

# Annual General Meeting 2021

## Report of the Chairman of the Managing Board

Dr. Dominik von Achten



Many thanks to all of you! Our...



... shareholders



... customers



... suppliers and service providers



... employees





We bring people together.

Terminal 3, Frankfurt Airport, Germany  
Cement for Germany's largest construction site. Completion 2025.

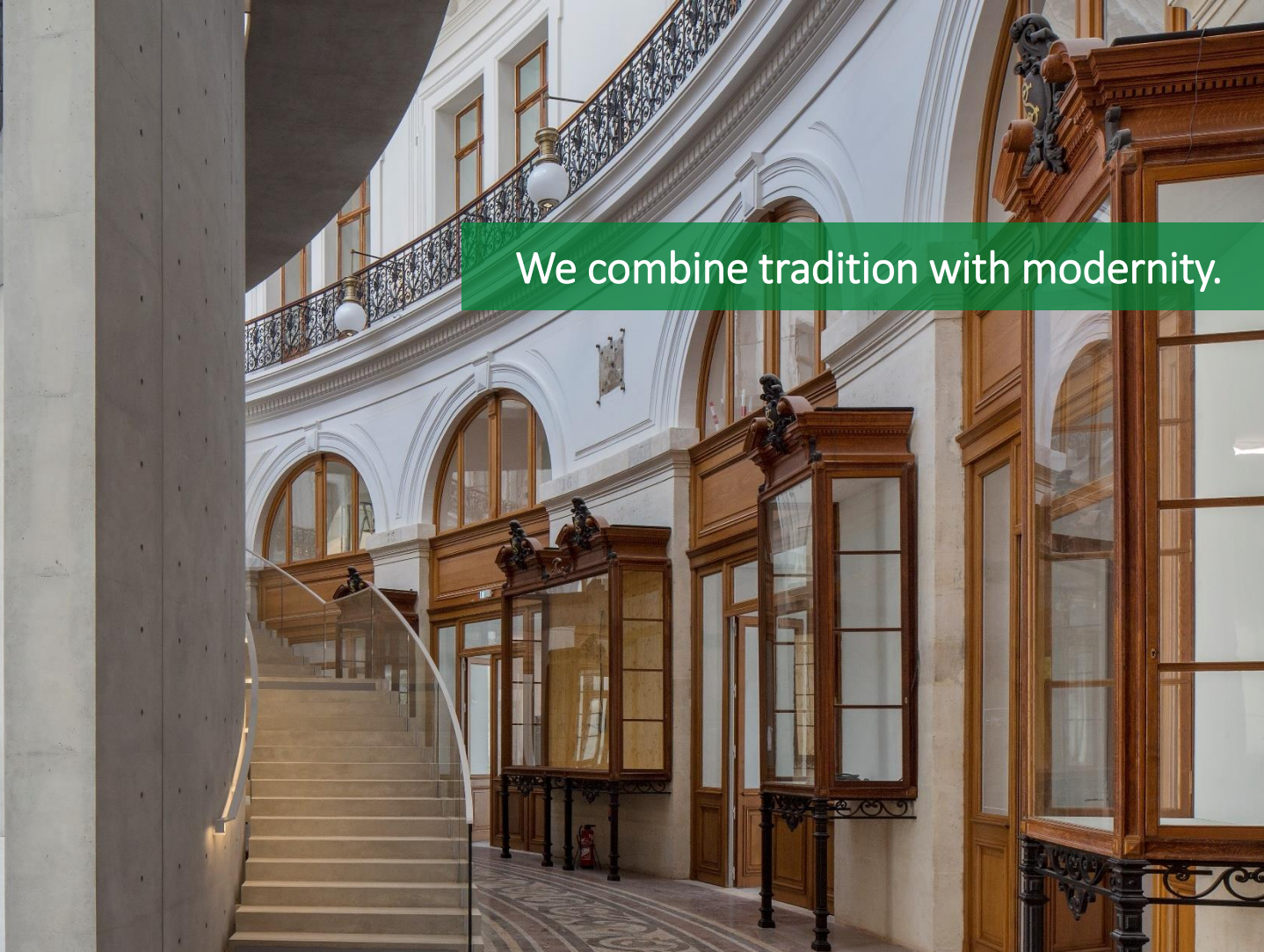




We are researching new products.

3D printed house, Beckum  
Less material, lower carbon footprint - thanks to HeidelbergCement





We combine tradition with modernity.

Art Museum Bourse de Commerce – Pinault Collection, Paris, France

HeidelbergCement's building materials combine the demands of a modern museum with classical architecture



## Key messages

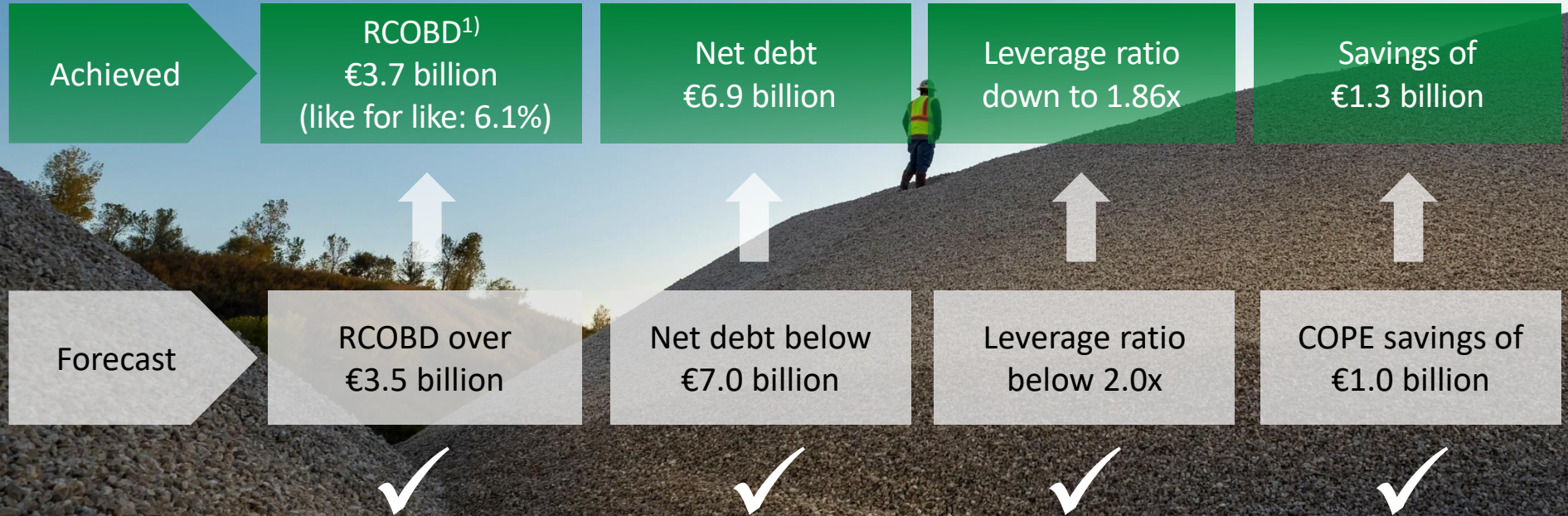
- Record results in 2020 despite Covid-19 pandemic
- Return to progressive dividend: €2.20 per share
- Q1 2021 results significantly above market expectations
- High financial strength thanks to significant reduction in net debt
- Major progress in implementing our CO<sub>2</sub> roadmap
- Good start to the year confirms optimistic outlook for 2021

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# We exceeded our forecast for all key figures

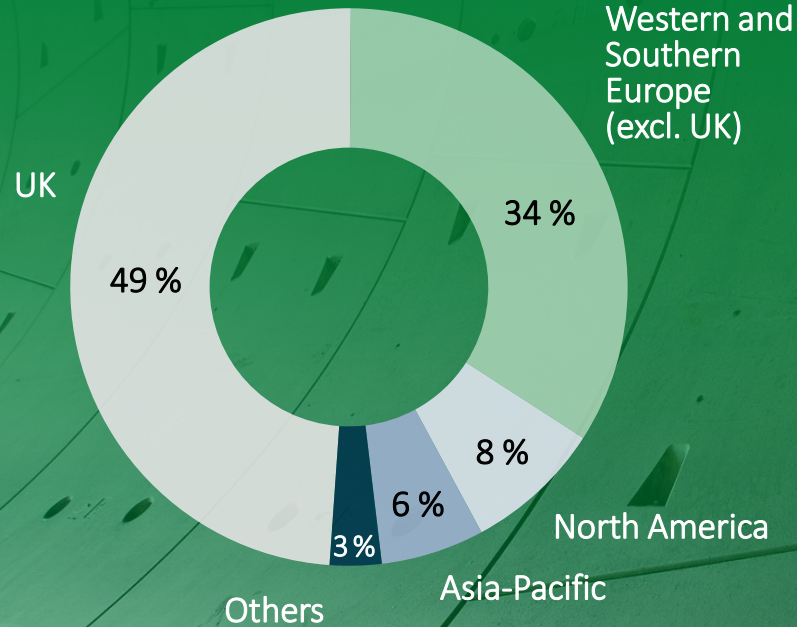


1) RCOBD = Result from current operations before depreciation and amortisation



## We revaluated our asset portfolio during the pandemic

### Impairment of €3.4 billion



No impact on operating performance or on cash flow

Positive effect on future return on invested capital (ROIC)





# We significantly reduced net debt through high free cash flow

Record level of free  
cash flow

**€2.2 billion**  
+€0.47 billion (+28%)

Significant reduction in  
net debt

**€6.9 billion**  
-€1.5 billion (-18%)

Leverage ratio in strategic target  
range of 1.5x-2.0x

**1.86x**  
-0.49x

**Important target of the Beyond 2020 strategy achieved:**

Upgrade by the two rating agencies S&P (from BBB- to BBB) and Moody's (from Baa3 to Baa2)





# We are returning to our progressive dividend policy earlier than expected

CAGR +30 %





# Our share price has developed overproportionally



31 December 2019 – 30 April 2021 (Index: Base 100 = 31 December 2019)



Our Q1 2021 results are significantly above prior year and market expectations

Revenue

€4.0 billion

+1%

RCOBD

€538 million

+33%

RCO

€223 million

+280%



# 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 incentives in mature markets, e.g. USA, EU Green Deal

### Society

- Solutions for sustainable construction
- Models of circular economy
- Regulations with CO<sub>2</sub> taxes / emission caps

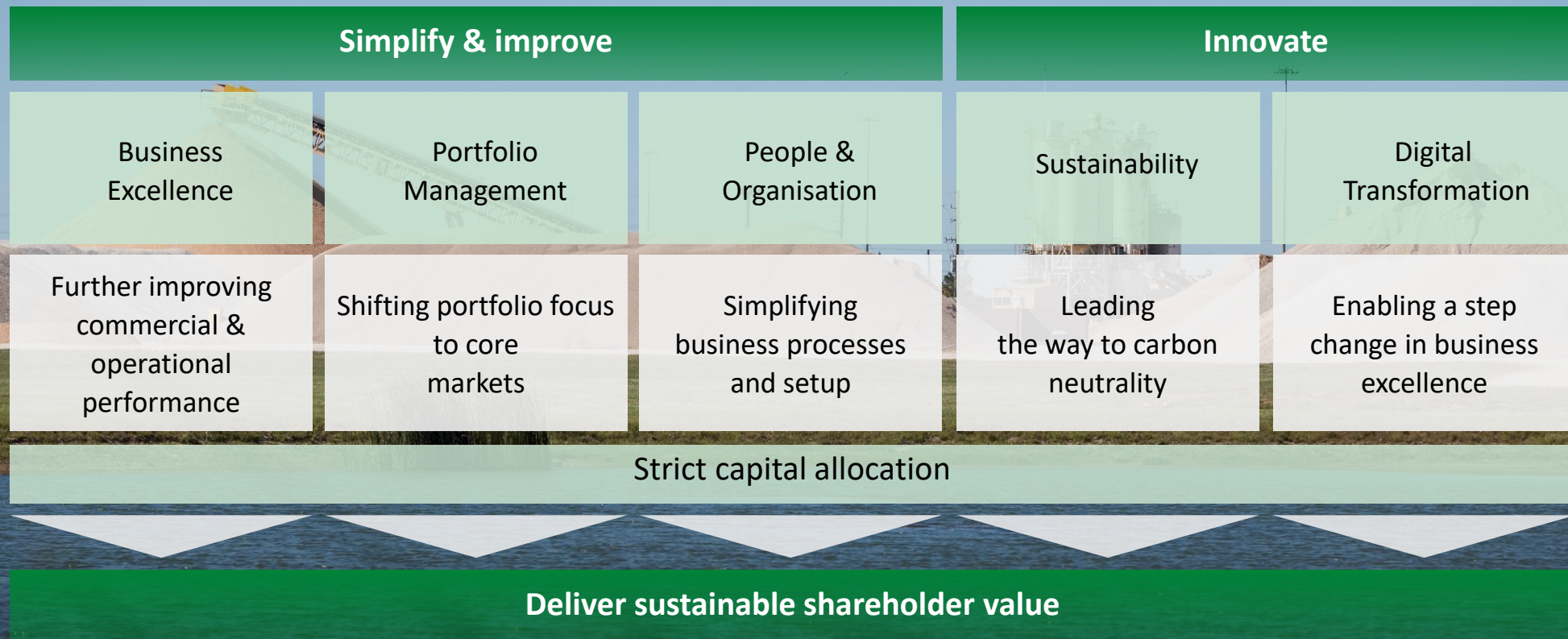
### Technology

New business models:

- Digitalisation & automation
- Innovative and sustainable building materials
- Technologies for CO<sub>2</sub> reduction



# Core elements of our Beyond 2020 strategy





# We have set ourselves ambitious targets for the year 2025

EBITDA margin



**+300 bps**  
vs 2019

ROIC



clearly

**>8%**

Leverage ratio



**1.5-2.0x**

Sustainability



**<525 kg**

CO<sub>2</sub>/t cementitious material

CO<sub>2</sub> reduction  
target accelerated  
by 5 years:  
-30% vs 1990

Digital Transformation



**>75%** of global sales volumes  
covered by HConnect



# We make our portfolio simpler and more profitable

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## Egypt

Majority participation in Egypt delisted from the stock exchange



## Kuwait

Sale of the majority participation in Hilal Cement



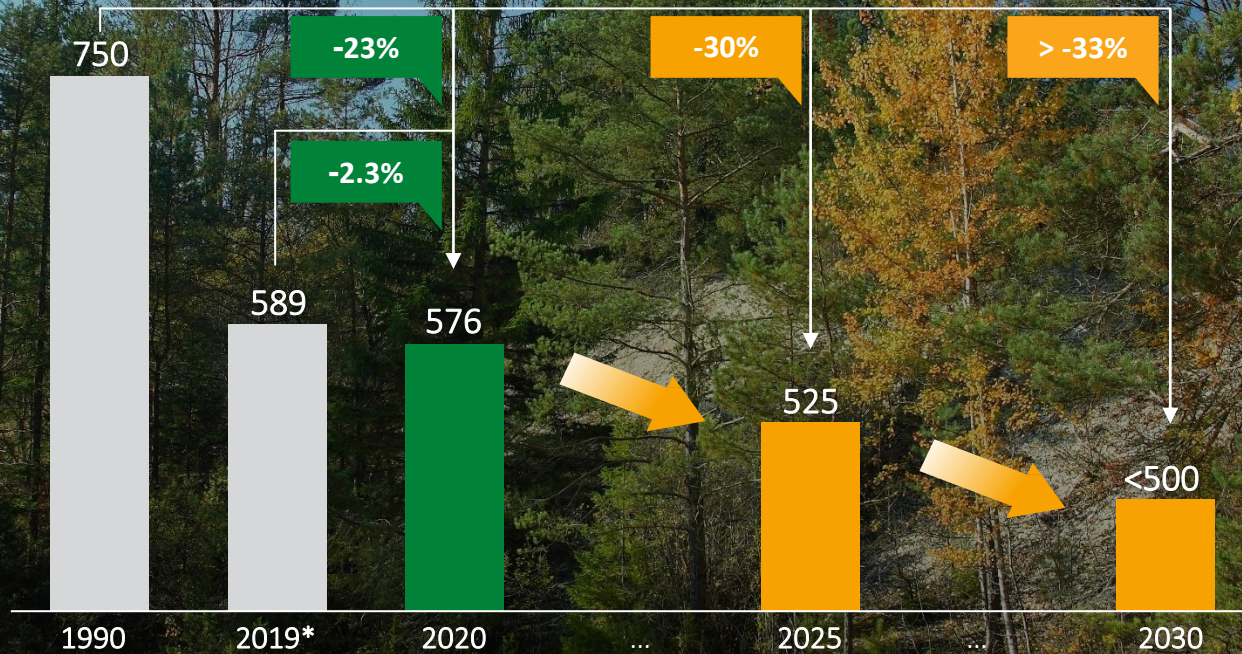
## Greece

Sale of aggregates and ready-mixed concrete business



# We are accelerating the reduction of our CO<sub>2</sub> emissions

Reduction of CO<sub>2</sub> emissions (status 2020):  
(kg CO<sub>2</sub>/t cementitious material)



\*Previous year's figure differs from that reported in the previous year due to changed reporting scope



# We embed the CO<sub>2</sub> reduction targets worldwide in the remuneration system

NEW



**CO<sub>2</sub> reduction target**  
Target corridor: 0.7x to max. 1.3x

X

PREVIOUSLY



**Financial target**

The full bonus can only be achieved if we meet our climate targets



# We are researching new CO<sub>2</sub> capture technologies...

## Example:

### **LEILAC technology**

Capture of the CO<sub>2</sub> released during the heating of the raw material in high-purity form



... and are global pioneers in the implementation of CCU/S projects

**Example:**

**Norcem cement plant in Brevik, Norway**  
Site of the world's first CCS project\* in the cement industry on an industrial scale

\* CCS: Carbon Capture & Storage



# We are constantly expanding our range of sustainable product solutions

## Low carbon concrete products



**EcoPlus®**

-60 %



**Nor Lavkarbon®**

-20 %

-40 %

**i.power RIGENERA®**



-50 %

**i.Tech 3D**



Innovative solutions for low-carbon construction

## Concrete with recycled aggregates



**Ecocrete®**

-70 %



**Green Concrete**

-45 %

**TioCem®**



**Powercrete®**



Solutions for a better energy balance and cleaner air

○ Estimated CO<sub>2</sub> reduction potential compared to conventional concrete, except for i.Tech 3D & i.power RIGENERA (reduced use of concrete)



# We are a development partner in innovative 3D concrete printing technology

## Potentials of 3D concrete printing

- Faster completion times
- Reduced CO<sub>2</sub> footprint
- Freedom of design
- Addresses the shortage of skilled workers
- Minimisation of errors
- Increased work safety
- Material savings, thin-walled components



# We are making good progress in the digital transformation

HeidelbergCement becomes the first industrial technology group in the building materials industry

## HConnect

- Share of Group revenue increased to >30%
- >7,000 active customers/month
- 70% of customers loyal HConnect users

## HProduce

- 4 digital tools in use in the cement sector
- Production planning for optimised mill operation already used in 12 plants

## HService

- Use of AI and robotics technology in accounting processes
- Complete digitization of the supply chain within reach



# We are very well on track to achieve our 2025 targets

EBITDA margin



**+300 bps**  
vs 2019

**+206 bps**  
2020

ROIC



clearly

**>8%**

**7.9%**  
2020

Leverage ratio



**1.5-2.0x**

**1.86x**  
2020

Sustainability



**<525 kg**

CO<sub>2</sub>/t cementitious material

**-2.3%**  
2020  
vs 2019

CO<sub>2</sub> reduction  
target accelerated  
by 5 years:  
-30% vs 1990

Digital Transformation



**>75%** of global sales volumes  
covered by HConnect

**30%**  
2020



## Forecast 2021



Slight increase in revenue, RCOBD<sup>1)</sup> and RCO<sup>2)</sup> on a like-for-like basis



Net investments in property, plant and equipment<sup>3)</sup> € 1.2 billion



ROIC above 8 %



Leverage ratio between 1.5x and 2.0x

1) RCOBD = Result from current operations before depreciation and amortisation

2) RCO = Result from current operations

3) Only property, plant and equipment, excluding M&A and growth investments





## Key messages

- Record results in 2020 despite Covid-19 pandemic
- Return to progressive dividend: €2.20 per share
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By their very nature, forward-looking statements and information are subject to certain risks and uncertainties. A variety of factors, many of which are beyond HeidelbergCement's control, could cause actual results to differ materially from those that may be expressed or implied by such forward-looking statement or information. For HeidelbergCement particular uncertainties arise, among others, from changes in general economic and business conditions in Germany, in Europe, in the United States and elsewhere from which we derive a substantial portion of our revenues and in which we hold a substantial portion of our assets; the possibility that prices will as a result of changing market conditions develop differently than currently anticipated by HeidelbergCement's management; developments in the financial markets, including fluctuations in interest and exchange rates, commodity and equity prices, debt prices (credit spreads) and financial assets generally; a worsening in the conditions of the credit business; the outcome of pending investigations and legal proceedings and actions

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