

Heidelberg Materials

Group Presentation 2022

Group Presentation

04.11.2022





We drive change through innovation

**Heidelberg Materials
Headquarters –
Heidelberg, Germany**

Built of concrete, which actively
reduces the level of air pollutants.



We make cities more sustainable

Biblioteca degli Alberi park – Milan, Italy

The water-draining concrete guarantees higher water permeability, provides high mechanical resistance and improves the appearance of the pavement.



We enable encounters in an outstanding ambience

Elbphilharmonie – Hamburg, Germany

30,000 m³ of concrete for the imposing concert hall in the Hanseatic city.



We protect historical heritage from nature forces

Mose – Venice, Italy

“Marine Concrete”: underwater concrete specifically developed for the Mose project. Guarantees a lifespan up to 100 years.



We cross borders and build connections

Frederick Douglass Memorial Bridge – Washington DC, USA

This 440 metres long structure is the largest infrastructure project in DC's history. Designed for a 100-year service life, it has 3 above deck arches, 2 piers, 6 traffic lanes, and a pedestrian/bicycle lane with 4 pedestrian overlooks.





**We see challenges
as opportunities to
find new solutions**

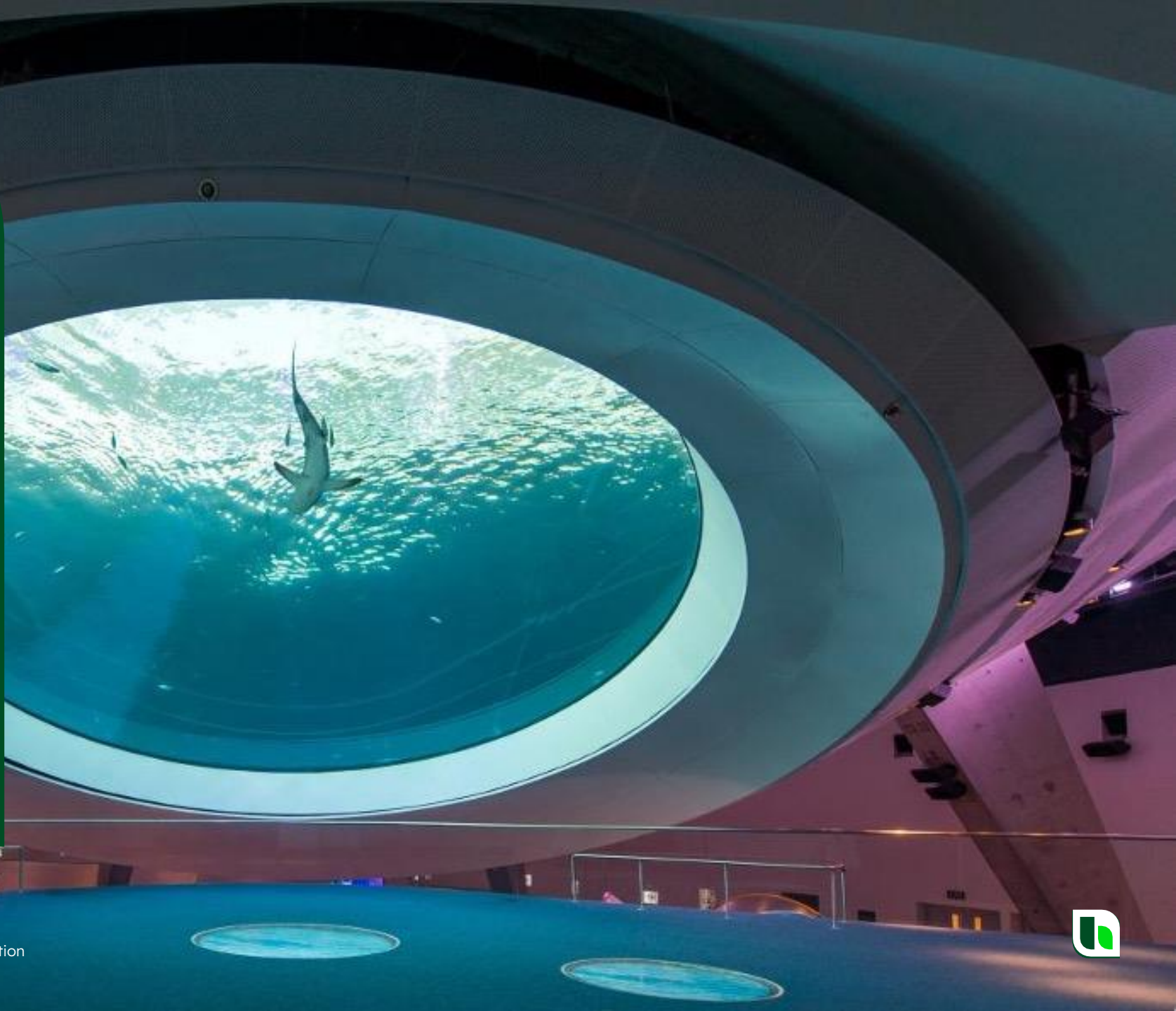
**3D printed house –
Beckum, Germany**

Less material, lower carbon
footprint – thanks to
Heidelberg Materials.

We develop intelligent building materials that inspire

Phillip & Patricia Frost Museum of Science – Miami, USA

Our materials allow to create new levels of architecture. The Museum covers 23,200 m² and is divided into 4 buildings: a planetarium, an aquarium, and 2 separate wings for the science museum.





Content

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1

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**





Our purpose: Material to build our future

The world is undergoing profound changes. Our building materials and solutions shape significant development worldwide. We build on one and a half centuries of experience. Now is the time to lay the foundation for our future.

At the centre of our actions lies our responsibility for the environment. **We want to be the leader in the industry on the path to carbon-neutrality.**

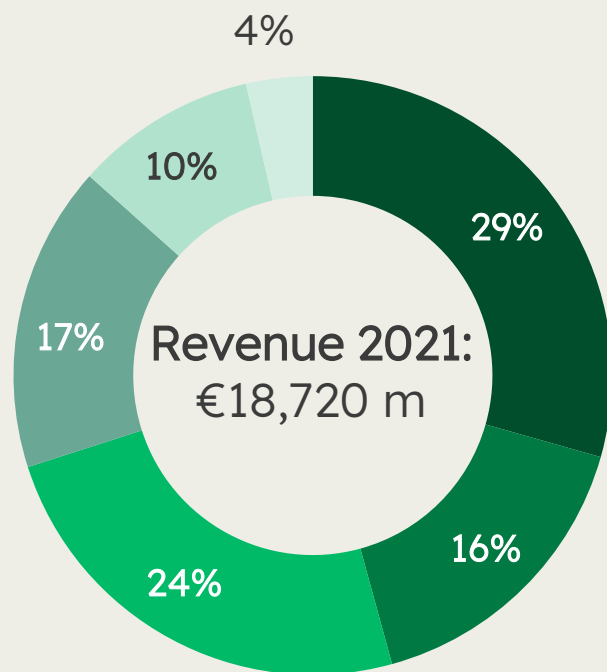
We deliver long-term financial performance through operational excellence, dedication, and openness for change.

We are progressive minds with the ambition to drive transformation. We push the boundaries to strengthen innovation and deepen partnerships with our customers and other stakeholders. Together we craft material solutions for the future. So that the world can always build on us.

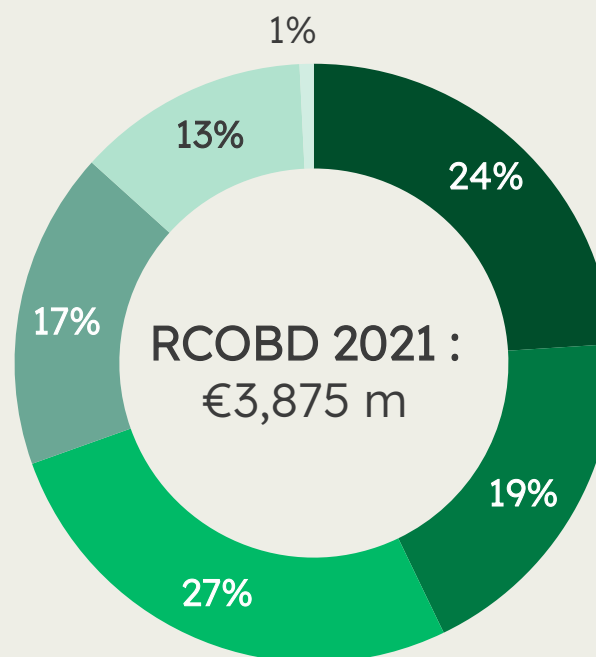


We are well positioned with our asset base in mature and emerging markets

Revenue by Group areas



RCOBD by Group areas ¹⁾






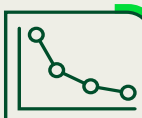

- Western and Southern Europe
- Northern and Eastern Europe-Central Asia
- North America
- Asia-Pacific
- Africa-Eastern Mediterranean Basin
- Others²⁾

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 (only for RCOBD = Result from current operations before depreciation and amortisation) and other building product businesses



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



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 m^t 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 want to become the first industrial tech company in the sector

Revenue growth

HConnect

We provide
connected solutions
for our customers

> 75%

of global revenue
connected

Cost optimisation

HProduce

We drive
efficiency
in our operations

> 50%

of operational
improvements supported
digitally

HService

We optimise
our back-office
processes

> 20%

efficiency gains
in central shared
services

**Digital
strategy**

**Digital
targets**



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.



The building materials industry will continue to grow

Global megatrends that will shape the building materials industry over the next few years



Market Dynamics

- Population growth and urbanisation in emerging markets
- Infrastructure programs in mature markets, e.g. USA, EU Green Deal



Society

- Solutions for sustainable building
- Circular economy models
- Regulation via CO₂ taxes/ emission caps



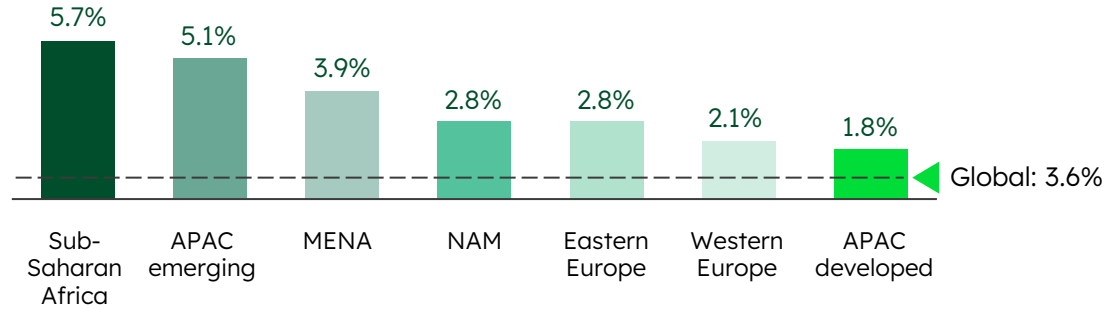
Technology

- New business models: Digitalisation & automation
- Innovative and sustainable building materials
- Technologies for CO₂ reduction



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

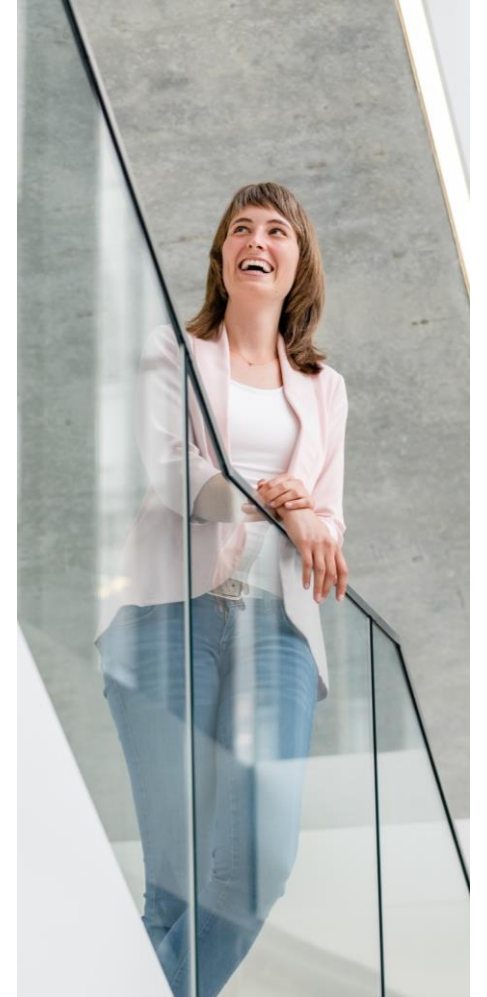
- Strong demand for sustainable products and solutions on the back of green procurement criteria
- Sustainable products with price premium over traditional products

**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**

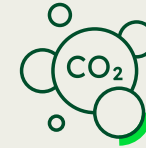


We commit to generate 50% of our revenue from sustainable products by 2030



50%

Sustainable
products



Reduce and reuse CO₂
Less CO₂ in cement and concrete

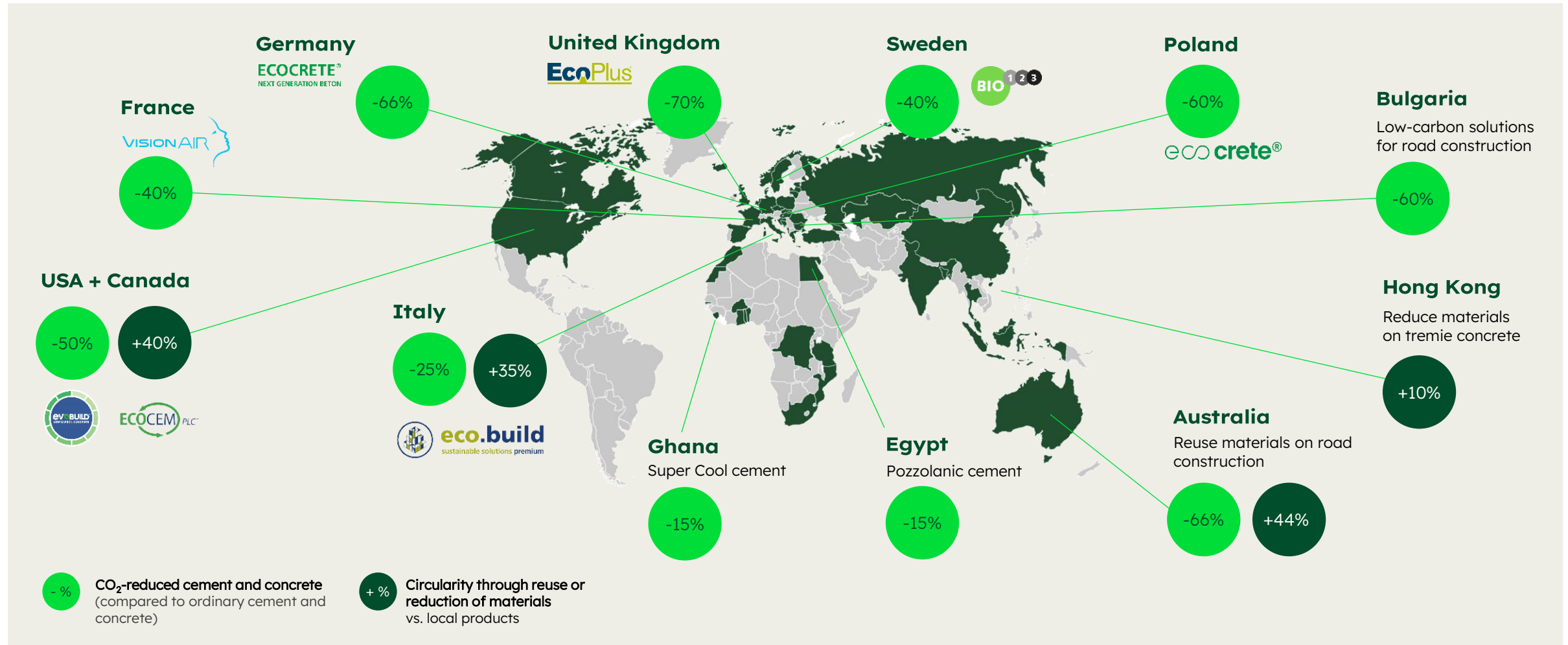


Reuse and reduce materials
More circularity in the product mix

**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



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

Concrete



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

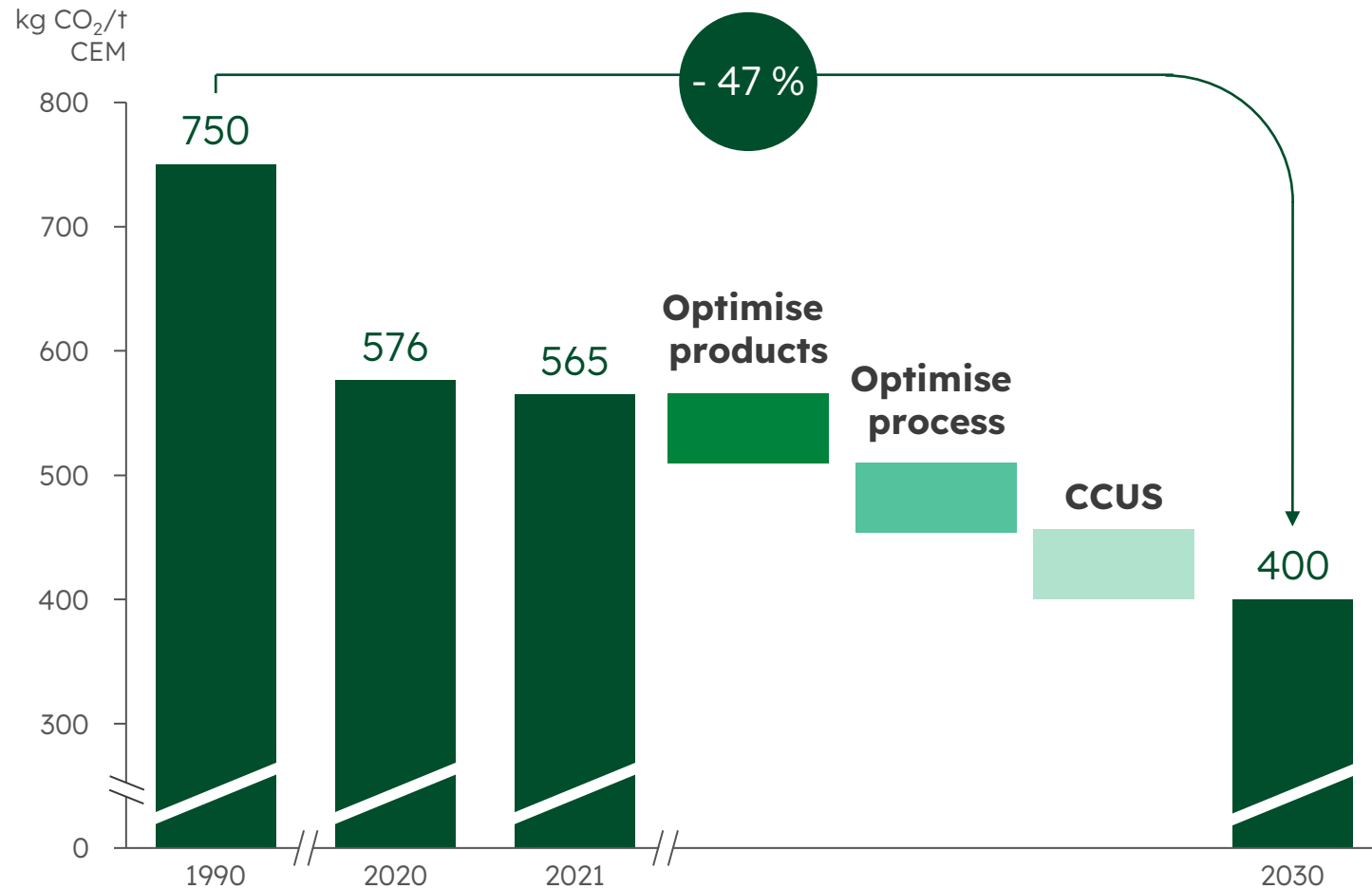
Alternative fuels/biomass fuels rate

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**

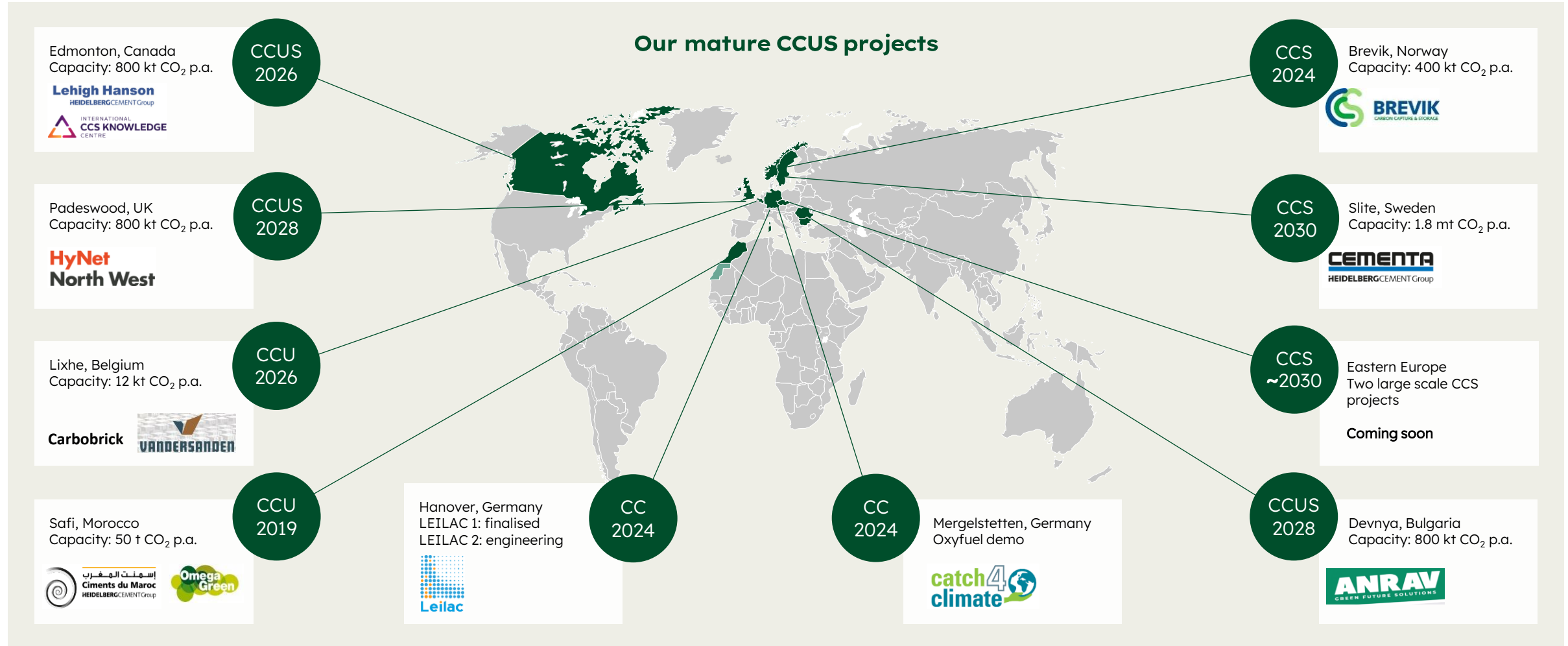
45% Alternative fuels rate
20% Biomass fuels rate

● **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



Brevik CCS, Norway

The world's first industrial-scale carbon capture plant in the cement industry.

Schedule:

Start of carbon capture planned for 2024.

400,000 tonnes

CO₂ reduction p.a.



Edmonton, Canada

First large-scale plant in North America for carbon capture, use and storage in the cement industry.

Schedule:

Gradual increase of carbon capture activities planned from 2026.

Around **800,000 tonnes**

CO₂ reduction p.a



Padeswood, UK

Part of the HyNet North West project to create the world's first low-carbon industry cluster.

Connection of the carbon capture unit to HyNet's planned transport and storage system.

Schedule:

Start of carbon capture activities planned for 2028.

Up to **800,000 tonnes**
CO₂ reduction p.a.



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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.

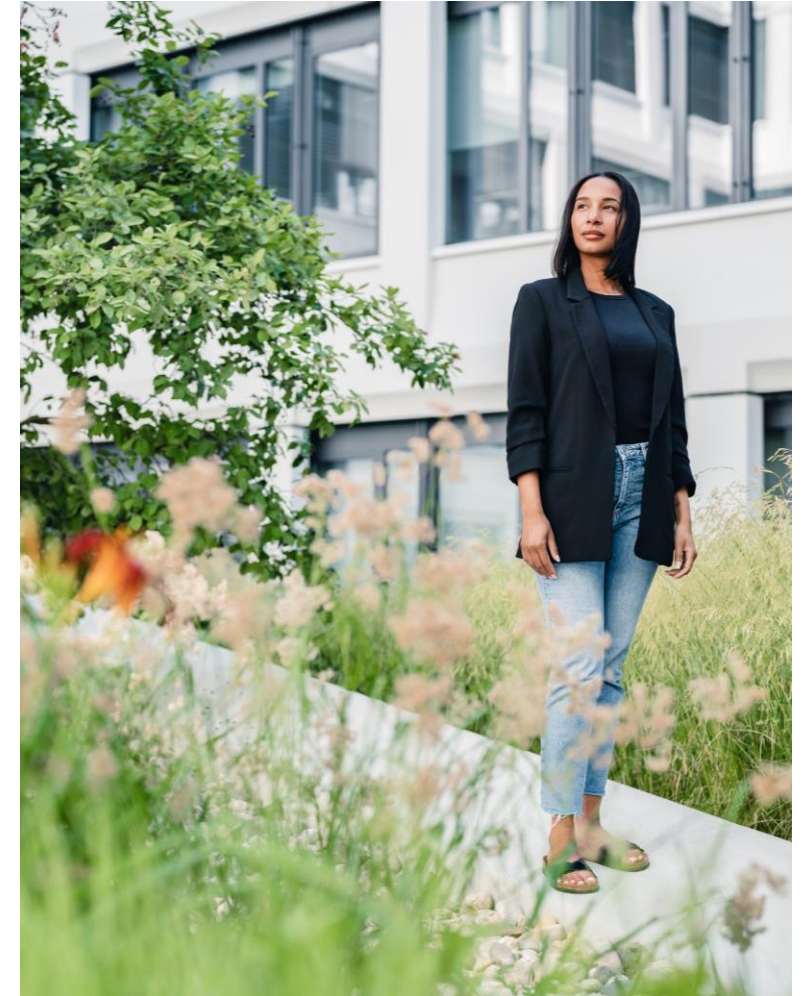
Revenue

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



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Our targets



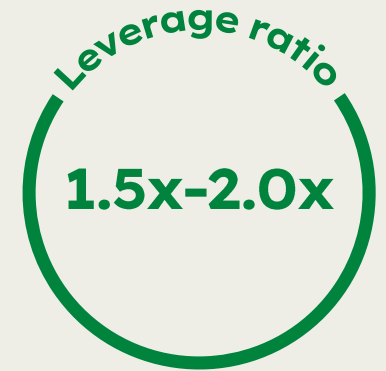
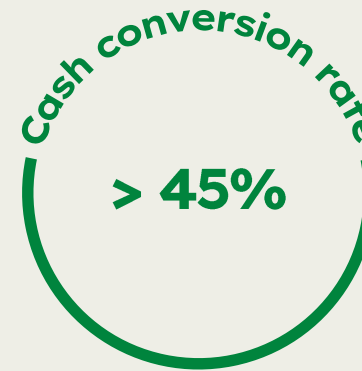
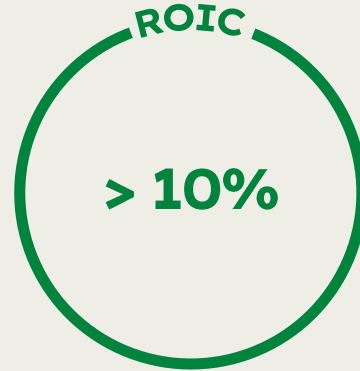
We set ambitious new targets for 2025

Key figure	Current status	Targets 2025	
RCOBD 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	=

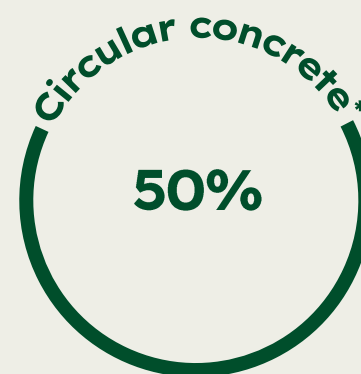


We set ourselves ambitious targets

By 2025



By 2030



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





Heidelberg Materials as a competent partner

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-term financial targets.
3. **Added value for our customers** – We offer our customers a high-quality and sustainable product portfolio.
4. **Leading the way in decarbonisation** – We have the speed, knowledge, and technology to successfully manage the transformation to climate neutrality.
5. **All stakeholders in view** – We are shaping the transformation for the benefit of our customers, our shareholders, our employees, and society.



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**We are
Heidelberg Materials.
Material to build
our future.**



4

Appendix



Our organisational structure

		Western and Southern Europe	Northern and Eastern Europe-Central Asia	North America	Asia-Pacific	Africa-Eastern Mediterranean Basin	Group Services
Functional responsibilities	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



Thank You.



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