

Annual General Meeting HeidelbergCement

9 May 2019

Contents

- ▶ **1. 2018: new record figures achieved**
- 2. HeidelbergCement is well prepared for the future**
 - a. Increasing the value of the Group
 - b. Focus on sustainability and innovation
- 3. Q1 2019: strong growth achieved**
- 4. Outlook 2019: further increase in results**

The most important at a glance...

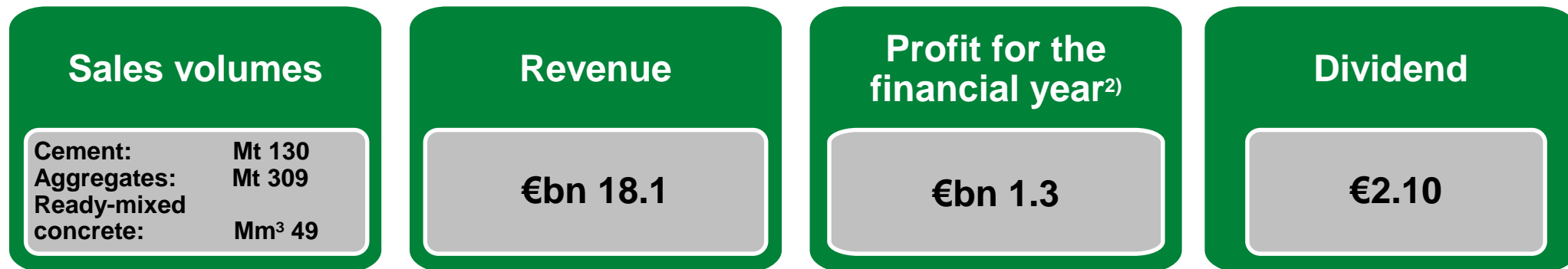
- **HeidelbergCement achieved record figures despite difficult environment:**
 - Sales volumes, revenue, profit for the financial year, and dividend reached highest values
- **Earnings per share significantly increased, net debt reduced, and premium on cost of capital earned**
- **Dividend proposal increased for the ninth consecutive time (+11%)**
- **Positive outlook for 2019, but geopolitical and macroeconomic risks remain**

2018 – record figures despite difficult environment

■ Challenging market environment

- Unexpected strong increase in energy prices (Newcastle coal +17%; Brent oil +25%)
- Extreme weather events in the USA (long winter, heavy rainfall)
- Uncertainties due to the ongoing Brexit discussions in the United Kingdom
- Competitive pressure in Indonesia – bottomed out in Q3
- Strength of the euro resulted in considerable exchange rate losses (RCOBD¹): €m -130)





■ New record figures for sales volumes, revenue, profit for the financial year, and dividend



1) RCOBD = Result from current operations before depreciation and amortisation

2) Historical values adjusted for higher income from divestments, e.g. Vicat and Maxit

Important targets reached...


Target / Outlook 2018	Actual 2018	
Moderate increase in revenue	Revenue: +5%	
Significant increase in profit for the financial year	Profit for the financial year: +22%	
Earning of cost of capital (ROIC > WACC)	ROIC: 6.9% WACC: 6.3%	
Progressive dividend policy	Dividend: €2.10 (+11%)	

Further positive developments:

- Market positions in the USA, Canada, Italy, and Australia strengthened
- Portfolio optimisation accelerated: close to €m 600 proceeds from disposals
- Accident frequency rate reduced by 12%
- Specific net CO₂ emissions reduced

HeidelbergCement has developed positively in 2018

... but not everything went as expected

Target / Outlook 2018	Actual 2018
Moderate increase in result from current operations	Result from current operations -2% 

- Bad weather in North America (region North and Texas) prevented stronger growth of results
- Significantly stronger than expected increase in energy prices; electricity prices in Europe rose due to higher costs for CO₂ emission certificates
- Decline in income from the sale of depleted quarries: planned disposals could not be completed in 2018
- Action plan initiated in November 2018 to strengthen margins and cash flow

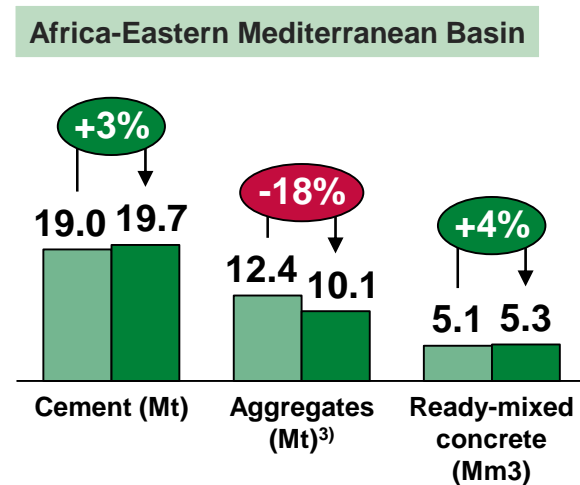
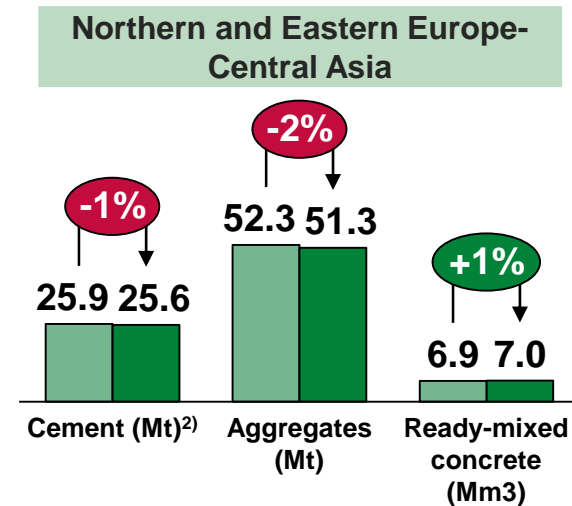
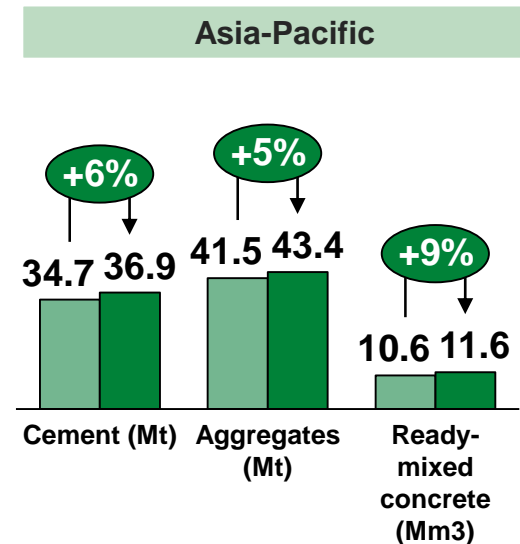
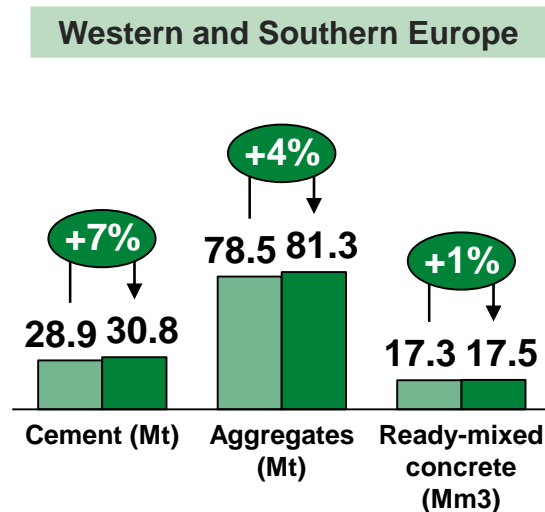
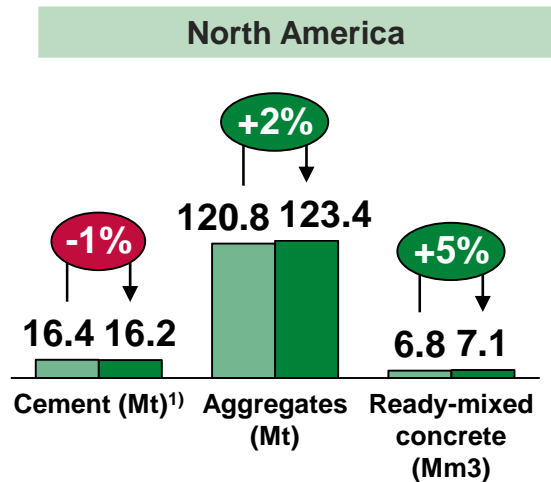
HeidelbergCement has reached most of its targets despite a challenging environment

Profit for the financial year rose by 22%, Group share of profit by 25 %

€m	2017	2018	Change
Revenue	17,266	18,075	5%
Result from joint ventures	204	204	0%
Result from current operations before depreciation and amortisation	3,297	3,074	-7%
Depreciation and amortisation	-1109	-1091	2%
Result from current operations	2,188	1,984	-9%
Additional ordinary result	-133	108	
Result from participations	51	39	-23%
Financial result ¹⁾	-418	-367	12%
Income taxes ¹⁾	-597	-464	20%
Net result from continued operations	1,109	1,300	17%
Net result from discontinued operations	-51	-14	72%
Profit for the financial year	1,058	1,286	22%
Minorities	-141	-143	-2%
Group share of profit	918	1,143	25%

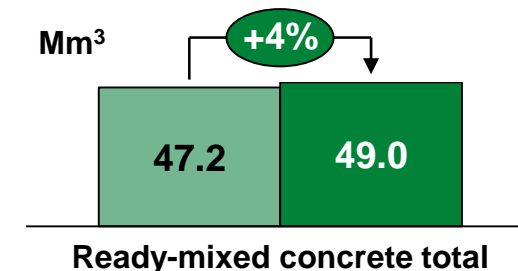
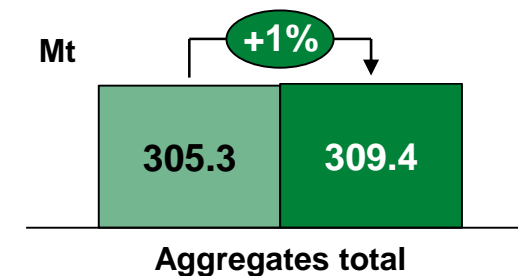
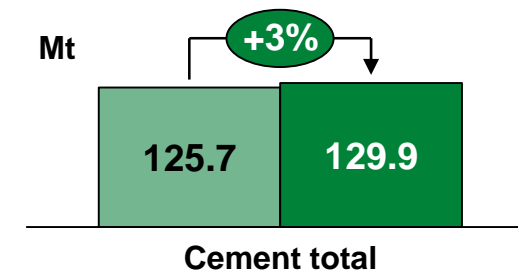
1) Amounts 2017 were adjusted.

Increase in sales volumes in all business lines



2017 2018

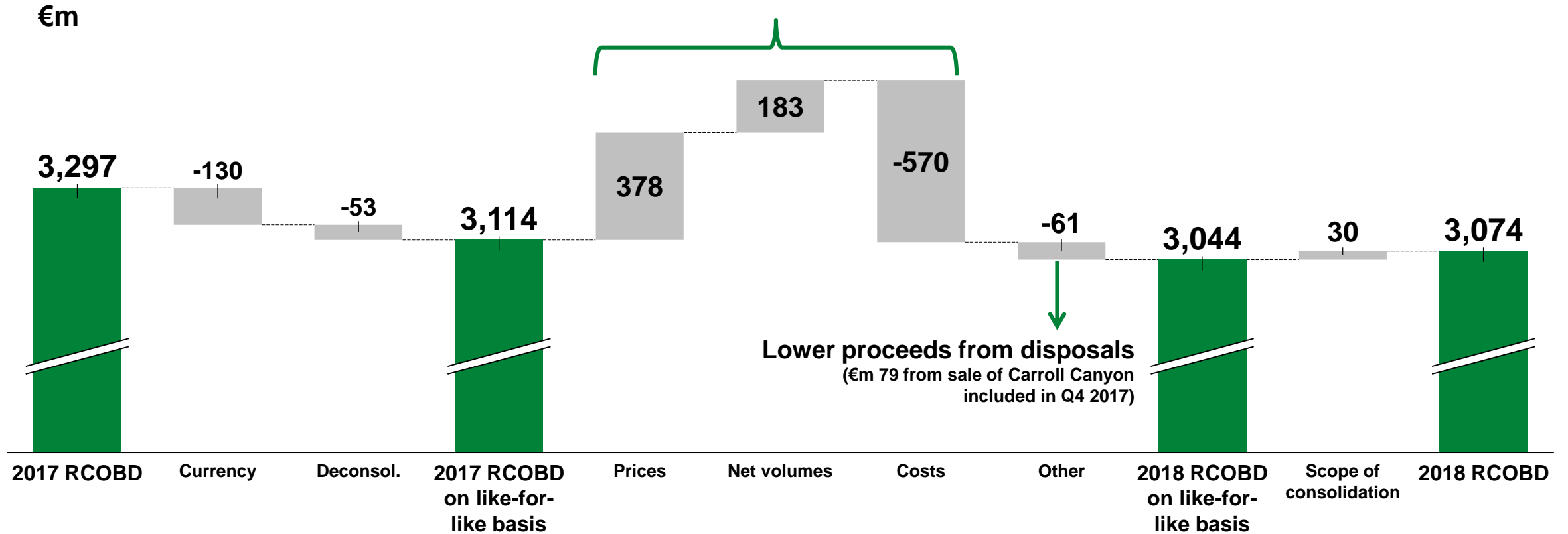
Total sales volumes



1) Decline due to deconsolidation of the white cement business
 2) Decline due to deconsolidation of Georgia
 3) Expiring mining licence in Israel

Bridge of result from current operations before depreciation and amortisation (RCOBD)

Solid development of sales volumes and prices compensates for cost inflation

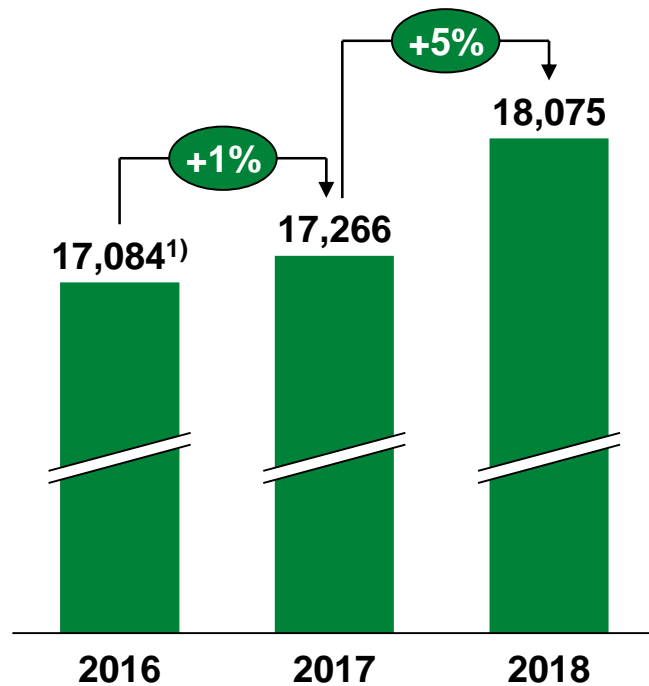


Stable result despite significantly increased energy costs and lower proceeds from disposals

Continuous improvement of key financial ratios

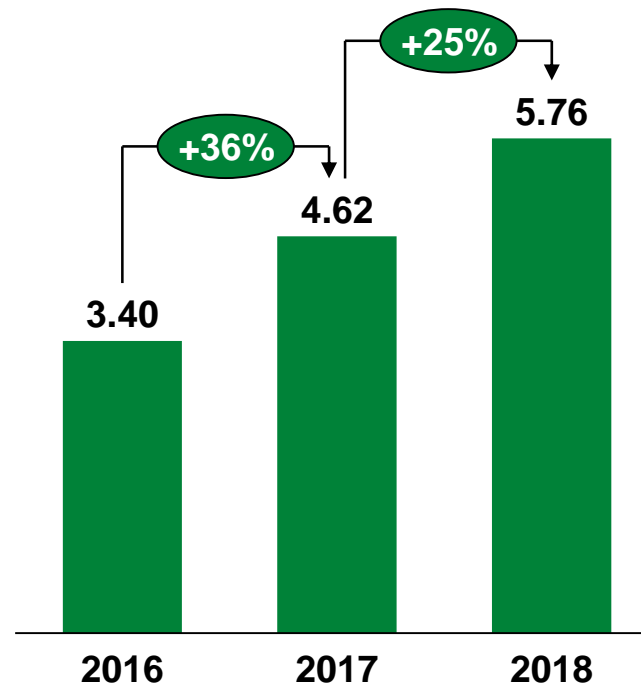
Revenue:
We continue to grow....

€m



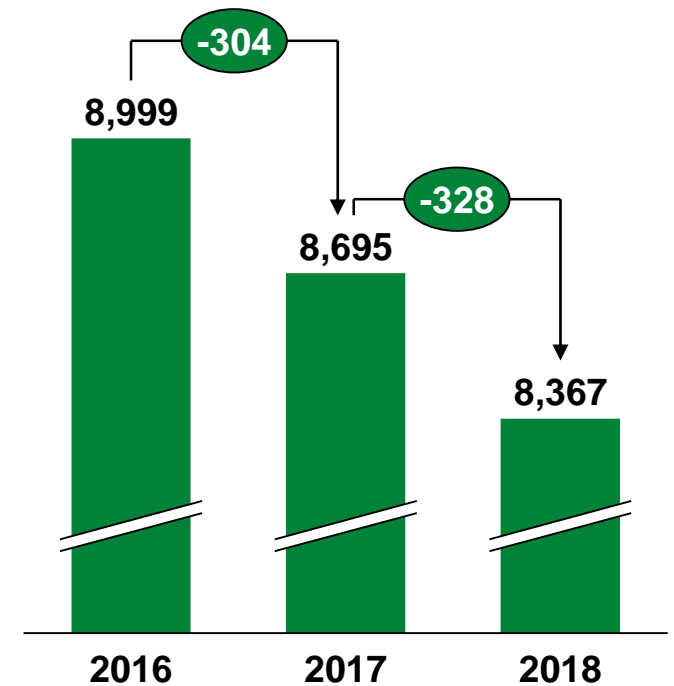
Earnings per share:
We continue to increase....

€



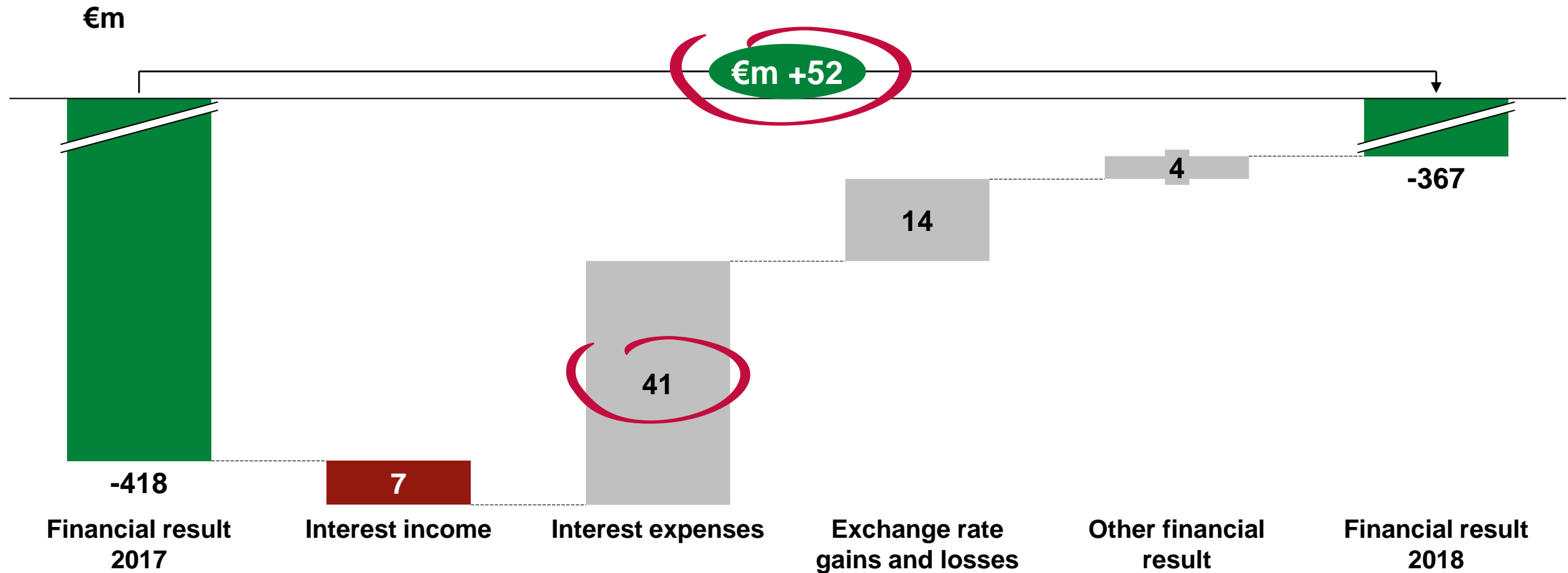
Net debt:
We continue to reduce....

€m



Significant increase in earnings per share and clear reduction of net debt despite difficult year

Further improvement of financial result in 2018



Improved refinancing conditions and investment grade rating led to further reduction of interest expenses

Balance sheet strengthened – net debt reduced

€m	31 Dec. 2017	31 Dec. 2018	Part of balance sheet total 2018
Assets			
Intangible assets and property, plant and equipment	24,285	24,782	69 %
Financial assets	2,181	2,107	6 %
Other non-current assets	1,399	1,403	4 %
Current assets	6,593	7,412	21 %
Assets held for sale	100	79	0 %
Balance sheet total	34,558	35,783	100 %
Equity and liabilities			
Shareholders equity and non-controlling interests ¹⁾	15,987	16,822	47 %
Non-current liabilities ¹⁾	12,275	12,697	36 %
Current liabilities	6,283	6,254	17 %
Liabilities associated with assets held for sale	13	11	0 %
Balance sheet total	34,558	35,783	100 %

Equity ratio ¹⁾	46.3 %	47.0 %
Net debt	8,695	8,367
Dynamic gearing ratio	2.64x	2.72x
Gearing (net debt/equity)	54.4%	49.7%

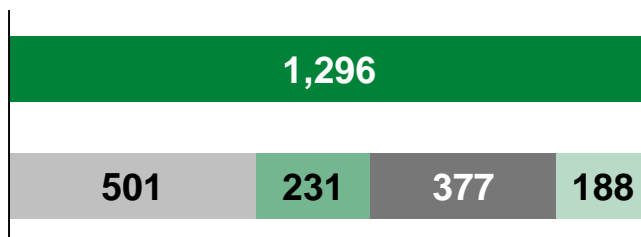
1) Amounts 2017 were adjusted.

Strong cash flow: net debt reduced by €m 328

Usage of free cash flow

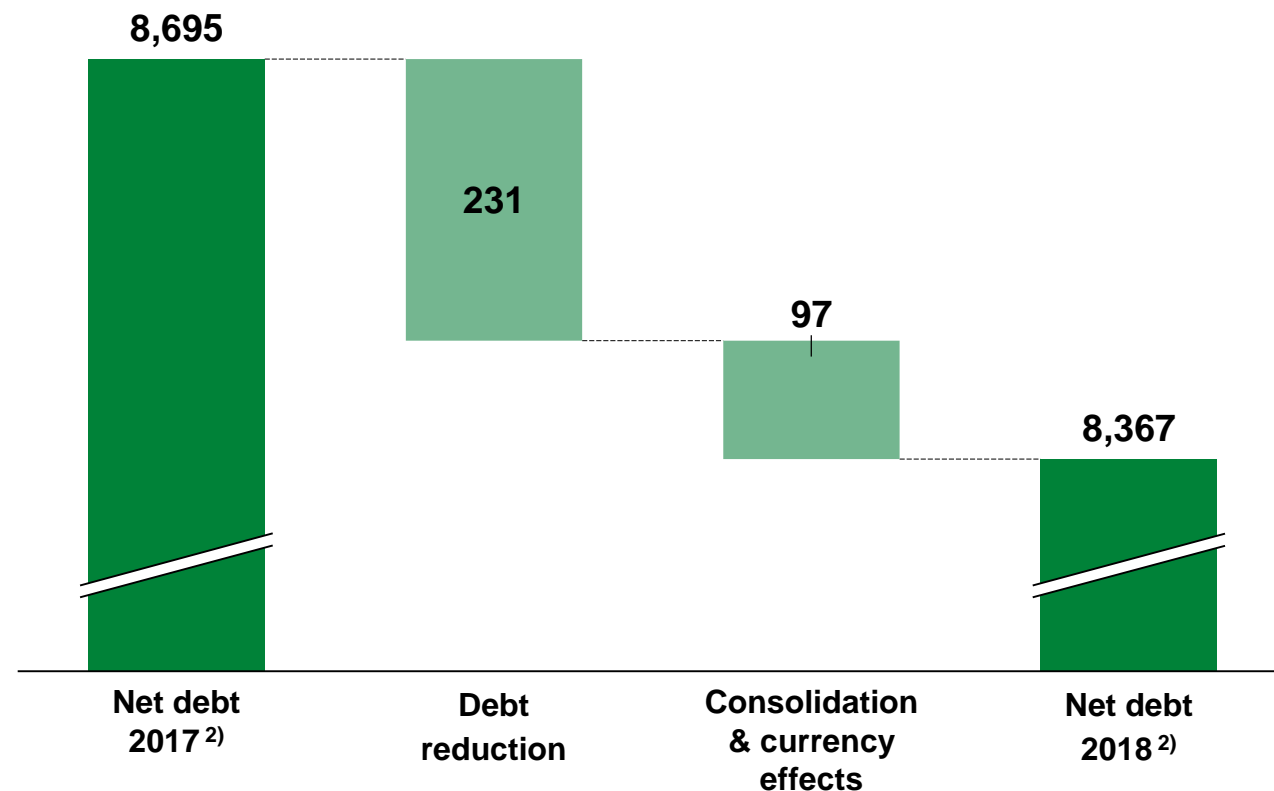
€m

Cash allocation



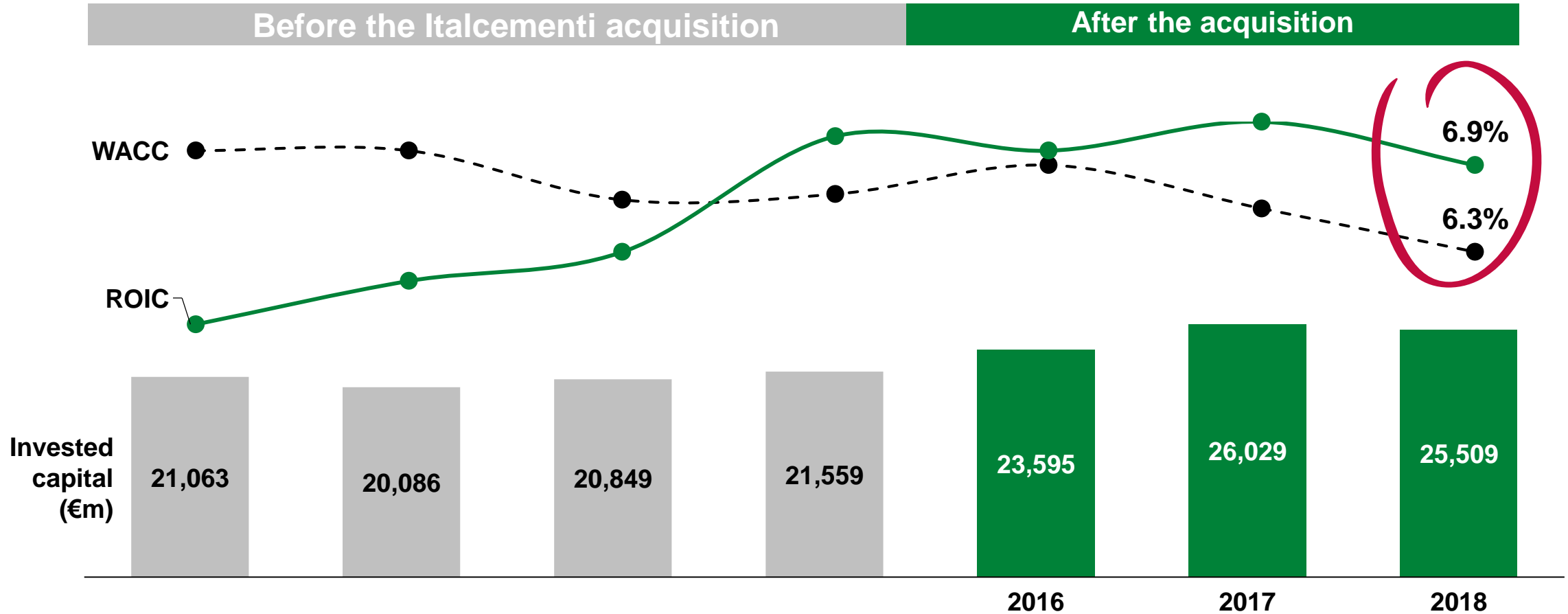
- Free cash flow 2018 ¹⁾
- Net growth investments
- Debt reduction
- Dividend HC AG
- Dividend to minorities

Reduction of net debt



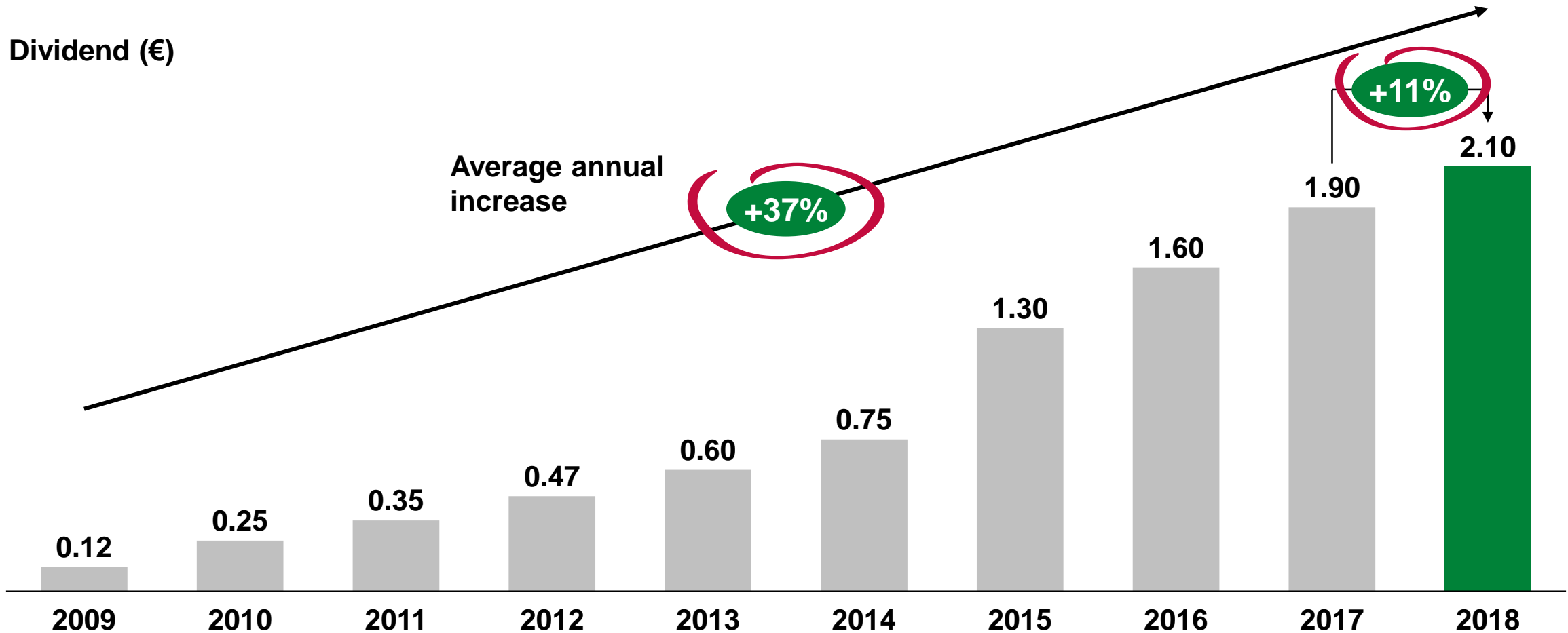
Balanced usage of free cash flow for debt reduction, growth investments, and dividend payments

We earn the cost of capital and increase the enterprise value



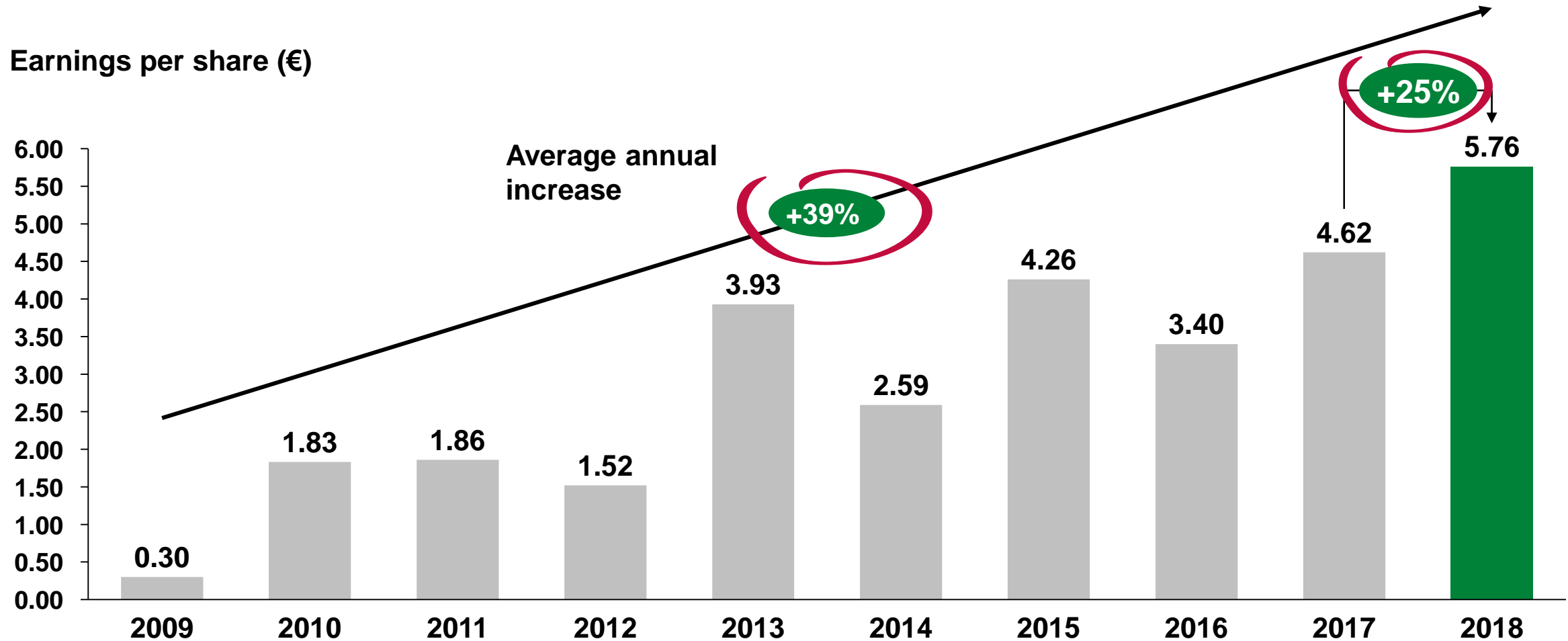
We create value and earn a premium on the cost of capital

9th consecutive increase in dividend proposed: new record value of €2.10



9th consecutive increase in dividend and payment of a new record dividend proposed

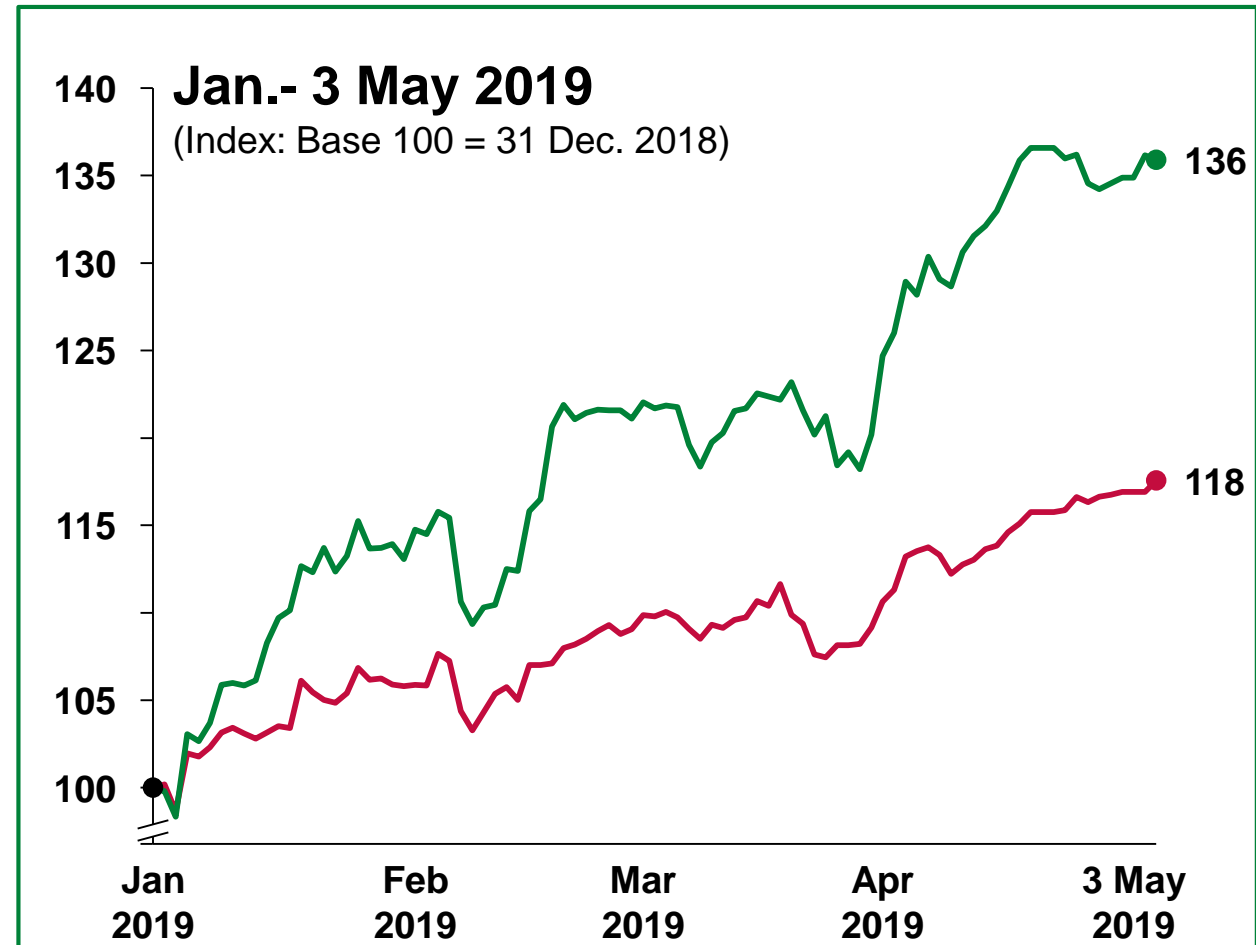
Significant improvement of results since financial crisis



Growth and efficiency improvements drive increase in earnings

Development of the HeidelbergCement share price compared to DAX

— DAX — HeidelbergCement



Strong recovery of HeidelbergCement share after difficult year 2018

Contents

1. 2018: new record figures achieved

▶ **2. HeidelbergCement is well prepared for the future**

▶ a. Increasing the value of the Group

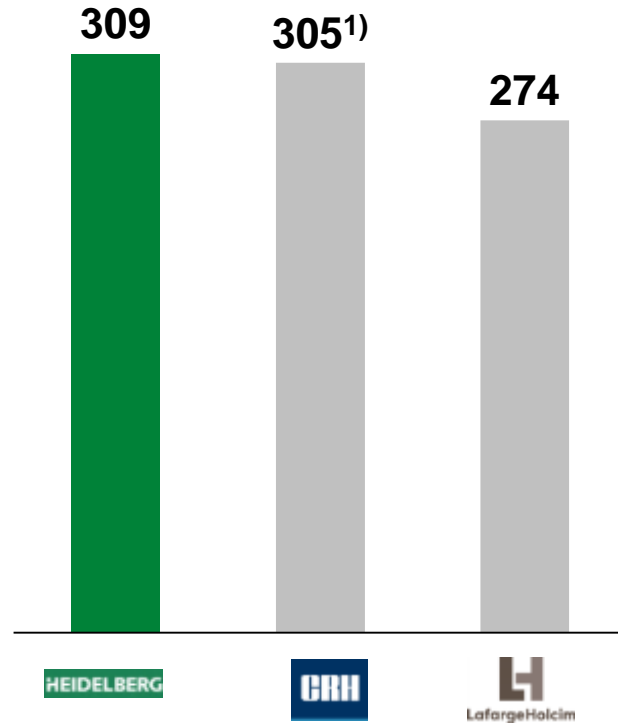
b. Focus on sustainability and innovation

3. Q1 2019: strong growth achieved

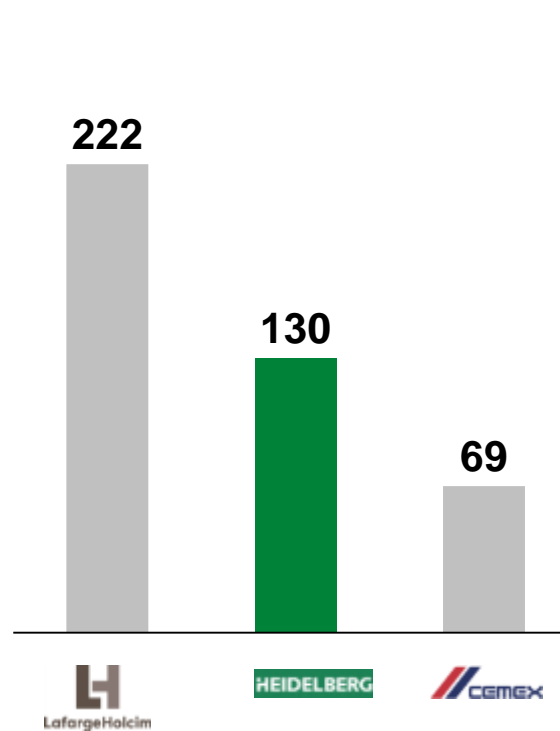
4. Outlook 2019: further increase in results

HeidelbergCement is globally among the top 3 in the core business

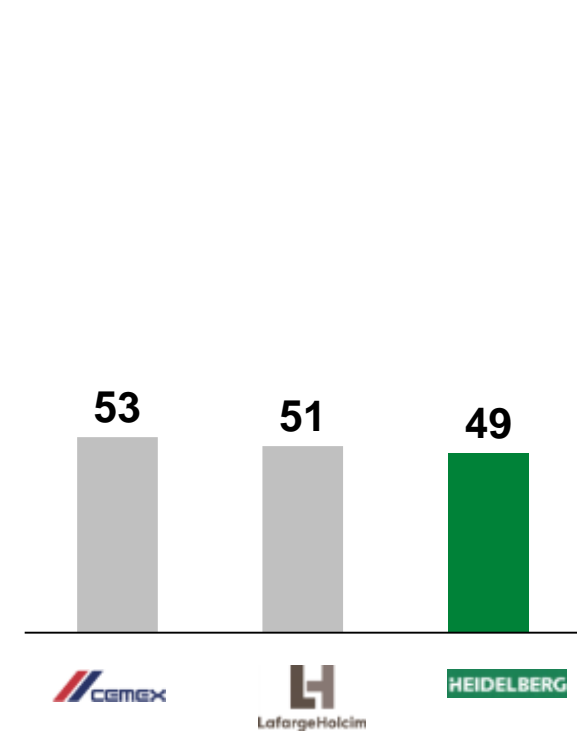
2018 aggregates sales volumes (Mt)



2018 cement sales volumes (Mt)



2018 ready-mixed concrete sales volumes (Mm³)



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

The megatrends population growth and urbanisation are the drivers of our growth



Residential construction.....



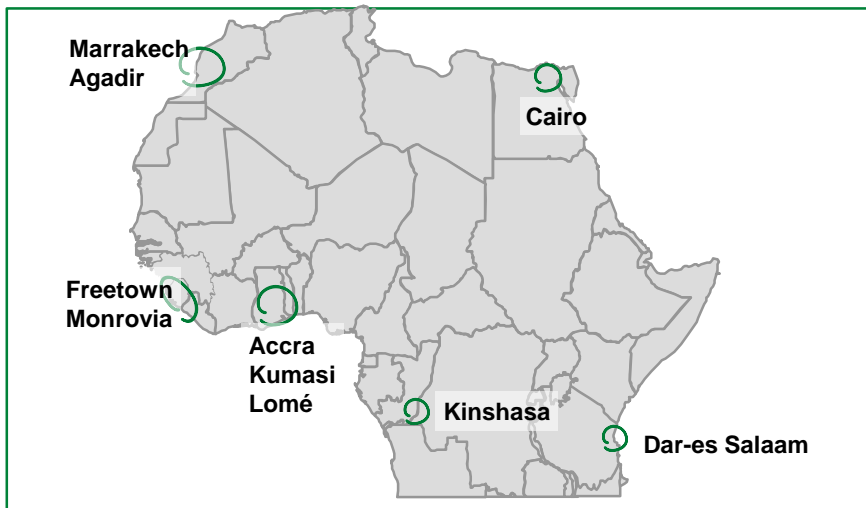
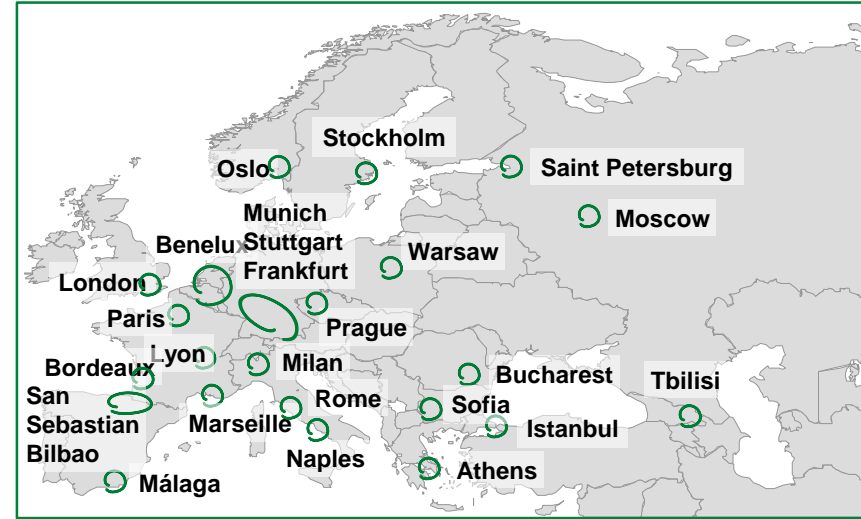
Mobility.....



Urban and economic development.....



HeidelbergCement is well-positioned in urban centers



○ Most important urban centers with HeidelbergCement operations

Our target: increasing sustainably the value of the Group

Benefit from the recovery of mature markets

Pricing above inflation rate

Targeted and disciplined growth

Portfolio optimisation

Accelerated deleveraging

Culture of continuous efficiency improvement

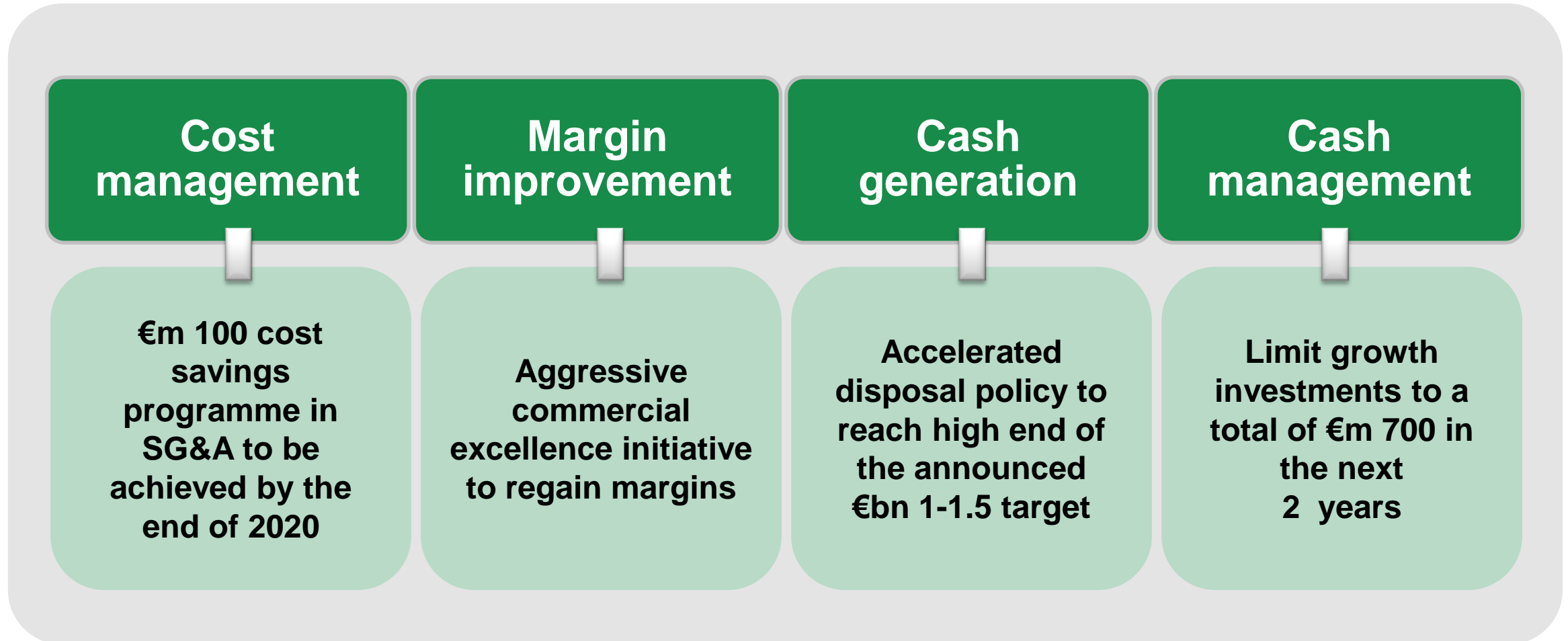
Increasing shareholder return

Use of cash flow: targets 2018–2020

Disciplined growth	Portfolio optimisation	Decrease in net debt	Progressive dividend payment
Investments €bn 1.5 – 2.0	Divestments €bn 1.0 – 1.5	Net debt ¹⁾ €bn 7 end of 2020	Dividend payment 40% for 2020
2018: €bn 1.1	2018: €m ~600	2018: €bn < 8.4	For 2018: 36.5%

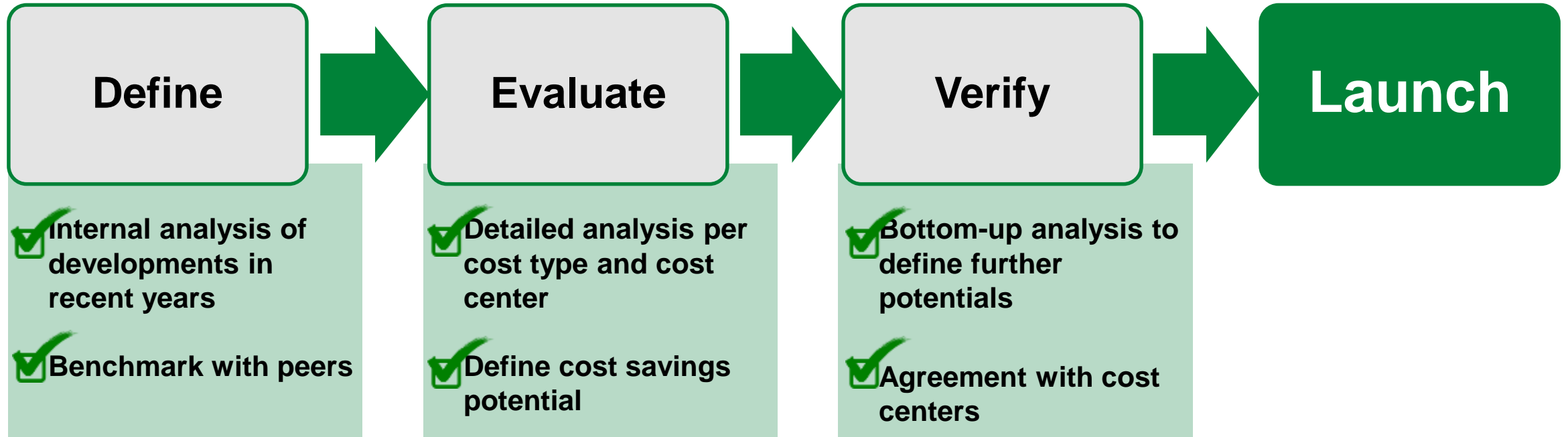
Strong focus on cash generation – action plan initiated

Action plan initiated in response to difficult environment in 2018



We pull all levers to improve margins and cash flow and maintain a solid investment grade rating

Cost savings programme in SG&A with €m 100 savings target



More than €m 50 cost savings agreed with local management teams for 2019

Accelerated portfolio optimisation; disposals of almost €m 600 in 2018

Focus on 3 main categories; disposal target of €bn 1.5 in 3 years

Non-core business

- Activities outside of the core business lines of cement, aggregates and ready-mixed concrete/asphalt

Already executed:

- ✓ White cement in the USA
- ✓ Sand-lime brick business in Germany

Weak market positions

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

Already executed:

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

Idle assets

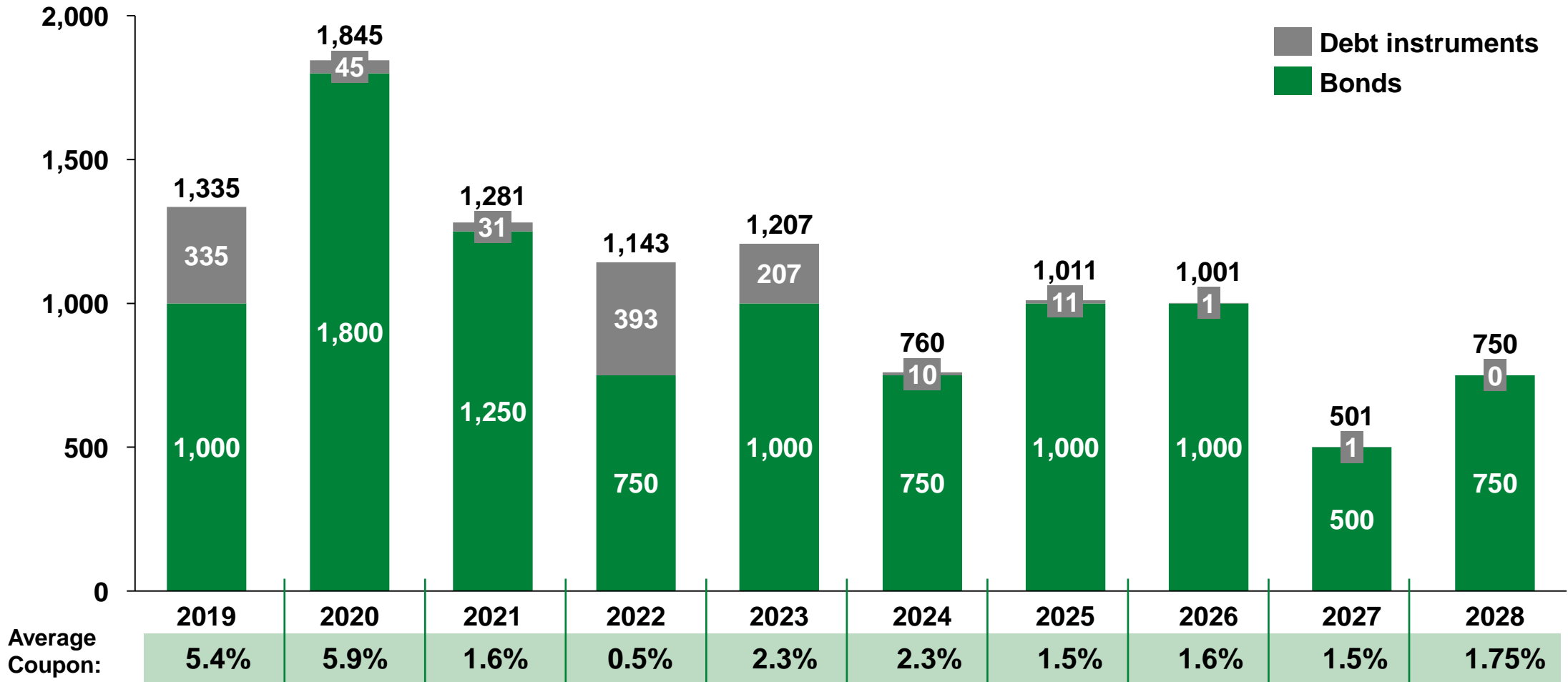
- Depleted quarries, unused land
- Unused fixed assets
- Apartments etc.

- Creation of a detailed overview of real estate assets
- Optimisation of real estate management

Target to reduce complexity and risks; limited impact on result from current operations before depreciation and amortisation

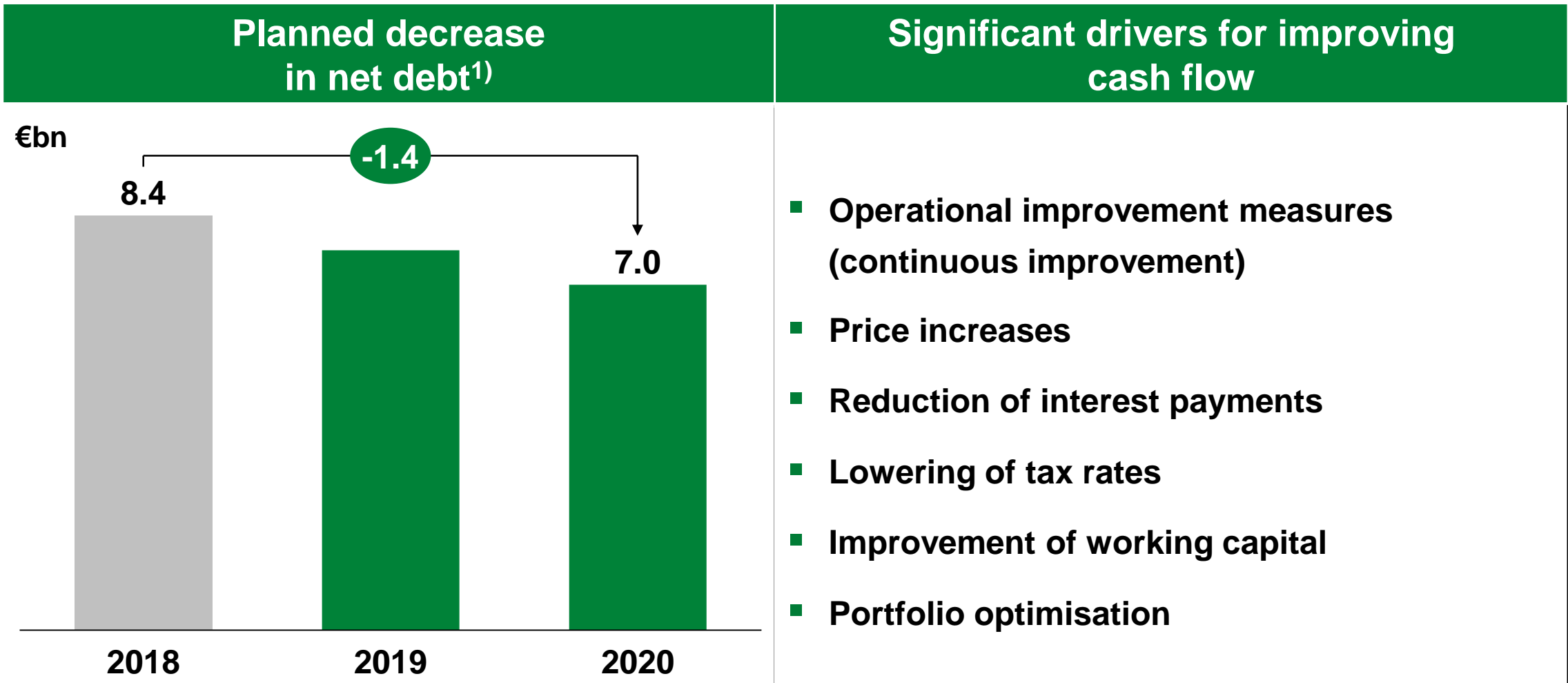
Financing costs: high cash flow potential

Debt maturity profile as of 31 December 2018



Improvement of cash flow by €m >100 by the end of 2020 through more favourable refinancing

Safeguarding of a stable investment grade rating



Reduction of net debt through numerous measures

Our target: increasing the value of the Group

Increasing cash flow

Disciplined growth

Solid investment grade

Attractive rate of return for our shareholders



Contents

1. 2018: new record figures achieved

▶ **2. HeidelbergCement is well prepared for the future**

a. Increasing the value of the Group

▶ b. Focus on sustainability and innovation

3. Q1 2019: strong growth achieved

4. Outlook 2019: further increase in results

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

HeidelbergCement invests in innovation in Germany

- Investments of €m 350 in the modernisation of the Lengfurt, Burglengenfeld, and Schelklingen clinker plants and in environmental protection finalised in 2019 – currently, state-of-the-art and most environmentally friendly kiln lines
- Largest investment project in Germany of the last 40 years to strengthen long-term competitiveness
- R&D center in Leimen with 190 work places already opened in 2016
- Construction of new company headquarters in Heidelberg with environmentally friendly architecture and construction method (platin standard) – moving-in date in 2020



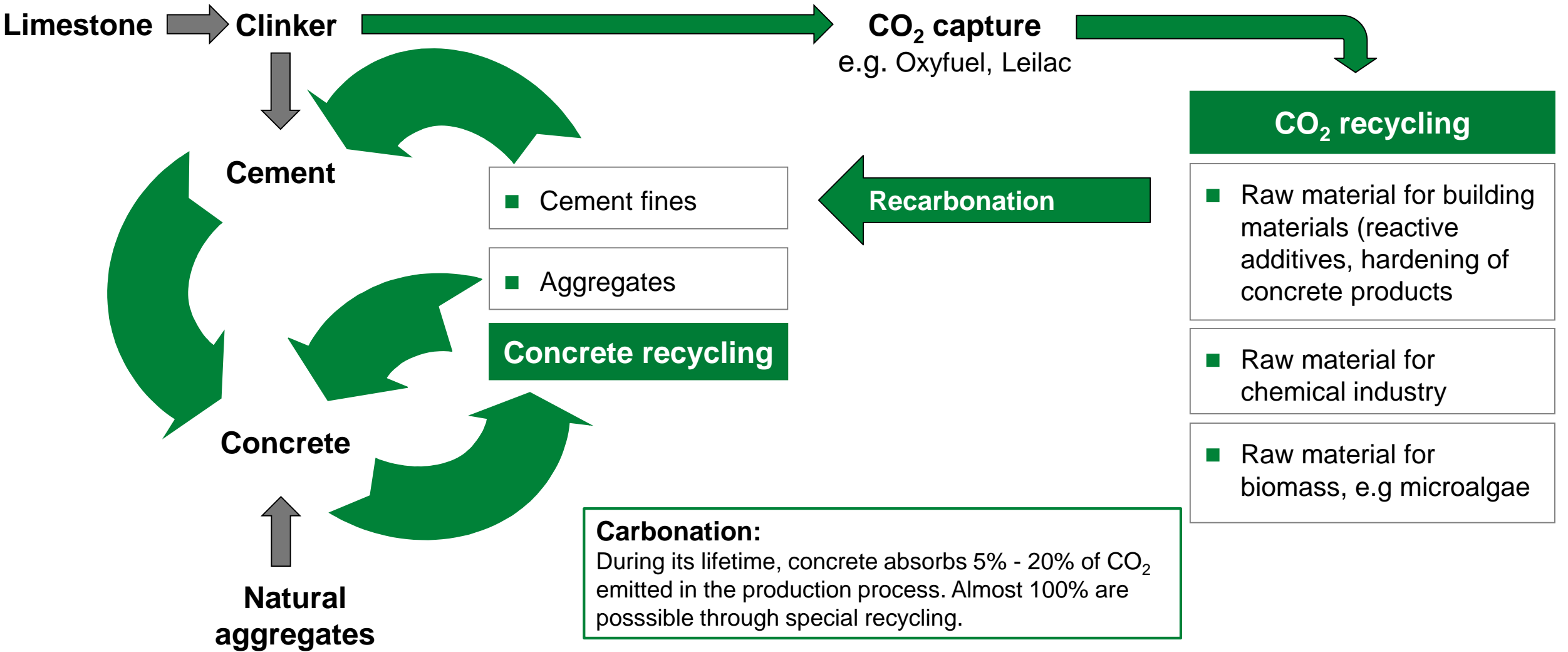
€m 500 investments in state-of-the-art and climate-friendly production sites and buildings in Germany

HeidelbergCement supports the fight against climate change

- **Clear commitment to 2°C target of Paris**
- **Continuous 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 (e.g. project Alternative Fuel Master Plan)
 - Improvement of energy efficiency (e.g. Germany Cement Master Plan)
 - Reduction of the clinker ratio by using additives, e.g. limestone
- **Vision: CO₂ neutral concrete by 2050**
 - Development of industrial processes for CO₂ capture (Oxyfuel, Leilac)
 - Research projects for CO₂ recycling in cement and concrete products



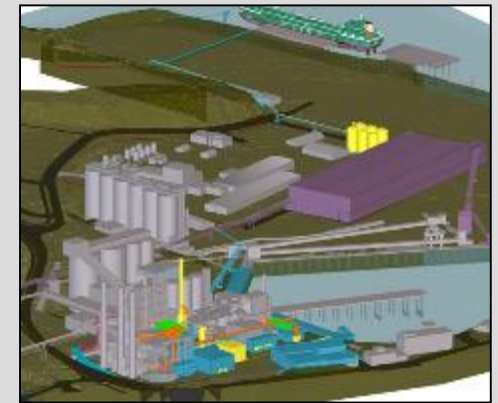
Vision: CO₂ neutral concrete by 2050



Recarbonation closes the material cycles of concrete and CO₂

Different approaches to neutralise CO₂

- **Return of CO₂ into material cycle through recarbonation**
 - CO2MIN project in collaboration with RWTH Aachen University
 - Investigate the potential of natural minerals, industrial waste products, and recycled concrete to absorb CO₂
- **Economic use of CO₂ through biomass production**
 - Algae farm project in Morocco: production of microalgae as fish food
 - Scalable concept, starting with 1 hectare; expansion to 4 hectares in phase 2
- **Capture and long-term storage of CO₂**
 - Carbon capture & storage pilot project at Brevik cement plant
 - Feasibility study in 2016 in collaboration with and supported by the Norwegian government
 - Industrial concept study initiated



HeidelbergCement is leading in projects for capture and neutralisation of CO₂

Vision: carbon neutral concrete by 2050

Levers

Reduce CO₂ content in clinker (energy efficiency, alternative fuels & binders)

Lower CO₂ content in cement and concrete (use of secondary cementitious materials; optimisation of concrete recipes)

CO₂ capture and recycling through (re-)carbonation

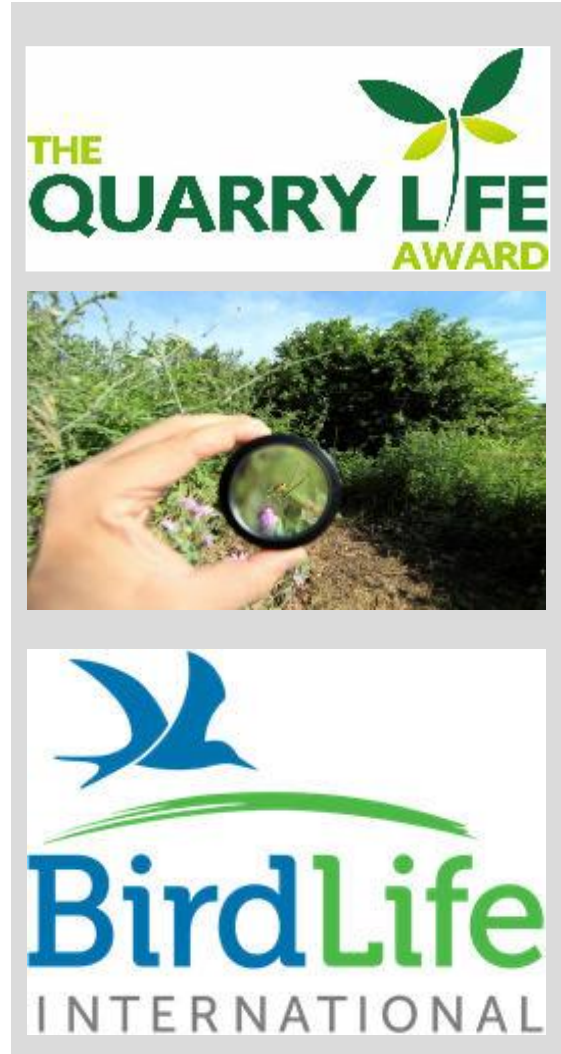
HeidelbergCement best positioned to realise carbon neutral concrete vision

- **Leading in R&D: alternative binder concepts; carbon capture technologies; (re-)carbonation**
- **Technical expertise and investment in modern plant upgrades (e.g. Germany Cement Master Plan)**
- **Leading vertically integrated company with activities along the value chain**

Concrete has the potential to become the most sustainable building material

Sustainability: focus on species protection

- **Quarry Life Award (since 2011)**
 - International research competition to increase biodiversity in quarries
 - Target groups: students, scientists, NGOs
 - Status in 2018: more than 300 projects in 25 countries submitted
- **Partnership with BirdLife International (since 2011)**
 - Better biodiversity management through collaboration with the experts of BirdLife and their partner organisations
 - Extension of the partnership for a further 3 years in 2018, for the third time in succession
 - Status in 2018: 30 projects in Europe und Africa



Digitalisation offensive with selected points of focus

Transformation of the existing business (DTO)

Remote-controlled & remote-maintained production units



Big data analytics for concrete mix design and workflow analysis



Digital exchange with suppliers and customers

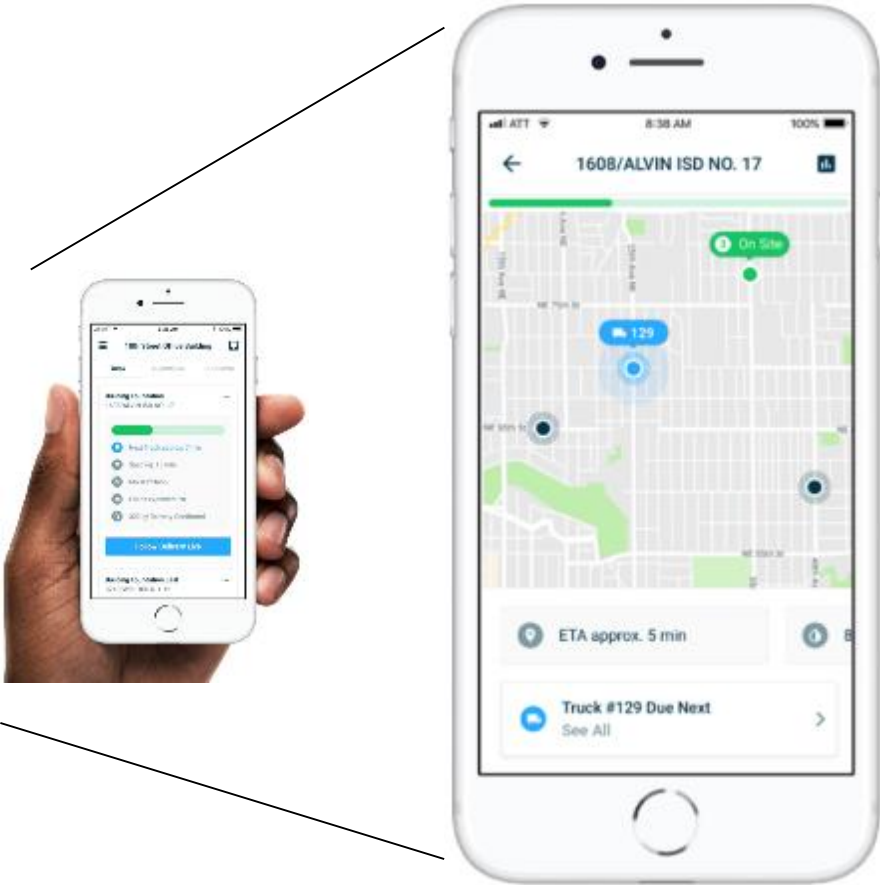


Workflow automation



Digitalisation opens up new potentials for efficiency and service improvements

Example: Where is the concrete mixer truck?



Contents

1. 2018: new record figures achieved

2. HeidelbergCement is well prepared for the future

a. Increasing the value of the Group

b. Focus on sustainability and innovation

▶ 3. Q1 2019: strong growth achieved

4. Outlook 2019: further increase in results

Market and financial overview in Q1 2019

- **Growth of sales volumes in all business lines**
- **Revenue rose by 17% to €bn 4.2 (Q1 2018: €bn 3.6)**
- **Result from current operations before depreciation and amortisation rose like-for-like¹⁾ by 26%**
- **Net debt decreased like-for-like¹⁾ by €bn 0.8**
- **Action plan well on track**
 - Portfolio optimisation: disposals of €m 217 realised
 - Cost savings of more than €m 50 already secured for 2019
 - Margin improvements: significant price increases realised
- **Outlook for year 2019 confirmed**
 - Strong growth of revenue and result from current operations in Q1 is a good basis
 - Portfolio optimisation well on track to achieve €m 500 from disposals in 2019
 - Significant reduction of net debt (without liabilities from leasing – IFRS 16) already recognisable after Q1 2019

Very good start into business year 2019

Rise of result from current operations before depreciation and amortisation by 59%

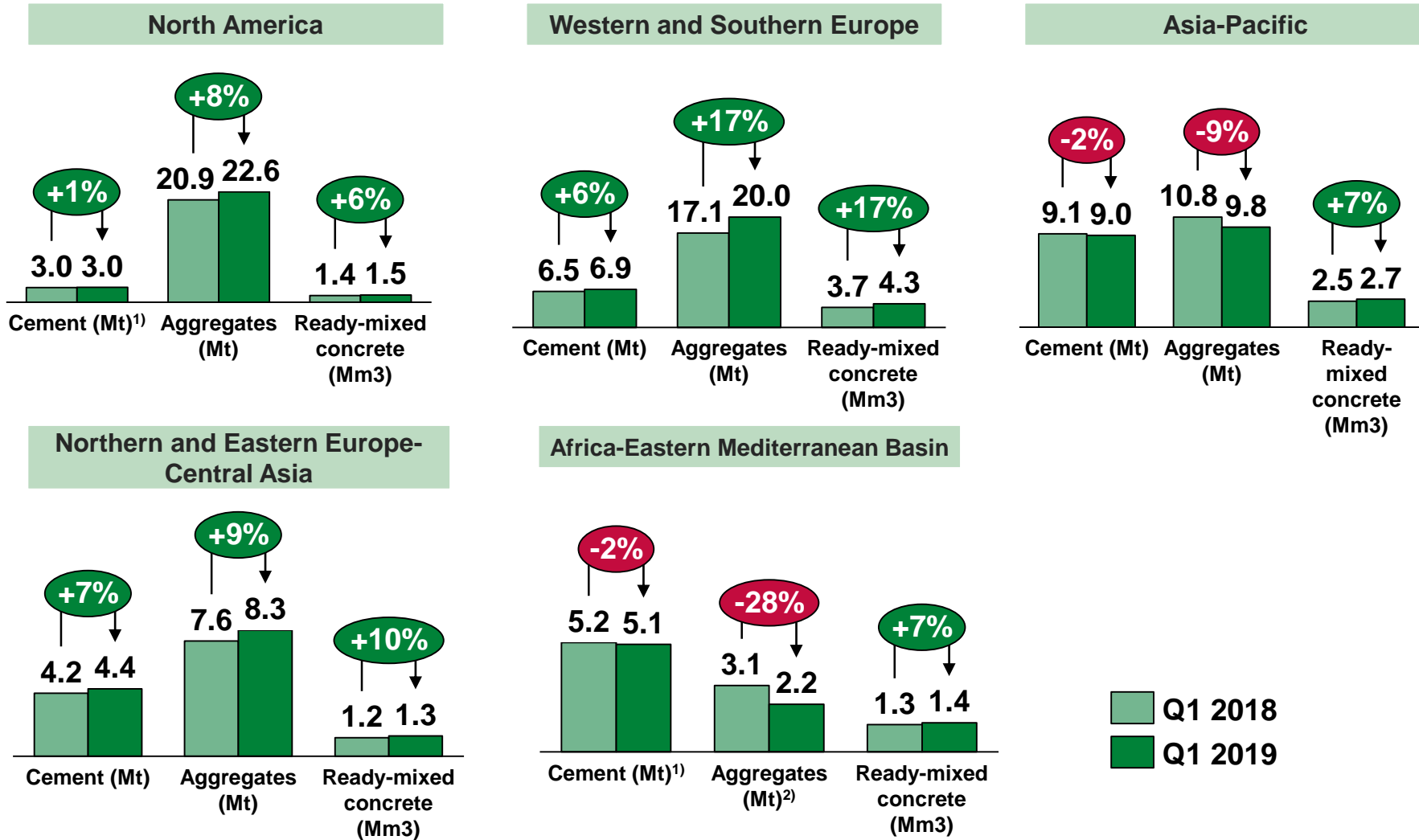
€m	Jan.-March 2018	Jan.-March 2019	Variance	Like-for- like ¹⁾
Income statement				
Revenue	3,629	4,238	17%	15%
Result from current operations before depreciation and amortisation (RCOBD) ²⁾	250	396	59%	26%
<i>in % of revenue</i>	6.9%	9.3%		
Result from current operations ²⁾	-19	60	n/a	
Balance sheet				
Net debt ³⁾	9,879	10,423	544	-796

1) Like-for like: adjusted for currency and consolidation effects as well as IFRS 16

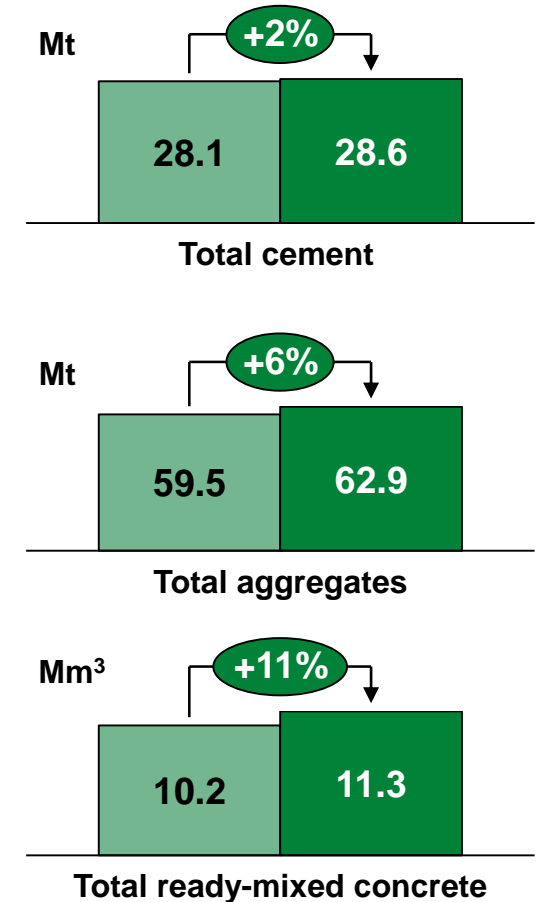
2) Amounts 2018 were adjusted.

3) Includes €bn 1.3 liabilities from leasing (IFRS 16) in 2019.

Sales volumes by Group area in Q1 2019



Total sales volumes



1) Sale of the white cement business
2) Expiring of mining licence in Israel

Contents

1. 2018: new record figures achieved

2. HeidelbergCement is well prepared for the future

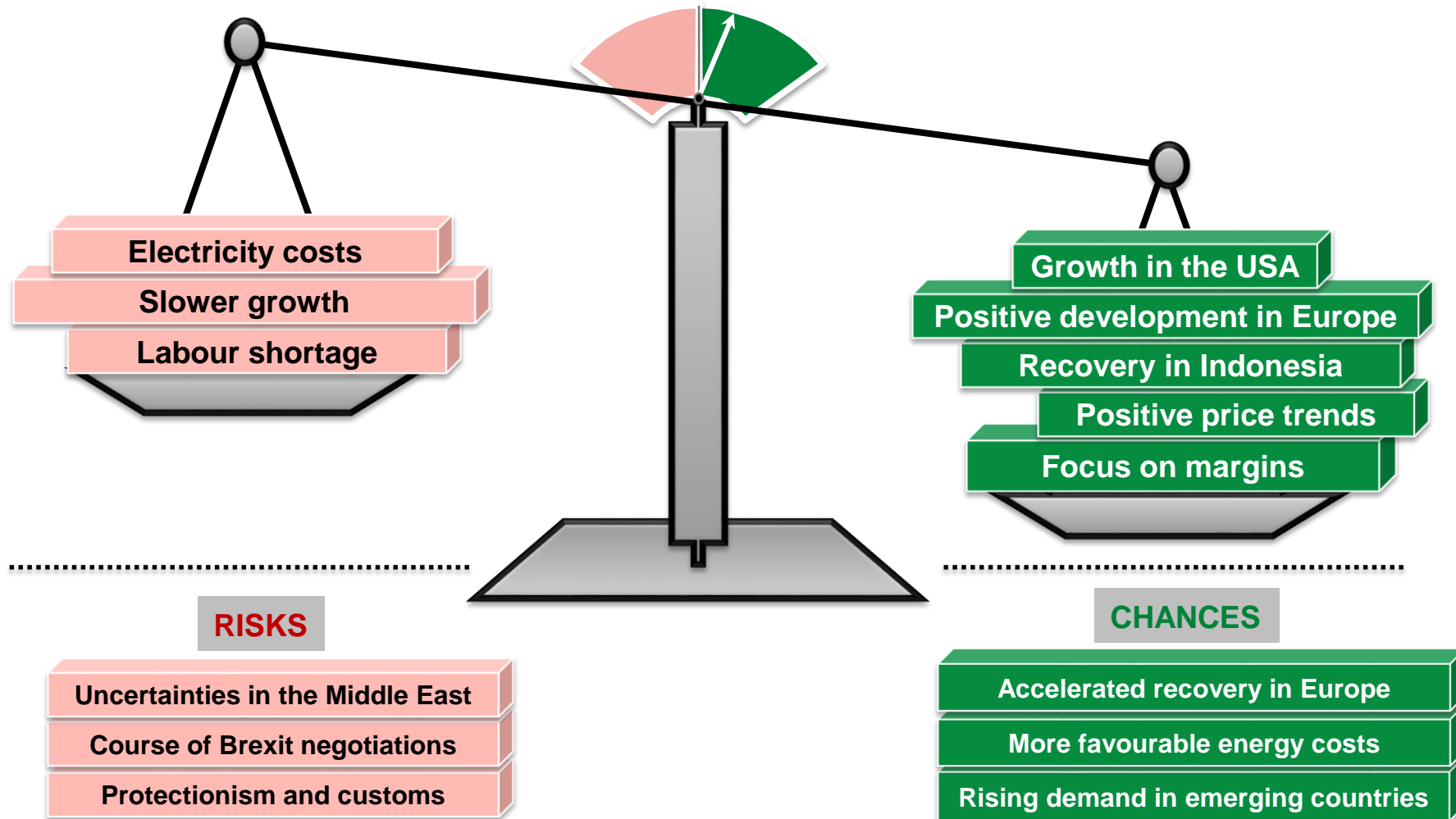
a. Increasing the value of the Group

b. Focus on sustainability and innovation

3. Q1 2019: strong growth achieved

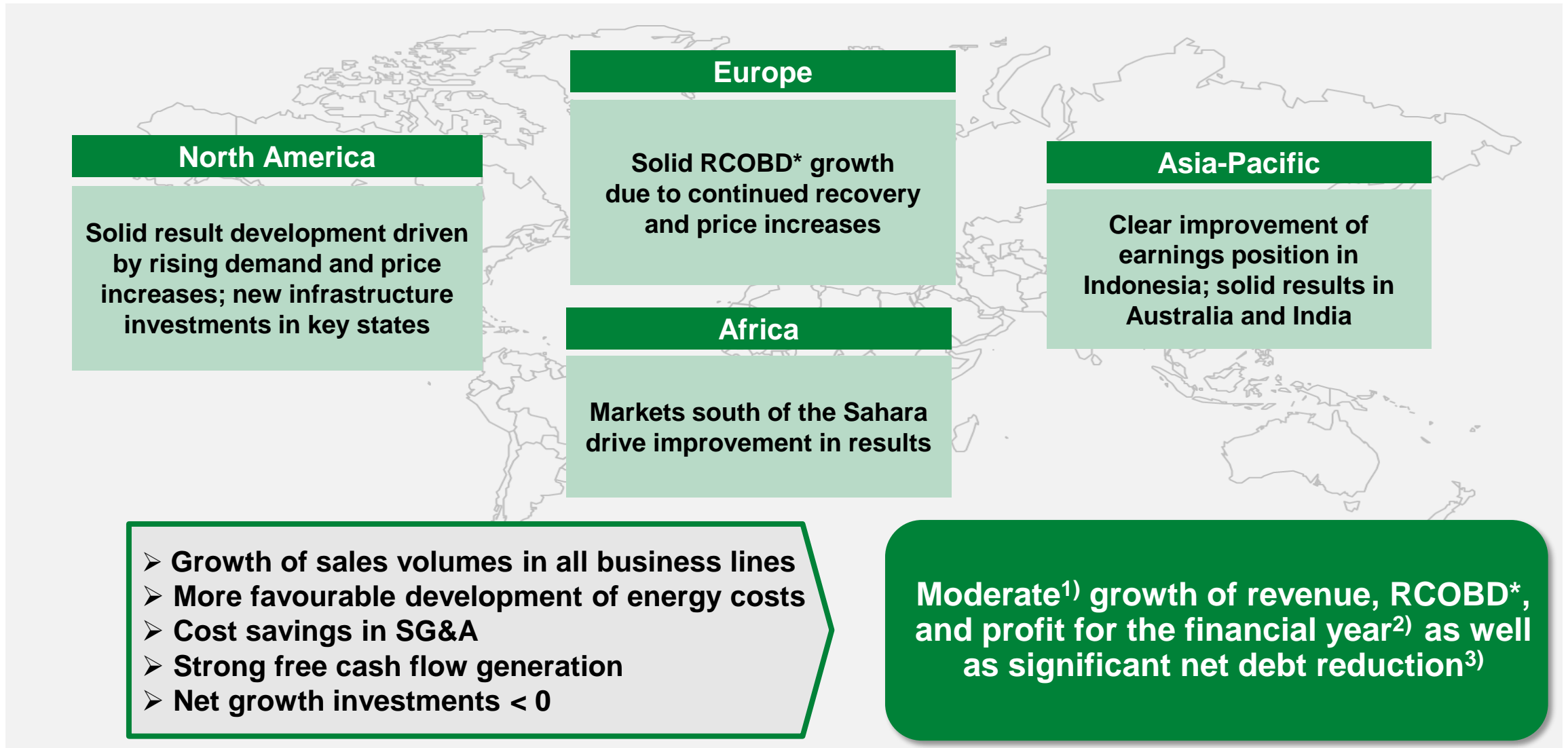
▶ 4. Outlook 2019: further increase in results

Major drivers for business development in 2019



Overall challenging but positive business environment expected in 2019

Outlook 2019: further improvements of results and net debt reduction



* RCOBD = Result from current operations before depreciation and amortisation

1) Moderate: +3% to +9%

2) Revenue and RCOBD* before currency and consolidation effects; profit for the financial year before non-recurring effects

3) Before application of IFRS 16

Management focus in 2019

- **Margin improvement** through price and efficiency increases
- **Portfolio optimisation** through disposal of non-core businesses, weak market positions and unused assets
- **Reduction of net debt** to safeguard a solid investment grade rating
- **Increase in shareholder returns** through continuation of progressive dividend policy

Next Annual General Meeting

on 7 May 2020