

18 March 2021

HeidelbergCement with strong result in 2020

- **Record result despite corona-related decline in demand: result from current operations before depreciation and amortisation increases like-for-like by around 6% to €3.7 billion compared with the previous year**
- **ROIC at 7.9% – well on track to reach strategic medium-term target of “clearly above 8%”**
- **Adjusted earnings per share increase by €0.48 to €6.88**
- **Faster than expected return to progressive dividend policy: dividend proposal of €2.20 per share**
- **Significant drop in net debt by €1.5 billion reduces leverage ratio to 1.86x – already clearly within the target range of 1.5x-2.0x**
- **Further reduction of CO₂ emissions; good progress in implementing CCU/S technologies on an industrial scale; pioneer in linking remuneration to CO₂ reduction target**
- **Good start to the year confirms optimistic outlook for 2021**

HeidelbergCement closed the 2020 financial year with top results in key figures. Result from current operations before and after depreciation and amortisation as well as earnings per share adjusted for non-recurring effects rose to new record levels. Thanks to the very good free cash flow, net debt was significantly reduced. In 2020, a clear premium on the cost of capital was earned. The dividend is to increase by 5% to €2.20 per share compared with the pre-corona year 2018.

“The entire HeidelbergCement team has demonstrated exceptional flexibility and resilience over the past year,” said Dr. Dominik von Achten, Chairman of the Managing Board of HeidelbergCement. “As a result, we were able to achieve top results in key figures despite an unprecedentedly difficult year. This also applies to the important topic of sustainability, where we have once again made significant progress. I would like to thank all our employees for their extraordinary commitment. We have thus laid the foundation for a successful future.”

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Considerable increase in results despite corona-related decline in demand – ROIC rises significantly to 7.9%

Group revenue decreased by 6.6% to €17,606 million (previous year: 18,851) in comparison with the previous year. On a like-for-like basis, the decline amounted to 4.6%. The €601 million decrease in HC Trading's revenue due to the decision to significantly reduce fuel trading with third-party customers contributed significantly to this decline.

Result from current operations before depreciation and amortisation increased by 3.5% to €3,707 million (previous year: 3,580). On a like-for-like basis, the increase amounted to 6.1% compared to the previous year. In addition to successful price increases and lower energy costs, significant savings from the COPE (COVID Contingency Plan Execution) action plan, launched in February 2020, had a particularly positive impact on the result. Result from current operations rose by 8.1% to €2,363 million (previous year: 2,186). On a like-for-like basis, the increase amounts to 11.0%.

The additional ordinary result of €-3,678 million (previous year: €-178 million) was adversely affected by impairment of goodwill and other non-current assets totaling €3,497. This resulted essentially from the COVID-19-related revaluation of the HeidelbergCement Group's asset portfolio.

Excluding the additional ordinary result and a non-recurring deferred tax income in connection with the impairment of goodwill in 2020, the Group share of profit rose by 7.6% to €1,365 million (previous year: 1,269). Adjusted earnings per share increased accordingly by €0.48 to €6.88 (previous year: 6.40).

In the financial year, the return on invested capital (ROIC) reached already 7.9% (previous year: 6.5%). This means, HeidelbergCement has again earned a clear premium on its cost of capital in 2020. "We have made considerable progress in 2020 in terms of return on invested capital. This puts us on track to achieve our strategic medium-term target earlier than expected," said Dr. Dominik von Achten. The Group aims to achieve a ROIC of clearly above 8% by 2025.

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Strong cash flow – leverage ratio already within the target range

Despite the difficult market environment, the cash inflow from operating activities of the continuing operations increased significantly by €370 million to €3,046 million (previous year: 2,676) in the 2020 financial year. The cash inflow was used in particular for the reduction of net debt. The considerable increase in cash inflow from operating activities was based on the good operating business and the consistent spending discipline within the framework of the COPE action plan.

Net debt decreased by around €1.5 billion compared to 2019 to €6.9 billion (incl. accounting for lease liabilities). The leverage ratio decreased accordingly to 1.86x.

“As part of our COPE action plan, we were able to realise cash savings of around €1.3 billion,” said Dr. Lorenz Näger, Chief Financial Officer of HeidelbergCement. “As a result of the strong cash flow, we were able to reduce net debt in 2020 even more significantly than in previous years. In this way we have already reached the target corridor for our leverage ratio of 1.5x to 2.0x and are thus in an excellent financial position.”

Dividend leap to €2.20 per share proposed

Following the positive business trend in 2020, HeidelbergCement is resuming its progressive dividend policy faster than expected. For the past financial year, the Managing Board and Supervisory Board propose to the Annual General Meeting the distribution of a dividend of €2.20 (previous year: 0.60) per share. This corresponds to a payout ratio of 32.0% in relation to the Group share of adjusted profit for the financial year. Compared to the pre-corona year 2018, the dividend is to increase by 5%.

Leading the way in climate protection and sustainability

HeidelbergCement considers climate change as a central challenge for the future, both for the company and for society. As one of the world's leading building materials manufacturers, HeidelbergCement has the ambition and the innovative strength to actively shape this change in a pioneering role.

For this reason, the company is giving high priority to the topic of sustainability. By 2025, HeidelbergCement aims to reduce specific net CO₂ emissions to below 525 kg per tonne of cementitious material. This corresponds to a reduction of 30% compared with 1990. In 2020, specific net CO₂ emissions decreased by 2.3% to 576 kg per tonne of cementitious material compared with the previous year (minus 23% compared with 1990).

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The company is also making great strides in the industrial scaling of CO₂ reduction and capture technologies. Three CO₂ capture and utilisation/storage (CCU/S) projects are entering the next phase. The CCS project in Brevik, Norway, is scheduled to start regular operations by 2024. In the pilot project “catch4climate” at the cement plant in Mergelstetten, Germany, a demonstration plant for CO₂ capture will be built on a semi-industrial scale. With the “LEILAC 2” project, the LEILAC technology is to be implemented on an industrial scale at HeidelbergCement’s Hanover cement plant by 2025. HeidelbergCement is also active in other partnerships, including the HyNet North West consortium in the United Kingdom and the collaboration with the materials technology company Fortera at the Redding cement plant, California, United States.

To put even more emphasis on the sustainability goals, the company is consistently linking its CO₂ reduction targets to the worldwide remuneration systems. In future, full variable remuneration can only be achieved if both the financial targets and the sustainability target are met. The regulation will apply to all members of the Managing Board and to every bonus-eligible employee worldwide from the 2021 financial year.

Outlook 2021

HeidelbergCement expects demand to develop positively in many markets in the 2021 financial year. “The good start to the year confirms our optimistic outlook for 2021,” says Dr. Dominik von Achten. “There should be tailwind from the partly massive infrastructure programmes in many countries. The private residential construction sector should also continue to grow.”

Based on the overall economic and industry-specific outlook for the building materials industry and the specific growth prospects for the markets in which HeidelbergCement operates, the company expects a slight increase in revenue before exchange rate and consolidation effects in 2021. HeidelbergCement anticipates further increases in the costs of raw materials as well as secondary cementitious materials and expects moderately rising energy costs, particularly for electricity, diesel, and petroleum coke, on a like-for-like basis. Against this background, HeidelbergCement anticipates a slight increase in the result from current operations before exchange rate and consolidation effects for 2021, as well as a significant increase in ROIC to above 8%.

Decisive for the actual extent of growth are, in particular, the further development of the corona pandemic and progress with vaccinations, as well as local economic development and the level of public and private investments.

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Group financial figures

Key financial figures	January-December				Q4			
	2019	2020	Variance	Like-for-like ¹⁾	2019	2020	Variance	Like-for-like ¹⁾
€m								
Sales volumes								
Cement (Mt)	125.9	122.0	-3%	-3%	31.4	31.9	2%	2%
Aggregates (Mt)	308.3	296.3	-4%	-3%	75.0	75.5	1%	1%
Ready-mixed concrete (Mm ³)	50.7	46.9	-7%	-7%	12.7	12.5	-2%	-2%
Asphalt (Mt)	11.3	11.0	-3%	-3%	2.9	2.9	0%	2%
Income statement								
Revenue	18,851	17,606	-7%	-5%	4,578	4,466	-3%	-1%
Result from current operations before depreciation and amortisation ²⁾	3,580	3,707	4%	6%	968	976	1%	16%
<i>in % of revenue</i>	19.0%	21.1%			21.2%	21.8%		
Result from current operations	2,186	2,363	8%	11%	603	648	7%	25%
Profit/loss for the period	1,242	-2,009			376	388	3%	
Group share of profit/loss	1,091	-2,139			339	349	3%	
Adjusted Group share of profit ²⁾	1,269	1,365	8%					
Earnings per share in € (IAS 33) ³⁾	5.50	-10.78						
Adjusted earnings per share in € (IAS 33) ²⁾	6.40	6.88	8%					
Dividend in € ⁴⁾	0.60	2.20						
Statement of cash flows and balance sheet								
Cash flow from operating activities	2,664	3,027	363					
Cash flow from investing activities	-906	-949	-44					
Net debt	8,410	6,893	-1,518					
Leverage ratio	2.35%	1.86%						

1) Adjusted for currency and consolidation effects

2) Adjusted for the additional ordinary result and a non-recurring deferred tax income in connection with the revaluation of the asset portfolio in 2020

3) Attributable to the shareholders of HeidelbergCement AG

4) Recommendation to the Annual General Meeting

Heidelberg, 18 March 2021

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Financial calendar

Group annual accounts 2020	18 March 2021
Press conference	18 March 2021
First quarter 2021 results	6 May 2021
Annual General Meeting	6 May 2021
Second quarter 2021 results	29 July 2021
Third quarter 2021 results	4 November 2021

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About HeidelbergCement

HeidelbergCement is one of the world's largest integrated manufacturers of building materials and solutions, with leading market positions in aggregates, cement, and ready-mixed concrete. Around 53,000 employees at more than 3,000 locations in over 50 countries deliver long-term financial performance through operational excellence and openness for change. At the center of actions lies the responsibility for the environment. As forerunner on the path to carbon neutrality, HeidelbergCement crafts material solutions for the future.

Disclaimer – forward-looking statements

This document contains forward-looking statements. Such forward-looking statements do not constitute forecasts regarding results or any other performance indicator, but rather trends or targets, as the case may be, including with respect to plans, initiatives, events, products, solutions and services, their development and potential. Although HeidelbergCement believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions as at the time of publishing this document, investors are cautioned that these statements are not guarantees of future performance. Actual results may differ materially from the forward-looking statements as a result of a number of risks and uncertainties, many of which are difficult to predict and generally beyond the control of HeidelbergCement, including but not limited to the risks described in the HeidelbergCement annual report available on its website (www.heidelbergcement.com) and uncertainties related to the market conditions and the implementation of our plans. Accordingly, we caution you against relying on forward-looking statements. HeidelbergCement does not undertake to provide updates of these forward-looking statements.

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