

HEIDELBERGCEMENT

Aggregates Day 2012:

Dallas, June 28

Strengths & Strategy

Dr. Bernd Scheifele

Group CEO



Our value drivers

■ Strong asset base and excellent product portfolio

- World market leader in aggregates: 19 billion tonnes of reserves in attractive markets
- Very well balanced 118 million tonnes of cement capacity around the globe
- Strong positions in fast growing metropolitan markets and resource areas

■ Significant future potential

- Superior geographic footprint
- Continuing cost saving & efficiency improvements
- Strong Management focus on price leadership
- Disciplined growth investments in emerging markets

■ Continuous deleveraging without harming business portfolio

- Return to investment grade (below 2.8X net debt/EBITDA)
- Target to get to €6.5 billion net debt
- Focus on disposal of non-core assets
- Mid cycle EBITDA target of €3 billion

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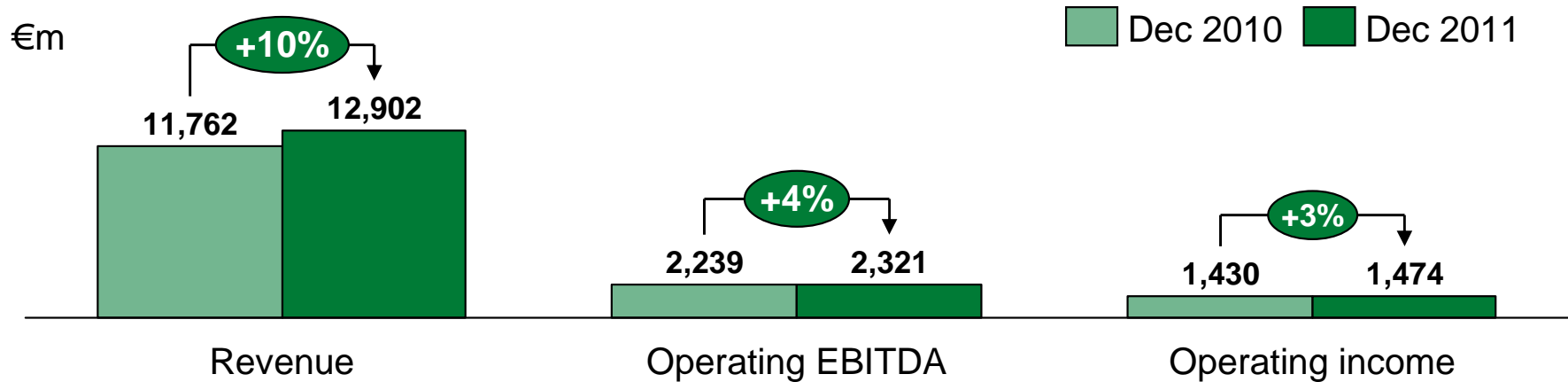
A company with:

- 1. Excellent product portfolio**
2. Superior geographical footprint
3. Strong Management, leadership & performance
4. Well balanced deleveraging & growth strategy
5. Significant future potential

Global market leader for aggregates

Top 3 global market positions in cement and ready-mixed concrete

Financial Key Figures HeidelbergCement



#1 Aggregates (2011 sales volumes)



HEIDELBERGCEMENT	254 Mt
Lafarge	193 Mt
Holcim	173 Mt
Cemex	160 Mt

#3 Cement¹ (2011 sales volumes)



Lafarge	145 Mt
Holcim	144 Mt
HEIDELBERGCEMENT	88 Mt
Cemex	67 Mt

#3 Ready-mixed concrete (2011 sales volumes)



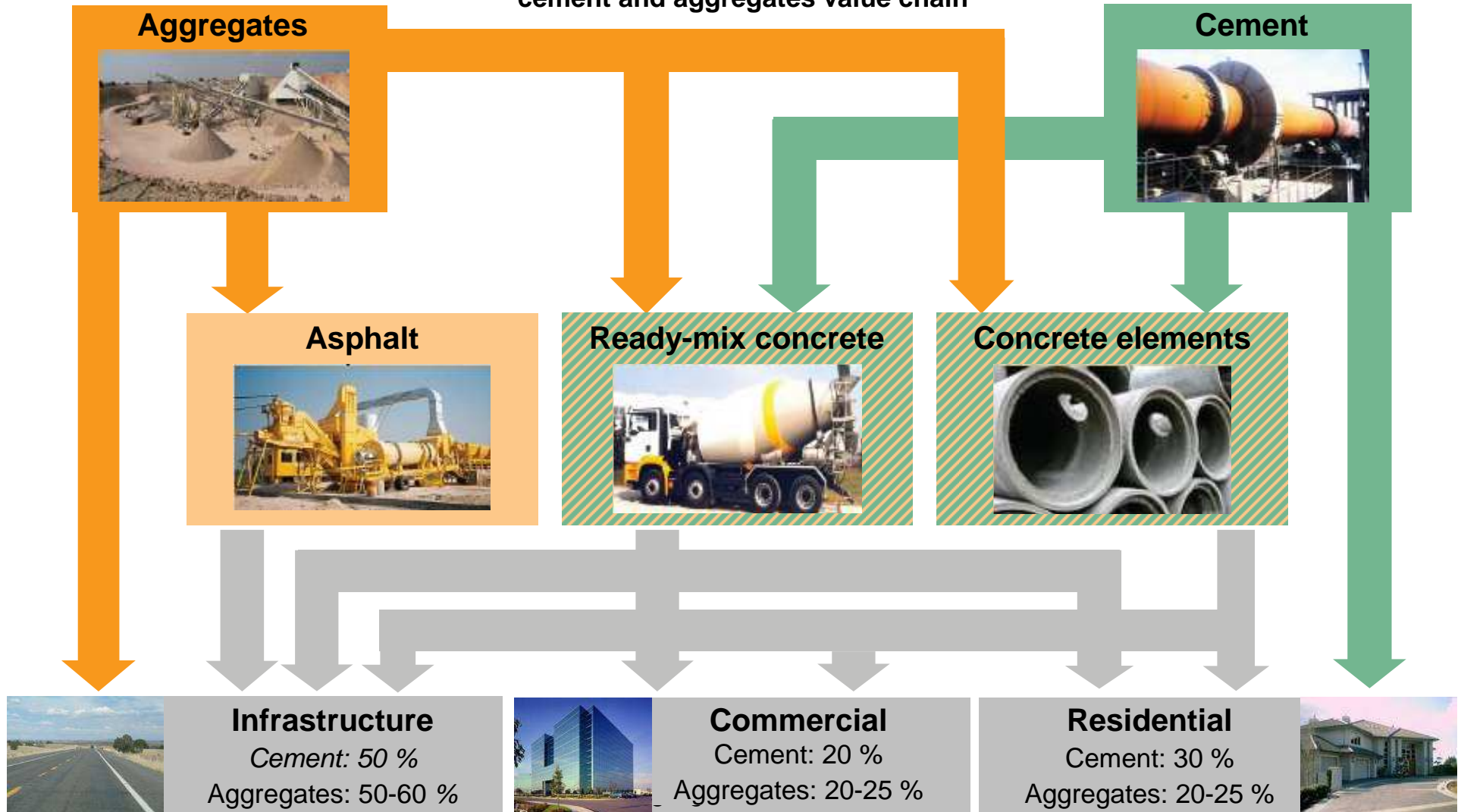
Cemex	55 Mcbm
Holcim	48 Mcbm
HEIDELBERGCEMENT	39 Mcbm
Lafarge	34 Mcbm

1. Anhui Conch and CNBM not considered, as only active in China
Source: Company annual reports

Aggregates and Cement are key building raw materials

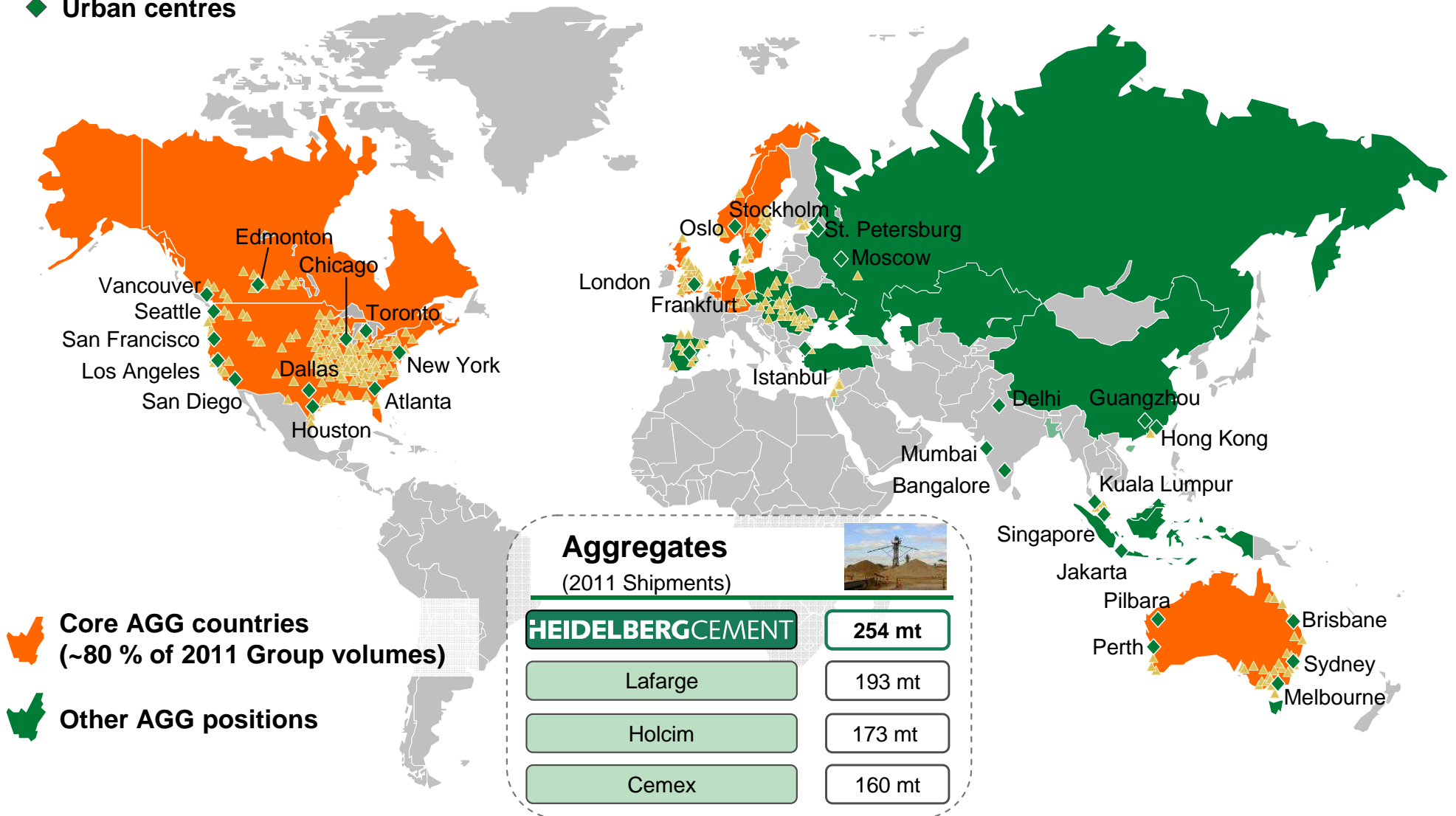
Vertical integration is key to long-term success

Illustrative overview of
cement and aggregates value chain



World market leader in Aggregates – focus on highly attractive mature markets

- ▲ AGG plants
- ◆ Urban centres



Source: Company reports.

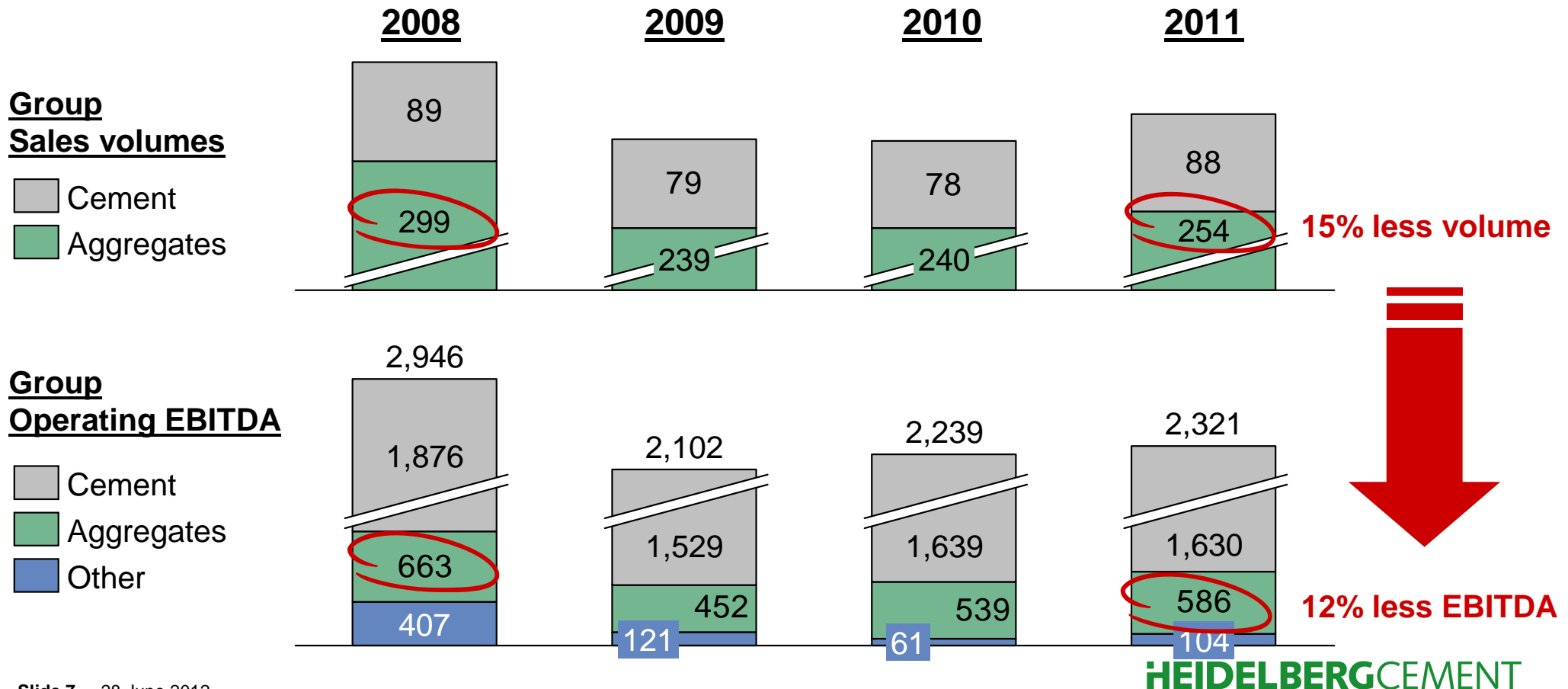
Slide 6 – 28 June 2012

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Aggregates: a highly attractive product

- Provides a clear inflation hedge
- Margin stability in a downturn scenario
- Highly flexible cost structure
- Low exposure to energy and emission regulations

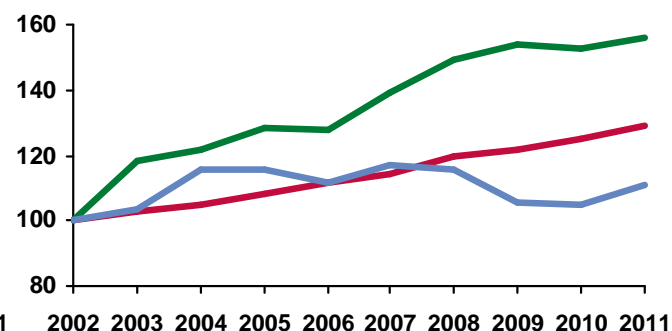
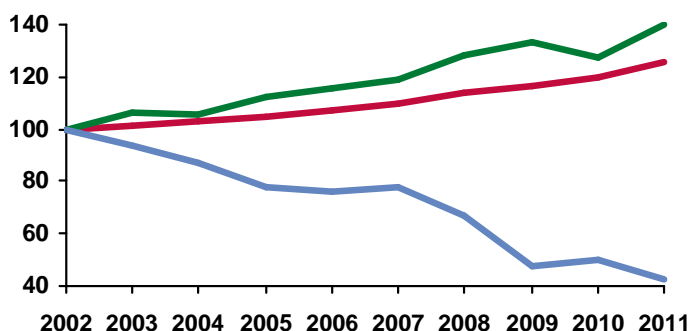
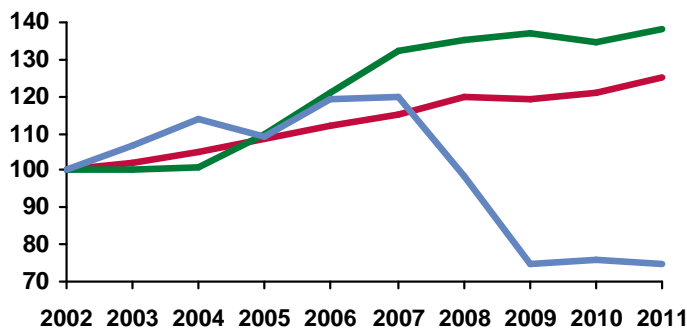


Aggregates price increases historically outpaced inflation - even in downturn

US – Total reserves of 11.8b ton

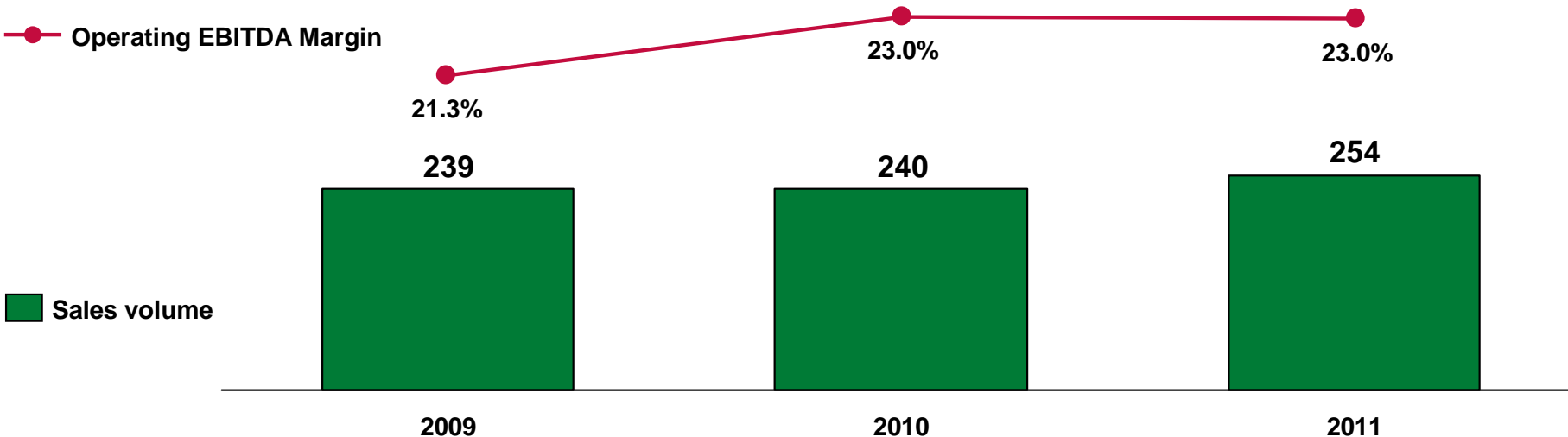
UK – Total reserves of 1.8b ton

Australia – Total reserves of 0.9b ton



2002 = 100 — HC aggregates sales price in local currency — HC sales volumes — Country CPI Index

Group aggregates volumes & margins



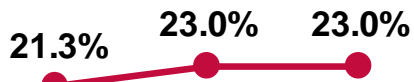
Aggregates reserves provide a clear inflation hedge

HeidelbergCement – Best in class in aggregates

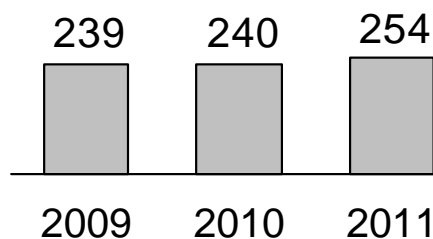
AGGREGATES - GLOBAL

HEIDELBERGCEMENT

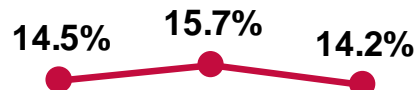
EBITDA Margin



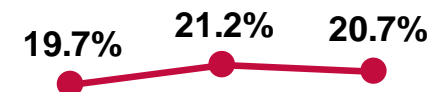
Aggregates Sales Volumes (mt)



LAFARGE



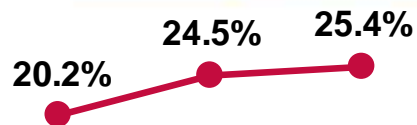
Holcim



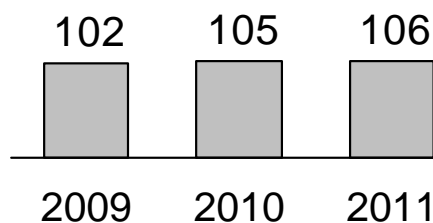
AGGREGATES – NORTH AMERICA

Lehigh Hanson HEIDELBERGCEMENT Group

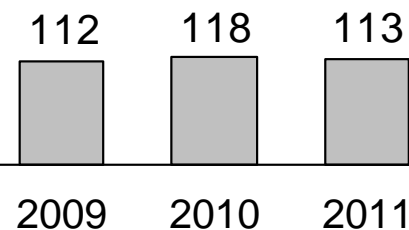
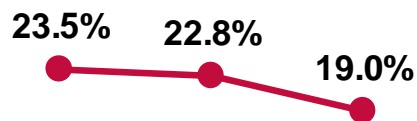
EBITDA Margin



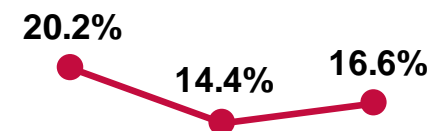
Aggregates Sales Volumes (mt)



Martin Marietta Materials



Vulcan Materials Company



Source: Company annual reports. All values are as reported. Vulcan values reflect total Group EBITDA margins.

Slide 9 – 28 June 2012

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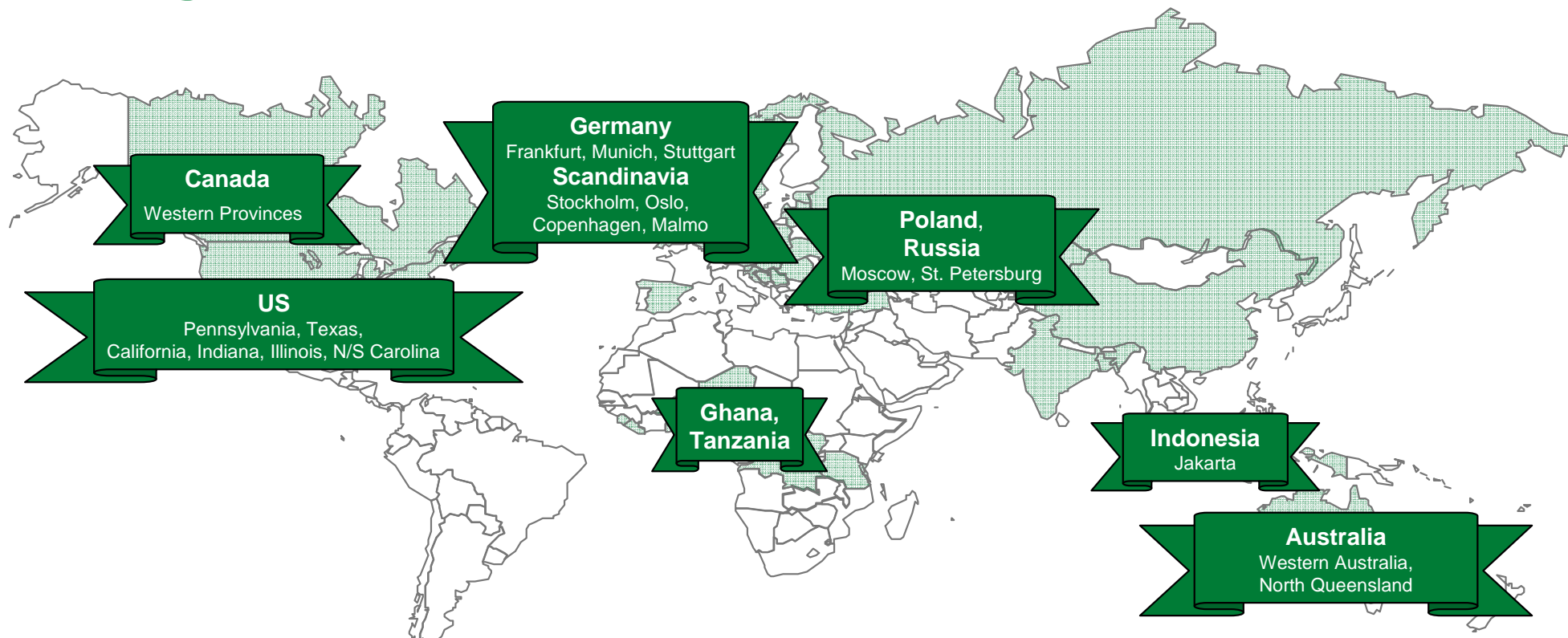
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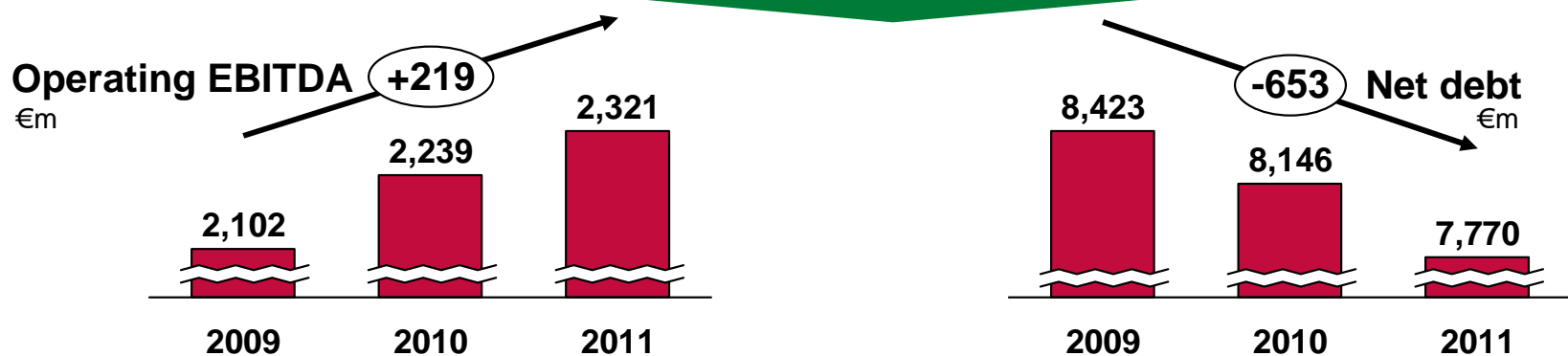
A company with:

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Strong positions in most attractive metropolitan areas



Superior footprint delivered best results in the sector in down-turn

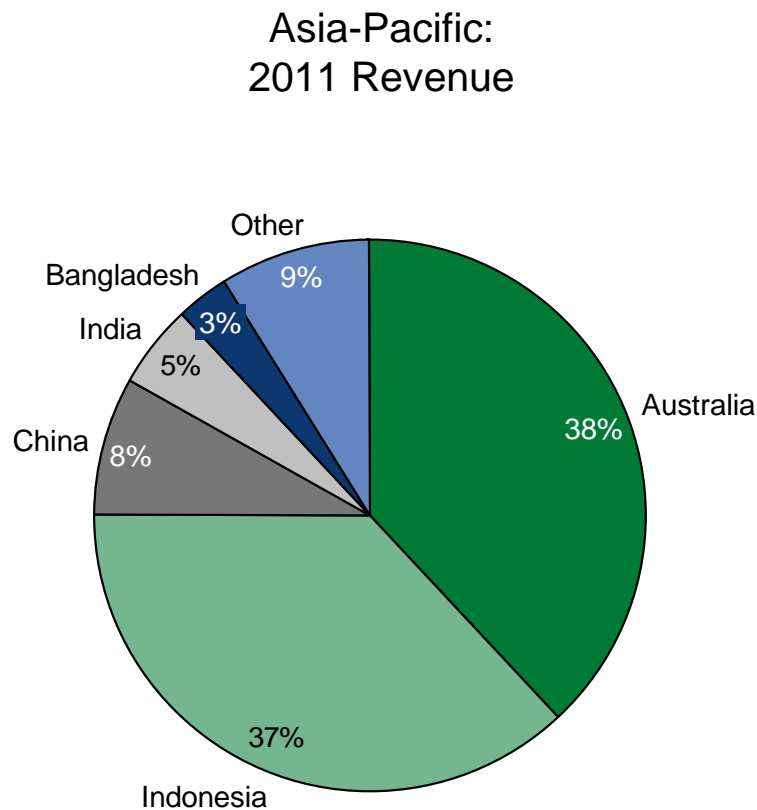


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Asia-Pacific

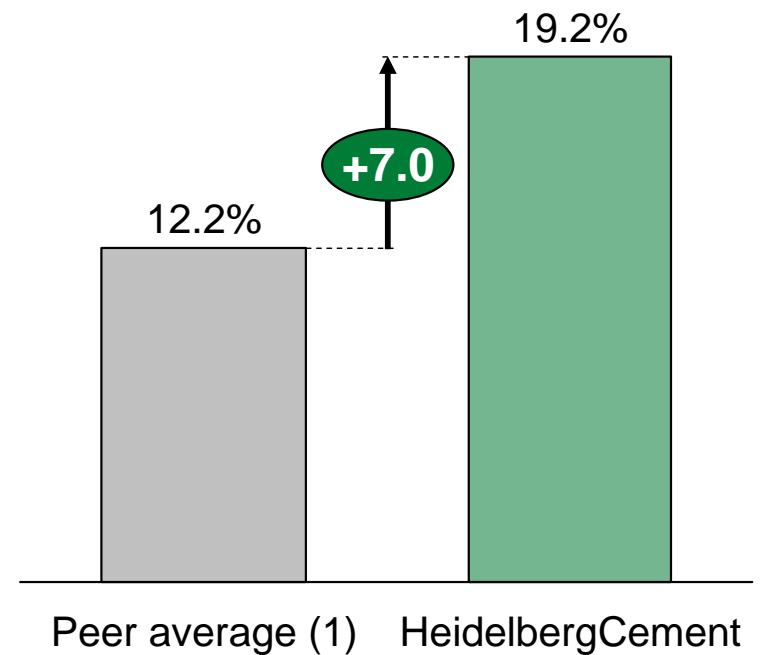
Strong margins in attractive markets

Strong position in Indonesia cement and Australia aggregates...



...with superior margin levels

Asia-Pacific:
2011 Operating Income Margin



1. Cemex, Holcim, Lafarge; volume weighted based on annual reports.

Australia

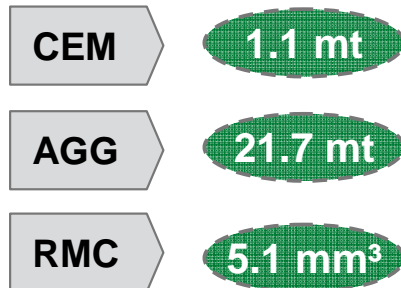
Valuable aggregates reserve positions in mining states

Excellent growth prospects
In Western Australia and Queensland

Country overview:
Strong economy in mining states

- Market will continue to grow due to mining boom. Mining industry growing with an annual rate of 10%.

2011 sales volumes:

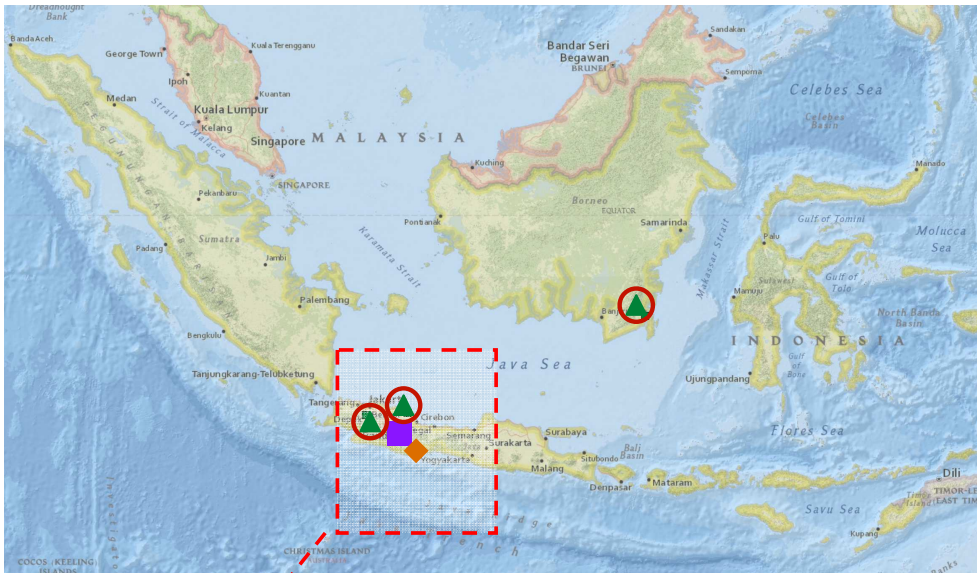


Indonesia

Key success story - also throughout the global crisis

Excellent growth prospects & market structure

Country overview

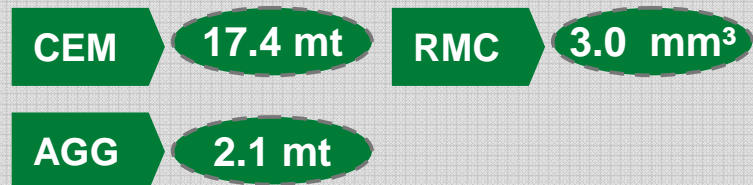


Core market: Central Java
High market share

- Cement plant/ Grinding plant
- Agg pit/quarry
- RMC plant

- **Consolidated market: Top 3 players have ~90% cement market share**
- **GDP CAGR forecast (2012-17): 6.8%**
- **Budget deficit (2012F): 1.0% of GDP**
- **Inflation (2012F): 6.2%**
- **Current cement consumption <200kg/capita**
- **Significant infrastructure growth prospects**

2011 sales volumes:



We already announced 11mt of additional cement capacity

1.9mt cement mill	(brown field)	Central Java	2013
4.4mt cement plant	(brown field)	Central Java	2015
2-2.5mt cement plant	(green field)	Central Java	2015-17
2-2.5mt cement plant	(green field)	Outside Java	2015-17

Source: IMF

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Europe: HC is present in countries with future potential

Recession is expected for southern European countries only

HC Exposure
(as % of 2011 Group revenue)

Average next 5 year GDP: > 2.0%

: 30.4 %

Average next 5 year GDP: > 0%; < 2.0%

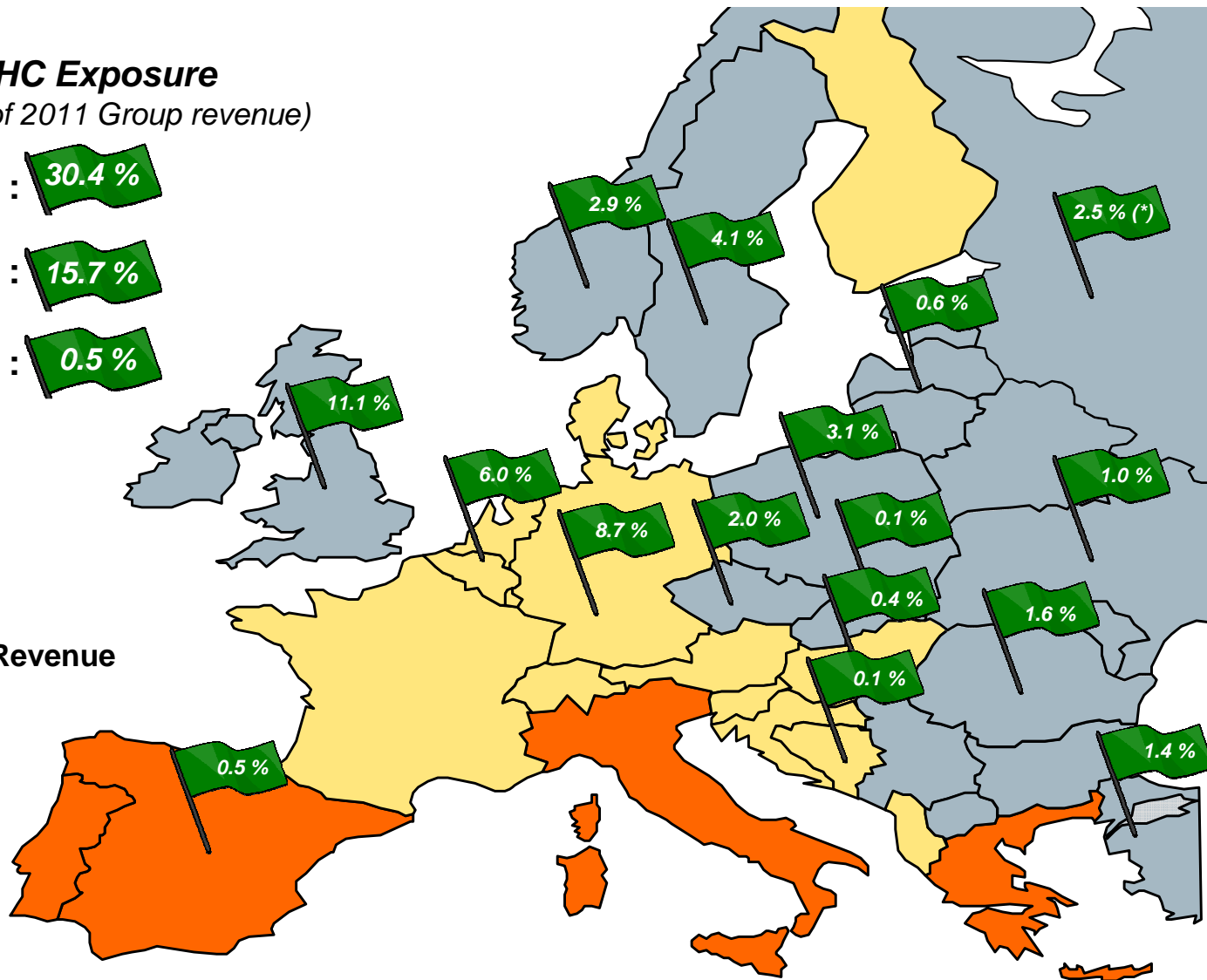
: 15.7 %

Average next 5 year GDP: < 0%

: 0.5 %



: % of Total Group Revenue



(*) Includes Kazakhstan & Georgia revenues also.

Source: IMF April 2012

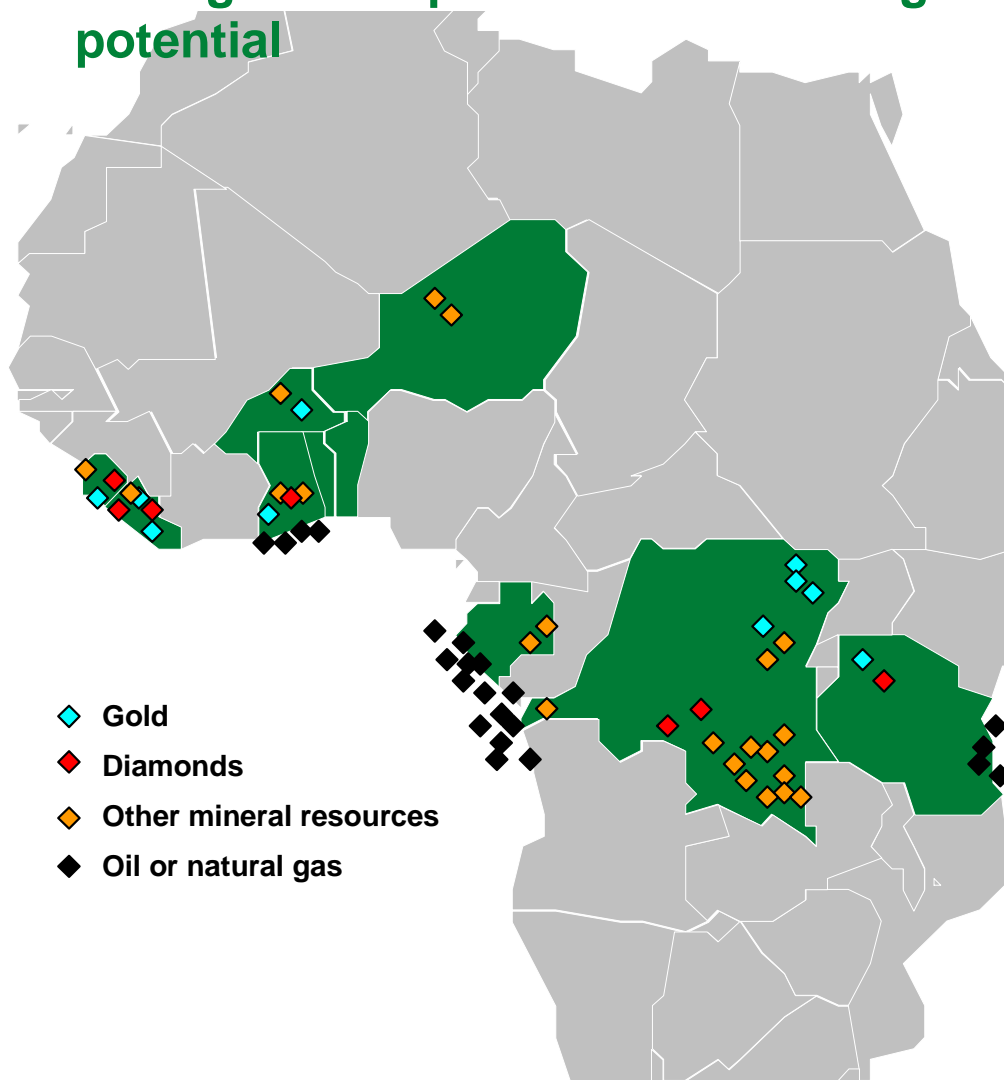
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Sub-Saharan Africa

Strong market position in oil/mining driven regions with substantial growth potential



	2011 Cement Sales in mt	Market Position	GDP Growth Next 5 year avrg (*)
Ghana	2.6 mt	# 1	7.0%
Tanzania	1.1 mt	# 1	6.8%
Togo	0.8 mt	# 1	4.5%
Benin	0.4 mt	Top 3	4.6%
Sierra Leone	0.3 mt	# 1	11.6%
Others	0.9 mt	Top 1-3	
Total	6.1 mt	Top 1-3 in all countries	

Total capacity of ~ 7 mt
Partnership with IFC to further expand capacity

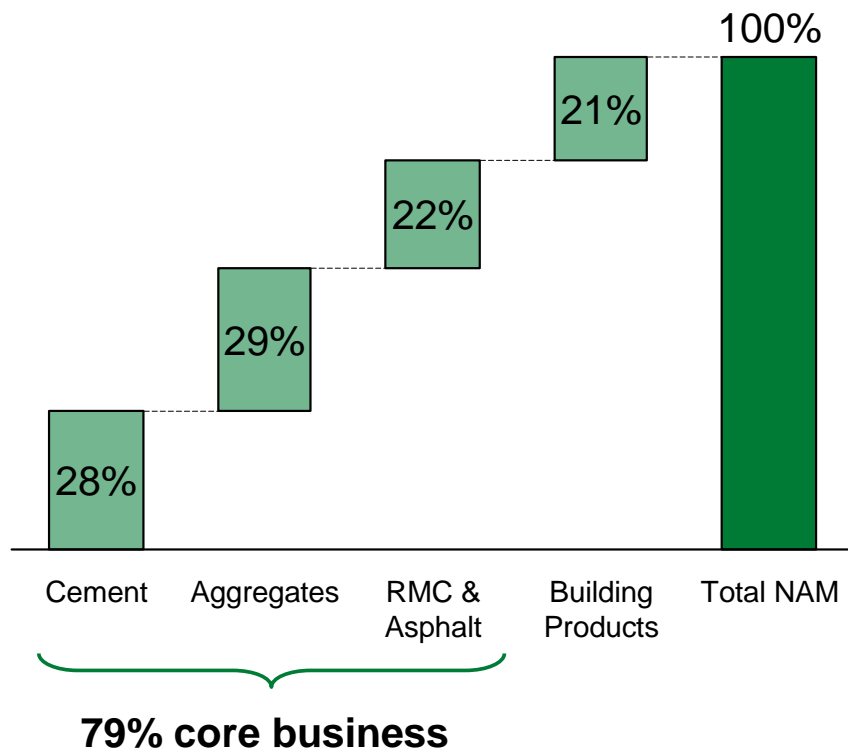
(*) Source: IMF April 2012; Mineral industries of Africa

North America

Superior product portfolio and geographical balance

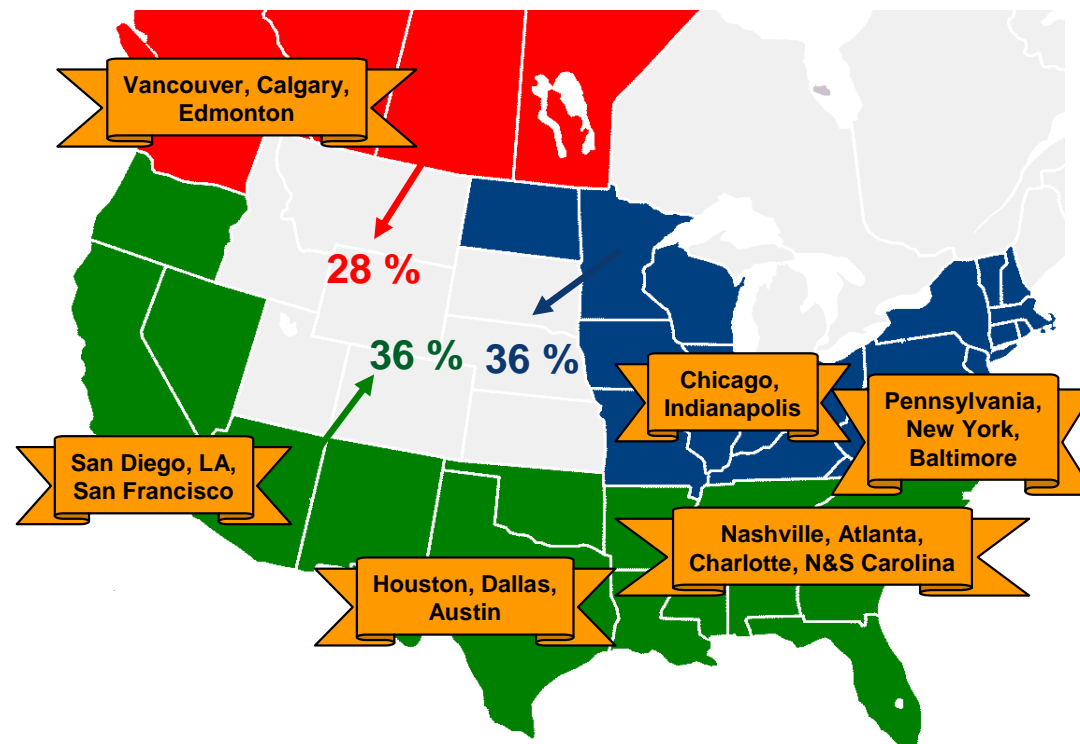
Well balanced product portfolio with high level of vertical integration

2011 Revenue by business line



HC Operating in fastest growing metropolitan areas

NAM – 2011 Revenue breakdown (*)



Strong base in California and Texas -states with significant recovery potential-

(*) Excluding Building Products Business Line.

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3. **Strong Management, leadership & performance**
4. Well balanced deleveraging & growth strategy
5. Significant future potential

Our management team



Dr. Bernd Scheifele

Dr. Lorenz Näger

Dr. Dominik von Achten

Mr. Daniel Gauthier

Mr. Andreas Kern

Dr. Albert Scheuer

CEO

CFO

North America

**NW Europe, Africa
Mediterranean**

**Central Europe
Central Asia**

**Asia
Oceania**

- Group HR
- Strategy and Development
- Comm. & IR
- Legal
- Compliance
- Internal Audit

- Finance, Acc., Controlling, Taxes
- Insurance & CRM
- IT
- Shared Service Center
- Logistics

- Purchasing
- Competence Center Materials

- Environmental Sustainability
- Group Services (CO₂, Fuels, Trading)

- Sales and marketing
- Secondary cementitious materials

- Heidelberg Technology Center Cement

• **Education:**
Law

• **Education:**
Business Administration

• **Education:**
Law / Economics

• **Education:**
Mining / Engineering

• **Education:**
Business Administration

• **Education:**
Mechanical Engineering

• **At HC since:**
2005
(before: Chairman of Supervisory Board)

• **At HC since:**
2004

• **At HC since:**
2007

• **At HC since:**
1982

• **At HC since:**
1983

• **At HC since:**
1992

Top management represents an excellent mix of long-term insiders and outsiders with a unique skill set

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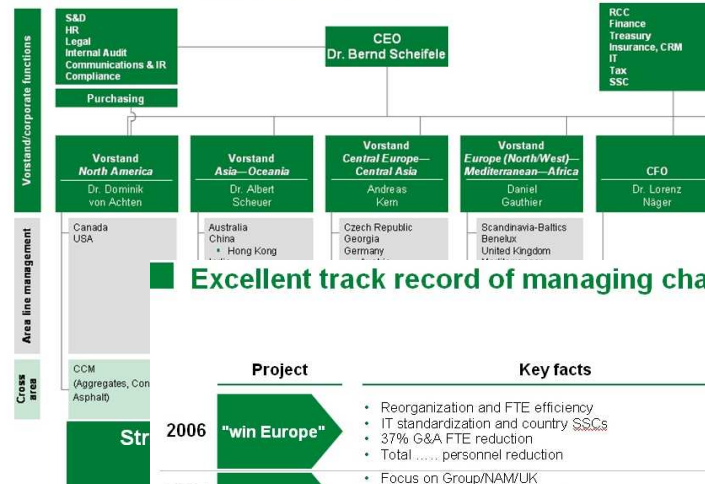
HC is the standard-setter in the industry in many respects

1 HC has set standard re. organizational structure

2 HC has set standard re. cost savings programs

3 HC has set standard re. investment costs per tonne

HC is pioneer in integrated management structure which is copied by peers with considerable time lag



Excellent track record of managing change projects

Year	Project	Key facts	Target realization
2006	"win Europe"	<ul style="list-style-type: none"> Reorganization and FTE efficiency IT standardization and country SSCs 37% G&A FTE reduction Total personnel reduction 	50 M€ 100%
2007-2010	Hanson integration	<ul style="list-style-type: none"> Focus on Group/NAM/UK > 500 integration projects worldwide Synergy areas: Market, SG&A, Purchasing, IT, OpEx, Logistics, Tax, and Insurance Total personnel reduction Capacity reduction Operational improvements (Alternative Fuels, Clinker factor) Rightizing of commercial and staff organizations Total personnel reduction 	465 M€ 130%
2009	Fitness program	<ul style="list-style-type: none"> Operational improvements (Alternative Fuels, Clinker factor) Rightizing of commercial and staff organizations Total personnel reduction 	660 M€ 220%
2010	Fitness P program		
2011-2013	Fox 201		

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Slide 22 - 28 June 2012
Aggregates Day HeidelbergCem

Focus on growing cement in emerging markets; aggregates in developed world

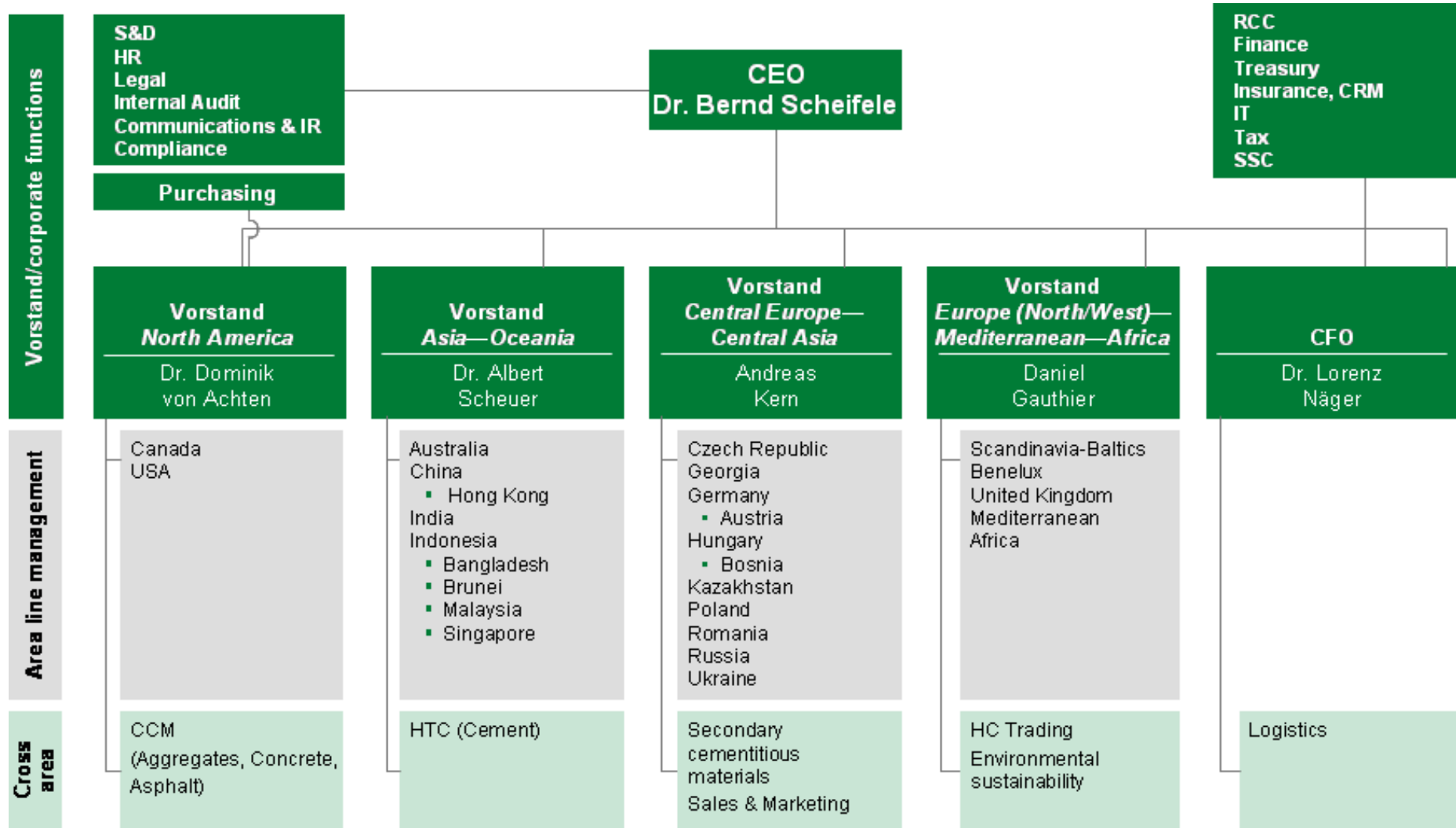


75 % of expansion CapEx is spent in emerging markets
Well planned brown/green field projects; lowest cost in the sector

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HC is pioneer in integrated management structure which is copied by peers with considerable time lag

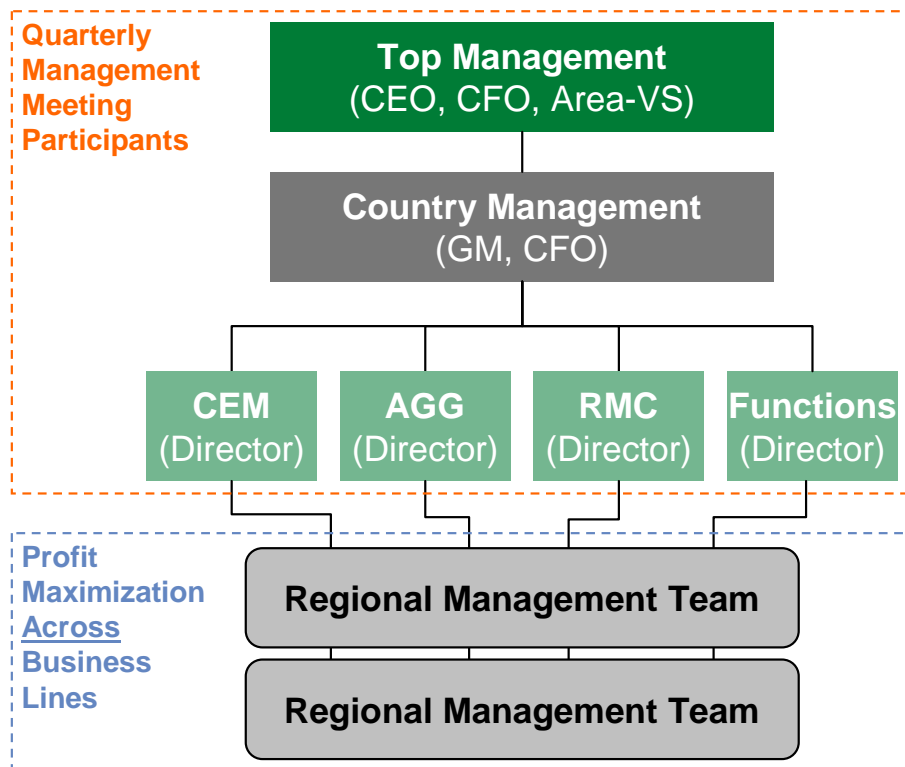


**Streamlining of administrative functions in Europe
announced back in September 2005 !**

HeidelbergCement's unique organizational approach

All business is local: country management is in charge

Management with line management as well as functional responsibilities



Core principles of top management organization

- **Balance** between **local responsibility** and **global standards**
 - Local managers focus on market and cost leadership
 - Standardized back office business processes
- **Flat hierarchies, efficient structures and clear reporting lines** (not top heavy)
- **Vertically integrated management** approach across product lines.
- **Dual responsibilities** on Managing Board level (line management and cross-area coordination)

Integrated management philosophy is clearly enabled by simple, efficient and robust organizational setup

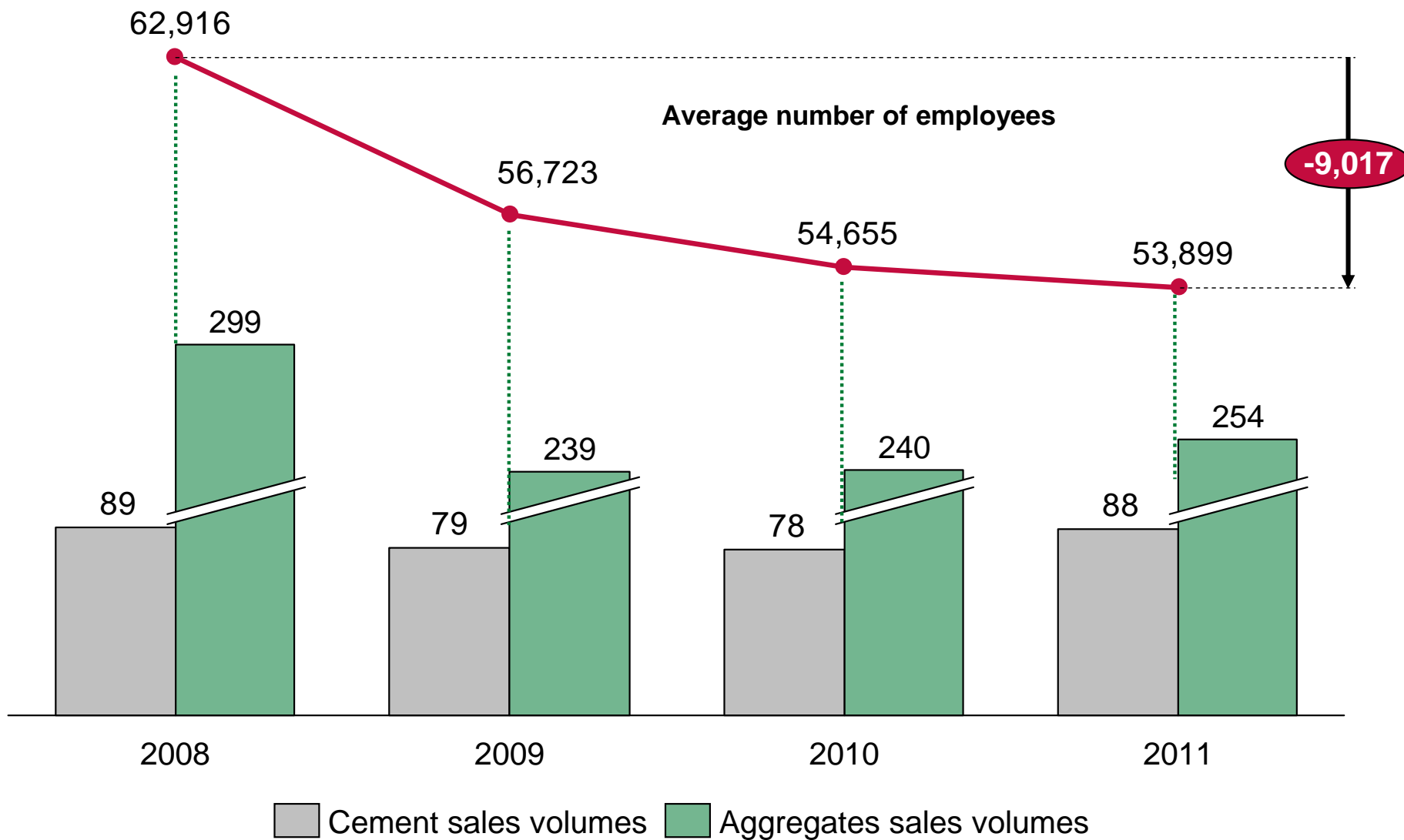
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2007 - 2010	Hanson integration	<ul style="list-style-type: none"> Focus on Group/NAM/UK > 500 integration projects worldwide Synergy areas: Market, SG&A, Purchasing, IT, OpEx, Logistics, Tax, and Insurance. 	€m506	145% ✓
2009	Fitness program	<ul style="list-style-type: none"> Capacity reduction Operational improvements (Alternative Fuels, Clinker factor) Rightsizing of commercial and staff organizations 	€m550	220% ✓
2010	Fitness Plus program	<ul style="list-style-type: none"> Further improve cost structure Focus on purchasing and maintenance costs Production & Process optimization 	€m323	108% ✓
2011 - 2013	Fox 2013	<ul style="list-style-type: none"> CLIMB (Quarry Optimization) OPEX (Operational Excellence) Working capital optimization €m850 cash savings targeted 	2011 >>	€m384 190% ✓

Over €1.8 billion savings and more than 10,000 FTE reduction in the last 5 years as a result of TIMELY implemented projects

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Significant increase in FTE efficiency



Meanwhile, >10mt cement capacity has been added !

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Top 5 leadership principles at HeidelbergCement

- 1 **Customer orientation**
 - **External:** Regular customer surveys and Group-wide complaint management
 - **Internal:** Internal customer surveys
 - **Strong local brands:** All business is local
- 2 **Closeness to the business**
 - Know your sites, people, markets and customers as well as your competitors
- 3 **Simplicity**
 - Avoid complexity
 - Fight bureaucracy, be accessible
- 4 **Realism**
 - Be realistic
 - Hope is not a strategy
- 5 **Integrity & loyalty**
 - Be open and honest
 - Act solely on the basis of what is in the best interest of the company

We live our strong corporate culture!

Performance culture: a key aspect of the company

➤ Performance and results orientation

- Quarterly management meetings (Group level)
- Performance-based compensation down to 4th management level
- Regular (every 2 years) management appraisals (ABC analyses) down to level 3

➤ Execution / Accountability

- Managers are responsible for delivering the promised results

➤ Internal and external benchmarking

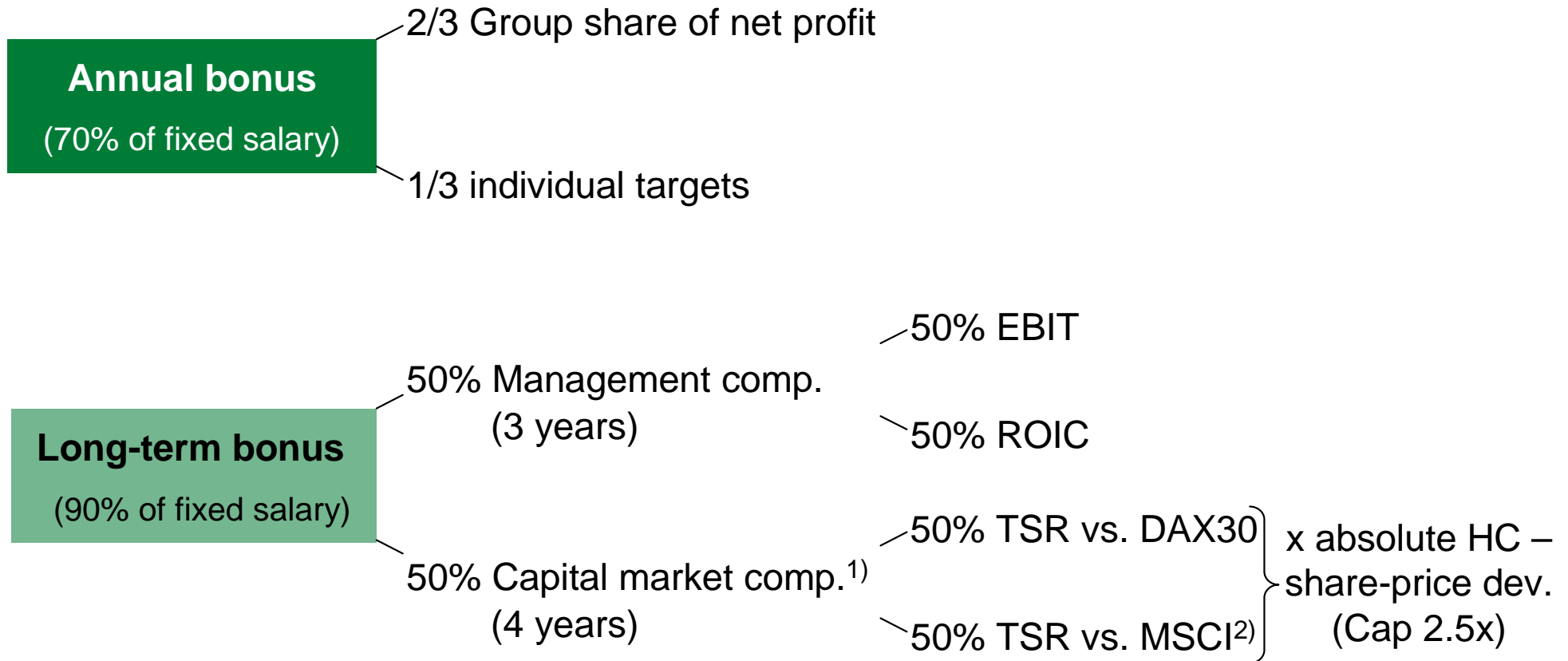
- Key performance indicators for core production processes and administrative functions (e.g. cement, aggregates and RMC plant, purchasing, SSC)
- Site rankings
- Financial competitive analysis per country

➤ Speed

- Sense of urgency
- Fast decision making
- Avoidance of big company syndrome

Focus on permanent efficiency increase in all areas and cost leadership

Long-term bonus linked to ROIC and share-price



Bonus targets based on on mid-cycle targets

1) Calculated based on virtual shares; TSR = Total Shareholder Return;

2) MSCI World Construction Materials Index

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A company with:

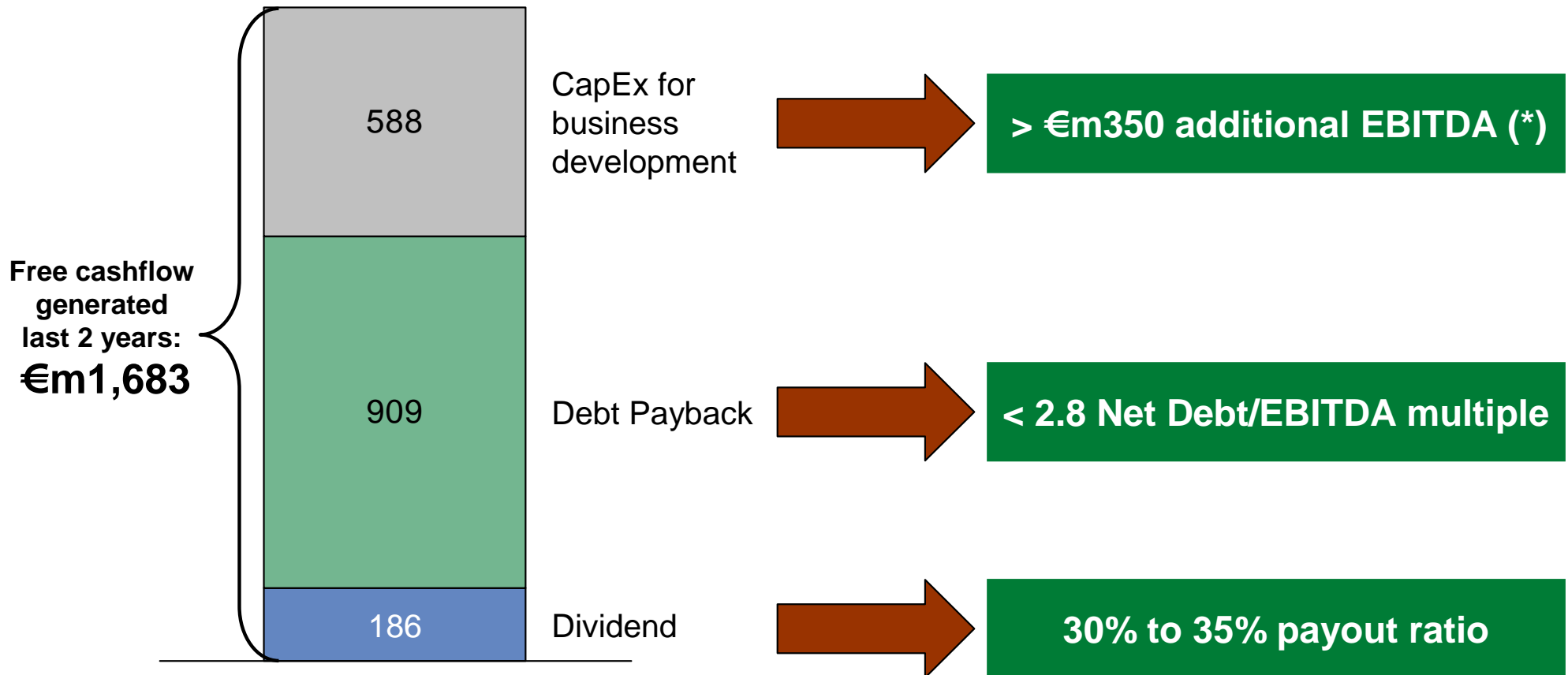
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Dual Strategy of Deleveraging and Growth

Target: Return to investment grade

€m

Allocation of free cashflow

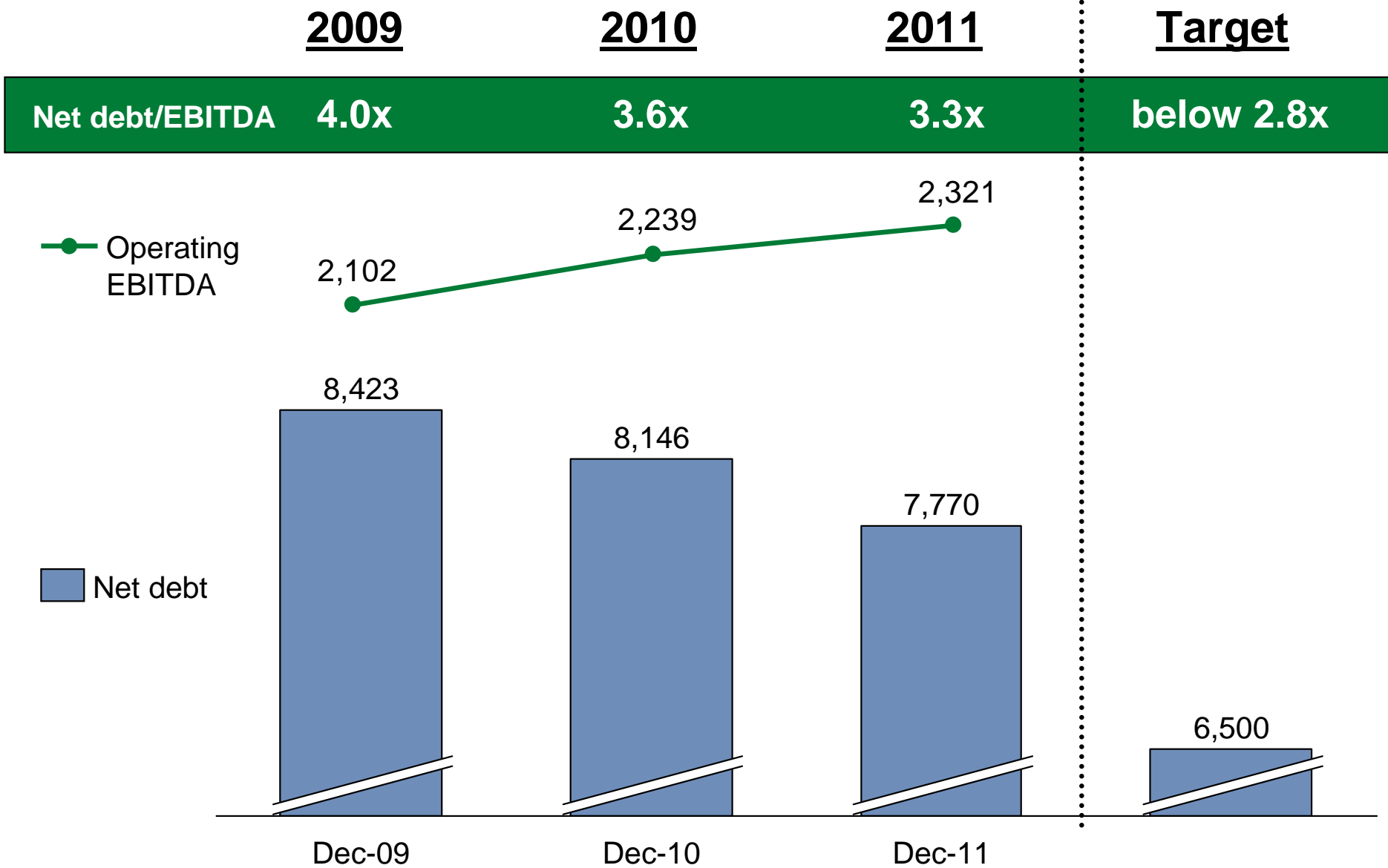


TARGETS

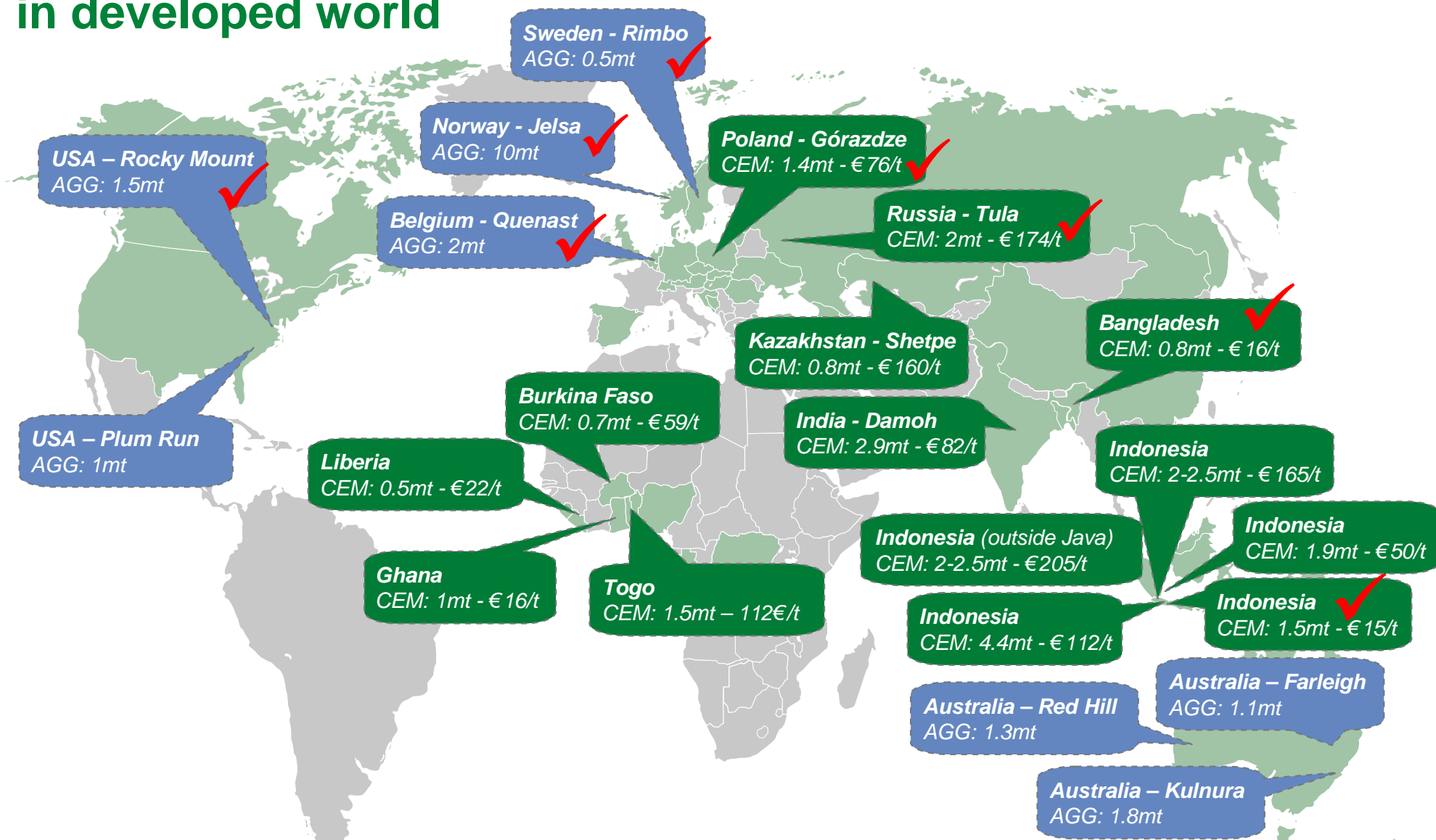
Disciplined usage of free cashflow
On track to return to investment grade

(*) Based on already announced expansion program 2011-2014.

Continuous deleveraging without harming business portfolio



Focus on growing cement in emerging markets; aggregates in developed world



75 % of expansion CapEx is spent in emerging markets
Well planned brown/green field projects; lowest cost in the sector

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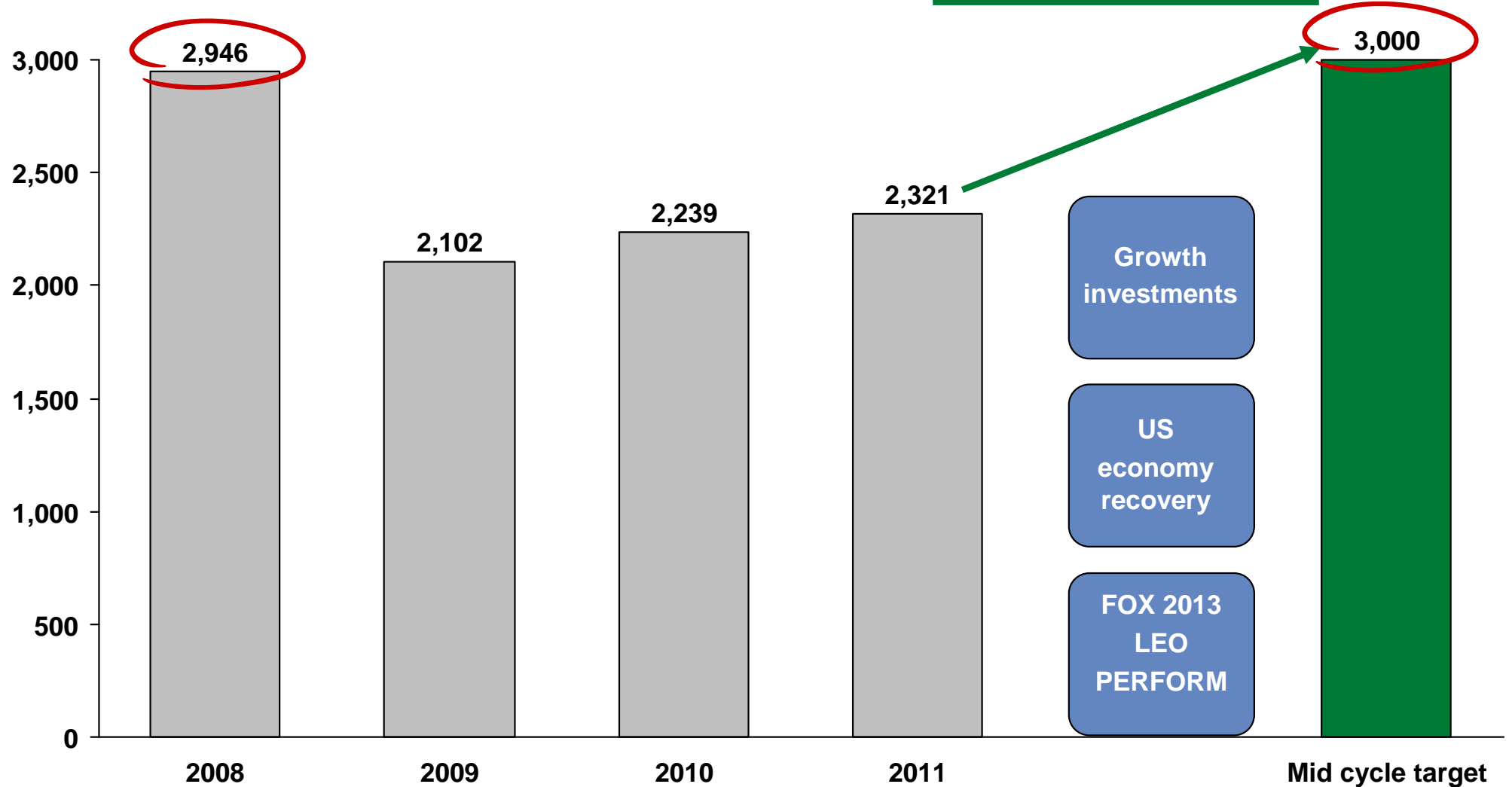
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High confidence to reach mid-cycle target of €bn3 in op. EBITDA

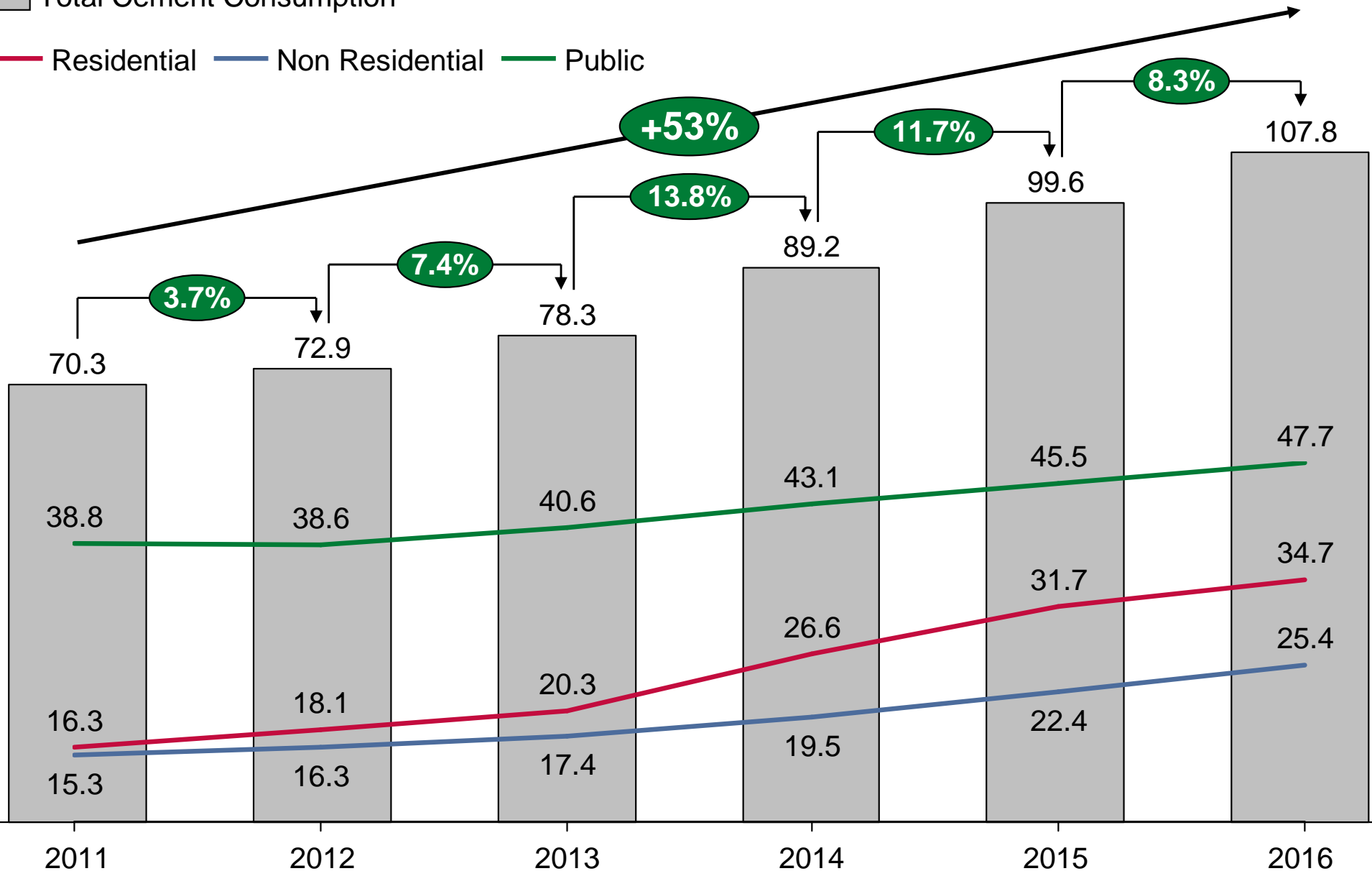
Operating EBITDA (€m)



US recovery is already visible

■ Total Cement Consumption

— Residential — Non Residential — Public



Source: PCA Spring 2012 Forecast.

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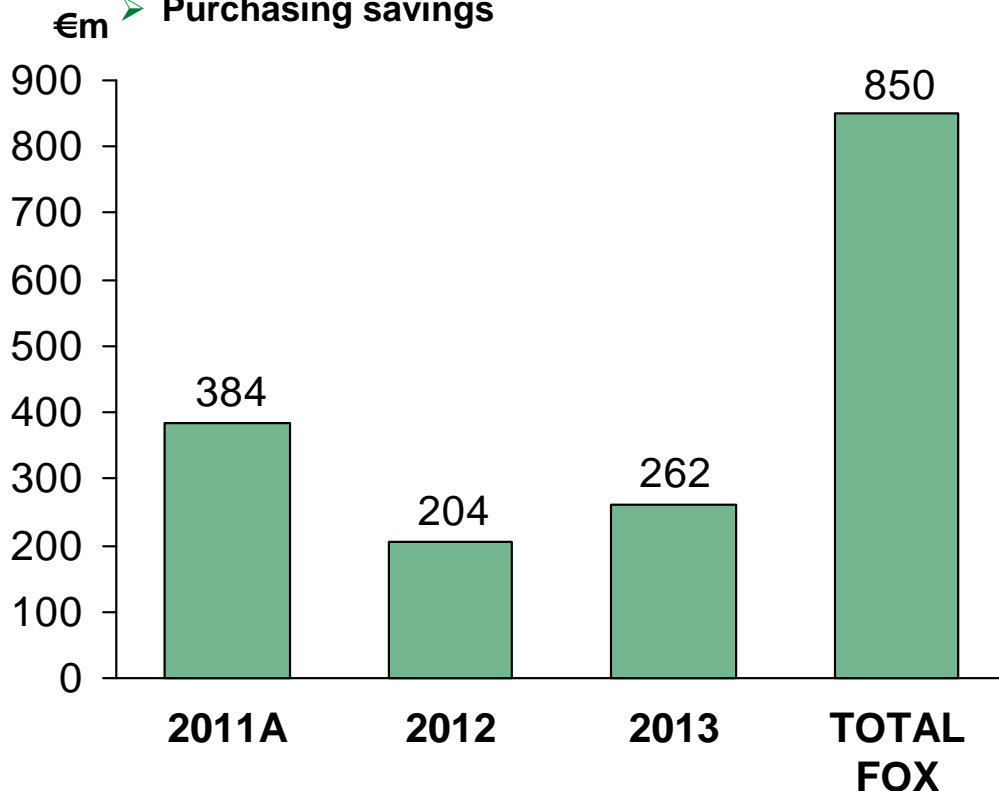
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€1 billion savings by 2014 on track

€m850 cash savings from “FOX 2013”

- CLIMB: aggregates margin improvement
- OpEx: Cement energy cost savings
- Working capital improvement
- Purchasing savings



Cumulated cash savings of €m850 targeted;
of which €m220 directly PL

€m150 potential on top of “FOX 2013”

New Logistics Optimization Project: “LEO”

Supply chain excellence program

Process improvements over the entire supply chain based upon internal benchmarking

1. Optimisation of transport network

Renewal of dispatching and allocating methods

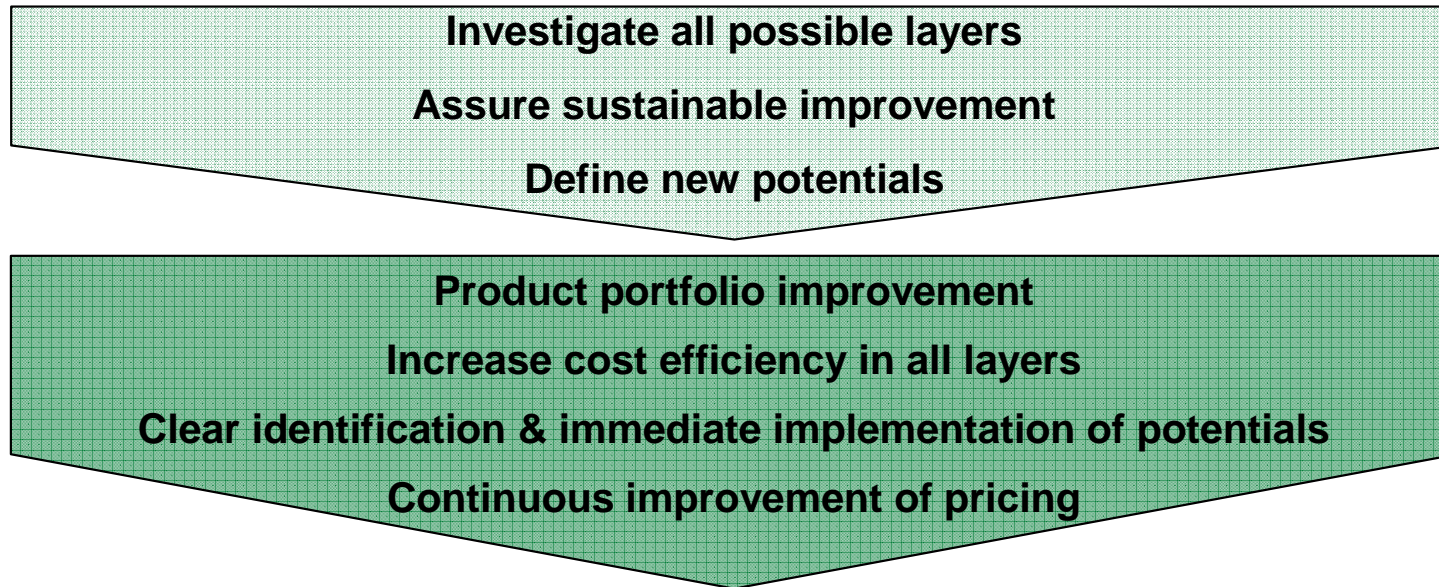
2. Fleet restructuring

Optimising the fleet structure in cooperation with our service providers

€m150 additional cost savings by 2014

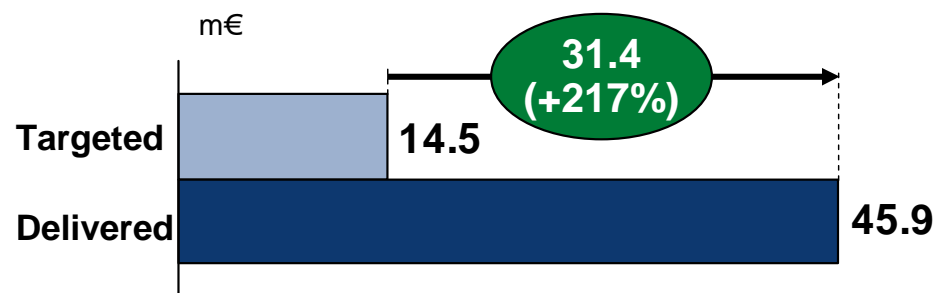
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CLIMB: A global quarry optimization project



€m120 recurring EBITDA improvement by 2013
Further strengthen “best in class” position in aggregates margin

Committed improvement potential 2011



2011 savings substantially exceeded the targets !

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We will do pilots for our logistics optimization project: LEO

Identified key levers

1. Centralized dispatching system
2. Bundling of demands
3. Fleet optimization RMC
4. Bundling and sourcing of trucks

Improvements based on new, integrative SCM structures



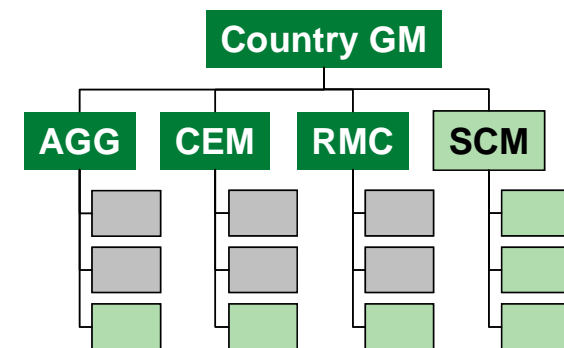
HeidelbergCement's Challenges

High transport cost in overall company

High diversity of practices, processes, and organizations

Objective:
Reduce transport cost globally by at least 10%

Integrative SCM organization



**Saving levers understood.
Pilots confirm €m150 savings potential**

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PERFORM: launch of a Group initiative for pricing performance

What are the measures?

What is the final target?

Pricing **E**xcellence And **R**ealization **For** **M**argin improvement

P E R F O R M

PERFORM will focus on Europe and US

Operating Line

CEM

Actions prepared on country level with involvement from the Group during concept phases

Operating Line

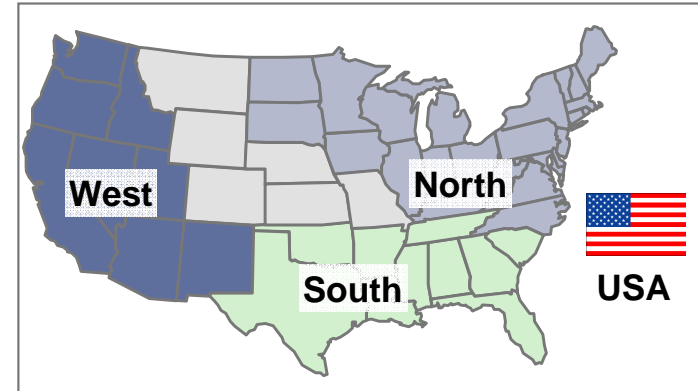
RMC

Action plan prepared on country level

Europe

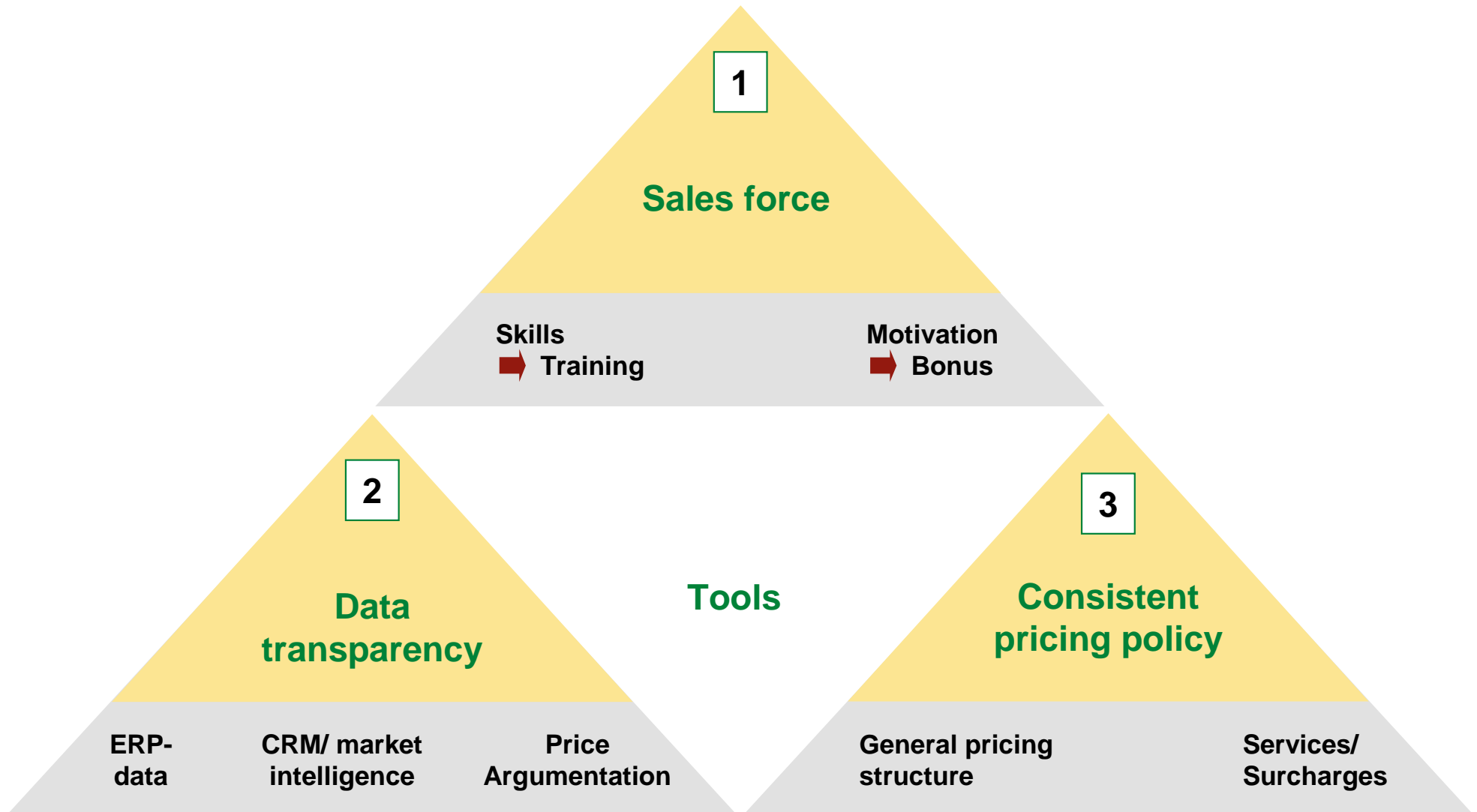


US



Target is to have first measures effective in second half 2012

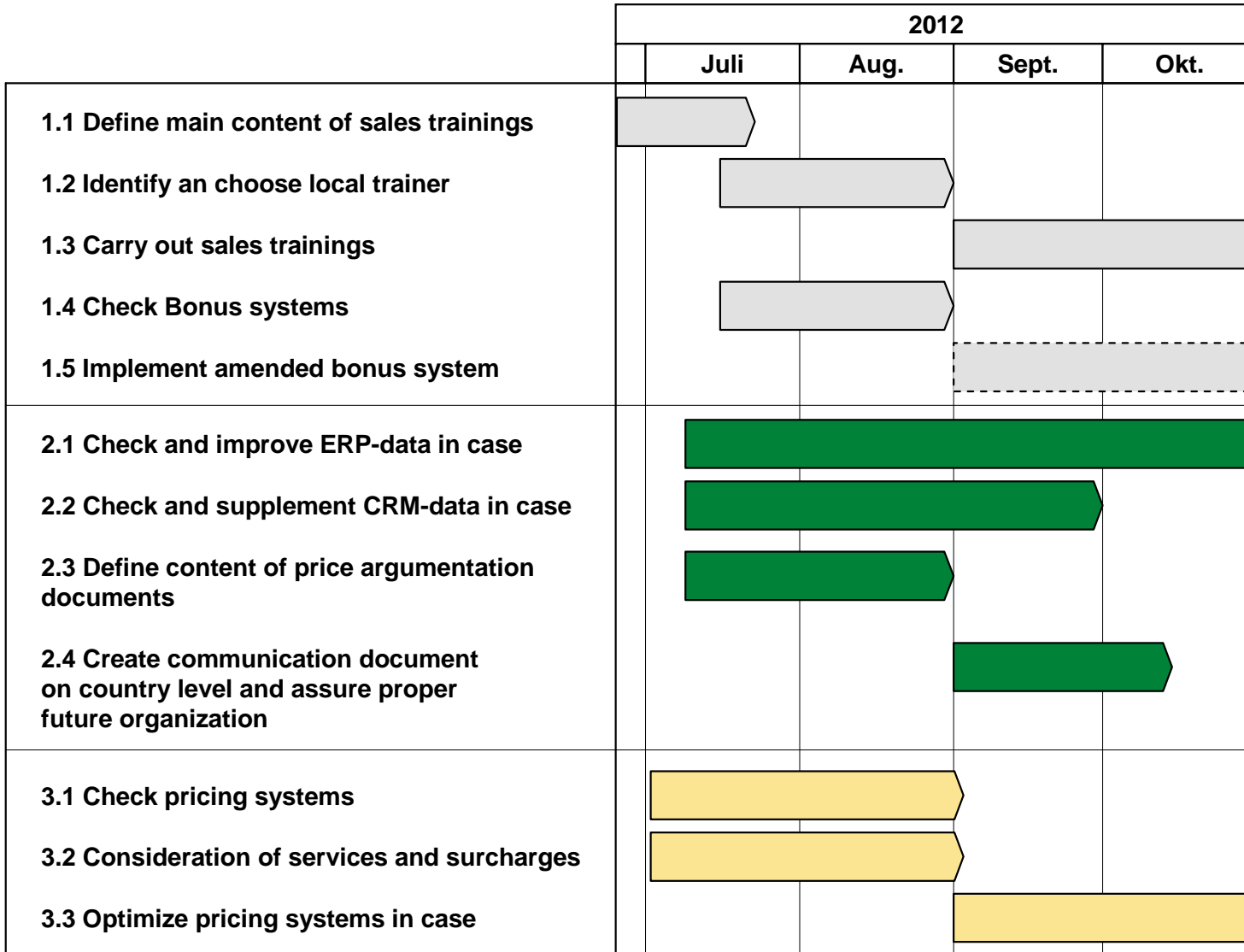
PERFORM concentrates on three levers



Straight timeline enables to see first effects within 2012

1

Sales force



2

Data transparency

3

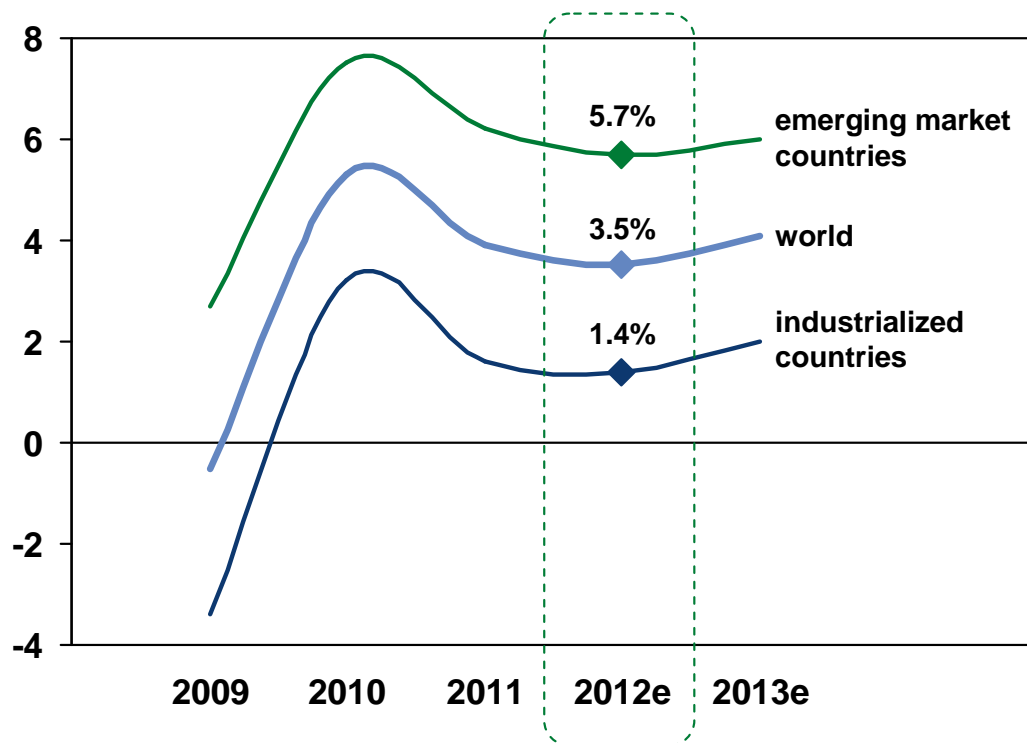
Pricing policy

Outlook

So far economic growth is on the recovery path...

... however, there are numerous macro economic risks

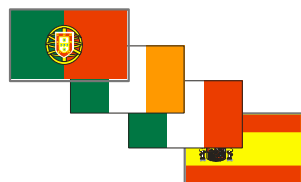
IMF forecast April 2012



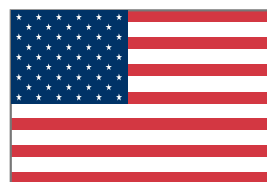
- **US: 2.1%.** Economy remains on a moderate expansion path
- **Euro zone: -0.3%.** Stronger outlook for core (e.g. Germany +0.6%) to compensate weaker growth in periphery (e.g. Italy -1.9%).
- **EM: 5.7%.** Deceleration but no hard landing in Asia. Expect return to robust growth in China, despite recent weak data.



Grexit



PIIGS sovereign debt



U.S. fiscal cliff



North African rumors



Israel / Iran conflict

Company outlook 2012 confirmed

- **Sales volumes growth** based on demand development and capacity additions in 2011 and 2012
- **Increase in revenue and operating income** driven by sales volumes growth, price increases, and cost savings
- **Further reduction of net debt** based on continued free cash flow generation

HeidelbergCement to benefit from further economic growth and cost-saving measures in 2012

Targets 2012 unchanged

	2012
Cash savings	€m 200
CAPEX (*)	~ €m 980
Maintenance(**)	~ €m 490
Expansion	~ €m 490
Cost of gross debt	~ 6.7%
Operational tax rate(***)	18% - 20%

Mid-cycle targets unchanged:

Operating EBITDA	€bn 3
Net debt / Operating EBITDA	< 2.8x

(*) Before any currency impacts

(**) Including improvement capex

(***) Assuming full US tax asset recognition

Our value drivers

■ Strong asset base and excellent product portfolio

- World market leader in aggregates: 19 billion tonnes of reserves in attractive markets
- Very well balanced 118 million tonnes of cement capacity around the globe
- Strong positions in fast growing metropolitan markets and resource areas

■ Significant future potential

- Superior geographic footprint
- Continuing cost saving & efficiency improvements
- Strong Management focus on price leadership
- Disciplined growth investments in emerging markets

■ Continuous deleveraging without harming business portfolio

- Return to investment grade (below 2.8X net debt/EBITDA)
- Target to get to €6.5 billion net debt
- Focus on disposal of non-core assets
- Mid cycle EBITDA target of €3 billion

Thank you very much for your attention!

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.

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