ANNUAL REPORT

2018

HEIDELBERGCEMENT

Financial highlights

Figures in €m	2012	2013 [4]	2014	2015	2016 [5]	2017	2018
Number of employees as at 31 December	51,966	45,169	44,909	45,453	60,424	59,054	**57,939**
Sales volumes							
Cement and clinker (million tonnes)	89.0	78.1	81.8	81.1	102.8	125.7	**129.9**
Aggregates (million tonnes)	243.0	230.6	243.6	249.2	272.0	305.3	**309.4**
Ready-mixed concrete (million cubic metres)	39.1	34.9	36.6	36.7	42.5	47.2	**49.0**
Asphalt (million tonnes)	8.6	8.4	9.3	9.1	9.4	9.6	**10.3**
Income statement							
Total Group revenue	14,020	12,128	12,614	13,465	15,166	17,266	**18,075**
Result from current operations before depreciation and amortisation (RCOBD [1])	2,477	2,224	2,288	2,613	2,887	3,297	**3,074**
Result from current operations (RCO [2])	1,604	1,519	1,595	1,846	1,928	2,188	**1,984**
Profit for the financial year	529	933	687	983	831	1,058	**1,286**
Group share of profit	285	736	486	800	657	918	**1,143**
Dividend per share in €	0.47	0.60	0.75	1.30	1.60	1.90	**2.10** [3]
Earnings per share in €	1.52	3.93	2.59	4.26	3.40	4.62	**5.76**
Investments							
Investments in intangible assets and PP&E	831	861	941	908	1,040	1,035	**1,061**
Investments in financial assets	35	379	184	94	2,999	242	**663**
Total investments	866	1,240	1,125	1,002	4,039	1,278	**1,723**
Depreciation and amortisation	873	704	693	767	959	1,109	**1,090**
Free cash flow							
Cash flow from operating activities	1,513	1,167	1,480	1,449	1,874	2,038	**1,968**
Cash flow from investing activities	-582	-1,037	-973	493	-2,321	-837	**-1,134**
Balance sheet							
Equity (incl. non-controlling interests) [6]	13,708	12,514	14,245	15,976	17,792	15,987	**16,822**
Balance sheet total	28,008	26,276	28,133	28,374	37,120	34,558	**35,783**
Net debt	7,092	7,352	6,957	5,286	8,999	8,695	**8,367**
Ratios							
RCOBD [1] margin	17.7 %	18.3 %	18.1 %	19.4 %	19.0 %	19.1 %	**17.0 %**
RCO [2] margin	11.4 %	12.5 %	12.6 %	13.7 %	12.7 %	12.7 %	**11.0 %**
Net debt/equity (gearing) [6]	51.7 %	58.7 %	48.8 %	33.1 %	50.6 %	54.4 %	**49.7 %**
Net debt/RCOBD	2.86x	3.31x	3.04x	2.02x	3.12x	2.64x	**2.72x**

1) RCOBD = Result from current operations before depreciation and amortisation
2) RCO = Result from current operations
3) The Managing Board and Supervisory Board will propose to the Annual General Meeting on 9 May 2019 the distribution of a cash dividend of €2.10.
4) Amounts were restated after deconsolidation of the joint ventures (IFRS 11)
5) Amounts were restated: final purchase price allocation for Italcementi and Mibau
6) 2017 amounts were restated see the Notes: Other changes, page 130

Overview of Group areas

Figures in €m	2017	2018
Western and Southern Europe		
Revenue	4,701	**4,936**
Result from current operations before depreciation and amortisation	613	**590**
Investments in property, plant and equipment	327	**389**
Employees as at 31 December	15,497	**15,903**
Northern and Eastern Europe-Central Asia		
Revenue	2,836	**2,916**
Result from current operations before depreciation and amortisation	539	**575**
Investments in property, plant and equipment	144	**134**
Employees as at 31 December	13,531	**12,515**
North America		
Revenue	4,345	**4,262**
Result from current operations before depreciation and amortisation	1,160	**988**
Investments in property, plant and equipment	274	**267**
Employees as at 31 December	8,726	**8,750**
Asia-Pacific		
Revenue	3,155	**3,262**
Result from current operations before depreciation and amortisation	652	**601**
Investments in property, plant and equipment	209	**196**
Employees as at 31 December	14,039	**14,086**
Africa-Eastern Mediterranean Basin		
Revenue	1,586	**1,667**
Result from current operations before depreciation and amortisation	367	**370**
Investments in property, plant and equipment	81	**69**
Employees as at 31 December	6,856	**6,214**
Group Services		
Revenue	1,301	**1,754**
Result from current operations before depreciation and amortisation	31	**33**
Investments in property, plant and equipment		**6**
Employees as at 31 December	405	**472**

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1) Part of the combined management report of HeidelbergCement Group and HeidelbergCement AG

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Dr. Bernd Scheifele, Chairman of the Managing Board

Dear Shareholders, Dear Employees and Friends of HeidelbergCement,

In 2018, HeidelbergCement achieved most of its goals in an operationally challenging environment:

- Sales volumes and revenue reached new historic highs, despite considerable negative exchange rate effects.
- Earnings per share increased significantly again by 25 %.
- Net debt was noticeably reduced.
- Once more, we earned a premium on our cost of capital.

Unfortunately, we had to adjust an important goal in October: instead of achieving moderate growth in the result from current operations, we had to accept a slight decline on a comparable basis. This first profit warning under my leadership was a major disappointment for me personally. In the end, the operational headwinds were too strong: increases in prices and sales volumes, as well as efficiency improvements, were unable to fully compensate for poor weather conditions, particularly in our core markets in North America, a stronger-than-expected increase in energy and electricity costs, and lower-than-planned income from the sale of depleted quarries.

It is part of our corporate culture to respond promptly and decisively to these kinds of developments. Therefore, on the basis of the results for the third quarter, we initiated an action plan focusing on three levers – portfolio optimisation, operational excellence, as well as cash flow and shareholder return – and are already seeing the first successes.

For the capital market too, 2018 was a difficult year. In view of the increased risks, investors sought security, withdrawing capital from the European stock exchanges in particular. Cyclical stocks were especially affected and thus also the HeidelbergCement share, which was unable to withstand the generally heavy price slump in the fourth quarter and, with a drop of 41%, lost significantly more value in 2018 than the German benchmark index DAX (-18%). This price collapse reflects neither the development of results nor the potential of our company.

Our anchor shareholder, my colleagues in the Managing Board, and I have purchased shares since these events, thereby showing our confidence in the further development of our company. Thanks to the measures that have been taken, our share price recovered substantially again in the first two months of 2019.

2018: revenue and profit for the financial year continue to grow – solid cash flow
In its 145-year history, HeidelbergCement has never sold more cement, concrete, sand, and gravel than in 2018. Thanks to robust demand in many markets, new record figures for sales volumes and revenue were achieved.

For the first time, Group revenue exceeded €18 billion and thus grew by 5 %. On a comparable basis, revenue increased by as much as 8 %.

In contrast, the result from current operations before depreciation and amortisation (RCOBD) fell by 7 % to €3.1 billion. The decline amounted to 2 % on a comparable basis. Worldwide, our operating units faced a rapid and noticeable rise in energy prices. Furthermore, the strength of the euro led to considerable foreign exchange losses.

An overview of our Group areas shows:

- North America: decline in results due to adverse weather conditions and margin pressure in the North region,
- Western and Southern Europe: slight decrease in results due to inflation and currency losses in the United Kingdom; positive development of results in continental Europe and overall strong development in the fourth quarter,
- Northern and Eastern Europe-Central Asia: significant increase in results thanks to good development in Norway, Sweden, and particularly in Poland, Czechia, and Hungary,
- Asia-Pacific: result fell below the previous year, but a clearly positive trend emerged in the second half of the year, especially in Indonesia and Thailand; Australia at a high level,
- Africa-Eastern Mediterranean Basin: increase in results in a difficult market environment; good development in Ghana, Tanzania, and – contrary to the market trend – in Egypt.

The additional ordinary result improved considerably by €241 million in 2018. This primarily reflects the lower restructuring costs following the successful integration of Italcementi and the increased income from the optimisation of our portfolio.

The financial result rose by €52 million to €-367 million. We reduced our interest expenses further by refinancing our maturities at more favourable conditions.

The positive development of the additional ordinary result and financial result as well as lower income taxes more than offset the decline in the operating result. The profit for the financial year rose by €228 million to €1.3 billion. The development of the earnings per share was particularly pleasing; it improved significantly by 25 % from €4.62 to €5.76.

The cash flow developed positively also in 2018. HeidelbergCement generated sufficient cash to pay a full dividend, reduce liabilities by €328 million, and strengthen market positions by means of substantial investments in growth. This is not a matter of course for other companies.

In view of the positive development of our business and the considerable growth in profit for the financial year, the Managing Board and Supervisory Board will propose to the Annual General Meeting on 9 May 2019 an increase in the dividend from €1.90 per share to €2.10 per share. This is a new record figure in the history of HeidelbergCement and corresponds to a rise of 11 %. With the ninth consecutive increase, we are continuing our progressive dividend policy. This is a testament to our continuity, reliability, and long-term orientation.

Continuing portfolio optimisation

In 2018, we continued to consistently optimise our global portfolio. We sold several activities that did not meet our return requirements or were not part of our core business. This included the sale of our sand-lime brick business in Germany, white cement production in the USA, and our shares in a cement plant in Syria and another in Quebec, Canada. We also disposed of a number of assets of Italcementi that were not considered essential for operational purposes. The disposals generated proceeds of almost €600 million. This means that we are well on the way towards achieving our goal of generating €1.5 billion from divestments by the end of 2020.

At the same time, we further expanded our market positions and vertical integration in key countries thanks to a series of acquisitions. With the purchase of Cementir Italia, Italcementi has continued to strengthen its market leadership in Italy and has laid the foundation for additional synergies. In Australia, we acquired the Alex Fraser Group, a leading producer of recycled building materials and asphalt, and we thus strengthened our market position in the metropolitan regions of Melbourne and Brisbane.

Sustainability and innovation

Sustainable business is an integral part of our Group strategy. In 2018, we concentrated on the key topics of our Sustainability Commitments 2030, focusing in particular on occupational safety, fighting against climate change, and the fourth edition of our biodiversity competition, the Quarry Life Award.

In 2018, we decreased the accident frequency rate across the Group by 12 %. We are working continuously to minimise the risks for our employees, contractors, and third parties and to achieve our goal of zero harm.

HeidelbergCement has made a commitment to accept its share of the worldwide responsibility to limit the global rise in temperature to below 2° C. Innovations at product and technology level play an important role in achieving this goal. In our industry, we hold a leading position in the development of technologies to capture and recycle CO_2 emissions (CCU/CCS). For example, we are working with RWTH Aachen University and the Institute for Advanced Sustainability Studies (IASS) in Potsdam, both in Germany, on a highly promising project for CO_2 storage (carbonation) in natural materials and concrete dusts. Moreover, with TernoCem®, we have established the basis for an alternative clinker technology that saves around 30 % in CO_2 emissions and 15 % in energy compared with conventional clinker. Our vision is to offer a CO_2-neutral concrete by 2050. In 2018, CDP (formerly the Carbon Disclosure Project) named us the best company in our sector on account of our transparency and pioneering role.

In December 2018, the final round of our fourth international research and education competition, the Quarry Life Award, took place. We received more than 300 project proposals from 25 countries. By running this competition, we support innovative approaches to the exploration and promotion of biodiversity in quarries and aggregate pits.

Digitalisation

Digitalisation is increasingly changing the way in which companies manage and optimise their processes and cooperate with their customers. HeidelbergCement is on track to actively shape this change. In 2017, we modernised our IT structures and repositioned ourselves for the future topics of digital transformation and digital disruption, regarding our organisation and personnel. In 2018, we launched the myCRETE X app for the ready-mixed concrete business in North America. The app can be used to process orders and track deliveries in real time.

We have also pressed ahead with the development of our online portal for all core business lines and plan to go live in 2019. In addition, we are active in the area of digital ventures in order to support and market attractive ideas. When it comes to digitalisation, we place particularly high value on involving managers and employees in these change processes from the outset and preparing them adequately for the new challenges.

Thanks to our employees

HeidelbergCement's employees worldwide had to face many new and unexpected challenges in 2018. On behalf of the entire Managing Board, I would like to take this opportunity to thank them for their outstanding personal dedication and unconditional loyalty to our Group. Special thanks also go to the employee representatives, who in line with the HeidelbergCement philosophy cooperated very closely, openly, and trustingly with the Managing Board for the benefit of our Group.

Strategic priorities remain unchanged

Our strategic focal points remain unchanged:

- Shareholder returns
- Continuous growth

To achieve these goals, we rely on operational excellence in our day-to-day business, disciplined growth and vertical integration, a solid investment grade, as well as an increase in our cash flow to ensure that we can offer our shareholders attractive returns.

Sustainability in our activities is important to us: for our shareholders, customers, employees, suppliers, and business partners, for society, and for preserving the environment. Consequently, we integrate economic, ecological, and social goals into our business strategy, which are also reflected in the individual goals of the members of the Managing Board.

From 2014 to 2018, the average annual growth of our earnings per share was 22 %, significantly higher than the revenue growth of 9 %. With dividend growth of 29 % per year, we offered our shareholders a disproportionately high share of this value enhancement.

Action plan initiated to strengthen cash flow and margins

In November, we launched an action plan to strengthen cash flow and margins. On the one hand, this was triggered by the disappointing development of margins and the potential in administrative and distribution costs that we had identified by means of an analysis. On the other hand, we are taking into account the changed expectations of the capital market with regard to risk minimisation and the safeguarding of returns. The action plan focuses on three levers:

- Portfolio optimisation: assessment of further optimisation potential in combination with accelerated implementation.
- Operational excellence: launch of a new efficiency programme focusing on selling and administrative expenses and a savings target of €100 million over the next two years.
- Cash flow and shareholder return: adjust investment hurdle rate to share buyback valuation. Limit growth investments to an average of €350 million per year over the next two years.

I am optimistic that these measures will enable us to fulfil our strategic goal of creating value for our shareholders. The initial feedback received from the capital market is positive.

Successor planning in the Managing Board – setting a course for the future
Another characteristic of well-managed companies is their timely succession planning for top management positions. When my third period of office comes to an end, I will hand over the chairmanship of the Managing Board to Dr. Dominik von Achten as planned on 1 February 2020. The Supervisory Board has also extended the contract of Dr. Lorenz Näger until May 2022. As the Chief Financial Officer for many years and the new Deputy Chairman of the Managing Board, he represents continuity in a period of change. I am pleased that with Dr. von Achten, we have an extremely competent and experienced successor from within our own ranks as Chairman of the Managing Board. He proved his strong competencies with his management of the Group areas North America and Western and Southern Europe and with the successful integrations of Hanson and Italcementi

Outlook for 2019
We are confident about 2019. Global economic growth is continuing, although it is expected to weaken slightly. HeidelbergCement will benefit from the stable economic development in the industrial countries, above all in the USA, Canada, Germany, France, the countries of Northern Europe, and Australia. In addition, we anticipate an ongoing economic recovery in the growth countries such as Indonesia, Thailand, India, and Morocco as well as in Eastern Europe and Africa.

On the basis of the overall positive economic development, we expect increasing sales volumes of our core products cement, aggregates, and ready-mixed concrete for 2019. We will prioritise price increases in order to regain the margins lost in 2018. We will also consistently pursue our global programmes to optimise costs and processes as well as increase margins, and we will focus on the implementation of our action plan. Accordingly, we anticipate further growth in revenue and results in 2019.

HeidelbergCement is globally well positioned for sustainable and profitable growth. We look forward to your continuing support on this journey.

Yours sincerely,

Bernd Scheifele

Dr. Bernd Scheifele
Chairman of the Managing Board

Heidelberg, 21 March 2019

Fritz-Jürgen Heckmann, Chairman of the Supervisory Board

Report of the Supervisory Board

Ladies and Gentlemen,

The 2018 financial year developed positively, although there were a number of operational challenges to overcome. Business development was impaired by sustained adverse weather conditions in major markets, particularly in North America, and an unexpectedly significant increase in energy prices. In addition, the euro remained strong against other currencies, which had a negative impact on the development of revenue and results. Despite these challenges, HeidelbergCement succeeded in increasing its sales volumes and revenue to new record levels. In contrast, the result from current operations before depreciation and amortisation declined due to the factors outlined above as well as lower proceeds from the sale of depleted quarries. In operational terms, however, the rise in costs was almost offset by growth in sales volumes, efficiency improvements, and price increases. HeidelbergCement also significantly increased the Group share of profit once again. This pleasing development of results was supported by the further improvement in the financial result as well as lower taxes and a positive extraordinary result. HeidelbergCement continued to refinance its liabilities on significantly more favourable terms, laying the foundation for a further reduction in interest costs. All in all, earnings per share rose by 25 % in the 2018 financial year to €5.76, while net debt was reduced to below €8.4 billion. In 2018, HeidelbergCement earned again a premium on its cost of capital.

Consultation and monitoring

Once again, the Supervisory Board firmly supported the company's development during the past financial year and discussed it with the Managing Board at the ordinary and extraordinary meetings of the plenary session and its committees as well as through contact outside the scheduled meetings. Additionally, it received regular and detailed reports, both in writing and verbally, about the intended business policy, fundamental issues regarding financial, investment, and personnel planning, the progress of business, and the profitability of the Group. All deviations of the actual business development from the plans were explained in detail by the Managing Board. In particular, the Managing Board agreed the Group's strategy with the Supervisory Board. The Supervisory Board was directly involved in all decisions of fundamental importance to the Group. Investment projects and financing matters requiring authorisation were presented by the Managing Board and discussed before decisions were made. The Supervisory Board is satisfied that the Managing Board has installed an effective risk management system capable of recognising at an early stage any developments that could jeopardise the survival of the Group. The Supervisory Board has also had this certified by the auditor. Furthermore, it is satisfied as to the effectiveness of the compliance programme, which guarantees Group-wide compliance with the law and with internal guidelines. In the relevant meetings, the responsible line managers of the Group below Managing Board level were available together with members of the Managing Board to provide information to the Audit Committee and to answer questions. Outside the scheduled meetings and without the participation of the Managing Board, the Chairman of the Supervisory Board and the Chairman of the Audit Committee discussed topics relating to the audit in detail with the auditor. The Chairman of the Supervisory Board was also in regular contact with the Chairman of the Managing Board outside the scheduled meetings. In summary, it is evident that the Supervisory Board has duly fulfilled the duties incumbent upon it under the law, the Articles of Association, the Rules of Procedure, and the German Corporate Governance Code.

Topics of discussion in the meetings of the Supervisory Board and its committees

The plenary session of the Supervisory Board convened at five ordinary meetings and one extraordinary meeting during the reporting year. The Audit Committee met twice and also held three conference calls to discuss the relevant quarterly reports in detail prior to their publication. Four meetings of the Personnel Committee took place during the reporting year. The Arbitration Committee, formed in accordance with section 27(3) of the German Codetermination Law, did not need to meet. The results of the committees' meetings were reported at the subsequent plenary sessions. Members of the Supervisory Board and its committees are listed in the Corporate Governance chapter on ↗ page 102 f.

There was a pleasing attendance rate of 100 % – as in the previous year – at the six plenary sessions of the Supervisory Board in February, March, May, September (two meetings), and November. The average attendance at the committees' meetings held in the reporting year was 98 %.

The sessions in the first half of 2018 dealt, amongst other things, with the adoption of the 2017 annual financial statements and consolidated financial statements, the approval of the 2018 operating plan, and preparations for the 2018 Annual General Meeting, in addition to regular reporting on the business trends and status of net debt, as well as resolutions on Corporate Governance issues, including decisions on the variable elements of the Managing Board remuneration. The Supervisory Board and its Personnel Committee also worked on successor planning in the Managing Board.

At their meetings in November, both the Supervisory Board and its Audit Committee dealt in detail with the partial adjustment of the company's forecast in October 2018 with regard to the operating result for 2018, as well as the reasons for this adjustment. The Supervisory Board welcomes the prompt response of the Managing Board to the challenging environment and, in particular, supports the action plan developed by the Managing Board that focuses on three levers: portfolio optimisation, operational excellence, as well as cash flow and shareholder return. In the view of the Supervisory Board, the action plan is excellently suited to the objective of further developing the company strategically and increasing shareholder return while reducing net debt.

In addition, the Supervisory Board and its Audit Committee once again addressed financing decisions during the reporting year. For example, the Supervisory Board approved the issue of two bonds under the Euro Medium Term Note programme created in the mid-1990s, which allows the company to issue bonds to the capital market. The two bonds amount to €750 million each with terms of four and ten years respectively, both under favourable conditions. In April 2018, the prospectus that underpins the Euro Medium Term Note programme was updated according to schedule.

The company is therefore ideally prepared to secure financing for its business transactions in the short, medium, and long term. The Supervisory Board welcomes and encourages the concern of the Managing Board to refinance expiring financial instruments at current favourable interest conditions, thereby continuing to improve the financial result.

The Supervisory Board acknowledged that the maturity profile of the liabilities shows its usual balanced structure and that the company continued to earn a premium on its cost of capital. It encouraged the Managing Board in its efforts to keep the dynamic gearing ratio in the investment grade target range and steadily reduce it in the future.

HeidelbergCement's long-term strategy was also a regular subject of the discussions of the Supervisory Board. At all its meetings, the Supervisory Board discussed with the Managing Board the major investments, divestments, and portfolio optimisations affecting the strategic goals of profitable growth of HeidelbergCement and a further improvement of the balance sheet structure. The programmes introduced by the Managing Board for continuous improvement of the company's operational excellence along the value chain were also a topic of the Supervisory Board discussions. In 2018, the Supervisory Board focused in particular on the issue of digitalisation as well as the future challenges connected with the required reduction of CO_2 emissions in cement production. Both topics will have a considerable influence on our company's business operations in the future. In its extraordinary strategy meeting in September 2018, the Supervisory Board dealt intensively with the strategic challenges for HeidelbergCement in connection with European emissions trading and digital transformation, as well as the opportunities provided to HeidelbergCement by venture capital activities. In the future, digitalisation will impact every stage of the value chain. The Supervisory Board supports the Managing Board in developing and implementing suitable strategies to prepare HeidelbergCement for these challenges.

In its meetings, the Audit Committee dealt with the 2017 annual financial statements and consolidated financial statements as well as the points of focus for the audit, the status quo reports regarding internal audit, risk management, and compliance, the quarterly and half-yearly reports for the 2018 financial year, the preparation of the Supervisory Board's proposal to the 2018 Annual General Meeting for the appointment of the auditor and Group auditor, and – after the Annual General Meeting followed this proposal – the award of the contract to the audit firm Ernst & Young for the auditing of the annual financial statements and consolidated financial statements for the 2018 financial year. In this context, it defined the points of focus for the audit. The auditors responsible for the consolidated financial statements are Mr Helge-Thomas Grathwol and Ms Karen Somes. In addition, the Audit Committee prepared intensively for the legally mandated change of auditor planned for the period following the 2020 financial year and conducted a transparent and non-discriminatory procedure for the election of a new auditor. After careful vetting of the applicants and their proposals, the Audit Committee submitted a reasoned recommendation to the Supervisory Board for the appointment of the auditor, including two recommendations with a preference for one of the two recommendations – namely, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft. The Supervisory Board endorsed the recommendations of the Audit Committee and will submit an appropriate recommendation to the ordinary Annual General Meeting in 2020.

The Audit Committee also monitored the development of the non-audit services by the company's auditor and received reports from the Managing Board on the nature and scope of the non-audit services performed by the auditor in 2018.

The Chairman of the Audit Committee is Mr Ludwig Merckle. Mr Merckle is regarded as a financial expert in accordance with section 100(5) of the German Stock Corporation Act (Aktiengesetz, AktG) on account of the expertise he has acquired in the areas of accounting and auditing through his previous professional activities.

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The meetings of the Personnel Committee covered, amongst other things, the preliminary discussion and recommendation to the Supervisory Board regarding the determination of the variable Managing Board remuneration for the 2017 financial year, as well as the definition of parameters for the variable Managing Board remuneration in the year 2018 and in the years 2018 to 2020, respectively. The Personnel Committee also dealt extensively with the strategic successor planning for the Managing Board. Finally, the Personnel Committee assured itself that all members of the Managing Board have carried out the required individual investment in HeidelbergCement shares as part of the Managing Board remuneration system.

The Nomination Committee prepared the re-election of all shareholder representatives on the Supervisory Board by the 2019 Annual General Meeting. The intensive vetting as well as the selection and nomination of candidates to be proposed to the 2019 Annual General Meeting for election took place in the Nomination Committee's meetings held in January and February 2019.

During the reporting year, there were no conflicts of interest of any Supervisory Board member when dealing with topics within the Supervisory Board. There were also no consulting or other contracts for services or work between any member of the Supervisory Board and the Group in the 2018 reporting year.

Corporate Governance

The statement of compliance in the reporting year was submitted by the Managing Board on 19 February 2018 and by the Supervisory Board on 20 February 2018. The statement of compliance for the current year was submitted by the Managing Board on 18 February 2019 and by the Supervisory Board on 19 February 2019. The complete text can be found in the section Statement of compliance in accordance with section 161 of the AktG in the Corporate Governance chapter on ↗ **page 87.** The statement of compliance is made permanently available to the shareholders on the Group's website.

In the reporting year, the Supervisory Board examined the legal requirements for its composition and ascertained that its members and those of its Audit Committee are all familiar with the sector in which the company operates.

With regard to its composition and that of the Managing Board, the Supervisory Board thoroughly complies with the guidelines of the German Corporate Governance Code regarding the principles of diversity when appointing committees and leadership positions within the Group and of section 289f (2)(6) of the German Commercial Code (Handelsgesetzbuch, HGB) (diversity concept). Regarding its own composition, it implements the diversity goals stated in the Code and the competence profile for the Supervisory Board agreed on 11 September 2017. Detailed information on this topic can be found in the Corporate Governance chapter on ↗ **page 89 f.**

The Supervisory Board welcomes and supports the Managing Board's goal of further increasing the proportion of women in management positions in the first and second leadership levels below the Managing Board. As at 31 December 2018, the proportion of women in leadership positions in Germany at the first level below the Managing Board was 12 % and 13 % at the second level. The aim is to increase the proportion of women in Germany in both leadership levels below the Managing Board to 15 % by the end of June 2022. We have continued to use the proportion of women in the total workforce in Germany as a point of reference for the targets. The proportion of women in the total workforce in Germany in 2018 was 15 %.

As regards the remuneration structure for the members of the Managing Board for the 2018 financial year, details on remuneration of the Managing Board are included in the Corporate Governance Report on ↗ **page 91 f.** to avoid repetition. A description of the Managing Board remuneration system that came into force on 1 January 2011 and was adjusted on 1 January 2014 can be found here. The Supervisory Board considers the remuneration appropriate if it reflects adequately the management performance and value creation for the company and for the owners of the company. The basis for appropriate remuneration is a well-structured and transparent remuneration system. HeidelbergCement's remuneration system was developed by taking into account the interests of the company itself and of its owners and by consulting external remuneration experts. In the view of the Supervisory Board, it guarantees appropriate remuneration of the Managing Board. In addition, according to the recommendations of the German Corporate Governance Code, a payment cap was introduced in 2011. For the management component 2016-2018, targets of earnings before interest and taxes (EBIT) and return on invested capital (ROIC) were not reached. Regarding the capital market component, the development of the price of the HeidelbergCement share clearly beat the DAX and MSCI World Construction Materials Index performance over the four-year period of the long-term bonus plan 2015-2017/18. Adjusted for dividend payments and changes to the capital, the HeidelbergCement share price increased 12 % over the four-year period but stayed significantly below the defined cap.

The Supervisory Board conducted the regular efficiency review of its activities, as required by the German Corporate Governance Code, in November 2017, shortly before the start of the reporting period. Internal training was carried out at the same time. Further efficiency reviews and training sessions are planned, with external support in some cases.

With the measures listed above, the Supervisory Board has reaffirmed its commitment to effective Corporate Governance in the Group.

Auditing and approval of annual financial statements, consolidated financial statements, and non-financial statement

Before the contract for the auditing of the annual financial statements of the Company and the consolidated financial statements of the Group was awarded, the points of focus for the audit, the content of the audit, and the costs were discussed in detail with the auditors, Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Stuttgart. In February 2019, the Managing Board informed the Supervisory Board about the preliminary, unaudited key figures for the 2018 financial year and provided a status report on the financial statements work. The annual financial statements of HeidelbergCement AG, the consolidated financial statements as at 31 December 2018, and the combined management report for the Company and the Group, as prepared by the Managing Board, were examined by the independent auditors. The financial statements together with the reading copies of the auditors' reports were sent in advance to the members of the Supervisory Board. At first, the Audit Committee dealt intensively with the financial statements documents in the presence of the auditors. The auditors reported on the main results of their audit. Then, the Supervisory Board discussed the financial statements documents in detail, once again in the presence of the auditors. The Supervisory Board approved the audit results. It examined the annual financial statements and consolidated financial statements, the combined management report, and the Managing Board's proposal for the use of the balance sheet profit. The results of the pre-audit conducted by the Audit Committee and the results of its own audit correspond fully to the results of the official auditor. The Supervisory Board raised no objections to the final results of this examination. Subsequently, the auditors issued an unqualified audit opinion on the annual financial statements of HeidelbergCement AG and the consolidated financial statements of HeidelbergCement Group as at 31 December 2018 as well as the combined management report of HeidelbergCement AG and HeidelbergCement Group.

The audited combined management report presented to the Supervisory Board also includes the non-financial statement in accordance with sections 289b and 315b of the HGB. The Supervisory Board commissioned the auditor to carry out a limited assurance assessment of the non-financial statement on a voluntary basis. The Supervisory Board Board verified the non-financial statement regarding its fitness for purpose and accuracy and discussed the contents of the non-financial statement as well as the results of the voluntary assessment in detail with the Managing Board and the auditor. The Supervisory Board's examination did not lead to any objections being raised against the non-financial statement.

The Supervisory Board approved the Managing Board's proposal for the use of the balance sheet profit, including the payout of a dividend of €2.10 per share (previous year: 1.90).

Personnel matters and a note of thanks

In the 2018 reporting year, there was one change to the personnel in the Supervisory Board. Mr Frank-Dirk Steininger stepped down from his role as member of the Supervisory Board (employee representative nominated by the trade union) of HeidelbergCement with effect from 31 January 2018 and left the Audit Committee on the same day. Ms Barbara Breuninger was appointed by the Local Court (Amtsgericht) of Mannheim, at the suggestion of the relevant trade union, as Mr Steininger's successor and as a member of the Supervisory Board with effect from 5 April 2018. On 9 May 2018, the Supervisory Board elected Mr Stephan Wehning as Mr Steininger's successor in the Audit Committee.

The Supervisory Board is especially grateful to Mr Steininger for his many years of very committed membership in the Supervisory Board.

In conclusion, the Supervisory Board would like to thank all employees of the Group once again for their high level of commitment and their performance for the Group in the 2018 financial year.

Heidelberg, 20 March 2019

For the Supervisory Board

Yours sincerely,

Fritz-Jürgen Heckmann
Chairman

Managing Board

DR. BERND SCHEIFELE
Born in Freiburg (Germany), aged 60 years. Studies in law at the universities of Freiburg, Dijon (France), and the University of Illinois (USA). Since 2005, Chairman of the Managing Board; in charge of Strategy & Development, Communication & Investor Relations, Human Resources, Legal, Compliance, and Internal Audit.

DR. DOMINIK VON ACHTEN
Born in Munich (Germany), aged 53 years. Studies in law and economics at the German universities of Freiburg and Munich. Member of the Managing Board since 2007 and Deputy Chairman of the Managing Board since 1 February 2015; in charge of the Western and Southern Europe Group area and the Competence Center Materials, Chief Digital Officer (Digital Transformation & Disruption HeidelbergCement).

KEVIN GLUSKIE
Born in Hobart (Australia), aged 51 years. Studies in civil engineering at the University of Tasmania (Australia) and MBA of the University of Sydney. He joined Pioneer (acquired by Hanson in 2000) in 1990. Member of the Managing Board since 2016 and in charge of the Asia-Pacific Group area, the Competence Center Readymix, as well as Market Intelligence & Sales Processes.

HAKAN GURDAL
Born in Istanbul (Turkey), aged 51 years. Studies in mechanical engineering at the Yildiz Technical University in Istanbul and MBA International Management of the University of Istanbul. He joined Çanakkale Çimento (today part of the joint venture Akçansa) in 1992. Member of the Managing Board since 2016; in charge of the Africa-Eastern Mediterranean Basin Group area and Purchasing.

From left:
Dr. Albert Scheuer
Dr. Dominik von Achten
Hakan Gurdal
Dr. Bernd Scheifele
Kevin Gluskie
Dr. Lorenz Näger
Jon Morrish

JON MORRISH

Born in Shrewsbury (United Kingdom), aged 48 years. Studies in biochemistry at the University of Leeds (UK) and MBA of the Cranfield School of Management. He joined Hanson in 1999. Member of the Managing Board since 2016; in charge of the North America Group area and the Group-wide coordination of secondary cementitious materials.

DR. LORENZ NÄGER

Born in Ravensburg (Germany), aged 58 years. Studies in business administration at the German universities of Regensburg and Mannheim and in Swansea (United Kingdom). Since 2004, member of the Managing Board; in charge of Finance, Accounting, Controlling, Taxes, Treasury, Insurance & Risk Management, IT, and Shared Service Center.

DR. ALBERT SCHEUER

Born in Alsfeld (Germany), aged 61 years. Studies in mechanical engineering/process technology at the Clausthal University of Technology (Germany). Since 1992 at HeidelbergCement. Member of the Managing Board since 2007; in charge of the Northern and Eastern Europe-Central Asia Group area, the worldwide coordination of the Heidelberg Technology Center, Research & Development/Product Innovation, as well as Environmental Sustainability.

HeidelbergCement in the capital market

Overview

In Germany, the HeidelbergCement share is listed for trading on the Prime Standard segment of the Frankfurt Stock Exchange and on the Regulated Market of the Stuttgart, Düsseldorf, and Munich stock exchanges. The HeidelbergCement share is listed in the German benchmark index DAX, making HeidelbergCement the only company in the construction and building materials industry to be recognised as one of the 30 largest listed companies in Germany.

Our share ranks among the most important building materials shares in Europe. Besides the DAX, it is also included in other indices, such as the FTSEurofirst 300 Index, the S&P Global 1200 Index, and the Dow Jones Construction & Materials Titans 30 Index, which comprises the 30 largest construction shares and second-tier construction shares in the world.

Development of the HeidelbergCement share

In the first few days of January 2018, the HeidelbergCement share recorded an upward trend thanks to the positive stock market climate, which had continued since mid-2017. The share reached its annual high on 11 January 2018 with a price of €95.50.

Subsequently, there was a downward trend, triggered by concerns about the end of the economic recovery in Europe. The stock market climate deteriorated further in the course of the year. Investors feared a trade war between the USA and China as well as a disorderly exit from the EU by the United Kingdom.

The decline in the price of the HeidelbergCement share was also due to the results of the first three quarters, which were weaker than expected. Reasons for this included a significant increase in energy prices, adverse weather conditions in North America, and sustained competitive pressure in Indonesia. On 27 December, the HeidelbergCement share reached its annual low of €52.56.

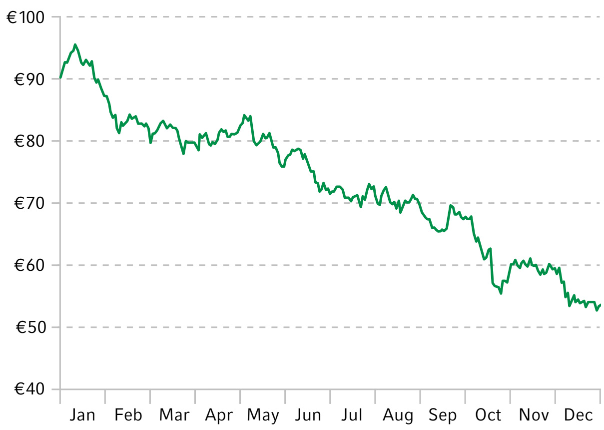
The share closed at €53.38 at the end of the year, corresponding to a decrease of 40.9% in 2018. The MSCI World Construction Materials Index, denominated in US dollars, fell by 30.5% during the same period. The DAX recorded a less severe decline than our share, with a drop of 18.3%.

At the end of 2018, HeidelbergCement's market capitalisation amounted to €10.6 billion (previous year: 17.9 billion).

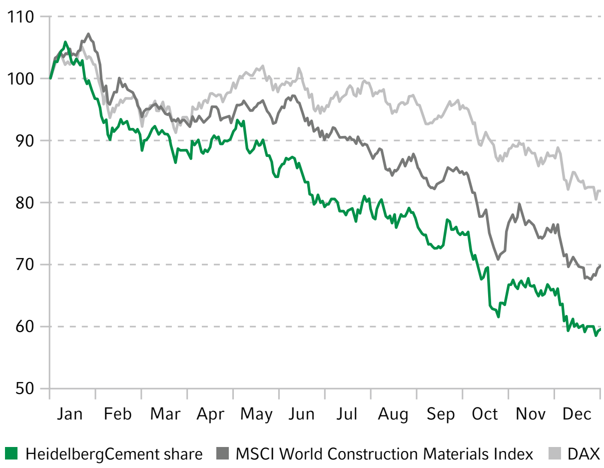
Development of the HeidelbergCement share
(ISIN DE0006047004, WKN 604700)

€	2018
Year-end share price 2017	**90.25**
Highest share price (11 Jan. 2018)	**95.50**
Lowest share price (27 Dec. 2018)	**52.56**
Year-end share price 2018	**53.38**
Equity per share on 31 Dec. 2018	**84.80**
Market value on 31 Dec. 2018 (€ '000s)	**10,591,472**
Change compared with 31 Dec. 2017	
HeidelbergCement share	**-40.9 %**
DAX	**-18.3 %**
MSCI World Construction Materials Index	**-30.5 %**

Performance of the HeidelbergCement share in 2018 based on daily closing prices



Development of the HeidelbergCement share compared to MSCI World Construction Materials Index and DAX in 2018
Index (Base: 31 December 2017 = 100)



Earnings per share

Earnings per share in accordance with IAS 33 for the 2018 financial year were €5.76 (previous year: 4.62). For continuing operations, earnings per share amount to €5.83 (previous year: 4.88).

The calculation of the earnings per share in accordance with IAS 33 is shown in the following table. To determine the average number of shares, additions are weighted in proportion to time.

Earnings per share according to IAS 33

	2017	2018
Group share of profit in €m	917.7	**1,143.0**
Number of shares in '000s (weighted average)	198,416	**198,416**
Earnings per share in €	4.62	**5.76**
Net income from continuing operations in €m – attributable to the parent entity	968.4	**1,157.2**
Earnings per share in € – continuing operations	4.88	**5.83**
Net income/loss from discontinued operations in €m – attributable to the parent entity	-50.8	**-14.2**
Loss per share in € – discontinued operations	-0.26	**-0.07**

Dividend

In view of the overall positive business development, the Managing Board and Supervisory Board will propose to the Annual General Meeting on 9 May 2019 the distribution of a dividend of €2.10 per HeidelbergCement share.

Dividend key figures

	2014	2015	2016	2017	2018
Dividend per share in €	0.75	1.30	1.60	1.90	**2.10**[1]
Dividend yield[2] in %	1.0	1.7	1.8	2.3	**3.9**
Group share of profit in €m[3]	485.7	800.1	657.0	917.7	**1,143.0**
Total dividend amount in €m	140.9	244.3	317.5	377.0	**416.7**
Payout ratio in %[3]	29.0	30.5	48.3	41.1	**36.5**

1) To be proposed to the Annual General Meeting on 9 May 2019
2) Dividend per share/share price on the day of the Annual General Meeting; for the 2018 financial year: dividend per share/share price at the end of the financial year
3) 2016 amount was restated

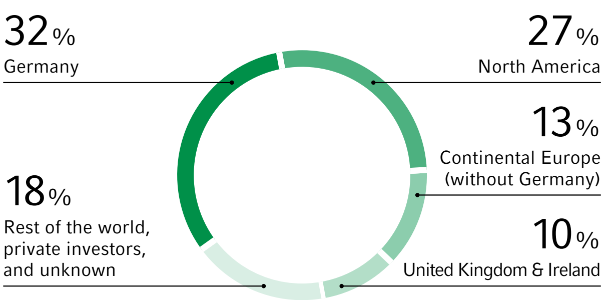
Shareholder structure and trading volume

A study conducted in December 2018 showed that we were able to increase the proportion of institutional investors in a number of countries, such as the USA, Canada, Belgium, and the Netherlands. In contrast, the share of French and British investors declined. The study also showed that the proportion of value- and growth-oriented investors had fallen slightly, while the proportion of index, hedge, and other investors had increased accordingly. As at 31 December 2018, the free float amounted to 74.47 %.

In December 2018, investors from Germany formed the largest investor group at 32 %, followed by investors from North America at 27 %, continental Europe excluding Germany at 13 %, and the United Kingdom and Ireland at 10 %.

On average, around 770,000 HeidelbergCement shares were traded per day in Xetra trading on the Frankfurt Stock Exchange in the 2018 reporting year. In the Equity Indices Ranking published by Deutsche Börse, our share was in place 32 at the end of 2018 for the free float market capitalisation criterion and in place 29 for order book turnover.

Geographical distribution of shareholders
(as of December 2018)



Shareholder structure

	31 Dec. 2018
PH Vermögensverwaltung GmbH, Zossen/Germany (9 November 2018). PH Vermögensverwaltung GmbH is controlled by Ludwig Merckle.	**26.70 %**[1]
Stephen A. Schwarzman/USA and Maximilian Management LLC, Wilmington, Delaware/USA (via First Eagle Investment Management, LLC, New York/USA) (1 December 2015)	**7.34 %**[2]
BlackRock, Inc., Wilmington, Delaware/USA (2 November 2016)	**4.995 %**
Société Générale S.A., Paris/France (13 August 2015)	**3.84 %**[2]

1) thereof 25.53 % pursuant to section 34 of the German Securities Trading Law (Wertpapierhandelsgesetz – WpHG) and 1.17 % pursuant to section 38 WpHG (instruments)
2) Percentage figures are based on the total number of voting rights of 187,916,477 valid prior to the capital increase on 7 July 2016. The shares of the other companies are based on the current number of total voting rights of 198,416,477.
In brackets: date on which percentage exceeded or fell below a reporting threshold

HeidelbergCement AG share capital

	Share capital € '000s	Number of shares
1 January 2018	595,249	198,416,477
31 December 2018	**595,249**	**198,416,477**

Bonds and credit ratings

Details of our corporate bonds issued during the 2018 financial year and HeidelbergCement's credit rating by the rating agencies can be found in the Group financial management section on ↗ page 45 f.

Investor Relations

Aside from fostering existing investor relations and attracting new, long-term investors, our investor relations work in 2018 mainly focused on preparing and executing the communication of the revised, medium-term strategic priorities and financial goals of the Group, which we announced as part of a Capital Markets Day in Bergamo, Italy, on 12 June 2018. Around 75 analysts and investors accepted the invitation to attend presentations and panel discussions. At this event, the Chairman of the Managing Board and the Chief Financial Officer presented information about the current positioning of the Group and developments and trends over the last few years, as well as strategic priorities and medium-term goals. In addition, the members of the Managing Board responsible for the North America and Western and Southern Europe Group areas and the Managing Directors of the country organisations in Italy and Indonesia gave presentations on market trends and strategic positioning in the respective market regions. The presentations shown during this event and at other conferences and visits are available on the internet, provided they contain significant changes compared with previous presentations. The Investor Relations team supported reporting on HeidelbergCement by regular discussions with analysts. The number of analysts regularly reporting on HeidelbergCement has fallen slightly to 33 since the publication of the last Annual Report.

The Investor Relations team consistently gathered and evaluated feedback from investors following visits and conferences in order to continually improve the quality and effectiveness of our investor relations work. The results were incorporated into the ongoing development of this work, with the aim of successfully continuing open dialogue and transparent communication with the capital market and further strengthening trust in our Group and our share.

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Due to rounding, numbers presented in the Annual Report may not add up precisely to the totals provided.

Fundamentals of the Group

Business model

HeidelbergCement is one of the world's largest building materials companies and operates on five continents. Our products are used for the construction of houses, infrastructure, and commercial and industrial facilities, thus meeting the demands of a growing world population for housing, mobility, and economic development.

Our core activities include the production and distribution of cement, aggregates, ready-mixed concrete, and asphalt. Furthermore, HeidelbergCement offers services such as worldwide trading in cement and coal by sea.

Products

Our core products aggregates (sand, gravel, and crushed rock), cement, ready-mixed concrete, and asphalt are homogeneous bulk goods. Their product characteristics are mostly standardised in order to ensure the required stability, reliability, and processability in the application.

Cements are classified according to their early and final strength as well as their composition. In addition to cements that consist of 100 % clinker, there are so-called composite cements, in which a portion of the clinker is replaced by alternative raw materials, such as fly ash, ground slag, or limestone. Cement is used as a binder mainly in concrete production.

Aggregates are classified according to their particle size and consistency. They are the main component in the production of concrete and asphalt, but are also used as base courses in the construction of infrastructure, such as roads.

Concrete is a mixture of aggregates (about 80 %), cement (about 12 %), and water. After water, concrete is the most commonly used substance on our planet. Concrete is usually delivered to the building site by ready-mix trucks and is poured locally into forms. Moreover, concrete is also used for the production of precast concrete parts, such as stairs, ceiling elements, or structural components.

Asphalt is a mixture of aggregates (about 95 %) and bitumen, and is generally used as a top layer in road construction.

In 2018, HeidelbergCement sold 129.9 million tonnes (previous year: 125.7) of cement, 309.4 million tonnes (previous year: 305.3) of aggregates, 49.0 million cubic metres (previous year: 47.2) of ready-mixed concrete, and 10.3 million tonnes (previous year: 9.6) of asphalt.

Locations and sales markets

Due to the heavy weight of cement, aggregates, and ready-mixed concrete in proportion to their price, production is usually located in close proximity to the sales markets. The cement transportation radius by road normally does not exceed 200 km. The delivery radius for aggregates, ready-mixed concrete, and asphalt by road is less than 100 km. Consequently, we have local production sites in the around 60 countries in which we offer building materials.

We currently operate 143 cement plants (plus 20 as part of joint ventures), around 600 quarries and aggregate pits, and over 1,470 ready-mixed concrete production sites worldwide. In total, the Group employs 57,939 people at around 2,700 locations on five continents. There are additionally more than 400 production sites belonging to joint ventures.

Organisational structure of the Group areas and business lines

HEIDELBERGCEMENT

Western and Southern Europe	Northern and Eastern Europe-Central Asia	North America	Asia-Pacific	Africa-Eastern Mediterranean Basin	Group Services
Belgium, France, Germany, Italy, Netherlands, Spain, United Kingdom	Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Czechia, Denmark, Estonia, Georgia, Greece, Hungary, Iceland, Kazakhstan, Latvia, Lithuania, Norway, Poland, Romania, Russia, Sweden, Slovakia, Ukraine	Canada, USA	Bangladesh, Brunei, China, India, Indonesia, Malaysia, Singapore, Sri Lanka, Thailand, Australia	Benin, Burkina Faso, DR Congo, Egypt, Gambia, Ghana, Liberia, Mauritania, Morocco, Mozambique, Sierra Leone, South Africa, Tanzania, Togo, Israel, Palestine, Turkey	
– Cement – Aggregates – Ready-mixed concrete-asphalt – Service-joint ventures-other	– Cement – Aggregates – Ready-mixed concrete-asphalt – Service-joint ventures-other	– Cement – Aggregates – Ready-mixed concrete-asphalt – Service-joint ventures-other	– Cement – Aggregates – Ready-mixed concrete-asphalt – Service-joint ventures-other	– Cement – Aggregates – Ready-mixed concrete-asphalt – Service-joint ventures-other	

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Organisational structure
The Group is divided into five geographical Group areas: Western and Southern Europe, Northern and Eastern Europe-Central Asia, North America, Asia-Pacific, and Africa-Eastern Mediterranean Basin (see organisation chart for breakdown of countries). Our global trading activities, especially the trading of cement, clinker, and fuels, are pooled together in the sixth Group area Group Services.

Within the geographical Group areas, we have divided our activities into four business lines. In the business lines of cement and aggregates we report on the essential raw materials that are required for the manufacture of downstream ready-mixed concrete and asphalt activities, which are combined in the third business line. The fourth business line, service-joint ventures-other, primarily covers the activities of our joint ventures. It also includes the building products that are still manufactured in a few countries.

Business processes
HeidelbergCement operates as a fully integrated building materials company. Key business processes include the extraction of raw materials, the production of building materials, as well as their marketing and distribution to the customers. Operating activities are supported by central competence centers for technology as well as by shared service centers in individual countries and regions. Operating business processes include the geological exploration of raw material deposits, the purchase or lease of the land where the deposits are located, obtaining mining concessions and environmental certifications, the construction of manufacturing facilities in cooperation with external service providers, as well as the actual production of building materials, including the extraction of raw materials and the maintenance of facilities.

Impact of the business model on non-financial aspects
HeidelbergCement is a manufacturing company. The extraction of raw materials and the production of cement and aggregates in itself harbour various dangers, for example with regard to the transportation of raw materials and finished products, working at great heights, with high voltage currents, using heavy technical equipment or regarding rotating parts of kilns, mills, or conveyor belts as well as hot temperatures around the cement kilns. Occupational health and safety is therefore our highest priority. We use targeted measures to improve the technical and organisational safety standards and raise awareness of safe working practices. This is aimed not just at our own employees but also at the employees of external companies and third parties.

The raw materials needed for producing our building materials – limestone for cement production as well as sand, gravel, and hard rock – are generally extracted from our own quarrying sites. The quarrying of raw materials requires us to temporarily encroach upon the water supply, soil, and flora and fauna. At the same time, our extensive land use creates areas of retreat for endangered animal and plant species. We cannot balance out our interventions in the short term, but we aim to do so in the medium to long term. We make every effort to ensure that the subsequent use adds value to our quarrying sites and conserves nature.

The production of cement generates a large amount of CO_2 due to the chemical processes involved in burning clinker and the high temperatures that are required. Therefore, we use alternative raw materials and fuels to reduce CO_2 emissions. In addition, we continuously optimise our production processes to increase energy efficiency.

HeidelbergCement is represented in around 60 countries at over 3,000 production sites worldwide. As we generally produce locally, we also create local jobs in rural areas and make a contribution as a corporate citizen in the communities to which our locations belong. In countries with low labour and social standards or an increased risk of corruption, we place greater emphasis on the application of our own high internal standards and regularly verify compliance with them.

External factors of influence
The most significant external factors influencing the economic development of the HeidelbergCement Group are weather conditions, economic and population growth, as well as the development of the regulatory environment and the competition in the markets in which we operate.

Targets and strategy

HeidelbergCement's core target is to increase the value of the Group in the long term through sustainable and result-oriented growth. Earning the costs of capital is the necessary prerequisite to guarantee the permanent entrepreneurial ability to act and thereby guarantee the existence of the company. Without sufficient financial performance, a company cannot invest continuously in innovation and growth, as well as the development of its personnel and the company. Thanks to our 145 years of tradition in raw material mining and processing, we know that, in addition to financial performance, we have to provide a recognisable benefit to the development of society. In this respect, we are mainly oriented towards the expectations and requirements of the people and organisations we are in close contact with:
– customers,
– shareholders,
– employees,
– suppliers and other business partners, as well as
– nature, environment, society, and general public.

In addition to the financial targets, covered in the following section Internal management control system and indicators on ↗ page 23 f., also non-financial targets derive from this knowledge. They are described in this annual report in the chapters Employees and society on ↗ page 53 f., Environmental responsibility on ↗ page 59 f., and Compliance on ↗ page 64 f.

In order to reach these targets, the Managing Board defines the business strategy of the company and discusses it with the Supervisory Board. For this purpose, a joint strategy meeting of Supervisory Board and Managing Board is held once a year. The four pillars of our business strategy are as follows:

1. Operational excellence and digitalisation

In a market with largely standardised products, we differentiate ourselves through our high level of customer focus and service quality in order to realise the full value of our products and services. Moreover, we ensure a competitive cost structure in all areas. A key objective is to make sure that the productivity enhancement in input factors such as working time, capital, and energy at least offsets inflation-related cost increases. For countries with high inflation, this is valid to the extent as we cannot compensate inflation by increased sales prices in the market.

The basis and prerequisite for operational excellence is a culture of continuous improvement. We engage in intensive benchmarking both internally and in relation to competitors, in order to identify optimisation potential. Our goal is a stable position in the top quartile for all operational benchmarks: efficiency and cost structure, productivity, margin, growth, and value creation. In this respect, the digitalisation of our value chain plays an increasingly important role, from raw material mining through production and logistics processes to the interface with the customers. On Managing Board level, the Chief Digital Officer coordinates the digital transformation and our involvement in digital ventures with the aim to improve the quality and efficiency of our production processes and increase our customer service.

2. Sustainability

For us, sustainability means integrating economic, ecological, and social goals into our business strategy. In this context, we published our Sustainability Commitments 2030 in October 2017, where we have defined the fundamental principles of our sustainability strategy. Health and safety of our employees is of crucial importance. Our overall goal is to completely prevent accidents and damage to health (zero harm). We offer our employees performance-related, competitive salaries, and we are committed to fair employment conditions and compliance with applicable labour and employment laws. This means, in particular, that we do not tolerate any form of discrimination, harassment, or infringement of laws and regulations.

With respect to environmental protection, we are committed to continuously reducing our ecological footprint. We accept our share of the global responsibility to limit the worldwide rise in temperature to below 2° C. We comply with environmental standards and are bringing our pollutant emissions to below the cement industry average. We also protect natural raw material reserves by increasingly replacing them with alternative raw materials. We support the social and economic development of our neighbouring communities and ensure transparent communication with all stakeholders. Compliance with applicable laws and regulations is a matter of course for us. Our overall goal is to create adequate added value for all of our stakeholders: for our customers, employees, shareholders, the communities to which our locations belong, and the general public.

3. Growth and vertical integration

The creation, development, and maintenance of vertically integrated market positions in the cement, aggregates, ready-mixed concrete, and asphalt business lines is the core of the growth strategy of HeidelbergCement. Vertical integration not only refers to the merging of production sites of different business lines at a local level, but also includes the cross-functional control of business processes using integrated IT systems and the comprehensive management of business activities – for example, through common sales structures and the provision of complete, cross-business-line solutions and additional services.

Our goal is to create strong and defendable market positions in markets with long-term potential. To achieve this, we avoid markets with unjustifiable high political, economic, or compliance risks. We retain key market positions regardless of economic cycles. As a whole, they are not subject to active portfolio management.

4. Financial performance

Our stated goal is to earn a premium on the cost of capital. To this end, we aim to achieve a balance between short-term profitability and long-term value creation. This means using our capital in a responsible and disciplined manner. Before investment decisions are taken, they are carefully reviewed in terms of their market, strategic, financial, and technical attractiveness and with regard to clearly defined investment criteria.

In addition, we consider sustainability aspects, such as the impact on human rights and nature. Last but not least, we ensure that our geographically diversified portfolio gives us direct access to the cash flow from our ongoing business activity. For further information on our financial management and the associated targets and policies, please refer to the section Group financial management on ↗ page 45 f.

Performance culture and local responsibility

An excellent management team and dedicated, qualified employees are the source of our business success. As a company with a focus on performance and results, we greatly value the competence of our employees and management. The focus is on comprehensive efficiency and clear customer-orientation. HeidelbergCement pursues an integrated management approach, the success of which is based on a balance between local operational responsibility, Group-wide standards, and global leadership. Our local operations are key for the success of our business. Local management bears full responsibility for production, market, and management development, with the aim of market and cost leadership. They are supported by nationwide shared service centers, which handle administration for all business lines on the basis of a standardised IT infrastructure. In order to ensure transparency, efficiency, and rapid implementation of measures throughout the Group, HeidelbergCement has standardised all important management processes. Group-wide, uniform key performance indicators (KPIs) facilitate and provide a foundation for continuous benchmarking.

Shareholder returns

In spring 2015, HeidelbergCement defined value creation for shareholders and disciplined growth as the strategic priorities for its capital allocation. To improve the results for shareholders, HeidelbergCement will pursue a progressive dividend policy. The payout ratio is expected to amount to around 40 % for the 2020 financial year. Moreover, the option was introduced for any available cash to be returned to shareholders in the form of share buybacks. At the same time, the company aims to achieve a stable investment grade rating and reduce its dynamic gearing ratio to 2.0x by the end of 2020 (before application of IFRS 16).

Internal management control system and indicators

Components and functionality of the control system

The internal management control system at HeidelbergCement is based primarily on annual operational planning, ongoing management accounting and control, quarterly management meetings, central coordination of investment processes, as well as regular Managing Board meetings and reporting to the Supervisory Board.

Annual planning takes the form of top-down/bottom-up planning, under which the Managing Board first defines a top-down budget on the basis of macroeconomic analyses, its assessment of market conditions and cost targets. From this, specific targets are derived for individual operating units, which are used as the basis of detailed planning for the individual units and setting of targets with local management. The individual operational plans created by the operating units are then consolidated centrally to create the Group-wide plan.

Ongoing management accounting and control of the company is carried out using a comprehensive system of standardised reports on the Group's net assets, financial performance, and results of operations. The indicators used for this purpose are determined and presented uniformly throughout the Group. Reports on financial status, selected sales volumes and production overviews are prepared weekly. Reports on results of operations are prepared monthly. The internal quarterly reporting includes a detailed cash flow report in order to monitor cash flow. Detailed reports on the financial situation and a detailed tax reporting are also submitted at the end of each quarter. At the quarterly management meetings, the Managing Board and country managers discuss business developments, including target achievement, along with the outlook for the relevant year and any measures that need to be taken. These are based, among others, on the quarterly forecasts of the country organisations.

Central departments in the areas of strategy, finance, and technology follow a formalised process to review and assess all major investments and acquisitions. This ensures comparability between different projects and consistent high quality in investment decision making. Investments in expansion are assessed using a discounted cash flow (DCF) model. The standard is that investment projects must generate at least enough income to cover their weighted average cost of capital (WACC). This long-term approach to investment returns is supported by simulated calculations that show the impact of an investment on the consolidated income statement, statement of cash flows, balance sheet, and taxes over a period of five years.

The financial analysis is complemented by a strategic analysis of the planned investments. Here, the strategic value of an investment is determined taking into account the expected market position, growth potential, synergies with other Group units, and the risk structure.

Sustainability aspects, such as the impact on nature and human rights, are taken into account in the assessment of the risk structure. The overall result of these analyses is the criterion by which the Managing Board makes its investment decisions.

Financial targets and management indicators

Earnings, capital expenditure, and return on capital

The most important performance indicators of HeidelbergCement include the result from current operations, earnings before interest and taxes (EBIT) before non-recurring effects, profit for the financial year, and return on invested capital (ROIC). An important short-term indicator of the company's earnings strength is result from current operations, which is determined in detail and analysed for all operating units. The decisive indicators at Group level are EBIT before non-recurring effects and Group share of profit. Strategic management and capital allocation are based on return on invested capital (ROIC).

ROIC is defined as the ratio of the total of result from current operations and result from participations minus income taxes paid to the average invested capital of the past four quarters. Invested capital is calculated as total of equity and net debt minus liabilities from puttable minorities. You will find the calculation of ROIC on ↗ page 44.

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At operating level, the company uses return on capital employed (ROCE) for capital allocation. ROCE is calculated as the ratio of EBIT to invested capital. Taxes and goodwill are not taken into account for the calculation. These are strategic-level indicators, and are therefore taken into account for determination of ROIC. The financial and assets positions of the operating units are monitored short-term primarily via the amount of working capital and investment.

Adjusted free cash flow has been introduced as an additional target figure for the country management in 2018. It is defined as the sum of free cash flow and all investments and divestments. Intra-Group payments are neutralised in the calculation. Fixed targets are agreed with all operating units for each indicator.

General target is generation of ROIC at least equivalent to weighted average cost of capital (WACC). Please see ↗ page 44 for more information on capital efficiency.

Financing structure

HeidelbergCement's objective is to maintain a stable investment grade credit rating to ensure that we retain our high financial stability as a company that is sensitive to business cycles. Furthermore, investment grade rating facilitates access to attractive and cost-effective funding opportunities and makes our share more attractive for an even broader circle of investors. To achieve this goal, we are focussing on the financial indicators most watched by rating agencies.

An important indicator is the dynamic gearing ratio, i.e. the ratio of net debt to result from current operations before depreciation and amortisation. At the end of 2018, we achieved a ratio of 2.7x, compared with 2.6x at the end of 2017. This rise is due to a decrease in result from current operations before depreciation and amortisation to which especially negative exchange rate and consolidation effects as well as lower proceeds from the sale of depleted quarries have contributed. Net debt, however, could be reduced by € 328 million. Our objective is to reduce the dynamic gearing ratio to 2.0x by the end of 2020 (before application of IFRS 16).

Non-financial targets and sustainable key-performance indicators

Operational health and safety generally plays a major role in the production of building materials and, in addition, climate and emissions protection in cement production especially. Therefore, key-performance indicators include parameters, such as accident frequency rate, accident severity rate, and fatality rate, as well as CO_2 emissions and the use of alternative fuels. Information on these non-financial key-performance indicators is available in the chapters Employees and society on ↗ page 53 f. and Environmental responsibility on ↗ page 59 f.

Lead indicators

HeidelbergCement's core business is in standardised mass products that are generally ordered at short notice. For the most part, suppliers of such products are interchangeable from a customer standpoint. Moreover, the volume of construction activity – and thus sales volumes of building materials – are dependent on local weather conditions in the respective markets. Given this market constellation, no reliable lead indicators are definable for business forecasting. However, selected statistical data and industry association forecasts can be utilised to gauge the business outlook at country level. In mature markets, for instance, figures on building permits or infrastructure budgets serve as important sources of information. In emerging markets, data on population growth and GDP growth forecasts are frequently used indicators.

Research and technology

The target of HeidelbergCement's research and development activities (R&D) is to sustainably generate added value for customers and the Group through innovative products as well as through process improvements and new formulations, whilst minimising the use of energy, CO_2 emissions, and hence costs.

Our research and development activities

The innovation work at HeidelbergCement can essentially be divided into five areas of focus:

- Products and applications: Our research and development activities are geared strongly towards the market and our customers. The main priority is the development and improvement of binders and concretes with optimised properties and innovative functionalities. In modern urban development, these products are used to construct or modernise infrastructure and buildings. Thanks to automation and digitalisation, we can also offer our customers expert, tailor-made technical solutions.

- Cement production: Continuous improvement and sharing of best practice are important points of focus in the cement business line. The Continuous Improvement Program (CIP) has been almost fully implemented worldwide.

  The integration of the former Italcementi plants was also successfully completed in 2018 due to our proven programmes Maintenance Improvement (MIP) and Operational Excellence (OPEX). These programmes made the biggest contribution to exceeding the synergy goals.

  In 2018, we achieved first positive results in the area of digitalisation for Industry 4.0 (CEM 4.0 project). The digital technologies allowed us, for instance, remote monitoring of and support for cement plants. At selected plants, we have also started introducing the Expert System, a software solution for optimising production. The initial results are promising.

- Aggregates: In the aggregates business line, the well-established programme for continuous improvement (CI) exceeded the annual target of €40 million per year until the end of 2018. The programme, which commenced in 2011 and involves all aggregates locations, promotes further improvements in the extraction of raw materials, production processes, productivity, energy consumption, and costs. It is supported by local CI managers and aims to help the locations achieve their operational goals and adhere to the budget. A similar programme, launched in the asphalt operating line in 2017, matured into a full CI programme during the reporting year.

- Optimisations across all business lines: Vertical integration, especially in urban centers, has been a strong focus of HeidelbergCement. Sustainable financial improvements can be achieved through a tightly coordinated optimisation of product portfolio, production processes, and logistics across the aggregates, ready-mixed concrete, and cement business lines. By utilising our entire raw material portfolio in one market region, we can optimise the material mix in our ready-mixed concrete plants so that our raw material deposits are most efficiently used and the costs in all aforementioned business lines are reduced. At the same time, we guarantee high concrete quality for our customers.

- Development of cements and concretes with improved carbon footprint: A major area of focus is to further develop composite cements with less clinker – even beyond the limits of today's existing standards. Reducing the proportion of clinker is the most important lever when it comes to minimising energy consumption and CO_2 emissions, and in preserving natural raw materials. In addition, we are developing entirely new kinds of binders that largely dispense with the use of conventional clinker altogether. We also work with processes to incorporate CO_2 in our products by means of carbonisation, which allows us to use building materials for CO_2 storage.

Organisation and fields of activities in the area of R&D and innovation

Our global competence centers Heidelberg Technology Center (HTC), Competence Center Materials (CCM), Competence Center Readymix (CCR), and teams from the two centers for R&D and product innovation – Global R&D (GRD) and Global Product Innovation (GPI) – pool the knowledge in our Group and make it rapidly and comprehensively available to all operating units. Numerous international experts work in all of our competence centers, covering a broad range of expertise in the areas of cement, concrete, and aggregates.

The Group-wide activities in the area of research and technology are divided into the following tasks:

Central R&D and innovation

We have concentrated the Group-wide R&D and innovation activities in the cement, ready-mixed concrete, and aggregates business lines in our two research centers in Leimen (GRD) and Bergamo, Italy, (GPI). While the R&D team in Leimen focuses on the reduction of CO_2 emissions, CO_2 use in building materials, resource efficiency, and a decrease in production costs, GPI in Bergamo concentrates on the development of sustainable, industry-leading concrete solutions for modern urban and infrastructure construction and new market opportunities. Individual projects are defined and implemented by the two teams in close coordination with the operating companies. This close collaboration from the very start of the project facilitates the efficient implementation of the development results and a quick market launch. The activities of the Global Environmental Sustainability (GES) department in technologies regarding CO_2 capture are also taken into account in the field of Central R&D and innovation.

Technology and innovation

Technical centers support our national companies in each Group area. In the cement business line, this is the HTC with three area organisations located in Germany, supporting Europe, the Mediterranean Basin, Africa, and Central Asia, one location in North America, and one in Asia with offices in China, India, and Indonesia. They assist our cement plants with all technical issues, from securing raw materials and operational optimisations to process control and quality assurance. With investment projects, HTC locations are involved in project management until a new installation or plant is commissioned or optimisation measures have been completed. Similarly, the CCM supports the aggregates and asphalt business areas Group-wide with programmes for continuous improvement (CI), digitalisation, and performance management. The CCR, a comparable organisation for the ready-mixed concrete business line, focuses on continuous improvement of the entire ready-mixed concrete business but primarily on the optimisation of raw materials and logistics costs.

Customer-related development and technical service

Our close proximity to the market requires intensive customer-oriented development and technical service, which is also reflected in our high financial commitment (see the following table). The relevant departments and employees, which are integrated directly into the organisation of the respective national companies, develop and optimise the cements, aggregates, and concretes that are tailored to the local needs, often in close cooperation with the customers.

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Expenditure for research and technology

Total expenditure on research and technology amounted to €145.7 million in the reporting year (previous year: 141.0), corresponding to 0.8 % of Group revenue. Personnel costs accounted for around three quarters of the total expenses. The following table shows a breakdown of expenses for the last five years for each of the three fields of activities mentioned above.

Expenditure for research and technology

€m	2014	2015	2016	2017	2018
Central R&D and innovation [1] [2]	8.5	8.9	13.6	21.9	**18.3**
Technology and innovation	48.3	52.6	55.6	61.7	**64.0**
Customer-related development and technical service	42.8	46.2	47.4	57.4	**63.4**
Total	99.6	107.8	116.6	141.0	**145.7**

1) Including capitalised expenses
2) Since 2017, the Global Environmental Sustainability (GES) department has been included in the figures.

The structure of the expenditure for research and technology corresponds to the organisational breakdown: Expenses for the development of basic technologies are allocated to the Central R&D and innovation section. Expenses for process innovations can be found in the Technology and innovation section, while the third section of the table contains the expenses for the optimisation of products and applications according to the wishes of our customers.

The development projects that were capitalised as investments include, amongst others, our innovative product TernoCem® as well as new composite cements. In 2018, capitalised development costs totalled €3.1 million (previous year: 1.9), which corresponds to around 2.1 % of total expenditure on research and technology. Because this figure is low, we have not presented it separately or shown further details.

Employees in research and technology

In the 2018 financial year, a total of 1,156 people (previous year: 1,136) were employed in research and technology. The personnel breakdown and development over the last five years is shown in the following table.

Employees in research and technology

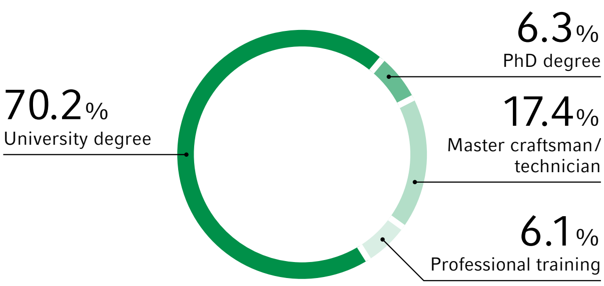
	2014	2015	2016	2017	2018
Central R&D and innovation [1]	60	59	97	127	**109**
Technology and innovation	325	333	358	348	**357**
Customer-related development and technical service	491	531	608	661	**690**
Total	876	924	1,063	1,136	**1,156**

1) Since 2017, the Global Environmental Sustainability (GES) department has been included in the figures.

The high importance of customer-related development and technical service as well as technology and innovation is reflected not only in the costs but also in the number of employees.

Our employees' high level of expertise in research and technology is a key competitive factor and the qualification requirements are correspondingly high. 70.2% of the employees in our technical competence centers have a university degree and 6.3% have a PhD (see the following graph). Intensive on-going training and a systematic exchange of knowledge in expert networks across the Group ensure a high level of qualification.

Qualification profile of our employees in research and technology



Research cooperation

Close cooperation with institutes and universities at both a local and global level complements our own R&D and innovation activities. At a global level, we refer in particular to our participation in Nanocem, the world's most important research network in the cement sector. The network includes cement and admixture companies as well as 25 leading universities in Europe, who all work together to carry out fundamental research, which is supported by public funding.

In terms of product development, we prefer bilateral cooperation with individual universities in order to complement our own expertise in a targeted way. In some cases, cooperative projects with universities are supported by government funding. Compared with total expenditure, the funding ratio is marginal; therefore, we do not record it centrally. Total expenditure on contract research is less than €1 million for the year and thus not shown separately; these expenses are included in the Central R&D and innovation section in the table on this page. Aside from research cooperation mentioned above, we did not acquire any external research and development expertise in 2018.

Major projects and research and development results

Improving cost efficiency and tied-up capital

The Continuous Improvement Program (CIP) has been implemented in the cement business line since 2014. CIP is the consistent continuation of the programmes we have already completed – Operational Excellence (OPEX), Maintenance Improvement, and Group Spare Parts – and focuses on the ongoing exploitation of improvement potential and the anchoring of a new management approach within the Group. CIP is now almost fully implemented worldwide, including the newly added Italcementi plants. In 2018, our digitalisation initiatives for Industry 4.0 (CEM 4.0 project) produced their first positive results in terms of increasing production, improving energy efficiency, and optimising costs. Other digitalisation projects were also started in the reporting year, and a roadmap has been drawn up for the next few years. To improve HeidelbergCement's carbon footprint, we have also initiated the Alternative Fuel Master Plan to promote the use of alternative energies.

Our three-year Aggregates CI programme in the aggregates business line that ran from 2016 to the end of 2018, surpassed its goal, and made a significant contribution to increasing revenue and making cost savings. In 2018, the emphasis was also on further digitalisation of the business line. A small team of experts focused on automation of the extraction process, while another team concentrated on recording and reporting key figures from production.

These programmes, along with precisely tailored training courses, also offer our employees around the world good opportunities for further development. The continuous improvement approach of HeidelbergCement is mature and embedded across the Group and will continue to drive results for the years to come.

The CCR has the ambitious goal of achieving ongoing savings of more than €120 million over three years by the end of 2019. This will be achieved through a structured improvement programme examining all parts of the ready-mixed concrete business starting from the ground up delivering efficiencies in raw materials, logistics, production, products, assets, and concrete pumps. Already more than €90 million of savings have been achieved.

Ideas for improvement come from a wide variety of areas and often include best practice methods, which are applied across the Group and shared between the individual countries. This typically results in increased internal efficiency as well as benefits for the customers in the form of optimised products and services. This in turn leads to more efficient products and services and improved customer perception.

Cements with lower proportions of clinker

We have made further progress in the development of cements with less clinker, thereby achieving a reduction in both CO_2 emissions and costs. In several countries, the proportion of blast furnace slag, fly ash, and limestone in cement has been increased, thus reducing the clinker content. The first industrial tests for cements with lower proportions of clinker (CEM II/C and CEM VI), which will be included in the standard in the cement industry in the future, have been successfully completed in Poland and Germany.

In parallel, we are focusing on the identification and development of alternative cement components. In Africa, for example, we use ground rock from local quarries as an additional component in cement production, thereby replacing imported clinker. The use of biofuel ash obtained from sugar production, for instance, may open up further possibilities. In some countries, we are investigating the possibility of using recycled concrete fines as a cement component, in order to close the concrete recycling loop. We have significantly expanded our competence in recycling technologies with the recent acquisition of Alex Fraser in Australia. A working group is currently developing strategies for new "green" concrete formulations using broken waste glass and shredded plastic.

Development of alternative clinker

With TernoCem®, we have established the basis for an alternative clinker technology. Based on an altered chemical composition and low burning temperatures, CO_2 output is 30 % lower in comparison with conventional clinker and energy consumption is reduced by around 15 %. The basic technology is protected by various patents. A multi-year research programme was launched in 2015 to develop the technology to market maturity. This programme is substantially supported by the EU-funded ECO-BINDER project. With this, we intend to prepare the ground for future product standardisation.

Preservation of resources, recycling, and CO_2 capture

Following the conclusion of a large-scale feasibility study in 2016, the carbon capture project at the Brevik cement plant in Norway entered its next phase with the start of the concept study in April 2017. The Norwegian government's CCS (Carbon Capture and Storage) project was undertaken in three different sectors of industry, among others at our Brevik cement plant. At the start of 2018, the Norwegian government shortlisted Brevik for an industrial-scale CO_2-capture trial. This qualifies the plant to carry out a detailed preliminary planning and implementation study. A final decision on the implementation of this large-scale trial costing several million euros is expected in mid-2019. According to the planned schedule, the CO_2 emissions captured as part of this project will be transported to an underground storage below the North Sea from 2023.

To further develop the oxyfuel technology, HeidelbergCement participates in the CEMCAP project, which aims to drive forward technologies for the capture of CO_2 in the cement industry and is co-financed by the Horizon 2020 EU development programme. In the oxyfuel process, the rotary kiln is supplied with pure oxygen instead of ambient air, which facilitates the capture of CO_2. As this technology has not yet been tested on a large scale in the cement industry, but is expected to help us make a crucial breakthrough in decreasing our CO_2 emissions, HeidelbergCement has already been involved in a number of preliminary investigation programmes in the past. In 2018, we joined another research project, which is sponsored by the German Federal Ministry of Education and Research as well as the EU and managed by the University of Stuttgart, Germany. In this project, all major aspects of the practical technical feasibility of the oxyfuel process in cement clinker production will be investigated in detail. The first results of this research project are expected at the end of 2019.

As a member of the European Cement Research Academy (ECRA), HeidelbergCement is also engaged in another community project to further develop oxyfuel technology. In this project, a cement plant will be converted to oxyfuel technology on an industrial scale and operated using this technology for several months. HeidelbergCement put its Colleferro plant in Italy forward for this task, which was selected by ECRA as the demonstration plant for oxyfuel technology. The ECRA team is currently applying for funding from the EU and its member states.

The LEILAC project co-financed by the EU, and in which HeidelbergCement is one of the main strategic partners, started in January 2016. This project aims to demonstrate the technical and economic feasibility of a process technology for the capture of the released CO_2 in its purest form during the heating of the raw material. The construction plans for the calciner were completed in 2017, and work began in 2018 on procuring the individual plant components and constructing the 60-metre-high demonstration calciner at our Lixhe cement plant in Belgium. The facility will be ready for operation by the end of the first quarter of 2019, and the actual process trials can then commence. The knowledge gathered over the past few years was disseminated at the International Conference on Innovation in Industrial Carbon Capture, which took place at the start of February 2018 in Liège, near our Lixhe cement plant. The participants included representatives of the companies involved and several technical universities in Germany, Belgium, and the Netherlands, as well as employees of EU and Belgian support agencies. The unanimous feedback from the event was that the research findings presented and the preliminary work already undertaken for this large-scale trial are very likely to lead to a successful outcome for the international research project.

In 2017, HeidelbergCement launched the CO2MIN project in collaboration with RWTH Aachen University and the Institute for Advanced Sustainability Studies (IASS) in Potsdam, Germany. This project aims to investigate the potential of natural minerals for absorbing CO_2 and the possibility of using them to produce marketable building materials. Besides natural minerals like olivine and basalt, industrial waste products such as slag or fines made from recycled concrete are also being tested. The three-year research and development programme received €3 million in funding from the German Federal Ministry of Education and Research.

In addition, HeidelbergCement is researching the use of microalgae in CO_2 recycling for the manufacture of fish food and other animal feed. Our research and development projects in Sweden, Turkey, and France are very encouraging and make an important contribution to our strategy of making CO_2 useable. In this context, we developed a large-scale demonstration project in 2018 to produce algae for fish food at our Safi cement plant in Morocco, investing more than €1.2 million in the construction of a one-hectare algae farm. Preliminary trials for the selection of suitable algae species were conducted successfully in 2018, which means that the actual breeding trials can begin at the start of 2019.

Innovative concretes

The GPI team in Bergamo, Italy, has developed cement-based solutions for stabilising sludge and soils, a low-cost cement with photocatalytic properties, and intelligent concrete solutions for energy saving and the thermal insulation of buildings. In addition, sustainable solutions for concrete rehabilitation in the area of infrastructure and for improving urban development have been explored.

Special efforts were made in innovative 3D concrete printing technology with the construction of a 100-square-metre house in the center of Milan, Italy. This project enabled a cost/benefit assessment from both an economic and a technical perspective of a house construction using 3D technology and the traditional method of construction on site using ready-mixed concrete.

Our high expertise in concrete technology is being demonstrated in a number of prestigious high-rise building projects throughout the world. These include the Sky Tower in Brisbane, Australia, and the Twenty Two in London, which are the highest buildings in these two cities and require the use of very high-performance concretes.

2018 economic report

Economic environment

General economic conditions

In 2018, various factors led to a slight slowdown in global economic growth: Growth in China cooled somewhat as a result of the trade dispute with the USA and stricter regulation of the financial system. In Europe, growth rates in the United Kingdom fell because of uncertainties over Brexit. In Italy, concerns about public and financial risks had an adverse impact on private consumption, while the German economy slowed due to unfavourable general conditions, e.g. in the car industry. Gross domestic product in Germany rose by 1.4 % compared with 2017 and was below the level of the eurozone. In contrast, the tax reform in the USA had a positive impact on growth, which accelerated from 2.2 % in 2017 to 2.9 % in 2018. There was very little change in the growth rates of the emerging countries of Asia and Africa. Together with population growth and gross domestic product per capita, economic growth is one of the most important indicators for measuring the development of construction activity and the demand for building materials. The increase in demand for cement in the emerging countries is roughly in line with economic growth. During infrastructure expansion phases, however, it can also be several times higher.

In the USA, the US Federal Reserve continued to increase base rates as expected. At the European Central Bank, net purchases of bonds were discontinued at the end of 2018. In the course of the year, the US dollar appreciated in value against the euro, while it weakened on average in comparison with the previous year. The euro made gains against a large number of currencies, such as the Australian and Canadian dollars, the Indonesian rupiah, the Indian rupee, and the Turkish lira. According to the IMF, the global economy grew by 3.7 % in 2018 compared with 3.8 % in the previous year.

As a result of the strong economic growth in 2017 and the USA's oil embargo against Iran, the oil price increased further in the course of 2018. Coal prices also rose significantly, particularly in Australia. In Europe, the increased prices of CO_2 emission rights led to an unexpected rise in electricity prices. Consequently, average annual energy prices were markedly above the previous year's level.

Industry-specific conditions

Besides the country-specific investment climate for residential, commercial, and infrastructure construction, industry-specific conditions also include local weather conditions, developments in the competitive situation, and the regulatory environment. As the production and marketing of building materials is very localised and global trade in building materials only represents a small percentage of the total volume, we focus on our relevant regions and countries instead of considering a global view of the demand trend. Details of the development in the individual countries can be found in the Business trend in the Group areas section on ↗ page 31 f.

Real GDP growth rate in major Group countries

in %	2017	2018 [1]
Western and Southern Europe		
Belgium	1.7	**1.4**
France	2.2	**1.5**
Germany	2.2	**1.4**
Italy	1.6	**0.9**
Netherlands	2.9	**2.5**
Spain	3.0	**2.5**
United Kingdom	1.8	**1.4**
Northern and Eastern Europe-Central Asia		
Czechia	4.4	**3.0**
Hungary	4.1	**4.9**
Kazakhstan	4.0	**4.1**
Norway	2.0	**1.4**
Poland	4.6	**5.1**
Romania	7.0	**4.1**
Russia	1.6	**2.3**
Sweden	2.1	**2.3**
North America		
Canada	3.0	**1.8**
USA	2.2	**2.9**
Asia-Pacific		
Australia	2.4	**2.8**
China	6.8	**6.6**
India	6.7	**7.3**
Indonesia	5.1	**5.1**
Malaysia	5.9	**4.7**
Thailand	3.9	**4.6**
Africa-Eastern Mediterranean Basin		
Egypt	4.2	**5.3**
Ghana	8.4	**6.3**
Morocco	4.1	**3.2**
Tanzania	6.0	**5.8**
Togo	4.4	**4.7**
Israel	3.3	**3.6**
Turkey	7.4	**3.5**

1) 2018 values are based on estimations and forecasts.
Sources: International Monetary Fund (IMF), Eurostat, and national statistical offices

The positive development of demand in recent years has increased the level of competition, particularly in the emerging countries of Africa and Asia. Local and regional companies have commissioned new cement capacities, which exceeded the growth in demand in some cases, resulting in price pressure. As a result, margins in some of the affected countries decreased significantly.

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Weather conditions also play a major role, as construction activities are considerably restricted or even suspended altogether when temperatures fall well below freezing, during snow, or with heavy rainfall. In 2018, sales volumes of building materials in the USA and Canada were adversely impacted by a long winter and severe rainfall, especially in northern USA and in Texas.

The EU Emissions Trading System (ETS) is just one of the regulatory conditions that exercise an influence on the results of building materials producers. In anticipation of the expected shortage of CO_2 emission rights in the fourth trading period, which begins in 2021, the price of emission rights rose significantly in the course of the year, from under €10 to around €25 per tonne of CO_2. As in 2017, HeidelbergCement decided not to sell its surplus emission rights, but to keep them for future use.

Relevant changes in reporting

In 2018, there were no relevant changes in reporting. Unless expressly indicated otherwise, all statements and figures in this Annual Report refer to the continuing operations of HeidelbergCement.

Development of sales volumes

HeidelbergCement achieved new record sales volumes in 2018 despite varied development in the individual Group areas.

In 2018, cement and clinker sales volumes rose by 3.4 % to 129.9 million tonnes (previous year: 125.7). In the reporting year, we sold our white cement activities in the USA, while in Italy we acquired Cementir Italia S.p.A. and its subsidiary Cementir Sacci S.p.A. Already in 2017, we sold half of our business in Georgia. Excluding these changes to the scope of consolidation, cement sales volumes were 3.8 % above the previous year. With the exception of the Northern and Eastern Europe-Central Asia and North America Group areas, which were affected by the disposals mentioned above, all other Group areas recorded moderate growth rates.

In 2018, aggregates sales volumes rose slightly by 1.4 % to 309.4 million tonnes (previous year: 305.3). On a like-for-like basis – i.e. excluding consolidation effects – sales volumes were just above the previous year, with an increase of 0.6 %. The Asia-Pacific Group area recorded the strongest increase in deliveries of aggregates, followed by Western and Southern Europe and North America. While sales volumes in Northern and Eastern Europe-Central Asia fell only slightly in comparison with the previous year, Africa-Eastern Mediterranean Basin recorded a significant decline.

In the reporting year, ready-mixed concrete sales volumes were up by 3.7 % to 49.0 million cubic metres (previous year: 47.2). Excluding consolidation effects, they rose by 3.9 %. Volumes increased in all Group areas, most markedly in Asia-Pacific and North America, followed by Africa-Eastern Mediterranean Basin. In the European countries and Central Asia, sales volumes were slightly higher than in the previous year.

In 2018, asphalt deliveries rose by 7.1 % to 10.3 million tonnes (previous year: 9.6). This increase results primarily from the acquisition of an asphalt company in Australia (Suncoast Asphalt Pty Ltd.), representing our market entry in the southeast of Queensland. Excluding this consolidation effect, asphalt sales volumes were only slightly above those of the previous year. Asphalt deliveries rose significantly in the Western and Southern Europe Group area, while a significant decrease was recorded in the Africa-Eastern Mediterranean Basin Group area.

For a detailed description of the development of sales volumes in the individual Group areas, we refer to the section Business trend in the Group areas on ↗ page 31 f.

Sales volumes

	2017	2018	Change	On a like-for-like basis[1]
Cement and clinker (million tonnes)	125.7	**129.9**	3.4 %	3.8 %
Aggregates (million tonnes)	305.3	**309.4**	1.4 %	0.6 %
Ready-mixed concrete (million cubic metres)	47.2	**49.0**	3.7 %	3.9 %
Asphalt (million tonnes)	9.6	**10.3**	7.1 %	0.3 %

1) Excluding consolidation effects

Earnings position

Group revenue rose by 4.7 % in comparison with the previous year to €18,075 million (previous year: 17,266). Excluding consolidation and exchange rate effects, the increase amounted to 8.0 %. Changes to the scope of consolidation of €90 million had a positive impact on revenue, while exchange rate effects reduced revenue by €592 million.

Material costs rose by 10.3 % to €7,478 million (previous year: 6,782). Excluding consolidation and exchange rate effects, material costs grew by 14.5 %. This rise predominantly results from the disproportionately high increase in the costs of energy and goods purchased for resale. The material cost ratio climbed from 39.3 % to 41.4 %. The balance of other operating expenses and income was 7.2 % above the previous year's level at €-4,772 million (previous year: -4,450). Excluding exchange rate and consolidation effects, the increase amounted to 9.8 %, which was essentially due to the rise in freight costs. Personnel costs grew slightly by 1.4 % to €3,032 million (previous year: 2,990). The personnel cost ratio declined to 16.8 % (previous year: 17.3). The result from joint ventures decreased by 0.4 % to remain around the previous year's level of €204 million.

The result from current operations before depreciation and amortisation fell by 6.8 % to €3,074 million (previous year: 3,297). The decrease of €223 million is primarily due to negative exchange rate effects of €130 million and changes to the scope of consolidation amounting to €-23 million. The operational decline of €70 million is predominantly attributable to reduced proceeds from the sale of depleted quarries. The result from current operations dropped by 9.4 % to €1,984 million (previous year: 2,188). Exchange rate effects of €-94 million and changes to the scope of consolidation of €-36 million reduced the result from current operations.

The additional ordinary result of €108 million (previous year: -133) relates, among others, to income from the disposal of subsidiaries and other business units of €125 million, impairment of other intangible assets and property, plant and equipment of €-34 million, as well as other income and expenses. For more details, we refer to the Notes on ↗ page 143.

Earnings before interest and taxes (EBIT) rose by 1.2 % to €2,131 million (previous year: 2,107). The increase of €25 million results mainly from the positive development of the additional ordinary result.

The financial result improved by €52 million to €-367 million (previous year: -418). Besides the reduction of €41 million in interest expenses, the financial result was positively affected by a rise of €14 million in exchange rate gains. However, this was offset by the decrease of €8 million in interest income.

Profit before tax from continuing operations improved by €76 million to €1,764 million (previous year: 1,688). The expenses for income taxes were below the previous year's level at €464 million (previous year: 579), while effective tax rate decreased to 26.3 % (previous year: 34.3 %). Reason for this decline was a special effect in the previous year from the revaluation of the deferred tax item resulting from the US tax reform. Net income from continuing operations improved by €191 million to €1,300 million (previous year: 1,109).

Net loss from discontinued operations amounts to €-14 million (previous year: -51) and is attributable to operations of the Hanson Group that were discontinued in previous years.

Profit for the financial year rose to €1,286 million (previous year: 1,058). The profit attributable to non-controlling interests increased by €3 million to €143 million (previous year: 141). The Group share of profit therefore amounts to €1,143 million (previous year: 918).

Earnings per share – Group share – in accordance with IAS 33 improved substantially by €1.14 to €5.76 (previous year: 4.62).

In view of the overall positive business development, the Managing Board and Supervisory Board will propose to the Annual General Meeting on 9 May 2019 the distribution of a dividend of €2.10 (previous year: 1.90) per share.

Consolidated income statement (short form)

€m	2017	2018	Change
Revenue	17,266	**18,075**	5 %
Result from current operations before depreciation and amortisation	3,297	**3,074**	-7 %
Depreciation and amortisation	-1,109	**-1,090**	-2 %
Result from current operations	2,188	**1,984**	-9 %
Additional ordinary result	-133	**108**	
Result from participations	51	**39**	-23 %
Earnings before interest and taxes (EBIT)	2,107	**2,131**	1 %
Financial result[1)]	-418	**-367**	-12 %
Profit before tax from continuing operations	1,688	**1,764**	5 %
Income taxes[1]	-579	**-464**	-20 %
Net income from continuing operations	1,109	**1,300**	17 %
Net loss from discontinued operations	-51	**-14**	-72 %
Profit for the financial year	1,058	**1,286**	22 %
Group share of profit	918	**1,143**	25 %

1) 2017 amounts were restated see the Notes: Other changes, page 130

Business trend in the Group areas

Western and Southern Europe

HeidelbergCement operates production sites in seven countries in the Western and Southern Europe Group area. In these mature markets, we manufacture cement, aggregates, and ready-mixed concrete – as well as asphalt in the United Kingdom and precast concrete parts/concrete products in Germany – as a fully integrated building materials company. We are among the market leaders in the cement business in almost all of these countries. We also maintain a dense network of quarries for aggregates and production facilities for ready-mixed concrete. The United Kingdom, France, and Germany are the three largest market regions in Western and Southern Europe.

To expand our market position in Italy, our subsidiary Italcementi S.p.A. acquired from Cementir Holding 100 % of the shareholding in Cementir Italia S.p.A. and its subsidiaries, Cementir Sacci S.p.A. and Betontir S.p.A., on 2 January 2018. The acquisition comprises five cement and two cement grinding plants as well as a network of terminals and ready-mixed concrete plants. Due to the conditions imposed by the Italian competition authority, Italcementi sold the cement plant in Maddaloni via the acquired subsidiary Cementir Italia on 1 June 2018. In September, we also acquired the aggregates activities of Carmeuse S.A. in Belgium.

According to available statistical data, the economic recovery weakened to some extent in the countries of the Western and Southern Europe Group area in the reporting year. The concerns about public and financial risks in Italy and the uncertainty about the terms for the United Kingdom's exit from the EU had a negative impact. Once again, the Spanish economy recorded the strongest growth among the major national economies, with 2.5 %. In Germany, the growth of the gross domestic product slowed to 1.4 % despite consistently robust domestic demand and a strong labour market. In France, the increase in the gross domestic product fell to 1.5 %. Belgium and the Netherlands recorded rises in the gross domestic product of 1.4 % and 2.5 % respectively, while Italy achieved the lowest growth in the eurozone, with 0.9 %. The United Kingdom's economy cooled significantly amid Brexit-related uncertainty, growing by just 1.4 % in 2018.

According to the November 2018 forecast of Euroconstruct, construction activity in the countries of the Group area underwent largely positive development in the reporting year. In Germany, construction investments increased by 1.3 % thanks to strong demand in residential construction. Construction activity in Belgium rose by 2.3 %, primarily driven by new infrastructure projects and private residential construction. In the Netherlands, construction output increased by 6.3 % as a result of strong demand in all areas. France registered an estimated rise of 3.2 %, which was supported by the whole construction sector. In Italy, the construction sector continued to suffer from weak economic development, with expected growth of 1.7 %. The United Kingdom recorded a decline of 0.8 % in construction activity. This was caused in particular by weak commercial and non-residential construction due to the intended Brexit. Construction activity in Spain grew by 5.7 %, boosted by the positive development in residential and non-residential construction. Infrastructure construction remained at a low level, as public building projects continued to be affected by the national budgetary restrictions.

Cement business line

Cement consumption is set to increase significantly by around 7 %, 6 %, and 3.6 % respectively in Spain, the Netherlands, and France in 2018, but is expected to be below the previous year's level in the United Kingdom. In both Belgium and Italy, a slight increase in cement consumption is anticipated. In Germany, consumption is expected to remain constant in comparison with the previous year.

In 2018, the Western and Southern Europe Group area's cement and clinker sales volumes rose by 6.5 % to 30.8 million tonnes (previous year: 28.9). Excluding the disposal of the white cement activities in Belgium and the acquisition of Cementir in Italy, sales volumes grew by 1.2 %. Our plants in Germany recorded a slight rise in sales volumes, driven by the strong development of demand, primarily in residential construction. In Belgium/Netherlands, cement and clinker deliveries were slightly below the previous year's high level. In the United Kingdom and Spain, sales volumes were at and slightly above the previous year's level respectively, while a moderate increase was recorded in France. Excluding consolidation effects, sales volumes also saw a moderate increase in Italy. Revenue of the cement business line rose by 8.0 % to €2,536 million (previous year: 2,348).

Throughout the Group area, our investment activities are focused on continuous improvement of our environmental protection activities, not least to ensure compliance with the increasingly stringent regulatory requirements of the European Union and individual countries. This includes extensive investment in reducing dust, nitrogen oxide, and sulphur oxide emissions, as well as continually increasing the use of alternative fuels and raw materials.

The Germany Cement Master Plan, an ambitious investment programme for the modernisation and efficiency improvement of our cement plants and environmental protection, commenced in Germany in 2014. Good progress was achieved on the two major projects in Burglengenfeld and Schelklingen in 2018. Construction work in Burglengenfeld was completed as planned, and the kiln successfully commissioned in March. The new kiln line in Schelklingen is expected to commence operation at the end of the first quarter of 2019. At the Padeswood plant in the United Kingdom, a new cement mill as well as silos and facilities for rail and truck loading were constructed and will increase the plant's production output and shipments. Commissioning is also planned for the first quarter of 2019.

Aggregates business line

The Group area's deliveries of aggregates increased by 3.5 % to 81.3 million tonnes (previous year: 78.5). Excluding the aggregates activities of Carmeuse in Belgium, included since September, sales volumes rose by 2.5 %.

The relatively strong growth in sales volumes in Spain was offset by a decrease in Italy, due to a number of projects coming to an end. In Belgium/Netherlands, volumes significantly exceeded the previous year's level as a result of acquisitions. A slight to moderate rise in sales volumes was recorded in Germany, France, and the United Kingdom. Revenue of the aggregates business line rose by 6.0 % to €1,064 million (previous year: 1,004).

In aggregates, we continually expand our leading market position, primarily by acquiring smaller local companies, expanding capacities in existing production lines, and procuring new raw material reserves.

Ready-mixed concrete-asphalt business line

This business line covers the ready-mixed concrete and asphalt activities. While we have an extensive network of ready-mixed concrete plants in many parts of the Group area, asphalt activities are limited to the United Kingdom.

Ready-mixed concrete sales volumes grew by 1.0 % to 17.5 million cubic metres (previous year: 17.3) in the reporting year.

While we achieved significant increases in volumes in Spain and especially Italy, ready-mixed concrete deliveries in Belgium/Netherlands remained below the previous year. The growth in Italy is attributable to larger infrastructure projects and acquisitions. France recorded a slight rise in sales volumes, while Germany's volumes were just below the previous year's level.

At 3.6 million tonnes (previous year: 3.3), sales volumes of the asphalt operating line in the United Kingdom exceeded the previous year by 9.4 %. Revenue of the ready-mixed concrete-asphalt business line grew by 3.7 % to €1,845 million (previous year: 1,779).

We are also expanding our network of production facilities in the ready-mixed concrete segment by acquiring or constructing new ready-mixed concrete plants.

Service-joint ventures-other business line

The service-joint ventures-other business line essentially includes the precast concrete parts and concrete products operating lines in Germany. At €362 million (previous year: 399), revenue of the business line was 9.2 % below the previous year.

Revenue and results

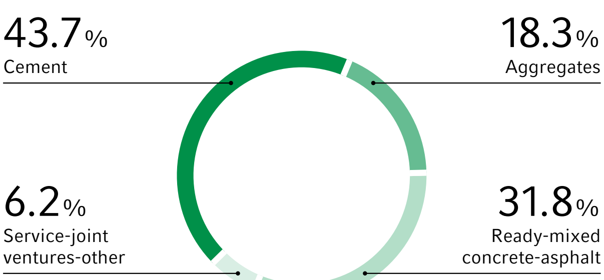
Revenue of the Western and Southern Europe Group area rose by 5.0 % to €4,936 million (previous year: 4,701). Excluding consolidation and exchange rate effects, a moderate revenue increase of 4.6 % was achieved.

At €590 million (previous year: 613), the result from current operations before depreciation and amortisation was 3.8 % below the level of the previous year. The result from current operations dropped by 11.7 % to €260 million (previous year: 294). The reasons for this decline in results were consolidation effects as well as significant increases in the costs of electricity, fuels, and bitumen.

Key data Western and Southern Europe

€m	2017	2018	Change
Revenue	4,701	**4,936**	5.0 %
Result from current operations	294	**260**	-11.7 %
Cement and clinker sales volumes (Mt)	28.9	**30.8**	6.5 %
Aggregates sales volumes (Mt)	78.5	**81.3**	3.5 %
Ready-mixed concrete sales volumes (Mm^3)	17.3	**17.5**	1.0 %
Asphalt sales volumes (Mt)	3.3	**3.6**	9.4 %
Employees as at 31 December	15,497	**15,903**	2.6 %

Revenue Western and Southern Europe 2018: €4,936 million



Northern and Eastern Europe-Central Asia

HeidelbergCement is active in 21 countries in the Northern and Eastern Europe-Central Asia Group area. In many of these countries, we manufacture cement, aggregates, and ready-mixed concrete as a fully integrated building materials company. We hold leading market positions in the cement business in Sweden, Norway, Estonia, Iceland, Poland, Czechia, Romania, Hungary, Bosnia-Herzegovina, Bulgaria, Russia, Kazakhstan, Georgia, and Ukraine.

Overall, the countries in the Group area recorded positive economic development in 2018. As in the previous year, Sweden generated robust economic growth of 2.3%. In Norway, gross domestic product rose by 1.4%. Poland, Czechia, and Hungary achieved strong economic growth with increases of 5.1 %, 3.0%, and 4.9% respectively. For Romania, a rise in gross domestic product of 4.1% is forecast. For Russia and Greece, economy is estimated to have grown by 2.3 % and 1.9 % respectively in 2018.

Construction activity in the countries in the Northern and Eastern Europe-Central Asia Group area presented a varied picture in 2018: According to the November forecast of Euroconstruct, growth of around 1 % is anticipated for the Norwegian construction sector as a whole. The weak residential construction is offset by increasing infrastructure measures. The construction industry in Sweden is expected to grow by 2.0 %, boosted by the positive development in residential and infrastructure construction. In Poland, the construction sector recorded a double-digit rise of 12.9 % thanks to the positive development of residential and infrastructure construction. In 2018, the Hungarian construction industry continued to experience a boom (+24.7 %) as a result of the strong growth in residential and infrastructure construction. The Czech construction sector saw a pleasing increase of 10.0 %, which was due in particular to residential construction. Over the last six years, residential construction has also been developing positively in Bulgaria. In addition, several large infrastructure projects sponsored by the government and the EU entered implementation phase.

Cement business line

Cement and clinker sales volumes in the Northern and Eastern Europe-Central Asia Group area decreased slightly to 25.6 million tonnes (previous year: 25.9) as a result of consolidation effects. Like-for-like, i.e. excluding the sales volumes of our business in Georgia, which has been operated as a joint venture since 2018, the increase amounted to 5.3 %.

We achieved substantial volume growth in Poland, our largest market in this Group area, as well as in Czechia and Iceland, and to a lesser extent in Sweden and Greece. In the Baltic States, Kazakhstan, Romania, and Russia, cement sales volumes rose slightly. In contrast, volumes declined in Norway, Denmark, Bulgaria, and Ukraine.

Revenue of the cement business line was slightly above the previous year's level, with a rise of 0.5 % to €1,566 million (previous year: 1,558).

In 2018, we once again invested to improve sustainability and environmental protection throughout the Group area – for instance, by installing new filters, increasing the use of alternative fuels, or exploring and processing new, more cost-effective alternative fuels.

In several plants, parts of production facilities – such as loading installations, conveyor belts, and silos – were modernised or reconstructed. In the plant in Brevik, Norway, for example, construction work commenced on a new, larger limestone storage with a semi-automatic unloading system, which should be completed by 2020.

By signing a contract for the sale of our business activities in Ukraine, we achieved further progress in optimising our portfolio in the Group area. The transaction is expected to be completed in 2019.

Aggregates business line
The main markets of the Northern and Eastern Europe-Central Asia Group area in the aggregates business line are in Northern Europe as well as in Czechia and Poland. However, we are also active in the aggregates business in all other countries of the Group area, with the exception of Denmark and Bulgaria. In 2018, deliveries of aggregates in the Group area were slightly below the previous year, falling by 1.8 % to 51.3 million tonnes (previous year: 52.3). Revenue of the aggregates business line grew by 3.8 % to €523 million (previous year: 503).

In 2018, development in the aggregates business varied substantially across the countries of the Group area. In Kazakhstan deliveries decreased significantly, and a moderate decline was recorded in Norway. In contrast, we achieved double-digit growth rates in Poland, Czechia, Romania, and Sweden, our strongest markets for aggregates. We also increased significantly sales volumes in Greece and Slovakia. The Mibau Group, which contributed the largest sales volume, is continuously strengthening its leading market position in the countries of Western and Northern Europe.

Ready-mixed concrete-asphalt business line
We are not active in the asphalt business in the Northern and Eastern Europe-Central Asia Group area, but maintain a dense network of ready-mixed concrete plants in most countries, with the exception of Russia. In 2018, we entered the Bulgarian market, with our first plant in Varna. Ready-mixed concrete deliveries in the Group area rose by 0.9 % to 7.0 million cubic metres (previous year: 6.9), which corresponds to an increase of 10.6 % in sales volumes on a like-for-like basis, i.e. excluding the joint venture in Georgia.

Sales volumes increased in all countries apart from Kazakhstan. Particularly strong growth was recorded in our two key markets, Poland and Czechia. The countries in Northern Europe also reported considerable growth in sales volumes.

Revenue of the ready-mixed concrete-asphalt business line grew by 7.8 % to €639 million (previous year: 592).

In 2018, we strengthened the ready-mixed concrete business by acquiring additional ready-mixed concrete plants, of which seven are in Poland. New ready-mixed concrete vehicles and concrete pumps have also been acquired in a number of countries.

Service-joint ventures-other business line
In Northern and Eastern Europe-Central Asia, this business line includes our joint ventures as well as the concrete products of Nordic Precast Group (NPG), which is active in Denmark, Germany, Poland, Estonia, Norway, and Sweden. HeidelbergCement increased its shareholding in Nordic Precast Group (NPG) to 100% with effect from 2 January 2019. This sole shareholding will open up additional synergy effects for us in the future.

The main joint ventures in Northern and Eastern Europe-Central Asia are located in Georgia, Hungary, and Bosnia-Herzegovina. In Georgia, we successfully carried out the modernisation of the Kaspi cement plant, which had been in progress for two years. The new modern clinker production line fulfils the highest environmental protection standards and increases the clinker production capacity. The project is set to be completed in the first quarter of 2019. Cement sales volumes in Georgia fell slightly compared to the previous year.

Our joint venture Duna-Dráva Cement Kft. is the leading cement manufacturer in Hungary. In 2018, the extensive modernisation of the Vác cement plant was completed, allowing us to meet the highest environmental standards and increase the proportion of alternative fuels. The integration of the ready-mixed concrete plants acquired from Cemex Hungary in 2017 was also successfully completed in the reporting year.

In Bosnia-Herzegovina, we operate one cement plant and several ready-mixed concrete plants. Cement sales volumes in Bosnia-Herzegovina remained at the previous year's level, while they rose considerably in Hungary.

We also operate other joint ventures – particularly in the ready-mixed concrete business – in Norway, Croatia, Czechia, and Poland.

Revenue of the service-joint ventures-other business line rose by 5.1 % to €420 million (previous year: 399).

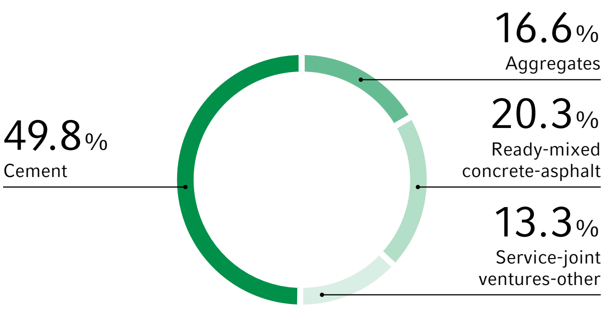
Revenue and results
Revenue of the Northern and Eastern Europe-Central Asia Group area grew by 2.8 % to €2,916 million (previous year: 2,836). Excluding consolidation and exchange rate effects, it increased by 9.6 %.

At €575 million (previous year: 539), the result from current operations before depreciation and amortisation was 6.6 % above the level of the previous year. The result from current operations rose by 14.0 % to €416 million (previous year: 365).

Key data Northern and Eastern Europe-Central Asia

€m	2017	2018	Change
Revenue	2,836	**2,916**	2.8 %
Result from current operations	365	**416**	14.0 %
Cement and clinker sales volumes (Mt)	25.9	**25.6**	-1.4 %
Aggregates sales volumes (Mt)	52.3	**51.3**	-1.8 %
Ready-mixed concrete sales volumes (Mm^3)	6.9	**7.0**	0.9 %
Employees as at 31 December	13,531	**12,515**	-7.5 %

Revenue Northern and Eastern Europe-Central Asia 2018: €2,916 million



North America

The United States of America and Canada form the North America Group area. In its largest market region, HeidelbergCement is one of the leading manufacturers of cement, aggregates and ready-mixed concrete. Additionally, asphalt is produced in both countries and concrete pipes are produced in Canada.

Despite the impact of prolonged winter conditions in the northeastern USA and the Canadian Prairies, as well as the record-breaking rain in Texas and the northern USA, North America saw increased demand and revenue in local currency in 2018.

In 2018, gross domestic product growth in the USA was 2.9 % versus 2.2 % in 2017. According to the IMF, the labour market has also improved and the unemployment rate has dropped from 4.4 % in 2017 to 3.8 % in 2018.

Total construction spending for 2018 is expected to be 1.4 % higher than the previous year. The anticipated improvement was driven by public sector spending, with an increase of 3 %, while the residential sector is expected to be up 1.8 % as a 2.8 % improvement in single-family units mitigates the 4.1 % reduction in multi-family spending. Non-residential construction will come in lower once again and is likely to be down 0.9 %.

Strong demand in British Columbia outpaced the weather-driven pressure on the Prairies and in eastern Canada. Canadian gross domestic product for 2018 is expected to have grown by 1.8 % – falling short of the 3.0 % rate in 2017.

To further support its favourable position in British Columbia, HeidelbergCement completed two acquisitions in late 2018. The first is Jack Cewe Ltd., a privately held company with more than 60 years of history in British Columbia. The acquisition includes 100 % of the aggregates (81 million tonnes of sand and gravel reserves) and asphalt businesses, as well as a 50 % stake in their civil construction business. The second acquisition was OK Builders Supply Ltd., a family-owned construction materials business that has been in operation for nearly 70 years. Assets include seven ready-mixed concrete plants and two aggregates operations that supply the ready-mixed concrete operations.

The following divestments also occurred during the reporting year: In March 2018, HeidelbergCement completed the sale of its stake in Lehigh White Cement Company, a joint venture between Lehigh Cement Company, Aalborg Cement Company Inc., and Cemex Inc. In December 2018, HeidelbergCement disposed of its stake in Ciment Québec, a joint venture between Lehigh Cement Company and the Papillon family.

Cement business line

In 2018, cement consumption in the USA is expected to be up by 2.9 % to 99 million tonnes. In Canada, the expected increase is 0.7 % to 9 million tonnes.

Cement and clinker sales volumes of our plants reached 16.2 million tonnes (previous year: 16.4), a decrease of 1.5 %. Excluding the divested white cement business, like-for-like cement sales volumes rose slightly by 0.6 %.

A solid demand increase was recorded along the Pacific coast, from Northern California to British Columbia, while the strongest improvement came from the Florida markets. We were able to successfully implement price increases across each region with the Pacific coast driving the most improvement. Revenue in the cement business line fell by 6.0 % in 2018 to €1,748 million (previous year: 1,861). On a like-for-like basis, excluding consolidation effects from the sale of the white cement business and exchange rate effects, revenue rose moderately.

Aggregates business line

In the USA and Western Canada, HeidelbergCement has a strong network of production sites for sand, gravel and hard rock, which was expanded at year end with the two above-mentioned acquisitions in British Columbia. Total sales volumes exceeded the previous year by 2.2 % at 123.4 million tonnes (previous year: 120.8). On a like-for-like basis, excluding the Pacific Northwest and upstate New York businesses acquired in July 2017, sales volumes increased by 0.9 %.

We recorded increased volumes in all regions, while demand grew most significantly in British Columbia and the south-eastern USA. Price increases were implemented successfully in all market regions of the USA and Canada. Revenue in the aggregates business line rose by 0.7 % to €1,603 million (previous year: 1,591).

Ready-mixed concrete-asphalt business line
In April 2018, our extensive network of ready-mixed concrete plants spanning the entire North America Group area was further expanded with the above-mentioned acquisition in British Columbia and of Fairburn Ready Mix, Inc. This Georgia-based company adds five plants and 43 mixer trucks and is an ideal bolt-on to our existing operations in the southeast.

Ready-mixed concrete shipments in 2018 increased by 5.3 % to 7.1 million cubic metres (previous year: 6.8). On a like-for-like basis, excluding the consolidation effects arising from the acquisitions in 2018 and 2017 and excluding the deconsolidation of Virginia Materials RMC in late 2017, deliveries increased by 2.1 %. On a like-for-like basis, volumes improved in the West and Canada regions while poor weather conditions drove volumes in the North and South regions below the prior year.

Asphalt sales volumes in 2018 increased by 2.8% to 4.1 million tonnes (previous year: 4.0). On a like-for-like basis, excluding the Pacific Northwest business acquired in July 2017, sales volumes were flat versus the prior year. While demand rose in our West market region, it fell in the Northeast as a result of less road building activity along the New York Thruway.

Total revenue in the ready mixed concrete-asphalt business line rose by 3.5 % to €1,091 million (previous year: 1,054).

Service-joint ventures-other business line
This business line includes our joint venture Texas Lehigh Cement Company LP, headquartered in Austin, Texas. The company, in which we hold a 50 % stake, operates a cement plant in Buda, Texas. Record-breaking rainfall throughout South Texas weighed on volume as the company reported a 3.7 % decrease in comparison with the prior year.

Revenue in the business line, which includes the concrete pipes operating line in Canada and other associated activities, rose by 2.9 % to €266 million (previous year: 259).

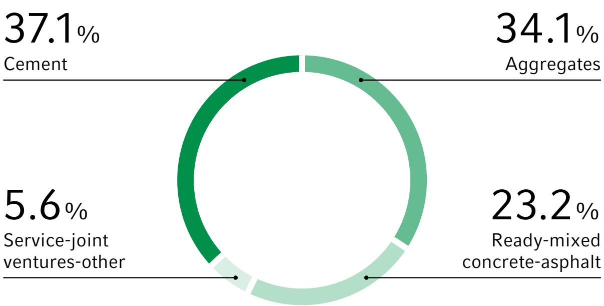
Revenue and results
After conversion to euro, total revenue in the North America Group area decreased by 1.9 % to €4,262 million (previous year: 4,345). On a like-for-like basis and excluding exchange rate effects, revenue was up 3.1 % on the previous year.

The result from current operations before depreciation and amortisation decreased by 14.9 % to €988 million (previous year: 1,160). The decline in result from current operations by 19.6 % to €694 million (previous year: 863) is, among others, due to currency and consolidation effects. Additionally, proceeds of €79 million from the sale of depleted quarries were included in the previous year.

Key data North America

€m	2017	2018	Change
Revenue	4,345	**4,262**	-1.9 %
Result from current operations	863	**694**	-19.6 %
Cement and clinker sales volumes (Mt)	16.4	**16.2**	-1.5 %
Aggregates sales volumes (Mt)	120.8	**123.4**	2.2 %
Ready-mixed concrete sales volumes (Mm³)	6.8	**7.1**	5.3 %
Asphalt sales volumes (Mt)	4.0	**4.1**	2.8 %
Employees as at 31 December	8,726	**8,750**	0.3 %

Revenue North America 2018: €4,262 million



Asia-Pacific

The Asia-Pacific Group area comprises operations across ten countries. Although our business focuses on cement production, HeidelbergCement also holds strong market positions in aggregates and ready-mixed concrete in Australia, Malaysia, Hong Kong, Indonesia, and Thailand.

According to the October forecast of the International Monetary Fund (IMF), economic growth in the Asia and Pacific region in 2018, at 5.6 %, was only marginally lower than in the previous year, when economic output grew by 5.7 %. In China, the increase in the gross domestic product fell to 6.6 %, reflecting the declining growth in investment activities due to trade tensions with the USA. For India, on the other hand, the IMF forecasts stronger growth of the gross domestic product of 7.3 % in the 2018/19 fiscal year, because of the steady economic recovery following the adverse effects of the cash reform and the introduction of tax reforms. Solid economic growth of 5.1 % is forecast for Indonesia, with inflation well under control, and an increase of 4.6 % for Thailand. Australian gross domestic product grew by 2.8 % in 2018 versus 2.4 % in the previous year. While residential construction slowed down, infrastructure and commercial construction benefited from greater public and private investment.

Cement business line
In the cement business line, HeidelbergCement is represented in Indonesia, India, Thailand, Bangladesh, Brunei, and Sri Lanka. In 2018, total cement and clinker deliveries of the Asia-Pacific Group area rose by 6.4 % to 36.9 million tonnes (previous year: 34.7). Via our joint ventures, we also hold strong cement market positions in China and Australia.

In Indonesia, domestic cement consumption grew by 5 % in 2018; however, the cement market continues to be affected by oversupply. Cement and clinker sales volumes of our subsidiary Indocement rose by 7.0 % in comparison with the previous year. Indocement initiated a change in strategy and scaled back its cement and clinker exports in order to meet domestic demand. In order to increase our market share and competitiveness on the island of Sumatra, we commissioned two cement terminals in 2018, in the cities of Lampung and Palembang. Price and cost pressure adversely affected the development of results in the reporting year, with margins reaching their lowest point in the third quarter. However, since then, there have been clear indications of a turnaround, driven by solid growth in demand and price increases.

In India, construction activity increased in 2018 as a result of higher government expenditure on affordable housing as well as road and infrastructure projects ahead of the parliamentary elections in 2019. Our plants in central as well as southern India achieved volume increases. Total cement and clinker deliveries increased significantly in the reporting year by 11.9 %. While our central Indian plants benefited from price increases thanks to a healthy balance between supply and demand, the southern Indian markets continued to suffer from price competition linked with excess capacities. In January 2018, HeidelbergCement India acquired the 49 % share held by its joint venture partner in the energy company Sitapuram Power Limited, Sitapuram. This acquisition is expected to have a sustained positive impact on energy costs.

Supported by the start of large infrastructure projects and the recovery of residential construction, Thailand's domestic cement market experienced an upturn. The deliveries of our plants also improved, although as at year end 2018, they remained below the previous year's level. Sales prices also improved in the fourth quarter, driven by the upturn in market demand, and this trend is expected to continue in 2019.

In both Bangladesh and the Sultanate of Brunei, our cement deliveries recorded a moderate increase.

Revenue of the cement business line decreased slightly by 1.3 % to €1,717 million (previous year: 1,739) as a result of currency-related effects.

Aggregates business line
In the aggregates business line, HeidelbergCement is represented in Australia, Malaysia, Indonesia, and Thailand. In 2018, our aggregates deliveries increased by 4.6 % to 43.4 million tonnes (previous year: 41.5).Through our joint venture, we are also the largest aggregates supplier in Hong Kong.

In Australia, our largest aggregates market in this Group area, sales volumes increased once again in 2018. Thanks to lively demand, particularly on the east coast and in the south, we were able to raise sales prices. The main growth drivers were infrastructure projects in the metropolitan regions of Sydney and Melbourne.

In January 2018, we acquired the Alex Fraser Group, Australia's leading recycler of building materials. This transaction strengthens our market positions in the Melbourne and Brisbane metropolitan areas. The company, which operates three production sites in Melbourne and two in Brisbane, also produces asphalt at two plants in Melbourne. In 2018, we also completed the expansion of the Bass Point aggregates plant. This more than doubles the plant's production volume and further expands our position in Sydney, a key market.

In Malaysia, the new government significantly reduced infrastructure investments. Nevertheless, we achieved a slight increase in deliveries of aggregates. While our aggregates sales volumes in Indonesia declined, volumes rose substantially in Thailand, thanks to growing investment in infrastructure construction.

Revenue of the aggregates business line decreased by 4.7 % to €592 million (previous year: 622) as a result of currency-related effects.

Ready-mixed concrete-asphalt business line
In the ready-mixed concrete business, HeidelbergCement is represented in Australia, Indonesia, Malaysia, and Thailand, as well as in Hong Kong via two joint ventures. We also have significant asphalt activities in Malaysia and operate four asphalt plants in Australia.

Sales volumes of ready-mixed concrete increased by 9.3 % in 2018 to 11.6 million cubic metres (previous year: 10.6). Excluding consolidation effects in Australia, the growth amounted to 5.6 %. Deliveries were above the previous year's level in all countries. Thailand in particular recorded a significant increase in volumes thanks to large infrastructure projects. While price pressure persisted in Malaysia, sales prices developed positively in Australia, Indonesia, and Thailand.

The sales volumes of the asphalt operating line rose by 19.0 % to 2.1 million tonnes (previous year: 1.8) on account of consolidation effects in Australia. Excluding consolidation effects, sales volumes fell by 12.6 % as a result of the weak demand in Malaysia.

In addition to the asphalt activities of the above-mentioned Australian Alex Fraser Group, we acquired the Suncoast Asphalt Pty Ltd Group in Brisbane in March 2018 in order to make our entry into the asphalt market in southeast Queensland.

Revenue of the ready-mixed concrete-asphalt business line grew by 10.6 % to €1,204 million (previous year: 1,089).

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Service-joint ventures-other business line
The service-joint ventures-other business line comprises the cement, aggregates, and ready-mixed concrete activities of our joint ventures in the Chinese provinces of Guangdong and Shaanxi as well as in Hong Kong and our Australian joint venture, Cement Australia. We also operate road construction activities in Malaysia. In November 2018, we sold both our precast concrete plants in Australia as part of the optimisation of our portfolio.

In China, we are represented in the cement business with the two joint ventures China Century Cement and Jidong Heidelberg Cement Company in the Guangdong and Shaanxi provinces. Sales volumes of the two companies rose by 1.9 % in 2018 as a result of the continuing strength of infrastructure and residential construction in our markets. Cement prices also increased considerably in both provinces, particularly as a result of state-ordered kiln stops. While ready-mixed concrete sales volumes in Hong Kong improved in comparison with the previous year, aggregates deliveries fell because of increased competitive pressure.

In Australia, our joint venture Cement Australia achieved an increase in sales volumes thanks to the continued strong demand on the east coast.

Revenue of the business line, which only includes the two Australian precast concrete plants and the road construction activities in Malaysia, grew by 82.8 % to €69 million (previous year: 38).

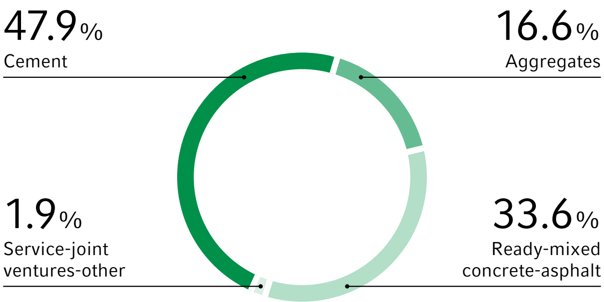
Revenue and results
Revenue of the Asia-Pacific Group area rose by 3.4 % to €3,262 million (previous year: 3,155); excluding consolidation and exchange rate effects, revenue increased by 5.8 %.

The result from current operations before depreciation and amortisation declined by 7.8 % to €601 million (previous year: 652) compared with the previous year. The result from current operations dropped by 8.6 % to €419 million (previous year: 459) especially due to difficult market conditions in Indonesia in the first half of the year.

Key data Asia-Pacific

€m	2017	2018	Change
Revenue	3,155	**3,262**	3.4 %
Result from current operations	459	**419**	-8.6 %
Cement and clinker sales volumes (Mt)	34.7	**36.9**	6.4 %
Aggregates sales volumes (Mt)	41.5	**43.4**	4.6 %
Ready-mixed concrete sales volumes (Mm^3)	10.6	**11.6**	9.3 %
Asphalt sales volumes (Mt)	1.8	**2.1**	19.0 %
Employees as at 31 December	14,039	**14,086**	0.3 %

Revenue Asia-Pacific 2018: €3,262 million



Africa-Eastern Mediterranean Basin

HeidelbergCement currently operates in 17 countries in the Africa-Eastern Mediterranean Basin Group area. We hold leading market positions in our core business lines cement, aggregates, and ready-mixed concrete, both in our countries in the Mediterranean Basin and in Africa. This region is experiencing a high level of growth, driven mainly by demand for infrastructure and long-term trends such as strong population growth and urbanisation. In addition, we have further optimised our portfolio with the start of operation of our new grinding plant in South Africa and the sale of our non-controlling interest in Syria. In this Group area, we have a well-balanced and geographically diversified portfolio of countries with different maturity levels.

We run our own production sites in eleven countries south of the Sahara, where we mainly manufacture cement; in most of these countries, we are the market leader. In 2018, we expanded our portfolio of countries to include South Africa. In December, a new cement grinding plant with an annual capacity of 750,000 tonnes of cement commenced operation near Port Elizabeth. With this investment, we are strengthening our competitive position in southern Africa. In addition, we completed the construction of a second cement mill in Burkina Faso with a capacity of 850,000 tonnes, further expanding our position in a dynamic and rapidly growing market.

In North Africa, we hold leading market positions and operate well-maintained production sites, particularly in Egypt and Morocco, which are among the largest markets in the Group area. We produce cement and ready-mixed concrete in both countries, and we are active in the aggregates business in Morocco.

In the eastern Mediterranean Basin, we have operations in Israel and Turkey. While we mainly produce aggregates and ready-mixed concrete in Israel, our joint venture Akçansa in

Turkey is one of the country's leading cement manufacturers and also runs ready-mixed concrete and aggregates operations. Our joint venture partner is Sabanci Holding, one of the largest industrial conglomerates in Turkey. Akçansa, which is one of the leading exporters in Turkey, operating private ports, is also creating value for our positions in Africa and transoceanic destinations. Since establishing an independent subsidiary in Palestine in 2016, we have also operated a cement import business to Gaza and the West Bank.

Demand for building materials in Africa – particularly south of the Sahara – continued to develop positively in 2018. Overall, the market environment is characterised by robust local economic development combined with increasing construction activity. Solid economic growth, a young and rapidly growing population, and steadily progressing immigration to cities and urban areas are the main drivers of increasing construction activity and demand for cement in these countries. A key indicator is the per capita consumption of cement, which is still significantly lower in the sub-Saharan countries than in more developed or industrialised countries. Our production locations are primarily located close to urban centers and therefore well positioned to serve the growing demand for building materials.

According to the January 2019 forecast of the International Monetary Fund (IMF), the economy in sub-Saharan Africa grew by an estimated 2.9 % in 2018, just as in the previous year.

HeidelbergCement's largest production sites south of the Sahara are located in fast-growing countries such as Togo, Tanzania, Ghana, Burkina Faso, and Benin. The growth expectations outlined by the IMF in October 2018 for these countries were particularly positive, with an estimated rise of more than 5 % in the gross domestic product in 2018. Our activities in the Democratic Republic of Congo, Mozambique, and Liberia are also located in countries that recorded moderate growth of more than 3 %.

For North Africa, macroeconomic indicators point to solid growth for 2018. According to the national statistics office, Morocco's gross domestic product improved by 3.2 %, which is somewhat lower than the growth of 4.1 % in the previous year. The construction industry had not fully recovered from its downturn since the peak in 2012 and remained stable at the previous year's level.

Egypt recorded robust economic growth of 5.3 % despite the volatile economic situation connected with the high level of devaluation of the local currency and high interest rates. However, cement consumption fell by an estimated 5 %.

According to the IMF's latest forecast, economic output rose by 3.5 % in Turkey in 2018. However, economic development was adversely affected by the currency depreciation and increased inflation. The construction industry suffered as a result of declining investments.

Israel is recording consistently positive economic growth, with an estimated rise of 3.6 % for 2018, combined with moderate inflation of 1.2 %. The construction industry benefited from the healthy economic environment, with an estimated increase of 3.0 % in cement consumption for 2018. Public expenditure on infrastructure projects will continue to be the main driver in the construction market.

Cement business line

The cement business line is currently the main business line in the Africa-Eastern Mediterranean Basin Group area. The cement and clinker sales volumes of the Africa-Eastern Mediterranean Basin Group area rose by 3.5 % to 19.7 million tonnes (previous year: 19.0).

At country level, there are clear differences in the development of sales volumes. The increase in volumes in the countries south of the Sahara by 8.1 % was supported by generally positive macroeconomic conditions and lively construction activity in the metropolitan areas, which are optimally supplied by our plants. In Ghana, we were able to increase our sales volumes and meet the growing demand for building materials despite the increased competition. In Tanzania, we succeeded in maintaining our position as market leader in a difficult market environment. In Togo, we increased clinker production in order to create added value for our operations in the region – Burkina Faso, Niger, Benin, and Togo.

In our North Africa region, which includes Egypt, Morocco, Mauritania, and Gambia, sales volumes rose slightly by 0.5 % in the reporting year to 11.7 million tonnes (previous year: 11.7), once again making a significant contribution to the overall sales volumes of the Group area. Excess capacities rose in 2018, particularly in Egypt; nevertheless, we slightly increased our sales volumes and expanded our market share.

The cement business line is of strategic importance for this Group area and allows us to participate in the high growth potential of this geographical region. For this reason, we are further expanding our activities in the cement business. In Burkina Faso, we completed our expansion project, which will double our production capacity. By commissioning a new cement grinding plant near Port Elizabeth, we have expanded our portfolio of countries to include South Africa. In order to benefit from the positive trend in the Democratic Republic of Congo, we started a project in 2018 to increase the kiln capacity, with commissioning scheduled for 2019. Additionally, we will put a cement terminal in Israel into operation in the first quarter of 2019, thus creating vertically integrated market positions in cement, aggregates, and ready-mixed concrete.

Besides, we have focused on investments to increase our fuel flexibility, particularly in Egypt, Morocco, Togo, and Turkey. To optimise our portfolio, in September 2018, our Egyptian subsidiary Helwan Cement entered into an agreement with Emaar Industries to sell its white cement plant in El Minya. Closing of the transaction took place at the beginning of 2019.

Revenue of the cement business line rose by 6.3 % to €1,293 million (previous year: 1,216).

Aggregates business line

Heidelberg Cement is predominantly active in Israel and Morocco in the aggregates business line. In Israel, we suffered considerable volume losses as a result of lower production volumes in the context of licensing negotiations. In Morocco, the aggregates business line is part of our vertical integration strategy, along with the cement and ready-mixed concrete business lines. Total aggregates deliveries of the Group area fell in the reporting year by 18.0 % to 10.1 million tonnes (previous year: 12.4).

Aggregates play an important role in our long-term strategy of vertical integration. Organic growth and acquisitions will therefore remain a key management focus in order to further strengthen this business line in the future.

Revenue of the aggregates business line decreased by 14.6 % to €96 million (previous year: 112).

Ready-mixed concrete-asphalt business line

Our market presence in this Group area extends to Egypt, Morocco, and Israel. Deliveries of ready-mixed concrete rose by 3.7 % to 5.3 million cubic metres (previous year: 5.1) in 2018. In the asphalt operating line, where our only activities are in Israel, asphalt sales volumes decreased by 11.6 % to 0.5 million tonnes (previous year: 0.6). We were able to increase total revenue of the ready-mixed concrete-asphalt business line by 3.4 % to €338 million (previous year: 327).

Service-joint ventures-other business line

The service-joint ventures-other business line essentially includes the cement, aggregates, and ready-mixed concrete activities of our Turkish joint venture Akçansa. In 2018, the domestic cement sales volumes of Akçansa decreased in comparison with the previous year. Since the focus was on exports of cement and clinker, they grew significantly by around 20 %. In total, Akçansa's cement and clinker sales volumes dropped by 11.0 % in a challenging market environment characterised by growing excess capacities and postponed infrastructure projects.

Deliveries of both aggregates and ready-mixed concrete decreased in comparison with the previous year. The decline in sales volumes was partially offset by price increases.

In this business line, revenue of €40 million (previous year: 30) was realised in 2018 with other non-core activities. These include transport and other services divisions in Israel, which were 31.4 % above the level of the previous year.

Revenue and results

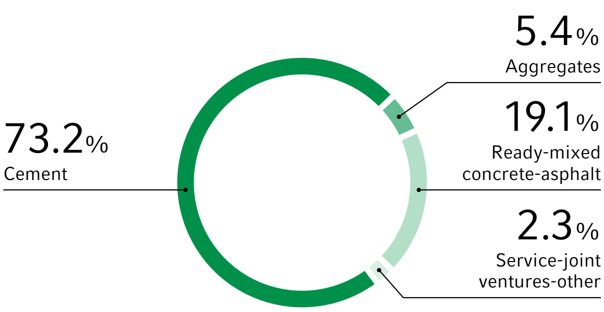
Revenue of the Africa-Eastern Mediterranean Basin Group area increased by 5.1 % to €1,667 million (previous year: 1,586). Excluding consolidation and exchange rate effects, the growth amounted to 10.1 %.

The result from current operations before depreciation and amortisation rose slightly by 1.0 % to €370 million (previous year: 367). The result from current operations was approximately at the previous year's level, falling slightly by 0.3 % to €272 million (previous year: 273).

Key data Africa-Eastern Mediterranean Basin

€m	2017	2018	Change
Revenue	1,586	**1,667**	5.1 %
Result from current operations	273	**272**	-0.3 %
Cement and clinker sales volumes (Mt)	19.0	**19.7**	3.5 %
Aggregates sales volumes (Mt)	12.4	**10.1**	-18.0 %
Ready-mixed concrete sales volumes (Mm^3)	5.1	**5.3**	3.7 %
Asphalt sales volumes (Mt)	0.6	**0.5**	-11.6 %
Employees as at 31 December	6,856	**6,214**	-9.4 %

Revenue Africa-Eastern Mediterranean Basin 2018: €1,667 million



Group Services

Group Services primarily comprises the activities of our subsidiary HCT (rebranding of HC Trading B.V.), one of the largest trading companies worldwide for cement, clinker, solid fuels, and other building materials.

HCT's main task is to optimise the utilisation of our cement plants by balancing global supply and demand for cement and clinker. In addition, HCT ensures a cost-effective supply of fuels. In this vein, HCT organises the international purchasing and sale of clinker, coal, petroleum coke, and other cementitious building materials for the Group companies. HCT also supplies the cement markets worldwide, maintaining the highest standards of quality and service by providing first-class logistic solutions.

With employees from 31 countries, the international trade network of HCT consists of 17 locations at key strategic sites across the world. With its strong market presence, the company is able to offer even greater flexibility to its customer/supplier portfolio around the globe.

HCT increased its total trade volume in the reporting year by 22.2 % to a historic high of 30.9 million tonnes (previous year: 25.3), thus outperforming the general market development, which saw weaker growth in cement demand during 2018. HCT supplied customers in 85 countries from 46 supplier countries. The majority of the deliveries went to Africa and Asia as well as North America. The key supplier countries were Spain, Turkey, Vietnam, and Indonesia.

In 2018, more than 1,500 shipments were conducted via the main sea routes of Asia, the Mediterranean Basin, and Continental Europe. The high expertise of HCT's in-house shipping department significantly contributed to this figure, by their ability to respond rapidly and efficiently to customer requirements at any location in the world, even in changing market conditions.

HCT's global presence in international trade flows offers a key strategic advantage for HeidelbergCement.

Revenue and results

Revenue of Group Services was 34.8 % above the previous year at €1,754 million (previous year: 1,301).

At €33 million (previous year: 31), the result from current operations before depreciation and amortisation was 8.3 % above the level of the previous year. The result from current operations rose by 14.1 % to €31 million (previous year: 27).

Key data Group Services

€m	2017	2018	Change
Revenue	1,301	**1,754**	34.8 %
Result from current operations	27	**31**	14.1 %
Trading volumes (Mt)	25.3	**30.9**	22.2 %
Cement and clinker sales volumes (Mt)	0.7	**0.8**	8.9 %
Ready-mixed concrete sales volumes (Mm^3)	0.6	**0.6**	0.5 %
Employees as at 31 December	405	**472**	16.5 %

Discontinued operations

The result from discontinued operations of €-14 million (previous year: -51) million includes predominantly income and expenses in connection with damages and environmental obligations for US subsidiaries of the Hanson Group, which was taken over in 2007.

Statement of cash flows

In the 2018 financial year, the slight decline in cash inflow from operating activities was offset by the rise in cash inflow from divestments as part of our portfolio optimisation. The financial resources thus obtained were used, in particular, to reduce financial debt and make strategic investments.

At €1,969 million (previous year: 2,042), the cash inflow from operating activities of continuing operations in the financial year was €72 million lower than in the previous year. The main reason for this was the cash-relevant increase in working capital, which, at €107 million, negatively impacted the change in cash and cash equivalents.

Dividends received, which fell below the previous year's level at €250 million (previous year: 278), mainly include payouts from joint ventures and associates. Interest received decreased slightly by €10 million to €107 million (previous year: 117) compared with 2017. The decline of €45 million in interest payments to €508 million (previous year: 553) is primarily due to significantly more favourable refinancing conditions. Compared with the previous year, income taxes paid fell significantly by €101 million to €261 million (previous year: 362), while cash outflows from the utilisation of provisions declined by €11 million to €324 million (previous year: 335).

Net cash used in investing activities of continuing operations rose by €287 million to €1,134 million (previous year: 847). Cash-relevant investments grew by €445 million to €1,723 million (previous year: 1,278). This rise is especially attributable to payments for the acquisition of subsidiaries and other business units amounting to €624 million (previous year: 170), which mainly related to business combinations in Italy, Australia, and North America. Investments for sustaining and optimising our capacities amounted to €680 million (previous year: 644), and €1,043 million (previous year: 634) related to capacity expansions. Further details can be found in the Investments section on ↗ page 42 f. and in the Business combinations in the reporting year section of the Notes on ↗ page 132 f. Of the cash-relevant divestments amounting to €562 million (previous year: 434), the cash inflow from the disposal of subsidiaries and other business units accounts for €280 million (previous year: 43): in particular, €109 million of this relates to the sale of the sand-lime brick business in Germany and €117 million to the sale of Lehigh White Cement in the USA. Further details can be found in the Divestments in the reporting year section of the Notes on ↗ page 134 f. Proceeds from the disposal of other fixed assets amounting to €282 million (previous year: 391) relate with €165 million (previous year: 253) to cash inflow from the sale of intangible assets and property, plant and equipment. The remaining payments received of €117 million (previous year: 138) relate to the disposal of financial assets, associates, and joint ventures as well as to the repayment of capital from joint ventures and the repayment of loans. Changes to the scope of consolidation generated a cash inflow of €27 million (previous year: cash outflow of 3) in the financial year, which largely comprises the cash and cash equivalents of €26 million taken over from the acquired Cementir companies in Italy.

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Financing activities of continuing operations generated a cash outflow of €348 million in 2018 (previous year: 922). The cash inflow arising from the net proceeds from and repayment of bonds and loans of €228 million (previous year: cash outflow of 302) included in this figure covers the change in long- and short-term interest-bearing liabilities, mainly comprising the issue of two bonds with a total value of €1.5 billion and the repayment of three bonds totalling €1.48 billion. This item also includes borrowings and payments relating to bank loans and debt certificates, as well as changes to other short-term interest-bearing liabilities with high turnover rate. In the previous year, three bonds with a total value of €2.25 billion were issued and three bonds of €1,622 million were repaid, as was a debt certificate of €285 million.

Dividend payments led to a cash outflow of €565 million (previous year: 529), with dividend payments of HeidelbergCement AG making up €377 million (previous year: 317) of this figure.

In the 2018 financial year, HeidelbergCement was able to meet its payment obligations at all times.

Investments

Active portfolio management, with a disciplined management of investments, formed a significant cornerstone of our rigid and consistent cash management in the 2018 financial year. Cash-relevant investments totalled €1,723 million in the reporting year (previous year: 1,278). This figure was offset by cash-relevant divestments of €562 million (previous year: 434) and cash and cash equivalents acquired in the context of acquisitions and divestments amounting to a net total of €27 million (previous year: divested cash and cash equivalents of 3). As a result, net investments reached €1,134 million (previous year: 847), in line with the originally planned amount of €1.1 billion. Thanks to our concentrated efforts to optimise the portfolio, net investments remained markedly below the forecast of €1.3 billion, which was raised in October 2018.

€1,061 million (previous year: 1,035) was attributed to investments in property, plant and equipment (including intangible assets). Investments in financial assets and other business units rose to €663 million (previous year: 242).

On the one hand, investments in property, plant and equipment related to maintenance, optimisation, and environmental protection measures at our production sites in all Group areas. One point of focus regarding optimisation and environmental protection was on the projects of the Germany Cement Master Plan for modernisation and efficiency improvements as well as environmental protection in our German cement plants. This plan includes major projects such as the modernisation and construction of new preheater kilns at the Burglengenfeld and Schelklingen plants. There was also substantial capital spending on the modernisation or construction of new production facilities at our cement plants in the Northern and Eastern Europe-Central Asia Group area, the construction of the new headquarters in Heidelberg, and the increase in fuel flexibility at the cement plants in the Africa-Eastern Mediterranean Basin Group area. The upgrading of the Bass Point location in New South Wales, Australia, which was completed in 2018, represented an important project in the aggregates business line.

On the other hand, we also made targeted investments for profitable growth in selected markets, in line with our

Consolidated statement of cash flows (short form)

€m	2017	2018	Difference
Cash flow	2,370	**2,399**	30
Changes in working capital	7	**-107**	-113
Decrease in provisions through cash payments	-335	**-324**	11
Cash flow from operating activities – continuing operations	2,042	**1,969**	-72
Cash flow from operating activities – discontinued operations	-4	**-1**	3
Cash flow from operating activities	2,038	**1,968**	-70
Investments (cash outflow)	-1,278	**-1,723**	-445
Other inflows of cash and cash equivalents	431	**589**	158
Cash flow from investing activities – continuing operations	-847	**-1,134**	-287
Cash flow from investing activities – discontinued operations	10		-10
Cash flow from investing activities	-837	**-1,134**	-297
Capital increase – non-controlling interests	0	**8**	8
Dividend payments	-529	**-565**	-36
Changes in ownership interests in subsidiaries	-91	**-20**	72
Net proceeds from/repayment of bonds and loans	-302	**228**	530
Cash flow from financing activities – continuing operations	-922	**-348**	574
Cash flow from financing activities – discontinued operations			
Cash flow from financing activities	-922	**-348**	574
Effect of exchange rate changes	-142	**-7**	135
Change in cash and cash equivalents	137	**479**	343

long-term growth strategy. In Burkina Faso, we doubled our production capacity with the completion of a second cement mill. At the start of 2018, we launched a project in the Democratic Republic of Congo to increase the kiln capacity, which is set to be completed in 2019. In addition, with the commissioning of a new cement grinding plant near Port Elizabeth, we added South Africa to our portfolio of countries. In Indonesia, we commissioned two cement terminals on the island of Sumatra in order to improve our competitiveness. In the United Kingdom, the upgrading of the Padeswood cement plant in North Wales, including the installation of a cement mill, is nearly complete.

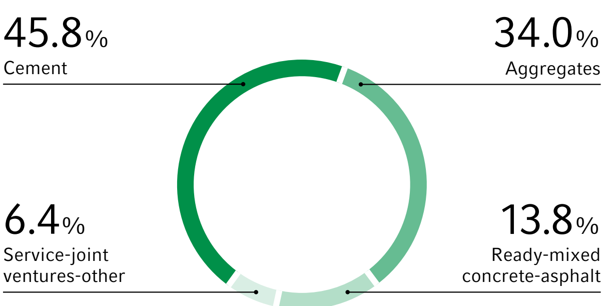
The investments in financial assets and other business units essentially related to the acquisition of the Italian cement and concrete manufacturer Cementir Italia and the Australian Alex Fraser Group. Smaller bolt-on acquisitions of shareholdings related to the business operations of five aggregates quarries in Belgium, the ready-mixed concrete company Fairburn Ready-Mix in the USA, the Australian asphalt manufacturer Suncoast Asphalt, and the aggregates and asphalt business as well as a 50 % share in the construction business of Jack Cewe in Canada.

As part of the optimisation of our portfolio, we sold our sand-lime brick business in Germany, the white cement activities in the USA, our 50 % participation in Ciment Québec in Canada, and a paper bag factory in Egypt. In addition, we sold a cement plant that formerly belonged to Cementir Italia in order to meet the conditions imposed by the Italian competition authority.

Investments

€m	2017	2018	Change
Western and Southern Europe	327	**389**	18.9 %
Northern and Eastern Europe-Central Asia	144	**134**	-6.7 %
North America	274	**267**	-2.5 %
Asia-Pacific	209	**196**	-6.4 %
Africa-Eastern Mediterranean Basin	81	**69**	-14.9 %
Group Services		**6**	
Financial assets and other business units	242	**663**	173.3 %
Total	1,278	**1,723**	34.9 %

Investments in property, plant and equipment by business lines in 2018



Consolidated balance sheet

The balance sheet total rose by €1,225 million to €35,783 million (previous year: 34,558) as at 31 December 2018. This increase is essentially due to changes to the scope of consolidation amounting to €536 million, changes in cash and cash equivalents of €477 million, and exchange rate effects of €104 million.

Non-current assets increased by €427 million to €28,292 million (previous year: 27,865). The changes mainly related to intangible assets and property, plant and equipment of €497 million, loans and derivative financial instruments of €53 million, other non-current receivables and assets of €198 million, investments in joint ventures of €-133 million, and deferred taxes of €-203 million. Intangible assets grew by €349 million, of which €112 million is attributable to exchange rate effects and €200 million to changes to the scope of consolidation. The increase of €148 million in property, plant and equipment is essentially due to changes to the scope of consolidation amounting to €286 million, additions and disposals of €968 million, and depreciation, amortisation, and impairment of €1,081 million.

The decline in investments in joint ventures results primarily from the disposal of two participations amounting to €91 million and distributed dividends of €251 million, while the proportional values increased as a result of profits for the financial year of €203 million.

Current assets rose by €819 million to €7,412 million (previous year: 6,593). Inventories grew by €154 million to €2,035 million (previous year: 1,881), which resulted primarily from the increase in raw materials, consumables, and supplies. Receivables and other assets increased by €181 million to €2,764 million (previous year: 2,584). Cash and cash equivalents climbed by €477 million to €2,586 (previous year: 2,109). The change in cash and cash equivalents is explained in more detail in the Statement of cash flows section on ↗ page 41 f.

On the equity and liabilities side, equity rose by €834 million to €16,822 million (previous year: 15,987). The increase is primarily attributable to changes to the total comprehensive income of €1,559 million. An offsetting effect had agreed dividend distributions of €564 million, the decline in changes in ownership interests in subsidiaries of €104 million, and changes to the scope of consolidation of €38 million. The total comprehensive income is composed of the €1,286 million profit for the financial year and particularly currency translation differences of €141 million recognised in other comprehensive income as well as actuarial gains of €150 million.

The rise of €157 million in interest-bearing liabilities to €10,981 million (previous year: 10,824) is mainly due to the repayment and issue of bonds as well as to proceeds from and repayments of debt certificates and bank loans.

Provisions decreased by €166 million to €2,507 million (previous year: 2,673). Operating liabilities grew by €329 million to €4,740 million (previous year: 4,411). The increase relates primarily to the rise of €324 million in trade payables and the growth of €74 million in other operating liabilities.

In the 2018 financial year, the net debt/equity ratio (gearing) improved by 4.7 percentage points to 49.7 % (previous year: 54.4 %).

Consolidated balance sheet (short form)

€m	31 Dec. 2017	31 Dec. 2018	Part of balance sheet total 2018
Assets			
Intangible assets and property, plant, and equipment	24,285	**24,782**	69 %
Financial assets	2,181	**2,107**	6 %
Other non-current assets	1,399	**1,403**	4 %
Current assets	6,593	**7,412**	21 %
Assets held for sale	100	**79**	0 %
Balance sheet total	34,558	**35,783**	100 %
Equity and liabilities			
Shareholders' equity and non-controlling interests [1]	15,987	**16,822**	47 %
Non-current liabilities [1]	12,275	**12,697**	36 %
Current liabilities	6,283	**6,254**	17 %
Liabilities associated with assets held for sale	13	**11**	0 %
Balance sheet total	34,558	**35,783**	100 %

1) 2017 amounts were restated see the Notes: Other changes, page 130

Key financial ratios

	2016 [1]	2017	2018
Assets and capital structure			
Equity/balance sheet total [2]	47.9 %	46.3 %	**47.0 %**
Net debt/balance sheet total	24.2 %	25.2 %	**23.4 %**
Equity + non-current liabilities/fixed assets	104.9 %	106.8 %	**109.8 %**
Gearing (net debt/equity) [2]	50.6 %	54.4 %	**49.7 %**
Earnings per share			
Earnings per share (€)	3.40	4.62	**5.76**
Profitability			
Return on total assets before taxes [3]	4.3 %	5.9 %	**5.8 %**
Return on equity [4]	4.7 %	6.9 %	**7.7 %**
Return on revenue [5]	5.5 %	6.4 %	**7.2 %**

1) Amounts were restated: final purchase price allocation for Italcementi and Mibau
2) 2017 amounts were restated see the Notes: Other changes, page 130
3) Result before tax from continuing operations + interest expenses/balance sheet total
4) Net income from continuing operations / equity
5) Net income from continuing operations / revenue

Capital efficiency

Target of HeidelbergCement is to achieve a ROIC (Return On Invested Capital) equivalent to at least the weighted average cost of capital (WACC). HeidelbergCement defines the WACC as weighted average of the country specific cost of capital. The weighting is based on the invested capital. The company specific risk and the capital structure of HeidelbergCement as well as the various country risks are taken into account when determining the cost of capital. The weighted average (mean value) of the past four quarters is used for the calculation of the WACC.

According to HeidelbergCement, weighted average cost of capital relevant for evaluating capital efficiency amounted to 6.3 % in 2018 (previous year: 6.6 %). The reason for the decline in the WACC is the overall decrease in relevant interest rates. ROIC of HeidelbergCement was 6.9 % for 2018 (previous year: 7.2 %). The detailed calculation is shown in the following table. In 2018, HeidelbergCement earned once again a considerable premium on its cost of capital.

Return on Invested Capital (ROIC)

€m	2017	2018
Result from current operations	2,188.3	**1,983.7**
Result from participations	51.3	**39.3**
Income taxes paid	-362.0	**-260.8**
Total	1,877.6	**1,762.2**
Equity (incl. non-controlling interests) [1]	15,987.4	**16,821.7**
Net debt	8,695.4	**8,367.5**
Liabilities for puttable minorities	-66.2	**-83.4**
Invested capital	24,616.6	**25,105.8**
Average invested capital (of the past four quarters)	26,028.5	**25,509.5**
Return on Invested Capital (ROIC)	7.2 %	**6.9 %**

1) 2017 amounts were restated see the Notes: Other changes, page 130

Group financial management

Financial principles and targets

The objective of external financing and safeguarding of liquidity is to ensure sufficient liquidity for the Group at all times. The crisis in the international capital markets has emphasised how important it is to focus on liquidity.

Our external financial flexibility is primarily assured by capital markets and a group of major international banks. Within the Group, the principle of internal financing applies, i.e. financing requirements of subsidiaries are – where possible – covered by internal loan relationships. In 2018, our subsidiaries were financed according to this principle primarily by our finance company HeidelbergCement Finance Luxembourg S.A. (HC Finance Luxembourg S.A.) based in Luxembourg and by HeidelbergCement AG. This central financing principle ensures a uniform presence in the capital markets and also in relation to rating agencies, eliminates structural benefits for individual creditor groups, and strengthens our negotiating position with credit institutions and other market participants. Furthermore, it enables us to allocate liquidity in the most efficient way and to monitor and eliminate the financial risk positions (currencies and interest) across the Group on the basis of net positions.

The Group companies use either liquidity surpluses from other subsidiaries in cash pools or are provided with intra-Group loans from HC Finance Luxembourg S.A. or HeidelbergCement AG. In some cases, the Group Treasury department also arranges credit lines for subsidiaries with local banks in order to accommodate legal, tax, or other conditions. Local financing is mainly used for particularly small volumes.

Financing measures

Two successful bond issues took place in 2018. We raised capital on the capital market at very favourable conditions by issuing two bonds under the €10 billion EMTN programme. The first issue was launched on 24 April with a €750 million bond and a ten-year term ending on 24 April 2028. The bond bears a fixed coupon of 1.75 % p.a. The issue price was at 98.87 %, resulting in a yield to maturity of 1.875 %. The second bond issue followed on 9 August with an issue volume of €750 million and a four-year term ending on 9 August 2022. This bond bears a fixed coupon of 0.5 % p.a. The issue price was at 99.335 %, resulting in a yield to maturity of 0.669 %.

The issue proceeds from the Eurobonds were used for general corporate financing purposes and the refinancing of maturities.

Additionally, the funds from the European Investment Bank loan of €180 million were received on 4 January 2018. The loan agreement was signed on 4 December 2017 and has a five-year term.

The revolving syndicated credit facility of €3 billion was available as a liquidity reserve for financing existing payment obligations at the start of the year. On 12 January 2018, this credit line was replaced by a new syndicated credit facility to the same amount with a term ending in 2023. The first extension option was exercised on 14 November 2018, extending the term by one year until January 2024. As at 31 December 2018, only €227.7 million had been drawn upon the facility. The free credit line amounted to €2,772.3 million at the end of 2018 (see following table). Overall, it is thereby ensured that all Group companies have sufficient headroom for cash drawdowns as well as for letters of credit and guarantees to enable them to successfully finance operational business and new investments.

Credit line

€m	31 Dec. 2018
Syndicated Credit Facility (SFA)	3,000.0
Utilisation (cash)	0.0
Utilisation (guarantee)	227.7
Free credit line	**2,772.3**

According to the terms and conditions of the bonds issued in 2009 and 2010, there is a limitation on incurring additional debt if the consolidated coverage ratio (i.e. the ratio of the aggregate amount of the consolidated EBITDA to the aggregate amount of the consolidated interest expense) of the HeidelbergCement Group is below 2. This covenant is suspended for the other bonds and debt certificates due to the investment grade rating. The consolidated EBITDA of €3,218 million and the consolidated interest expense of €423 million are calculated on a pro forma basis in accordance with the terms and conditions of the bonds. At the end of 2018, the consolidated coverage ratio amounted to 7.60. In the reporting year, net debt fell by €0.3 billion and amounted to €8.4 (previous year: 8.7) billion as at 31 December 2018. The dynamic gearing ratio amounted to 2.7x (previous year: 2.6x).

The following table shows the new issues and repayments of HeidelbergCement Group in 2018.

New issues and repayments of HeidelbergCement Group					
Transaction	Offering date	Duration	Maturity date	Nominal volume	Yield
Disbursement	2018-01-04	5 years	2023-01-04	€m 180	variable
New Issue	2018-04-24	10 years	2028-04-24	€m 750	1.75 %
New Issue	2018-08-09	4 years	2022-08-09	€m 750	0.50 %
Amortisation	2016-06-24	7 years	2023-06-30	€m 19.2	1.29 %
Repayment	2007-10-22	10 years	2018-01-04	€m 480	5.63 %
Repayment	2013-02-21	5 years	2018-02-21	€m 500	6.13 %
Repayment	2011-10-05	7 years	2018-12-15	€m 500	9.50 %

The following tables show the financial liabilities of HeidelbergCement Group as at 31 December 2018.

Bonds payable						
Issuer (€m)	Nominal volume	Book value	Coupon rate in %	Offering date	Maturity date	ISIN
HC Finance Luxembourg S.A.	500.0	509.3	2.250	2014-03-12	2019-03-12	XS1044496203
HC Finance Luxembourg S.A.	500.0	505.1	8.500	2009-10-21	2019-10-31	XS0458685913
Italcementi Finance S.A.	750.0	825.4	5.375	2010-03-19	2020-03-19	XS0496716282
HC Finance Luxembourg S.A.	750.0	760.7	7.500	2010-01-19	2020-04-03	XS0478803355
HC Finance Luxembourg S.A.	300.0	306.5	3.250	2013-10-24	2020-10-21	XS0985874543
HC Finance Luxembourg S.A.	750.0	751.8	0.500	2017-01-18	2021-01-18	XS1549372420
HC Finance Luxembourg S.A.	500.0	513.7	3.250	2013-12-12	2021-10-21	XS1002933072
HC Finance Luxembourg S.A.	750.0	750.7	0.500	2018-08-09	2022-08-09	XS1863994981
HeidelbergCement AG	1,000.0	1,011.6	2.250	2016-03-30	2023-03-30	XS1387174375
HeidelbergCement AG	750.0	752.0	2.250	2016-06-03	2024-06-03	XS1425274484
HeidelbergCement AG	1,000.0	999.8	1.500	2016-12-07	2025-02-07	XS1529515584
HC Finance Luxembourg S.A.	1,000.0	1,006.6	1.625	2017-04-04	2026-04-07	XS1589806907
HC Finance Luxembourg S.A.	500.0	497.9	1.500	2017-06-14	2027-06-14	XS1629387462
HC Finance Luxembourg S.A.	750.0	748.7	1.750	2018-04-24	2028-04-24	XS1810653540
Total		**9,939.8**				

Bank loans					
Issuer (€m)	Nominal volume	Book value	Coupon rate in %	Offering date	Maturity date
Debt certificates					
HeidelbergCement AG	360.5	365.7	1.850	2016-01-20	2022-01-20
Syndicated facility					
HeidelbergCement AG	0.0	-6.2		2018-01-12	2024-01-12
Loan					
European Investment Bank	180.0	179.9		2018-01-04	2023-01-04
Others					
Other Group companies		207.0			
Total		**746.4**			

Other interest-bearing liabilities	
Issuer (€m)	Book value
Other Group companies	211.1
Total	**211.1**

Non-controlling interests with put options	
€m	Book value
Non-controlling interests with put options	83.4
Total	**83.4**

The following table shows the main liquidity instruments as at 31 December 2018.

Liquidity instruments	
€m	31 Dec. 2018
Cash and cash equivalents	2,585.9
Liquidable financial investments and derivative financial instruments	27.3
Free credit line	2,772.3
Free liquidity	**5,385.5**

Rating

In the 2018 financial year, the company's credit rating by the rating agencies Moody's Investors Service and Fitch Ratings remained stable at Baa3 and BBB-, respectively. On 21 June 2018, Moody's Investors Service raised the outlook for our credit rating to positive, while it remains stable with S&P Global Ratings and Fitch Ratings.

We were able to successfully continue issuance activity in the money market and issued a total volume of €2.7 billion via our €1.5 billion Euro Commercial Paper Programme over the course of 2018. At the end of the year, issuance activity under the Commercial Paper Programme was gradually reduced in order to limit excess liquidity at the end of the year. As at 31 December 2018, none of the commercial papers issued by HeidelbergCement AG remained outstanding. The €3 billion syndicated credit facility thereby serves as a backup line.

Ratings as at 31 December 2018			
Rating agency	Long-term rating	Outlook	Short-term rating
Moody's Investors Service	Baa3	positive	P-3
Fitch Ratings	BBB-	stable	F3
S&P Global Ratings	BBB-	stable	A-3

Statements on HeidelbergCement AG

In addition to the Group management reporting, the parent company's development is described below. In contrast to the consolidated financial statements, the annual financial statements of HeidelbergCement AG are prepared in accordance with German commercial law. HeidelbergCement AG's management report is combined with that of the HeidelbergCement Group in accordance with section 315(5) of the German Commercial Code (Handelsgesetzbuch, HGB), as the business trend, economic position, and future opportunities and risks of the parent company are closely linked with the Group on account of their common activity in the building materials business.

As the controlling company, HeidelbergCement AG plays the leading role in the HeidelbergCement Group. It is also operationally active in Germany in the cement business line with eleven cement and grinding plants. The results of HeidelbergCement AG are significantly influenced by its directly and indirectly held subsidiaries and participations.

The business development of HeidelbergCement AG is subject to the same risks and opportunities as the business development of the Group. Regarding financing, HeidelbergCement AG plays the key role within the Group. Due to the links between HeidelbergCement AG and its subsidiaries as well as its importance in the Group, the outlook for the Group also reflects the expectations for HeidelbergCement AG to a large extent. Therefore, the statements in the Combined management report apply equally to the Group and HeidelbergCement AG.

For 2019, we expect cement revenue to increase due to the good construction economy. We also expect revenue from intra-Group services to rise as a result of further increasing tasks in the context of the leading role of HeidelbergCement AG within the Group. Result for the 2019 financial year is anticipated to reach the 2018 level due to a rise in cement sales volumes and prices for raw materials, consumables, and supplies.

Revenue of the cement business line rose by 7.5 % to €602 million (previous year: 560). This increase is primarily due to the strong development of construction activity in Germany during the financial year. Total revenue of HeidelbergCement AG grew by €77 million to €770 million (previous year: 693). This increase essentially results from the intra-Group services of €168 million (previous year: 133) provided by HeidelbergCement AG in the expanded HeidelbergCement Group. Both, the moderate increase in cement revenue compared with the previous year and the rise in Intra-Group service charges are in line with our forecast from 2017.

Expenses on raw materials, consumables, and supplies rose by €6 million compared with the previous year. This was due to the higher cement and clinker production, as well as the general market development of raw material and energy costs.

Other operating income increased by €16 million to €27 million (previous year: 11). Because of the persistently high demands connected with its leading role within the Group, the number of employees of HeidelbergCement AG increased. Consequently, personnel costs rose by €10 million to €232 million (previous year: 222). Other operating expenses rose by €175 million to €426 million (previous year: 251). Earnings before interest and taxes (EBIT) decreased by €110 million to €-166 million (previous year: -56). This is mainly due to the significant increase in expenses incurred in connection with HeidelbergCement AG's leading role as the controlling company in the HeidelbergCement Group, and from the addition to risk provisions. The results from participations improved by €32 million to €-3 million (previous year: -35).

Income from loans rose by €8 million to €52 million (previous year: 44). Other interest and similar income decreased by €68 million to €251 million (previous year: 319). Interest and similar expenses fell by €13 million to €292 million (previous year: 305). The change in other interest and similar income as well as interest and similar expenses is primarily attributable to increased in-house banking activities.

Through the in-house banking activities, the financing measures of the subsidiaries lead to currency positions that are hedged by means of external foreign exchange transactions, which are appropriate in terms of maturities and amounts. As these hedging transactions do not, as a rule, relate to any valuation units, currency and interest gains or losses may arise. In accordance with the imparity principle, provisions for risks arising from hedging transactions were recognised at the end of the year to the extent of the negative market values. Positive market values are not recognised as assets. The currency result in the 2018 financial year amounted to €16 million (previous year: 17).

Amounts written off financial assets totalled €3 million (previous year: 0) in the 2018 financial year. The income tax expense of €58 million (previous year: 65) results from taxes for the reporting year. In addition, adjustments were made for previous years, which related in particular to a company audit for the assessment period of the tax years 2012–2015. Net loss for the 2018 financial year amounted to €-204 million (previous year: -82), while balance sheet profit was €427 million (previous year: 408).

The balance sheet total increased by €1.0 billion compared with the previous year to €26.4 billion (previous year: 25.4). This is attributable in particular to an increase of €4.5 billion in financial assets, a decrease of €4.1 billion in receivables from subsidiaries, and rises of €0.6 billion in cash and cash equivalents, €0.2 billion in bank loans, and €1.2 billion in loans to related companies.

On the assets side, investments in subsidiaries increased by €3.8 billion as a result of the contribution in kind of a receivable from HeidelbergCement International Holding GmbH, Heidelberg.

Loans to subsidiaries rose to €1.7 billion (previous year: 1.1) as a result of payments less scheduled repayments. Financial assets increased to €23.1 billion (previous year: 18.7) and total fixed assets to €23.7 billion (previous year: 19.2). Inventories grew by €3.5 million to €66 million (previous year: 63). This was due to further intra-Group purchases of CO_2 emission rights as well as an increase in finished products. Trade receivables were slightly above the previous year's level at €8.4 million (previous year: 7.7). Receivables and other assets fell to €1.5 billion (previous year: 5.6); this is largely due to the decline in receivables from subsidiaries to €1.5 billion (previous year: 5.6) connected with financing measures within the Group as well as the contribution in kind of a receivable from HeidelbergCement International Holding GmbH, Heidelberg, in its share premium. Cash and cash equivalents increased by €586 million to €1,116 million (previous year: 530).

On the equity and liabilities side, equity fell to €12.8 billion (previous year: 13.3) because of the net loss for the financial year and the dividend distribution. Provisions increased only slightly in comparison with the previous year to €0.7 billion (previous year: 0.5). Liabilities rose by €1.5 billion to €13.0 billion (previous year: 11.5).

Evaluation of the economic situation by Group management

In 2018, HeidelbergCement continued its growth course. In a very challenging economic environment with energy costs rising worldwide, competitive pressure in emerging countries, the influence of negative weather conditions on our business activity in our largest individual market – the USA – and weak demand in the United Kingdom as a consequence of uncertainties over Brexit, we nevertheless increased our sales volumes, revenue, and profit for the financial year as forecast. We are therefore well on the way to implementing our medium-term strategic priorities of value creation for our shareholders and continuous growth.

As a leading building materials producer, we benefited from the positive development of demand in many markets. Economic recovery continued in North America and led to a growth in demand for building materials. Construction activity in Germany and the eurozone increased thanks to growing investment in residential and infrastructure construction; only the United Kingdom suffered from uncertainty after the Brexit vote. The development of sales volumes of cement and ready-mixed concrete was very positive in Northern and Eastern Europe thanks to lively residential construction. In the emerging countries of Asia and Africa, the demand situation improved. In some markets, such as Indonesia, the competitive pressure in recent years resulted in a movement towards consolidation. The price development in Indonesia reached its lowest point in the course of the year and recently achieved a positive price and margin trend.

Thanks to the pleasing development of demand, sales volumes and revenue rose to new record figures. However, a decline was recorded in result from current operations. Increases in prices and sales volumes, as well as efficiency improvements, were unable to compensate for stronger-than-expected increases in energy costs, very poor weather conditions in our core markets in North America, and lower-than-planned income from the sale of depleted quarries. The strengthening of the euro against numerous other currencies also had a negative impact on revenue and results. Nonetheless, the improvement in the additional ordinary result and financial result, as well as lower income taxes, more than offset the decline in the result from current operations. Thanks to the refinancing of maturities under favourable conditions, we were able to moderately improve the financial result compared with the previous year, as anticipated. As a whole, we clearly achieved our objective of significantly increasing the profit for the financial year. Although ROIC decreased slightly, it remained significantly above the weighted average cost of capital, which had also fallen.

The cash inflow from operating activities of continuing operations decreased moderately in comparison with the previous year. This was largely due to the rise in current assets, while cash flow increased slightly despite a lower result from current operations. In particular, lower interest and tax payments contributed to this result. Strict expenditure discipline regarding investments and an acceleration of divestments were significant cornerstones of our tight cash management in 2018. We were able to noticeably reduce net debt from almost €8.7 billion at the end of 2017 to under €8.4 billion at the end of 2018. Due to the lower result from current operations before depreciation and amortisation the dynamic gearing ratio increased slightly from a factor of 2.6x at the end of 2017 to 2.7x at the end of 2018. Our target is to reduce the dynamic gearing ratio to 2.0x by the end of 2020 (before application of IFRS 16). At the end of 2018, the available liquidity amounted to €5.4 billion. HeidelbergCement is in a solid position to successfully face the challenges of 2019.

Comparison of the business trend with the previous year's outlook

Revenue outlook

In the Annual Report 2017, the Managing Board projected a moderate increase in revenue for 2018, adjusted for exchange rate and consolidation effects. The outlook was based on the assumption that sales volumes of cement would rise moderately and sales volumes of aggregates would grow slightly. Furthermore, price increases were to take on a high priority. In 2018, cement and aggregates sales volumes developed in line with the issued outlook. Overall, revenue increased by 4.7 %. Excluding exchange rate and consolidation effects, the figure rose moderately by 8.0 % as forecast.

Expenditure outlook

In the Annual Report 2017, a moderate rise in the cost base for energy was anticipated for 2018. For raw materials and personnel, we anticipated a slight to moderate increase in costs. Energy costs experienced stronger growth than expected, rising significantly by 17.4 %. As a percentage of revenue, this represents a rise from 9.8 % in 2017 to 11.0 % in 2018. On a comparable basis, the increase in energy costs amounted to 23.7 %.

In line with the outlook, personnel costs in 2018 exceeded the previous year's level by 1.4%. As a percentage of revenue, they decreased from 17.3% in 2017 to 16.8% in 2018. On a comparable basis, we recorded a moderate increase of 3.4% in personnel costs. The strengthening of the euro against numerous currencies, especially the US dollar and the Australian dollar, as well as some currencies from emerging countries such as Indonesia, India, and Ghana, reduced the increase in material and personnel costs. As anticipated, interest costs decreased further compared with the previous year. In particular, the refinancing of maturities under favourable terms contributed to this decline. Consequently, the financial result improved significantly.

Profit outlook

On the basis of the expected development of revenue and expenditure, we predicted a moderate rise in the result from current operations before consolidation and exchange rate effects and in earnings before interest and taxes (EBIT) before non-recurring effects, as well as a significant increase in the profit for the financial year, in the Annual Report 2017 for the 2018 financial year. In light of poor weather conditions in key markets, a stronger-than-expected rise in energy costs, and lower proceeds from the sale of depleted quarries, we adapted the outlook for the result from current operations before consolidation and exchange rate effects in October 2018 to a low- to mid-single-digit percentage decline. The result from current operations before consolidation and exchange rate effects fell by 3.6 %, in line with the adapted outlook. As a consequence, EBIT before non-recurring effects dropped correspondingly by 9.7 %. The improvement in financial result and in the additional ordinary result as well as the fall in income taxes more than offset the decline in the result from current operations and led to a significant rise of 21.5 % in the profit for the financial year. Although ROIC dropped from 7.2 % to 6.9 %, it remained above the weighted average cost of capital, which amounted to 6.3 %. The development of the profit for the financial year and of ROIC was therefore in line with the outlook from the Annual Report 2017.

Comparison of the business trend with the outlook in the 2017 Annual Report

€m	Outlook 2017 Annual Report	Actual 2017	Actual 2018	Change [1]
Revenue	Moderate increase	17,266	18,075	+4.7 % (+8.0 %)
Energy costs	Moderate increase	1,691	1,985	+17.4 % (+23.7 %)
Personnel costs	Slight to moderate increase	2,990	3,032	+1.4 % (+3.4 %)
Financing costs (financial result) [2]	Moderate decline	-418	-367	-12.3 %
Result from current operations	Moderate increase – in October 2018 adapted to a "low- to mid-single digit percentage decline" – before exchange rate and consolidation effects	2,188	1,984	-9.4 % (-3.6 %)
EBIT [3]	Moderate increase	2,240	2,023	-9.7 %
Profit for the financial year	Significant increase	1,058	1,286	+21.5 %
ROIC WACC	above WACC	7.2 % 6.6 %	6.9 % 6.3 %	ROIC > WACC

1) Figures in brackets: adjusted for exchange rate and consolidation effects
2) 2017 amount was restated see the Notes: Other changes, page 130
3) before non-recurring effects

Additional statements

Statements in accordance with sections 289a(1) and 315a(1) of the German Commercial Code (HGB)

On 31 December 2018, the share capital of HeidelbergCement AG amounted to €595,249,431. It is divided into 198,416,477 no-par value bearer shares, each with a pro rata amount of €3, which corresponds to a proportionate amount of the subscribed share capital. Each share carries one vote at the Annual General Meeting. All shares carry the same rights and obligations; there are no different classes of shares. The Managing Board knows of no restrictions concerning voting rights or the transfer of shares.

Mr Ludwig Merckle, Ulm, Germany, holds via PH Vermögensverwaltung GmbH, Zossen, Germany, a company under his control, 26.70 % of the voting rights in the company, according to the notifications available to the company as at 31 December 2018 in accordance with the German Securities Trading Law (Wertpapierhandelsgesetz) and Market Abuse Regulation Article 19. No holder of shares has been granted special rights giving power of control.

The company's Managing Board is appointed and discharged by the Supervisory Board. The Articles of Association may be amended by the Annual General Meeting with a simple majority of the share capital represented at the time of voting, except where a greater majority is required by law. Amendments affecting only the wording of the Articles of Association may be made by the Supervisory Board.

As at 31 December 2018, there were two authorised capitals: namely, authorisation of the Managing Board and Supervisory Board to increase the capital by issuing new shares in return for cash contributions (Authorised Capital I), and authorisation of the Managing Board and Supervisory Board to increase the capital by issuing new shares in return for contributions in kind (Authorised Capital II). The Authorised Capitals are summarised as below. The complete text of the authorisations can be found in the Articles of Association, which are published on our website **www. heidelberg-cement.com under Company/Corporate Governance/ Articles of Association**.

Authorised Capital I
The Managing Board is authorised to increase, with the consent of the Supervisory Board, the company's share capital by a total amount of up to €225,000,000 by issuing new no-par value bearer shares in return for cash contributions on one or more occasions until 6 May 2020 (Authorised Capital I). The shareholders must be granted subscription rights. However, the Managing Board is authorised, in certain cases described in more detail in the authorisation, to exclude the subscription rights of shareholders in order to realise residual amounts, to service option or conversion rights, or to issue shares totalling up to 10 % of the share capital at a near-market price. As at 31 December 2018, the Authorised Capital I had not been used.

Authorised Capital II
The Managing Board is also authorised to increase, with the consent of the Supervisory Board, the company's share capital by a total amount of up to €24,874,941 by issuing new no-par value bearer shares in return for contributions in kind on one or more occasions until 6 May 2020 (Authorised Capital II). The subscription right of shareholders is generally excluded in the case of capital increases in return for contributions in kind. The authorisation governs, in particular, the possibility of excluding the subscription right insofar as the capital increase in return for contributions in kind is performed for the purposes of acquisition of companies, to service option or conversion rights, or in the context of implementing a dividend in kind/dividend option. In 2016, the Authorised Capital II was utilised through the issue of 10,500,000 new no-par value shares in connection with the Italcementi acquisition, which led to a reduction of the authorisation to increase the share capital from €56,374,941 to €24,874,941. Between 1 January 2017 and 31 December 2018, the Authorised Capital II was not further utilised.

Conditional Share Capital
In addition, the Conditional Share Capital described below existed as at 31 December 2018. The share capital was conditionally increased by a further amount of up to €118,800,000, divided into up to 39,600,000 new no-par value bearer shares (Conditional Share Capital 2018). The conditional capital increase serves to back the issuance of option or conversion rights, or option or conversion obligations on HeidelbergCement shares. The conditional capital increase is only carried out insofar as the Managing Board issues warrant or convertible bonds until 8 May 2023 under the authorisation of the Annual General Meeting from 9 May 2018 and the bearers of option or conversion rights make use of their rights. Warrant or convertible bonds may also be issued with option or conversion obligations.

The shareholders generally have a subscription right to newly issued warrant or convertible bonds. The authorisation governs specific cases in which the Managing Board may exclude the subscription right of shareholders to warrant or convertible bonds. The complete text of the Conditional Share Capital can also be found in the Articles of Association, which are published on our website **www.heidelbergcement. com under Company/Corporate Governance/Articles of Association**. As at 31 December 2018, the authorisation to issue warrant or convertible bonds forming the basis of the Conditional Share Capital 2018 had not been used.

A corresponding volume limit as well as the deduction clauses ensure that the sum of all exclusions of subscription rights in the two existing Authorised Capitals and the Conditional Share Capital 2018 will not exceed a limit of 20 % of the share capital existing at the time the authorisation to exclude the subscription right comes into force.

Acquisition of own shares

Furthermore, the authorisation to acquire own shares described below existed as at 31 December 2018. The company is authorised to acquire own shares up to 3 May 2021 once or several times, in whole or in partial amounts, up to a total of 10 % of the share capital on 4 May 2016 for any permissible purpose within the scope of the legal restrictions. The authorisation may not be used for the purpose of trading in own shares. At no time may more than 10 % of the respective share capital be attributable to the acquired own shares combined with other shares which the company has already acquired and still possesses. The shares may be acquired via the stock exchange or by way of a public purchase offer or by means of a public call for the submission of offers to sell or by issuing rights to sell shares to the shareholders. The own shares acquired on the basis of the authorisation will be used by selling them via the stock exchange or in another suitable manner while ensuring the equal treatment of the shareholders, or for any other purposes permitted by law. Shareholders' subscription rights can be excluded in certain cases. The complete text of the authorisation can be found under item 6 of the agenda of the Annual General Meeting 2016, which is published on our website **www.heidelbergcement.com under Investor Relations/Annual General Meeting/Annual General Meeting 2016**. The company has not used the authorisation to date and has no own shares as at 31 December 2018.

A list of the company's significant agreements contingent on a change of control resulting from a takeover bid, and a summary of the effects thereof, is provided in the following in accordance with sections 289a(1) sentence 1 no. 8 and 315a(1) sentence 1 no. 8 of the HGB.

Please note that we are disregarding agreements whose potential consequences for the company fall below the thresholds of €50 million in a singular instance or €100 million in the case of several similar agreements, as they will not normally affect the decision of a potential bidder. These change of control clauses are standard for this industry and type of transaction and have not been agreed with the intention of hindering any takeover bids.

As at 31 December 2018, the following significant agreements of HeidelbergCement AG were contingent on a change of control within HeidelbergCement AG resulting from a takeover bid.

The relevant change of control clauses give the contractual partner or bearer of the bonds or debt certificates the right to immediately accelerate and to demand repayment of the agreement or outstanding loans, debenture bonds, or debt certificates in the event of a change in the company's shareholder structure as defined variously below.

Name of agreement/date	Type of contract	Nominal amount €m	Repayment	Type of clause
Syndicated credit and aval agreements and bilateral credit lines				
Syndicated credit facility and aval credit facility of 12 January 2018	Credit and aval credit facility	3,000 [1]	to the extent outstanding by 12 January 2024	(1)
Loan agreement of 17 June 2016	Credit facility	115.2	to the extent outstanding by 30 June 2023	(1)
Loan agreement of 4 December 2017	Credit facility	180	to the extent outstanding by 4 January 2023	(1)
Bonds issued by HeidelbergCement AG				
2.25 % bond 2016/2023	Debenture bond	1,000	to the extent outstanding by 30 March 2023	(2)
2.25 % bond 2016/2024	Debenture bond	750	to the extent outstanding by 3 June 2024	(2)
1.5 % bond 2016/2025	Debenture bond	1,000	to the extent outstanding by 7 February 2025	(2)
Bonds issued by HeidelbergCement Finance Luxembourg S.A., guaranteed by HeidelbergCement AG				
2.25 % bond 2014/2019	Debenture bond	500	to the extent outstanding by 12 March 2019	(2)
8.5 % bond 2009/2019	Debenture bond	500	to the extent outstanding by 31 October 2019	(2)
7.5 % bond 2010/2020	Debenture bond	750	to the extent outstanding by 3 April 2020	(2)
3.25 % bond 2013/2020	Debenture bond	300	to the extent outstanding by 21 October 2020	(2)
3.25 % bond 2013/2021	Debenture bond	500	to the extent outstanding by 21 October 2021	(2)
0.5 % bond 2017/2021	Debenture bond	750	to the extent outstanding by 18 January 2021	(2)
0.5 % bond 2018/2022	Debenture bond	750	to the extent outstanding by 9 August 2022	(2)
1.625 % bond 2017/2026	Debenture bond	1,000	to the extent outstanding by 7 April 2026	(2)
1.5 % bond 2017/2027	Debenture bond	500	to the extent outstanding by 14 June 2027	(2)
1.75 % bond 2018/2028	Debenture bond	750	to the extent outstanding by 24 April 2028	(2)
Bonds issued by Italcementi Finance S.A., guaranteed by HeidelbergCement AG				
5.375 % bond 2010/2020	Debenture bond	750	to the extent outstanding by 19 March 2020	(3)
Debt certificates issued by HeidelbergCement AG				
of 20 January/10 February 2016	Debt certificate	361	to the extent outstanding by 20 January 2022	(2)

1) Of this figure, €227.7 million was outstanding as at 31 December 2018.

The syndicated credit facility and aval credit facility agreement dated 12 January 2018 and the loan agreements dated 17 June 2016 and 4 December 2017, all three marked (1) in the type of clause column, give each creditor the right, in the event of a change of control, to accelerate the loan amount it provided (plus any accrued interest) and to demand repayment accordingly.

A change of control is deemed to occur when a person or a group of people acting jointly in the sense of section 2(5) of the German Securities Acquisition and Takeover Act (WpÜG) has acquired more than 30 % of the shares in the company.

The bonds and debt certificates marked (2) in the type of clause column give each bearer of the debenture bond or debt certificate the right, in the event of a change of control as described below, to demand full or partial repayment from the company or, in the case of debenture bonds issued up to and including 2011, at the company's option, alternatively, the full or partial purchase of his debenture bonds by the company (or, at the company's request, by a third party) at the "early repayment amount". The early repayment amount means, in the case of the debt certificate, 100 % of the nominal amount or, in the case of debenture bonds, 101 % of the nominal amount plus accrued and unpaid interest up to (but not including) the repayment date defined in the bond terms.

A change of control is deemed to occur when one of the following events takes place:

– the company becomes aware that a person or group of persons acting in concert in the sense of section 2(5) of the German Securities Acquisition and Takeover Act (WpÜG) has become the legal or beneficial owner of more than 30 % of the company's voting rights, or

– the merger of the company with or into a third person or the merger of a third person with or into the company, or the sale of all or substantially all assets (consolidated) of the company to a third person, except in connection with legal transactions, as a result of which (a) in the event of a merger the holders of 100 % of the company's voting rights hold at least the majority of the voting rights in the surviving legal entity immediately after such a merger and (b) in the event of the sale of all or substantially all assets, the acquiring legal entity is or becomes a subsidiary of the company and becomes the guarantor for the debenture bonds.

The bond marked (3) in the type of clause column includes a provision, whereby not only the direct but also the indirect acquisition of the majority of the voting rights in Italcementi S.p.A. or any other dominant influence that leads to control according to Article 93 of Italian Decree 58/1998 represents a change of control. A change of control grants the holders of these bonds a put option at nominal value plus interest against Italcementi Finance S.A., if the rating of the bonds is downgraded, as specified in the terms of the bonds, by certain rating agencies, in connection with this change of control.

Agreements also exist on pension schemes in the United Kingdom, which stipulate that a change of control (not contractually specified) at HeidelbergCement AG must be communicated to the trustees of these pension schemes. If, according to the corresponding regulatory guidelines, a change of control poses a considerable risk to the fulfilment of the pension obligations (Type A Event), the trustees can request negotiations on the suitability of the safeguarding of the pension cover and these can be verified by means of a clearance procedure before the supervisory authority, which may lead to the adjustment of the securities.

With the introduction of the new Managing Board remuneration system in November 2010, the HeidelbergCement AG Supervisory Board has decided, in the event of new contracts and the extension of Managing Board contracts in accordance with the German Corporate Governance Code (point 4.2.3, section 5), to agree that a possible redundancy payment in the case of early termination of membership of the Managing Board following a change of control be limited to 150 % of the redundancy pay cap. There are no compensation agreements of the company with members of the Managing Board or with employees in the case of a takeover bid.

The other details required in accordance with section 289a(1) and section 315a(1) of the HGB relate to circumstances that do not exist at HeidelbergCement AG.

Regional branches

HeidelbergCement has no regional branches either domestically or internationally.

Events occurring after the close of the 2018 financial year

Information on the events occurring after the close of the 2018 financial year is provided in the Notes on ↗ **page 182.**

Non-financial statement

According to sections 289b and 315b of the German Commercial Code (HGB), HeidelbergCement prepares a combined non-financial statement for HeidelbergCement Group and HeidelbergCement AG. For this Annual Report, HeidelbergCement has decided to integrate it into the management report. All statements on basic procedure as well as responsibility and organisation, policies, processes, targets and commitments as well as measures and progress refer to the HeidelbergCement Group and also to the parent company HeidelbergCement AG. The contents of the non-financial statement were not audited in the context of the audit of the annual financial statements and the consolidated financial statements but were subject to an external voluntary audit. The contents of the non-financial statement are indicated by the acronym (NFS) in the titles of the respective sections and chapter and by a line on the left of the text columns.

In drawing up the non-financial statement, the GRI standards of the Global Reporting Initiative were taken as a framework. In the context of compiling data on the key topics and presenting management concepts and performance indicators, we make reference to these standards.

Information on HeidelbergCement's business model and the impact of this business model on non-financial aspects can be found in the Business model section in the Fundamentals of the Group chapter.

The topics that are relevant for HeidelbergCement have already been determined for the Annual Report 2017 and we have seen no need for change for the current Report. We have compared the sustainability topics identified in the past with the topic series of the GRI standards as well as other frameworks and industry requirements. The resulting topics were structured and consolidated to pave the way for the next step: drawing up an analysis from a stakeholder perspective and determining the impact and business relevance. The list comprised 17 topics together with their definition and allocation to the GRI topic areas.

The relevance of sustainability topics to the non-financial statement results from their materiality in terms of their impact on the legally defined non-financial aspects.

The topics relevant to HeidelbergCement, which are structured according to the legally defined non-financial aspects, are:
- Environmental protection: climate and emissions protection,
- Treatment of employees: occupational health and safety,
- Social responsibility,
- Respect for human rights and the prevention of corruption: These aspects were combined with competition legislation, which was also defined as a relevant aspect, under the topic: compliance.

HeidelbergCement's risk structure is diversified because of the decentralised composition of the Group, with over 3,000 locations in around 60 countries, and the largely local supplier framework. HeidelbergCement has not identified any significant risks connected with its own business activity, business relationships, products, or services that are highly likely to have a serious negative impact on the non-financial aspects mentioned above and on its own business development.

The non-financial aspects mentioned above are covered in the following chapters: Employees and society (sections: Occupational health and safety and Social responsibility), Environmental responsibility (section: Climate and emissions protection), and Compliance.

Employees and society

Employee development

Employees worldwide
At the end of 2018, the number of employees at HeidelbergCement came to 57,939 (previous year: 59,054). The decrease of 1,115 employees essentially results from two opposing developments. On the one hand, around 2,900 jobs were cut across the Group as a result of portfolio optimisations, the realisation of synergies, efficiency increases in sales and administration, as well as location optimisations. On the other hand, just under 1,800 new employees joined the Group, particularly as a result of the company acquisitions in Italy and Australia in the first quarter of 2018. Furthermore, there was an increase in some countries in the Western and Southern Europe and Northern and Eastern Europe-Central Asia Group areas, and in particular in Australia, owing to the solid market development.

Employees by Group areas

31 December	2017	2018	Change
Western and Southern Europe	15,497	**15,903**	2.6 %
Northern and Eastern Europe-Central Asia	13,531	**12,515**	-7.5 %
North America	8,726	**8,750**	0.3 %
Asia-Pacific	14,039	**14,086**	0.3 %
Africa-Eastern Mediterranean Basin	6,856	**6,214**	-9.4 %
Group Services	405	**472**	16.5 %
Total	59,054	**57,939**	-1.9 %

Personnel costs and social benefits
Expenditure on wages and salaries, social security costs, costs of retirement benefits, and other personnel costs rose by 1.4 % in comparison with the previous year to 3,032 million (previous year: 2,990). This corresponds to a share in revenue of 16.8 % (previous year: 17.3 %).

Personnel costs			
€m	2017	2018	Change
Wages, salaries, social security costs	2,801.8	**2,816.0**	0.5 %
Costs of retirement benefits	153.3	**176.4**	15.1 %
Other personnel costs	34.6	**39.3**	13.6 %
Total	2,989.7	**3,031.7**	1.4 %

Development dialogue

Qualified and motivated employees are an important prerequisite for the sustainable success of HeidelbergCement. Identifying our employees' talents, developing them, and – in competition with other companies – retaining those employees within the Group are therefore at the core of the Group-wide personnel policy. This is supported by the HeidelbergCement competence model, which defines the essential professional and personal capabilities and skills that are critical for the success of our business. It enables the respective superiors to perform systematic, Group-wide assessments of performance and potential in accordance with standardised regulations and serves as a basis for strategic development of managers and successor planning. Superiors and employees discuss development opportunities and prospects within the framework of structured appraisal interviews. The dialogue is primarily targeted at upper and middle management, those in specialist roles, and future executives. We aim to achieve the following three goals:

- to internally fill key positions with top-class candidates worldwide,
- to develop top talent at HeidelbergCement in a targeted way, and
- to retain employees in the Group for the long term by means of personalised development planning.

On-going training

Sustainable HR management means consistently investing in training, i.e. employing and training qualified talent. The proportion of apprentices in Germany is 4 % (previous year: 5 %). The retention rate of these apprentices stands at 85 % (previous year: 82 %).

Technical skills are essential in ensuring the functionally sound operational management of process technology and maintenance in our plants. For a few years already, we have offered specifically multilingual e-learning courses about cement production developed by the German Cement Works Association (VDZ).

As in the previous year, a focus of our training programmes throughout the Group was on occupational safety, which made up around 61 % (previous year: 50 %) of the total training measures. Other priorities were specialist training, which made up 23 % (previous year: 28 %), and the training of our managers, which made up 4 % (previous year: 5 %).

Our extensive training programmes in virtually every work area are characterised by practical and business-oriented learning and enable our employees to develop their skills.

Management training

The motivation and skills of our managers play a crucial role in determining how well HeidelbergCement positions itself among its global competitors and how well-prepared the Group is for future challenges. In order to prepare our managers for their future tasks, we offer training programmes tailored specifically to the needs of our Group. This applies both to traditional topics, such as strategy, leadership, and management, or the method of capital expenditure budgeting, and to special training topics, for instance in the area of technology. Uniform training content ensures that a common understanding of strategy, integrated management approach, and leadership is developed everywhere.

Securing and advancing future executives

In the reporting year, we consistently pursued our efforts to advance future executives. We offer highly motivated and qualified university graduates international trainee programmes focusing on the following areas: technology, sales, finance, HR, purchasing, and IT. We have also offered interdisciplinary trainee programmes since 2017. Moreover, we continued to work intensively on expanding our programmes for the advancement of future executives and strengthening our recruitment of university graduates and graduates with first professional experience worldwide. In 2018, we hired 327 (previous year: 254) university graduates. Currently, 474 (previous year: 719) employees take part in programmes that prepare them for more advanced tasks. The lower figure, compared with the previous year, results mainly from the structural adjustment of personnel in Egypt in the context of the integration of Italcementi as well as changes in the focal areas of trainings.

For a number of years, HeidelbergCement has relied on targeted trainee programmes to integrate and prepare future executives for the challenges and specific features of our business processes and markets. In 2011, we started a special programme for highly qualified engineers in the cement business, in order to prepare them for senior engineering positions. The participants undergo individually tailored training programmes that allow them to gain the necessary knowledge, skills, and experience to prepare them for the next stage of their career. Stays at cement plants that are operated in exemplary fashion in different countries are a key element of the programme's success.

The Cement Academy at our Heidelberg Technology Center (HTC) offers seminars and training sessions around the world for the engineers and technicians at our cement plants. The course programme comprises all aspects of plant operation, optimisation, and maintenance. In the reporting year, we significantly intensified the targeted training of our control room employees via an interactive process simulator (virtual cement plant).

A total of 1,350 participants from 40 countries, including 590 participants from the former Italcementi plants, attended 142 training sessions, each lasting up to a week. To supplement our classroom courses, we offer the Cement Manufacturing Curriculum as a multilingual e-learning programme. Overall, more than 3,000 employees have registered for this programme. In the reporting year, the range was extended to include a new e-learning programme focusing on mechanical maintenance – in particular, by connecting internal company knowledge with manufacturer specifications.

During the reporting year, the Aggregates Academy continued its employee training offer in the aggregates business line. Over 180 training sessions on the topic of aggregates were held in 18 countries. These were mostly carried out locally in the form of practical exercises at production sites for the plant managing teams. To ensure continuous improvements in our production processes, additional training was given in 2018 across all levels of hierarchy, covering new content in the areas of maintenance, fleet management, technical sales, asphalt, and use of digitalisation measures.

The training materials and courses from both academies are generally available in the respective language of each country. The training programme is supported by local managers who have been instructed in adult education (train-the-trainer concept).

Demographic development

Our Group, too, is faced with the consequences of demographic change. Around 12% (previous year: 12%) of our employees are younger than 30. The majority of the employees are aged between 30 and 49, making up around 54% (previous year: 52%) of the Group's total workforce. 34% (previous year: 36%) of our employees are above 50 years of age.

We are responding to the effects of demographic change with numerous measures adapted to regional requirements. In Germany, for example, we have continued to develop our health management activities and have incorporated them in the FIT for LIFE initiative. It includes a prevention programme for the early diagnosis of illnesses and risk factors, but primarily focuses on the initiative of individuals to adopt a healthy lifestyle. The focal points in 2018 included examinations for skin cancer prevention and flu vaccinations. In the future, health management activities will continue to focus on the prevention of typical age-related health risks and supporting health-conscious behaviour. We are therefore specifically promoting company sports activities for all age groups.

Diversity as a factor for success

In the Group-wide personnel policy, we consciously aim for a balanced mix of diverse personalities, skills, and experience when putting together teams of employees. We understand diversity as a management concept, which through the inclusion of various cultures, talents, and levels of experience ensures that the composition of our workforce mirrors our presence in the international markets, our customer structure, and our business environment. We aim to achieve this in the following ways:

- local country management and therefore an international management team,
- an international workforce at the Group headquarters,
- a complementary composition of management and other teams (internationality, expertise, experience, age, gender etc.),
- women in management positions reflecting the proportion of women in the total workforce in Germany.

The goal is to advance and attract highly qualified and committed employees around the world who can bring diverse social and professional skills to our company and thus contribute to the success of the Group.

The international composition of our management team enables us to benefit from a broad range of experience and different cultural backgrounds, thereby allowing us to respond more flexibly to both global challenges and local market needs. The proportion of local managers at the upper management level amounts to around 79 %. At the Group headquarters, we consciously aim to ensure that the workforce is composed of employees from the countries in which we operate. We benefit considerably from their local knowledge and this also facilitates cooperation with the local personnel. We have 639 employees at the Group headquarters and at our technical centers, the Competence Center Materials and Heidelberg Technology Center in Heidelberg and Leimen, with 218 of these employees representing 46 different countries aside from Germany.

To aid diversity, we believe it is important for management positions to be held by both men and women, thereby providing a true reflection of our employee structure. In 2018, women made up 13 % of the total workforce and held 10 % of the upper management positions within the Group.

Together with other DAX companies, HeidelbergCement signed a self-commitment in 2011. So far we had voluntarily committed to more than double the proportion of women in leadership positions in Germany from 7 % in 2011 to 15 %. In 2018, women represented 15 % of the total workforce and held 9 % of leadership positions in the top, senior, and middle management in Germany.

According to the legislation on the promotion of women in leadership positions, specific targets must be set for the two leadership levels below the Managing Board of the company. Managers who in their main role report directly to the Managing Board form the first level at HeidelbergCement, and any of their employees with leadership responsibility form the second level below the Managing Board. In 2018, the proportion of women in leadership positions in Germany at the first level below the Managing Board was 12 % (previous year: 11 %), and 13 % (previous year: 11 %) at the second level.

In 2016, HeidelbergCement decided to retain its voluntary target for the two levels below the Managing Board. The aim is to increase the proportion of women in Germany in both leadership levels below the Managing Board to 15 %

by the end of June 2022. We have worked consistently on the promotion of women in the last few years and achieved significant success. The proportion of women in programmes for the advancement of future executives across Germany is 26 % (previous year: 36 %) and therefore significantly higher than the proportion of women in the total workforce. The lower number compared with the previous year results from a temporary cohort effect. We have made good progress in the appointment of women to leadership positions in staff functions. A big challenge remains the development in operational functions, such as sales and plant management, especially, since the number of women studying technical subjects relevant for building materials production is still rather small. Experience, however, is a key qualification for assuming higher leading positions in these areas.

Share of women in Germany

	2015	2016	2017	2018
Total workforce	15 %	16 %	16 %	**15 %**
First leadership level	10 %	10 %	11 %	**12 %**
Second leadership level	9 %	9 %	11 %	**13 %**

The global NOW – Network of Women at HeidelbergCement is an initiative that brings together female employees worldwide. NOW provides an opportunity for female employees in each individual country to come together and exchange information and experiences, as well as attend special events. It aims, among other things, to support the network's members in developing their career potential and to increase awareness throughout the Group of the changing demands of work and life.

Work-life balance

In the race for the best employees, we adapt ourselves globally to changing lifestyles. In terms of what we offer to encourage a good work-life balance, we focus on models such as flexitime, part-time, and leave of absence. The part-time ratio at HeidelbergCement AG is 12 % (previous year: 11 %). Because of the small size of our locations, cooperation with external networks has proven itself for example in terms of children's daycare, caring for family members, or holiday camps for children. Employees benefit from having easy access to a professional and flexible network at reasonable costs. As part of our FIT for FAMILY initiative, we have entered into cooperation with daycare centers for the location in Heidelberg, Germany. These arrangements allocate us our own quota of places that can be offered to our employees.

Occupational health and safety (NFS)

Occupational health and safety is one of the core values of our Group and therefore a fundamental element of our work processes. Our priority is to ensure that employees return home healthy at the end of the working day. Safe working conditions also include access to drinking water and hygienic sanitary facilities.

However, there are still accidents and occupational illnesses. Accidents may include situations in which first aid is required as well as serious injuries or even fatalities. Occupational illnesses range from short-term to permanent health problems. Besides the impact on the individual and their family, there may also be consequences for their colleagues and for the company. Apart from the mental strain, this may mean additional overtime, restrictions on holiday, or the restructuring of working groups. Depending on the severity of the incident, it may also lead to interruptions in operational processes or even downtime for parts of production, which will naturally result in financial losses for the company. Any necessary repairs, fines, or compensation payments create an additional financial burden.

Responsibility and organisation

At HeidelbergCement, all management levels are accountable for occupational health and safety. Our occupational safety organisation is subordinate to the Chairman of the Managing Board, to whom the Director Group Human Resources, who is responsible for Group Health & Safety, reports directly. The Managing Board members responsible for the different Group areas are in turn supported by H&S advisors who report directly to them.

Each country also has an H&S advisor reporting directly to the country manager, who coordinates the measures within the relevant country. The line managers at regional and local management level in a country are also supported by H&S advisors.

Individual occupational health and safety measures designed to tackle any weak points are defined either by Group Health & Safety or the local units. Occupational safety measures are part of the personal goal agreements of the members of the Managing Board and operating top managers in the countries who are breaking down these measures to the relevant target groups on location level. Occupational safety measures are part of the personal goal agreements for all managers. Last but not least, each individual employee, contractor, and visitor is responsible for following the occupational safety regulations.

Processes

Occupational health and safety management systems, such as those in accordance with the internationally accepted OHSAS 18001 standard, have already been implemented in 90 % of our locations. These systems require a structured approach from the local line managers with planning, clear safe work procedures, responsibilities, and controls to ensure an ongoing improvement process and thus prevent accidents.

For many years, we have been improving occupational health and safety at a technical and organisational level, which is reflected in a reduction in accident frequency rates.

Policies

In all countries, occupational health and safety is subject to legal requirements that have to be fulfilled. Furthermore, as a member of the Global Cement and Concrete Association (GCCA), HeidelbergCement is bound by its guidelines. These have been integrated into our internal standards.

As part of our Group policy on occupational health and safety, we have defined a set of cardinal rules that are mandatory for all employees and contractors. They relate in particular to those activities that have been identified as main risk areas for accidents. They are therefore also addressed in specific Group standards and must be translated into local regulations.

Through intensive training measures, we aim to ensure that everyone affected remains aware of these risk areas in order to decrease the number of accidents – especially those resulting in fatalities.

Targets and commitments

Occupational health and safety is one of the core values of our Group. We believe that injuries, occupational illnesses, and work-related health impairments are avoidable. That's why we continuously strive to minimise the risks for our employees, contractors, and third parties and to achieve our goal of zero harm, which we reiterated also in our Sustainability Commitments 2030.

In 2018, we signed the WASH Pledge of the World Business Council for Sustainable Development (WBCSD). In this pledge, we undertake to provide safe and hygienic sanitary facilities and access to sufficient drinking water to all employees worldwide. At locations where there is still room for improvement, we have committed to meeting the standards by 2021.

Measures and progress

We train our employees in a wide range of occupational safety topics that are both legally mandated and defined internally. We make use of conventional training held in classrooms, training centers, or on site, in addition to e-learning courses, which are only ever used to supplement face-to-face training. Occupational safety topics account for around 61 % of all training hours at HeidelbergCement, corresponding to an average of around 17 hours per employee across the Group.

In 2018, we once again underlined the importance of the exemplary role of line managers in occupational health and safety with Group-wide training initiatives. Participation in these training sessions was compulsory for managers from all levels. A total of more than 1,100 managers from top and senior management levels and around 5,650 front line supervisors at our locations have taken part in training sessions designed specifically for the relevant group of participants.

In 2018, one accident black spot was traffic accidents occurring during the transportation of our products. Most transportations are carried out by external forwarding companies working on our behalf. We regret that there were also accidents during the reporting year in which third parties suffered fatalities. In one case, a vehicle travelling at night in Africa collided with a truck that had parked up because of a fault. As an emergency measure, we have begun to equip hundreds of vehicles used regularly on our behalf at our African subsidiaries with large reflectors at the front and rear, ensuring that they are visible at a distance. Working groups comprising experts from different areas have formulated additional preventive measures for safe transportation, which we will also implement swiftly.

Another focus of our accident prevention work is accidents due to tripping, which account for the majority of lost working days. To prevent accidents of this kind, we launched our Clean site/Safe site initiative for accident prevention in 2018, with improved measures for ensuring tidiness and cleanliness.

Performance indicators

In 2018, we decreased the accident frequency rate across the Group by 12 %. However, the improvement in comparison with the previous year is not as significant as expected, and we must therefore continue to focus on suitable preventative measures.

It was with great regret that in 2018 we had to announce the death of two of our own employees, who died as a result of accidents at work. Furthermore, the lives of eight employees from external companies were claimed, one of whom died in a road accident. All of these fatalities are very painful. We analyse each accident and share this information across the Group in order to prevent similar accidents at other locations. In addition, each fatal accident is presented to and discussed by the Managing Board.

Accident trends HeidelbergCement Group

	2014	2015	2016	2017	2018
Accident frequency rate [1]	2.2	2.5	2.5	1.9	**1.7**
Accident severity rate [2]	91	109	108	90	**70**
Fatality rate [3]	0.9	1.5	0.7	0.4	**0.4**

1) Number of accidents (with at least one lost working day) suffered by Group employees per 1,000,000 working hours. Unlike in the reports of the previous years, the figures refer to all business lines of the Group.
2) Number of lost working days resulting from accidents suffered by Group employees per 1,000,000 working hours. Unlike in the reports of the previous years, the figures refer to all business lines of the Group.
3) Number of fatalities of Group employees per 10,000 Group employees.

At the HeidelbergCement AG, the accident frequency rate was 0, the accident severity rate was 50, due to lost working days in the context of accidents in the previous year, and the fatality rate was also 0.

Social responsibility (NFS)

As a global Group with a strong regional business focus, we operate at many locations across the world. Our production and quarrying sites are generally designed for a service life of several decades. To maintain operating permits at our locations over these long periods and to renew our mining concessions at the required intervals, we are committed to the local communities with the aim to gain constant support of the public.

To achieve this, the key requirement is that we meet the conditions for regulatory approval, particularly in the area of environmental protection. We also create local jobs and promote economic development with our wages, investment, purchasing, and taxes, particularly in economically weak regions. At our locations, local employees are given management responsibility wherever possible. The proportion of local managers in senior management positions in the reporting year was 79 %. Each of our plants collaborates closely with local suppliers and service providers. We invest around 90 % of our procurement volume in the areas surrounding our plants or within the relevant country.

Because of the long periods of operation, people in the communities where we operate can expect our production sites to integrate into the local community and contribute to tackling social issues. This includes the provision of regular information about our business activity and commitment to local social and economic development. In the worst-case scenario, an ongoing poor relationship with the community at our locations can result in us losing our operating permit.

Responsibility and organisation

We have made an express commitment to social responsibility in the Leadership Principles adopted by our Managing Board. Taking social responsibility and maintaining good relationships with our stakeholders – particularly at our locations – are therefore management tasks.

Each country manager is responsible for social commitment in his country. The Group departments Global Environmental Sustainability and Group Communication & IR support the country managers in this area with appropriate tools and implementation strategies.

Funding decisions for individual countries and locations are made by the country managers within their budgetary framework. Together with the site managers, they are also responsible for analysing local requirements and for selecting, implementing, and monitoring projects.

In urgent crisis situations, we also collaborate with international aid organisations.

Processes

We involve local communities in our business activities through various dialogue formats, for example, as well as through local community engagement plans. These strategies also include long-term partnerships with local non-governmental organisations. In addition, we keep the communities at our locations informed via newsletters or at open days. The Group Handbook for Community Relationship Management is a source of design and implementation strategies for dialogue formats, partnerships, and charitable commitments. A simplified, systematic impact measurement for evaluating the supported projects is currently in a pilot phase and will subsequently be rolled out throughout the Group.

Policies

The Corporate Citizenship Policy defines the benchmarks and objectives related to our social commitment. This commitment is focused on areas in which we have specific expertise and can achieve the best results for society:

- Building, architecture, and infrastructure: we provide practical help in the construction of buildings and infrastructure by making products, financial means, and expertise available.
- Environment, climate, and biodiversity: we support initiatives that promote environmental protection and strengthen the diversity of nature at our locations.
- Education, training, and culture: in this area, we are guided by the specific needs of our locations.

In 2018, the Group took further steps to strengthen the processes and improve the management structure of our social commitment in the various countries. The aim is to make our social commitment more systematic and more transparent, as well as more efficient and targeted. For example, we developed a simplified tool for measuring the impact of CSR projects. Building on the existing Anticorruption Policy, we published an internal information brochure containing recommendations specifically on the topic of corruption and CSR. In addition, we have developed a test programme for our CSR commitment together with Group Internal Audit.

Targets and commitments

At our locations, we strive for a constructive, trusting, and neighbourly relationship with local residents. We support the social and economic development of our neighbouring communities and ensure transparent communication with all stakeholders. We aim to work with local partners to create added value for both our Group and the local communities.

Measures and progress

In 2018, many of our larger production locations worldwide once again took steps to initiate dialogue with local residents at open days, for example. To support local communities and demonstrate that we are a responsible corporate citizen, we took a number of measures and promoted various initiatives during the year. In the United Kingdom, for example, we are also incorporating our social commitment into the training of our future managers. As part of their training, they have four months to develop their own project in the local communities and procure the necessary resources. In 2018, they collected financial resources and materials with a value of over £7,000. The company also benefits from the young employees' newly acquired skills. In Germany, we have been pursuing the project "Kooperation Industrie-Schule" (KIS) for some years in Heidelberg, where our headquarters are located, and in several locations of our plants. This cooperation between industry and schools includes activities, ranging from plant visits and special lectures at many schools to holiday programmes and supervised work with KiTec boxes, which help children to discover the world of technology. Both sides benefit from this cooperation: For the children, it facilitates the access to technology, and our employees benefit from the experience gained from dealing and talking with the pupils.

Performance indicators

As part of the Sustainability Commitments 2030 adopted in October 2017, we defined the following concrete performance indicators that will allow us to measure the quality of our relationships with the communities at our locations:

- percentage of locations holding at least one community dialogue per year,
- total value of annual donations (monetary/material donations),
- number and type of development programmes supported by HeidelbergCement,
- hours of voluntary charitable work per year.

We are currently developing a management and reporting system for this area so that in the future we will be able to record relevant measures, progress, and performance indicators.

Environmental responsibility

HeidelbergCement's value chain includes the extraction of raw materials and their processing. The production of cement is an energy-intensive process in which carbon dioxide (CO_2) and other substances are emitted. HeidelbergCement is committed to developing its business processes in a sustainable manner. This includes the continuous improvement of climate protection and emission control, the protection and promotion of biodiversity, and the economical consumption of raw materials and water.

Climate and emissions protection (NFS)

During the production of cement, the raw material, which consists primarily of limestone, is heated to around 1,450° C. This high temperature is achieved by burning fossil and alternative fuels, such as biomass. When the raw material's temperature exceeds 800° C during heating, the CO_2 in the limestone is released. These process-related CO_2 emissions make up around 60 % of the total emissions; the remainder results from the combustion of the fuel used. The intermediate product created during the burning process is called clinker. This is combined with gypsum and other additives and ground into cement in a subsequent step.

With around 600 kg of CO_2 per tonne of cement, the specific CO_2 intensity is nowhere near as high as in the production of other building materials, such as steel or glass. In terms of concrete production, CO_2 emissions amount to only around 70 kg of CO_2 per tonne of concrete. However, because concrete – the end product created with cement – is the most used substance on the planet after water, cement production makes up a significant proportion of global CO_2 emissions, with over 4 billion tonnes of cement produced worldwide every year. CO_2 is a greenhouse gas, and the increase in the concentration of these gases is one of the causes of global warming.

At the 2015 UN Climate Change Conference in Paris, a climate agreement was negotiated that aims to limit global warming to below 2°C compared with pre-industrial levels. To achieve this goal, greenhouse gas emissions need to be significantly reduced over the coming years. In some regions of the world, there are emissions trading systems for this purpose. An upper limit is placed on the total volume of emissions of specific greenhouse gases, which is reduced over time, resulting in a decrease in the overall emissions. Companies receive emission certificates according to this upper limit. Every company has to present enough certificates to cover its total emissions at the end of each year. If a company does not have enough emission certificates at the end of a year due to increased production, it has to purchase additional certificates via a special trading system – or face heavy penalties. HeidelbergCement's production facilities in Europe are part of the EU Emissions Trading System.

The production process for building materials also generates dust and noise emissions. In addition, air pollutants such as carbon monoxide (CO), sulphur oxides (SO_x), and nitrogen oxides (NO_x), as well as trace elements and hydrocarbon compounds, are emitted during cement production. All countries in which we operate production facilities impose legal limits for most emissions in order to prevent any negative impact on the environment and the population. Compliance with these limits is HeidelbergCement's top priority. Failure to comply with the legal regulations could result in us losing our operating licence or jeopardise the renewal of our mining concessions.

Responsibility and organisation

Environmental protection is an integral element of HeidelbergCement's business strategy, which is defined by the Managing Board in consultation with the Supervisory Board. The member of the Managing Board who is responsible for the topic of sustainability heads the Group Environmental Sustainability Committee. This committee also includes the directors of the Group departments Global Environmental Sustainability and Group Communication & IR, as well as the directors of the Heidelberg Technology Center (HTC), the Competence Center Materials (CCM), and the Competence Center Readymix (CCR). The committee's task is to accelerate the progress of operating activities with regard to sustainability and position HeidelbergCement as a sustainable company. The Supervisory Board also addresses different topics connected with sustainability and environmental protection on a regular basis.

The Global Environmental Sustainability department supports future-oriented activities in the area of environmental sustainability at Group level in a number of ways. These include defining guidelines and goals, identifying and spreading tried-and-tested measures for achieving these goals, internal and external benchmarking, co-ordinating action plans to implement research projects, and representing the company in international organisations.

As HeidelbergCement has a decentralised structure, the national organisations take responsibility for all areas of our operating activities, including compliance with all legal provisions and regulatory conditions. This also covers the correct recording and transmission of all necessary production, operating, consumption, and emissions data that HeidelbergCement is obligated to provide by law or by regulations, or has committed itself to providing voluntarily. Every plant manager is essentially responsible for the environmental management system and the environmental performance of their plant.

The internal monitoring of all relevant operating data is carried out by our competence centers: HTC for the cement business line, CCM for the aggregates business line, and CCR for concrete.

Processes

The Group Environmental Sustainability Committee meets once a year to report on the progress of the operating activities with regard to environmental sustainability and the status of research projects and cooperation arrangements, as well as to discuss subsequent steps and prepare decisions. In addition, the Managing Board is informed in detail twice a year about the progress of ongoing research projects and plans for new research projects.

Information on CO_2 and air pollutant emissions is continuously recorded via management systems and reported to the national management teams on a monthly basis. At Group level, this information is summarised annually for the Annual Report and Sustainability Report.

We have established control mechanisms for all production sites to verify that we achieve our reduction goals for CO_2 emissions, for example. The aforementioned competence centers HTC, CCM, and CCR are responsible for providing the specialist advice and monitoring required in this area. The Managing Board is also informed regularly during on-site visits about the progress made on achieving our objectives. At the regular quarterly meetings between the country managers and the Managing Board, the participants discuss the CO_2 key figures, for example, and check on the progress made in the different countries towards implementation of the Group-wide improvement measures and efficiency improvement programmes. The target of this close consultation is that all business areas and goals are developed in a coordinated way and that the Managing Board can incorporate all necessary background information into its decision-making at the same time.

Policies

In its Code of Business Conduct, HeidelbergCement makes a commitment to observe all applicable environmental laws, standards, and other legal requirements. The company is committed to tackling environmental issues proactively and over the long term, with the aim of minimising environmental impact and continuously improving our performance in this area. The central role of environmental protection in the sustainable development of HeidelbergCement is also fixed in the Group's Leadership Principles.

Climate protection is a fundamental part of our environmental policy, and this is reflected in our Sustainability Commitments 2030, published in October 2017. By continuously improving the energy efficiency of our plants, steadily increasing the use of alternative fuels, and further decreasing the proportion of the energy-intensive intermediate product clinker in our cements, we are reducing the specific CO_2 emissions of our products. In doing so, we are meeting regulatory requirements, such as those of the EU Emissions Trading Directive or comparable regulations in other countries, which aim to decrease CO_2 emissions by either defining strict limits or providing economic incentives. Furthermore, the actions we take are based on our firm belief that decreasing our CO_2 emissions is a significant step towards safeguarding our future.

In 2018, HeidelbergCement adopted a climate policy, in addition to the Sustainability Commitments 2030, in order to underscore its commitment to climate protection and compliance with international climate goals. The objectives of the policy are:

1) reduction of CO_2 emissions by 30 % until 2030 compared to 1990,
2) further investments in economically feasible, innovative technologies to mitigate process-related CO_2 emissions, e.g. through carbon capture and utilisation,
3) increased use of alternative fuels, especially biomass,
4) continuous improvement of energy efficiency and investments in the production of renewable electrical energy wherever economically and ecologically feasible,
5) spending 80 % of the research and development budget for the development of sustainable products like low-carbon concretes. Promotion of recarbonation and recycling of concrete as well as the enhanced use of cementitious materials,
6) support of the development of construction solutions to improve energy efficiency of buildings and infrastructure.

For air pollutants, there are legal limits at national level that have to be observed by all companies. HeidelbergCement has also pledged to reduce air pollutants even further as part of its Sustainability Commitments 2030.

Targets and commitments

In the Sustainability Commitments 2030, HeidelbergCement has set itself the objective of reducing its ecological footprint. As a company, we accept our share of the global responsibility to limit the global rise in temperature to below 2° C. In concrete terms, this means that HeidelbergCement's goal is to reduce its specific CO_2 emissions per tonne of cement by 30 % compared with the 1990 level by 2030. In 2018, a reduction of around 20 % was achieved. This target and the relevant measures defined by HeidelbergCement are in accordance with the roadmap set out by the International Energy Agency (IEA) for our industry in order to reach the 2° C limit of rise in global temperature agreed at the COP21 world climate conference in Paris. We had this accordance confirmed externally. To reach this target, we will, for instance, increase the proportion of alternative fuels in the fuel mix to 30 %. In 2018, the proportion of alternative fuels was 22 %.

At the same time, we plan to further intensify the use of alternative raw materials in order to decrease the clinker ratio – i.e. the proportion of clinker in our cement. We also aim to reduce the specific SO_x and NO_x emissions per tonne of clinker generated in our cement production by 40 % – and specific dust emissions per tonne of clinker by 80 % – in comparison with 2008, as well as continuously reducing all other emissions to the air, bringing them down below the average of the industry. Since 2008, the specific SO_x and NO_x emission could be reduced by 31 % and 22 % respectively and the specific dust emissions by 75 %.

In addition, the company has formulated a strategic approach for developing concrete into a CO_2-neutral building material in the long term, with its Vision 2050. We plan to officially present the vision in 2019.

Measures and progress

In accordance with our obligation to the Low Carbon Technology Partnerships initiative (LCTPi), which we joined in 2015 with 17 other cement companies, we are continuing to invest in research into innovative techniques for the capture and utilisation of CO_2. You can find details of the most important ongoing projects in the Research and technology chapter in the two sections: Major projects and research and development results; Preservation of resources, recycling, and CO_2 capture.

In mid-2018, we launched the Alternative Fuel Master Plan project. It aims to increase the proportion of alternative fuels across the Group, helping us to meet our commitment to reducing CO_2 emissions by 2030. The project is being led by a working group comprising experts from various Group areas and departments.

In 2018, we increased the proportion of alternative fuels in several countries. In most of them, local teams are exploring additional possibilities for the use of alternative fuels, drawing on the experience of experts from across the Group. This is predominantly waste that would be uneconomical to recycle or cannot be recycled in full.

In this scenario, co-processing in clinker kilns is regarded as a worthwhile option, as it uses the waste's calorific value much better compared with waste incineration plants and also embeds its mineral components into the clinker. The waste is co-processed without any residue while complying with the same strict emission standards as waste incineration plants.

During the reporting year, we also invested in the use of alternative fuels. For example, at our cement plant in Górazdze, Poland, a drying system for alternative fuels was commissioned, allowing us to increase the use of biomass in particular.

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The construction and modernisation of kiln lines also led to further reductions in emissions during 2018. The new kiln line in Burglengenfeld, Germany, was commissioned in March.

Emissions of air pollutants are monitored on an ongoing basis. We strive to reduce pollutants by using new filter technologies and innovative production processes, thus mitigating the impact of our activities on the environment and neighbouring communities.

In 2018, we also invested in reducing dust emissions: we replaced the electrostatic precipitators with fabric filters in several kilns at our cement plants in Ennigerloh (Germany), Ketton (United Kingdom), and Pukrang kiln line 2 (Thailand), as well as on kiln line 4 at the Citeureup location (Indonesia). A number of smaller filter systems were also modernised.

In order to reduce NO_x emissions, we installed Selective Non-Catalytic Reduction (SNCR) systems in the kilns at our Indian plants Narsingarh and Yerraguntla. Further optimisations were made to existing SNCR systems. We also implemented primary measures to reduce NO_x – for example in Helwan (Egypt) and Aït Baha (Morocco).

To reduce SO_x emissions, an old flue gas desulphurisation system at the Ribblesdale cement plant in the United Kingdom was replaced by a modern scrubber.

Besides developing new technologies and improving existing facilities, HeidelbergCement has been driving forward the topics of environmental protection and sustainability for a number of years at association level, for example within the framework of the European Cement Association (CEMBUREAU). In order to further strengthen innovation and sustainability at a global level, HeidelbergCement created the Global Cement & Concrete Association (GCCA), the first worldwide association for cement and concrete, at the end of January 2018, along with eight other international building materials companies. One of the association's most important tasks is to show how the challenges of building – in relation to climate protection, for example – can be tackled in the future with the help of concrete.

Performance indicators

Climate protection

As expected, the climate protection ratios improved again in 2018 in comparison with 2017. The significant decline in specific net CO_2 emissions results not only from the increased use of alternative fuels – especially the above average rise in climate-neutral fuels from biomass – but also from the replacement of old kilns by state-of-the-art, energy efficient kiln lines such as at the Burglengenfeld plant in Germany. Compared with the previous year, we were also able to reduce the clinker ratio.

Climate protection HeidelbergCement Group

	2016	2017	2018
Specific net CO_2 emissions (kg CO_2/t cement)	610	609	**599**
Alternative fuel rate	20 %	21 %	**22 %**
Clinker ratio	75.2 %	75.3 %	**74.7 %**

In 2018, HeidelbergCement AG recorded specific net CO_2 emissions of 543 kg CO_2/t cement, an alternative fuel rate of 54 %, and a clinker ratio of 74.3 %.

Emission control

Our continuous efforts in the area of emission control show the desired success: All key figures significantly improved in 2018 in comparison with 2017. This positive development results from the consistent replacement of old filter systems by modern fabric filters to reduce dust emissions, from the increased installation of SNCR and SCR systems to reduce NO_x emissions, and the increased installation of absorbers and scrubber systems for the reduction of SO_x emissions.

Emission control HeidelbergCement Group

	2016	2017	2018
Specific SO_x emissions (g/t clinker)	315	367	**352**
Specific NO_x emissions (g/t clinker)	1,343	1,373	**1,237**
Specific dust emissions (g/t clinker)	116	90	**81**

In 2018, HeidelbergCement AG recorded specific SO_x emissions of 314 g/t clinker, specific NO_x emissions of 603 g/t clinker, and specific dust emissions of 3 g/t clinker.

As described in the Targets and commitments section, we continuously work at further improving climate and emissions protection.

Biodiversity

The fourth edition of the Quarry Life Award was successfully held in 2018. The Quarry Life Award is a research competition designed to increase awareness of the high biological value of our quarrying sites. Owing to the success of previous editions of the competition, there were two competition streams this time round: research and community. In this way, we hope to ensure a fairer competition for all participants, irrespective of their scientific background. A total of 317 project proposals were submitted in 25 countries, of which more than 110 were selected to take part in the competition. Alongside the winners of the national competitions, three international winners were chosen in the research and community categories. The main prize of €30,000, was awarded to a project in Czechia for the second time since 2012. This project scientifically verified the importance of active and recultivated quarries as vital habitats for endangered insect species.

Our partnership with the largest international nature conservation organisation BirdLife International, which we began in 2012, was extended for a further three years in 2018, for the third time in succession. This successful and trusting cooperation helps to boost our competence, thereby enabling us to strengthen our environmental performance and our social mandate to operate as a responsible commodity company. Through open dialogue with BirdLife International and cooperation with its national partner organisations, we strive to minimise our impact on nature as well as to protect and promote biodiversity wherever possible. Besides the projects connected with the Quarry Life Award, almost 30 local projects were undertaken at locations in Europe and in African countries between the beginning of the partnership and the end of 2018.

In the USA, our subsidiary Lehigh Hanson transferred its former sand and gravel pit with an area of over 80 hectares in Bennettsville, Marlboro County, South Carolina, to Carolina Waterfowl Rescue (CWR) as a donation to support nature conservation. CWR has set itself the task of designating and operating protected areas for wildlife and endangered animals. CWR places particular value on creating optimal nesting and rearing conditions for endangered bird species and providing special care and recovery facilities for injured wild birds. The sand and gravel pit donated by Lehigh Hanson is ideally suited for this purpose.

In 2018, HeidelbergCement also introduced the internal Biodiversity Handbook, published at the end of 2017, in the various Group countries. In contrast to the guidelines issued in 2010 on protecting biodiversity, it contains guidance relating to the different global climate and vegetation zones in which we operate. The region-specific editions for Africa, Asia, and the American continent were published in 2018. The new handbooks contain practical advice on creating and managing a variety of habitats and on biodiversity, as well as guidelines for promoting native species. They also include a special chapter on the importance of identifying and warding off invasive species as this is a major cause of biodiversity loss worldwide.

We published internal guidelines in 2018 to ensure that our business activities comply with the new European legislation on invasive alien species. These guidelines aim to facilitate the identification of problematic invasive subspecies and to explain how they can be controlled and, if necessary, eliminated.

Sustainable construction

In 2018, we further intensified our efforts to develop products with improved sustainability performance and solutions to support sustainable development. One of the areas of focus of the activities at our central research laboratory in Leimen, Germany, and our product innovation laboratory in Bergamo, Italy, was the development of products with a better carbon footprint and improved performance in terms of the energy efficiency of buildings. We have developed various alternatives to traditional cement with reduced environmental impact, such as TernoCem®, an innovative belite calciumsulfoaluminate ternesite cement, or composite cements with a significantly lower clinker content. Many of these alternative products contain waste materials produced in other sectors of industry. In this way, we make an active contribution to improving the circular economy. Several products have been field-tested in pilot applications and a few of these have already been marketed. We are also continuing to work on products that support the turnaround in energy policy, such as Powercrete®, a special concrete with exceptionally high thermal conductivity, which allows high-voltage cables to be laid underground.

Our commitment to the circular economy is also reflected in our involvement in the Dutch concrete recycling company Rewinn B.V., Amsterdam, which we established together with our local partner Theo Pouw BV, Utrecht, Netherlands. The company continued to develop positively in the reporting year, and we are in a position to produce up to 250,000 tonnes of aggregates from recycled concrete per year. These are already used in numerous applications, such as the production of fresh concrete.

In Australia, Hanson Australia acquired the Alex Fraser Group, one of the largest companies for building material recycling on the east coast of Australia. Alex Fraser recycles more than 3 million tonnes of demolition concrete and several hundred thousand tonnes of asphalt every year. The majority of this recycled material is currently still used in road construction. However, there are specific plans to increase the use of demolition concrete in the production of fresh concrete in the future.

As a founding member of the Concrete Sustainability Council, we played a leading role in the development of a certification system for sustainably produced concrete, which was introduced at the beginning of 2017 and developed further in 2018. In the reporting year, 16 concrete plants and all cement plants in Germany, one concrete plant in Spain, as well as one concrete and one cement plant in Turkey were certified. With the certification of concrete – taking into account social, economic, and ecological aspects along the value chain – the product and the entire industry is gaining greater acceptance.

As a leading building materials producer, we have further strengthened our commitment to Green Building Councils, the European Construction Technology Platform, and other associations in order to support and accelerate developments in the area of sustainable construction and market transformation. From 2019, we will also be actively involved in the global umbrella organisation of the Green Building Council.

Compliance (NFS)

Main priorities

Corruption

Corruption in its various forms, involving active or passive bribery of customers or suppliers, is a criminal offence in most countries – in some countries, it is punishable regardless of whether the bribery takes place in that country or elsewhere. Corruption may result in severe penalties, fines, or other disadvantages for individuals and companies. Corruption causes significant economic damage by distorting competition, and it also leads to a loss of trust in authorities and companies.

Competition legislation

Violations of competition legislation may have a variety of negative consequences for customers and the general public. Depending on the type of violation, they may lead to inflated prices, lower product quality, and decreased choice for customers, which is detrimental to the customers and, consequently, to the whole community. However, unlawful restraints on competition also harm HeidelbergCement itself, because they decrease our incentives to offer efficient and innovative products and production processes and to continuously improve them. It is also important to note the considerable penalty and possible compensation payments imposed when such violations are exposed, as well as the significant loss of trust and reputation in the companies involved in the illegal cartel agreements.

Human rights

Companies can violate human rights in many different ways, ranging from the use of forced or child labour to violations of the rights of indigenous peoples. This also includes the supply chain. The sanctioning of human rights violations depends on the national legislation and may take the form of imprisonment or fines for individuals and fines for companies. In addition, companies face significant risks to their reputations.

Responsibility and organisation

Within our management culture, strong emphasis is placed on the compliance programme, which is firmly anchored in the Group-wide management and supervisory structures. It comprises the entire compliance organisation within the Group, the set-up of guidelines, and the verification of compliance with these guidelines.

The compliance organisation is under the authority of the Chairman of the Managing Board, to whom the Director Group Compliance reports directly. Each country has its own compliance officer with a direct reporting line to the country manager. However, responsibility for ensuring that employees' conduct complies with the law and regulations lies with all managers and, of course, with the employees themselves.

Processes

We have implemented an integrated compliance programme across the Group to achieve conduct that is compliant both with the law and with regulations. A central element of this programme is the self-commitment made by the Group management not to tolerate violations of applicable laws and to impose sanctions. The programme also includes internal guidelines and measures that express the legal provisions in concrete terms. In addition to regular communication of these guidelines, our management issues compliance letters to raise awareness of the topic of compliance. We also offer information brochures, an internet- and telephone-based reporting system, and employee training that makes use of modern technologies and media, such as electronic learning modules. The range of electronic courses covers topics such as the Code of Conduct (e.g. discrimination and harassment at the workplace), competition legislation, and the prevention of corruption.

The entire compliance programme is reviewed on an ongoing basis for any necessary adjustments with regard to current legal and social developments, and it is improved and developed accordingly. Violations of applicable laws and internal guidelines are appropriately sanctioned. In addition, suitable corrective and preventive measures are taken to help prevent similar incidents in the future.

Group-wide implementation of the compliance programme is monitored by regular and special audits by Group Internal Audit as well as via special half-yearly compliance reporting by the Director Group Compliance to the Managing Board and the Audit Committee of the Supervisory Board. The latter monitors the effectiveness of the compliance programme and verifies in particular whether it adequately satisfies the legal requirements and recognised compliance standards. An additional quarterly report regularly informs the Managing Board members with regional responsibility about the most important compliance incidents in their Group areas.

Every three years, we conduct a comprehensive analysis to assess and prevent corruption risks and possible conflicts of interest. First, the potential risks within a national organisation are assessed. Then, the measures already in place to limit these risks are evaluated, and finally, we examine whether further measures are needed. On the basis of this assessment, an action plan is drawn up for each country, and its implementation is monitored by Group Compliance.

In the area of competition legislation, we undertake comprehensive antitrust reporting on investigative procedures into violations of cartel law. An annual competition legislation update takes place at the level of the Managing Board and of the employees who report directly to the members of the Managing Board with responsibility for sales. Furthermore, annual qualitative assessments of the cartel risks in the countries are intended. We intend to introduce a regular external audit of the Antitrust Compliance Program to be carried out approximately every three years by a specialist law firm.

In 2017, we launched a risk analysis for human rights. Among other issues, this explicitly examines the risk of violating the rights of indigenous peoples. By the end of 2018, just under a third of our country organisations had carried out a human rights evaluation. This involved identifying potential risks and existing measures as well as determining additional measures to be implemented. The aim is to produce a risk assessment for all countries in which we are substantially active and to repeat this analysis regularly at an interval of approximately three years. Our suppliers must subscribe to fundamental human rights relevant in the business context, such as ban of child and forced labour, fair and safe work conditions, freedom of association, and ban of discrimination. A supplier management system, which is currently being set-up, will be introduced across the Group to improve monitoring in this area. In the future, compliance training will cover the topic of human rights more extensively.

Policies

In all the countries in which we operate, we comply with and respect the applicable laws and provisions. They form the legal basis for our business activity. As a globally active Group, we are bound by global values and standards. We subscribe to the core labour standards of the International Labour Organisation (ILO), the OECD Guidelines for Multinational Enterprises, and the United Nations Universal Declaration of Human Rights. We also expect our employees and business partners worldwide to observe these central guidelines and recommendations. Our Leadership Principles therefore include a commitment to these standards. Suppliers are also obligated to comply with our Supplier Code of Business Conduct.

These compliance principles are additionally anchored in the Code of Business Conduct, which also addresses the way in which we deal with company property and information.

The Anticorruption policy defines principles such as behaving with integrity towards business partners or avoiding conflicts of interest.

As regards competition legislation, the acceptable behaviour for HeidelbergCement is derived firstly from the applicable cartel laws including relevant international regulations, such as the cartel regulations enshrined in the Treaty on the Functioning of the European Union. Internally, HeidelbergCement has made an express commitment to strict compliance with cartel laws in its Code of Business Conduct in the Competition law section and with the Group Competition Law Guideline and the national cartel law guidelines that are based on them.

HeidelbergCement's position on human rights, which came into force on 1 January 2018, is a commitment by the Group to respect human rights. It addresses employees' working conditions, responsibility at our locations (including the rights of indigenous peoples), the selection of suppliers and customers, and the implementation and progress monitoring of human rights targets.

Our Group Compliance Incident Reporting & Case Management Guideline defines the principles for reporting compliance issues, for processing and investigating submitted complaints, and for protecting those reporting the incidents.

Targets and commitments

Our target is to completely prevent all violations of cartel law. All laws and internal guidelines relating to corruption and human rights must be observed. We apply a zero tolerance policy to violations.

HeidelbergCement is committed to upholding the principles of the Universal Declaration of Human Rights, the eight core labour standards of the International Labour Organisation (ILO), the OECD Guidelines for Multinational Enterprises, and the United Nations Guiding Principles on Business and Human Rights. We expect our employees and business partners worldwide to comply with these central guidelines and recommendations.

As a member of the UN Global Compact since October 2018, we are committed to incorporating the ten universal principles in the areas of human rights, labour standards, environmental protection, and corruption prevention as integral elements of our strategy, corporate culture, and day-to-day business. In this context, we will increase our involvement in community projects in order to play our part in achieving the development goals of the United Nations, particularly the sustainability goals. We will report to the public annually on our progress on the implementation of projects and the achievement of objectives, in accordance with the rules of the UN Global Compact.

Measures and progress

Non-compliance with our guidelines by an employee may result in disciplinary measures up to and including dismissal. Violations of corruption or competition laws, human rights, or contractual agreements by third parties may result in their exclusion from conducting business with HeidelbergCement or require them to meet certain test conditions. To reinforce our efforts to combat corruption, the country organisations are working on the implementation of individual country measures that were defined during the corruption risk assessment. The same applies to competition legislation and the protection of human rights.

In 2018, the preventive activities of the compliance officers once again placed great emphasis on compliance with the provisions of competition legislation and anti-corruption regulations. This was backed by appropriate auditing and training measures in these areas.

Following the introduction of a Group position on human rights, we have started to systematically assess human rights risks and compile performance indicators relating to human rights in each country.

Performance indicators

In 2018, Group Compliance registered 89 confirmed or pending compliance cases[1] at Group level, which corresponds to a rise of 2 % compared with 2017. In our opinion, this slight rise in recorded cases is primarily the result of an increased willingness to report due to improved compliance awareness. No compliance cases were registered for HeidelbergCement AG.

Group-wide, around 14,900 employees[1] were registered for the compliance e-learning programmes, of which 93 % and 94 % respectively have successfully completed the electronic training courses on the Code of Business Conduct and on the prevention of corruption respectively. At HeidelberCement AG, these training courses were completed by 99 % and 98 % of the registered employees respectively.

We conducted also further training activities in these topic areas such as classroom trainings. At the same time, there was a significant increase in the number of additional training activities on other compliance topics, with a focus on data protection and human rights.

In addition, around 8,600 employees[1] were registered for the electronic cartel law training relevant for them. So far, we have achieved a completion rate of 87 %. There were also other compliance activities in the area of cartel law (seminars, lectures, and other measures). At HeidelbergCement AG, 97 % of the employees have so far completed this training relevant for them.

With our electronic compliance training, we are aiming to achieve a completion rate of 100 % of the designated employees and a regular repetition of these trainings.

Following the test phase in 2017, the system for reporting performance indicators connected with the human rights situation was developed further.

In 2018, only a few compliance cases were reported in the human rights area that concerned mostly discrimination. With measures at local level and especially the gradual introduction of our supplier management system in our country organisations, the share of suppliers examined regarding human rights aspects will increase. With the support of an external provider, we have already started an assessment of our top suppliers in North America and Germany and of the global suppliers on Group level.

1) Including joint ventures

Procurement

In the reporting year, goods and services with a total value of €12,615 million were procured at HeidelbergCement. This corresponds to 69.8 % of total revenue.

Procurement management

Our lead buyer organisation facilitates continuously efficient procurement of important commodity groups at Group level. This means that we bundle process-critical goods and services, usually with high volumes, into commodity groups in order to obtain better terms and conditions from our suppliers. The tasks of our lead buyers within the Group include conducting price negotiations, concluding framework agreements, supplier management, and observing current market and price developments. The harmonisation of the supply chain requires significant effort in the context of the integration of Italcementi in particular. Thereby, our lead buyers make an important contribution to increasing efficiency and to risk management in our Group.

The second component of procurement management is the local purchasing at our production sites, which strengthens our negotiating position with local suppliers. The local purchasing departments also obtain goods and services directly via the Group framework agreements. In this way, we combine the advantages of central and local procurement.

Increasing efficiency

The proven savings initiative in procurement – the FOX programme (Financial and Operational Excellence) – was continued in 2018 as part of the ongoing improvement process to further increase the Group's financial and operational performance in the long term. In view of the generally persisting cost pressure, the programme also targets additional savings in procurement. We succeeded in achieving considerable cost savings in the reporting year, which was also due to synergy effects arising from the integration of Italcementi.

Another objective is to improve payment periods, because our terms of payment represent a key success factor for competitiveness. Thanks to continuous process optimisations and an improvement in our Group-wide terms of payment, we were able to achieve a correspondingly high liquidity effect by the end of 2018.

Furthermore, greater focus was put on the optimisation of the core processes in procurement in 2018. On the one hand, the aim is to increase the level of automation in procurement, and on the other hand, to further standardise processes and interfaces. We have concentrated here mainly on the consistent development and implementation of the necessary tools. Increased emphasis has also been placed on the further roll-out of a systematic supplier management in order to improve supply chain transparency, for instance with regard to the observance of compliance rules. In addition, we've pushed further forward the topic sustainability in the supply chain by introducing a digital assessment process.

Procurement of energy
Overall, HeidelbergCement pursues a strategy for the procurement of fuels and electricity that is based on a combination of short-term, index-based contracts and fixed-price contracts. Fuel flexibility will also play an increasingly important role in the volatile market environment. Optimising the mix of individual fuels in 2018 meant that the price increase on the global fuel markets led only partially to a rise in costs at HeidelbergCement.

Outlook

The expected future development of the HeidelbergCement Group, HeidelbergCement AG, and the business environment in 2019 is described in the following. In this context, please note that this Annual Report contains forward-looking statements based on the information presently available and the current assumptions and forecasts of the Group management of HeidelbergCement. Such statements are naturally subject to risks and uncertainties and may therefore deviate from the actual development. HeidelbergCement undertakes no obligation and furthermore has no intention to update the forward-looking statements made in this Annual Report.

Assumptions underlying our outlook

Our business is subject to a multitude of external influencing factors that are beyond our control. These include geopolitical, macroeconomic, and regulatory factors. This outlook is based on the assumption that the global political environment will not undergo any critical changes during the outlook period. In particular, this implies that the political crisis between Ukraine and Russia, the political and religious conflicts in the Middle East, and the political conflict with North Korea will not have a global impact on our business activity and that there is no fundamental destabilisation of the eurozone nor economic distortion as a result of Brexit.

Regarding exchange rates, for 2019 we anticipate a slight appreciation in the value of the euro against certain currencies from emerging countries in comparison with the previous year. We expect that energy prices during the forecast period will remain marginally above the 2018 annual average. While oil and coal prices declined in the second half of 2018 and were below the annual average of the previous year at the start of 2019, we forecast electricity prices to increase further during the year, particularly in Europe.

Furthermore, we have not taken account of any material changes to balance sheet positions or any associated expense or earnings positions in our outlook below that may result from changes to macroeconomic parameters, such as discount rates, interest rates, inflation rates, changes to future salary developments, or similar.

The anticipated development of the HeidelbergCement Group is described in the following.

Economic environment

General economic development
In its forecast from January 2019, the International Monetary Fund (IMF) expects a continuation of global economic growth on a broad scale. The growth rate is expected to weaken slightly, from 3.7 % in 2018 to 3.5 % in 2019. This is due to trade disputes between the USA and China as well as the recent drop in momentum in Europe. The risks that could continue to jeopardise growth include a further escalation of the trade disputes, high public and private debt, a disorderly Brexit, and a stronger than expected economic slowdown in China.

In Asia, China will continue to be the determining factor in economic development. The IMF projects a decline in growth for China, from 6.6 % in 2018 to 6.2 % in 2019. For Indonesia, growth of 5.1 % is anticipated. The growth rates in the African countries south of the Sahara are expected to increase further, reaching 3.5 % in 2019 compared with 2.9 % in 2018. In North Africa, the gross domestic product is expected to rise to around 5.5 % in Egypt and remain stable at 3.2 % in Morocco.

In the mature markets, economic growth is expected to decline from 2.3 % to 2.0 %. According to IMF forecasts, the important markets for HeidelbergCement – USA, United Kingdom, Germany, France, Italy, and Canada – should continue to develop positively in 2019. However, growth rates are declining in all countries except France, where stable development is anticipated. The reduction in fiscal stimulus measures and rising interest rates are expected to slow growth in the USA. Nevertheless, the USA is set to record the highest increase in economic output at 2.5 %, followed by Canada at 1.9 %, France at 1.5 %, Germany at 1.3 %, the United Kingdom at 1.2 % – according to the Bank of England's latest forecast – and finally Italy at 0.6 %. In Australia, growth is expected to cool slightly to 2.8 %.

Further growth is predicted for all countries in Northern and Eastern Europe and Central Asia in 2019. However, the development in the individual countries will vary. In Northern Europe, economic growth ranging from 1.9 % in Denmark to 3.2 % in Estonia is expected. While the growth rate will remain stable in Norway compared with 2018, it will be somewhat lower in Sweden, Denmark, Iceland, and Estonia. In Eastern and Southeastern Europe, increases ranging from 1.8 % in Russia to 4.8 % in Georgia are anticipated. While a slight increase in growth is expected in Slovakia, Greece, and Bosnia-Herzegovina, a slight slowdown is forecast in the other countries.

Regarding consumer goods price inflation, the IMF expects a slight rise in mature markets and a moderate increase in emerging countries. The oil price reached an interim high in 2018 following a significant rise, and is expected to fall significantly in 2019.

Industry development

The development of economic output is also reflected in the estimated demand for building materials. As the production and marketing of building materials is very localised and global trade in building materials only represents a small percentage of the total volume, we focus on the regions and countries relevant to our business instead of considering a global view of the demand trend.

For the USA, a further increase of 2.3 % in cement demand is anticipated for 2019, putting it slightly above the level of 2018 (+2.2 %). This growth will be equally well supported by all sectors. In its Spring Forecast for 2019, the American cement association PCA projects an increase of 2.7 % in cement consumption in residential construction. Cement demand in non-residential construction is expected to rise by 2.4 %, primarily as a result of investment in industrial facilities and office buildings. Infrastructure will continue to be supported by the five-year federal programme (FAST – Fixing America's Surface Transportation Act) adopted by the US Congress in December 2015. In addition, individual states such as California, New York, and Texas have launched infrastructure programmes that should lead to increased construction activity in the area of infrastructure. The PCA anticipates growth of 2.3 % in cement demand for public construction in 2019.

In its forecast from November 2018, Euroconstruct expects an increase in cement consumption in all European countries in which we are active. In the United Kingdom, construction activity is set to recover slightly again following a decline in 2018, driven by new infrastructure projects and a recovery in residential construction. A slight increase in cement demand is anticipated in Norway and Sweden, based on further infrastructure investments. Growth in construction activity in all areas should lead to a slight increase in cement demand in Belgium and a moderate rise in the Netherlands and Italy. For France, a slight increase in cement demand is anticipated as infrastructure measures will more than offset the decline in private residential construction projects following the discontinuation of funding programmes. For Hungary and Poland, a further significant rise in cement consumption is forecast, which will primarily be driven by the boom in private residential construction and investments in infrastructure. The German Cement Works Association (VDZ) predicts a stabilisation of Germany's cement market at the previous year's high level. However, the growth will be restricted because the construction industry is now stretched to capacity.

Just as the general economic forecasts are subject to uncertainties, so is the development of demand for building materials during 2019. Although demand should develop positively in many markets, the actual extent of growth is uncertain. Crucial factors include local economic development, the amount of public investment, and the development of credit costs for property financing. In the growth markets of the emerging countries, the continuation of solid economic growth plays an important role, as does income available for private residential construction, which in turn depends on changes in the minimum wage and local food prices, and thus inflation. Political and military conflicts can also influence the development of sales volumes.

We expect competition in the cement business to stabilise in 2019, especially in the emerging countries of Asia and Africa. The capacity build-up in recent years has eased off as a result of prices falling – significantly in some cases – in markets with excess capacities, with the first consolidation steps being taken in countries such as Indonesia.

At the start of 2018, the European Commission approved the reorganisation of the EU Emissions Trading System for the fourth trading period from 2021 to 2030. Consequently, we anticipate a further tightening of the allocation of CO_2 emission rights in this period. Prices for emission rights already increased significantly in 2018, which will lead to additional costs for covering the required emission rights in the fourth trading period. For the current trading period, which ends in 2020, HeidelbergCement has a sufficient number of emission rights also due to the free allocation policy.

New regulation in the International Financial Reporting Standards

The International Accounting Standards Board (IASB) has brought into force a new regulation in the International Financial Accounting Standards (IFRS) with effect from 1 January 2019. IFRS 16 (Leases) provides new regulations for the accounting of leases and replaces IAS 17 (Leases) and related interpretations. It will have an impact on the future reporting of HeidelbergCement's financial key figures. The key figures for 2018 shown in this Annual Report are still based on the old standard. The main effects of the new regulation can be found in the Notes on ↗ page 129 f.

Anticipated earnings

Our expectations with regard to revenue, costs, result, and dividends are described below. The change indicators correspond to the following quantification:

Change figures in %	
At previous year's level	No change (± 0 %)
Slight	Change of 1 %–2 %
Moderate	Change of 3 %–9 %
Significant	Change of ≥ 10 %

Sales volumes and revenue

On the basis of the general economic and industry-specific outlook for the building materials industry and the special growth prospects for the markets in which HeidelbergCement operates, we expect an increase in demand for all our building materials in 2019. In the cement and aggregates business lines, we anticipate slightly increasing sales volumes. In 2019, price increases will have a high priority in order to offset cost inflation and improve the margins that have fallen over the past year.

Taking into account the expected development in sales volumes and prices as well as the performance of the euro against other currencies, we expect a moderate rise in revenue before exchange rate and consolidation effects in 2019.

Group areas

In the Western and Southern Europe Group area, we anticipate stable development of sales volumes for cement on account of growing demand in individual countries, but declining exports due to higher costs for emission rights. For aggregates, we expect slight growth in line with market developments.

In Northern and Eastern Europe-Central Asia, we anticipate stable development of cement sales volumes at a high level, supported by sustained investment in residential and infrastructure construction.

In North America, demand for cement and aggregates is forecast to rise moderately thanks to the continuing economic recovery.

For the Asia-Pacific Group area, we expect moderate growth in sales volumes for cement and aggregates in line with market growth.

In Africa, we anticipate moderate growth in sales volumes for cement driven by increasing demand, especially in the countries south of the Sahara. With the new capacities that we have commissioned in recent years, we are well positioned and have sufficient reserves to participate in the market growth.

Costs

HeidelbergCement anticipates a slight increase in energy costs in 2019. A slight to moderate increase in the cost of raw materials and personnel is expected. HeidelbergCement will consistently pursue its global programmes to optimise costs and processes as well as increase margins once again in 2019. These include the Continuous Improvement Programmes for the aggregates (Aggregates CI), cement (CIP), and concrete (CCR) business lines, as well as FOX for purchasing. The Aggregates CI programme had exceeded its savings goal by the end of 2018 and will be continued in 2019 under the name CI Agg. The CCR programme, launched in 2016, is expected to achieve sustainable improvements in result amounting to €120 million over a three-year period. We are also anticipating a reduction in selling and administrative expenses following the action plan that started in October 2018 to improve cash flows and margins. For the two-year period from 2019 to 2020, cost savings totalling €100 million are planned.

We expect a slight decline in the negative financial result for 2019 before the application of IFRS 16. The improvement in our net interest result, thanks to the refinancing of our maturities on favourable terms, will be partially offset by declining income from swaps. After taking into consideration the impact of the application of IFRS 16, we anticipate a slight to moderate increase in the negative financial result.

Results

In view of the forecasts for revenue and cost development, we expect a moderate increase in result from current operations excluding exchange rate and consolidation effects for 2019. This assumption is made on the basis that sales volumes of building materials will grow as anticipated, price increases can be implemented, and the development of costs falls within expectations. The same applies for EBIT before major non-recurring effects. As a consequence of the improvement in the result from current operations, we also expect a moderate growth in profit for the financial year before non-recurring effects. Following the forecast development of results, we anticipate that we will earn a premium on our cost of capital again in 2019, i.e. a ROIC above the weighted average cost of capital (WACC).

Dividend

HeidelbergCement has announced a progressive dividend policy for the coming years. This means that the dividend is to be increased appropriately in strong years so that it can remain stable in weak years. For the 2018 financial year, the Managing Board and Supervisory Board will propose to the Annual General Meeting the payout of a dividend of €2.10 per share. This corresponds to a payout ratio of 36.5 % of the Group share of profit. For the 2020 reporting year, we aim to achieve a payout ratio of around 40 % of the Group

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share of profit for the financial year. In individual cases, we will align the adjustment of the dividend to the development of the dynamic gearing ratio and the cash flow of the HeidelbergCement Group, as well as taking the further general economic development into account.

Investments

In the 2019 financial year, HeidelbergCement will continue its active portfolio management with the disciplined management of investments. On the one hand, we will make targeted investments in future growth by strengthening existing market positions, for example through improved vertical integration, as well as by developing new markets. On the other hand, we will examine our portfolio for further optimisation potential and accelerate the sale of non-core activities, market positions with high risk or insufficient margins, and unused assets.

With the introduction of the new accounting standard IFRS 16, which provides new regulations for the accounting of leases and is applicable for the first time from 1 January 2019, the Managing Board has decided to strictly limit the leasing of assets and to purchase these assets instead. As a result, cash-relevant investments will grow between €260 million and €320 million. The rise relates primarily to maintenance investments.

In connection with our action plan to increase cash flow and margins, growth investments have been limited to an average of €350 million per year for 2019 and 2020. However, capital spending will marginally exceed this amount in 2019 and fall slightly below it in 2020.

For the 2019 financial year, we plan cash-relevant net investments of around €950 million. Cash-relevant divestments of approximately €500 million are taken into account in the forecast.

The African growth markets south of the Sahara will be an area of focus of capacity expansion. In the Democratic Republic of Congo we are continuing with the expansion of our Cimenterie de Lukala cement plant. Commissioning of the new kiln line in the plant situated near Kinshasa is planned for 2019. In Israel, we will commission a cement terminal in the first quarter of 2019, creating vertically integrated market positions in the cement, aggregates, and ready-mixed concrete business lines. In the United Kingdom, the upgrading of the Padeswood cement plant in North Wales is a large investment project involving the installation of a cement mill with a grinding capacity of up to 650,000 tonnes per year and the construction of new cement silos for railway and truck loading. We expect to commission the new facilities in the first quarter of 2019. In 2019, we will also continue with the construction of our new Group headquarters in Heidelberg, Germany.

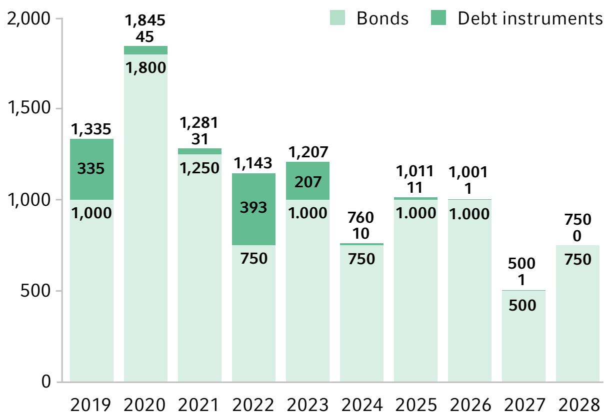
Aside from these capacity expansions, we will invest in the maintenance and modernisation of our existing production sites in 2019. With the Germany Cement Master Plan, which was launched in 2014, we will largely complete an ambitious investment programme for modernisation and efficiency improvement as well as for environmental protection in our German cement plants. Following the comprehensive renovation and modernisation of the Lengfurt and Burglengenfeld plants, we will also conclude the final major project in Schelklingen in 2019. The new kiln line is set to commence operation at the end of the first quarter.

Divestments already completed in the 2019 financial year include the sale of the El Minya white cement plant belonging to our Egyptian subsidiary Helwan Cement at the start of the year, as well as the reduction of our shareholding in the Moroccan subsidiary Ciments du Maroc in February 2019. Following the sale of 7.8 % of the share capital for around €140 million, HeidelbergCement continues to hold a majority participation of 54.6 % in Ciments du Maroc. In addition, an agreement was signed for the sale of the business activities in Ukraine. This transaction is expected to be completed in 2019. In Egypt, we are also planning to sell the site of a former cement plant in the Cairo metropolitan area. This means that, together with the sales already made in 2018, we are well on the way towards achieving our goal of generating €1.5 billion in proceeds from divestments by the end of 2020.

Expected financing

HeidelbergCement has a stable financing structure for the long term and a well-balanced debt maturity profile (see the following graph). We refinanced the Eurobond of €500 million maturing in March 2019 by using available liquidity and the emission of Commercial Paper. In addition, we will refinance the bond of €500 million that is due at the end of October 2019 as well as the financial liabilities maturing in 2019, by making use of available liquidity, issuing on the capital market, or using free credit lines, depending on the capital market situation.

Debt maturity profile as at 31 December 2018[1] (€m)



1) Excluding reconciliation adjustments of liabilities of €-12.4 million (accrued transaction costs, issue prices, fair value adjustments, and purchase price allocation) as well as derivative liabilities of €75.9 million. Excluding also puttable minorities with a total amount of €83.4 million.

As at the end of 2018, we had liquidity reserves consisting of cash, securities portfolios, and committed bank credit facilities, amounting to €5.4 billion (see Group financial management section on ↗ page 45 f.). With the €1.5 billion Euro Commercial Paper Programme and €10 billion EMTN Programme we also have framework programmes in the money and capital markets in place that allow us to issue the relevant securities within a short period of time.

Our objective is to further improve our financial ratios in the coming years in order to achieve the necessary preconditions for our credit rating to be upgraded further by the rating agencies. In particular, we have set the target to reduce the dynamic gearing ratio in the next two years again to 2.0x (before application of IFRS 16). At the end of 2018, the dynamic gearing ratio was 2.7x). A lasting solid investment grade rating remains our objective as – given the capital-intensive nature of our business – favourable refinancing opportunities in the banking, money, and capital markets create an important competitive advantage.

Employees and society

Following the successful integration of Italcementi, the topic of digital transformation will be an area of focus for 2019. From a human resources perspective, this includes building and expanding our digital competences, supporting change processes for digital transformation, and digitising personnel processes and systems. Our efforts to support digital transformation will focus on fundamental digital media skills as well as topics related to specific functions. For employees who are increasingly involved in digitalisation projects, we will provide targeted training on managing development processes geared towards customers and target groups (Design Thinking) and on agile project methodology.

In 2019, our global personnel development strategy will also focus on our programme for the development of senior managers and on improving our talent programmes. Around 100 people will take part in our programme for senior managers in 2019, with content tailored to current topics in the Group strategy. For this target group, managerial challenges in changing environments will be on the training agenda for 2019.

In the area of talent management, we will concentrate on two priorities: firstly, securing a sufficient number of highly qualified junior employees and managers, and secondly, further improving the standards of our talent programmes following the acquisitions made in the past few years. Aside from the roll-out of our trainee programmes in the Group's new countries, we will also revise our standards for trainee programmes in sales.

In 2019, we will continue our programmes to ensure consistent implementation and fulfilment of the existing safety standards. In particular, we will focus on the areas of transport and working with contractors. We will also continue our Clean site/Safe site initiative for accident prevention, which we launched in 2018, with improved measures for ensuring tidiness and cleanliness.

"Being a good neighbour" is one of the goals we committed to in 2017 as part of our Sustainability Commitments 2030. For this reason, we will continue to support the social and economic development of our neighbouring communities and ensure transparent communication with all stakeholders. We also want to make our CSR commitment more strategically oriented in the future. This will be based on transparency and efficiency when identifying relevant priorities, selecting and carrying out suitable projects, and assessing the contribution made after the completion of a project. In the future, another focal area will be the structured and efficient management of our CSR commitment in the various countries. Existing processes will be analysed, updated if necessary, and digitalised where possible.

HeidelbergCement has also made a commitment to carry out 60,000 hours of charitable work per year until 2030. In some countries, initiatives were already implemented in this area in 2018, and more will follow.

Environmental responsibility

The regulatory environment concerning the EU Emissions Trading System remains difficult and uncertain due to the constant addition of changes and improvements. In 2015, the European Commission proposed changes for the fourth trading period (2021–2030) in the carbon leakage risk assessment and the definition of benchmarking values and overall caps (for energy-intensive industries). Political discussions on this topic were concluded at the start of 2018 with a decision of the EU Parliament. The result for Phase IV, achieved after long and difficult negotiations, is very challenging for the cement industry and is currently expected to lead to profound upheavals within our sector of industry. HeidelbergCement believes it is well equipped for this challenge, provided that there are no more major changes.

In 2019, we will continue our activities regarding the capture, storage, and/or use of CO_2 emissions. Details of the individual projects' progress can be found in the Outlook – Research and technology section on ↗ page 73.

One of the goals defined in our Sustainability Commitments 2030 was to increase the proportion of alternative fuels in our global fuel mix to 30 % by 2030. Apart from undertaking a variety of projects, HeidelbergCement intends to achieve this goal by conducting thorough country-specific analyses, which will then be combined in long-term master plans. These outline the current situation in the relevant waste market, the legislative framework for approving the use of alternative fuels, and details of the technical possibilities at each cement plant. Good examples of this long-term planning are the two newly constructed or almost completed clinker production lines in Germany – Burglengenfeld and Schelklingen – which are set to have alternative fuel rates of 90 %.

To further increase the proportion of alternative fuels, we will continue to pursue the Alternative Fuel Master Plan project, which was launched in mid-2018 and will run until 2021.

In 2019, we will continue to adapt the Biodiversity Handbook, which was completed in 2018, to regional requirements and to spread it within the company to increase awareness of innovative recultivation concepts and improve knowledge throughout the Group regarding the existence, impact of, and ways to fight invasive species at our quarrying sites. Adding specific chapters on the different climate and vegetation zones in the world has made the handbook even more valuable for the relevant location managers.

As part of our partnership with BirdLife International, we will be implementing two projects in 2019: firstly, we will carry out net impact assessments at some locations, and secondly, we will support the international project Spring Alive, which aims to get children interested in nature in general and specifically in migratory birds. As a result of our involvement, in 2019, the project will for the first time take a look at the different ways in which quarries can help to protect migratory birds.

We designed a mobile app in 2018 to support biodiversity management at our locations, which should be available in 2019.

In 2019, we will resolutely continue our efforts to develop further building materials with a significantly reduced environmental impact. We pledged to do so in our Sustainability Commitments 2030, in order to play our part in limiting the global increase in temperature to below 2°C and to promote circular economy.

Once again, our environmental protection efforts in the cement business line in 2019 will also focus on reducing dust, nitrogen oxide, and sulphur oxide emissions.

Measures to reduce dust emissions are being planned or implemented in 2019 – for example for a kiln line in Bukhtarma, Kazakhstan, and two kiln lines in Citeureup, Indonesia. As part of these measures, electrostatic precipitators will be replaced by modern bag filters. We also want to improve dust collection in other production areas. These include raw material metering at our Guangzhou plant in China, as well as clinker storage at two other Chinese plants: Fufeng and Jingyang.

To reduce NO_x emissions, a state-of-the-art Selective Catalytic Reduction (SCR) system was installed at the Geseke cement plant in Germany and will commence operation in March 2019. Another SCR system was commissioned at the plant in Ennigerloh, Germany.

A completely new desulphurisation system for reducing SO_x emissions is being built at the Kjøpsvik cement plant in Norway, starting operation in 2019.

The new kiln line in Schelklingen, Germany, is expected to commence operation at the end of March 2019. From the first quarter of 2019, the new kiln in the Democratic Republic of Congo will also be ready for operation. Both kiln lines will offer lower consumption of raw materials and thereby contribute to reducing the Group’s carbon footprint.

In addition to dust and noise reduction, another emphasis in the aggregates business line will be on the recycling of concrete as an alternative to natural aggregates in the production of ready-mixed concrete. Therefore, in the ready-mixed concrete operating line, we will additionally offer certain key markets the use of recycled demolition concrete in our fresh concrete. We will also intensify our measures in the areas of water recycling and reduction of water consumption.

In 2019, we plan to intensify our dialogue with politics. For this purpose, we have created two public affairs manager positions located in Berlin and Brussels in order to complement the indirect representation by associations with direct contact partners of the company. As leading building materials company in Europe, we also want to demonstrate personally how our industry can contribute to solving societal challenges. A focus point will be the fight against climate change and especially our vision of carbon neutral concrete in 2050.

We recognise that there is increasing stakeholder interest in the nature and role of industry associations, and the extent to which the positions of industry associations on key issues are aligned with those of member companies, especially when it comes to climate change and the goals of the Paris agreement. For this reason, we are committed to review our governance processes with respect to direct and indirect political lobbying in 2019. Specifically, we would like to analyse how the political engagement of associations that we are a member of aligns with our sustainability goals published in our Sustainability Commitments 2030, including our commitment to fulfill our share of the global responsibility to keep temperature rise below 2°C as agreed at the COP21 in Paris and the IIGCC (Institutional Investors Group on Climate Change) supported investor expectations on corporate climate lobbying. We intend to publish the results of this analysis together with our reviewed governance processes and possible actions taken in our next annual report.

Research and technology

In the next few years, we will continue to center our efforts on developing cement types with reduced clinker proportion and thus lower CO_2 emissions. The alternative fuels and raw materials used will benefit the environment. Significant cost savings are also expected, depending on the future price development for CO_2 emission certificates. In addition, we will continue to develop our new clinker technology as another option to save CO_2 and energy. In 2019, we will also drive forward measures for the sequestration of CO_2 in cement and concrete.

Our strategy of using CO_2 by producing biomass in the form of microalgae was taken a step further in 2018 with the construction of a one-hectare algae farm at our Safi cement plant in Morocco. The facility is expected to commence operation at the start of 2019.

We will also continue to investigate possibilities for capturing, storing, and/or using CO_2 outside the European Union. The focus will be on North America, where various initiatives are currently being examined in detail.

Another area of focus is the development of high-quality binders and concrete applications, achieving greater benefits for our customers and added value for our company. In the future, we will intensify the successful transfer of technology to further increase the speed of innovation. For the concrete business, we plan to increase again the profit contribution of special products in mature markets in 2019. Furthermore, we will intensify our efforts to develop innovative high-end concrete solutions and open up new markets for cement-bound building materials.

Heating and lighting solutions for buildings and a reduction in their energy consumption, reliable and durable infrastructure (bridges, motorways), and solutions for improving air quality in cities are just some of the important areas in which we meet our customers' needs. For 2019, Global Product Innovation (GPI) is therefore planning to increase its contribution to improving modern urban development in terms of the energy efficiency of buildings and reconstruction of infrastructure with special cement types and concrete applications, as well as offer tailor-made solutions for the needs of mature markets.

In 2019, we will further secure and develop the improvements achieved with the MIP and OPEX processes. To help us develop a sustainable approach and build on the good results of the past few years, the Continuous Improvement Program (CIP) will be continued. In addition, we will continue the digitalisation initiatives already started in the area of Industry 4.0 (CEM 4.0 project). This includes the use of artificial intelligence in our plants. We will focus on projects such as remote monitoring and Expert System. The increase in the proportion of alternative fuels with our Alternative Fuel Master Plan will be another important topic, with a view to further reducing HeidelbergCement's carbon footprint.

In the aggregates business line, the new CI Agg programme will supersede from 2019 on the successful and proven Aggregates CI programme. CI Agg covers the whole value chain with extended scope, including land management, extraction planning, operation, quality control, sales, and distribution – and, ultimately, subsequent use of the land. This will ensure a balance between short-term performance and long-term, sustainable growth. We make effective use of the skills and innovative ideas of our employees to achieve significant added value in the aggregates business line. The programme is supported by a small group of experienced experts who provide assistance to our production, sales, and quality teams. The integration of operational, sales, and financial data as part of our digitalisation strategy will help us continue to pursue CI Agg successfully.

Procurement

We are making continuous efforts to improve our procurement efficiency by working consistently on standardising, optimising, and automating our procurement processes. This also includes further efforts to bundle commodity groups and realise synergy effects, as well as rolling out globally the digitalisation of core processes.

Energy prices were highly volatile in 2018. Various political decisions such as the US sanctions towards Iran or China's import tariffs on petroleum coke from the USA had an impact on the development of prices. Overall, we expect energy costs to rise slightly in 2019.

Risk and opportunity report

Risks and opportunities

HeidelbergCement's risk policy is based on the business strategy, which focuses on safeguarding the Group's existence and sustainably increasing its value. Entrepreneurial activity is always forward-looking and therefore subject to certain risks. Identifying risks, understanding them, as well as assessing and reducing them systematically are the responsibility of the Managing Board and a key task for all managers.

HeidelbergCement is subject to various risks that are not fundamentally avoided, but instead accepted, provided they are consistent with the legal and ethical principles of entrepreneurial activity and are well balanced by the opportunities they present. Opportunity and risk management at HeidelbergCement is closely linked by Group-wide planning and monitoring systems. 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 opportunities at an early stage.

Risk management

The Managing Board of HeidelbergCement AG is obliged to set up and supervise an internal control and risk management system. The Managing Board also has overall responsibility for the scope and organisation of the established systems. The Supervisory Board and its Audit Committee also review the effectiveness of the risk management system on a regular basis.

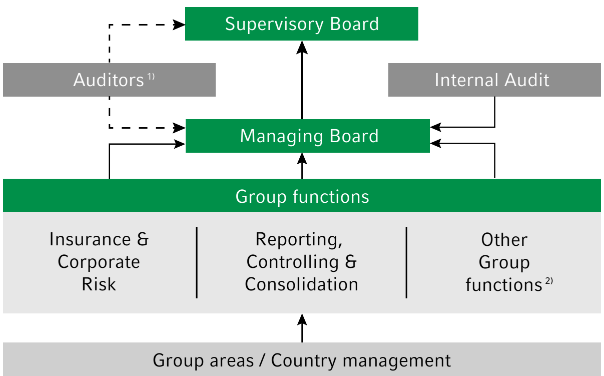
HeidelbergCement has installed transparent regulations to govern competences and responsibilities for risk management that are based on the Group's structure.

A code of conduct, guidelines, and principles apply across the Group for the implementation of systematic and effective risk management.

The standardised internal control and risk management system at HeidelbergCement is based on financial resources, operational planning, and the risk management strategy established by the Managing Board. It comprises several components that are carefully coordinated and systematically incorporated into the structure and workflow organisation.

The essential elements of the risk management system are:
- documentation of the general conditions for a methodical, efficient risk management in a Group guideline. In addition to this Risk Management Policy, the Group's Code of Business Conduct is concerned with the code of conduct and compliance standards to be observed.
- coordination of risk management in the Group Insurance & Corporate Risk department,
- managers responsible for corporate risk at country level,
- direct information and open communication of quantified risks between the Managing Board and country management,
- standardised and regular reporting at Group and country level.

Organisation of risk management at HeidelbergCement



1) Part of the annual audit
2) Legal, Compliance, Tax, IT, Treasury, Corporate Finance, Human Resources, Strategy & Development, Marketing & Sales

Risk management process

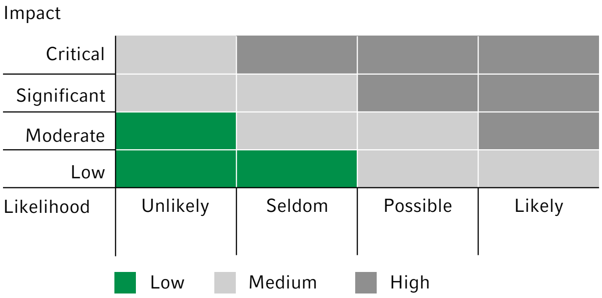
In order to optimise risk management, we are employing comprehensive software across the Group to map the entire risk management process. By using this software, we have implemented the basic conditions for increasing transparency and efficiency in all phases of the risk management process and for contributing to audit security. The software helps us with, among other things, the clear representation of the Group structure and the assignment of appropriate local responsibilities. Supported by standardised evaluation schemes, risks are systematically recorded and can be tracked over time together with the proposed countermeasures. The visualised risk data can now be consolidated in a timely manner, analysed flexibly and in various ways, and depicted using standardised risk reporting.

Identification and assessment of risks

The process of identifying risks is performed regularly on a decentralised basis by the country management and by the globally responsible Group functions. General macroeconomic data as well as other industry-specific factors and risk information sources serve as auxiliary parameters for the identification process.

Appropriate thresholds for risk reporting have been established for the individual countries, taking into account their specific circumstances. On the basis of our Group's risk model and according to the defined risk categories, the risks are assessed with reference to a minimum probability of occurrence of 10 % and their potential extent of damage. The operational planning cycle is used as the base period for the probability forecast. In addition to this risk quantification, geared towards a duration of twelve months, there exists also an obligation to report on new and already known risks with medium- or long-term risk tendencies. The impacts on the key parameters – result from current operations, profit after tax, and cash flow – are used as a benchmark to assess damage potential. Both dimensions of risk assessment can be visualised by means of a risk map.

Dimensions of risk assessment



The underlying scaling is as follows:

Likelihood

Unlikely	1 % to 20 %
Seldom	21 % to 40 %
Possible	41 % to 60 %
Likely	61 % to 100 %

Impact	**Definition of impact on business activity, financial performance and results of operations, and cash flow**
Low	Negligible negative impact (≤ €20 million)
Moderate	Limited negative impact (> €20 million)
Significant	Significant negative impact (> €120 million)
Critical	Harmful negative impact (> €220 million)

The risk statement also includes risks that do not have a direct impact on the financial situation, but that can have an effect on non-monetary factors such as reputation or strategy. In the case of risks that cannot be directly calculated, the potential extent of damage is assessed on the basis of qualitative criteria such as low risk or risks constituting a threat to the Group's existence.

The process of regular identification is supplemented with an ad-hoc risk report in the event of the sudden occurrence of serious risks or of sudden damage caused. This can arise, in particular, in connection with political events, trends in the financial markets, or natural disasters.

Aggregating, reporting, monitoring, and controlling risks
The quantitative, updated risk reports for all business lines in our Group countries are presented to the Managing Board on a quarterly basis within the framework of central management reporting to ensure that risks are monitored in a structured and continuous way. Correlations between individual risks and events are considered at local level as far as possible. The quarterly management meetings provide a platform for the Managing Board and responsible country managers to discuss and determine appropriate risk control measures promptly. Decisions are thus made as to which risks will be intentionally borne independently and which will be transferred to other risk carriers, as well as which measures are suitable for reducing or avoiding potential risks.

The Group Insurance & Corporate Risk department is responsible for coordinating the risk management processes. It summarises all significant quantitative and qualitative risks for countries and Group functions on a quarterly basis in a central risk map. The Group's detailed risk report is presented to the Managing Board once a year. In addition, interim reporting to the Supervisory Board is effected in the course of the year.

Monitoring and adjustments
The Group Internal Audit department systematically examines and assesses risk management to help increase risk awareness. In addition, the auditor carries out an examination of the risk management system as part of the annual audit in accordance with legal guidelines to determine whether the monitoring system is capable of identifying at an early stage any issues that could threaten the Group's existence. The Managing Board also regularly informs the Supervisory Board and its Audit Committee about the risk situation.

The internal control and risk management system with regard to the Group accounting process

In accordance with sections 289(4) and 315(4) of the German Commercial Code (HGB), the internal control system within the HeidelbergCement Group includes all principles, processes, and measures intended to ensure the effectiveness, cost efficiency, and accuracy of the accounting and to ensure observance of the relevant legal provisions.

The internal monitoring system within the HeidelbergCement Group consists of process-independent and process-integrated control measures. The process-integrated auditing activities include controls that are incorporated into the process (e.g. the principle of dual control). Process-independent measures are controls carried out by persons not directly involved in the accounting process (e.g. Group Internal Audit).

Structures and processes
The organisational and management structure of HeidelbergCement AG and its Group companies is clearly defined. The responsibilities within the accounting process (e.g. accounting of HeidelbergCement AG and its Group companies, Group Reporting, Controlling and Consolidation as well as Group Treasury) are clearly defined and functionally separated.

Key characteristics of the accounting processes and the consolidation

All departments involved in the accounting process have the requisite qualifications and are equipped in accordance with the requirements. In the case of accounting issues that are complex or require discretionary judgement, we also call upon the expertise of external service providers such as pension experts or recultivation obligation assessors.

The accounting guideline and uniform accounting framework, both of which are centrally administered by the Group Reporting, Controlling, and Consolidation department, are mandatory for all Group companies. New laws, accounting standards, and current developments (e.g. in the Group's economic and legal environment) are analysed and taken into account with regard to their relevance and impact on the consolidated financial statements. The central accounting guideline and uniform accounting framework guarantee uniform recognition, measurement, and presentation in the consolidated financial statements. Group-wide deadlines set out in a centrally managed financial calendar and instructions pertaining to the financial statements also help to make the accounting process structured, efficient, and uniform across the Group.

In most countries, the financial statements of the Group companies are prepared in shared service centers in order to centralise and standardise the accounting processes. Accounting systems from SAP and Oracle are used in the majority of cases. To prepare the consolidated financial statements, further information is added to the individual financial statements of the Group companies and these are then consolidated using standardised software developed by SAP. All consolidation adjustments, such as the capital consolidation, the debt consolidation, the expense and income consolidation, and the at equity valuation, are carried out and documented. The various elements that make up the consolidated financial statements, including the Notes, are created entirely from this consolidation programme.

At HeidelbergCement, the accounts data is checked at both local and central level. The decentralised checking of the local financial statements is carried out by the responsible Financial Director and country controlling. The central checking of the accounts data is carried out by the Group departments Reporting, Controlling and Consolidation, Tax, and Treasury.

HeidelbergCement's control system is also supplemented by manual checks, such as regular spot checks and plausibility checks, carried out both locally and centrally. The validations automatically performed by the consolidation programme also form an integral part of HeidelbergCement's control system.

Process-independent checks are carried out by the Audit Committee of the Supervisory Board and by Group Internal Audit. The latter checks the internal control system for the structures and processes described and monitors application of the accounting guidelines and accounting framework. The results of the check carried out by Group Internal Audit are reported to the Managing Board and Audit Committee. Additional process-independent monitoring activities are also performed by the Group auditor and other auditing bodies, such as the external tax auditors.

Measures for identifying, assessing, and limiting risks

In order to identify and assess risks, individual business transactions at HeidelbergCement are analysed using the criteria of potential risk, likelihood of occurrence, and impact. Suitable control measures are then established on the basis of these analyses. To limit the risks, transactions above a certain volume or with a certain complexity are subject to an established approval process. Furthermore, organisational measures (e.g. separation of functions in sensitive areas) and ongoing target/actual comparisons are performed for key accounting figures. The IT systems used for accounting are protected from unauthorised access by appropriate security measures.

The established control and risk management systems are not able to guarantee accurate and complete accounting with absolute certainty. In particular, individual false assumptions, inefficient controls, and illegal activities may limit the effectiveness of the internal control and risk management systems employed. Exceptional or complex circumstances that are not handled in a routine manner also entail a latent risk.

The statements made here apply only to the Group companies included in the consolidated financial statements of HeidelbergCement AG whose financial and operational policies can be determined directly or indirectly by HeidelbergCement AG for the purpose of deriving benefit from the activity of the company.

Risk areas

Risks that may have a significant impact on our assets, financial, and earnings position in the 2019 financial year are divided into four categories based on the risk catalogue established in the Group: financial risks, strategic risks, operational risks, as well as legal and compliance risks. In the following, we assess only the risk situation of risks that are significant for us.

Financial risks

Our significant financial risks are currency risks, interest rate risks, refinancing/liquidity risks as well as tax and pension risks. We manage these risks primarily as part of our ongoing business and financing activities and, when required, by using derivative financial instruments. These risk areas are monitored on a continuous basis by the Group Treasury department in accordance with internal Group guidelines. All Group companies must identify their risks and hedge them in cooperation with Group Treasury on the basis of these guidelines. The activities and processes of Group Treasury are governed by comprehensive guidelines, which, amongst other things, regulate the separation of trade and the processing of financial transactions. As part of our ongoing risk management, we manage the transaction risk, i.e. the risk of fluctuating prices (e.g. currency exchange rates, interest rates, raw material prices) that may affect the Group's earnings position. Financial risks have decreased in comparison with the previous year as a result, among others, of decreased currency risks.

Currency risks

The most significant risk position with respect to financial risks is the currency risk, particularly the translation risk. The USA's protectionist measures, particularly its trade conflict with China, led to increased exchange rate volatility in 2018 as well as a deterioration of the economic environment. It must be assumed that these effects will continue in 2019. It also has to be expected that the discussions about possible rises in base rates in the eurozone and the trend with respect to interest rate increases by the US Federal Reserve could lead to major fluctuations on the financial and currency markets. Furthermore, it is likely that events in connection with the United Kingdom's exit from the EU will have a significant impact on the currency market. If these fluctuations deviate from the assumptions made in the forecast, this might have a negative impact on translation and transaction effects. We consider these currency risks to represent a medium risk with a seldom likelihood but a significant impact.

Currency risks arising as a result of transactions with third parties in foreign currency (transaction risks) are hedged in certain cases using derivative financial instruments with a hedging horizon of up to twelve months. We primarily use currency swaps and forward exchange contracts for this purpose, as well as currency options in some individual cases. Through our in-house banking activities, the borrowing and investment of liquidity of the subsidiaries lead to currency positions that are hedged by means of external currency swap transactions, which are appropriate in terms of maturities and amounts.

In general, we do not hedge currency risks arising from converting the financial statements of foreign individual companies or subgroups (translation risks). The associated effects do not result in any payments, and any influences on the consolidated balance are monitored on a continuous basis. More information on currency risks can be found in the Notes on ↗ page 178 f.

Interest rate risks

Interest rate risks exist as a result of potential changes in the market interest rate and may lead to a change in fair value in the case of fixed interest-bearing financial instruments and to fluctuations in interest payments in the case of variable interest-bearing financial instruments. Interest rate risks are maintained within the parameters set by the Group's Chief Financial Officer. By using financial instruments, primarily interest rate swaps, we are able to hedge both the risk of fluctuating cash flows and the risk of value fluctuations. However, a downgrading of our credit rating by the rating agencies (see Rating section on ↗ page 47) could increase the interest margins in the event of a refinancing measure. On the basis of the balanced maturity structure of financial liabilities (see graph in the Outlook chapter on ↗ page 70) and the expected cash inflow from operating activities, there is no significant short- or medium-term need to refinance, meaning that no negative effects on the interest result are to be expected. Therefore, we see here only a low risk. More information on interest rate risks can be found in the Notes on ↗ page 178.

Refinancing/liquidity risks

Refinancing/liquidity risks exist when a company is not able to procure the funds necessary to fulfil operational obligations or obligations entered into in connection with financial instruments.

Possible risks from fluctuating cash flows are considered as part of the Group liquidity planning. Assumptions concerning the expected economic cycle harbour particular uncertainties in liquidity planning, which is why we update them on an ongoing basis and simulate them by means of so-called stress tests. On this basis, we can – if necessary – initiate the appropriate measures, such as the issue of additional money and capital market securities or the raising of fresh funds in the bank market. To secure our payment obligations, we have access to a syndicated credit line with a volume of €3 billion. As a result, we have access to substantial amounts of cash and cash equivalents and have thus considerably reduced the refinancing risk. In total, we have €5.4 billion of free liquidity, consisting of cash and cash equivalents, securities, and free credit lines, in our portfolio across the Group (see Liquidity instruments table in the Group financial management section on ↗ page 47). In addition, cash is continuously accruing from our operating activities. As an additional precautionary measure, an appropriate amount for increasing shareholders' equity was decided upon at the 2015 Annual General Meeting. We consider the refinancing/liquidity risks as a low risk.

In connection with credit agreements, we agreed to comply with various financial covenants, which were all met in the reporting period. The most important key financial ratios are the dynamic gearing ratio and the consolidated coverage ratio. Within the framework of Group planning, compliance with the covenants is monitored consistently, with notification issued to the creditors on a quarterly basis. In the event of a breach of the covenants, the creditors could, under certain conditions, accelerate corresponding loans irrespective of the contractually agreed terms. Depending on the volume of the relevant loan and the refinancing possibilities in the financial markets, this could lead to a refinancing risk for the Group.

The syndicated credit facility contains covenants, which were agreed at a level that takes into account the current economic environment and our forecasts. More information on liquidity risks can be found in the Notes on ↗ page 177 f.

Credit risks
Credit risks exist when a contractual partner in a business cannot fulfil its obligations, or at least not within the stipulated period. We minimise the risk position arising from this by diversification and ongoing assessment of the creditworthiness of the contracting parties.

Credit risks from operating activities are monitored continuously as part of our receivables management. We apply strict standards with regard to the creditworthiness of our business partners. In this way – as well as by avoiding concentrations of positions – we are able to minimise the Group's credit risks. We minimise credit risks for our financial investments by only conducting transactions with banks that are particularly creditworthy. We select banks for payment transactions and establish cash pools in exactly the same way. We consider the credit risks as a medium risk. More information on credit risks can be found in the Notes on ↗ page 174.

Tax risks
We are subject to the applicable tax laws in the countries where we are active. Risks can arise from changes in local taxation laws or case law and different or increasingly restrictive interpretations of existing provisions. These risks can impact our tax expense and benefit as well as tax receivables and liabilities.

Pension risks
Primarily in North America, HeidelbergCement is involved in various defined contribution pension plans for unionised employees (Multi-employer Pension Plans). The funding status of these pension plans could be affected by adverse developments in the capital markets, demographic changes, and increases in pension benefits. If one of the participating companies no longer pays contributions into the pension plan, all other parties concerned will be held liable for the obligations that have not been covered. Regarding the year 2019, we consider the pension risks as a medium risk with a seldom likelihood and moderate impact.

Strategic risks

Strategic risks particularly include risks related to the development of our sales markets in terms of demand, pricing, and the level of competition. In this category we also take into account risks arising from acquisitions and investments, product substitution, and political risks. In comparison with the previous year, strategic risks have risen moderately, primarily due to the additional cement capacities installed by the Egyptian army.

Industry-specific risks and sales market risks
In its forecast from January 2019, the International Monetary Fund (IMF) expects a continuation of global economic growth on a broad scale. The growth rate is expected to weaken slightly, from 3.7 % in 2018 to 3.5 % in 2019. This is due to trade disputes between the USA and China as well as the recent drop in momentum in Europe. The risks that could continue to jeopardise growth include a further escalation of the trade disputes, high public and private debt, a disorderly Brexit, and a stronger-than-expected economic slowdown in China.

In general, we expect positive economic development in the individual Group areas for 2019. Besides risks due to fluctuations in demand, high level of competition can lead to risks in terms of sales volumes, prices, and customer relationships. The trade conflict between China and the USA could lead to lower growth in Southeast Asia. We rate this as a medium risk with a possible likelihood and a moderate impact.

The global development of demand for building materials is both an opportunity and a risk, and is dependent on a number of different factors: population growth and the increasing need for housing, economic growth, growing industrialisation and urbanisation, and the greater requirement for infrastructure. Demand for building materials is essentially divided into three sectors: private residential construction, commercial construction, and public construction.

Private residential construction primarily depends on access to affordable loans, the trend in house prices, and the available household income, which is in turn influenced by the rate of unemployment and inflation. The development of this construction sector is mostly subject to country-specific risks and uncertainties. In the USA, the bursting of the property bubble at the start of the financial crisis in 2008 led to a considerable surplus of houses and apartments as well as a corresponding price collapse. Since 2013, residential construction in the USA has recovered significantly. A continuing recovery depends, among other things, on the development of interest rates. In Asia, there is a risk that the rising cost of living could negatively impact the revenue available for construction projects and thereby directly affect private residential construction.

The utilisation of production facilities, office spaces, and storage areas is crucial for commercial construction, and in turn depends on the general order situation both at home and abroad. Although the sector recovered noticeably following the economic crisis, the vacancy rate of office and industrial spaces is still high in some countries. Intensified budgetary consolidation or increasing interest rates could have a negative effect on economic growth and the future demand for building materials.

Investments in infrastructure such as roads, railways, airports, and waterways fall under public construction. This sector depends largely on national budgets and the implementation of special infrastructure programmes. Relevant risks are connected with fluctuating income, e.g. in countries that export raw materials, or budgetary consolidation, which can lead to cuts in infrastructure investments. On the one hand, noticeable increases due to public projects have a somewhat delayed effect. On the other hand, the scope of the cutbacks and their impact on the demand for building materials cannot be predicted with certainty.

Building materials are not transported overland for long distances on account of their heavy weight in relation to the sales price. Excess cement volumes are traded by sea on a national level as well as between individual continents. If the difference in the price level between two countries, with connection to the sea trade, is so high that it exceeds the transportation costs, there is a danger of increased imports and thus of a price drop in the importing market.

The weather is a major industry-specific risk, mainly because of the seasonal nature of demand. Harsh winters with extremely low temperatures or high precipitation negatively impact construction activity and therefore demand for building materials, for example, in North America in 2018. In some Group countries, such as India, monsoons are another example of the seasonal weather conditions that can adversely affect the sales volumes of our products and thus our business results.

We counteract weather-related fluctuations in sales volumes and risks from trends in sales markets with regional diversification, increased customer focus, the development of special products, and, to the extent possible, with operational measures: for example, we adjust the production level to the demand situation and use flexible working time models, or we close individual locations if the local construction industry remains consistently weak. HeidelbergCement carries out customer surveys in order to further improve relationships with our customers and to respond to country-specific needs.

Our expectations regarding the future development of the industry and our sales markets are presented in the Outlook chapter on ↗ page 67 f.

Risks from acquisitions and investments

Capacity expansions from acquisitions and investments ensure opportunities, but also risks. Possible risks in the case of acquisitions arise from the integration of employees, processes, technologies, and products. These also include cultural and language barriers in the growing markets as well as a generally increased level of personnel turnover, which leads to an outflow of valuable knowledge. We counteract these risks by targeted personnel development and an integrative corporate culture, including the creation of local management structures.

Acquisitions can affect the net debt to equity ratio and financing structure and lead to increases in fixed assets, including goodwill. In particular, impairments of goodwill due to unforeseen business trends can lead to financial charges.

Investment projects can span several years from the planning phase to completion. In this process, there are particular risks when it comes to obtaining the necessary permission for mining raw materials, developing infrastructure – including connecting to energy and road networks – and concerning the requirements for subsequent use plans for quarrying sites.

Future acquisitions, partnerships, and investments can be hindered or even prevented by political restrictions. A resulting shortage in capacity expansion projects could affect the growth prospects of HeidelbergCement. However, HeidelbergCement evaluates the political risks and stability of the region when making investments and will not proceed with the investment project if this risk is above a certain threshold. In order to minimise financial burdens and risks and better exploit opportunities, we look for suitable partners, particularly in politically unstable regions.

HeidelbergCement constantly monitors the market environment with respect to embarking on suitable acquisition projects or partnerships. Market potential and raw material deposits are systematically analysed and turned into proposals for investment projects. We place very high return requirements on every acquisition or investment decision, which are explained in the Internal management control and indicators section on ↗ page 23 f. Significant investment and acquisition projects are also subject to subsequent checks.

HeidelbergCement invests in capacity expansions to improve its market position and vertical integration in mature markets as well as in emerging countries with above-average growth potential, such as Eastern Europe, Asia, and Africa. As competitors may also build up new capacities in the same region, which in total may exceed the growth in demand, there is a risk of price collapse, which has negative effects on our revenue and result. Prior to capacity expansions, we therefore review the market environment and market potential and respond to excess capacities with cost-saving and efficiency improvement programmes, production adjustments, and location optimisations. In Indonesia, where we commissioned a new kiln line in 2016, there is a surplus of cement owing to major capacity expansions by competitors in recent years, which triggered a significant fall in market prices and thus the margins achieved in 2017 and 2018. As a result, some competitors had to close down capacities or sell business activities during 2018. We have been seeing a recovery in prices and margins since the third quarter 2018. Due to the consolidation tendencies in the market, we now expect only a low risk of a further drop in prices here.

With the takeover of Italcementi in 2016, HeidelbergCement also acquired cement plants in Egypt. The Egyptian army has recently invested in additional cement capacities. There is a risk that these new capacities will lead to price pressure in the market and therefore adversely impact the revenue and earnings position. We consider this as a medium risk with a possible likelihood and a moderate impact.

Risks resulting from the substitution of products
Cement, sand, gravel, and hard rock are the basic raw materials for the construction of houses, industrial facilities, and infrastructure. Because cement is highly energy- and CO_2-intensive, research projects are being undertaken to develop alternative binders with a more favourable energy and climate footprint.

Employees of the Heidelberg Technology Center (HTC) are closely monitoring the development of alternative binders and are actively exploring this area. However, when comparing the current state of knowledge regarding alternative binders, we generally do not anticipate that the alternative binders currently being developed will replace traditional cement types on a large scale in the next few years. If the production costs for traditional binders increase dramatically, particularly in mature markets, e.g. as a result of further shortages of government-issued CO_2 emission certificates or significant increases in energy prices, alternative binders could replace traditional binders provided that they fulfil the stringent requirements relating to the processability, durability, and cost-effective production. However, since this is currently not foreseeable, the risk is not included in our risk reporting.

Political risks and risks arising from exceptional external incidents
For all companies, potential turmoil in a political, legal, or social context poses fundamental risks. HeidelbergCement operates in around 60 countries around the world and is therefore also exposed to political risks, such as nationalisation, prohibition of capital transfer, terrorism, war, and unrest. At a number of locations, we cannot rule out certain security risks because of internal political circumstances. As a result of the conflict in eastern Ukraine, we have lost control of one of our cement plants. We have written off the cement plant in our balance sheet.

In certain countries, such as Togo, cement prices are regulated by the government. There may also be government intervention in production control, such as the temporary decommissioning orders in China. Overall, we consider this to be a low risk.

Exceptional external incidents, such as natural disasters or pandemics, could also negatively impact our business performance. Liberia and Sierra Leone experienced an Ebola outbreak in 2014, which was only declared officially over at the end of 2015. Should another outbreak occur, there exists the risk that an adequate amount of raw materials necessary for cement production cannot be imported to these countries. During the last outbreak, we were able to secure sufficient transport capacities. Currently, we do not see any risk here. Appropriate compensation limits of our Group-wide property insurance programme guarantee comprehensive coverage against natural disasters, including earthquakes, for our activities in heavily endangered regions of North America and Asia.

Operational risks

Operational risks particularly include risks related to the availability and cost development of energy, raw materials, and qualified personnel. We also take into account regulatory risks associated with environmental constraints, as well as production, quality, and IT risks. Operational risks have increased moderately compared with the previous year.

Volatility of energy and raw material prices
For an energy-intensive company such as HeidelbergCement, price trends in energy markets, which are extremely volatile, represent a considerable risk. In 2018, average annual energy prices were significantly above the previous year. Despite the fall in the prices for coal and oil at the end of 2018, there is a risk that the costs for individual energy sources will increase again and that total energy costs will be higher than planned. We consider the risk for individual energy sources and countries respectively as a medium risk with a possible likelihood and a moderate impact.

Infrastructural bottlenecks with regard to electricity supply are another common risk for our Group, especially in Africa. The prices of other raw materials are also subject to economic fluctuations. In absolute terms and in relation to revenue, the costs of raw materials rose in 2018. We minimise the price risks for energy and raw materials by means of Group-wide, structured procurement processes. We also make increased use of alternative fuels and raw materials in order to minimise price risks, while reducing CO_2 emissions and the proportion of energy-intensive clinker in the end product cement. With the help of various Group-wide programmes for increasing efficiency and continuous improvement, we decreased and optimised our consumption of electricity, fuel, and raw materials, which reduced our energy costs in a targeted way.

In the process of setting prices for our products, we aim to pass on increases in the costs of energy and raw materials to our customers. As most of our products are standardised bulk goods whose price is essentially determined by supply and demand, there is a risk that price increases cannot be passed on or will cause a decline in sales volumes, particularly in markets with excess capacities.

Availability of raw materials and additives
HeidelbergCement requires a considerable amount of raw materials for cement and aggregates production, which is ensured by our own high deposits. There is potential for certain risks in particular locations with regard to obtaining mining concessions. Necessary permissions may be refused in the short term or disputes may arise regarding mining fees.

In 2016, HeidelbergCement adopted the definitions of reserves and resources as set out in the Pan-European Standard for Reporting of Exploration Results, Mineral Resources and Reserves (PERC Reporting Standard). The implementation of this reporting standard at HeidelbergCement improves management knowledge and decision-making through a harmonised definition of raw material reserves and resources across the Group and a broader consideration of development constraints that influence the availability of raw materials. A Group policy on reserve and resource management, combined with rigorous local processes and practices, reduces the risk associated with the availability of raw materials.

Ecological factors and environmental regulations for access to raw material deposits also create a degree of uncertainty. In some regions of the world, for example in West Africa south of the Sahara, raw materials for cement production are so scarce that cement or clinker needs to be imported by sea. Rising transportation costs and capacity constraints in the port facilities can lead to an increase in product costs. Overall, we rate this as a low risk.

Availability and prices of the additive blast furnace slag, which is used in cement manufacturing and is a by-product in steel manufacturing, are subject to economic fluctuations and therefore entail a cost risk. Blast furnace slag is used primarily in Europe, the CIS countries (Commonwealth of Independent States), in Asia, and the USA. As global demand is increasing due to the increased cost of CO_2 emission rights, this could lead to shortages in the main markets.

The concentration of steel producers and excess steel capacities in Europe could reduce the availability of blast furnace slag in the medium to long term. We aim to mitigate possible supply shortages and price fluctuations in the future by securing long-term supply agreements and developing other sources of supply.

Production-related risks
The cement industry is a facility-intensive industry with complex technology for storing and processing raw materials, additives, and fuels. Because of accident and operating risks, personal injury and material or environmental damage may occur and operations may be interrupted.

In order to avoid the potential occurrence of damage and the resulting consequences, we rely on various surveillance and security systems in our plants as well as integrated management systems, which guarantee high safety standards, and regular checks, maintenance, and servicing. To identify the threat of potential dangers, we provide all employees with appropriate training to raise their risk awareness. Overall, we consider the production-related risks as low risks.

As demand for building materials is heavily dependent on weather conditions, there is a risk that capacity utilisation may fluctuate and production downtimes may occur. We minimise this risk by establishing locations in different regions, demand-oriented production control, and flexible working time models. In addition, we make use of production downtimes, where possible, to carry out any necessary maintenance work.

HeidelbergCement's risk transfer strategy sets deductibles for the main insurance programmes that have been adjusted to the size of the Group and are based on many years of failure analyses. In recent years, the international liability insurance programme has been continually optimised with respect to the liability limit and scope of coverage.

Quality risks
Building materials are subject to a strict standardisation. If supplied products do not meet the prescribed standards or the customer's quality requirements, we risk losing sales volumes, facing claims for damages, and/or damaging our customer relationships. HeidelbergCement ensures compliance with the standards at the Group's own laboratories by means of fine-meshed quality assurance in parallel with every process step as well as final inspections. Quality assurance controls are also carried out by independent experts as part of the extensive quality assurance programmes already in place. We consider the quality risks as a low risk.

Regulatory risks
Changes to the regulatory environment can affect the business activities of HeidelbergCement. This concerns mainly legal regulations for environmental protection. Tighter environmental regulations could lead to increasing costs, higher demand for investments, or even the closing of production sites.

As part of the European climate package newly adopted in December 2008, which concerns the reduction of greenhouse gas emissions, ambitious goals have been set by the European Parliament and the European Commission with regard to climate protection. The cement industry, like other CO_2-intensive industry sectors, has not been affected by the full auction of emission rights since 2013. The emission rights will thus continue to be allocated free of charge, but by 2020 their quantity will have been reduced by 21 % compared with 2005. The emission certificates are allocated on the basis of demanding, product-specific benchmarks, and will be further reduced by the annually growing cross-sectoral correction factor in the period from 2018 to 2020. As an initial consequence, the prices for emission certificates have almost quadrupled in the past two years. It should be assumed that this price increase will continue in Phase IV of the EU Emissions Trading System. Therefore, there is the risk that production sites situated particularly in regions that are easily accessible for imports will be at a competitive disadvantage on account of the increasing production costs compared with imports from countries that are not included in the emissions trading system.

The US state of California has had a cap-and-trade programme for emission rights since November 2012. Our subsidiary Lehigh Hanson has not taken part in the auctions until now because the state of California allocated sufficient emission rights free of charge to the cement industry. Lehigh Hanson is examining approaches to maintain the CO_2 output below the declining upper limit by improving kiln efficiency and the use of biomass, among other measures. On the basis of current production planning, Lehigh Hanson will continue to monitor the cap-and-trade programme closely to assess possible future requirements.

In 2018, a new emissions trading system was introduced in China, which will be extended to cover the cement industry at a later date. The full extent of the impact on our cement plants there cannot be conclusively assessed at this point.

The implementation of the European Industrial Emissions Directive 2010/75 into national law in 2013 led to more stringent environmental requirements for the European cement industry. In Germany, in particular, the limits for dust and ammonia emissions from 2016 and for nitrogen oxide emissions from 2019 were significantly tightened and even significantly exceed EU requirements. To comply with these stricter environmental regulations, substantial investments have been and are still being made in facilities to reduce emissions.

Climate protection and reducing CO_2 emissions are a focus of HeidelbergCement's sustainability strategy. By increasing energy efficiency, developing cement types with a lower proportion of clinker, and using alternative fuels, such as biomass, we were able to reduce our specific net CO_2 emissions from 1990 to 2018 by 20 %. Additional measures concerning climate and environmental protection are outlined in the Environmental responsibility chapter on ↗ page 59 f. and the Research and technology section on ↗ page 24 f.

In Indonesia, changes in the regulations governing the size and loading volumes of trucks are currently being discussed. There is a risk that the logistics costs of our shipments could rise as a result. We rate this as a medium risk with a seldom likelihood and a moderate impact.

IT risks

IT systems support our global business processes, communication, and also to an increasing extent sales, logistics, and production. Risks could primarily arise from the unavailability of IT systems and the loss or manipulation of information.

To minimise these risks, our Group uses back-up procedures as well as standardised IT infrastructures and processes. Furthermore, the critical systems are run at two separate computer centers per region that comply with the latest security standards. We also use selected infrastructure as a service offerings on the cloud.

All important IT systems are regularly updated and secured by safeguards according to the latest state of technology.

Internet security is an integral part of the Group-wide IT security strategy. We prepare, implement, and revise measures to protect data, systems, and networks. The IT security process is structured and divided into guidelines, standards, and recommendations, which help raise our employees' awareness. Through continuous security checks based on a structured risk assessment, we ensure that there is no increased risk to our systems and networks. We also take measures to counteract the ageing process of equipment and system technology. The increasing convergence of information technology and operational technology not only opens up opportunities, but also the risk of security breaches due to the integration of areas that were previously kept separate. We are addressing this challenge through measures carried out jointly by IT and the operational departments. In the case of existing applications, we are particularly concerned with business-critical resources (e.g. ERP and logistics applications, or net infrastructure), which are updated and consolidated. We consider the risk of system or application outages as a low risk with moderate impact and unlikely likelihood.

Legal and compliance risks

Our principal legal and compliance risks include risks from ongoing proceedings and investigations, as well as risks arising from changes in the regulatory environment and the non-observance of compliance requirements. The ongoing proceedings are being monitored intensively from a legal perspective. In addition, financial provision has been made in accordance with the legislative requirements for possible disadvantages arising from these proceedings. The legal risks have risen moderately in comparison with the previous year.

Hanson asbestos-related claims and environmental damage
Some of our Hanson participations in the USA are exposed to particular legal risks and disputes relating to former activities. The most significant of these are asbestos-related claims, which, amongst other things, allege bodily injury and involve several American subsidiaries. Products containing asbestos were manufactured before these companies belonged to the Hanson Group and to HeidelbergCement. In the USA, these damage claims are being handled and intensively managed by a team of in-house lawyers in collaboration with insurers and external consultants. The dispute is likely to continue for a few more years because of the complexity of the cases and the peculiarities of the American legal system. Adequate provisions have been formed on the basis of an extrapolation of the claims and reliable estimates of the development of costs over the next 15 years. The damage claims are mostly covered by liability insurances. Therefore provisions in the Group balance sheet are offset by corresponding claims against insurers.

Furthermore, there is a considerable number of environmental and product liability claims against former and existing Hanson participations in the USA, which relate back to business activities discontinued a long time ago. There is partly insufficient insurance cover for law suits and liability loss claims relating to toxic substances such as coal by-products, wood preservatives, or soil contamination. Our subsidiaries may also be charged further fines set by the court in addition to the clean-up costs and the compensation; there is, however, a possibility to settle authorised claims for compensation outside of court.

Overall, we consider the risks related to environmental damages in North America as a low risk.

Cartel proceedings
The Belgian company Cartel Damage Claims SA (CDC) filed a claim for antitrust damages with the Mannheim District Court in 2015, after failing in their first attempt to claim damages of this kind via the Düsseldorf High Regional Court in February 2015 for legal reasons. This action relates to claims accumulated in 2014 and 2015 from 23 cement customers. CDC jointly and severally demands compensation for damages from HeidelbergCement for the alleged price effects of the legally fined German cement cartel from 1993 to 2002 in Southern and Eastern Germany. CDC estimates the damages at the time the legal action was filed at €82 million plus interest of €57 million. If the claim for damages is granted, HeidelbergCement must take recourse to the other cartel members at its own risk. HeidelbergCement has good arguments against the claim, which the District Court of Mannheim, Germany, agreed with in the first instance, resulting in the case being dismissed. CDC has lodged an appeal with the Higher Regional Court of Karlsruhe, Germany, which is re-examining the case, and therefore a negative result cannot be ruled out. We assign a low risk to this case.

Experiences gained from a series of antitrust proceedings over the past few years, including those against Italcementi S.p.A. for antitrust violations before HeidelbergCement took over control, motivate us to continuously review and develop intensive internal precautions, particularly regular training initiatives – using electronic training programmes, among others – in order to avoid cartel law violations.

Privatisation and compensation disputes in Egypt
Claims for compensation amounting to US$17 million (plus default interest claims exceeding this amount many times over) from unfulfilled commission claims have been brought against our Egyptian subsidiary Helwan Cement Company S.A.E. (Helwan) before courts in Egypt and California. Helwan is defending itself against these claims. The alleged claims for compensation are said to arise from an exclusive distribution agreement regarding cement exports with The Globe Corporation, California, and its legal successor Tahaya Misr Investment Inc. The claim has been conclusively dismissed in California. In addition, Tahaya Misr Investment Inc. filed a claim with the Egyptian courts against Suez Cement Company S.A.E. (Suez Cement), the majority shareholder of Helwan, for the same content in 2018. For the legal proceedings in Egypt, we anticipate the same positive outcome for Helwan and Suez Cement as in California.

There are currently suspended legal proceedings involving Helwan and our Egyptian subsidiary Tourah Portland Cement Company with regard to the effectiveness of their past privatisations, which took place prior to the acquisition of these companies by the Italcementi Group. The plaintiffs' entitlement to these claims is currently being verified as part of a constitutional court review of a law that allows such claims to be made only by persons directly involved in the privatisation, which does not include the plaintiffs.

We assign a low risk to each of these cases and in total a medium risk.

Sustainability and compliance risks
As part of its sustainable corporate governance, HeidelbergCement makes a special commitment to protect the environment, preserve resources, conserve biodiversity, and to act in a socially responsible way. We consider concern for the environment, climate protection, and sustainable resource

conservation to be the foundation for the future development of our Group. Compliance with applicable law and Group regulations is a part of our corporate culture and therefore a task and an obligation for every employee. Violations of our commitments or of laws and Group guidelines pose direct sanction risks in addition to strategic and operational risks, and also entail a risk to our reputation.

We have implemented a compliance programme across the Group to ensure conduct that is compliant with both the law and Group guidelines. In 2017, a well-known auditing firm confirmed the suitability of our compliance management system at Group level under the standards of IDW PS980 and its compliance with the requirements of ISO 19600.

Our compliance programme comprises, amongst other things, informational leaflets, a compliance hotline, and employee training measures, which are conducted using state-of-the-art technologies and media such as electronic learning modules, and which focus on the risk areas of antitrust and competition legislation as well as anticorruption regulations. Violations of applicable laws and internal guidelines will be appropriately sanctioned. In addition, corresponding corrective and preventive measures will be taken to help prevent similar incidents from arising in the future.

Moreover, we have implemented Group-wide a system for the evaluation and reduction of corruption risks and potential conflicts of interest. A comparable system to assess human rights risks is currently being introduced across the Group. To ensure that we comply with the relevant sanctions regulations in the countries in which we are active, in particular those of the European Union and the USA, we carry out regular systematic verification procedures against international sanctions lists. As part of the process of adapting to the EU General Data Protection Regulation, measures were implemented to ensure, in particular, that we comply with organisational specifications as well as documentation and risk impact assessment requirements.

See ↗ page 59 f. for more on environmental responsibility, and ↗ page 64 f. for more on compliance.

Opportunity areas

Business opportunities are recognised at Group level and at operational level in the individual countries and taken into account as part of the strategy and planning processes. In the opportunities outlined below, we refer to possible future developments or events that can lead to a positive deviation from our forecast. Usually, we do not assess opportunities as their probability of occurrence is difficult to estimate.

Financial opportunities

Exchange rate and interest risks described under financial risks are also offset by opportunities that can turn the identified factors of influence to our advantage. Fluctuations in the exchange rates of foreign currencies against the euro present both risks and opportunities. On the one hand, for example, depreciation of the US dollar against the euro leads to a decrease in revenue and result from current operations; on the other hand, the US dollar-based proportion of purchasing costs measured in euro also decreases. This primarily affects raw materials, which are traded in US dollar on the global market. We see opportunities for the development of results if the euro exchange rate against the other currencies weakens for the remainder of 2019. However, at present we see more risks in this area.

Strategic opportunities

Industry and sales market risks are also offset by opportunities that can turn the identified factors of influence to our advantage. In 2019, opportunities could arise from the stronger-than-expected market growth in the USA and China. In the medium and long term, we particularly see opportunities for an increase in demand for building materials in residential, commercial, and public construction as a result of rising population numbers, growing prosperity, and the ongoing trend of urbanisation, especially in the growth markets of emerging countries.

Operational opportunities

Risks from the increase in prices for energy, raw materials, and additives are offset by opportunities that can turn the identified factors of influence to our advantage. Overall, the development of the energy price could be more advantageous if the supply of coal, shale gas, and oil exceeds demand. The price of fuel declined in the fourth quarter of 2018.

The consistent and ongoing implementation of measures to increase efficiency, reduce costs, and improve margins in production, logistics, and distribution is an integral part of our business strategy. The opportunity exists for all projects to produce higher than anticipated results and margin improvements that exceed previous expectations.

Assessment of the overall risk and opportunity situation by Group management

The assessment of the Group's overall risk situation is the result of a consolidated examination of all major compound and individual risks. Compared with the previous year, the risks have remained roughly stable overall.

Overall, the Managing Board is not aware of any risks that could threaten the existence of the Group either independently or in combination with other risks. There has been no notable change in the Group’s risk situation between the reporting date of 31 December 2018 and the preparation of the 2018 consolidated financial statements.

The company has a solid financial base and its liquidity situation is comfortable.

HeidelbergCement is aware of the opportunities and risks for its business activity as presented in this chapter. The measures described above play a significant role in allowing HeidelbergCement to make use of the opportunities to further develop the Group without losing sight of the risks. Our control and risk management system, standardised across the Group, ensures that any major risks that could negatively affect our business performance are identified at an early stage.

With its integrated product portfolio, its strong positions in growth markets, and its efficient cost structure, HeidelbergCement considers itself well-equipped to overcome any risks that may materialise and benefit from opportunities presented.

3 Corporate Governance

Part of the combined management report of HeidelbergCement Group and HeidelbergCement AG

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Corporate Governance statement[1)]

Fundamentals of corporate governance

HeidelbergCement AG is a German public limited company based in Heidelberg. In accordance with the legal regulations, it has three institutions: the Annual General Meeting, the Supervisory Board, and the Managing Board. The tasks and responsibilities of these institutions are primarily based on the German Stock Corporation Act (Aktiengesetz, AktG) and the company's Articles of Association.

The shareholders make decisions at the Annual General Meeting, which is held at least once a year. In particular, the Annual General Meeting passes resolutions on the profit distribution, approval of the actions of the members of the Supervisory Board and Managing Board, the conclusion of inter-company agreements, and changes to the Articles of Association, and elects the shareholder representatives to the Supervisory Board as well as the auditor. Shareholders are entitled to file motions and have a comprehensive right to speak and ask questions at the Annual General Meeting.

In accordance with the AktG, the company is managed via a two-tier system: The Managing Board is responsible for independently managing the Group and is monitored and advised by the Supervisory Board. The Supervisory Board appoints the members of the Managing Board for a maximum period of five years, extends their appointment if necessary, and can remove them from office at any time for good cause.

Statement of compliance in accordance with section 161 of the AktG

On 18 February 2019, the Managing Board and on 19 February 2019, the Supervisory Board resolved to submit the following statement of compliance in accordance with section 161(1) of the AktG: Managing Board and Supervisory Board of HeidelbergCement AG declare, in accordance with section 161(1) of the AktG, that HeidelbergCement AG has fully complied with, and is fully in compliance with, the recommendations of the Government Commission on the German Corporate Governance Code (hereafter referred to as the Code) in the version dated 7 February 2017, since submission of last year's statement of compliance in February 2018.

Corporate Governance practices that extend beyond the legal requirements

A Group-wide Code of Business Conduct requires all employees to observe the basic rules of business decorum – irrespective of whether these rules have been expressed in legal regulations or not. In particular, the Code of Business Conduct calls for:
- integrity and professional behaviour towards customers, suppliers, authorities, and business partners,
- consistent avoidance of conflicts of interest,
- careful and responsible handling of the Group's property and assets,
- careful and responsible handling of company and business secrets as well as personal data,
- fair, non-discriminatory employment conditions and fair dialogue with the employee representatives,
- the provision of healthy and safe jobs, and
- considerate handling of natural resources.

The Code of Business Conduct, which is published on our website **www.heidelbergcement.com under Company/ Corporate Governance/Declaration of Corporate Governance**, is part of the comprehensive compliance programme and its observance is monitored by control mechanisms included in the programme.

Working methods of Managing Board and Supervisory Board, and composition and working methods of their committees

As a German stock corporation, HeidelbergCement is required by law to have a two-tier board system. The Managing Board is responsible for independently managing the Group; its members are jointly accountable for the management of the Group; the Chairman of the Managing Board coordinates the work of the members of the Managing Board. The Supervisory Board appoints, monitors, and advises the Managing Board and is directly involved in decisions of fundamental importance to the Group; the Chairman of the Supervisory Board coordinates the work of the Supervisory Board.

Management by the Managing Board
In managing the Group, the Managing Board is obliged to act in the Group's best interests. It takes into account the interests of shareholders, its employees, and other stakeholders with the aim of creating sustainable added value. The Managing Board develops the Group's strategy, coordinates it with the Supervisory Board, and ensures its implementation. It ensures that all provisions of law and the Group's internal guidelines are adhered to, and works to achieve compliance by Group companies. It ensures appropriate risk management and risk controlling within the Group.

The Managing Board Rules of Procedure issued by the Managing and Supervisory Boards govern, in connection with the schedule of responsibilities approved by the Supervisory Board, the work of the Managing Board, in particular the departmental responsibilities of individual members of the Managing Board, matters reserved for the full Managing Board, and the required majority for resolutions. In accordance with these rules, each member of the Managing Board runs his management department independently, with the provision that all matters of clearly defined fundamental importance are to be decided upon by the full Managing Board. This takes place in the regular meetings of the Managing Board, led by the Chairman of the Managing Board, on the basis of prepared meeting documents. The results of the meetings are recorded in minutes, which are issued to all members of the Managing Board. There are no Managing Board committees.

1) In accordance with sections 289f and 315d of the German Commercial Code (HGB), likewise the Corporate Governance Report in accordance with point 3.10 of the German Corporate Governance Code

Consultation and supervision by the Supervisory Board
The Supervisory Board advises and supervises the Managing Board in the management of the Group. The Managing Board involves the Supervisory Board in all decisions of fundamental importance to the Group.

The rules of procedure issued by the Supervisory Board for the Managing Board and the Supervisory Board govern the organisation and work of the Supervisory Board, in particular the required majority for resolutions, the legal transactions and measures requiring their consent, the standard retirement age for Managing and Supervisory Board members, the regular limit of length of membership of the Supervisory Board, and the tasks of established committees.

The Supervisory Board meets at least twice every half-year; at these meetings, it usually discusses the open topics and passes the required resolutions, on the basis of reports drawn up by the Managing Board and documents received in advance in preparation for the meeting. Additional or extraordinary meetings are held if necessary. The results of the meetings are recorded in minutes, which are issued to all members of the Supervisory Board.

Cooperation between Managing Board and Supervisory Board
The Managing Board and Supervisory Board cooperate closely for the benefit of the Group. To this end, the Managing Board coordinates the Group's strategic approach with the Supervisory Board and discusses the current state of strategy implementation with the Supervisory Board at regular intervals. For clearly defined transactions of fundamental importance, the Supervisory Board has specified provisions in the Managing Board Rules of Procedure requiring its approval.

The Managing Board informs the Supervisory Board regularly, without delay and comprehensively, of all issues of importance to the Group with regard to strategy, planning, business development, risk situation, risk management, and compliance. The Managing Board explains deviations of the actual business development from previously formulated plans and goals, indicating the reasons for this. The Supervisory Board has included detailed provisions in the Managing Board Rules of Procedure with regard to the Managing Board's information and reporting duties. Documents required for decisions, in particular, the annual financial statements, the consolidated financial statements, and the auditors' report, are sent to the members of the Supervisory Board in due time before the meeting. The cooperation between the Managing Board and the Supervisory Board is shaped by mutual trust and a culture of open debate while fully protecting confidentiality.

In the periods between Supervisory Board meetings, the Chairman of the Supervisory Board also maintains regular contact with the Managing Board, especially the Chairman of the Managing Board, to discuss Group issues regarding strategy, planning, business development, risk situation, risk management, and compliance. The Chairman of the Supervisory Board is informed by the Chairman of the Managing Board without delay on important events that are essential for the assessment of the situation and development, as well as for the management of the company.

Supervisory Board Committees
In accordance with the Articles of Association, the Supervisory Board has set up a total of four committees, which are entrusted with the tasks and working methods described below. The following respective plenary session of the Supervisory Board is given an account of the results of the committee work.

In view of the increasing complexity and intensity of the activities of the Audit Committee and the Personnel Committee, as well as the capital market requirements regarding the independence of the committee members, the Supervisory Board decided, in its meeting on 20 March 2019, to amend the Rules of Procedure for the Supervisory Board in order to expand both the Audit Committee and the Personnel Committee from six to eight members with effect from the close of the Annual General Meeting on 9 May 2019.

The Personnel Committee is responsible for preparing the decision of the Supervisory Board concerning the appointment of members of the Managing Board, for preparing the election of the Chairman of the Managing Board, and for establishing the Managing Board's remuneration structure as well as the remuneration paid to the individual members of the Managing Board. It is also responsible for making a decision concerning the structuring of the non-remuneration-related legal relationships between the company and the members of the Managing Board. The Personnel Committee comprises Messrs Fritz-Jürgen Heckmann, Josef Heumann, Ludwig Merckle, Heinz Schmitt, Ms Margret Suckale, and Mr Stephan Wehning; the Chairman is Mr Ludwig Merckle. As of the Supervisory Board term of office beginning after the Annual General Meeting on 9 May 2019, the Personnel Committee will comprise eight members.

The Audit Committee is responsible for preparing the decision of the Supervisory Board concerning the adoption of the annual financial statements and the approval of the consolidated financial statements, as well as the assessment of the non-financial statement. It is also responsible for monitoring the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, the compliance programme, the audit, and the quality of the audit. When dealing with the audit, it is responsible in particular for the preparation of the Supervisory Board's proposal to the Annual General Meeting for the appointment of the auditor, as part of the selection and proposal procedure provided by law if applicable, for issuing the audit assignment, establishing points of focus for the audit, verifying additional services provided by the auditor in accordance with the guideline adopted by the Audit Committee on 8 November 2016, concluding the fee agreement with the auditor, verifying the auditor's independence including obtaining the auditor's statement of independence, and making the decision concerning measures to be taken if reasons emerge during the audit to warrant the possible disqualification of the auditor or suggest a conflict of interest on the part of the auditor. The Audit Committee discusses the half-yearly and quarterly reports with the Managing Board before they are published.

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The Chairman of the Audit Committee has specialist knowledge and experience in the application of accounting principles and internal control processes. In addition to the Chairman, the Audit Committee includes at least one independent member with expertise in either accounting or auditing. In 2018, the Audit Committee comprised Messrs Fritz-Jürgen Heckmann, Ludwig Merckle, Heinz Schmitt, Dr. Jürgen M. Schneider, Werner Schraeder, Frank-Dirk Steininger (until 31 January 2018), and Stephan Wehning (from 9 May 2018); the Chairman is Mr Ludwig Merckle. As of the Supervisory Board term of office beginning after the Annual General Meeting on 9 May 2019, the Audit Committee will comprise eight members.

The Nomination Committee is responsible for putting suitable candidates forward to the Supervisory Board for its proposals for election to be made to the Annual General Meeting. It comprises Messrs Fritz-Jürgen Heckmann, Ludwig Merckle, and Tobias Merckle as shareholder representatives; the Chairman is Mr Fritz-Jürgen Heckmann.

The Arbitration Committee, formed in accordance with sections 27(3) and 31(3) of the German Codetermination Law (Mitbestimmungsgesetz, MitbestG), is responsible for making a proposal to the Supervisory Board for the appointment of members of the Managing Board if the necessary two-thirds majority is not initially achieved. It comprises Messrs Fritz-Jürgen Heckmann, Tobias Merckle, Heinz Schmitt, and Stephan Wehning; the Chairman is Mr Fritz-Jürgen Heckmann.

Further information on the composition of the Managing Board and Supervisory Board can be found in the Supervisory Board and Managing Board chapter on ↗ page 102 f.

Target figures for the proportion of women; diversity concept for the composition of the Managing Board

By law, at least 30 % of the members of the Supervisory Board of HeidelbergCement AG must be men and at least 30 % women. The current composition of the Supervisory Board of HeidelbergCement AG fulfils these requirements.

The law also requires HeidelbergCement AG to define target figures for the proportion of women in the Managing Board and in the two management levels below the Managing Board.

After reconsideration, the Supervisory Board resolved on 15 March 2017 to maintain the current proportion of women in the Managing Board and to set again the target figure for the proportion of women in the Managing Board by 30 June 2020 to 0 %. Nevertheless, this specification explicitly states that the Supervisory Board is committed, as was previously the case, to take diversity into account when making personnel decisions. The reason for this resolution is that so far no women could be identified in the company who could fulfil the requirements of filling a Managing Board position in this period of time.

The requirements include, among others, long-time international experience in a leading position at HeidelbergCement in the operational area at plant or country level or in the finance sector. With the targeted use of programmes for the advancement of future executives, HeidelbergCement is working at creating a pool of qualified female candidates. When filling Managing Board positions, the Supervisory Board makes no distinction on the basis of gender, origin, or any other characteristics. It makes its decisions regarding appointments to leadership positions within the company solely on the basis of objective criteria such as professional qualifications (international leadership experience, industry knowledge) and the personal suitability of the relevant person for the actual task. In particular, the Supervisory Board strives to achieve a Managing Board composition that is internationally balanced and complementary. The diversity concept mentioned above is taken into account in the composition of the Managing Board.

The standard retirement age for members of the Managing Board is 65 years.

When filling management positions within the Group, the Managing Board also considers diversity, and in doing so, strives to give due consideration to women. The Managing Board therefore resolved to achieve a target figure of 15 % by 30 June 2022 for the proportion of women in leadership positions at the first two levels below the Managing Board at HeidelbergCement AG. As at 31 December 2018, the proportion of women was 12 % at the first level and 13 % at the second level. For further information, refer to the chapter Employees and society on ↗ page 53 f.

Competence profile, diversity concept, and targets for the composition of the Supervisory Board

On 11 September 2017, taking into account the recommendations stated in point 5.4.1 of the Code and in section 289 f.(2)(6) of the HGB (diversity concept), the Supervisory Board updated the concrete objectives regarding its composition and agreed a competence profile for the Board as a whole. In doing so, the Supervisory Board aims to make a wide range of expertise available to the Group and to have the broadest possible pool of candidates at its disposal for the election of future Supervisory Board members.

Competence profile

The competence profile shall ensure that each of the skills and areas of knowledge or technical experience listed below is held by at least one member of the Supervisory Board, so that as a body the Supervisory Board covers all of the necessary competence areas:

– competence in industry, leadership, and committees (in particular, familiarity with the building materials industry or closely related industries, leadership activities within companies, membership and leadership of boards/committees),

- personnel competence (in particular, putting together managing bodies, processes for identifying candidates for suitable positions, contractual arrangements with managers),
- regulatory competence (in particular, in the areas of compliance structures and concepts, legal frameworks, corporate governance), and
- accounting competence (in particular, financial reporting and auditing).

Diversity concept
In the Supervisory Board, the competences listed above should be represented as broadly and in as balanced a way as possible. In addition, the in-depth competences in individual fields held by the individual members of the Supervisory Board should ideally be complemented by the members' personal, national, and/or international backgrounds. It is also important to consider the combination of competences from a diversity perspective, as well as the availability of the Supervisory Board members. The composition of the Supervisory Board shall be an appropriate reflection of the national and international alignment of HeidelbergCement as a leading building materials manufacturer. At least 30 % of the Supervisory Board's members are women and at least 30 % men.

Independence
It is the target of the Supervisory Board that it is composed of at least nine members who are independent, of which at least four are representatives of the shareholders. Employee representatives are not considered as dependent just because they are employees of the company.

Age limit and length of membership
The standard retirement age for members of the Supervisory Board is 75 years; at this age ends also the regular limit of length of membership of the Supervisory Board.

Status of implementation
The Supervisory Board considers that its constitution corresponds to its specified goals and the competence profile. In addition, the Supervisory Board ascertained with respect to its composition and the composition of its Audit Committee that all of its members are familiar with the sector in which the company operates.

According to the Supervisory Board's own assessment, the objectives of the diversity concept have been fulfilled. The composition of the Supervisory Board is an appropriate reflection of the national and international alignment of HeidelbergCement as a leading building materials manufacturer. At present, there are four women in the Supervisory Board, of whom two represent the shareholders and two represent the employees. The proportion of women in the Supervisory Board is thus 33 %. The minimum proportion of at least 30 % each of women and men in the Supervisory Board, as specified in section 96(2) of the AktG has therefore been fulfilled.

According to the Supervisory Board's assessment, all its current members are independent in the sense of the Code. The standard retirement age and the regular limit of length of membership of the Supervisory Board have been taken into account.

Shareholdings of members of the Managing Board and Supervisory Board

The direct or indirect ownership of shares or share-based financial instruments, especially derivatives, by members of the Managing Board has, neither in any individual case nor in total, exceeded the threshold of 1 % of the issued shares.

According to the notifications available to the company, Supervisory Board member Ludwig Merckle holds via PH Vermögensverwaltung GmbH, a company under his control, 26.70 % of the issued shares. As regards the other members of the Supervisory Board, the ownership of shares or share-based derivatives has, neither in any individual case nor in total, exceeded the threshold of 1 % of the issued shares, according to the available reports.

Relationships with shareholders

In line with the options provided for in accordance with the law or the Articles of Association, the shareholders exercise their rights before or during the Annual General Meeting and thereby exercise their voting right. Each share carries one vote at the Annual General Meeting.

The ordinary Annual General Meeting is normally held in the first five months of the financial year. All important documents for exercising shareholder rights as well as the resolution issues and documentation are duly and easily available on our website for shareholders to access. Both the notice of the agenda for the Annual General Meeting and our website will provide shareholders with the information they need to exercise their rights, and particularly their voting rights at the Annual General Meeting, including by way of proxy or postal vote. A company proxy bound by instructions is also available to shareholders to exercise their voting rights at the Annual General Meeting. The presentation slides accompanying the report given by the Chairman of the Managing Board to the Annual General Meeting will be made available on the internet at the same time. After the Annual General Meeting is over, our website will be updated with the attendance details and the voting results of each agenda item.

As part of our investor relations work, we provide information to shareholders and other investors comprehensively and regularly on a quarterly basis to tell them about the business development as well as the financial situation and earnings position, and also provide them with notifications in accordance with the German Securities Trading Law and information on analyst presentations, press releases, and the annual financial calendar. Details on our investor relations work can be found on ↗ page 18.

Remuneration report

The remuneration report contains two parts. The first part presents the Managing Board remuneration system and the remuneration of members of the Managing Board for the 2018 financial year, both according to the applicable accounting standards as well as the valid version of the German Corporate Governance Code dated 7 February 2017. In addition, we present the further development of the Managing Board remuneration system as of 2019. The second part shows the remuneration for the Supervisory Board paid for the 2018 financial year.

Current Managing Board remuneration system 2018

The current Managing Board remuneration system has been applied to all members of the Managing Board since financial year 2014. It constitutes a further development to the system that was in force from 2011 to 2013. The current Managing Board remuneration system was approved by the Annual General Meeting on 7 May 2014 with a majority of 97.5 % of the votes cast, in accordance with section 120(4) of the AktG.

Principles

The following principles apply to Managing Board remuneration:

1. Remuneration and performance are closely linked: The variable performance-related remuneration component should account for a major share of total remuneration.
2. Variable remuneration focuses on sustainable performance and relates to the interests of the shareholders: The majority of variable remuneration should be linked to the long-term development of the company and paid out after an appropriate period of several years. The absolute development of HeidelbergCement's share price and the direct comparison with relevant benchmark indices should play a major role in this context.
3. Key performance indicators are in accordance with the Group strategy: The details of the key performance indicators used to determine variable remuneration should be in line with HeidelbergCement's business strategy.

The system and amount of remuneration of the Managing Board are determined by the Supervisory Board following a recommendation by the Personnel Committee. They are based on the size and international activity of the Group, its economic and financial situation, its future prospects, the amount and structure of the Managing Board remuneration in comparable companies, and the remuneration structure used for the rest of the Group. In addition, the tasks and performance of the relevant member of the Managing Board, and of the entire Managing Board, are taken into account. The remuneration is calculated in such a way that it is competitive on the market for highly qualified senior managers and provides an incentive for successful work in a business culture with a clear focus on performance and results.

Remuneration elements

The remuneration system applicable since 1 January 2014 comprises:

1. a fixed annual salary,
2. a variable annual bonus,
3. a variable long-term bonus with long-term incentive,
4. fringe benefits, as well as
5. pension promises.

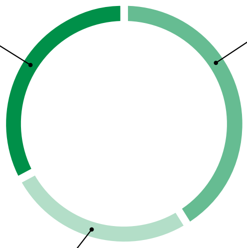
The graph below shows the individual components of the target remuneration and the main parameters.

Components of the target remuneration

Fixed annual salary

Relation
– Chairman of the Managing Board: 29%
– Members of the Managing Board: 33%

Fringe benefits (based on their benefit in kind) and **pension expenses** are shown separately.



Long-term bonus (cash plan with PSUs[1])

Relation at 100% target achievement
– Chairman of the Managing Board: 42% (150% of fixed annual salary)
– Members of the Managing Board: 41% (125% of fixed annual salary)

Key performance indicators
– 1/2 Management component
50% Earnings before interest and taxes (EBIT)
50% Return on invested capital (ROIC)
– 1/2 Capital market component
Total Shareholder Return vs DAX and MSCI[2]

Target achievement
– 0-200%

Annual bonus (cash plan)

Relation at 100% target achievement
– Charirman of the Managing Board: 29% (100% of fixed annual salary)
– Members of the Managing Board: 26% (80% of fixed annual salary)

Key performance indicators
– 2/3 Group share of profit
– 1/3 individual targets (company and resort targets, sustainability targets, personal targets)

Target achievement
– 0-200% per target

Fixed annual salary | Annual bonus | Long-term bonus

1) PSU = Performance Share Unit
2) MSCI World Construction Materials Index

1. Fixed annual salary

The fixed annual salary is a set cash payment relating to the financial year, which is based on each Managing Board member's area of responsibility and is paid on a monthly basis over the year. It amounts to around 29 % of the target remuneration for the Chairman of the Managing Board and 33 % for members of the Managing Board, when 100 % of the target is met.

2. Annual bonus

The annual bonus is a variable remuneration element, which relates to the financial year and is 100 % of the fixed annual salary for the Chairman of the Managing Board and 80 % for members of the Managing Board, when 100 % of the target is met. It amounts to around 29 % of the target remuneration for the Chairman of the Managing Board and 26 % for members of the Managing Board. The Group share of profit, adjusted for one-off items, is used as the key performance indicator. In addition, individual targets will be agreed with the Chairman of the Managing Board and the Managing Board members. The table below gives an overview of the main characteristics of the annual bonus.

At the start of the financial year, the Supervisory Board decides on the performance targets and, at the end of the financial year, determines the extent to which the target has been reached.

- Target value (value when 100 % of the target is met)
  100 % of the fixed annual salary for the Chairman of the Managing Board, 80 % of the fixed annual salary for the Managing Board members
- Key performance indicators and weighting (value when 100 % of the target is met)
  2/3 Group share of profit
  1/3 individual targets
- Target achievement range
  0–200 % (The maximum value of the annual bonus is limited to 200 % of the fixed annual salary for the Chairman of the Managing Board and 160 % for the Managing Board members and total loss of the entire annual bonus is possible; the determination of the range refers to each individual key performance indicator.)

The following table shows a sample calculation for the determination of the annual bonus of the Chairman of the Managing Board with a fixed annual salary of €1,625,000.

Sample calculation annual bonus of the Chairman of the Managing Board [1]

Target	€1,625,000 (100 % of fixed annual salary of €1,625,000)	
Performance period	1 year	
Key performance indicators	2/3 Group share of profit (€1,083,333) 1/3 individual targets (€541,667)	
Range	0–200 %	
Target achievement (example)	Group share of profit 140 % (€1,516,666) individual targets 100 % (€541,667)	
Example result	Group share of profit + individual targets	€1,516,666 € 541,667
	= Cash payout	€2,058,333

1) The degrees of target achievement are fictitious and serve only as illustration.

3. Long-term bonus

The long-term bonus is a variable remuneration element based on the long term, which is to be granted in annual tranches starting in 2011. It amounts to 150 % of the fixed annual salary for the Chairman of the Managing Board and 125 % for members of the Managing Board, when 100 % of the target is met. The long-term bonus amounts to approximately 42 % of the target remuneration for the Chairman of the Managing Board and 41 % for members of the Managing Board. The main characteristics of the long-term bonus are shown in the table below.

The long-term bonus comprises two equally weighted components. The first component (management component with

Main characteristics of the annual and long-term bonus

Key performance indicators	Performance period and performance evaluation	Target achievement	Maximum value (% of the individual target value)	Allocated amount
Variable remuneration – annual bonus Chairman of the Managing Board: 29 %; Members of the Managing Board: 26 %				
2/3 Group share of profit and 1/3 Individual targets	Annual basis	0 - 200 %	225 % (200 % plus ± 25 % discretionary adjustment)	Depending on target achievement
Variable remuneration – long-term bonus Chairman of the Managing Board: 42 %; Members of the Managing Board: 41 %				
1/2 Management component: – Earnings before interest and taxes – EBIT (50 %)	Average of 3-year performance period	0 - 200 %	225 % (200 % plus ± 25 % discretionary adjustment)	Depending on target achievement
– Return on invested capital – ROIC (50 %)	End of 3-year performance period	0 - 200 %		
1/2 Capital market component: total shareholder return (TSR) of HC share	Development of TSR based on a four-year reference period before beginn of the plan (1 January) vs the next four years from the beginning of the plan	0 - 200 %	425 % (400 % plus ± 25 % discretionary adjustment) The capital market component is limited to the amount that the entire plan does not exceed 200 % of the target amount (plus ± 25 % discretionary adjustment of the target value)	Depending on: – Development of TSR of HC share vs DAX/ MSCI – Absolute development of HC share price

a term of three years) considers the internal added value as measured by earnings before interest and taxes (EBIT) and return on invested capital (ROIC), and is arranged in the form of a bonus with cash payment. The bonus will be paid after the Annual General Meeting in the year following the three-year performance period. The second component (capital market component with a term of four years) considers the external added value as measured by total shareholder return (TSR) – adjusted for the reinvested dividend payments and for changes in the capital – compared with the relevant capital market indices, using performance share units (PSUs). The PSUs are virtual shares used for the calculation of the capital market component.

At the start of every tranche, the Supervisory Board determines the performance targets for the two key performance indicators of the management component. After expiry of the respective performance period, the Supervisory Board will ascertain the extent to which the target has been reached for the management component; for the capital market component it will be ascertained by way of calculation.

The target for the management component is based on the Group's relevant three-year operational plan. The share-based capital market component is measured over a four-year period, on the basis of section 193(2)(4) of the AktG.

For the capital market component, the number of performance share units (PSUs) initially granted is ascertained in the first instance: the number of PSUs is calculated from 50 % of the target value of the long-term bonus divided by the reference price[3] of the HeidelbergCement share as at the date of grant. After expiry of the four-year performance period, the PSUs definitively earned are to be calculated in a second step according to the achievement of the target and paid in cash at the reference price of the HeidelbergCement share valid at that time – adjusted for the reinvested dividend payments and for changes in the capital.

- Target value (value when 100 % of the target is met)
  150 % of the fixed annual salary for the Chairman of the Managing Board and 125 % of the fixed annual salary for the Managing Board members (of which 50 % is the management component and 50 % is the capital market component)
- Key performance indicators and weighting (value when 100 % of the target is met)
  Management component (three-year performance period): 1/2 average of EBITs attained during the performance period and 1/2 target ROIC at the end of the performance period.
  Capital market component (four-year performance period): 1/2 peer TSR – calculation of TSR compared with DAX Index and 1/2 peer TSR – calculation of TSR compared with MSCI World Construction Materials Index
- Target achievement range
  Management component: target achievement ranges from 0-200 %, i.e. the maximum value of the management component of the long-term bonus is limited to 150 % of the fixed annual salary for the Chairman of the Managing Board and 125 % for the Managing Board members and total loss of the management component is possible; the

The following table shows a sample calculation for the determination of the long-term bonus of the Chairman of the Managing Board with a fixed annual salary of €1,625,000.

Sample calculation long-term bonus of the Chairman of the Managing Board[1]

Target	€2,437,500 (150 % of fixed annual salary of €1,625,000)
Basis	Management component: 50 % of €2,437,500 = €1,218,750 Capital market component: 50 % (€1,218,750) will be converted into virtual shares; Ø share price of the last 3 months before the beginning of the plan: €88.34 €1,218,750 / €88.34 = 13,796 virtual shares
Performance period	3 years (from 2018 to 2020) for the management component and 4 years (from 2018 to 2021) for the capital market component
Key performance indicators	Management component: €1,218,750 1/2 EBIT (€609,375) 1/2 ROIC (€609,375) Capital market component: €1,218,750 (13,796 virtual shares) Peer TSR: 1/2 DAX Index (6,898 virtual shares) 1/2 MSCI World Construction Materials Index (6,898 virtual shares)
Range	0–200 %
Target achievement (example)	EBIT 130% (€792,188) ROIC 120% (€731,250) Relative TSR: DAX Index 100% (6,898 virtual shares) MSCI World Construction Materials Index 140% (9,657 virtual shares)
Example result	Management component: €792,188 + €731,250 = €1,523,438 Capital market component: 6,898 + 9,657 = 16,555 virtual shares (Ø share price over the last 3 months before the end of the 4th year e.g.: €100; Maximum value is 250 % x €88.34 = €220.85) = 16,555 virtual shares x €100 = €1,655,500
	Management component €1,523,438 + capital market component €1,655,500 = €3,178,938[2]

1) The degrees of target achievement and share prices are fictitious and serve only as illustration.
2) The arithmetical payment amount is less than twice the target value (€4,875,000) and therefore a payment without cap is possible.

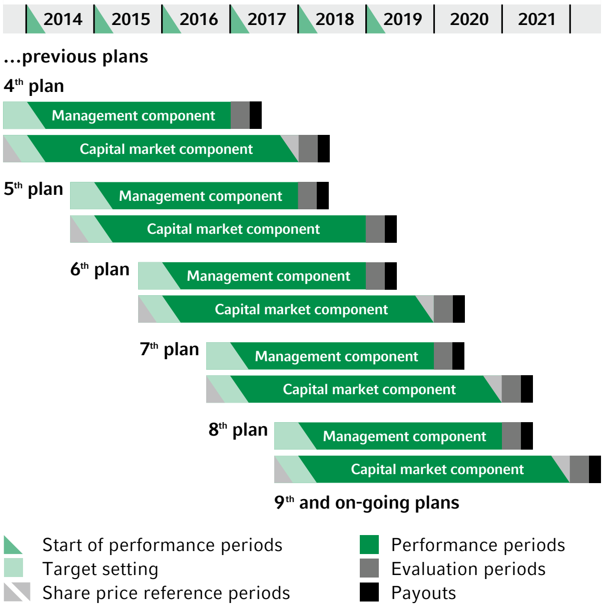
3) The reference price is respectively the average of the daily closing prices of the HeidelbergCement share on the Frankfurt Stock Exchange Xetra trading system for three months retrospectively from the start/expiration of the performance period.

range applies separately for each key performance indicator EBIT and ROIC.
Capital market component: target achievement ranges from 0-200 %, i.e. depending on the target achievement, the number of virtual shares (PSUs) can at most double or reduce to zero (total loss).
- Cap of performance of the HeidelbergCement share before payout
Maximum of 2.5 times the reference price, which was determined at the start of the performance period.
- Payment under the respective long-term bonus plan is limited to twice the target value.

Payment system for the long-term bonus

The management component of the long-term bonus plan 2018-2020/21, which was granted in 2018, is paid after the Annual General Meeting 2021, i.e. in the year following the three-year performance period; the capital market component is paid after the Annual General Meeting 2022, i.e. in the year following the four-year performance period.

Payment system for the long-term bonus



4. Fringe benefits

The taxable fringe benefits of the members of the Managing Board consist especially of the provision of company cars, mobile phone, and communication resources, the reimbursement of expenses, as well as insurance benefits, exchange rate hedging agreed on an individual basis[1], and assignment-related benefits, such as coverage of costs for flights home.

5. Pension promises

The retirement agreements of the members of the Managing Board appointed prior to 2016 contain the promise of an annual retirement pension, which is calculated as a percentage of the pensionable income. The percentage rate depends on the term of the Managing Board membership. After five years of Managing Board membership, the rate is at least 40 % of the pensionable income and can increase to a maximum of 65 % of the pensionable income. The percentage rate for the Chairman of the Managing Board is 4 % of the pensionable income for each year of service started, but no more than 60 %. The pensionable income is equivalent to a contractually agreed percentage of the fixed annual salary of the Managing Board member. When the Managing Board member's agreement is terminated and he starts receiving the pension benefit, he receives a transitional allowance for six months, equal to the monthly instalments of the fixed annual salary.

The pension is paid monthly either:
- after leaving the company upon reaching retirement age (pension benefit paid on individual basis between the 62nd and 63th year of age), or
- in the case of early termination of the agreement for reasons not attributable to the Managing Board member, provided the member has reached 60 years of age at the time the agreement is terminated, or
- due to permanent invalidity as a result of illness.

The retirement agreements include a survivor pension benefit. If a member of the Managing Board dies during the term of his employment contract, or after effectuating the pension benefit, the member's widow and dependent children receive a widow's/orphan's pension. The widow's pension is 60% of the deceased's pension benefit. The orphan's pension is 10% of the deceased's pension benefit as long as a widow's pension is being paid at the same time. If a widow's pension is not being paid at the same time, the orphan's pension is 20% of the deceased's pension benefit.

The pension schemes for the members of the Managing Board appointed since 2016, Kevin Gluskie, Hakan Gurdal, and Jon Morrish, are in line with the pension plan of HeidelbergCement AG. The annual pension promise is up to 4 % of the pensionable income for each completed year of service, but no more than 40 %.

Adjustment of remuneration

The Supervisory Board has the option of discretionary adjustment (administrative discretion) of the annual and the long-term bonus by ±25 % of the target value of these variable remuneration elements in order to account for the personal performance of the individual members of the Managing Board and/or for exceptional circumstances.

Supervisory Board criteria for application of the discretionary adjustment:
- Extraordinary individual management performance: this includes outstanding sustainable personal performance in the business line for which a Managing Board member is responsible, as well as their contribution to the overall

1) The amounts of the exchange rate hedging agreed on individual basis is not shown as fringe benefit but included in the total amounts of the respective remuneration elements.

success of the company, taking into account specific market circumstances, such as unexpected short-term business developments.
- Extraordinary collective management performance: this includes outstanding economic development of the company – including in direct comparison with competitors – as well as continuous and sustainable development of the company (strategy, customers, products, processes, as well as environmental and employee aspects).

The current economic situation of the company and its short- and long-term prospects form the basic conditions for a potential discretionary adjustment.

The Supervisory Board made use of the option of discretionary adjustment of up to a maximum of 25 % of the target value of the annual bonus for Dr. Scheifele. The Supervisory Board granted him an adjustment of his annual bonus of 162,500 € for his outstanding performance in the long-term and structurally very well prepared internal succession planning for the Managing Board. This corresponds to 10 % of the target value of the annual bonus.

In accordance with section 87(2) of the AktG, the Supervisory Board's right and obligation to reduce the Managing Board remuneration to a reasonable amount remains unaffected, if the position of the Group worsens after the fixing to such an extent that it would be unfair for the Group if remuneration of the Managing Board continued to be granted unchanged.

Individual investment (share ownership)

To support the sustainable development of the Group, the Supervisory Board has decided upon a set of guidelines for the shareholdings of members of the Managing Board. Members of the Managing Board are obliged to invest part of their personal wealth to purchase a fixed number of HeidelbergCement shares and to hold these shares for the term of their membership on the Managing Board. The number of shares to be held by the Chairman of the Managing Board is set at 30,000 HeidelbergCement shares and at 10,000 HeidelbergCement shares for each of the other members of the Managing Board. In order to comply with the guidelines, half of the amount paid for the long-term bonus, which was earned for Managing Board activities, is to be used to buy shares of the company until the full individual investment is generated. The accumulation of the individual investment can therefore take several years. HeidelbergCement shares that are already held by Managing Board members are taken into account in the individual investment. The Supervisory Board has received confirmation that the individual investment has already been made or accumulated in accordance with the contract.

D&O liability insurance

The members of the Managing Board are covered in the Group's existing D&O liability insurance. The agreed deductible corresponds to the minimum deductible pursuant to section 93(2) sentence 3 of the AktG in the respective version.

Guidelines in the case of new agreements and extensions to existing Managing Board agreements

The following guidelines on the redundancy pay cap and change of control clause are part of all Managing Board agreements.

Redundancy pay cap

In accordance with the German Corporate Governance Code, when concluding new Managing Board agreements or extending existing Managing Board agreements, it must be ensured that payments to a member of the Managing Board – in the event of the early termination of a Managing Board membership without serious cause – do not exceed the value of two annual remunerations (including fringe benefits) and do not amount to more than the remaining term of the agreement. The redundancy pay cap is calculated based on the amount of the total remuneration for the past financial year and, if necessary, also on the amount of the anticipated total remuneration for the current financial year.

Change of control clause

In accordance with the German Corporate Governance Code, when concluding new Managing Board agreements or extending existing Managing Board agreements, it must be ensured – in the event of the early termination of a Managing Board membership – that benefits promised as a result of a change of control do not exceed 150 % of the redundancy pay cap.

Amount of Managing Board remuneration in 2018

The disclosure of the remuneration of the Managing Board for the 2018 financial year is governed by two different bodies of rules and regulations: firstly, by the applicable German Accounting Standards (DRS 17), and secondly, by recommendations from the German Corporate Governance Code in the version of 7 February 2017.

Managing Board remuneration 2018 according to DRS 17

Amount of fixed and variable remuneration

The fixed remuneration of the Managing Board rose in comparison with the previous year to €6.7 million (previous year: 6.0). The sum of variable remuneration changed to €12.3 million (previous year: 14.5). It comprised a one-year bonus in 2018 and the payment of the management component of the long-term bonus plan 2016-2018/19. The remuneration of the Managing Board members for the financial year 2018 according to DRS 17 is shown in the table on ↗ page 96.

Long-term bonus plan 2018-2020/21

The members of the Managing Board are participating in the long-term bonus plan 2018-2020/21, granted in 2018. The target values for the plan, rounded to the nearest € '000, for the following Managing Board members are: €2,438,000 for Dr. Bernd Scheifele, €1,375,000 for Dr. Dominik von Achten, €1,134,000 for Kevin Gluskie, €872,000 for Hakan Gurdal, €1,067,000 for Jon Morrish, €1,063,000 for Dr. Lorenz Näger, and €938,000 for Dr. Albert Scheuer. The plan comprises two equally weighted components: the management component and the capital market component. The target value of each component, rounded to the nearest € '000, for the following Managing Board members amounts to: €1,219,000 for Dr. Bernd Scheifele, €688,000 for Dr. Dominik von Achten, €531,000 for Dr. Lorenz Näger, and €469,000 for Dr. Albert Scheuer. For Kevin Gluskie, the pro-rata calculation results in a target value for the management component of €566,000 and for the capital market component of €567,000. For Hakan Gurdal the pro-rata calculation results in a target value for the management component and the capital market component of €436,000 respectively. For Jon Morrish the pro-rata calculation results in a target value for the management component of €533,000 and for the capital market component of €534,000.

The reference price for the capital market component amounts to €88.34. This equates to the following performance share units (PSUs) for: Dr. Bernd Scheifele 13,796 PSUs, Dr. Dominik von Achten 7,782 PSUs, Kevin Gluskie 6,420 PSUs, Hakan Gurdal 4,937 PSUs, Jon Morrish 6,045 PSUs, Dr. Lorenz Näger 6,014 PSUs, and Dr. Albert Scheuer 5,306 PSUs. In accordance with section 314(1)(6a) sentence 4 of the German Commercial Code (HGB), the fair value at the grant date must be indicated for the capital market component. For Dr. Bernd Scheifele this amounts to €1,374,000, for Dr. Dominik von Achten to €775,000, for Kevin Gluskie to €640,000, for Hakan Gurdal to €492,000, for Jon Morrish to €602,000, for Dr. Lorenz Näger to €599,000, and for Dr. Albert Scheuer to €529,000. The fair value was determined in accordance with a recognised actuarial method (Monte Carlo simulation). The table below shows the long-term bonus plan 2018-2020/21.

Amount of fringe benefits (rounded to € '000s)

The taxable fringe benefits amounted to €1.1 million (previous year: 0.9). For posts and offices held with Group companies, Dr. Bernd Scheifele received €58,000 (previous year: 55,000), and Dr. Lorenz Näger €58,000 (previous year: 55,000). These amounts are to be offset fully against total remuneration. Furthermore, Dr. Bernd Scheifele and Dr. Lorenz Näger received compensation of €50,000 for expenses relating to their service on supervisory boards within the Heidelberg-

Managing Board remuneration for the 2018 financial year (DRS 17)

€ '000s rounded off (previous year in brackets)	Dr. Bernd Scheifele	Dr. Dominik von Achten	Kevin Gluskie	Hakan Gurdal	Jon Morrish	Dr. Lorenz Näger	Dr. Albert Scheuer	Total
Non-performance related compensation								
Fixed annual salary	1,625 (1,500)	1,100 (1,006)	873 (787)	692 (600)	838 (600)	850 (775)	750 (720)	**6,728** (5,989)
Fringe benefits	135 (129)	17 (54)	477 (247)	102 (100)	235 (244)	138 (133)	28 (26)	**1,133** (934)
Performance related compensation								
Annual bonus	2,935 (2,880)	1,308 (1,516)	1,141 (1,173)	892 (917)	1,075 (918)	1,108 (1,133)	944 (1,118)	**9,402** (9,655)
Deduction of fringe benefits from the annual bonus	-58 (-55)	0 ()	0 ()	0 ()	0 ()	-58 (-55)	0 ()	**-115** (-110)
Total cash compensation including fringe benefits	4,637 (4,454)	2,425 (2,576)	2,491 (2,208)	1,686 (1,617)	2,148 (1,762)	2,038 (1,986)	1,722 (1,864)	**17,146** (16,467)
Compensation with long-term incentive								
Management component 2016-2018/19 (2015-2017/18)	855 (2,059)	463 (1,115)	339 ()	277 ()	277 ()	368 (886)	333 (801)	**2,911** (4,861)
Capital market component 2018-2020/21 (2017-2019/20)	1,374 (1,531)	775 (916)	640 (675)	492 (510)	602 (510)	599 (659)	529 (631)	**5,011** (5,433)
Total compensation	6,866 (8,043)	3,663 (4,607)	3,469 (2,883)	2,455 (2,127)	3,027 (2,273)	3,005 (3,531)	2,583 (3,296)	**25,069** (26,760)

Long-term bonus plan	2018-2020/21	Management component	Capital market component		
€ '000s rounded off	Target value	Target value	Target value	Number of PSUs	Fair value at grant date
Dr. Bernd Scheifele	**2,438**	1,219	1,219	13,796	1,374
Dr. Dominik von Achten	**1,375**	688	688	7,782	775
Kevin Gluskie[1]	**1,134**	566	567	6,420	640
Hakan Gurdal[1]	**872**	436	436	4,937	492
Jon Morrish[1]	**1,067**	533	534	6,045	602
Dr. Lorenz Näger	**1,063**	531	531	6,014	599
Dr. Albert Scheuer	**938**	469	469	5,306	529
Total	**8,885**	4,441	4,444	50,300	5,011

1) Calculation basis: pro-rata calculation to the day for Kevin Gluskie, Hakan Gurdal and Jon Morrish from 1 February 2018 for a term of 3 and 4 years, respectively.

Cement Group. Fringe benefits also relate to taxation of monetary benefits, which amount to €27,000 (previous year: 25,000) for Dr. Bernd Scheifele, €17,000 (previous year: 17,000) for Dr. Dominik von Achten, €477,000 (previous year: 247,000) for Kevin Gluskie, €102,000 (previous year: 100,000) for Hakan Gurdal, €235,000 (previous year: 244,000) for Jon Morrish, €31,000 (previous year: 28,000) for Dr. Lorenz Näger, and €28,000 (previous year: 26,000) for Dr. Albert Scheuer.

Amount of total remuneration 2018 according to DRS 17

When applying Accounting Standard DRS 17, the total remuneration of the Managing Board amounted to €25.1 million (previous year: 26.8) in 2018.

Pension promises

In 2018, allocations to provisions for pensions (service cost for service as members of the Managing Board) for members of the Managing Board amounted to €4.4 million (previous year: 3.6). The present values of the defined benefit obligation amounted to €49.0 million (previous year: 37.4). The figures are shown in the following table.

Pension promises	Service cost		Defined benefit obligation	
€ '000s rounded off	2017	2018	2017	2018
Dr. Bernd Scheifele	1,345	**1,498**	17,950	**22,072**
Dr. Dominik von Achten	418	**594**	5,251	**6,845**
Kevin Gluskie	530	**599**	989	**2,127**
Hakan Gurdal	395	**473**	765	**1,656**
Jon Morrish	284	**526**	522	**1,501**
Dr. Lorenz Näger	462	**520**	6,275	**8,043**
Dr. Albert Scheuer	211	**237**	5,623	**6,798**
Total	3,645	**4,447**	37,375	**49,042**

Pension payments to former members of the Managing Board and their surviving dependants amounted to €2.9 million (previous year: 8.3) in 2018. Provisions for pension obligations to former members of the Managing Board amounted to €31.2 million (previous year: 32.0).

Loans to members of the Managing Board

No loans were granted to members of the Managing Board of HeidelbergCement AG in 2018.

Managing Board remuneration 2018 according to the German Corporate Governance Code

Pursuant to the recommendations of the German Corporate Governance Code (GCGC) dated 7 February 2017, both the granted benefits and the allocations in form of the proposed reference tables are disclosed for the reporting year 2018.

Granted benefits

When compared with DRS 17, the granted benefits presented in the table on ↗ page 100 f. depict the target value of the annual bonus as well as the target value of the management component and the fair value of the capital market component for the long-term bonus plan 2018-2020/21, as shown on ↗ page 96. In addition, the minimum and maximum values that can be achieved are also stated. Furthermore, the pension expenses are taken into account in the total remuneration as shown in the left table in the form of service cost.

The total Managing Board remuneration granted according to the German Corporate Governance Code amounted to €27.4 million (previous year: 25.0) for the 2018 financial year.

Allocations

For the members of the Managing Board, the allocations to be disclosed for the 2018 financial year are shown in the table on ↗ page 100 f.

The table shows the allocations for the 2018 financial year regarding the fixed annual salary, fringe benefits, and the one-year variable compensation. Pursuant to the German Corporate Governance Code dated 7 February 2017, allocations for multi-year variable compensation, where the plan term ended in the 2018 financial year, are disclosed. The allocations from the capital market component of the long-term bonus plan 2015-2017/18 and the management component of the long-term bonus plan 2016-2018/19 are therefore disclosed.

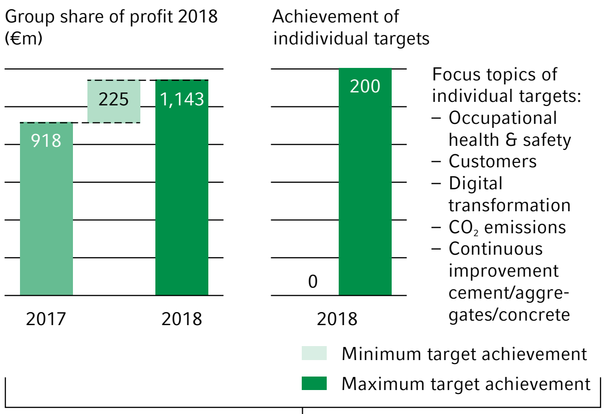
The accrued total remuneration of the Managing Board according to the German Corporate Governance Code amounted to €30.3 million (previous year: 29.9) for the 2018 financial year.

The allocations from the annual bonus decreased in 2018 compared with the previous year. The Group share of profit for the financial year rose in comparison with the previous year to €1,143 million (previous year: 918). See following graph.

In order to determine target achievement, the Group share of profit for the financial year is adjusted for one-time business transactions that were not foreseen in the planning and the target for the respective financial year. These adjustments are presented to the auditor and approved by the Supervisory Board.

In 2018, the individual targets of the Managing Board members focused on occupational health & safety, customers, digital transformation, CO_2 emissions, and the continuous improvement of operational performance in the cement, aggregates and ready-mixed concrete business lines. The individual targets were set by the Supervisory Board, taking into account the relevant area of responsibility, and the achievement of these targets was assessed. The degree of achievement of the individual targets ranges from 0 % to 200 %. The overall target achievement for the annual bonus for the members of the Managing Board varies from 149 % to 171 %[1] compared with 183 % to 194 % in the previous year.

Annual bonus 2018



149% - 171% target achievement

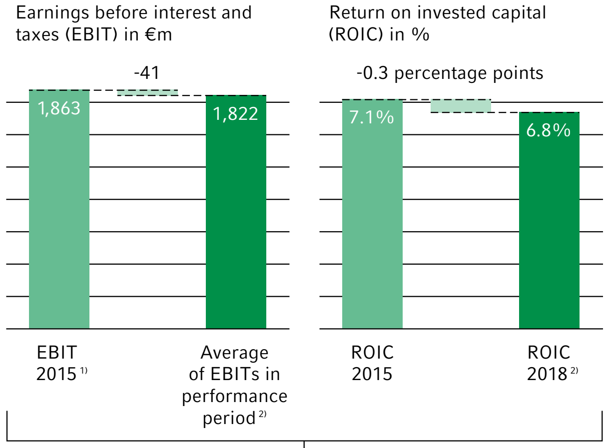
The allocations from the components of the long-term bonus plans decreased in 2018 compared with the previous year. The average earnings before interest and taxes (EBIT) over the performance period and the return on invested capital (ROIC) could not be increased versus the comparable figures at the start of the plan. The values for EBIT and ROIC were adjusted for one-time business transactions which were not foreseen in the planning and the target for the respective long-term bonus plans. These adjustments are applied throughout the planning period of the remaining term to keep consistency; they are presented to the auditor and approved by the Supervisory Board. The hereby calculated average EBIT of €1,822 million and ROIC of 6.8 % for the target achievement include adjustments for the acquisition of Italcementi, divestments, and exchange rate fluctuations in the invested capital.

Furthermore, the better performance of the HeidelbergCement share in comparison with the reference indices DAX and MSCI World Construction Materials Index during the four-year performance period resulted in a target achievement of 200 % for the capital market component. With the continued strong rise in the price of the HeidelbergCement share, adjusted for dividend payments and changes to the capital, in the four-year performance period from €56.05 to €62.50, the calculated target achievement amounts to 223 %. Due to the limitation of the maximum payment of the long-term bonus plan 2015–2017/18 to twice the amount of the target value, the payment amount for the capital market component totals 217 % of the target value.

1) Without discretionary adjustment by the Supervisory Board.

The target achievement for the management component of the long-term bonus plan 2016–2018/19 and the capital market component of the long-term bonus plan 2015–2017/18 is shown in the following graphs.

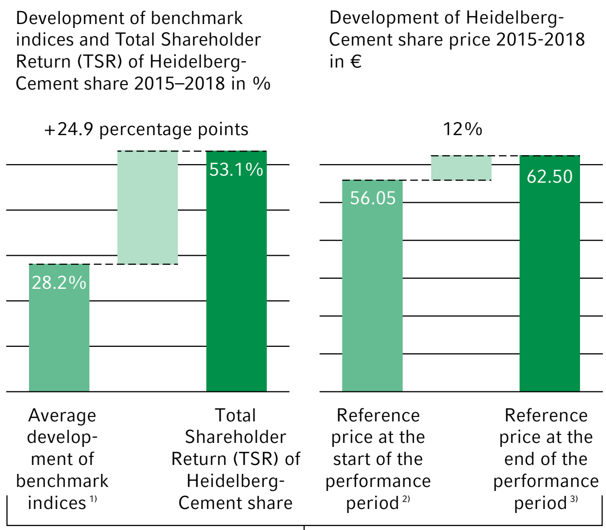
Management component (Long-term bonus plan 2016-2018/19)



76% target achievement

1) Value as stated in the Annual Report 2015
2) Values adjusted for the acquisition of Italcementi, divestments, as well as exchange rate fluctuations in the invested capital

Capital market component (Long-term bonus plan 2015-2017/18)



223% target achievement

1) Benchmark indices: DAX and MSCI World Construction Materials Index.
2) Reference price is the average of the daily closing prices from 1 October to 31 December 2014.
3) Reference price is the average of the daily closing prices from 1 October to 31 December 2018 amounting to €58.78, adjusted for reinvested dividend payments and changes in the capital.

Further development of the Managing Board remuneration system as of 2019

Based on the periodic review of the Managing Board remuneration system introduced on 1 January 2014, which is to check for compliance with market standards and appropriateness, the Supervisory Board has decided to make a number of changes to further develop the system. The revised remuneration system came into effect on 1 January 2019 and will, in accordance with section 120(4) of the AktG, be presented to the Annual General Meeting for approval in May 2019. It will be applied to all new appointments and reappointments.

The Supervisory Board has had the changes reviewed by a renowned independent expert. They comply with the Code and relevant laws as well as with market standards and appropriateness.

At the present time, the previously applicable basic system for Managing Board remuneration, the relevant proportions of the fixed annual salary, the variable annual bonus, the variable long-term bonus, and the target metrics of the variable remuneration are to be retained.

The changes to the Managing Board remuneration system applicable as of 1 January 2019 can be summarised in four parts:

1. Introduction of a clause to reduce, remove, and reclaim variable remuneration in the event of breaches of major due diligence obligations (clawback/malus clause).

2. Reduction of the discretionary adjustment (margin of discretion) for the annual and long-term bonus from ±25 % to ±15 % by the Supervisory Board. The Supervisory Board criteria for application of this adjustment remain unchanged, and continue to include:
   - Extraordinary individual management performance: this includes outstanding sustainable personal performance in the business line for which a Managing Board member is responsible, as well as their contribution to the overall success of the company, taking into account specific market circumstances, such as unexpected short-term business developments.
   - Extraordinary collective management performance: this includes outstanding economic development of the company – including in direct comparison with competitors – as well as continuous and sustainable development of the company (strategy, customers, products, processes, environmental and employee aspects).

   The current economic situation of the company and its short- and long-term prospects form the basic conditions for a potential discretionary adjustment. If the Supervisory Board makes use of its margin of discretion, this will be explained in the Annual Report.

3. Adjustment of the share ownership of members of the Managing Board. The Supervisory Board takes into account the guidelines for sustainable Managing Board remuneration[1] and demands of investors, which require share ownership in the amount of at least one year's fixed annual salary. The Supervisory Board has decided to set the share ownership as follows:
   - Chairman of the Managing Board: 30,000 shares
   - Deputy Chairman of the Managing Board: 20,000 shares
   - Ordinary member of the Managing Board: 15,000 shares

   The existing contractual provisions that cover the build-up of share ownership continue to apply.

4. Introduction of a defined contribution pension promise. The design and expected pension benefits are based on the customary characteristics of such schemes, and existing contractual obligations are taken into account. The key elements of the defined contribution pension promise are as follows:
   - For newly appointed members of the Managing Board, the pension promise is introduced at the time of the appointment, and in the case of reappointments, at the time of contract extension.
   - In the case of contract extensions, the existing defined benefit pension promises are continued with the value of the pension benefit at the changeover date. If the Supervisory Board agrees additional retirement benefit commitments, these are covered by the defined contribution pension promise. The Supervisory Board reserves the right to agree an adjustment of the retirement benefit, including within the existing system, in the event of a contract extension when an employee is close to retirement age.

Other contractual elements and fringe benefits remain unchanged.

In view of developments in the German Corporate Governance Code, the German Act on the Transposition of the Second Shareholder Rights Directive (Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie, ARUG II), and the requirements of investors and proxy advisers, the Supervisory Board will develop the remuneration system on an ongoing basis.

1) Guideline of the working group of leading chairmen of supervisory boards, institutional investors, scientists, and corporate governance experts.

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Granted benefits according to GCGC [1]	Dr. Bernd Scheifele Chairman of the Managing Board				Dr. Dominik von Achten Deputy Chairman of the Managing Board				Kevin Gluskie Member of the Managing Board			
€ '000s (rounded off)	2017	2018	Min. 2018	Max. 2018	2017	2018	Min. 2018	Max. 2018	2017	2018	Min. 2018	Max. 2018
Non-performance related compensation												
Fixed annual salary	1,500	**1,625**	**1,625**	**1,625**	1,006	**1,100**	**1,100**	**1,100**	787	**873**	**873**	**873**
Fringe benefits	129	**135**	**135**	**135**	54	**17**	**17**	**17**	247	**477**	**477**	**477**
Total	1,629	**1,760**	**1,760**	**1,760**	1,060	**1,117**	**1,117**	**1,117**	1,034	**1,350**	**1,350**	**1,350**
Performance related compensation												
Annual bonus [2]	1,500	**1,625**	**0**	**3,656**	805	**880**	**0**	**1,980**	630	**699**	**0**	**1,572**
Deduction of fringe benefits from the annual bonus	-55	**-58**	**0**	**-58**	0	**0**	**0**	**0**	0	**0**	**0**	**0**
Total one-year variable compensation [3]	1,445	**1,567**	**0**	**3,598**	805	**880**	**0**	**1,980**	630	**699**	**0**	**1,572**
Long-term bonus plan 2017–2019/20												
Management component	1,125				668				496			
Capital market component	1,531				916				675			
Long-term bonus plan 2018–2020/21												
Management component [2]		**1,219**	**0**	**5,484**		**688**	**0**	**3,094**		**566**	**0**	**2,551**
Capital market component [2]		**1,374**				**775**				**640**		
Total multi-year variable compensation	2,656	**2,593**	**0**	**5,484**	1,584	**1,463**	**0**	**3,094**	1,172	**1,206**	**0**	**2,551**
Total	5,730	**5,920**	**1,760**	**8,827**	3,449	**3,460**	**1,117**	**6,191**	2,836	**3,255**	**1,350**	**5,473**
Service cost	1,345	**1,498**	**1,498**	**1,498**	418	**594**	**594**	**594**	530	**599**	**599**	**599**
Total compensation	7,075	**7,418**	**3,258**	**10,325**	3,867	**4,054**	**1,711**	**6,785**	3,365	**3,854**	**1,949**	**6,072**

Allocations according to GCGC [1]	Dr. Bernd Scheifele Chairman of the Managing Board		Dr. Dominik von Achten Deputy Chairman of the Managing Board		Kevin Gluskie Member of the Managing Board	
€ '000s (rounded off)	2017	2018	2017	2018	2017	2018
Non-performance related compensation						
Fixed annual salary	1,500	**1,625**	1,006	**1,100**	787	**873**
Fringe benefits	129	**135**	54	**17**	247	**477**
Total	1,629	**1,760**	1,060	**1,117**	1,034	**1,350**
Performance related compensation						
Annual bonus	2,880	**2,935**	1,516	**1,308**	1,173	**1,141**
Deduction of fringe benefits from the annual bonus	-55	**-58**	0	**0**	0	**0**
Total one-year variable compensation [3]	2,825	**2,877**	1,516	**1,308**	1,173	**1,141**
Long-term bonus plan 2014–2016/17						
Capital market component	1,980		1,125		0	
Long-term bonus plan 2015–2017/18						
Management component	2,059		1,115		0	
Capital market component		**2,441**		**1,322**		**0**
Long-term bonus plan 2016–2018/19						
Management component		**855**		**463**		**339**
Total multi-year variable compensation	4,039	**3,296**	2,240	**1,785**	0	**339**
Total	8,493	**7,933**	4,816	**4,210**	2,208	**2,830**
Service cost	1,345	**1,498**	418	**594**	530	**599**
Total compensation	9,838	**9,431**	5,235	**4,804**	2,737	**3,429**

1) German Corporate Governance Code dated 7 February 2017
2) The maximum amount includes the Supervisory Board's option of discretionary adjustment of the payout by +25 % of the target value.
3) One-year variable compensation including the Supervisory Board's discretionary adjustment and and the deduction of fringe benefits

Hakan Gurdal Member of the Managing Board				Jon Morrish Member of the Managing Board				Dr. Lorenz Näger Member of the Managing Board				Dr. Albert Scheuer Member of the Managing Board				Total			
2017	2018	Min. 2018	Max. 2018	2017	2018	Min. 2018	Max. 2018	2017	2018	Min. 2018	Max. 2018	2017	2018	Min. 2018	Max. 2018	2017	2018	Min. 2018	Max. 2018
600	692	692	692	600	838	838	838	775	850	850	850	720	750	750	750	5,989	6,728	6,728	6,728
100	102	102	102	244	235	235	235	133	138	138	138	26	28	28	28	934	1,133	1,133	1,133
700	794	794	794	844	1,073	1,073	1,073	908	988	988	988	746	778	778	778	6,923	7,861	7,861	7,861
480	553	0	1,245	480	671	0	1,509	620	680	0	1,530	576	600	0	1,350	5,091	5,708	0	12,842
0	0	0	0	0	0	0	0	-55	-58	0	-58	0	0	0	0	-110	-115	0	-115
480	553	0	1,245	480	671	0	1,509	565	622	0	1,472	576	600	0	1,350	4,981	5,592	0	12,727
375				375				484				463				3,986			
510				510				659				631				5,433			
	436	0	1,962		533	0	2,401		531	0	2,391		469	0	2,109		4,441	0	19,991
	492				602				599				529				5,011		
885	928	0	1,962	885	1,135	0	2,401	1,143	1,130	0	2,391	1,094	997	0	2,109	9,419	9,453	0	19,991
2,065	2,275	794	4,000	2,209	2,879	1,073	4,983	2,616	2,740	988	4,851	2,417	2,375	778	4,237	21,323	22,906	7,861	38,562
395	473	473	473	284	526	526	526	462	520	520	520	211	237	237	237	3,645	4,447	4,447	4,447
2,460	2,748	1,267	4,474	2,493	3,406	1,600	5,509	3,079	3,260	1,508	5,370	2,627	2,612	1,015	4,474	24,968	27,353	12,308	43,009

Hakan Gurdal Member of the Managing Board		Jon Morrish Member of the Managing Board		Dr. Lorenz Näger Member of the Managing Board		Dr. Albert Scheuer Member of the Managing Board		Total	
2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
600	692	600	838	775	850	720	750	5,989	6,728
100	102	244	235	133	138	26	28	934	1,133
700	794	844	1,073	908	988	746	778	6,923	7,861
917	892	918	1,075	1,133	1,108	1,118	944	9,655	9,402
0	0	0	0	-55	-58	0	0	-110	-115
917	892	918	1,075	1,078	1,050	1,118	944	9,546	9,287
0		0		951		875		4,931	
0		0		886		801		4,861	
	0		0		1,051		949		5,764
	277		277		368		333		2,911
0	277	0	277	1,838	1,419	1,676	1,282	9,792	8,675
1,617	1,963	1,762	2,425	3,823	3,457	3,540	3,003	26,260	25,823
395	473	284	526	462	520	211	237	3,645	4,447
2,012	2,436	2,046	2,952	4,285	3,977	3,750	3,240	29,905	30,270

Remuneration of the Supervisory Board for 2018

Supervisory Board remuneration is set out in section 12 of the Articles of Association of HeidelbergCement AG, which are published on our website **www.heidelbergcement.com under Company/Corporate Governance/Articles of Association**. The remuneration consists of fixed amounts and attendance fees. Each member receives a fixed amount of €70,000, with the Chairman receiving two-and-a-half times this amount and the Deputy Chairman one-and-a-half times. The members of the Audit Committee additionally receive fixed remuneration of €25,000 and the members of the Personnel Committee €20,000. The Chairmen of the committees receive twice these respective amounts.

In addition, an attendance fee of €2,000 is paid for each meeting of the Supervisory Board and its committees that is personally attended. Should several such meetings be held on the same or on consecutive days, the attendance fee will be paid only once.

Total Supervisory Board remuneration (excluding value added tax) in the 2018 financial year amounted to €1,406,274 (previous year: 1,418,507).

The employee representatives on the Supervisory Board remit a significant portion of their Supervisory Board compensation to the recuperation facility for the employees at HeidelbergCement AG and – with the exception of the representative of the senior managers – to the trade union-linked Hans Böckler Foundation.

The Supervisory Board remuneration for the 2018 financial year is divided as shown in the following table.

Supervisory Board remuneration paid for the 2018 financial year

€	Fixed remuneration	Remuneration for committee membership	Attendance fees	Total
Fritz-Jürgen Heckmann (Chairman)	175,000	45,000	12,000	**232,000**
Heinz Schmitt (Deputy Chairman)	105,000	45,000	12,000	**162,000**
Barbara Breuninger [1) 2)]	51,973		6,000	**57,973**
Josef Heumann	70,000	20,000	12,000	**102,000**
Gabriele Kailing [1)]	70,000		10,000	**80,000**
Ludwig Merckle	70,000	90,000	12,000	**172,000**
Tobias Merckle [1)]	70,000		8,000	**78,000**
Dr. Jürgen M. Schneider	70,000	25,000	12,000	**107,000**
Werner Schraeder	70,000	25,000	12,000	**107,000**
Frank-Dirk Steininger [3)]	5,945	2,123		**8,068**
Margret Suckale	70,000	20,000	12,000	**102,000**
Stephan Wehning [4)]	70,000	36,233	12,000	**118,233**
Prof. Dr. Marion Weissenberger-Eibl [1)]	70,000		10,000	**80,000**
Total	967,918	308,356	130,000	**1,406,274**

1) No member of committees
2) Member of the Board since 5 April
3) Member of the Board and member of the Audit Committee until 31 January 2018
4) Also member of the Audit Committee since 9 May 2018

Supervisory Board and Managing Board

Supervisory Board

According to the Articles of Association, the Supervisory Board of HeidelbergCement AG consists of twelve members. Half of the members shall be elected by the Annual General Meeting according to the provisions of the German Stock Company Act and half by the employees according to the provisions of the German Codetermination Law. The term of office for the Supervisory Board started with the conclusion of the Annual General Meeting of 7 May 2014 and ends according to schedule with the conclusion of the ordinary Annual General Meeting on 9 May 2019.

Fritz-Jürgen Heckmann
Chairman of the Supervisory Board
Stuttgart; Lawyer at the law firm Kees Hehl Heckmann and Supervisory Board Member
Member since 8 May 2003, Chairman since 1 February 2005; Chairman of the Arbitration and Nomination Committees and member of the Personnel and Audit Committees

External mandates:
HERMA Holding GmbH + Co. KG [2)], Filderstadt (Chairman) | Neue Pressegesellschaft mbH & Co. KG [2)], Ulm | Paul Hartmann AG [1) 3)], Heidenheim (Chairman) | Süddeutscher Verlag GmbH [2)], Munich | Südwestdeutsche Medien Holding GmbH [2)], Stuttgart | Wieland-Werke AG [1)], Ulm (Chairman)

Heinz Schmitt
Deputy Chairman
Heidelberg; Controller; Chairman of the Council of Employees at the headquarters of HeidelbergCement AG and Chairman of the Group Council of Employees
Member since 6 May 2004, Deputy Chairman since 7 May 2009; member of the Audit, Arbitration, and Personnel Committees

Barbara Breuninger
Frankfurt; Specialist in Strategic Management Personnel Recruiting, Management Programmes and Coaching at IG Bauen-Agrar-Umwelt as well as independent Management Consultant
Member since 5 April 2018

Josef Heumann
Burglengenfeld; Kiln Supervisor; Chairman of the Council of Employees at the Burglengenfeld plant, HeidelbergCement AG
Member since 6 May 2004; member of the Personnel Committee

Gabriele Kailing
Frankfurt; Product Manager and Development at Academy of Labour gGmbH
Member since 7 May 2014

Ludwig Merckle
Ulm; Managing Director of Merckle Service GmbH[4)]
Member since 2 June 1999; Chairman of the Personnel and Audit Committees and member of the Nomination Committee

External mandates:
Kässbohrer Geländefahrzeug AG[1) 4)], Laupheim (Chairman) | PHOENIX Pharma SE[1) 4)], Mannheim (Deputy Chairman) | PHOENIX Pharmahandel GmbH & Co KG[2) 4)], Mannheim

Tobias Merckle
Leonberg; Managing Director of Seehaus e.V.
Member since 23 May 2006; member of the Nomination and Arbitration Committees

Dr. Jürgen M. Schneider
Weinheim; former Chief Financial Officer of Bilfinger Berger AG and former Dean of the Business School of the University of Mannheim
Member since 7 May 2014; member of the Audit Committee

External mandates:
DACHSER Group SE & Co. KG[2)], Kempten (Chairman) | DACHSER SE[2)], Kempten (Chairman) | Heberger GmbH[2)], Schifferstadt (Chairman)

Werner Schraeder
Ennigerloh; Building Fitter; Chairman of the General Council of Employees of HeidelbergCement AG and Chairman of the Council of Employees at the Ennigerloh plant of HeidelbergCement AG
Member since 7 May 2009; member of the Audit Committee

External mandates:
Berufsgenossenschaft Rohstoffe und chemische Industrie[2)], Heidelberg

Frank-Dirk Steininger
Frankfurt; Specialist in Employment Law for the Federal Executive Committee of IG Bauen-Agrar-Umwelt
Member from 11 June 2008 until 31 January 2018; member of the Audit Committee until 31 January 2018

Margret Suckale
Hamburg; former member of the Board of Executive Directors of BASF SE
Member since 25 August 2017; member of the Personnel Committee

External mandates:
Deutsche Telekom AG[1) 3)], Bonn | DWS Group GmbH & Co. KGaA[1) 3)], Frankfurt

Stephan Wehning
Schelklingen; Director of the Schelklingen plant of HeidelbergCement AG
Member since 1 August 2016; member of the Personnel and Arbitration Committees as well as member of the Audit Committee since 9 May 2018

4) Companies controlled by Mr. Ludwig Merckle

Univ.-Prof. Dr. Marion Weissenberger-Eibl
Karlsruhe; Head of the Fraunhofer Institute for Systems and Innovation Research ISI in Karlsruhe and holder of the Chair of Innovation and TechnologyManagement (iTM) at the Karlsruhe Institute of Technology (KIT)
Member since 3 July 2012

External mandates:
MTU Aero Engines AG[1) 3)], Munich | Rheinmetall AG[1) 3)], Düsseldorf

The above mentioned indications refer to 31 December 2018 – or in case of an earlier retirement from the Supervisory Board of HeidelbergCement AG to the date of retirement – and have the following meaning:

1) Membership in other legally required supervisory boards of German companies
2) Membership in comparable German and foreign supervisory committees of commercial enterprises
3) Publicly listed company

Supervisory Board Committees

Personnel Committee
Ludwig Merckle (Chairman), Fritz-Jürgen Heckmann, Josef Heumann, Heinz Schmitt, Margret Suckale, Stephan Wehning

Audit Committee
Ludwig Merckle (Chairman), Fritz-Jürgen Heckmann, Heinz Schmitt, Dr. Jürgen M. Schneider, Werner Schraeder, Frank-Dirk Steininger (until 31 January 2018), Stephan Wehning (since 9 May 2018)

Nomination Committee
Fritz-Jürgen Heckmann (Chairman), Ludwig Merckle, Tobias Merckle

Arbitration Committee, according to section 27 (3) of the German Codetermination Law
Fritz-Jürgen Heckmann (Chairman), Tobias Merckle, Heinz Schmitt, Stephan Wehning

Managing Board

At present, there are seven members on the Managing Board of HeidelbergCement AG: the Chairman of the Managing Board, the Chief Financial Officer, and five members of the Managing Board with regional responsibilities. The Managing Board organisation is characterised by dual management responsibility: The operating units in the Group areas fall under the line responsibility of individual members of the Managing Board. In addition, they have cross-area responsibility for specific corporate functions with great strategic importance for the Group.

Dr. Bernd Scheifele
Chairman of the Managing Board
Area of responsibility: Strategy and Development, Communication & Investor Relations, Human Resources, Legal, Compliance, Internal Audit
Chairman of the Managing Board since 2005; appointed until January 2020

External mandates:
PHOENIX Pharma SE[1], Mannheim (Chairman) | PHOENIX Pharmahandel GmbH & Co KG[2], Mannheim (Chairman) | Verlagsgruppe Georg von Holtzbrinck GmbH[1], Stuttgart (Deputy Chairman) | Springer Nature AG & Co. KGaA[1], Berlin

Group mandates:
Castle Cement Limited[2], UK | ENCI Holding N.V.[2], Netherlands | Hanson Limited[2], UK | Hanson Pioneer España, S.L.U.[2], Spain | HeidelbergCement Holding S.à.r.l.[2], Luxembourg | PT Indocement Tunggal Prakarsa Tbk.[2][3], Indonesia

Dr. Dominik von Achten
Deputy Chairman of the Managing Board
Area of responsibility: Western and Southern Europe, Competence Center Materials, Chief Digital Officer (Digital Transformation & Disruption HeidelbergCement)
Member of the Managing Board since 2007; appointed until January 2025

External mandates:
Kunststoffwerk Philippine GmbH & Co. KG[2], Lahnstein, and Saarpor Klaus Eckhardt GmbH Neunkirchen Kunststoffe KG[2], Neunkirchen[4] | Verlag Lensing-Wolff GmbH & Co. KG ("Medienhaus Lensing")[2], Dortmund

Group mandates:
Castle Cement Limited[2], UK | Cimenteries CBR S.A.[2], Belgium | ENCI Holding N.V.[2], Netherlands | Hanson Pioneer España, S.L.U.[2], Spain | Hanson Quarry Products Europe Limited[2], UK | HeidelbergCement Holding S.à.r.l.[2], Luxembourg | HeidelbergCement UK Holding Limited[2], UK | Italcementi S.p.A.[2], Italy (Deputy Chairman)

Kevin Gluskie
Area of responsibility: Asia-Pacific, Competence Center Readymix, Market Intelligence & Sales Processes
Member of the Managing Board since 2016; appointed until January 2024

External mandates:
Cement Australia Holdings Pty Ltd[2], Australia | Cement Australia Pty Limited[2], Australia | Cement Australia Partnership[2], Australia | China Century Cement Ltd.[2], Bermuda | Easy Point Industrial Ltd.[2], Hong Kong | Guangzhou Heidelberg Yuexiu Enterprise Management Consulting Company Ltd.[2], China | Jidong Heidelberg (Fufeng) Cement Company Limited[2], China | Jidong Heidelberg (Jingyang) Cement Company Limited[2], China | Squareal Cement Ltd[2], Hong Kong

Group mandates:
Asia Cement Public Company Limited[2], Thailand | Butra HeidelbergCement Sdn. Bhd.[2], Brunei (Chairman) | Gulbarga Cement Limited[2], India | Hanson Building Materials (S) Pte Ltd[2], Singapore | Hanson Investment Holdings Pte Ltd[2], Singapore | Hanson Pacific (S) Pte Limited[2], Singapore | HeidelbergCement Asia Pte Ltd[2], Singapore (Chairman) | HeidelbergCement Bangladesh Limited[2][3], Bangladesh (Chairman) | HeidelbergCement Holding HK Limited[2], Hong Kong | HeidelbergCement India Limited[2][3], India | HeidelbergCement Myanmar Company Limited[2], Myanmar | Jalaprathan Cement Public Company Limited[2], Thailand | PT Indocement Tunggal Prakarsa Tbk.[2][3], Indonesia (Chairman) | Singha Cement (Private) Limited[2], Sri Lanka | Zuari Cement Limited[2], India (Chairman)

Hakan Gurdal
Area of responsibility: Africa-Eastern Mediterranean Basin, Purchasing
Member of the Managing Board since 2016; appointed until January 2024

External mandates:
Akçansa Çimento Sanayi ve Ticaret A.S.[2][3], Turkey (Deputy Chairman) | CEMZA (PTY) LTD[2], South Africa

Group mandates:
Africim SA[2], Morocco (Chairman) | Austral Cimentos Sofala SA[2], Mozambique | CimBurkina S.A.[2], Burkina Faso | Ciments du Maroc[2][3], Morocco | Ciments du Togo SA[2], Togo (Chairman) | Ghacem Ltd.[2], Ghana | Hanson Israel Limited[2], Israel | HeidelbergCement Mediterranean Basin Holdings S.L.U.[2], Spain | La Cimenterie de Lukala S.A.R.L.[2], Democratic Republic of the Congo | La Societe GRANUTOGO SA[2], Togo (Chairman) | Scancem Holding AS[2], Norway (Chairman) | Scancem International DA[2], Norway (Chairman) | Scantogo Mines SA[2], Togo (Chairman) | Suez Cement Company S.A.E.[2][3], Egypt | TPCC Tanzania Portland Cement Company Ltd.[2][3], Tanzania (Chairman)

4) Jointly meeting advisory council of Unternehmensgruppe Philippine Saarpor (Philippine Saarpor group)

Jon Morrish
Area of responsibility: North America, Group-wide coordination of secondary cementitious materials
Member of the Managing Board since 2016; appointed until January 2024

Group mandates:
Cadman (Black Diamond), Inc.[2], USA | Cadman (Rock), Inc.[2], USA | Cadman (Seattle), Inc.[2], USA | Cadman Materials, Inc.[2], USA | Cadman, Inc.[2], USA | Calaveras Materials Inc.[2], USA (Chairman) | Calaveras-Standard Materials, Inc.[2], USA (Chairman) | Campbell Concrete & Materials LLC[2], USA (Chairman) | Campbell Transportation Services LLC[2], USA (Chairman) | Civil and Marine Inc.[2], USA (Chairman) | Commercial Aggregates Transportation and Sales LLC[2], USA (Chairman) | Constar LLC[2], USA | Continental Florida Materials Inc.[2], USA (Chairman) | EPC VA 121, LLC[2], USA | Essroc Holdings LLC[2], USA | Fairburn Ready-Mix, Inc.[2], USA (Chairman) | Ferndale Ready Mix & Gravel, Inc.[2], USA | Greyrock, LLC[2], USA | Gulf Coast Stabilized Materials LLC[2], USA (Chairman) | Hampshire Properties LLC[2], USA | HAMW Minerals, Inc.[2], USA (Chairman) | Hanson Aggregates LLC[2], USA (Chairman) | Hanson Aggregates BMC[2], Inc., USA | Hanson Aggregates Contracting, Inc.[2], USA (Chairman) | Hanson Aggregates Davon LLC[2], USA (Chairman) | Hanson Aggregates Mid-Pacific, Inc.[2], USA (Chairman) | Hanson Aggregates Midwest LLC[2], USA (Chairman) | Hanson Aggregates New York LLC[2], USA (Chairman) | Hanson Aggregates Pacific Southwest, Inc.[2], USA (Chairman) | Hanson Aggregates Pennsylvania LLC[2], USA (Chairman) | Hanson Aggregates Properties TX, LLC[2], USA (Chairman) | Hanson Aggregates Southeast LLC[2], USA (Chairman) | Hanson Aggregates WRP, Inc.[2], USA (Chairman) | Hanson Building Materials America LLC[2], USA | Hanson Marine Finance, Inc.[2], USA (Chairman) | Hanson Marine Operations, Inc.[2], USA (Chairman) | Hanson Micronesia Cement, Inc.[2], USA (Chairman) | Hanson Permanente Cement of Guam, Inc.[2], USA (Chairman) | Hanson Ready Mix, Inc.[2], USA | Hanson Structural Precast, Inc.[2], USA | Harrell Aggregate Hauling, Inc.[2], USA (Chairman) | HBMA Holdings LLC[2], USA | HBP Mineral Holdings LLC[2], USA | HBP Property Holdings LLC[2], USA | HeidelbergCement Canada Holding Limited[2], UK | HeidelbergCement UK Holding II Limited[2], UK | HNA Investments[2], USA | HP&P SE Properties VA LLC[2], USA | HSC Cocoa Property Reserve, LLC[2], USA | KH 1 Inc.[2], USA | Lehigh Cement Company LLC[2], USA | Lehigh Hanson, Inc.[2], USA | Lehigh Hanson Materials Limited[2], Canada | Lehigh Hanson Receivables LLC[2], USA | Lehigh Hanson Services LLC[2], USA | Lehigh Northeast Cement Company[2], USA (Chairman) | Lehigh Northwest Cement Company[2], USA (Chairman) | Lehigh Portland Holdings, LLC[2], USA | Lehigh Realty Company[2], USA | Lehigh Southwest Cement Company[2], USA (Chairman) | LHI Duomo Holdings LLC[2], USA (Chairman) | Material Service Corporation[2], USA | Mineral and Land Resources Corporation[2], USA (Chairman) | Mission Valley Rock Co.[2], USA (Chairman) | PCAz Leasing, Inc.[2], USA (Chairman) | Sherman Industries LLC[2], USA (Chairman) | Shrewsbury Properties LLC[2], USA | South Valley Materials, Inc.[2], USA (Chairman) | Standard Concrete Products, Inc.[2], USA (Chairman) | Tomahawk, Inc.[2], USA

Dr. Lorenz Näger
Area of responsibility: Finance, Group Accounting, Controlling, Taxes, Treasury, Insurance & Corporate Risk Management, IT, Shared Service Center
Member of the Managing Board since 2004; appointed until May 2022

External mandates:
MVV Energie AG [1) 3)], Mannheim | PHOENIX Pharma SE[1)], Mannheim | PHOENIX Pharmahandel GmbH & Co KG [2)], Mannheim

Group mandates:
Castle Cement Limited[2], UK | Cimenteries CBR S.A.[2], Belgium | ENCI Holding N.V.[2], Netherlands | Hanson Limited[2], UK | Hanson Pioneer España, S.L.U.[2], Spain | HeidelbergCement Canada Holding Limited[2], UK | HeidelbergCement Holding S.à.r.l.[2], Luxembourg | HeidelbergCement UK Holding Limited[2], UK | HeidelbergCement UK Holding II Limited[2], UK | Italcementi S.p.A[2], Italy (Deputy Chairman) | Lehigh B.V.[2], Netherlands (Chairman) | Lehigh Hanson, Inc.[2], USA | Lehigh Hanson Materials Limited[2], Canada | Lehigh UK Limited[2], UK | PT Indocement Tunggal Prakarsa Tbk.[2) 3)], Indonesia

Dr. Albert Scheuer
Area of responsibility: Northern and Eastern Europe-Central Asia, worldwide coordination of Heidelberg Technology Center, Research & Development/Product Innovation, Environmental Sustainability
Member of the Managing Board since 2007; appointed until August 2019

Group mandates:
CaucasusCement Holding B.V.[2], Netherlands (Chairman) | Ceskomoravský cement, a.s.[2], Czechia (Chairman) | Devnya Cement AD[2], Bulgaria (Chairman)| Duna-Dráva Cement Kft.[2], Hungary | Górazdze Cement S.A.[2], Poland (Chairman) | Halyps Building Materials S.A.[2], Greece (Chairman) | HeidelbergCement Asia Pte Ltd[2], Singapore | HeidelbergCement Central Europe East Holding B.V.[2], Netherlands (Chairman) | HeidelbergCement India Limited[2) 3)], India | HeidelbergCement Northern Europe AB[2], Sweden (Chairman) | HeidelbergCement Romania SA[2], Romania | HeidelbergCement Ukraine Private Joint Stock Company[2], Ukraine | Open Joint-Stock Company Slantsy Cement Plant "Cesla"[2], Russia | PT Indocement Tunggal Prakarsa Tbk.[2) 3)], Indonesia | ShymkentCement JSC[2], Kazakhstan | Tvornica Cementa Kakanj d.d.[2], Bosnia-Herzegovina | Vulkan Cement AD[2], Bulgaria

The above mentioned indications refer to 31 December 2018 and have the following meaning:
1) Membership in legally required supervisory boards of German companies
2) Membership in comparable German and foreign supervisory committees of commercial enterprises
3) Publicly listed company

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Consolidated income statement

€m	Notes	2017	2018
Revenue	1	17,266.1	**18,074.6**
Change in finished goods and work in progress		38.2	**57.6**
Own work capitalised		9.7	**19.9**
Operating revenue		17,314.1	**18,152.0**
Other operating income	2	632.7	**523.7**
Material costs	3	-6,781.6	**-7,478.1**
Employee and personnel costs	4	-2,989.7	**-3,031.7**
Other operating expenses	5	-5,082.4	**-5,295.3**
Result from joint ventures	6	204.3	**203.5**
Result from current operations before depreciation and amortisation (RCOBD)		3,297.3	**3,074.1**
Depreciation and amortisation	7	-1,109.0	**-1,090.5**
Result from current operations		2,188.3	**1,983.7**
Additional ordinary income	8	98.4	**240.2**
Additional ordinary expenses	8	-231.3	**-131.8**
Additional ordinary result		-132.8	**108.3**
Result from associates	9	51.6	**42.0**
Result from other participations		-0.3	**-2.8**
Result from participations		51.3	**39.3**
Earnings before interest and taxes (EBIT)		2,106.7	**2,131.2**
Interest income		56.6	**49.1**
Interest expenses		-362.0	**-320.8**
Foreign exchange gains and losses		-12.5	**1.4**
Other financial result [1]	10	-100.4	**-96.4**
Financial result		-418.3	**-366.7**
Profit before tax from continuing operations		1,688.4	**1,764.5**
Income taxes [1]	11	-579.5	**-464.1**
Net income from continuing operations		1,109.0	**1,300.3**
Net loss from discontinued operations	12	-50.8	**-14.2**
Profit for the financial year		1,058.2	**1,286.2**
Thereof non-controlling interests		140.5	**143.2**
Thereof Group share of profit		917.7	**1,143.0**
Thereof proposed dividend	13	377.0	**416.7**
Earnings per share in € (IAS 33)	14		
Earnings per share attributable to the parent entity		4.62	**5.76**
Earnings per share – continuing operations		4.88	**5.83**
Loss per share – discontinued operations		-0.26	**-0.07**

1) Amounts for 2017 were restated (see section “Other changes”, page 130).

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Consolidated statement of comprehensive income

€m	2017	2018
Profit for the financial year	1,058.2	**1,286.2**
Other comprehensive income		
Items not being reclassified to profit or loss in subsequent periods		
Remeasurement of the defined benefit liability (asset)	118.8	**184.8**
Income taxes	-100.2	**-35.2**
Defined benefit plans	18.6	**149.6**
Investments in equity instruments – change in fair value		**-11.4**
Net gains/losses arising from equity method investments	-0.7	**-5.2**
Total	17.8	**133.0**
Items that maybe be reclassified subsequently to profit or loss		
Cash flow hedges – change in fair value	-15.3	**3.3**
Reclassification adjustments for gains/losses included in profit or loss	17.5	**-5.7**
Income taxes	-0.5	**0.3**
Cash flow hedges	1.8	**-2.1**
Financial investments available for sale – change in fair value [1]	-64.9	
Currency translation	-2,171.7	**156.0**
Income taxes	12.7	**1.0**
Currency translation	-2,159.0	**157.0**
Net gains/losses arising from equity method investments [1]	-54.4	**-15.5**
Total	-2,276.5	**139.4**
Other comprehensive income	-2,258.6	**272.4**
Total comprehensive income	-1,200.4	**1,558.5**
Thereof non-controlling interests	-17.4	**143.9**
Thereof Group share	-1,183.0	**1,414.6**

1) Amounts for 2017 were restated (see section “Other changes”, page 130).

Consolidated statement of cash flows

€m	Notes	2017	2018
Net income from continuing operations		1,109.0	**1,300.3**
Income taxes [1]		579.5	**464.1**
Interest income / expenses		305.5	**271.7**
Dividends received	15	278.0	**249.8**
Interest received	16	117.0	**107.3**
Interest paid	16	-553.3	**-507.9**
Income taxes paid	17	-362.0	**-260.8**
Depreciation, amortisation, and impairment		1,179.7	**1,129.8**
Elimination of other non-cash items [1]	18	-283.7	**-354.9**
Cash flow		2,369.6	**2,399.5**
Changes in operating assets	19	-182.3	**-332.4**
Changes in operating liabilities	20	189.2	**225.8**
Changes in working capital		6.9	**-106.5**
Decrease in provisions through cash payments	21	-334.9	**-323.7**
Cash flow from operating activities – continuing operations		2,041.6	**1,969.2**
Cash flow from operating activities – discontinued operations	22	-3.7	**-0.9**
Cash flow from operating activities		2,037.9	**1,968.3**
Intangible assets		-16.3	**-24.2**
Property, plant and equipment		-1,019.1	**-1,036.6**
Subsidiaries and other business units		-170.3	**-623.9**
Other financial assets, associates, and joint ventures		-72.6	**-38.7**
Investments (cash outflow)	23	-1,278.4	**-1,723.3**
Subsidiaries and other business units		42.8	**280.4**
Other fixed assets		390.9	**282.0**
Divestments (cash inflow)	24	433.7	**562.4**
Cash from changes in consolidation scope	25	-2.7	**26.7**
Cash flow from investing activities – continuing operations		-847.5	**-1,134.2**
Cash flow from investing activities – discontinued operations	22	10.2	
Cash flow from investing activities		-837.2	**-1,134.2**
Capital increase – non-controlling interests			**7.6**
Dividend payments – HeidelbergCement AG		-317.5	**-377.0**
Dividend payments – non-controlling interests		-211.3	**-187.5**
Decrease in ownership interests in subsidiaries	26		**5.9**
Increase in ownership interests in subsidiaries	26	-91.4	**-25.6**
Proceeds from bond issuance and loans	27	2,263.2	**1,693.1**
Repayment of bonds and loans	28	-2,093.6	**-1,520.1**
Changes in short-term interest-bearing liabilities	29	-471.7	**55.4**
Cash flow from financing activities – continuing operations		-922.2	**-348.2**
Cash flow from financing activities – discontinued operations	22		
Cash flow from financing activities		-922.2	**-348.2**
Net change in cash and cash equivalents – continuing operations		272.0	**486.9**
Net change in cash and cash equivalents – discontinued operations		6.5	**-0.9**
Net change in cash and cash equivalents		278.5	**486.0**
Effect of exchange rate changes		-142.0	**-6.7**
Cash and cash equivalents at 1 January		1,972.3	**2,108.8**
Cash and cash equivalents at 31 December	31	2,108.8	**2,588.1**
Reclassification of cash and cash equivalents according to IFRS 5		-0.3	**-2.2**
Cash and cash equivalents presented in the balance sheet at 31 December	31	2,108.6	**2,585.9**

1) Amounts for 2017 were restated (see section "Other changes", page 130).

Consolidated balance sheet

Assets			
€m	Notes	31 Dec. 2017	31 Dec. 2018
Non-current assets			
Intangible assets	32		
Goodwill		11,106.6	**11,450.2**
Other intangible assets		364.5	**370.3**
		11,471.2	**11,820.5**
Property, plant and equipment	33		
Land and buildings		6,313.0	**6,519.2**
Plant and machinery		5,049.8	**4,980.2**
Other operating equipment		338.8	**325.1**
Prepayments and assets under construction		1,112.2	**1,137.1**
		12,813.8	**12,961.6**
Financial assets			
Investments in joint ventures	6	1,334.1	**1,200.8**
Investments in associates	9	502.4	**512.2**
Financial investments	34	256.1	**252.5**
Loans and derivative financial instruments	35	88.5	**141.4**
		2,181.1	**2,106.8**
Fixed assets		26,466.1	**26,889.0**
Deferred taxes	11	517.9	**314.4**
Other non-current receivables and assets	35	829.0	**1,026.6**
Non-current income tax assets		52.4	**61.9**
Total non-current assets		27,865.3	**28,291.8**
Current assets			
Inventories	36		
Raw materials and consumables		823.4	**920.4**
Work in progress		308.7	**336.2**
Finished goods and goods for resale		733.3	**767.9**
Prepayments		15.3	**10.3**
		1,880.7	**2,034.8**
Receivables and other assets	37		
Current interest-bearing receivables		122.1	**122.0**
Trade receivables		1,797.7	**1,808.8**
Other current operating receivables and assets		546.2	**741.3**
Current income tax assets		117.7	**92.2**
		2,583.7	**2,764.3**
Short-term financial investments		10.3	**10.0**
Derivative financial instruments	38	9.6	**17.3**
Cash and cash equivalents	31	2,108.6	**2,585.9**
Total current assets		6,593.0	**7,412.3**
Assets held for sale	12	99.7	**79.2**
Balance sheet total		34,558.0	**35,783.3**

1) Amounts for 2017 were restated (see section "Other changes", page 130).

Equity and liabilities			
€m	Notes	31 Dec. 2017	31 Dec. 2018
Shareholders' equity and non-controlling interests			
Subscribed share capital	39	595.2	**595.2**
Share premium	40	6,225.4	**6,225.4**
Retained earnings	41	9,494.8	**10,256.6**
Other components of equity [1]	42	-1,822.4	**-1,647.7**
Equity attributable to shareholders		14,493.0	**15,429.7**
Non-controlling interests	43	1,494.3	**1,392.0**
Total equity		15,987.4	**16,821.7**
Non-current liabilities	46		
Bonds payable		8,345.9	**8,805.1**
Bank loans		459.4	**631.3**
Other non-current interest-bearing liabilities		57.1	**51.4**
Non-controlling interests with put options		18.5	**21.1**
		8,880.9	**9,508.9**
Pension provisions	44	1,136.8	**1,100.6**
Deferred taxes	11	649.7	**722.8**
Other non-current provisions	45	1,204.0	**1,053.5**
Other non-current operating liabilities [1]		229.9	**249.7**
Non-current income tax liabilities		173.5	**61.3**
		3,393.9	**3,187.8**
Total non-current liabilities		12,274.8	**12,696.7**
Current liabilities	46		
Bonds payable (current portion)		1,668.4	**1,134.6**
Bank loans (current portion)		116.0	**115.1**
Other current interest-bearing liabilities		111.0	**159.8**
Non-controlling interests with put options		47.7	**62.3**
		1,943.1	**1,471.8**
Pension provisions (current portion)	44	82.6	**97.7**
Other current provisions [1]	45	250.0	**255.2**
Trade payables		2,281.1	**2,605.3**
Other current operating liabilities		1,491.0	**1,565.5**
Current income tax liabilities [1]		235.2	**258.2**
		4,339.8	**4,781.9**
Total current liabilities		6,282.9	**6,253.7**
Liabilities associated with assets held for sale	12	12.9	**11.2**
Total liabilities		18,570.7	**18,961.6**
Balance sheet total		34,558.0	**35,783.3**

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Consolidated statement of changes in equity

€m	Subscribed share capital	Share premium	Retained earnings	Cash flow hedge reserve
1 January 2017	595.2	6,225.4	8,933.1	3.3
Profit for the financial year			917.7	
Other comprehensive income			21.2	1.3
Total comprehensive income			938.9	1.3
Changes in consolidation scope				
Changes in ownership interests in subsidiaries			-53.3	
Changes in non-controlling interests with put options			-9.5	
Transfer of asset revaluation reserve			1.3	
Other changes			1.7	
Dividends			-317.5	
31 December 2017	595.2	6,225.4	9,494.8	4.6
1 January 2018	595.2	6,225.4	9,494.8	4.6
Transfer of AfS reserve due to IFRS 9			-34.0	
Adjustment IFRS 9 and IFRS 15			-9.4	
1 January 2018 adjusted	595.2	6,225.4	9,451.3	4.6
Profit for the financial year			1,143.0	
Other comprehensive income			129.8	-1.2
Total comprehensive income			1,272.8	-1.2
Changes in consolidation scope				
Changes in ownership interests in subsidiaries			-81.3	
Changes in non-controlling interests with put options			-11.4	
Transfer of asset revaluation reserve			1.0	
Other changes			1.2	
Capital increase from issuance of new shares				
Dividends			-377.0	
31 December 2018	595.2	6,225.4	10,256.6	3.4

1) Amounts for 2017 were restated (see section "Other changes", page 130).

2) The accumulated currency translation differences included in non-controlling interests changed in 2018 by €19.1 million (previous year: -150.5) to €-267.8 million (previous year: -286.9). The total currency translation differences recognised in equity thus amount to €-1,945.3 million (previous year: -2,107.4).

Other components of equity						
Available for sale reserve [1]	Asset revaluation reserve	Currency translation	Total other components of equity	Equity attributable to shareholders	Non-controlling interests [2]	**Total equity**
33.2	28.8	235.5	300.8	16,054.6	1,737.0	**17,791.6**
				917.7	140.5	**1,058.2**
-67.2		-2,056.1	-2,121.9	-2,100.7	-157.9	**-2,258.6**
-67.2		-2,056.1	-2,121.9	-1,183.1	-17.4	**-1,200.5**
					7.6	**7.6**
				-53.3	-38.9	**-92.1**
				-9.5	17.1	**7.6**
	-1.3		-1.3			
				1.7	0.1	**1.8**
				-317.5	-211.3	**-528.7**
-34.0	27.5	-1,820.5	-1,822.4	14,493.0	1,494.3	**15,987.4**
-34.0	27.5	-1,820.5	-1,822.4	14,493.0	1,494.3	**15,987.4**
34.0			34.0			
				-9.4		**-9.4**
	27.5	-1,820.5	-1,788.4	14,483.6	1,494.3	**15,977.9**
				1,143.0	143.2	**1,286.2**
		143.0	141.8	271.6	0.8	**272.4**
		143.0	141.8	1,414.6	143.9	**1,558.5**
					-37.6	**-37.6**
				-81.3	-22.9	**-104.2**
				-11.4	-5.9	**-17.3**
	-1.0		-1.0			
				1.2	-0.4	**0.8**
					7.6	**7.6**
				-377.0	-187.0	**-564.0**
	26.5	-1,677.5	-1,647.7	15,429.7	1,392.0	**16,821.7**

Segment reporting / Notes to the consolidated financial statements

Group areas	Western and Southern Europe		Northern and Eastern Europe-Central Asia		North America	
€m	2017	2018	2017	2018	2017	2018
External revenue	4,636	**4,862**	2,753	**2,836**	4,345	**4,262**
Inter-Group areas revenue	65	**74**	83	**80**		
Revenue	4,701	**4,936**	2,836	**2,916**	4,345	**4,262**
Change to previous year in %		**5.0 %**		**2.8 %**		**-1.9 %**
Result from joint ventures	3	**4**	15	**21**	47	**39**
Result from current operations before depreciation and amortisation (RCOBD)	613	**590**	539	**575**	1,160	**988**
as % of revenue (operating margin)	13.0 %	**11.9 %**	19.0 %	**19.7 %**	26.7 %	**23.2 %**
Depreciation and amortisation	-319	**-330**	-175	**-159**	-297	**-294**
Result from current operations	294	**260**	365	**416**	863	**694**
as % of revenue	6.3 %	**5.3 %**	12.9 %	**14.3 %**	19.9 %	**16.3 %**
Result from associates	22	**20**	1	**2**	11	**4**
Result from other participations	-5	**-5**	4	**2**	0	**0**
Result from participations	17	**15**	5	**4**	11	**4**
Additional ordinary result						
Earnings before interest and taxes (EBIT)						
Capital expenditures [2]	327	**389**	144	**134**	274	**267**
Segment assets [3]	7,310	**7,591**	2,627	**2,499**	8,698	**9,042**
RCOBD as % of segment assets	8.4 %	**7.8 %**	20.5 %	**23.0 %**	13.3 %	**10.9 %**
Number of employees as at 31 December	15,497	**15,903**	13,531	**12,515**	8,726	**8,750**
Average number of employees	15,625	**15,944**	13,671	**12,623**	9,177	**9,318**

Voluntary additional information

Business lines	Cement		Aggregates		Ready-mixed concrete-asphalt	
€m	2017	2018	2017	2018	2017	2018
External revenue	7,699	**7,800**	2,866	**2,886**	4,817	**5,093**
Inter-business lines revenue	968	**1,000**	938	**962**	64	**63**
Revenue	8,667	**8,800**	3,804	**3,848**	4,880	**5,155**
Change to previous year in %		**1.5 %**		**1.2 %**		**5.6 %**
Result from joint ventures						
Result from current operations before depreciation and amortisation (RCOBD)	2,010	**1,882**	1,012	**926**	55	**46**
as % of revenue (operating margin)	23.2 %	**21.4 %**	26.6 %	**24.1 %**	1.1 %	**0.9 %**
Result from current operations	1,328	**1,201**	755	**680**	-50	**-60**
as % of revenue	15.3 %	**13.6 %**	19.8 %	**17.7 %**	-1.0 %	**-1.2 %**
Number of employees as at 31 December	31,197	**29,335**	10,254	**10,425**	12,971	**13,661**
Average number of employees	31,916	**30,057**	10,537	**10,631**	13,226	**13,776**

1) Reconciliation includes:
a. intra-Group revenues = eliminations of intra-Group relationships between the segments
b. result 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 effectiv 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

	Asia-Pacific		Africa-Eastern Mediterranean Basin		Group Services		Reconciliation [1]		Continuing operations	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
	3,129	**3,248**	1,557	**1,636**	848	**1,230**			17,266	**18,075**
	26	**14**	29	**31**	453	**524**	-656	**-723**		
	3,155	**3,262**	1,586	**1,667**	1,301	**1,754**	-656	**-723**	17,266	**18,075**
		3.4 %		**5.1 %**		**34.8 %**				**4.7 %**
	124	**127**	14	**12**					204	**204**
	652	**601**	367	**370**	31	**33**	-65	**-83**	3,297	**3,074**
	20.7 %	**18.4 %**	23.1 %	**22.2 %**	2.4 %	**1.9 %**			19.1 %	**17.0 %**
	-193	**-182**	-94	**-99**	-4	**-3**	-27	**-24**	-1,109	**-1,090**
	459	**419**	273	**272**	27	**31**	-92	**-107**	2,188	**1,984**
	14.5 %	**12.8 %**	17.2 %	**16.3 %**	2.1 %	**1.7 %**			12.7 %	**11.0 %**
	1	**1**	13	**11**	4	**5**			52	**42**
	0	**-1**	0	**0**					0	**-3**
	1	**0**	13	**11**	4	**5**			51	**39**
							-133	**108**	-133	**108**
							2,107	**2,131**	2,107	**2,131**
	209	**196**	81	**69**	0	**6**	243	**663**	1,278	**1,723**
	4,091	**4,117**	1,513	**1,485**	46	**48**			24,285	**24,782**
	15.9 %	**14.6 %**	24.3 %	**24.9 %**	67.0 %	**69.7 %**			13.6 %	**12.4 %**
	14,039	**14,086**	6,856	**6,214**	405	**472**			59,054	**57,939**
	14,281	**14,225**	7,123	**6,473**	485	**456**			60,361	**59,039**

	Service-joint ventures-other		Reconciliation [1]		Continuing operations	
	2017	2018	2017	2018	2017	2018
	1,884	**2,296**			17,266	**18,075**
	514	**597**	-2,483	**-2,621**		
	2,398	**2,893**	-2,483	**-2,621**	17,266	**18,075**
		20.6 %				**4.7 %**
	204	**204**			204	**204**
	295	**303**	-74	**-82**	3,297	**3,074**
	12.3 %	**10.5 %**			19.1 %	**17.0 %**
	256	**269**	-101	**-106**	2,188	**1,984**
	10.7 %	**9.3 %**			12.7 %	**11.0 %**
	4,632	**4,518**			59,054	**57,939**
	4,682	**4,575**			60,361	**59,039**

Notes to the 2018 consolidated financial statements

General information

HeidelbergCement AG is a public limited company based in Germany. The company has its registered office in Heidelberg, Germany. Its address is: HeidelbergCement AG, Berliner Straße 6, 69120 Heidelberg. The company is registered at the Mannheim Local Court (HRB 330082).

The core activities of HeidelbergCement include the production and distribution of cement, aggregates, ready-mixed concrete, and asphalt. Further details are given in the Management Report.

Accounting and valuation principles

Accounting principles
The consolidated financial statements of HeidelbergCement AG were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and the additional requirements of German Commercial Law pursuant to section 315e(1) of the German Commercial Code (Handelsgesetzbuch – HGB). All binding IFRSs for the 2018 financial year adopted into European law by the European Commission, including the interpretations of the IFRS Interpretations Committee (IFRS IC), were applied.

The previous year's figures were determined according to the same principles. The consolidated financial statements are prepared in euro. The financial statements show a true and fair view of the financial position and performance of the HeidelbergCement Group.

In accordance with IAS 1 (Presentation of Financial Statements), the consolidated financial statements contain a balance sheet as at the reporting date, an income statement, a statement of comprehensive income, a statement of changes in equity, and a statement of cash flows in accordance with the principles of IAS 7 (Statement of Cash Flows). The segment reporting is prepared in accordance with the regulations of IFRS 8 (Operating Segments).

For reasons of clarity, some individual items have been combined in the income statement and in the balance sheet. Explanations of these items are contained in the Notes. To improve the level of information, the additional ordinary result is shown separately in the income statement. The income statement classifies expenses according to their nature.

Scope of consolidation
In addition to HeidelbergCement AG, the consolidated financial statements include subsidiaries, joint arrangements, and associates.

Subsidiaries are characterised by the fact that HeidelbergCement can exercise control over these companies. Control exists when HeidelbergCement has decision-making powers, is exposed to variable returns, and is able to influence the level of the variable returns as a result of the decision-making powers. Normally, this is the case when more than 50 % of the shares are owned. If contractual or legal regulations stipulate that a company can be controlled despite a shareholding of less than 50 %, this company is included in the consolidated financial statements as a subsidiary. If a company cannot be controlled with a shareholding of more than 50 % as a result of contractual or legal regulations, this company is not included in the consolidated financial statements as a subsidiary.

In joint arrangements, HeidelbergCement exercises joint control over a company with one or more parties through contractual agreements. Joint control exists if decisions about the relevant activities of the company must be made unanimously. Depending on the rights and obligations of the parties, joint arrangements may be joint operations or joint ventures. In joint operations, however, the controlling parties have direct rights to the assets and obligations for the liabilities of the jointly controlled operation. Joint ventures are characterised by the fact that the parties that have joint control participate in the net assets of the company by virtue of their position as shareholders.

In associates, HeidelbergCement has a significant influence on the operating and financial policies of the company. This is normally the case if HeidelbergCement holds between 20 % and 50 % of the voting rights in a company.

Consolidation principles

The capital consolidation of subsidiaries is performed using the acquisition method in accordance with IFRS 3 (Business Combinations). In this process, the acquirer measures the identifiable assets acquired and liabilities assumed at their fair values at the acquisition date. The acquiring entity's investment, measured at the fair value of the consideration transferred, is eliminated against the revalued equity of the newly consolidated subsidiary at acquisition date. The residual positive difference between the fair value of the consideration transferred and the fair value of acquired assets and liabilities is shown as goodwill. A residual negative difference is recognised in profit or loss after further review. Non-controlling interests can be recognised either at their proportionate share of the acquiree's net assets or at fair value. This option can be applied separately for every business combination. Transaction costs relating to business combinations are recorded as additional ordinary expenses.

Income and expenses as well as receivables and payables between consolidated companies are eliminated. Profits and losses from intra-Group sales of assets are eliminated. The consequences of consolidation on income tax are taken into account by recognising deferred taxes.

The share of equity and the share of profit or loss for the financial year attributable to non-controlling interests are shown separately. In the case of put options held by non-controlling interests (including non-controlling interests in German partnerships), the proportionate share of the period's comprehensive income attributable to the non-controlling interests as well as the dividend payments to non-controlling interests are shown over the course of the year as changes in equity. At the reporting date, non-controlling interests with a put option were reclassified as financial liabilities. The financial liability is measured at the present value of the redemption amount. Differences between the carrying amount of the non-controlling interests and the present value of the redemption amount are recognised directly in equity. In the statement of changes in equity, this is reported in the line changes in non-controlling interests with put options.

In the event of business combinations achieved in stages, HeidelbergCement achieves control of a company in which it held a non-controlling equity interest immediately before the acquisition date. In this scenario, differences between the carrying amount and the fair value of previously held shares are recognised in profit or loss. Changes in the ownership interest in a subsidiary that do not lead to a loss of control are recognised outside profit or loss as equity transactions. In the case of transactions that lead to a loss of control, any residual interests are revalued at fair value in profit or loss.

In joint operations, the assets, liabilities, income and expenses, as well as cash flows are included pro rata in the consolidated financial statements in accordance with the rights and obligations of HeidelbergCement.

Joint ventures and associates are accounted for using the equity method. Initially, the acquired investments are recognised at cost. In subsequent years, the carrying amount of the investment is increased or decreased according to the share of HeidelbergCement in the comprehensive income of the investee. Dividend payments received from investees reduce the carrying amount. When the share of losses attributable to HeidelbergCement in the company in which a participating interest is held equals or exceeds the carrying amount of the investment, no further shares of losses are recognised. If the investee subsequently reports profits, the investor resumes recognising its share of these profits only after the share in profit equals the share of losses not yet recognised.

Subsidiaries, joint operations, joint ventures, and associates that do not have a material impact on the financial position and performance of the Group, either individually or collectively, are accounted for at cost less impairment losses and shown as financial investments.

Currency translation

The separate financial statements of the Group's foreign subsidiaries are translated into euro according to IAS 21 (The Effects of Changes in Foreign Exchange Rates) using the concept of functional currency. In general, for operating companies, the functional currency is the local currency of the country in which the subsidiary is based, since all foreign subsidiaries are financially, economically, and organisationally independent in the conduct of their business. Assets and liabilities are translated using the middle rates at the reporting date, with equity, in contrast, using the historical exchange rates. The translation differences resulting from this are recognised outside profit or loss in other components of equity through other comprehensive income until the subsidiary is disposed of. A proportionate reclassification to profit or loss also takes place in the event of a repayment of capital without a reduction in ownership interest. The proportionate equity of the foreign joint ventures and associates is translated in accordance with the procedure described for subsidiaries. Income and expenses are translated using average annual exchange rates.

Foreign currency transactions in the companies' separate financial statements are recorded at the spot exchange rate at the date of the transaction. Exchange gains or losses from the measurement of monetary items in foreign currency at the closing rate up to the reporting date are recognised in profit or loss. Exchange differences arising from foreign currency borrowings, to the extent that they are part of a net investment in a foreign operation, form an exception to recognition in profit or loss. They are part of a net investment in a foreign operation if settlement is neither planned nor likely to occur in the foreseeable future. These translation differences are recognised directly in equity via other comprehensive income and only reclassified to profit or loss on repayment of the loan or disposal of the business. Non-monetary items in foreign currency are recorded at historical exchange rates.

The following table shows 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. 2017	**31 Dec. 2018**	2017	**2018**
USD	USA	1.2005	**1.1467**	1.1303	**1.1808**
AUD	Australia	1.5372	**1.6268**	1.4736	**1.5803**
CAD	Canada	1.5089	**1.5636**	1.4651	**1.5298**
EGP	Egypt	21.3378	**20.5498**	20.1687	**21.0346**
GBP	Great Britain	0.8881	**0.8990**	0.8765	**0.8848**
INR	India	76.5327	**79.9970**	73.5029	**80.6831**
IDR	Indonesia	16,264	**16,605**	15,143	**16,847**
MAD	Morocco	11.2218	**10.9579**	10.9627	**11.0813**

Recognition and measurement principles

The consolidated financial statements are generally prepared using the historical cost principle. Exceptions to this are derivative financial instruments and certain non-derivative financial assets, which are measured at fair value. Furthermore, the carrying amounts of the assets and liabilities recognised in the balance sheet, which represent the hedged items in fair value hedges and are otherwise accounted at cost, are adjusted as a result of changes in the fair values assigned to the hedged risks. The fundamental recognition and measurement principles are outlined below.

Intangible assets are initially measured at cost. In subsequent periods, intangible assets with a finite useful life are measured at cost less accumulated amortisation and impairment, and intangible assets with an indefinite useful life are measured at cost less accumulated impairment. Intangible assets with a finite useful life are amortised using the unit of production method, in the case of mining licences, otherwise using the straight-line method.

Emission rights are shown as intangible assets. Emission rights granted free of charge are initially measured at a nominal value of zero. Emission rights acquired for consideration are accounted for at cost and are subject to write-down in the event of impairment. Provisions for the obligation to return emission rights are recognised if the actual CO_2 emissions up to the reporting date are not covered by emission rights granted free of charge. The amount of provision for emission rights already acquired for consideration is measured at the carrying amount and, for emission rights yet to be acquired in order to fulfil the obligation, at the market value as at the reporting date.

In accordance with IFRS 3 (Business Combinations), **goodwill** arising from business combinations is not amortised. Instead, goodwill is tested for impairment according to IAS 36 (Impairment of Assets) at least once a year in the fourth quarter after completion of the current operational plan or upon the occurrence of significant events or changes in circumstances that indicate an impairment requirement. 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 the basis of the sales and management structure, a group of CGUs is defined generally as a country or Group area; an exception is the cross-border Nordic Precast Group as well as the Mibau Group. As soon as the carrying amount of a group of CGUs to which a goodwill is allocated exceeds its recoverable amount, an impairment loss of the allocated goodwill is recognised in profit or loss. The recoverable amount is the higher of fair value less costs to sell and the value in use of a group of CGUs. The fair value is the amount obtainable from the sale in an arm's length transaction. The value in use is calculated by discounting estimated future cash flows after taxes with a post-tax risk-adjusted discount rate (weighted average cost of capital – WACC).

Property, plant and equipment are accounted for according to IAS 16 (Property, Plant and Equipment) at cost less accumulated depreciation and impairment. Cost includes all costs that can be attributed to the manufacturing process and appropriate amounts of production overheads. Costs for repair and maintenance of property, plant and equipment are generally expensed as incurred. Capitalisation takes place if the measures lead to an extension or significant improvement of the asset. Property, plant and equipment are depreciated on a straight-line basis unless there is another depreciation method more appropriate for the pattern of use. Borrowing costs that can be allocated directly or indirectly to the construction of large facilities with a creation period of more than 12 months (qualifying assets) are capitalised as part of the cost in accordance with IAS 23 (Borrowing Costs).

Inventories are measured in accordance with IAS 2 (Inventories) at the lower of cost and net realisable value using the weighted average cost method. Adequate provisions are made for risks relating to quality and quantity. Besides direct expenses, the costs for finished goods and work in progress include production-related indirect materials and indirect labour costs, as well as production-related depreciation. The overhead rates are calculated on the basis of the average operating performance rate. Borrowing costs are not recognised as part of the costs because the production period is less than 12 months. Spare parts for equipment are generally reported under inventories. If they were acquired in connection with the acquisition of the equipment, or in a separate acquisition meet the definition of an asset, then they are reported under fixed assets.

Pension provisions and similar obligations are determined in accordance with IAS 19 (Employee Benefits). For numerous employees, the Group makes provisions for retirement either directly or indirectly through contributions to pension funds. Various post-employment benefit plans are in place, depending on the legal, economic, and tax framework in each country, which are generally based on employees' years of service and remuneration. The pension provisions include those from current pensions and from entitlements from pensions to be paid in the future.

At HeidelbergCement, the company pension schemes include both defined contribution and defined benefit plans. In defined contribution plans, the Group pays contributions into external funds. After paying the contributions, the Group has no further benefit obligations. In defined benefit plans, the Group's obligation is to provide the agreed benefits to current and former employees. A distinction is made between benefit systems financed by provisions and those financed by funds.

The most significant post-employment benefit plans financed by funds exist in the USA, Canada, the United Kingdom, Belgium, Australia, Indonesia, and Norway. The retirement benefit system in Indonesia consists of a statutory defined benefit plan and a company-based defined contribution plan financed by funds, the benefits from which may be set off against the statutory benefits. In Germany, France, Italy, and Sweden, the retirement benefit plans are financed by means of provisions. HeidelbergCement also has a post-retirement medical benefit system financed by provisions to cover the health care costs of pension recipients in the USA, Belgium, Canada, the United Kingdom, Indonesia, France, Morocco, and Ghana. In addition, the Group grants its employees other long-term employee benefits, such as jubilee benefits, old age part-time arrangements, or early retirement commitments. The Group areas or countries North America, the United Kingdom, and Germany account for over 90 % of the obligations from defined benefit plans.

The majority of defined benefit pension plans in North America have been closed to new entrants, and many have been frozen for future accruals. In North America, a retirement plans committee has been established by HeidelbergCement to serve as oversight of the pension administration, the fiduciary responsibilities of HeidelbergCement in relation to the retirement plans, and HeidelbergCement's role as plan administrator. The regulatory framework for each of the qualified pension plans in the USA has a minimum funding requirement based on the statutory funding objective agreed with the plan administrator. In the USA, the Employee Retirement Income Security Act of 1974 (ERISA) provides the national legal framework. ERISA sets minimum standards for participation, vesting, the funding status of the pension plan, and the accountability of plan fiduciaries. In Canada, the pension plans of HeidelbergCement fall under the jurisdiction of the provinces of Alberta or Ontario.

In the United Kingdom, the main defined benefit pension plans operate under UK trust law and under the jurisdiction of the UK Pensions Regulator. These plans are run by groups of trustees, some of whom are appointed by the sponsoring employer and some of whom are nominated by the plan members. Under UK law, the trustees are obligated to meet the statutory funding objective of having sufficient assets to cover the schemes' technical provisions. All of the main defined benefit pension plans in the United Kingdom are closed to new entrants and in most cases to future accruals. Benefits are granted under a number of plans, many of which are final salary plans. As such, the liabilities are expected to trend downward in the medium to long term as benefits are paid. Liability-driven investment (LDI) strategies are used extensively in the United Kingdom, and the UK pension plans are, in aggregate, overfunded as at the reporting date. As pension benefits in the United Kingdom receive inflationary increases after benefit commencement, these benefits are subject to inflation risk. This risk is mitigated in many cases through the use of LDI products and/or caps on the maximum pension indexation granted. Given the closed nature of most arrangements, the defined benefit obligation in the United Kingdom is only marginally impacted by the salary trend assumption.

In Germany, pension plans operate under the framework of German Company Pension Law (Betriebsrentengesetz – BetrAVG) and general regulations based on German Labour Law. The main pension plans were closed to new entrants in 2005. Employees hired prior to 2006 continue to earn benefits under these arrangements. The closed pension arrangements have either a final salary plan design or a fixed benefit per year of service structure. In addition, individual pension entitlements have been granted to the members of the Managing Board (please refer to the Management Report, Remuneration report chapter on ↗ page 91 f.). The German pension benefits are largely unfunded.

The liabilities in respect of the benefits granted are subject to the following major risks:
- Discount rate risks in all cases where falling market interest rates could result in a higher present value being placed on the remaining future obligations
- Inflation risks (in particular where benefits are linked to salary, or pension payments are subject to inflation adjustments)
- Asset performance risks in countries where funded pension plans are present (such as the USA and the United Kingdom); these risks have been mitigated in part through the use of liability-driven investment strategies
- Longevity risks in cases where benefits would be paid for a longer period in the future than is currently anticipated in the mortality tables used
- Changes to national funding requirements may increase contributions, and changes in national law might also mandate rises in benefits beyond those presently agreed upon

The defined benefit obligations and plan assets are valued annually by independent experts for all major Group companies. The defined benefit obligation and the expenses required to cover these obligations are measured in accordance with the internationally accepted projected unit credit method.

For the purpose of financial reporting, the actuarial assumptions are dependent on the economic situation in each individual country. The interest rate is based on the interest rate level observed on the measurement date for high-quality corporate bonds (AA rating) with a duration corresponding to the pension plans concerned in the relevant country. In countries or currency areas without a deep market for high-quality corporate bonds, the interest rate is determined on the basis of government bonds or using other approximation methods.

Actuarial gains and losses result from increases or decreases in the present value of the defined benefit obligations versus the expected amounts. These may be caused by, for example, changes in the calculation parameters or deviations between the actual and expected development of the defined benefit obligations. These amounts, as well as the difference between the actual asset performance and the interest income shown in profit or loss, and the effect of the asset ceiling are reported in other comprehensive income.

Defined contribution accounting has been used for certain multi-employer pension plans for which insufficient information is available to use defined benefit accounting.

Other provisions are recognised in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) if, as a result of past events, there are legal or constructive obligations towards third parties that are likely to lead to outflows of resources embodying economic benefits that can be reliably determined. The provisions are calculated on the basis of the best estimate, taking into account all identifiable risks.

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The capital market components of the Group-wide virtual stock option plan are accounted for as cash-settled, share-based payment transactions in accordance with IFRS 2 (Share-based Payment). As at the reporting date, a provision is recognised pro rata temporis in the amount of the fair value of the payment obligation. Changes in the fair value are recognised in profit or loss. The fair value of the options is determined using a recognised option price model.

Deferred tax assets and liabilities are recognised in accordance with the balance sheet liability method (IAS 12 Income Taxes). This means that, with the exception of goodwill arising on capital consolidation, deferred taxes are principally recognised for all temporary differences between the IFRS financial statements and the tax accounts. However, deferred tax assets are only recognised to the extent that it is probable that taxable income will be sufficiently available in the future. Furthermore, deferred tax assets are recognised on unused tax losses carried forward, to the extent that the probability of their recovery in subsequent years is sufficiently high. Deferred tax liabilities are considered in connection with undistributed profits from subsidiaries, joint ventures, and associates, unless HeidelbergCement is able to control the dividend policy of the companies and no dividend distribution or disposal is anticipated in the foreseeable future. The deferred taxes are measured using the rates of taxation that, as at the reporting date, are applicable or have been announced as applicable in the individual countries for the period when the deferred taxes are realised. Deferred tax assets and liabilities are offset if there is an enforceable right to set off current tax assets and liabilities and if they relate to income taxes levied by the same taxing authority and the Group intends to settle its current tax assets and liabilities on a net basis. In principle, changes in the deferred taxes in the balance sheet lead to deferred tax expense or income. If circumstances that lead to a change in the deferred taxes are recognised outside profit or loss in other comprehensive income or directly in equity, the change in deferred taxes is also taken into account in other comprehensive income or directly in equity. If deferred taxes were recognised via other comprehensive income, they are also subsequently released via other comprehensive income.

Financial instruments are any contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The financial instruments include non-derivative and derivative financial instruments.

The **non-derivative financial assets** include financial investments in equity instruments and debt instruments. Since 1 January 2018, these assets have been divided into the amortised cost, fair value through other comprehensive income, and fair value through profit or loss measurement categories when first recognised, in accordance with IFRS 9 (Financial Instruments).

Investments in equity instruments are in principle measured at fair value. The gains and losses resulting from the subsequent measurement are recognised either in profit or loss or directly in equity through other comprehensive income. Investments in equity instruments held for trading are allocated to the financial investment category fair value through profit or loss. The market value at the reporting date forms the basis of the fair value. For the other investments in equity instruments, an individual decision can be made for each participation, when initially recognised, as to whether it is measured at fair value through profit or loss or through other comprehensive income. In principle, participations on which HeidelbergCement has no significant influence are measured at fair value through profit or loss and are therefore allocated to the financial investment category fair value through profit or loss. If a participation is irrevocably allocated to the category fair value through other comprehensive income, the gains and losses resulting from the subsequent measurement are recognised outside profit or loss in other comprehensive income. After the participation is derecognised, the gains and losses will not be subsequently reclassified from fair value through other comprehensive income to profit or loss. Dividends received from these participations are recognised in profit or loss.

Participations in subsidiaries, joint ventures, and associates of minor importance are measured at cost less impairment losses.

At initial recognition, a debt instrument is measured at fair value plus transaction costs directly attributable to the acquisition, provided that the financial asset is not measured at fair value through profit or loss. For financial assets recognised at fair value through profit or loss, attributable transaction costs are recognised directly as an expense in profit or loss. The subsequent measurement is based on the cash flow characteristics and the business model in use. Accordingly, HeidelbergCement divides its debt instruments into the following two measurement categories:

- At amortised cost: Financial assets held for the collection of contractual cash flows that are solely payments of principal and interest are measured at amortised cost, provided that they are not allocated to a hedge. Interest income from these financial assets is recognised in the financial result using the effective interest method. All gains or losses resulting from derecognition, impairment losses, or currency translation are recognised directly in profit or loss. Impairment losses represent probability-weighted estimates of credit losses. They are calculated on the basis of the best available information and the time value of money. Reversals are carried out if the reasons for the impairment losses no longer apply. Financial assets measured at amortised cost include non-current receivables, interest-bearing receivables, trade receivables, and other current operating receivables. In principle, the amortised cost in the case of current receivables corresponds to the nominal value or the redemption amount.

- Fair value through profit or loss (FVTPL): Financial assets not meeting the criteria for the categories at amortised cost or fair value through other comprehensive income (FVOCI) are measured at fair value through profit or loss. Gains or losses are recognised directly in profit or loss in the period in which they are incurred.

In the HeidelbergCement Group, no financial assets are held for collecting contractual cash flows and selling financial assets, which means that no debt instruments were allocated to the category fair value through other comprehensive income.

Debt instruments are derecognised from the balance sheet at the point in time that all risks and rewards were transferred and the associated receipt of payment is ensured. In case not all risks and rewards are transferred, the debt instruments are derecognised when the control over the debt instrument has been transferred. In principle, financial assets are only derecognised when there is no prospect of recovery, for example if enforcement measures have been unsuccessful, insolvency proceedings have been discontinued due to lack of assets, or the debt has since become statute-barred. No further enforcement activities will subsequently be taken. In the past financial year (as in the previous year), there were no financial assets whose terms have been changed that would otherwise have been overdue or impaired.

In the context of the initial application of IFRS 9, HeidelbergCement has not restated the comparative information. Consequently, the comparative information given for the financial assets continues to be accounted for in accordance with the previous accounting standard IAS 39. According to this standard, the following recognition and measurement principles are applied.

Financial investments that are categorised as available for sale in accordance with IAS 39 (Financial Instruments: Recognition and Measurement) are regularly measured at fair value if it can be reliably ascertained. This class of instrument is referred to in the following as investments available for sale at fair value. The unrealised gains and losses resulting from the subsequent measurement are recognised outside profit or loss in equity through other comprehensive income. The stock market price as at the reporting date forms the basis of the fair value. If the fair values of investments available for sale at fair value fall below the cost and there is objective evidence of a significant or permanent impairment, the accumulated losses previously recognised in equity are recognised directly in profit or loss. Investments in equity instruments, for which no listed price on an active market exists and whose fair values cannot be reliably determined with justifiable expense, are measured at cost. This class of instrument is referred to in the following as investments available for sale at cost. This concerns other participations that are not listed on the stock exchange. If there is objective evidence of significant or permanent impairment, these impairment losses are recognised directly in profit or loss. The recognition of reversals of impairment in profit or loss for equity instruments held is not permitted.

Loans and receivables are measured at amortised cost, using the effective interest method if applicable, provided that they are not linked with hedging instruments. This concerns non-current receivables, interest-bearing receivables, trade receivables, and other current operating receivables. In principle, the amortised cost in the case of current receivables corresponds to the nominal value or the redemption amount. Receivables are derecognised from the balance sheet at the point in time that all risks and rewards were transferred and the receipt of payment associated with the receivables is ensured. In case not all risks and rewards are transferred, the receivables are derecognised when the control over the receivables has been transferred. If there is objective evidence of impairment of the loans and receivables (e.g. significant financial difficulties or negative changes in the market environment of the debtor), impairment losses are recognised in profit or loss. For trade receivables, the impairment losses are recognised through the use of an allowance account. A derecognition is booked as soon as a default of receivables occurs. Reversals are carried out if the reasons for the impairment losses no longer apply.

As in previous years, **non-derivative financial liabilities** are initially recognised at the fair value of the consideration received or at the value of the cash received less transaction costs incurred, if applicable. These instruments are subsequently measured at amortised cost, using the effective interest method if applicable. This includes trade payables, other operating liabilities, and financial liabilities.

Non-current financial liabilities are discounted. In principle, the amortised cost in the case of current financial liabilities corresponds to the nominal value or the redemption amount.

The Group has not yet made use of the possibility of designating non-derivative financial instruments, when initially recognised, as financial instruments at fair value through profit or loss. All non-derivative financial instruments at amortised cost are accounted for at the settlement date, whereas derivatives and non-derivative financial instruments at fair value through profit or loss are accounted for at the trade date.

A **derivative financial instrument** is a contract whose value is dependent on a variable, which usually requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors, and which is settled at a later date. All derivative financial instruments are measured at fair value on the trade date when first recognised. The fair values are also relevant for the subsequent measurement. For derivative financial instruments, the fair value corresponds to the amount that HeidelbergCement would either receive or have to pay at the reporting date in the case of early termination of this financial instrument. This amount is calculated on the basis of the relevant exchange and interest rates as at the reporting date. The fair value of derivative financial instruments traded in the market corresponds to the market value.

In the HeidelbergCement Group, derivative financial instruments such as currency forwards, currency option contracts, interest rate swaps, or interest rate options are, in principle, used to minimise financial risks. The focus is on hedging interest, currency, and other market price risks. No derivative financial instruments are contracted or held for speculative purposes.

Contracts concluded for the purpose of receiving or supplying non-financial items in accordance with the company's expected purchase, sale, or usage requirements and held as such (own use contracts) are accounted for as pending transactions rather than derivative financial instruments. Written options for the purchase or sale of non-financial items that can be cash-settled are not classified as own use contracts.

Hybrid financial instruments consist of a non-derivative host contract and an embedded financial derivative. The two components are legally inseparable. These are usually contracts with riders. Separate accounting of the embedded derivative and the host contract is required if the economic characteristics and risks are not closely linked with the host contract, the embedded derivative fulfils the same definition criteria as a stand-alone derivative, and the hybrid financial instrument is not measured at fair value through profit or loss. Alternatively, the hybrid financial instrument may be measured in total at fair value through profit or loss unless the embedded derivative changes the resulting cash flows to an insignificant degree or separation of the embedded derivative is not permitted.

Hedge accounting denotes a specific accounting method that modifies the accounting of the hedged item and hedge of a hedging relationship so that the results of measuring the hedged item or hedge are recognised in the period incurred directly in equity or in profit or loss. Accordingly, hedge accounting is based on matching the offsetting values of the hedging instrument and the hedged item.

For accounting purposes, three types of hedges exist in accordance with IAS 39 and IFRS 9. Specific requirements have to be met for hedge accounting.

– Cash flow hedges
  Where necessary, HeidelbergCement hedges the risk of fluctuation in future cash flows. The risk of interest rate fluctuations in the case of variable interest is hedged by means of swaps that convert variable interest payments into fixed interest payments. This method is also used for hedging currency risks of transactions to be executed in foreign currency in the future. The fair value of the derivatives used for hedging is shown in the balance sheet. As an offsetting item, the other

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components of equity are adjusted directly in equity to the amount of the effective portion of the change in fair value, taking deferred taxes into account. These amounts are reclassified to the income statement when the hedged item is also recognised in profit or loss. The ineffective portion of the change in fair value is recognised directly in profit or loss.

– Fair value hedges
  In individual cases, HeidelbergCement hedges against fluctuations in the fair value of assets or liabilities. Where necessary, the currency risk that arises when financial instruments are accounted for in a currency other than the functional currency is thus hedged. In addition, the fair value of fixed interest-bearing liabilities is selectively hedged by means of conversion to variable interest. In the case of hedging against fluctuations in the fair value, both the hedging instrument and the hedged portion of the risk of the underlying transaction are recognised at fair value. Changes in fair value are recognised in profit or loss.

– Hedging a net investment in a foreign operation
  When acquiring foreign companies, the investment can, for example, be hedged with loans in the functional currency of the foreign company. In these cases, the currency risk arising on the subsidiary's equity through fluctuations in exchange rates (translation risk) is designated as a hedged risk. The loans are translated using the exchange rate applicable at the reporting date. As an offsetting item, the foreign currency translation reserves in equity are adjusted. Consequently, translation differences are recognised outside profit or loss in equity through other comprehensive income until the net investment is sold, and are recognised in profit or loss on its disposal.

Derivative financial instruments for which no hedge accounting is used nevertheless represent an effective hedge in an economic sense within the context of the Group strategy. In accordance with IAS 39 and IFRS 9, these instruments should, in principle, be accounted for at fair value. The changes in the fair values of these derivative financial instruments recognised in profit or loss are almost offset by changes in the fair values of the hedged items.

Assets held for sale and discontinued operations are shown separately in the balance sheet if they can be sold in their present condition and the sale is highly probable. Assets classified as held for sale are recognised at the lower of their carrying amount and fair value less costs to sell. According to their classification, liabilities directly connected with these assets are shown in a separate line on the liability side of the balance sheet.

For discontinued operations, the net result is shown in a separate line in the income statement. In the statement of cash flows, the cash flows are broken down into continuing and discontinued operations. For discontinued operations, the previous year's figures in the income statement, the statement of cash flows, and the segment reporting are adjusted accordingly in the year of the reclassification. The Notes include additional details on the assets held for sale and discontinued operations.

Contingent liabilities and assets are, on the one hand, possible obligations or assets arising from past events and whose existence depends on the occurrence or non-occurrence of one or more uncertain future events that are not within the Group's control. On the other hand, contingent liabilities are current obligations arising from past events for which there is unlikely to be an outflow of resources embodying economic benefits or where the scope of the obligation cannot be reliably estimated. Contingent liabilities are not included in the balance sheet unless they are current obligations that have been taken on as part of a business combination. Contingent assets are only recognised in the balance sheet if they are virtually certain. Insofar as an outflow or inflow of economic benefits is possible, details of contingent liabilities and assets are provided in the Notes.

Finance leases, for which all risks and rewards incidental to ownership of the leased asset are transferred to the Group, lead to capitalisation of the leased asset at the inception of the lease. The leased asset is recognised at the lower of its fair value and the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant rate of interest on the remaining balance of the liability over the term of the lease. The finance charge is recognised in profit or loss. Leased assets are generally depreciated over the useful life of the asset. If there is insufficient certainty that the transfer of title to the Group will take place at the end of the lease term, the leased asset is depreciated over the shorter of the expected useful life and the lease term.

Lease payments for **operating leases** are recognised as an expense in the income statement over the lease term on a straight-line basis.

Income is recognised when control of a promised good or service passes to a customer. It is measured at the fair value of the consideration received or receivable, including variable consideration; sales tax and other duties collected on behalf of third parties are not taken into account.

HeidelbergCement primarily generates **revenue** from simply structured sales of building materials, such as cement, aggregates, ready-mixed concrete, and asphalt, for which the control passes to the customer at a specific point in time. In the context of the sale of the products, separate performance obligations may arise from freight and transport services as well as from services directly related to the sale of the products. These services are generally performed at the time that the control of the products is transferred. In a few exceptional cases, the freight and transport services are performed after the control of the products has been transferred. In accordance with IFRS 15, the revenue relating to these freight and transport services is realised later than the corresponding product revenue. The revenue is measured on the basis of the consideration defined in the contract with a customer, including variable consideration, such as discounts, volume rebates, or other contractual price reductions. The variable consideration is estimated on the basis of the most likely amount. However, variable consideration is only included if it is highly probable that a significant reversal of revenue will not occur once the uncertainty related to the variable consideration is resolved. As the period between the date on which HeidelbergCement transfers the promised goods or services to the customer and the date on which the customer pays for these goods or services is generally one year or less, no financing components are taken into account. Contract assets and contract liabilities are recognised as soon as one of the contracting parties has commenced performance of the contract. Legal claims to receive consideration are then reported as trade receivables as soon as the legal claim is unconditional. HeidelbergCement grants its customers country- and industry-specific payment terms, which normally include payment within 30 to 60 days after the date of invoicing. Contract assets and contract liabilities are not shown separately in the balance sheet but under other operating receivables and assets and other operating liabilities respectively. They are shown separately in the Notes. Costs directly attributable to obtaining or fulfilling the contract are recognised as an expense when they are incurred, as the amortisation period is generally no longer than one year.

In accordance with the regulations applicable up to and including 2017, income was recognised if it was sufficiently probable that the Group would receive future economic benefits that could be reliably determined. Revenue was recognised as soon as the goods had been delivered and the risks and rewards in accordance with the contractually agreed terms of delivery had passed to the purchaser.

Interest income is recognised pro rata temporis using the effective interest method.

Dividend income is realised when the legal entitlement to payment arises.

Application of new accounting standards and other changes

Initial application of accounting standards in the financial year
In the 2018 financial year, HeidelbergCement applied the following standards and interpretations of the International Accounting Standards Board (IASB) for the first time.

IFRS 9 Financial Instruments governs the accounting of financial instruments and replaces IAS 39 (Financial Instruments: Recognition and Measurement). IFRS 9 pursues a new approach for the categorisation and measurement of financial assets. In this approach, the classification and measurement of financial assets is based on the contractual cash flow characteristics and the business model in use.

HeidelbergCement applied IFRS 9 on 1 January 2018. The comparative information was not restated and will continue to be shown in accordance with IAS 39. The required reclassifications and adjustments were recognised directly in equity in the opening balance sheet on 1 January 2018. As of 1 January 2018, the available for sale reserve amounting to €-34.0 million was reclassified from other components of equity to retained earnings, as it can no longer be reclassified to the income statement in future. In addition, valuation adjustments resulting from the initial application of IFRS 9 led to a reduction in retained earnings of €9.4 million after tax (€11.0 million before tax). This was offset by the increase in the carrying amount of participations accounted for under the equity method of €2.7 million, leading to a corresponding increase in the retained earnings. This change resulted from the adjustment of the fair values of investments in equity instruments held by these participations accounted for under the equity method. Overall, the initial application of IFRS 9 as of 1 January 2018 resulted in a decrease in retained earnings of €40.7 million.

Participations on which HeidelbergCement has no significant influence were classified as available for sale and measured at cost less impairment losses in accordance with IAS 39. IFRS 9 provides the option to measure these at fair value through profit or loss or through other comprehensive income. With the exception of the participation in the US company Hanson Permanente Cement, Inc. and its subsidiaries (Permanente Group), participations without significant influence are measured at fair value through profit or loss. The participation in the Permanente Group was irrevocably allocated to the category fair value through other comprehensive income as HeidelbergCement expects to regain control of the company in line with IFRS 10, following the completion of the voluntary insolvency proceedings in accordance with Chapter 11 of the US Bankruptcy Code currently in progress, in order to continue operating the company's business and to secure its sales capacities in the long term. Under IAS 39, current financial investments held for trading were classified as available for sale and measured at fair value through other comprehensive income. In accordance with IFRS 9, these are measured at fair value through profit or loss. Participations in subsidiaries, joint ventures, and associates of minor importance are not in the scope of IFRS 9 and are still measured at cost less impairment losses.

Financial assets held within a business model whose objective is to hold assets to collect the contractual cash flows are measured at amortised cost. If the business model provides for the collection of contractual cash flows as well as the sale of financial assets, these assets are measured at fair value through other comprehensive income. If neither of the two business models applies, the financial assets are measured at fair value through profit or loss.

The majority of the loans, trade receivables, and other operating receivables held by HeidelbergCement continue to fulfil the criteria for accounting at amortised cost. Financial assets that could not be assigned to either of the two business models or did not solely contain payments of principal and interest were reclassified and measured at fair value through profit or loss in accordance with IFRS 9.

IFRS 9 introduces a new impairment model that is applicable to all financial assets that are either measured at amortised cost or at fair value through other comprehensive income. This model provides for the recognition of expected credit losses at the time of initial recognition. This has led to an increase in risk provisions. For trade receivables and contract assets, the simplified approach of IFRS 9 is applied for impairments. For bank deposits, loans, and other financial receivables not classified as fair value through profit or loss, the general approach of IFRS 9 is used.

With regard to hedge accounting, IFRS 9 provides for the removal of the thresholds applied as part of retrospective effectiveness testing. Instead, evidence is to be documented of the economic relationship between the hedged item and the hedging instrument. Furthermore, the number of potential hedged items and the disclosures for hedge accounting were extended. The new regulations on hedge accounting will be applied prospectively. All currently existing hedges meet the requirements for hedge accounting in accordance with IFRS 9 and can be continued without amendment.

As the regulations for the classification and measurement of financial liabilities in accordance with IFRS 9 essentially correspond to the previous regulations in IAS 39, this has not resulted in any changes.

The following table shows the reconciliation of the original measurement categories and carrying amounts of the financial assets and liabilities under IAS 39 as at 31 December 2017 with the new measurement categories and carrying amounts in accordance with IFRS 9 as at 1 January 2018.

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Reconciliation IFRS 9 – classification and measurement

€m	Category of IAS 39 [1]	Carrying amount IAS 39 31 Dec. 2017	Reclassifications	Not in scope of IFRS 9	Measurement adjustments	Category of IFRS 9 [2]	Carrying amount IFRS 9 1 Jan. 2018
Assets							
Financial investments – available for sale at cost	AfS	87.1					
Non-current investments – no significant influence			36.9		-5.3	**FVTPL**	**31.6**
Non-current investments of minor importance – significant influence			50.2	-50.2		-	
Financial investments – available for sale at fair value	AfS	179.3					
Non-current investments – no controlling influence			169.0			**FVOCI**	**169.0**
Short-term financial investments			10.3			**FVTPL**	**10.3**
Loans and other interest-bearing receivables	LaR	203.5	203.5		-3.2	**AC**	**200.3**
Trade receivables and other operating receivables	LaR	2,265.4					
Trade receivables and other operating receivables – amortised cost			1,999.4	-158.2	-2.2	**AC**	**1,839.0**
Trade receivables and other operating receivables – fair value through profit or loss			266.0		-0.3	**FVTPL**	**265.7**
Cash and cash equivalents	LaR	2,108.6					
Cash and cash equivalents – amortised cost			1,902.2			**AC**	**1,902.2**
Cash and cash equivalents – fair value through profit or loss			206.4			**FVTPL**	**206.4**
Derivatives – hedge accounting	Hedge	1.7	1.7			**Hedge**	**1.7**
Derivatives – held for trading	HfT	15.0	15.0			**FVTPL**	**15.0**
		4,860.6	4,860.6	-208.4	-11.0		**4,641.2**
Liabilities							
Bonds payable, bank loans, and miscellaneous financial liabilities	FLAC	10,703.3	10,703.3			**AC**	**10,703.3**
Trade payables, liabilities relating to personnel, and miscellaneous operating liabilities	FLAC	3,740.3	3,740.3	-436.0		**AC**	**3,304.3**
Liabilities from finance lease	FLAC	16.6	16.6	-16.6		-	
Derivatives – hedge accounting	Hedge	0.0	0.0			**Hedge**	**0.0**
Derivatives – held for trading	HfT	37.8	37.8			**FVTPL**	**37.8**
Non-controlling interests with put options	FLAC	66.2	66.2			**AC**	**66.2**
		14,564.2	14,564.2	-452.6			**14,111.6**

1) AfS: Available for sale, LaR: Loans and receivables, Hedge: Hedge accounting; HfT: Held for trading, FLAC: Financial liabilities at amortised cost
2) AC: Amortised cost, FVTPL: Fair value through profit or loss, FVOCI: Fair value through other comprehensive income, Hedge: Hedge accounting

The effect of initial application of the new impairment model on 1 January 2018 recognised directly in equity is shown in the following table.

Reconciliation of loss allowances to IFRS 9

€m	Loans and other interest-bearing receivables	Trade receivables	Total
Loss allowances at 31 December 2017 (under IAS 39)	-2.0	-88.6	**-90.6**
Amounts restated through opening retained earnings	-3.2	-2.2	**-5.4**
Loss allowances at 1 January 2018 (under IFRS 9)	-5.2	-90.8	**-96.0**

IFRS 15 Revenue from Contracts with Customers provides a single, principles-based, five-step model for recognising and recording revenue, which is to be applied to all contracts with customers. It replaces IAS 18 (Revenue) and IAS 11 (Construction Contracts) in particular as well as the associated interpretations. For the transition to IFRS 15, the modified retrospective method was selected and the cumulative adjustment amount from the initial application was recognised directly

in equity in the retained earnings on 1 January 2018. The comparative figures for the same periods of the previous year were not adjusted. The option to simplify the initial application was exercised, and IFRS 15 has been applied only to contracts that had not yet been fulfilled on 1 January 2018.

The shift in timing of revenue recognition in individual cases due to the initial application of IFRS 15 led to a decrease of €2.7 million in retained earnings as at 1 January 2018. As at 1 January 2018, current contract assets of €11.7 million arose from the fulfilment of contractual obligations for which no unconditional right to payment exists as yet, and current contract liabilities of €80.0 million arose from customer prepayments. As the current contract assets and current contract liabilities were essentially already shown in the other current operating receivables and assets or in other current operating liabilities as at 31 December 2017, there were only minor reclassifications between these balance sheet items in the opening balance sheet as at 1 January 2018.

The initial application of IFRS 15 in the current financial year did not have any significant impact on the items in the consolidated balance sheet and income statement.

The table below summarises the impact of the initial application of IFRS 15 and IFRS 9 on the affected items of the consolidated balance sheet as at 1 January 2018. Items not affected by the changes have not been included. Consequently, the stated balance sheet total cannot be recalculated from the figures presented.

Effects of IFRS 15 and IFRS 9 on the consolidated balance sheet

€m	31 Dec. 2017	Adjustments IFRS 15	Adjustments IFRS 9	1 Jan. 2018
Assets				
Non-current assets				
Investments in joint ventures	1,334.1		2.7	**1,336.9**
Financial investments	256.1		-5.3	**250.8**
Loans and derivative financial instruments	88.5		-2.6	**85.9**
Deferred taxes	517.9		1.6	**519.4**
Current assets				
Current interest-bearing receivables	122.1		-0.6	**121.5**
Trade receivables	1,797.7	-2.1	-2.5	**1,793.1**
Other current operating receivables and assets	546.2	14.4		**560.6**
Balance sheet total	34,558.0	12.3	-6.7	**34,563.6**
Equity and liabilities				
Shareholders' equity and minority interests				
Retained earnings	9,494.8	-2.7	-40.7	**9,451.4**
Other components of equity	-1,822.4		34.0	**-1,788.4**
Current liabilities				
Other current operating liabilities	1,491.0	15.0		**1,506.0**
Balance sheet total	34,558.0	12.3	-6.7	**34,563.6**

The **amendments to IFRS 2: Group Cash-settled Share-based Payment Arrangements** have a narrow scope of application and concern specific areas of the classification and measurement of share-based payment transactions. The amendments did not have any impact on the financial position and performance of the Group.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations determines the timing of the exchange rate to be used for the translation of foreign currency transactions that include a prepayment made or received. The date used to determine the exchange rate for the underlying asset, income, or expense is generally the date of initial recognition of the asset or liability arising from the prepayment. The interpretation did not have any impact on the financial position and performance of the Group.

Published but not yet applicable accounting standards

The IASB and IFRS IC have adopted additional standards and interpretations that may impact the financial position and performance of the HeidelbergCement Group, but whose application was not yet mandatory for the 2018 financial year.

Published, but not yet applicable accounting standards		
Title	Date of initial application[1]	Endorsement by the EU Commission
IFRS 16 Leases	1 January 2019	yes
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019	yes
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	1 January 2019	yes
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	1 January 2019	yes
Annual improvements to IFRS Standards 2015-2017 Cycle	1 January 2019	no
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020	no
Amendments to IFRS 3 Business Combinations	1 January 2020	no
Amendments to IAS 1 und IAS 8: Definition of Material	1 January 2020	no

1) Fiscal years beginning on or after that date

HeidelbergCement will not apply these standards and interpretations until the date when their application first becomes mandatory and after endorsement by the European Commission.

IFRS 16 Leases provides new regulations for the accounting of leases and replaces IAS 17 (Leases) and related interpretations. For all leases, according to IFRS 16, the lessee has a fundamental obligation to account for rights and obligations arising under leases. In future, lessees will account for the right-of-use asset in the fixed assets as well as a corresponding lease liability. The lease liability is measured at the present value of the lease payments made during the term of the lease. The costs of the right-of-use asset include the initially recognised amount of the lease liability as well as any additional costs connected with the lease. The lease liability is compounded in subsequent periods and reduced by the amount of the lease payments made. The right-of-use asset is amortised on a straight-line basis over the term of the lease contract. Leases with a term of up to 12 months and contracts for low-value assets are exempted from the accounting obligation. For these leases, the lessee has the option of accounting on the basis of the current operating leases.

According to the current regulations of IAS 17, the expenses arising from operating leases are recognised as other operating expenses in the income statement; they are not recognised in the balance sheet. Payments for operating leases are shown under cash flow from operating activities in the statement of cash flows. The future minimum lease payments (not discounted) are mentioned in the Notes under the other financial commitments.

The application of IFRS 16 will lead to an increase in property, plant and equipment in the balance sheet due to the recognition of right-of-use assets. At the same time, financial liabilities will increase as a result of the recognition of lease liabilities. In the income statement, the expenses are reflected in the depreciation of right-of-use assets and in the interest expenses. In the statement of cash flows, the payments are divided into interest payments and principal payments. While the interest payments are shown in cash flow from operating activities, the principal payments are presented in cash flow from financing activities.

For the initial application on 1 January 2019, HeidelbergCement will apply the modified retrospective method. As part of the transition to IFRS 16, payment obligations from existing operating leases will be discounted at the corresponding incremental borrowing rates. The interest rates are calculated on the basis of the remaining term of the leases. The resulting present values are reported as lease liabilities. The right-of-use assets are capitalised in the amount of the lease liabilities, less the amount of prepaid or accrued lease payments. The previous year’s figures are not adjusted.

The existing procedure in accordance with IAS 17 and IFRIC 4 for determining the existence of leases will be retained for existing contracts. HeidelbergCement will account for leases with a remaining term of less than 12 months as at 1 January 2019 as short-term leases and recognise lease payments as an expense on a straight-line basis. Likewise, lease payments for low-value assets are recognised directly in the income statement. Leases classified as finance leases in accordance with IAS 17 are shown with the carrying amounts of the assets and liabilities as at 31 December 2018. In the case of lease contracts for vehicles and ships containing lease and non-lease components, the components are separated so that only the lease components are accounted for in accordance with the regulations of IFRS 16.

As a result of the initial application of IFRS 16 on 1 January 2019, we expect an increase of €1.3 billion in lease liabilities and the right-of-use assets reported under property, plant and equipment, with a variation of ± 5 percentage points. For the 2019 financial year, we expect an improvement in the earnings before interest and taxes (EBIT) of €15 million, with a variation of ± €5 million.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments clarifies the accounting of current and deferred tax liabilities and assets in accordance with IAS 12, where there is uncertainty over income tax treatments. The initial application is not expected to have a significant impact on the financial position and performance of the Group.

The **amendments to IAS 28: Long-term Interests in Associates and Joint Ventures** clarify that a company is obliged to apply IFRS 9 (Financial Instruments), including its impairment requirements, to non-current investments in associates or joint ventures that form a substantial part of the net investment in this company and are not accounted for using the equity method. The initial application is not expected to have a significant impact on the financial position and performance of the Group.

The **amendments to IAS 19: Plan Amendment, Curtailment or Settlement** clarify that, following the amendment, curtailment, or settlement of a defined benefit pension plan during the year, the current service cost and net interest for the remaining period are to be remeasured. This remeasurement is to be based on the actuarial assumptions valid at the time that the plan was changed. The amendments will not have any impact on the financial position and performance of the Group.

As part of the **Annual Improvements to IFRS Standards 2015–2017 Cycle**, the IASB made minor amendments to a total of four standards. The amendments will not have any impact on the financial position and performance of the Group.

The **amendments to References to the Conceptual Framework in IFRS Standards** contain editorial changes to IFRS standards that became necessary following the revision of the framework, as well as clarifications as to which version of the framework is applicable in individual cases.

The **amendments to IFRS 3 Business Combinations** provide a concrete definition of a business and introduce an optional concentration test. This test permits a simplified assessment of whether acquired business activities and assets represent a business or not.

The **amendments to IAS 1 and IAS 8: Definition of Material** concern the definition of the concept of materiality of information in the financial statements and should, in particular, make it easier for anyone preparing IFRS financial statements to assess materiality. The amendments also ensure that the definition of materiality is applied uniformly within the IFRS regulations.

The effects of the amendments to References to the Conceptual Framework in IFRS Standards, IFRS 3, as well as IAS 1 and IAS 8 on the financial position and performance of the Group are currently being analysed.

Other changes
In the 2017 financial year, the change in the fair value of the participation in the Permanente Group was not recognised in equity through other comprehensive income but instead offset against liabilities to the Permanente Group. The necessary adjustment was made retrospectively on 31 December 2017 and results in an increase of €65.0 million in other non-current operating liabilities and a corresponding decrease in equity and other comprehensive income.

On 5 September 2018, the IFRS Technical Committee of the Accounting Standards Committee of Germany (ASCG) adopted ASCG Interpretation 4 (IFRS) Accounting for Interest and Penalties Related to Income Taxes under IFRS. According to this interpretation, interest and penalties related to income taxes – such as interest relating to current tax – should now be accounted for in accordance with IAS 37 and can no longer be shown in the tax items in accordance with IAS 12. The interpretation is restricted to German law. As this represents a change in accounting policy, expenses of €26.9 million were reclassified from income taxes to the other financial result in the income statement as at 31 December 2017. In the balance sheet, an amount of €37.2 million was reclassified from the current income tax liabilities to other current provisions. In the 2018 financial year, provisions rose by €13.0 million.

Estimation uncertainty and assumptions

The presentation of the financial position and performance in the consolidated financial statements is dependent on estimates and assumptions made by the management, which affect the amounts and presentation of the assets and liabilities, expenses and income, and contingent liabilities accounted for in the period. The actual values may differ from these estimates. The assumptions and estimates relate particularly to the necessity and calculation of impairment of goodwill, the recognition of deferred tax assets, and the measurement of pension provisions and other provisions as well as the measurement of specific financial instruments (e.g. put options of non-controlling interests).

A cash flow-based method in accordance with IAS 36 (Impairment of Assets) is used to determine the recoverable amount of groups of cash-generating units as part of the impairment test for goodwill. In particular, estimates are required in relation to future cash flows of the groups of cash-generating units as well as to the discount rates and growth rates used (discounted cash flow method). A change in the influencing factors may have a significant impact on the existence or amount of impairment losses. Explanations concerning the composition of the carrying amount of goodwill and the impairment test are provided in Note 32 Intangible assets.

To assess the future probability that deferred tax assets can be utilised, various estimates must be adopted, for example operational plans, utilisation of losses carried forward, and tax planning strategies. If the actual results deviate from these estimates, this may impact the financial position and performance. More detailed information on current and deferred taxes is given in Note 11 Income taxes.

The obligations arising from defined benefit plans are determined on the basis of actuarial methods, which are based on assumptions and estimates concerning the discount rate, pension increase rate, life expectancy, and other influencing factors. A change in the underlying parameters may lead to differences in the amounts recognised in the balance sheet. Further details are given on ↗ page 119 f. and in Note 44 Pension provisions.

Provisions for damages and environmental obligations are measured on the basis of an extrapolation of the claims and estimates of the development of costs. A change in the influencing parameters may have an impact on the income statement as well as the amounts recognised in the balance sheet. The recognition and measurement of the other provisions are based on estimates of the probabilities of future outflow of resources and on the basis of empirical values and the circumstances known at the reporting date. The actual outflow of resources may differ from the outflow of resources expected at the reporting date and may have an impact on the recognition and measurement. Further explanations on provisions can be found in Note 45 Other provisions.

The measurement of specific financial instruments such as put options of non-controlling interests, which are not traded on an active market, is based on best possible estimates using probability forecasts and recognised actuarial methods.

Scope of consolidation

In addition to HeidelbergCement AG, the consolidated financial statements include 787 subsidiaries that have been fully consolidated, of which 34 are German and 753 are foreign companies. The changes in comparison with 31 December 2017 are shown in the following table.

Number of fully consolidated companies

	Germany	Abroad	Total
31 December 2017	35	747	**782**
First-time consolidations	1	24	**25**
Divestments	-1	-4	**-5**
Incorporations/mergers/liquidations/method changes	-1	-14	**-15**
31 December 2018	34	753	**787**

A list of shareholdings of the HeidelbergCement Group as at 31 December 2018 on the basis of the regulations of section 313(2) of the German Commercial Code (HGB) is provided on ↗ page 183 f. It contains an exhaustive list of all subsidiaries that make use of the exemption from disclosure obligations in accordance with section 264b of the German Commercial Code (HGB).

Business combinations in the reporting year

On 2 January 2018, our subsidiary Italcementi S.p.A. completed its acquisition of a 100 % shareholding in Cementir Italia and its subsidiaries. All conditions for the closing of the transaction have been fulfilled following the approval of the Italian competition authorities. To expand our market position in Italy, we made an agreement, via Italcementi, with Cementir Holding regarding the acquisition of the entire cement and concrete business line of Cementir Italia S.p.A., Rome, including the fully controlled subsidiaries Cementir Sacci S.p.A. and Betontir S.p.A., on 19 September 2017. The purchase price amounted to €316.0 million and was paid in cash. The acquisition comprises five cement and two cement grinding plants as well as a network of terminals and ready-mixed concrete plants. The goodwill of €98.3 million is not tax-deductible and represents synergy potential.

On 31 January 2018, our Australian subsidiary Hanson Holdings Australia Limited, Victoria, (Hanson Australia) acquired 100 % of the shares in Alex Fraser Pty. Ltd. Group, Victoria, one of Australia's leading manufacturers of recycled building materials and asphalt, from Swire Investments (Australia) Ltd. The purchase price amounted to €134.1 million and was paid in cash. The company operates three production sites in Melbourne and two in Brisbane. The Alex Fraser Group also produces asphalt at two plants in Melbourne. The purchase strengthens our market positions in the urban centers of Melbourne and Brisbane. Hanson Australia is also gaining expertise in the production of asphalt and recycled building materials, which ideally complements the existing business and can be leveraged for entry into additional markets. The goodwill of €67.8 million represents synergy potential and is not tax-deductible.

Hanson Australia also acquired 100 % of the shares in the Suncoast Asphalt Pty Ltd Group, Queensland, on 29 March 2018. The company produces asphalt and supplies customers in the private and public sectors in the South East Queensland region. The purchase price amounted to €18.7 million and was paid in cash. The purchase price allocation has not yet been completed, as the valuations are still to be finalised, particularly with regard to property, plant and equipment. The provisionally recognised, non-tax-deductible goodwill of €10.7 million represents synergy potential.

To strengthen its market position in Canada, HeidelbergCement acquired a cement plant in the province of Quebec on 7 February 2018 as part of an asset deal. The purchase price of €43.1 million, paid in cash, is subject to a standard working capital adjustment clause. The purchase price allocation has not yet been completed, as the valuations are still to be finalised, particularly with regard to property, plant and equipment. The provisionally recognised, tax-deductible goodwill of €38.4 million represents synergy potential.

In addition, HeidelbergCement acquired 100 % of the shares in both Fairburn Ready-Mix, Inc., Tyrone, and Harrell Aggregate Hauling, Inc., Tyrone, on 6 April 2018 via its US subsidiary Sherman Industries LLC, Wilmington. Fairburn Ready-Mix operates five ready-mixed concrete plants in the Atlanta metropolitan area. Harrell Aggregate Hauling provides transport services. This acquisition complements HeidelbergCement's core business and provides a platform for further growth. The provisional purchase price of €20.9 million is subject to the usual post-closing purchase price adjustments and is made up of a cash payment of €18.7 million and a purchase price liability of €2.2 million. The purchase price allocation has not yet been completed, as the valuations are still to be finalised, particularly with regard to property, plant and equipment. The provisionally recognised, tax-deductible goodwill of €11.7 million represents synergy and growth potential.

On 31 August 2018, HeidelbergCement acquired the business operations of five aggregates quarries in Belgium as part of an asset deal in order to increase its market presence in the aggregates business. The purchase price of €33.3 million, paid in cash, is subject to a standard adjustment clause. The purchase price allocation has not yet been completed, as the valuations are still to be finalised, particularly with regard to property, plant and equipment. The provisionally recognised goodwill of €4.1 million is tax-deductible and represents synergy potential.

On 31 December 2018, HeidelbergCement acquired aggregates pits and production sites for asphalt, as well as a 50 % share in a joint venture for residential construction, from Jack Cewe Ltd., Vancouver, Canada. Jack Cewe Ltd. is a medium-sized company that has had market presence in the Canadian province of British Columbia for more than 60 years. The acquisition strengthens HeidelbergCement's market position in the aggregates business with an additional 81 million tonnes of sand and gravel, and facilitates the Group's entry into the asphalt market in the Vancouver area. The provisional purchase price of €35.6 million is subject to the usual post-closing purchase price adjustments and is made up of a cash payment of €20.0 million and a purchase price liability of €15.6 million. The payment of the purchase price liability is expected in 2019 and 2020 and is partially tied to the seller's assistance in the integration of the acquired operations, including the extension or registration of certain mining rights on behalf of the purchaser. The provisionally recognised goodwill of €6.9 million is tax-deductible and represents growth potential. The purchase price allocation has not yet been completed, as the valuations are still to be finalised, particularly with regard to property, plant and equipment.

The following table shows the (provisional) fair values of the assets and liabilities acquired as part of the above-mentioned transactions.

(Provisional) fair values recognised as at the acquisition date					
€m	Italy	Australia	North America	Belgium	Total
Intangible assets	12.3	10.2	6.6		**29.1**
Property, plant and equipment	166.7	48.8	28.0	27.0	**270.5**
Financial fixed assets	0.9		5.7		**6.5**
Deferred taxes	15.1	2.5			**17.6**
Inventories	31.0	1.9	6.4	2.2	**41.5**
Trade receivables	51.2	19.2	4.0		**74.4**
Cash and cash equivalents	25.9	6.4	0.4		**32.8**
Other assets	15.1	1.0	0.1		**16.2**
Assets held for sale	44.2				**44.2**
Total assets	362.4	90.0	51.2	29.2	**532.7**
Deferred taxes	0.5				**0.5**
Provisions	46.3	3.3	6.6		**56.3**
Non-current liabilities	0.0	13.0			**13.0**
Current liabilities	95.9	-0.7	1.8		**97.0**
Liabilities associated with assets held for sale	2.0				**2.0**
Total liabilities	144.7	15.6	8.4		**168.7**
Net assets	217.7	74.4	42.7	29.2	**364.0**

The acquired property, plant and equipment relates to land and buildings (€101.6 million), plant and machinery (€152.1 million), other operating equipment (€7.0 million), and prepayments and assets under construction (€9.8 million).

As part of the business combinations, receivables with a provisional fair value of €78.8 million were acquired. These concern trade receivables amounting to €74.4 million and other operating receivables to the amount of €4.4 million. The gross value of the acquired receivables totals €113.7 million, of which €35.0 million is likely to be irrecoverable.

The companies have contributed €191.2 million to revenue and €-16.1 million to the profit for the financial year since their acquisition. If the acquisitions had taken place on 1 January 2018, contributions to revenue and profit for the financial year would be €33.8 million and €2.1 million higher respectively. The transaction costs of €5.6 million for the above-mentioned acquisitions were recognised in the additional ordinary expenses.

Furthermore, HeidelbergCement effected other business combinations during the reporting period that are of minor importance, both individually and collectively, for the presentation of the financial position and performance of the Group.

Business combinations in the previous year

On 30 June 2017, HeidelbergCement finalised the acquisition of aggregates pits and production sites for ready-mixed concrete and asphalt from Cemex in the northwest of the USA. The business activities taken over from Cemex include seven aggregates quarries, five ready-mixed concrete plants, and three asphalt plants. The aggregates reserves and resources that have been acquired amount to 110 million tonnes. With this acquisition, HeidelbergCement has strengthened its vertically integrated market position in the US states of Washington and Oregon. The purchase price of €129.8 million was settled in cash. The purchase price allocation has been completed. This resulted in a decrease of €1.1 million in property, plant and equipment and a rise of €0.3 million in provisions in comparison with 31 December 2017. The final goodwill of €38.0 million is tax-deductible and represents synergy potential.

To strengthen its market position in aggregates and ready-mixed concrete in the US state of New York, HeidelbergCement concluded the acquisition of the operating assets and liabilities of the Saunders Companies on 1 August 2017. The final purchase price after adjustment amounted to €30.9 million and was settled in cash. The purchase price allocation has been completed. The tax-deductible goodwill following the purchase price adjustment amounts to €5.3 million and represents synergy potential.

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

Fair values recognised as at the acquisition date	
€m	North America
Intangible assets	3.2
Property, plant and equipment	121.6
Inventories	9.6
Trade receivables	3.2
Other assets	3.4
Total assets	**141.0**
Provisions	21.3
Current liabilities	2.2
Total liabilities	**23.6**
Net assets	**117.4**

Divestments in the reporting year

On 15 December 2017, HeidelbergCement announced that it had signed an agreement with H+H International A/S and its subsidiary H+H Deutschland GmbH regarding the sale of the sand-lime brick activities. The sale was completed on 28 February 2018. The sale comprises the participations in the indirect subsidiaries Heidelberger Kalksandstein GmbH, KS-QUADRO Bausysteme GmbH, Durmersheim, Germany, and Hunziker Kalksandstein AG, Brugg, Switzerland. Additionally, it includes property belonging to subsidiaries of HeidelbergCement AG. As at 31 December 2017, the divested assets and liabilities were shown as disposal groups in the consolidated balance sheet. The sales price of €109.4 million was paid in cash. The divestment resulted in a gain of €68.6 million, which has been shown in the additional ordinary income.

On 14 February 2018, our US subsidiary Lehigh Cement Company LLC, Wilmington, signed an agreement for the sale of its 51 % participation in Lehigh White Cement Company, Harrisburg, to the non-controlling shareholders Aalborg Cement Company Inc. and Cemex, Inc. The sale was completed on 29 March 2018. The sales price amounted to €117.1 million and was paid in cash. It is subject to the usual post-closing purchase price adjustments. The profit on disposal of €48.1 million was recognised in the additional ordinary income.

On 1 June 2018 and 4 October 2018, our Italian subsidiary Italcementi S.p.A. completed the sale of the cement plant in Maddaloni, Italy, and a terminal in Calabria, Italy, via its subsidiary Cementir Italia S.p.A. With the disposal, HeidelbergCement met a condition imposed by the Italian competition authorities in connection with the acquisition of the Cementir activities in Italy. At the time of Cementir's acquisition, the divested assets and liabilities were shown as disposal groups. The disposal price is made up of a cash payment of €12.5 million and a discounted purchase price receivable of €31.4 million. The profit on disposal amounted to €1.7 million and was recognised in the additional ordinary income.

On 6 August 2018, HeidelbergCement completed the disposal of its shares in Suez Bags Company S.A.E., Cairo, Egypt. The sales price amounted to €7.8 million and was paid in cash. The divestment resulted in a gain of €4.4 million, which has been recorded in the additional ordinary income.

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

Assets and liabilities as at the date of divestiture					
€m	Sand-lime brick activities	North America	Italy	Egypt	Total
Intangible assets		33.6			**33.6**
Property, plant and equipment		27.4		1.3	**28.6**
Inventories		28.9		3.5	**32.4**
Cash and cash equivalents		2.9		2.9	**5.8**
Other assets		19.7		3.4	**23.2**
Disposal groups held for sale	51.9		44.3		**96.2**
Total assets	51.9	112.5	44.3	11.1	**219.8**
Provisions		0.7		0.2	**0.8**
Liabilities		11.7		3.8	**15.5**
Liabilities associated with disposal groups	11.1		2.1		**13.2**
Total liabilities	11.1	12.3	2.1	4.0	**29.5**
Net assets	40.8	100.2	42.2	7.1	**190.2**

Incidental disposal costs arising in connection with the divestments were recognised in the additional ordinary expenses.

Furthermore, HeidelbergCement effected other divestments during the reporting period that are of minor importance for the presentation of the financial position and performance of the Group.

Divestments in the previous year

On 8 February 2017, HeidelbergCement sold 100 % of the shares in Essroc San Juan Inc., Dorado, Puerto Rico. The company was acquired as part of the Italcementi acquisition. The sales price amounted to €6.5 million and was paid in cash. The divestment resulted in a loss of €6.0 million, which was recognised in the additional ordinary expenses.

On 27 October 2017 and 9 November 2017, HeidelbergCement sold ready-mixed concrete plants at various locations in the USA. The sales price totalled €8.6 million and was paid in cash. The divestment resulted in a gain totalling €2.3 million, which was recognised in the other operating income.

On 10 November 2017, HeidelbergCement sold 55 % of the shares in the fully consolidated CaucasusCement Holding B.V., 's-Hertogenbosch, Netherlands, and its Georgian subsidiaries LLC HeidelbergCement Georgia, LLC HeidelbergCement Caucasus, and LLC Terjola-Quarry, Tbilisi (CaucasusCement Group). The sales price amounted to €20.8 million and was paid in cash. The divestment resulted in a gain of €4.5 million, which is shown in the additional ordinary income. The participation of 45 % remaining after the divestment is accounted for as a joint venture in the consolidated financial statements.

On 30 November 2017, HeidelbergCement sold its shares in International City for Concrete Ltd., Jeddah, Saudi Arabia. The gain of €6.1 million resulting from the divestment is shown in the additional ordinary income.

On 30 November 2017, HeidelbergCement sold its participation in Interlacs S.A.R.L., Kinshasa, DR Congo. The divestment resulted in a loss of €2.5 million, which was recognised in the additional ordinary expenses.

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

Assets and liabilities as at the date of divestiture

€m	North America	Georgia	Saudi Arabia	DR Congo	Total
Intangible assets	2.6				**2.6**
Property, plant and equipment	8.1	119.8	5.4	0.3	**133.7**
Inventories	8.3	13.2	0.3	3.4	**25.2**
Cash and cash equivalents	1.0	2.6	0.4	1.5	**5.5**
Other assets	1.4	10.5	2.3	0.9	**15.0**
Total assets	21.5	146.2	8.4	6.1	**182.1**
Provisions	0.2	1.1	1.0	3.3	**5.6**
Liabilities	2.5	75.5	15.2	1.2	**94.3**
Total liabilities	2.7	76.6	16.2	4.5	**99.9**
Net assets	18.8	69.6	-7.8	1.6	**82.2**

Furthermore, HeidelbergCement effected smaller divestments in the Western and Southern Europe Group area during the reporting period that individually and collectively were of minor importance for the presentation of the financial position and performance of the Group.

Notes to the segment reporting

HeidelbergCement's segment reporting is based on the Group's internal division into geographical regions and business lines. It reflects the management organisation and divides the Group into geographical regions. In addition, a voluntary breakdown into business lines is provided.

HeidelbergCement is divided into six Group areas:

- Western and Southern Europe: Belgium, France, Germany, Italy, Netherlands, Spain, and the United Kingdom
- Northern and Eastern Europe-Central Asia: Denmark, Iceland, Norway, Sweden, and the Baltic States, as well as the cross-border Nordic Precast Group AB and Mibau Group, Bosnia-Herzegovina, Bulgaria, Croatia, Czechia, Georgia, Greece, Hungary, Kazakhstan, Poland, Romania, Russia, Slovakia, and Ukraine
- North America: Canada and USA
- Asia-Pacific: Bangladesh, Brunei, China, India, Indonesia, Malaysia, Singapore, Thailand, and Australia
- Africa-Eastern Mediterranean Basin: Benin, Burkina Faso, DR Congo, Egypt, Gambia, Ghana, Liberia, Morocco, Mauritania, Mozambique, Sierra Leone, Tanzania, Togo, as well as Israel and Turkey
- Group Services comprises the international trading activities as well as the activities in Kuwait and the United Arab Emirates.

HeidelbergCement is also divided into four business lines: cement, aggregates, ready-mixed concrete-asphalt, and service-joint ventures-other. The service-joint ventures-other business line essentially covers the trading activities and results of our joint ventures.

HeidelbergCement evaluates the performance in the segments primarily on the basis of the result from current operations. As Group financing (including financing expenses and income) is managed centrally by the Group and income taxes are, in general, calculated across business lines, neither is allocated to segments. The IFRS used in these financial statements form the basis for the valuation principles of the segment reporting. Revenue with other Group areas or business lines represents the revenue between segments. In the reconciliation, intra-Group relationships between the segments are eliminated.

The revenue and non-current assets of the main countries are shown in the table below. Revenue is allocated to countries according to the supplying company's country of origin.

Information by country	Revenue with external customers		Non-current assets[1]	
€m	2017	2018	2017	2018
USA	3,621	**3,533**	8,131	**8,431**
Australia	1,187	**1,303**	1,678	**1,777**
United Kingdom	1,227	**1,293**	2,579	**2,558**
Germany	1,198	**1,196**	1,207	**1,304**
France	1,142	**1,174**	1,614	**1,603**
Indonesia	943	**894**	1,077	**1,038**
Canada	724	**729**	567	**613**
Italy	442	**581**	722	**919**
Other countries	6,808	**7,372**	6,705	**6,539**
Total	17,266	**18,075**	24,285	**24,782**

1) Intangible assets and property, plant and equipment

Notes to the income statement

1 Revenue

The revenue shown in the consolidated income statement relates to revenue from contracts with customers in accordance with IFRS 15. In the following table, the revenue is broken down into the two categories "Type of products and services" (business lines) and Group areas.

Revenue development by Group areas and business lines	Cement		Aggregates		Ready-mixed concrete-asphalt		Service-other		Intra-Group eliminations		Total	
€m	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Western and Southern Europe	2,348	**2,536**	1,004	**1,064**	1,779	**1,845**	399	**362**	-828	**-872**	4,701	**4,936**
Northern and Eastern Europe-Central Asia	1,558	**1,566**	503	**523**	592	**639**	399	**420**	-218	**-231**	2,836	**2,916**
North America	1,861	**1,748**	1,591	**1,603**	1,054	**1,091**	259	**266**	-421	**-446**	4,345	**4,262**
Asia-Pacific	1,739	**1,717**	622	**592**	1,089	**1,204**	38	**69**	-333	**-321**	3,155	**3,262**
Africa-Eastern Mediterranean Basin	1,216	**1,293**	112	**96**	327	**338**	30	**40**	-100	**-99**	1,586	**1,667**
Group Services					39	**38**	1,274	**1,727**	-12	**-12**	1,301	**1,754**
Inter-Group area revenue within business lines	-56	**-60**	-28	**-30**			-1	**8**			-85	**-83**
Total	8,667	**8,800**	3,804	**3,848**	4,880	**5,155**	2,398	**2,893**	-1,911	**-1,981**	17,838	**18,715**
Inter-Group area revenue between business lines									-572	**-640**	-572	**-640**
Continuing operations									-2,483	**-2,621**	17,266	**18,075**

2 Other operating income

Other operating income		
€m	2017	2018
Gains from sale of fixed assets	197.7	**152.6**
Income from sale of non-core products	74.8	**44.0**
Rental income	36.7	**33.7**
Foreign exchange gains	32.4	**24.5**
Write back of provisions	29.6	**54.1**
Other income	261.5	**214.8**
	632.7	**523.7**

The gains from sale of fixed assets include gains from the sale of quarries in Canada and the United Kingdom that were depleted and no longer in operational use to the amount of €17.6 million (previous year: 78.7 in North America). The foreign exchange gains concern trade receivables and payables. Foreign exchange gains from interest-bearing receivables and liabilities are shown in the financial result. Income from the reversal of provisions includes the reversal of provisions that cannot be assigned by cost type. The line item also includes proceeds of €20.6 million (previous year: 26.0) from the disposal of energy-efficiency certificates in Italy, premium income of reinsurers of €19.0 million (previous year: 20.7), as well as numerous individual items.

Significant income that occurs in the course of ordinary business activities but not reported in result from current operations is shown in the additional ordinary income and explained in Note 8.

3 Material costs

Material costs

€m	2017	2018
Raw materials	2,438.2	**2,518.9**
Supplies, repair materials, and packaging	1,076.8	**1,053.2**
Costs of energy	1,690.8	**1,985.0**
Goods purchased for resale	1,305.1	**1,553.2**
Miscellaneous	270.8	**367.9**
	6,781.6	**7,478.1**

Material costs amounted to 41.4 % of revenue (previous year: 39.3 %).

4 Personnel costs and employees

Personnel costs

€m	2017	2018
Wages, salaries, social security costs	2,801.8	**2,816.0**
Costs of retirement benefits	153.3	**176.4**
Other personnel costs	34.6	**39.3**
	2,989.7	**3,031.7**

Personnel costs equalled 16.8 % of revenue (previous year: 17.3 %). The development of expenses for retirement benefits is explained in Note 44 Pension provisions.

Annual average number of employees

Categories of employees	2017	2018
Blue-collar employees	40,155	**39,418**
White-collar employees	19,746	**19,197**
Apprentices	460	**424**
	60,361	**59,039**

Long-term bonus – capital market component

As a long-term variable remuneration element, the members of the Managing Board of HeidelbergCement AG and certain managers within the HeidelbergCement Group receive a long-term bonus made up of a management component and a capital market component. The capital market component with a term of four years considers the external added value as measured by total shareholder return (TSR) – adjusted for the reinvested dividend payments and for changes in capital – compared with the relevant capital market indices, using performance share units (PSUs). The PSUs are virtual shares used for the calculation of the capital market component.

For the capital market component, the number of PSUs initially granted is determined in a first step: the number of PSUs is calculated from a set percentage of the fixed annual salary divided by the reference price of the HeidelbergCement share as at the time of issue. The reference price in each case is the average of the daily closing prices (trading days) of the HeidelbergCement share on the Frankfurt Stock Exchange Xetra trading system for three months retrospectively from the start/expiration of the performance period.

After expiry of the four-year performance period, the PSUs definitively earned are to be calculated in a second step according to the attainment of the target (0%–200%) and paid in cash at the reference price of the HeidelbergCement share valid at that time, adjusted for the reinvested dividend payments and for changes in capital.

The following table shows the key parameters of the plans.

Key parameters of the long-term bonus plans

	Plan 2015	Plan 2016	Plan 2017	Plan 2018
Date of issuance	1 January 2015	1 January 2016	1 January 2017	1 January 2018
Term	4 years	4 years	4 years	4 years
Reference price at issuance	€56.05	€69.91	€85.89	€88.34
Maximum payment amount per PSU	€140.13	€174.78	€214.73	€220.85

The reconciliation of the number of PSUs from 1 January 2015 to 31 December 2018 is shown in the following table.

Number of PSUs

	Plan 2015	Plan 2016	Plan 2017	Plan 2018
Granted as of 1 January 2015				
Additions	148,853			
Disposals	-9,382			
Granted as of 31 December 2015 / as of 1 January 2016	139,471			
Additions		129,541		
Disposals	-3,466	-6,234		
Granted as of 31 December 2016 / as of 1 January 2017	136,005	123,307		
Additions			122,851	
Disposals	-1,830	-3,140	-12,139	
Granted as of 31 December 2017 / as of 1 January 2018	134,175	120,167	110,712	
Additions				114,474
Disposals	-504	-1,554	-2,711	-2,729
Granted as of 31 December 2018	133,671	118,613	108,001	111,745

In the reporting year, all of the 123,941 PSUs from the 2014 plan granted as at 31 December 2017 were exercised and either settled via cash payment or lapsed due to the departure of employees.

For accounting in accordance with IFRS 2 (Share-based Payment), the fair value of the PSUs is calculated using a recognised option price model. A large number of different development paths for the HeidelbergCement share – taking into account the effects of reinvested dividends – and the benchmark indices are simulated (Monte Carlo simulation). As at the reporting date, the benchmark index DAX 30 had 10,559 points (previous year: 12,918) and the benchmark index MSCI World Construction Materials 156.5 points (previous year: 225.1).

The fair value and additional valuation parameters are shown in the tables below.

Fair value

in €	Plan 2015	Plan 2016	Plan 2017	Plan 2018
Fair value as of 31 December 2015	130.31			
Fair value as of 31 December 2016	166.28	143.86		
Fair value as of 31 December 2017	185.64	164.33	115.15	
Fair value as of 31 December 2018	125.00	62.24	24.92	20.19

Measurement parameters	31 Dec. 2015	31 Dec. 2016	31 Dec. 2017	31 Dec. 2018
	Plans 2013/14/15	Plans 2014/15/16 [2]	Plans 2015/16/17 [2]	Plans 2016/17/18 [2]
Expected dividend yield	7.0 %	6.5 %	7.0 %	6.5 %
Share price at 31 December	€75.62	€88.63	€90.25	€53.38
Volatility of HeidelbergCement share [1]	25 %	25 %	20 %	18 %
Volatility of MSCI World Construction Materials Index [1]	17 %	19 %	16 %	13 %
Volatility of DAX 30 Index [1]	20 %	20 %	14 %	11 %
Correlation HeidelbergCement share / MSCI World Construction Materials Index [1]	29 %	78 %	91 %	93 %
Correlation HeidelbergCement share / DAX 30 Index [1]	91 %	37 %	80 %	63 %
Correlation DAX 30 Index / MSCI World Construction Materials Index [1]	21 %	61 %	88 %	77 %

1) Average over the last two years
2) The plans expiring in the financial year were revalued each on the base of the current value (31 Dec. 2016: Plan 2013 / 31 Dec. 2017: Plan 2014 / 31 Dec. 2018: Plan 2015).

The total expenditure for the capital market component of the long-term bonus plan for the 2018 financial year amounted to €-3.4 million (previous year: 15.5). As at the reporting date, the provisions for the capital market component totalled €23.1 million (previous year: 39.4). The capital market component of the long-term bonus plan 2015–2017/18 is paid after the Annual General Meeting 2019. The same applies to the additional current long-term bonus plans, i.e. payment takes place in the year following the four-year performance period.

5 Other operating expenses

Other operating expenses		
€m	2017	2018
Selling and administrative expenses	1,151.1	**1,180.8**
Freight	1,767.1	**1,881.7**
Expenses for third party repairs and services	1,587.6	**1,667.2**
Rental and leasing expenses	370.8	**372.5**
Other taxes	84.5	**85.3**
Foreign exchange losses	38.1	**32.4**
Losses from the derecognition of operating receivables		**5.7**
Impairment losses on operating receivables and contract assets		**13.6**
Other expenses	83.3	**56.0**
	5,082.4	**5,295.3**

The foreign exchange losses concern trade receivables and payables. Foreign exchange losses from interest-bearing receivables and liabilities are shown in the financial result.

Significant expenses that occur in the course of ordinary business activities but are not reported in result from current operations are shown in the additional ordinary expenses and explained in Note 8.

6 Result from joint ventures

With its joint venture partners, HeidelbergCement operates numerous joint ventures worldwide. The following companies make an important contribution to the result from current operations of the HeidelbergCement Group.

- Cement Australia Holdings Pty Ltd, based in New South Wales, Australia, is a joint venture between HeidelbergCement and LafargeHolcim. Each partner holds 50 % of the capital shares in the company. Cement Australia is the largest Australian cement manufacturer and operates two cement plants and two grinding plants in eastern and southeastern Australia as well as in Tasmania. HeidelbergCement procures its entire Australian cement demand from Cement Australia.

- Akçansa Çimento Sanayi ve Ticaret A.S., based in Istanbul, Turkey, is a joint venture between HeidelbergCement and Haci Ömer Sabanci Holding A.S. HeidelbergCement and Sabanci Holding each hold 39.7 % of the capital shares in Akçansa. The remaining shares are in free float. Akçansa is the largest cement manufacturer in Turkey and operates three cement plants in the north and northwest of the country as well as six grinding plants. It also has a dense network of ready-mixed concrete production sites and manufactures aggregates.

- Texas Lehigh Cement Company LP, based in Austin, USA, operates one cement plant in Buda, Texas, and supplies the regional market. The joint venture partners HeidelbergCement and Eagle Materials, Inc. each hold 50 % of the capital shares in the company.

The following table shows the statement of comprehensive income for these material joint ventures (100 % values).

Statement of comprehensive income for material joint ventures	Cement Australia Holdings Pty Ltd		Akçansa Çimento Sanayi ve Ticaret A.S.		Texas Lehigh Cement Company LP	
€m	2017	2018	2017	2018	2017	2018
Revenue	710.8	**690.4**	386.1	**312.4**	195.2	**180.5**
Depreciation and amortisation	-33.8	**-28.9**	-20.3	**-14.9**	-2.5	**-2.4**
Result from current operations	174.5	**171.7**	53.3	**51.2**	79.1	**66.8**
Additional ordinary result	-3.4	**-2.5**				
Result from participations			5.5	**2.4**	0.0	**0.0**
Earnings before interest and taxes (EBIT)	171.1	**169.2**	58.8	**53.6**	79.1	**66.8**
Interest income			1.0	**3.6**		
Interest expenses	-12.6	**-12.9**	-15.9	**-13.6**	-0.1	**0.0**
Other financial result	-0.5	**-0.6**	-0.6	**-4.7**	-0.1	**-0.1**
Profit before tax	158.1	**155.7**	43.3	**38.9**	78.9	**66.7**
Income taxes	-12.3	**-12.2**	-7.5	**-7.7**	-0.6	**-0.5**
Profit for the financial year	145.8	**143.5**	35.9	**31.2**	78.3	**66.2**
Other comprehensive income	-9.8	**13.5**	-41.4	**-59.6**	-12.0	**6.3**
Total comprehensive income	136.0	**157.0**	-5.5	**-28.4**	66.3	**72.5**

The assets and liabilities of the material joint ventures (100 % values), the reconciliation to the total carrying amount of the interest, and the dividends received by the joint ventures are shown in the following table.

Additional financial information for material joint ventures	Cement Australia Holdings Pty Ltd		Akçansa Çimento Sanayi ve Ticaret A.S.		Texas Lehigh Cement Company LP	
€m	2017	2018	2017	2018	2017	2018
Intangible assets	20.2	**19.4**	38.0	**29.0**		
Property, plant and equipment	391.8	**364.8**	183.9	**139.4**	40.6	**45.1**
Financial assets	42.3	**40.0**	47.6	**28.1**	15.1	**15.7**
Other non-current assets	2.4	**2.4**	1.0	**0.8**		
Total non-current assets	456.7	**426.6**	270.5	**197.3**	55.7	**60.8**
Cash and cash equivalents	2.4	**0.5**	11.5	**45.4**	0.4	**0.3**
Other current assets	109.0	**108.1**	143.5	**119.5**	55.7	**62.0**
Total current assets	111.4	**108.6**	155.1	**164.9**	56.1	**62.3**
Total assets	568.2	**535.2**	425.6	**362.2**	111.8	**123.1**
Non-current interest-bearing liabilities	204.3	**245.9**		**16.5**		
Non-current provisions	6.0	**5.8**	9.2	**7.4**	3.7	**2.4**
Other non-current liabilities	12.1	**13.0**	10.5	**6.2**		
Total non-current liabilities	222.4	**264.7**	19.7	**30.1**	3.7	**2.4**
Current interest-bearing liabilities	88.7	**101.8**	84.8	**80.0**	8.3	
Current provisions	10.5	**9.4**	1.7	**2.4**	0.1	**0.3**
Trade payables	41.0	**50.9**	62.3	**56.9**	7.1	**10.8**
Other current liabilities	54.1	**51.1**	9.3	**6.8**	3.7	**4.0**
Total current liabilities	194.3	**213.2**	158.1	**146.1**	19.2	**15.1**
Total liabilities	416.7	**477.9**	177.8	**176.2**	22.9	**17.5**
Net assets	151.5	**57.3**	247.8	**186.0**	88.9	**105.6**
Non-controlling interests			1.9	**1.5**		
Net assets after non-controlling interests	151.5	**57.3**	245.9	**184.5**	88.9	**105.6**
Group share in %	50.0	**50.0**	39.7	**39.7**	50.0	**50.0**
Investments in joint ventures	75.7	**28.7**	97.7	**73.3**	44.4	**52.8**
Goodwill	356.9	**337.2**	59.1	**59.1**	35.3	**37.0**
Total carrying amount of the interest	432.6	**365.9**	156.8	**132.4**	79.7	**89.8**
Dividends received	98.9	**117.1**	23.9	**10.8**	33.5	**27.1**

The Akçansa share is listed on the stock exchange in Istanbul. As at the reporting date, the fair value of shares held by HeidelbergCement amounts to €92.8 million (previous year: 183.2).

HeidelbergCement also holds investments in individually immaterial joint ventures. These now include the joint venture Alliance Construction Materials Limited, located in Kowloon, Hong Kong, which was still classified as a material joint venture in the previous year. The summarised financial information for these companies is shown in the following table (HeidelbergCement shareholding). The previous year's values have been adjusted accordingly.

Summarised financial information for immaterial joint ventures		
€m	2017	2018
Investments in immaterial joint ventures	665.7	**613.6**
Result from continuing operations	78.0	**86.4**
Other comprehensive income	-11.4	**-2.4**
Total comprehensive income	66.6	**84.0**
Unrecognised share of losses of the period		**-0.4**
Unrecognised share of losses cumulated	0.0	**-0.4**

7 Amortisation and depreciation of intangible assets and property, plant and equipment

Scheduled amortisation of intangible assets and depreciation of property, plant and equipment is determined on the basis of the following Group-wide useful lives.

Useful lives

	Years
Standard software	**3**
SAP applications	**3 to 5**
Buildings	**20 to 40**
Technical equipment and machinery	**10 to 30**
Plant and office equipment	**5 to 10**
IT hardware	**4 to 5**

Impairment losses are shown in the additional ordinary expenses.

8 Additional ordinary result

The additional ordinary result includes income and expenses that, although occurring in the course of ordinary business activities, are not reported in result from current operations.

Additional ordinary result

€m	2017	2018
Additional ordinary income		
Gains from the disposal of subsidiaries and other business units	11.8	**125.3**
Other additional income	86.6	**114.8**
	98.4	**240.2**
Additional ordinary expenses		
Losses from the disposal of subsidiaries and other business units	-8.6	**-4.0**
Impairment of other intangible assets and property, plant and equipment	-67.5	**-34.3**
Restructuring expenses	-78.1	**-17.0**
Other additional expenses	-77.1	**-76.5**
	-231.3	**-131.8**
	-132.8	**108.3**

Additional ordinary income

In 2018, the gains from the disposal of subsidiaries and other business units were essentially attributable to the disposal of the sand-lime brick activities in Germany, the 51 % participation in Lehigh White Cement Company in North America, and the shares in Suez Bags Company S.A.E. in Egypt. In the previous year, the item primarily included gains from the sale of International City for Concrete Ltd., Saudi Arabia, and from the divestment of the CaucasusCement Group.

Other additional income includes income from the reversal of provisions for litigation risks, environmental obligations, and claims amounting to €67.1 million, income of €24.8 million from the disposal of financial assets, income from indemnities amounting to €12.0 million, and other income not reported in result from current operations. In the 2017 financial year, this line item included income from the reversal of provisions for environmental obligations, claims, and restructuring amounting to €47.2 million, income of €20.3 million from indemnities, income of €14.0 million from the disposal of financial investments, reversal of impairment losses amounting to €2.3 million, and other income not reported in result from current operations.

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Additional ordinary expenses

The losses from the disposal of subsidiaries and other business units in the 2018 financial year are essentially attributable to the divestment of the Ukrainian subsidiary KSL Limited Liability Company, Busheve. In the previous year, this item included losses from the divestment of the subsidiaries Essroc San Juan Inc. and Interlacs S.A.R.L.

The impairment of other intangible assets and property, plant and equipment arose in the Group areas of Northern and Eastern Europe-Central Asia (€19.9 million), Western and Southern Europe (€7.7 million), Africa-Eastern Mediterranean Basin (€5.6 million), North America (€0.8 million), and Asia-Pacific (€0.3 million). In the Northern and Eastern Europe-Central Asia Group area, the fixed assets of our Ukrainian subsidiaries, which were reclassified into the disposal group in accordance with IFRS 5 in view of the intention to sell, were impaired by €18.7 million. Impairment losses were also recognised in connection with shutdowns of locations in particular. Overall, impairment losses of €19.2 million were recognised on the value in use and €15.1 million on the fair value less costs to sell.

The restructuring expenses in the financial year were incurred in the Group areas of Western and Southern Europe (€5.7 million), North America (€4.8 million), Asia-Pacific (€4.0 million), Northern and Eastern Europe-Central Asia (€1.3 million), and Africa-Eastern Mediterranean Basin (€1.2 million).

Other additional expenses include additions to provisions for litigation risks of €32.3 million, expenses of €24.7 million connected with the closure of locations, incidental disposal costs of €8.1 million for divestments, transaction costs for business acquisitions amounting to €5.8 million, impairments of €3.1 million to spare parts in the context of the impairment of property, plant and equipment, and other expenses not reported in results from current operations. In the previous year, this item included integration costs of €36.4 million associated with the Italcementi acquisition, expenses of €25.6 million connected with litigation risks, expenses of €6.0 million from asset stocktaking, and transaction costs for business acquisitions amounting to €4.4 million, as well as other expenses not reported in result from current operations.

9 Result from associates

The following table shows the summarised financial information concerning the associates.

Summarised financial information for associates

€m	2017	2018
Investments in associates	502.4	**512.2**
Result from associates	51.6	**42.0**
Other comprehensive income	-9.3	**3.1**
Total comprehensive income	42.3	**45.1**
Unrecognised share of losses of the period	-0.8	**-1.2**
Unrecognised share of losses cumulated	-6.6	**-6.8**

10 Other financial result

Other financial result

€m	2017	2018
Interest balance from defined benefit pension plans	-26.5	**-20.0**
Interest effect from the valuation of other provisions	-6.2	**-4.6**
Valuation result of derivative financial instruments	-6.3	**-7.6**
Impairment losses on interest-bearing receivables		**-10.6**
Miscellaneous other financial result	-61.3	**-53.6**
	-100.4	**-96.4**

Interest rate effects arising from the valuation of other provisions are explained in Note 45. The valuation result of derivative financial instruments essentially stems from the interest component of the foreign currency derivatives. In the previous year, impairment losses on financial receivables of €2.1 million were shown in the result from participations.

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11 Income taxes

Income taxes from continuing operations		
€m	2017	2018
Current taxes	-358.7	**-197.7**
Deferred taxes	-220.8	**-266.5**
	-579.5	**-464.1**

Adjusted for additional tax payments and tax refunds for previous years, which amounted to €50.0 million (previous year: -8.6), the current taxes decreased by €102.4 million. The deferred tax expense includes expenses of €-107.4 million (previous year: -96.9) due to the recognition and reversal of temporary differences. Deferred tax assets created in previous years for losses carried forward were offset and reduced by €-51.8 million (previous year: -115.6) during the reporting year. The reduction in the deferred tax expense for tax losses not recognised in previous years amounted to €35.7 million in the financial year (previous year: 144.5).

Tax losses carried forward and tax credits for which no deferred tax is recognised amount to €3,623.1 million (previous year: 3,517.3). The losses carried forward both in Germany and abroad have essentially vested, but are not determined separately in all countries by official notice and are therefore partly subject to review by the financial authorities prior to utilisation. In addition, no deferred tax assets were recognised for deductible temporary differences of €266.2 million (previous year: 346.3). Overall, unrecognised deferred tax assets amounted to €924.5 million (previous year: 926.6) in the reporting year.

In the financial year, €-33.9 million (previous year: -87.3) in deferred taxes, resulting primarily from the measurement of pension provisions in accordance with IAS 19, was recognised directly in equity. The previous year's figure of €-53.0 million for deferred taxes offset against equity was mainly attributable to the lower tax rate in the USA, which was adopted in connection with the tax reform. The deferred taxes decreased by €-16.6 million (previous year: -1.0) as a result of changes to the scope of consolidation and were recognised directly in equity.

As laid down in IAS 12, deferred taxes must be recognised on the difference between the share of equity of a subsidiary captured in the consolidated balance sheet and the carrying amount for this subsidiary in the parent company's tax accounts, if realisation is expected (outside basis differences). On the basis of the regulations for the application of IAS 12.39, deferred taxes of €38.8 million (previous year: 34.7) were recognised on planned future dividends. No deferred tax liabilities were recognised for additional outside basis differences from undistributed profits of the subsidiaries of HeidelbergCement AG amounting to €8.3 billion (previous year: 8.8), as no further dividend payments are planned. In accordance with the regulations of IAS 12.87, the amount of unrecognised deferred tax liabilities was not computed.

To measure deferred taxes, a combined income tax rate of 29.7 % is applied for the domestic companies. This consists of the statutory corporation tax rate of 15.0 % plus the solidarity surcharge of 5.5 % levied on the corporation tax to be paid, as well as an average trade tax burden of 13.9 %. For 2017, the combined income tax rate was also 29.7 %.

The calculation of the expected income tax expense at the domestic tax rate is carried out using the same combined income tax rate that is used in the calculation of deferred taxes for domestic companies.

The profit before tax of the Group companies based abroad is taxed at the applicable rate in the respective country of residence. The local income tax rates range between 0 % and 35.0 %, thus resulting in corresponding tax rate differentials.

A weighted average tax rate is established by taking the tax rate differentials into account. The decline in this rate in comparison with the earlier period is due to the change in the relative weighting of the companies' results. Furthermore, the tax reform adopted in the USA in the previous year and the associated reduction of the federal corporate tax rate from 35 % to 21 % led to a decrease in the weighted average tax rate.

Tax reconciliation of continuing operations		
€m	2017	2018
Profit before tax	1,688.4	**1,764.5**
Expected tax expense at national tax rate of 29.7 % (2017: 29.7 %)	-501.5	**-524.1**
Tax rate differentials	46.2	**99.2**
Expected tax expense at weighted average tax rate of 24.1 % (2017: 27.0 %)	-455.3	**-424.9**
Tax-free earnings (+) and non-deductible expenses (-)	-0.3	**-4.8**
Effects from loss carry forwards	28.9	**-16.1**
Not recognised deferred tax assets	-36.8	**-49.2**
Tax increase (-), reduction (+) for prior years	-68.5	**52.4**
Changes in tax rate	-46.9	**0.2**
Others	-0.5	**-21.8**
Income taxes	-579.5	**-464.1**

Deferred tax by type of temporary difference		
€m	2017	2018
Deferred tax assets		
Fixed assets	61.2	**72.1**
Other assets	52.4	**48.6**
Provisions and liabilities	617.4	**566.0**
Carry forward of unused tax losses and interest, tax credits	643.2	**487.2**
Gross amount	1,374.3	**1,174.0**
Netting	-856.4	**-859.6**
	517.9	**314.4**
Deferred tax liabilities		
Fixed assets	1,236.5	**1,254.5**
Other assets	18.4	**22.5**
Provisions and liabilities	251.1	**305.3**
Gross amount	1,506.1	**1,582.3**
Netting	-856.4	**-859.6**
	649.7	**722.8**

12 Discontinued operations and disposal groups

Discontinued operations

The result essentially includes income and expenses incurred in connection with discontinued operations of the Hanson Group in previous years and that result primarily from provisions for damages and environmental obligations. Further details on the obligations are provided in Note 45 Other provisions.

The following table shows the composition of the result.

Net loss from discontinued operations of the Hanson Group in previous years		
€m	2017	2018
Income		**13.6**
Expenses	-39.6	**-32.1**
Attributable income taxes	-10.8	**4.3**
	-50.4	**-14.2**

The attributable income taxes also relate to taxes for previous years. In addition, the income tax expense in the previous year was affected by the effects of the US tax reform.

Disposal groups
On 21 September 2018, HeidelbergCement announced that its Egyptian subsidiary Helwan Cement Company S.A.E. had entered into an agreement with Emaar Industries to sell its white cement plant in Minya, Egypt. The sale was completed on 6 February 2019.

In addition, HeidelbergCement signed an agreement with Overin Limited, Cyprus, on 19 December 2018 regarding the sale of its participations in Ukraine. The sale comprises the participations in the subsidiaries HeidelbergCement Ukraine Private Joint Stock Company, HeidelbergGranit Ukraine Limited Liability Company, HeidelbergBeton Ukraine Limited Liability Company, and Rybalsky Quarry Limited Liability Company. This has not yet been approved by the antitrust authorities. The transaction is expected to close in the second quarter of 2019.

The disposal groups also include non-current assets of the Western and Southern Europe Group area whose sale within the next 12 months is regarded as highly probable. These assets are measured at their fair values less costs to sell.

In the previous year, the disposal groups included the sand-lime brick activities. The sale was completed on 28 February 2018. Further explanations are given in Divestments in the reporting year on ↗ page 134 f. Also non-current assets held for sale of the Western and Southern Europe Group area were reported in this item.

The following overview shows the main groups of assets and liabilities of the disposal groups.

Assets and liabilities classified as held for sale

€m	2017	2018
Intangible assets	23.5	**13.9**
Property, plant and equipment	61.6	**37.5**
Other non-current assets	0.2	**1.5**
Inventories	8.8	**20.4**
Cash and cash equivalents	0.3	**2.2**
Other current assets	5.3	**3.7**
Assets classified as held for sale	99.7	**79.2**
Pension provisions	0.3	**1.9**
Other non-current provisions	0.1	**1.3**
Non-current liabilities	1.8	
Current provisions	0.2	**0.3**
Current liabilities	10.5	**7.7**
Liabilities classified as held for sale	12.9	**11.2**
Net assets	86.8	**68.0**

Other components of equity as of 31 December 2018 contains expenses of €143.9 million connected with disposal groups.

13 Proposed dividend

The Managing Board and Supervisory Board propose the following dividend: €2.10 per share. Based on 198,416,477 no-par value shares entitled to participate in dividends for the 2018 financial year, the amount for dividend payment comes to €416,674,602.

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14 Earnings per share

Earnings per share		
€m	2017	2018
Profit for the financial year	1,058.2	**1,286.2**
Non-controlling interests	140.5	**143.2**
Group share of profit	917.7	**1,143.0**
Number of shares in '000s (weighted average)	198,416	**198,416**
Earnings per share in €	4.62	**5.76**
Net income from continuing operations – attributable to the parent entity	968.4	**1,157.2**
Earnings per share in € – continuing operations	4.88	**5.83**
Net loss from discontinued operations – attributable to the parent entity	-50.8	**-14.2**
Loss per share in € – discontinued operations	-0.26	**-0.07**

Notes to the statement of cash flows

The consolidated statement of cash flows shows how the Group's cash and cash equivalents changed through inflows and outflows during the reporting year. In accordance with IAS 7 (Statement of Cash Flows), a distinction is made between cash flows from operating, investing, and financing activities. The changes in the relevant balance sheet items cannot be directly derived from the consolidated balance sheet, as they are adjusted for non-cash transactions, such as effects arising from currency translation and changes to the scope of consolidation.

The cash flow is calculated as net income from continuing operations adjusted for income taxes, net interest, depreciation, amortisation, impairment losses, and other non-cash items. Cash flows from dividends received from non-consolidated companies, from interest received and paid, and from income taxes paid are also recognised. Changes in working capital and utilisation of provisions are taken into account when determining the cash flow from operating activities.

Cash flows from the acquisition or sale of intangible assets as well as property, plant and equipment and financial assets are recognised in the cash flow from investing activities. If these relate to the acquisition or disposal of subsidiaries or other business units (gain or loss of control), the effects on the statement of cash flows are shown in separate items.

The cash flow from financing activities mainly results from changes in capital and dividend payments as well as proceeds from and repayments of bonds and loans. In addition, cash flows from changes in ownership interests in subsidiaries that do not result in a loss of control are classified as financing activities.

The cash flows from foreign Group companies shown in the statement are generally translated into euro using the average annual exchange rates. In contrast, cash and cash equivalents are translated using the exchange rate at year end, as in the consolidated balance sheet. The effects of exchange rate changes on cash and cash equivalents are shown separately.

The significant individual items in the statement of cash flows are explained below.

15 Dividends received

The cash inflow from dividends received relates with €223.9 million (previous year: 242.3) to joint ventures, with €24.1 million (previous year: 30.2) to associates, and with €1.7 million (previous year: 5.6) to other participations.

16 Interest received/Interest paid

The cash inflow from interest received decreased by €9.7 million to €107.3 million (previous year: 117.0). As a result of lower financing costs, interest payments fell significantly by €45.3 million to €507.9 million (previous year: 553.3).

17 Income taxes paid

This item includes payments relating to income taxes amounting to €260.8 million (previous year: 362.0).

18 Elimination of other non-cash items

The other non-cash items include non-cash expenses and income, such as additions to and reversals of provisions, results from participations accounted for using the equity method, non-cash effects from foreign currency translation, as well as impairments and reversals of write-downs of current assets. Furthermore, the results are adjusted for the book profits and losses from fixed asset disposals. The total amount earned from these fixed asset disposals is shown under divestments in investment activities.

19 Changes in operating assets

Operating assets consist of inventories, trade receivables, and other assets used in operating activities.

20 Changes in operating liabilities

Operating liabilities include trade payables and other liabilities from operating activities.

21 Decrease in provisions through cash payments

This item includes the cash outflow of pension provisions and other provisions.

22 Cash flow from discontinued operations

In the previous year, the cash flow from discontinued operations contained the cash flows associated with the Belgian Italcementi activities as well as North American Italcementi locations that were resold to meet the conditions of the competition authorities. The positive cash flow from investing activities of discontinued operations of €10.2 million in the previous year was attributable to subsequent disposal proceeds.

23 Investments (cash outflow)

The payments for investments differ from additions in the fixed-asset movement schedule, which shows, for instance, non-cash items as additions, such as additions in connection with barter transactions or contributions in kind.

Of the total cash-relevant investments of €1,723.3 million (previous year: 1,278.4), €680.4 million (previous year: 644.4) related to investments to sustain and optimise capacity and €1,043.0 million (previous year: 634.0) to capacity expansions.

Investments in intangible assets and property, plant and equipment amounted to €1,060.8 million (previous year: 1,035.4) and concerned maintenance, optimisation, and environmental protection measures at our production sites, as well as expansion projects in growth markets.

Payments for the acquisition of subsidiaries and other business units amounted to €623.9 million (previous year: 170.3); this figure was primarily attributable to business combinations in Italy, Australia, and North America. In the previous year, €160.1 million was paid for business combinations in North America. Further details of the acquisitions can be found on ↗ page 132 f.

The investments in financial assets, associates, and joint ventures totalled €38.7 million (previous year: 72.6).

24 Divestments (cash inflow)

The cash inflow from the disposal of subsidiaries and other business units amounted to €280.4 million (previous year: 42.8), of which €109.4 million relates to the sale of the sand-lime brick activities in Germany and €117.1 million to the sale of Lehigh White Cement in the USA. In the previous year, €20.8 million of the proceeds related to the sale of 55 % of the shares in CaucasusCement Holding B.V. and €15.2 million to the divestments in North America. Detailed explanations on the divestments are provided on ↗ page 134 f.

Proceeds from the disposal of other fixed assets amounting to €282.0 million (previous year: 390.9) include proceeds from the disposal of intangible assets and property, plant and equipment totalling €164.7 million (previous year: 252.9). The remaining payments received of €117.3 million (previous year: 138.0) primarily apply to the disposal of financial assets, associates, and joint ventures as well as the repayment of loans.

25 Cash from changes in consolidation scope

This line shows the change in cash and cash equivalents in connection with a gain or loss of control over subsidiaries and other business units and with other changes to the scope of consolidation.

Cash and cash equivalents amounting to €35.5 million (previous year: 2.8) were acquired in connection with the investments in subsidiaries and other business units. Of this figure, €25.9 million relates to the cash and cash equivalents of the acquired Cementir companies in Italy. Cash and cash equivalents of €8.8 million (previous year: 5.5) were disposed of in connection with the disposal of subsidiaries and other business units.

26 Decrease/increase in ownership interests in subsidiaries

This item shows cash flows from the decrease or increase in ownership interests in subsidiaries that do not lead to a loss of control. The proceeds of €5.9 million from the decrease in ownership interests in subsidiaries relate to the sale of 50 % of the subsidiary Betong Øst Trøndelag AS, Norway. The payments made to increase ownership interests in subsidiaries totalled €25.6 million (previous year: 91.4) in the financial year, of which €13.8 million was connected with the acquisition of the remaining shares in Dragages Transports & Travaux Maritimes S.a.s., France.

27 Proceeds from bond issuance and loans

This item includes the issue of two new bonds, both with a nominal value of €750 million. In addition, a loan of €180 million was taken out. In the previous year, this item included the issue of three bonds with a total nominal volume of €2.25 billion.

28 Repayment of bonds and loans

This item includes the scheduled repayments of financial liabilities. In 2018, three bonds with a nominal value of €1.48 billion were repaid. In the previous year, this item included the repayment of bonds of €1.5 billion and CHF 150 million. In addition, a debt certificate of €284.5 million was repaid early.

29 Changes in short-term interest-bearing liabilities

This line shows the balance from proceeds and payments for items with a high turnover rate, large amounts, and short terms from financing activities.

30 Changes in liabilities arising from financing activities

The following table shows the changes in liabilities arising from financing activities, broken down into cash-relevant and non-cash changes.

Changes in liabilities arising from financing activities

€m	Bonds payable	Bank loans	Other interest-bearing liabilities	Liabilities from finance lease	Non-controlling interests with put options	Derivative financial instruments (net position)	Total
1 January 2018	10,014.3	575.4	113.7	16.6	66.2	20.0	**10,806.1**
Cash flow from financing activities	20.0	147.1	11.0	-3.0	0.0	53.3	**228.4**
Changes in consolidation scope	0.0	25.3	3.5	0.1	-1.3	0.0	**27.6**
Currency translation	0.0	0.8	-1.0	0.4	0.0	0.0	**0.3**
Changes in fair value	0.0	0.0	0.0	0.0	0.0	-34.2	**-34.2**
Other changes	-94.5	-2.3	-4.6	-1.3	18.5	0.0	**-84.3**
31 December 2018	9,939.7	746.4	122.6	12.7	83.4	39.0	**10,943.8**
1 January 2017	9,505.4	1,242.4	121.7	21.9	73.8	19.2	**10,984.4**
Cash flow from financing activities	621.6	-658.2	2.9	-4.4	0.0	-263.9	**-302.1**
Changes in consolidation scope	0.0	-0.8	-0.4	-0.3	0.0	0.0	**-1.5**
Currency translation	-11.5	-11.0	-7.8	-2.4	0.0	0.0	**-32.8**
Changes in fair value	0.0	0.0	0.0	0.0	0.0	264.7	**264.7**
Other changes	-101.2	3.1	-2.7	1.8	-7.6	0.0	**-106.7**
31 December 2017	10,014.3	575.4	113.7	16.6	66.2	20.0	**10,806.1**

The cash-relevant change in liabilities arising from financing activities includes cash flows resulting from the proceeds from and repayments of loans, bonds, and short-term interest-bearing liabilities, as well as cash flows from rolling currency derivatives, insofar as they serve to hedge financial liabilities. The total change in interest liabilities is shown in other changes, as interest-related payment flows in the statement of cash flows are allocated to cash flow from operating activities.

31 Cash and cash equivalents

Cash and cash equivalents with a remaining term of less than three months are included. Of this item, €10.5 million (previous year: 11.4) is not available for use by HeidelbergCement. This relates to short-term cash deposits at banks that were placed as security for various business transactions, for example outstanding recultivation payments.

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32 Intangible assets

Intangible assets

€m	Goodwill	Other intangible assets	Total
Cost			
1 January 2017	13,472.1	880.9	**14,353.0**
Currency translation	-948.5	-48.8	**-997.3**
Change in consolidation scope	-16.5	-14.8	**-31.3**
Additions		18.4	**18.4**
Disposals		-47.1	**-47.1**
Reclassifications	26.1	-21.6	**4.6**
Reclassifications to current assets	-33.1	-0.6	**-33.7**
31 December 2017	12,500.1	766.4	**13,266.6**
Amortisation and impairment			
1 January 2017	1,532.9	408.1	**1,941.0**
Currency translation	-83.5	-28.5	**-112.0**
Change in consolidation scope	-55.9	-16.9	**-72.8**
Additions		41.5	**41.5**
Disposals		-2.9	**-2.9**
Reclassifications		1.0	**1.0**
Reclassifications to current assets		-0.3	**-0.3**
31 December 2017	1,393.5	402.0	**1,795.4**
Carrying amount at 31 December 2017	**11,106.6**	**364.5**	**11,471.2**
Cost			
1 January 2018	12,500.1	766.4	**13,266.6**
Currency translation	124.4	-3.2	**121.2**
Change in consolidation scope	219.8	29.4	**249.1**
Additions		24.2	**24.2**
Disposals		-100.1	**-100.1**
Reclassifications		19.4	**19.4**
Reclassifications to current assets	-35.1	-1.1	**-36.3**
31 December 2018	12,809.2	735.0	**13,544.2**
Amortisation and impairment			
1 January 2018	1,393.5	402.0	**1,795.4**
Currency translation	6.2	2.9	**9.1**
Change in consolidation scope	-4.3	-1.5	**-5.9**
Additions		43.2	**43.2**
Impairment		0.9	**0.9**
Disposals		-82.0	**-82.0**
Reclassifications		0.4	**0.4**
Reclassifications to current assets	-36.3	-1.1	**-37.4**
31 December 2018	1,359.0	364.7	**1,723.8**
Carrying amount at 31 December 2018	**11,450.2**	**370.3**	**11,820.5**

Goodwill
Goodwill impairment tests are carried out annually in accordance with IAS 36 (Impairment of Assets). The recoverable amount was determined on the basis of value in use, taking into account the following parameters.

Cash flow estimates extend over a five-year planning period, after which a terminal value is applied. A three-year detailed bottom-up operational plan approved by management forms the basis for these estimates. This is generally complemented by a top-down plan for an additional two years, which incorporates medium-term expectations of the management based on estimates of market volume, market shares, as well as cost and price development. As a general rule, the top-down plan is derived by applying growth rates to the detailed three-year operational plan. A detailed plan is created for all CGUs operating in unstable markets. This applies especially to those markets in which demand for building materials and building products, as well as the price level, have decreased substantially due to current political unrest and economic uncertainties. It is generally assumed that demand and prices in these markets will recover. Overall, a moderate recovery of revenue is expected in Europe. For the CGU Italy, a significant rise in the result from current operations is anticipated for the next few years, owing to a recovery of the market. In particular, a considerable price increase is expected in the cement business line. For the CGU United Kingdom, an increase in income is anticipated for the coming year, while a significant improvement in the result from current operations is expected over the next few years. This is based on a weighted scenario analysis that includes separate plans for the event of a “hard Brexit” and a “soft Brexit”, with a high probability assigned to the scenario of a “soft Brexit”. For the terminal value, no distinction is made between the two scenarios. A moderate but sustained rise in demand is anticipated for the other CGUs, with an above-average increase in North America. For the CGU Indonesia, an increase in earnings is expected for 2019, along with a further recovery of the market, which will lead to a significant increase in income in the subsequent plan years. The sales volumes derived from the demand are generally based on the assumption of constant market shares. The underlying development of the price level varies by CGU.

Variable costs are assumed to evolve in line with the projected development of sales volumes and prices. As a rule, it is expected that the contribution margin as a percentage of revenue will increase slightly. With increasing sales volumes, this leads to a significant improvement in the operating margin in some cases. Furthermore, it was assumed that the savings achieved through cost reduction programmes, as well as the initiatives to increase prices, would have a positive influence on the CGUs’ operating margins.

The projections for the estimated growth rates of the terminal value are based on country-specific long-term inflation rates.

The WACC rates for the Group were calculated using a two-phase approach, whereby a phase-one WACC rate was used to discount the payment surpluses for the first five years and a phase-two WACC discount rate was applied for the determination of the terminal value. The difference between the two WACC rates merely results from the downward adjustment for the perpetual growth rate in phase two. The credit spread as premium to the risk-free rate was derived from the rating of the homogenous peer group. The peer group is subjected to an annual review and adjusted if necessary.

The following key assumptions were applied in the determination of the recoverable amount based on the value in use for the CGU.

Assumptions made in the calculation of impairment of goodwill

Group area / CGU [1]	Carrying amount of goodwill in €m		Weighted average cost of capital after taxes [2]		Perpetual growth rate	
	31 Dec. 2017	**31 Dec. 2018**	31 Dec. 2017	**31 Dec. 2018**	31 Dec. 2017	**31 Dec. 2018**
Western and Southern Europe	3,179.0	**3,268.8**	5.1 % - 6.3 %	**5.4 % - 8.6 %**	1.9 % - 2.2 %	**1.9 % - 2.2 %**
Benelux	600.1	**604.2**	5.4 %	**5.9 %**	2.0 %	**2.0 %**
France	661.9	**662.6**	5.4 %	**5.9 %**	2.0 %	**2.0 %**
Italy		**99.3**		**8.6 %**		**1.9 %**
United Kingdom	1,560.1	**1,539.9**	6.3 %	**6.9 %**	2.2 %	**2.2 %**
Northern and Eastern Europe-Central Asia	864.8	**857.5**	5.3 % - 11.6 %	**5.6 % - 12.2 %**	1.7 % - 5.5 %	**1.7 % - 5.5 %**
North America	5,088.5	**5,326.7**	7.2 %	**7.5 %**	2.1 %	**2.1 %**
Asia-Pacific	1,512.7	**1,533.7**	6.0 % - 11.8 %	**6.4 % - 13.5 %**	2.0 % - 4.3 %	**1.9 % - 4.0 %**
Australia	994.7	**1,019.6**	7.4 %	**7.8 %**	2.5 %	**2.5 %**
India	244.4	**234.0**	11.8 %	**12.4 %**	4.1 %	**4.0 %**
Indonesia	90.6	**89.9**	11.4 %	**13.5 %**	4.3 %	**2.6 %**
Israel	65.0	**63.4**	6.7 %	**7.7 %**	2.1 %	**2.1 %**
Malaysia	138.4	**141.8**	8.9 %	**9.6 %**	2.5 %	**2.5 %**
Africa-Eastern Mediterranean Basin	428.7	**431.6**	6.7 % - 20.9 %	**7.7 % - 22.6 %**	2.1 % - 8.7 %	**2.1 % - 8.9 %**
Morocco	262.0	**268.3**	9.0 %	**9.6 %**	2.8 %	**2.6 %**
Group Services	32.9	**31.9**	5.1 %	**5.4 %**	1.9 %	**1.9 %**
Total	11,106.6	**11,450.2**				

1) CGU = Cash-generating unit

2) Stated figure is the phase one WACC, before adjustment for growth. The second phase WACC, used to calculate the terminal value, is equal to the phase one WACC after adjustment for growth.

As in the previous year, the goodwill impairment test did not lead to any impairment.

For the CGUs Benelux, France, India, Indonesia, Israel, Italy, Malaysia, and United Kingdom marginal changes in the sustainable growth rate or in the operational plan as the basis for cash flow estimates or the weighted average cost of capital could cause the carrying amount to exceed the recoverable amount. Management does not rule out such a development. With a reduction of the growth rate by 0.1 percentage point for the CGU Italy, 0.5 percentage points for the CGU Benelux, 0.8 percentage points for the CGU Israel, CGU France, and CGU United Kingdom, 1.1 percentage point for the CGU Malaysia, and 1.4 percentage points for the CGU India, the recoverable amount corresponds to the respective carrying amount. With a decline in the planned results (EBIT) for each year of planning as well as in the terminal value of around one per cent for the CGU Italy, around nine per cent for the CGU Israel, around ten per cent for the CGU Benelux and CGU India, around eleven per cent for the CGU Indonesia, around twelve per cent for the CGU United Kingdom and CGU Malaysia, and around sixteen per cent for the CGU France, the recoverable amount and carrying amount are equal. With an increase in the weighted average cost of capital of around 0.1 percentage point for the CGU Italy, around 0.4 percentage points for the CGU Benelux, around 0.6 percentage points for the CGU Israel, CGU France, and CGU United Kingdom, around 0.8 percentage points for the CGU India and CGU Malaysia, and 1.1 percentage point for the CGU Indonesia, the recoverable amount corresponds to the respective carrying amount.

Without the aforementioned changes, the recoverable amount exceeds the carrying amount of the CGU Benelux by €99.1 million, of the CGU France by €204.4 million, of the CGU India by €64.3 million, of the CGU Indonesia by €132.1 million, of the CGU Israel by €18.5 million, of the CGU Italy by €6.2 million, of the CGU Malaysia by €25.0 million, and of the CGU United Kingdom by €342.7 million on the reporting date.

For the CGUs Baltic States, Bulgaria, Slovakia, Hong Kong, Togo, and Mozambique, the management believes there are reasonably possible changes in the sustainable growth rate or in the operational plan as the basis for cash flow estimates or the weighted average cost of capital that could also cause the carrying amount to exceed the recoverable amount. The goodwill of these CGUs amounts to a total of €59.8 million.

With a reduction of 1.9 percentage points in the growth rate, a WACC increase of 1.2 percentage points, or a decline of 18.0 % in the planned result (EBIT) for each year of planning as well as in the terminal value, the recoverable amount for all other CGUs continues to lie above the carrying amount.

Other intangible assets

Mining rights, concessions, emission rights acquired as part of business combinations, and software are shown under other intangible assets. Spending on research and development of €145.7 million (previous year: 141.0) was recorded as an expense as it did not fulfil the recognition criteria for intangible assets.

33 Property, plant and equipment

Property, plant and equipment

€m	Land and buildings	Plant and machinery	Other operating equipment	Prepayments and assets under construction	Total
Cost					
1 January 2017	9,683.6	12,841.5	1,082.0	1,110.9	**24,718.1**
Currency translation	-553.1	-790.4	-59.0	-82.3	**-1,484.8**
Change in consolidation scope	54.1	-5.4	-33.4	-37.8	**-22.6**
Additions	30.3	68.1	29.2	898.5	**1,026.1**
Disposals	-107.6	-230.5	-40.5	-1.2	**-379.8**
Reclassifications	133.3	573.9	59.7	-771.6	**-4.6**
Reclassifications to current assets	-50.7	-127.4	-11.3	-1.7	**-191.1**
31 December 2017	9,189.8	12,329.9	1,026.7	1,114.8	**23,661.3**
Depreciation and impairment					
1 January 2017	2,775.7	7,325.0	699.4	4.6	**10,804.8**
Currency translation	-130.0	-439.2	-32.6		**-601.7**
Change in consolidation scope	-11.9	-26.4	-17.6		**-55.9**
Additions	258.6	726.5	82.4		**1,067.5**
Impairment	57.8	9.0	0.6		**67.4**
Reversal of impairment	-0.2		-0.1	-2.0	**-2.3**
Disposals	-51.6	-211.9	-39.0		**-302.5**
Reclassifications	4.9	-6.9	1.1		**-1.0**
Reclassifications to current assets	-26.6	-95.9	-6.2		**-128.8**
31 December 2017	2,876.8	7,280.1	688.0	2.6	**10,847.5**
Carrying amount at 31 December 2017	**6,313.0**	**5,049.8**	**338.8**	**1,112.2**	**12,813.8**
Cost					
1 January 2018	9,189.8	12,329.9	1,026.7	1,114.8	**23,661.3**
Currency translation	24.7	-2.8	-1.2	-7.8	**12.9**
Change in consolidation scope	75.6	102.1	2.5	19.4	**199.5**
Additions	55.6	69.0	45.1	887.8	**1,057.5**
Disposals	-71.0	-179.5	-80.3	-35.0	**-365.7**
Reclassifications	347.6	358.4	113.6	-839.0	**-19.4**
Reclassifications to current assets	-17.4	-39.1	-11.9	-3.2	**-71.6**
31 December 2018	9,604.9	12,638.0	1,094.5	1,137.1	**24,474.5**
Depreciation and impairment					
1 January 2018	2,876.8	7,280.1	688.0	2.6	**10,847.5**
Currency translation	-0.4	13.6	0.5		**13.7**
Change in consolidation scope	-24.9	-57.5	-3.6		**-86.0**
Additions	259.6	709.8	77.9		**1,047.3**
Impairment	6.2	21.8	5.3		**33.3**
Reversal of impairment	-0.1	-0.1			**-0.1**
Disposals	-31.5	-167.5	-76.3	-0.7	**-276.0**
Reclassifications	17.1	-107.0	89.4		**-0.4**
Reclassifications to current assets	-17.3	-35.4	-11.9	-1.9	**-66.4**
31 December 2018	3,085.6	7,657.8	769.4	0.0	**11,512.8**
Carrying amount at 31 December 2018	**6,519.2**	**4,980.2**	**325.1**	**1,137.1**	**12,961.6**

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Property, plant and equipment includes €23.3 million (previous year: 24.0) of capitalised lease assets, of which €1.2 million (previous year: 1.1) relates to land and buildings, €10.3 million (previous year: 14.7) to plant and machinery, and €11.8 million (previous year: 8.2) to plant and office equipment. The carrying amount of property, plant and equipment pledged as security amounts to €40.8 million (previous year: 55.3). Borrowing costs of €1.8 million (previous year: 6.6) were recognised. The average capitalisation rate applied was 2 % (previous year: 4 %). In the reporting year, impairment losses of €33.3 million were recognised; these are shown in the additional ordinary result and explained in Note 8.

34 Financial investments

This item includes financial investments in equity instruments.

Firstly, participations in subsidiaries, joint ventures, and associates of minor importance totalling €49.5 million are shown. These participations are still measured at cost as they are not in the scope of IFRS 9. Secondly, this item contains financial investments at fair value through profit or loss. These primarily include participations of €28.2 million, on which HeidelbergCement has no significant influence and which are held as long-term strategic investments. In the 2017 financial year, the participations were classified as available for sale at cost in accordance with IAS 39, with a total carrying amount of €87.1 million.

In addition, this item includes the participation in the US company Hanson Permanente Cement, Inc., Phoenix, and its subsidiaries (Permanente Group) amounting to €165.2 million, which is currently involved in voluntary insolvency proceedings in accordance with Chapter 11 of the US Bankruptcy Code before a US bankruptcy court. The objective is, among other things, to establish a trust to which all current and future asbestos personal injury claims will be channelled pursuant to section 524(g) of the US Bankruptcy Code. On 1 January 2018, the participation was irrevocably classified as financial investment at fair value through other comprehensive income. Under IAS 39, this financial investment was categorised as available for sale at fair value. As at 31 December 2017, the fair value of this participation amounted to €169.0 million.

Additional information on the financial investments is provided on ↗ page 168 f.

35 Non-current receivables, other assets, and derivative financial instruments

The following table shows the composition of the non-current receivables, other assets, and derivative financial instruments.

Non-current receivables, other assets and derivative financial instruments

€m	2017 1)	2018
Loans	81.4	**97.2**
Derivative financial instruments	7.1	**44.2**
Other non-current operating receivables	74.0	**89.6**
Non-current contract assets		**0.7**
Other non-current non-financial assets	755.0	**936.3**
	917.5	**1,168.0**

1) Claims for reimbursement against insurance companies for environmental and third-party liability damages amounting to €99.4 million were reclassified from the other non-current operating receivables to the other non-current non-financial assets.

The non-current derivative financial instruments relate to cross-currency interest rate swaps and interest rate swaps. Because of the separation into current and non-current components, the fair values were shown both on the assets side and on the equity and liabilities side. Additional information on the derivative financial instruments is provided on ↗ page 172 f.

Other non-current non-financial assets include claims for reimbursement against insurance companies for environmental and third-party liability damages totalling €94.2 million (previous year: 99.4), overfunding of pension funds amounting to €753.7 million (previous year: 565.3), and prepaid expenses.

An explanation of the credit risks is provided on ↗ page 174 f.

The following table shows the due term structure of the non-current financial receivables for the 2017 financial year in accordance with IAS 39.

Due terms of non-current financial receivables	Loans	Other non-current operating receivables	Total
€m	2017	2017	2017
Not impaired, not overdue	80.4	170.9	251.3
Not impaired, overdue 1 - 60 days	0.0	0.6	0.6
Not impaired, overdue 61 - 360 days	0.1	0.2	0.3
Not impaired, overdue > 360 days	0.2	0.1	0.3
Impaired	0.7	1.6	2.3
	81.4	173.4	254.8

36 Inventories

In the reporting year, impairments of inventories of €23.7 million (previous year: 26.2) and reversals of impairment losses of €23.7 million (previous year: 15.3) were recognised.

37 Receivables and other assets

The following overview shows the composition of the other current operating receivables and assets.

Other current operating receivables and assets		
€m	2017 [1]	**2018**
Current trade receivables and other operating receivables – amortised cost		**1,954.2**
Current trade receivables and other operating receivables – fair value through profit or loss		**218.2**
Trade receivables	1,797.7	
Miscellaneous current operating receivables	284.7	
Current contract assets		**22.9**
Current non-financial other assets	261.5	**354.9**
	2,343.9	**2,550.2**

1) Claims for reimbursement against insurance companies for environmental and third-party liability damages amounting to €9.6 million were reclassified from the miscellaneous current operating receivables to the current non-financial other assets.

The maximum exposure to loss from the continuing involvement amounts to €58.7 million (previous year: 28.1). This substantially contains the carrying amount for the reserve account covering credit losses of pre-financed trade receivables, which is reported in the cash and cash equivalents, of €27.8 million (previous year: 24.2) and guarantees granted for this in the amount of €23.7 million. To ensure legal validity, trade receivables of €24.2 million (previous year: 21.9) remained pledged as security. In this context, the balance sheet items interest-bearing receivables with a gross carrying amount of €279.5 million (previous year: 223.8) and other current operating liabilities with a gross carrying amount of €1,723.0 million (previous year: 1,592.7) were netted; the netting amount totalled €157.5 million (previous year: 101.7). This results in a net carrying amount of €122.0 million (previous year: 122.1) and €-1,565.5 million (previous year: -1,491.0) respectively.

Non-financial other assets essentially include prepaid expenses and non-income tax receivables. This item also shows claims for damages as well as claims for reimbursement against insurance companies for environmental and third-party liability damages amounting to €12.4 million (previous year: 9.6).

An explanation of the credit risks is provided on ↗ page 174 f.

The following table shows the due term structure of the current financial receivables for the 2017 financial year in accordance with IAS 39.

Due terms of current financial receivables	Current interest-bearing receivables	Trade receivables	Miscellaneous current operating receivables	Total
€m	2017	2017	2017	2017
Not impaired, not overdue	121.0	1,119.2	283.4	1,523.6
Not impaired, overdue 1 - 60 days	0.1	375.8	5.6	381.5
Not impaired, overdue 61 - 360 days		102.7	3.7	106.4
Not impaired, overdue > 360 days	1.0	30.2	1.3	32.5
Impaired		169.8	0.3	170.1
	122.1	1,797.7	294.3	2,214.1

38 Derivative financial instruments

The current derivatives with positive fair values primarily include foreign exchange swaps of €9.9 million (previous year: 6.9), cross-currency interest rate swaps of €0.0 million (previous year: 1.1), interest rate swaps of €3.4 million (previous year: 0.0), commodity derivatives of €3.6 million (previous year: 0.3), and currency forwards of €0.4 million (previous year: 1.4). Additional information on the derivative financial instruments is provided on ↗ page 172 f.

Notes to the balance sheet – equity and liabilities

39 Subscribed share capital

As at the reporting date of 31 December 2018, the subscribed share capital amounts to €595,249,431, unchanged from the previous year. It is divided into 198,416,477 shares; the shares are no-par value bearer shares. The pro rata amount of each share is €3.00, which corresponds to a proportionate amount of the subscribed share capital.

Authorised Capital
As at 31 December 2018, there were two authorised capitals: namely, authorisation of the Managing Board and Supervisory Board to increase the subscribed share capital by issuing new shares in return for cash contributions (Authorised Capital I) and authorisation of the Managing Board and Supervisory Board to increase the subscribed share capital by issuing new shares in return for contributions in kind (Authorised Capital II). The authorised capitals are summarised below; the complete text of the authorisations can be found in the Articles of Association, which are published on our website **www.heidelbergcement.com under Company/Corporate Governance/Articles of Association.**

Authorised Capital I
The Annual General Meeting held on 7 May 2015 authorised the Managing Board, with the consent of the Supervisory Board, to increase the company's subscribed share capital by a total amount of up to €225,000,000 by issuing up to 75,000,000 new no-par value bearer shares in total in return for cash contributions on one or more occasions until 6 May 2020 (Authorised Capital I). The shareholders must be granted subscription rights. However, the Managing Board is authorised, in certain cases that are described in more detail in the authorisation, to exclude the subscription rights of shareholders in order to realise residual amounts, to service option or conversion rights, or to issue shares totalling up to 10 % of the share capital at a near-market price. As at 31 December 2018, the authorisation to issue new shares in return for cash contributions forming the basis of the Authorised Capital I had not been used.

Authorised Capital II
The Annual General Meeting of 7 May 2015 also authorised the Managing Board, with the consent of the Supervisory Board, to increase the company's subscribed share capital by a total amount of up to €56,374,941 by issuing up to 18,791,647 new no-par value bearer shares in return for contributions in kind on one or more occasions until 6 May 2020 (Authorised Capital II).

The subscription right of shareholders is generally excluded in the case of capital increases in return for contributions in kind. The authorisation governs, in particular, the possibility of excluding the subscription right insofar as the capital increase in return for contributions in kind is performed for the purposes of acquisition of companies, to service option or conversion rights, or in the context of implementing a dividend in kind/dividend option. In exercising this authorisation, the subscribed share capital was increased by €31,500,000 to €595,249,431 by resolution of the Managing Board of 22 June 2016 and with the consent of the Audit Committee, acting in place of the Supervisory Board, of 23 June 2016. 10,500,000 new shares, excluding the subscription rights of shareholders, were issued in the context of acquiring 45% of all shares in Italcementi S.p.A. from Italmobiliare S.p.A. The implementation of the subscribed share capital increase was recorded in the commercial register on 7 July 2016. The Authorised Capital II decreased to €24,874,941 due to the exercise of the authorisation. As at 31 December 2018, no further use had been made of the Authorised Capital II.

Conditional share capital

The conditional share capital described below existed as at 31 December 2018. The Annual General Meeting of 9 May 2018 decided to conditionally increase the subscribed share capital by a further amount of up to €118,800,000, divided into up to 39,600,000 new no-par value bearer shares (Conditional Share Capital 2018). The conditional capital increase serves to back the issuance of option or conversion rights, or option or conversion obligations on HeidelbergCement shares. The conditional capital increase is only carried out insofar as the Managing Board issues warrant or convertible bonds under the authorisation until 8 May 2023 and the bearers of option or conversion rights make use of their rights. Warrant or convertible bonds may also be issued with option or conversion obligations. The shareholders generally have a subscription right to newly issued warrant or convertible bonds. The authorisation governs specific cases in which the Managing Board may exclude the subscription right of shareholders to warrant or convertible bonds. The complete text of the conditional share capital can also be found in the Articles of Association, which are published on our website (**www.heidelbergcement.com under Company/Corporate Governance/Articles of Association**). As at 31 December 2018, the authorisation to issue warrant or convertible bonds forming the basis of the Conditional Share Capital 2018 had not been used.

A corresponding volume limit as well as the deduction clauses ensure that the sum of all exclusions of subscription rights in the two existing Authorised Capitals and the Conditional Share Capital 2018 will not exceed a limit of 20 % of the share capital existing at the time the authorisation to exclude the subscription right comes into force.

Authorisation to acquire own shares

Furthermore, the authorisation to acquire own shares described below existed as at 31 December 2018. On 4 May 2016, the Annual General Meeting authorised the company to acquire own shares up to 3 May 2021 once or several times, in whole or partial amounts, up to a total of 10 % of the share capital at the time for any permissible purpose within the scope of the legal restrictions. The authorisation may not be used for the purpose of trading in own shares. At no time may more than 10 % of the respective share capital be attributable to the acquired own shares combined with other shares that the company has already acquired and still possesses. The shares may be acquired via the stock exchange or by way of a public purchase offer or by means of a public call for the submission of offers to sell or by issuing rights to sell shares to the shareholders. The own shares acquired on the basis of the authorisation will be used by selling them via the stock exchange or in another suitable manner, whilst ensuring the equal treatment of shareholders, or for any other purposes permitted by law. Shareholders' subscription rights can be excluded in certain cases. As at 31 December 2018, the authorisation to acquire own shares has not been used and the company has no own shares as at the reporting date of 31 December 2018.

40 Share premium

The share premium of €6,225.4 million is unchanged from the previous year. It was essentially created from the premium from capital increases.

41 Retained earnings

The following table shows the changes in ownership interests in subsidiaries that do not lead to a change in control.

Changes in ownership interests in subsidiaries				
€m	Change in share	Change in revenue reserves	Change in non-controlling interests	Change in equity
Nordic Precast Group AB, Stockholm, Sweden	40.0 %	-64.9	-18.5	**-83.4**
Dragages Transports & Travaux Maritimes S.a.s., La Rochelle, France	50.0 %	-8.4	-2.3	**-10.7**
Others		-8.0	-2.0	**-10.0**
Total		-81.3	-22.9	**-104.2**

In the financial year, dividends of €377.0 million (€1.90 per share) were paid to shareholders of HeidelbergCement AG.

42 Other components of equity

The other components of equity include the cash flow hedge reserve, the revaluation reserve, and the currency translation differences, as well as the available for sale reserve in the previous year.

43 Non-controlling interests

Subsidiaries with material non-controlling interests

PT Indocement Tunggal Prakasa Tbk. (Indocement), Jakarta, Indonesia, is the material subsidiary with non-controlling interests in the HeidelbergCement Group. Indocement is a leading Indonesian manufacturer of high-quality cement and special cement products that are sold under the brand name Tiga Roda. Indocement has several subsidiaries that produce ready-mixed concrete, aggregates, and trass. Non-controlling interests hold 49 % of the capital or voting rights in the Indocement Group, which is included in the Asia-Pacific Group area. The Indocement share is listed on the stock exchange in Jakarta, Indonesia.

Non-controlling interests in the equity of Indocement amount to €708.8 million (previous year: 761.5). The share of non-controlling interests in profit for the financial year totals €35.5 million (previous year: 62.0). In the 2018 financial year, Indocement paid dividends of €75.3 million (previous year: 116.1) to non-controlling interests.

The following tables summarise the key financial information of the Indocement Group excluding goodwill allocated to the CGU.

Statement of comprehensive income	Indocement Group	
€m	2017	2018
Revenue	953.0	**901.7**
Depreciation and amortisation	-72.6	**-70.5**
Result from current operations	136.2	**74.9**
Additional ordinary result	-1.6	**-2.9**
Result from participations	0.8	**0.8**
Earnings before interest and taxes (EBIT)	135.4	**72.8**
Interest income	34.3	**24.6**
Interest expenses	-0.3	**-0.2**
Other financial income and expenses	-6.3	**-3.1**
Profit before tax	163.0	**94.2**
Income taxes	-36.5	**-21.7**
Profit for the financial year	126.6	**72.5**
Other comprehensive income	-220.8	**6.3**
Total comprehensive income	-94.2	**78.8**

Assets and liabilities	Indocement Group	
€m	2017	2018
Intangible assets	1.1	**1.0**
Property, plant and equipment	1,001.4	**962.8**
Financial assets	5.8	**5.9**
Other non-current assets	17.3	**16.1**
Non-current assets	1,025.5	**985.9**
Cash and cash equivalents	510.0	**435.2**
Other current assets	272.4	**297.6**
Current assets	782.4	**732.8**
Total assets	1,807.9	**1,718.7**
Non-current interest-bearing liabilities	1.2	**0.3**
Non-current provisions	47.1	**35.8**
Other non-current liabilities	0.3	**9.6**
Non-current liabilities	48.6	**45.7**
Current interest-bearing liabilities	6.0	**7.4**
Current provisions	4.6	**3.7**
Trade payables	138.8	**139.0**
Other current liabilities	69.8	**90.4**
Current liabilities	219.3	**240.4**
Total liabilities	267.9	**286.1**

44 Pension provisions

Defined contribution plans

The sum of all pension expenses in connection with defined contribution plans amounted to €116.3 million (previous year: 111.5). In the 2018 financial year, the contributions to the social security programmes came to €64.8 million (previous year: 70.3).

Actuarial assumptions

The significant actuarial assumptions on which the calculations of the defined benefit obligation are based are summarised in the following table (weighted presentation).

Actuarial assumptions	Discount rate		Pension increase rate		Mortality table
	2017	2018	2017	2018	
Group	2.74 %	**3.19 %**	2.72 %	**2.74 %**	–
North America	3.42 %	**4.06 %**	–	**–**	USA: RP-2014; Canada: CPM 2014
United Kingdom	2.45 %	**2.90 %**	2.88 %	**2.91 %**	Different tables based on S1 series
Germany	1.90 %	**2.00 %**	1.75 %	**1.75 %**	Heubeck 2005 / Heubeck 2018 G

The mortality tables in the United Kingdom, the USA, and Canada have been modified to consider future improvements in life expectancy and in many cases are additionally adjusted based on company-specific experience. With regard to the over-funded pension plans in the United Kingdom for which a plan asset ceiling has not been applied, HeidelbergCement has the unconditional entitlement to the pension plan surplus if the plan is wound up.

In the following, a breakdown of the amounts relating to pension plans is shown exclusively for the three key Group areas and countries North America, the United Kingdom, and Germany. A breakdown of the amounts relating to plans for health care costs is not provided, as the vast majority of the liabilities and expenses are in North America.

Development of the defined benefit plans

In the 2018 financial year, defined benefit obligation amounting to €3,968.6 million (previous year: 4,476.0) existed in the Group, which were essentially covered by plan assets. In addition, there were direct agreements of €884.2 million (previous year: 928.2). Of this figure, €242.4 million (previous year: 264.0) related to obligations in the USA, Belgium, Canada, the United Kingdom, Indonesia, France, Morocco, and Ghana for health care costs of pension recipients.

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The following table shows the financing status of these plans and their presentation in the balance sheet.

Development of defined benefit plans	Defined benefit obligation (DBO) (a)		Fair value of plan assets (b)		Effects of asset ceiling (c)		Net defined benefit liability (a - b + c)	
€m	2017	2018	2017	2018	2017	2018	2017	2018
Balance at 1 January	5,897.6	**5,404.2**	5,011.7	**4,769.9**	11.6	**19.8**	897.5	**654.1**
Current service cost	39.7	**36.0**					39.7	**36.0**
Past service cost	-7.2	**2.1**					-7.2	**2.1**
Plan settlements	-2.3	**0.5**	-0.8				-1.5	**0.5**
Interest cost	166.0	**144.2**			0.3	**0.5**	166.3	**144.7**
Interest income			139.9	**124.7**			-139.9	**-124.7**
Administrative expenses paid by the plan			-13.5	**-11.4**			13.5	**11.4**
Defined benefit costs recognised in profit and loss	196.2	**182.8**	125.6	**113.3**	0.3	**0.5**	71.1	**70.0**
Remeasurements recognised in other comprehensive income	47.6	**-373.9**	174.9	**-177.2**	8.5	**11.9**	-118.8	**-184.8**
Employer contributions			63.1	**60.8**			-63.1	**-60.8**
Employee contributions	1.8	**1.8**	1.8	**1.8**				
Benefits paid by the company	-69.6	**-64.0**					-69.6	**-64.0**
Benefits paid by the fund	-304.7	**-327.8**	-304.7	**-327.8**				
Taxes and premiums paid	-1.5						-1.5	
Cash flows in the period	-374.0	**-390.0**	-239.8	**-265.2**			-134.2	**-124.8**
Change in consolidation scope	-0.2	**4.9**					-0.2	**4.9**
Disposal groups	-0.3	**-2.2**					-0.3	**-2.2**
Exchange rate changes	-362.7	**27.0**	-302.5	**-0.8**	-0.6	**-0.5**	-61.0	**27.3**
Other reconciling items	-363.2	**29.7**	-302.5	**-0.8**	-0.6	**-0.5**	-61.5	**30.0**
Balance at 31 December	5,404.2	**4,852.8**	4,769.9	**4,440.0**	19.8	**31.7**	654.1	**444.5**
North America	1,623.2	**1,463.3**	1,140.6	**983.8**	1.8	**2.0**	484.4	**481.5**
United Kingdom	2,826.0	**2,460.6**	3,401.6	**3,227.3**	18.0	**29.6**	-557.6	**-737.1**
Germany	461.5	**451.7**	74.7	**75.8**			386.8	**375.9**
Other countries	493.5	**477.2**	153.0	**153.1**		**0.1**	340.5	**324.2**
Total	5,404.2	**4,852.8**	4,769.9	**4,440.0**	19.8	**31.7**	654.1	**444.5**
thereof non-current provisions							1,136.8	**1,100.6**
thereof current provisions							82.6	**97.7**
thereof other long-term operating receivables (overfunding of pension schemes)							-565.3	**-753.8**

Breakdown of defined benefit obligation

The following tables show the defined benefit obligation divided into the underlying plan types and the different member groups.

Defined benefit obligation by plan type		
€m	2017	2018
Defined benefit pension plans	5,140.2	**4,610.4**
Plans for health care costs	264.0	**242.4**
Total defined benefit obligation	5,404.2	**4,852.8**
thereof related to wholly or partly funded plans	4,476.0	**3,968.6**
thereof related to wholly unfunded plans	928.2	**884.2**

Defined benefit obligation by member groups		
€m	2017	2018
Active members	889.9	**823.5**
Deferred vested members	1,476.4	**1,222.7**
Pensioners	3,037.9	**2,806.6**
Total defined benefit obligation	5,404.2	**4,852.8**

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Development in the income statement

Of the total pension expenses from continuing operations of €70.0 million (previous year: 71.1), €50.0 million (previous year: 44.6) are shown in the personnel costs or in other operating expenses, and an amount of €20.0 million (previous year: 26.5) in other financial result.

In 2018, the High Court confirmed that all pension plans in the United Kingdom must provide the same benefits to men and women, in terms of the guaranteed minimum pensions (GMP). GMP equalisation resulted in a past service cost of €3.6 million. In 2018, other special events took place in accordance with IAS 19 that did not have any significant impact on the financial position and performance.

Remeasurements recognised in other comprehensive income

In the 2018 financial year, total actuarial gains from the defined benefit obligation amounting to €373.9 million (previous year: loss of 47.6) have arisen mainly from the increase in the discount rate on which the actuarial calculation is based.

The actuarial gains and losses can be broken down into effects from experience adjustments resulting in gains of €8.6 million (previous year: 3.1), effects from changes in demographic assumptions resulting in gains of €58.8 million (previous year: 58.9), essentially attributable to the adjustment of assumptions relating to an improvement in future life expectancy in the United Kingdom, and effects from changes in financial assumptions resulting in gains of €306.5 million (previous year: loss of 109.6).

Sensitivity analysis of defined benefit obligation

Changes in the discount rate, pension increase rate, and life expectancy affect the income statement and the defined benefit obligation of pension plans. The sensitivities to changes in assumptions as shown below are determined by changing one assumption as indicated and keeping all other assumptions constant. In reality, multiple assumptions may change at the same time, and changing one parameter may lead to a change in another parameter.

Sensitivity analysis of defined benefit obligation (pension plans)

€m		2017	2018
Defined benefit obligation		5,140.2	**4,610.4**
Discount rate	increase by 1.0 %	4,491.1	**4,050.0**
	decrease by 1.0 %	5,953.9	**5,290.9**
Pension increase rate	increase by 0.25 %	5,245.8	**4,700.9**
	decrease by 0.25 %	5,035.6	**4,524.7**
Life expectancy	increase by 1 year	5,351.4	**4,799.2**
	decrease by 1 year	4,927.5	**4,424.8**

Breakdown of plan assets

The plan assets originate primarily from North America with 22 % (previous year: 24 %) and the United Kingdom with 73 % (previous year: 71 %). The plan assets can be divided into the following categories:

Breakdown of the plan assets

€m	2017	2018
Cash and cash equivalents	238.4	**266.2**
Equity instruments	675.9	**501.8**
Derivatives	311.0	**30.4**
Nominal government bonds	1,454.7	**938.1**
Nominal corporate bonds	778.0	**719.2**
Index linked bonds	656.1	**1,394.6**
Real estate	124.0	**140.8**
Insurance policies	138.1	**113.2**
Other	393.7	**335.7**
Total	4,769.9	**4,440.0**

The actual return on plan assets amounted to €-52.5 million (previous year: 314.8).

Certain non-monetary assets are based on appraisals that are not completed until the consolidated financial statements have been adopted by the Managing Board. In those cases, the most recent appraisal values are rolled forward with observed trends in the relevant markets to determine the best estimates at year end. The majority of the Group assets are based directly on quoted market prices for the invested assets or, in the case where investment funds are used, indirectly based on the quoted value of the underlying investments. Exceptions are that in the United Kingdom and Germany, a portion of the assets needs to be estimated as at the end of the year, as detailed asset information is not available or cannot be provided in time for the adoption of the consolidated financial statements by the Managing Board (about €112.7 million). In the United Kingdom, these asset values are estimated on the basis of the most current information available. For the German deferred compensation plan, assets are assumed to be equal to the defined benefit obligation, as the benefits are fully funded. The remaining assets without a quoted market price consist of insurance policies primarily in Belgium. The plan assets do not include any significant own financial instruments, property occupied by, or other assets used by HeidelbergCement.

As at 31 December 2018, the unrecognised assets due to the application of the asset ceiling as per IAS 19.64 amounted to €31.7 million (previous year: 19.8). The changes in the asset in 2018 are divided into interest income of €0.5 million, changes in the asset ceiling to be shown in other comprehensive income of €11.9 million, and exchange rate changes of €-0.5 million.

Cash flows

HeidelbergCement paid €64.0 million (previous year: 69.6) directly to the pension recipients and €60.8 million (previous year: 63.1) as employer contributions to the plan assets. In 2019, HeidelbergCement expects to make pension payments of €56.5 million and employer contributions to the plan assets of €57.2 million. HeidelbergCement AG allocated an additional €0.8 million to the Group contractual trust agreement (CTA) in the 2018 financial year in order to protect pension entitlements from insolvency.

Over the next ten years, an annual payment amount of €336.6 million is expected to be paid to the pension recipients either in the form of direct payments or in the form of payments from the plan assets. The average duration of the obligations is 13.8 years (previous year: 14.5).

Multi-employer pension plans

HeidelbergCement participates in multi-employer pension plans (MEPP), predominantly in North America, which award some unionised employees fixed benefits after their retirement. These multi-employer pension plans are accounted for as defined contribution plans, because it is not possible to isolate the individual company components for these plans. The contributions are determined on the basis of collective bargaining. Contributions of €21.4 million (previous year: 10.7) were paid in 2018. The funding status of these pension plans could be affected by adverse developments in the capital markets, demographic changes and increases in pension benefits. If one of the participating companies no longer pays contributions into the multi-employer pension plan, all other parties concerned will be held liable for the obligations that have not been covered. For 2019, contributions of €13.5 million are expected in North America. The withdrawal liability of these plans as at 31 December 2018 would amount to €93.5 million (previous year: 94.5), should HeidelbergCement decide to withdraw. HeidelbergCement has provisions of €29.3 million (previous year: 19.7) for these liabilities, which are shown under miscellaneous other provisions.

45 Other provisions

The following table explains the development of other provisions.

Provisions

€m	Provisions for damages and environmental obligations	Other environmental provisions	Miscellaneous other provisions	**Total**
1 January 2018	307.0	424.8	722.2	**1,454.0**
Changes in consolidation scope		8.7	42.3	**51.0**
Currency translation	14.1	3.3	2.5	**19.9**
Reclassification	0.6	-1.4	-23.9	**-24.7**
Utilisation	-22.0	-32.3	-161.3	**-215.6**
Release		-57.9	-133.9	**-191.8**
Offset	-11.5	-0.1	-13.0	**-24.6**
Addition	24.3	67.9	148.2	**240.4**
31 December 2018	312.5	413.0	583.1	**1,308.6**

The changes to the scope of consolidation of other environmental provisions and miscellaneous other provisions are essentially attributable to the acquisition of Cementir Italia, the Australian Alex Fraser Group, and the cement plant in the Canadian province of Quebec. The offsetting line includes the offsetting of obligations against the corresponding claims for reimbursement and the offsetting of obligations in kind against other assets, particularly from emission rights.

The maturities of the provisions can be broken down as follows:

Maturities

€m	Provisions for damages and environmental obligations	Other environmental provisions	Miscellaneous other provisions	Total
Maturity ≤ 1 year	42.1	29.7	183.4	**255.2**
Maturity > 1 year ≤ 5 years	158.9	173.5	320.9	**653.3**
Maturity > 5 years	111.5	209.8	78.8	**400.1**
	312.5	413.0	583.1	**1,308.6**

Provisions for damages and environmental obligations
Provisions for damages and environmental obligations result from discontinued operations that were transferred to the HeidelbergCement Group as part of the takeover of the Hanson Group in 2007. The obligations are therefore not linked to the continuing operations of the HeidelbergCement Group.

The provisions for damages concern legal proceedings before US courts. The claims relate to health problems allegedly caused by the sale of products containing asbestos. The provisions to be formed are measured at the present value of the expected expenses, using reliable estimates of the development of costs for the next 15 years. The environmental liability claims pertain to remediation obligations in connection with the sale of chemical products by a former Hanson participation.

The provisions are offset by claims for reimbursement against environmental and third-party liability insurers. As at 31 December 2018, the claims amount to €106.6 million (previous year: 109.0), of which €94.2 million (previous year: 99.4) is recorded under other non-current receivables and assets and €12.4 million (previous year: 9.6) under other current operating receivables and assets.

Other environmental provisions
The other environmental provisions include recultivation, environmental, and asset retirement obligations.

Recultivation obligations relate to legal and constructive obligations to backfill and restore raw material quarrying sites. The provisions recognised for these obligations are measured in accordance with the extraction progress on the basis of the best cost estimate for fulfilling the obligation. As at the reporting date, these provisions amounted to €287.4 million (previous year: 297.9).

Provisions for environmental obligations are recognised on the basis of contractual or official regulations and essentially include expenses connected with the cleaning up of contaminated areas and the remediation of extraction damages. The provisions are measured at the present value of the expected expenses. These provisions amount to a total of €50.5 million (previous year: 60.3).

The provisions for asset retirement obligations pertain to obligations arising in connection with the removal of installations (e.g. conveying systems at rented locations), so that a location can be restored to its contractually agreed or legally defined state after the end of its useful life. As at the reporting date, provisions for asset retirement obligations of €75.1 million (previous year: 66.6) had been recognised.

Miscellaneous other provisions
Miscellaneous other provisions exist in particular for restructuring obligations, other litigation risks, compensation obligations, and obligations to personnel.

The provisions for restructuring obligations concern expenses for various optimisation programmes, such as the closure of plants or relocation of activities. Provisions of €65.9 million (previous year: 129.8) had been recognised for this purpose as at the reporting date.

Because of pending legal action against the Group, provisions for litigation risks, including those relating to pending antitrust proceedings, amounting to €139.8 million (previous year: 215.4) were recognised in the balance sheet. These obligations are assessed as most likely, provided that other estimates do not lead to a fairer evaluation as a result of specific probability distributions.

Provisions for compensation obligations relate to the Group's obligations arising from occupational accidents. As at the reporting date, provisions of €65.5 million (previous year: 71.5) had been formed for this purpose.

Obligations to personnel include the provision for the long-term bonus plan (management and capital market component) of €35.3 million (previous year: 61.4), as well as provisions for multi-employer pension plans amounting to €29.3 million (previous year: 19.7).

Further provisions were additionally recognised for fringe benefits for tax purposes and a variety of minor issues.

Impact of interest rate effects

Provisions are measured at their present value, which is determined using a pre-tax interest rate. For this purpose, HeidelbergCement uses the risk-free interest rate of government bonds from the respective countries, taking into account the relevant term. The risks specific to the liability are taken into account in the estimate of future cash outflows.

Interest rate effects of €3.7 million for provisions for damages and environmental obligations are included in the expenses from discontinued operations. Changes in the interest rate led to a decrease of €3.8 million in miscellaneous other provisions. Compounding effects of €8.4 million led to an increase in miscellaneous other provisions.

46 Liabilities

The other non-current operating liabilities include non-current contract liabilities of €0.5 million, while the other current operating liabilities include current contract liabilities of €123.7 million. The contract liabilities relate to prepayments received by the customer for performance obligations not yet fulfilled as at the reporting date. Current contract liabilities of €80.0 million as at 1 January 2018 were fully recognised in revenue in the 2018 financial year.

The following table shows the composition of the interest-bearing liabilities.

Interest-bearing liabilities

€m	2017	2018
Bonds payable	10,014.3	**9,939.7**
Bank loans	575.4	**746.4**
Other interest-bearing liabilities		
Miscellaneous interest-bearing liabilities	113.7	**122.6**
Liabilities from finance lease	16.6	**12.7**
Derivative financial instruments	37.8	**75.9**
Non-controlling interests with put options	66.2	**83.4**
	10,824.0	**10,980.7**

The following table provides an overview of the maturities of the interest-bearing liabilities.

Maturities of interest-bearing liabilities				
€m	< 1 year	1 - 5 years	> 5 years	Total
31 December 2018				
Bonds payable	1,134.6	5,582.3	3,222.8	**9,939.7**
Bank loans	115.1	630.9	0.4	**746.4**
Miscellaneous interest-bearing liabilities	75.2	19.8	27.6	**122.6**
Liabilities from finance lease	8.7	4.0		**12.7**
Derivative financial instruments	75.9			**75.9**
Non-controlling interests with put options	62.3	21.1		**83.4**
	1,471.8	6,258.1	3,250.8	**10,980.7**
31 December 2017				
Bonds payable	1,668.4	4,123.4	4,222.5	**10,014.3**
Bank loans	116.0	448.7	10.7	**575.4**
Miscellaneous interest-bearing liabilities	67.6	23.5	22.6	**113.7**
Liabilities from finance lease	8.6	8.0		**16.6**
Derivative financial instruments	34.8	3.0		**37.8**
Non-controlling interests with put options	47.7	18.5		**66.2**
	1,943.1	4,625.1	4,255.8	**10,824.0**

The following table shows the reconciliation of the total future minimum lease payments with their present value for finance lease liabilities.

Minimum lease payments of finance leases			
€m	< 1 year	1 - 5 years	Total
31 December 2018			
Present value of future minimum lease payments	8.7	4.0	**12.7**
Interest of future minimum lease payments	0.4	0.1	**0.5**
Future minimum lease payments	9.1	4.1	**13.2**
31 December 2017			
Present value of future minimum lease payments	8.6	8.0	**16.6**
Interest of future minimum lease payments	0.5	0.2	**0.7**
Future minimum lease payments	9.1	8.2	**17.3**

Further information on interest-bearing liabilities can be found in the Group financial management chapter of the Group management report on ↗ page 45 f. Explanations on the derivative financial instruments are provided on ↗ page 172 f.

Additional disclosures on financial instruments

The following table assigns the individual balance sheet items for the financial instruments to classes and measurement categories of IAS 39 or IFRS 9. In addition, the aggregate carrying amounts for each measurement category and the fair values for each class are depicted.

Carrying amounts and fair values of financial instruments

€m	Category of IFRS 9/ IAS 39 [1]	Amortised cost	Cost	Fair value with P/L effect	Fair value without P/L effect	Carrying amount	Fair value
31 December 2018 (IFRS 9)							
Assets							
Financial investments – fair value through other comprehensive income	FVOCI					**165.2**	**165.2**
Financial investments – fair value through profit or loss	FVTPL					**47.8**	**47.8**
Loans and other interest-bearing receivables	AC					**219.2**	**222.8**
Trade receivables and other operating receivables – amortised cost	AC					**2,043.8**	**2,043.8**
Trade receivables and other operating receivables – fair value through profit or loss	FVTPL					**218.2**	**218.2**
Cash and cash equivalents – amortised cost	AC					**2,363.7**	**2,363.7**
Cash and cash equivalents – fair value through profit or loss	FVTPL					**222.2**	**222.2**
Derivatives – hedge accounting	Hedge					**7.7**	**7.7**
Derivatives – held for trading	FVTPL					**53.8**	**53.8**
Liabilities							
Bonds payable, bank loans, and miscellaneous financial liabilities	AC					**10,808.7**	**11,002.3**
Trade payables and miscellaneous operating liabilities	AC					**3,649.6**	**3,649.6**
Derivatives – hedge accounting	Hedge					**0.9**	**0.9**
Derivatives – held for trading	FVTPL					**75.0**	**75.0**
Non-controlling interests with put options	AC					**83.4**	**83.4**
31 December 2017 (IAS 39)							
Assets							
Financial investments – available for sale at cost	AfS		87.1			**87.1**	
Financial investments – available for sale at fair value	AfS				179.3	**179.3**	**179.3**
Loans and other interest-bearing receivables	LaR	203.5				**203.5**	**208.6**
Trade receivables and other operating receivables	LaR	2,265.4				**2,265.4**	**2,265.4**
Cash and cash equivalents	LaR	2,108.6				**2,108.6**	**2,108.6**
Derivatives – hedge accounting	Hedge				1.7	**1.7**	**1.7**
Derivatives – held for trading	HfT			15.0		**15.0**	**15.0**
Liabilities							
Bonds payable, bank loans, and miscellaneous financial liabilities	FLAC	10,703.3				**10,703.3**	**11,324.6**
Trade payables, liabilities relating to personnel, and miscellaneous operating liabilities	FLAC	3,740.3				**3,740.3**	**3,740.3**
Liabilities from finance lease	FLAC	16.6				**16.6**	**16.6**
Derivatives – hedge accounting	Hedge				0.0	**0.0**	**0.0**
Derivatives – held for trading	HfT		37.8			**37.8**	**37.8**
Non-controlling interests with put options	FLAC	66.2				**66.2**	**66.2**

1) AfS: Available for sale, LaR: Loans and receivables, Hedge: Hedge accounting, HfT: Held for trading, FLAC: Financial liabilities at amortised cost, AC: Amortised cost, FVTPL: Fair value through profit or loss, FVOCI: Fair value through other comprehensive income.

For level 1, the fair value is calculated using prices quoted on an active market (unadjusted) for identical assets or liabilities to which HeidelbergCement has access on the reporting date. For level 2, the fair value is determined using a discounted cash flow model on the basis of input data that does not involve quoted prices classified in level 1, and which is directly or indirectly observable. The fair values of level 3 are calculated using measurement models that include factors that cannot be observed on the active market.

The following table shows the fair value hierarchy for the assets and liabilities that are measured at fair value in the balance sheet.

Fair value hierarchy	31 December 2017			31 December 2018		
€m	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Financial investments – fair value through other comprehensive income						**165.2**
Financial investments – fair value through profit or loss				**19.6**		**28.2**
Financial investments – available for sale at fair value	10.3		169.0			
Trade receivables and other operating receivables – fair value through profit or loss					**218.2**	
Cash and cash equivalents – fair value through profit or loss				**222.2**		
Derivatives – hedge accounting		1.7			**7.7**	
Derivatives – held for trading		15.0			**53.8**	
Liabilities						
Derivatives – hedge accounting		0.0			**0.8**	
Derivatives – held for trading		37.8			**75.1**	

The following table shows the fair value hierarchy for the assets and liabilities that are not measured at fair value in the balance sheet, but whose fair value is reported.

Fair value hierarchy	31 December 2017			31 December 2018		
€m	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Loans and other interest-bearing receivables		208.6			**222.8**	
Trade receivables and other operating receivables – amortised cost		2,265.4			**2,043.8**	
Cash and cash equivalents – amortised cost	2,108.6			**2,363.7**		
Liabilities						
Bonds payable, bank loans, and miscellaneous financial liabilities	10,424.3	900.3		**9,970.5**	**1,031.8**	
Trade payables and miscellaneous operating liabilities		3,740.3			**3,649.6**	
Liabilities from finance lease		16.6				
Non-controlling interests with put options			66.2			**83.4**

The item financial investments at fair value through other comprehensive income includes the fair value of the participation in the Permanente Group of €165.2 million. In the previous year, the participation in the Permanente Group was valued at €169.0 million and was classified as a financial investment available for sale at fair value.

The fair value of the Permanente Group is determined by the value of the outstanding receivables to our US subsidiary as well as the value of the current business operations. This was determined on the basis of expert opinions and is essentially derived from the value of the land, which was calculated on the basis of actual transactions relating to comparable sites while taking into account the recultivation expenses still to be incurred.

The asbestos liabilities were estimated using the expected insurance deductible to be paid until completion, taking into consideration the value of the existing insurance coverage for the asbestos claims. Current receivables and liabilities were reported at their nominal value and remaining non-current receivables were discounted.

Uncertainties relating to the determination of the fair value of the investment in the Permanente Group mainly result from the appraisal of land. Any changes to the market situation could have a positive or negative impact on this figure. In addition, uncertainties exist regarding the amount of the recultivation expenses to be considered. The following table shows the effect of variations of those unobservable inputs on the fair value of the investment in the Permanente Group.

Sensitivity of the fair value

Inputs	Variance	Change of fair value in €m	Variance	Change of fair value in €m
Commercial land value	+5 %	**6.1**	-5 %	**-6.1**
	+10 %	**12.2**	-10 %	**-12.2**
Recultivation expenses	+5 %	**-3.5**	-5 %	**3.5**
	+10 %	**-7.0**	-10 %	**7.0**

The financial investments at fair value through profit or loss include participations of €28.2 million on which HeidelbergCement has no significant influence. These investments were primarily measured using the multiplier method, which determines the proportionate enterprise value based on company-specific variables using EBITDA or revenue multipliers. The decline of €3.4 million in the financial year was primarily due to revaluation of held shares at fair value through profit or loss. In the previous year, these equity instruments were measured at cost and shown as financial investments available for sale at cost. Uncertainties relating to the determination of the fair value of these investments mainly result from the change in the multipliers used, as no quoted price on an active market exists. If the multipliers used were increased or decreased by 10.0 percentage points, the fair value of these investments would increase or decrease by €3.2 million.

Furthermore, financial investments amounting to €19.6 million for which the fair value was determined using the market values at the reporting date are recognised here. Financial investments of €10.0 million were deposited as security for existing and future reinsurance services. In the previous year, they were classified as financial investments available for sale at fair value (€10.3 million) in accordance with IAS 39.

The fair values of the other financial assets measured at fair value through profit or loss were primarily determined using the prices of recent transactions.

Cash and cash equivalents at fair value through profit or loss include highly liquid money market funds whose fair value was determined using the market values at the reporting date.

Derivative financial instruments, both those designated as hedges and those held for trading, are measured at fair value. For these items, the fair value always corresponds to the carrying amount.

The fair values of the non-current loans, other non-current operating receivables, bank loans, and other non-current interest-bearing and operating liabilities correspond to the present values of the future payments, taking into account the current interest parameters.

The fair values of the listed bonds correspond to the nominal values multiplied by the price quotations at the reporting date. For the financial instruments with short-term maturities, the carrying amounts on the reporting date represent appropriate estimates of the fair values.

The trade payables and miscellaneous operating liabilities category cannot be immediately reconciled with the related balance sheet items, as these contain not only financial liabilities but also prepaid expenses and non-financial liabilities of €770.9 million.

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Non-controlling interests with put options in level 3 are liabilities that relate to put options resulting from tender rights of non-controlling interests. The calculation of the fair value is based on the respective contractual agreements for paying off the non-controlling interests in the event of a tender. These usually provide an approximation of the proportionate enterprise value based on company-specific variables and multipliers. If the tender is only possible at a later point in time, the payoff amount is discounted using an appropriate market interest rate. For the German partnerships, the fair value is calculated using a discounted cash flow model. In this respect, the cash flows based on the companies' underlying plans were discounted with a risk-adjusted discount rate (WACC).

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.

The following table shows the net gains or losses from the financial instruments by measurement category.

Net gains or losses

€m	Measurement category	2017	**2018**
Financial assets – fair value through other comprehensive income	FVOCI		**-11.4**
Financial assets – fair value through profit or loss	FVTPL		**-26.8**
Financial investments – available for sale	AfS	-96.1	
Financial assets – amortised cost	AC		**-42.1**
Loans and receivables	LaR	168.5	
Derivatives – held for trading	FVTPL		**49.1**
Financial instruments – held for trading	HFT	-263.0	
Financial liabilities – amortised cost	AC	39.9	**-51.6**
		-150.7	**-82.8**

The measurement of the financial assets at fair value through other comprehensive income produced a result of €-11.4 million recognised in equity. The net result of financial assets at fair value through profit or loss is essentially derived from the measurement in profit or loss. The net result of financial assets at amortised cost is made up of impairment losses of €24.3 million, losses of €5.7 million from the derecognition of operating and interest-bearing receivables, and currency effects of €12.1 million. The net result of derivative financial instruments held for trading comprises currency and interest rate effects. For financial liabilities carried at amortised costs, the net result primarily includes effects from currency translation.

In the previous year, the net result from loans and receivables included impairment losses as well as reversals of impairment losses of €-29.6 million and currency effects of €198.1 million.

The measurement of the financial investments available for sale at fair value produced a measurement expense of €64.9 million as well as currency losses of €29.0 million, recognised in equity. The net result of financial investments available for sale at cost includes impairment losses of €4.1 million and gains from the disposal with a carrying amount of €17.2 million amounting to €1.9 million. The net result from the subsequent measurement of the financial instruments held for trading included currency and interest effects.

The following table shows the total interest income and expenses for the financial instruments. All interest results from financial receivables and financial liabilities measured at amortised cost.

Total interest income and expense

€m	2017	**2018**
Total interest income	56.6	**49.1**
Total interest expense	-361.0	**-322.1**
	-304.4	**-273.0**

Derivative financial instruments

The following table shows the nominal values and fair values of the derivative financial instruments.

Derivative financial instruments	31 December 2017		31 December 2018	
€m	Nominal value	Fair value [2]	Nominal value	Fair value [2]
Assets				
Cash flow hedges				
Currency forwards	44.2	1.4	**0.7**	**0.0**
Foreign exchange swaps	3.0	0.0		
Commodity derivatives	0.9	0.3	**11.3**	**1.1**
Fair value hedges				
Interest rate swaps			**750.0**	**6.6**
Derivatives held for trading				
Currency forwards	1.5	0.0	**27.3**	**0.4**
Foreign exchange swaps	832.6	6.8	**835.6**	**9.9**
Cross-currency interest rate swaps [1]	90.8	8.2	**707.8**	**41.0**
Commodity derivatives			**18.0**	**2.5**
	973.0	16.7	**2,350.6**	**61.5**
Liabilities				
Cash flow hedges				
Commodity derivatives	5.2	0.0	**4.2**	**0.9**
Derivatives held for trading				
Currency forwards	33.9	0.6	**63.4**	**0.9**
Foreign exchange swaps	3,470.4	26.2	**3,080.1**	**48.4**
Cross-currency interest rate swaps [1]	43.8	11.0	**43.8**	**25.2**
Commodity derivatives	3.9	0.0	**14.9**	**0.5**
	3,557.2	37.8	**3,206.5**	**75.9**

1) Nominal values of €707.8 million (previous year: 90.8) relate to cross-currency interest rate swaps with positive fair values of €19.1 million (previous year: 3.9), which are shown on the assets side in the amount of €41.0 million (previous year: 8.2) and on the liabilities side in the amount of €-21.9 million (previous year: -4.3) because of separation into long-term and short-term components of the swaps. The nominal values of €43.8 million (previous year: 43.8) refer to cross-currency interest rate swaps with negative fair values of €-3.3 million (previous year: -6.7).

2) Fair values specified with €0.0 amount to less than €50,000.

The derivatives contracted by HeidelbergCement are sometimes subject to legally enforceable netting agreements (ISDA Agreement or German Master Agreement for Financial Derivatives Transactions), which, however, do not permit netting of receivables and liabilities in the balance sheet in accordance with IAS 32.42. The right to offset only exists in the case of delayed payment or if a contracting party becomes insolvent. The presentation in the balance sheet is therefore shown on a gross basis.

As at the reporting date, derivatives with a positive carrying amount of €60.1 million (previous year: 16.7) and corresponding derivatives with a negative carrying amount of €-75.0 million (previous year: -37.8) were subject to netting agreements. Taking these agreements into consideration, a calculated netting amount of €46.1 million (previous year: 13.2) would result at the reporting date. Accordingly, the derivatives would have positive net carrying amounts of €14.1 million (previous year: 3.6) and negative net carrying amounts of €-28.9 million (previous year: -24.7).

At HeidelbergCement, derivative financial instruments are used exclusively for economic hedging purposes arising from operational business or refinancing activities. In order to correct the accounting mismatch between the hedging instrument and the hedged item, hedges are designated in individual cases (hedge accounting).

Cash flow hedges

Currency risks arising from long-term investment projects, which result from future contractual payments in foreign currencies, are hedged by appropriate cash holdings in foreign currencies and a short-term foreign exchange swap. The features of the hedging instruments match those of the hedged items. The hedge ratio is 1. The investment projects will be completed in 2019.

As an energy-intensive company, HeidelbergCement is exposed to the energy price risk in its fuel and electricity procurement activities. In Northern Europe, a small proportion of the future electricity and gas oil deliveries are hedged using short-term electricity and gas oil forward contracts. In principle, the main contract features of the hedging instruments correspond to the features of the hedged items. The hedge ratio is 1.

The hedging instruments and hedged items designated as hedges have the following impact on the balance sheet as at 31 December 2018.

Cash flow hedges by risk category		
€m	Currency risk	Electricity price risk
Hedging instruments		
Balance sheet items and carrying amounts		
Derivative financial instruments (assets)	0.0	1.1
Cash and cash equivalents (assets)	11.8	
thereof cumulated currency effects	1.5	
Other current interest-bearing liabilities		-0.9
Change in fair value to measure the ineffectiveness in the reporting period	1.5	-4.2
Hedged items		
Change to measure the ineffectiveness	0.5	-4.2
Reserve for cash flow hedges	1.5	0.3

The reconciliation of the cash flow hedge reserve is shown in the following table.

Reconciliation of cash flow hedge reserve		
€m	Risk	2018
1 January 2018		**-4.6**
Changes in fair values	Currency risk	**-0.4**
Changes in fair values	Electricity price risk	**-4.2**
Gains or losses recognised in other comprehensive income		**-4.6**
Reclassification to profit or loss (material costs)	Electricity price risk	**4.7**
Reclassification to cost of property, plant and equipment	Currency risk	**1.3**
Hedge ineffectiveness arising from early termination of hedged items (other operating income)	Currency risk	**1.0**
Income taxes		**-0.3**
Net gains / losses arising from equity method investments		**-0.9**
31 December 2018		**-3.4**

In the case of currency forwards, only the spot component of the change in fair value is designated as an element of the cash flow hedge. Changes in the fair value attributable to the forward component are recognised in profit or loss in the income statement.

In 2017, the currency swap that hedged the currency risk of the fixed interest-bearing CHF 150 million bond matured. €-18.3 million was recognised directly in equity through other comprehensive income, and €18.3 million was released to profit or loss. The commodity derivatives of €0.3 million that were open in 2017 hedged future electricity and gas oil prices and matured in the course of 2018. Valuation effects of €1.0 million were recognised directly in equity through other comprehensive income. Effects of €-0.5 million included in equity were reclassified to profit or loss. The contractually set future payments in foreign currency resulting from long-term investment projects were hedged by appropriate cash holdings in foreign currencies, currency forwards, and foreign exchange swaps. Currency effects and changes in the fair value of derivatives amounting to €2.4 million were recognised directly in equity through other comprehensive income. In the context of the payment of instalments in 2017, €-0.4 million of the amount recognised in other comprehensive income was reclassified directly from other comprehensive income to assets under construction. The accrued interest of €-0.4 million included in the fair value of the currency forwards and foreign exchange swaps was recognised in profit or loss in the other financial result. The investment projects matured or will mature in 2018 and 2019. In 2017, there was no significant ineffectiveness in the cash flow hedges.

Fair value hedges

The interest rate swaps open at the reporting date hedge the interest rate risks of a fixed interest-bearing EUR bond that matures in 2022. The interest rate swaps have similar terms to the hedged item as regards the benchmark interest rate, payment dates, terms, and notional amount. The changes in the value of the hedged item arising from the change in the EURIBOR are offset to the greatest extent possible by the change in the value of the swaps. The hedge ratio is 1.

Fair value hedge - hedging interest risk			
€m	Hedging instrument interest rate swaps	Hedged item bond	Hedge ineffectiveness recognised in profit or loss
Balance sheet items and carrying amount			
Loans and derivative financial instruments (assets)	3.2		
Derivative financial instruments (assets)	3.4		
Bonds payable (liabilities)		-755.7	
thereof cumulated changes in fair value		-5.7	
Change in fair value to measure the ineffectiveness in the reporting period	5.2	-5.7	
Profit or loss item and value of ineffectiveness			
Other financial result			-0.5

The ineffectiveness of the fair value hedge results essentially from the influence of the credit risk of the counterparty and the Group on the fair value of the interest rate swaps and on the change in the fair value of the loan. The accrued interest of €1.4 million included in the fair value was recognised in profit or loss in the interest result.

The effectiveness of the cash flow hedges and fair value hedges is verified prospectively on the basis of the main contract features at inception and at every reporting date.

Risks from financial instruments

With regard to its assets, liabilities, firm commitments, and planned transactions, HeidelbergCement is particularly exposed to risks arising from changes in exchange rates, interest rates, and market and stock market prices. These market price risks might have a negative impact on the financial position and performance of the Group. The Group manages these risks primarily as part of its ongoing business and financing activities and, when required, by using derivative financial instruments. The main aspects of the financial policy are determined by the Managing Board.

The Group Treasury department is responsible for the implementation of the financial policy and ongoing risk management. The Group Treasury department acts on the basis of existing guidelines, which bindingly determine the decision criteria, competences, responsibilities, and processes for managing the financial risks.

Certain transactions also require the prior approval of the Managing Board. The Group Treasury department informs the Managing Board on an ongoing basis about the amount and scope of the current risk exposure and current market developments on the global financial markets. The Group Internal Audit department monitors the observance of the guidelines mentioned above and the corresponding legal framework by means of targeted auditing.

Credit risk

HeidelbergCement is exposed to credit risk through its operating activities and certain financial transactions. The credit risk stands for the risk that a contracting party unexpectedly does not fulfil, or only partially fulfils, the obligations agreed when signing a financial instruments contract. The Group limits its credit risk by only concluding contracts for financial assets and derivative financial instruments with partners that have a first-class credit rating.

Credit rating

The rating agencies Moody's, Standard & Poor's, and Fitch Ratings assess the creditworthiness of HeidelbergCement as Baa3/P-3 (positive outlook), BBB-/A-3 (stable outlook), and BBB-/F3 (stable outlook) as at the end of 2018. Any potential downgrading of the ratings awarded by the rating agencies could have a negative impact on HeidelbergCement's cost of capital and refinancing options.

Cash and cash equivalents

This item essentially comprises cash and cash equivalents. The Group is exposed to losses arising from credit risk in connection with the investment of cash and cash equivalents if contracting parties do not fulfil their obligations. HeidelbergCement manages the resulting risk position by diversification of contracting parties. Cash and cash equivalents are invested in selected companies, banks, and financial institutions following a thorough credit analysis. Currently, no cash or cash equivalents are overdue or impaired as a result of defaults. The maximum credit risk of cash and cash equivalents corresponds to the carrying amount.

Trade receivables and contract assets
Trade receivables result mainly from the sale of cement, concrete, and aggregates. In operating activities, the outstanding debts are monitored on an ongoing basis. The maximum risk position from trade receivables corresponds to the carrying amount. The concentration of risk with regard to trade receivables and contract assets is classified as low because of HeidelbergCement's global activity and the dispersion across a large number of customers.

To calculate the expected credit losses for trade receivables and contract assets, HeidelbergCement uses the simplified approach of IFRS 9. This provides for a loss allowance at every reporting date in the amount of the expected credit losses over the term. For the purposes of the calculation, the receivables are aggregated according to their geographical position, as the customer segments show similar credit risk features for each country.

The trade receivables are divided into the risk classes "not credit-impaired" or "credit-impaired". For the calculation of the expected credit loss rate of the not credit-impaired risk class, historical loss rates are taken into account. These are based on revenue and derecognition of receivables over the last three years. They are then adjusted by a factor in order to reflect forward-looking macroeconomic information that could have an impact on customers' ability to settle the receivables. For this purpose, the expected real growth of the construction industry or the gross domestic product of the countries in which the customers are domiciled is taken into account. For the credit-impaired risk class, credit default rates are calculated for the expected credit loss which essentially based on historical default probabilities and due terms.

In each country's domestic business, trade receivables may be secured by various forms of collateral, such as guarantees, letters of credit, and other types of credit insurance. These securities are considered an integral part of the trade receivables and are taken into account when calculating impairment.

The contract assets relate to performance obligations already fulfilled for which no unconditional right to payment exists as at the reporting date. The contract assets essentially have the same risk characteristics as the trade receivables. The expected default rates for trade receivables in each country are therefore regarded as a reasonable approximation of the default rates for the contract assets and used to calculate the expected credit loss.

Information about the credit risk position and the expected credit losses for the trade receivables and contract assets as at 31 December 2018 is shown in the following table.

Trade receivables by risk class

€m	Expected credit loss rate	Gross carrying amount	Loss allowance	Total
31 December 2018				
Not credit-impaired	0.2 %	1,438.5	-2.2	**1,436.3**
Credit-impaired	31.6 %	289.4	-91.5	**197.9**
		1,727.9	-93.7	**1,634.2**

The loss allowances on trade receivables have developed as follows:

Loss allowances on trade receivables

€m	2017	2018
Loss allowances at 1 January	76.8	**90.8**
Additions	32.5	**32.7**
Reversal	-10.4	**-20.3**
Use	-9.1	**-8.6**
Currency translation and other adjustments	-1.2	**-0.9**
Loss allowances at 31 December	88.6	**93.7**

The impairment loss for the contract assets amounts to €8,000. There was no adjustment of loss allowances on 1 January 2018 as the identified impairment loss was immaterial.

In the previous years, the loss allowances on trade receivables were essentially based on historical default probabilities and due terms. They primarily related to specific lump sum allowances.

Other receivables and financial assets

The credit risk position from other receivables and financial assets corresponds to the carrying amount of these instruments. HeidelbergCement regards this credit risk as insignificant.

In particular, these include non-current receivables, interest-bearing receivables, and other operating receivables. HeidelbergCement already takes into account the default risk when a financial asset is initially recognised by forming loss allowances for expected credit losses. The general approach in accordance with IFRS 9 is used for the calculation of impairments. Internal credit assessments taking into account both quantitative and qualitative information are used to calculate the default probabilities. The internal classifications are then reconciled with the rating classes of external rating agencies and the resulting default probabilities. These default probabilities are adjusted to take into account the expected real growth of the gross domestic product of the country in which the debtor is domiciled. Both the financial situation of the debtor and granted securities are taken into consideration in the calculation of the loss rate, resulting in a low default risk overall. At every reporting date, an assessment is made as to whether the credit risk has increased significantly. If the credit risk has not increased significantly since initial recognition, the default probability is calculated on the basis of a 12-month period; otherwise, the total remaining term is used.

In order to assess whether the credit risk has increased significantly, the risk of default on the financial asset at the reporting date is compared with the default risk at the time of initial recognition. In particular, the following indicators are taken into account in this assessment in addition to the local conditions, which vary from country to country:
– Credit rating of the debtor in accordance with HeidelbergCement's internal assessments and those of external rating agencies
– Actual or expected significant adverse changes in the business, financial, or economic situation that are likely to lead to a significant change in the debtor's ability to fulfil its obligations

Independent of the above analysis, a significant increase in the credit risk is assumed if a debtor is more than 30 days overdue with a contractual payment.

As regards the determination of a default event, a financial asset is classified as credit-impaired if an objective event has occurred, as in the following examples:
– Contractual payment is more than 90 days overdue
– Significant financial difficulties on the part of the debtor
– Restructuring of the receivable because of the debtor's financial difficulties (e.g. extension agreement)
– The debtor is likely to enter bankruptcy or other financial reorganisation

The following table explains the development of the loss allowances for the other financial receivables at amortised cost.

Other financial receivables – amortised cost

€m	Loans and other interest-bearing receivables	Other operating receivables	Total
Gross carrying amount at 31 December 2018	234.9	415.1	**650.0**
Loss allowances at 1 January 2018	-5.2	-4.1	**-9.3**
Changes	-10.6	-1.4	**-12.0**
Currency translation	0.1		**0.1**
Loss allowances at 31 December 2018	-15.7	-5.5	**-21.2**
Carrying amount at 31 December 2018	219.2	409.6	**628.8**

The credit risk position and expected credit losses for the other financial receivables at amortised cost can be broken down by risk class as follows.

Other financial receivables by risk class				
€m	Expected credit loss rate	Gross carrying amount	Loss allowance	Total
31 December 2018				
Low risk	0.0 %	597.7	-0.1	**597.6**
Default event	40.5 %	52.3	-21.1	**31.2**
		650.0	-21.2	**628.8**

There was no allocation to the doubtful risk class as the credit risk for the above receivables has not increased significantly since initial recognition.

The cash and cash equivalents are also subject to the impairment requirements of IFRS 9. The identified impairment loss was immaterial.

Derivative financial instruments

Derivative financial instruments are generally used to reduce risks. In the course of its business activity, HeidelbergCement is exposed to interest rate, currency, and energy price risks. For accounting purposes, a significant portion of the derivatives are not accounted for as hedges in accordance with IFRS 9, but as instruments in the held-for-trading category. However, from a commercial perspective, the changes in the fair values of these instruments represent an economically effective hedge within the context of the Group strategy. The maximum credit risk of this item corresponds to the fair value of the derivative financial instruments that have a positive fair value and are shown as financial assets at the reporting date. In order to reduce default risks, the hedging transactions are generally concluded only with leading financial institutions that have a first-class credit rating. The contracting parties enjoy very good credit ratings, awarded by external rating agencies such as Moody's, Standard & Poor's, or Fitch Ratings. There are currently no past-due derivative financial instruments in the portfolio.

Liquidity risk

The liquidity risk describes the risk of a company not being able to fulfil its financial obligations to a sufficient degree. To manage HeidelbergCement's liquidity, the Group maintains sufficient cash and cash equivalents as well as extensive credit lines with banks, besides the cash inflow from operating activities. The operating liquidity management includes a daily reconciliation of cash and cash equivalents. The Group Treasury department acts as an in-house bank. This allows liquidity surpluses and requirements to be managed in accordance with the needs of the entire Group and of individual Group companies.

As at the end of the year, HeidelbergCement still has as yet undrawn, confirmed credit lines of €2.8 billion available in order to secure liquidity, in addition to available cash and cash equivalents. An open-ended framework agreement for the issue of short-term bearer bonds (commercial papers) of €1.5 billion is available to cover short-term liquidity peaks. Within the context of the programme, individual tranches with different terms will be issued at different times depending on the market situation. As at the end of 2018, none of the commercial papers issued by HeidelbergCement AG were outstanding. Further information on liquidity risks can be found in the Management Report, Risk and opportunity report chapter on ↗ page 76 f.

As the financial contracts of HeidelbergCement do not contain any clauses that trigger a repayment obligation in the event of the credit rating being downgraded, the maturity structure will remain unaffected even if the credit assessments change. Margin calls that could lead to an outflow of liquidity are not agreed in any of the main financial instruments. All derivative financial instruments are contracted on the basis of existing framework agreements that contain netting agreements for the purpose of reducing credit and liquidity risks.

The maturity overview below shows how the cash flows of the liabilities as at 31 December 2018 affect the Group's liquidity position. The overview describes the progress of the following:
- Undiscounted repayments and interest payments for bonds payable
- Undiscounted liabilities and interest payments to banks
- Undiscounted other liabilities
- Undiscounted contractually agreed payments for derivative financial instruments, as a total for the year

The trade payables are assigned to short-term maturities (within a year). For variable interest payments, the current interest rate is taken as a basis. Payments in foreign currency are translated using the exchange rate at year end.

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Cash flows of interest-bearing liabilities and derivative financial instruments

€m	Carrying amount 31 Dec. 2018	Cash flows 2019	Cash flows 2020	Cash flows 2021	Cash flows 2022	Cash flows 2023-2028
Bonds payable	**9,939.7**	1,275.1	1,993.2	1,365.0	845.0	5,282.5
Bank loans	**746.4**	122.7	38.4	45.7	406.3	209.6
Miscellaneous interest-bearing liabilities	**122.6**	78.3	19.2	1.7	2.0	41.3
Derivatives with positive fair value						
Cash flow hedges	**1.1**	11.3				
Fair value hedges	**6.6**	0.2	0.2	0.2	0.2	
Derivatives held for trading	**53.8**	894.0	27.9	59.1	55.3	637.4
Derivatives with negative fair value						
Cash flow hedges	**0.9**	4.2				
Derivatives held for trading	**75.0**	3,199.9	18.5	19.3		

Cash flows of interest-bearing liabilities and derivative financial instruments

€m	Carrying amount 31 Dec. 2017	Cash flows 2018	Cash flows 2019	Cash flows 2020	Cash flows 2021	Cash flows 2022-2027
Bonds payable	**10,014.3**	1,846.2	1,258.2	1,976.3	1,348.1	4,531.9
Bank loans	**575.4**	127.0	33.1	30.5	29.9	404.7
Miscellaneous interest-bearing liabilities	**113.7**	73.1	23.3	1.4	1.9	36.2
Derivatives with positive fair value						
Cash flow hedges	**1.7**	45.4	1.5			
Derivatives held for trading	**15.0**	860.1	5.4	5.4	36.7	34.0
Derivatives with negative fair value						
Cash flow hedges	**0.0**	5.2				
Derivatives held for trading	**37.8**	3,530.4	20.8	19.3	17.1	

The inflow of liquidity amounting to €794.4 million (previous year: 140.3) from cross-currency interest rate swaps and €3,998.3 million (previous year: 4,384.3) arising from current foreign exchange transactions and other derivatives have not been taken into account in the table.

The undiscounted contractual cash flows of the finance lease liabilities are shown in a separate table on ↗ **page 167.**

Interest rate risk

Interest rate risks exist as a result of potential changes in the market interest rate and may lead to a change in fair value in the case of fixed interest-bearing financial instruments and to fluctuations in interest payments in the case of variable interest-bearing financial instruments. The Managing Board and Supervisory Board of HeidelbergCement AG have decided against hedging the variable interest-bearing financial instruments. This strategy is based on the historically strong correlation between increasing profits and rising interest rates. For financial instruments with fixed interest that are measured at amortised cost, interest rate risks have no impact on the result and equity.

If the market interest rate level across all currencies had been 100 basis points higher (lower) on 31 December 2018, the net interest cost of the HeidelbergCement Group taking into account the variable interest-bearing assets and liabilities would have fallen (risen) by €11.1 million (previous year: 8.8).

Currency risk

HeidelbergCement's currency risk results from its investing, financing, and operating activities. Risks from foreign currencies are generally hedged, insofar as they affect the Group's cash flow. Currency forwards and foreign exchange swaps are used in the elimination of existing currency risks.

Through the in-house banking activities of HeidelbergCement AG, the borrowing and investment of liquidity of the subsidiaries leads to currency positions that are generally hedged by means of external foreign exchange swap transactions, which are appropriate in terms of maturities and amounts. Consequently, currency fluctuations in connection with the in-house banking activities usually have no impact on profit or loss or equity. Unhedged items exist only in isolated cases, such as where currencies are not convertible.

The following table shows the hypothetical impact on the financial result assuming a 10 % increase or decrease in the value of the foreign currency against the respective functional currency, whereby the positive values represent income and the negative values an expense in the income statement.

Sensitivity analysis of currency risk	Increase in the value of the foreign currency by 10%		Decrease in the value of the foreign currency by 10%	
€m	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018
EGP/EUR	1.9		-1.9	
EUR/USD	1.7	**1.7**	-1.7	**-1.7**
EUR/NOK	-1.9		1.9	
USD/GHS	0.7	**0.8**	-0.7	**-0.8**
USD/TZS		**1.9**		**-1.9**

By contrast, foreign currency risks that do not affect the Group's cash flows (i.e. the risks resulting from the translation of the assets and liabilities of foreign subsidiaries into the Group reporting currency) generally remain unhedged. However, if necessary, HeidelbergCement can also hedge this foreign currency risk.

Other disclosures

Capital management

The objective of capital management is to ensure sufficient liquidity for the Group at all times. Therefore, the Group makes use of external and internal financing opportunities (see Management Report, Group financial management chapter on ↗ page 45 f.). The net debt and the dynamic gearing ratio, which corresponds to the ratio of net debt to the result from current operations before depreciation and amortisation, are of fundamental importance to the monitoring of the Group's capital.

Net debt / RCOBD		
€m	31 Dec. 2017	31 Dec. 2018
Cash, derivative financial instruments and short-term financial investments	2,128.6	**2,613.2**
Interest-bearing liabilities	10,823.9	**10,980.7**
Net debt	8,695.3	**8,367.5**
Result from current operations before depreciation and amortisation (RCOBD)	3,297.3	**3,074.1**
Net debt / RCOBD	2.64	**2.72**

In connection with credit agreements, we agreed to comply with various financial covenants, which were all met in the reporting period. The most important key financial ratios are the ratio of net debt to EBITDA and the interest coverage ratio. The EBITDA key figure is derived from the credit agreements and therefore differs from the result from current operations before depreciation and amortisation key figure as it takes elements of the additional ordinary result and effects from first-time consolidations and deconsolidations into consideration. Further explanations are given in the Management Report on ↗ page 45.

Within the context of the Group planning, compliance with the covenants is monitored consistently, with notifications issued to the creditors on a quarterly basis. In the event of a breach of the covenants, the creditors could, under certain conditions, accelerate corresponding loans irrespective of the contractually agreed terms.

Contingent liabilities

As at the reporting date, contingent liabilities amounted to €37.6 million (previous year: 71.2) and essentially concern tax-related and legal risks. The timing of the possible cash outflows for the contingent liabilities is uncertain because they depend on various external factors that remain outside HeidelbergCement's 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.

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Other financial commitments

The following table shows the other financial commitments of the HeidelbergCement Group.

Other financial commitments		
€m	31 Dec. 2017	31 Dec. 2018
Future minimum lease payments under non-cancellable operating leases		
Due within one year	265.5	**334.0**
Due between one and five years	602.8	**676.4**
Due after five years	464.5	**588.9**
	1,332.8	**1,599.3**
Other financial commitments for planned investments in property, plant and equipment and financial assets	370.1	**352.3**

Other financial commitments are listed with their nominal values. The future leasing obligations refer primarily to property and other assets used by HeidelbergCement.

Related party disclosures

IAS 24 requires a statement concerning the most important relationships with related companies and persons that may exert a significant influence on HeidelbergCement AG; the former are accounted for as joint ventures or associates, the latter hold key positions as members of the management.

As at 31 December 2018, Mr. Ludwig Merckle, Ulm, holds via PH Vermögensverwaltung GmbH, Zossen, a company under his control, 26.70 % of the voting rights in HeidelbergCement AG. HeidelbergCement AG provided services with a net amount of €69,000 (previous year: 81,700) to PHOENIX Pharmahandel GmbH & Co KG, Mannheim, a related company of Mr. Ludwig Merckle.

Revenue and other sales with joint ventures in the HeidelbergCement Group amounted to €52.9 million (previous year: 70.0). Raw materials, goods, and other services with a value of €286.1 million (previous year: 282.1) were procured from these joint ventures. A total of €6.0 million (previous year: 7.0) was generated in financial and other services. Receivables of €131.8 million (previous year: 116.6) and liabilities of €34.3 million (previous year: 31.2) exist in connection with these activities and financial transactions. In addition, capital increases of €1.3 million (previous year: 16.3) were carried out for joint ventures. As in the previous year, no repayments of capital were made from joint ventures to the parent company. In the 2018 financial year, guarantees of €0.7 million (previous year: 0.7) were outstanding to joint ventures.

Business transactions with associates include revenue and other sales amounting to €91.7 million (previous year: 90.4), the procurement of goods and services amounting to €13.3 million (previous year: 11.4), and services provided amounting to €0.9 million (previous year: 0.1). Receivables of €38.2 million (previous year: 43.5) and liabilities of €14.1 million (previous year: 10.7) exist in connection with these activities and financial transactions. No capital increases were carried out at associates (previous year: €23.8 million). In the 2018 financial year, there was no repayment of capital from associates to the parent company (previous year: €0.4 million). Guarantees of €0.2 million (previous year: 0.2) were outstanding to associates in the 2018 financial year.

Receivables of €14.9 million (previous year: 32.9) and liabilities of €13.7 million (previous year: 22.9) existed in connection with transactions with non-consolidated subsidiaries.

Managing Board and Supervisory Board

We refer to the details given in the Corporate Governance chapter of the Management Report on ↗ page 91 f.

The fixed remuneration of the Managing Board increased in comparison with the previous year to €6.7 million (previous year: 6.0). The sum of short-term variable remuneration elements changed in comparison with the previous year to €9.3 million (previous year: 9.5). It consisted of the annual bonus in the amount of €9.4 million (previous year: 9.7), of which €0.1 million (previous year: 0.1) was offset against other remuneration elements.

Other remuneration elements totalled €1.1 million (previous year: 0.9). They consisted of payments for committee activities at subsidiaries of HeidelbergCement AG and taxable fringe benefits, particularly consisting of the provision of company cars, mobile phones, and communication tools, the reimbursement of expenses, insurance- and assignment-related benefits such as bearing the costs of home flights.

The members of the Managing Board are participating in the long-term bonus plan 2018-2020/21, granted in 2018. The target values for the plan, rounded to the nearest € ’000, are €2,438,000 for Dr. Bernd Scheifele, €1,375,000 for Dr. Dominik von Achten, €1,134,000 for Kevin Gluskie, €872,000 for Hakan Gurdal, €1,067,000 for Jon Morrish, €1,063,000 for Dr. Lorenz Näger, and €938,000 for Dr. Albert Scheuer.

The plan comprises two equally weighted components: the management component and the capital market component. The target value of each component, rounded to the nearest € ’000, amounts to €1,219,000 for Dr. Bernd Scheifele, for Dr. Dominik von Achten €688,000, €531,000 for Dr. Lorenz Näger and for Dr. Albert Scheuer €469.000. For Kevin Gluskie the pro-rata calculation results in a target value for the management component of €566,000 and for the capital market component of €567,000. For Hakan Gurdal the pro-rata calculation results in a target value for the management component and for the capital market component of each €436,000. For Jon Morrish the pro-rata calculation results in a target value for the management component of €533,000 and for the capital market component of €534,000. The reference price for the capital market component amounts to €88.34. This equates to 13,796 performance share units (PSUs) for Dr. Bernd Scheifele, 7,782 PSUs for Dr. Dominik von Achten, 6,420 PSUs for Kevin Gluskie, 4,937 PSUs for Hakan Gurdal, for Jon Morrish 6,045 PSUs, 6,014 PSUs for Dr. Lorenz Näger, and 5,306 PSUs for Dr. Albert Scheuer.

In accordance with section 314 (1), no. 6a, sentence 4 of the German Commercial Code (HGB), the fair value at the grant date must be indicated for the capital market components. For Dr. Bernd Scheifele this amounts to €1,374,000, for Dr. Dominik von Achten to €775,000, for Kevin Gluskie to €640,000, for Hakan Gurdal €492,000, Jon Morrish to €602,000, for Dr. Lorenz Näger to €599,000, as well as for Dr. Albert Scheuer to €529,000.

The total remuneration according to DRS 17 amounted to €25.1 million (previous year: 26.8). For the calculation according to DRS 17, we refer to the explanations on ↗ page 95 f. in the Corporate Governance chapter of the Management Report.

In 2018, allocations to provisions for pensions (service cost for service as members of the Managing Board) for members of the Managing Board amounted to €4.4 million (previous year: 3.6). The present values of the defined benefit obligation amounted to €49.0 million (previous year: 37.4).

Expenses relating to the long-term capital market components of the last four issued and current long-term bonus plans in accordance with IFRS 2.51a amounted to €-174,000 (previous year: 2,520,000) for Dr. Bernd Scheifele, €-92,000 (previous year: 1,387,000) for Dr. Dominik von Achten, €-305,000 for Kevin Gluskie (previous year: 455,000), for Hakan Gurdal €-225,000 (previous year: 371,000), for Jon Morrish €-220,000 (previous year: 371,000), €-75,000 (previous year: 1,119,000) for Dr. Lorenz Näger, and €-69,000 (previous year: 1,015,000) for Dr. Albert Scheuer.

In accordance with IAS 24, recognized expenses relating to the long-term capital market components for the service as members of the Managing Board amounted to €-1.2 million (previous year: 7.2). The expenses recognized relating to the long-term management component came to €1.7 million (previous year: 3.8).

For the members of the Managing Board appointed as of 2016, the existing contractual entitlements from long-term bonus and pension plans from prior positions within the HeidelbergCement Group were continued. These entitlements are serviced according to the original plan conditions. The corresponding expenses in the financial year are included in the following table, in addition to the expenses for the service as member of the Managing Board.

Total remuneration of the Managing Board in accordance with IAS 24 came to €22.5 million in 2018 (previous year: 31.7) as represented in the following table.

Total remuneration of the Managing Board in accordance with IAS 24

€m	2017	2018
Short-term employee benefits (fixed remuneration, short-term variable remuneration elements, fringe benefits)	16.5	**17.1**
Post-employment benefits (allocations to provisions for pensions – current service cost including prior positions)	3.8	**4.6**
Other long-term benefits (expenses related to the management components of the current long-term bonus plans including prior positions)	3.9	**1.8**
Share-based payment (expenses related to the long-term capital market components of the current long-term bonus plan including prior positions)	7.5	**-1.0**
Total	31.7	**22.5**

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Payments to former members of the Managing Board and their surviving dependents amounted to €3.7 million in the financial year (previous year: 11.3). This includes payments to Daniel Gauthier and Andreas Kern until 30 June 2018 for a contractually agreed compensation for a two year post contractual restraint, which amounted to €350,000 each in the financial year 2018 as well as for the management component of the long-term bonus plan 2016-2018/19. Provisions for pension obligations to former members of the Managing Board amounted to €31.2 million (previous year: 32.0).

The total Supervisory Board remuneration (excluding value added tax) for the 2018 financial year amounted to €1,406,274 (previous year: 1,418,507). Employee representatives of the Supervisory Board who are employees of the HeidelbergCement Group also received remuneration in accordance with their contracts of employment, the level of which corresponded to an equitable remuneration for their relevant functions and tasks within the Group.

Furthermore, companies of the HeidelbergCement Group have not carried out reportable transactions of any kind with members of the Supervisory Board or members of the Managing Board as persons in key positions or with companies in whose executive or governing bodies these persons are represented.

Statement of compliance with the German Corporate Governance Code

The statement of compliance with the German Corporate Governance Code as required by section 161 of the German Stock Company Act (Aktiengesetz – AktG) was submitted by the Managing Board and the Supervisory Board of HeidelbergCement AG and made available on the internet **www.heidelbergcement.com under Company/Corporate Governance/Declaration of Corporate Governance.**

Auditor's fees

The auditor Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft received fees of €4.2 million (previous year: 4.3) in the financial year.

Auditor's fees

€m	2017	2018
Audit services [1]	3.7	**3.3**
Other assurance services	0.2	**0.3**
Tax services	0.3	**0.6**
Other services	0.0	**0.0**
	4.3	**4.2**

1) Thereof for the previous year: 2017: €0.5 million, 2018: €0.2 million

Events occurring after the close of the 2018 financial year

On 21 February 2019, HeidelbergCement announced the sale of around 1.1 million shares representing 7.8 % of Ciments du Maroc's share capital for a total consideration of approximately €140 million. The shares were sold to certain Moroccan institutional investors through an off-market block trade. Following this transaction, HeidelbergCement will retain a controlling stake of 54.6 % in Ciments du Maroc and continue to fully consolidate the company.

Approval by the Supervisory Board

The consolidated financial statements were prepared by the Managing Board and adopted on 20 March 2019. They were then submitted to the Supervisory Board for approval.

List of shareholdings of HeidelbergCement Group and HeidelbergCement AG as at 31 December 2018 (§ 313, section 2, resp. § 285, no. 11 of the German Commercial Code (HGB))

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [7]	Equity in € million [8]	Net income in € million [9]
Subsidiaries						
Western and Southern Europe						
A.R.C. (Western) Limited	Maidenhead, GBR		100.00	2017	6.9	0.0
Al Manar Cement Holding S.a.s.	Guerville, FRA		100.00	2017	-0.2	0.2
Amey Group Limited (The)	Maidenhead, GBR		100.00	2017	14.4	0.0
Amey Roadstone International Limited	Maidenhead, GBR		100.00	2017	0.1	0.0
Appleby Group Limited	Maidenhead, GBR		100.00	2017	30.3	1.1
ARC Aggregates Limited	Maidenhead, GBR		100.00	2017	3.7	-
ARC Building Limited	Maidenhead, GBR		100.00	2017	-20.3	-
ARC Concrete (Anglia) Limited	Maidenhead, GBR		100.00	2017	0.0	0.0
ARC Concrete Limited	Maidenhead, GBR		100.00	2017	0.0	0.0
ARC Holdings Limited	Maidenhead, GBR		100.00	2017	0.1	0.0
ARC Land Holdings Limited	Maidenhead, GBR		100.00	2017	0.3	0.0
ARC Limited	Maidenhead, GBR		100.00	2017	0.0	0.0
ARC Property Investments Limited	Maidenhead, GBR		100.00	2017	44.0	0.0
ARC Slimline Limited	Maidenhead, GBR		100.00	2017	-3.6	0.0
ARC South Wales Limited	Maidenhead, GBR		100.00	2017	0.0	0.0
ARC South Wales Mortar Limited	Maidenhead, GBR		100.00	2017	0.0	0.0
ARC South Wales Quarries Limited	Maidenhead, GBR		100.00	2017	0.0	0.0
ARC South Wales Surfacing Limited	Maidenhead, GBR		100.00	2017	0.4	0.0
Áridos Sanz S.L.U.	Valladolid, ESP		100.00	2017	5.1	0.0
Attendflower Limited	Maidenhead, GBR		100.00	2017	1,126.0	0.0
B.V. Betoncentrale De Schelde	Bergen op Zoom, NLD		66.67	2017	-0.7	0.2
B.V. Betonmortelcentrale 'BEMA'	Alkmaar, NLD		66.67	2017	-1.1	-0.2
Banbury Alton Limited	Maidenhead, GBR		100.00	2017	-0.3	0.0
Baustoffwerke Dresden GmbH & Co. KG [3]	Dresden, DEU		51.00	2017	0.6	1.8
Beazer Limited	Maidenhead, GBR		100.00	2017	8.0	0.0
Beforebeam Limited	Maidenhead, GBR		100.00	2017	450.4	0.0
Beforeblend Limited	Maidenhead, GBR		100.00	2017	229.4	0.0
Berec Holdings B.V.	Amsterdam, NLD		100.00	2017	187.7	0.0
Béton Contrôle de l'Adour S.a.s. [1]	Bayonne, FRA		35.99	2017	1.9	0.0
Béton Contrôle du Pays Basque S.a.s.	Bayonne, FRA		59.98	2017	3.7	-0.6
Betontir S.p.A.	Bergamo, ITA		100.00	2017	2.5	-4.6
Birchwood Concrete Products Limited	Maidenhead, GBR		100.00	2017	179.4	0.0
Birchwood Omnia Limited	Maidenhead, GBR		100.00	2017	1,548.0	103.7
Bonny Holding Ltd.	Irish Town, GIB		100.00	2017	0.2	0.0
BravoEnergy S.r.l.	Bergamo, ITA		100.00	2017	0.4	-0.4
Brazier Aggregates Limited	Maidenhead, GBR		100.00	2017	1.8	0.0
British Agricultural Services Limited	Maidenhead, GBR		100.00	2017	404.2	0.1
British Ever Ready Limited	Maidenhead, GBR		100.00	2017	30.0	0.0
Bulldog Company Limited	St. Peter Port, GGY		100.00	2017	39.6	0.0
C.B.R. Finance S.A.	Luxembourg, LUX		100.00	2017	8.6	1.4
C.T.G. S.p.A.	Bergamo, ITA		100.00	2017	0.5	0.1
Calcestruzzi S.p.A.	Bergamo, ITA		100.00	2017	8.2	-20.2
Calumite Limited	Maidenhead, GBR		51.00	2017	2.5	2.2
Cantera El Hoyon, S.A.U.	Madrid, ESP		100.00	2017	3.7	-0.1
Canteras Mecánicas Cárcaba, S.A.U.	Oviedo, ESP		100.00	2017	7.0	-0.6
Carimat Béton S.A.	Braine l'Alleud, BEL		85.00	2017	-0.1	-1.0
Castle Building Products Limited	Maidenhead, GBR		100.00	2017	-0.5	0.0
Castle Cement (Chatburn) Limited	Maidenhead, GBR		100.00	2017	0.2	0.0
Castle Cement (Clyde) Limited	Maidenhead, GBR		100.00	2017	0.1	0.0
Castle Cement (Ketton) Limited	Maidenhead, GBR		100.00	2017	25.4	0.0

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [7]	Equity in € million [8]	Net income in € million [9]
Castle Cement (Padeswood) Limited	Maidenhead, GBR		100.00	2017	6.7	0.0
Castle Cement (Pitstone) Limited	Maidenhead, GBR		100.00	2017	11.0	0.0
Castle Cement (Ribblesdale) Limited	Maidenhead, GBR		100.00	2017	23.7	0.0
Castle Cement Limited	Maidenhead, GBR		100.00	2017	322.5	27.7
Castle Lime Limited	Maidenhead, GBR		100.00	2017	0.0	0.0
Castle Pension Scheme Trustees Limited	Maidenhead, GBR		100.00	2017	0.0	0.0
CBR Baltic B.V.	's-Hertogenbosch, NLD		100.00	2017	206.1	0.0
CBR International Services S.A.	Braine l'Alleud, BEL		100.00	2017	978.7	-0.8
CBR Portland B.V.	's-Hertogenbosch, NLD		100.00	2017	212.2	0.0
Cem Invest Ltd [1]	Irish Town, GIB		50.00	2017	2.5	0.0
Cementrum I B.V.	's-Hertogenbosch, NLD		100.00	2017	160.3	4.0
Cemitaly S.p.A.	Bergamo, ITA		100.00	2017	114.1	-51.0
Centro Administrativo y de Servicios de Malaga S.A.	Malaga, ESP		99.94	2017	0.1	-0.2
Cetramaris S.a.s [6]	La Rochelle, FRA		70.00	-	-	-
CGF Capital B.V.	Amsterdam, NLD		100.00	2017	0.1	0.0
CHB Group Limited	Maidenhead, GBR		100.00	2017	756.5	0.0
CHB P H R Limited	Maidenhead, GBR		100.00	2017	16.5	0.5
CHB Products Limited	Maidenhead, GBR		100.00	2017	2,252.0	0.0
Chemical Manufacture and Refining Limited	Maidenhead, GBR		100.00	2017	6.2	0.0
Ciment du Littoral S.a.s.	Bassens, FRA		100.00	2017	-1.4	-1.3
Ciments Calcia S.a.s.	Guerville, FRA		100.00	2017	1,000.6	30.8
Ciments Français S.a.s.	Puteaux, FRA		100.00	2017	2,551.9	742.6
CIMFRA (China) Limited S.a.s.	Guerville, FRA		100.00	2017	25.2	0.0
Ciminter S.A.	Luxembourg, LUX		100.00	2017	48.4	-0.2
City of London Heliport Limited	Maidenhead, GBR		55.56	2017	-2.0	0.0
Civil and Marine (Holdings) Limited	Maidenhead, GBR		100.00	2017	65.9	1.1
Civil and Marine Limited	Maidenhead, GBR		100.00	2017	405.0	19.5
Civil and Marine Slag Cement Limited	Maidenhead, GBR		100.00	2017	68.7	0.0
Claughton Manor Brick Limited (The)	Maidenhead, GBR		100.00	2017	0.2	0.0
Cocimar S.a.s.	Guerville, FRA		100.00	2017	231.8	41.3
Codesib S.a.s.	Guerville, FRA		100.00	2017	-52.7	-68.8
Coln Gravel Company Limited	Maidenhead, GBR		100.00	2017	0.1	0.0
Compagnie Financière et de Participations S.a.s.	Guerville, FRA		100.00	2017	23.5	1.8
Compagnie pour l'Investissement Financier en Inde S.a.s.	Guerville, FRA		100.00	2017	1.1	-15.2
Compania General de Canteras, S.A.	Malaga, ESP		99.35	2017	26.2	2.1
Conbloc Limited	Maidenhead, GBR		100.00	2017	-0.1	0.0
Concrete Italia S.r.l.	Brescia, ITA		51.00	2017	0.2	0.2
Contiga Holding GmbH	Flensburg, DEU		60.00	2017	3.0	0.5
Contiga Tinglev Montage GmbH	Altlandsberg, DEU		60.00	2017	0.0	0.0
Creative Land Developers Limited [1]	Maidenhead, GBR		50.00	2017	-0.4	0.0
Cromhall Quarries, Limited	Maidenhead, GBR		100.00	2017	0.1	0.0
Cumbrian Industrials Limited	Maidenhead, GBR		100.00	2017	8.5	0.0
Delmorgal Limited	Maidenhead, GBR		100.00	2017	0.0	0.0
Desimpel Brick Limited	Maidenhead, GBR		100.00	2017	2.9	0.0
Devon Concrete Works, Limited	Maidenhead, GBR		100.00	2017	0.1	0.0
Dragages du Pont de St Leger S.a.s.	Saint-Léger, FRA		60.00	2017	4.1	0.6
Dragages Transports & Travaux Maritimes S.a.s.	La Rochelle, FRA		100.00	2017	13.8	1.2
DUPAMIJ Holding GmbH i.L. [4]	Kalkar, DEU		100.00	2017	0.3	-2.0
E & S Retail Limited	Maidenhead, GBR		100.00	2017	0.0	0.0
E Sub Limited	Maidenhead, GBR		100.00	2017	6.8	0.0
Effectengage Limited	Maidenhead, GBR		100.00	2017	297.4	0.0
ENCI B.V.	Maastricht, NLD		100.00	2017	139.7	18.1
ENCI Holding N.V.	's-Hertogenbosch, NLD		100.00	2017	578.9	31.9
Ensign Park Limited [1]	Maidenhead, GBR		50.00	2017	-1.8	0.0
Essroc Netherlands Coöperatief U.A.	's-Hertogenbosch, NLD		100.00	2017	224.9	4.5
Eurarco France S.A.	Le Crotoy, FRA		65.00	2017	6.8	1.1

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [7]	Equity in € million [8]	Net income in € million [9]
Exakt Kiesaufbereitung GmbH	Paderborn, DEU		100.00	2017	1.1	0.0
F.C. Precast Concrete Limited	Maidenhead, GBR		100.00	2017	0.1	0.0
Ferrersand Aggregates Limited	Maidenhead, GBR		100.00	2017	1.6	0.0
Fruitbat Company	Maidenhead, GBR		100.00	2017	0.0	0.0
Fulber Limited	St. Peter Port, GGY		100.00	2017	242.2	0.0
Garonne Labo S.à.r.l [1]	Damazan, FRA		40.05	2017	0.0	0.0
Granulats de la Drôme S.a.s.	Saint-Jean-de-Védas, FRA		51.01	2017	3.0	0.0
Granulats de Lahontan	Guerville, FRA		51.00	2017	-0.1	-0.1
Granulats Ouest - GO S.a.s.	Saint-Herblain, FRA		100.00	2017	5.1	0.7
Greenwoods (St. Ives) Limited	Maidenhead, GBR		100.00	2017	2.0	0.0
GSM S.a.s.	Guerville, FRA		100.00	2017	113.3	14.3
Guidelink	Maidenhead, GBR		100.00	2017	0.1	0.0
Habfield Limited	Maidenhead, GBR		100.00	2017	0.0	0.0
Hanson (BB) Limited	Maidenhead, GBR		100.00	2017	0.5	0.0
Hanson (BBIN02) Limited	Maidenhead, GBR		100.00	2017	29.2	0.0
Hanson (CGF) (No.1) Limited	Maidenhead, GBR		100.00	2017	3,375.0	0.0
Hanson (CGF) (No2) Limited	Maidenhead, GBR		100.00	2017	4,506.3	0.0
Hanson (CGF) Finance Limited	Maidenhead, GBR		100.00	2017	963.7	23.9
Hanson (CGF) Holdings Limited	Maidenhead, GBR		100.00	2017	264.0	0.0
Hanson (ER - No 5) Limited	Maidenhead, GBR		100.00	2017	447.2	41.6
Hanson (ER-No 10) Limited	Maidenhead, GBR		100.00	2017	286.3	74.2
Hanson (F) Limited	Maidenhead, GBR		100.00	2017	5.6	0.0
Hanson (FH) Limited	Maidenhead, GBR		100.00	2017	3.8	0.0
Hanson (FP) Limited	Maidenhead, GBR		100.00	2017	7,195.9	0.0
Hanson (LBC) Limited	Maidenhead, GBR		100.00	2017	24.7	0.0
Hanson (LBE) Limited	Maidenhead, GBR		100.00	2017	2.4	0.0
Hanson (MR) Limited	Maidenhead, GBR		99.99	2017	2,472.1	0.0
Hanson (NAIL) Limited	Maidenhead, GBR		100.00	2017	6.1	0.0
Hanson (RBMC) Limited	Maidenhead, GBR		100.00	2017	6.8	0.0
Hanson (SH) Limited	Maidenhead, GBR		100.00	2017	81.0	1.8
Hanson Aggregates (North) Limited	Maidenhead, GBR		100.00	2017	45.4	0.0
Hanson Aggregates Holding Nederland B.V.	Amsterdam, NLD		100.00	2017	3.2	-0.3
Hanson Aggregates Limited	Maidenhead, GBR		100.00	2017	92.2	0.0
Hanson Aggregates Marine Limited	Maidenhead, GBR		100.00	2017	134.0	5.1
Hanson Aggregates South Wales Holdings Limited	Maidenhead, GBR		100.00	2017	7.6	0.0
Hanson Aggregates South Wales Limited	Maidenhead, GBR		100.00	2017	43.7	0.1
Hanson Aggregates UK Limited	Maidenhead, GBR		100.00	2017	2,252.1	0.0
Hanson America Holdings (1) Limited	Maidenhead, GBR		100.00	2017	2,141.2	0.0
Hanson America Holdings (2) Limited	Maidenhead, GBR		100.00	2017	536.2	0.0
Hanson America Holdings (3) Limited	Maidenhead, GBR		100.00	2017	530.0	0.0
Hanson America Holdings (4) Limited	Maidenhead, GBR		100.00	2017	128.7	3.4
Hanson Aruba Limited	St. Peter Port, GGY		100.00	2017	1,758.5	0.0
Hanson Bath and Portland Stone Limited	Maidenhead, GBR		100.00	2017	-2.4	0.0
Hanson Batteries Limited	Maidenhead, GBR		100.00	2017	52.0	0.0
Hanson Blocks North Limited	Maidenhead, GBR		100.00	2017	14.9	0.0
Hanson Brick Ltd	Maidenhead, GBR		100.00	2017	0.2	0.0
Hanson Building Materials Europe Limited	Maidenhead, GBR		100.00	2017	2,575.2	37.6
Hanson Building Materials Limited	Maidenhead, GBR		100.00	2017	3,585.9	-0.3
Hanson Building Products (2003) Limited	Maidenhead, GBR		100.00	2017	1,751.2	0.0
Hanson Building Products Limited	St. Helier, JE		100.00	2017	0.1	0.0
Hanson Canada Limited	Maidenhead, GBR		100.00	2017	1.0	0.0
Hanson Clay Products Limited	Maidenhead, GBR		100.00	2017	17.1	0.0
Hanson Concrete Products Limited	Maidenhead, GBR		100.00	2017	58.1	0.0
Hanson Crewing Services Limited	Maidenhead, GBR		100.00	2017	0.0	0.0
Hanson Devon Designated Activity Company	Shannon, IRL		100.00	2017	4,384.8	-0.1
Hanson Facing Bricks Limited	Maidenhead, GBR		100.00	2017	279.3	0.0

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [7]	Equity in € million [8]	Net income in € million [9]
Hanson Finance (2003) Limited	Maidenhead, GBR		100.00	2017	545.0	0.8
Hanson Finance Limited	Maidenhead, GBR		100.00	2017	757.4	-19.2
Hanson Financial Services Limited	Maidenhead, GBR		100.00	2017	111.6	0.0
Hanson FP Holdings B.V.	Amsterdam, NLD		100.00	2017	406.9	0.0
Hanson Funding (G) Limited	Maidenhead, GBR		100.00	2017	195.7	0.0
Hanson Germany GmbH & Co. KG [3]	Leinatal, DEU		100.00	2017	0.6	0.0
Hanson H4 Limited	Maidenhead, GBR		100.00	2017	1,743.9	0.0
Hanson H5	Maidenhead, GBR		100.00	2017	0.1	0.0
Hanson Hedging (Dollars) (1) Limited	Maidenhead, GBR		100.00	2017	218.8	0.0
Hanson Hispania Hormigones SL	Malaga, ESP		99.99	2017	6.8	-2.4
Hanson Hispania, S.A.U.	Madrid, ESP		100.00	2017	81.1	-0.3
Hanson Holdings (1) Limited	Maidenhead, GBR		100.00	2017	42,801.2	308.1
Hanson Holdings (2) Limited	Maidenhead, GBR		100.00	2017	1,164.6	0.0
Hanson Holdings (3) Limited	Maidenhead, GBR		100.00	2017	1,311.9	0.0
Hanson Holdings Limited	Maidenhead, GBR		100.00	2017	2,484.5	28.7
Hanson Industrial (Engineering Holdings) Limited	Maidenhead, GBR		100.00	2017	6.1	0.0
Hanson Industrial Limited	Maidenhead, GBR		100.00	2017	176.5	0.0
Hanson International Holdings Limited	Maidenhead, GBR		100.00	2017	12,726.0	0.0
Hanson Island Management Limited	St. Peter Port, GGY		100.00	2017	-0.6	-0.2
Hanson Land Development Limited	Maidenhead, GBR		100.00	2017	-33.2	0.0
Hanson Limited	Maidenhead, GBR		100.00	2017	7,166.8	-6.9
Hanson Marine Holdings Limited	Maidenhead, GBR		100.00	2017	2.8	0.0
Hanson Marine Limited	Maidenhead, GBR		100.00	2017	30.4	-0.8
Hanson Overseas Corporation Limited	Maidenhead, GBR		100.00	2017	2,124.9	0.0
Hanson Overseas Holdings Limited	Maidenhead, GBR		100.00	2017	20,128.5	-0.3
Hanson Packed Products Limited	Maidenhead, GBR		100.00	2017	301.0	24.1
Hanson Peabody Limited	Maidenhead, GBR		100.00	2017	1,129.9	0.0
Hanson Pioneer España, S.L.U.	Madrid, ESP		100.00	2017	480.1	12.8
Hanson Quarry Products Europe Limited	Maidenhead, GBR		100.00	2017	45,026.2	14.1
Hanson Quarry Products Holdings Limited	Maidenhead, GBR		100.00	2017	47.2	0.0
Hanson Quarry Products Overseas Limited	Maidenhead, GBR		100.00	2017	2.2	0.0
Hanson Quarry Products Trade Finance Limited	Maidenhead, GBR		100.00	2017	3.3	0.0
Hanson Quarry Products Transport Limited	Maidenhead, GBR		100.00	2017	0.1	0.0
Hanson Quarry Products Ventures Limited	Maidenhead, GBR		100.00	2017	53.0	0.4
Hanson Retail Limited	Maidenhead, GBR		100.00	2017	440.8	0.0
Hanson Ship Management Ltd	St. Peter Port, GGY		100.00	2017	-0.4	-0.1
Hanson Thermalite Limited	Maidenhead, GBR		100.00	2017	46.9	0.0
Hanson TIS Holdings Limited	Maidenhead, GBR		100.00	2017	0.0	0.0
Hanson TIS Limited	Maidenhead, GBR		100.00	2017	-2.9	0.0
Hanson Trust Limited	Maidenhead, GBR		100.00	2017	109.6	0.0
Hanson Trustees Limited	Maidenhead, GBR		100.00	2017	-1.6	0.0
Harrisons Limeworks Limited	Maidenhead, GBR		100.00	2017	0.0	0.0
Hartsholme Property Limited	Maidenhead, GBR		100.00	2017	0.1	0.0
HB Hotels Limited	Maidenhead, GBR		100.00	2017	-0.6	0.0
HC Asia Holding GmbH	Heidelberg, DEU	100.00	100.00	2017	77.1	7.7
HC Fuels Limited	Maidenhead, GBR		100.00	2017	10.0	0.0
HC Green Trading Limited	St. Julian's, MLT		100.00	2017	0.0	1.9
HC Hanson Holding B.V.	's-Hertogenbosch, NLD		100.00	2017	326.6	0.0
HC Italia SRL	Rome, ITA		100.00	2017	-0.3	-0.3
HC Trading B.V.	's-Hertogenbosch, NLD		100.00	2017	-2.9	0.7
HC Trading Malta Limited	St. Julian's, MLT		100.00	2017	0.0	21.1
HCT Holding Malta Limited	St. Julian's, MLT	100.00	100.00	2017	120.3	22.3
HeidelbergCement BP Limited	Maidenhead, GBR		100.00	2017	0.1	0.0
HeidelbergCement Canada Holding Limited	Maidenhead, GBR		100.00	2017	3,495.5	105.3
HeidelbergCement Central Europe East Holding B.V.	's-Hertogenbosch, NLD		100.00	2017	1,305.1	-65.8
HeidelbergCement Euro I Limited	Maidenhead, GBR		100.00	2017	629.8	14.5

Company name	Corporate seat	HC AG direct ownership %	Group ownership %	Year [7)]	Equity in € million [8)]	Net income in € million [9)]
HeidelbergCement Euro II Limited	Maidenhead, GBR		100.00	2017	975.6	22.4
HeidelbergCement Euro III Limited	Maidenhead, GBR		100.00	2017	814.3	18.9
HeidelbergCement Finance Luxembourg S.A.	Luxembourg, LUX		100.00	2017	38.4	108.5
HeidelbergCement France S.A.S.	Guerville, FRA		100.00	2017	1,462.2	13.4
HeidelbergCement Grundstücksgesellschaft mbH & Co. KG [3)]	Heidelberg, DEU	100.00	100.00	2017	17.5	1.0
HeidelbergCement Holding Coöperatief U.A.	's-Hertogenbosch, NLD		100.00	2017	1,125.3	0.0
HeidelbergCement Holding S.à r.l.	Luxembourg, LUX		100.00	2017	23,992.8	133.9
HeidelbergCement Holdings Limited	Maidenhead, GBR	100.00	100.00	2017	2.2	0.0
HeidelbergCement International Holding GmbH	Heidelberg, DEU	100.00	100.00	2017	16,480.7	0.0
HeidelbergCement Logistik GmbH & Co. KG [3)]	Polch, DEU	70.00	100.00	2017	3.9	-0.9
HeidelbergCement Mediterranean Basin Holdings S.L.U.	Madrid, ESP		100.00	2017	57.1	12.2
HeidelbergCement Netherlands Holding B.V.	's-Hertogenbosch, NLD	14.54	100.00	2017	814.2	6.8
HeidelbergCement Reinsurance Luxembourg S.A.	Luxembourg, LUX		100.00	2017	12.9	0.0
HeidelbergCement UK Holding II Limited	Maidenhead, GBR		100.00	2017	17,132.7	2,907.8
HeidelbergCement UK Holding Limited	Maidenhead, GBR		100.00	2017	11,350.6	-354.8
HeidelbergCement UK Limited	Maidenhead, GBR		100.00	2017	90.2	0.0
HeidelbergCement, Funk & Kapphan Grundstücksgesellschaft GmbH & Co. KG [3)]	Heidelberg, DEU	79.91	79.91	2017	12.2	0.8
Heidelberger Beton Aschaffenburg GmbH & Co. KG [3)]	Kleinostheim, DEU		100.00	2017	0.3	0.0
Heidelberger Beton Aue-Schwarzenberg GmbH & Co. KG [3)]	Schwarzenberg, DEU		100.00	2017	0.0	-0.1
Heidelberger Beton Donau-Naab GmbH & Co. KG [3)]	Burglengenfeld, DEU		81.67	2017	3.1	1.9
Heidelberger Beton GmbH	Heidelberg, DEU	100.00	100.00	2017	223.4	43.2
Heidelberger Betonelemente GmbH & Co. KG [3)]	Chemnitz, DEU		83.00	2017	5.1	4.1
Heidelberger Betonpumpen Rhein-Main-Nahe GmbH & Co. KG [3)]	Kleinostheim, DEU		100.00	2017	0.6	0.1
Heidelberger Kalksandstein Grundstücks- und Beteiligungs-GmbH & Co. KG [3)]	Durmersheim, DEU		100.00	2017	17.5	4.2
Heidelberger Kieswerke Niederrhein GmbH	Essen, DEU		100.00	2017	0.9	0.0
Heidelberger Kieswerke Rhein-Ruhr GmbH	Essen, DEU		100.00	2017	5.9	0.7
Heidelberger KS Beteiligungen Deutschland GmbH & Co. KG [3)]	Heidelberg, DEU		100.00	2017	4.6	1.0
Heidelberger Sand und Kies GmbH	Heidelberg, DEU	6.00	100.00	2017	96.9	0.0
Heidelberger Sand und Kies Handel & Logistik GmbH	Essen, DEU		100.00	2017	0.7	0.3
HIPS (Trustees) Limited	Maidenhead, GBR		100.00	2017	0.0	0.0
HK Holdings (No 2) Limited	Maidenhead, GBR		100.00	2017	72.5	0.0
HK Holdings (No.1) Limited	Maidenhead, GBR		100.00	2017	31.4	0.0
Holms Sand & Gravel Company (1985) (The)	Maidenhead, GBR		100.00	2017	0.0	0.0
Holms Sand & Gravel Company Limited (The)	Maidenhead, GBR		100.00	2017	0.0	0.0
Homes (East Anglia) Limited	Maidenhead, GBR		100.00	2017	0.2	0.0
Hormigones y Áridos, S.A.U.	Bilbao, ESP		100.00	2017	-4.1	-3.8
Hormigones y Minas S.A.	Malaga, ESP		99.94	2017	22.7	0.1
Housemotor Limited	Maidenhead, GBR		100.00	2017	1,738.2	0.0
Houseprice Limited	Maidenhead, GBR		100.00	2017	660.0	0.0
Houserate Limited	Maidenhead, GBR		100.00	2017	1,990.9	0.0
HPL Albany House Developments Limited [1)]	Maidenhead, GBR		50.00	2017	-0.6	0.0
HPL Estates Limited	Maidenhead, GBR		100.00	2017	3.9	0.0
HPL Investments Limited	Maidenhead, GBR		100.00	2017	454.0	0.0
HPL Properties Limited	Maidenhead, GBR		100.00	2017	44.8	0.0
HPL Property Limited	Maidenhead, GBR		100.00	2017	46.2	0.0
HPL West London Developments Limited [1)]	Maidenhead, GBR		50.00	2017	-0.2	0.0
Hurst and Sandler Limited	Maidenhead, GBR		100.00	2017	5.3	0.0
Immobilière des Technodes S.a.s.	Guerville, FRA		100.00	2017	9.8	0.9
Imperial Foods Holdings Limited	Maidenhead, GBR		100.00	2017	0.7	0.0
Imperial Group Limited	Maidenhead, GBR		100.00	2017	277.5	263.5
Imperial Seafoods Limited	Maidenhead, GBR		100.00	2017	1.3	0.0
Ing. Sala S.p.A.	Bergamo, ITA		100.00	2017	3.4	0.6
Interbulk Trading (IBT) S.A.	Lugano, CHE		100.00	2017	82.5	0.0
Intercom S.r.l.	Bergamo, ITA		100.00	2017	3.7	0.3
Investcim S.a.s.	Guerville, FRA		100.00	2017	112.1	1.8
Irvine - Whitlock Limited	Maidenhead, GBR		100.00	2017	-7.1	0.2

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Italcementi Finance S.A.	Puteaux, FRA		100.00	2017	50.0	-18.8
Italcementi Ingegneria S.r.l.	Bergamo, ITA		100.00	2017	4.8	-0.6
Italcementi S.p.A.	Bergamo, ITA		100.00	2017	1,598.8	45.7
Italsacci S.p.A.	Bergamo, ITA		100.00	2017	112.3	-9.7
J. Riera, S.A.	Barcelona, ESP		99.89	2017	6.0	-1.4
James Grant & Company (West) Limited	Edinburgh, GBR		100.00	2017	2.5	0.0
Judkins Limited	Maidenhead, GBR		100.00	2017	0.1	0.0
K.M. Property Development Company Limited	Maidenhead, GBR		100.00	2017	0.0	0.0
KalininCement Holding B.V.	's-Hertogenbosch, NLD		100.00	2017	3.8	0.0
Kazakhstan Cement Holding B.V.	's-Hertogenbosch, NLD		100.00	2017	85.1	0.0
Ketton Cement Limited	Maidenhead, GBR		100.00	2017	0.0	0.0
Kieswerke Andresen GmbH	Damsdorf, DEU		100.00	2017	1.0	0.0
Kingston Minerals Limited	Maidenhead, GBR		100.00	2017	0.2	0.0
L.B. (Stewartby) Limited	Maidenhead, GBR		100.00	2017	56.7	0.0
Lehigh B.V.	's-Hertogenbosch, NLD		100.00	2017	10,915.1	0.0
Lehigh UK Limited	Maidenhead, GBR		100.00	2017	14,975.5	-1.5
Les Sabliers de l'Odet S.a.s.	Quimper, FRA		100.00	2017	4.4	0.0
Lindustries Limited	Edinburgh, GBR		100.00	2017	50.1	0.0
Lithonplus GmbH & Co. KG [3]	Lingenfeld, DEU		60.00	2017	24.0	-2.2
Localdouble Limited	Maidenhead, GBR		100.00	2017	724.9	0.0
M E Sub Limited	Maidenhead, GBR		100.00	2017	19.8	0.0
Mantle & Llay Limited	Maidenhead, GBR		100.00	2017	0.0	0.0
Marnee Limited	Maidenhead, GBR		100.00	2017	60.5	0.0
Marples Ridgway Limited	Maidenhead, GBR		100.00	2017	-4.4	0.0
Mebin B.V.	's-Hertogenbosch, NLD		100.00	2017	59.3	-8.0
Mebin Leeuwarden B.V.	Leeuwarden, NLD		79.79	2017	1.3	0.2
Menaf S.a.s.	Guerville, FRA		100.00	2017	9.1	9.8
Meppeler Betoncentrale B.V.	Meppel, NLD		66.67	2017	0.0	0.0
Mibau Baustoffhandel GmbH	Cadenberge, DEU		60.00	2017	1.4	0.0
Mibau Holding GmbH	Cadenberge, DEU		60.00	2017	70.7	12.4
Mibau Nederland B.V.	Venlo, NLD		60.00	2017	1.1	-0.1
Mibau Nederland Holding B.V.	Venlo, NLD		60.00	2017	1.3	-0.1
Midland Quarry Products Limited	Maidenhead, GBR		100.00	2017	136.5	14.6
Milton Hall (Southend) Brick Company Limited (The)	Maidenhead, GBR		100.00	2017	1.5	0.0
Minster Quarries Limited	Maidenhead, GBR		100.00	2017	-1.4	0.0
Mixconcrete Holdings Limited	Maidenhead, GBR		100.00	2017	4.4	0.0
Mixconcrete Limited	Maidenhead, GBR		100.00	2017	-2.0	0.0
Mold Tar Macadam Co.Limited	Maidenhead, GBR		100.00	2017	0.0	0.0
Morebeat Limited	Maidenhead, GBR		100.00	2017	138.0	0.0
Motioneager Limited	Maidenhead, GBR		100.00	2017	239.8	0.0
National Brick Company Limited	Maidenhead, GBR		100.00	2017	2.8	0.0
National Star Brick and Tile Holdings Limited	Maidenhead, GBR		100.00	2017	2.4	0.0
National Star Limited	Maidenhead, GBR		100.00	2017	0.1	0.0
NedCem Holding B.V.	's-Hertogenbosch, NLD		66.67	2017	0.8	0.0
Nuova Sacelit S.r.l.	Bergamo, ITA		100.00	2017	-1.4	-7.5
Paderborner Transport - Beton - Gesellschaft mit beschränkter Haftung & Co. K.-G. [3]	Geseke, DEU		87.50	2017	0.7	-0.1
Palatina Insurance Ltd.	St. Julian's, MLT		100.00	2017	46.4	0.4
Paperbefore Limited	Maidenhead, GBR		100.00	2017	338.8	0.0
Parcib S.a.s.	Guerville, FRA		100.00	2017	-5.5	0.0
Pencrete Limited	Maidenhead, GBR		100.00	2017	0.1	0.0
Picon Overseas Limited	St. Peter Port, GGY		100.00	2017	196.9	9.3
Piedras y Derivados, S.A.U.	Barcelona, ESP		100.00	2017	18.4	-0.3
PILC Limited	St. Peter Port, GGY		100.00	2017	20.1	0.3
Pimco 2945 Limited	Maidenhead, GBR		100.00	2017	4.6	0.0
Pinden Plant & Processing Co. Limited (The)	Maidenhead, GBR		100.00	2017	6.3	0.0
Pioneer Aggregates (UK) Limited	Maidenhead, GBR		100.00	2017	3.7	-0.1

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [7]	Equity in € million [8]	Net income in € million [9]
Pioneer Asphalts (U.K.) Limited	Maidenhead, GBR		100.00	2017	0.0	0.0
Pioneer Concrete (U.K.) Limited	Maidenhead, GBR		100.00	2017	0.0	0.0
Pioneer Concrete Holdings Limited	Maidenhead, GBR		100.00	2017	131.1	0.0
Pioneer International Group Holdings Limited	Maidenhead, GBR		100.00	2017	996.9	0.0
Pioneer Investments UK Limited	Maidenhead, GBR		100.00	2017	0.1	0.0
Pioneer Overseas Investments Limited	St. Peter Port, GGY		100.00	2017	119.5	0.0
Premix Concrete Limited	Maidenhead, GBR		100.00	2017	0.0	0.0
Purfleet Aggregates Limited	Maidenhead, GBR		100.00	2017	-0.2	0.0
Redshow Limited	Maidenhead, GBR		100.00	2017	123.8	0.0
Rezincote (1995) Limited	Maidenhead, GBR		100.00	2017	-0.5	0.0
Roads Reconstruction Limited	Maidenhead, GBR		100.00	2017	9.7	0.0
Rostocker Zementumschlagsgesellschaft mbH	Rostock, DEU		60.00	2017	0.1	0.0
Rouennaise de Transformation S.a.s.	Grand-Couronne, FRA		100.00	2017	1.7	-0.9
S Sub Limited	Maidenhead, GBR		100.00	2017	0.0	0.0
S Z G - Saarländische Zementgesellschaft mit beschränkter Haftung	Saarbrücken, DEU		100.00	2017	0.5	-0.1
S.A. Cimenteries CBR	Braine l'Alleud, BEL	0.00	100.00	2017	728.1	90.7
Sabine Limited	St. Peter Port, GGY		100.00	2017	242.2	0.0
Sablimaris S.a.s.	La Rochelle, FRA		100.00	2017	10.3	0.9
Sagrex B.V.	's-Hertogenbosch, NLD		100.00	2017	1.1	0.4
Sagrex France S.A.S.	Harnes, FRA		100.00	2017	4.6	0.4
Sagrex Holding B.V.	's-Hertogenbosch, NLD		100.00	2017	21.3	0.6
Sagrex Productie B.V.	's-Hertogenbosch, NLD		100.00	2017	9.6	0.1
Sailtown Limited	Maidenhead, GBR		100.00	2017	1,019.2	23.2
Saint Hubert Investments S.à r.l.	Luxembourg, LUX		100.00	2017	406.1	-0.1
SAMA S.r.l. - in liquidazione [4]	Bergamo, ITA		100.00	2017	0.1	-0.2
Samuel Wilkinson & Sons Limited	Maidenhead, GBR		100.00	2017	0.0	0.0
Sandwerke Biesern GmbH	Penig, DEU		100.00	2017	8.4	0.0
Sax S.a.s.	Guerville, FRA		100.00	2017	2.0	0.4
Scancem Energy and Recovery Limited	Maidenhead, GBR		100.00	2017	19.1	0.0
Scancem International Limited	Maidenhead, GBR		100.00	2017	20.1	0.0
Scancem Recovery Limited	Maidenhead, GBR		100.00	2017	19.2	0.0
Scancem Supply Limited	Maidenhead, GBR		100.00	2017	-2.1	0.0
SCE de la Grange d'Etaule	Gray, FRA		100.00	2017	0.0	0.0
Seagoe Concrete Products Limited	Maidenhead, GBR		100.00	2017	0.0	0.0
Second City Properties Limited	Maidenhead, GBR		100.00	2017	13.0	0.0
Shapedirect Limited	Maidenhead, GBR		100.00	2017	7,060.4	122.2
SJP 1 Limited	Maidenhead, GBR		100.00	2017	-0.1	0.0
Slotcount Limited	Maidenhead, GBR		100.00	2017	1,789.8	0.0
Small Lots (Mix-It) Limited	Maidenhead, GBR		100.00	2017	12.1	0.0
SMW Sand und Mörtelwerk GmbH & Co. KG [3]	Königs Wusterhausen, DEU		100.00	2017	0.9	0.7
Sociedad Financiera y Minera, S.A.	Malaga, ESP		99.94	2017	271.7	-6.2
Socli S.a.s.	Loures-Barousse, FRA		100.00	2017	5.2	1.4
Sodramaris S.N.C.	La Rochelle, FRA		100.00	2017	12.4	-2.3
Solrec Limited	Maidenhead, GBR		100.00	2017	9.4	0.0
SQ Corporation Limited	Maidenhead, GBR		100.00	2017	2,732.1	0.0
SQ Finance No 2 Limited	Maidenhead, GBR		100.00	2017	2,827.9	0.0
St Edouard S.à r.l.	Luxembourg, LUX		99.99	2017	2,737.9	-0.4
ST JUDE S.à r.l.	Luxembourg, LUX		100.00	2017	2,251.7	-0.1
ST NICOLAS S.à r.l.	Luxembourg, LUX		100.00	2017	1,563.8	266.5
Stema Shipping (UK) Limited	Grays, GBR		60.00	2017	3.0	0.5
Stema Shipping France S.a.s.	Bois Guillaume, FRA		60.00	2017	0.7	0.2
Stephen Toulson & Sons Limited	Maidenhead, GBR		100.00	2017	0.0	0.0
Stewartby Housing Association Limited	Maidenhead, GBR		100.00	2017	0.0	0.0
Supamix Limited	Maidenhead, GBR		100.00	2017	6.3	0.0
Technodes S.a.s.	Guerville, FRA		100.00	2017	-7.6	-6.7
Tercim S.a.s.	Guerville, FRA		100.00	2017	2.6	-2.2

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The Purfleet Ship to Shore Conveyor Company Limited	Maidenhead, GBR		100.00	2017	0.1	0.0
Thistleton Quarries Limited	Maidenhead, GBR		100.00	2017	-1.6	0.0
Tillotson Commercial Motors Limited	Maidenhead, GBR		100.00	2017	-21.0	0.0
Tillotson Commercial Vehicles Limited	Maidenhead, GBR		100.00	2017	0.0	0.0
Tilmanstone Brick Limited	Maidenhead, GBR		100.00	2017	7.9	0.0
Timesound	Maidenhead, GBR		100.00	2017	0.7	0.0
Tinglev Elementfabrik GmbH	Altlandsberg, DEU		60.00	2017	2.3	0.8
TLQ Limited	Edinburgh, GBR		100.00	2017	0.0	0.0
TMC Pioneer Aggregates Limited	Maidenhead, GBR		100.00	2017	0.0	0.0
Tratel Affrètement S.a.s.	Guerville, FRA		100.00	2017	12.5	2.2
Tratel S.a.s.	Guerville, FRA		100.00	2017	17.2	2.3
Tunnel Cement Limited	Maidenhead, GBR		100.00	2017	0.0	0.0
U.D.S. Holdings B.V.	Amsterdam, NLD		100.00	2017	612.8	0.0
UDS (No 10)	Maidenhead, GBR		100.00	2017	0.0	0.0
UDS (No 3) Limited	Maidenhead, GBR		100.00	2017	6.4	0.0
UDS Corporation Limited	Maidenhead, GBR		100.00	2017	410.6	0.0
UDS Finance Limited	Maidenhead, GBR		100.00	2017	45.9	0.0
UDS Group Limited	Maidenhead, GBR		100.00	2017	123.6	0.0
UDS Holdings (1) Limited	Maidenhead, GBR		100.00	2017	209.6	0.0
UGI Group Limited	Maidenhead, GBR		100.00	2017	108.5	0.0
Unibéton S.a.s.	Guerville, FRA		100.00	2017	-42.4	-29.1
Unibéton-Var S.a.s.	Lambesc, FRA		100.00	2017	1.6	0.0
United Gas Industries Limited	Maidenhead, GBR		100.00	2017	13.1	0.0
Uniwerbéton S.a.s.	Heillecourt, FRA		70.00	2017	0.2	0.0
V.E.A. Limited	St. Peter Port, GGY		100.00	2017	179.7	-0.2
V.O.F. 'Bouwdok Barendrecht'	Barendrecht, NLD		60.01	2017	0.0	0.0
Ventore S.L.	Malaga, ESP		99.94	2017	0.1	-0.5
Viewgrove Investments Limited	Maidenhead, GBR		100.00	2017	7,195.9	0.0
Visionfocus Limited	Maidenhead, GBR		100.00	2017	747.6	0.0
Visionrefine Limited	Maidenhead, GBR		100.00	2017	-0.3	0.0
Welbecson Group Limited	Maidenhead, GBR		100.00	2017	-0.1	0.0
WIKA Sand und Kies GmbH & Co. KG [3]	Stade, DEU		100.00	2017	9.0	1.4
Wineholm Limited	Maidenhead, GBR		100.00	2017	0.0	0.0
Subsidiaries						
Northern and Eastern Europe-Central Asia						
Abetong AB	Växjö, SWE		60.00	2017	6.4	0.3
AS Abetong	Oslo, NOR		60.00	2017	0.6	0.0
AS Kunda Nordic Tsement	Kunda, EST		75.00	2017	61.4	3.6
BayKaz Beton LLP	Almaty, KAZ		100.00	2017	10.6	-1.2
BEKTAS Group LLP	Almaty, KAZ		100.00	2017	3.2	-0.7
Beton.Ata LLP	Almaty, KAZ		99.84	2017	0.7	-0.3
Betong Øst Trøndelag AS [1) 6)]	Kongsvinger, NOR		50.00	-	-	-
Betong Sör AS	Oslo, NOR		100.00	2017	0.8	-0.1
Betongindustri AB	Stockholm, SWE		100.00	2017	4.1	0.1
BETOTECH, s.r.o.	Beroun, CZE		91.50	2017	0.6	0.1
Björgun ehf	Reykjavík, ISL		53.00	2017	8.9	1.3
BM Valla ehf	Reykjavík, ISL		53.00	2017	16.1	6.8
Bukhtarma Cement Company LLP	Oktyabrskiy village, KAZ		100.00	2017	27.5	-0.2
Calumite s.r.o.	Ostrava, CZE		51.00	2017	5.9	1.2
Carpat Beton Servicii Pompe SRL	Bucharest, ROU		100.00	2017	-0.3	-0.8
Carpat Cemtrans S.R.L.	Bucharest, ROU		100.00	2017	4.7	0.3
CaspiCement Limited Liability Partnership	Shetpe, KAZ		100.00	2017	21.0	-14.2
Caspinerud Limited Liability Partnership	Aktau, KAZ		100.00	2017	0.1	-1.2
Cementa AB	Stockholm, SWE		100.00	2017	44.8	0.3
Cementa Fastighets AB	Stockholm, SWE		100.00	2017	0.1	0.0

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Cementa sp. z o. o.	Warsaw, POL		100.00	2017	-	-0.1
Českomoravský beton, a.s.	Beroun, CZE		100.00	2017	24.7	4.6
Českomoravský cement, a.s.	Mokrá-Horákov, CZE		100.00	2017	96.0	38.0
Českomoravský štěrk, a.s.	Mokrá-Horákov, CZE		100.00	2017	55.5	6.9
Contiga AB	Norrtälje, SWE		60.00	2017	0.7	0.1
Contiga AS	Moss, NOR		60.00	2017	8.1	3.7
Contiga Holding AS	Oslo, NOR		60.00	2017	24.4	1.5
Contiga Tinglev A/S	Tinglev, DNK		57.00	2017	7.7	2.4
Devnya Cement AD	Devnya, BGR		99.92	2017	213.9	7.8
DK Beton A/S	Ringsted, DNK		100.00	2017	18.0	2.6
DK Cement A/S	Copenhagen, DNK		100.00	2017	8.5	0.9
Eignarhaldsfélagið Hornsteinn ehf.	Reykjavík, ISL		53.00	2017	30.7	11.4
Fastighets AB Limhamns Kalkbrott	Stockholm, SWE		100.00	2017	2.3	0.0
Fastighets AB Lövholmen	Stockholm, SWE		100.00	2017	0.4	0.1
Garkalnes Grants SIA	Riga, LVA		100.00	2017	6.5	0.8
Global IT Center EAD [6]	Devnya, BGR		99.92	-	-	-
Górażdże Beton Sp. z o.o.	Chorula, POL		99.84	2017	27.5	-8.0
Górażdże Cement S.A.	Chorula, POL		99.84	2017	308.2	41.6
Górażdże Kruszywa Sp. z o.o.	Chorula, POL		99.84	2017	37.3	1.5
Halyps Building Materials S.A.	Aspropyrgos, GRC		99.92	2017	49.4	-9.2
Hanson Iceland EHF	Reykjavík, ISL		100.00	2017	2,251.0	-0.1
HC Betons SIA	Riga, LVA		100.00	2017	0.8	-0.3
HC Betoon AS, Estonia	Tallinn, EST		100.00	2017	6.4	0.4
HeidelbergBeton Ukraine Limited Liability Company	Dnipro, UKR		99.97	2017	1.6	0.3
HeidelbergCement Africa Holding Kommanditbolag	Stockholm, SWE		100.00	2017	0.9	1.3
HeidelbergCement Danmark A/S	Ringsted, DNK		100.00	2017	30.2	4.4
HeidelbergCement Iceland EHF	Reykjavík, ISL		100.00	2017	14.7	5.9
HeidelbergCement Miljö AB	Stockholm, SWE		100.00	2017	1.8	0.0
HeidelbergCement Northern Europe AB	Stockholm, SWE		100.00	2017	1,336.1	68.8
HeidelbergCement Northern Europe Pumps & Trucks A/S	Ringsted, DNK		100.00	2017	3.5	1.0
HeidelbergCement Norway AS	Oslo, NOR		100.00	2017	47.3	-20.3
HeidelbergCement Pumps & Trucks AS	Oslo, NOR		100.00	2017	0.2	0.0
HeidelbergCement Romania SA	Bucharest, ROU		100.00	2017	239.3	29.6
HeidelbergCement Services - LLP	Almaty, KAZ		100.00	2017	-0.6	-0.5
HeidelbergCement Sweden AB	Stockholm, SWE		100.00	2017	276.1	11.4
HeidelbergCement Ukraine Private Joint Stock Company	Dnipro, UKR		99.83	2017	-21.9	-14.3
HeidelbergGranit Ukraine Limited Liability Company	Dnipro, UKR		100.00	2017	0.3	0.2
Italmed Cement Company Ltd.	Limassol, CYP		99.92	2017	41.4	3.3
Kamenivo Slovakia a.s.	Bytča-Hrabové, SVK		100.00	2017	2.0	0.2
LLC 'HeidelbergCement Rus'	Podolsk, RUS		100.00	2017	93.4	-4.4
LLC KaliningradCement	Kaliningrad, RUS		100.00	2017	2.5	-0.6
Lyulyaka Materials EAD	Devnya, BGR		99.92	2017	0.9	0.1
Magnatool AB	Malmö, SWE		75.00	2017	0.0	0.0
Mibau Polska Sp. z o.o.	Gdansk, POL		60.00	2017	0.7	0.3
Norbetong AS	Oslo, NOR		100.00	2017	79.0	10.2
Norcem AS	Oslo, NOR		100.00	2017	39.7	33.3
Nordic Precast Group AB	Stockholm, SWE		60.00	2017	159.0	26.3
Nordisk Betongtillverkning AB [5]	Stockholm, SWE		100.00	-	-	-
Norsk Stein AS	Jelsa, NOR		60.00	2017	90.1	11.3
NorStone AS	Oslo, NOR		100.00	2017	2.1	0.5
OJSC "Cesla"	Slantsy, RUS		99.89	2017	12.7	-0.3
OJSC Gurovo-Beton	Novogurovskiy, RUS		100.00	2017	3.7	0.6
OOO "Norcem Kola"	Murmansk, RUS		100.00	2017	0.0	-0.5
Precon Polska Sp.z.o.o.	Warsaw, POL		60.00	2017	5.6	0.3
Protenna AB	Stockholm, SWE		75.00	2017	26.5	0.0
Recyfuel SRL	Bucharest, ROU		100.00	2017	0.2	0.0

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Renor AS	Aurskog, NOR		100.00	2017	4.2	0.1
Rybalsky Quarry Limited Liability Company	Liubymivka, UKR		100.00	2017	0.3	0.1
Sand- och grusaktiebolaget Jehander	Stockholm, SWE		100.00	2017	10.9	0.1
Scancem Central Africa Holding 1 AB	Stockholm, SWE		100.00	2017	16.4	0.0
Scancem Central Africa Holding 2 AB	Stockholm, SWE		100.00	2017	16.3	0.0
Scancem Central Africa Holding 3 AB	Stockholm, SWE		100.00	2017	13.5	0.0
Scancem Central Africa Holding 4 AB	Stockholm, SWE		100.00	2017	13.5	0.0
Scancem Holding AS	Oslo, NOR		100.00	2017	0.0	0.0
Scancem International DA	Oslo, NOR		100.00	2017	457.3	35.8
Sementsverksmidjan ehf	Reykjavík, ISL		53.00	2017	6.4	3.2
ShymkentCement JSC	Shymkent, KAZ		99.84	2017	-72.5	-5.2
SIA BALTIC SAULE	Riga, LVA		100.00	2017	3.2	0.4
SIA SBC [1]	Marupe, LVA		29.40	2017	2.2	0.7
SIA SBC Finance [1]	Marupe, LVA		29.40	2017	0.5	-0.1
SIA SBC Property [1]	Marupe, LVA		29.40	2017	2.7	0.5
Sola Betong AS	Tananger, NOR		66.67	2017	1.3	0.3
Splitt Chartering Aps	Aabenraa, DNK		60.00	2017	-7.3	-11.4
SSC Lithuania UAB	Kaunas, LTU		100.00	2017	0.0	0.0
Stema Shipping A/S	Aabenraa, DNK		60.00	2017	68.1	5.6
TBG BETONMIX a. s.	Brno, CZE		66.00	2017	8.0	1.9
TBG BETONPUMPY MORAVA s.r.o.	Brno, CZE		84.90	2017	0.5	0.1
TBG SEVEROZÁPADNÍ ČECHY s.r.o.	Chomutov, CZE		66.00	2017	3.0	0.5
TBG Slovensko, a. s.	Pezinok, SVK		100.00	2017	1.7	-1.7
TBG Východní Čechy s.r.o.	Mladé Buky, CZE		70.04	2017	2.2	0.6
TBG VYSOČINA s.r.o.	Kožichovice, CZE		59.40	2017	2.5	0.2
UAB Gerdukas	Kaunas, LTU		70.00	2017	1.4	-0.1
UAB HC Betonas	Kaunas, LTU		100.00	2017	-1.0	-0.9
UAB HeidelbergCement Klaipeda	Klaipeda, LTU		100.00	2017	3.0	0.5
Vulkan Cement AD	Dimitrovgrad, BGR		98.59	2017	39.7	-0.9
Subsidiaries						
North America						
116 Sisquoc Property LLC	Wilmington, USA		100.00	2017	0.0	0.0
755 Portland Property LLC	Wilmington, USA		100.00	2017	0.0	0.0
8364 Fordyce Property LLC	Wilmington, USA		100.00	2017	0.0	0.0
Amangani SA	Panama City, PAN		100.00	2017	-0.3	0.0
Amcord, Inc.	Dover, USA		100.00	2017	-1.2	1.9
Anche Holdings Inc	Panama City, PAN		100.00	2017	1,758.8	0.0
Asian Carriers Inc.	Panama City, PAN		100.00	2017	31.6	0.1
Astravance Corp.	Panama City, PAN		100.00	2017	49,574.8	0.0
Beazer East, Inc.	Wilmington, USA		100.00	2017	206.1	-34.9
Cadman (Black Diamond), Inc.	Olympia, USA		100.00	2017	8.9	0.6
Cadman (Rock), Inc.	Olympia, USA		100.00	2017	18.5	0.9
Cadman (Seattle), Inc.	Olympia, USA		100.00	2017	70.7	4.5
Cadman Materials, Inc.	Olympia, USA		100.00	2017	3.6	3.8
Cadman, Inc.	Olympia, USA		100.00	2017	47.4	0.8
Calaveras Materials Inc.	Sacramento, USA		100.00	2017	94.3	7.8
Calaveras-Standard Materials, Inc.	Sacramento, USA		100.00	2017	32.1	2.4
Cambridge Aggregates Inc.	Cambridge, CAN		60.00	2017	0.7	1.8
Campbell Concrete & Materials LLC	Austin, USA		100.00	2017	36.8	1.5
Campbell Transportation Services LLC [5]	Austin, USA		100.00	-	-	-
Cavenham Forest Industries LLC	Wilmington, USA		100.00	2017	7.7	-3.6
Cindercrete Mining Supplies Ltd. [1]	Regina, CAN		50.00	2017	2.5	0.1
Cindercrete Products Limited	Regina, CAN		100.00	2017	21.2	1.4
Civil and Marine Inc.	Wilmington, USA		100.00	2017	54.0	6.8
Commercial Aggregates Transportation and Sales, LLC	Wilmington, USA		100.00	2017	2.2	-0.3

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Constar LLC	Wilmington, USA		100.00	2017	275.1	12.2
Continental Florida Materials Inc.	Tallahassee, USA		100.00	2017	86.6	2.8
Cowichan Corporation	Panama City, PAN		100.00	2017	2,248.1	0.0
Essex NA Holdings LLC	Wilmington, USA		100.00	2017	43.9	0.0
Essroc Holdings LLC	Nazareth, USA		100.00	2017	741.5	17.4
Fairburn Ready-Mix, Inc.	Atlanta, USA		100.00	2017	5.3	0.3
Ferndale Ready Mix & Gravel, Inc.	Olympia, USA		100.00	2017	18.2	0.7
Greyrock, LLC	Wilmington, USA		100.00	2017	43.2	8.2
Gulf Coast Stabilized Materials LLC	Austin, USA		100.00	2017	60.5	3.4
Gypsum Carrier Inc	Panama City, PAN		100.00	2017	60.9	-0.1
Hampshire Properties LLC	Austin, USA		100.00	2017	1.4	0.0
HAMW Minerals, Inc.	Wilmington, USA		100.00	2017	6.5	0.0
Hanson Aggregates LLC	Wilmington, USA		100.00	2017	914.7	95.3
Hanson Aggregates BMC, Inc.	Harrisburg, USA		100.00	2017	285.1	11.5
Hanson Aggregates Davon LLC	Columbus, USA		100.00	2017	86.9	0.2
Hanson Aggregates East LLC	Wilmington, USA		100.00	2017	0.0	0.0
Hanson Aggregates Mid-Pacific, Inc.	Wilmington, USA		100.00	2017	236.4	-21.7
Hanson Aggregates Midwest LLC	Frankfort, USA		100.00	2017	492.5	58.0
Hanson Aggregates New York LLC	Albany, USA		100.00	2017	510.5	37.4
Hanson Aggregates Pacific Southwest, Inc.	Wilmington, USA		100.00	2017	214.9	87.2
Hanson Aggregates Pennsylvania LLC	Wilmington, USA		100.00	2017	333.2	23.2
Hanson Aggregates Southeast LLC	Wilmington, USA		100.00	2017	682.4	35.4
Hanson Aggregates WRP, Inc.	Wilmington, USA		100.00	2017	75.4	2.4
Hanson BC Limited	Hamilton, BMU		100.00	2017	1,165.5	0.0
Hanson Building Materials America LLC	Wilmington, USA		100.00	2017	750.9	0.0
Hanson Green Limited	Hamilton, BMU		100.00	2017	0.1	0.0
Hanson Marine Finance, Inc.	Sacramento, USA		100.00	2017	3.9	-0.2
Hanson Marine Operations, Inc.	Sacramento, USA		100.00	2017	12.6	0.7
Hanson Ready Mix, Inc.	Wilmington, USA		100.00	2017	11.8	3.3
Hanson Structural Precast, Inc.	Los Angeles, USA		100.00	2017	3.3	-0.4
Harrell Aggregate Hauling, Inc. [5]	Atlanta, USA		100.00	-	-	-
HBMA Holdings LLC	Wilmington, USA		100.00	2017	3,730.1	16.1
HBP Mineral Holdings LLC	Wilmington, USA		100.00	2017	1.8	0.0
HBP Property Holdings LLC	Wilmington, USA		100.00	2017	35.3	-0.4
HC Trading International Inc.	Nassau, BHS		100.00	2017	-4.7	0.2
HNA Investments	Wilmington, USA		100.00	2017	4,247.4	0.0
KH 1 Inc.	Dover, USA		100.00	2017	215.7	0.0
Lehigh Cement Company LLC	Wilmington, USA		100.00	2017	913.1	177.3
Lehigh Hanson Materials Limited	Calgary, CAN		100.00	2017	1,165.2	43.8
Lehigh Hanson Receivables LLC	Wilmington, USA		100.00	2017	32.6	9.8
Lehigh Hanson Services LLC	Wilmington, USA		100.00	2017	0.0	0.0
Lehigh Hanson, Inc.	Wilmington, USA		100.00	2017	9,916.0	-546.9
Lehigh Northwest Cement Company	Olympia, USA		100.00	2017	147.7	4.1
Lehigh Northwest Marine, LLC	Wilmington, USA		100.00	2017	2.2	0.0
Lehigh Portland Holdings, LLC	Wilmington, USA		100.00	2017	0.4	0.1
Lehigh Portland Investments, LLC	Wilmington, USA		100.00	2017	185.8	39.0
Lehigh Realty Company	Richmond, USA		100.00	2017	1.8	0.0
Lehigh Southwest Cement Company	Sacramento, USA		100.00	2017	331.0	23.0
LHI Duomo Holdings LLC	Wilmington, USA		100.00	2017	0.0	0.0
Material Service Corporation	Wilmington, USA		100.00	2017	188.1	32.4
Mineral and Land Resources Corporation	Wilmington, USA		100.00	2017	31.7	2.1
Mission Valley Rock Co.	Sacramento, USA		100.00	2017	99.4	1.5
PCAz Leasing, Inc.	Phoenix, USA		100.00	2017	3.5	0.0
Pioneer International Overseas Corporation	Tortola, VGB		100.00	2017	147.2	2.1
Rimarcal Corporation	Panama City, PAN		100.00	2017	2,659.1	15.7
Sherman Industries LLC	Wilmington, USA		100.00	2017	33.3	-1.9

Company name	Corporate seat	HC AG direct ownership %	Group ownership %	Year [7]	Equity in € million [8]	Net income in € million [9]
Shrewsbury Properties LLC	Austin, USA		100.00	2017	0.7	0.0
Sinclair General Corporation	Panama City, PAN		100.00	2017	7,989.5	0.0
South Valley Materials, Inc.	Sacramento, USA		100.00	2017	8.4	-2.7
Standard Concrete Products, Inc.	Sacramento, USA		100.00	2017	5.8	3.4
Three Rivers Management, Inc.	Wilmington, USA		100.00	2017	0.3	0.0
Tomahawk, Inc.	Wilmington, USA		100.00	2017	151.6	0.8
Vestur Insurance (Bermuda) Ltd	Hamilton, BMU		100.00	2017	0.1	0.0
Subsidiaries						
Asia-Pacific						
Alex Fraser Asphalt Holdings Pty Ltd [5]	Victoria, AUS		100.00	-	-	-
Alex Fraser Asphalt Pty Ltd [5]	Victoria, AUS		100.00	-	-	-
Alex Fraser Consulting Pty Ltd [5]	Victoria, AUS		100.00	-	-	-
Alex Fraser Demolitions Pty Ltd [5]	Victoria, AUS		100.00	-	-	-
Alex Fraser Holdings Pty Ltd [5]	Victoria, AUS		100.00	-	-	-
Alex Fraser Pty Ltd [5]	Victoria, AUS		100.00	-	-	-
Asia Cement Energy Conservation Co., Ltd. [1]	Bangkok, THA		39.53	2017	43.7	5.4
Asia Cement Products Co., Ltd. [1]	Bangkok, THA		39.53	2017	1.1	-0.6
Asia Cement Public Co., Ltd. [1]	Bangkok, THA		39.53	2017	284.0	8.3
Bitumix Granite Sdn Bhd	Kuala Lumpur, MYS		100.00	2017	0.5	0.0
Buildey Pty Ltd [6]	Victoria, AUS		100.00	-	-	-
Butra HeidelbergCement Sdn. Bhd.	Bandar Seri Begawan, BRN		70.00	2017	10.5	6.5
Calga Sands Pty Ltd	New South Wales, AUS		100.00	2017	10.8	-0.2
CGF Pty Limited	New South Wales, AUS		100.00	2017	163.4	0.1
Christies Stone Quarries Pty Ltd	South Australia, AUS		100.00	2017	0.0	0.0
COCHIN Cements Ltd.	Kottyam, IND		98.72	2018	-1.1	-0.1
Concrete Materials Laboratory Sdn Bhd	Kuala Lumpur, MYS		100.00	2017	0.3	0.1
Concrete Recyclers Australia Pty Ltd [5]	Victoria, AUS		100.00	-	-	-
Consolidated Quarries Pty Ltd.	Victoria, AUS		100.00	2017	0.0	0.0
Construction Materials Pty Ltd [6]	Victoria, AUS		100.00	-	-	-
Excel Quarries Pty Limited	Queensland, AUS		100.00	2017	0.1	0.0
Fairfield Pre-Mix Concrete Pty Ltd	Victoria, AUS		100.00	2017	0.1	0.0
Galli Quarries Pty Limited	Victoria, AUS		100.00	2017	24.0	-0.1
Gerak Harapan Sdn Bhd	Kuala Lumpur, MYS		70.00	2017	0.1	0.0
Gulbarga Cement Limited	Bangalore, IND		100.00	2017	49.6	10.7
Hanson Australia (Holdings) Proprietary Limited	Victoria, AUS		100.00	2017	1,849.0	126.1
Hanson Australia Cement (2) Pty Ltd	New South Wales, AUS		100.00	2017	49.3	18.6
Hanson Australia Cement Pty Limited	New South Wales, AUS		100.00	2017	51.0	18.6
Hanson Australia Funding Limited	New South Wales, AUS		100.00	2017	0.0	0.0
Hanson Australia Investments Pty Limited	New South Wales, AUS		100.00	2017	86.4	10.3
Hanson Australia Pty Limited	New South Wales, AUS		100.00	2017	876.9	-2.2
Hanson Building Materials (S) Pte Ltd	Singapore, SGP		100.00	2017	-0.3	0.0
Hanson Building Materials Cartage Sdn Bhd	Kuala Lumpur, MYS		100.00	2017	0.4	0.1
Hanson Building Materials Industries Sdn Bhd [4]	Kuala Lumpur, MYS		100.00	2017	0.0	0.0
Hanson Building Materials Malaysia Sdn Bhd	Kuala Lumpur, MYS		100.00	2017	24.4	0.3
Hanson Building Materials Manufacturing Sdn Bhd	Kuala Lumpur, MYS		100.00	2017	0.5	0.0
Hanson Building Materials Production Sdn Bhd	Kuala Lumpur, MYS		100.00	2017	11.6	0.0
Hanson Building Materials Transport Sdn Bhd	Kuala Lumpur, MYS		100.00	2017	0.2	0.0
Hanson Building Materials-KTPC Sdn Bhd	Kuala Lumpur, MYS		100.00	2017	0.3	0.0
Hanson Building Materials-KTPC-PBPM Sdn Bhd	Kuala Lumpur, MYS		100.00	2017	1.1	0.0
Hanson Building Materials-PBPM Sdn Bhd	Kuala Lumpur, MYS		100.00	2017	0.2	0.0
Hanson Cement Holdings Pty Ltd	Victoria, AUS		100.00	2017	37.4	7.3
Hanson Concrete (M) Sdn Bhd	Kuala Lumpur, MYS		100.00	2017	0.5	0.0
Hanson Construction Materials Pty Ltd	Queensland, AUS		100.00	2017	90.5	36.1
Hanson Finance Australia Ltd	Australian Capital Territory, AUS		100.00	2017	84.6	-10.8
Hanson Holdings (M) Sdn Bhd	Kuala Lumpur, MYS		100.00	2017	11.8	0.0

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [7]	Equity in € million [8]	Net income in € million [9]
Hanson Holdings Australia Pty Ltd	Victoria, AUS		100.00	2017	0.0	0.0
Hanson Investment Holdings Pte Ltd	Singapore, SGP		100.00	2017	34.6	0.1
Hanson Landfill Services Pty Ltd	Victoria, AUS		100.00	2017	39.1	9.0
Hanson Pacific (S) Pte Limited	Singapore, SGP		100.00	2017	-6.9	0.0
Hanson Pty Limited	Victoria, AUS		100.00	2017	2,625.6	0.0
Hanson Quarries Victoria Pty Limited	New South Wales, AUS		100.00	2017	0.4	0.0
Hanson Quarry Products (Batu Pahat) Sdn Bhd	Kuala Lumpur, MYS		100.00	2017	0.1	0.0
Hanson Quarry Products (EA) Sdn Bhd	Kuala Lumpur, MYS		100.00	2017	0.4	0.1
Hanson Quarry Products (Holdings) Sdn Bhd	Kuala Lumpur, MYS		100.00	2017	42.5	0.0
Hanson Quarry Products (Kuantan) Sdn Bhd	Kuala Lumpur, MYS		100.00	2017	0.1	0.0
Hanson Quarry Products (Kulai) Sdn Bhd	Kuala Lumpur, MYS		100.00	2017	9.6	0.1
Hanson Quarry Products (Land) Sdn Bhd	Kuala Lumpur, MYS		100.00	2017	4.8	0.5
Hanson Quarry Products (Masai) Sdn Bhd	Kuala Lumpur, MYS		100.00	2017	0.8	0.0
Hanson Quarry Products (Northern) Sdn Bhd	Kuala Lumpur, MYS		100.00	2017	0.2	0.0
Hanson Quarry Products (Pengerang) Sdn Bhd	Kuala Lumpur, MYS		100.00	2017	0.9	0.1
Hanson Quarry Products (Perak) Sdn Bhd	Kuala Lumpur, MYS		100.00	2017	0.5	0.0
Hanson Quarry Products (Premix) Sdn Bhd [4]	Kuala Lumpur, MYS		100.00	2017	0.0	0.0
Hanson Quarry Products (Rawang) Sdn Bhd	Kuala Lumpur, MYS		100.00	2017	0.8	0.1
Hanson Quarry Products (Segamat) Sdn Bhd	Kuala Lumpur, MYS		100.00	2017	0.2	0.1
Hanson Quarry Products (Tempoyak) Sdn Bhd	Kuala Lumpur, MYS		100.00	2017	-1.2	-0.1
Hanson Quarry Products (Terengganu) Sdn Bhd	Kuala Lumpur, MYS		100.00	2017	0.7	0.0
Hanson Quarry Products Sdn Bhd	Kuala Lumpur, MYS		100.00	2017	37.6	2.4
HC Trading (India) Private Limited [6]	Hyderabad, IND		100.00	-	-	-
HCT Services Asia Pte. Ltd.	Singapore, SGP		100.00	2017	0.8	0.1
HeidelbergCement Asia Pte Ltd	Singapore, SGP		100.00	2017	3.3	-2.0
HeidelbergCement Bangladesh Limited	Narayangonj, BGD		60.66	2017	45.5	8.7
HeidelbergCement Holding HK Limited	Hong Kong, HKG		100.00	2017	53.3	13.3
HeidelbergCement India Limited	Gurgaon, IND		69.39	2018	129.5	16.9
HeidelbergCement Myanmar Company Limited	Yangon, MMR		100.00	2017	-0.4	0.0
Hymix Australia Pty Ltd	New South Wales, AUS		100.00	2017	116.2	24.7
Jalaprathan Cement Public Co., Ltd. [1]	Bangkok, THA		35.12	2017	81.3	-4.6
Jalaprathan Concrete Co., Ltd. [1]	Bangkok, THA		35.12	2017	7.2	-0.1
Meghna Energy Limited	Dhaka, BGD		60.66	2017	5.3	1.1
Melbourne Concrete Pty Ltd [6]	Victoria, AUS		100.00	-	-	-
Naga Property Co., Ltd. [1]	Bangkok, THA		35.12	2017	0.2	0.0
Pioneer Concrete (Hong Kong) Limited	Hong Kong, HKG		100.00	2017	1.6	0.4
Pioneer Concrete (Tasmania) Proprietary Limited	Tasmania, AUS		100.00	2017	5.4	0.0
Pioneer Concrete (WA) Pty Ltd	Western Australia, AUS		100.00	2017	0.0	0.0
Pioneer Concrete Services (Malaysia) S/B [4] [5]	Kuala Lumpur, MYS		100.00	-	-	-
Pioneer International (Labuan) Ltd	Labuan, MYS		100.00	2017	0.4	0.0
Pioneer International Holdings Pty Ltd	New South Wales, AUS		100.00	2017	1,087.7	10.6
Pioneer North Queensland Pty Ltd	Queensland, AUS		100.00	2017	24.5	2.1
Plentong Granite Industries Sdn Bhd	Kuala Lumpur, MYS		70.00	2017	1.2	0.0
PT Bahana Indonor	Jakarta, IDN		50.98	2017	16.5	2.6
PT Bhakti Sari Perkasa Abadi	Bogor, IDN		50.98	2017	0.5	0.1
PT Dian Abadi Perkasa	Jakarta, IDN		50.98	2017	77.9	9.6
PT Indocement Tunggal Prakarsa Tbk.	Jakarta, IDN		51.00	2017	1,435.8	119.7
PT Indomix Perkasa	Jakarta, IDN		51.00	2017	29.8	-0.1
PT Jaya Berdikari Cipta	Jakarta, IDN		51.00	2017	0.0	-
PT Lentera Abadi Sejahtera	Jakarta, IDN		51.00	2017	0.0	0.0
PT Lintas Bahana Abadi	Jakarta, IDN		50.98	2017	4.7	0.7
PT Makmur Abadi Perkasa Mandiri	Jakarta, IDN		51.00	2017	0.0	0.0
PT Mandiri Sejahtera Sentra	Purwakarta, IDN		50.98	2017	20.1	0.2
PT Mineral Industri Sukabumi	Sukabumi, IDN		50.98	2017	4.5	0.1
PT Multi Bangun Galaxy	Lombok, IDN		50.98	2017	1.6	0.0
PT Pionirbeton Industri	Jakarta, IDN		51.00	2017	12.8	-10.1

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [7]	Equity in € million [8]	Net income in € million [9]
PT Sahabat Muliasakti	Pati, IDN		50.98	2017	-0.1	0.0
PT Sari Bhakti Sejati	Jakarta, IDN		51.00	2017	3.1	0.0
PT Tarabatuh Manunggal	Rumpin Bogor, IDN		50.98	2017	6.5	0.5
PT Terang Prakarsa Cipta	Jakarta, IDN		51.00	2017	2.0	-1.5
PT Tigaroda Rumah Sejahtera	Jakarta, IDN		51.00	2017	0.4	0.0
PT Tiro Abadi Perkasa	Jakarta, IDN		50.98	2017	0.1	0.0
Queensland Recycling Holdings Pty Ltd [5]	Victoria, AUS		100.00	-	-	-
Queensland Recycling Pty Ltd [5]	Queensland, AUS		100.00	-	-	-
Rajang Perkasa Sdn Bhd	Kuala Lumpur, MYS		60.00	2017	0.3	0.4
Realistic Sensation Sdn Bhd	Kuala Lumpur, MYS		69.98	2017	1.2	0.1
Recyclebin Pty Ltd [5]	Victoria, AUS		100.00	-	-	-
Recycling Industries Pty Ltd [5]	Victoria, AUS		100.00	-	-	-
Seas Co., Ltd. [4]	Bangkok, THA		100.00	2017	0.2	0.0
Singha Cement (Private) Limited	Colombo, LKA		99.94	2017	3.8	0.0
Sitapuram Power Limited	Hyderabad, IND		50.99	2017	12.4	0.1
Sofinaz Holdings Sdn Bhd	Kuala Lumpur, MYS		100.00	2017	0.3	0.0
South Coast Basalt Pty Ltd	New South Wales, AUS		100.00	2017	-2.0	-0.8
Suncoast Asphalt Equipment Hire Pty Ltd [5]	Queensland, AUS		100.00	-	-	-
Suncoast Asphalt Manufacturing Pty Ltd [5]	Queensland, AUS		100.00	-	-	-
Suncoast Asphalt Pty Ltd [5]	Queensland, AUS		100.00	-	-	-
Suncoast Asphalt Services Pty Ltd [5]	Queensland, AUS		100.00	-	-	-
Tanah Merah Quarry Sdn Bhd	Kuala Lumpur, MYS		100.00	2017	-2.3	0.1
Valscot Pty Limited	New South Wales, AUS		100.00	2017	0.0	0.0
Vaniyuth Co., Ltd. [1]	Bangkok, THA		48.80	2017	31.3	5.9
Waterfall Quarries Pty Limited	Victoria, AUS		100.00	2017	0.0	0.0
West Coast Premix Pty Ltd	Victoria, AUS		100.00	2017	0.1	0.0
Western Suburbs Concrete Partnership [1]	New South Wales, AUS		50.00	2018	4.7	8.0
XL Premix Partnership [6]	Victoria, AUS		50.00	-	-	-
XL Premix Pty Ltd [6]	Victoria, AUS		50.00	-	-	-
Yalkara Contracting Pty Ltd	Queensland, AUS		100.00	2017	6.6	0.0
Zuari Cement Ltd.	Bangalore, IND		100.00	2017	194.1	13.9
Subsidiaries						
Africa-Eastern Mediterranean Basin						
ACH Investments Limited	Ebene, MUS		100.00	2017	12.0	0.0
Africim S.A.	Casablanca, MAR		62.33	2017	0.4	0.0
Al Mahaliya Ready Mix Concrete W.L.L. [1]	Safat, KWT		13.23	2017	5.4	1.0
Austral Cimentos Sofala, SA	Maputo, MOZ		100.00	2017	-0.1	0.6
Calcim S.A.	Cotonou, BEN		99.99	2017	1.8	0.6
Cimbenin SA	Cotonou, BEN		87.95	2017	16.2	-0.2
CimBurkina S.A.	Ouagadougou, BFA		80.00	2017	18.3	9.4
Ciments du Maroc S.A.	Casablanca, MAR		62.33	2017	442.6	70.6
Ciments du Togo SA	Lomé, TGO		99.63	2017	28.6	3.7
DECOM Egyptian Co for Development of Building Materials S.A.E. [1]	Cairo, EGY		26.46	2017	7.2	3.0
Gacem Company Limited	Serrekunda, GMB		80.00	2017	-0.2	-1.1
Ghacem Ltd.	Accra, GHA		93.10	2017	64.4	22.4
GRANUBENIN SA avec CA	Cotonou, BEN		98.79	2017	0.1	0.0
Gulf Ready Mix Concrete Company W.L.L. [1]	Kuwait, KWT		13.25	2017	4.0	-1.5
Hanson (Israel) Ltd	Ramat Gan, ISR		99.98	2017	234.4	19.8
Hanson Quarry Products (Israel) Ltd	Ramat Gan, ISR		99.98	2017	231.7	17.8
Hanson Yam Limited Partnership	Ramat Gan, ISR		99.98	2017	3.1	0.1
HC Madagascar	Antananarivo, MDG		100.00	2017	-0.2	0.0
HC Trading FZE	Dubai, ARE		100.00	2017	0.8	0.2
HeidelbergCement Afrique Service	Lomé, TGO		94.29	2017	0.0	0.0
HeidelbergCement Mediterranean Basin Holdings S.L.U. Palestine Ltd.	Ramallah, PSE		100.00	2017	-0.4	-0.2

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [7)]	Equity in € million [8)]	Net income in € million [9)]
Helwan Cement Company S.A.E.	Helwan, EGY		50.64	2017	54.9	-18.7
Hilal Cement Company KSCP [1)]	Safat, KWT		25.95	2017	42.3	-0.2
Industrie Sakia El Hamra "Indusaha" S.A.	Laayoune, MAR		56.72	2017	54.0	26.7
Interbulk Egypt for Export S.A.E.	Cairo, EGY		100.00	2017	0.3	0.1
Kuwait German Company for RMC W.L.L. [1)]	Kuwait, KWT		13.36	2017	0.7	0.0
La Cimenterie de Lukala S.A.R.L.	Kinshasa, COD		76.95	2017	11.2	-16.6
La Societe GRANUTOGO SA	Lomé, TGO		100.00	2017	1.8	0.3
Liberia Cement Corporation Ltd.	Monrovia, LBR		81.67	2017	21.6	5.6
Mauritano-Française des Ciments S.A.	Nouakchott, MRT		56.96	2017	8.7	0.8
Pioneer Beton Muva Umachzavot Ltd	Ramat Gan, ISR		99.98	2017	0.2	0.0
Procimar S.A.	Casablanca, MAR		100.00	2017	68.3	9.9
Scantogo Mines SA	Lomé, TGO		89.90	2017	8.8	7.7
Sierra Leone Cement Corp. Ltd.	Freetown, SLE		50.00	2017	5.4	-3.1
Suez Cement Company S.A.E.	Cairo, EGY		50.88	2017	229.9	-21.9
Suez for Transportation & Trade S.A.E. [1)]	Cairo, EGY		49.60	2017	1.0	0.4
Tadir Readymix Concrete (1965) Ltd	Ramat Gan, ISR		100.00	2017	0.0	-
Teracem Limited	Accra, GHA		100.00	2017	3.6	-0.4
Tourah Portland Cement Company S.A.E. [1)]	Cairo, EGY		39.45	2017	-10.4	-27.1
TPCC Tanzania Portland Cement Company Ltd.	Dar Es Salaam, TZA		69.25	2017	69.2	14.0
Union Cement Norcem C.o. (LLC) [1)]	Ras Al Khaimah, ARE		40.00	2017	0.9	6.2
Universal Company for Ready Mix Concrete Production S.A.E. [1)]	Cairo, EGY		26.46	2017	15.8	3.0
West Africa Quarries Limited	Accra, GHA		83.79	2017	0.5	0.6
Joint Operations						
Western and Southern Europe						
Atlantica de Graneles y Moliendas S.A.	Vizcaya, ESP		49.97	2017	-20.8	0.4
Les Quatre Termes S.a.s.	Salon de Provence, FRA		50.00	2017	0.0	-0.1
Les Sables de Mezieres S.a.s.	Saint-Pierre-des-Corps, FRA		50.00	2017	0.1	0.1
Sas des Gresillons (S.a.s.)	Clamart, FRA		35.00	2017	0.2	0.0
SCI du Colombier	Rungis, FRA		63.00	2017	0.0	0.1
Société d'Extraction et d'Aménagement de la Plaine de Marolles SEAPM S.a.s.	Avon, FRA		56.40	2017	0.7	-0.1
Société Foncière de la Petite Seine S.a.s.	Saint-Sauveur-lès-Bray, FRA		42.25	2017	0.0	0.1
Joint Operations						
North America						
Terrell Materials LLC	Austin, USA		50.00	2017	5.5	1.4
Two Rivers Cement LLC	Dover, USA		50.00	2017	7.4	-0.5
Joint Operations						
Asia-Pacific						
Lytton Unincorporated Joint Venture	Queensland, AUS		50.00	2017	0.0	0.0
Joint Ventures						
Western and Southern Europe						
ABE Deponie GmbH	Damsdorf, DEU		50.00	2017	2.5	0.4
bihek GmbH [5)]	Breisach am Rhein, DEU		40.00	-	-	-
Carrières Bresse Bourgogne S.A.	Épervans, FRA		33.26	2017	7.3	0.6
CaucasusCement Holding B.V.	's-Hertogenbosch, NLD		45.00	2017	173.7	0.0
Dragages et Carrières S.A.	Épervans, FRA		50.00	2017	3.6	0.7
Fraimbois Granulats S.à r.l.	Fraimbois, FRA		50.00	2017	0.1	0.0
GAM Greifswalder Asphaltmischwerke GmbH & Co. KG	Greifswald, DEU		30.00	2017	0.1	-0.1
H.H. & D.E. Drew Limited	New Milton, GBR		49.00	2018	15.2	1.5
Hanse-Asphalt Gesellschaft mbH	Rostock, DEU		30.00	2017	0.8	-0.2
Heidelberger Beton Donau-Iller GmbH & Co. KG [2)]	Elchingen, DEU		80.48	2017	0.8	0.1
Heidelberger Beton Elster-Spree GmbH & Co. KG [2)]	Cottbus, DEU		60.00	2017	0.6	0.0
Heidelberger Beton Franken GmbH & Co. KG [2)]	Fürth, DEU		90.00	2017	0.5	0.8

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Company name	Corporate seat	HC AG direct ownership %	Group ownership %	Year [7]	Equity in € million [8]	Net income in € million [9]
Heidelberger Beton Kurpfalz GmbH & Co. KG [2]	Eppelheim, DEU		64.73	2017	3.6	-0.1
Heidelberger Betonpumpen Simonis GmbH & Co. KG [2]	Ubstadt-Weiher, DEU		64.18	2017	2.5	0.4
Humber Sand and Gravel Limited	Egham, GBR		50.00	2017	-0.9	0.0
Joyce Green Aggregates Limited [5]	Dartford, GBR		50.00	-	-	-
Les Calcaires Girondins S.a.s.	Cenon, FRA		50.00	2017	0.7	-0.2
Les Graves de l'Estuaire S.a.s.	Le Havre, FRA		50.00	2017	1.5	-0.2
Mantovana Inerti S.r.l.	Mantova, ITA		50.00	2017	2.3	0.1
Mendip Rail Limited	Markfield, GBR		50.00	2017	0.6	0.2
North Tyne Roadstone Limited	Birmingham, GBR		50.00	2017	-0.6	-0.3
Padyear Limited	Maidenhead, GBR		50.00	2017	-0.2	0.0
Rewinn B.V.	Amsterdam, NLD		50.00	2017	1.0	-0.3
SCL S.A.	Heillecourt, FRA		50.00	2017	-0.6	-0.3
Smiths Concrete Limited	Oxford, GBR		49.00	2017	11.2	0.2
Société des Calcaires de Souppes-sur-Loing - SCSL S.N.C.	Souppes-sur-Loing, FRA		50.00	2017	3.2	0.6
SPS S.a.s.	Pont de l'Arche, FRA		50.00	2017	1.7	-0.9
TBG Ilm-Beton GmbH & Co. KG [2]	Arnstadt, DEU		55.00	2017	0.5	-0.2
TBG Transportbeton GmbH & Co. KG Naabbeton	Nabburg, DEU		50.00	2017	1.3	1.6
TBG Transportbeton Oder-Spree GmbH & Co. KG	Wriezen, DEU		50.00	2017	1.5	0.6
Trapobet Transportbeton GmbH Kaiserslautern Kommanditgesellschaft	Kaiserslautern, DEU		50.00	2017	1.0	0.8
WIKING Baustoff- und Transport GmbH & Co. Kommanditgesellschaft	Geseke, DEU		50.00	2017	0.5	0.0
Joint Ventures						
Northern and Eastern Europe-Central Asia						
Betong Øst AS	Kongsvinger, NOR		50.00	2017	3.9	5.5
Betong Vest AS [5]	Blomsterdalen, NOR		40.00	-	-	-
BT Topbeton Sp. z o.o.	Gorzów Wielkopolski, POL		49.92	2017	6.6	0.7
CEMET S.A.	Warsaw, POL		42.84	2017	17.0	3.6
CJSC "Mineral Resources Company"	Ishimbay, RUS		50.00	2017	11.7	0.2
Duna-Dráva Cement Kft.	Vác, HUN		50.00	2017	167.3	19.5
Kalkkaia AS	Verdal, NOR		50.00	2017	1.0	0.0
PÍSKOVNY MORAVA spol. s r.o.	Němčičky, CZE		50.00	2017	1.6	0.2
Pražské betonpumpy a doprava s.r.o.	Praha, CZE		50.00	2017	2.0	0.2
TBG METROSTAV s.r.o.	Praha, CZE		50.00	2017	15.0	1.5
TBG Plzeň Transportbeton s.r.o. [2]	Beroun, CZE		50.10	2017	1.6	0.4
TBG SWIETELSKY s.r.o. [2]	České Budějovice, CZE		51.00	2017	0.8	0.1
Vltavské štěrkopísky, s.r.o.	Chlumín, CZE		50.00	2017	3.9	0.9
Joint Ventures						
North America						
Allied Cement Company, d/b/a CPC Terminals (Limited Partnership Interest) [5]	Sacramento, USA		50.00	-	-	-
American Stone Company	Raleigh, USA		50.00	2017	2.7	0.5
BP General Partner Ltd. [5]	Winnipeg, CAN		50.00	-	-	-
Building Products & Concrete Supply Limited Partnership	Winnipeg, CAN		50.00	2017	10.8	5.2
California Commercial Asphalt, LLC	Wilmington, USA		50.00	2017	14.5	3.6
China Century Cement Ltd.	Hamilton, BMU		50.00	2017	46.0	8.0
Jack Cewe Construction Ltd. [6]	Victoria, CAN		50.00	-	-	-
Red Bluff Sand & Gravel, L.L.C.	Montgomery, USA		50.00	2017	6.2	0.8
Texas Lehigh Cement Company LP	Austin, USA		50.00	2017	88.9	78.3
Upland Ready Mix Ltd.	Campbell River, CAN		50.00	2017	1.4	0.3
Joint Ventures						
Asia-Pacific						
Alliance Construction Materials Ltd	Hong Kong, HKG		50.00	2017	22.9	12.0
Cement Australia Holdings Pty Ltd	New South Wales, AUS		50.00	2017	281.6	-2.0
Cement Australia Partnership	New South Wales, AUS		50.00	2017	46.8	105.4
Cement Australia Pty Limited	Victoria, AUS		50.00	2017	0.0	0.0

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [7]	Equity in € million [8]	Net income in € million [9]
Easy Point Industrial Ltd.	Hong Kong, HKG		50.00	2017	-0.3	0.0
Jidong Heidelberg (Fufeng) Cement Company Limited	Baoji, CHN		48.11	2017	86.6	23.5
Jidong Heidelberg (Jingyang) Cement Company Limited	Xianyang City, CHN		50.00	2017	82.2	22.9
M&H Quarries Partnership	Victoria, AUS		50.00	2017	-2.1	-0.1
Metromix Pty Limited	New South Wales, AUS		50.00	2017	20.7	3.0
Penrith Lakes Development Corporation Limited	New South Wales, AUS		20.00	2018	-120.2	-1.1
Squareal Cement Ltd	Hong Kong, HKG		50.00	2017	29.2	33.0
Technically Designed Concrete Partnership	Western Australia, AUS		50.00	2018	1.4	-0.5
Joint Ventures						
Africa-Eastern Mediterranean Basin						
Akçansa Çimento Sanayi ve Ticaret A.S.	Istanbul, TUR	39.72	39.72	2017	169.6	34.1
Associates						
Western and Southern Europe						
Béton Contrôle des Abers S.a.s.	Lannilis, FRA		34.00	2017	5.0	0.3
Betonmortel Grevelingen B.V.	Zierikzee, NLD		50.00	2017	0.5	-0.1
Betonmortelcentrale De Mark B.V.	Oud- en Nieuw Gastel, NLD		28.57	2017	1.1	0.2
Betonpumpen-Service Niedersachsen GmbH & Co. KG	Hannover, DEU		50.00	2017	0.2	0.2
Betotech GmbH, Baustofftechnisches Labor [2]	Eppelheim, DEU		67.88	2017	0.1	0.1
Betotech GmbH, Baustofftechnisches Labor [2]	Nabburg, DEU		70.74	2017	0.2	0.1
Betuwe Beton Holding B.V.	Tiel, NLD		50.00	2017	5.6	0.8
C.V. Projectbureau Grensmaas	Born, NLD		8.22	2017	5.0	1.0
Cementi della Lucania - F.lli Marroccoli fu Michele S.p.A.	Potenza, ITA		30.00	2017	-0.3	-0.4
Cugla B.V.	Breda, NLD		50.00	2017	5.2	3.7
Demula N.V.	Laarne, BEL		50.00	2017	0.9	0.7
Dijon Béton S.A.	Saint-Apollinaire, FRA		15.00	2017	8.6	0.5
Donau Kies GmbH & Co. KG [2]	Fürstenzell, DEU		75.00	2017	5.4	0.1
DONAU MÖRTEL - GmbH & Co. KG	Neuburg a. Inn, DEU		50.00	2017	0.3	0.1
Ernst Marschall GmbH & Co. KG Kies- und Schotterwerke	Kressbronn, DEU		19.96	2017	4.0	1.0
Fase 3 B.V.	Maasgouw, NLD		16.48	2017	0.1	0.0
Fertigbeton (FBU) GmbH & Co Kommanditgesellschaft Unterwittbach [2]	Unterwittbach, DEU		57.14	2017	0.2	0.0
GENAMO Gesellschaft zur Entwicklung des Naherholungsgebietes Misburg-Ost mbH	Hannover, DEU	50.00	50.00	2017	0.1	0.0
Generalcave S.r.l. - in liquidazione [4]	Fiumicino, ITA		50.00	2017	0.0	-0.1
Hafenbetriebsgesellschaft mbH & Co KG Stade	Stade, DEU		50.00	2017	0.5	0.2
Heidelberger Beton Gersdorf GmbH & Co. KG	Gersdorf, DEU		50.00	2017	0.1	0.0
Heidelberger Beton GmbH & Co Stuttgart KG	Remseck a. N., DEU		50.00	2017	1.1	0.5
Heidelberger Beton Grenzland GmbH & Co. KG	Marktredwitz, DEU		50.00	2017	1.1	0.0
Heidelberger Beton Inntal GmbH & Co. KG [2]	Altötting, DEU		68.39	2017	0.6	1.5
Heidelberger Beton Karlsruhe GmbH & Co. KG	Karlsruhe, DEU		44.44	2017	0.6	0.2
Heidelberger Beton Personal-Service GmbH [2]	Heidelberg, DEU		100.00	2017	0.1	0.0
Heidelberger Fließestrich Südwest GmbH [2]	Eppelheim, DEU		71.30	2017	0.4	0.2
Hessisches Bausteinwerk Dr. Blasberg GmbH & Co. KG	Mörfelden-Walldorf, DEU		47.08	2017	3.5	0.5
ISAR-DONAU MÖRTEL-GmbH & Co. KG	Passau, DEU		33.33	2017	0.4	0.1
KANN Beton GmbH & Co KG	Bendorf, DEU		50.00	2017	0.9	-0.6
Kieswerke Flemmingen GmbH [2]	Penig, DEU		54.00	2017	2.7	0.5
Kronimus Aktiengesellschaft	Iffezheim, DEU	24.90	24.90	2017	24.5	1.1
Kronimus SAS	Metz, FRA		43.60	2017	3.9	-0.2
KVB Kies- Vertrieb GmbH & Co. KG	Karlsdorf-Neuthard, DEU		24.46	2017	0.1	0.0
Maasgrind B.V.	Roermond, NLD		16.48	2017	0.2	0.0
Matériaux de Boran S.A. [2]	Boran-sur-Oise, FRA		99.80	2017	0.1	0.0
Materiaux Traites du Hainaut S.A.	Antoing, BEL		50.00	2017	0.5	0.0
MERMANS BETON N.V.	Arendonk, BEL		50.00	2017	0.0	-0.1
Misburger Hafengesellschaft mit beschränkter Haftung	Hannover, DEU	39.66	39.66	2017	1.1	1.1
Mittelschwäbische Transport- und Frischbeton- Gesellschaft mit beschränkter Haftung & Co. Kommanditgesellschaft	Thannhausen, DEU		34.21	2017	0.4	0.2

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Münchner Mörtel GmbH & Co. KG	München, DEU		20.00	2017	0.1	0.0
Nederlands Cement Transport Cetra B.V.	Uithoorn, NLD		50.00	2017	2.5	0.6
Panheel (Maatschappij tot Exploitatie van het Ontgrondingsproject Panheel) B.V.	Heel, NLD		16.48	2017	0.3	0.0
Peene Kies GmbH	Jarmen, DEU		24.90	2017	3.5	0.2
Raunheimer Quarzsand GmbH & Co. KG	Raunheim, DEU		50.00	2017	2.1	0.6
Raunheimer Sand- und Kiesgewinnung Blasberg GmbH & Co. KG	Raunheim, DEU		23.53	2017	0.5	0.5
Recybel S.A.	Bruxelles, BEL		25.50	2017	0.1	0.2
Recyfuel S.A.	Braine l'Alleud, BEL		50.00	2017	14.4	1.0
Schwaben Mörtel GmbH u. Co. KG	Stuttgart, DEU		30.00	2017	0.5	0.1
Stinkal S.a.s.	Ferques, FRA		35.00	2017	-10.6	-1.7
Südbayerisches Portland-Zementwerk Gebr. Wiesböck & Co. GmbH	Rohrdorf, DEU	23.90	23.90	2017	442.8	44.3
TBG Bayerwald Transportbeton GmbH & Co. KG	Fürstenzell, DEU		50.00	2017	0.0	-0.2
TBG Deggendorfer Transportbeton GmbH	Deggendorf, DEU		33.33	2017	1.2	0.7
TBG Pegnitz-Beton GmbH & Co. KG	Hersbruck, DEU		28.00	2017	0.1	0.1
TBG Rott Kies und Transportbeton GmbH	Kelheim, DEU		19.60	2017	1.1	0.4
TBG Transportbeton Caprano GmbH & Co. KG	Heidelberg, DEU		50.00	2017	0.3	0.1
TBG Transportbeton Gesellschaft mit beschränkter Haftung & Co. KG. Hohenlohe	Schwäbisch Hall, DEU		25.00	2017	0.3	0.2
TBG Transportbeton GmbH & Co. KG Betonpumpendienst [2]	Nabburg, DEU		52.54	2017	1.0	0.9
TBG Transportbeton GmbH & Co.KG Lohr-Beton	Lohr am Main, DEU		50.00	2017	0.2	0.1
TBG Transportbeton Reichenbach GmbH & Co. KG [2]	Reichenbach, DEU		70.00	2017	0.7	0.0
TBG Transportbeton Rhein-Donau-Raum GmbH & Co.KG	Singen, DEU		36.90	2017	0.3	0.0
TBG Transportbeton Werner GmbH & Co. KG	Dietfurt a.d. Altmühl, DEU		40.83	2017	0.1	0.3
TBG Zusam-Beton GmbH & Co. KG	Dinkelscherben, DEU		37.20	2017	0.7	0.3
Transbeton Gesellschaft mit beschränkter Haftung & Co Kommanditgesellschaft	Löhne, DEU		27.23	2017	2.1	1.3
Transportbeton Johann Braun GmbH & Co. KG	Tröstau, DEU		37.75	2017	0.5	0.4
Transportbeton Meschede GmbH & Co. KG	Meschede, DEU		45.07	2017	0.1	0.2
V.o.F. Betoncentrale West-Brabant	Oud-Gastel, NLD		50.00	2017	-0.1	-0.3
Van Zanten Holding B.V.	Leek, NLD		25.00	2017	3.1	0.8
Zement- und Kalkwerke Otterbein GmbH & Co. KG	Müs, DEU	38.10	38.10	2017	2.0	1.3

Associates						
Northern and Eastern Europe-Central Asia						
BETONIKA plus s.r.o.	Lužec nad Vltavou, CZE		33.33	2017	3.4	0.2
Devnya Finance AD	Devnya, BGR		49.96	2017	2.8	0.3
LOMY MOŘINA spol. s r.o.	Mořina, CZE		48.95	2017	13.5	0.4
PREFA Grygov a.s. [2]	Grygov, CZE		54.00	2017	3.0	0.1
Ribe Betong AS	Kristiansand, NOR		40.00	2017	2.0	0.8
SP Bohemia, k.s. [2]	Králův Dvůr, CZE		75.00	2017	8.7	0.5
Tangen Eiendom AS	Brevik, NOR		50.00	2017	2.9	0.2
TBG Louny s.r.o.	Louny, CZE		33.33	2017	1.3	0.5
TBG PKS a.s.	Žďár nad Sázavou, CZE		29.70	2017	2.7	0.5
Vassiliko Cement Works Ltd.	Nicosia, CYP		25.97	2017	239.0	20.5

Associates						
North America						
Cemstone Products Company	St. Paul, USA		47.09	2017	47.0	8.7
Cemstone Ready-Mix, Inc.	Madison, USA		44.01	2017	8.7	0.5
Chandler Concrete/Piedmont, Inc.	Raleigh, USA		33.33	2017	18.4	1.2
Chaney Enterprises 2, LLC	Baltimore, USA		25.00	2017	18.8	0.4
Chaney Enterprises Limited Partnership	Olympia, USA		25.00	2017	67.9	13.0
Innocon Inc.	Richmond Hill, CAN		45.00	2017	17.0	0.1
Innocon Partnership	Richmond Hill, CAN		45.00	2017	-1.7	-5.0
RF Properties East, LLC	Baltimore, USA		25.00	2017	-0.1	-0.1
RF Properties, LLC	Baltimore, USA		25.00	2017	0.8	-0.3
Southstar Limited Partnership	Annapolis, USA		25.00	2017	66.6	2.2
Sustainable Land Use, LLC	Baltimore, USA		25.00	2017	3.9	2.5

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [7]	Equity in € million [8]	Net income in € million [9]
Associates						
Asia-Pacific						
PT Bhakti Sari Perkasa Bersama	Bogor, IDN		15.30	2017	0.2	0.1
PT Cibinong Center Industrial Estate	Bogor, IDN		25.50	2017	4.6	0.4
PT Makmur Lestari Indonesia	Jakarta, IDN		24.91	2017	0.4	0.0
PT Pama Indo Mining	Jakarta, IDN		20.39	2017	4.2	1.2

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [7]	Equity in € million [8]	Net income in € million [9]
Associates						
Africa-Eastern Mediterranean Basin						
Asment Temara S.A.	Témara, MAR		37.01	2017	88.5	31.4
CEMZA (PTY) LTD	Johannesburg, ZAF		40.00	2017	12.3	0.0
Fortia Cement S.A.	Lomé, TGO		50.00	2017	10.6	0.4
Tecno Gravel Egypt S.A.E.	Cairo, EGY		22.89	2017	2.4	0.8

The following subsidiaries are reflected in the consolidated financial statements at cost (available for sale at cost) due to their immateriality.

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [7]	Equity in € million [8]	Net income in € million [9]
Immaterial subsidiaries						
Western and Southern Europe						
Azienda Agricola Lodoletta S.r.l.	Bergamo, ITA		75.00	2017	0.6	0.1
Betotech Baustofflabor GmbH	Heidelberg, DEU	100.00	100.00	2017	0.3	0.0
CSPS Trustees Limited	Maidenhead, GBR		100.00	2017	0.0	0.0
Donau Kies Verwaltungs GmbH	Fürstenzell, DEU		75.00	2017	0.0	0.0
Ecoinerti S.r.l. – in liquidazione [4]	Macerata, ITA		100.00	2017	0.0	0.0
Entreprise Lorraine d'Agriculture - ELDA S.à r.l.	Heillecourt, FRA		100.00	2017	0.1	0.0
Etablissement F.S. Bivois SARL	Strasbourg, FRA		60.00	2017	0.1	0.2
Foundamental GmbH [6]	Heidelberg, DEU		100.00	-	-	-
Greystone Ambient & Style GmbH & Co. KG	Lingenfeld, DEU		60.00	2017	0.0	-0.1
Greystone Ambient & Style Verwaltungsgesellschaft mbH	Lingenfeld, DEU		60.00	2017	0.0	0.0
Hanson (ER-No 3) Limited [5]	London, GBR		100.00	-	-	-
Hanson Aggregates Verwaltungs-GmbH	Leinatal, DEU		100.00	2017	0.1	0.0
HeidelbergCement Construction Materials Italia S.r.l.	Bergamo, ITA		100.00	2017	0.0	0.0
HeidelbergCement Grundstücksverwaltungsgesellschaft mbH	Heidelberg, DEU	100.00	100.00	2017	0.1	0.0
HeidelbergCement Logistik Verwaltungs-GmbH	Polch, DEU	70.00	100.00	2017	0.1	0.0
HeidelbergCement Shared Services GmbH	Leimen, DEU	100.00	100.00	2017	1.2	-0.1
HeidelbergCement, Funk & Kapphan Grundstücksverwaltungsgesellschaft mbH	Heidelberg, DEU	80.00	80.00	2017	0.0	0.0
Heidelberger Beton Aschaffenburg Verwaltungs-GmbH	Kleinostheim, DEU		100.00	2017	0.0	0.0
Heidelberger Beton Aue-Schwarzenberg Verwaltungs-GmbH	Schwarzenberg, DEU		100.00	2017	0.0	0.0
Heidelberger Beton Donau-Naab Verwaltungsgesellschaft mbH	Burglengenfeld, DEU		81.67	2017	0.0	0.0
Heidelberger Beton Inntal Verwaltungs-GmbH	Altötting, DEU		68.39	2017	0.0	0.0
Heidelberger Betonelemente Verwaltungs-GmbH	Chemnitz, DEU		83.00	2017	0.1	0.0
Heidelberger Betonpumpen Rhein-Main-Nahe Verwaltungs-GmbH	Kleinostheim, DEU		100.00	2017	0.0	0.0
Heidelberger Kalksandstein Grundstücks- und Beteiligungs-Verwaltungs-GmbH	Durmersheim, DEU		100.00	2017	0.1	0.0
Heidelberger KS Beteiligungen Deutschland Verwaltungsgesellschaft mbH	Heidelberg, DEU		100.00	2017	0.0	0.0
I.T.S. Toogood SPRL	Braine l'Alleud, BEL		100.00	2017	0.0	0.0
Lindustries (D) Limited [5]	London, GBR		100.00	-	-	-
Lithonplus Verwaltungs-GmbH	Lingenfeld, DEU		60.00	2017	0.0	0.0
Lombarda Calcestruzzi S.r.l.	Milan, ITA		100.00	2017	0.1	-1.5
MM MAIN-MÖRTEL GmbH & Co.KG	Aschaffenburg, DEU		84.19	2017	0.1	0.1
MM MAIN-MÖRTEL Verwaltungsgesellschaft mbH	Aschaffenburg, DEU		84.19	2017	0.0	0.0
MS "Wesertrans" Binnenschiffsreederei GmbH & Co. KG	Elsfleth, DEU		68.75	2017	0.0	-0.1
MS "Wesertrans" Verwaltungsgesellschaft mbH	Elsfleth, DEU		75.00	2017	0.0	0.0
NOHA Norddeutsche Hafenumschlagsgesellschaft mbH	Cadenberge, DEU		60.00	2017	0.1	0.0

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [7]	Equity in € million [8]	Net income in € million [9]
Paderborner Transport - Beton - Gesellschaft mit beschränkter Haftung	Paderborn, DEU		75.00	2017	0.0	0.0
Rederij Cement-Tankvaart B.V.	Amsterdam, NLD		66.18	2017	5.6	1.0
SCI Bicowal	Strasbourg, FRA		60.00	2017	0.0	0.0
SCI de Balloy	Avon, FRA		100.00	2017	0.0	0.0
SMW Sand und Mörtelwerk Verwaltungs-GmbH	Königs Wusterhausen, DEU		100.00	2017	0.0	0.0
Société Civile d'Exploitation Agricole de l'Avesnois	Guerville, FRA		80.00	2017	0.0	0.0
SPRL Ferme de Wisempierre	Saint-Maur-Ere, BEL		100.00	2017	1.8	0.0
TBG Ilm-Beton Verwaltungs-GmbH	Arnstadt, DEU		55.00	2017	0.0	0.0
TBG Transportbeton Reichenbach Verwaltungs-GmbH	Reichenbach, DEU		70.00	2017	0.0	0.0
TBM Transportbeton-Gesellschaft mbH Marienfeld & Co. KG [2]	Marienfeld, DEU		85.94	2017	0.1	0.0
TBM Transportbeton-Gesellschaft mit beschränkter Haftung Marienfeld	Harsewinkel, DEU		85.94	2017	0.0	0.0
Unibéton Luxembourg S.A.	Luxembourg, LUX		100.00	2017	-0.1	0.0
Verwaltungsgesellschaft Baustoffwerke Dresden mbH	Dresden, DEU		51.00	2017	0.2	0.0
WIKA Sand und Kies Verwaltungs-GmbH	Stade, DEU		100.00	2017	0.0	0.0
Immaterial subsidiaries						
Northern and Eastern Europe-Central Asia						
8 Vershin LLP	Almaty, KAZ		100.00	2017	0.2	0.0
Agromir Sp. z o.o.	Chorula, POL		99.84	2017	0.0	0.0
Agrowelt Sp. z o.o.	Chorula, POL		99.84	2017	0.8	0.0
Azer-E.S. Limited Liability Company	Baku, AZE	100.00	100.00	2017	-3.4	-0.6
Bukhtarma TeploEnergo LLP	Oktyabrskiy village, KAZ		100.00	2017	-1.0	0.0
Bukhtarma Vodokanal LLP	Oktyabrskiy village, KAZ		100.00	2017	-0.2	-
Center Cement Plus Limited Liability Partnership	Astana, KAZ		100.00	2017	1.0	0.0
Centrum Technologiczne Betotech Sp. z o.o.	Dąbrowa Górnicza, POL		99.84	2017	0.3	-0.1
Českomoravská těžařská, s.r.o. [6]	Mokrá-Horákov, CZE		100.00	-	-	-
Donau Kies Bohemia Verwaltungs, s.r.o.	Pilsen, CZE		75.00	2017	0.0	0.0
Eurotech Cement S.h.p.k.	Durrës, ALB		92.43	2017	-1.4	-1.5
Fastighets AB Lövholmen 1	Stockholm, SWE		100.00	2017	0.0	0.0
Fastighets AB Lövholmen 10	Stockholm, SWE		100.00	2017	0.0	0.0
Fastighets AB Lövholmen 11	Stockholm, SWE		100.00	2017	0.0	-
Fastighets AB Lövholmen 2	Stockholm, SWE		100.00	2017	0.0	0.0
Fastighets AB Lövholmen 3	Stockholm, SWE		100.00	2017	0.0	0.0
Fastighets AB Lövholmen 4	Stockholm, SWE		100.00	2017	0.0	0.0
Fastighets AB Lövholmen 5	Stockholm, SWE		100.00	2017	0.0	0.0
Fastighets AB Lövholmen 6	Stockholm, SWE		100.00	2017	0.0	0.0
Fastighets AB Lövholmen 7	Stockholm, SWE		100.00	2017	0.0	0.0
Fastighets AB Lövholmen 8	Stockholm, SWE		100.00	2017	0.0	0.0
Fastighets AB Lövholmen 9	Stockholm, SWE		100.00	2017	0.0	0.0
Fastighets Söder om Kalkbrottet 1 AB	Malmö, SWE		100.00	2017	0.0	0.0
Fastighets Söder om Kalkbrottet 2 AB	Malmö, SWE		100.00	2017	0.0	0.0
Fastighets Söder om Kalkbrottet 3 AB	Malmö, SWE		100.00	2017	0.0	0.0
Fastighets Söder om Kalkbrottet 4 AB	Malmö, SWE		100.00	2017	0.0	0.0
Fastighets Söder om Kalkbrottet Holding AB	Malmö, SWE		100.00	2017	0.0	0.0
Geo Nieruchomości Sp. z o.o.	Chorula, POL		99.84	2017	0.1	0.0
Global IT Center, s.r.o.	Brno, CZE		100.00	2017	3.5	0.1
Heidelberg Vostok-Cement LLP	Almaty, KAZ		100.00	2017	0.5	0.0
LLC HC Yug	Podolsk, RUS		100.00	2017	0.4	-0.2
MIXT Sp. z o.o.	Chorula, POL		99.84	2017	0.8	0.0
Podgrodzie Sp. z o.o.	Wroclaw, POL		100.00	2017	3.2	-0.2
Polgrunt Sp. z o.o.	Chorula, POL		99.84	2017	0.5	0.5
Shqiperia Cement Company Shpk	Tirana, ALB		100.00	2017	0.7	0.0
TRANS-SERVIS,spol. s r.o.	Králův Dvůr, CZE		100.00	2017	2.7	0.0
VAPIS stavební hmoty s.r.o.	Praha, CZE		51.00	2017	0.2	0.0

Company name	Corporate seat	HC AG direct ownership %	Group ownership %	Year [7]	Equity in € million [8]	Net income in € million [9]
Immaterial subsidiaries						
North America						
Cementi Meridionali Ltd.	Tortola, VGB		100.00	2017	2.4	0.0
EPC VA 121, LLC [5]	Richmond, USA		100.00	-	-	-
Hanson (ER-No 16) Inc. [5]	Wilmington, USA		100.00	-	-	-
Hanson Aggregates Contracting, Inc. [5]	Sacramento, USA		100.00	-	-	-
Hanson Aggregates Properties TX, LLC [5]	Austin, USA		100.00	-	-	-
HP&P SE Properties VA LLC [5]	Richmond, USA		100.00	-	-	-
HSC Cocoa Property Reserve, LLC [5]	Tallahassee, USA		100.00	-	-	-
HSPP Properties Ohio LLC [5]	Columbus, USA		100.00	-	-	-
Industrial Del Fresno SA [5]	Mexico City, MEX		76.00	-	-	-
Kidde Industries, Inc. [5]	Wilmington, USA		100.00	-	-	-
Lehigh Northeast Cement Company LLC [5]	Albany, USA		100.00	-	-	-
Lucas Coal Company, Inc [5]	Harrisburg, USA		100.00	-	-	-
Magnum Minerals, Inc. [5]	Harrisburg, USA		100.00	-	-	-
Mediterranean Carriers, Inc.	Panama City, PAN		100.00	2017	-2.4	0.0
Piedras y Arenas Baja SA de CV [5]	Tijuana, MEX		100.00	-	-	-
PUSH NA Holdings, Inc. [5]	Wilmington, USA		100.00	-	-	-
SunCrete Rooftile, Inc. [5]	Sacramento, USA		100.00	-	-	-
Total Limited [5]	Wilmington, USA		100.00	-	-	-

Company name	Corporate seat	HC AG direct ownership %	Group ownership %	Year [7]	Equity in € million [8]	Net income in € million [9]
Immaterial subsidiaries						
Asia-Pacific						
Vesprapat Holding Co., Ltd. [1) 4) 5)]	Bangkok, THA		49.00	-	-	-

Company name	Corporate seat	HC AG direct ownership %	Group ownership %	Year [7]	Equity in € million [8]	Net income in € million [9]
Immaterial subsidiaries						
Africa-Eastern Mediterranean Basin						
Agadir Atlantique S.à r.l.	Casablanca, MAR		62.29	2017	0.0	0.0
C.N.A. - Cimentos Nacionais de Angola S.A. [5]	Luanda, AGO		56.00	-	-	-
Cimento de Bissau, Limitada [5]	Bissau, GNB		99.00	-	-	-
FOUNDATION HEIDELBERGCEMENT TOGO [5]	Lomé, TGO		94.29	-	-	-
Intercom Libya F.Z.C. [5]	Misrata, LBY		100.00	-	-	-
Suez for Import & Export Co S.A.E. [1]	Cairo, EGY		49.60	2017	0.0	0.0
Terra Cimentos LDA [5]	Maputo, MOZ		100.00	-	-	-

The following joint ventures and associates are accounted for at cost (available for sale at cost) due to their immateriality.

Company name	Corporate seat	HC AG direct ownership %	Group ownership %	Year [7]	Equity in € million [8]	Net income in € million [9]
Immaterial joint ventures and associates						
Western and Southern Europe						
Alzagri NV	Brugge, BEL		50.00	2017	0.5	0.0
Baustoff- und Umschlags-GmbH	Mosbach, DEU		38.23	2017	0.2	0.0
Betonpumpen-Service Niedersachsen Verwaltungs-GmbH	Hannover, DEU		50.00	2017	0.0	0.0
C. & G. Concrete Limited [4) 5)]	Leeds, GBR		23.48	-	-	-
Calcaires de la Rive Gauche I SPRL	Obourg, BEL		35.00	2017	4.8	-0.3
Cava delle Capannelle S.r.l.	Bergamo, ITA		49.00	2017	0.6	-0.1
Consorzio Stabile San Francesco S.C.A.R.L.	Perugia, ITA		42.00	2017	0.1	0.0
DONAU MÖRTEL-Verwaltungs-GmbH	Passau, DEU		50.00	2017	0.0	0.0
Eurocalizas S.L. [5]	Santander, ESP		33.31	-	-	-
Fertigbeton (FBU) Gesellschaft mit beschränkter Haftung [2]	Unterwittbach, DEU		57.14	2017	0.0	0.0
GAM Greifswalder Asphaltmischwerke VerwaltungsGmbH	Greifswald, DEU		30.00	2017	0.0	0.0
GIE des Terres de Mayocq	Le Crotoy, FRA		32.50	2017	-0.1	-0.1
GIE GM [2]	Guerville, FRA		63.00	2017	0.0	0.0
GIE Loire Grand Large [5]	Saint-Herblain, FRA		26.00	-	-	-
GIE Manche Est	Rouxmesnil Bouteilles, FRA		20.00	2017	0.0	0.0
GIE Sud Atlantique [5]	La Rochelle, FRA		50.00	-	-	-

Company name	Corporate seat	HC AG direct ownership %	Group ownership %	Year [7]	Equity in € million [8]	Net income in € million [9]
Granulats Marins de Normandie GIE	Le Havre, FRA		32.50	2017	0.0	0.0
Hafen- und Lagergesellschaft Greifswald mbH	Greifswald, DEU		30.00	2017	0.2	0.0
Hafenbetriebs- und Beteiligungs-GmbH, Stade	Stade, DEU		50.00	2017	0.1	0.0
Heidelberger Beton Donau-Iller Verwaltungs-GmbH [2]	Unterelchingen, DEU		80.65	2017	0.1	0.0
Heidelberger Beton Elster-Spree Verwaltungs-GmbH [2]	Cottbus, DEU		60.00	2017	0.0	0.0
Heidelberger Beton Franken Geschäftsführungs-GmbH [2]	Fürth, DEU		90.00	2017	0.0	0.0
Heidelberger Beton Gersdorf Verwaltungs- und Beteiligungs-GmbH	Gersdorf, DEU		50.00	2017	0.0	0.0
Heidelberger Beton Grenzland Verwaltungs-GmbH	Marktredwitz, DEU		50.00	2017	0.0	0.0
Heidelberger Beton Kurpfalz Verwaltungs-GmbH [2]	Eppelheim, DEU		64.73	2017	0.0	0.0
Heidelberger Beton Verwaltungs GmbH Stuttgart	Remseck a. N., DEU		50.00	2017	0.0	0.0
Heidelberger Betonpumpen Simonis Verwaltungs-GmbH [2]	Ubstadt-Weiher, DEU		64.13	2017	0.0	0.0
Hormigones Mecanizados, S.A.	Palma de Mallorca, ESP		33.33	2017	-0.5	0.0
Hormigones Olatzi S.A [5]	Olazagutia, ESP		24.99	-	-	-
Hormigones Txingudi S.A.	San Sebastián, ESP		33.31	2017	0.1	0.0
ISAR-DONAU MÖRTEL-Verwaltungs-GmbH	Plattling, DEU		33.33	2017	0.0	0.0
KANN Beton Verwaltungsgesellschaft mbH	Bendorf, DEU		50.00	2017	0.1	0.0
Kieswerk Langsdorf GmbH [2]	Langsdorf, DEU		62.45	2017	1.2	0.1
KVB Verwaltungs- und Beteiligungs-GmbH	Karlsdorf-Neuthard, DEU		24.41	2017	0.0	0.0
Les Calcaires Sud Charentes SCI	Cherves-Richemont, FRA		34.00	2017	0.0	0.0
Lippe-Kies GmbH & Co. KG	Delbrück, DEU		50.00	2017	0.2	0.1
Lippe-Kies Verwaltungs GmbH	Delbrück, DEU		50.00	2017	0.0	0.0
Maritime Logistics Agency S.r.l. [5]	Milan, ITA		25.00	-	-	-
Medcem S.r.l.	Naples, ITA		50.00	2017	3.2	0.1
Mittelschwäbische Transport- und Frischbeton Gesellschaft mit beschränkter Haftung	Thannhausen, DEU		35.96	2017	0.0	0.0
MTB Maritime Trading & Brokerage S.r.l. [5]	Genova, ITA		33.33	-	-	-
Münchner Mörtel Verwaltungsges. mbH	München, DEU		20.00	2017	0.0	0.0
Neuciclaje S.A.	Bilbao, ESP		33.31	2017	0.4	0.0
Nordhafen Stade-Bützfleth Verwaltungsgesellschaft mbH	Stade, DEU		20.00	2017	0.0	0.0
Otterbein Gesellschaft mit beschränkter Haftung	Großenlüder, DEU	20.00	20.00	2017	0.0	0.0
Raunheimer Quarzsand Verwaltungsgesellschaft mbH	Raunheim, DEU		50.00	2017	0.0	0.0
S.A.F.R.A. S.r.l. – in liquidazione [4] [5]	Bologna, ITA		33.33	-	-	-
San Francesco S.c.a.r.l. in Liquidazione [4]	Perugia, ITA		45.71	2017	0.6	-0.1
Schwaben-Mörtel Beteiligungs GmbH	Stuttgart, DEU		30.00	2017	0.0	0.0
SCI de Barbeau	Bray-sur-Seine, FRA		49.00	2017	0.0	0.0
SCI des Granets	Cayeux-sur-Mer, FRA		33.33	2017	0.0	0.0
SCI Les Calcaires de Taponnat	Cherves-Richemont, FRA		50.00	2017	0.0	0.0
SCRL du Port Autonome du Centre et de l'Ouest	Louvière, BEL		2.39	2017	26.3	0.0
Société Civile Bachant le Grand Bonval [2]	Guerville, FRA		80.00	2017	0.0	0.0
TBG Bayerwald Verwaltungs-GmbH	Fürstenzell, DEU		50.00	2017	0.0	0.0
TBG Pegnitz-Beton Verwaltungsgesellschaft mbH	Hersbruck, DEU		28.00	2017	0.0	0.0
TBG Transportbeton Caprano Verwaltungs-GmbH	Heidelberg, DEU		50.00	2017	0.0	0.0
TBG Transportbeton Gesellschaft mit beschränkter Haftung	Schwäbisch Hall, DEU		25.00	2017	0.0	0.0
TBG Transportbeton Lohr Verwaltungsgesellschaft mbH	Lohr am Main, DEU		50.00	2017	0.0	0.0
TBG Transportbeton Oder-Spree Verwaltungs-GmbH	Wriezen, DEU		50.00	2017	0.0	0.0
TBG Transportbeton Rhein-Donau-Raum Verwaltungs-GmbH	Singen, DEU		36.90	2017	0.0	0.0
TBG Transportbeton Verwaltungsgesellschaft mbH	Nabburg, DEU		50.00	2017	0.0	0.0
TBG Transportbeton Werner Verwaltungsgesellschaft mbH	Dietfurt a.d. Altmühl, DEU		40.83	2017	0.0	0.0
terravas GmbH [6]	Königs Wusterhausen, DEU		50.00	-	-	-
Tournai Ternaire S.A. [4]	Tournai, BEL		50.00	2017	-0.8	-0.4
Transbeton Gesellschaft mit beschränkter Haftung	Löhne, DEU		27.23	2017	0.0	0.0
Transportbeton Johann Braun Geschäftsführungs GmbH	Tröstau, DEU		37.75	2017	0.0	0.0
Transportbeton Meschede Gesellschaft mit beschränkter Haftung	Meschede, DEU		45.07	2017	0.0	0.0
Urzeit Weide GbR	Schelklingen, DEU	50.00	50.00	2018	0.1	0.0
Verwaltungsgesellschaft mit beschränkter Haftung TRAPOBET Transportbeton Kaiserslautern	Kaiserslautern, DEU		50.00	2017	0.0	0.0
WIKING Baustoff- und Transport Gesellschaft mit beschränkter Haftung	Soest, DEU		50.00	2017	0.0	0.0

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [7]	Equity in € million [8]	Net income in € million [9]
Immaterial joint ventures and associates						
Northern and Eastern Europe-Central Asia						
AB Akmenės Cementas	Naujoji Akmene, LTU		8.65	2017	53.1	-5.5
Bukhtarma Teplo Tranzit LLP	New Bukhtarma village, KAZ		20.00	2017	-0.1	-
Dobrotitsa BSK AD	Dobrich, BGR		26.38	2017	-0.9	-0.1
Velkolom Čertovy schody, akciová společnost	Tmaň, CZE		50.00	2017	7.0	0.2
Immaterial joint ventures and associates						
North America						
KHB Venture LLC [5]	Boston, USA		33.33	-	-	-
Newbury Development Associates, LP [5]	Bridgeville, USA		35.00	-	-	-
Newbury Development Management, LLC [5]	Bridgeville, USA		35.00	-	-	-
Woodbury Investors, LLC [5]	Atlanta, USA		50.00	-	-	-
Immaterial joint ventures and associates						
Asia-Pacific						
Diversified Function Sdn Bhd	Kuala Lumpur, MYS		50.00	2017	0.0	0.0
Pornphen Prathan Company Limited [4] [5]	Bangkok, THA		49.70	-	-	-
Sanggul Suria Sdn Bhd	Kuala Lumpur, MYS		45.00	2017	0.0	0.0
Immaterial joint ventures and associates						
Africa-Eastern Mediterranean Basin						
Ceval GIE	Casablanca, MAR		24.84	2017	0.0	0.0
Italcementi for Cement Manufacturing - Libyan J.S.C. [5]	Tripoli, LBY		50.00	-	-	-
Maestro Drymix S.A.	Casablanca, MAR		31.17	2017	-0.3	-0.5
Suez Lime S.A.E.	Cairo, EGY		25.32	2017	0.3	0.0

1) Controlling influence through contractual arrangements and/or legal regulations
2) Absence of controlling influence through contractual arrangements and/or legal regulations
3) The company makes use of the exemption from disclosure obligations in accordance with § 264b of the German Commercial Code (HGB).
4) In liquidation
5) Information on equity and earnings is omitted pursuant to Section 286 Subsection 3 Sentence 1 No. 1 of the HGB if such information is of minor relevance for a fair presentation of the financial position, cash flows and profitability of HeidelbergCement AG.
6) Company founded in 2018. Therefore, no annual financial statement available yet.
7) Last fiscal year for which financial statements are available.
8) Translated with the closing rate of the fiscal year for which financial statements are available.
9) Translated with the average rate of the fiscal year for which financial statements are available.

Heidelberg, 20 March 2019

HeidelbergCement AG

The Managing Board

Independent auditor's report

To HeidelbergCement AG

Report on the audit of the consolidated financial statements and of the group management report

Opinions

We have audited the consolidated financial statements of HeidelbergCement AG, Heidelberg and its subsidiaries (the Group), which comprise the consolidated income statement, and the consolidated statement of comprehensive income, consolidated statement of cash flows for the financial year from 1 January to 31 December 2018, consolidated balance sheet as at 31 December 2018, consolidated statement of changes in equity for the financial year from 1 January to 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of the HeidelbergCement Group, which was combined with the management report of HeidelbergCement AG, for the financial year from 1 January to 31 December 2018. In accordance with German legal requirements, we have not audited the content of the statement on corporate governance contained in the section "Corporate Governance statement" of the group management report and the combined non-financial statement contained in the section "Non-financial statement" of the group management report for HeidelbergCement AG and for the HeidelbergCement Group including the disclosures in the sections referred to therein.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ("Handelsgesetzbuch": German Commercial Code) and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2018 and of its financial performance for the financial year from 1 January to 31 December 2018, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. The other information comprises the content of the statement on corporate governance contained in the section "Corporate Governance statement" of the management report and the combined non-financial statement contained in the section "Non-financial statement" of the management report for HeidelbergCement AG and for the HeidelbergCement Group including the disclosures in the sections referred therein.

Pursuant to Sec. 322 (3) Sentence 1 HGB we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters. Below, we describe what we consider to be the key audit matters:

1. Goodwill impairment test

Reasons why the matter was determined to be a key audit matter

The goodwill impairment test performed annually by the Managing Board uses a complex valuation model that requires specific capital market information. Moreover, the forecasts that the executive directors are required to make regarding estimated future net cash flows are subject to judgment. The inputs used in the calculation are also partly based on estimated market expectations. In light of this, the goodwill impairment test was a key audit matter.

Auditor's response

With respect to the goodwill impairment test, we examined the HeidelbergCement Group's processes. We also involved internal valuation experts to examine the mathematical calculation and assess the valuation model and the calculation inputs used. We assessed the executive directors' forecasts regarding the expected future net cash flows by analysing the business forecasts approved by the Managing Board on a sample basis with regard to future development, consistency with information from internal reports and expectations of analysts and industry associations regarding general economic and market-specific development. In addition, the business forecasts were compared for consistency with the Managing Board's other expectations, such as the information on the forecasts in the management report.

We also compared the business forecasts prepared in previous periods with the actual results in order to analyse the accuracy of the forecasts. For the fourth and fifth forecast years as well as for the terminal value, we compared the calculation of the rollforward from forecast years one to three and, on a sample basis, the free cash flows calculated with actual results and planned terminal values of the past as well as the forecasts of general economic development.

Furthermore, we analysed the assumptions made on the basis of future market expectations as required. We examined the calculation of the inputs used, especially the discount rate applied, for substantive and arithmetical accuracy and compared them with external market expectations. We performed sensitivity analyses in order to assess the potential impact of changes in the inputs used on the recoverable amount. Moreover, we compared the disclosures in the notes to the consolidated financial statements against the underlying assumptions and checked whether they were properly presented.

Our audit procedures did not lead to any reservations regarding the goodwill impairment test.

Reference to related disclosures

The Company has provided information on the impairment testing of goodwill in the section Accounting and valuation principles and under note 32 of the notes to the consolidated financial statements.

2. Recognition and measurement of deferred taxes

Reasons why the matter was determined to be a key audit matter

The recognition and measurement of deferred tax items requires, at the level of the tax entity, the complete determination of all differences between the recognition and the measurement of assets and liabilities in accordance with the respective local tax provisions and financial reporting in accordance with IFRSs as well as the calculation of tax loss carryforwards. This requires significant calculations on account of the different local tax regulations, most of which are complex. These effects and the measurement of deferred tax assets and liabilities require detailed knowledge of the applicable tax law.

Furthermore, the assessment of the ability to use deferred tax assets is based on the expectations of the executive directors regarding the Company's economic development, which is influenced by the current market environment and the assessment of future market development and thus requires the use of judgment.

In light of this, the recognition and measurement of deferred taxes was a key audit matter.

Auditor's response

For the assessment of the recognition and measurement of deferred taxes, we examined the underlying processes at the group companies for the full recognition and measurement of deferred taxes, among other things. We involved internal tax experts from the individual Group areas, especially from the United States of America, because of the knowledge required for the respective tax regulations. We examined on a sample basis the identification and quantification of differences between the recognition and measurement of assets and liabilities according to tax regulations and financial reporting pursuant to IFRSs. We also reperformed the calculation of deferred taxes, checking that the correct tax rate was applied. We compared the tax plans with the Company's budget on a sample basis in terms of the recoverability of deferred tax assets from temporary differences and from loss carryforwards. We also examined the tax plans as to whether the planning horizon set for the Group as a whole is used in the assessment of the ability to use tax loss carryforwards and whether the respective local tax regulations for the use of loss carryforwards were followed.

Our audit procedures did not lead to any reservations regarding the recognition and measurement of deferred taxes.

Reference to related disclosures

The Company has provided information on the recognition and measurement of deferred taxes in the section Accounting and valuation principles and under note 11 of the notes to the consolidated financial statements.

3. Completeness and measurement of provisions involving the use of judgment

Reasons why the matter was determined to be a key audit matter

The estimates made by the executive directors regarding the existence of an obligation as well as the forecast of future cash outflows in connection with this obligation directly impact the recognition and measurement of provisions. In particular, assumptions are to be made regarding the future development of the calculation inputs such as the applied discount rate, wage and salary trends and life expectancy. The executive directors also make use of their judgment for other provisions concerning the amounts utilised for damages and environmental obligations and for legal disputes.

On this basis, the completeness and measurement of the aforementioned provisions was a key audit matter.

Auditor's response

We examined the processes to prevent or detect and correct errors relating to the complete recognition and measurement of provisions involving the use of judgment. External actuaries were engaged to determine the amount of pension provisions. We assessed the competence, capabilities and objectivity of the experts, gained an understanding of their work and the suitability of the results as audit evidence for the relevant assertions. We examined the data made available to the experts for completeness and accuracy and gained an understanding of the process to determine the calculation inputs. We compared the calculation inputs used, including the discount rate, the inflation rate, the salary trend and the mortality tables used, with internal and external data and forecasts.

The estimates made by the executive directors regarding the likelihood of a claim and the calculation inputs used, were examined in the context of other provisions, in particular for damages and environmental obligations and legal disputes. For the individual Group areas, the estimates of the executive directors were compared with experiences, the development of the inputs over time as well as with available external forecasts. Furthermore, we checked for consistency with internal group reporting and with reports from the technical departments. To assess litigation risks, statements were obtained from the central legal department and from the respective external legal counsel and compared against the accounting treatment.

Our audit procedures did not give rise to any reservations regarding the completeness and measurement of the aforementioned provisions involving the use of judgment.

Reference to related disclosures

The Company has provided information on pension provisions in the section Accounting and valuation principles and under notes 44 and 45 of the notes to the consolidated financial statements.

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board. In all other respects, the executive directors are responsible for the other information. The other information comprises the content of the statement on corporate governance pursuant to Sec. 315d HGB contained in the section "Corporate Governance statement" of the group management report and the combined non-financial statement contained in the section "Non-financial statement" of the group management report for HeidelbergCement AG and for the HeidelbergCement Group including the disclosures in the sections and paragraphs referred therein. The respective sections or paragraphs are indicated by the abbreviation "(NFS)" in the title of the respective section or paragraph. In addition, the other information includes the following other components intended for the annual report: the assurance of the executive directors pursuant to Sec. 297 (2) Sentence 4 HGB, the sections "To our shareholders", "Additional information", "Financial highlights", "Overview of Group areas" and "HeidelbergCement in the world - cement capacities as well as aggregates reserves and resources" of the annual report and the Supervisory Board Report pursuant to Sec. 171 (2) AktG ("Aktiengesetz": German Stock Corporation Act). We received a copy of this 'Other information' by the time this auditor's report was issued.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon. In connection with our audit, our responsibility is to read the other information and, in doing so, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report. The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation
We were elected as group auditor by the Annual General Meeting on 9 May 2018. We were engaged by the Supervisory Board on 23 July 2018. We have been the group auditor of HeidelbergCement AG without interruption since financial year 1948.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Art. 11 of the EU Audit Regulation (audit report).

In addition to the financial statement audit, we have provided to group entities the following services that are not disclosed in the consolidated financial statements or in the group management report:
- Submission of a comfort letter to HeidelbergCement AG, relating to the update of the EUR 10b European Medium Term Note programme;
- Reports in connection with the EEG ("Erneuerbare-Energien-Gesetz": German Renewable Energy Act), the VerpackV ("Verpackungsverordnung": German Packaging Ordinance) or due to HC AG's or its group entities' membership in industry associations;
- Audit to obtain limited assurance of the non-financial statement pursuant to Sec. 289b et seq. and Sec. 315b et seq. HGB;
- Agreed-upon procedures with regard to the calculation of bonuses and the determination of the target achievement for the management component of the long-term bonus plan 2016-2018/19;
- Voluntary audits or reviews of annual financial statements;
- Tax advisory services relating to employee secondments;
- Ongoing tax advisory services.

German Public Auditor responsible for the engagement
The German Public Auditor responsible for the engagement is Helge-Thomas Grathwol.

Stuttgart, 20 March 2019
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Somes	Grathwol
Wirtschaftsprüferin	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Independent auditor's limited assurance report

The assurance engagement performed by Ernst & Young (EY) relates exclusively to the German version of the combined non-financial statement 2018 of HeidelbergCement AG. The following text is a translation of the original German Independent Assurance Report.

To HeidelbergCement AG

We have performed a limited assurance engagement on the group non-financial statement of HeidelbergCement AG (hereafter: "HC AG" or "Company") according to § 315b HGB ("Handelsgesetzbuch": German Commercial Code), which is combined with the non-financial statement of the parent company according to § 289b HGB and integrated in the combined management report, consisting of chapter "Non-financial statement", further components of the combined management report, which are marked with a line at the left hand of the text columns as well as with the abbreviation "(NFS)" in the headline of the corresponding paragraph respective chapter, plus paragraph "Business model" in chapter "Fundamentals of the Group" of the combined management report being incorporated by reference (hereafter: "combined non-financial statement"), for the reporting period from 1 January to 31 December 2018. Our engagement did not include any disclosures for prior years.

A. Management's responsibility

The legal representatives of the Company are responsible for the preparation of the combined non-financial statement in accordance with §§ 315c in conjunction with 289c to 289e HGB. This responsibility includes the selection and application of appropriate methods to prepare the combined non-financial statement as well as making assumptions and estimates related to individual disclosures, which are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal controls that they have considered necessary to enable the preparation of a combined non-financial statement that is free from material misstatement, whether due to fraud or error.

B. Auditor's declaration relating to independence and quality control

We are independent from the Company in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other professional responsibilities in accordance with these requirements.

Our audit firm applies the national statutory regulations and professional pronouncements for quality control, in particular the by-laws regulating the rights and duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their profession [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer] as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in audit firms [IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)].

C. Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on the combined non-financial statement based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether the combined non-financial statement of the Company has been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB. In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the auditor's professional judgment.

Within the scope of our assurance engagement, which has been conducted between January and March 2019, we performed amongst others the following assurance and other procedures:

- Inquiries of employees regarding the selection of topics for the combined non-financial statement, the risk assessment and the concepts of HC AG for the topics that have been identified as material,
- Inquiries of employees responsible for data capture and consolidation as well as the preparation of the combined non-financial statement, to evaluate the reporting processes, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the combined non-financial statement,
- Identification of likely risks of material misstatement in the combined non-financial statement,
- Inspection of relevant documentation of the systems and processes for compiling, analyzing and aggregating data in the relevant areas, e.g. environment, employees and compliance, in the reporting period and testing such documentation on a sample basis,

- Analytical evaluation of disclosures in the combined non-financial statement on the level of the parent company and the group,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data,
- Evaluation of the presentation of disclosures in the combined non-financial statement.

D. Assurance conclusion

Based on our assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the combined non-financial statement of HeidelbergCement AG for the period from 1 January to 31 December 2018, has not been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

E. Intended use of the assurance report

We issue this report on the basis of the engagement agreed with HC AG. The assurance engagement has been performed for the purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement and must not be used for purposes other than those intended. The report is not intended to provide third parties with support in making (financial) decisions.

F. Engagement terms and liability

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" dated 1 January 2017, are applicable to this engagement and also govern our relations with third parties in the context of this engagement (www.de.ey.com/general-engagement-terms). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we do not update the assurance report to reflect events or circumstances arising after it was issued unless required to do so by law. It is the sole responsibility of anyone taking note of the result of our assurance engagement summarized in this assurance report to decide whether and in what way this result is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Stuttgart, 20 March 2019
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Grathwol	Richter
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the Group management report, which has been combined with the management report of HeidelbergCement AG, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Heidelberg, 20 March 2019

HeidelbergCement AG

The Managing Board

Dr. Bernd Scheifele

Dr. Dominik von Achten

Kevin Gluskie

Hakan Gurdal

Jon Morrish

Dr. Lorenz Näger

Dr. Albert Scheuer

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Group / Global functions and Country Managers

Group / Global functions

Group functions	
Kozelka, Rolf	Director Group Tax
Lentz, Dennis	Director OneIT
Ploss, Dr. Ines	Director Group Purchasing
Sauerland, Dr. Carsten	Director Group Reporting, Controlling & Consolidation
Schaller, Andreas	Director Group Communication & Investor Relations
Schnurr, Andreas	Director Group Human Resources and Director Group Compliance
Schwind, Klaus	Director Group Shared Service Center
Sterr, Roland	Director Group Legal
Sukanto, Tju Lie	Director Group Internal Audit
Toborek, Anna	Director Group Corporate Finance and acting Director Group Strategy & Development and Cementitious Materials
Weig, Severin	Director Group Treasury and Director Group Insurance & Corporate Risk

Global Heidelberg Technology Center (HTC)	
Gupta, Akhilesh	Director Global HTC and Director HTC Northern and Eastern Europe-Central Asia
Bertola, Arnaldo	President HTC North America
Breyer, Robert	Director HTC Western and Southern Europe
Clausi, Antonio	Director HTC Africa-Eastern Mediterranean Basin
Defalque, Juan-Francisco	Director HTC Asia-Pacific

Global Research & Development	
Dienemann, Dr. Wolfgang	Director Global Research & Development

Global Product Innovation	
Borgarello, Enrico	Director Global Product Innovation

Global Competence Center Materials (CCM)	
Patsch, Dr. Oliver	Director Global Competence Center Materials and Director CCM Western and Southern Europe

Global Competence Center Ready-Mixed Concrete (CCR)	
Pearson, Tony	Director Global Competence Center Ready-Mixed Concrete

Global Environmental Sustainability	
Lukas, Peter	Director Global Environmental Sustainability

Global Market Intelligence & Sales Processes	
Hogan, David	Director Global Market Intelligence & Sales Processes

HC Trading (HCT)	
Adigüzel, Emir	Chief Executive Officer International Trade (HCT)

Country Managers

Western and Southern Europe		
Belgium/Netherlands	Streicher, Christoph	General Manager Belgium/Netherlands
France/Belgium/Netherlands	Junon, Jean-Marc	General Manager France/Belgium/Netherlands
Germany	Knell, Christian	General Manager Germany
Italy	Callieri, Roberto	General Manager Italy
Spain	Ortiz, Jesús	General Manager Spain
United Kingdom	Willis, Simon	Chief Executive Officer UK

Northern and Eastern Europe-Central Asia		
Denmark/Estonia/Iceland/Latvia/Lithuania/Norway/Sweden	Brantenberg, Giv	General Manager Northern Europe
Bosnia & Herzegovina/Croatia	Muidža, Branimir	General Manager Bosnia & Herzegovina/Croatia
Bulgaria/Greece/Albania	Conrads, Axel	General Manager Bulgaria/Greece/Albania
Czech Republic	Chuděj, Karel	General Manager Czech Republic
Georgia	Hampel, Michael	General Manager Georgia
Hungary	Szarkándi, János	General Manager Hungary
Kazakhstan	Kempe, Roman	General Manager Kazakhstan
Poland	Jelito, Ernest	General Manager Poland
Romania	Aldea, Dr. Florian	General Manager Romania
Russia	Polendakov, Mihail	General Manager Russia
Ukraine	Thiede, Silvio	General Manager Ukraine

North America	
Dolan, Dennis	Regional President North
Heller, Glenn	Regional President South
Fritz, Daniel	Regional President West
Ward, Chris	Regional President Canada

Asia–Pacific		
Australia	Schacht, Phil	Chief Executive Officer Australia
Bangladesh/Brunei	Ugarte, Marcelino	General Manager Bangladesh & Brunei
China	Jamar, Jean-Claude	Chief Executive Officer China
India	Cooper, Jamshed	Chief Executive Officer and Managing Director India
Indonesia	Kartawijaya, Christian	Chief Executive Officer Indonesia
Malaysia	Thornton, John	General Manager Malaysia
Thailand	Dealberti, Claudio	General Manager Thailand

Africa-Eastern Mediterranean Basin		
Benin/Burkina Faso/Togo	Goulignac, Eric	General Manager Benin/Burkina Faso/Togo
DR Congo/Mozambique/South Africa/Tanzania	Velez, Alfonso	General Manager DR Congo/Mozambique/ South Africa/Tanzania
Egypt	Magrina, José Maria	General Manager Egypt
Gambia/Ghana/Liberia/Sierra Leone	Gåde, Morten	General Manager Gambia/Ghana/Liberia/Sierra Leone
Israel	Priel, Eliezer	General Manager Israel
Morocco/Mauritania	Rozzanigo, Matteo	General Manager Morocco/Mauritania
Turkey	Zenar, Umut	General Manager Turkey

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Glossary

Aggregates
Aggregates in the form of sand, gravel and crushed rock are used principally for concrete manufacturing or for road construction and maintenance.

Alternative fuels
Combustible substances and materials used in place of fossil fuels in the clinker-burning process.

Alternative raw materials
By-products or waste from other industries, whose chemical components make them suitable substitutes for natural raw materials. Alternative raw materials are used both in the production of clinker, the most important intermediate product in cement production, and as additives in cement grinding, in order to conserve natural raw material resources and reduce the proportion of energy-intensive clinker in cement, the end product.

Asphalt
Asphalt is manufactured from a mixture of graded aggregates, sand, filler and bitumen. It is used primarily for road construction and maintenance.

Biodiversity
Biodiversity or biological diversity is the genetic diversity within species, diversity between species and diversity of ecosystems.

Blast furnace slag
Finely ground, glassy by-product from steel production. Additive for cement.

Cement
Cement is a hydraulic binder, i.e. a finely ground inorganic material that sets and hardens by chemical interaction with water and that is capable of doing so also under water. Cement is mainly used to produce concrete. It binds the sand and gravel into a solid mass.

Cement mill
Cement grinding is the final stage of the cement manufacturing process. In cement mills, the clinker is ground into cement, with the addition of gypsum and anhydrite, as well as other additives, such as limestone, blast furnace slag or fly ash, depending on the type of cement.

Clinker (cement clinker)
Intermediate product in the cement production process that is made by heating a finely-ground raw material mixture to around 1,450° C in the cement kiln. For the manufacture of cement, the greyish-black clinker nodules are extremely finely ground. Clinker is the main ingredient in most cement types.

Commercial Paper
Bearer notes issued by companies within the framework of a Commercial Paper Programme (CP Programme) to meet short-term financing needs.

Composite cement
In composite cements, a proportion of the clinker is replaced with alternative raw materials, usually by-products from other industries, such as blast furnace slag or fly ash. Decreasing the proportion of energy-intensive clinker in cement is of critical importance for reducing energy consumption and CO_2 emissions as well as for preserving natural raw materials.

Concrete
Building material that is manufactured by mixing cement, aggregates (gravel, sand or crushed stone) and water.

Dynamic gearing ratio
Ratio of net debt to result from current operations before depreciation and amortisation (RCOBD).

EMTN programme
An EMTN (Euro Medium Term Note) programme represents a framework agreement made between the company and the banks appointed to be dealers. HeidelbergCement has the option of issuing debenture bonds up to a total volume of €10 billion under its EMTN programme.

Fly ash
Solid, particulate combustion residue from coal-fired power plants. Additive for cement.

Grinding plant
A grinding plant is a cement production facility without clinker-burning process. Delivered clinker and selected additives, depending on the type of cement, are ground into cement. Grinding plants are particularly operated at locations where suitable raw material deposits for cement production are not available.

Net debt
The sum of all non-current and current financial liabilities minus cash and cash equivalents and short-term derivatives.

Rating (credit rating).
Classification of the credit standing of debt instruments and their issuers. Specialised agencies such as Moody's Investors Service, Fitch Ratings, and S&P Global Rating produce such ratings. Ratings range from AAA or Aaa as the highest credit standing to C or D as the lowest.

Ready-mixed concrete
Concrete that is manufactured in a ready-mixed concrete facility and transported to the building site using ready-mix trucks.

Result from current operations before/after depreciation and amortisation
The result from current operations before depreciation and amortisation (RCOBD) and result from current operations (RCO) correspond to the operating income before depreciation (OIBD) and operating income (OI) reported in previous years. The change of name occurred due to the application of an ESMA directive (European Securities and Markets Authority).

Sustainability
Sustainable development signifies a development that fulfils the economic, ecological and social needs of people alive today without endangering the ability of future generations to fulfil their own needs.

Syndicated loan
Large-sized loan which is distributed (syndicated) among several lenders for the purpose of risk spreading.

Imprint

Concept and realisation
Group Communication & Investor Relations HeidelbergCement
ServiceDesign Werbeagentur GmbH, Heidelberg, Germany
Target Languages GmbH, Heidelberg, Germany
abcdruck GmbH, Heidelberg, Germany

Photographs
HeidelbergCement photo archives
Matthias Müller, Ilvesheim, Germany, pages 3, 8, and 14/15

Translation of the Annual Report 2018. The German version is binding.

Copies of the 2018 financial statements of HeidelbergCement AG and further information are available on request. Kindly find this Annual Report and further information about HeidelbergCement on the Internet: www.heidelbergcement.com.

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← HeidelbergCement in the world – cement capacities as well as aggregates reserves and resources

Financial calendar 2019	
Quarterly Statement January to March 2019	9 May 2019
Annual General Meeting	9 May 2019
Half-Year Financial Report January to June 2019	30 July 2019
Interim Financial Report January to September 2019	7 November 2019

HeidelbergCement in the world – cement capacities as well as aggregates reserves and resources

Cement capacities[1]	Million tonnes
Western and Southern Europe	
Belgium	4.0
France	7.7
Germany	11.0
Italy	15.0
Netherlands	4.4
Spain	2.7
United Kingdom	6.2
	51.0
Northern and Eastern Europe-Central Asia	
Bulgaria	2.3
Czechia	2.7
Estonia	1.2
Greece	0.9
Kazakhstan	4.1
Norway	1.9
Poland	5.3
Romania	6.3
Russia	5.3
Sweden	3.1
Ukraine	2.5
	35.6
North America	
Canada	4.3
USA	13.0
	17.3
Asia-Pacific	
Bangladesh	2.4
Brunei	0.4
India	12.4
Indonesia	25.5
Thailand	5.8
	46.5
Africa-Eastern Mediterranean Basin	
Benin	0.6
Burkina Faso	0.8
DR Congo	0.9
Egypt	10.5
Ghana	4.5
Liberia	0.5
Mauritania	0.3
Morocco	4.8
Mozambique	0.4
Sierra Leone	0.6
Tanzania	2.0
Togo	1.1
	27.0
Total HeidelbergCement	177.4

1) Operational capacities based on 80 % calendar time utilisation

Cement capacities of joint ventures[2]	Million tonnes
Australia	2.7
Bosnia-Herzegovina	0.4
China	8.0
Georgia	1.0
Hungary	1.7
Turkey	3.8
USA (Texas)	0.6
Total joint ventures	18.2
HeidelbergCement incl. joint ventures	195.6

2) Cement capacities according to our ownership

Aggregates reserves and resources[3]			
Billion tonnes	Reserves	Resources	Total
Western and Southern Europe	1.6	1.8	**3.4**
Northern and Eastern Europe-Central Asia	0.8	0.5	**1.3**
North America	4.2	7.7	**11.9**
Asia-Pacific	1.3	1.6	**2.9**
Africa-Eastern Mediterranean Basin	0.04	0.02	**0.1**
HeidelbergCement total	7.9	11.7	**19.6**

3) Defined in the PERC Reporting Standard for mineral reserves and resources, see page 81 in the Risk and opportunity report.

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