HEIDELBERGCEMENT

Quarterly Statement January to March 2020

HeidelbergCement makes a good start to 2020 – expense reductions of €1 billion thanks to COPE action plan

- **Strong first quarter 2020 – result *) increases by 4% despite decline in revenue**
- **2020 outlook uncertain – negative impact expected on revenue and result**
- **€1 billion cash savings – COVID-19 action plan COPE initiated in February**
- **Solid financial position – €5.7 billion of liquidity**
- **Annual General Meeting on 4 June 2020 – dividend reduction to €0.60 per share**
- **Long-term prospects favourable – government stimulus to support the sector**

Dr. Dominik von Achten, Chairman of the Managing Board of HeidelbergCement:

"HeidelbergCement has made a good start to 2020. Until mid-March, construction activity worldwide was only slightly impaired by the effects of the coronavirus pandemic, and our results increased in comparison with the previous year.

From mid-February, we acted promptly and comprehensively to take the measures that were necessary given the situation. In doing so, the health of our employees, customers, and service providers has always been and remains a priority. The low number of infected employees within the Group speaks for itself. I would like to thank all employees worldwide for their daily commitment to our customers – sometimes under difficult circumstances – and for keeping construction activity going wherever possible.

With COPE, we have launched a comprehensive action plan across the Group at the end of February that focuses on cost savings and on maintaining our high level of liquidity. This includes, for example, minimising all non-essential expenses, reducing personnel costs, voluntary reductions in management salaries, restrictions on investments, and reduced tax payments. Our objective is to reduce expenses by €1 billion with these measures.

The positive start to the year demonstrates that HeidelbergCement is very well positioned even in difficult times. When the economy picks up again and construction activity in our markets returns to normal, we will still have good, perhaps even better prospects for sustainable and profitable growth. We see the crisis as a clear opportunity."

*) Result from current operations on a like-for-like basis, i.e. before consolidation and exchange rate effects

Business development in the first quarter of 2020

HeidelbergCement made a good start to 2020 in the first two months. Compared with the strong January and February of the previous year, sales volumes increased in all business lines. From mid-March, however, our sales volumes were significantly impaired by the effects of the coronavirus pandemic, such as state-imposed production downtimes and construction stoppages on major infrastructure projects. During the first quarter of 2020, total cement and clinker sales volumes decreased by 3% to 27.7 million tonnes (previous year: 28.6). Deliveries of aggregates declined by 4% to 60.1 million tonnes (previous year: 62.9), and ready-mixed concrete sales volumes fell by 6% to 10.7 million cubic metres (previous year: 11.3). At 1.8 million tonnes (previous year: 1.8), asphalt sales volumes were 4% below the previous year's level.

Group revenue decreased by 7% in comparison with the previous year to €3,930 million (previous year: 4,238). The decline from the trading activities contributed significantly to this development. Excluding consolidation and exchange rate effects, the decline amounted to 8%. Changes to the scope of consolidation of €6 million had a negative impact on revenue; exchange rate effects, on the other hand, increased revenue by €23 million. The overall positive price development only partially offset the decline in sales volumes and trading activities.

In the reporting period, material costs fell significantly by 16% to €1,593 million (previous year: 1,904). This decline resulted primarily from the reduced expenditure on goods purchased for resale. The balance of other operating expenses and income was 1% below the previous year's level at €-1,149 million (previous year: -1,166). At €767 million (previous year: 763), personnel costs remained almost unchanged. The result from equity accounted investments (REI) fell by 52% to €17 million, significantly below the previous year's figure of €36 million.

The result from current operations before depreciation and amortisation grew by 3% to €405 million (previous year: 392). Excluding consolidation and exchange rate effects, the growth amounted to 2%. The result from current operations rose by 5% to €59 million (previous year: 56). Excluding consolidation and exchange rate effects, the growth amounted to 4%

Financial position

HeidelbergCement has a very solid position in financing. The available liquidity from cash, available-for-sale financial investments, and derivative financial instruments as well as undrawn credit lines amounted to €5.4 billion as at the end of March 2020. In April, the company more than offset the cash outflow from the repayment of a Eurobond of €750 million by issuing a new €650 million bond with a 4.5 year maturity and a 2.50% coupon and by enhancing the bilateral credit line by €425 million totaling €3.3 billion of confirmed and undrawn credit lines. In addition, the company accessed the new commercial paper Pandemic Emergency Purchase Program (PEPP) launched by the European Central Bank on 18 March 2020. The rating agencies Moody's and S&P have confirmed HeidelbergCement's investment grade ratings.

Dr. Lorenz Näger, Chief Financial Officer of HeidelbergCement, said: “Once again, we have strengthened our liquidity position sustainably. The company currently has cash and cash equivalents of around €5.7 billion. With our COPE action plan, we are consistently focused on the reduction of expenses. If the Annual General Meeting on 4 June 2020 follows the adjusted dividend proposal of the Managing Board and Supervisory Board, the shareholders will also make an important contribution through the reduced dividend. We have thus laid the foundation that will allow us to maintain our solid investment grade rating even in this difficult situation.”

At the end of the first quarter of 2020, net debt amounted to €9.3 billion. In comparison with the end of the first quarter of 2019, net debt therefore fell significantly by around €1.1 billion. The increase of almost €0.9 billion compared with the end of 2019 is primarily due to the usual seasonal rise in working capital.

Annual General Meeting and dividend proposal

HeidelbergCement will hold the company’s ordinary Annual General Meeting on 4 June 2020 as an entirely virtual event where the shareholders or their representatives will not be physically present. The Annual General Meeting can be followed via live stream. Access to the general debate and voting is only possible for registered shareholders and a few selected stakeholders. Shareholders will be able to exercise their voting right by postal vote or via the company’s designated proxies. Instructions will be possible online until shortly before the vote starts. The registered shareholders may submit questions regarding the agenda until 2 June, 4 p.m. at the latest.

In view of the scope and extent of the Corona crisis and the still high level of uncertainty regarding future developments, HeidelbergCement has decided to suspend the progressive dividend policy for the time being. The aim is to maintain the good financial profile. Against this background, the Managing Board and Supervisory Board will propose a dividend of €0.60 per share for the 2019 financial year to the Annual General Meeting. Originally, the dividend proposal was €2.20 per share. As a result, €317 million from the originally proposed dividend payment of €437 million will be retained as cash.

The company reaffirms its fundamental position of returning to its previous dividend policy once the Corona crisis has been overcome, with a dividend that will at least remain constant or rise in the medium term to approx. 40% in relation to the Group's share of profit.

Outlook for 2020

HeidelbergCement is globally well positioned, in terms of the way it is coping with the immediate effects of the global coronavirus pandemic as well as its prospects for sustainable and profitable growth, which remain good from a long-term perspective. At an early stage, the company took all the necessary measures to cushion the impact of the corona virus-related decline in construction activity on its revenue and result as good as possible.

The full effect of the crisis on the company results for 2020 cannot be estimated yet. In mid-March, when the previous year's results were presented, HeidelbergCement had already withdrawn its original outlook for 2020. Because of the significant decline in construction activity in many countries from mid-March due to stipulated production downtimes, the company expects a negative impact on revenue and results.

The development in the second half of the year will be a crucial indicator of how quickly and sustainably the construction industry recovers to pre-crisis level. The Group anticipates that in individual core markets, construction activities are likely to benefit in the medium term from infrastructure and other economic stimulus programmes launched by governments. .

"The current development in the construction industry is highly dynamic," says Dr. Dominik von Achten. "Some countries have relaxed the protective measures, while others are continuing to pursue restrictive policies. It therefore remains difficult to provide an outlook for the year. However, our measures from the COPE action plan are already proving highly effective. We will weather the crisis very well."

Risks and opportunities

Risks and opportunities that may have a significant impact on our financial position and performance in the 2020 financial year and in the foreseeable future are described in detail in the Annual Report 2019 in the Outlook chapter on page 58 ff. and in the Risk and opportunity report chapter on page 63 ff.

At the time of compiling the Annual Report on 18 March 2020, it was not possible to predict the extent to which global economic development would be affected by the spread of the coronavirus. It is now clear that the impact on global economic growth in 2020 will be considerable. Nevertheless, in a holistic view of individual risks and the overall risk situation, the company, from today's perspective, does not expect identifiable risks that could threaten the existence of the Group or any other apparent significant risks.

Group overview

Group overview	January - March			
	2019	**2020**	Change	like for like[1)]
Cement and clinker (Mt)	28.6	**27.7**	-3%	-2%
Aggregates (Mt)	62.9	**60.1**	-4%	-4%
Ready-mixed concrete (Mm^3)	11.3	**10.7**	-6%	-7%
Asphalt (Mt)	1.8	**1.8**	-4%	-7%
Revenue (€m)	4,238	**3,930**	-7%	-8%
Result from current operations before depreciation and amortisation (€m)	392	**405**	3%	2%
Result from current operations (€m)	56	**59**	5%	4%
Net debt (€bn)[2)]	10.4	**9.3**	-1.1	

1) Adjusted for currency and consolidation effects

2) Values changed due to adjusted net debt definition

Development in the Group areas

North America	January - March			
	2019	2020	Change	like for like[1)]
Cement and clinker (Mt)	3.0	**3.3**	8%	8%
Aggregates (Mt)	22.6	**22.5**	0%	0%
Ready-mixed concrete (Mm^3)	1.5	**1.6**	12%	11%
Asphalt (Mt)	0.4	**0.5**	10%	-3%
Revenue (€m)	829	**920**	11%	7%
Result from current operations before depreciation and amortisation (€m)	28	**52**	84%	80%
Result from current operations (€m)	-57	**-44**	23%	26%

1) Adjusted for currency and consolidation effects

Western and Southern Europe	January - March			
	2019	2020	Change	like for like[1)]
Cement and clinker (Mt)	6.9	**6.1**	-11%	-8%
Aggregates (Mt)	20.0	**18.2**	-9%	-10%
Ready-mixed concrete (Mm^3)	4.3	**3.8**	-11%	-12%
Asphalt (Mt)	0.9	**0.8**	-14%	-14%
Revenue (€m)	1,178	**1,105**	-6%	-6%
Result from current operations before depreciation and amortisation (€m)	56	**62**	11%	5%
Result from current operations (€m)	-46	**-39**	14%	7%

1) Adjusted for currency and consolidation effects

Northern and Eastern Europe-Central Asia	January - March			
	2019	2020	Change	like for like[1)]
Cement and clinker (Mt)	4.4	**4.6**	3%	8%
Aggregates (Mt)	8.3	**9.0**	8%	9%
Ready-mixed concrete (Mm^3)	1.3	**1.3**	-5%	-2%
Asphalt (Mt)				
Revenue (€m)	574	**584**	2%	6%
Result from current operations before depreciation and amortisation (€m)	57	**63**	12%	8%
Result from current operations (€m)	6	**14**	133%	89%

1) Adjusted for currency and consolidation effects

Asia-Pacific	January - March			
	2019	2020	Change	like for like[1)]
Cement and clinker (Mt)	9.0	**8.4**	-7%	-7%
Aggregates (Mt)	9.8	**8.3**	-15%	-9%
Ready-mixed concrete (Mm^3)	2.7	**2.6**	-7%	-10%
Asphalt (Mt)	0.5	**0.4**	-6%	-6%
Revenue (€m)	814	**737**	-10%	-9%
Result from current operations before depreciation and amortisation (€m)	161	**131**	-18%	-17%
Result from current operations (€m)	97	**65**	-33%	-31%

1) Adjusted for currency and consolidation effects

Africa-Eastern Mediterranean Basin	January - March			
	2019	2020	Change	like for like[1)]
Cement and clinker (Mt)	5.1	**5.2**	2%	3%
Aggregates (Mt)	2.2	**2.1**	-5%	-5%
Ready-mixed concrete (Mm^3)	1.4	**1.2**	-10%	-10%
Asphalt (Mt)	0.1	**0.1**	29%	29%
Revenue (€m)	429	**444**	3%	0%
Result from current operations before depreciation and amortisation (€m)	96	**96**	0%	-1%
Result from current operations (€m)	69	**69**	-1%	1%

1) Adjusted for currency and consolidation effects

Group Services	January - March			
	2019	2020	Change	like for like[1)]
Revenue (€m)	567	**298**	-47%	-47%
Result from current operations before depreciation and amortisation (€m)	9	**5**	-42%	-42%
Result from current operations (€m)	8	**5**	-37%	-37%

1) Adjusted for currency and consolidation effects

Heidelberg, 7. May 2020

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Financial calendar

Annual General Meeting 2020	4 June 2020
Second quarter 2020 results	30 July 2020
Capital Markets Day	16 September 2020
Third quarter 2020 results	5 November 2020

About HeidelbergCement

HeidelbergCement is one of the world's largest integrated manufacturers of building materials with leading market positions in aggregates, cement, and ready-mixed concrete. The Group employs around 55,000 people at over 3,000 locations in more than 50 countries.

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