

2021 Full Year Results

Casale Monferrato, 25 March 2022



1. 2021 Highlights

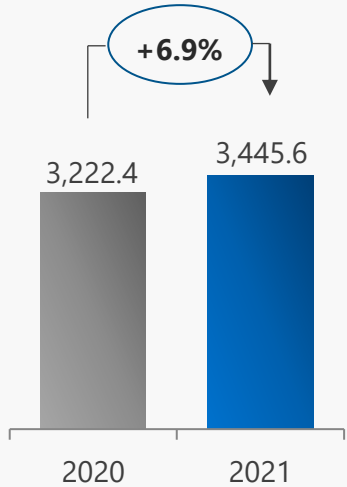
2. Trading by geographical area

3. Recent development

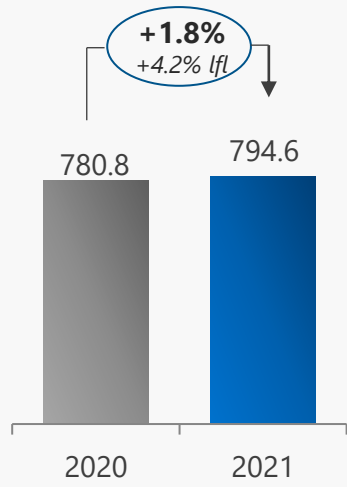
4. 2022 Outlook

2021 Highlights

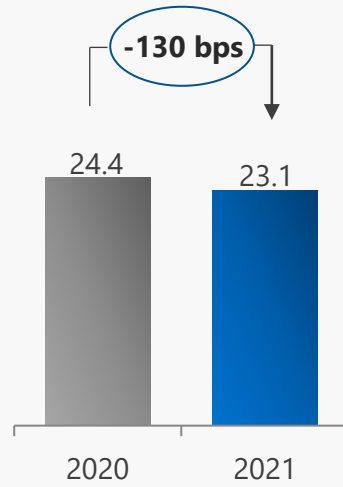
Net Sales (€m)



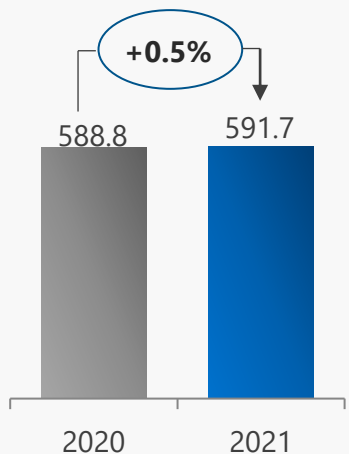
EBITDA* (€m)



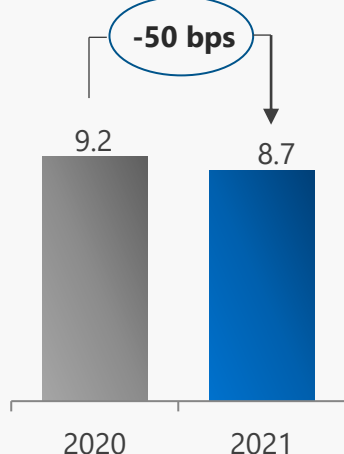
EBITDA* margin (%)



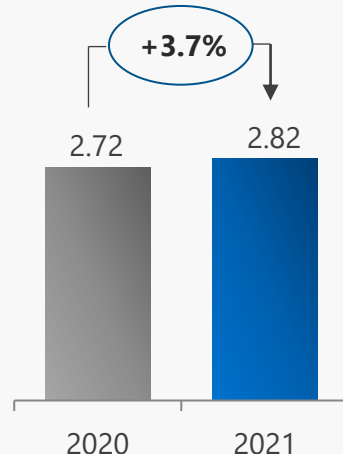
Net cash from operations (€m)



ROCE (%)



EPS (€)



*recurring

2021 in a nutshell

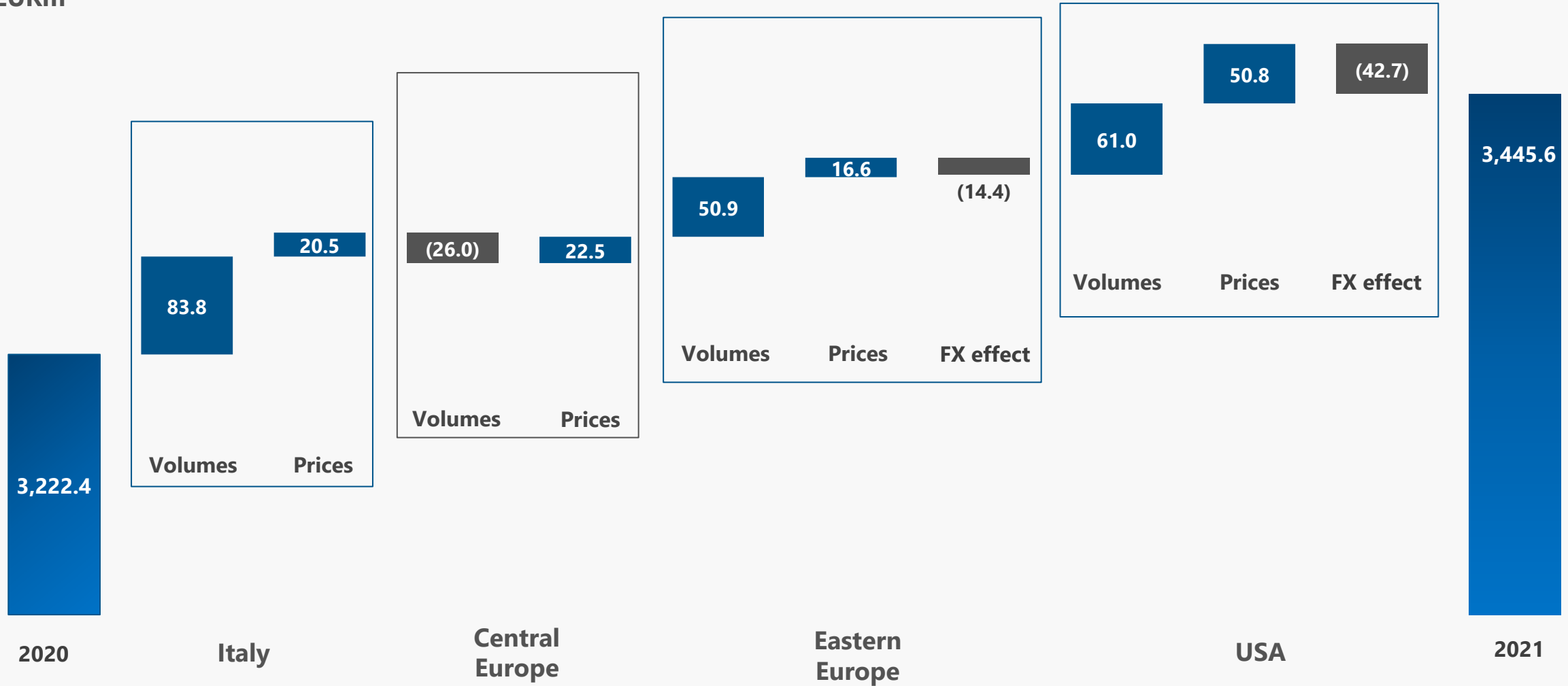
- Net Sales growth in all four regions, reaching 3,446 €m (+8.9% lfl), thanks to sound pricing and lively demand
- EBITDA growth moderately, reaching 795 €m (+4.2% lfl): stronger US, Italy and Russia offset weaker Central European markets, Poland and Ukraine
- Pressure on margins due to the spike in energy costs. EBITDA margin remains anyway higher than 2019 level
- Net cash position of €m 236 vs net debt of €m 242 at year end 2020, thanks to strong FCF and lower capex
- Generated ~592 €m of net cash from operations. Cash Conversion rate⁽¹⁾ ~ 50%
- Value generation with ROCE sharply above WACC and sector avg
- Greater focus on shareholder returns: proposed a dividend of 0.40 € per share (+60% vs 2020), almost doubling the payout ratio; completion of the buyback program

⁽¹⁾ CCR: Equity FCF/(EBITDA + inc.from associates)

Net Sales variance analysis

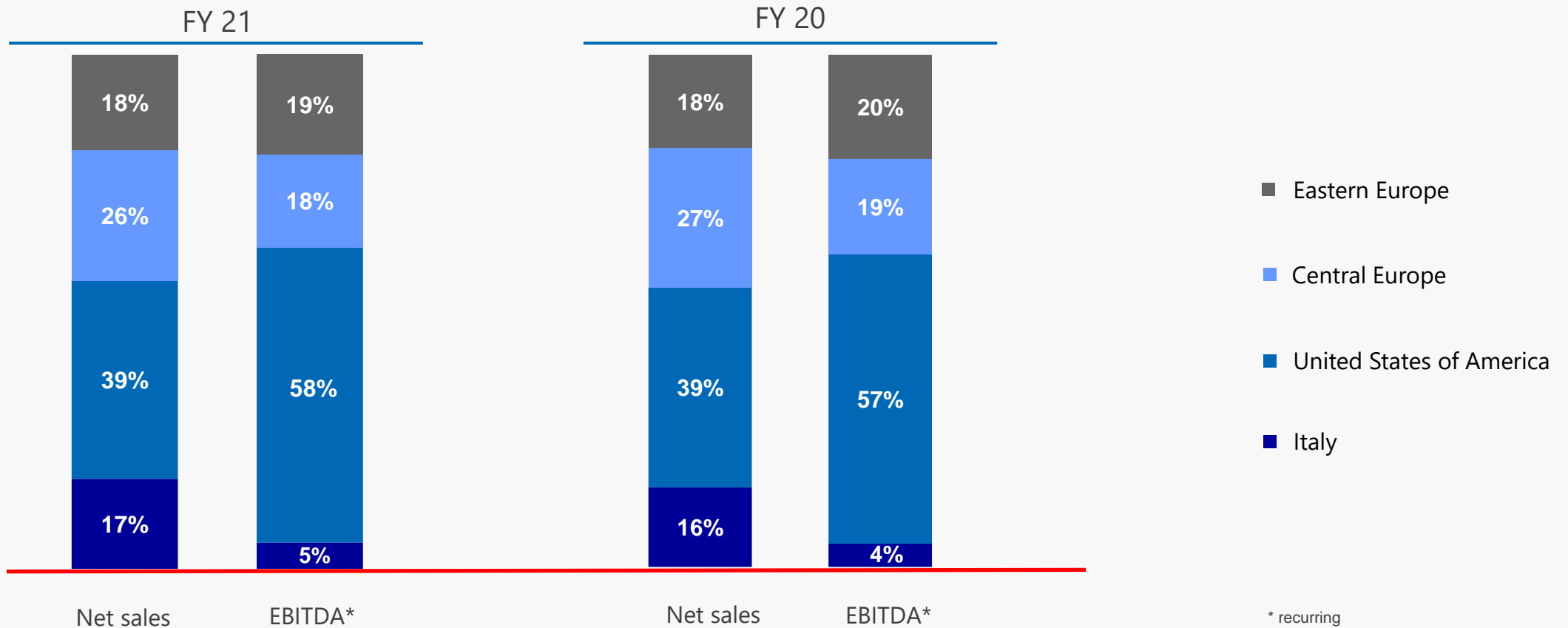


EURm

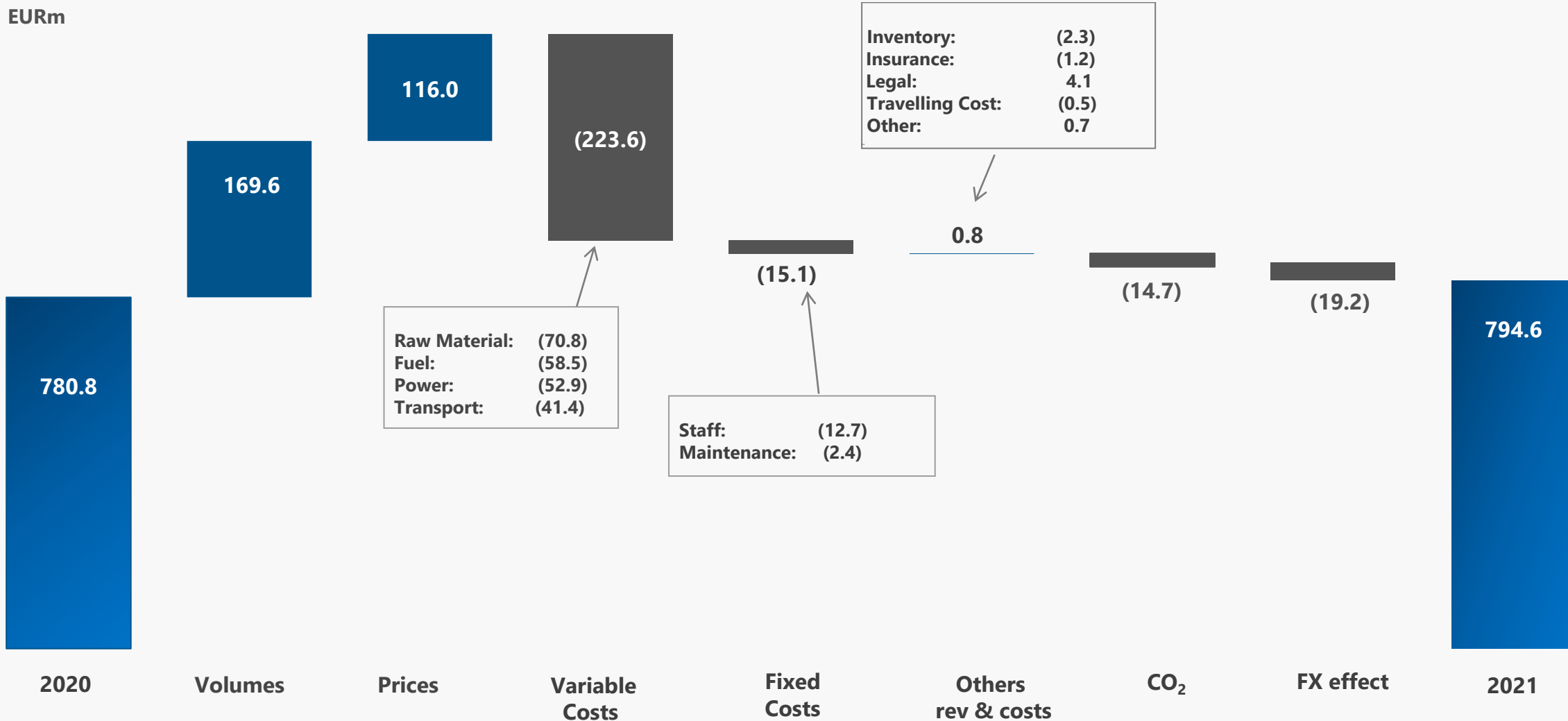


Net sales and EBITDA development

- Italy stable: volumes and prices mix not able to fully offset the spike in energy costs
- Central Europe slightly down due to weaker volumes; Eastern Europe impacted by negative fx
- Strong USA performance keeps its contribution above 55% of total EBITDA

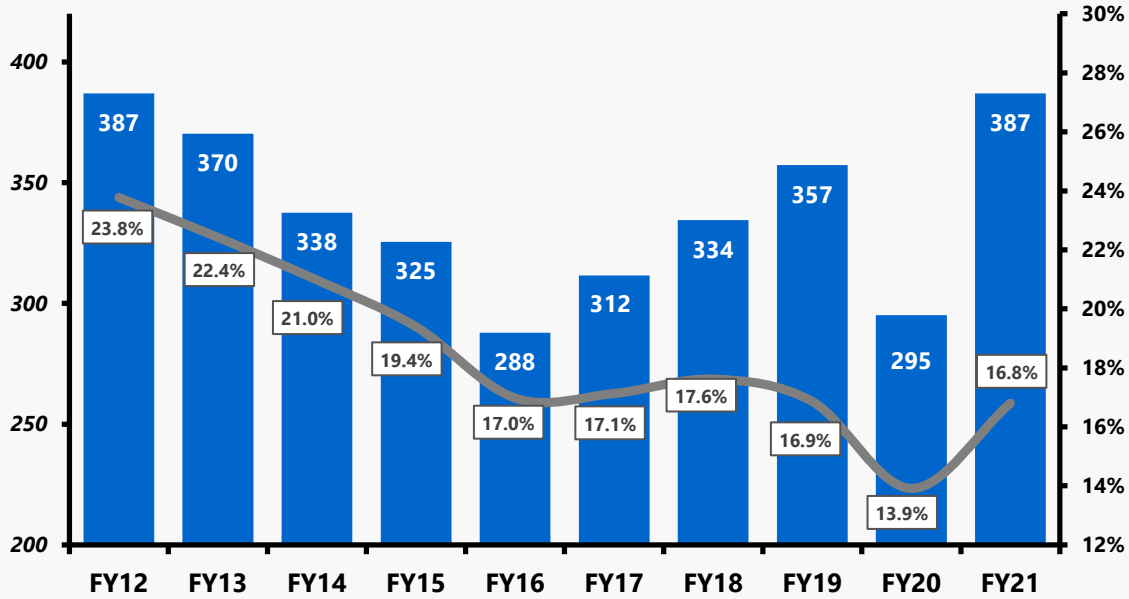


EBITDA variance analysis



Energy costs

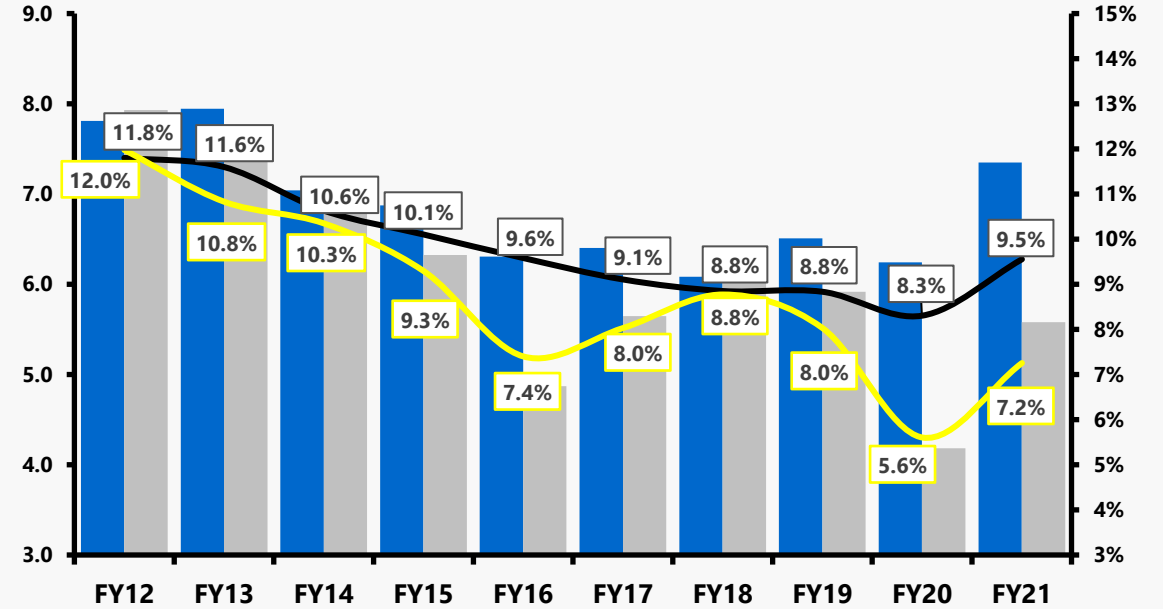
Total energy



■ Energy cost (€m) ⁽¹⁾
— Energy cost / Cement revenues

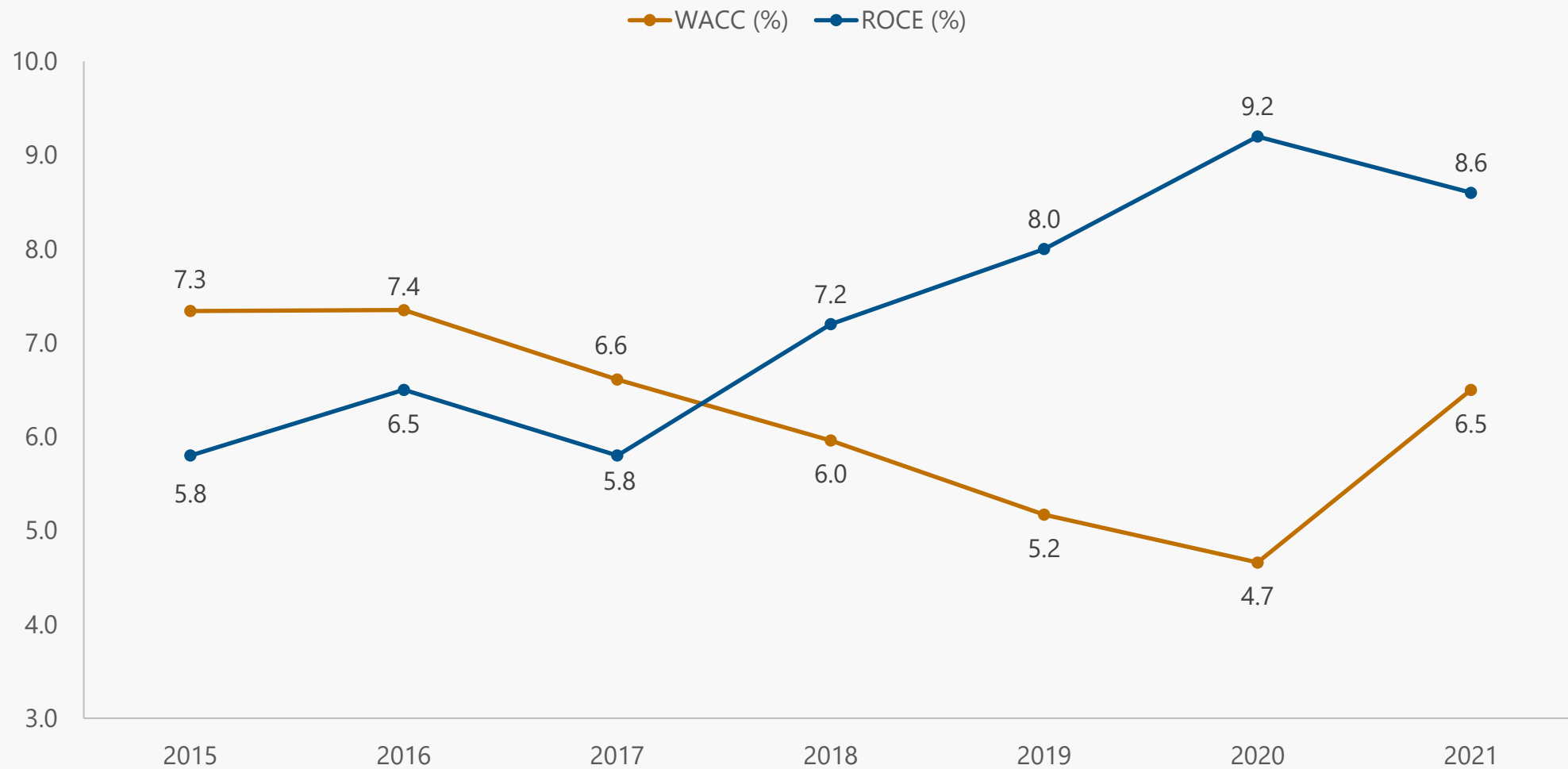
⁽¹⁾ only cement production

Power & Fuel



■ Power cost ⁽¹⁾ (€/ton)
■ Fuel cost ⁽¹⁾ (€/ton)
— Power cost / revenues (%)
— Fuel cost / revenues (%)

Value generation: ROCE vs WACC



2. Trading by geographical area

Trading by geographical region – Italy and USA

Italy

- Demand has remained strong, driven by residential renovation and public works
- Positive volume and price effect but higher production costs, mainly energy
- Rebound of Net Sales and EBITDA, also thanks to easy comps (lockdown in 2020)

United States of America

- Good demand, driven by the residential sector
- Operating at optimal capacity utilization levels almost in every plant
- Positive volumes and pricing mix but not able to fully offset higher energy costs (mainly fuels)
- Negative impact from FX on Net sales (-47.1 €m) and EBITDA (-16.1 €m)

EURm	2021	2020	Δ%	Δ lfl %
Net Sales	604.7	501.1	+20.7	-
EBITDA	40.8	33.8	+20.7	-
EBITDA* margin (%)	6.8	7.1		

EURm	2021	2020	Δ%	Δ lfl %
Net Sales	1,329.6	1,260.6	+5.5	+9.2
EBITDA	455.1	444.2	+2.4	+6.1
EBITDA* margin (%)	34.3	35.2		

*recurring

Trading by geographical region – Central and Eastern Europe

Central Europe

- Weak cement and ready-mix volumes due to unfavorable climate, especially in the summer period, in Germany. Good recovery in Luxembourg.
- Favorable trend for selling prices, particularly in Germany
- Higher energy volatility mitigated by lower exposure to fossil fuels thanks to elevated AFs utilization
- Higher CO₂ cost (€m 23.6 in 2021 vs €m16.5 in 2020)

Eastern Europe

- Overall good growth of cement volumes in the area. Higher oil prices pushed up demand for oil-well cement in Russia
- Slight growth of average selling prices in local currency
- Power and fuels inflation contained in H2, except in Ukraine. Higher CO₂ cost
- Negative impact from FX on Net Sales (€m -15.6) and EBITDA (€m -3.0)

EURm	2021	2020	Δ%	Δ lfl %
Net Sales	880.3	878.5	+0.2	-
EBITDA	144.0	145.6	-1.1	-
EBITDA* margin (%)	15.8	16.0		

EURm	2021	2020	Δ%	Δ lfl %
Net Sales	637.2	587.0	+8.5	+11.0
EBITDA	154.5	156.9	-1.5	+0.4
EBITDA* margin (%)	24.2	27.1		

*recurring

Trading by geographical region – Mexico and Brazil

Mexico

- Solid demand driven by residential and public works.
- Favorable variance for selling prices but higher fuel costs
- EBITDA margin worsening but still the best in the group

EURm	2021	2020	Δ%	Δ lfl %
Net Sales (100%)	661.6	573.8	+15.3	+12.8
EBITDA (100%)	282.7	265.0	+6.7	+4.3
EBITDA* margin (%)	42.7	46.2		

Brazil

- Good level of activity in the construction sector during 2021
- Cement volumes up (+53.6%) thanks to the change in scope
- Solid growth of average selling prices in local currency
- Higher energy costs (mainly power)
- Negative impact from FX on Net Sales (20.8 €m) and EBITDA (6.6 €m)

EURm	2021	2020	Δ%	Δ lfl %
Net Sales (100%)	253.4	139.1	+82.2	+32.4
EBITDA (100%)	80.9	48.0	+68.7	+33.6
EBITDA* margin (%)	31.9	34.5		


*recurring

4. Recent development

Industrial Partnership with Italgas (January 2022)

- Signed a MoU with Italgas, the leading gas distributor in Italy, aiming to promote the decarbonization of cement and concrete production processes
- Agreement based on the feasibility study of setting up Power-to-Gas systems in combination with carbon capture systems at production plants deemed most suited to the project

Reducing clinker in cement

- 
- **C Green: our cutting edge, CO2 efficient cement** (February 2022)
 - New product line dedicated to Italian and German market
 - The CGreen line was developed by selecting suitable active additions, partially replacing clinker, optimizing grinding and mixing conditions and using new generation additives, at the same time keeping the required technical performance.
 - **Full transition to Type IL (PLC) cement in USA** (March 2022)
 - By the end of 2022, we will implement the full conversion from traditional Type II and II cements (OPC) to Type IL (PLC) cement in all our plants
 - Type IL (PLC) cement can reduce the CO2 emissions up to 15% in comparison with traditional cement

4. 2022 Outlook

2022 EBITDA recurring: What to expect

We expected the activity in the construction sector to remain stable with overall flat cement volumes.

Double digit increases in cement prices in Europe and US should offset the significant cost inflation regarding energy cost, CO2 cost and raw materials. For 2022, we expected EBITDA in euro to grow moderately, thanks to stronger US, Italy and Eastern Europe.

Recent geopolitical tensions in Ukraine and Russia have immediately added risks to the macroeconomic scenario for 2022, impacting raw materials and energy prices and changing the view of a decline of these prices in the second half of this year.

High level of uncertainty in forecasting the impact on the group EBITDA for 2022:

- **Italy:** potential negative impact on volumes due to high inflation and shortage of raw materials. 2nd round of price increases needed to offset higher costs
- **Central and Eastern Europe:** lower inflation on energy costs thanks to higher thermal substitution rate. Easier to offset higher production costs with price increases
- **USA:** demand to remain lively and to support prices, able to offset higher energy costs (fuels in particular)
- **Ukraine:** Production and commercial activities shutted down since the war outbreak. Negative operating results expected for 2022
- **Russia:** cement demand to slowdown, due to the highly probable recession in the economy. Operating results could have halved, due also to weaker ruble
- **Mexico and Brazil:** Better operating results in Brazil. In Mexico, higher selling prices but possibly not sufficient to offset fuel cost inflation

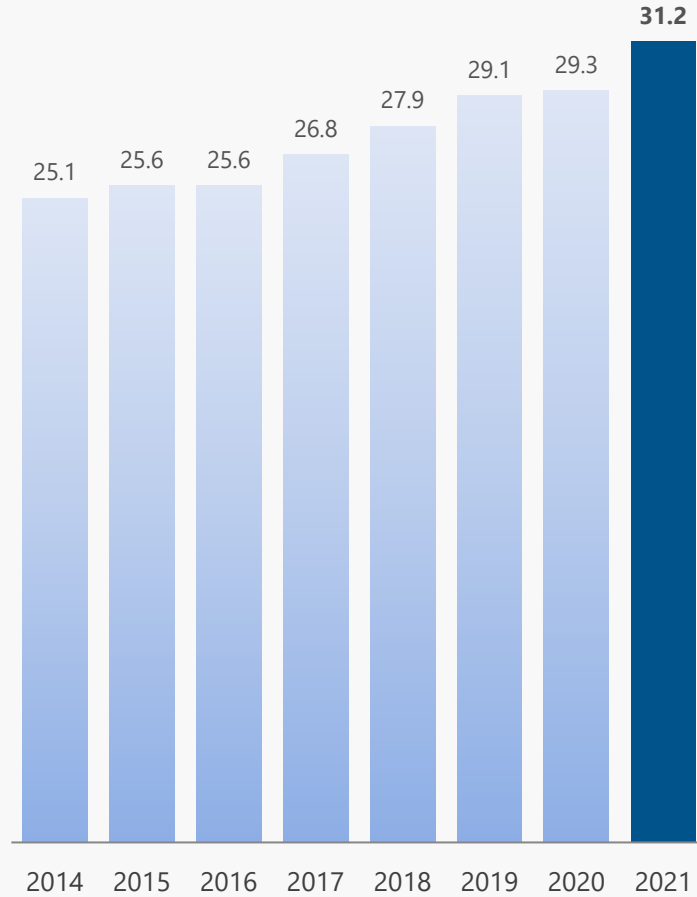
For the full year 2022, we expect EBITDA to decline by 10% vs 2021 (€m 795 in 2021)

Appendix

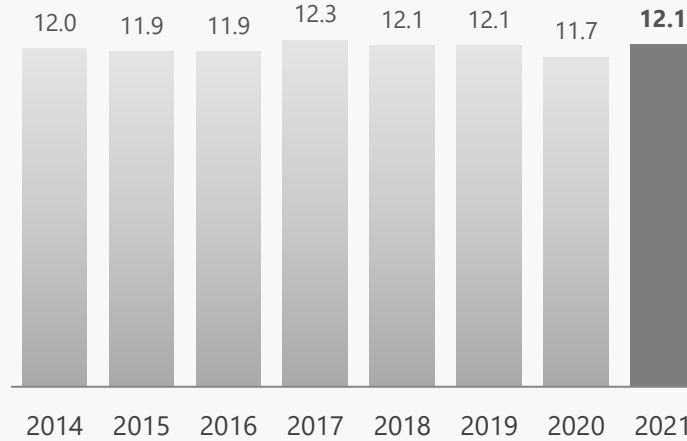
Volumes



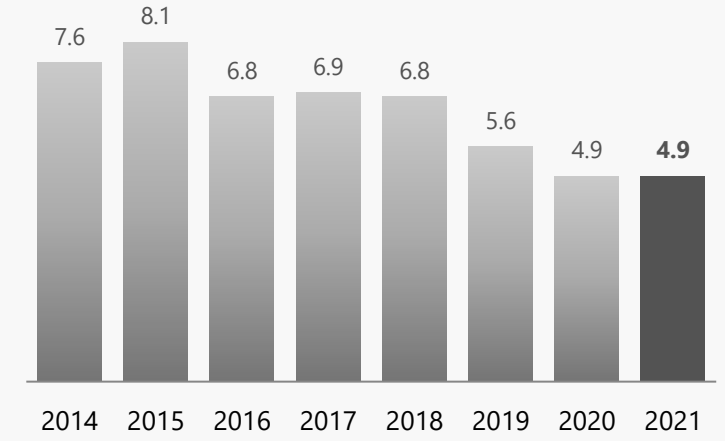
Cement (m ton)



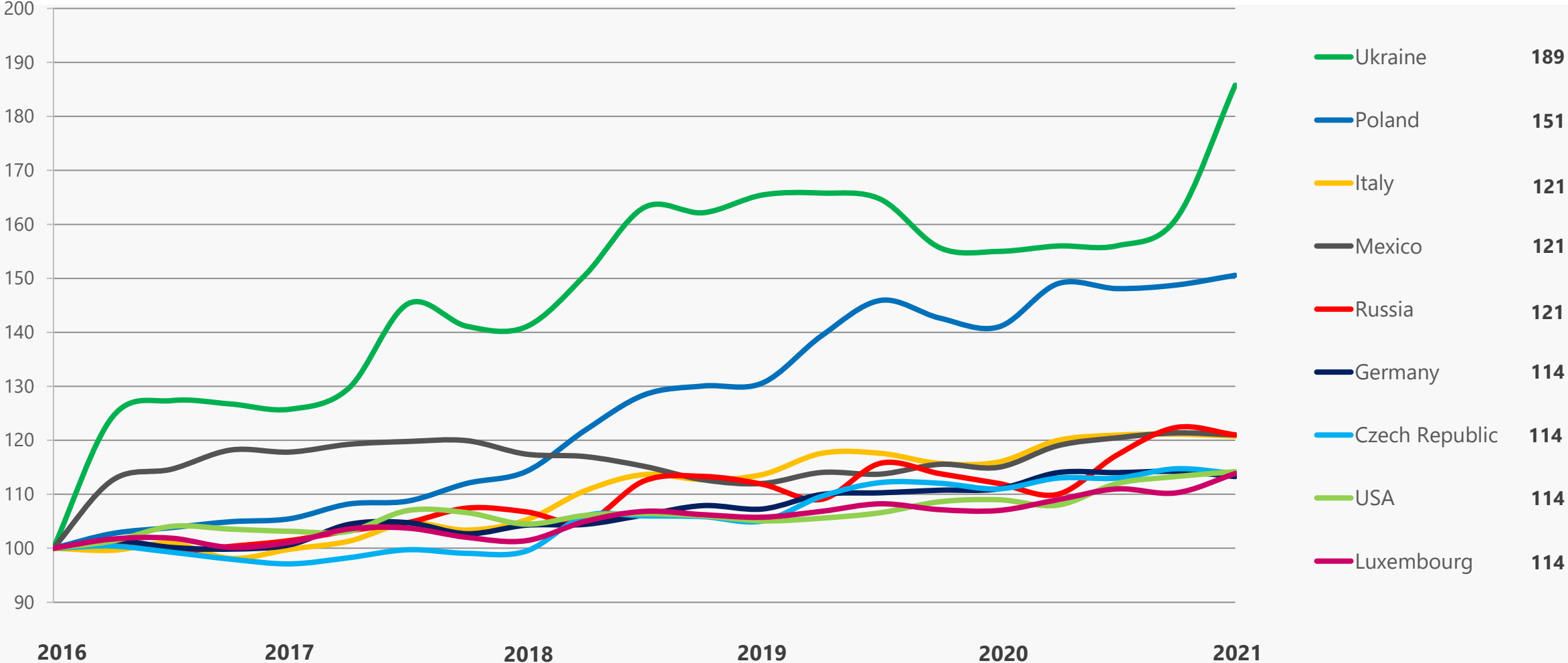
Ready-mix concrete (m m3)



Aggregates (m ton)










Price Index by country (FY 2016=100)













FX changes













		2021	2020	Δ	2019	Current
EUR 1 =		avg	avg	%	avg	
	USD	1.18	1.14	-3.5	1.12	1.10
	RUB	87.15	82.72	-5.4	72.46	110.0
	UAH	32.26	30.85	-4.6	28.92	32.14
	CZK	25.64	26.46	3.1	25.67	24.61
	PLN	4.57	4.44	-2.8	4.30	4.71
	MXN	23.99	24.52	2.2	21.56	22.20
	BRL	6.38	5.89	-8.2	4.41	5.39

Net sales by country

	2021	2020	Δ	Δ	FX	Scope	Δ I-f-I
EURm			abs	%	abs	abs	%
 Italy	604.7	501.1	103.6	+20.7	-	-	+20.7
 United States	1,329.6	1,260.6	69.0	+5.5	(47.1)	-	+9.2
 Germany	708.1	717.0	(8.9)	-1.2	-	-	-1.2
 Lux / Netherlands	201.1	191.7	9.4	+4.9	-	(0.3)	+5.1
 Czech Rep / Slovakia	177.5	159.5	18.0	+11.3	4.8	-	+8.3
 Poland	126.4	117.8	8.6	+7.3	(3.5)	-	+10.3
 Ukraine	127.0	116.1	11.0	+9.4	(5.8)	-	+14.4
 Russia	207.4	195.8	11.6	+5.9	(11.1)	-	+11.6
<i>Adjustments</i>	<i>(36.2)</i>	<i>(37.1)</i>	<i>0.8</i>				
Total	3,445.6	3,222.4	223.1	+6.9	(62.7)	(0.3)	+8.9
 Mexico (100%)	661.6	573.8	87.8	+15.3	14.4	-	+12.8
 Brazil (100%)	253.4	139.1	114.3	+82.2	(20.8)	83.2	+32.4

EBITDA by country

	2021	2020	Δ	Δ	Forex	Scope	Δ I-f-I
EURm			abs	%	abs	abs	%
 Italy	40.8	33.8	7.0	+20.7	-	-	+20.7
 United States*	455.1	444.2	10.9	+2.4	(16.1)	-	+6.1
 Germany	127.5	123.8	3.6	+2.9	-	-	+2.9
 Lux / Netherlands	16.5	21.7	(5.3)	-24.2	-	(0.1)	-24.5
 Czech Rep / Slovakia	51.3	46.8	4.5	+9.7	1.6	-	+6.3
 Poland	31.3	35.3	(4.0)	-11.3	(0.9)	-	-8.9
 Ukraine	13.3	21.9	(8.6)	-39.1	(0.6)	-	-36.3
 Russia	58.6	52.9	5.6	+10.7	(3.1)	-	+16.6
<i>Adjustments</i>	<i>0.2</i>	<i>0.2</i>					
Total	794.6	780.8	13.8	+1.8	(19.2)	(0.1)	+4.2
 Mexico (100%)	282.7	265.0	17.7	+6.7	6.2	-	+4.3
 Brazil (100%)	80.9	48.0	33.0	+68.7	(6.6)	21.7	+33.6

* Thereof -1.3 EURm non recurring

Consolidated Income Statement



	2021	2020	Δ	Δ
EURm			abs	%
Net Sales	3,445.6	3,222.4	223.1	+6.9
EBITDA	794.6	780.8	13.8	+1.8
of which, non recurring	-	-		
% of sales (recurring)	23.1%	24.2%		
Depreciation and amortization	(249.0)	(256.9)	7.9	
Operating Profit (EBIT)	545.6	523.9	21.7	+4.1
% of sales	15.8%	16.3%		
Equity earnings	124.1	176.7	(52.6)	
Net finance costs	(34.4)	(0.3)	(34.1)	
Profit before tax	635.3	700.3	(65.0)	-9.3
Income tax expense	(93.0)	(139.8)	46.8	
Net profit	542.3	560.5	(18.2)	-3.2
Minorities	(0.4)	(0.2)	(0.2)	
Consolidated net profit	541.9	560.2	(18.3)	-3.3

Consolidated Cash Flow Statement

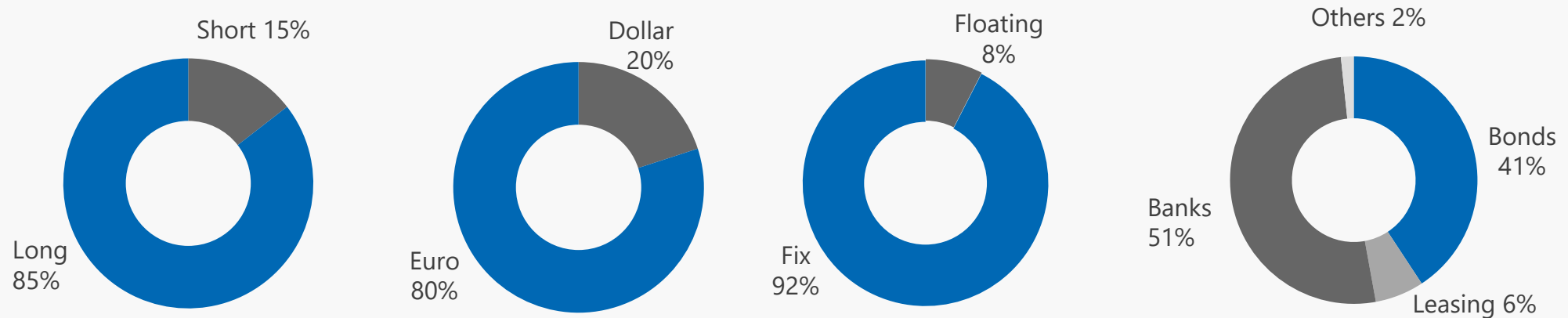
EURm	2021	2020
Cash generated from operations	752.4	743.9
<i>% of sales</i>	<i>21.8%</i>	<i>23.1%</i>
Interest paid	(26.3)	(29.2)
Income tax paid	(134.4)	(125.9)
Net cash by operating activities	591.7	588.8
<i>% of sales</i>	<i>17.2%</i>	<i>18.3%</i>
Capital expenditures	(214.4)	(228.1)
Equity investments *	(3.2)	(11.2)
Payments for purchase of treasury shares	-	(7.3)
Dividends paid	(191.9)	(32.0)
Extraordinary dividend	143.3	(144.1)
Dividends received from associates	59.8	198.2
Disposal of fixed assets and investments	39.6	14.1
Translation differences and derivatives	43.8	(68.3)
Accrued interest payable	1.0	0.2
Interest received	10.8	10.5
Change in scope of consolidation and other	(3.1)	5.4
Change in net debt	477.2	326.1
Net financial position (end of period)	235.5	(241.6)

* Including 8.8 EURm for squeeze-out of Dyckerhoff minority interest in 2020

Net Financial Position

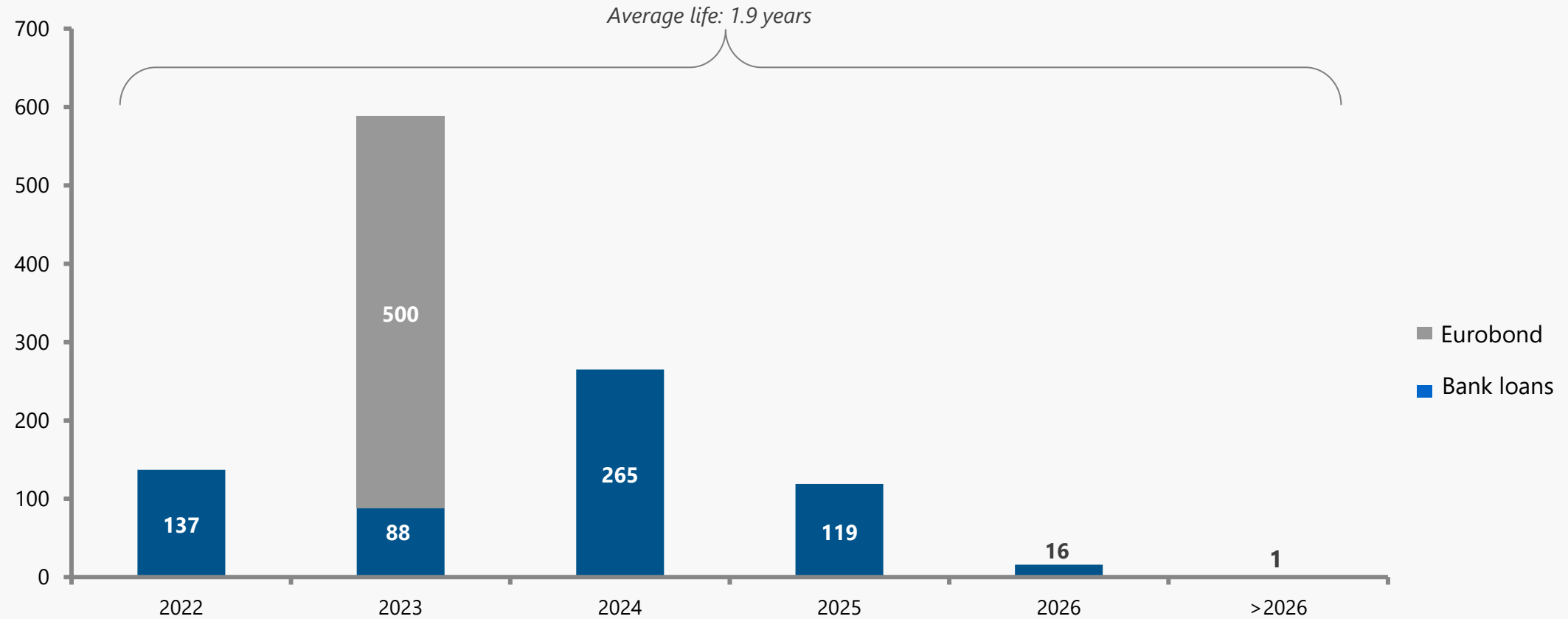
EURm	Dec 21	Dec 20	Δ abs	Dec 19
Cash and other financial assets	1,207.5	1,220.9	(13.4)	840.9
Short-term debt	(155.1)	(214.2)	59.1	(72.3)
Short-term leasing	(22.5)	(21.4)	(1.1)	(22.5)
Net short-term cash	1,029.9	985.3	44.6	746.1
Long-term financial assets	252.3	11.0	241.3	2.9
Long-term debt	(990.9)	(1,173.3)	182.4	(1,242.1)
Long-term leasing	(55.8)	(64.6)	8.7	(74.7)
Net debt	235.5	(241.6)	477.1	(567.8)

Gross debt breakdown (1,224.3 €m)



Debt maturity profile

- Total nominal value of debt and borrowings stood at EURm 1,126 at December 2021
- As at December 2021 available EURm 204 of undrawn committed facilities (EURm 197 for Buzzi Unicem, EURm 7 for Dyckerhoff)



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