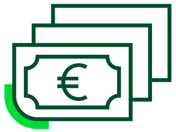
Heidelberg Materials

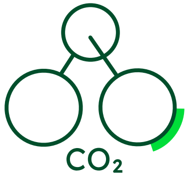
Half-Year Financial Report January to June 2023

Heidelberg Materials half-year financial figures



Increase in result despite declining sales volumes

CO_2 emissions –2.4%



538 kg

specific net CO_2 emissions per tonne of cementitious material (Scope 1)

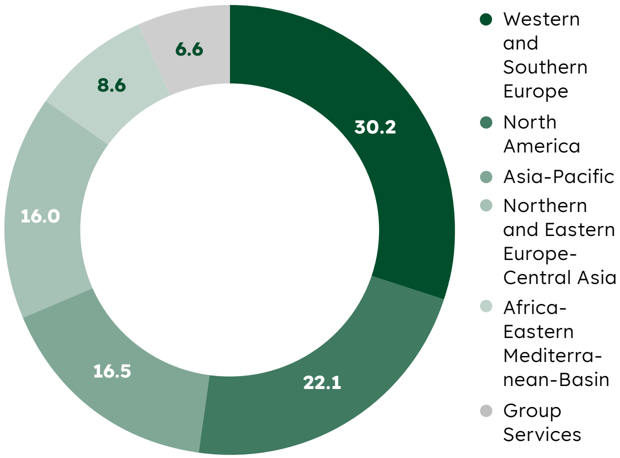
Revenue +5.3%

€10,473 m

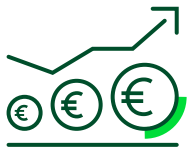
RCO +31.0%

€1,189 m

Revenue by Group areas in %



Outlook for 2023 significantly upgraded



Result from current operations now expected to be €2.7 bn to €2.9 bn (previously: €2.50 bn to €2.65 bn)

Earnings per share +€1.04

€3.86

Employees –858 FTE

51,492

people employed by Heidelberg Materials at the end of June 2023

Key financial figures

€m	January – June				April – June			
	2022	**2023**	Change	Like-for-like[1]	2022	**2023**	Change	Like-for-like[1]
Revenue	9,950	10,473	5.3%	8.5%	5,523	5,577	1.0%	4.6%
Result from current operations before depreciation and amortisation (RCOBD)	1,525	1,787	17.2%	21.3%	1,131	1,230	8.8%	12.0%
RCOBD margin in %	15.3%	17.1%	174 bps[2]	180 bps	20.5%	22.1%	158 bps	148 bps
Result from current operations (RCO)	908	1,189	31.0%	37.5%	817	931	13.9%	17.5%
RCO margin in %	9.1%	11.4%	223 bps	242 bps	14.8%	16.7%	189 bps	187 bps
Profit for the period	597	783	31.1%					
Profit for the period attributable to Heidelberg Materials AG shareholders	542	719	32.7%					
Earnings per share in €[3]	2.82	3.86	1.04					
Cash flow from operating activities	–138	25						
Net debt	6,792	6,686	–106					
Leverage ratio	1.85x	1.67x	–0.18x					

1) Adjusted for scope and exchange rate effects.
2) Change in basis points (bps).
3) Attributable to Heidelberg Materials AG shareholders.

Figures are shown excluding corporate functions, reconciliation as well as other and thus may not add up to the Group totals.

Interim Group management report

Fundamentals of the Group

Changes during the reporting period

Change of company name
The Annual General Meeting held on 11 May 2023 resolved to rename the company Heidelberg Materials AG. The change became legally effective on 16 May 2023 upon registration of this resolution in the commercial register. At Group level, the company has already been operating under the Heidelberg Materials brand since September 2022 and the parent company now followed this step. The name of the Group is "Heidelberg Materials", the name of the public limited company is now "Heidelberg Materials AG".

News from Research and development
Heidelberg Materials' CO_2 reduction targets for 2030 were reviewed by the Science Based Target initiative under their 1.5°C framework and, following a comprehensive validation process, were recognised as science-based in February 2023. Heidelberg Materials committed to reduce gross Scope 1 and 2 CO_2 emissions by 26.7% per tonne of cementitious material by 2030, from a 2020 baseline. Within this target, the company committed to reduce gross Scope 1 CO_2 emissions by 24% per tonne of cementitious material and Scope 2 CO_2 emissions by 65% per tonne of cementitious material within the same timeframe. The company also added a Scope 3 target and commits to reduce absolute Scope 3 CO_2 emissions from purchased cement and clinker by 25% within the same timeframe.

Heidelberg Materials has expanded its pioneering role in carbon capture, utilisation, and storage (CCUS). Since the beginning of the year, several CCUS projects have been started or transferred to the next project phase:

In Brevik, Norway, the world's first industrial-scale CO_2 capture plant in the cement industry is to be commissioned at the end of 2024. In 2028, further CCUS plants are to follow in Europe in Padeswood, United Kingdom, Devnya, Bulgaria, and Antoing, Belgium. The European Union is funding the CCUS project in Devnya with €190 million through its Innovation Fund; the grant agreement was signed in January 2023. The CCUS project in Padeswood has qualified for funding from the UK Department of Energy Security and Net Zero in March 2023, thus entering the next phase of the selection process.

Heidelberg Materials entered into a partnership with the Canadian government in April 2023 for the construction of the world's first net zero facility for the full-scale carbon capture and storage in the cement industry in Edmonton. The plant is scheduled to go into operation in 2026.

In the third award round of the EU Innovation Fund, the GeZero project was selected in July 2023 to prepare a grant agreement. The project at the cement plant in Geseke, Germany, will establish a full CCS chain for an inland location; commissioning is planned for 2029.

Heidelberg Materials is implementing a pilot project for the use of CO_2 as a raw material for the food and chemical industries together with Linde. As part of this, the first large-scale CCU facility is being built at the Lengfurt cement plant in Germany. The start of operations is planned for 2025.

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

In the reporting period there have been no other significant changes to the fundamentals of the Group regarding business model, strategy, management system and indicators, as well as research and development as presented in the Annual and Sustainability Report 2022 on page 66 f.

Economic report

Economic environment

The global economy is gradually recovering from the coronavirus pandemic and the Russia-Ukraine war, but has weakened significantly in comparison with the previous year. In fact, labour markets are surprisingly strong and the decline in energy and food prices has eased inflationary pressures considerably. However, the rise in key interest rates by central banks to combat inflation continues to weigh on economic activity. While the emerging countries are seeing largely stable economic activity, there has been a noticeable cooling of the economy in industrialised countries.

Development of sales volumes

In the first half of 2023, sales volumes declined in all business lines as a result of the global economic downturn.

Overall, the Group's cement and clinker deliveries were below the previous year's level, with varying development in the individual Group areas. The highest decreases in sales volumes were recorded in the Western and Southern Europe Group area due to changes in the consolidation scope and the significant decline in construction activity, particularly in residential construction, followed by Africa-Eastern Mediterranean Basin. A slight increase was recorded in our deliveries in Asia-Pacific.

Deliveries of aggregates also declined. While sales volumes increased in the Africa-Eastern Mediterranean Basin Group area and remained almost at the previous year's level in North America and Asia-Pacific, sales volumes decreased significantly in Western and Southern Europe as well as in Northern and Eastern Europe-Central Asia.

Ready-mixed concrete deliveries declined in all Group areas, with the highest decrease in volumes recorded in Europe.

Asphalt deliveries remained stable. The significant decline in sales volumes in North America was offset by volume growth in the other Group areas.

Earnings position

Group revenue in the first six months of 2023 increased by 5.3% in comparison with the previous year to €10,473 million (previous year: 9,950). In particular, the increase in sales prices in all Group areas compared with the same period of the previous year contributed to the revenue growth. Excluding scope and exchange rate effects, the rise amounted to 8.5%. Changes to the scope of consolidation of €32 million had a positive impact on revenue, while exchange rate effects of €331 million had a negative impact.

In the reporting period, material costs dropped by 1.4% to €4,134 million (previous year: 4,193). This decrease, among others, resulted from a decline in energy costs, which had risen sharply in the same period of the previous year. Excluding scope and exchange rate effects, material costs exceeded the previous year's level by 3.0%. Other operating expenses were 4.1% above the previous year's level at €3,143 million (previous year: 3,019). Excluding exchange rate and scope effects, the rise amounted to 6.6%, which was mainly attributable to higher expenditure on third-party services and foreign exchange losses. Other operating income increased by 7.6% to €231 million (previous year: 215). Excluding scope and exchange rate effects, the rise amounted to 8.1%, which resulted in particular from higher foreign exchange gains. Due to salary increases, personnel costs rose by 7.7% to €1,725 million (previous year: 1,602). The result from equity accounted investments (REI) fell by 15.2% to €89 million (previous year: 105). Adjusted for scope and exchange rate effects, the result from equity accounted investments was at the previous year's level.

The result from current operations before depreciation and amortisation (RCOBD) rose significantly by 17.2% to €1,787 million (previous year: 1,525). The growth resulted in particular from the higher sales prices compared with the previous year, which more than compensated for the cost increases. Excluding scope and exchange rate effects, the rise amounted to 21.3%. The RCOBD margin, i.e. the ratio of the result from current operations before depreciation and amortisation to revenue, increased by 174 basis points to 17.1% (previous year: 15.3%).

The result from current operations rose sharply by 31.0% to €1,189 million (previous year: 908). Changes to the scope of consolidation reduced the result by €10 million and exchange rate effects had a negative impact of €36 million.

The additional ordinary result amounted to €40 million (previous year: −63). It includes income from the disposal of our Georgian joint venture and our 25% participation in the Chaney Group in the USA totalling €57 million. In the previous year, the result was mainly influenced by impairment of property, plant and equipment in Russia amounting to €87 million. Earnings before interest and taxes (EBIT) rose accordingly to €1,229 million (previous year: 845).

The financial result fell noticeably by €81 million to €−102 million (previous year: −20). The interest result declined slightly by €4 million to €−67 million (previous year: −63). The exchange rate result improved by €7 million to €−17 million (previous year: −23). The sharp decline of €85 million in other financial result to €−19 million (previous year: 66) is primarily attributable to a positive effect in the previous year due to higher interest rates for discounting non-current provisions.

Profit before tax from continuing operations increased significantly by €303 million to €1,127 million (previous year: 825). Expenses for income taxes rose by €66 million to €305 million (previous year: 239), in particular due to improved profit before tax. Net income from continuing operations increased by €237 million to €822 million (previous year: 585).

Net income from discontinued operations amounted to €–40 million (previous year: 11) and is attributable to operations of the Hanson Group that were discontinued in previous years. The change is due on the one hand to the addition to provisions in the amount of €31 million and on the other hand to a positive prior-year effect in the amount of €21 million due to increased interest rates for discounting long-term provisions.

Overall, the profit for the period totalled €783 million (previous year: 597). The profit attributable to non-controlling interests increased by €9 million to €64 million (previous year: 55). The profit attributable to Heidelberg Materials AG shareholders consequently amounted to €719 million (previous year: 542). Excluding the additional ordinary result, the profit attributable to Heidelberg Materials AG shareholders amounted to €678 million (previous year: 604).

Earnings per share attributable to Heidelberg Materials AG shareholders in accordance with IAS 33 increased by €1.04 to €3.86 (previous year: 2.82).

Business trend in the Group areas

Western and Southern Europe

The development of sales volumes in all business lines in the first half of 2023 was impacted by weakening construction activities, particular in private residential construction.

Western and Southern Europe Group area's cement and clinker sales volumes reduced significantly. The sale of the Malaga cement plant in November 2022 also contributed to the decline. In all Group countries, our deliveries remained below the previous year's level.

Aggregates sales volumes also fell. While deliveries in the UK were only slightly below the previous year's level, all other countries recorded significant volume declines.

Deliveries of ready-mixed concrete reduced in all countries. In contrast, asphalt sales volumes in the UK increased slightly.

With two acquisitions in Germany, we complemented our activities by recycled aggregates.

Revenue of the Western and Southern Europe Group area rose by 5.4% to €3,325 million (previous year: 3,155). Excluding scope and exchange rate effects, the rise was 6.4%. In all countries, sales prices were increased in all business lines in order to counteract the effect of inflation.

The result from current operations before depreciation and amortisation increased by 43.4% to €597 million (previous year: 416). On a like-for-like basis, the rise amounted to 44.8%. At €426 million (previous year: 241), the result from current operations rose by 76.9%. On a like-for-like basis, the increase amounted to 80.0%.

Northern and Eastern Europe-Central Asia

The cement and clinker sales volumes of the Northern and Eastern Europe-Central Asia Group area decreased in the first half of 2023. In most of Nordic countries deliveries were lower than in the previous year, mainly due to slowdown of the construction market. In Eastern Europe-Central Asia, the development varied from country to country with significant declines in some of the countries.

In the aggregates business line, our deliveries also remained below the previous year's level. In Northern Europe and in Eastern Europe-Central Asia, most of the countries experienced sales volume declines.

The decline in deliveries of ready-mixed concrete was driven by nearly all countries due to slowdown in demand from infrastructure construction.

Heidelberg Materials completed the divestment of its 45% joint venture in Georgia on 20 April 2023. The joint venture comprised two integrated cement plants, 14 ready-mixed concrete plants, and one aggregates plant. With the divestment, Heidelberg Materials is successfully continuing its portfolio optimisation, which focuses, among other things, on simplifying the country portfolio.

Revenue of the Northern and Eastern Europe-Central Asia Group area amounted to €1,755 million (previous year: 1,668) and exceeded the previous year's figure by 5.2% as a result of price increases. Excluding scope and exchange rate effects, the increase amounted to 8.3%.

The result from current operations before depreciation and amortisation increased by 6.3% to €313 million (previous year: 294); on a like-for-like basis, the increase amounted to 7.9%. Result from current operations increased by 11.4% to €220 million (previous year: 197); on a like-for-like basis, the increase amounted to 12.8%.

North America

Cement deliveries from our North American plants stayed largely stable in the first six months. While sales volumes in the Southeast Region increased with strong construction activity, both the Northwest and Midwest Regions recorded slightly lower sales volumes. In June 2023, Heidelberg Materials celebrated the opening of the modernised Mitchell cement plant in Indiana. The state-of-the-art facility will be the second largest cement plant in North America. The plant will reduce CO_2 emissions per tonne of clinker by almost 30%.

Compared with the previous year, deliveries of aggregates rose slightly. The increase was particularly driven by the impact of significant highway infrastructure and large-scale manufacturing facility projects in the Midwest Region. Also, sales volumes in the Southeast and Southwest Regions remained stable as heightened construction activity levels continued.

Deliveries in the ready-mixed concrete operating line fell as a result of lower activity in key vertically integrated markets in the Northwest Region and unfavourable weather conditions in core markets of the Southwest Region.

In the asphalt operating line, deliveries fell as activity in key vertically integrated markets in the Northeast and Northwest Regions slowed.

Cement sales volumes of our joint venture Texas Lehigh Cement declined slightly.

During the first half of 2023, Heidelberg Materials acquired The SEFA Group, the largest recycler of harvested fly ash for use in concrete products in the USA. Heidelberg Materials also acquired operating assets and reserves of RMS Gravel Inc., a producer of high-quality sand and gravel products located in the Central New York market.

At €2,434 million (previous year: 2,098), revenue in North America was 16.0% ahead of previous year's level. Excluding scope and exchange rate effects, the rise was 14.6%. All North American business lines increased their prices substantially in the first half of 2023 in order to counteract cost inflation.

The result from current operations before depreciation and amortisation increased strongly by 31.8% to €409 million (previous year: 310). On a like-for-like basis, the rise amounted to 29.1%. The result from current operations increased by 70.2% to €260 million (previous year: 153). On a like-for-like basis, the increase amounted to 66.7%.

Asia-Pacific

During the first half of the year, the cement and clinker deliveries of the Asia-Pacific Group area were slightly above the previous year's level.

In Indonesia, our cement and clinker deliveries increased in the first six months as a result of the Maros cement plant leased in September 2022. The plant serves the markets in Eastern Indonesia. In India, our cement and clinker deliveries in the first half of the year were slightly below the previous year's level, but we were able to achieve first catch-up effects through intensified sales and marketing efforts. Weak export markets and the decreased demand for bagged cement adversely affected deliveries from our plants in Thailand. In Bangladesh, our cement sales volumes fell due to low construction activity as a result of high inflation, higher prices for building materials, and the tightening of monetary policy. The use of alternative fuels has intensified in all countries in order to counteract high fuel costs and reduce CO_2 emissions.

In the aggregates business line, our deliveries were almost at the previous year's level. Slight decreases in volumes in Australia and Malaysia were almost offset by the significant increase in sales volumes in Indonesia.

Deliveries of ready-mixed concrete declined slightly. While Thailand and Malaysia benefited from the growth in demand from residential construction, among other things, and achieved volume increases, sales volumes in Australia remained slightly below the previous year's level, in particular due to the weakening market in the south of the country. Deliveries from the asphalt operating line increased in both Australia and Malaysia.

In China, the cement deliveries of our joint ventures in the provinces of Guangdong and Shaanxi decreased significantly. In Australia, on the other hand, sales volumes from our joint venture Cement Australia were almost at the previous year's level.

Revenue of the Asia-Pacific Group area grew by 5.9% to €1,811 million (previous year: 1,710); excluding scope and exchange rate effects, the increase amounted to 11.1%.

The result from current operations before depreciation and amortisation increased noticeably by 15.7% to €287 million (previous year: 248); on a like-for-like basis, the increase amounted to 20.7%. The result from current operations rose by 28.3% to €164 million (previous year: 127); on a like-for-like basis, it grew by 34.2%.

Africa-Eastern Mediterranean Basin

The cement and clinker sales volumes of the Africa-Eastern Mediterranean Basin Group area decreased in the first half of the year. In some countries south of the Sahara, construction activity was significantly impaired by increased energy prices and a difficult macroeconomic environment. In other countries, however, our plants recorded growth in sales volumes. Our calcined clay production project with our partner CBI

Ghana is on schedule. We were also able to reduce the proportion of clinker in some of our products while maintaining product quality. This had a positive impact on cost structure and CO_2 emissions.

Aggregates deliveries were above the same period of the previous year. In the ready-mixed concrete operating line, sales volume growth in Morocco only partially offset the decrease in volumes in Egypt. The asphalt business in Israel grew slightly in the first half of 2023.

Our Turkish joint venture Akçansa managed to significantly increase its domestic deliveries in the first half of 2023. Overall, however, Akçansa's cement and clinker sales volumes remained below the previous year's level. Deliveries of aggregates and ready-mixed concrete rose significantly due to the good order situation in the first half of 2023.

Revenue of the Africa-Eastern Mediterranean Basin Group area fell by 8.5% to €949 million (previous year: 1,037) owing to strong currency devaluations; excluding scope and exchange rate effects, revenue increased by 9.6%.

The result from current operations before depreciation and amortisation fell by 12.1% to €222 million (previous year: 252); on a like-for-like basis, it increased by 2.0%. The result from current operations decreased by 13.0% to €172 million (previous year: 198); on a like-for-like basis, the result rose by 2.3%.

Group Services

The Group Services business unit comprises the activities of Heidelberg Materials Trading – one of the largest trading companies worldwide, primarily for cement, clinker, and secondary cementitious materials, but also for solid and alternative fuels as well as other building materials and additives.

In the first half of 2023, the trade volume of Heidelberg Materials Trading decreased due to a lower worldwide demand for fuels, building materials, and additives in connection with high inventories and increased uncertainty regarding the future economic development.

Revenue of the Group Services business unit decreased by 25.7% to €723 million (previous year: 973) due to lower trade volumes and lower prices.

The result from current operations before depreciation and amortisation declined by 13.0% to €16 million (previous year: 19). The result from current operations decreased by 12.7% to €16 million (previous year: 19).

Statement of cash flows

As a result of the positive operating business development, a cash inflow from operating activities of €25 million was generated in the first half of 2023, compared with a cash outflow of €138 million in the same period of the previous year. Interest paid rose by €73 million to €202 million (previous year: 128), in particular due to higher interest payments for interest rate swaps and bonds. Income taxes paid increased by €132 million to €314 million (previous year: 182), primarily due to a rise in the additional tax payment by Heidelberg Materials AG for the previous year. Changes in working capital improved by €139 million compared with the same period of the previous year to €–1,265 million (previous year: –1,404).

Cash outflow from investing activities fell significantly by €236 million to €540 million (previous year: 776). Cash-relevant investments decreased by €97 million to €785 million (previous year: 882). Payments for the acquisition of financial assets, associates, and joint ventures reduced by €337 million to €51 million (previous year: 388). Payments of €326 million in the same period of the previous year mainly related to the acquisition of a minority stake in Command Alkon. Payments for the acquisition of subsidiaries and other business units, less cash and cash equivalents acquired, increased by €228 million to €277 million (previous year: 49). Payments in the reporting period were primarily attributable to the acquisition of RWG and the SER Group in Germany and The SEFA Group in the USA. At €458 million (previous year: 445), investments in property, plant and equipment and intangible assets, less subsidies received, were slightly higher than in the same period of the previous year. Cash-relevant disinvestments increased significantly in the reporting period and amounted to €246 million (previous year: 107). Proceeds from the disposal of financial assets, joint ventures, and associates in the reporting period amounting to €200 million (previous year: 16) primarily resulted from the disposal of the joint venture in Georgia and the Chaney Group in the USA. Proceeds of €9 million (previous year: 47) related to the disposal of subsidiaries and other business units, less the cash and cash equivalents disposed of. Proceeds in the same period of the previous year mainly concerned divestments in Greece and Spain. Proceeds from the sale of intangible assets and property, plant and equipment in the reporting period amounted to €37 million (previous year: 44).

Financing activities resulted in a cash inflow of €356 million in the reporting period (previous year: cash outflow of 480). The cash inflow arising from the net proceeds from and repayment of bonds and loans of €875 million (previous year: 377) comprises the issue of a sustainability-linked bond with a volume of €750 million, the issue of commercial papers amounting to €330 million, as well as the repayment of the European Investment Bank-promoted loan of €180 million and lease liabilities of €113 million. In the previous year's reporting period, this item mainly included cash inflows from the issue of commercial papers and from the raising of short-term money market loans totalling €1.6 billion by

Heidelberg Materials AG, the early repayment of a bond of €750 million as well as the repayment of a debt certificate of €361 million and of lease liabilities amounting to €116 million.

The continuation of the progressive dividend policy at Heidelberg Materials AG resulted in a dividend payment of €484 million (previous year: 458). Dividend payments to non-controlling interests decreased by €48 million to €36 million (previous year: 84). In the same period of the previous year, the second tranche of the Heidelberg Materials AG share buyback programme led to payments totalling €260 million. In addition, the cash-relevant changes in ownership interests in subsidiaries resulted in a cash outflow totalling €54 million, which was essentially attributable to the 1.3% increase in the shareholding in PT Indocement Tunggal Prakarsa Tbk., Indonesia.

Balance sheet

As at 30 June 2023, the balance sheet total rose by €425 million to €33,680 million (previous year: 33,256) in comparison with 31 December 2022.

Intangible assets increased by €50 million to €8,628 million (previous year: 8,577). Adjusted for negative currency effects of €150 million, the rise amounted to €200 million, which is primarily attributable to the goodwill arising from business combinations in Germany and North America.

Property, plant and equipment decreased by €80 million to €13,580 million (previous year: 13,660). Adjusted for negative exchange rate effects of €159 million, there was an increase of €79 million. Additions from business combinations amounted to €159 million. Furthermore, additions to property, plant and equipment of €529 million were offset by depreciation and amortisation of €578 million.

Financial assets decreased by €222 million to €2,493 million (previous year: 2,715). The carrying amounts of the shares in joint ventures and associates decreased by €196 million, mainly due to the disposal of our Georgian joint venture and our 25% participation in the Chaney Group in the USA.

At €1,133 million (previous year: 1,184), other non-current assets were slightly below the level of 31 December 2022.

At €2,665 million (previous year: 2,669), inventories were virtually unchanged compared with the end of the previous year. For seasonal and revenue-related reasons, trade receivables grew by €692 million to €2,732 million (previous year: 2,040). In addition, other current receivables and assets increased by €124 million to €726 million (previous year: 602), in particular due to a seasonal rise in prepayments. Cash and cash equivalents decreased by €192 million to €1,262 million (previous year: 1,454). The change in cash and cash equivalents is presented in the statement of cash flows.

On the equity and liabilities side, equity decreased by €61 million to €17,563 million (previous year: 17,624). Total comprehensive income amounted to €492 million. The dividends totalling €484 million distributed to shareholders of Heidelberg Materials AG and €76 million to non-controlling interests, of which €36 million had already been paid as at 30 June 2023, had a negative effect on equity.

Financial liabilities increased by €967 million to €8,077 million (previous year: 7,110). Heidelberg Materials issued a sustainability-linked bond of €750 million and commercial papers amounting to €330 million. Furthermore, the European Investment Bank-promoted loan of €180 million was repaid in the reporting period. Net debt increased by €1,154 million to €6,686 million (previous year: 5,532). At the end of June 2023, the leverage ratio, i.e. the ratio of net debt to result from current operations before depreciation and amortisation over the last 12 months, stood at 1.67x (end of June 2022: 1.85x).

At €2,330 million (previous year: 2,375), total provisions were at the level of 31 December 2022.

As a result of seasonal factors, trade payables decreased by €336 million to €3,007 million (previous year: 3,343). Other liabilities fell by €100 million to €2,703 million (previous year: 2,803). The decrease is mainly due to lower income tax liabilities.

Development of key performance indicators

In addition to the result from current operations, return on invested capital (ROIC) and specific net CO_2 emissions are part of our key performance indicators.

ROIC is reported as scheduled once a year at the end of the business year. A quarterly reporting is not carried out.

In the first half of 2023, specific net CO_2 emissions decreased by 2.4% to 538 kg per tonne of cementitious material compared to the year-end 2022. In particular, the reduction of clinker incorporation and the increase of the alternative fuel rate led to lower CO_2 emissions.

Financing

In the first half of 2023, Heidelberg Materials AG repaid a long-term loan from the European Investment Bank in the amount of €180 million as scheduled and the remaining amount of a long-term amortising loan from KfW.

On 20 January 2023, Heidelberg Materials AG issued its first sustainability-linked bond with an issue volume of €750 million and a term ending in 2032 under the €10 billion EMTN programme. The interest rate on the bond is linked to the development of the specific CO_2 emissions per tonne of cementitious material until 2026 and 2030, which are defined in the Sustainability-Linked Financing Framework as key performance indicators (KPIs).

Dividend announcement

For the 2022 financial year, the Annual General Meeting on 11 May 2023 resolved to issue a dividend of €2.60 per share (previous year: 2.40), corresponding to a dividend yield of 3.7%. The total payout thus amounted to €484 million.

Strengthening the circular economy

In January 2023, Heidelberg Materials acquired 100% of the shares in RWG Holding GmbH. RWG is an integrated provider in the demolition and building materials recycling sector in the greater Berlin area. The acquisition includes three modern recycling centres and a professional demolition business.

With the acquisition of SER Group, Heilbronn, a leading integrated company in the demolition and construction materials recycling business segments, Heidelberg Materials is expanding its circularity offering in Germany.

The acquisition of The SEFA Group, the largest fly ash recycling company in the USA, will significantly reduce Heidelberg Materials' CO_2 intensity in the USA. In April, Heidelberg Materials acquired assets and reserves of RMS Gravel Inc. in the USA, a producer of high-quality sand and gravel products based in the Central New York market, in an asset deal.

Promoting the circular economy through the increased use of by-products and recycled materials from other industries is an essential part of the climate strategy. The acquisitions strengthen Heidelberg Materials' offering of circular materials to meet the growing demand for sustainable building materials.

Employees

At the end of the first half of 2023, the number of employees at Heidelberg Materials stood at 51,492 (previous year: 52,350), based on full-time equivalents. The decrease of around 860 employees essentially results from two opposing developments. On the one hand, just under 1,200 jobs were cut across the Group as a result of portfolio optimisation measures, the realisation of synergies, efficiency gains in sales and administration, as well as location optimisations. On the other hand, there was an increase of around 300 employees, which is mainly due to the expansion of the building materials recycling business in Germany.

Change in forecast report

Outlook 2023

In its July forecast, the International Monetary Fund (IMF) anticipates a decline in global economic growth from 3.5% in the previous year to 3.0% in the current year. Although the global economy is showing signs of recovering from the coronavirus pandemic and the Russia-Ukraine war, the rise in key interest rates by central banks to combat inflation continues to weigh on economic activity. The IMF projects a much sharper slowdown for industrialised nations than for emerging countries. Economic growth in the eurozone is expected to decline to 0.9% this year. In Germany, the economy is predicted to shrink by 0.3%. For the USA, the IMF anticipates economic growth of 1.8% in the current year.

The market environment in the construction sector continues to be influenced by the negative effects of the Russia-Ukraine war, the energy crisis, and high inflation. The European construction sector faces challenges that have led to uncertainty about future development. Existing supply shortages have been exacerbated by the Russia-Ukraine war, leading to sharp increases in inflation as well as interest rates and, as a result, significantly higher financing costs.

Energy, raw material, and transport prices remain at a high level after a decline in the first quarter. In its June forecast, Euroconstruct anticipates a decline of 1.1% in Europe's construction sector in 2023. In the USA, construction activity is expected to continue to benefit from government economic stimulus programmes and infrastructure projects.

Heidelberg Material further assumes that the good order situation for infrastructure projects and parts of the commercial construction sector should partly compensate for the decline in residential construction. The lower but still volatile and high energy and raw materials prices should ease the burden on the company's result development.

Against this backdrop, the company is once again upgrading its outlook for the 2023 financial year. While Heidelberg Materials continues to expect a moderate increase in revenue (excluding scope and exchange rate effects) compared with the previous year, it now anticipates a result from current operations of €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).

As forecast in the Annual and Sustainability Report 2022, ROIC is expected to be around 9% and a slight reduction is expected for the specific net CO_2 emissions per tonne of cementitious material.

Risk and opportunity report

Heidelberg Materials' risk policy is based on the Group strategy, which focuses on sustainably preserving and increasing enterprise value. Heidelberg Materials is subject to various risks on account of its international business activity. The risk management process serves to identify these risks at an early stage and to systematically assess and reduce them. Provided that the risks are consistent with the legal and ethical principles of entrepreneurial activity and are well balanced by the opportunities they present, they are classified as acceptable.

Risk and opportunity management at Heidelberg Materials are closely linked by Group-wide planning and monitoring systems. Risks and opportunities are recorded in the annual operational plan and followed up as part of monthly financial reporting. Operational management in each country and the central Group departments are directly responsible for identifying and observing risks and opportunities at an early stage.

Risks and opportunities that may have a significant impact on our assets, financial, and earnings position in the 2023 financial year and in the foreseeable future are described in detail in the Annual and Sustainability Report 2023 in the Risk and opportunity report chapter on page 132 f.

Prices in the raw materials and energy markets have followed a sideways trend in recent weeks after a sharp decline in the first quarter. They are still volatile, albeit less so than in 2022. There is continued uncertainty about natural gas and electricity prices for the coming winter due to the effects of weather influences and power plant availability in Europe. Furthermore, the outlook for global economic growth remains cautious as many countries continue to face high inflation and tight monetary policies. Although supply chains are under less strain than in the previous year, global investment activity remains subdued due to high financing costs. We classify this as a general risk with a possible impact on the entire Group and, where applicable, rapid occurrence.

In a holistic view of individual risks and the overall risk situation, there are, from today's perspective, no identifiable risks that could jeopardise the company as a going concern.

Interim consolidated financial statements

Consolidated income statement

	January – June	
€m	2022	2023
Revenue	**9,950.0**	**10,472.6**
Change in finished goods and work in progress	60.1	–15.4
Own work capitalised	9.2	10.3
Operating revenue	**10,019.3**	**10,467.6**
Other operating income	214.8	231.0
Material costs	–4,193.1	–4,133.6
Personnel costs	–1,601.9	–1,724.5
Other operating expenses	–3,019.1	–3,142.7
Result from equity accounted investments (REI)	104.8	88.9
Result from current operations before depreciation and amortisation (RCOBD)	**1,524.8**	**1,786.7**
Depreciation and amortisation	–616.9	–597.8
Result from current operations	**907.9**	**1,188.9**
Additional ordinary income	45.5	68.1
Additional ordinary expenses	–108.1	–27.9
Additional ordinary result	**–62.6**	**40.2**
Earnings before interest and taxes (EBIT)	**845.3**	**1,229.1**
Interest income	12.9	29.6
Interest expenses	–75.9	–96.3
Foreign exchange gains and losses	–23.4	–16.8
Result from other participations	0.3	0.8
Other financial result	65.6	–18.9
Financial result	**–20.5**	**–101.6**
Profit before tax from continuing operations	**824.8**	**1,127.5**
Income taxes	–239.4	–305.1
Net income from continuing operations	**585.5**	**822.4**
Net income / loss from discontinued operations	11.3	–39.8
Profit for the period	**596.7**	**782.6**
Thereof attributable to non-controlling interests	55.2	63.9
Thereof attributable to Heidelberg Materials AG shareholders	**541.5**	**718.7**
Earnings per share – attributable to Heidelberg Materials AG shareholders	**2.82**	**3.86**
Earnings per share – continuing operations	2.76	4.07
Earnings / loss per share – discontinued operations	0.06	–0.21

Consolidated statement of comprehensive income

€m	January – June 2022	January – June 2023
Profit for the period	**596.7**	**782.6**
Other comprehensive income		
Items not being reclassified to profit or loss in subsequent periods		
Remeasurement of the defined benefit liability (asset)	252.0	-23.4
Income taxes	-74.9	7.0
Defined benefit plans	**177.0**	**-16.5**
Net gains / losses arising from equity accounted investments	0.8	1.9
Total	**177.8**	**-14.6**
Items that maybe be reclassified subsequently to profit or loss		
Cash flow hedges – change in fair value	150.8	-60.0
Reclassification adjustments for gains / losses included in profit or loss	-21.8	-1.0
Income taxes	-33.2	15.1
Cash flow hedges	**95.8**	**-45.9**
Currency translation	787.8	-195.3
Reclassification adjustments for gains / losses included in profit or loss	0.1	0.5
Income taxes		7.5
Currency translation	**787.9**	**-187.4**
Net gains / losses arising from equity accounted investments	10.4	-43.0
Total	**894.0**	**-276.4**
Other comprehensive income	**1,071.9**	**-291.0**
Total comprehensive income	**1,668.6**	**491.6**
Thereof attributable to non-controlling interests	88.8	63.0
Thereof attributable to Heidelberg Materials AG shareholders	1,579.8	428.5

Consolidated statement of cash flows

€m	January – June 2022	January – June 2023
Net income from continuing operations	585.5	822.4
Income taxes	239.4	305.1
Interest income / expenses	63.0	66.8
Dividends received	118.5	97.6
Interest received	82.9	79.4
Interest paid	-128.3	-201.6
Income taxes paid	-182.2	-313.8
Depreciation, amortisation, and impairment	690.6	603.5
Other eliminations	-78.9	-48.1
Cash flow	**1,390.4**	**1,411.2**
Changes in operating assets	-1,220.3	-970.3
Changes in operating liabilities	-183.5	-294.3
Changes in working capital	**-1,403.9**	**-1,264.6**
Decrease in provisions through cash payments	-119.7	-111.7
Cash flow from operating activities – continuing operations	**-133.2**	**35.0**
Cash flow from operating activities – discontinued operations	-4.7	-10.2
Cash flow from operating activities	**-137.9**	**24.7**
Intangible assets	-8.8	-12.3
Property, plant and equipment	-483.5	-510.6
Government grants	46.9	65.4
Subsidiaries and other business units	-49.2	-277.1
Other financial assets, associates, and joint ventures	-387.8	-50.6
Investments (cash outflow)	**-882.5**	**-785.3**
Intangible assets	0.0	
Property, plant and equipment	43.8	36.6
Subsidiaries and other business units	47.1	9.3
Other financial assets, associates, and joint ventures	15.9	199.6
Divestments (cash inflow)	**106.8**	**245.5**
Cash flow from investing activities	**-775.7**	**-539.8**

Consolidated statement of cash flows (Continued)

	January – June	
€m	2022	**2023**
Capital increase of non-controlling interests		0.7
Dividend to Heidelberg Materials AG shareholders	–458.3	–484.1
Dividends to non-controlling interests	–83.7	–36.0
Acquisition of treasury shares	–260.4	
Decrease in ownership interests in subsidiaries	1.5	
Increase in ownership interests in subsidiaries	–55.8	
Proceeds from bond issuance and loans	0.6	750.2
Repayment of bonds, loans and lease liabilities	–1,254.2	–346.9
Changes in short-term interest-bearing liabilities	1,630.5	472.0
Cash flow from financing activities	**–479.8**	**356.0**
Net change in cash and cash equivalents – continuing operations	–1,388.8	–148.9
Net change in cash and cash equivalents – discontinued operations	–4.7	–10.2
Net change in cash and cash equivalents	**–1,393.5**	**–159.1**
Effect of exchange rate changes	26.3	–32.8
Cash and cash equivalents at beginning of period	3,115.1	1,454.1
Cash and cash equivalents at end of period	1,748.0	1,262.1
Reclassification of cash and cash equivalents according to IFRS 5	–0.5	
Cash and cash equivalents presented in the balance sheet at end of period	1,747.4	1,262.1

Consolidated balance sheet – Assets

€m	30 June 2022	31 Dec. 2022	**30 June 2023**
Non-current assets			
Goodwill	8,552.2	8,368.1	8,426.1
Other intangible assets	205.7	209.3	201.7
Intangible assets	**8,757.9**	**8,577.4**	**8,627.8**
Land and buildings	7,029.7	6,763.6	6,673.4
Plant and machinery	4,557.5	4,354.0	4,233.8
Other operating equipment	862.3	841.0	864.1
Prepayments and assets under construction	1,451.8	1,701.9	1,809.0
Property, plant and equipment	**13,901.4**	**13,660.4**	**13,580.3**
Investments in joint ventures	1,709.7	1,743.2	1,591.3
Investments in associates	598.1	688.3	644.7
Financial investments	157.2	87.5	88.1
Loans	92.6	156.2	154.7
Derivative financial instruments	59.2	40.3	14.2
Deferred taxes	256.3	268.2	240.6
Other non-current receivables and assets	1,171.5	888.6	867.0
Non-current income tax assets	26.9	26.7	24.9
Total non-current assets	**26,730.8**	**26,136.8**	**25,833.6**
Current assets			
Raw materials and consumables	1,406.3	1,330.9	1,356.2
Work in progress	308.8	380.6	387.8
Finished goods and goods for resale	845.6	931.4	881.9
Prepayments	34.8	26.2	39.0
Inventories	**2,595.5**	**2,669.2**	**2,664.8**
Current interest-bearing receivables	106.7	98.5	202.6
Trade receivables	2,498.8	2,040.0	2,732.4
Other current receivables and assets	684.5	602.1	725.7
Current income tax assets	105.3	121.9	94.8
Current derivative financial instruments	194.8	83.3	114.7
Cash and cash equivalents	1,747.4	1,454.1	1,262.1
Total current assets	**7,932.9**	**7,069.2**	**7,797.2**
Assets held for sale	98.6	49.6	49.3
Balance sheet total	**34,762.4**	**33,255.6**	**33,680.1**

Consolidated balance sheet – Equity and liabilities

€m	30 June 2022	31 Dec. 2022	**30 June 2023**
Equity			
Subscribed share capital	579.3	579.3	579.3
Share premium	6,241.4	6,241.4	6,241.4
Retained earnings	9,914.3	10,809.1	11,036.6
Other components of equity	-142.8	-741.9	-1,018.1
Treasury shares	-260.4	-350.0	-350.0
Total shareholders' equity of Heidelberg Materials AG	**16,331.7**	**16,537.9**	**16,489.1**
Non-controlling interests	1,120.5	1,086.3	1,073.9
Total equity	**17,452.2**	**17,624.2**	**17,563.0**
Non-current liabilities			
Bonds payable	5,302.3	5,269.4	5,270.0
Bank loans	66.4	62.6	57.2
Other non-current financial liabilities	961.6	1,001.0	1,009.2
Pension provisions	695.7	639.1	613.8
Deferred taxes	971.1	886.3	902.6
Other non-current provisions	1,475.0	1,364.5	1,353.2
Other non-current operating liabilities	63.0	53.6	56.2
Non-current income tax liabilities	173.7	208.8	188.3
Total non-current liabilities	**9,708.8**	**9,485.2**	**9,450.5**
Current liabilities			
Bonds payable (current portion)	30.3	52.5	781.3
Bank loans (current portion)	742.6	258.6	171.1
Other current financial liabilities	1,689.9	465.8	788.5
Pension provisions (current portion)	94.0	95.5	94.2
Other current provisions	245.4	276.2	268.6
Trade payables	3,167.9	3,343.1	3,007.1
Other current operating liabilities	1,430.3	1,429.0	1,415.2
Current income tax liabilities	175.8	225.1	140.2
Total current liabilities	**7,576.3**	**6,145.8**	**6,666.3**
Liabilities associated with assets held for sale	25.1	0.3	0.2
Total liabilities	**17,310.2**	**15,631.3**	**16,117.1**
Balance sheet total	**34,762.4**	**33,255.6**	**33,680.1**

Consolidated statement of changes in equity

€m				Other equity components							
	Subscribed share capital	Share premium	Retained earnings	Cash flow hedge reserve	Asset revaluation reserve	Currency translation	Total other components of equity	Treasury shares	Total Equity attributable to Heidelberg Materials AG shareholders	Non-controlling interests [1]	Total
1 January 2022	**595.2**	**6,225.4**	**10,015.7**	**17.5**	**21.7**	**-1,088.6**	**-1,049.4**	**-349.8**	**15,437.2**	**1,222.3**	**16,659.4**
First-time application IAS 29 Hyperinflation						46.9	46.9		46.9		46.9
1 January 2022 (adjusted)	**595.2**	**6,225.4**	**10,015.7**	**17.5**	**21.7**	**-1,041.7**	**-1,002.5**	**-349.8**	**15,484.1**	**1,222.3**	**16,706.3**
Profit for the period			541.5						541.5	55.2	596.7
Other comprehensive income			177.8	98.8		761.7	860.5		1,038.3	33.6	1,071.9
Total comprehensive income			**719.3**	**98.8**		**761.7**	**860.5**		**1,579.8**	**88.8**	**1,668.6**
Change in ownership interests in subsidiaries			-15.1						-15.1	-39.2	-54.4
Change in non-controlling interests with put options			1.7						1.7	-3.7	-1.9
Transfer asset revaluation reserve			0.7		-0.7		-0.7				
Other changes										-0.3	-0.3
Acquisition of treasury shares								-260.4	-260.4		-260.4
Cancellation of treasury shares	-16.0	16.0	-349.8					349.8			
Dividends			-458.3						-458.3	-147.4	-605.7
30 June 2022	**579.3**	**6,241.4**	**9,914.3**	**116.3**	**20.9**	**-280.0**	**-142.8**	**-260.4**	**16,331.7**	**1,120.5**	**17,452.2**
1 January 2023	**579.3**	**6,241.4**	**10,809.1**	**110.8**	**20.2**	**-873.0**	**-741.9**	**-350.0**	**16,537.9**	**1,086.3**	**17,624.2**
Profit for the period			718.7						718.7	63.9	782.6
Other comprehensive income			-14.6	-45.0		-230.4	-275.5		-290.1	-0.9	-291.0
Total comprehensive income			**704.0**	**-45.0**		**-230.4**	**-275.5**		**428.5**	**63.0**	**491.6**
Change in non-controlling interests with put options			6.3						6.3	-0.3	6.0
Transfer asset revaluation reserve			0.7		-0.7		-0.7				
Other changes			0.5						0.5		0.5
Capital increase from corporate funds										0.7	0.7
Dividends			-484.1						-484.1	-75.8	-559.9
30 June 2023	**579.3**	**6,241.4**	**11,036.6**	**65.8**	**19.5**	**-1,103.4**	**-1,018.1**	**-350.0**	**16,489.1**	**1,073.9**	**17,563.0**

1) The accumulated currency translation differences included in non-controlling interests changed in 2023 by €3.4 million (previous year: 32.5) to €-235.3 million (previous year: -179.5). The total currency translation differences recognised in equity thus amount to €-1,338.7 million (previous year: -459.5).

Segment reporting / Notes

Group areas January - June	Western and Southern Europe		Northern and Eastern Europe-Central Asia		North America		Asia-Pacific		Africa-Eastern Mediterranean Basin		Group Services		Reconciliation [1]		Continuing operations	
€m	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**
External revenue	3,129	3,305	1,658	1,744	2,098	2,434	1,697	1,794	997	881	371	316			9,950	10,473
Inter-Group areas revenue	26	21	11	11			13	17	39	68	602	407	-691	-524		
Revenue	**3,155**	**3,325**	**1,668**	**1,755**	**2,098**	**2,434**	**1,710**	**1,811**	**1,037**	**949**	**973**	**723**	**-691**	**-524**	**9,950**	**10,473**
Change to previous year in %		5.4%		5.2%		16.0%		5.9%		-8.5%		-25.7%				5.3%
Result from equity accounted investments (REI)	13	2	11	1	8	10	54	50	17	22	2	3			105	89
Result from current operations before depreciation and amortisation (RCOBD)	**416**	**597**	**294**	**313**	**310**	**409**	**248**	**287**	**252**	**222**	**19**	**16**	**-14**	**-56**	**1,525**	**1,787**
as % of revenue (operating margin)	13.2%	17.9%	17.6%	17.8%	14.8%	16.8%	14.5%	15.8%	24.3%	23.4%	1.9%	2.3%			15.3%	17.1%
Depreciation and amortisation	-175	-171	-97	-93	-157	-148	-120	-123	-55	-50	-0	-0	-12	-12	-617	-598
Result from current operations	**241**	**426**	**197**	**220**	**153**	**260**	**127**	**164**	**198**	**172**	**19**	**16**	**-27**	**-68**	**908**	**1,189**
as % of revenue	7.6%	12.8%	11.8%	12.5%	7.3%	10.7%	7.5%	9.0%	19.1%	18.1%	1.9%	2.2%			9.1%	11.4%
Additional ordinary result													-63	40	-63	40
Earnings before interest and taxes (EBIT)													**845**	**1,229**	**845**	**1,229**
Capital expenditures [2]	**95**	**117**	**77**	**86**	**191**	**191**	**49**	**34**	**30**	**25**	**3**	**5**	**437**	**328**	**882**	**785**
Segment assets [3]	**5,144**	**5,300**	**2,631**	**2,514**	**9,120**	**9,091**	**4,196**	**3,875**	**1,567**	**1,427**	**1**	**1**			**22,659**	**22,208**
RCOBD as % of segment assets	8.1%	11.3%	11.2%	12.4%	3.4%	4.5%	5.9%	7.4%	16.1%	15.5%	>100%	>100%			6.7%	8.0%
Number of employees as at 30 June [4]	**15,189**	**15,157**	**11,132**	**10,851**	**8,635**	**8,627**	**12,434**	**12,017**	**4,867**	**4,744**	**92**	**96**			**52,350**	**51,492**
Average number of employees [4]	**15,135**	**15,223**	**11,087**	**10,792**	**8,187**	**8,282**	**12,386**	**12,024**	**5,003**	**4,792**	**91**	**97**			**51,887**	**51,212**

1) Reconciliation includes:
a) intra Group revenues = eliminations of intra-Group relationships between the segments
b) results from current operations before depreciation and amortisation / depreciation from corporate functions
c) additional ordinary result and earnings before interest and taxes
2) Capital expenditures = in the segment columns: cash effective investments in property, plant and equipment as well as intangible assets; in the reconciliation column: cash effective investments in non-current financial assets and other business units
3) Segment assets = property, plant and equipment as well as intangible assets
4) Number based on full-time equivalents

Notes to the interim consolidated financial statements

Accounting and valuation principles

The interim consolidated financial statements of Heidelberg Materials AG (formerly trading as "HeidelbergCement AG") as at 30 June 2023 were prepared on the basis of IAS 34 (Interim Financial Reporting). All International Financial Reporting Standards (IFRS), including the interpretations of the IFRS Interpretations Committee (IFRS IC), that were binding as at the reporting date and had been adopted into European law by the European Commission were applied.

In accordance with the regulations of IAS 34, a condensed report scope in comparison with the consolidated financial statements as at 31 December 2022, with selected explanatory notes, was chosen. The accounting and valuation principles applied in the preparation of the interim consolidated financial statements correspond in principle to those of the consolidated financial statements as at 31 December 2022. Detailed explanations can be found on page 180 f. in the Notes to the Annual and Sustainability Report 2022, which forms the basis for these interim financial statements.

In accordance with IAS 34, the expenses for income taxes in the reporting period were accrued on the basis of the tax rate expected for the whole financial year.

The interim consolidated financial statements were not subject to any audits or reviews.

Application of new accounting standards

The following new or amended IASB standards and interpretations were applicable for the first time in these interim consolidated financial statements:

IFRS 17 Insurance Contracts contains principles for the recognition, measurement, presentation, and disclosure of insurance contracts and is applicable to all types of insurance contracts as well as to certain guarantees and financial instruments with discretionary participation features. With regard to the scope of application, a few exceptions apply. The application of IFRS 17 did not have a significant impact on the assets, financial, and earnings position of the Group.

The amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies clarify that, in the future, only material rather than significant accounting policies should be disclosed in the Notes. Guidance and examples on the practical application of the concept of materiality to the disclosures on the accounting policies were also provided. The amendments will not have a significant impact on the disclosures of the accounting policies.

With the amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates, the concept of "accounting estimate" is defined and clarification is provided on how changes in accounting estimates differ from changes in accounting policies. The amendments did not have any significant impact on the assets, financial, and earnings position of the Group.

The amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction restrict the "initial recognition exception" and require companies to recognise deferred taxes for transactions from which both deductible and taxable temporary differences of the same amount arise on initial recognition. Deferred tax is recognised for all temporary differences. The amendments did not have any impact on the assets, financial, and earnings position of the Group, as the previous presentation in the balance sheet already complies with the new regulations.

Seasonal nature of the business

The production and sales of building materials are seasonal due to regional weather patterns. Particularly in our important markets of Europe and North America, business results for the first and fourth quarters are adversely affected by the winter months, whereas the warmer months contribute to higher sales volumes and profits in the second and third quarters.

Exchange rates

The following table contains the key exchange rates used in the translation of the separate financial statements denominated in foreign currencies into euro.

Exchange rates

		Exchange rates at reporting date		Average exchange rates	
EUR		31 Dec. 2022	**30 June 2023**	01-06/ 2022	**01-06/ 2023**
USD	USA	1.0705	1.0909	1.0934	1.0807
AUD	Australia	1.5717	1.6377	1.5203	1.5999
CAD	Canada	1.4506	1.4449	1.3901	1.4564
GBP	Great Britain	0.8853	0.8593	0.8421	0.8763
INR	India	88.1544	88.9940	83.3390	88.8313
IDR	Indonesia	16,840	16,392	15,837	16,222
MAD	Morocco	11.1645	10.7497	10.6079	11.0202

Business combinations in the reporting period

As part of the implementation of the circular economy strategy and in order to strengthen the Group's portfolio of recycled materials, our subsidiary Heidelberg Materials Mineralik DE GmbH, Heidelberg, completed its acquisition of a 100% shareholding in RWG Holding GmbH and its subsidiaries ("RWG") on 9 January 2023. RWG is an integrated provider in the field of demolition and building materials recycling in the Berlin metropolitan area with an annual revenue of around €50 million. The acquisition includes three modern recycling centers and a specialised demolition company. With this acquisition, Heidelberg Materials is strengthening its range of circular materials to meet the increasing demand for sustainable building materials. On 3 April 2023, Heidelberg Materials Mineralik DE GmbH also completed the acquisition of the Heilbronn-based SER Group, a leading integrated company in the demolition and building materials recycling businesses. The acquisition comprises 100% of the shares in SER Hoch- und Tiefbau GmbH & Co. KG and SER Sanierung im Erd- und Rückbau GmbH, Heilbronn, as well as their subsidiaries. The SER Group operates in the Heilbronn metropolitan area with an annual revenue of around €50 million and three modern recycling locations. The purchase price for the above transactions, which is still subject to purchase price adjustments, amounted to €122.0 million and was paid in cash. The provisionally recognised goodwill totalling €103.8 million is not tax-deductible and represents synergy and growth potential. The purchase price allocations are provisional, primarily because the measurement of property, plant and equipment has not yet been completed.

On 1 May 2023, Heidelberg Materials acquired a 100% shareholding in The SEFA Group, LLC, including its wholly-owned subsidiary SEFA Transportation, LLC, Lexington, South Carolina, USA. The companies are active in the field of fly ash recycling. The acquisition includes 20 locations and more than 500 employees. The purchase price of €176.5 million is subject to the usual purchase price adjustments and consists of a cash payment of €167.3 million and a liability for contingent consideration with a fair value of €9.2 million. The contingent consideration is based on the EBITDA of the companies until 30 April 2025 and was determined on the basis of probabilities. The range of results (undiscounted) is between €0 and €18.3 million. The purchase price allocation is provisional, primarily because the measurement of intangible assets and property, plant and equipment has not yet been completed. The provisionally recognised goodwill of €98.9 million is tax-deductible and represents synergy and growth potential. In addition, on 3 April 2023, Heidelberg Materials acquired a quarry along with a fixed processing plant and five mobile crushing plants as part of an asset deal in the USA. The purchase price amounted to €13.5 million and was paid in cash. The purchase price allocation is provisional, primarily because the measurement of property, plant and equipment has not yet been completed. The provisionally recognised goodwill of €2.1 million is tax-deductible and represents synergy and growth potential.

The following table shows the provisional fair values of the assets and liabilities as at the acquisition date.

Provisional fair values recognised as at the acquisition date (reporting period)

€m	Germany	North America	Total
Intangible assets	0.1	0.9	1.0
Property, plant and equipment	68.0	90.5	158.5
Financial fixed assets	3.0		3.0
Deferred taxes	0.0		0.0
Inventories	1.1	1.7	2.9
Trade receivables	14.9	19.3	34.2
Cash and cash equivalents	7.3	18.3	25.6
Other assets	12.7	18.7	31.3
Total assets	**107.1**	**149.4**	**256.6**
Deferred taxes	0.9		0.9
Provisions	5.1	0.5	5.7
Non-current liabilities	63.1	31.1	94.2
Current liabilities	19.8	28.9	48.8
Total liabilities	**89.0**	**60.5**	**149.5**
Net assets	**18.2**	**88.9**	**107.1**

As part of the business combinations, receivables with a fair value of €50.0 million were acquired. These concern trade receivables amounting to €34.2 million and other operating receivables to the amount of €16.6 million. The gross value of the contractual receivables totals €51.0 million, of which €1.0 million is likely to be irrecoverable.

The business combinations have contributed €56.7 million to revenue and €3.6 million to the profit for the period since their acquisition. If the acquisitions had taken place on 1 January 2023, contributions to revenue and the profit for the period would have been €45.2 million and €5.8 million higher, respectively. Transaction costs of €2.6 million arose in connection with the business combinations described above and were recognised in the additional ordinary expenses.

Business combinations in the same period of the previous year

On 7 February 2022, our subsidiary Hanson Quarry Products Europe Limited, United Kingdom, acquired 100% of the shares in Charterneed Limited, including the wholly owned subsidiaries A1 Services (Manchester) Limited and Green Earth Developments Limited, Manchester, United Kingdom. The companies are active in the removal of surface materials, urban recycling, and the processing of construction and utility arisings. The acquisition comprises a 13-hectare site including a rail connected siding and track system, as well as licences for waste transport and handling. The acquisition improves our strategic position for entry into the recycling market. The purchase price amounted to €21.5 million and was paid in cash. The purchase price allocation has been completed. The final goodwill of €4.8 million is not tax-deductible and represents synergy and growth potential.

On 4 April 2022, Heidelberg Materials acquired four ready-mixed concrete plants and a fleet of mixer trucks in the Atlanta metropolitan area from Meriwether Ready Mix, Inc., Griffin, USA, as part of an asset deal. The purchase price amounted to €13.3 million and was paid in cash. The purchase price allocation has been completed. The final goodwill of €1.0 million is tax-deductible and represents synergy and growth potential.

The following table shows the fair values of the assets and liabilities as at the acquisition date.

Fair values recognised as at the acquisition date (previous period)

€m	United Kingdom	North America	Total
Intangible assets	3.7		3.7
Property, plant and equipment	14.3	12.4	26.8
Inventories	0.9	0.1	0.9
Trade receivables	2.6	0.7	3.3
Cash and cash equivalents	1.7		1.7
Other assets	0.2		0.2
Total assets	**23.5**	**13.2**	**36.7**
Deferred taxes	2.3		2.3
Provisions	0.2		0.2
Non-current liabilities	1.8		1.8
Current liabilities	2.6	0.9	3.5
Total liabilities	**6.9**	**0.9**	**7.8**
Net assets	**16.7**	**12.3**	**29.0**

Furthermore, Heidelberg Materials effected other business combinations during the same period of the previous year that were of minor importance for the presentation of the assets, financial, and earnings position of the Group.

Acquisition of joint ventures in the same period of the previous year

To drive the digital transformation in the building materials industry, Heidelberg Materials acquired a 44.9% participation in Project Potter Parent, L.P., Cayman Islands, through its subsidiary HDigital GmbH, Heidelberg, on 29 April 2022. Project Potter Parent, L.P., indirectly holds all shares in Command Alkon, a globally active provider of comprehensive supply chain technology solutions for building materials. Partnering with Command Alkon means cloud-based solutions can be offered across the building materials supply chain. The purchase price including transaction costs amounted to €325.8 million and was paid in cash.

In order to strengthen our market position in Ghana and significantly reduce CO_2 emissions in this region, Heidelberg Materials acquired 50% of the shares in CBI S.A., Buchs, Switzerland, (“CBI”) on 6 May 2022. CBI controls the Ghanaian cement manufacturer CBI Ghana. The acquisition of the shares is also linked to an investment for the construction of the world’s largest industrial-scale flash calciner to produce calcined clay cement with reduced clinker content. In addition, Heidelberg Materials will strengthen its presence in Ghana through CBI's cement grinding operations in Tema in the south of the country. The purchase price amounted to €32.5 million and was paid in cash.

Divestments in the reporting period

Heidelberg Materials effected no significant divestments during the reporting period that are of importance for the presentation of the assets, financial, and earnings position of the Group.

Disposal of joint ventures and associates in the reporting period

On 24 February 2023, as part of the portfolio optimisation programme, Heidelberg Materials signed a contract for the sale of its 45% participation in CaucasusCement Holding B.V., 's-Hertogenbosch, Netherlands ("CCH"). CCH is the parent company of HeidelbergCement Georgia Ltd. and Terjola Quarry Ltd., Tbilisi. The joint venture comprised two cement plants, 14 ready-mixed concrete plants, and two aggregates plants. The sale was completed on 20 April 2023. Furthermore, Heidelberg Materials sold its 25% participation in the Chaney Group, USA, on 5 June 2023. The sale comprised participations in seven companies that were included in the consolidated financial statements as associates. The sales prices for the described transactions totalling €178.6 million were paid in cash. The divestments resulted in a total gain of €48.1 million, which is shown in the additional ordinary income.

Divestments in the same period of the previous year

On 30 April 2021, Heidelberg Materials signed an agreement to sell its aggregates business and two ready-mixed concrete plants in Greece. In the future, Heidelberg Materials will focus on its core business in Greece and will continue cement production through its subsidiary Halyps Cement. The transaction was concluded on 3 January 2022. The sales price amounted to €34.6 million, of which a prepayment of €3.4 million was already received during the 2021 financial year. The remaining amount was collected in the 2022 financial year. The divestment resulted in a gain of €18.7 million, which was shown in the additional ordinary income.

On 2 August 2021, Heidelberg Materials signed an agreement to sell its aggregates and ready-mixed concrete business in the Spanish region of Catalonia. The sale was completed on 1 April 2022. The sales price amounted to €21.1 million and was paid in cash. The divestment resulted in a gain of €4.0 million, which was shown in the result from current operations.

The following table shows the assets and liabilities as at the date of divestiture.

Assets and liabilities as at the date of divestiture (previous period)

€m	Greece	Spain	Total
Other intangible assets	0.2		0.2
Property, plant and equipment	14.5	17.3	31.8
Inventories	2.6	0.5	3.1
Total assets	**17.3**	**17.8**	**35.1**
Provisions	1.2		1.2
Non-current liabilities	0.2	0.8	1.0
Total liabilities	**1.4**	**0.8**	**2.2**
Net assets	**15.9**	**17.1**	**33.0**

Furthermore, Heidelberg Materials effected other divestments during the same period of the previous year that were of minor importance for the presentation of the assets, financial, and earnings position of the Group.

Revenue development by Group areas and business lines

January - June	Cement		Aggregates		Ready-mixed concrete-asphalt		Service-other		Intra-Group eliminations		Total	
€m	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**
Western and Southern Europe	1,684	1,793	699	733	1,179	1,219	205	235	-613	-655	3,155	3,325
Northern and Eastern Europe-Central Asia	879	985	292	312	339	329	269	257	-112	-128	1,668	1,755
North America	853	1,030	848	977	488	529	133	153	-224	-256	2,098	2,434
Asia-Pacific	928	958	313	339	607	649	27	32	-165	-167	1,710	1,811
Africa-Eastern Mediterranean Basin	867	788	42	46	198	187	24	20	-95	-93	1,037	949
Group Services							973	723			973	723
Inter-Group area revenue within business lines	-1	-1	-20	-22			3	4			-18	-19
Total	**5,211**	**5,554**	**2,176**	**2,385**	**2,812**	**2,914**	**1,635**	**1,424**	**-1,210**	**-1,299**	**10,623**	**10,978**
Inter-Group area revenue between business lines									-673	-505	-673	-505
Total									**-1,883**	**-1,804**	**9,950**	**10,473**

Earnings per share

	January - June	
€m	2022	**2023**
Profit for the period	596.7	782.6
Thereof attributable to non-controlling interests	55.2	63.9
Thereof attributable to Heidelberg Materials AG shareholders	541.5	718.7
Number of shares in '000s (weighted average)	191,835	186,186
Earnings per share in €	**2.82**	**3.86**
Net income from continuing operations - attributable to Heidelberg Materials AG shareholders	530.2	758.4
Earnings per share in € - continuing operations	2.76	4.07
Net income / loss from discontinued operations - attributable to Heidelberg Materials AG shareholders	11.3	-39.8
Earnings / loss per share in € - discontinued operations	0.06	-0.21

Impairments / reversals of impairment losses

Goodwill

An impairment test on goodwill in accordance with IAS 36 (Impairment of Assets) is generally performed annually within the Heidelberg Materials Group, in the fourth quarter once the operational three-year plan has been prepared or if there are indications for impairment. In this impairment test, the carrying amount of a group of cash-generating units (CGUs) to which goodwill is allocated is compared with the recoverable amount of this group of CGUs. On 30 June 2023, the management carried out an impairment review, which indicated that no impairment loss needed to be recognised.

Intangible assets and property, plant and equipment

On 30 June 2022, in view of the effects of the Russia-Ukraine war, Heidelberg Materials had conducted an impairment review of intangible assets and property, plant and equipment in Russia. This resulted in total impairments of €86.8 million. This was due to significantly higher risk premiums and interest rates, which led to an increase in the cost of capital to 28.6%. The impairment mainly related to the CGUs Cesla and HC RUS.

Assets within the CGU Cesla were impaired by €32.5 million, with a carrying amount of €53.1 million and a value in use or fair value less costs of disposal totalling €20.6 million. Assets within the CGU HC RUS were impaired by €51.1 million, with a carrying amount of €226.7 million and a value in use or fair value less costs of disposal totalling €175.7 million. Impairment losses are shown in the additional ordinary expenses.

The impairments resulting from the review are shown in the table below.

Impairment of other intangible assets and property, plant and equipment (previous period)

€m	Other intangible assets	Land and buildings	Plant and machinery	Other operating equipment	Prepayments and assets under construction	Total
Western and Southern Europe		**-1.1**				**-1.1**
Northern and Eastern Europe-Central Asia	**-3.0**	**-36.3**	**-33.9**	**-3.7**	**-10.9**	**-87.8**
Russia	-3.0	-35.8	-33.4	-3.7	-10.9	-86.8
Others		-0.5	-0.6	-0.0		-1.0
Total	**-3.0**	**-37.4**	**-33.9**	**-3.7**	**-10.9**	**-88.9**

Furthermore, in the same period of the previous year, Heidelberg Materials reversed impairment losses on assets totalling €15.0 million especially in connection with disposals of locations in the Western and Southern Europe Group area. The reversals of impairment losses related primarily to land and buildings (€7.7 million) and plant and machinery (€7.1 million).

Consolidated statement of changes in equity

The change of €-230.4 million in the currency translation reserve is essentially attributable to the devaluation of the US dollar against the euro.

In the financial year, dividends of €484.1 million (€2.60 per share) were paid to shareholders of Heidelberg Materials AG. Dividend payments to non-controlling interests are primarily the result of dividends from our Moroccan subsidiaries, amounting to €31.4 million, and from our Indonesian subsidiary, amounting to €15.3 million.

Pension provisions

The actuarial gains and losses, which are recognised directly in equity in other comprehensive income, were determined on the basis of the interest rates for the key countries applicable as at the reporting date. As at 30 June 2023, overall losses arising from the revaluation amounted to €23.4 million. These include actuarial gains relating to defined benefit obligations of €34.7 million, arising from an increase in the weighted discount rate of approximately 0.1 percentage points, as well as losses from the revaluation of the plan assets amounting to €58.1 million.

Disclosures on financial instruments

The following table shows the carrying amounts and fair values for the individual classes of financial instruments as well as the fair value hierarchies for the assets and liabilities that are measured at fair value in the balance sheet.

Carrying amounts and fair values of financial instruments

€m	Category of IFRS 9[1]	Carrying amount	Fair value	Thereof Level 1	Thereof Level 2	Thereof Level 3
30 June 2023						
Assets						
Financial investments	FVTPL	29.6	29.6	13.9		15.7
Loans and other interest-bearing receivables	AC	357.3	358.7			
Trade receivables and other receivables	AC	2,314.2	2,314.2			
Trade receivables and other receivables	FVTPL	636.4	636.4		636.4	
Cash and cash equivalents	AC	1,192.9	1,192.9			
Cash and cash equivalents	FVTPL	69.2	69.2	69.2		
Derivatives – hedge accounting	Hedge	9.2	9.2		1.4	7.8
Derivatives – held for trading	FVTPL	119.7	119.7		119.7	
Liabilities						
Bonds payable, bank loans, and miscellaneous other financial liabilities	AC	6,751.8	6,540.7			
Trade payables and miscellaneous operating liabilities	AC	3,661.0	3,661.0			
Derivatives – hedge accounting	Hedge	142.1	142.1		98.1	44.0
Derivatives – held for trading	FVTPL	43.4	43.4		43.4	
Non-controlling interests with put options	AC	83.8	83.8			
31 December 2022						
Assets						
Financial investments	FVTPL	35.8	35.8	13.3		22.5
Loans and other interest-bearing receivables	AC	254.7	259.5			
Trade receivables and other receivables	AC	1,911.9	1,911.9			
Trade receivables and other receivables	FVTPL	316.6	316.6		316.6	
Cash and cash equivalents	AC	1,412.4	1,412.4			
Cash and cash equivalents	FVTPL	41.7	41.7	41.7		
Derivatives – hedge accounting	Hedge	52.6	52.6		14.5	38.1
Derivatives – held for trading	FVTPL	71.0	71.0		71.0	
Liabilities						
Bonds payable, bank loans, and miscellaneous other financial liabilities	AC	5,735.2	5,528.0			
Trade payables and miscellaneous operating liabilities	AC	4,067.0	4,067.0			
Derivatives – hedge accounting	Hedge	152.1	152.1		106.7	45.4
Derivatives – held for trading	FVTPL	84.2	84.2		84.2	
Non-controlling interests with put options	AC	87.3	87.3			

1) AC: Amortised cost, FVTPL: Fair value through profit or loss, Hedge: Hedge accounting

For financial investments in level 1, the fair value is determined using the published price quotations as at the reporting date.

The financial investments in level 3 include participations on which Heidelberg Materials has no significant influence. The fair value measurement is mainly carried out using the multiplier method, which determines the proportionate enterprise value based on company-specific variables using EBITDA or revenue multipliers. The revaluation through profit or loss is reported in the result from other participations. With respect to possible uncertainties regarding the determination of the fair value of these financial investments, we refer to the explanations on page 234 in the Notes to the Annual and Sustainability Report 2022. During the reporting period, there were no significant changes to these explanations. The change of €6.8 million in the financial year was primarily due to the sale of a participation.

The receivables in level 2 are receivables that are intended for sale in the scope of factoring transactions. The fair values are primarily determined using the prices of recent transactions.

Cash and cash equivalents in level 1 include highly liquid money market funds whose fair value was determined by multiplying the shares by the price quotation as at the reporting date.

Derivative financial instruments designated as hedges and those held for trading include derivatives such as interest rate and currency derivatives as well as commodity derivatives for electricity, coal, and diesel. The fair values are derived from the market or determined using recognised valuation methods. In particular, currency exchange rates, interest rate curves, and raw material prices are used, which can be observed in the corresponding markets. If market prices are no longer available for long-term commodity futures, the prices available on the market are extrapolated for the valuation.

In order to reconcile the “Financial investments at fair value through profit or loss” class to the corresponding balance sheet item, participations in subsidiaries, joint ventures, and associates of minor importance totalling €58.5 million (previous year: 51.7) are to be added. The “Trade receivables and other receivables” and “Trade payables and miscellaneous operating liabilities” classes also cannot be immediately reconciled with the related balance sheet items, as these contain not only financial assets and liabilities but also non-financial assets to the amount of €1,374.5 million (previous year: 1,302.2) as well as non-financial liabilities of €817.5 million (previous year: 758.7). Lease liabilities of €1,056.2 million (previous year: 1,051.1) should be taken into account for the reconciliation of the “Bonds payable, bank loans, and miscellaneous other financial liabilities” class with the related balance sheet items.

Detailed explanations on the procedure regarding the fair value measurement according to IFRS 13 can be found on page 234 f. in the Notes to the Annual and Sustainability Report 2022. The assessment as to whether financial assets and liabilities that are accounted for at fair value are to be transferred between the levels of the fair value hierarchy will take place at the end of each reporting period. No reclassifications were carried out in the reporting period.

Related party disclosures

No reportable transactions with related parties took place in the reporting period beyond normal business relations.

Contingent liabilities

As at the reporting date, contingent liabilities amounted to €176.7 million (previous year: 199.1) and essentially concern risks related to taxes on income. The timing of the possible cash outflows for the contingent liabilities is uncertain because they depend on various external factors that remain outside Heidelberg Materials’ control. The application of taxation regulations might not yet be determined at the time that tax refund claims and liabilities are calculated. The calculation of tax items is based on the regulations most likely to be applied in each case. Nevertheless, the fiscal authorities may be of a different opinion, which could give rise to additional tax liabilities.

Events after the reporting period

There were no reportable events after the reporting period.

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, financial, and earnings position of the Group, and the interim Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Heidelberg, 27 July 2023

Heidelberg Materials AG

The Managing Board

Financial calendar 2023

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