

HeidelbergCement

2019 Third Quarter Results

7 November 2019

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

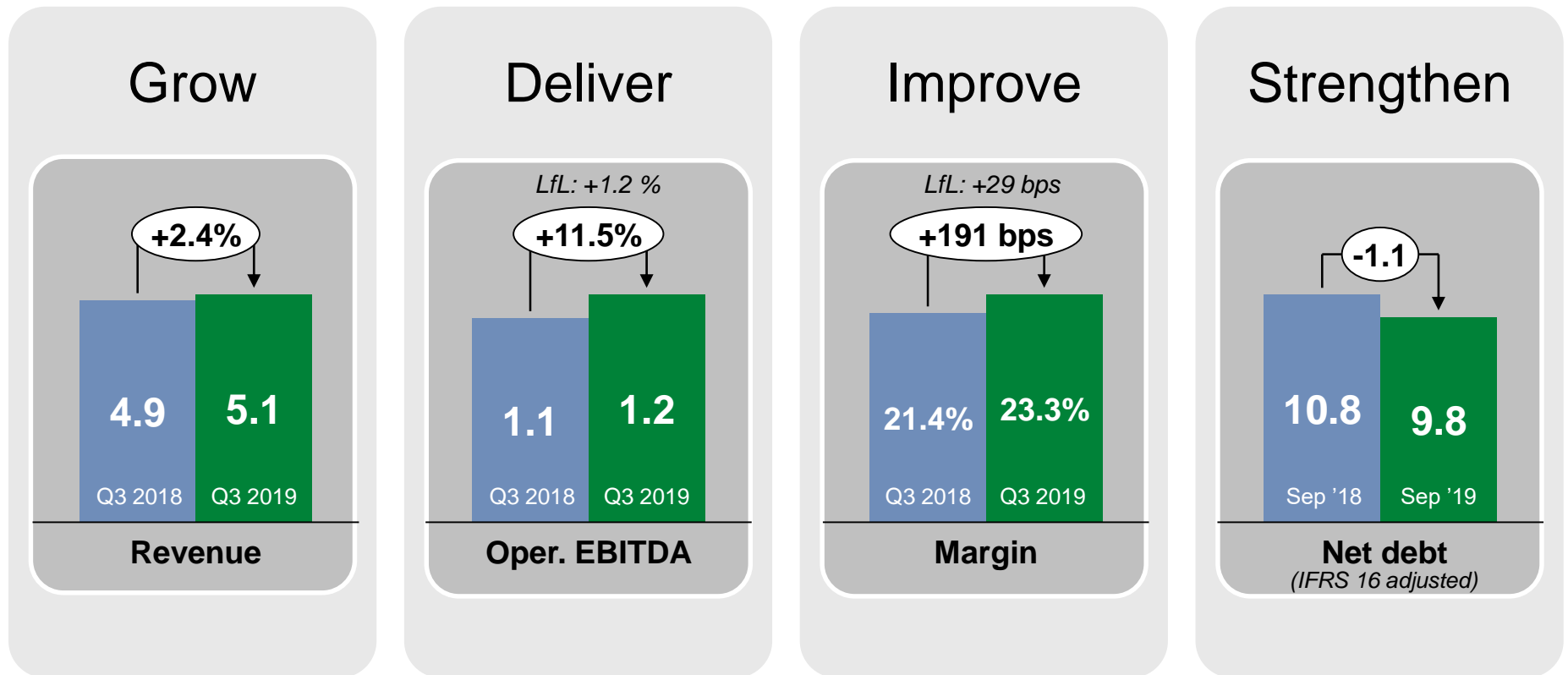


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Overview

HeidelbergCement continues to...



All figures in billion €, unless stated otherwise.

Solid operational performance, significant debt reduction

Solid result improvement and significant debt reduction

- LfL **EBITDA increases +1.2%** despite lower volumes and difficult comparison base.
- Strong margin improvements in Asia and Europe. Q3 marks a clear positive turn-back in Africa. North America impacted by lower land sales in the quarter.
- **SG&A saving target increased to 130 m€** after securing the initial 100 m€ target 15 months ahead of the plan.
- **Net debt 1.1 bn€ below** prior year*. **Year-end target** taken down from 7.7 b€ to **7.4 bn€**.
- Portfolio optimization on track. Total **disposals reach 393 m€** for the current year.

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

* IFRS 16 adjusted.

On track to reach full year targets

Operational Overview

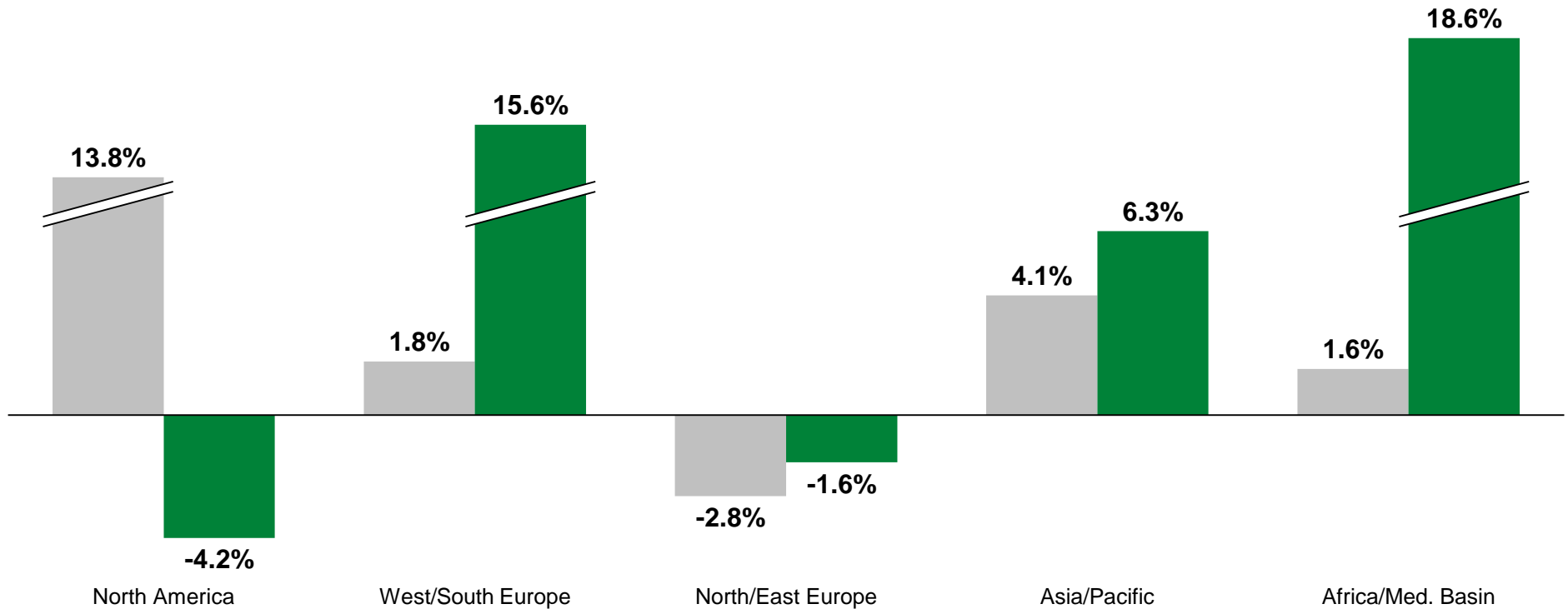
Operational result overview	Sep 18	Sep 19	LfL %	Q318	Q319	LfL %
Cement volume ('000 t)	97,170	94,546	-1.3%	35,305	33,521	-3.3%
Aggregate volume ('000 t)	232,913	233,282	-1.0%	87,740	87,678	-1.4%
Ready Mix volume ('000 m ³)	35,820	37,951	3.2%	12,871	13,556	2.0%
Asphalt volume ('000 t)	7,848	8,391	-3.2%	3,353	3,565	-4.0%
Revenue	13,375	14,273	4.4%	4,943	5,061	-0.1%
Operating EBITDA (*)	2,253	2,626	3.6%	1,058	1,180	1.2%
<i>in % of revenue</i>	16.8%	18.4%	-13 bps	21.4%	23.3%	+29 bps
Operating income (*)	1,437	1,597	7.0%	783	835	3.4%
Cement EBITDA margin	20.7%	22.7%	+53 bps	24.8%	27.6%	+148 bps
Aggregates EBITDA margin	23.7%	24.5%	-165 bps	30.6%	29.0%	-412 bps
RMC+ASP EBITDA margin	0.8%	2.3%	-0 bps	2.5%	3.8%	-4 bps

Financial result overview	Sep 18	Sep 19	Change	%
Group share of profit	915	752	-162	-17.7%
Earnings per share	4.61	3.79	-0.82	-17.7%
Cash flow from operations	493	982	488	
Total net CapEx	-847	-507	340	
Net Debt	9,518	9,761	243	
<i>Net debt pre IFRS 16</i>	9,518	8,476	-1,042	
Net Debt / EBITDA	3.1 X	2.8 X	-0.3 X	

(*) Previous year figures are adjusted due to change in accounting method for "Result from associates". Please see appendix for details.
LfL figures excluding currency, scope and IFRS 16 Leasing.

Revenue and EBITDA Overview

Q3 2019 vs. Q3 2018

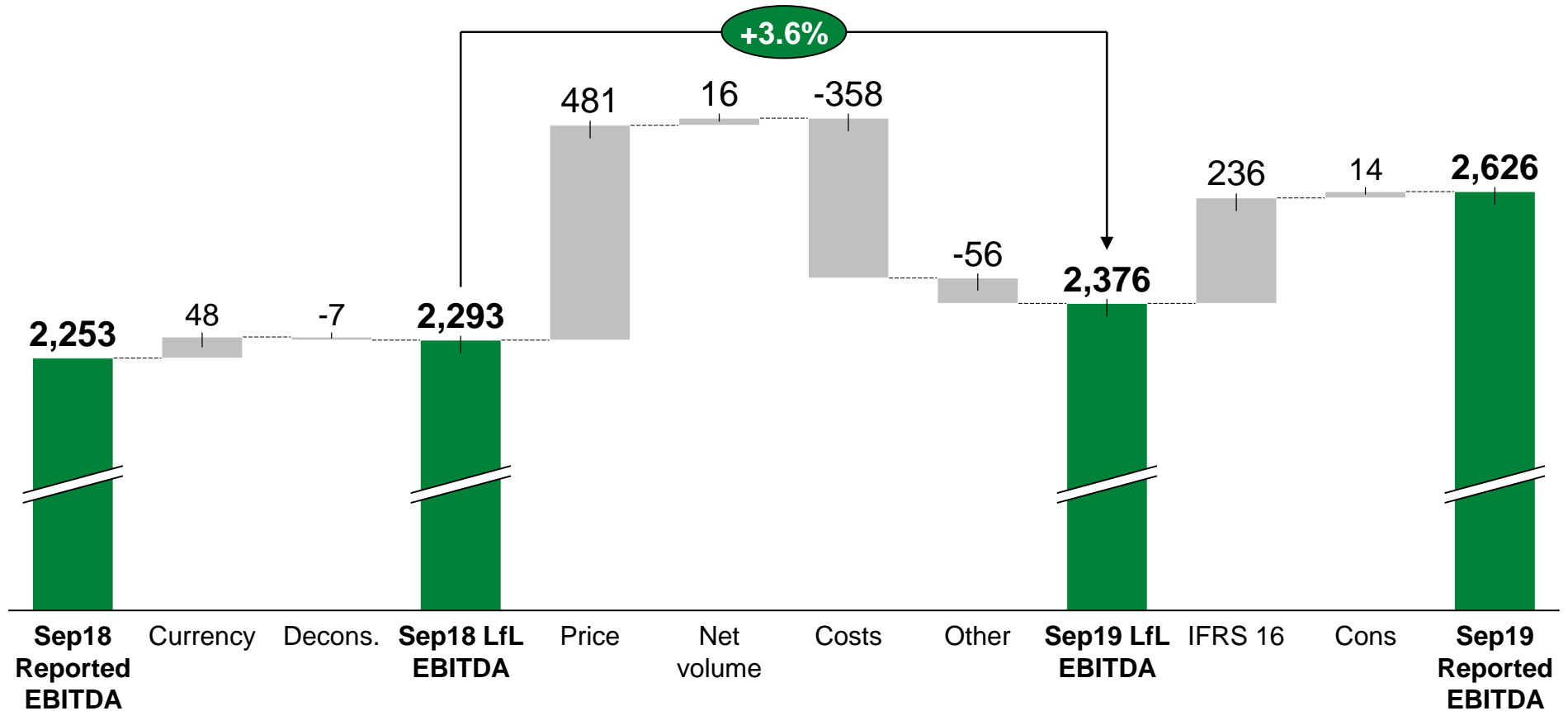


Strong operating leverage in all regions.

North America impacted by lower quarry gain, which will be reversed in 4th quarter.

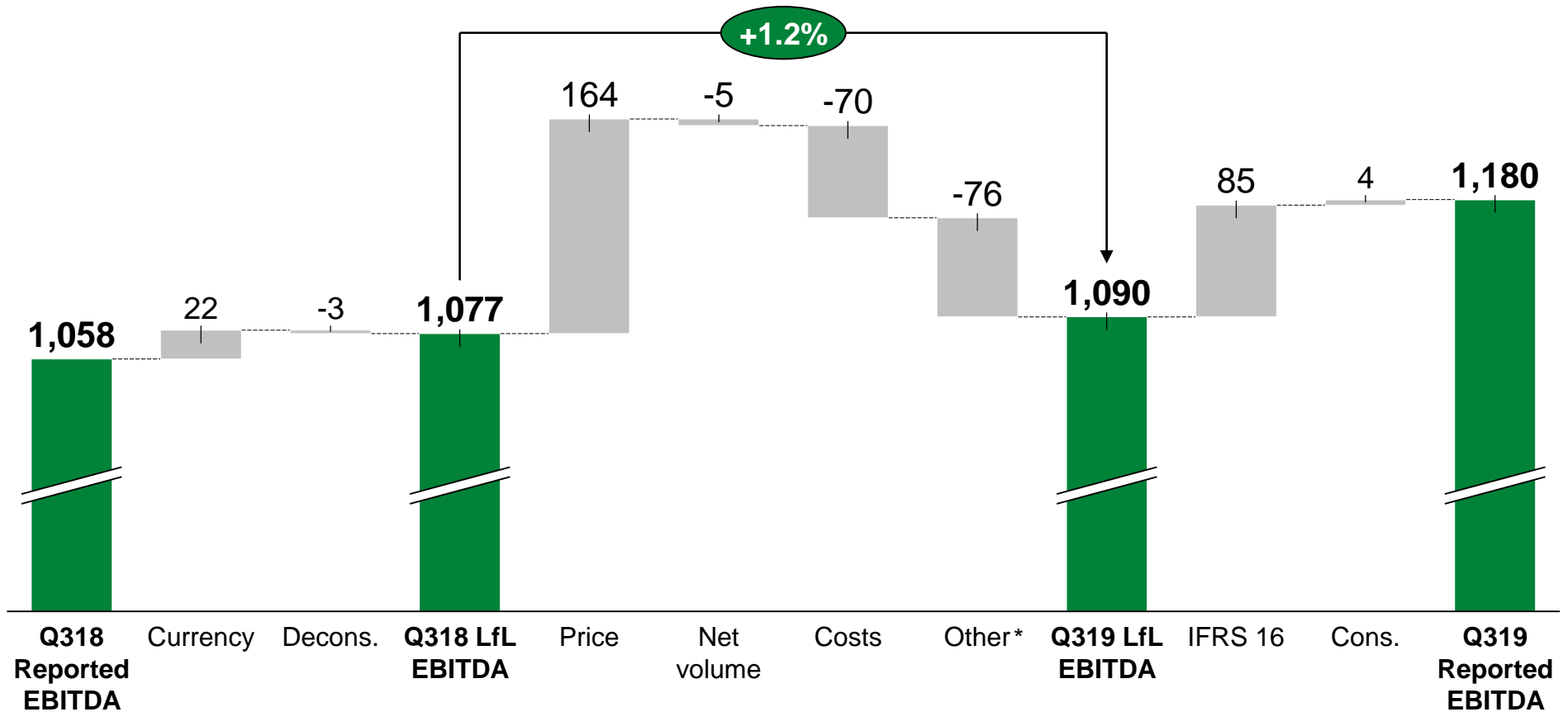
* Before IFRS 16 leasing adjustment

September YtD Operating EBITDA Bridge (m€)



Previous year figures are adjusted due to change in accounting method for "Result from associates". Please see appendix for details.

Q3 Operating EBITDA Bridge (m€)

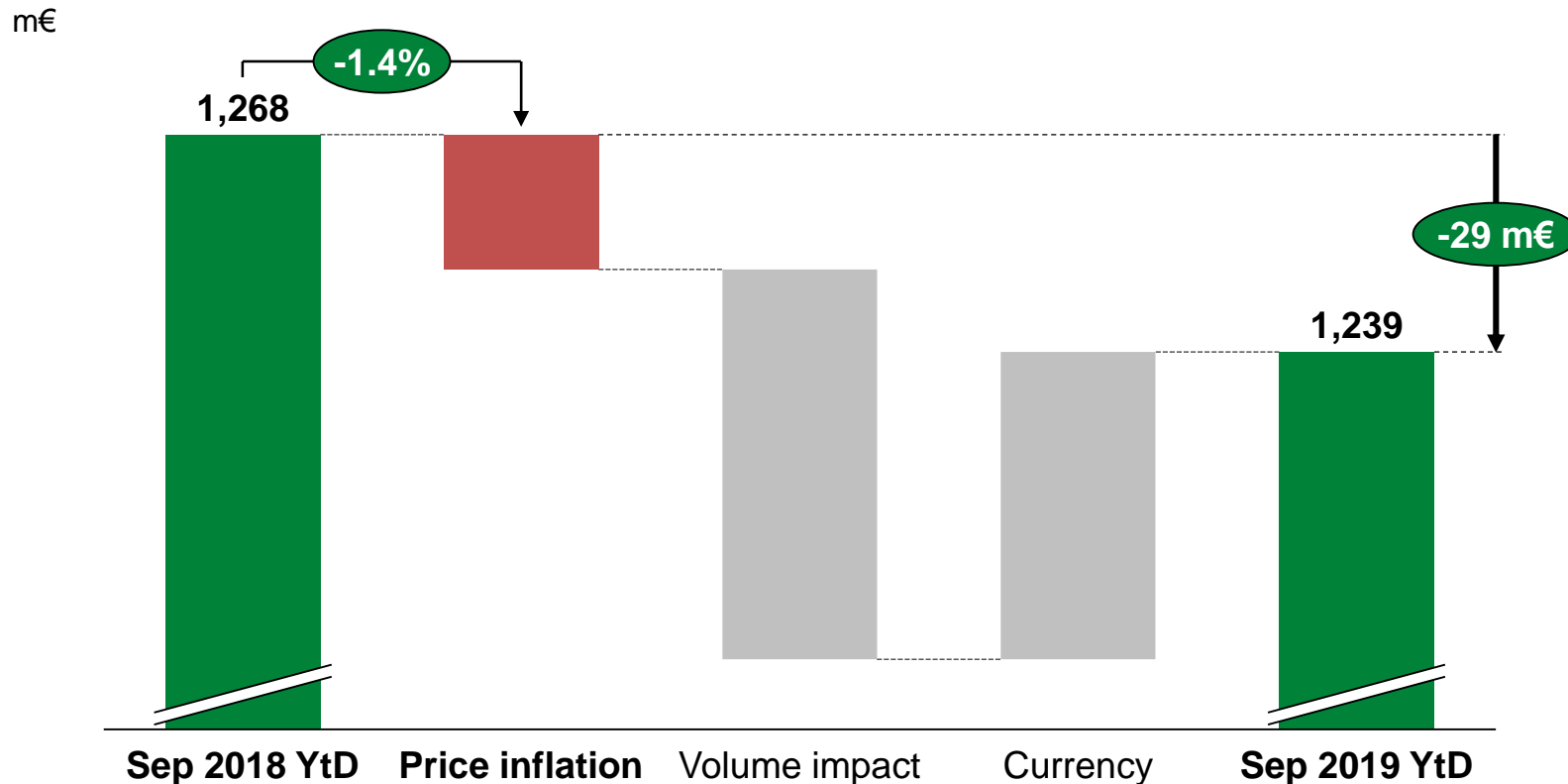


* "Other" includes the net change in "other operating result" and "result from JV / associates" vs. prior year. Prior year figure positively impacted by ~25m€ gain from quarry sale in US and ~15m€ gain from asset deal in Nordics.

Previous year figures are adjusted due to change in accounting method for "Result from associates". Please see appendix for details.

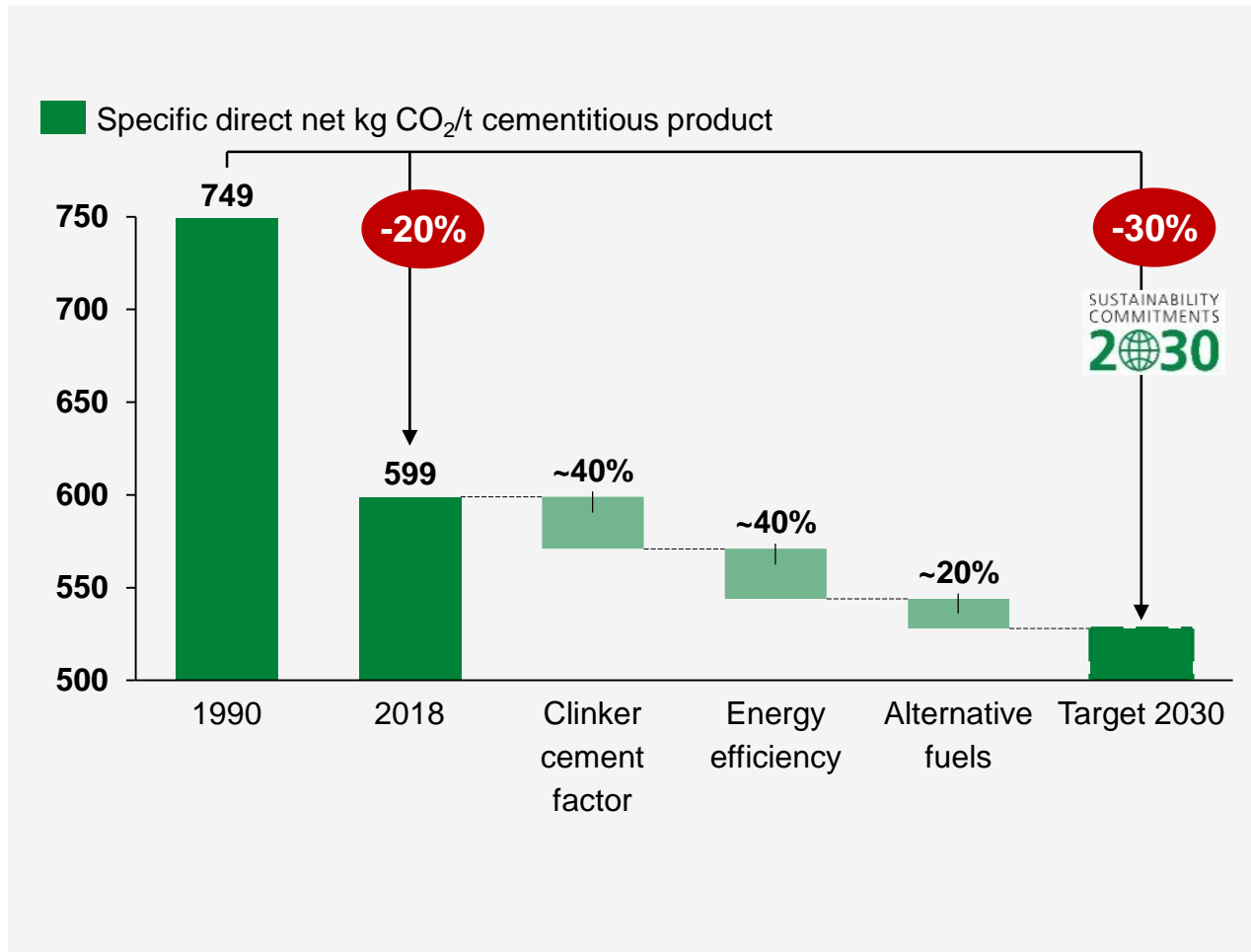
Energy cost inflation turns to be a tail-wind. Trend is expected to continue in Q4.

Year to date energy cost inflation at -1.4%



Driven mainly by fuel cost decrease, energy cost is below prior year

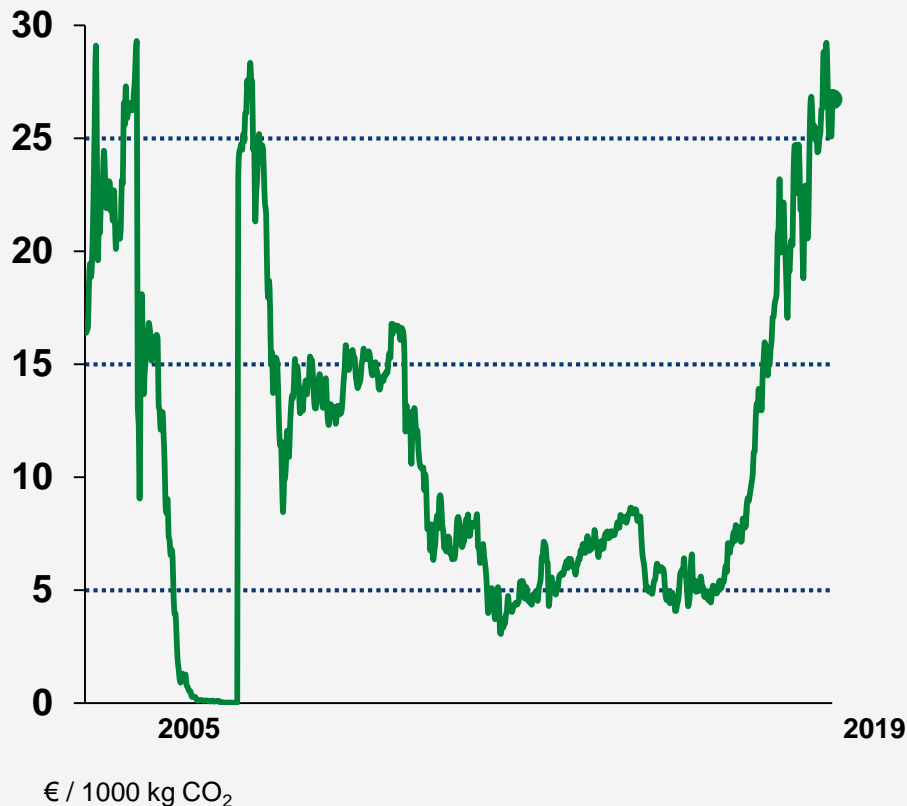
Significant reduction of specific CO₂ emissions 1990-2030



- We have already set up a **CO₂ reduction master plan per plant.**
- Both top and local management teams have aggressive **incentives to execute.**
- Management target is to **reduce a potential shortfall after 2022 close to zero.**

HeidelbergCement will be a structural winner of EU-ETS

Price of emission allowances



Likely consequences of high prices

- HeidelbergCement is long in carbon credits **until the end of 2022**.
- Many local players have already run out of carbon rights. Hence, **inefficient, polluting cement plants are expected to be shut down** as production will be too costly.
- **Further market consolidation is expected** as small players will be forced to sell their plants.
- **Capacity utilization** is expected to go up. **Prices** in Europe are already increasing due to CO₂ related costs.

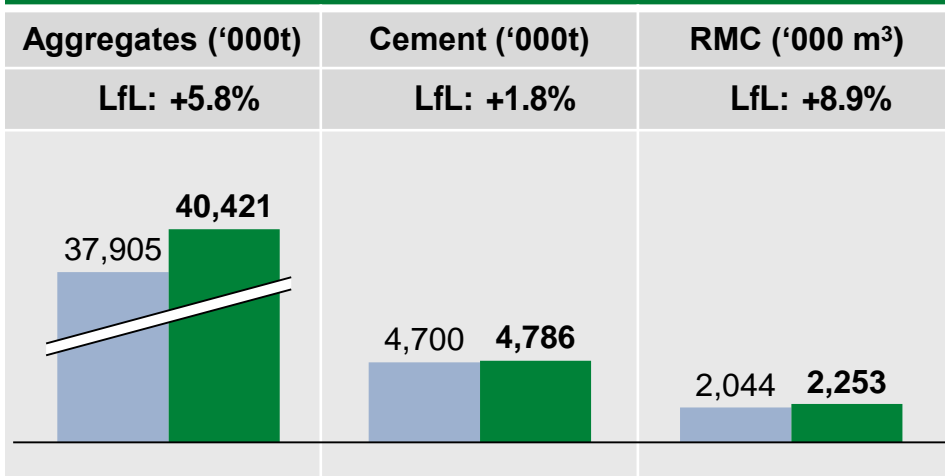
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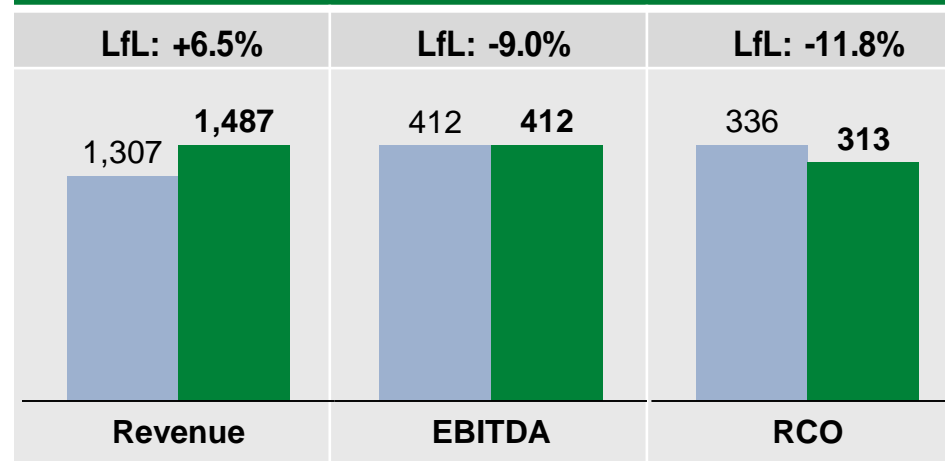
Q3 Market overview

- Positive volume and price development in all business lines.
- Profitability impaired by lower demand of high margin products in the Canadian Prairies, project delays in the Seattle market and broader market softness in California.
- EBITDA impacted by lower land sales in the quarter compared to previous year.
- Q4 order book solid; catch-up of delayed projects.

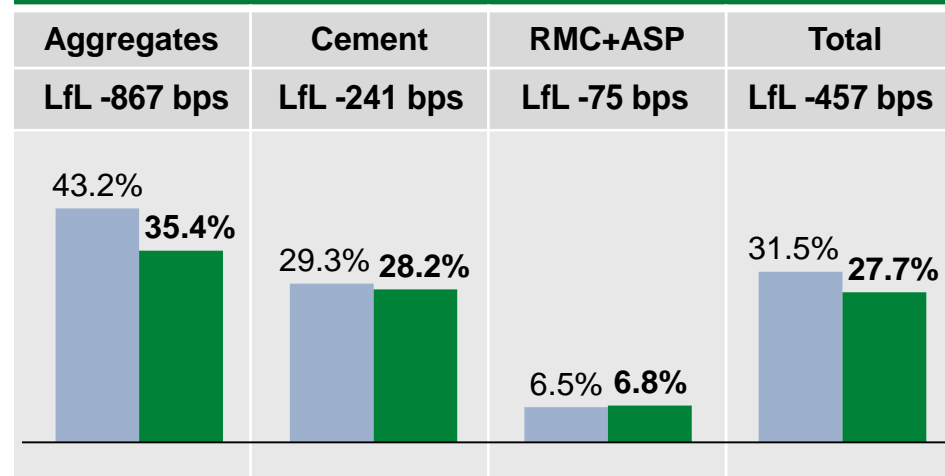
Q3 Volumes



Q3 Operational result (m€)



Q3 Operating EBITDA margin (%)



Previous year figures are adjusted due to change in accounting method for "Result from associates". Please see appendix for details.
LfL figures excluding currency, scope and IFRS 16 Leasing.

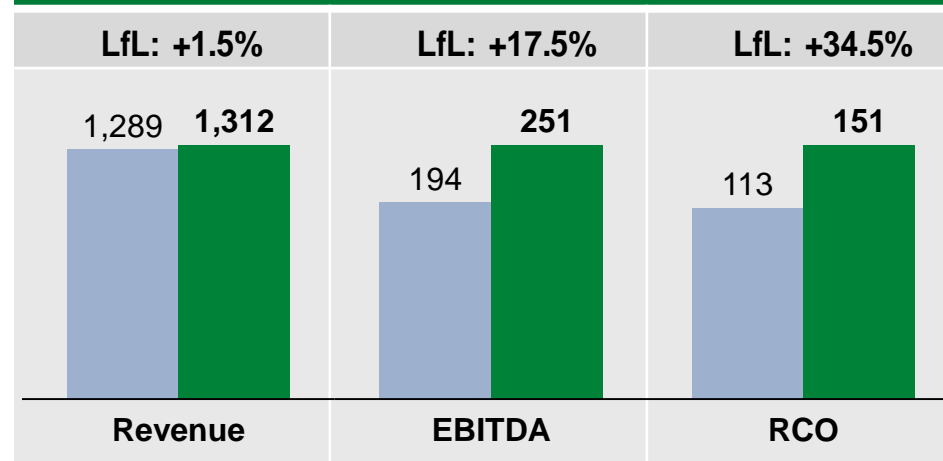
Western and Southern Europe

Q318 Q319

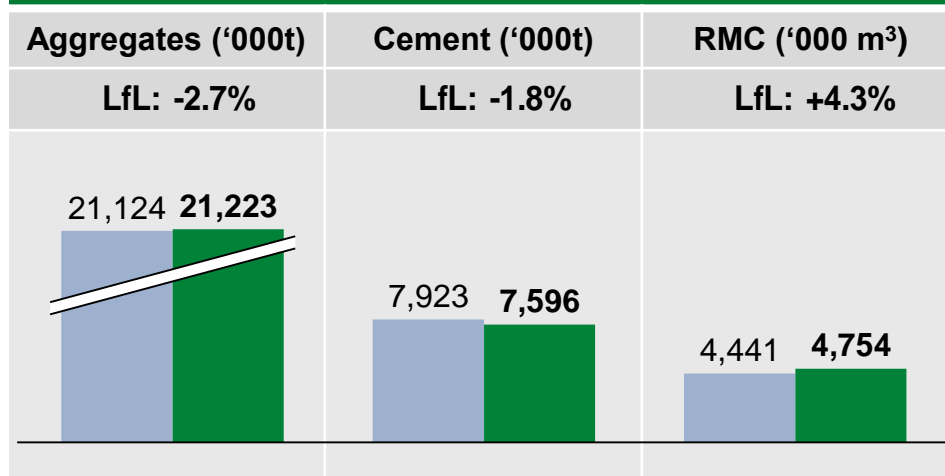
Q3 Market overview

- Margin improvement continues despite lower volumes in the quarter.
- Pursuit of pricing strategy in competitive market. Recovery of CO2 costs started.
- Containment of fixed costs driven by saving programs.
- UK market situation remains challenging (Brexit).

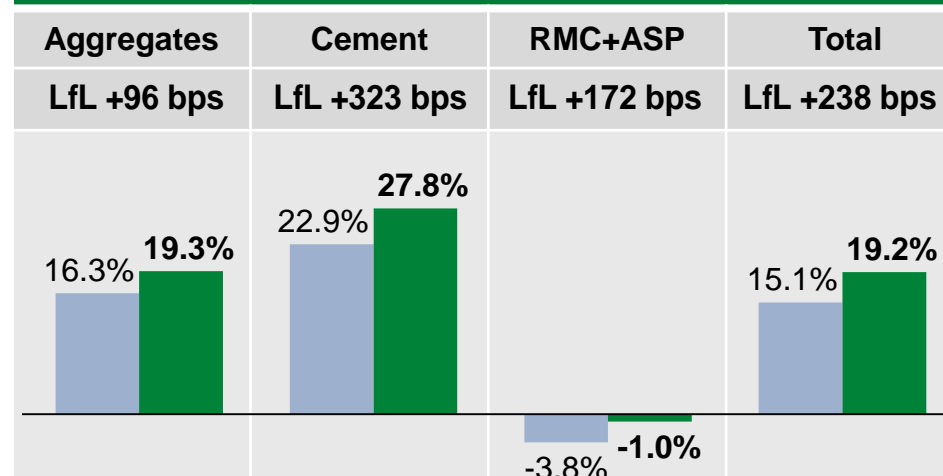
Q3 Operational result (m€)



Q3 Volumes



Q3 Operating EBITDA margin (%)



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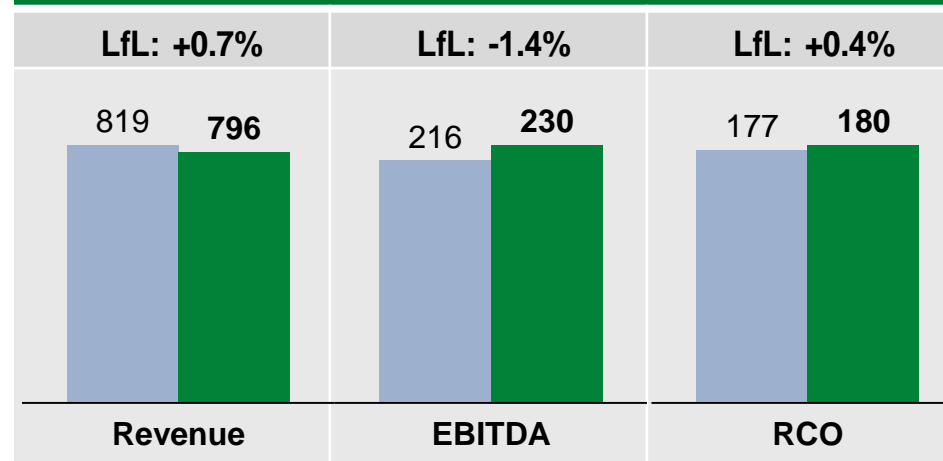
Northern and Eastern Europe - Central Asia

Q318 Q319

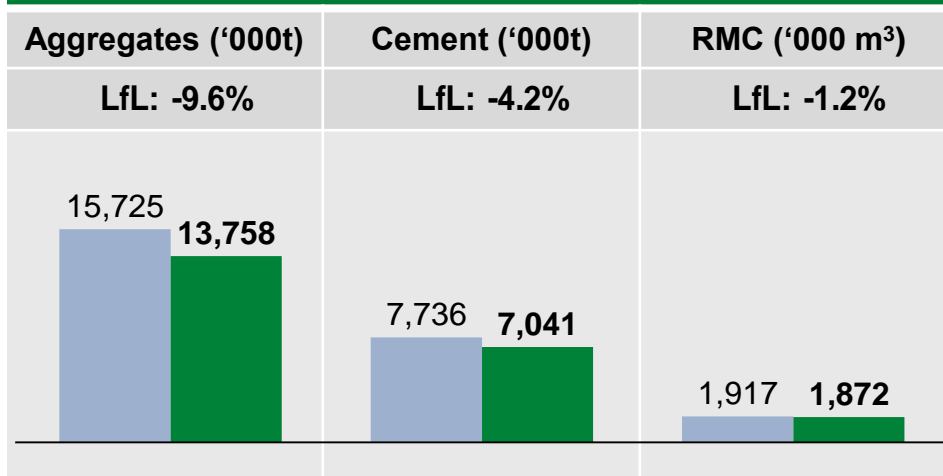
Q3 Market overview

- Strong pricing partly compensates weak volumes and cost inflation. Margin improvement expected in Q4.
- Eastern Europe volumes below prior year due to very strong comparison base.
- Delays in infrastructure projects (which would compensate the shortfall in residential sector) is putting pressure on volumes in Nordics.

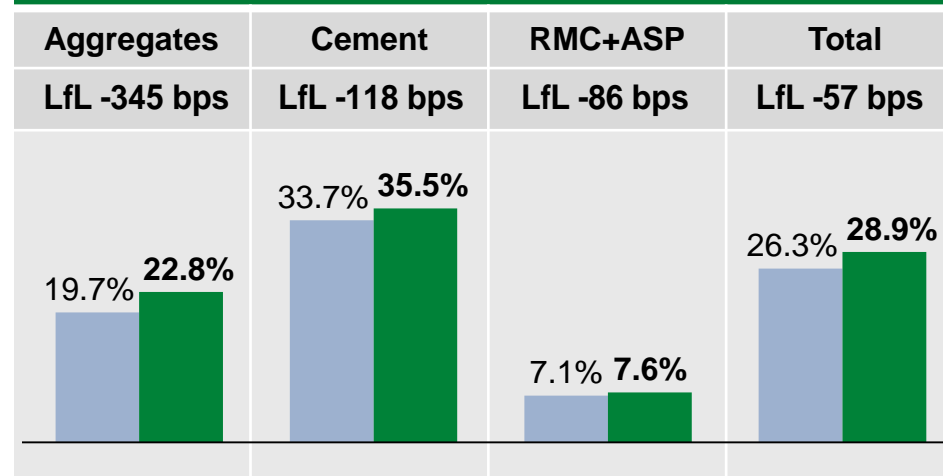
Q3 Operational result (m€)



Q3 Volumes



Q3 Operating EBITDA margin (%)

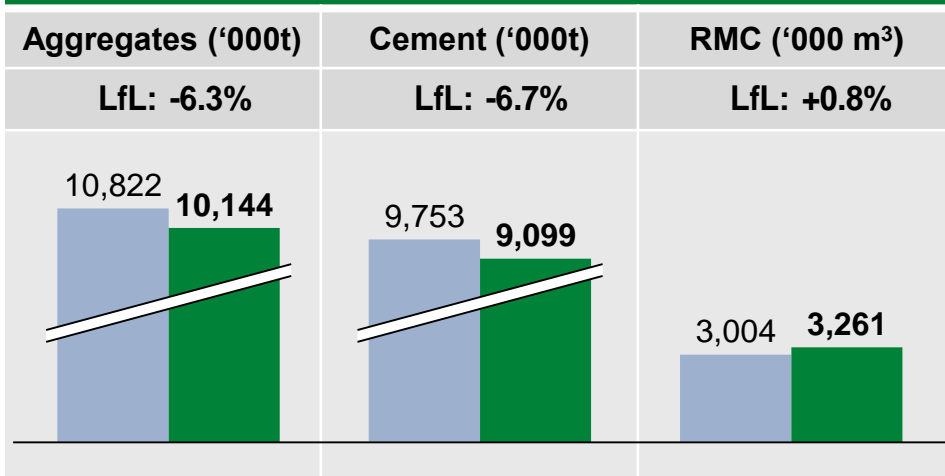


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LfL figures excluding currency, scope and IFRS 16 Leasing.

Q3 Market overview

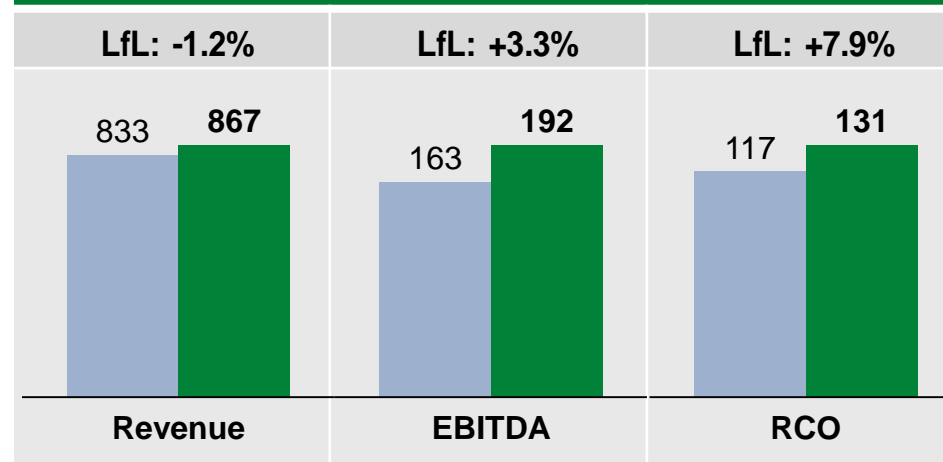
- Strong pricing strategies across the region compensates for the weaker demand in the quarter.
- Clearly visible result recovery in Indonesia and Thailand.
- Margin improvement continues despite lower volumes driven by poor weather conditions in key markets.
- Further improvement expected as we enter into Q4.
- Australia impacted by a clear slowdown in residential.

Q3 Volumes

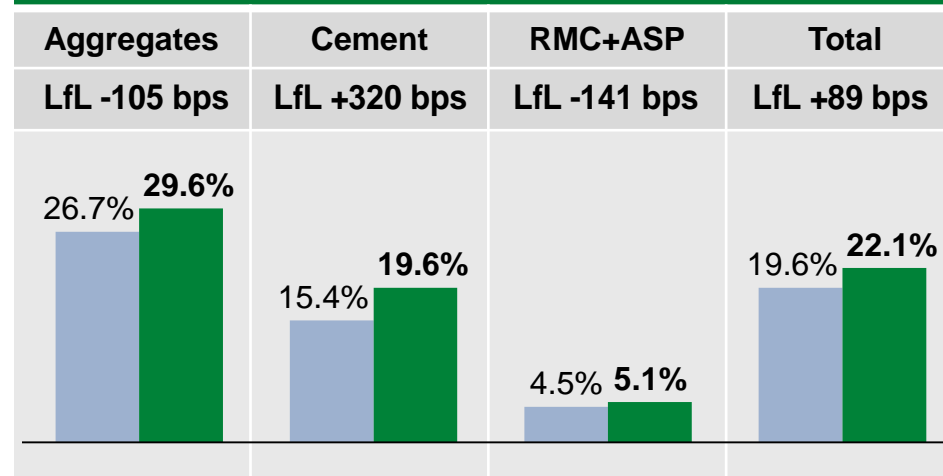


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LfL figures excluding currency, scope and IFRS 16 Leasing.

Q3 Operational result (m€)



Q3 Operating EBITDA margin (%)



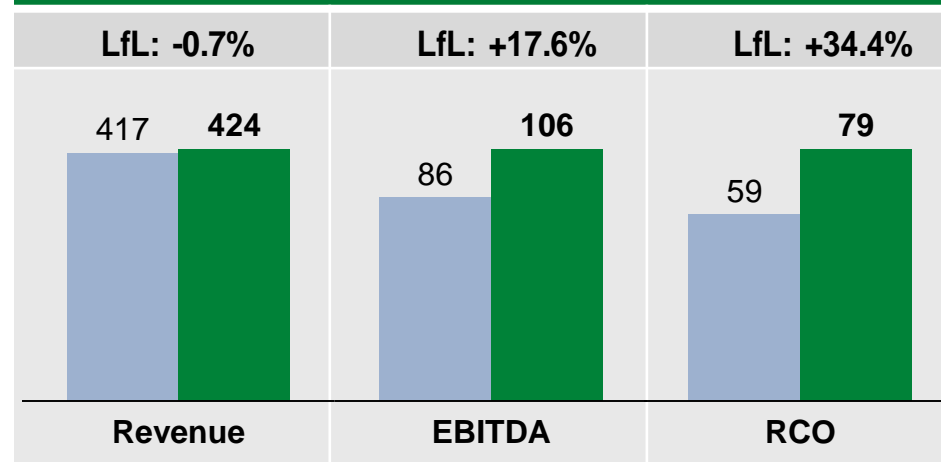
Africa - Eastern Mediterranean Basin

Q318 Q319

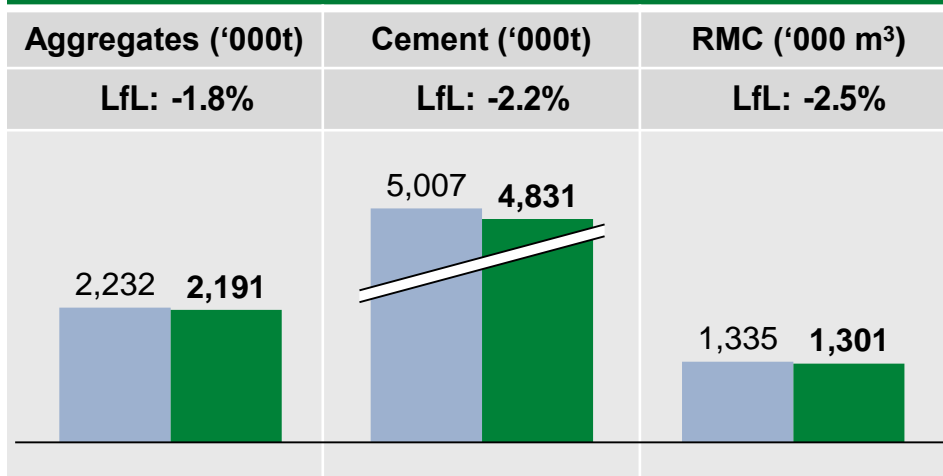
Q3 Market overview

- Solid result improvement in all Sub-Saharan countries more than compensates weakness in Egypt and Turkey.
- Margins increase in all business lines despite lower volumes.
- Positive developments in Morocco and Tanzania have major impact on the region.

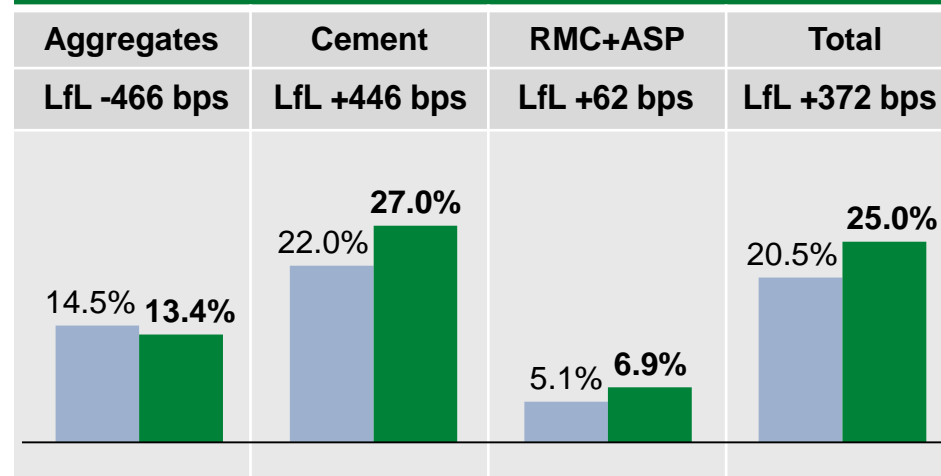
Q3 Operational result (m€)



Q3 Volumes



Q3 Operating EBITDA margin (%)

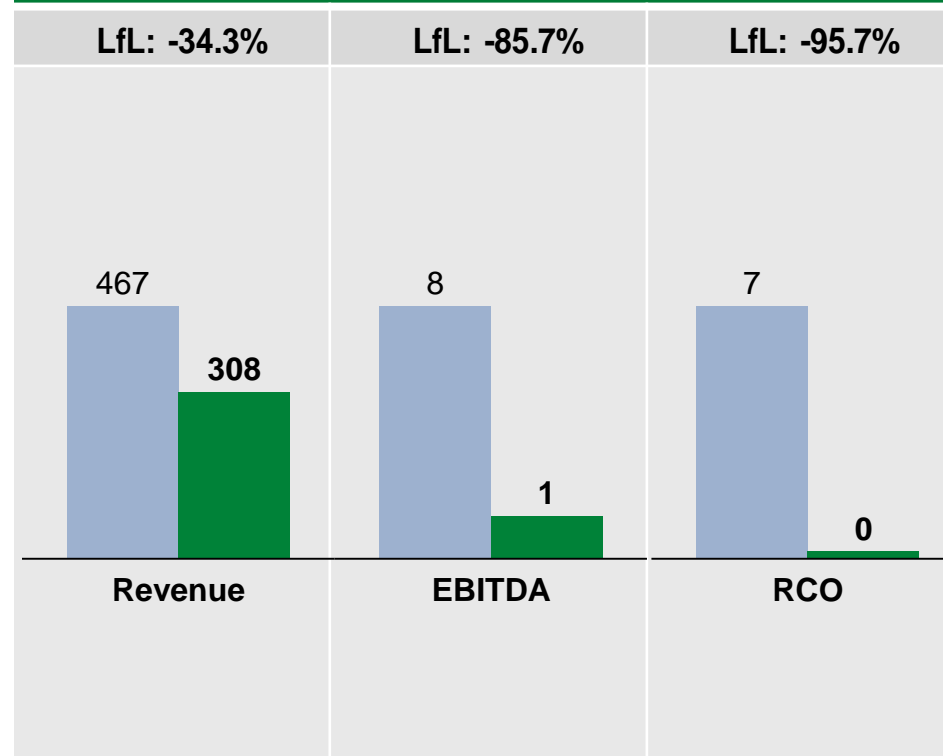


Previous year figures are adjusted due to change in accounting method for "Result from associates". Please see appendix for details.
LfL figures excluding currency, scope and IFRS 16 Leasing.

Q3 Market overview

- Trading volume in the first 9 months reaches 24.7 million tons.
- Oversupply in Mediterranean and Middle East-Indian Ocean regions remains high and continues to put pressure on international clinker pricing as producers push to increase exports.
- Prices for fuel and petcoke decreasing due to decelerating economic growth; bearish market sentiment prevails.
- Freight market boomed in Q3 due to strong grain season and increasing stockpiling actions as IMO regulations are expected to drive up freight rates from 2020.
- Clinker imports to China remain on a high level and result in continuing high FOB prices.

Q3 Operational result (m€)



Previous year figures are adjusted due to change in accounting method for "Result from associates". Please see appendix for details.
LfL figures excluding currency, scope and IFRS 16 Leasing.

Overview performance & programs

Operations

Solid performance improves revenue, EBITDA and margin.

Savings

SG&A saving target increased to 130 m€.

Initial target 100 m€ already secured.

Free cashflow

Strong cash generation and disciplined CapEx brings net debt down by 1.1 billion EUR.

Portfolio optimisation

Disposals reach 393 m€, without any major impact on EBITDA.

Strong operational performance and disciplined CapEx bring debt significantly down

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Key financial messages September 2019

Adjusted Group Share of Profit per September in-line with prior year

- Group Share of Profit, adjusted for AOR, increases to 827 m€ per September 2019.
- Additional ordinary result includes non-cash loss from the sale of Ukraine business in Q2 which is partly compensated by additional ordinary income in Q3.
- Financial result hit by decrease in discount rate for provisions and the reclassification of the interest portion of the lease expenses into the financial result (IFRS 16); interest expenses for financial debt further reduced.
- Tax expense increased to 340 m€ in the first 9 months from 259 m€ last year. This is primarily due to a higher tax base in the current year and a release of a tax provision in the previous year.

Strong free cash flow results in significant deleveraging

- Free cash flow (LTM) increases per Q3 2019 to 1.7 bn€.
- Net Debt reduced by 1.1 bn€ vs Q3 2018; strong operating cash flow, high cash conversion rate as well as strict CapEx discipline drive the reduction in Net Debt.
- Portfolio optimization continues: further disposal proceeds of 103 m€ in Q3 2019.

Year-end net debt target is taken down from 7.7 to 7.4 billion EUR *

* Before IFRS 16 leasing impact.

Income Statement as of September 2019

m€	Sep 18 ¹⁾	Sep 19	Change	Q3 18 ¹⁾	Q3 19	Change
Revenue	13,375	14,273	7 %	4,943	5,061	2 %
Result from at-equity investments	177	213	20 %	82	87	6 %
Result from current operations before depreciation and amortization (RCOBD)	2,253	2,626	17 %	1,058	1,180	12 %
Depreciation and amortization	-816	-1,029	-26 %	-275	-345	-26 %
Result from current operations	1,437	1,597	11 %	783	835	7 %
Additional ordinary result	94	-74	n/a	-34	53	n/a
Financial result	-244	-289	-18 %	-90	-105	-16 %
Income taxes	-259	-340	-31 %	-71	-190	-167 %
Net result from continued operations	1,028	893	-13 %	587	593	1 %
Net result from discontinued operations	-12	-27	-127 %	-7	-17	-160 %
Minorities	-101	-114	-13 %	-41	-35	14 %
Group share of profit	915	752	-18 %	539	540	0 %
Adjusted Group share of profit²⁾	821	827	1 %	574	487	-15 %

1) Amounts restated. 2) AOR excluded.

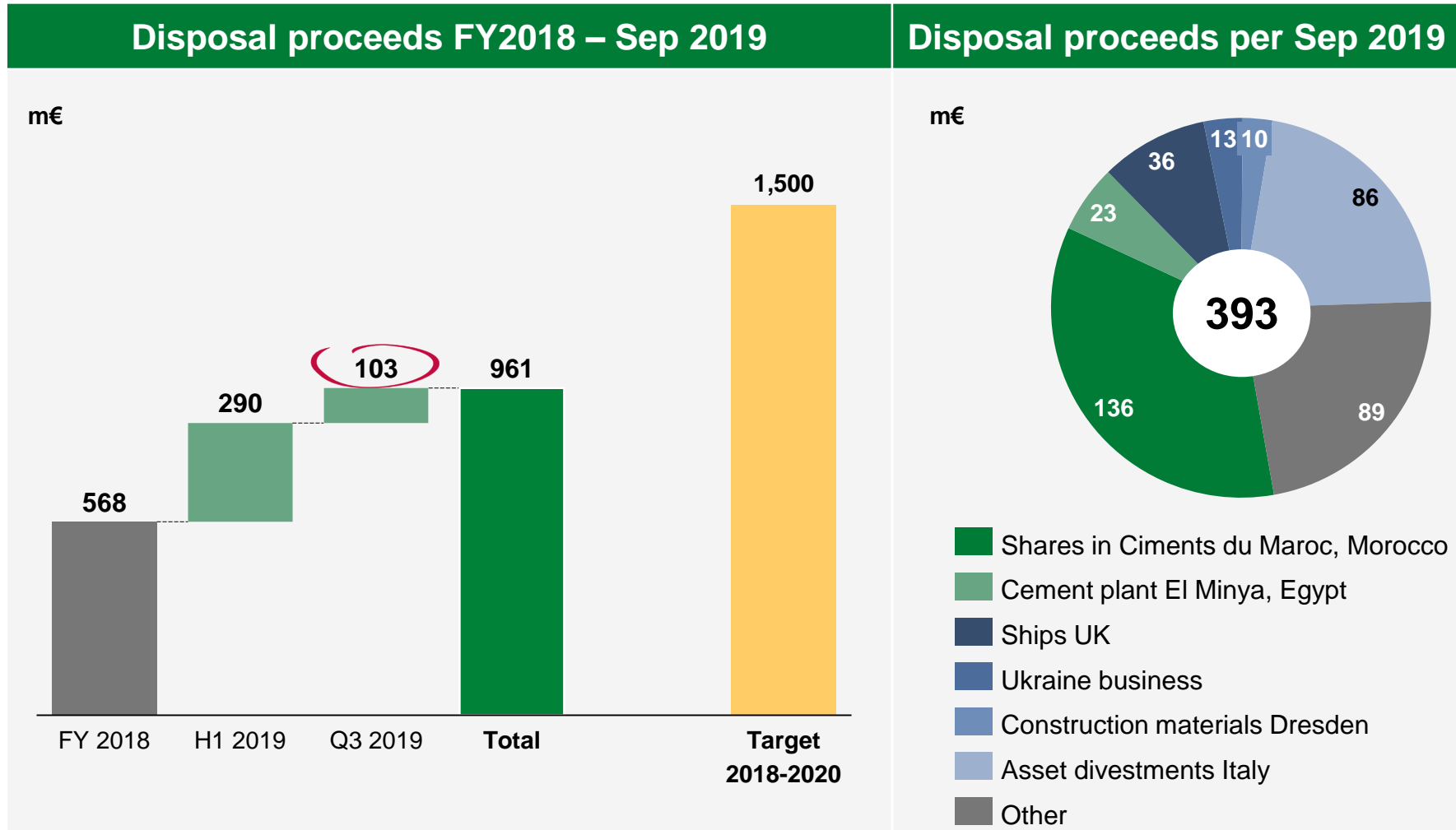
**Operating result up double digit, including IFRS 16 impact.
Group share of profit adjusted for AOR in line with prior year.**

Cash flow Statement as of September 2019

m€	Sep 18	Sep 19	Q3 18	Q3 19	Comments
Cash flow	1,716	2,132	934	1,038	▪ Increase in cash flow (YTD +416 m€) based on strong pricing and margin improvement.
Changes in working capital	-980	-896	-126	22	
Decrease in provisions through cash payments	-241	-253	-86	-67	
Cash flow from operating activities – disc. ops	-1	-1	0	0	
Cash flow from operating activities	493	982	721	993	▪ High level of business activity reflected in negative change in Working Capital.
Total investments	-1,216	-762	-242	-262	▪ Strict CapEx discipline visible in net investment spending (down by 454 mEUR compared to prior year).
Proceeds from fixed asset disposals/consolidation	369	254	49	103	
Cash flow from investing activities – disc. ops	0	1	0	0	
Cash flow from investing activities	-847	-507	-193	-159	
Dividend payments	-553	-580	-62	-67	▪ Positive net growth CapEx (YTD +43 mEUR) due to clear decrease in growth investments and ongoing high proceeds from disposals.
Changes in ownership interests in subsidiaries	-20	44	-1	-3	
Net change in bonds, loans and lease liabilities	712	122	-167	48	
Cash flow from financing activities	139	-414	-231	-23	
Net change in cash and cash equivalents	-215	60	298	812	
Effect of exchange rate changes	-25	88	-7	52	
Change in cash and cash equivalents	-239	148	290	864	

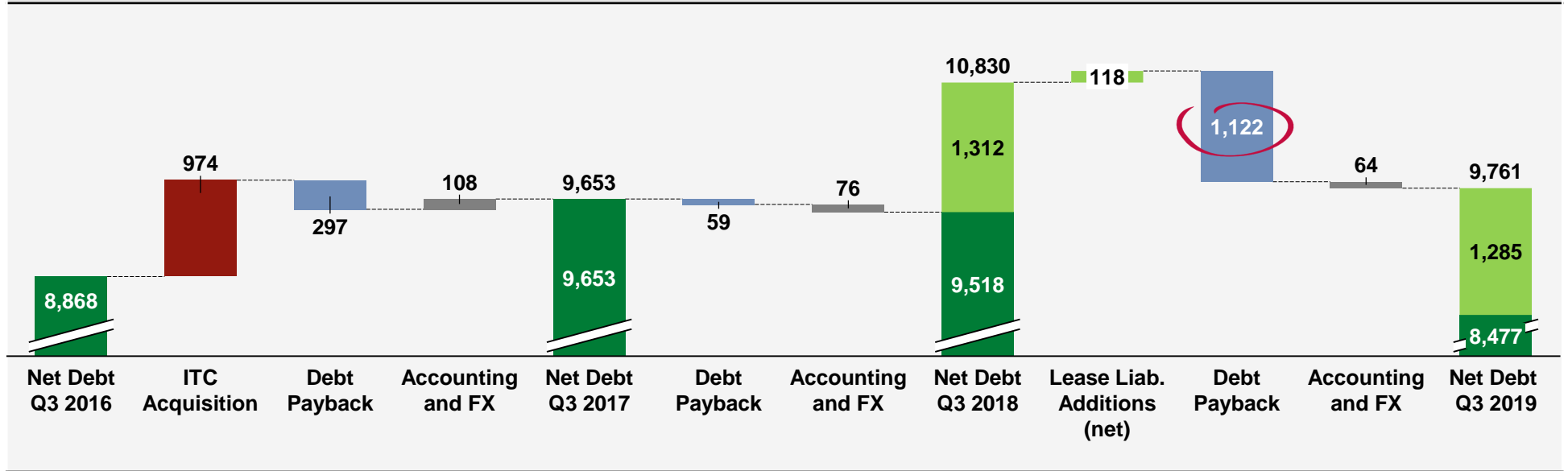
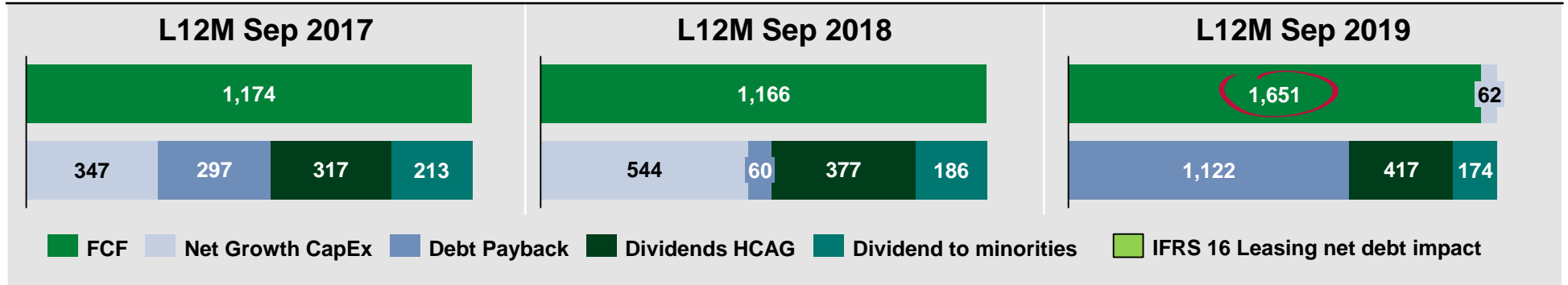
Strong cash generation and CapEx discipline provide the basis for Net Debt reduction

Portfolio optimization continues successfully in Q3



Free Cash Flow rises to 1.7 bn€

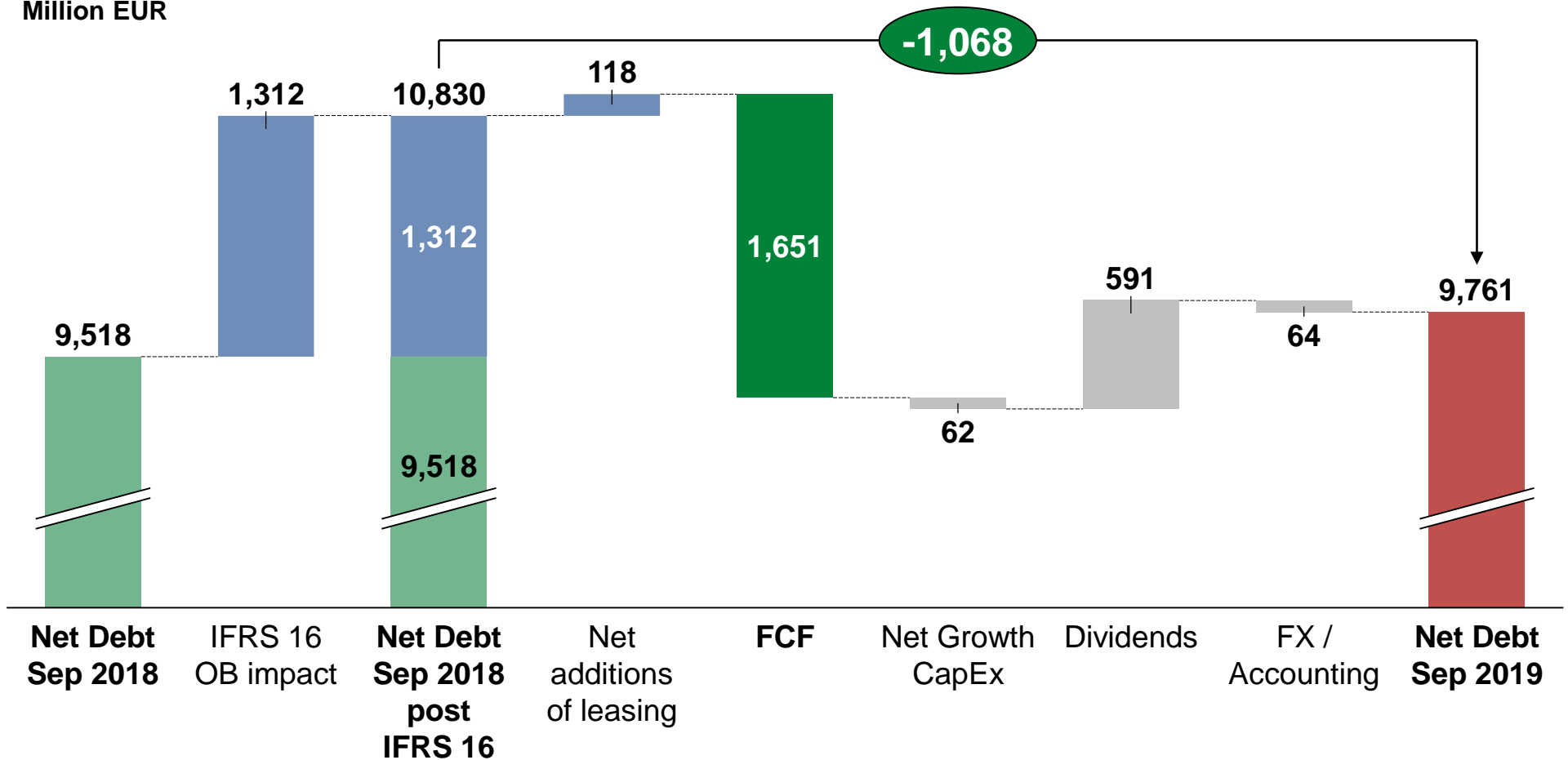
Usage of free cash flow (m€)



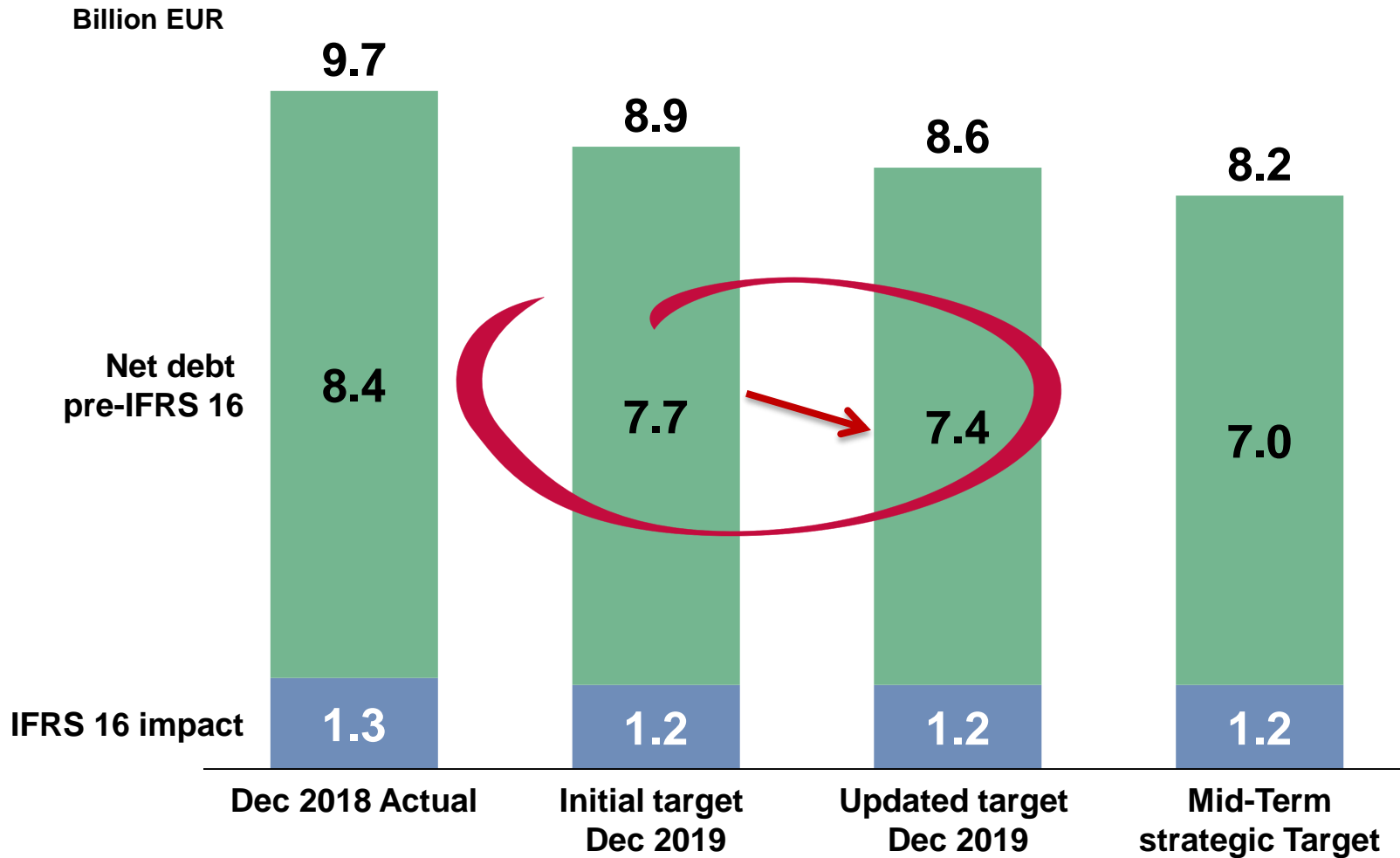
Strong free cash flow and disciplined CapEx spending result in Net Debt reduction of ~1.1 bn€

Net debt development – Last 12 months

Million EUR



Net debt development and target update



Group balance sheet

m€	Sep 18 (*)	Dec 18	Sep 19	Sep 19 / Sep 18	
				Variance (m€)	Variance (%)
Assets					
Intangible assets	11,759	11,820	12,218	459	4 %
Property, plant and equipment	12,804	12,962	14,462	1,658	13 %
Financial assets	2,229	2,107	2,212	-17	-1 %
Fixed assets	26,793	26,889	28,893	2,100	8 %
Deferred taxes	468	314	317	-151	-32 %
Receivables	4,546	3,853	4,342	-204	-4 %
Inventories	1,960	2,035	2,143	183	9 %
Cash and short-term financial instruments/derivatives	1,909	2,613	2,838	929	49 %
Assets held for sale	22	79	0	-22	-100 %
Balance sheet total	35,699	35,783	38,534	2,835	8 %
Equity and liabilities					
Equity attributable to shareholders	15,131	15,430	16,706	1,575	10 %
Non-controlling interests	1,325	1,392	1,480	155	12 %
Equity	16,456	16,822	18,186	1,729	11 %
Debt	11,427	10,981	12,599	1,172	10 %
Provisions	2,575	2,507	2,604	30	1 %
Deferred taxes	656	723	721	65	10 %
Operating liabilities	4,584	4,740	4,423	-161	-4 %
Assets held for sale and discontinued operations	0	11	0	0	n/a
Balance sheet total	35,699	35,783	38,534	2,835	8 %
Net Debt	9,518	8,367	9,761	243	3 %
Gearing	57.8 %	49.7 %	53.7%		

(*) Figures restated.

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2019 targets and outlook confirmed

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 7.4 billion EUR**

* Gross growth CapEx minus disposals.

** Upgraded on Nov 7, 2019. Before application of IFRS 16.

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Change in accounting (IFRS16-Leasing & Result from associates)

IFRS16 – Leasing (m€)	Q3 2019 EBITDA	Q3 2019 Depreciation	Q3 2019 Opr. Income
North America	18.2	-16.8	1.4
West / South Europe	26.8	-23.7	3.1
North / East Europe	17.6	-14.2	3.4
Asia Pacific	18.1	-15.5	2.6
Africa / Med. Basin	4.4	-4.1	0.3
Group Service	0.2	-0.3	-0.1
HC GROUP	85.3	-74.6	10.7

Result from associates (now included in EBITDA) m€	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q3 2019	Sep 2019
North America	-2	-6	5	6	4	6	2
West / South Europe	-5	10	9	6	20	11	19
North / East Europe	0	0	1	0	2	0	0
Asia Pacific	0	0	0	0	1	0	1
Africa / Med. Basin	3	3	3	2	11	3	9
Group Service	1	2	1	1	5	2	4
HC GROUP	-3	10	19	16	42	21	34

Currency & Scope Impacts – September YtD

North America	IFRS 16	Cons.	Decon.	Curr.
Volume				
Cement volume ('000 t)		3.3	-147.8	
Aggregates volume ('000 t)		1,374.7	0.0	
Ready mix volume ('000 m3)		187.1	0.0	
Asphalt volume ('000 t)		727.3	0.0	
Total				
Revenue		83.5	-32.2	183.0
Operating EBITDA	43.0	3.8	-4.1	41.1
<i>in % of revenue</i>				
Operating income	5.1	-0.2	-3.7	28.5
West / South Europe	IFRS 16	Cons.	Decon.	Curr.
Volume				
Cement volume ('000 t)		0.0	-453.6	
Aggregates volume ('000 t)		2,079.0	0.0	
Ready mix volume ('000 m3)		237.1	0.0	
Asphalt volume ('000 t)		0.0	0.0	
Total				
Revenue		48.9	-35.8	1.3
Operating EBITDA	78.9	2.0	1.4	0.1
<i>in % of revenue</i>				
Operating income	8.8	-0.2	2.3	0.0
North / East Europe	IFRS 16	Cons.	Decon.	Curr.
Volume				
Cement volume ('000 t)		0.0	-636.2	
Aggregates volume ('000 t)		0.0	-829.9	
Ready mix volume ('000 m3)		0.0	-37.3	
Asphalt volume ('000 t)		0.0	0.0	
Total				
Revenue		0.0	-36.3	-35.3
Operating EBITDA	46.5	0.0	3.9	-7.0
<i>in % of revenue</i>				
Operating income	4.2	0.0	4.2	-5.3

Asia Pacific	IFRS 16	Cons.	Decon.	Curr.
Volume				
Cement volume ('000 t)		0.0	0.0	
Aggregates volume ('000 t)		0.0	0.0	
Ready mix volume ('000 m3)		617.0	0.0	
Asphalt volume ('000 t)		65.9	0.0	
Total				
Revenue		74.0	-22.1	53.0
Operating EBITDA	52.0	8.2	-3.7	7.0
<i>in % of revenue</i>				
Operating income	5.6	5.9	-3.3	1.8
Africa / Med. Basin	IFRS 16	Cons.	Decon.	Curr.
Volume				
Cement volume ('000 t)		0.0	-182.3	
Aggregates volume ('000 t)		0.0	0.0	
Ready mix volume ('000 m3)		0.0	0.0	
Asphalt volume ('000 t)		0.0	0.0	
Total				
Revenue		0.0	-20.9	41.0
Operating EBITDA	15.1	0.0	-4.9	6.1
<i>in % of revenue</i>				
Operating income	4.6	0.0	-3.8	3.0
Group Service	IFRS 16	Cons.	Decon.	Curr.
Volume				
Cement volume ('000 t)		0.0	0.0	
Aggregates volume ('000 t)		0.0	0.0	
Ready mix volume ('000 m3)		0.0	0.0	
Asphalt volume ('000 t)		0.0	0.0	
Total				
Revenue		0.0	0.0	3.3
Operating EBITDA	0.5	0.0	0.0	0.4
<i>in % of revenue</i>				
Operating income	-0.5	0.0	0.0	0.3

Sales volumes & revenues per business line

Cement sales volumes (mt)	Sep 18	Sep 19
North America	12,136	12,260
West / South Europe	23,002	22,667
North / East Europe	19,259	18,252
Asia Pacific	27,282	26,171
Africa / Med. Basin	14,894	14,678
Intercompany / Other	597	519
HC GROUP	97,170	94,546

Aggregates sales volumes (mt)	Sep 18	Sep 19
North America	93,237	97,936
West / South Europe	60,406	63,499
North / East Europe	38,749	35,565
Asia Pacific	32,860	29,806
Africa / Med. Basin	7,816	6,633
Intercompany / Other	-155	-158
HC GROUP	232,913	233,282

Ready Mix sales volumes (mm ³)	Sep 18	Sep 19
North America	5,331	5,826
West / South Europe	12,866	13,948
North / East Europe	5,075	5,030
Asia Pacific	8,267	8,869
Africa / Med. Basin	3,854	3,903
Intercompany / Other	428	375
HC GROUP	35,820	37,951

Asphalt sales volumes (mt)	Sep 18	Sep 19
North America	3,210	3,820
West / South Europe	2,722	2,682
North / East Europe	0	0
Asia Pacific	1,523	1,555
Africa / Med. Basin	393	333
Intercompany / Other	0	0
HC GROUP	7,848	8,391

Cement sales revenues (m€)	Sep 18	Sep 19
North America	1,301	1,410
West / South Europe	1,890	1,967
North / East Europe	1,177	1,180
Asia Pacific	1,257	1,349
Africa / Med. Basin	972	1,001
Intercompany / Other	-43	-37
HC GROUP	6,553	6,870

Aggregates sales revenues (m€)	Sep 18	Sep 19
North America	1,197	1,380
West / South Europe	795	854
North / East Europe	397	391
Asia Pacific	447	425
Africa / Med. Basin	71	70
Intercompany / Other	-23	-23
HC GROUP	2,885	3,097

RMC & ASP sales revenues (m€)	Sep 18	Sep 19
North America	811	974
West / South Europe	1,365	1,503
North / East Europe	461	466
Asia Pacific	847	910
Africa / Med. Basin	248	268
Intercompany / Other	29	26
HC GROUP	3,760	4,146

Contact information and event calendar

Date	Event
19 March 2020	Full Year Results
7 May 2020	First Quarter Results
30 July 2020	Half Year Results
5 November 2020	Third Quarter Results

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Disclaimer

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

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