

HeidelbergCement achieves good half-year results for 2020 in challenging environment

- **Weak demand due to coronavirus in second quarter – revenue decreases by 10% in first half of 2020**
- **COPE action plan with high cost savings and preservation of liquidity – RCOBD¹⁾ declines only slightly by 2% in the first half of 2020**
- **Group share of net result for the period impacted due to non-recurring effect from impairments – adjusted Group share rises by 5%**
- **Strong free cash flow – net debt decreases by €1.4 billion**
- **Solid start into third quarter but business prospects for second half of 2020 remain uncertain – long-term outlook positive**

1) Result from current operations before depreciation and amortisation

HeidelbergCement finished the first half of 2020 with a good result. Despite the weak demand in many countries due to the coronavirus and the corresponding declines in revenue, the result from current operations before depreciation and amortisation remained almost at the level of the previous year.

“In the face of unprecedented challenges, we performed very well in the first half of 2020,” stated Dr Dominik von Achten, Chairman of the Managing Board of HeidelbergCement. “In the second quarter, revenue dropped in many countries, in some cases by double-digit percentages. Nevertheless, we achieved a good result, which was almost at the previous year’s level. The successful implementation of our COPE action plan played a large part in this. I would like to express my sincere thanks to our managers and all employees worldwide for their outstanding performance during this difficult phase.”

As early as February, the company launched the COPE action plan, a comprehensive package of measures with a focus on cost savings and preserving liquidity. These measures took effect especially in the second quarter and made a significant contribution in compensating for the adverse impact on results due to coronavirus-related declines in revenue, largely through savings in costs, investments and in many other areas.

Development of revenue and results

Group revenue decreased by 10.4% in comparison with the previous year to €8,254 million (previous year: 9,212). Excluding consolidation and exchange rate effects, the decline amounted to 10.2%. In addition to lower sales volumes, the decline in revenue is also due to the changed business policy at HC Trading.

The result from current operations before depreciation and amortisation fell by 2.4% to €1,404 million (previous year: 1,438). Excluding consolidation and exchange rate effects, the operational decline amounted to €31 million and is primarily due to the drop in revenue related to COVID-19. However, significant savings resulting particularly from the COPE action plan launched in February 2020 had an offsetting effect. The result from current operations decreased to €710 million (previous year: 754).

The additional ordinary result of €-3,490 million (previous year: -128) was particularly affected by impairment of goodwill amounting to €2,684 million and of other fixed assets totalling €769 million due to the COVID-19-related revaluation of the asset portfolio of the HeidelbergCement Group. The financial result rose by €19 million to €-157 million (previous year: -176). At €138 million (previous year: 150), expenses for income taxes were 7.7% below the previous year's level.

Overall, the Group share of the net result for the period totalled €-3,133 million (previous year: 212). Excluding non-recurring effects from the impairment of goodwill and other assets, the Group share rose by 5% to €356 million (previous year: 340).

Strong free cash flow – net debt decreases by €1.4 billion

In the first half of 2020, despite the difficult market environment a cash inflow of €123 million (previous year: cash outflow of 5) from operating activities from continuing operations could be achieved. The cost savings, lower investments, and active management of current asset items as part of the COPE COVID-19 action plan had a noticeable impact.

As a result of the solid operational development, the free cash flow generation for the last 12 months increased substantially to around €1.9 billion. As at the end of the first half of 2020, net debt amounted to €9.0 billion (previous year: 10.4).

Dr Lorenz Näger, Chief Financial Officer of HeidelbergCement, said: "In comparison with the end of the first half of 2019, we reduced net debt significantly by €1.4 billion. This highlights the enormous financial strength of the company, which is particularly valuable for us in the current corona crisis."

The increase in net debt of almost €0.6 billion compared with the end of 2019 (€8.4 billion) is primarily due to the usual seasonal rise in working capital and the dividend payments in the second quarter. The leverage ratio stood at 2.5x at the end of June 2020.

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HeidelbergCement AG, Group Communication & Investor Relations
PO Box 10 44 20, 69034 Heidelberg, Germany
Phone +49 6221 481-13227, Fax +49 6221 481-13217
www.heidelbergcement.com, e-mail: info@heidelbergcement.com

Sustainability Report published

On 25 June 2020, HeidelbergCement published its Sustainability Report for the 2019 financial year. By 2030, HeidelbergCement intends to decrease its specific net CO₂ emissions per tonne of cement by 30% compared with 1990. In 2019, this target was recognised by the Science Based Targets initiative (SBTi). The company already achieved a reduction of 22% by 2019. HeidelbergCement aims to deliver its vision of CO₂-neutral concrete by 2050 at the latest.

Besides the topic of climate protection, the report documents the company's activities in the areas of human rights, compliance, and occupational health and safety. Other central topics of the report include social responsibility and the intensive dialogue with various stakeholders in areas such as supply chains and supplier management, research and development, biological diversity, as well as sustainable land use and water conservation.

Solid start into third quarter but business prospects for second half of 2020 remain uncertain – long-term outlook positive

Construction activities gradually recovered in most countries over the course of the second quarter. Nevertheless, the business outlook for the second half of 2020 remains uncertain. A further wave of infections may occur at any time, which would have an impact on construction projects already started or announced in the individual countries. Against this backdrop, it is still not possible to estimate the full effect of the corona crisis on the company results for 2020.

“We have made a solid start into the third quarter. We will maintain our focus on cost savings and preserving liquidity. With the good result in the second quarter, we've proven that we will weather the crisis well,” said Dr Dominik von Achten. “However, development in the construction industry remains highly dynamic. Every day, we are seeing how quickly the situation can change in terms of COVID-19 measures. It therefore remains difficult to provide an outlook for the year.”

The development in the second half of the year will be a decisive indicator of how quickly and sustainably the construction industry can return to pre-crisis levels. HeidelbergCement anticipates that construction activity in individual core markets may benefit in the medium term from infrastructural and other economic stimulus programmes announced by governments.

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Group overview

Key financial figures	January-June				Q2			
	2019	2020	Variance	Like-for-like ¹⁾	2019	2020	Variance	Like-for-like ¹⁾
€m								
Sales volumes								
Cement (Mt)	61,0	56,3	-8%	-7%	32,4	28,7	-12%	-11%
Aggregates (Mt)	145,6	134,8	-7%	-7%	82,7	74,7	-10%	-9%
Ready-mixed concrete (Mm ³)	24,4	21,7	-11%	-12%	13,1	11,0	-15%	-15%
Asphalt (Mt)	4,8	4,3	-10%	-11%	3,0	2,6	-14%	-14%
Income statement								
Revenue	9.212	8.254	-10%	-10%	4.973	4.324	-13%	-12%
Result from current operations before depreciation and amortisation ²⁾	1.438	1.404	-2%	-2%	1.046	999	-5%	-4%
<i>in % of revenue</i>	15,6%	17,0%			21,0%	23,1%		
Result from current operations ²⁾	754	710	-6%	-5%	698	652	-7%	-6%
Profit/loss for the period	291	-3.095			324	-3.005		
Group share of profit/loss	212	-3.133			290	-3.028		
Adjusted Group share of profit ³⁾	340	356	5%		426	427	0%	
Earnings per share in € (IAS 33) ⁴⁾	1,07	-15,79			1,46	-15,26		
Statement of cash flows and balance sheet								
Cash flow from operating activities	-11	113	124					
Cash flow from investing activities	-348	-408	-59					
Net debt ⁵⁾	10.437	8.994	-1.443					
Gearing ⁵⁾	61,3%	61,4%						

- 1) Adjusted for currency and consolidation effects
- 2) Amounts restated because of the reclassification of credit card fees
- 3) Adjusted for the "additional ordinary result"
- 4) Attributable to the shareholders of HeidelbergCement AG
- 5) Amounts restated because of the changed definition of net debt

Development in the Group areas

North America	January-June				Q2			
	2019	2020	Variance	Like-for-like ¹⁾	2019	2020	Variance	Like-for-like ¹⁾
€m								
Sales volumes								
Cement (Mt)	7.5	7.1	-4.9%	-4.9%	4.4	3.8	-13.4%	-13.4%
Aggregates (Mt)	57.5	56.2	-2.2%	-2.2%	34.9	33.7	-3.5%	-3.5%
Ready-mixed concrete (Mm ³)	3.6	3.6	0.8%	0.5%	2.1	2.0	-7.0%	-7.0%
Asphalt (Mt)	1.9	1.8	-5.0%	-8.0%	1.5	1.4	-9.3%	-9.3%
Income statement								
Revenue	2,127	2,136	0.5%	-2.1%	1,297	1,216	-6.2%	-7.9%
Result from current operations before depreciation and amortisation (RCOBD) ²⁾	343	340	-0.8%	-2.8%	315	288	-8.4%	-10.2%
<i>in % of revenue</i>	16.1%	15.9%			24.2%	23.7%		
Result from current operations (RCO) ²⁾	168	146	-12.9%	-14.3%	225	191	-15.4%	-17.3%
<i>in % of revenue</i>	7.9%	6.9%			17.4%	15.7%		

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Western and Southern Europe	January-June				Q2			
€m	2019	2020	Variance	Like-for-like ¹⁾	2019	2020	Variance	Like-for-like ¹⁾
Sales volumes								
Cement (Mt)	15.1	12.9	-14.5%	-12.5%	8.2	6.7	-17.6%	-16.1%
Aggregates (Mt)	42.3	36.6	-13.4%	-14.8%	22.3	18.4	-17.5%	-18.9%
Ready-mixed concrete (Mm ³)	9.2	7.9	-14.0%	-15.1%	4.9	4.1	-16.7%	-17.6%
Asphalt (Mt)	1.7	1.5	-16.2%	-16.2%	0.9	0.7	-18.5%	-18.5%
Income statement								
Revenue	2,566	2,287	-10.9%	-10.8%	1,388	1,182	-14.8%	-14.6%
Result from current operations before depreciation and amortisation (RCOBD)	328	306	-6.7%	-8.1%	272	244	-10.5%	-10.9%
<i>in % of revenue</i>	12.8%	13.4%			19.6%	20.6%		
Result from current operations (RCO)	118	103	-12.1%	-15.6%	164	143	-12.6%	-13.2%
<i>in % of revenue</i>	4.6%	4.5%			11.8%	12.1%		

1) Adjusted for currency and consolidation effects

Northern and Eastern Europe-Central Asia	January-June				Q2			
€m	2019	2020	Variance	Like-for-like ¹⁾	2019	2020	Variance	Like-for-like ¹⁾
Sales volumes								
Cement (Mt)	11.2	10.9	-2.7%	0.0%	6.8	6.3	-6.5%	-5.0%
Aggregates (Mt)	21.8	21.9	0.4%	1.3%	13.5	12.9	-4.2%	-3.2%
Ready-mixed concrete (Mm ³)	3.2	2.8	-10.0%	-8.0%	1.8	1.6	-14.0%	-12.2%
Asphalt (Mt)								
Income statement								
Revenue	1,373	1,349	-1.8%	2.4%	799	765	-4.3%	0.0%
Result from current operations before depreciation and amortisation (RCOBD)	259	294	13.4%	15.0%	203	231	13.8%	17.0%
<i>in % of revenue</i>	18.9%	21.8%			25.4%	30.2%		
Result from current operations (RCO)	158	197	25.0%	26.0%	152	183	20.6%	23.5%
<i>in % of revenue</i>	11.5%	14.6%			19.0%	23.9%		

1) Adjusted for currency and consolidation effects

Asia-Pacific	January-June				Q2			
€m	2019	2020	Variance	Like-for-like ¹⁾	2019	2020	Variance	Like-for-like ¹⁾
Sales volumes								
Cement (Mt)	17.1	15.0	-12.0%	-12.4%	8.1	6.7	-18.0%	-18.2%
Aggregates (Mt)	19.7	16.5	-16.0%	-9.9%	9.9	8.2	-16.7%	-10.9%
Ready-mixed concrete (Mm ³)	5.6	4.9	-12.2%	-13.4%	2.9	2.4	-17.6%	-17.0%
Asphalt (Mt)	1.0	0.9	-10.9%	-10.9%	0.5	0.4	-15.6%	-15.6%
Income statement								
Revenue	1,618	1,403	-13.3%	-11.7%	804	667	-17.1%	-14.7%
Result from current operations before depreciation and amortisation (RCOBD) ²⁾	348	280	-19.6%	-17.3%	187	149	-20.6%	-17.6%
<i>in % of revenue</i>	21.5%	19.9%			23.3%	22.3%		
Result from current operations (RCO) ²⁾	221	150	-32.3%	-29.8%	124	85	-31.7%	-28.6%
<i>in % of revenue</i>	13.7%	10.7%			15.4%	12.7%		

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Africa-Eastern Mediterranean Basin	January-June				Q2			
€m	2019	2020	Variance	Like-for-like ¹⁾	2019	2020	Variance	Like-for-like ¹⁾
Sales volumes								
Cement (Mt)	9.8	10.1	3.0%	4.2%	4.8	5.0	4.4%	5.6%
Aggregates (Mt)	4.4	3.5	-20.2%	-20.2%	2.2	1.4	-35.6%	-35.6%
Ready-mixed concrete (Mm ³)	2.6	2.3	-13.1%	-13.1%	1.2	1.0	-16.2%	-16.2%
Asphalt (Mt)	0.2	0.2	-0.1%	-0.1%	0.1	0.1	-25.0%	-25.0%
Income statement								
Revenue	837	853	2.0%	0.6%	407	410	0.6%	0.7%
Result from current operations before depreciation and amortisation (RCOBD)	184	192	4.4%	5.7%	88	96	9.9%	12.7%
<i>in % of revenue</i>	22.0%	22.5%			21.5%	23.5%		
Result from current operations (RCO)	128	137	6.8%	10.1%	59	69	16.1%	21.5%
<i>in % of revenue</i>	15.3%	16.1%			14.5%	16.7%		

1) Adjusted for currency and consolidation effects

Group Services	January-June				Q2			
€m	2019	2020	Variance	Like-for-like ¹⁾	2019	2020	Variance	Like-for-like ¹⁾
Income statement								
Revenue	1,017	499	-50.9%	-50.9%	450	201	-55.4%	-55.4%
Result from current operations before depreciation and amortisation (RCOBD)	16	10	-40.9%	-41.1%	7	4	-36.6%	-39.5%
<i>in % of revenue</i>	1.6%	2.0%			1.6%	2.0%		
Result from current operations (RCO)	14	7	-47.3%	-47.5%	6	2	-62.0%	-62.0%
<i>in % of revenue</i>	1.4%	1.4%			1.3%	1.0%		

1) Adjusted for currency and consolidation effects

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 54,000 people at over 3,000 locations in more than 50 countries.

Heidelberg, 30 July 2020

Financial calendar

Capital Markets Day
Third quarter 2020 results

16 September 2020
05 November 2020

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