HeidelbergCement

Commerzbank German Investment Seminar 2015

12 January 2015

Dr. Bernd Scheifele, Group CEO

Our successful business strategy

- **Strong asset base and excellent product portfolio**
  - World market leader in aggregates: 19 billion tonnes of reserves in attractive markets
  - Very well balanced 128 million tonnes of cement capacity around the globe
  - Strong positions in fast growing metropolitan markets and resource areas
  - Attractive geographical exposure to recovering mature markets such as the US and UK and growing emerging markets like Indonesia and Sub-Saharan Africa
- **Focus on operational efficiency and margin improvement**
  - Successful track record in execution of Group programs and overachieving targets
- **Consistent value creating strategy of deleveraging and targeted investments in attractive growth markets**
  - Continued financial discipline
  - Target to return to investment grade credit metrics (net debt / EBITDA < 2.8x)
  - Focused growth investments in cement in attractive emerging markets

Significant progress in disposal program

- **Building Products division disposed for 1.4 billion USD**
  - In line with initially announced expectations
  - Strong USD currency further increases the value in EUR terms
  - Transaction to be finalised in the first quarter of 2015

- **Huge step towards Investment Grade in 2015**
  - Net debt significantly down by around 1.1 billion EUR
  - Net debt / EBITDA clearly below strategic target of 2.8X

- **Other announced disposal projects further improve financial strength**
  - Property sale in Stockholm for about 115 million EUR (due in 2017)
  - Sale of lime business in Germany to be completed in Q1 2015

Decreasing oil price: a further decrease of the oil price will have a huge – yet difficult to anticipate – impact on the world economy

Potential impact of a further decrease of the oil price

Direct impact	A decrease of the oil price by $60 shifts 2.0 trillion USD from oil producers to oil consumers	**(Net) oil consumers** (e. g. USA, Euro area, India, Turkey, Japan) • More private consumption • Increase in GDP **(Net) oil producers** (z. B. Saudi-Arabia, Russia, Venezuela, Norway, Canada) • Less income for the state • Danger of recession

Indirect impact

Especially in the case of the US there will be a strong macroeconomic impact which is difficult to anticipate

Potential impacts:

1. Lower oil price increases disposable income of the consumers
2. Increased consumption leads to investment (mainly in the service sector) and growth
3. Stronger growth and lower unemployment could lead to an earlier increase in interest rates by the FED
4. Rise in interest rates in the US causes capital from emerging markets to flow back to the US
5. Appreciation of the USD and depreciation of emerging markets' currencies

HEIDELBERGCEMENT

Decreasing oil price: a low or even further decreasing oil price brings chances and risk for HC

+ HC can benefit in many respects from a decreasing oil price…

Lower energy costs

- HC spends on energy ca. 1.5 bn € per year, thereof ca. 250 Mio. € directly for oil and diesel
- A decrease in energy prices has a direct positive impact on the cost side for HC

Positive impact on growth in oil importing countries

- Core HC-countries benefit trough the low oil price (e. g. US, Euro area, India, Indonesia, Turkey)
- Lower spending on oil can have a direct positive impact on HC through higher spending on infrastructure or indirect through a general increase of economic growth

– … yet it brings also considerable risks

Less projects in the oil industry

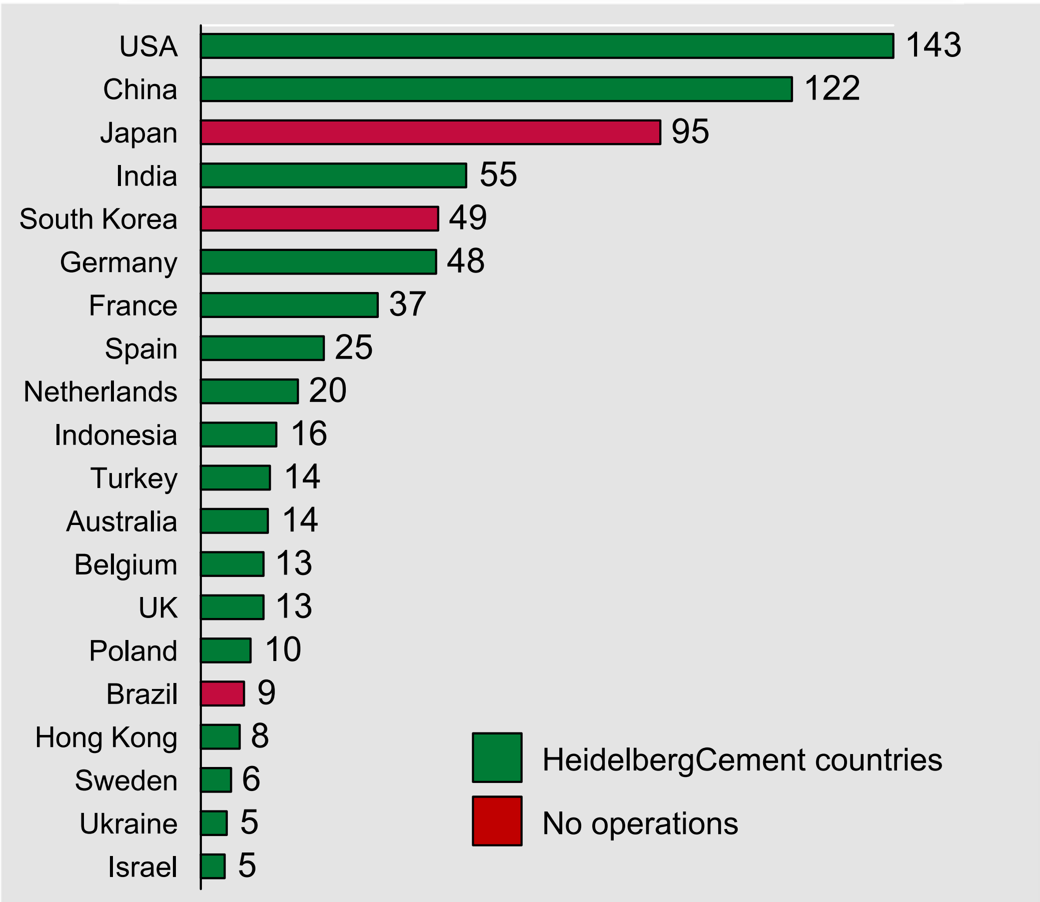
- Due to the low oil price it is not economical to start new projects
- This has a direct impact on HC in regions which depend heavily on the oil industry, e. g. Western Canada (oil sand), Texas (fracking) or Kazakhstan (Kazakh Oil Field)

Reduction of governmental infrastructure spending (due to lower income)

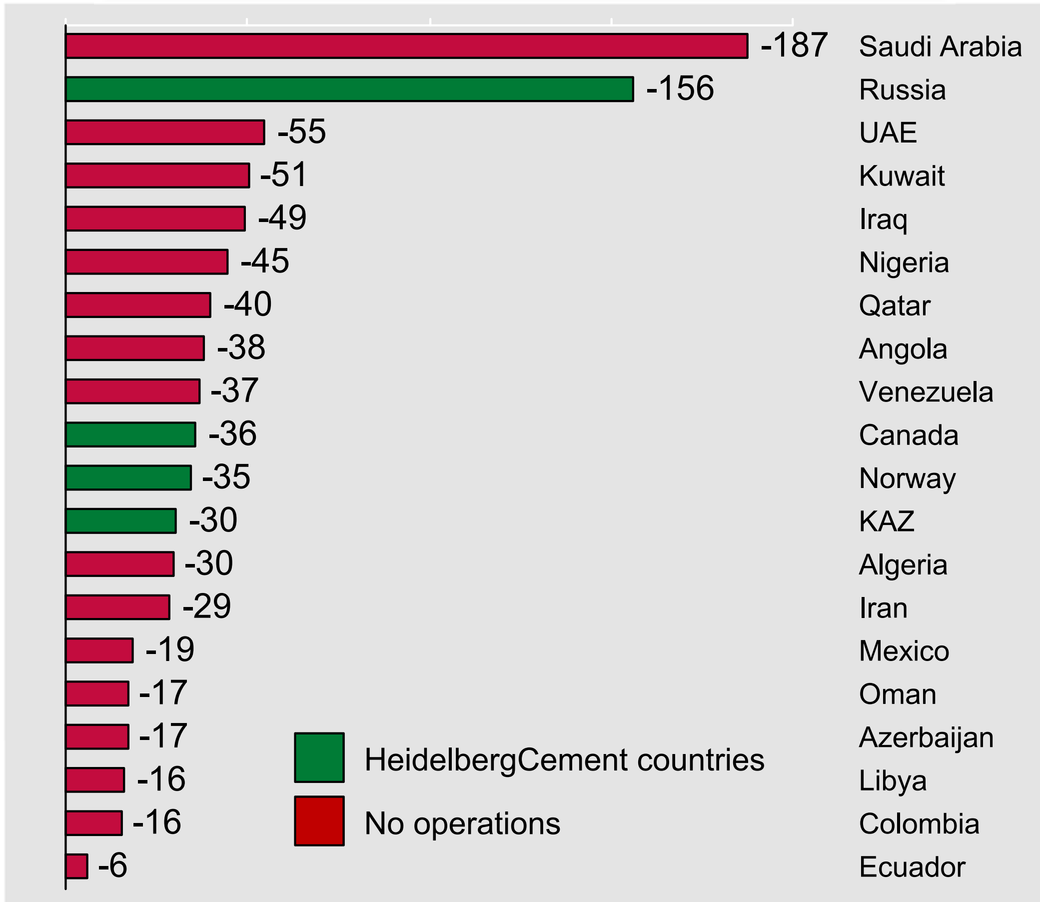
- Moderate risk in Canada and Norway
- High risk in Russia and Kazakhstan

Impact of oil price drop in HeidelbergCement countries

Estimated annual savings on net oil imports by an oil price reduction of USD 60 per barrel (USD bn) (*)



Estimated decrease of net oil exports by an oil price reduction of USD 60 per barrel (USD bn) (*)



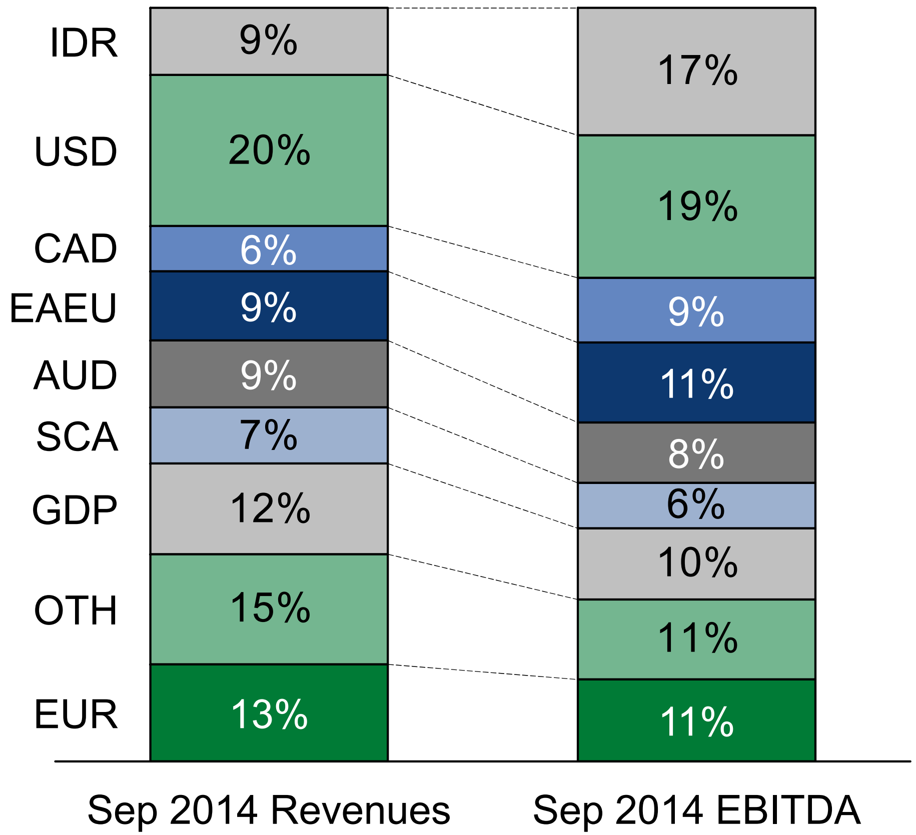
HC countries to benefit from a reduced oil price through net imports account for ~80% of HC‘s gross sales and ~86% of EBITDA

(*) Assuming 2013 trade volumes and 360 trading days. Focus on Petroleum trade only and not on domestic oil production.
Source of export/import volumes: US Energy Information Administration (EIA)

HEIDELBERGCEMENT

EUR weakness; impact on HeidelbergCement

HeidelbergCement generates 87% of revenues and 89% of EBITDA outside EUR zone



10 % depreciation of EUR would lead to (*):

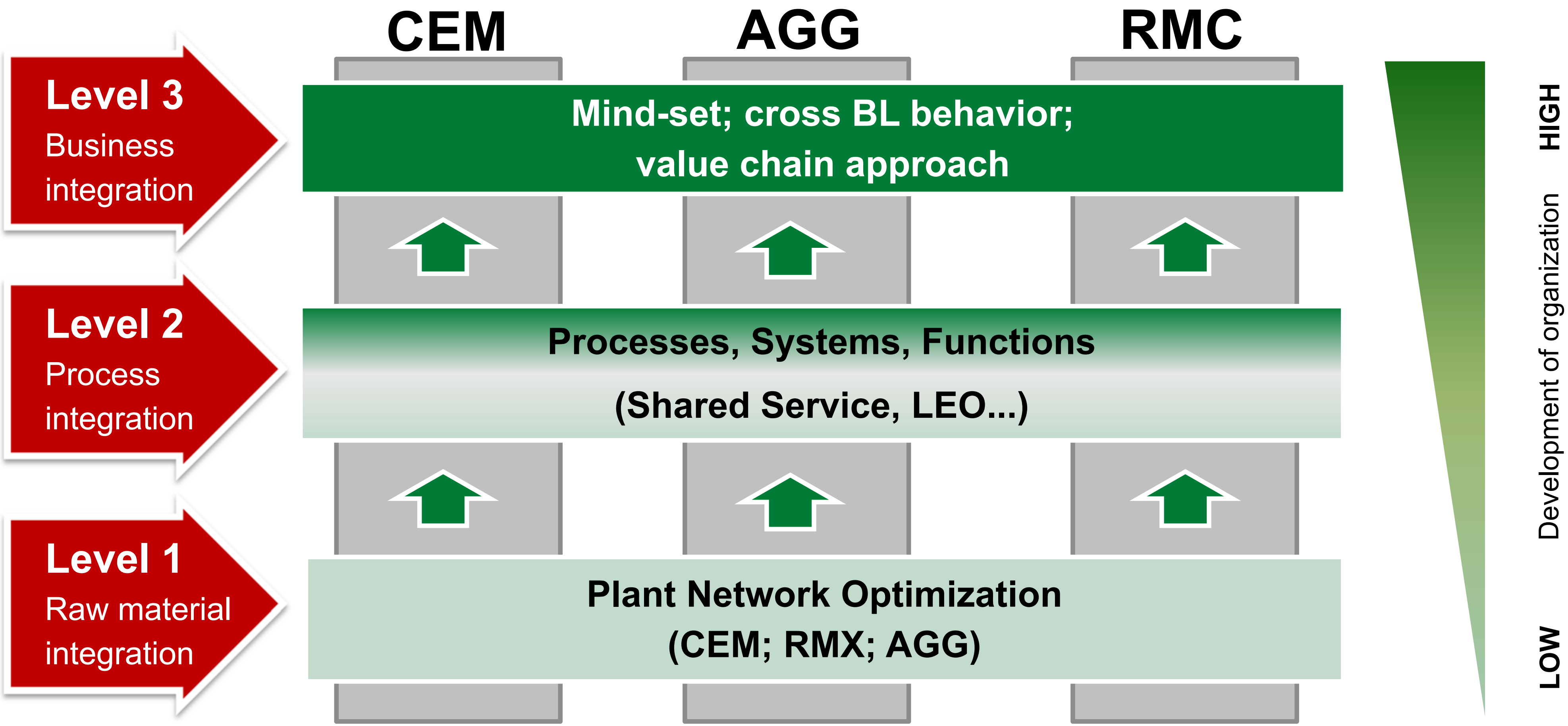
- **9% increase in EBITDA**
- **3% decrease in Net Debt**
- **0.3X decrease in leverage**

Significant tailwind in 2015 as EUR continues to depreciate against other currencies

(*) Based on September 2014 figures

HEIDELBERGCEMENT

Integrated market approach is the key value driver in our industry



Management of business lines not as stand alone businesses, but as across business lines management behaviour

HEIDELBERGCEMENT

Contents

		Page
1.	Strengths	10
2.	Dual strategy of deleveraging and growth	20
3.	Q3 results	28
4.	Outlook 2014 & management focus	34

HeidelbergCement at a glance

One of the largest building materials companies worldwide with FY 2013:

- **Revenues €13bn***
- **Operating EBITDA €2.3bn***

World number 1 in Aggregates

- 19 billion ton reserves in more than 500 quarries
- Located in key urban areas in US, UK, Australia
- Market leading operational performance

Excellent footprint in Cement

- 128 million ton cement capacity in 33 countries
- 71 integrated plants, 27 grinding facilities, 141 cement terminals
- Strong operating leverage in recovery markets

Fully integrated RMC business

- World's 2nd biggest RMC operations with more than 1,300 plants around the globe
- Continuously improving operating performance driven by logistics initiatives

One of the biggest Trading services

- International "trade arm" with offices in Dubai, Istanbul, Malta, Shanghai and Singapore
- 20 million ton trade volume per year

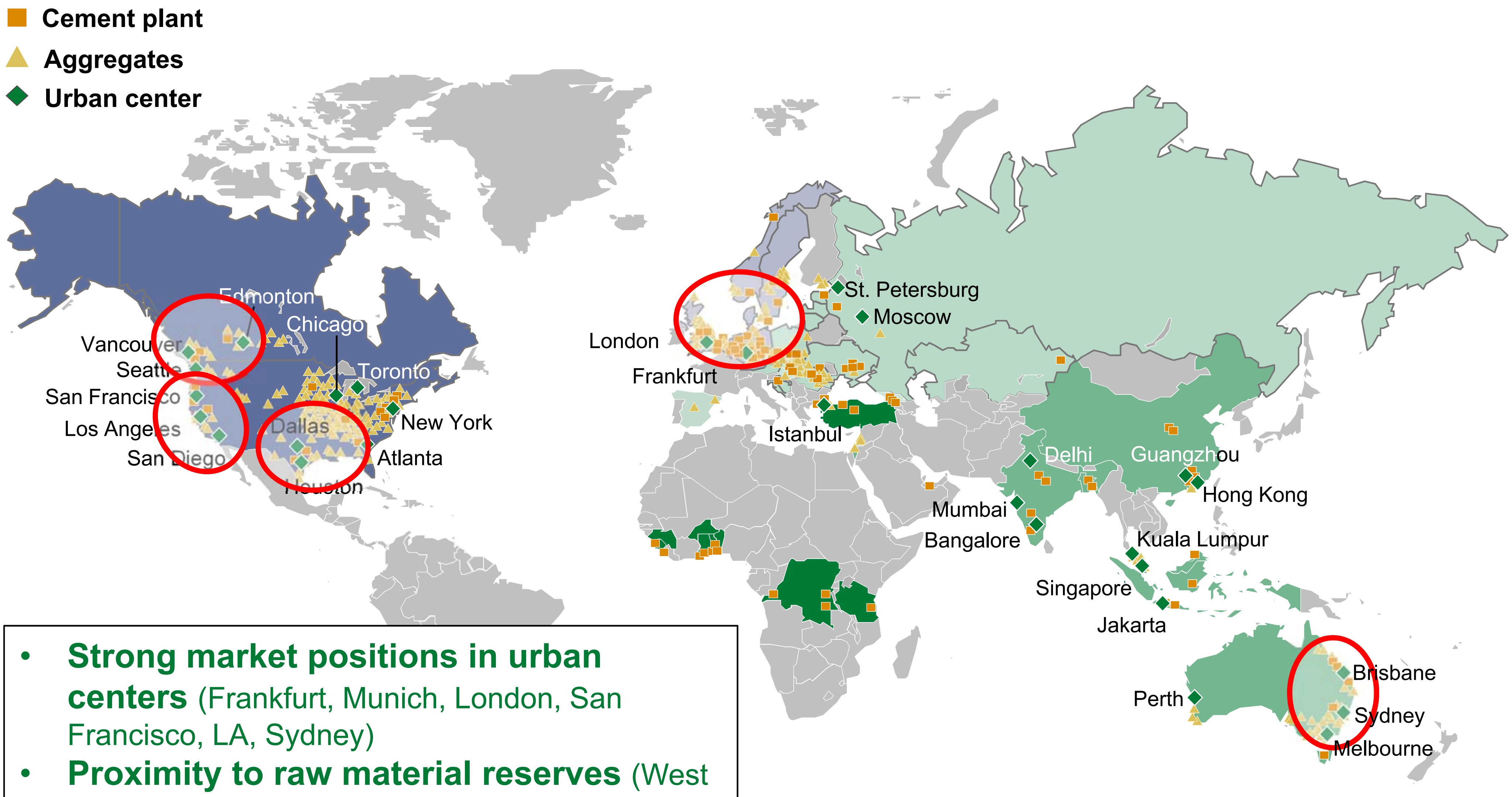
Best positioned international company in the sector with unique footprint and significant future potential

**) Restated for first-time application of IFRS 10 and 11*

HEIDELBERGCEMENT

Benefitting from excellent footprint in the best micro markets

Exposure to accelerating, growing mature markets ….



- **Strong market positions in urban centers** (Frankfurt, Munich, London, San Francisco, LA, Sydney)
- **Proximity to raw material reserves** (West Canada, Texas, Norway)

HEIDELBERGCEMENT

United States and United Kingdom recovery continues

U.S. recovery: HC uniquely positioned to take advantage

- **8% U.S. cement demand growth in 2014** and CAGR of 9% 2014-17 forecasted by PCA
- **Still potential to ramp up production:** HC capacity utilization of ~80%[1] in NAM 2013
- **Extensive network of import terminals** with market-leading profitability to take advantage of longer term recovery
- **Aggregates volume recovery potential** (volumes still near trough); reserve position of 13bn tons in North America
- **Substantial tax shield** → drop through from EBITDA to cash

U.K. recovery: HC with fully integrated market position

- **Very low cement consumption per capita** (<200kg) for several years → structural need for cement consumption growth
- **Residential demand driving short-term recovery**
- **Major infrastructure projects drive mid-term growth** e.g. Hinkley Point C nuclear power station, Crossrail, HS2 – high speed rail link London-Birmingham-Manchester-Leeds
- **HC with fully vertically integrated position** in cement, aggregates, ready-mixed concrete and asphalt (together ~10% of group revenues)
- **Substantial tax shield** → drop through from EBITDA to cash

1) Operational capacity based on 80% calendar time utilization

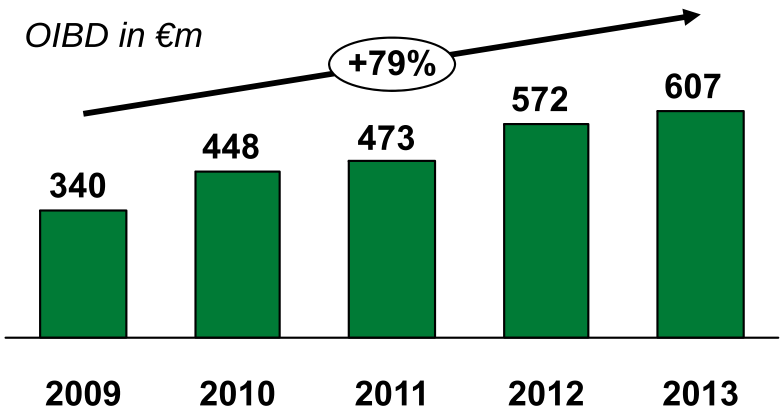
HEIDELBERGCEMENT

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**

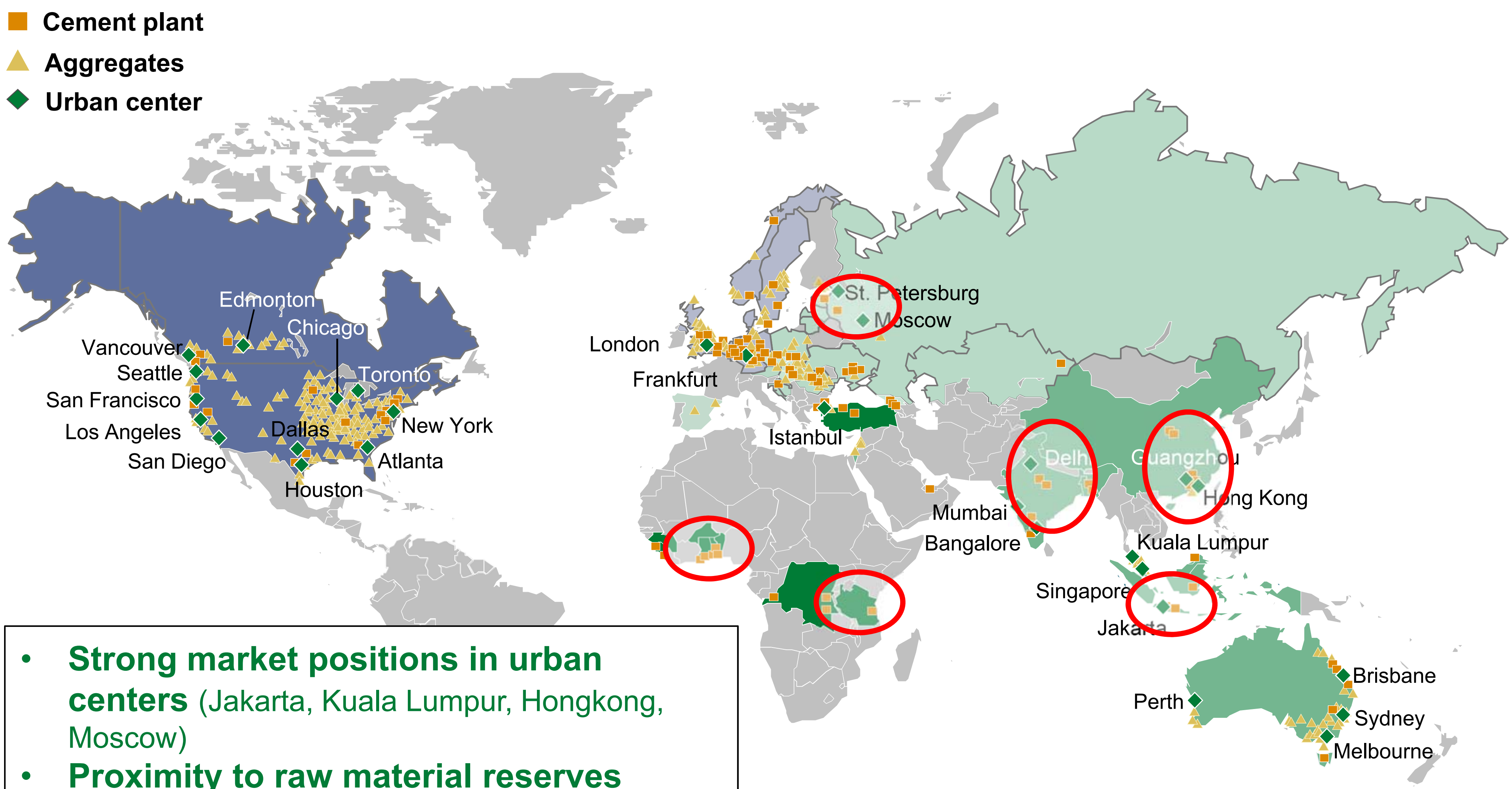
* Simplified example calculation for explanatory purposes only.

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

HEIDELBERGCEMENT

Benefitting from excellent footprint in the best micro markets

Strong market position in fast growing emerging markets



- **Strong market positions in urban centers** (Jakarta, Kuala Lumpur, Hongkong, Moscow)
- **Proximity to raw material reserves** (Ghana, Tanzania, DRC)

HEIDELBERGCEMENT

Indonesia – market dynamics

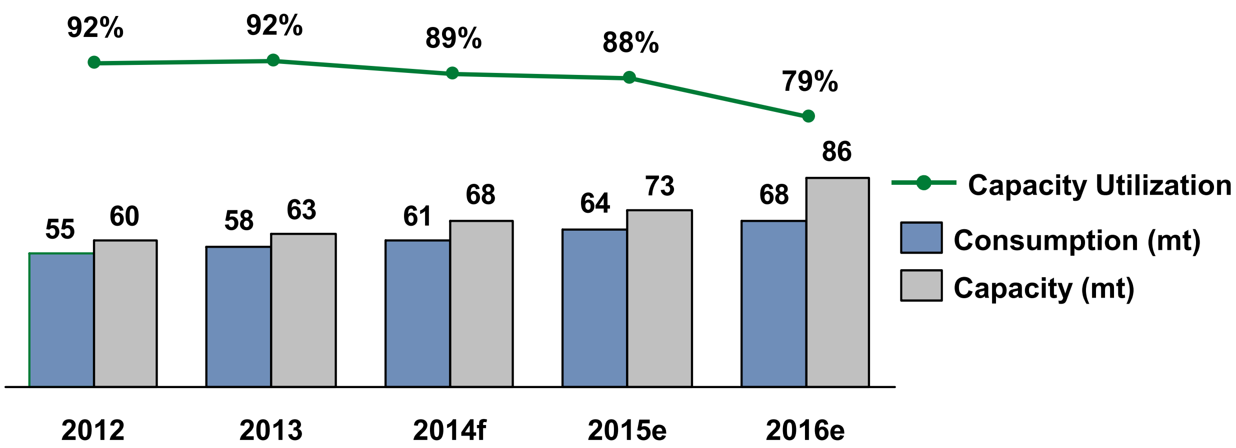
Demand potential intact post elections

- Worldwide 4th largest population (~ 250 M) -> significant domestic demand
- GDP CAGR ~6% for 2014 - 2018 expected
- Significant upside for cement consumption: ~230 kg/capita (VN ~500kg, SIN > 1,000kg)
- Large infrastructure projects (road, rail, harbour, airport) support demand

Near term supply growth limited

- Significant entry barriers for new players
  - Land ownership, permitting process
  - Resistance from local communities
  - Distribution, brand recognition
- Weak currency makes imports less attractive

6% consumption growth scenario (*)



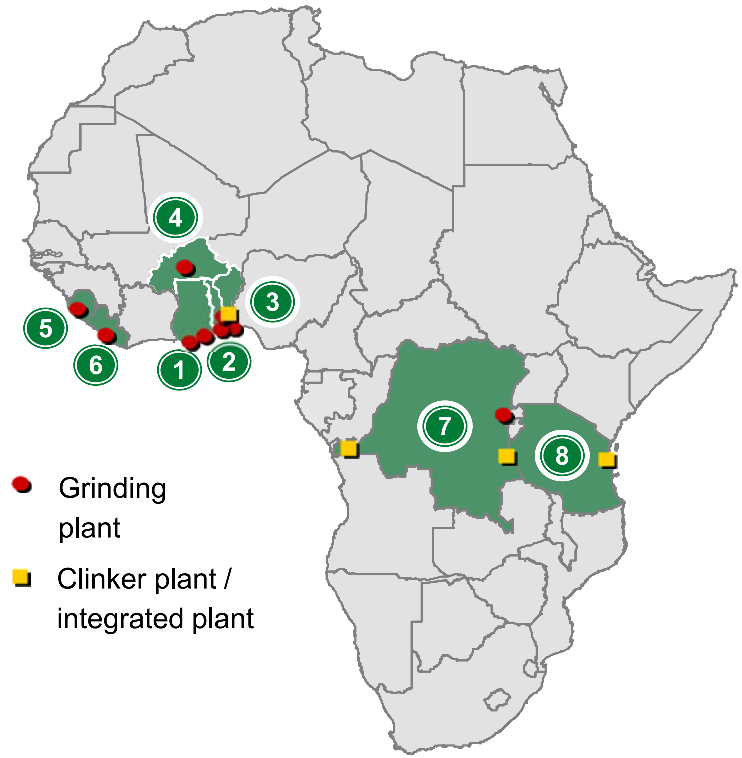
- **Actively working on margin improvement**
  - Increase use of our captive power plant to limit the electricity cost inflation
  - Price increases
- **Rupiah depreciation impact to disappear on USD-linked purchases (coal)**

Supply and demand balanced until at least 2016; margin protection key focus

Source: IMF October 2013, Cement Association Indonesia, competitor announcements, own estimates
(*) 2014: 4.5%; 2015/16: 6%

HEIDELBERGCEMENT

Strong presence in Sub-Saharan Africa



1 Ghana (Ghacem)
2 Togo (Cimtogo, Scantogo*, Fortia)
3 Benin (Cimbenin)
4 Burkina Faso (Cimburkina*)
5 Sierra Leone (Leocem)
6 Liberia (Cemenco)
7 DRC (Cilu, Interlacs)
8 Tanzania (TPCC)

- **Strong underlying fundamentals:**
  - **More than 900m people living in SSA (North Africa ~200m)**
  - **Cement consumption <100 kg per capita (N. Africa ~600kg)**
  - **Attractive raw material reserves drive economic growth**
- **Significant HC presence:**
  - **13 cement plants in 8 countries**
  - **Total cement capacity of > 8mt**

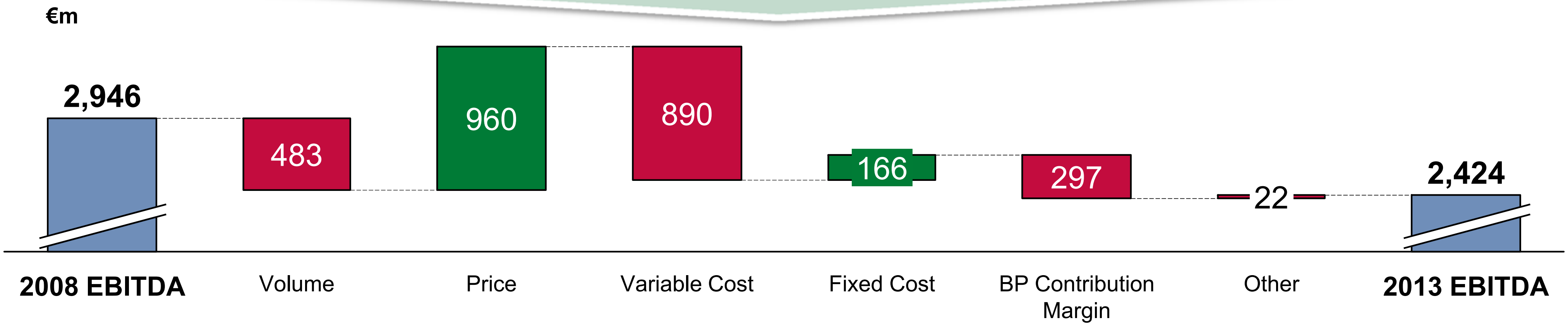
Strong network in Sub-Saharan Africa; Ghana and Tanzania are main markets

* under construction

HEIDELBERGCEMENT

Past, present, future

What happened since the crisis



Where we stand now

- 23 mt more cement capacity; 15,000 less FTE
- Significantly improved operating leverage
- Further vertically integrated business
- €4bn lower Net Debt level
- Strong liquidity
- Market leading cost structure

Future

Company in a much better shape ➔ Significant potential to exceed 2008

(*) Volume, price and variable costs are for core business lines, based on LfL values (excluding currency and consolidation).
(**) Other includes currency, consolidation impacts and other income/charges.

HEIDELBERGCEMENT

Improving operating performance became part of business

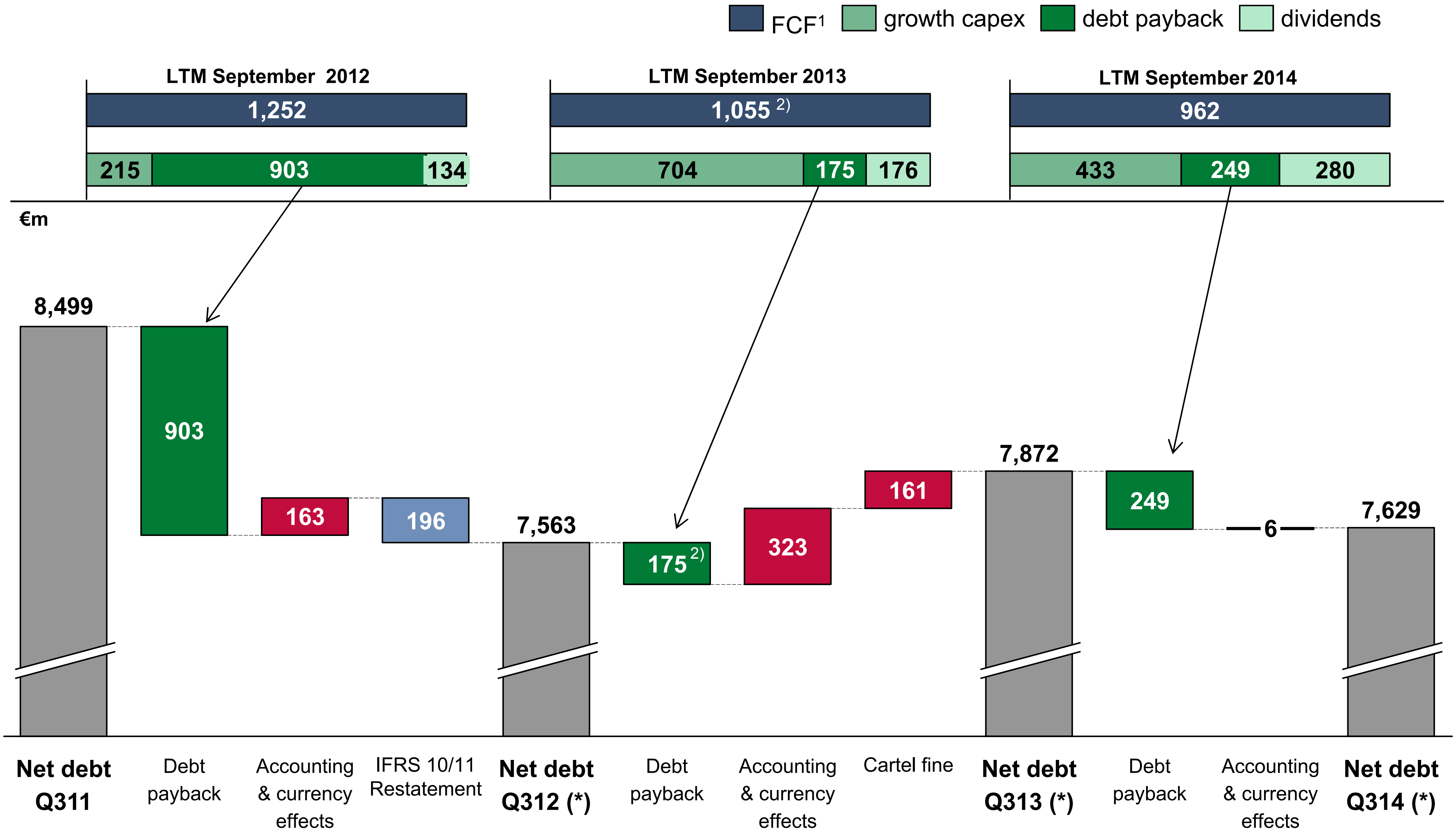
Program	2009	2010	2011	2012	2013	2014	FOCUS
FITNESS	■	■					• Operational improvements • Business rightsizing • Capacity reduction
FITNESS PLUS		■	■	■			• Further cost structure improvement • Production optimization • Process engineering
FOX 2013			■	■	■	■	• Cement operational excellence • Aggregates quarry optimization • Working capital management
PERFORM					■	■ →	• Sales excellence in cement • Sales excellence in RMC
CLIMB Commercial					■	■ →	• Sales excellence in aggregates
LEO					■	■ →	• Supply Chain Management and logistics optimization
CEP						■ →	(Customer Excellence Program) • Develop superior customer relationship management as competitive advantage
CIP						■ →	(Continuous Improvement Program) • Make continuous efficiency improvement part of Group culture

HEIDELBERGCEMENT

Contents

	Page
1. Strengths	10
2. Dual strategy of deleveraging and growth	**20**
3. Q3 results	28
4. Outlook 2014 & management focus	34

Dual strategy of deleveraging and growth: usage of free cash flow (1)

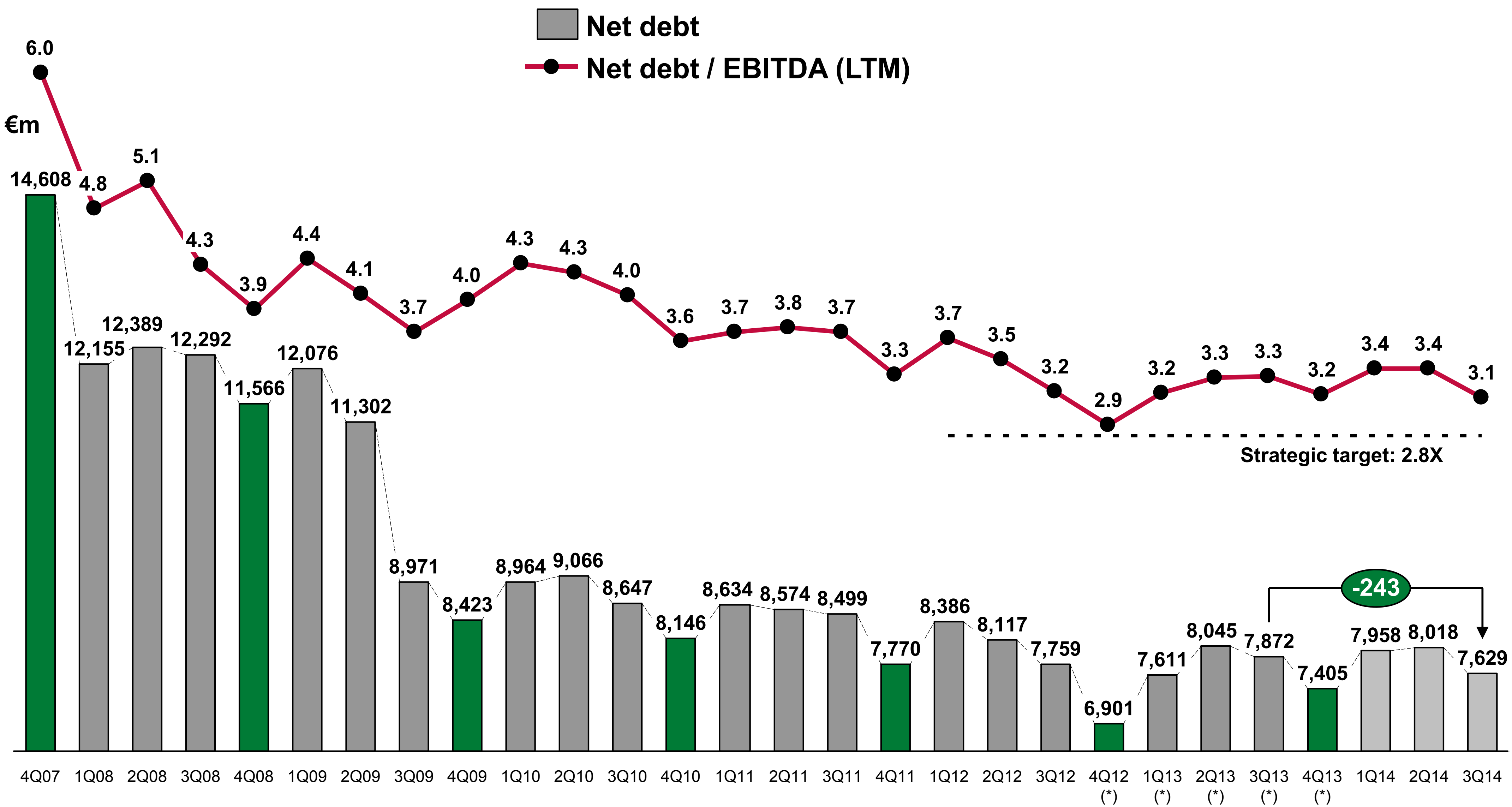


(*) 2013 values are restated due to the change in IFRS 10 &11.

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

2) Before cartel fine payment.

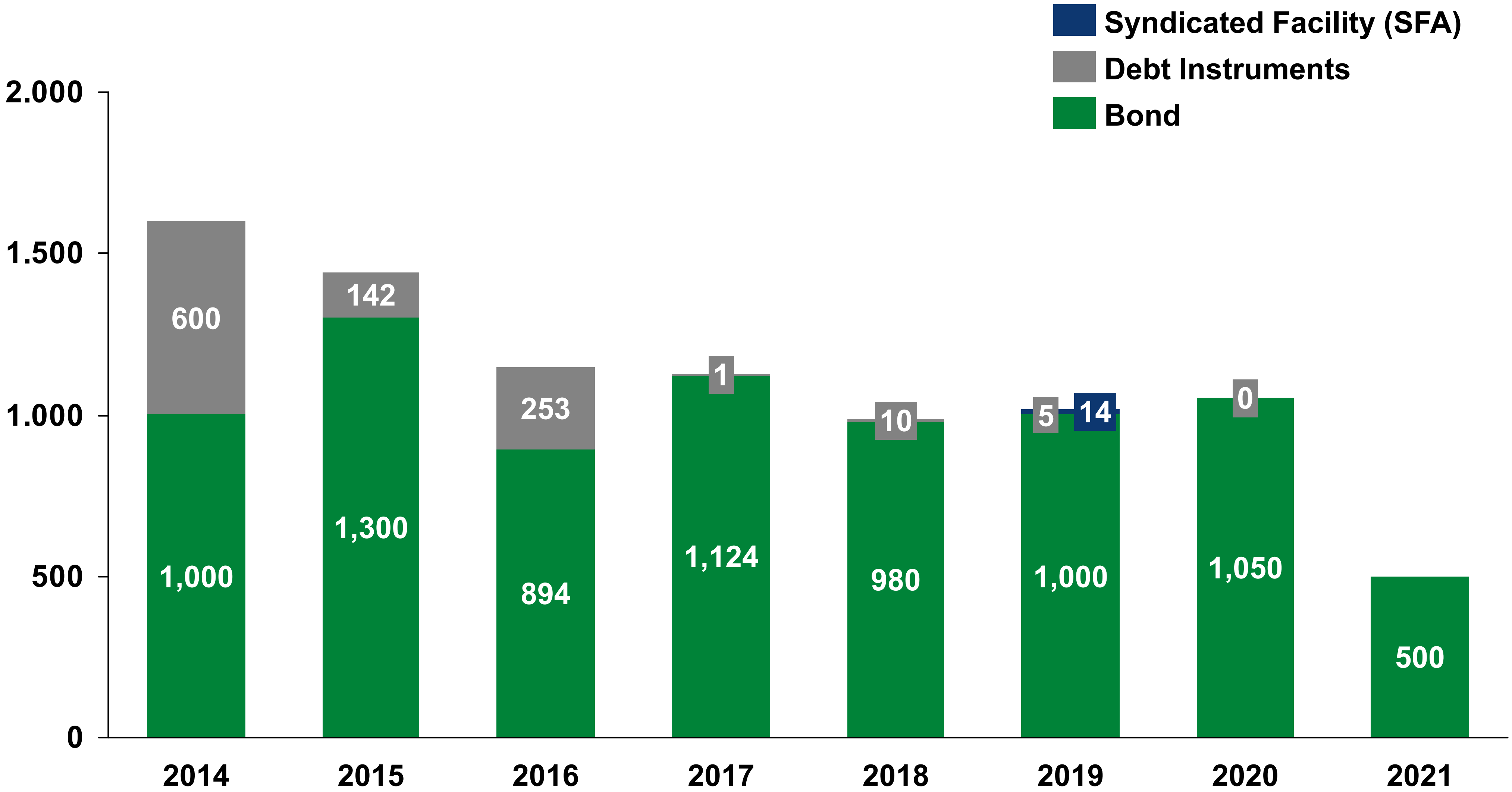
Continued focus on deleveraging



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

Debt maturity profile

as at 30 September 2014 in €m

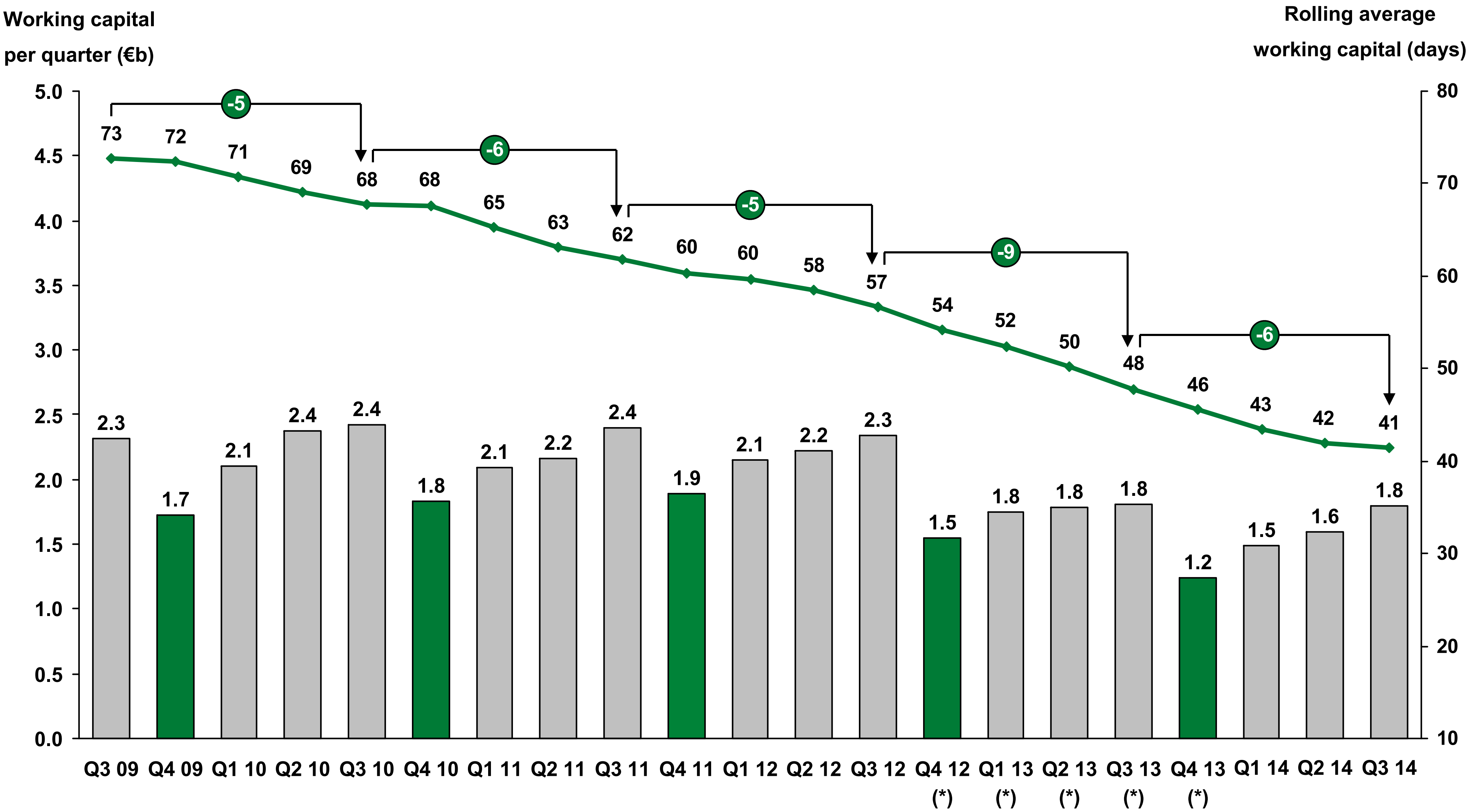


-Excluding reconciliation adjustments with a total amount of €m 32.3 (transaction costs to be amortized over the term of the SFA, issue prices and fair value adjustments)

-Excluding puttable minorities with a total amount of €m 20.8

HEIDELBERGCEMENT

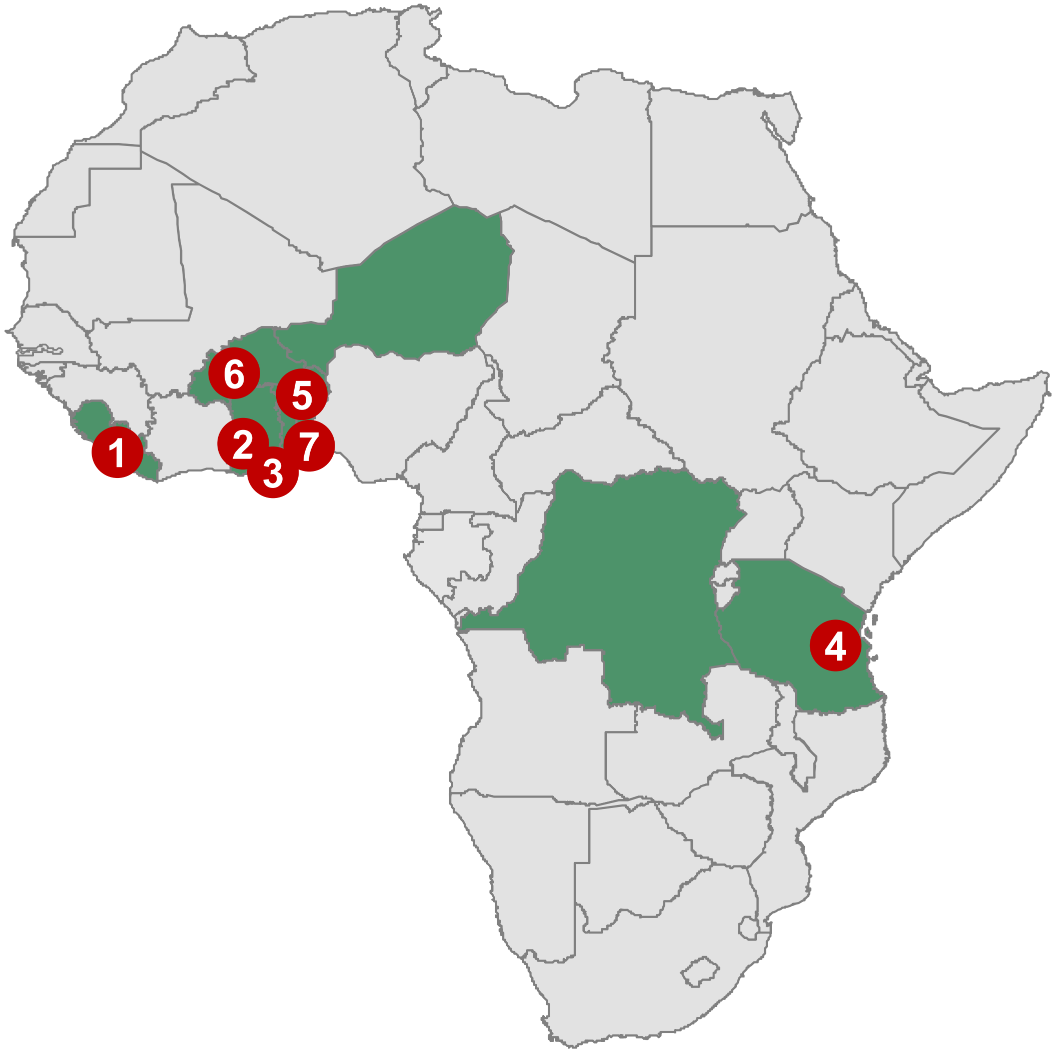
Active management of asset base supports deleveraging



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

HEIDELBERGCEMENT

Continue to grow in most attractive markets of Sub-Saharan Africa



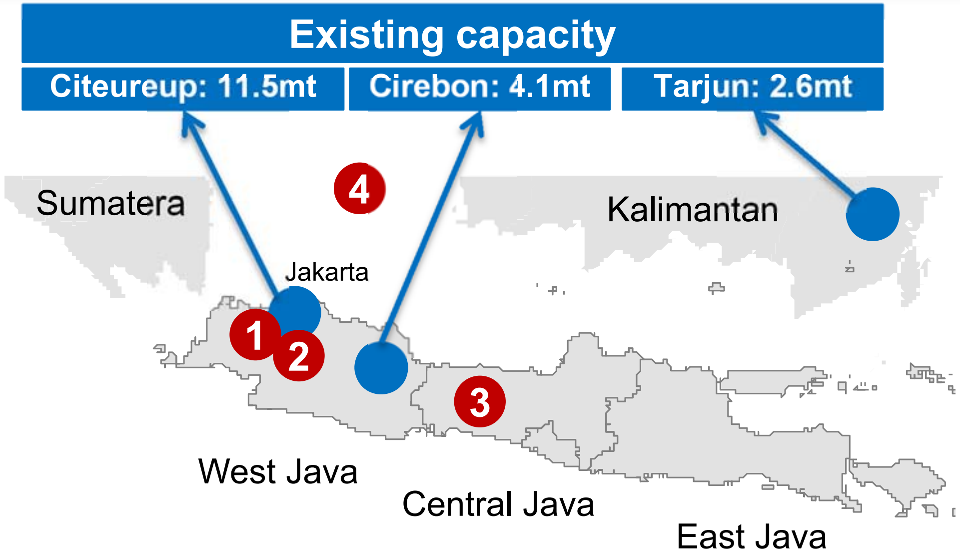
	Country	Type	Cap.	Date	Cost
1	Liberia ✔	Brown Field	0.5 mt	2013	22 €/t
2	Ghana ✔	Brown Field	1.0 mt	2013	15 €/t
3	Ghana	Brown Field	0.8 mt	2014	31 €/t
4	Tanzania ✔	Brown Field	0.7 mt	2014	33 €/t
5	Togo (*clinker*)	Green Field	1.5 mt	2014	115 €/t
6	Burkina Faso	Green Field	0.7 mt	2014	59 €/t
7	Togo	Green Field	0.25 mt	2016	55 €/t

Over 5 million tonnes capacity with market leading efficient CapEx values

HEIDELBERGCEMENT

Expanding in fast growing Asian markets

INDONESIA: Further improve our market leading position in Java with projects close to main market



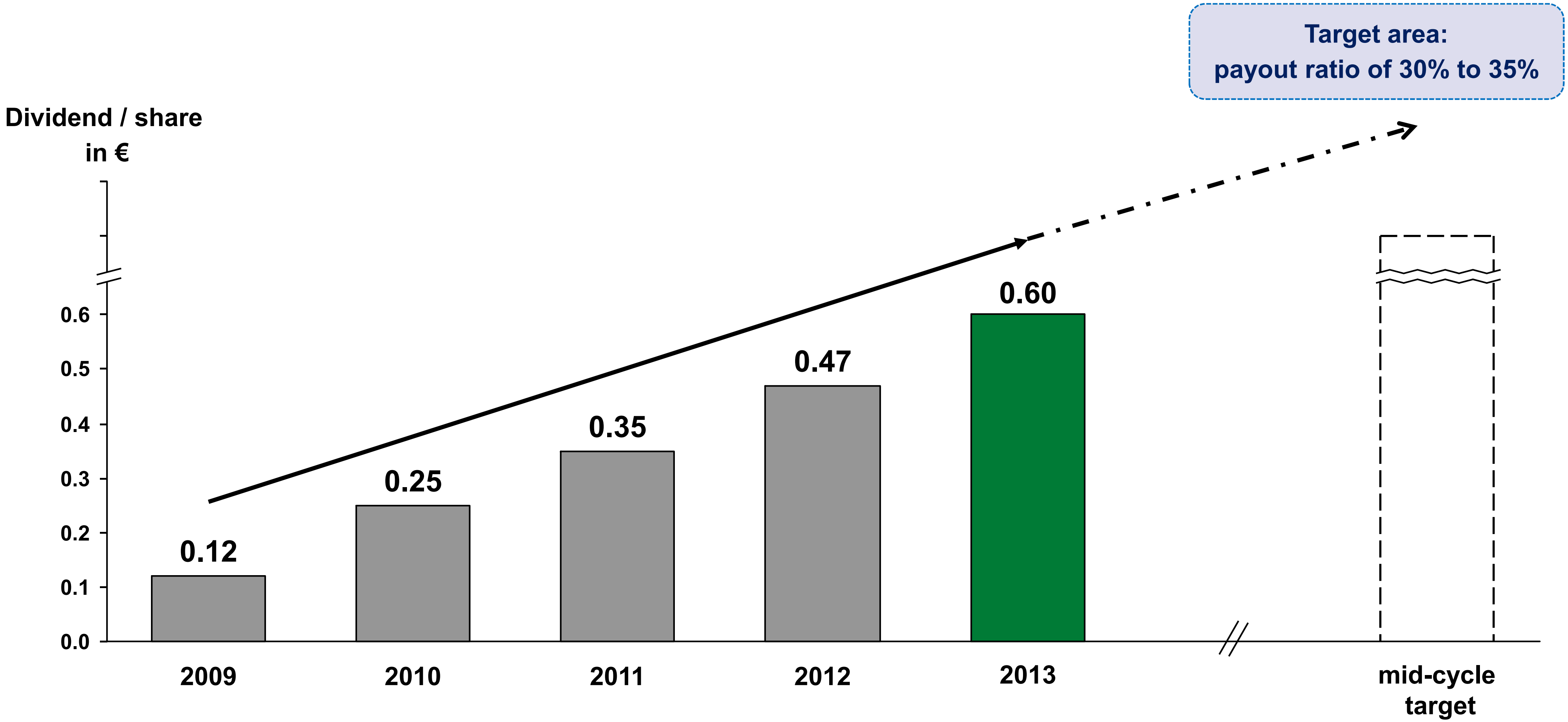
New capacity		Type	Cap.	Date	Cost
1	Citeureup ✔	Brown Field	1.9 mt	2014	48 €/t
2	Citeureup	Brown Field	4.4 mt	2015	112 €/t
3	*In Java*	Green Field	2.2 mt	2017	157 €/t
4	*Outside Java*	Green Field	2.2 mt	2017	195 €/t

KAZAKHSTAN: Green field project completed in a fast growing market that is driven by oil and residential demand

New capacity		Type	Cap.	Date	Cost
1	Kazakhstan (Shetpe) ✔	Green Field	0.8 mt	2014	165 €/t

HEIDELBERGCEMENT

Dividend: consistently increasing over the last years



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

HEIDELBERGCEMENT

Contents

	Page
1. Strengths	10
2. Dual strategy of deleveraging and growth	20
3. Q3 results	**28**
4. Outlook 2014 & management focus	34

HEIDELBERGCEMENT

Market and financial overview Q3 2014

- **Best Q3 operational performance since 2008 financial crisis**
  - Continued volume growth in all business lines
  - On LfL basis; revenue up +6%; operating EBITDA up +14%; operating income up +19%
  - 58% operating leverage on Group level driven by margin improvement in all business lines
  - Demand growth continues in North America, Australia, and UK
  - Strong result in emerging markets driven by Africa, Indonesia, Malaysia, and India

- **EPS at €1.96** (prior year €3.27 which included €1.38 as a result of unwinding an obsolete Hanson corporate structure in the UK)

- **Net debt down to €bn 7.6** as a result of strong increase in operating cash flow to €m 641 (+23% increase vs. Q3 2013)

- **Building products disposal process on track**

- **Very confident to reach 2014 targets**

LfL: Organic development excluding currency and change in scope.

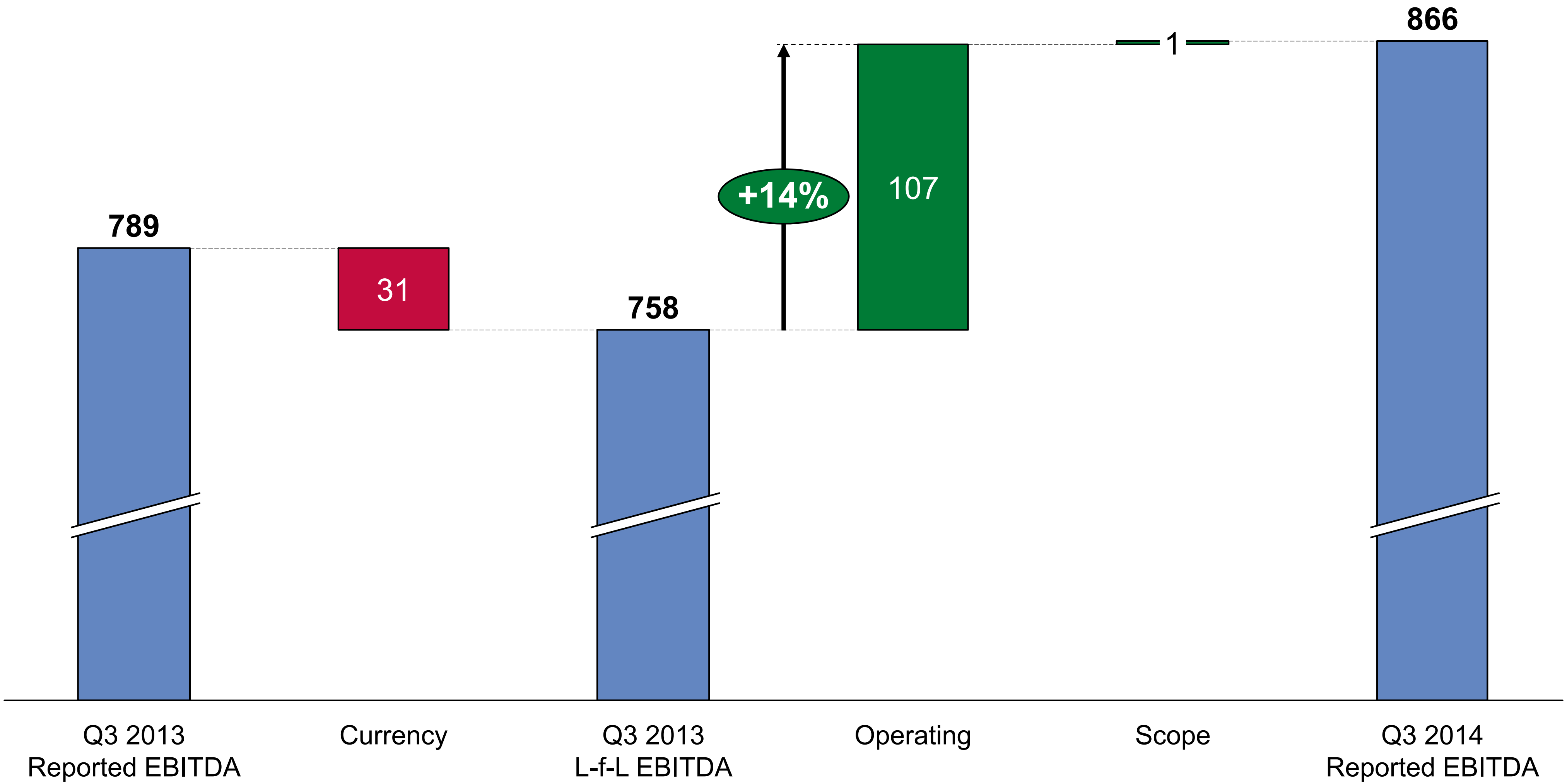
Key financials

€m	September Year to Date				Q3			
	2013 [1)]	2014	Variance	L-f-L	2013 [1)]	2014	Variance	L-f-L
Volumes								
Cement (Mt)	59,627	**62,872**	5 %	6%	22,376	**23,113**	3 %	2 %
Aggregates (Mt)	172,335	**180,755**	5 %	4%	70,349	**72,141**	3 %	3 %
Ready-Mix Concrete (Mm3)	25,839	**27,046**	5 %	5%	9,451	**9,800**	4 %	4 %
Asphalt (Mt)	6,100	**6,949**	14 %	8%	2,830	**3,118**	10 %	10 %
Income statement								
Revenue	9,862	**10,127**	3 %	9%	3,675	**3,809**	4 %	6 %
Operating EBITDA	1,697	**1,794**	6 %	15%	789	**866**	10 %	14 %
in % of revenue	*17.2%*	***17.7%***			*21.5%*	***22.7%***		
Operating income	1,119	**1,241**	11 %	23%	595	**675**	13 %	19 %
Profit / Loss for the period	901	**599**	-34 %		660	**417**	-37 %	
Earnings per share in € (IAS 33) [2)]	3.98	**2.42**	-39 %		3.27	**1.96**	-40 %	
Statement of cash flows								
Cash flow from operating activities	236	**718**	482		522	**641**	119	
Total investments	-914	**-733**	180		-203	**-297**	-94	
Balance sheet								
Net debt [3)]	7,872	**7,629**	-243					
Gearing	60.8%	**54.7%**						

1) 2013 values include one time positive impact of €m 186 due to set-up of receivables against primary insurers based on court ruling in discontinued operations and deferred tax (in Q2 2013) and €m 259 additional ordinary income due to unwinding an obsolete Hanson corporate structure in UK (in Q3 2013).
2) Attributable to the parent entity.
3) Excluding puttable minorities.
LfL: Organic development excluding currency and change in scope.
*) 2013 values are restated due to the change in IFRS 10 & 11.

HEIDELBERGCEMENT

Like-for-Like EBITDA is up +14%



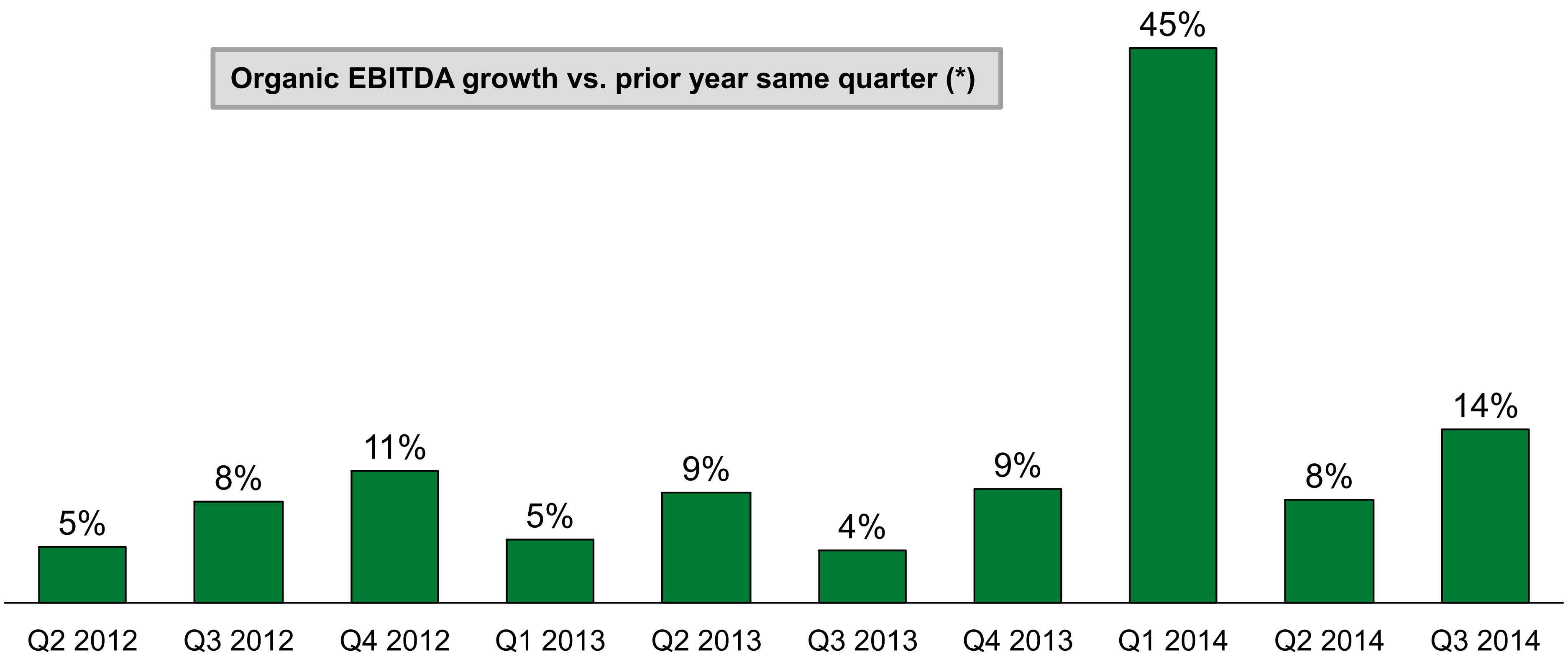
Significant organic growth driven by strong operational performance

HEIDELBERGCEMENT

Strong operational performance continues

- Superior geographical footprint
- Realistic cost saving programmes
- Continuous growth in attractive markets

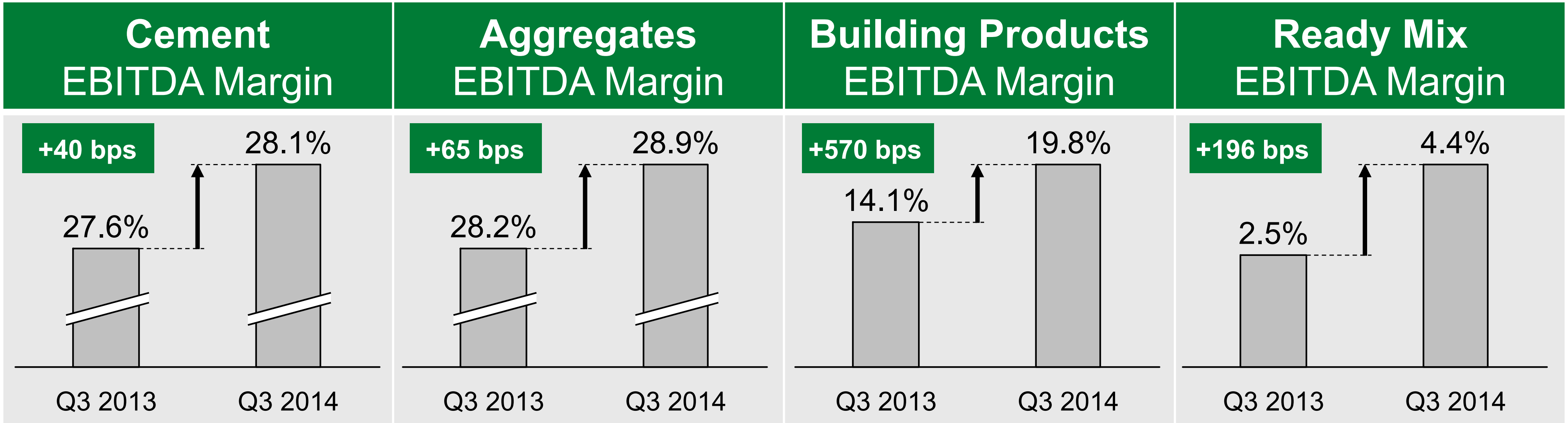
10th consecutive quarter with positive organic EBITDA growth

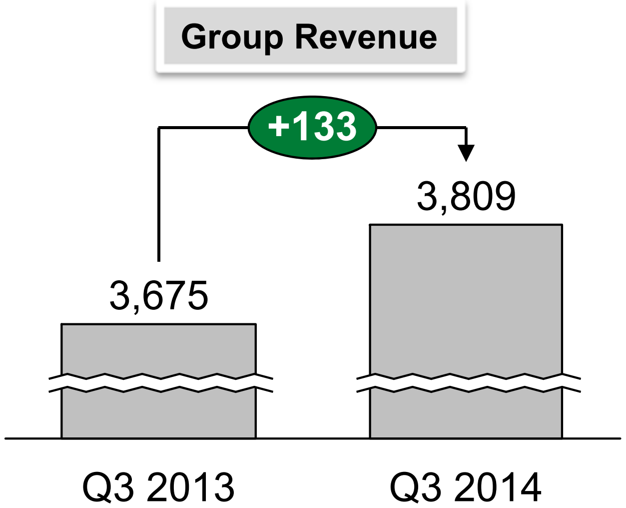


(*) Organic EBITDA development: Excluding currency, change in scope and other previously disclosed special items (CO_2, pension gains & quarry gains)

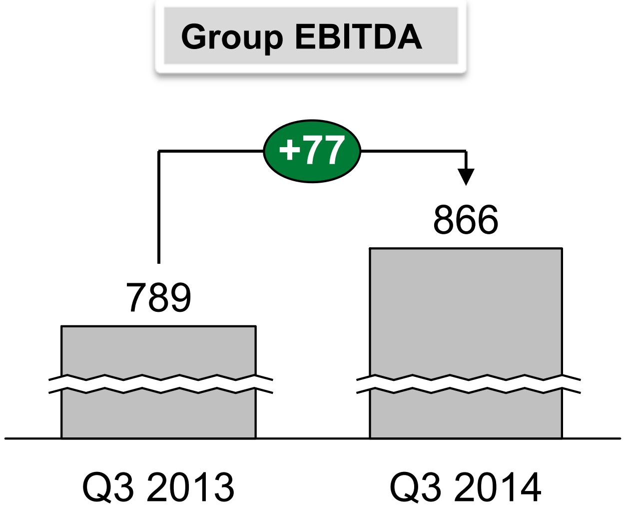
HEIDELBERGCEMENT

Strong operating leverage





Group Operating Leverage: 58 %



Strong operating leverage drives margin improvement and EBITDA increase despite FX impacts

HEIDELBERGCEMENT

Contents

	Page
1. Strengths	10
2. Dual strategy of deleveraging and growth	20
3. Q3 results	28
4. Outlook 2014 & management focus	34

HEIDELBERGCEMENT

Outlook 2014

- Continued strong recovery in USA and UK
- Demand growth in Asia and Africa
- Strong Germany, Poland, and Russia; stabilisation in other European markets, especially in Benelux, Czech Republic, and Hungary
- Price increases in all markets supported by “PERFORM” and “CLIMB Commercial”
- Target is to keep energy cost flat; slight to moderate increase in raw materials and staff

IMPROVED OPERATIONAL & FINANCIAL RESULTS

- Volume growth in all regions
- Increase in revenues, operating income, and net profit (*)
- Further decrease in financial costs
- Reduction of net debt

(*) Before currency impacts and one-offs; based on figures restated according to new IFRS 10,11,12 standards.

Targets 2014

	2014 Target
CapEx*	**€bn 1.2**
Maintenance **	**€m 600**
Expansion	**€m 600**
Cost of gross debt	**6.2 %**
Operational tax rate	**22 %**
Mid-cycle targets unchanged	
Operating EBITDA	**€bn 3**
Net debt / operating EBITDA	**below 2.8x; proforma 2.2x**

* Before any currency impacts
** Including improvement CapEx

HEIDELBERGCEMENT

Management focus 2014

- **Deleveraging** with clear goal to reach investment grade metrics
- Solid steps in **disposal programme**
- **Margin improvement** driven by announced programmes
- **Targeted growth** in Africa, Indonesia, and Kazakhstan

Continued management focus on operational improvements, cost efficiency, customer excellence, and financial discipline

Contact information and event calendar

Event calendar

19 March 2015	2014 annual results
07 May 2015	2015 first quarter results
07 May 2015	2015 AGM
29 July 2015	2015 half year results
05 November 2015	2015 third quarter results

Contact information

Investor Relations

Mr. Ozan Kacar

Phone: +49 (0) 6221 481 13925

Fax: +49 (0) 6221 481 13217

Mr. Steffen Schebesta, CFA

Phone: +49 (0) 6221 481 39568

Fax: +49 (0) 6221 481 13217

ir-info@heidelbergcement.com

www.heidelbergcement.com

Corporate Communications

Mr. Andreas Schaller

Phone: +49 (0) 6221 481 13249

Fax: +49 (0) 6221 481 13217

info@heidelbergcement.com

HEIDELBERGCEMENT