

Goldman Sachs / Berenberg – Eighth German Corporate Conference

Munich – 23/24 September 2019

Dr. Lorenz Näger, CFO



Brevik cement plant, Norway

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HeidelbergCement in a nutshell

Four strategic pillars

H1 2019 results

Outlook

We are one of the largest building materials producers in the world

58.000 employees

No 1 in aggregates

No 2 in cement

No 2 in ready-mixed concrete

3,100 production sites in
around 60 countries

Cement capacity 196 mt (incl. joint ventures)

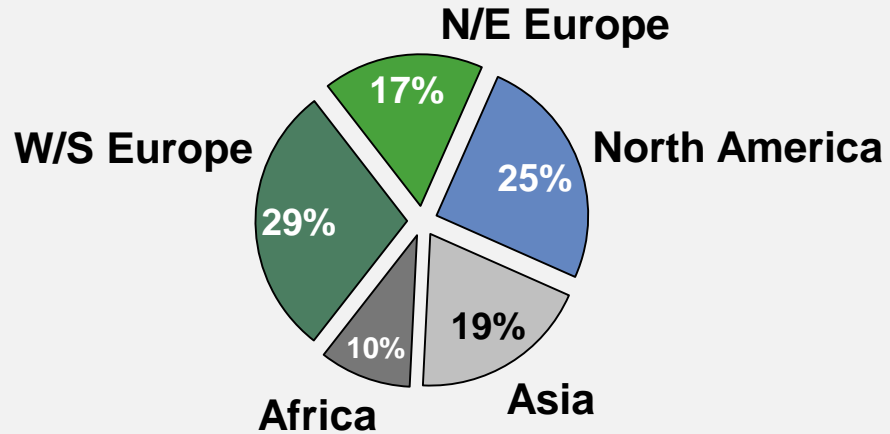
Aggregates reserves and resources 20 bnt



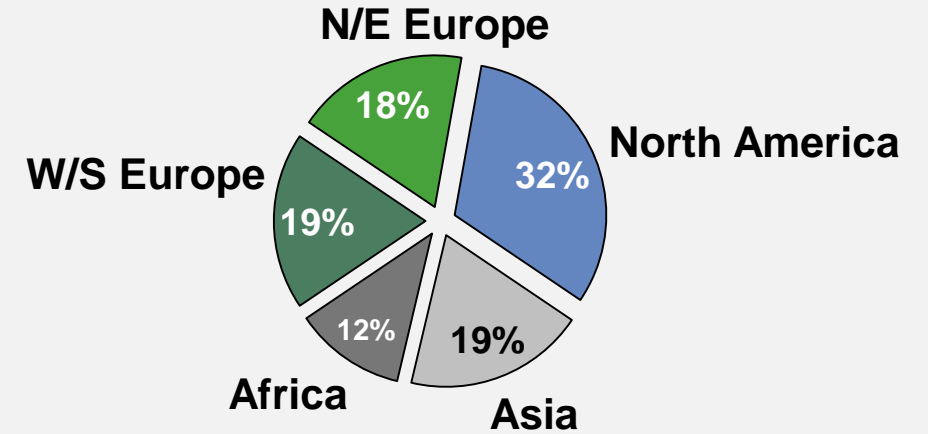
HEIDELBERGCEMENT

Balanced regional set up and portfolio

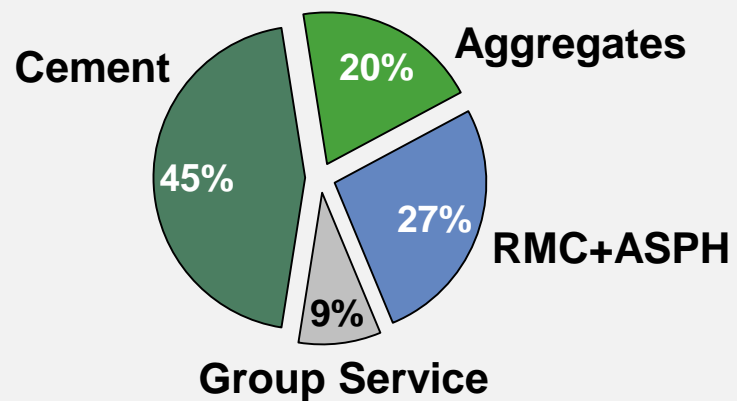
Revenue by region



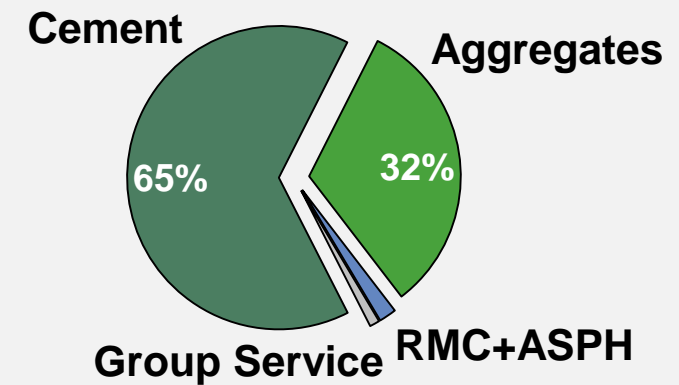
EBITDA by region



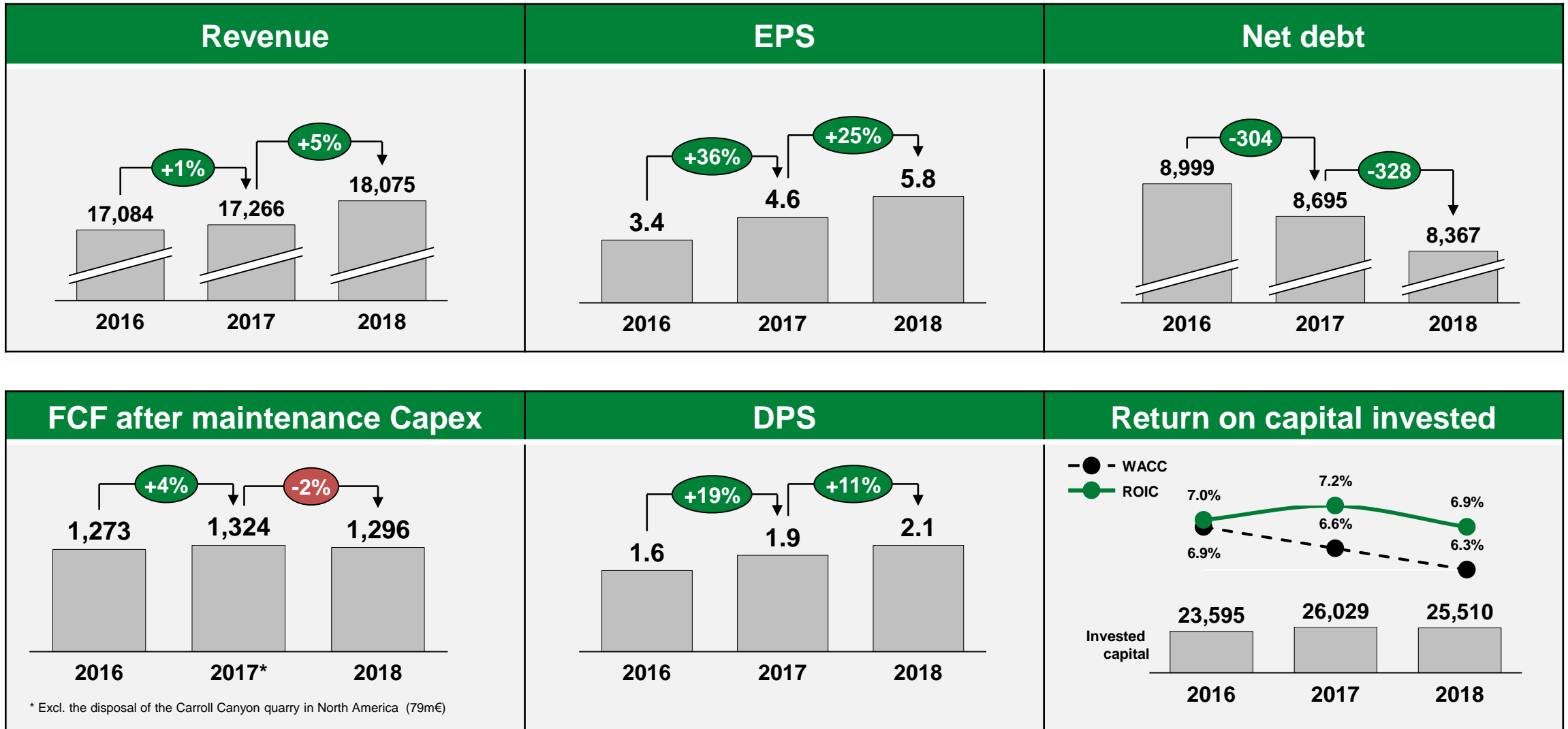
Revenue by business line



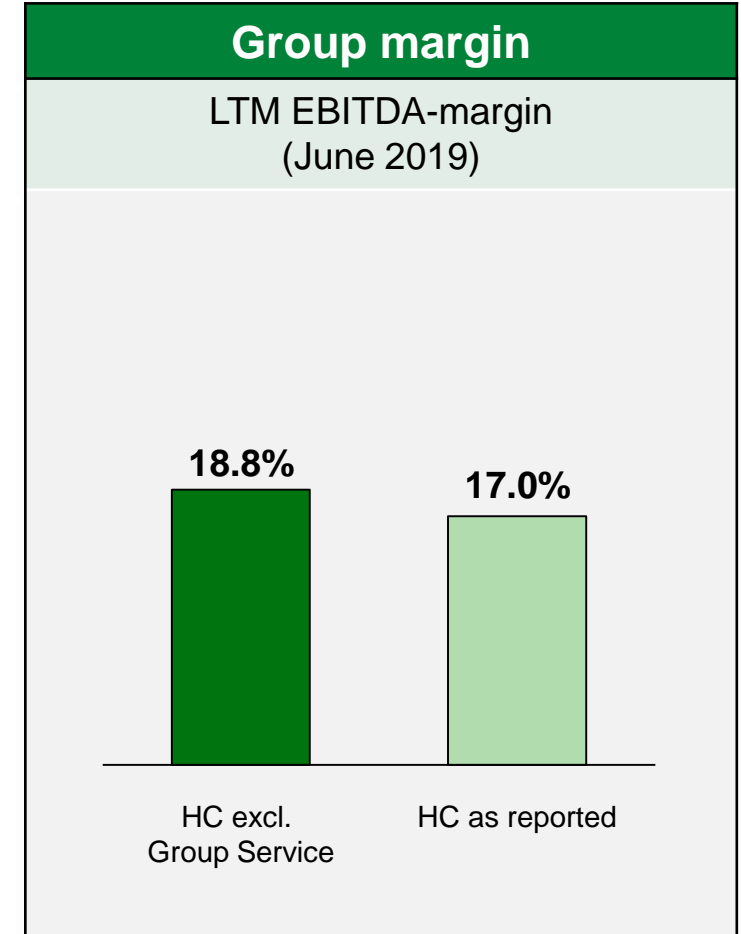
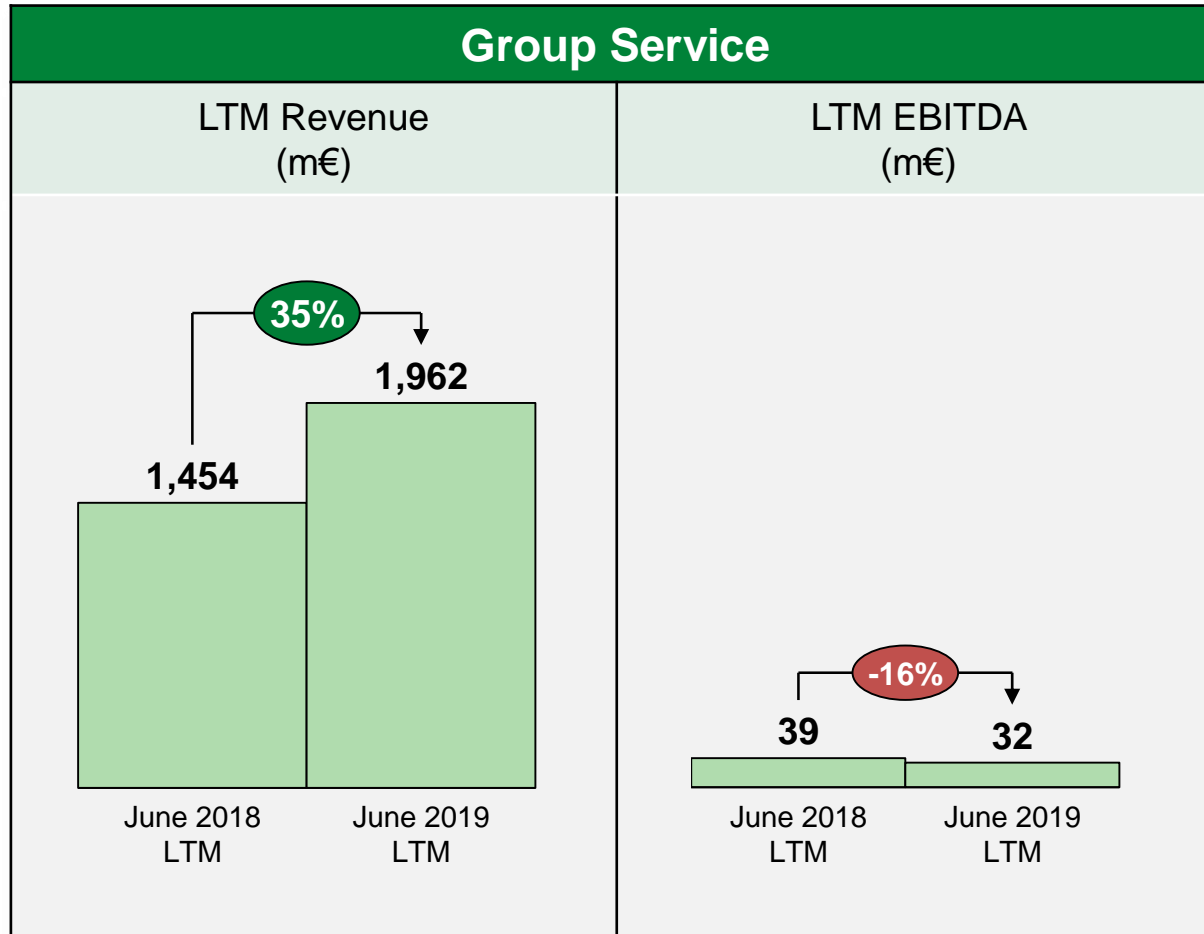
EBITDA by business line



Continuous improvement in financial metrics



Fast-growing, low-margin Group Service business impacts Group margin



Strategic importance of Group Service through market intelligence & ability to transfer products within our geographies

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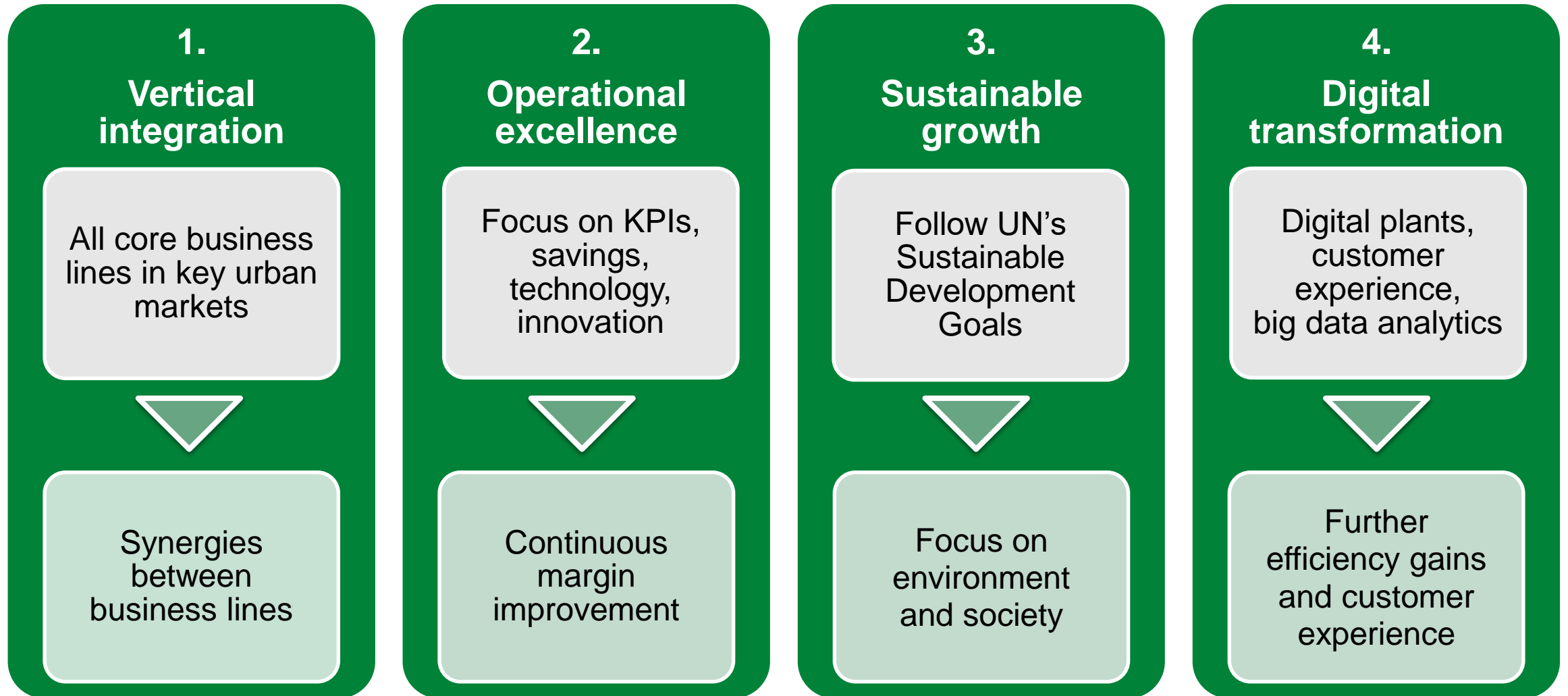
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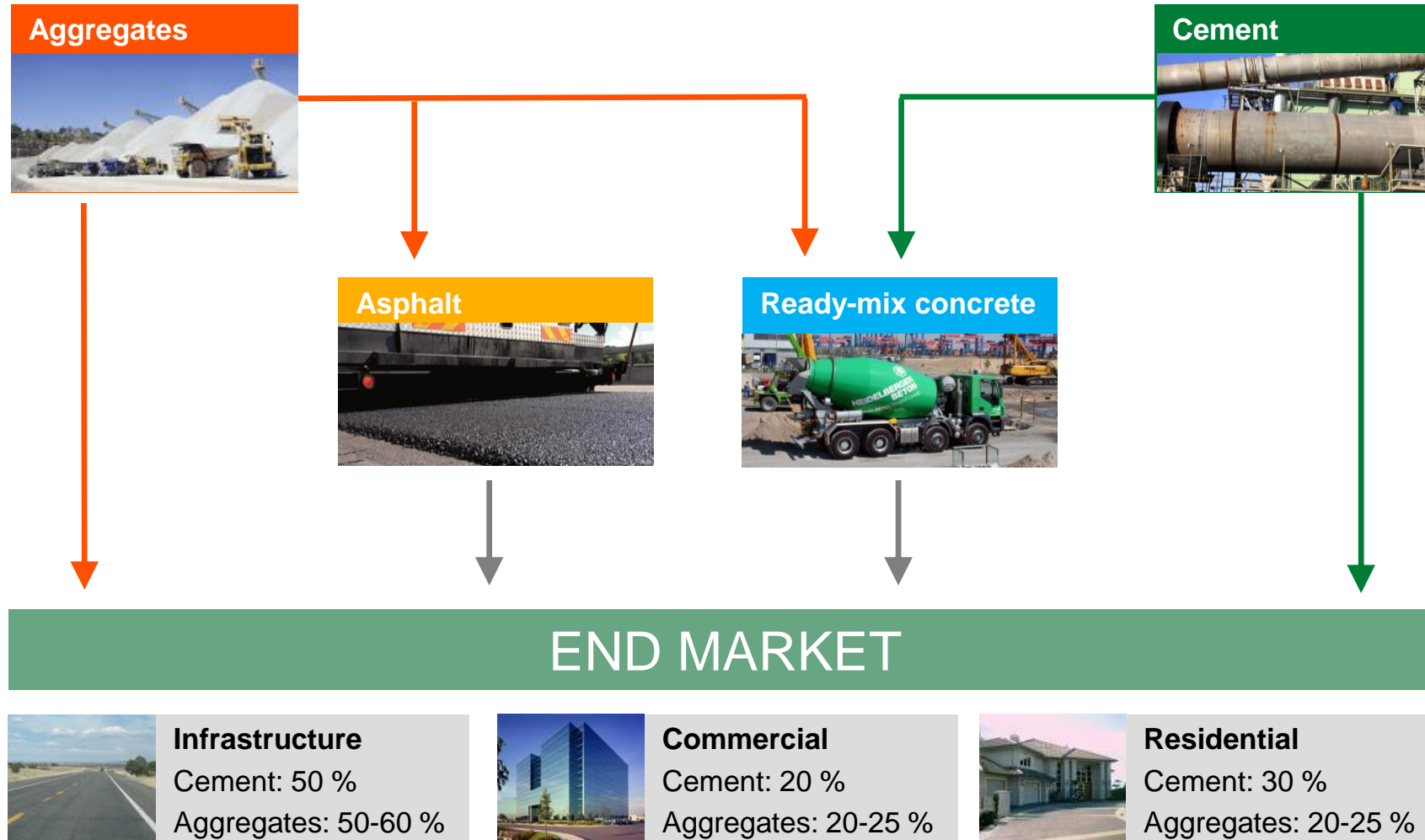
H1 2019 results

Outlook

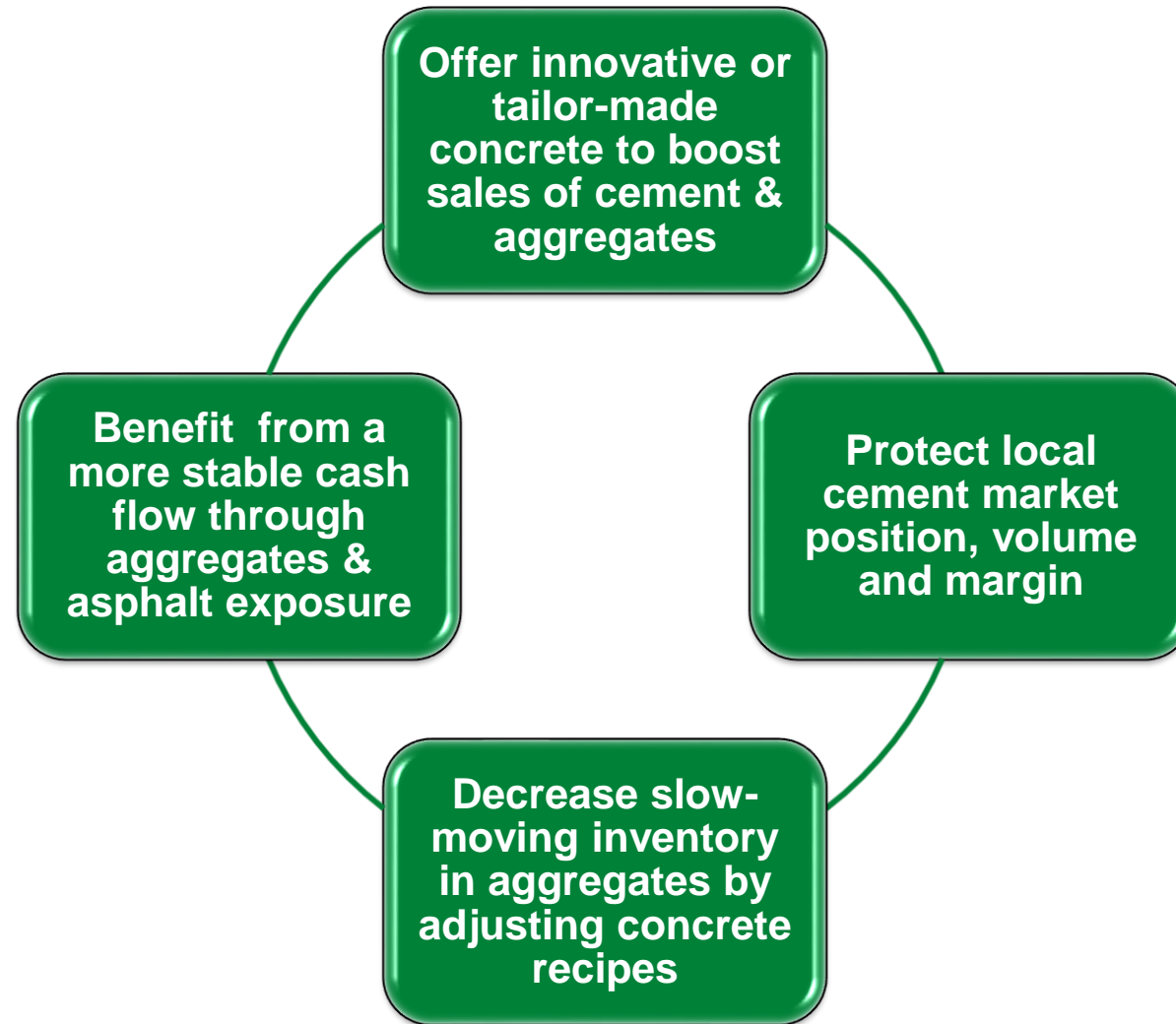
Four strategic pillars



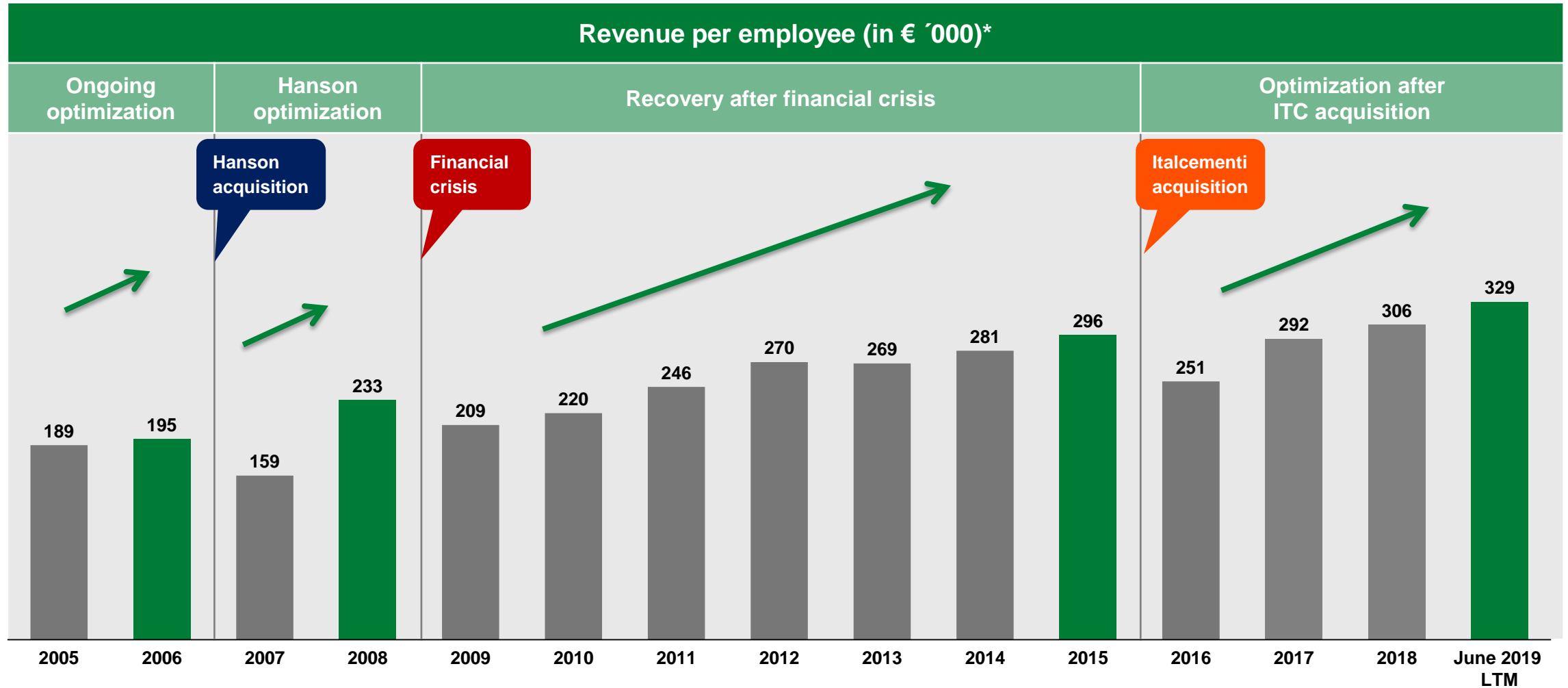
Vertically-integrated business model for all end-markets



The benefits of vertical integration

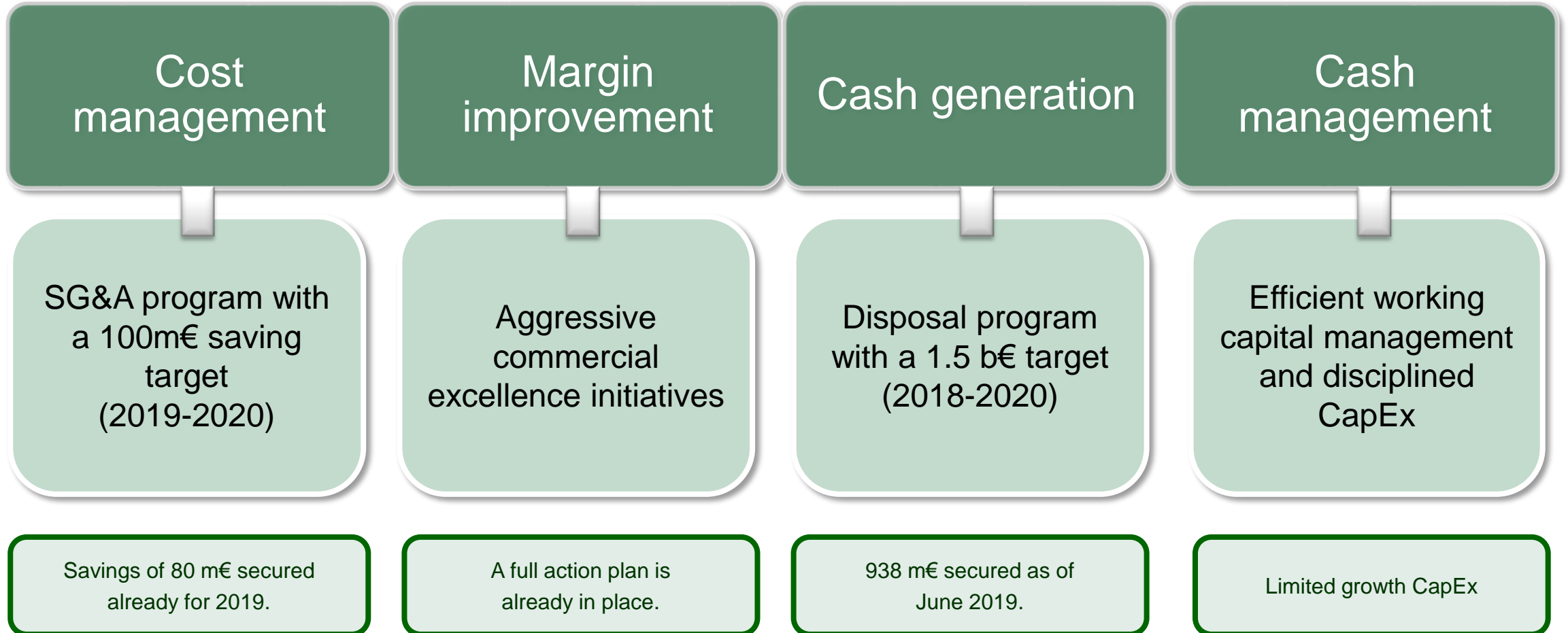


Consistently improving operational efficiency



* IFRS view including ITC from 1 July 2016

Consistently improving operational efficiency



Disposals focused on three categories



Non-core businesses

- Business activities outside of core business lines cement, aggregates, ready-mix concrete and asphalt.

- Reduce complexity and SG&A costs.
- Focus on businesses which we are best at.

Weak market positions

- Countries with high risk.
- Market positions with limited growth potential or loss-making companies.

- Recover the initial investment outlay.
- Re-invest proceeds in geographies with superior growth and FCF generation.

Idle assets

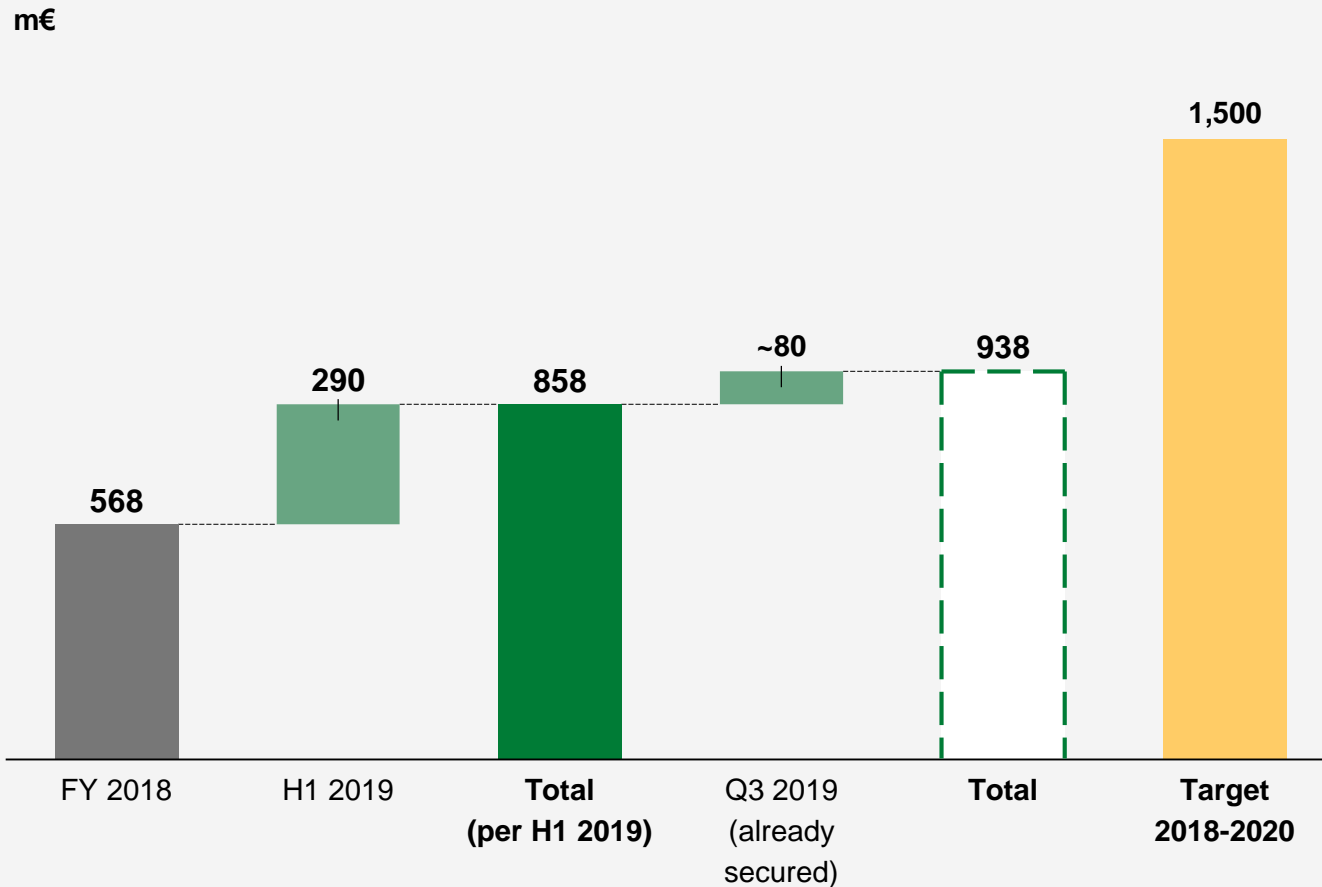
- Depleted quarries and land.
- Unused fixed assets.
- Apartments, buildings etc.

- Cash in on assets that do not yield any return.
- Improve ROIC, FCF and leverage.

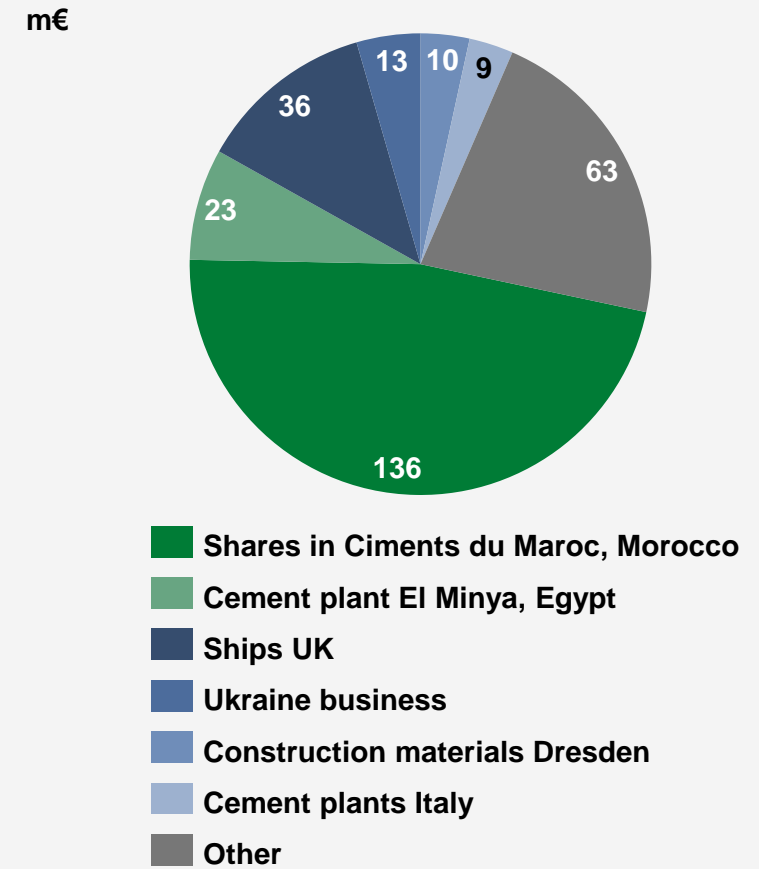
Portfolio optimization well on track



Disposal proceeds FY2018 – H1 2019



Disposal proceeds H1 2019

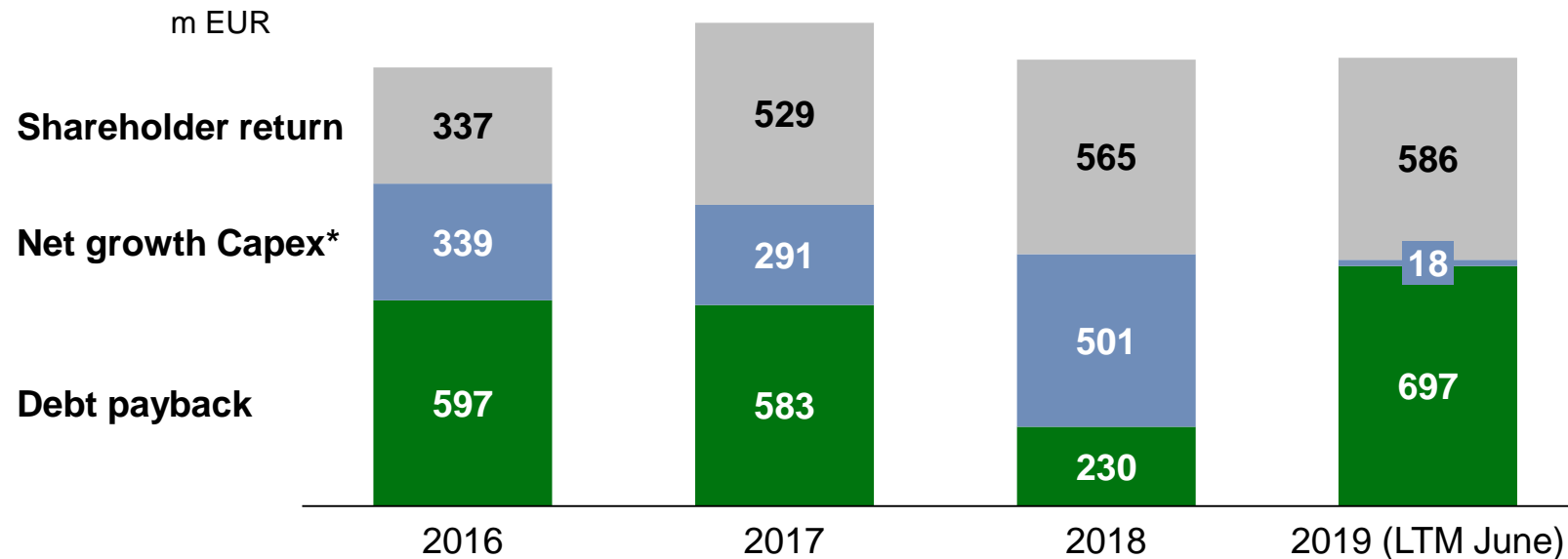


Solid FCF generation and focus on debt payback



m EUR	2016	2017	2018	2019 (LTM June)
FCF generation	1,273	1,403	1,296	1,301

Cash allocation



* Net growth CAPEX = Gross growth Capex minus disposals

Strategy 2019/2020:

Progressive dividend increase

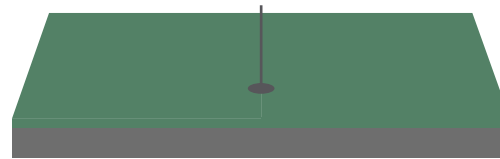
Limited growth Capex, portfolio optimization

Clear focus on debt payback

Our vision 2050: Carbon-neutral concrete



Target of 30% reduction of the specific CO₂ emissions by 2030 confirmed by SBTi



Our goal is to realize the vision of carbon-neutral concrete latest by 2050:

- Develop technologies for CCS / CCU
- Return of CO₂ into the material cycle through re-carbonation

2019

2030

2050

Investment of € 370m in Germany to help emission reduction



Lengfurt

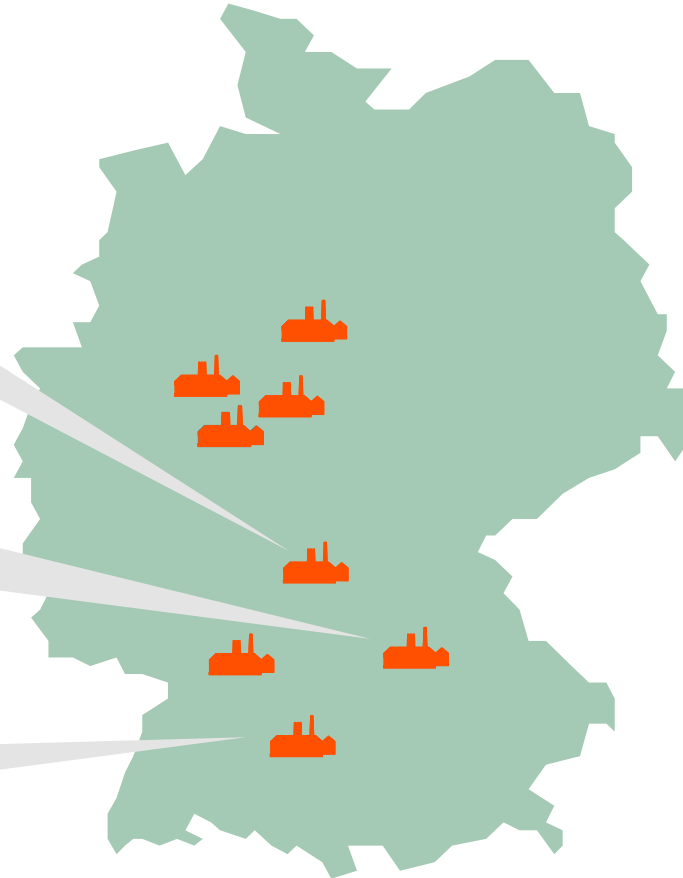
New catalyst

Burglengenfeld

New kiln and calciner,
two raw Mills

Schelklingen

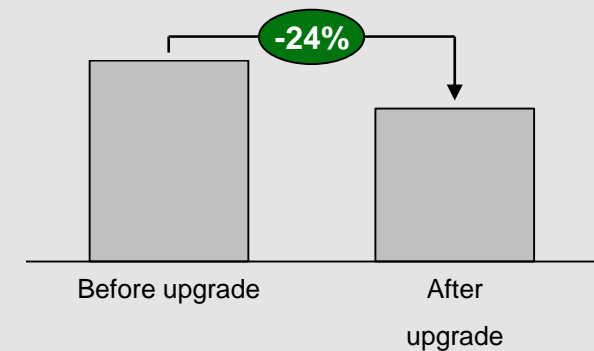
New kiln and calciner



Lower emissions due to:

- ✓ Improved heat efficiency
- ✓ Improved emission factors

kg CO₂ / ton of clinker:



We reinvest the value of the CO₂ allowances

An era of high carbon costs



Price of emission allowances



Likely consequences of high CO₂ prices

- We are long in carbon rights, high prices do not impact us **until 2022**. Many local players have already run out of carbon rights.
- Inefficient, polluting cement plants will be shut down as production will be too costly. **40 mt capacity are expected to shut down.**
- **Market consolidation is expected** as small players will be forced to sell their plants.
- Capacity utilization and **cement pricing is expected to go up.**

Improving processes & customer experience through digitalization



Transformation of the existing business (DTO)

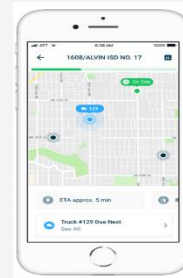
Remotely controlled & maintained production units.



Big data analytics for concrete mix design & workflow analysis



Digital exchange with suppliers and customers



Workflow automation



Potential for enhanced efficiency and service

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Overview of H1 2019

Solid result improvement in H1

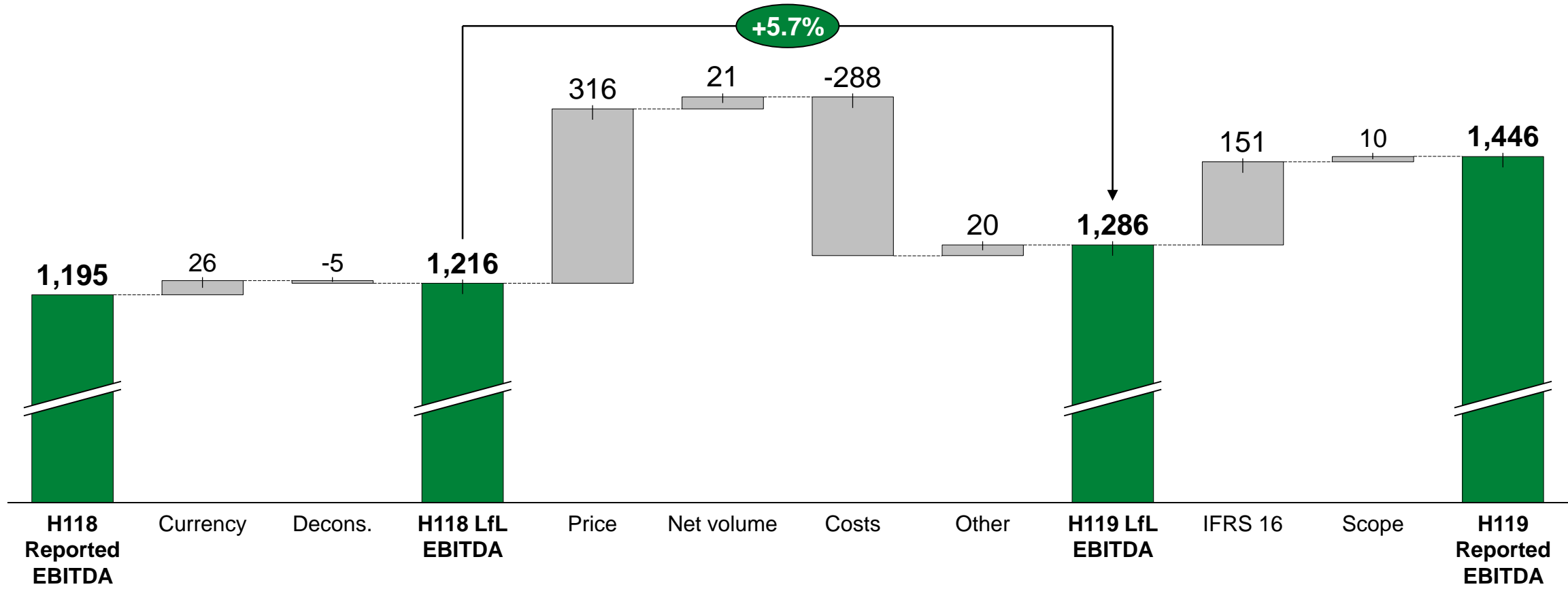
- LfL revenue increase **+7%**; EBITDA increase **+6%**; adjusted EPS increase **38%**.
- **Strong margin improvements in Asia and Europe** more than compensate the weather driven pressure in North America and weak demand in Egypt and Turkey.
- SG&A saving program goes full speed. **80 m€ already secured** for the full year.
- **Net debt 0.8 bn€ below** prior year*. Positive trend continues.
- Portfolio optimization on track. Total **disposals reach 290 m€** for the current year.

LfL figures excluding currency, scope and IFRS 16 Leasing adjustment.

* Before IFRS 16 leasing impact.

H1 2019 performance well in-line with full year targets

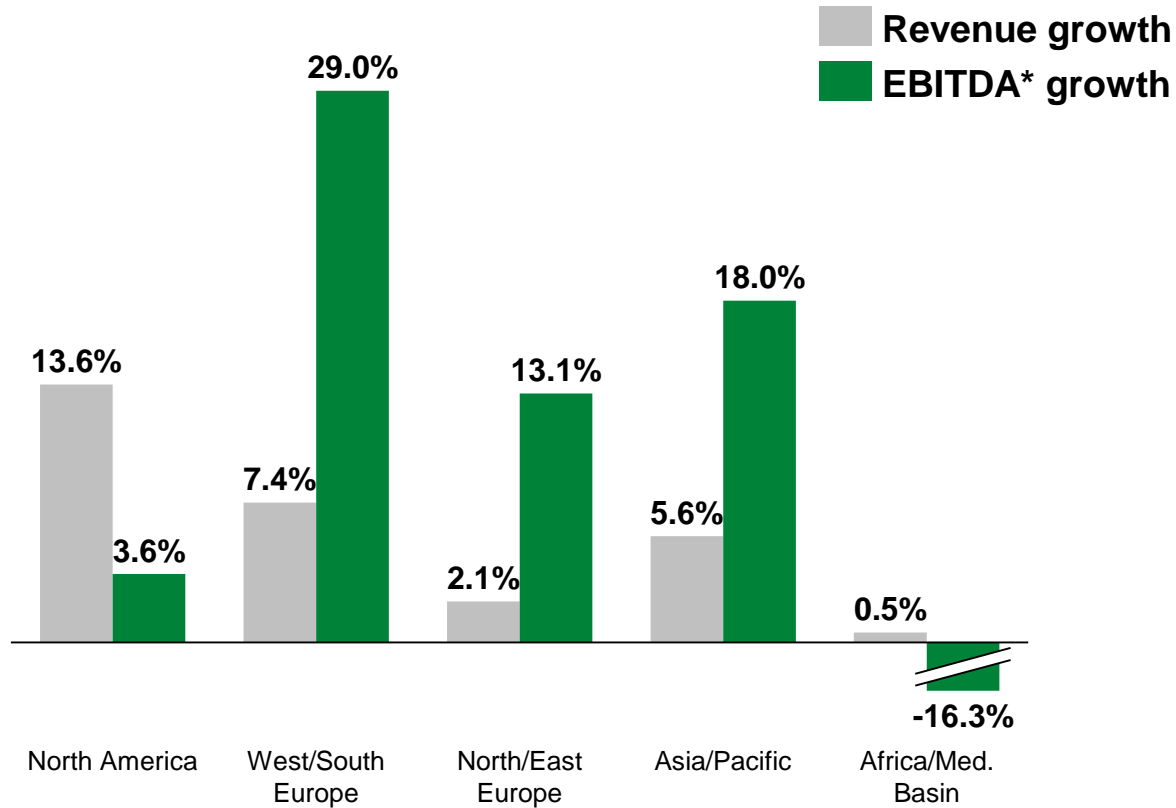
H1 2019 operational EBITDA bridge



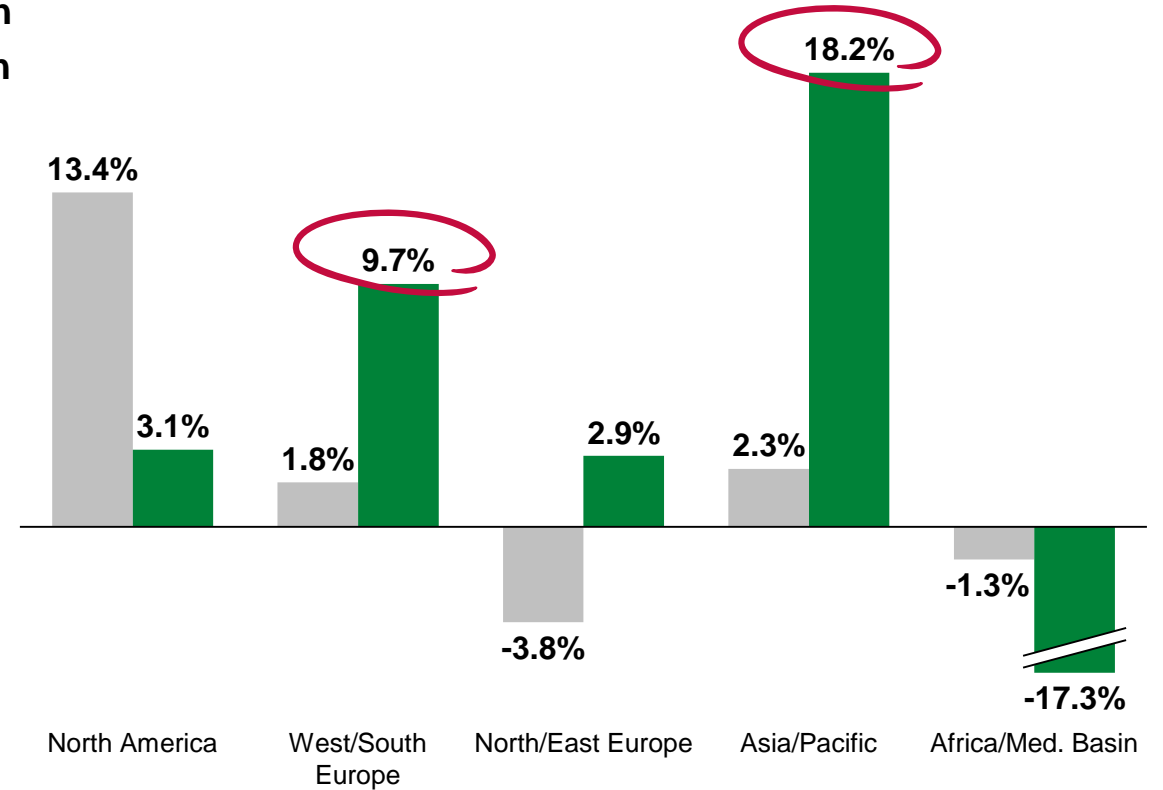
Solid organic EBITDA growth in H1

Revenue and EBITDA overview

H1 2019 vs. H1 2018



Q2 2019 vs. Q2 2018



Strong EBITDA growth in Europe & Asia Pacific

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Outlook 2019 and targets

Operations

- Volume increase in all business lines

Performance

- Margin improvement

Result

- Solid revenue, EBITDA, EPS growth

Portfolio

- 500 m€ disposal; net growth CAPEX* below 0

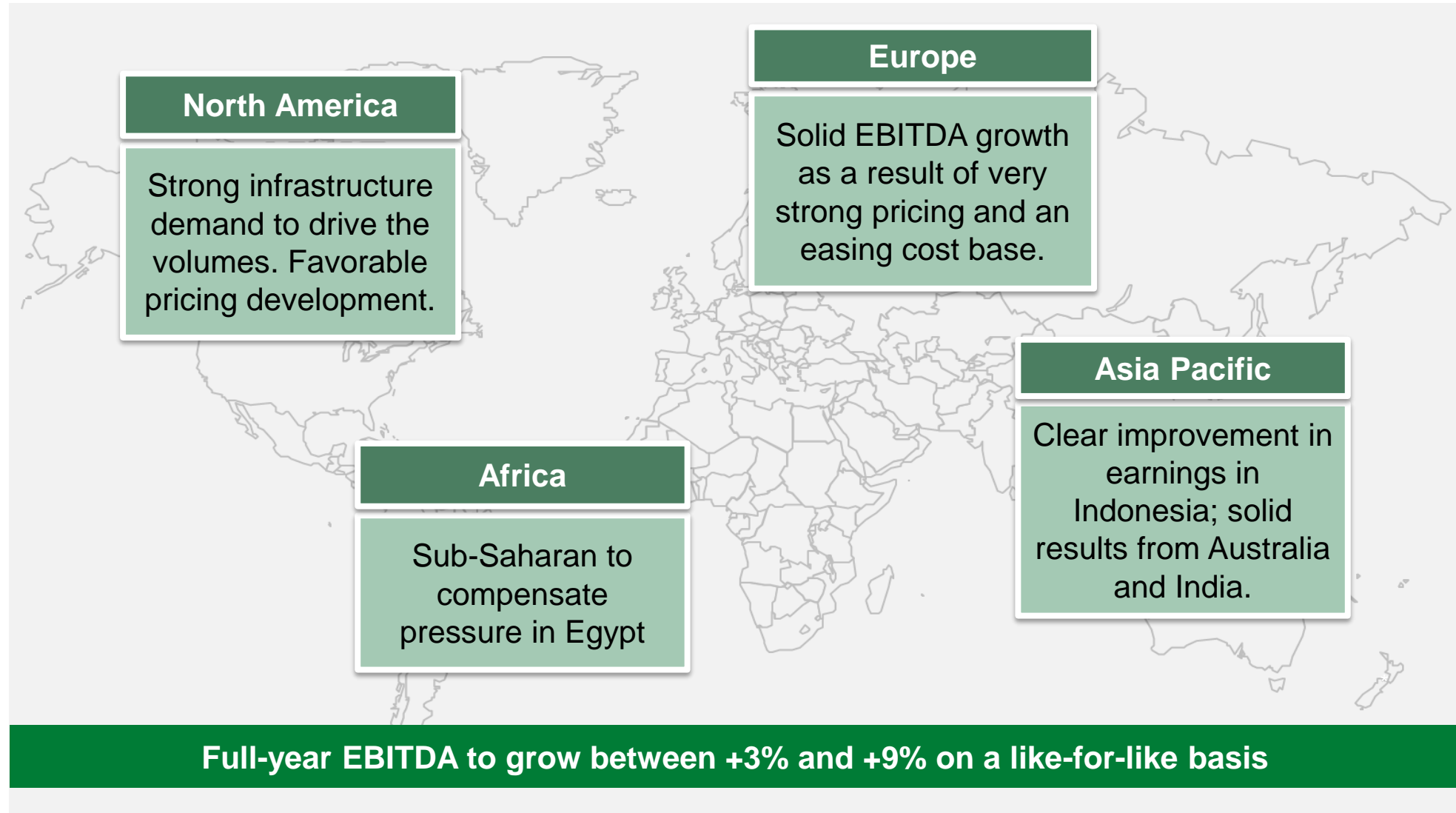
Leverage

- Net debt reduction to 7.7 billion EUR**

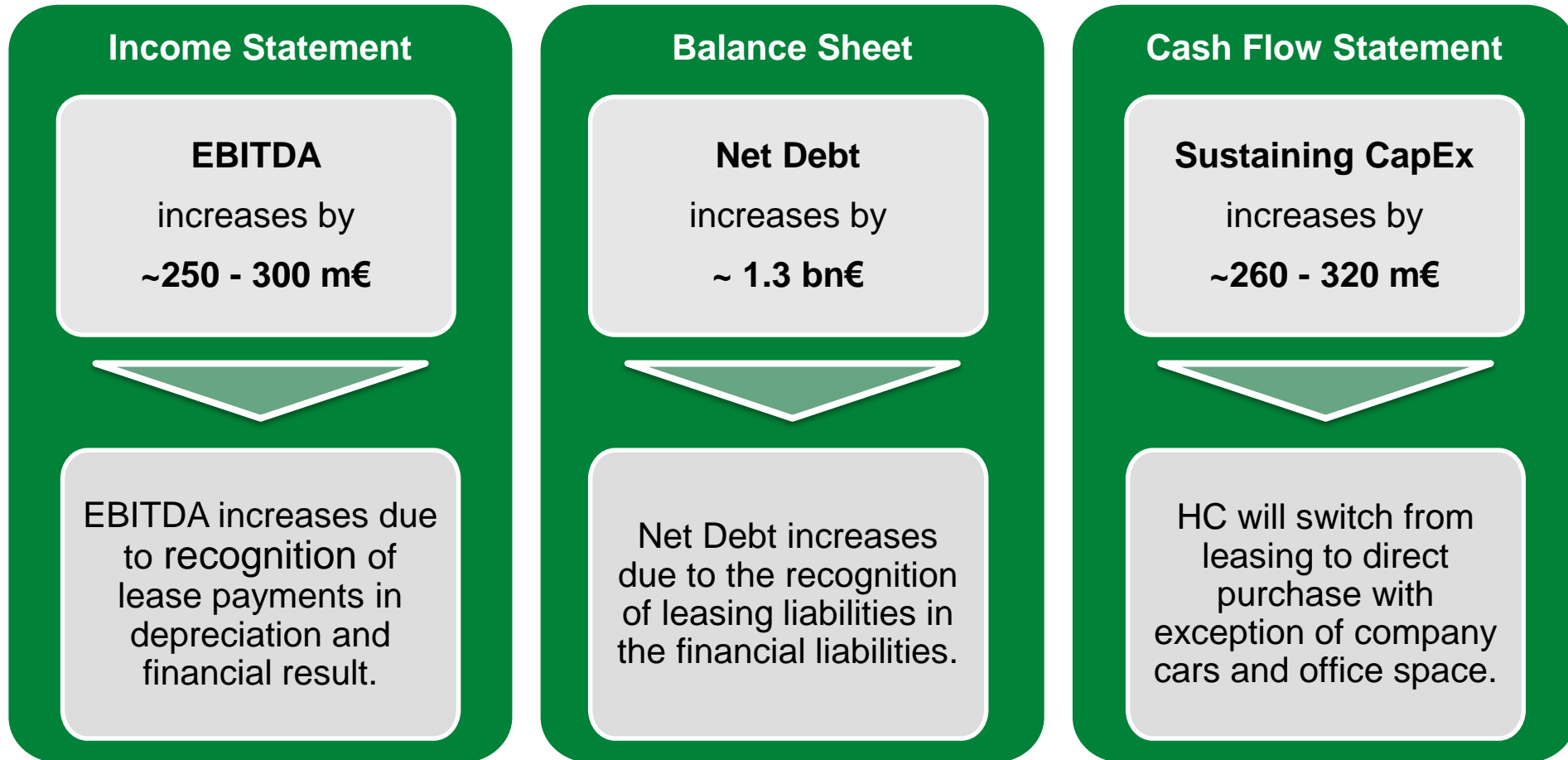
* Net growth CAPEX = Gross growth CAPEX minus disposals.

** Before application of IFRS 16.

Solid results improvement in most regions expected for FY 2019



Estimated impact of application of “IFRS 16 Leases” on FY2019 figures¹⁾



1) Expected impact of IFRS 16 (leases) for full year 2019.

Impact on Net Debt / EBITDA is expected to be an increase of 0.1X - 0.2X

Important dates in 2019

Date	City	Event
26 Sep	Milan	Investor Forum (IR)
07 Nov	London	Q3 Trading Update
07 Nov	London	Analysts Dinner
08 – 13 Nov	US & Europe	Q3 Management Roadshows
03 – 04 Dec	London	Sector Conferences (IR)

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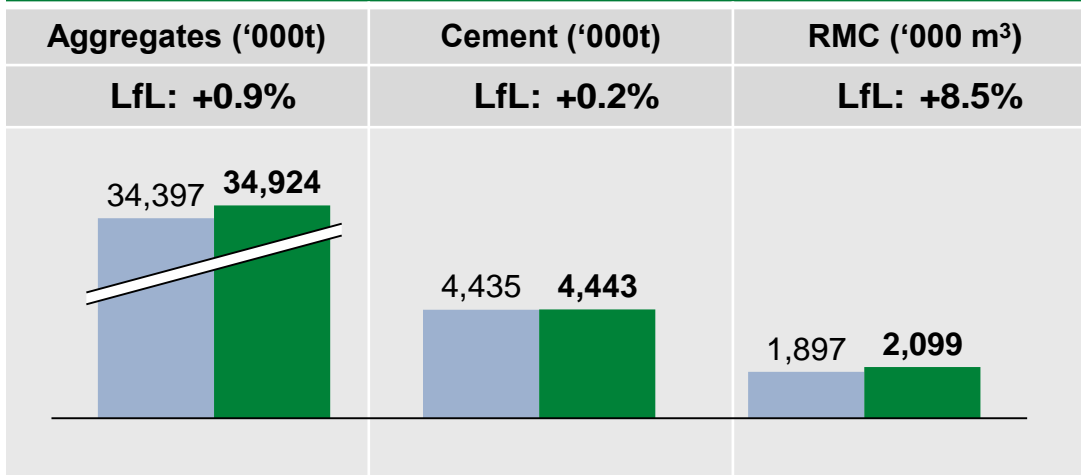
piotr.jelitto@heidelbergcement.com

Appendix

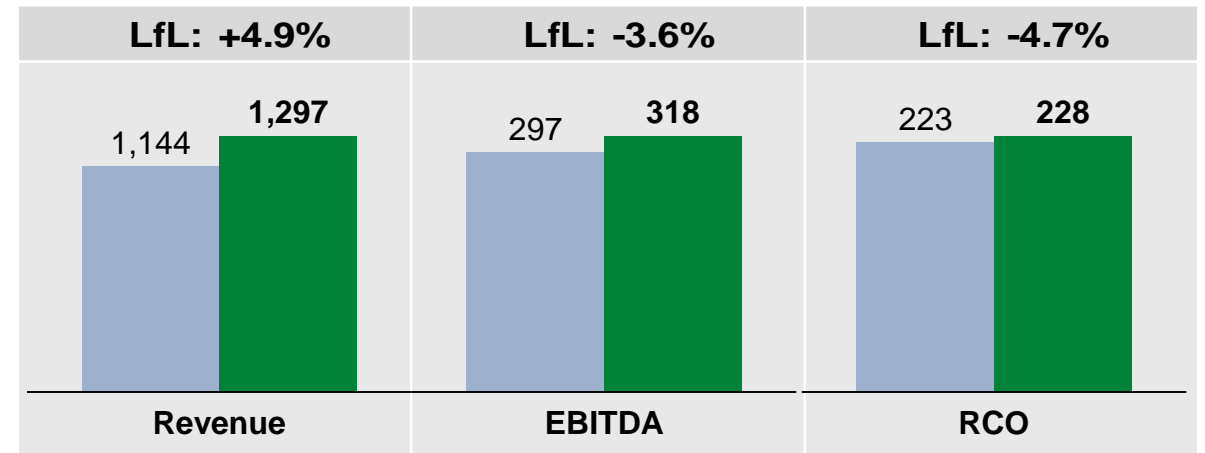
Q2 Market overview

- Positive price development in all business lines.
- Profitability impacted by weather driven delays in key markets.
- Volume growth despite heavy rainfalls in May.
- Overall solid order book with positive price momentum.

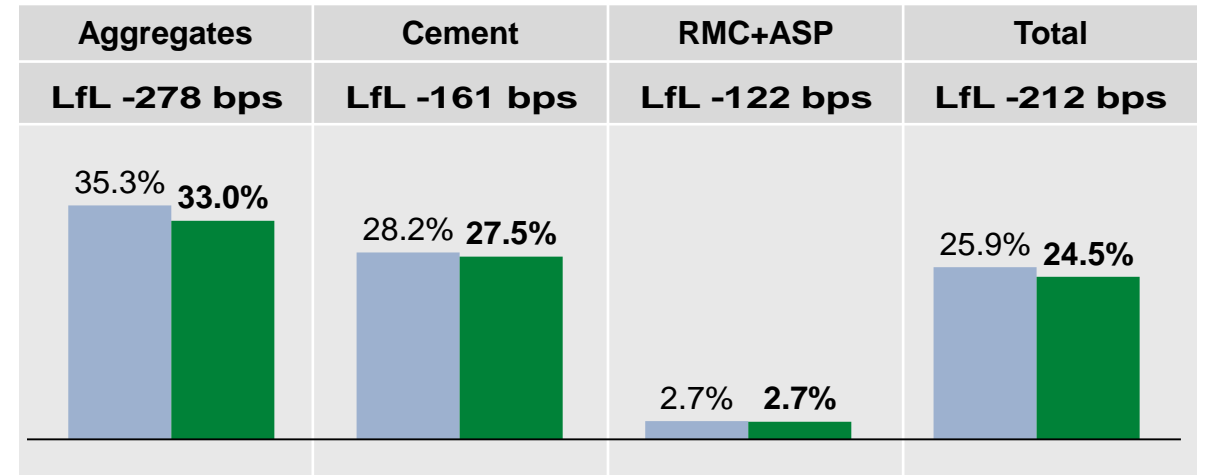
Q2 Volumes



Q2 Operational result (m€)



Q2 Operating EBITDA margin (%)



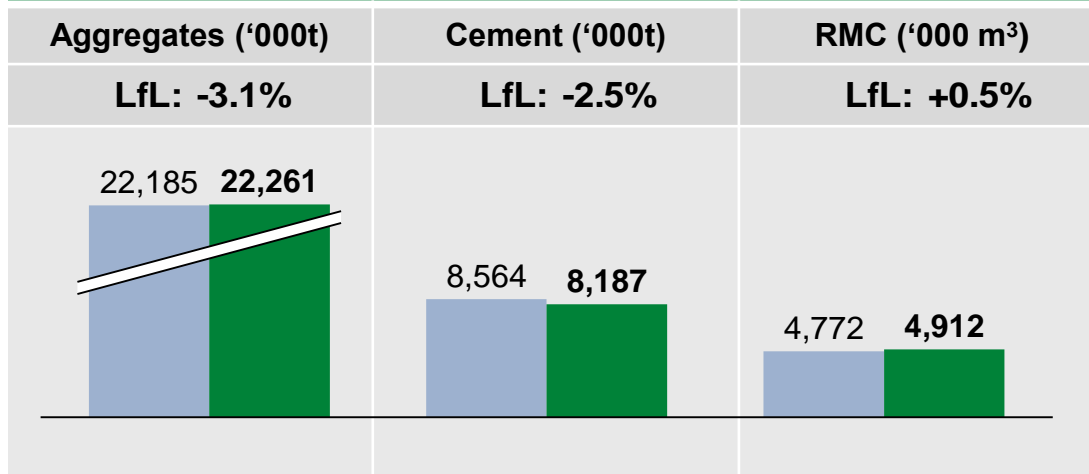
Western and Southern Europe

Q218 Q219

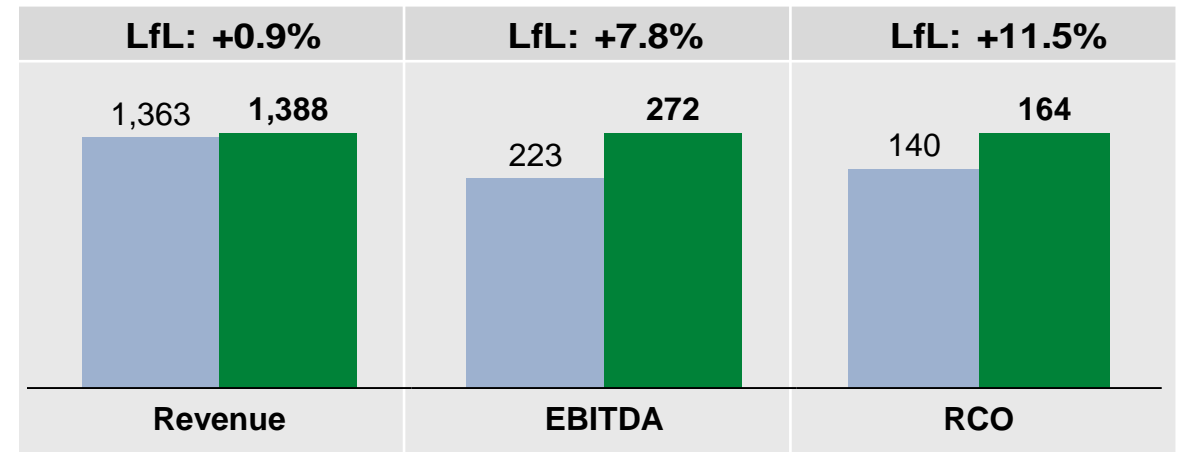
Q2 Market overview

- Margin improvement continues despite lower volumes in the quarter.
- Significant operating leverage driven by strong pricing.
- Cost pressure starting to ease as electricity prices coming to more comparable levels.
- Positive pricing is expected to continue.

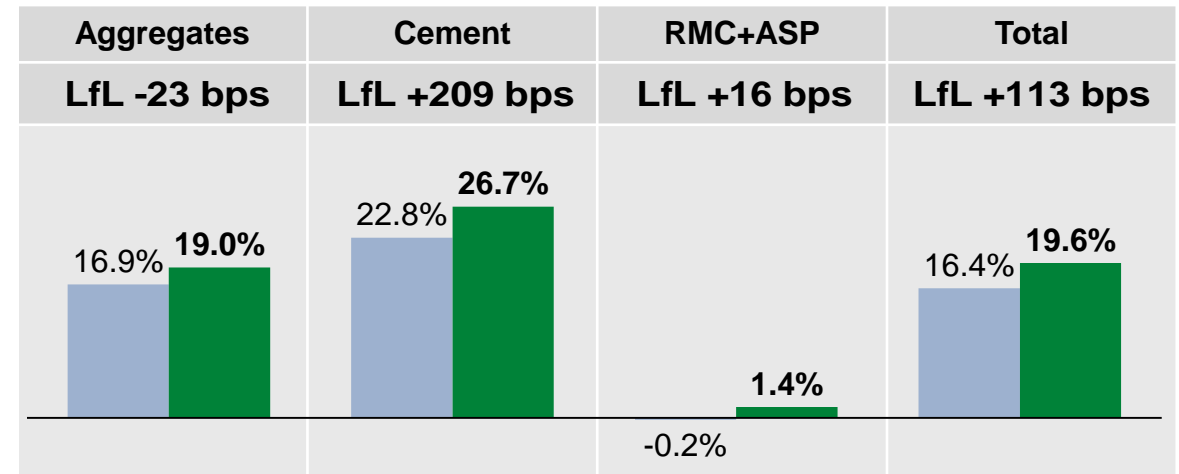
Q2 Volumes



Q2 Operational result (m€)



Q2 Operating EBITDA margin (%)



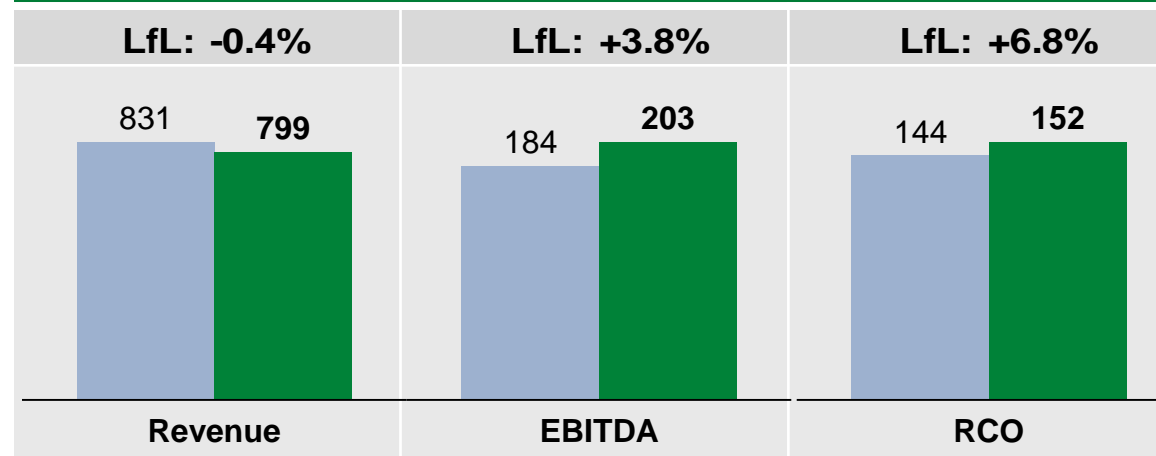
Northern and Eastern Europe - Central Asia

Q218 Q219

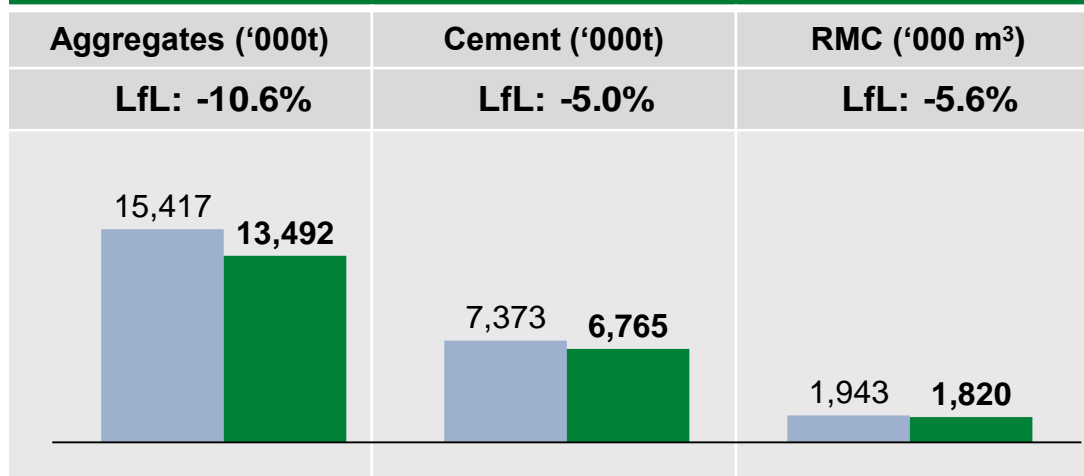
Q2 Market overview

- Solid start in Eastern Europe was offset by volume declines due to a heavy rainfall in May.
- Lower volumes due to delayed infrastructure projects and lower clinker exports in Nordics.
- Strong pricing more than compensated weak volumes and cost inflation. Margin improvement continues.

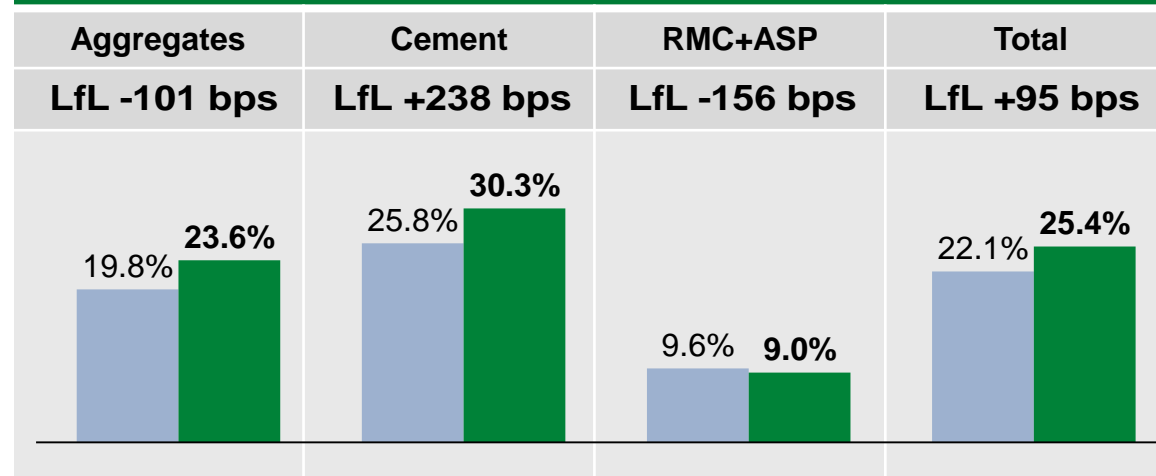
Q2 Operational result (m€)



Q2 Volumes



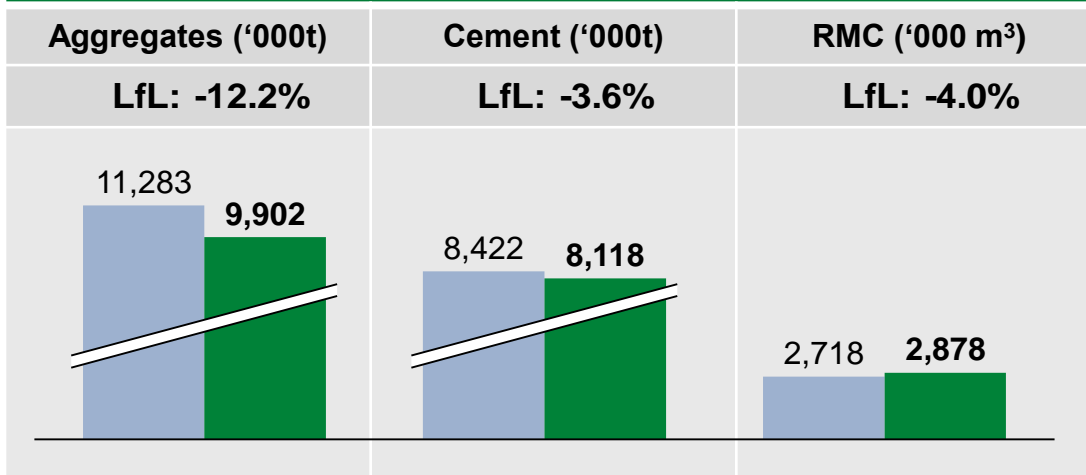
Q2 Operating EBITDA margin (%)



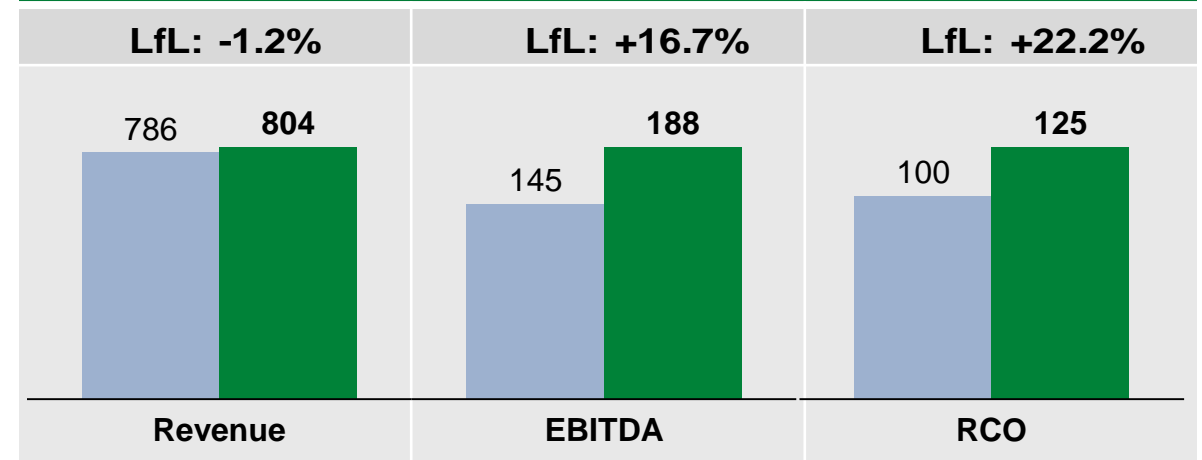
Q2 Market overview

- Solid margin improvement in all business lines.
- New government formations in India, Indonesia and Thailand resulted in lower volume demand in the quarter.
- Further improvement expected as we enter construction season in the region.
- Positive pricing across the region compensates cost inflation.

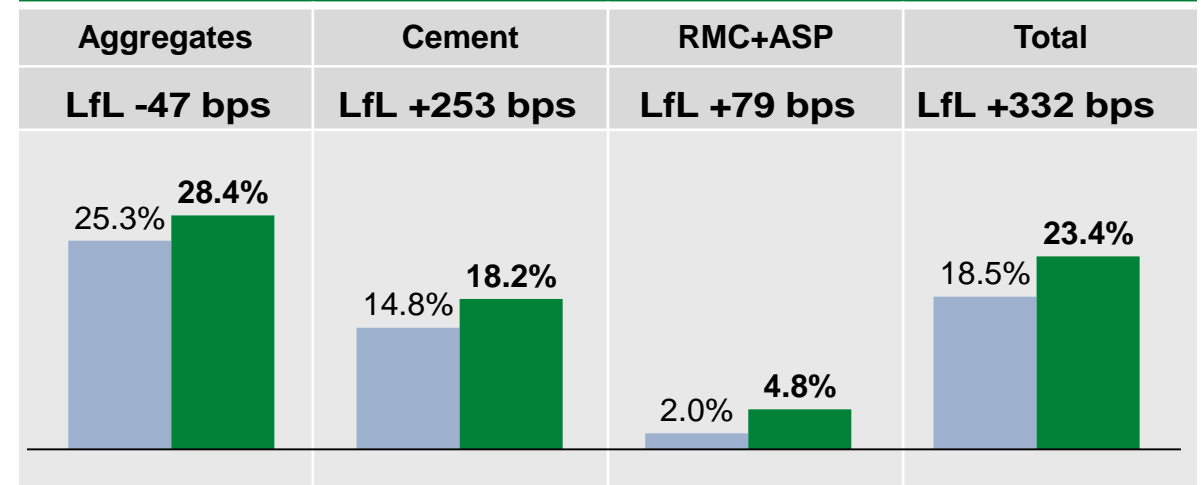
Q2 Volumes



Q2 Operational result (m€)



Q2 Operating EBITDA margin (%)



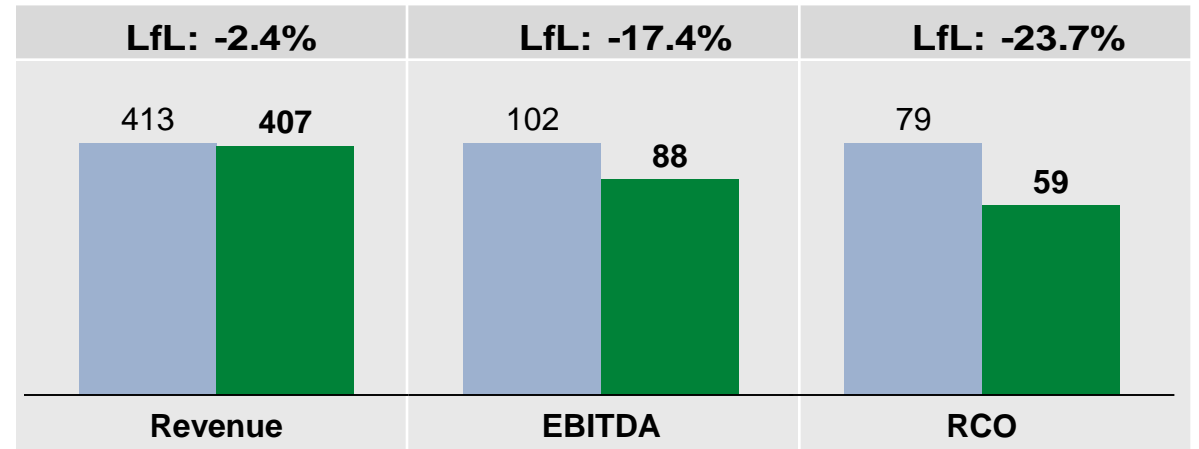
Africa - Eastern Mediterranean Basin

Q218 Q219

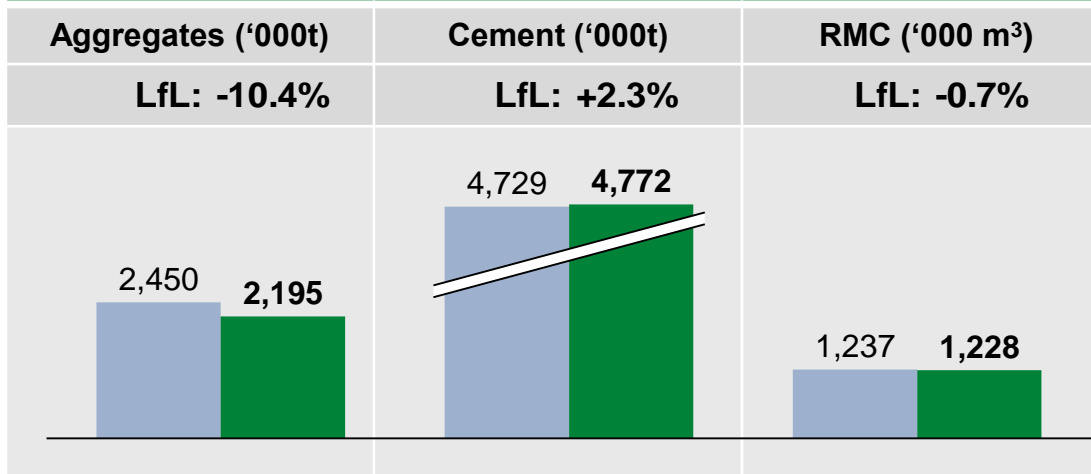
Q2 Market overview

- Morocco and Sub Sahara had a positive development and are expected to be strong.
- Egypt and Turkey under pressure but the impact on the regional EBITDA will be limited going forward.

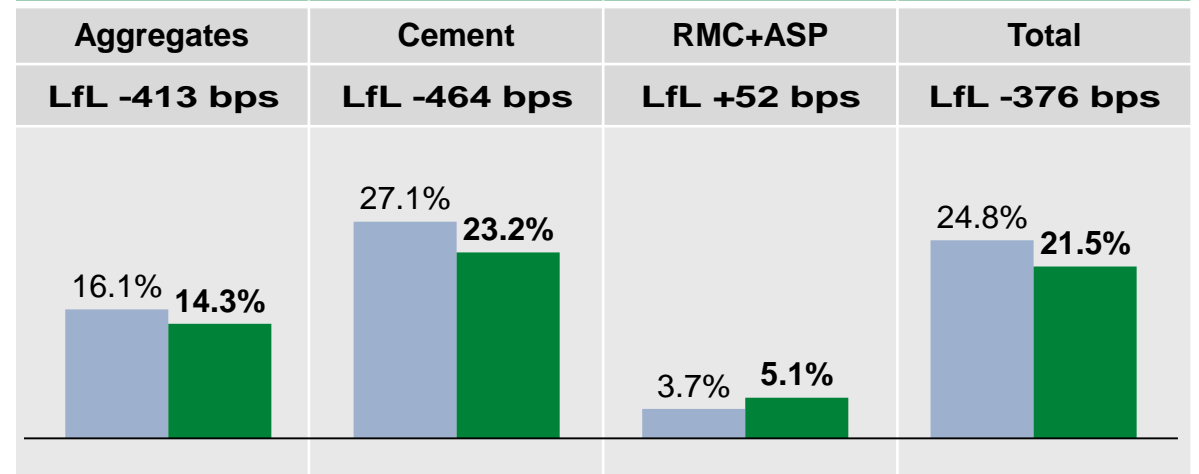
Q2 Operational result (m€)



Q2 Volumes



Q2 Operating EBITDA margin (%)



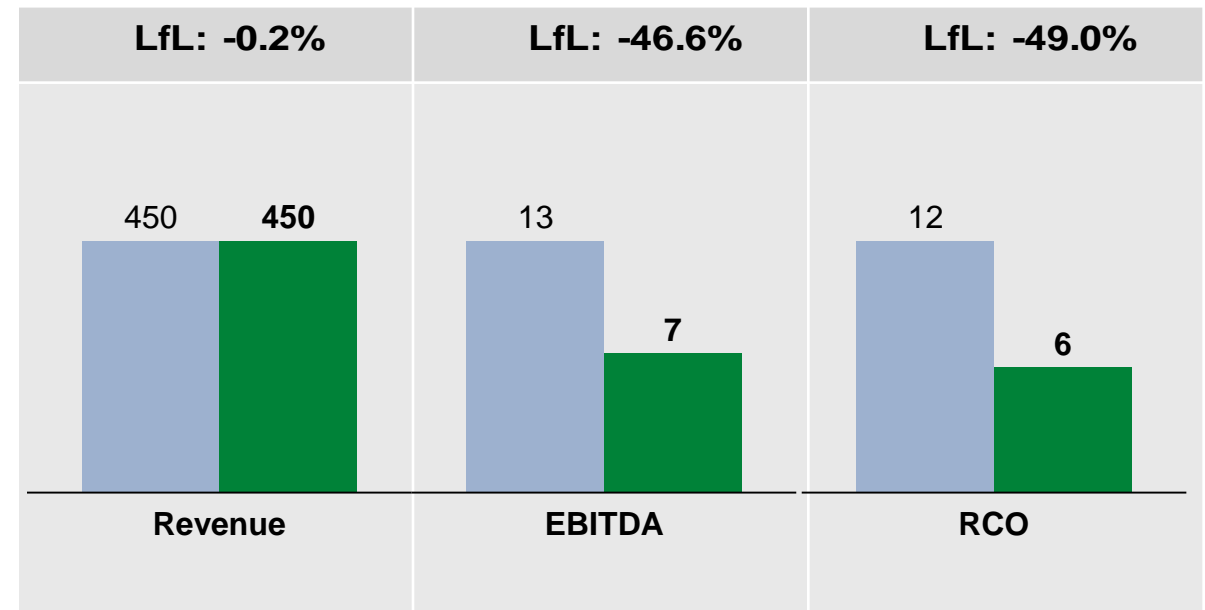
Group Services

■ Q218 ■ Q219

Q2 Market overview

- Trading volume reaches 18.6 million tons.
- Clinker FOB export prices under pressure in both Mediterranean Basin and Asia.
- Significant surplus in major exporter countries, particularly in Turkey and Vietnam.
- Freight market recovery started. IMO's sulphur regulations expected to push freight rates from Q4 onwards.
- Clinker imports to China are increasing. China is becoming one of the largest global importers.

Q2 Operational result (m€)



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Unless otherwise indicated, the financial information provided herein has been prepared under International Financial Reporting Standards (IFRS).

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