HeidelbergCement Capital Markets Day

02 July 2014 / Cupertino, CA

Markets & Strategy
Dr. Bernd Scheifele, Group CEO

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Disclaimer

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 believes 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 defer 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. 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.

In the first quarter of 2014 HeidelbergCement applied the new IFRS standards 10 and 11 for the first time. According to the new rules the proportionate consolidation is abolished. Instead, joint ventures are to be accounted for using the equity method. Assets and liabilities as well as income and expenses of joint ventures will no longer be shown proportionately in the relevant balance sheet or income statement items, but will only be shown in a separate line using the equity method: the carrying amount in the balance sheet and the result from joint ventures in the income statement. Among the joint ventures of HeidelbergCement are important operations in Turkey, China, Hungary, Bosnia and the USA (Texas), which have contributed significant results to the operating income in the past. In order to continue with a comprehensive presentation of the operational performance, HeidelbergCement will include the result from joint ventures in operating income before depreciation starting with the first quarter of 2014.

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HeidelbergCement at a glance

World number 1 in Aggregates

- 19 billion ton reserves in more than 500 quarries
- Located in key urban areas in US, UK, Australia
- Market leading operational performance

Excellent footprint in Cement

- 128 million ton cement capacity in 33 countries
- 71 integrated plants, 27 grinding facilities, 141 cement terminals
- Strong operating leverage in recovery markets

Fully integrated RMC business

- World's 2nd biggest RMC operations with more than 1,300 plants around the globe
- Continuously improving operating performance driven by logistics initiatives

Strong Building Products business

- More than 50 plants located in recovering countries
- Well optimized cost base

One of the biggest Trading services

- International "trade arm" with offices in Dubai, Istanbul, Malta, Shanghai and Singapore
- 20 million ton trade volume per year

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Best positioned international company for business with unique footprint and significant future potential

Local business and entrepreneurship in a global company

We operate with local brands...	under a global international company.
➢ Local entrepreneurship ➢ Customer oriented local management ➢ Efficient and rapid decision taking	➢ Global corporate culture ➢ Performance and result orientation ➢ Sustainable development

Most efficient operational management and organization set-up in the sector

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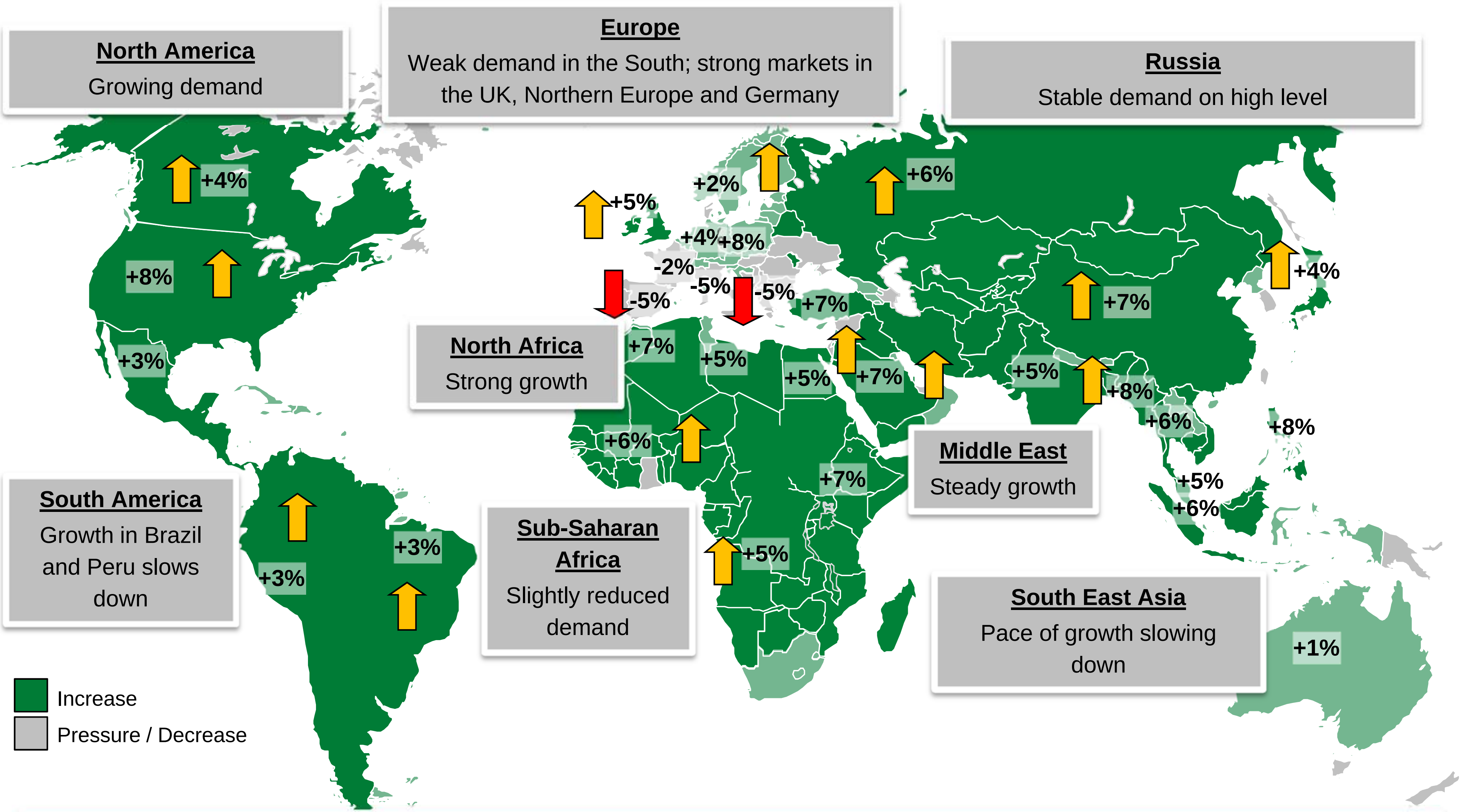
Outlook for cement demand 2014 (global)



Global positive outlook (except Southern Europe)
Growth of 5% in cement demand worldwide equals 150 Mio. tons

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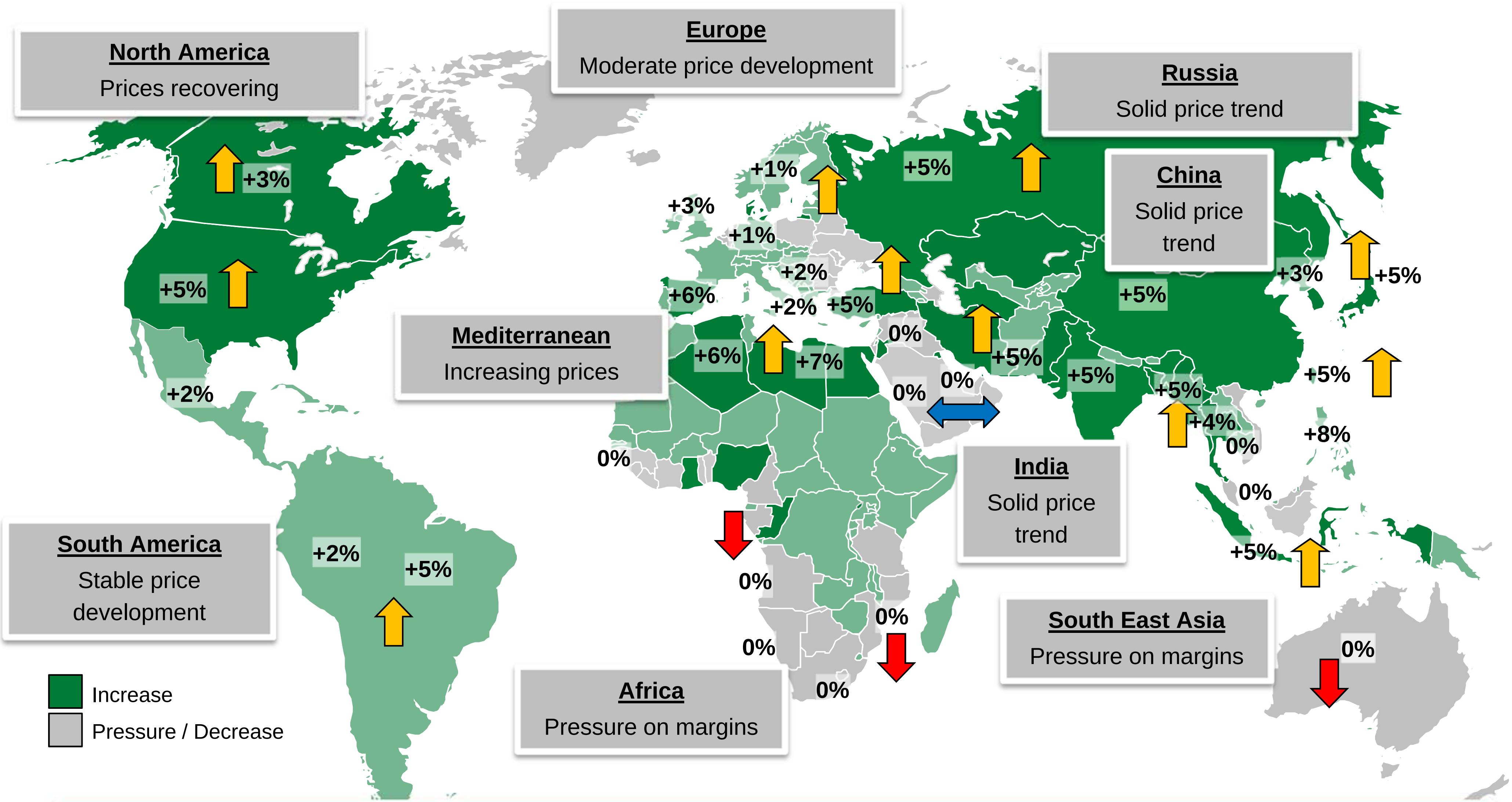
Domestic cement price trends (global) 2014



Clinker spot prices go up: FOB Shanghai +2 USD, FOB Mediterranean +5 USD
Cement is globally short

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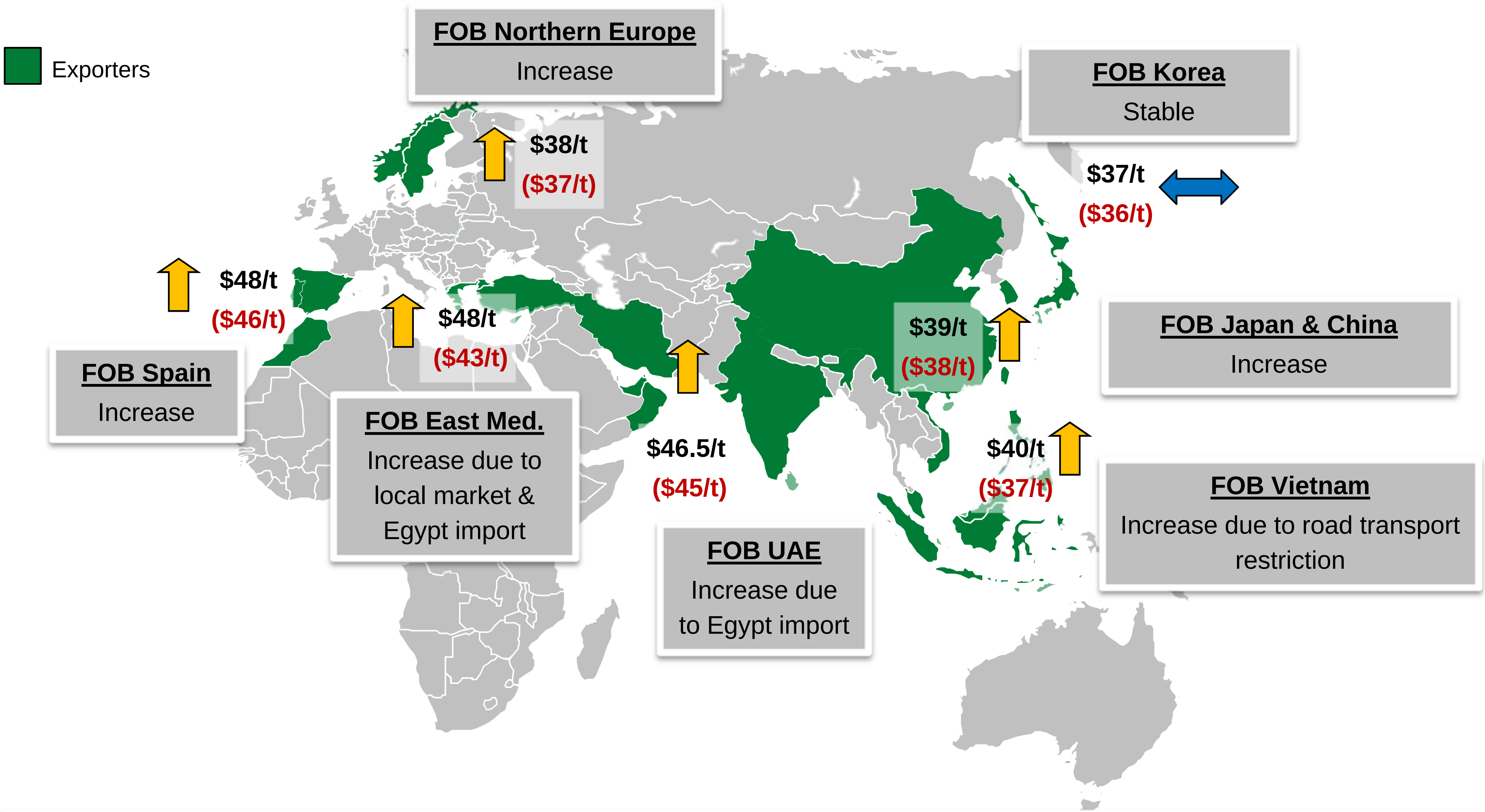
Export Clinker Price 2014 versus 2013



Worldwide increase in prices; biggest increase in East Mediterranean

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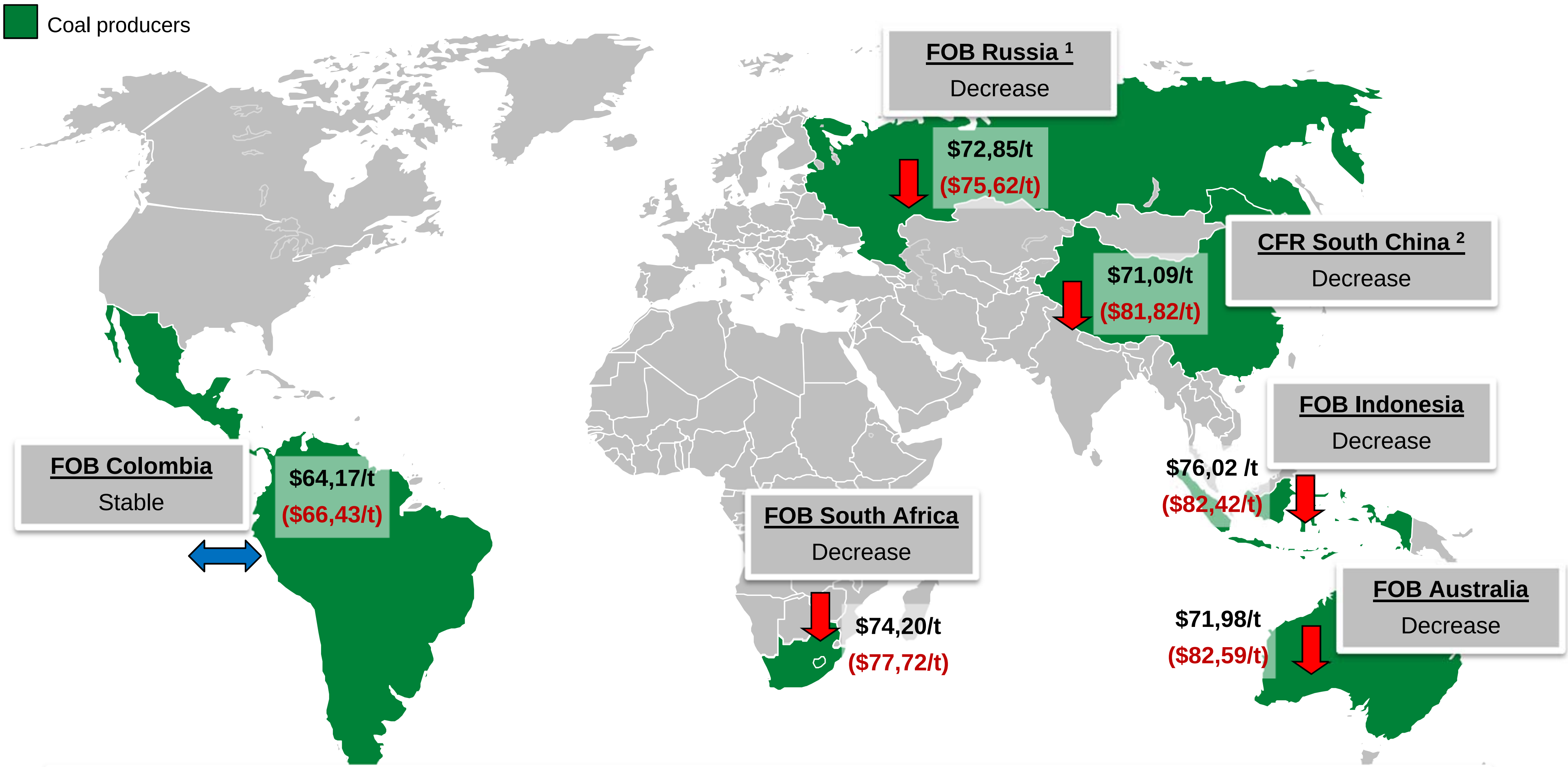
Coal Prices 2014 versus 2013



Coal prices remain soft in Europe and reduced in Asia

Source: Argus/McCloskey's Coal Price Index Report June monthly averages; [1]Macquarie Coal Newsletter; [2] CFR South China basis 5,500kcal/kg vs the rest basis 6,000kcal/kg

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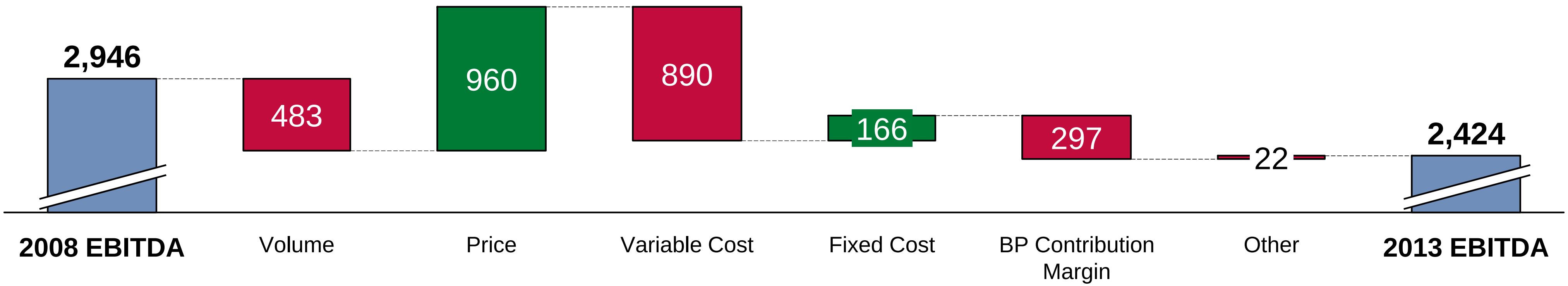
Past, present, future

What happened since the crisis



Where we stand now

- 23 mt more cement capacity; 15,000 less FTE
- Significantly improved operating leverage
- Further vertically integrated business
- 4 b€ lower Net Debt level
- Strong liquidity
- Market leading cost structure

Future

Company in a much better shape ➔ Significant potential to exceed 2008

(*) Volume, price and variable costs are for core business lines, based on LfL values (excluding currency and consolidation).
(**) Other includes currency, consolidation impacts and other income/charges.

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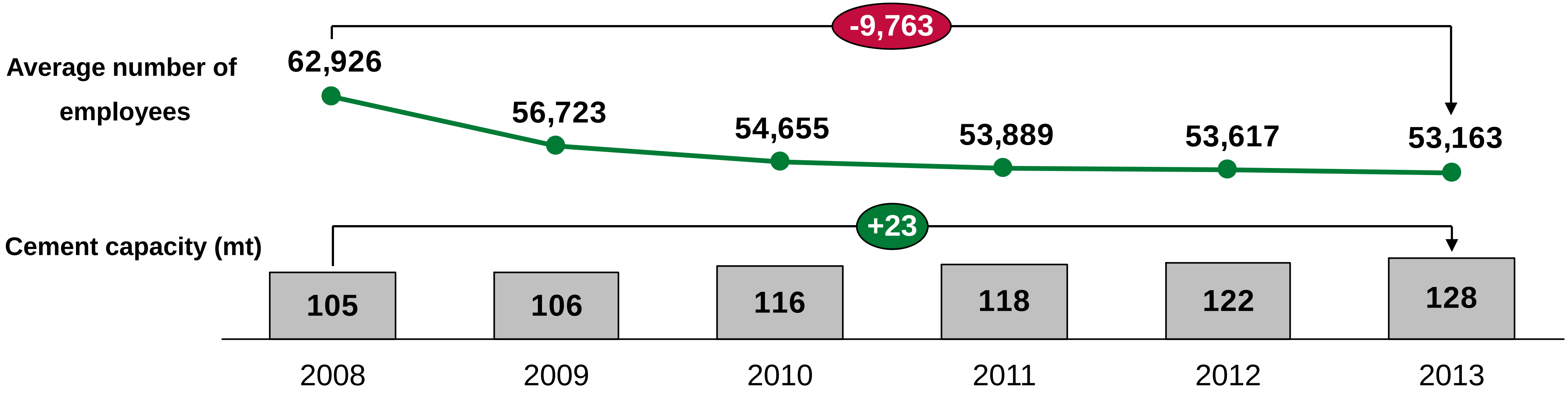
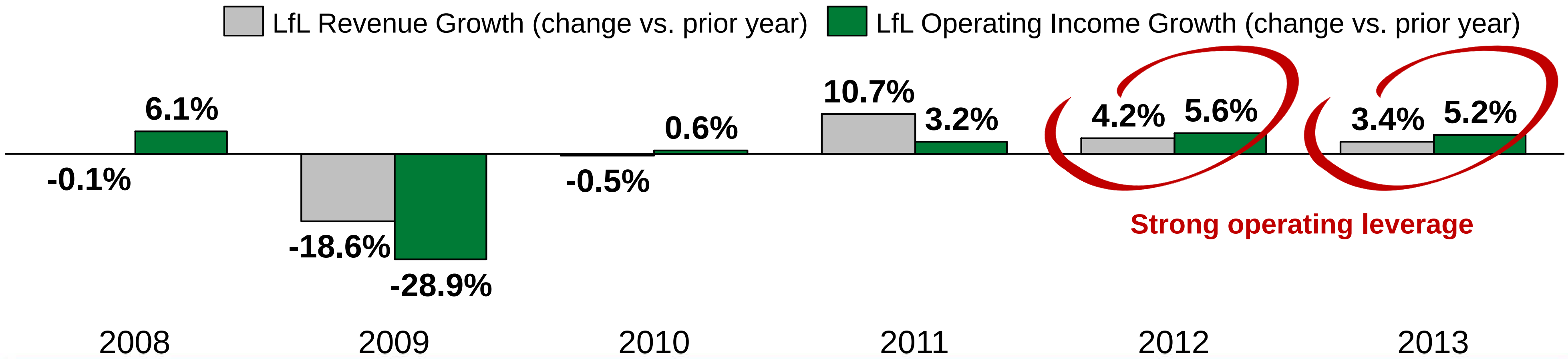
Continuous improvement





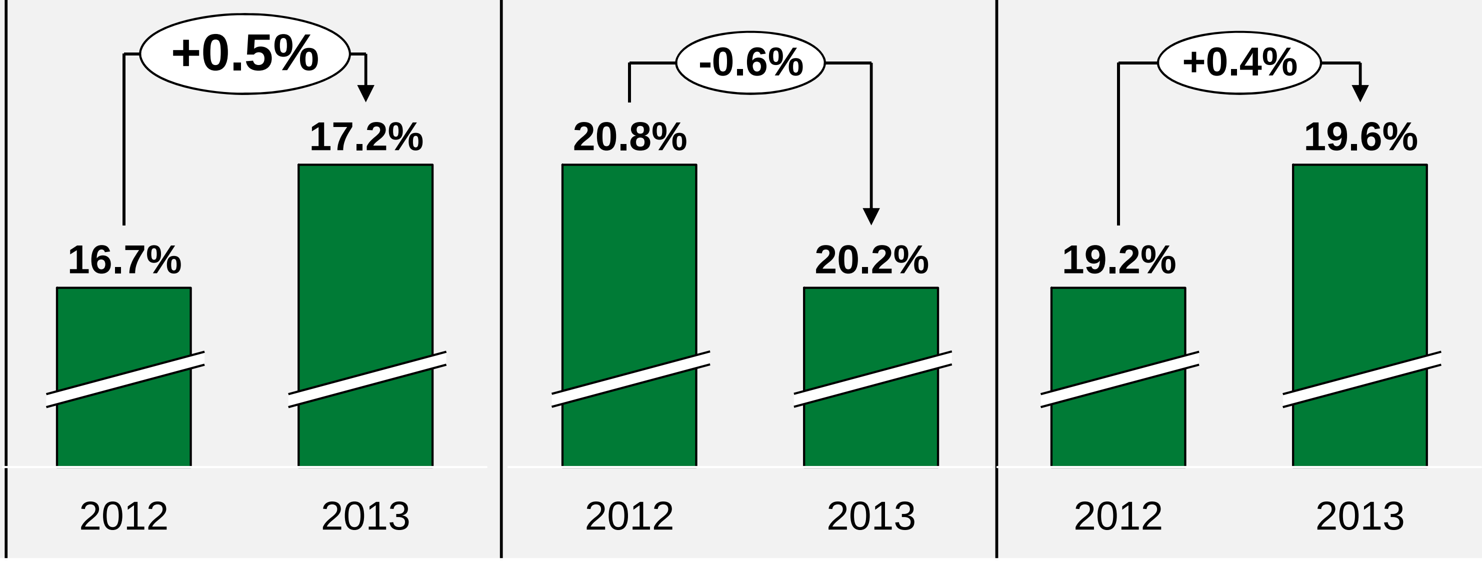
HeidelbergCement continued to grow and improve operating leverage

(*) LfL: Organic growth excluding currency and scope impacts.

Quality beats quantity

	HeidelbergCement	Peer 1	Peer 2
2013 realized savings / efficiency improvements	**124 m€**	**670 m€**	**942 mCHF**
as % of 2013 Revenues	**1 %**	**4 %**	**5 %**
as % of 2013 EBITDA (*)	**5 %**	**22 %**	**24 %**

EBITDA margin development (*)



Focusing on correct levers at the right time and continuous efficiency improvement is the key for solid growth

(*) Underlying EBITDA excluding Co2 gains, quarry gains, pension gains and restructuring costs

Improving operating performance became part of business

2009	2010	2011	2012	2013	2014	FOCUS
FITNESS						• Operational improvements • Business rightsizing • Capacity reduction
	FITNESS PLUS					• Further cost structure improvement • Production optimization • Process engineering
		FOX 2013				• Cement operational excellence • Aggregates quarry optimization • Working capital management
			PERFORM			• Sales excellence in cement • Sales excellence in RMC
			CLIMB Commercial			• Sales excellence in aggregates
			LEO			• Supply Chain Management and logistics optimization
					CEP	(Customer Excellence Program) • Develop superior customer relationship management as competitive advantage
					CIP	(Continuous Improvement Program) • Make continuous efficiency improvement part of Group culture

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Continuous Improvement Program (CIP)

Goals

- Secure the efficiency gains from our previous projects
- Further improve our production processes systematically
- Reach world class performance and production sites

Approach

- Stimulate out-of-the-box thinking and creativity
- Strengthen local entrepreneurial thinking at our production sites
- Enable and encourage staff to systematically look for improvement potentials and create ideas to implement them
- Facilitate global best practice sharing with standardized toolbox

First results

- Three CIP pilots in Europe already generated result improvements of 3.9 €m
- 2015: Roll-out of CIP to 75% of our plants

Target 120 €m of result improvement by the end of 2017

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Customer Excellence Program (CEP)

Currently on-going customer focused programs
➢ **PERFORM** Focus on cement
➢ **CLIMB COMMERCIAL** Focus on aggregates

CEP Customer Excellence

- Fact-based learn of "what's of value"
- Align the entire organization to act, develop and implement
- Be the supplier of choice for the customers

Improve all aspects of customer offering for the benefit of the Group and its customers

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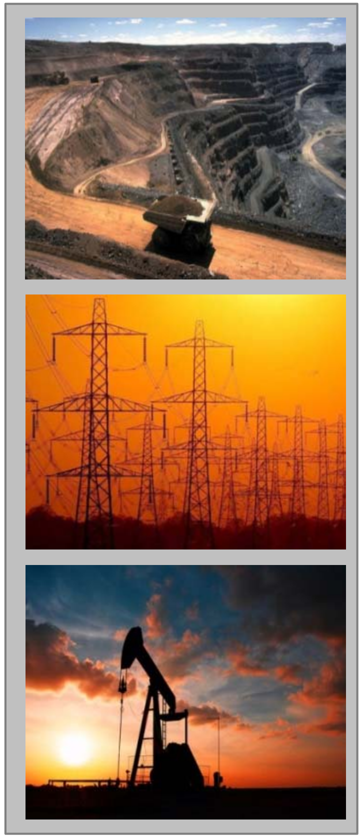
Locally focused, effective and flexible energy strategies

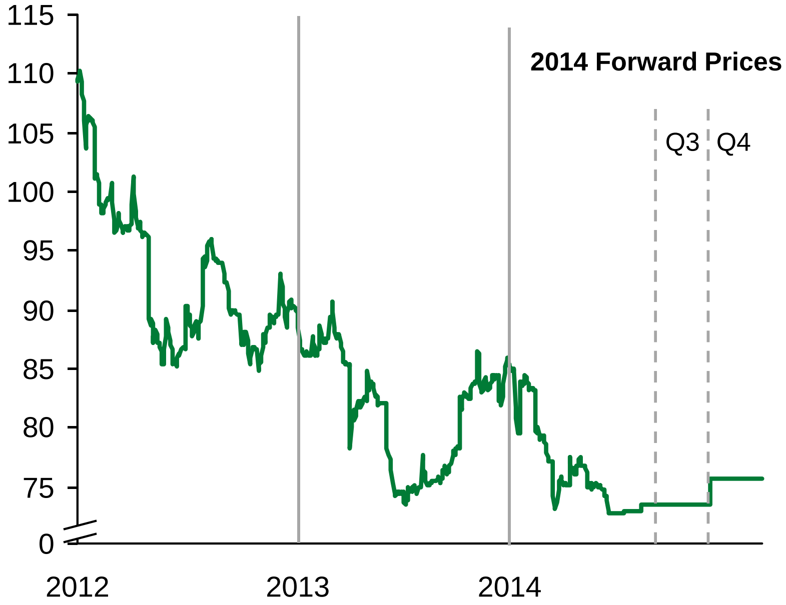
Focus on each commodity for each country



Constant check of most efficient option

(Example API 2)

International Coal Price Indices



Source: Argus McCloskey, 6 June 2014

Best strategy defined based on internal discussions

- Clear focus on local power and fuel markets
- The Board reviews quarterly the energy buying strategies and decisions for deregulated markets
- Strategies allow us to participate in the falling energy markets
- No burden due to long-term, fixed price obligations from the past
- High flexibility to react on fuel mix opportunities

Market leading energy cost efficiency; **2014 energy cost inflation target is flat**

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Excellent local asset base with a superior global footprint

US	Key positions in fastest growing markets which outperforms US average demand growth (California, Texas..)	Generate **81 % of Group Revenues** and **91 % of Group EBITDA**
UK	Superior position in London area; strong benefit from Help-to-Buy program	
Indonesia	Main market West Java; most populated area with highest demand growth	
Australia	Sales to iron-ore mine & LNG projects on West; residential and infrastructure business on East	
Germany	Strong position in South Germany where the demand is much higher than overall average country	
Canada	Operations in West Canada; solid demand driven by commodity business and residential sector	
Africa	Superior position in Sub-Sahara; strong operations in Ghana, Tanzania and Togo	
Benelux	Perfectly positioned in key locations in the region for the recovery - which we already started to see -	
Nordics	Unique positions in solid economies with more than 80% market share.	
Poland	Key position in West Poland close to Germany border to benefit from infrastructure and residential demand	

Superior footprint further supported by key local market exposures

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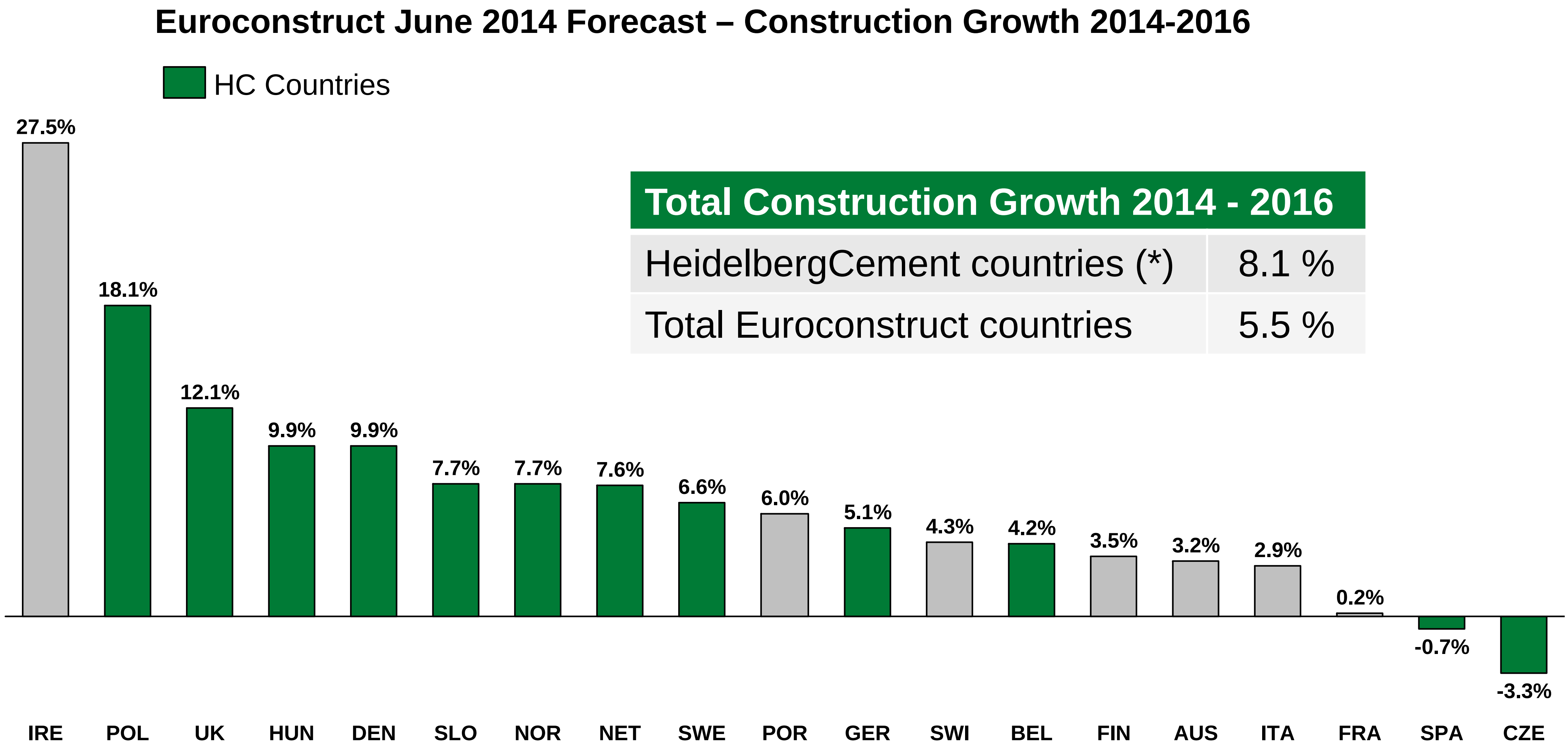
What does latest Euroconstruct Forecast mean for HC



Total Construction Growth 2014 - 2016	
HeidelbergCement countries (*)	8.1 %
Total Euroconstruct countries	5.5 %

Our geographical exposure will continue to outperform Europe average growth

(*) Based on weighted average of 2013 revenues

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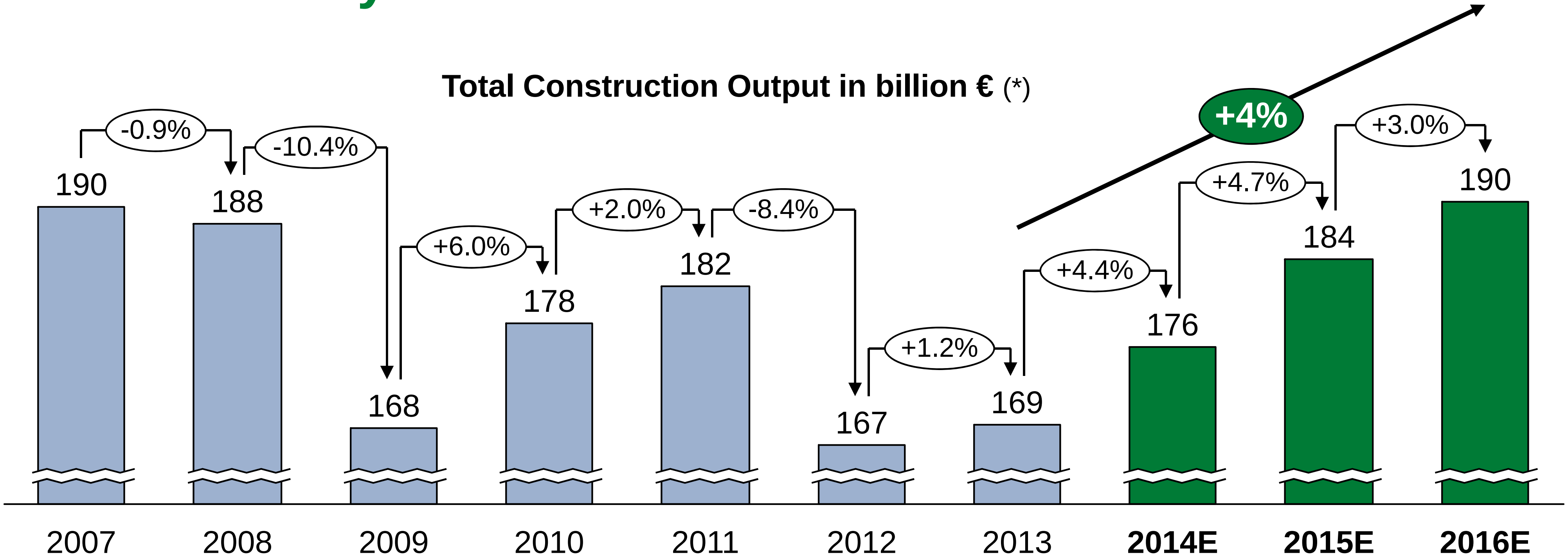
UK – Recovery mood on



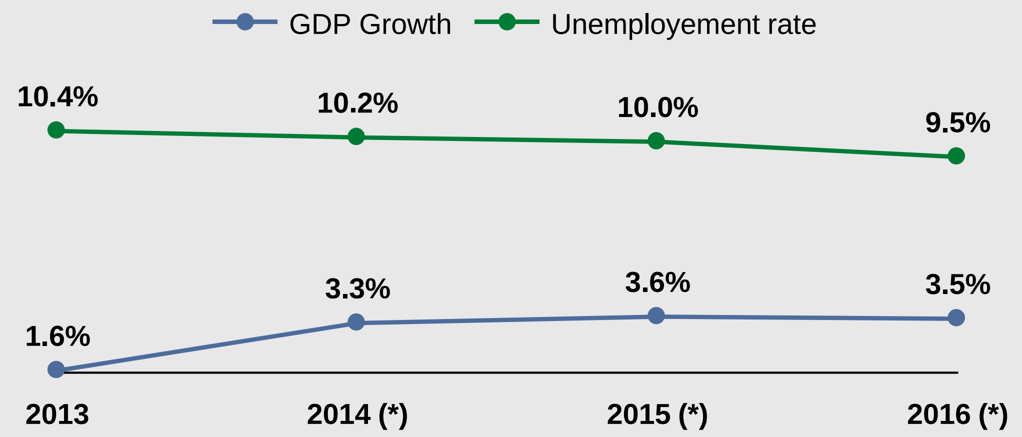
HeidelbergCement will benefit significantly

- Strong operations in key local markets
- Significant operating leverage driven by efficiency programs
- Vertically integrated business set-up
- Leading market and business experience
- Huge tax loss carry forwards >> no tax payment

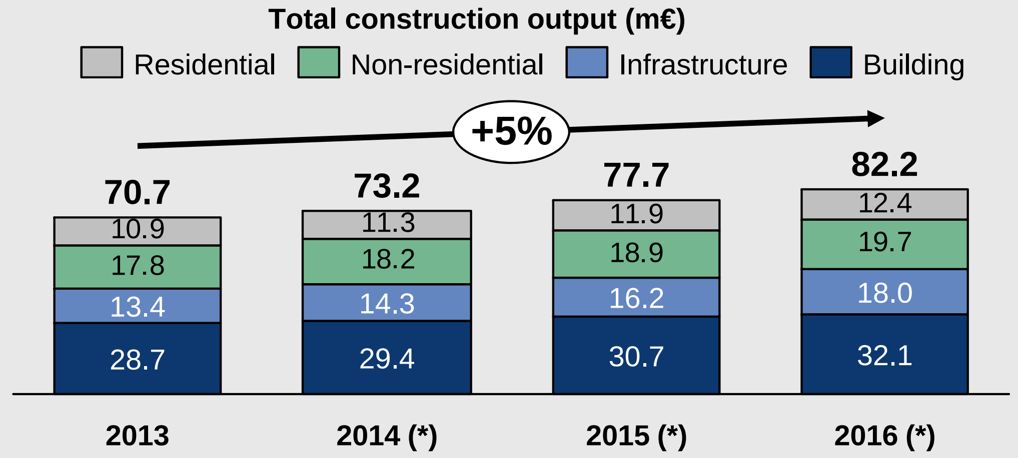
(*) Source: Euroconstruct June 2014 Forecast

Poland – strong market growth supported by solid economy

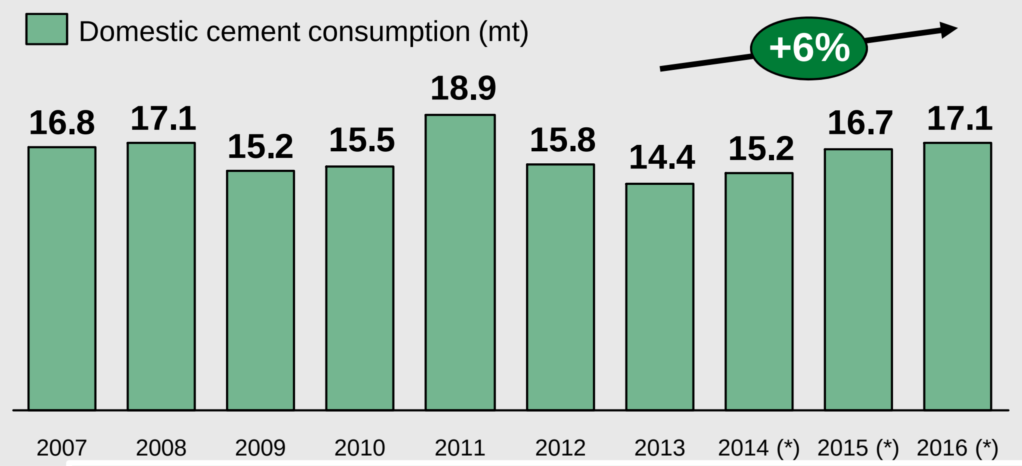
Solid economic growth is expected



Construction activities supported by EU budget



Strong growth in cement demand



HeidelbergCement well positioned for future

- Vertically integrated in key markets with 6 mt cement capacity, 15 aggregate quarries and 52 RMC plants
- Market leading cost efficiency as a result of margin improvement programs and recently upgraded kiln line
- Competitive edge from new Supply Chain Management System (LEO)
- Strong local management with close contact to local markets
- Significant operating leverage with close to 60% contribution margin in cement business line, which creates huge earnings potential for volume recovery

- Strong recovery of the Polish cement market expected for the next three years.
- Infrastructure projects will start in 2015 driven by additional EU funds of 20 b€.

(*) Source: Euroconstruct June 2014 Forecast

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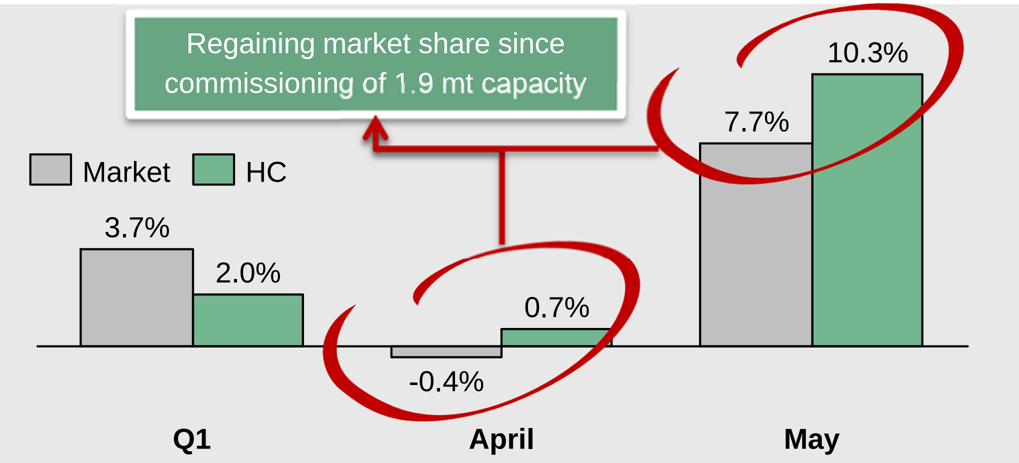
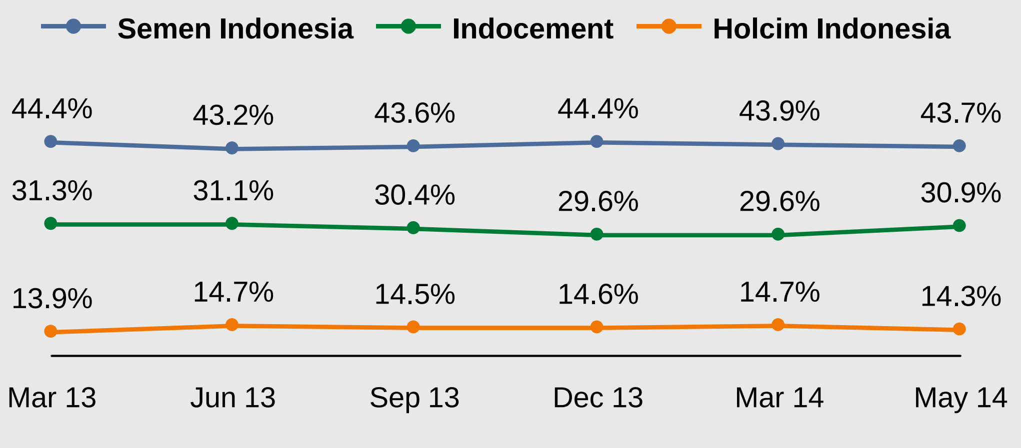
Indonesia continues to be a solid market

Stable demand growth
Strong cement sales in May (*)



Consolidated & rationale market
Top 3 players represent ~90% of total market share (*)



Price increases continue to recover cost inflation

		2014					
Region	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**
Java	▲ 1.5%			▲ 2.5%			▲ 2.5%
Outside Java						▲ 2.5%	

Indocement will continue to deliver strong results

- Translational FX impact to ease in H2.
- Presidential elections: Increased economic growth and speed up of infrastructure investments and private projects.
- Electricity price increases starting May 1. We will increase use of our captive power plant to limit the cost inflation.
- Rupiah depreciation had negative impact on USD-linked purchases (coal), but it made imports unattractive.
- Target is to maintain margin levels with price increases.

(*) Source: Indonesia Cement Association

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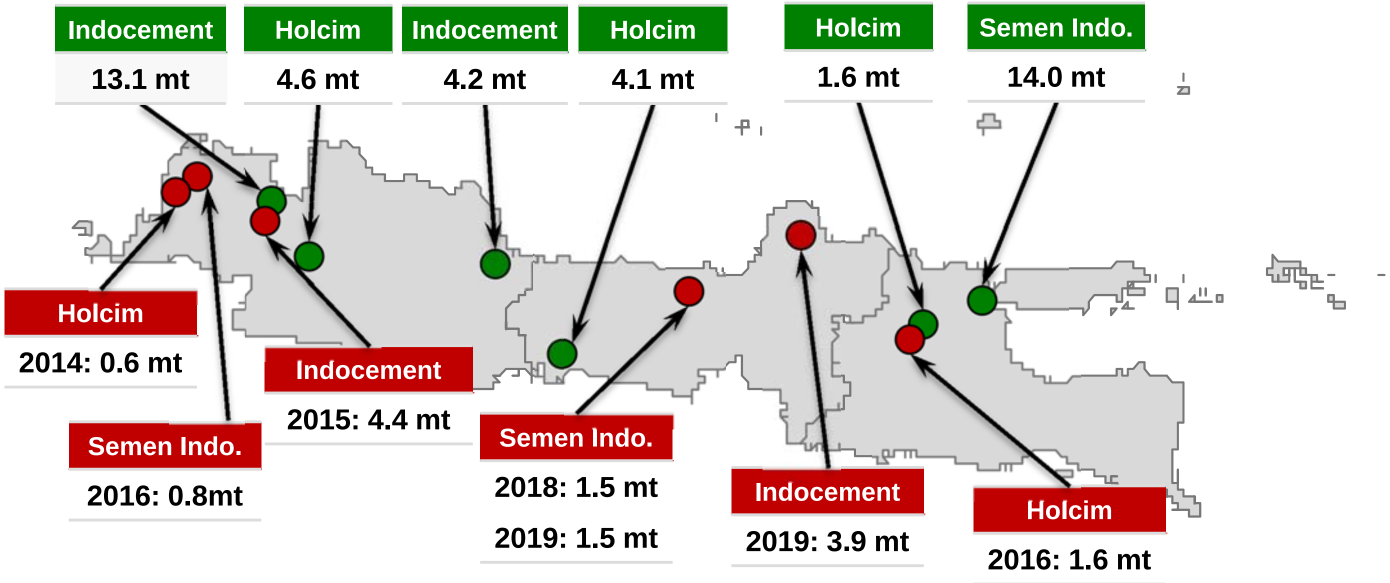
Java is the main growing market in Indonesia

Cement capacity	mt
Current capacity	42.1
Expansion by existing players	14.3
New entrants	20.4
Total capacity by 2019	75.4
Of which belongs to top 3	55.9



Main cement market	➢ ~55% of the total cement consumption of Indonesia is in Java; ~30% in West Java
Consolidated market	➢ Top 3 players represent 97% of total market share in West & Central Java
Significant future potential	➢ Most populated island of Indonesia (143 million people; 57% of whole country); still lots of infrastructure to be done -especially around Jakarta-
Main market for Indocement	➢ Indocement market share in West Java is ~52% and in Central Java ~40%
Limited import risk	➢ Lack of infrastructure; distance between West Java and East Java is ~950 km (~600 miles)
Difficult expansion process for new entrants	➢ Very difficult to bring green field projects on line due to environmental problems driven by high population, complicated land ownership structures and permit issues

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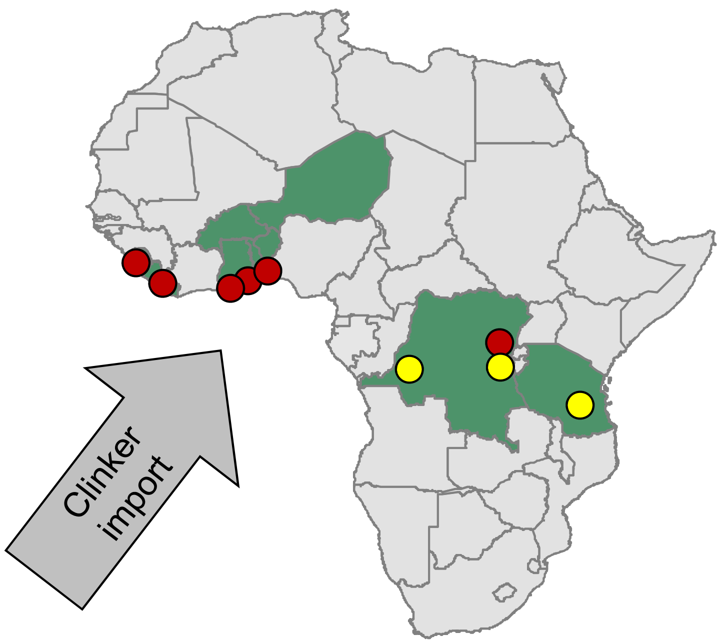
Africa – Solid growth in selective markets

- Well-balanced geographical portfolio in Sub-Sahara
- Experienced teams in all countries
- Strong operating leverage driven by saving programs
- Intensified marketing efforts by local teams
- Already initiated strategic expansions

Continuous growth

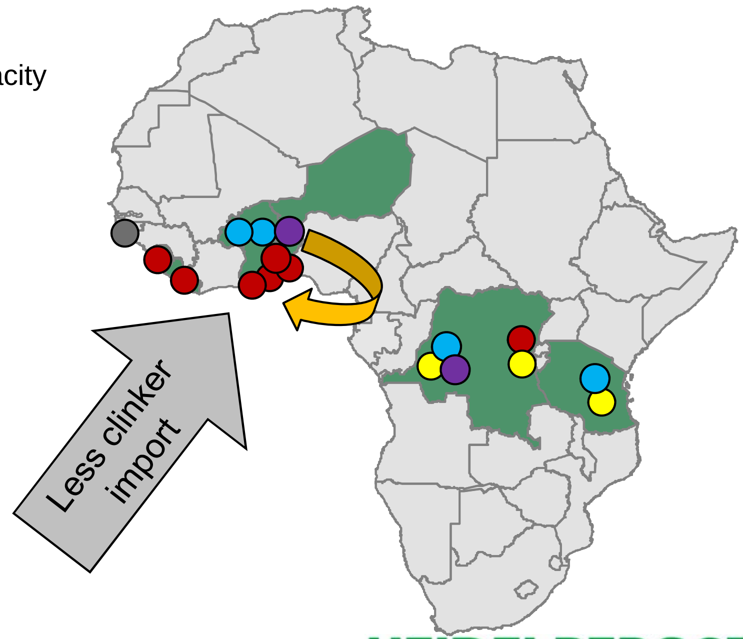
HC is ready for future

Current business set-up



- Integrated plant
- Grinding
- New Terminal
- New grinding capacity
- New clinker

Future business set-up



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Potential merger of Lafarge and Holcim

Merger of Lafarge and Holcim…

Announcement of potential merger

- 4 April 2014: Lafarge and Holcim announce a „merger of equals“
- Merger to be realized by mid-2015

Merger is subject to certain conditions

- Activities of Lafarge and Holcim overlap in 23 countries; combined market share in some cases >50% (e.g. Ecuador, France, Morocco, Philippines, Romania)
- Significant disposals are to be expected to comply with antitrust regulations

… with opportunities and risks for HC

Lafarge/Holcim would be by far the largest player

- Merged company would be present in around 90 countries in the world
- But: HeidelbergCement has a critical mass to act in a competitive way; advantageous geographical positioning remains unchanged

Potential opportunities to acquire divested activities

- Divestments offer potential opportunities for attractive investments
- Important: No acquisitions to increase the size only – thorough check if they are strategically important and add to the value of HC

Critical examination of merger by antitrust authorities expected

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We are well-positioned for future

Excellent footprint with **unique asset base** in local markets
Strong performance driven by **local entrepreneurship** in a global group
Market leading operating leverage as a result of continuous improvement programs
Solid liquidity and **well-balanced debt profile**

Best market conditions since the crisis and

HEIDELBERGCEMENT is ready for future !

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