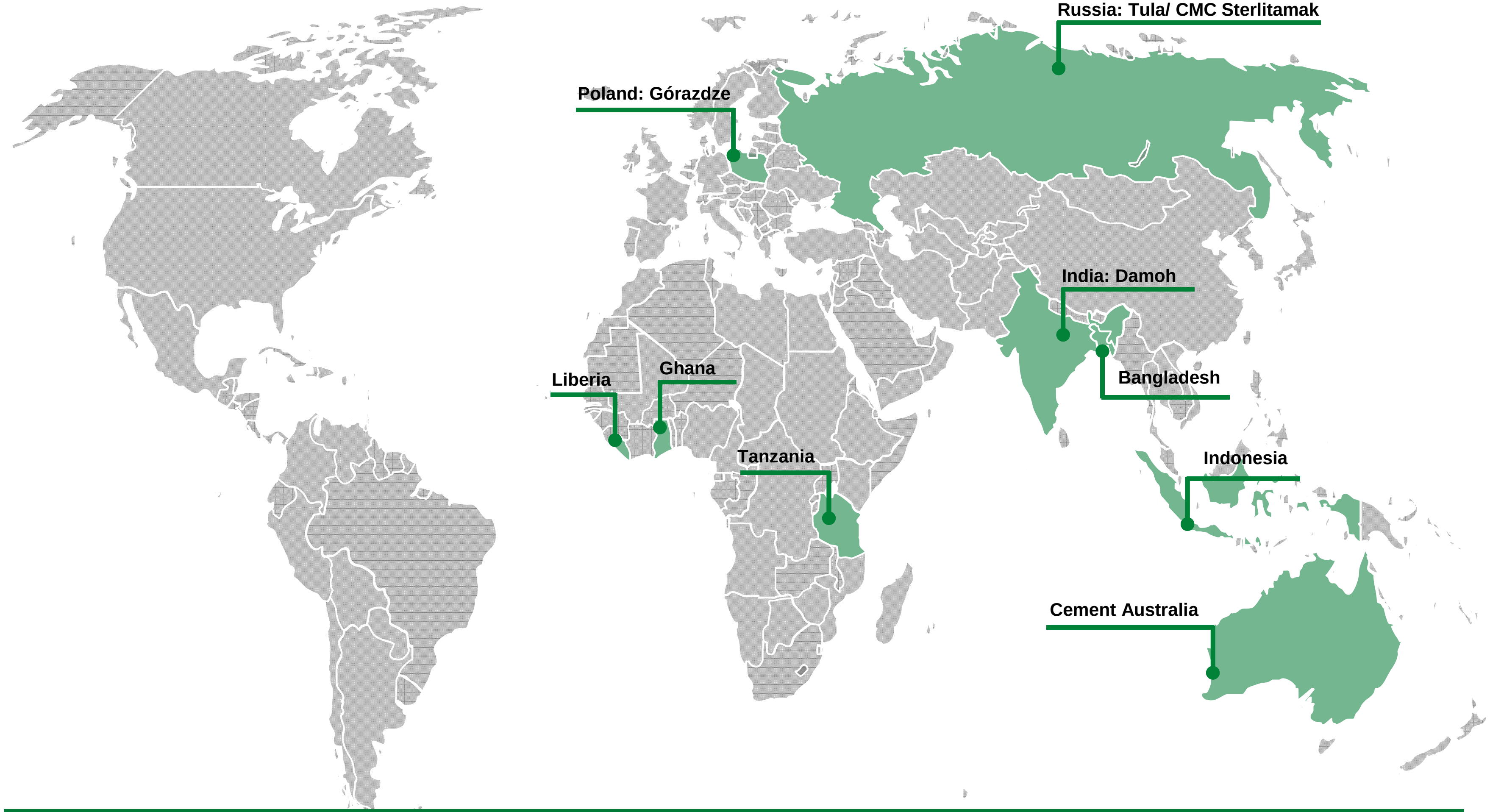
Investment focus on Asia, Africa and Russia (2011-2013)



Continuous extension of capacities in important growth markets

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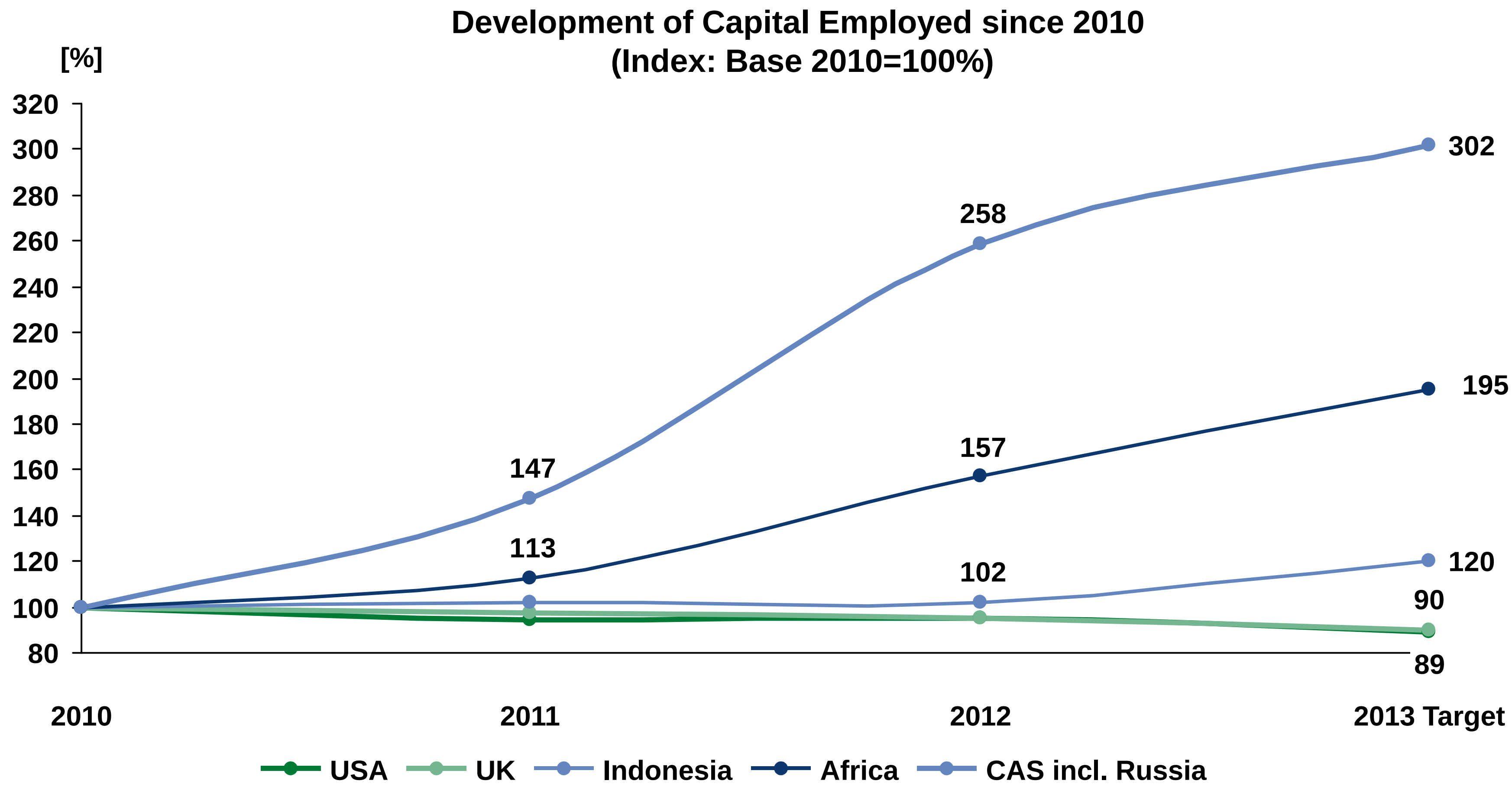
Clear investment focus on Asia, Africa and Russia in the last years



Continuous extension of capacities in important growth markets

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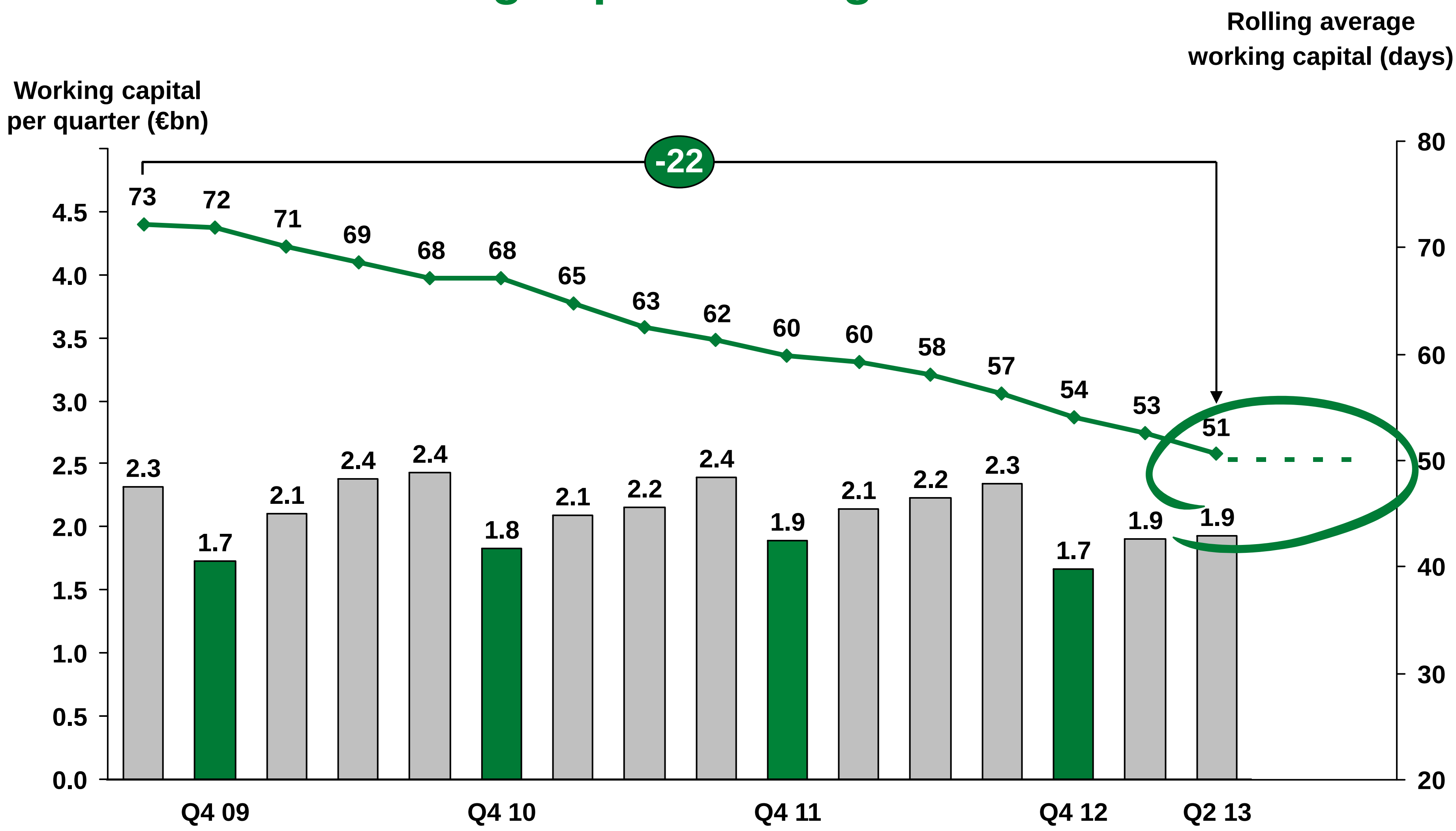
Successful working capital management



Continuation of strict management to realize further potential and stay on low level

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Financial Policy & Liquidity

1 HC will continue its conservative financial policies

- Continuous focus on deleveraging
- Remaining Free Cash Flow is used for growth in attractive markets and moderate increase in dividend

2 HC will continue to secure adequate back-up liquidity at all times to cover the liquidity needs of the company for at least 12 months without having to tap any external sources of capital

- Well-balanced maturity profile with a proven track-record to refinance in the bond market
- More than 90% of funding is done on HoldCo level in order to avoid structural subordination
- Funding term debt in the capital markets and usage of the bank market only for back-up liquidity

3 HC is confident to reach the mid-cycle targets and to return to a solid investment grade rating

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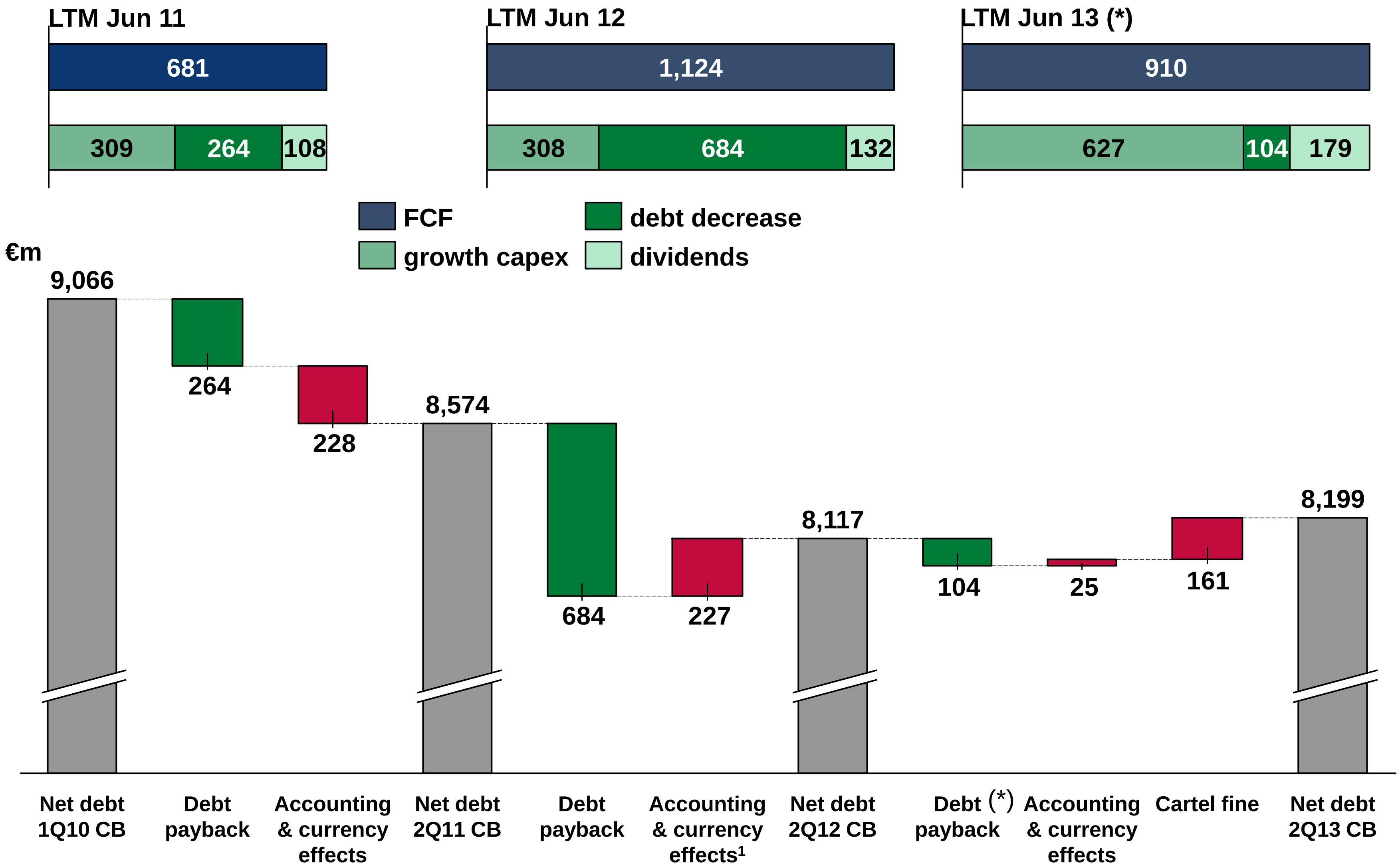
Generation and usage of FCF (before growth CapEx and disposals)



(*) Before Cartel Fee payment.

1) €m 70 exchange rate; €m 100 currency swaps, €m 60 interest rate swaps 2) Free cash flow before growth CapEx and disposals .

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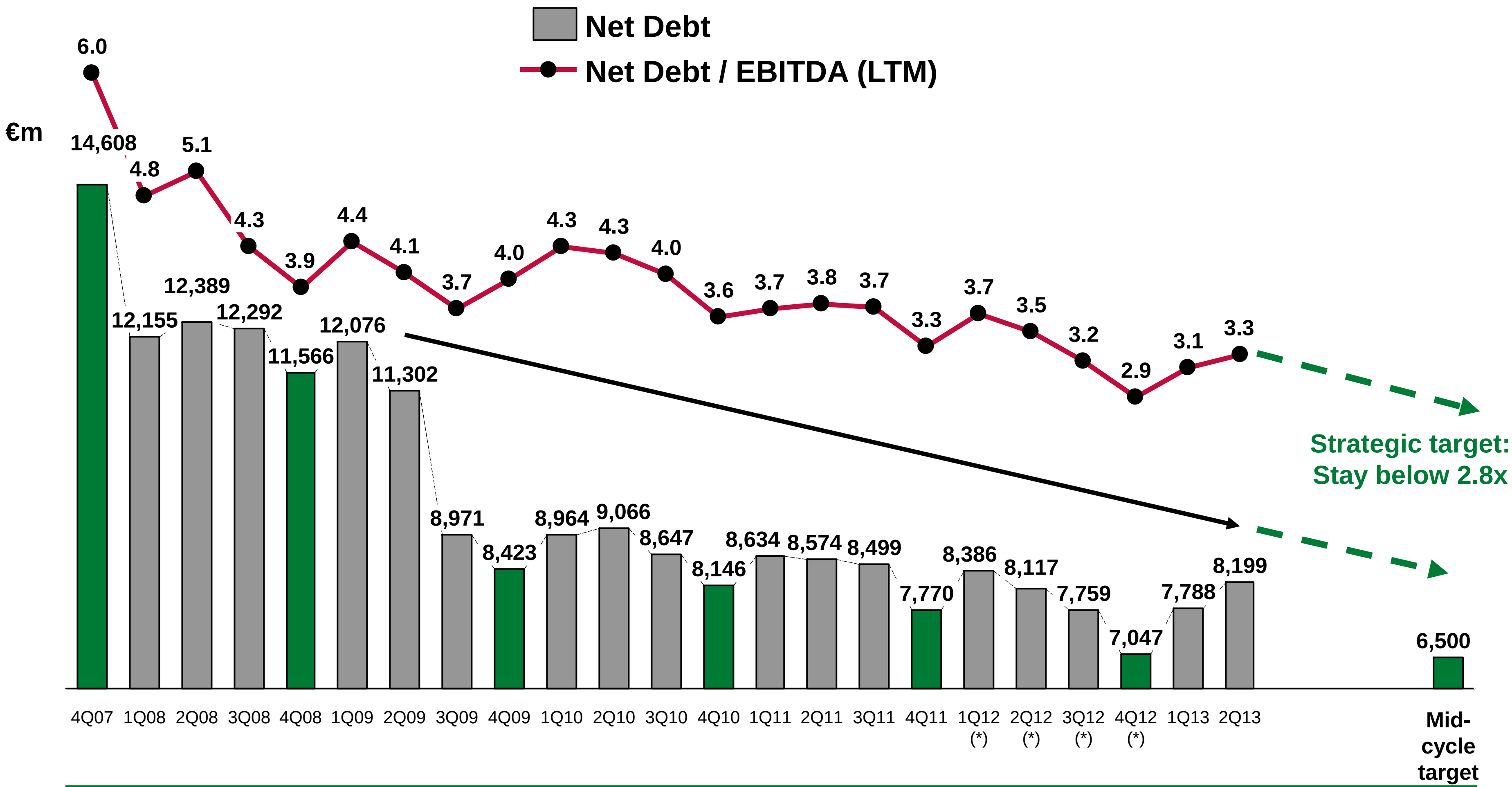
Continuous focus on deleveraging: Proven track record of net debt reduction by 300 - 500 m€ p.a.



Deleveraging with clear goal to reach investment grade metrics

(*) 2012 values are restated due to the change in International Accounting Standards (IAS)19

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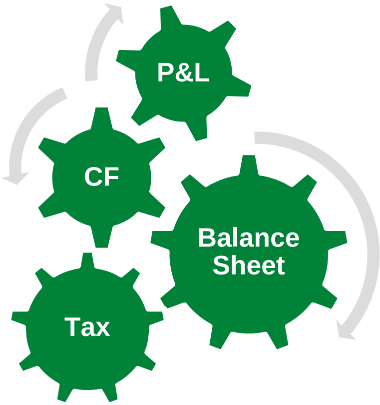
Continuation of growth in attractive markets continue

Conceptual framework of investment decisions

Simulation and Investment Calculation



Investment Calculation Model

Review of Assumptions

Macroeconomic data and forecasts

Historical data and cross-check with operating plans

Industry data and competitor benchmarks

Lessons learned from earlier investments

Investment Criteria

Hurdle 1: Group Net Profit

Hurdle 2: ROIC higher than WACC in 3rd year of operation

Hurdle 3: ROCE 19-20% / OIBD Margin

Financial attractiveness is only one part in decision-making

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15 mt cement capacity in project pipeline

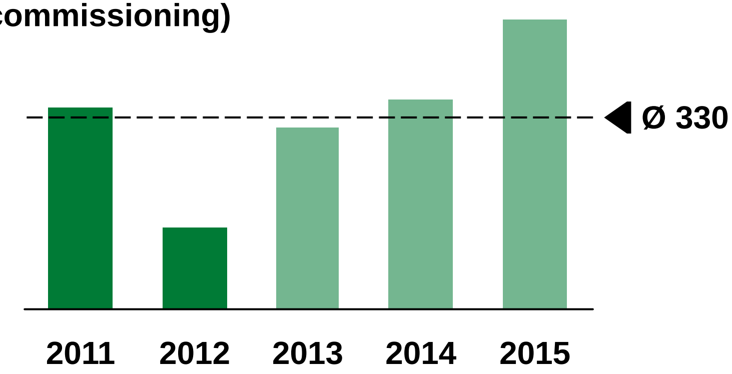
Market chances for future returns

Investments in new cement capacities[1]

of about 330 m€ on an annual average

(Investment costs in m€ by year

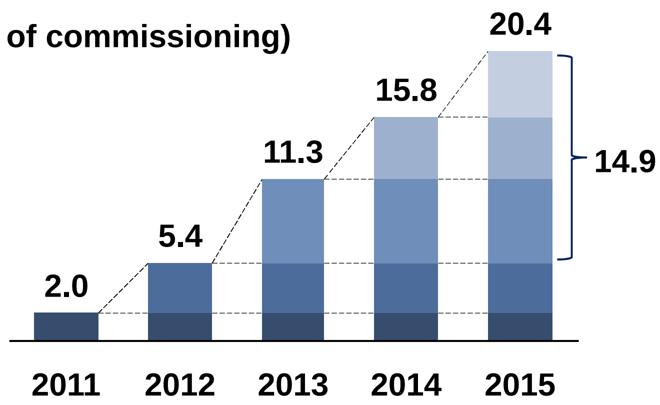
of commissioning)



Continuous extension of cement capacity

(New capacity in mt by year

of commissioning)



	1 Brownfield	2 Greenfield	3 M&A
2013	▪ India 2.9 mt ✓ ▪ Liberia 0.5 mt ✓ ▪ Indonesia 1.9 mt	▪ Australia 0.6 mt	▪ Cement Australia 1.1 mt ✓ ▪ CMC Sterlitamak ✓
2014	▪ Ghana 0.8 mt ▪ Tanzania 0.7 mt	▪ Togo 1.5 mt ▪ Kazakhstan 0.8 mt ▪ Burkina Faso 0.65 mt	
2015	▪ Indonesia 4.4 mt	▪ Togo 0.2 mt ▪ Indonesia 4-5 mt (2015-17)	

1) greenfield and brownfield projects only

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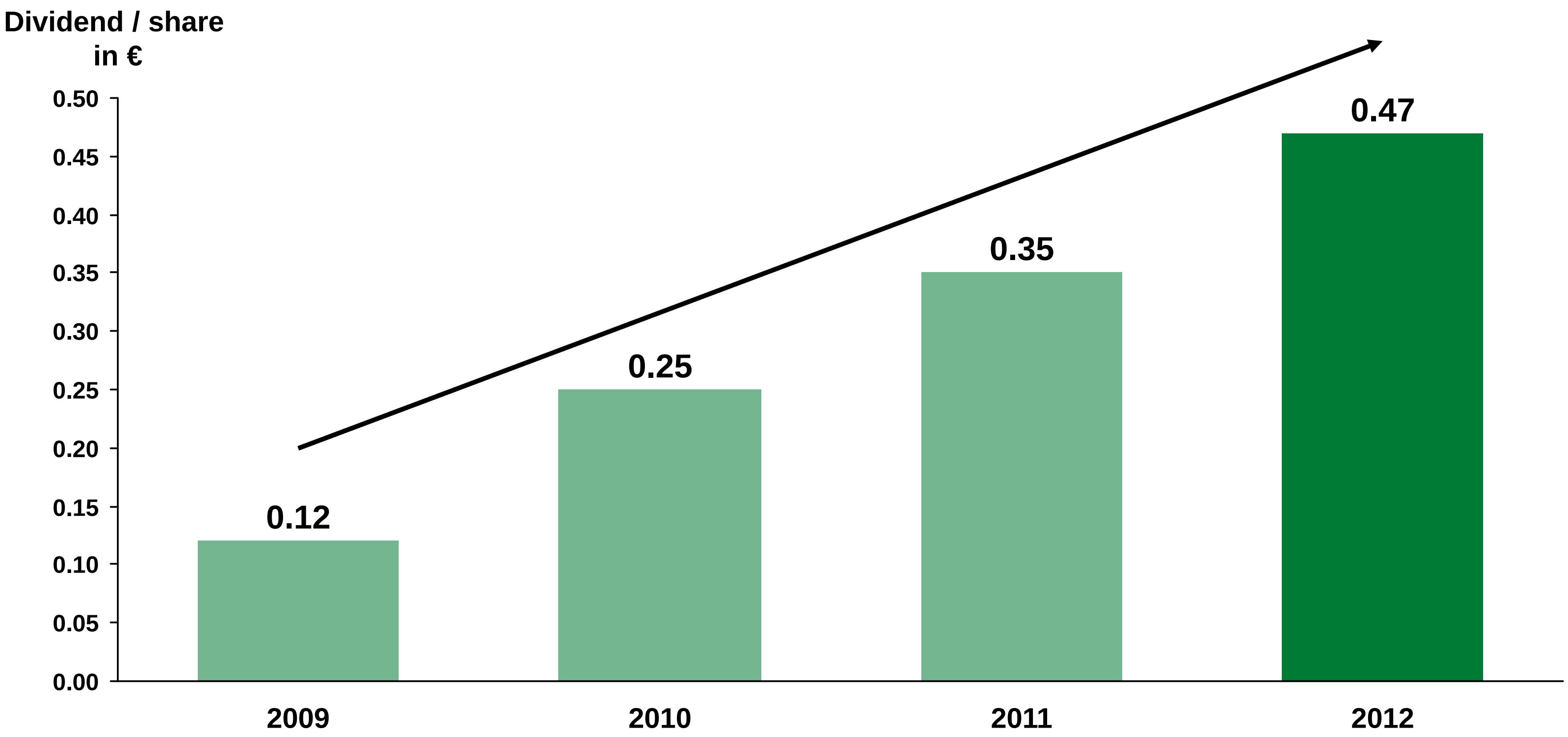
Moderate increase in dividend in line with developments in the past



HC is gradually approaching its medium-term goal of a payout ratio of 30% to 35%

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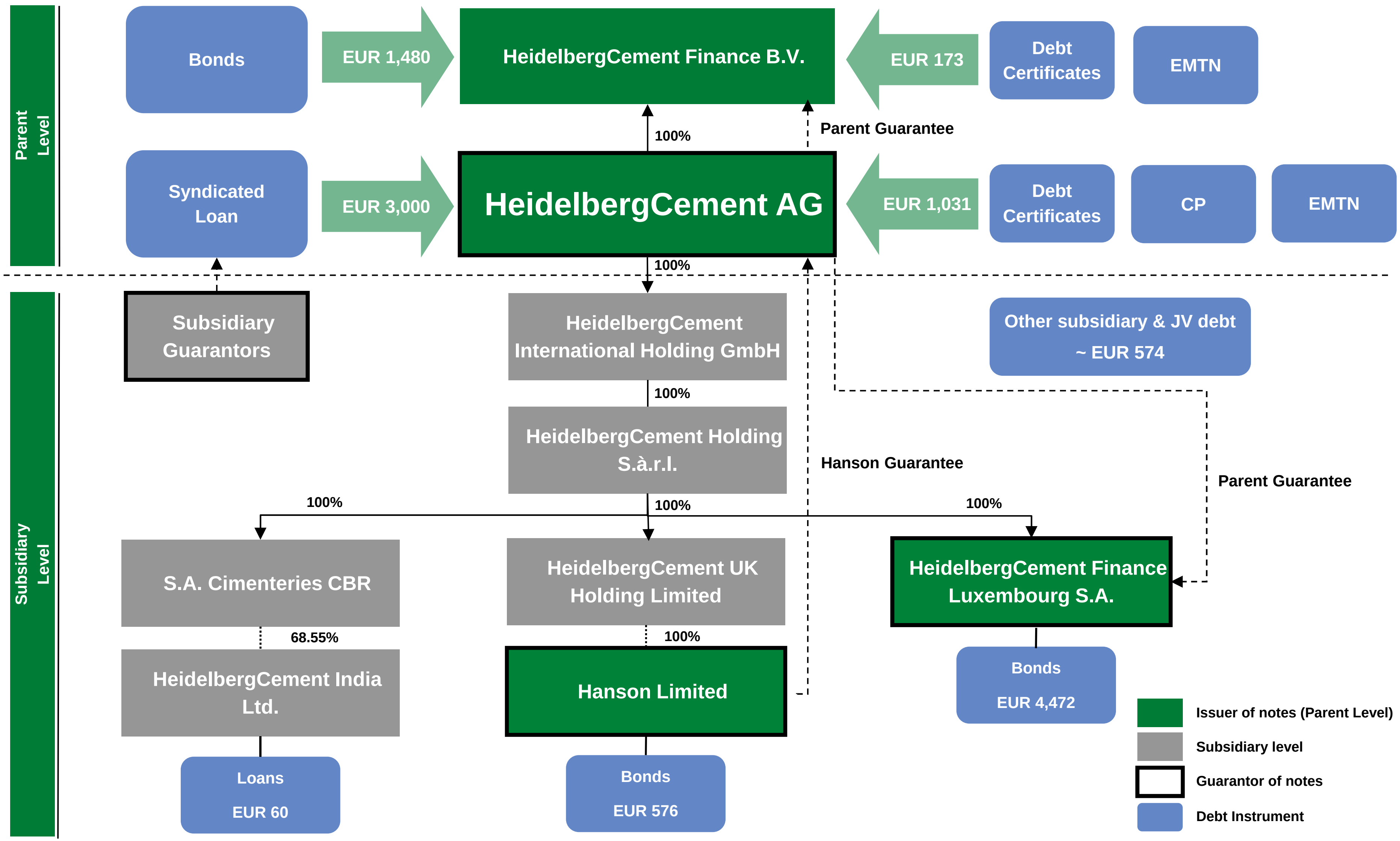
Debt structure – more than 90% of debt on parent level

as per 30 June 2013 in m€



Simplified overview for illustration purposes

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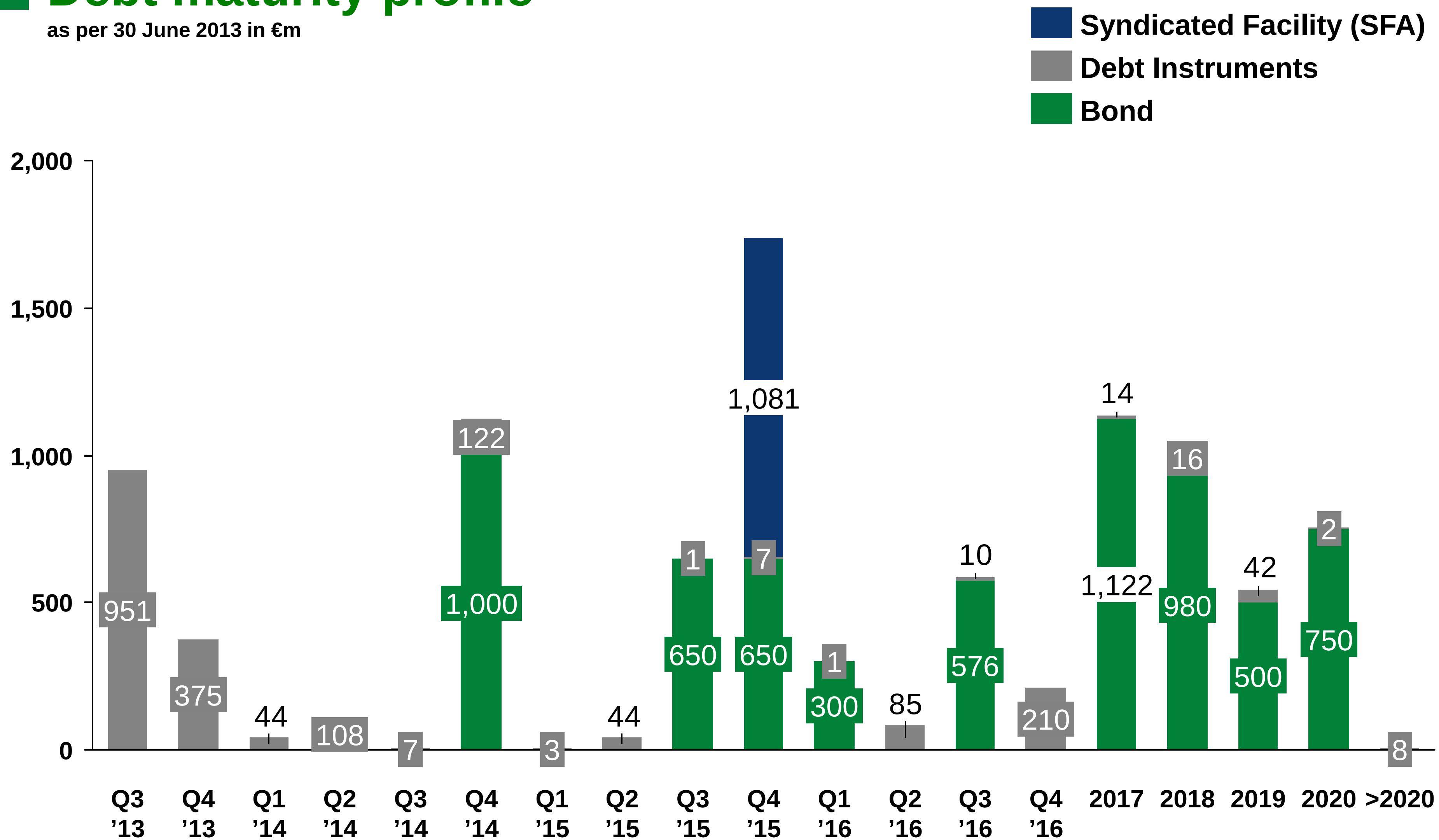
Debt maturity profile

as per 30 June 2013 in €m



-Excluding reconciliation adjustments with a total amount of -15.5 €m
(transaction costs to be amortized over the term of the SFA, issue prices and fair value adjustments)
-Excluding puttable minorities with a total amount of 44 €m

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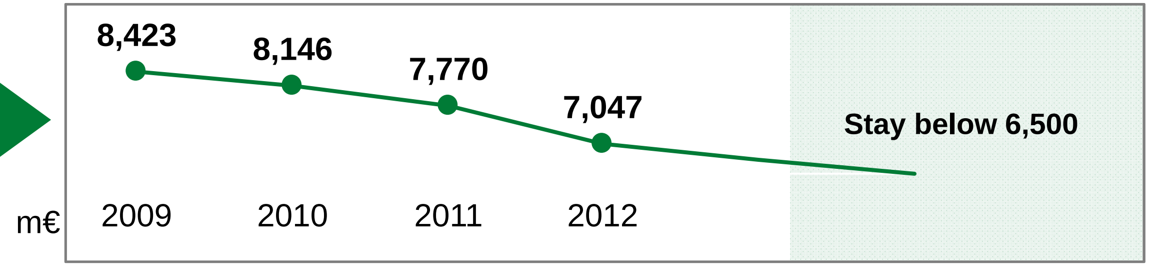
Achievement of our key financial targets in the past makes us look optimistically to our mid-cycle targets

Mid-cycle

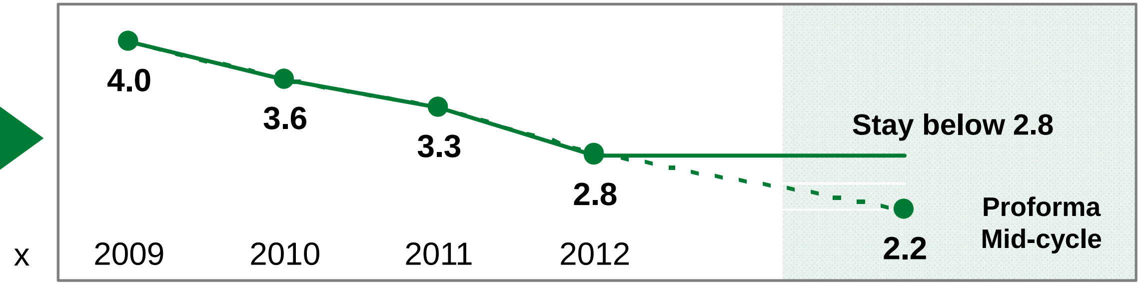
Net Debt

Continuous focus on deleveraging



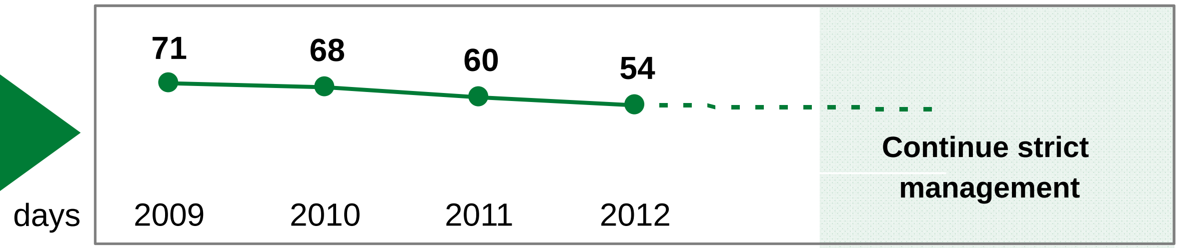
Net Debt / EBITDA

Significant improvement in the last 3 years



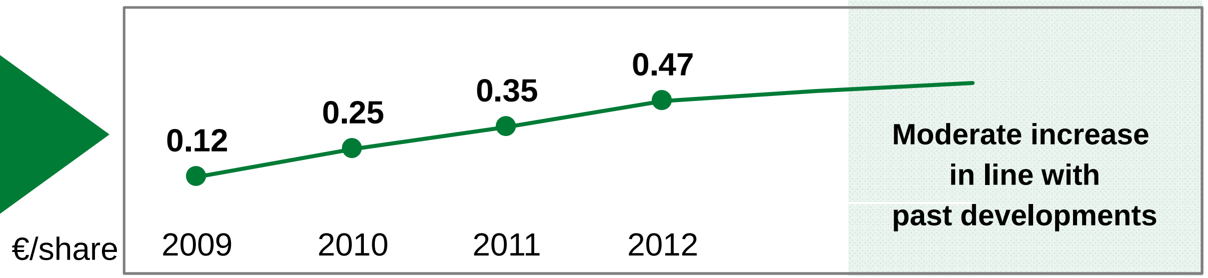
Cash and WCap.

Continue strict management



Dividend

Moderate increase



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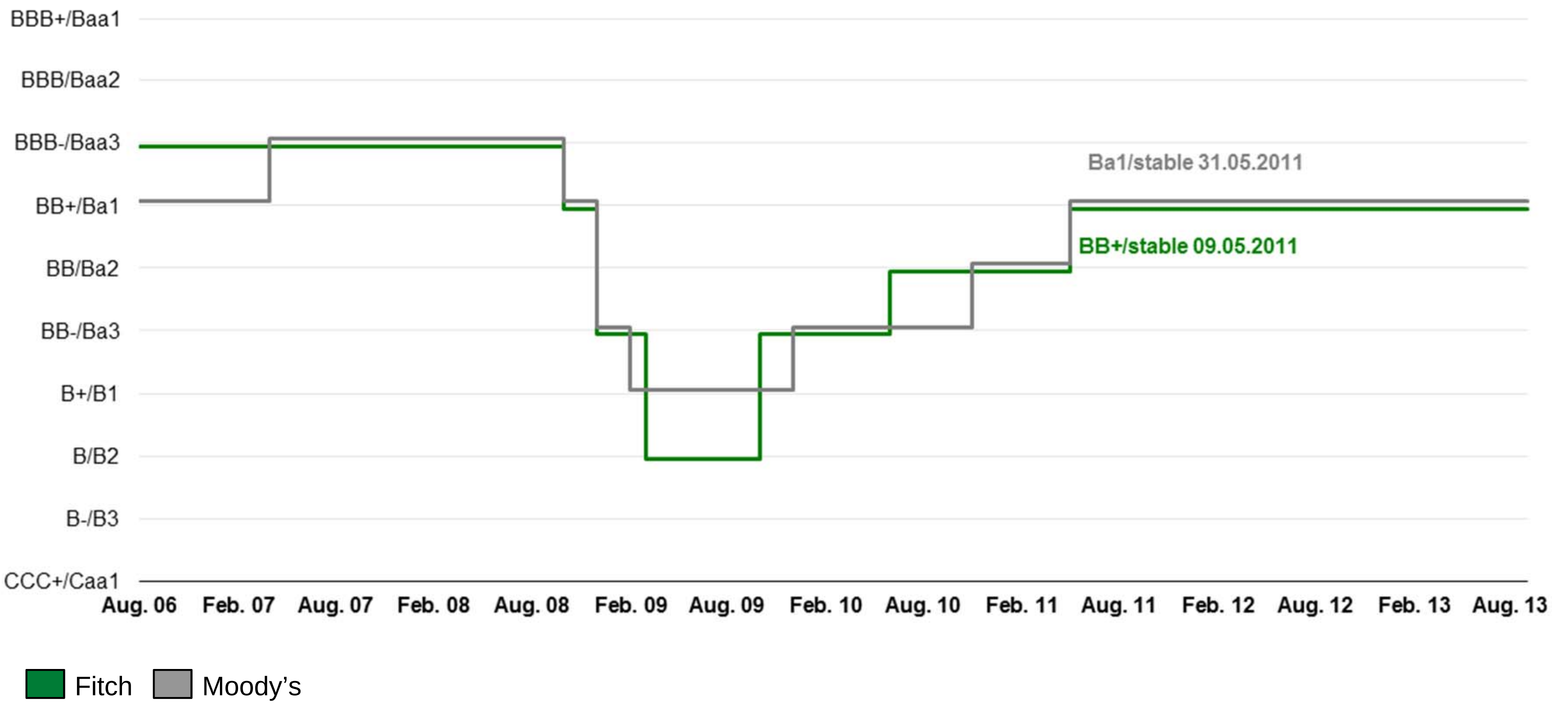
Continuation of our successful course will clearly support our goal to reach investment grade metrics

HeidelbergCement



Positive rating pressure if Debt/ EBITDA continues to drop sustainably

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Contact information and event calendar

Event calendar

07 November 2013 2013 third quarter results

Contact information

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