

German Corporate Conference 2017

Frankfurt, 16-18 January 2017

Group Investor Relations



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Strong Management team with long standing operational and sector expertise

Continuous improvement in operational and financial metrics. New initiatives started in RMC and sales supported by global competence centres

Integration of ITC notably ahead of schedule and identified synergies increased

Sustainable cash flow generation to drive shareholder returns

**Best managed
company in the
sector with
unique business
model focusing
on vertical
integration**

The new HeidelbergCement Group

Global:

#1 in Aggregates

#2 in Cement

#3 in Ready-mix concrete

One of the biggest global trading services



Leading vertically integrated player



Global/local centres of excellence for all three core business lines



€bn >17 Revenue¹ and
€bn >3 EBITDA¹



1st company in the sector earning premium on WACC

1) Proforma 2015

The global footprint of HeidelbergCement today

197 million t

Cement capacity

19 billion t

AGG reserves

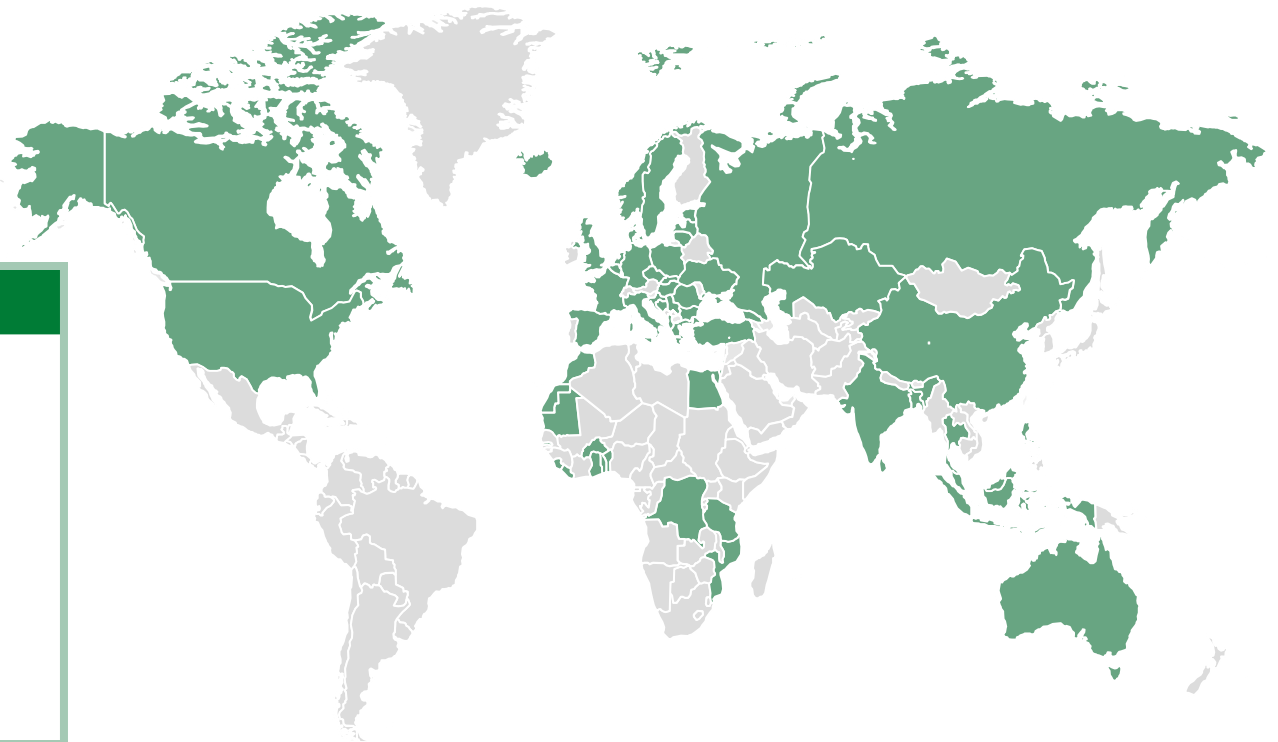
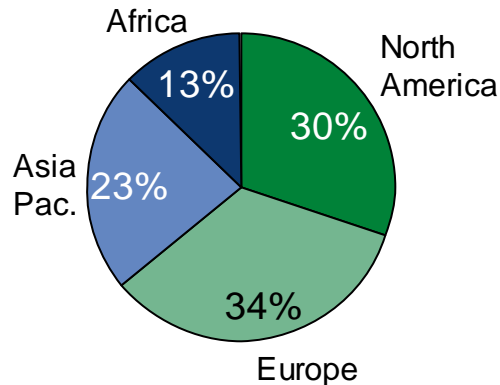
1,900 plants

Asphalt & RMC

62,000 employees in 3,000 locations

60 countries on 5 continents

EBITDA generation



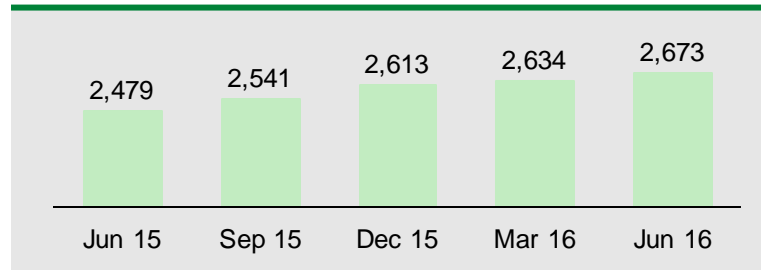
Expanded reach, capacity and expertise. Positioned well for future potential.

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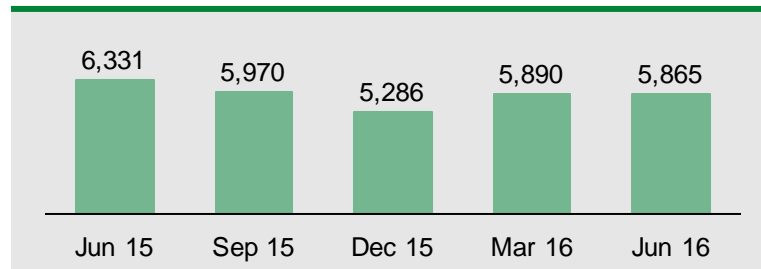
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Continuous improvement of financial metrics and returns in the last 2 years

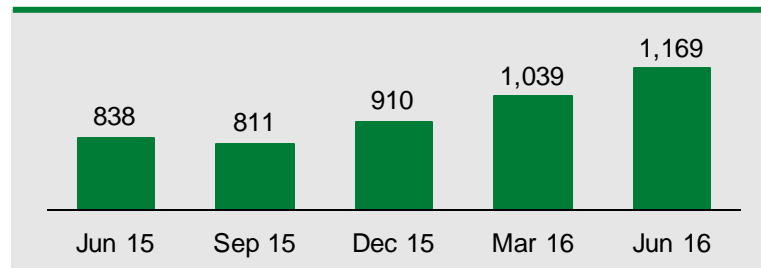
EBITDA (LTM) in €m



Net Debt in €m



Free cash flow¹ (LTM) in €m



Continuous margin improvement and increase in cash flow generation

Financial cost significantly reduced

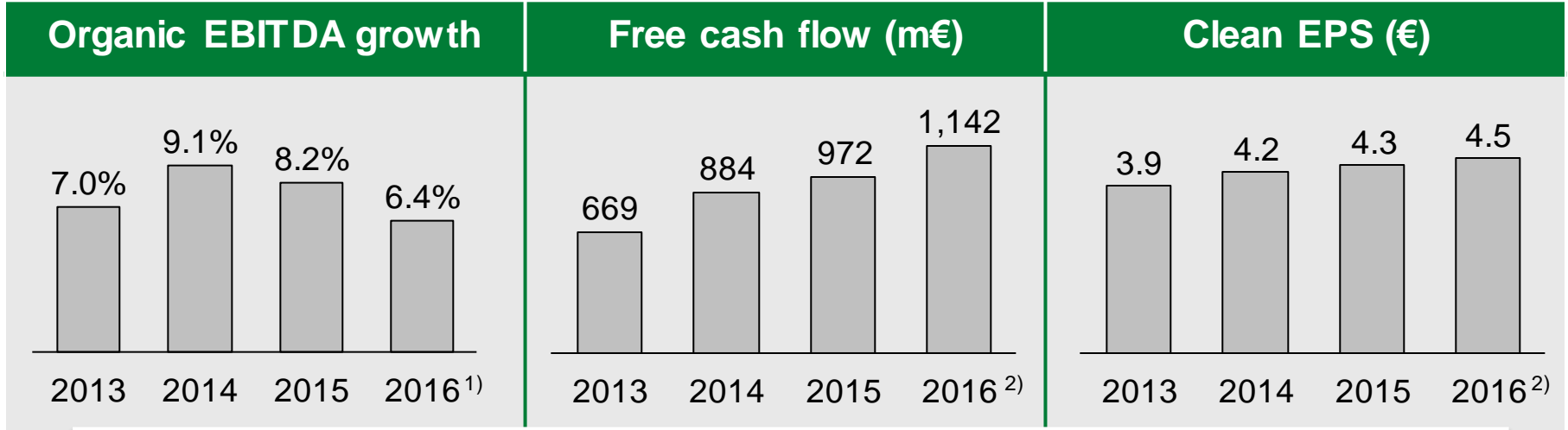
Earned premium on WACC

Dividend increased

Share buyback approval obtained

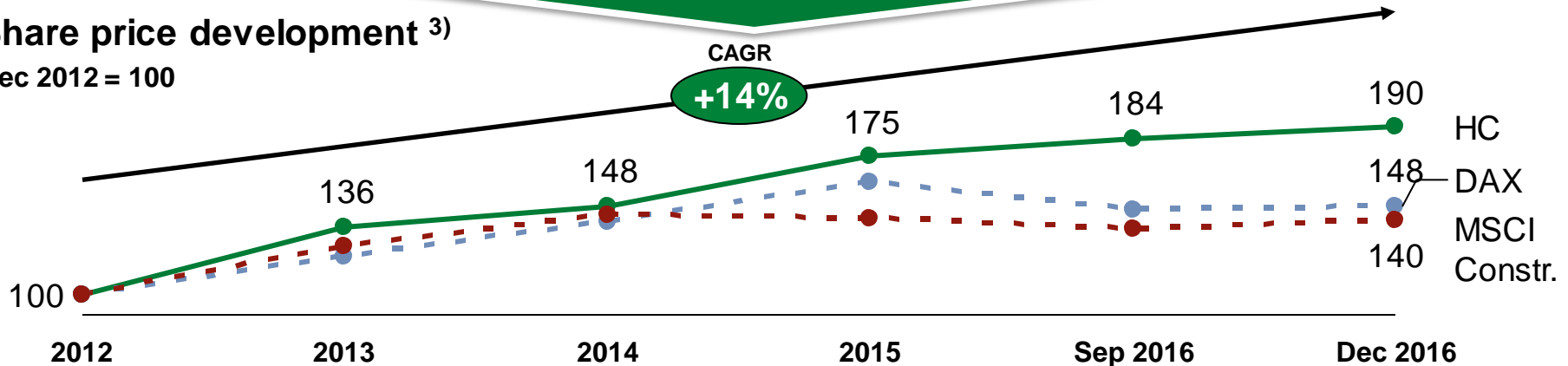
1) Before growth Capex and disposals (incl. cash flow from discontinued operations)

Constant superior returns driven by: good product mix, unique footprint and experienced management team



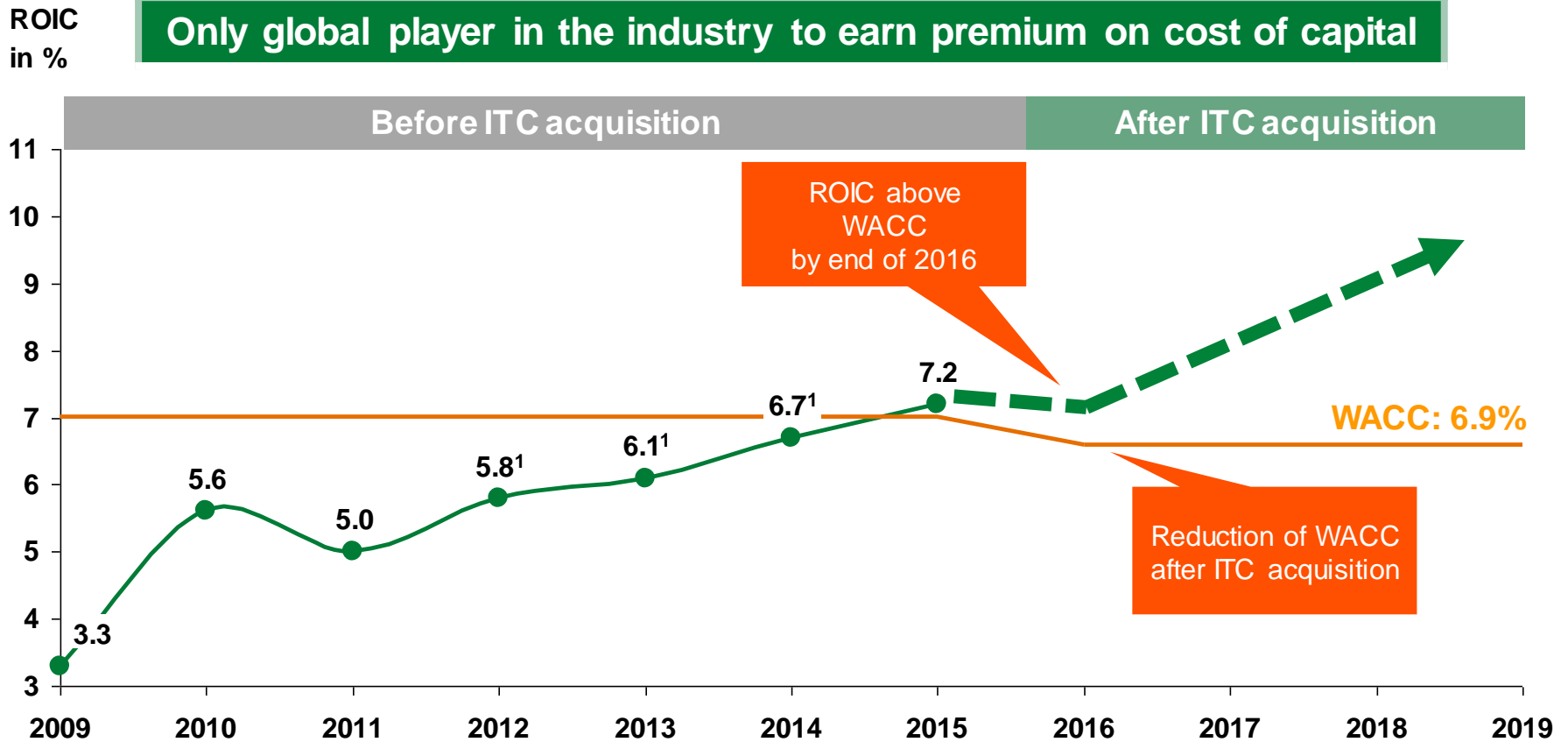
Reliable earnings growth lead to better share price development

Share price development ³⁾ Dec 2012 = 100



1) Based on proforma figures Sep '16 vs. Sep '15. 2) Based on legal last 12 months rolling as of Sep '16 3) Last 30 days average as of end of the period.

Creating value and earning cost of capital



Premium on cost of capital is earned already in the first year of Italcementi acquisition!

1) Adjusted for exceptional items

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ITC integration: Progressing faster than expected

Redundant HQs closed (Bergamo/Paris/Brussels)

All key personnel decisions taken & implemented.
HC's management philosophy has been consequently introduced

FTE reductions (1st wave) ahead of plan. Target is to reach 1,700 reductions by year-end (vs. plan 460)

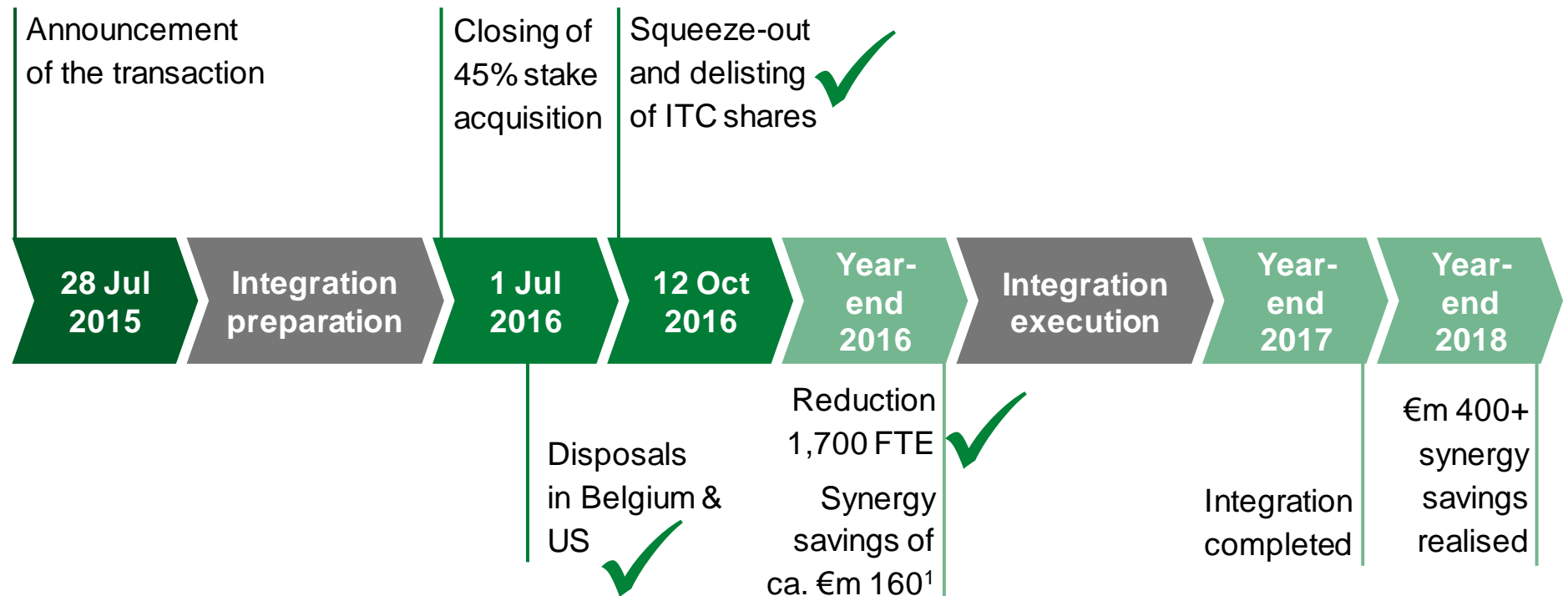
Synergies significantly increased to €m 400+

Proven HC efficiency programs applied at ITC

Management of cultural differences main focus

**HC has strong
track record in
integrating
businesses**

Timeline and milestones of ITC acquisition

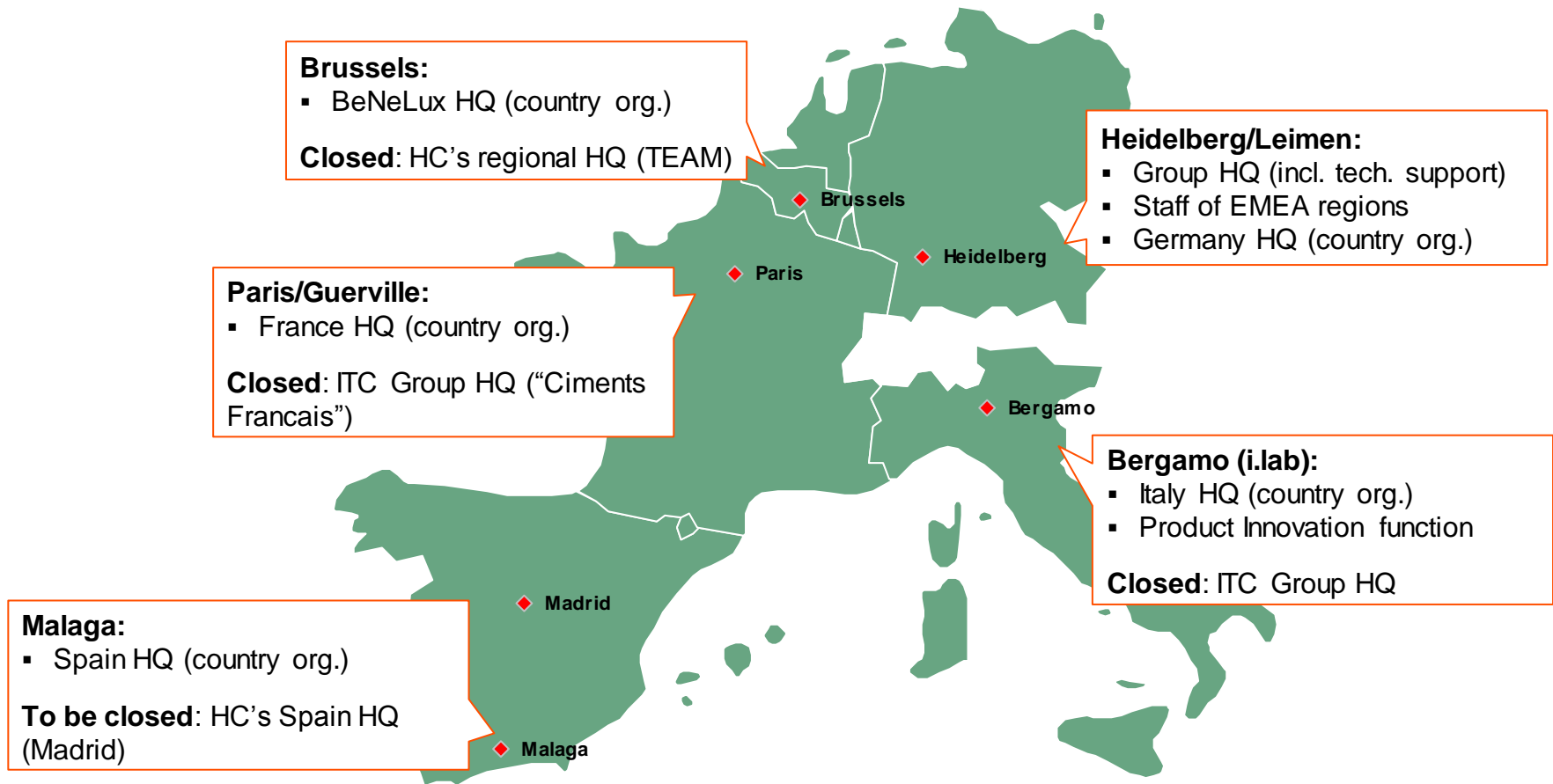


Acquisition process and integration notably ahead of schedule

1) Full year run rate

Closure of redundant Group & local headquarters

◆ *Headquarters in continental Western Europe*



Heidelberg/Leimen also hub for regional staff of AEM and NEECA regions – only APAC (Singapore) and NAM (Dallas) with local regional headquarters

New leadership in all major ITC countries

North America



Kazakhstan



France



Morocco



Italy



Egypt



Spain



Thailand



India



Trading



New General Managers in all major ITC country organizations



HC's bonus system for country management already completely implemented

Local management approach and strong signal of change into the markets

Significantly more synergies than initially expected

Key drivers

- Higher than expected synergies from Operations, SG&A and Purchasing
- Identification of additional synergies from Trading, Finance and Market

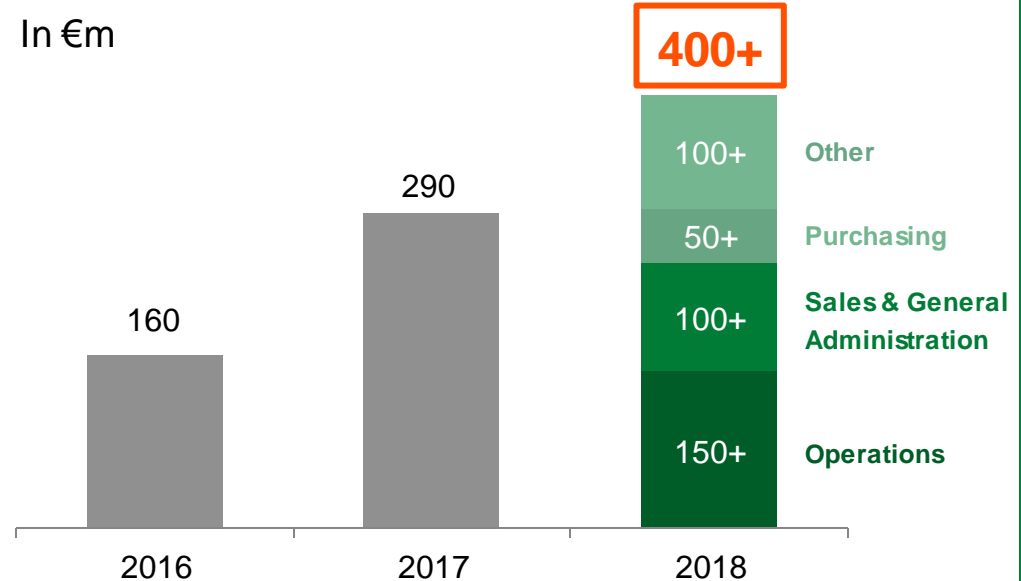
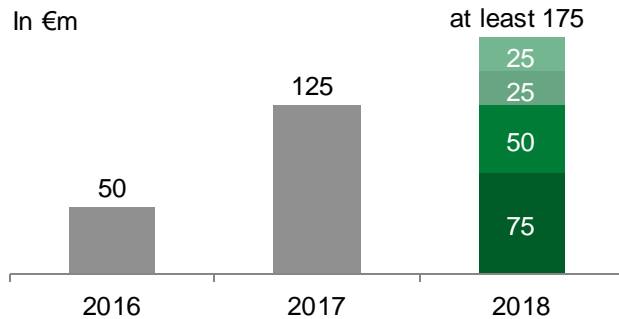
~10% of target's revenue
= best in class

Updated run-rate synergy expectations

In €m

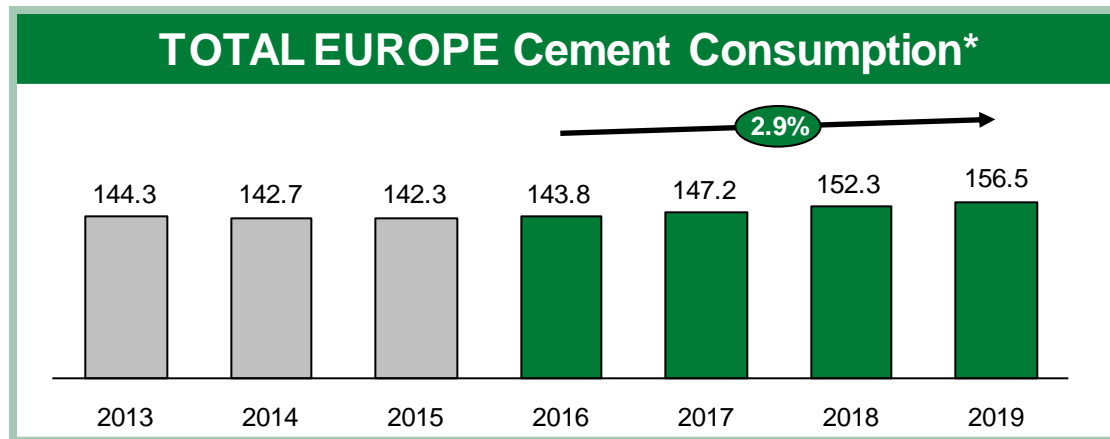
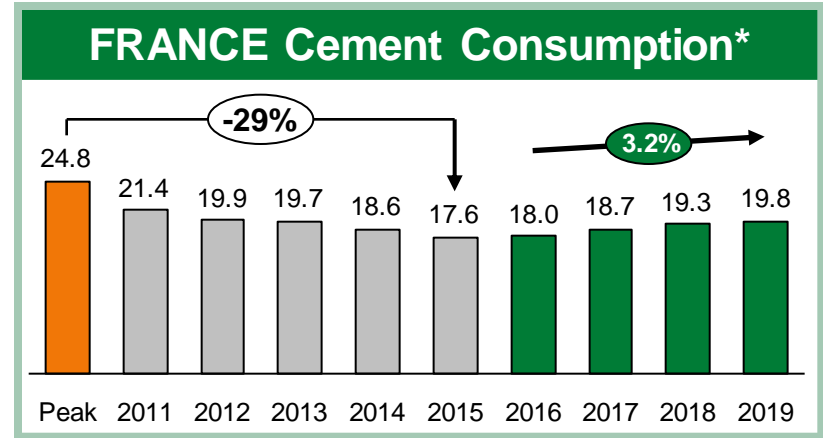
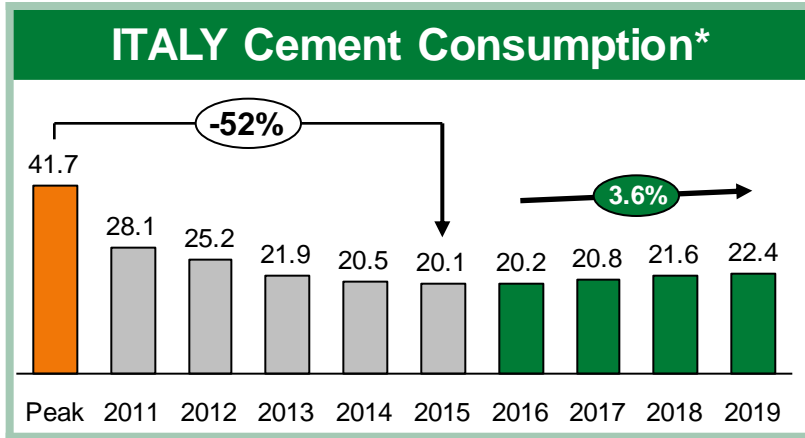
Pre-signing synergy expectations

In €m



Status: All synergies substantiated with detailed implementation plans and 100% commitment of local owners

Acquisition at the trough of the cycle



HeidelbergCement will benefit from the upturn in the European countries

* Source: Euroconstruct November 2016 Forecast

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Best-managed company in the sector

Value creative vertically integrated business

Unique de-centralised management model

Integration speed

Timely reaction to changes in the markets

Continuous focus on margin improvement



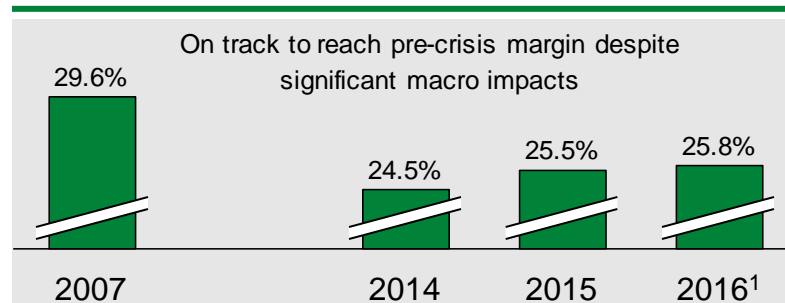
Strong operating leverage

Market leading margin improvement

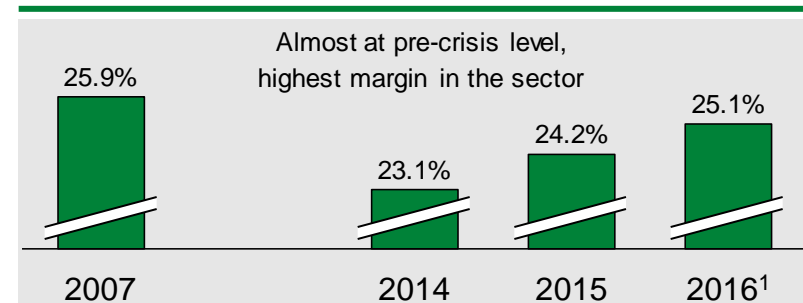
Track record in cost efficiency

Strong cash generation

Cement EBITDA margin



Aggregates EBITDA margin



Creating value by improving efficiency rather than re-sizing the business

1) LTM rolling as of June 2016

Cement: Significantly enhancing efficiency

Starting point (2004)

- HC was not competitive regarding cash cost per ton

Key Measures

- Reorganisation of HeidelbergCement Technology Centre (HTC)
- WIN: reorganisation and FTE efficiency (2005)
- Fitness: operational and cost improvements, production and process optimisation
- OPEX: operational excellence and working capital optimisation
- Perform: pricing excellence and realisation for margin improvement
- LEO: supply chain management and logistics optimisation

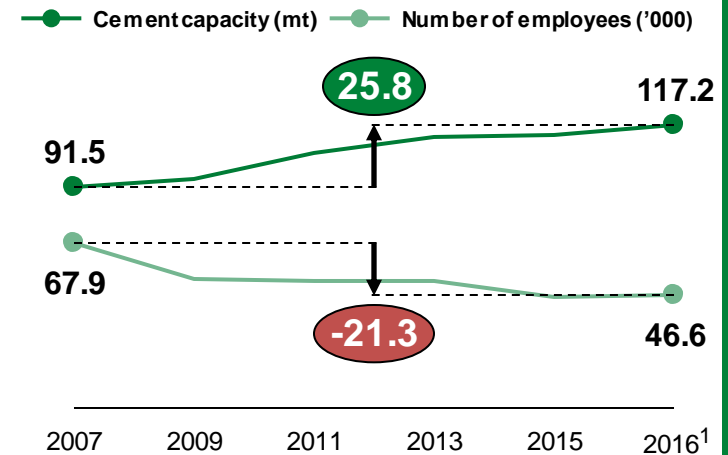
Effects

- Best margin development in the sector, despite increase in energy costs due to Fukushima

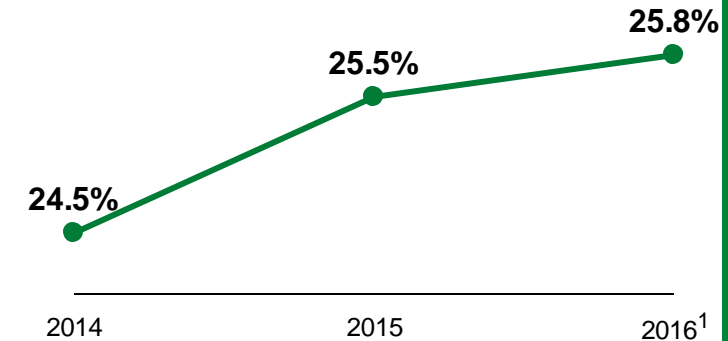
Next steps

- Customer Excellence Program (CEP):
 - Improve all aspects of customer offering
- Continuous Improvement Program (CIP):
 - Further improve production processes

Realistic and measurable targets



Cement EBITDA margin



1) Capacity and number of employees as of June; margin based on LTM rolling figures as of June

Aggregates: A top performer in the industry

Starting point (2007)

- Hanson Aggregates was underperforming / EBITDA margin below peer group (2006 / 2007)
- Hanson Aggregates was clearly seen as partially undermanaged

Key Measures

- Setup of Competence Centre Materials (CCM) (2010)
- CLIMB Operations: efficiency check on key improvement levers in all major quarries
- CLIMB Commercial: professional sales management supported by a simple excel tool
 - Pricing principle: price what the market can take
- LEO: Supply Chain Management and logistics optimisation

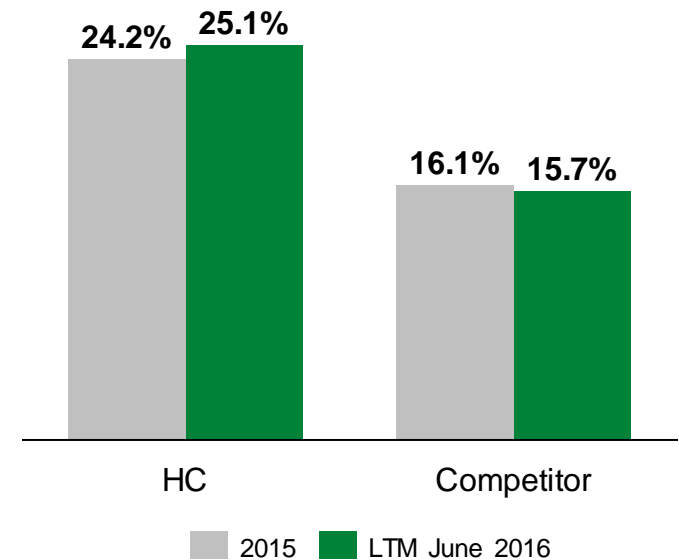
Effects

- Strong EBITDA improvement of HC
- Industry leading profitability

Next steps

- AOM: digitalising AGG business
 - Reduction of administrative efforts
 - Support of continuous improvement efforts with better data and faster access

EBITDA margin

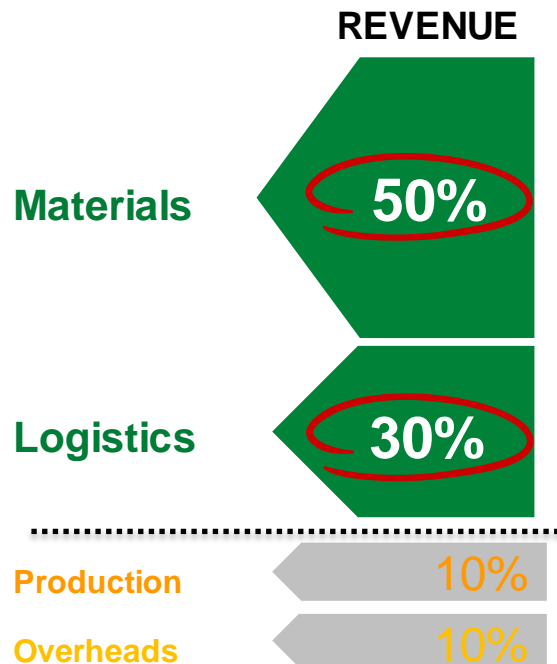


Ready-mix: New Competence Centre sets clear saving targets

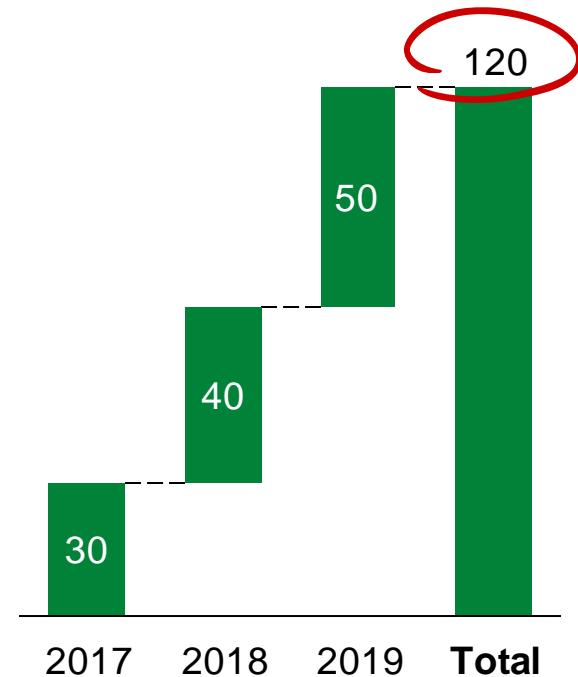
New activity

- Ready-mix margins of big cement companies are typically below best managed privately-owned ready-mix companies
- Key focus areas are materials and logistics (80% of costs)

Improvement opportunities

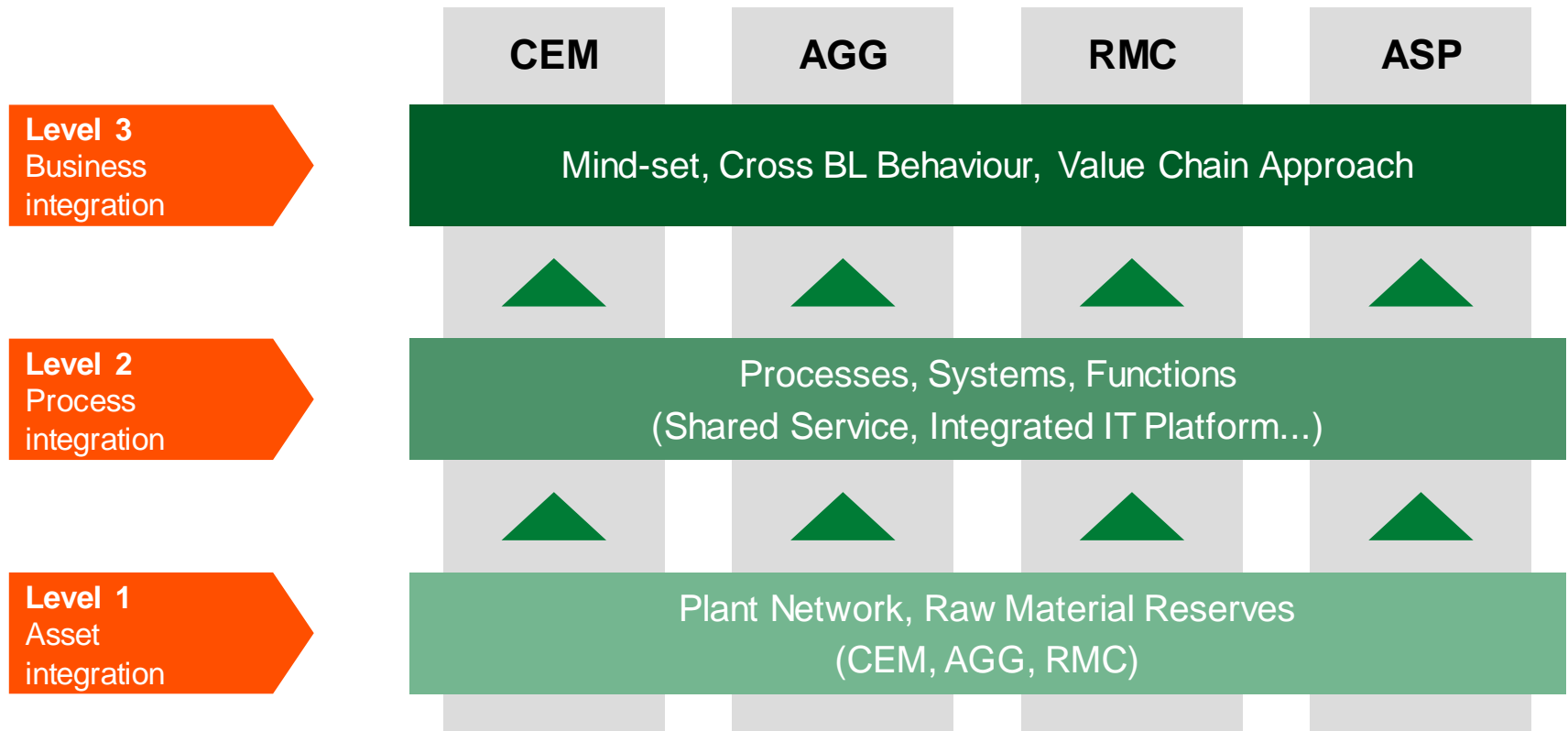


Saving targets in €m



Significant leverage by optimising materials and logistics costs

Vertical integration: Assets, Process, Business



Integrated management – key value driver

Sales is a Science: Digitalisation and process standardisation

New Group Function is based on two pillars

Market Intelligence and Sales Processes

Market model:

- Mix of external and internal information used to forecast market development
- Forecasting on a micro-market basis
- Global guidance on the approach with data scientists setting up the model but local ownership of measures to be derived

Sales process:

- Structured sales planning:
 - Daily, weekly, monthly and quarterly planning for respective tasks
 - Friday sales meeting (review of the week, planning of next week)
- Quarterly gap analysis between plan and actual (per segment and customer)
- Digitalisation through easy to use group-wide CRM tool

With the aim of:

Really knowing the market

Understanding customers better than anyone else

Managing each individual market

Selling the right volume

At a better price



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Mid-term targets 2019 unchanged

Revenue	EBITDA	ROIC	Leverage	EPS	Payout ratio
> €bn 20	> €bn 5	>10%	1.5 – 2.5x	~ € 11	40% – 45%

Downsides

- Market pressure in Indonesia
- Increased competition in Africa

Uncertainties

- Impact of the elections in US, Italy, Germany and France
- Consequences of Brexit

Upsides

- US infrastructure program
- ITC / increased synergies
- New efficiency programs “CCR” & “Sales is a Science”
- Recovery in Europe

Balanced macroeconomic outlook

US will continue to be strong

Continued recovery is expected across all segments

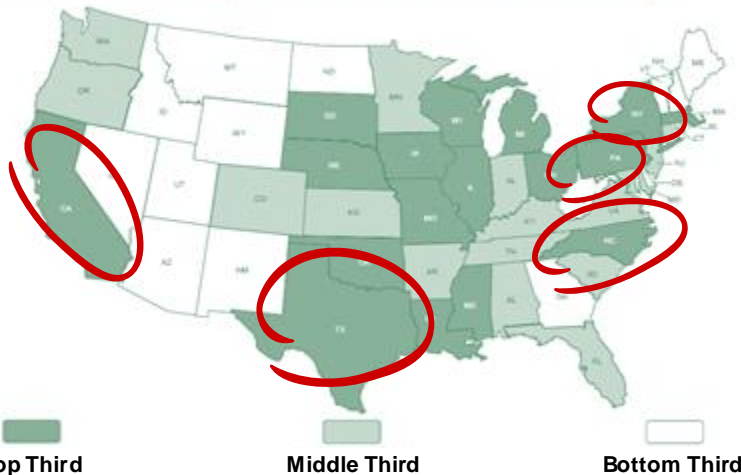
Further increase in margins leading to highest profitability levels in history

Significant potential from new infrastructure program in mid-term

PCA's Trump Infrastructure Scenario

Regional Funding Allocations

Allocation of funding based on stock of deficient roads & bridges



Source: PCA

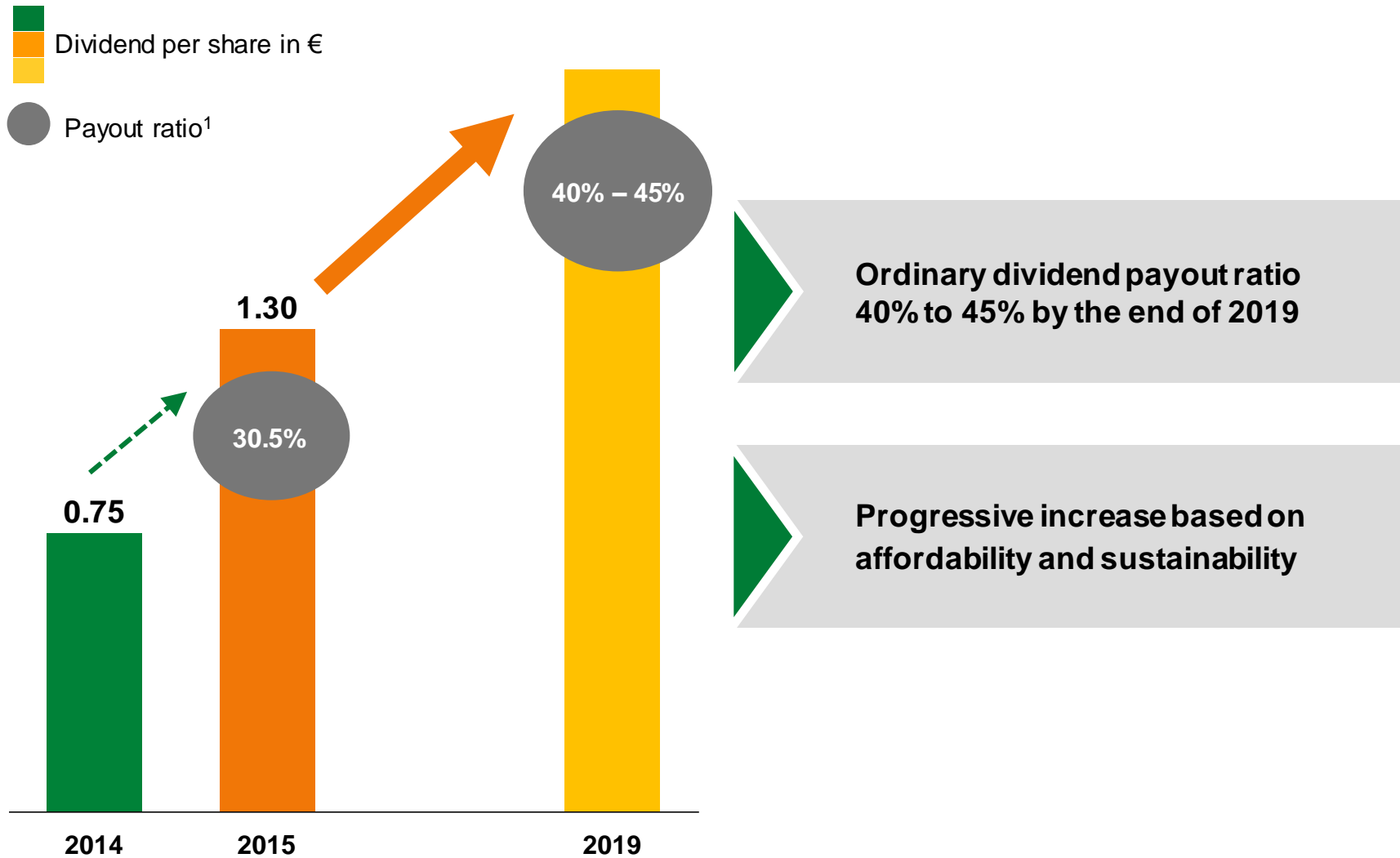
Overview of HC key states

- **Texas:** \$70 billion over 10 years
- **California:** \$55 billion over 5 years
- **New York:** \$55 billion over 5 years
- **North Carolina:** \$4.7 billion in 2017
- **Pennsylvania:** \$2.9 billion in 2017

5 states represent more than 50% of our aggregates business

HeidelbergCement is well positioned to benefit from future infrastructure programs

Dividend policy



1) Payout ratio calculated based on clean EPS, excluding "Additional Ordinary Result"

Reiterating capital allocation priorities

