

Heidelberg Materials

Capital Markets Story

Group Presentation

20.12.2022





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About Heidelberg Materials



Concrete is essential for building a sustainable society



- Locally produced and sold
- 100% recyclable
- Durable
- Sound absorbent
- Designable
- Flexible



Heidelberg Materials is one of the world's largest building materials companies



51,000

employees
on 5 continents



3,000

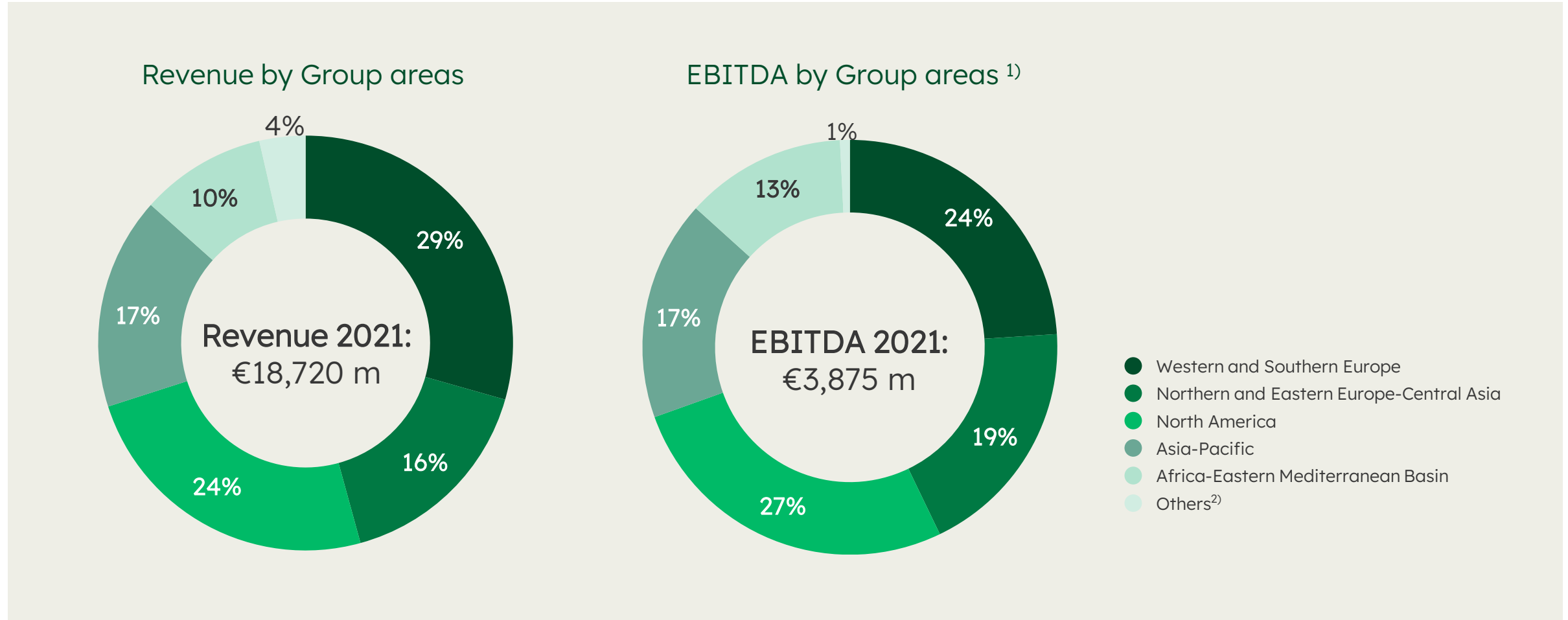
locations
worldwide



**Leading positions in:
cement, aggregates, and
ready-mixed concrete**



We are well positioned with our asset base in mature and emerging markets

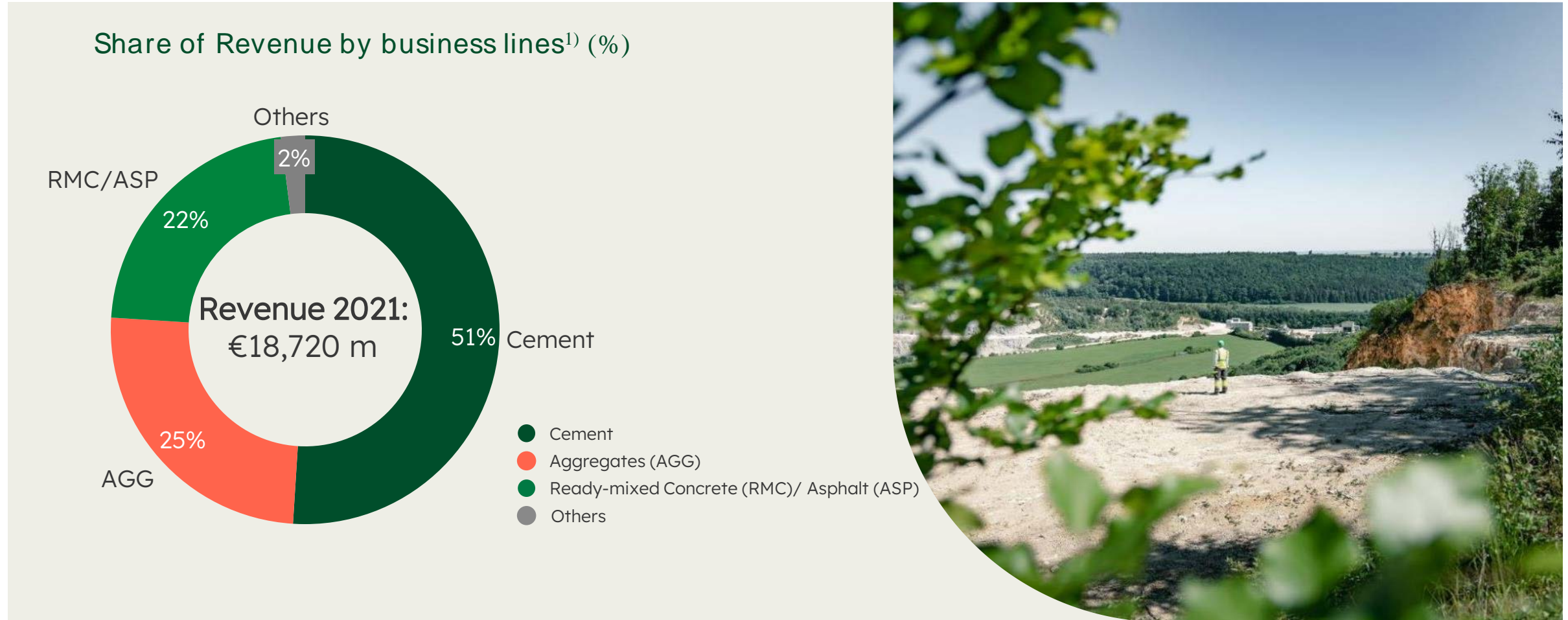


1) Excludes reconciliation; figures may not add up to 100% due to rounding

2) Others primarily include trading business, intra-group sales (only for revenue), JVs and other building product businesses



We focus on what we do best: heavy building materials



1) Share of revenue by business lines include intercompany sales



Today, Heidelberg Materials is better positioned than ever before



**Well-balanced
geographic
portfolio**

EU, NAM, EM
equal exposure



**Strong
improvement in
financial
metrics**

ROIC: 9.3%
in '21 vs. ROIC 6.5%
in '19



**Leader in
decarboni-
sation**

10 mt CO₂
reduction through
CCUS by 2030*



**Strong
customer
focus through
digital offerings**

>20,000
monthly active users,
80% retention rate



**Focus on
shareholder
returns**

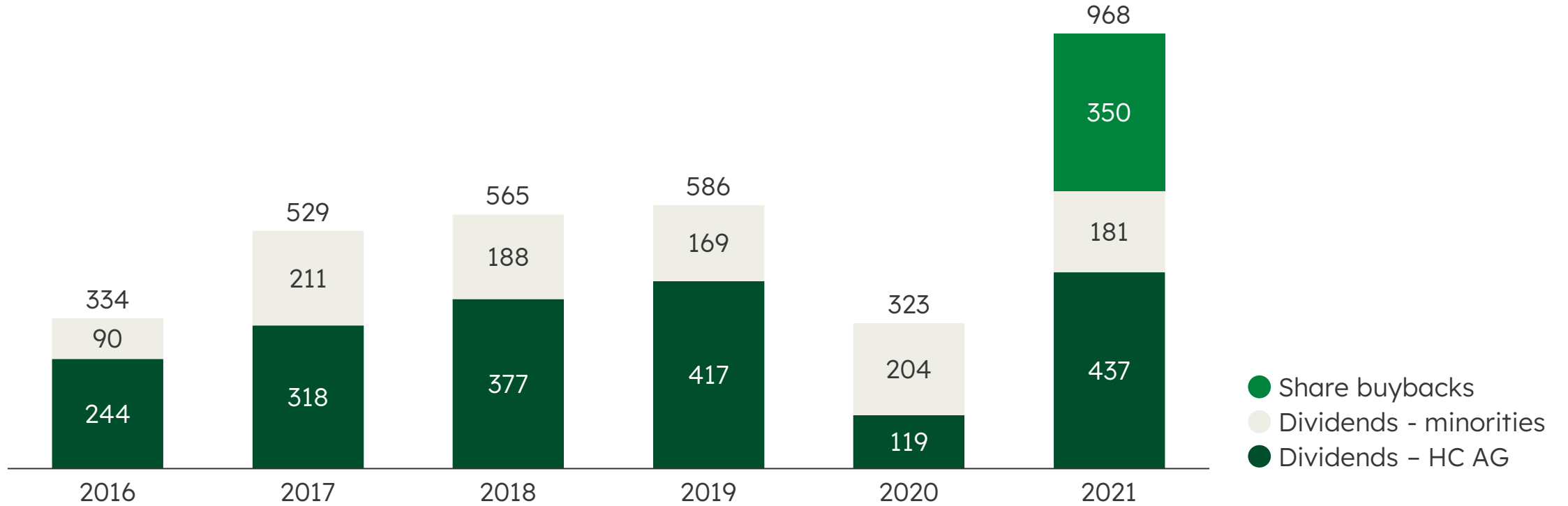
€1 bn
returned to
shareholders in 2021

* Cumulative








We are returning almost €1 billion to our shareholders

Shareholder return (m €)



We can look back on a strong financial year 2021

				
Revenue	Result from current operations	Adjusted earnings per share	Leverage ratio	ROIC
€ 18.7 billion	€ 2.6 billion	€ 7.91	1.3_x	9.3%
+8%*	+12%*	+15%	-0.6x	+1.4pp
Solid price and demand growth	Strong RCO growth, despite significant cost inflation	Further optimisation of financial result and taxes	Robust cash generation supported by disciplined CapEx	Record ROIC due to solid operating performance and portfolio optimisation

* On a like-for-like basis

ROIC: Return on Invested Capital

RCO: Result from current operations = EBITDA minus Depreciation & Amortisation

Leverage ratio: Ratio of net debt to EBITDA



2

Our concrete promises





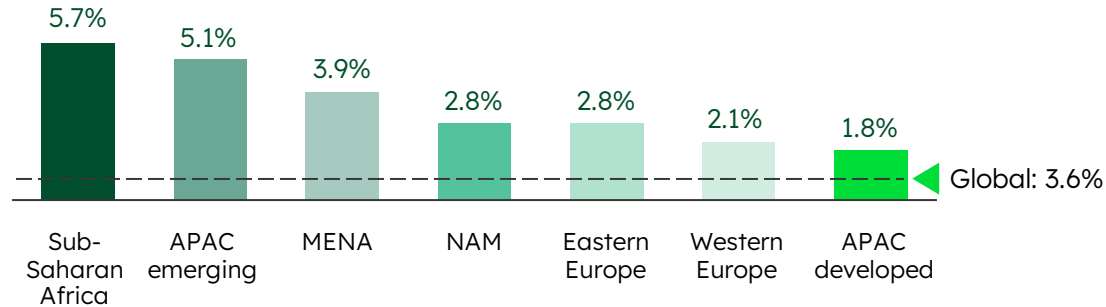
Our concrete promises

1. We focus on heavy building materials.
2. We commit to generate 50% of our revenue from sustainable products by 2030.
3. We commit to reduce CO₂ emissions by almost 50% to 400 kg CO₂/t CEM by 2030.
4. We will make this transition a successful business case: on growth, margins, cash flow, ROIC, and leverage.
5. We drive the change for the benefit of our customers, our shareholders, our employees, and the society we live in.



Heavy building materials – an attractive sector with great prospects

Regional construction:
annual real growth
2021–2030



Source: Oxford economics, internal estimates

Infrastructure packages
in key markets

UK

£337 bn

Infrastructure
Investment
Programme

Europe

€750 bn

EU 'Recovery Fund'

Australia

AU\$120 bn

Infrastructure
Investment
Programme

USA

\$1,200 bn

Infrastructure
Investment
& Jobs Act

All segments with good growth potential:

- Infrastructure with a strong pipeline in key markets
- Residential demand continues to be strong
- Non-residential market to see good momentum on the back of e-commerce related projects



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**Sustainable products
are becoming the game
changer for profitable
growth.**



Regulatory changes and sustainability focus will be a big opportunity for us

Green procurement criteria create significant growth potential

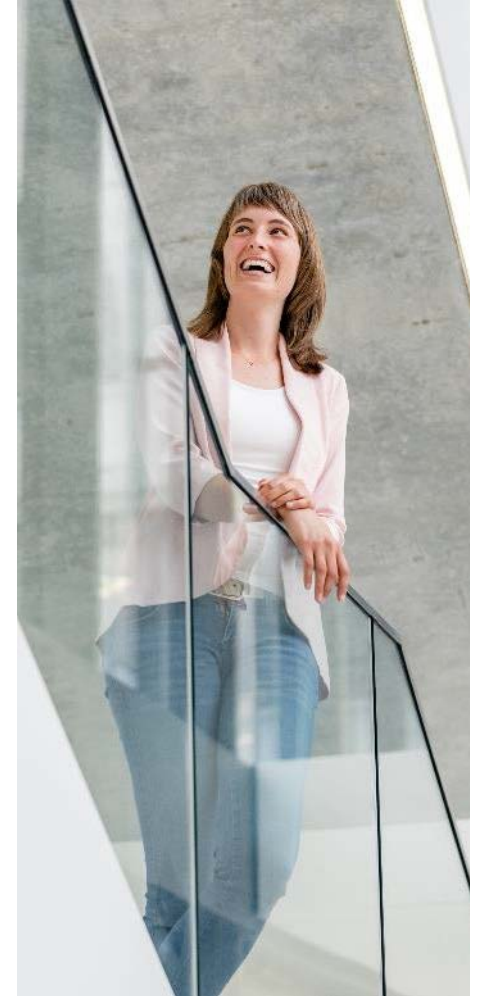
- Strong demand for sustainable products and solutions on the back of green procurement criteria
- Sustainable products with price premium over traditional products

**Growth
opportunity**

Carbon regulation creates opportunity for early movers

- Highest incentive to change in Europe given carbon regulations – our European operations will become the blueprint
- Sustainable products with margin premium

**Margin
opportunity**

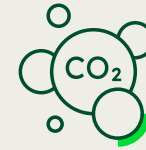


We commit to generate 50% of our revenue from sustainable products by 2030



50%

Sustainable
products



Reduce and reuse CO₂
Less CO₂ in cement and concrete

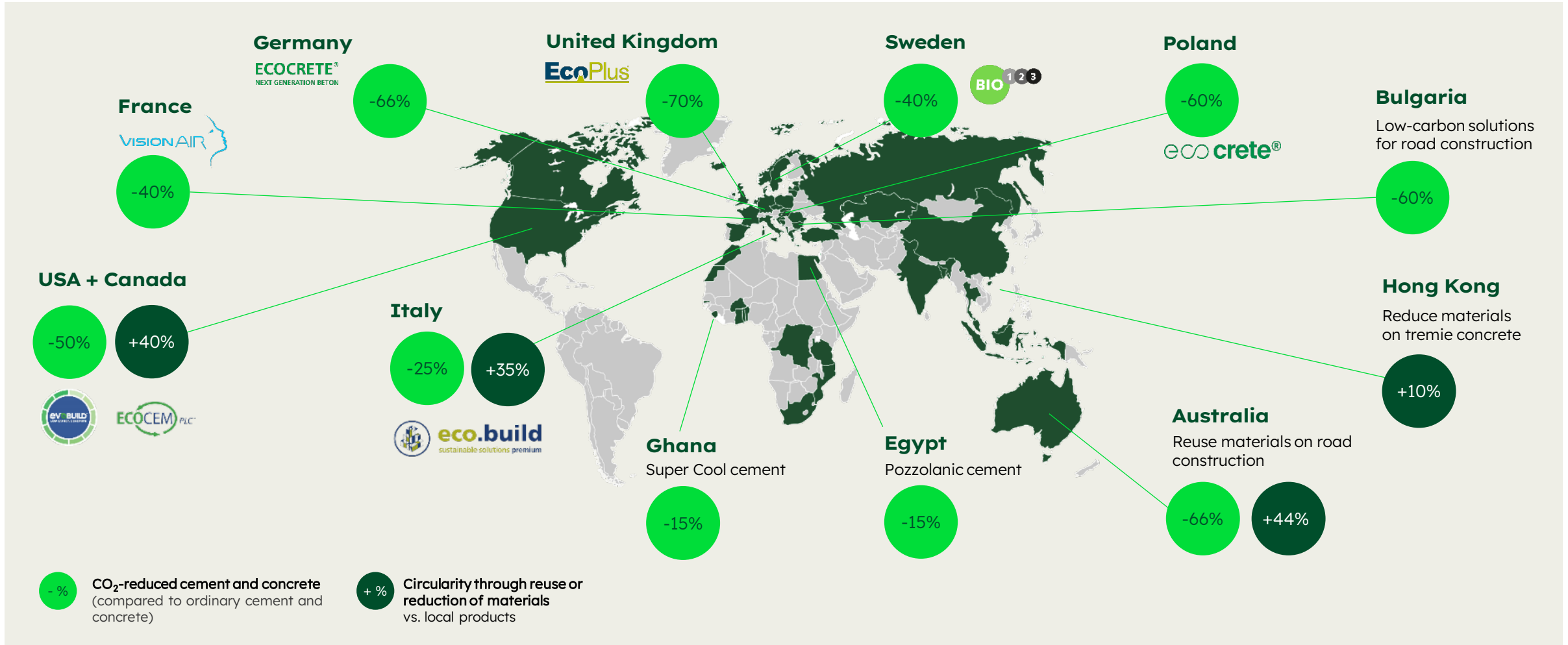


Reuse and reduce materials
More circularity in the product mix

**Commoditisation comes to an end:
Sustainable product portfolio will be THE key differentiator!**



Customers benefit globally from our sustainable products and solutions



Many strong examples providing local and sustainable products

Cement

Concrete



ECOCEM substitutes clinker with sustainable alternatives while not compromising on functional attributes



50%

CO₂ reduction



eco.build cement contains >35% recycled materials



25%

CO₂ reduction



ecocrete provides a progressive sustainable product that is 100% recyclable and contains 100% local materials



60%

CO₂ reduction



ECOTERA substitutes clinker up to 70% while maintaining or improving functional attributes



66%

CO₂ reduction

We will drive the share of sustainable revenue to 50 % by 2030



We set new standards with our CO₂ reduction target

- We have the speed, knowledge, technology, and partners to lead the transition in the sector.
- We are early movers and have a sustainable cost advantage with our CCUS project pipeline.
- Carbon-free and carbon-reduced products will allow for differentiated customer offerings.

CO₂ target for 2030:

400 kg

CO₂/t cementitious material

Key levers

Products

Clinker incorporation/circularity

Process

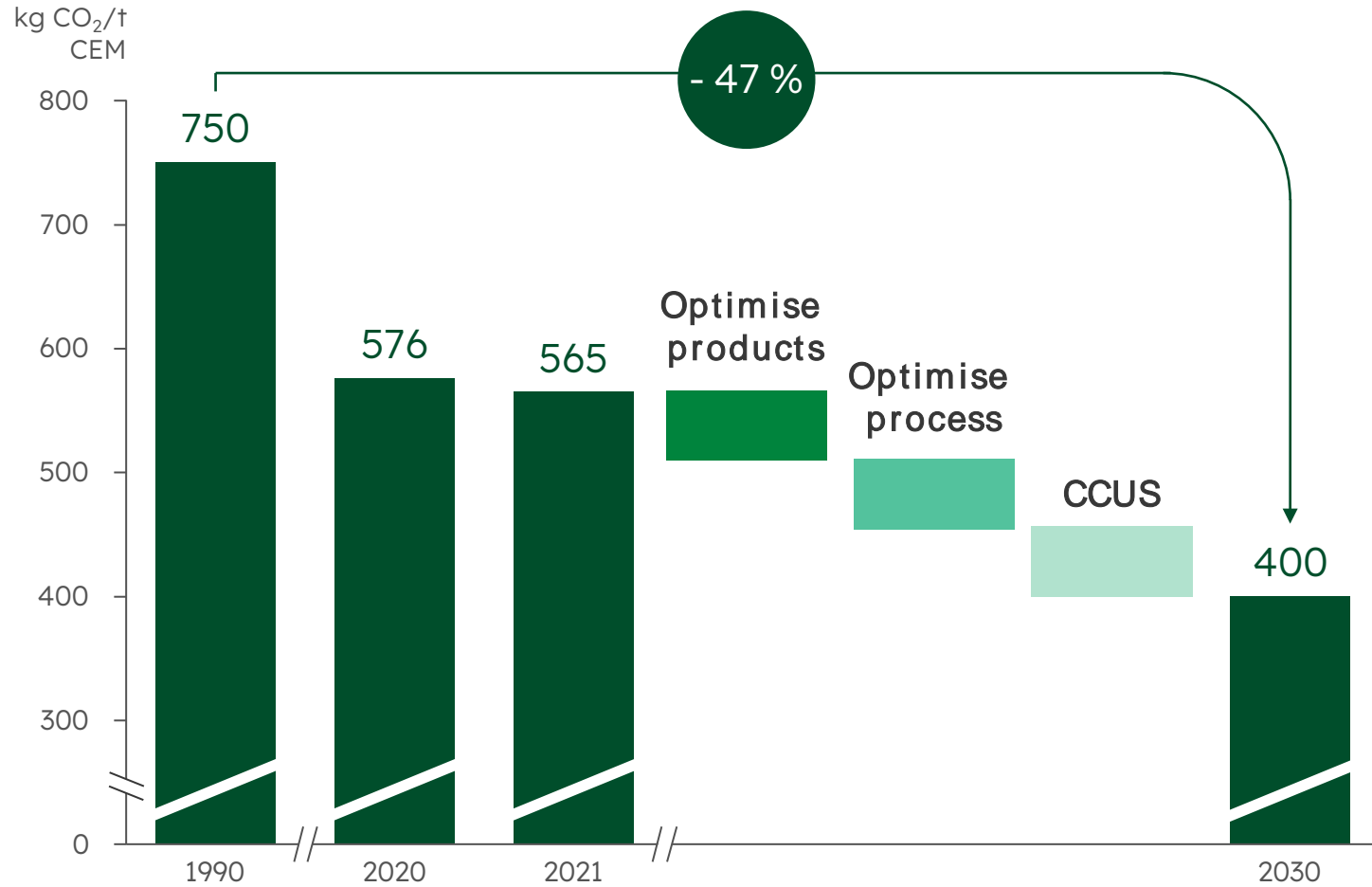
Alternative fuels/biomass fuels rate

CCUS

10 mt CO₂ captured by 2030 (cumulative)



We reduce our CO₂ emissions by almost 50% vs. 1990

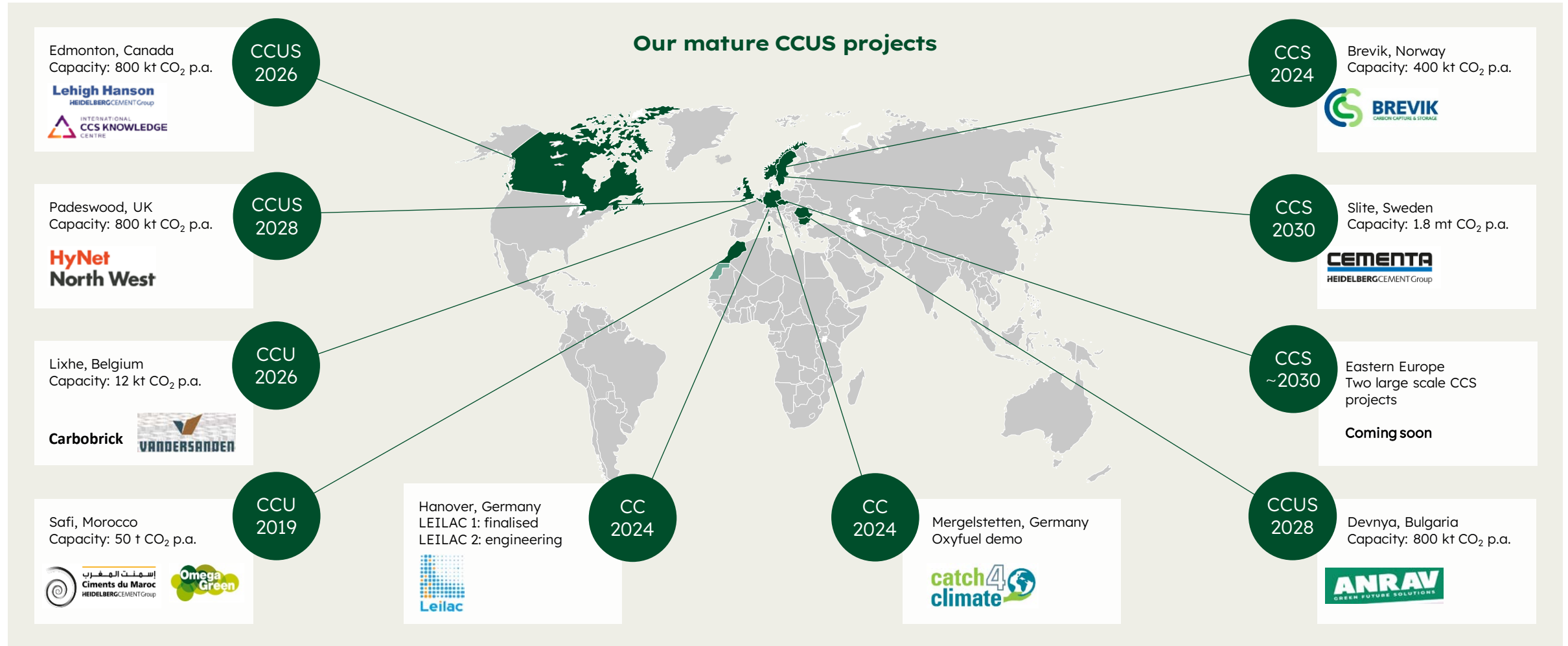


Levers to reach our 2030 targets

- **Products**
 - Clinker incorporation <68%
 - Drive circularity
- **Process**
 - 45% Alternative fuels rate
 - 20% Biomass fuels rate
- **CCUS**
 - 10 mt CO₂ captured by 2030 (cumulative)



Driving CCUS with extensive and most advanced project portfolio in the sector



CCUS: Carbon capture, utilisation, and storage



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**We will be the first
to offer carbon-free
cement and concrete
at scale.**



The CO₂ transition as a very viable business case

Sustainable products will enable above-market revenue growth.

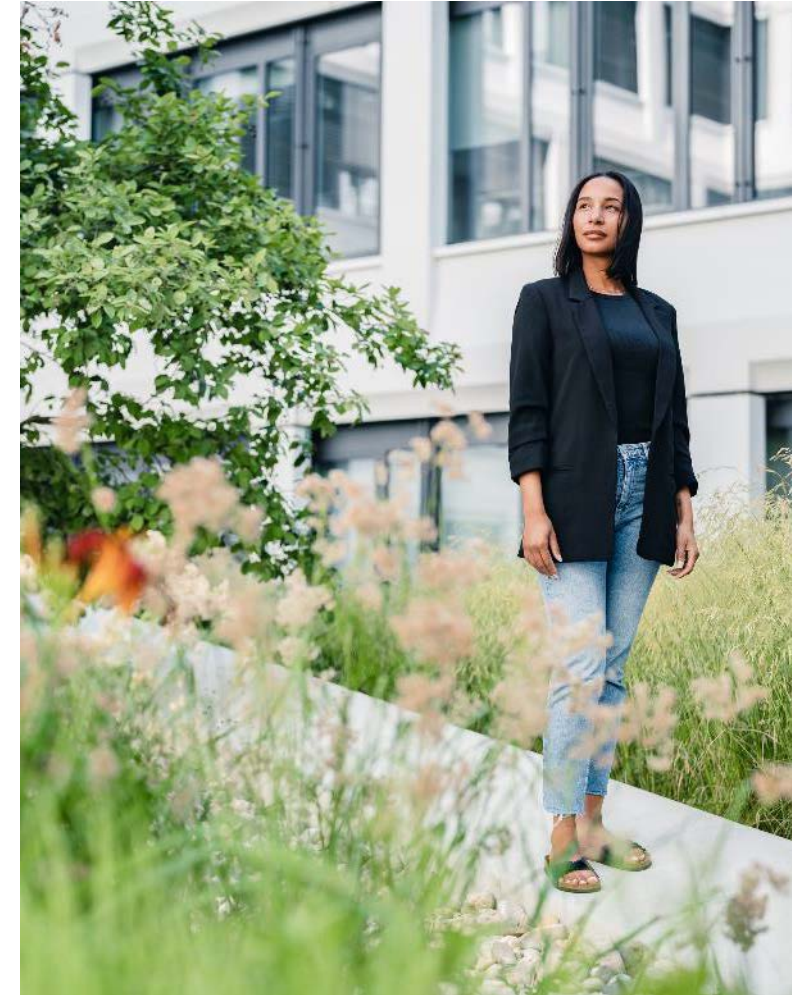
Revenue

Premium for sustainable products and lower carbon cost, thanks to technology leadership. EU turns into advantage.

Margin

Strong cash-conversion:
New net CapEx p.a. target includes all CO₂ measures needed to reach our target of 400 kg CO₂/t CEM.

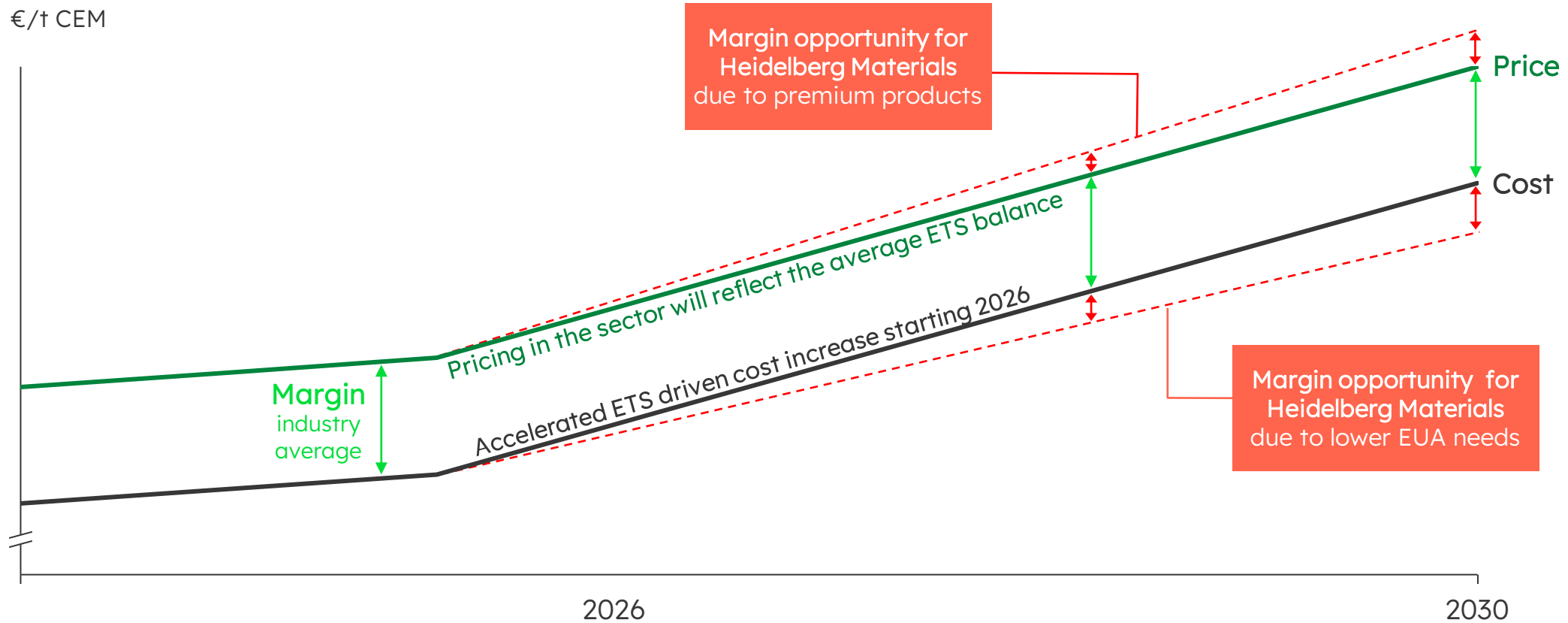
Cash flow



CCUS and ETS present a clear margin opportunity for us in Europe

Indicative chart

€/t CEM



Assumptions:

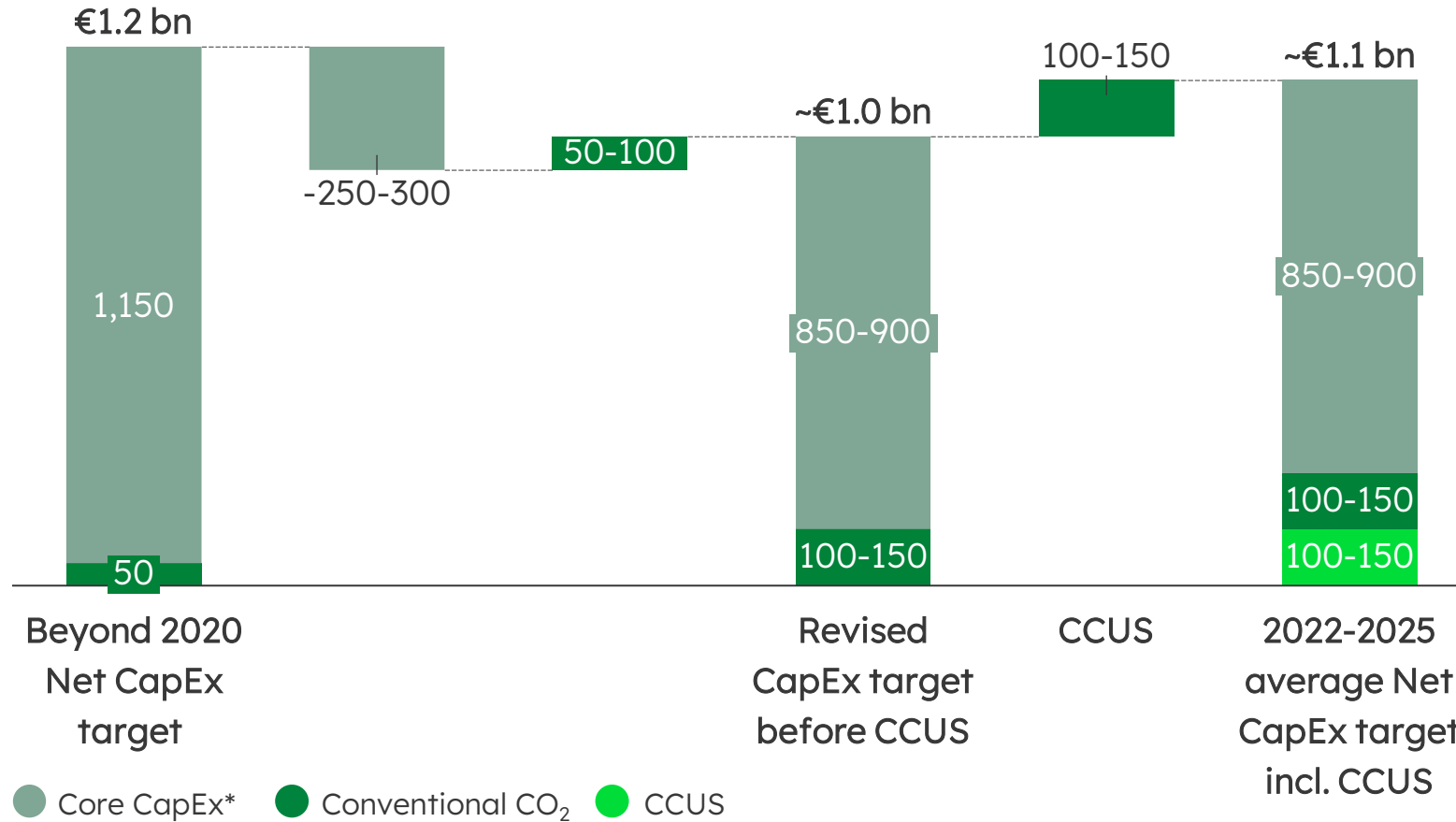
(1) European commission reforms on ETS implemented, namely CBAM in 2026 and free allowances reduced by -10% p.a. starting 2026

(2) ETS price assumptions 2023: €95 and increase of €5 p.a. after 2024



Core Capex drastically reduced in favour of conventional CO₂ and CCUS capex

Net CapEx spending p.a.



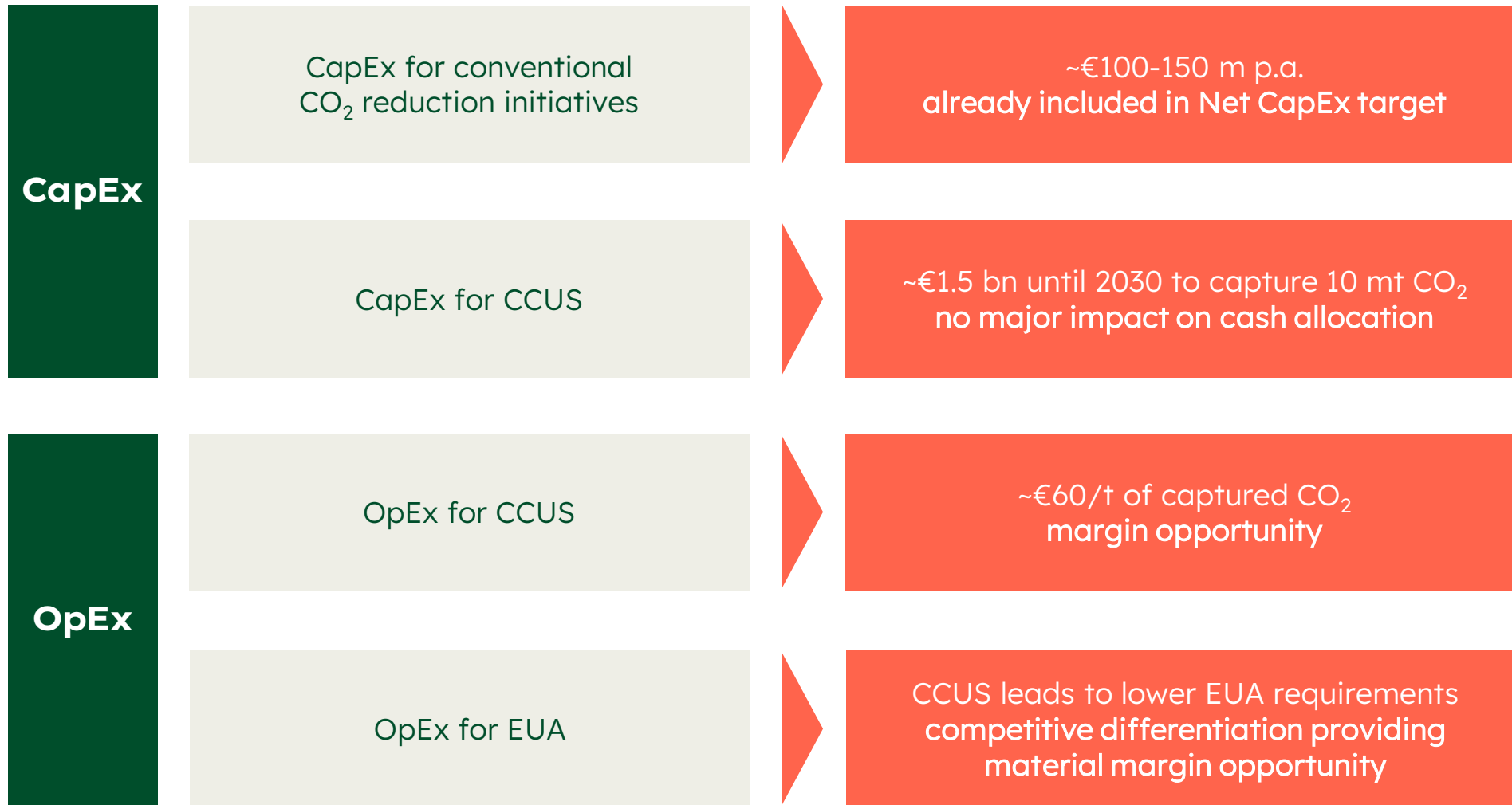
* Core CapEx: Maintenance, improvement and other tangible FA related CapEx, including brown & green field projects.

1. Core CapEx down by €250-300 m p.a.
2. Conventional CO₂ CapEx up +€50-100 m p.a.
3. CCUS added as new category
4. Total Net CapEx until 2024 will be below €1.1 bn as major CCUS spend accelerating only during 2025-2028
5. Indicative CCUS CapEx 2025-2030 around €200m p.a. on average

NEW NET CAPEX TARGET INCL. CCUS: AROUND **€1.1 bn**



Our CO₂ transformation fits to our capital allocation ambition



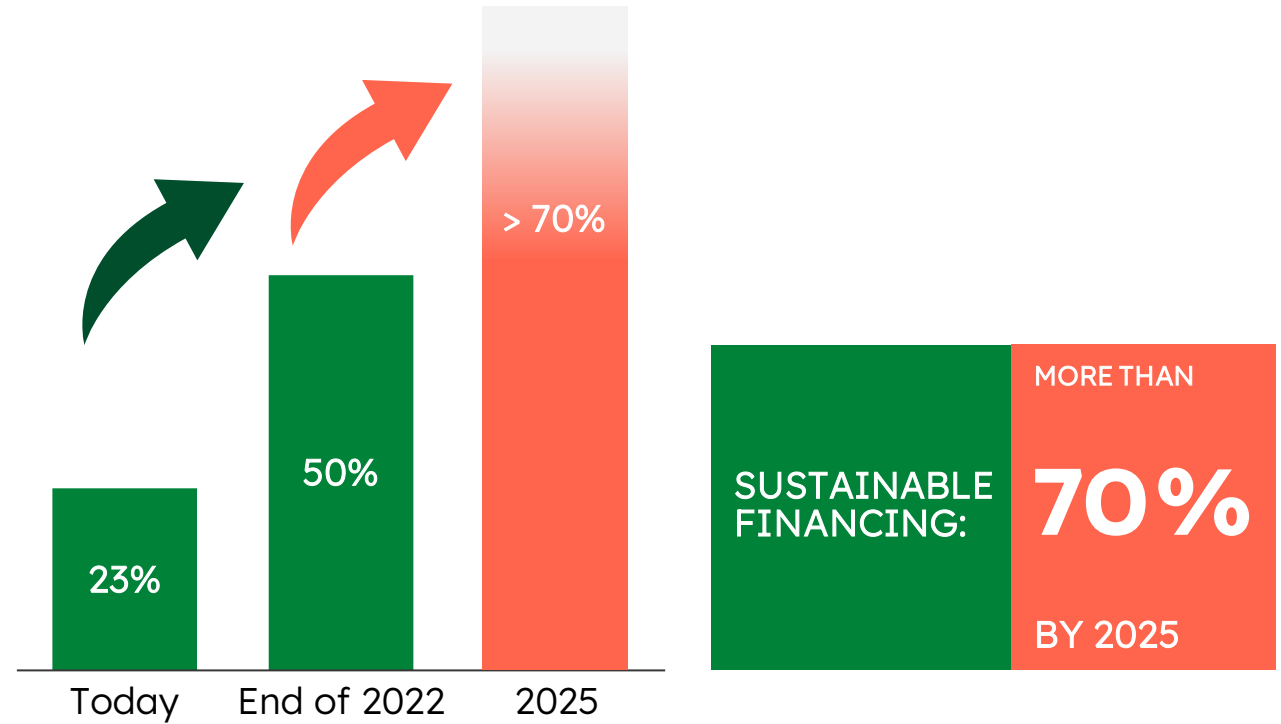
More than 70% of our financial instruments will be sustainable by 2025

Linking financing to climate change and innovation



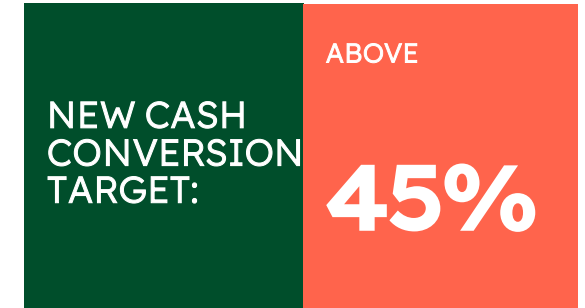
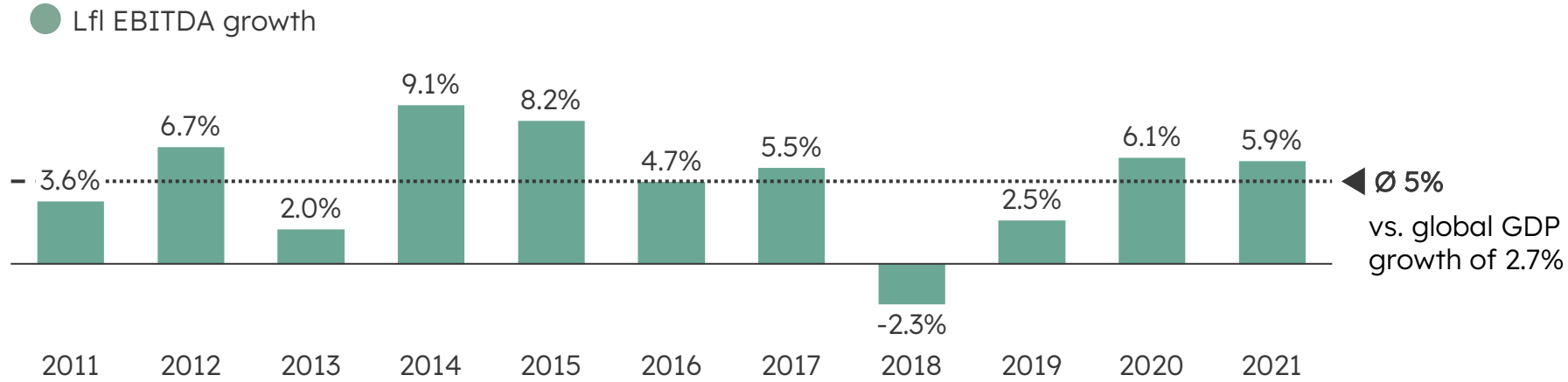
Overview as of today:	Pricing adjustment
Sustainability-linked loan (RCF)	✓
KfW / EIB loans	Use of proceeds concept
Planned in 2022:	Pricing adjustment
Sustainability-linked bonds	✓
CP-Programme	✓

Sustainable/green as % of total financial instruments

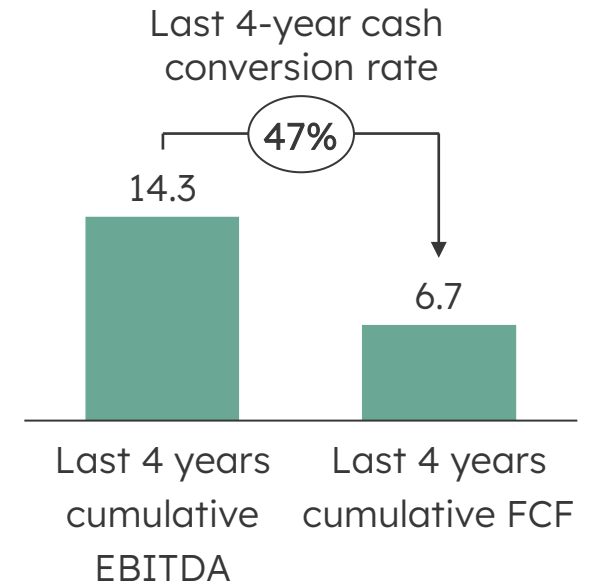
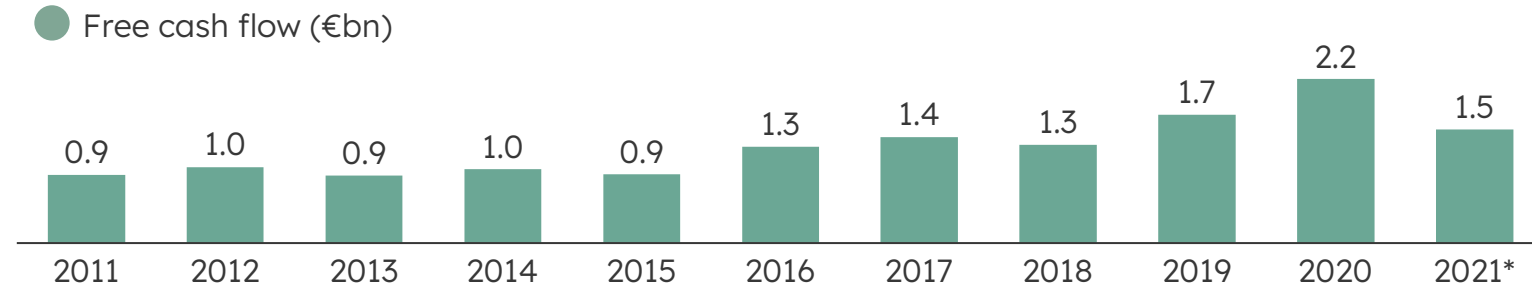


Low EBITDA volatility and strong growth combined with a high cash generation

Stable and solid EBITDA development



High cash conversion rate leading to strong FCF generation

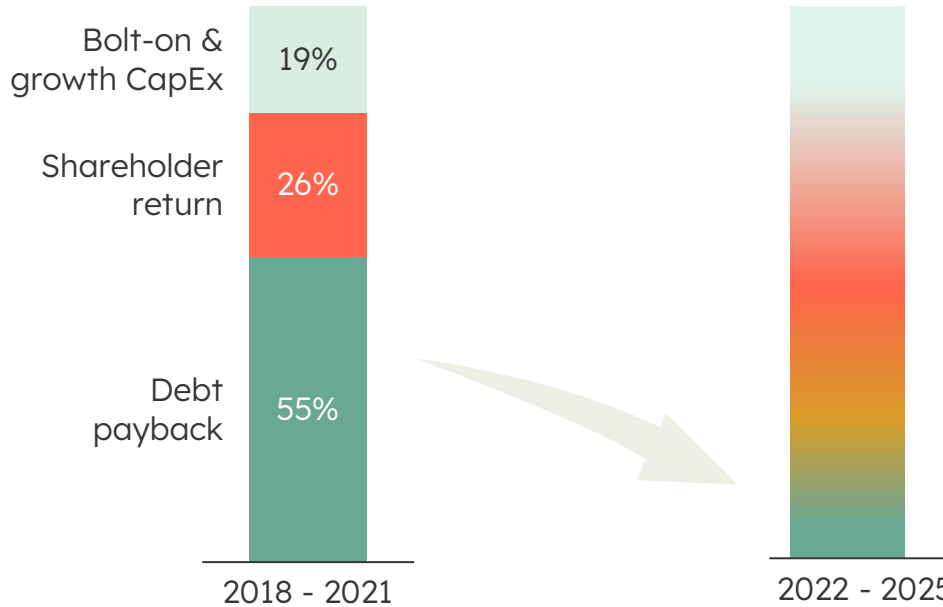
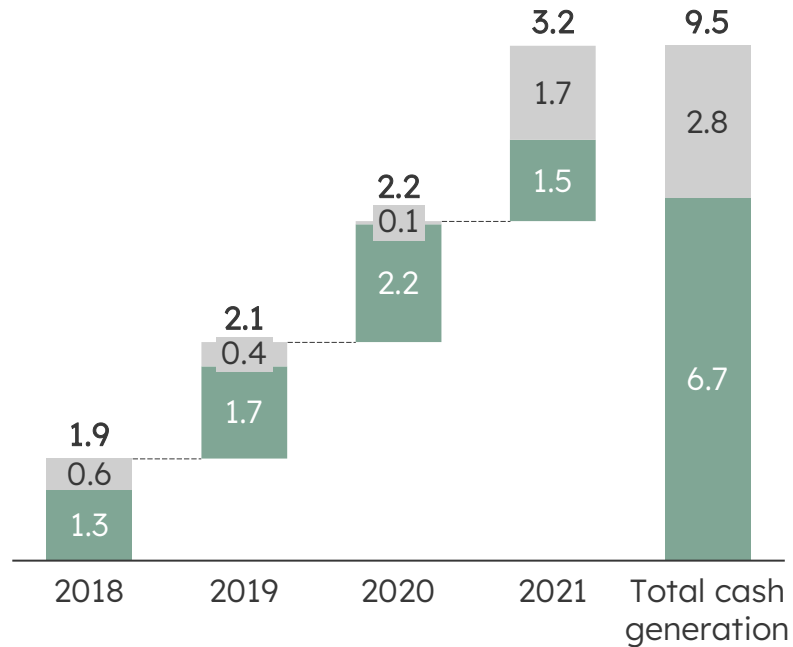


*excluding tax payments US West disposal



Strong cash generation, focus on shareholder return and growth

Cash generation 2018-2021	Cash allocation 2018-2021	Cash allocation 2022-2025
€6.7 bn Free Cash Flow in last 4 years	Focus was mainly on debt payback	Focus on shareholder return and growth



Clear commitments unchanged:

- Leverage 1.5x to 2.0x
- Progressive dividend increase

Further allocation potential going forward – but disciplined excess cash usage continues:

- Profitable growth
- Share buyback as flexible option

● Divestments ● Free cash flow



3

Our targets



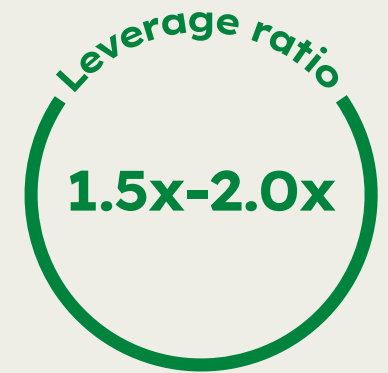
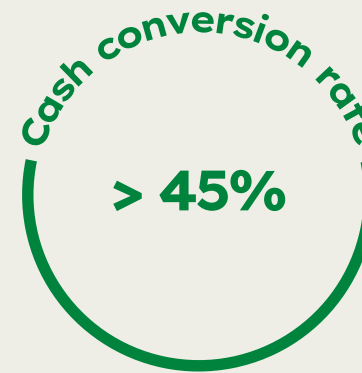
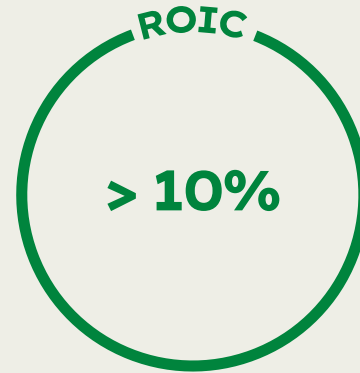
We set ambitious new targets for 2025

Key figure	Current status	Targets 2025	
EBITDA margin	End of 2021: 20.7% (+171bps vs. 2019)	20-22%	=
ROIC	End of 2021: 9.3%	>10%	+
Leverage	End of 2021: 1.3x	1.5x to 2.0x	=
Net CapEx	2020-2021 average €1.0 bn	Around €1.1 bn p.a. <u>incl.</u> CCUS	=
Cash conversion rate	Achieved 2019-2021: ~45%	>45%	+
Sustainable financing	23%	>70%	+
Dividend policy	Progressive dividend policy	Progressive increase confirmed	=
Share buyback	€1 bn announced in 2021	Flexible option	=

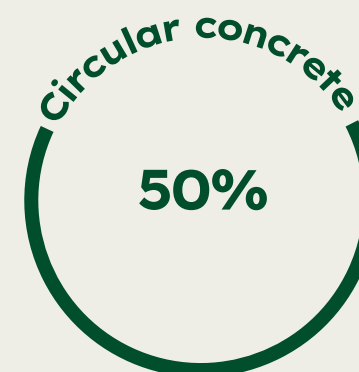


We set ourselves ambitious targets

By 2025



By 2030



*Offer circular alternatives for half of our concrete products – aiming for full coverage.





Heidelberg Materials as an attractive investment

- 1. Solid growth** – We are benefiting from growth trends thanks to our balanced presence in mature and emerging markets.
- 2. Strong results** – We are on track to achieve our medium and long-term financial targets.
- 3. Added value through our sustainable products** – We offer a differentiated product portfolio with enhanced sustainability attributes
- 4. Leading the way in decarbonisation** – We have the speed, knowledge, and technology to successfully manage the transformation to climate neutrality.
- 5. Attractive shareholder returns**– We continue to put shareholder value at the heart of our capital allocation strategy.



4

Appendix



Our organisational structure

Functional responsibilities

	Western and Southern Europe	Northern and Eastern Europe-Central Asia	North America	Asia-Pacific	Africa-Eastern Mediterranean Basin	Group Services
Finance	Belgium, France, Germany, Italy, Netherlands, Spain, United Kingdom	Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Georgia, Greece, Hungary, Iceland, Kazakhstan, Latvia, Lithuania, Norway, Poland, Romania, Russia, Slovakia, Sweden	Canada USA	Bangladesh, Brunei, China, India, Indonesia, Malaysia, Singapore, Thailand Australia	Benin, Burkina Faso, DR Congo, Egypt, Gambia, Ghana, Liberia, Morocco, Mozambique, South Africa, Tanzania, Togo Israel, Turkey	
Sustainability						
Digitalisation						
	Cement Aggregates Ready-Mixed Concrete Asphalt Service-Joint Ventures-Other					



Our Managing Board



Dr Dominik von Achten
Chairman of the Managing Board



René Aldach
Chief Financial Officer



Kevin Gluskie
Asia-Pacific



Hakan Gurdal
Africa-Eastern Mediterranean Basin



Ernest Jelito
Northern and Eastern Europe-Central Asia



Dr Nicola Kimm
Chief Sustainability Officer



Dennis Lentz
Chief Digital Officer



Jon Morrish
Western and Southern Europe



Chris Ward
North America



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of these investigations; events of force majeure including natural disasters, pandemics, acts of terrorism, political unrest, armed conflicts, industrial accidents and their effects on our sales, purchasing, production or service activities as well as various other factors. More detailed information about certain of the risk factors affecting Heidelberg Materials is contained throughout this presentation and in Heidelberg Materials' financial reports, which are available on the Heidelberg Materials website, www.heidelbergmaterials.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.

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“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.





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