Annual Report 2009

Substance and Potential

Financial highlights

Figures in EURm	2006 [1]	2007	2008	**2009**
Number of employees as at 31 December	40,983	67,916	60,841	**53,302**
Sales volumes				
Cement and clinker (million tonnes)	79.7	87.9	89.0	**79.3**
Aggregates (million tonnes)	85.8	179.6	299.5	**239.5**
Asphalt (million tonnes)		4.8	12.1	**10.0**
Ready-mixed concrete (million cubic metres)	24.9	32.7	44.4	**35.0**
Profit and loss accounts				
Turnover				
Europe	4,230	5,732	7,190	**5,300**
North America	2,447	3,205	3,958	**2,892**
Asia-Australia-Africa	1,302	1,909	2,943	**2,867**
Group Services	642	680	701	**475**
Inter-Group area turnover	-623	-664	-605	**-416**
Total Group turnover	7,997	10,862	14,187	**11,117**
Operating income before depreciation (OIBD)	1,890	2,423	2,946	**2,102**
Operating income	1,429	1,850	2,147	**1,317**
Profit for the financial year	1,026	2,119	1,920	**168**
Group share of profit	951	2,022	1,808	**43**
Dividend in EUR per share	1.25	1.30	0.12	**0.12** [2]
Free cash flow				
Cash flow from operating activities	1,259	1,911	1,523	**1,164**
Cash flow from investing activities	-665	-10,677	1,113	**-325**
Balance sheet				
Shareholders' equity and minority interests	5,828	7,519	8,261	**11,003**
Balance sheet total	12,318	29,201	26,288	**25,508**
Net debt	3,081	14,608	11,566	**8,423**
Ratios				
OIBD margin	23.6%	22.3%	20.8%	**18.9%**
Net debt/shareholders' equity (gearing)	52.5%	193.4%	139.8%	**76.5%**
Net debt/OIBD	1.63x	6.03x	3.93x	**4.01x**
Earnings per share (EUR)	8.22	17.11	14.55	**0.30**

[1] Figures have been restated as a result of the reclassification of emission rights and pension interest (IAS 19).
[2] The Managing Board and Supervisory Board will propose to the Annual General Meeting on 6 May 2010 the distribution of a cash dividend of EUR 0.12.

Substance and Potential

As one of the world's leading building materials companies and the global market leader in aggregates, HeidelbergCement operates in more than 40 countries on five continents. The core activities of our Group are the production of cement and aggregates, as well as processing these materials to obtain ready-mixed concrete and concrete products. HeidelbergCement is backed by real substance: with a production capacity of 110 million tonnes of cement and aggregates reserves of around 18 billion tonnes, HeidelbergCement has a very solid foundation for further growth in the future. Our 53,000 employees, with their high level of dedication and strong focus on performance, play a crucial role. They produce and market our modern, high-performance building materials, which are used worldwide in impressive projects: concrete is used to build bridges, high-rise buildings, sports stadiums, and many other structures.

Ecological and social responsibility remains the guiding principle for HeidelbergCement, even in a difficult economic environment. We have made good progress in our efforts to achieve our goals of reducing CO_2 emissions and decreasing the use of natural resources. We have also succeeded in preserving and promoting biodiversity at our raw material extraction sites, setting standards in our industry.

In 2009, the year of the heaviest economic crisis since the Second World War, HeidelbergCement's capital and financing structure was placed on a completely new and solid basis thanks to a carefully balanced package of measures. We strengthened the Group's financial position considerably with several capital market transactions and drastic cost savings, and also further increased our efficiency in production and administration. As a result, HeidelbergCement has the necessary potential to benefit significantly from the future economic recovery.

HeidelbergCement holds its ground despite the economic crisis

- **Turnover, sales volumes, and results fall due to the financial and economic crisis**
- **Costs lowered consistently, and at an early stage, by EUR 550 million**
- **Profit for the financial year reaches EUR 168 million despite considerable extraordinary charges**
- **Shareholders' equity strengthened by EUR 2.23 billion capital increase**
- **Net financial liabilities reduced by EUR 3.2 billion to EUR 8.4 billion**
- **Expansion of cement capacities in growth countries – potential for the future**
- **HeidelbergCement is well-prepared to profit significantly from a recovery of the global economy**

Contents

Dr. Bernd Scheifele,
Chairman of the Managing Board
of HeidelbergCement

Letter to the shareholders

Dear Shareholders,
Dear Employees and Friends of HeidelbergCement,

Economically, 2009 was a horrific year. It will go down in history as the time of the worst recession since the Second World War: Global economic output fell for the first time, by roughly 1% – with an approximately 5% contraction in Germany and a decline of around 2.4% in the US.

In light of these very adverse conditions, HeidelbergCement placed the Group's capital and financing structure on a completely new and solid basis, thanks to a carefully balanced package of measures and – despite considerable one-time extraordinary charges – achieved a profit for the financial year of EUR 168 million.

The HeidelbergCement team convincingly demonstrated its ability to act quickly, decisively and effectively even under the worst of circumstances. This is a good starting point for future success!

2009: Uncompromising cost management in operating activities

In 2009, our global business was characterised by the economic crisis. As forecasted at the beginning of the year, turnover and results were down considerably from 2008 levels. Turnover fell by EUR 3.1 billion (21.6%) to EUR 11.1 billion, which is attributable almost exclusively to substantial, double-digit volume declines in the core business areas of cement, aggregates and ready-mixed concrete. Moreover, we were confronted with negative exchange rate effects totalling roughly EUR 440 million and price reductions in the building products business line.

Operating income before depreciation (OIBD) was down EUR 844 million (28.6%) to EUR 2.102 billion. The negative exchange rate effects amounted to EUR 126 million. Despite this considerable decline, there were two positive developments to report:

Firstly, the Group's gross margin improved by 1 percentage point in comparison with the previous year, to roughly 49%. This shows that, despite declining volumes, we were able to maintain strict price discipline with slightly lower energy and raw material costs.

In addition, in our core business areas of cement and aggregates, the OIBD-margin – adjusted for one-time effects in connection with a reduction in stock – almost maintained its high level. This is proof that our extreme cost discipline paid off.

Business developments varied regionally in 2009:

The US and United Kingdom were particularly hard hit by the decline in the construction industry. In these two countries, market conditions meant that results were noticeably below the previous year and below our expectations. Nonetheless, we generated acceptable results in these two most difficult markets – especially compared to other companies in our industry – and ended the year well in the black.

In our European markets, the construction industry experienced a heavy decline in 2009, which is reflected in the results for HeidelbergCement's Group area Europe: operating income before depreciation (OIBD) fell by EUR 628 million (approx. 39 %) to EUR 999 million. Particularly strong declines were seen in Spain, Russia, Ukraine, Georgia and the Baltic states. In contrast, the development of results in the Asia-Australia-Africa Group area was pleasing. These growth regions accounted for roughly 35 % of operating income before depreciation, which set a record in this Group area at EUR 741 million and a margin of 25.8 %. This was fuelled by a pick-up in demand starting in the first quarter of 2009, especially in China, India, Indonesia, and Bangladesh. In Australia and Malaysia, despite double-digit declines in sales volumes, our rapidly implemented and massive cost reduction measures allowed us to nearly match the high quality of the previous year's results.

Because of the recession, the additional ordinary result was impacted by one-off extraordinary expenses of around EUR 550 million in the Group areas Europe and North America. These included EUR 421 million of non-cash goodwill impairment for our activities in North America, the United Kingdom, Spain, and Israel. In addition, there were restructuring costs and depreciation on production facilities as a result of the considerable capacity adjustments.

The financial result was affected by non-recurring expenditure of around EUR 240 million for bank fees and advisory costs, which arose in connection with the comprehensive refinancing measures taken in 2009.

Given the extraordinary costs totalling approximately EUR 790 million in the exceptional year 2009, the Group's net profit for the financial year of EUR 168 million is respectable.

The “Fitness 2009” programme: cost savings in excess of EUR 550 million

HeidelbergCement reacted very quickly to the immense dynamics of the worldwide recession:

The “Fitness 2009” programme, which had already been adopted in July 2008 with the objective of achieving EUR 250 million in cost savings, was implemented much more rapidly and successfully than originally planned. We immediately shut down and/or decommissioned production facilities worldwide, reduced the number of shifts and aligned working hours with the new market situation. In addition, all of the employees exercised extreme cost restraint, and the result is conclusive: The “Fitness 2009” programme led to cost savings of more than EUR 550 million.

The strict and necessary implementation of the “Fitness 2009” programme had a considerable effect on staffing. Personnel costs were reduced by more than EUR 250 million compared with the previous year; the number of employees in the Group fell by a further 7,500 in 2009, after a decline of 7,000 employees in 2008.

“Cash is king”: liquidity improved by EUR 1.5 billion

In the autumn of 2008, we implemented a comprehensive package of measures to secure liquidity and optimise the capital and financing structure with a great deal of discipline. The "Cash is king" initiative launched in September 2008, immediately following the Lehman Brothers collapse, played a crucial role: Through targeted Group-wide reductions in inventories, optimisation of cash payments cycle, strict investment discipline and successful divestment of non-strategic business units, liquidity was improved by roughly EUR 1.5 billion.

With successful implementation of the "Fitness 2009" programme and the "Cash is king" initiative, our operating units have laid the foundations for a sweeping reorganisation of the capital and financing structure.

Improvement of capital and financing structure

In 2009, the Managing Board took a four-step approach to the improvement of the capital and financing structure, which had become necessary because of the financial market crisis:

There was a strong focus in the first half of 2009 on the negotiations with our more than 50 creditor banks concerning an extension of the term of the Hanson acquisition loan. The starting position could not have been worse: In the first months of 2009, enormous uncertainty reigned in the capital markets, along with an irrational – largely dominated by government interventions – banking environment and extremely negative market development. In June, after extremely painstaking and nerve-racking negotiations, we finally succeeded in obtaining the approval of all of the banks – with improved guarantees and a noticeably higher margin – to the refinancing of the Hanson acquisition loan with a new syndicated loan totalling EUR 8.7 billion with a term ending in December 2011.

After successful conclusion of the refinancing agreements, we took advantage of the positive momentum of the banks and capital markets for the second step: As early as September, we carried out a substantial capital increase, which brought the Group a total of around EUR 2.23 billion. As a result of the simultaneous placement of shares belonging to our majority shareholder Ludwig Merckle, free float increased to over 75%. The capital increase met with great interest on the capital market, and was oversubscribed several times. This was a clear sign of confidence in HeidelbergCement.

In a third step, we issued bonds totalling EUR 2.5 billion in October 2009 to institutional investors in Germany and abroad. The issue proceeds, like the proceeds from the capital increase, were used to repay bank debts.

With the issue of further Eurobonds in January 2010, we were ultimately able to reduce our bank debt to roughly EUR 700 million. The success of all these measures is demonstrated by the following key figures:

- Reduction of net financial liabilities by EUR 3.2 billion
- Gearing 76.5%
- Equity ratio 43.2%
- Liquidity reserve of approximately EUR 3 billion

The rating agencies reacted to the successful refinancing measures with a significant upgrade of HeidelbergCement's credit rating.

Growth markets with new potential

Despite the economic crisis and the substantial extraordinary charges in 2009, we continued our strategy of targeted expansion of our market positions in the cement business line in growth markets. Work on the new kiln lines at our Chinese plants Jingyang and Fufeng, with capacity expansion totalling roughly 4.5 million tonnes, was already completed by the end of 2008. The plants went into operation and reached full capacity in 2009.

In 2009, we were the first company in our industry to successfully commission a new kiln line in Tanzania using Chinese technology with an additional cement capacity of 1 million tonnes, for a low investment cost. In Hungary, the Czech Republic, and Romania, we also completed our investment projects for expansion of the production capacities totalling approximately 2.5 million tonnes on schedule.

In Tula, we began work on a cement plant with a capacity of 2 million tonnes. Production for delivery to the Moscow market is set to begin in early 2011. In the Polish market, where market performance has been very pleasing, we are investing in an expansion of our cement capacities.

At the Indonesian Cirebon plant, we are currently working to expand our cement capacity by roughly 1.5 million tonnes. The commissioning will take place in spring of 2010. At the central Indian locations of Damoh and Jhansi, we have begun construction of a kiln line and additional cement capacity of approximately 3 million tonnes. The project is scheduled for completion in 2012. In Bangladesh, we are also planning an expansion of cement capacities by roughly 1 million tonnes.

Overall, the expansion programme for growth markets, which will be completed by 2012, amounts to around 17 million tonnes of cement. This clearly shows that, despite the current necessity of the rigid cost saving measures, HeidelbergCement continues to invest in the markets of the future – laying the groundwork for new growth.

Sustainable development even during the crisis

The long-term nature of sustainability means that it is an important foundation for companies, particularly during a deep global financial and economic crisis. Investment cycles at HeidelbergCement often encompass a period of 20 years and more, giving the Group a very long-term horizon.

In order to be successful over the long term – even in times of a crisis like today's – a focus on customers is crucial. HeidelbergCement has always been characterised by a company philosophy grounded in the tradition of a medium-sized enterprise that values close contact with its customers. In order to ensure that we regularly receive up-to-date information about customer acceptance of our services and products in the future, we began in 2009 to conduct Group-wide standardised customer surveys. This will allow us to respond even more effectively to our customers' wishes in the future.

The long-term orientation of our activities is also evident in our mineral reserves. In the cement business line, our reserves last for an average of around 90 years and, in the aggregates business, around 60 years – with around 90 years in core markets such as the US. These are leading figures in our industry!

Our 2009 Sustainability Report shows clear progress in the central areas of our sustainability strategy: With respect to the topic of CO_2 emissions, we far exceeded our goals. We had committed to a 15% reduction in specific net CO_2 emissions by 2010 compared to 1990. By 2008, we had already achieved a reduction of 18%. This positive trend was maintained in 2009 as well.

The use of alternative fuels is a key criterion for reduction of fossil fuel consumption for clinker production. With a proportion of 19.5%, we are the industry leader in this regard.

In 2009, numerous measures as part of the "Safe Work—Healthy Life" initiative were at the forefront of our sustainability strategy. We plan to further reduce the accident frequency rate and accident severity indicator throughout the Group.

2010 is the year of biodiversity: We were the first company in the building materials industry to define Europe-wide standards for renaturation and recultivation of our quarries in 2009. Furthermore, we plan to introduce these standards at our more than 700 quarries worldwide. Our primary objective is to increase biodiversity during and after the extraction process.

However, sustainability also entails accepting social responsibility. Because of the strong local character of our business and in line with our company philosophy "think global – act local", social responsibility is an integral part of the duties for our local managers.

Thanks for outstanding commitment

The crisis year of 2009 was an extreme test of the dedication and loyalty of our employees throughout the globe. Under enormous market pressures and despite the refinancing problems, they did an incredible job with an extremely high level of cost discipline. For this, I would like to express my sincere gratitude and appreciation and also those of my colleagues on the Managing Board. Thanks also go to the representatives of the employees. They cooperated very closely, openly and trustingly with the Managing Board during this difficult year, for the good of our company.

I would also like to personally thank and express my utmost appreciation to our managers worldwide. They reacted quickly, flexibly, and successfully, showing great dedication under extraordinarily challenging circumstances in 2009. In these difficult times, the HeidelbergCement team clearly demonstrated what it is capable of!

Prospects 2010

2010 will prove to be another challenging year for the building materials industry. Although we expect a further recovery in the global economy, developments will vary widely depending on the region.

The markets in Asia-Australia-Africa will return to their previous growth rates, while only a hesitant recovery is on the horizon for the US and Europe. On the whole, we expect global growth in cement, aggregates and ready-mixed concrete in 2010, driven by a noticeable positive development in Asia and Africa.

In the US and Europe, the first half will likely be characterised by a further decline in volumes – not least as a result of the long, hard winter. We anticipate a recovery of the US market in the second half. The extent and speed of this will strongly depend on the further development of housing construction, spending of the states in the US currently struggling with budget deficits, and the pending decision of the US Congress regarding the funding of the Federal Highway Program.

In Europe, we expect housing construction to stabilise at a historically low level, along with a noticeable reduction in commercial construction and positive developments in the area of infrastructure. In some European countries, infrastructure spending is subject to additional uncertainty as a result of the recent political discussions and speculation on the financial markets in connection with Greece's national debt.

Based on our clear strategy of vertical integration and better capacity utilisation as a result of substantial inventory reductions, we expect a stable pricing situation in our core business areas of cement and aggregates.

After two years of heavy exchange rate losses, we also see opportunity in the continued weakness of the euro against other core Group currencies in 2010.

In 2010, HeidelbergCement will focus on three main areas:

– We will continue to emphasise consistent cost management. To this end, we have initiated the "FitnessPlus 2010" programme, which will result in additional cost savings of EUR 300 million. Moreover, in order to improve the operating margin in the core business areas of cement and aggregates, we have launched efficiency optimisation projects in the areas of maintenance and repair, electricity consumption and productivity.
– We will continue to place a high priority on achieving the highest possible cash flow, further reducing debt and securing liquidity.
– We are working intensively to improve the capital market orientation and communication of the company. Our goal is to become one of the best in this respect. Our goal for 2010 continues to be inclusion in the German benchmark DAX index.

HeidelbergCement charted the right course in 2009, and we are well-equipped for the future. With our excellent team, we will also successfully overcome any challenges in 2010.

Our global market position and our worldwide leadership in the aggregates sector mean that we are well prepared to profit tremendously from an expansion of global economic activity driven by a recovery in North America.

Yours sincerely,

Dr. Bernd Scheifele
Chairman of the Managing Board

Fritz-Jürgen Heckmann,
Chairman of the Supervisory Board
of HeidelbergCement

Report of the Supervisory Board

Ladies and Gentlemen,

HeidelbergCement's operations in the 2009 financial year were affected by the worldwide economic crisis. The decreased demand for cement, aggregates, and concrete worldwide, with the exception of just a few countries, also had an impact on HeidelbergCement's annual accounts, though this was largely absorbed on the earnings side thanks to consistent cost-saving measures.

The 2009 financial year was characterised by exceptionally demanding refinancing tasks. The Group overcame these challenges extremely well by extending the bank financing for the Hanson takeover, carrying out a capital increase, and issuing bonds.

The successful refinancing was accompanied by major changes to the shareholder structure. As a result of the placement of existing shares of the Merckle group at the same time as the capital increase, the free float increased to over 75%. The investors include a number of well-known national and, in particular, international investment companies. The Supervisory Board extends a warm welcome to the new shareholders of HeidelbergCement.

Consultation and monitoring

The Supervisory Board closely supported the aforementioned measures and co-ordinated them with the Managing Board at numerous ordinary and extraordinary meetings as well as through contact outside the scheduled meetings. Additionally, it received regular and detailed reports, both in writing and verbally, about the intended business policies, fundamental issues of financial, investment, and personnel planning, the progress of business, and the profitability of the company. All deviations of the actual business development from the plans were explained in detail by the Managing Board. The Managing Board co-ordinated the Group's strategic approach with the Supervisory Board. The Supervisory Board was directly involved in all decisions of fundamental importance to the company. Investment, disinvestment, and in particular financing projects requiring authorisation were presented by the Managing Board and discussed before decisions were made. The Supervisory Board is satisfied that the Managing Board has installed an effective risk management system capable of recognising at an early stage any developments that could jeopardise the survival of the company. It has also had this opinion confirmed by the auditors. Furthermore, it is satisfied as to the effectiveness of the compliance programme, which guarantees Group-wide compliance with the law and with internal guidelines. The Chairman of the Supervisory Board was also in regular contact with the Chairman of the Managing Board outside the scheduled meetings. In summary, it is evident that the Supervisory Board has duly fulfilled the duties incumbent on it under the law, the Articles of Association, the Rules of Procedure, and the Corporate Governance Principles.

Meetings

The plenary session of the Supervisory Board met ten times during the reporting year, the Personnel Committee and Audit Committee seven times, and the Nomination Committee twice. The Arbitration Committee, formed in accordance with § 27, section 3 of the German Codetermination Law, did not have to meet. The following plenary session was informed about the results of the committees' meetings.

The ordinary plenary sessions in March, May, September, and December dealt, amongst other things, with the adoption of the 2008 annual accounts of HeidelbergCement AG and HeidelbergCement Group, preparations for the 2009 Annual General Meeting, reporting on business trends, reporting and resolutions on the refinancing of bank debts, the efficiency audit, resolutions on the Corporate Governance Code, and a report on the Hanson integration. In addition, the Supervisory Board was also informed about the progress of the "Fitness 2009" programme and the "Cash is king" initiative. They were updated about the pending cartel proceedings in Germany and given a status report regarding the company joining the DAX 30 index.

The extraordinary meetings in February, May, July, September, and October were used in particular for the approval of the 2009 plan, the formation of the new Supervisory Board, resolutions on the cash capital increase in September 2009 and the emission of Eurobonds in October 2009, as well as decisions concerning Managing Board remuneration.

In its meetings, the Audit Committee dealt with the 2008 annual accounts of HeidelbergCement AG and HeidelbergCement Group, the Compliance Report, the quarterly reports, the focal topics of the 2009 audit, the capital increase, and the review of the accounting process, internal control system, risk management system, internal audit system, and audit.

The Personnel Committee meetings dealt, amongst other things, with the remuneration for members of the Managing Board as well as preparation for the extension of the terms served by members of the Managing Board and the related amendment of the contractual provision governing terms of appointment.

The Nomination Committee prepared proposals to the 2009 Annual General Meeting for the election of shareholder representatives to the Supervisory Board and dealt with suggestions for the judicial appointment of supplementary members of the Supervisory Board.

Corporate Governance

In the reporting year, the joint statement of compliance of the Managing Board and Supervisory Board was adopted and submitted on 17 March 2009, and this year's statement on 17 March 2010. The complete text can be found in the chapter "Statement of compliance in accordance with § 161 of the German Stock Company Act (Aktiengesetz)" in the Corporate governance statement (page 40). The statements of compliance are made permanently available to the shareholders on the company's website. In its meeting on 17 March 2009, the Managing Board additionally discussed in detail the company's compliance with the recommendations of the German Corporate Governance Code in the version of 5 August 2009. In addition, on 17 March 2010, the Supervisory Board decided, for reasons of capital market transparency, to abandon the company's own Corporate Governance Principles in favour of a general reference to the adopted recommendations of the German Corporate Governance Code. The Rules of Procedure for the Supervisory Board have been adjusted accordingly.

As regards the remuneration structure for the members of the Managing Board, rather than repeat the information here, we would refer you to the details in the "Remuneration of the Managing Board" chapter in the Corporate governance statement (page 43). The existing remuneration structure for members of the Managing Board will be maintained for the time being; a review and possible restructuring in line with current regulatory changes is planned for the autumn of this year.

In its meeting in December 2009, it reviewed the efficiency of its activities on the basis of a questionnaire issued to the members of the Supervisory Board well in advance of the meeting. The focal points of the efficiency audit were the procedures surrounding the meetings and their preparation, the exchange of information within the Supervisory Board, and co-operation with the Managing Board. In addition, the Supervisory Board discussed measures to increase its efficiency. In the aforementioned December meeting, it also dealt with the results of the Audit Committee's review of the system governing the accounting process, the internal control system, and the internal audit system.

Dependent companies report

The Supervisory Board examined and approved the report on the relationships with affiliated companies compiled by the Managing Board in accordance with § 312 of the German Stock Company Act (Aktiengesetz). The Supervisory Board approved the statements of the independent auditors in their audit report on the Managing Board's dependent companies report. The audit opinion reads: "In accordance with our duly performed audit and assessment, we confirm that 1) the factual details of the report are correct, 2) the amount paid by the company with respect to the legal transaction presented in the report was not unreasonably high, 3) there are no circumstances indicating a materially different assessment of the measures presented in the report than that of the Managing Board." After its own final examination, the Supervisory Board raised no objections to the declaration made by the Managing Board at the end of the dependent companies report, which was also included in the management report (page 39).

Auditing and approval of annual accounts

Before the contract for the auditing of the annual accounts of the company and Group was awarded, the focal points for the audit, the content of the audit and the costs were discussed in detail with the auditors, Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Stuttgart. In December 2009, the auditors issued detailed information about the results of the pre-audit. The annual accounts of HeidelbergCement AG, the Group annual accounts as of 31 December 2009 and the combined management report for the company and the Group, as prepared by the Managing Board, were examined by the independent auditors. The auditors gave the accounts the unqualified confirmation. The annual accounting documents and auditors' reports were sent to the members of the Supervisory Board. At first, the Audit Committee dealt intensively with the annual accounts in the presence of the auditors. The auditors reported on the main results of their audit. Then, the Supervisory Board discussed the annual accounts in detail, once again in the presence of the auditors. The Supervisory Board approved the audit results. It examined the company and the Group annual accounts, the combined management report as well as the Managing Board's proposal for the use of net profit shown in the balance sheet. The results of the pre-audit conducted by the Audit Committee and the results of its own audit correspond fully to the results of the official audit. The Supervisory Board raised no objections to the final results of this examination. The Supervisory Board has therefore approved the company and the Group annual accounts. The annual accounts have thus been adopted.

The Supervisory Board approved the Managing Board's proposal for the use of net profit shown in the balance sheet, including the payment of a dividend of EUR 0.12 per share.

Personnel matters

The period of office of the 16-member Supervisory Board ended at the 2009 Annual General Meeting. Since then, the Supervisory Board has comprised only 12 members, in accordance with the resolution of the Annual General Meeting of 23 May 2006. The Annual General Meeting elected Messrs Fritz-Jürgen Heckmann, Gerhard Hirth, Max Dietrich Kley, Ludwig Merckle, Tobias Merckle, and Eduard Schleicher to the Supervisory Board once again to represent the shareholders. The employees had previously re-elected Messrs Robert Feiger, Josef Heumann, Hans Georg Kraut, Heinz Schmitt, and Frank-Dirk Steininger, and elected Mr Werner Schraeder as a new member.

Immediately after the Annual General Meeting, the new Supervisory Board was formed and Mr Heckmann was elected its Chairman once again. The list of members of the Supervisory Board's committees can be found on page 15.

In August, SCHWENK Beteiligungen GmbH & Co. KG left the group of shareholders. This ended a meaningful corporate alliance that had existed for around a hundred years and was a cornerstone of HeidelbergCement's development from a southern German cement manufacturer into one of the largest building materials companies in the world. Messrs Eduard Schleicher and Gerhard Hirth, who were SCHWENK Group's final representatives on the Supervisory Board, gave up their Supervisory Board mandates at the end of 2009. Their high level of professional expertise made them particularly valuable advisors, and the Supervisory Board is greatly indebted to them. In their place, the competent local court (Amtsgericht) has appointed Messrs Dr.-Ing. Herbert Lütkestratkötter and Alan Murray as members of the Supervisory Board until the 2010 Annual General Meeting, with effect from January of this year. The election of these members by the shareholders is on the agenda for this year's Annual General Meeting. In February of this year, the Supervisory Board elected Mr Tobias Merckle to replace Mr Schleicher in the Personnel and Nomination Committee of the Supervisory Board, and in the Arbitration Committee, formed in accordance with § 27, section 3 of the German Codetermination Law. In the same meeting, Mr Max Dietrich Kley was elected to the Audit Committee.

The Supervisory Board thanks the Group's management and all the employees of the Group for their high level of personal dedication. Their performance – under difficult circumstances – was quite outstanding.

Heidelberg, 17 March 2010

On behalf of the Supervisory Board

Yours sincerely,

Fritz-Jürgen Heckmann
Chairman

Managing Board

Dr. Bernd Scheifele

Born in Freiburg (Germany), aged 51 years. Studies in law at the universities of Freiburg, Dijon (France), and the University of Illinois (US). Since 2005, Chairman of the Managing Board; in charge of Strategy and Development, Communication & Investor Relations, Human Resources, Legal, Compliance, and Internal Audit.

Dr. Dominik von Achten

Born in Munich (Germany), aged 44 years. Studies in law and economics at the German universities of Freiburg and Munich. Member of the Managing Board since 2007; in charge of North America, Purchasing, and worldwide coordination of the Competence Center Materials.

Daniel Gauthier

Born in Charleroi (Belgium), aged 53 years. Studies in mining engineering at Mons (Belgium). Since 1982 at CBR, the Belgian subsidiary of HeidelbergCement. Member of the Managing Board since 2000; in charge of Northern and Western Europe, Mediterranean, Africa, Group Services, and Environmental Sustainability.

Andreas Kern

Born in Neckarsteinach (Germany), aged 51 years. Studies in business administration at Mannheim (Germany). Since 1983 at HeidelbergCement. Member of the Managing Board since 2000; in charge of Central Europe and Central Asia, Sales and Marketing, and worldwide coordination of secondary cementitious materials.

Dr. Lorenz Näger

Born in Ravensburg (Germany), aged 49 years. Studies in business administration at the German universities Regensburg and Mannheim, and in Swansea (UK). Since 2004, member of the Managing Board; in charge of Finance, Group Accounting, Controlling, Taxes, Insurance & Corporate Risk Management, IT, Shared Service Center and Logistics.

Dr. Albert Scheuer

Born in Alsfeld (Germany), aged 52 years. Studies in mechanical engineering/process technology at Clausthal (Germany). Since 1992 at HeidelbergCement. Member of the Managing Board since 2007; in charge of Asia and Oceania and worldwide coordination of Heidelberg Technology Center.

Dr. Dominik von Achten, Daniel Gauthier, Dr. Bernd Scheifele (Chairman), Dr. Lorenz Näger, Dr. Albert Scheuer, Andreas Kern (from left to right)

Supervisory Board

Fritz-Jürgen Heckmann
Chairman
Stuttgart; Business Lawyer

Heinz Schirmer
until 7 May 2009
until 7 May 2009 Deputy Chairman
Schelklingen; Chairman of the Council of Employees at the Schelklingen plant, HeidelbergCement AG

Heinz Schmitt
since 7 May 2009 Deputy Chairman
Heidelberg; Chairman of the Council of Employees at the headquarters, HeidelbergCement AG

Theo Beermann
until 7 May 2009
Ennigerloh; former Deputy Chairman of the Council of Employees at the Ennigerloh plant, Heidelberg-Cement AG

Robert Feiger
Frankfurt; Deputy Chairman of the Federal Executive Committee, IG Bauen-Agrar-Umwelt

Veronika Füss
until 7 May 2009
Schelklingen; Chairwoman of the Council of Employees, sales region south, Schelklingen, Heidelberg-Cement AG

Josef Heumann
Burglengenfeld; Chairman of the Council of Employees at the Burglengenfeld plant, HeidelbergCement AG

Gerhard Hirth
until 31 December 2009
Ulm; Managing Director, SCHWENK group of companies

Max Dietrich Kley
Heidelberg; Attorney

Hans Georg Kraut
Schelklingen; Director of the Schelklingen plant, HeidelbergCement AG

Dr.-Ing. Herbert Lütkestratkötter
since 23 January 2010
Essen; Chairman of the Executive Board of HOCHTIEF Aktiengesellschaft

Ludwig Merckle
Ulm; Managing Director, Pan GmbH

Tobias Merckle
Leonberg; Managing Director of the association Prisma e.V. – Initiative für Jugendhilfe und Kriminalprävention

Alan Murray
since 21 January 2010
Naples, Florida / US; former member of the Managing Board of HeidelbergCement AG

Eduard Schleicher
until 31 December 2009
Ulm; Partner with unlimited liability, SCHWENK group of companies

Werner Schraeder
since 7 May 2009
Ennigerloh; Chairman of the General Council of Employees, HeidelbergCement AG and Chairman of the Council of Employees at the Ennigerloh plant, Heidelberg-Cement AG

Frank-Dirk Steininger
Frankfurt; specialist in employment law for the Federal Executive Committee, IG Bauen-Agrar-Umwelt

Supervisory Board Committees

Arbitration Committee, according to § 27, section 3 of the German Codetermination Law

Fritz-Jürgen Heckmann
Chairman

Josef Heumann (until 7 May 2009)
Hans Georg Kraut (since 7 May 2009)
Tobias Merckle (since 10 February 2010)
Heinz Schirmer (until 7 May 2009)
Eduard Schleicher (until 31 December 2009)
Heinz Schmitt (since 7 Mai 2009)

Personnel Committee

Ludwig Merckle
Chairman

Theo Beermann (until 7 May 2009)
Fritz-Jürgen Heckmann
Josef Heumann (since 7 May 2009)
Hans Georg Kraut
Tobias Merckle (since 10 February 2010)
Heinz Schirmer (until 7 May 2009)
Eduard Schleicher (until 31 December 2009)
Heinz Schmitt (since 7 May 2009)

Audit Committee

Ludwig Merckle
Chairman since 6 February 2009

Robert Feiger
Fritz-Jürgen Heckmann
Max Dietrich Kley (since 10 February 2010)
Heinz Schirmer (until 7 May 2009)
Eduard Schleicher (until 31 December 2009)
Heinz Schmitt
Werner Schraeder (since 7 May 2009)

Nomination Committee

Fritz-Jürgen Heckmann
Chairman since 7 May 2009

Ludwig Merckle
Tobias Merckle (since 10 February 2010)
Eduard Schleicher (7 May until 31 December 2009)

HeidelbergCement share

Overview

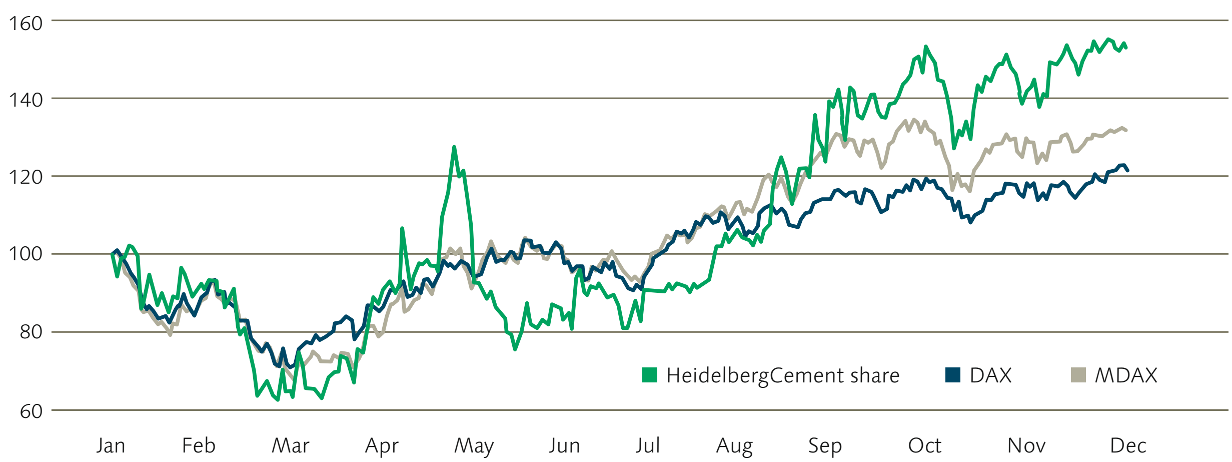
The HeidelbergCement share is listed for trading in Germany in the Prime Standard segment of the Frankfurt Stock Exchange and in the regulated markets of the stock exchanges in Stuttgart, Dusseldorf and Munich.

Our share is among the most important building materials shares in Europe: It is included in Deutsche Börse indices, incl. MDAX, HDAX and the Deutsche Börse Prime Construction Index. Additionally, HeidelbergCement is featured in the indices from Bloomberg, Stoxx and Morgan Stanley Capital International (MSCI). Measured in terms of its weighting in the HDAX share index, HeidelbergCement was at position 23 of the 110 largest quoted companies in Germany at the end of 2009; among the 50 shares of the MDAX, our share is number one.

Development of the HeidelbergCement share 2009 (ISIN DE0006047004, WKN 604700) [1] EUR	**2009**
Year-end share price 2008	**29.20**
Highest share price	**48.89**
Lowest share price	**18.49**
Year-end share price 2009	**48.23**
Shareholders' equity per share on 31 Dec. 2009	**58.68**
Market value on 31 Dec. 2009 (EUR '000s)	**9,043,125**
Change compared to 31 Dec. 2008	
HeidelbergCement share	**+65.2 %**
DAX	**+23.8 %**
MDAX	**+34.0 %**
MSCI World Construction Materials Index	**+31.7 %**

[1] Share prices adjusted for corporate actions

HeidelbergCement share 2009 [1] Index (Base: 2 January 2009 = 100)



[1] Share prices adjusted for corporate actions

Development of the HeidelbergCement share

The HeidelbergCement share benefited in 2009 not only from the general recovery of share markets, but also from the company's successful refinancing measures. In a continuation of the previous year's downward trend early on, the share price reached a low of EUR 18.49 on 3 March. The period of volatile price movements over the subsequent months was succeeded by a substantial resurgence in the second half. This was supported especially by the refinancing concluded for the company's bank debts in June, as well as the considerable improvement of the balance sheet and financial structure after the capital increase in September and the issue of three Eurobonds in October. On 21 December, the HeidelbergCement share price peaked at EUR 48.89 and closed 2009 at EUR 48.23.

Overall, the price of our share rose by 65.2 % over the course of the year, while the DAX and MDAX grew by 23.8 % and 34.0 %, respectively; the global sector index MSCI World Construction Materials Index increased by 31.7 %. At the end of 2009, the market capitalisation of HeidelbergCement totalled EUR 9.0 billion, more than twice the level on the same date one year earlier (EUR 3.7 billion).

Earnings per share

Earnings per share in accordance with IAS 33 for the 2009 financial year were EUR 0.30 (previous year: 14.55). For continuing operations, earnings per share amount to EUR 0.36 (previous year: 4.50).

The calculation of the earnings per share according to IAS 33 is shown in the following table. To determine the average number of shares, additions were weighted in proportion to time. Further comments are provided in the Notes under item 13.

Earnings per share according to International Financial Reporting Standards (IAS 33) EURm	2008	**2009**
Group share of profit	1,808.2	**42.6**
Number of shares in '000s (weighted average)	124,315	**142,170**
Earnings per share in EUR	14.55	**0.30**
Net income from continuing operations – attributable to the parent entity	558.5	**50.6**
Earnings per share in EUR – continuing operations	4.50	**0.36**
Net income from discontinued operations – attributable to the parent entity	1,249.7	**-8.0**
Earnings/loss per share in EUR – discontinued operations	10.05	**-0.06**

Dividend

In view of the development of results, the Managing Board and Supervisory Board will propose to the Annual General Meeting on 6 May 2010 the distribution of a dividend of EUR 0.12 per HeidelbergCement share.

Capital increase

Following conclusion of the new syndicated loan in June 2009, we strengthened our equity base via the secured financing facility: in September 2009, a cash capital increase was successfully implemented together with a placement of existing shares. The share capital of the company was increased by 50%, from EUR 375 million to EUR 562.5 million through the issue of 62.5 million new shares against cash contributions. Consequently, the number of outstanding shares in HeidelbergCement rose from 125 million to 187.5 million. The subscription price for the new shares and the offer price for the previous private placement of the new shares exclusively with qualified institutional investors was set at EUR 37 per share. The roughly EUR 2,223 million in net proceeds from the issue were used to repay a portion of the new syndicated loan.

Shareholder base and trading volume

In the context of the share offering, which was oversubscribed for several times, HeidelbergCement was able to attract numerous qualified institutional investors, primarily from the US and United Kingdom. Parallel to the issue of the new shares, the majority shareholders of the company controlled by Mr Ludwig Merckle, incl. Spohn Cement

HeidelbergCement AG share capital: development 2009	Share capital EUR '000s	Number of shares
1 January 2009	375,000	125,000,000
Cash capital increase (22 September 2009)	187,500	62,500,000
31 December 2009	**562,500**	**187,500,000**

GmbH and VEM Vermögensverwaltung GmbH, along with certain banks, placed a total of 57.2 million existing shares exclusively with qualified institutional investors.

The free float of HeidelbergCement shares rose to 75.6% after conclusion of the capital increase in October 2009. In accordance with the notices submitted to the company, Ludwig Merckle now holds a stake of 24.4%.

As a result of the significant increase in free float, trading volume in the HeidelbergCement share also saw a significant jump. Prior to the capital increase in September 2009, average trading turnover was roughly 320,000 shares per day, which afterwards increased to an average of more than 1.2 million shares per day. According to Deutsche Börse share indices ranking list, HeidelbergCement held position 22 with respect to free float market capitalisation in February 2010 and place 26 for trading volume. Since the trading volume ranking is based on the prior twelve-month period, a further improvement is to be expected in the ranking for this criterion.

Investor Relations

With the substantial rise in free float, interest among investors and analysts for information about our company has increased significantly. Consequently, we strengthened our investor relations work to a considerable degree in the second half of 2009, supporting coverage by major banks through discussions with analysts. The number of analysts regularly reporting on HeidelbergCement has doubled to 22 since July 2009. Additionally, we have taken more time for personal contact with investors, for instance through visits or participation in conferences. The presentations made there were promptly made available on our website.

As part of an investor relations project, we also surveyed international investors with respect to their expectations in our company. The results of this survey are used for the refinement of our investor relations work, with the aim of maintaining an open dialogue and transparent communication with the capital market. With the reorganisation of the reporting structure at geographic and product level as from business year 2010, we will be able to provide more detailed information about significant developments in the future, in order to further strengthen confidence in our company and our share.

Contact

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Highly efficient cement plants worldwide

Quality products from our high-performance cement plants provide the basis for concrete structures with outstanding stability and superior design.

Combined management report of HeidelbergCement Group and HeidelbergCement AG

Core activities and organisational structure

HeidelbergCement operates on five continents as a fully integrated building materials company. Our core activities include the production and distribution of cement and aggregates, the two essential raw materials for concrete production. We supplement our product range with downstream activities, such as ready-mixed concrete, concrete products, and concrete elements, as well as other related products and services. Cement and aggregates form the basis of our dual raw materials and growth strategy. In the cement activities, the focus is on growth markets, while in mature markets we concentrate on expanding vertical integration and securing raw materials for aggregates. HeidelbergCement relies on an integrated management approach. Its success is based on a balance between local responsibility for the business, Group-wide standards, and global leadership. HeidelbergCement is geographically divided into the three Group areas Europe, North America, and Asia-Australia-Africa.

Our local operating units are crucial to the success of the business. Local management has full responsibility for production, market cultivation, and the development of managers, with the aim of market and cost leadership. They are supported by shared service centres, which bring together the administrative functions for all business lines at national level on the basis of a standardised IT infrastructure. HeidelbergCement standardises all major management processes to ensure transparency, efficiency, and quick implementation within the Group. Uniform Group-wide key performance indicators allow direct comparison. They are an important prerequisite for continuous benchmarking.

2009 business trend

Economic environment

Following the unprecedented downswing at the end of 2008, the global economy seems to have reached its lowest point in the middle of 2009. Further development then improved slightly in most industrialised countries. While the upward trend increased noticeably in the third quarter, it weakened again towards the end of the year in some countries. The economic programmes and the efforts of central banks to stem the continuing recession and sow the seeds for renewed growth had a positive impact throughout the world. However, the growth in the second half of the year was not sufficient to compensate for the previous production losses. The overall weakening of the global economy in 2009 is estimated at around 1 % – after growth of 3 % in 2008. In the euro zone, the decline in the gross domestic product of -4 % was more pronounced. Germany emerged with a below-average figure of -5 %. The United Kingdom and Spain continued to be adversely affected by the property crisis. The countries of Central and Eastern Europe were particularly hard-hit by the crisis on account of the heavy decline in exports to the euro zone. The economy in the US shrank by 2.4 % in 2009. Despite a heavy dependence on the US in some cases, the emerging countries of Asia weathered the crisis most successfully, with positive growth rates in most cases. In particular China – supported by the world's biggest economic programme – helped to support the global economy with an increase of 8.7 %.

Once again, extremely varied development was recorded in the building materials markets in 2009. Global cement consumption rose by estimated around 5 %; however, excluding China – responsible for around half the world's cement consumption – it fell by just under 5 %. The strong increases in some emerging countries were offset by dramatic losses in the industrialised countries. In China, for example, cement consumption rose by estimated 15 %. In contrast, in the US it decreased by just under 27 % in comparison with 2008. In the United Kingdom, the decline was even sharper, at 38 %. Most Eastern European countries also suffered heavy losses, for example -36 % in the Ukraine and -21 % in the Czech Republic. In Germany, the decrease exceeded 8 %.

Development of turnover and sales volumes

As a result of the difficult market environment in the industrialised countries of North America and Europe, Group turnover fell by 21.6 % to EUR 11,117 million (previous year: 14,187). The weakening especially of Eastern European currencies and the British pound against the euro adversely affected turnover with around EUR 437 million.

Sales volumes	2008	**2009**
Cement and clinker (million tonnes)	89.0	**79.3**
Aggregates (million tonnes)	299.5	**239.5**
Asphalt (million tonnes)	12.1	**10.0**
Ready-mixed concrete (million cubic metres)	44.4	**35.0**

Cement and clinker sales volumes fell by 10.9 % to 79.3 million tonnes (previous year: 89.0). Excluding consolidation effects, sales volumes decreased by 11.7 %. While cement deliveries in Europe and particularly in North America declined, cement sales volumes increased in the Asia-Australia-Africa Group area in comparison with the previous year. The deliveries of aggregates shrunk by 20.0 % to 239.5 million tonnes (previous year: 299.5). This was primarily caused by the slump in demand in North America and the United Kingdom. Asphalt sales volumes fell by 17.2 % to 10.0 million tonnes (previous year: 12.1). In operational terms, i.e. without taking into account the deconsolidation effects from the sale of the asphalt activities in Australia and Singapore, shipments decreased by just 10.3 %. The effects of the decline in asphalt deliveries were alleviated by economic programmes for road construction. Ready-mixed concrete sales volumes decreased by 21.2 % to 35.0 million cubic metres (previous year: 44.4).

Earnings position

In the 2009 financial year, the earnings position was largely determined by the economic crisis in the industrialised countries. The weakening of major currencies against the euro is also clearly reflected in the earnings figures.

Operating income before depreciation (OIBD) fell by 28.6 % to EUR 2,102 million (previous year: 2,946). The decline in OIBD in Europe and North America resulting from the weak market situation could only be partially offset by improved results in the growth markets in Asia. The negative exchange rate effect amounted to around EUR 126 million. Operating income decreased by 38.6 % to EUR 1,317 million (previous year: 2,147). Once again, this includes a considerable negative exchange rate effect of EUR 109 million.

HeidelbergCement lowered its costs consistently and at an early stage in the crisis year of 2009, and thus successfully protected its operating margins against the considerable decline in turnover. The original cost reduction goal of EUR 250 million from the "Fitness 2009" programme was exceeded by a considerable margin, with savings of EUR 550 million achieved.

The rise of 11.2 % in other operating income to EUR 412 million (previous year: 370) is primarily attributable to the proceeds from the sale of emission rights. The decline of EUR 1,474 million in material costs, which reached EUR 4,219 million (previous year: 5,693), is primarily attributable to lower raw material and fuel costs. At the same time, further cost synergies from the rapid integration of Hanson and cost-saving measures from the "Fitness 2009" programme were implemented. Personnel costs dropped by EUR 257 million to EUR 2,041 million (previous year: 2,298). This primarily reflects the reduced number of employees resulting from the synergy and cost-saving programmes. The number of employees decreased to 53,302 at the end of 2009 (previous year: 60,841).

The additional ordinary result of EUR -495 million (previous year: -371) was particularly affected by impairment of goodwill amounting to EUR 421 million. Restructuring costs for adjusting capacities and production structures in the US and United Kingdom also had an impact on this figure. The decrease in the result from participations to EUR 38 million (previous year: 51) was primarily caused by changes in the consolidation scope.

The deterioration of the financial result to EUR -875 million (previous year: -829) is mainly the result of the reversal of accrued financing costs. This reversal took place in connection with the partial reduction of the syndicated loan after the capital increase. As a result of the considerable market decline in the US and United Kingdom and the negative effects of the additional ordinary result and the financial result, the profit before tax from continuing operations fell to a loss of EUR 14 million, following a profit of EUR 998 million in the previous year.

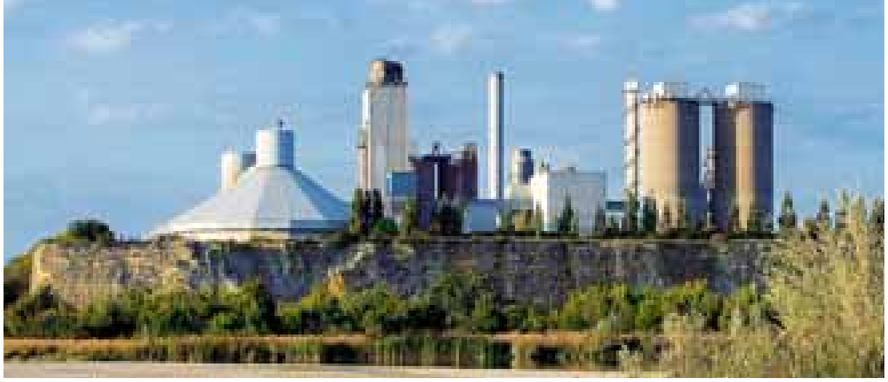
The change of EUR 517 million in taxes on income, which yielded an income of EUR 190 million (previous year: expense of EUR 327 million), is largely due to one-off effects from the release of deferred taxes and the capitalisation of losses carried forward.

Net income after tax from continuing operations decreased to EUR 176 million (previous year: 671). Net income after tax from discontinued operations was reduced to a loss of EUR 8 million. The previous year's value of EUR 1,249 million includes extraordinary proceeds from the sale of maxit Group on 13 March 2008. The Group share of profit amounts to EUR 43 million (previous year: 1,808).

Earnings per share – Group share of profit – in accordance with IAS 33 fell to EUR 0.30 (previous year: 14.55). For continuing operations, the earnings per share amount to EUR 0.36 (previous year: 4.50).

In view of the development of results, the Managing Board and Supervisory Board will propose to the Annual General Meeting on 6 May 2010 the distribution of a dividend of EUR 0.12 (previous year: 0.12) per share.

Group profit and loss accounts (short form) EURm	2008	**2009**	Change
Turnover	14,187	**11,117**	-22 %
Operating income before depreciation (OIBD)	2,946	**2,102**	-29 %
Amortisation and depreciation of intangible assets and tangible fixed assets	-799	**-785**	-2 %
Operating income	2,147	**1,317**	-39 %
Additional ordinary result	-371	**-495**	33 %
Result from participations	51	**38**	-26 %
Earnings before interest and taxes (EBIT)	1,827	**860**	-53 %
Financial result	-829	**-875**	5 %
Profit / loss before tax from continuing operations	998	**-14**	-101 %
Taxes on income	-327	**190**	-158 %
Net income from continuing operations	671	**176**	-74 %
Net income / loss from discontinued operations	1,249	**-8**	-101 %
Profit for the financial year	1,920	**168**	-91 %
Group share of profit	1,808	**43**	-98 %



Business trend in the Group areas

In **Europe**, HeidelbergCement operates in 23 countries. The United Kingdom is the largest market region in Europe and the second largest in the Group. In 2009, the whole of Europe suffered the impact of a declining construction industry, with the United Kingdom, Spain, and large parts of Eastern Europe being particularly affected. Overall, our cement and clinker sales volumes fell by 18.4 % to 35.3 million tonnes (previous year: 43.2). Sales volumes declined in all Group countries. Our Northern European plants in Sweden and Norway held their ground most successfully with a considerable increase in clinker sales volumes. In Germany and Poland, domestic sales volumes were only a few percentage points below the previous year. Although total volumes declined in the Benelux countries, pleasing growth was achieved in white cement deliveries in comparison with the previous year. The United Kingdom and most of the countries in Eastern Europe suffered heavy losses in cement and clinker sales volumes. The Ukraine, Russia, Estonia, and Georgia were particularly affected.

In 2009, our investments focused on capacity expansions and modernisation, as well as measures to improve environmental protection. In Russia, construction work on the new Tula cement plant, which will supply the Moscow area with cement in the future, is proceeding as planned. Construction of the plant with a capacity of 2 million tonnes should be finished by the end of 2010. In the Beremend cement plant in Hungary and the Mokra plant in the Czech Republic, completely renovated state-of-the-art kiln lines commenced operation. Good progress has been made in the efforts to upgrade the plants in Romania: In the Bicaz plant, the clinker production capacity was increased by 1 million tonnes; in Fieni, a new clinker silo and a new cement mill commenced operation. In Bosnia-Herzegovina, the modernisation of the Kakanj cement plant was continued. In the reporting year, we further increased the use of alternative fuels in several plants, e.g. in Hungary and the Czech Republic, by a large percentage in some cases. In Belgium, a new plant for processing alternative fuels was constructed. Modern, high-performance dust filter systems were installed in Georgia and the Slite plant in Sweden, for example.

The aggregates and concrete business line, which also includes asphalt production, suffered as a result of declines in the construction sector, which were substantial in some areas. In 2009, sales volumes of aggregates in the Group area fell by 17.5 % to 103.2 million tonnes (previous year: 125.1). The heaviest losses were suffered by some of the Eastern European countries. In Spain, the United Kingdom, and Sweden, deliveries also decreased considerably in comparison with the previous year. In contrast, sales volumes in Hungary, Germany, Poland, Norway, and Israel held up well, but failed to reach the previous year's level. In several countries, particularly in the United Kingdom and Spain, plants were decommissioned in order to adjust capacities to the heavily decreased construction activity. In 2009, we commissioned a few production facilities in order to specifically safeguard the supply of individual markets, such as in Central Poland or the Barcelona area.

As a result of the substantial decline in demand for asphalt in the United Kingdom, total sales volumes fell by 8.4 % to 4.2 million tonnes (previous year: 4.6) in comparison with the previous year. We adjusted our capacities in the United Kingdom to the decline in road maintenance and construction by closing several locations.

Shipments from our ready-mixed concrete facilities decreased by 20.4 % in 2009 to 19.2 cubic metres (previous year: 24.1). While Germany achieved slight increases, Romania, Bosnia, and the Baltic States in particular, suffered heavy losses, as did Denmark, Spain, and the United Kingdom. The Russian market almost came to a complete standstill. Northern Europe, the Benelux countries, the Czech Republic, Hungary, and Poland likewise recorded significant declines. In the 2009 financial year, we extended our ready-mixed concrete activities to Georgia. In the Netherlands,

Hungary, Poland, the Ukraine, and Slovakia, individual new plants were commissioned in order to respond to local market demand. In contrast, extensive capacity adjustments were required in the United Kingdom and Spain in particular, where several locations were decommissioned.

In the building products business line, HeidelbergCement has leading market positions in the United Kingdom for bricks, aircrete blocks, wall cladding and flooring systems, pavers, and other products. All segments suffered in 2009 as a result of the heavy decline in residential construction. We responded by adjusting capacities significantly and decommissioning plants. In order to safeguard our future competitiveness, we built a state-of-the-art brick plant that replaces several older and less efficient production sites, which were closed. While turnover in the concrete products operating line reached the previous year's level in Germany, it declined significantly in Sweden. In terms of results, the German plants achieved increases, in contrast to the plants in Sweden. The sales volumes of our German sand-lime brick plants decreased due to the decline in residential construction in 2009.

In 2009, the turnover of the Europe Group area decreased by 26.3 % to EUR 5,300 million (previous year: 7,190). Excluding consolidation and, in particular, exchange rate effects, the decrease amounted to 19.9 %.

In 2009, **North America** was particularly hard-hit by the effects of the longest and deepest recession since the Great Depression in the 1930s and is making only a hesitant recovery. Owing to the delay in allocation of public funds, the economic stimulus programme had a much lower effect than expected in 2009. Only USD 20 billion of the around USD 180 billion proposed for infrastructure projects were spent in 2009. The cement and clinker sales volumes of our plants fell by 25.9 % compared to the previous year to 10.1 million tonnes (previous year: 13.6). All market regions in the US and Canada were affected by the decline in quantities. As a response to the declining market development, we further optimised costs and increased the efficiency of our production sites. Stocks and maintenance costs were reduced. We increased the proportion of alternative fuels in our plants in Union Bridge/Maryland, York/Pennsylvania, and Mason City/Iowa.

As a result of the decline in the construction industry, the sales volumes of our aggregates operating line fell by 24.2 % in the reporting year to 102.1 million tonnes (previous year: 134.6). As a consequence of the considerable market decline, we adjusted capacities and significantly reduced costs. The projects completed during the reporting year complement our network of production sites in line with regional requirements. In order to continue supplying the Dallas/Fort Worth area in Texas with sand and gravel, we commissioned a new aggregates plant, replacing another production site whose deposits have been exhausted. At the quarry in Mount Vernon/Kentucky, a railway siding and a new facility for loading trains with high-calcium limestone were commissioned. This limestone will be supplied to coal-fired power plants for flue gas desulphurisation. By exploiting this new sales market, we are reducing our dependence on the construction industry.

In our asphalt plants, which are primarily located in New York, Pennsylvania, and California, sales volumes decreased by 11.0 % in the reporting year to 3.5 million tonnes (previous year: 4.0). However, as a result of lower energy costs and strict cost management, pleasing increases in earnings were recorded.

Deliveries of ready-mixed concrete also experienced a considerable decline in all market regions. Overall, they fell by 37.3 % in comparison with the previous year to 5.7 million cubic metres (previous year: 9.0). In this operating line, too, we responded to the declining market demand with extensive capacity adjustments at our production sites and in the transport fleet, as well as intensive cost management.

2009 proved to be another very difficult year for building products. Decreasing infrastructural investments led to a fall in demand for pipes and precast concrete parts in particular. Very heavy losses were also recorded in the roof tiles, bricks, and paving stones segments, which are around 90%-dependent on residential construction. We responded to the deteriorating market situation with drastic reorganisation measures and capacity adjustments. During the reporting year, we commissioned a new, fully automatic plant near Calgary for the production of concrete pipes and manholes, which replaces an obsolete production site.

The turnover of the North America Group area decreased by 27.0% to EUR 2,892 million (previous year: 3,958). In operational terms, i.e. excluding exchange rate effects – there were no consolidation effects – it fell by 30.8%.

In the Group area **Asia-Australia-Africa**, HeidelbergCement is active in ten Asian and seven African countries, as well as in Australia. In 2009, the emerging countries of Asia recovered more quickly than expected from the financial and economic crisis. Australia benefited from the resurgence in demand for raw materials from China and a robust level of domestic demand. Overall, our cement and clinker deliveries in the area rose by 5.6% to 34.0 million tonnes (previous year: 32.2). Excluding exchange rate and consolidation effects, sales volumes increased by 3.3%. Although shipments from our Indonesian subsidiary Indocement decreased in comparison with the previous year, the company's results improved considerably due to significant cost savings and a margin-oriented pricing policy. In China, our plants benefited from the massive government infrastructure programme, recording a substantial increase in volumes. We also achieved significant progress in our efforts to improve energy efficiency and preserve resources. Two installations to generate electricity from waste heat of kilns were commissioned in the Fufeng and Jingyang plants. In Guangzhou, we have used dried sewage sludge as an alternative fuel since 2009. Production in the obsolete Huadu plant was discontinued at the beginning of 2010. In India, cement sales volumes remained slightly below the previous year. In Bangladesh and the Sultanate of Brunei, demand for cement rose, while Kazakhstan continued to suffer the effects of the financial crisis. For this reason, the construction of the new Caspi cement plant will be completed later than planned. In Turkey, increased exports and clinker deliveries offset the decline in domestic demand. While sales volumes in Africa decreased slightly overall, Benin and Tanzania experienced very pleasing development. With its increased capacity, our modernised plant in Tanzania will benefit from the rapidly growing cement demand in the country.

In the aggregates business line, sales volumes fell by 14.0% to 34.2 million tonnes (previous year: 39.8). While Indocement was able to significantly increase its deliveries in Indonesia, our plants in Malaysia, Hong Kong, Turkey, and Australia recorded volume decreases, which were substantial in some cases. The sales volumes of the asphalt operating line fell by 35.3% to 2.3 million tonnes (previous year: 3.6). Excluding deconsolidation effects from the sale of our asphalt activities in Singapore at the end of 2008 and Australia in May 2009, the decline in volumes amounted to 13.5%. Ready-mixed concrete deliveries fell by a total of 10.1% to 10.1 million cubic metres (previous year: 11.3). While the ready-mixed concrete facilities of Akçansa in Turkey once again exceeded the record sales volumes of 2008 and Indocement also slightly exceeded the previous year's level, volumes in Malaysia and Australia decreased considerably; China likewise remained below the previous year's level.

The turnover of the Asia-Australia-Africa Group area decreased by 2.6% to EUR 2,867 million (previous year: 2,943). Excluding consolidation and exchange rate effects, it was just above the previous year's level, with a slight increase of 0.5%.

Turnover in the **Group Services** business unit, which includes our trading companies, shrank by 32.2 % in 2009 to EUR 475 million (previous year: 701). Excluding exchange rate effects, turnover fell by 33.9 %. The trade volume of our subsidiary HC Trading decreased by 18.1 % to 8.1 million tonnes (previous year: 9.9). One of the main reasons was the decline in international sea trading at the beginning of the year as a result of the financial and economic crisis.

Discontinued operations

The profit from discontinued operations includes the income and expenses arising in connection with liability for damages and environmental obligations of US subsidiaries of the Hanson Group acquired in 2007.

Cash flow statement

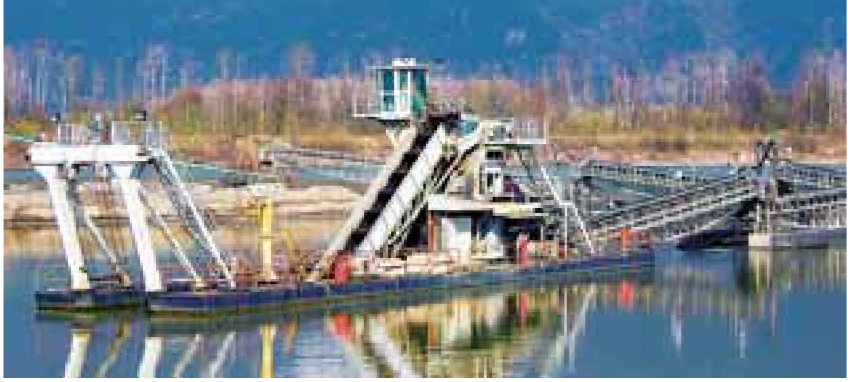
The cash flow statement for the 2009 financial year is characterised by the successful refinancing and the associated liquidity-oriented measures connected with the global financial and economic crisis.

In the reporting year, the cash flow from operating activities from continuing operations fell by EUR 390 million to EUR 1,164 million (previous year: 1,554). This decrease is primarily attributable to the decline in operating income as a result of the worldwide financial and economic crisis. Interest payments of EUR 947 million (previous year: 661) also led to a decrease in cash flow from operating activities. Working capital management and the exploitation of synergies from the rapid integration of Hanson allowed us to significantly reduce our net current assets and thus successfully counteract the decrease in net cash from operating activities. The decline of EUR 115 million in tax payments also had a positive effect on the cash flow from operating activities.

The cash outflow from investments was reduced considerably, by EUR 430 million to EUR 821 million (previous year: 1,251), as a result of a drastic reduction of capital spending in connection with the "Cash is king" initiative started in October 2008. The other inflows of cash from investing activities fell by EUR 1,873 million in comparison with the previous year to EUR 496 million (previous year: 2,369); the previous year's value largely comprised the payment of EUR 2,030 million received in connection with the sale of maxit Group to Saint Gobain. The net cash generated in the reporting year results primarily from the sale of 520.5 million shares of the Indonesian cement manufacturer PT Indocement Tunggal Prakarsa for EUR 216 million. In addition, we sold the participation in the Australian joint venture Pioneer Road Services Pty Ltd. for EUR 57 million. Other inflows of cash resulted from the sale of emission rights that were not required, for an amount of EUR 99 million.

The net cash used in financing activities from continuing operations decreased to EUR 863 million (previous year: 2,591). The decline is primarily attributable to the net proceeds from the capital increase of EUR 2,233 million carried out in September 2009. The net cash from the capital increase, the sales of participations, and the cash flow from operating activities were exclusively used for the partial repayment of the syndicated loan. This brought the net repayment of bonds and loans to EUR 3,046 million, after EUR 2,910 million in the previous year. In the reporting year, we also sustainably improved the maturity structure of the liabilities by issuing three Eurobonds with a total volume of EUR 2.5 billion and terms ranging from five to ten years. Dividend payments led to a cash outflow of EUR 50 million (previous year: 194).

In the 2009 financial year, HeidelbergCement was able to meet its payment obligations at all times.




Group cash flow statement (short form) EURm	2008	**2009**	Difference
Cash flow	2,044	**914**	-1,130
Changes in working capital	-170	**557**	727
Decrease of provisions through cash payments	-320	**-307**	13
Cash flow from operating activities – continuing operations	1,554	**1,164**	-390
Investments (cash outflow)	-1,251	**-821**	430
Other inflows of cash and cash equivalents	2,369	**496**	-1,873
Cash flow from investing activities – continuing operations	1,118	**-325**	-1,443
Capital increase	513	**2,233**	1,720
Dividend payments	-194	**-50**	144
Net repayment of bonds and loans	-2,910	**-3,046**	-136
Cash flow from financing activities – continuing operations	-2,591	**-863**	1,728
Effect of exchange rate changes	-87	**35**	122
Net change in cash and cash equivalents – discontinued operations	4		-4
Change in cash and cash equivalents	-2	**11**	13

Group financial management

2009 was dominated by the refinancing measures already initiated in 2008. Besides the refinancing of existing syndicated and bilateral liabilities to banks with more than 50 contractual partners, the shareholders' equity was strengthened in a sustainable manner and we were able to successfully place Group securities on money and capital markets.

In the first step, the amount of EUR 600 million from tranche A of the Hanson acquisition financing, which became due on 14 May 2009, was fully refinanced by means of short-term bridge financing. On 16 June 2009, we concluded a new syndicated loan agreement in the total amount of EUR 8.7 billion with a term ending on 15 December 2011. The previous acquisition financing for the purchase of Hanson in 2007 as well as further bilateral credits and loans were refinanced by the new financing facility. In addition, the covenants were adapted to a level that met the requirements of the changed economic environment.

On the basis of the secured financing, we were able to strengthen our shareholders' equity by means of a cash capital increase: in September, we successfully completed a rights issue together with a placement of existing shares. By making use of the available authorised capital, the company's subscribed share capital has increased by 50 % through the issue of 62.5 million new shares in return for cash contributions; as a result, the number of outstanding HeidelbergCement shares rose from 125 million to 187.5 million. The subscription price for the new shares and the offering price for the previous private placement of new shares exclusively to qualified institutional investors was set at EUR 37 per share. The net proceeds of around EUR 2,233 million were used to partially refinance the new syndicated loan.

The share offering, which was oversubscribed several times, brought HeidelbergCement a number of qualified institutional investors, mainly from the US and the United Kingdom. At the same time as the placement of the new shares, the company's majority shareholders, including Spohn Cement GmbH and VEM Vermögensverwaltung GmbH, as well as certain banks, sold 57.2 million old shares exclusively to qualified institutional investors. Overall, the free float increased to 75.6% following the completion of the capital increase in October 2009. According to information available to the company, Ludwig Merckle now holds 24.4% of the shares.

Immediately following the capital increase, on 21 October, we issued three Eurobonds to national and foreign institutional investors with a total issue volume of EUR 2.5 billion: one bond of EUR 1 billion with a term of 5 years, a second of EUR 1 billion with a term of 7 years, and a third of EUR 500 million with a term of 10 years. The bonds had fixed interest rates of 7.5% p.a. for the 5-year term, 8.0% p.a. for the 7-year term, and 8.5% for the 10-year term. The issue prices were 98.465%, 97.349%, and 96.739%, giving yields to maturity of 7.9%, 8.5%, and 9.0% respectively.

The bonds are unsecured and rank pari passu with all other capital market debt. According to the terms and conditions of the bonds there is a limitation on incurring additional debt if the consolidated coverage ratio (i.e. the ratio of the aggregate amount of the consolidated EBITDA to the aggregate amount of the consolidated interest expense) of HeidelbergCement Group is below 2. The consolidated EBITDA of EUR 2,332 million and the consolidated interest expense of EUR 914 million are calculated in accordance with the terms and conditions of the bonds. At the end of 2009, the consolidated coverage ratio amounted to 2.55.

The proceeds from the issue were exclusively used for the partial repayment of the syndicated loan. By additionally using the proceeds from the capital increase, sales, and cash flow from operating activities, we were able, by the end of 2009, to reduce the syndicated loan agreement to EUR 4.381 billion; this figure consists of outstanding amounts of EUR 2.291 billion and a revolving facility, credit lines, and guarantees, totalling EUR 2.090 billion, which, however, were not drawn.

At the same time, the maturity structure of the liabilities has improved substantially and the remaining maturities for 2011 and 2012 have been reduced to a manageable level. In the reporting year, net financial liabilities decreased by EUR 3.2 billion, and amounted to EUR 8.4 billion as at 31 December 2009.

The successful refinancing measures led to a significant increase in the credit rating by the rating agencies Standard & Poor's, Moody's, and Fitch Ratings (B+/B, Ba3/NP, BB-/B) in the second half of the year, after it had been downgraded drastically by the rating agencies in the first half of the year. Consequently, we were able to revive issue activity on the money market and issue a total volume of EUR 138 million via our updated EUR 1 billion Euro Commercial Paper Programme.

The successful refinancing measures allowed us to increase the cash reserve, consisting of free cash, securities portfolios, and committed syndicated bank credit facilities, to more than EUR 3 billion as at the end of 2009.

Investments

In 2009, the drastic reduction of capital expenditure was a cornerstone of our strict cash management in the reporting year. Cash flow investments in continuing operations were reduced by 34.3 % to EUR 821 million (previous year: 1,251). EUR 795 million (previous year: 1,101) was invested in tangible fixed assets and intangible assets. The investments in financial fixed assets were reduced to EUR 26 million (previous year: 150); these were, in particular, smaller acquisitions to round off shareholdings, primarily in the Europe Group area.

The investments in tangible fixed assets related mainly to maintenance, optimisation, and environmental protection measures at our production sites. The expansion projects were largely projects initiated in previous years. For example, the modernisation and expansion of clinker production capacity at the plant in Bicaz, Romania, was completed. In the Beremend cement plant in Hungary and the Mokra plant in the Czech Republic, completely renovated state-of-the-art kiln lines commenced operation. Construction work on the new Tula cement plant in Russia proceeded as planned. Two new cement mills were installed in the Cirebon plant in Indonesia, while the capacity expansion at our plant Tanzania Portland Cement Company in Tanzania was completed. We commissioned a new aggregates plant in Texas to supply the Dallas/Fort Worth area and a fully automatic plant for the production of concrete pipes and manholes in the Canadian province of Alberta. In the United Kingdom, the most modern brick plant in the world was completed as a replacement for several older production sites.

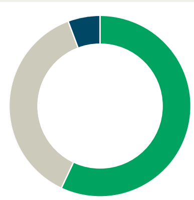
Group balance sheet

The structure of the Group balance sheet is dominated by the refinancing successfully carried out in 2009, with a capital increase of EUR 2.3 billion, and the issue of bonds, with a total volume of EUR 2.5 billion. The net financial liabilities fell by EUR 3.2 billion to EUR 8.4 billion (previous year: 11.6), and this was accompanied by an improvement in the maturity structure. As regards the financing of the HeidelbergCement Group, we refer to the details given in the Group financial management section on page 30.

The balance sheet total fell by EUR 0.78 billion to EUR 25.51 billion (previous year: 26.29). On the assets side, the fixed assets of the HeidelbergCement Group remained almost constant, with a total value of EUR 20.78 billion. The valuation allowances of EUR 0.5 billion recorded in the reporting year were almost offset by the changes in the consolidation scope, additions and disposals of tangible fixed assets, and exchange rate effects. The further optimisation

Fixed assets investments (EURm) (in continuing operations)	2008	**2009**
Europe	630	**510**
North America	199	**152**
Asia-Australia-Africa	270	**133**
Group Services	2	
Financial investments	150	**26**
Total	1,251	**821**

Investments in intangible assets and tangible fixed assets by business lines 2009 (in continuing operations)



- 57.0 % Cement
- 37.3 % Aggregates and concrete
- 5.7 % Building products

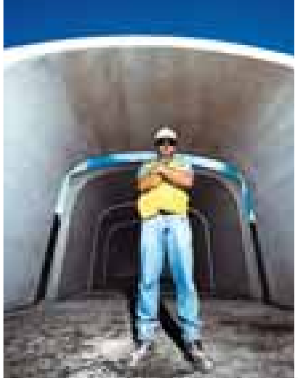
of our working capital management and the "Cash is king" initiative led, in particular, to the stocks being reduced by EUR 0.37 billion to EUR 1.36 billion (previous year: 1.73) and the short-term operating receivables by EUR 0.27 billion to EUR 1.66 billion (previous year: 1.93).

On the liabilities side, the shareholders' equity rose by EUR 2.74 billion to EUR 11.0 billion (previous year: 8.26). Besides the capital increase, foreign currency translation had the main positive impact, with a contribution of EUR 0.57 billion, while the main negative impact came from the actuarial gains and losses, with EUR -0.18 billion. The rise of EUR 0.06 billion in minority interests is essentially due to the increase in minorities as a result of the sale of shares

Group balance sheet (short form) EURm	31 Dec. 2008	**31 Dec. 2009**	Part of balance sheet total
Intangible assets and tangible fixed assets	20,086	**20,289**	80 %
Financial fixed assets	694	**493**	2 %
Other non-current assets	514	**469**	2 %
Current assets	4,994	**4,257**	16 %
Shareholders' equity and minority interests	8,261	**11,003**	43 %
Non-current liabilities	13,988	**11,138**	44 %
Current liabilities	4,039	**3,367**	13 %
Balance sheet total	26,288	**25,508**	100 %

Key financial ratios	2007 [1]	2008 [1]	**2009** [1]
Assets and capital structure			
Shareholders' equity / total capital	25.8 %	31.5 %	**43.2 %**
Net financial liabilities / balance sheet total [2]	50.0 %	44.0 %	**33.0 %**
Long-term capital / fixed assets	108.0 %	107.2 %	**106.6 %**
Gearing (net fin. liabilities / shareholders' equity)	193.4 %	139.8 %	**76.5 %**
Earnings per share			
Earnings per share (EUR)	17.11	14.55	**0.30**
Profitability			
Return on total assets before taxes	9.8 %	6.9 %	**2.8 %**
Return on equity	26.1 %	8.1 %	**1.6 %**
Return on turnover	18.2 %	4.7 %	**1.6 %**

1) Without adjustment to IAS 32.18 b) Puttable Minorities in the amount of EUR 37 million (2009), EUR 50 million (2008), EUR 86 million (2007)
2) Figures have been adjusted for the final results of the Hanson purchase price allocation and are therefore not comparable with the 2007 annual accounts.




in Indocement; in contrast, the transition of the Hungarian and Bosnian activities from full consolidation to proportionate inclusion in the consolidation scope resulted in a decrease. In the 2009 financial year, dividends of EUR 50 million were paid out to HeidelbergCement shareholders and minority shareholders.

As regards liabilities, the decline in financial liabilities was accompanied by a regrouping of maturities. The proportion of long-term financial liabilities in the balance sheet total improved by 9.2 percentage points to 32.1 % (previous year: 41.3 %), the proportion of short-term financial liabilities by 2.1 percentage points to 4.6 % (previous year: 6.7 %). The remaining liabilities from non-interest-bearing liabilities and provisions decreased by a total of EUR 0.25 billion in the reporting period to EUR 5.14 billion (previous year: 5.39).

Results of operations, asset positions, and financial condition of HeidelbergCement AG

In addition to the Group reporting, the parent company's development is described below: In contrast with the Group annual accounts, the annual accounts of HeidelbergCement AG are prepared in accordance with German commercial law. HeidelbergCement AG's report to the shareholders is combined with that of the HeidelbergCement Group in accordance with § 315, section 3 of the German Commercial Code (Handelsgesetzbuch – HGB), as the business trend, economic position, and future opportunities and risks of the parent company are closely linked with the Group on account of their common activity in the building materials business.

As the controlling company, HeidelbergCement AG plays the leading role in the HeidelbergCement Group. In addition, it is operationally active in Germany in the cement and building products business lines with eleven cement and grinding facilities and one lime plant.

In 2009, the turnover of HeidelbergCement AG decreased by 3.2 % to EUR 495 million (previous year: 511); although cement prices were increased slightly, this could not offset the declining cement and clinker sales volumes. The decline in the earnings before interest and taxes (EBIT) to EUR -42 million (previous year: 396) is essentially due to the heavy decrease in the other operating income and particularly the income from disposals of financial fixed assets and contributions, which fell from EUR 403 million to EUR 14 million. The results from participations rose to EUR 89 million (previous year: -1,639); in the previous year, as a result of the shares in HeidelbergCement Holding S.à.r.l. being written down to the lower fair value, a loss for the financial year had been recorded at HeidelbergCement International Holding GmbH, which was transferred directly to HeidelbergCement AG via a profit transfer agreement. The amounts written off financial fixed assets decreased to EUR 54 million (previous year: 1,447) in the reporting year; the previous year's value was primarily characterised by the write-down of the shares in HeidelbergCement Holding S.à.r.l. to the lower fair value. The transaction costs incurred for the new syndicated loan of June 2009, the capital increase carried out in September 2009, and the three Eurobonds issued in October 2009 had an adverse effect on results. Overall, the profit for the financial year amounted to EUR 123 million (previous year: loss of -2,611), while the balance sheet profit amounted to EUR 64 million (previous year: 16).

The balance sheet total rose by EUR 3.5 billion to EUR 18.7 billion (previous year: 15.2). On the assets side, the shares in affiliated companies increased to EUR 7.8 billion (previous year: 6.2) as a result of a capital increase against contribution in kind by contribution of receivables and loans with HeidelbergCement International Holding GmbH. The loans to affiliated companies increased to just under EUR 6.0 billion (previous year: 3.4); this is primarily attributable to the transfer of the three Eurobonds issued in October 2009 with a total volume of EUR 2.5 billion to HeidelbergCement UK Holding Limited/United Kingdom. In addition, a loan of EUR 0.7 billion was granted to HC Norway A.S., Oslo/Norway. Overall, the financial fixed assets rose by EUR 4.2 billion to EUR 13.8 billion (previous year: 9.6). In current assets, the receivables and other assets decreased from EUR 4.9 billion to EUR 4.4 billion. This is essentially a result of the decline in amounts owed by affiliated companies to EUR 4.3 billion (previous year: 4.9). The securities amounting to EUR 109 million held at the end of 2008 decreased to EUR 0.1 million as a result of sales.

On the liabilities side, the shareholders' equity increased to EUR 11.6 billion (previous year: 9.2) because of the cash capital increase carried out in September 2009. The three Eurobonds issued in October with a total volume of EUR 2.5 billion formed a major item added to the liabilities in the 2009 financial year. The existing liabilities to banks at the beginning of the reporting year were incorporated into a new syndicated loan in June 2009. The bank loans decreased by EUR 1.0 billion to EUR 0.4 billion (previous year: 1.4) as a result of the capital increase and the three Eurobonds. The liabilities to affiliated companies fell by EUR 0.6 billion to EUR 3.3 billion (previous year: 3.9). Overall, the liabilities increased by just under EUR 1 billion to EUR 6.4 billion (previous year: 5.4).

Summary of the economic position

The Managing Board's assessment of the Group's economic position at the time of the preparation of the combined management report of the Group and HeidelbergCement AG is characterised on the one hand by the successful reorganisation of the financing structure, and on the other hand by the weak development of construction activity in the industrialised countries of Europe and North America, as well as in Eastern Europe.

The considerable reduction of the Group's net indebtedness is essentially due to the capital increase carried out in the second half of 2009, the sale of parts of the Group, and the measures consistently taken to improve cash flow ("Cash is king" initiative) and reduce costs ("Fitness 2009" programme). As a result of the placement of several bonds in October 2009, the liabilities to banks were significantly reduced and HeidelbergCement's maturity structure comprehensively improved.

The sharp downturn in construction activity in North America and Europe led, as expected, to a decrease in turnover and results, which was only partially compensated for by the stable development in Asia. However, the comprehensive cost-saving measures initiated at an early stage were able to significantly mitigate the decline in operating income.

Additional statements

Statements according to §§ 289, section 4 and 315, section 4 of the German Commercial Code (HGB)

On 31 December 2009, the share capital of HeidelbergCement AG amounted to EUR 562,500,000. It is divided into 187,500,000 no-par value bearer shares, each with a nominal value of EUR 3.00, which corresponds to a proportionate amount of the subscribed share capital. Each share carries one vote at the Annual General Meeting. All shares carry the same rights and obligations; there are no different classes of share. The Managing Board knows of no restrictions concerning voting rights or the transfer of shares, except for the lock-up agreement between Spohn Cement GmbH ("Spohn"), Zossen, and VEM Vermögensverwaltung GmbH ("VEM"), Zossen, published in connection with the cash capital increase in September 2009 and expiring in April 2010. According to information available to the company in accordance with the German Securities Trading Law (Wertpapierhandelsgesetz), as at 31 December 2009, Mr Ludwig Merckle, Ulm, holds more than 10 % of the voting rights in the company. He currently holds 24.42 % of the voting rights directly and indirectly via various companies, including Spohn and VEM. No holder of shares has been granted special rights giving powers of control.

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

As at 31 December 2009, there is no authorised capital. The company has no treasury shares and there is no authorisation to acquire treasury shares.

The share capital was conditionally increased by a further amount of up to EUR 187,500,000, divided into up to 62,500,000 new no-par value bearer shares (conditional share capital 2009). The conditional capital increase is only carried out insofar as the bearers of warrants or conversion rights, or those obliged to exercise conversions or options in connection with warrant or convertible bonds, profit-sharing certificates, or participating bonds issued or guaranteed by HeidelbergCement AG, or a Group company of HeidelbergCement AG in the sense of § 18 of the German Stock Company Act (Aktiengesetz) in which HeidelbergCement AG directly or indirectly has a participation of at least 90 %, on the basis of the authorisation agreed by the Annual General Meeting of 7 May 2009 under agenda item 7, make use of their warrants or conversion rights or, if they are obliged to exercise conversions or options, fulfil their obligation to exercise conversions or options, or, if HeidelbergCement AG exercises an option to grant shares of HeidelbergCement AG in place of all or part of the payment of the monetary amount due, provided that a cash settlement is not granted and no treasury shares or shares of another listed company are used to service this right. As at 31 December 2009, the authorisation to issue warrant or convertible bonds forming the basis of the conditional share capital 2009 had not been used. In connection with the cash capital increase in September 2009, the company has undertaken not to issue any new shares from the conditional share capital 2009 before April 2011.

A list of the company's significant agreements contingent on a change of control resulting from a takeover bid, and a summary of the effects thereof, is provided below in accordance with §§ 289, section 4 no. 8, 315 section 4 no. 8 of the German Commercial Code (HGB). Please note that we are disregarding agreements whose potential consequences for the company fall below the thresholds of EUR 50 million in a singular instance or EUR 100 million in the

case of several similar agreements, as they will not normally affect the decision of a potential bidder. The existing change-of-control clauses are standard for this industry and type of transaction and have not been agreed with the intention of hindering any takeover bids. The following significant agreements of HeidelbergCement AG are contingent on a change of control within HeidelbergCement AG resulting from a takeover bid:

Name of agreement / date	Type of contract	Nominal amount	Repayment	Type of clause
Syndicated credit and aval agreements				
Syndicated credit line and credit facility of 16 June 2009	Credit facility	8,744,558,153 EUR [1]	To the extent outstanding by 15 December 2011	(1)
Syndicated aval credit facility of 16 June 2009	Aval credit facility	250,000,000 USD	15 December 2011	(1)
Bonds issued by HeidelbergCement AG or HeidelbergCement Finance B.V. under the guarantee of HeidelbergCement AG				
5.625 % bond 2007/2018	Debenture bond	480,000,000 EUR	To the extent outstanding by 4 January 2018	(1)
6.375 % bond 2008/2012	Debenture bond	1,000,000,000 EUR	To the extent outstanding by 25 January 2012	(1)
7.5 % bond 2009/2014	Debenture bond	1,000,000,000 EUR	To the extent outstanding by 31 October 2014	(2)
8.0 % bond 2009/2017	Debenture bond	1,000,000,000 EUR	To the extent outstanding by 31 January 2017	(2)
8.5 % bond 2009/2019	Debenture bond	500,000,000 EUR	To the extent outstanding by 31 October 2019	(2)
Debt certificates issued by HeidelbergCement Finance B.V., guaranteed by HeidelbergCement AG				
of 16 October 2007	Debt certificates	200,000,000 EUR 100,000,000 EUR	by 16 October 2012 by 16 October 2014	(1)
of 18 April 2008	Debt certificates	40,000,000 EUR	by 18 April 2013	(1)
of 5 May 2008	Debt certificates	100,000,000 EUR	by 5 May 2013	(1)
of 7 May 2008	Debt certificates	115,500,000 EUR 43,000,000 EUR	by 7 May 2012 by 7 May 2014	(1)
of 9 June 2008	Debt certificates	50,000,000 EUR	by 10 June 2013	(1)

[1] The syndicated credit line and credit facility was reduced to EUR 4.381 billion as at 31 December 2009 by means of early repayments; of this figure, EUR 2.291 billion was outstanding as at 31 December 2009.

The relevant change-of-control clauses give the contractual partner or bearer of the debt certificate the right to demand immediate repayment of the outstanding loans or debt certificates in the event of a change in the company's shareholder structure as defined variously as follows: The contracts marked (1) in the "Type of clause" column give the relevant contractual partner or bearer of the debt certificate a right of early termination in the event of changes in the shareholder structure that lead to a change in the control of the company. An entity has control if it controls more than 50 % of the subscribed capital or more than 50 % of the voting rights contractually or by other means, whereby – in connection with a concept of "registered partner" – a change in control to (i) Spohn Cement GmbH or (ii) any partner of Spohn Cement GmbH including successors and legatees of partners of Spohn Cement GmbH and persons who are beneficial owners of shares in Spohn Cement GmbH, or (iii) any legal person or foundation or comparable institution managed by such persons to whom shares in HeidelbergCement AG were transferred by persons mentioned under (i) to (iii) is exempted from the regulation regarding a right of early termination.

The bond terms of the three Eurobonds issued in October 2009, marked (2) in the "Type of clause" column, give each bond creditor the right, in the event of a change of control as described below, to demand full or partial repayment from the company or, at the company's option, the full or partial purchase of his debenture bonds by the company (or, at the company's request, by a third party) at the Early Repayment Amount (Put), whereby the Early Repayment Amount (Put) for each debenture bond (exclusively) means 101 % of the nominal amount of the debenture bond plus accrued and unpaid interest up to the repayment date defined in the bond terms.

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

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

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

The USD 750 million 6.125 % bond taken out by Hanson Limited, issued on 16 August 2006 and maturing on 15 August 2016, now guaranteed by HeidelbergCement AG, includes a provision whereby not only the direct but also the indirect acquisition of more than 50 % of the shares or voting rights in Hanson Limited may represent a change of control. The acquisition of 30 % of the voting rights in HeidelbergCement AG, which indirectly holds 100 % of the shares in Hanson, could be regarded as an indirect acquisition. A change of control would grant the bearers of this bond a put option at 101 % of the nominal value plus interest against Hanson Limited if, in connection with this change of control, the bond was downgraded below "Investment Grade" by Moody's and Standard & Poor's. As the bond is already classified below Investment Grade, this change-of-control provision is currently not applicable.

The other details required in accordance with §§ 289, section 4, 315, section 4 of the German Commercial Code (HGB) relate to circumstances that do not exist at HeidelbergCement AG.

The EUR 650,000,000 6.5% bond 2010/2015 und EUR 750,000,000 7.5% bond 2010/2020 issued in January of this financial year contain in their bond terms clauses for the occurrence and consequences of a change of control whose content is the same as in the bond terms of the debenture bonds issued in October 2009.

Regional branches

HeidelbergCement AG has no regional branches either domestically or internationally.

Dependent companies report

From September 2005 to 5 January 2009, HeidelbergCement AG was dependent on Spohn Cement GmbH, Zossen, and, in addition, from 5 January 2009 to 25 September 2009, dependent on Mr Ludwig Merckle, Ulm. No controlling agreement existed either between Spohn Cement GmbH and HeidelbergCement AG or between Mr Ludwig Merckle and HeidelbergCement AG.

Therefore, in accordance with § 312 of the German Stock Company Act (Aktiengesetz), the Managing Board of HeidelbergCement AG compiled a report on the relationships between HeidelbergCement AG and Spohn Cement GmbH and its associated companies for the period from 1 January 2009 to 25 September 2009 and a report on the relationships between HeidelbergCement AG and Mr Ludwig Merckle and his associated companies additionally for the period from 5 January 2009 to 25 September 2009, and submitted it to the Supervisory Board. The Managing Board declares at the end of the report: "We declare that – under the circumstances known to the Managing Board at the time at which each legal transaction with Spohn Cement GmbH or Mr Ludwig Merckle took place – the company received an appropriate compensation for each legal transaction. We further declare that – under the circumstances known to the Managing Board at the time – the company was not adversely affected by any measures taken, or not taken, in favour of or in the interests of Spohn Cement GmbH or Mr Ludwig Merckle."

Events occurring after the close of the 2009 financial year

On 19 January 2010, we issued two Eurobonds to national and foreign institutional investors with a total issue volume of EUR 1.4 billion: one bond of EUR 650 million with a term of 5 years and a second of EUR 750 million with a term of 10 years. The bonds have fixed interest rates of 6.5% p.a. for the 5-year term and 7.5% for the 10-year term. The issue prices were 98.8561% and 98.2192%, giving yields to maturity of 6.75% and 7.75% respectively. The proceeds from the issue were exclusively used for the repayment of the syndicated loan from June 2009.

Following the successful issue of the two Eurobonds, on 13 January 2010 the rating agency Standard & Poor's once again upgraded HeidelbergCement's credit rating by one level. The current ratings from Standard & Poor's, Moody's, and Fitch Ratings are now BB-/B, Ba3/NP, BB-/B.

Corporate governance statement[1)]

Statement of compliance in accordance with § 161 of the German Stock Company Act (Aktiengesetz)

On 17 March 2010, the Managing Board and Supervisory Board submitted the following statement of compliance in accordance with § 161 section 1 of the German Stock Company Act: The Managing Board and Supervisory Board of HeidelbergCement AG declare that they have complied with, and are in compliance with, the recommendations of the Government Commission on the German Corporate Governance Code (hereafter referred to as the "Code"), with the following exceptions:

- The limit for the deductible in the D&O liability insurance for the members of the Managing Board and Supervisory Board is less than 1.5 times the fixed annual remuneration (deviation from point 3.8).
  Justification: The agreed deductible was deemed reasonable in accordance with the version of the Code in force until 5 August 2009. An increase in the minimum deductible will be examined for the members of the Managing Board whose agreements were entered into before the Act on the Appropriateness of Management Board Remuneration (VorstAG) and the current version of the Code came into force, in accordance with the law and the Code, after the existing agreements have expired. An increase in the agreed deductible for members of the Supervisory Board in accordance with the Code is disproportionate to the current remuneration for serving on the Supervisory Board, but shall be examined after the changes in the remuneration of the Supervisory Board which will be proposed to the Annual General Meeting in 2010.
- The Managing Board agreements do not provide for any limit on redundancy payments (redundancy pay cap) in the event of early termination of membership of the Managing Board without good cause (deviation from point 4.2.3).
  Justification: When compliance with this Code recommendation was being considered, there were already plans to introduce a law on Managing Board remuneration. In order to avoid repeated changes to the structure, the decision was made to retain the existing structure without a redundancy pay cap for the time being. The introduction of a redundancy pay cap is to be investigated in the course of the review and restructuring of the Managing Board remuneration system planned for autumn 2010.
- The variable Managing Board remuneration is not based on a multi-year assessment base (deviation from point 4.2.3).
  Justification: The previous variable component of the Managing Board remuneration, linked to multi-year performance targets, has come to an end and is set to be reintroduced at the review and restructuring of the Managing Board remuneration system planned for autumn 2010.
- The Chairman of the Supervisory Board does not chair the Personnel Committee (deviation from point 5.2).
  Justification: Justification: The Supervisory Board felt it appropriate to entrust the task of chairing the Personnel Committee to the single largest shareholder.
- A standard retirement age for members of the Managing Board and Supervisory Board applies from 17 March 2010 onwards, when the corresponding revision comes into force in the Rules of Procedure for the Supervisory Board (deviation from points 5.1.2 and 5.4.1).

[1)] In accordance with § 289a of the German Commercial Code (HGB), likewise the Corporate Governance Report in accordance with point 3.10 of the German Corporate Governance Code

Justification: Until the 2010 revision, no age limit – as provided for by the Code – was set for members of the Managing Board and Supervisory Board. The Code's recommendation is followed as of the date of submission of this statement of compliance.

- The Supervisory Board remuneration does not contain a variable component (deviation from point 5.4.6).
  Justification: In view of the supervisory and advisory function of the Supervisory Board, it has so far been deemed appropriate to award fixed remuneration only. However, the Managing Board and Supervisory Board will propose a modified remuneration structure – containing a variable component – to the 2010 Annual General Meeting.
- The shareholdings of members of the Supervisory Board are not disclosed (deviation from point 6.6).
  Justification: The members of the Supervisory Board are bound by the shareholding disclosure requirements under § 21 of the German Securities Trading Law (Wertpapierhandelsgesetz) and the "Directors' Dealings" disclosure requirements under § 15a of the German Securities Trading Law. This seems to guarantee sufficient transparency as regards the shareholdings of members of the Supervisory Board.

The above statement relates to the version of the Code published on 8 August 2008 in the Electronic Federal Gazette, for the period from 17 March 2009 (submission date of the previous statement of compliance) to 5 August 2009. For the period from 6 August 2009, it relates to the version of the Code published on 5 August 2009.

Corporate governance practices that extend beyond the legal requirements

A Group-wide Code of Business Conduct requires all employees to observe the basic rules of business decorum – irrespective of whether these rules have been expressed in legal regulations or not. In particular, the Code calls for:

- integrity and professional behaviour towards customers, suppliers, authorities, and business partners;
- consistent avoidance of conflicts of interest;
- careful and responsible handling of the Group's property and assets;
- careful and responsible handling of company and business secrets as well as personal data;
- fair, non-discriminatory employment conditions and fair dialogue with the employee representatives;
- the provision of healthy and safe jobs;
- considerate handling of natural resources.

The Code of Business Conduct which is published on our website www.heidelbergcement.com under "About us/Corporate Governance" is part of the comprehensive compliance programme and its observance is monitored by means of the control mechanisms included in the programme.

Working methods of Managing Board and Supervisory Board, and composition and working methods of their committees

As a German public limited company, HeidelbergCement is required by law to have a two-tier board system: The Managing Board is responsible for independently managing the Group. Its members are jointly accountable for the management of the Group; the Chairman of the Managing Board co-ordinates the work of the members of the Managing Board. The Supervisory Board appoints, monitors, and advises the Managing Board and is directly involved in decisions of fundamental importance to the Group; the Chairman of the Supervisory Board co-ordinates the work of the Supervisory Board.

Management by the Managing Board

In managing the Group, the Managing Board is obliged to act in the Group's best interests and increase the sustainable value of the Group. It develops the Group's strategy, co-ordinates it with the Supervisory Board, and ensures its implementation. It ensures that all provisions of law and the Group's internal guidelines are adhered to, and works to achieve compliance by Group companies. It ensures appropriate risk management and risk controlling within the Group. The Managing Board Rules of Procedure issued by the Managing and Supervisory Boards govern, in connection with the schedule of responsibilities approved by the Supervisory Board, the work of the Managing Board, in particular the departmental responsibilities of individual members of the Managing Board, matters reserved for the full Managing Board, and the required majority for resolutions. In accordance with these rules, each member of the Managing Board runs his management department independently, with the provision that all matters of clearly defined fundamental importance are to be decided upon by the full Managing Board. This takes place in the regular meetings of the Managing Board, led by the Chairman of the Managing Board, on the basis of prepared meeting documents. The results of the meetings are recorded in minutes, which are issued to all members of the Managing Board. There are no Managing Board committees.

Supervision and consultation by the Supervisory Board

The task of the Supervisory Board is to regularly advise and supervise the Managing Board in the management of the Group. The Managing Board must involve the Supervisory Board in decisions of fundamental importance to the Group. The Supervisory Board Rules of Procedure issued by the Supervisory Board govern the work of the Supervisory Board, in particular the required majority for resolutions and the tasks of the established committees.

The Supervisory Board meets at least twice every half-year; at these meetings, it usually discusses the open topics and passes the required resolutions, on the basis of reports drawn up by the Managing Board and documents received in advance in preparation for the meeting. Additional meetings are held if necessary. The results of the meeting are recorded in minutes, which are issued to all members of the Supervisory Board.

The Personnel Committee is responsible for preparing the decision of the Supervisory Board concerning the appointment of members of the Managing Board, the election of the Chairman of the Managing Board and the establishment of the Managing Board's remuneration structure as well as the remuneration paid to the individual members of the Managing Board. It is also responsible for making a decision concerning the structuring of the non-remuneration-related legal relationships between the company and the members of the Managing Board. The Personnel Committee comprises Messrs Fritz-Jürgen Heckmann, Josef Heumann, Hans Georg Kraut, Ludwig Merckle, Tobias Merckle, and Heinz Schmitt. The Chairman is Mr Ludwig Merckle.

The Audit Committee is responsible for preparing the decision of the Supervisory Board concerning the adoption of the annual accounts and the approval of the Group annual accounts. It is also responsible for monitoring the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, the compliance programme, and the audit. In addition, it has the task of preparing the Supervisory Board's proposal to the Annual General Meeting for the appointment of the auditor, issuing the audit assignment, establishing focal points for the audit, concluding the fee agreement with the auditor, obtaining the auditor's statement of independence and making the decision concerning measures to be taken if reasons emerge during the audit to warrant the possible disqualification of the auditor or suggest a conflict of interest on the part of the auditor. The Audit Com-

mittee comprises Messrs Robert Feiger, Fritz-Jürgen Heckmann, Max Dietrich Kley, Ludwig Merckle, Heinz Schmitt, and Werner Schraeder. The Chairman is Mr Ludwig Merckle.

The Nomination Committee is responsible for putting suitable candidates forward to the Supervisory Board for its proposals for election to be made to the Annual General Meeting. It comprises Messrs Fritz-Jürgen Heckmann, Ludwig Merckle, and Tobias Merckle. The Chairman is Mr Fritz-Jürgen Heckmann.

The Arbitration Committee, formed in accordance with § 27, section 3 and § 31, section 3 of the German Codetermination Law, is responsible for making a proposal to the Supervisory Board for the appointment of members of the Managing Board if the necessary two-thirds majority is not initially achieved. It comprises Messrs Fritz-Jürgen Heckmann, Hans Georg Kraut, Tobias Merckle, and Heinz Schmitt. The Chairman is Mr Fritz-Jürgen Heckmann.

Co-operation between Managing Board and Supervisory Board

The Managing Board and Supervisory Board co-operate closely for the benefit of the Group. To this end, the Managing Board co-ordinates the Group's strategic approach with the Supervisory Board and discusses the current state of strategy implementation with the Supervisory Board at regular intervals. For clearly defined transactions of fundamental importance, the Supervisory Board has specified provisions in the Managing Board Rules of Procedure requiring approval.

The Managing Board informs the Supervisory Board regularly, without delay and comprehensively, of all issues of importance to the Group with regard to planning, business development, risk situation, risk management, and compliance. The Managing Board explains deviations of the actual business development from previously formulated plans and goals, indicating the reasons for this. The Supervisory Board has included detailed provisions in the Managing Board Rules of Procedure with regard to the Managing Board's information and reporting duties.

Remuneration report

Remuneration of the Managing Board

The remuneration determined by the Supervisory Board for the Managing Board of HeidelbergCement AG is adapted to the size and international activity of the Group, its economic and financial situation, its future prospects, the amount and structure of the Managing Board remuneration in comparable companies, and the remuneration structure used for the rest of the company. In addition, the tasks and performance of the relevant member of the Managing Board, and of the entire Managing Board, are taken into account. The remuneration structure is fundamentally already geared, and independent of future developments, towards the sustainable development of the Group. The remuneration is calculated in such a way that it is competitive on the market for highly qualified senior managers and provides an incentive for successful work in a business culture with a clear focus on performance and results.

The remuneration is made up of fixed and variable components. In connection with this, we are consciously aiming for a large variable element as part of the total remuneration in order to reflect, in a clear and direct way, the collective and personal performance of the members of the Managing Board and the performance of the Group. The one-year variable bonus depends on the achievement of specific financial goals set by the plenary session of the Supervisory Board at the beginning of the financial year (Group share of profit after taxes and minorities). In addition, a medium-term bonus based on the achievement of individually agreed goals is awarded for the 2008/2009 financial years. As a result of the difficult financing conditions, the Supervisory Board decided, at the beginning of 2009, to set additional goals reflecting the successful refinancing of the company.

Fixed remuneration of the Managing Board decreased to EUR 3.9 million (previous year: 4.7) compared to the previous year; by contrast, variable remuneration components rose to EUR 11.7 million (previous year: 2.6). The increase in variable remuneration components is mainly based on two special effects: Firstly, the Managing Board was granted an additional bonus regarding the successful reorganisation of the capital and financing structure (EUR 5.0 million; previous year: 0). Secondly, the earned tranche of the 2008/2009 medium-term bonus amounted to EUR 2.9 million (previous year: 0) in the reporting year. EUR 3.8 million (previous year: 2.6) was paid as a one-year variable bonus. Other remuneration elements of EUR 1.0 million remained unchanged compared to the previous year. The other remuneration elements consist of payments for committee activities at subsidiaries of HeidelbergCement AG, reimbursement of expenses and non-cash benefits arising from the provision of company cars. Total remuneration of the Managing Board in 2009 amounted to EUR 16.6 million (previous year: 8.3). Allocations to provisions for pensions (current service cost) for current members of the Managing Board amounted to EUR 1.3 million (previous year: 1.4). Payments to former members of the Managing Board and their surviving dependants amounted to EUR 2.3 million (previous year: 2.8) in the reporting year. Provisions for pension obligations to former members of the Managing Board amounted to EUR 26.1 million (previous year: 26.5).

It is intended to review the remuneration system for the members of the Managing Board in the second half of 2010, especially regarding changes to regulatory provisions, and to develop it further if necessary. Experiences of other German companies with multinational exposure will be taken into consideration.

In accordance with § 286, section 5 and § 314, section 2 sentence 2 of the German Commercial Code, the 2006 Annual General Meeting exercised their right to exempt the company from the obligation to publish the remuneration of each individual member of the Managing Board.

In 2009, no loans or advances were granted to members of the Managing Board of HeidelbergCement AG.

Remuneration of the Supervisory Board

The Supervisory Board remuneration is made up of fixed amounts and attendance fees. Each member receives EUR 21,000, with the Chairman receiving twice this amount and his Deputy one-and-a-half times. The members of the Audit Committee additionally receive EUR 7,000, the members of the Personnel Committee EUR 3,500, and the Chairmen of the Committees twice these respective amounts. In addition, an attendance fee of EUR 1,500 is paid for each meeting personally attended. This amounts to a total Supervisory Board remuneration of EUR 499,895 (previous year: 502,937).

The employee representatives on the Supervisory Board remit a significant portion of their Supervisory Board compensation to the recuperation facility for the employees at HeidelbergCement AG and – with the exception of the representative of the senior managers – to the trade union-linked Hans Böckler Foundation.

Shareholdings of members of the Managing Board and Supervisory Board

The direct or indirect ownership of shares or share-based derivatives by members of the Managing Board has, neither in any individual case nor in total, exceeded the threshold of 1 % of the issued shares. According to the available reports, Supervisory Board member Ludwig Merckle indirectly holds 24.42 % of the issued shares. As regards the other members of the Supervisory Board, the ownership of shares or share-based derivatives has, neither in any individual case nor in total, exceeded the threshold of 1 % of the issued shares, according to the available reports.

Compliance

Within the Group's management culture, strong emphasis continues to be placed on the compliance programme, which is now firmly anchored in the Group-wide management and supervisory structures.

The focal topics for consideration remain competition legislation, occupational safety legislation and environmental law. This reflects the characteristics and specific features of a heavy industry that extracts and processes raw materials and markets homogeneous mass goods. Special efforts are also made to observe anticorruption regulations, capital market regulations, data protection regulations and regulations on non-discrimination in dealings with employees.

Modern technologies and media, such as electronic learning platforms and learning programmes as well as Internet- and telephone-based reporting systems support the compliance managers appointed for all geographical and functional units of the Group.

Group-wide implementation of the compliance programme is monitored by means of specially organised half-yearly compliance reporting as well as via regular and special audits by Group Internal Audit. The Managing Board's report to the Supervisory Board is based on the compliance reports. The Supervisory Board's Audit Committee investigates whether the compliance programme satisfies the legal requirements as well as recognised best practices.

Risk report

Business activities are always future-oriented and therefore involve risks. HeidelbergCement is likewise subject to various risks in its business activities that are not fundamentally avoided, but instead accepted, provided they are well balanced by the opportunities they present. Identifying risks, understanding them and reducing them systematically is the responsibility of the Managing Board and a key task for all managers.

The Managing Board of HeidelbergCement AG is obliged to set up and supervise an internal control and risk management system. The Managing Board also has overall responsibility for the scope and organisation of the established systems.

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

Risk management

The basis for the risk management process is regular risk quantification and the associated reporting at national level, which is aligned with the Group's geographical organisation. Appropriate thresholds for risk reporting have been established for the individual countries, taking into account their specific circumstances. The presentation and discussion of the risk report is an integral part of the quarterly meetings between the Managing Board and the national management teams. Short channels of communication allow quick decisions to be made and appropriate countermeasures to be taken.

The quarterly risk reports from each country are incorporated in the Group's central management reporting. The regular risk reports are supplemented by separate ad-hoc reports in the event of risks that arise suddenly or unexpectedly, particularly in connection with political events, developments on the financial markets, or natural disasters.

The Group's Insurance & Corporate Risk department is responsible for co-ordinating the risk management processes. All significant risks, both quantitative and qualitative, are summarised once a year in a central risk map at Group level.

In addition, the auditors carry out an examination of the risk management system as part of the annual audit to determine whether the monitoring system is capable of identifying in good time issues that could threaten the Group's existence. After evaluation of the overall risk situation, there are, from today's perspective, deemed to be no identifiable risks, either at present or for the foreseeable future, that could threaten the existence of the Group or other significant risks whose occurrence would lead to a considerable deterioration of the Group's economic position.

Risks that may have a significant impact on our assets, financial position, and results in the 2010 financial year and in the foreseeable future after 2010 are divided into three categories based on the risk catalogue established in the Group: financial risks, market and strategic risks, and operational risks.

Financial risks

Our significant financial risks are currency risks, interest rate risks, refinancing risks, and credit risks. We manage these risks primarily as part of our ongoing business and financing activities and, when required, by using derivative financial instruments. These risk areas are monitored on a continuous basis by the Group Treasury department in accordance with our internal Group guidelines.

As part of our ongoing risk management, we manage the transaction risk, i.e. the risk of fluctuating prices (e.g. currency exchange rates, interest rates, raw material prices) that may affect the Group's earnings position.

Currency risks arising as a result of transactions with third parties in foreign currency (transaction risks) are hedged using derivative financial instruments with a hedging horizon of up to twelve months. We primarily use currency swaps and forward exchange contracts for this purpose, as well as currency options in some individual cases. Currency risks arising from intra-Group transactions are not hedged, as the inflows and outflows in the various currency pairs cancel one another out at Group level to a large extent.

In general, we do not hedge currency risks arising from converting the annual accounts of foreign individual companies or subgroups (translation risks). The associated effects have no impact on cash flow, and influences on the Group balance sheet and profit and loss accounts are monitored on a continuous basis.

Interest rate risks exist as a result of potential changes in the market rate of interest and may lead to a change in fair value in the case of fixed interest-bearing financial instruments and to fluctuations in interest payments in the case of variable interest-bearing financial instruments. Interest rate risks are maintained within the parameters set by the Group's Chief Financial Officer. By using financial instruments, primarily interest rate swaps, we are able to hedge both the risk of fluctuating cash flows and the risk of value fluctuations.

Refinancing risks exist when a company is not able to procure the funds necessary to fulfil the obligations entered into in connection with financial instruments. Besides the cash inflow from operating activities, we maintain credit lines with first-class banks. We also invest cash with companies, institutions, and banks following detailed credit assessments. A revolving syndicated credit facility of EUR 2.281 billion with a term ending in December 2011, of which only EUR 191 million had been drawn upon as at the balance sheet date, is available for financing existing payment obligations.

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

Credit risks from operating activities are monitored continuously as part of our receivables management. We apply strict standards with regard to the creditworthiness of our business partners. In this way – as well as by avoiding concentrations of positions – we are able to minimise the Group's credit risks.

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

On 16 June 2009, the company concluded a new syndicated loan agreement in the total amount of EUR 8.7 billion with a term ending on 15 December 2011. This agreement contains covenants, which were adapted to a level that met the requirements of the changed economic environment. The flexibility under these covenants was increased further by the capital increase in September 2009. By the end of 2009, the syndicated loan agreement was reduced to EUR 4.381 billion by means of early repayments, particularly in connection with the capital increase and the issue of three Eurobonds in October 2009. This figure consists of outstanding amounts of EUR 2.291 billion and a revolving facility, credit lines, and guarantees, totalling EUR 2.090 billion, which, however, were not drawn.

Market and strategic risks

The serious consequences of the worldwide financial and economic crisis in 2009 and the accompanying economic downturn, especially in North America and Europe, required HeidelbergCement – as an internationally active Group – to overcome great challenges.

As a fully integrated building materials company, we have maintained our leading market positions in all important sales markets in the core businesses of cement, aggregates, and concrete.

In the North America and Europe Group areas, sales volumes dropped considerably as a result of the financial and economic crisis. In the affected countries, we consistently implemented further rationalisation measures and refrained as far as possible from making large investments. This laid the foundation for us to benefit from the upturn in these markets after the downswing. The Asia-Australia-Africa Group area recorded positive development overall with a significant increase in results.

Although the first signs that the economy is stabilising are starting to appear – we anticipate a slow recovery of the construction industry in 2010 – the crisis is not yet over. The Asian countries are providing impetus and support for worldwide growth. In China, massive government investment in infrastructural projects provided a boost, while the Indian government is pursuing plans to expand the largest road network in the world. In Australia, one of the most expensive economic programmes per capita gave impetus to our activities. At the same time, Australia benefited from the upward economic trend in Asia.

Contrary to initial estimates, the government economic stimulus measures in Europe and the US were not sufficiently effective. The main impetus of the economic packages is expected to take effect in the course of 2010. In the US, around USD 180 billion has been earmarked for infrastructure projects, although only a small portion has been disbursed so far. Initially, our aggregates companies in particular will benefit from the announced road-building projects. The rising population in the US indicates that a double-digit increase in cement sales volumes can be expected in the long term. In Eastern Europe, our activities can be positively influenced by Poland, where, in addition to government investment in the transport infrastructure, a subsidy of EUR 67 billion was provided by the EU and large construction projects in connection with the European Football Championship in 2012 are in the pipeline.

At a number of HeidelbergCement locations, our management cannot rule out certain security risks because of internal political circumstances. We are pleased to note that no employees of the HeidelbergCement Group were affected by the two bombings in July 2009 in the Indonesian capital Jakarta.

Operating risks

For an energy-intensive company such as HeidelbergCement, the development of costs on the energy markets represents a significant risk. Following the price declines connected with economic conditions, the fuel prices should increase significantly again as the markets recover. In some countries such as Romania and Ukraine, the price of coal rose substantially despite the weak economy. In China, the price of coal has been highly volatile in recent years. For our subsidiary in Indonesia, the planned discontinuation of government subsidies for electricity could pose an additional price risk. In order to minimise the price risks from the energy sector as well as lower CO_2 emissions, we increasingly use alternative fuels in production and are reducing the proportion of energy-intensive clinker in cement, the end product. Measures in this area are described in the "Sustainable development and environmental precaution" chapter on page 54 ff. and the "Research and technology" chapter on page 57 ff.

For cement production, HeidelbergCement requires a significant quantity of raw materials and additives such as fly ash or blast furnace slag. The availability and prices of these materials are subject to economic fluctuations, and further price increases are anticipated. The optimisation of the purchasing organisation, long-term supply agreements, and adjustments to our product range help to mitigate negative developments and financial burdens.

HeidelbergCement's risk transfer strategy sets retention amounts for the main insurance programmes that have been adjusted to the size of the Group and are the results of many years of failure analyses. The loss experience trend continued: once again, in 2009 there were no serious damage claims, which meant that the savings resulting from reduced insurance premiums were not utilised. Apart from two flooding incidents in Turkey and the US, HeidelbergCement's locations were not affected by forces of nature; likewise, an underwater quake southeast of Jakarta had no negative consequences on our company. The maximum compensation limits of our Group-wide property insurance programme, increased three years ago, guarantee comprehensive coverage against natural disasters, including earthquakes, for our activities in heavily endangered regions of North America and Asia.

Some of our Hanson participations are exposed to particular legal risks and processes, as well as tax risks, as a result of previous activities. These primarily relate to asbestos claims based on blame for personal injury, involving various American subsidiaries. Products containing asbestos were manufactured in the period from 1973 to 1984, before these companies belonged to the Hanson Group. In the US, these damage claims are being handled and intensively managed by a team of in-house lawyers in collaboration with insurers and external consultants. Adequate provisions have been formed on the basis of an extrapolation of the claims and reliable estimates of the development of costs.

Furthermore, a substantial increase in environmental and product liability claims against former and existing participations, which are not connected with the current business activity, is being recorded in the US. There is sometimes insufficient insurance cover for law suits and liability loss claims in connection with toxic substances such as coal by-products or wood preservatives. In the US in particular, our subsidiaries may receive additional penalties over and above the amount of the damages; however, there is a possibility of concluding settlement agreements. Sufficient financial provision has been made for this event.

Climate protection and reducing CO_2 emissions are a focal topic of HeidelbergCement's sustainability strategy. By increasing energy efficiency, developing cement types with a lower proportion of clinker, and using alternative fuels such as biomass, we were able to reduce our specific net CO_2 emissions by more than 18 % in comparison with 1990 by the year 2008; we will publish the data for 2009 on our website in the second half of 2010. The ambitious goals of the European Parliament and the European Commission concerning climate protection were formalised by the adoption of the European climate package to reduce greenhouse gas emissions in December 2008. The cement industry, like other CO_2-intensive industry sectors, will not be affected by the full auction of emission rights from 2013. The emission rights will thus continue to be allocated free of charge, but by 2020 their quantity will have been reduced by 21 % compared with 2005. The emission certificates are to be allocated on the basis of demanding, product-specific benchmarks that are yet to be defined for each industry sector. In the long term, this could create additional burdens in Europe as a result of higher manufacturing costs and therefore clear competitive disadvantages in comparison with producers from countries not involved in emissions trading.

In the cartel proceedings initiated in 2002 against German cement companies, the Düsseldorf High Court (Oberlandesgericht) imposed a fine of around EUR 170 million against HeidelbergCement; an appeal against the fine has been lodged with the Federal Supreme Court in connection with the breach of various procedural and material regulations. The proceedings before the Federal Supreme Court will not result in any increase in the fine. No decision has yet been made regarding the action for damages brought by the Belgian company Cartel Damage Claims SA before the District Court (Landgericht) of Düsseldorf, which is based on allegedly inflated cement prices as the result of a cartel between 1993 and 2002. Even after the decision of the Düsseldorf High Court, HeidelbergCement believes that it still has a chance of defending itself successfully against the action. Appropriate financial provision has been made for the two proceedings. In November 2008, HeidelbergCement was confronted with additional cartel allegations, with reviews conducted by the European Commission at locations in Germany, Belgium, the Netherlands, and the United Kingdom. HeidelbergCement's own investigations into the circumstances have not confirmed the alleged antitrust violations. The proceedings continued with the issuing of questionnaires at the end of September 2009, to which HeidelbergCement responded by the specified deadline. A response from the EU Commission is expected in the second half of 2010.

These and other proceedings motivate us to continuously review and develop intensive internal precautions, particularly regular training measures, in order to avoid cartel law violations.

Main features of the internal control and risk management system pertaining to the Group accounting process (§ 289, section 5 and § 315, section 2 no. 5 of the German Commercial Code)

As HeidelbergCement AG is a capital market-oriented company in accordance with § 264d of the German Commercial Code (HGB), the main features of the internal control and risk management system pertaining to both the accounting processes of the included companies and the Group accounting process must be described in accordance with § 315, section 2 no. 5 of the German Commercial Code.

The internal control system within the HeidelbergCement Group includes all principles, processes, and measures intended to ensure the effectiveness, cost efficiency, and accuracy of the accounting and to ensure observance of the relevant legal provisions.

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

Within the Group, the following structures and processes have been implemented with regard to the accounting process of HeidelbergCement AG and its major Group companies included in the Group annual accounts:

Accounting-related business transactions are primarily recognised in the individual financial statements of the Group companies of HeidelbergCement AG via local accounting systems by SAP and Oracle. Transactions above a certain volume or with a certain complexity defined within the Group are subject to an established approval process. The IT systems used for the accounting are protected from unauthorised access by means of appropriate security measures.

To prepare the Group annual accounts, further information is added to the individual accounts of the Group companies and these are then entered into a standardised consolidation program developed by SAP. All consolidation processes, such as the capital or debt consolidation, the expense and income consolidation, and the at-equity valuation, are then carried out and documented in the consolidation system. The various elements that make up the Group annual accounts, including the explanatory notes, are created entirely from the consolidation programme.

HeidelbergCement AG and its Group companies have a clear organisational and management structure. The responsibilities and functions within the accounting process (e.g. Accounting of HeidelbergCement AG and their Group companies, Controlling, Treasury, and Group Accounting) are also clearly separated and defined. The clear organisational and management structure (e.g. Shared Service Center), the use of suitable software, and internal Group requirements form the basis for a uniform and efficient accounting process.

The departments involved in the accounting process have the requisite qualifications and are equipped in accordance with the requirements. In the case of accounting issues that are complex or require discretionary judgement, external service providers (e.g. appraisers or pensions experts) are also appointed within the HeidelbergCement Group. Uniform accounting and valuation is primarily ensured by means of Group-wide guidelines, which are adapted on an ongoing basis to current developments (e.g. in the Group's economic or legal environment) and changes to the financial reporting framework.

In the HeidelbergCement Group, the accounts data are checked regularly for completeness and accuracy by means of spot checks and plausibility checks, using both manual controls and IT controls. The accounting process is also characterised by integrated controls (e.g. principle of dual control, data analysis).

The Audit Committee of the Supervisory Board and Group Internal Audit of the company are also integrated into the Group's control environment with process-independent auditing activities. Furthermore, the Group auditor and other auditing bodies, such as the external tax auditor, carry out other process-independent monitoring activities in connection with the accounting process.

Complete and accurate accounting is guaranteed by ensuring personnel are sufficiently equipped in both a quantitative and a qualitative sense, employing suitable control and review mechanisms, and clearly defining areas of responsibility and functions.

The internal control and risk management system pertaining to the accounting process ensures that all business transactions are recognised fully and accurately in the balance sheet. The Group annual accounts of HeidelbergCement AG are prepared in accordance with the accounting standards on this basis. The internal control and risk management system ensures that the accounts within the HeidelbergCement Group are prepared in a uniform manner and in accordance with the legal provisions, the international accounting standards (IFRS), and internal Group requirements. The reader of the annual report is thus provided with relevant, reliable, complete, and up-to-date information.

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

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

Employees

At the end of 2009, the number of employees in HeidelbergCement's continuing operations amounted to 53,302 (previous year: 60,841). The decrease of 7,539 employees results essentially from the location optimisations and capacity adjustments in North America and Europe, which were linked with job cuts. Expenditure on salaries, social security contributions, pension scheme contributions and social aid fell by 11.1 % in comparison with the previous year to EUR 2,041 million (previous year: 2,298). This corresponds to a share in turnover of 18.4 % (previous year: 16.2 %).

Fast reaction to market declines

We responded to the economic crisis at an early stage. In our most heavily affected markets, North America and the United Kingdom, we promptly adjusted our production capacities to the market declines. We organised the associated personnel measures in a socially responsible manner by not extending temporary work contracts, cutting back overtime, reducing shift work, short-term work, and, where unavoidable, by job cuts.

We also responded consistently as regards our managers' remuneration. Our remuneration systems are based on performance and results, and work in both directions. Efficient remuneration systems are characterised by variable remuneration elements that are heavily dependent on results, leading to large payments in good years and vice versa. For example, managers in markets with significant decreases in results received considerably smaller bonus payments.

A strong corporate culture helps in a crisis

A good corporate culture shows its strength particularly in times of crisis. Our Leadership Principles, which we revised in 2008, also proved effective in the financial and economic crisis: A down-to-earth approach, closeness to the business, consistent management, strict cost management, margin control, and speed, combined with strength of implementation, formed a reliable basis that guided all managers and employees, even in an extremely difficult economic environment.

The opinions of our employees are important to us. Their feedback from surveys helps us to make necessary improvements to the working environment. The most recent survey, conducted among managers in Germany in autumn 2009, shows a very positive attitude towards our Group in general. For example, more than 80 % of those surveyed rated strategy, commitment, motivation, identification, and leadership as 'very good' or 'good'.

The main area for improvement is the co-operation between the business units as well as between the business units and the staff functions. In a follow-up process, all the survey results will be discussed, improvement potential will be identified and then consistently implemented.

Harmonisation of personnel management instruments

In order to further harmonise the management instruments within the Group and simplify their use, we will link them together even more effectively. This will be achieved using the newly developed competence model, which connects all personnel management instruments, such as performance management, selection procedures, or job performance appraisals. Central to this model is the question of what knowledge, which competences and practices are vital for the long-term success of our Group.

Because this competence model will have a direct impact on all personnel management instruments, top and senior managers worldwide have been involved in its formulation, as they will use and be affected by these instruments in the future. Instructions and support for utilising the personnel management instruments should make it easier for managers to use them, as well as guarantee uniformity.

Advancement of future executives and management training

All training programmes at HeidelbergCement are tailored to the specific needs of our company. This applies to both traditional topics such as strategy, leadership and management, or the method of capital expenditure budgeting, and special topics such as Customer Value Added or global sourcing. The standardisation of the training content for senior management has proved successful and is being expanded further. Uniform training content ensures that a harmonised understanding of strategy, integrated management approach, and leadership is developed everywhere.

Despite the difficult economic environment, the advancement of future executives was consistently pursued in 2009. The focal points of the training were cost management, effective management methods, project management, and dealing professionally with processes of change.

The advancement of future executives and the recruitment of talents are very important for successor planning in a Group with around 53,000 employees and more than 2,500 locations worldwide. To guarantee future growth, we also rely on young executives, whom we train specifically for assignments in our markets. This takes place via our management pipeline programme, introduced a few years ago. After training and obtaining further qualifications in mature markets such as Western Europe, the young executives are deployed, for example, in the CIS countries. What makes HeidelbergCement particularly attractive to young talents is the opportunity to take on extensive responsibility, e.g. as a plant manager, at a young age. The internal succession ratio in top and senior management positions is above 80 %.

Communication as a factor for success

We inform all employees and managers continuously and openly about the Group's position. By means of letters from the Chairman of the Managing Board, interviews on the Group's intranet, our global electronic in-house magazine and at numerous events, including a conference for the Group's top managers, lasting several days, we have provided information about the Group's current position, the status of our cost-saving programmes and the next necessary steps. The resulting high level of employee identification with the Group has had an enormously stabilising effect in an otherwise very difficult environment.

Employees by Group areas (in continuing operations)	2008	**2009**
Europe	27,035	**23,884**
North America	15,739	**12,601**
Asia-Australia-Africa	18,015	**16,766**
Group Services	52	**51**
Employees as at 31 December	60,841	**53,302**

Sustainable development and environmental precaution

HeidelbergCement takes its responsibility towards the environment and society seriously. We have made considerable progress in the past few years, for example in the reduction of CO_2 emissions or the use of alternative fuels. In order to underscore the long-term nature of our commitment, we set up the Sustainability Ambitions 2020. They are divided into six key topics, with the main focus on occupational health and safety:

We give highest priority to occupational health and safety

In the Sustainability Ambitions 2020, HeidelbergCement has set itself the goal of reducing the number of fatalities to zero and reducing the number of occupational accidents with lost working days by 50 % by 2012. We are aware that this is a very ambitious goal, which can only be achieved through our joint efforts to focus even more strongly on safe working. It was with great regret that we reported the deaths of eight employees in 2009, which led again to an increase in the fatality rate. In 2009, the decline in the number of accidents with lost working days (accident frequency rate) in comparison with the previous years was somewhat smaller than hoped for. The number of lost working days, however, rose due to the severity of accidents (accident severity indicator). These figures make it clear that we must take further measures, at both local and Group level, in order to prevent accidents and achieve the goal we set ourselves.

In 2009, we continued our "Safe work – Healthy life" initiative to further strengthen awareness of occupational health and safety. One important task is the Group-wide standardisation of processes identified as hazardous. We have therefore introduced a guideline on machine safety. As with previous guidelines, the preventive hazard analysis plays a decisive role in identifying possible dangers in advance and preventing accidents by means of appropriate measures. The guideline applies to both large production facilities, such as rotary kilns in cement plants or complex conveyor systems, and small devices such as cut-off grinders or circular saws.

As part of the cement industry's Sustainability Initiative, we have been involved in formulating the recommendations on safe driving in the Occupational Safety working group. As a result of the expansion of our Group in recent years in the ready-mixed concrete and aggregates sectors, volume of transport has risen and with it, unfortunately, the number of transport accidents. We will implement the recommendations of the Sustainability Initiative in a Group guideline in 2010, in order to prevent accidents in this area as well.

Occupational health and safety	2006	2007	2008	**2009**
Accident frequency rate [1]	7.4	5.8	4.8	**4.6**
Accident severity indicator [2]	191	154	132	**167**
Fatality rate [3]	0.3	0.6	0.9	**1.7**

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

In the area of occupational health, our efforts in 2009 focused on swine flu. On the basis of the recommendations by the World Health Organisation (WHO) and an international health information service with which we collaborate closely, we informed our employees on an ongoing basis about the latest developments and necessary measures. In our Group countries, our local crisis management teams co-operated with the relevant national authorities. Thanks to these measures and the relatively mild course of the illness, the impact so far has been fairly limited. This crisis has, however, allowed us to test our crisis management and thus prepare ourselves for potentially more serious situations.

We positively contribute to biodiversity

Our quarries and sand and aggregates pits are particularly well suited for promoting biological diversity. They contain a large number of habitats existing in parallel, which are home to numerous animals and plants that are rarely found nowadays in the surrounding areas. The "sand martin" species conservation programme, started in Germany in 2007, was successfully extended to Hungary, the Czech Republic, Poland, Norway, and Latvia during the reporting year. In Norway, for example, 1,000 sand martins began to breed on a breeding wall set up just a few weeks before.

HeidelbergCement supports the EU-wide Natura 2000 network of conservation areas. We are investigating whether our quarrying sites are located in or adjacent to conservation areas and, if necessary, change our renaturation measures in order to create added value for the conservation system. Our sites in Germany, Sweden, the Czech Republic, Poland, Hungary, and Estonia were investigated in 2009, and additional European countries will follow in 2010.

We have started a public-private partnership project in Georgia together with Deutsche Gesellschaft für technische Zusammenarbeit (German Institute for Technical Co-operation, GTZ). The aim is to promote species diversity in our quarrying sites by developing and implementing alternative recultivation concepts.

We work for sustainable construction

As the construction and running of buildings accounts for around 40% of the total energy requirements in industrial countries, the construction sector plays a particularly important role in reducing emissions. Among the major organisations that promote sustainable construction are the Green Building Councils. Their aim is to change the way in which buildings and cities are planned, constructed, and run. To do this, they use certification systems, such as the US Green Building Council's LEED (Leadership in Energy and Environmental Design) or the BREEAM certificate (Building Research Establishment Environmental Assessment Method) developed in the United Kingdom. The certification systems include ecological, social, and economic requirements and goals that go beyond local construction regulations. Studies show that with today's technology it is possible to considerably improve the energy efficiency of a building with little or no impact on construction costs. HeidelbergCement is a member of Green Building Councils in numerous countries, such as the US, United Kingdom, Canada or Germany, and promotes the founding of these bodies worldwide. In 2009, our subsidiary Ceskomoravský Cement was a founding member of the Czech Green Building Council.


We use waste as a resource

HeidelbergCement regards waste materials and by-products from other sectors of industry as valuable raw materials and fuels. By using them, we help to preserve natural resources and offer solutions for sustainable waste management and recycling.

In 2009, the proportion of alternative fuels in the fuel mix rose to 19.5 %. HeidelbergCement thus remains the frontrunner among the large international cement manufacturers. In Europe, we were able to significantly increase the co-processing of waste in Belgium, Hungary, the Czech Republic, and the United Kingdom. In eight European plants, we have already achieved an alternative fuel ratio of over 65 %. In Turkey, the cement industry is regarded as a potential major co-processor of waste materials. We also promote the use of alternative fuels in North America and Asia. In Indonesia the collection and co-processing of hazardous waste increased despite the economic crisis. In the US, Union Bridge was the first cement plant to receive approval for the use of dried sewage sludge as a fuel in place of coal. In China, two new waste heat power generation plants were installed with a total production capacity of about 35 MW.

We protect the climate

Climate protection is at the heart of HeidelbergCement's environmental policy. As an energy-intensive company, we have been striving for many years to reduce our CO_2 emissions. Between 1990 and 2008, we reduced our specific net CO_2 emissions by more than 18 % to 640 kg CO_2 per tonne of cement. We continued our efforts in 2009 and will carry on doing so in the future. We will publish the exact CO_2 data for 2009 on our website in the second half of 2010.

We are working intensively on the development and implementation of innovative solutions for reducing CO_2 emissions. In many countries, our company is a leader in the use of biomass as fuel; we also promote forward-looking research projects for CO_2 capture and storage.

We reduce other environmental impacts

Despite the financial and economic crisis, HeidelbergCement made further investments in 2009 to lessen its impacts on the environment, particularly dust emissions. We installed state-of-the-art and highly efficient filters in several cement plants in Romania, Georgia, Kazakhstan, and the Ukraine. The biggest bag filter system in the Group was constructed at the Slite plant in Sweden. The modernisation of our Beremend cement plant in Hungary, where a new kiln line and, for example, a new bag filter were commissioned, has led to a substantial improvement in energy efficiency. In addition, new storage and metering systems allow greater usage of alternative fuels. With the new kiln line in the African plant Tanzania Portland Cement, we have also considerably improved energy efficiency and reduced emissions – including a reduction of more than 90 % in dust emissions. In the US, most cement plants were fitted with a CO_2 measuring system that allows greenhouse gas emissions to be recorded on a regular basis. Additional plants will follow.

Throughout the Group, we are reducing the fuel consumption of our quarry vehicles and trucks by means of driver training or efficiency comparisons between the vehicles. In the asphalt operating line, we are co-operating with external partners in the United Kingdom to develop new production processes with lower energy consumption.

Social responsibility

By employing local people and using local suppliers and service providers, HeidelbergCement contributes to the creation of value at its locations. With wages, investments, purchasing, and taxes, we promote economic development in these places.

Beyond our economic activities, we foster our relationships with the people in the areas surrounding our plants, as a good corporate citizen, and have strong links to our locations. Our commitment to corporate citizenship is geared towards our core business. We support local projects with a focus on Education – Building – Environment, because we have a great deal of expertise in these three areas and can thus achieve the best results for the benefit of the community. For example, in Ukraine we supported the improvement of medical care for mothers and children in Kryvyi Rih and Dniprodzerzhynsk with the renovation and modernisation of the local maternity clinics. In the US, in 2009, our subsidiary Hanson Aggregates was named an Environmental Partner to the City of San Diego because of its commitment to waste reduction and recycling.

The continuous dialogue between the plants and their neighbours is also very important to us. While monitoring committees act as a link between the company, residents, and the authorities at the Harmignies, Lixhe, and Antoing locations in Belgium, for example, dialogue takes place at many locations directly via the plant management or in the form of open days. At these open days, the activities of HeidelbergCement are presented to visitors. We also frequently invite school and university students to our plants and quarrying sites, where we explain to them, for example, the practical aspects of our commitment to environmental protection. This enables us to promote mutual trust and partnership through transparency, open communication, and co-operation.

Research and technology

Comprehensive network of competence centres

The national operating companies in the Group areas are supported by technical centres. In the cement business line this is the Heidelberg Technology Center (HTC) with two locations in Europe, which also support the Mediterranean Basin, Africa, and Central Asia, one location in North America, and one in Asia with sites in China, India, and Indonesia. They support the cement plants on all technical issues, from securing raw materials, facility planning and investment projects, to process control and quality management. Similarly, the Competence Center Materials (CCM) supports the Group companies in the aggregates, ready-mixed concrete, and asphalt operating lines. The close dialogue between HTC or CCM and the plants ensures efficient implementation of potential optimisations and a continuous improvement process.

The research activities for cement and concrete are also brought together centrally at the HTC location in Leimen, Germany. The focal areas of research and improvement potential are defined in close consultation with the operating companies, with close co-operation from the start of the project leading to rapid implementation of the research results in practice. Intensive co-operation with universities supplements our research activities. These efforts are centred around Nanocem, the world's leading research network in the building materials sector, in which 24 leading European universities, as well as industrial companies, are represented.

In February 2010, we strengthened the HTC organisation considerably and gave it a more international focus, with the introduction of four global functions at the Leimen location: In the areas of Research & Development, Engineering, Geology, and Training & Reporting, we aim to pool the knowledge and expertise within our Group more effectively and make it available to the operational units more quickly and comprehensively. There will be specific focus on the area of research, which will be expanded significantly in the coming years. (Further details can be found in the Prospects chapter on page 62.)

In 2009, the Group's total expenditure for research and technology, involving 385 employees (previous year: 404), amounted to EUR 50 million (previous year: 53).

Improving cost efficiency

In the reporting year, we further optimised our production facilities and improved our procedures and processes. This allowed us to achieve our ambitious goals in the area of production costs. Particular emphasis was placed on the cost-effective replacement of primary fuels and raw materials with alternative materials. By intensifying the standardisation of the maintenance organisation, we were able to significantly reduce the costs of maintaining our production facilities while increasing their availability. The resulting increase in the plants' cost-effectiveness is very significant because of the high level of capital commitment in our industry sector, and represents a major competitive advantage. We have also optimised the production processes at many locations; in particular by reducing the use of electrical and thermal energy. Thanks to these improvements and a comprehensive Group-wide quality management system, we have maintained or further enhanced the high product quality at all locations.

New, expanded, and modernised production sites

In the reporting year, we expanded the kiln and cement grinding capacity at several cement plants and modernised the production sites. In the Dar Es Salaam cement plant in Tanzania, we commissioned a new kiln line featuring the latest production technology, with an annual output of 800,000 tonnes of clinker. We also successfully completed the modernisation of the plants in Beremend / Hungary, Bicaz / Romania, and Mokra / Czech Republic. Besides capacity expansions, the degree to which alternative fuels and raw materials can be used was also increased significantly. We also pressed ahead with the conversion of several kiln lines from gas to coal firing. For example, the coal mill project in the Ukraine was completed. Good progress is being made with the construction of the new Tula cement plant in Russia. The production site with a cement capacity of 2 million tonnes will supply the Moscow area – Russia's largest cement market – as of 2011.

One of the focal areas of investment in the reporting year was air pollution control: At several locations, such as the Buchtarma cement plant in Kazakhstan, the Georgian plants and the Slite plant in Sweden, new bag filter systems were installed, dramatically reducing dust emissions.

Preserving resources and reducing CO_2 emissions

For a number of years, the production and optimisation of composite cements has been at the forefront of our research. Decreasing the proportion of clinker in cement is of critical importance for reducing energy consumption and CO_2 emissions as well as for preserving natural raw materials. In the past few years, blast furnace slag, a by-product of the steel industry, has played a key role in cement production as a replacement for clinker. As a result of the decline in steel production due to the global economic crisis, new composite cements, based e.g. on limestone, fly ash, or natural pozzolans, had to be produced and launched within a short period of time. A good example is Poland, where well over half a million tonnes of a composite cement containing fly ash were sold in the first year alone. In Belgium, the Netherlands, and Romania, cements containing limestone were successfully marketed for the first time. These new products offer significantly greater flexibility in the choice of components for cement production and therefore greater security of supply and a better cost structure.

Accompanying alternative raw materials, e.g. material sieved from building rubble, can already be used in clinker production, which means that smaller amounts of primary raw materials need to be extracted in the quarries. Our progress in this area will be further intensified in the future through legal provisions, as in the Netherlands, or environmental assessment systems such as LEED (Leadership in Energy and Environmental Design) in North America.

Concrete on service of the environment

Besides minimising environmental impact through the production process, manufacturing sustainable products and applications is a second key element of our research activity. For example, our Dutch subsidiary Mebin has launched Bermcrete®, a porous concrete for securing road edges, which allows rainwater to trickle away and even enables grass to grow. In Scandinavia, we were involved in a project for the treatment of contaminated sediments and harbour slurries. By the end of 2010, over 1 million cubic metres of sediment will be stabilised using a new special binder, with heavy metals and organic impurities permanently bound into the material.

We have also made good progress with the launch of the photocatalytically active cement TioCem® under the brand name TX Active®. Concrete products manufactured using this cement break down nitrogen oxides and other air pollutants under the influence of light. There have already been numerous applications in the fields of paving, roof tiles, and façades in the United Kingdom, Scandinavia, Belgium, the Netherlands, and Germany. One noteworthy example is the „Autostadt" of Volkswagen in Wolfsburg, in which large areas were laid with TX Active® paving stones from our German subsidiary Lithonplus.

Innovative concrete technology

Another focal area of research is innovative concrete products and special binders for the infrastructure sector. In Germany and the Czech Republic, for example, we have optimised cements specifically for the production of shotcrete. A new high-strength concrete has been successfully used as a top layer in the Netherlands for strengthening old bridges. We have launched a special cement for manufacturing concrete, ChronoCem IR, which exhibits extremely high strength after just a few hours and is used to repair traffic surfaces. It has been successfully tested at Frankfurt and Cologne airports, allowing air traffic to resume just four hours after it is applied. It also significantly reduces repair times in road construction, offering a good alternative to the usual method of repairing with asphalt.

The processing characteristics of concrete were also improved further in 2009. TerraFlow, a liquid soil, allows excavations and supply passages to be filled in quickly and reliably. The fluidised floor levelling finish CemFlow has now become firmly established on the German market and its production expanded to additional locations.

Prospects

The expected future development of HeidelbergCement and the business environment in 2010 and 2011 is described below. As such, please note that this annual report contains forward-looking statements based on the information currently available and the current assumptions and forecasts of the Managing Board of HeidelbergCement. Such statements are naturally subject to risks and uncertainties and may therefore deviate significantly from the actual development. HeidelbergCement undertakes no obligation and furthermore has no intention to update the forward-looking statements made in this annual report.

Changes in the reporting structure

From 2010, HeidelbergCement will reorganise its reporting structure. It will be geographically divided into six Group areas: Western- Northern Europe, Eastern Europe-Central Asia, North America, Asia-Pacific, and Africa-Mediterranean Basin. Western- Northern Europe will comprise the Benelux countries, Denmark, Germany, Norway, Sweden, the Baltic States, and the United Kingdom. Bosnia-Herzegovina, Croatia, the Czech Republic, Georgia, Hungary, Kazakhstan, Poland, Romania, Russia, Slovakia, and the Ukraine will be part of the Eastern Europe-Central Asia Group area. As before, North America will be made up of the United States and Canada. Asia-Pacific will include Bangladesh, Brunei, China, India, Indonesia, Malaysia, Singapore, and Australia, while the Africa-Mediterranean Basin Group area will comprise our activities in Africa as well as in Israel, Spain, and Turkey. As before, Group Services unit will comprise our trading activities.

Cement and Aggregates – our main activities – will be shown separately in the reporting segments. The Building Products business line remains unchanged, and in the Concrete, Service and Other business line we will, in the future, report mainly on the downstream activities such as ready-mixed concrete and asphalt.

Economic environment

2009 was characterised by two contrasting development paths in the economic environment. The major industrialised countries in North America and Europe as well as the emerging countries of Eastern Europe were in a recession, while the emerging countries of Asia continued their economic growth, albeit in weakened form. The global economy is generally expected to recover this year. Accelerated growth is anticipated in Asia. In contrast, only a hesitant return to slight economic growth is expected for the euro zone and North America, with a stronger recovery in North America than in the euro zone. Nevertheless, there are still risks and uncertainties as regards the strength and timescale of the economic recovery. Early cutbacks to the economic programmes, cost-saving measures by some governments on account of the high level of debt, and persistently high unemployment could slow down the economic recovery.

Turnover and results

For 2010, HeidelbergCement expects the positive business trend to continue in the Group area Asia-Australia-Africa. For North America and Europe, the company is anticipating a further decline in sales volumes throughout the first half of 2010, due in part to the long and difficult winter. In the US, a recovery is likely in the second half, the extent and speed of which will depend on the further development of housing construction, spending by the states and the pending decisions by the US Congress with respect to future road construction programmes. In Europe, HeidelbergCement is expecting housing construction to stabilise over the course of 2010, along with a noticeable reduction in industrial construction and positive developments in the area of infrastructure. For 2011, HeidelbergCement anticipates growth in turnover and results at Group level.

In 2009, the Group successfully completed its "Fitness 2009" programme and exceeded the original savings goals by a considerable margin. Because the economic situation in the industrialised countries is still weak, HeidelbergCement is continuing its efforts in 2010 and is planning further savings of EUR 300 million in connection with the "FitnessPlus 2010" programme. In addition, the Group expects increased impetus from economic programmes focusing on road construction and infrastructure, particularly in the US, in the course of the year. With its improved cost structures, operational strength, and leading market positions, HeidelbergCement believes it is well-equipped to benefit from an economic upturn in the coming two years.

Investments

As in 2009, HeidelbergCement will continue to exercise strict spending discipline as regards investments. As planned, we will complete the construction of the new Tula cement plant in Russia, with a cement capacity of 2 million tonnes, by the end of 2010 and will supply the Moscow area as of 2011. At the Górazdze cement plant in Poland, we will increase the capacity by 1.2 million tonnes; the modernisation of the second kiln line will also significantly improve the possibilities for using alternative fuels. Because of the good prospects for growth, we will expand our cement capacities in central India by 2.9 million tonnes by 2012; HeidelbergCement will then have a total capacity of 6 million tonnes in India. In Bangladesh, we also plan to expand our cement capacity by around 0.8 million tonnes by summer 2011.

Expected financing

With the successful refinancing measures in the 2009 financial year and the new bond issue in January 2010, HeidelbergCement comprehensively improved its capital structure and the maturity profile of its financial liabilities. The main refinancing requirements in 2010, relating to the repayment of the 7.875 % USD 750 million bond maturing in September, are covered by sufficient cash. As at the end of 2009, we had liquidity reserves consisting of free cash flow, securities portfolios, and committed syndicated bank credit facilities, amounting to more than EUR 3 billion. The EUR 1 billion Euro Commercial Paper Programme is also available to us. In addition, HeidelbergCement has access to the capital market when required via the EUR 10 billion European Medium Term Note (EMTN) programme.

Our goal is to further reduce our net liabilities considerably and further improve our financial ratios in the 2010 and 2011 financial years.


Sustainability

We have defined ambitious goals for the next few years in our Sustainability Ambitions 2020. The highest priority is given to occupational health and safety: by 2012, we aim to reduce the number of fatalities to zero and halve the number of occupational accidents with lost working days.

Within the coming two years, we will press ahead with the implementation of our guideline on biological diversity within the Group. In 2010, we will develop biodiversity management plans for a further 25 locations in order to improve our contribution to the preservation and promotion of species diversity at our raw material quarries.

Another focal area is sustainable construction. HeidelbergCement is currently developing a new strategy for recycling concrete products, which aims to maximise the proportion of construction waste recycled as aggregates. We will also systematically investigate the life cycle of our products so that we can quantify their impact on the environment, from production to the end of their useful life or until they are recycled.

A very high priority continues to be given to climate protection, an area in which we aim to make improvements by increasing our energy efficiency, reducing the proportion of clinker in the cement, and increasing the proportion of alternative fuels. In 2010 and 2011, we will further expand the use of waste materials, including the co-processing of hazardous waste in Romania, Indonesia, and Belgium as well as municipal and commercial waste in Eastern Europe. The use of sewage sludge as fuel will be either introduced or increased at our cement plants in Europe, the US, Turkey, and China.

Water conservation is also of growing importance. In 2010, we will introduce a water conservation plan for our plants in Africa.

Research and technology

In February 2010, we reorganised the Heidelberg Technology Center (HTC) as a technical competence centre; we strengthened the organisation and gave it a more international focus with the introduction of four global functions. As a result, the knowledge and expertise within our Group will be pooled more effectively and can be made available to the operational units more quickly and comprehensively.

In the future, the increasing pressure to decrease CO_2 emissions and preserve natural resources will lead to a further reduction in the proportion of clinker in the cement; this will result in new products that compete with the conventional, clinker-based cements. At the same time, the cement manufacturing process is becoming increasingly complex, with new raw material variants, such as fly ash or blast furnace slag, and a growing number of new alternative fuels. In order to rise to future challenges, we are strengthening our research activities, making it our priority to focus on three areas:

– Optimising existing products and technologies, as well as further expanding our range of composite cements and the use of alternative fuels and raw materials.

– Developing special products with high market potential, such as TioCem® or ChronoCem® in co-operation with the national companies and key customers (e.g. large precast concrete elements manufacturers).

– Finding and exploiting additional potential for reducing CO_2 emissions. Our main priority in this area is the development of alternative binders that more or less dispense with conventional clinker.

Employees

By consistently extending our core personnel processes – such as performance management, goal agreements, or the individual development plan – to middle and junior management, we are reinforcing a consistent management and performance culture at all our locations. The introduction of a Group-wide eLearning platform and the strengthening of our internal training activities, particularly in the area of cement technology as well as research and development, form an essential step in the ongoing development of an efficient learning organisation. Internal professional development activities, platforms for the exchange of experience, and efficient access to best practices are becoming increasingly important. We are proceeding consistently with the further optimisation of our global core processes as part of our HR Globe project.

Estimates for 2010 and 2011 – risks and opportunities

In 2009, the global financial crisis resulted in a recession, particularly in the national economies of North America and Europe. This caused a significant downturn in construction activity in these regions, which continued until the start of 2010, albeit in weakened form. Supported by continuing economic programmes, we anticipate a return to global economic growth in 2010, which should continue in 2011. However, the timing and extent of the recovery are still subject to uncertainties. Numerous economic programmes focusing on infrastructure, e.g. in North America, should provide good opportunities for our business.

The possibility that the economic upturn in Europe and the US will be delayed or weaker than expected poses the main risks to ongoing development. The over-indebtedness of the national budgets could lead to a cut in public spending or even an increase in taxation. A sustainable recovery in the construction sector is not possible unless economic growth is recorded and unemployment is contained. The definitive extent of infrastructure funding in the US remains uncertain, as final decisions have not yet been made on additional development programmes, e.g. for road construction. Furthermore, recent observations indicate that exchange rates and energy and raw material prices are still volatile. If general economic growth picks up again, we anticipate a rise in fuel prices.

Opportunities are presented by a rapid recovery of the building materials markets, which could benefit from an accelerated allocation of resources from economic programmes and catch-up effects following the hard winter in the northern hemisphere. HeidelbergCement is well-equipped for this possibility, with its core activities, strong market positions, and efficient cost structure.


Aggregates reserves secured for the long term

Infrastructure improvement and expansion – key drivers of growth for our business – require aggregates for the production of concrete and asphalt or for direct application as gravel.

HeidelbergCement on the market

Europe

HeidelbergCement operates in 23 countries in the Europe Group area. The United Kingdom is the largest market region in Europe and the second largest in the Group. As a fully integrated building materials company, we employed 23,884 people in Europe in cement, aggregates, ready-mixed concrete, asphalt, and building products as at the end of 2009. In most countries, HeidelbergCement is the market leader in the cement business.

In 2009, the turnover of the Europe Group area decreased by 26.3 % to EUR 5,300 million (previous year: 7,190). In operational terms, i.e. excluding consolidation and exchange rate effects, turnover fell by 19.9 %.

Construction industry remains weak

The economic situation in Europe has weakened further. General economic growth in the euro zone decreased by 4 % in 2009 after a slight increase in 2008. In the United Kingdom and Spain, the economy continues to be impacted by the heavy decline in construction activity as a result of the property crisis. In Germany, construction investments remained approximately at the previous year's level, with an increase of 0.2 %. Construction activity weakened in most of the countries of Eastern Europe.

Cement business line

Heavy decline in volumes in Eastern Europe

In 2009, the whole of Europe suffered the impact of a declining construction industry, with the United Kingdom, Spain, and large parts of Eastern Europe particularly affected. The effects of the decline in some countries in the first half of 2009 were alleviated by the completion of construction projects from 2008. Overall, our cement and clinker sales volumes decreased by 18.4 % to 35.3 million tonnes (previous year: 43.2). Our Northern European plants in Sweden and Norway weathered the crisis most successfully with a considerable increase in their clinker sales volumes. Nevertheless, they did not manage to offset the decline in cement exports and domestic demand. Germany and Poland successfully held their ground; their domestic sales volumes were only a few percentage points below the previous year. Although total volumes declined in Belgium and the Netherlands, pleasing growth was achieved in white cement deliveries from our Belgian plant in Harmignies in comparison with the previous year. In contrast, most of the countries in Eastern Europe suffered heavy losses. Our plants in Ukraine, Russia, Estonia, and Georgia were particularly affected. In addition, we recorded a substantial decline in volumes in the United Kingdom. As a response to the heavily decreased demand, production at the Padeswood plant was cut back to a minimum and the manufacturing of ground blast furnace slag discontinued at two locations.

Capacity expansion, modernisation, and increased use of alternative fuels

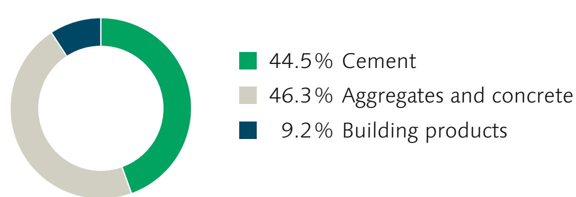
In the 2009 financial year, our investments focused on modernising and expanding the capacities of our plants as well as improving environmental protection. In Russia, construction work on the new Tula cement plant, which will supply the Moscow area with cement in the future, is proceeding as planned. The necessary infrastructure links to the road, rail, and electricity network have already been completed. Construction of the plant with a capacity of 2 million tonnes is set to be finished by the end of 2010.

In several countries, we successfully completed large-scale modernisation and capacity expansion measures started in previous years. In the Beremend cement plant in Hungary and the Mokra plant in the Czech Republic, completely renovated kiln lines commenced operation, making the plants among the most modern in their countries. The new installations make it possible to use up to 80 % alternative fuels, as well as reducing maintenance costs and electricity consumption. In addition, we have made good progress in our efforts to upgrade our plants in Romania. By renovating the second kiln line at the Bicaz plant, the production capacity was increased by 1 million tonnes of clinker. In Fieni, a new 90,000-tonne clinker silo and a new cement mill were commissioned. In Bosnia-Herzegovina, we continued the extensive modernisation of the Kakanj cement plant. Setting up a closed-circuit cooling water system has considerably reduced environmental pollution and the consumption of fresh water at the plant. The construction of a new 70,000-tonne clinker silo, including dedusting filters as well as a transport, metering, and weighing system, is planned for 2010. The investment project in Poland, which aims to increase the production capacity of the second kiln line in the Górazdze plant by 1.2 million tonnes, was postponed until 2010 because of the decline in construction activity.

In the reporting year, we further increased the use of alternative fuels in several plants, e.g. in Hungary and the Czech Republic, by a large percentage in some cases. We also constructed a new plant in Belgium for processing alternative

Key data EURm	2008	**2009**
Operating income	1,223	**622**
Investment in tangible fixed assets	630	**510**
Cement and clinker sales volumes (Mt)	43.2	**35.3**
Aggregates sales volumes (Mt)	125.1	**103.2**
Asphalt sales volumes (Mt)	4.6	**4.2**
Ready-mixed concrete sales vol. (Mm^3)	24.1	**19.2**
Employees (as at 31 December)	27,035	**23,884**

Turnover 2009: 5,300 EURm



fuels from hazardous industrial and household waste in order to guarantee the supply of alternative fuels to our plants in Belgium.

One of the focal areas of investment in 2009 was, as in the previous year, the installation of new, high-performance dedusting filters: in the cement plant in Slite, Sweden, we commissioned the largest dust filter system in the Group to date, which has dramatically reduced dust emissions. New dust filters were also installed in the Georgian plants.

Aggregates and concrete business line

Strong market presence with aggregates

Aggregates in the form of sand, gravel, and crushed rock are used for concrete manufacturing or for road maintenance and construction. In the Europe Group area, HeidelbergCement operates an extensive network of production sites.

Aggregates sales volumes in the Group area fell by 17.5 % in 2009 to 103.2 million tonnes (previous year: 125.1) as a result of the declines in the construction sector, which were very heavy in some areas. The heaviest losses were suffered by several of the Eastern European countries, particularly Ukraine, followed by Romania, Slovakia, and Russia. Likewise, in Spain, the Baltic States, the United Kingdom, and Sweden, deliveries decreased by a double-digit percentage in comparison with the previous year. Volumes were also far below the previous year's level in the Czech Republic and the Benelux countries. In comparison, the sales volumes of our plants in Hungary, Germany, Poland, Norway, and Israel held up well, but likewise failed to reach the previous year's level.

In the 2009 reporting year, we discontinued production at several aggregates locations, particularly in the United Kingdom and Spain, in order to adjust our capacities to the heavily decreased construction activity.

However, we also commissioned, modernised, or expanded the capacities of production facilities in some countries in order to specifically cover demand in individual markets. The newly opened Pawlow quarry will allow us to supply the markets in central Poland with around 350,000 tonnes of sand and gravel in the future, and thus supplements our network of 14 sand and aggregate pits in the country. In Spain, we commissioned the new production facility in the Riera granite quarry. It forms a major part of our integrated market strategy for the Barcelona area, our most important market in Spain. In the Czech Republic, the production facilities in four quarries were modernised in order to improve product quality and adjust it to new market requirements. We relocated and modernised the production facilities at a sand and aggregate pit on the German-Dutch border to allow complete extraction of the raw material deposit. Near the British town of Rochester on the Medway river, a completely renovated, state-of-the-art production facility for the processing of gravel and sand from the North Sea and the English Channel commenced operation.

Decline in asphalt production

The aggregates and concrete business line also includes asphalt production. Asphalt is manufactured from a mixture of graded aggregates, filler, and bitumen. In Europe, most of the asphalt plants operated by HeidelbergCement are in the United Kingdom. The pleasing increases in Israel did not offset the significant decline in demand for asphalt in the United Kingdom, which intensified towards the end of the year as a result of road construction programmes

coming to an end. Overall, asphalt sales volumes decreased by 8.4 % in comparison with the previous year to 4.2 million tonnes (previous year: 4.6). Excluding consolidation effects, the decrease amounted to 7.8 %. We adjusted our capacities in the United Kingdom to the decline in road maintenance and construction by closing several locations.

Significant fall in demand for ready-mixed concrete

HeidelbergCement has a dense network of ready-mixed concrete locations in Europe. In 2009, the total sales volumes of our plants fell by 20.4 % to 19.2 million cubic metres (previous year: 24.1). While Germany achieved slight increases and Israel only failed to reach the previous year's level by a small margin, the other countries suffered losses, which were very heavy in some cases. Once again, several Eastern European countries, such as Romania, Bosnia-Herzegovina, and the Baltic States, as well as Denmark, Spain, and the United Kingdom, were particularly hard-hit. The Russian market almost came to a complete standstill. Our plants in Northern Europe, the Benelux countries, the Czech Republic, Hungary, and Poland likewise recorded considerable declines.

In the 2009 financial year, we extended our ready-mixed concrete activities to Georgia, where we have constructed a plant to supply the capital Tbilisi; an additional plant will commence operation in April 2010. In some countries in the Group area, we have specifically expanded our network of locations to respond to local market demand, while in some cases we have decommissioned or merged plants in order to adjust our capacities to the overall decline in construction activity. For example, a new plant was constructed in the Netherlands to supply ready-mixed concrete for the expansion of the Port of Rotterdam. At least 2 million cubic metres of ready-mixed concrete will be needed over the next ten years in order to complete this major project. We commissioned a new plant in the Hungarian capital Budapest, whilst closing several other locations in the country. A new plant was also constructed in the Ukrainian harbour city of Odessa. In the Czech Republic and Slovakia, production sites were renovated and the network was expanded with the addition of a new plant. In Poland, we acquired a mobile ready-mixed concrete plant, which can be used specifically for larger construction projects. In contrast, extensive capacity adjustments were required in the United Kingdom and Spain in particular, where several locations were decommissioned.

Building products business line

Capacity adjustments in the United Kingdom

The activities in the United Kingdom are an important part of the building products business line. We are the market leader in bricks and aircrete blocks, and hold leading market positions in wall cladding and flooring systems, as well as pavers. This business line also includes the concrete products operating lines in Germany and Sweden as well as the sand-lime bricks operating line in Germany.

In 2009, the heavy decline in residential construction in the United Kingdom led to substantial losses in sales volumes and turnover for all building products. We responded by adjusting capacities and decommissioning plants, as well as introducing short-term work in some brick plants for several months towards the end of the year. In order to safeguard our competitiveness for the future, we opened the most modern brick plant in the world in Measham in the county of Leicestershire, replacing several older, less efficient production sites, which were closed.


While turnover in the concrete products operating line reached the previous year's level in Germany, it declined significantly in Sweden. In terms of results, the German plants achieved increases, in contrast to the plants in Sweden. The sales volumes of our German sand-lime brick plants decreased as a result of the decline in residential construction in 2009.

North America

The United States and Canada form the North America Group area. In its largest market area, HeidelbergCement is one of the leading manufacturers of cement, aggregates, ready-mixed concrete, asphalt, and building products. The building products business line includes the production of pipes, precast concrete parts, concrete paving, roof tiles, and bricks. At the end of 2009, 12,601 people were employed in North America.

In 2009, turnover fell by 27.0 % to EUR 2,892 million (previous year: 3,958). Excluding exchange rate effects – there were no consolidation effects in the reporting year – it decreased by 30.8 %.

Hesitant recovery in North America

While the US economy developed rather well during the fourth quarter, it declined by 2.4 % over 2009 as a whole, as a result of the longest and deepest recession since the Great Depression in the 1930s. The reduced confidence of consumers, companies, and banks significantly impaired economic development in 2009, with the construction industry particularly affected. The property and mortgage crisis resulted in a dramatic decline in residential construction and also spread to all other construction sectors. In addition, falling tax revenues adversely affected public finances and led to cuts pertaining to investment in road and public construction. Although residential construction bottomed out in the middle of the year, the sector as a whole decreased by a further 27.3 % in 2009. While total non-residential construction fell by 5.2 %, a slight increase of 3.5 % was recorded in public non-residential construction. Overall, construction investments decreased for the third consecutive year in 2009, with a decline of 12.6 %. Owing to the delay in allocation of public funds, the economic stimulus programme didn't have a major effect in 2009. Only USD 20 billion of the around USD 180 billion proposed for infrastructure projects were spent in 2009. An increase in infrastructure spending is expected later in 2010.

Canada's real gross domestic product decreased by 2.6 % in 2009, partly because the Canadian economy is closely linked to that of the US. Government economic programmes were introduced too late to have any appreciable impact on the 2009 financial year. Preliminary estimates reflect a roughly 7 % contraction in overall construction investments in Canada, driven by declines in the residential and engineering sectors. A slight increase in economic output is anticipated for 2010.

Cement business line

Cement sales volumes reflect weak construction economy

In 2009, cement consumption in the US decreased by 27 % to approximately 71 million tonnes. The import quantity fell to around 7 million tonnes. The American cement association PCA expects demand to recover slightly in 2010 by around 5 %, while imports will remain on par with 2009. In Canada, cement consumption fell by roughly 17 % to 8 million tonnes in 2009; a comparable level of consumption is anticipated for 2010.

The cement and clinker sales volumes of our plants in North America were 25.9 % below the previous year's level, at 10.1 million tonnes (previous year: 13.6). All market regions in the US and Canada were affected by the decline in quantities, although the north-eastern US recorded the smallest losses. We reduced imports in order to improve the capacity utilisation of our plants. As a response to the declining market development, we continued our efforts to optimise costs and increase the efficiency of our plants. With careful planning, we were able to reduce stocks as well as the maintenance costs of our production facilities. We increased the proportion of alternative fuels in our plants in Union Bridge/Maryland, York/Pennsylvania, and Mason City/Iowa. Lower fuel prices allowed us to reduce our overall energy costs per production unit in 2009.

As a result of the declining construction activity in the US and Canada, sales volumes of white cement from our two production sites also decreased by a third in comparison with 2008, in line with general market development.

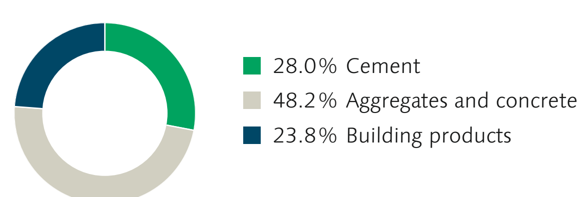
Aggregates and concrete business line

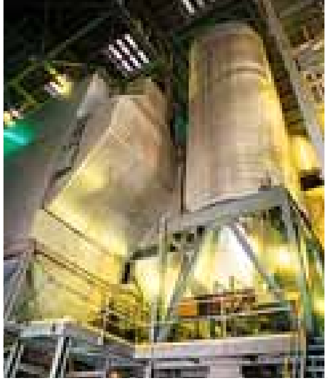
Aggregates suffer as a result of declining construction activity

In the US and western Canada, HeidelbergCement has a dense network of production sites in the aggregates operating line. As a result of the decline in the construction industry, the operating line's total sales volumes fell by 24.2 % in the reporting year to 102.1 million tonnes (previous year: 134.6). We responded at an early stage to the considerable market decline with regional capacity adjustments and significant cost savings. The projects completed in the reporting year supplement our capacities in line with regional requirements and – thanks to the latest technology –

Key data EURm	2008	**2009**
Operating income	406	**76**
Investment in tangible fixed assets	199	**154**
Cement and clinker sales volumes (Mt)	13.6	**10.1**
Aggregates sales volumes (Mt)	134.6	**102.1**
Asphalt sales volumes (Mt)	4.0	**3.5**
Ready-mixed concrete sales vol. (Mm^3)	9.0	**5.7**
Employees (as at 31 December)	15,739	**12,601**

Turnover 2009: 2,892 EURm





also reduce production costs. In order to continue supplying the Dallas/Fort Worth area in Texas with sand and gravel, we commissioned the new Bristol aggregates plant, approximately 70 km away in Ellis County. The facility will convey 1.2 million tonnes of sand and gravel per year. The new plant, which replaces a production site whose deposits have been exhausted, secures our leading market position in the Dallas/Fort Worth area and safeguards our future growth potential. At the Mount Vernon quarry in the US state of Kentucky, a railway siding and a facility for loading trains with high-calcium limestone were commissioned in 2009. This limestone will be supplied via rail to several coal-fired power plants in the south-eastern US for flue gas desulphurisation. In view of the increasingly strict environmental constraints for coal-fired power plants, we anticipate a substantial rise in demand for limestone over the next few years. By exploiting this new sales market, we are reducing our dependency on the construction industry.

Increase in results from asphalt

The aggregates and concrete business line also includes asphalt. Our production sites are located primarily in New York, Pennsylvania, and California. In the reporting year, sales volumes fell by 11.0 % to 3.5 million tonnes (previous year: 4.0). While our plants in the north-east of the country suffered only relatively small decreases in quantities, asphalt deliveries in the west fell by a substantial double-digit percentage. However, as a result of lower energy costs and strict cost management, the whole operating line recorded pleasing increases in results in comparison with the previous year. This was also partly due to measures to optimise energy use.

Ready-mixed concrete activities experience decline in all markets

In its market regions, HeidelbergCement has an extensive network of ready-mixed concrete facilities. As a result of the heavy decline in the construction industry, however, ready-mixed concrete sales volumes fell by 37.3 % to 5.7 million cubic metres (previous year: 9.0). This affected our markets in the western and southern US to an above-average degree. In this operating line, too, we responded to the declining market demand with extensive capacity adjustments at our production sites and in the transport fleet, as well as intensive cost management. However, strict cost control and lower energy costs did not offset the heavily decreased volumes.

Building products business line

Difficult year for building products

2009 proved to be another very difficult year for the business line with its heavy reliance on residential construction. Sales volumes, turnover, and results of almost all product lines declined heavily. Decreasing infrastructural investments led to a fall in demand for pipes and precast concrete parts in particular. Very heavy losses were also recorded in the roof tiles, bricks, and paving stones segments, which are around 90 % dependent on residential construction. We responded to the deteriorating market situation with drastic reorganisation measures and capacity adjustments.

During the reporting year, we commissioned a new plant near Calgary for the production of concrete pipes and manholes, which replaces an obsolete production site. It is the first fully automated plant in western Canada. It has a production capacity of 90,000 tonnes of concrete pipes and 45,000 tonnes of concrete manholes, and will supply the markets in Alberta and Saskatchewan. The plant was constructed on the site of one of our former aggregates plants.

Asia-Australia-Africa

In the combined Group area Asia-Australia-Africa, HeidelbergCement is active in ten Asian and seven African countries, as well as in Australia. Whereas in Africa we only produce cement, in Asia and Australia we also operate in the aggregates and ready-mixed concrete business. At the end of 2009, 16,766 people were employed in Asia-Australia-Africa.

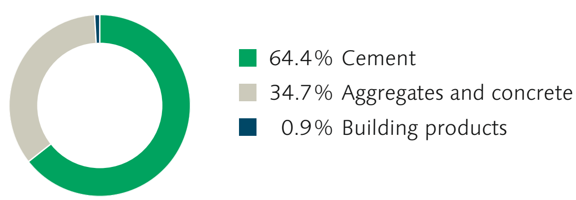
The turnover of the Group area decreased by 2.6 % to EUR 2,867 million (previous year: 2,943). Excluding consolidation and exchange rate effects, turnover was slightly above previous year's level, with an increase of 0.5 %.

General economic recovery

The national economies of the Asian emerging countries have recovered faster than expected. Driven by the massive government investment programme, the Chinese economy grew by 8.7 % over the course of 2009. The general economic conditions also gained momentum in Indonesia, India, and Bangladesh. The Australian economy benefited from the resurgence in demand for raw materials from China and a robust level of domestic demand.

Key data EURm	2008	**2009**
Operating income	497	**591**
Investment in tangible fixed assets	270	**133**
Cement and clinker sales volumes (Mt)	32.2	**34.0**
Aggregates sales volumes (Mt)	39.8	**34.2**
Asphalt sales volumes (Mt)	3.6	**2.3**
Ready-mixed concrete sales vol. (Mm^3)	11.3	**10.1**
Employees (as at 31 December)	18,015	**16,766**

Turnover 2009: 2,867 EURm



Cement business line

Further increase in cement sales volumes

Our cement and clinker deliveries rose by 5.6 % overall to 34.0 million tonnes (previous year: 32.2), with varied development in the individual countries. Excluding consolidation effects, sales volumes increased by 3.3 %.

Asia

After a noticeable weakening in the first half of the year, domestic cement demand in Indonesia recovered considerably in the following months, producing a slight increase of 0.9 % in cement consumption for the whole of 2009; this was due not only to the recovery of residential construction, but also to increased government investment in infrastructure. The domestic sales volumes of our subsidiary Indocement fell by 3.9 % and low-margin export deliveries were dramatically reduced; overall, cement and clinker sales volumes remained 8.2 % below the previous year at 13.5 million tonnes (previous year: 14.7). Nevertheless, thanks to significant cost savings and a margin-oriented pricing policy, Indocement was able to achieve a considerable increase in results. At the Cirebon plant, two new cement mills with a total grinding capacity of 1.5 million tonnes were installed; they will be fully operational from March 2010 and will benefit from the expected growth in cement consumption.

In China, our cement plants benefited from the massive government infrastructure programme, which was introduced at the end of 2008. In the largest cement market in the world, cement consumption grew by an estimated 15 % to approximately 1.6 billion tonnes in 2009. The consolidated cement and clinker sales volumes of our joint ventures Jidong Heidelberg Cement Company in the central Chinese province of Shaanxi and China Century Cement in the southern Chinese province of Guangdong rose by 55.4 % to 7.1 million tonnes (previous year: 4.6); this growth was partly due to the commissioning of two new production lines in Shaanxi in late 2008. We achieved significant progress in our efforts to improve energy efficiency and preserve resources. For example, two systems to generate electricity from waste heat from kilns were successfully commissioned in the Fufeng and Jingyang plants. In the Guangzhou plant, we have used dried sewage sludge as an alternative fuel since 2009. Production in the obsolete Huadu plant was discontinued at the beginning of 2010 and transferred to the modern Guangzhou plant.

In India, HeidelbergCement is represented in the south and west, as well as in central India, with two cement plants and three grinding facilities. As our cement deliveries in southern India were adversely affected by increasing excess capacities, the total sales volumes of our Indian plants decreased slightly, by 1.7 % in comparison with the previous year. Following the merger with Indorama Cement Ltd, Mysore Cements Ltd was renamed HeidelbergCement India Ltd as of 16 April 2009. On the basis of the healthy growth prospects, we will expand our cement capacities in central India by 2.9 million tonnes by 2012; HeidelbergCement will then have a total capacity in India of 6 million tonnes.

We achieved a noticeable increase in sales volumes in Bangladesh, and our cement deliveries in the Sultanate of Brunei also exceeded the previous year's level following a strong recovery in the fourth quarter. In contrast, the financial crisis continued to adversely affect construction activity and our cement sales volumes in Kazakhstan. New

bag filters were installed in the Buchtarma cement plant, which has dramatically reduced dust emissions. Infrastructural work was carried out for the construction of the new Caspi cement plant on the Caspian Sea, which will be completed later than planned because of the country's difficult economic situation.

As a result of the market decline in Turkey and particularly in the northern region of Marmara, the domestic sales volumes of our joint venture Akçansa decreased considerably in comparison with the previous year; however, thanks to the heavy increase in export and clinker deliveries, the total sales volumes rose slightly, by 0.4 %, to 6.6 million tonnes (consolidated: 2.6 million tonnes).

In the United Arab Emirates, we have a management contract with a cement sales company, in which we hold a share of 40 %.

Australia

The 25 % participation in Cement Australia Pty Ltd, was acquired as a result of the takeover of Hanson in 2007. Cement Australia operates four cement plants and a grinding facility in the states of Queensland and New South Wales on the east coast of Australia, as well as on the island of Tasmania.

Africa

In Africa, our cement plants and grinding facilities recorded a slight decrease in cement shipments in 2009, with varied development in the individual markets. In some countries, such as Ghana, Gabon, and Liberia, increased competitive pressure adversely affected the sales volumes of our subsidiaries. In contrast, we achieved significant volume increases in Benin and Tanzania. In Tanzania, our plant Tanzania Portland Cement Company (TPCC) benefited from the rapidly growing cement demand in the Dar es Salaam area. The completion of a new cement mill and kiln line with an annual output of 800,000 tonnes of clinker has strengthened our market position in Tanzania considerably. Total cement sales volumes from our African plants fell by 4.9 % to 4.6 million tonnes (previous year: 4.9). Excluding the participations in Nigeria and Niger, which were sold in March 2008, the decline amounted to 3.5 %.

Aggregates and concrete business line

Noticeable decline in sales volumes

In the aggregates and concrete business line, our sales volumes decreased noticeably in both Asia and Australia. At 34.2 million tonnes (previous year: 39.8), sales volumes of aggregates were 14.0 % below the previous year's level. Ready-mixed concrete deliveries fell by 10.1 % to 10.1 million cubic metres (previous year: 11.3). The sales volumes of the asphalt operating line fell by 35.3 % to 2.3 million tonnes (previous year: 3.6); operationally, that means excluding deconsolidation effects from the sale of our asphalt activities in Singapore at the end of 2008 and in Australia in May 2009, the decline in volumes amounted to 13.5 %.


Asia

While Indocement was able to substantially increase its deliveries of aggregates in Indonesia and its ready-mixed concrete sales volumes were also slightly above the previous year's level, both operating lines in Malaysia, as well as the asphalt plants, recorded a considerable decline in quantities. Despite increases in Hong Kong, our ready-mixed concrete volumes in China remained slightly below the previous year's level overall, while sales volumes of aggregates decreased markedly. Likewise, in Turkey, the aggregates operating line of Akçansa suffered considerable volume losses, while the ready-mixed concrete facilities were once again able to exceed the previous year's record sales volumes.

Australia

In Australia, both the aggregates and ready-mixed concrete operating lines recorded noticeable decreases in sales volumes, although the impact was partly absorbed by higher sales prices and strict cost management. As part of our divestment programme, we sold the asphalt operating line in Australia, as well as our 50 % participation in the joint venture Pioneer Road Services (PRS), in May 2009.

Building products business line

Precast elements activities in Australia and Singapore

Following the sale of our Australian subsidiary Hanson Building Products Pty Ltd in July 2008, we have continued to operate two precast plants in the Sydney area and a precast plant in Singapore in the building products business line.

Group Services

Group Services comprises the activities of our fully owned subsidiaries HC Trading and HC Fuels. HC Trading is one of the largest international trading companies for cement and clinker. HC Fuels is responsible for the cost-effective purchase of fossil fuels on the international commodity markets. The total turnover of the two companies fell by 32.2 % in 2009 to EUR 475 million (previous year: 701). Excluding exchange rate effects, turnover decreased by 33.9 %.

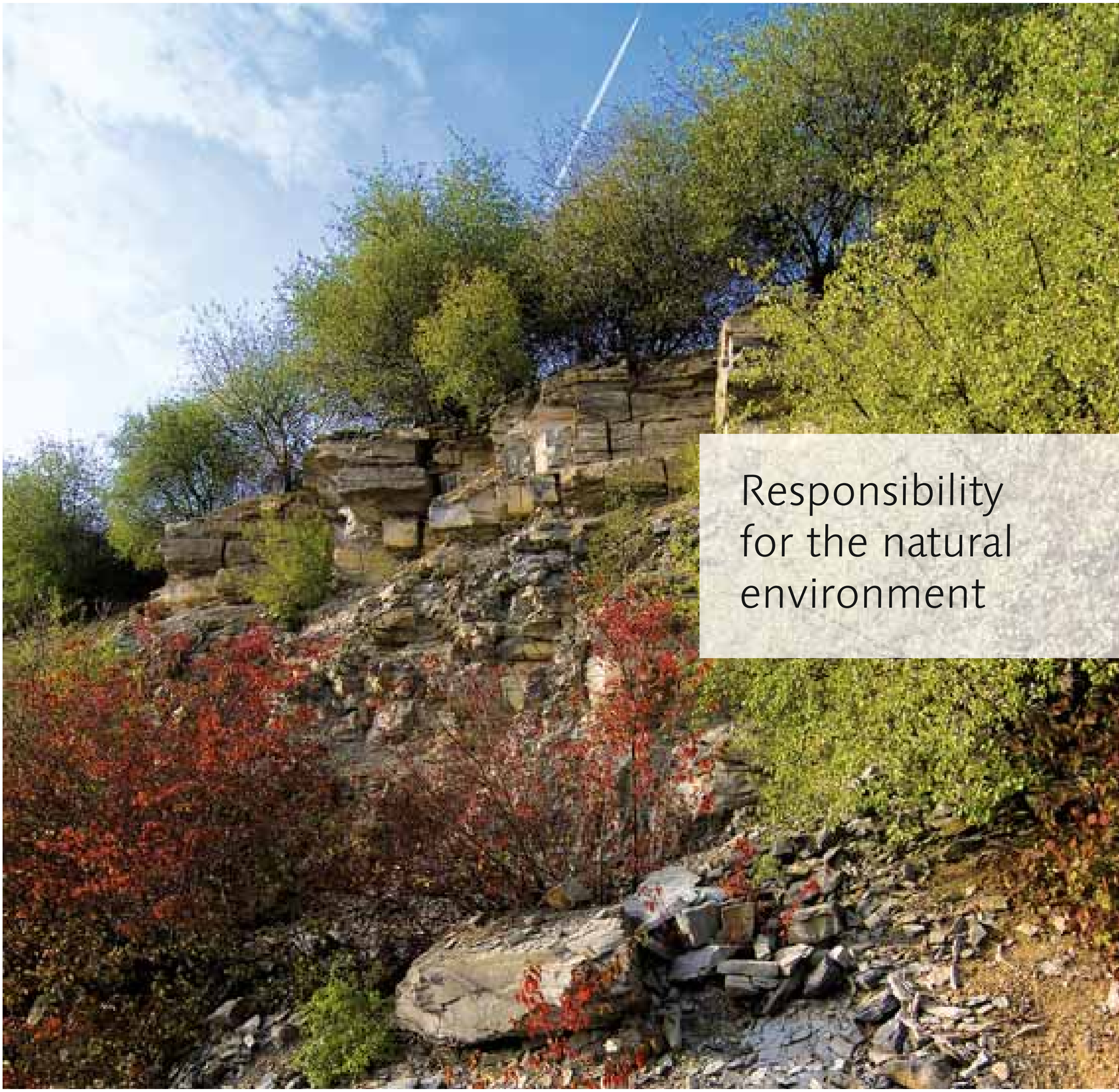
Thanks to the global trading network of HC Trading with offices in Istanbul, Malta, Fort Lauderdale/Florida, Singapore, Shanghai, and Dubai, we are able to better control the capacity utilisation of our plants and deliver the surplus from one country to another with higher demand.

As a result of the financial and economic crisis, international sea trading was very restrained overall at the beginning of 2009. While deliveries to the US, Europe, and Japan decreased, imports to China and India increased considerably. In the wake of the substantial rise in demand in China, freight rates also increased considerably in the course of the year. In comparison with the previous financial year, freight capacities also expanded in 2009 with the commissioning of new ships, though this may lead to a surplus in 2010.

The trade volume of our subsidiary HC Trading decreased by 18.1 % in 2009 to 8.1 million tonnes (previous year: 9.9), of which just over half was delivered to companies within the Group. Despite an increase in cement deliveries, the strong decline in the clinker trade volume could not be offset. While shipments to Southeast Asia and Europe decreased, we were able to attract new customers in the Middle East and the Mediterranean Basin. For example, HC Trading won a contract from the Algerian government to supply 600,000 tonnes of cement. The cement is being transported to the harbour cities of Béjaïa and Oran in the North African country over a period of ten months from December 2009. Our deliveries to Kuwait, Brazil, Turkey, Egypt, Nigeria, Libya, and Sudan have also risen in comparison with the previous year.

As an energy-intensive company, HeidelbergCement requires large amounts of fuels, such as coal, petroleum coke, diesel, or gas. Our subsidiary HC Fuels, based in London, shares the responsibility for optimising energy costs within the Group. HC Fuels monitors developments on the international commodity markets and their impact on local markets, and determines the Group's fuel requirements. On the basis of detailed market and requirement analyses as well as the Group's internal purchasing guidelines, decision is made which products are purchased when, as well as the appropriate delivery times. This allows us to cushion the impact of volatile price developments and respond quickly to attractive market opportunities.

Key data EURm	2008	**2009**
Turnover	701	**475**
Operating income	21	**28**
Investment in tangible fixed assets	2	
Employees (as at 31 December)	52	**51**



Responsibility for the natural environment

From quarry restoration to the use of alternative energy sources: a holistic approach marks our path to sustainability.

HeidelbergCement annual accounts

HeidelbergCement annual accounts

Notes to the 2009 Group annual accounts

Group profit and loss accounts

Group profit and loss accounts EUR '000s	Notes	2008	**2009**
Turnover	1	14,187,130	**11,116,989**
Change in stock and work in progress		91,750	**-244,260**
Own work capitalised		6,190	**10,249**
Operating revenue		14,285,070	**10,882,978**
Other operating income	2	370,241	**411,523**
Material costs	3	-5,692,937	**-4,219,480**
Employee and personnel costs	4	-2,297,583	**-2,041,479**
Other operating expenses	5	-3,719,150	**-2,931,504**
Operating income before depreciation (OIBD)		2,945,641	**2,102,038**
Depreciation of tangible fixed assets	6	-772,636	**-742,767**
Amortisation of intangible assets	6	-26,290	**-42,003**
Operating income		2,146,715	**1,317,268**
Additional ordinary income	7	168,036	**144,148**
Additional ordinary expenses	7	-538,784	**-639,079**
Additional ordinary result		-370,748	**-494,931**
Result from associated companies [1]	8	46,913	**34,112**
Result from other participations	8	4,518	**3,986**
Earnings before interest and taxes (EBIT)		1,827,398	**860,435**
Interest income		73,957	**86,310**
Interest expenses		-814,405	**-722,489**
Foreign exchange gains and losses		-2,472	**-9,194**
Other financial result	9	-86,600	**-229,557**
Financial result		-829,520	**-874,930**
Profit / loss before tax from continuing operations		997,878	**-14,495**
Taxes on income	10	-327,376	**190,142**
Net income from continuing operations		670,502	**175,647**
Net income / loss from discontinued operations	11	1,249,258	**-7,955**
Profit for the financial year		1,919,760	**167,692**
Thereof minority interests		111,568	**125,053**
Thereof Group share of profit		1,808,192	**42,639**
Thereof proposed dividend	12	15,000	**22,500**
Earnings per share in EUR (IAS 33)	13		
Earnings per share attributable to the parent entity		14.55	**0.30**
Earnings per share – continuing operations		4.50	**0.36**
Earnings / loss per share – discontinued operations		10.05	**-0.06**

[1] Net result from associated companies 43,256 28,022

Group statement of comprehensive income

Group statement of comprehensive income EUR '000s	2008	2008	**2009**	**2009**
Profit for the financial year		1,919,760		**167,692**
IAS 19 Actuarial gains and losses	-67,399		**-267,541**	
Income taxes	16,938		**85,687**	
		-50,461		**-181,854**
IAS 39 Cash flow hedges	-29,130		**1,238**	
Income taxes	7,896		**-512**	
		-21,234		**726**
IAS 39 Available for sale assets	-18,889		**1,383**	
Income taxes	1,441		**2,380**	
		-17,448		**3,763**
IFRS 3 Business combinations	-300		**48,547**	
Income taxes	255		**-13,863**	
		-45		**34,684**
Other	771		**2,036**	
Income taxes	-697		**779**	
		74		**2,815**
Currency translation	-1,370,270		**576,017**	
Income taxes			**-9,646**	
		-1,370,270		**566,371**
Other comprehensive income		-1,459,384		**426,505**
Total comprehensive income		460,376		**594,197**
Relating to minority interests		87,199		**154,336**
Relating to HeidelbergCement AG shareholders		373,177		**439,861**

Group cash flow statement

Group cash flow statement EUR '000s	Notes	2008	**2009**
Net income from continuing operations		670,502	**175,647**
Taxes on income		327,376	**-190,142**
Interest income/expenses		740,448	**636,179**
Dividends received	14	44,017	**39,270**
Interest paid	15	-660,558	**-947,388**
Taxes paid		-334,654	**-219,394**
Elimination of non-cash items	16	1,257,028	**1,419,829**
Cash flow		2,044,159	**914,001**
Changes in operating assets	17	-193,056	**663,909**
Changes in operating liabilities	18	23,004	**-106,674**
Changes in working capital		-170,052	**557,235**
Decrease in provisions through cash payments	19	-320,320	**-307,343**
Cash flow from operating activities - continuing operations		1,553,787	**1,163,893**
Cash flow from operating activities - discontinued operations		-30,434	
Cash flow from operating activities		1,523,353	**1,163,893**
Intangible assets		-69,247	**-24,792**
Tangible fixed assets		-1,031,408	**-770,990**
Financial fixed assets		-150,420	**-25,641**
Investments (cash outflow)	20	-1,251,075	**-821,423**
Proceeds from fixed asset disposals	21	2,368,949	**501,148**
Cash from changes in consolidation scope	22	561	**-4,468**
Cash flow from investing activities - continuing operations		1,118,435	**-324,743**
Cash flow from investing activities - discontinued operations		-5,891	
Cash flow from investing activities		1,112,544	**-324,743**
Capital increase after retention	23	512,500	**2,262,926**
Payments regarding costs of capital increase			**-30,165**
Dividend payments - HeidelbergCement AG		-162,500	**-15,000**
Dividend payments - minority shareholders	24	-31,356	**-34,939**
Proceeds from bond issuance and loans	25	2,902,539	**11,511,304**
Repayment of bonds and loans	26	-5,811,953	**-14,557,038**
Cash flow from financing activities - continuing operations		-2,590,770	**-862,912**
Cash flow from financing activities - discontinued operations		40,802	
Cash flow from financing activities		-2,549,968	**-862,912**
Net change in cash and cash equivalents - continuing operations		81,452	**-23,762**
Net change in cash and cash equivalents - discontinued operations		4,477	
Net change in cash and cash equivalents		85,929	**-23,762**
Effect of exchange rate changes		-88,019	**34,484**
Cash and cash equivalents at 1 January		845,736	**843,646**
Cash and cash equivalents at 31 December	27	843,646	**854,368**

Group balance sheet

Assets EUR '000s	Notes	31 Dec. 2008	**31 Dec. 2009**
Non-current assets			
Intangible assets	28		
Goodwill		9,880,931	**9,804,195**
Other intangible assets		270,059	**264,627**
		10,150,990	**10,068,822**
Tangible fixed assets	29		
Land and buildings		4,622,182	**4,904,125**
Plant and machinery		4,299,917	**4,412,359**
Fixtures, fittings, tools and equipment		237,434	**236,280**
Payments on account and assets under construction		775,944	**667,271**
		9,935,477	**10,220,035**
Financial fixed assets			
Investments in associates	30	540,016	**349,361**
Financial investments	31	81,631	**79,346**
Loans to participations	32	48,631	**19,020**
Other loans and derivative financial instruments	32	24,198	**45,781**
		694,476	**493,508**
Fixed assets		20,780,943	**20,782,365**
Deferred taxes	10	129,489	**268,771**
Other long-term receivables	32	365,715	**183,262**
Long-term tax assets		18,410	**16,570**
Total non-current assets		21,294,557	**21,250,968**
Current assets			
Stock	33		
Raw materials and consumables		734,766	**595,331**
Work in progress		183,294	**147,254**
Finished goods and goods for resale		788,254	**601,002**
Payments on account		24,706	**12,499**
		1,731,020	**1,356,086**
Receivables and other assets	34		
Short-term financial receivables		160,222	**99,671**
Trade receivables		1,544,701	**1,298,770**
Other short-term operating receivables		382,168	**361,928**
Current tax assets		158,125	**238,380**
		2,245,216	**1,998,749**
Financial investments and derivative financial instruments	35	173,679	**47,914**
Cash and cash equivalents	35	843,646	**854,368**
Total current assets		4,993,561	**4,257,117**
Balance sheet total		26,288,118	**25,508,085**

Liabilities EUR '000s	Notes	31 Dec. 2008	**31 Dec. 2009**
Shareholders' equity and minority interests			
Subscribed share capital	36	375,000	**562,500**
Share premium	37	3,470,892	**5,539,377**
Retained earnings	38	6,316,964	**6,166,476**
Other components of equity	39	-2,442,715	**-1,867,366**
Equity attributable to shareholders		7,720,141	**10,400,987**
Minority interests	40	540,703	**602,029**
Total equity		8,260,844	**11,003,016**
Non-current liabilities	43		
Debenture loans		3,055,379	**4,898,865**
Bank loans		7,525,359	**2,981,880**
Other long-term financial liabilities		286,827	**300,317** [1]
		10,867,565	**8,181,062**
Provisions for pensions	41	651,973	**756,712**
Deferred taxes	10	966,569	**892,367**
Other long-term provisions	42	1,062,630	**1,023,818**
Other long-term operating liabilities		196,014	**204,388**
Long-term tax liabilities		243,214	**79,798**
		3,120,400	**2,957,083**
Total non-current liabilities		13,987,965	**11,138,145**
Current liabilities	43		
Debenture loans (current portion)		430,382	**699,467**
Bank loans (current portion)		1,017,629	**196,220**
Other short-term financial liabilities		317,563	**285,629** [1]
		1,765,574	**1,181,316**
Provisions for pensions (current portion)	41	84,985	**115,139**
Other short-term provisions	42	238,808	**176,331**
Trade payables		991,308	**931,560**
Other short-term operating liabilities		760,556	**763,112**
Current income taxes payables		198,078	**199,466**
		2,273,735	**2,185,608**
Total current liabilities		4,039,309	**3,366,924**
Total liabilities		18,027,274	**14,505,069**
Balance sheet total		26,288,118	**25,508,085**

[1] Includes puttable minorities with an amount of EUR '000s 36,938 (previous year: 50,251)

Group statement of changes in equity

Group statement of changes in equity EUR '000s	Subscribed share capital	Share premium	Retained earnings	Cash flow hedge reserve
1 January 2008	360,000	2,973,392	4,720,729	9,734
Profit for the financial year			1,808,192	
Other comprehensive income			-49,457	-23,968
Total comprehensive income			1,758,735	-23,968
Changes in consolidation scope				
Capital increase				
from issuance of new shares	15,000	497,500		
Dividends			-162,500	
31 December 2008	375,000	3,470,892	6,316,964	-14,234
1 January 2009	375,000	3,470,892	6,316,964	-14,234
Profit for the financial year			42,639	
Other comprehensive income			-178,127	895
Total comprehensive income			-135,488	895
Changes in consolidation scope				
Capital increase				
from issuance of new shares [1)]	187,500	2,068,485		
Dividends			-15,000	
31 December 2009	562,500	5,539,377	6,166,476	-13,339

[1)] The capital increase from issuance of new shares was reduced by net transaction costs of EUR '000s 56,515 in accordance with IAS 32.37. Included are related income tax benefits of EUR '000s 23,224.

Other components of equity						
Available for sale reserve	Asset revaluation reserve	Currency translation	Total other components of equity	Equity attributable to shareholders	Minority interests	**Total equity**
26,567	4,946	-1,098,404	-1,057,157	6,996,964	521,861	**7,518,825**
				1,808,192	111,568	**1,919,760**
-17,401	-45	-1,344,144	-1,385,558	-1,435,015	-24,369	**-1,459,384**
-17,401	-45	-1,344,144	-1,385,558	373,177	87,199	**460,376**
					-37,001	**-37,001**
				512,500		**512,500**
				-162,500	-31,356	**-193,856**
9,166	4,901	-2,442,548	-2,442,715	7,720,141	540,703	**8,260,844**
9,166	4,901	-2,442,548	-2,442,715	7,720,141	540,703	**8,260,844**
				42,639	125,053	**167,692**
3,763	34,684	536,007	575,349	397,222	29,283	**426,505**
3,763	34,684	536,007	575,349	439,861	154,336	**594,197**
					-58,071	**-58,071**
				2,255,985		**2,255,985**
				-15,000	-34,939	**-49,939**
12,929	39,585	-1,906,541	-1,867,366	10,400,987	602,029	**11,003,016**

Segment reporting / Notes to the annual accounts

Group areas	Europe		North America	
EURm	2008	**2009**	2008	**2009**
External turnover	7,133	**5,245**	3,958	**2,892**
Inter-Group areas turnover	56	**55**		
Turnover	7,190	**5,300**	3,958	**2,892**
Change to previous year in %		-26.3 %		-27.0 %
Operating income before depreciation (OIBD)	1,627	**999**	662	**334**
as % of turnover	22.6 %	18.8 %	16.7 %	11.5 %
Depreciation	-404	**-376**	-256	**-258**
Operating income	1,223	**622**	406	**76**
as % of turnover	17.0 %	11.7 %	10.3 %	2.6 %
Results from participations	26	**19**	4	**5**
Impairments	-356	**-146**	-1	**-349**
Reversal of impairments	7	**4**		
Other additional result				
Additional ordinary result	-348	**-142**		**-349**
Earnings before interest and taxes (EBIT)	901	**500**	410	**-269**
Capital expenditures [1]	630	**510**	199	**152**
Segment assets [2]	8,436	**8,668**	8,286	**7,746**
OIBD as % of segment assets	19.3 %	11.5 %	8.0 %	4.3 %
Segment liabilities [3]	2,765	**2,667**	1,845	**1,738**
Number of employees as at 31 December	27,035	**23,884**	15,739	**12,601**
Average number of employees	27,237	**25,060**	17,573	**14,391**

Business lines	Cement		Aggregates and concrete	
EURm	2008	**2009**	2008	**2009**
External turnover	5,579	**4,570**	6,706	**5,093**
Inter-business lines turnover	719	**712**	60	**30**
Turnover	6,298	**5,282**	6,766	**5,123**
Changes to prior year in %		-16.1 %		-24.3 %
Capital expenditures [1]	638	**453**	337	**297**
Segment assets [2]	6,433	**6,177**	12,381	**12,860**

[1] Capital expenditures = in the segment columns: tangible fixed assets and intangible assets investments; in the reconciliation column: financial fixed assets investments
[2] Segments assets = tangible fixed assets and intangible assets
[3] Segment liabilities = liabilities and provisions; the financial liabilities are recorded in the reconciliation column

	Asia-Australia-Africa		Group Services		Reconciliation		Continuing operations		Discontinued operations	
	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**
	2,868	**2,793**	227	**187**			14,187	**11,117**	176	
	75	**74**	474	**288**	-605	**-416**				
	2,943	**2,867**	701	**475**	-605	**-416**	14,187	**11,117**	176	
		-2.6 %		-32.2 %				-21.6 %		
	636	**741**	22	**29**			2,946	**2,102**	14	
	21.6 %	25.8 %	3.1 %	6.1 %			20.8 %	18.9 %	8.0 %	
	-139	**-150**	-1	**-1**			-799	**-785**	-10	
	497	**591**	21	**28**			2,147	**1,317**	4	
	16.9 %	20.6 %	3.0 %	6.0 %			15.1 %	11.8 %	2.3 %	
	21	**9**		**5**			51	**38**		
	-8						-365	**-495**		
							7	**4**		
					-14	**-4**	-14	**-4**		
	-8				-14	**-4**	-371	**-495**		
	509	**600**	21	**33**	-14	**-4**	1,827	**860**	4	
	270	**133**	2		150	**26**	1,251	**821**		
	3,330	**3,840**	34	**36**			20,086	**20,289**		
	19.1 %	19.3 %	63.0 %	81.6 %			14.7 %	10.4 %		
	622	**683**	162	**54**	12,633	**9,362**	18,027	**14,505**		
	18,015	**16,766**	52	**51**			60,841	**53,302**		
	18,055	**17,220**	52	**51**			62,916	**56,723**		

	Building products		Group Services		Reconciliation		Continuing operations		Discontinued operations	
	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**
	1,673	**1,267**	229	**187**			14,187	**11,117**	176	
	4	**6**	473	**288**	-1,256	**-1,036**				
	1,677	**1,273**	701	**475**	-1,256	**-1,036**	14,187	**11,117**	176	
		-24.1 %		-32.2 %				-21.6 %		
	124	**45**	2		150	**26**	1,251	**821**		
	1,239	**1,214**	33	**38**			20,086	**20,289**		

Notes to the 2009 Group annual accounts

General information

HeidelbergCement AG is a public limited company based in Germany. The company has its registered office in Heidelberg, Germany. Its address is: HeidelbergCement AG, Berliner Strasse 6, 69120 Heidelberg.

The core activities of HeidelbergCement include the production and distribution of cement, aggregates, concrete and building products. Further details are given in the management report.

Accounting and valuation principles

Accounting principles

The Group annual accounts of HeidelbergCement AG were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and the additional requirements of German Commercial Law pursuant to § 315a, section 1 of the German Commercial Code. All binding IFRSs for the 2009 financial year adopted into European law by the European Commission, as well as the announcements of the International Financial Reporting Interpretations Committee (IFRIC) were applied.

The previous year's figures were determined according to the same principles. The Group annual accounts are prepared in euro. The annual accounts show a true and fair view of the financial position and performance of the HeidelbergCement Group.

Where the presentation in the balance sheet and the profit and loss account has been changed, these changes are explained in the Notes for each respective item. In line with the internationally recognised method of presentation, the titles, order, and subtotals of the long-term debt capital items on the liabilities side of the balance sheet have been changed. The previous year's values have been restated.

In accordance with the revised version of IAS 1 (Presentation of Financial Statements), the Group annual accounts contain a balance sheet as at the reporting date, profit and loss accounts, a statement of comprehensive income, a statement of changes in equity, and a cash flow statement in accordance with the principles of IAS 7 (Cash Flow Statements). The segment reporting is prepared in accordance with the regulations of IFRS 8 (Operating Segments).

For reasons of clarity, some individual items have been combined in the profit and loss accounts and in the balance sheet. Explanations of these items are contained in the Notes. To improve the level of information, the additional ordinary result is shown separately in the profit and loss accounts and in the segment reporting. The profit and loss accounts classify the expenses according to their nature.

Estimation uncertainty and assumptions

The presentation of the financial position and performance in the Group annual accounts is dependent on estimates and assumptions made by management, which affect the amount and presentation of the assets and liabilities, expenses and income, and contingent liabilities accounted for in the period. The actual values may differ from these estimates. The assumptions and estimates relate particularly to the necessity and calculation of impairment of goodwill, and the measurement of provisions for pensions and other provisions.

A cash flow-based method in accordance with IAS 36 is used to determine the recoverable amount of cash-generating units as part of the impairment test for goodwill. Further details are given on pages 96 ff. A change in the influencing factors may have a significant impact on the amount of impairment. The obligations arising from defined benefit pension obligations are determined on the basis of actuarial assumptions and estimates. A change in the underlying parameters may lead to changes in the amounts recognised on the balance sheet. Further details are given in Note 41 "Provisions for pensions". Environmental provisions to cover liability for damages and environmental obligations are measured on the basis of an extrapolation of the claims and estimates of the development of costs. A change in the influencing parameters may have an impact on the profit and loss accounts as well as the amounts recognised in the balance sheet. The recognition and measurement of the other provisions takes place with the aid of estimates of the probabilities of future outflow of resources and on the basis of empirical values and the circumstances known at the reporting date. The actual outflow of resources may differ from the outflow of resources accounted for at the reporting date and may have an impact on the recognition and measurement.

Consolidation principles

The consolidation is performed using the purchase method in accordance with IFRS 3 (Business Combinations). For business combinations, the acquirer measures all assets, liabilities, and contingent liabilities at their fair values at the acquisition date. The acquiring entity's investment is eliminated against the revalued equity of the newly consolidated subsidiary at acquisition date. The residual difference between the fair value of the cost of acquisition and the fair value of acquired assets and liabilities is shown as goodwill if it cannot be recognised as an intangible asset according to IAS 38 (Intangible Assets). Goodwill is tested for impairment according to IAS 36 (Impairment of Assets) at least once a year or upon the occurrence of significant events or changes in circumstances that indicate a present value below the carrying amount. Negative goodwill is recognised in profit and loss. Business combinations achieved in stages are accounted for in accordance with the regulations of IFRS 3.59.

The Group annual accounts comprise the subsidiaries in which HeidelbergCement is able to govern the financial and operating policies. Normally, this is the case when more than 50 % of the shares are owned. If company law stipulates that a company can be controlled despite a shareholding of less than 50 %, this company is included in the Group annual accounts as a subsidiary. If a company cannot be controlled with a shareholding of more than 50 % as a result of contractual regulations, this company is not included in the Group annual accounts as a subsidiary.

The minority interests' share of equity and of the profit or loss for the financial year are shown separately. Minority interests in equity for which put options or forward contracts (interest-bearing or non-interest-bearing) exist and minority interests in German partnerships are shown as a financial liability, at the present value of the repayment sum. The excess of the present value of the liability over the carrying amount of the minority interests is shown as goodwill both initially and in subsequent periods. The minority's share of profit for the period relating to the puttable minorities is shown in financial results.

Significant joint ventures of the HeidelbergCement Group are included in the Group annual accounts as proportionately consolidated companies (IAS 31 Interests in Joint Ventures). Using this method, the Group accounts for its share of the assets, liabilities, income, expenses and cash flows in the corresponding lines of the Group annual accounts.

Investments in associates, in cases where HeidelbergCement exerts significant influence on the operating and financial policies of the participation through a shareholding of between 20 % and 50 % are accounted for in accordance with the equity method (IAS 28 Investments in Associates) in the Group annual accounts. Initially, the acquired investments are recognised at cost, with the Group's share of profit or loss being recognised as an increase or decrease to the carrying value of the investment. In order to present the results from participations in a more meaningful way, the Group's share of income from associates is shown before taxes on income. The proportionate income tax expense is shown under taxes on income. The net profit from associated companies is shown separately below the profit and loss accounts.

Income and expenses as well as receivables and payables between consolidated companies are eliminated according to IAS 27 (Consolidated and Separate Financial Statements). Profits and losses from intra-Group sales of assets are eliminated.

The consequences of consolidation on income tax are taken into account by recognising deferred taxes.

Application of new accounting standards

In the 2009 financial year, HeidelbergCement applied the following revised standards and interpretations of the International Accounting Standards Board (IASB) for the first time.

– The amendments to IFRS 1 and IAS 27 (Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate) govern simplifications in the measurement of participations in an individual balance sheet being prepared in accordance with IFRS for the first time. The first-time application of the amendments had no impact on the financial position and performance of the Group.

– The amendment of IFRS 2 (Vesting Conditions and Cancellations) clarifies the definition of vesting conditions in connection with share-based payment and governs the accounting treatment of effectively cancelled commitments. The first-time application of the amendment had no impact on the financial position and performance of the Group.

– The amendments to IFRS 7 (Improving Disclosures about Financial Instruments) concern extended disclosure requirements in connection with measurement at fair value and the liquidity risk from financial liabilities. The amendments of IFRS 7 are applicable for financial years beginning on or after 1 January 2009. The first-time application had no impact on the financial position and performance of the Group.

– IFRS 8 (Operating Segments) replaces the regulations of IAS 14 (Segment Reporting). In contrast with IAS 14, which considers financial information based on business and geographical segments, IFRS 8 pursues a management approach to the identification and measurement of the profits of reportable business segments. The reporting segments and the segment data to be presented in the Notes are based on internal reporting. The distinction between the primary and secondary segment reporting format has been discontinued. The first-time application of IFRS 8 has not led to any change in presentation, as the business segments identified in accordance with IFRS 8 correspond to the business segments identified previously in accordance with IAS 14.

– The revised IAS 1 (Presentation of Financial Statements) requires separate presentation of changes in equity resulting from transactions with shareholders and other changes in equity. The statement of changes in equity only includes details of transactions with shareholders, while other changes in equity are shown in total in the form of a reconciliation for individual elements. The statement of changes in equity no longer shows exchange rate changes separately, but combines them with other income. The standard also introduces a new statement of comprehensive income, in which all income and expense items recognised in the profit and loss accounts as well as all profit or loss components recognised directly in equity are shown either in a single statement or in two separate statements, one immediately following the other. HeidelbergCement shows the profit or loss components in two separate statements, a profit and loss account and a statement of comprehensive income. As a result, the order of the components of the annual accounts has changed.

- The amendments to IAS 1 and IAS 32 (Puttable Financial Instruments and Obligations arising on Liquidation) essentially refer to the conditions for classifying puttable instruments as equity or liabilities. The basis for the revision is to allow parent entities with the legal form of a German partnership to classify their capital as equity in IFRS annual accounts. The first-time application of the amendments had no impact on the financial position and performance of the Group.
- IFRIC 13 (Customer Loyalty Programmes) governs the accounting of customer loyalty programmes operated by manufacturers or service providers themselves or by third parties. The first-time application of IFRIC 13 had no impact on the financial position and performance of the Group.
- IFRIC 15 (Agreements for the Construction of Real Estate) governs the accounting of property sales in which an agreement is reached with the purchaser before the construction work is completed. The first-time application of IFRIC 15 had no impact on the financial position and performance of the Group.
- IFRIC 16 (Hedges of a Net Investment in a Foreign Operation) clarifies what is to be regarded as a risk in a hedge of a net investment in a foreign operation and where within the group of companies the hedging instrument to reduce this risk may be held. The first-time application of IFRIC 16 had no impact on the financial position and performance of the Group.
- IFRIC 17 (Distributions of Non-cash Assets to Owners) governs the accounting of a liability concerning non-cash dividend distributions, which should be recognised when the dividend is no longer at the discretion of the entity. The first-time application of IFRIC 17 had no impact on the financial position and performance of the Group.
- As part of the 2007 annual improvement process, which was published in May 2008, the IASB made non-urgent but necessary amendments to existing standards. These primarily concern the elimination of inconsistencies in existing standards and the clarification of ambiguous wording. The first-time application of the amendments had no effect on the financial position and performance of the Group.

The IASB and IFRIC also adopted the standards and interpretations listed below, whose application was not yet mandatory for the 2009 financial year or have not yet been ratified by the European Commission as at the reporting date.

- The amendments to IFRS 1 include additional exemptions for first-time IFRS adopters and are applicable for financial years beginning on or after 1 January 2010 (not yet adopted into EU law).
- The amendments to IFRS 2 (Group Cash-settled Share-based Payment Transactions) clarify how cash-settled share-based payments should be shown in separate individual balance sheets of subsidiaries in compliance with IFRS, if the payments are settled by the parent company or another group company. The amendments are applicable for financial years beginning on or after 1 January 2010 (not yet adopted into EU law).
- The major changes from the revision of IFRS 3 (Business Combinations) concern the determination of the purchase price, the measurement of minority interests and the accounting of step acquisitions. Conditional elements of the purchase price must be taken into account in the determination of the purchase price at the acquisition date, regardless of the likelihood of their occurrence. In addition, transaction costs directly connected to the business combination should not be included in the purchase price but should always be recognised in profit

or loss. In the case of minority interests, the goodwill relating to these minority interests may optionally be included in the valuation. Furthermore, in step acquisitions, differences arising between the carrying amount and fair value of shares held must now be recognised in profit or loss - not in equity - at the acquisition date. The changes will affect the amount of goodwill recognised, the profits for the reporting period in which a business combination has taken place, and future profits. In particular, the application of the full goodwill method can lead to higher goodwill. The amendments of IFRS 3 are applicable for financial years beginning on or after 1 July 2009

- The publication of IFRS 9 (Financial Instruments) concludes phase 1 of the three-part IASB project to completely revise the accounting of financial instruments and thus IAS 39. IFRS 9 pursues a new, less complex approach for the categorisation and measurement of financial assets. Instead of the previous four measurement categories for financial instruments on the assets side, there are now only two. The categorisation is based firstly on the company's business model and secondly on characteristic properties of the contractual cash flows of the relevant financial asset. IFRIC 9 is applicable for financial years beginning on or after 1 January 2013 (not yet adopted into EU law).
- The revised IAS 24 (Related Party Disclosures) simplifies the reporting obligations of state-controlled entities. The definition of related parties was also fundamentally revised. The revised standard is applicable for financial years beginning on or after 1 January 2011 (not yet adopted into EU law).
- The amendments of IAS 27 (Consolidated and Separate Financial Statements) set in concrete terms the accounting of changes in the total share of a parent company's participation that do not lead to a loss of control of the subsidiary. In the future, these changes will be treated as equity transactions between shareholders. The amendments of IAS 27 are applicable for financial years beginning on or after 1 July 2009.
- The amendments to IAS 32 (Financial Instruments: Presentation) concern the classification of subscription rights. They state that certain subscription rights as well as options and warrants in foreign currency are now to be shown in equity and no longer as a liability, in the accounts of the issuer to whose equity instruments these rights relate. The amendment is applicable for financial years beginning on or after 1 February 2010.
- The amendment of IAS 39 (Financial Instruments - Eligible Hedged Items) sets in concrete terms how the principles of IAS 39 on hedge accounting should be applied with regard to the designation of one-sided risks in a hedged item and the designation of inflation risks as a hedged item. The change is applicable for financial years beginning on or after 1 July 2009.
- The amendments to IFRIC 9 and IAS 39 (Embedded Derivatives) set in concrete terms the effects of the amendments to IAS 39 and IFRS 7 (Reclassification of Financial Instruments) in terms of the time of reassessment of embedded derivatives. The amendments are applicable for financial years ending on or after 30 June 2009.
- IFRIC 12 (Service Concession Arrangements) governs how service concession operators should apply existing IFRS to their service concession arrangements in order to recognise the obligations entered into and rights obtained in connection with these arrangements. The amendment is applicable for financial years beginning on or after 30 March 2010.

- The amendments to IFRIC 14 (Prepayments of a Minimum Funding Requirement) are relevant if a company that has to fulfil minimum funding requirements in connection with its pension plans makes prepayments of these requirements. The change in the interpretation allows the companies to recognise the benefit arising from these prepayments as an asset. The amendments are applicable for financial years beginning on or after 1 January 2011 (not yet adopted into EU law).
- IFRIC 18 (Transfer of Assets from Customers) governs the accounting treatment of transfers of assets and is particularly relevant for companies in the energy sector. IFRIC 18 is applicable for transfers of assets taking place on or after 1 July 2009, regardless of when the relevant financial year begins.
- IFRIC 19 (Extinguishing Financial Liabilities with Equity Instruments) contains guidelines for the treatment of transactions designated as 'debt for equity swaps' and clarifies the requirements set out in the IFRS if a company renegotiates the conditions of a financial liability with the creditor and, as a result, the creditor accepts shares or other equity instruments of the company as full or partial repayment of the financial liability. IFRIC 19 is applicable for financial years beginning on or after 1 July 2010 (not yet adopted into EU law).
- As part of the 2009 annual improvement process, the IASB published the second collection of minor amendments to the IFRS, issued annually. The collection contains 15 different amendments to 12 existing IFRSs. Unless otherwise specified in an individual case, the amendments are applicable for financial years beginning on or after 1 January 2010 (not yet adopted into EU law).

HeidelbergCement will not apply these standards and interpretations until the date when their application first becomes mandatory and after ratification by the EU Commission. The effects of IFRS 9 are currently being analysed. In addition, the impact of the changes to IAS 36 (Impairment of Assets), applicable as of 1 January 2010, as revised in the 2009 improvement project, are being assessed. According to current estimates, the first-time application of the other standards will not have a significant impact on the financial position and performance of the Group.

Recognition and measurement principles

The Group annual accounts are generally prepared using the historical cost principle. Exceptions to this are derivative financial instruments and available-for-sale investments, which are measured at fair value. The carrying amounts of hedged assets and liabilities recognised in the balance sheet and hedged by fair value hedge relationships, are adjusted for changes in the fair value attributable to the risk being hedged. These assets and liabilities would otherwise be accounted for at cost. The fundamental recognition and measurement principles are outlined below.

According to IAS 38 (Intangible Assets), an **intangible asset** is an identifiable non-monetary asset without physical substance. The definition requires an intangible asset to be identifiable in order to distinguish it from goodwill. An asset meets the identifiably criterion if it is separable or arises from contractual or other legal rights. Intangible assets are initially measured at cost. In subsequent periods, intangible assets with a finite useful life are measured at cost less accumulated amortisation and impairment, and intangible assets with an indefinite useful life are measured at cost less impairment. Intangible assets with a finite useful life are amortised using the unit of production method, in the case of quarrying licences, and otherwise using the straight line method.

Emission rights are shown as intangible assets in accordance with the IFRS regulations (IAS 38). Emission rights granted free of charge are initially measured at a nominal value of zero. Emission rights acquired for consideration are accounted for at cost and are subject to write-down in the event of impairment. The second national allocation plan (NAP II) for the allocation of CO_2 emissions allowances (EUA) spans a period of five years (2008-2012). This period serves as a basis for assessing the deficit/surplus. Provisions are recognised if a deficit exists. In the reporting year, HeidelbergCement sold surplus emissions allowances over and above the emissions volume allocated for 2009. In addition, the Group has made a commitment to supply emission rights allowances (EUA) in exchange for certified emission reductions (CER) in a series of swaps.

In accordance with IFRS 3 (Business Combinations), **goodwill** arising from business combinations is not amortised. Instead, an impairment test according to IAS 36 (Impairment of Assets) is carried out. In this impairment test, the carrying amount of a group of cash-generating units (CGUs) to which goodwill is allocated is compared to its recoverable amount of this group of CGUs. On the basis of the sales and management structure, a group of cash-generating units is defined generally as a country or region.

As soon as the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in profit or loss to reduce the asset to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The fair value is the amount obtainable from the sale of an asset in an arm's length transaction. The value in use is calculated by discounting estimated future cash flows after taxes with a post-tax risk-adjusted discount rate (WACC).

Cash flow estimates are derived for a five year period after which a terminal value is applied. Detailed operational planning approved by management forms the basis of the estimate of the first three years, after which the cash flows are extrapolated for a further two years based upon an appropriate growth level to determine a steady state for the terminal value.

The WACC rates for the Group were calculated using a two phase approach, whereby a phase one WACC rate was used to discount the cash flows for the first five years and for the determination of the terminal value, a phase two WACC was applied. The difference between the two WACC rates is that, in addition to the consideration of the perpetual growth rate in phase two, a higher credit spread within the cost of debt was also used. The credit spread was derived from the rating of the peer group. The so determined terminal value was then discounted back to the valuation date with the phase one WACC.

The following key assumptions were used in the determination of the recoverable amount on the value in use basis, for each group of CGUs where the goodwill is either a significant proportion of the Group total or where impairment has been recognised or where a segment consists of an amalgamation of groups of CGUs with attributable goodwill that is not a significant proportion of the Group total.

Assumptions made in the calculation of impairment of goodwill	Carrying amount of goodwill in EURm		Weighted average cost of capital after taxes [2]		Perpetual growth rate	
Segment / CGU [1]	31 Dec. 2008	**31 Dec. 2009**	31 Dec. 2008	**31 Dec. 2009**	31 Dec. 2008	**31 Dec. 2009**
Europe	3,812.8	**3,852.2**	6.9 - 17.6 %	**7.1 - 17.6 %**	1.5 - 2.0 %	**1.5 - 2.0 %**
United Kingdom	1,929.8	**2,068.3**	7.9 %	**8.0 %**	1.5 %	**1.5 %**
Israel	66.0	**50.1**	8.9 %	**8.8 %**	2.0 %	**2.0 %**
Spain	128.5	**68.6**	8.3 %	**7.9 %**	1.5 %	**1.5 %**
North America	4,471.4	**4,055.4**	6.8 %	**7.5 %**	1.5 %	**2.0 %**
Asia-Australia-Africa	1,566.9	**1,864.9**	7.4 - 15.2 %	**6.3 - 17.7 %**	1.5 - 2.0 %	**1.5 - 2.0 %**
Australia [3]	833.4	**1,168.4**	8.1 %	**9.2 %**	1.5 %	**1.5 %**
Group Services	29.8	**31.7**	7.5 %	**7.2 %**	1.5 %	**1.5 %**
Total	9,880.9	**9,804.2**				

1) CGU = Cash-generating unit
2) The weighted average cost of capital shown for 2009 is the second phase WACC, before adjustment for growth, used to calculate the terminal value. The phase one weighted average cost of capital is no more than 0.1 ppts higher than phase two.
3) Goodwill in Australia in 2009 includes EUR 170.6 million attributable to the proportional consolidation of Cement Australia, which was included within investments in associates in 2008.

For the significant CGU groups identified above, the operational planning assumes that in the long-term the construction markets will recover from the recent cyclical downturn. The perpetual growth assumptions reflect the estimated long term growth over many cycles in the construction sector, which can be evidenced from external historical construction spending data.

As a result of the impairment testing procedures performed, the Group recognises a total impairment of goodwill of EUR 420.5 million in the following groups of CGUs:

Europe: Goodwill impairments in the United Kingdom in the amount of EUR 11.9 million and Spain in the amount of EUR 59.9 million. The impairments are the result of the recently deteriorating economic conditions in those countries. A goodwill impairment was also recognised in Israel in the amount of EUR 14.0 million, as a result of the recent disposal process (eventually blocked by the local competition authority) indicating a lower fair value less costs to sell for the business. Other minor goodwill impairments in Europe amounted to EUR 2.6 million.

North America: Impairment in the amount of EUR 332.1 million. This is a combination of increased interest rates and adjustment of long-term expectation assumptions in the building products business line, in particular due to the ongoing depressed outlook in the residential sector.

All of these groups of CGUs had a recoverable amount less than the value of attributed goodwill according to the value in use method as described above.

In the Australian CGU the management has identified that a reasonably possible change in the key assumptions (WACC and perpetual growth rate) would give rise to that unit's carrying amount to exceed its recoverable amount. The following table shows the values of those assumptions required for the recoverable amount to be equal to the carrying amount.

Assumptions changes giving rise to recoverable amount equal to carrying amount	CGU [1] Australia
Excess of recoverable amount over carrying amount in EURm	57.4
WACC sensitivity [2]	0.296
Perpetual growth rate sensitivity [2]	-0.723

1) CGU = Cash-generating unit
2) Increase or decrease in percentage points (ppts)

All other groups of CGUs remain unimpacted by a WACC increase of up to 1.536 ppts or by using a perpetual growth rate of zero.

Tangible fixed assets are accounted for according to IAS 16 (Property, Plant and Equipment) at cost less accumulated depreciation and impairment. The costs of conversion include all costs that can be attributed to the manufacturing process and appropriate amounts of production overheads. Costs for repair and maintenance of tangible fixed assets are expensed as incurred. Capitalisation takes place if the measures lead to an extension or significant improvement of the asset. Tangible fixed assets are depreciated on a straight-line basis unless there is another depreciation method more appropriate for the pattern of use. Borrowing costs that can be allocated directly or indirectly to the construction of large facilities are capitalised as part of the cost.

Stock is valued in accordance with IAS 2 (Inventories) at the lower of cost and net realisable value, using the weighted average cost method. Adequate provisions are made for risks relating to quality and quantity. Besides direct expenses, the costs for finished goods and work in progress include production-related indirect materials and indirect labour costs, as well as production-related depreciation. Spare parts for equipment are reported under stocks or fixed assets.

Long-term service and construction contracts spanning a longer period of time are accounted according to the extent of completion (Percentage of Completion Method).

Provisions for pensions and similar liabilities are determined in accordance with IAS 19 (Employee Benefits) using the Projected Unit Credit Method. Actuarial gains and losses are recognised directly in equity in the period in which they arise, taking deferred taxes into account. Detailed explanations concerning the accounting of provision for pensions are provided in Note 41.

Other provisions are recognised in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) if, as a result of past events, there are legal or constructive obligations towards third parties that are likely to lead to outflows of assets that can be reliably determined. The provisions are calculated on the basis of the best estimate, taking into account all identifiable risks.

Deferred tax assets and liabilities are recognised in accordance with the liability method (IAS 12 Income Taxes). This means that, with the exception of goodwill arising on consolidation, deferred taxes are recognised for all temporary differences between the IFRS accounts and the tax accounts regardless of the period of time within which these differences are likely to reverse. Furthermore, deferred tax assets are recognised on unused tax losses carried forward, to the extent that the probability of their recovery in subsequent years is sufficiently high. Deferred tax liabilities are considered in connection with undistributed profits from subsidiaries, joint ventures and associates, unless HeidelbergCement is able to control the dividend policy of the companies and no dividend distribution or disposal is anticipated in the foreseeable future. The deferred taxes are measured using the rates of taxation that, as of the balance sheet date, are applicable or have been announced as applicable in the individual countries for the period when the deferred taxes are realised. Deferred tax assets and liabilities are offset if there is an enforceable right to set off current tax assets and liabilities and if they relate to taxes on income levied by the same taxing authority and the Group intends to settle its current tax assets and liabilities on a net basis.

A **financial instrument** is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The financial instruments include non-derivative and derivative financial instruments.

Non-derivative financial instruments are, in principle, measured at fair value when first recognised. These include non-current and current investments, loans and receivables granted and financial liabilities.

Financial assets or liabilities measured at fair value through profit or loss are (structured) financial instruments classified as held for trading.

Non-current and current investments that are categorised as available for sale in accordance with IAS 39 are regularly measured at fair value if it can be reliably ascertained. This class of instrument is referred to, in the following, as investments available for sale at fair value. The unrealised gains and losses resulting from the subsequent measurement are recognised directly in equity. The stock market price at the balance sheet date forms the basis of the fair value. Investments in equity instruments, for which no listed price on an active market exists and whose fair values cannot be reliably determined with justifiable expense, are measured at cost. This class of instruments is referred to in the following as investments available for sale at cost. This concerns other participations that are not listed on the stock exchange. If the fair values of available-for-sale investments fall below the cost and there is objective evidence of a significant or permanent impairment, the accumulated gains and losses previously recognised in equity are recognised directly in profit or loss. The recognition of reversals of impairment in profit or loss for equity instruments held is not permitted.

Loans and receivables are measured at amortised cost, using the effective interest method if applicable, provided that they are not linked with hedging instruments. This concerns long-term loans, interest-bearing receivables, trade receivables and other short-term operating receivables. In principle, the amortised cost in the case of short-term receivables corresponds to the nominal value or the repayment sum. If there is objective evidence of impairment of the loans and receivables, impairment losses are recognised in profit or loss. For trade receivables, the impairment losses are recognised through the use of a provision for doubtful debts account. Reversals are carried out if the reasons for the impairment losses no longer apply. In the past financial year, there were no financial assets (as in the previous year) whose terms have been changed which would otherwise have been overdue or impaired.

Non-derivative financial liabilities are recognised for the first time at the fair value of the consideration received or at the value of the cash received less transaction costs incurred, if applicable. These instruments are subsequently measured at amortised cost using the effective interest method. This includes trade payables, other short-term operating liabilities and short- and long-term financial debts. Long-term financial liabilities are discounted. In principle, the amortised cost in the case of short-term financial liabilities corresponds to the nominal value or the repayment sum.

The Group has not yet made use of the possibility of designating non-derivative financial instruments, when first recognised, as financial instruments at fair value through profit or loss. All non-derivative financial assets are accounted for at the settlement date.

A **derivative financial instrument** is a contract whose value is dependent on a variable, which usually requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors, and which is settled at a later date. All derivative financial instruments are measured at fair value on the trade date when first recognised. The fair values are also relevant for the subsequent measurement. The fair value of traded derivative financial instruments corresponds to the market value. This value can be positive or negative. For derivative financial instruments, the fair value corresponds to the amount that HeidelbergCement would either receive or have to pay at the reporting date in the case of early termination of this financial instrument. This is calculated on the basis of the relevant exchange and interest rates on the reporting date. Average rates are used for the calculation.

In the HeidelbergCement Group, derivative financial instruments such as currency forwards, currency option contracts, interest rate swaps or interest rate options are, in principle, used to minimise financial risks. The focus is on hedging interest, currency and other market price risks. The market valuations are monitored regularly by the Group Treasury department. No derivative financial instruments are contracted or held for speculative purposes.

Contracts concluded for the purpose of receiving or supplying non-financial items in accordance with the company's expected purchase, sale, or usage requirements and held as such ("own use contracts") are accounted for as pending transactions rather than derivative financial instruments. Written options for the purchase or sale of non-financial items that can be cash settled are not classified as own use contracts.

Structured financial instruments consist of a non-derivative basic contract and an embedded financial derivative. The two components are legally inseparable. These are usually contracts with riders. Separate accounting of the embedded derivative and the basic contract is required if the economic characteristics and risks are not closely linked with the basic contract, the embedded derivative fulfils the same definition criteria as a derivative and the structured financial instrument is not measured at fair value through profit or loss. The contract of the structured financial instrument may also be measured in total at fair value through profit or loss unless the embedded derivative changes the resulting cash flows to an insignificant degree or separation of the embedded derivative is not permitted.

Hedge accounting denotes a specific accounting method that modifies the accounting of the hedged item and hedge of a hedging relationship so that the results of measuring the hedged item or hedge are recognised in the period incurred directly in equity or in profit or loss. Accordingly, hedge accounting is based on matching the offsetting values of the hedge and the hedged item.

For accounting purposes, three types of hedge exist in accordance with IAS 39, provided that the stringent conditions for hedge accounting are fulfilled in each individual case.

– Cash flow hedges

Where necessary, HeidelbergCement hedges the risk of fluctuation in future cash flows. The risk of interest rate fluctuations in the case of variable interest is hedged by means of swaps that convert variable interest payments into fixed interest payments. This method is also used for hedging currency risks of transactions to be executed in foreign currency in the future. The market value of the derivatives used for hedging is shown in the balance sheet. As an offsetting item, the other components of equity are adjusted to the amount of the effective portion, taking deferred taxes into account. They are only recognised in profit or loss when the hedged future cash flows are realised. The ineffective portion is recognised directly in the profit or loss for the period.

– Fair value hedges

The Group hedges against fluctuations in the fair value of assets or liabilities. In particular, the foreign exchange risk that arises when financial instruments are accounted for in a currency other than the functional currency is hedged. In addition, selectively the fair value of fixed interest-bearing liabilities by means of conversion to variable interest is hedged. In the case of hedging against fluctuations in the fair value of certain balance sheet items (fair value hedges), both the hedge and the hedged share of the risk of the underlying transaction are recognised at fair value. Changes in fair value are recognised in profit or loss.

– Hedging a net investment in a foreign operation

When acquiring foreign companies, the investment can, for example, be hedged with loans in the functional currency of the foreign company. In these cases, the currency risk arising on the subsidiary's equity through fluctuations in exchange rates (translation risk) is designated as a hedged risk. The loans are converted using the exchange rate applicable at the balance sheet date. As an offsetting item, the foreign currency translation reserves in equity are adjusted. Consequently, translation differences are recognised directly in equity until the net investment is sold and are recognised in profit or loss on its disposal.

Derivative financial instruments for which no hedge accounting is used nevertheless represent an effective hedge in an economic sense within the context of the Group strategy. In accordance with IAS 39, these instruments are classified for accounting purposes as held for trading. The changes in the market values of these derivative financial instruments recognised in profit or loss are almost offset by changes in the market values of the hedged items.

Assets held for sale and discontinued operations are shown separately in the balance sheet if they can be sold in their present condition and the sale is highly probable. Assets classified as held for sale are recognised at the lower of their carrying amount and fair value less costs to sell. According to their classification, provisions and liabilities directly connected with these assets are shown separately on the liability side.

For discontinued operations, the profit after tax is shown in a separate line in the profit and loss accounts. In the cash flow statement, the cash flows are broken down into continuing and discontinued operations. Likewise, the discontinued operations are shown separately in the segment reporting. For discontinued operations, the previous year's values in the profit and loss accounts, the cash flow statement and the segment reporting are restated. The notes include additional details on the assets held for sale and discontinued operations.

Contingent liabilities and assets are current or possible obligations or assets arising from past events and whose existence is due to the occurrence or non-occurrence of one or more uncertain future events that are not within the Group's control. Contingent liabilities are recognised in the balance sheet at their fair value if they have been taken on as a result of a business combination. Contingent assets are only recognised in the balance sheet if they are virtually certain. In so far as an outflow or inflow of economic benefits is possible, details of contingent liabilities and assets are provided in the notes.

Finance leases, for which all risks and rewards incident to ownership of the leased asset are transferred to the lessee, lead to capitalisation of the leased asset at the beginning of the term of the lease. The leased asset is recognised at the lower of its fair value and the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant rate of interest on the remaining balance of the liability over the term of the lease. The finance charge is recognised in profit or loss. Leased assets are depreciated over the useful life of the asset. If, however, there is insufficient certainty that the transfer of title to the Group will take place at the end of the lease term, the leased asset is depreciated fully over the shorter of the expected useful life and the lease term.

Lease payments for **operating leases** are recognised as an expense in the profit and loss accounts over the lease term on a straight-line basis.

Income is recognised if it is sufficiently probable that the Group will receive future economic benefits that can be reliably determined. It is measured at the fair value of the consideration received; sales tax and other duties are not taken into account. Turnover is recognised as soon as the goods have been delivered and the opportunities and risks have passed to the purchaser. Interest income is recognised pro rata temporis using the effective interest method. Dividend income is realised when the legal entitlement to payment arises.

Foreign currency translation

The annual accounts of the Group's foreign subsidiaries are translated into euro according to IAS 21 (The Effects of Changes in Foreign Exchange Rates) using the concept of functional currency. In general, for operating companies, the functional currency is that of the country in which the subsidiary is based, since all foreign subsidiaries are financially, economically and organisationally independent in the conduct of their business. Assets and liabilities are converted using the average exchange rates at the balance sheet date, with equity, in contrast, using the historical exchange rates. The translation differences resulting from this are recognised directly in other components of equity until the subsidiary is disposed of. The share of equity of the foreign associates is translated using the same method. Income and expenses are translated using average annual exchange rates.

Foreign currency transactions in the companies' individual accounts are accounted for using historical exchange rates. Exchange gains or losses from the measurement of monetary items in foreign currency at the balance sheet date are recognised in profit or loss. Exceptions to the described translation method are exchange differences arising from foreign currency borrowings, to the extent that they are part of a net investment in a foreign operation. They are part of a net investment in a foreign operation if settlement is neither planned nor likely to occur in the foreseeable future. Translation differences are recognised directly in equity until the net investment is sold and are not recognised in profit or loss until its disposal.

The following key exchange rates were used in the translation of the companies' individual accounts into euro:

Exchange rates		Exchange rates at reporting day		Average annual exchange rates	
EUR		31 Dec. 2008	**31 Dec. 2009**	2008	**2009**
USD	US	1.3978	**1.4316**	1.4711	**1.3945**
AUD	Australia	1.9762	**1.5956**	1.7270	**1.7582**
CAD	Canada	1.7004	**1.5058**	1.5693	**1.5902**
CNY	China	9.5365	**9.7720**	10.2231	**9.5252**
GBP	Great Britain	0.9557	**0.8862**	0.7942	**0.8901**
GEL	Georgia	2.3231	**2.3846**	2.1854	**2.3180**
GHC	Ghana	1.7256	**2.0674**	1.5688	**1.9844**
HKD	Hong Kong	10.8328	**11.0995**	11.4538	**10.8089**
IDR	Indonesia	15,305.91	**13,457.04**	14,353.58	**14,441.58**
INR	India	67.9051	**66.4262**	63.8499	**67.3213**
KZT	Kazakhstan	169.0499	**212.5497**	176.9747	**205.8507**
MYR	Malaysia	4.8224	**4.8989**	4.9009	**4.9104**
NOK	Norway	9.7081	**8.2938**	8.3045	**8.7607**
PLN	Poland	4.1389	**4.0955**	3.5407	**4.3377**
RON	Romania	4.0286	**4.2327**	3.7038	**4.2437**
RUB	Russia	42.6679	**43.3932**	36.6032	**44.2312**
SEK	Sweden	10.9175	**10.2505**	9.6982	**10.6529**
CZK	Czech Republic	26.7175	**26.3085**	25.0733	**26.5105**
HUF	Hungary	263.2057	**269.0835**	252.8874	**280.8815**
TZS	Tanzania	1,789.60	**1,899.49**	1,755.13	**1,839.68**
TRY	Turkey	2.1526	**2.1402**	1.9187	**2.1649**

Consolidation scope

In addition to HeidelbergCement AG, the Group annual accounts include 941 companies that have been fully or proportionately consolidated, of which 61 are German and 880 are foreign.

Proportionately consolidated joint ventures according to IAS 31 accounted for 6.7 % (previous year: 2.0 %) of the revenues and 5.8 % (previous year: 5.6 %) of the expenses; they contributed 3.9 % (previous year: 3.0 %) and 7.4 % (previous year: 5.6 %), respectively, to the consolidated long-term and short-term assets. Furthermore, they account for 2.1 % (previous year: 0.8 %) of the long-term and 8.5 % (previous year: 7.7 %) of the short-term liabilities.

Business combinations in the reporting year

On 1 January 2009, Gralex S.A., Belgium, proportionately consolidated with a shareholding of 50 %, was divided between the joint venture partners by way of a partnership division. The assets and liabilities were transferred to the newly founded company Sagrex S.A. HeidelbergCement holds a 100 % share in Sagrex S.A. The partnership division was effected as a barter transaction in the form of a successive business acquisition without adjustment payments. The value of the consideration for the acquired 50 % was EUR 48.7 million. No goodwill arose on the transaction. For the 2009 financial year, Sagrex S.A. achieved a turnover of EUR 61.7 million and a profit of EUR 5.0 million.

The assets and liabilities were revalued as follows:

Assets and liabilities contributed by the company consolidated for the first time at acquisition date EURm	Carrying value	Fair value
Long-term assets		
Intangible assets	2.9	2.7
Tangible fixed assets	84.3	144.8
Financial fixed assets	0.3	0.3
Fixed assets	**87.5**	**147.8**
Short-term assets		
Stocks	4.5	5.3
Receivables and other assets	23.2	23.2
Cash and cash equivalents	0.1	0.1
	27.8	**28.6**
Total assets	**115.3**	**176.4**
Long-term provisions and liabilities		
Provisions	4.6	4.6
Deferred taxes	9.1	36.1
	13.7	**40.7**
Short-term provisions and liabilities		
Provisions	0.6	0.6
Liabilities	37.4	37.4
	38.0	**38.0**
Total liabilities	**51.7**	**78.7**

The assets and liabilities were included in the Group annual accounts of HeidelbergCement AG on the basis of final figures. Apart from this, there were no significant business combinations in the reporting year.

Business combinations in the previous year

The net assets of the companies in Belgium, Georgia, Kazakhstan, and the Ukraine included in the Group annual accounts for the first time in the 2008 financial year amounted to EUR 23.7 million. The first-time consolidation resulted in goodwill of EUR 54.8 million. In Indonesia, net assets of EUR 3.3 million were acquired in an asset deal.

Disinvestments in the reporting year

On 14 May 2009, HeidelbergCement sold its 50 % participation in the Australian joint venture Pioneer Road Services Pty Ltd, Melbourne. The assets and liabilities at the time of sale are shown in the following table.

Assets and liabilities in the subsidiary disposed of EURm	**2009**
Long-term assets	
Intangible assets	2.1
Tangible fixed assets	25.1
Financial fixed assets	0.7
Fixed assets	**27.9**
Deferred taxes	0.7
	28.6
Short-term assets	
Stocks	2.8
Receivables and other assets	24.3
Cash and cash equivalents	3.4
	30.5
Total assets	**59.1**
Long-term provisions and liabilities	
Provisions	0.2
Liabilities	0.2
	0.4
Short-term provisions and liabilities	
Provisions	1.7
Liabilities	30.1
	31.8
Total liabilities	**32.2**

In addition, Industry Petrobeton OOO, Saint Petersburg/Russia was sold in December 2009. The net assets at the time of sale amounted to EUR 0.9 million.

On 18 June 2009, HeidelbergCement sold 520.5 million shares in the Indonesian cement manufacturer PT Indocement Tunggal Prakasa. This reduced the shareholding by 14.1 % to 51.0 %.

Principal shareholdings

Affiliated companies	Equity EURm [3]	Holding in % [1]
Europe		
Cement		
Carpatcement Holding S.A., Bucharest/Romania	230	99.0
Castle Cement Limited, Maidenhead/UK	87	100.0
CaucasusCement Holding BV, ‘s-Hertogenbosch/Netherlands	95	75.0
CBR Baltic B.V., ‘s-Hertogenbosch/Netherlands	420	100.0
CBR International Services S.A., Brussels/Belgium	1,205	100.0
CBR Portland B.V., ‘s-Hertogenbosch/Netherlands	74	100.0
Cementa AB, Stockholm/Sweden	40	100.0
Ceskomoravský Cement, a.s., Mokra/Czech Republic	188	100.0
Civil and Marine Slag Cement Limited, Maidenhead/UK	168	100.0
Ekocem Sp. z o.o., Katowice/Poland	44	100.0
ENCI Holding N.V., ‘s-Hertogenbosch/Netherlands	410	100.0
Górazdze Cement S.A., Opole/Poland	180	100.0
Hanson Limited, Maidenhead/UK	5,249	100.0
HeidelbergCement Central Europe East Holding B.V., ‘s-Hertogenbosch/Netherlands	1,019	100.0
HeidelbergCement Denmark A/S, Ringsted/Denmark	50	100.0
HeidelbergCement International Holding GmbH, Heidelberg	6,807	100.0
HeidelbergCement Netherlands Holding B.V., ‘s-Hertogenbosch/Netherlands	694	100.0
HeidelbergCement Northern Europe AB, Stockholm/Sweden	502	100.0
HeidelbergCement Sweden AB, Stockholm/Sweden	685	100.0
HeidelbergCement UK Holding II Limited, Maidenhead/UK	7,947	100.0
HeidelbergCement UK Holding Limited, Maidenhead/UK	2,537	100.0
HeidelbergCement UK Limited, Maidenhead/UK	80	100.0
HeidelbergCement Norway AS, Oslo/Norway	177	100.0
Kunda Nordic Cement Corp., Kunda/Estonia	128	75.0
LLC SaqCementi, Tbilisi/Georgia	17	75.0
Norcem AS, Oslo/Norway	39	100.0
OAO Cesla, Slantsy/Russia	51	96.7
Public Joint Stock Company "HeidelbergCement Ukraine", Kryvyi Rih/Ukraine	88	99.7
S.A. Cimenteries CBR, Brussels/Belgium	664	100.0
HC Zementwerk Hannover GmbH, Hanover	11	100.0
Aggregates and concrete		
Abetong AB, Växjö/Sweden	18	100.0
Betongindustri AB, Stockholm/Sweden	9	100.0
BLG Betonlieferungsgesellschaft mbH, Munich	8	100.0
BT Poznan sp. z o.o., Poznan/Poland	1	75.0
BT Topbeton Sp. z.o.o., Zielona Góra/Poland	7	50.0
Carpat Agregate SA, Bucharest/Romania	8	98.5

Affiliated companies	Equity EURm [3]	Holding in % [1]
Europe (cont.)		
Carpat Beton S.R.L., Bucharest/Romania	21	99.0
Ceskomoravský Beton, a.s., Beroun/Czech Republic	32	100.0
Ceskomoravský Sterk, a.s., Mokra/Czech Republic	68	100.0
Euroc Beton AB, Växjö/Sweden	73	100.0
Górazdze Beton sp. z o.o., Opole/Poland	27	100.0
Hanson Aggregates Belgium NV, Zeebrugge/Belgium	10	100.0
Hanson Aggregates Nederland B.V., Amsterdam/Netherlands	*	100.0
Hanson Aggregates Verwaltungs GmbH, Leinatal	*	100.0
Hanson Finance Limited, Maidenhead/UK	933	100.0
SAGREX S.A., Brussels/Belgium	52	100.0
Hanson Germany GmbH & Co. KG, Leinatal	6	100.0
Hanson Hispania, S.A., Madrid/Spain	103	100.0
Hanson Holdings Limited, Maidenhead/UK	2,197	100.0
Hanson Pioneer España, S.L., Madrid/Spain	97	100.0
Hanson Quarry Products Europe Ltd, Maidenhead/UK	41,489	100.0
Hanson Quarry Products (Israel) Ltd, Ramat Gan/Israel	91	100.0
DK Beton A/S, Ringsted/Denmark	10	100.0
Heidelberger Beton GmbH, Heidelberg	49	100.0
Heidelberger Sand und Kies GmbH, Heidelberg	72	100.0
Houserate Limited, Maidenhead/UK	1,080	100.0
Inter-Beton S.A., Brussels/Belgium	13	99.8
Limited Liability Company Rybalsky Quarry, Dnepropetrovsk/Ukraine	1	100.0
MEBIN B.V., 's-Hertogenbosch/Netherlands	61	100.0
Norbetong AS, Oslo/Norway	58	100.0
Opolskie Kopalnie Surowcow Mineralnych sp. z.o.o., Opole/Poland	24	100.0
Sand & Grus AB Jehander, Stockholm/Sweden	11	100.0
Sandwerke Biesern GmbH, Penig	10	100.0
TBG Transportbeton Kurpfalz GmbH & Co. KG, Eppelheim	4	51.1
TBH Transportbeton Hamburg GmbH & Co. KG, Hamburg	*	85.0
Building products		
Baustoffwerke Dresden GmbH & Co. KG, Dresden	1	51.0
Hanson Building Products Limited, Maidenhead/UK	*	100.0
HeidelbergCement Baustoffe für Geotechnik GmbH & Co. KG, Ennigerloh	6	100.0
Heidelberger Betonelemente GmbH & Co. KG, Chemnitz	5	83.0
Heidelberger Kalksandstein GmbH, Durmersheim	15	100.0
Heidelberger Kalksandstein Grundstücks- u. Beteiligungs GmbH & Co. KG, Durmersheim	20	100.0
HKS Hunziker Kalksandstein AG, Aargau/Switzerland	6	66.7
Walhalla Kalk GmbH & Co. KG, Regensburg	9	79.9

Affiliated companies	Equity EURm [3]	Holding in % [1]
North America		
Cement		
Lehigh Hanson, Inc., Wilmington/US	1,548	100.0
Lehigh B.V., ‘s-Hertogenbosch/Netherlands	5,966	100.0
Lehigh Cement Company LLC, Wilmington/US	751	100.0
Lehigh Southwest Cement Company, Sacramento/US	266	100.0
Permanente Cement Company, Sacramento/US	*	100.0
Aggregates and concrete		
Campbell Concrete & Materials, LLC, Austin/US	62	100.0
Continental Florida Materials Inc., Tallahassee/US	96	100.0
HBMA Holdings, LLC, Wilmington/US	2,934	100.0
Material Service Corporation, Springfield/US	24	100.0
Mission Valley Rock Co., Sacramento/US	78	100.0
Sherman Industries, LLC, Montgomery/US	78	100.0
Sinclair General Corporation, Panama City/Panama	8,012	100.0
Building products		
Hanson Hardscape Products, LLC, Dover/US	38	100.0
Hanson Pipe & Precast, LLC, Wilmington/US	475	100.0
Asia-Australia-Africa		
Cement		
Bukhtarminskaya Cement Company, New Bukhtarma village/Kazakhstan	42	100.0
Butra HeidelbergCement Sdn. Bhd., Bandar Seri Begawan/Brunei	9	70.0
Cimbenin S.A., Cotonou/Benin	*	55.9
Ciments du Togo S.A., Lomé/Togo	4	99.6
Cimgabon S.A., Libreville/Gabon	8	75.0
Cochin Cements Ltd., Kottyam/India	*	98.7
Ghacem Ltd., Accra/Ghana	40	93.1
HeidelbergCement Bangladesh Ltd., Chittagong/Bangladesh	34	60.7
HeidelbergCement India Ltd., Ammasandra/India	109	68.6
Liberia Cement Corporation Ltd., Monrovia/Liberia	3	62.8
PT Indocement Tunggal Prakarsa Tbk., Jakarta/Indonesia	788	51.0
Scancem International ANS, Oslo/Norway	100	100.0
Sierra Leone Cement Corp. Ltd., Freetown/Sierra Leone	8	50.0
Tanzania Portland Cement Company Ltd., Dar Es Salaam/Tanzania	74	69.3
Aggregates and concrete		
Hanson Australia (Holdings) Pty Ltd, Victoria/Australia	1,919	100.0
Hanson Australia Funding Ltd, New South Wales/Australia	*	100.0
Hanson Building Materials Malaysia Sdn Bhd, Kuala Lumpur/Malaysia	8	100.0
Hanson Construction Materials Pty Ltd, Queensland/Australia	22	100.0
Hanson Finance Australia Ltd, Australian Capital Territory/Australia	36	100.0

Affiliated companies	Equity EURm 3)	Holding in % 1)
Asia-Australia-Africa (cont.)		
Hanson Quarry Products (Holdings) Sdn Bhd, Kuala Lumpur/Malaysia	47	100.0
Pioneer Concrete (Hong Kong) Ltd, Hong Kong/China	37	100.0
Pioneer Concrete Services (Malaysia) Sdn Bhd, Kuala Lumpur/Malaysia	*	100.0
Pioneer International (Labuan) Ltd, Labuan/Malaysia	*	100.0
Group Services		
HC Trading B.V., 's-Hertogenbosch/Netherlands	15	100.0

Proportionately consolidated companies	Equity EURm 3)	Holding in % 1)
Europe		
Cement		
Duna-Dráva Cement Kft, Vác/Hungary 4)	195	50.0
Tvornica Cementa Kakanj d.d., Kakanj/Bosnia-Herzegovina 4)	87	45.6
Aggregates and concrete		
Lithonplus GmbH & Co. KG, Lingenfeld 2)	9	60.0
Mibau Holding GmbH, Cadenberge	24	50.0
Midland Quarry Products Limited, Whitwick/UK	63	50.0
TBG Hungaria-Beton Befektetö, Gyarto es Forgalmazo Kft, Vác/Hungary 4)	13	50.0
TBG Transportbeton Franken GmbH & Co. KG, Fürth 2)	1	51.0
Trapobet Transportbeton GmbH Kaiserslautern KG, Kaiserslautern	1	50.0
Wetterauer Lieferbeton GmbH & Co. KG, Bad Nauheim 2)	*	57.5
Building products		
Heidelberger Betonelemente GmbH & Co. KG, Baden-Baden 2)	2	89.9
North America		
Cement		
Texas-Lehigh Cement Company LP, Austin/US	22	50.0
Asia-Australia-Africa		
Cement		
Akçansa Çimento Sanayi ve Ticaret A.S., Istanbul/Turkey	382	39.7
Cement Australia Holdings Pty Ltd, New South Wales/Australia	301	25.0
China Century Cement Limited, Hamilton/Bermuda	40	50.0
Jidong Heidelberg (Fufeng) Cement Company Limited, Baoji/China	76	48.1
Jidong Heidelberg (Jingyang) Cement Company Limited, Xianyang City/China	80	50.0
Karçimsa Çimento Sanayi ve Ticaret A.S., Karabük/Turkey	13	20.3
Aggregates and concrete		
Alliance Construction Materials Ltd, Hong Kong/China	16	50.0

Associated companies	Equity EURm [3]	Holding in % [1]
Europe		
Cement		
NCD Nederlandse Cement Deelnemingsmaatschappij B.V., Zwolle/Netherlands	*	36.9
Südbayerisches Portland-Zementwerk Gebr. Wiesböck & Co. GmbH, Rohrdorf	233	25.0
Aggregates and concrete		
Kronimus AG, Iffezheim	19	24.9
Asia-Australia-Africa		
Aggregates and concrete		
Metromix Pty Ltd, New South Wales/Australia	15	50.0

[1] Ultimate shareholding
[2] Due to contractual regulations, the company is included as a proportionately consolidated company in the consolidated financial statements even though the shareholding exceeds 50 %.
[3] Amounts stated are based on the statutory accounts. In case the 2009 accounts were not yet available, the 2008 amounts were stated.
[4] The consolidation method was changed from full consolidation to proportional consolidation on 31 December 2009 due to changes in shareholding.
* Equity below EUR 0.5 million

The complete list of our shareholdings, accompanied by all legally required information, will be published in the Electronic Federal Gazette. The list of shareholdings also includes a concluding list of all subsidiaries that make use of the exemption from disclosure obligations in accordance with § 264b of the German Commercial Code.

Notes to the segment reporting

Certain key figures are represented by Group areas and business lines in accordance with IFRS 8 (Operating Segments). The segments disclosed correspond to the Group's internal management reporting. HeidelbergCement is geographically divided into the three Group areas: Europe, North America and Asia-Australia-Africa.

In the business lines, we combine operating lines that are active in related markets. The aggregates and concrete business line is composed of the operating lines aggregates, ready-mixed concrete, concrete products and asphalt. The building products business line contains the operating lines bricks, aircrete blocks and pipes. Group Services includes the Group's trading activities.

Turnover with Group areas or business lines represents the turnover between segments. Transfer prices were determined in accordance with the market prices.

Notes to the profit and loss accounts

1 Turnover

Turnover development by Group areas and business lines EURm	Cement 2008	Cement 2009	Aggregates and concrete 2008	Aggregates and concrete 2009	Building products 2008	Building products 2009	Intra-Group eliminations 2008	Intra-Group eliminations 2009	Total 2008	Total 2009
Europe	3,436	**2,533**	3,521	**2,639**	664	**523**	-431	**-395**	7,190	**5,300**
North America	1,138	**851**	2,035	**1,461**	959	**721**	-175	**-142**	3,958	**2,892**
Asia-Australia-Africa	1,723	**1,898**	1,210	**1,023**	54	**28**	-44	**-82**	2,943	**2,867**
Total	6,298	**5,282**	6,766	**5,123**	1,677	**1,273**	-651	**-619**	14,091	**11,058**
Group Services									701	**475**
Inter-Group area turnover									-605	**-416**
Continuing operations									14,187	**11,117**

2 Other operating income

Other operating income EURm	2008	**2009**
Income from sale of non-core products	76.6	**56.5**
Rental income	26.3	**30.5**
Income from reduction of bad debt provision	5.3	**8.0**
Gains from sale of fixed assets	84.6	**150.7**
Write back of provisions	33.4	**16.1**
Other income	144.0	**149.7**
	370.2	**411.5**

The gains from sale of assets mainly comprise sales of excess emission rights. Significant non-recurring transactions occurring in the course of ordinary business activity are shown in the additional ordinary income.

3 Material costs

Material costs EURm	2008	**2009**
Raw materials	2,534.5	**1,776.5**
Supplies, repair materials and packaging	855.5	**705.5**
Costs of energy	1,474.0	**1,122.0**
Goods purchased for resale	654.6	**477.8**
Miscellaneous	174.3	**137.7**
	5,692.9	**4,219.5**

Material costs amounted to 38.0% of turnover (previous year: 40.1%). The decline in energy costs is due to lower fuel costs in particular.

4 Employees and personnel costs

Personnel costs EURm	2008	2009
Wages, salaries, social security costs	2,170.4	**1,891.9**
Costs of retirement benefits	81.0	**94.5**
Other personnel costs	46.2	**55.1**
	2,297.6	**2,041.5**

Personnel costs equalled 18.4 % of turnover (previous year: 16.2 %). The development of expenses for retirement benefits is explained in Note 41 Provisions for pensions.

Annual average number of employees Categories of employees	2008	2009
Blue-collar employees	43,869	**40,519**
White-collar employees	18,728	**15,794**
Apprentices	319	**410**
	62,916	**56,723**

The average number of employees of proportionately consolidated companies amounted to 3,301 (previous year: 3,356). During the reporting period, the number of employees at the balance sheet date decreased by 7,539 compared with the previous year to 53,302 (previous year: 60,841). The decline is attributable to capacity adjustment measures in particular.

5 Other operating expenses

Other operating expenses EURm	2008	2009
Selling and administrative expenses	972.3	**849.2**
Freight	1,425.7	**1,062.6**
Expenses for third party repairs and services	992.0	**721.6**
Rental and leasing expenses	195.6	**167.5**
Other expenses	84.7	**97.7**
Other taxes	48.9	**32.9**
	3,719.2	**2,931.5**

Expenses of EUR 50.1 million (previous year: 52.6) for research and technology are not capitalised according to the conditions stated in IAS 38 (Intangible Assets).

Significant non-recurring transactions occurring in the course of ordinary business activities are shown in the additional ordinary expenses.

6 Amortisation and depreciation of intangible assets and tangible fixed assets

Scheduled amortisation and depreciation of intangible assets and tangible fixed assets is determined on the basis of the following Group-wide useful lives:

Useful lives	Years
Standard software	**3**
SAP applications	**3 to 5**
Buildings	**20 to 40**
Technical equipment and machinery	**10 to 20**
Plant and office equipment	**5 to 10**
IT hardware	**4 to 5**

Impairment losses are shown in the additional ordinary expenses.

7 Additional ordinary result

The additional ordinary result includes transactions which, although occurring in the course of ordinary business activities, are not shown in operating income because they are non-recurring.

Additional ordinary result EURm	2008	**2009**
Additional ordinary income		
Non-recurring income	160.6	**140.2**
Reversal of impairment losses	7.4	**3.9**
	168.0	**144.1**
Additional ordinary expenses		
Non-recurring expenses	-173.3	**-144.5**
Impairment losses	-365.5	**-494.6**
	-538.8	**-639.1**
	-370.8	**-495.0**

The non-recurring income primarily includes profits from fixed asset disposals. The partnership division of Gralex S.A. resulted in a book profit of EUR 21.2 million.

Reversals of impairment losses to the value in use were recognised for tangible fixed assets impaired in previous years.

The non-recurring expenses include losses from the sale of fixed assets and additions to provisions for restructuring and other risks. The expenses for restructuring amounted to EUR 58.4 million (previous year: 77.1).

Following the goodwill impairment test, impairment losses amounting to EUR 420.5 million (previous year: 329.4) were recognised in the reporting year. The impairment losses primarily relate to North America (EUR 332.1 million), Spain (EUR 59.9 million), Israel (EUR 14.0 million), and the United Kingdom (EUR 11.9 million). Detailed explanations of the impairment test can be found on pages 96 ff. The significant impairments in the previous year related to the goodwill in the United Kingdom (EUR 212.2 million), Georgia (EUR 68.2 million), Spain (EUR 34.5 million), and Singapore (EUR 8.4 million).

Impairment losses amounting to EUR 54.3 million (previous year: 35.2) were recognised on tangible fixed assets, of which EUR 13.3 million was impaired to the value in use and EUR 41.0 million was impaired to the market value less costs of disposal. Significant items were impairments of buildings and technical equipment in the building products business line in the United Kingdom (EUR 24.2 million) and North America (EUR 16.9 million).

8 Result from participations

Result from participations EURm	2008	**2009**
Results from associated companies	46.9	**34.1**
Income from financial investments	6.0	**7.4**
Impairment of other participations	-2.4	**-5.0**
Reversal of impairment of loans	0.9	**1.6**
	51.4	**38.1**

The results from associated companies are measured using the gross amounts, i.e. they are shown before taxes on income. The Group's share of their tax expense is reported under taxes on income. The income from financial investments essentially includes profit distributions from corporations and partnerships.

9 Other financial result

Other financial result EURm	2008	**2009**
Interest balance from defined benefit pension plan	-24.9	**-42.7**
Interest portion from the valuation of other provisions	-7.5	**-15.0**
Miscellaneous other financial result	-54.2	**-171.9**
	-86.6	**-229.6**

The miscellaneous other financial result contains a finance charge of EUR 131.1 million (previous year: 0) in connection with the syndicated credit facility, expenses from the market valuation of financial investments "held for trading" of EUR 7.7 million (previous year: 25.2), the result from put options held by minorities of EUR 3.2 million (previous year: 3.2), and other financial expenses.

10 Taxes on income

Taxes on income from continuing operations EURm	2008	**2009**
Current taxes	-356.8	**-6.2**
Deferred taxes	29.4	**196.3**
	-327.4	**190.1**

The reduction of EUR 350.6 million in current taxes is essentially attributable to the decline in earnings in the US, Canada, Northern Europe, the Benelux countries, Ukraine, and the Czech Republic. The decrease was also largely due to one-off effects from the release of tax accruals. Adjusted for additional tax payments and tax refunds for previous years, which amounted to EUR 165.8 million (previous year: -11.5), the current taxes decreased by EUR 173.3 million. The share of associates' tax expense accounted for "at equity" and amounting to EUR 6.1 million (previous year: 3.7) is included in the current taxes.

Deferred tax assets created in previous years for losses carried forward fell by EUR 43.3 million (previous year: 23.7) during the reporting year. The reduction in the tax expense for deferred taxes as a result of tax losses not recognised in previous years amounted to EUR 43.3 million (previous year: 27.7) in the financial year.

Tax losses carried forward and tax credits for which no deferred tax is recognised amount to EUR 2,286.9 million (previous year: 1,683.5). The change essentially results from restructuring measures in Luxembourg. The losses carried forward both in Germany and abroad have essentially vested. Unrecognised deferred tax assets amounted to EUR 666.3 million (previous year: 358.6) in the reporting year.

In 2009, EUR 65.3 million (previous year: -25.8) of deferred taxes, resulting primarily from the measurement of pension obligations in accordance with IAS 19, were charged directly to equity. The provision for deferred taxes increased by EUR 13.5 million (previous year: 5.4) as a result of changes in the scope of consolidation; the increase was recognised directly in shareholder's equity. This includes the successive acquisition in connection with the partnership division of Gralex S.A., amounting to EUR 13.5 million.

The long-term tax liabilities of EUR 79.8 million (previous year: 243.2) include contingent liabilities recognised in connection with the acquisition of the Hanson Group in accordance with IFRS 3.37.

In accordance with IAS 12, deferred taxes must be recognised on the difference between the share of equity of a subsidiary recognised in the Group balance sheet and the carrying amount for this subsidiary in the parent company's tax accounts, if realisation is more likely than not (Outside Basis Differences). On the basis of the regulations for the application of IAS 12.39, deferred taxes of EUR 5.4 million (previous year: 5.4) were recognised on planned future dividends. No deferred tax liabilities were recognised for outside basis differences from the undistributed profits of the subsidiaries of HeidelbergCement AG amounting to EUR 3.6 billion (previous year: 3.4), as no further dividend payments are planned.

To measure deferred taxes, an average income tax rate of 29.13 % is applied for the domestic companies.

Tax reconciliation of continuing operations EURm	2008	**2009**
Profit before tax	997.9	**-14.5**
Impairment of goodwill	-329.4	**-420.5**
Profit before tax and impairment of goodwill	1,327.3	**406.0**
Theoretical tax expense at 13,7 % (2008: 22,8 %) [1]	-302.3	**-55.6**
Changes to the theoretical tax expense due to:		
Tax-free earnings (+) and non deductible expenses (-)	-25.1	**94.7**
Effects from loss carryforwards	5.0	**1.2**
Not recognised deferred tax assets	-38.0	**-18.1**
Tax increase (-), reduction (+) for prior years	-11.5	**165.8**
Changes in tax rate	44.5	**2.1**
Taxes on income	-327.4	**190.1**

[1] Weighted average tax rate

Deferred tax by type of temporary difference EURm	2008	**2009**
Deferred tax assets		
Fixed assets	19.1	**62.0**
Other assets	14.8	**88.9**
Provisions and liabilities	581.7	**626.9**
Carryforward of unused tax losses and tax credits	206.8	**311.2**
Gross amount	822.4	**1,089.0**
Netting	-692.9	**-820.2**
	129.5	**268.8**
Deferred tax liabilities		
Fixed assets	1,464.9	**1,508.5**
Other assets	117.4	**68.6**
Provisions and liabilities	77.2	**135.5**
Gross amount	1,659.5	**1,712.6**
Netting	-692.9	**-820.2**
	966.6	**892.4**

11 Discontinued operations

The following table shows the composition of the results from discontinued operations.

Post-tax profit or loss from discontinued operations EURm	2008	**2009**
Revenue	188.4	
Expenses	-215.6	**-13.6**
Income tax expense / revenue	-0.5	**5.6**
Gain from disposal of discontinued operations	1,276.9	
Post-tax profit from discontinued operations	1,249.3	**-8.0**

The profit from discontinued operations includes the expenses incurred in connection with operations of the Hanson Group discontinued in previous years. In the previous year, the profit also included the income and expenses of maxit Group up to the date of sale and the deconsolidation gain as well as income and expenses arising in connection with the sale.

12 Proposed dividend

The Managing Board and Supervisory Board propose the following dividend: EUR 0.12 dividend per share. Based on 187,500,000 no-par value shares, entitled to participate in dividends for the 2009 financial year, the amount for dividend payment is EUR 22,500,000.

13 Earnings per share (Basic Earnings per Share IAS 33.10)

Earnings per share EURm	2008	**2009**
Profit for the financial year	1,919.8	**167.7**
Minority interests	111.6	**125.1**
Group share of profit	1,808.2	**42.6**
Number of shares in '000s (weighted average)	124,315	**142,170**
Earnings per share in EUR	14.55	**0.30**
Net income from continuing operations attributable to the parent entity	558.5	**50.6**
Earnings per share in EUR – continuing operations	4.50	**0.36**
Net income/loss from discontinued operations attributable to the parent entity	1,249.7	**-8.0**
Earnings/loss per share in EUR – discontinued operations	10.05	**-0.06**

The basic earnings per share are calculated in accordance with IAS 33 (Earnings per Share), by dividing the Group share of profit for the financial year by the weighted average of the number of issued shares. The diluted earnings per share indicator takes into account not only currently issued shares but also shares potentially available through option rights. The earnings per share were not diluted in the reporting period in accordance with IAS 33.30.

Notes to the cash flow statement

The cash flow statement shows how the Group's cash changed through inflows and outflows during the reporting year. Cash flows are categorised according to operating, investing and financing activities (IAS 7 Cash Flow Statements).

The net cash from operating activities is calculated as profit after tax from continuing operations adjusted for taxes on income, net interest and non-cash items. Cash flows from dividends received, interest and taxes paid, changes in working capital, and utilisation of provisions are also recognised.

Net cash used in investing activities includes cash outflow for capital expenditures, cash inflow from disposals, and changes in the consolidation scope.

Net cash used in financing activities mainly results from changes in capital, dividend payments as well as proceeds from and repayments of bonds and loans.

14 Dividends received

The receipt of dividends from non-consolidated companies is shown here.

15 Interest paid

In accordance with IAS 7 (Cash Flow Statements), the interest paid must be shown separately.

16 Elimination of non-cash items

The non-cash items mainly include depreciation and amortisation as well as additions to and release of provisions. Furthermore, the profits were adjusted for the profits and losses from fixed asset disposals. The total amount earned from these disposals is shown under proceeds from fixed asset disposals in investing activities.

17 Changes in operating assets

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

18 Changes in operating liabilities

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

19 Decrease in provisions through cash payments

This item includes the cash outflow of provisions for pensions and other provisions.

20 Investments (cash outflow)

The investments relate to cash outflows for intangible assets and tangible and financial fixed assets. They differ from additions in the fixed-asset movement table, which, for example, shows non-cash items as additions, e.g. additions in connection with barter transactions or contributions in kind. Furthermore, purchases of shares in consolidated companies are shown in the cash flow statement under investments in financial fixed assets while such acquisitions do not appear as additions in the fixed-asset movement schedule. The investments in financial fixed assets relate to smaller bolt-on acquisitions of shareholdings, primarily in the Europe Group area.

21 Proceeds from fixed asset disposals

Cash flows from the sale of intangible, tangible and financial fixed assets and the repayment of loans are shown here. The following list shows the significant cash sales of financial fixed assets in the reporting year:

- 14.1% of the shares in PT Indocement Tunggal Prakarsa/Indonesia for EUR 216.0 million;
- Pioneer Road Services Pty Ltd/Australia for EUR 57.2 million;
- 8.37% of the shares in Südbayerisches Portland-Zementwerk Gebr. Wiesböck & Co. GmbH/Germany for EUR 21.2 million;
- Kalkfabrik Netstal AG/Switzerland for EUR 5.8 million.

In the previous year, the largest item was the payment of EUR 2,030.4 million received in connection with the sale of maxit Group.

22 Cash from changes in consolidation scope

This line shows the change in cash arising from the first consolidation or deconsolidation of subsidiaries and other changes in the consolidation scope or consolidation method. Cash amounting to EUR 3.4 million was disposed of in connection with the sale of Pioneer Road Services. In the reporting year, no cash was acquired in connection with financial acquisitions.

23 Increase in capital after retention

The capital increase includes the gross proceeds less the withheld transaction costs.

24 Dividend payments to minority shareholders

The item dividend payments to minority shareholders shows dividends paid during the financial year for minority interests.

25 Proceeds from bond issuance and loans

This item essentially includes the proceeds from the syndicated credit facility of EUR 8.7 billion in June 2009 and the three Eurobonds issued in October with a total issue volume of EUR 2.5 billion with terms of five, seven, and ten years.

26 Repayment of bonds and loans

This item includes the scheduled repayments of financial liabilities and the balance from the proceeds and payments for items with a high turnover rate, large amounts, and short terms from financing activities.

This includes the repayment of the EUR 300 million bond in April 2009 and the repayment of the syndicated acquisition financing (Hanson) and various bilateral lines via the refinancing proceeds from the new syndicated credit facility of EUR 8.7 billion in June 2009. Also included is the repayment from the capital increase of EUR 2.3 billion and the repayment from the issue of bonds totalling EUR 2.5 billion in October 2009. Proceeds from the sale of participations and assets not required for operational purposes were also used to repay debts. In addition, scheduled repayments were made for debt certificates and commercial papers.

27 Cash and cash equivalents

Cash and cash equivalents with a remaining term of less than three months are included. EUR 110.0 million (previous year: 58.6) of the cash is not available for use by HeidelbergCement. The restrictions relate primarily to amounts pledged as collateral for local guarantee facilities and funds in connection with terminated long-term incentive plans from the takeover of the Hanson Group, as well as earmarked funds that can be used only for insurance payments. The restricted funds can be exchanged by providing other guarantees.

Notes to the balance sheet – Assets

28 Intangible assets

Intangible assets EURm	Goodwill	Other intangible fixed assets	Total
Cost			
1 January 2008	11,083.7	327.7	11,411.4
Currency translation	-785.4	-18.2	-803.6
Change in consolidation scope	170.2	78.5	248.7
Additions	90.3	56.8	147.1
Disposals	-29.3	-10.4	-39.7
Reclassifications	0.6	9.8	10.4
31 December 2008	10,530.1	444.2	10,974.3
Amortisation and impairment			
1 January 2008	399.7	129.4	529.1
Currency translation	-70.9	-2.1	-73.0
Change in consolidation scope	-0.2	24.1	23.9
Additions		26.3	26.3
Impairment	329.4	0.9	330.3
Disposals	-8.8	-9.8	-18.6
Reclassifications		5.3	5.3
31 December 2008	649.2	174.1	823.3
Carrying amount at 31 December 2008	**9,880.9**	**270.1**	**10,151.0**
Cost			
1 January 2009	10,530.1	444.2	10,974.3
Currency translation	298.5	-2.5	296.0
Change in consolidation scope	137.4	4.1	141.5
Additions	0.6	43.2	43.8
Disposals	-76.4	-6.6	-83.0
Reclassifications	-0.2	15.6	15.4
31 December 2009	10,890.0	498.0	11,388.0
Amortisation and impairment			
1 January 2009	649.2	174.1	823.3
Currency translation	16.6	-0.7	15.9
Change in consolidation scope	0.7	2.0	2.7
Additions		42.0	42.0
Impairment	420.5	19.8	440.3
Disposals	-1.2	-4.8	-6.0
Reclassifications		1.0	1.0
31 December 2009	1,085.8	233.4	1,319.2
Carrying amount at 31 December 2009	**9,804.2**	**264.6**	**10,068.8**

Larger individual items of goodwill are connected with the acquisition of the Hanson Group, London/United Kingdom, S.A. Cimenteries CBR, Brussels/Belgium, Lehigh Hanson Inc., Wilmington/US, HeidelbergCement Northern Europe AB, Stockholm/Sweden, Akçansa Cimento Sanayi ve Ticaret A.S., Istanbul/Turkey, and ENCI N.V., 's-Hertogenbosch/Netherlands.

Goodwill impairment tests are carried out annually in accordance with IAS 36 (Impairment of Assets). Impairment losses of EUR 420.5 million were recognised in the reporting year. This impairment is taken into account in the additional ordinary expenses and explained in more detail in Note 7. The valuation of put options held by minorities led to a decrease of EUR 13.1 million in goodwill.

Quarrying rights, concessions, and software are shown under other intangible assets. Emission rights certificates acquired through emissions trading have been accounted for at cost, with a total of EUR 38.9 million (previous year: 35.9). Impairment losses of EUR 17.5 million for quarrying rights were recorded. Self-developed intangible assets of EUR 2.3 million (previous year: 2.6) were capitalised.

Intangible assets with finite useful lives amounted to EUR 250.5 million (previous year: 255.8) and those with indefinite useful lives to EUR 14.1 million (previous year: 14.3). The goodwill comprises acquired market shares that cannot be assigned to any other determinable and separable intangible assets.

29 Tangible fixed assets

Tangible fixed assets EURm	Land and buildings	Plant and machinery	Fixtures, tools and equipment	Payments on account and assets under construction	Total
Cost					
1 January 2008	6,680.8	8,967.5	725.3	771.8	17,145.4
Currency translation	-453.4	-642.5	-32.5	-56.4	-1,184.8
Change in consolidation scope	30.0	88.6	22.9	28.1	169.6
Additions	160.3	279.1	50.7	568.9	1,059.0
Disposals	-85.3	-212.4	-58.4	-3.3	-359.4
Reclassifications	69.8	418.3	34.7	-533.2	-10.4
31 December 2008	6,402.2	8,898.6	742.7	775.9	16,819.4
Depreciation and impairment					
1 January 2008	1,718.1	4,493.4	508.1		6,719.6
Currency translation	-79.4	-316.2	-20.9		-416.5
Change in consolidation scope	24.8	45.6	10.9		81.3
Additions	163.7	549.2	59.7		772.6
Impairment	13.1	22.1			35.2
Reversal of impairment	-0.1	-7.0	-0.3		-7.4
Disposals	-54.3	-188.6	-52.7		-295.6
Reclassifications	-5.9	0.1	0.5		-5.3
31 December 2008	1,780.0	4,598.6	505.3		6,883.9
Carrying amount at 31 December 2008	**4,622.2**	**4,300.0**	**237.4**	**775.9**	**9,935.5**
Cost					
1 January 2009	6,402.2	8,898.6	742.7	775.9	16,819.4
Currency translation	188.4	253.0	15.0	0.8	457.2
Change in consolidation scope	68.4	-32.9	-0.3	7.0	42.2
Additions	75.0	160.2	28.5	541.7	805.4
Disposals	-69.4	-173.3	-63.7	-4.2	-310.6
Reclassifications	165.4	490.1	-17.0	-653.9	-15.4
31 December 2009	6,830.0	9,595.7	705.2	667.3	17,798.2
Depreciation and impairment					
1 January 2009	1,780.0	4,598.6	505.3		6,883.9
Currency translation	35.0	133.7	9.4		178.1
Change in consolidation scope	-20.3	-22.1	-2.0		-44.4
Additions	152.1	534.2	56.5		742.8
Impairment	29.9	24.3	0.1		54.3
Reversal of Impairment		-3.9			-3.9
Disposals	-37.1	-138.2	-56.3		-231.6
Reclassifications	-13.7	56.7	-44.0		-1.0
31 December 2009	1,925.9	5,183.3	469.0		7,578.2
Carrying amount at 31 December 2009	**4,904.1**	**4,412.4**	**236.2**	**667.3**	**10,220.0**

Tangible fixed assets include EUR 31.8 million (previous year: 28.5) of capitalised lease assets, of which EUR 28.9 million relates to technical equipment and machinery, EUR 1.8 million to operating and office equipment, and EUR 1.0 million to buildings. Borrowing costs of EUR 10.0 million (previous year: 15.6) were recognised, relating in particular to investments in Eastern European countries. The average capitalisation rate applied was 12 % (previous year: 10 %). Liens amounting to EUR 6.9 million (previous year: 11.0) were granted as security. In the reporting year, impairment losses of EUR 54.3 million and reversals of EUR 3.9 million were recognised; these are shown in the additional ordinary result and explained in Note 7.

30 Investments in associates

The following table contains the summarised financial information concerning the investments in associates of the HeidelbergCement Group.

Investments in associates EURm	2008	**2009**
Investments in associates – balance sheet		
Assets	1,016.6	**677.9**
Liabilities	-450.1	**-301.1**
	566.5	**376.8**
Impairment	-35.0	**-32.1**
Net assets	531.5	**344.7**
Investments in associates – profit and loss accounts		
Turnover	842.8	**791.9**
Profit	42.0	**27.9**
Unrecognised share of losses for the period	-3.3	**-2.0**
Unrecognised share of losses cumulated	-8.5	**-4.7**
Carrying amount of associates	540.0	**349.4**

The joint venture Cement Australia Holdings Pty Ltd/Australia, accounted for in the previous year as an associated company, was included proportionately in the Group annual accounts in the reporting year.

31 Financial investments

This item includes investments in equity securities acquired on the basis of long-term investment planning. As at the reporting date, the fair value of investments categorised as "Available for sale at fair value" amounts to EUR 19.2 million (previous year: 17.8). In the period, changes in the fair value of EUR 4.2 million (previous year: -16.8) were recognised directly in equity and EUR -2.8 million (previous year: 0) released to profit or loss. The carrying amount of the investments classified as "Available for sale at cost" amounts to EUR 60.1 million (previous year: 63.8).

32 Long-term receivables and derivative financial instruments

The following table shows the composition of the long-term receivables and derivative financial instruments.

Long-term receivables and derivative financial instruments EURm	2008	**2009**
Loans to participations	48.6	**19.0**
Other loans	23.7	**45.8**
Derivative financial instruments	0.5	
Other long-term operating receivables	219.5	**157.5**
Other long-term non-financial receivables	146.2	**25.8**
	438.5	**248.1**

The long-term derivative financial instruments have a positive market value of EUR 0 million (previous year: 0.5). The change in fair value amounted to EUR -0.5 million (previous year: -1.5) and was recognised in profit or loss. Additional information on the derivative financial instruments are provided on pages 139 ff.

Other long-term operating receivables particularly include claims for reimbursement against insurance companies for environmental and third-party liability damages. The other long-term non-financial receivables primarily include over-funding of pension schemes as well as prepaid expenses. The decrease in comparison with the previous year mainly relates to the decline in the overfunding of pension schemes.

The following table shows the due term structure of the long-term financial receivables.

Due terms of long-term financial receivables	Loans to participations		Other loans		Other long-term operating receivables		Total	
EURm	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**
not impaired, not overdue	48.1	**18.6**	21.8	**45.0**	214.1	**154.5**	284.0	**218.1**
not impaired, overdue 1 - 60 days			0.2	**0.2**	0.3	**0.1**	0.5	**0.3**
not impaired, overdue, 61 - 360 days			0.3	**0.3**	3.5	**0.7**	3.8	**1.0**
not impaired, overdue > 360 days	0.5	**0.4**	0.5	**0.3**	1.1	**0.1**	2.1	**0.8**
impaired			0.9		0.5	**2.1**	1.4	**2.1**
	48.6	**19.0**	23.7	**45.8**	219.5	**157.5**	291.8	**222.3**

As at the reporting date, there are no indications that the debtors of the receivables shown as not impaired will not meet their payment obligations.

33 Stock

In the reporting year, impairment losses amounting to EUR 23.4 million were recognised on stock.

34 Receivables and other assets

The following overview shows the composition of the receivables and other assets.

Receivables and other assets EURm	2008	**2009**
Other short-term financial receivables	160.2	**99.7**
Trade receivables	1,544.7	**1,298.8**
Other short-term operating receivables	280.8	**266.6**
Non-financial other assets	101.4	**95.3**
Current income tax assets	158.1	**238.4**
	2,245.2	**1,998.8**

The other short-term operating receivables include, in particular, claims for damages as well as claims for reimbursement against insurance companies for environmental and third-party liability damages. Non-financial other assets, which do not fall within the scope of IAS 39, essentially include prepaid expenses.

The following table shows the due term structure of the short-term financial receivables.

Due terms of short-term financial receivables	Other short-term financial receivables		Trade receivables		Other short-term operating receivables		Total	
EURm	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**
not impaired, not overdue	156.9	**95.9**	917.7	**809.1**	255.2	**219.4**	1,329.8	**1,124.4**
not impaired, overdue 1 - 60 days	0.9	**0.8**	396.6	**338.2**	12.6	**21.8**	410.1	**360.8**
not impaired, overdue 61 - 360 days	0.9	**0.6**	125.8	**106.4**	10.1	**19.5**	136.8	**126.5**
not impaired, overdue > 360 days	1.5	**1.6**	23.1	**14.5**	2.9	**5.2**	27.5	**21.3**
impaired		**0.8**	81.5	**30.6**		**0.7**	81.5	**32.1**
	160.2	**99.7**	1,544.7	**1,298.8**	280.8	**266.6**	1,985.7	**1,665.1**

As at the reporting date, there are no indications that the debtors of the receivables shown as "not impaired overdue" and "not overdue" will not meet their payment obligations.

The valuation allowances on trade receivables have developed as follows:

Valuation allowances on trade receivables EURm	2008	**2009**
Valuation allowances at 1 January	63.1	**72.6**
Additions	30.2	**46.2**
Use and reversal	-8.0	**-45.0**
Currency translation and other adjustments	-12.7	**-1.6**
Valuation allowances at 31 December	72.6	**72.2**

The valuation allowances are essentially based on historical default probabilities and due terms. They are primarily valuation allowances for collective impairments.

35 Financial investments, derivative financial instruments and cash

The short-term investments in the category "held for trading" have a fair value of EUR 0 million (previous year: 59.6).

The short-term investments in the category "available for sale" are measured at fair value directly in equity ("Available for sale at fair value") and have a fair value of EUR 0.2 million (previous year: 0.2). EUR 0.1 million (previous year: -0.3) was recognised directly in equity and EUR -0.1 million (previous year: -1.9) released to profit or loss.

The short-term derivatives with positive market values include currency swaps of EUR 23.4 million (previous year: 111.3), currency forwards of EUR 0.9 million (previous year: 2.6), interest rate swaps of EUR 23.3 million (previous year: 0), and commodities of EUR 0.3 million (previous year: 0). Of the effective portion of the change in the fair values of derivative financial instruments, accounted for as hedging instruments of fair value hedges, EUR -7.0 million (previous year: 0) was recognised in profit or loss in the hedging result and accrued interest of EUR 30.1 million (previous year: 0) was recognised in profit or loss in the financial results. The change in the fair value of the derivatives accounted for as "held for trading" amounts to EUR -42.9 million (previous year: 84.1) and was recognised in profit or loss. Additional information on the derivative financial instruments is provided on pages 139 ff.

Cash and cash equivalents include cash balances and deposits at banks with a first-class credit rating. Restrictions on cash are explained in Note 27.

Notes to the balance sheet – Equity and liabilities

36 Subscribed share capital

Subscribed share capital	Subscribed share capital EUR '000s	Number of shares
1 January 2008	360,000	120,000,000
Cash capital increase	15,000	5,000,000
1 January 2009	375,000	125,000,000
Cash capital increase	187,500	62,500,000
31 December 2009	**562,500**	**187,500,000**

As at the balance sheet date, the subscribed share capital amounts to EUR 562,500,000 and is divided into 187,500,000 shares; the shares are no-par value bearer shares. The nominal value of each share is EUR 3.00, which corresponds to a proportionate amount of the subscribed share capital.

Authorised and conditional share capital

On 13 September 2009, the company's Managing Board decided, with the consent of the Supervisory Board, and subject to a further resolution to determine the subscription price, which was passed on 21 September 2009, to make use of the available authorised capital and increase the company's subscribed share capital by EUR 187,500,000 from EUR 375,000,000 to EUR 562,500,000 through the issue of 62,500,000 new shares in return for cash contributions.

The authorised capital had been created by resolutions of the Annual General Meeting of 8 May 2008 and 7 May 2009. The Annual General Meeting held on 8 May 2008 had 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 EUR 101,000,000 by issuing new no-par value bearer shares in return for cash contributions on one or more occasions until 7 May 2013 (Authorised Capital I). The Annual General Meeting held on 7 May 2009 had authorised the Managing Board, with the consent of the Supervisory Board, to increase the subscribed share capital by a total amount of up to EUR 86,500,000 by issuing new no-par value bearer shares in return for cash contributions or contributions in kind on one or more occasions until 6 May 2014 (Authorised Capital II). As a result of these authorisations being exercised, both authorised capitals were fully utilised and therefore no longer exist.

The Annual General Meeting of 7 May 2009 decided to conditionally increase the subscribed share capital by a further amount of up to EUR 187,500,000, divided into up to 62,500,000 new no-par value bearer shares (Conditional Share Capital 2009). The conditional capital increase is used to grant no-par value bearer shares in the event of conversion rights or warrants being exercised (or corresponding warrant/conversion obligations being fulfilled) or in the event of HeidelbergCement AG exercising an option to grant shares of HeidelbergCement AG in place of all or part of the payment of the monetary amount due, to the bearer of bonds with conversion rights or warrants, profit-sharing certificates, or participating bonds (or combinations of these instruments), issued on the basis of an authorisation also agreed by the Annual General Meeting of 7 May 2009 and described below.

The Annual General Meeting of 7 May 2009 authorised the Managing Board, with the consent of the Supervisory Board, to issue warrant or convertible bonds, profit-sharing certificates, or participating bonds in bearer form, or a combination of these instruments (collectively "debenture bonds") on one or more occasions until 6 May 2014 in a total nominal amount of up to EUR 2,000,000,000, and to grant warrants to the bearers of warrant bonds, profit-sharing certificates with warrants, or participating bonds with warrants or to grant conversion rights to the bearers of convertible bonds, convertible profit-sharing certificates, or convertible participating bonds for bearer shares of HeidelbergCement AG with a proportionate amount of the share capital up to a total of EUR 187,500,000 in accordance with the terms and conditions governing the warrant or convertible bonds, or to impose warrant/conversion obligations on the bearers of the debenture bonds.

The Managing Board is authorised, with the consent of the Supervisory Board, to determine the further details concerning the issue and terms of the debenture bonds not yet agreed by the Annual General Meeting, particularly the interest rate, issue price, term, and denomination, anti-dilution provisions, and the warrant or conversion period, or to establish such details by agreement with the executive bodies of the Group company of HeidelbergCement AG issuing the warrant bond or convertible bond.

As at the balance sheet date, 31 December 2009, the company has no treasury shares.

37 Share premium

The share premium was essentially created from the premium from capital increases. The development of share premium is shown in the following table.

Share premium EUR '000s	2008	**2009**
1 January	2,973,392	**3,470,892**
Cash capital increase	497,500	**2,068,485**
31 December	3,470,892	**5,539,377**

The cash capital increase was reduced by net transaction costs of EUR '000s 56,515 in accordance with IAS 32.37. This includes income tax benefits of EUR '000s 23,224.

38 Retained earnings

The retained earnings include profits earned by HeidelbergCement AG and its subsidiaries which have not yet been distributed, as well as changes in the provisions for pensions recognised directly in equity.

39 Other components of equity

The other components of equity include foreign currency translation differences and changes recognised directly in equity from "financial assets available for sale", cash flow hedges, and the revaluation reserve. The changes in comparison with the previous year are explained in the Group statement of comprehensive income.

40 Minority interests

The change in minority interests results essentially from the sale of shares in PT Indocement Tunggal Prakasa/Indonesia and from the change in the shareholding and a resulting change in the consolidation method for the Hungarian and Bosnian subsidiaries from full consolidation to proportionate consolidation.

41 Provisions for pensions

For numerous employees, the Group makes provision for retirement benefits either directly or indirectly through contributions to pension funds. Various retirement benefit systems are in place, depending on the legal, economic and tax framework in each country. These are generally based on employees' years of service and remuneration. The provisions for pensions include those from current pensions and from entitlements from pensions to be paid in the future. At HeidelbergCement, the company pension schemes include both defined contribution plans and defined benefit plans. In defined contribution plans, the Group pays contributions into earmarked funds. After paying the contributions, the Group has no further benefit obligations. The sum of all pension expenses in connection with defined contribution plans amounted to EUR 28.8 million (previous year: 27.8). In 2009, the contributions to the statutory pension insurance fund amounted to EUR 19.6 million (previous year: 20.8).

In defined benefit plans, the Group's obligation is to provide the agreed benefits to current and former employees. A distinction is made between benefit systems financed by provisions and those financed by funds. The most significant retirement benefit plans financed by funds exist in Belgium, the Netherlands, the United Kingdom, the US, Canada, Norway, India, and Indonesia. The retirement benefit system in Indonesia consists of a statutory defined benefit plan and a company-based defined contribution plan financed by funds, the benefits from which may be set off against the statutory benefits. In Germany and Sweden, the retirement benefit plans are financed by means of provisions. HeidelbergCement also has a retirement benefit system financed by provisions to cover the medical care costs of pension recipients in Belgium, Indonesia, Canada and the US, and for early retirement commitments in Belgium.

Calculation of pension obligations

The pension obligations and the available plan assets are valued annually by independent experts for all major Group companies. The pension obligations and the expenses required to cover this obligation are measured in accordance with the internationally accepted projected unit credit method (IAS 19 Employee Benefits).

The actuarial assumptions on which the calculations are based are summarised in the following table (weighted presentation):

Actuarial assumptions	2008	2009
Discount rate	6.00 %	**5.69 %**
Expected return on plan assets	5.67 %	**5.84 %**
Future salary increases	3.90 %	**4.02 %**
Expected increase in health care cost	6.03 %	**7.81 %**

The actuarial assumptions are dependent on the economic situation in each individual country and reflect realistic expectations. The interest rate is based on the interest rate level obtained on the measurement date for high-quality fixed interest-bearing securities/corporate bonds with a duration corresponding to the pension plans concerned in the relevant country. The expected income from the pension funds is determined using a uniform method based on long-term actual historical yields, the portfolio structure and the future yields expected in the long term.

Actuarial gains and losses may result from increases or decreases in the present value of the defined benefit obligations or the fair value of the plan assets. These may be caused by, for example, changes in the calculation parameters, changes in estimates of the risk experience of the pension obligations or differences between the actual and expected return on plan assets. In accordance with the third option "Statement of recognised income and expense (SORIE)" of IAS 19, these actuarial gains and losses are recognised directly in equity.

Since 2007, IFRIC 14 (The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) has been applied to its full extent; the pension assets are being limited to EUR 25.8 million (previous year: 31.7) in the United Kingdom. In Canada minimum funding requirements of EUR 0.4 million (previous year: 1.5) exist.

Overview of provisions for pensions for the different types of retirement benefit plans

In accordance with IAS 19 (Employee Benefits), detailed information concerning provisions for the pension plans and benefit plans for medical care costs, with obligations amounting to EUR 867.7 million (previous year: 634.5), is provided below, showing the funding of the plans and how they are accounted for in the balance sheet and profit and loss accounts.

Types of retirement benefit plans EUR '000s	2008	2009
Defined benefit pension plans	434,817	**664,558**
Plans for health care costs	199,708	**203,173**
	634,525	**867,731**

Presentation in the balance sheet EUR '000s	2008	**2009**
Long-term pension provisions	651,973	**756,712**
Short-term pension provisions	84,985	**115,139**
Overfunding in pension schemes	-102,433	**-4,120**
	634,525	**867,731**

Pension obligations and pension funds

In 2009, pension obligations amounting to EUR 3,397.0 million (previous year: 2,976.7) existed in the Group, which were essentially covered by outside pension funds. In addition, there were direct agreements of EUR 464.9 million (previous year: 461.6). Obligations in the US, Indonesia, Belgium, and Canada for medical care costs for pension recipients amounted to EUR 201.1 million (previous year: 198.9). The following table shows the financing status of these plans and their presentation in the balance sheet.

Pension obligations and pension funds	Pension plans		Plans for health care cost		Total	
EUR '000s	2008	**2009**	2008	**2009**	2008	**2009**
Present value of funded obligations	2,976,681	**3,396,966**			2,976,681	**3,396,966**
Fair value of plan assets	-3,037,662	**-3,224,719**			-3,037,662	**-3,224,719**
Recognised limitation acc. to IAS 19.58 B	33,263	**26,179**			33,263	**26,179**
Fair value of plan assets after limitation acc. to IAS 19.58 B	-3,004,399	**-3,198,540**			-3,004,399	**-3,198,540**
Deficit (+) / surplus (-)	-27,718	**198,426**			-27,718	**198,426**
Present value of unfunded obligations	461,604	**464,868**	198,932	**201,112**	660,536	**665,980**
Total liability	433,886	**663,294**	198,932	**201,112**	632,818	**864,406**
Obligation in the balance sheet	434,817	**664,558**	199,708	**203,173**	634,525	**867,731**
Unrecognised past service cost	-931	**-1,264**	-776	**-2,061**	-1,707	**-3,325**

The pension plans and the plans for medical care costs include actuarial losses as well as recognised limitations in accordance with IAS 19.58 B totalling EUR 473.3 million (previous year: 200.3), which have been recognised directly in equity. The increase of EUR 273.0 million (previous year: increase of 56.3) in actuarial losses and recognised limitations according to IAS 19.58 B results primarily from the negative development of the funds' assets, losses from foreign currency translation, and the decrease in the discount rate on which the actuarial calculation is based. This decrease amounted to 0.31 percentage points (previous year: increase of 0.28) and was significantly affected by the change of 0.64 percentage points (previous year: rise of 0.4) in the US and of 0.1 (previous year: 0.15) in the United Kingdom.

The following table shows the development of the actuarial gains and losses.

Actuarial losses / gains recognised in the statement of comprehensive income EUR '000s	2008	2009
1 January	144,030	**200,344**
Change during year	67,240	**267,541**
Exchange rate changes	-10,926	**5,394**
31 December	200,344	**473,279**

In 2009, as a result of changes in fund balances (i.e. not as a result of the change in the actuarial assumptions on which the measurement is based), losses of EUR 8.9 million (previous year: 260.3) accrued on the funds' assets and profits of EUR 22.0 million (previous year: 0.6) accrued on the obligations.

Development in the profit and loss accounts

The expenses for retirement benefits for the significant pension plans can be summarised as follows:

Development in the profit and loss accounts	Pension plans		Plans for health care cost		Total	
EUR '000s	2008	**2009**	2008	**2009**	2008	**2009**
Current service cost	64,718	**51,046**	3,641	**1,563**	68,359	**52,609**
Interest cost	222,992	**207,307**	12,337	**12,254**	235,329	**219,561**
Expected return on plan assets	-210,477	**-176,918**			-210,477	**-176,918**
Past service cost recognised	1,856	**2,834**	1,014	**-1,825**	2,870	**1,009**
Curtailment or settlement gains/losses recognised	-9,450	**-2,121**	-14,730	**188**	-24,180	**-1,933**
Expense recognised in profit and loss accounts	69,639	**82,148**	2,262	**12,180**	71,901	**94,328**

Of the total expenditure of EUR 94.3 million (previous year: 71.9), EUR 51.7 million (previous year: 47.0) is shown in personnel costs and EUR 42.6 million (previous year: 24.9) in other financial result.

Curtailment gains of EUR 2.1 million (previous year: 9.5) from pension plans, primarily caused by restructuring in pension plans in the United Kingdom, and losses of EUR 0.2 million (previous year: gains of 14.7) from plans for medical care costs, essentially relating to a general reduction in the benefits of the plans in the US, were realised in the profit and loss accounts. The considerable decrease in the service cost to EUR 52.6 million (previous year: 68.4) is a result of the restructuring measures in the United Kingdom and the US.

The actual return on the funds' assets amounted to EUR 118.7 million (previous year: -27.4), i.e. EUR 58.2 million (previous year: 237.9) lower than the expected return on plan assets.

Sensitivity analysis of the expected health care cost

Developments in the cost of health care affect the profit and loss accounts and the pension obligations. The following table shows the effects of a one-percent increase or decrease in the expected cost of health care.

Sensitivity analysis of the expected health care cost	Changes in health care cost			
EUR '000s	by +1% 2008	**by +1% 2009**	by -1% 2008	**by -1% 2009**
Effect on the service cost and interest cost	663	**1,887**	-1,655	**-189**
Effect on defined benefit obligation	14,686	**15,263**	-12,849	**-13,542**

Development of the pension obligations and the funds' assets

The following table shows the development of pension obligations of EUR 4,062.9 million (previous year: 3,637.2) and the funds' assets of EUR 3,224.7 million (previous year: 3,037.7).

Development of pension obligations and plan assets	Pension plans		Plans for health care cost		Total	
EUR '000s	2008	**2009**	2008	**2009**	2008	**2009**
Defined benefit obligation at 1 January	4,098,534	**3,438,285**	212,633	**198,932**	4,311,167	**3,637,217**
Change in scope of consolidation	7,410	**1,957**		**12**	7,410	**1,969**
Current service cost	64,718	**51,046**	3,641	**1,563**	68,359	**52,609**
Interest cost	222,992	**207,307**	12,337	**12,254**	235,329	**219,561**
Employee contributions	11,574	**8,755**			11,574	**8,755**
Actuarial losses/gains	-235,760	**254,982**	-1,762	**13,556**	-237,522	**268,538**
Benefits paid by company	-31,279	**-38,105**	-18,672	**-18,921**	-49,951	**-57,026**
Benefits paid by fund	-192,155	**-193,208**			-192,155	**-193,208**
Expenses, taxes and premiums paid	-860	**-1,059**			-860	**-1,059**
Past service cost	4,632	**2,428**	236	**-3,269**	4,868	**-841**
Business combinations	-989				-989	
Plan curtailments	-9,669	**-2,096**	-14,731	**188**	-24,400	**-1,908**
Plan settlements	-5,894	**-24**			-5,894	**-24**
Exchange rate changes	-494,969	**131,566**	5,250	**-3,203**	-489,719	**128,363**
Defined benefit obligation at 31 December	3,438,285	**3,861,834**	198,932	**201,112**	3,637,217	**4,062,946**
Funded obligation	2,976,681	**3,396,966**			2,976,681	**3,396,966**
Unfunded obligation	461,604	**464,868**	198,932	**201,112**	660,536	**665,980**
Fair value of plan assets at 1 January	3,697,610	**3,037,662**			3,697,610	**3,037,662**
Change in scope of consolidation	4,164	**5,405**			4,164	**5,405**
Expected return on plan assets	210,477	**176,918**			210,477	**176,918**
Actuarial losses/gains	-289,449	**-7,440**			-289,449	**-7,440**
Employer contributions	94,007	**70,092**			94,007	**70,092**
Employee contributions	11,574	**8,755**			11,574	**8,755**
Benefits, expenses, taxes and premiums paid	-194,680	**-194,434**			-194,680	**-194,434**
Business combinations	-1,029				-1,029	
Plan settlements	-6,114				-6,114	
Exchange rate changes	-488,898	**127,761**			-488,898	**127,761**
Fair value of plan assets at 31 December	3,037,662	**3,224,719**			3,037,662	**3,224,719**

HeidelbergCement paid EUR 57.0 million (previous year: 50.0) directly to the pension recipients and EUR 70.1 million (previous year: 94.0) as employer contributions to the funds. In 2010, we expect to pay EUR 135.6 million (previous year: 127.2).

Breakdown of the funds' assets

The funds' assets originate primarily from North America, with 29 % (previous year: 33 %), the United Kingdom, with 58 % (previous year: 55 %), and the Netherlands, with 9 % (previous year: 9 %). The assets in the funds can be divided into the following categories on a percentage basis:

Breakdown of the funds' assets	2008	**2009**
Equities North America	7 %	**9 %**
Equities Western Europe	9 %	**12 %**
Equities other regions	4 %	**8 %**
Bonds North America	26 %	**20 %**
Bonds Western Europe	41 %	**42 %**
Bonds other regions	1 %	**1 %**
Others	12 %	**8 %**

Five-year comparison

The development of the pension obligations and the funds' assets is shown in the following table.

Five-year comparison: Continuing operations EUR '000s	2005	2006	2007	2008	**2009**
Pension plans					
Present value of funded obligations for pension plans	1,050,514	1,055,336	3,627,538	2,976,681	**3,396,966**
Present value of unfunded obligations for pension plans	547,479	536,975	470,996	461,604	**464,868**
Present value of unfunded obligations for health care plans	133,138	124,936	212,633	198,932	**201,112**
Total present value of obligations	1,731,131	1,717,247	4,311,167	3,637,217	**4,062,946**
Fair value of funds' assets after limitation acc. IAS 19.58 B	-946,865	-976,217	-3,668,602	-3,004,399	**-3,198,540**
Deficit (+) / Surplus (-)	784,266	741,030	642,565	632,818	**864,406**
Experience losses/gains on obligations	66,728	29,773	-7,617	575	**-21,976**
Experience losses/gains on assets	-46,528	-11,716	-47,160	260,309	**8,934**
Expected development of obligations	33,059	30,873	85,888	40,759	**37,161**
Expected development of assets	-47,110	42,940	120,143	71,148	**75,671**

HeidelbergCement also participates in Multi-Employer Pension Plans (MEP), predominantly in the US, which award some unionised employees fixed benefits after their retirement. Multi-Employer Pension Plans are accounted for as defined contribution plans, as it is not possible to isolate the individual components of these plans. The contributions are determined on the basis of collective bargaining. The undercoverage and overcoverage of these plans have no significant impact on the Group annual accounts. Contributions of EUR 14.0 million (previous year: 6.1) were paid in 2009.

42 Other provisions

The following overview shows the development of the other provisions. The "Adjustment" line includes changes in the consolidation scope and foreign exchange differences.

Provisions EURm	Provisions for damages and environ-mental obligations	Other environmental provisions	Other	Total
1 January 2009	497.9	340.4	463.2	1,301.5
Adjustment	-10.0	-30.2	16.1	-24.1
Utilisation	-71.2	-25.1	-80.6	-176.9
Release	-26.0	-26.3	-61.6	-113.9
Addition / Unwinding of discount	57.7	56.2	99.6	213.5
31 December 2009	**448.4**	**315.0**	**436.7**	**1,200.1**

The provisions for damages and environmental obligations relate to US subsidiaries of the Hanson Group, acquired in 2007. Legal action has been instituted with various US courts against former and existing Hanson participations in connection with a substantial number of claims for damages and environmental liability claims. The claims for damages result from the sale of products containing asbestos in the period from 1973 to 1984. The environmental liability claims pertain to remediation obligations in connection with chemical products sold by a former Hanson participation. The claims are not linked to the continuing business activity of the HeidelbergCement Group. The provisions are measured on the basis of reliable estimates of the development of costs. The obligations are offset by corresponding claims for reimbursement against environmental and third-party liability insurers amounting to EUR 162.8 million (previous year: 183.0), which are shown under other operating receivables.

The other environmental provisions relate to recultivation, environmental, and restoration obligations, which concern the continuing business activity of the HeidelbergCement Group. The provisions for recultivation of EUR 201.3 million (previous year: 210.7) are recognised in profit or loss in accordance with the progress of quarrying on the basis of the best estimate of the costs of fulfilling the obligation.

Other provisions exist, in particular, for restructuring measures, risks from pending cartel proceedings, and other process risks, as well as for a variety of minor issues.

If the valuation of provisions changes as a result of a modified assumption concerning maturity, the amount of the cash outflow or the discount factor, this difference is recognised in profit or loss in the current period according to the expected costs. All provisions are measured at the present value of the expected payments, on the basis of a risk-adjusted pre-tax discount rate which reflects the time value of money.

With the exception of short-term provisions of EUR 176.3 million, for which a cash outflow is expected in the next twelve months, the dates of the cash outflows for the other provisions are uncertain as they are dependent on various external factors outside HeidelbergCement's control.

The unwinding of the discount increased the other environmental provisions by EUR 6.5 million and the other provisions by EUR 5.8 million. Changes in the discount rate led to an increase of EUR 2.7 million in other environmental provisions.

43 Liabilities

The following table splits up the liabilities into interest-bearing and operating liabilities.

Liabilities EURm	2008	**2009**
Interest-bearing liabilities		
Debenture loans	3,485.8	**5,598.3**
Bank loans	8,543.0	**3,178.1**
Other interest-bearing liabilities	545.9	**546.7**
Liabilities from finance lease	15.4	**12.3**
Derivative financial instruments	43.1	**27.0**
	12,633.2	**9,362.4**
Operating liabilities		
Trade payables	991.3	**931.6**
Current income taxes payables	441.3	**279.3**
Liabilities relating to personnel	198.8	**209.8**
Other operating liabilities	689.8	**692.3**
Deferred income and non-financial liabilities	68.0	**65.4**
	2,389.2	**2,178.4**
	15,022.4	**11,540.8**

The increase in bonds is essentially attributable to the issue of three bonds totalling EUR 2.5 billion by Heidelberg-Cement AG. The decline in bank loans results principally from the repayment of EUR 6.6 billion of the syndicated acquisition facility. The other interest-bearing liabilities primarily include European Medium Term Note programmes, commercial papers, and loan notes.

The derivative financial instruments with negative market values of EUR 27.0 million (previous year: 43.1) include currency forwards of EUR 4.5 million (previous year: 22.0), currency swaps of EUR 18.7 million (previous year: 2.6), interest rate swaps of EUR 0.6 million (previous year: 0), and commodities of EUR 3.2 million (previous year: 18.5). The change in the market values of derivative financial instruments accounted for as hedging instruments in connection with cash flow hedges and recognised directly in equity amounts to EUR 4.4 million (previous year: 13.7), while EUR 7.1 million (previous year: 0) was released to profit or loss. The changes in the market values of the derivatives accounted for as "held for trading" amount to EUR 4.6 million (previous year: 19.0) and were recognised in profit or loss. Additional information on the derivative financial instruments are provided on pages 139 ff.

Of the interest-bearing bank loans, EUR 103.2 million (previous year: 8.1) is secured by mortgages. The increase results essentially from borrowings made by joint ventures.

The following table gives an overview of the maturities of the interest-bearing liabilities.

Maturities of interest-bearing liabilities EURm	< 1 year	1-5 years	> 5 years	**Total**
31 December 2009				
Debenture loans	699.5	2,498.9	2,399.9	**5,598.3**
Bank liabilities	196.2	2,944.7	37.2	**3,178.1**
Other interest-bearing liabilities	255.8	234.2	56.7	**546.7**
Liabilities from finance lease	6.5	5.8		**12.3**
Derivative financial instruments	23.3	3.7		**27.0**
	1,181.3	5,687.3	2,493.8	**9,362.4**
31 December 2008	430.4	2,640.4	415.0	**3,485.8**
Debenture loans	1,017.6	6,957.7	567.7	**8,543.0**
Bank liabilities	282.7	207.7	55.5	**545.9**
Other interest-bearing liabilities	7.2	6.6	1.6	**15.4**
Liabilities from finance lease	27.7	15.4		**43.1**
Derivative financial instruments	1,765.6	9,827.8	1,039.8	**12,633.2**

The following table contains further details of the finance lease liabilities. It shows the reconciliation of the total future minimum lease payments at the balance sheet date to their present value.

Minimum lease payments of finance leases EURm	< 1 year	1-5 years	> 5 years	**Total**
31 December 2009				
Present value of future minimum lease payments	6.5	5.8		**12.3**
Interest of future minimum lease payments	0.5	0.5		**1.0**
Future minimum lease payments	7.0	6.3		**13.3**
31 December 2008				
Present value of future minimum lease payments	7.2	6.6	1.6	**15.4**
Interest of future minimum lease payments	1.3	1.8	0.2	**3.3**
Future minimum lease payments	8.5	8.4	1.8	**18.7**

Additional statements on financial instruments

The following table assigns the individual balance sheet items for the financial instruments to classes and categories. In addition, the aggregate carrying amounts for each measurement category and the fair values for each class are shown.

Carrying amounts and fair values of financial instruments EURm	31 December 2008		**31 December 2009**	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Financial investments "Available for sale at cost"	63.8		**60.1**	
Financial investments "Available for sale at fair value"	18.0	18.0	**19.2**	**19.2**
Financial investments "Held for trading"	59.6	59.6		
Loans and other interest-bearing receivables	232.5	227.0	**164.5**	**161.1**
Trade receivables and other operating receivables	2,045.0	2,057.5	**1,722.9**	**1,714.3**
Cash and cash equivalents	843.6	843.6	**854.4**	**854.4**
Derivatives				
Hedge accounting	5.9	5.9	**23.1**	**23.1**
Held for trading	108.5	108.5	**24.8**	**24.8**
Liabilities				
Loans and other short-term financial liabilities	12,574.7	12,559.6	**9,323.1**	**9,522.5**
Trade creditors and other operating liabilities	1,879.9	1,879.4	**1,833.7**	**1,829.0**
Liabilities from finance lease	15.4	15.4	**12.3**	**12.3**
Derivatives				
Hedge accounting	15.4	15.4	**3.9**	**3.9**
Held for trading	27.7	27.7	**23.1**	**23.1**

"Available for sale at cost" investments are equity investments measured at cost, for which no listed price on an active market exists and whose fair values cannot be reliably determined. Therefore, no fair value is indicated for these instruments. "Available for sale at fair value" investments are measured at fair value on the basis of the stock market prices on the reporting date. Derivative financial instruments, both those using hedge accounting and those held for trading, are also measured at fair value. In these items, the fair value always corresponds to the carrying amount.

The fair values of the long-term loans, other long-term operating receivables, bank loans, finance lease liabilities, and other long-term financial and operating liabilities correspond to the present values of the future payments, taking into account the interest parameters at the time of payment.

The fair values of the listed bonds correspond to the nominal values multiplied by the price quotations on the reporting date. For the financial instruments with short-term maturities, the carrying amounts on the reporting date represent reasonable estimates of the fair values.

The following overview shows the carrying amounts of the financial instruments aggregated by the categories given in IAS 39.

Financial instruments acc. to categories of IAS 39 EURm	31 December 2008			**31 December 2009**		
	Fair value with P/L effect	Fair value without P/L effect	Cost / amortised cost	Fair value with P/L effect	Fair value without P/L effect	Cost / amortised cost
Loans and receivables			3,121.1			**2,741.8**
Financial assets available for sale		18.0	63.8		**19.2**	**60.1**
Financial assets held for trading	140.4			**1.7**		
Financial liabilities			-14,470.0			**-11,169.1**
	140.4	18.0	-11,285.1	**1.7**	**19.2**	**-8,367.2**

The following table shows the fair value hierarchies of the financial instruments measured at fair value.

Fair value hierarchy EURm	31 December 2008		**31 December 2009**	
	Hierarchy 1	Hierarchy 2	Hierarchy 1	Hierarchy 2
Assets				
Financial investments "Available for sale at fair value"	18.0		**19.2**	
Financial investments "Held for trading"		59.6		
Derivatives				
Currency forwards		3.1		**0.9**
Currency swaps		111.3		**23.4**
Interest rate swaps		0.0		**23.3**
Commodities				**0.3**
Liabilities				
Derivatives				
Currency forwards		22.0		**4.5**
Currency swaps		2.6		**18.7**
Interest rate swaps				**0.6**
Commodities		18.5		**3.2**

In hierarchy 1, the fair value is calculated using prices quoted on an active market (unadjusted) for identical assets or liabilities to which the company has access on the measurement date. For hierarchy 2, the fair value is determined on the basis of input data that do not involve quoted prices classified in level 1, and which are directly or indirectly observable.

The following table shows the net gains or losses from the financial instruments by category.

Net gains or losses EURm	2008	**2009**
Loans and receivables	-31.8	**-45.4**
Financial assets available for sale	-11.3	**-2.7**
Financial instruments held for trading	63.5	**-87.6**
Financial liabilities	-73.1	**178.4**
	-52.7	**42.7**

The net results from loans and receivables include impairments of EUR -46.9 million (previous year: -40.8), exchange rate effects of EUR 1.5 million (previous year: 20.2) and disposal losses of EUR 0 million (previous year: -11.2).

The measurement of the "available for sale financial assets" resulted in a gain of EUR 4.3 million (previous year: -17.1) recognised directly in equity. EUR 2.9 million (previous year: -1.9) were released from equity. A loss of EUR -0.5 million arose from the disposal of "financial assets available for sale at cost". A net loss of EUR -2.9 million (previous year: -0.4) is attributable to valuation allowances. In addition, foreign exchange losses of EUR -0.7 million (previous year: 6.6) were incurred.

The net result from the subsequent measurement of the financial instruments held for trading includes foreign exchange and interest rate effects. In financial liabilities, the net profit includes effects from foreign currency translation of EUR 178.4 million (previous year: -73.1).

The following table shows the total interest income and expenses for the financial instruments not measured at fair value through profit or loss.

Total interest income and expense EURm	2008	**2009**
Total interest income	70.3	**84.7**
Total interest expense	-812.0	**-706.0**
	-741.7	**-621.3**

The impairment of financial assets by class is shown in the following table:

Impairment EURm	2008	**2009**
Financial assets available for sale at cost	-0.4	**-2.9**
Loans and other interest-bearing receivables	-8.1	**-0.3**
Trade receivables and other operating receivables	-32.7	**-46.6**
	-41.2	**-49.8**

Financial assets of EUR 13.5 million (previous year: 14.4) were pledged as collateral for liabilities and contingent liabilities.

Derivative financial instruments

The following table shows the nominal values and market values of the derivative financial instruments and commodities, which fall within the scope of IAS 39.

Derivative financial instruments	31 December 2008		**31 December 2009**	
EURm	Nominal value	Market value	Nominal value	Market value
Assets				
Cash flow hedges				
Currency swaps	35.8	5.9		
Fair value hedges				
Interest rate swaps			**2,000.0**	**23.1**
Derivatives held for trading				
Currency forwards	50.4	3.1	**38.3**	**0.9**
Currency swaps	1,230.4	105.4	**837.5**	**23.4**
Interest rate swaps	3.8	0.0	**17.5**	**0.2**
Commodities				**0.3**
	1,320.4	114.4	**2,893.3**	**47.9**
Liabilities				
Cash flow hedges				
Currency forwards			**1.6**	**0.2**
Interest rate swaps			**17.5**	**0.6**
Commodities		15.4		**3.1**
Derivatives held for trading				
Currency forwards	202.8	22.0	**113.2**	**4.3**
Currency swaps	209.7	2.6	**582.7**	**18.7**
Commodities		3.1		**0.1**
	412.5	43.1	**715.0**	**27.0**

The negative market values of EUR -0.1 million (previous year: -0.9) of the fuel derivatives relate to a supply quantity of 3.9 million tonnes (previous year: 9.8); the positive market values of EUR 0.3 million (previous year: 0) of the fuel derivatives relate to a supply quantity of 7.2 million tonnes (previous year: 0). The negative market values of EUR -3.1 million (previous year: -15.4) of the electricity derivatives relate to a supply quantity of 0.2 million MWh (previous year: 0.6).

Cash flow hedges

The interest rate swap hedges the future interest rate risks of a variable interest-bearing loan. This swap with a market value of EUR -0.6 million matures in June 2012. During the reporting period, EUR -0.6 million was recognised directly in equity.

The currency forwards hedge the currency risks of future purchases of raw materials in USD. These forward contracts with a market value of EUR -0.2 million mature in the course of 2010. During the reporting period, EUR -0.2 million was recognised directly in equity.

The commodities of EUR -3.1 million (previous year: -15.4) hedge future electricity prices and mature from 2011. In the reporting year, valuation effects of EUR 9.6 million were recognised directly in equity. The release of electricity derivatives caused effects of EUR -7.1 million to be reclassified from equity to profit or loss. Closed cash flow hedges caused effects of EUR -0.6 million to be reclassified from equity to profit or loss.

There was no appreciable ineffectiveness in the cash flow hedges.

Fair value hedges

The interest rate swaps hedge the interest rate risks of fixed interest-bearing loans. These swaps with a market value of EUR 23.1 million mature in the course of 2010. The market value excluding accrued interest of EUR -7.0 million was recognised in profit or loss in the hedging result. Accordingly, a fair value adjustment of EUR 7.0 million was made for the loans, which was also shown in the hedging result. The accrued interest of EUR 30.1 million included in the market value was recognised in profit or loss in the interest results.

Derivatives not accounted for as hedges ("held for trading")

The derivatives with a market value of EUR 1.7 million, which were not accounted for as hedges in accordance with IAS 39, mature within a year.

Risks from financial instruments

As regards its assets, liabilities, firm commitments and planned transactions, HeidelbergCement is particularly exposed to risks arising from changes in foreign exchange rates, interest rates, and market and stock market prices. These market price risks may have a negative impact on the Group's financial position and performance. The Group manages these risks primarily as part of its ongoing business and financing activities and, when required, by using derivative financial instruments. The main aspects of the financial policy are determined by the Managing Board. The Group Treasury department is responsible for the implementation of the financial policy and ongoing risk management.

The Group Treasury department acts on the basis of existing binding guidelines, which determine the decision criteria, competences, responsibilities and processes for managing the financial risks. Certain transactions also require the prior approval of the Managing Board. The Group Treasury department informs the Managing Board on an ongoing basis about the amount and scope of the current risk exposure and the current market development on the global financial markets. The Group Internal Audit department monitors the observance of the guidelines mentioned above and the corresponding legal framework by means of targeted auditing.

Credit risk

HeidelbergCement is exposed to credit risks through its operating activities and certain financial transactions. The credit risk is the risk that a contracting party unexpectedly does not fulfil, or only partially fulfils, the obligations agreed when signing a financial instruments contract. The Group limits its credit risk by only concluding contracts for financial investments and derivative financial instruments with partners with a first-class credit rating.

Credit rating

The rating agencies Standard & Poor's, Moody's, and Fitch Ratings assess the creditworthiness of HeidelbergCement as B+/B (CreditWatch Positive), Ba3/NP (Outlook Positive), and BB-/B (Rating Watch Positive) as at the end of 2009. Any potential downgrading of the ratings awarded by the rating agencies could have a negative impact on HeidelbergCement's cost of capital and refinancing possibilities.

Cash and cash equivalents

This item essentially comprises cash. The Group is exposed to losses arising from credit risks in connection with the investment of cash and cash equivalents if contracting parties do not fulfil their obligations. HeidelbergCement manages the resulting risk position by diversification of contracting parties. Cash and cash equivalents are invested in selected companies, banks, and financial institutions following a thorough credit analysis. At present, no cash or cash equivalents are overdue or impaired as a result of failures. The maximum credit risk of the cash and cash equivalents corresponds to the carrying amount.

Trade receivables

Trade receivables result mainly from the sale of cement, concrete, and aggregates. In operating activities, the outstanding debts are monitored on an ongoing basis. Credit risks are taken into account by means of individual valuation allowances and valuation allowances for collective impairments. The maximum risk position from the trade receivables corresponds to the carrying amount.

Other receivables and assets

The credit risk position from other receivables and assets corresponds to the carrying amount of these instruments. HeidelbergCement regards this credit risk as insignificant.

Derivative financial instruments

Derivative financial instruments are generally used to reduce risks. In the course of its business activity, HeidelbergCement is exposed to interest rate, currency and energy price risks. For accounting purposes, a significant portion of the derivatives are not accounted for as hedges in accordance with IAS 39, but as instruments in the category "held for trading". However, from a commercial perspective, the changes in the market value of these instruments represent an economically effective hedge within the context of the Group strategy. The maximum credit risk of this item corresponds to the market value of the derivative financial instruments that have a positive market value and are shown as financial assets at the balance sheet date. Interest rate swaps have been contracted to hedge the market value risk of the 5- and 7-year Eurobonds issued in October, and have been designated as hedging instruments in accordance with IAS 39 (Fair Value Hedge Accounting). In order to reduce the credit risk, the hedging transactions are, in principle, only concluded with leading financial institutions with a first-class credit rating. The contracting parties have very good credit ratings, awarded by external rating agencies, such as Moody's, Standard & Poor's, or Fitch Ratings. There are currently no past-due derivative financial instruments in the portfolio.

Liquidity risk

The liquidity risk describes the risk that a company cannot fulfil its financial obligations to a sufficient degree. To manage HeidelbergCement's liquidity, the Group maintains sufficient cash and extensive credit lines with banks, besides the cash inflow from operating activities. The operating liquidity management includes a daily reconciliation of cash and cash equivalents; the Group Treasury department, based in Heidelberg, acts as an in-house bank. This allows liquidity surpluses and requirements to be managed in accordance with the needs of the entire Group and of individual Group companies.

As at the end of the year, HeidelbergCement still has as yet undrawn, confirmed credit lines of EUR 2.1 billion available in order to secure liquidity, as well as available cash. A framework agreement for an unlimited period for the issue of short-term bearer bonds ("commercial paper") of EUR 1.0 billion is available to cover short-term liquidity peaks. The programme makes provision for individual tranches with different terms to be issued at different times depending on the market situation. As at the end of 2009, commercial papers totalling EUR 51.5 million were outstanding.

As the financial contracts of HeidelbergCement do not contain any clauses that trigger a repayment obligation in the event of the credit rating being downgraded, the maturity structure will remain unaffected even if the credit quality assessments change. Margin calls that could lead to an outflow of liquidity are not agreed in any of the fundamental financial instruments. All derivative financial instruments are contracted on the basis of existing framework agreements that contain netting agreements for the purpose of reducing credit and liquidity risks.

In order to further optimise the maturity structure, HeidelbergCement AG issued two Eurobonds to national and foreign institutional investors with a total issue volume of EUR 1.4 billion on 19 January 2010: one bond of EUR 650 million with a term of 5 years and a second of EUR 750 million with a term of 10 years. This further reduced the 2011 maturity and decreased the inherent liquidity risk accordingly.

The following maturity overview shows how the cash flows of the liabilities as at 31 December 2009 affect the Group's liquidity position. The overview describes the progress of

- undiscounted repayments and interest payments for debenture loans
- undiscounted bank loans and interest payments to banks
- undiscounted other liabilities and
- undiscounted contractually agreed payments for derivative financial instruments, as a total for the year.

The trade payables are assigned to short-term maturities (within a year). For variable interest payments, the current interest rate is taken as a basis. Payments in foreign currency are translated using the exchange rate at year end.

Cash flows of financial liabilities and derivative financial instruments EURm	**Book value 31 Dec. 2009**	Cash flows 2010	Cash flows 2011	Cash flows 2012	Cash flows 2013	Cash flows 2014 - 2020
Debenture loans	**5,598.3**	914.6	362.8	1,461.3	796.2	4,350.2
Bank loans	**3,178.1**	356.4	2,481.1	347.3	237.5	177.4
Other financial liabilities	**559.0**	106.9	156.1	87.4	0.8	34.9
Derivatives with positive market values						
Fair value hedges	**23.1**	109.1	109.1	109.1	109.1	213.8
Derivatives held for trading	**24.8**	876.5	0.8	0.8	0.8	2.4
Derivatives with negative market values						
Cash flow hedges	**3.9**	2.7	1.1	0.6		
Fair value hedges						
Derivatives held for trading	**23.1**	695.9				

Cash flows of financial liabilities and derivative financial instruments EURm	Book value 31 Dec. 2008	Cash flows 2009	Cash flows 2010	Cash flows 2011	Cash flows 2012	Cash flows 2013 - 2017
Debenture loans	3,485.8	519.9	746.7	165.5	1,160.2	1,816.4
Bank loans	8,543.0	1,256.1	5,438.1	500.8	1,008.7	926.5
Other financial liabilities	545.9	202.1	47.4	115.1	88.5	34.3
Derivatives with positive market values						
Cash flow hedges	5.9	37.5				
Derivatives held for trading	108.5	1,272.1	8.7			
Derivatives with negative market values						
Cash flow hedges	15.4	3.3	3.5	4.6	3.5	0.5
Derivatives held for trading	27.7	422.2				

The inflow of liquidity of EUR 964.6 million from the interest rate swaps (fair value hedge) has not been taken into account in the table.

The undiscounted contractual cash flows of the finance lease liabilities are shown in a separate table on page 136.

Interest rate risk

Interest rate risks exist as a result of potential changes in the market interest rate and may lead to a change in fair value in the case of fixed interest-bearing financial instruments and to fluctuations in interest payments in the case of variable interest-bearing financial instruments. The Managing Board and Supervisory Board of HeidelbergCement AG have decided against hedging the variable interest-bearing financial instruments. This strategy is based on the historically strong correlation between increasing profits and rising interest rates. For financial instruments with fixed interest that are measured at amortised cost, interest rate risks have no impact on the results and equity.

The average share of variable interest-bearing financial instruments is 66 % (previous year: 69 %). If the market interest rate level had been 100 basis points higher (lower) on 31 December 2009, interest cost of HeidelbergCement Group would have risen (fallen) by EUR 71 million (previous year: 88). The hedging of the bonds issued in October 2009 with interest rate swaps using fair value hedge accounting has resulted in effects on results from the basis adjustment of the hedged items (bonds – hedged risk) and from the measurement of the interest rate swaps. These effects on results were taken into account in the sensitivity analysis.

Currency risk

HeidelbergCement AG's currency risks result from its investing, financing and operating activities. Risks from foreign currencies are primarily hedged in so far as they affect the Group's cash flows. In contrast, foreign currency risks that do not affect the Group's cash flows (i.e. the risks resulting from the translation of the assets and liabilities of foreign subsidiaries into the Group reporting currency) generally remain unhedged. However, if necessary, HeidelbergCement AG can also hedge this foreign currency risk. Currency forwards, currency swaps and, in isolated cases, currency options are used in the elimination of existing currency risks.

Through the in-house banking activities of HeidelbergCement AG, the borrowing and investment of liquidity of the subsidiaries leads to currency positions that are hedged by means of external currency swap transactions which are appropriate in terms of maturities and amounts. Consequently, currency fluctuations in connection with the in-house banking activities would have no impact on results or equity.

The hypothetical result implications, considering the external financial instruments (primarily currency swap transactions) in isolation and in the event of a 10% increase (decrease) in the value of the euro against all other currencies on 31 December 2009, would be as follows:

EUR/USD: EUR +19.6 million, EUR/AUD: EUR +39.4 million, EUR/SEK: EUR -6.8 million, EUR/GBP: EUR -29.7 million, EUR/NOK: EUR +7.0 million, EUR/CAD: EUR -0.5 million, EUR/DKK: EUR -0.7 million, EUR/CZK: EUR -2.4 million, EUR/RUB: EUR -12.2 million, EUR/EEK: EUR +2.7 million, EUR/ILS: EUR +1.8 million, EUR/PLN: EUR +0.6 million, EUR/HKD: EUR +2.4 million, IDR/USD: EUR +0.5 million, EUR/KZT: EUR -3.1 million, EUR/RON: EUR -4.3 million.

(At 31 December 2008: EUR/USD: EUR +1.2 million, EUR/AUD: EUR -12.1 million, EUR/SEK: EUR -9.5 million, EUR/GBP: EUR 18.9 million, EUR/NOK: EUR +63.7 million, EUR/CAD: EUR -3.3 million, EUR/DKK: EUR +3.8 million, EUR/CZK: EUR 4.9 million, EUR/RUB: EUR +3.8 million, EUR/EEK: EUR -2.5 million, EUR/ILS: EUR -1.8 million, EUR/PLN: EUR -4.1 million, EUR/HKD: EUR -3.4 million, IDR/USD: EUR +3.8 million, EUR/KZT: EUR +5.6 million).

Capital management

To ensure the sustainability of the Group's financial position and performance, the management primarily employs three instruments. The investments are aligned with HeidelbergCement's strategic and operational planning. For all investments, with the exception of replacement investments, the long-term contribution to results for the Group is measured and subject to a "contribution to results" test. Significant strategic investments with a volume exceeding EUR 5 million are subject to central testing and are presented individually to the Managing Board. The test centres on the impact of investments on the balance sheet and the profit and loss accounts of the Group.

HeidelbergCement also uses country-specific weighted average cost of capital after tax, which was between 6.3% and 17.7% for 2009. All decisions regarding the profitability of expansion investments are measured against the internal profitability goals on the basis of the weighted average cost of capital.

HeidelbergCement has a worldwide, results-related remuneration system for management (see management report page 43 ff.). Clear goal agreements ensure a management approach that focuses on results and capital requirements. For all countries in the Group, the Managing Board defines the target profit required in order to obtain bonus payments.

Through regular quarterly meetings with all country managers, the Managing Board of HeidelbergCement discusses and follows up agreed goals and countries' results, as well as the strategic orientation. An extensive discussion on operational planning at national level is held in the fourth quarter. In personal talks with the national management, the Managing Board establishes result goals, activities and the major investments.

The ratio of net financial liabilities to the operating income before depreciation (OIBD) is of fundamental importance in the monitoring of the Group's capital.

Net financial liabilities / OIBD EURm	31 Dec. 2008	**31 Dec. 2009**
Cash, financial investments and derivative financial instruments	1,017.3	**902.3**
Financial liabilities	12,633.1	**9,362.4**
Puttable minorities	-50.3	**-36.9**
Net financial liabilities	11,565.5	**8,423.2**
Operating income before depreciation (OIBD)	2,945.6	**2,102.0**
Net financial liabilities / OIBD	3.93	**4.01**

In connection with credit agreements, HeidelbergCement agreed to comply with various financial covenants, which were all met in the reporting period. The most important key financial ratios are the ratio of net debt to EBITDA and the interest coverage ratio. The EBITDA key figure is derived from the credit agreements and therefore differs from the operating income before depreciation key figure as it takes elements of the additional ordinary result into consideration.

Within the framework of the Group planning, compliance with the credit agreements is monitored consistently, with notification issued to the creditors on a quarterly basis. In the event of a breach of the covenants, the creditors could, under certain conditions, accelerate corresponding loans irrespective of the contractually agreed terms.

Guarantees and other financial commitments

Guarantees are potential future obligations to third parties, the existence of which depends on the occurrence of at least one uncertain future event outside HeidelbergCement's control.

At the reporting date, there are contractually provided guarantees of EUR 366.4 million (previous year: 315.6). These include obligations of EUR 330.7 million (previous year: 309.9) for which the probability of outflow is remote (IAS 37.28).

Other financial commitments EURm	2008	**2009**
Rental and leasing contracts		
Total of all leasing payments mature within 1 year	83.2	**84.8**
Total of all leasing payments mature within 1 to 5 years	221.3	**227.1**
Total of all leasing payments mature after more than 5 years	357.3	**346.6**
	661.8	**658.5**
Other financial commitments for planned tangible and financial fixed asset investments	250.3	**216.4**

Other financial commitments are listed with their nominal values. The future rental and leasing obligations refer primarily to property and other assets used by HeidelbergCement.

Related parties disclosures

IAS 24 requires a statement concerning the most important relationships with related companies and persons that may exert a significant influence on HeidelbergCement AG. This applies also to companies accounted for as joint ventures or associates and key management personnel.

As at 31 December 2009, Ludwig Merckle holds a 24.42 % share in HeidelbergCement AG via Spohn Cement GmbH, Zossen (24.06 %), and other companies controlled by him. HeidelbergCement provided services to the value of EUR '000s 42.0 net (previous year: 57.1) to Spohn Cement GmbH.

On 13 September 2009, HeidelbergCement AG reached a co-operation agreement with the following companies belonging to the Merckle group: Spohn Cement GmbH, VEM Vermögensverwaltung GmbH, HC Treuhand GmbH, and VEM erste Treuhand GmbH. The co-operation agreement contains the common understanding of the contract partners on certain structural elements of the public offering and the capital market placement in September 2009 as well as support obligations of HeidelbergCement in case of a potential sale of old shares by Spohn, VEM or the escrow after the capital increase.

Business transactions with associates include turnover and other sales amounting to EUR 32.6 million (previous year: 115.8), the procurement of goods and services amounting to EUR 32.2 million (previous year: 239.5), and services provided amounting to EUR 0.5 million (previous year: 1.0). In addition, loans of EUR 1.0 million (previous year: 3.2) were granted to associated companies in 2009. No guarantees were provided to associated companies in the reporting year or the previous year.

Intra-group turnover and other sales with joint ventures amounted to EUR 114.3 million (previous year: 75.1). Raw materials, goods and other services amounting to EUR 284.0 million (previous year: 75.0) were procured from these joint ventures. EUR 7.8 million (previous year: 4.1) was generated in financial and other services. In addition, Lehigh Hanson Materials Ltd participated in the capital increase of the joint venture Parsons Creek for an amount of EUR 2.9 million. Receivables amounting to EUR 118.2 million (previous year: 98.5) and liabilities of EUR 81.6 million (previous year: 23.3) exist in connection with these activities and financial transactions. Guarantees of EUR 59.9 million (previous year: 118.6) were outstanding to joint ventures.

All transactions were conducted at standard market terms and conditions. In addition, companies of the HeidelbergCement Group have not carried out reportable transactions of any kind with members of the Supervisory Board or of the Managing Board as persons in key positions or with companies in whose executive or governing bodies these persons are represented.

Statement of compliance with the German Corporate Governance Code

The statement of compliance with the German Corporate Governance Code required by § 161 of the German Stock Company Act (Aktiengesetz) was submitted by the Managing Board and the Supervisory Board of HeidelbergCement AG on 17 March 2009. The statement for 2010 will be published on 17 March 2010.

Fees of the independent auditors

In 2009, the independent auditors Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft received fees amounting to EUR '000s 8,432.2.

Fees of the independent auditors EUR '000s	**2009**
Approval of the Group annual accounts	**2,840.8**
Other charges for confirmation and valuation services	**4,782.3**
Tax advisory service	**541.0**
Other services	**275.1**
	8,439.2

Supervisory Board and Managing Board

We refer to the details given in the in the Corporate governance statement chapter of the management report (page 40 ff.).

Fixed remuneration of the Managing Board decreased to EUR 3.9 million (previous year: 4.7) compared to the previous year; by contrast, variable remuneration components rose to EUR 11.7 million (previous year: 2.6). The increase in variable remuneration components is mainly based on two special effects: Firstly, the Managing Board was granted an additional bonus regarding the successful reorganisation of the capital and financing structure (EUR 5.0 million; previous year: 0). Secondly, the earned tranche of the 2008/2009 medium-term bonus amounted to EUR 2.9 million (previous year: 0) in the reporting year. EUR 3.8 million (previous year: 2.6) was paid as a one-year variable bonus. Other remuneration elements of EUR 1.0 million remained unchanged compared to the previous year. The other remuneration elements consist of payments for committee activities at subsidiaries of HeidelbergCement AG, reimbursement of expenses and non-cash benefits arising from the provision of company cars. Total remuneration of the Managing Board in 2009 amounted to EUR 16.6 million (previous year: 8.3). Allocations to provisions for pensions (current service cost) for current members of the Managing Board amounted to EUR 1.3 million (previous year: 1.4). Payments to former members of the Managing Board and their surviving dependants amounted to EUR 2.3 million (previous year: 2.8) in the reporting year. Provisions for pension obligations to former members of the Managing Board amounted to EUR 26.1 million (previous year: 26.5).

The total Supervisory Board remuneration in 2009 amounted to EUR 499,895 (previous year: 502,937).

Mandates of members of the Supervisory Board and Managing Board

The members of the Supervisory Board and Managing Board hold the following mandates:
a) Membership in other legally required supervisory boards of German companies
b) Membership in comparable German and foreign supervisory committees of commercial enterprises
Group mandates are marked with [1].

Supervisory Board*

Fritz-Jürgen Heckmann
Chairman
Chairman of the Arbitration Committee and, since 7 May 2009, of the Nomination Committee and member of the Personnel Committee and the Audit Committee
Business lawyer
a) Paul Hartmann AG (Chairman)
schlott gruppe Aktiengesellschaft (Chairman)
Wieland-Werke AG (Chairman)
b) HERMA Holding GmbH + Co. KG (Deputy Chairman)
Neue Pressegesellschaft mbH & Co. KG
Süddeutsche Verlag GmbH (Deputy Chairman)
Südwestdeutsche Medien Holding GmbH (Deputy Chairman)
URACA GmbH & Co. KG (Deputy Chairman)

Heinz Schirmer
until 7 May 2009
Deputy Chairman and Member of the Audit, the Personnel, and the Arbitration Committee until 7 May 2009
Mechanic and locksmith foreman;
Chairman of the Council of Employees at the Schelklingen plant of HeidelbergCement AG

Heinz Schmitt
Deputy Chairman since 7 May 2009
Member of the Audit Committee and, since 7 May 2009, member of the Arbitration and the Personnel Committee
Controller; Chairman of the Council of Employees at the headquarters of HeidelbergCement AG

Theo Beermann
until 7 May 2009
Member of the Personnel Committee until 7 May 2009
Production controller; former Deputy Chairman of the Council of Employees at the Ennigerloh plant of HeidelbergCement AG

Robert Feiger
Member of the Audit Committee
Deputy Chairman of the Federal Executive Committee, IG Bauen-Agrar-Umwelt
a) BAUER Aktiengesellschaft (Deputy Chairman)
b) Zusatzversorgungskasse des Baugewerbes AG
Zusatzversorgungskasse des Gerüstbaugewerbes VVaG

Veronika Füss
until 7 May 2009
Commercial employee; Chairwoman of the Council of Employees of the sales region south, Schelklingen, of HeidelbergCement AG

Josef Heumann
Member of the Arbitration Committee until 7 May 2009, member of the Personnel Committee since 7 May 2009
Kiln supervisor; Chairman of the Council of Employees at the Burglengenfeld plant, HeidelbergCement AG

Gerhard Hirth
until 31 December 2009
Managing Director of the SCHWENK group of companies
a) Köster Holding AG
Paul Hartmann AG
Wieland-Werke AG
b) Duna-Dráva Cement Kft
Ohorongo Cement (Pty) Limited
Raysut Cement Company S.A.O.G.
Schwenk Namibia (Pty) Limited
Tvornica Cementa Kakanj d.d.

Max Dietrich Kley
Member of the Audit Committee since 10 February 2010
Attorney
a) BASF SE
Infineon Technologies AG (Chairman)
SGL Carbon SE (Chairman)

Hans Georg Kraut
Member of the Personnel Committee and, since 7 May 2009, of the Arbitration Committee; Director of the Schelklingen plant of HeidelbergCement AG

Ludwig Merckle
Chairman of the Personnel Committee and, since 6 February 2009, of the Audit Committee and member of the Nomination Committee
Managing Director of Pan GmbH
a) Kässbohrer Geländefahrzeug AG (Chairman)
Württembergische Leinenindustrie AG (Chairman)
b) mepha AG (member of the Board of Directors)

Tobias Merckle
Member of the Personnel, the Nomination, and the Arbitration Committee since 10 February 2010
Managing Director of the association Prisma e.V. – Initiative für Jugendhilfe und Kriminalprävention, Leonberg

Eduard Schleicher
until 31 December 2009
Member of the Audit, the Personnel, and the Arbitration Committee until 31 December 2009 and, from 7 May to 31 December 2009, member of the Nomination Committee
Partner with unlimited liability, SCHWENK group of companies
a) Paul Hartmann AG
Wieland-Werke AG
b) Duna-Dráva Cement Kft
Schwenk Namibia (Pty) Limited

Werner Schraeder
since 7 May 2009
Member of the Audit Committee since 7 May 2009
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

Frank-Dirk Steininger
Specialist in employment law on the Federal Executive Committee of IG Bauen-Agrar-Umwelt

* All indications refer to 31 December 2009 or, if the person in question left the Supervisory Board of HeidelbergCement AG prior to that date, the date on which they stepped down.

Managing Board *

Dr. Bernd Scheifele

Chairman

a) Verlagsgruppe Georg von Holtzbrinck GmbH (Deputy Chairman)
   Landesbank Hessen-Thüringen Girozentrale (member of the Board of Directors)

b) Castle Cement Limited [1)]
   ENCI Holding N.V. [1)]
   Hanson Limited [1)]
   Hanson Pioneer España, S.L. [1)]
   HeidelbergCement Holding S.à.r.l. [1)]
   HeidelbergCement India Ltd. [1)]
   HeidelbergCement Netherlands Holding B.V. [1)]
   Lehigh Cement Limited [1)]
   PT Indocement Tunggal Prakarsa Tbk. [1)]
   RECEM S.A. [1)]
   TAMRO Oyj (Chairman of the Board of Directors)

Dr. Dominik von Achten

b) Castle Cement Limited [1)]
   HeidelbergCement Canada Holding Limited [1)]
   HeidelbergCement UK Holding II Limited [1)]
   Lehigh Hanson, Inc. [1)]
   Lehigh Hanson Materials Limited [1)]

Daniel Gauthier

b) Akçansa Çimento Sanayi ve Ticaret A.S. (Deputy Chairman)
   Carrières Lemay S.A. [1)]
   Castle Cement Limited [1)]
   S.A. Cimenteries CBR [1)] (Chairman)
   S.A. CBR Asset Management [1)] (Chairman)
   CBR Asset Management Belgium S.A. [1)] (Chairman)
   C.B.R. Finance S.A. [1)] (Chairman)
   Cementrum I B.V. [1)]
   Cementrum II B.V. [1)]
   Civil and Marine Limited [1)]
   ENCI Holding N.V. [1)] (Chairman)
   Genlis Metal
   Hanson Building Products Limited [1)]
   Hanson Pioneer España, S.L. [1)]
   Hanson Quarry Products Europe Limited [1)]
   HC Fuels Ltd. [1)] (Chairman)
   HC Trading International Inc. [1)] (Chairman)
   HC Trading B.V. [1)] (Chairman)
   HC Trading Malta Ltd [1)] (Chairman)
   HCT Holding Malta Limited [1)] (Chairman)
   HeidelbergCement Holding HK Limited [1)]
   HeidelbergCement Holding S.à.r.l. [1)]
   HeidelbergCement Sweden AB [1)]
   HeidelbergCement UK Holding Limited [1)]
   International Trading and Finance (ITF) B.V. [1)] (Chairman)
   Lehigh B.V. [1)] (Deputy Chairman)
   LVI Holding N.V. (Carmeuse Group)
   PT Indocement Tunggal Prakarsa Tbk. [1)]
   RECEM S.A. [1)]
   Scancem International ANS [1)] (Chairman)
   Scancem International a.s [1)] (Chairman)
   Tadir Readymix Concrete (1965) Ltd [1)]
   TPCC Tanzania Portland Cement Company Ltd. [1)]

Andreas Kern

a) Basalt-Actien-Gesellschaft
   Kronimus AG

b) Castle Cement Limited [1)]
   Ceskomoravský cement, a.s., nástupnická spolecnost [1)] (Chairman)
   Duna-Dráva Cement Kft [1)] (Chairman)
   ENCI Holding N.V. [1)]
   Górazdze Cement S.A. [1)] (Chairman)
   Hanson Pioneer España, S.L. [1)]
   HC Fuels Limited [1)]
   HeidelbergCement Central Europe East Holding B.V. [1)] (Chairman)
   HeidelbergCement Netherlands Holding B.V. [1)]
   HeidelbergCement Northern Europe AB [1)]
   Joint Stock Company – Bukhtarminskaya Cement Company [1)] (Chairman)
   Limited Liability Company Kartuli Cementi [1)]
   Limited Liability Company SaqCementi [1)]
   NCD Nederlandse Cement Deelnemings-maatschappij B.V. [1)]
   NCH Nederlandse Cement Handel-maatschappij B.V. [1)] (Deputy Chairman)
   OAO Cesla [1)]
   Open Joint Stock Company „Kryvyi Rih Cement“ [1)]
   Tvornica Cementa Kakanj d.d. [1)]

Dr. Lorenz Näger

b) Castle Cement Limited [1)]
ENCI Holding N.V.[1)]
Hanson Limited [1)]
Hanson Pioneer España, S.L.[1)]
HeidelbergCement Canada Holding Limited [1)]
HeidelbergCement Finance B.V.[1)]
HeidelbergCement Holding S.à.r.l.[1)]
HeidelbergCement India Ltd.[1)]
HeidelbergCement International Holding GmbH [1)]
HeidelbergCement Netherlands Holding B.V.[1)]
HeidelbergCement Northern Europe AB [1)]
HeidelbergCement Sweden AB [1)]
HeidelbergCement UK Holding Limited [1)]
HeidelbergCement UK Holding II Limited [1)]
Lehigh B.V.[1)] (Chairman)
Lehigh Cement Limited [1)]
Lehigh Hanson, Inc.[1)]
Lehigh Hanson Materials Limited [1)]
Lehigh UK Limited [1)]
Palatina Insurance Ltd [1)]
PT Indocement Tunggal Prakarsa Tbk.[1)]
RECEM S.A.[1)]
S.A. Cimenteries CBR [1)]
TAMRO Oyj

Dr. Albert Scheuer

b) China Century Cement Limited
Cochin Cements Ltd.[1)]
Easy Point Industrial Ltd.
Guangzhou Heidelberg Yuexiu Enterprise Management Consulting Company Ltd.
HeidelbergCement Asia Pte Ltd [1)]
HeidelbergCement Bangladesh Ltd.[1)]
HeidelbergCement Holding HK Limited [1)]
HeidelbergCement India Ltd.[1)]
Jidong Heidelberg (Fufeng) Cement Company Limited
Jidong Heidelberg (Jingyang) Cement Company Limited
PT Indocement Tunggal Prakarsa Tbk.[1)] (Chairman)
Squareal Cement Ltd

* All indications refer to 31 December 2009

Events after the balance sheet date

On 19 January 2010, HeidelbergCement issued two Eurobonds to national and foreign institutional investors with a total issue volume of EUR 1.4 billion: one bond of EUR 650 million with a term of 5 years and a second of EUR 750 million with a term of 10 years. The bonds have fixed interest rates of 6.5 % p.a. for the 5-year term and 7.5 % for the 10-year term. The issue prices were 98.8561 % and 98.2192 %, giving yields to maturity of 6.75 % and 7.75 % respectively. The proceeds from the issue were exclusively used for the partial repayment of the syndicated loan from June 2009.

In connection with the successful issue of the two Eurobonds, the rating agency Standard & Poor's once again upgraded HeidelbergCement's credit rating by one level on 13 January 2010. The current ratings from Standard & Poor's, Moody's, and Fitch Ratings are now BB-/B, Ba3/NP, BB-/B.

Approval of the Group annual accounts

The Group annual accounts were prepared by the Managing Board and adopted on 17 March 2010. They were then submitted to the Supervisory Board for approval.

Heidelberg, 17 March 2010

HeidelbergCement AG

The Managing Board

Audit Opinion

We have issued the following opinion on the consolidated financial statements and the group management report:

"We have audited the consolidated financial statements prepared by the Heidelberg¬Cement AG, Heidelberg, comprising the income statement, the statement of recognized income and expense, the cash flow statement, the balance sheet, the statement of changes in equity and the notes to the consolidated financial statements, together with the combined group management report of HeidelbergCement Group and HeidelbergCement AG for the fiscal year from 1 January to 31 December 2009. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB and supplementary provisions of articles of incorporation and bylaws are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a (1) HGB and the supplementary provisions of the articles of association and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Stuttgart, 17 March 2010

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Wollmert	Somes
Wirtschaftsprüfer (German Public Auditor)	Wirtschaftsprüferin (German Public Auditor)

Responsibility statement

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

Heidelberg, 17 March 2010

HeidelbergCement AG

The Managing Board

Dr. Bernd Scheifele

Andreas Kern

Dr. Dominik von Achten

Dr. Lorenz Näger

Daniel Gauthier

Dr. Albert Scheuer

Additional information

Global functions and Country Managers

Global functions

Group functions

Böttcher, Henner	Director Group Treasury
Fischer, Helmut	Director Group Reporting, Controlling & Consolidation
Jordanoff, Plamen	Director Group Strategy & Development and Cementitious
Kozelka, Rolf	Director Group Tax
Schaffernak, Dr. Ingo	Director Group Legal
Schaller, Andreas	Director Group Communication & Investor Relations
Schnurr, Andreas	Director Group Human Resources and Group Compliance
Schwind, Klaus	Director Group Shared Service Centers
Sijbring, Henk	Director Group Purchasing
Standhaft, Dr. Wolfgang	Director Group Information Technology
Vandenberghe, Marc	Director Group Insurance & Corporate Risk Management
Weingardt, Stefan	Director Group Internal Audit

Heidelberg Technology Center (HTC)

Jelito, Ernest	Director HTC Global and Director Manufacturing & Engineering Central Europe-Central Asia and Head of HTC Central Europe-Central Asia
Breyer, Robert	Senior Vice President Manufacturing & Engineering, President HTC North America
Fritz, Daniel	Director Manufacturing & Engineering Asia-Oceania and Head of HTC Asia-Oceania
Gupta, Akhilesh	Director Manufacturing & Engineering TEAM and Head of HTC TEAM

Competence Center Materials (CCM)

Mühlbeyer, Gerhard	Director Global Competence Center Materials

Global Environmental Sustainability

Mathieu, Bernard	Director Global Environmental Sustainability

Global Sales & Marketing

Oerter, Gerald	Director Global Sales & Marketing

Country Managers

Europe

Baltics / Denmark / Norway / Sweden	Syvertsen, Gunnar	General Manager Northern Europe
Belgium / Netherlands	Jacquemart, André	General Manager Benelux
Bosnia & Herzegovina	Muidza, Branimir	Country Manager Bosnia & Herzegovina
Czech Republic	Hrozek, Jan	General Manager Czech Republic
Georgia	Thrul, Meinhard	General Manager Georgia
Germany	Seitz, Gerhard	General Manager Germany
Hungary	Szarkándi, János	General Manager Hungary
Israel	Priel, Eliezer	Country Manager Israel
Poland	Balcerek, Andrzej	General Manager Poland
Romania	Rohan, Mihai	General Manager Romania
Russia	Christian Knell	General Manager Russia
Spain	Ortiz, Jesus	Country Manager Spain
Ukraine	Oklestek, Karel	General Manager Ukraine
United Kingdom	O'Shea, Patrick	Chief Executive Officer UK

North America

Harrington, Dan	Chief Executive Officer North America
Derkatch, Jim	Regional President Canada
Hahne, Clifford	Regional President South
Hummel, David	Regional President West
Purcell, Jim	Regional President North
Manning, Richard	President Building Products

Asia–Australia–Africa

China	Bogdan, Ludek	Chief Operating Officer China
India	Guha, Ashish	Chief Operating Officer India
Indonesia / Bangladesh / Brunei / Malaysia	Lavallé, Daniel	Chief Operating Officer South East Asia
Kazakhstan	Kempe, Roman	General Manager Kazakhstan
Australia	Gluskie, Kevin	Chief Executive Officer Australia
Africa	Junon, Jean-Marc	Chief Operating Officer Africa
Mediterranean / HC Trading	Adigüzel, Emir	Chief Operating Officer Mediterranean Basin & Middle East and HC Trading

Glossary and index*

Aggregates

Aggregates in the form of sand, gravel and crushed rock are used principally for concrete manufacturing or for road construction and maintenance.

Alternative raw materials and fuels

By-products or waste from other industries, whose chemical components make them suitable substitutes for natural resources (raw materials, fuels).

Asphalt

Asphalt is manufactured from a mixture of graded aggregates, sand, filler and bitumen. It is used primarily for road construction and maintenance.

Biodiversity

Biodiversity or biological diversity is the genetic diversity within species, diversity between species and diversity of ecosystems.

Blast furnace slag

Finely ground, glassy by-product from steel production. Additive for cement.

Cement

Cement is a hydraulic binder, i.e. a finely ground inorganic material that sets and hardens by chemical interaction with water and that is capable of doing so also under water. Cement is mainly used to produce concrete. It binds the sand and gravel into a solid mass.

Clinker (cement clinker)

Intermediate product in the cement production process that is made by heating a finely-ground raw material mixture to around 1,450° C in the cement kiln. For the manufacture of cement, the greyish-black clinker nodules are extremely finely ground. Clinker is the main ingredient in most cement types.

Commercial Paper

Bearer notes issued by companies within the framework of a Commercial Paper Programme (CP Programme) to meet short-term financing needs.

Composite cement

In composite cements, a proportion of the clinker is replaced with alternative raw materials, usually by-products from other industries, such as blast furnace slag or fly ash. Decreasing the proportion of energy-intensive clinker in cement is of critical importance for reducing energy consumption and CO_2 emissions as well as for preserving natural raw materials.

Concrete

Building material that is manufactured by mixing cement, aggregates (gravel, sand or chippings) and water.

Euro Medium Term Note (EMTN) programme p. 61, 135

An EMTN programme represents a framework agreement made between the company and the banks appointed to be dealers. HeidelbergCement AG has the option of issuing debenture bonds up to a total volume of EUR 10 billion under its EMTN programme.

Fly ash p. 48, 59, 62

Solid, particulate combustion residue from coal-fired power plants. Additive for cement.

Net financial liabilities p. 4, 31 ff., 35, 61, 146

The sum of all non-current and current financial liabilities minus cash and cash equivalents, short-term investments and short-term derivatives. Synonyms: net indebtedness, net liabilities, net debt.

Rating (credit rating) p. 4, 31, 39, 141 f.

Classification of the credit standing of debt instruments and their issuers. Specialised agencies such as Standard & Poor's, Fitch Ratings and Moody's produce such ratings. Ratings range from AAA or Aaa as the highest credit standing to C or D as the lowest.

Ready-mixed concrete

Concrete that is manufactured in a ready-mixed concrete facility and transported to the building site using ready-mix trucks.

Sustainable development p. 5 f., 49, 54 ff., 62

Sustainable development signifies a development that fulfils the economic, ecological and social needs of people alive today without endangering the ability of future generations to fulfil their own needs.

Syndicated loan p. 4, 18, 24, 29, 30 f., 34 f., 37, 39, 46 f., 61, 114, 119, 135, 151

Large-sized loan which is distributed ("syndicated") among several lenders for the purpose of risk spreading.

* The index indicates the main references

Review of 2009 events

1st quarter

Guideline to promote biodiversity

February – HeidelbergCement becomes the first company in the industry to introduce a Group guideline to increase the biodiversity in its quarries and sand and aggregates pits during and after quarrying, and to protect nature and the landscape.

Construction of the TulaCement cement plant in Russia

February – Following the signing of the contract, construction of the cement plant progresses according to plan. TulaCement will commence operation at the end of 2010 with a cement capacity of 2 million tonnes. This is the first new plant to be built on a greenfield site in Russia for 20 years.

Ready-mixed concrete in Georgia

March – HeidelbergCement enters the Georgian ready-mixed concrete market with the commissioning of the state-of-the-art Ponchiala plant near the capital Tbilisi. The plant has a capacity of 80 cubic metres per hour. Another production site will follow in April 2010.

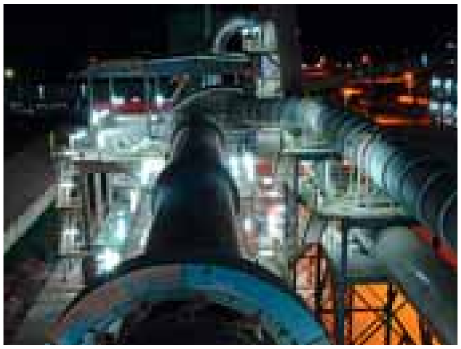
2nd quarter

Comprehensive refinancing

June – HeidelbergCement agrees on an extensive refinancing scheme of its liabilities to banks with more than 50 international creditor banks. This ensures a stable, long-term financing structure with sufficient liquidity.

New aggregates plant in Poland

June – In Pawlów, a modern aggregates plant is commissioned, supplying around 350,000 tonnes of sand and gravel annually for the central Poland market. The deposits on the 20-hectare site will last for 20 years.



Cement plant in Tanzania expanded and modernised

June – Official opening of the modernised cement plant of Tanzania Portland Cement, now fitted with environmentally friendly technology. The plant, situated near the harbour city of Dar Es Salaam, more than doubled its capacity, which now stands at 1.4 million tonnes.

3rd quarter

New brick plant in the United Kingdom

September – In Measham, Leicestershire, the state-of-the-art brick plant officially commences production. The fully automated plant with a capacity of 100 million bricks per year replaces several older plant locations, which were closed.

Beremend cement plant in Hungary modernised

September – Official commissioning of the completely modernised cement plant after a construction period of around two years. Investments were focused on improving environmental protection and energy efficiency, by significantly increasing the use of alternative fuels.

Successful cash capital increase

September – HeidelbergCement's share capital is increased by 50 % through the issue of 62.5 million new shares. The net proceeds of around EUR 2.2 billion are used to further reduce debt. Free float increases to over 75 %.

4th quarter

HeidelbergCement issues Eurobonds

October – Placement of three Eurobonds with a total volume of EUR 2.5 billion. The proceeds are used to partially repay the syndicated loan. The maturity structure of the liabilities is substantially improved.

Modern filter system in Slite, Sweden

November – The installation of a high-performance fabric filter in the Slite cement plant in Sweden dramatically reduces dust emissions. By investing in environmental protection, we safeguard the future viability of our plants.

Imprint

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Concept and realisation
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ServiceDesign Werbeagentur GmbH, Heidelberg, Germany
Target Languages GmbH, Dossenheim, Germany
abcdruck GmbH, Heidelberg, Germany

Photographs
HeidelbergCement photo archives
Vestas Wind Systems A/S, Randers SV, Denmark – page 79

Translation of the Annual Report 2009. The German version is binding.

Copies of the 2009 accounts of HeidelbergCement AG and further information are available on request.
Kindly find this annual report and further information about HeidelbergCement on the Internet: **www.heidelbergcement.com**

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Printed on environmentally friendly PEFC certified paper.
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◀ Group areas

Financial calendar 2010	
Interim Report January to March 2010	6 May 2010
Annual General Meeting	6 May 2010
Half-Year Financial Report January to June 2010	30 July 2010
Interim Report January to September 2010	4 November 2010

Group areas

North America

Canada
US

Europe

Belgium
Bosnia-Herzegovina
Croatia
Czech Republic
Denmark
Estonia
Georgia
Germany
Hungary
Israel
Latvia
Lithuania

Netherlands
Norway
Poland
Romania
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Malaysia
Singapore
Turkey
United Arab Emirates

Australia

Benin
Gabon
Ghana
Liberia
Sierra Leone
Tanzania
Togo

Group Services

HeidelbergCement is member of:

World Business Council for Sustainable Development

econsense
Forum Nachhaltige Entwicklung

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