ANNUAL REPORT 2019

HEIDELBERGCEMENT

Financial highlights

Figures in €m	2015	2016	2017	2018	2019
Number of employees as at 31 December	45,453	60,424	59,054	57,939	**55,047**
Sales volumes					
Cement and clinker (million tonnes)	81.1	102.8	125.7	130.0	**125.9**
Aggregates (million tonnes)	249.2	272.0	305.3	309.4	**308.3**
Ready-mixed concrete (million cubic metres)	36.7	42.5	47.2	49.0	**50.7**
Asphalt (million tonnes)	9.1	9.4	9.6	10.3	**11.3**
Income statement					
Total Group revenue	13,465	15,166	17,266	18,075	**18,851**
Result from current operations before depreciation and amortisation (RCOBD [1])	2,613	2,887	3,297	3,100	**3,580**
Result from current operations (RCO [2])	1,846	1,928	2,188	2,010	**2,186**
Profit for the financial year	983	831	1,058	1,286	**1,242**
Group share of profit	800	657	918	1,143	**1,091**
Dividend per share in €	1.30	1.60	1.90	2.10	**2.20** [3]
Earnings per share in €	4.26	3.40	4.62	5.76	**5.50**
Investments					
Investments in intangible assets and PP&E	908	1,040	1,035	1,061	**1,183**
Investments in financial assets	94	2,999	242	663	**134**
Total investments	1,002	4,039	1,278	1,723	**1,316**
Depreciation and amortisation	767	959	1,109	1,090	**1,394**
Cash flow					
Cash flow from operating activities	1,449	1,874	2,038	1,968	**2,664**
Cash flow from investing activities	493	-2,321	-837	-1,134	**-906**
Cash flow from financing activities	-1,827	1,056	-922	-348	**-873**
Balance sheet					
Equity (incl. non-controlling interests)	15,976	17,792	15,987	16,822	**18,504**
Balance sheet total	28,374	37,120	34,558	35,783	**38,589**
Net debt [4]	5,286	8,999	8,695	8,323	**8,410**
Ratios					
RCOBD [1] margin	19.4 %	19.0 %	19.1 %	17.2 %	**19.0 %**
RCO [2] margin	13.7 %	12.7 %	12.7 %	11.1 %	**11.6 %**
Net debt [4] / equity (gearing)	33.1 %	50.6 %	54.4 %	49.5 %	**45.5 %**
Net debt [4] / RCOBD [1]	2.02x	3.12x	2.64x	2.68x	**2.35x**

1) RCOBD = Result from current operations before depreciation and amortisation: 2018 amount was restated see the Notes Other changes, page 119 f.
2) RCO = Result from current operations: 2018 amount was restated see the Notes Other changes, page 119 f.
3) The Managing Board and Supervisory Board will propose to the Annual General Meeting the distribution of a cash dividend of €2.20.
4) 2018 amount was restated due to adjusted net debt definition.

1 – To our shareholders

2 – Combined management report of HeidelbergCement Group and HeidelbergCement AG

3 – Corporate Governance[1)]

4 – Consolidated financial statements

5 – Additional information

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

1 To our shareholders

Dr. Dominik von Achten, Chairman of the Managing Board

Dear Shareholders, Dear Employees and Friends of HeidelbergCement,

2019 was another good year for HeidelbergCement. In an environment that remained challenging, we were able to improve numerous important key figures. Although Group revenue and the result from current operations before and after depreciation and amortisation rose to new record values, we did not quite achieve our targets for sales volumes and revenue. Sales volumes fell slightly in comparison with the previous year, and revenue was also slightly below our expectations. We were able to considerably improve our earnings per share before non-recurring effects. Thanks to a very good free cash flow, we decreased net debt significantly. Once more, we earned a premium on our cost of capital in 2019.

Operations developed very differently in the various Group areas and in each quarter. The highest increase in income was recorded by Western and Southern Europe, followed by Asia-Pacific and Northern and Eastern Europe-Central Asia. Operations in North America and in the Africa-Eastern Mediterranean Basin Group area also developed positively in 2019. This shows once again that we are benefiting overall from our broad regional positioning and the vertical integration from cement and aggregates through to ready-mixed concrete and asphalt.

We further optimised our portfolio in 2019. We sold a number of activities that did not meet our return requirements or form part of our core business: around 11 % of the share capital of Ciments du Maroc, a cement plant in Egypt, two cement plants and two grinding plants in Italy, a building materials plant in Germany, a grinding plant in southern India, a cement terminal in Sri Lanka, and the business activities in Ukraine. 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. In addition, we further expanded our market positions and vertical integration in key countries and metropolitan regions thanks to a series of acquisitions.

For the capital market too, 2019 was a good year. As the stock markets recovered at the start of the year, the HeidelbergCement share recorded an upward trend, which was also helped by strong construction activity in the northern hemisphere. Our share closed at €64.96 at the end of the year, corresponding to a rise of around 22 % in 2019. By comparison, the German benchmark index DAX grew by 26 %.

In view of the positive development of our business and the growth in profit for the financial year before non-recurring effects, the Managing Board and Supervisory Board will propose to the Annual General Meeting an increase in the dividend from €2.10 per share to €2.20 per share. This corresponds to a rise of 4.8 %, i.e. a payout ratio of 40.0 % of the Group share of profit. With the tenth consecutive dividend increase, we are continuing our progressive dividend policy. In times of low interest rates, when shareholders are looking for reliable share values with a good dividend yield for long-term financial investment, the HeidelbergCement share is such a value.

Climate protection and sustainability

Sustainable business is a fundamental and integral part of our Group strategy. In 2019, we drove forward the implementation of our Sustainability Commitments 2030.

Our efforts focused on climate protection. Our goal is clear: by 2030, we intend to reduce our specific net CO_2 emissions per tonne of cement by 30 % compared with 1990. This objective was verified by the Science Based Targets initiative (SBTi) and is consistent with the Paris Agreement. This makes HeidelbergCement the first cement company worldwide with scientifically verified CO_2 reduction targets. And we are making good progress: the reduction achieved in comparison with 1990 stood at roughly 20 % in 2018 and was already around 22 % in 2019.

Our vision is to offer a CO_2-neutral concrete by 2050 at the latest. In 2019, we once again invested in research into technologies for CO_2 capture, storage, and utilisation (CCU/CCS). We also made progress in the development of cements with less clinker, thereby achieving a reduction in CO_2 emissions.

These efforts are also acknowledged by independent institutes. The sustainability rating agency CDP awarded HeidelbergCement a place on its Climate Change A List 2019, as a globally leading company in terms of its commitment to tackling climate change.

Thanks to our employees

More than 55,000 employees worldwide work towards the success of HeidelbergCement. On behalf of the entire Managing Board, I would like to thank them for their competent and passionate contributions, and their strong loyalty to the company. I would also like to thank the employee representatives, who have always cooperated closely, openly, and trustingly with the Managing Board for the benefit of our Group. Special thanks must go to my predecessor, Dr. Bernd Scheifele, who played a key role in shaping HeidelbergCement over the past 15 years and has helped it develop into a globally leading, vertically integrated building materials company.

Challenges and opportunities

There are exciting times ahead for us. The world is changing rapidly. As a globally active company, this means we will not only encounter new challenges, but also numerous opportunities, and we want to make the most of them. We are guided by a number of principles that can be summarised in four words:

CONTINUE – CHANGE – CARE – COLLABORATE

CONTINUE – HeidelbergCement is well positioned. We must continue to focus on the topics of operational excellence, cost leadership, and performance.

CHANGE – We need to simplify the way in which we do business with our customers. Focusing on customers is crucial. And we need to simplify our own processes. Digitalisation is a means to becoming faster and better.

CARE – Occupational safety remains paramount. We need to look after one another so that we can become even better. We continue to pursue a zero-tolerance policy when it comes to occupational health and safety and compliance. In terms of tackling climate change, we are in an excellent position to lead the necessary development to find intelligent solutions. Innovation is crucial.

COLLABORATE – We can only win by being a team. We must work together on creative solutions and utilise the latest technological tools for cooperation.

A constantly changing environment with new issues and challenges calls for new solutions and answers. Our objective, in consultation with the Supervisory Board, is to shape the future together with our stakeholders: our shareholders, customers, employees, suppliers, and business partners, as well as the communities where we are located, and society as a whole. With this in mind, we will work intensively in the first half of 2020 to further develop our strategy for the coming years.

Outlook for 2020

HeidelbergCement is globally well positioned for sustainable and profitable growth. Even though there is significant uncertainty regarding the actual extent of growth – due to the increasing spread of the coronavirus, for example – we expect construction activity to increase once again in 2020. Subject to a slowdown in economic development connected with the coronavirus, we expect our revenue and result from current operations to improve slightly in comparison with the previous year.

I look forward to shaping the future of our company together with you and thank you for the trust you place in us.

Yours sincerely,

Dr. Dominik von Achten
Chairman of the Managing Board

Heidelberg, 19 March 2020

Fritz-Jürgen Heckmann, Chairman of the Supervisory Board

Report of the Supervisory Board

Ladies and Gentlemen,

The 2019 financial year developed positively, although the conditions remained challenging. In operational terms, slightly reduced sales volumes in cement, clinker, and aggregates were more than offset by efficiency improvements and price increases. On this basis, HeidelbergCement succeeded in further increasing revenue and results. Group revenue rose to €18.9 billion in 2019; the result from current operations before depreciation and amortisation amounted to €3.6 billion. Before taking IFRS 16 (Leases) into account, net debt fell by €1.2 billion. In 2019, HeidelbergCement again earned a premium on its cost of capital.

In 2019, the Supervisory Board set the course for a generation change in our company's Managing Board. The previous Deputy Chairman of the Managing Board Dr. Dominik von Achten was appointed as the new Chairman of the Managing Board with effect from 1 February 2020, succeeding Dr. Bernd Scheifele. Dr. Scheifele's departure from the Managing Board after 15 years brings an extremely successful era at HeidelbergCement to an end. Our company, its employees, and its shareholders are extraordinarily grateful to Dr. Scheifele for his many years of tireless and highly successful dedication. We wish Dr. von Achten much success in his new and challenging position.

I am pleased that Dr. Scheifele has agreed to the Supervisory Board's request and declared his willingness to stand as a candidate for the Supervisory Board and take over its chairmanship in 2022 following the statutory two-year cooling-off period.

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

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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 as well as the Chairman and Deputy 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.

The plenary session of the Supervisory Board convened at six 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. Three meetings of the Personnel Committee took place during the reporting year. The Nomination Committee met on two occasions. 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 93 f.

There was a pleasing attendance rate of 98.8 % at the seven plenary sessions of the Supervisory Board in February, March, May (two meetings), September (two meetings), and November. The average attendance at the committees' meetings held in the reporting year was 98.75 %.

Participation of the members of the Supervisory Board at the plenary sessions and committee meetings

Supervisory Board member	Number of Supervisory Board and committee meetings	Participation	Participation rate
Fritz-Jürgen Heckmann, Chairman of the Supervisory Board [1]	17	17	100 %
Heinz Schmitt, Deputy Chairman of the Supervisory Board [2]	15	14	93 %
Barbara Breuninger [2]	10	10	100 %
Birgit Jochens [2] [4]	5	5	100 %
Josef Heumann [2] [3]	5	5	100 %
Gabriele Kailing [2] [3]	3	3	100 %
Ludwig Merckle [1]	17	17	100 %
Tobias Merckle [1]	9	9	100 %
Luka Mucic [1] [4]	8	7	87.5 %
Dr. Ines Ploss [2] [4]	5	5	100 %
Peter Riedel [2] [4]	7	7	100 %
Dr. Jürgen M. Schneider [1] [3]	5	5	100 %
Werner Schraeder [2]	13	13	100 %
Margret Suckale [1]	13	13	100 %
Stephan Wehning [2] [3]	7	7	100 %
Prof. Dr. Marion Weissenberger-Eibl [1]	7	7	100 %

1) Shareholder representative
2) Employee representative
3) Member of the Supervisory Board until 9 May 2019
4) Member of the Supervisory Board since 9 May 2019

Topics of discussion in the meetings of the Supervisory Board and its committees
The sessions in the first half of 2019 dealt, amongst other things, with the adoption of the 2018 annual financial statements and consolidated financial statements, the approval of the 2019 operating plan, and preparations for the 2019 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 and the further development of the remuneration system for the Managing Board; the latter was finally approved by the Annual General Meeting on 9 May 2019.

In addition, the Supervisory Board and its Audit Committee addressed a financing decision during the reporting year. The Supervisory Board thus approved the issue of a bond under the EMTN programme created in the mid-1990s, which allows the company to issue bonds to the capital market. The bond amounts to €750 million with a term that runs until December 2027 under favourable conditions. In April 2019, the prospectus that underpins the EMTN 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 Supervisory Board also regularly reviewed the implementation and progress of the action plan adopted by the Managing Board in October 2018 with focus on three levers: portfolio management, operational excellence, as well as cash flow and shareholder return. In 2019, the Supervisory Board focused in particular on the issue of digitalisation as well as the future challenges connected with the targeted 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 2019, the Supervisory Board dealt intensively with the technical possibilities for the capture and storage of the CO_2 produced during cement manufacturing, as well as the opportunities provided to HeidelbergCement by digital transformation. The Supervisory Board supports the Managing Board in developing and implementing suitable strategies to deal with these challenges.

In its meetings, the Audit Committee dealt with the 2018 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 2019 financial year, the preparation of the Supervisory Board's proposal to the 2019 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 2019 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. As early as 2018, the Audit Committee had 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 next ordinary Annual General Meeting.

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 2019.

The Chairman of the Audit Committee until the Annual General Meeting on 9 May 2019 was Mr Ludwig Merckle; since then, it has been Mr Luka Mucic. Mr Mucic 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 professional activity as Chief Financial Officer of SAP SE.

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 2018 financial year, as well as the definition of parameters for the variable Managing Board remuneration in the year 2019 and in the years 2019 to 2021, respectively. The Personnel Committee also dealt extensively with the strategic successor planning for the Managing Board as well as the further development of the Managing Board remuneration system. 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.

In its meetings in January and February 2019, the Nomination Committee prepared the re-election of all shareholder representatives on the Supervisory Board by the Annual General Meeting on 9 May 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 2019 reporting year.

Corporate Governance
The statement of compliance in the reporting year was submitted by the Managing Board on 18 February 2019 and by the Supervisory Board on 19 February 2019. The statement of compliance for the current year was submitted by the Managing Board on 14 February 2020 and by the Supervisory Board on 18 February 2020. 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 75. 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 individually and collectively familiar with the sector in which the company operates.

With regard to its composition and that of the Managing Board, the Supervisory Board unreservedly 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 76 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 2019, the proportion of women in leadership positions in Germany at the first level below the Managing Board was 10 % and 14 % 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 2019 was 15 %.

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As regards the remuneration structure for the members of the Managing Board for the 2019 financial year, details on remuneration of the Managing Board are included in the Corporate Governance Report on ↗ page 79 f. to avoid repetition. A description of the adjusted version of the Managing Board remuneration system, applicable from 1 January 2019, 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 2017–2019, 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 slightly beat the DAX and MSCI World Construction Materials Index performance over the four-year period of the long-term bonus plan 2016–2018/19. Adjusted for dividend payments and changes to the capital, the HeidelbergCement share price increased by 2 % 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 2019. The members of the Supervisory Board are themselves responsible for obtaining the training required for their tasks and are supported by the company in this respect. The company also offers specific training sessions – sometimes with external support – for members of the Supervisory Board, most recently in November 2019. If required, new members of the Supervisory Board are given an introduction to the legal framework surrounding the Supervisory Board and can also meet with members of the Managing Board and line managers to discuss fundamental and current issues in order to gain an overview of the topics that are relevant to the company.

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 2020, the Managing Board informed the Supervisory Board about the preliminary, unaudited key figures for the 2019 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 2019, and the combined management report for the Company and the Group, as prepared by the Managing Board, were examined by the independent auditors. In addition, the auditor performed a limited assurance engagement on the non-financial statement (sections 289b and 315b of the HGB) contained in the combined management report on behalf of the Supervisory Board. 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 (including the non-financial statement) 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 (including the non-financial statement) 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 (including the non-financial statement), 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. 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 2019 as well as the combined management report of HeidelbergCement AG and HeidelbergCement Group.

The Supervisory Board approved the Managing Board's proposal for the use of the balance sheet profit including the payout of a dividend of €2.20 per share (previous year: 2.10).

Personnel matters and a note of thanks

The Annual General Meeting and employees elected or re-elected their representatives to the Supervisory Board in 2019. One member representing the shareholders and three members representing the employees were newly elected to the Supervisory Board. Mr Luka Mucic was elected to the Supervisory Board as a shareholder representative. The Chief Financial Officer of SAP SE took over from Dr. Jürgen M. Schneider, who did not stand for re-election upon reaching the standard retirement age. The following were newly elected from the employees: Ms Birgit Jochens succeeded Mr Josef Heumann, who went into retirement. Dr. Ines Ploss was elected in place of Mr Stephan Wehning as representative of the senior managers. Furthermore, Mr Peter Riedel was elected as representative of IG Bauen-Agrar-Umwelt in place of Ms Gabriele Kailing, who did not stand for re-election. The Supervisory Board thanks Dr. Schneider, Mr Heumann, Mr Wehning, and Ms Kailing for their committed and highly competent involvement with the Supervisory Board. The Supervisory Board regards the re-election of the remaining five shareholder representatives by the Annual General Meeting 2019 as evidence of the strong trust placed in the work they carry out in the interests of the company. The Supervisory Board will do all that is required in the current period of office to continue to justify this vote of confidence.

In addition to the aforementioned resolution regarding the change in the chairmanship of the Managing Board, there were also other key changes to the personnel in the Managing Board during the reporting year. In August 2019, Mr Ernest Jelito, previously responsible for HeidelbergCement's activities in Poland, succeeded Dr. Albert Scheuer as member of the Managing Board for the Northern and Eastern Europe-Central Asia Group area. Dr. Scheuer entered retirement when his third period of office came to an end. Furthermore, the Supervisory Board extended the contract of Chief Financial Officer Dr. Lorenz Näger to the end of May 2022 and appointed him as the new Deputy Chairman of the Managing Board with effect from 1 February 2020. Dr. von Achten handed over responsibility for the Western and Southern Europe Group area to Mr Jon Morrish, who was previously responsible for the North America Group area. Mr Chris Ward, who previously headed the Canada region, was appointed to the Managing Board, taking on responsibility for the North America Group area.

The Supervisory Board is grateful to Dr. Albert Scheuer for his commitment and successful work for the company in recent years, both in Germany and abroad.

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 2019 financial year.

Heidelberg, 18 March 2020

For the Supervisory Board

Yours sincerely,

Fritz-Jürgen Heckmann
Chairman

Managing Board

DR. DOMINIK VON ACHTEN

Born in Munich (Germany), aged 54 years. Studies in law and economics at the German universities of Freiburg and Munich. Member of the Managing Board since 2007 and Chairman of the Managing Board since 1 February 2020; in charge of Strategy & Development, Communication & Investor Relations, Human Resources, Legal, Compliance, Internal Audit, Digital Transformation Office, and Digital Venture Office.

DR. LORENZ NÄGER

Born in Ravensburg (Germany), aged 59 years. Studies in business administration at the German universities of Regensburg and Mannheim and in Swansea (United Kingdom). Member of the Managing Board since 2004 and Deputy Chairman of the Managing Board since 1 February 2020; in charge of Finance, Accounting, Controlling, Taxes, Treasury, Insurance & Risk Management, IT, Data Protection, Shared Service Center, and Purchasing.

KEVIN GLUSKIE

Born in Hobart (Australia), aged 52 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 52 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 HC Trading.

ERNEST JELITO

Born in Poland, aged 61 years. Studies in chemistry at the AGH University of Science and Technology in Krakow (Poland). Since 1982 at HeidelbergCement. Member of the Managing Board since 2019; 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.

JON MORRISH

Born in Shrewsbury (United Kingdom), aged 49 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 Western and Southern Europe Group area and the Group-wide coordination of secondary cementitious materials.

CHRIS WARD

Born in Fargo, North Dakota (USA), aged 47 years. Studies in mining engineering at the University of Missouri-Rolla. Since 1996 at HeidelbergCement. Member of the Managing Board since 2019; in charge of the North America Group area and the Competence Center Materials.

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. This makes 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

The HeidelbergCement share closed at €53.38 at the end of 2018, reaching its annual low of €52.50 on 3 January 2019. As the stock markets recovered at the start of the year, the share recorded an upward trend, which was also helped by strong construction activity in the northern hemisphere. The share reached its annual high on 18 April 2019 with a price of €72.90.

Our share closed at €64.96 at the end of the year, corresponding to a rise of 21.7 % in 2019. The DAX recorded an increase of 25.5 % and the MSCI World Construction Materials Index grew by 39.2 % during the same period.

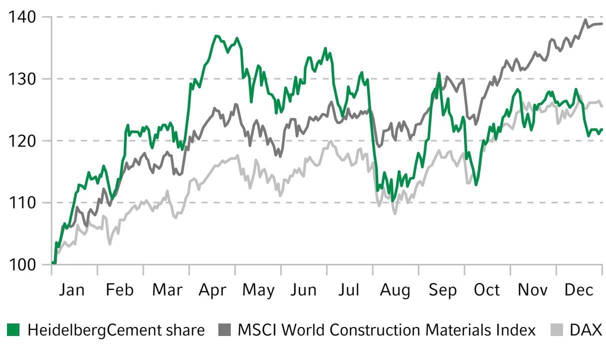
At the end of 2019, HeidelbergCement's market capitalisation amounted to €12.9 billion (previous year: 10.6 billion).

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

€	2019
Year-end share price 2018	**53.38**
Highest share price (18 April 2019)	**72.90**
Lowest share price (3 Jan. 2019)	**52.50**
Year-end share price 2019	**64.96**
Equity per share on 31 Dec. 2019	**93.26**
Market value on 31 Dec. 2019 (€ '000s)	**12,889,134**
Change compared with 31 Dec. 2018	
HeidelbergCement share	**+21.7 %**
DAX	**+25.5 %**
MSCI World Construction Materials Index	**+39.2 %**

Performance of the HeidelbergCement share in 2019 based on daily closing prices

Development of the HeidelbergCement share compared to MSCI World Construction Materials Index and DAX in 2019
Index (Base: 31 December 2018 = 100)



Earnings per share

Earnings per share in accordance with IAS 33 for the 2019 financial year were €5.50 (previous year: 5.76). For continuing operations, earnings per share amount to €5.66 (previous year: 5.83).

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

	2018	2019
Group share of profit in €m	1,143.0	**1,090.9**
Number of shares in '000s (weighted average)	198,416	**198,416**
Earnings per share in €	5.76	**5.50**
Net income from continuing operations in €m – attributable to the parent entity	1,157.2	**1,123.3**
Earnings per share in € – continuing operations	5.83	**5.66**
Net loss from discontinued operations in €m – attributable to the parent entity	-14.2	**-32.4**
Loss per share in € – discontinued operations	-0.07	**-0.16**

Dividend

In view of the overall positive business development, the Managing Board and Supervisory Board will propose to the Annual General Meeting the distribution of a dividend of €2.20 per HeidelbergCement share.

Dividend key figures

	2015	2016	2017	2018	2019
Dividend per share in €	1.30	1.60	1.90	2.10	**2.20** [1]
Dividend yield [2] in %	1.7	1.8	2.3	3.0	**3.4**
Group share of profit in €m [3]	800.1	657.0	917.7	1,143.0	**1,090.9**
Total dividend amount in €m	244.3	317.5	377.0	416.7	**436.5**
Payout ratio in % [3]	30.5	48.3	41.1	36.5	**40.0**

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

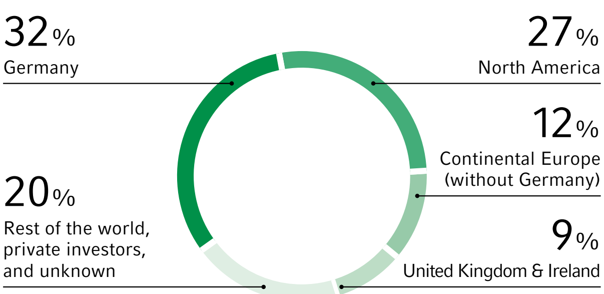
Shareholder structure and trading volume

A study conducted in December 2019 showed that the proportion of North American and Italian investors had risen in comparison with the previous year. In contrast, the share of British, French, and German investors declined. The study also showed that the proportion of value-oriented and hedge investors had fallen, while the proportion of growth-oriented, index, and other investors had increased.

In December 2019, investors from Germany formed the largest investor group at 32 %, followed by investors from North America at 27 %, continental Europe excluding Germany at 12 %, and the United Kingdom and Ireland at 9 %.

On average, around 790,000 HeidelbergCement shares were traded per day in Xetra trading on the Frankfurt Stock Exchange in the 2019 reporting year. In the Equity Indices Ranking published by Deutsche Börse, our share was in place 32 at the end of 2019 for the free float market capitalisation criterion and in place 28 for order book turnover.

Geographical distribution of shareholders
(as of December 2019)



Shareholder structure

	31 Dec. 2019
PH Vermögensverwaltung GmbH, Zossen/Germany (9 November 2018). PH Vermögensverwaltung GmbH is controlled by Ludwig Merckle.	**26.70 %** [1]
BlackRock, Inc., Wilmington, Delaware/USA (9 August 2019)	**4.92 %** [2]
First Eagle Investment Management, LLC, New York/USA (15 March 2019)	**4.61 %**

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) thereof 4.47 % pursuant to section 34 WpHG and 0.46 % pursuant to section 38 WpHG (instruments)
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 2019	595,249	198,416,477
31 December 2019	**595,249**	**198,416,477**

Bonds and credit ratings

Details of our corporate bonds issued during the 2019 financial year and HeidelbergCement's credit rating by the rating agencies can be found in the Group financial management section on ↗ page 39 f.

Investor Relations

In 2019, our investor relations work mainly focused on fostering existing investor relations, as well as attracting new, long-term investors.

During the course of the reporting year, we held 173 talks with investors and met 332 individual investors at 32 conferences, roadshows, and company visits, with the aim of informing them about our strategy, the development of the market and our results, as well as the company's financial management. The presentations shown at these events have been published on the internet.

The investor relations team also kept in regular contact with analysts. In November, we held an analysts' dinner in London. The number of analysts regularly reporting on HeidelbergCement was 25 at the end of the reporting year.

The Investor Relations team gathered and evaluated feedback from investors following events 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.

2 Combined management report of HeidelbergCement Group and HeidelbergCement AG

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 in terms of sales volumes and operates on five continents. Our products are used for the construction of houses, traffic routes, infrastructure, as well as 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 cement, aggregates (sand, gravel, and crushed rock), 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 delivered to the customers in silo trucks or in cement bags, especially in emerging markets. 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. 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.

Locations and sales markets

Due to the heavy weight of cement, aggregates, and 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 more than 50 countries in which we offer building materials.

We operate 135 cement plants (plus 20 as part of joint ventures), around 600 quarries and aggregates pits, and over 1,460 ready-mixed concrete production sites worldwide. In total, the Group employs 55,047 people at around 2,700 locations on five continents. There are additionally more than 360 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	Canada, USA	Bangladesh, Brunei, China, India, Indonesia, Malaysia, Singapore, 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

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 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 sales 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 in the technology area 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 among our key corporate principles.

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. In addition to the implementation of various other measures, we use alternative raw materials and fuels to reduce significantly CO_2 emissions. We also optimise our production processes to increase energy efficiency.

HeidelbergCement is represented in more than 50 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 in the communities to which our locations belong.

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

Targets and strategy

HeidelbergCement's target is to increase the value of the Group in the long term through sustainable and result-oriented growth. Earning the cost of capital is the necessary prerequisite to guarantee the company's permanent entrepreneurial ability to act and invest continuously in innovation and growth as well as in the development of its personnel and the company. Thanks to more than145 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
– society and general public.

In addition to the financial targets, covered in the following section Internal management control system and indicators on ↗ **page 21 f.**, also non-financial targets derive from this knowledge. They are described in this annual report in the chapters Employees and society on ↗ **page 48 f.**, Environmental responsibility on ↗ **page 52 f.**, and Compliance on ↗ **page 55 f.**

In order to reach these targets, the Managing Board defines the business strategy of the company and discusses it with the Supervisory Board. The four pillars of our business strategy are as follows:

1. Operational excellence and digitalisation
In a market with largely standardised products, customer focus and service quality are extremely important in order to realise the full value of our products and services. Moreover, we aim to 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 that 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 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. At 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 and business 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 in six action areas along the value chain:

- Driving profitability and innovation
- Achieving excellence in occupational health and safety
- Reducing our ecological footprint
- Enabling the circular economy
- Being a good neighbour
- Ensuring compliance and creating transparency

3. Profitable 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. Our goal are strong positions in markets with long-term potential. We strive to avoid markets with unjustifiable high political, economic, or compliance risks and to retain key market positions regardless of economic cycles.

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. Investment decisions are taken based on their market, strategic, financial, and technical attractiveness.

In addition, we consider sustainability aspects, such as the impact on human rights and environment. 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 39 f.

Performance culture and local responsibility

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. 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 continuous benchmarking.

Shareholder returns

HeidelbergCement regards value creation for shareholders and disciplined growth as the strategic priorities for its capital allocation. To improve the results for shareholders, HeidelbergCement is pursuing a progressive dividend policy. 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.

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 the investment process, as well as regular Managing Board meetings and reporting to the Supervisory Board.

In the context of annual planning, 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.

The 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. A report on the financial status is prepared weekly, for example. Reports on results of operations, production, and technology 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 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. 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 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, an important short-term indicator of the company's earnings strength which is determined in detail and analysed for all operating units. Strategic management and capital allocation are based and return on invested capital (ROIC).

Earnings before interests and taxes (EBIT) and profit for the financial year before non-recurring effects did not belong any more to the most important performance indicators in 2019. Operating and strategic management of the company is predominately based on result from current operations.

ROIC is defined as the ratio of the result from current operations minus income taxes paid to the average invested capital of the past four quarters. Invested capital is calculated as total equity and net debt minus liabilities from puttable minorities. You will find the calculation of ROIC on ↗ page 39. The financial and assets positions of the operating units are monitored shot-term primarily via the amount of working capital and investment. General target is generation of ROIC at least equivalent to weighted average cost of capital (WACC). Please see ↗ page 39 for more information on capital efficiency.

Adjusted free cash flow was 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.

Financing structure

HeidelbergCement's objective is to maintain a stable investment grade credit rating to ensure that we retain our high financial stability. Furthermore, an 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 strive for financial indicators that fulfill the respective requirements of the 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. Compared to the previous year, net debt could be reduced by around €1.2 billion to €8.4 billion (including lease liabilities). On this base, the dynamic gearing ratio amounted to 2.3x.

Non-financial targets and sustainable key-performance indicators

Occupational health and safety generally plays a major role in the production of building materials and, in addition, climate protection and emission control in cement production especially. Therefore, non-financial key performance indicators include parameters such as accident frequency rate, accident severity rate, and fatality rate, as well as data on 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 48 f. and Environmental responsibility on ↗ page 52 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 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 aim of research and development (R&D) at HeidelbergCement is to develop innovative products as well as process improvements and new formulations, in order to minimise the use of energy, CO_2 emissions, and hence costs.

General focus and intensity of our research and development activities

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

- Products and applications: The main priority is the development and improvement of binders and concretes with optimised properties and innovative functionalities.

- Cement production: Continuous improvement and sharing of best practice are important points of focus in the cement business line. This is illustrated by the Continuous

  Improvement Program (CIP), Maintenance Improvement Program (MIP), and Operational Excellence (OPEX).

  In 2019, we made further progress in the area of digitalisation and Industry 4.0 (CEM 4.0 project). Digital technologies allow us, for instance, to monitor plants and provide support remotely. We further advanced the introduction of the Expert System, a software solution for optimising production.

- Aggregates: In the aggregates business line, our Continuous Improvement and Performance Management programme (CI Agg) exceeded the cost savings target of €49 million in 2019. The programme aims to make improvements along the entire value chain, from the extraction of raw materials through to production processes and sales.

  Through a similar programme, launched in the asphalt operating line in 2018, cost savings of €10 million were achieved in 2019.

- Ready-mixed concrete: The Competence Center Readymix (CCR) is pursuing the objective of generating savings in the ready-mixed concrete operating line and improving the quality of products and services. This will be achieved through an improvement programme examining all parts of the ready-mixed concrete business starting from the ground up delivering efficiencies in raw materials, logistics, production, product range, assets, and concrete pumps.

- Development of cements and concretes with improved carbon footprint: We are developing composite cements with less clinker. 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. We also work on 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 available to all operating units.

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), Germany, and Bergamo (GPI), Italy. While the 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, our activities in Bergamo concentrate on the development of sustainable concrete solutions for modern urban and infrastructure construction and new market opportunities.

Technology and innovation

Technical centers support our national companies in each Group area. In the cement business line, this is the HTC with five area organisations. 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 and performance management. Its tasks also include the planning and implementation of projects as well as digitalisation and automation. The CCM also offers training and further education.

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 proximity to the market requires customer-oriented development and technical service, which is also reflected in our financial commitment (see the following table).

Expenditure for research and technology

Total expenditure on research and technology amounted to €134.0 million in the reporting year (previous year: 145.7), corresponding to 0.7 % of Group revenue. 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	2015	2016	2017	2018	2019
Central R&D and innovation [1) 2)]	8.9	13.6	21.9	18.3	**15.3**
Technology and innovation	52.6	55.6	61.7	64.0	**61.6**
Customer-related development and technical service	46.2	47.4	57.4	63.4	**57.1**
Total	107.8	116.6	141.0	145.7	**134.0**

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

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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 product TernoCem® as well as new composite cements. In 2019, capitalised development costs totalled €2.7 million (previous year: 3.1),which corresponds to around 2 % 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 2019 financial year, a total of 1,083 people (previous year: 1,156) 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

	2015	2016	2017	2018	2019
Central R&D and innovation[1]	59	97	127	109	**97**
Technology and innovation	333	358	348	357	**342**
Customer-related development and technical service	531	608	661	690	**644**
Total	924	1,063	1,136	1,156	**1,083**

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

Research cooperation

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 the research network Nanocem. 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 some cases, cooperative projects with universities are supported by public funding.

Major projects for the preservation of resources, recycling, and CO_2 capture

Use of alternative energies

To improve HeidelbergCement's carbon footprint and increase the use of alternative fuels, we initiated the Alternative Fuel Master Plan in 2018 and are monitoring its progress on a regular basis.

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) have been successfully completed in Poland and Germany.

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.

Capture, storage, and utilisation of CO_2

In September 2019, HeidelbergCement signed a memorandum of understanding for the capture and storage of CO_2 (CCS, Carbon Capture and Storage) with the Norwegian state-owned energy company Equinor. This is a further step towards the realisation of our CCS project at our Brevik cement plant in Norway.

As part of the LEILAC project, initial test runs have been successfully completed using the demonstration calciner at our Lixhe cement plant in Belgium. 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.

In addition, HeidelbergCement is researching whether captured CO_2 can be used to breed microalgae and therefore to manufacture fish food and other animal feed. In cooperation with OmegaGreen, we have started breeding microalgae at our Moroccan cement plant in Safi.

In order to further develop the oxyfuel technology for CO_2 capture, HeidelbergCement participated in a joint research project to construct and operate an oxyfuel kiln line together with several other European cement manufacturers.

Innovative concretes

One of the areas the GPI team in Bergamo is investigating in is cement- and concrete-based construction technologies. The team has developed a cement with photocatalytic properties and is working on concrete solutions for energy saving and the thermal insulation of buildings.

Digitalisation, automation, and sustainability in the construction industry will also support the development of new building technologies, such as 3D printing with concrete.

2019 economic report

Economic environment

General economic conditions
In 2019, various factors led to a slight slowdown in global economic growth: Growth in China cooled somewhat as a result of the trade and customs dispute with the USA and a generally weaker domestic economy. For the eurozone, Eurostat anticipates GDP growth of 1.2 % in 2019; 0.6 percentage points lower than in 2018. According to the International Monetary Fund (IMF), declines are expected in France and Spain in particular, with Italy lagging behind. At 0.6 %, growth in Germany was lower than in the previous year, mainly due to weak industrial production. For the United Kingdom, the IMF's January forecast predicts growth in 2019 at the previous year's level, which was still impacted by the prospect of a disorderly Brexit. In the USA, the IMF anticipates a slight decline in the gross domestic product from 2.9 % in 2018 to 2.3 % in 2019. The economic growth was primarily supported by consumption, while the trade disputes with China and the EU had a negative impact.

The growth rates of the emerging countries of Asia and Africa decreased in comparison with the previous year. 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.

In the USA, the US Federal Reserve reduced the base rates three times in 2019 in order to give the economy further impetus and promote price increases. The European Central Bank continued to pursue its extremely loose monetary policy with low interest rates and net bond purchases.

In 2019, the euro weakened against a large number of currencies, such as the US dollar, the Canadian dollar, the Indonesian rupiah, and the Indian rupee.

On average, the prices of electricity, coal, and petroleum coke decreased in many regions in 2019, falling significantly below the previous year's level in some cases. The mild winter and lower coal-fired power production due to lower natural gas prices resulted in large stocks of coal in Europe. This caused prices to fall and also put electricity prices under pressure.

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 only represents a small percentage of global trade, we focus on the regions and countries that are relevant to us instead of considering a global view. Details of the development in the individual countries can be found in the Business trend in the Group areas section on ↗ page 27 f.

The EU Emissions Trading System (EU 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 varied between €20 and €29 per tonne of CO_2 in the course of the year 2019. As in 2018, HeidelbergCement decided not to sell its surplus emission rights, but to keep them for future use.

Relevant changes in reporting

The new IFRS 16 Leases accounting standard has been applied since 1 January 2019. The application of IFRS 16, which provides new regulations for the accounting of leases, has effects on the presentation of the financial position and performance of the Group. Information on the effects of the initial application of IFRS 16 can be found in the Notes on ↗ page 117 f. For the initial application, HeidelbergCement applied the modified retrospective method. The previous year's figures have not been adjusted.

To improve the presentation in the income statement, HeidelbergCement has shown the result from associates together with the result from joint ventures in the item "Result from equity accounted investments (REI)" since 1 January 2019. The result from other participations is shown in the financial result. The previous year's values have been adjusted accordingly.

HeidelbergCement has also changed the way in which credit card fees are reported. These expenses, previously reported in the financial result, are now shown under selling and administrative expenses in other operating expenses. As the fees are almost exclusively incurred in connection with operational transactions with customers and suppliers, reporting these expenses in the result from current operations better reflects the nature of the fees. The previous year's values have been adjusted accordingly.

Unless expressly indicated otherwise, all statements and figures in this Annual Report refer to the continuing operations of HeidelbergCement.

Development of sales volumes

In 2019, sales volumes developed differently in the individual business lines and Group areas.

Cement and clinker sales volumes fell by 3.1 % in 2019 to 125.9 million tonnes (previous year: 130.0). All Group areas recorded declines in sales volumes, with the heaviest

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decrease in Northern and Eastern Europe-Central Asia, followed by Western and Southern Europe and Asia-Pacific. In North America and Africa-Eastern Mediterranean Basin, sales volumes were only slightly below the previous year. In 2019, as part of our portfolio optimisations, we sold all our activities in Ukraine, two cement plants and two grinding plants in Italy, and the white cement plant in Egypt. Our white cement activities in the USA had already been sold in 2018. Excluding these changes to the scope of consolidation, cement and clinker sales volumes in 2019 were 1.6 % below the previous year.

Aggregates sales volumes were just under the previous year's level, at 308.3 million tonnes (previous year: 309.4). On a like-for-like basis – i.e. excluding consolidation effects – sales volumes fell by 1.2 %. While deliveries of aggregates increased in North America as well as in Western and Southern Europe, deliveries fell in the Northern and Eastern Europe-Central Asia and Asia-Pacific Group areas. However, the greatest decrease was recorded in Africa-Eastern Mediterranean Basin.

Ready-mixed concrete sales volumes increased by 3.4 % in 2019 to 50.7 million cubic metres (previous year: 49.0). Excluding consolidation effects, they rose by 1.1 %. With the exception of Northern and Eastern Europe-Central Asia, volumes increased in all Group areas or, in the case of Africa-Eastern Mediterranean Basin, reached the previous year's level. The growth was strongest in North America.

In 2019, asphalt deliveries rose by 9.6 % to 11.3 million tonnes (previous year: 10.3). This increase results primarily from the expansion of our activities in the USA (shareholding in California Commercial Asphalt LLC increased to 100 %). Excluding this and other smaller consolidation effects, sales volumes in the reporting year were only slightly above those of the previous year. While asphalt deliveries increased in North America and Asia-Pacific, a slight decline was recorded in Western and Southern Europe, with a significant decrease 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 27 f.

Sales volumes

	2018	2019	Change	On a like-for-like basis[1]
Cement and clinker (million tonnes)	130.0	**125.9**	-3.1 %	-1.6 %
Aggregates (million tonnes)	309.4	**308.3**	-0.3 %	-1.2 %
Ready-mixed concrete (million cubic metres)	49.0	**50.7**	3.4 %	1.1 %
Asphalt (million tonnes)	10.3	**11.3**	9.6 %	0.4 %

1) Excluding consolidation effects

Earnings position

Group revenue rose by 4.3 % in comparison with the previous year to €18,851 million (previous year: 18,075). Excluding consolidation and exchange rate effects, Group revenue grew by 2.1 %. Changes to the scope of consolidation of €71 million and exchange rate effects of €326 million had a positive impact on revenue.

In the reporting period, material costs rose by 1.4 % to €7,586 million (previous year: 7,478). This rise predominantly related to the costs of raw materials and electricity. Excluding consolidation and exchange rate effects, material costs were 1.2 % below the previous year's level. The material cost ratio fell from 41.4 % to 40.2 %. The balance of other operating expenses and income was 1.8 % above the previous year's level at €-4,875 million (previous year: -4,788). On a like-for-like basis, i.e. adjusted for the initial application of the new IFRS 16 Leases accounting standard and excluding exchange rate and consolidation effects, the increase amounted to 6.9 %, which was essentially due to higher freight costs. Personnel costs rose by 5.1 % to €3,187 million (previous year: 3,032). The personnel cost ratio increased slightly to 16.9 % (previous year: 16.8). The result from at equity accounted investments (REI) rose by 18.0 % to €290 million (previous year: 246); this increase is primarily due to the positive development of results in China.

The result from current operations before depreciation and amortisation increased by 15.5 % to €3,580 million (previous year: 3,100). This was due to price increases that more than offset the rise in costs and the initial application of IFRS 16. In accordance with this standard, lessees account for the right-of-use assets in the fixed assets together with a corresponding lease liability. In the income statement, the expenses are divided between depreciation of right-of-use assets and interest expenses. At €330 million, the application of IFRS 16 had a positive impact on the result from current operations before depreciation and amortisation. On a like-for-like basis, the increase amounted to 2.4 %. The result from current operations rose by 8.8 % to €2,186 million (previous year: 2,010). Exchange rate effects of €39 million, changes to the scope of consolidation of €1 million, and around €41 million due to the application of IFRS 16 contributed toward improving the result from current operations.

The additional ordinary result of €-178 million (previous year: 108) essentially relates to expenses from the disposal of subsidiaries and other non-recurring expenses and income. In particular, non-recurring effects from the disposal of our activities in Ukraine had a negative impact on the result.

The financial result decreased by €22 million to €-375 million (previous year: -353). Interest expenses of €45 million from the first-time application of IFRS 16 and an increase in interest rate effects of €28 million from the measurement of other provisions due to a change in discount rate had a negative effect, by contrast, the reduction in interest expenses for external financing positively impacted the financial result with €49 million.

Profit before tax from continuing operations fell by €131 million to €1,633 million (previous year: 1,764), primarily due to the decreased additional ordinary result. At €358 million (previous year: 464), expenses for income taxes were 22.8% below the previous year's level.

Net income from continuing operations fell by €26 million to €1,275 million (previous year: 1,300).

Net loss from discontinued operations amounts to €-32 million (previous year: -14) and is attributable to operations of the Hanson Group that were discontinued in previous years.

Overall, the profit for the financial year amounts to €1,242 million (previous year: 1,286). The profit relating to non-controlling interests rose by €8 million to €151 million (previous year: 143); this is particularly attributable to the development of results at Indocement. The Group share of profit therefore amounts to €1,091 million (previous year: 1,143).

Earnings per share – Group share – in accordance with IAS 33 fell by €0.26 to €5.50 (previous year: 5.76).

The Managing Board and Supervisory Board will propose to the Annual General Meeting the distribution of a dividend of €2.20 (previous year: 2.10) per share.

Consolidated income statement (short form)

€m	2018[1]	2019	Change
Revenue	18,075	**18,851**	4 %
Result from current operations before depreciation and amortisation (RCOBD)	3,100	**3,580**	15 %
Depreciation and amortisation	-1,090	**-1,394**	28 %
Result from current operations (RCO)	2,010	**2,186**	9 %
Additional ordinary result	108	**-178**	
Earnings before interest and taxes (EBIT)	2,118	**2,008**	-5 %
Financial result	-353	**-375**	6 %
Profit before tax from continuing operations	1,764	**1,633**	-7 %
Income taxes	-464	**-358**	-23 %
Net income from continuing operations	1,300	**1,275**	-2 %
Net loss from discontinued operations	-14	**-32**	129 %
Profit for the financial year	1,286	**1,242**	-3 %
Group share of profit	1,143	**1,091**	-5 %

1) Changed due to reclassifications see the Notes: Other changes, page 119 f.

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 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. The United Kingdom, France, and Germany are the three largest market regions in Western and Southern Europe in terms of sales volumes.

As part of our action plan to accelerate the portfolio optimisation, we sold cement plants in the north and center of Italy. The disposal of the Spoleto cement plant in Umbria to Colacem was completed on 1 April 2019. The sale of the Testi cement plant in Tuscany and two grinding plants in Piedmont to Buzzi Unicem followed on 1 July 2019. On 28 June 2019, we acquired the aggregates and ready-mixed concrete activities of Cemex in central France to strengthen our vertically integrated market position in the Greater Paris region. The acquisition comprises seven aggregates quarries and 28 ready-mixed concrete plants. Furthermore, as part of the portfolio optimisation, we sold our 51 % share in Baustoffwerke Dresden, which operates a sand-lime brick plant in Dresden, Germany.

The economic recovery weakened significantly in the countries of the Western and Southern Europe Group area in the reporting year, according to available statistical data of the IMF. In addition, global trade tensions and the uncertainty surrounding Brexit put a strain on the industry. Once again, the Spanish economy recorded the strongest growth among the major national economies, with 2.0 %. In Germany, the growth of the gross domestic product slowed to 0.6 % despite consistently healthy domestic economy and a robust labour market. In France, the increase in the gross domestic product slowed down to 1.3 %. Belgium and the Netherlands recorded economic growth of 1.2 % and 1.8 % respectively, while Italy achieved the lowest growth in the eurozone, with 0.2 %. The United Kingdom's economy grew by just 1.3 % in 2019 due to Brexit-related uncertainty.

According to the November 2019 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 0.8 %. Construction activity rose by 2.8 % in Belgium and 3.6 % in the Netherlands. France registered an estimated rise of 2.1 %, which was primarily supported by infrastructure measures. An increase of 2.6 % is anticipated for the construction sector in Italy. In the United Kingdom, construction activity grew slightly by 0.7 %; this was caused once again by weak commercial and non-residential construction due to Brexit. Construction activity in Spain grew by 4.6 %, boosted by the positive development in residential and non-residential construction.

Cement business line

In 2019, the Western and Southern Europe Group area's cement and clinker sales volumes fell by 3.1 % to 29.9 million tonnes (previous year: 30.8). Excluding the disposal of the cement activities in Italy, sales volumes decreased slightly by 0.9 %. Our plants in Germany recorded a slight rise in sales volumes, driven by the strong development of demand, primarily in residential construction, as well as the mild weather. Cement and clinker deliveries in Belgium/ Netherlands were slightly below the previous year's level. They also decreased in the United Kingdom and fell in the double-digit-percentage range in Spain because of delays in public construction and increased imports in the south of the country. Excluding consolidation effects, sales volumes declined slightly in Italy but rose in France. Revenue of the cement business line increased by 1.6 % to €2,577 million (previous year: 2,536).

Throughout the Group area, our investment activities remained focused on the continuous improvement of our environmental protection activities. This includes investment in reducing dust, nitrogen oxide, and sulphur oxide emissions, as well as increasing the use of alternative fuels and raw materials.

The Germany Cement Master Plan – an investment programme for the modernisation and efficiency improvement of our cement plants and for environmental protection, launched in Germany in 2014 – was largely completed with the commissioning of the new kiln line in Schelklingen in 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 put into operation in the first quarter of 2019.

Aggregates business line

The Group area's deliveries of aggregates increased by 2.7 % to 83.5 million tonnes (previous year: 81.3). Excluding the aggregates activities acquired from Cemex in France, included from the second half of the year, sales volumes were just below the previous year's level.

A significant growth in sales volumes in Spain and a rise in the double-digit-percentage range in Italy compensated for the decrease in volumes in Germany. While sales volumes in the United Kingdom reached the previous year's level, they exceeded the previous year in France and Belgium/ Netherlands as a result of consolidations. Revenue of the aggregates business line rose by 6.0 % to €1,128 million (previous year: 1,064).

Ready-mixed concrete-asphalt business line

This business line covers the ready-mixed concrete and asphalt activities. While we have numerous 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 5.3 % to 18.4 million cubic metres (previous year: 17.5) in the reporting year as a result of consolidation. Excluding the ready-mixed concrete activities acquired from Cemex in France, sales volumes increased by 3.3 %.

In Germany and Belgium/Netherlands, and particularly in Italy and Spain, we achieved significant increases in sales volumes. Sales volumes rose in France as a result of acquisitions, while they remained significantly below the previous year in the United Kingdom.

At 3.6 million tonnes (previous year: 3.6), sales volumes of the asphalt operating line in the United Kingdom were just below the previous year. Revenue of the ready-mixed concrete-asphalt business line grew by 8.0 % to €1,993 million (previous year: 1,845).

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 €358 million (previous year: 362), revenue of the business line was 1.2 % below the previous year.

Revenue and results

Revenue of the Western and Southern Europe Group area rose by 3.6 % to €5,112 million (previous year: 4,936). Excluding consolidation and exchange rate effects, a revenue increase of 3.0 % was achieved.

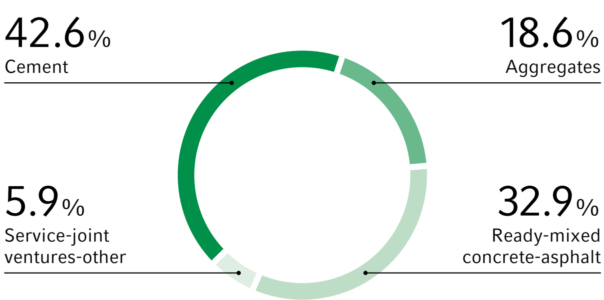
At €779 million (previous year: 610), the result from current operations before depreciation and amortisation was 27.8 % above the level of the previous year. The result from current operations rose by 29.4 % to €363 million (previous year: 280).

Key data Western and Southern Europe

€m	2018	2019	Change
Revenue	4,936	**5,112**	3.6 %
Result from current operations [1]	280	**363**	29.4 %
Cement and clinker sales volumes (Mt)	30.8	**29.9**	-3.1 %
Aggregates sales volumes (Mt)	81.3	**83.5**	2.7 %
Ready-mixed concrete sales volumes (Mm^3)	17.5	**18.4**	5.3 %
Asphalt sales volumes (Mt)	3.6	**3.6**	-0.6 %
Employees as at 31 December	15,903	**15,608**	-1.9 %

1) Amount for 2018 was restated

Revenue Western and Southern Europe 2019



Northern and Eastern Europe-Central Asia

HeidelbergCement is active in 20 countries in the Northern and Eastern Europe-Central Asia Group area; in many of these countries, we produce cement as well as aggregates and ready-mixed concrete, and in some precast concrete products.

Overall, the countries of the Group area recorded positive economic development in 2019, according to the IMF's October forecast. In Norway, gross domestic product is expected to rise by 1.9 %. The economies in Russia and Greece are estimated to have grown by 1.1 % and 2.0 % respectively in 2019. Czechia, Poland, and Romania achieved growth rates of 2.5 %, 4.0 %, and 4.0 % respectively. A rise in gross domestic product of 4.6 % is forecast for Hungary. In contrast, economic growth in Sweden slowed in comparison with the previous year, at 0.9 %.

Construction activity in the countries in the Northern and Eastern Europe-Central Asia Group area presented a varied picture in 2019, according to Euroconstruct's November forecast: Growth of 4.6 % is expected for the Norwegian construction sector. Strong non-residential construction and infrastructure construction were the main drivers of this positive development. The construction industry in Sweden is expected to decline by 0.3 % as the negative development in residential construction cannot be offset by the growth in non-residential and infrastructure construction.

In Poland, the construction sector is expected to rise by 8.0 % thanks to the positive development of residential and infrastructure construction. For the overall Hungarian construction industry, a significant increase of 13.3 % is anticipated, with growth of 3.3 % for Czechia.

As part of our portfolio and structural optimisation, we sold our activities in Ukraine and shut down the Degerhamn cement plant in Sweden in April 2019. The closure of this plant improves the average environmental profile of the cement produced in Northern Europe.

Cement business line

The cement and clinker sales volumes of the Northern and Eastern Europe-Central Asia Group area fell by 6.5 % to 23.9 million tonnes (previous year: 25.6). Excluding the activities in Ukraine, the decline amounted to 3.0 %.

While sales volumes increased in Romania, they rose considerably in Kazakhstan and were only slightly above the previous year's level in Russia. The other countries recorded decreases in volumes, which were significant in some cases. However, sales volumes in Czechia were only slightly below the previous year's level. In Northern Europe, delayed infrastructure projects, as well as projects completed in the previous year, led to falling demand. In Bulgaria, the domestic market was adversely affected by intensified competitive pressure and increased imports.

Revenue of the cement business line was slightly below the previous year's level, with a decline of 1.2 % to €1,548 million (previous year: 1,566). However, excluding the consolidation effect from the divestment of the Ukraine activities, revenue rose slightly.

In 2019, several projects were initiated to modernise or convert production facilities such as loading systems, conveyor belts, or silos. They include the construction of a loading station for bulk cement in our Polish Górazdze cement plant and the reconstruction of silos for storing and dosing fly ash in the Czech Radotin cement plant. In the plant in Brevik, Norway, construction work commenced on a new, larger limestone storage with a semi-automatic unloading system, which should be completed by 2020.

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. Aggregates deliveries of the Group area fell by 6.0 % in 2019 to 48.2 million tonnes (previous year: 51.3). Excluding the sale of the Ukraine activities, the decline amounted to 4.3 %.

In 2019, development in the aggregates business varied across the countries of the Group area. While Romania, Sweden, and Greece in particular recorded volume increases, sales volumes in Russia were only slightly above the previous year's level. In contrast, we suffered decreases in volumes in Norway and Czechia in particular. Even the Mibau Group, which made the biggest contribution to sales volumes, recorded a decline.

Revenue of the aggregates business line grew by 1.0 % to €528 million (previous year: 523).

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 produce ready-mixed concrete in all countries, with the exception of Russia and Albania. Ready-mixed concrete deliveries in the Group area fell by 2.6 % to 6.8 million cubic metres (previous year: 7.0). Excluding the activities sold in Ukraine, sales volumes were 1.8 % below the previous year.

While demand for ready-mixed concrete rose primarily in Denmark and Poland, heavier decreases in volumes were recorded in Norway, Sweden, Romania, and Slovakia in particular. In contrast, sales volumes in Czechia were only slightly below the previous year.

Revenue of the ready-mixed concrete-asphalt business line fell by 1.2 % to €631 million (previous year: 639).

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. The main joint ventures in Northern and Eastern Europe-Central Asia are located in Georgia, Hungary, and Bosnia-Herzegovina.

In Georgia, the modernisation of the Kaspi cement plant was completed successfully. The new modern clinker production line fulfils the environmental protection standards and has increased the clinker capacity. Cement sales volumes in Georgia rose significantly compared with the previous year.

In 2019, our joint venture Duna-Dráva Cement Kft. in Hungary commenced work on the modernisation of the Vác cement plant, which, among other things, will help to increase the use of alternative fuels. Cement sales volumes in Hungary increased in comparison with the previous year.

In Bosnia-Herzegovina, we operate one cement plant and several ready-mixed concrete plants. Cement sales volumes in Bosnia-Herzegovina increased slightly compared with 2018.

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 fell by 5.7 % to €396 million (previous year: 420).

Revenue and results

Revenue of the Northern and Eastern Europe-Central Asia Group area decreased by 1.0 % to €2,888 million (previous year: 2,916). Excluding consolidation and exchange rate effects, it rose by 2.4 %.

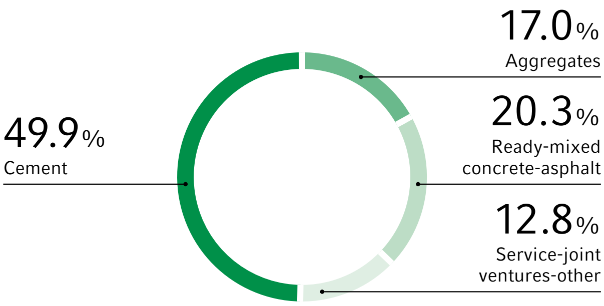
At €677 million (previous year: 576), the result from current operations before depreciation and amortisation was 17.5 % above the level of the previous year. The result from current operations rose by 13.5 % to €474 million (previous year: 417).

Key data Northern and Eastern Europe-Central Asia

€m	2018	2019	Change
Revenue	2,916	**2,888**	-1.0 %
Result from current operations [1]	417	**474**	13.5 %
Cement and clinker sales volumes (Mt)	25.6	**23.9**	-6.5 %
Aggregates sales volumes (Mt)	51.3	**48.2**	-6.0 %
Ready-mixed concrete sales volumes (Mm^3)	7.0	**6.8**	-2.6 %
Employees as at 31 December	12,515	**11,251**	-10.1 %

1) Amount for 2018 was restated

Revenue Northern and Eastern Europe-Central Asia 2019



North America

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

In its January 2020 forecast, the International Monetary Fund predicted a decline in the USA's economic growth in 2019 to 2.3%, versus 2.9% in the previous year. The labour market improved further during the reporting year; in a publication dated December 2019, the Federal Open Market Committee anticipated a decline in the unemployment rate from 3.8% in 2018 to 3.6% in 2019.

Total construction spending in the USA for 2019 is expected to be 1.4% lower than the previous year, as the growth rate of 4.4% in public construction/infrastructure spending will be outpaced by a decline of 6.0% in residential construction and a decrease of 1.2% in commercial construction.

For Canada, the IMF expects the gross domestic product to grow more slowly than in the previous year (1.5% versus 1.9%). The unemployment rate is set to remain flat at 5.8%. The economy in British Columbia benefited from strong non-residential construction and an upturn in residential construction from the middle of the year, particularly in the Vancouver area. In the three Prairie provinces, also important market regions for HeidelbergCement, decreased investment in the oil industry and trade tensions with China impaired economic growth.

Cement business line

Cement and clinker sales volumes of our plants were slightly below the previous year at 16.1 million tonnes (previous year: 16.2), a decrease of 0.5 %. Excluding the white cement activities, which were sold in 2018, sales volumes were slightly higher than in the previous year.

While demand rose in most of our market regions in 2019, it declined in Canada and the US states of California and Washington. In the reporting year, we were able to implement price increases across each region with the

Pacific coast driving the most improvement. Revenue of the cement business line rose by 6.4 % in 2019 to €1,861 million (previous year: 1,748).

In September 2019, we agreed the purchase of the Keystone Cement Co. cement plant in Bath, Pennsylvania, with Giant Cement, a subsidiary of the Mexican company Elementia, S.A.B. de C.V. The transaction has yet to be approved by the competition authorities.

Aggregates business line
In the USA and Western Canada, HeidelbergCement has a network of production sites for sand, gravel, and hard rock. Total sales volumes exceeded the previous year by 3.8 % at 128.1 million tonnes (previous year: 123.4). On a like-for-like basis – i.e. excluding the acquisition of the aggregates and asphalt activities in Vancouver, British Columbia, in December 2018 – sales volumes rose by 3.1 %.

While demand decreased in the Canadian Prairie provinces, in particular, it strongly rose in our North and South regions in the USA. Price increases were implemented in all market regions of the USA and Canada. Revenue in the aggregates business line rose by 13.6 % to €1,822 million (previous year: 1,603).

Ready-mixed concrete-asphalt business line
In the USA and Canada, HeidelbergCement operates numerous ready-mixed concrete plants. Ready-mixed concrete sales volumes rose in 2019 by 8.9 % to 7.7 million cubic metres (previous year: 7.1). Excluding consolidation effects from ready-mixed concrete activities acquired in 2018, the increase amounted to 6.9 %. All market regions benefited from the growing demand, particularly the South region.

In January 2019, we expanded our asphalt activities by increasing our shareholding in California Commercial Asphalt (CCA) from 50 % to 100 %. CCA operates four asphalt plants in southern California.

Asphalt sales volumes increased by 21.7 % to 5.0 million tonnes (previous year: 4.1) as a result of consolidation. Excluding the increase in the share in CCA and the aforementioned aggregates and asphalt activities in Vancouver, asphalt sales volumes rose slightly by 0.3 %. While demand grew in our eastern Pennsylvania and New York markets, it decreased in northern California as a result of adverse weather conditions.

Revenue of the ready-mixed concrete-asphalt business line grew by 19.4 % to €1,303 million (previous year: 1,091).

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. Supported by strong construction activity in Texas and better weather conditions than in the previous year, sales volumes rose by 12.4 % in the reporting year compared with 2018.

Revenue in the business line, which includes the concrete pipes operating line in Canada and other associated activities, rose by 18.6 % to €316 million (previous year: 266).

Revenue and results
After conversion to euro, total revenue in the North America Group area increased by 12.1 % to €4,778 million (previous year: 4,262). Excluding consolidation and exchange rate effects, revenue was up 5.0 % on the previous year.

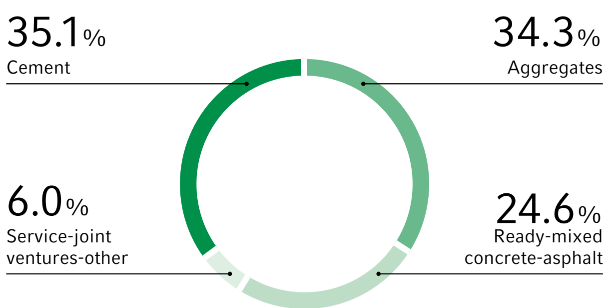
The result from current operations before depreciation and amortisation increased by 6.6 % to €1,042 million (previous year: 978). The result from current operations dropped by 3.0 % to €664 million (previous year: 684).

Key data North America

€m	2018	2019	Change
Revenue	4,262	**4,778**	12.1 %
Result from current operations [1]	684	**664**	-3.0 %
Cement and clinker sales volumes (Mt)	16.2	**16.1**	-0.5 %
Aggregates sales volumes (Mt)	123.4	**128.1**	3.8 %
Ready-mixed concrete sales volumes (Mm³)	7.1	**7.7**	8.9 %
Asphalt sales volumes (Mt)	4.1	**5.0**	21.7 %
Employees as at 31 December	8,750	**9,047**	3.4 %

1) Amount for 2018 was restated

Revenue North America 2019



Asia-Pacific

The Asia-Pacific Group area comprises nine countries. Although our business focuses on cement production, HeidelbergCement is also active in the areas of aggregates and ready-mixed concrete in Australia, Malaysia, Hong Kong, Indonesia, and Thailand.

In its October forecast, the IMF predicted a decline in the Asia and Pacific region's economic growth in 2019 to 5.0 %, versus 5.5 % in the previous year. In China, the increase in the gross domestic product fell to 6.1 %, reflecting the trade tensions with the USA and the delayed effects of the tightening of monetary policy. In India, the economy was adversely affected by a decline in private consumer spending and investment. According to the IMF (January 2020 forecast), economic growth is likely to weaken to 4.8 % in the 2019/2020 fiscal year despite the economy being supported by an easing of the monetary policy, measures to eliminate legal uncertainties connected with the corporate and environment sector, as well as government programmes to promote consumption in rural areas. Economic growth of 5.0 % is forecast for Indonesia and an increase of 2.9 % for Thailand. In Australia, where public expenditure fell and household consumption recorded the smallest increase since the global financial crisis, the gross domestic product grew by 1.7 % in 2019 compared with 2.7 % in the previous year.

Cement business line
In the cement business line, HeidelbergCement is represented in Indonesia, India, Thailand, Bangladesh, and Brunei. In 2019, cement and clinker deliveries of the Asia-Pacific Group area decreased by 3.0 % to 35.8 million tonnes (previous year: 36.9). Via our joint ventures, we also hold cement market positions in China and Australia.

In Indonesia, domestic cement consumption fell by 1.2 % in 2019 because of delays in new projects due to uncertainties in the election year. Cement and clinker sales volumes of our subsidiary Indocement decreased by 1.1 % in comparison with the previous year. Thanks to price rises in core markets as well as successful initiatives to reduce energy costs – particularly due to the intensified use of alternative fuels – Indocement was able to increase its margins considerably and achieve a significant improvement in results.

In India, construction activity in the reporting year was adversely affected by the economic slowdown due to general elections in the country and in individual states, heavy monsoon rains, and a shortage of sand, aggregates, and water. Our total cement and clinker deliveries in India decreased by 8.9 %. Despite the decline in sales volumes, sales prices were increased, more than offsetting cost inflation. In the reporting year, we sold a grinding plant in southern India and a cement terminal in Sri Lanka as part of our portfolio optimisation. In December 2019, we launched a project to generate electricity from kiln waste heat in Yerraguntla in southern India; the installation is set to be commissioned in late 2021.

The construction industry in Thailand continued to develop positively, supported by strong demand – particularly in residential and commercial construction. However, deliveries from our plants rose only slightly owing to delays in projects for which we had been awarded contracts and flooding in the northeast of the country. Nevertheless, price increases led to a significant improvement in results.

In Bangladesh, our deliveries as well as our sales prices increased; however, this was largely offset by the rising cost of clinker procured externally. In October 2019, we put a third cement mill into operation at our Kanchpur plant near Dhaka. In addition, we completed the acquisition of Emirates Cement, which operates a grinding plant, in December 2019.

In the Sultanate of Brunei, the market downturn led to a decline in sales volumes.

Despite the decrease in our sales volumes due to the challenging market conditions, revenue of the cement business line rose by 7.4 % to €1,844 million (previous year: 1,717) as a result of currency-related effects and thanks to effective price management.

Aggregates business line
In the aggregates business line, HeidelbergCement is represented in Australia, Malaysia, Indonesia, and Thailand. In 2019, our aggregates deliveries fell by 8.4 % to 39.8 million tonnes (previous year: 43.4). Through a joint venture, we are also active in the aggregates business in Hong Kong.

In Australia, our largest aggregates market in this Group area in terms of sales volumes, our deliveries were impaired by a market decline in almost all construction sectors. However, sales prices for aggregates were above the previous year's level overall. In the course of 2019, we completed the expansion of the Bass Point aggregates plant near Sydney and the upgrading of the Lysterfield aggregates plant in Melbourne.

Malaysia recorded a slight decline in market development in 2019, and significant excess capacities limited the possibilities for price increases in the aggregates operating line. Demand also decreased significantly in Indonesia and Thailand during the reporting year. In Indonesia, we started a new project in Pamoyanan, West Java, to develop a quarry with an annual capacity of 2.5 million tonnes. This new quarry will help to secure the supply of aggregates to our ready-mixed concrete activities in the greater Jakarta area.

Revenue of the aggregates business line decreased by 3.8 % to €570 million (previous year: 592), primarily 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 3.1 % in 2019 to 12.0 million cubic metres (previous year: 11.6). Consolidation effects in Australia and Malaysia as well as the increased demand in Malaysia and Thailand contributed to this development. Excluding consolidation effects, deliveries were 3.0 % below the previous year. While price pressure persisted in some of Australia's markets, sales prices developed positively in Malaysia, Indonesia, and Thailand.

To expand our market position in Malaysia, we acquired the ready-mixed concrete company Cemix on 1 March 2019. Cemix operates five ready-mixed concrete plants in the capital Kuala Lumpur.

The deliveries of the asphalt operating line in Australia and Malaysia rose by 9.1 % to 2.3 million tonnes (previous year: 2.1). On account of consolidation effects and a recovery of demand in the second half of the year, Australia recorded significant growth in volumes. Excluding consolidation effects, sales volumes increased by 5.9 %. In May 2019, a new asphalt plant was commissioned in Melbourne.

Revenue of the ready-mixed concrete-asphalt business line grew by 1.7 % to €1,225 million (previous year: 1,204).

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 of our Australian joint venture, Cement Australia.

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 6.6 % in 2019 as a result of the continuing strength of infrastructure and residential construction in our markets. Cement prices also increased in both provinces, particularly as a result of state-ordered kiln stops and the market recovery.

In Australia, our joint venture Cement Australia achieved an increase in sales volumes.

Revenue of the business line, which is only generated by a few non-core activities, fell by 26.5 % to €51 million (previous year: 69); the decline is primarily due to the sale of our two Australian precast concrete plants in the previous year.

Revenue and results

Revenue of the Asia-Pacific Group area rose by 3.4 % to €3,372 million (previous year: 3,262); excluding consolidation and exchange rate effects, revenue decreased slightly by 0.9 %.

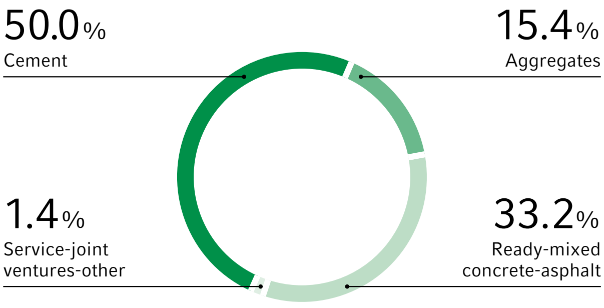
The result from current operations before depreciation and amortisation increased by 24.6 % compared with the previous year to €746 million (previous year: 599). The result from current operations rose by 18.2 % to €493 million (previous year: 417).

Key data Asia-Pacific

€m	2018	2019	Change
Revenue	3,262	**3,372**	3.4 %
Result from current operations [1]	417	**493**	18.2 %
Cement and clinker sales volumes (Mt)	36.9	**35.8**	-3.0 %
Aggregates sales volumes (Mt)	43.4	**39.8**	-8.4 %
Ready-mixed concrete sales volumes (Mm^3)	11.6	**12.0**	3.1 %
Asphalt sales volumes (Mt)	2.1	**2.3**	9.1 %
Employees as at 31 December	14,086	**13,190**	-6.4 %

1) Amount for 2018 was restated

Revenue Asia-Pacific 2019



Africa-Eastern Mediterranean Basin

HeidelbergCement operates in 17 countries in the Africa-Eastern Mediterranean Basin Group area. The countries south of the Sahara experienced healthy economic growth during the reporting year, driven mainly by strong population growth and urbanisation. In addition, we have further optimised our portfolio with the start of operation of a new grinding plant in South Africa, a new kiln in the Democratic Republic of Congo, and a new roller press in Liberia.

We mainly manufacture cement in the eleven countries south of the Sahara. We are one of the four biggest cement producers in that region and the market leader in Ghana, Liberia, Sierra Leone, Togo, and Burkina Faso. The countries where we generate the greatest sales volumes are Ghana, Tanzania, and Togo.

In North Africa, Morocco and Egypt are among the largest markets in the Group area in terms of cement sales volumes. We also produce ready-mixed concrete in both countries, and we are active in the aggregates business in Morocco.

In the eastern Mediterranean Basin, we have plants in Israel and Turkey, as well as a company in Palestine for the local market. While we mainly produce aggregates and ready-mixed concrete in Israel, our joint venture Akçansa in Turkey is one of the country's largest cement manufacturers and also runs ready-mixed concrete and aggregates operations. Thanks to its ports, Akçansa is also creating value as an exporter for our positions in Africa and transoceanic destinations.

Demand for building materials in Africa – particularly south of the Sahara – continued to develop positively in 2019. The market environment was characterised by robust local economic development with a young and rapidly growing population, as well as steadily progressing immigration to cities and urban areas. A key indicator is the rising per capita consumption of cement, which is still significantly lower in the sub-Saharan countries than in more developed or industrialised countries. Our production sites, which are primarily located close to urban centers, are well positioned to serve the growing demand for building materials.

According to the January 2020 forecast of the IMF, the economy in sub-Saharan Africa grew by an estimated 3.3 % in 2019.

HeidelbergCement's largest production sites south of the Sahara in terms of cement sales volumes are located in fast-growing countries such as Togo, Tanzania, Ghana, Burkina Faso, and Benin. The growth expectations outlined by the IMF in October 2019 for these countries range from 5.1 % (Togo) to 7.5 % (Ghana).

The IMF anticipates that Morocco's gross domestic product will have improved by 2.7 % in 2019. The construction industry had not fully recovered from its downturn since the peak in 2012 but remained slightly above the previous year's level.

Egypt is expected to record economic growth of 5.5 % in 2019 despite a 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 6.3 %. Together with heavy price pressure due to the commissioning of additional capacities by state-owned enterprises, this creates a highly competitive market environment.

According to the IMF's October forecast, economic output rose by 0.2 % in Turkey in 2019. Economic development was adversely affected by the weak local currency and high inflation. The construction industry suffered as a result of declining investments.

Israel is recording positive economic growth, with an anticipated rise of 3.1 % for 2019. Overall, the construction industry benefited from a positive economic environment, with public infrastructure spending continuing to be the main driver.

Cement business line

The cement and clinker sales volumes of the Africa-Eastern Mediterranean Basin Group area fell slightly by 1.0 % to 19.5 million tonnes (previous year: 19.7). Excluding a consolidation effect in Egypt, it remained at the previous year's level.

In the countries south of the Sahara, sales volumes rose by 1.6 % overall, but there are clear differences at country level. In Ghana, we recorded a decline in sales volumes as a result of intensified competition and reduced demand. While sales volumes in Tanzania increased slightly, we were able to increase clinker production in Togo significantly in order to cover the growing demand in the region – Burkina Faso, Benin, and Togo.

In the North Africa region, which includes Egypt, Morocco, and Mauritania, sales volumes fell by 6.8 % in the reporting year to 10.9 million tonnes (previous year: 11.7). Particularly in Egypt, excess capacities rose sharply in 2019 and we responded to this by decommissioning our cement plant in Tourah.

We carried out additional portfolio optimisation measures to counteract the at times very difficult market environment in North Africa. In the reporting year, we sold our white cement plant in Egypt and reduced our share in the Moroccan subsidiary Ciments du Maroc S.A. from 62.3 % to 51.0 %. We also sold our activities in Mauritania; this transaction was completed on 8 January 2020.

In contrast, we expanded our cement activities in some of the fast-growing countries. A project in the Democratic Republic of Congo to increase the kiln capacity was launched in 2018 and officially completed in the fourth quarter of 2019. In Liberia, we increased the cement capacity by installing a new roller press. Additionally, we put a cement terminal in Israel into operation in the first quarter of 2019 and plan to construct new storage capacities to consolidate our vertically integrated market positions in cement, aggregates, and ready-mixed concrete. We also focused on investments to increase fuel flexibility, particularly in Egypt, Morocco, Togo, and Turkey.

Revenue of the cement business line rose by 3.2 % to €1,334 million (previous year: 1,293).

Aggregates business line

HeidelbergCement is largely active in Israel and Morocco in the aggregates business line. In Israel, our volumes declined as a result of limited reserves. In Morocco, aggregates sales volumes also fell significantly short of the previous year. Total aggregates deliveries of the Group area declined in the reporting year by 12.3 % to 8.9 million tonnes (previous year: 10.1).

Revenue of the aggregates business line decreased by 1.9 % to €94 million (previous year: 96).

Ready-mixed concrete-asphalt business line

Our market presence in this Group area extends to Egypt, Morocco, and Israel. Ready-mixed concrete deliveries in 2019 reached the previous year's level once again with 5.3 million cubic metres (previous year: 5.3). In the asphalt operating line, where our only activities are in Israel, asphalt sales volumes decreased by 15.0 % to 0.4 million tonnes (previous year: 0.5). We were able to increase total revenue of the ready-mixed concrete-asphalt business line by 6.7 % to €361 million (previous year: 338).

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 2019, the domestic cement sales volumes of Akçansa decreased in comparison with the previous year as a result of the sustained slowdown in the construction sector. The focus was on exports of cement and clinker, which grew significantly by around 70 %. Overall, Akçansa's cement and clinker sales volumes were slightly above the previous year, with an increase of 1.0 %.

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

In this business line, revenue of €35 million (previous year: 40) was realised in 2019 with some non-core activities.

Revenue and results

Revenue of the Africa-Eastern Mediterranean Basin Group area increased by 1.2 % to €1,686 million (previous year: 1,667). Excluding consolidation and exchange rate effects, revenue was down slightly on the previous year, by 0.7 %.

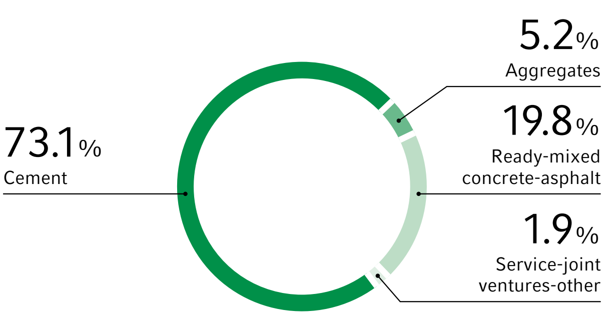
The result from current operations before depreciation and amortisation increased by 2.6 % to €392 million (previous year: 382). The result from current operations was just below the previous year at €282 million (previous year: 283).

Key data Africa-Eastern Mediterranean Basin

€m	2018	2019	Change
Revenue	1,667	**1,686**	1.2 %
Result from current operations [1]	283	**282**	-0.4 %
Cement and clinker sales volumes (Mt)	19.7	**19.5**	-1.0 %
Aggregates sales volumes (Mt)	10.1	**8.9**	-12.3 %
Ready-mixed concrete sales volumes (Mm^3)	5.3	**5.3**	0.0 %
Asphalt sales volumes (Mt)	0.5	**0.4**	-15.0 %
Employees as at 31 December	6,214	**5,498**	-11.5 %

1) Amount for 2018 was restated

Revenue Africa-Eastern Mediterranean Basin 2019



Group Services

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

HCT's mission is the international purchasing, transport, and sale of dry bulk goods for HeidelbergCement via sea routes. HCT optimises the utilisation of our cement plants worldwide by balancing supply and demand for cement and clinker. The company is responsible for the supply of fuels and building materials.

Since being founded in 1996, HCT has made its experience in international trade and in solving logistical problems available to all companies in the international cement industry.

In the reporting year, HCT's trade volume fell by 1.5 % to 30.4 million tonnes (previous year: 30.9), primarily because of the decline in global trade and the economic downturn in a number of countries. HCT supplied customers in 91 countries from 47 supplier countries. The majority of the deliveries went to Africa and Asia as well as North America. Among the key supplier countries were Turkey, Saudi Arabia, Indonesia, and Vietnam.

In 2019, more than 1,300 shipments were conducted via the main sea routes of Asia, the Mediterranean Basin, and continental Europe.

Revenue and results

Revenue of the Group Services business unit fell by 8.2 % in comparison with the previous year to €1,611 million (previous year: 1,754). The decline related primarily to a decrease in international solid fuel market prices and to our fuel trading, which was significantly reduced on the grounds of risk considerations.

At €18 million (previous year: 38), the result from current operations before depreciation and amortisation was 52.0 % below the level of the previous year. The result from current operations fell by 60.9 % to €14 million (previous year: 35). This decline in the reporting year was caused by strong competitive pressure and weakening financial solidity on customer side.

Key data Group Services

€m	2018	2019	Change
Revenue	1,754	**1,611**	-8.2 %
Result from current operations [1]	35	**14**	-60.9 %
Trading volumes (Mt)	31	**30**	-1.5 %
Cement and clinker sales volumes (Mt)	0.8	**0.7**	-6.2 %
Ready-mixed concrete sales volumes (Mm^3)	0.6	**0.5**	-8.0 %
Employees as at 31 December	472	**454**	-3.8 %

1) Amount for 2018 was restated

Discontinued operations

The result from discontinued operations of €-32 million (previous year: -14) 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 2019 financial year, cash inflow from operating activities of continuing operations increased significantly by €695 million to €2,664 million (previous year: 1,969). The financial resources thus obtained were used, in particular, to reduce financial debt.

The significant rise in cash inflow from operating activities is based, on the one hand, on the operating activities and our expenditure discipline and, on the other hand, on the change in the presentation of lease payments in the statement of cash flows as a result of IFRS 16. In accordance with IFRS 16, the repayment portion of lease payments is shown in the cash flow from financing activities. Only the interest payments attributable to the leases remain in the cash flow from operating activities. In the reporting year, the repayment of lease liabilities amounted to €285 million and interest payments to €45 million. In the previous year, payments resulting from operating leases completely impaired the cash flow from operating activities.

Dividends received, which were lower than the previous year's level at €217 million (previous year: 250), mainly include payouts from joint ventures and associates. Interest received increased by €25 million to €133 million (previous year: 107) compared with 2018. The decline of €23 million in interest payments to €485 million (previous year: 508) is primarily due to more favourable refinancing conditions. This item also includes interest payments of €45 million attributable to leases. Compared with the previous year, income taxes paid rose by €33 million to €294 million (previous year: 261), while cash outflows from the utilisation of provisions declined by €8 million to €315 million (previous year: 324). The decrease in working capital of €76 million (previous year: increase of 107) had a significant positive impact on the cash flow from operating activities compared with the previous year.

Net cash used in investing activities of continuing operations fell by €228 million to €907 million (previous year: 1,134). Cash-relevant investments decreased by €407 million to €1,316 million (previous year: 1,723). This decline is especially attributable to the lower payments for the acquisition of subsidiaries and other business units amounting to €92 million (previous year: 624), which mainly related to business combinations in France, Bangladesh , and North America. Investments for sustaining and optimising our capacities amounted to €911 million (previous year: 680), and €405 million (previous year: 1,043) related to capacity expansions. Further details can be found in the Investments section on ↗ page 37 f. and in the Business combinations in the reporting year section of the Notes on ↗ page 121 f. Of the cash-relevant divestments amounting to €413 million (previous year: 562), the cash inflow from the disposal of subsidiaries and other business units accounted for €165 million (previous year: 280), which particularly relates to divestments in Italy, Egypt, Germany, and Ukraine as part of the portfolio optimisation. Further details

Consolidated statement of cash flows (short form)

€m	2018	2019	Difference
Cash flow	2,399	**2,903**	504
Changes in working capital	-107	**76**	183
Decrease in provisions through cash payments	-324	**-315**	8
Cash flow from operating activities – continuing operations	1,969	**2,664**	695
Cash flow from operating activities – discontinued operations	-1	**-1**	0
Cash flow from operating activities	1,968	**2,664**	695
Investments (cash outflow)	-1,723	**-1,316**	407
Divestments (cash inflow) and change in consolidation scope	589	**410**	-179
Cash flow from investing activities – continuing operations	-1,134	**-907**	228
Cash flow from investing activities – discontinued operations		**1**	1
Cash flow from investing activities	-1,134	**-906**	228
Capital increase / decrease – non-controlling interests	8	**0**	-8
Dividend payments	-565	**-586**	-22
Changes in ownership interests in subsidiaries	-20	**117**	137
Net change in bonds, loans, and lease liabilities	228	**-404**	-633
Cash flow from financing activities – continuing operations	-348	**-873**	-525
Cash flow from financing activities – discontinued operations			
Cash flow from financing activities	-348	**-873**	-525
Effect of exchange rate changes	-7	**73**	80
Change in cash and cash equivalents	479	**958**	479

can be found in the Divestments in the reporting year section of the Notes on ↗ page 123 f. Proceeds from the disposal of other fixed assets amounting to €248 million (previous year: 282) relate with €176 million (previous year: 165) to cash inflow from the sale of intangible assets and property, plant and equipment. The remaining payments received of €72 million (previous year: 117) 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. The change to the scope of consolidation resulted in a cash outflow of €3 million in the financial year (previous year: cash inflow of 27).

Financing activities of continuing operations generated a cash outflow of €873 million in 2019 (previous year: 348). The cash outflow arising from the net proceeds from and repayment of bonds and loans of €404 million (previous year: cash inflow of 228) included in this figure covers the change in long- and short-term interest-bearing liabilities, mainly comprising the issue of one bond of €750 million, the repayment of two bonds with a total value of €1.0 billion, and the repayment of lease liabilities amounting to €285 million. 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, two bonds with a total value of €1.50 billion were issued and three bonds of €1.48 billion were repaid. The proceeds of €209 million (previous year: 6) from the decrease in ownership interests in subsidiaries result from the disposal of 11.3 % of the shares in Ciments du Maroc S.A. The payments of €92 million (previous year: 26) made to increase ownership interests in subsidiaries are mainly related to the acquisition of the remaining shares in the Nordic Precast Group AB in 2018. Dividend payments led to a cash outflow of €586 million (previous year: 565), with dividend payments of HeidelbergCement AG making up €417 million (previous year: 377) of this figure.

In the 2019 financial year, HeidelbergCement was able to meet its payment obligations at all times.

Investments

Active portfolio management, with disciplined investment activities, formed a significant cornerstone of our cash management in the 2019 financial year. Cash-relevant investments totalled €1,316 million in 2019 (previous year: 1,723). Including the increase in ownership interests in subsidiaries, cash-relevant maintenance and growth investments fell to €1,409 million (previous year: 1,749).

On the other hand, there were cash-relevant divestments of €413 million (previous year: 562) and cash and cash equivalents divested in the context of acquisitions and divestments amounting to a net total of €4 million (previous year: acquired cash and cash equivalents of 27). Including the decrease in ownership interests in subsidiaries, cash-relevant divestments totalling €622 million (previous year: 568) were recorded.

Thanks to the consistent implementation of our action plan to accelerate the optimisation of our portfolio, the cash-relevant net investments of €907 million remained markedly below the planned figure of €950 million. Including the changes in ownership interests in subsidiaries, the cash-relevant net amount was €786 million.

€1,183 million (previous year: 1,061) was attributed to investments in property, plant and equipment (including intangible assets).

On the one hand, investments in property, plant and equipment related to maintenance, optimisation, and environmental protection measures at our production sites. Throughout the Group, our investment activities remained focused on improving our environmental protection activities. This includes investment in reducing dust, nitrogen oxide, and sulphur oxide emissions, as well as increasing the use of alternative fuels and raw materials. The Germany Cement Master Plan – an investment programme for the modernisation and efficiency improvement of our cement plants and environmental protection, launched in Germany in 2014 – was largely completed with the commissioning of the new kiln line in Schelklingen. There was also substantial capital spending on the construction of the new headquarters in Heidelberg, the modernisation or construction of new production facilities at our cement plants in the Northern and Eastern Europe-Central Asia Group area, and the increase in fuel flexibility at the cement plants in the Africa-Eastern Mediterranean Basin Group area. The upgrading of the Bass Point and Lysterfield quarries in Australia were important projects in the aggregates business line.

On the other hand, we also made targeted investments in 2019 for profitable growth in selected markets, in line with our long-term growth strategy. These included the development of a new aggregates quarry in West Java, Indonesia, the commissioning of a third cement mill at the Kanchpur plant in Bangladesh, and an increase in the kiln capacity in the Democratic Republic of Congo.

Investments in financial assets and other business units fell to €134 million (previous year: 663). These primarily included the acquisition of the aggregates and ready-mixed concrete activities of Cemex in Central France, an increase in our shareholding in California Commercial Asphalt in the USA from 50 % to 100 %, and the acquisition of Emirates Cement, which operates a grinding plant in Bangladesh. In addition, we increased our ownership interests in subsidiaries by €92 million (previous year: 26) as part of our portfolio management. This related primarily to the increase in our shareholding in the Nordic Precast Group in Northern Europe from 60 % to 100 %.

In 2019, HeidelbergCement made further progress in its portfolio optimisation, with the divestment of a number of activities that did not form part of the core business or did not meet our return requirements. In addition, HeidelbergCement sold 11.3 % of the share capital of Ciments du Maroc, the

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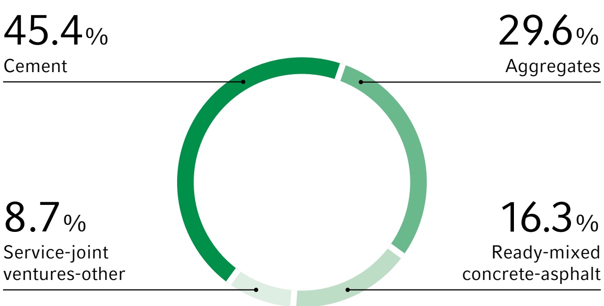
El Minya white cement plant in Egypt, the Spoleto and Testi cement plants and two grinding plants in Italy, Baustoffwerke Dresden in Germany, a grinding plant in southern India, a cement terminal in Sri Lanka, and the business activities in Ukraine. Overall, we made cash-relevant disposals of €622 million, clearly exceeding our target of €500 million in the 2019 financial year. Our divestment programme in 2018 and 2019 has therefore already generated proceeds of €1.2 billion. We are confident of achieving our goal of €1.5 billion by the end of 2020.

Investments

€m	2018	2019	Change
Western and Southern Europe	389	**440**	13.2 %
Northern and Eastern Europe-Central Asia	134	**154**	14.5 %
North America	267	**338**	26.4 %
Asia-Pacific	196	**183**	-6.4 %
Africa-Eastern Mediterranean Basin	69	**68**	-2.1 %
Group Services	6	**0**	-95.8 %
Financial assets and other business units	663	**134**	-79.8 %
Total	1,723	**1,316**	-23.6 %

Investments in property, plant and equipment by business lines in 2019



Consolidated balance sheet

The balance sheet total rose by €2,805 million to €38,589 million (previous year: 35,783) as at 31 December 2019. This was influenced by the recognition of right-of-use assets on the assets side and lease liabilities on the equity and liabilities side resulting from the initial application of IFRS 16 Leases.

Non-current assets grew by €1,970 million to €30,261 million (previous year: 28,292). Adjusted for positive exchange rate effects of €705 million, the rise amounted to €1,264 million. The increase is primarily attributable to the growth of €1,568 million in property, plant and equipment to €14,529 million, which is mainly due to the initial application of IFRS 16. The initial capitalisation of right-of-use assets amounting to €1,308 million on 1 January 2019 decreased by €46 million to €1,262 million as at 31 December 2019. At €382 million, exchange rate effects also contributed to the rise in property, plant and equipment. The growth of €364 million in intangible fixed assets to €12,184 million was the result of positive currency effects of €245 million and gains in goodwill of €61 million due to new acquisitions.

Current assets rose by €899 million to €8,311 million (previous year: 7,412). Inventories grew by €135 million to €2,170 million (previous year: 2,035), which resulted primarily from an increase in finished goods and goods for resale of €94 million. Receivables and other assets reduced by €210 million to €2,555 million (previous year: 2,764). Cash and cash equivalents rose by €956 million to €3,542 million (previous year: 2,586), particularly due to strong operating income before depreciation (OIBD). The change in cash and cash equivalents is explained in more detail in the Statement of cash flows section on ↗ page 36 f.

On the equity and liabilities side, equity rose by €1,683 million to €18,504 million (previous year: 16,822). The increase is particularly due to the comprehensive income for the reporting year of €2,051 million, which is composed of the profit for the financial year amounting to €1,242 million and other comprehensive income of €809 million. Other comprehensive income substantially contains currency translation gains of €902 million, actuarial losses of €71 million, and the negative change in fair value of the investments in equity instruments of €36 million. In addition, the change in ownership interests in subsidiaries amounting to €196 million also contributed to the rise, as did non-controlling interests with put options to the amount of €20 million. However, approved dividends of €586 million, which have already been paid out, had an offsetting effect.

The rise of €1,047 million in interest-bearing liabilities to €12,028 million (previous year: 10,981) is primarily the result of accounting for lease liabilities in accordance with IFRS 16. The €1,325 million for lease liabilities shown in the opening balances as at 1 January 2019, of which €1,312 million are attributable to the initial application of IFRS 16, decreased by €39 million to €1,286 million as at 31 December 2019. Furthermore, two bonds with a total value of €1.0 billion were repaid in the reporting year, and one new bond of €750 million was issued.

Provisions grew by €39 million to €2,546 million (previous year: 2,507). Operating liabilities, including liabilities from income taxes, rose by €43 million to €4,783 million (previous year: 4,740). The increase is primarily composed of a rise of €85 million in trade payables and a drop of €32 million in other current operating liabilities.

In the reporting year, the net debt/equity ratio (gearing) improved by 4.0 percentage points to 45.5 % (previous year: 49.5 %). The definition of net debt was modified as at 31 December 2019 and now also includes non-current derivative financial instruments with a positive fair value of €31.1 million (previous year: 44.1). The previous year's value has been adjusted accordingly.

Consolidated balance sheet (short form)

€m	31 Dec. 2018	31 Dec. 2019	Part of balance sheet total 2019
Assets			
Intangible assets and property, plant, and equipment	24,782	**26,713**	69 %
Financial assets	2,107	**2,128**	6 %
Other non-current assets	1,403	**1,420**	4 %
Current assets	7,412	**8,311**	22 %
Assets held for sale	79	**16**	0 %
Balance sheet total	35,783	**38,589**	100 %
Equity and liabilities			
Shareholders' equity and non-controlling interests	16,822	**18,504**	48 %
Non-current liabilities	12,697	**12,693**	33 %
Current liabilities	6,254	**7,390**	19 %
Liabilities associated with assets held for sale	11	**1**	0 %
Balance sheet total	35,783	**38,589**	100 %

Key financial ratios

	2018	2019
Assets and capital structure		
Equity/balance sheet total	47.0 %	**48.0 %**
Net debt [1]/balance sheet total	23.3 %	**21.8 %**
Equity + non-current liabilities/fixed assets	109.8 %	**108.2 %**
Gearing (net debt/equity)[1]	49.5 %	**45.5 %**
Earnings per share		
Earnings per share (€)	5.76	**5.50**
Profitability		
Return on total assets before taxes [2]	5.8 %	**5.1 %**
Return on equity [3]	7.7 %	**6.9 %**
Return on revenue [4]	7.2 %	**6.8 %**

1) Changed due to adjusted net debt definition
2) Result before tax from continuing operations + interest expenses/balance sheet total
3) Net income from continuing operations/equity
4) 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 6.6 % in 2019 (previous year: 6.3 %). The rise in WACC results in particular from the increase in equity costs. ROIC of HeidelbergCement was 6.9 % for 2019 (previous year: 6.9 %). The detailed calculation is shown in the following table. In 2019, HeidelbergCement earned once again a considerable premium on its cost of capital.

Return on Invested Capital (ROIC)

€m	2018 [1]	2019
Result from current operations	2,009.6	**2,186.3**
Income taxes paid	-260.8	**-294.1**
Total	1,748.8	**1,892.2**
Equity (incl. non-controlling interests)	16,821.7	**18,504.4**
Net debt	8,323.3	**8,410.4**
Liabilities for puttable minorities	-83.4	**-63.7**
Invested capital	25,061.7	**26,851.1**
Average invested capital (of the past four quarters)	25,481.2	**27,455.5**
Return on Invested Capital (ROIC)	6.9 %	**6.9 %**

1) 2018 amounts were restated see the Notes: Other changes, page 119 f.

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.

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.

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 2019, 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.

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.

The following table shows the new issues and repayments of HeidelbergCement Group in 2019.

New issues and repayments of HeidelbergCement Group

Transaction	Offering date	Duration	Maturity date	Nominal volume	Yield
Disbursement	2019-08-08	10 years	2029-03-30	€m 86	1.00 %
New issue	2019-07-01	8.5 years	2027-12-01	€m 750	1.13 %
Amortisation	2016-06-24	7 years	2023-06-30	€m 19.2	1.29 %
Repayment	2014-03-12	5 years	2019-03-12	€m 500	2.25 %
Repayment	2009-10-21	10 years	2019-10-31	€m 500	8.50 %

The following tables show the financial liabilities of HeidelbergCement Group as at 31 December 2019.

Bonds payable

Issuer (€m)	Nominal volume	Book value	Coupon rate in %	Offering date	Maturity date	ISIN
Italcementi Finance S.A.	750.0	789.5	5.375	2010-03-19	2020-03-19	XS0496716282
HC Finance Luxembourg S.A.	750.0	763.0	7.500	2010-01-19	2020-04-03	XS0478803355
HC Finance Luxembourg S.A.	300.0	303.9	3.250	2013-10-24	2020-10-21	XS0985874543
HC Finance Luxembourg S.A.	750.0	752.7	0.500	2017-01-18	2021-01-18	XS1549372420
HC Finance Luxembourg S.A.	500.0	509.9	3.250	2013-12-12	2021-10-21	XS1002933072
HC Finance Luxembourg S.A.	750.0	754.1	0.500	2018-08-09	2022-08-09	XS1863994981
HeidelbergCement AG	1,000.0	1,012.9	2.250	2016-03-30	2023-03-30	XS1387174375
HeidelbergCement AG	750.0	753.5	2.250	2016-06-03	2024-06-03	XS1425274484
HeidelbergCement AG	1,000.0	1,002.0	1.500	2016-12-07	2025-02-07	XS1529515584
HC Finance Luxembourg S.A.	1,000.0	1,007.3	1.625	2017-04-04	2026-04-07	XS1589806907
HC Finance Luxembourg S.A.	500.0	498.6	1.500	2017-06-14	2027-06-14	XS1629387462
HC Finance Luxembourg S.A.	750.0	739.6	1.125	2019-07-01	2027-12-01	XS2018637327
HC Finance Luxembourg S.A.	750.0	749.8	1.750	2018-04-24	2028-04-24	XS1810653540
Total		**9,636.8**				

Bank loans

Issuer (€m)	Nominal volume	Book value	Coupon rate in %	Offering date	Maturity date
Debt certificates					
HeidelbergCement AG	360.5	366.1	1.850	2016-01-20	2022-01-20
Syndicated facility					
HeidelbergCement AG	3.5	-4.1		2018-01-12	2025-01-10
KfW-promoted loan					
HeidelbergCement AG		67.2	1.290	2016-06-24	2023-06-30
European Investment Bank-promoted loan					
HeidelbergCement AG	180.0	179.9		2018-01-04	2023-01-04
KfW-promoted loan					
HeidelbergCement AG		86.0	1.000	2019-08-08	2029-03-30
Others					
Other Group companies		184.6			
Total		**879.6**			

Other interest-bearing liabilities

Issuer (€m)	Book value
Finance Lease Liabilities	
HeidelbergCement Group	1,285.7
Derivative Financial Instruments	
HeidelbergCement Group	50.3
Others	
HeidelbergCement Group	111.7
Total	**1,447.7**

Non-controlling interests with put options

€m	Book value
Non-controlling interests with put options	63.7
Total	**63.7**

Financing measures

In 2019, we raised capital on the capital market at favourable conditions by issuing one bond under the €10 billion EMTN programme. The issue was launched on 1 July with a €750 million bond and eight-and-a-half-year term ending on 1 December 2027. The bond bears a fixed coupon of 1.125 % p.a. The issue price was at 99.127 %, resulting in a yield to maturity of 1.235 %. The issue proceeds from the Eurobonds were used for general corporate financing purposes and the refinancing of maturities.

Additionally, the funds from the promoted loan of €86 million from the Kreditanstalt für Wiederaufbau (KfW) were received on 8 August 2019. These funds were invested in the construction of the new HeidelbergCement Group headquarters in Heidelberg, as part of the KfW energy efficiency programme. Thanks to structural and technical measures to improve energy efficiency, as well as the use of renewable energies, our new Group headquarters meet the energy standard of a KfW efficiency house, characterised by low energy consumption and reduced CO_2 emissions

The revolving syndicated credit facility of €3 billion was available as a liquidity reserve. As at 31 December 2019, only €127.9 million had been drawn upon the facility. The free credit line amounted to €2,872.1 million at the end of 2019 (see following table). On 15 November the second extension option was exercised extending the term of the credit by one year until January 2025. 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. 2019
Syndicated Credit Facility (SFA)	3,000.0
Utilisation (cash)	3.5
Utilisation (guarantee)	124.4
Free credit line	**2,872.1**

According to the terms and conditions of the bond issued in 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 €3,491 million and the consolidated interest expense of €321 million are calculated on a pro forma basis in accordance with the terms and conditions of the bonds. At the end of 2019, the consolidated coverage ratio amounted to 10.87. Due to the first-time application of IFRS 16 in 2019, net debt rose in the reporting year by €0.1 billion and amounted to €8.4 billion (previous year: 8.3) as at 31 December 2019. Excluding IFRS 16, net debt decreased by €1.2 billion. The dynamic gearing ratio amounted to 2.3x (previous year: 2.7x).

The following table shows the main liquidity instruments as at 31 December 2019.

Liquidity instruments

€m	31 Dec. 2019
Cash and cash equivalents	3,541.5
Liquidable financial investments and derivative financial instruments	75.9
Free credit line	2,872.1
Free liquidity	**6,489.5**

In addition, we increased our Euro Commercial Paper Programme from €1.5 billion to €2 billion in 2019. We were able to successfully continue issuance activity in the money market and issued a total volume of €2.3 billion via this programme over the course of 2019. 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 2019, none of the commercial papers issued by HeidelbergCement AG remained outstanding. The €3 billion syndicated credit facility thereby serves as a backup line.

Rating

In the 2019 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 18 July 2019, S&P Global Ratings raised the outlook for our credit rating to positive while it remained positive with Moody's Investors Service and stable with Fitch Ratings.

Ratings as at 31 December 2019

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-	positive	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.

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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.

Revenue of the cement business line rose by 6.6 % to €629 million (previous year: 590). This increase is primarily due to the good development of construction activity in Germany during the financial year. Total revenue of HeidelbergCement AG grew by €102 million to €872 million (previous year: 770). This increase essentially results from the intra-Group services of €177 million (previous year: 168) provided by HeidelbergCement AG. In addition, revenue from goods purchased for resale rose significantly in comparison with the previous year as a result of intra-Group processing of emissions trading transactions. 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 2018. Adjusted for non-recurring effects resulting from provisions for risks in previous years and appreciations to financial assets in 2019 as well as partial reversal of provisions for risks, profit for the financial year was at the level of the previous year.

Expenditure on raw materials, consumables, and supplies rose by €65 million compared with the previous year. This was mainly due to intra-Group emissions trading transactions.

Other operating income increased by €11 million to €38 million (previous year: 27). Because of the persistently high demands connected with its leading role within the Group, the number of employees of HeidelbergCement AG increased slightly. Personnel costs rose by €9 million to €241 million (previous year: 232). Other operating expenses decreased by €136 million to €290 million (previous year: 426). Overall, earnings before interest and taxes (EBIT) improved by €171 million to €5 million (previous year: -166). This was mainly due to the significant decrease in expenses from the addition to risk provisions. The results from participations improved by €36 million to €33 million (previous year: -3).

Income from loans rose by €14 million to €66 million (previous year: 52). Other interest and similar income decreased by €64 million to €187 million (previous year: 251). Interest and similar expenses increased by €3 million to €295 million (previous year: 292). 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 of €25 million. Positive market values of €29 million are not recognised as assets. The currency result in the 2019 financial year amounted to €-8 million (previous year: 16).

Reversals of impairment losses reached €70 million and amounts written off financial assets totalled €4 million in the 2019 financial year. The income tax expense of €16 million (previous year: 58) results from taxes for the reporting year. In the previous year, adjustments were made, which related in particular to a company audit for the assessment period of the tax years 2012 to 2015. Profit for the 2019 financial year amounted to €35 million (previous year: loss of -204), while balance sheet profit was €445 million (previous year: 427).

The balance sheet total increased by €0.5 billion compared with the previous year to €26.9 billion (previous year: 26.4).

On the assets side, investments in subsidiaries increased by €70 million, primarily as a result of write-ups of shares.

Loans to subsidiaries remained almost unchanged at the previous year's level of €1.7 billion. Accordingly, financial assets also stayed at the previous year’s level of €23.1 billion. Total fixed assets rose to €23.8 billion (previous year: 23.7). Inventories grew by €18 million to €84 million (previous year: 66). In addition to an increase in raw materials, consumables, and supplies, due to a rise in stocks of spare parts resulting from investments, this growth was due in particular to further intra-Group purchases of CO_2 emission rights. Trade receivables were slightly below the previous year’s level at €8.2 million (previous year: 8.4). Receivables and other assets fell to €1.3 billion (previous year: 1.5). This was primarily due to the decline in receivables from subsidiaries to €1.2 billion (previous year: 1.5). Cash and cash equivalents rose by €559 million to €1.7 billion (previous year: 1.1).

On the equity and liabilities side, equity fell to €12.4 billion (previous year: 12.8), largely because of the dividend distribution. Provisions decreased slightly in comparison with the previous year to €0.6 billion (previous year: 0.7). Liabilities rose by €0.9 billion to €13.9 billion (previous year: 13.0).

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For 2020, we expect cement revenue to slightly increase. We also expect revenue from intra-Group services to rise moderately as a result of further increasing tasks in the context of the leading role of HeidelbergCement AG within the Group. Total revenue of HeidelbergCement AG will therefore rise slightly in 2020. Result for the 2020 financial year is anticipated to reach the 2019 level due to slightly rising prices for raw materials, consumables, and supplies.

Evaluation of the economic situation by Group management

The 2019 financial year developed positively for HeidelbergCement, although the conditions remained challenging. Strong competition in the emerging countries, varied development of demand in the Group areas, and our strategy of prioritising price increases over volume growth led to a slight decline in sales volumes in both the cement and aggregates business lines. In contrast, ready-mixed concrete sales volumes increased slightly, with a significant rise in asphalt deliveries. Overall, the development of sales volumes remained slightly below our expectations. In 2019, revenue increased to a new record figure; before exchange rate and consolidation effects, however, this growth was slightly lower than planned. Lower revenue from trading activities, primarily due to the significant reduction in fuel trading on the grounds of risk considerations, contributed significantly to the slightly lower than anticipated development of revenue.

While total fuel cost decreased in 2019, electricity cost increased. Personnel costs rose moderately as forecast. All Group areas contributed to the good result from current operations before depreciation and amortisation. The highest increase was recorded by Western and Southern Europe, followed by Asia-Pacific and Northern and Eastern Europe-Central Asia. The result from current operations also improved significantly. The Group profit for the financial year declined slightly, mainly owing to the significantly negative additional ordinary result in comparison with the previous year. Excluding non-recurring effects, resulting primarily from the disposal of our Ukraine activities, the profit for the financial year increased significantly. The return on invested capital (ROIC) remained above the weighted average cost of capital (WACC).

The cash inflow from operating activities of continuing operations grew significantly in comparison with the previous year. This was largely due, on the one hand, to the strong operating activities, expenditure discipline, and consistent working capital management. On the other hand, the change in the presentation of lease payments in the statement of cash flows as a result of IFRS 16 contributed to a rise in cash inflow from operating activities.

In 2019, we pursued our global programmes to optimise costs and processes as well as increase margins and reduced our selling and administrative expenses . Our plan for 2019 and 2020 includes savings of €130 million. Expenditure discipline regarding investments and an acceleration of our portfolio optimisation were cornerstones of our tight cash management in 2019. As a result of the initial application of IFRS 16 in 2019, net debt rose slightly by €0.1 billion to €8.4 billion; without taking IFRS 16 into account, it fell by €1.2 billion. Due to the higher result from current operations before depreciation and amortisation, the dynamic gearing ratio fell to 2.3x at the end of 2019. The available liquidity amounted to €6.5 billion at the end of 2019.

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

Revenue outlook

In the Annual Report 2018, the Managing Board projected a moderate increase in revenue for 2019 on a like-for-like basie, i.e. adjusted for exchange rate and consolidation effects, due to price increases and slight growth in sales volumes in cement and aggregates. Contrary to expectations, cement and aggregates sales volumes both decreased in 2019. In addition, lower revenue from the trading activities of our subsidiary HC Trading, primarily due to the significant reduction in fuel trading on the grounds of risk considerations, was a factor that led to the development of revenue falling slightly below expectations. Overall, revenue increased by 4.3 %; excluding exchange rate and consolidation effects, it rose slightly, by 2.1 %.

Expenditure outlook

In the Annual Report 2018, a slight rise in the cost base for energy was anticipated for 2019. For raw materials and personnel, we predicted a slight to moderate increase in costs. Contrary to expectations, there was a moderate decrease of 4.9 % in energy costs. As a percentage of revenue, this represents a reduction of one percentage point. In line with the outlook, personnel costs in 2019 moderately exceeded the previous year's level by 5.1 %. As a percentage of revenue, they increased from 16.8 % in 2018 to 16.9 % in 2019. In comparison with the previous year, interest expenses fell slightly despite the initial application of IFRS 16, owing to the favourable refinancing of maturities.

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, in earnings before interest and taxes (EBIT) before non-recurring effects, and in the profit for the financial year before non-recurring effects, in the Annual Report 2018 for the 2019 financial year. The result from current operations before consolidation and exchange rate effects and EBIT before non-recurring effects grew moderately, by 4.7 %, in line with the outlook. The decrease in income taxes and the increase in the result from current operations could not offset the moderate deterioration in the financial result and the negative development of the additional ordinary result. Therefore, the profit for the financial year fell moderately in comparison with the previous year. However, excluding negative non-recurring effects such as the loss from the disposal of the Ukraine activities, the profit for the financial year rose significantly, by 20.6 %, as expected. In 2019, ROIC stood at the previous year's level of 6.9 % and therefore remained above the weighted average cost of capital, which amounted to 6.6 %. The development of ROIC was therefore in line with the outlook from the Annual Report 2018.

Comparison of the business trend with the outlook in the 2018 Annual Report

€m	Outlook 2018 Annual Report	Actual 2018	Actual 2019	Change [1]
Revenue	Moderate increase	18,075	18,851	+4.3 % (+2.1 %)
Energy costs	Slight increase	1,985	1,888	-4.9 %
Personnel costs	Slight to moderate increase	3,032	3,187	+5.1 %
Financing costs (financial result) [2]	Slight increase	-353	-375	+6.1 %
Result from current operations [2]	Moderate increase	2,010	2,186	+8.8 % (+4.7 %)
EBIT before non-recurring effects [2]	Moderate increase	2,010	2,186	+8.8 % (+4.7 %)
Profit for the financial year before non-recurring effects	Moderate increase	1,178	1,420	+20.6 %
ROIC WACC	above WACC	6.9 % 6.3 %	6.9 % 6.6 %	ROIC > WACC

1) Figures in brackets: adjusted for exchange rate and consolidation effects as well as effects from the initial application of IFRS 16

2) 2018 amounts were restated see the Notes: Initial application of accounting standards in the financial year, page 117 f.

Additional statements

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

On 31 December 2019, 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 2019 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 2019, 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.

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 2019, 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 2019, the Authorised Capital II was not further utilised.

Conditional Share Capital
In addition, the Conditional Share Capital described below existed as at 31 December 2019. 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. As at 31 December 2019, 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 2019. 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 company has not used the authorisation to date and has no own shares as at 31 December 2019.

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 2019, 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.

The syndicated credit facility and aval credit facility agreement dated 12 January 2018 and the loan agreements dated 17 June 2016, 4 December 2017, and 14 November 2019, all four marked (1) in the type of clause column, as well as the loan agreement of 1 March 2019, marked (4) 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 in the sense of clause (1) 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

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 still outstanding €m 150 by 12 January 2024 and €m 2,850 by 10 January 2025	(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)
Loan agreement of 1 March 2019	Credit agreement	86	to the extent outstanding by 31 March 2029	(4)
Aval credit facility of 14 November 2019	Aval credit facility	100	to the extent outstanding by 12 January 2024	(1)
Bonds issued by HeidelbergCement AG				
2.25 % bond 2016/2023	Debenture bond	1,000	to the extent still outstanding by 30 March 2023	(2)
2.25 % bond 2016/2024	Debenture bond	750	to the extent still outstanding by 3 June 2024	(2)
1.5 % bond 2016/2025	Debenture bond	1,000	to the extent still outstanding by 7 February 2025	(2)
Bonds issued by HeidelbergCement Finance Luxembourg S.A., guaranteed by HeidelbergCement AG				
7.5 % bond 2010/2020	Debenture bond	750	to the extent still outstanding by 3 April 2020	(2)
3.25 % bond 2013/2020	Debenture bond	300	to the extent still outstanding by 21 October 2020	(2)
3.25 % bond 2013/2021	Debenture bond	500	to the extent still outstanding by 21 October 2021	(2)
0.5 % bond 2017/2021	Debenture bond	750	to the extent still outstanding by 18 January 2021	(2)
0.5 % bond 2018/2022	Debenture bond	750	to the extent still outstanding by 9 August 2022	(2)
1.625 % bond 2017/2026	Debenture bond	1,000	to the extent still outstanding by 7 April 2026	(2)
1.5 % bond 2017/2027	Debenture bond	500	to the extent still outstanding by 14 June 2027	(2)
1.125 % bond 2019/2027	Debenture bond	750	to the extent still outstanding by 1 December 2027	(2)
1.75 % bond 2018/2028	Debenture bond	750	to the extent still 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 still outstanding by 19 March 2020	(3)
Debt certificates issued by HeidelbergCement AG				
of 20 January/10 February 2016	Debt certificate	361	to the extent still outstanding by 20 January 2022	(2)

1) Of this figure, €127.9 million was outstanding as at 31 December 2019.

the shares in the company. Clause (4) applies "in the case of a change in the direct or indirect capital or shareholder structure of HeidelbergCement AG, which leads to a change of control (change of controlling influence)".

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.

The Management Board remuneration system that was resolved by the Supervisory Board of HeidelbergCement AG and approved by the Annual General Meeting on 9 May 2019, provides that 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 2019 financial year

Information on the events occurring after the close of the 2019 financial year is provided in the Notes on ↗ page 167.

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, processes, policies, 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. They were discussed and validated in December 2019 in an internal workshop with a view to current developments. We have seen no need for change for the current report. To determine the relevant topics, 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 more than 50 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 2019, the number of employees at HeidelbergCement stood at 55,047 (previous year: 57,939). The decrease of around 2,900 employees essentially results from two opposing developments. On the one hand, around 3,700 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, around 800 new employees joined the Group, particularly as a result of first-time consolidations in France and North America as well as new hires in some countries in the Northern and Eastern Europe-Central Asia and Asia-Pacific Group areas. Details of the headcount in the Group areas can be found in the segment reporting on ↗ **page 106 f.**

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. 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: 4 %). The retention rate of these apprentices stands at 90 % (previous year: 85 %).

As in the previous year, a focus of our training programmes throughout the Group was on occupational safety, which made up around 48 % (previous year: 61 %) of the total training measures. Other priorities were specialist training, which made up 28 % (previous year: 23 %), and the training of our managers, which made up 7 % (previous year: 4 %).

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 both for traditional topics, such as strategy, leadership, and management, or the method of capital expenditure budgeting, and for special training topics, for instance in the area of technology. Aim of the training is to ensure that a common understanding of strategy, integrated management approach, and leadership is developed everywhere.

Securing and advancing future executives

In the reporting year, we continued our efforts to advance future executives. We offer university graduates international trainee programmes focusing on the areas of technology, sales, finance, HR, purchasing, and IT, as well as interdisciplinary trainee programmes. Moreover, we continued to work on expanding our programmes for the advancement of future executives and strengthening our recruitment of university graduates and graduates with first professional experience worldwide.

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 Aggregates Academy of the Competence Center Materials (CCM) offers training for the employees in the aggregates business line.

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 52 % (previous year: 54 %) of the Group's total workforce. 37 % (previous year: 34 %) of our employees are above 50 years of age.

Diversity as a factor for success

In the Group-wide personnel policy, we aim for a 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 3cultures, 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 an international management team,
- an international workforce at the Group headquarters,
- a complementary composition in our 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.

With the international composition of our management team, we intend to benefit from a broad range of experience from different cultural backgrounds. This is linked to our goal of being able to respond flexibly and quickly to global challenges as well as local market needs. The proportion of local managers at the upper management level amounts to around 80 %. 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 669 employees at the Group headquarters and at our technical centers in Heidelberg and Leimen, with around two-thirds of these employees coming from Germany and one-third representing 51 other countries.

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 2019, 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. We have voluntarily committed to more than double the proportion of women in leadership positions in Germany from 7 % in 2011 to 15 % by 2020. In 2019, women represented 15 % of the total workforce and held 9 % of leadership positions in the top, senior, and middle management in Germany.

We have worked 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 31 % (previous year: 26 %) and therefore significantly higher than the proportion of women in the total workforce. 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 in these fields is a key qualification for assuming higher leading positions in these areas.

Share of women in Germany

	2016	2017	2018	2019
Total workforce	16 %	16 %	15 %	**15 %**
First leadership level	10 %	11 %	12 %	**10 %**
Second leadership level	9 %	11 %	13 %	**14 %**

Work-life balance
In the race for the best employees, we adapt ourselves globally to social changes. In terms of what we offer to encourage a good work-life balance, we focus on flexible working time models and mobile forms of work. The part-time ratio at HeidelbergCement AG is 11 % (previous year: 12 %).

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.

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.

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Individual occupational health and safety measures designed to tackle any weak points are defined either by Group Health & Safety or the local units depending on their nature and impact. 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 break down these measures to the relevant target groups at location level. 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 or ISO 45001 standards, have already been implemented in 88 % 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.

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.

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 also reiterated in our Sustainability Commitments 2030.

Measures and progress

We train our employees in a wide range of occupational safety topics that are both legally mandated and defined internally. We want to raise their awareness for all risks related to their work in order to reduce the number of accidents, especially those with fatal consequences. 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 51 % of all training hours at HeidelbergCement, corresponding to an average of approximately 12.5 hours per employee across the Group.

In 2019, one black spot of fatal accidents was again traffic accidents occurring during the transportation of our products. Many of these transportations were carried out by external forwarding companies working on our behalf. When we revised the Driving Safety Group standard in 2019, we therefore incorporated the new safety requirements drawn up by experts in working groups. They include, for instance, the equipment of trucks with retro-reflective markings or the retrofitting of heavy mobile equipment at our production sites with rear view cameras. All these measures must now be implemented.

Accidents due to tripping, another major cause of injury, accounted for the majority of lost working days, because all employees are exposed to this risk. To prevent accidents of this kind, we continued our Clean site/Safe site initiative for accident prevention, launched in 2018, with improved measures for ensuring tidiness and cleanliness.

Performance indicators

In 2019, we decreased the accident frequency rate across the Group by 9.5 %. It was with great regret that in the reporting year we had to announce the death of four of our own employees, who died as a result of accidents at work, one of them in a road accident. Furthermore, ten employees from external companies lost their lives, three of whom died in road accidents. We analyse each accident and share the findings across the Group in order to prevent similar accidents at other locations. Fatal accidents are also discussed by the Managing Board.

Accident trends HeidelbergCement Group

	2015	2016	2017	2018	2019
Accident frequency rate [1]	2.5	2.5	1.9	1.7	**1.5**
Accident severity rate [2]	109	108	90	70	**80**
Fatality rate [3]	1.5	0.7	0.4	0.4	**0.7**

1) Number of accidents (with at least one lost working day) suffered by Group employees per 1,000,000 working hours
2) Number of lost working days resulting from accidents suffered by Group employees per 1,000,000 working hours
3) Number of fatalities of Group employees per 10,000 Group employees

At HeidelbergCement AG, the accident frequency rate was 1.2, the accident severity rate was 64, and the fatality rate was 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 in a sustainable way.

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 around 80 %. 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 their 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.

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 and a simplified impact measurement tool are a source of design and implementation strategies for dialogue formats, partnerships, and charitable commitments. Further support in this area is also provided by the Global Environmental Sustainability department.

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 2019, 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. During the year, country-specific Corporate Social Responsibility (CSR) policies were developed at several subsidiaries and the audit programme from Group Internal Audit for the targeted handling of donations and CSR activities was further rolled out. The Group also pursues a decentralised approach in this area, and the countries can contact the Global Environmental Sustainability department for content-related support as required.

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 want to ensure transparent communication with all stakeholders. We aim to work with local partners to create added value both for our Group and for the local communities.

Measures and progress

In 2019, 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 reporting year. In Togo, for example, we worked with the German Agency for International Cooperation (GIZ) to launch a project to develop modular training courses for masons and carpenters in the area surrounding our plant in Tabligbo. 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 schools to holiday programmes and supervised work with KiTec boxes, helping children to

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discover the world of technology. Both sides benefit from this cooperation: for the children, it facilitates access to technology, and our employees profit from the experience gained when 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 with a community engagement plan,

– 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. For this reason, our primary goals include 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 regarded as one of the causes of global warming.

At the 2015 UN Climate Change Conference in Paris (COP 21), 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, and this is reduced over time, resulting in a decrease in the overall emissions. Companies receive a part of their emission certificates according to industry specific production benchmarks. 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 or 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, which is directly assigned to a member of the Managing Board, 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, coordinating action plans to implement research projects, and supporting the company's representatives in international organisations.

As HeidelbergCement has a decentralised structure, the individual 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 site manager is essentially responsible for the environmental management and 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.

Through the determination of an internal CO_2 price, which should be included in all relevant investment decisions in Europe, the reduction of our carbon footprint has become a decisive criterion for the development of our company.

Information on CO_2 and air pollutant emissions is continuously recorded via management systems and reported to the national management teams and the relevant competence centers 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 relevant 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

HeidelbergCement is committed to observing 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 driving improvements 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, and in the Climate Policy published the following year. 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 European 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 country 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 rise in worldwide 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. A reduction of approximately 22 % was achieved by the end of 2019. 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 limit of below 2° C for the rise in global temperature agreed at the COP21 world climate conference in Paris. In 2019, the target was also checked, validated, and recognised as science-based by the Science Based Target Initiative (SBTI) [1]. To reach this target, we will, for instance, increase the proportion of alternative fuels in the fuel mix to 30 %. In 2019, the proportion of alternative fuels was 24 %. 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 emissions have been reduced by 28 % and 20 % respectively and the specific dust emissions by 80 %.

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.

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 section Major projects for preservation of resources, recycling, and CO_2 capture.

In 2019, we also further increased the proportion of alternative fuels in our overall fuel mix. This is predominantly waste that would be uneconomical to recycle or cannot be recycled in full. In scenarios like this, co-processing in clinker kilns is regarded as a worthwhile option, as it not only uses the waste's energy content but also embeds its mineral components into the clinker. The waste is co-processed without any residue, and our plants comply 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, in our cement plant in Devnya, Bulgaria, we implemented a project to supply alternative fuels directly to the main burner. This has allowed the plant to significantly increase the proportion of alternative fuels used.

The construction and modernisation of kiln lines shall also lead to further reductions in emissions. The new kiln lines in Schelklingen, Germany, and in the Democratic Republic of Congo, which commenced operation in March 2019, shall contribute in the future to the reduction in emissions.

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 2019, an electrostatic precipitator was replaced by a fabric filter in kiln line 4 at the Bukhtarma plant in Kazakhstan in order to reduce dust emissions. We also modernised a number of smaller filter systems at several cement plants.

In order to reduce NO_x emissions, a high-dust selective catalytic reduction (SCR) system was commissioned at the Geseke plant in Germany during the reporting year. At the new kiln line in Schelklingen, Germany, the calciner technology, which makes use of a selective non-catalytic reduction (SNCR) system, is able to achieve very low concentrations of NO_x emissions. Besides a significant reduction in these emissions, this investment has also led to a decrease in the carbon footprint.

A modern scrubber was installed in the Kjöpsvik cement plant in Norway to reduce SO_x emissions.

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 Global Cement & Concrete Association (GCCA). In addition to continuing and developing the environmental standards and associated reporting of the former CSI (Cement Sustainability Initiative), GCCA has also created a global research network, Innovandi, to organise and coordinate research into more sustainable cements and concretes.

1) SBTI's recognition refers to the reduction of specific CO_2 emissions by 15 % compared to the base year of 2016. The target value for 2030 corresponds to our target with the base year of 1990.

Performance indicators

Climate protection

As expected, the climate protection ratios improved again in 2019 in comparison with 2018. The decline in specific net CO_2 emissions results not only from the increased use of alternative fuels – especially the 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 Schelklingen plant in Germany. Compared with the previous year, we also reduced the clinker ratio.

Climate protection HeidelbergCement Group

	2017	2018	2019
Specific net CO_2 emissions (kg CO_2/t cement)	608	599	**590**
Alternative fuel rate	21 %	22 %	**24 %**
Clinker ratio	75.4 %	74.8 %	**74.5 %**

In 2019, HeidelbergCement AG recorded specific net CO_2 emissions of 534 kg CO_2/t cement, an alternative fuel rate of 56 %, and a clinker ratio of 74.1 %.

Emission control

Our continuous efforts in the area of emission control show success: Especially dust emissions dropped significantly in 2019, amongst other things, after the installation of a filter system in our Bukhtarma cement plant in Kazakhstan. NO_x and SO_x emissions, however, slightly rose compared to the previous year.

Emission control HeidelbergCement Group

	2017	2018 [1]	2019
Specific SO_x emissions (g/t clinker)	367	351	**366**
Specific NO_x emissions (g/t clinker)	1,373	1,263	**1,273**
Specific dust emissions (g/t clinker)	90	80	**63**

1) Values were adjusted

In 2019, HeidelbergCement AG recorded specific SO_x emissions of 507 g/t clinker, specific NO_x emissions of 504 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 protection and emission control.

Biodiversity

As a member of the Society for Ecological Restoration (SER), HeidelbergCement provided financial support for its eighth international conference, which took place in September 2019, in Cape Town, South Africa. Besides having its own exhibition stand, HeidelbergCement hosted a symposium, together with BirdLife International, highlighting the example of African quarries to show the role they play in the creation of habitats for wild animals and in strengthening their resistance against external influences.

During the reporting year, HeidelbergCement also supported BirdLife International's Spring Alive project. This project has been running for 13 years and aims to encourage children in Europe and Africa, as well as their families and teachers, to take an interest in migratory birds. Thanks to HeidelbergCement's commitment, an additional migratory bird, the sand martin, which nests in quarries, was added to the group of bird species highlighted by the project. This helps to raise awareness of the significance of quarrying sites for the conservation of these bird species.

Sustainable construction

As a founding member of the Concrete Sustainability Council, we played a leading role in the development of a new certification system for sustainably produced concrete, which was introduced at the beginning of 2017 and has been developed on an ongoing basis since then. During the reporting year, concrete plants in Turkey, Italy, and Poland were certified. With the certification of concrete, we anticipate greater social acceptance of the product and of the entire industry.

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. Above all, 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

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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
The compliance programme, which is firmly anchored in the Group-wide management and supervisory structures, is part of our management culture. 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 Business 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 will be 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 country 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 department.

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 scheduled. A regular external audit of the Antitrust Compliance Programme by a specialist law firm is planned every three years.

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 2019, more than two-thirds of our country organisations had carried out a human rights risk 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 the prohibition of child and forced labour, fair and safe work conditions, freedom of association, and a ban on discrimination. In 2019, we continued to further roll out the central supplier management system across the Group. Additional local and global measures to evaluate suppliers from a sustainability perspective were incorporated into an updated version of the global purchasing policy at the end of 2019. In 2020, we will gradually introduce these measures in the various countries.

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 acknowledge 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 obligated to comply with them via 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 Group Anti-Corruption Guideline 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 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, 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 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 2019, 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.

In 2019, we have continued as planned to systematically assess human rights risks and compile performance indicators relating to human rights in each country.

Performance indicators

In 2019, Group Compliance registered 99 confirmed or pending compliance cases across the Group, which corresponds to a rise of 11 % compared with 2018. In our opinion, this rise is primarily the result of an increased willingness to report due to improved compliance awareness. One confirmed compliance case was registered for HeidelbergCement AG.

During the reporting year, the compliance eLearning programmes given to employees across the Group, covering the Code of Business Conduct and anti-corruption issues, had completion rates of 89 % and 88 % respectively. At HeidelbergCement AG, the rates were 96 % each.

Other training activities also took place in these topic areas, such as classroom training. In addition, training in 2019 focused on data protection and, increasingly, human rights topics.

During the reporting year, specific employees were also given electronic training on cartel law, with a completion rate of 86 %. There were also other compliance activities in the area of cartel law (seminars, lectures, and other measures). At HeidelbergCement AG, 100 % of employees have completed the training relevant to them.

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

Each country organisation also reports performance indicators connected with the human rights situation.

In 2019, only a few compliance cases were reported in the human rights area, mostly concerning discrimination.

The commitment to human rights aspects as a key selection criterion for suppliers is consistently promoted through our supplier management system. This is also achieved by means of a cooperation with an external sustainability partner, with whom we have started to evaluate top-selling suppliers in North America, Germany, and the United Kingdom as well as the global suppliers for the Group.

Procurement

In the reporting year, goods and services with a total value of €12,654 million were procured at HeidelbergCement. This corresponds to 67.1 % of total revenue.

Procurement management
Our lead buyer organisation facilitates the 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 second component of procurement management is the local purchasing at our production sites. 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.

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. HeidelbergCement also continuously optimises the fuel mix according to market price fluctuations.

Outlook

The expected future development of the HeidelbergCement Group, HeidelbergCement AG, and the business environment in 2020 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 tensions between the USA and China and Iran, as well as the political and religious conflicts in the Middle East, 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. The impact of the further spreading of the coronavirus (COVID-19 – Coronavirus SARS-CoV-2) on global economic development is currently unpredictable.

Regarding exchange rates, for 2020 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 energy prices to remain volatile in the outlook period. Uncertainties exist regarding the oil price due to OPEC's production policy, the conflict between the USA and Iran, as well as the economic development of China after the coronavirus outbreak. The latter could also influence the coal price in Asia, in particular. The development of the electricity prices in the EU depends on the coal price as well as on the CO_2 prices in the EU emissions trading system.

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.

Economic environment

General economic development
Due to the fast spreading of the coronavirus, the International Monetary Fund (IMF) has adjusted its January forecast at the beginning of March 2020. Now, IMF expects the growth of global economy to drop in 2020 below the growth rate of 2.9 % in 2019. IMF forecasts negative effects on supply and demand due to possible restrictions in supply chains and industrial production combined with rising costs. In the January 2020 forecast for the various regions and countries the possible impact of the further spreading of the coronavirus is not yet included. Only the forecast for China has been already adjusted.

In the mature markets, economic growth is expected to decline slightly from 1.7 % to 1.6 %. According to IMF forecasts, the important markets for HeidelbergCement – USA, United Kingdom, Germany, France, Italy, and Canada – should continue to develop positively in 2020. The USA is set to record the highest increase in economic output at 2.0 %, followed by Canada at 1.8 %, the United Kingdom at 1.4 %, France at 1.3 %, and Germany at 1.1 %, with Italy lagging behind at 0.5 %. In its October 2019 forecast, the IMF anticipates stronger growth for Australia than in 2019, at 2.3 %.

Further growth is also predicted in the countries of Northern and Eastern Europe in 2020, albeit to differing degrees. While a growth rate of 1.5 % is expected in Sweden, it should reach around 2.4 % in Norway. In Poland, economic growth is set to be weaker than in 2019, at 3.1 %, while remaining stable in Czechia at 2.6 %. Russia anticipates an increase in the gross domestic product of 1.9 %.

In Asia, China will continue to be the determining factor in economic development. However, the IMF reduced the projected growth rate for 2020 from 6.0 % to 5.6 % at the end of February due to the impact of the spread of the coronavirus on the country's economy. Economic growth in Indonesia is expected to be as strong as in the previous year, at 5.1 %. A significant increase in economic power is expected in India, with growth of 5.8 %.

The growth rates in the African countries south of the Sahara are expected to increase further, reaching 3.5 % in 2020 compared with 3.3 % in 2019. In the countries with the greatest sales volumes – Ghana, Tanzania, and Togo – the growth rates are likely to be between 5.3 % and 5.7 %. In North Africa, the Egyptian economy is expected to record further significant growth, with a rate of 5.9 %. For Morocco, an increase of 3.7 % in comparison with the previous year is forecast.

Development of the construction industry
The development of economic output is also reflected in the expectations for the construction industry.

In its forecast from November 2019, Euroconstruct predicts an increase in construction activity in Europe in all construction sectors, albeit with lower growth rates than in the previous year. More robust growth in the construction sector as a whole is expected only in Belgium and the United Kingdom, with a decrease anticipated in Germany and Sweden.

According to the autumn forecast of the American cement association PCA, a further increase in construction activity is expected in the USA for 2020. This growth will be supported by all sectors.

In contrast to the mature/developed countries, the GDP growth forecasts and data on population growth are frequently used indicators for construction development in the growth markets of emerging countries in Africa and Asia.

Just as the general economic forecasts are subject to uncertainties, so is the development of the construction industry during 2020. Although many markets should develop positively, the actual extent of growth is uncertain also due to the spreading of the coronavirus. 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. Political and military conflicts can also influence the development.

Industry development
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 rose to almost €30/t CO_2 in 2019, 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, the entire HeidelbergCement Group has a sufficient number of emission rights also due to the free allocation policy. However, the individual countries have either a surplus or a lack of emission rights.

Anticipated earnings

Our expectations with regard to revenue, costs, result, and dividends are described below. However, we have not taken into account a possible economic slowdown caused by the coronavirus.

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 a slight increase in revenue before exchange rate and consolidation effects in 2020.

Costs
In 2020, HeidelbergCement expects fuel prices to remain at or slightly below the previous year's level, while electricity costs are set to rise slightly. For personnel costs, an increase in line with local inflation is anticipated. HeidelbergCement will pursue its global programmes to optimise costs and processes as well as increase margins once again in 2020. As a result of the action plan that started in October 2018 to improve cash flow and margins, we are also anticipating an overall reduction of €130 million in selling and administrative expenses for the two-year period from 2019 to 2020.

Results
In view of the forecasts for revenue and cost development, we expect a slight increase in result from current operations excluding exchange rate and consolidation effects for 2020.

We expect significantly higher tax payments for 2020 driven in particular by the reduced utilisation of losses carried forward and additional tax payments for previous years. When calculating ROIC, this can only be partially offset by a higher result from current operations, so we anticipate a moderate decline in ROIC compared with 2019.

Dividend
HeidelbergCement will continue to pursue its progressive dividend policy over the next few years. This means that the dividend is to be increased appropriately in strong years or kept stable in weaker years. For the 2019 financial year, the Managing Board and Supervisory Board will propose to the Annual General Meeting the payout of a dividend of €2.20 per share. This corresponds to a payout ratio of 40.0 % of the Group share of profit.

For the 2020 reporting year, we aim to achieve a payout ratio of around 40 % of the Group 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 2020 financial year, HeidelbergCement will continue its active portfolio management with the disciplined management of investments.

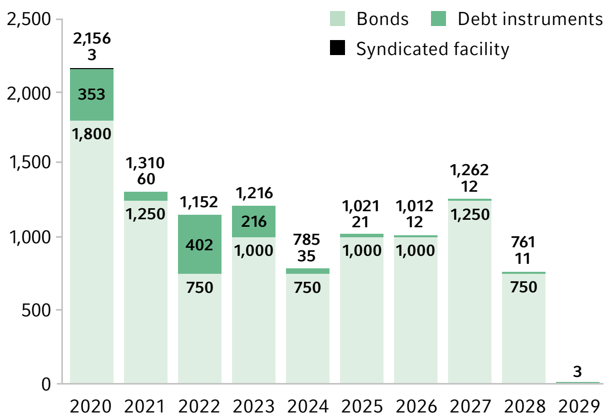
On the one hand, we will make targeted investments in future growth by strengthening existing market positions, for example through improved vertical integration, as well as by developing new markets. On the other hand, we will examine our portfolio for further optimisation potential and accelerate the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

Capital spending totalling around €1.7 billion is planned for 2020. They include maintenance investments of around €1.2 billion, which concern measures in all Group areas, and expansion investments of around €500 million. These include, in particular, two major investments in the USA: the reconstruction of our Mitchell cement plant in Indiana and the acquisition of the Keystone cement plant in Bath, Pennsylvania. Closing of this transaction is expected in the coming months. HeidelbergCement expects to achieve proceeds of €1.5 billion from divestments, announced in 2018, by the end of 2020.

Expected financing

HeidelbergCement has a long-term financing structure and a well-balanced debt maturity profile (see the following graph). We refinanced the Eurobond of €750 million maturing in March 2020 by using available liquidity. In addition, we will refinance the bonds of €750 million and €300 million, respectively, that are due at the beginning of April and at the end of October as well as the financial liabilities maturing in 2020, by making use of free cash flow and issuing on the capital market, or using free credit lines, depending on the capital market situation.

Debt maturity profile as at 31 December 2019[1] (€m)



1) Excluding reconciliation adjustments of liabilities of €-50.3 million (accrued transaction costs, issue prices, fair value adjustments, and purchase price allocation) as well as derivative liabilities of €50.3 million. Excluding also puttable minorities with a total amount of €63.7 million, as well as financial lease liabilities.

As at the end of 2019, we had liquidity reserves consisting of cash, securities portfolios, and committed bank credit facilities, amounting to €6.5 billion (see Group financial management section on ↗ page 39 f.). With the €2 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 preconditions for a solid credit rating by the rating agencies. A lasting solid investment grade rating (Baa2 and BBB, respectively) 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.

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Employees and society

Increasing digitalisation will remain a key aspect of our HR work in 2020. Our efforts to support digital transformation will focus on fundamental digital media skills as well as topics related to specific functions. Besides employee training, another important task is the further professionalisation of our change management activities in connection with the introduction of digital applications and platforms. A newly established network of representatives of the main digital Group initiatives will formulate common standards for the necessary change processes.

In 2020, we will review our personnel processes and HR IT systems to ensure that they remain viable for the future. As part of a global project, all our processes from recruitment and development to remuneration, as well as the classic employee support tasks, will be assessed with regard to their potential for standardisation and digitalisation.

In terms of talent management, the primary aim is to secure a sufficient number of highly qualified future executives and managers. In 2020, we will expand and standardise our measures to identify talent in middle management. Talent development workshops will be held in all Group areas for this purpose.

In 2020, we will continue our measures to implement and fulfil the existing safety standards, including especially the training of employees to identify hazards. We will also continue our Clean site/Safe site initiative for accident prevention.

"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 the communities where we are located as well as of their neighbourhood and ensure communication with all stakeholders.

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 2019, and more shall follow in 2020.

Environmental responsibility

At present, the regulatory environment of the EU Emissions Trading System is not fully defined, as a number of important rules for the fourth trading period (2021–2030) have not yet been set out by the European Commission: in particular, the industry benchmark for the allocation of free emission rights for the cement sector needs to be specified.

HeidelbergCement is currently formulating a strategic roadmap for the targeted reduction of emissions, in order to remain competitive even under more stringent conditions.

In 2020, we will continue our activities regarding the capture, storage, and/or use of CO_2 emissions. Details of the progress of major projects can be found in the Outlook – Research and technology section on ↗ page 62.

In 2020, we will resolutely continue our efforts to develop further building materials with a further improved environmental footprint. 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 2020 will also focus on reducing dust, nitrogen oxide, and sulphur oxide emissions. Various projects to lower dust emissions are being planned or implemented in 2020. The electrostatic precipitator at the kiln line in Deva, Romania, is being converted to a fabric filter. At the Ketton plant in the United Kingdom, the clinker cooler electrostatic precipitator will be replaced by a fabric filter. In addition, we want to improve dust collection in numerous smaller filter projects.

To reduce NO_x emissions, a state-of-the-art selective catalytic reduction (SCR) system was installed at the Ennigerloh cement plant in Germany and will commence operation in March 2020.

In the aggregates business line, we intend to continue working on dust and noise reduction as well as the recycling of concrete and/or asphalt as an alternative to natural aggregates in the production of ready-mixed concrete and asphalt.

Therefore, in the ready-mixed concrete and asphalt business line, we will additionally offer certain key markets the use of recycled materials. We also aim to intensify our measures in the areas of water recycling and reduction of water consumption.

In 2020, we plan to further expand our dialogue with politicians and stakeholders. Our activities in this area will focus on political discussions on climate protection, the turnaround in energy policy, circular economy, and resource efficiency in order to realise our vision of CO_2-neutral concrete at the latest by 2050.

In addition, we intend to introduce governance processes to ensure that our positions remain consistent with those of the industry associations. In particular, we want to guarantee that the associations are in line with our Sustainability Commitments 2030.

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 2020, we will also drive forward measures for the sequestration of CO_2 in cement and concrete.

According to the planned schedule, the CO_2 emissions captured as part of our intended CCS project at the cement plant in Brevik, Norway, will be transported to empty oil and gas fields below the North Sea from 2023 and stored there. The project also aims to optimise the CO_2 transport chain to enable CCS to be used as a solution for CO_2 disposal throughout Europe.

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. At our Canadian plant in Edmonton, Alberta, a feasibility study is being carried out to assess the possibility of capturing the majority of the CO_2 emissions from the cement plant's flue gas flow.

The four partner companies of the oxyfuel research corporation will continue to work on the construction of an oxyfuel test facility on the site of the Mergelstetten cement plant in Germany. The research project is expected to start in 2020, after all the necessary operational and emission-related permits have been issued.

We will press ahead with our strategy of using CO_2 to produce microalgae for fish food. The one-hectare algae farm at our Safi cement plant in Morocco will be commercialised over the coming years.

The British subsidiary Hanson UK is taking part in a research project of the local industry on the use of climate-neutral fuels for cement production as from 2020. The project investigates the potential to reduce carbon emissions by switching from fossil fuels to hydrogen and plasma technology. The research project is funded by the British Department for Business, Energy and Industrial Strategy (BEIS).

Another area of focus is the development of binders and new concrete-based solutions. In this context Global Product Innovation department (GPI) is concentrating especially on functional concretes for sustainable application.

In 2020, GPI will continue its efforts to help improve modern urban development in terms of the energy efficiency of buildings and reconstruction of infrastructure with special cement types and concrete applications.

We will continue the MIP, OPEX, and CIP programmes in 2020 and press ahead with the digitalisation initiatives already launched (CEM 4.0 project). Reducing HeidelbergCement's carbon footprint will be another important topic. Through our Alternative Fuel Master Plan, we aim to further increase the proportion of alternative fuels and set goals for reducing CO_2 as part of a CO_2 master plan at country level.

In the aggregates business line, we will continue the CI Agg performance programme in 2020. This programme covers the whole value chain, including land management, extraction planning, site operation including maintenance, fleet management, sales, and distribution – and, ultimately, subsequent use of the land.

The integration of operational, sales, and financial data as part of our digitalisation strategy will be driven forward in 2020 by the AOM (Aggregates Operations Management) system. We also aim to make further progress in automating our plants in order to optimise the production process and increase productivity.

Procurement

We are making continuous efforts to improve our procurement efficiency by working on standardising, optimising, and automating our procurement processes. We want to press ahead with the bundling of commodity groups, realise synergy effects, and roll out globally the digitalisation of core processes.

Just as in the reporting year, various developments such as those relating to emissions trading, China's import tariffs on petroleum coke from the USA, or reduced output from the OPEC countries will have an impact on energy prices in 2020. At the beginning of 2020, market prices especially for electricity, petroleum coke and coal were below the previous year's level because they have significantly dropped since the beginning of 2019. Taking also into account inventories and expiring contracts, we expect energy costs to fall slightly in 2020.

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 on account of its international business activity. Provided that they are consistent with the legal and ethical principles of entrepreneurial activity and are well balanced by the opportunities they present, these risks are classified as acceptable. 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.

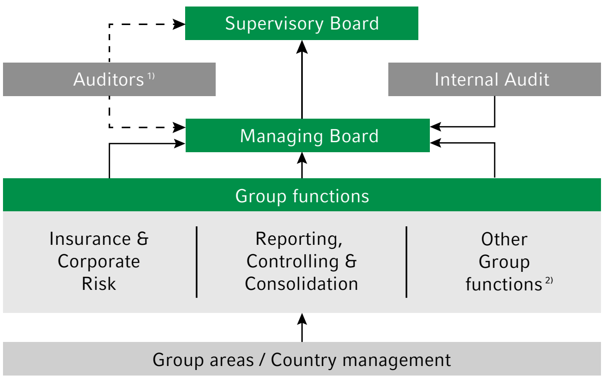
HeidelbergCement has installed transparent regulations to govern competences and responsibilities for risk management that are based on the Group's structure.

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 Guideline, 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, Data Protection, Treasury, Corporate Finance, Human Resources, Strategy & Development, Marketing & Sales

Risk management process

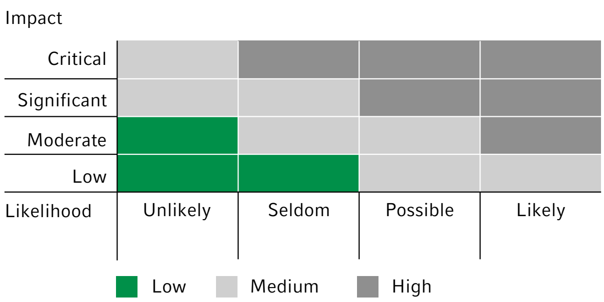
In order to optimise risk management, we use a software across the Group that depicts the entire risk management process. We have thus implemented the conditions for increasing transparency and efficiency in the risk management process and for contributing to audit security. The software helps us to map the Group structure and assign local responsibilities. Supported by standardised evaluation schemes, risks are systematically recorded and can be tracked over time together with the proposed countermeasures. The risk data can be consolidated in a timely manner, analysed flexibly, 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 regular 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

HeidelbergCement's target is that 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 many 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 2020 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 by the Group Treasury department in accordance with internal Group guidelines, which also define the work and processes of Group Treasury. All Group companies must identify their risks and hedge them in cooperation with Group Treasury on the basis of these guidelines.

Currency risks

The most significant risk position with respect to financial risks is the currency risk, particularly the translation risk. Currency risks arise from our foreign currency positions and are characterised by uncertainty in relation to the future development of exchange rates. Economic, monetary, fiscal policy, and political factors of influence should not be underestimated in this context. Unforeseen events may lead to distortions in the currency markets and thus have a negative impact on translation and transaction effects. We consider these currency risks to represent a medium risk overall 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. We primarily use currency swaps and forward exchange contracts for this purpose. Through our in-house banking activities, the borrowing and investment of liquidity of the subsidiaries lead to currency positions that are hedged by external currency swap transaction, 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 164.**

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 41**) 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 60**) 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 163.**

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. In this way, 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 €6.5 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 41**). In addition, cash accrues 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 financial key figures 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 162 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. In this context, we also pay attention 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 159.

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. This applies especially to the rising number of rules and regulations concerning the growing cross-border operations.

These risks can impact our tax expense and benefit as well as our tax receivables and liabilities. We rate the tax risks as a medium risk.

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 2020, we consider the pension risks as a medium risk with a seldom likelihood and moderate impact.

Strategic risks

The global economic environment is subject to constant transformation as a result of megatrends such as climate change, globalisation, demographic development, and new technologies. These trends offer both risks and opportunities. Risks arising from changing trends may have an impact on demand, price levels, and costs in our sales markets and therefore on the company's income.

Risks from economic cycles, globalisation, political instability, and environmental, digital, and demographic change, as well as risks specific to the building materials industry, are described in the following. We also consider risks connected with acquisitions and investments.

General economic risks
Due to the fast spreading of the cornonavirus, the International Monetary Fund (IMF) has adjusted its forecast for 2020 at the beginning of March 2020, expecting the growth rate for global economy to be below the 2.9 % of 2019. IMF forecasts negative effects on supply and demand due to possible restrictions in supply chains and industrial production combined with rising costs.

The general economic risks include rising geopolitical tensions, including between the USA and Iran, a further deterioration in relations between the USA and its trade partners, and growing frictions between other countries. These risks could depress market sentiment and result in global economic growth being weaker than forecast.

In the individual Group areas, fluctuations in demand and rising competitive pressure can lead to risks in terms of sales volumes, sales prices, and customer relationships. The trade conflicts with the USA could lead to lower growth in Europe and Southeast Asia. We rate the general economic risk as a high risk with a seldom likelihood and a critical impact.

Political risks and risks arising from exceptional external incidents
Potential turmoil in a political, legal, and social context poses fundamental risks for all companies. HeidelbergCement operates on five continents and is therefore exposed to political risks, such as nationalisation, prohibition of capital transfer, terrorism, war, or unrest.

Exceptional external incidents, such as natural disasters or pandemics, could also negatively impact our business performance. The coronavirus outbreak could become more widespread and also affect our production sites and have an impact on demand in the respective regions. We rate this risk as a high risk with a seldom likelihood and a critical impact.

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Risks from environmental change
Climate change is increasingly in the spotlight. Regulatory measures have been introduced to reduce CO_2 in particular, as well as other emissions (see also Regulatory risks on ↗ page 70 f.).

The enforcement of stricter regulations for CO_2 emissions was set down in the Paris Agreement at the international climate conference COP 21 in 2015. Emissions trading systems (cap and trade) are already in place in the European Union and in some other countries. Further countries could introduce stricter regulations including emissions trading or CO_2 tax in the coming years.

HeidelbergCement uses several levers to reduce CO_2 emissions, such as increasing energy efficiency by optimising technical processes and using alternative fuels and raw materials in place of fossil fuels and natural raw materials. New technologies such as the capture and storage (CCS) of CO_2 are still in the development phase and could have a considerable impact on costs. However, their introduction would make it possible to significantly reduce CO_2 emissions. We rate this as a medium to long-term risk with a seldom likelihood and a critical impact.

Risks resulting from the substitution of products
HeidelbergCement is closely monitoring the development of alternative binders because of their potential to replace conventional cement types and is actively exploring this area. In view of the current state of knowledge, however, it appears unlikely that this replacement will take place on a large scale in the next few years.

If the production costs for traditional binders increase considerably, particularly in mature markets, for example as a result of further shortages of CO_2 emission certificates or the high cost of emissions reduction technologies, alternative binders could become more economically attractive provided that they fulfil the high requirements relating to processability, durability, and cost-effective production.

In the aggregates business, in which we extract and produce sand, gravel, and hard rock in our own quarries, substitution could take place through increasing use of recycled materials. This effect is strengthened by the progressively stringent requirements when renewing existing or applying for new mining concessions for natural raw materials. However, the use of such recycled materials is expected limited in the short term.

In addition, there is the risk that concrete is replaced by other materials, such as steel, glass, or wood products, for the construction of buildings. Although the use of these alternative materials is increasing to an extent in some countries, this is currently still limited. Overall, we rate this substitution risk as a medium to long-term risk with an unlikely likelihood and a critical impact.

Risks from digital change
New digital and networked technologies bring about change and have the basic potential to challenge companies' existing business models or create new ones.

This advancing digitalisation could change the construction and building materials industry and contribute to solutions for the CO_2 issue during the planning and the entire service life of buildings. It could enable the construction of more energy-efficient and longer-lasting buildings with lower emissions, which could ultimately have an impact on concrete and cement consumption.

Digitalisation can also increase efficiency and productivity – for example through data analysis in real time from networked systems, predictive maintenance, or better management of inventories and production processes.

Insufficient progress in digitalisation efforts could result in a loss of efficiency and competitiveness. We rate this risk as a medium to long-term risk with an unlikely likelihood and a critical impact.

Risks from demographic development
While the population is increasing in emerging and developing countries, it is ageing and shrinking in western countries. In these countries, this trend can result in a lack of qualified workers, lower productivity, and higher personnel expenses, ultimately leading to an increase in costs.

In the construction industry, this development could lead to a shift away from personnel-intensive construction on site towards industrial production of prefabricated components and modular construction systems. We rate this risk as a medium to long-term risk with an unlikely likelihood and a critical impact.

Specific risks for the building materials sector
The global development of demand for building materials 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 population growth, 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, such as the bursting of housing bubbles or rising interest rates for the financing of new homes.

The utilisation of production facilities, office spaces, and storage areas is crucial for commercial construction, and in turn depends on the general order situation and the development of domestic and global economy. Intensified budgetary consolidation or increasing interest rates can have a negative effect on economic growth and 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 infrastructure programmes. Relevant risks are connected with fluctuating income, for example in countries that export raw materials, or budgetary consolidation, which can lead to cuts in infrastructure investments. On the one hand, the impact of investment cutbacks on the demand for building materials cannot be predicted with certainty. On the other hand, government investment projects only have a delayed effect on demand for building materials.

Clinker and cement 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 an international level. If the difference in the price level between two countries, with connection to the sea trade, becomes too high, there is a risk of increased import volumes.

This risk could arise in the European countries that are subject to the emissions trading system if there are no comparable costs for CO_2 emissions in the export countries. A political debate is currently taking place on the introduction of CO_2 compensatory mechanisms to ensure equal conditions for domestic production and imports.

Furthermore, 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, such as monsoons, can negatively impact construction activity and therefore sales volumes of our products and, in turn, impair our business performance.

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.

Risks from acquisitions, partnerships, and investments
HeidelbergCement expands its capacities through acquisitions, partnerships, and investments in order to improve its market positions and strengthen its vertical integration. Investments 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.

The success of acquisitions, partnerships, and investments can be hindered by political restrictions. HeidelbergCement therefore evaluates the political risk and stability of the region when making investments. In order to minimise financial burdens and risks and better exploit opportunities, HeidelbergCement can also cooperate with suitable partners, particularly in politically unstable regions.

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

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 decreased moderately compared with the previous year.

Volatility of energy and raw material prices
For an energy-intensive company such as HeidelbergCement, price trends in raw materials and energy markets represent a risk. There is a risk that the costs for individual energy sources and raw materials will increase and thus total costs in 2020 will be higher than planned. We consider this risk as a medium risk with a seldom likelihood and a moderate impact.

We minimise the price risks for energy and raw materials by bundling and structuring procurement processes across the Group and safeguarding mining concessions over the long term. We also make increased use of alternative fuels and raw materials in order to minimise price risks, while reducing CO_2 emissions.

With the help of our various Group-wide programmes for increasing efficiency and continuous improvement, we are decreasing and optimising our consumption of electricity, fuels, and raw materials, which reduces 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 should be ensured mainly by own 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. Following this, a Group policy on reserve and resource management, combined with rigorous local processes, should reduce 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.

Availability and prices of cementitious materials used in cement manufacturing, such as blast furnace slag, which is a by-product in steel manufacturing, are subject to economic fluctuations and therefore entail a cost risk. As global demand for these cementitious materials is increasing, this could lead to shortages.

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. Overall, we consider this to be a low risk.

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 a low risk.

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. Nevertheless, there is still a risk that the insured amounts in the event of damage will be insufficient, particularly in the case of very uncommon and serious types of damage, such as natural disasters. We consider this to be a low risk.

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 closure of production sites.

Over 40 % of HeidelbergCement's worldwide clinker production is affected by financial CO_2 regulations such as emissions trading systems and CO_2 taxes.

Since 2005, the EU Emissions Trading System (EU ETS) has been the primary political instrument, acting as a cap-and-trade system for monitoring and reducing greenhouse gas emissions in European industry with ambitious targets for climate protection. Besides the energy sector and refineries, this also affects all energy-intensive industries, which generate around 45 % of all European emissions.

The cement industry, like other CO_2-intensive industries featured on the carbon leakage list, has not been affected by the requirement since 2013 to purchase all emission rights by auction. It receives a portion of the emission rights free of charge on the basis of ambitious product-specific benchmarks, but by 2020 their quantity will have been reduced significantly compared with 2005. Consequently, the prices for emission certificates have almost quadrupled in the past three years. It should be assumed that a corresponding price increase will continue in Phase IV of the EU Emissions Trading System from 2021.

HeidelbergCement is also affected by CO_2 regulations in North America. The US state of California has had a cap-and-trade programme for emission rights since 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 Canada, a nationwide commitment to financial CO_2 regulations has been in place since the adoption of the Greenhouse Gas Pollution Pricing Act in 2018. This affects HeidelbergCement, particularly in British Columbia (CO_2 tax).

HeidelbergCement is currently affected by a cap-and-trade pilot project in the Chinese province of Guangdong. In 2020, a new national emissions trading system will be introduced in China, which will be extended to cover the entire cement industry at a later date. The full extent of the impact on our cement plants there cannot be conclusively assessed at this point.

For HeidelbergCement locations that are subject to CO_2 regulations and easily accessible for imports, there is the risk of a competitive disadvantage resulting from cement imports from countries without CO_2 regulations, because of increasing production costs.

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, considerably exceeding EU requirements. To comply with these stricter environmental regulations, substantial investments have been and are still being made in facilities to reduce emissions. Measures concerning climate protection and emission control are outlined in the Environmental responsibility chapter on ↗ page 52 f. and the Research and technology section on ↗ page 22 f.

In Indonesia, changes in the regulations governing the size and loading volumes of trucks have been introduced. There is a risk that the logistics costs of our transports could rise as a result. We consider this risk as a medium risk with a possible likelihood and a low 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. In addition, the critical IT systems in Europe, Asia, and North America are housed in two computer centers, which make increasing use of infrastructure-as-a-service solutions from the cloud.

A central operations team ensures that all business IT systems are up to date and protects them using security mechanisms. To optimise security processes and further improve protection, HeidelbergCement has appointed an IT security company to assess its current security measures and draw up an action plan for the next few years.

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 systems 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, network infrastructure), which are consolidated and updated. 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 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 lawsuits 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 medium risk.

Cartel proceedings
Over the past few years, HeidelbergCement has gained experience from a series of cartel proceedings, including the now completed investigative proceedings against Italcementi S.p.A. for antitrust violations from the period before HeidelbergCement took over control, in which currently individual private claims for damages are being pursued. This experience motivates 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. At present, we consider the risks from antitrust proceedings as a low risk.

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 lawsuits 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 act in a socially responsible way. 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 self-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 both with the law and with Group guidelines.

Our compliance programme comprises, amongst other things, information leaflets, a compliance hotline, and employee training measures, which cover, for example, the risk areas of antitrust and competition law as well as anticorruption regulations and data protection. Violations of applicable laws and internal guidelines will be 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 has also been implemented 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 systematic verification procedures against international sanctions lists. See ↗ page 52 f. for more information on environmental responsibility, and ↗ page 55 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 2020.

Strategic opportunities

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.

More stringent regulations for CO_2 emissions, particularly in the European countries, will lead to further rationalisation measures with regard to existing capacities, with the oldest and least efficient plants being shut down. This could bring about a reduction in excess capacities.

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 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 2019 and the preparation of the 2019 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 positions in growth markets, and its 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

Corporate Governance statement[1)]

Statement of compliance in accordance with section 161 of the German Stock Corporation Act (Aktiengesetz, AktG)

On 14 February 2020, the Managing Board and on 18 February 2020, 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 2019.

Information on Corporate Governance practices

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 Stock Corporation Act (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.

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.

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.

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.

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

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

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.

Composition of the 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 each in charge of the business in one Group area. Further information on the composition of the Managing Board can be found in the chapter Supervisory Board and Managing Board on ↗ page 93 f.

Target figures for the proportion of women; diversity concept for the composition of the Managing Board

The law 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.

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 2019, the proportion of women was 10 % at the first level and 14 % at the second level. For further information, refer to the chapter Employees and society on ↗ page 48 f.

The standard retirement age for members of the Managing Board is 65 years.

Long-term successor planning for the Managing Board

With the support of the Managing Board, the Supervisory Board ensures the long-term successor planning for the Managing Board. In addition to the requirements of the German Stock Corporation Act and the German Corporate Governance Code, the target set by the Supervisory Board for the proportion of women in the Managing Board and the criteria in accordance with the diversity concept adopted by the Supervisory Board for the composition of the Managing Board are taken into account. This allows candidates to be identified for the Managing Board at an early stage and prepared for their tasks in a targeted way. Structured discussions are held with these candidates, involving the Supervisory Board's Personnel Committee and, if necessary, supported by external advisors. A recommendation for resolution is then presented to 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, in a timely manner, 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.

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Working methods of 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.

Composition of the Supervisory Board

At present, the Supervisory Board of HeidelbergCement AG consists of twelve members. Information on the composition of the Supervisory Board can be found in the chapter Supervisory Board and Managing Board on ↗ page 93 f.

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.

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 Mr Ludwig Merckle (Chairman), Mr Fritz-Jürgen Heckmann, Ms Birgit Jochens, Mr Luka Mucic, Ms Dr. Ines Ploss, Mr Heinz Schmitt, Mr Werner Schraeder, and Ms Margret Suckale.

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. Furthermore, the Audit Committee discusses the half-yearly and quarterly reports with the Managing Board before they are published.

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. The Audit Committee comprises Mr Luka Mucic (Chairman), Mr Ludwig Merckle (Deputy Chairman), Ms Barbara Breuninger, Messrs Fritz-Jürgen Heckmann, Peter Riedel, Heinz Schmitt, and Werner Schraeder, as well as Ms Margret Suckale.

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 Mr Ludwig Merckle (Chairman), Ms Margret Suckale, and Ms Prof. Dr. Marion Weissenberger-Eibl as shareholder representatives.

The Arbitration Committee, formed in accordance with sections 27(3) and 31(3) of the German Codetermination Law (Mitbestimmungsgesetz), 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 Ms Prof. Dr. Marion Weissenberger-Eibl (Chairman), Mr Fritz-Jürgen Heckmann, Mr Heinz Schmitt, and Ms Dr. Ines Ploss.

Target figures for the proportion of women in the Supervisory 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.

Competence profile, diversity concept, and targets for the composition of the Supervisory Board

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 agreed concrete objectives regarding its composition and 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. In its assessment, the Supervisory Board took into account the fact that Mr Mucic, as a member of the Executive Board of SAP SE, holds a position of responsibility at an external company with which HeidelbergCement AG has a business relationship. However, as the business success of HeidelbergCement AG is not significantly influenced by its business relationship with SAP SE and no other dependency on SAP SE exists, the Supervisory Board considers Mr Mucic to be independent. The Supervisory Board also took into account the fact that Messrs Heckmann, Ludwig Merckle, and Tobias Merckle have each been members of the Supervisory Board for more than 12 years. In the Supervisory Board's view, the length of membership does not raise any concerns about a conflict of interest for any of the three members. The standard retirement age and the regular limit of length of membership of the Supervisory Board have been taken into account.

Self-assessment of the effectiveness of the work of the Supervisory Board

In November 2019, the Supervisory Board carried out the regular self-assessment of the effectiveness of the work of the Supervisory Board and its committees, as required by the Code. The self-assessment was performed by means of a detailed questionnaire, which the members of the Supervisory Board completed anonymously, and a subsequent discussion within the Supervisory Board.

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 17.**

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 2019 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. The second part shows the remuneration for the Supervisory Board paid for the 2019 financial year.

Current Managing Board remuneration system 2019

The current Managing Board remuneration system has been applied to all newly and reappointed members of the Managing Board since financial year 2019. It constitutes a further development to the system that was in force from 2014. The main differences concern the following points:

1. Introduction of a clause for the reduction, withdrawal, and clawback of variable remuneration in case of breaches of essential duties of diligence (clawback/malus clause).
2. Reduction of discretionary adjustment of the annual and long-term bonus by the Supervisory Board.
3. Increase in individual investment (share ownership) of the members of the Managing Board.
4. Introduction of a defined contribution pension promise.

The current Managing Board remuneration system was approved by the Annual General Meeting on 9 May 2019 with a majority of 93.4 % 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 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, and the remuneration structure used for the rest of the Group. In addition, the target and maximum remuneration of the members of the Managing Board are oriented towards the companies in the German DAX index as well as the tasks and performance of the relevant member of the Managing Board and of the entire Managing Board.

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 and further developed in 2019 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.

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.

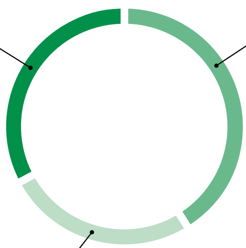
2. Annual bonus

The annual bonus is a variable remuneration element, which whichrelates 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. Through the introduction of a clawback clause in the current Managing Board remuneration system, reduction, withdrawal, and clawback of the annual bonus are possible in case of breaches of essential duties of diligence. The table on ↗ page 81 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.)

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.

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, resort, sustainability targets, personal targets)

Target achievement
- 0–200 % per key performance indicators

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 %

Fixed annual salary | Annual bonus | Long-term bonus

1) PSU = Performance Share Unit | 2) MSCI World Construction Materials Index

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. Through the introduction of a clawback clause in the current Managing Board remuneration system, reduction, withdrawal, and clawback of the long-term bonus are possible in case of breaches of essential duties of diligence. 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 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.

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 beginning 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

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 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 2019–2021/22, which was granted in 2019, is paid after the Annual General Meeting 2022, i.e. in the year following the three-year performance period; the capital market component is paid after the Annual General Meeting 2023, i.e. in the year following the four-year performance period.

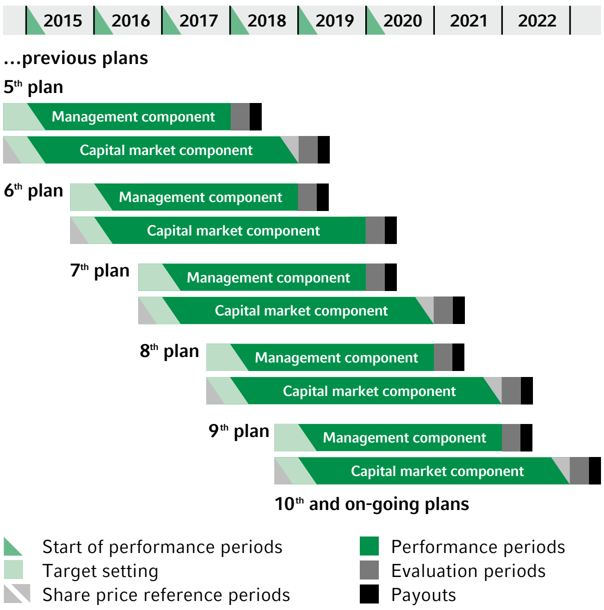
The following table shows a sample calculation for the determination of the long-term bonus of the Chairman of the Managing Board with a fixed annual salary of €1,625,000.

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: €58.78 €1,218,750 / €58.78 = 20,734 virtual shares	
Performance period	3 years (from 2019 to 2021) for the management component and 4 years (from 2019 to 2022) 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 (20,734 virtual shares) Peer TSR: 1/2 DAX Index (10,367 virtual shares) 1/2 MSCI World Construction Materials Index (10,367 virtual shares)
Range	0 – 200 %	
Target achievement (example)	EBIT 130% (€792,188) ROIC 120% (€731,250)	Relative TSR: DAX Index 100% (10,367 virtual shares) MSCI World Construction Materials Index 130% (13,477 virtual shares)
Example result	Management component: €792,188 + €731,250 = €1,523,438 Capital market component: 10,367 + 13,477 = 23,844 virtual shares (Ø share price over the last 3 months before the end of the 4th year e.g.: €80; Maximum value is 250 % x €58.78 = €146.95) = 23,844 virtual shares x €80 = €1,907,520	
	Management component €1,523,438 + capital market component €1,907,520 = €3,430,958 [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.

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 stipulate an annual pension promise of up to 4 % of the pensionable income for each completed year of service, but no more than 40 %.

In 2019, a defined contribution pension promise was introduced for the newly and reappointed members of the Managing Board. The design and expected pension benefits are based on the customary characteristics of such schemes, and existing contractual obligations are taken into account. The defined contribution pension promise was applied for the first time at the appointment of the new Managing Board members Ernest Jelito and Chris Ward. Chris Ward has decided to opt for the cash allowance (contribution to private pension).

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.

Adjustment of remuneration

The Supervisory Board has the option of discretionary adjustment (administrative discretion) of the annual and the long-term bonus in order to account for the personal performance of the individual members of the Managing Board and/or for exceptional circumstances. In the case of new appointments or reappointments as of 2019, the discretionary adjustment amounts to ± 15 % of the target value of these variable remuneration elements; for existing contracts ± 25 %.

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

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.

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, 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.

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 the case of new appointments and reappointments as of 2019, the number of shares to be held by the Deputy Chairman of the Managing Board is set at 20,000 HeidelbergCement shares and at 15,000 HeidelbergCement shares for 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.

Managing Board remuneration in 2019

The disclosure of the remuneration of the Managing Board for the 2019 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 2019 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 €7.1 million (previous year: 6.7) due to the transition period. The sum of variable remuneration changed to €12.2 million (previous year: 12.3). It comprised a one-year bonus in 2019 and the payment of the management component of the long-term bonus plan 2017-2019/20. The remuneration of the Managing Board members for the financial year 2019 according to DRS 17 is shown in the table on ↗ page 85.

Long-term bonus plan 2019-2021/22
The members of the Managing Board are participating in the long-term bonus plan 2019-2021/22, granted in 2019. 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, €1,076,000 for Kevin Gluskie, €875,000 for Hakan Gurdal, €1,075,000 for Jon Morrish, and €1,063,000 for Dr. Lorenz Näger. For the retired member of the Managing Board Dr. Albert Scheuer the target value will be reduced as per the agreement due to his retirement and amounts to €625,000. For the new members of the Managing Board, the target value is determined pro rata and amounts to: €749,000 for Ernest Jelito as of 1 July 2019 and to €738,000 for Chris Ward as of

1 September 2019. 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, €538,000 for Kevin Gluskie, €438,000 for Hakan Gurdal, €538,000 for Jon Morrish, €531,000 for Dr. Lorenz Näger, and €313,000 for Dr. Albert Scheuer. For Ernest Jelito, the pro-rata calculation results in a target value for the management component of €365,000 and for the capital market component of €383,000. For Chris Ward, the pro-rata calculation results in a target value for the management component of €356,000 and for the capital market component of €382,000.

The reference price for the capital market component amounts to €58.78. This equates to the following performance share units (PSUs) for: Dr. Bernd Scheifele 20,734 PSUs, Dr. Dominik von Achten 11,696 PSUs, Kevin Gluskie 9,150 PSUs, Hakan Gurdal 7,443 PSUs, Ernest Jelito 6,521 PSUs, Jon Morrish 9,144 PSUs, Dr. Lorenz Näger 9,038 PSUs, Dr. Albert Scheuer 5,316 PSUs, and Chris Ward 6,493 PSUs. In accordance with section 314(1)(6a) sentence 4 of the HGB, the fair value at the grant date must be indicated for the capital market component. For Dr. Bernd Scheifele this amounts to €618,000, for Dr. Dominik von Achten to €348,000, for Kevin Gluskie to €273,000, for Hakan Gurdal to €222,000, for Ernest Jelito to €194,000, for Jon Morrish to €272,000, for Dr. Lorenz Näger to €269,000, for Dr. Albert Scheuer to €158,000, and for Chris Ward to €193,000. The

Managing Board remuneration for the 2019 financial year (DRS 17)

€ '000s rounded off (previous year in brackets)	Dr. Bernd Scheifele	Dr. Dominik von Achten	Kevin Gluskie	Hakan Gurdal	Ernest Jelito [1]	Jon Morrish	Dr. Lorenz Näger	Dr. Albert Scheuer [2]	Chris Ward [3]	Total
Non-performance related compensation										
Fixed annual salary	1,625 (1,625)	1,100 (1,100)	870 (873)	700 (692)	350 ()	860 (838)	850 (850)	446 (750)	250 ()	**7,051** (6,728)
Fringe benefits	138 (135)	11 (17)	481 (477)	71 (102)	31 ()	265 (235)	142 (138)	19 (28)	123 ()	**1,281** (1,133)
Cash allowance									126 ()	126 ()
Performance related compensation										
Annual bonus	2,757 (2,935)	1,393 (1,308)	1,118 (1,141)	866 (892)	428 ()	1,032 (1,075)	1,097 (1,108)	617 (944)	280 ()	**9,589** (9,402)
Deduction of fringe benefits from the annual bonus	-60 (-58)	0 ()	0 ()	0 ()	0 ()	0 ()	-60 (-58)	0 ()	0 ()	**-121** (-115)
Total cash compensation including fringe benefits	4,460 (4,637)	2,504 (2,425)	2,468 (2,491)	1,637 (1,686)	809 ()	2,157 (2,148)	2,029 (2,038)	1,082 (1,722)	780 ()	**17,927** (17,146)
Compensation with long-term incentive										
Management component 2017–2019/20 (2016–2018/19)	731 (855)	434 (463)	293 (339)	244 (277)	0 ()	244 (277)	315 (368)	301 (333)	0 ()	**2,561** (2,911)
Capital market component 2019–2021/22 (2018–2020/21)	618 (1,374)	348 (775)	273 (640)	222 (492)	194 ()	272 (602)	269 (599)	158 (529)	193 ()	**2,548** (5,011)
Total compensation	5,809 (6,866)	3,287 (3,663)	3,034 (3,469)	2,103 (2,455)	1,004 ()	2,673 (3,027)	2,613 (3,005)	1,541 (2,583)	973 ()	**23,036** (25,069)

1) Since 1 July 2019 | 2) Until 5 August 2019 | 3) Since 1 September 2019

Long-term bonus plan	**2019–2021/22**	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	20,734	618
Dr. Dominik von Achten	**1,375**	688	688	11,696	348
Kevin Gluskie	**1,076**	538	538	9,150	273
Hakan Gurdal	**875**	438	438	7,443	222
Ernest Jelito [1]	**749**	365	383	6,521	194
Jon Morrish	**1,075**	538	538	9,144	272
Dr. Lorenz Näger	**1,063**	531	531	9,038	269
Dr. Albert Scheuer [2]	**625**	313	313	5,316	158
Chris Ward [1]	**738**	356	382	6,493	193
Total	**10,012**	4,984	5,028	85,535	2,548

1) Calculation basis: pro-rata calculation to the day for Ernest Jelito from 1 July 2019 and for Chris Ward from 1 September 2019 for a term of 3 and 4 years, respectively
2) Calculation basis: pro-rata calculation to the month: reduction to 8/12 of the target value with retirement on 5 August 2019

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fair value was determined in accordance with a recognised actuarial method (Monte Carlo simulation). The table on ↗ page 85 shows the long-term bonus plan 2019-2021/22.

Amount of fringe benefits (rounded to € ’000s)
The taxable fringe benefits amounted to €1.3 million (previous year: 1.1). For posts and offices held with Group companies, Dr. Bernd Scheifele received €60,000 (previous year: 58,000) and Dr. Lorenz Näger €60,000 (previous year: 58,000). 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 HeidelbergCement Group. Fringe benefits also amount to €27,000 (previous year: 27,000) for Dr. Bernd Scheifele, €11,000 (previous year: 17,000) for Dr. Dominik von Achten, €481,000 (previous year: 477,000) for Kevin Gluskie, €71,000 (previous year: 102,000) for Hakan Gurdal, €31,000 for Ernest Jelito, €265,000 (previous year: 235,000) for Jon Morrish, €32,000 (previous year: 31,000) for Dr. Lorenz Näger, €19,000 (previous year: 28,000) for Dr. Albert Scheuer, and €123,000 for Chris Ward.

Amount of total remuneration 2019 according to DRS 17
When applying Accounting Standard DRS 17, the total remuneration of the Managing Board amounted to €23.0 million (previous year: 25.1) in 2019.

Pension promises
In 2019, allocations to provisions for pensions (service cost) for members of the Managing Board amounted to €4.6 million (previous year: 4.4). The present values of the defined benefit obligation amounted to €63.4 million (previous year: 49.0). The figures are shown in the following table.

Pension promises	Service cost		Defined benefit obligation	
€ ’000s rounded off	2018	2019	2018	2019
Dr. Bernd Scheifele	1,498	**1,514**	22,072	**26,533**
Dr. Dominik von Achten	594	**568**	6,845	**8,872**
Kevin Gluskie	599	**686**	2,127	**3,504**
Hakan Gurdal	473	**533**	1,656	**2,708**
Ernest Jelito [1]	0	**0**	0	**230**
Jon Morrish	526	**483**	1,501	**2,558**
Dr. Lorenz Näger	520	**576**	8,043	**10,749**
Dr. Albert Scheuer [2]	237	**242**	6,798	**8,286**
Total	4,447	**4,602**	49,042	**63,440**

1) Since 1 July 2019 | 2) Until 5 August 2019

Chris Ward was granted a cash allowance in the context of the defined contribution pension promise which is shown as part of the non-performance related remuneration.

Pension payments to former members of the Managing Board and their surviving dependants amounted to €3.1 million (previous year: 3.1) in 2019. Provisions for pension obligations to former members of the Managing Board amounted to €35.1 million (previous year: 33.2).

Loans to members of the Managing Board
No loans were granted to members of the Managing Board of HeidelbergCement AG in 2019.

Managing Board remuneration 2019 according to the German Corporate Governance Code

Pursuant to the recommendations of the German Corporate Governance Code dated 7 February 2017, both the granted benefits and the allocations in form of the proposed reference tables are disclosed for the reporting year 2019.

Granted benefits
When compared with DRS 17, the granted benefits presented in the table on ↗ page 88 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 2019-2021/22, as shown ↗ page 85. 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 above table in the form of service cost.

The total Managing Board remuneration granted according to the German Corporate Governance Code amounted to €26.5 million (previous year: 27.4) for the 2019 financial year.

Allocations
For the members of the Managing Board, the allocations to be disclosed for the 2019 financial year are shown in the table on ↗ page 88 f.

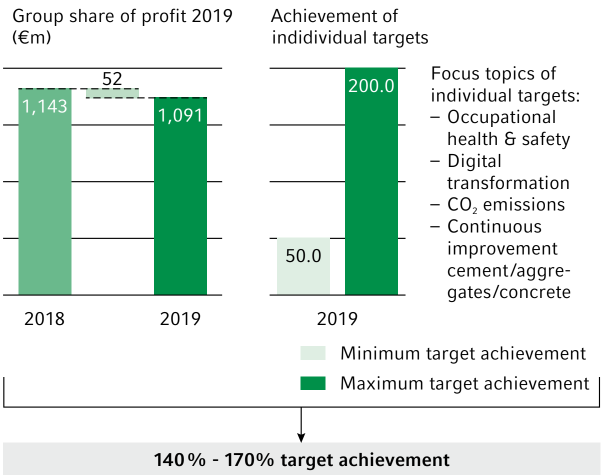
The table shows the allocations for the 2019 financial year regarding the non-performance related remuneration and the one-year variable compensation. Pursuant to the German Corporate Governance Code dated 7 February 2017, allocations for multi-year variable compensation, where the plan term ended in the 2019 financial year, and prepayments for the long-term bonus plan starting in the 2019 financial year for the retired member of the Managing Board are disclosed. The allocations from the capital market component of the long-term bonus plan 2016-2018/19, the management component of the long-term bonus plan 2017-2019/20, and the prepayment for the long-term bonus plan 2019-2021/22 are therefore disclosed.

The accrued total remuneration of the Managing Board according to the German Corporate Governance Code amounted to €29.7 million (previous year: 30.3) for the 2019 financial year.

The allocations from the annual bonus increased in 2019 compared with the previous year. The Group share of profit for the financial year fell in comparison with the previous year to €1,091 million (previous year: 1,143). 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 2019, the individual targets of the Managing Board members focused on occupational health & safety, 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 50 % to 200 %. The overall target achievement for the annual bonus for the members of the Managing Board varies from 140 % to 170 %[1] compared with 149 % to 171 %[1] in the previous year.

Annual bonus 2019



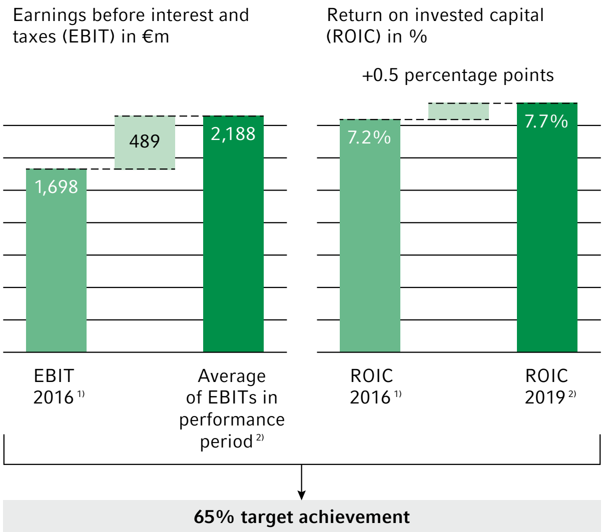
The allocations from the components of the long-term bonus plans decreased in 2019 compared with the previous year. The values for EBIT and ROIC were adjusted for one-time business transactions which were not foreseen in the planning and the target for the respective long-term bonus plans. These adjustments 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 €2,188 million and ROIC of 7.7 % for the target achievement include among others adjustments for the acquisition of Italcementi, divestments, reorganisations, application of IFRS 16, and exchange rate fluctuations in the invested capital.

Furthermore, the slightly better formance 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 108 % for the capital market component. With the slight rise in the price of the HeidelbergCement share, adjusted for dividend payments and changes to the capital, in the four-year performance period from €69.91 to €71.42, the calculated target achievement amounts to 110 %.

1) Without discretionary adjustment by the Supervisory Board.

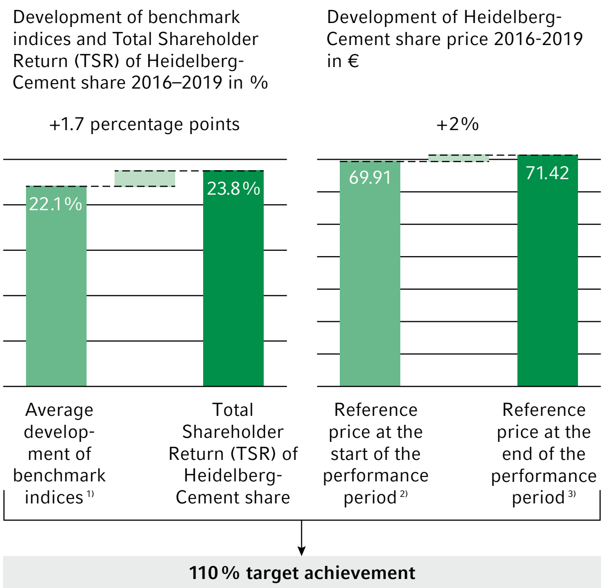
The target achievement for the management component of the long-term bonus plan 2017–2019/20 and the capital market component of the long-term bonus plan 2016–2018/19 is shown in the following graphs.

Management component (Long-term bonus plan 2017-2019/20)



1) Amount as stated in the Annual Report 2016
2) Amounts adjusted among others for the acquisition of Italcementi, divestments, reorganisations, application of IFRS 16, and exchange rate fluctuations in the invested capital

Capital market component (Long-term bonus plan 2016-2018/19)



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 2015.
3) Reference price is the average of the daily closing prices from 1 October to 31 December 2019 amounting to €65.84, adjusted for reinvested dividend payments and changes in the capital.

Granted benefits according to GCGC [1]	Dr. Bernd Scheifele Chairman of the Managing Board				Dr. Dominik von Achten Deputy Chairman of the Managing Board			
€ '000s (rounded off)	2018	2019	Min. 2019	Max. 2019	2018	2019	Min. 2019	Max. 2019
Non-performance related compensation								
Fixed annual salary	1,625	**1,625**	**1,625**	**1,625**	1,100	**1,100**	**1,100**	**1,100**
Fringe benefits	135	**138**	**138**	**138**	17	**11**	**11**	**11**
Contribution to private pension (cash allowance)	0	**0**	**0**	**0**	0	**0**	**0**	**0**
Total	1,760	**1,763**	**1,763**	**1,763**	1,117	**1,111**	**1,111**	**1,111**
Performance related compensation								
Annual bonus [2]	1,625	**1,625**	**0**	**3,656**	880	**880**	**0**	**1,980**
Deduction of fringe benefits from the annual bonus	-58	**-60**	**0**	**-60**	0	**0**	**0**	**0**
Total one-year variable compensation [3]	1,567	**1,565**	**0**	**3,596**	880	**880**	**0**	**1,980**
Long-term bonus plan 2018–2020/21								
Management component	1,219				688			
Capital market component	1,374				775			
Long-term bonus plan 2019–2021/22								
Management component [2]		**1,219**	**0**	**5,484**		**688**	**0**	**3,094**
Capital market component [2]		**618**				**348**		
Total multi-year variable compensation	2,593	**1,836**	**0**	**5,484**	1,463	**1,036**	**0**	**3,094**
Total	5,920	**5,164**	**1,763**	**8,828**	3,460	**3,027**	**1,111**	**6,185**
Service cost	1,498	**1,514**	**1,514**	**1,514**	594	**568**	**568**	**568**
Total compensation	7,418	**6,678**	**3,277**	**10,342**	4,054	**3,595**	**1,679**	**6,753**

Allocations according to GCGC [1]	Dr. Bernd Scheifele Chairman of the Managing Board		Dr. Dominik von Achten Deputy Chairman of the Managing Board	
€ '000s (rounded off)	2018	2019	2018	2019
Non-performance related compensation				
Fixed annual salary	1,625	**1,625**	1,100	**1,100**
Fringe benefits	135	**138**	17	**11**
Contribution to private pension (cash allowance)	0	**0**	0	**0**
Total	1,760	**1,763**	1,117	**1,111**
Performance related compensation				
Annual bonus	2,935	**2,757**	1,308	**1,393**
Deduction of fringe benefits from the annual bonus	-58	**-60**	0	**0**
Total one-year variable compensation [3]	2,877	**2,697**	1,308	**1,393**
Long-term bonus plan 2015–2017/18				
Capital market component	2,441		1,322	
Long-term bonus plan 2016–2018/19				
Management component	855		463	
Capital market component		**1,241**		**672**
Long-term bonus plan 2017–2019/20				
Management component		**731**		**434**
Long-term bonus plan 2019–2021/22				
Prepayment [4]				
Total multi-year variable compensation	3,296	**1,972**	1,785	**1,107**
Total	7,933	**6,433**	4,210	**3,611**
Service cost	1,498	**1,514**	594	**568**
Total compensation	9,431	**7,947**	4,804	**4,179**

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 % / 15 % of the target value.
3) One-year variable compensation including the Supervisory Board's discretionary adjustment and the deduction of fringe benefits.
4) Contractually agreed prepayment for the long-term bonus plan 2019-2021/22 in case of retirement during the year.

	Kevin Gluskie Member of the Managing Board				Hakan Gurdal Member of the Managing Board				Ernest Jelito Member of the Managing Board (since 1 July 2019)			
	2018	2019	Min. 2019	Max. 2019	2018	2019	Min. 2019	Max. 2019	2018	2019	Min. 2019	Max. 2019
	873	870	870	870	692	700	700	700		350	350	350
	477	481	481	481	102	71	71	71		31	31	31
	0	0	0	0	0	0	0	0		0	0	0
	1,350	1,351	1,351	1,351	794	771	771	771		381	381	381
	699	696	0	1,565	553	560	0	1,260		280	0	602
	0	0	0	0	0	0	0	0		0	0	0
	699	696	0	1,565	553	560	0	1,260		280	0	602
	566				436							
	640				492							
		538	0	2,420		438	0	1,969		365	0	1,609
		273				222				194		
	1,206	810	0	2,420	928	659	0	1,969		560	0	1,609
	3,255	2,857	1,351	5,336	2,275	1,990	771	4,000		1,221	381	2,592
	599	686	686	686	473	533	533	533		0	0	0
	3,854	3,543	2,037	6,022	2,748	2,523	1,304	4,533		1,221	381	2,592

	Kevin Gluskie Member of the Managing Board		Hakan Gurdal Member of the Managing Board		Ernest Jelito Member of the Managing Board (since 1 July 2019)	
	2018	2019	2018	2019	2018	2019
	873	870	692	700		350
	477	481	102	71		31
	0	0	0	0		0
	1,350	1,351	794	771		381
	1,141	1,118	892	866		428
	0	0	0	0		0
	1,141	1,118	892	866		428
	0		0			
	339		277			
		526		405		0
		293		244		0
	339	818	277	649		0
	2,830	3,287	1,963	2,286		809
	599	686	473	533		0
	3,429	3,973	2,436	2,819		809

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Granted benefits according to GCGC [1]	Jon Morrish Member of the Managing Board				Dr. Lorenz Näger Member of the Managing Board			
€ ’000s (rounded off)	2018	2019	Min. 2019	Max. 2019	2018	2019	Min. 2019	Max. 2019
Non-performance related compensation								
Fixed annual salary	838	**860**	**860**	**860**	850	**850**	**850**	**850**
Fringe benefits	235	**265**	**265**	**265**	138	**142**	**142**	**142**
Contribution to private pension (cash allowance)	0	**0**	**0**	**0**	0	**0**	**0**	**0**
Total	1,073	**1,125**	**1,125**	**1,125**	988	**992**	**992**	**992**
Performance related compensation								
Annual bonus [2]	671	**688**	**0**	**1,548**	680	**680**	**0**	**1,530**
Deduction of fringe benefits from the annual bonus	0	**0**	**0**	**0**	-58	**-60**	**0**	**-60**
Total one-year variable compensation [3]	671	**688**	**0**	**1,548**	622	**620**	**0**	**1,470**
Long-term bonus plan 2018–2020/21								
Management component	533				531			
Capital market component	602				599			
Long-term bonus plan 2019–2021/22								
Management component [2]		**538**	**0**	**2,419**		**531**	**0**	**2,391**
Capital market component [2]		**272**				**269**		
Total multi-year variable compensation	1,135	**810**	**0**	**2,419**	1,130	**800**	**0**	**2,391**
Total	2,879	**2,623**	**1,125**	**5,092**	2,740	**2,412**	**992**	**4,853**
Service cost	526	**483**	**483**	**483**	520	**576**	**576**	**576**
Total compensation	3,406	**3,106**	**1,608**	**5,575**	3,260	**2,989**	**1,568**	**5,429**

Allocations according to GCGC [1]	Jon Morrish Member of the Managing Board		Dr. Lorenz Näger Member of the Managing Board	
€ ’000s (rounded off)	2018	2019	2018	2019
Non-performance related compensation				
Fixed annual salary	838	**860**	850	**850**
Fringe benefits	235	**265**	138	**142**
Contribution to private pension (cash allowance)	0	**0**	0	**0**
Total	1,073	**1,125**	988	**992**
Performance related compensation				
Annual bonus	1,075	**1,032**	1,108	**1,097**
Deduction of fringe benefits from the annual bonus	0	**0**	-58	**-60**
Total one-year variable compensation [3]	1,075	**1,032**	1,050	**1,037**
Long-term bonus plan 2015–2017/18				
Capital market component	0		1,051	
Long-term bonus plan 2016–2018/19				
Management component	277		368	
Capital market component		**405**		**534**
Long-term bonus plan 2017–2019/20				
Management component		**244**		**315**
Long-term bonus plan 2019–2021/22				
Prepayment [4]				
Total multi-year variable compensation	277	**649**	1,419	**849**
Total	2,425	**2,806**	3,457	**2,878**
Service cost	526	**483**	520	**576**
Total compensation	2,952	**3,289**	3,977	**3,455**

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 % / +15 % of the target value.
3) One-year variable compensation including the Supervisory Board’s discretionary adjustment and the deduction of fringe benefits.
4) Contractually agreed prepayment for the long-term bonus plan 2019-2021/22 in case of retirement during the year.

	Dr. Albert Scheuer Member of the Managing Board (until 5 August 2019)				Chris Ward Member of the Managing Board (since 1 September 2019)				Total			
	2018	2019	Min. 2019	Max. 2019	2018	2019	Min. 2019	Max. 2019	2018	2019	Min. 2019	Max. 2019
	750	446	446	446		250	250	250	6,728	7,051	7,051	7,051
	28	19	19	19		123	123	123	1,133	1,281	1,281	1,281
	0	0	0	0		126	126	126	0	126	126	126
	778	465	465	465		499	499	499	7,861	8,458	8,458	8,458
	600	400	0	900		200	0	430	5,708	6,009	0	13,472
	0	0	0	0		0	0	0	-115	-121	0	-121
	600	400	0	900		200	0	430	5,592	5,888	0	13,351
	469								4,441			
	529								5,011			
		313	0	1,406		356	0	1,587		4,984	0	22,379
		158				193				2,548		
	997	471	0	1,406		550	0	1,587	9,453	7,533	0	22,379
	2,375	1,336	465	2,771		1,249	499	2,516	22,906	21,879	8,458	42,173
	237	242	242	242		0	0	0	4,447	4,602	4,602	4,602
	2,612	1,578	707	3,013		1,249	499	2,516	27,353	26,481	13,060	46,775

	Dr. Albert Scheuer Member of the Managing Board (until 5 August 2019)		Chris Ward Member of the Managing Board (since 1 September 2019)		Total	
	2018	2019	2018	2019	2018	2019
	750	446		250	6,728	7,051
	28	19		123	1,133	1,281
	0	0		126	0	126
	778	465		499	7,861	8,458
	944	617		280	9,402	9,589
	0	0		0	-115	-121
	944	617		280	9,287	9,469
	949				5,764	
	333				2,911	
		483		0		4,266
		301		0		2,561
		313				313
	1,282	1,096		0	8,675	7,140
	3,003	2,179		780	25,823	25,067
	237	242		0	4,447	4,602
	3,240	2,421		780	30,270	29,669

Continuous development of the Managing Board remuneration system

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.

Remuneration of the Supervisory Board for 2019

Supervisory Board remuneration is set out in section 12 of the Articles of Association of HeidelbergCement AG. The remuneration consists of fixed amounts and attendance fees. Each member receives a fixed amount of €80,000, 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 2019 financial year amounted to €1,634,699 (previous year: 1,406,274).

The Supervisory Board remuneration for the 2019 financial year is divided as shown in the following table.

Supervisory Board remuneration paid for the 2019 financial year

€	Fixed remuneration	Remuneration for committee membership	Attendance fees	Total
Fritz-Jürgen Heckmann (Chairman)	200,000	45,000	12,000	**257,000**
Heinz Schmitt (Deputy Chairman)	120,000	45,000	12,000	**177,000**
Barbara Breuninger	80,000	16,233	10,000	**106,233**
Josef Heumann [1]	28,274	7,068	8,000	**43,342**
Birgit Jochens [2]	51,945	12,986	6,000	**70,932**
Gabriele Kailing [1] [3]	28,274		6,000	**34,274**
Ludwig Merckle [4]	80,000	73,904	12,000	**165,904**
Tobias Merckle [3]	80,000		10,000	**90,000**
Luka Mucic [2] [5]	51,945	45,452	4,000	**101,397**
Dr. Ines Ploss [2]	51,945	12,986	6,000	**70,932**
Peter Riedel [2]	51,945	16,233	6,000	**74,178**
Dr. Jürgen M. Schneider [1]	28,274	8,836	8,000	**45,110**
Werner Schraeder	80,000	37,986	12,000	**129,986**
Margret Suckale	80,000	36,233	12,000	**128,233**
Stephan Wehning [1]	28,274	15,904	6,000	**50,178**
Prof. Dr. Marion Weissenberger-Eibl [3]	80,000		10,000	**90,000**
Total	1,120,877	373,822	140,000	**1,634,699**

1) Until 9 May 2019
2) Since 9 May 2019
3) No committee activity
4) Chairman of the Audit Committee until 9 May 2019
5) Chairman of the Audit Committee since 9 May 2019

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 9 May 2019 and ends according to schedule with the conclusion of the ordinary Annual General Meeting in 2024.

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; Member of the Personnel, Audit, and Arbitration Committees; Chairman of the Arbitration and Nomination Committees until 9 May 2019

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 (Chairman)
Südwestdeutsche Medien Holding GmbH [2], Stuttgart (Chairman)
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 Personnel, Audit, and Arbitration 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 ; member of the Audit Committee since 9 May 2019

Josef Heumann
Burglengenfeld; until 31 May 2019 Kiln Supervisor; Chairman of the Council of Employees at the Burglengenfeld plant, HeidelbergCement AG until 31 May 2019
Member from 6 May 2004 until 9 May 2019; member of the Personnel Committee until 9 May 2019

Birgit Jochens
Mainz; Industrial Clerk and State Certified Business Economist; Chairwoman of the Council of Employees at the Mainz plant, HeidelbergCement AG
Member since 9 May 2019; member of the Personnel Committee since 9 May 2019

Gabriele Kailing
Frankfurt; Product Manager and Development at Academy of Labour gGmbH
Member from 7 May 2014 until 9 May 2019

Ludwig Merckle
Ulm; Managing Director of Merckle Service GmbH[4]
Member since 2 June 1999; Chairman of the Personnel and Nomination Committees and Deputy Chairman of the Audit 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 until 9 May 2019

Luka Mucic
Walldorf; Chief Financial Officer of SAP SE
Member since 9 May 2019; Chairman of the Audit Committee and member of the Personnel Committee since 9 May 2019

Dr. Ines Ploss
Heidelberg; Director Group Purchasing of HeidelbergCement AG
Member since 9 May 2019; member of the Personnel and Arbitration Committees since 9 May 2019

Peter Riedel
Frankfurt; Department Head - building materials industry at the Federal Executive Committee of IG Bauen-Agrar-Umwelt
Member since 9 May 2019; member of the Audit Committee since 9 May 2019

External mandates:
Zusatzversorgungskasse der Steine- und Erden-Industrie und des Betonsteinhandwerks VVaG – Die Bayerische Pensionskasse (ZVK) [2], Munich

4) Companies controlled by Mr. Ludwig Merckle

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 from 7 May 2014 until 9 May 2019; member of the Audit Committee until 9 May 2019

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 and since 9 May 2019 member of the Personnel Committee

External mandates:
Berufsgenossenschaft Rohstoffe und chemische Industrie[2], Heidelberg

Margret Suckale
Hamburg; member of various supervisory boards
Member since 25 August 2017; member of the Personnel Committee and since 9 May 2019 member of the Audit and Nomination Committees

External mandates:
Deutsche Telekom AG[1, 3], Bonn
DWS Group GmbH & Co. KGaA[1, 3], Frankfurt

Stephan Wehning
Schelklingen; until 30 November 2019 Director of the Schelklingen plant of HeidelbergCement AG
Member from 1 August 2016 until 9 May 2019; member of the Personnel, Audit, and Arbitration Committees until 9 May 2019

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 ; since 9 May 2019 Chairwoman of the Arbitration Committee and member of the Nomination Committee

External mandates:
MTU Aero Engines AG[1, 3], Munich
Rheinmetall AG[1, 3], Düsseldorf

The above mentioned indications refer to 31 December 2019 – 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 (until 9 May 2019), Birgit Jochens (since 9 May 2019), Luka Mucic (since 9 May 2019), Dr. Ines Ploss (since 9 May 2019), Heinz Schmitt, Werner Schraeder (since 9 May 2019), Margret Suckale, Stephan Wehning (until 9 May 2019)

Audit Committee
Luka Mucic (Chairman; since 9 May 2019),
Ludwig Merckle (Deputy Chairman),
Barbara Breuninger (since 9 May 2019),
Fritz-Jürgen Heckmann,
Peter Riedel (since 9 May 2019),
Heinz Schmitt,
Dr. Jürgen M. Schneider (until 9 May 2019),
Werner Schraeder,
Margret Suckale (since 9 May 2019),
Stephan Wehning (until 9 May 2019)

Nomination Committee
Ludwig Merckle (Chairman since 9 May 2019),
Fritz-Jürgen Heckmann (until 9 May 2019),
Tobias Merckle (until 9 May 2019),
Margret Suckale (since 9 May 2019),
Univ.-Prof. Dr. Marion Weissenberger-Eibl (since 9 May 2019)

Arbitration Committee, according to section 27 (3) of the German Codetermination Law
Univ.-Prof. Dr. Marion Weissenberger-Eibl
(Chairman; since 9 May 2019),
Fritz-Jürgen Heckmann, Tobias Merckle
(until 9 May 2019),
Dr. Ines Ploss (since 9 May 2019),
Heinz Schmitt,
Stephan Wehning (until 9 May 2019)

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, who is also Deputy Chairman of the Managing Board, 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 until 31 January 2020

Area of responsibility:
Strategy and Development, Communication & Investor Relations, Human Resources, Legal, Compliance, Internal Audit

Chairman of the Managing Board from 2005 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
Chairman of the Managing Board since 1 February 2020

Area of responsibility:
Strategy and Development, Communication & Investor Relations, Human Resources, Legal, Compliance, Internal Audit, Digital Transformation Office, Digital Venture Office

Until 31 January 2020 Deputy Chairman of the Managing Board; area of responsibility: Western and Southern Europe, Competence Center Materials, Chief Digital Officer (Digital Transformation Office, Digital Venture Office)

Member of the Managing Board since 2007; appointed until January 2025

External mandates:
Kunststoffwerk Philippine GmbH & Co. KG [2], Lahnstein
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

Dr. Lorenz Näger
Deputy Chairman of the Managing Board since 1 February 2020 and Chief Financial Officer

Area of responsibility:
Finance, Group Accounting, Controlling, Taxes, Treasury, Insurance & Corporate Risk Management, IT, Data Protection, Shared Service Center, Purchasing

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

4) Jointly meeting advisory council of Unternehmensgruppe Philippine Saarpor (Philippine Saarpor group)

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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:
Alliance Construction Materials Limited [2], Hong Kong
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)
Zuari Cement Limited [2], India (Chairman)

Hakan Gurdal
Area of responsibility:
Africa-Eastern Mediterranean Basin, HC Trading

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 S.A. [2] [3], Morocco
Ciments du Togo SA [2], Togo (Chairman)
Ghacem Ltd. [2], Ghana
Hanson Israel Limited [2], Israel
HC Trading FZE [2], Dubai
HC Trading Malta Ltd [2], Malta
HC Green Trading [2], Malta
HCT Holding Malta Ltd [2], Malta
HC Trading BV [2], Netherlands
HeidelbergCement Mediterranean Basin Holdings S.L.U. [2], Spain
Helwan Cement Company [2], Egypt
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
Tourah Portland Cement Company [2] [3], Egypt (Chairman)
TPCC Tanzania Portland Cement Company Ltd. [2] [3], Tanzania (Chairman)

Ernest Jelito
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 July 2019; appointed until June 2023

External mandates:
Optima Medycyna S.A. [2], Poland (Chairman)

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 Central Europe East Holding B.V. [2], Netherlands (Chairman)
HeidelbergCement Northern Europe AB [2], Sweden (Chairman)
HeidelbergCement Romania SA [2], Romania
Open Joint-Stock Company Slantsy Cement Plant "Cesla" [2], Russia
ShymkentCement JSC [2], Kazakhstan (Chairman)
Tvornica Cementa Kakanj d.d. [2], Bosnia-Herzegovina
Vulkan Cement AD [2], Bulgaria (Chairman)

Jon Morrish
Area of responsibility:
Since 1 February 2020 Western and Southern Europe (until 31 January 2020 North America), Group-wide coordination of secondary cementitious materials

Member of the Managing Board since 2016; appointed until January 2024

Dr. Albert Scheuer
Area of responsibility:
Until 31 July 2019 Northern and Eastern Europe-Central Asia, worldwide coordination of Heidelberg Technology Center, Research & Development/Product Innovation, Environmental Sustainability

Member of the Managing Board from 2007 until 5 August 2019

Group mandates:
PT Indocement Tunggal Prakarsa Tbk.[2) 3)], Indonesia

Chris Ward
Area of responsibility:
Since 1 February 2020 North America, Competence Center Materials

Member of the Managing Board since September 2019; appointed until August 2023

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 (Chairman)
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)
Commercial Aggregates Transportation and Sales LLC[2)], USA (Chairman)
Constar LLC[2)], USA
Essroc Holdings LLC[2)], USA
Fairburn Ready-Mix, Inc.[2)], USA (Chairman)
Ferndale Ready Mix & Gravel, Inc.[2)], USA
Górazdze Cement S.A.[2)], Poland
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 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 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
Harrell Aggregate Hauling, Inc.[2)], USA (Chairman)
HBMA Holdings LLC[2)], USA
HeidelbergCement Canada Holding Limited[2)], UK
HeidelbergCement Holding Coöperatief U.A.[2)], Netherlands
HNA Investments[2)], USA
KH 1 Inc.[2)], USA
Lehigh Cement Company LLC[2)], USA
Lehigh Hanson Cement South LLC[2)], USA (Chairman)
Lehigh Hanson Materials Limited[2)], Canada (Chairman)
Lehigh Hanson Materials South LLC[2)], USA (Chairman)
Lehigh Hanson Receivables LLC[2)], USA
Lehigh Hanson Services LLC[2)], USA
Lehigh Hanson, Inc.[2)], USA
Lehigh Northwest Cement Company[2)], USA
Lehigh Northwest Marine, LLC[2)], USA (Chairman)
Lehigh Southwest Cement Company[2)], USA (Chairman)
LHI Duomo Holdings LLC[2)], USA
Materials 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)
South Valley Materials, Inc.[2)], USA (Chairman)
Standard Concrete Products, Inc.[2)], USA (Chairman)

The above mentioned indications refer to 31 December 2019 – or in case of an earlier retirement from the Managing Board of HeidelbergCement AG to the date of retirement – 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

4 Consolidated financial statements

Consolidated income statement

€m	Notes	2018 [1]	2019
Revenue	1	18,074.6	**18,851.3**
Change in finished goods and work in progress		57.6	**67.0**
Own work capitalised		19.9	**21.0**
Operating revenue		18,152.0	**18,939.3**
Other operating income	2	523.7	**431.3**
Material costs	3	-7,478.1	**-7,586.1**
Employee and personnel costs	4	-3,031.7	**-3,187.4**
Other operating expenses	5	-5,311.4	**-5,306.6**
Result from equity accounted investments (REI)	6	245.6	**289.6**
Result from current operations before depreciation and amortisation (RCOBD)		3,100.1	**3,580.2**
Depreciation and amortisation	7	-1,090.5	**-1,394.0**
Result from current operations		2,009.6	**2,186.3**
Additional ordinary income	8	240.2	**164.7**
Additional ordinary expenses	8	-131.8	**-342.9**
Additional ordinary result		108.3	**-178.2**
Earnings before interest and taxes (EBIT)		2,117.9	**2,008.1**
Interest income		49.1	**52.0**
Interest expenses	9	-320.8	**-316.9**
Foreign exchange gains and losses		1.4	**-6.8**
Result from other participations		-2.8	**-15.2**
Other financial result	10	-80.3	**-88.2**
Financial result		-353.4	**-375.1**
Profit before tax from continuing operations		1,764.5	**1,633.0**
Income taxes	11	-464.1	**-358.4**
Net income from continuing operations		1,300.3	**1,274.6**
Net loss from discontinued operations	12	-14.2	**-32.4**
Profit for the financial year		1,286.2	**1,242.2**
Thereof non-controlling interests		143.2	**151.3**
Thereof Group share of profit		1,143.0	**1,090.9**
Thereof proposed dividend	13	416.7	**436.5**
Earnings per share in € (IAS 33)	14		
Earnings per share attributable to the parent entity		5.76	**5.50**
Earnings per share – continuing operations		5.83	**5.66**
Loss per share – discontinued operations		-0.07	**-0.16**

1) Amounts were adjusted (see section "Other changes", page 119 f.).

Consolidated statement of comprehensive income

€m	2018	2019
Profit for the financial year	1,286.2	**1,242.2**
Other comprehensive income		
Items not being reclassified to profit or loss in subsequent periods		
Remeasurement of the defined benefit liability (asset)	184.8	**-70.9**
Income taxes	-35.2	**11.8**
Defined benefit plans	149.6	**-59.1**
Investments in equity instruments – change in fair value	-11.4	**-35.6**
Net gains/losses arising from equity method investments	-5.2	**0.4**
Total	133.0	**-94.4**
Items that maybe be reclassified subsequently to profit or loss		
Cash flow hedges – change in fair value	3.3	**-4.0**
Reclassification adjustments for gains/losses included in profit or loss	-5.7	**1.0**
Income taxes	0.3	**0.6**
Cash flow hedges	-2.1	**-2.4**
Currency translation	156.0	**764.3**
Reclassification adjustments for gains/losses included in profit or loss		**138.8**
Income taxes	1.0	**-0.9**
Currency translation	157.0	**902.2**
Net gains/losses arising from equity method investments	-15.5	**3.1**
Total	139.4	**902.9**
Other comprehensive income	272.4	**808.5**
Total comprehensive income	1,558.5	**2,050.7**
Thereof non-controlling interests	143.9	**228.1**
Thereof Group share	1,414.6	**1,822.6**

Consolidated statement of cash flows

€m	Notes	2018	2019
Net income from continuing operations		1,300.3	**1,274.6**
Income taxes		464.1	**358.4**
Interest income/expenses		271.7	**264.9**
Dividends received	15	249.8	**216.9**
Interest received	16	107.3	**132.6**
Interest paid	16	-507.9	**-485.2**
Income taxes paid	17	-260.8	**-294.1**
Depreciation, amortisation, and impairment		1,129.8	**1,468.1**
Other eliminations	18	-354.9	**-33.1**
Cash flow		2,399.5	**2,903.1**
Changes in operating assets	19	-332.4	**121.7**
Changes in operating liabilities	19	225.8	**-45.2**
Changes in working capital		-106.5	**76.5**
Decrease in provisions through cash payments		-323.7	**-315.3**
Cash flow from operating activities – continuing operations		1,969.2	**2,664.3**
Cash flow from operating activities – discontinued operations		-0.9	**-0.8**
Cash flow from operating activities		1,968.3	**2,663.6**
Intangible assets		-24.2	**-47.8**
Property, plant and equipment		-1,036.6	**-1,135.0**
Subsidiaries and other business units		-623.9	**-92.2**
Other financial assets, associates, and joint ventures		-38.7	**-41.4**
Investments (cash outflow)	20	-1,723.3	**-1,316.5**
Subsidiaries and other business units		280.4	**165.2**
Other fixed assets		282.0	**248.0**
Divestments (cash inflow)	21	562.4	**413.2**
Cash from changes in consolidation scope	22	26.7	**-3.5**
Cash flow from investing activities – continuing operations		-1,134.2	**-906.7**
Cash flow from investing activities – discontinued operations			**0.9**
Cash flow from investing activities		-1,134.2	**-905.8**
Capital increase/decrease – non-controlling interests		7.6	**-0.2**
Dividend payments – HeidelbergCement AG		-377.0	**-416.7**
Dividend payments – non-controlling interests		-187.5	**-169.4**
Decrease in ownership interests in subsidiaries	23	5.9	**209.2**
Increase in ownership interests in subsidiaries	23	-25.6	**-92.2**
Proceeds from bond issuance and loans	24	1,693.1	**860.5**
Repayment of bonds, loans and lease liabilities	25	-1,520.1	**-1,324.7**
Changes in short-term interest-bearing liabilities	26	55.4	**60.1**
Cash flow from financing activities – continuing operations		-348.2	**-873.4**
Cash flow from financing activities – discontinued operations			
Cash flow from financing activities		-348.2	**-873.4**
Net change in cash and cash equivalents – continuing operations		486.9	**884.3**
Net change in cash and cash equivalents – discontinued operations		-0.9	**0.1**
Net change in cash and cash equivalents		486.0	**884.4**
Effect of exchange rate changes		-6.7	**73.5**
Cash and cash equivalents at 1 January		2,108.8	**2,588.1**
Cash and cash equivalents at 31 December	28	2,588.1	**3,546.0**
Reclassification of cash and cash equivalents according to IFRS 5		-2.2	**-4.5**
Cash and cash equivalents presented in the balance sheet at 31 December	28	2,585.9	**3,541.5**

Consolidated balance sheet

Assets			
€m	Notes	31 Dec. 2018	31 Dec. 2019
Non-current assets			
Intangible assets	29		
Goodwill		11,450.2	**11,782.6**
Other intangible assets		370.3	**401.4**
		11,820.5	**12,184.0**
Property, plant and equipment	30		
Land and buildings		6,519.2	**7,137.1**
Plant and machinery		4,980.2	**5,296.9**
Other operating equipment		325.1	**959.0**
Prepayments and assets under construction		1,137.1	**1,136.1**
		12,961.6	**14,529.2**
Financial assets			
Investments in joint ventures	6	1,200.8	**1,223.7**
Investments in associates	6	512.2	**537.1**
Financial investments	31	252.5	**213.5**
Loans		97.2	**122.8**
Derivative financial instruments	35	44.2	**31.1**
		2,106.8	**2,128.2**
Fixed assets		26,889.0	**28,841.4**
Deferred taxes	11	314.4	**313.3**
Other non-current receivables and assets	32	1,026.6	**1,044.8**
Non-current income tax assets		61.9	**61.9**
Total non-current assets		28,291.8	**30,261.4**
Current assets			
Inventories	33		
Raw materials and consumables		920.4	**942.0**
Work in progress		336.2	**346.3**
Finished goods and goods for resale		767.9	**861.7**
Prepayments		10.3	**20.0**
		2,034.8	**2,170.1**
Receivables and other assets	34		
Current interest-bearing receivables		122.0	**107.6**
Trade receivables		1,808.8	**1,746.1**
Other current operating receivables and assets		741.3	**629.3**
Current income tax assets		92.2	**71.6**
		2,764.3	**2,554.6**
Current financial investments		10.0	**10.0**
Current derivative financial instruments	35	17.3	**34.8**
Cash and cash equivalents	28	2,585.9	**3,541.5**
Total current assets		7,412.3	**8,311.0**
Assets held for sale	12	79.2	**16.3**
Balance sheet total		35,783.3	**38,588.7**

Equity and liabilities			
€m	Notes	31 Dec. 2018	31 Dec. 2019
Shareholders' equity and non-controlling interests			
Subscribed share capital	36	595.2	**595.2**
Share premium	37	6,225.4	**6,225.4**
Retained earnings	38	10,256.6	**10,988.3**
Other components of equity	39	-1,647.7	**-821.8**
Equity attributable to shareholders		15,429.7	**16,987.2**
Non-controlling interests	40	1,392.0	**1,517.2**
Total equity		16,821.7	**18,504.4**
Non-current liabilities	43		
Bonds payable		8,805.1	**7,706.5**
Bank loans		631.3	**705.9**
Other non-current interest-bearing liabilities		51.4	**1,064.7**
Non-controlling interests with put options		21.1	**25.0**
		9,508.9	**9,502.0**
Pension provisions	41	1,100.6	**1,141.7**
Deferred taxes	11	722.8	**726.3**
Other non-current provisions	42	1,053.5	**1,034.7**
Other non-current operating liabilities		249.7	**233.4**
Non-current income tax liabilities		61.3	**54.6**
		3,187.8	**3,190.6**
Total non-current liabilities		12,696.7	**12,692.6**
Current liabilities	43		
Bonds payable (current portion)		1,134.6	**1,930.2**
Bank loans (current portion)		115.1	**173.7**
Other current interest-bearing liabilities		159.8	**383.1**
Non-controlling interests with put options		62.3	**38.7**
		1,471.8	**2,525.7**
Pension provisions (current portion)	41	97.7	**96.7**
Other current provisions	42	255.2	**273.3**
Trade payables		2,605.3	**2,690.0**
Other current operating liabilities		1,565.5	**1,533.1**
Current income tax liabilities		258.2	**271.5**
		4,781.9	**4,864.6**
Total current liabilities		6,253.7	**7,390.3**
Liabilities associated with assets held for sale	12	11.2	**1.4**
Total liabilities		18,961.6	**20,084.3**
Balance sheet total		35,783.3	**38,588.7**

Consolidated statement of changes in equity

€m	Subscribed share capital	Share premium	Retained earnings	Cash flow hedge reserve
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 January 2019	595.2	6,225.4	10,256.6	3.4
Profit for the financial year			1,090.9	
Other comprehensive income			-95.8	-3.9
Total comprehensive income			995.1	-3.9
Changes in consolidation scope				
Changes in ownership interests in subsidiaries			150.5	
Changes in non-controlling interests with put options			1.1	
Transfer asset revaluation reserve			1.6	
Other changes			0.1	
Capital increase from contribution in kind				
Repayment of capital				
Dividends			-416.7	
31 December 2019	595.2	6,225.4	10,988.3	-0.5

1) The accumulated currency translation differences included in non-controlling interests changed in 2019 by €84.7 million (previous year: 19.1) to €-183.1 million (previous year: -267.8). The total currency translation differences recognised in equity thus amounts to €-1,029.2 million (previous year: -1,945.3).

Other components of equity						
Available for sale reserve	Asset revaluation reserve	Currency translation	Total other components of equity	Equity attributable to shareholders	Non-controlling interests [1]	**Total equity**
-34.0	27.5	-1,820.5	-1,822.5	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**
	26.5	-1,677.5	-1,647.7	15,429.7	1,392.0	**16,821.7**
				1,090.9	151.3	**1,242.2**
		831.4	827.5	731.7	76.8	**808.5**
		831.4	827.5	1,822.6	228.1	**2,050.7**
					0.1	**0.1**
				150.5	45.8	**196.3**
				1.1	18.6	**19.7**
	-1.6		-1.6			
				0.1	1.8	**1.9**
					0.4	**0.4**
					-0.2	**-0.2**
				-416.7	-169.4	**-586.0**
	24.8	-846.1	-821.8	16,987.2	1,517.2	**18,504.4**

Segment reporting / Notes to the consolidated financial statements

Group areas	Western and Southern Europe		Northern and Eastern Europe-Central Asia		North America	
€m	2018 [1]	2019	2018 [1]	2019	2018 [1]	2019
External revenue	4,862	**5,063**	2,836	**2,843**	4,262	**4,778**
Inter-Group areas revenue	74	**49**	80	**45**		
Revenue	4,936	**5,112**	2,916	**2,888**	4,262	**4,778**
Change to previous year in %		**3.6 %**		**-1.0 %**		**12.1 %**
Result from equity accounted investments (REI)	24	**26**	23	**42**	43	**49**
Result from current operations before depreciation and amortisation (RCOBD)	610	**779**	576	**677**	978	**1,042**
as % of revenue (operating margin)	12.4 %	**15.2 %**	19.8 %	**23.5 %**	22.9 %	**21.8 %**
Depreciation and amortisation	-330	**-417**	-159	**-204**	-294	**-378**
Result from current operations	280	**363**	417	**474**	684	**664**
as % of revenue	5.7 %	**7.1 %**	14.3 %	**16.4 %**	16.1 %	**13.9 %**
Additional ordinary result						
Earnings before interest and taxes (EBIT)						
Capital expenditures [3]	389	**440**	134	**154**	267	**338**
Segment assets [4]	7,591	**8,238**	2,499	**2,789**	9,042	**9,541**
RCOBD as % of segment assets	8.0 %	**9.5 %**	23.1 %	**24.3 %**	10.8 %	**10.9 %**
Number of employees as at 31 December	15,903	**15,608**	12,515	**11,251**	8,750	**9,047**
Average number of employees	15,944	**15,791**	12,623	**11,785**	9,318	**9,548**

Voluntary additional information

Business lines	Cement		Aggregates		Ready-mixed concrete-asphalt	
€m	2018	2019	2018	2019	2018	2019
External revenue	7,800	**8,056**	2,886	**3,097**	5,093	**5,491**
Inter-business lines revenue	1,000	**1,062**	962	**1,013**	63	**57**
Revenue	8,800	**9,118**	3,848	**4,110**	5,155	**5,548**
Change to previous year in %		**3.6 %**		**6.8 %**		**7.6 %**
Result from equity accounted investments (REI)						
Result from current operations before depreciation and amortisation (RCOBD)	1,882	**2,146**	926	**1,019**	46	**134**
as % of revenue (operating margin)	21.4 %	**23.5 %**	24.1 %	**24.8 %**	0.9 %	**2.4 %**
Result from current operations	1,201	**1,367**	680	**676**	-60	**-54**
in % of revenue	13.6 %	**15.0 %**	17.7 %	**16.4 %**	-1.2 %	**-1.0 %**
Number of employees as at 31 December	29,335	**26,481**	10,425	**10,203**	13,661	**13,283**
Average number of employees	30,057	**27,360**	10,631	**10,634**	13,776	**13,611**

1) Amounts were adjusted (see section "Other changes", page 119 f.).
2) Reconciliation includes:
a. intra-Group revenues = eliminations of intra-Group relationships between the segments
b. results from current operations before depreciation and amortisation / depreciation from corporate functions
c. additional ordinary result and earnings before interest and taxes
3) Capital expenditures = in the segment columns: cash effective investments in property, plant and equipment as well as intangible assets; in the reconciliation column: cash effective investments in non-current financial assets and other business units
4) Segment assets = property, plant and equipment as well as intangible assets

Asia-Pacific		Africa-Eastern Mediterranean Basin		Group Services		Reconciliation [2]		Continuing operations	
2018 [1]	**2019**	2018 [1]	**2019**	2018 [1]	**2019**	2018 [1]	**2019**	2018 [1]	**2019**
3,248	**3,356**	1,636	**1,663**	1,230	**1,149**			18,075	**18,851**
14	**16**	31	**24**	524	**462**	-723	**-595**		
3,262	**3,372**	1,667	**1,686**	1,754	**1,611**	-723	**-595**	18,075	**18,851**
	3.4 %		**1.2 %**		**-8.2 %**				**4.3 %**
128	**152**	23	**17**	5	**5**			246	**290**
599	**746**	382	**392**	38	**18**	-83	**-75**	3,100	**3,580**
18.4 %	**22.1 %**	22.9 %	**23.2 %**	2.2 %	**1.1 %**			17.2 %	**19.0 %**
-182	**-253**	-99	**-110**	-3	**-5**	-24	**-28**	-1,090	**-1,394**
417	**493**	283	**282**	35	**14**	-107	**-103**	2,010	**2,186**
12.8 %	**14.6 %**	17.0 %	**16.7 %**	2.0 %	**0.9 %**			11.1 %	**11.6 %**
						108	**-178**	108	**-178**
						2,118	**2,008**	2,118	**2,008**
196	**183**	69	**68**	6	**0**	663	**134**	1,723	**1,316**
4,117	**4,511**	1,485	**1,586**	48	**47**			24,782	**26,713**
14.6 %	**16.5 %**	25.7 %	**24.7 %**	79.7 %	**39.1 %**			12.5 %	**13.4 %**
14,086	**13,190**	6,214	**5,498**	472	**454**			57,939	**55,047**
14,225	**13,634**	6,473	**5,694**	456	**460**			59,039	**56,913**

Service-joint ventures-other		Reconciliation [2]		Continuing operations	
2018 [1]	**2019**	2018	**2019**	2018 [1]	**2019**
2,296	**2,208**			18,075	**18,851**
597	**541**	-2,621	**-2,673**		
2,893	**2,748**	-2,621	**-2,673**	18,075	**18,851**
	-5.0 %				**4.3 %**
246	**290**			246	**290**
329	**354**	-82	**-72**	3,100	**3,580**
11.4 %	**12.9 %**			17.2 %	**19.0 %**
295	**297**	-106	**-99**	2,010	**2,186**
10.2 %	**10.8 %**			11.1 %	**11.6 %**
4,518	**5,080**			57,939	**55,047**
4,575	**5,308**			59,039	**56,913**

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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 2019 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 total 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. 2018	**31 Dec. 2019**	2018	**2019**
USD	USA	1.1467	**1.1213**	1.1808	**1.1194**
AUD	Australia	1.6268	**1.5971**	1.5803	**1.6100**
CAD	Canada	1.5636	**1.4567**	1.5298	**1.4850**
EGP	Egypt	20.5498	**17.9955**	21.0346	**18.8342**
GBP	Great Britain	0.8990	**0.8459**	0.8848	**0.8770**
INR	India	79.9970	**80.0858**	80.6831	**78.8250**
IDR	Indonesia	16,605	**15,587**	16,847	**15,818**
MAD	Morocco	10.9579	**10.7287**	11.0813	**10.7666**

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; exceptions are the cross-border Nordic Precast Group and the Mibau Group. As soon as the carrying amount of a group of CGUs to which 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 of disposal 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 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).

Until 31 December 2018, **leases** are accounted for in accordance with IAS 17 (Leases). The standard distinguishes between operating and finance leases. Lease payments for operating leases are recognised as an expense in the income statement over the lease term on a straight-line basis. 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.

Since 1 January 2019, leases have been accounted for in accordance with IFRS 16 (Leases). According to IFRS 16, the lessee has a fundamental obligation to recognise rights and obligations arising under leases in the balance sheet. Lessees 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 to be made during the term of the lease. In addition, payments connected with purchase options are taken into account if their exercise is reasonably certain. The lease payments are discounted at the incremental borrowing rate. Lease liabilities are reported in the other interest-bearing liabilities. 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 assets are depreciated over the shorter of the expected useful life and the term of the underlying lease. If the ownership of the leased asset transfers to the Group at the end of the lease term or the exercise of a purchase option is included in the cost of the right-of-use asset, the depreciation takes place on the basis of the expected useful life of the underlying leased asset.

In the case of leases for vehicles and ships that contain lease and non-lease components, HeidelbergCement separates the components so that only the lease components are accounted for in accordance with the regulations of IFRS 16. No right-of-use assets or lease liabilities are recognised for leases with a term of up to 12 months and contracts for low-value assets. The expenditure on these leases is recognised in the period in which it arises in the other operating expenses; the payments are shown under cash flow from operating activities in the statement of cash flows. The same applies to variable lease payments not linked to an index or (interest) rate. Leases for quarries do not fall within the scope of IFRS 16. These leases are considered pending transactions and the expenses are recognised in the material costs in the period in which they arise.

In the context of the initial application of IFRS 16, HeidelbergCement has applied the modified retrospective method and therefore has not restated the comparative information. Accordingly, the previous year's figures are still accounted for in accordance with IAS 17.

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, Egypt, 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 79 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 pension 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.

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 investments in equity instruments and debt instruments. These assets are 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. The revaluation of held shares at fair value through profit or loss is reported in the result from other participations. 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.

At initial recognition, a financial asset 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.

- 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.

Financial assets are derecognised from the balance sheet at the point in time that the financial asset was transferred and the derecognition criteria of IFRS 9 were met. The transfer of a financial asset is considered as derecognition if all risks and rewards have been substantially transferred. In case not all risks and rewards are transferred, the financial assets are derecognised when the control over the financial assets has been transferred.

Financial assets are also 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.

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 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 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 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 probable, details of contingent liabilities and assets are provided in the Notes.

Income is recognised when control of a promised good or service is transferred 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 is transferred 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 (Revenue from Contracts with Customers), 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.

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 2019 financial year, HeidelbergCement applied the following standards and interpretations of the International Accounting Standards Board (IASB) for the first time.

IFRS 16 Leases provides new regulations for the accounting of leases and replaces IAS 17 (Leases) and related interpretations. The application of IFRS 16 leads 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 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 applied the modified retrospective method. The previous year's figures were not adjusted. As part of the transition to IFRS 16, payment obligations from existing operating leases are discounted at the corresponding incremental borrowing rates. The interest rates were calculated on the basis of the remaining term of the leases. The resulting present values were reported as lease liabilities. The right-of-use assets were capitalised in the amount of the lease liabilities, adjusted for the amount of prepaid or accrued lease payments as well as provisions for onerous contracts in connection with leases. In the measurement of right-of-use assets as at 1 January 2019, the initial direct costs were not taken into account. When determining the term of the leases, any subsequently obtained better insight into the probability of exercising extension or termination options was taken into account.

The existing procedure in accordance with IAS 17 and IFRIC 4 for determining the existence of leases has been retained for existing contracts. HeidelbergCement accounts for leases with a remaining term of less than 12 months as at 1 January 2019 as short-term leases and recognises lease payments as an expense on a straight-line basis. Likewise, lease payments for low-value assets are recognised directly in the income statement. In the case of lease contracts for vehicles and ships that contain 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. Leases classified as finance leases in accordance with IAS 17 were shown with the carrying amounts of the assets and liabilities as at 31 December 2018.

The following table shows the reconciliation of the obligations from future minimum lease payments under non-cancellable operating leases as at 31 December 2018 with the opening balance sheet value of the lease liabilities as at 1 January 2019.

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Reconciliation of opening balance of lease liabilities	
€m	1 Jan. 2019
Obligations arising from operating leases as of 31 December 2018	1,599.3
Short-term leases	-67.5
Leases of low-value assets	-1.5
Extension options	5.9
Other	90.9
	1,627.0
Discounting	-315.1
Lease liabilities IFRS 16 as at 1 January 2019	1,311.9
Lease liabilities from finance lease IAS 17 as at 31 December 2018	12.7
Lease liabilities as at 1 January 2019	1,324.6

The weighted average incremental borrowing rate for discounting of the lease liabilities as at 1 January 2019 was 3.4 %.

The adjustments made as at 1 January 2019 in connection with the initial application of IFRS 16 in the consolidated balance sheet are as follows:

Adjustment of the opening balance due to IFRS 16	
€m	1 Jan. 2019
Land and buildings	602.4
Plant and machinery	160.5
Other operating equipment	544.7
Other current operating receivables and assets	-1.9
Total Assets	1,305.7
Lease liabilities	1,311.9
Other non-current operating liabilities	-1.3
Other provisions	-4.9
Total Liabilities	1,305.7

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 had no 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, including its impairment requirements, to long-term interests in associates or joint ventures that, in substance, form part of the net investment in this company and are not accounted for using the equity method. The initial application had no 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 did not have any significant 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 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 2019 financial year.

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Published, but not yet applicable accounting standards

Title	Date of initial application [1]	Endorsement by the EU Commission
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020	yes
Amendments to IAS 1 und IAS 8: Definition of Material	1 January 2020	yes
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	1 January 2020	yes
Amendments to IFRS 3 Business Combinations	1 January 2020	no
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	1 January 2022	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.

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 will not have any impact on the financial position and performance of the Group.

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 initial application will not have any impact on the financial position and performance of the Group.

The **amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform** provide certain reliefs for hedge accounting in connection with the IBOR reform. These reliefs have the effect that the IBOR reform should not generally cause hedge accounting to terminate. The amendments did not have any impact on the financial position and performance of the Group.

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. As at the date of transition, the amendments will not have any impact on the financial position and performance of the Group, as they are to be applied to transactions taking place on or after the date of initial application of these amendments.

The **amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current** contain selective adjustments to the criteria for the classification of liabilities as current or non-current. The initial application is not expected to have a significant impact on the financial position and performance of the Group.

Other changes

To improve presentation in the income statement, HeidelbergCement has changed the way the result from associates is shown. HeidelbergCement exclusively holds participations in associates that are engaged in the operating activities of the Group. For this reason, the result from associates is now presented together with the result from joint ventures in the item "Result from equity accounted investments (REI)". Previously, it was reported outside the result from current operations in the now no longer existing result from participations, which was part of the earnings before interest and taxes (EBIT). In the 2019 financial year, the result from associates came to €50.5 million (previous year: 42.0). The result from other participations previously reported under result from participations is now shown in the financial result.

HeidelbergCement has also changed the way in which credit card fees are reported. These expenses, previously reported in the financial result, are now shown under selling and administrative expenses in the other operating expenses. As the fees are almost exclusively incurred in connection with operational payment transactions, reporting these expenses in the result from current operations better reflects the nature of the fees. This reporting change increased both, the selling and administrative expenses and the other financial result for the 2018 financial year by €16.1 million. In the 2019 financial year, the credit card fees amounted to €20.3 million.

Overall, the changes described for 2018 resulted in an increase in the result from current operations before depreciation and amortisation of € 25.9 million, a decrease in the earnings before interest and taxes (EBIT) of € 13.3 million and an increase in the financial result of € 13.3 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 and measurement 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 29 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 112 f. and in Note 41 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 miscellaneous 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 42 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 751 subsidiaries that have been fully consolidated, of which 23 are German and 728 are foreign companies. The changes in comparison with 31 December 2018 are shown in the following table.

Number of fully consolidated companies

	Germany	Abroad	Total
31 December 2018	34	753	**787**
First-time consolidations	2	6	**8**
Divestments	-1	-6	**-7**
Incorporations / mergers / liquidations / method changes	-12	-25	**-37**
31 December 2019	23	728	**751**

A list of shareholdings of the HeidelbergCement Group as at 31 December 2019 on the basis of the regulations of section 313(2) of the German Commercial Code (HGB) is provided on ↗ page 168 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 HGB.

Business combinations in the reporting year

On 4 January 2019, HeidelbergCement purchased an additional 50 % of the shares in California Commercial Asphalt LLC, Wilmington, Delaware, USA – previously accounted for at equity – and its subsidiaries, thereby raising its shareholding to 100 %. The company operates four asphalt plants in southern California, USA. The acquisition strengthens our market presence in the region and contributes towards improving efficiency and utilising existing synergy potential, particularly through vertical integration. The purchase price, which is subject to the usual post-closing adjustments, is made up of a cash payment of €19.1 million and a pre-existing loan receivable against the company of €4.2 million. The fair value of the previously held equity interest amounted to €26.1 million as at the acquisition date. The revaluation of the interest resulted in a loss of €0.3 million, which was recognised in the additional ordinary expenses. The goodwill of €35.1 million is tax-deductible in the amount of €19.0 million.

On 28 June 2019, HeidelbergCement finalised the acquisition of the aggregates and ready-mixed concrete activities of Cemex in central France. By purchasing 100 % of the shares in Cemex Bétons Centre et Ouest S.A.S., Rungis, as well as production sites and distribution facilities for aggregates, HeidelbergCement has acquired 28 ready-mixed concrete plants and 7 aggregates quarries and has strengthened its vertically integrated market position in central France. The purchase price of €28.0 million was paid in cash. The provisionally recognised goodwill of €14.1 million, which is not expected to be tax-deductible, represents synergy potential. The purchase price allocation is provisional, primarily because the valuation of property, plant and equipment and deferred taxes has not yet been completed.

To strengthen its market position in Bangladesh, HeidelbergCement completed the purchase of a 100 % shareholding in both Emirates Cement Bangladesh Limited and Emirates Power Company Limited, Munshiganj, on 5 December 2019. The purchase price of €19.7 million was paid in cash and is subject to a standard adjustment clause. The provisionally recognised goodwill of €1.3 million is not tax-deductible and represents growth potential. The purchase price allocation has not yet been completed, as, in particular, the valuation of property, plant and equipment is still to be finalised.

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	North America	France	Bangladesh	Total
Intangible assets	1.1			**1.1**
Property, plant and equipment	16.3	17.7	19.1	**53.1**
Financial fixed assets		0.1		**0.1**
Deferred taxes		0.1	1.0	**1.1**
Inventories	1.2	2.8	2.6	**6.6**
Trade receivables	13.0	8.6	2.1	**23.7**
Cash and cash equivalents	0.8	1.3	0.2	**2.3**
Other assets	1.9	0.7	3.5	**6.2**
Total assets	34.2	31.4	28.5	**94.1**
Deferred taxes	1.0	0.7		**1.7**
Provisions	0.5	5.6	0.3	**6.4**
Non-current liabilities	1.5	1.2		**2.7**
Current liabilities	16.8	10.1	9.9	**36.7**
Total liabilities	19.8	17.5	10.1	**47.5**
Net assets	14.4	13.8	18.4	**46.6**

The acquired property, plant and equipment relates to land and buildings (€26.1 million), plant and machinery (€26.1 million), other operating equipment (€0.7 million), and prepayments and assets under construction (€0.2 million).

As part of the business combinations, receivables with a provisional fair value of €24.5 million were acquired. These concern trade receivables amounting to €23.7 million and other operating receivables to the amount of €0.8 million. The gross value of the acquired receivables totals €25.3 million, of which €0.8 million is likely to be irrecoverable.

The companies have contributed €99.2 million to revenue and €1.1 million to the profit for the financial year since their acquisition. If the acquisitions had taken place on 1 January 2019, the contribution to revenue would be €47.1 million higher and the profit for the financial year €0.8 million lower. The transaction costs of €2.1 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 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 Pty Ltd, 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 final purchase price amounted to €19.0 million and was paid in cash. The finally recognised, non-tax-deductible goodwill of €12.7 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 acquisition price of €43.1 million was paid in cash. The 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 purchase price of €20.9 million is made up of a cash payment of €18.7 million and a purchase price liability of €2.2 million, which was reduced during the 2019 financial year by means of payments. The 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 was paid in cash. The 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 a 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. After customary purchase price adjustments, the purchase price amounts to €35.2 million and is made up of a cash payment of €19.6 million and a purchase price liability of €15.6 million, which was reduced by €6.5 million in the 2019 financial year by means of payments. The payment of the remaining purchase price liability is expected in 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. Following the completion of the purchase price allocation, this resulted in particular in a decrease of €12.1 million in property, plant and equipment and a corresponding rise of €11.4 million in goodwill in comparison with 31 December 2018. The final goodwill of €18.3 million is tax-deductible and represents growth potential.

With the exception of the Jack Cewe transaction there were no other material adjustments to the values reported as at 31 December 2018.

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	Italy	Australia	North America	Belgium	Total
Intangible assets	12.3	10.2	8.0		**30.5**
Property, plant and equipment	166.7	48.7	15.9	27.0	**258.2**
Financial fixed assets	0.9		5.8		**6.6**
Deferred taxes	15.1	2.5			**17.6**
Inventories	31.0	1.9	6.1	2.2	**41.2**
Trade receivables	51.2	17.8	3.5		**72.4**
Cash and cash equivalents	25.9	6.4	0.4		**32.8**
Other assets	15.1	0.9	0.4		**16.4**
Assets held for sale	44.2				**44.2**
Total assets	362.4	88.5	40.0	29.2	**520.0**
Deferred taxes	0.5				**0.5**
Provisions	46.3	3.3	7.5		**57.1**
Non-current liabilities	0.0	1.5			**1.5**
Current liabilities	95.9	11.0	1.5		**108.4**
Liabilities associated with disposal groups	2.0				**2.0**
Total liabilities	144.7	15.8	9.0		**169.5**
Net assets	217.7	72.7	31.0	29.2	**350.5**

Furthermore, HeidelbergCement effected other business combinations during the same period of the previous year that are of minor importance, both individually and collectively, for the presentation of the financial position and performance of the Group.

Divestments in the reporting year

As part of its action plan for portfolio optimisation, HeidelbergCement effected a number of divestments during the reporting period, which are described below.

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. The sales price totals €36.3 million, of which a prepayment of €11.3 million was already received during the 2018 financial year. As at 31 December 2019, €1.5 million of the sales price was still outstanding; the payment is expected in 2020. The divestment resulted in a gain of €23.6 million, which is shown in the additional ordinary income.

On 1 April 2019, HeidelbergCement completed the disposal of the Spoleto cement plant in Umbria, Italy. The sales price of €17.6 million is made up of a cash payment of €2.0 million and a non-current receivable of €15.6 million carried at amortised costs. The sales price is subject to a standard adjustment clause. The loss of €8.4 million resulting from the divestment is shown in the additional ordinary expenses.

HeidelbergCement signed an agreement with Overin Limited, Cyprus, on 19 December 2018 regarding the sale of its participations in Ukraine. The sale was completed on 25 April 2019. 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. The sales price amounts to €13.0 million and was paid in cash. The divestment resulted in a loss of €142.6 million, of which €144.5 million was due to the realisation of currency translation differences recognised in equity, and was reported in the additional ordinary expenses.

On 29 April 2019, HeidelbergCement sold its 51 % share in Baustoffwerke Dresden GmbH & Co. KG, Dresden. The sales price of €9.8 million was paid in cash. The profit on disposal of €4.7 million was recognised in the additional ordinary income.

On 1 July 2019, HeidelbergCement completed the sale of the Testi cement plant in Tuscany, Italy, as well as that of two grinding plants in Piedmont, Italy. The sales price of €77.4 million was paid in cash. The divestment resulted in a gain of €46.6 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	Egypt	Italy	Ukraine	Germany	Total
Intangible assets		2.0		2.7	**4.8**
Property, plant and equipment		19.9		4.7	**24.5**
Inventories		4.9		1.0	**5.8**
Cash and cash equivalents				1.4	**1.4**
Other assets				2.5	**2.5**
Assets held for sale	16.6	34.2	23.0		**73.9**
Total assets	16.6	61.0	23.0	12.3	**112.9**
Provisions		0.6		1.1	**1.7**
Liabilities		0.2		5.5	**5.7**
Liabilities associated with disposal groups	2.0	3.4	11.9		**17.3**
Total liabilities	2.0	4.2	11.9	6.6	**24.7**
Net assets	14.6	56.8	11.1	5.7	**88.2**

Incidental disposal costs of €6.9 million arose in connection with the divestments and 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 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. The sales price of €109.4 million was paid in cash. The divestment resulted in a gain of €68,600, 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. 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. A scheduled payment of €7.0 million was received in the 2019 financial year.

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**
Assets 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**

Furthermore, HeidelbergCement effected other divestments during the same period of the previous year that are 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 comprise 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 and associates.

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.

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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	2018	2019	2018	2019
USA	3,533	**3,991**	8,431	**8,859**
United Kingdom	1,293	**1,300**	2,558	**2,909**
Germany	1,196	**1,245**	1,304	**1,481**
Australia	1,303	**1,241**	1,777	**2,043**
France	1,174	**1,238**	1,603	**1,699**
Indonesia	894	**999**	1,038	**1,111**
Canada	729	**787**	613	**687**
Italy	581	**604**	919	**849**
Other countries	7,372	**7,448**	6,539	**7,076**
Total	18,075	**18,851**	24,782	**26,713**

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 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	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Western and Southern Europe	2,536	**2,577**	1,064	**1,128**	1,845	**1,993**	362	**358**	-872	**-945**	4,936	**5,112**
Northern and Eastern Europe-Central Asia	1,566	**1,548**	523	**528**	639	**631**	420	**396**	-231	**-214**	2,916	**2,888**
North America	1,748	**1,861**	1,603	**1,822**	1,091	**1,303**	266	**316**	-446	**-523**	4,262	**4,778**
Asia-Pacific	1,717	**1,844**	592	**570**	1,204	**1,225**	69	**51**	-321	**-318**	3,262	**3,372**
Africa-Eastern Mediterranean Basin	1,293	**1,334**	96	**94**	338	**361**	40	**35**	-99	**-137**	1,667	**1,686**
Group Services					38	**35**	1,727	**1,585**	-12	**-10**	1,754	**1,611**
Inter-Group area revenue within business lines	-60	**-45**	-30	**-32**		**0**	8	**7**			-83	**-69**
Total	8,800	**9,118**	3,848	**4,110**	5,155	**5,548**	2,893	**2,748**	-1,981	**-2,147**	18,715	**19,377**
Inter-Group area revenue between business lines									-640	**-526**	-640	**-526**
Continuing operations									-2,621	**-2,673**	18,075	**18,851**

2 Other operating income

Other operating income		
€m	2018	2019
Gains from sale of fixed assets	152.6	**106.9**
Income from ancillary business	44.0	**41.2**
Rental income	33.7	**32.2**
Foreign exchange gains	24.5	**26.3**
Reversal of provisions	54.1	**19.3**
Other income	214.8	**205.4**
	523.7	**431.3**

The gains from sale of fixed assets include gains from the sale of quarries that were depleted and no longer in operational use to the amount of €24.5 million (previous year: 17.6). 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 other income item includes proceeds of €18.1 million (previous year: 20.6) from the disposal of energy-efficiency certificates in Italy, premium income of reinsurers of €20.2 million (previous year: 19.0), as well as numerous individual items.

Significant income that occurs in the course of ordinary business activities but is 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	2018	2019
Raw materials	2,518.9	**2,724.0**
Supplies, repair materials, and packaging	1,053.2	**1,110.9**
Costs of energy	1,985.0	**1,888.2**
Goods purchased for resale	1,553.2	**1,483.0**
Miscellaneous	367.9	**380.1**
	7,478.1	**7,586.1**

Material costs amounted to 40.2 % of revenue (previous year: 41.4 %).

4 Personnel costs and employees

Personnel costs

€m	2018	2019
Wages, salaries, social security costs	2,816.0	**2,975.1**
Costs of retirement benefits	176.4	**179.2**
Other personnel costs	39.3	**33.1**
	3,031.7	**3,187.4**

Personnel costs equalled 16.9 % of revenue (previous year: 16.8 %). The development of expenses for retirement benefits is explained in Note 41 Pension provisions.

Annual average number of employees

Categories of employees	2018	2019
Blue-collar employees	39,418	**37,604**
White-collar employees	19,197	**18,908**
Apprentices	424	**401**
	59,039	**56,913**

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 2016	Plan 2017	Plan 2018	Plan 2019
Date of issuance	1 January 2016	1 January 2017	1 January 2018	1 January 2019
Term	4 years	4 years	4 years	4 years
Reference price at issuance	€69.91	€85.89	€88.34	€58.78
Maximum payment amount per PSU	€174.78	€214.73	€220.85	€146.95

The reconciliation of the number of PSUs from 1 January 2016 to 31 December 2019 is shown in the following table.

Number of PSUs

	Plan 2016	Plan 2017	Plan 2018	Plan 2019
Granted as of 1 January 2016				
Additions	129,541			
Disposals	-6,234			
Granted as of 31 December 2016 / as of 1 January 2017	123,307			
Additions		122,851		
Disposals	-3,140	-12,139		
Granted as of 31 December 2017 / as of 1 January 2018	120,167	110,712		
Additions			114,474	
Disposals	-1,554	-2,711	-2,729	
Granted as of 31 December 2018 / as of 1 January 2019	118,613	108,001	111,745	
Additions				178,084
Disposals	-3,267	-4,852	-6,240	-8,426
Granted as of 31 December 2019	115,346	103,149	105,505	169,658

In the reporting year, all of the 133,671 PSUs from the 2015 plan granted as at 31 December 2018 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 13,249 points (previous year: 10,559) and the benchmark index MSCI World Construction Materials 217.9 points (previous year: 156.5).

The fair value and additional valuation parameters are shown in the tables below.

Fair value

in €	Plan 2016	Plan 2017	Plan 2018	Plan 2019
Fair value as of 31 December 2016	143.86			
Fair value as of 31 December 2017	164.33	115.15		
Fair value as of 31 December 2018	62.24	24.92	20.19	
Fair value as of 31 December 2019	77.14	16.91	10.39	21.13

Measurement parameters	31 Dec. 2016	31 Dec. 2017	31 Dec. 2018	31 Dec. 2019
	Plans 2014/15/16	Plans 2015/16/17[2]	Plans 2016/17/18[2]	Plans 2017/18/19[2]
Expected dividend yield	6.5 %	7.0 %	6.5 %	6.0 %
Share price at 31 December	€88.63	€90.25	€53.38	€64.96
Volatility of HeidelbergCement share[1]	25 %	20 %	18 %	19 %
Volatility of MSCI World Construction Materials Index[1]	19 %	16 %	13 %	13 %
Volatility of DAX 30 Index[1]	20 %	14 %	11 %	13 %
Correlation HeidelbergCement share / MSCI World Construction Materials Index[1]	78 %	91 %	93 %	87 %
Correlation HeidelbergCement share / DAX 30 Index[1]	37 %	80 %	63 %	69 %
Correlation DAX 30 Index / MSCI World Construction Materials Index[1]	61 %	88 %	77 %	90 %

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. 2017: Plan 2014 / 31 Dec. 2018: Plan 2015 / 31 Dec. 2019: Plan 2016).

The total expenditure on the capital market component of the long-term bonus plan for the 2019 financial year amounted to €4.3 million (previous year: -3.4). As at the reporting date, the provisions for the capital market component totalled €11.2 million (previous year: 23.1). The capital market component of the long-term bonus plan 2016–2018/19 is paid after the Annual General Meeting 2020. 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	2018	2019
Selling and administrative expenses	1,196.8	**1,172.6**
Freight	1,881.7	**1,943.6**
Expenses for third party repairs and services	1,667.2	**1,806.6**
Operating lease expenses (IAS 17)	372.5	
Expenses for short-term leases and leases of low-value assets (IFRS 16)		**131.2**
Other taxes	85.3	**131.1**
Foreign exchange losses	32.4	**36.5**
Losses from the derecognition of operating receivables	5.7	**3.1**
Impairment losses on operating receivables and contract assets	13.6	**23.5**
Other expenses	56.0	**58.4**
	5,311.4	**5,306.6**

The lease expenses for the 2019 financial year include expenses for short-term leases of €124.1 million and expenses for leases of low-value assets of €7.1 million. In the 2019 financial year, the expenses for variable lease payments not included in the measurement of lease liabilities amounted to €94.7 million and were incurred primarily in connection with freight and third-party services. 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 equity accounted investments (REI)

The result from equity accounted investments (REI) is made up of the results from joint ventures and associates.

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

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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 requirement from Cement Australia.

- 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		Texas Lehigh Cement Company LP	
€m	2018	2019	2018	2019
Revenue	690.4	692.4	180.5	205.4
Depreciation and amortisation	-28.9	-36.6	-2.4	-2.7
Result from current operations	171.7	175.4	66.8	76.3
Additional ordinary result	-2.5	-1.1		
Earnings before interest and taxes (EBIT)	169.2	174.3	66.8	76.3
Interest expenses	-12.9	-16.6	0.0	-0.6
Other financial income and expenses	-0.6	-0.8	-0.1	-0.1
Profit before tax	155.7	156.9	66.7	75.6
Income taxes	-12.2	-11.1	-0.5	-0.7
Profit for the financial year	143.5	145.8	66.2	74.9
Other comprehensive income	13.5	-12.9	6.3	1.4
Total comprehensive income	157.0	132.9	72.5	76.3

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		Texas Lehigh Cement Company LP	
€m	2018	2019	2018	2019
Intangible assets	19.4	19.5		
Property, plant and equipment	364.8	428.9	45.1	63.5
Financial fixed assets	40.0	39.6	15.7	16.1
Other non-current assets	2.4	2.5		
Total non-current assets	426.6	490.5	60.8	79.6
Cash and cash equivalents	0.5	0.5	0.3	0.0
Other current assets	108.1	115.2	62.0	71.4
Total current assets	108.6	115.7	62.3	71.4
Total assets	535.2	606.2	123.1	151.0
Non-current interest-bearing liabilities	245.9	268.7		4.9
Non-current provisions	5.8	6.4	2.4	2.9
Other non-current liabilities	13.0	11.9		
Total non-current liabilities	264.7	287.0	2.4	7.8
Current interest-bearing liabilities	101.8	111.1		1.2
Current provisions	9.4	9.7	0.3	0.3
Trade payables	50.9	82.7	10.8	13.9
Other current liabilities	51.1	49.5	4.0	3.3
Total current liabilities	213.2	253.0	15.1	18.7
Total liabilities	477.9	540.0	17.5	26.5
Net assets	57.3	66.2	105.6	124.5
Group share in %	50.0	50.0	50.0	50.0
Group share of net assets	28.7	33.1	52.8	62.3
Goodwill	337.2	343.5	37.0	37.8
Total carrying amount of the interest	365.9	376.6	89.8	100.1
Dividends received	117.1	67.5	27.1	29.3

HeidelbergCement also holds investments in individually immaterial joint ventures. These now include the joint venture Akçansa Çimento Sanayi ve Ticaret A.S., located in Istanbul, Turkey, 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	2018	2019
Investments in immaterial joint ventures	746.0	**747.0**
Result from continuing operations	98.7	**128.7**
Other comprehensive income	-25.8	**2.5**
Total comprehensive income	72.9	**131.2**
Unrecognised share of losses of the period	-0.4	**-0.4**
Unrecognised share of losses cumulated	-0.4	**-0.8**

Result from associates

The following table shows the summarised financial information concerning the associates.

Summarised financial information for associates

€m	2018	2019
Investments in associates	512.2	**537.1**
Result from associates	42.0	**50.5**
Other comprehensive income	3.1	**4.3**
Total comprehensive income	45.1	**54.8**
Unrecognised share of losses of the period	-1.2	**-0.4**
Unrecognised share of losses cumulated	-6.8	**-3.9**

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	2018	2019
Additional ordinary income		
Gains from the disposal of subsidiaries and other business units	125.3	**79.0**
Other additional income	114.8	**85.8**
	240.2	**164.7**
Additional ordinary expenses		
Losses from the disposal of subsidiaries and other business units	-4.0	**-163.5**
Impairment of other intangible assets and property, plant and equipment	-34.3	**-66.8**
Restructuring expenses	-17.0	**-99.1**
Other additional expenses	-76.5	**-13.5**
	-131.8	**-342.9**
	108.3	**-178.2**

Additional ordinary income

In 2019, the gains from the disposal of subsidiaries and other business units were essentially attributable to the sale of the white cement plant in Minya, Egypt, and the disposal of the Testi cement plant as well as two grinding plants in Piedmont, Italy. In the previous year, this item primarily included gains from 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. Further details on the divestments are provided in the Scope of consolidation section on ↗ page 123 f.

Other additional income includes income from the reversal of provisions for litigation and other risks of €66.1 million, the reversal of impairment losses on assets shown in the disposal groups in the previous year amounting to €9.1 million, and other income not reported in result from current operations. In the 2018 financial year, this item included 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.

Additional ordinary expenses

The losses from the disposal of subsidiaries and other business units in the 2019 financial year are essentially attributable to the divestment of the Ukrainian subsidiaries HeidelbergCement Ukraine Private Joint Stock Company, HeidelbergGranit Ukraine Limited Liability Company, HeidelbergBeton Ukraine Limited Liability Company, and Rybalsky Quarry Limited Liability Company, as well as the disposal of the Spoleto cement plant in Italy. The line item also includes translation-related expenses in connection with the repayment of capital by a subsidiary. In the previous year, this item included losses from the divestment of the Ukrainian subsidiary KSL Limited Liability Company, Busheve. Further details on the divestments are provided in the Scope of consolidation section on ↗ page 123 f.

The impairment of other intangible assets and property, plant and equipment arose in the Group areas of Western and Southern Europe (€39.3 million), Northern and Eastern Europe-Central Asia (€15.6 million), Africa-Eastern Mediterranean Basin (€6.3 million), and Asia-Pacific (€5.6 million). Impairment losses were recognised in connection with (temporary) shutdowns of locations in particular, and were largely carried out on the basis of the value in use.

The restructuring expenses in the financial year were incurred in the Group areas of Western and Southern Europe (€57.6 million), Africa-Eastern Mediterranean Basin (€25.1 million), Asia-Pacific (€7.2 million), Northern and Eastern Europe-Central Asia (€1.4 million), and Group functions (€7.9 million).

Other additional expenses include expenses of €2.3 million connected with the closure of locations, incidental disposal costs of €7.1 million for divestments, transaction costs for business acquisitions amounting to €2.4 million, impairments of €1.3 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 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.

9 Interest expenses

In the 2019 financial year, the interest expenses for lease liabilities amounted to €45.2 million.

10 Other financial result

Other financial result		
€m	2018	2019
Interest balance from defined benefit pension plans	-20.0	**-14.0**
Interest effect from the valuation of other provisions	-4.6	**-30.6**
Valuation result of derivative financial instruments	-7.6	**-22.8**
Impairment losses on interest-bearing receivables	-10.6	**-4.4**
Miscellaneous other financial result	-37.5	**-16.5**
	-80.3	**-88.2**

Interest effects from the valuation of other provisions are explained in Note 42. The valuation result of derivative financial instruments essentially stems from the interest component of the foreign currency derivatives.

11 Income taxes

Income taxes from continuing operations		
€m	2018	2019
Current taxes	-197.7	**-355.9**
Deferred taxes	-266.5	**-2.5**
	-464.1	**-358.4**

Adjusted for tax refunds for previous years, which amounted to €15.1 million (previous year: 50.0), the current tax expense increased by €123.4 million. The deferred tax expense includes income of €2.4 million (previous year: -107.4) resulting from the recognition and reversal of temporary differences. Deferred tax assets created in previous years for carryforwards of unused tax losses and interest as well as tax credits were offset and reduced by €-25.1 million (previous year: -51.8) during the reporting year. The reduction in the deferred tax expense for in previous years not recognised carryforwards of unused tax losses and interest as well as tax credits amounted to €158.5 million in the financial year (previous year: 35.7).

Carryforwards of unused tax losses and interest as well as tax credits for which no deferred tax is recognised amount to €3,094.0 million (previous year: 3,623.1). They have essentially vested both in Germany and abroad 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 €269.9 million (previous year: 266.2). Overall, unrecognised deferred tax assets amounted to €763.0 million (previous year: 924.5) in the reporting year.

In the financial year, €11.5 million (previous year: -33.9) in deferred taxes, resulting primarily from the measurement of pension provisions in accordance with IAS 19, was recognised directly in equity. Changes to the scope of consolidation had only an insignificant impact on deferred taxes (previous year: €-16.6 million), and this was 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 €54.7 million (previous year: 38.8) 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 €8.1 billion (previous year: 8.3), 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 2018, 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 increase in this rate in comparison with the earlier period is due to the change in the relative weighting of the companies' results.

Tax reconciliation of continuing operations

€m	2018	2019
Profit before tax	1,764.5	**1,633.0**
Expected tax expense at national tax rate of 29.7 % (2018: 29.7 %)	-524.1	**-485.0**
Tax rate differentials	99.2	**82.1**
Expected tax expense at weighted average tax rate of 24.7 % (2018: 24.1 %)	-424.9	**-402.9**
Tax-free earnings (+) and non-deductible expenses (-)	-4.8	**-40.1**
Effects from carryforward of unused tax losses and interest, tax credits	-16.1	**133.4**
Not recognised deferred tax assets	-49.2	**-42.4**
Tax increase (-), reduction (+) for prior years	52.4	**25.5**
Changes in tax rate	0.2	**-2.5**
Others	-21.8	**-29.3**
Income taxes	-464.1	**-358.4**

Deferred tax by type of temporary difference

€m	2018	2019
Deferred tax assets		
Fixed assets	72.1	**63.1**
Other assets	48.6	**88.2**
Provisions and liabilities	566.0	**743.2**
Carryforward of unused tax losses and interest, tax credits	487.2	**480.6**
Gross amount	1,174.0	**1,375.1**
Netting	-859.6	**-1,061.9**
	314.4	**313.3**
Deferred tax liabilities		
Fixed assets	1,254.5	**1,436.0**
Other assets	22.5	**23.5**
Provisions and liabilities	305.3	**328.7**
Gross amount	1,582.3	**1,788.1**
Netting	-859.6	**-1,061.9**
	722.8	**726.3**

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 42 Other provisions. The following table shows the composition of the result.

Net loss from discontinued operations of the Hanson Group in previous years

€m	2018	2019
Income	13.6	**0.5**
Expenses	-32.1	**-43.7**
Attributable income taxes	4.3	**10.8**
	-14.2	**-32.4**

Disposal groups

HeidelbergCement signed an agreement on 17 December 2019 regarding the sale of its shares in Mauritano-Française des Ciments S.A., Mauritania. The sale was completed on 8 January 2020.

In the previous year, the disposal groups included the assets and liabilities of the white cement plant in Minya, Egypt, as well as the participations in Ukraine. The sales were completed in 2019. Further explanations are given in Divestments in the reporting year on ↗ page 123 f. Non-current assets classified as held for sale of the Western and Southern Europe Group area were also reported in this item in the previous year. In the financial year, these were once again reported in the non-current assets, as the sale of these assets is no longer regarded as highly probable. In this context, reversals of impairment losses amounting to €9.1 million were carried out; these are shown in the additional ordinary income.

The following overview shows the main groups of assets and liabilities of the disposal groups.

Assets and liabilities classified as held for sale

€m	2018	2019
Intangible assets	13.9	**0.0**
Property, plant and equipment	37.5	**1.7**
Other non-current assets	1.5	**0.5**
Inventories	20.4	**3.8**
Cash and cash equivalents	2.2	**4.5**
Other current assets	3.7	**5.8**
Assets classified as held for sale	79.2	**16.3**
Pension provisions	1.9	**0.2**
Other non-current provisions	1.3	
Current provisions	0.3	
Current liabilities	7.7	**1.2**
Liabilities classified as held for sale	11.2	**1.4**
Net assets	68.0	**15.0**

13 Proposed dividend

The Managing Board and Supervisory Board propose the following dividend: €2.20 per share. Based on 198,416,477 no-par value shares entitled to participate in dividends for the 2019 financial year, the amount for dividend payment comes to €436,516,249.

14 Earnings per share

Earnings per share

€m	2018	2019
Profit for the financial year	1,286.2	**1,242.2**
Non-controlling interests	143.2	**151.3**
Group share of profit	1,143.0	**1,090.9**
Number of shares in ’000s (weighted average)	198,416	**198,416**
Earnings per share in €	5.76	**5.50**
Net income from continuing operations – attributable to the parent entity	1,157.2	**1,123.3**
Earnings per share in € – continuing operations	5.83	**5.66**
Net loss from discontinued operations – attributable to the parent entity	-14.2	**-32.4**
Loss per share in € – discontinued operations	-0.07	**-0.16**

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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 eliminations. 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, loans, and lease liabilities. 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

Of the cash inflow from dividends received, €188.9 million (previous year: 223.9) relates to joint ventures, €27.7 million (previous year: 24.1) to associates, and €0.4 million (previous year: 1.7) to other participations.

16 Interest received / Interest paid

The cash inflow from interest received rose by €25.3 million to €132.6 million (previous year: 107.3). Interest payments amounted to €485.2 million in the financial year (previous year: 507.9). This item includes interest paid for leases of €45.2 million.

17 Income taxes paid

This item includes payments relating to income taxes amounting to €294.1 million (previous year: 260.8).

18 Other eliminations

The other eliminations 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/liabilities

Operating assets consist of inventories, trade receivables, and other assets used in operating activities.

Operating liabilities include trade payables and other liabilities from operating activities.

20 Investments (cash outflow)

The payments for investments differ from additions in the fixed asset movement schedule, which shows, for instance, non-cash transactions as additions, such as additions in connection with barter transactions or contributions in kind.

Of the total cash-relevant investments of €1,316.5 million (previous year: 1,723.3), €911.2 million (previous year: 680.4) related to investments to sustain and optimise capacity and €405.2 million (previous year: 1,043.0) to capacity expansions.

Investments in intangible assets and property, plant and equipment amounted to €1,182.8 million (previous year: 1,060.8) and related to 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 €92.2 million (previous year: 623.9); this figure was primarily attributable to business combinations in France, Bangladesh, and North America. In the previous year, the payments resulted primarily from the acquisition of Cementir Italia and its subsidiaries, amounting to €316.0 million, and of the Alex Fraser Group in Australia, to the amount of €134.1 million. Further details of the acquisitions can be found on ↗ page 121 f.

The investments in financial assets, associates, and joint ventures totalled €41.4 million (previous year: 38.7).

21 Divestments (cash inflow)

The cash inflow from the disposal of subsidiaries and other business units amounted to €165.2 million (previous year: 280.4), of which €77.4 million relates to the sale of the Testi cement plant and two grinding plants in Piedmont, Italy, €23.5 million to the sale of the white cement plant in Minya, Egypt, and €13.0 million to the sale of the activities in Ukraine. Of the proceeds in the previous year, €109.4 million related to the sale of the sand-lime brick activities in Germany and €117.1 million to the sale of Lehigh White Cement Company in the USA. Detailed explanations on the divestments are provided on ↗ page 123 f.

Proceeds from the disposal of other fixed assets amounting to €248.0 million (previous year: 282.0) include proceeds from the disposal of intangible assets and property, plant and equipment totalling €176.3 million (previous year: 164.7). The remaining payments received of €71.8 million (previous year: 117.3) primarily apply to the disposal of financial assets, associates, and joint ventures as well as the repayment of loans.

22 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 €2.6 million (previous year: 35.5) were acquired in connection with the investments in subsidiaries and other business units. Cash and cash equivalents of €6.0 million (previous year: 8.8) were disposed of in connection with the disposal of subsidiaries and other business units.

23 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 €209.2 million from the decrease in ownership interests in subsidiaries relate to the disposal of 11.3 % of the shares in Ciments du Maroc S.A., Morocco. The payments made to increase ownership interests in subsidiaries totalled €92.2 million (previous year: 25.6) in the financial year, of which €84.4 million was connected with the acquisition of the remaining shares in Nordic Precast Group AB, Sweden, in 2018.

24 Proceeds from bond issuance and loans

This item includes the issue of a new bond with a nominal volume of €750 million. In addition, a loan of €86 million was taken out. In the previous year, this item included the issue of two bonds with a total nominal volume of €1.5 billion and proceeds from a loan of €180 million.

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25 Repayment of bonds, loans and lease liabilities

This item includes the scheduled repayments of financial liabilities. In 2019, two bonds with a nominal volume of €1.0 billion were repaid, as were lease liabilities amounting to €285.0 million. In the previous year, this item included the repayment of bonds of €1.48 billion.

26 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.

27 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	Miscella-neous other interest-bearing liabilities	Lease liabilities	Non-controlling interests with put options	Derivative financial instruments (net position)	Total
1 January 2019	9,939.7	746.4	122.6	1,324.6	83.4	39.0	**12,255.7**
Cash flow from financing activities	-250.0	115.0	-19.9	-285.0		35.8	**-404.1**
Changes in consolidation scope		7.8	6.3	14.4			**28.4**
Currency translation		8.7	1.3	32.4			**42.5**
Changes in fair value						-77.6	**-77.6**
Other changes	-53.1	1.8	1.5	199.4	-19.7		**129.9**
31 December 2019	9,636.7	879.6	111.8	1,285.7	63.7	-2.8	**11,974.7**
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		53.3	**228.4**
Changes in consolidation scope		25.3	3.5	0.1	-1.3		**27.6**
Currency translation		0.8	-1.0	0.4			**0.3**
Changes in fair value						-34.2	**-34.2**
Other changes	-94.5	-2.3	-4.6	-1.3	18.5		**-84.3**
31 December 2018	9,939.7	746.4	122.6	12.7	83.4	39.0	**10,943.8**

The cash-relevant change in liabilities arising from financing activities includes cash flows resulting from the proceeds from and repayments of loans, bonds, lease liabilities, and short-term interest-bearing liabilities, as well as cash flows from rolling currency derivatives, insofar as they serve to hedge financial liabilities.

The opening balance sheet value of the lease liabilities was adjusted by €1,311.9 million as at 1 January 2019 in connection with the initial application of IFRS 16. The other changes in lease liabilities relate primarily to additions to liabilities due to newly concluded lease contracts or contract modifications.

The net position of the derivative financial instruments includes currency derivatives with both positive and negative fair values. This results in a positive net carrying amount of €2.8 million as at 31 December 2019. 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.

28 Cash and cash equivalents

Cash and cash equivalents with a remaining term of up to three months are included. The cash equivalents in this item are short-term, highly liquid financial investments that are readily convertible to known amounts of cash and subject to only insignificant changes in value. Of this item, €24.1 million (previous year: 10.5) 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 and guarantees provided.

Notes to the balance sheet – assets

29 Intangible assets

Intangible assets €m	Goodwill	Other intangible assets	Total
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**
Cost			
1 January 2019	12,809.2	735.0	**13,544.2**
Currency translation	269.9	11.1	**280.9**
Change in consolidation scope	78.2	1.8	**80.1**
Additions		47.9	**47.9**
Disposals		-14.5	**-14.5**
Reclassifications		23.4	**23.5**
Reclassifications to current assets	15.9	-0.3	**15.5**
31 December 2019	13,173.2	804.4	**13,977.6**
Amortisation and impairment			
1 January 2019	1,359.0	364.7	**1,723.8**
Currency translation	30.8	5.3	**36.1**
Change in consolidation scope	0.7	-0.3	**0.4**
Additions		44.1	**44.1**
Impairment		0.6	**0.6**
Disposals		-11.2	**-11.2**
Reclassifications to current assets		-0.2	**-0.2**
31 December 2019	1,390.6	403.0	**1,793.6**
Carrying amount at 31 December 2019	**11,782.6**	**401.4**	**12,184.0**

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

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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 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. Following the United Kingdom's exit from the European Union on 31 January 2020, we expect the future contract negotiations to develop positively. For this reason, a scenario analysis will no longer be carried out. On this basis, we anticipate an end to the low level of investment and a steady recovery of the entire market. 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. For the CGU Indonesia and CGU India, a further recovery of the market is expected, which will lead to a marked increase in income in the subsequent plan years. A moderate but sustained rise in demand is anticipated for the other CGUs. 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. 2018	**31 Dec. 2019**	31 Dec. 2018	**31 Dec. 2019**	31 Dec. 2018	**31 Dec. 2019**
Western and Southern Europe	3,268.8	**3,398.6**	5.4 % - 8.6 %	**4.9 % - 6.9 %**	1.9 % - 2.2 %	**1.3 % - 2.2 %**
Benelux	604.2	**627.2**	5.9 %	**5.3 %**	2.0 %	**2.0 %**
France	662.6	**686.7**	5.9 %	**5.3 %**	2.0 %	**2.0 %**
Italy	99.3	**90.8**	8.6 %	**6.9 %**	1.9 %	**1.9 %**
United Kingdom	1,539.9	**1,628.1**	6.9 %	**6.3 %**	2.2 %	**2.2 %**
Northern and Eastern Europe-Central Asia	857.5	**856.9**	5.6 % - 12.2 %	**5.1 % - 11.7 %**	1.7 % - 5.5 %	**1.7 % - 5.5 %**
North America	5,326.7	**5,489.4**	7.5 %	**6.8 %**	2.1 %	**2.1 %**
Asia-Pacific	1,533.7	**1,564.8**	6.4 % - 13.5 %	**6.1 % - 12.2 %**	1.9 % - 4.0 %	**1.9 % - 4.2 %**
Australia	1,019.6	**1,040.5**	7.8 %	**6.3 %**	2.5 %	**2.5 %**
Hong Kong	7.0	**7.2**	7.6 %	**7.2 %**	1.9 %	**1.9 %**
Africa-Eastern Mediterranean Basin	431.6	**442.1**	7.7 % - 22.6 %	**6.2 % - 18.8 %**	2.1 % - 8.9 %	**2.0 % - 8.5 %**
Morocco	268.3	**274.1**	9.6 %	**8.8 %**	2.6 %	**2.6 %**
Mozambique	15.5	**15.8**	22.6 %	**18.2 %**	5.3 %	**5.4 %**
Togo	10.3	**10.0**	13.6 %	**12.7 %**	2.3 %	**2.0 %**
Group Services	31.9	**30.9**	5.4 %	**4.9 %**	1.9 %	**1.3 %**
Total	11,450.2	**11,782.6**				

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, Italy, 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 around 0.7 percentage points for the CGU Italy and for the CGU United Kingdom, and around 1.2 percentage points for the CGU Benelux, 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 7.0 % for the CGU Italy and around 13.0 % for the CGU United Kingdom, the recoverable amount and carrying amount are equal. With an increase in the weighted average cost of capital of around 0.4 percentage points for the CGU Italy, around 0.5 percentage points for the CGU United Kingdom, and around 0.9 percentage points for the CGU Benelux, 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 €304.9 million, of the CGU Italy by €58.2 million, and of the CGU United Kingdom by €346.5 million as at the reporting date.

For the CGUs Hong Kong, Mozambique, and Togo, 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 €33.0 million.

With a reduction of 1.9 percentage points in the growth rate, a WACC increase of 0.9 percentage points, or a decline of 13.0 % 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 €134.0 million (previous year: 145.7) was recorded as an expense as it did not fulfil the recognition criteria for intangible assets.

30 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 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**
Cost					
1 January 2019	9,604.9	12,638.0	1,094.5	1,137.1	**24,474.5**
First-time application IFRS 16	602.4	160.5	544.7		**1,307.6**
Currency translation	258.1	287.8	40.5	24.3	**610.7**
Change in consolidation scope	-8.3	-15.0	0.7	-7.3	**-29.9**
Additions	113.8	93.1	201.7	983.6	**1,392.2**
Disposals	-94.2	-190.1	-50.2	-2.1	**-336.6**
Reclassifications	120.9	723.3	131.6	-999.3	**-23.4**
Reclassifications to current assets	2.8	13.7	3.5	-0.1	**19.9**
31 December 2019	10,600.3	13,711.4	1,967.1	1,136.1	**27,414.9**
Depreciation and impairment					
1 January 2019	3,085.6	7,657.8	769.4		**11,512.8**
Currency translation	60.8	148.0	20.1		**229.0**
Change in consolidation scope	-29.3	-23.9	-0.4		**-53.6**
Additions	339.7	760.0	250.1		**1,349.8**
Impairment	36.7	28.1	1.3		**66.1**
Reversal of impairment	-0.8	-0.3			**-1.1**
Disposals	-18.5	-167.0	-35.7		**-221.2**
Reclassifications	-12.0	9.4	2.7		**0.0**
Reclassifications to current assets	0.9	2.5	0.5		**3.9**
31 December 2019	3,463.1	8,414.6	1,008.0		**12,885.8**
Carrying amount at 31 December 2019	**7,137.1**	**5,296.9**	**959.0**	**1,136.1**	**14,529.2**

The carrying amount of property, plant and equipment pledged as security amounts to €30.3 million (previous year: 40.8). Borrowing costs of €0.4 million (previous year: 1.8) were recognised. The average capitalisation rate applied was 2 % (previous year: 2 %). In the reporting year, impairment losses of €66.1 million were recognised; these are shown in the additional ordinary result and explained in Note 8.

Right-of-use assets

The right-of-use assets reported under property, plant and equipment result from leases accounted for in accordance with IFRS 16. The following table shows the development of the right-of-use assets.

Right-of-use assets

€m	Land and buildings	Plant and machinery	Other operating equipment	Total
Cost				
First-time application IFRS16	602.4	160.5	544.7	**1,307.6**
Currency translation	19.1	3.0	10.7	**32.7**
Change in consolidation scope	12.7	0.8	0.4	**13.9**
Additions	80.9	13.9	149.7	**244.5**
Disposals	-37.3	-9.3	-13.3	**-59.9**
Reclassifications	0.4	14.1	1.2	**15.7**
Reclassifications to current assets	2.8			**2.8**
31 December 2019	681.0	183.1	693.3	**1,557.3**
Depreciation and impairment				
Currency translation	0.8	0.3	1.2	**2.3**
Change in consolidation scope	-0.1	-0.2		**-0.3**
Additions	80.4	49.5	159.1	**289.0**
Impairment	0.9	0.1		**1.0**
Disposals	-0.5	-1.3	-0.5	**-2.4**
Reclassifications	0.1	-0.7	6.7	**6.1**
31 December 2019	81.5	47.8	166.4	**295.7**
Carrying amount at 31 December 2019	**599.5**	**135.3**	**526.8**	**1,261.6**

Information on lease liabilities is provided in Note 27 and Note 43 as well as on ↗ page 163 and ↗ page 165.

The following table contains all the cash outflows for leases in the 2019 financial year.

Cash outflow for leases

€m	2019
Principal payments for lease liabilities	**285.0**
Interest payments for lease liabilities	**45.2**
Short-term leases	**124.1**
Leases of low-value assets	**7.1**
Variable lease payments, that were not recognised in the lease liability	**94.7**
	556.2

31 Financial investments

This item includes investments in equity instruments. Firstly, participations in subsidiaries, joint ventures, and associates of minor importance totalling €49.5 million (previous year: 49.5) 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 €18.7 million (previous year: 28.2), on which HeidelbergCement has no significant influence and which are held as long-term strategic investments.

In addition, this item includes the participation in the US company Hanson Permanente Cement, Inc., Phoenix, and its subsidiaries (Permanente Group) amounting to €133.3 million (previous year: 165.2), 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. The participation was irrevocably classified as financial investment at fair value through other comprehensive income.

Additional information on the financial investments is provided on ↗ page 153 f.

32 Other non-current receivables and assets

The following table shows the composition of the other non-current receivables and assets.

Other non-current receivables and assets

€m	2018	2019
Other non-current operating receivables	89.6	**66.8**
Non-current contract assets	0.7	**1.0**
Other non-current non-financial assets	936.3	**977.0**
	1,026.6	**1,044.8**

Other non-current non-financial assets include overfunding of pension funds amounting to €817.1 million (previous year: 753.7), claims for reimbursement against insurance companies for environmental and third-party liability damages totalling €78.0 million (previous year: 94.2), and prepaid expenses.

An explanation of the credit risks is provided on ↗ page 159 f.

33 Inventories

In the reporting year, impairments of inventories of €33.3 million (previous year: 23.7) and reversals of impairment losses of €9.3 million (previous year: 23.7) were recognised.

34 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	2018	2019
Current trade receivables and other operating receivables – amortised cost	1,954.2	**1,721.5**
Current trade receivables and other operating receivables – fair value through profit or loss	218.2	**317.0**
Current contract assets	22.9	**32.1**
Current non-financial other assets	354.9	**304.8**
	2,550.2	**2,375.4**

The maximum exposure to loss from the continuing involvement amounts to €58.5 million (previous year: 58.7). This substantially contains the carrying amount for the reserve account covering credit losses of pre-financed trade receivables of €28.4 million (previous year: 27.8), which is reported in the cash and cash equivalents, and guarantees granted for this in the amount of €24.3 million (previous year: 23.7). To ensure legal validity, trade receivables of €24.5 million (previous year: 24.2) remained pledged as security. In this context, the balance sheet items interest-bearing receivables with a gross carrying amount of €407.1 million (previous year: 279.5) and other current operating liabilities with a gross carrying amount of €1,817.6 million (previous year: 1,723.0) were netted; the netting amount totalled €299.5 million (previous year: 157.5). This results in a net carrying amount of €107.6 million (previous year: 122.0) and €1,518.1 million (previous year: 1,565.5) respectively.

Non-financial other assets essentially include non-income tax receivables and prepaid expenses. 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 €13.3 million (previous year: 12.4).

An explanation of the credit risks is provided on ↗ page 159 f.

35 Derivative financial instruments

The non-current derivative financial instruments relate to cross-currency interest rate swaps and interest rate swaps. The current derivatives with positive fair values primarily include foreign exchange swaps of €27.5 million (previous year: 9.9), interest rate swaps of €7.1 million (previous year: 3.4), and commodity derivatives of €0.2 million (previous year: 3.6). Additional information on the derivative financial instruments is provided on ↗ page 157 f.

Notes to the balance sheet – equity and liabilities

36 Subscribed share capital

As at the reporting date of 31 December 2019, 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 2019, 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 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 2019, 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 the 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 2019, 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 2019. 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 2019, 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.

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Authorisation to acquire own shares
Furthermore, the authorisation to acquire own shares described below existed as at 31 December 2019. 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 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. As at 31 December 2019, 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 2019.

37 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.

38 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
Ciments du Maroc S.A., Casablanca, Morocco	11.3 %	140.1	63.2	**203.3**
Others		10.3	-17.4	**-7.1**
Total		150.5	45.8	**196.3**

In the financial year, dividends of €416.7 million (previous year: 377.0), i.e. €2.10 per share (previous year: €1.90 per share), were paid to shareholders of HeidelbergCement AG.

39 Other components of equity

The change of €831.4 million in the currency translation reserve is essentially attributable to the appreciation in the value of the British pound, the US dollar, and the Canadian dollar against the euro. In addition, currency translation differences previously recognised in equity were realised in particular in connection with the sale of the participations in Ukraine of €-144.5 million.

40 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 €748.9 million (previous year: 708.8). The share of non-controlling interests in profit for the financial year totals €55.5 million (previous year: 35.5). In the 2019 financial year, Indocement paid dividends of €61.9 million (previous year: 75.3) 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	2018	2019
Revenue	901.7	**1,007.7**
Depreciation and amortisation	-70.5	**-88.2**
Result from current operations	75.7	**130.8**
Additional ordinary result	-2.9	**-5.8**
Earnings before interest and taxes (EBIT)	72.8	**125.0**
Interest income	24.6	**28.1**
Interest expenses	-0.2	**-4.0**
Other financial income and expenses	-3.1	**-3.3**
Profit before tax	94.2	**145.8**
Income taxes	-21.7	**-32.5**
Profit for the financial year	72.5	**113.3**
Other comprehensive income	6.3	**112.8**
Total comprehensive income	78.8	**226.2**

Assets and liabilities	Indocement Group	
€m	2018	2019
Intangible assets	1.0	**1.0**
Property, plant and equipment	962.8	**1,034.0**
Financial fixed assets	5.9	**4.9**
Other non-current assets	16.1	**16.8**
Non-current assets	985.9	**1,056.7**
Cash and cash equivalents	435.2	**490.9**
Other current assets	297.6	**320.6**
Current assets	732.8	**811.5**
Total assets	1,718.7	**1,868.2**
Non-current interest-bearing liabilities	0.3	**31.3**
Non-current provisions	35.8	**37.7**
Other non-current liabilities	9.6	**17.8**
Non-current liabilities	45.7	**86.9**
Current interest-bearing liabilities	7.4	**19.4**
Current provisions	3.7	**5.5**
Trade payables	139.0	**170.4**
Other current liabilities	90.4	**71.9**
Current liabilities	240.4	**267.1**
Total liabilities	286.1	**354.0**

41 Pension provisions

Defined contribution plans

The sum of all pension expenses in connection with defined contribution plans amounted to €123.9 million (previous year: 116.3). In the 2019 financial year, the contributions to the social security programmes came to €72.0 million (previous year: 64.8).

Actuarial assumptions

The significant actuarial assumptions on which the calculations of the performance-oriented defined benefit obligation are based are summarised in the following table (weighted presentation).

Actuarial assumptions	Discount rate		Pension increase rate		Mortality table
	2018	2019	2018	2019	
Group	3.19 %	**2.26 %**	2.74 %	**2.47 %**	-
North America	4.06 %	**3.04 %**	-	-	USA: PRI-2012; Canada: CPM 2014
United Kingdom	2.90 %	**2.00 %**	2.91 %	**2.59 %**	Different tables based on "S3" series
Germany	2.00 %	**1.30 %**	1.75 %	**1.75 %**	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 overfunded 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 defined benefit plans
In the 2019 financial year, defined benefit obligations amounting to €4,355.0 million (previous year: 3,968.6) existed in the Group, which were essentially covered by plan assets. In addition, there were direct agreements of €961.6 million (previous year: 884.2). Of this figure, €250.7 million (previous year: 242.4) related to obligations in the USA, Belgium, Canada, the United Kingdom, Indonesia, France, Egypt, Morocco, and Ghana for health care costs of pension recipients.

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	2018	2019	2018	2019	2018	2019	2018	2019
Balance at 1 January	5,404.2	**4,852.8**	4,769.9	**4,440.0**	19.8	**31.7**	654.1	**444.5**
Current service cost	36.0	**35.9**					36.0	**35.9**
Past service cost	2.1	**-2.4**					2.1	**-2.4**
Plan settlements	0.5	**3.4**					0.5	**3.4**
Interest cost	144.2	**150.8**			0.5	**0.9**	144.7	**151.7**
Interest income			124.7	**137.8**			-124.7	**-137.8**
Administrative expenses paid by the plan			-11.4	**-13.4**			11.4	**13.4**
Defined benefit costs recognised in profit and loss	182.8	**187.7**	113.3	**124.4**	0.5	**0.9**	70.0	**64.2**
Remeasurements recognised in other comprehensive income	-373.9	**461.2**	-177.2	**382.8**	11.9	**-7.5**	-184.8	**70.9**
Employer contributions			60.8	**58.1**			-60.8	**-58.1**
Employee contributions	1.8	**1.6**	1.8	**1.6**				
Benefits paid by the company	-64.0	**-67.3**					-64.0	**-67.3**
Benefits paid by the fund	-327.8	**-321.5**	-327.8	**-321.5**				
Taxes and premiums paid								
Cash flows in the period	-390.0	**-387.2**	-265.2	**-261.8**			-124.8	**-125.4**
Change in consolidation scope	4.9	**2.0**					4.9	**2.0**
Disposal groups	-2.2	**-1.7**					-2.2	**-1.7**
Exchange rate changes	27.0	**201.8**	-0.8	**236.8**	-0.5	**1.9**	27.3	**-33.1**
Other reconciling items	29.7	**202.1**	-0.8	**236.8**	-0.5	**1.9**	30.0	**-32.8**
Balance at 31 December	4,852.8	**5,316.6**	4,440.0	**4,922.2**	31.7	**27.0**	444.5	**421.4**
North America	1,463.3	**1,513.2**	983.8	**1,067.4**	2.0		481.5	**445.8**
United Kingdom	2,460.6	**2,781.8**	3,227.3	**3,612.9**	29.6	**26.9**	-737.1	**-804.2**
Germany	451.7	**511.8**	75.8	**84.5**			375.9	**427.3**
Other countries	477.2	**509.8**	153.1	**157.4**	0.1	**0.1**	324.2	**352.5**
Total	4,852.8	**5,316.6**	4,440.0	**4,922.2**	31.7	**27.0**	444.5	**421.4**
Thereof non-current provisions							1,100.6	**1,141.7**
Thereof current provisions							97.7	**96.7**
Thereof other long-term operating receivables (overfunding of pension schemes)							-753.8	**-817.0**

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	2018	2019
Defined benefit pension plans	4,610.4	**5,065.9**
Plans for health care costs	242.4	**250.7**
Total defined benefit obligation	4,852.8	**5,316.6**
Thereof related to wholly or partly funded plans	3,968.6	**4,355.0**
Thereof related to wholly unfunded plans	884.2	**961.6**

Defined benefit obligation by member groups

€m	2018	2019
Active members	823.5	**864.6**
Deferred vested members	1,222.7	**1,320.6**
Pensioners	2,806.6	**3,131.4**
Total defined benefit obligation	4,852.8	**5,316.6**

Development in the income statement

Of the total pension expenses of €64.2 million (previous year: 70.0), €50.2 million (previous year: 50.0) are shown in the personnel costs or in other operating expenses, and an amount of €14.0 million (previous year: 20.0) in other financial result.

In 2019, two pension plans in Canada were frozen with effect from 31 December 2019; all future years of service will not count as pensionable service. This resulted in a past service income of €5.2 million. In addition, two pension plans have been wound-up leading to a settlement loss of €0.9 million. In the USA, a benefit cap was introduced for a group of plan members of a health care plan. As a result, a past service income of €1.5 million was recognised. In Thailand, a law came into force that improved the statutory severance benefits and resulted in a past service cost of €1.6 million. In Egypt, a group of employees were offered a social plan that resulted in a past service cost of €2.4 million. Additionally, a settlement loss of €2.0 million was recognized for terminated employees in Indonesia. In 2019, 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 2019 financial year, total actuarial losses from the defined benefit obligation amounting to €461.2 million (previous year: gains of 373.9) have arisen mainly from the decrease 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 €21.8 million (previous year: 8.6), effects from changes in demographic assumptions resulting in gains of €33.7 million (previous year: 58.8), essentially attributable to the adjustment of assumptions relating to a reduction in future life expectancy in the USA and the United Kingdom, and effects from changes in financial assumptions resulting in a loss of €516.7 million (previous year: gain of 306.5).

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		2018	2019
Defined benefit obligation		4,610.4	**5,065.9**
Discount rate	increase by 0.5 % (1.0 % in 2018)	4,050.0	**4,750.6**
	decrease by 0.5 % (1.0 % in 2018)	5,290.9	**5,419.3**
Pension increase rate	increase by 0.25 %	4,700.9	**5,168.5**
	decrease by 0.25 %	4,524.7	**4,970.1**
Life expectancy	increase by 1 year	4,799.2	**5,279.4**
	decrease by 1 year	4,424.8	**4,851.9**

Breakdown of plan assets

The plan assets originate primarily from North America with 22% (previous year: 22%) and the United Kingdom with 73% (previous year: 73%). The plan assets can be divided into the following categories:

Breakdown of plan assets		
€m	2018	2019
Cash and cash equivalents	266.2	**261.5**
Equity instruments	501.8	**612.8**
Derivatives	30.4	**52.6**
Nominal government bonds	938.1	**1,201.6**
Nominal corporate bonds	719.2	**655.5**
Index linked bonds	1,394.6	**1,482.2**
Real estate	140.8	**155.9**
Insurance policies	113.2	**117.4**
Other	335.7	**382.7**
Total	4,440.0	**4,922.2**

The actual return on plan assets amounted to €520.5 million (previous year: -52.5).

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 €121.9 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 2019, the unrecognised assets due to the application of the asset ceiling as per IAS 19.64 amounted to €27.0 million (previous year: 31.7). The changes in the asset in 2019 are divided into interest income of €0.9 million, changes in the asset ceiling to be shown in other comprehensive income of €-7.5 million, and exchange rate changes of €1.9 million.

Cash flows

HeidelbergCement paid €67.3 million (previous year: 64.0) directly to the pension recipients and €58.1 million (previous year: 60.8) as employer contributions to the plan assets. In 2020, HeidelbergCement expects to make pension payments of €58.7 million and employer contributions to the plan assets of €42.6 million. HeidelbergCement AG allocated an additional €2.6 million to the Group contractual trust agreement (CTA) in the 2019 financial year in order to protect pension entitlements from insolvency.

Over the next ten years, an annual payment amount of €349.0 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 13.5 years (previous year: 13.8).

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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 €18.5 million (previous year: 21.4) were paid in 2019. 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 2020, contributions of €12.8 million are expected in North America. The withdrawal liability of these plans as at 31 December 2019 would amount to €83.6 million (previous year: 93.5), should HeidelbergCement decide to withdraw. HeidelbergCement has provisions of €37.8 million (previous year: 29.3) for these liabilities, which are shown under miscellaneous other provisions.

42 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 2019	312.5	413.0	583.1	**1,308.6**
IFRS 16 Adjustments			-4.9	**-4.9**
Changes in consolidation scope		6.8	-2.4	**4.4**
Currency translation	7.1	7.6	9.0	**23.7**
Reclassification		10.2	12.3	**22.5**
Utilisation	-15.0	-36.9	-150.1	**-202.0**
Release	-3.2	-24.5	-92.2	**-119.9**
Offset	-10.5	-0.4	-1.4	**-12.3**
Addition	38.0	92.1	157.7	**287.8**
31 December 2019	328.9	467.9	511.1	**1,307.9**

The offsetting line includes the compensation 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	38.1	39.8	195.4	**273.3**
Maturity > 1 year ≤ 5 years	178.6	181.3	235.6	**595.5**
Maturity > 5 years	112.2	246.8	80.1	**439.1**
	328.9	467.9	511.1	**1,307.9**

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 set up 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 2019, the claims amount to €91.3 million (previous year: 106.6), of which €78.0 million (previous year: 94.2) is recorded under other non-current receivables and assets and €13.3 million (previous year: 12.4) 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 €314.6 million (previous year: 287.4).

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 €45.8 million (previous year: 50.5).

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 €107.5 million (previous year: 75.1) 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 €50.1 million (previous year: 65.9) 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 €98.3 million (previous year: 139.8) 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 €70.6 million (previous year: 65.5) had been formed for this purpose.

Obligations to personnel include the provision for the long-term bonus plan (management and capital market component) of €25.4 million (previous year: 35.3), as well as provisions for multi-employer pension plans amounting to €37.8 million (previous year: 29.3).

Provisions were additionally recognised for a variety of minor issues.

Impact of interest 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.

Changes in the interest rate of €24.2 million and compounding of €6.4 million led to an increase in miscellaneous other provisions. Interest rate effects of €14.4 million for provisions for damages and environmental obligations are included in the expenses from discontinued operations.

43 Liabilities

The other non-current operating liabilities include non-current contract liabilities of €0.7 million (previous year: 0.5), while the other current operating liabilities include current contract liabilities of €110.3 million (previous year: 123.7). The contract liabilities relate to prepayments received by customers for performance obligations not yet fulfilled as at the reporting date. Current contract liabilities of €123.7 million as at 31 December 2018 were fully recognised in revenue in the 2019 financial year.

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 2019				
Bonds payable	1,930.2	4,736.9	2,969.6	**9,636.7**
Bank loans	173.7	703.4	2.5	**879.6**
Miscellaneous other interest-bearing liabilities	61.9	42.0	7.9	**111.8**
Lease liabilities (IFRS 16)	275.2	598.8	411.7	**1,285.7**
Derivative financial instruments	46.0	0.5	3.8	**50.3**
Non-controlling interests with put options	38.7	25.0		**63.7**
	2,525.7	6,106.6	3,395.5	**12,027.8**
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 other interest-bearing liabilities	75.2	19.8	27.6	**122.6**
Lease liabilities (IAS 17)	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**

Further information on interest-bearing liabilities can be found in the Group financial management chapter of the Group management report on ↗ page 39 f. Explanations on the derivative financial instruments are provided on ↗ page 157 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 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		31 December 2018		31 December 2019	
€m	Category of IFRS 9 [1]	Carrying amount	Fair value	Carrying amount	Fair value
Assets					
Financial investments – fair value through other comprehensive income	FVOCI	165.2	165.2	**133.3**	**133.3**
Financial investments – fair value through profit or loss	FVTPL	47.8	47.8	**40.6**	**40.6**
Loans and other interest-bearing receivables	AC	219.2	222.8	**230.4**	**232.8**
Trade receivables and other operating receivables – amortised cost	AC	2,043.8	2,043.8	**1,788.2**	**1,788.2**
Trade receivables and other operating receivables – fair value through profit or loss	FVTPL	218.2	218.2	**317.0**	**317.0**
Cash and cash equivalents – amortised cost	AC	2,363.7	2,363.7	**3,207.0**	**3,207.0**
Cash and cash equivalents – fair value through profit or loss	FVTPL	222.2	222.2	**334.5**	**334.5**
Derivatives – hedge accounting	Hedge	7.7	7.7	**13.8**	**13.8**
Derivatives – held for trading	FVTPL	53.8	53.8	**52.1**	**52.1**
Liabilities					
Bonds payable, bank loans and miscellaneous financial liabilities	AC	10,808.7	11,002.3	**10,628.1**	**11,050.4**
Trade payables and miscellaneous operating liabilities	AC	3,649.6	3,649.6	**3,703.8**	**3,703.8**
Derivatives – hedge accounting	Hedge	0.9	0.9	**7.0**	**7.0**
Derivatives – held for trading	FVTPL	75.0	75.0	**43.3**	**43.3**
Non-controlling interests with put options	AC	83.4	83.4	**63.7**	**63.7**

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

Fair value hierarchies

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 hierarchies for the assets and liabilities that are measured at fair value in the balance sheet.

Fair value hierarchy	31 December 2018			31 December 2019		
€m	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Financial investments – fair value through other comprehensive income			165.2			**133.3**
Financial investments – fair value through profit or loss	19.6		28.2	**21.9**		**18.7**
Trade receivables and other operating receivables – fair value through profit or loss		218.2			**317.0**	
Cash and cash equivalents – fair value through profit or loss	222.2			**334.5**		
Derivatives – hedge accounting		7.7			**13.8**	
Derivatives – held for trading		53.8			**52.1**	
Liabilities						
Derivatives – hedge accounting		0.9			**7.0**	
Derivatives – held for trading		75.0			**43.3**	

The following table shows the fair value hierarchies 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 2018			31 December 2019		
€m	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Loans and other interest-bearing receivables		222.8			**232.8**	
Trade receivables and other operating receivables – amortised cost		2,043.8			**1,788.2**	
Cash and cash equivalents – amortised cost	2,363.7			**3,207.0**		
Liabilities						
Bonds payable, bank loans, and miscellaneous financial liabilities	9,970.5	1,031.8		**9,912.7**	**1,137.7**	
Trade payables and miscellaneous operating liabilities		3,649.6			**3,703.8**	
Non-controlling interests with put options			83.4			**63.7**

The financial investments at fair value through other comprehensive income include the fair value of the participation in the Permanente Group of €133.3 million (previous year: 165.2). 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. The change in the fair value of this participation is affected by the development of the voluntary insolvency proceedings currently open in accordance with Chapter 11 of the US Bankruptcy Code, and results primarily from the reassessment of environmental obligations, which were reported at the value of the expected deductible to be paid, taking into account insurance coverage.

Uncertainties relating to the determination of the fair value of the participation 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 participation 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 %	**7.1**	-5 %	**-6.2**
	+10 %	**13.4**	-10 %	**-12.5**
Recultivation expenses	+5 %	**-2.7**	-5 %	**3.6**
	+10 %	**-5.4**	-10 %	**6.2**

The financial investments at fair value through profit or loss include participations of €18.7 million (previous year: 28.2) 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 €9.5 million in the financial year was primarily due to remeasurement at fair value through profit or loss. 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 €1.4 million.

Furthermore, financial investments amounting to €21.9 million (previous year: 19.6) 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.

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 €752.7 million (previous year: 770.9).

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	2018	2019
Financial assets – fair value through other comprehensive income	FVOCI	-11.4	**-35.6**
Financial assets – fair value through profit or loss	FVTPL	-26.8	**-36.2**
Financial assets – amortised cost	AC	-42.1	**-74.9**
Derivatives – held for trading	FVTPL	49.1	**23.5**
Financial liabilities – amortised cost	AC	-51.6	**-23.3**
		-82.8	**-146.5**

The measurement of the financial assets at fair value through other comprehensive income produced a loss on measurement of €35.6 million (previous year: 11.4) recognised in equity. The net result of financial assets at fair value through profit or loss is essentially derived from the measurement affecting profit or loss. The net result of financial assets at amortised cost is made up of impairment losses of €29.7 million (previous year: 24.3), losses of €1.3 million (previous year: 5.7) from the derecognition of operating and interest-bearing receivables, and currency effects of €43.9 million (previous year: 12.1). The net result of derivative financial instruments held for trading comprises currency and interest rate effects. For financial liabilities at amortised costs, the net result primarily includes effects from currency translation.

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	2018	2019
Total interest income	49.1	**52.0**
Total interest expense	-322.1	**-276.8**
	-273.0	**-224.8**

Derivative financial instruments

The following table shows the nominal values and fair values of the derivative financial instruments.

Derivative financial instruments	31 December 2018		31 December 2019	
€m	Nominal value	Fair value [2]	Nominal value	Fair value [2]
Assets				
Cash flow hedges				
Currency forwards	0.7	0.0		
Commodity derivatives	11.3	1.1	3.6	0.2
Fair value hedges				
Interest rate swaps	750.0	6.6	750.0	13.6
Derivatives held for trading				
Currency forwards	27.3	0.4	8.8	0.0
Foreign exchange swaps	835.6	9.9	3,687.6	27.5
Cross-currency interest rate swaps [1]	707.8	41.0	707.8	24.6
Commodity derivatives	18.0	2.5		
	2,350.6	61.5	5,157.9	65.9
Liabilities				
Cash flow hedges				
Currency forwards			13.0	0.5
Commodity derivatives	4.2	0.9	10.9	2.6
Fair value hedges				
Interest rate swaps			750.0	3.9
Derivatives held for trading				
Currency forwards	63.4	0.9	13.7	0.1
Foreign exchange swaps	3,080.1	48.4	2,283.8	24.5
Cross-currency interest rate swaps [1]	43.8	25.2	43.8	18.6
Commodity derivatives	14.9	0.5	0.9	0.1
	3,206.5	75.9	3,116.1	50.3

1) Nominal values of €707.8 million (previous year: 707.8) relate to cross-currency interest rate swaps with positive fair values of €8.6 million (previous year: 19.1), which are shown on the assets side in the amount of €24.6 million (previous year: 41.0) and on the liabilities side in the amount of €-16.0 million (previous year: -21.9) 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 €-2.6 million (previous year: -3.3).

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 €65.9 million (previous year: 61.5) and corresponding derivatives with a negative carrying amount of €-50.3 million (previous year: -75.9) were subject to netting agreements. Taking these agreements into consideration, a calculated netting amount of €32.4 million (previous year: 46.3) would result at the reporting date. Accordingly, the derivatives would have positive net carrying amounts of €33.5 million (previous year: 15.2) and negative net carrying amounts of €-17.9 million (previous year: -29.6).

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 currency forwards. The features of the hedging instruments match those of the hedged items. The hedge ratio is 1. The investment projects are expected to be completed in 2021. 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 of €-0.1 million are recognised in profit or loss in the other financial result.

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.

Cash flow hedges by risk category	2018		2019	
€m	Currency risk	Electricity price risk	Currency risk	Electricity price risk
Hedging instruments				
Balance sheet items and carrying amounts				
Derivative financial instruments (assets)	0.0	1.1		**0.2**
Cash and cash equivalents (assets)	11.8		**11.8**	
thereof cumulated currency effects	1.5		**1.5**	
Other non-current interest-bearing liabilities			**-0.2**	
Other current interest-bearing liabilities		-0.9	**-0.3**	**-2.6**
Change in fair value to measure the ineffectiveness in the reporting period	1.5	-4.2	**-0.4**	**-3.6**
Hedged items				
Change to measure the ineffectiveness	-0.5	4.2	**0.4**	**3.6**
Reserve for cash flow hedges	-1.5	-0.3	**-1.1**	**2.3**

The reconciliation of the cash flow hedge reserve is shown in the following table.

Reconciliation of cash flow hedge reserve			
€m	Risk	2018	2019
Balance at 1 January		4.6	**3.4**
Changes in fair values	Currency risk	0.4	**-0.4**
Changes in fair values	Electricity price risk	4.2	**-3.6**
Gains or losses recognised in other comprehensive income		4.6	**-3.9**
Reclassification to profit or loss (material costs)	Electricity price risk	-4.7	**1.0**
Reclassification to cost of property, plant and equipment	Currency risk	-1.3	**0.0**
Hedge ineffectiveness arising from early termination of hedged items (other operating income)	Currency risk	-1.0	
Income taxes		0.3	**0.6**
Net gains/losses arising from equity method investments		0.9	**-1.6**
Balance at 31 December		3.4	**-0.5**

Fair value hedges

The interest rate swaps open at the reporting date hedge the interest rate risks of two fixed interest-bearing Eurobonds that mature in 2022 and 2027 respectively. The interest rate swaps have similar terms to the hedged items as regards the benchmark interest rate, payment dates, terms, and notional amount. The changes in the value of the hedged items 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.

The hedging instruments and hedged items designated as fair value hedges have the following impact on the balance sheet and income statement.

Fair value hedge – hedging interest risk	2018			2019		
€m	Hedging instrument interest rate swaps	Hedged item bond	Hedge ineffectiveness recognised in profit or loss	Hedging instrument interest rate swaps	Hedged item bond	Hedge ineffectiveness recognised in profit or loss
Balance sheet items and carrying amount						
Derivative financial instruments (assets)	3.2			6.5		
Current derivative financial instruments (assets)	3.4			7.1		
Other non-current interest-bearing liabilities				-3.9		
Bonds payable (liabilities)		-755.7			-1,504.4	
thereof cumulated changes in fair value		-5.7			-4.4	
Change in fair value to measure the ineffectiveness in the reporting period	5.2	-5.7		2.6	1.3	
Profit or loss item and value of ineffectiveness						
Other financial result			-0.5			3.9

The ineffectiveness of the fair value hedges 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 bonds. The accrued interest of €0.5 million (previous year: 1.4) 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 and implemented by the Group Treasury department on the basis of existing guidelines.

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 meet our credit rating requirements.

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 (positive outlook), and BBB-/F3 (stable outlook) as at the end of 2019. 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. Currently, no cash or cash equivalents are overdue or impaired as a result of actual 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 are 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 is shown in the following table.

Trade receivables by risk class

€m	Expected credit loss rate	Gross carrying amount	Loss allowance	**Total**
31 December 2019				
Not credit-impaired	0.2 %	1,227.5	-2.3	**1,225.2**
Credit-impaired	30.3 %	356.7	-108.2	**248.4**
		1,584.2	-110.5	**1,473.7**
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	2018	**2019**
Loss allowances at 1 January	90.8	**93.7**
Additions	32.7	**38.1**
Reversal	-20.3	**-14.0**
Utilisation	-8.6	**-12.7**
Currency translation and other adjustments	-0.9	**5.5**
Loss allowances at 31 December	93.7	**110.5**

Other receivables and financial assets

This item essentially includes non-current receivables, interest-bearing receivables, and other operating receivables. 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.

HeidelbergCement already takes into account the default risk when a financial asset is initially recognised by setting up 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 and earnings position 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 2019	252.5	318.1	**570.6**
Loss allowances at 1 January 2019	-15.7	-5.5	**-21.2**
Changes	-6.2	2.1	**-4.1**
Currency translation	-0.3	-0.1	**-0.3**
Changes in consolidation scope		0.0	**0.0**
Loss allowances at 31 December 2019	-22.1	-3.5	**-25.7**
Carrying amount at 31 December 2019	230.4	314.6	**545.0**
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	0.0	**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 2019				
Low risk	0.1 %	519.5	-0.7	**518.9**
Default event	48.9 %	51.1	-25.0	**26.1**
		570.6	-25.7	**545.0**
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 meet our credit rating requirements. 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 €2.9 billion available in order to secure liquidity, in addition to available cash and cash equivalents. HeidelbergCement has an open-ended framework agreement for the issue of short-term bearer bonds (commercial papers) of €2 billion 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 2019, 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 66.

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 2019 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

– Lease payments on a gross basis (before deducting financing costs)
– 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.

Cash flows of interest-bearing liabilities and derivative financial instruments

€m	Carrying amount 31 Dec. 2019	Cash flows 2020	Cash flows 2021	Cash flows 2022	Cash flows 2023	Cash flows ≥ 2024
Bonds payable	**9,636.7**	2,001.6	1,373.4	853.4	1,099.7	4,975.0
Bank loans	**879.6**	181.9	53.1	415.9	209.8	91.2
Lease liabilities (IFRS 16)	**1,285.7**	307.9	256.4	199.4	137.2	673.0
Miscellaneous other interest-bearing liabilities	**111.8**	64.8	21.1	2.0	14.5	26.8
Derivatives with positive fair value						
Cash flow hedges	**0.2**	3.6				
Fair value hedges	**13.6**					
Derivatives held for trading	**52.1**	3,711.1	50.9	48.4	642.0	
Derivatives with negative fair value						
Cash flow hedges	**3.1**	18.7	5.9			
Fair value hedges	**3.9**	5.6	5.6	5.6	5.6	22.5
Derivatives held for trading	**43.3**	2,333.6	16.4			

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
Lease liabilities (IAS 17)	**12.7**	9.1	0.8	0.8	0.7	1.7
Miscellaneous other 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**	11.9				
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		

The inflow of liquidity amounting to €834.5 million (previous year: 794.4) from cross-currency interest rate swaps and €6,020.2 million (previous year: 3,998.3) arising from current foreign exchange transactions and other derivatives have not been taken into account in the table.

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 result and equity.

If the market interest rate level across all currencies had been 100 basis points higher (lower) on 31 December 2019, the net interest cost of the HeidelbergCement Group taking into account the variable interest-bearing assets and liabilities would have fallen (risen) by €18.4 million (previous year: 11.1).

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 result 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. 2018	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019
MAD/EUR		**-7.4**		**7.4**
EUR/USD	1.7	**1.7**	-1.7	**-1.7**
USD/GHS	0.8	**0.6**	-0.8	**-0.6**
USD/TZS	1.9	**2.5**	-1.9	**-2.5**

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 39 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. The definition of net financial liabilities was modified as at 31 December 2019 and now also includes non-current derivative financial instruments with a positive fair value of €31.1 million (previous year: 44.1). The previous year's figures have been adjusted accordingly.

Net debt / RCOBD		
€m	31 Dec. 2018	31 Dec. 2019
Cash, derivative financial instruments and short-term financial investments	2,657.4	**3,617.4**
Interest-bearing liabilities	10,980.6	**12,027.7**
Net debt	8,323.2	**8,410.4**
Result from current operations before depreciation and amortisation (RCOBD)	3,100.1	**3,580.2**
Net debt / RCOBD	2.68	**2.35**

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. Furthermore, no non-current derivative financial instruments with a positive fair value are taken into account in the net debt key figure. Further explanations are given in the Management Report on ↗ page 41. 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 €180.8 million (previous year: 37.6) and essentially concern risks related to income taxes. 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.

Other financial commitments
As at the reporting date, there were contractual obligations for the acquisition of property, plant and equipment amounting to €507.4 million (previous year: 352.3). Future cash outflows of €116.2 million result from leases that had been entered into as at the reporting date but have not yet commenced.

On 27 September 2019, HeidelbergCement announced that its North American subsidiary Lehigh Hanson, Inc., had agreed the acquisition of the Keystone cement plant in Bath, Pennsylvania, from Giant Cement, a subsidiary of Elementia S.A.B. de C.V. The Keystone cement plant supplies the markets in Pennsylvania, New Jersey, and New York. The agreed acquisition price amounts to US$151 million, free of cash and cash equivalents and liabilities, subject to customary purchase price adjustments. The transaction, which has yet to be approved by the competition authorities, is expected to close in the next few months.

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 2019, Mr. Ludwig Merckle, Ulm, holds via PH Vermögensverwaltung GmbH, Zossen, a company under his control, 26.70 % of the voting rights in HeidelbergCement AG. In the 2019 financial year, HeidelbergCement AG provided services with a net amount of €177,800 (previous year: 111,700) to PHOENIX Pharmahandel GmbH & Co KG, Mannheim, a related company of Mr. Ludwig Merckle. In addition, net expenses of €81,300 (previous year: 69,000) for purchased services were incurred.

Revenue and other sales with joint ventures in the HeidelbergCement Group amounted to €38.2 million (previous year: 52.9). Raw materials, goods, and other services with a value of €309.5 million (previous year: 286.1) were procured from these joint ventures. A total of €10.3 million (previous year: 6.0) was generated in financial and other services. Receivables of €110.2 million (previous year: 131.8) and liabilities of €36.4 million (previous year: 34.3) exist in connection with these activities and financial transactions. In addition, capital increases of €2.3 million (previous year: 1.3) were carried out for joint ventures. Repayment of capital from joint ventures to the parent company amounted to €15.9 million (previous year: 0.0). In the 2019 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 €96.3 million (previous year: 91.7), the procurement of goods and services amounting to €18.3 million (previous year: 13.3), and services provided amounting to €1.5 million (previous year: 0.9). Receivables of €42.6 million (previous year: 38.2) and liabilities of €24.7 million (previous year: 14.1) exist in connection with these activities and financial transactions. Capital increases and contributions in kind made to associates amounted to €2.5 million (previous year: 0.0). Repayment of capital from associates to the parent company in the 2019 financial year amounted to €0.6 million (previous year: 0.0). Guarantees of €0.2 million (previous year: 0.2) were outstanding to associates in the 2019 financial year.

Receivables of €30.9 million (previous year: 14.9) and liabilities of €18.2 million (previous year: 13.7) 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 79 f.

The fixed remuneration of the Managing Board increased in comparison with the previous year due to the transition period to €7.1 million (previous year: 6.7). The sum of short-term variable remuneration elements changed in comparison with the previous year to €9.5 million (previous year: 9.3). It consisted of the annual bonus in the amount of €9.6 million (previous year: 9.4), of which €0.1 million (previous year: 0.1) was offset against other remuneration elements.

Other remuneration elements totalled €1.4 million (previous year: 1.1). 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 and contribution to private pension (Cash Allowance).

The members of the Managing Board are participating in the long-term bonus plan 2019-2021/22, granted in 2019. 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, €1,076,000 for Kevin Gluskie, €875,000 for Hakan Gurdal, €1,075,000 for Jon Morrish, and for Dr. Lorenz Näger €1,063,000. For the retiring member of the Managing Board Dr. Albert Scheuer the target value will be reduced as per the agreement due to his retirement and amounts to €625,000. For the new members of the Managing Board, the target value is determined pro rata as of 1 July 2019 for Ernest Jelito and amounts to €749,000 and for Chris Ward as of 1 September 2019 and amounts to €738,000.

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, €688,000 for Dr. Dominik von Achten, €538,000 for Kevin Gluskie, €438,000 for Hakan Gurdal, €538,000 for Jon Morrish, €531,000 for Dr. Lorenz Näger and €313,000 for Dr. Albert Scheuer. For Ernest Jelito the pro-rata calculation results in a target value for the management component of €365,000 and for the capital market component of €383,000. For Chris Ward the pro-rata calculation results in a target value for the management component of €356,000 and for the capital market component of €382,000. The reference price for the capital market component amounts to €58.78. This equates to 20,734 performance share units (PSUs) for Dr. Bernd Scheifele, 11,696 PSUs for Dr. Dominik von Achten, 9,150 PSUs for Kevin Gluskie, 7,443 PSUs for Hakan Gurdal, 6,521 PSUs for Ernest Jelito, 9,144 PSUs for Jon Morrish, 9,038 PSUs for Dr. Lorenz Näger, 5,316 PSUs for Dr. Albert Scheuer and 6,493 PSUs for Chris Ward.

In accordance with § 314, section 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 €618,000, for Dr. Dominik von Achten to €348,000, for Kevin Gluskie to €273,000, for Hakan Gurdal to €222,000, for Ernest Jelito to €194,000, for Jon Morrish to €272,000, for Dr. Lorenz Näger to €269,000, for Dr. Albert Scheuer to €158,000 as well as for Chris Ward to €193,000.

The total remuneration according to DRS 17 amounted to €23.0 million (previous year: 25.1). For the calculation according to DRS 17, we refer to the explanations on ↗ **page 84 f.** in the Corporate Governance chapter of the Management Report.

In 2019, allocations to provisions for pensions (service cost for service as members of the Managing Board) for members of the Managing Board amounted to €4.6 million (previous year: 4.4). The present values of the defined benefit obligation amounted to €63.4 million (previous year: 49.0).

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 €604,000 (previous year: -174,000) for Dr. Bernd Scheifele, €331,000 (previous year: -92,000) for Dr. Dominik von Achten, €254,000 (previous year: -305,000) for Kevin Gluskie, €203,000 (previous year: -225,000) for Hakan Gurdal, €20,000 (previous year: 0) for Ernest Jelito, €213,000 (previous year: -220,000) for Jon Morrish, €261,000 (previous year: -75,000) for Dr. Lorenz Näger, €221,000 (previous year: -69,000) for Dr. Albert Scheuer and €14,000 (previous year: 0) for Chris Ward.

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 €2.1 million (previous year: -1.2). The expenses recognized relating to the long-term management component came to €3.9 million (previous year: 1.7).

For the members of the Managing Board appointed as of 2016 and 2019, 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 €28.8 million in 2019 (previous year: 22.5) as represented in the following table.

Total remuneration of the Managing Board in accordance with IAS 24		
€m	2018	2019
Short-term employee benefits (fixed remuneration, short-term variable remuneration elements, other remuneration elements)	17.1	**17.9**
Post-employment benefits (allocations to provisions for pensions – service cost including prior positions)	4.6	**4.8**
Other long-term benefits (expenses related to the management components of the current long-term bonus plans including prior positions)	1.8	**3.9**
Share-based payment (expenses related to the long-term capital market components of the current long-term bonus plan including prior positions)	-1.0	**2.1**
Total	22.5	**28.8**

Payments to former members of the Managing Board and their surviving dependents amounted to €3.4 million in the financial year (previous year: 3.9). This includes payments to Dr. Albert Scheuer as of 6 August 2019 for a contractually agreed compensation for a two year post contractual restraint, which amounted to €304,000 in the financial year 2019. Provisions for pension obligations to former members of the Managing Board amounted to €35.1 million (previous year: 33.2). This does not include the pension obligation for Dr. Albert Scheuer which are disclosed in the Corporate Governance chapter of the Management Report ↗ page 86 individually in the current business year.

The total Supervisory Board remuneration (excluding value added tax) for the 2019 financial year amounted to €1,634,699 (previous year: 1,406,274). 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.

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 €4.7 million (previous year: 4.2) in the financial year.

Auditor's fees		
€m	2018	2019
Audit services [1]	3.3	**3.2**
Other assurance services	0.3	**0.4**
Tax services	0.6	**0.9**
Other services	0.0	**0.2**
	4.2	**4.7**

1) Thereof for the previous year: 2018: €0.2 million, 2019: €0.2 million

Events occurring after the close of the 2019 financial year

There were no reportable events after the reporting date. With regard to the effect of the coronavirus (COVID 19 - Coronavirus SARS-CoV-2) on our business activities, we refer to the explanations on ↗ page 58 f. in the Outlook chapter and ↗ page 67 in the Risk Report chapter of the Management Report.

Approval by the Supervisory Board

The consolidated financial statements were prepared by the Managing Board and adopted on 18 March 2020. They were then submitted to the Supervisory Board for approval.

List of shareholdings of HeidelbergCement Group and HeidelbergCement AG as at 31 December 2019 (section 313 (2), resp. section 285 no. 11 of the German Commercial Code (HGB))

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [1]	Equity in € million [2]	Net income in € million [3]
Subsidiaries						
Western and Southern Europe						
A.R.C. (Western) Limited	Maidenhead, GB		100.00	2018	6.8	0.0
Al Manar Cement Holding S.a.s.	Guerville, FR		100.00	2018	-0.3	-0.1
Amey Group Limited (The)	Maidenhead, GB		100.00	2018	14.2	0.0
Amey Roadstone International Limited	Maidenhead, GB		100.00	2018	0.1	0.0
Appleby Group Limited	Maidenhead, GB		100.00	2018	30.0	1.7
ARC Aggregates Limited	Maidenhead, GB		100.00	2018	3.6	0.0
ARC Building Limited	Maidenhead, GB		100.00	2018	-20.0	0.0
ARC Concrete (Anglia) Limited	Maidenhead, GB		100.00	2018	0.0	0.0
ARC Concrete Limited [8]	Maidenhead, GB		100.00	-	-	-
ARC Holdings Limited	Maidenhead, GB		100.00	2018	0.1	0.0
ARC Land Holdings Limited	Maidenhead, GB		100.00	2018	0.3	0.0
ARC Limited	Maidenhead, GB		100.00	2018	0.0	0.0
ARC Property Investments Limited	Maidenhead, GB		100.00	2018	43.5	0.0
ARC Slimline Limited	Maidenhead, GB		100.00	2018	-3.5	0.0
ARC South Wales Limited	Maidenhead, GB		100.00	2018	0.0	0.0
ARC South Wales Mortar Limited	Maidenhead, GB		100.00	2018	0.0	0.0
ARC South Wales Quarries Limited	Maidenhead, GB		100.00	2018	0.0	0.0
ARC South Wales Surfacing Limited	Maidenhead, GB		100.00	2018	0.3	0.0
Áridos Sanz S.L.U.	Valladolid, ES		100.00	2018	5.5	0.6
Attendflower Limited	Maidenhead, GB		100.00	2018	1,112.4	0.0
B.V. Betoncentrale De Schelde	Bergen op Zoom, NL		66.67	2018	-0.5	0.2
B.V. Betonmortelcentrale 'BEMA'	Alkmaar, NL		66.67	2018	-1.4	-0.4
Banbury Alton Limited	Maidenhead, GB		100.00	2018	-0.3	0.0
Beazer Limited	Maidenhead, GB		100.00	2018	7.9	0.0
Beforebeam Limited	Maidenhead, GB		100.00	2018	445.0	0.0
Beforeblend Limited	Maidenhead, GB		100.00	2018	226.6	0.0
Berec Holdings B.V.	's-Hertogenbosch, NL		100.00	2018	187.7	0.0
Béton Contrôle de l'Adour S.a.s. [5]	Bayonne, FR		35.99	2018	2.0	0.1
Béton Contrôle du Pays Basque S.a.s.	Bayonne, FR		59.98	2018	3.0	-0.7
Betontir S.p.A.	Bergamo, IT		100.00	2018	-5.4	-10.5
Birchwood Concrete Products Limited	Maidenhead, GB		100.00	2018	177.2	0.0
Birchwood Omnia Limited	Maidenhead, GB		100.00	2018	1,599.6	71.5
Bonny Holding Ltd.	Gibraltar, GI		100.00	2018	0.3	0.0
BravoEnergy S.r.l.	Bergamo, IT		100.00	2018	0.2	-0.2
British Agricultural Services Limited	Maidenhead, GB		100.00	2018	402.8	3.6
British Ever Ready Limited	Maidenhead, GB		100.00	2018	29.6	0.0
Bulldog Company Limited	St. Peter Port, GG		100.00	2018	41.4	0.0
C.T.G. S.p.A.	Bergamo, IT		100.00	2018	0.3	-0.2
Calcestruzzi S.p.A.	Bergamo, IT		100.00	2018	11.2	-27.2
Calumite Limited	Maidenhead, GB		51.00	2018	1.2	2.0
Cantera El Hoyon, S.A.U.	Madrid, ES		100.00	2018	3.6	-0.2
Canteras Mecánicas Cárcaba, S.A.U.	Oviedo, ES		100.00	2018	5.3	-1.5
Castle Building Products Limited	Maidenhead, GB		100.00	2018	-0.5	0.0
Castle Cement (Chatburn) Limited	Maidenhead, GB		100.00	2018	0.2	0.0
Castle Cement (Clyde) Limited	Maidenhead, GB		100.00	2018	0.1	0.0
Castle Cement (Ketton) Limited	Maidenhead, GB		100.00	2018	25.1	0.0
Castle Cement (Padeswood) Limited	Maidenhead, GB		100.00	2018	6.6	0.0
Castle Cement (Pitstone) Limited	Maidenhead, GB		100.00	2018	10.9	0.0
Castle Cement (Ribblesdale) Limited	Maidenhead, GB		100.00	2018	26.1	2.7
Castle Cement Limited	Maidenhead, GB		100.00	2018	362.7	17.5

Company name	Corporate seat	HC AG direct ownership %	Group ownership %	Year [1]	Equity in € million [2]	Net income in € million [3]
Castle Lime Limited [8]	Maidenhead, GB		100.00	-	-	-
Castle Pension Scheme Trustees Limited [8]	Maidenhead, GB		100.00	-	-	-
CBR Baltic B.V.	's-Hertogenbosch, NL		100.00	2018	206.1	0.0
CBR Portland B.V.	's-Hertogenbosch, NL		100.00	2018	212.1	-0.1
Cem Invest Ltd [5]	Gibraltar, GI		50.00	2018	2.6	0.0
Cementrum I B.V.	's-Hertogenbosch, NL		100.00	2018	158.7	6.5
Cemitaly S.p.A.	Bergamo, IT		100.00	2018	36.5	-77.7
Centro Administrativo y de Servicios de Malaga S.A.	Malaga, ES		99.94	2018	0.1	0.0
Cetramaris S.a.s	La Rochelle, FR		70.00	2018	0.0	-0.1
CGF Capital B.V.	's-Hertogenbosch, NL		100.00	2018	0.1	0.0
CHB Group Limited	Maidenhead, GB		100.00	2018	747.3	0.0
CHB P H R Limited	Maidenhead, GB		100.00	2018	26.6	1.2
CHB Products Limited	Maidenhead, GB		100.00	2018	2,224.8	0.0
Chemical Manufacture and Refining Limited	Maidenhead, GB		100.00	2018	6.1	0.0
Ciment du Littoral S.a.s.	Bassens, FR		100.00	2018	-3.2	-1.8
Ciments Calcia S.a.s.	Guerville, FR		100.00	2018	990.7	15.7
Ciments Français S.a.s.	Puteaux, FR		100.00	2018	1,444.1	43.6
CIMFRA (China) Limited S.a.s.	Guerville, FR		100.00	2018	25.2	0.0
Ciminter S.A.	Luxembourg, LU		100.00	2018	48.4	-0.1
City of London Heliport Limited	Maidenhead, GB		55.56	2018	-1.9	0.0
Civil and Marine (Holdings) Limited	Maidenhead, GB		100.00	2018	65.1	1.7
Civil and Marine Limited	Maidenhead, GB		100.00	2018	418.1	18.2
Civil and Marine Slag Cement Limited	Maidenhead, GB		100.00	2018	67.8	0.0
Claughton Manor Brick Limited (The)	Maidenhead, GB		100.00	2018	0.2	0.0
Cocimar S.a.s.	Guerville, FR		100.00	2018	295.4	63.6
Codesib S.a.s.	Guerville, FR		100.00	2018	-52.7	0.0
Compagnie Financière et de Participations S.a.s.	Guerville, FR		100.00	2018	25.2	1.8
Compagnie pour l'Investissement Financier en Inde S.a.s.	Guerville, FR		100.00	2018	1.3	0.2
Compania General de Canteras, S.A.	Malaga, ES		99.35	2018	23.4	-2.9
Conbloc Limited	Maidenhead, GB		100.00	2018	-0.1	0.0
Concrete Italia S.r.l.	Brescia, IT		51.00	2018	0.0	-0.5
Contiga Holding GmbH	Flensburg, DE		100.00	2018	3.7	0.7
Contiga Tinglev Montage GmbH	Altlandsberg, DE		100.00	2018	0.0	0.0
Creative Land Developers Limited [5]	Maidenhead, GB		50.00	2018	-0.4	0.0
Cromhall Quarries, Limited	Maidenhead, GB		100.00	2018	0.1	0.0
Cumbrian Industrials Limited	Maidenhead, GB		100.00	2018	8.4	0.0
Delmorgal Limited	Maidenhead, GB		100.00	2018	0.0	0.0
Desimpel Brick Limited	Maidenhead, GB		100.00	2018	2.9	0.0
Devon Concrete Works, Limited	Maidenhead, GB		100.00	2018	0.1	0.0
Dragages du Pont de St Leger S.a.s.	St Léger, FR		60.00	2018	4.6	1.1
Dragages Transports & Travaux Maritimes S.a.s.	La Rochelle, FR		100.00	2018	14.7	1.3
DUPAMIJ Holding GmbH i.L. [4]	Kalkar, DE		100.00	2019	0.1	0.1
E & S Retail Limited [8]	Maidenhead, GB		100.00	-	-	-
E Sub Limited	Maidenhead, GB		100.00	2018	6.7	0.0
Effectengage Limited	Maidenhead, GB		100.00	2018	293.8	0.0
ENCI B.V.	Maastricht, NL		100.00	2018	67.8	5.6
ENCI Holding N.V.	's-Hertogenbosch, NL		100.00	2018	303.8	77.3
Ensign Park Limited [5]	Maidenhead, GB		50.00	2018	-1.8	0.0
Essroc Netherlands Coöperatief U.A.	's-Hertogenbosch, NL		100.00	2018	235.4	0.0
Eurarco France S.A.	Le Crotoy, FR		65.00	2018	6.7	0.9
F.C. Precast Concrete Limited	Maidenhead, GB		100.00	2018	0.1	0.0
Ferrersand Aggregates Limited	Maidenhead, GB		100.00	2018	1.6	0.0
Fruitbat Company	Maidenhead, GB		100.00	2018	0.0	0.0
Fulber Limited	St. Peter Port, GG		100.00	2018	239.2	0.0
Garonne Labo S.à r.l. [5]	St Léger, FR		40.05	2018	0.0	0.0
Granulats de la Drôme S.a.s.	Saint-Jean-de-Védas, FR		100.00	2018	3.4	0.3

Company name	Corporate seat	HC AG direct ownership %	Group ownership %	Year [1]	Equity in € million [2]	Net income in € million [3]
Granulats de Lahontan	Guerville, FR		51.00	2018	2.4	-0.4
Granulats Ouest - GO S.a.s.	Saint-Herblain, FR		100.00	2018	2.8	0.3
Greenwoods (St. Ives) Limited	Maidenhead, GB		100.00	2018	2.0	0.0
GSM S.a.s.	Guerville Cedex, FR		100.00	2018	134.1	20.9
Guidelink	Maidenhead, GB		100.00	2018	0.1	0.0
Habfield Limited	Maidenhead, GB		100.00	2018	0.0	0.0
Hanson (BB) Limited	Maidenhead, GB		100.00	2018	0.5	0.0
Hanson (BBIN02) Limited	Maidenhead, GB		100.00	2018	28.9	0.0
Hanson (CGF) (No.1) Limited	Maidenhead, GB		100.00	2018	3,334.2	0.0
Hanson (CGF) (No2) Limited	Maidenhead, GB		100.00	2018	4,451.9	0.0
Hanson (CGF) Finance Limited	Maidenhead, GB		100.00	2018	951.5	-0.6
Hanson (CGF) Holdings Limited	Maidenhead, GB		100.00	2018	260.8	0.0
Hanson (ER - No 5) Limited	Maidenhead, GB		100.00	2018	441.8	0.0
Hanson (ER-No 10) Limited	Maidenhead, GB		100.00	2018	282.9	0.0
Hanson (F) Limited	Maidenhead, GB		100.00	2018	5.5	0.0
Hanson (FH) Limited	Maidenhead, GB		100.00	2018	3.7	0.0
Hanson (FP) Limited	Maidenhead, GB		100.00	2018	7,109.0	0.0
Hanson (LBC) Limited	Maidenhead, GB		100.00	2018	24.4	0.0
Hanson (MR) Limited	Maidenhead, GB		99.99	2018	2,442.2	0.0
Hanson (NAIL) Limited	Maidenhead, GB		100.00	2018	6.0	0.0
Hanson (RBMC) Limited	Maidenhead, GB		100.00	2018	6.7	0.0
Hanson (SH) Limited	Maidenhead, GB		100.00	2018	84.0	4.1
Hanson Aggregates (North) Limited	Maidenhead, GB		100.00	2018	44.9	0.0
Hanson Aggregates Holding Nederland B.V.	Amsterdam, NL		100.00	2018	3.6	0.4
Hanson Aggregates Limited	Maidenhead, GB		100.00	2018	91.1	0.0
Hanson Aggregates Marine Limited	Maidenhead, GB		100.00	2018	138.9	10.3
Hanson Aggregates South Wales Holdings Limited	Maidenhead, GB		100.00	2018	7.5	0.0
Hanson Aggregates South Wales Limited	Maidenhead, GB		100.00	2018	43.2	0.0
Hanson Aggregates UK Limited	Maidenhead, GB		100.00	2018	2,224.9	0.0
Hanson America Holdings (1) Limited	Maidenhead, GB		100.00	2018	2,115.4	0.0
Hanson America Holdings (2) Limited	Maidenhead, GB		100.00	2018	529.8	0.0
Hanson America Holdings (3) Limited	Maidenhead, GB		100.00	2018	523.6	0.0
Hanson America Holdings (4) Limited	Maidenhead, GB		100.00	2018	130.5	3.5
Hanson Aruba Limited	St. Peter Port, GG		100.00	2018	1,840.9	0.0
Hanson Bath and Portland Stone Limited	Maidenhead, GB		100.00	2018	-2.4	0.0
Hanson Batteries Limited	Maidenhead, GB		100.00	2018	51.4	0.0
Hanson Blocks North Limited	Maidenhead, GB		100.00	2018	14.7	0.0
Hanson Brick Ltd	Maidenhead, GB		100.00	2018	0.2	0.0
Hanson Building Materials Europe Limited	Maidenhead, GB		100.00	2018	2,550.3	6.3
Hanson Building Materials Limited	Maidenhead, GB		100.00	2018	3,535.7	-2.0
Hanson Building Products (2003) Limited	Maidenhead, GB		100.00	2018	1,730.1	0.0
Hanson Building Products Limited	St. Helier, JE		100.00	2018	0.1	0.0
Hanson Canada Limited	Maidenhead, GB		100.00	2018	1.0	0.0
Hanson Clay Products Limited	Maidenhead, GB		100.00	2018	16.9	0.0
Hanson Concrete Products Limited	Maidenhead, GB		100.00	2018	57.4	0.0
Hanson Crewing Services Limited	Maidenhead, GB		100.00	2018	0.0	0.0
Hanson Devon Designated Activity Company	Shannon, IE		100.00	2018	4,590.4	-0.2
Hanson Facing Bricks Limited	Maidenhead, GB		100.00	2018	275.9	0.0
Hanson Finance (2003) Limited	Maidenhead, GB		100.00	2018	535.8	-2.7
Hanson Finance Limited	Maidenhead, GB		100.00	2018	713.1	-35.7
Hanson Financial Services Limited	Maidenhead, GB		100.00	2018	110.2	0.0
Hanson FP Holdings B.V.	's-Hertogenbosch, NL		100.00	2018	406.9	0.0
Hanson Funding (G) Limited	Maidenhead, GB		100.00	2018	193.3	0.0
Hanson H4 Limited	Maidenhead, GB		100.00	2018	1,722.9	0.0
Hanson H5	Maidenhead, GB		100.00	2018	0.1	0.0
Hanson Hedging (Dollars) (1) Limited	Maidenhead, GB		100.00	2018	216.1	0.0

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [1]	Equity in € million [2]	Net income in € million [3]
Hanson Hispania Hormigones SL	Malaga, ES		99.99	2018	2.5	-4.3
Hanson Hispania, S.A.U.	Madrid, ES		100.00	2018	59.1	-22.0
Hanson Holdings (1) Limited	Maidenhead, GB		100.00	2018	42,274.8	-9.5
Hanson Holdings (2) Limited	Maidenhead, GB		100.00	2018	1,150.5	0.0
Hanson Holdings (3) Limited	Maidenhead, GB		100.00	2018	1,487.3	194.3
Hanson Holdings Limited	Maidenhead, GB		100.00	2018	2,454.7	0.2
Hanson Industrial (Engineering Holdings) Limited	Maidenhead, GB		100.00	2018	6.0	0.0
Hanson Industrial Limited	Maidenhead, GB		100.00	2018	174.4	0.0
Hanson International Holdings Limited	Maidenhead, GB		100.00	2018	12,572.2	0.0
Hanson Island Management Limited	St. Peter Port, GG		100.00	2018	-0.7	-0.2
Hanson Land Development Limited	Maidenhead, GB		100.00	2018	-32.8	0.0
Hanson Limited	Maidenhead, GB		100.00	2018	7,073.8	-6.5
Hanson Marine Holdings Limited	Maidenhead, GB		100.00	2018	2.8	0.0
Hanson Marine Limited	Maidenhead, GB		100.00	2018	31.6	-0.5
Hanson Overseas Corporation Limited	Maidenhead, GB		100.00	2018	2,099.2	0.0
Hanson Overseas Holdings Limited	Maidenhead, GB		100.00	2018	19,888.5	3.3
Hanson Packed Products Limited	Maidenhead, GB		100.00	2018	309.0	11.8
Hanson Peabody Limited	Maidenhead, GB		100.00	2018	1,116.2	0.0
Hanson Pioneer España, S.L.U.	Madrid, ES		100.00	2018	269.3	-210.8
Hanson Quarry Products Europe Limited	Maidenhead, GB		100.00	2018	44,587.1	1.3
Hanson Quarry Products Holdings Limited	Maidenhead, GB		100.00	2018	46.7	0.0
Hanson Quarry Products Trade Finance Limited	Maidenhead, GB		100.00	2018	3.3	0.0
Hanson Quarry Products Transport Limited	Maidenhead, GB		100.00	2018	0.1	0.0
Hanson Quarry Products Ventures Limited	Maidenhead, GB		100.00	2018	52.8	0.5
Hanson Retail Limited	Maidenhead, GB		100.00	2018	435.5	0.0
Hanson Ship Management Ltd	St. Peter Port, GG		100.00	2018	-0.5	-0.2
Hanson Thermalite Limited	Maidenhead, GB		100.00	2018	46.4	0.0
Hanson TIS Holdings Limited	Maidenhead, GB		100.00	2018	0.0	0.0
Hanson TIS Limited	Maidenhead, GB		100.00	2018	-2.9	0.0
Hanson Trust Limited	Maidenhead, GB		100.00	2018	108.3	0.0
Hanson Trustees Limited	Maidenhead, GB		100.00	2018	-1.6	0.0
Harrisons Limeworks Limited	Maidenhead, GB		100.00	2018	0.0	0.0
Hartsholme Property Limited	Maidenhead, GB		100.00	2018	0.1	0.0
HB Hotels Limited	Maidenhead, GB		100.00	2018	-0.6	0.0
HC Asia Holding GmbH	Heidelberg, DE	100.00	100.00	2018	82.2	5.1
HC Fuels Limited	Maidenhead, GB		100.00	2018	9.9	0.1
HC Green Trading Limited	St. Julian's, MT		100.00	2018	0.0	1.8
HC Hanson Holding B.V.	's-Hertogenbosch, NL		100.00	2018	326.6	0.0
HC Trading B.V.	's-Hertogenbosch, NL		100.00	2018	-2.7	0.2
HC Trading Malta Limited	St. Julian's, MT		100.00	2018	0.2	23.4
HCT Holding Malta Limited	St. Julian's, MT	100.00	100.00	2018	150.3	23.7
HeidelbergCement BP Limited	Maidenhead, GB		100.00	2018	0.1	0.0
HeidelbergCement Canada Holding Limited	Maidenhead, GB		100.00	2018	3,454.2	82.8
HeidelbergCement Central Europe East Holding B.V.	's-Hertogenbosch, NL		100.00	2018	1,538.1	75.5
HeidelbergCement Euro I Limited	Maidenhead, GB		100.00	2018	643.9	14.2
HeidelbergCement Euro II Limited	Maidenhead, GB		100.00	2018	2,555.4	25.4
HeidelbergCement Euro III Limited	Maidenhead, GB		100.00	2018	832.8	18.5
HeidelbergCement Finance Luxembourg S.A.	Luxembourg, LU		100.00	2018	37.7	109.1
HeidelbergCement France S.A.S.	Guerville, FR		100.00	2018	1,474.9	12.7
HeidelbergCement Grundstücksgesellschaft mbH & Co. KG [7]	Heidelberg, DE	100.00	100.00	2018	18.6	1.1
HeidelbergCement Holding Coöperatief U.A.	's-Hertogenbosch, NL		100.00	2018	1,125.3	0.0
HeidelbergCement Holding S.à r.l.	Luxembourg, LU		100.00	2018	24,505.0	140.3
HeidelbergCement Holdings Limited	Maidenhead, GB	100.00	100.00	2018	2.2	0.0
HeidelbergCement International Holding GmbH	Heidelberg, DE	100.00	100.00	2018	20,635.7	0.0
HeidelbergCement Logistik GmbH & Co. KG [7]	Polch, DE	100.00	100.00	2018	4.8	0.9
HeidelbergCement Mediterranean Basin Holdings S.L.U.	Madrid, ES		100.00	2018	56.8	-0.3

Company name	Corporate seat	HC AG direct ownership %	Group ownership %	Year [1]	Equity in € million [2]	Net income in € million [3]
HeidelbergCement Netherlands Holding B.V.	's-Hertogenbosch, NL	100.00	100.00	2018	807.7	363.5
HeidelbergCement Reinsurance Luxembourg S.A.	Luxembourg, LU		100.00	2018	23.5	10.5
HeidelbergCement UK Holding II Limited	Maidenhead, GB		100.00	2018	16,977.7	-931.2
HeidelbergCement UK Holding Limited	Maidenhead, GB		100.00	2018	11,714.8	-309.5
HeidelbergCement UK Limited	Maidenhead, GB		100.00	2018	89.1	0.0
HeidelbergCement, Funk & Kapphan Grundstücksgesellschaft GmbH & Co. KG [7]	Heidelberg, DE	79.91	79.91	2018	11.7	0.2
Heidelberger Beton Donau-Naab GmbH & Co. KG [7]	Burglengenfeld, DE		77.70	2018	3.1	1.8
Heidelberger Beton Elster-Spree GmbH & Co. KG [7]	Cottbus, DE		60.00	2018	0.3	0.1
Heidelberger Beton GmbH	Heidelberg, DE	100.00	100.00	2018	365.8	142.4
Heidelberger Betonelemente GmbH & Co. KG [7]	Chemnitz, DE		83.00	2018	5.3	4.3
Heidelberger Kieswerke Niederrhein GmbH	Mülheim an der Ruhr, DE		100.00	2018	0.9	0.0
Heidelberger Kieswerke Rhein-Ruhr GmbH	Mülheim an der Ruhr, DE		100.00	2018	6.1	0.5
Heidelberger Sand und Kies GmbH	Heidelberg, DE	100.00	100.00	2018	96.9	0.0
HIPS (Trustees) Limited [8]	Maidenhead, GB		100.00	-	-	-
HK Holdings (No 2) Limited	Maidenhead, GB		100.00	2018	71.6	0.0
HK Holdings (No.1) Limited	Maidenhead, GB		100.00	2018	31.1	0.0
Holms Sand & Gravel Company (1985) (The)	Maidenhead, GB		100.00	2018	0.0	0.0
Holms Sand & Gravel Company Limited (The)	Maidenhead, GB		100.00	2018	0.0	0.0
Homes (East Anglia) Limited	Maidenhead, GB		100.00	2018	0.2	0.0
Hormigones y Áridos, S.A.U.	Zaramillo (Güeñes), ES		100.00	2018	-6.0	-1.6
Hormigones y Minas S.A.	Malaga, ES		99.94	2018	22.4	-1.1
Housemotor Limited	Maidenhead, GB		100.00	2018	1,717.2	0.0
Houseprice Limited	Maidenhead, GB		100.00	2018	652.0	0.0
Houserate Limited	Maidenhead, GB		100.00	2018	3,121.4	1,173.0
HPL Albany House Developments Limited [5]	Maidenhead, GB		50.00	2018	-0.6	0.0
HPL Estates Limited	Maidenhead, GB		100.00	2018	3.9	0.0
HPL Investments Limited	Maidenhead, GB		100.00	2018	448.6	0.0
HPL Properties Limited	Maidenhead, GB		100.00	2018	44.2	0.0
HPL Property Limited	Maidenhead, GB		100.00	2018	45.7	0.0
HPL West London Developments Limited [5]	Maidenhead, GB		50.00	2018	-0.2	0.0
Hurst and Sandler Limited	Maidenhead, GB		100.00	2018	5.2	0.0
Immobilière des Technodes S.a.s.	Guerville, FR		100.00	2018	9.9	1.0
Imperial Foods Holdings Limited	Maidenhead, GB		100.00	2018	0.7	0.0
Imperial Group Limited	Maidenhead, GB		100.00	2018	274.2	0.0
Imperial Seafoods Limited	Maidenhead, GB		100.00	2018	1.3	0.0
Ing. Sala S.p.A.	Bergamo, IT		100.00	2018	2.4	-1.0
Interbulk Trading (IBT) S.A.	Lugano, CH		100.00	2018	85.4	0.4
Intercom S.r.l.	Bergamo, IT		100.00	2018	3.7	0.0
Investcim S.a.s.	Guerville, FR		100.00	2018	112.1	0.0
Irvine - Whitlock Limited	Maidenhead, GB		100.00	2018	-8.4	-1.4
Ital Real Estate S.r.l.	Bergamo, IT		100.00	2018	4.9	0.1
Italcementi Finance S.A.	Puteaux, FR		100.00	2018	39.6	-10.4
Italcementi S.p.A.	Bergamo, IT		100.00	2018	2,683.7	1,134.5
Italsacci S.p.A.	Bergamo, IT		100.00	2018	105.5	-7.0
J. Riera, S.A.	Barcelona, ES		99.89	2018	4.4	-1.6
James Grant & Company (West) Limited	Edinburgh, GB		100.00	2018	2.5	0.0
Judkins Limited	Maidenhead, GB		100.00	2018	0.1	0.0
K.M. Property Development Company Limited	Maidenhead, GB		100.00	2018	0.0	0.0
KalininCement Holding B.V.	's-Hertogenbosch, NL		100.00	2018	3.8	0.0
Kazakhstan Cement Holding B.V.	's-Hertogenbosch, NL		100.00	2018	85.1	0.0
Ketton Cement Limited [8]	Maidenhead, GB		100.00	-	-	-
Kingston Minerals Limited	Maidenhead, GB		100.00	2018	0.2	0.0
L.B. (Stewartby) Limited	Maidenhead, GB		100.00	2018	58.3	2.4
Lehigh B.V.	's-Hertogenbosch, NL		100.00	2018	13,911.5	0.2
Lehigh UK Limited	Maidenhead, GB		100.00	2018	14,793.1	-1.5
Les Sabliers de l'Odet S.a.s.	Quimper, FR		100.00	2018	4.4	0.0

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [1]	Equity in € million [2]	Net income in € million [3]
Lindustries Limited	Edinburgh, GB		100.00	2018	49.5	0.0
Lithonplus GmbH & Co. KG [7]	Lingenfeld, DE		60.00	2018	41.5	2.4
Localdouble Limited	Maidenhead, GB		100.00	2018	716.1	0.0
M E Sub Limited	Maidenhead, GB		100.00	2018	19.6	0.0
Mantle & Llay Limited	Maidenhead, GB		100.00	2018	0.0	0.0
Marnee Limited	Maidenhead, GB		100.00	2018	59.7	0.0
Marples Ridgway Limited	Maidenhead, GB		100.00	2018	-4.4	0.0
Mebin B.V.	's-Hertogenbosch, NL		100.00	2018	64.5	-7.5
Mebin Leeuwarden B.V.	Leeuwarden, NL		79.79	2018	1.0	-0.1
Menaf S.a.s.	Guerville, FR		100.00	2018	9.3	0.1
Meppeler Betoncentrale B.V.	Meppel, NL		66.67	2018	-0.1	-0.1
Mibau Baustoffhandel GmbH	Cadenberge, DE		60.00	2018	1.4	0.0
Mibau Holding GmbH	Cadenberge, DE		60.00	2018	65.8	14.9
Mibau Nederland B.V.	Venlo, NL		60.00	2018	1.5	0.3
Mibau Nederland Holding B.V.	Venlo, NL		60.00	2018	1.7	0.3
Midland Quarry Products Limited	Maidenhead, GB		100.00	2018	144.8	10.1
Milton Hall (Southend) Brick Company Limited (The)	Maidenhead, GB		100.00	2018	1.5	0.0
Minster Quarries Limited	Maidenhead, GB		100.00	2018	-1.4	0.0
Mixconcrete Holdings Limited	Maidenhead, GB		100.00	2018	4.3	0.0
Mixconcrete Limited	Maidenhead, GB		100.00	2018	-2.0	0.0
Morebeat Limited	Maidenhead, GB		100.00	2018	136.3	0.0
Motioneager Limited	Maidenhead, GB		100.00	2018	236.9	0.0
National Brick Company Limited	Maidenhead, GB		100.00	2018	2.8	0.0
National Star Brick and Tile Holdings Limited	Maidenhead, GB		100.00	2018	2.4	0.0
National Star Limited	Maidenhead, GB		100.00	2018	0.1	0.0
NedCem Holding B.V.	's-Hertogenbosch, NL		66.67	2018	0.8	0.0
Nuova Sacelit S.r.l.	Bergamo, IT		100.00	2018	-0.4	-3.5
Paderborner Transport - Beton - Gesellschaft mit beschränkter Haftung & Co. K.-G. [7]	Geseke, DE		87.50	2018	0.0	0.0
Palatina Insurance Ltd.	St Julians, MT		100.00	2018	46.2	0.2
Paperbefore Limited	Maidenhead, GB		100.00	2018	334.7	0.0
Pencrete Limited	Maidenhead, GB		100.00	2018	0.1	0.0
Picon Overseas Limited	St. Peter Port, GG		100.00	2018	149.5	0.6
Piedras y Derivados, S.A.U.	Madrid, ES		100.00	2018	13.5	-4.8
PILC Limited	St. Peter Port, GG		100.00	2018	21.5	0.4
Pimco 2945 Limited	Maidenhead, GB		100.00	2018	4.5	0.0
Pinden Plant & Processing Co. Limited (The)	Maidenhead, GB		100.00	2018	6.3	0.0
Pioneer Aggregates (UK) Limited	Maidenhead, GB		100.00	2018	5.1	1.4
Pioneer Asphalts (U.K.) Limited [8]	Maidenhead, GB		100.00	-	-	-
Pioneer Concrete (U.K.) Limited	Maidenhead, GB		100.00	2018	0.0	0.0
Pioneer Concrete Holdings Limited	Maidenhead, GB		100.00	2018	129.5	0.0
Pioneer International Group Holdings Limited	Maidenhead, GB		100.00	2018	984.9	0.0
Pioneer Investments UK Limited	Maidenhead, GB		100.00	2018	0.1	0.0
Pioneer Overseas Investments Limited	St. Peter Port, GG		100.00	2018	125.1	0.0
Premix Concrete Limited	Maidenhead, GB		100.00	2018	0.0	0.0
Purfleet Aggregates Limited	Maidenhead, GB		100.00	2018	-0.2	0.0
Redshow Limited	Maidenhead, GB		100.00	2018	122.3	0.0
Rezincote (1995) Limited	Maidenhead, GB		100.00	2018	-0.5	0.0
Roads Reconstruction Limited	Maidenhead, GB		100.00	2018	9.6	0.0
Rostocker Zementumschlagsgesellschaft mbH	Rostock, DE		60.00	2018	0.1	0.0
Rouennaise de Transformation S.a.s.	Grand-Couronne, FR		100.00	2018	1.6	0.1
S Sub Limited [8]	Maidenhead, GB		100.00	-	-	-
S Z G - Saarländische Zementgesellschaft mit beschränkter Haftung	Saarbrücken, DE		100.00	2018	0.7	0.3
S.A. Cimenteries CBR	Braine-l'Alleud, BE	100.00	100.00	2018	779.9	911.1
S.A. TRANS CBR [9]	Braine-l'Alleud, BE		100.00	-	-	-
Sabine Limited	St. Peter Port, GG		100.00	2018	239.2	0.0
Sablimaris S.a.s.	La Rochelle, FR		100.00	2018	10.8	0.7

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [1]	Equity in € million [2]	Net income in € million [3]
Sagrex B.V.	's-Hertogenbosch, NL		100.00	2018	-0.2	-1.4
Sagrex France S.A.S.	Thourotte, FR		100.00	2018	4.7	0.1
Sagrex Holding B.V.	's-Hertogenbosch, NL		100.00	2018	21.8	0.5
Sagrex Productie B.V.	's-Hertogenbosch, NL		100.00	2018	10.6	1.1
Sailtown Limited	Maidenhead, GB		100.00	2018	1,040.5	21.3
Saint Hubert Investments S.à r.l.	Luxembourg, LU		100.00	2018	425.1	-0.1
SAMA S.r.l. - in liquidazione [4]	Bergamo, IT		100.00	2018	0.0	-0.1
Samuel Wilkinson & Sons Limited	Maidenhead, GB		100.00	2018	0.0	0.0
Sax S.a.s.	Guerville, FR		100.00	2018	2.6	0.6
Scancem Energy and Recovery Limited	Maidenhead, GB		100.00	2018	18.9	0.0
Scancem International Limited	Maidenhead, GB		100.00	2018	19.8	0.0
Scancem Recovery Limited	Maidenhead, GB		100.00	2018	19.1	0.1
Scancem Supply Limited	Maidenhead, GB		100.00	2018	-2.1	0.0
SCE de la Grange d'Etaule	Gray, FR		100.00	2018	0.0	0.0
Seagoe Concrete Products Limited [8]	Maidenhead, GB		100.00	-	-	-
Second City Properties Limited	Maidenhead, GB		100.00	2018	12.8	0.0
Shapedirect Limited	Maidenhead, GB		100.00	2018	6,989.8	14.9
SJP 1 Limited	Maidenhead, GB		100.00	2018	-0.1	0.0
Slotcount Limited	Maidenhead, GB		100.00	2018	1,768.2	0.0
Small Lots (Mix-It) Limited	Maidenhead, GB		100.00	2018	12.0	0.0
Sociedad Financiera y Minera, S.A.	Malaga, ES		99.94	2018	272.7	-0.4
Socli S.a.s.	Loures-Barousse, FR		100.00	2018	5.1	1.2
Sodramaris S.N.C.	La Rochelle, FR		100.00	2018	12.8	-1.2
Solrec Limited	Maidenhead, GB		100.00	2018	9.3	0.0
SQ Corporation Limited	Maidenhead, GB		100.00	2018	2,699.1	0.0
SQ Finance No 2 Limited	Maidenhead, GB		100.00	2018	2,793.7	0.0
St Edouard S.à r.l.	Luxembourg, LU		99.99	2018	2,866.4	0.0
ST JUDE S.à r.l.	Luxembourg, LU		100.00	2018	2,224.4	0.0
ST NICOLAS S.à r.l.	Luxembourg, LU		100.00	2018	1,563.8	0.0
Stema Shipping (UK) Limited	Grays, GB		60.00	2018	3.2	0.3
Stema Shipping France S.a.s.	Bois Guillaume, FR		60.00	2018	0.2	-0.5
Stephen Toulson & Sons Limited	Maidenhead, GB		100.00	2018	0.0	0.0
Stewartby Housing Association Limited	Maidenhead, GB		100.00	2018	0.0	0.0
Supamix Limited	Maidenhead, GB		100.00	2018	6.3	0.0
Technodes S.a.s.	Guerville, FR		100.00	2018	-9.2	-1.6
Tercim S.a.s.	Guerville, FR		100.00	2018	2.4	-0.1
The Purfleet Ship to Shore Conveyor Company Limited	Maidenhead, GB		100.00	2018	0.1	0.0
Thistleton Quarries Limited	Maidenhead, GB		100.00	2018	-1.6	0.0
Tillotson Commercial Motors Limited	Maidenhead, GB		100.00	2018	-20.7	0.0
Tillotson Commercial Vehicles Limited [8]	Maidenhead, GB		100.00	-	-	-
Tilmanstone Brick Limited	Maidenhead, GB		100.00	2018	7.9	0.0
Timesound	Maidenhead, GB		100.00	2018	0.7	0.0
Tinglev Elementfabrik GmbH	Altlandsberg, DE		100.00	2018	2.3	1.0
TLQ Limited	Edinburgh, GB		100.00	2018	0.0	0.0
TMC Pioneer Aggregates Limited	Maidenhead, GB		100.00	2018	0.0	0.0
Tratel Affrètement S.a.s.	Guerville, FR		100.00	2018	13.0	2.7
Tratel S.a.s.	Guerville, FR		100.00	2018	19.0	2.5
Tunnel Cement Limited	Maidenhead, GB		100.00	2018	0.0	0.0
U.D.S. Holdings B.V.	's-Hertogenbosch, NL		100.00	2018	612.7	0.0
UDS (No 10)	Maidenhead, GB		100.00	2018	30.5	31.0
UDS (No 3) Limited	Maidenhead, GB		100.00	2018	6.3	0.0
UDS Corporation Limited	Maidenhead, GB		100.00	2018	405.7	0.0
UDS Finance Limited	Maidenhead, GB		100.00	2018	45.4	0.0
UDS Group Limited	Maidenhead, GB		100.00	2018	122.1	0.0
UDS Holdings (1) Limited	Maidenhead, GB		100.00	2018	207.1	0.0
UGI Group Limited	Maidenhead, GB		100.00	2018	107.2	0.0

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Unibéton Centre Ouest S.a.s.	Saint Jean le Blanc, FR		100.00	2018	4.2	-4.6
Unibéton S.a.s.	Guerville, FR		100.00	2018	-65.8	-23.4
United Gas Industries Limited	Maidenhead, GB		100.00	2018	12.9	0.0
Uniwerbéton S.a.s.	Heillecourt, FR		70.00	2018	0.3	0.1
V.E.A. Limited	St. Peter Port, GG		100.00	2018	177.8	0.3
Ventore S.L.	Malaga, ES		99.94	2018	-0.3	0.0
Viewgrove Investments Limited	Maidenhead, GB		100.00	2018	7,109.0	0.0
Visionfocus Limited	Maidenhead, GB		100.00	2018	738.5	0.0
Visionrefine Limited	Maidenhead, GB		100.00	2018	-0.3	0.0
Welbecson Group Limited	Maidenhead, GB		100.00	2018	-0.1	0.0
WIKA Sand und Kies GmbH & Co. KG [7]	Stade, DE		100.00	2018	9.0	1.8
Wineholm Limited	Maidenhead, GB		100.00	2018	0.0	0.0
Subsidiaries						
Northern and Eastern Europe-Central Asia						
Abetong AB	Växjö, SE		100.00	2018	6.3	0.1
AS Abetong	Oslo, NO		100.00	2018	0.6	0.0
AS Kunda Nordic Tsement	Kunda, EE		75.00	2018	87.3	25.9
BayKaz Beton LLP	Almaty, KZ		100.00	2018	8.3	-1.5
BEKTAS Group LLP	Almaty, KZ		100.00	2018	2.3	-0.6
Beton.Ata LLP	Almaty, KZ		99.98	2018	0.5	-0.1
Betong Øst Trøndelag AS [5]	Kongsvinger, NO		50.00	2018	11.6	0.4
Betong Sör AS	Kristiansand, NO		100.00	2018	1.0	-0.2
Betongindustri AB	Stockholm, SE		100.00	2018	4.0	0.1
BETOTECH, s.r.o.	Beroun, CZ		91.50	2018	0.6	0.1
Björgun ehf	Reykjavík, IS		53.00	2018	8.8	0.5
BM Valla ehf	Reykjavík, IS		53.00	2018	19.8	7.3
Bukhtarma Cement Company LLP	Oktyabrskiy village, KZ		100.00	2018	23.4	-1.8
Calumite s.r.o.	Ostrava-Kunčičky, CZ		51.00	2018	5.8	1.2
Carpat Beton Servicii Pompe SRL	Mogosoaia, RO		100.00	2018	-1.3	-1.0
Carpat Cemtrans S.R.L.	Bucharest, RO		100.00	2018	4.9	0.2
CaspiCement Limited Liability Partnership	Shetpe, KZ		100.00	2018	13.0	-6.6
Caspinerud Limited Liability Partnership	Shetpe, KZ		100.00	2018	-1.3	-1.5
Cementa AB	Stockholm, SE		100.00	2018	28.0	-6.0
Cementa Fastighets AB	Stockholm, SE		100.00	2018	0.1	0.0
Cementa sp. z o. o.	Warszawa, PL		100.00	2018	0.9	0.0
Českomoravský beton, a.s.	Beroun, CZ		100.00	2018	21.8	2.1
Českomoravský cement, a.s.	Mokrá-Horákov, CZ		100.00	2018	102.3	45.9
Českomoravský štěrk, a.s.	Mokrá-Horákov, CZ		100.00	2018	56.8	8.8
Contiga AB	Norrtälje, SE		100.00	2018	0.7	0.1
Contiga AS	Moss, NO		100.00	2018	13.0	5.0
Contiga Holding AS	Oslo, NO		100.00	2018	16.3	2.2
Contiga Tinglev A/S	Tinglev, DK		95.00	2018	10.7	5.4
Devnya Cement AD	Devnya, BG		99.94	2018	222.5	8.6
DK Beton A/S	Ringsted, DK		100.00	2018	21.3	3.3
DK Cement A/S	Ringsted, DK		100.00	2018	9.2	0.7
Eignarhaldsfélagið Hornsteinn ehf.	Reykjavík, IS		53.00	2018	35.1	10.6
Fastighets AB Limhamns Kalkbrott	Stockholm, SE		100.00	2018	2.3	0.0
Fastighets AB Lövholmen	Stockholm, SE		100.00	2018	0.4	0.1
Garkalnes Grants SIA	Riga, LV		100.00	2018	7.5	1.0
Global IT Center EAD	Devnya, BG		99.94	2018	0.0	0.0
Górażdże Beton Sp. z o.o.	Górażdże, PL		100.00	2018	31.5	-7.0
Górażdże Cement S.A.	Górażdże, PL		100.00	2018	358.2	58.4
Górażdże Kruszywa Sp. z o.o.	Górażdże, PL		100.00	2018	40.0	3.8
Halyps Building Materials S.A.	Aspropyrgos, GR		99.92	2018	47.3	-1.9
Hanson Iceland EHF	Reykjavík, IS		100.00	2018	2,223.7	-0.1

Company name	Corporate seat	HC AG direct ownership %	Group ownership %	Year [1]	Equity in € million [2]	Net income in € million [3]
HC Betons SIA	Riga, LV		100.00	2018	0.4	-0.4
HC Betoon AS, Estonia	Tallinn, EE		100.00	2018	6.5	0.1
HC SSC Latvia, SIA [9]	Riga, LV		100.00	-	-	-
HeidelbergCement Africa Holding Kommanditbolag	Stockholm, SE		100.00	2018	23.6	-2.8
HeidelbergCement Danmark A/S	Ringsted, DK		100.00	2018	34.9	4.8
HeidelbergCement Iceland EHF	Reykjavík, IS		100.00	2018	18.8	5.3
HeidelbergCement Miljö AB	Örebro, SE		100.00	2018	1.8	0.0
HeidelbergCement Northern Europe AB	Stockholm, SE		100.00	2018	1,285.2	39.8
HeidelbergCement Northern Europe Pumps & Trucks A/S	Ringsted, DK		100.00	2018	4.3	0.8
HeidelbergCement Norway AS	Oslo, NO		100.00	2018	49.1	1.4
HeidelbergCement Pumps & Trucks AS	Oslo, NO		100.00	2018	0.3	-0.2
HeidelbergCement Romania SA	Bucharest, RO		100.00	2018	245.2	34.3
HeidelbergCement Services - LLP	Almaty, KZ		100.00	2018	-0.8	-0.3
HeidelbergCement Sweden AB	Stockholm, SE		100.00	2018	232.6	14.3
Italmed Cement Company Ltd.	Limassol, CY		99.92	2018	40.9	2.0
Kamenivo Slovakia a.s.	Bytča-Hrabové, SK		100.00	2018	2.1	0.2
LLC 'HeidelbergCement Rus'	Podolsk, RU		100.00	2018	92.7	12.1
LLC KaliningradCement	Kaliningrad, RU		100.00	2018	1.8	-0.4
Lyulyaka Materials EAD	Devnya, BG		99.94	2018	1.0	0.1
Magnatool AB	Stockholm, SE		75.00	2018	0.0	0.0
Mibau Polska Sp. z o.o.	Gdansk, PL		60.00	2018	1.5	0.8
Norbetong AS	Oslo, NO		100.00	2018	93.6	22.9
Norcem AS	Oslo, NO		100.00	2018	44.5	29.9
Nordic Precast Group AB	Stockholm, SE		100.00	2018	142.1	11.3
Norsk Stein AS	Jelsa, NO		60.00	2018	89.6	15.1
NorStone AS	Sandnes, NO		100.00	2018	3.0	1.3
OJSC "Cesla"	Slantsy, RU		99.94	2018	11.3	0.2
OJSC Gurovo-Beton	Novogurovsky, RU		100.00	2018	1.9	-1.4
OOO "Norcem Kola"	Murmansk, RU		100.00	2018	-0.6	-0.6
Precon Polska Sp.z.o.o.	Warszawa, PL		100.00	2018	0.6	0.4
Protenna AB	Stockholm, SE		75.00	2018	25.6	0.0
Recyfuel SRL	Bucharest, RO		100.00	2018	0.2	0.0
Renor AS	Aurskog, NO		100.00	2018	4.5	0.6
Sand- och grusaktiebolaget Jehander	Stockholm, SE		100.00	2018	10.7	0.1
Scancem Central Africa Holding 1 AB	Stockholm, SE		100.00	2018	15.9	0.0
Scancem Central Africa Holding 2 AB	Stockholm, SE		100.00	2018	15.8	0.0
Scancem Central Africa Holding 3 AB	Stockholm, SE		100.00	2018	13.1	0.0
Scancem Central Africa Holding 4 AB	Stockholm, SE		100.00	2018	13.1	0.0
Scancem Holding AS	Oslo, NO		100.00	2018	14.2	-0.3
Scancem International DA	Oslo, NO		100.00	2018	523.7	43.5
Sementsverksmidjan ehf	Akranes, IS		53.00	2018	6.3	2.7
ShymkentCement JSC	Shymkent, KZ		99.98	2018	-67.6	-1.7
SIA BALTIC SAULE	Riga, LV		100.00	2018	3.2	0.0
SIA SBC	Marupe, LV		100.00	2018	1.5	-0.7
SIA SBC Finance	Marupe, LV		100.00	2018	0.1	0.1
SIA SBC Property [5]	Marupe, LV		49.00	2018	3.2	0.5
Sola Betong AS	Tananger, NO		66.67	2018	1.3	0.6
Splitt Chartering Aps	Aabenraa, DK		60.00	2018	3.5	10.8
SSC Lithuania UAB	Kaunas, LT		100.00	2018	0.0	0.0
Stema Shipping A/S	Aabenraa, DK		60.00	2018	74.1	16.7
TBG BETONMIX a. s.	Brno, CZ		66.00	2018	7.2	2.6
TBG BETONPUMPY MORAVA s.r.o.	Brno, CZ		84.90	2018	0.6	0.2
TBG SEVEROZÁPADNÍ ČECHY s.r.o.	Chomutov, CZ		66.00	2018	3.1	0.6
TBG Slovensko, a. s.	Pezinok, SK		100.00	2018	4.5	-1.7
TBG Východní Čechy s.r.o.	Mladé Buky, CZ		70.04	2018	2.1	0.7
TBG VYSOČINA s.r.o.	Kožichovice, CZ		59.40	2018	2.3	0.3

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UAB Gerdukas	Kaunas, LT		70.00	2018	1.2	-0.3
UAB HC Betonas	Kaunas, LT		100.00	2018	0.0	-1.0
UAB HeidelbergCement Klaipeda	Klaipėda, LT		100.00	2018	3.1	0.1
Vulkan Cement AD	Dimitrovgrad, BG		98.59	2018	39.7	-0.1
Subsidiaries						
North America						
Amangani SA	Panama City, PA		100.00	2018	-0.4	-0.1
Amcord, Inc.	Wilmington, US		100.00	2018	-2.2	-0.9
Anche Holdings Inc	Panama City, PA		100.00	2018	1,841.3	0.0
Asian Carriers Inc.	Panama City, PA		100.00	2018	31.4	0.1
Astravance Corp.	Panama City, PA		100.00	2018	4.8	0.0
Beazer East, Inc.	Wilmington, US		100.00	2018	220.5	-9.5
Cadman (Black Diamond), Inc.	Tumwater, US		100.00	2018	10.8	1.4
Cadman (Rock), Inc.	Tumwater, US		100.00	2018	21.2	1.7
Cadman (Seattle), Inc.	Tumwater, US		100.00	2018	80.2	6.0
Cadman Materials, Inc.	Tumwater, US		100.00	2018	41.3	22.0
Cadman, Inc.	Tumwater, US		100.00	2018	35.8	11.4
Calaveras Materials Inc.	Sacramento, US		100.00	2018	104.4	5.6
Calaveras-Standard Materials, Inc.	Sacramento, US		100.00	2018	33.6	0.0
Cambridge Aggregates Inc.	Cambridge, CA		60.00	2018	0.7	1.6
Campbell Concrete & Materials LLC	Austin, US		100.00	2018	44.3	-6.4
Campbell Transportation Services LLC [8]	Austin, US		100.00	-	-	-
Cavenham Forest Industries LLC	Wilmington, US		100.00	2018	8.1	-2.9
Cindercrete Mining Supplies Ltd. [5]	Regina, CA		50.00	2018	2.9	0.5
Cindercrete Products Limited	Regina, CA		100.00	2018	21.5	1.1
Commercial Aggregates Transportation and Sales, LLC	Wilmington, US		100.00	2018	2.4	0.1
Constar LLC	Wilmington, US		100.00	2018	300.3	12.0
Cowichan Corporation	Panama City, PA		100.00	2018	2,220.9	0.0
Essex NA Holdings LLC	Wilmington, US		100.00	2018	45.9	0.0
Essroc Holdings LLC	Wilmington, US		100.00	2018	782.4	1.0
Fairburn Ready-Mix, Inc.	Norocross, US		100.00	2018	23.5	1.0
Ferndale Ready Mix & Gravel, Inc.	Tumwater, US		100.00	2018	18.9	-0.2
Greyrock, LLC	Wilmington, US		100.00	2018	54.7	9.2
Gulf Coast Stabilized Materials LLC	Austin, US		100.00	2018	54.6	3.5
Gypsum Carrier Inc	Panama City, PA		100.00	2018	60.0	-0.1
Hampshire Properties LLC	Austin, US		100.00	2018	1.4	0.0
HAMW Minerals, Inc.	Wilmington, US		100.00	2018	6.7	0.0
Hanson Aggregates LLC	Wilmington, US		100.00	2018	798.0	75.3
Hanson Aggregates BMC, Inc.	Harrisburg, US		100.00	2018	274.9	5.1
Hanson Aggregates Davon LLC	Columbus, US		100.00	2018	81.2	1.3
Hanson Aggregates East LLC [8]	Wilmington, US		100.00	-	-	-
Hanson Aggregates Mid-Pacific, Inc.	Wilmington, US		100.00	2018	220.1	7.3
Hanson Aggregates Midwest LLC	Frankfort, US		100.00	2018	632.0	60.6
Hanson Aggregates New York LLC	Albany, US		100.00	2018	558.1	27.5
Hanson Aggregates Pacific Southwest LLC [8]	Wilmington, US		100.00	-	-	-
Hanson Aggregates Pennsylvania LLC	Wilmington, US		100.00	2018	355.4	18.8
Hanson Aggregates Southeast LLC	Wilmington, US		100.00	2018	663.4	62.8
Hanson Aggregates WRP, Inc.	Wilmington, US		100.00	2018	81.6	2.8
Hanson BC Limited	Hamilton, BM		100.00	2018	1,151.4	0.0
Hanson Building Materials America LLC	Wilmington, US		100.00	2018	909.4	0.8
Hanson Green Limited	Hamilton, BM		100.00	2018	0.1	0.0
Hanson Marine Finance, Inc.	Sacramento, US		100.00	2018	6.2	-0.4
Hanson Marine Operations, Inc.	Sacramento, US		100.00	2018	-9.1	2.1
Hanson Ready Mix, Inc.	Wilmington, US		100.00	2018	11.8	-0.5
Harrell Aggregate Hauling, Inc.	Norocross, US		100.00	2018	0.0	0.0

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HBMA Holdings LLC	Wilmington, US		100.00	2018	3,899.4	19.8
HC Trading International Inc.	Nassau, BS		100.00	2018	4.9	0.0
HNA Investments	Wilmington, US		100.00	2018	1,611.6	0.0
KH 1 Inc.	Wilmington, US		100.00	2018	249.2	-0.1
Lehigh Cement Company LLC	Wilmington, US		100.00	2018	1,259.4	217.3
Lehigh Hanson Cement South LLC	Wilmington, US		100.00	2018	66.9	10.1
Lehigh Hanson Materials Limited	Calgary, CA		100.00	2018	1,487.0	31.0
Lehigh Hanson Materials South LLC [8]	Austin, US		100.00	-	-	-
Lehigh Hanson Receivables LLC	Wilmington, US		100.00	2018	47.3	12.9
Lehigh Hanson Services LLC	Wilmington, US		100.00	2018	-273.7	1.6
Lehigh Hanson, Inc.	Wilmington, US		100.00	2018	12,740.5	-251.1
Lehigh Northwest Cement Company	Tumwater, US		100.00	2018	155.2	0.5
Lehigh Northwest Marine, LLC	Wilmington, US		100.00	2018	2.4	0.0
Lehigh Southwest Cement Company	Sacramento, US		100.00	2018	359.7	12.8
LHI Duomo Holdings LLC	Wilmington, US		100.00	2018	0.0	0.0
Material Service Corporation	Wilmington, US		100.00	2018	211.0	16.9
Mineral and Land Resources Corporation	Wilmington, US		100.00	2018	33.2	0.1
Mission Valley Rock Co.	Sacramento, US		100.00	2018	39.7	2.5
PCAz Leasing, Inc.	Phoenix, US		100.00	2018	3.1	0.0
Pioneer International Overseas Corporation	Road Town, VG		100.00	2018	157.2	3.0
Rimarcal Corporation	Panama City, PA		100.00	2018	2,651.5	24.8
Sherman Industries LLC	Wilmington, US		100.00	2018	33.5	-1.3
Sinclair General Corporation	Panama City, PA		100.00	2018	7,892.9	0.0
South Valley Materials, Inc.	Sacramento, US		100.00	2018	5.2	-3.5
Standard Concrete Products, Inc.	Sacramento, US		100.00	2018	5.9	-0.3
Three Rivers Management, Inc.	Wilmington, US		100.00	2018	0.5	-0.5
Vestur Insurance (Bermuda) Ltd	Hamilton, BM		100.00	2018	0.1	0.0
Subsidiaries						
Asia-Pacific						
Alex Fraser Asphalt Holdings Pty Ltd	Sydney, AU		100.00	2018	2.5	0.0
Alex Fraser Asphalt Pty Ltd	Sydney, AU		100.00	2018	22.3	5.9
Alex Fraser Consulting Pty Ltd	Sydney, AU		100.00	2018	0.0	0.0
Alex Fraser Demolitions Pty Ltd	Sydney, AU		100.00	2018	1.1	0.8
Alex Fraser Holdings Pty Ltd	Sydney, AU		100.00	2018	7.7	0.1
Alex Fraser Pty Ltd	Sydney, AU		100.00	2018	35.5	18.2
Asia Cement Energy Conservation Co., Ltd. [5]	Bangkok, TH		39.53	2018	40.7	6.3
Asia Cement Products Co., Ltd. [5]	Bangkok, TH		39.53	2018	6.8	-1.3
Asia Cement Public Co., Ltd. [5]	Bangkok, TH		39.53	2018	298.4	21.3
Bitumix Granite Sdn Bhd	Kuala Lumpur, MY		100.00	2018	0.5	0.0
Buildey Pty Ltd	Sydney, AU		100.00	2018	0.0	0.0
Butra HeidelbergCement Sdn. Bhd.	Muara, BN		70.00	2018	11.9	5.3
Calga Sands Pty Ltd	Sydney, AU		100.00	2018	10.2	-0.1
Cemix Concrete (M) Sdn Bhd	Kuala Lumpur, MY		100.00	2018	1.1	0.1
CGF Pty Limited	Sydney, AU		100.00	2018	154.4	0.1
Christies Stone Quarries Pty Ltd	Sydney, AU		100.00	2018	0.0	0.0
Concrete Materials Laboratory Sdn Bhd	Kuala Lumpur, MY		100.00	2018	0.4	0.1
Concrete Recyclers Australia Pty Ltd	Sydney, AU		100.00	2018	0.0	0.0
Consolidated Quarries Pty Ltd.	Sydney, AU		100.00	2018	0.0	0.0
Construction Materials Pty Ltd	Sydney, AU		100.00	2018	0.0	0.0
Emirates Cement Bangladesh Limited	Munshiganj, BD		60.66	2019	21.1	4.1
Emirates Power Company Limited	Munshiganj, BD		60.66	2019	1.2	0.4
Excel Quarries Pty Limited	Sydney, AU		100.00	2018	0.1	0.0
Fairfield Pre-Mix Concrete Pty Ltd	Sydney, AU		100.00	2018	0.1	0.0
Galli Quarries Pty Limited	Sydney, AU		100.00	2018	22.6	-0.1
Gerak Harapan Sdn Bhd	Kuala Lumpur, MY		70.00	2018	0.0	-0.1

Company name	Corporate seat	HC AG direct ownership %	Group ownership %	Year [1]	Equity in € million [2]	Net income in € million [3]
Gulbarga Cement Limited	Bangalore, IN		100.00	2018	44.9	-2.6
Hanson Australia (Holdings) Proprietary Limited	Sydney, AU		100.00	2018	1,895.5	152.7
Hanson Australia Cement (2) Pty Ltd	Sydney, AU		100.00	2018	46.3	-0.3
Hanson Australia Cement Pty Limited	Sydney, AU		100.00	2018	47.9	-0.3
Hanson Australia Funding Limited	Sydney, AU		100.00	2018	0.0	0.0
Hanson Australia Investments Pty Limited	Sydney, AU		100.00	2018	111.0	30.2
Hanson Australia Pty Limited	Sydney, AU		100.00	2018	829.7	1.0
Hanson Building Materials (S) Pte Ltd	Singapore, SG		100.00	2018	-0.3	0.0
Hanson Building Materials Cartage Sdn Bhd	Kuala Lumpur, MY		100.00	2018	0.5	0.1
Hanson Building Materials Industries Sdn Bhd [4]	Kuala Lumpur, MY		100.00	-	-	-
Hanson Building Materials Malaysia Sdn Bhd	Kuala Lumpur, MY		100.00	2018	24.7	-0.4
Hanson Building Materials Manufacturing Sdn Bhd	Kuala Lumpur, MY		100.00	2018	0.5	0.0
Hanson Building Materials Production Sdn Bhd	Sungai Nibong, MY		100.00	2018	11.9	0.0
Hanson Building Materials Transport Sdn Bhd	Kuala Lumpur, MY		100.00	2018	0.2	0.0
Hanson Building Materials-KTPC Sdn Bhd	Kuala Lumpur, MY		100.00	2018	0.3	0.0
Hanson Building Materials-KTPC-PBPM Sdn Bhd	Kuala Lumpur, MY		100.00	2018	1.1	0.0
Hanson Building Materials-PBPM Sdn Bhd	Kuala Lumpur, MY		100.00	2018	0.2	0.0
Hanson Cement Holdings Pty Ltd	Sydney, AU		100.00	2018	69.8	28.7
Hanson Concrete (M) Sdn Bhd	Kuala Lumpur, MY		100.00	2018	0.5	0.0
Hanson Construction Materials Pty Ltd	Sydney, AU		100.00	2018	120.6	36.1
Hanson Finance Australia Ltd	Sydney, AU		100.00	2018	57.9	-22.7
Hanson Holdings (M) Sdn Bhd	Kuala Lumpur, MY		100.00	2018	12.1	0.0
Hanson Holdings Australia Pty Ltd	Sydney, AU		100.00	2018	-4.7	-4.8
Hanson Investment Holdings Pte Ltd	Singapore, SG		100.00	2018	35.7	0.1
Hanson Landfill Services Pty Ltd	Sydney, AU		100.00	2018	44.5	7.8
Hanson Pacific (S) Pte Limited	Singapore, SG		100.00	2018	-7.1	0.0
Hanson Pty Limited	Sydney, AU		100.00	2018	2,481.0	0.0
Hanson Quarries Victoria Pty Limited	Sydney, AU		100.00	2018	0.4	0.0
Hanson Quarry Products (Batu Pahat) Sdn Bhd	Kuala Lumpur, MY		100.00	2018	0.1	0.0
Hanson Quarry Products (EA) Sdn Bhd	Kuala Lumpur, MY		100.00	2018	0.5	0.1
Hanson Quarry Products (Holdings) Sdn Bhd	Kuala Lumpur, MY		100.00	2018	43.5	0.0
Hanson Quarry Products (Kuantan) Sdn Bhd	Kuala Lumpur, MY		100.00	2018	0.2	0.0
Hanson Quarry Products (Kulai) Sdn Bhd	Kuala Lumpur, MY		100.00	2018	9.8	0.0
Hanson Quarry Products (Land) Sdn Bhd	Kuala Lumpur, MY		100.00	2018	5.1	0.2
Hanson Quarry Products (Masai) Sdn Bhd	Kuala Lumpur, MY		100.00	2018	0.9	0.0
Hanson Quarry Products (Northern) Sdn Bhd	Kuala Lumpur, MY		100.00	2018	0.2	0.0
Hanson Quarry Products (Pengerang) Sdn Bhd	Kuala Lumpur, MY		100.00	2018	1.0	0.1
Hanson Quarry Products (Perak) Sdn Bhd	Kuala Lumpur, MY		100.00	2018	0.5	0.0
Hanson Quarry Products (Premix) Sdn Bhd [4]	Kuala Lumpur, MY		100.00	-	-	-
Hanson Quarry Products (Rawang) Sdn Bhd	Kuala Lumpur, MY		100.00	2018	0.9	0.1
Hanson Quarry Products (Segamat) Sdn Bhd	Kuala Lumpur, MY		100.00	2018	0.4	0.1
Hanson Quarry Products (Tempoyak) Sdn Bhd	Kuala Lumpur, MY		100.00	2018	-1.3	-0.1
Hanson Quarry Products (Terengganu) Sdn Bhd	Kuala Lumpur, MY		100.00	2018	0.7	0.0
Hanson Quarry Products Sdn Bhd	Kuala Lumpur, MY		100.00	2018	40.3	1.7
HC Trading (India) Private Limited	Hyderabad, IN		100.00	2019	0.1	0.1
HCT Services Asia Pte. Ltd.	Singapore, SG		100.00	2018	0.9	0.1
HeidelbergCement Asia Pte Ltd [8]	Singapore, SG		100.00	-	-	-
HeidelbergCement Bangladesh Limited	Narayanganj, BD		60.66	2018	44.9	6.4
HeidelbergCement Holding HK Limited	Hong Kong, CN		100.00	2018	58.0	22.4
HeidelbergCement India Limited	Gurgaon (State-Haryana), IN		69.39	2019	150.8	27.5
HeidelbergCement Myanmar Company Limited [8]	Yangon, MM		100.00	-	-	-
Hymix Australia Pty Ltd	Sydney, AU		100.00	2018	131.4	22.2
Jalaprathan Cement Public Co., Ltd. [5]	Bangkok, TH		35.12	2018	85.4	-0.1
Jalaprathan Concrete Co., Ltd. [5]	Bangkok, TH		35.12	2018	7.3	-0.3
Meghna Energy Limited	Dhaka, BD		60.66	2018	6.6	1.1

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [1]	Equity in € million [2]	Net income in € million [3]
Melbourne Concrete Pty Ltd	Sydney, AU		100.00	2018	0.0	0.0
Naga Property Co., Ltd. [5]	Bangkok, TH		35.12	2018	0.2	0.0
Pioneer Concrete (Hong Kong) Limited	Kowloon, HK		100.00	2018	1.6	0.4
Pioneer Concrete (Tasmania) Proprietary Limited	Sydney, AU		100.00	2018	5.1	0.0
Pioneer Concrete (WA) Pty Ltd	Sydney, AU		100.00	2018	0.0	0.0
Pioneer Concrete Services (Malaysia) S/B [4]	Petaling Jaya, MY		100.00	-	-	-
Pioneer International (Labuan) Ltd	Wilayah Persekutuan Labuan, MY		100.00	2018	0.5	0.0
Pioneer International Holdings Pty Ltd	Sydney, AU		100.00	2018	1,027.8	0.0
Pioneer North Queensland Pty Ltd	Sydney, AU		100.00	2018	23.6	0.4
Plentong Granite Industries Sdn Bhd	Kuala Lumpur, MY		70.00	2018	0.7	0.0
PT Bahana Indonor	Jakarta, ID		50.98	2018	17.3	1.1
PT Bhakti Sari Perkasa Abadi	Bogor, ID		50.98	2018	0.6	0.1
PT Dian Abadi Perkasa	Jakarta, ID		50.98	2018	84.5	8.1
PT Indocement Tunggal Prakarsa Tbk.	Jakarta, ID		51.00	2018	1,319.6	67.5
PT Indomix Perkasa	Jakarta, ID		51.00	2018	29.4	0.2
PT Jaya Berdikari Cipta	Bogor, ID		51.00	2018	0.0	0.0
PT Lentera Abadi Sejahtera	Jakarta, ID		51.00	2018	0.0	0.0
PT Lintas Bahana Abadi	Jakarta, ID		50.98	2018	4.9	0.3
PT Makmur Abadi Perkasa Mandiri	Jakarta, ID		51.00	2018	0.0	0.0
PT Mandiri Sejahtera Sentra	Purwakarta, ID		50.98	2018	28.7	-0.5
PT Mineral Industri Sukabumi	Jakarta, ID		50.98	2018	4.6	0.2
PT Multi Bangun Galaxy	Lombok, ID		50.98	2018	12.2	0.0
PT Pionirbeton Industri	Jakarta, ID		51.00	2018	10.7	-1.9
PT Sahabat Muliasakti	Pati, ID		50.98	2018	-0.1	0.0
PT Sari Bhakti Sejati	Jakarta, ID		51.00	2018	3.0	0.0
PT Tarabatuh Manunggal	Rumpin Bogor, ID		50.98	2018	14.9	0.3
PT Terang Prakarsa Cipta	Medan, ID		51.00	2018	0.1	0.1
PT Tigaroda Rumah Sejahtera	Jakarta, ID		51.00	2018	0.4	0.0
PT Tiro Abadi Perkasa	Jakarta, ID		50.98	2018	0.1	0.0
Queensland Recycling Holdings Pty Ltd	Sydney, AU		100.00	2018	2.5	0.0
Queensland Recycling Pty Ltd	Sydney, AU		100.00	2018	1.0	0.4
Rajang Perkasa Sdn Bhd	Kuala Lumpur, MY		60.00	2018	0.4	0.4
Realistic Sensation Sdn Bhd	Kuala Lumpur, MY		69.98	2018	1.4	0.1
Recyclebin Pty Ltd	Sydney, AU		100.00	2018	0.0	0.0
Recycling Industries Pty Ltd	Sydney, AU		100.00	2018	8.3	4.6
Seas Co., Ltd. [4]	Bangkok, TH		100.00	-	-	-
Sitapuram Power Limited	Hyderabad, IN		99.99	2018	47.1	12.9
Sofinaz Holdings Sdn Bhd	Kuala Lumpur, MY		100.00	2018	0.3	0.0
South Coast Basalt Pty Ltd	Sydney, AU		100.00	2018	15.8	3.0
Suncoast Asphalt Equipment Hire Pty Ltd	Sydney, AU		100.00	2018	0.5	-0.1
Suncoast Asphalt Manufacturing Pty Ltd	Sydney, AU		100.00	2018	-0.5	-1.5
Suncoast Asphalt Pty Ltd	Sydney, AU		100.00	2018	3.4	2.1
Suncoast Asphalt Services Pty Ltd	Sydney, AU		100.00	2018	-0.1	0.0
Tanah Merah Quarry Sdn Bhd	Kuala Lumpur, MY		100.00	2018	-2.2	0.1
Valscot Pty Limited	Sydney, AU		100.00	2018	0.0	0.0
Vaniyuth Co., Ltd. [5]	Bangkok Metropolis, TH		48.80	2018	32.9	6.0
Waterfall Quarries Pty Limited	Sydney, AU		100.00	2018	0.0	0.0
West Coast Premix Pty Ltd	Sydney, AU		100.00	2018	0.0	0.0
Western Suburbs Concrete Partnership [5]	Parramatta, AU		50.00	2019	5.1	8.1
XL Premix Partnership [5]	Fairfield, AU		50.00	2018	0.1	0.1
XL Premix Pty Ltd [5]	Sydney, AU		50.00	2018	0.0	0.0
Yalkara Contracting Pty Ltd	Sydney, AU		100.00	2018	6.2	0.0
Zuari Cement Ltd.	Bangalore, IN		100.00	2018	178.4	5.1

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [1]	Equity in € million [2]	Net income in € million [3]
Subsidiaries						
Africa-Eastern Mediterranean Basin						
ACH Investments Limited	Ebene, MU		100.00	2018	16.3	0.0
Africim S.A.	Casablanca, MA		51.00	2018	1.4	-0.3
Al Mahaliya Ready Mix Concrete W.L.L. [5]	Safat, KW		12.89	2018	5.2	0.4
Austral Cimentos Sofala, SA	Dondo, MZ		100.00	2018	5.8	2.5
Calcim S.A.	Cotonou, BJ		89.00	2018	1.4	-0.4
Cimbenin SA	Cotonou, BJ		87.95	2018	14.0	-2.2
CimBurkina S.A.	Ouagadougou, BF		80.00	2018	26.5	11.2
Ciments du Maroc S.A.	Casablanca, MA		51.00	2018	420.2	97.5
Ciments du Togo SA	Lomé, TG		99.63	2018	32.6	7.2
DECOM Egyptian Co for Development of Building Materials S.A.E. [5]	Cairo, EG		25.77	2018	8.7	2.6
Gacem Company Limited	Serrekunda, GM		80.00	2018	0.2	0.3
Ghacem Ltd.	Tema, GH		93.10	2018	0.2	0.4
GRANUBENIN SA avec CA	Cotonou, BJ		89.90	2018	-0.7	-0.8
Gulf Ready Mix Concrete Company W.L.L. [5]	Safat, KW		12.90	2018	5.4	1.1
Hanson (Israel) Ltd	Ramat Gan, IL		99.98	2018	241.8	13.4
Hanson Quarry Products (Israel) Ltd	Ramat Gan, IL		99.98	2018	238.7	12.8
Hanson Yam Limited Partnership	Ramat Gan, IL		99.98	2018	3.5	0.4
HC Trading FZE	Dubai, AE		100.00	2018	1.0	0.2
HeidelbergCement Afrique Service	Lomé, TG		94.43	2018	0.0	0.0
HeidelbergCement Mediterranean Basin Holdings S.L.U. Palestine Ltd.	Ramallah, PS		100.00	2018	-0.7	-0.3
Helwan Cement Company S.A.E. [5]	Helwan/Greater Cairo, EG		49.32	2018	52.5	-3.2
Hilal Cement Company KSCP [5]	Safat, KW		25.27	2018	46.6	2.1
Industrie Sakia El Hamra "Indusaha" S.A. [5]	Lâayoune, MA		46.41	2018	47.6	27.7
Interbulk Egypt for Export S.A.E.	Cairo, EG		100.00	2018	0.3	0.1
Kuwait German Company for RMC W.L.L. [5]	Safat, KW		13.01	2018	1.1	0.4
La Cimenterie de Lukala S.A.R.L.	Kinshasa, CD		76.95	2018	-10.4	-24.6
La Societe GRANUTOGO SA	Lomé, TG		90.00	2018	2.0	0.3
Liberia Cement Corporation Ltd.	Monrovia, LR		81.67	2018	23.9	6.2
Mauritano-Française des Ciments S.A.	Nouakchott, MR		56.96	2018	9.8	1.0
Pioneer Beton Muva Umachzavot Ltd	Ramat Gan, IL		99.98	2018	0.2	0.0
Procimar S.A.	Casablanca, MA		100.00	2018	83.8	13.7
Scantogo Mines SA	Lomé, TG		90.00	2018	17.2	7.1
Sierra Leone Cement Corp. Ltd.	Freetown, SL		50.00	2018	5.7	0.6
Suez Cement Company S.A.E. [5]	Cairo, EG		49.55	2018	247.2	9.5
Suez for Transportation & Trade S.A.E. [5]	Cairo, EG		48.33	2018	0.6	0.0
Tadir Readymix Concrete (1965) Ltd	Ramat Gan, IL		100.00	2018	0.0	0.0
Tanzania Portland Cement Public Limited Company	Dar Es Salaam, TZ		69.25	2018	84.9	21.1
Teracem Limited [8]	Accra, GH		100.00	-	-	-
Tourah Portland Cement Company S.A.E. [5]	Cairo, EG		38.57	2018	-9.5	1.7
Union Cement Norcem C.o. (LLC) [5]	Ras Al Khaimah, AE		40.00	2018	10.6	20.0
Universal Company for Ready Mix Concrete Production S.A.E. [5]	Cairo, EG		25.77	2018	18.9	4.1
West Africa Quarries Limited	Tema, GH		83.79	2018	0.2	0.6
Joint Operations						
Western and Southern Europe						
Atlantica de Graneles y Moliendas S.A.	Zierbena-Vizcaya, ES		49.97	2018	-21.0	-0.3
Les Sables de Mezieres S.a.s.	Saint-Pierre-des-Corps, FR		50.00	2018	0.1	0.0
Mendip Rail Limited	Markfield, GB		50.00	2018	0.7	0.1
Joint Operations						
North America						
Terrell Materials LLC	Frisco, US		50.00	2018	5.6	1.6
Two Rivers Cement LLC	Camden, US		50.00	2018	7.4	-0.3

Company name	Corporate seat	HC AG direct ownership %	Group ownership %	Year [1]	Equity in € million [2]	Net income in € million [3]
Joint Operations						
Asia-Pacific						
Lytton Unincorporated Joint Venture	Toowong, AU		50.00	2018	0.0	0.0
Joint Ventures						
Western and Southern Europe						
ABE Deponie GmbH	Damsdorf, DE		50.00	2018	2.6	0.6
bihek GmbH [8]	Breisach am Rhein, DE		40.00	-	-	-
Carrières Bresse Bourgogne S.A.	Épervans, FR		33.26	2018	7.2	0.6
CaucasusCement Holding B.V.	's-Hertogenbosch, NL		45.00	2018	173.6	-0.1
Dragages et Carrières S.A.	Épervans, FR		50.00	2018	3.5	0.7
Fraimbois Granulats S.à r.l.	Fraimbois, FR		50.00	2018	0.0	-0.1
GAM Greifswalder Asphaltmischwerke GmbH & Co. KG	Greifswald, DE		30.00	2018	0.2	0.1
H.H. & D.E. Drew Limited	New Milton, GB		49.00	2018	15.2	1.5
Hanse-Asphalt Gesellschaft mbH	Rostock, DE		30.00	2018	0.9	0.1
Heidelberger Beton Donau-Iller GmbH & Co. KG [6]	Elchingen, DE		80.48	2018	0.8	0.2
Heidelberger Beton Kurpfalz GmbH & Co. KG [6]	Eppelheim, DE		64.73	2018	2.7	1.5
Heidelberger Betonpumpen Simonis GmbH & Co. KG [6]	Ubstadt-Weiher, DE		63.98	2018	0.9	0.4
Humber Sand and Gravel Limited	Rugby, GB		50.00	2018	-0.8	0.0
Kieswerk Langsdorf GmbH [6]	Jarmen, DE		62.45	2018	1.0	-0.1
Les Calcaires Girondins S.a.s.	Cenon, FR		50.00	2018	0.1	-0.5
Les Graves de l'Estuaire S.a.s.	Le Havre, FR		50.00	2018	0.7	-0.8
Mantovana Inerti S.r.l.	Castiglione delle Stiviere, IT		50.00	2018	2.1	0.1
North Tyne Roadstone Limited	Birmingham, GB		50.00	2018	-0.9	-0.3
Padyear Limited	Maidenhead, GB		50.00	2018	-0.2	0.0
Rewinn B.V.	Amsterdam, NL		50.00	2018	0.8	0.2
SCL S.A.	Heillecourt, FR		50.00	2018	-0.8	-0.2
Smiths Concrete Limited	Oxford, GB		49.00	2018	11.1	0.0
SPS S.a.s.	Pont de l'Arche, FR		50.00	2018	5.8	-0.5
TBG Ilm-Beton GmbH & Co. KG [6]	Arnstadt, DE		55.00	2018	0.4	-0.2
TBG Transportbeton GmbH & Co. KG Naabbeton	Nabburg, DE		50.00	2018	0.5	2.0
TBG Transportbeton Oder-Spree GmbH & Co. KG	Wriezen, DE		50.00	2018	1.5	0.6
Trapobet Transportbeton GmbH Kaiserslautern Kommanditgesellschaft	Kaiserslautern, DE		50.00	2018	1.0	1.0
WIKING Baustoff- und Transport GmbH & Co. Kommanditgesellschaft	Geseke, DE		50.00	2018	0.0	0.0
Joint Ventures						
Northern and Eastern Europe-Central Asia						
Betong Øst AS	Kongsvinger, NO		50.00	2018	6.2	4.9
Betong Vest AS	Blomsterdalen, NO		40.00	2018	3.0	0.3
BT Topbeton Sp. z o.o.	Gorzów Wielkopolski, PL		50.00	2018	6.5	0.9
CEMET S.A.	Warszawa, PL		42.91	2018	16.8	3.7
CJSC "Mineral Resources Company"	Ishimbay, RU		50.00	2018	10.3	0.2
Duna-Dráva Cement Kft.	Vác, HU		50.00	2018	155.3	28.4
Kalkkaia AS	Verdal, NO		50.00	2018	2.0	0.0
PÍSKOVNY MORAVA spol. s r.o.	Němčičky, CZ		50.00	2018	1.9	0.3
Pražské betonpumpy a doprava s.r.o.	Praha, CZ		50.00	2018	2.1	0.1
Tangen Eiendom AS	Brevik, NO		50.00	2018	3.0	0.2
TBG METROSTAV s.r.o.	Praha, CZ		50.00	2018	12.5	1.5
TBG Plzeň Transportbeton s.r.o. [6]	Beroun, CZ		50.10	2018	1.5	0.7
TBG SWIETELSKY s.r.o. [6]	České Budějovice, CZ		51.00	2018	0.8	0.1
Vltavské štěrkopísky, s.r.o.	Chlumín, CZ		50.00	2018	3.7	0.7
Joint Ventures						
North America						
Allied Cement Company, d/b/a CPC Terminals (Limited Partnership Interest) [8]	Sacramento, US		50.00	-	-	-
American Stone Company	Raleigh, US		50.00	2018	3.5	0.6

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [1]	Equity in € million [2]	Net income in € million [3]
BP General Partner Ltd. [8]	Winnipeg, CA		50.00	-	-	-
Building Products & Concrete Supply Limited Partnership	Winnipeg, CA		50.00	2018	12.0	4.3
Bulk Silos LLC [8]	Mendota Heights, US		50.00	-	-	-
China Century Cement Ltd.	Hamilton, BM		50.00	2018	59.7	35.1
Jack Cewe Construction Ltd. [8]	Coquitlam, CA		50.00	-	-	-
Red Bluff Sand & Gravel, L.L.C.	Birmingham, US		50.00	2018	4.0	1.0
Texas Lehigh Cement Company LP	Austin, US		50.00	2018	105.6	66.2
Upland Ready Mix Ltd.	Campbell River, CA		50.00	2018	1.1	0.3
Joint Ventures						
Asia-Pacific						
Alliance Construction Materials Ltd [8]	Kowloon, HK		50.00	-	-	-
Cement Australia Holdings Pty Ltd	Darra, AU		50.00	2018	154.3	-2.0
Cement Australia Partnership	Darra, AU		50.00	2018	29.9	104.0
Cement Australia Pty Limited	Darra, AU		50.00	2018	0.0	0.0
Easy Point Industrial Ltd.	Hong Kong, HK		50.00	2018	-0.4	0.0
Jidong Heidelberg (Fufeng) Cement Company Limited	Baoji City, CN		48.11	2018	100.2	36.8
Jidong Heidelberg (Jingyang) Cement Company Limited	Xianyang City, CN		50.00	2018	100.9	42.0
M&H Quarries Partnership	Doncaster, AU		50.00	2018	-2.2	-0.1
Metromix Pty Limited	Parramatta, AU		50.00	2018	16.6	-0.5
Penrith Lakes Development Corporation Limited	Castlereagh, AU		20.00	2019	-113.4	3.8
Squareal Cement Ltd	Hong Kong, CN		50.00	2018	24.3	-4.7
Technically Designed Concrete Partnership	Bibra Lake, AU		50.00	2019	1.0	-0.3
Joint Ventures						
Africa-Eastern Mediterranean Basin						
Akçansa Çimento Sanayi ve Ticaret A.S.	Istanbul, TR	39.72	39.72	2018	105.5	31.6
Associates						
Western and Southern Europe						
Auxerre Béton S.à r.l.	Rungis, FR		50.00	2018	0.3	0.2
Béton Contrôle des Abers S.a.s.	Lannilis, FR		34.00	2018	5.3	0.5
Betonmortelcentrale De Mark B.V.	Oud-Gastel, NL		28.57	2018	1.3	0.2
Betonpumpen-Service Niedersachsen GmbH & Co. KG	Hannover, DE		50.00	2018	0.2	0.1
Betotech GmbH, Baustofftechnisches Labor [6]	Eppelheim, DE		69.11	2018	0.1	0.1
Betuwe Beton Holding B.V.	Tiel, NL		50.00	2018	6.2	1.1
C.V. Projectbureau Grensmaas	Born, NL		8.22	2018	7.3	2.2
Cementi della Lucania - F.lli Marroccoli fu Michele S.p.A.	Potenza, IT		30.00	2018	-0.6	-0.3
Cugla B.V.	Breda, NL		50.00	2018	5.9	4.2
Demula N.V.	Laarne, BE		50.00	2018	1.1	1.0
Dijon Béton S.A.	Saint-Apollinaire, FR		15.00	2018	8.6	0.6
Donau Kies GmbH & Co. KG [6]	Fürstenzell, DE		75.00	2018	6.0	0.5
DONAU MÖRTEL - GmbH & Co. KG	Neuburg a. Inn, DE		50.00	2018	0.2	0.0
Ernst Marschall GmbH & Co. KG Kies- und Schotterwerke	Kressbronn, DE		19.96	2018	4.0	0.8
Fase 3 B.V.	Maasbracht, NL		16.48	2018	0.1	0.0
Fertigbeton (FBU) GmbH & Co Kommanditgesellschaft Unterwittbach [6]	Kreuzwertheim, DE		57.14	2018	0.2	0.0
GENAMO Gesellschaft zur Entwicklung des Naherholungsgebietes Misburg-Ost mbH	Hannover, DE	50.00	50.00	2018	0.3	0.2
Generalcave S.r.l. - in liquidazione [4]	Fiumicino, IT		50.00	2018	0.0	0.0
Hafenbetriebsgesellschaft mbH & Co KG Stade	Stade, DE		50.00	2018	0.5	0.2
Heidelberger Beton Grenzland GmbH & Co. KG	Marktredwitz, DE		50.00	2018	1.7	0.0
Heidelberger Beton Inntal GmbH & Co. KG [6]	Altötting, DE		68.39	2018	0.6	1.8
Heidelberger Beton Karlsruhe GmbH & Co. KG	Karlsruhe, DE		50.30	2018	0.9	0.2
Heidelberger Beton Personal-Service GmbH [6]	Heidelberg, DE		100.00	2018	0.1	0.0
Heidelberger Fließestrich Südwest GmbH [6]	Eppelheim, DE		72.38	2018	0.4	0.3
ISAR-DONAU MÖRTEL-GmbH & Co. KG	Passau, DE		33.33	2018	0.2	0.0
KANN Beton GmbH & Co KG	Bendorf, DE		50.00	2018	0.9	0.0

Company name	Corporate seat	HC AG direct ownership %	Group ownership %	Year [1]	Equity in € million [2]	Net income in € million [3]
Kieswerke Flemmingen GmbH [6]	Penig, DE		54.00	2018	2.8	0.3
Kronimus Aktiengesellschaft	Iffezheim, DE	24.90	24.90	2018	26.8	2.0
Kronimus SAS	Maizieres les Metz, FR		43.60	2018	3.7	-0.2
KVB Kies- Vertrieb GmbH & Co. KG	Karlsdorf-Neuthard, DE		24.46	2018	0.2	0.1
Maasgrind B.V.	Maasbracht, NL		16.48	2018	0.2	0.0
Matériaux de Boran S.A. [6]	Tourcoing, FR		99.76	2018	0.0	0.0
Materiaux Traites du Hainaut S.A.	Antoing, BE		50.00	2018	0.6	0.1
MERMANS BETON N.V.	Arendonk, BE		50.00	2018	0.0	-0.4
Misburger Hafengesellschaft mit beschränkter Haftung	Hannover, DE	39.66	39.66	2018	2.1	1.7
Münchner Mörtel GmbH & Co. KG	München, DE		20.00	2018	0.1	0.1
Nederlands Cement Transport Cetra B.V.	Uithoorn, NL		50.00	2018	2.6	0.6
Panheel (Maatschappij tot Exploitatie van het Ontgrondingsproject Panheel) B.V.	Maasbracht, NL		16.48	2018	0.3	0.0
Peene Kies GmbH	Jarmen, DE		24.90	2018	3.2	0.1
Raunheimer Quarzsand GmbH & Co. KG	Raunheim, DE		50.00	2018	2.4	0.7
Raunheimer Sand- und Kiesgewinnung Blasberg GmbH & Co. KG	Raunheim, DE		23.53	2018	0.5	0.3
Recybel S.A.	Flémalle, BE		25.50	2018	-0.2	-0.3
Recyfuel S.A.	Braine-l'Alleud, BE		50.00	2018	14.3	1.0
Schwaben Mörtel GmbH u. Co. KG	Filderstadt, DE		30.00	2018	0.5	0.1
Stinkal S.a.s.	Ferques, FR		35.00	2018	-11.9	-1.3
Südbayerisches Portland-Zementwerk Gebr. Wiesböck & Co. GmbH	Rohrdorf, DE	23.90	23.90	2018	482.6	45.5
TBG Bayerwald Transportbeton GmbH & Co. KG	Fürstenzell, DE		50.00	2018	0.4	-0.2
TBG Deggendorfer Transportbeton GmbH	Deggendorf, DE		33.33	2018	1.2	0.8
TBG Transportbeton Caprano GmbH & Co. KG	Heidelberg, DE		50.00	2018	0.3	0.1
TBG Transportbeton Gesellschaft mit beschränkter Haftung & Co. KG. Hohenlohe	Schwäbisch Hall, DE		25.00	2018	0.3	0.1
TBG Transportbeton GmbH & Co. KG Betonpumpendienst [6]	Nabburg, DE		55.54	2018	0.1	0.8
TBG Transportbeton GmbH & Co.KG Lohr-Beton	Lohr am Main, DE		50.00	2018	0.2	0.1
TBG Transportbeton Reichenbach GmbH & Co. KG [6]	Reichenbach, DE		70.00	2018	0.7	0.0
TBG Transportbeton Rhein-Donau-Raum GmbH & Co.KG	Singen, DE		36.90	2018	0.2	-0.1
TBG Transportbeton Werner GmbH & Co. KG	Dietfurt a.d. Altmühl, DE		38.85	2018	0.1	0.3
Transbeton Gesellschaft mit beschränkter Haftung & Co Kommanditgesellschaft	Löhne, DE		27.23	2018	2.2	1.4
Transportbeton Johann Braun GmbH & Co. KG	Tröstau, DE		50.00	2018	0.0	0.0
Transportbeton Meschede GmbH & Co. KG	Meschede, DE		43.51	2018	0.1	0.1
V.o.F. Betoncentrale West-Brabant	Oud-Gastel, NL		50.00	2018	-0.6	-0.4
Van Zanten Holding B.V.	Leek, NL		25.00	2018	3.7	1.0
Zement- und Kalkwerke Otterbein GmbH & Co. KG	Großenlüder-Müs, DE	38.10	38.10	2018	2.0	1.1
Associates						
Northern and Eastern Europe-Central Asia						
Devnya Limestone AD, Chernevo	Chernevo Village, BG		49.97	2018	13.0	1.0
LOMY MOŘINA spol. s r.o.	Mořina, CZ		48.95	2018	13.7	0.4
Ribe Betong AS	Kristiansand, NO		40.00	2018	2.7	2.3
SP Bohemia, k.s. [6]	Králův Dvůr, CZ		75.00	2018	9.3	0.6
Sylteosen Betong AS	Elnesvågen, NO		39.94	2018	2.4	0.0
TBG Louny s.r.o.	Louny, CZ		33.33	2018	1.2	0.4
TBG PKS a.s.	Žďár nad Sázavou, CZ		29.70	2018	3.0	0.4
TBG PODIVÍN s.r.o. [9]	Brno, CZ		33.00	-	-	-
Vassiliko Cement Works Ltd.	Nicosia, CY		25.97	2018	233.3	12.7
Associates						
North America						
Cemstone Products Company	Mendota Heights, US		47.09	2018	51.8	2.3
Cemstone Ready-Mix, Inc.	New Richmond, US		44.01	2018	8.8	-0.3
Chaney Enterprises 2, LLC [8]	Lothian, US		25.00	-	-	-
Chaney Enterprises Limited Partnership	Lothian, US		25.00	2018	44.8	10.0
Innocon Inc.	Richmond Hill, CA		45.00	2018	9.1	-1.6
Innocon Partnership	Richmond Hill, CA		45.00	2018	-10.0	-8.6

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [1]	Equity in € million [2]	Net income in € million [3]
RF Properties East, LLC	Lothian, US		25.00	2018	-0.2	-0.1
RF Properties, LLC	Lothian, US		25.00	2018	1.1	0.2
Southstar Limited Partnership	Lothian, US		25.00	2018	69.4	2.1
Sustainable Land Use, LLC	Lothian, US		25.00	2018	7.2	3.0
Associates						
Asia-Pacific						
PT Bhakti Sari Perkasa Bersama	Bogor, ID		15.30	2018	0.3	0.2
PT Cibinong Center Industrial Estate	Bogor, ID		25.50	2018	5.3	0.9
PT Makmur Lestari Indonesia	Jakarta, ID		24.91	2018	0.4	0.0
PT Pama Indo Mining	Jakarta, ID		20.39	2018	3.8	0.8
Associates						
Africa-Eastern Mediterranean Basin						
Asment Temara S.A.	Témara, MA		37.01	2018	95.0	29.3
CEMZA (PTY) LTD	Midrand, ZA		40.00	2019	12.7	0.0
Fortia Cement S.A.	Lomé, TG		50.00	2018	8.9	-1.4
Tecno Gravel Egypt S.A.E.	Cairo, EG		22.30	2018	2.3	0.4

The following subsidiaries are reflected in the consolidated financial statements at cost due to their immateriality.

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [1]	Equity in € million [2]	Net income in € million [3]
Immaterial subsidiaries						
Western and Southern Europe						
Azienda Agricola Lodoletta S.r.l.	Bergamo, IT		75.00	2018	0.6	0.1
Betotech Baustofflabor GmbH	Heidelberg, DE	100.00	100.00	2018	0.1	-0.1
Betotech GmbH, Baustofftechnisches Labor	Nabburg, DE		72.08	2018	0.2	0.0
CALCESTRUZZI TORDINO S.R.L.	Bergamo, IT		100.00	2018	0.2	0.0
CSPS Trustees Limited [8]	Maidenhead, GB		100.00	-	-	-
Donau Kies Verwaltungs GmbH	Fürstenzell, DE		75.00	2018	0.0	0.0
Entreprise Lorraine d'Agriculture - ELDA S.à r.l.	Heillecourt, FR		100.00	2018	0.1	0.0
Etablissement F.S. Bivois SARL	Strasbourg, FR		60.00	2018	-0.1	0.0
Foundamental GmbH	Heidelberg, DE		100.00	2018	0.0	0.0
Hanson (ER-No 3) Limited [8]	London, GB		100.00	-	-	-
HConnect GmbH [9]	Heidelberg, DE		100.00	-	-	-
HeidelbergCement Construction Materials Italia S.r.l.	Bergamo, IT		100.00	2018	0.0	0.0
HeidelbergCement Grundstücksverwaltungsgesellschaft mbH	Heidelberg, DE	100.00	100.00	2018	0.1	0.0
HeidelbergCement Logistik Verwaltungs-GmbH	Polch, DE	100.00	100.00	2018	0.1	0.0
HeidelbergCement Shared Services GmbH	Leimen, DE	100.00	100.00	2018	1.5	0.3
HeidelbergCement, Funk & Kapphan Grundstücksverwaltungsgesellschaft mbH	Heidelberg, DE	80.00	80.00	2018	0.0	0.0
Heidelberger Beton Donau-Naab Verwaltungsgesellschaft mbH	Burglengenfeld, DE		77.70	2018	0.0	0.0
Heidelberger Beton Elster-Spree Verwaltungs-GmbH [6]	Cottbus, DE		60.00	2018	0.0	0.0
Heidelberger Beton Gersdorf GmbH & Co. KG	Gersdorf, DE		65.00	2018	0.1	0.0
Heidelberger Beton Gersdorf Verwaltungs- und Beteiligungs-GmbH	Gersdorf, DE		65.00	2018	0.0	0.0
Heidelberger Beton GmbH & Co Stuttgart KG	Remseck am Neckar, DE		100.00	2018	1.4	0.3
Heidelberger Beton Inntal Verwaltungs-GmbH	Altötting, DE		68.39	2018	0.0	0.0
Heidelberger Beton Verwaltungs GmbH Stuttgart	Remseck am Neckar, DE		100.00	2018	0.0	0.0
Heidelberger Betonelemente Verwaltungs-GmbH	Chemnitz, DE		83.00	2018	0.1	0.0
Lindustries (D) Limited [8]	London, GB		100.00	-	-	-
Lithonplus Verwaltungs-GmbH	Lingenfeld, DE		60.00	2018	0.0	0.0
Lombarda Calcestruzzi S.r.l.	Milano, IT		100.00	2018	0.1	-0.1
MDF MÖRTEL- UND ESTRICH-DIENST FRANKEN GmbH & Co. KG	Nürnberg, DE		100.00	2018	0.1	0.0
MDF MÖRTEL-DIENST FRANKEN Verwaltungs-GmbH	Nürnberg, DE		100.00	2018	0.0	0.0
MM MAIN-MÖRTEL GmbH & Co.KG	Aschaffenburg, DE		84.19	2018	0.1	0.1
MM MAIN-MÖRTEL Verwaltungsgesellschaft mbH	Aschaffenburg, DE		84.19	2018	0.0	0.0
MS "Wesertrans" Binnenschiffsreederei GmbH & Co. KG	Elsfleth, DE		68.75	2018	0.0	0.0

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [1]	Equity in € million [2]	Net income in € million [3]
MS "Wesertrans" Verwaltungsgesellschaft mbH	Elsfleth, DE		75.00	2018	0.0	0.0
NOHA Norddeutsche Hafenumschlagsgesellschaft mbH	Cadenberge, DE		60.00	2018	0.1	0.0
Paderborner Transport - Beton - Gesellschaft mit beschränkter Haftung	Paderborn, DE		75.00	2018	0.0	0.0
Rederij Cement-Tankvaart B.V.	Terneuzen, NL		66.18	2018	5.3	0.7
SCI Bicowal	Strasbourg, FR		60.00	2018	0.0	0.0
SCI de Balloy	Avon, FR		100.00	2018	0.0	0.0
SCI du Colombier	Rungis, FR		63.00	2018	0.0	-0.1
Société Civile d'Exploitation Agricole de l'Avesnois	Guerville, FR		80.00	2018	0.0	0.0
Société d'Extraction et d'Aménagement de la Plaine de Marolles SEAPM S.a.s.	Avon, FR		56.40	2018	1.1	0.3
SPRL Ferme de Wisempierre	Antoing, BE		100.00	2018	1.8	0.0
TBG Ilm-Beton Verwaltungs-GmbH	Arnstadt, DE		55.00	2018	0.0	0.0
TBG Transportbeton Reichenbach Verwaltungs-GmbH	Reichenbach, DE		70.00	2018	0.0	0.0
TBM Transportbeton-Gesellschaft mbH Marienfeld & Co. KG [6]	Harsewinkel, DE		85.94	2018	0.1	0.1
TBM Transportbeton-Gesellschaft mit beschränkter Haftung Marienfeld	Harsewinkel, DE		85.94	2018	0.0	0.0
Tercal S.R.L.	Bergamo, IT		100.00	2018	1.4	-0.1
WIKA Sand und Kies Verwaltungs-GmbH	Stade, DE		100.00	2018	0.0	0.0
Immaterial subsidiaries						
Northern and Eastern Europe-Central Asia						
8 Vershin LLP	Almaty, KZ		99.98	2018	0.1	0.0
Agromir Sp. z o.o.	Górażdże, PL		100.00	2018	0.0	0.0
Agrowelt Sp. z o.o.	Górażdże, PL		100.00	2018	0.7	0.0
Azer-E.S. Limited Liability Company	Baku, AZ	100.00	100.00	2018	3.6	0.0
Bukhtarma TeploEnergo LLP	Oktyabrskiy village, KZ		100.00	2018	0.0	0.0
Bukhtarma Vodokanal LLP	Oktyabrskiy village, KZ		100.00	2018	0.1	0.0
Center Cement Plus Limited Liability Partnership	Astana, KZ		100.00	2018	0.9	0.0
Centrum Technologiczne Betotech Sp. z o.o.	Dąbrowa Górnicza, PL		100.00	2018	0.2	-0.1
Českomoravská těžařská, s.r.o.	Mokrá-Horákov, CZ		100.00	2018	0.0	0.0
Donau Kies Bohemia Verwaltungs, s.r.o.	Plzeň, CZ		75.00	2018	0.0	0.0
Eurotech Cement S.h.p.k.	Durrës, AL		92.43	2018	-1.1	0.4
Fastighets AB Lövholmen 1	Stockholm, SE		100.00	2018	0.0	0.0
Fastighets AB Lövholmen 10	Stockholm, SE		100.00	2018	0.0	0.0
Fastighets AB Lövholmen 11	Stockholm, SE		100.00	2018	0.0	0.0
Fastighets AB Lövholmen 2	Stockholm, SE		100.00	2018	0.0	0.0
Fastighets AB Lövholmen 3	Stockholm, SE		100.00	2018	0.0	0.0
Fastighets AB Lövholmen 4	Stockholm, SE		100.00	2018	0.0	0.0
Fastighets AB Lövholmen 5	Stockholm, SE		100.00	2018	0.0	0.0
Fastighets AB Lövholmen 6	Stockholm, SE		100.00	2018	0.0	0.0
Fastighets AB Lövholmen 7	Stockholm, SE		100.00	2018	0.0	0.0
Fastighets AB Lövholmen 8	Stockholm, SE		100.00	2018	0.0	0.0
Fastighets AB Lövholmen 9	Stockholm, SE		100.00	2018	0.0	0.0
Fastighets Söder om Kalkbrottet 1 AB	Stockholm, SE		100.00	2018	0.0	0.0
Fastighets Söder om Kalkbrottet 2 AB	Stockholm, SE		100.00	2018	0.0	0.0
Fastighets Söder om Kalkbrottet 3 AB	Stockholm, SE		100.00	2018	0.0	0.0
Fastighets Söder om Kalkbrottet 4 AB	Stockholm, SE		100.00	2018	0.0	0.0
Fastighets Söder om Kalkbrottet Holding AB	Stockholm, SE		100.00	2018	0.0	0.0
Geo Nieruchomości Sp. z o.o.	Górażdże, PL		100.00	2018	0.1	0.0
Global IT Center, s.r.o.	Brno, CZ		100.00	2018	3.9	0.4
Heidelberg Vostok-Cement LLP	Almaty, KZ		100.00	2018	0.1	0.0
LLC HC Yug	Podolsk, RU		100.00	2018	0.2	-0.1
MIXT Sp. z o.o.	Górażdże, PL		100.00	2018	0.8	0.0
Podgrodzie Sp. z o.o.	Raciborowice Górne, PL		100.00	2018	1.7	-0.2
Polgrunt Sp. z o.o.	Górażdże, PL		100.00	2018	1.2	0.8
Shqiperia Cement Company Shpk	Tirana, AL		100.00	2018	0.7	0.0
TRANS-SERVIS,spol. s r.o.	Králův Dvůr, CZ		100.00	2018	1.2	0.0

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [1]	Equity in € million [2]	Net income in € million [3]
Immaterial subsidiaries						
North America						
Cementi Meridionali Ltd. [8]	Road Town, VG		100.00	-	-	-
Hanson (ER-No 16) Inc. [8]	Wilmington, US		100.00	-	-	-
Industrial Del Fresno SA [8]	San Miguel de Allende, MX		76.00	-	-	-
Kidde Industries, Inc. [8]	Wilmington, US		100.00	-	-	-
Lucas Coal Company, Inc [8]	Harrisburg, US		100.00	-	-	-
Magnum Minerals, Inc. [8]	Harrisburg, US		100.00	-	-	-
Mediterranean Carriers, Inc.	Panama City, PA		100.00	2018	-2.6	0.0
Piedras y Arenas Baja SA de CV [8]	Tijuana, MX		100.00	-	-	-
PUSH NA Holdings, Inc. [8]	Wilmington, US		100.00	-	-	-
SunCrete Rooftile, Inc. [8]	Sacramento, US		100.00	-	-	-
Total Limited [8]	Wilmington, US		100.00	-	-	-

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [1]	Equity in € million [2]	Net income in € million [3]
Immaterial subsidiaries						
Asia-Pacific						
Vesprapat Holding Co., Ltd. 4) 5)	Bangkok, TH		49.00	-	-	-

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [1]	Equity in € million [2]	Net income in € million [3]
Immaterial subsidiaries						
Africa-Eastern Mediterranean Basin						
Agadir Atlantique S.à r.l.	Casablanca, MA		50.97	2018	0.0	0.0
BETOSAHA [5] [9]	Lâayoune, MA		26.01	-	-	-
C.N.A. - Cimentos Nacionais de Angola S.A. [8]	Luanda, AO		56.00	-	-	-
Cimento de Bissau, Limitada [8]	Bissau, GW		99.00	-	-	-
FOUNDATION HEIDELBERGCEMENT TOGO [8]	Lomé, TG		94.43	-	-	-
Intercom Libya F.Z.C. [8]	Misrata, LY		100.00	-	-	-
Suez for Import & Export Co S.A.E. [5]	Cairo, EG		48.33	2018	0.0	0.0
Terra Cimentos LDA [8]	Dondo, MZ		100.00	-	-	-

The following joint ventures and associates are reflected in the consolidated financial statements at cost due to their immateriality.

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [1]	Equity in € million [2]	Net income in € million [3]
Immaterial joint ventures and associates						
Western and Southern Europe						
Alzagri NV	Brugge, BE		50.00	2018	0.6	0.1
Baustoff- und Umschlags-GmbH	Mosbach, DE		33.33	2018	0.2	0.0
Betonpumpen-Service Niedersachsen Verwaltungs-GmbH	Hannover, DE		50.00	2018	0.0	0.0
C. & G. Concrete Limited [4]	Leeds, GB		23.48	-	-	-
Calcaires de la Rive Gauche I SPRL	Nivelles, BE		35.00	2018	4.5	-0.3
Cava delle Capannelle S.r.l.	Almenno San Bartolomeo, IT		49.00	2018	0.6	0.1
Consorzio Stabile San Francesco S.C.A.R.L.	Foligno, IT		42.00	2018	0.1	0.0
DONAU MÖRTEL-Verwaltungs-GmbH	Passau, DE		50.00	2018	0.0	0.0
Energy For Growth Società Consortile a Responsabilità Limitata	Milano, IT		14.18	2018	35.1	0.0
Erfo Erlanger-Forchheimer Beton-Vertriebs-GmbH [4]	Erlangen, DE		16.67	2018	0.1	0.0
Eurocalizas S.L. [8]	Meruelo, ES		33.31	-	-	-
Fertigbeton (FBU) Gesellschaft mit beschränkter Haftung [6]	Kreuzwertheim, DE		57.14	2018	0.0	0.0
GAM Greifswalder Asphaltmischwerke VerwaltungsGmbH	Greifswald, DE		30.00	2018	0.0	0.0
GIE des Terres de Mayocq	Le Crotoy, FR		32.50	2018	0.0	0.0
GIE GM [6]	Guerville, FR		63.00	2018	0.0	0.0
GIE Loire Grand Large	Saint-Herblain, FR		26.00	2018	0.0	0.0
GIE Manche Est	Rouxmesnil-Bouteilles, FR		20.00	2018	0.0	0.0
GIE Sud Atlantique	La Rochelle, FR		50.00	2018	-0.1	0.0
Granulats Marins de Normandie GIE	Le Havre, FR		32.50	2018	0.0	0.0
Hafen- und Lagergesellschaft Greifswald mbH	Greifswald, DE		30.00	2018	0.2	0.0

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [1]	Equity in € million [2]	Net income in € million [3]
Hafenbetriebs- und Beteiligungs-GmbH, Stade	Stade, DE		50.00	2018	0.1	0.0
Heidelberger Beton Donau-Iller Verwaltungs-GmbH [6]	Elchingen, DE		80.65	2018	0.1	0.0
Heidelberger Beton Grenzland Verwaltungs-GmbH	Marktredwitz, DE		50.00	2018	0.0	0.0
Heidelberger Beton Kurpfalz Verwaltungs-GmbH [6]	Eppelheim, DE		64.73	2018	0.0	0.0
Heidelberger Betonpumpen Simonis Verwaltungs-GmbH [6]	Ubstadt-Weiher, DE		63.92	2018	0.0	0.0
Hormigones Mecanizados, S.A.	Palma de Mallorca, ES		33.33	2018	-0.5	0.0
Hormigones Olatzi S.A [8]	Olazagutia, ES		24.99	-	-	-
Hormigones Txingudi S.A.	San Sebastián, ES		33.31	2018	0.1	0.0
ISAR-DONAU MÖRTEL-Verwaltungs-GmbH	Plattling, DE		33.33	2018	0.0	0.0
KANN Beton Verwaltungsgesellschaft mbH	Bendorf, DE		50.00	2018	0.1	0.0
KVB Verwaltungs- und Beteiligungs-GmbH	Karlsdorf-Neuthard, DE		24.41	2018	0.0	0.0
Les Calcaires Sud Charentes SCI	Cherves-Richemont, FR		34.00	2018	-0.2	0.0
Les Quatre Termes S.a.s.	Salon-de-Provence, FR		50.00	2018	-0.1	-0.1
Lippe-Kies GmbH & Co. KG	Delbrück, DE		50.00	2018	0.1	-0.1
Lippe-Kies Verwaltungs GmbH	Delbrück, DE		50.00	2018	0.0	0.0
Münchner Mörtel Verwaltungsges. mbH	München, DE		20.00	2018	0.0	0.0
Neuciclaje S.A.	Bilbao, ES		33.31	2018	0.2	0.0
Nordhafen Stade-Bützfleth Verwaltungsgesellschaft mbH	Stade, DE		20.00	2018	0.0	0.0
Otterbein Gesellschaft mit beschränkter Haftung	Großenlüder-Müs, DE	20.00	20.00	2018	0.0	0.0
Raunheimer Quarzsand Verwaltungsgesellschaft mbH	Raunheim, DE		50.00	2018	0.0	0.0
S.A.F.R.A. S.r.l. - in liquidazione [4]	Bologna, IT		33.33	-	-	-
San Francesco S.c.a.r.l. in liquidazione [4]	Foligno, IT		45.71	2018	0.6	0.0
Sandkorn GmbH & Co. KG	Trappenkamp, DE		25.00	2018	0.2	0.8
Schwaben-Mörtel Beteiligungs GmbH	Filderstadt, DE		30.00	2018	0.0	0.0
SCI de Barbeau	Bray-sur-Seine, FR		49.00	2018	0.0	0.0
SCI des Granets	Cayeux-sur-Mer, FR		33.33	2018	0.0	0.0
SCI Les Calcaires de Taponnat	Cherves-Richemont, FR		50.00	2018	0.0	0.0
Scori S.A.	Plaisir, FR		13.95	2018	-0.5	-8.4
SCRL du Port Autonome du Centre et de l'Ouest	La Louviere, BE		2.39	2018	28.5	-0.1
SCRL Le Confort Mosan	Oupeye, BE		17.26	2018	39.9	0.3
Società Per l'Aeroporto Civile di Bergamo-Orio Al Serio (S.A.C.B.O. S.p.A.)	Bergamo, IT		3.27	2018	146.5	22.5
Société Civile Bachant le Grand Bonval [6]	Guerville, FR		80.00	2018	0.0	0.0
Société Foncière de la Petite Seine S.a.s.	Saint-Sauveur-lès-Bray, FR		42.25	2018	0.1	0.1
TBG Bayerwald Verwaltungs-GmbH	Fürstenzell, DE		50.00	2018	0.0	0.0
TBG Rott Kies und Transportbeton GmbH	Kelheim, DE		18.65	2018	1.0	0.1
TBG Transportbeton Caprano Verwaltungs-GmbH	Heidelberg, DE		50.00	2018	0.0	0.0
TBG Transportbeton Gesellschaft mit beschränkter Haftung	Schwäbisch Hall, DE		25.00	2018	0.0	0.0
TBG Transportbeton Lohr Verwaltungsgesellschaft mbH	Lohr am Main, DE		50.00	2018	0.0	0.0
TBG Transportbeton Oder-Spree Verwaltungs-GmbH	Wriezen, DE		50.00	2018	0.0	0.0
TBG Transportbeton Rhein-Donau-Raum Verwaltungs-GmbH	Singen, DE		36.90	2018	0.0	0.0
TBG Transportbeton Verwaltungsgesellschaft mbH	Nabburg, DE		50.00	2018	0.0	0.0
TBG Transportbeton Werner Verwaltungsgesellschaft mbH	Dietfurt a.d. Altmühl, DE		38.85	2018	0.0	0.0
terravas GmbH	Königs Wusterhausen, DE		50.00	2018	0.0	0.0
Transbeton Gesellschaft mit beschränkter Haftung	Löhne, DE		27.23	2018	0.0	0.0
Transportbeton Johann Braun Geschäftsführungs GmbH	Tröstau, DE		50.00	2018	0.0	0.0
Transportbeton Meschede Gesellschaft mit beschränkter Haftung	Meschede, DE		43.51	2018	0.0	0.0
Urzeit Weide GbR	Schelklingen, DE	50.00	50.00	2019	0.1	0.0
Verwaltungsgesellschaft mit beschränkter Haftung TRAPOBET Transportbeton Kaiserslautern	Kaiserslautern, DE		50.00	2018	0.0	0.0
WIKING Baustoff- und Transport Gesellschaft mit beschränkter Haftung	Soest, DE		50.00	2018	0.0	0.0
Immaterial joint ventures and associates						
Northern and Eastern Europe-Central Asia						
AB Akmenės Cementas	Lietuva, LT		8.65	2018	40.5	-12.5
AB Svensk Byggtjänst	Stockholm, SE		11.00	2018	7.0	1.2

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [1]	Equity in € million [2]	Net income in € million [3]
Bukhtarma Teplo Tranzit LLP	Oktyabrskiy village, KZ		20.00	2018	-0.1	0.0
Dobrotitsa BSK AD	Dobrich, BG		26.38	2018	-1.0	-0.1
JSC HeidelbergCement Volga	Volsk, RU		5.00	2018	21.9	3.3
Velkolom Čertovy schody, akciová společnost	Tmaň, CZ		50.00	2018	6.8	0.1
Immaterial joint ventures and associates						
North America						
KHB Venture LLC [8]	Waltham, US		33.33	-	-	-
Newbury Development Associates, LP [8]	Bridgeville, US		35.00	-	-	-
Newbury Development Management, LLC [8]	Bridgeville, US		35.00	-	-	-
Trelar Logistics, Inc. [8]	Austin, US		44.68	-	-	-
Woodbury Investors, LLC [8]	Atlanta, US		50.00	-	-	-
Immaterial joint ventures and associates						
Asia-Pacific						
Diversified Function Sdn Bhd	Kuala Lumpur, MY		50.00	2018	0.0	0.0
Pornphen Prathan Company Limited [4]	Bangkok, TH		49.70	-	-	-
Sanggul Suria Sdn Bhd	Kuala Lumpur, MY		45.00	2018	0.0	0.0
Immaterial joint ventures and associates						
Africa-Eastern Mediterranean Basin						
Ceval GIE	Casablanca, MA		22.00	2018	0.1	0.1
Ciments du Nord S.A.	Nouadhibou, MR		7.65	2018	7.6	1.8
Italcementi for Cement Manufacturing - Libyan J.S.C. [8]	Tripoli, LY		50.00	-	-	-
Maestro Drymix S.A.	Casablanca, MA		25.50	2018	-0.1	-0.4
Suez Lime S.A.E.	Cairo, EG		24.66	2018	0.4	0.0

1) Last fiscal year for which financial statements are available.
2) Translated with the closing rate of the fiscal year for which financial statements are available.
3) Translated with the average rate of the fiscal year for which financial statements are available.
4) In liquidation
5) Controlling influence through contractual arrangements and/or legal regulations
6) Absence of controlling influence through contractual arrangements and/or legal regulations
7) The company makes use of the exemption from disclosure obligations in accordance with section 264b of the German Commercial Code (HGB).
8) Information on equity and earnings is omitted pursuant to section 286 (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.
9) Company founded in 2019. Therefore, no annual financial statement available yet.

Heidelberg, 18 March 2020

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 2019, consolidated balance sheet as at 31 December 2019, consolidated statement of changes in equity for the financial year from 1 January to 31 December 2019, 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 2019. 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 2019, and of its financial performance for the fiscal year from 1 January to 31 December 2019, and
– the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group 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 fiscal year from 1 January to 31 December 2019. 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 terminal values forecast in the past as well as forecasts of general economic development.

Furthermore, we analysed the assumptions made on the basis of future market expectations. 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 relating to the review of goodwill impairment.

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 29 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

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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 41 and 42 of the notes to the consolidated financial statements.

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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" and "Additional information" 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 2019 and were engaged by the Supervisory Board on 31 May 2019. 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 (long-form 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 EUR 10b Euro Medium Term Note (EMTN) programme;
- Reports in connection with the EEG ("Erneuerbare-Energien-Gesetz": German Renewable Energy Act), the VerpackV ("Verpackungsverordnung": German Packaging Ordinance) or due to HeidelbergCement 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 anthe determination of the target achievement for the management component of the long-term bonus plan 2017-2019/20;
- Voluntary audits or reviews of annual financial statements;
- Tax advisory services relating to employee secondments;
- Ongoing tax advisory services; particularly as part of the ongoing tax field audits.

German Public Auditor responsible for the engagement
The German Public Auditor responsible for the engagement is Helge-Thomas Grathwol.

Stuttgart, 18 March 2020
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 2019 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 non-financial statement of HeidelbergCement AG according to § 289b HGB ("Handelsgesetzbuch": German Commercial Code), which is combined with the non-financial statement of the group according to § 315b 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 resp. chapter, plus paragraph "Business Model" in chapter "Fundamentals of the group" of the combined management report being incorporated by reference for the reporting period from 1 January to 31 December 2019 (hereafter combined non-financial statement). 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 pronounce¬ments 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 December 2019 and March 2020, 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, aggregating and validating data in the relevant areas in the reporting period and testing such documentation on a sample basis,

- Analytical evaluation of disclosures in the combined non-financial statement at the level of HeidelbergCement AG 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 for the period from 1 January to 31 December 2019 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 HeidelbergCement. 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 Wirtschaftsprüfungs¬gesellschaften [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, 18 March 2020
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Grathwol Wirtschaftsprüfer (German Public Auditor)	Richter Wirtschaftsprüferin (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, 18 March 2020

HeidelbergCement AG

The Managing Board

Dr. Dominik von Achten

Dr. Lorenz Näger

Kevin Gluskie

Hakan Gurdal

Ernest Jelito

Jon Morrish

Chris Ward

5 i Additional information

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.

Cement capacities as well as aggregates reserves and resources

Cement capacities [1]	Million tonnes
Western and Southern Europe	
Belgium	3.9
France	7.5
Germany	10.9
Italy	11.4
Netherlands	3.8
Spain	2.7
United Kingdom	6.0
	46.2
Northern and Eastern Europe-Central Asia	
Bulgaria	2.3
Czechia	2.8
Estonia	1.1
Greece	0.9
Kazakhstan	4.0
Norway	1.9
Poland	5.2
Romania	6.2
Russia	5.0
Sweden	2.8
	32.2
North America	
Canada	4.1
USA	12.7
	16.8
Asia-Pacific	
Bangladesh	3.6
Brunei	0.4
India	12.3
Indonesia	25.0
Thailand	5.8
	47.1
Africa-Eastern Mediterranean Basin	
Benin	0.6
Burkina Faso	1.7
DR Congo	1.0
Egypt	10.4
Ghana	4.3
Liberia	0.5
Morocco	4.6
Mozambique	0.3
Sierra Leone	0.5
Tanzania	1.9
Togo	1.0
	26.8
Total HeidelbergCement	169.1

Cement capacities of joint ventures [2]	Million tonnes
Australia	2.7
Bosnia-Herzegovina	0.4
China	8.9
Georgia	1.0
Hungary	1.4
Turkey	2.9
USA (Texas)	0.6
Total joint ventures	17.9
HeidelbergCement incl. joint ventures	187.0

Aggregates reserves and resources [3]

Billion tonnes	Reserves	Resources	Total
Western and Southern Europe	1.2	2.1	3.3
Northern and Eastern Europe-Central Asia	0.7	0.5	1.3
North America	4.1	7.8	11.9
Asia-Pacific	1.2	1.5	2.7
Africa-Eastern Mediterranean Basin	0.05	0.02	0.1
HeidelbergCement total	7.3	11.9	19.2

1) Operational capacities based on 80 % calendar time utilisation
2) Cement capacities according to our ownership
3) Defined in the PERC Reporting Standard for mineral reserves and resources, see page 70 in the Risk and opportunity report.

Imprint

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HeidelbergCement AG
Berliner Strasse 6
69120 Heidelberg, Germany

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Translation of the Annual Report 2019. The German version is binding.

This Annual Report - in German and English - is only available electronically on the Internet: www.heidelbergcement.com. There, you will also find the 2019 financial statements of HeidelbergCement AG and further information about HeidelbergCement

Contact:
Group Communication
Phone: +49 6221 481-13227
Fax: +49 6221 481-13217
E-mail: info@heidelbergcement.com

Investor Relations
Phone:
Institutional investors USA and UK: +49 6221 481-13925
Institutional investors EU and rest of the world: +49 6221 481-39568
Private investors: +49 6221 481-13256
Fax: +49 6221 481-13217
E-mail: ir-info@heidelbergcement.com

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HeidelbergCement is member of:

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Forum Nachhaltige Entwicklung

Financial calendar	
Group annual accounts 2019	19 March 2020
Press conference on annual accounts	19 March 2020
First quarter 2020 results	7 May 2020
Second quarter 2020 results	30 July 2020
Third quarter 2020 results	5 November 2020

HeidelbergCement AG
Berliner Strasse 6
69120 Heidelberg, Germany
www.heidelbergcement.com