

2016 Trading Statement

14 February 2017

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Bridgeport Quarry / US

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We continue to deliver what we promise

Increase in volumes in all business lines

- ✓ Cement volumes up: +3%
- ✓ Aggregates volumes up: +3%
- ✓ Ready-Mix volumes up: +1%

High single to double digit organic growth

- ✓ Operating EBITDA organic growth: +5%
- ✓ Operating Income organic growth: +6%

Focus on Italcementi integration / speed & efficiency

- ✓ Redundant HQs closed (Bergamo/Paris/Brussels)
- ✓ All key personnel decisions taken & implemented
- ✓ FTE reductions significantly ahead of plan; 1,870 vs. plan 460

Net debt below/around €b 9

Group Overview - Q4 2016

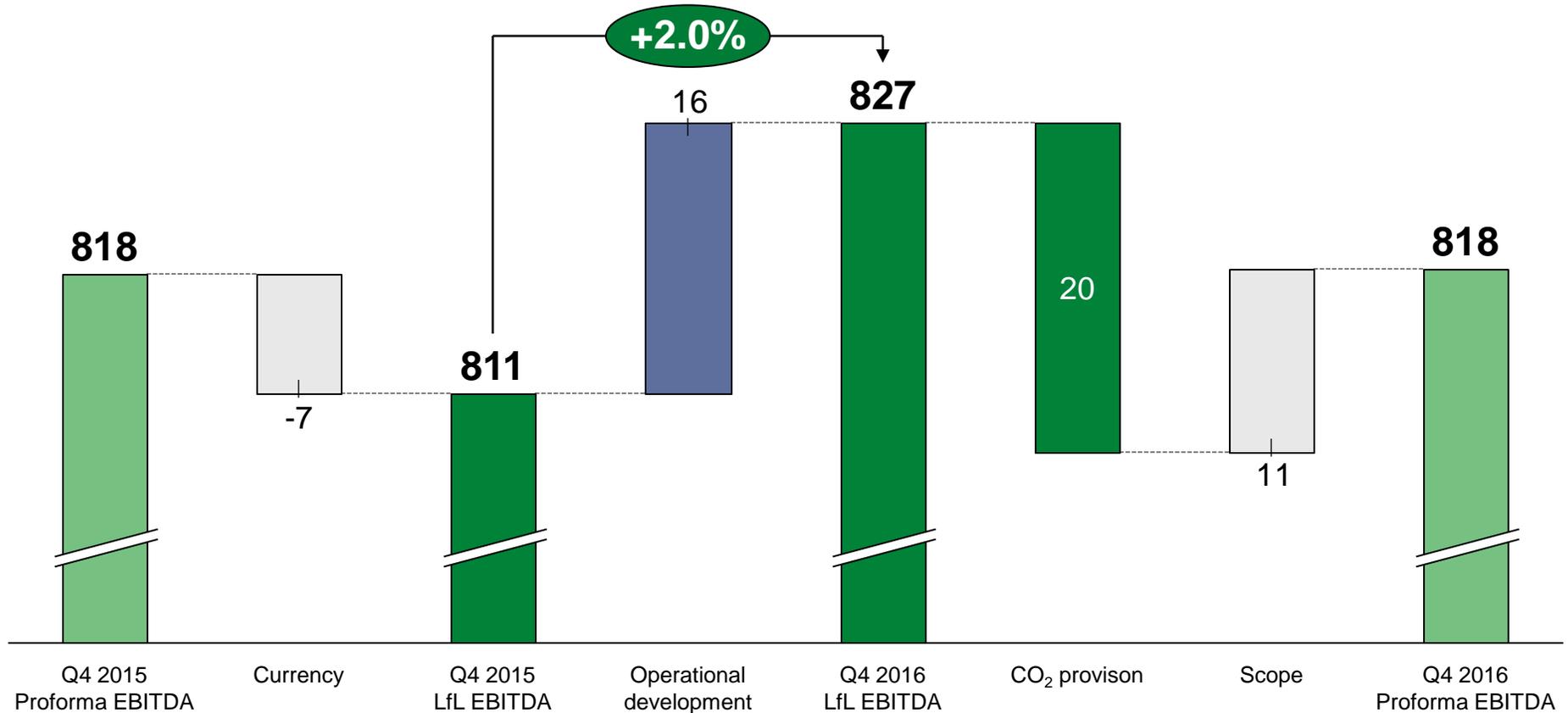
- EBITDA organic growth achieved despite negative weather impact in US, Prairie Provinces in Canada, Germany and weak market condition in Indonesia.
- Strong volume growth in US, UK, Benelux and Nordics more than compensates the pressure in Southern Europe and weather related slow down in Eastern Europe.
- Solid growth in India despite demonetization; volume and price erosion stabilized in Indonesia, market was still weak in Q4.
- Market pressure in Egypt shadows solid volume growth in the rest of the continent.
- Continuous focus on “cost efficiency” and “improvement of Italcementi assets profitability”.

Group Overview	Full Year					Q4				
	2015	2016	variance	L-f-L		2015	2016	variance	L-f-L	
Volumes										
Cement volume ('000 t)	121,929	124,983	3,054	3 %	2 %	31,155	30,769	-386	-1 %	-1 %
Aggregates volume ('000 t)	278,452	287,405	8,953	3 %	0 %	70,653	73,337	2,685	4 %	-5 %
Ready mix volume ('000 m ³)	47,433	48,117	684	1 %	1 %	12,379	12,131	-247	-2 %	-2 %
Asphalt volume ('000 t)	9,122	9,371	249	3 %	3 %	2,202	2,300	98	4 %	4 %
Operational result (EURm)										
Revenue	17,331	17,084	-247	-1 %	-1 %	4,358	4,238	-119	-3 %	-4 %
Operating EBITDA	3,153	3,195	42	1 %	5 %	818	818	0	0 %	2 %
<i>in % of revenue</i>	18.2 %	18.7 %				18.8 %	19.3 %			
Operating income	2,037	2,073	37	2 %	6 %	530	507	-23	-4 %	-3 %
Opr. EBITDA margin (%)										
Cement	22.9 %	23.1 %	+23 bps	+82 bps		24.7 %	24.1 %	-59 bps	+35 bps	
Aggregates	22.8 %	24.1 %	+131 bps	+131 bps		21.7 %	21.0 %	-76 bps	-76 bps	
RMC + Asphalt	2.4 %	2.5 %	+5 bps	+5 bps		2.3 %	2.4 %	+14 bps	+14 bps	

All values based on proforma figures. LfL figures excluding currency, scope impacts and CO₂ gains in Q115: 21m€ ; Q215: 29m€ ; Q216: 17m€ ; Q416: -20m€

Q4 2016 EBITDA bridge

€m

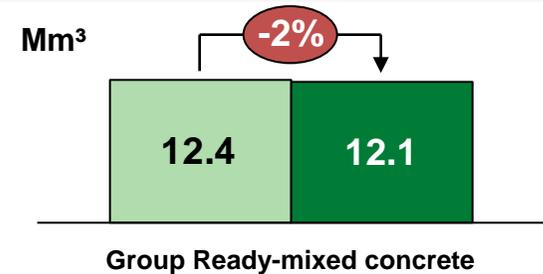
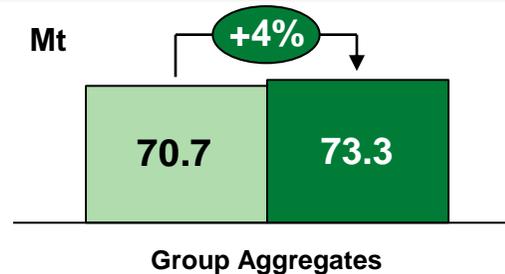
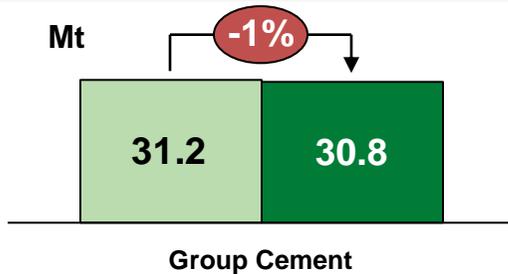
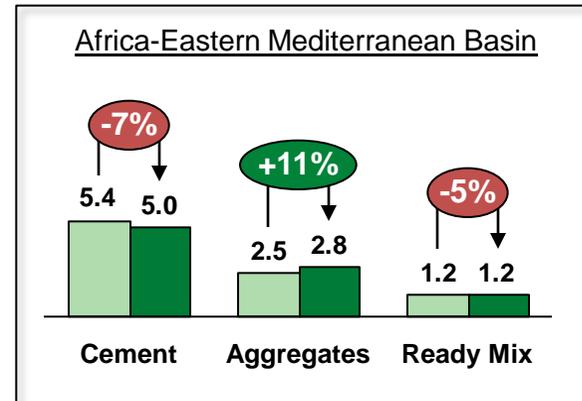
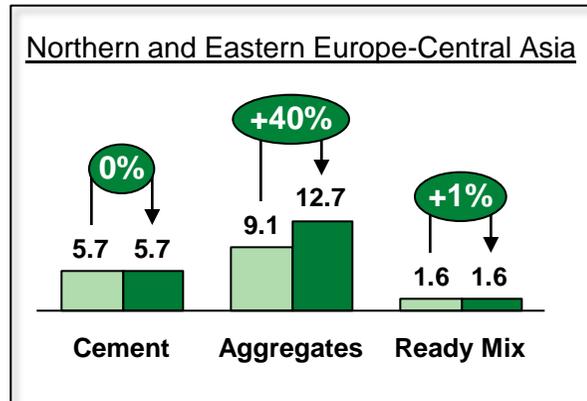
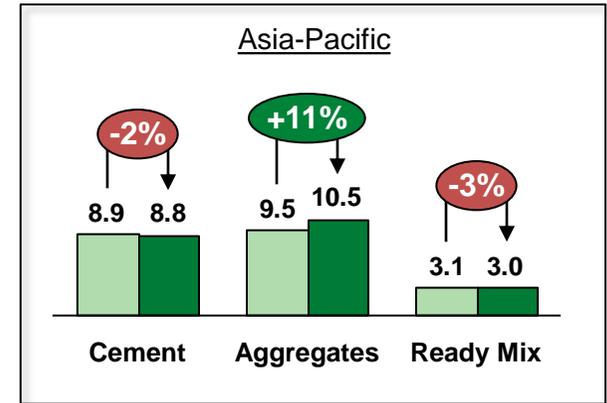
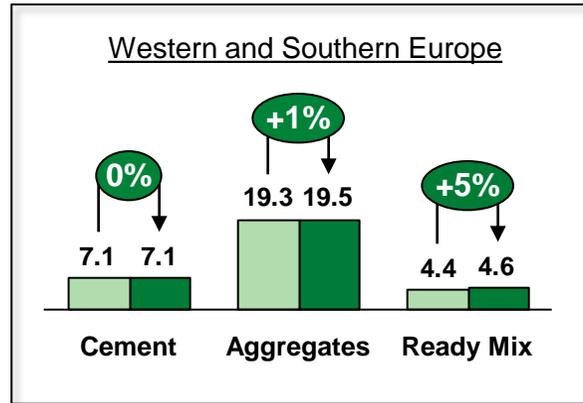
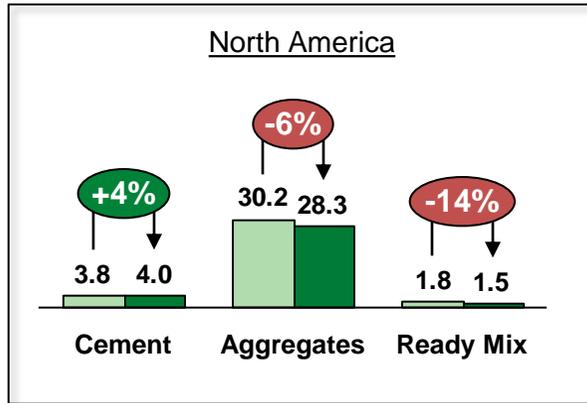


Organic growth continues

All values based on proforma figures.

Group Sales Volumes

Q4 2015 Q4 2016



All values based on proforma figures.

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North America

■ USA:

- Unfavourable weather conditions leads to early stop of construction season compared to last year.
- Cement: solid volume development in all regions; prices significantly above prior year.
- Aggregates: strong price development; volumes below prior year driven mainly by Pennsylvania, Indiana, California and Illinois due to very strong comparison base.
- Margin improvement continues in all business lines.

■ Canada:

- Early winter impacted the sales volumes.
- Result is overall down. Profit improvement in BC and BC market area can not compensate the significant drop in demand in Alberta due to low oil price.
- Concrete volumes negatively impacted by Foreign Buyers Tax in British Columbia.

North America	Full Year					Q4				
	2015	2016	variance		L-f-L	2015	2016	variance		L-f-L
Volumes										
Cement volume ('000 t)	15,357	15,931	574	3.7 %	3.7 %	3,845	3,994	149	3.9 %	3.9 %
Aggregates volume ('000 t)	117,999	119,369	1,370	1.2 %	1.2 %	30,250	28,327	-1,922	-6.4 %	-6.4 %
Ready mix volume ('000 m ³)	7,194	6,680	-515	-7.2 %	-7.2 %	1,796	1,547	-249	-13.9 %	-13.9 %
Asphalt volume ('000 t)	3,675	3,991	315	8.6 %	8.6 %	929	861	-68	-7.3 %	-7.3 %
Operational result (EURm)										
Revenue	4,157	4,235	78	1.9 %	2.3 %	1,053	1,043	-10	-1.0 %	-2.5 %
Operating EBITDA	859	990	131	15.3 %	16.0 %	236	268	32	13.7 %	12.3 %
<i>in % of revenue</i>	20.7 %	23.4 %				22.4 %	25.7 %			
Operating income	572	690	119	20.8 %	21.8 %	158	185	27	16.9 %	15.5 %

Opr. EBITDA margin (%)	2015	2016	variance
Cement	19.9 %	23.0 %	+309 bps
Aggregates	27.1 %	30.0 %	+287 bps
RMC + Asphalt	5.8 %	6.5 %	+68 bps

Q4	2015	2016	variance
Cement	24.3 %	28.6 %	+426 bps
Aggregates	26.3 %	25.9 %	-47 bps
RMC + Asphalt	5.1 %	7.1 %	+207 bps

All values based on proforma figures. LfL figures excluding currency and scope impacts.

Western and Southern Europe

- Q4 2016 results negatively impacted due to currency (-10m€), CO₂ (-17m€) and scope changes (-10m€).
-
- **UK:** Continued market growth despite Brexit uncertainties, solid result improvement but currency impact.
 - **Germany:** Solid demand on high level as particular residential investments were key growth driver. Operational result clearly due to good cost management.
 - **Benelux:** Overall, very positive volumes developments; clear recovery particularly in our Cement business.
 - **Italy:** Market demand trend still negative; significant result improvement due to reduced fixed and variable costs.
 - **France:** Continued sluggish market demand; result stabilized on low level; improvement measures underway.
 - **Spain:** Continued difficult market due to constraint investment activity; efficiency gains from integrating businesses.

West & South Europe	Full Year					Q4				
	2015	2016	variance		L-f-L	2015	2016	variance		L-f-L
Volumes										
Cement volume ('000 t)	28,099	28,601	502	1.8 %	1.8 %	7,052	7,073	20	0.3 %	0.3 %
Aggregates volume ('000 t)	78,971	79,654	683	0.9 %	0.9 %	19,349	19,486	137	0.7 %	0.7 %
Ready mix volume ('000 m ³)	17,069	18,080	1,010	5.9 %	5.9 %	4,379	4,596	216	4.9 %	4.9 %
Asphalt volume ('000 t)	2,994	3,044	51	1.7 %	1.7 %	714	818	104	14.5 %	14.5 %
Operational result (EURm)										
Revenue	4,907	4,768	-139	-2.8 %	1.8 %	1,192	1,138	-54	-4.5 %	0.7 %
Operating EBITDA	688	622	-66	-9.6 %	3.9 %	177	108	-69	-39.1 %	-25.2 %
<i>in % of revenue</i>	14.0 %	13.1 %				14.9 %	9.5 %			
Operating income	352	310	-42	-12.0 %	13.1 %	92	25	-67	-72.6 %	-50.6 %
Opr. EBITDA margin (%)										
Cement	20.3 %	19.2 %	-107 bps	+89 bps		21.9 %	16.4 %	-547 bps	-242 bps	
Aggregates	16.6 %	15.5 %	-118 bps	-118 bps		15.2 %	9.2 %	-605 bps	-605 bps	
RMC + Asphalt	-0.2 %	-0.2 %	+4 bps	+4 bps		0.1 %	-1.9 %	-202 bps	-202 bps	

All values based on proforma figures. LfL figures excluding currency, scope impacts and CO₂ gains in Q115: 21m€ ; Q215: 19m€ ; Q216: 11m€ ; Q416: -17m€

Northern and Eastern Europe-Central Asia

- **Northern Europe:** Increased building materials demand in Sweden, especially in residential; volumes in Norway up clearly and better than expected as a result infrastructure projects we are involved in.
- **Poland:** Solid volume increase mainly driven by residential and commercial building activities.
- **Czech Republic:** Strong result performance as a result of increased cement volumes and lower variable costs.
- **Romania:** EBITDA margin improvement driven by variable costs optimization, especially lower energy costs.
- **Russia & Ukraine:** Volumes impacted by harsh weather conditions; very strong comparison base last year.
- **Kazakhstan:** Positive demand development continues; prices and result considerably above prior year.

North & East Europe - CA	Full Year					Q4				
	2015	2016	variance		L-f-L	2015	2016	variance		L-f-L
Volumes										
Cement volume ('000 t)	24,250	25,388	1,138	4.7 %	4.7 %	5,736	5,744	9	0.2 %	0.2 %
Aggregates volume ('000 t)	34,336	38,034	3,698	10.8 %	-5.4 %	9,092	12,748	3,656	40.2 %	-15.9 %
Ready mix volume ('000 m ³)	5,819	6,324	506	8.7 %	3.8 %	1,609	1,629	20	1.3 %	1.3 %
Asphalt volume ('000 t)	0	0	0	N/A	N/A	0	0	0	N/A	N/A
Operational result (EURm)										
Revenue	2,257	2,484	227	10.0 %	0.1 %	586	658	72	12.3 %	-11.2 %
Operating EBITDA	402	461	58	14.5 %	12.4 %	100	115	15	15.1 %	9.9 %
<i>in % of revenue</i>	17.8 %	18.6 %				17.1 %	17.5 %			
Operating income	243	293	49	20.3 %	17.1 %	57	72	14	25.2 %	13.2 %
Opr. EBITDA margin (%)										
Cement	20.0 %	23.0 %	+293 bps	+341 bps		22.1 %	23.7 %	+164 bps	+253 bps	
Aggregates	13.6 %	14.8 %	+121 bps	+121 bps		12.1 %	12.5 %	+47 bps	+47 bps	
RMC + Asphalt	6.8 %	6.5 %	-22 bps	-22 bps		5.9 %	6.9 %	+98 bps	+98 bps	

All values based on proforma figures. LfL figures excluding currency, scope impacts and CO₂ gains in Q215: 10m€ ; Q216: 6m€ ; Q416: -3m€

Asia Pacific

- **Australia:** Solid result development driven by strong residential construction demand and integrated supply chain management; strong demand on the East Coast compensates for weaker mining sector.
- **Indonesia:** Volume and price erosion stabilized through the end of the year; strict cost management partially compensates margin pressure from lower prices; New cement brand introduced enabled the maintaining of Indocement's leading market position. Market is still weak in Q4.
- **India:** Strong volume development in Southern India despite demonetization. Improved earnings as a result of positive pricing and cost efficiency.
- **Thailand:** Market was still under pressure in Q4 due to moaning period after the death of the king. Establishment of effective distribution network enabled positive volume development despite contraction of domestic market; Price pressure due to increasing competitive pressures affected operational results.
- **China:** Price increases and strict cost management offset negative result impact from lower demand.

Asia - Pacific	Full Year					Q4				
	2015	2016	variance	L-f-L	2015	2016	variance	L-f-L		
Volumes										
Cement volume ('000 t)	33,696	34,386	691	2.0 %	2.0 %	8,944	8,799	-144	-1.6 %	-1.6 %
Aggregates volume ('000 t)	36,986	39,807	2,821	7.6 %	-2.3 %	9,458	10,458	1,000	10.6 %	-0.2 %
Ready mix volume ('000 m ³)	11,773	11,434	-339	-2.9 %	-2.9 %	3,112	3,015	-98	-3.1 %	-3.1 %
Asphalt volume ('000 t)	2,045	1,840	-205	-10.0 %	-10.0 %	469	506	37	7.9 %	7.9 %
Operational result (EURm)										
Revenue	3,350	3,186	-164	-4.9 %	-5.4 %	844	826	-19	-2.2 %	-6.8 %
Operating EBITDA	832	756	-76	-9.2 %	-10.1 %	205	206	2	0.9 %	-4.4 %
<i>in % of revenue</i>	24.8 %	23.7 %				24.2 %	25.0 %			
Operating income	657	573	-85	-12.9 %	-13.9 %	161	154	-7	-4.6 %	-9.7 %

Opr. EBITDA margin (%)	2015	2016	variance
Cement	28.0 %	25.6 %	-241 bps
Aggregates	28.2 %	28.8 %	+59 bps
RMC + Asphalt	1.0 %	0.4 %	-52 bps

Q4	2015	2016	variance
Cement	26.7 %	23.6 %	-312 bps
Aggregates	25.6 %	32.7 %	+709 bps
RMC + Asphalt	0.8 %	1.8 %	+99 bps

All values based on proforma figures. LfL figures excluding currency and scope impacts.

Africa - Eastern Mediterranean Basin

- **Egypt:** Slightly higher cement demand and reorganization have contributed positive to the results.
- **Morocco:** Strong growth in cement volumes supported by infrastructure projects; solid result development.
- **Tanzania:** Good market demand; price pressure from increased competition; stable result development.
- **Ghana:** EBITDA down due to increased competition and slightly lower volumes compared to last year.
- **DR Congo:** Volume and result below prior year due to high illegal imports & instability.
- **Israel:** Improved result on a high level driven by good demand and lower variable costs.
- **Turkey:** Good market demand; stable domestic prices; export prices clearly down; stable result on high level.

Africa - Eastern Med. Basin	Full Year					Q4				
	2015	2016	variance		L-f-L	2015	2016	variance		L-f-L
Volumes										
Cement volume ('000 t)	19,910	20,148	238	1.2 %	0.4 %	5,413	5,039	-374	-6.9 %	-8.1 %
Aggregates volume ('000 t)	10,161	11,005	845	8.3 %	8.3 %	2,503	2,782	278	11.1 %	11.1 %
Ready mix volume ('000 m ³)	4,804	4,955	151	3.1 %	3.1 %	1,248	1,185	-63	-5.1 %	-5.1 %
Asphalt volume ('000 t)	408	496	88	21.6 %	21.6 %	91	116	25	27.7 %	27.7 %
Operational result (EURm)										
Revenue	1,919	1,800	-119	-6.2 %	2.5 %	492	423	-69	-14.0 %	4.5 %
Operating EBITDA	465	462	-3	-0.6 %	4.6 %	109	129	20	18.2 %	27.8 %
<i>in % of revenue</i>	24.2 %	25.7 %				22.2 %	30.6 %			
Operating income	334	338	4	1.2 %	4.7 %	77	95	18	23.2 %	24.3 %

Opr. EBITDA margin (%)	2015	2016	variance
Cement	25.1 %	26.7 %	+167 bps
Aggregates	19.7 %	21.8 %	+207 bps
RMC + Asphalt	4.7 %	5.7 %	+94 bps

Q4	2015	2016	variance
Cement	23.0 %	33.6 %	+1,057 bps
Aggregates	20.0 %	20.5 %	+50 bps
RMC + Asphalt	4.2 %	6.1 %	+190 bps

All values based on proforma figures. LfL figures excluding currency and scope impacts.

Group Services

- International sales volumes reach above 20mt.
- EBITDA is negatively affected by fierce competition and rising margin pressure.

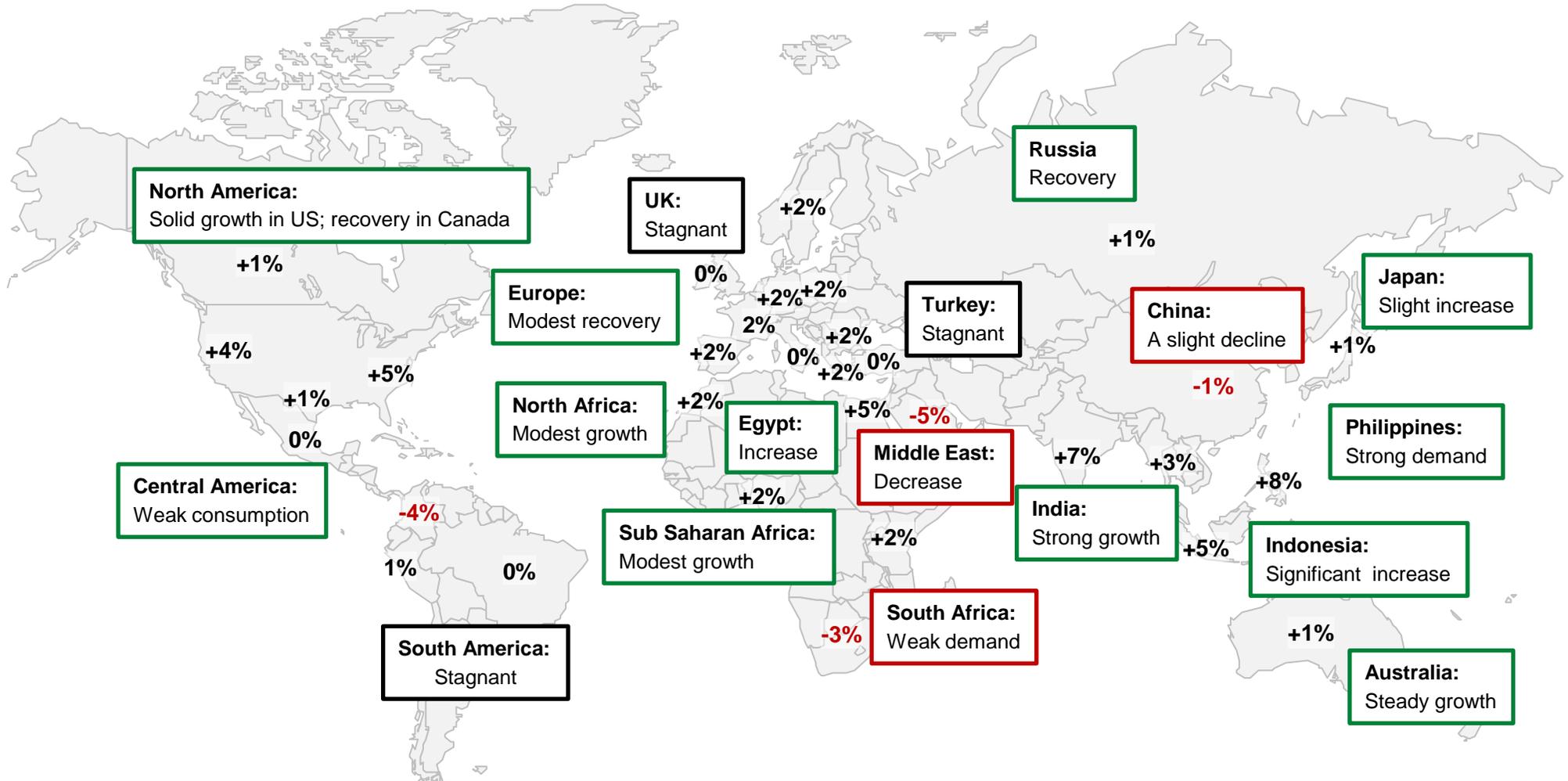
Group Services	Full Year					Q4				
	2015	2016	variance		L-f-L	2015	2016	variance		L-f-L
Operational result (EURm)										
Revenue	1,236	1,162	-74	-6.0 %	-6.3 %	320	340	20	6.1 %	4.5 %
Operating EBITDA	39	28	-12	-29.7 %	-29.9 %	11	7	-4	-33.5 %	-34.4 %
<i>in % of revenue</i>	3.2 %	2.4 %				3.4 %	2.1 %			
Operating income	32	20	-12	-37.1 %	-37.3 %	9	5	-4	-42.7 %	-43.5 %

All values based on proforma figures. LfL figures excluding currency and scope impacts.

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Global cement demand outlook 2017



Solid demand and steady growth expected in our key markets

Overview of our key markets

UK: Continue to outperform the markets as a result of superior footprint and fully integrated business.

Germany: Demand continues to grow.

Benelux: Recovery continues in Netherlands; Belgium coming back from low levels

Nordics: Another strong year ahead.

US: Strong underlying business trend and price increases in all business lines lead to further margin development.

Canada: Worst is behind. Positive market environment.

Italy: Improvement in demand and pricing.

France: Improvement in demand and price stabilization.

Eastern Europe: Positive development in all key markets. Solid demand provides potential for price increases.

Morocco: Continues to be strong.
Egypt: Positive volume and price trend.

Sub Saharan Africa: Pick up of market growth in Ghana, Togo and Tanzania.

India: Growth continues despite volatility in some local markets.

Indonesia: Worst is behind; strong increase in demand and no further price erosion.

Australia: Overall positive market conditions driven by residential and infrastructure works.

Solid demand and steady growth expected in our key markets

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Volume and price development (Full Year)

	Domestic gray cement		Aggregates		Ready Mix	
	Volume	Price	Volume	Price	Volume	Price
Total US	++	++	+	++	--	++
Canada	--	+	-	--	--	-
Belgium	-	+	--	-	--	+
Netherlands	++	+	--	++	--	++
Germany	++	-	++	+	++	-
France	-	--	-	-	+	--
Italy	--	-	--	++	-	--
Spain	--	--	--	++	++	--
United Kingdom	++	++	++	-	+	+
Norway	++	++	--	--	++	+
Sweden	++	+	--	++	+	+
Czech Republic	++	+	--	+	++	+
Georgia	++	+				
Hungary	++	+				
Kazakhstan	+	++				
Poland	++	--	++	--	++	--
Romania	++	--	--	--	--	-
Russia	+	++				
Ukraine	--	++				
Australia	+	+	++	+	++	++
Indonesia	--	--	++	+	--	--
India	++	--				
Thailand	++	--			++	--
China North	--	++				
China South	--	--				
Bangladesh	++	--				
Malaysia			--	--	--	--
Ghana	--	--				
Tanzania	++	--				
Egypt	--	++			--	++
Morocco	+	+			++	++
Turkey	++	-				++

Currency and Scope Impacts

Cement Volume	December Year to Date			Q4		
	Cons.	Decons.	Curr.	Cons.	Decons.	Curr.
North America	0	0	0	0	0	0
West & South Europe	0	0	0	0	0	0
North & East Europe	0	0	0	0	0	0
Asia - Pacific	0	0	0	0	0	0
Africa - Med. Basin	165	0	0	62	0	0
Group Services	0	0	0	0	0	0
TOTAL GROUP	165	0	0	62	0	0
Aggregates Volume	December Year to Date			Q4		
	Cons.	Decons.	Curr.	Cons.	Decons.	Curr.
North America	0	0	0	0	0	0
West & South Europe	0	0	0	0	0	0
North & East Europe	5,552	0	0	5,098	0	0
Asia - Pacific	3,663	0	0	1,016	0	0
Africa - Med. Basin	0	0	0	0	0	0
Group Services	0	0	0	0	0	0
TOTAL GROUP	9,215	0	0	6,114	0	0
RMC Volume	December Year to Date			Q4		
	Cons.	Decons.	Curr.	Cons.	Decons.	Curr.
North America	0	0	0	0	0	0
West & South Europe	0	0	0	0	0	0
North & East Europe	282	0	0	0	0	0
Asia - Pacific	0	0	0	0	0	0
Africa - Med. Basin	0	0	0	0	0	0
Group Services	0	0	0	0	0	0
TOTAL GROUP	282	0	0	0	0	0

Revenues	December Year to Date			Q4		
	Cons.	Decons.	Curr.	Cons.	Decons.	Curr.
North America	0	0	-17	0	0	17
West & South Europe	0	-55	-169	0	0	-61
North & East Europe	426	-94	-107	137	0	1
Asia - Pacific	47	0	-33	10	0	30
Africa - Med. Basin	12	0	-174	4	0	-91
Group Services	0	0	4	0	0	5
TOTAL GROUP	485	-149	-496	151	0	-100
Operating EBITDA	December Year to Date			Q4		
	Cons.	Decons.	Curr.	Cons.	Decons.	Curr.
North America	0	0	-5	0	0	3
West & South Europe	0	-16	-28	0	0	-10
North & East Europe	35	-10	-7	8	0	0
Asia - Pacific	10	0	-3	3	0	8
Africa - Med. Basin	0	0	-23	1	0	-9
Group Services	0	0	0	0	0	0
TOTAL GROUP	45	-25	-66	11	0	-7
Operating Income	December Year to Date			Q4		
	Cons.	Decons.	Curr.	Cons.	Decons.	Curr.
North America	0	0	-5	0	0	2
West & South Europe	0	-15	-18	0	0	-7
North & East Europe	24	-9	3	9	0	1
Asia - Pacific	7	0	-1	2	0	7
Africa - Med. Basin	-1	0	-10	0	0	-1
Group Services	0	0	0	0	0	0
TOTAL GROUP	30	-24	-31	11	0	3

Contact information and event calendar

Event calendar

16 March 2017	2016 annual results
10 May 2017	2017 first quarter results
10 May 2017	2017 AGM
01 August 2017	2017 half year results
08 November 2017	2017 third quarter results

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