HEIDELBERGCEMENT

Report on the

ANNUAL FINANCIAL STATEMENTS 2020

of HeidelbergCement AG

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HeidelbergCement AG – Financial highlights

Figures in €m	2019 [1]	2020
Number of employees as at 31 December	2,128	**2,160**
Revenue		
Cement	629	**680**
Rent/Services	177	**192**
Total revenue	806	**872**
Operating result	5	**14**
Profit/Loss of the financial year	35	**-86**
Dividend per share in €	0.60	**2.20** [2]
Investments in intangible and tangible fixed assets	127	**76**
Amortisation and depreciation	35	**48**
Intangible and tangible fixed assets	674	**701**
Financial fixed assets	23,123	**22,541**
Current assets	3,094	**3,253**
Prepaid expenses	33	**27**
Net defined benefit asset	5	**0**
Equity	12,385	**12,180**
Provisions	655	**800**
Liabilities	13,889	**13,543**
Deferred income	0	**0**
Balance sheet total	26,929	**26,522**

1) Values were adjusted.
2) The Managing Board and Supervisory Board will propose to the Annual General Meeting on 6 May 2021 the distribution of a cash dividend of €2.20.

Annual financial statements 2020 of HeidelbergCement AG

In accordance with section 315 (5) of the German Commercial Code (HGB), the management report of HeidelbergCement AG has been combined with that of HeidelbergCement Group, 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.

The combined management report of HeidelbergCement Group and HeidelbergCement AG can be found in the Group's Annual Report 2020.

The list of shareholdings in accordance with section 285 no. 11 of the German Commercial Code (HGB) can also be found in the notes of the Group's Annual Report 2020

The annual financial statements and the combined management report of HeidelbergCement AG and the Group for the 2020 financial year will be published in the Federal Gazette.

Due to rounding, numbers presented in the annual financial statements may not add up precisely to the totals provided.

Income statement
for the period from 1 January to 31 December2020

€'000s	Notes	2019 [1]	2020
Revenue	1	805,971	**872,030**
Change in finished goods and work in progress		-773	**-1,176**
Own work capitalised		3,581	**2,154**
Total overall performance		808,779	**873,008**
Other operating income	2	38,060	**14,725**
Material costs	3	-275,868	**-294,468**
Employee and personnel costs	4	-241,341	**-265,233**
Amortization and depreciation of intangible assets and poperty, plant and equipment	5	-34,872	**-48,398**
Other operating expenses	6	-289,997	**-265,653**
Operating result		4,761	**13,981**
Result from investments [1]	7	32,589	**48,175**
Income from long-term loans		65,705	**47,501**
Other interest and similar income	8	186,949	**127,117**
Income from currency translation	11	566,102	**957,841**
Write-ups on financial assets		69,563	**0**
Impairment on financial assets	9	-4,463	**0**
Interest and similar expenses	10	-295,468	**-260,311**
Expenses from currency translation	11	-573,793	**-971,195**
Taxes on income	12	-16,468	**-48,062**
Profit after tax		35,477	**-84,953**
Other taxes		-937	**-896**
Profit/Loss of the financial year		34,540	**-85,849**
Profit brought forward		10,686	**326,176**
Withdrawals from other revenue reserves		400,000	**200,000**
Balance sheet profit		445,226	**440,327**

1) Values were adjusted (see Notes to income statement, 1 Revenue and 3 Material costs)
2) Thereof loss from profit and loss transfer agreement 517 (PY: 2,993)

Balance sheet as of 31 December 2020

Assets			
€'000s	Notes	31 Dec. 2019	31 Dec. 2020
Fixed assets	13		
Intangible assets	14		
Acquired concessions, industrial property rights, similar rights and assets, and licences thereunder		32,885	**30,531**
Goodwill		1,295	**1,151**
Prepayments		3,203	**3,789**
		37,383	**35,471**
Tangible fixed assets	14		
Land, land rights and buildings		169,055	**308,655**
Plant and machinery		205,650	**304,416**
Other equipment, plant and office equipment		24,370	**30,055**
Prepayments and assets under construction		237,397	**22,547**
		636,472	**665,673**
Financial fixed assets	15		
Investments in subsidiaries	16	21,083,435	**21,085,603**
Loans to subsidiaries	17	1,690,489	**1,106,095**
Investments in participations	18	347,483	**347,763**
Loans to participations	19	1,436	**1,386**
Other loans	20	0	**0**
		23,122,843	**22,540,847**
		23,796,698	**23,241,991**
Current assets			
Inventories	21		
Raw materials and consumables		26,739	**30,076**
Work in progress		21,238	**20,610**
Finished goods and goods for resale		13,592	**13,029**
Prepayments		115	**100**
Emission rights		22,555	**26,041**
		84,239	**89,856**
Receivables and other assets	22		
Trade receivables		8,200	**6,927**
Receivables from subsidiaries		1,240,227	**1,892,333**
Receivables from other participations		7,463	**2,421**
Other assets		78,810	**29,493**
		1,334,700	**1,931,174**
Cash and cash equivalents	23	1,675,071	**1,232,080**
		3,094,010	**3,253,110**
Prepaid expenses	24	33,032	**27,385**
Net defined benefit asset	25	4,792	**0**
Balance sheet total		26,928,532	**26,522,486**

Equity and Liabilities			
€'000s	Notes	31 Dec. 2019	31 Dec. 2020
Equity			
Subscribed share capital	26	595,249	**595,249**
Share premium	27	6,143,943	**6,143,943**
Other revenue reserves	28	5,200,000	**5,000,000**
Balance sheet profit		445,226	**440,327**
		12,384,418	**12,179,519**
Provisions			
Provisions for pensions	29	306,401	**311,022**
Tax provisions	30	192,236	**264,212**
Other provisions	31	156,120	**224,279**
		654,757	**799,513**
Liabilities	32		
Bonds payable		2,750,000	**2,750,000**
Bank loans		744,880	**733,272**
Trade payables		88,865	**70,712**
Liabilities to subsidiaries		10,272,347	**9,902,059**
Liabilities to other participations		1,443	**2,466**
Other liabilities		31,367	**84,751**
		13,888,902	**13,543,260**
Deferred income	33	455	**194**
Balance sheet total		26,928,532	**26,522,486**

Statement of changes in fixed assets / Notes for the 2020 financial year

Statement of changes in fixed assets	Acquisition and production cost			
€'000s	1 Jan. 2020	Additons	Disposals	Transfer
Intangible assets				
Concessions, trademarks and similar rights and assets	103,157	2,251	632	9,247
Goodwill	70,251	0	0	0
Prepayments	3,203	3,707	0	-3,121
	176,611	5,958	632	6,126
Tangible fixed assets				
Land, land rights and buildings	649,587	25,870	425	125,360
Plant and machinery	767,085	18,527	3,049	94,508
Other equipment, furniture and fixtures	118,566	12,299	5,937	2,172
Prepayments and assets under construction	237,397	13,316		-228,166
	1,772,635	70,012	9,411	-6,126
Financial fixed assets				
Shares in affiliated companies	21,085,526	2,168	0	0
Loans to subsidiaries	1,694,445	153,172	737,566	0
Investments in participations	349,996	280	0	0
Loans to participations	1,436	0	50	0
Other loans	3,376	0	0	0
	23,134,779	155,620	737,616	0
Fixed assets	25,084,025	231,590	747,659	0

	Accumulated drepreciation and impairment					Carrying amount	
31 Dec. 2020	1 Jan. 2020	Additons	Disposals	Transfer	31 Dec. 2020	31 Dec. 2020	31 Dec. 2019
114,023	70,272	13,851	631	0	83,492	30,531	32,885
70,251	68,956	144	0	0	69,100	1,151	1,295
3,789	0	0	0	0	0	3,789	3,203
188,063	139,228	13,995	631	0	152,592	35,471	37,383
800,392	480,532	11,566	361	0	491,737	308,655	169,055
877,071	561,435	14,261	3,045	4	572,655	304,416	205,650
127,100	94,196	8,576	5,723	-4	97,045	30,055	24,370
22,547	0	0	0	0	0	22,547	237,397
1,827,110	1,136,163	34,403	9,129	0	1,161,437	665,673	636,472
21,087,694	2,091	0	0	0	2,091	21,085,603	21,083,435
1,110,051	3,956	0	0	0	3,956	1,106,095	1,690,489
350,276	2,513	0	0	0	2,513	347,763	347,483
1,386	0	0	0	0	0	1,386	1,436
3,376	3,376	0	0	0	3,376	0	0
22,552,783	11,936	0	0	0	11,936	22,540,847	23,122,843
24,567,956	1,287,327	48,398	9,760	0	1,325,965	23,241,991	23,796,698

Notes for the 2020 financial year

HeidelbergCement AG has its registered office in Heidelberg, Germany. The company is listed in the register of the Mannheim Local Court (Amtsgericht) under HRB number 330082. HeidelbergCement AG is a large corporation within the meaning of section 267 of the German Commercial Code (Handelsgesetzbuch, HGB).

The 2020 financial statements of HeidelbergCement AG, which have been prepared in compliance with the HGB, the German Stock Corporation Act (Aktiengesetz, AktG), and the Articles of Association are explained below.

In the interest of better clarity and transparency, the remarks to be made in accordance with the statutory provisions for the items of the balance sheet and income statement on their face as well as the remarks to be made either in the balance sheet or income statement or in the Notes are listed in the Notes. The income statement classifies expenses according to their nature. The financial year is the calendar year.

To improve the presentation in the balance sheet, the income statement, and the development of fixed assets, figures are shown in thousands of euros. In the Notes and the Management Report, the figures are provided in millions of euros.

The balance sheet structure defined by the HGB has been extended on the assets side under inventories to include the item “emission rights”. The “income from currency translation”, “write-ups on financial assets”, and “expenses from currency translation” are shown as separate items in the income statement. The structure of the income statement is extended to include the voluntary subtotals “total overall performance” and “operating result” for improved clarity. In addition, the sub-items of material costs and employee and personnel costs are summarised in the income statement and shown separately in the Notes. Furthermore, result from investments includes the expenses from profit and loss transfers, which are shown separately in the Notes.

Currency translation

Financial assets, receivables, and liabilities, as well as contingent liabilities in foreign currency, are valued at the average spot exchange rate effective as at the reporting date – unless included in valuation units. The realisation and imparity principle is applied where the remaining term exceeds one year.

Accounting and valuation methods

The accounting and valuation methods used in the preparation of the annual financial statements remained largely unchanged in comparison with the previous year.

The financial statements are prepared on the assumption that the company will continue to operate for the foreseeable future. Therefore, the going concern assumption was used for the valuation.

Notes to the income statement

1 Revenue

Revenue developement by business line

€m	2019[1]	2020
Cement	629	**680**
Rent/Services	177	**192**
Total	806	**872**

1) Values were adjusted.

Revenue developement by market

€m	2019[1]	2020
Domestic	625	**645**
International	181	**227**
Total	806	**872**

1) Values were adjusted.

Total revenue of HeidelbergCement AG grew by €66 million to €872 million (previous year: 806), 8.2 % above the previous year.

Revenue of the cement business line rose by 8.1 % to €680 million (previous year: 629). This increase is primarily due to the good development of construction activity during the reporting year. A further increase was also recorded in proceeds from services provided, which amounted to €192 million (previous year: 177) as a result of the continued centralisation of Group functions and expansion in the range of services offered.

Since the 2017 financial year, HeidelbergCement AG has assumed the trading activities for emission allowances between the consolidated subsidiaries as a retailer or agent for third-party account and recognised the purchase and sale of the emission certificates as material costs and revenue respectively in the income statement (2019: transitory item of €66 million). The accounting for intra-Group emission rights trading was changed in the 2020 financial year to the effect that only the commissions charged to the consolidated subsidiaries in connection with trading are shown in the income statement of HeidelbergCement AG. For comparability of the previous year's financial statements, the previous year's figures for revenue and material costs were adjusted accordingly.

The foreign revenue is mainly accounted for by intra-Group services.

2 Other operating income

Other operating income

€m	2019	2020
Income from disposal of property, plant and equipment	4.0	**0.7**
Prior-period income	30.2	**10.0**
Other	3.8	**4.0**
Total	38.0	**14.7**

The prior-period income primarily includes intra-Group charges from expenses incurred in previous years as well as the reversal of unused provisions from previous years, totalling €10.0 million (previous year: 30.2).

3 Material costs

The cost of raw materials and additives as well as the cost of logistics rose slightly compared with the previous year. This resulted from the general market development for raw materials as well as the business development in the reporting year. The previous year's figure for the cost of goods for resale was adjusted in accordance with the presentation in Note 1 Revenue.

Material costs

€m	2019	2020
Cost of raw materials and additives	179.1	**186.1**
Cost of goods for resale	27.1	**36.7**
Cost of logistics	69.7	**71.7**
Total	275.9	**294.5**

4 Employee and personnel costs

Employees

	2019	2020
White-collar employees	1,243	**1,290**
Blue-collar employees	766	**764**
Apprentices	119	**106**
Total	2,128	**2,160**

Personnel costs		
€m	2019	2020
Wages, salaries	205.7	**238.0**
Social security costs	25.8	**26.3**
Expenses for retirement benefits	9.1	**0.0**
Other personnel costs	0.7	**0.9**
Total	241.3	**265.2**

The effects of the restructuring measures to reduce sales and administrative costs, the normal annual wage and salary increases, and the formation of personnel-related provisions led to an increase in personnel costs in the reporting year. The adjustment of the pension trend from 1.75 % to 1.50 % for the valuation of pension provisions had an opposite effect and led to a decline in expenses for retirement benefits.

5 Amortisation and depreciation of intangible assets and property, plant and equipment

Amortisation and depreciation of intangible assets and property, plant and equipment		
€m	2019	2020
Depreciation and amortisation	34.9	**42.5**
Extraordinary depreciation	0.0	**5.9**
Total	34.9	**48.4**

The increase in depreciation and amortisation is due to completed modernisation measures as well as the finalisation of the new headquarters in the 2020 financial year. The extraordinary depreciation relates to the planned decommissioning of the kiln line at a cement plant in 2022/2023.

6 Other operating expenses

Other operating expenses include the following items:

Other operating expenses		
€m	2019	2020
Operating expenses	68.1	**78.4**
Administrative expenses	196.0	**161.5**
Sales-, marketing and distribution expenses	18.2	**19.6**
Other expenses	7.7	**6.2**
Total	290.0	**265.7**

Other operating expenses include prior-period expenses of €13.5 million (previous year: 26.7). These are mainly attributable to the increase of provisions and additional charges from previous years. Moreover, the addition of 1/15 of the transitional balance from the switch to the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz, BilMoG) in 2010 to the pension provisions, totalling €3.9 million (previous year: 3.9), is shown in other expenses. The decrease in administrative expenses is partly due to reduced travel as a result of the COVID-19 pandemic and associated lockdowns.

7 Result from investments

Result from investments		
€m	2019	2020
Income from subsidiaries	24.0	**44.2**
Expenses from profit and loss transfer	-3.0	**-0.5**
Income from participations	11.6	**4.5**
Total	32.6	**48.2**

Most of the income from subsidiaries concerns distributions of HCT Holding Malta Limited, Malta; HeidelbergCement Grundstücksgesellschaft mbH & Co. KG, Heidelberg, Germany; and HeidelbergCement, Funk & Kapphan Grundstücksgesellschaft GmbH & Co. KG, Heidelberg, Germany.

A loss of €0.5 million was absorbed in the financial year on the basis of a profit and loss transfer agreement with HeidelbergCement International Holding GmbH, Heidelberg, Germany. The income from participations relates in particular to the distributions from Südbayerisches Portland-Zementwerk Gebr. Wiesböck & Co. GmbH, Rohrdorf, Germany, and Akçansa Çimento Sanayi ve Ticaret A.S., Turkey.

8 Other interest and similar income

Other interest and similar income essentially contains interest income from the issue of short-term loans and income from surety and guarantee fees to subsidiaries, as well as income from interest rate and foreign exchange swaps.

9 Impairment on financial assets

No valuation allowances were made for financial assets in the reporting year.

10 Interest and similar expenses

Interest and similar expenses include other financing expenses totalling €7.5 million. This mainly relates to the syndicated credit facilities; the bonds issued by HeidelbergCement Finance Luxembourg S.A., Luxembourg, in 2014, 2013, and 2012 and transferred internally to HeidelbergCement AG; and the bonds issued by HeidelbergCement AG in 2016. Furthermore, the item also includes interest on additional tax payments due to the tax audit of open assessment periods from 2005 onwards. The compounding costs amount to a total of €32.7 million (previous year: 33.7) and primarily include the expenditure on the interest component from the change in pension provisions of €10.5 million (previous year: 21.8), the expenditure on the change in the interest rate for discounting pension provisions from 2.71 % to 2.31 % of €23.6 million (previous year: 11.5), and income from the plan assets of €2.7 million (previous year: 4.3). In addition, the interest component from the compounding of the provision for recultivation of €0.3 million (previous year: 0.3) is included.

Income and expenses from subsidiaries

€m	2019	2020
Result from subsidiaries and profit and loss transfer agreement	21.0	**43.7**
Income from long-term loans	64.5	**47.5**
Other interest and similar income	119.1	**77.2**
Write-ups on financial assets	69.2	**0.0**
Impairment on financial assets	4.0	**0.0**
Interest and similar expenses	100.6	**52.9**

11 Foreign exchange gains and losses

Foreign exchange gains and losses relate almost exclusively to Group-wide financing measures of the subsidiaries and are therefore shown in the financial result.

Foreign exchange gains and losses

€m	2019	2020
Foreign exchange gains	566.1	**957.8**
Foreign exchange losses	-573.8	**-971.2**
Total	-7.7	**-13.4**

12 Taxes on income

In addition to taxes for the current financial year, the income tax expense results primarily from expenditure for previous years (€33.8 million) connected with the tax audit of open assessment periods from 2005 onwards.

Deferred taxes are determined for timing differences between the statutory and tax valuation of fixed assets, liabilities, and prepaid expenses. Where applicable, tax losses carried forward are also taken into account. The calculation of deferred taxes is based on the combined income tax rate, which was 29.70 % (previous year: 29.70 %) for HeidelbergCement AG in the reporting year. This rate is composed of corporation tax, solidarity surcharge, and trade tax.

Deferred tax liabilities are predominantly due to different valuations of fixed assets. Deferred tax assets arise from higher obligations for pension obligations and provisions for partial retirement and anniversary benefits in the financial statements prepared under the HGB. In addition, deferred tax assets still result from non-tax-deductible provisions for anticipated losses and from higher valuations of inventories in the tax accounts. Overall, the deferred tax liabilities are offset by deferred tax assets. As permitted by the option in section 274(1) sentence 2 of the HGB, the excess deferred tax assets are not recognised in the balance sheet.

Notes to the balance sheet

13 Fixed assets

Total fixed assets decreased by €554.7 million to €23,242.0 million (previous year: 23,796.7). The development of fixed assets is shown on page 8f.

14 Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are valued at acquisition or production cost less amortisation and depreciation and any extraordinary write-downs. Production cost includes direct cost of materials, direct labour, and an appropriate portion of necessary materials and production overheads including production-related depreciation. The useful lives on which the depreciation routine is based are the result of years of experience and were adjusted most recently for facilities commissioned after 1 July 2017. Depreciation is applied on the basis of the following useful lives:

Useful lives

	Years
Industrial property rights, similar rights and assets, and licences thereunder	5 to 10
Buildings	10 to 30
Technical equipment and machinery	25
Plant and office equipment	5 to 15
IT hardware	5

Exploitation rights are amortised according to the reduction in substance. The goodwill arising from accretions and mergers is mainly due to the acquisition of customer bases, which are amortised over the average customer retention period of between 10 and 15 years.

The option to capitalise development costs is not used for internally generated intangible fixed assets. Expenses incurred in this respect are recognised immediately in profit or loss.

Since 1 January 2008, additions have been depreciated on a straight-line basis. Wherever possible, the declining balance depreciation method is used for assets purchased prior to 1 January 2008. The transition to straight-line depreciation takes place in the year in which the straight-line method leads to higher annual depreciation for the first time.

Since 2018, acquired low-value assets with an acquisition cost of less than €800.00 have been written off immediately.

Intangible assets and property, plant and equipment increased overall by €27.3 million due to new investments of €76.0 million, disposals of €0.3 million, and depreciation and amortisation of €48.4 million. Of the new investments, prepayments and assets under construction accounted for €17.0 million. Prepayments are reported at their nominal amount.

15 Financial assets

Of the financial assets, investments in subsidiaries and investments in participations are recognised at the lower of cost or market. Impairment that is expected to be permanent is provided for by extraordinary write-downs. Loans are valued at their nominal amount less valuation allowances. The list of shareholdings is included in the HeidelbergCement Group Annual Report 2020.

There were no write-downs or write-ups to financial assets in the 2020 financial year. The financial assets decreased by around €582.0 million to €22,540.8 million (previous year: 23,122.8). This decline is mainly due to repayments of loans to subsidiaries.

16 Investments in subsidiaries

Investments in subsidiaries increased to €21,085.6 million (previous year: 21,083.4).

The shares in Heidelberger Sand und Kies GmbH, Heidelberg, Germany, were increased by €1.5 million by means of a cash contribution.

Furthermore, the shares in Betotech GmbH, Baustofftechnisches Labor, Eppelheim, Germany, were increased by €0.7 million via a cash contribution.

17 Loans to subsidiaries

In the financial year, €153.2 million was granted in new loans.

Disposals totalled €737.6 million.

A loan of €697.4 million issued in euro to HeidelbergCement Norway AS, Norway, was repaid in full and partially refinanced by a credit facility issued in Norwegian kroner, of which €129.8 million was drawn.

In addition, €20.2 million was disbursed to Suez Cement Company S.A.E., Egypt, and a further €3.2 million to La Cimenterie de Lukala S.A.R.L., Democratic Republic of Congo.

At the end of 2020, the carrying amount of the loans to subsidiaries amounted to €1,106.1 million.

18 Investments in participations

The main investments in participations are held in Akçansa Çimento Sanayi ve Ticaret A.S., Turkey; Südbayerisches Portland-Zementwerk Gebr. Wiesböck & Co. GmbH, Rohrdorf, Germany; and Kronimus AG, Iffezheim, Germany.

19 Loans to participations

At the end of 2020, the carrying amount of the loans to participations amounted to €1.4 million.

20 Other loans

A short-term loan was granted to Across Bridges Trading and Contracting Company Ltd, Saudi Arabia, in 2017 as part of the sale of International City for Concrete Ltd, Saudi Arabia. Since the debtor is still significantly in arrears with repayment, the loan remains 100 % impaired.

21 Inventories

Inventories are stated at the lower of cost or market.

Raw materials and consumables were generally measured using the periodic LIFO method. This approach did not lead to any major differences compared with the last known market price. Spare parts are valued using the weighted average cost method.

Finished goods and work in progress are valued at cost on the basis of individual product costing derived from the current cost accounting. In addition to the direct cost of materials, direct labour, and other special direct costs, the cost includes an adequate share of production and material overheads, as well as depreciation. Borrowing costs are not included in the cost. Goods purchased for resale are recognised at the lower of cost or market.

Adequate allowances provide for all identifiable inventory valuation risks resulting from slow-moving goods, reduced usability, and lower replacement costs.

Emission rights allocated free of charge are recognised at an acquisition value of zero. Emission rights acquired for consideration are recorded at cost. If the fair value on the reporting date is lower, they are written down to this value.

22 Receivables and other assets

Receivables and other assets were stated at their nominal value. Valuation allowances provide for identifiable individual risks.

The general credit risk of all of the receivables is covered by adequate general loss allowances.

The receivables from subsidiaries mainly concern current financial receivables (€1,784.1 million) and trade receivables (€108.2 million).

As in the previous year, trade receivables, receivables from subsidiaries, and receivables from other participations have a remaining term of less than one year.

Other assets essentially include interest receivables, a reserve account for the non-payment of pre-financed receivables, and receivables from tax refund claims; of these, €8.6 million was legally incurred after the reporting date.

Receivables and other assets (Maturity more than 1 year)

€m	31 Dec. 2019	31 Dec. 2020
Other assets	0.2	**0.1**

23 Cash and cash equivalents

As at 31 December 2020, cash totalled €1,232.1 million (previous year: 1,675.1).

24 Prepaid expenses

Expenses prior to the reporting date are shown as prepaid expenses if they represent expenses for a certain time after this date.

The balance sheet item mainly contains expenses related to the drawing of credit lines, which are capitalised and amortised over the term through profit or loss. The balance as at the year end totalled €27.4 million (previous year: 33.0), of which €21.5 million (previous year: 29.0) relates to the debt discount.

25 Net defined benefit asset

In the previous year, the item contained the settlement amount from pension obligations of the deferred compensation plan of €15.6 million, which was counterbalanced by the plan assets of €20.4 million. This is a securities-linked commitment. The plan assets primarily contain shares in funds that are valued at fair value, calculated using the market value as at the reporting date.

As a result of changes in management of plan assets and the associated individual measurement of asset entitlements, the conditions were created in the financial year for the first time to implement accounting in accordance with the requirements for accounting for securities-linked commitments, which was not carried out in previous years for reasons of materiality.

The adjustment led to an increase in the pension obligation to €19.3 million, with the fair value of the plan assets amounting to €18.8 million as at the reporting date. The resulting excess of pension obligation is included in the provisions for pensions on the liabilities side.

26 Subscribed share capital and shares

Subscribed share capital and shares		
	Subscribed share capital €'000s	Number of shares
1 January 2020	595,249	198,416,477
31 December 2020	**595,249**	**198,416,477**

As at the reporting date of 31 December 2020, the subscribed share capital amounts to €595,249,431. 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
The Annual General Meeting held on 4 June 2020 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 €178,500,000 by issuing new no-par value bearer shares in total in return for cash contributions or contributions in kind on one or more occasions in partial amounts until 3 June 2025 (Authorised Capital 2020). 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 – i.e. in the event of a capital increase for cash, 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; or in the event of a capital increase in return for contributions in kind, for the purpose of acquiring companies or within the scope of implementing a dividend in kind/ dividend option. The complete text of the authorisation can 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 2020, the authorisation to issue new shares in return for cash contributions and/or contributions in kind forming the basis of the Authorised Capital 2020 had not been used.

Conditional share capital
In addition, the conditional share capital described below existed as at 31 December 2020: 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 2018 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 2020, 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 Authorised Capital 2020 and the Conditional Share Capital 2018 will not exceed a limit of 10 % of the share capital existing at the time the authorisation to exclude the subscription right comes into force.

Authorisation to acquire own shares
Furthermore, the authorisation to acquire own shares described below existed as at 31 December 2020. 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 on 4 May 2016 at the time for any permissible purpose within the scope of the legal restrictions. The authorisation may not be used for the purpose of trading in own shares. At no time may more than 10 % of the respective share capital be attributable to the acquired own shares combined with other shares that the company has already acquired and still possesses. The shares may be acquired via the stock exchange or by way of a public purchase offer or by means of a public call for the submission of offers to sell or by issuing rights to sell shares to the shareholders. The own shares acquired on the basis of the authorisation will be used by selling them via the stock exchange or in another suitable manner 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 2020, 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 2020.

27 Share premium

The share premium consists mainly of premiums received for capital increases.

Share premium		
€m	2019	2020
1 January	6,143.9	**6,143.9**
31 December	6,143.9	**6,143.9**

28 Other revenue reserves

Other revenue reserves		
€m	2019	2020
1 January	5,600.0	**5,200.0**
Withdrawals	-400.0	**-200.0**
31 December	5,200.0	**5,000.0**

As in the previous year, the other revenue reserves include the reserves for the Ehrhart Schott-Kurt Schmaltz Foundation in the amount of €0.5 million as well as for environmentally friendly structural preservation in the amount of €150.5 million.

A dividend of €119,049,886.20 was paid to the shareholders entitled to dividends from the balance sheet profit of €445,226,033.02 carried forward from the previous year as at 1 January 2020, in accordance with the resolution of the Annual General Meeting of 4 June 2020.

An amount of €200 million (previous year: 400) was withdrawn from the other revenue reserves and added to the balance sheet profit.

Information on amounts excluded from payout
The measurement at fair value of the plan assets in connection with defined benefit obligations gave rise to a difference between cost and fair value as an amount not available for payout of €8.8 million less deferred tax liabilities thereon of €2.6 million.

The provisions for benefit obligations (before deduction of corresponding plan assets) were calculated on the basis of the corresponding average market interest rate from the past ten financial years. Averaging on the basis of seven financial years would have resulted in an increase in obligations of €44.9 million.

The amount excluded from payout is offset by freely available revenue reserves of €5,000 million. Therefore, no payout block exists with regard to the balance sheet profit of €440 million.

29 Provisions for pensions

Provisions for pensions are determined using actuarial principles based on biometric assumptions (Heubeck 2018 G mortality tables) according to the projected unit credit method. Future expected salary and pension increases are taken into account when calculating the obligations. We anticipate annual adjustments of 2.6 % to the entitlements, as in the previous year, and 1.5 % (previous year: 1.75 %) to the pensions. For the calculation of provisions for pensions, an average market interest rate of the past ten years with matching maturities is used and applies to an assumed remaining term of 15 years. The discount rate, which was forecasted and used for reporting as at 31 December 2020, was 2.31 % (previous year: 2.71 %). As at the reporting date, the discount rate published by the German Central Bank was 2.30 %. This results in an insignificant deviation of approximately €0.6 million.

The standard retirement age in the statutory pension insurance was used to calculate the provisions for pensions.

The additional amount totalling €58.3 million due to the new regulations of BilMoG for the measurement of provisions for pensions is distributed with at least 1/15 in each financial year in accordance with the transitional provisions of BilMoG until 31 December 2024.

The proportionately added amount in the reporting year is €3.9 million. A deficit of €15.5 million therefore still exists at the reporting date of 31 December 2020.

As in the previous year, the impact of the change to the discount rate recognised in profit or loss is shown in the financial result.

When calculating the compounding expense, it is presumed that changes to discount rate, defined benefit obligation, and remaining term occur at the end of the financial year.

As at 31 December 2020, €81.2 million (previous year: 68.0) had been allocated to a Group contractual trust agreement (CTA) to protect pension entitlements from insolvency.

The item also includes the net amount of defined benefit obligations (securities-linked commitment) from the deferred compensation plan in the amount of €19.3 million, which is counterbalanced by the plan assets of €18.8 million. Since in individual cases the settlement amount from the minimum guarantee exceeds the fair value of the plan assets, there is an overall balance on the liabilities side.

30 Tax provisions

The tax provisions contain provisions for income taxes for previous years that were created for corporation tax, solidarity surcharge, and trade tax, as well as interest for additional tax payments. They are reported at the necessary settlement amount according to reasonable commercial assessment.

31 Other provisions

Other provisions are reported at the settlement amount which, according to reasonable commercial assessment, is necessary to cover all impending losses and contingent liabilities as at the reporting date (necessary settlement amount). They include amounts for recultivation obligations (€30.9 million), obligations to employees (€91.7 million), impending losses from derivative financial instruments (€50.5 million), and other risks and contingent liabilities (€28.5 million).

CO_2 emissions were taken into account with a provision of €22.6 million. Gratuitous assignments were taken into account when calculating the provision for the financial year. If further emission rights are necessary to fulfil the obligation, the carrying amount of the additionally purchased emission allowances will be taken into account.

Provisions are valued at the settlement amount taking into consideration price and cost increases. Provisions with a remaining term of more than one year are discounted using the average market interest rate of the last seven years, which is calculated by the German Central Bank and appropriate to the term.

As in the previous year, the impact of the change to the discount rate recognised in profit or loss is shown in the financial result.

When calculating the compounding expense, it is presumed that changes to discount rate, defined benefit obligation, and remaining term occur at the end of the financial year.

32 Liabilities

Maturities of liabilities

31. December	within 1 year		1 to 5 years		more than 5 years	
€m	2019	2020	2019	2020	2019	2020
Bonds payable	0.0	**0.0**	1,750.0	**2,750.0**	1,000.0	**0.0**
Bank loans	77.1	**86.0**	624.8	**612.3**	43.0	**34.9**
Trade payables	88.9	**70.7**	0.0	**0.0**	0.0	**0.0**
Liabilities to subsidiaries	9,522.3	**9,652.1**	500.0	**0.0**	250.0	**250.0**
Liabilities to other participations	1.4	**2.5**	0.0	**0.0**	0.0	**0.0**
Other liabilities	28.3	**20.4**	0.1	**20.8**	3.0	**43.6**
	9,718.0	**9,831.7**	2,874.9	**3,383.1**	1,296.0	**328.5**

Of the liabilities to subsidiaries, €9.8 billion relates to intra-Group financial transactions and €0.1 billion to trade payables. The liabilities to other participations primarily include trade payables.

Liabilities are recognised at the settlement amount.

Since 27 September 2007, a €10 billion EMTN programme has been in place for HeidelbergCement AG and HeidelbergCement Finance Luxembourg S.A., Luxembourg. As at 31 December 2020, debenture bonds totalling €7,650 million were drawn under the EMTN programme. Of this amount, €2,750 million was attributable to HeidelbergCement AG and €4,900 million to HeidelbergCement Finance Luxembourg S.A.

As at 31 December 2020, the syndicated credit line of €3 billion had been drawn upon by HeidelbergCement AG for cash withdrawals of €11.4 million. The guarantee line was utilised in the amount of €151.5 million as at 31 December 2020.

Additional notes on other liabilities

€m	31 Dec. 2019	31 Dec. 2020
Tax liabilities	5.5	**3.1**
Liabilities relating to social security	3.0	**3.1**

33 Deferred income

The item contains proceeds prior to the reporting date if they represent income for a certain time after this date.

Other information

Contingent liabilities and other financial obligations

Contingent liabilities and other financial obligations

€m	31 Dec. 2019	31 Dec. 2020
Liabilities from guarantees	559.6	**594.6**
Guarantees for capital market loans taken out	6,010.7	**4,416.2**

Liabilities from guarantees of €578.0 million (previous year: 549.1) relate to affiliates.

Under its guarantees for capital market loans, HeidelbergCement AG is liable for the obligations, mainly in respect of bond issues, on the part of affiliates totalling €4,410.8 million (previous year: 6,010.7).

The guarantees were almost exclusively granted to subsidiaries. Furthermore, letters of comfort were issued to subsidiaries.

On the basis of knowledge gained within the framework of the internal control system of the HeidelbergCement Group at the time this report was prepared, it is expected that the liabilities of the relevant companies underlying the contingent liabilities can be fulfilled and that the contingent liabilities and other financial obligations will therefore not be used.

Other financial commitments
The other financial commitments mainly concern expenditure under lease and rental liabilities to third parties, in which the economic ownership is not attributable to HeidelbergCement AG and was therefore not capitalised. Leased or rented property primarily includes real estate and other fixed assets, thereby stabilising the liquidity planning. There is no risk of fluctuation of lease and rental liabilities. As at 31 December 2020, there were no payment obligations to subsidiaries.

The following overview shows the due dates of the financial commitments from lease and rental liabilities as at 31 December 2020.

Lease and rental liabilities

€m	within 1 year	1 to 5 years	more than 5 years
Lease and rental liabilities	3.4	3.9	2.2

Derivative financial instruments

The operating activities and financing of an international group are subject to risks arising from changes in exchange rates, interest rates, and raw material prices. The risk areas are continuously monitored by the Group Treasury department and managed within the framework of our internal Group guidelines. To minimise these risks, derivative financial instruments are used as hedging transactions. As the parent company of the HeidelbergCement Group, these transactions are also concluded by HeidelbergCement AG, as well as by other companies.

Currency risks arising in connection with transactions with third parties in foreign currencies (transaction risks) are hedged through the use of derivative financial instruments. Foreign exchange swaps and currency forwards are used.

New contracts on derivative financial instruments with third parties are generally taken out in the name of HeidelbergCement AG as the in-house bank of the HeidelbergCement Group. These third parties are, without exception, banks. If required, derivatives concluded by HeidelbergCement AG with third parties are transferred internally to subsidiaries.

The following table provides an overview of the financial instruments that are grouped into valuation units as part of the respective micro hedge. As the conditions of the underlying and hedging instrument match, future fluctuations in value and changes in cash flows are, as a general rule, offset until and beyond the reporting date (volume matching and maturity matching). In the reporting year, one valuation unit resulted in an excess loss of €1.6 million, which was taken into account in a provision for contingent losses. The prospective effectiveness is determined using the critical terms match method, and the retrospective effectiveness by the change in fair value method. The valuation unit is recognised in the balance sheet using the net hedge presentation method.

Valuation units

Amount of underlying transaction/secured risk	Underlying transaction/ Hedge accounting	Losses not recognised € '000s	Secured risk	Maturity date
4 Mio USD	Commodity derivatives / Derivatives	412	Price	2021
3,700 Mio INR	Derivatives		Interest / currency	2021
2,500 Mio INR	Derivatives		Interest / currency	2022
1,426 Mio NOK	Derivatives	4,862	Currency	2021
297 Mio USD	Derivatives	29,829	Currency	2021
1,000 Mio AUD	Derivatives		Currency	2023
750 Mio EUR	Swaps / Derivatives	20,453	Currency	2022
750 Mio EUR	Swaps / Derivatives	14,800	Currency	2027
750 Mio EUR	Swaps / Derivatives	8,659	Interest	2022
750 Mio EUR	Swaps / Derivatives	22,854	Interest	2027

The remaining derivative financial instruments essentially act to hedge foreign currency loans and deposits as well as interest rate risks, for which a valuation unit is not explicitly recognised.

Derivative financial instruments

€ '000s	Nominal value	Fair value	Valuation method
Currency forwards 3rd party	54,645	661	Discounted Cash Flow method
Foreign exchange swaps 3rd party	4,179,595	-17,469	Discounted Cash Flow method
Currency forwards consolidated	63,329	-353	Discounted Cash Flow method
Foreign exchange swaps consolidated	63,367	1,502	Discounted Cash Flow method
Total	4,360,936	-15,659	

A provision for potential losses of €48.9 million was recognised for open positions with a negative fair value.

Related parties disclosures

The following transactions were carried out with related parties, for which, in accordance with section 285, sentence 1, no. 21, clause 2 of the HGB, no details are provided concerning transactions with companies that are indirectly or directly included in the consolidated financial statements of HeidelbergCement AG with a 100 % shareholding.

Related parties disclosures			
€m	Relationship		
Transaction	Subsidiaries	Joint Ventures	Associates
Disposal	32.3	14.0	10.2
Aquisition	23.3	0.0	14.6
Procured services	20.9	0.5	0.0
Provided services	50.0	3.4	3.2
Granted funding (incl. Cash Pooling)			
Valuta	225.1	0.2	0.4
Interest income current year	24.8	0.2	0.0
Received funding (incl. Cash Pooling)			
Valuta	363.7	11.1	0.0
Interest expenses current year	0.2	0.1	0.0
Granted guarantees			
Nominal	87.7	0.6	0.0
Valuta	87.7	0.6	0.0

Supervisory Board, Managing Board remuneration

Supervisory Board remuneration	
€ ’000s	2020
Fixed remuneration	**1,651**
Total	**1,651**

Individualised information on the remuneration of the Supervisory Board is presented in the remuneration report, which is part of the combined management report.

Managing Board remuneration

Managing Board remuneration for the 2020 financial year pursuant to section 314(1)(6a) HGB in connection with DRS 17										
€ ’000s rounded off (previous year in brackets)	Dr. Bernd Scheifele [1]	Dr. Dominik von Achten	Dr. Lorenz Näger	Kevin Gluskie	Hakan Gurdal	Ernest Jelito [2]	Jon Morrish	Dr. Albert Scheuer [3]	Chris Ward [4]	Total
Non-performance related compensation										
Fixed annual salary	135 (1,625)	1,348 (1,100)	1,024 (850)	80 (87)	665 (700)	665 (350)	82 (86)	(446)	70 (25)	**4,070** (5,269)
Fringe benefits	6 (77)	11 (11)	36 (82)	0 ()	71 (71)	24 (31)	174 ()	(19)	0 ()	**323** (291)
Cash allowance									37	**37** ()
Erfolgsabhängige Vergütung										
Annual bonus	271 (2,757)	2,655 (1,393)	1,646 (1,097)	119 (112)	1,008 (866)	1,047 (428)	129 (103)	(617)	102 (28)	**6,977** (7,402)
Deduction of fringe benefits from the annual bonus	-50 (-60)	0 ()	-55 (-60)	0 ()	0 ()	0 ()	0 ()	()	0 ()	**-105** (-115)
Total cash compensation including fringe benefits	362 (4,399)	4,015 (2,504)	2,651 (1,969)	199 (199)	1,744 (1,637)	1,736 (809)	384 (189)	(1,082)	209 (66)	**11,302** (12,854)
Compensation with long-term incentive										
Management component 2018 - 2020 (2017 - 2019)	1,828 (731)	1,031 (434)	797 (315)	79 (29)	654 (244)	0 ()	80 (24)	703 (301)	0 ()	**5,172** (2,078)
Capital market component 2020 - 2023 (2019 - 2022)	60 (618)	587 (348)	372 (269)	32 (27)	259 (222)	259 (194)	32 (27)	(158)	28 (19)	**1,631** (1,884)
Total compensation	2,251 (5,748)	5,633 (3,287)	3,821 (2,553)	311 (255)	2,657 (2,103)	1,996 (1,004)	496 (241)	703 (1,541)	237 (85)	**18,104** (16,817)

1) Until 31 January 2020 | 2) Since 1 July 2019 | 3) Until 5 August 2019 | 4) Since 1 September 2019

The members of the Managing Board are participating in the long-term bonus plan 2020-2022/23. The target values for the plan, rounded to the nearest € ’000, for the following Managing Board members are: €1,978,000 for Dr. Dominik von Achten, €1,256,000 for Dr. Lorenz Näger, €109,600 for Kevin Gluskie, €875,000 for Hakan Gurdal, €875,000 for Ernest Jelito, €1.075,000 for Jon Morrish, and €93,600 for Chris Ward. The target value was reduced for the leaving Managing Board member Dr. Bernd Scheifele according to the contract and amounts to €203,000.

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, for the following Managing Board members amounts to: €102,000 for Dr. Bernd Scheifele, for Dr. Dominik von Achten the pro-rata calculation results in a target value for the management component of €988,000 and the capital market component of €990,000, for Dr. Lorenz Näger the pro-rata calculation results in a target value for the management component of €627,000 and the capital market component of €628,000, €54,800 for Kevin Gluskie, €438,000 for Hakan Gurdal, €438,000 for Ernest Jelito, €538,000 for Jon Morrish and €46,800 for Chris Ward. The reference price for the capital market component amounts to €65.84. This equates to the following performance share units (PSUs) for: Dr. Bernd Scheifele 1,543 PSUs, Dr. Dominik von Achten 15,041 PSUs, Dr. Lorenz Näger 9,540 PSUs, Kevin Gluskie 832 PSUs, Hakan Gurdal 6,645 PSUs, Ernest Jelito 6,645 PSUs, Jon Morrish 8,164 PSUs and Chris Ward 711 PSUs.

In accordance with section 314(1)(6a) sentence 4 of the German Commercial Code (HGB), the fair value at the grant date must be indicated for the capital market component. For Dr. Bernd Scheifele this amounts to €60,000, for Dr. Dominik von Achten to €587,000, for Dr. Lorenz Näger to €372,000, for Kevin Gluskie to €32,500, for Hakan Gurdal to €259,000, for Ernest Jelito to €259,000, for Jon Morrish to €319,000, and for Chris Ward €27,800. The fair value was determined in accordance with a recognised actuarial method (Monte Carlo simulation).

Pension promises	Increase in provisions (German Commercial Code)		Amount of provision (German Commercial Code)	
€ ’000s rounded off	2019	**2020**	2019	**2020**
Dr. Bernd Scheifele (until 31 January 2020)	2.973	-	21.339	-
Dr. Dominik von Achten	1.117	**3.919**	6.357	**10.276**
Dr. Lorenz Näger	1.862	**840**	8.359	**9.200**
Kevin Gluskie	875	**754**	2.509	**3.263**
Hakan Gurdal	647	**624**	1.899	**2.523**
Ernest Jelito (since 1 July 2019)	217	**458**	217	**674**
Jon Morrish	633	**479**	1.742	**2.221**
Dr. Albert Scheuer (until 5 August 2019)	957	-	6.393	-
Total	9.281	**7.074**	48.814	**28.157**

Former members of the Managing Board and their surviving dependents
Payments to former members of the Managing Board and their surviving dependents amounted to €4.6 million for the business year (previous year: 2.7). This includes payments to Dr. Bernd Scheifele since 1 February 2020 for a contractually agreed compensation for a two year post contractual restraint. The payments amounted to €1,115,000 in the business year 2020. Provisions for pension obligations to former members of the Managing Board amounted to €35.8 million (previous year: 28.3).

Statement in accordance with section 161 of the German Stock Corporation Act concerning the German Corporate Governance Code
The statement of compliance with the German Corporate Governance Code as required by section 161 of the German Stock Corporation Act (Aktiengesetz, AktG) was submitted by the Managing Board and the Supervisory Board of HeidelbergCement AG and made available on the internet (see www.heidelbergcement.com, under Company/Corporate Governance).

Group relationships
As the controlling company of the Group, HeidelbergCement AG prepares consolidated financial statements pursuant to section 315e(1) of the HGB, which are published in the Federal Gazette.

Auditor's fees
In accordance with section 285, sentence 1, no. 17 of the HGB, the fees of the independent auditor calculated for the reporting year are not stated here as this information is included in the consolidated financial statements of HeidelbergCement AG. The auditor's services mainly comprised services for the audit of the financial statements and, to a lesser extent, other assurance services and tax advice. The other assurance services include the audit to obtain limited assurance of the non-financial statement. The tax advisory services relate to tax advice in connection with employee secondments.

Notifications of voting rights pursuant to the German Securities Trading Act
In accordance with the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), the company was given the following notifications of voting rights prior to the preparation of the annual financial statements:

Mertec Holding GmbH, Zossen, Germany, a company controlled by Ludwig Merckle, informed us pursuant to sections 33 and 34 of the WpHG that, by integration in the group structure of subsidiaries controlled by Ludwig Merckle, its voting right in HeidelbergCement AG on 25 June 2020 exceeded the thresholds of 3 %, 5 %, 10 %, 15 %, 20 %, and 25 % and amounted to 27.71 % on this day. 25.53 % of the voting rights are attributed to Mertec Holding GmbH pursuant to section 34 of the WpHG and 2.18 % pursuant to section 38(1) no. 1 of the WpHG. These voting rights are attributed to Mr Ludwig Merckle via the following two chains of companies controlled by him: first, via PH Vermögensverwaltung GmbH, UBH Holding GmbH, Piwa GmbH, VEM Beteiligungen GmbH, VEM Vermögensverwaltung GmbH, VEMOS 2 Holding GmbH, VEMOS 2 Beteiligungen GmbH, VEM Spohn GmbH, and Spohn Cement Beteiligungen GmbH and, second, via PH Vermögensverwaltung GmbH, UBH Holding GmbH, Mertec Holding GmbH, UBH Spohn GmbH, and Spohn Cement Beteiligungen GmbH. Spohn Cement Beteiligungen GmbH directly holds 25.53 % of the voting rights.

The following companies controlled by Ludwig Merckle, KL Holding GmbH, Zossen, Germany, and Kötitzer Ledertuch- und Wachstuch-Werke GmbH, Zossen, Germany, informed us pursuant to sections 33 and 34 of the WpHG that, as a result of spin-off from the Group structure, their voting rights in HeidelbergCement AG on 30 November 2020 fell below the thresholds of 25 %, 20 %, 15 %, 10 %, 5 %, or 3 %, and amounted to 0 % on that date.

The following companies controlled by Ludwig Merckle, SC Vermögensverwaltung GmbH, Zossen, Germany, and SC Holding GmbH, Zossen, Germany, informed us pursuant to sections 33 and 34 of the WpHG that, as a result of spin-off from the Group structure, their voting rights in HeidelbergCement AG on 8 December 2020 fell below the thresholds of 25 %, 20 %, 15 %, 10 %, 5 %, or 3 % and amounted to 0 % on that date.

The following companies controlled by Ludwig Merckle, Piwa GmbH, Zossen, Germany, and VEM Beteiligungen GmbH, Zossen, Germany, informed us pursuant to sections 33 and 34 of the WpHG that, as a result of spin-off from the Group structure, their voting rights in HeidelbergCement AG on 10 February 2021 fell below the thresholds of 25 %, 20 %, 15 %, 10 %, 5 %, or 3 % and amounted to 0 % on that date.

BlackRock, Inc., Wilmington, Delaware, USA, informed us in a voluntary group notification due to crossing a threshold at subsidiary level that its voting right in HeidelbergCement AG on 9 August 2019 amounted to 4.92 %. 4.47 % of the voting rights were attributed to BlackRock, Inc. pursuant to section 34 of the WpHG. 0.14 % of the voting rights were attributed to the company pursuant to section 38(1), no. 1 of the WpHG, and 0.31 % of the voting rights pursuant to section 38(1), no. 2 of the WpHG.

Artisan Partners Asset Management Inc., Wilmington, Delaware, USA, informed us pursuant to sections 33 and 34 of the WpHG that its voting right in HeidelbergCement AG on 28 February 2020 exceeded the threshold of 3 % and amounted to 3.16 % on that date. These voting rights are attributed to Artisan Partners Asset Management Inc. pursuant to section 34 of the WpHG via the following companies under its control: Artisan Partners Holding LP, Artisan Investments GP LLC, and Artisan Partners Limited Partnership. Artisan Partners Limited Partnership is attributed 3.16 % of the voting rights.

Black Creek Investment Management Inc., Toronto, Canada, informed us pursuant to sections 33 and 34 of the WpHG that its voting right in HeidelbergCement AG on 9 March 2020 exceeded the threshold of 3 % and amounted to 3.01 % on that date.

In a further notification, Black Creek Investment Management Inc., Toronto, Canada, informed us pursuant to sections 33 and 34 of the WpHG that its voting right in HeidelbergCement AG on 16 September 2020 fell below the threshold of 3 % and amounted to 2.998 % on that date.

First Eagle Global Fund, New York, USA, informed us pursuant to sections 33 and 34 of the WpHG that its voting right in HeidelbergCement AG on 11 January 2018 fell below the threshold of 3 % and amounted to 2.96 % on that date.

First Eagle Investment Management, LLC, New York, USA, informed us pursuant to sections 33 and 34 of the WpHG that its voting right in HeidelbergCement AG on 18 June 2020 fell below the threshold of 3 % and amounted to 2.96 % on that date.

The Capital Group Companies, Inc. informed us pursuant to sections 21 and 22 of the WpHG that its voting right in HeidelbergCement AG on 17 August 2017 fell below the threshold of 3 % and amounted to 2.98 % on this date. These voting rights are attributed to The Capital Group Companies, Inc. pursuant to section 22 of the WpHG through its subsidiary Capital Research and Management Company. An individual fund, EuroPacific Growth Fund, Boston, USA, had already informed us pursuant to section 21 of the WpHG that its voting right in HeidelbergCement AG on 14 August 2017 fell below the threshold of 3 % and amounted to 2.9996 % on this date.

Efiparind B.V., Amsterdam, Netherlands, informed us that its voting right in HeidelbergCement AG on 5 September 2016 fell below the thresholds of 5 % or 3 % and amounted to 2.89 % on this date. These voting rights were attributed to Efiparind B.V. pursuant to section 22 of the WpHG via the following subsidiaries under its control: EFIPARIND B.V. & CIE S.C.P.A., Cemital S.p.A., Privital S.p.A., Aureliana S.p.A., and Italmobiliare S.p.A.

Société Générale S.A., Paris, France, informed us pursuant to section 25a(1) of the WpHG that its voting right in our company on 13 August 2015 fell below the threshold of 5 % of the voting rights and amounted to 3.84 % on that date. Of these voting rights, 3.77 % was accounted for by voting rights through (financial/other) instruments according to section 25a of the WpHG, of which 2.77 % were held indirectly, and 0.07 % was accounted for by voting rights through (financial/other) instruments according to section 25 of the WpHG, of which 0.04 % were held indirectly. Voting rights pursuant to sections 21 and 22 of the WpHG accounted for 0 %.

The respective shareholder structure can be found on our website www.heidelbergcement.com under Investor Relations/Share/Shareholder Structure.

Supervisory Board and Managing Board

Supervisory Board

Fritz-Jürgen Heckmann
Chairman of the Supervisory Board
Stuttgart; Lawyer at the law firm Kees Hehl Heckmann and member of supervisory boards
Member since 8 May 2003, Chairman since 1 February 2005;
member of the Personnel, Audit, and Arbitration Committees

External mandates:
HERMA Holding GmbH + Co. KG [2], Filderstadt (Chairman)
Neue Pressegesellschaft mbH & Co. KG [2], Ulm
Paul Hartmann AG [1] [3], Heidenheim (Chairman)
Süddeutscher Verlag GmbH [2], Munich (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

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

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

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

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

4)) Non-listed companies controlled by Mr. Ludwig Merckle

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

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

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 and Personnel Committees

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

Margret Suckale
Hamburg; member of supervisory boards
Member since 25 August 2017; member of the Personnel, Audit and Nomination Committees

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

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 ; 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 2020 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, Birgit Jochens, Luka Mucic, Dr. Ines Ploss, Heinz Schmitt, Werner Schraeder, Margret Suckale

Audit Committee
Luka Mucic (Chairman), Ludwig Merckle (Deputy Chairman), Barbara Breuninger, Fritz-Jürgen Heckmann, Peter Riedel, Heinz Schmitt, Werner Schraeder, Margret Suckale

Nomination Committee
Ludwig Merckle (Chairman), Margret Suckale, Univ.-Prof. Dr. Marion Weissenberger-Eibl

Arbitration Committee, according to section 27 (3) of the German Codetermination Law
Univ.-Prof. Dr. Marion Weissenberger-Eibl (Chairwoman), Fritz-Jürgen Heckmann, Dr. Ines Ploss, Heinz Schmitt

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 each cross-area responsibility for one corporate function 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 (until 31 January 2020)
ENCI Holding N.V.[2], Netherlands (until 13 May 2020)
Hanson Limited[2], UK (until 31 January 2020)
Hanson Pioneer España, S.L.U.[2], Spain (until 14 February 2020)
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, H Digital, Digital Venture Office, Legal, Compliance, Internal Audit
Member of the Managing Board since 2007; appointed until January 2025

External mandates:
Kunststoffwerk Philippine GmbH & Co. KG[2], Lahnstein, and Saarpor Klaus Eckhardt GmbH Neunkirchen Kunststoffe KG[2], Neunkirchen[4]
Verlag Lensing-Wolff GmbH & Co. KG (“Lensing Media”)[2], Dortmund

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, Data Governance, 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

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

Group mandates:
Cimenteries CBR S.A.[2], Belgium
ENCI Holding N.V.[2], Netherlands
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
PT Indocement Tunggal Prakarsa Tbk.[2][3], Indonesia

Kevin Gluskie
Area of responsibility: Asia-Pacific, Competence Center Readymix
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:
Austral Cimentos Sofala SA [2], Mozambique
CimBurkina S.A.[2], Burkina Faso (Chairman)
Ciments du Maroc S.A. [2] [3], Morocco
Ciments du Togo SA [2], Togo
Ghacem Ltd.[2], Ghana (Chairman)
Hanson Israel Limited [2], Israel
HC Trading FZE [2], Dubai
Helwan Cement Company [2], Egypt (Chairman)
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
TPCPLC Tanzania Portland Cement Public Limited Company[2] [3], Tanzania (Chairman)
Vassiliko Cement Works SA[2], Cyprus

Ernest Jelito
Area of responsibility: Northern and Eastern Europe-Central Asia, Technology Cement
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
JSC "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: Western and Southern Europe, Environment Social Governance (ESG)
Member of the Managing Board since 2016; appointed until January 2024

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
Italcementi S.p.A [2], Italy (Deputy Chairman)

Chris Ward
Area of responsibility: 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
Hanson Aggregates LLC[2)], USA (Chairman)
Hanson Aggregates BMC[2)], Inc., USA (Chairman)
Hanson Aggregates Davon LLC[2)], USA (Chairman)
Hanson Aggregates Mid-Pacific, Inc.[2)], USA (Chairman)
Hanson Aggregates Midwest LLC[2)], USA (Chairman)
Hanson Aggregates New York LLC[2)], USA (Chairman)
Hanson Aggregates Pacific Southwest LLC[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 UK Holding II Limited[2)], UK
HNA Investments[2)], USA
Jack Cewe Construction Ltd.[2)], Canada (Chairman)
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 (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 2020 – 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 ofGerman companies
2) Membership in comparable German and foreign supervisory committees of commercial enterprises
3) Publicly listed company

Supplementary statement
On 11 February 2021, HeidelbergCement Finance Luxembourg S.A. announced that it would redeem the €500 million 3.25 % Eurobond 2013/2021 maturing on 21 October 2021, which was transferred to HeidelbergCement AG, early on 21 April 2021. Accordingly, HeidelbergCement AG will redeem the bond early on the same day.

Proposal for the appropriation of the balance sheet profit
The Managing Board and Supervisory Board propose that €436,516,249.40 of the balance sheet profit disclosed in the annual financial statements in amount of €440,326,962.15 is used to pay a dividend of € 2.20 on each of the participating 198.416.477 no-par value shares for the 2020 financial year. The remaining amount of € 3,810,712.75 should be carried forward.

Heidelberg, 17 March 2021

HeidelbergCement AG

The Managing Board

The following copy of the auditor's report also includes a "Report on the audit of the electronic renderings of the financial statements and the management report prepared for disclosure purposes in accordance with § 317 Abs. 3b HGB" ("Separate report on ESEF conformity"). The subject matter (ESEF documents to be audited) to which the separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette.

Independent auditor's report

To HeidelbergCement AG, Heidelberg

Report on the audit of the annual financial statements and of the management report

Audit Opinions
We have audited the annual financial statements of HeidelbergCement AG, Heidelberg, which comprise the balance sheet as at 31 December 2020, and the statement of profit and loss for the financial year from 1 January to 31 December 2020 and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of HeidelbergCement AG, which is combined with the group management report, for the financial year from 1 January to 31 December 2020. In accordance with the German legal requirements, we have not audited the content of those parts of the management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,
- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2020 and of its financial performance for the financial year from 1 January to 31 December 2020 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of those parts of the management report listed in the "Other Information" section of our auditor's report.

Pursuant to § [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions
We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") 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 Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company 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 Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation, with the exception of a tax advisory engagement in connection with the fulfillment of payroll tax obligations for an employee seconded by the Company to a subsidiary located abroad that was not completed on time. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1 Measurement of shares in affiliated companies

2 Obligations arising from tax matters

Our presentation of these key audit matters has been structured in each case as follows:
a) Matter and issue
b) Audit approach and findings
c) Reference to further information

Hereinafter we present the key audit matters:

1 Measurement of shares in affiliated companies

a) In the annual financial statements of the Company shares in affiliated companies amounting to EUR 21,083 million (78.3 % of total assets) are reported under the "Financial assets" balance sheet item. Shares in affiliated companies are measured in accordance with German commercial law at the lower of cost and fair value. The fair values are calculated using discounted cash flow models as the present values of the expected future cash flows according to the planning projections prepared by the executive directors. Expectations relating to future market developments and assumptions about the development of macroeconomic factors as well as the expected effects of the ongoing Corona crisis on the business activities of the affiliated companies are also taken into account. The discount rate used is the individually determined cost of capital for the relevant financial investment. On the basis of the values determined and supplementary documentation, no write-downs were required for the financial year. The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors of the future cash flows, and on the respective discount rates and rates of growth used. The valuation is therefore subject to material uncertainties.

   Against this background and due to the highly complex nature of the valuation and its material significance for the Company's assets, liabilities and financial performance, this matter was of particular significance in the context of our audit.

b) As part of our audit, we assessed the methodology used for the purposes of the valuation, among other things. In particular, we assessed whether the fair values had been appropriately determined using discounted cash flow models in compliance with the relevant measurement standards. We based our assessment, among other things, on a comparison with general and sector-specific market expectations as well as on the executive directors' detailed explanations regarding the key value drivers underlying the expected cash flows. We also evaluated the assessment of the executive directors regarding the effects of the Corona crisis on the business activities of the affiliated companies and examined how they were taken into account in determining the future cash flows. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model.

   In our view, taking into consideration the information available, the valuation parameters and underlying assumptions used by the executive directors are appropriate overall for the purpose of appropriately measuring the shares in affiliated companies.

c) The Company's disclosures relating to shares in affiliated companies are contained in section "15 Financial assets" of the notes to the financial statements.

2 Obligations arising from tax matters

a) As an international building materials company, HeidelbergCement AG is subject to various local tax regulations and the requirements of the responsible tax authorities in the respective countries due to its extensive portfolio of equity investments and cross-border service relationships with affiliated companies. The recognition and measurement of tax provisions are based to a large extent on estimates and assumptions made by the executive directors. Against this background and due to the amount of this item, these matters were of particular significance in the context of our audit.

b) As part of our audit, we assessed, among other things, the internal processes and controls for recording and evaluating tax matters and the accounting presentation of obligations arising from tax matters. In the knowledge that estimated values result in an increased risk of accounting misstatements and that the estimates and assumptions made by the executive directors have a direct and significant impact on the annual result, we evaluated the appropriateness of the determination of the obligations and the accounting presentation of tax matters in the financial statements. We also involved our internal specialists from the Tax department in the audit team. With regard to the recognition and measurement of obligations, we in particular inspected the Company's correspondence with the respective tax authorities, critically examined the Company's risk assessments of ongoing tax audits and individual tax matters, and assessed expert opinions obtained from third parties. Furthermore, we also held meetings with the Company's tax department in order to receive updates on current developments with regard to the material tax matters and the reasons for the corresponding estimates. As at balance sheet date, we also obtained confirmations from external tax advisors that support the executive directors' estimates. Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors are substantiated and sufficiently documented.

c) The Company's disclosures relating to tax provisions are contained in section "30 Tax provisions" of the notes to the financial statements and additionally in the paragraph on "Tax risks" in the "Risk and opportunity report" section of the management report.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the management report:
- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "Corporate Governance statement" of the management report
- the non-financial statement pursuant to § 289b Abs. 1 HGB and § 315b Abs. 1 HGB included in section "Non-financial statement" of the management report, including the related disclosures in the management report marked with "(NFS)"

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information
- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company’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, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company’s position and is, in all material respects, consistent with the annual 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 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 management report.

The supervisory board is responsible for overseeing the Company’s financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor’s Responsibilities for the Audit of the Annual Financial Statements and of the Management Report
Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company’s position and, in all material respects, is consistent with the annual 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 audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 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 annual financial statements and this 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 annual financial statements and of the 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 audit 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 controls.
– Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
– 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 Company’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 annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit 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 Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the 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 audit 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 annual 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

Assurance Report in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of the Annual Financial Statements and the Management Report Prepared for Publication Purposes

Reasonable Assurance Conclusion
We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the attached electronic file HeidelbergCement_AG_JA_ZLB_ESEF-2020-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the annual financial statements and the management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the financial year from 1 January to 31 December 2020 contained in the "Report on the Audit of the Annual Financial Statements and on the Management Report" above.

Basis for the Reasonable Assurance Conclusion
We conducted our assurance engagement on the reproduction of the annual financial statements and the management report contained in the above mentioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard

on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below in the "Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents
The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the annual financial statements and the management report in accordance with § 328 Abs. 1 Satz 4 Nr. 1 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited annual financial statements and audited management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents
Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also:
– Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.
– Obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.
– Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.
– Evaluate whether the ESEF documents enables a XHTML reproduction with content equivalent to the audited annual financial statements and to the audited management report.

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as auditor by the annual general meeting on 4 June 2020. We were engaged by the supervisory board on 27 August 2020. We have been the auditor of the HeidelbergCement AG, Heidelberg, without interruption since the financial year 2020.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Thomas Tilgner.

Frankfurt am Main, 17 March 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Thomas Tilgner Wirtschaftsprüfer (German Public Auditor)	Dr. Martin Nicklis Wirtschaftsprüfer (German Public Auditor)

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements of HeidelbergCement AG give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Company, and the management report, which has been combined with the Group management report, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Heidelberg, 17 March 2021

HeidelbergCement AG

The Managing Board

Dr. Dominik von Achten

Dr. Lorenz Näger

Kevin Gluskie

Hakan Gurdal

Ernest Jelito

Jon Morrish

Chris Ward

The Company has its registered office in Heidelberg, Germany. It is registered with the Commercial Register at the Local Court of Mannheim (Amtsgericht Mannheim) under HRB 330082.

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This report – in German and English – is only available electronically on the Internet: www.heidelbergcement.com.

The report on the annual financial statements 2020 was published on 18 March 2021.

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

MATERIAL
TO BUILD OUR FUTURE

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