

2020 Half Year Results

30 July 2020

Dr. Dominik von Achten – Group CEO

Dr. Lorenz Näger – Group CFO



Key Messages Q2 2020

- Solid result in unprecedented challenging environment
- Margin improvement despite significant demand pressure
- COPE action plan with high cost savings and preservation of liquidity
- 1.4 b€ net debt reduction driven by very strong free cash flow generation
- Solid start into Q3 but business visibility still limited for H2 2020

HEIDELBERGCEMENT



2020 Half Year Results

Financial Highlights

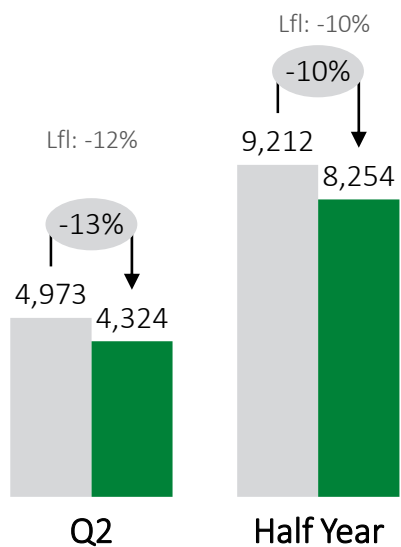
Sustainability Update

Key Takeaways

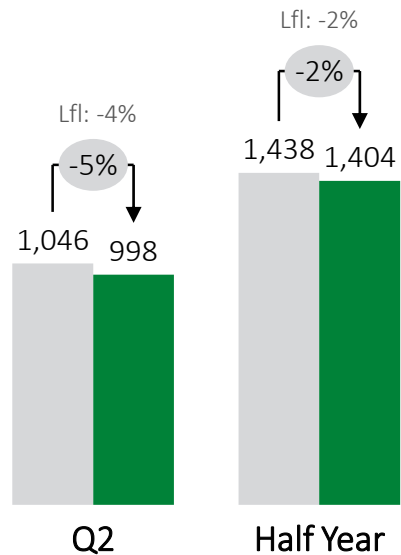
Appendix

Margin improvement despite volume driven revenue decline

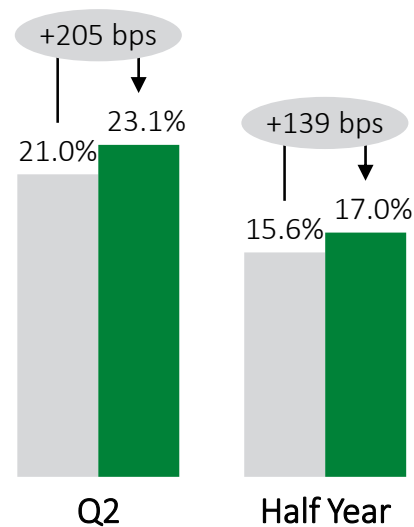
Revenue (m€)



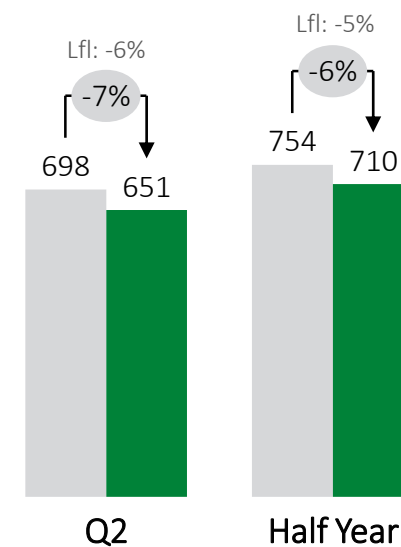
Operating EBITDA (m€)



Operating EBITDA Margin



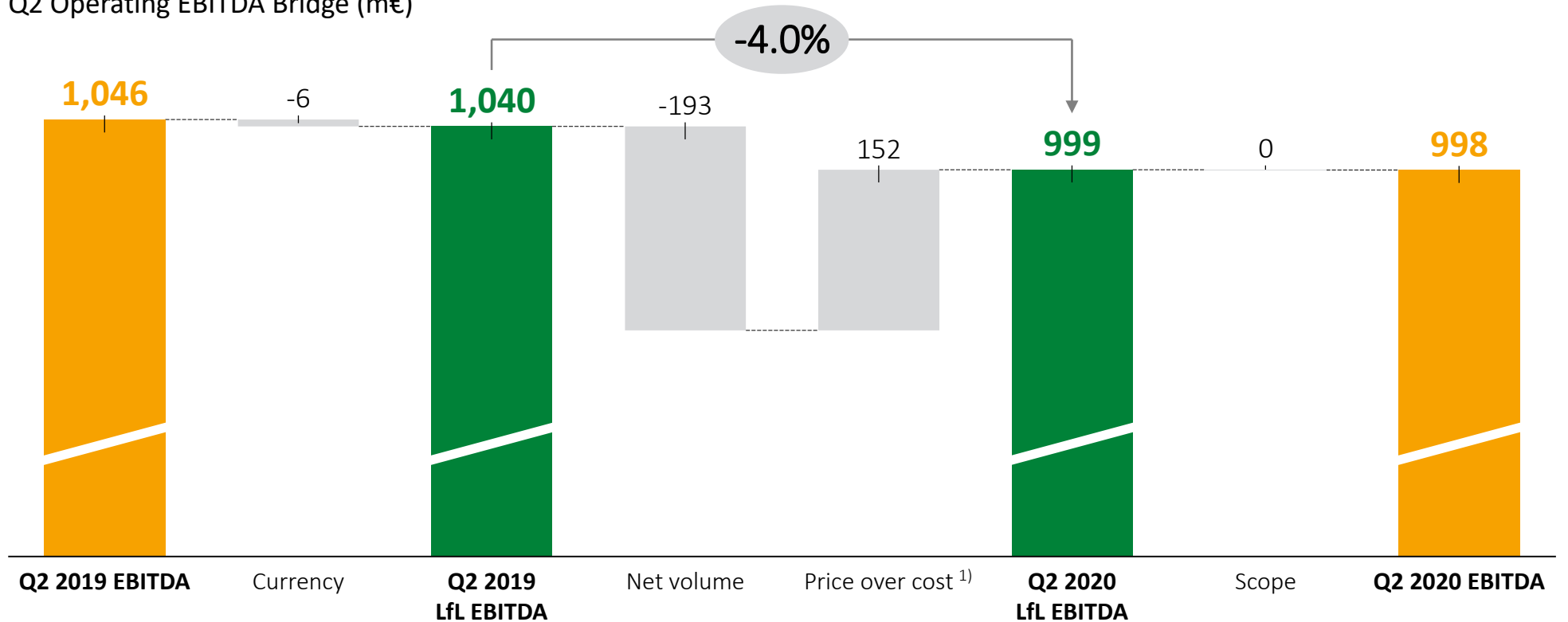
Operating EBIT (RCO) (m€)



2019 2020

COPE action plan with strong contribution

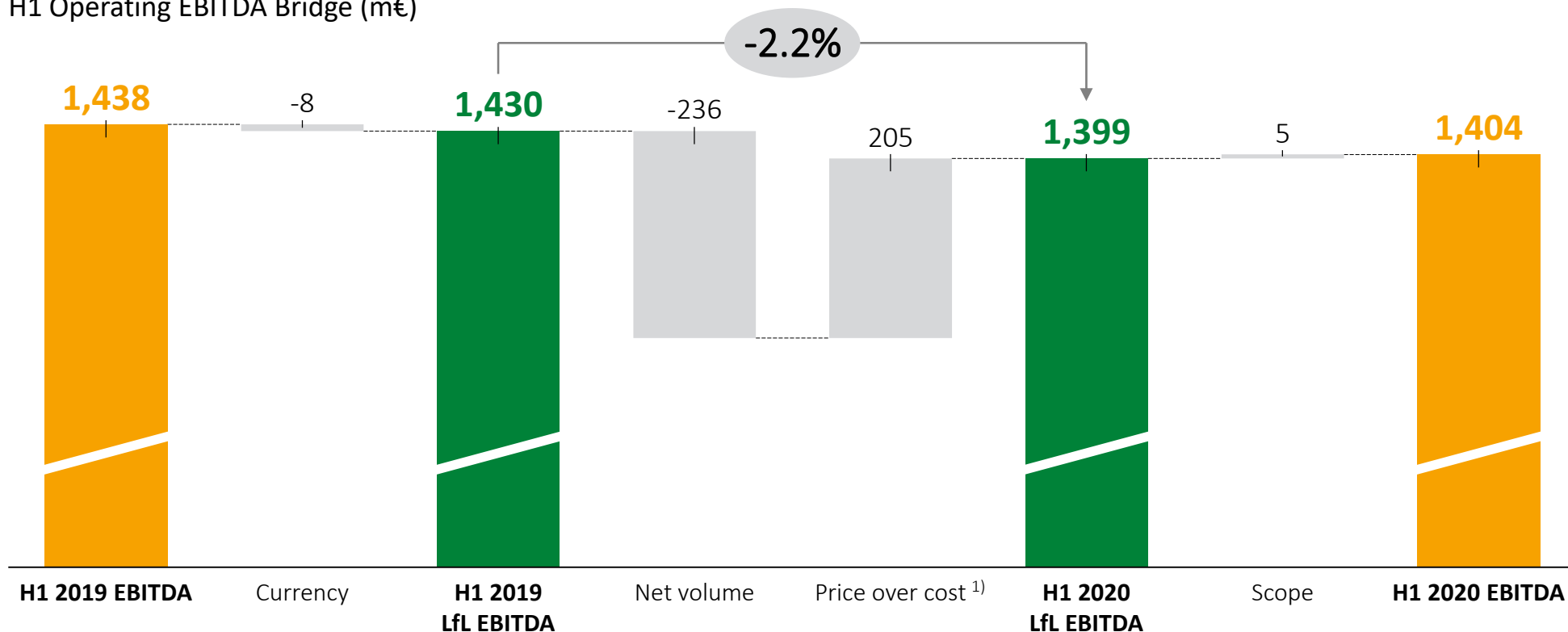
Q2 Operating EBITDA Bridge (m€)



1) Includes COPE cost savings of 158m€

Stable EBITDA in a challenging market environment

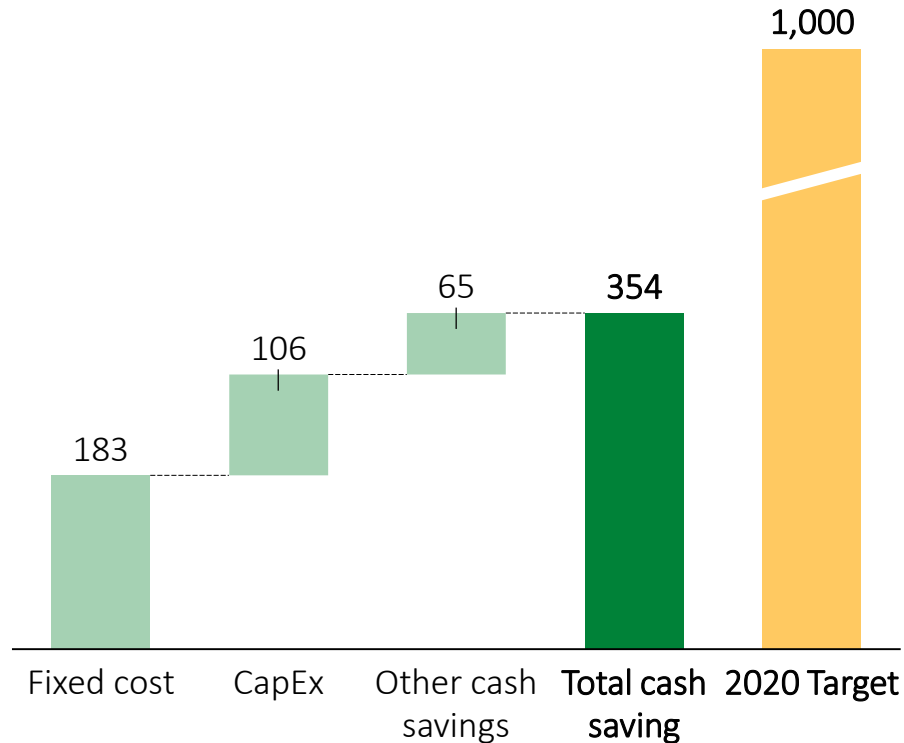
H1 Operating EBITDA Bridge (m€)



1) Includes COPE cost savings of 183m€

COPE action plan on track despite much higher revenue than anticipated

COPE cash savings as of June 2020 (m€)



Proactive and successfully implemented action plan

- Cope action plan already initiated in February
- Minimization of all non-essential expenses and reduction of staff costs clearly visible on results
- Maintenance CapEx only for business critical projects
- Suspension of tax prepayments and strict receivables policy

Covid-19 leads to demand decline in all business lines

Sales volumes

CEMENT (mt)	2019	2020	Change	LfL
Q2	32.4	28.7	-3.8	-10.9%
Half year	61.0	56.3	-4.7	-6.6%
AGGREGATES (mt)	2019	2020	Change	LfL
Q2	82.7	74.7	-8.0	-9.2%
Half year	145.6	134.8	-10.8	-6.9%
READY-MIX (mm3)	2019	2020	Change	LfL
Q2	13.1	11.0	-2.0	-15.4%
Half Year	24.4	21.7	-2.7	-11.5%
ASPHALT (mt)	2019	2020	Change	LfL
Q2	3.0	2.6	-0.4	-13.6%
Half Year	4.8	4.3	-0.5	-11.2%

Development in key markets

North America

- COPE savings and positive pricing minimizes the negative impact from significant decline in volumes
- Trend turning positive after very difficult April and May

Europe

- Solid pricing and saving initiatives lead to margin improvement in a historically difficult quarter
- Good demand in June, especially in Nordics, Eastern Europe and Germany

Asia-Pacific

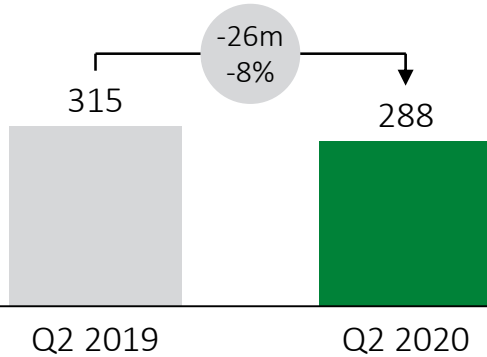
- A difficult quarter driven by full lock-down in India and strict measures taken in Australia and Indonesia

Africa – Eastern Mediterranean

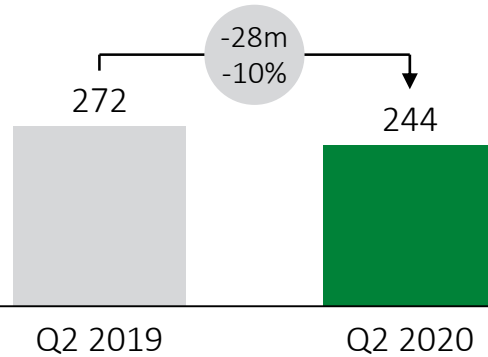
- Limited impact from Covid-19, tailwind from energy costs and COPE savings lead to both absolute EBITDA and margin improvement in Q2

Q2 2020 EBITDA growth in NEECA and Africa – Eastern Mediterranean

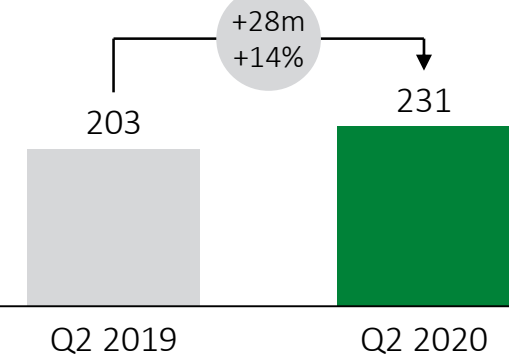
North America
m€



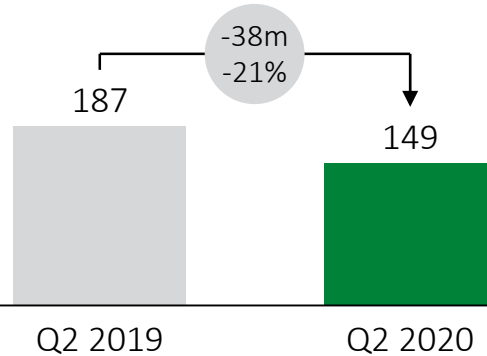
Western & Southern Europe
m€



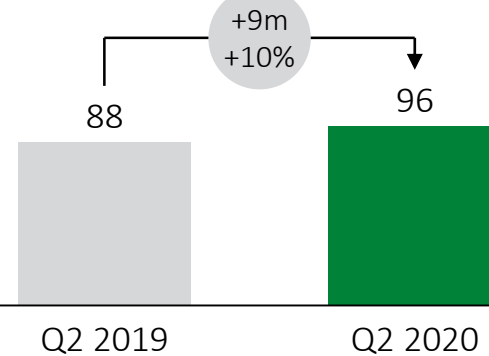
North & Eastern Europe – Central Asia
m€



Asia Pacific
m€



Africa – Eastern Mediterranean
m€



Sustainability Report 2019 published

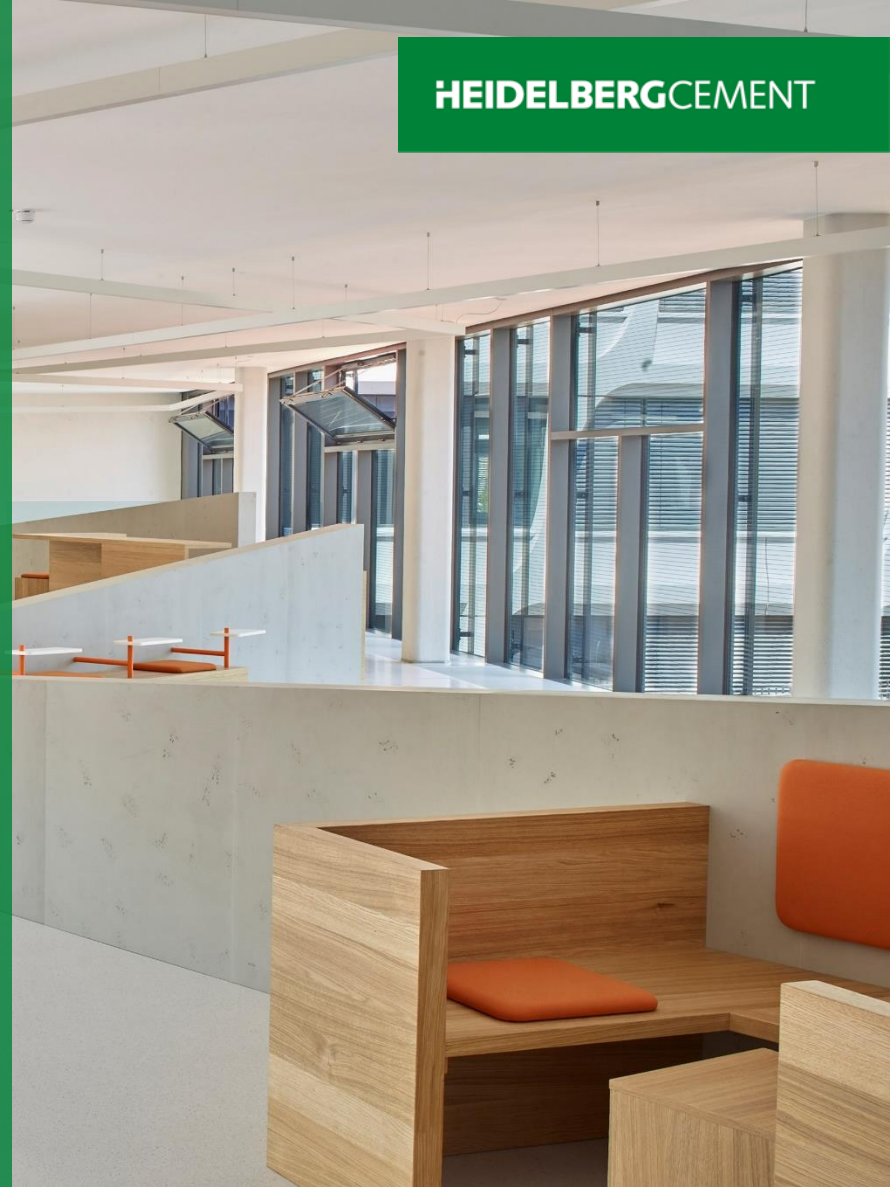
11th SR of HeidelbergCement published on 25 June 2020

- Focus on climate protection and reduction of CO₂ emissions
- Thorough coverage of human rights and compliance as well as occupational health and safety
- Further key topics: Social responsibility, supply chain and supplier management, R&D, biodiversity, responsible land use and water management, etc.
- Commitment to the UN Global Compact and the UN Social Development Goals
- Stakeholder engagement: next materiality assessment to be carried out until end of 2020



Key Financial Messages June 2020

- Revaluation of the asset portfolio leads to impairment of goodwill and other assets of ~3.4 billion EUR
- Adjusted for the additional ordinary result, Group Share of Profit increases by 5% to 356 million EUR per June 2020
- Strong free cash flow generation – High cash conversion rate (53%) pushing free cash flow LTM to 1.9 billion EUR
- COPE action plan with focus on cost savings, tight CapEx spending and disciplined working capital management took effect in Q2'20
- Net debt reduced by 1.4 bn€ compared to June 2019



Adjusted Group share of profit increased by 5%

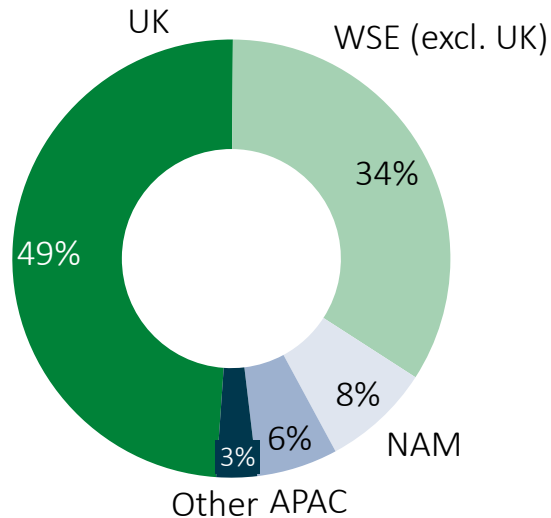
Income Statement per June (m€)	2019 ¹⁾	2020	Delta
Revenue	9,212	8,254	-957
RCOBD (Operating EBITDA)	1,438	1,404	-34
Depreciation and amortization	-684	-693	-9
Result from current operations (RCO)	754	710	-44
Additional ordinary result	-128	-3,490	-3,362
Financial result	-176	-157	+19
Income taxes	-150	-138	+12
Net result from continuing operations	300	-3,075	-3,375
Net result from discontinued operations	-9	-20	-11
Non-controlling interests	-79	-39	+40
Group share of profit	212	-3,133	-3,346
Group share of profit adjusted for AOR	340	356	+16

Key developments

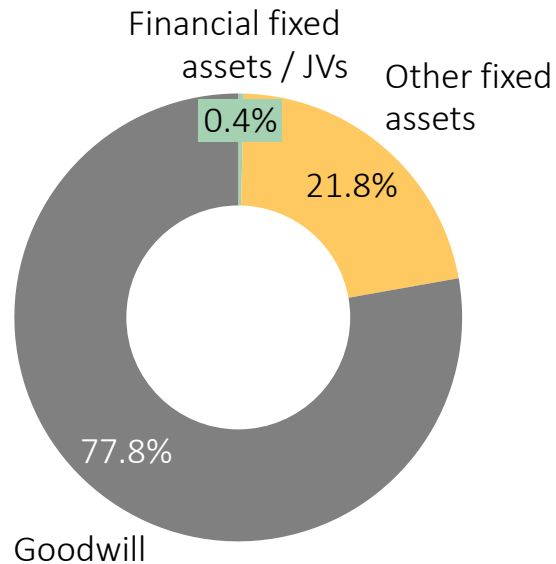
- Revaluation of asset portfolio leads to impairment of goodwill and other assets of 3.4 bn€ in AOR
- Financial result improved due to the decrease in interest expenses (+38 m€)
- Negative accounting effect from change in discount rate for the measurement of provisions (~50 m€ booked in financial result and discontinued operations)
- Income taxes 12 m€ below prior year; further improvement expected for second half of the year

Portfolio revaluation led to goodwill and asset impairment of 3.4 bn€

Split by geography



Split by line item

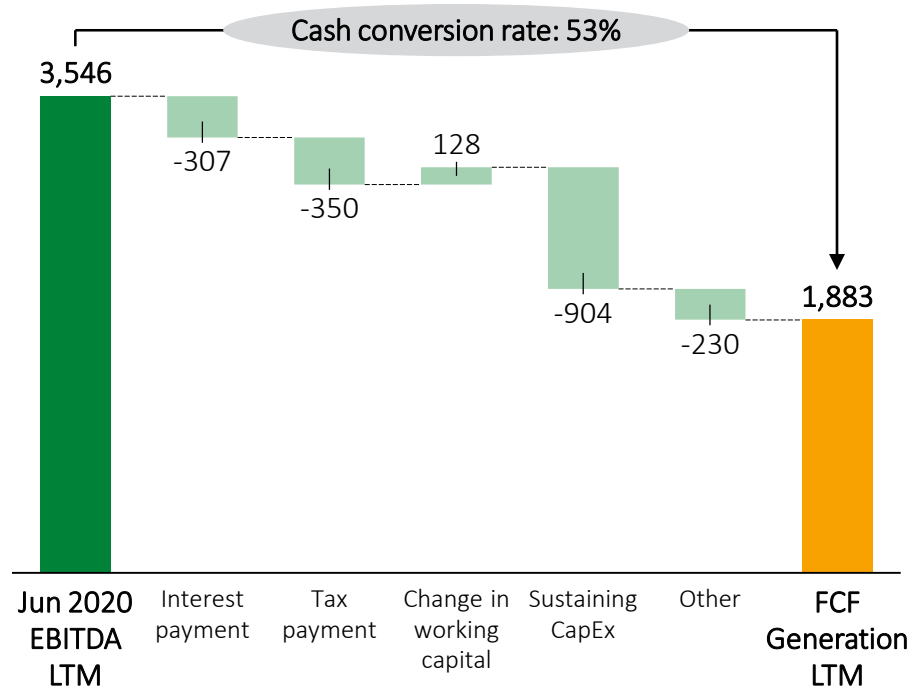


Reasons for revaluation

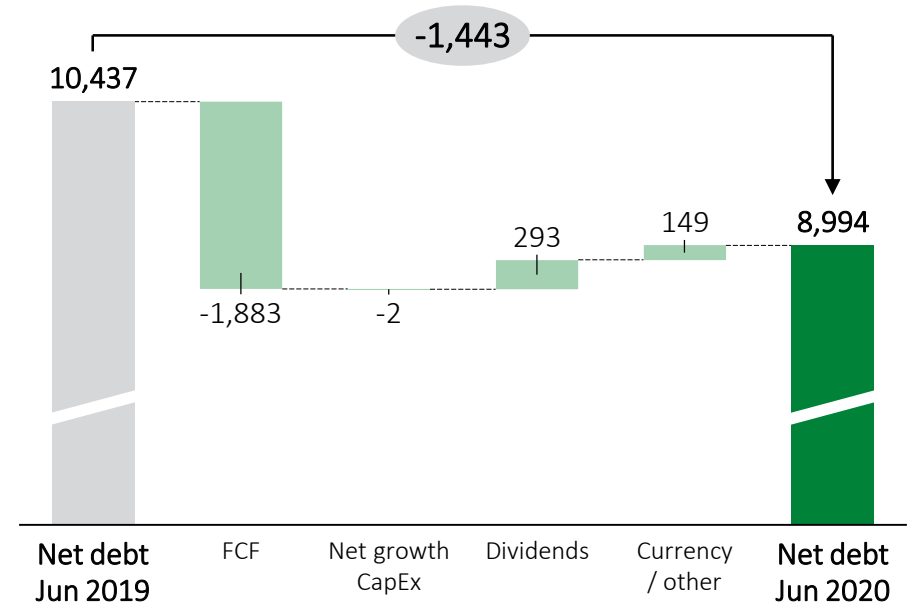
- Corona pandemic as triggering event
- Original business expectations have decreased in the specific planning period
- Brexit impacts negatively on business expectations in UK
- Increased MRP and risk-free debt spreads
- Long term business prospects continue to be good
- Impairment does not affect short term operational development; very little (positive) cash effect

Strong free cashflow and significant net debt reduction

Free cash flow¹⁾ generation (m€)



Net debt development (m€)



1) FCF = Operating cash flow minus sustaining capex

Key Messages Q2 2020

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September 16, 2020

HeidelbergCement
Capital Markets Day

BEYOND 2020

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Sales volumes

Sales Volumes QUARTER	Cement ('000 t)				Aggregates ('000 t)				Ready Mix ('000 m3)				Asphalt ('000 t)			
	Q2 19	Q2 20	Change	LfL	Q2 19	Q2 20	Change	LfL	Q2 19	Q2 20	Change	LfL	Q2 19	Q2 20	Change	LfL
North America	4,443	3,847	-595	-13.4%	34,924	33,711	-1,213	-3.5%	2,099	1,952	-147	-7.0%	1,495	1,356	-139	-9.3%
West / South Europe	8,187	6,748	-1,439	-16.1%	22,262	18,365	-3,897	-18.9%	4,912	4,090	-822	-17.6%	859	700	-159	-18.5%
North / East Europe	6,765	6,324	-441	-5.0%	13,492	12,930	-561	-3.2%	1,820	1,566	-254	-12.2%				
Asia Pacific	8,118	6,659	-1,459	-18.2%	9,902	8,244	-1,658	-10.9%	2,878	2,372	-506	-17.0%	520	439	-81	-15.6%
Africa / Med. Basin	4,772	4,983	211	5.6%	2,195	1,413	-782	-35.6%	1,228	1,029	-200	-16.2%	107	80	-27	-25.0%
Group Service	158	97	-61	-38.8%					117	31	-87	-73.6%				
HC GROUP	32,444	28,659	-3,785	-10.9%	82,693	74,682	-8,011	-9.2%	13,054	11,039	-2,015	-15.4%	2,980	2,575	-405	-13.6%

Sales Volumes YEAR TO DATE	Cement ('000 t)				Aggregates ('000 t)				Ready Mix ('000 m3)				Asphalt ('000 t)			
	Jun 19	Jun 20	Change	LfL	Jun 19	Jun 20	Change	LfL	Jun 19	Jun 20	Change	LfL	Jun 19	Jun 20	Change	LfL
North America	7,474	7,108	-367	-4.9%	57,515	56,225	-1,291	-2.2%	3,573	3,601	28	0.5%	1,911	1,815	-95	-8.0%
West / South Europe	15,071	12,891	-2,180	-12.5%	42,277	36,614	-5,663	-14.8%	9,194	7,910	-1,283	-15.1%	1,733	1,453	-280	-16.2%
North / East Europe	11,210	10,910	-301	0.0%	21,806	21,895	88	1.3%	3,158	2,841	-317	-8.0%				
Asia Pacific	17,071	15,015	-2,056	-12.4%	19,662	16,514	-3,148	-9.9%	5,608	4,924	-684	-13.4%	984	877	-107	-10.9%
Africa / Med. Basin	9,847	10,147	300	4.2%	4,442	3,543	-898	-20.2%	2,602	2,262	-340	-13.1%	198	198	0	-0.1%
Group Service	351	278	-73	-20.8%					261	166	-95	-36.2%				
HC GROUP	61,025	56,348	-4,677	-6.6%	145,605	134,791	-10,814	-6.9%	24,395	21,705	-2,691	-11.5%	4,825	4,343	-483	-11.2%

Operating result

Operating Result QUARTER	Revenues (m€)				Operating EBITDA (m€)				Operating EBIT / RCO (m€)				EBITDA Margin			
	Q2 19	Q2 20	Change	LfL	Q2 19	Q2 20	Change	LfL	Q2 19	Q2 20	Change	LfL	Q2 19	Q2 20	Change	LfL
North America	1,297	1,216	-6.2%	-7.9%	315	288	-8.4%	-10.2%	225	191	-15.4%	-17.3%	24.2%	23.7%	-55 bps	-62 bps
West / South Europe	1,388	1,182	-14.8%	-14.6%	272	244	-10.5%	-10.9%	164	143	-12.6%	-13.2%	19.6%	20.6%	+100 bps	+85 bps
North / East Europe	799	765	-4.3%	0.0%	203	231	13.8%	17.0%	152	183	20.6%	23.5%	25.4%	30.2%	+481 bps	+433 bps
Asia Pacific	804	667	-17.1%	-14.7%	187	149	-20.6%	-17.6%	124	85	-31.7%	-28.6%	23.3%	22.3%	-98 bps	-79 bps
Africa / Med. Basin	407	410	0.6%	0.7%	88	96	9.9%	12.7%	59	69	16.1%	21.5%	21.5%	23.5%	+198 bps	+250 bps
Group Service	450	201	-55.4%	-55.4%	7	4	-39.6%	-39.5%	6	2	-62.0%	-62.0%	1.6%	2.1%	+55 bps	+55 bps
HC GROUP	4,973	4,324	-13.0%	-12.3%	1,046	998	-4.6%	-3.9%	698	651	-6.7%	-6.0%	21.0%	23.1%	+205 bps	+202 bps

Operating Result YEAR TO DATE	Revenues (m€)				Operating EBITDA (m€)				Operating EBIT / RCO (m€)				EBITDA Margin			
	Jun 19	Jun 20	Change	LfL	Jun 19	Jun 20	Change	LfL	Jun 19	Jun 20	Change	LfL	Jun 19	Jun 20	Change	LfL
North America	2,127	2,136	0.5%	-2.1%	343	340	-0.8%	-2.8%	168	146	-12.9%	-14.3%	16.1%	15.9%	-20 bps	-12 bps
West / South Europe	2,566	2,287	-10.9%	-10.8%	328	306	-6.7%	-8.1%	118	103	-12.1%	-15.6%	12.8%	13.4%	+59 bps	+38 bps
North / East Europe	1,373	1,349	-1.8%	2.4%	259	294	13.4%	15.0%	158	197	25.0%	26.0%	18.9%	21.8%	+292 bps	+233 bps
Asia Pacific	1,618	1,403	-13.3%	-11.7%	348	280	-19.6%	-17.3%	221	150	-32.3%	-29.8%	21.5%	19.9%	-157 bps	-137 bps
Africa / Med. Basin	837	853	2.0%	0.6%	184	192	4.4%	5.7%	128	137	6.8%	10.1%	22.0%	22.5%	+53 bps	+109 bps
Group Service	1,017	499	-50.9%	-50.9%	16	10	-40.9%	-41.1%	14	7	-47.3%	-47.5%	1.6%	1.9%	+33 bps	+32 bps
HC GROUP	9,212	8,254	-10.4%	-10.2%	1,438	1,404	-2.4%	-2.2%	754	710	-5.8%	-5.3%	15.6%	17.0%	+139 bps	+138 bps

Scope and currency impacts

Scope & Currency QUARTER	Scope Impact on Volumes				Revenue		Operating EBITDA		Operating EBIT (RCO)	
	CEM	AGG	RMC	ASP	Scope	Currency	Scope	Currency	Scope	Currency
North America	0	0	0	0	0	23	0	7	0	5
West / South Europe	-123	300	44	0	1	-5	1	0	1	0
North / East Europe	-104	-135	-33	0	-7	-27	1	-6	1	-4
Asia Pacific	20	-579	-18	0	2	-25	-1	-6	-1	-4
Africa / Med. Basin	-56	0	0	0	-5	5	-1	-1	-1	-2
Group Service	0	0	0	0	0	0	0	0	0	0
HC GROUP	-262	-414	-7	0	-10	-29	0	-6	0	-5

Scope & Currency YEAR TO DATE	Scope Impact on Volumes				Revenue		Operating EBITDA		Operating EBIT (RCO)	
	CEM	AGG	RMC	ASP	Scope	Currency	Scope	Currency	Scope	Currency
North America	0	3	11	57	8	46	0	7	-1	4
West / South Europe	-294	596	103	0	-1	-1	5	0	4	0
North / East Europe	-299	-201	-63	0	-21	-35	4	-7	4	-4
Asia Pacific	57	-1,203	68	0	9	-39	-1	-9	-1	-6
Africa / Med. Basin	-116	0	0	0	-11	22	-3	0	-2	-2
Group Service	0	0	0	0	0	1	0	0	0	0
HC GROUP	-652	-805	119	57	-15	-7	5	-8	4	-8

Strong operating cash flow development in the first half of 2020

Consolidated statement of cash flows Jan – June (m€)

	2019 ¹⁾	2020	Variance
Cash flow	1,093	1,094	1
Changes in working capital	-919	-865	55
Decrease in provisions through cash payments	-179	-106	72
Cash flow from operating activities - discontinued operations	-7	-10	-4
Cash flow from operating activities	-11	113	124
Investments (cash outflow)	-501	-458	42
Divestments (cash inflow) and change in consolidation scope	151	51	-101
Cash flow from investing activities - discontinued operations	1		-1
Cash flow from investing activities	-348	-408	-59
Dividend payments	-513	-220	293
Changes in ownership interests in subsidiaries	47	-1	-49
Net change in bonds, loans and lease liabilities	74	-533	-607
Cash flow from financing activities	-392	-754	-362
Net change in cash and cash equivalents	-751	-1,049	-298
Effect of exchange rate changes	36	-40	-76
Change in cash and cash equivalents	-715	-1,089	-374

- Clear improvement in operating cash flow: strict working capital management and lower utilization of provisions
- Cash flow from investing activities: disciplined spending on the investments side is offset by lower proceeds from divestments
- Reduced dividend payment is reflected in the cash flow from financing activities
- In the light of the Wirecard development an extraordinary audit of cash balances in Q2 showed no findings

Balance sheet materially impacted by impairment

Consolidated balance sheet June 2020 (m€)

	June 2019	Dec 2019	June 2020	Variance vs. prior year	
Assets					
Intangible assets	11,916	12,155	9,377	-2,539	-21 %
Property, plant and equipment	14,232	14,529	13,235	-997	-7 %
Financial assets	2,124	2,128	2,041	-83	-4 %
Fixed assets	28,272	28,812	24,653	-3,619	-13 %
Deferred taxes	329	313	270	-59	-18 %
Receivables	4,327	3,661	4,101	-226	-5 %
Inventories	2,129	2,199	2,067	-62	-3 %
Cash and short-term financial instruments / derivatives	1,908	3,586	2,527	619	32 %
Assets held for sale and discontinued operations	34	16		-34	
Balance sheet total	36,999	38,589	33,619	-3,380	-9 %
Equity and Liabilities					
Equity attributable to shareholders	15,604	16,987	13,264	-2,340	-15 %
Non-controlling interests	1,420	1,517	1,373	-47	-3 %
Equity	17,024	18,504	14,637	-2,387	-14 %
Debt	12,391	12,028	11,580	-811	-7 %
Provisions	2,500	2,546	2,569	69	3 %
Deferred taxes	722	726	661	-61	-8 %
Operating liabilities	4,358	4,783	4,171	-187	-4 %
Assets held for sale and discontinued operations	3	1		-3	
Balance sheet total	36,999	38,589	33,619	-3,380	-9 %

Contact information and financial reporting calendar

Date	Event
16 September 2020	Capital Market Day (virtual)
5 November 2020	Third Quarter Results

Contact Information

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Disclaimer

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credit business and, in particular, additional uncertainties arising out of the subprime, financial market and liquidity crises; the outcome of pending investigations and legal proceedings and actions resulting from the findings of these investigations; as well as various other factors.

More detailed information about certain of the risk factors affecting HeidelbergCement is contained throughout this presentation and in HeidelbergCement's financial reports, which are available on the HeidelbergCement website, www.heidelbergcement.com. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the relevant forward-looking statement or information as expected, anticipated, intended, planned, believed, sought, estimated or projected.

In addition to figures prepared in accordance with IFRS, HeidelbergCement also presents alternative performance measures, including, among others Operating EBITDA, EBITDA margin, Adjusted EPS, free cash flow and net debt. These alternative performance measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS. Alternative performance measures are not subject to IFRS or any other generally accepted accounting principles. Other companies may define these terms in different ways. "Operating EBITDA" definition included in this presentation represents "Result from current operations before depreciation and amortization (RCOBD)" and "Operating Income" represents "Result from current operations (RCO)" lines in the annual and interim reports.