

HeidelbergCement Capital Markets Day

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Update Financial Management

Dr. Lorenz Näger, Member of the Managing Board and Chief Financial Officer



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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 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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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.

Key financials Q1 2014

€m	March Year to Date						
	2013 ¹⁾	2014	Variance	Cons.	Decons.	Curr.	L-f-L
Volumes							
Cement (Mt)	15,896	17,479	10 %	0	-153	0	11%
Aggregates (Mt)	39,846	44,330	11 %	1,142	0	0	8%
Ready-Mix Concrete (Mm3)	6,933	7,707	11 %	21	-27	0	11%
Asphalt (Mt)	1,192	1,528	28 %	163	0	0	15%
Income statement							
Revenue	2,602	2,750	6 %	29	-11	-221	15%
Net result from JVs	7	22	205 %	0	0	-1	268%
Operating EBITDA	198	229	16 %	6	0	-43	45%
<i>in % of revenue</i>	7.6%	8.3%					
Operating income	9	50	439 %	3	0	-32	N/A
Profit / Loss for the period	-187	-108	43 %				
Earnings per share in € (IAS 33) ²⁾	-1.25	-0.78	38 %				
Statement of cash flows							
Cash flow from operating activities	-350	-317	33				
Total investments	-414	-257	157				
Balance sheet							
Net debt ³⁾	7,611	7,958	347				
Gearing	55.1%	64.0%					

1) 2013 values are restated due to the change in IFRS 10 & 11.

2) Attributable to the parent entity.

3) Excluding puttable minorities.

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Financial key messages

■ Significant increase in profit for the period and earnings per share

- Additional ordinary result improved to €m 11 (Q1 2013: €m -32)
- Income taxes reduced to €m -2 (Q1 2013: €m -23)
- Reduced minority share of profit to €m -39 (Q1 2013: €m -48)

■ Financial discipline reiterated

- Working Capital down to 43 days (Q1 2013: 52 days)
- Net investment down to €m -193 (Q1 2013: €m -386)
- Deleveraging back on track: Net debt €m 347 above Q1 2013 (December 2013: €m 504)

■ Disposal program on track

- Various disposal options are currently evaluated for US and UK Building Products as well as other non-core assets in Europe
- Disposal of cement plant in Raigad / India and loss-making Gabon plant completed in Q1 2014

■ Liquidity headroom, debt maturity profile and financial flexibility in excellent shape

HC will continue its disciplined financial management

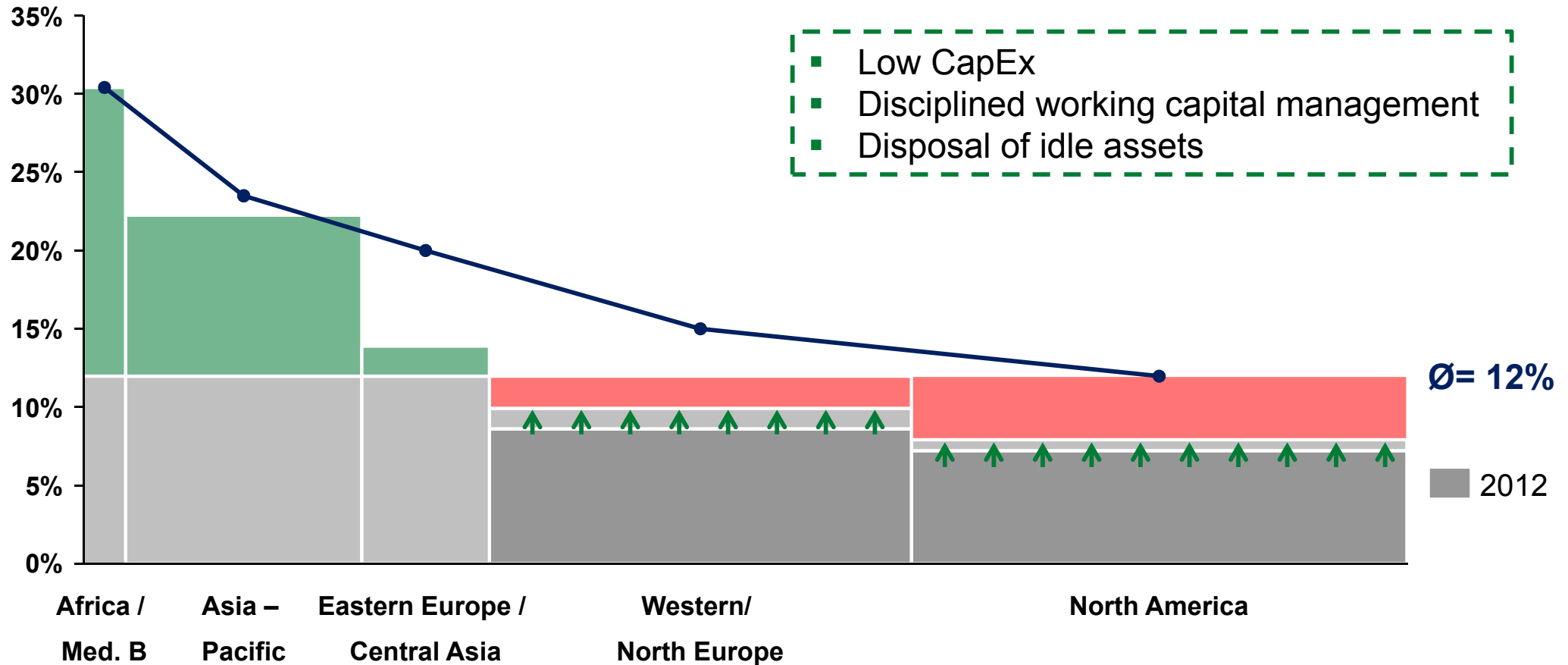
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Successful reduction of asset base without destroying our strong reserve and earning position

OIBD (LTM) as % of segment assets* (Q1 2014)

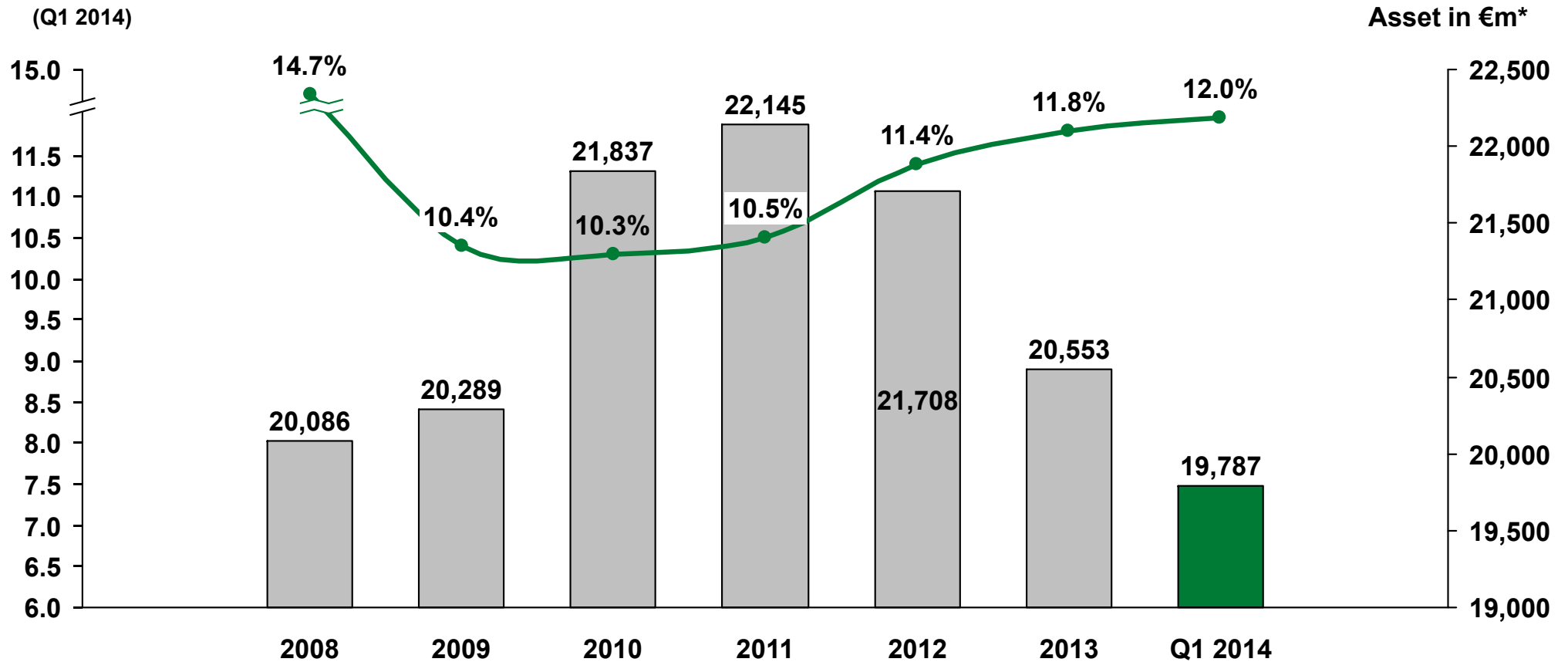


Driven by positive developments in North America and the UK, OIBD as % of assets up to 12% in Q1 2014

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

Improvement of operational efficiency and disciplined management of asset base

OIBD (LTM) as % of segment assets* (Q1 2014)



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Improving ROIC by continuous improvement of operational efficiency and active management of asset base

$$\text{HC definition ROIC} = \frac{\text{EBIT (①)} - \text{Income Taxes Paid (②)}}{\text{Equity} + \text{Net Debt (③, ④)}}$$

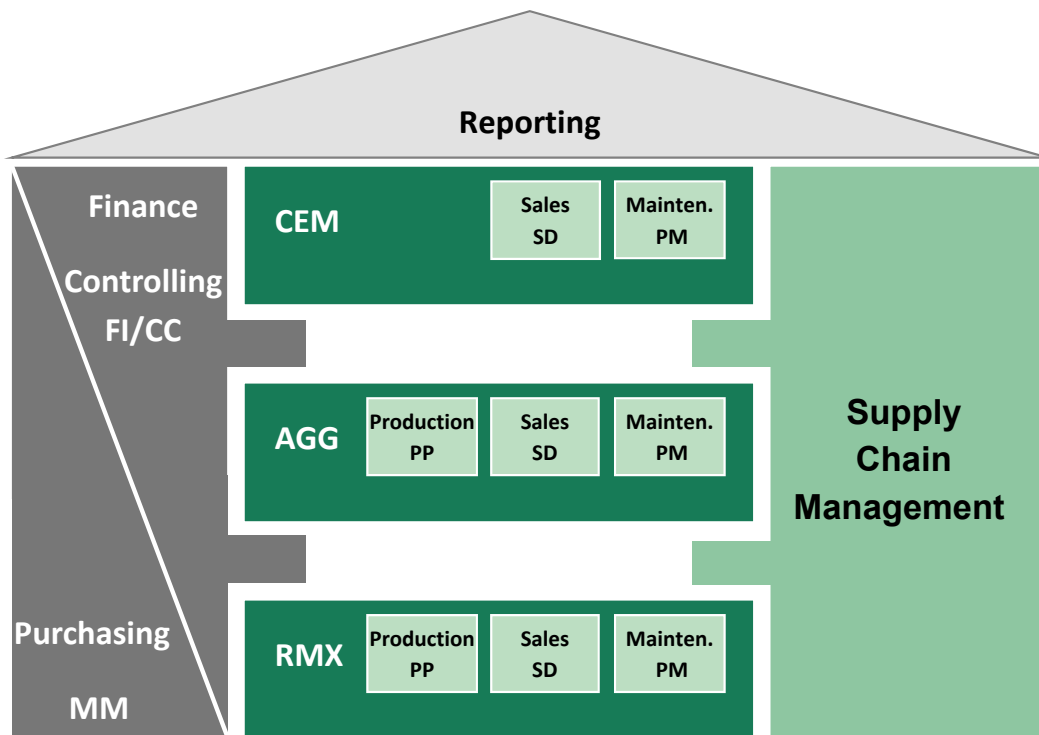
- ① Continuous improvement of operational efficiency**
Accelerated progress in business optimization programs, e.g. LEO/ IT-Masterplan
- ② Tax management remains an important part of return improvement**
Strong recovery in US and UK will allow us to make use of existing tax losses carried forward
- ③ Focus on asset base improvement in all areas**
Strict working capital management and all disposal projects on track, e.g. Building Products
- ④ Balanced use of cash for growth expenditure, dividends and net debt reduction**

Wide range of measures taken to deliver appropriate returns to shareholders in the mid-term

① Integrated Supply Chain Management (LEO) on track

Integrated IT and SCM
approach for all business lines

Successful implementation of a state-of-the-art tool for the whole supply chain in Poland



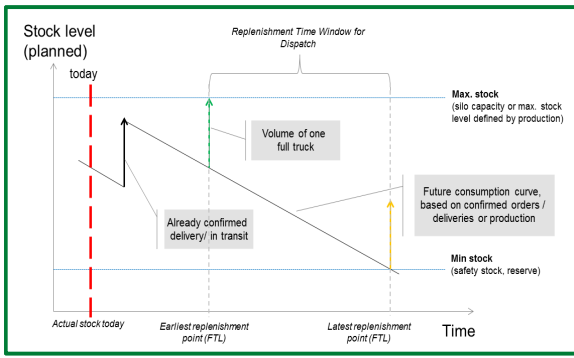
- ✓ Centralized customer service and order intake for all business lines
- ✓ Centralized dispatching for all business lines
- ✓ Delivery monitoring & truck status tracking
- ✓ Automated replenishment system

The “LEO” program aims to optimize the whole supply chain with the goal of global cost reductions of €m 150 over the next few years

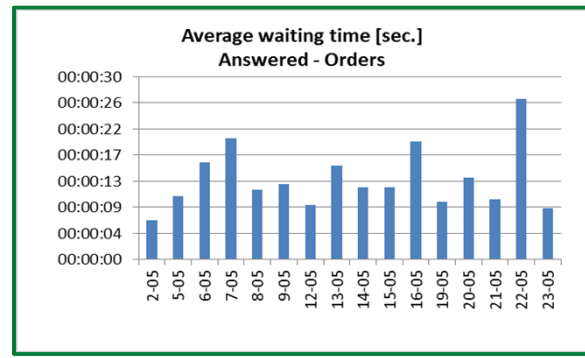
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1 Successful implementation of a state-of-the-art tool to support all elements of the whole supply chain in Poland

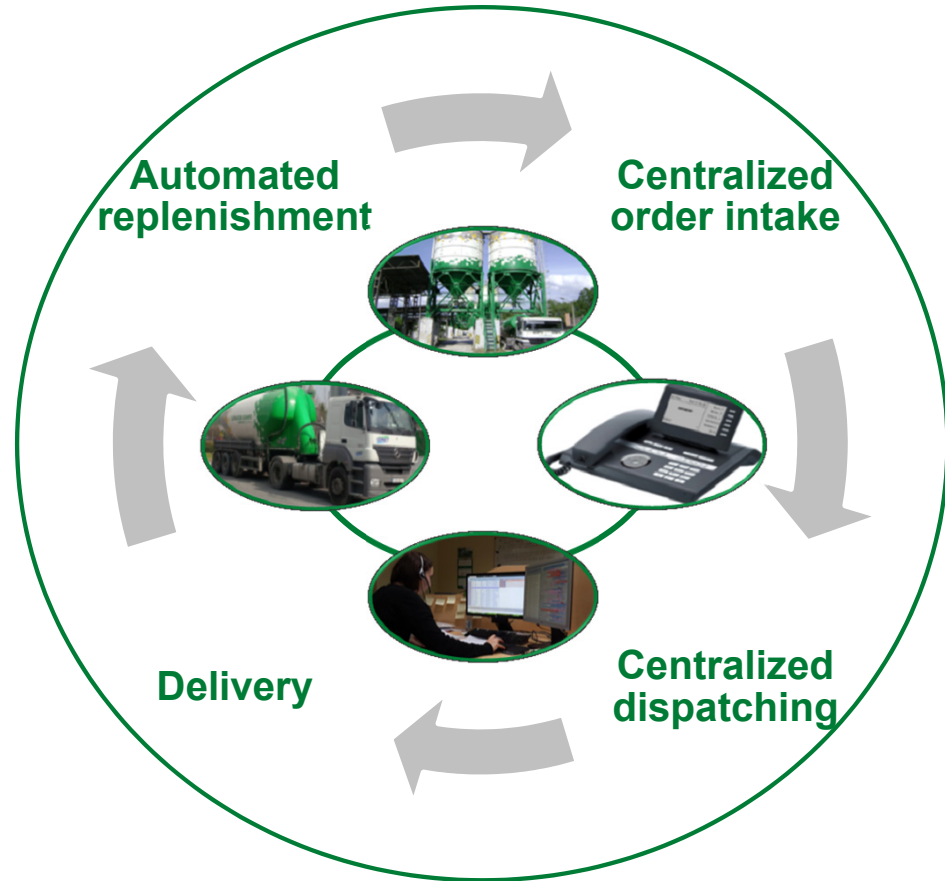
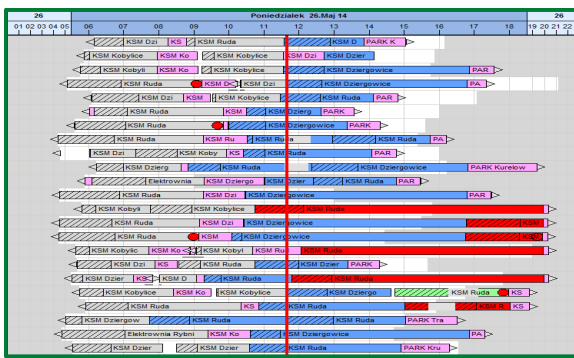
Operational efficiency:
Efficient stock management etc.



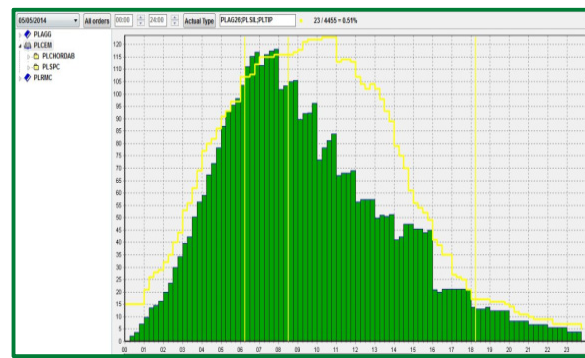
Added value for customer:
Efficient intake process etc.



Added value for customer:
On-time deliveries etc.

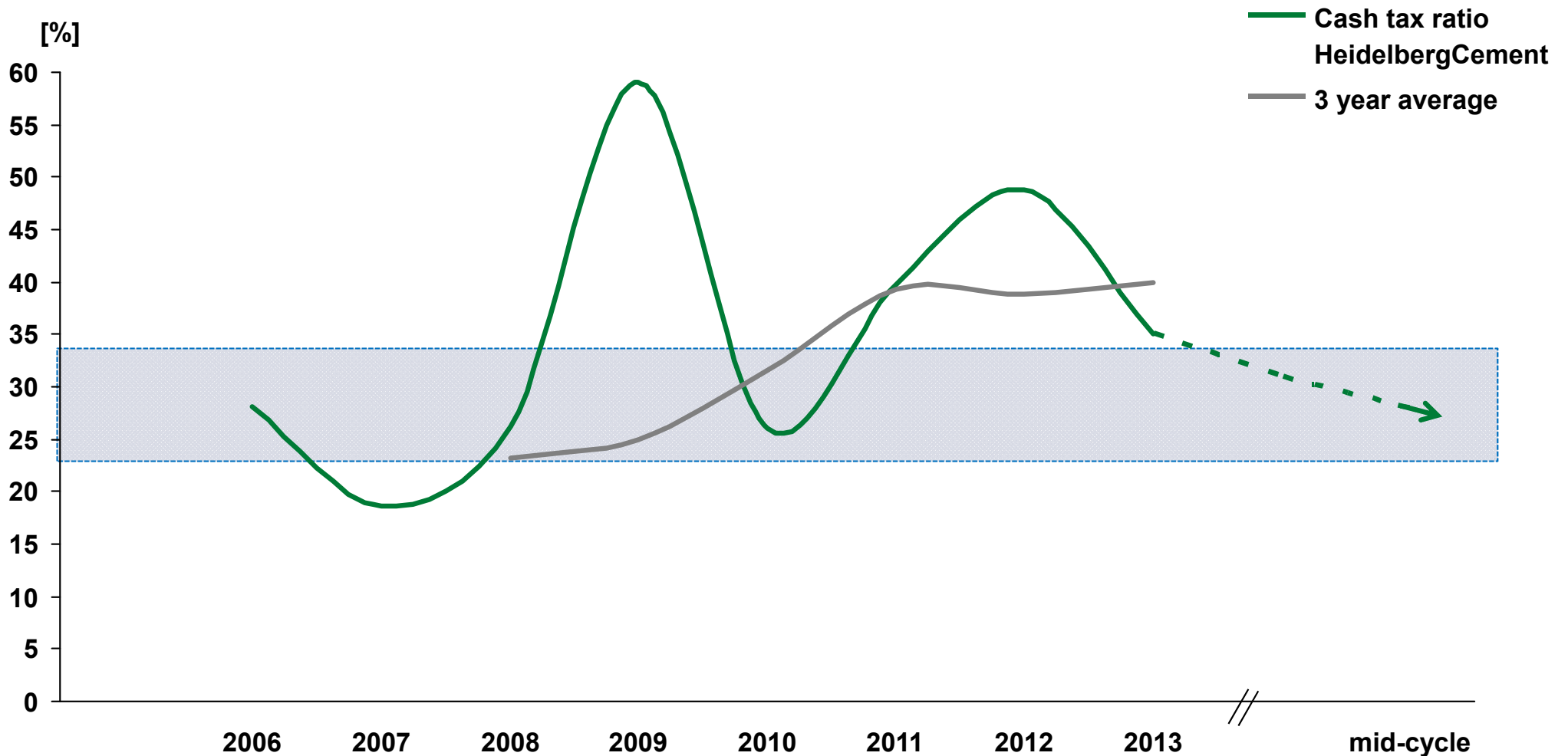


Operational efficiency:
Higher fleet utilization etc.



Visible benefits for customers, suppliers and our internal organization

② Tax management remains an important part of return improvement



Recovery in US and UK will allow us to make use of existing tax losses carried forward

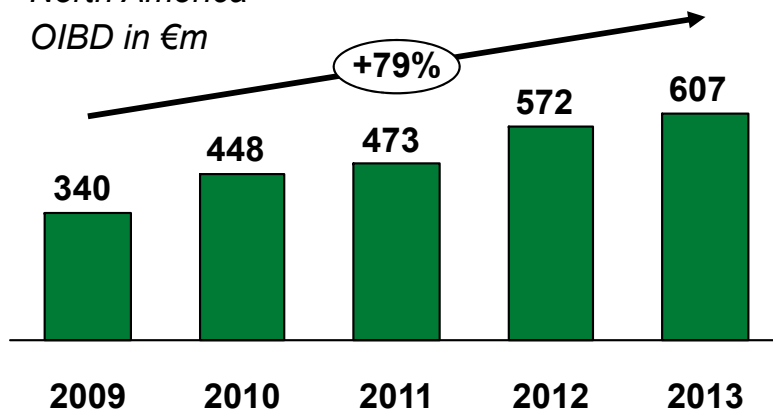
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② Usage of existing tax losses carried forward in the US and UK is expected to improve our cash tax ratio in 2014

US / UK

- Strong recovery in the US and UK continues in 2014
- No current tax payment due to high tax losses carried forward
- ~ 100% HC share

North America
OIBD in €m



	US / UK *	Indonesia*
Δ OIBD	100	100
- Current tax	0	- 25
= Δ Net Profit	100	75
- Minorities	~ 0	- 37
= Δ HC Group	100	38

* Simplified example calculation for explanatory purposes only.

Ongoing recovery will largely translate to bottom-line improvements in both the US and the UK

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③ Disposal projects on track

Disposal of Building Products

Geographical Presence



US



Canada
(East)



UK

Key Products Include



Bricks



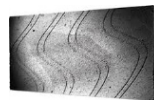
Pipe &
Precast



Pressure
Pipe



Structural
Precast



Aircrete
Blocks

Various disposal options are being considered and evaluated

Other disposal projects

■ Disposal of cement plant in Raigad / India ✓

- Process completed in January 2014

■ Disposal of loss-making Gabon plant ✓

- Process completed in March 2014

■ Disposal of non-core assets in Europe

- Process is continuing

■ Further disposal of unused fixed assets

- Idle and unused items being checked in all countries

■ Disposal of exhausted quarries

- Valuable land assets with high values

Optimization of asset base is a continuing process in HeidelbergCement

③ Disposal of Building Products in North America and UK

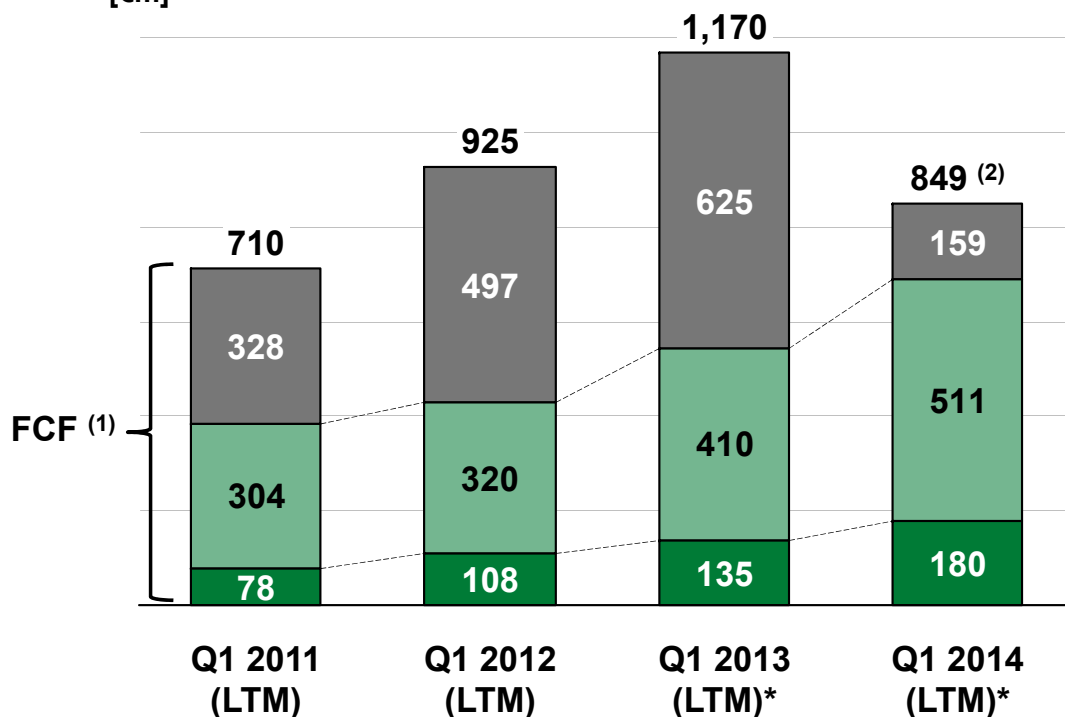


Disposal program on track - active sales process to start in Q3

④ Balanced use of cash for growth expenditure, dividends and net debt reduction

Usage of free cash flow ⁽¹⁾

[€m]



■ Net debt reductions ■ Growth CapEx ■ Dividend

1) Before growth CapEx, disposals and currency effects (swaps)

2) Before cartel fine payment.

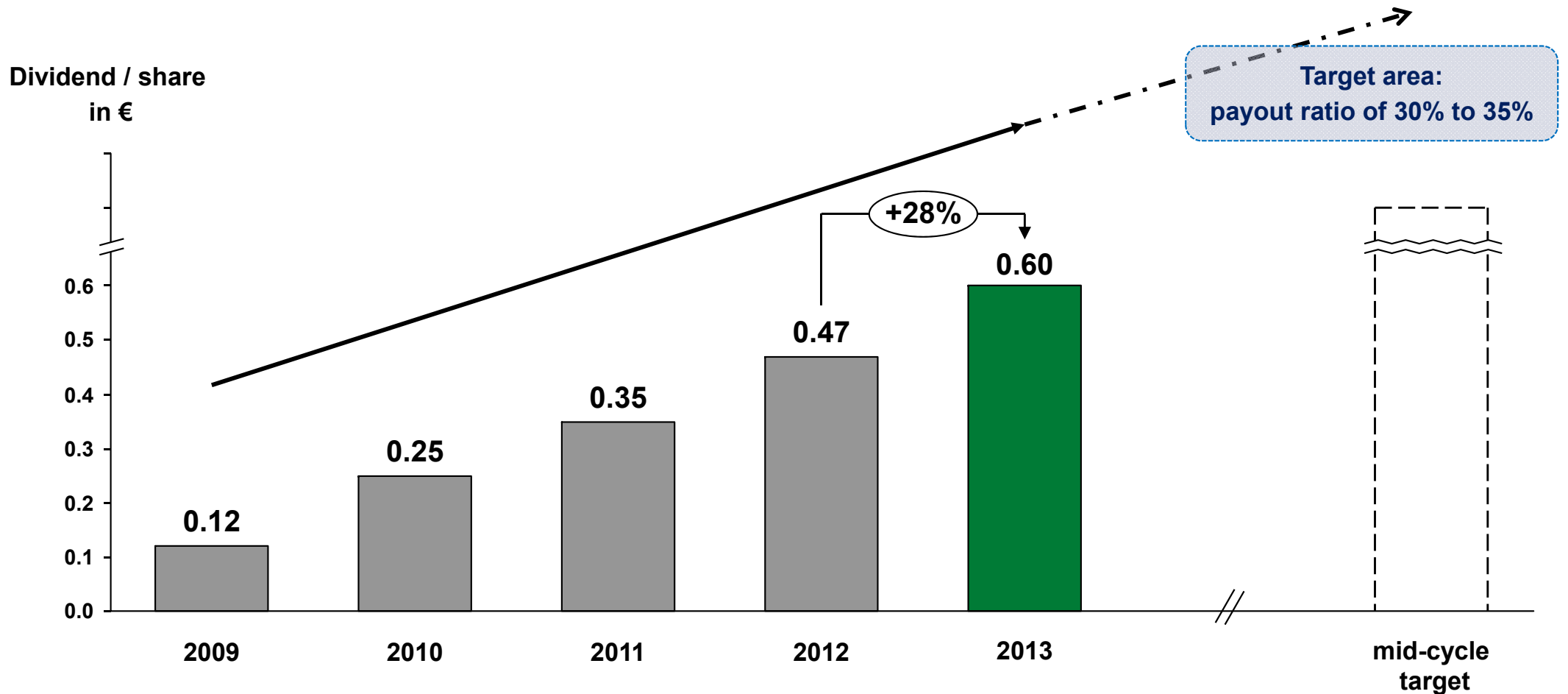
- **Increase in dividends;** medium-term increase in payout ratio to 30% - 35%
- Continue to **grow in attractive markets** at efficient CapEx values
- Targeted **net debt reduction** remains at €m 300-500 p.a.

(*) 2013 values are restated due to the change in IFRS 10 & 11.

Strong operational performance and cash flow generation enable growth investments

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④ Moderate increase in dividend in line with developments in the past

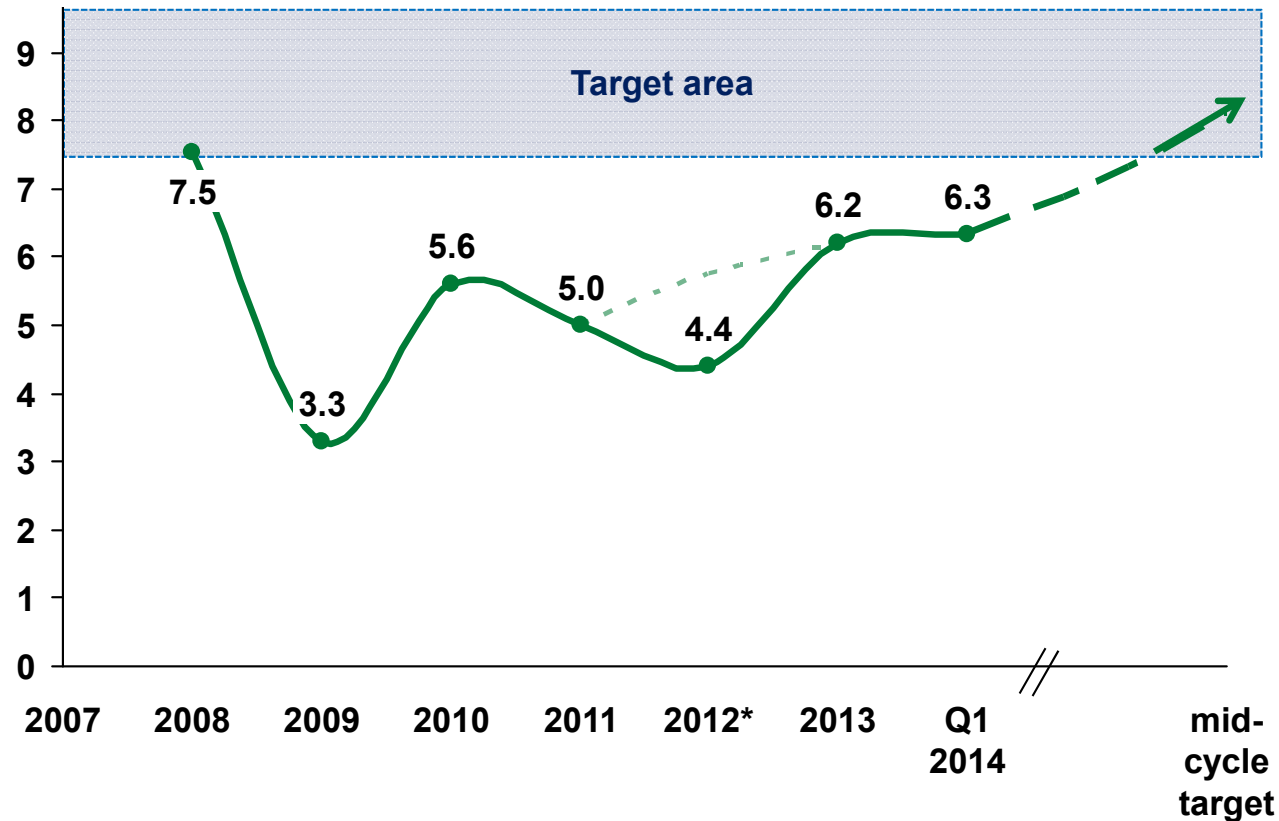


HC is gradually approaching its medium-term goal of a payout ratio of 30% to 35%

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Driven by strong recovery in Europe and NAM, we are confident to reach the mid-cycle targets and deliver a solid return on capital

[ROIC in %]



Operational efficiency ①

Efficient tax management ②

Asset base improvement ③

Balanced use of cash ④

* excluding impairment on goodwill and property, plant, and equipment as well as restructuring expenses, ROIC would be 5.8%.

HC's mid-cycle target is to generate a sustainable ROIC at least equivalent to weighted average cost of capital (WACC)

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Financial Policy & Liquidity

1 Continuation of conservative financial policies

- Continuous focus on deleveraging
- Remaining free cash flow is used for growth in attractive markets and moderate increase in dividend

2 Adequate back-up liquidity at all times to cover the liquidity needs of the company for at least 12 months

- More than 90% of funding is done on HoldCo level in order to avoid structural subordination
- Successful refinancing of 3bn € Syndicated Credit Facility on an unsecured basis and at improved conditions (max. leverage ratio of 4.0x; min. interest coverage ratio of 3.5x)
- Funding term debt in the capital markets and usage of the bank market only for back-up liquidity

3 Liquidity headroom, debt maturity profile and financial flexibility in excellent shape

- Strong liquidity-back with comfortable covenant headroom
- Well-balanced maturity profile and excellent access to capital market at all times

Substantial headway made in 2013/2014 to reduce average interest costs and further increase our high financial flexibility

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