HEIDELBERGCEMENT

Aggregates Day 2012

Dallas, June 28

HeidelbergCement – Financial Strength

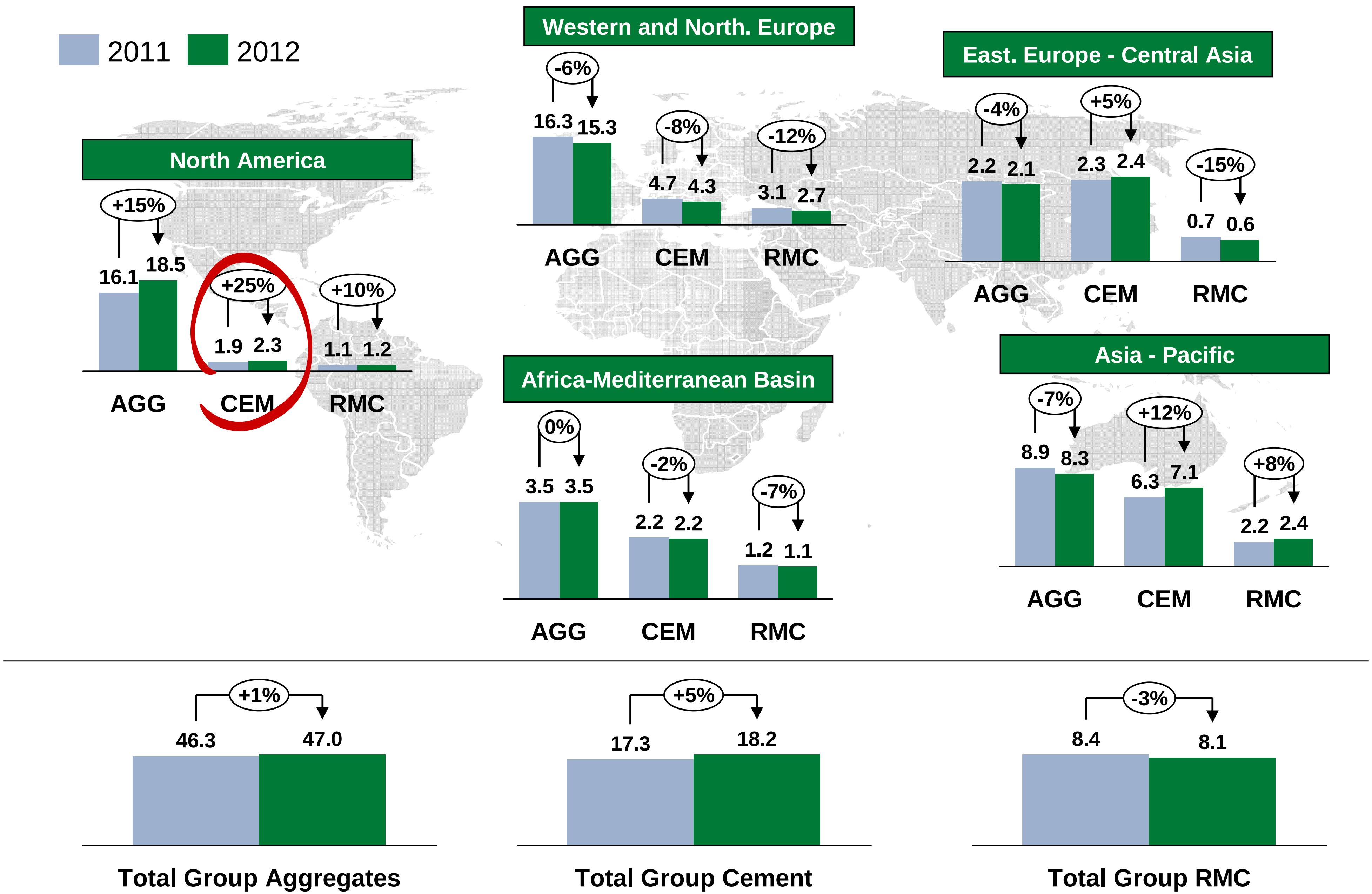
Dr. Lorenz Näger

Member of the Managing Board and Chief Financial Officer

deriving financial strength from:

1. **Solid results in 1Q2012**
2. Strict cash-flow orientation
3. Strong protection against crisis

Q1 sales volumes of cement and aggregates increase



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Key figures

€m	January-March 2011	January-March 2012	Variance	Variance LfL
Volumes				
Cement	17,342	**18,207**	5%	5%
Aggregates	46,310	**46,995**	1%	-1%
Ready mix	8,367	**8,103**	-3%	-3%
Asphalt	1,610	**1,390**	-14%	-14%
Profit and loss accounts				
Revenue	2,602	**2,799**	8%	6%
Operating EBITDA	253	**214**	-16%	-17%
in % of revenue	*9.7%*	***7.6%***		
Operating income	60	**14**	-77%	-77%
Loss for the period	-120	**-155**	-29%	
Earnings per share (IAS 33) [1)]	-0.86	**-1.09**	-27%	
Cash flow statement				
Cash flow from operating activities	-474	**-434**	8%	
Total investments	-171	**-164**	4%	
Balance sheet				
Net debt [2)]	8,633	**8,386**	-248	
Gearing	71.0%	**63.6%**		

1) Attributable to the parent entity.
2) Excluding puttable minorities.

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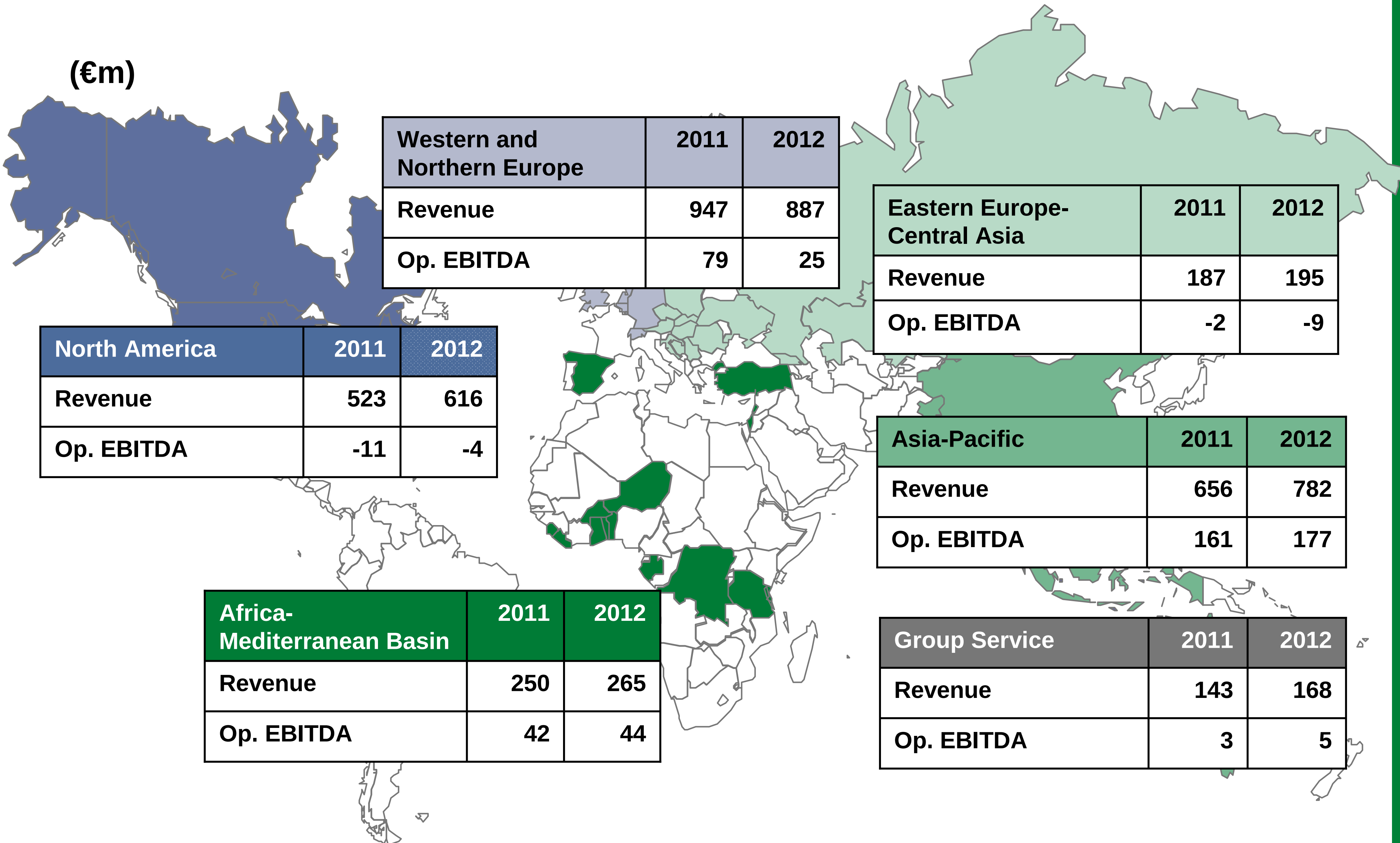
Q1 2012: revenue and operating EBITDA in Group areas

(€m)



North America	2011	2012
Revenue	523	616
Op. EBITDA	-11	-4

Western and Northern Europe	2011	2012
Revenue	947	887
Op. EBITDA	79	25

Eastern Europe-Central Asia	2011	2012
Revenue	187	195
Op. EBITDA	-2	-9

Asia-Pacific	2011	2012
Revenue	656	782
Op. EBITDA	161	177

Africa-Mediterranean Basin	2011	2012
Revenue	250	265
Op. EBITDA	42	44

Group Service	2011	2012
Revenue	143	168
Op. EBITDA	3	5

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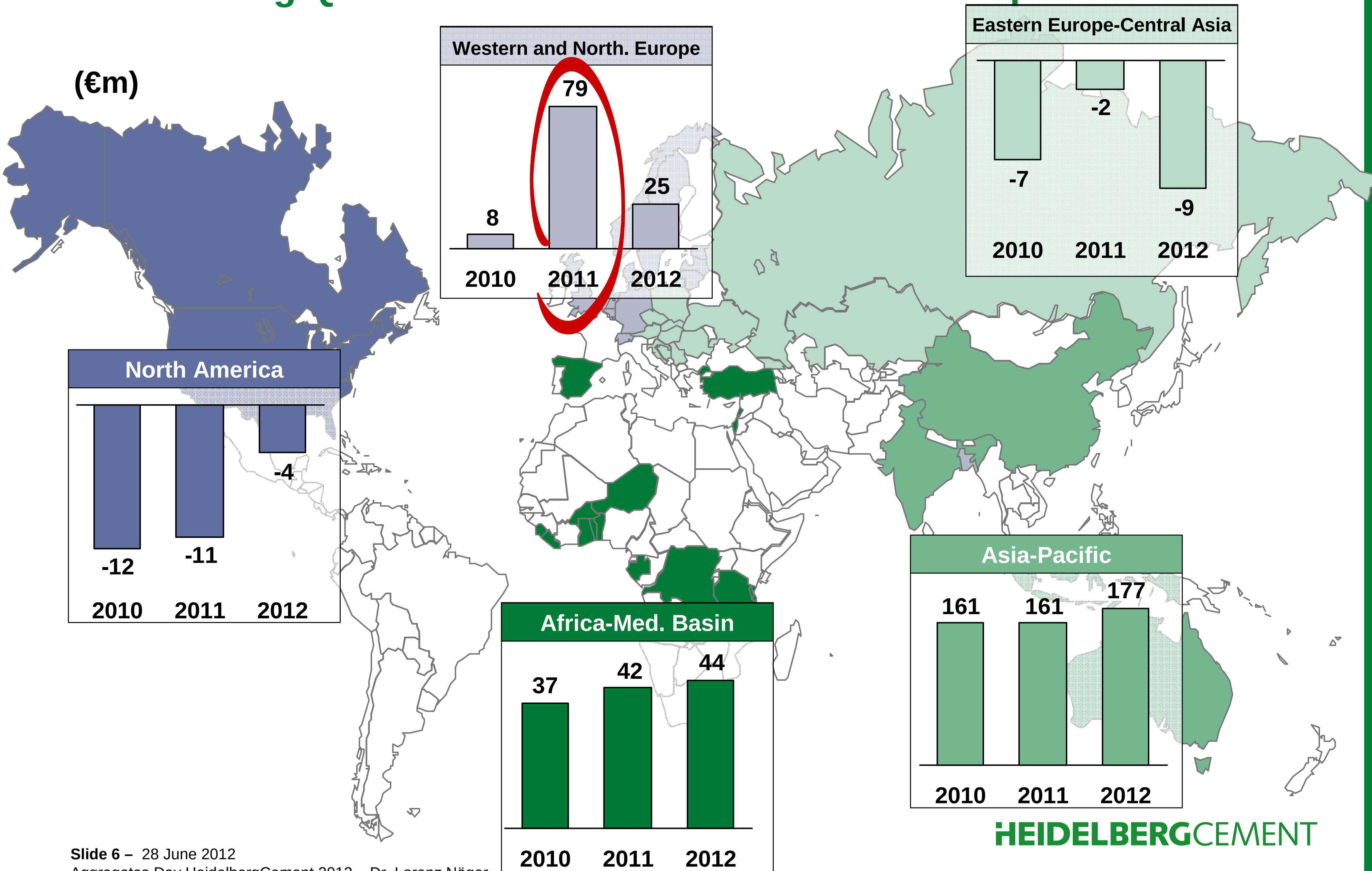
Regional analysis of OIBD

Outstanding Q1 2011 in Western and Northern Europe



Income statement

€m	January-March		Variance
	2011	2012	
Revenue	2,602	**2,799**	8 %
Operating EBITDA	253	**214**	-16 %
in % of revenue	9.7%	**7.6%**	
Amortisation and depreciation of intangible assets and property, plant, and equipment	-193	**-200**	4 %
Operating income	60	**14**	-77 %
Additional ordinary result	-2	**-10**	413 %
Result from participations	-4	**-1**	-75 %
Earnings before interest and income taxes (EBIT)	54	**3**	-94 %
Financial result	-140	**-147**	5 %
Loss before tax	-87	**-144**	66 %
Income taxes	-29	**-4**	-88 %
Net loss from continuing operations	-116	**-148**	27 %
Net loss from discontinued operations	-4	**-8**	77 %
Loss for the period	-120	**-155**	29 %
Group share of loss	-161	**-204**	27 %

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Statement of cash flows

€m	January-March	
	2011	2012
Cash flow	-38	**-8**
Changes in working capital	-386	**-374**
Decrease in provisions through cash payments	-49	**-52**
Cash flow from operating activities	-474	**-434**
Total investments	-171	**-164**
Proceeds from fixed asset disposals/consolidation	26	**20**
Cash flow from investing activities	-145	**-144**
Free cash flow	-619	**-578**
Dividend payments	-2	**-3**
Net change in bonds and loans	593	**-229**
Cash flow from financing activities	591	**-233**
Net change in cash and cash equivalents	-28	**-810**
Effect of exchange rate changes	-31	**-33**
Change in cash and cash equivalents	-59	**-843**

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Balance Sheet

€m	31 Mar. 2011	31 Dec. 2011	31 Mar. 2012	Variance Mar 12/Dec 11
Assets				
Intangible assets	10.547	11.109	**10.955**	-154
Property, plant, and equipment	10.538	11.036	**10.898**	-138
Financial assets	497	553	**548**	-5
Fixed assets	21.581	22.698	**22.400**	-298
Deferred taxes	337	379	**372**	-7
Receivables	2.490	2.427	**2.569**	142
Inventories	1.492	1.583	**1.654**	71
Cash and short-term derivatives	836	1.933	**1.032**	-901
Balance sheet total	26.737	29.020	**28.026**	-994
Equity and liabilities				
Equity attributable to shareholders	11.251	12.617	**12.198**	-419
Non-controlling interests	839	952	**992**	40
Equity	12.090	13.569	**13.191**	-378
Debt [1)]	9.564	9.801	**9.462**	-339
Provisions	2.094	2.184	**2.212**	28
Deferred taxes	782	754	**678**	-76
Operating liabilities	2.207	2.712	**2.484**	-228
Balance sheet total	26.737	29.020	**28.026**	-994
Net Debt (excl. puttable minorities)	8.634	7.770	**8.386**	616
Gearing	71,0%	57,0%	**63,5%**	

1) Includes non-controlling interests with put options in the amount of €m94 (Mar. 2011), €m98 (Dec. 2011), €m44 (Mar. 2012).

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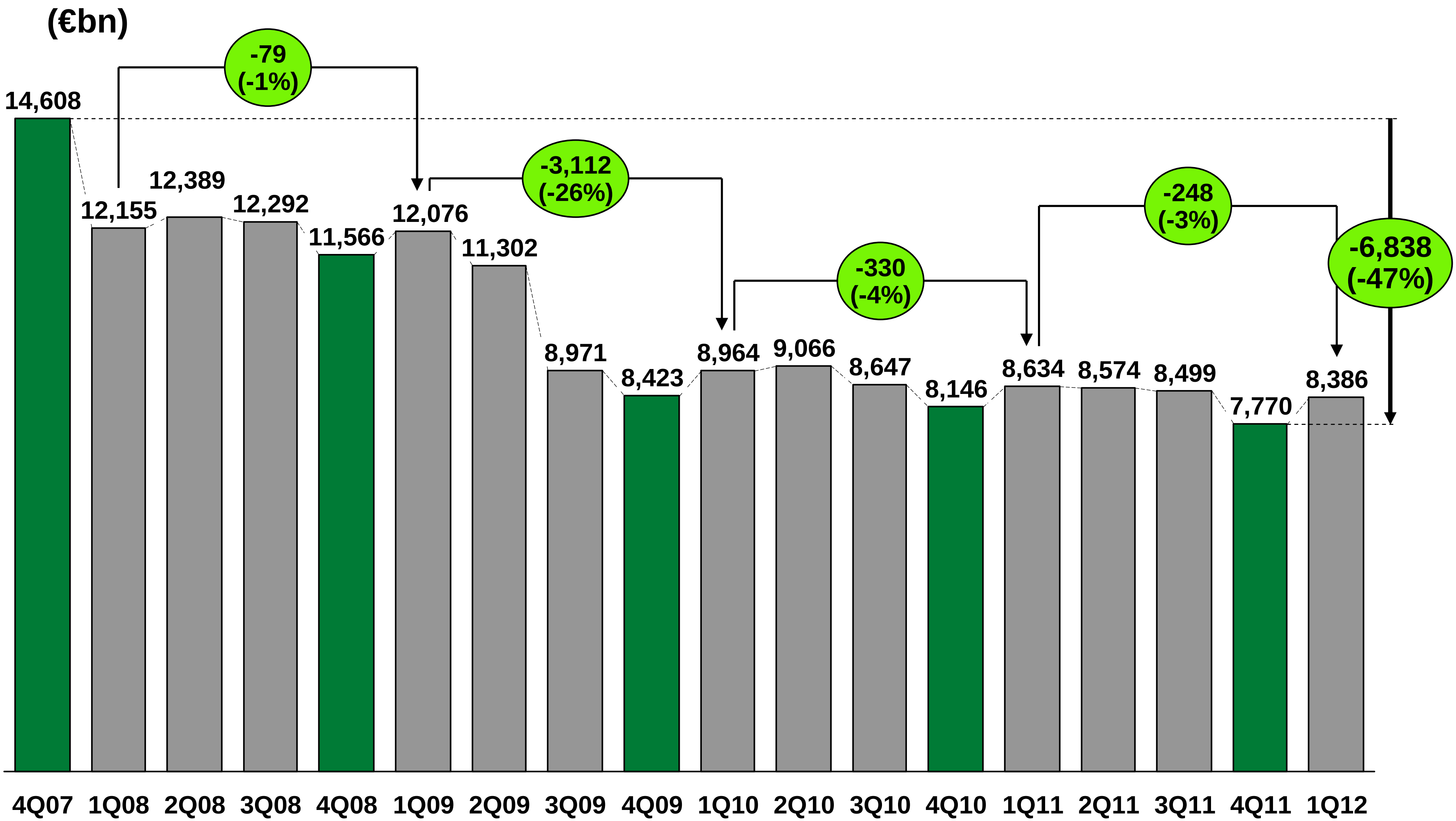
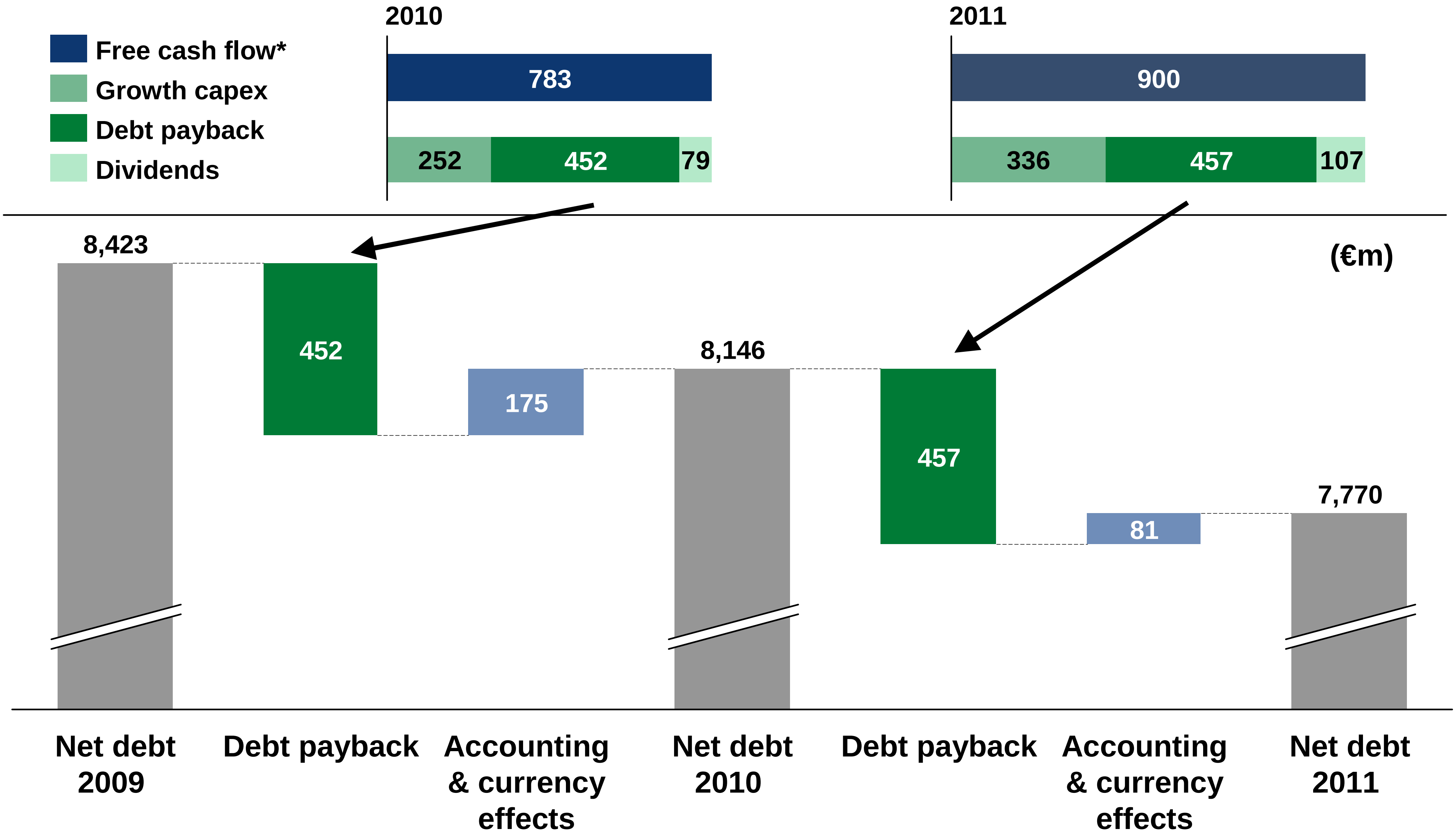
deriving financial strength from:

1. Solid results in 1Q2012
2. **Strict cash-flow orientation**
   - **Perpetual deleveraging**
   - Disciplined working capital management
   - Investment decisions – criteria and execution
   - Reinforced divestments of non-core assets
3. Strong protection against crisis

18 quarters of continued net debt reduction (y-o-y)



Free cash flow used for continuous debt reduction



Disciplined use of free cash flow*
Repayment target of €m300–500 clearly reached

*) Net operating cash generated by operating activities less sustainable capex.

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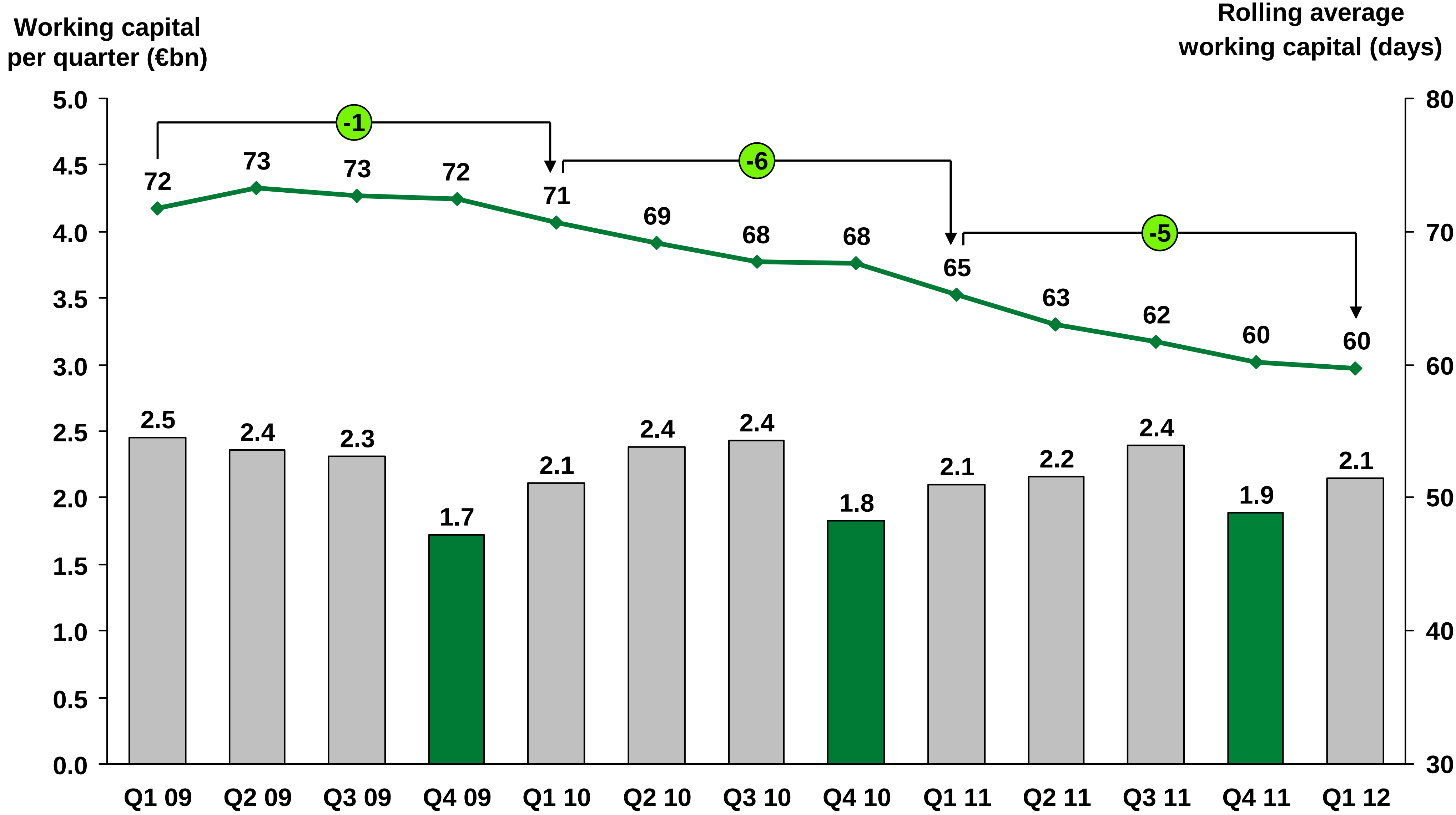
Successful working capital management



Average working capital days constantly decreasing

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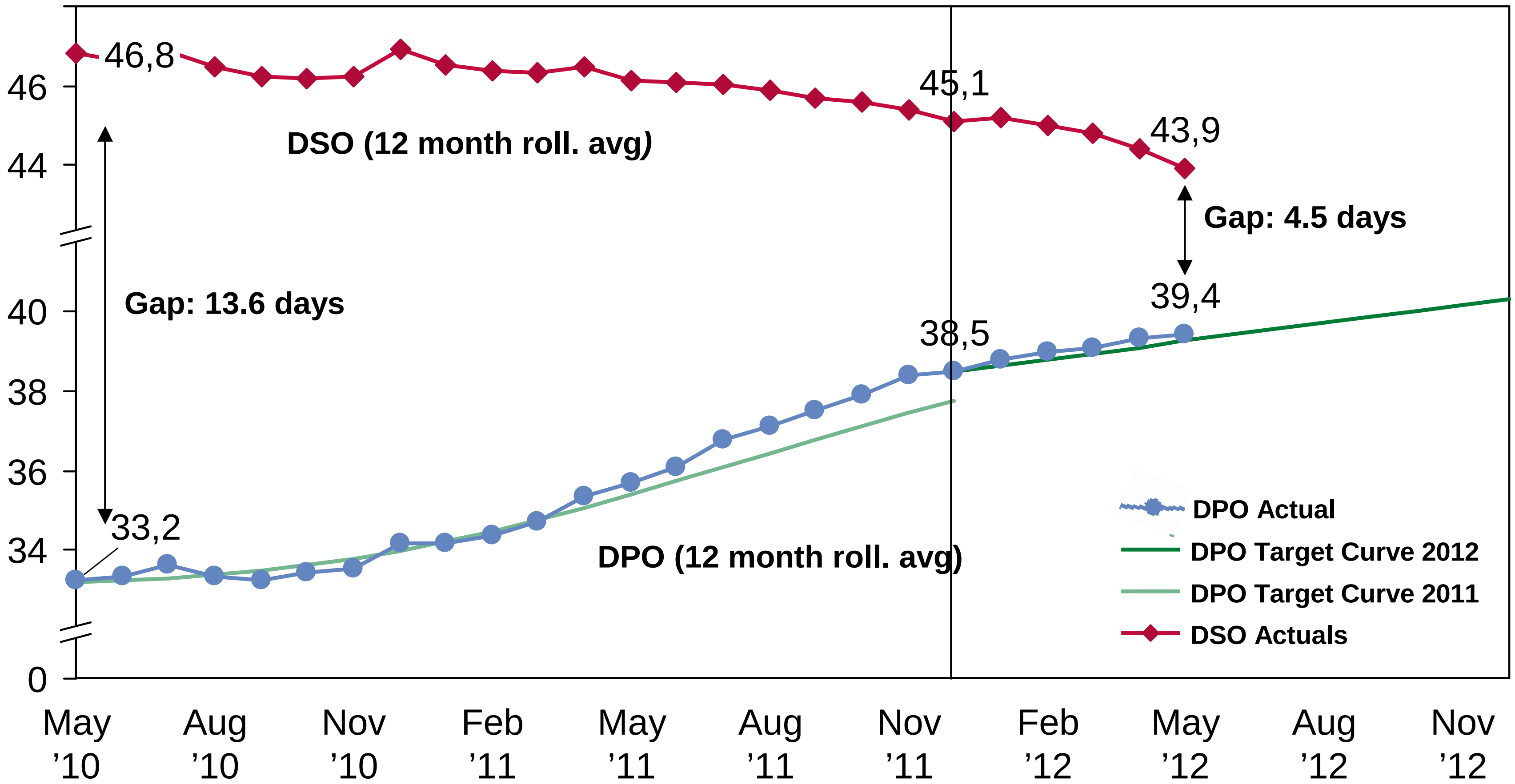
DPO & DSO development on Group level



Gap between DPO and DSO has been reduced ACT'11 & YTD'12 in total by 9.1 days
Theoretical Cash Equivalent: €m178.6 + €m76.6 = €m255.3

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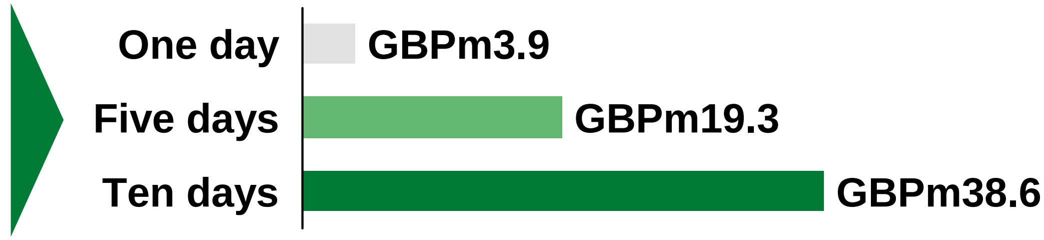
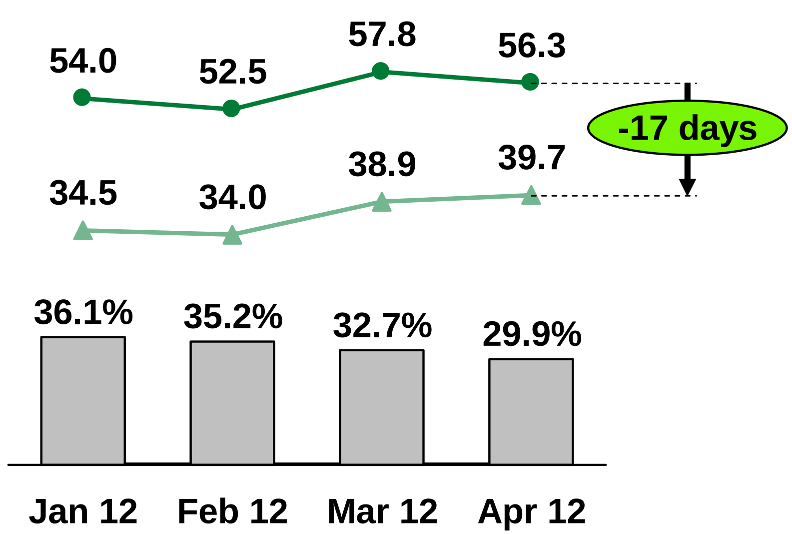
DSO UK pilot

Significant cash savings potential from collecting overdue receivables and reduction of billing errors

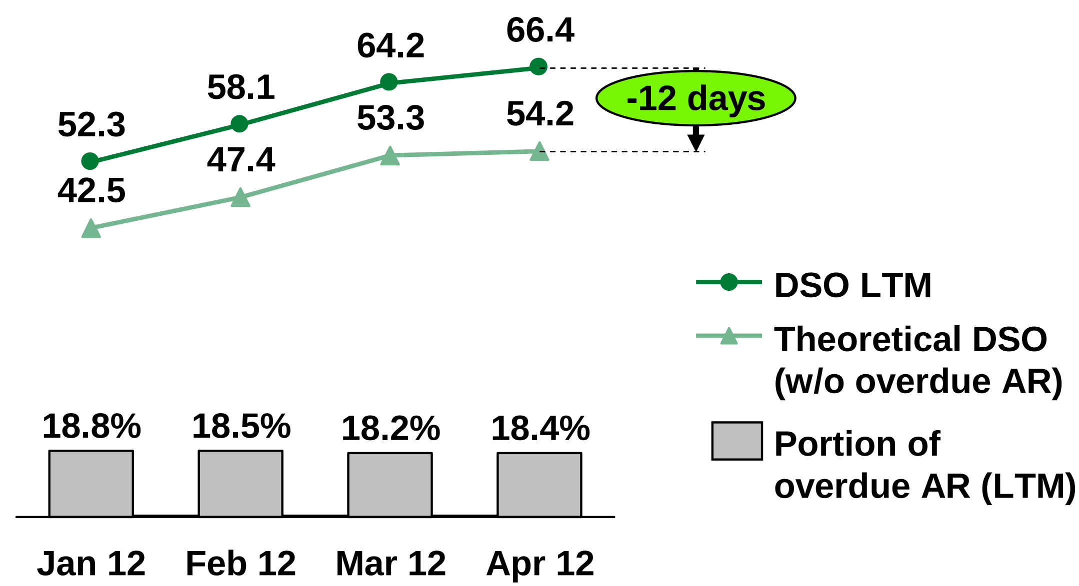
Potential cash savings from DSO improvement[1]



DSO Development OL CEM[2]



DSO Development OL AGG



In NAM each day DSO saving even means US$12 million cash!

1) Average from all OLs, if we would keep our turnover to a similar level as in 2011.
2) Hanson Cement only, no packed products.

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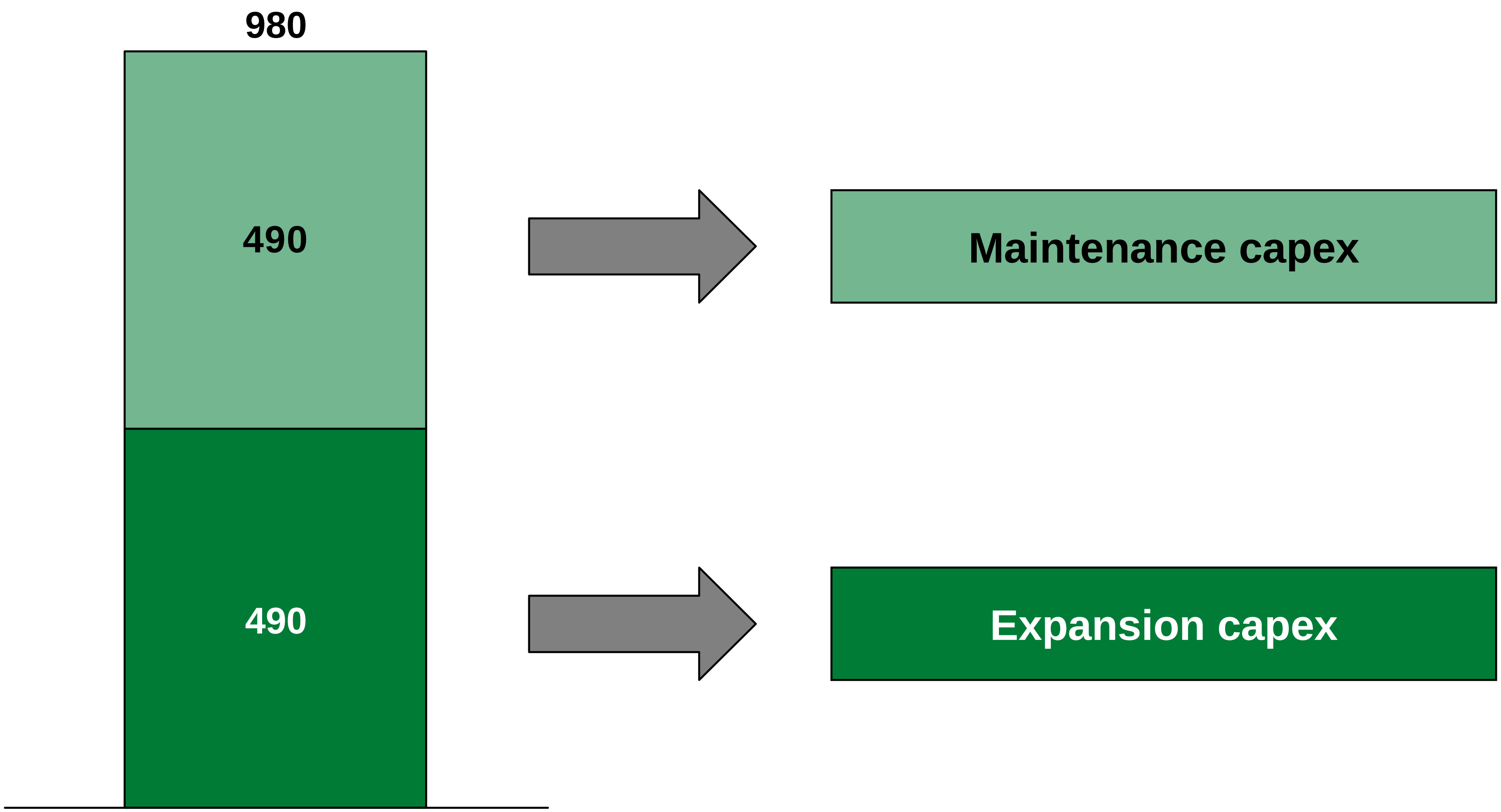
Capex targets 2012 unchanged

(€m)



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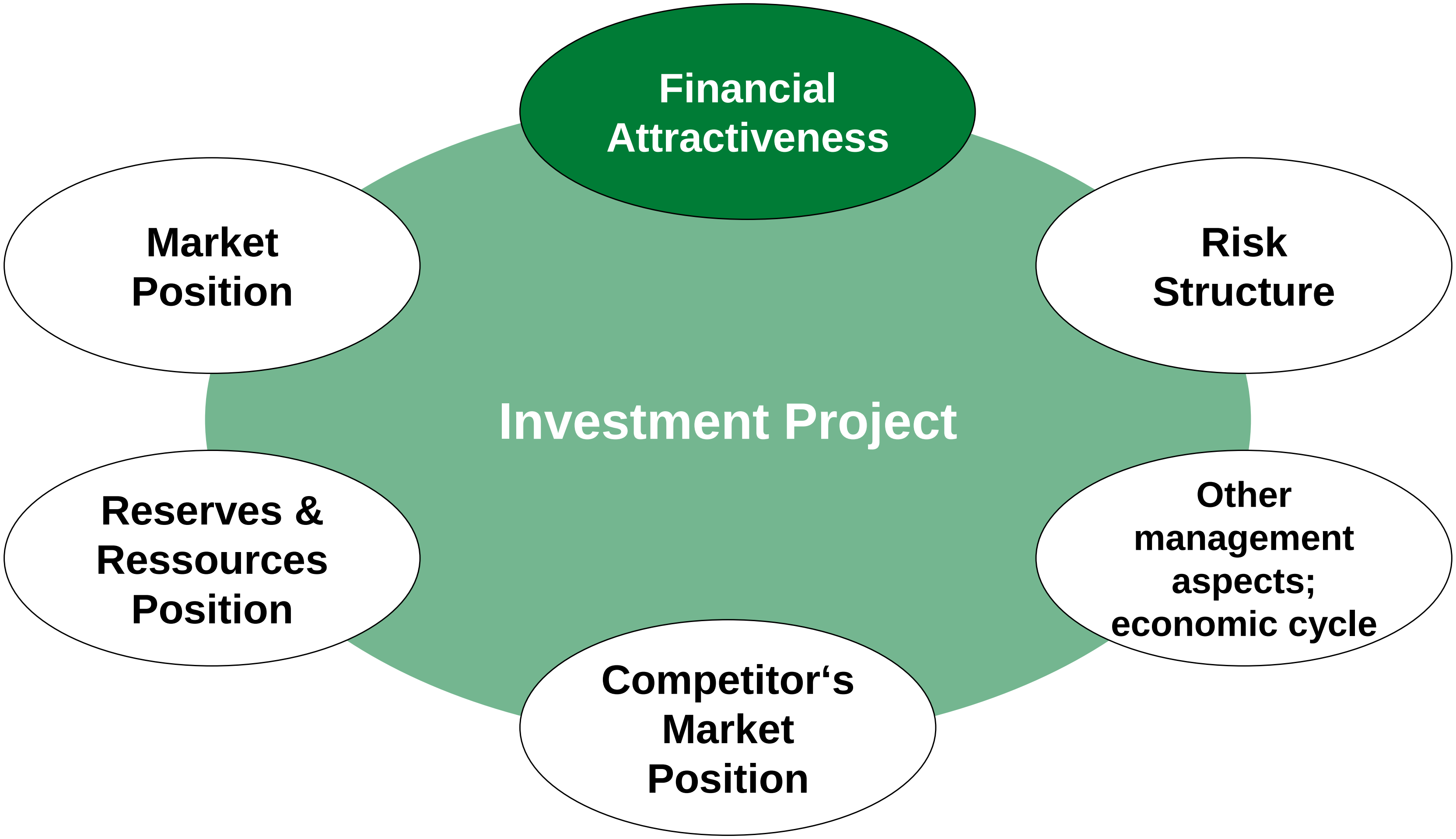
Conceptual framework of investment decisions



Financial attractiveness is only one part in decision making

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Investment project attractiveness

Strategic position of investment

- Access to sources
- Access to markets

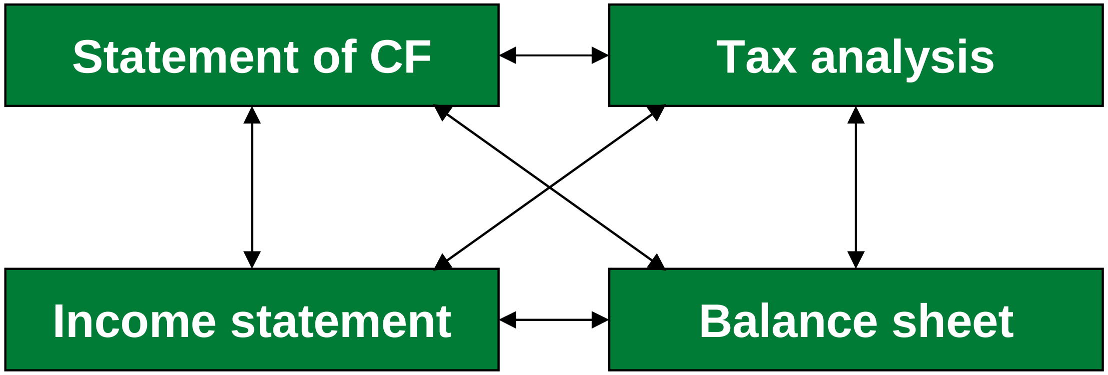
Profit pool potential of micro market

- Margin potential
- Growth potential
- Cost competitiveness

Financial attractiveness

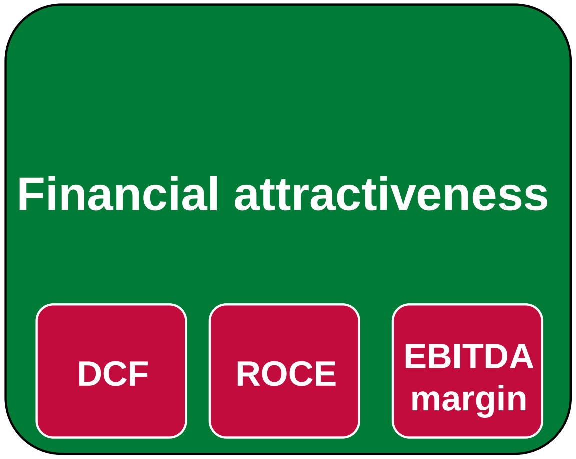
- DCF
- Simulation of BS, IS, CF and tax
- Benchmark to financial targets

HeidelbergCement investment criteria



In addition to the DCF approach, HC uses the balance sheet, income statement, statement of cash flows and tax analysis as criteria

Criteria for financial attractiveness



DCF

- **Cost of capital: to be earned in 2nd year after completion of investment**
- **IRR: to show premium on WACC**

ROCE

- **19%-20%**

EBITDA-margin

- **CEM ≥ 33%**
- **AGG ≥ 27%**

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Tula project
General information

- **Cement capacity 2 mty; expansion to 4 mty possible**
- **Construction period 29 months (May 2009 – September 2011)**
- **Budget – €m348 equaling €174/t of capacity**
- **Equipment supplier from China; general contractor from Turkey**
- **First clinker has been produced in November 2011**

Excellent location for supplying fast growing Moscow market

Tula project
Positive takeaways

- **Investment cost and project timing are better than those of competitors in the region**
  - **HC, Tula: €174/t, 29 months**
  - **Competitors in the region: ~ €240/t, more than 3 years**
- **Smooth permitting process**
- **Good clinker and cement quality**
- **Key equipment like kiln and mills (coal, raw material, cement) reached planned capacity**

Tula on stream with lower investment costs per tonne than local competitors

Investment project attractiveness: Tula case

Strategic position of investment	- Access to sources - Access to markets	- Limestone, power and water very close to plant - Closest plant to Moscow agglomeration
Profit pool potential of micro market	- Margin potential - Growth potential - Cost competitiveness	- Price growth - Population and GDP growth - Low capex spending
Financial attractiveness	- DCF - Simulation of BS, IS, CF and tax - Benchmark to financial targets	- IRR: premium on WACC - ROCE ≥ 22% from year 5 on - EBITDA margin ≥ 35%

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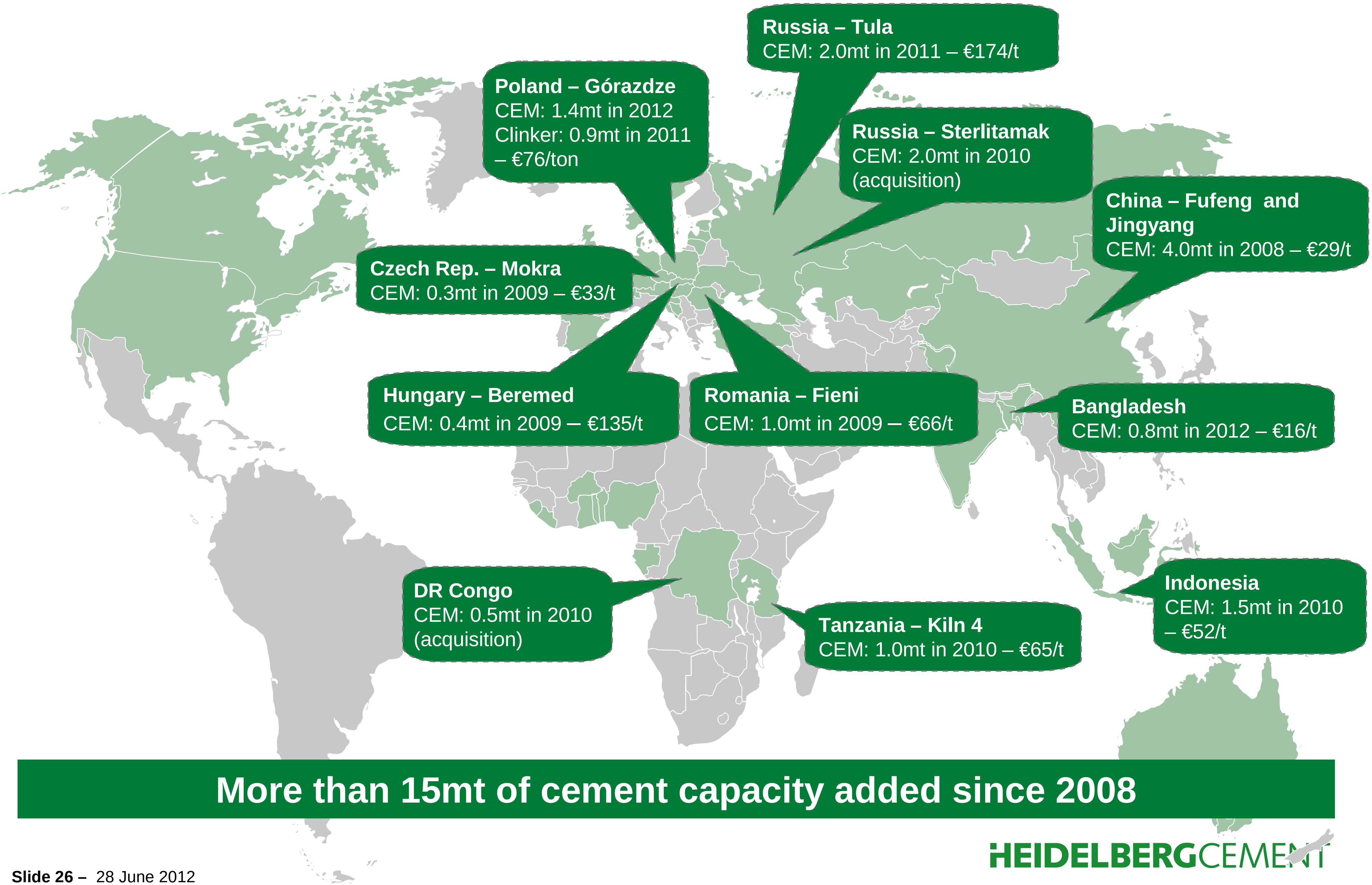
Successful addition of CEM capacity in EM markets at efficient capex (overview 2008 – HY1 2012)



More than 15mt of cement capacity added since 2008

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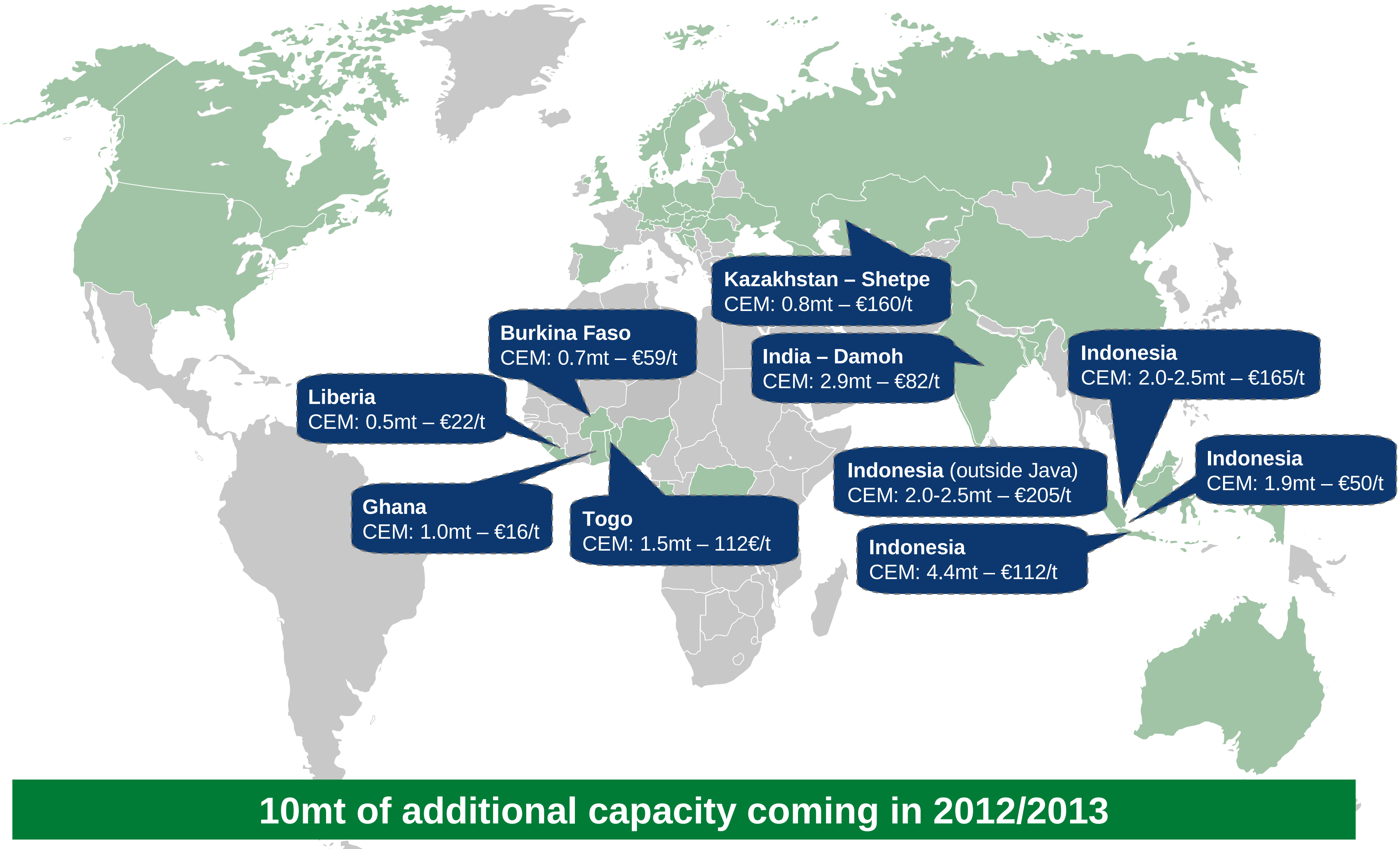
Planned addition of CEM capacity in EM markets at efficient capex (overview as from HY2 2012)



10mt of additional capacity coming in 2012/2013

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Projected disposals

- **Managing Board is confident and committed to execute €m250-350 disposals**
- **Focus on disposals of single non-core assets in the following segments in recovering North American market**
  - Brick
  - Pipe
  - Precast
  - Pavers
- **Disposals without destroying business portfolio**
  - Assets not fitting Group strategy
  - Limited impact on EBITDA
  - Clear improvement in ND/EBITDA multiple prerequisite
- **Disposal process assumes a stable capital market development**

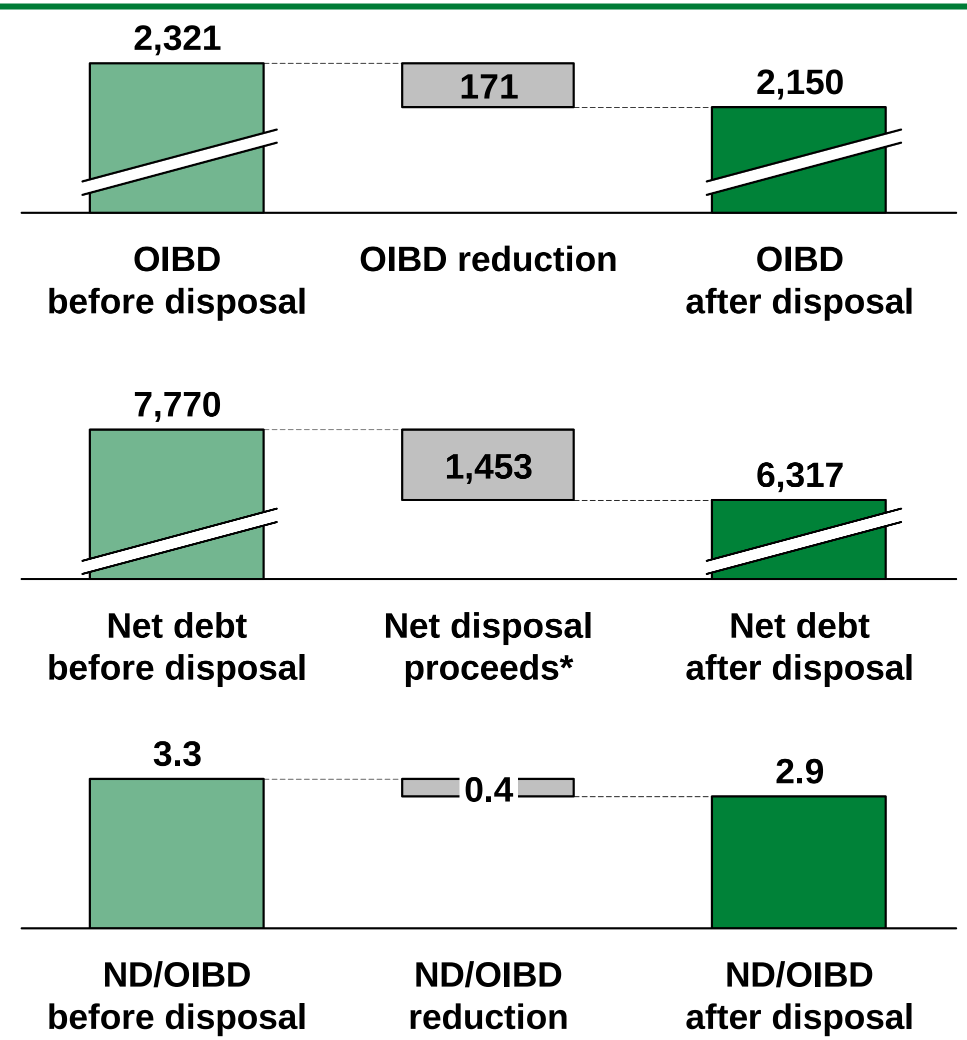
Disposal of business units – case study

Disposal of business unit at EV/EBITDA net multiple of 8.5X

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

ND/EBITDA declines by 0.4x

HC case study based on FY2011

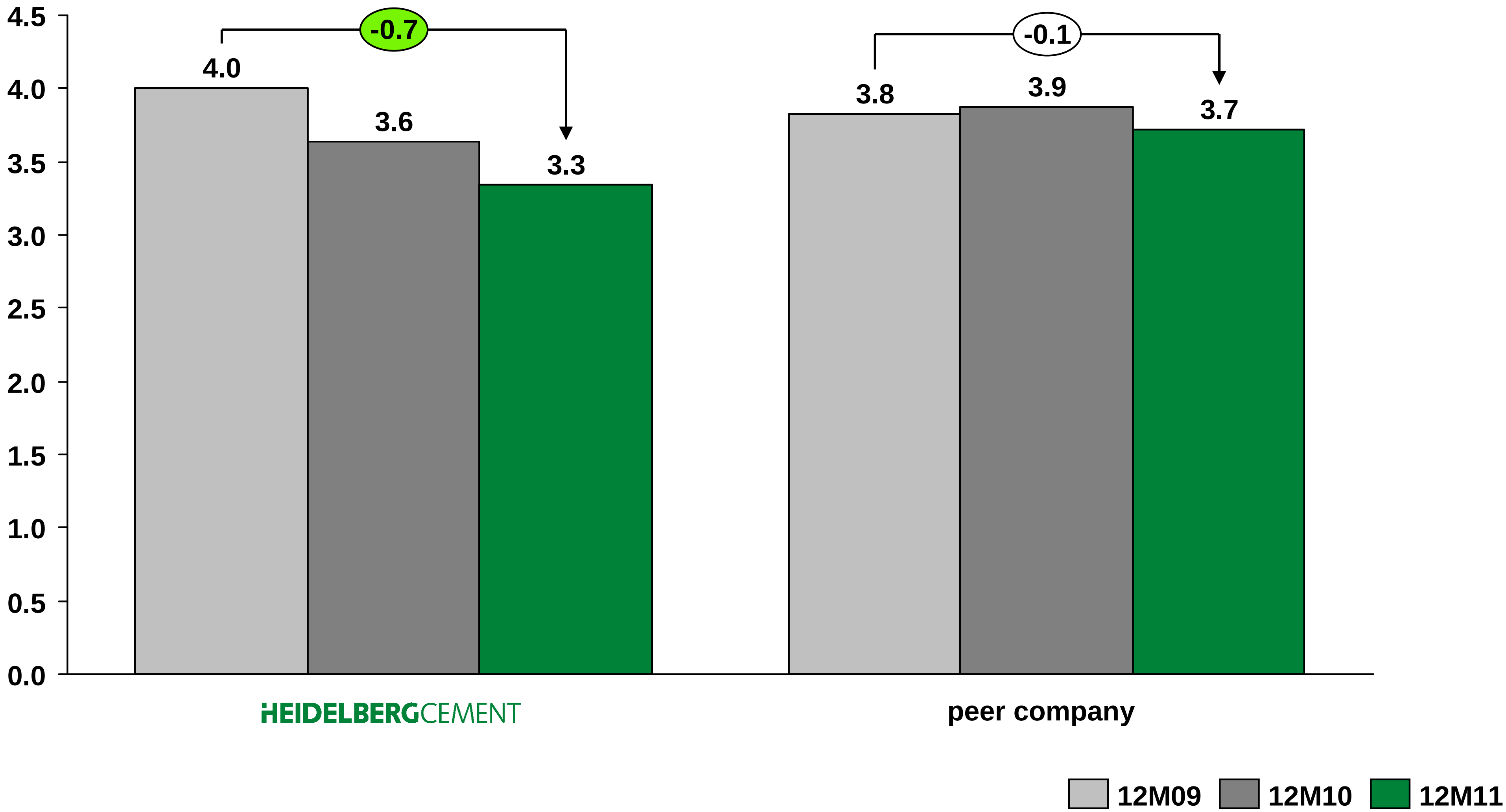


Disposal would buy only 1 year of operational deleverage, while giving a strategic position!

*) Net proceeds after financing.

Net debt/OIBD down at HC without selling assets

HC manages to deleverage 0.3x to 0.4x p.a. by sound operational performance – unlike peer company where ND/OIBD is almost flat despite multibillion disposals



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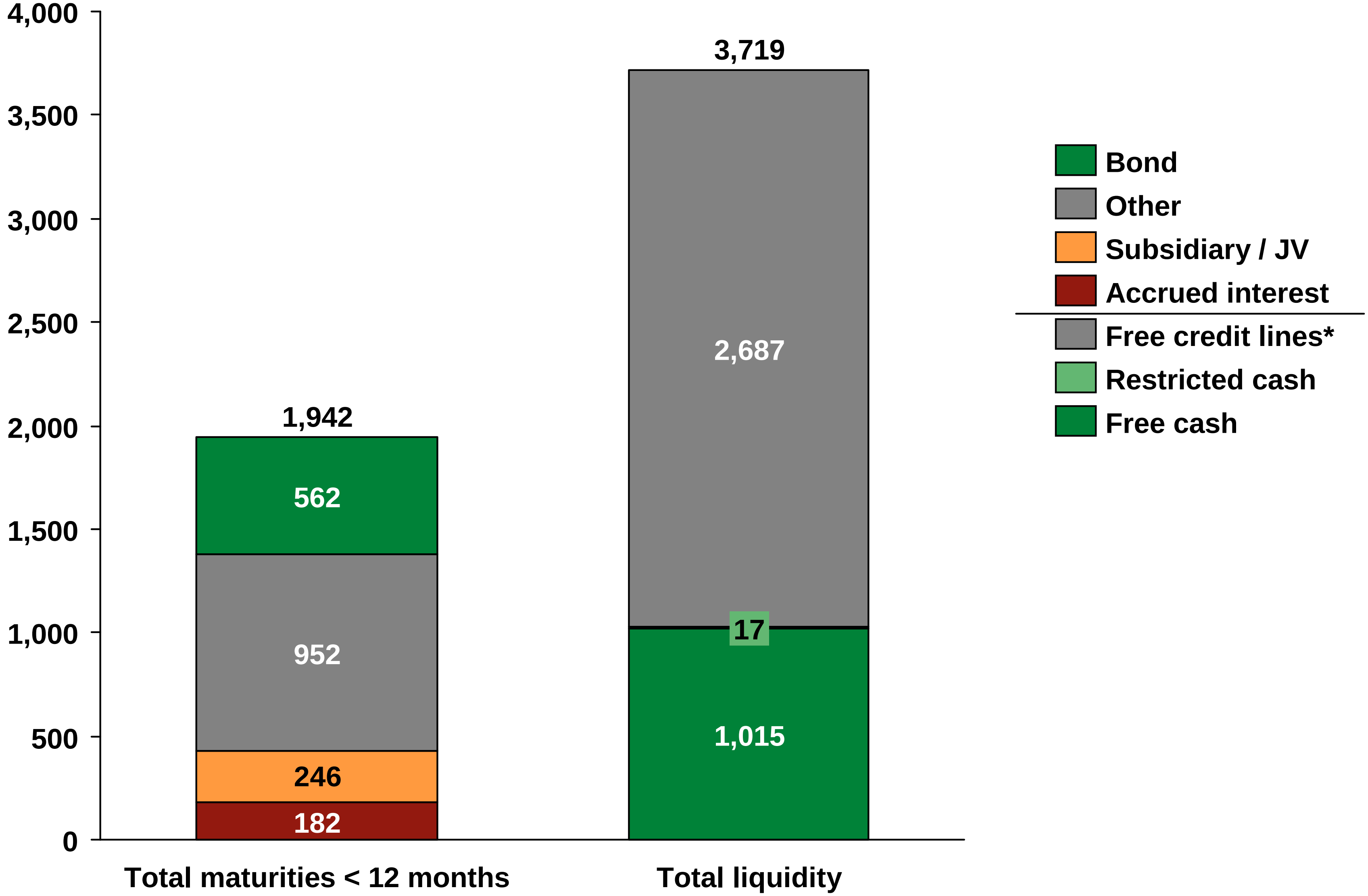
Short-term liquidity headroom

as per 31 March 2012 in €m



*) Total committed confirmed credit line 3,000 €m (Guarantee utilization 250 €m)

Excluding reconciliation adjustments with a total amount of 69 €m
(transaction costs to be amortized over the term of the SFA, issue prices and fair value adjustments).

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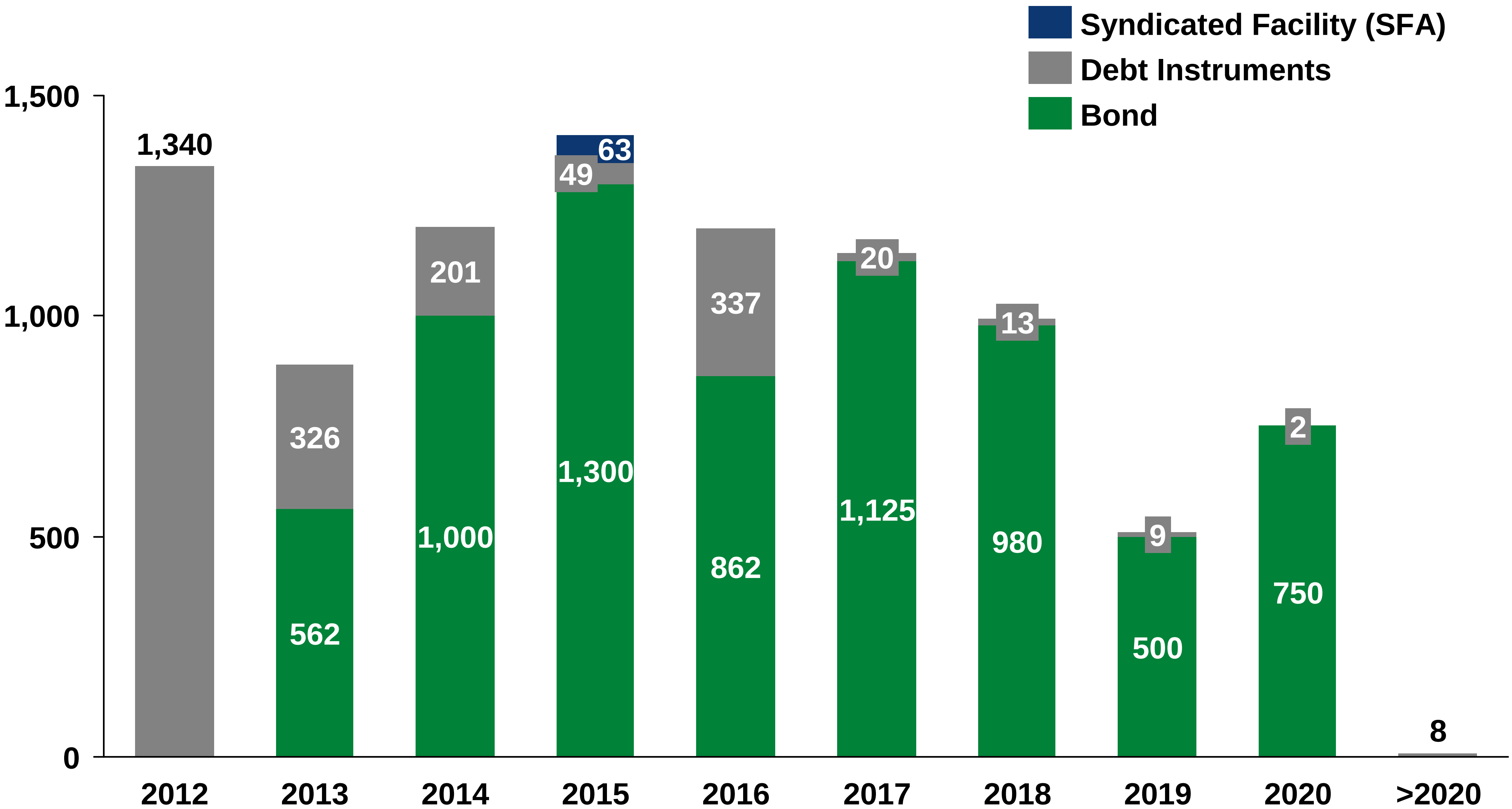
Debt maturity profile well balanced

as per 31 March 2012 in €m



Excluding reconciliation adjustments with a total amount of 17 €m
(transaction costs to be amortized over the term of the SFA, issue prices and fair value adjustments).

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Update on the sovereign debt crisis

Nothing has changed,
problems are covered by money printing but they will come back!

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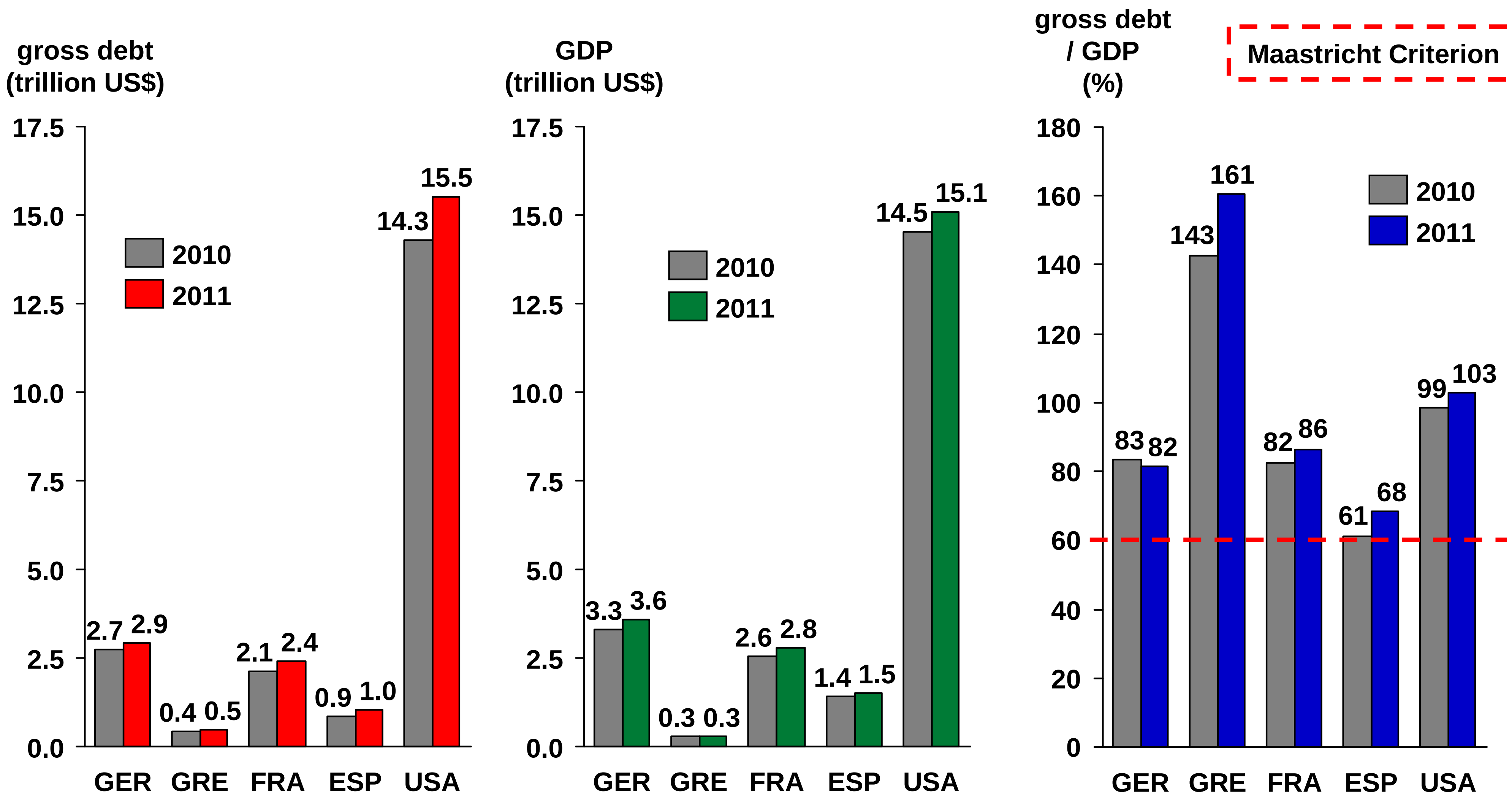
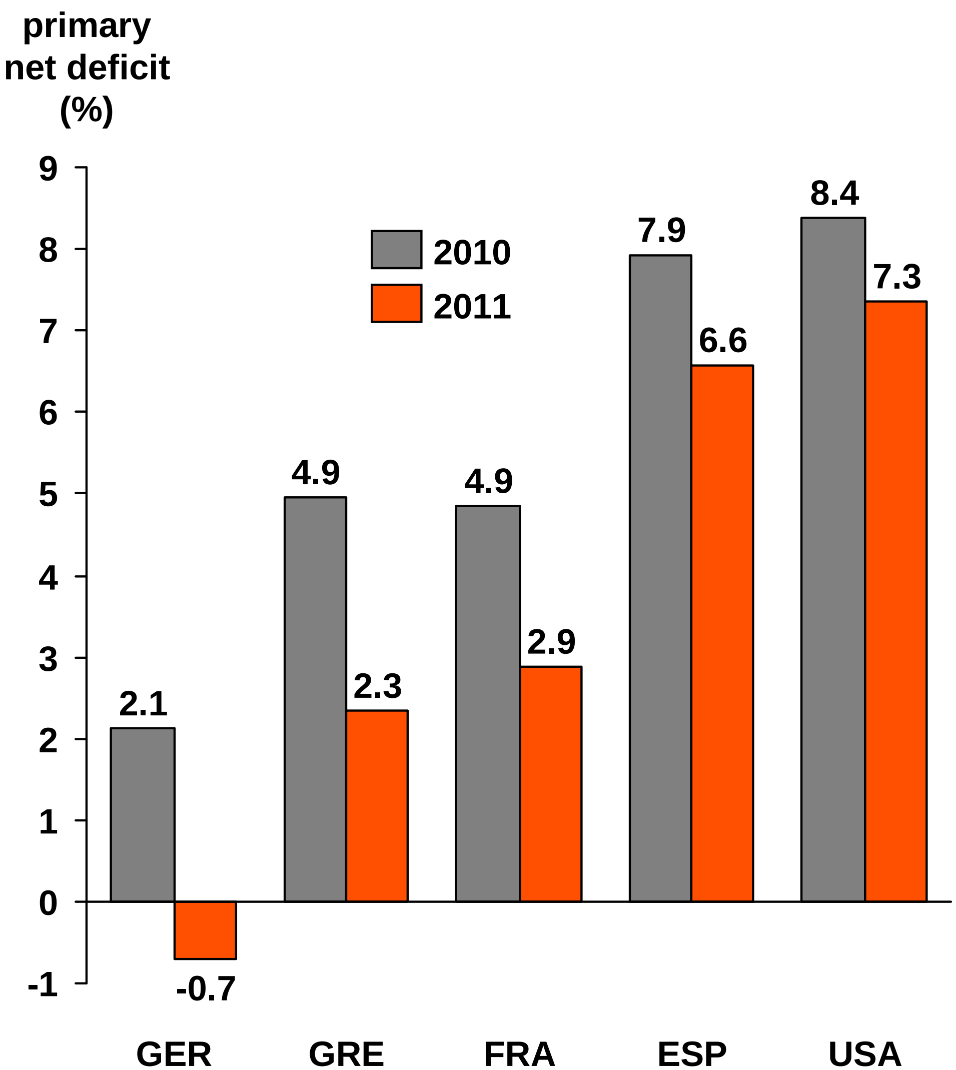
Sovereign debt 2011 vs. 2010

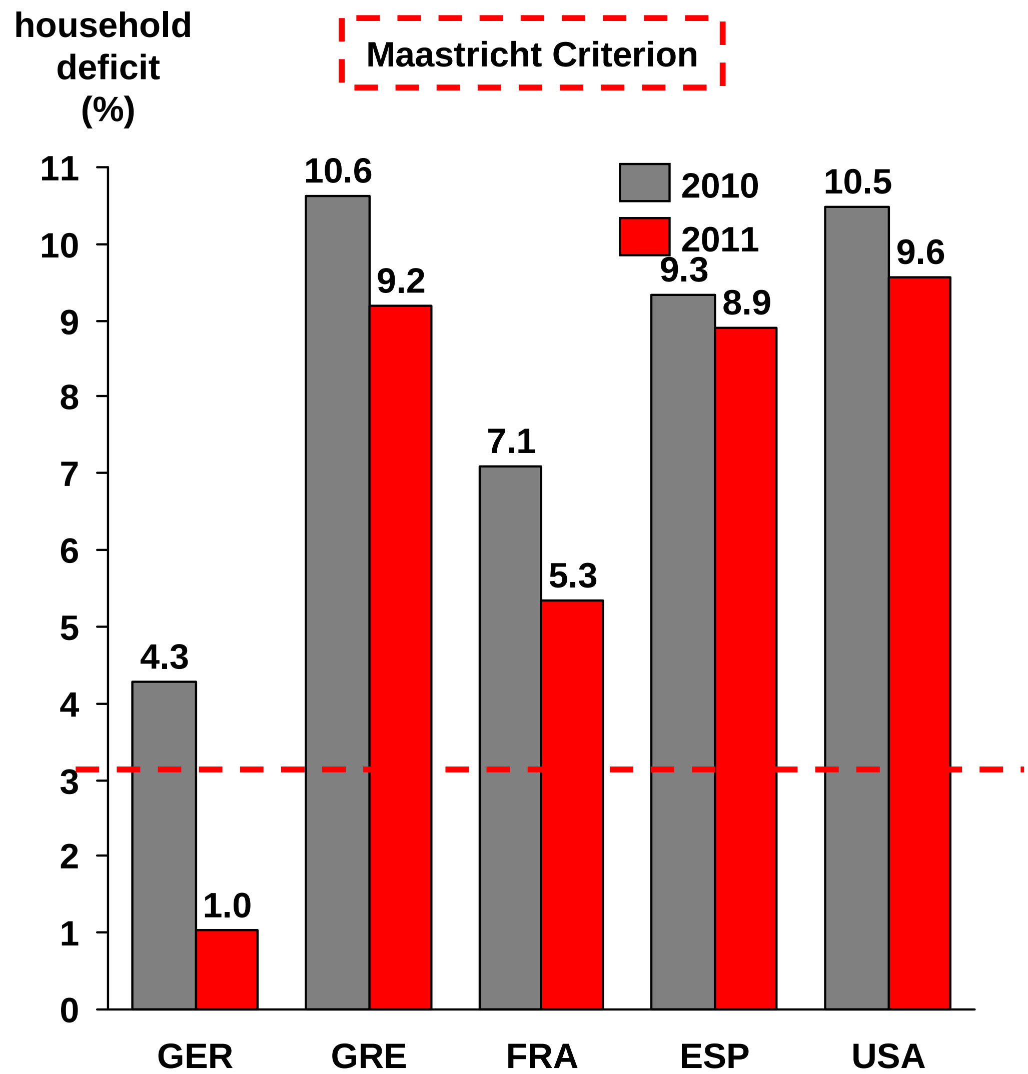


Absolute gross debt increase in all selected countries

Source: IMF.

Household deficit 2011 vs. 2010





Most countries have a primary net deficit
Most countries do not comply with Maastricht criterion

Source: IMF.

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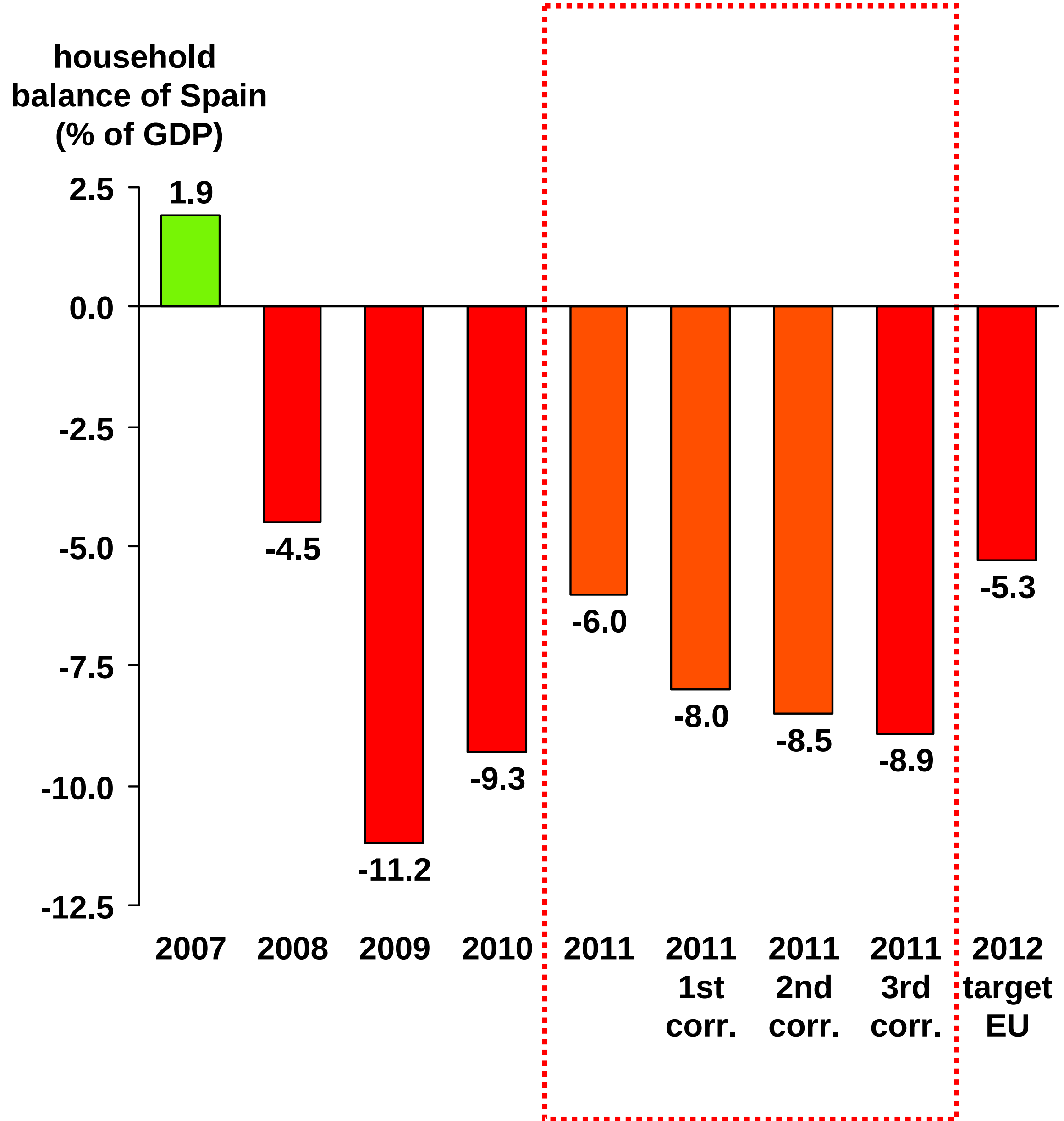
Excessive expectations on austerity measures

Austerity measures alone will not be enough to fix sovereign debt crisis



Source: IMF.

Scenario analysis

Scenario	Eurozone collapse	Grexit	Muddling through - bumpy flight in low altitude	Quick resolution of sovereign debt crisis
Probability	very low	moderate	high	very low
Effect for Eurozone	back to national currencies or north and south Euro	inflation union, weak Euro	inflation union, very weak Euro	fiscal union or stability union, strong Euro
Effect for HC	HC debt denominated in DM; simulation not possible	80% of debt denominated in Euro and only 10% of EBITDA in Euro; HC would benefit in sum		HC bought expensive protection

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Financial strength derived from

- **Solid results in 1Q2012**
  - Recovery in North America
  - New mill in Poland on stream as another investment example of low capex spend per tonne of capacity
  - Another quarter (number 18) of perpetual deleveraging

- **Strict cash-flow orientation**
  - Confirmed cash-flow orientation – successful DPO program complimented by ambitious DSO program
  - Tough investment criteria
  - Reinforced divestments

- **Strong protection against crisis**
  - Protection against a weakening euro since 80% of debt denominated in euro and only 10% of EBITDA in euro
  - High liquidity headroom covering maturities of more than the next 24 months
  - Diversified geographic footprint resulting in negligible exposure to PIIGS and no exposure to Arabellion countries

Thank you very much for your attention!

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Safe Harbour Statement

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