HeidelbergCement
2020 First Quarter Results
May 7th, 2020

– Presentation –

Christoph Beumelburg (Director IR and Communication): Good morning or good afternoon to everybody who is on the call. We welcome you to the Q1 2020 Trading Statement Call of HeidelbergCement. As always, in the room, Dr. Dominik von Achten, our CEO, Dr. Lorenz Näger, our CFO, and our Investor Relations team with Ozan Kacar, Piotr Jelitto as well as Samuel Jacob who is new to the team.

We have prepared a presentation that you all received in the morning or at least could look up on the web. And we go through the presentation thereafter, we go through the Question and Answer Session, and we have ample time for it. And I hand over to you, Dominik.

Dr. Dominik von Achten (CEO): Okay, Chris. Thank you very much. Hello, everybody. Hello from my side. First of all, I hope you are all well in these interesting times. You are healthy and well and that is the most important thing. So, Dr. Lorenz Näger and myself, would like to welcome you to our Q1 call and would love to take you through our core messages first before we then open up for the Question and Answer Session.

First of all, if you go to the key messages on the first slide, a clear point from our side, very strong operational performance in Q1 in many dimensions, and we were going against a fairly good Q1 already last year. So from our perspective, the year for us has started very well indeed. Second point also to be realistic, I am an optimist from a personality, but I am a realistic optimist. So in that respect, the outlook for 2020 remains uncertain. I have already said that in the call mid-March. And we do expect negative impact on our expected operating results for this year, we have to be clear on that. Because of that, we have reacted very early on, basically middle of February to start our COVID-19 action plan. We call it COPE basically, for COVID-19 Contingency Plan Execution. So very important for us is also the execution, not only the plan, but more importantly, the execution, where we basically target to save € 1 bn of cash for the year of 2020. So this year, € 1 bn of cash savings. I will come to some of the details in a minute.

We have continued to work on our liquidity situation, as we have disclosed in our last call, mid-March. And things have further improved since then, Dr. Lorenz Näger will go through that. But the overall liquidity position is now at € 5.7 bn in March, I think we were at € 5.4 bn. We continue to work even through rocky days on this situation because for us, as you all know, our solid investment-grade rating is absolute key.

On the back of that, the Board, the Management Board yesterday afternoon and the Supervisory Board last night have decided independently to propose to our General Assembly
on June 4th, 2020, to adjust the original dividend proposal to € 0.60 per share. And that is done from a clear position of strength as we will explain to you in the next couple of minutes. But it is also based on the outlook uncertainty. We do not exactly know what is coming. And obviously, that would preserve liquidity of another € 300 m that would go on top of the € 1 bn that I explained earlier. So in that respect, that would be a further strengthening of our liquidity position.

Last but not least, personally, as I said, we are very optimistic. As a company, we are optimistic. We will weather this storm very well. I said that already in March and in fact, we will use this crisis as an opportunity because we strongly believe that the mid and long-term prospects for our industry are absolutely intact. In fact, they are very well intact because what we all expect is that at some point, there will be significant government stimulus coming. You already heard last night, € 500 bn in Europe that will come as a stimulus for the major European countries, where we have a significant footprint. There will be something coming in the USA. Let us wait and see how that works with all the preparations for the elections in November but we are confident that there will be something coming and in some other countries, there are similar discussions. So clear message from our perspective, we are very confident on the mid and long-term prospects for our industry, but especially also for HeidelbergCement.

With that, I would turn to page 4 and lead you through some of the details. I know that some of you had questions around the turnover development like-for-like -8%. Does not look that good, why does he tell me now that operational performance was strong? Well, the key point is that the decline in revenue is on the back of the restructuring that we disclosed already earlier of HC Trading, in our large trading business, where we have basically deliberately closed a couple of contracts that we did not want to continue. And that has basically hit the turnover in this quarter by € 250 m, roughly € 250 m alone. So in that respect, if you take that out, it is about a -2% like-for-like decline.

On the operating EBITDA and operating EBIT performance, I think we are satisfied, both in a quarter that in the middle... as of middle of March was in some of our core markets, already very difficult. In light of that, we are very satisfied with our performance on the operating EBITDA and on the EBIT level. I will go through some of the details in a minute, but you can also see here on Slide 4 that, that also has led to a margin increase quarter-over-quarter to prior year from 9.2% to 10.3% on the operating on EBITDA.

If you then go to page 5, you see our usual bridge. You first point is that no big distortions are coming from currencies or the scope topic. So we will center on the middle of the slide, where we basically see that we have, again, delivered on our core target to outperform any cost and volume development with our pricing development. And also to be very clear, the turnover hit that I was talking about earlier did not have a material impact on this slide here. That is very minimal. And we will come to that later on if you wish to have the details. But clear message here, pricing was very good, especially in North America and especially in Europe, but also in other parts of the world, on the back of our strategy that we have already disclosed last year that we set price over volumes, and we continue to push price over volume. And we have also decided to go for price increases in January rather than in the past in March or April. And that,
obviously, in a specific situation was a very positive development. Basically, we had all our price increases done in the major markets by January and now are working of those price increases.

If you then go to page 6, you see the split over the business lines. So basically, cement, like-for-like, -2%; aggregates, a little bit weaker and ready-mix, again, a little bit weaker. Why that? First of all, on the percentage side, first of all, Q1 for us is a low volume quarter. So in that respect, any move in absolute numbers has a significant impact on percentages. And the reason that aggregates and ready-mix declined a little bit more than cement is basically on the back of a difficult situation with the close downs in Europe, where obviously, we have a significant aggregates and ready-mix footprint. Also some lockdown in Morocco that is a smaller impact, but also some weather impacts and partially market impacts in Indonesia, but also in Australia. That is basically the reason for the development on the volume side.

Then when you go to the areas on the right side, you see very strong performance in the USA, I will come to that in a minute on a profit level. But clearly, strong pricing, good demand growth in most regions. Actually, all our regions in the USA, including Canada, contributed to that positive development.

So I know last year, we discussed a little bit about the Q1 performance 2019 in the USA and overall in 2019, so at least the first quarter has picked up in that respect. And we are back on track with our USA performance in Q1.

Also Europe strong, despite the strict lockdowns in Italy, Spain, France, partially Belgium and also the UK. So in that respect, also driven by strong pricing across all business lines, while the business in Northern Europe was surprisingly resilient despite already lockdowns in Norway. And we... towards the end of last year, we had a little bit of a question whether Northern Europe would come off its goods peaks. No, at this point, it is holding up well. The same is true for Eastern Europe. Again, Poland, very strong, stable, strong demand coming out of Eastern Europe.

Asia, let us face it, did not meet our expectations. There were significant weather effects, both in Indonesia with flooding and also the bushfire topic in Australia, but there is also a little bit market pressure in Brisbane, Sydney, where the market has peaked and where there is some market pressure, volume pressure that we are mitigating.

Africa, again, another good performance, overall stable demand despite an aggressive lockdown by the government in Morocco. Also our problem child, Egypt, stabilizing on a low level, no further deterioration.

If you go to page 7, you see the results performance on EBITDA level. You see what I said. The result in North America almost doubled on an absolute fairly low level. And the contribution, as I said earlier, comes from all regions in the USA. So it is not like we have overshot in one and then it is coming from nowhere else. It is really across the board including Canada, positive performance in... from the USA and Canada.

Western Europe, you see the same development very well. Clearly above prior year, but a very mixed contribution from different markets. Difficult market development, especially because of the lockdown coming from Benelux and France, but very strong development coming from
Germany. Again, very strong performance. And also the UK was pretty good on its way as well as Italy. Northern and Eastern Europe, basically, strong are Poland and Romania. Also Sweden and Norway is strong despite the lockdown in Norway. So overall, satisfying performance coming from our NEECA area.

Asia Pacific, as I said earlier, Australia down, that is certainly something we can also talk about later. Australia is obviously... the market is coming down and we had the weather issues. Then also Indonesia, India, Thailand, China coming down, we would say, mainly COVID-19-related. China, you know that they locked down the country earlier on. We are not based in Wuhan, but obviously, that had an impact on the total Chinese market.

But very encouraging signs to see in China. Things are moving back up into the right direction. So overall, we hope that the best is still to come in China, and the worst is past us.

If you then go to Africa, as I said, good performance in sub-Sahara, mainly Ghana, also Tanzania, our 2 strong countries. Going very well. Morocco with a clear hit from the lockdown and then Egypt stabilizing on a low level.

If you then turn to page 8, just to give you a little bit of a feel how are things going since mid of March. We have developed what we call this COVID-19 clock, where we basically, on a daily basis, follow now our markets across the world, according to their volume developments and we thought it would be a good idea for you to understand where are we in terms of basically, no or little impact with our key markets, where is the demand declining somewhat, where did we have complete lockdowns by the governments. So basically, where we were pushed to take our production down and where are we already in a recovery coming from worse situation.

So you see basically in some core countries that are very important for us, no or very little impact like Germany, Australia, Poland, Tanzania, also Sweden, Denmark, basically Northern Europe for us. So there are some key markets in there that are very important for us. Some decline in USA and Canada when it comes to volumes also in Indonesia. Then also in Morocco, as I said earlier, so some significant countries with demand decline. Complete lockdowns mainly coming from Italy, India, Malaysia and also Bangladesh that since that complete lockdown have all tried to climb back up but on a fairly low level. And then those who have recovered already better is what I said earlier, China, probably the best recovery so far and then also Belgium, Spain, UK, France, coming back from its lows.

Because of the uncertainty that is very hard to read in terms of visibility down the line for 2020, we have decided already in February on our COPE action plan, and we wanted to also disclose that to you. So basically, the idea is to save €1 bn cash in 2020. That is against our operating plan, and it basically is comprised of three core elements. That is one, the cost side, although this is a cash-saving program but it is very clear that we put a very close focus on costs by minimizing all nonessential expenses by getting contributions from the personnel cost side. You know that it is typically fixed but as the Supervisory Board and the Management Board has decided to reduce temporarily their fixed salaries. Also, we had broad support from our global management teams in most of the countries and also in our headquarter functions in Heidelberg. So that is really a very strong sign to the rest of the organization that we are all sitting in the same boat. And we are going to weather the situation in a very strong fashion. We
do have some countries where we have what we call short-time pay. That is basically Europe. And then we also have some countries where we have already significant furloughing. That is mainly North America and the UK.

On the Capex side, as we disclosed earlier, strict reduction of Capex wherever possible, without destroying the midterm positive dynamics for us as a company. We just give you one example. For example, you know that we are rebuilding our plant in Mitchell, Indiana, which has a Capex of well north of $500 m. There would have been a significant cash out this year. We have reduced this cash out by $75 m, but only slightly postponed the start-up of the operations. And in that respect, we think that is an important contribution also on the Capex side.

When you come to tax and working capital, I leave it to Dr. Lorenz Näger to explain a little bit what we do on the tax and working capital side as he, anyway, explains then also the next charts on the liquidity and dividends. And then we will see you back for the questions. Dr. Lorenz Näger?

Dr. Lorenz Näger (CFO): Okay. Thank you very much, Dr. Dominik von Achten. Good afternoon, ladies and gentlemen. Also from my side, I would like to lead you through the right-hand side of Slide 9 and then through the slide 10 and 11. When it comes to... as you have seen from our program, we are working on all... in all terms, especially with orientation to cash. So our main target is protecting the cash position and the financial metrics of the company.

On the working capital side, we have an active management of all such items such as accounts receivable, yes, where we have implemented even more strict credit control than we had before. We try to collect the receivables as consistently as we want, where we try to further improve our payment terms to our suppliers. And of course, we try to manage our stock in the current situation. We think that our stock levels will increase a little bit. And therefore, we also think, especially for a couple of months, we also expect our working capital to increase a little bit. And here, we take action to keep that in the limits.

Many tax authorities have announced to support companies, not only in Germany, but also in USA and in France and in many other countries. And this allows us to a large extent, to suspend tax prepayments for the current year as we expect reduced net profits or taxable profits in many countries, and this directly goes into reduced prepayments. Some countries, especially USA, also allow to use loss carrybacks. So that means that the expected losses in 2020 can be offset against the profits and taxes paid in and for 2019, and this helps us significantly. So we think we will have cash tax savings in a couple of hundred m Euro magnitude in 2020 compared to our expectations.

When it comes to financing and liquidity, you can see the actual situation on slide 10. We have liquidity in the magnitude of €5.7 bn, which consists of €2.4 bn cash in hand and €3.3 bn free credit lines, which consists of our syndicated loans with roughly €3 bn and newly agreed bilateral credit lines in the magnitude of €425 m. HeidelbergCement has a very, very flat maturity profile. We have maturities of €1.2 bn up to €1.4 bn per year. The upcoming maturities are two bonds; the first one of €300 m in October and the €750 m in the first quarter in 2021. And these maturities and our financial needs are easily covered by our available liquidity.
The company has very much reinforced its access to financial sources. Maybe you have noted that we have issued the € 650 m bond late March, which was then issued on 2nd of April, with a 4.5 years of maturity and 2.5% coupon. As I earlier said, we have concluded bilateral credit lines with our core banks of € 425 m. And we have recently gained access to the PEPP program of the European Central Bank, where you can give commercial paper... you can issue commercial paper, which is then bought by the European Central Bank. The total program has a magnitude of € 750 bn. So on the liquidity side, we feel quite comfortable in this very moment.

On slide 11, you then can see the reasoning for our decision on the proposal of the dividend to the shareholders meeting. The Board and then Supervisory Board have both proposed an amount of € 0.60 per share for the financial year 2020. We have considered the scope and the extent of the corona crisis and the very high levels of uncertainty and therefore, we have made adjustment on our side to balance our announcement on the dividend on the one hand side, and our commitment to a solid investment-grade rating on the other hand side. And there, we have made a decision to reduce the dividend and to suspend our progressive dividend policy for the time being, with the target to maintain our investment-grade financial profile. This adds another € 317 m compared to our initial planning and announcement to our cash saving program under the condition, of course, that the shareholders’ meeting will approve this proposal. In substance, we do reaffirm our fundamental position that we will return back to the previous dividend policy, to the progressive dividend policy after overcoming the corona crisis. As you may remember, that was the commitment to have a stable or rising dividend with a payout ratio of around 40% of our adjusted net profit.

Then we have decided... we have announced last time the decision to postpone our shareholder meeting. In the meanwhile, German legislation has acted and has allowed for virtual shareholder meetings, which we appreciate very much and we will make use of that opportunity and possibility, and we will do our Annual General meeting via live stream on the June 4th, 2020, at 10:00 AM German time from our new headquarters. Voting will be electronical or by postal vote, and we will have electronic proxy authorities for that. Questions can be submitted until June 2nd, 2020, 4:00 PM German time, and they will be answered comprehensively in the meeting. The formal objection against such resolutions is possible, all with an online tool, which we are going to install until the end of the meeting. So we will... we are quite happy that this tool exist, that does not postpone the shareholders’ meeting to an indefinite date. So we do that at the earliest date, we can do that. And we will do that as good as we can. And I mean some German corporates have done really, really good meetings in that way, and we will try to do that as good as we can.

That is it from my side, and I would return to Dr. Dominik von Achten for the 2020 outlook.

**Dr. Dominik von Achten (CEO):** Just from my side to quickly wrap it up again, I think we are going into this crisis on the back of a very strong Q1 2020 performance. And we are absolutely weathered for this storm. I have already mentioned last time, we are a very experienced management team. Both Dr. Lorenz Näger and I have been around the block already in 2008, 2009.

So in that light, also the fact that the outlook is uncertain, does not scare us a bit. In essence, it has gotten us going proactively and decisively.
That is where the € 1 bn cash savings is coming from. That is where the improved financial position is coming from that Dr. Lorenz Näger has shared. That is also where the dividend discussion is coming from. And as I said earlier, we are very positive on the midterm outlook, although 2020 may be a little bit rocky. And clear conviction on our side here is that as a company, HeidelbergCement will use this crisis as an opportunity.

Okay. That is it from my side, and then we will hand it back to Chris and all of you for questions.

– Question and Answer Session –

**Christoph Beumelburg (Director IR and Communication):** Thank you, Dr. Dominik von Achten. Thank you, Lorenz. So we embark on the Q&A session. Operator, you want to explain the procedure one more time?

Before we do that, Mr. Roger, if you allow, you are the first in line. But let us take another one then after you, and we will collect the questions. Maybe just 2 questions at a time per person because there are so many people on the line to make it more efficient.

**Paul Roger (Exane):** Yes. Okay then, Chris. Congratulations and I hope you are all keeping well. So just 2 questions then. Maybe the first one to kick off on the 20th on April. I mean, obviously, you have given a bit of color with the COVID-19 clock. Is it possible to put a few numbers behind that, just to give us a sense of how quickly and severely things deteriorate in the key markets?

And then the second one is on the variable cost outlook. I think you experienced something like a € 300 m reduction in raw materials in Q1 2020. Obviously, since then, oil has come down further, so if you stick at current spot rates for oil and other raw materials, how big could that benefit come later on in the year?

**Christoph Beumelburg (Director IR and Communication):** Okay. Let us take the next one. Elodie from J.P. Morgan.

**Elodie Rall (J.P. Morgan):** If I have questions, then, please, could you provide a split for the € 1 bn of savings between Capex, working capital, tax and fixed cost? So that would be my first question.

And second question, if I can ask on capital allocation. On the one hand, are you still looking to do some bolt-on acquisitions? Or is it something that you would consider, I guess, not because you want to preserve your balance sheet, but some of your peers are looking to buy maybe if opportunities are there? So just wanted to touch... to see what you think of that. And what do you think as well in terms of disposals, given you have completed € 1.2 bn, I think, of proceeds last year out of your plan of € 1.5 bn, so is it still on track?

**Dr. Dominik von Achten (CEO):** Thanks to both of you Paul and Elodie for your questions. I would suggest that, Paul, I will take your first questions... question on the April development. And then Dr. Lorenz Näger will take the one on the variable cost development. And Elodie, I will take the
Paul, just to give you a little bit of color on April, the big lockdowns all came already mid-March. And I think there are countries that you all well know that went into a very aggressive lockdown like countries in India and also Italy. And obviously, in those countries, you go all the way down to basically 0 or very, very small amounts of sales for that period of very strict lockdown. But what you also see when those countries come back, you climb up fairly quickly. Not obviously to old levels, but you leave the minus 100% line quite quickly. That is also true for those countries. Then you have other countries that are... where the governments have actually executed quite strict lockdowns and the public perceives it as that way, but the business is actually running still in a quite sound way. That is actually true for parts of Europe, especially Holland is actually running completely. There is hardly any loss of business in Holland versus the expectations. Then in the UK, you have a little bit of a bigger loss. But... and then it goes all the way to France and Spain and to Italy in terms of magnitude of losses. And then if you go to North America, it is a very mixed picture. You have parts of North America that are absolutely on operating plan level or even better and there are others that are quite below on the volume side. But as we said earlier, volume is one thing. We are obviously working intensively on our programs to mitigate it on the result impact. And last but not least, we have other countries like Germany that are... I am not saying booming, but that are going very well indeed. So in that respect, it is a very mixed picture. That is why we try to give you the COVID-19 clock to explain to you a little bit. It is now a very colorful portfolio in that respect. And Lorenz, do you want to take this?

**Dr. Lorenz Näger (CFO):** Yes. OK, I thought you will answer first.

Paul, on the raw materials... first of all, I have to clarify that as Dominik has explained that our trading business was very much down. This has two reasons. First of all, we have restructured the business last year, as we have announced. And as a consequence of that, we have not done any more third-party energy trading, yes, that has brought down the turnover significantly. The second point was that in month of March, many countries and harbors locked down down so that even our normal business went down as well. So in total, we had more than € 200 m less turnover in the trading business and hence, also the purchased materials, which go into that business also went down. That is why our cost for material went down significantly because we did not buy this trading products like coal, pet coke, also clinker cement, and this went down. That is the overwhelming effect in that. If you take that effect out, then the development of our cost for materials is almost in line with the decline of our volumes in the second half of March. There is no visible or significant margin effect in.

Now if you look to the future, so that the... as all of you have seen that the oil prices, but also other energy prices went down. The different energies, which we have, have different forward buying characteristics. So diesel, which is predominantly used in the aggregates business for operating the quarries - That is predominantly on spot. So here, we will see an immediate reduction on cost in the month of April and in the second quarter, whereas if we look to coal, pet coke and power, which is, let us say, roughly 80%, I would say, 80%... and also gas... 80% of our energy bill. There, we have our normal purchasing... forward purchasing power... sorry,
forward purchasing policy. So in this, which is more or less roughly 6 months ahead. So here, the reduced cost will roll into our energy bill just with a certain time lag, in line with our energy purchasing policy. That is what we can expect from that side.

**Dr. Dominik von Achten (CEO):** OK. Then, Elodie, I would take your first question and maybe also an indication of the bolt-on acquisitions before Lorenz then talks about the disposal side. When it comes to the split of the €1 bn, let me say the least that more than 50% of that €1 bn will be cost savings. Although this is predominantly a cash exercise, because of the crisis situation, we are focused to... in Germany, we would say, kill two flies at the same time. So it is very... we are very focused also to make this a cost saving exercise for 2020 with immediate effect and that means more than 50% of that €1 bn will be cost savings. We will also track this, obviously, and we are prepared to also, as we go along with you on these calls during the year, disclose obviously, how we are performing against that €1 bn.

Maybe just one quick remark before I hand it back to Lorenz on the capital allocation on the bolt-on acquisitions. We try to hold the line even in a crisis situation. So I said earlier in the year that we are not going to make acquisition Italcementi-like or anything above billions. That is still out of scope. That is clearly not what we will do just to be also very clear on that. And it is also clear that during Q2, as there is very, very low visibility, we will be very restrictive on any cash out, and that also includes any rapid acquisitions. But as the year goes along, it is absolutely clear and the fog lifts a little bit, we will be prepared to also sneak around for good opportunities.

Having said that, we will also, during our strategy review that we are currently doing, clearly commits to a strict matrix of under what circumstances and what financial matrices we are doing these acquisitions, even the smaller ones, the bolt-on, tuck-in, acquisitions going forward.

And in that respect, stay tuned, but clear message is, we are not going to give up our business building, so just because the crisis came along.

One reason of getting prepared also on the financial side is to be sure that there is a time after corona and we will clearly keep that also in mind.

Maybe Dr. Lorenz Näger should say something on the divestments.

**Dr. Lorenz Näger (CFO):** Yes. That was more or less the answer on the bolt-on acquisitions: cash is king. We protect your money! That is what we have learned in 2009 and what we have implemented even before the German politicians noted that there is a crisis coming along and they have to lockdown the country. So we were very early on that. And we do it very consistently, so we are very careful in spending any cash for acquisitions right now.

On the disposal side, unfortunately, other counterparts do the same. That is the problem with our disposal and so most of the projects which we have there in the pipeline are stalled. As I have reported earlier, quite some of those assets are in Italy. Italy is locked down. So these are blocked in the very moment. That is why on slide 8, we have on bullet point three on the right-hand side, less disposal proceeds. That is one of the negative impacts which we expect and which we try to counterbalance with our measures here. So what comes back during the year is difficult to forecast. But as things stand today, we would rather believe that it will not reach
our target of totally € 1.5 bn over the last three years due to the coronavirus. But I think that we will catch up and as soon as possible.

**Christoph Beumelburg (Director IR and Communication):** Right. We have two more in line with Nabil Ahmed from Barclays and then Arnaud Lehmann from Bank of America Merrill Lynch. Over to you, Nabil.

**Nabil Ahmed (Barclays):** My first question is on the USA public-side demand. This year, we have the FAST expiry, we had in the past, talks around the highway bill. Now we hear a lot about local state funding shortfall to the declining gas tax. How does HeidelbergCement think about all these? Do you think there are higher chances given the situation to see an infrastructure package later in 2020?

Or that conversely political priorities are shifting towards health care, and therefore, there is maybe a less favorable environment for you for IFRA spending?

My second question is maybe just a point of clarification on what you said earlier regarding working capital. I think at some point in the presentation, you mentioned that the severe drop in volumes related to the COVID-19 disruption is linked to a temporary increase of working capital. That is a bit counterintuitive. So could you please elaborate on that? Is that related to inventory buildup or maybe an increase in receivables?

**Christoph Beumelburg (Director IR and Communication):** Arnaud, do you want to just add on to that? Arnaud, the next question? Operator, you want to put Arnaud Lehmann through?

**Arnaud Lehmann (Bank of America Merrill Lynch):** Firstly, could you be a bit more specific about the Capex reduction that you are planning? How easy is it for you to either postpone maintenance or stop some of the growth Capex?

Secondly, have you started thinking about any more medium-term implication from this crisis, either when things go back progressively to normal, maybe slower pace of construction because of social distancing? On the other hand, maybe any acceleration of automation of building size that actually could improve productivity, did you give any thoughts about this?

And lastly, are you still planning a strategic update later this year?

**Dr. Dominik von Achten (CEO):** Nabil and Arnaud, thank you very much for your questions, very good ones. Again, I would suggest that I take your first one, Nabil, on the USA infrastructure, and then Lorenz would take the working capital question. And Arnaud, I will try to answer your questions then.

Nabil, from a USA infrastructure perspective, we give you our best view right now. But you know things are fluid. Personally, I believe there will be something coming. The question is when and in what magnitude, you know that there is election coming up in November. One theory says, the Democrats will not allow Donald Trump to do a big infrastructure bill. But there is also another theory that they probably need to do something because otherwise, Trump will blame them for blocking everything. That is a little bit our perspective would be more in the latter camp.
Potentially, there will be something coming. That may take a little while, but there will be something coming and the magnitude is difficult to say. However, typically, these bills need to be somewhat meaningful in order to have an impact because otherwise, you might as well leave it. We are more in the second camp but and if there is something coming, it should be a meaningful impact.

And then there is a second point that I remember very well from my North American times when we were hit in the last crisis. The government topic is one thing, but the municipal and the state programs is another thing. And what I found very encouraging that I understand that as a municipality in the USA You can now actually issue bonds, if you want, and they are actually Fed-backed. So that means that the municipalities and partially also the states are able to finance their own programs as they go through this crisis with the backing of the Fed. And then you have on top of that, the DoT discussions on state level, but you know that probably better than I do. So in that respect, these are the thoughts on the USA infrastructure.

Dr. Lorenz Näger (CFO): On working capital, you see on slide 8 we expect that we... we expect temporary increase in working capital and then on the slide 9, we say we try to get it down. How does that fit together? It is relatively easy. What we face currently is that our sales volumes slow down, especially as you know in the second half of March, April and also in May, to a certain extent. We, on our side, we have filled up our stocks too and continue to produce as much as we can in the existing plant, even if the front end markets were down, so that our stock levels will be increased. The second effect, which will kick in now in the second quarter is that, as I say, we will have weak... we had weak sales in the second half of March, we had weak sales in April. And so we will have low cash collections in June and July and second half of May. So this will then... but nevertheless, we have to pay the bills of our suppliers. So this will lead to, as I said on slide 8, a temporary increase of our working capital.

And then in the second half of the year, we have to manage that down. We have to make sure that our customers really pay. That is why we have implemented even stricter credit controls. We collect the receivables as much as we can, and we try to manage our accounts payable on the other hand side and go out of the year with a reasonable working capital level as we did in the past years. That is about our working capital management.

Dr. Dominik von Achten (CEO): Arnaud, I would take your questions knowing that you are a very strategy-focused colleague. We like that. So let me just try to answer your core questions. Just the most important one for you upfront, yes, we are sticking to our September review of the strategy that might slightly look different after the crisis, but we stick to the date and give you, obviously, an update as we go along in the already communicated September date.

On the Capex reduction, the... the timing of this program, we said we started basically in February towards the mid-end February date. We had completed most of our winter repairs already. You know that in the cement industry, most of the maintenance Capex is actually coming from the winter side. And we want to keep our assets fit. That is very clear. There will be a time after the crisis. So in that respect, we do not want to save on maintenance. We want to make sure that the things are in good shape and are fit for purpose as we come out of this crisis. So there, we deliberately did not destroy anything on our asset base.
When it comes to the growth, obviously, we are pushing out some of the growth Capex. That is clear. But some of the very strategic growth Capex that we need to do also to stay ahead midterm, we will still be able to do towards a later stage in the year and make sure that we do not miss the train on some of the very core pieces, but we have postponed it for now but are able to bring it back up as the situation clarifies towards the second half of the year.

And there is a third element that you have not mentioned in your question. To be also fair, we obviously have some, let us say, carryover from last year of some of the bigger projects. That is still in there. One is the Elementia project that you all know about, where we acquired a cement plant in the Northeast of the USA that has not closed yet, but That is a substantial amount that also sits still in that Capex number. That is also one of the reasons why in our € 1 bn program, the majority of that is basically cost and not Capex.

Then the last point, your medium-term question, we will try to address that in our strategy review, Arnaud, in September to get our arms around what is the impact of automation. And I agree with you. And I can read a little bit between the lines, even over the phone. Absolutely, that is also our experience now during the COVID-19 crisis, there will be a different perspective on some of these things also in our industry when it comes to automation, digitalization and also the business cases of these topics may change a little bit. The same is true for CO₂ and other topics. So in that respect, stay tuned, but I would agree with you. Certainly, the crisis may have accelerated or slowed down certain of these topics.

**Christoph Beumelburg (Director IR and Communication):** The next two questions coming from Yassine Touahri from On Field Investment Research and then the next one from Gregor Kuglitsch from UBS. Yassine?

**Yassine Touahri (On Field Investment Research):** Could you explain the dynamics of the EBITDA increase in Western and South Europe, despite the volume decline? How much cost did you cut? Is this mostly savings? Is it mostly because you had price increase and energy deflation? Or is it because you benefited from the help from the government when your employees had to leave the plants? Would be very helpful to understand, quite impressive.

And the second question would be on the overall pricing outlook for 2020. Have you seen some price increases that have been canceled? Or are you confident, especially in your key markets like USA, UK, France, Australia? That would be very helpful.

**Christoph Beumelburg (Director IR and Communication):** Thank you! The next question, please. Gregor?

**Gregor Kuglitsch (UBS).** I guess there are kind of two and a half follow-ups, if I may, on some of the questions... It is the 7th of May, are you prepared to give us kind of directionally in what kind of band the volume decline was in April? I mean, are we talking kind of -20%, -30%? Or is that off-the-mark? That was my first question.

My second question: I think in the last call, if I remember correctly, you were kind of talking about drop-through that you're able to broadly mitigate half of the normal drop-through. Now obviously, you have announced lots of cost savings today. Could you just give us an update how
you think about the operational leverage in this current year? So if you lose € 1 bn of sales, how much would you expect that to translate into lost earnings or EBITDA?

And then finally, I know you gave lots of detail on the Capex, but are you just prepared to give us how much it actually is? Is it... what are you actually talking about in terms of absolute number, including the Elementia deal? Are we talking about € 1 bn? Or just give us some numbers to work with.

**Dr. Dominik von Achten (CEO):** Thanks a lot, guys. Yassine, I would then start with your question on the EBITDA development, WSE it is actually on the back of a superior price performance. Volume was suppressed as of mid-March. But until then, it was actually good. Costs are actually also favorable. But overall, a very strong pricing performance. So we continued with our strategy that I disclosed earlier on this year and also at the back end last year. So overall, development on WSE was very much on the back of strong pricing.

That also leads to your second question, how are the price developments going? I said already earlier that globally, we are targeting in most markets to go for price increases as of January and not in March, April. That has also been our strategy this year. And that means that in most markets, we have actually accelerated our planned price increases, and they also materialized in most of our markets. Currently, pricing developments that we see is, obviously, as you indicated, a market-by-market issue. But in general, we see our core markets being quite price resilient. And we will do from our side. That remains our strategy to also continue that focus on pricing. There is uncertainty in the market. That is clear. But in our core markets, like in the USA, like in WSE, even in the core parts of Australia, we do not see any significant price deterioration at this point.

So in that respect, we are optimistic on the pricing developments as we go through this crisis. That is our current perspective.

Gregor, on your questions... On the May 7th and then what is the volume development? As you know, we do not disclose any specific numbers. But it is clear, I think your indications are probably not way off, but we do not disclose any specifics around volumes in April on the numbers... from a number of perspectives. What I can tell you is your second question on the “50% rule”, yes, we are very focused on this “50% Rule”. You will remember that very well. And we have also remembered that very well. And I can tell you, we have countries, large countries that actually beat that rule, that they have been able to beat that rule also to our surprise, to be honest. So that is actually an interesting internal competition. Obviously, there are countries that stay below that. But in general, on average, we are very focused on that rule and are not far off in that respect.

And then on Capex, I think most of that has been said. And as we have said, it is part of the € 1 bn, and we will track the € 1 bn as we go along and disclose that. You know that our original plan for 2020 was € 1.7 bn and that we are obviously taking down as we have discussed.

**Christoph Beumelburg (Director IR and Communication):** Thank you. The next two questions... I think we have two more rounds now. So the second last round would come from Robert Gardiner from Davy and then Christian Kolb from HSBC. Robert?
Robert Gardiner (Davy): Two quick ones for me. One on Asia Pacific, just wondering where you had a big positive performance in Southwest Europe is quite negative on us in Asia Pacific, specifically the negative leverage in there. So is that... just wondering what is behind that in terms of margin? Is it one particular country doing all the damage there? Or why that kind of negative leverage was so damaging in the first quarter?

And then two, just to go back on some of the countries where you have had very strict lockdowns, the likes of the UK, Italy, France, Spain, and I am just wondering what they look like in recent weeks, as you have talked about them reopening, have they gone from, I do not know, 20% at normal back up to 40%, 50%? Just wondering on those particular ones that were locked down.

Christoph Beumelburg (Director IR and Communication): OK. Christian?

Christian Kolb (HSBC): If you could maybe shed some light on your discussions about the dividend. I mean, obviously, you are committed to paying a dividend. Did you also take into consideration to potentially cut it entirely? And maybe give us some idea how you came or why you came to this amount now?

And secondly, maybe just a confirmation of the explanations you gave on the working capital development. So is it fair to assume that the higher amount of stock is also done to optimize production costs, so that you do not have to restart and then stop production again so that you can produce for some time, then stock up and then potentially stop production?

Dr. Dominik von Achten (CEO): OK, Christian. Thanks a lot! Robert, I would take your questions, and then Lorenz takes your question, Christian, I think that is a good split up.

Robert, on APAC, if I... you were, unfortunately, not easy to hear, but I understood that you wanted to understand a bit more what is going on in APAC. And as we said earlier, the major decline is basically coming from Australia on the back of a slow start in Australia into the year. You know that is the upside down seasonality to Europe. They typically have a very low season at the beginning of the year. And as I said in my ride around the globe on the pricing side, pricing is resilient in some areas of APAC and in others, you have an effect that you typically see on pricing as well, especially in aggregates, where you have the mix effect, where then the volumes go up significantly because you have large projects of lower value materials. So the... it is hard to read the average pricing in some of the... in some of the elements, especially in aggregates. But overall, pricing was resilient across Australia, and the volumes were somewhat down. And that was driving then also the EBITDA decline that I disclosed earlier.

In China, clearly driven by volumes. Pricing is resilient. Clear volume drop that you have also seen in some of the publicly listed companies in China. You know that the volumes were down in the magnitude of -30%, -40% in China in the first quarter. India, as I said earlier, pricing resilient, but volumes down somewhat, but not in a massive magnitude. And then the same is true for Indonesia and Thailand in a smaller scale. I think it is very important to understand that it... while the volumes are down in Indonesia and India, our margins are actually resilient. So in that respect, it also indicates that there is not an effect on the pricing side to be seen.
When it comes to the rebound in Europe, it is a very market-by-market driven answer. As I said, unfortunately the drop to -100% is very quickly because if the government say this is it, then they ask you, you 2 days to close down the plant. We make sure that we do it in a professional manner and then it basically very quickly goes down to 0%. But in other markets that you have mentioned, you then also climb up fairly quickly, but as I said, not necessarily to 50% or even better than the old level, but it takes a little bit more time. But that really is a day-by-day exercise. I give you the example in Spain. For example, while you come from a lockdown then they say, it is opening up then it jumps immediately up +30%, +40% from the bottom. And that can change day over day. So a very dynamic situation. That is why Lorenz and I sit here and watch the developments market-by-market daily. We have a very transparent cockpit here, where we can steer our business on a daily basis and we then take the appropriate decisions together with our country managers and our area Board members and follow this situation on a... in a very dynamic pattern because it actually changes so quickly day over day. I hope that answers your question, Robert, and then we will move to Lorenz on the other two questions from Christian.

Dr. Lorenz Näger (CFO): Yes. OK. Thank you very much for the questions. So the first question went on the dividend. As you can imagine, it was a lengthy discussion before we came to that conclusion. We have to keep quite some arguments in mind. If you take a decision on the dividend. First of all, it is our announcement from the Capital Markets Day 2015, where we said we commit to a progressive dividend, but also we commit to a solid investment-grade ratings. So we had just two points. When we announced that policy, we were asked from quite a number of investors and analysts, what would we do in a case when the... when we face the crisis like 2009, which of course, was not visible in 2015. But then we clearly said in such a case we would suspend the progressive dividend policy.

The second what we did was that we had quite a comprehensive sounding during our roadshow in March. And during that, the roadshow, it turned out that there is a significant number of big shareholders who would accept a full slashing dividend, that we go down to the minimum dividend or even go down to 0. But we also learned that there is an important part of our investor base where the dividend is an important part of the investment rationale. As usual, we try to keep our big boat in the middle of the channel or somewhere in the channel and do not touch the corners. And taking all that into account, financial metrics, announcement, progressive dividend, investment, solid investment-grade rating, the Board and also our Supervisory Board came to the conclusion that the € 0.60 is the right figure. It is a clear signal for financial stability and stabilization of the financial metrics. As we said, the management board, our top management, our... big part of our employees contribute a part, the shareholder now contribute an important part, the € 317 m and therefore, we think that is the right figure. It is a clear signal to our... to support our financial strength, and it is a clear signal anyway that we want to continue with our dividend policy, and we do not forget those shareholders who have invested in our shares with a view on the announced dividend policy. So we think it is a right balance.

Secondly, working capital. Working capital, so in some of our countries, we had a shutdown of the markets on the front end, but we still were able to operate our plants. And in those plants, of course, we produce as much as we could. In order to have full stocks. And then at the later
stage showing example in France and Italy. Also our production sites were closed down, and we were very happy now to have good stocks as markets come back. That is on the one hand side. On the other side, it is the other way around, where we have now produced to full stocks and the markets now open up, but our plants are still closed. So there we still have products to deliver. The main rationale in that respect is that we want to keep our ability to supply. That is the first. That is the most expensive if you run out of stock. That is the first rationale. And then the second rationale is to keep production costs low and stop the kilns as rarely as possible. And out of that, we expect, as I said, that at the end of the second quarter, we will see elevated level of working capital coming from higher stocks but lower proceeds from the months of April and May, but still we have to pay our accounts payable. So what we will probably see is a higher level of working capital by end of Q2.

Christoph Beumelburg (Director IR and Communication): All right. And then let us finish off with a round of 3. We have Tobias Woerner from Mainfirst; then Cedar Ekblom from Morgan Stanley; and last but not least, Pavlin Kumchev from Brigade Capital. Tobias?

Tobias Wörner (Mainfirst): Yes. Two, if I may. Number one, of the € 1 bn, if you were to assume going into next year, theoretically, that you are rebounding the full 100%, just theoretically, how much of the € 1 bn would you have to give back in terms of cost and cash savings? That is number one.

Number two, you have obviously done very well since the global financial crisis to improve your balance sheet and also your liquidity. Having said that, in relative terms, compared to some others, it is a little bit behind. The question here really is Dr. Dominik von Achten, if you look to your strategic review, would you take this crisis as a catalyst for change? And as far as you say, there are some companies in the sector which have actually a single A rating, not necessarily in the cement sector, but in the building materials sector, that you would want to pursue such a strategy that you are always well positioned in any kind of downturn, for example, that your net-debt-to-EBITDA moves close to 1.0 x rather than 2.0 x?

Christoph Beumelburg (Director IR and Communication): OK. Thanks, Tobias! Cedar?

Cedar Ekblom (Morgan Stanley): You reported 0 % like-for-like volume growth in the aggregates business in North America in Q1 2020 and most of your peers have reported double-digit aggregate volume growth. Can you give us a little bit of color on what is going on in North America, specifically in the aggregates business? And then could... similar to the question of Tobias, I would like to try and understand, of the € 500 m cost-cutting program, which is about 3% of last year’s Opex before Depreciation and Amortization which is a very sizable number. How much of that is actually permanent savings, which you retain should we get a demand recovery versus simply temporary maintenance reductions, raw material cost reductions that actually reverse in full if demand comes back?

Christoph Beumelburg (Director IR and Communication): Thank you, Cedar. And then lastly, Pavlin from Brigade Capital?

Pavlin Kumchev (Brigade Capital): A pretty good quarter vis-à-vis your EBITDA performance, given the context. Most of my questions have been answered. But just at a high level, it seems like EBITDA went up year-over-year, while your like-for-like sales were down 8% and your Opex
seems to be relatively unchanged. So that is just somewhat surprising. I know that your goods purchased for resale went down massively, but it almost implies that you had a kind of negative margin in your trading business. So can you just speak a little bit about, is that sort of a lag effect? What kind of drove your increase in EBITDA, given the decline in sales? And why did your good purchase resale went down so significantly? And what is the matching percentage decline of the sales of that business?

**Dr. Dominik von Achten (CEO):** I did not fully... sorry, I did not... you broke off here. What was it? Can you repeat your line... your second question, Pavlin?

**Pavlin Kumchev (Brigade Capital):** Yes. I mean, look, just at a high level, trying to understand what really drives in the context of flattish Opex, what drives an improvement in EBITDA margin if sales are going down by -8%? It seems like it is largely driven by the significantly higher reduction in good purchase for resale and other raw materials? And I want to understand is that sort of a permanent decline or is that sort of a time lag effect? And what was the decline in sales of the trading business? And is that a positive or a negative EBITDA-margin today?

**Dr. Dominik von Achten (CEO):** Yes. Pavlin, I would say that we will ask... those two questions, I will leave to Dr. Lorenz Näger. And then Tobias and Cedar, I would address your questions.

If I understood them right, there is an overlap on one of the questions around the resilience and question around permanent saving of this €1 bn. So in that respect, from our side, the clear message, one step after the other. For us, at this point, cash is king, and we are trying to push down the cost for 2020. That is our core task for the time being, and that is why we deliberately said, we are going to target this €1 bn and get it in 2020.

And that also leads then into a second question, but That is, again, to be done in a second question, how much of these costs are just going to be pushed out, how much of the Capex is just going to be pushed out and how much is a... it is going to be a restructuring effect in terms of reduced cost base or reduced Capex base. And we deliberately do it in those two steps because, as we said earlier, the visibility is low. No one of us knows whether the business comes back in June or July to 100% globally or whether it is going to stay depressed for a while. So we need to and want to have that flexibility. That is why we have reduced our spent and on the cost side and on the Capex side drastically, but we then bring back these costs and/or Capex as the situation moves along. That is basically the very simple answer to that.

Tobias, on your second question on the catalyst for change, bear with us. We are getting our arms around the strategic review at this point, and we will answer that question then in the Capital Market Day in September.

And then, Cedar, you had a question around aggregates. Our aggregates performance in North America was positive in terms of volumes, but very mixed in terms of local and regional setup. You have parts that are very strong. So for example, the West region was very strong. Also the Midwest, the Northeast was very strong, while the South, for example, was more depressed. Canada was also OK. So just to give you a picture, this is not one figure for all of North America. So it is a very mixed portfolio of local areas and you see very mixed volume performance in North America. But overall, slightly positive development on volumes, aggregates in North America.
**Dr. Lorenz Näger (CFO):** Pavlin, the mechanics which you see here, that turnover goes down by -8% like-for-like whereas the RCOBD and the RCO show an increase comes from the impact of the trading business. The trading business has a turnover of roughly € 200 m or more than € 200 m. And this trading business included a lot of energy or fuel trading as a coal, pet coke, et cetera, et cetera, third party, third party, which we decided to stop last year because it has some risk but does not really contribute to the margin. So we stopped this. So the turnover went down by more than € 200 m due to that.

And this is associated with a margin of very low single-digit million Euro, € 1 m or € 2 m. So, that is why you see a substantial decrease in the turnover, but this has no impact on the... no visible impact on the EBITDA. If you take that out from the turnover, the turnover decrease from second half of March, without this trading business is no more than 2% on the whole quarter. So... and if you take that out and run the figures, you see that we still have a moderate increase in margin, but that is quite limited then.

**Dr. Dominik von Achten (CEO):** And Cedar, let me just come back to the question on the aggregates on North America, just to be very specific here because you also have the numbers. I think in that respect, our aggregates performance is from... on the volume side, is not overly satisfactory for us, although the overall result in North America is good. From volume perspective, on aggregates, we are slightly down. I think it is a couple of hundred thousand tons. So no massive... basically flat to very slightly down, you have seen the numbers. But the pricing is very strong.

Again, it is a balancing act. So in that respect, while the volume may be a little bit depressed, the pricing is very strong. I would be very concerned if I have a bad volume performance and then also my prices are sluggish. Then I have a clear concern. But while in cement, we very much watch our market share developments.

In aggregates, this market share discussion is a little bit difficult because it is a local-by-local market decision. And in the end, you can only sell your stone once. So to sell it for inferior pricing, from our perspective, does not make sense. So in that respect, again, what I explained earlier, clear price over volume strategy. That is also true for our colleagues in North America, and that is what you see here also a little bit in our numbers in North America aggregates. Hopefully, that is a little bit more precise than my earlier one, Cedar, sorry.

**Christoph Beumelburg (Director IR and Communication):** OK. That concludes our call. And any last words there, Dr. Dominik von Achten?

**Dr. Dominik von Achten (CEO):** Thank you very much for all your questions. That was very interesting discussion like always. Happy to continue the discussions of our IR team around Ozan and Chris and the others is happy to follow up if there is any follow-up need from your side. From Lorenz and myself, thank you for joining. And then, again, keep safe and healthy. Thanks a lot.

**Christoph Beumelburg (Director IR and Communication):** Yes. We meet you over the next couple of days and weeks, at least virtually. And then we see each other latest on July 30th for our Q2 2020 call. And then do not forget the Capital Markets Day in September. We scheduled it for September 16th, 2020. Thank you and goodbye!