

HeidelbergCement

ANNUAL GENERAL MEETING 2018

9 May 2018



HEIDELBERGCEMENT

Contents

- 1. 2017: new record figures achieved**
- 2. Continuing rise in earnings – higher shareholder returns**
- 3. HeidelbergCement is well prepared for the future**
 - a. Increasing the value of the Group
 - b. Focus on sustainability and innovation
- 4. Q1 2018: profit achieved**
- 5. Outlook 2018: further increase in results**

The most important at a glance...

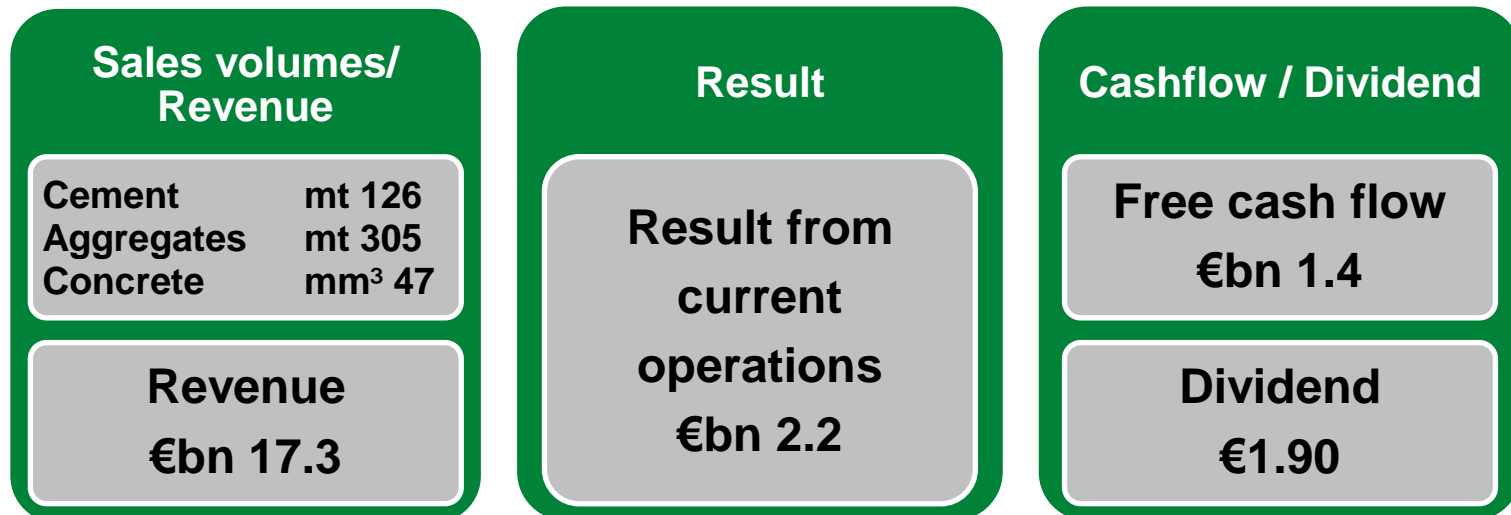
- **HeidelbergCement achieved record figures despite difficult environment:**
 - Sales volumes, revenue, result from current operations, and free cash flow reached highest values
- **Italcementi successfully integrated; synergy target increased to €m 550**
- **Significant premium on cost of capital earned**
- **Dividend proposal increased for the eighth consecutive time (+19%)**
- **Positive outlook for 2018, but geopolitical and macroeconomic risks remain**

2017 – record figures despite difficult environment





■ Challenging market environment

- Fast and significant increase in energy prices, e.g. coal price: +34% (Newcastle Index), petcoke: +40% (PACEmid)
- Extreme weather events in the USA (heavy rainfall in the West, hurricanes in Texas)
- Uncertainties due to the ongoing Brexit discussions in the United Kingdom
- Continuing competitive pressure in Asian core markets
- Surprising strength of the euro resulted in considerable exchange rate losses

■ New record figures achieved



Important targets reached...

Target / Outlook 2017	Actual 2017		
Moderate increase in revenue and result from current operations (RCO)	Revenue:	+2%	
	Pro forma I-f-I ¹) RCO:	+10%	
Significant increase in profit for the financial year	Profit for the financial year:	+27%	
Earning of cost of capital (ROIC > WACC)	ROIC:	7.2%	
	WACC:	6.6%	
Progressive dividend policy	Dividend:	€1.90 (+19%)	

... but not everything has developed according to our planning:

- Significant increase in energy prices
- Weaker market development in the USA (weather) and the UK (Brexit)
- Continuing price pressure in Indonesia and Thailand
- Net debt reduction impacted by negative currency effects of €m 381

HeidelbergCement has delivered despite challenging environment

Consolidated income statement (short form)

Consolidated income statement (short form)			
€m	2016 ¹⁾	2017	Change
Revenue	15,166	17,266	14 %
Result from joint ventures	212	204	-3 %
Result from current operations before depreciation and amortisation (RCOBD)	2,887	3,297	14 %
Depreciation and amortisation	-959	-1,109	16 %
Result from current operations	1,928	2,188	14 %
Additional ordinary result	-324	-133	59 %
Result from participations	38	51	34 %
Financial result	-493	-391	21 %
Income taxes ²⁾	-314	-606	-93 %
Net income from continuing operations	834	1,109	33 %
Net loss from discontinued operations	-3	-51	-1494 %
Profit for the financial year	831	1,058	27 %
Non-controlling interests	174	141	19 %
Group share of profit	657	918	40 %

1) Amounts were restated

2) Income taxes include non-recurring charges of €m 285 resulting from the US tax reform

Pro forma key financial figures

Including Italcementi in the first half year of 2016

Pro forma key financial figures ¹⁾	January-December			
€m	2016 ²⁾	2017	Variance	Like-for-like ³⁾
Sales volumes				
Cement (Mt)	124.2	125.7	1%	1%
Aggregates (Mt)	287.4	305.3	6%	1%
Ready-mixed concrete (Mm ³)	48.1	47.2	-2%	-3%
Asphalt (Mt)	9.4	9.6	3%	1%
Income statement				
Revenue	17,084	17,266	1%	2%
Result from current operations before depreciation and amortisation (RCOBD)	3,142	3,297	5%	6%
<i>in % of revenue</i>	18.4%	19.1%		
Result from current operations (RCO)	2,017	2,188	8%	10%
<i>in % of revenue</i>	11.8%	12.7%		

1) Including Italcementi in the first half year of 2016

2) Amounts were restated

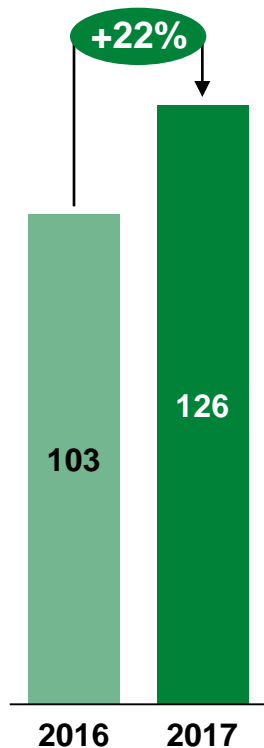
3) Adjusted for currency and consolidation effects, effects from the purchase price allocation for Italcementi, and proceeds from the sale of CO₂ emission rights amounting to €m -3 in 2016 (Q2: €m 17, Q4: €m -20)

Operational improvement in demanding market environment

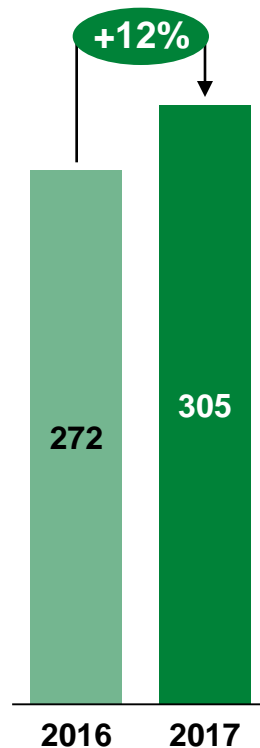
Sales volumes

January–December

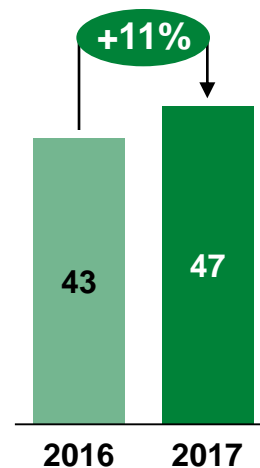
Cement (mt)



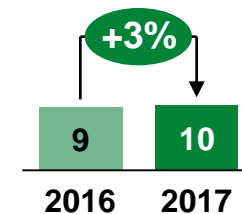
Aggregates (mt)



Ready-mixed concrete (mm³)

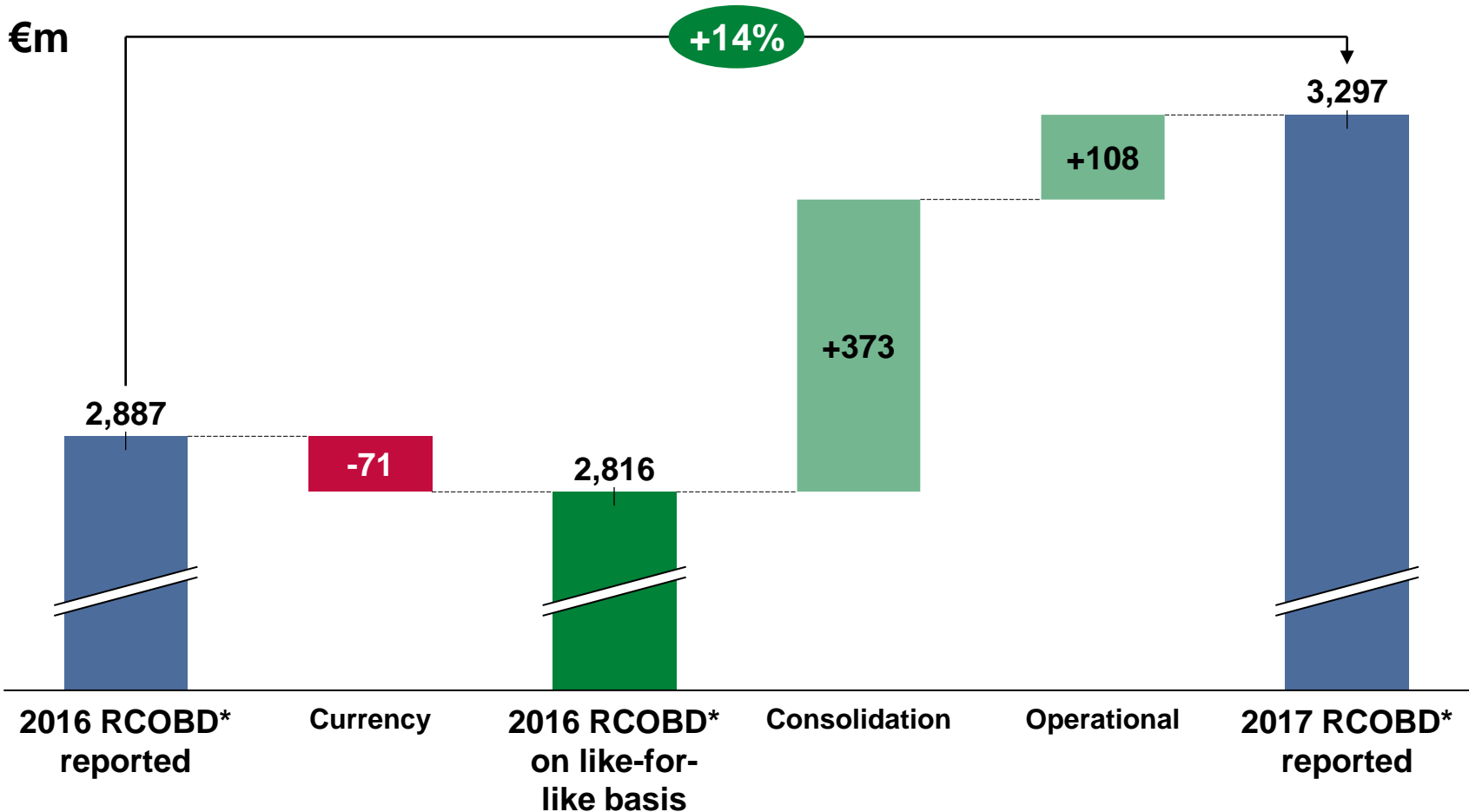


Asphalt (mt)



Significant increase in sales volumes due to consolidation of Italcementi since 1 July 2016

Strong growth of results due to consolidation and synergies



Solid operational result, supported by successful synergies, overcompensates headwind from cost inflation and competitive pressure

Synergy target exceeded and 1 year ahead of original plan

More potential unlocked as a result of successful integration process

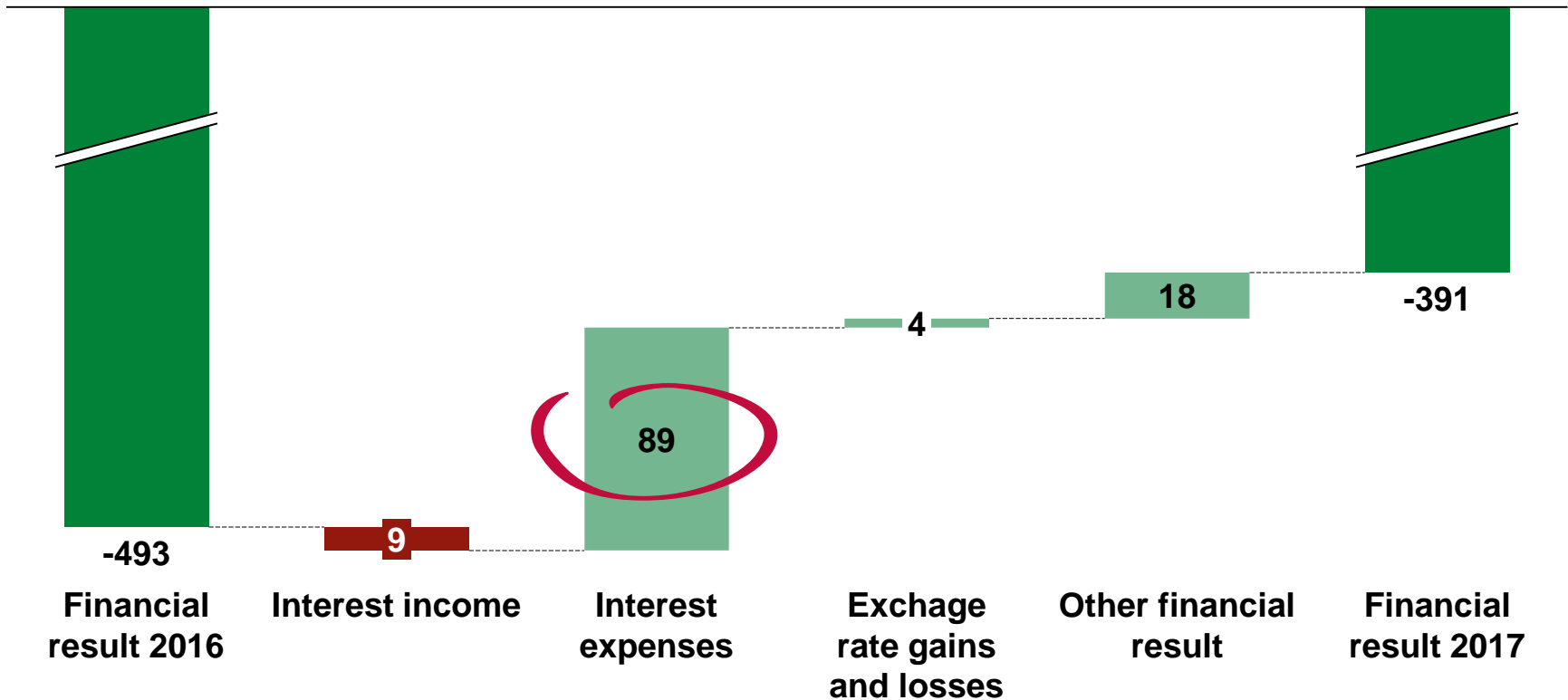


Split in 2017	€m
Operations	129
Selling, General & Administration	58
Purchasing	33
Other (trading, insurance, logistics, IT..)	76
Total RCOBD* 2017	295
Treasury & Tax	63
Total synergies 2017	358

Synergy target increased to €m 550 by end of 2018
Relatively low implementation costs of €m 345

Further improvement of financial result in 2017

€m



Improved refinancing conditions and investment grade rating lead to significant reduction in interest expenses

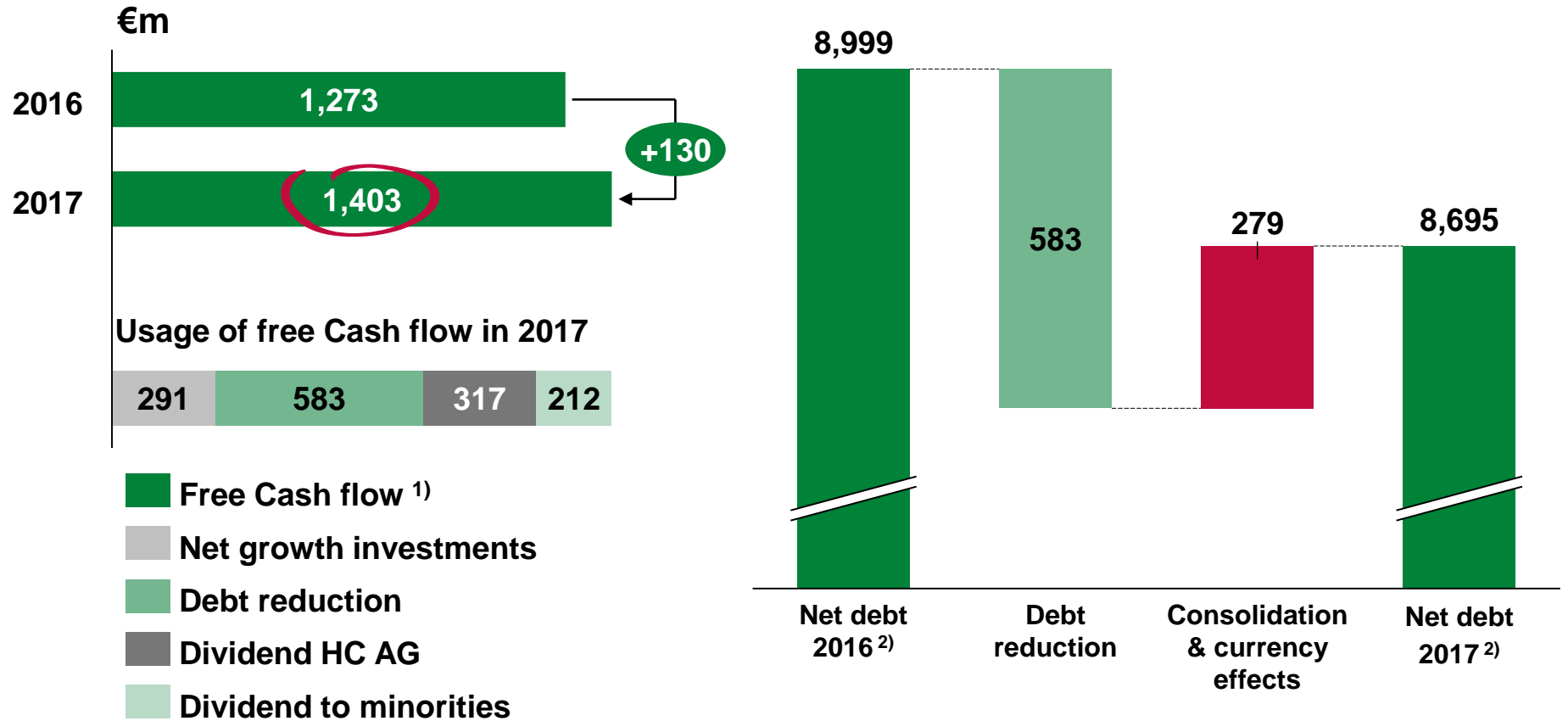
Consolidated balance sheet (short form)

Consolidated balance sheet (short form)			
€m	31 Dec. 2016 ¹⁾	31 Dec. 2017	Part of balance sheet total 2017
Assets			
Intangible assets and property, plant, and equipment	26,325	24,285	70 %
Financial assets	2,383	2,181	6 %
Other non-current assets	1,728	1,399	4 %
Current assets	6,673	6,593	19 %
Assets held for sale	9	100	0 %
Equity and liabilities			
Shareholders' equity and non-controlling interests	17,792	16,052	46 %
Non-current liabilities	12,326	12,210	35 %
Current liabilities	7,002	6,283	18 %
Liabilities associated with assets held for sale		13	0 %
Balance sheet total	37,120	34,558	100 %
Equity ratio			
	47.9%	46.5%	
Net debt	8,999	8,695	
Dynamic gearing ratio	3,1x	2,6x	
Net debt/equity (gearing)	50.6%	54.2%	

Decrease in balance sheet total due to strength of the euro

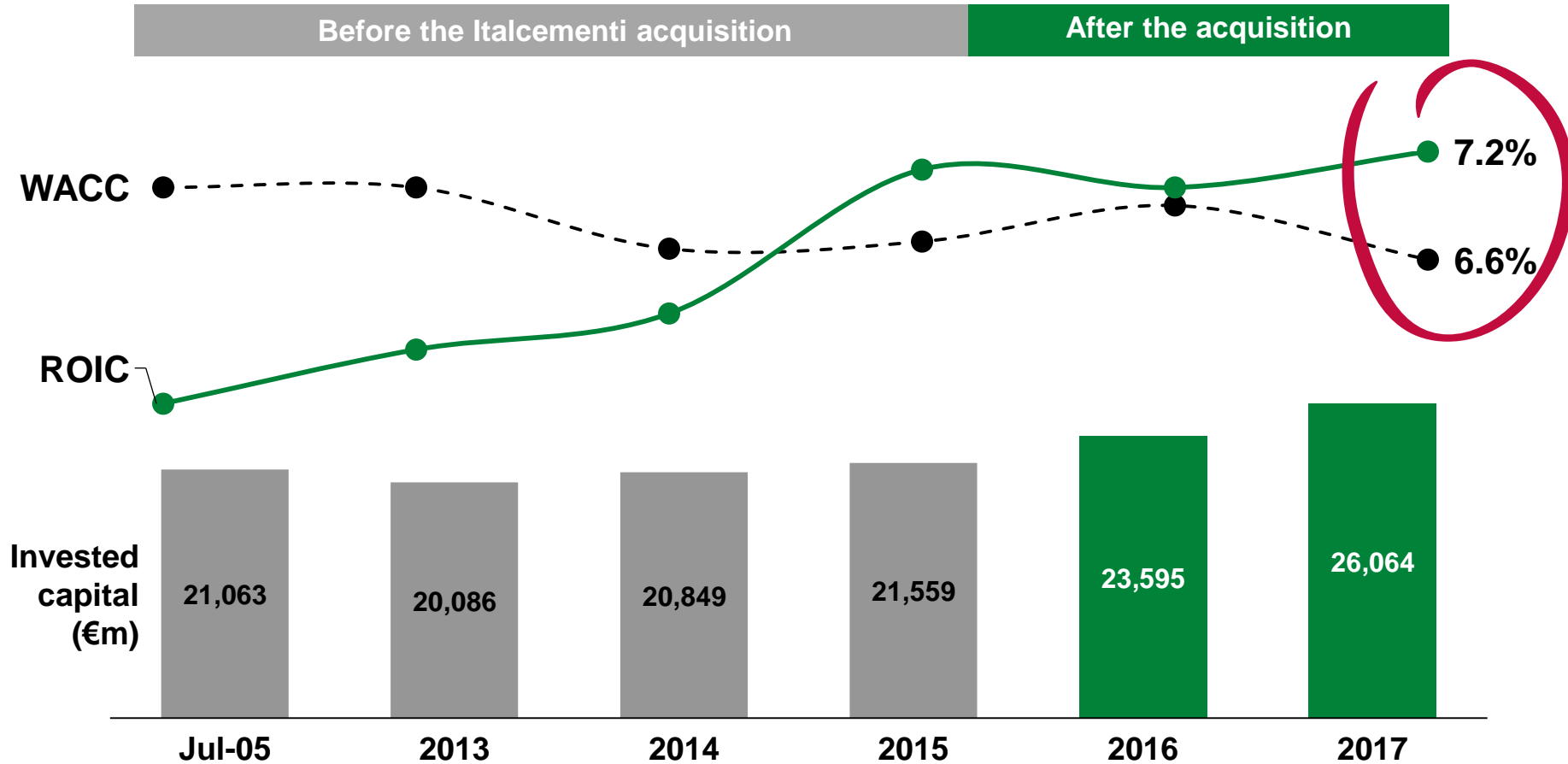
Further increase in free cash flow by €m 130 in 2017

Usage of free cash flow



Balanced usage of free cash flow for debt reduction, investements in growth, and dividend payments

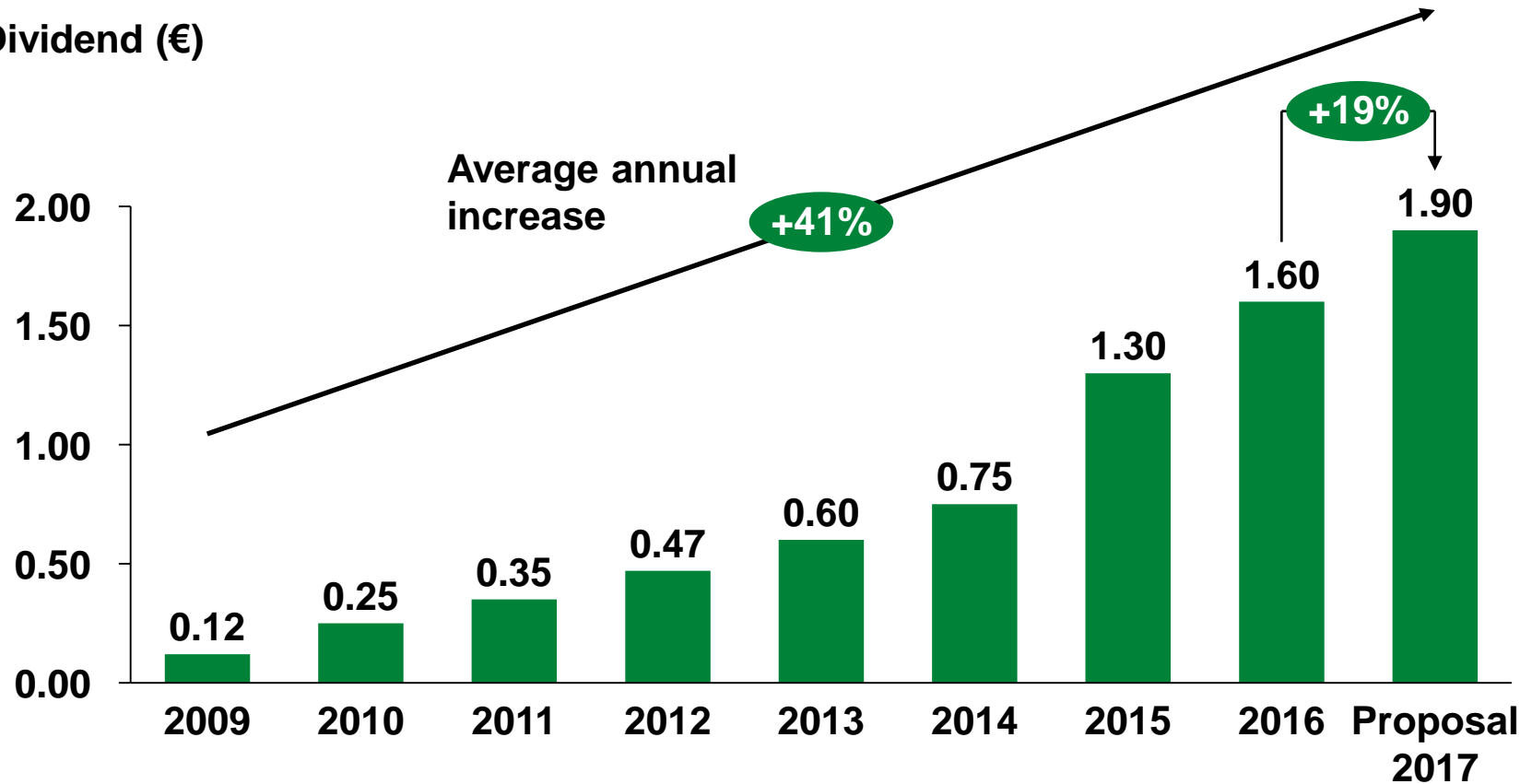
We earn the cost of capital and increase the enterprise value



We continue to earn a premium on the cost of capital after the acquisition of Italcementi

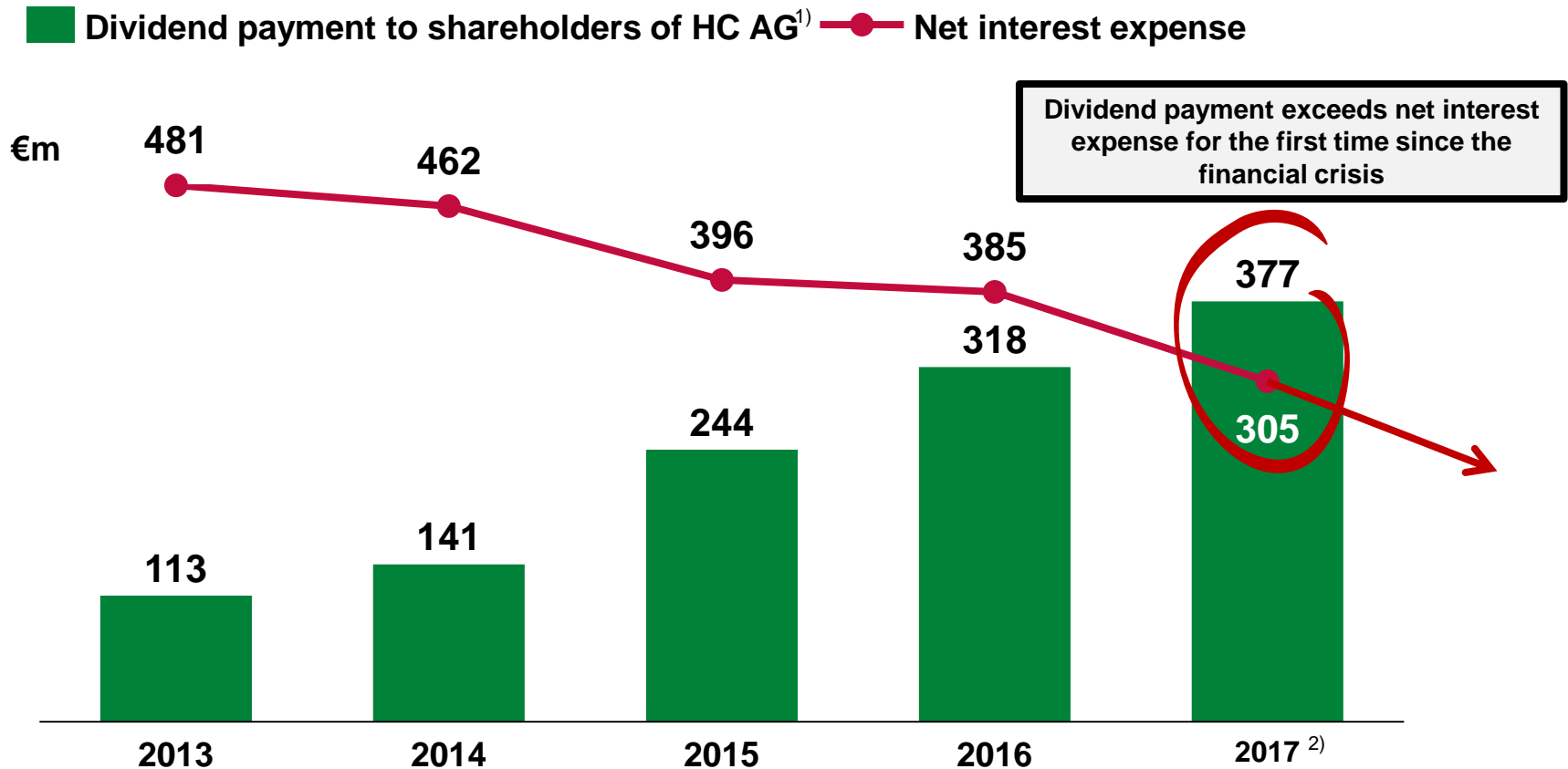
8th consecutive increase in dividend proposed: new record value of €1.90

Dividend (€)



Continuation of progressive dividend policy

Continuous increase in dividends – decrease in net interest expense



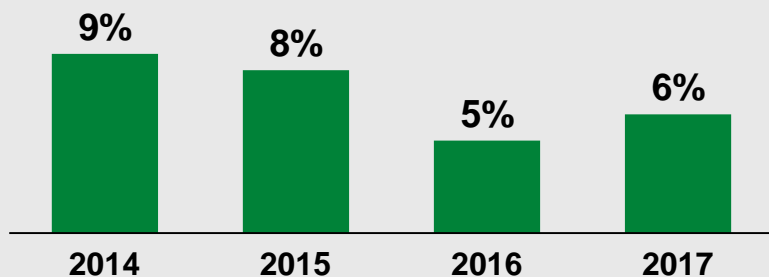
Refinancing and decreasing interest payments free up capital for a higher return for our shareholders

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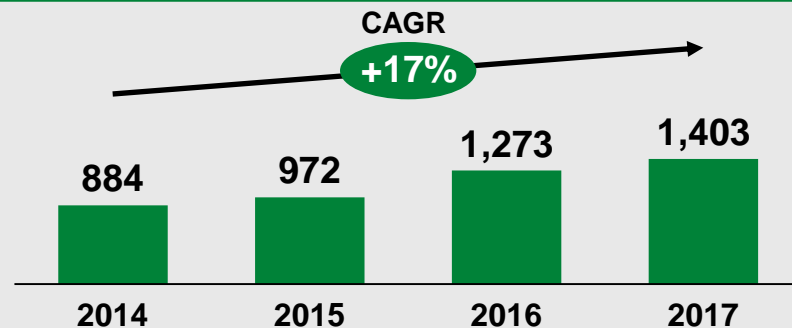
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Continuing rise in earnings – higher shareholder returns

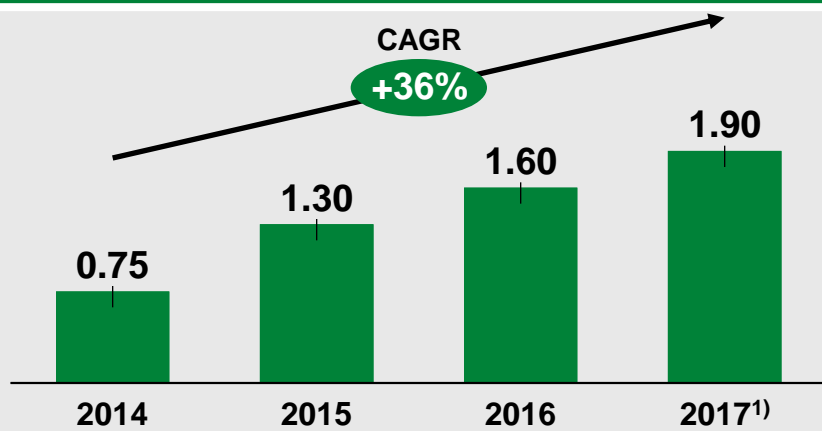
Organic RCOBD growth*



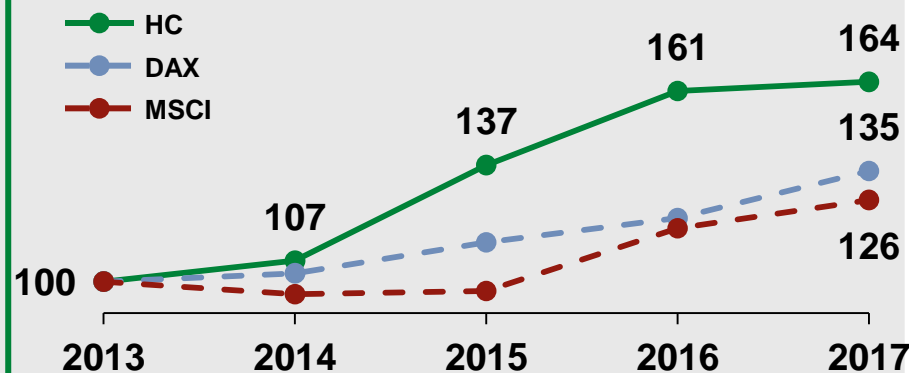
Free Cash flow (€m)



Dividend per share (€)



Share price development

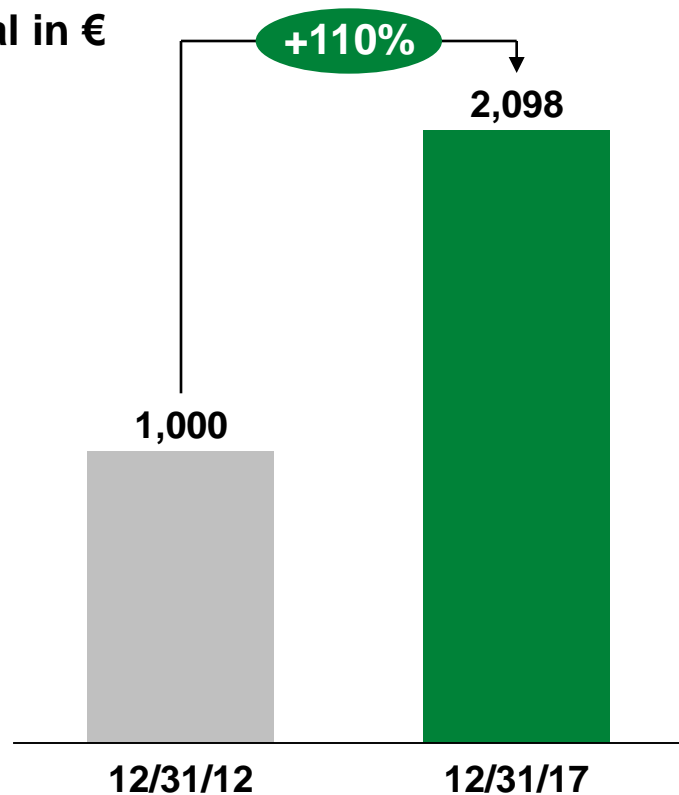


* RCOBD: Result of current operations before depreciation and amortisation

1) Proposal of the Managing Board and Supervisory Board to the Annual General Meeting on 9 May 2018

High return over five-year period

Invested
Capital in €



High return over five-year period

- A shareholder who invested €1,000 in HeidelbergCement shares at the end of 2012 generated a total return of 110% by the end of 2017 (reinvested dividends).
- With 16.0%, annual total return is thus significantly higher than that of the DAX, with 11.2%.

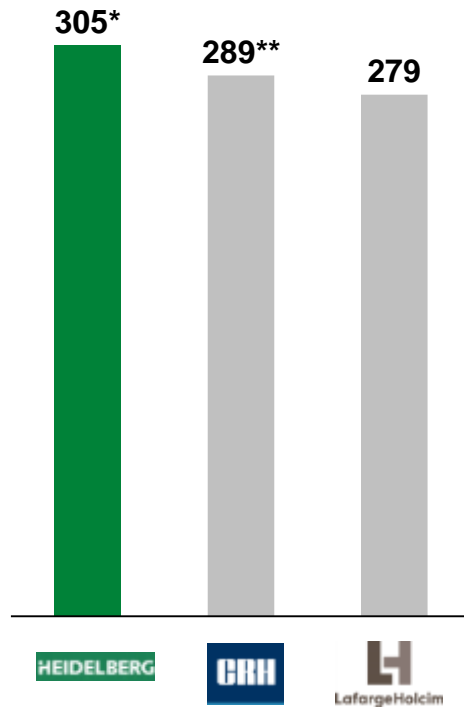
For 2018, we intend to increase earnings per share noticeably

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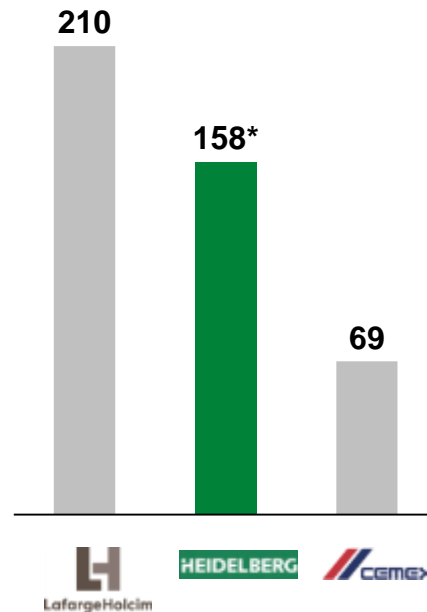
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HeidelbergCement is among the top 3 in the core business

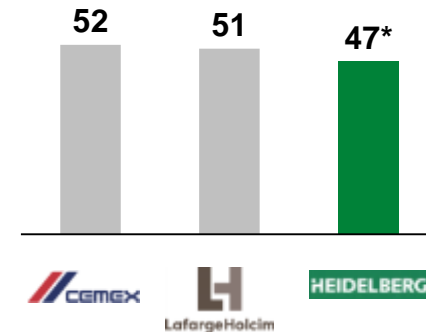
2017 aggregates sales volumes (mt)



2017 cement sales volumes (mt)

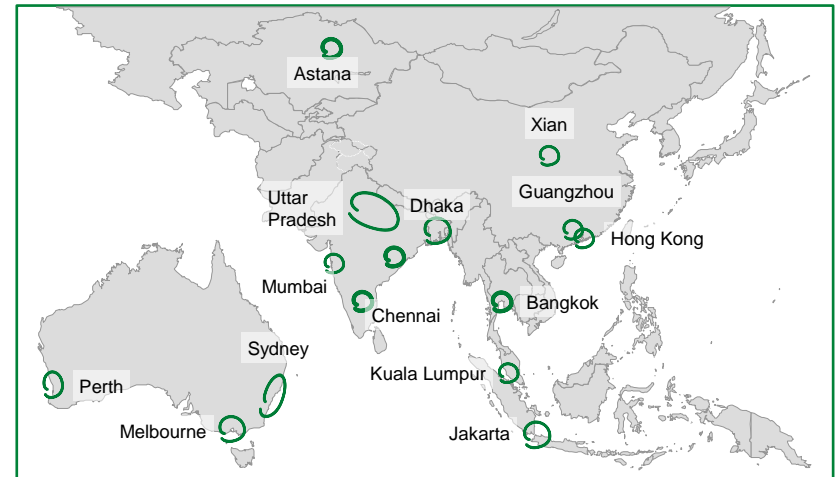
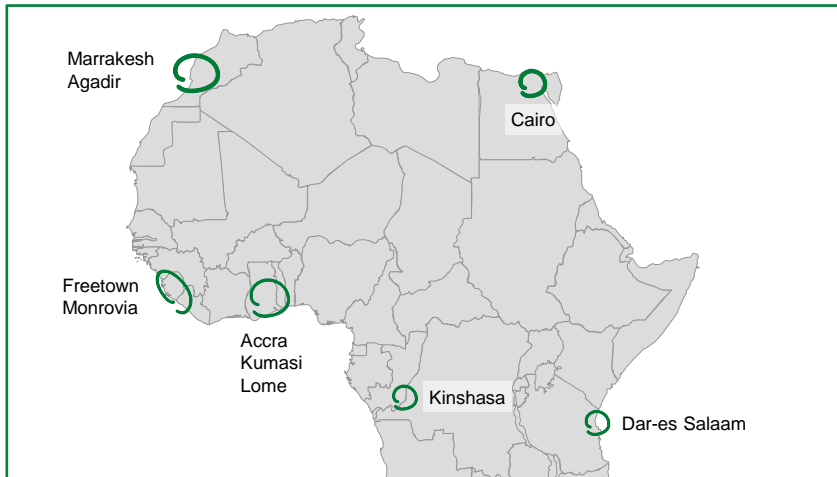
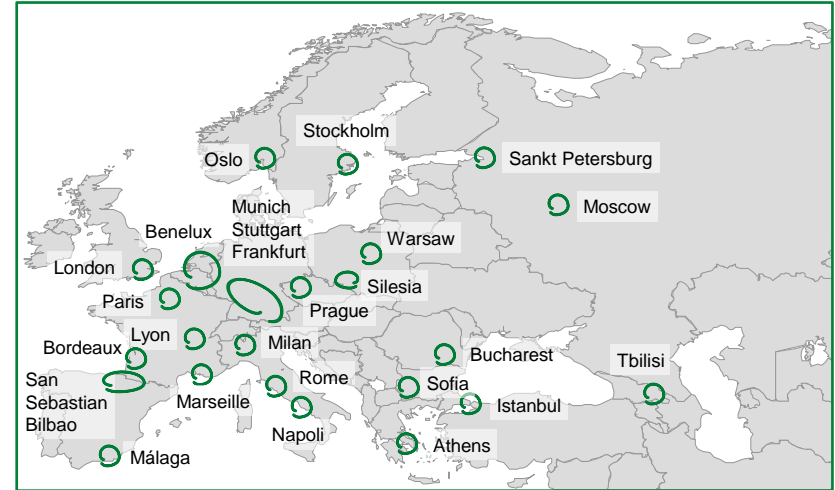


2017 ready-mixed concrete sales volumes (mm³)



HeidelbergCement is globally no. 1 in aggregates, no. 2 in cement, and no. 3 in ready-mixed concrete

Population growth and urbanisation – HeidelbergCement is well-positioned in urban centers



○ Most important urban centers with HeidelbergCement operations

Our target: increasing the value of the Group

Benefit from recovery of mature markets

Pricing above inflation rate

Targeted and disciplined growth

Expanding vertical integration in urban centers

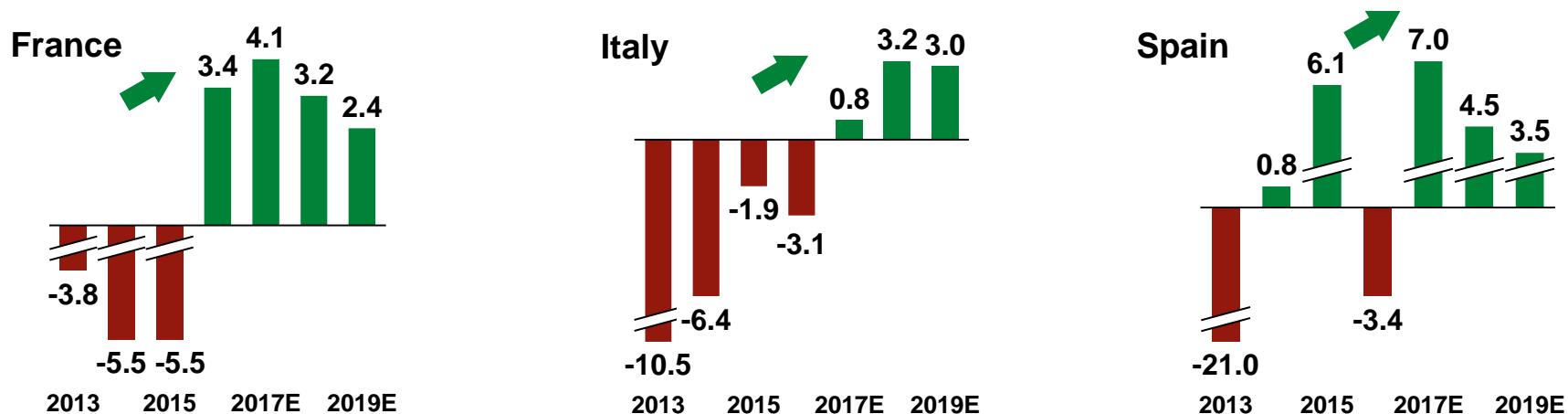
Culture of continuous efficiency improvements

Digitisation of value chain

Focus on cash generation

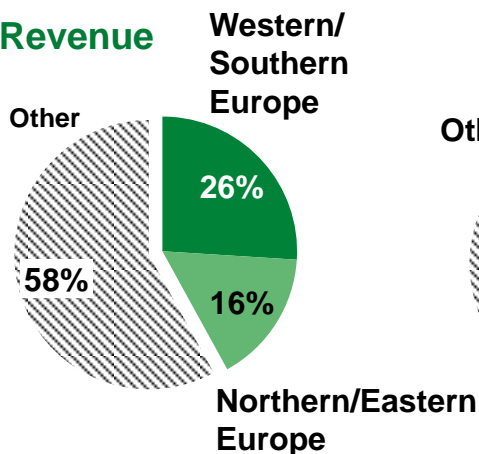
European recovery: significant potential from operating leverage

Domestic cement consumption growth rate in %*

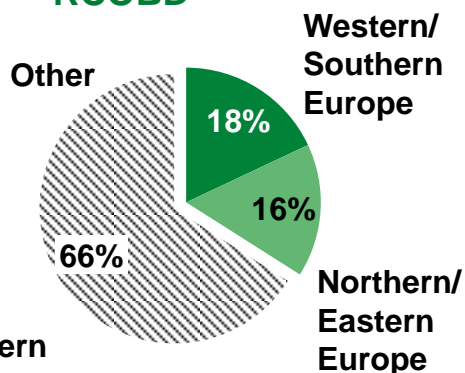


Exposure to Europe in 2017

Revenue



RCOBD**



Key messages

- ✓ **Western and Southern Europe**
In 2017, eurozone GDP (2.3%) was head-to-head with the US for the first time since the crisis in 2008. Markets in recovery mode
- ✓ **Northern Europe**
Solid demand driven by huge infrastructure projects
- ✓ **Eastern Europe**
New tranche of EU Cohesion Funds boosts infrastructure spending and demand in 2018 and beyond

We will benefit from continuing recovery in Europe

Portfolio optimisation 2017 and Q1 2018: investments

■ USA:

- Acquisition of **Cemex Pacific Northwest Materials Business**: production sites for aggregates, ready-mixed concrete, and asphalt
 - Strengthening of vertical integration, especially in Seattle and Portland
- Acquisition of the operations of **Saunders Companies** in the State of New York: production sites for aggregates and ready-mixed concrete

■ Italy: acquisition of the cement and concrete business of Cementir Italia

- 5 fully integrated cement plants and 2 grinding plants with total cement capacity of 5.5 mt and a network of cement terminals and ready-mixed concrete plants

■ Australia: Acquisition of recycled construction materials and asphalt producer Alex Fraser

- Leading producer of recycled building materials; operates 5 recycling and 2 asphalt plants in Melbourne und Brisbane



Portfolio optimisation 2017 and Q1 2018: divestments

- **Georgia: sale of 50% of the business in Georgia and foundation of a joint venture**
 - 3 cement plants and 1 grinding plant with total cement capacity of 2 mt and 13 ready-mixed concrete plants
- **Germany: sale of the sand-lime bricks operating line**
 - Product portfolio doesn't fit to the core business of HeidelbergCement
- **USA: sale of the 51% share in Lehigh White Cement**
 - 2 cement plants in Waco, Texas, and York, Pennsylvania; niche product with low volumes of around 255,000 tonnes

Optimisation of the portfolio to generate additional cash flow for further disciplined growth and rising shareholder returns

Germany cement master plan

- **Investments of €m 350 in the modernisation of the German clinker plants and in environmental protection**
- **Largest investment project of HeidelbergCement in Germany for more than 40 years**
- **Strengthening of competitiveness in Germany in the long term through the upgrading/new construction of the kiln lines**
- **Construction of state-of-the art and environmentally friendly kiln lines in Lengfurt, Burglengenfeld and Schelklingen**
 - Significant reduction of dust, nitrogene oxide, and ammoniac emissions in clinker production
 - Significant decrease in energy consumption and CO₂ emissions
 - Increase in the alternative fuels rate
 - Improvement of maintenance and refractory costs

 **Implementation of the construction and upgrading projects by 2019**

Continuous improvement of efficiency and margins

Intensified use of modern IT systems (Industry 4.0)

“CIP” – Cement

- Conclusion above plan for the “old” HeidelbergCement plants
- Know how in operational excellence and maintenance are additional drivers of synergies (> €m 200)

€m 120 sustainable results improvement 2015-2017

Above plan

“Aggregates CI” – Aggregates

- Increasing professionalism & efficiency in operational and commercial areas through continuous improvement
- Implementation at all locations
- Digitisation of operational processes

€m 120 sustainable results improvement 2016-2018

Above plan

“CCR” – Ready-mixed concrete

- Savings of raw material costs through better alignment of raw materials and concrete mix recipes
- Optimisation of logistics

€m 120 sustainable results improvement 2017-2019

Above plan

“FOX” – Procurement

- Continuation of successful cost savings initiative
- Standardisation and optimisation of procurement processes
- Digitisation of supplier management

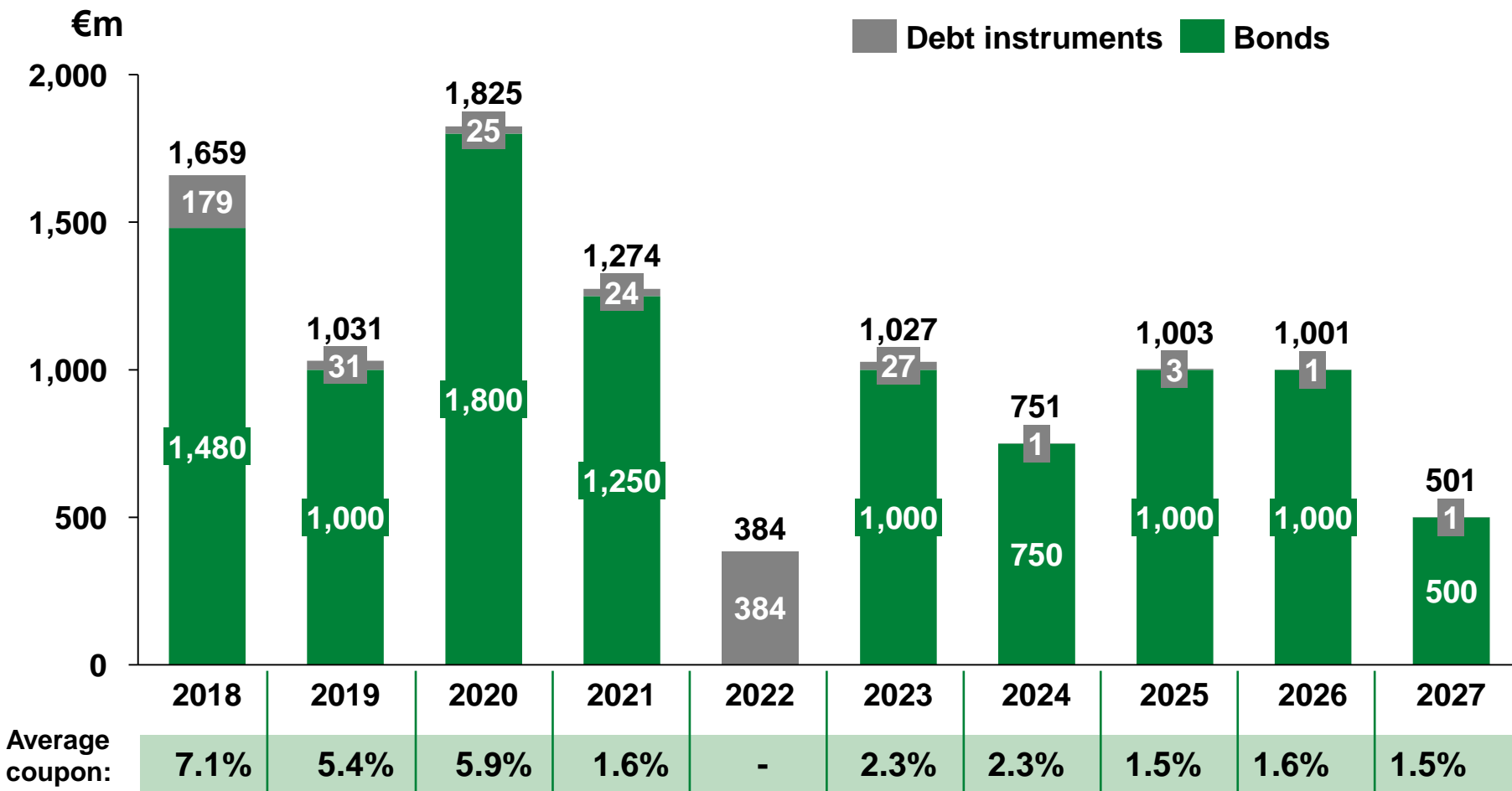
> €m 100 annual savings

Above plan

Continuous efficiency and margin improvement is part of HeidelbergCement's DNA

Financing costs: high cash flow potential

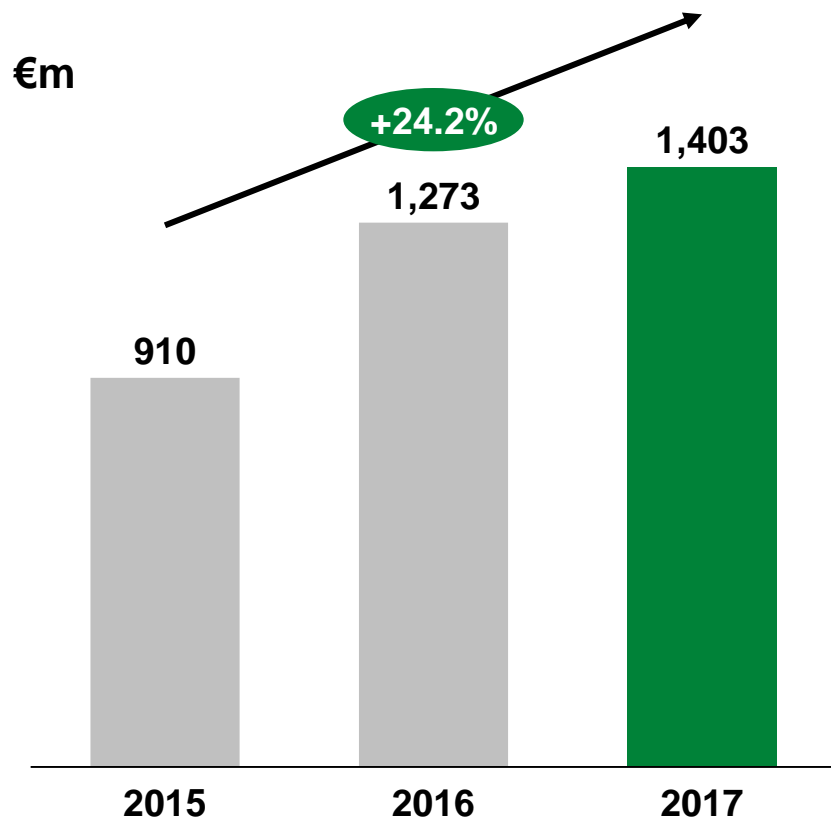
Debt maturity profile as of 31 December 2017



We expect an improvement of financial result and corresponding cash flow of around €m 150 over the next three years

Continuous increase in cash flow

Free cash flow after maintenance investments



Significant drivers for improving free cash flow

- Operational improvement measures (Continuous Improvement)
- Price increases
- Reduction of interest payments
- Lowering of tax rates
- Improvement of working capital

**Disciplined management leads to continuous increase
in free cash flow**

Our target: increasing the value of the Group

Continuous growth

Increasing cash flow

Attractive rate of return for our shareholders



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Six key topics characterise our commitment for sustainable growth, environment and society



Driving **Economic Strength and Innovation**



Achieving excellence in **Occupational Health and Safety**



Reducing our **Environmental Footprint**



Enabling the **Circular Economy**



Being a **Good Neighbour**



Ensuring **Compliance and creating Transparency**



The Sustainability Commitments 2030 are a policy designed to actively contribute to the Sustainable Development Goals of the UN

Contribution to the fight against climate change

- **Clear commitment for 2°C target of Paris**
- **Reduction of specific CO₂ emissions**
 - Target: 30% reduction by 2030 compared to the 1990 level
 - In accordance with the roadmap defined by the International Energy Agency (IEA) for our industry (externally verified)
 - Increased use of alternative fuels and raw materials; improving energy efficiency
- **Leading in innovative research projects**
 - Extracting CO₂ from the exhaust stream
 - Recycling of CO₂, e.g.:
 - Biogas
 - Storage in mineral substances
 - Production of biomass, e.g. algae farm project in Morocco



Commitment for access to safe water, sanitation, and hygiene

- **HeidelbergCement signs the WASH Pledge of the World Business Council for Sustainable Development (WBCSD)**
 - According to the UN, 1.8 billion people have no access to safe drinking water and 4.1 billion lack access to adequate sanitation (SDG 6)
 - Commitment to provide access to safe drinking water and appropriate sanitation, and hygiene at the workplace (WASH) for all employees at all operation sites worldwide



World Business Council for Sustainable Development



SUSTAINABLE DEVELOPMENT GOALS



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High social commitment in Indonesia

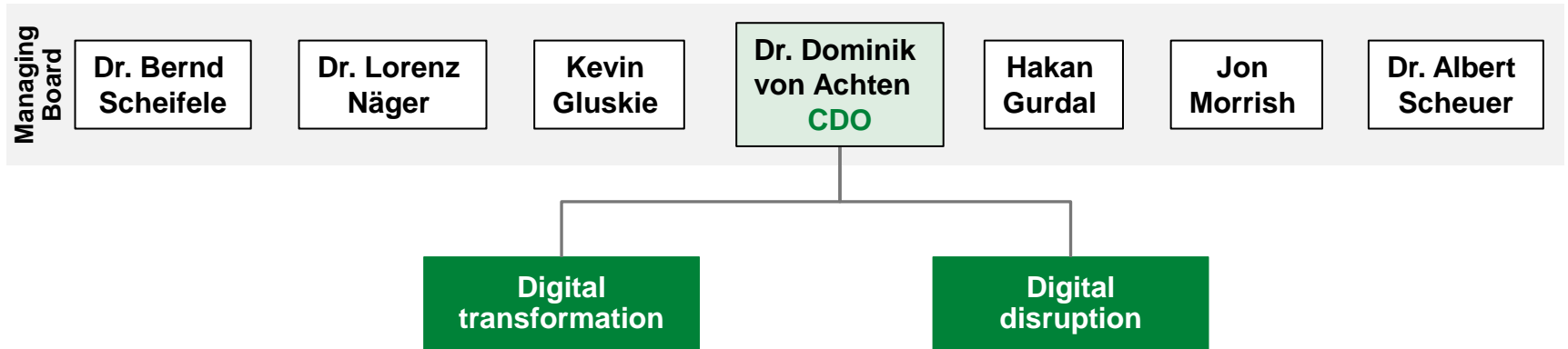
- **Support in establishing small crafts businesses in partner communities**
 - **Processing of tinsplate**
Training support for craftsmen several times a year since 2012; help with the founding of cooperatives, access to finance and marketing of products
 - **Promotion of the traditional batik handcraft**
Supporting women in founding cooperatives; weekly training in the cultural center of Indocement, financial assistance
- **Education and training**
 - **“Green school”** Environmental education in several schools
 - **Semen Tiga Roda School (SETRA)**
Training of construction workers in new techniques, construction products, occupational safety, etc.
- **Climate protection**
 - **Participation in the government programme “Proklam”**
Measures to reduce the effects of climate change, such as hunger, drought, and water shortage



300 different projects in the areas of education, health, economy, social and cultural activities, security, and sustainable development

Digitisation offensive with selected key topics anchored at Managing Board level

Focused organisation structure



Examples

Remote maintenance & remote-controlled production units



3D-printed house in Milan



Digital exchange with suppliers and customers



Watch relevant start-ups



Innovation in house construction – 3D print

- **Project 3D HOUSING 05 – Milano Design Week 2018**
 - House with 100 m² – living room, kitchen, bathroom, bedroom, and roof terrace
 - Printed in 48 hours with high-tech concrete from HeidelbergCement



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Market and financial overview in Q1 2018

- **Profit of €m 6 achieved for the Q1 2018 period – improvement of €m 41**
 - Earnings per share improved by €0,24
 - Successful portfolio optimisation led to gain of over €m 100
 - Sale of sand-lime brick business in Germany and white cement in the USA at attractive conditions led to increase in result and cash flow
 - Financial result improved by 9% to €m -75
 - Result from current operations before depreciation and amortisation decreased by €m 88 like-for-like due to the long winter and less working days
- **Outlook for year 2018 confirmed**
 - High order volume in industrial countries is a signal for solid growth
 - Price increases in most countries announced
 - Improved financial result due to favourable refinancing

Successful management of portfolio and financial result more than compensates for negative weather and calendar effects in operating result

Key financial figures Q1 2018

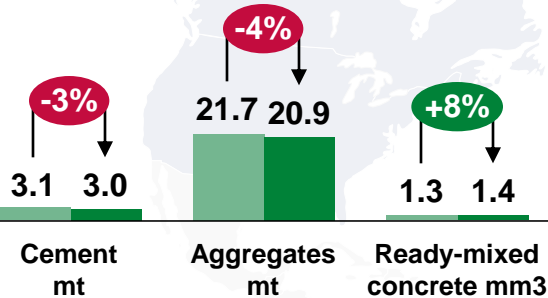
€m	2017	2018	Variance in %	Like-for- like ¹⁾ in %
Consolidated income statement				
Revenue	3,784	3,626	-4 %	2%
Result from joint ventures	30	27	-10 %	
Result from current operations before depreciation and amortisation (RCOBD)	383	252	-34 %	-26%
RCOBD margin in %	10.1%	7.0%		
Result from current operations	108	-16	n/a	n/a
Loss / profit for the period	-35	6	n/a	
Group share of loss	-70	-23	68 %	
Earnings per share in € ²⁾	-0.35	-0.11	68 %	

	January-March		
€m	2017	2018	Variance
Consolidated statement of cash flows			
Cash flow from operating activities	-485	-692	-207
Total investments	-195	-716	-522
Consolidated balance sheet			
Net debt	9,601	9,879	279
Gearing	54.1%	63.9%	

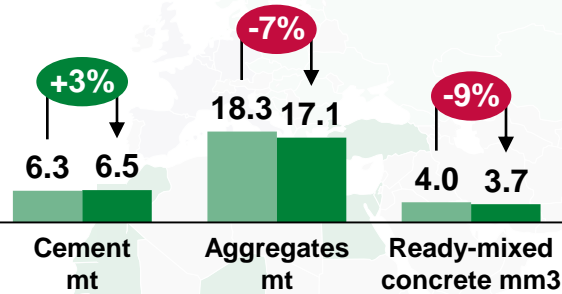
Sales volumes by Group areas

2017 2018

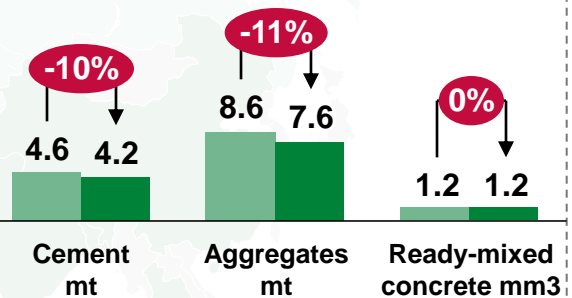
North America



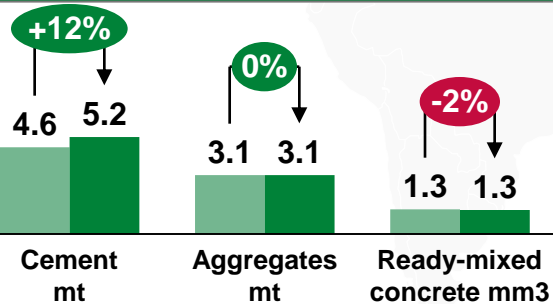
Western and Southern Europe



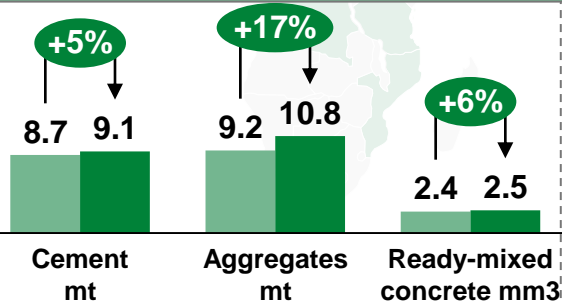
Northern and Eastern Europe-Central Asia



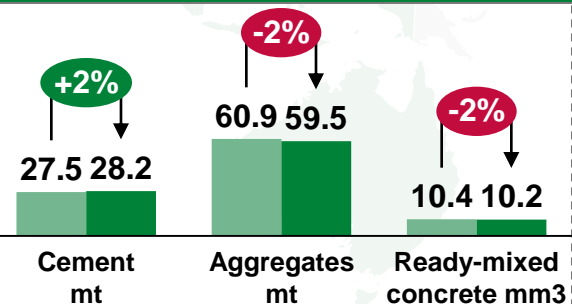
Africa-Eastern Mediterranean Basin



Asia-Pacific



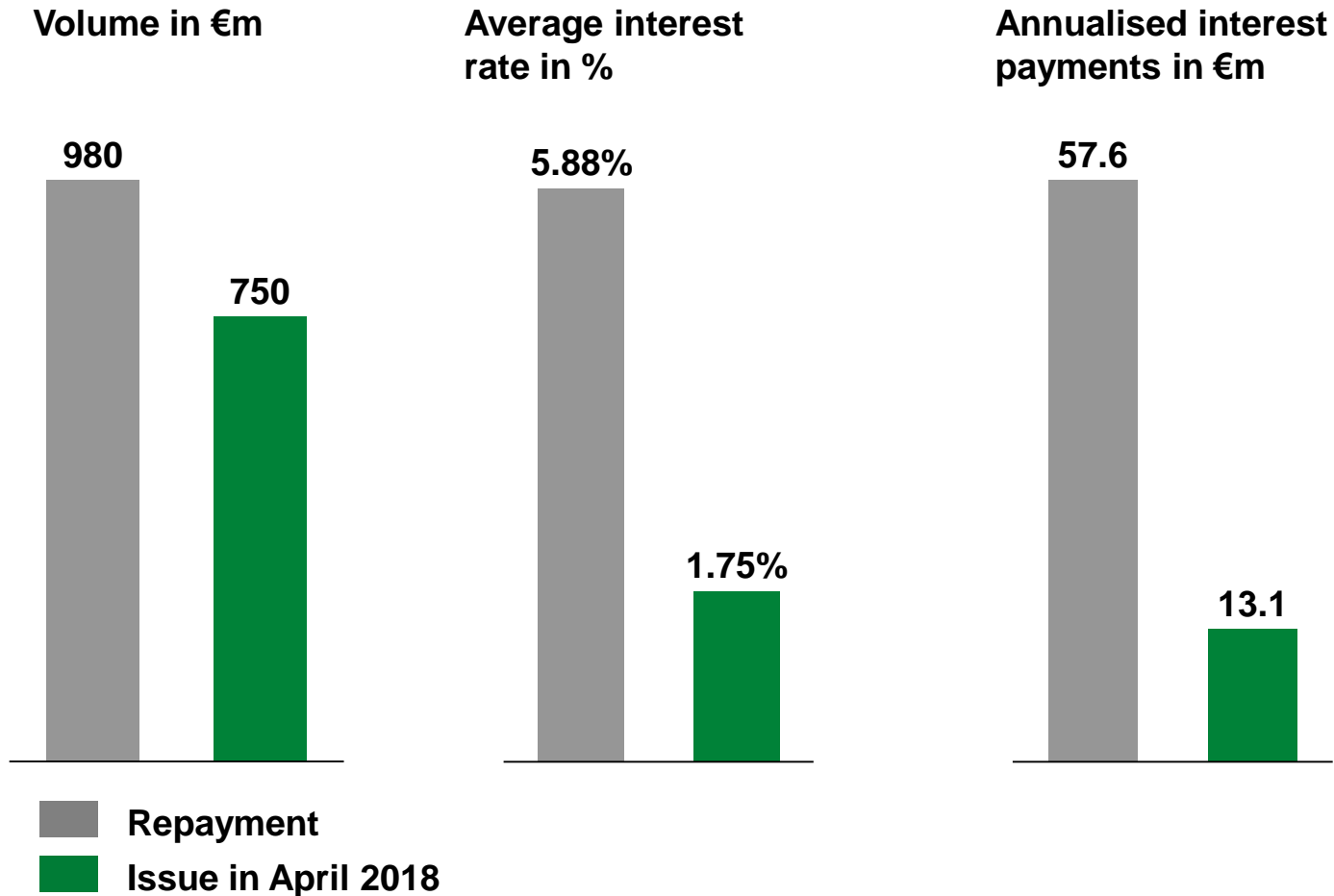
HeidelbergCement Group



Strong winter affects sales in the northern hemisphere

Successful refinancing continued

Placement of €m 750 euro bond in April – repayment of expensive bonds



Refinancing with significantly lower interest rate contributes to improvement of financial result and cash flow

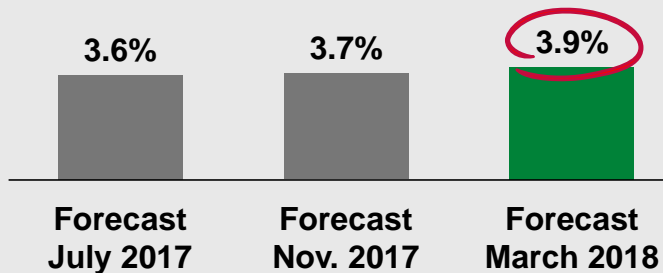
Contents

1. 2017: new record figures achieved
2. Continuing rise in earnings – higher shareholder returns
3. HeidelbergCement is well prepared for the future
 - a. Increasing the value of the Group
 - b. Focus on sustainability and innovation
4. Q1 2018: profit achieved
5. Outlook 2018: further increase in results

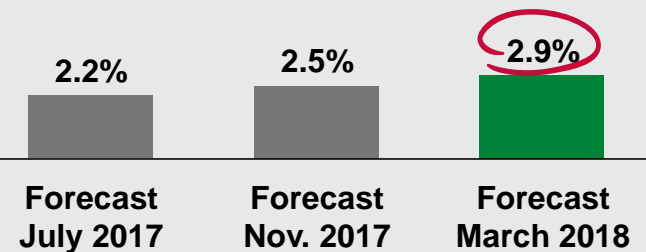
Global economic growth in 2018 is expected to reach its highest level since 2011

➤ OECD raises forecast for global economic growth*

➤ Forecast global economic growth in 2018



➤ Forecast economic growth USA in 2018

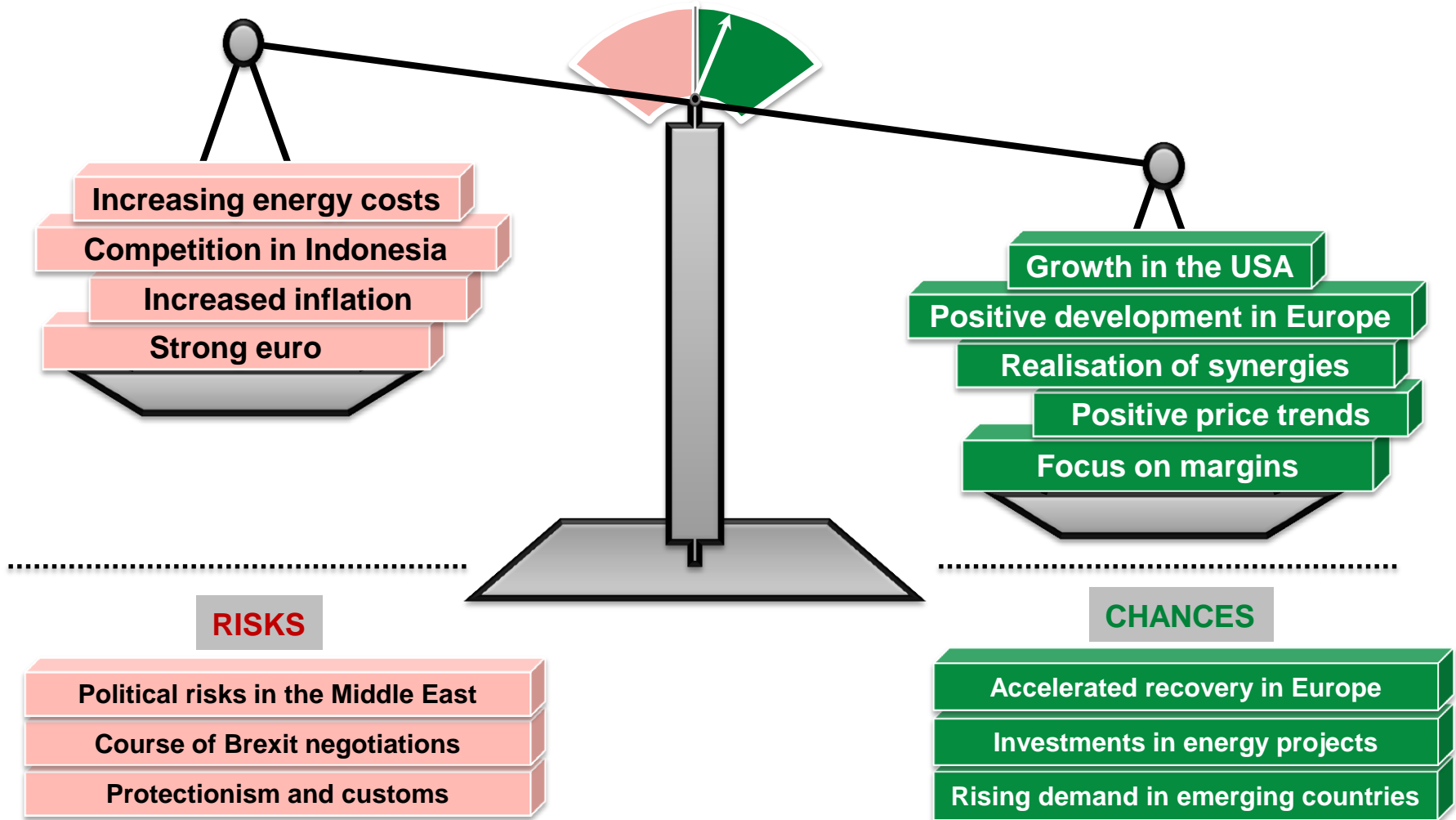


- OECD raises forecast for global economic growth in 2018 to 3.9%
- Forecast for the USA increased to 2.9% – US tax reform as economic stimulus programme
- Synchronous economic recovery in many countries

➤ Risks remain

- Increase in inflation (especially energy costs)
- Normalisation of interest rates could lead to distortions (e.g. exchange rates)
- Geopolitical risks

Major drivers for business development in 2018



Overall challenging but positive business environment expected in 2018

Outlook 2018

- **Growth of sales volumes in all business areas**
 - Continuing growth in the USA (increasing sales volumes and prices)
 - Solid demand in Germany and Northern Europe; growth in Australia
 - Market stabilisation in the United Kingdom
 - Rising demand in France and Eastern Europe; price recovery in Italy
 - Increasing sales volumes in Indonesia, India, and the African countries due to higher demand
- **Rising energy costs**
- **Considerable potential for price increases**
- **Positive result contribution from decreasing taxes, restructuring and financing costs**

Improved operational and financial results

- **Growth of sales volumes in all business areas**
- **Moderate increase in revenue and mid- to high-single digit rise in result from current operations***
- **Significant increase in profit for the year**

Management focus in 2018

- **Containment of cost inflation** and compensation through price increases
- **Further improvement of margins** through efficiency improving programmes
- **Continuation of active portfolio management** to optimise our geographical positioning
- **Disciplined cash management** to decrease leverage

Next Annual General Meeting on 9 May 2019

