Heidelberg Materials

HSBC APAC virtual roadshow

Capital Markets Story
26.09.2023

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

~51,000

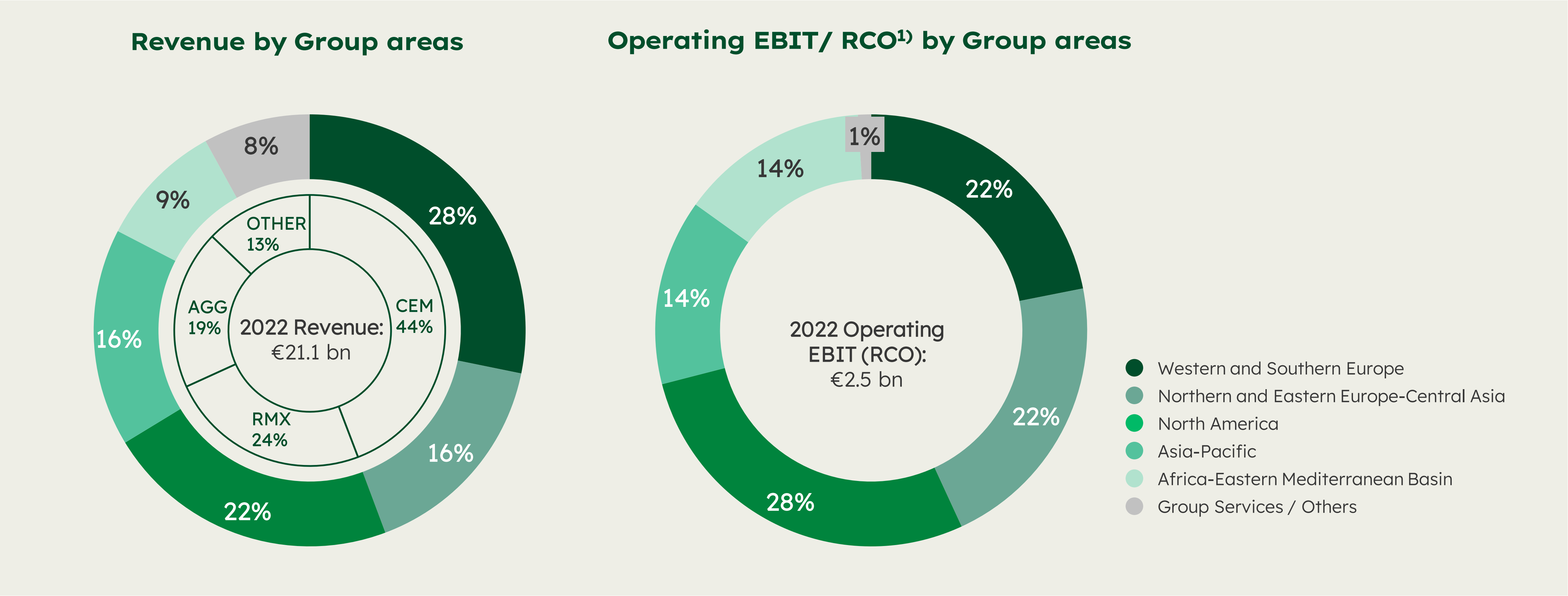
employees
on 5 continents

3,000

locations
worldwide

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

A balanced geographic footprint with strong focus on Heavy Building Materials



1) Results from current operations
Note: Figures may not always add up to 100% due to rounding effect.
CEM – Cement; AGG – Aggregates; RMX – Ready-mix

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 CO_2 emissions by almost 50% to 400 kg CO_2/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 programmes in mature markets, e.g. USA, EU Green Deal

Society

- Solutions for sustainable building
- Circular economy models
- Regulation via CO_2 taxes/ emission caps

Technology

- New business models: Digitalisation & automation
- Innovative and sustainable building materials
- Technologies for CO_2 reduction

Concrete is essential for building a sustainable society

- Second most used material after water
- Locally produced and sold
- 100% recyclable
- Durable
- Sound absorbent
- Designable
- Flexible

”

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

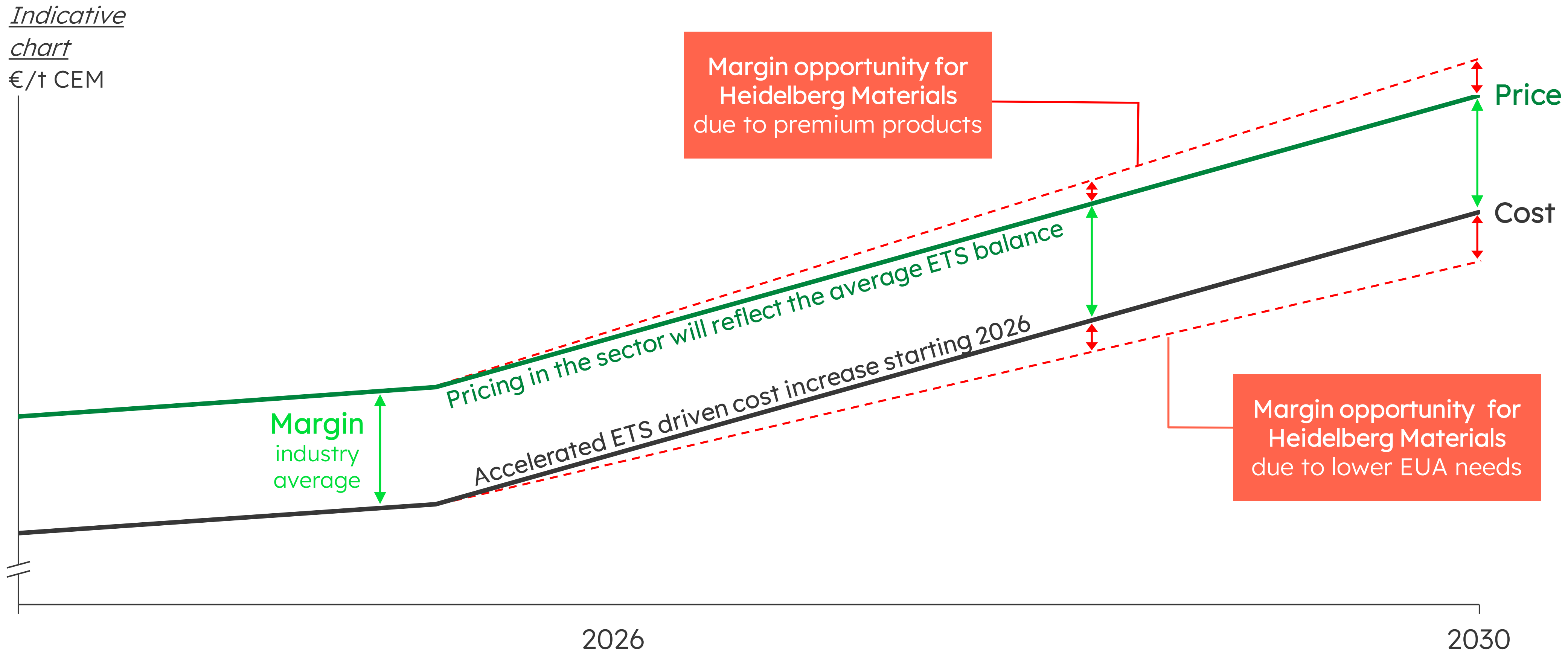
Growth opportunity

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

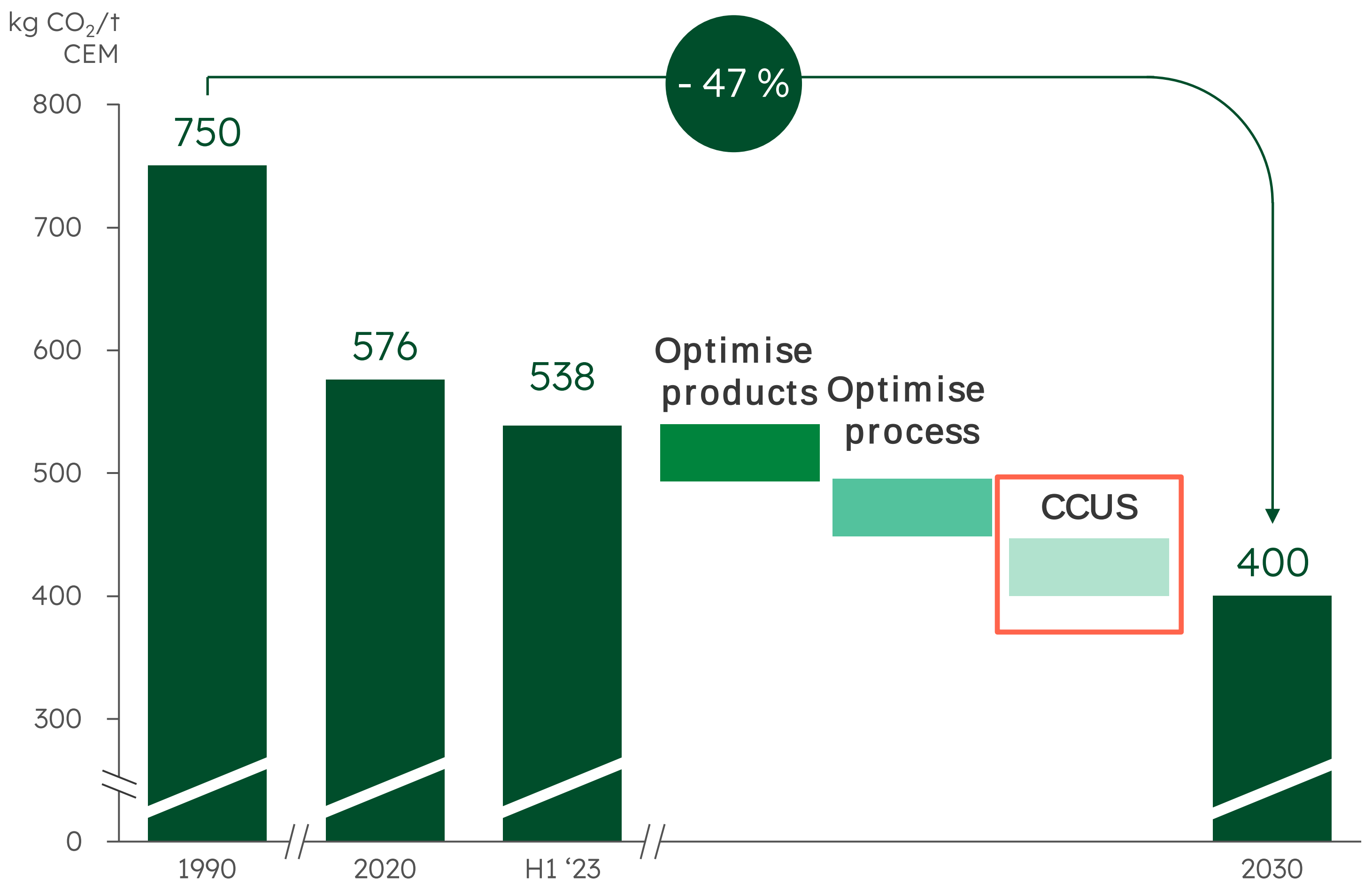
Margin opportunity

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



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
Note:
CCUS – Carbon Capture Utilisation or Storage; ETS – Emissions Trading System; EUA - EU allowance or carbon credits

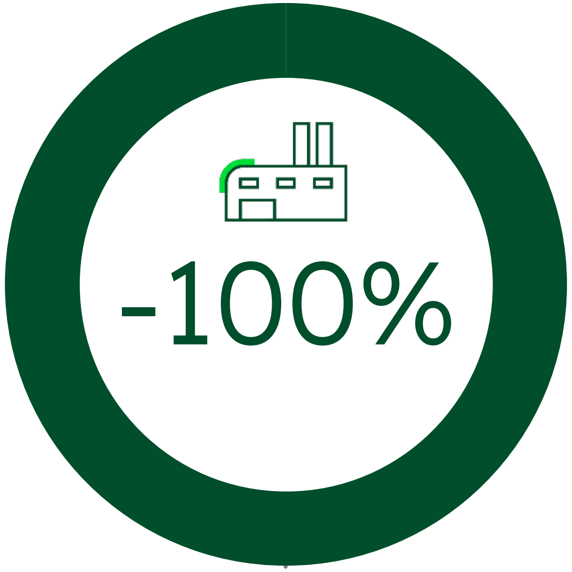
Carbon capture is a key lever to accelerate decarbonisation in the long term



Levers to reach our 2030 targets

- **Products**
  Clinker incorporation <68%
  Drive circularity
- **Process**
  45% Alternative fuels rate
  20% Biomass fuels rate
- **CCUS**
  10 mt CO_2 captured by 2030 (cumulative)

CCS enables strong CO_2 reduction in new buildings at relatively low overall cost



Capture of 100% of the **clinker production emissions**

~50% reduction of new **building's embodied carbon emissions**

Single digit increase of building construction costs, assuming concrete prices double

Note: Emissions distribution is highly dependent on building typology, geographical location; cost increase calculation references building cost structure from World Economic Forum/ internal analysis

One of the most advanced CCUS project pipeline in the industry

2024

CCS
Brevik, Norway
Capacity:
400 kt CO_2 p.a.

CC
Mergelstetten, Germany
Oxyfuel demo

2025

CC
Hanover, Germany
LEILAC 1: finalised
LEILAC 2: engineering
Capacity:
100 kt CO_2 p.a.

2026

CCUS
Edmonton, Canada
Capacity:
1.0 mt CO_2 p.a.

CCU
Lixhe, Belgium
Capacity:
12 kt CO_2 p.a.

2028

CCUS
Padeswood, UK
Capacity:
800 kt CO_2 p.a.

CCUS
Devnya, Bulgaria
Capacity:
800 kt CO_2 p.a.

CCUS
Antoing, Belgium
Capacity:
800 kt CO_2 p.a.

2029

CCS GeZero
Geseke, Germany
Capacity:
700 kt CO_2 p.a.

2030

CCS
Slite, Sweden
Capacity:
1.8 mt CO_2 p.a.

CCUS
Mitchell, Indiana, US
Capacity:
Up to 2.0 mt CO_2 p.a.

CCS
Eastern Europe
Two large scale CCS projects

We are confident to deliver on our target of reducing CO_2 emissions by 10 mt through CCS by 2030

Note: All dates estimated refer to start of operations, timing dependent on various factors, incl. funding decision.

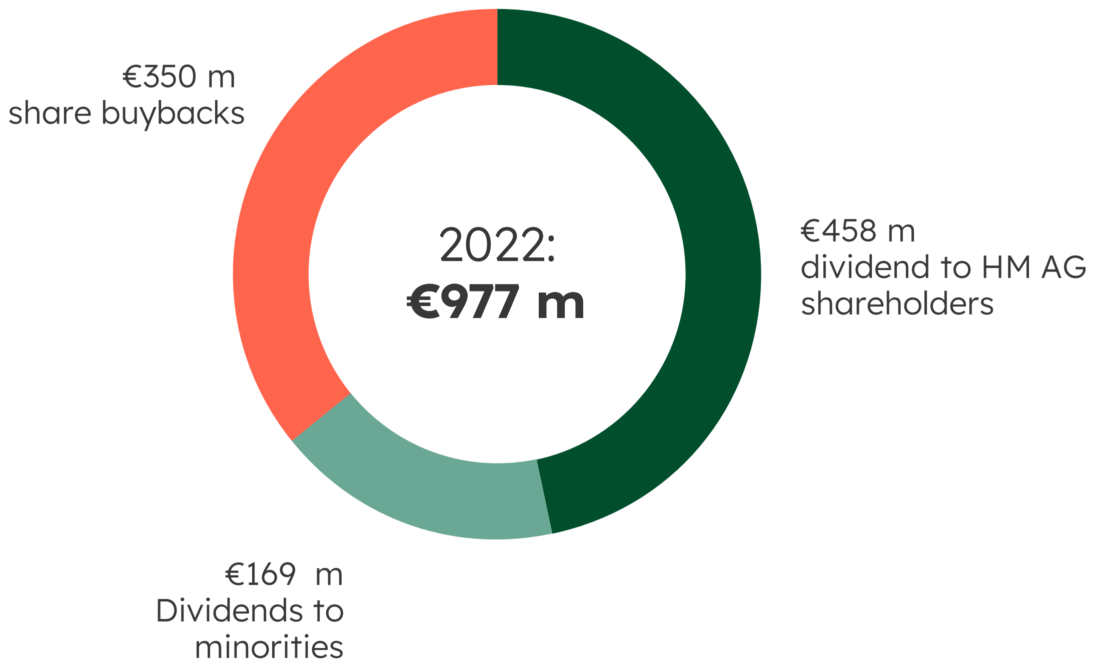
Our CO_2 transformation fits to our capital allocation ambition

CapEx

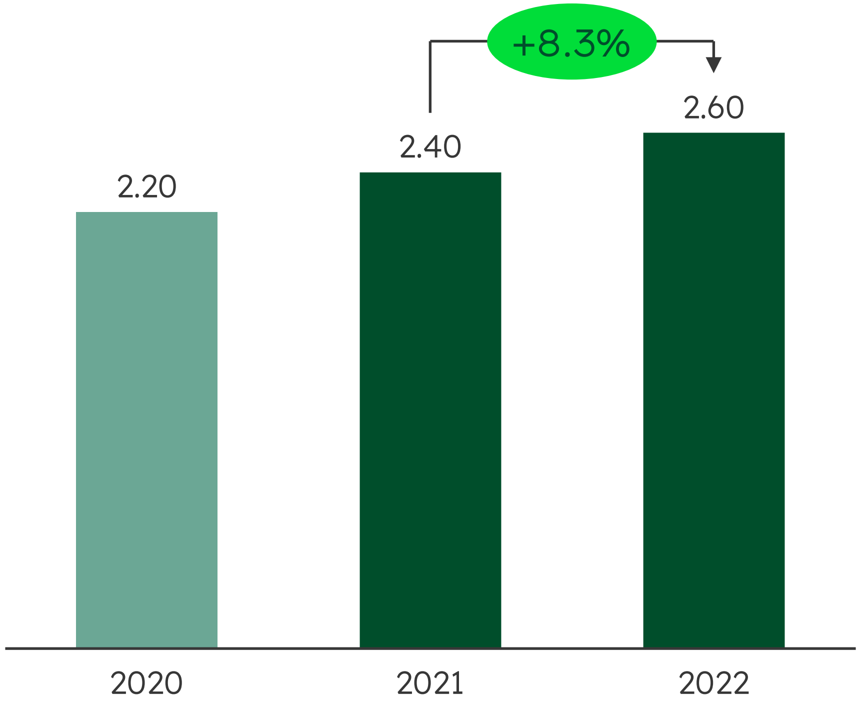
CapEx	CapEx for conventional CO_2 reduction initiatives	~€100-150 m p.a. **already included in Net CapEx target**
	CapEx for CCUS	~€1.5 bn until 2030 to capture 10 mt CO_2 **no major impact on cash allocation**
OpEx	OpEx for CCUS	~€60/t of captured CO_2 **margin opportunity**
	OpEx for EUA	CCUS leads to lower EUA requirements **competitive differentiation providing material margin opportunity**

Our capital allocation has a strong focus on shareholder returns

Second year in a row with €~1 bn spent on dividends and share buybacks



Heidelberg Materials AG – dividend per share in €



Clearly defined M&A framework

+ Corporate development with M&A

Portfolio logic	Core bolt-ons	Transformation	Criteria
• Committed to heavy building materials (CEM, AGG, RMX) • Balance between developed & emerging markets	• Further strengthen key market positions • No transformational entry into new markets	• Leverage our core to drive transformation • For example, C&DW recycling, Alternative SCM, digital revenues	• Contribute to net income in year 1 after acquisition • Contribute to Group ROIC ambition after full integration • Best owner with synergies

Note:
C&DW – Construction and Demolition Waste
SCM – Supplementary Cementitious Materials

We set ourselves ambitious targets

By 2025

Revenue growth	EBITDA margin	ROIC	Cash conversion rate	Leverage ratio
Around 5% p.a.	20-22%	> 10%	> 45%	1.5x-2.0x

By 2030

CO_2 emissions	Sustainable products	Circular concrete*
400 kg/t CEM	50%	50%

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

Heidelberg Materials as an attractive investment

1. **Profitable growth –** Our growth is underpinned by a value over volume focus with added benefits from a balanced presence in mature and emerging markets.
2. **Strong financial performance –** 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 are frontrunning the industry with the most advanced levers and technologies to reach climate neutrality at the earliest.
5. **Attractive shareholder returns –** We continue to put shareholder value at the heart of our capital allocation strategy.

Appendix

H1 2023: Good improvement in all financial KPIs

Revenue

€10.5 bn
+9% LfL

Solid pricing drives top-line growth

Operating EBIT (RCO)

€1,189 m
+38% LfL

Price over cost continues to be positive

Clean EPS

€3.64
+16%

Significant increase, driven by operational result

Net debt reduction

€-106 m
vs. June 2022

Solid FCF generation

Shareholder return (LTM)

€695 m

Focus on shareholder return continues.
3rd tranche of share buyback initiated

2022 highlights : Heidelberg Materials is well positioned despite a challenging macro-economic backdrop

2022 Revenue
€21.1 bn
+12% LfL[1)]

Strong pricing drives top-line growth

2022 Operating EBIT (RCO)
€2.5 bn
-6% LfL[1)]

Despite challenging macro-environment and high energy costs

2022 ROIC
9.1%
(PY: 9.3%)

We continue to earn a premium on our cost of capital

Shareholder return
€~1 bn in 2022

Second year in row with record high shareholder return

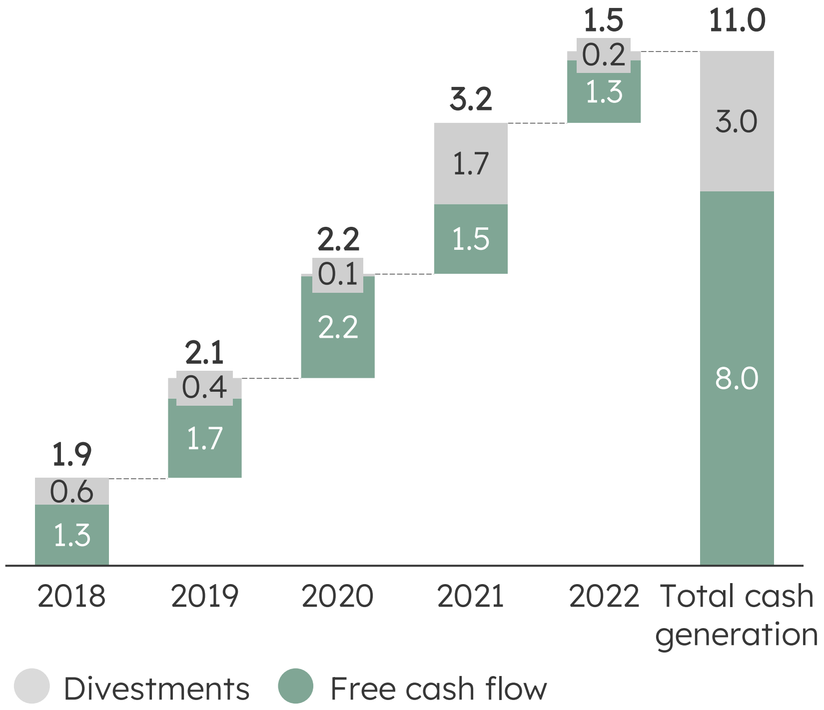
Leader in decarbonisation

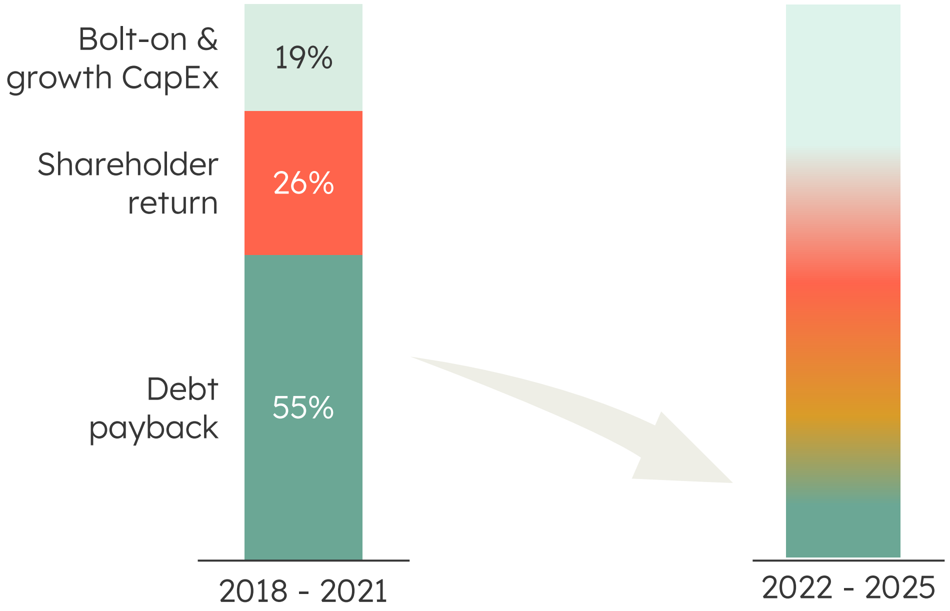
One of the most advanced CCS project pipeline in the industry

1) All like-for-like, excluding currency and scope impacts

Strong cash generation, focus on shareholder return and growth

Cash generation 2018-2022	Cash allocation strategy
€11 bn Free Cash Flow in last 5 years	Focus shifts from debt payback to shareholder return and profitable growth





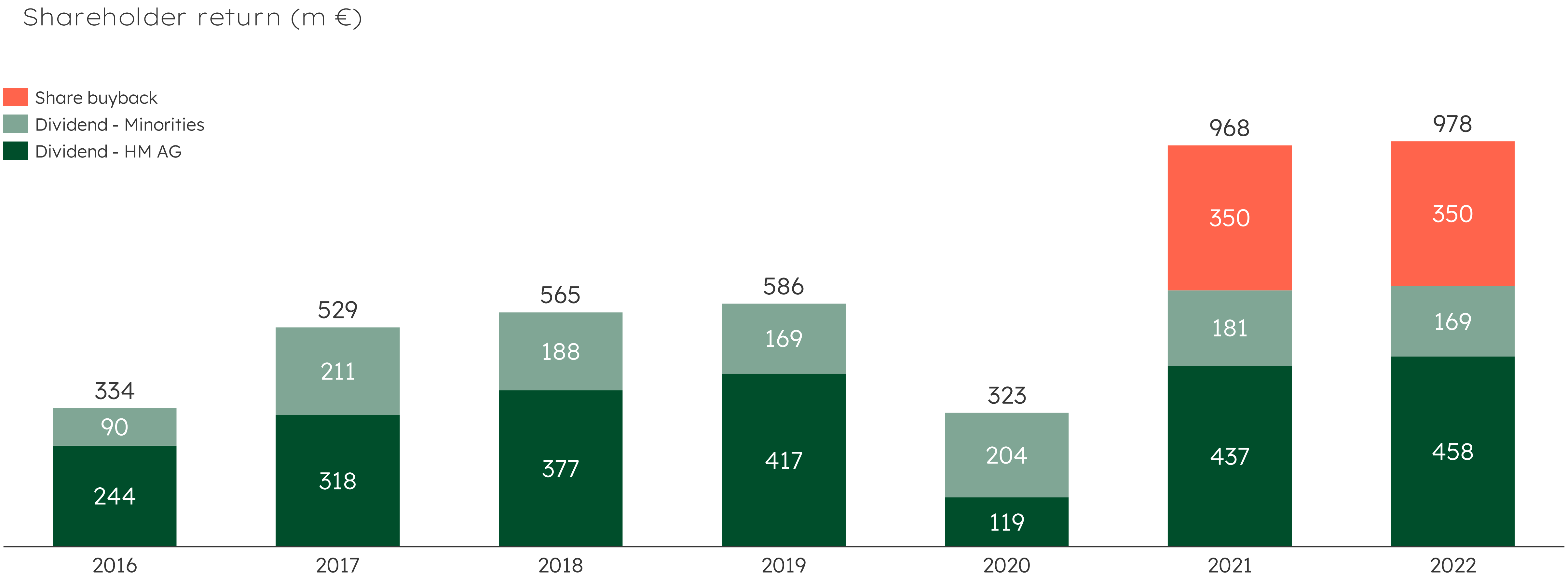
Clear commitments unchanged:

- Leverage 1.5x to 2.0x
- Progressive dividend

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

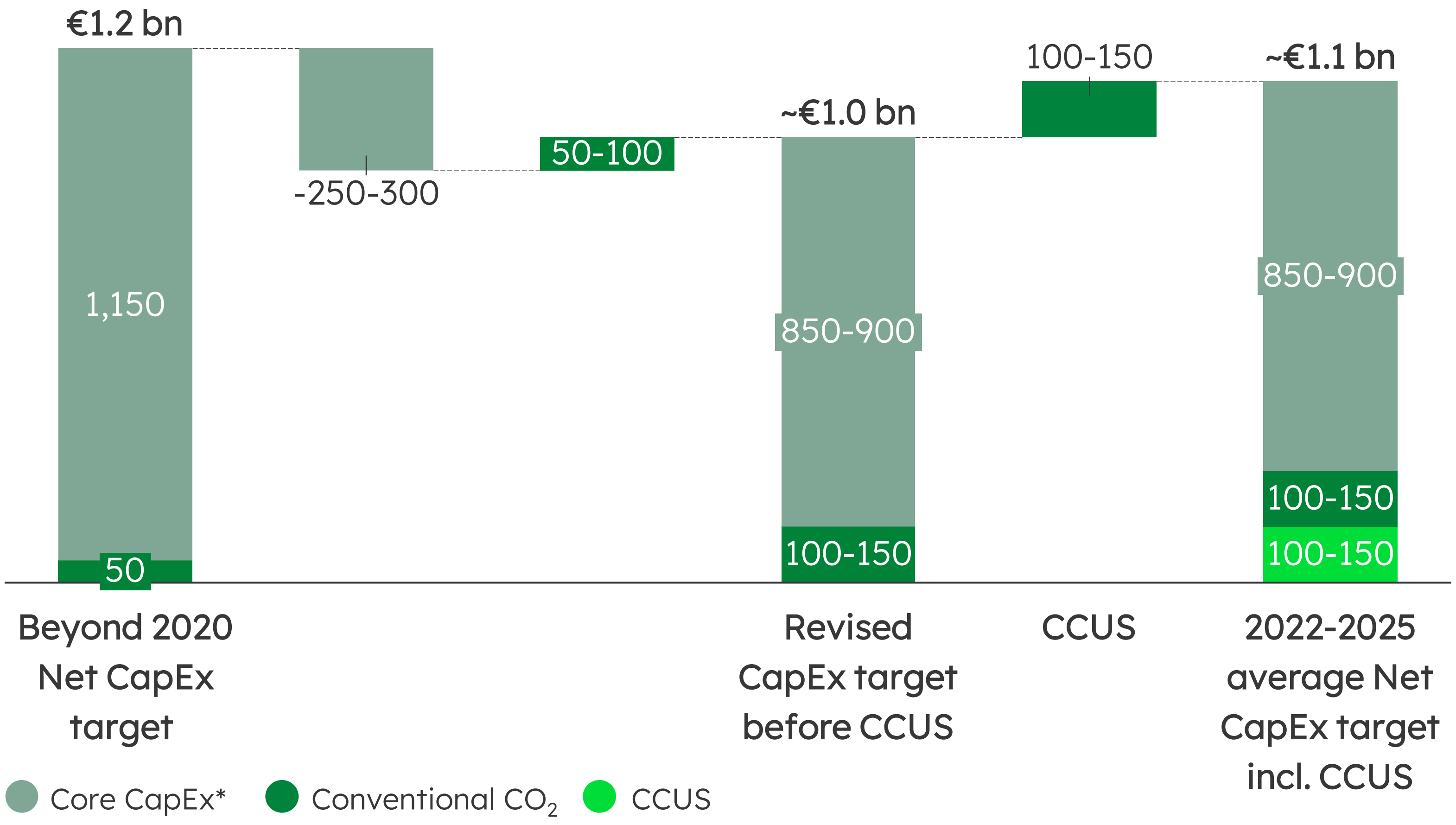
- Profitable growth
- Share buyback as flexible option

Second year in a row with €~1 b spent on dividends and share buybacks



Core Capex drastically reduced in favour of conventional CO_2 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 CO_2 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**

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