Heidelberg Materials

Quarterly Statement

January to September 2023

2 November 2023

Good business in all regions lets Heidelberg Materials achieve strong financial figures in the first nine months of 2023

- **Revenue increases by 6.0%[1)] to €16,083 million**
- **Strong increase in results[2)] of €487 million to €2,269 million**
- **Pioneering role in decarbonisation expanded – substantial progress in CCUS projects**
- **€1 billion share buyback programme completed, treasury shares from the first two tranches cancelled**
- **Changes to the Managing Board as of 2024 announced, responsibilities adjusted**
- **Outlook raised: continued moderate revenue growth[1)], result from current operations now expected to be between €2.85 billion and €3.0 billion (previously: €2.7 billion and €2.9 billion), ROIC expected to be clearly above 9% (previously: around 9%)**

[1)] Adjusted for scope and exchange rate effects; [2)] result from current operations

“We have closed the first three quarters of 2023 with a strong result despite declining demand for our building materials,” stated Dr Dominik von Achten, Chairman of the Managing Board of Heidelberg Materials. “On a like-for-like basis, all Group areas have contributed to this result. I would like to thank the entire Heidelberg Materials team for their outstanding performance in what continues to be a very challenging business environment. Based on this sustained positive performance, we are again raising our outlook for the 2023 financial year.

In the third quarter, we were able to further strengthen our pioneering role in the decarbonisation of the building materials sector. Our activities have gained further momentum with the installation of the core equipment of the CCUS plant in Brevik, Norway, and the start of construction of a CCUS pilot plant in Bulgaria. This brings us much closer to our goal of offering our customers climate-friendly products on a large scale.”

Development of sales volumes, revenue, and results

In the first nine months of 2023, sales volumes declined in all business lines as a result of the global economic downturn. The decline in demand in private residential construction, which was massive in some cases, could not be offset by a solid development in industrial commercial construction and infrastructure projects. The Western and Southern Europe Group area in particular recorded significant decreases in volumes as a result of declining construction activity. The Northern and Eastern Europe-Central Asia, North America, and Africa-Eastern Mediterranean Basin Group areas recorded slight declines in sales volumes. Sales volumes in the Asia-Pacific Group area saw positive development, especially for cement.

Group revenue in the first nine months of 2023 rose slightly by 1.8% in comparison with the previous year to €16,083 million (previous year: 15,802). Excluding scope and exchange rate effects, the rise amounted to 6.0%. Changes to the scope of consolidation of €67 million had a positive impact on revenue, while exchange rate effects of €693 million had a negative impact.

The result from current operations before depreciation and amortisation (RCOBD) rose significantly by 17.0% to €3,179 million (previous year: 2,718). The growth resulted in particular from a strict cost management, the development of the sales prices and slightly lower energy costs. Excluding scope and exchange rate effects, the rise amounted to 22.8%. The RCOBD margin, i.e. the ratio of the result from current operations before depreciation and amortisation to revenue, increased by 257 basis points to 19.8% (previous year: 17.2).

The result from current operations (RCO) rose sharply by 27.3% to €2,269 million (previous year: 1,782). Excluding scope and exchange rate effects, the rise amounted to 35.3%. Changes to the scope of consolidation reduced the result by €20 million and exchange rate effects had a negative impact of €90 million.

In the third quarter of 2023, revenue fell by 4.1% to €5,611 million; on a like-for-like basis, however, it rose by 1.6%. The RCOBD rose significantly by 16.7% to €1,393 million (24.7% on a like-for-like basis). The RCOBD margin was 24.8% (Q3 2022: 20.4). The RCO grew by 23.5% to €1,080 million (32.9% on a like-for-like basis).

Portfolio optimisation continued

Heidelberg Materials further optimised its portfolio in the first nine months of 2023. In August 2023, the divestment of the business in The Gambia with the sale of the cement terminal in the capital Banjul was completed, thus further streamlining the portfolio in West Africa. In September 2023, Heidelberg Materials acquired the Green Drop Rock Products business in Canada. Green Drop Rock Products manufactures aggregates at its plant in Cochrane, Alberta, and is well positioned with a sustainable product range to supply the market around Calgary.

In addition, in October 2023, Heidelberg Materials signed an agreement via its subsidiary Indocement to acquire all the shares in the PT Semen Grobogan cement plant in Central Java, Indonesia. The state-of-the-art facility only started production in 2022. With this investment, Heidelberg Materials is strengthening its presence in one of its core markets in the Asia-Pacific region. The Semen Grobogan cement plant has a capacity of 1.8 million tonnes of clinker and 2.5 million tonnes of cement and has more than 50 years' worth of limestone reserves.

Also in October, Heidelberg Materials North America has acquired the aggregate assets of Bach & Co. in New York. The acquisition further strengthens the aggregates reserves in Upstate New York and fortifies the company's vertically integrated footprint in this key market.

With the further acquisitions of RWG Holding GmbH, SER Group, The SEFA Group, and Green Drop Rock Products during the reporting period, Heidelberg Materials is strengthening its offering of circular materials to meet the growing demand for sustainable building materials.

Continuous advancement of sustainability activities

During the reporting period, Heidelberg Materials continued to strengthen its pioneering role in the capture, utilisation, and storage of CO_2 (CCUS).

In Brevik, Norway, the world's first industrial-scale carbon capture plant in the cement industry is to be commissioned as early as the end of 2024. In the third quarter of 2023, the absorber, in which CO_2 will be separated from the flue gas flow, was installed. The tanks for temporary storage of the CO_2 prior to transport have also already been constructed.

In July 2023, another project of Heidelberg Materials was approved to receive funding from the EU Innovation Fund, this time for the GeZero project. At the Geseke cement plant in Germany, a complete CCS value chain is thus being developed for an inland location. The start of operations is planned for 2029.

In October, construction of a pilot plant began at the cement plant in Devnya, Bulgaria. The pilot plant will be a source of important operating data for the large-scale ANRAV project, which is sponsored by the EU Innovation Fund. The pilot plant is expected to go into operation in just a few months.

Heidelberg Materials is pioneering new process technologies to promote the circular economy and decarbonisation. As part of the CIRCO$_2$BETON® project and for the very first time in France, used concrete is being separated into sand, aggregates, and recycled concrete paste. The concrete paste, carbonated with CO_2 from clinker production, will replace clinker in new low-carbon cements.

Share buyback programme completed

On 30 October 2023, Heidelberg Materials completed its share buyback programme with a total volume of up to €1 billion, which was launched in August 2021. Within the scope of the third tranche, a total of around 4.1 million treasury shares were acquired on the stock exchange between 28 July and 30 October 2023 at a total price of around € 297.6 million. In the course of its share buyback programme, Heidelberg Materials repurchased a total of around 16.3 million shares at a total price of around €993.7 million.

On 11 September 2023, all 6,906,281 treasury shares acquired under the second tranche were cancelled with a reduction in the subscribed share capital. As of this date, the subscribed share capital of Heidelberg Materials AG amounts to €558,556,857 and is divided into 186,185,619 no-par value shares. The shares from the first tranche had already been cancelled in January 2022.

Changes to the Managing Board as of 2024

In September 2023, the Supervisory Board of Heidelberg Materials AG made the following decisions regarding the composition of and succession within the Managing Board:

The Group area Western and Southern Europe and the majority of Northern and Eastern Europe-Central Asia will be combined to form the Group area Europe. Jon Morrish, currently responsible for Western and Southern Europe, will assume responsibility for this newly created Group area as of January 2024. Ernest Jelito, responsible for Northern and Eastern Europe-Central Asia and the Competence Center Cement, will retire on 31 December 2023. Hakan Gurdal, who is responsible for the Africa-Eastern Mediterranean Basin Group area, will additionally assume responsibility for Kazakhstan and Russia as of January 2024. The name of the region will be changed to Africa and Mediterranean-Western Asia.

Roberto Callieri, General Manager Italy, will take on responsibility for Asia within the Group area Asia-Pacific on the Managing Board as of January 2024. He will take over from Kevin Gluskie, whose term ends at the end of January 2024. Chief Financial Officer René Aldach will assume additional responsibility for Australia in this Group area as of January 2024.

Axel Conrads, President of the Midwest region in the USA, will assume the newly created Managing Board position of Chief Technical Officer as of February 2024 and will be responsible for the three global technical Competence Centers: Cement (CCC), Aggregates & Asphalt (CCA), and Readymix (CCR).

Outlook for 2023 upgraded

At the end of the first nine months of 2023, it has become apparent that the order situation for infrastructure projects and parts of the commercial construction sector is partially compensating for the decline in residential construction. Energy and raw material prices remain volatile and very high on a multi-year basis, but have fallen, contributing to the growth in results. Heidelberg Materials expects the positive developments over the past few months to continue in almost all core markets until the end of 2023.

Against this backdrop, the company is raising its outlook for the 2023 financial year – as already published on 19 October. While Heidelberg Materials continues to expect a moderate increase in revenue (excluding scope and exchange rate effects) compared with the previous year, it now expects a result from current operations of €2.85 billion to €3.0 billion (H1 2023 forecast: €2.7 billion to €2.9 billion; Q1 2023 forecast: €2.50 billion to €2.65 billion; Annual and Sustainability Report 2022 forecast: €2.35 billion to €2.65 billion). ROIC (Return on Invested Capital) is now expected to be clearly above 9% (Annual and Sustainability Report 2022 forecast: around 9%). The leverage ratio is forecast to be below 1.5x (Annual and Sustainability Report 2022: between 1.5x to 2.0x)

An overview of our financial figures for the first nine months of 2023 can be found in the Business Figures January to September 2023 on our website www.heidelbergmaterials.com under Investor Relations/Reports and Presentations.

About Heidelberg Materials

Heidelberg Materials is one of the world’s largest integrated manufacturers of building materials and solutions with leading market positions in cement, aggregates, and ready-mixed concrete. We are represented by approximately 51,000 employees at almost 3,000 locations in more than 50 countries. At the centre of our actions lies the responsibility for the environment. As the front runner on the path to carbon neutrality and circular economy in the building materials industry, we are working on sustainable building materials and solutions for the future. We enable new opportunities for our customers through digitalisation.

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