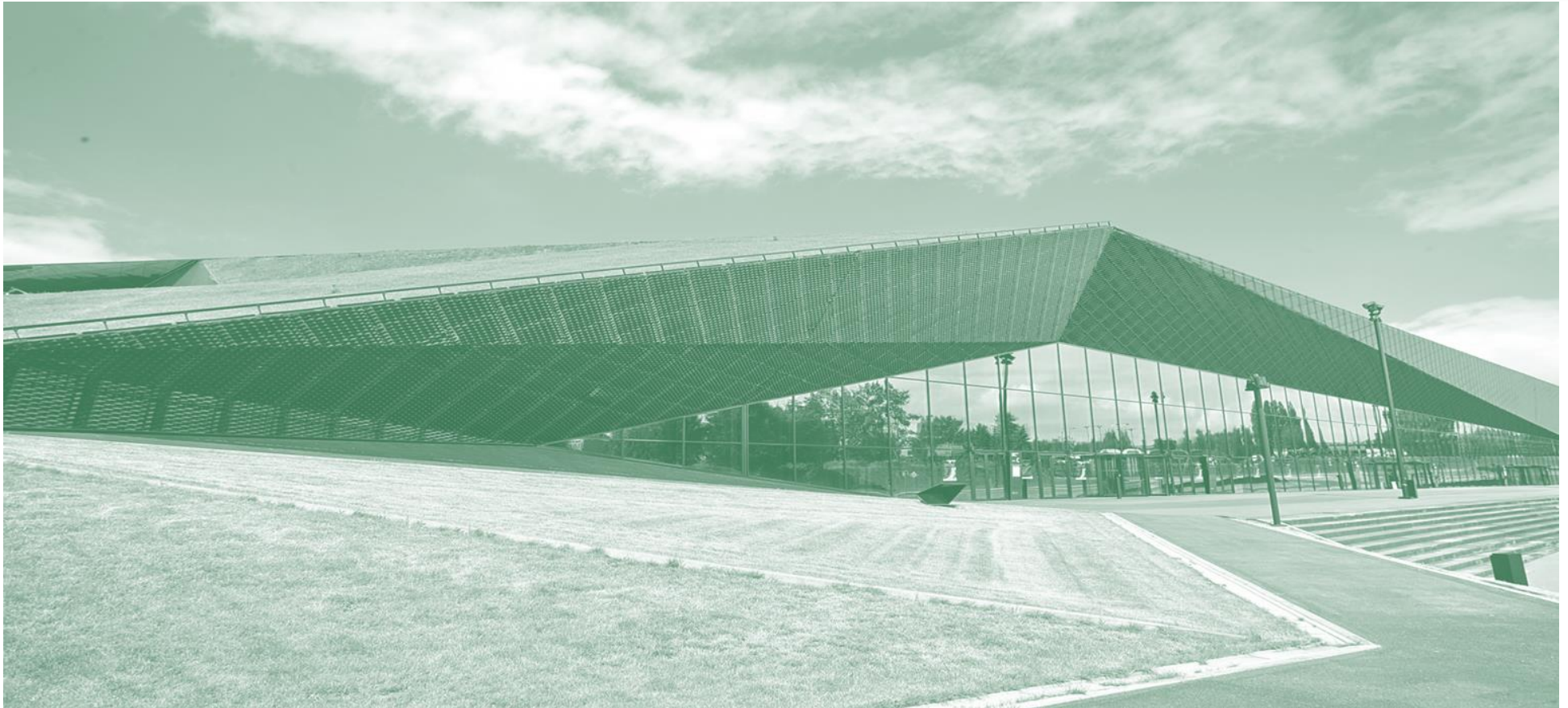


# HeidelbergCement

## 2018 Trading Statement

19 February 2019

**Dr. Bernd Scheifele, CEO and Dr. Lorenz Näger, CFO**



International Congress Centre. Katowice, Poland

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# Key operational and financial figures

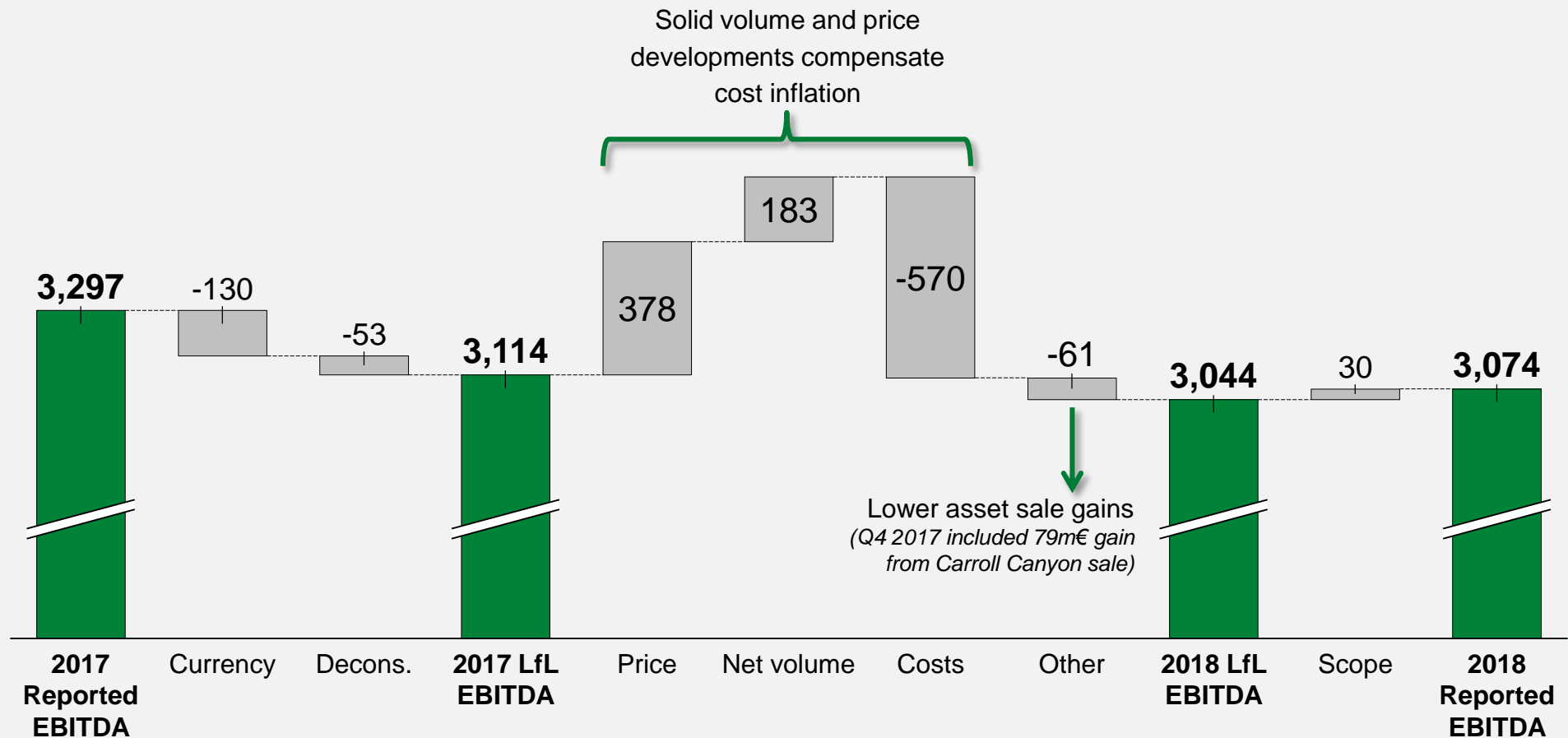
## Solid cash generation and debt reduction despite challenging operating environment

- Historically high sales volumes in all business lines.
- Revenue reaches above 18 billion EUR, driven by solid volume and price development.
- Significant increase in energy cost, harsh weather conditions in US and lower than expected asset sale gains limit Operating EBITDA growth.
- Announced “Action Plan” focusing on margin improvement and cash generation is on track.
- Net debt below 8.4 bEUR. 2018 disposals reach ~600 m€, ahead of initially planned value.

m€	Dec 17	Dec 18	Change	%	LfL %	Q4 17	Q4 18	Change	%	LfL %
Cement volume ('000 t)	125,694	<b>129,932</b>	4,238	3.4 %	3.8 %	32,156	<b>32,922</b>	765	2.4 %	3.5 %
Aggregate volume ('000 t)	305,256	<b>309,400</b>	4,143	1.4 %	0.6 %	76,306	<b>76,486</b>	180	0.2 %	-0.8 %
Ready Mix volume ('000 m <sup>3</sup> )	47,231	<b>49,000</b>	1,768	3.7 %	3.9 %	12,192	<b>13,180</b>	988	8.1 %	5.7 %
Asphalt volume ('000 t)	9,634	<b>10,320</b>	685	7.1 %	0.3 %	2,535	<b>2,472</b>	-63	-2.5 %	-8.7 %
Revenue	17,266	<b>18,075</b>	808	4.7 %	8.0 %	4,262	<b>4,700</b>	437	10.3 %	9.6 %
Operating EBITDA (*)	3,297	<b>3,074</b>	-223	-6.8 %	-2.3 %	892	<b>847</b>	-45	-5.0 %	-4.0 %
<i>in % of revenue</i>	19.1 %	<b>17.0 %</b>	-209 bps		-180 bps	20.9 %	<b>18.0 %</b>	-290 bps		-258 bps
Operating income (*)	2,188	<b>1,984</b>	-205	-9.4 %	-3.6 %	610	<b>573</b>	-37	-6.1 %	-4.1 %
Cement EBITDA margin	23.2 %	<b>21.4 %</b>	-180 bps			24.4 %	<b>23.3 %</b>	-107 bps		
Aggregates EBITDA margin	26.6 %	<b>24.2 %</b>	-241 bps			32.4 %	<b>25.5 %</b>	-698 bps		
RMC+ASP EBITDA margin	1.1 %	<b>1.0 %</b>	-13 bps			0.6 %	<b>1.4 %</b>	+77 bps		

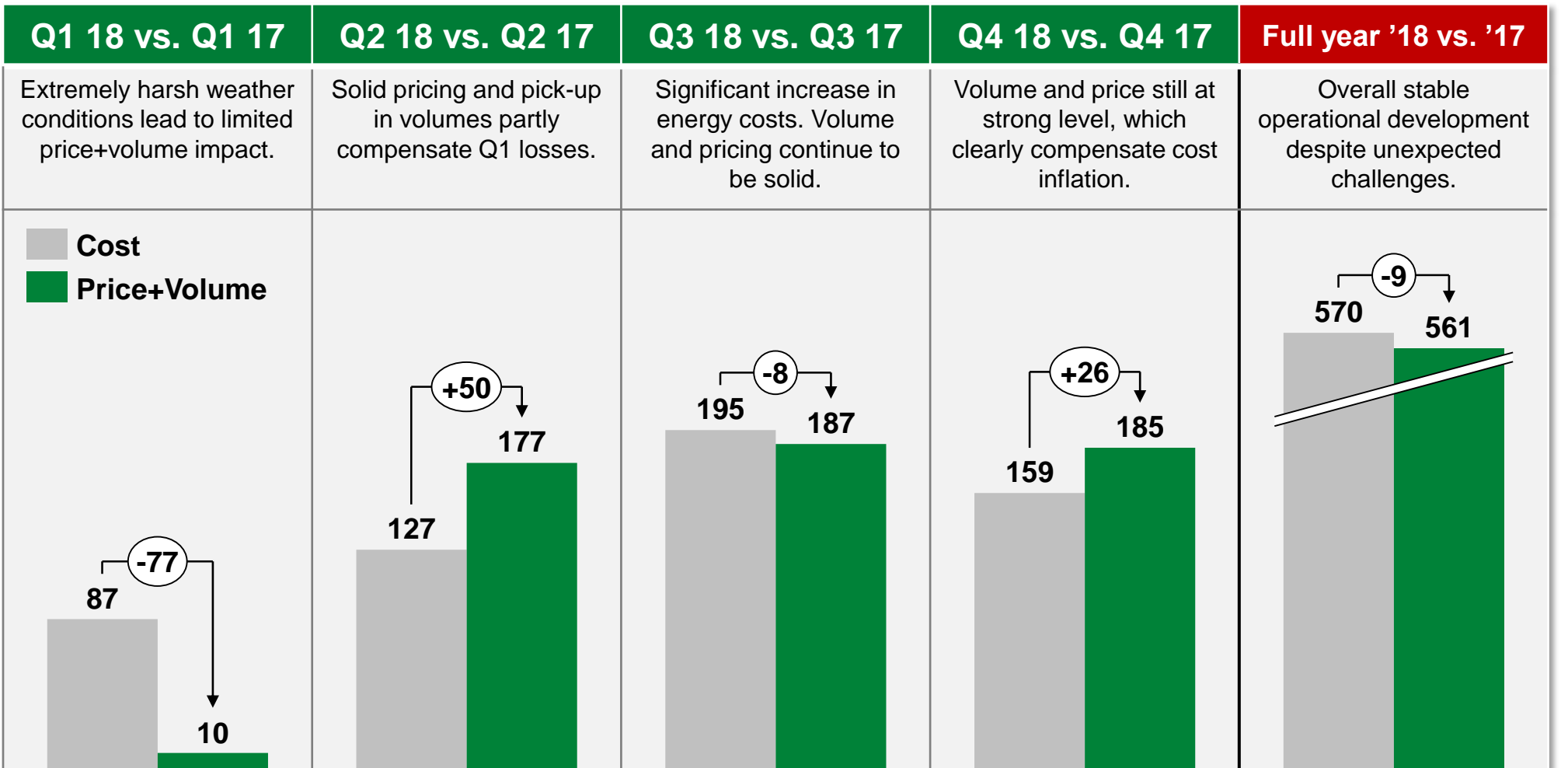
\*) Q4 2017 includes 79m€ gain from Carroll Canyon Quarry sale.

# Full Year Operating EBITDA Bridge (m€)



**Stable result despite significant increase in energy costs and lower asset sale gains**

# Quarterly operational performance development \*


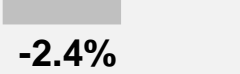

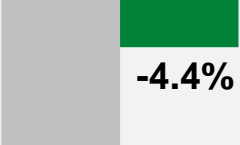
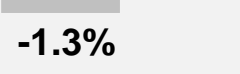

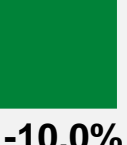
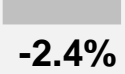
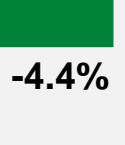
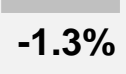
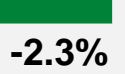


Harsh weather in Q1 and unexpected increase in energy costs impacted results

\*) Pure price, volume and cost development; without other operating income and JV result.

# Organic EBITDA growth

2017 2018

NAM *	WSE	NEECA	ASPAC	AFMED	GROUP *
<p>+18.7% +10.6% **</p> 	<p>+1.1%</p> 	<p>+11.9% 11.4 %</p> 	<p>-13.2%</p> 	<p>+4.7%</p> 	<p>+5.8% +3.2 %**</p> 
<p>-10.0% -2.9% **</p> 	<p>-2.4%</p> 		<p>-4.4%</p> 	<p>-1.3%</p> 	<p>-2.3% +0.3% **</p> 
<p>Lower than expected asset sales and bad weather conditions. Solid growth expected in 2019.</p>	<p>Clear change in trend. Despite harsh weather and significant increase in power cost, positive organic growth achieved.</p>	<p>Solid performance continues, driven by volume and price increases in our key Nordics and Eastern European markets.</p>	<p>Pressure is easing as Indonesia comes back. Positive organic growth expected in 2019.</p>	<p>Positive growth achieved despite high energy cost inflation and volatile market conditions in Egypt.</p>	<p>Challenging year left behind with high energy cost inflation, bad weather and lower than expected asset sale gains.</p>

## Organic EBITDA growth rate improves in most of the regions

\*) 2017 figure includes 79m€ gain from Carroll Canyon Quarry sale. \*\*) Organic growth excluding Carroll Canyon Quarry sale.

# We continue to focus on key drivers with initiated action plan

Pulling all levers to improve margin, cash flow and support solid IG rating

Cost  
management

New SG&A  
program with  
100m€ saving  
target

Margin  
improvement

Aggressive  
commercial  
excellence  
initiatives to  
regain margin

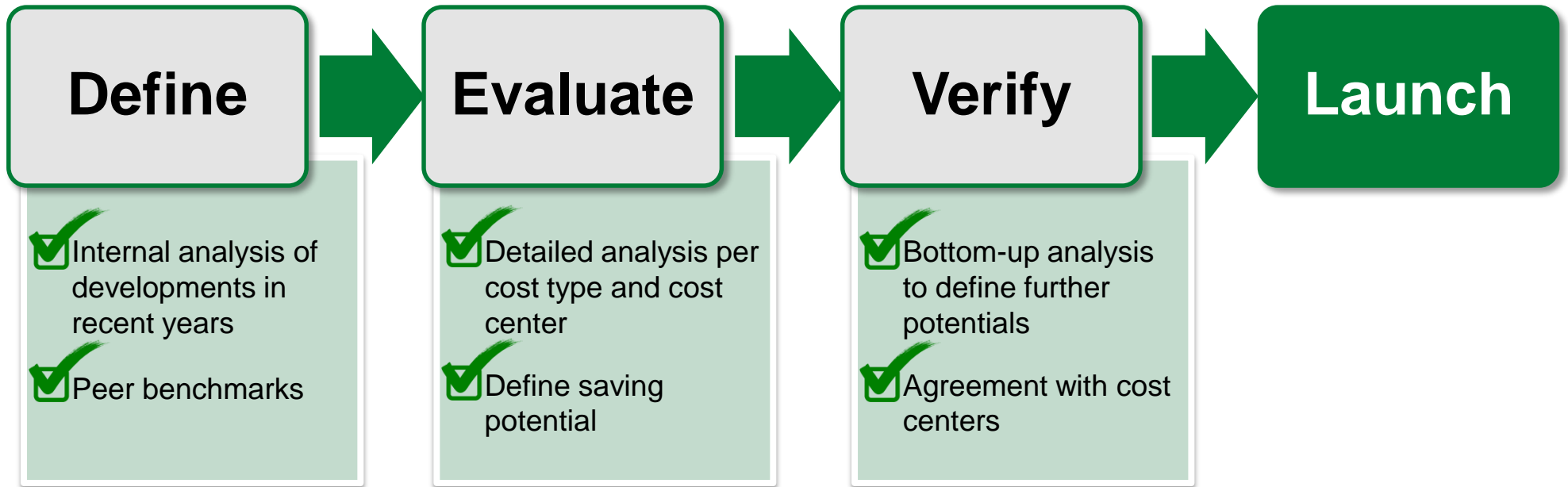
Cash  
generation

Accelerated  
disposal policy  
to reach high  
end of the  
announced 1 to  
1.5 b€ target

Cash  
management

Limit growth  
CapEx with  
total 700m€ for  
next 2 years

# SG&A initiative launched with 100m€ savings target



**Targets defined and agreed with local management teams.  
Further details and update will be provided with Q1 results.**



# Portfolio optimization goes full-speed; disposals reach ~600 m€ in 2018

Focusing on 3 main categories, targeting 1.5 billion EUR disposals in 3 years

## Non-core businesses

- Business activities outside of core business lines CEM, AGG and RMC/ASP

### Already executed:

- ✓ US White Cement
- ✓ German Sand Lime Brick

## Weak market positions

- Market positions in countries with high risk and/or limited growth potential

### Already executed:

- ✓ Saudi Arabia
- ✓ Georgia
- ✓ Ukraine
- ✓ Syria
- ✓ Ciment Quebec

## Idle assets

- Depleted quarries and land
- Unused fixed assets
- Apartments etc.

**A detailed review of real estates started.**

Target is to reduce complexity and risk; limited impact on EBITDA

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# Overview of Group Areas

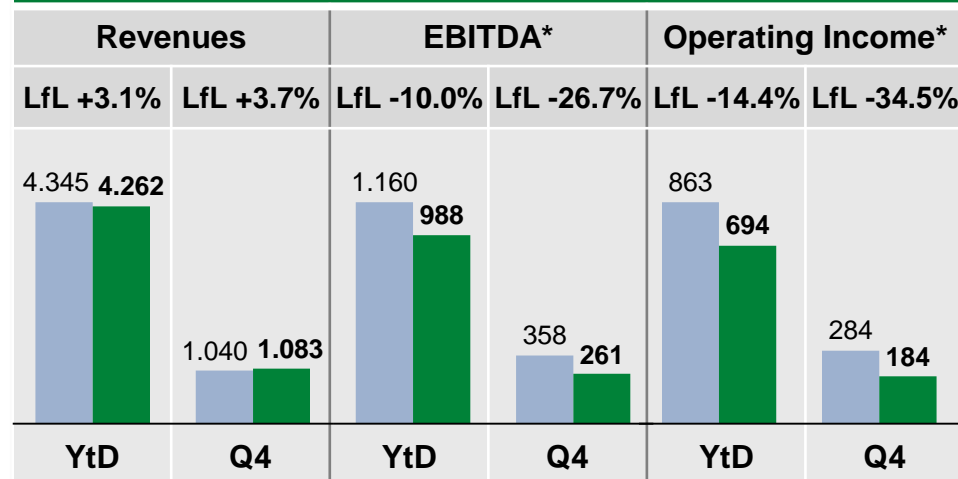
<i>Mio EUR</i>	REVENUES				Operating EBITDA			
	2018	LfL %	Q4 18	LfL%	2018	LfL %	Q4 18	LfL%
North America	4,262	3.1 %	1,083	3.7 %	988	-10.0 %*	261	-26.7 %*
Western & Southern Europe	4,936	4.6 %	1,258	8.6 %	590	1.1 %	196	28.7 %
Northern & Eastern Europe / C. Asia	2,916	9.6 %	753	12.4 %	575	11.4 %	156	18.2 %
Asia / Pacific	3,262	5.8 %	897	5.5 %	601	-4.4 %	171	1.6 %
Africa / Eastern Med. Basin	1,667	10.1 %	417	3.1 %	370	4.7 %	87	0.8 %
<b>Group Total</b>	<b>18,075</b>	<b>8.0 %</b>	<b>4,700</b>	<b>9.6 %</b>	<b>3,074</b>	<b>-2.3 %*</b>	<b>847</b>	<b>-4.0 %*</b>

\*) Q4 2017 includes 79m€ gain from Carroll Canyon Quarry sale.

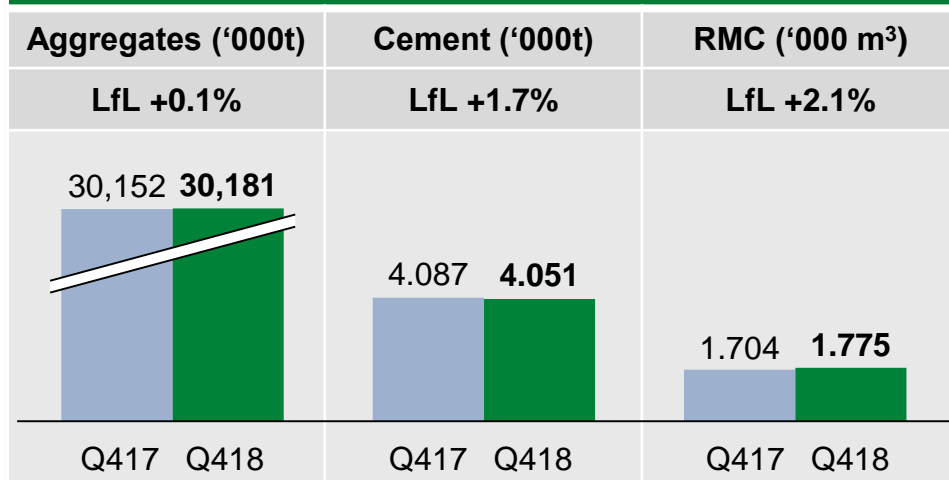
## Q4 Market overview

- Volume and revenue improve over prior year despite continued weather issues in some key markets.
- Western Canada and the Pacific Northwest markets remain strong.
- Overall Q4 pricing improved in most markets outside New York / New England.
- 2 acquisitions completed in British Columbia increased exposure to strong, core markets.
- Positive momentum experienced in Q4 will continue into 2019.

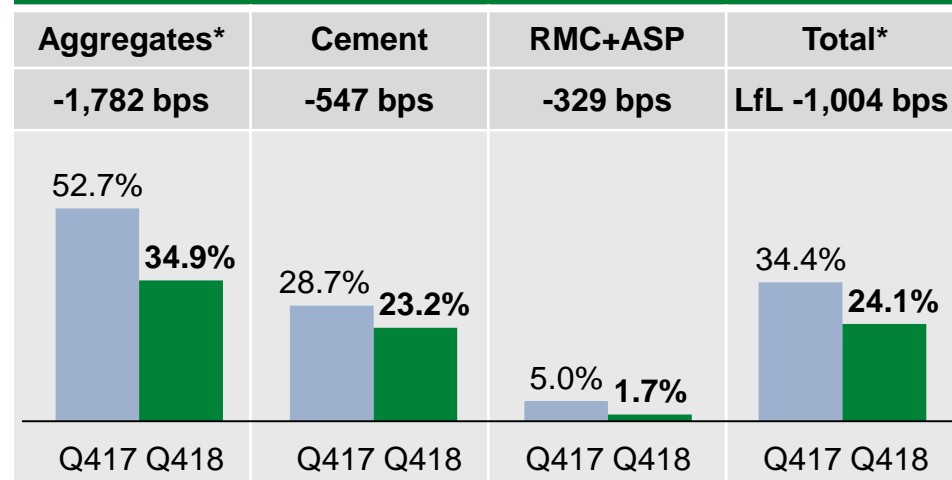
## Operational result (m€)



## Q4 Volumes



## Q4 Operating EBITDA margin (%)

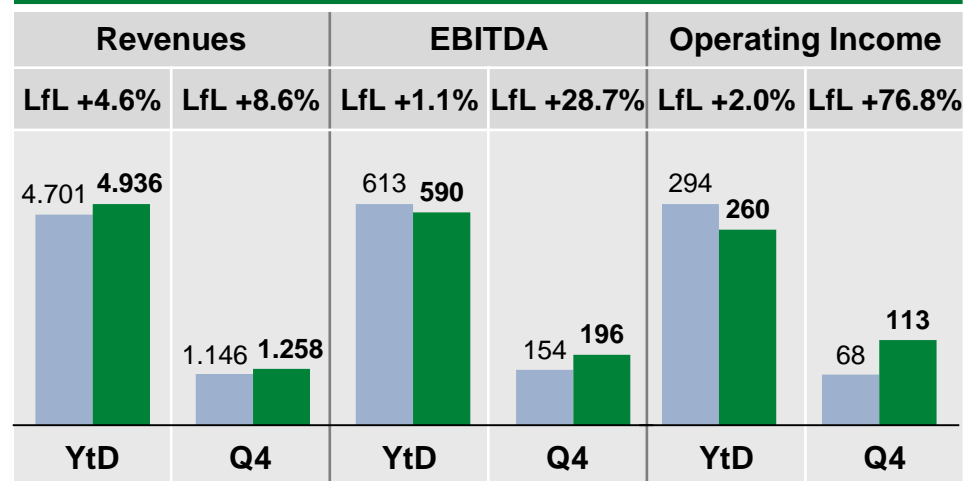


\*) Q4 2017 includes 79m€ gain from Carroll Canyon Quarry sale.

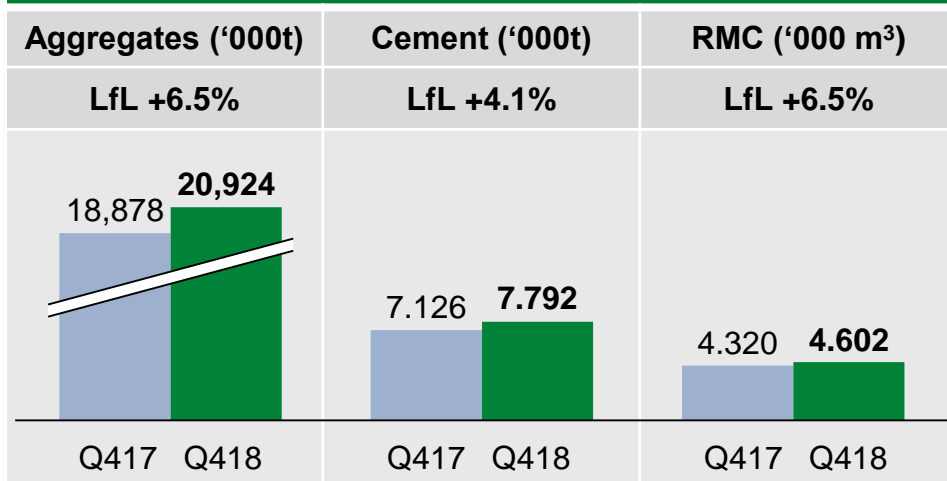
## Q4 Market overview

- Strong volumes in all business lines although uncertainty in the UK market continues due to Brexit discussions.
- Continuation of solid demand and price increases in almost all markets lead to +8.6% LfL revenue growth.
- Margin improvement in all business lines despite strong increase in variable costs, driven mainly by electricity price, bitumen and fuel cost.
- As production problems in France and UK are solved, results continue to improve against difficult comparison base.

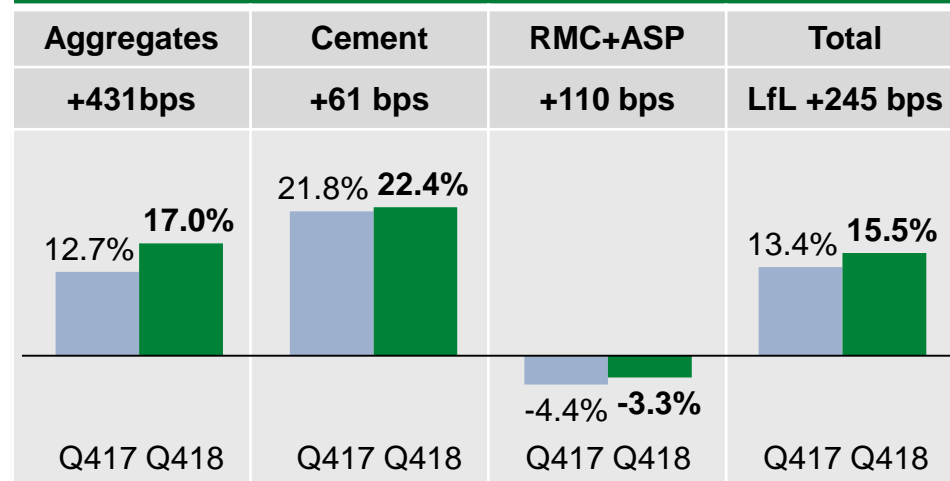
## Operational result (m€)



## Q4 Volumes



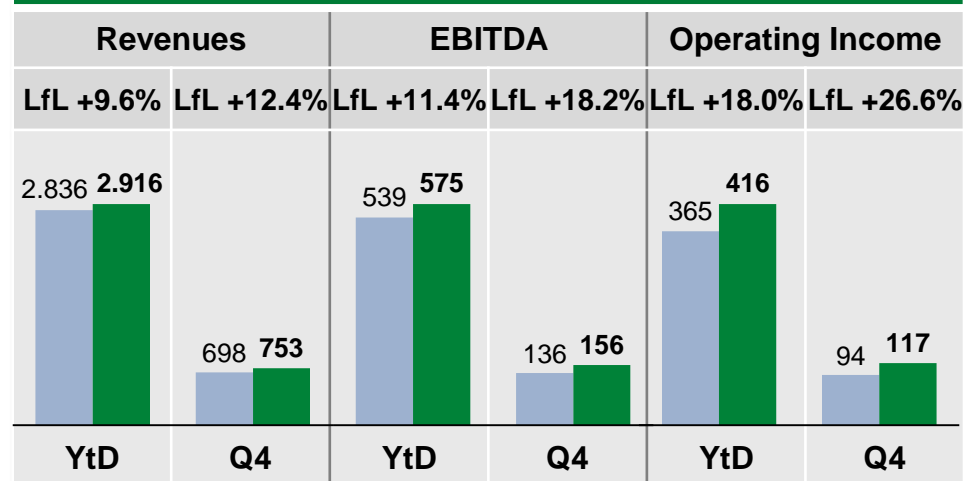
## Q4 Operating EBITDA margin (%)



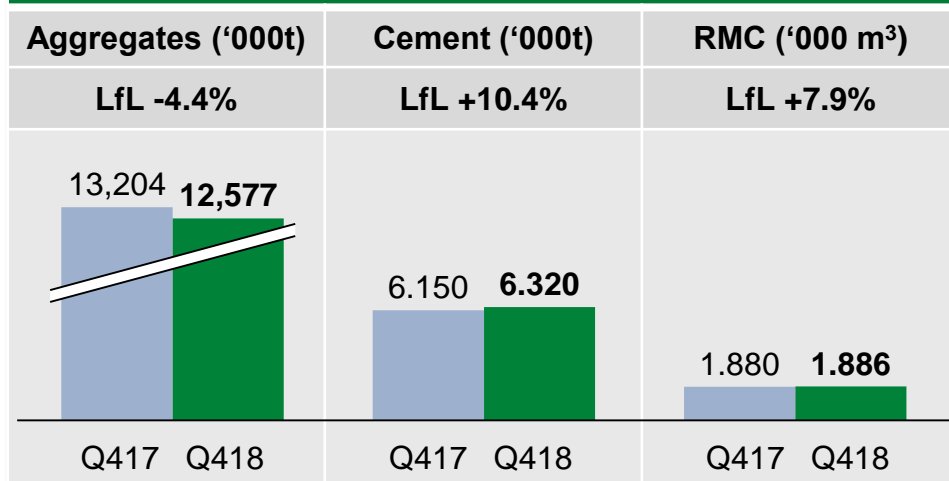
## Q4 Market overview

- Strong earnings growth and margin improvement in all business lines, despite high energy cost inflation.
- Double digit volume growth achieved in CEM and RMC, decline in AGG driven mainly by Northern Europe, Ukraine and Russia.
- Solid cement volume development continues in Poland, Czechia and Hungary.
- Focus on price improvement and cost efficiency across all countries lead to positive operating leverage in the quarter.

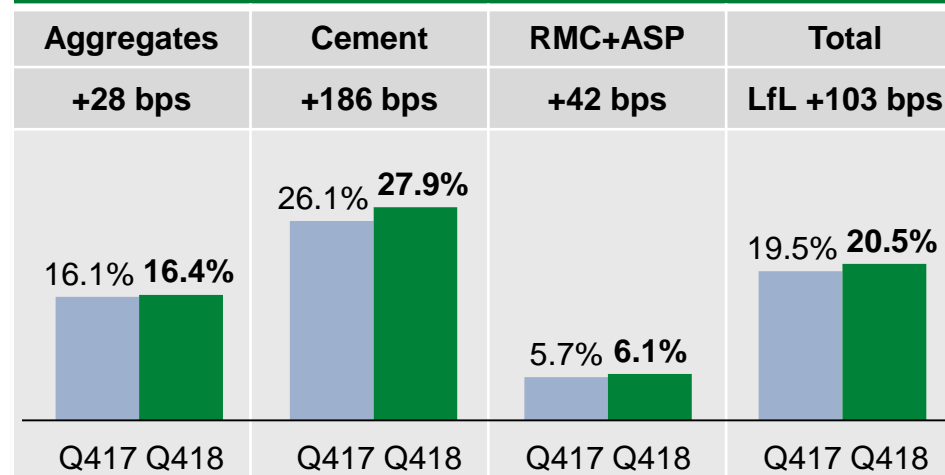
## Operational result (m€)



## Q4 Volumes



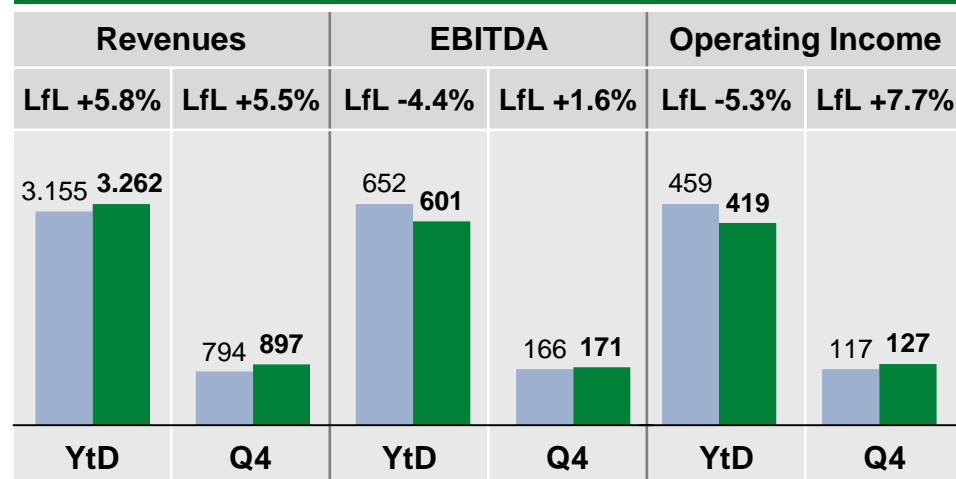
## Q4 Operating EBITDA margin (%)



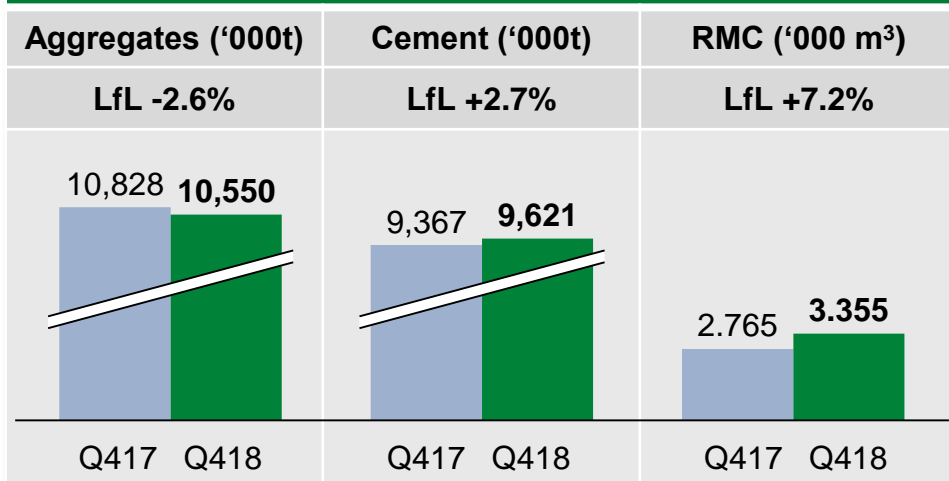
## Q4 Market overview

- Indonesia: EBITDA growth turns positive in Q4 driven by solid sales volumes and price increases.
- India showing strong volume growth and improving pricing – particularly in the Central area.
- Demand remains strong in Australia as slowing residential activity is offset by significant pipeline of infrastructure projects.
- Strong volume development and price improvement leads to solid increase in revenue and positive EBITDA growth.

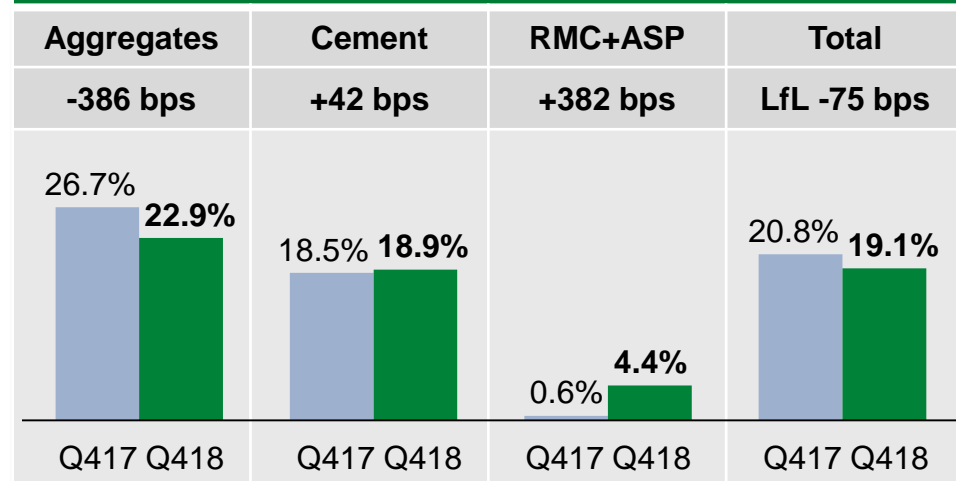
## Operational result (m€)



## Q4 Volumes



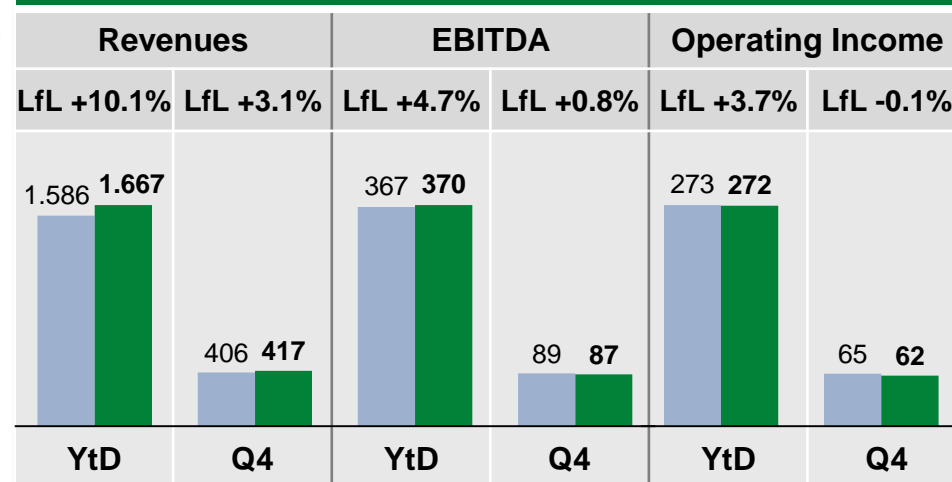
## Q4 Operating EBITDA margin (%)



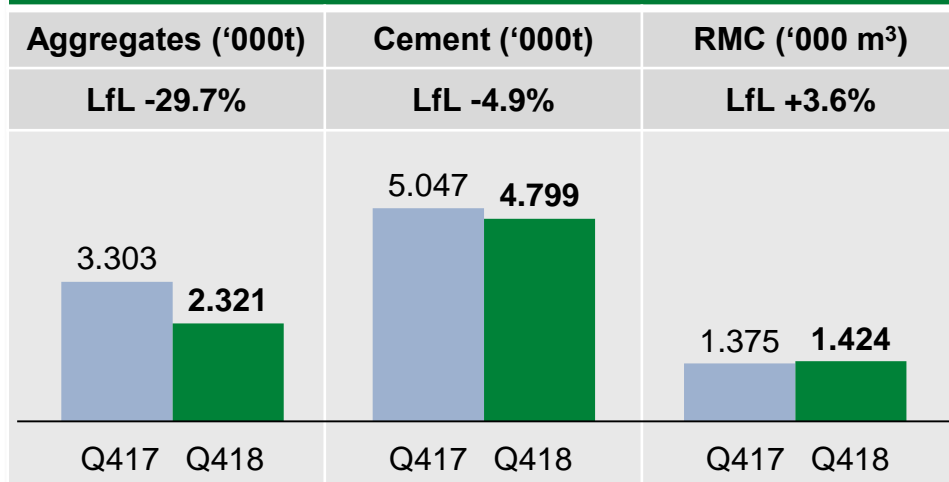
## Q4 Market overview

- Solid revenue growth and operational results on the back of cement volumes and margin improvement, supported by the implementation of the cost saving program.
- High energy cost inflation across the region, with strong impact in Egypt and Turkey, despite good volumes.
- Strong contributions from Ghana, Togo, Tanzania and Morocco supported by demand growth and commercial initiatives.
- License expiry in Israel impacted aggregates business line.

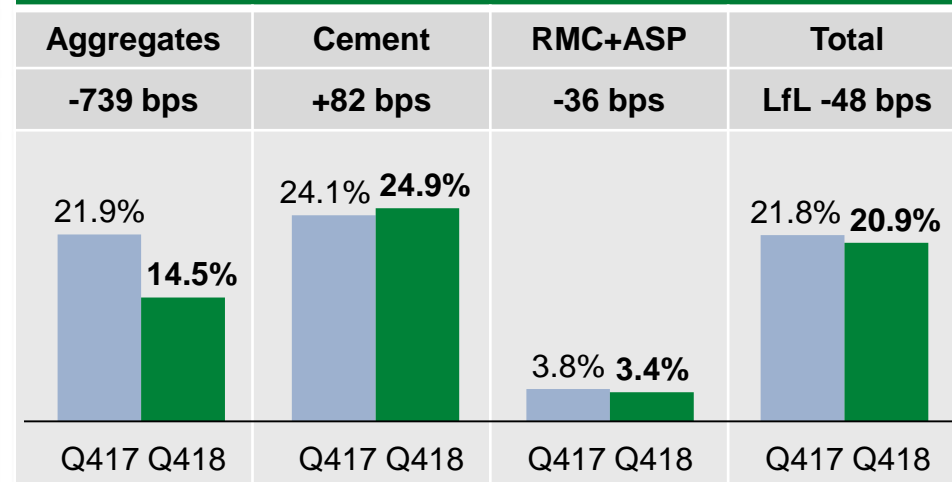
## Operational result (m€)



## Q4 Volumes



## Q4 Operating EBITDA margin (%)

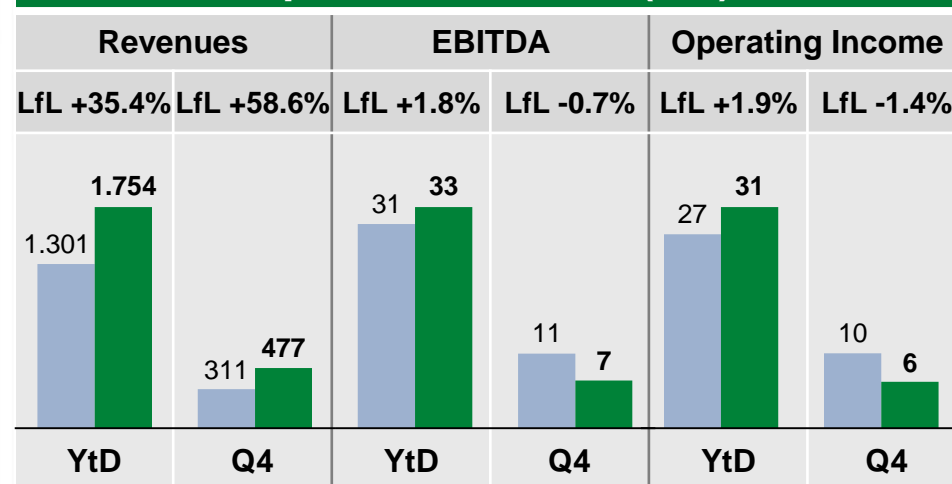




## Q4 Market overview

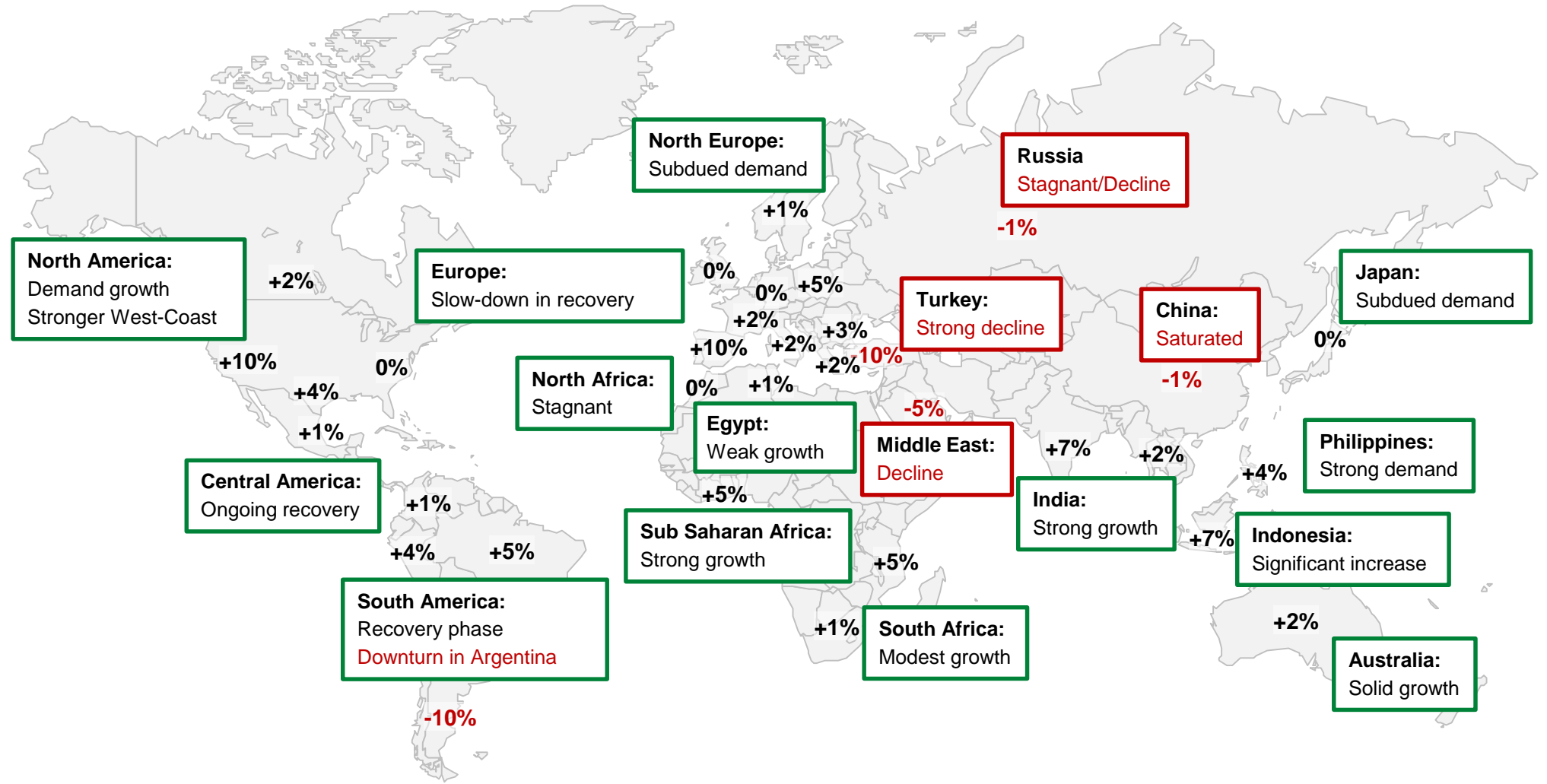
- The total trade volume of HC Trading increased in the reporting year by 22.1% to a historic peak of 30.9 million tons and remarkably outperformed the market seeing a deceleration in the cement demand growth after Q1 2018 due to escalated global risks.
- China becomes one of the most attractive markets worldwide for clinker exports due to ongoing production cuts in the country. Clinker export prices remain high in South East Asia.
- Clinker surplus in the Mediterranean Basin is on rise; the domestic downturn risk and depreciated currency in Turkey put pressure on export prices, down by US\$ 2-3 YoY.
- HC Trading's diversified international fuel supply sources and effective procurement with competitive market prices continue contributing to the Group savings.

## Operational result (m€)



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# Global cement demand outlook 2019



World cement demand is expected to continue its growth especially in Indonesia, India, Sub Saharan Africa and NAM

## 2019: Strong result and margin improvement expected



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# Volume and price development (Full year 2018 vs. 2017)

	Domestic gray cement		Aggregates		Ready Mix	
	Volume	Price	Volume	Price	Volume	Price
USA	-	+	+	+	++	+
Canada	++	++	++	++	++	+
Benelux	+	++	++	+	-	++
France	++	+	++	++	++	++
Germany	+	++	++	+	-	++
Italy	++	++	--	-	++	-
Spain	++	+	++	++	++	++
United Kingdom	+	-	++	++	-	--
Norway	-	+	--	-	++	++
Sweden	++	++	++	--	++	++
Bulgaria	++	-				
Czech Republic	++	+	++	++	++	++
Kazakhstan	--	++	--	++	--	++
Hungary - 100%	++	++	++	--	++	--
Poland	++	++	++	++	++	++
Russia	+	++	--	++		
Ukraine	--	++	++	++	+	++
Indonesia	++	--	--	++	+	++
Australia	++	++	++	--	++	++
Bangladesh	++	++				
China - 100%	+	++			++	--
India	++	-				
Malaysia			+	+	++	--
Thailand	--	++	++	-	++	+
Ghana	++	++	++	++		
Tanzania	++	++				
Egypt	+	++			++	++
Morocco	--	+	++	--	--	-
Turkey - 100%	--	++	--	++	--	++

++ = >2%  
 + = 0 to +2%  
 +/- = stable  
 - = -2% to 0  
 -- = <-2%

AGG price negative due to product mix. →

# Currency & Scope Impacts

Cement Volume	Full Year			Q4		
	Cons.	Decons.	Curr.	Cons.	Decons.	Curr.
North America	117	-452		35	-139	
West & South Europe	1,637	-102		391	-15	
North & East Europe		-1,642			-426	
Asia - Pacific						
Africa - Med. Basin		-3				
Group Services				-190		
<b>TOTAL GROUP</b>	<b>1,754</b>	<b>-2,199</b>		<b>236</b>	<b>-580</b>	
Aggregates Volume	Full Year			Q4		
	Cons.	Decons.	Curr.	Cons.	Decons.	Curr.
North America	1,583					
West & South Europe	825			825		
North & East Europe		-204			-54	
Asia - Pacific						
Africa - Med. Basin						
Group Services						
<b>TOTAL GROUP</b>	<b>2,408</b>	<b>-204</b>		<b>825</b>	<b>-54</b>	
RMC Volume	Full Year			Q4		
	Cons.	Decons.	Curr.	Cons.	Decons.	Curr.
North America	334	-117		48	-12	
West & South Europe						
North & East Europe	87	-686		57	-186	
Asia - Pacific	392			392		
Africa - Med. Basin						
Group Services		-65				
<b>TOTAL GROUP</b>	<b>813</b>	<b>-869</b>		<b>497</b>	<b>-199</b>	
Asphalt Volume	Full Year			Q4		
	Cons.	Decons.	Curr.	Cons.	Decons.	Curr.
North America	98					
West & South Europe						
North & East Europe						
Asia - Pacific	556			157		
Africa - Med. Basin						
Group Services						
<b>TOTAL GROUP</b>	<b>654</b>			<b>157</b>		

Revenues	Full Year			Q4		
	Cons.	Decons.	Curr.	Cons.	Decons.	Curr.
North America	88	-109	-186	8	-31	28
West & South Europe	106	-73	-12	32	-18	0
North & East Europe	12	-87	-100	10	-18	-19
Asia - Pacific	162		-226	86		-26
Africa - Med. Basin		-5	-66		-3	1
Group Services		-3	-3	-15	0	-1
<b>TOTAL GROUP</b>	<b>367</b>	<b>-277</b>	<b>-592</b>	<b>122</b>	<b>-70</b>	<b>-17</b>
Operating EBITDA	Full Year			Q4		
	Cons.	Decons.	Curr.	Cons.	Decons.	Curr.
North America	6	-20	-50	1	-5	2
West & South Europe	-8	-21	-1	4	-4	0
North & East Europe	2	-10	-16	1	-2	-3
Asia - Pacific	30	-6	-48	13	-4	-5
Africa - Med. Basin		1	-14		-1	-1
Group Services		2	0	-4	0	0
<b>TOTAL GROUP</b>	<b>30</b>	<b>-53</b>	<b>-130</b>	<b>14</b>	<b>-16</b>	<b>-8</b>
Operating Income	Full Year			Q4		
	Cons.	Decons.	Curr.	Cons.	Decons.	Curr.
North America	1	-17	-37	0	-4	0
West & South Europe	-21	-18	-1	0	-4	0
North & East Europe	1	-4	-10	1	0	-2
Asia - Pacific	23	-6	-35	11	-4	-4
Africa - Med. Basin		1	-12		-1	-1
Group Services		3	0	-4	1	0
<b>TOTAL GROUP</b>	<b>5</b>	<b>-41</b>	<b>-94</b>	<b>8</b>	<b>-13</b>	<b>-8</b>

# Vision: Carbon neutral concrete by 2050

## Levers

### Reduce CO<sub>2</sub> content of clinker

- Improve energy efficiencies of plants
- Increase use of alternative fuels (biomass), raw materials and binder concepts

### Lower CO<sub>2</sub> content of cement and concrete

- Use low-CO<sub>2</sub> clinker and secondary cementitious materials in cement production
- Optimize concrete recipes with limestone filler material

### Capture process CO<sub>2</sub> and recycle through carbonation

- Process integrated CO<sub>2</sub>-sequestration in clinker production
- Carbonation of recycled concrete fines and other mineral waste

### HeidelbergCement best positioned to realize carbon neutral concrete vision

- Leading in R&D: Alternative binder concepts, Carbon Capture technologies, Carbonation
- Technical expertise and investment in modern plant upgrades (e.g. Masterplan Germany)
- Leading vertically integrated player with activities along the value chain

**Concrete has the potential to become the most sustainable building material**



# Contact information and event calendar

Date	Event
21 March 2019	Full Year Results
09 May 2019	Q1 Results & AGM
30 July 2019	H1 Results
7 November 2019	Q3 Results

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