ANNUAL REPORT

2017

HEIDELBERGCEMENT

Financial highlights

Figures in €m	2011	2012	2013	2014	2015	2016*	2017
Number of employees as at 31 December	52,526	51,966	45,169	44,909	45,453	60,424	**59,054**
Sales volumes							
Cement and clinker (million tonnes)	87.8	89	78.1	81.8	81.1	102.8	**125.7**
Aggregates (million tonnes)	254.1	243	230.6	243.6	249.2	272.0	**305.3**
Ready-mixed concrete (million cubic metres)	39.1	39.1	34.9	36.6	36.7	42.5	**47.2**
Asphalt (million tonnes)	9.5	8.6	8.4	9.3	9.1	9.4	**9.6**
Income statement							
Total Group revenue	12,902	14,020	12,128	12,614	13,465	15,166	**17,266**
Result from current operations before depreciation and amortisation (RCOBD[1])	2,321	2,477	2,224	2,288	2,613	2,887	**3,297**
Result from current operations (RCO[2])	1,474	1,604	1,519	1,595	1,846	1,928	**2,188**
Profit for the financial year	534	529	933	687	983	831	**1,058**
Group share of profit	348	285	736	486	800	657	**918**
Dividend per share in €	0.35	0.47	0.6	0.75	1.30	1.60	**1.90**[3]
Earnings per share in €	1.86	1.52	3.93	2.59	4.26	3.40	**4.62**
Investments							
Investments in intangible assets and PP&E	874	831	861	941	908	1,040	**1,035**
Investments in financial assets	85	35	379	184	94	2,999	**243**
Total investments	959	866	1,240	1,125	1,002	4,039	**1,278**
Depreciation and amortisation	847	873	704	693	767	959	**1,109**
Free cash flow							
Cash flow from operating activities	1,332	1,513	1,167	1,480	1,449	1,874	**2,038**
Cash flow from investing activities	-758	-582	-1,037	-973	493	-2,321	**-837**
Balance sheet							
Equity (incl. non-controlling interests)	13,569	13,708	12,514	14,245	15,976	17,792	**16,052**
Balance sheet total	29,020	28,008	26,276	28,133	28,374	37,120	**34,558**
Net debt	7,868	7,092	7,352	6,957	5,286	8,999	**8,695**
Ratios							
RCOBD[1] margin	18.0 %	17.7 %	18.3 %	18.1 %	19.4 %	19.0 %	**19.1 %**
RCO[2] margin	11.4 %	11.4 %	12.5 %	12.6 %	13.7 %	12.7 %	**12.7 %**
Net debt / equity (gearing)	58.0 %	51.7 %	58.7 %	48.8 %	33.1 %	50.6 %	**54.2 %**
Net debt / RCOBD	3.39x	2.86x	3.31x	3.04x	2.02x	3,12x	**2,64x**

* Amounts were restated, see the Notes on page 124 f.

1) RCOBD = Result from current operations before depreciation and amortisation

2) RCO = Result from current operations

3) The Managing Board and Supervisory Board will propose to the Annual General Meeting on 9 May 2018 the distribution of a cash dividend of €1.90.

Overview of Group areas

Figures in €m	2016	2017
Western and Southern Europe		
Revenue	3,928	**4,701**
Result from current operations before depreciation and amortisation[1]	526	**613**
Investments in property, plant, and equipment	297	**327**
Employees as at 31 December	15,781	**15,497**
Northern and Eastern Europe-Central Asia		
Revenue	2,425	**2,836**
Result from current operations before depreciation and amortisation	445	**539**
Investments in property, plant, and equipment	124	**144**
Employees as at 31 December	13,107	**13,531**
North America		
Revenue	4,027	**4,345**
Result from current operations before depreciation and amortisation[1]	978	**1160**
Investments in property, plant, and equipment	301	**274**
Employees as at 31 December	8,444	**8,726**
Asia-Pacific		
Revenue	2,907	**3,155**
Result from current operations before depreciation and amortisation[1]	705	**652**
Investments in property, plant, and equipment	215	**209**
Employees as at 31 December	14,956	**14,039**
Africa-Eastern Mediterranean Basin		
Revenue	1,314	**1,586**
Result from current operations before depreciation and amortisation[1]	327	**367**
Investments in property, plant, and equipment	102	**81**
Employees as at 31 December	7,602	**6,856**
Group Services		
Revenue	1,078	**1,301**
Result from current operations before depreciation and amortisation[1]	24	**31**
Investments in property, plant, and equipment		
Employees as at 31 December	534	**405**

1) 2016 amount was restated

Financial highlights | Overview of Group areas →

1 – To our shareholders

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

1 To our shareholders

Dr. Bernd Scheifele, Chairman of the Managing Board

Dear Shareholders, Dear Employees and Friends of HeidelbergCement,

In 2017, HeidelbergCement once again delivered what it had promised at the start of the financial year:

- Sales volumes, revenue, and result from current operations improved in comparison with the previous year and reached historic highs despite significantly negative exchange rate effects.
- Earnings per share rose disproportionately by 36 % in spite of a substantial negative non-recurring effect connected with the US tax reform.
- We reduced net debt considerably and improved the key financial ratios.
- Once again, we earned a premium on our cost of capital.

We are particularly satisfied with our achievements in 2017 because the external conditions were challenging.

Worldwide, our operating units faced a rapid and significant rise in energy prices. We responded quickly and consistently to this challenge by optimising the fuel mix in our plants and by successfully implementing additional price increases in many countries.

In our most important market, the USA, the extreme weather conditions in some regions posed a particularly tough challenge. The two hurricanes Harvey and Irma as well as extremely wet weather on the west coast of the USA affected our business activities considerably.

In Europe, the uncertainty surrounding the continuing Brexit discussions had a negative impact, especially in our core market of London, and led to a significant decline in income for our British subsidiary.

In our Asian core markets of Indonesia, Thailand, and Malaysia, we encountered sustained competitive pressure.

Finally, the surprising strength of the euro resulted in considerable exchange rate losses.

For the capital markets, 2017 was a successful year. The HeidelbergCement share performed positively, and at €90.25 at the end of December 2017 was €1.62 (+1.8 %) higher than the closing price of 2016. Although this figure was below the development of the German benchmark index DAX (+12.5 %) in the last year, over the last four years we significantly exceeded both the DAX (+31 %) and the MSCI World Construction Materials Index (+22 %) with an increase of 49 % in our share.

2017 – new record figures

In its history stretching back over 140 years, HeidelbergCement has never sold more cement, concrete, gravel, and sand than in 2017. New record figures were also achieved in revenue and result from current operations.

In 2017, Group revenue increased to €17.3 billion, corresponding to a rise of 14 %. After adjustment for exchange rate effects and changes in the scope of consolidation, revenue was 2 % higher than in the previous year. Result from current operations rose by €261 million (+14 %) to €2,188 million; on a comparable basis, the increase amounted to 10 %. The additional ordinary result improved by €191 million in comparison with the previous year. This primarily reflects the fact that the restructuring costs for the integration of Italcementi were lower than originally planned.

The financial result improved by €102 million to €-391 million. This improvement was largely due to lower interest expenses and the elimination of charges in the other financial result.

The tax expense increased by €292 million in comparison with the previous year to €606 million, particularly as a result of non-recurring, non-cash charges connected with the US tax reform. We expect to benefit from the US tax reform from the 2019 financial year.

The profit for the financial year rose by €227 million to €1.1 billion. The development of the earnings per share was particularly pleasing; it improved from €3.40 to €4.62. At 36 %, the increase in earnings per share was significantly higher than the revenue growth. This sends a clear message: we have fulfilled the promise we made when we announced the Italcementi acquisition, which was to build shareholder values!

Net debt was reduced by €304 million to €8,695 million. The strength of the euro had a negative impact of approximately €381 million on net debt. At 2.6x, the dynamic gearing ratio is close to the target of 2.5x that was communicated to the capital market. On the basis of these strong operating figures and our disciplined financial management, we have once again earned a premium on our cost of capital.

In view of the positive development of our business and the considerable growth in profit for the financial year, the Managing Board and Supervisory Board will propose to the Annual General Meeting on 9 May 2018 an increase in the dividend from €1.60 per share to €1.90 per share, corresponding to a rise of 18.8 %. By proposing the eighth consecutive increase, we are continuing our progressive dividend policy. The proposed dividend represents a new record figure in the history of HeidelbergCement. Furthermore, we reaffirm the target we communicated to the capital market of achieving a payout ratio of 40 % to 45 % for the 2019 financial year.

Italcementi integration successfully completed

In 2017, we successfully completed the ambitious task of integrating the global activities of Italcementi to a large extent. The following figures illustrate this clearly: When the transaction was concluded in 2015, we originally anticipated that synergies of around €175 million would be realised by the 2018 financial year. In 2016, we increased our synergy target to €470 million by the end of 2018. We have now exceeded this target in two ways: at the end of the 2017 financial year we had realised €513 million of synergies – and this was a year earlier than planned! This makes two things clear: Without the synergies from the Italcementi integration, the increase in income during this financial year would not have been possible. The growth of 36 % in the earnings per share clearly illustrates that the very successful and rapid integration of Italcementi contributed significant added value for our shareholders. This value creation is also reflected in the non-recurring costs for integration and restructuring of approximately €345 million, which are lower than for similar transactions.

Continuing portfolio optimisation

In 2017, we pressed ahead consistently with our global portfolio optimisation. We sold several activities that did not meet our return requirements or did not form part of our core business. This includes the sale of our sand-lime brick business in Germany, the disposal of our activities in Saudi Arabia, the sale of the white cement business in Belgium, and the deconsolidation of our Georgia activities. In addition, we initiated the sale of our white cement production facilities in the USA and Egypt.

At the same time, we further expanded our market positions in key countries thanks to a series of acquisitions. With the successful takeover of Cementir Italia, Italcementi has continued to strengthen its market leadership in Italy. We assume that this acquisition will bring considerable synergy effects over the next few years. In the USA, we expanded our market position by acquiring the activities of our Mexican competitor Cemex in the Seattle/Portland area. Furthermore, in the US state of New York, we acquired one of the leading aggregates and ready-mixed concrete companies in the region, Saunders Companies.

Sustainability – an integral part of the Group strategy

Sustainable business is an integral part of our Group strategy. In 2017, we introduced our Sustainability Commitments 2030, which define the key topics and principles for HeidelbergCement's future sustainability strategy. These focus on the following six areas:

- Economic strength and innovation
- Occupational health and safety
- Ecological footprint
- Circular economy
- Relationships with our neighbours
- Compliance with legal standards and transparency

We have made a commitment to accept our share of the global responsibility to limit the worldwide rise in temperature to below 2° C.

In operational terms, we have made significant progress in occupational safety and environmental protection. We have reduced the accident frequency rate in our core business by 21 % and decreased specific net CO_2 emissions. We are working continuously to minimise the risks for our employees, contractors, and third parties and to achieve our goal of "zero harm", which we also set out in our Sustainability Commitments 2030. Furthermore, we are continuing to invest in reducing our emissions, for example in connection with the Germany Cement Master Plan.

Change and digitisation

Being sustainably successful also means not shying away from the change in society and technology but playing an active role in shaping it. Digitisation is increasingly changing the way in which we communicate with our customers and manage and optimise our processes. HeidelbergCement is on track to actively shape this change. In 2017, we modernised our IT structures and also repositioned ourselves for the future topics of digital transformation and digital disruption, regarding our organisation and personnel. We develop digital solutions for all steps along our value chain, from purchasing through production and logistics to sales and finance. In addition, we are currently developing an online portal for our customers and aim to start introducing it worldwide in the second half of the year. We place particularly high value on involving managers and employees in these change processes from the outset and preparing them adequately for the new challenges.

Thanks to our employees

Our employees worldwide had to face many new and unexpected challenges in 2017. Their strong personal dedication and unconditional loyalty to our Group are major strengths of HeidelbergCement. On behalf of myself and all my colleagues on the Managing Board, I would like to express our sincere gratitude and appreciation. Special thanks also go to the employee representatives, who in line with the HeidelbergCement philosophy cooperated very closely, openly, and trustingly with the Managing Board for the benefit of our Group.

Strategic priorities remain unchanged

The strategic priorities defined in 2015 still apply:

- Shareholder returns
- Continuous growth

To achieve these goals, we rely on strict investment discipline, a solid investment grade, a progressive dividend policy, and operational excellence in our day-to-day activities. To implement these goals, we concentrate on three areas:

- Increasing free cash flow
- Achieving adequate growth in selected markets
- Generating an attractive rate of return for our shareholders

Sustainability in our activities is important to us: for our shareholders, customers, employees, suppliers, and business partners, for society, and for preserving the environment. Consequently, we integrate economic, ecological, and social goals into our business strategy.

In the last few years, HeidelbergCement has impressively demonstrated that by consistently implementing these strategic priorities, we create long-term value for our shareholders. For the period from 2014 to 2017, we achieved a compound annual growth rate (CAGR) of 21 % in the earnings per share. At the same time, we raised the dividend by 36 % per year on average, thus offering our shareholders a disproportionately high share in our success.

Outlook for 2018

We are confident about 2018. The outlook for the global economy is positive. Nevertheless, major macroeconomic and particularly geopolitical risks still exist. An escalation of the conflicts in the Middle East, Ukraine, or with North Korea could have a rapid and substantial negative impact on the business environment. An accelerated interest rate rise in the USA could lead to significant devaluations of the currencies in emerging countries.

HeidelbergCement will benefit from the good and stable economic development in the industrial countries, above all in the USA, Canada, Germany, the countries of Northern Europe, and Australia. The continued economic upturn, particularly in the countries of Eastern Europe, as well as in France, Spain, and – somewhat less pronounced – in Italy, will also be to our advantage. These markets generate over 75 % of our revenue. In the growth countries such as Egypt, Indonesia, Thailand, India, and Morocco, as well as in Western and Eastern Africa, we anticipate an ongoing economic recovery.

We expect increasing sales volumes of our core products cement, aggregates, and ready-mixed concrete.

In terms of costs, we anticipate a further rise in the prices of energy and raw materials; in contrast, the personnel costs within the Group will only increase moderately.

Our global programmes to optimise costs and processes as well as increase margins will be consistently pursued in 2018. These include the Continuous Improvement programmes for the aggregates (“Aggregates CI”), cement (“CIP”), and concrete (“CCR”) business lines, as well as “FOX” for purchasing. As in previous years, we expect these programmes to contribute significantly to further improving our efficiency and result.

On the basis of these assumptions, the Managing Board has set the goal of moderately increasing revenue and result from current operations before exchange rate and consolidation effects. We anticipate a noticeable rise in earnings per share. HeidelbergCement is globally well positioned for sustainable and profitable growth. Our strategy is clear: to achieve continuous growth, create long-term value for our shareholders, and safeguard high-quality jobs. We are on track!

Yours sincerely,

Bernd Scheifele

Dr. Bernd Scheifele
Chairman of the Managing Board

Heidelberg, 22 March 2018

Fritz-Jürgen Heckmann, Chairman of the Supervisory Board

Report of the Supervisory Board

Ladies and Gentlemen,

The 2017 financial year developed very positively. HeidelbergCement benefited from the strong economic development in various countries and achieved pleasing levels of results, particularly in North America, Germany, Northern and Eastern Europe, Morocco, and Australia. The countries of Southern Europe showed clear signs of a recovery. Although economic environment in the emerging countries of Africa and Asia remained difficult, a reversal of the trend has also recently become apparent here. HeidelbergCement has successfully continued to work on consistent cost management and operational efficiency and has responded to market changes on a timely basis. In particular, a prompt adjustment of the energy mix limited the impact of the rise in energy prices. The successful integration of Italcementi and the synergy effects achieved during this process also contributed to the positive development of results. Following the upgrading of HeidelbergCement's credit quality by the rating agencies S&P Global Ratings, Moody's, and Fitch to the premium standard investment grade at the start of November 2016, the company was able to refinance numerous liabilities on significantly better terms, leading to a considerable improvement in HeidelbergCement's financial result. On a comparable pro forma basis, i.e. taking into account the contributions of Italcementi since the beginning of 2016 and without taking into account consolidation and exchange rate effects, the result from current operations increased as forecast. In the 2017 financial year, the earnings per share rose by 36 % to €4.62.

Consultation and monitoring

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

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

The plenary session of the Supervisory Board convened at five ordinary meetings and one extraordinary meeting during the reporting year. The Audit Committee and the Personnel Committee both met twice. The Arbitration Committee, formed in accordance with section 27(3) of the German Codetermination Law, did not need to meet. In addition, the Audit Committee held three conference calls during the reporting year to discuss the relevant quarterly reports in detail prior to their publication. The results of the committees' meetings were reported at the subsequent plenary sessions. Members of the Supervisory Board and its committees are listed in the Corporate Governance chapter on ↗ page 98 f.

There was a pleasing attendance rate of 100% at the plenary sessions and the committees' meetings. This once again exceeds the very high attendance rate of the Supervisory Board members at the previous year's meetings. The sessions in the first half of 2017 dealt, amongst other things, with the adoption of the 2016 annual financial statements and consolidated financial statements, the approval of the 2017 operating plan, and preparations for the 2017 Annual General Meeting, in addition to regular reporting on the business trends and status of net debt, as well as resolutions on Corporate Governance issues, including decisions on the variable elements of the Managing Board remuneration.

The Supervisory Board has received ongoing, detailed reports on the progress made in the integration of the Italcementi activities and the achievement of the synergy goals connected with this process. In the opinion of the Supervisory Board, the fact that synergy targets were exceeded is clear evidence of the integration capabilities and business potential of HeidelbergCement.

Both the Supervisory Board and its Audit Committee once again addressed financing decisions during the reporting year. These included the conclusion of a loan agreement with the European Investment Bank for the provision of funds to modernise the cement plant in Schelklingen as part of the Germany Cement Masterplan mentioned in the last report of the Supervisory Board, as well as for research into and development of innovative products and production processes. In the next few years, considerable investments will be made in Schelklingen for the purposes of modernisation, efficiency improvement, and environmental protection. The Supervisory Board approved the extension of the €3 billion syndicated loan provided by various banks on improved terms. In addition, the Supervisory Board approved the issue of three bonds under the Euro Medium Term Note programme created in the mid-1990s, which allows the company to issue bonds to the capital market. The three bonds amount to €750 million with a term of four years, €1 billion with a term of nine years, and €500 million with a term of ten years. In 2017, the prospectus that underpins Euro Medium Term Note programme was comprehensively amended due to the acquisition of Italcementi in November 2016 and updated on the basis of the 2016 Annual Report.

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

The Supervisory Board acknowledged that the maturity profile of the liabilities shows its usual balanced structure and that the company also earned a premium on invested capital (ROIC) immediately after the Italcementi acquisition. It encouraged the Managing Board in its efforts to keep the dynamic gearing ratio in the investment grade target range and steadily reduce it in the future. HeidelbergCement's long-term strategy was also a regular subject of the discussions of the Supervisory Board. At all its meetings, the Supervisory Board discussed with the Managing Board the major investments, divestments, and portfolio optimisations affecting the strategic goals of profitable growth of HeidelbergCement and a further improvement of the balance sheet structure. The programmes introduced by the Managing Board for continuous improvement of the company's operational excellence along the value chain were also a topic of the Supervisory Board discussions. In 2017, the Supervisory Board focused in particular on the issue of digitisation and its impact on the business of our company. In its extraordinary strategy meeting in September 2017, the Supervisory Board dealt intensively with the strategic challenges for HeidelbergCement in connection with the digitisation of the industry (HeidelbergCement 4.0) as well as additional strategic requirements following the acquisition of Italcementi. In the future, digitisation will impact every stage of the value chain. The Supervisory Board supports the Managing Board in developing and implementing suitable strategies to prepare HeidelbergCement for these challenges. In November 2017, the Supervisory Board members collectively took part in a workshop on the topic of sustainability, which remains an important strategic goal of HeidelbergCement.

In its meetings, the Audit Committee dealt with the 2016 annual financial statements and consolidated financial statements as well as the points of focus for the audit, the status quo reports regarding internal audit, risk management, and compliance, the quarterly and half-yearly reports for the 2017 financial year, the preparation of the Supervisory Board's proposal to the 2017 Annual General Meeting for the appointment of the auditor and Group auditor, and – after the Annual General Meeting followed this proposal – the award of the contract to the audit firm Ernst & Young for the auditing of the annual financial statements and consolidated financial statements for the 2017 financial year. In this context, it defined the points of focus for the audit. The auditors responsible for the consolidated financial statements are Helge-Thomas Grathwol and Karen Somes.

The Audit Committee also monitored the development of the non-audit services by the company's auditor and received reports from the Managing Board on the nature and scope of the non-audit services performed by the auditor in 2017.

The meetings of the Personnel Committee covered, amongst other things, the preliminary discussion and recommendation to the Supervisory Board regarding the determination of the variable Managing Board remuneration for the 2016 financial year, as well as the definition of parameters for the variable Managing Board remuneration in the year 2017 and in the years 2017 to 2019, respectively. Finally, the Personnel Committee assured itself that all members of the Managing Board have carried out the required individual investment in HeidelbergCement shares as part of the Managing Board remuneration system.

In its meeting on 18 July 2017, the Nomination Committee proposed that Mrs Margret Suckale be added to the Supervisory Board as a successor to Mr Alan Murray, who was a member of the Supervisory Board as shareholder representative until 30 June 2017, and that the judicial appointment of Mrs Suckale as a member of the Supervisory Board until the 2018 Annual General Meeting be requested. The Supervisory Board would then be able to propose to the 2018 Annual General Meeting that Mrs Suckale be elected to the Supervisory Board for the remaining period of office of the other members of the Supervisory Board, i.e. until the conclusion of the 2019 Annual General Meeting. The competent Local Court (Amtsgericht) of Mannheim granted the request of the Managing Board and appointed Mrs Suckale as a member of the Supervisory Board, as shareholder representative, with effect from 25 August 2017 until the by-election of a new member of the Supervisory Board by the 2018 Annual General Meeting. In its meeting on 11 September 2017, the Supervisory Board elected Mrs Margret Suckale to the Personnel Committee, succeeding Mr Alan Murray.

During the reporting year, there were no conflicts of interest of any Supervisory Board member when dealing with topics within the Supervisory Board. Once again, there were no consulting or other contracts for services or work between any member of the Supervisory Board and the Group in the 2017 reporting year.

Corporate Governance

The statement of compliance in the reporting year was submitted by the Managing Board on 13 February 2017 and by the Supervisory Board on 14 February 2017. The statement of compliance for the current year was submitted by the Managing Board on 19 February 2018 and by the Supervisory Board on 20 February 2018. The complete text can be found in the section Statement of compliance in accordance with section 161 of the German Stock Company Act in the Corporate Governance chapter on ↗ page 86. The statements are made permanently available to the shareholders on the Group's website.

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

With regard to its composition and that of the Managing Board, the Supervisory Board thoroughly complies with the guidelines of the German Corporate Governance Code regarding the principles of diversity when appointing committees and leadership positions within the Group and of section 289f. (2)(6) of the German Commercial Code (Handelsgesetzbuch – HGB) (diversity concept). Regarding its own composition, it implements the diversity goals stated in the Code by means of the specific objectives below and the competence profile for the Supervisory Board agreed on 11 September 2017.

The composition of the Supervisory Board is an appropriate reflection of the national and international alignment of HeidelbergCement as a leading building materials manufacturer. It is the target of the Supervisory Board that it is composed of at least nine members who are independent in line with point 5.4.2 of the Code, of which at least four are representatives of the shareholders. Employee representatives are not considered as dependent just because they are employees of the company. At least 30 % of the Supervisory Board's members are women and at least 30 % men. The standard retirement age for members of the Supervisory Board is 75 years; at this age ends also the regular limit of length of membership of the Supervisory Board.

The competence profile shall ensure that the skills and areas of knowledge or technical experience listed below are all held by at least one member of the Supervisory Board, so that as a body the Supervisory Board covers all of the necessary competence areas, as listed below:
- Competence in industry, leadership, and committees (in particular, familiarity with the building materials industry or closely related industries, leadership activities within companies, membership and leadership of boards/committees)
- Personnel competence (in particular, putting together managing bodies, processes for identifying candidates for suitable positions, contractual arrangements with managers)
- Regulatory competence (in particular, in the areas of compliance structures and concepts, legal frameworks, corporate governance)
- Accounting competence (in particular, financial reporting and auditing)

In the Supervisory Board, the competences listed above should be represented as broadly and in as balanced a way as possible. In addition, the in-depth competences in individual fields held by the individual members of the Supervisory Board should ideally be complemented by the members' personal, national, and/or international backgrounds. In addition, the combination of competences from a diversity perspective should be considered, as well as the availability of the Supervisory Board members.

With these goals and the competence profile, the Supervisory Board aims to make a wide range of expertise available to the Group and to have the broadest possible pool of candidates at its disposal for the election of future Supervisory Board members.

In its meeting on 15 March 2017, the Supervisory Board resolved, after reconsideration, to maintain the current proportion of women in the Managing Board and to set the target figure for the proportion of women in the Managing Board by 30 June 2020 to 0 % again, although this specification explicitly states that the Supervisory Board is committed, as was previously the case, to take diversity into account when making personnel decisions. The reason for this resolution is that so far no women could be identified in the company who could fulfill the high requirements of filling a Managing Board position in this period of time. The requirements include, among others, long-time international experience in a leading position at HeidelbergCement in the operational area at plant or country level or in the finance sector. With the targeted use of training programmes for future executives, HeidelbergCement is working at creating a pool of qualified female candidates. When filling Managing Board positions, the Supervisory Board makes no distinction on the basis of gender, origin, or any other characteristics. It makes its decisions regarding appointments to leadership positions within the company solely on the basis of objective criteria such as professional qualifications (international leadership experience, industry knowledge) and the personal suitability of the relevant person for the actual task. In particular, the Supervisory Board strives to achieve a Managing Board composition that is internationally balanced and complementary. The diversity concept mentioned above is taken into account in the composition of the Managing Board.

The Supervisory Board welcomes and supports the Managing Board's goal of further increasing the proportion of women in management positions in the first and second leadership levels below the Managing Board. As at 30 June 2017, the first self-defined target date, the proportion of women in leadership positions in Germany at the first level below the Managing Board was 12 %, and 9 % at the second level. The aim is to increase the proportion of women in Germany in each of the two leadership levels below the Managing Board to 15 % by the end of June 2022. We have continued to use the proportion of women in the total workforce in Germany as a point of reference for the targets. The average proportion of women in the total workforce in Germany in the years 2014 to 2017 was 15 %.

In its meeting in November 2017, the Supervisory Board examined intensively the form and content of the non-financial statement to be issued for the 2017 financial year and decided that the non-financial statement should form a special section in the management report where references are made to non-financial specifications included in other parts of the management report.

As regards the remuneration structure for the members of the Managing Board for the 2017 financial year, details on remuneration of the Managing Board are included in the Corporate Governance Report on ↗ page 89 f. to avoid repetition. A description of the Managing Board remuneration system that came into force on 1 January 2011 and was adjusted on 1 January 2014 can also be found here. The Supervisory Board considers the remuneration appropriate if it reflects adequately the management performance and value creation for the company and for the owners of the company. The basis for appropriate remuneration is a well-structured and transparent remuneration system. HeidelbergCement's remuneration system was developed by taking into account the interests of the company itself and of its owners and by consulting external remuneration experts. In the view of the Supervisory Board, it guarantees appropriate remuneration of the Managing Board. In addition, according to the recommendations of the German Corporate Governance Code, a payment cap was introduced in 2011. For the management component 2015–2017, targets of earnings before interest and taxes (EBIT) and return on invested capital (ROIC) were significantly surpassed. The cap for the calculation of the variable remuneration became effective for the annual bonus for the Group share of profit parameter as well as for the ROIC parameter of the management component of the long-term bonus. Regarding the capital market component, the development of the price of the HeidelbergCement share clearly beat the DAX and MSCI World Construction Materials Index performance over the four-year period of the long-term bonus plan 2014–2016/17. The cap also applies to the achievement in relation to the above indices. Adjusted for dividend payments and changes to the capital, the HeidelbergCement share price increased more than 60 % over the four-year period but stayed below the defined cap.

The Supervisory Board last conducted the regular efficiency review of its activities, as required by the German Corporate Governance Code, in November 2017. Following a further recommendation of the Code, an internal training event was organised as in the past for the Supervisory Board in November 2017. At this event, the members of the Supervisory Board were informed in detail about the Sustainability Commitments 2030 and the EU Emissions Trading System as well as the company's approach to this system. Additional regular training sessions are planned.

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

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

Before the contract for the auditing of the annual financial statements of the Company and the consolidated financial statements of the Group was awarded, the points of focus for the audit, the content of the audit, and the costs were discussed in detail with the auditors, Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Stuttgart. In February 2018, the Managing Board informed the Supervisory Board about the preliminary, unaudited key figures for the 2017 financial year and provided a status report on the financial statements work. The annual financial statements of HeidelbergCement AG, the consolidated financial statements as of 31 December 2017, and the combined management report for the Company and the Group, as prepared by the Managing Board, were examined by the independent auditors. The financial statements together with the reading copies of the auditors' reports were sent in advance to the members of the Supervisory Board. At first, the Audit Committee dealt intensively with the financial statements documents in the presence of the auditors. The auditors reported on the main results of their audit. Then, the Supervisory Board discussed the financial statements documents in detail, once again in the presence of the auditors. The Supervisory Board approved the audit results. It examined the annual financial statements and consolidated financial statements, the combined management report, and the Managing Board's proposal for the use of the balance sheet profit. The results of the pre-audit conducted by the Audit Committee and the results of its own audit correspond fully to the results of the official auditor. The Supervisory Board raised no objections to the final results of this examination. Subsequently, the auditors issued an unqualified audit opinion on the annual financial statements of HeidelbergCement AG and the consolidated financial statements of HeidelbergCement Group as of 31 December 2017 as well as the combined management report of HeidelbergCement AG and HeidelbergCement Group. The Supervisory Board has therefore approved the annual financial statements and the consolidated financial statements. The annual financial statements have thus been adopted.

The combined management report presented to the Supervisory Board also includes the non-financial statement in accordance with sections 289b and 315b of the HGB. The Supervisory Board discussed this statement in detail with the Managing Board and verified its fitness for purpose and accuracy. In particular, the Supervisory Board checked the plausibility of the non-financial statement and discussed it with the Managing Board. The Supervisory Board's examination did not lead to any objections being raised against the non-financial statement.

The Supervisory Board approved the Managing Board's proposal for the use of net profit, including the payout of a dividend of €1.90 per share (previous year: 1.60).

Personnel matters and a note of thanks
In the 2017 reporting year, there was one change to the personnel in the Supervisory Board. Mr Alan Murray left the Supervisory Board with effect from 30 June 2017. Mrs Margret Suckale succeeded Mr Murray as a member of the Supervisory Board as of 25 August 2017. Since 11 September 2017, Mrs Suckale has also continued Mr Murray's membership in the Personnel Committee.

Mr Frank-Dirk Steininger stepped down from his role as member of the Supervisory Board (employee representative nominated by the trade union) of HeidelbergCement with effect from 31 January 2018. The company requested the Local Court (Amtsgericht) of Mannheim to appoint Mrs Barbara Breuninger, nominated by the relevant trade union, as his successor and as a new member of the Supervisory Board.

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

In conclusion, the Supervisory Board would like to thank all employees of the Group once again for their high level of commitment and their performance for the Group in the 2017 financial year.

Heidelberg, 21 March 2018

For the Supervisory Board

Yours sincerely,

Fritz-Jürgen Heckmann
Chairman

Managing Board

DR. BERND SCHEIFELE
Born in Freiburg (Germany), aged 59 years. Studies in law at the universities of Freiburg, Dijon (France), and the University of Illinois (USA). Since 2005, Chairman of the Managing Board; in charge of Strategy & Development, Communication & Investor Relations, Human Resources, Legal, Compliance, and Internal Audit.

DR. DOMINIK VON ACHTEN
Born in Munich (Germany), aged 52 years. Studies in law and economics at the German universities of Freiburg and Munich. Member of the Managing Board since 2007 and Deputy Chairman of the Managing Board since 1 February 2015; in charge of the Western and Southern Europe Group area and the Competence Center Materials, Chief Digital Officer (Digital Transformation & Disruption HeidelbergCement).

KEVIN GLUSKIE
Born in Hobart (Australia), aged 50 years. Studies in civil engineering at the University of Tasmania (Australia) and MBA of the University of Sydney. He joined Pioneer (acquired by Hanson in 2000) in 1990. Member of the Managing Board since 2016 and in charge of the Asia-Pacific Group area, the Competence Center Readymix, Market Intelligence & Sales Processes, as well as Product Marketing.

HAKAN GURDAL
Born in Istanbul (Turkey), aged 50 years. Studies in mechanical engineering at the Yildiz Technical University in Istanbul and MBA International Management of the University of Istanbul. He joined Çanakkale Çimento (today part of the joint venture Akçansa) in 1992. Member of the Managing Board since 2016; in charge of the Africa-Eastern Mediterranean Basin Group area and Purchasing.

JON MORRISH

Born in Shrewsbury (United Kingdom), aged 47 years. Studies in biochemistry at the University of Leeds (UK) and MBA of the Cranfield School of Management. He joined Hanson in 1999. Member of the Managing Board since 2016; in charge of the North America Group area and the Group-wide coordination of secondary cementitious materials.

DR. LORENZ NÄGER

Born in Ravensburg (Germany), aged 57 years. Studies in business administration at the German universities of Regensburg and Mannheim and in Swansea (United Kingdom). Since 2004, member of the Managing Board; in charge of Finance, Accounting, Controlling, Taxes, Treasury, Insurance & Risk Management, IT, Shared Service Center, and Logistics.

DR. ALBERT SCHEUER

Born in Alsfeld (Germany), aged 60 years. Studies in mechanical engineering/process technology at the Clausthal University of Technology (Germany). Since 1992 at HeidelbergCement. Member of the Managing Board since 2007; in charge of the Northern and Eastern Europe-Central Asia Group area, the worldwide coordination of the Heidelberg Technology Center, Research & Development/Product Innovation, as well as Environmental Sustainability.

HeidelbergCement in the capital market

Overview

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

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

Development of the HeidelbergCement share

After closing at €88.63 at the end of 2016, the HeidelbergCement share recorded a slight downward trend in the first eight months and reached its annual low of €77.62 on 29 August 2017. The reasons for this included the sustained competitive pressure in emerging countries and weak sales volumes in the USA due to adverse weather conditions, which caused results to develop more slowly than expected in the first half of the year. In addition, delays in the economic measures announced during the US election campaign, such as tax reform and infrastructural programmes, dampened expectations.

After the end of August, the price of the HeidelbergCement share recovered, reaching its annual high of €92.97 on 20 November. The share price was boosted by the accelerated development of sales volumes in the emerging countries, North America, and Europe, as well as by the strong result in the third quarter.

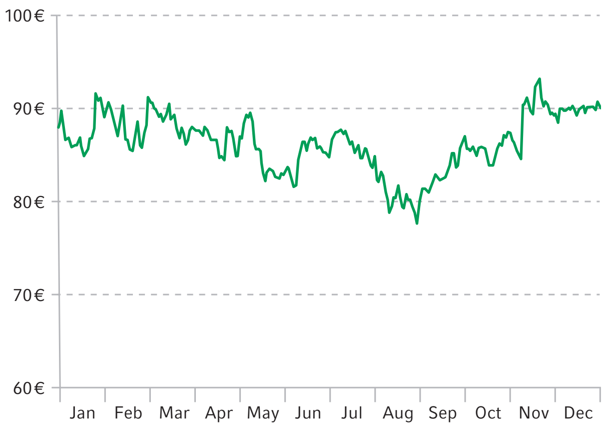
The HeidelbergCement share closed at €90.25 at the end of the year, corresponding to a rise of 1.8 % in 2017. The MSCI World Construction Materials Index, denominated in US dollars, rose by 7.7 % during the same period. However, the US dollar depreciated considerably over this timeframe. The DAX recorded a significantly higher increase than our share, at 12.5 %.

At the end of 2017, HeidelbergCement's market capitalisation amounted to €17.9 billion (previous year: 17.6 billion).

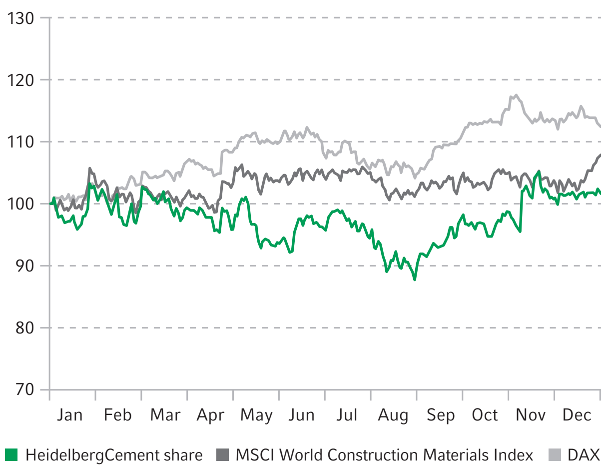
Development of the HeidelbergCement share
(ISIN DE0006047004, WKN 604700)

€	2017
Year-end share price 2016	88.63
Highest share price (20 Nov. 2017)	92.97
Lowest share price (29 Aug. 2017)	77.62
Year-end share price 2017	90.25
Equity per share on 31 Dec. 2017	80.90
Market value on 31 Dec. 2017 (€ '000s)	17,907,087
Change compared with 31 Dec. 2016	
HeidelbergCement share	+1.8 %
DAX	+12.5 %
MSCI World Construction Materials Index	+7.7 %

Performance of the HeidelbergCement share in 2017 based on daily closing prices



Development of the HeidelbergCement share compared to MSCI World Construction Materials Index and DAX in 2017
Index (Base: 31 December 2016 = 100)



Earnings per share

Earnings per share in accordance with IAS 33 for the 2017 financial year were €4.62 (previous year: 3.40). For continuing operations, earnings per share amount to €4.88 (previous year: 3.42).

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

Earnings per share according to IAS 33

	2016[1]	2017
Group share of profit in €m	657.0	**917.7**
Number of shares in '000s (weighted average)	193,023	**198,416**
Earnings per share in €	3.40	**4.62**
Net income from continuing operations in €m – attributable to the parent entity	660.2	**968.4**
Earnings per share in € – continuing operations	3.42	**4.88**
Net income/loss from discontinued operations in €m – attributable to the parent entity	-3.2	**-50.8**
Loss per share in € – discontinued operations	-0.02	**-0.26**

1) Amounts were restated

Dividend

In view of the overall positive business development, the Managing Board and Supervisory Board will propose to the Annual General Meeting on 9 May 2018 the distribution of a dividend of €1.90 per HeidelbergCement share.

Dividend key figures

	2013	2014	2015	2016	2017
Dividend per share in €	0.60	0.75	1.30	1.60	**1.90**[1]
Dividend yield[2] in %	1.0	1.0	1.7	1.8	**2.1**
Group share of profit in €m[3]	736.0	485.7	800.1	657.0	**917.7**
Total dividend amount in €m	112.5	140.9	244.3	317.5	**377.0**
Payout ratio in %[3]	15.3	29.0	30.5	48.3	**41.1**

1) To be proposed to the Annual General Meeting on 9 May 2018
2) Dividend per share/share price on the day of the Annual General Meeting; for the 2017 financial year: dividend per share/share price at the end of the financial year
3) 2016 amount was restated

Shareholder structure and trading volume

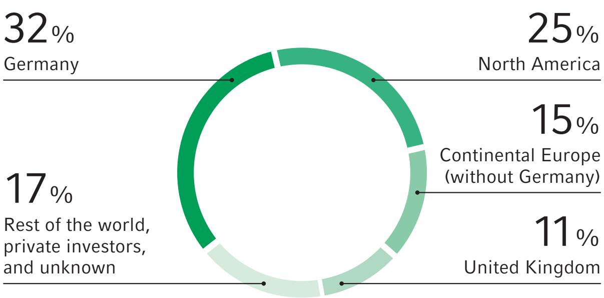
A study conducted in December 2017 showed a further stabilisation of the shareholder structure of HeidelbergCement in comparison with the previous year. We increased the proportion of institutional investors in a number of countries, such as the United Kingdom, France, Germany, Ireland, and Canada. In contrast, the proportion of investors from the USA decreased. The study also revealed a rise in the proportion of growth-focused investors.

In December 2017, investors from Germany formed the largest investor group at 32 %, followed by investors from North America at 25 %, continental Europe excluding Germany at 15 %, and the United Kingdom at 11 %.

As at 31 December 2017, the free float amounted to 74.48 %. According to notifications available to us, Ludwig Merckle holds 25.52 % of the voting rights in the company via Vemos 2 Holding GmbH, a company under his control.

On average, around 619,000 HeidelbergCement shares were traded per day in Xetra trading on the Frankfurt Stock Exchange in 2017. In the Equity Indices Ranking published by Deutsche Börse, our share was in place 25 at the end of 2017 for the market capitalisation criterion and in place 24 for order book turnover.

Geographical distribution of shareholders (as of December 2017)



Shareholder structure

	31 Dec. 2017
Vemos 2 Holding GmbH, Zossen/Germany[1] (30 September 2016). Vemos 2 Holding GmbH is controlled by Ludwig Merckle.	**25.52 %**
Stephen A. Schwarzman/USA[1] and Maximilian Management LLC, Wilmington, Delaware/USA[1] (via First Eagle Investment Management, LLC, New York/USA[1]) (1 December 2015)	**7.34 %**[2]
BlackRock, Inc., Wilmington, Delaware/USA (2 November 2016), (thereof 4.49 % pursuant to sec. 22 WpHG and 0.50 % pursuant to sec. 25 (1)(1) and (2) WpHG)	**4.995 %**
Société Générale S.A., Paris/France (13 August 2015), (thereof 3.77 % pursuant to sec. 25a WpHG and 0.07 % pursuant to sec. 25 WpHG)	**3.84 %**[2]

1) Attribution in accordance with section 22 of the German Securities Trading Law (Wertpapierhandelsgesetz - WpHG)
2) Percentage figures are based on the total number of voting rights of 187,916,477 valid prior to the capital increase on 7 July 2016. The shares of the other companies are based on the current number of total voting rights of 198,416,477.
In brackets: date on which percentage exceeded or fell below a reporting threshold

HeidelbergCement AG share capital

	Share capital € '000s	Number of shares
1 January 2017	595,249	198,416,477
31 December 2017	**595,249**	**198,416,477**

Bonds and credit ratings

Details of our corporate bonds issued during the 2017 financial year and HeidelbergCement's credit rating by the rating agencies can be found in the Group financial management section on ↗ page 45 f.

Investor Relations

In 2017, our investor relations work mainly focused on fostering existing investor relations, as well as attracting new, long-term investors. For this purpose, we conducted an Investor Targeting study in cooperation with an external service provider. This helped us to identify institutional investors with investment strategies that align with our strategic goals for growth, dividends, and credit rating. The results of the study laid an essential foundation for targeting institutional investors.

In 2017, we met investors and analysts at conferences, roadshows, company visits, and other events, and informed them about our strategy, the development of the market and our results, as well as the company's financial management. The presentations shown during these events are available on the internet, provided they contain significant changes compared with previous presentations. The Investor Relations team supported reporting on HeidelbergCement by regular discussions with analysts. The number of analysts regularly reporting on HeidelbergCement has fallen slightly to 35 since the publication of the last Annual Report.

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

2 Combined management report of HeidelbergCement Group and HeidelbergCement AG

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

Fundamentals of the Group

Business model

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

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

Products

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

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

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

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

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

In 2017, HeidelbergCement sold 125.7 million tonnes (previous year: 102.8) of cement, 305.3 million tonnes (previous year: 272.0) of aggregates, 47.2 million cubic metres (previous year: 42.5) of ready-mixed concrete, and 9.6 million tonnes (previous year: 9.4) of asphalt.

Locations and sales markets

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

We currently operate 136 cement plants (plus 21 as part of joint ventures), around 600 quarries and aggregate pits, and over 1,470 ready-mixed concrete production sites worldwide. In total, the Group employs 59,054 people at around 2,700 locations on five continents. There are additionally almost 360 production sites belonging to joint ventures.

Organisational structure of the Group areas and business lines

HEIDELBERGCEMENT

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

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

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

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

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

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

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

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

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

Targets and strategy

HeidelbergCement's core target is to increase the value of the Group in the long term through sustainable and result-oriented growth. Earning the costs of capital is the necessary prerequisite to guarantee the permanent entrepreneurial ability to act and thereby guarantee the existence of the company. Without sufficient financial performance, a company cannot invest continuously in innovation and growth, as well as the development of its personnel and the company. Thanks to our more than 140 years of tradition in raw material mining and processing, we know that, in addition to financial performance, we have to provide a recognisable benefit to the development of society. In this respect, we are mainly oriented towards the expectations and requirements of the people and organisations we are in close contact with:
- customers,
- shareholders,
- employees,
- suppliers and other business partners, as well as
- nature, environment, society, and general public.

In addition to the financial targets, covered in the following section Internal management control system and indicators on ↗ page 23 f., also non-financial targets derive from this knowledge. They are described in this annual report in the chapters Employees and society on ↗ page 54 f. and Environmental responsibility on ↗ page 59 f.

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

1. Operational excellence
In a market with largely standardised products, we differentiate ourselves through our high level of customer focus and service quality in order to realise the full value of our products and services. Moreover, we ensure a competitive cost structure in all areas. A key objective is to make sure that the productivity enhancement in input factors such as working time, capital, and energy at least offsets inflation-related cost increases. For hyperinflation countries, this is valid to the extent as we cannot compensate inflation by increased sales prices in the market. The basis and prerequisite for operational excellence is a culture of continuous improvement. We engage in intensive benchmarking both internally and in relation to competitors, in order to identify optimisation potential. Our goal is a stable position in the top quartile for all operational benchmarks: efficiency and cost structure, productivity, margin, growth, and value creation.

2. Sustainability
For us, sustainability means integrating economic, ecological, and social goals into our business strategy. In this context, we published our Sustainability Commitments 2030 in October 2017, where we have defined the fundamental principles of our sustainability strategy. Health and safety of our employees is of crucial importance. Our overall goal is to completely prevent accidents and damage to health (zero harm). We offer our employees performance-related, competitive salaries, and we are committed to fair employment conditions and compliance with applicable labour and employment laws. This means, in particular, that we do not tolerate any form of discrimination, harassment, or infringement of laws and regulations. With respect to environmental protection, we are committed to continuously reducing our ecological footprint. We accept our share of the global responsibility to limit the worldwide rise in temperature to below 2° C. We comply with environmental standards and are bringing our pollutant emissions to below the cement industry average. We also protect natural raw material reserves by increasingly replacing them with alternative raw materials. We support the social and economic development of our neighbouring communities and ensure transparent communication with all stakeholders. Compliance with applicable laws and regulations is a matter of course for us. Our overall goal is to create adequate added value for all of our stakeholders: for our customers, employees, shareholders, the communities to which our locations belong, and the general public.

3. Growth and vertical integration
The creation, development, and maintenance of vertically integrated market positions in the cement, aggregates, ready-mixed concrete, and asphalt business lines is the core of the growth strategy of HeidelbergCement. Vertical integration not only refers to the merging of production sites of different business lines at a local level, but also includes the cross-functional control of business processes using integrated IT systems and the comprehensive management of business activities – for example, through common sales structures and the provision of complete, cross-business-line solutions and additional services. Our goal is to create strong and defendable market positions in markets with long-term potential. To achieve this, we avoid markets with unjustifiable high political, economic, or compliance risks. We retain key market positions regardless of economic cycles. As a whole, they are not subject to active portfolio management. We are also driving forward the digitisation of our value chain, from raw material mining through production and logistics processes to the interface with the customer.

4. Financial performance
Our stated goal is to earn a premium on the cost of capital. To this end, we aim to achieve a balance between short-term profitability and long-term value creation. This means using our capital in a responsible and disciplined manner. Before investment decisions are taken, they are carefully reviewed in terms of their market, strategic, financial, and technical attractiveness and with regard to clearly defined investment criteria. Last but not least, we ensure that our geographically diversified portfolio gives us direct access to the cash flow from our ongoing business activity. For further information on our financial management and the associated targets and policies, please refer to the section Group financial management on ↗ page 45 f.

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

key performance indicators (KPIs) facilitate direct comparability and provide a foundation for continuous benchmarking.

Shareholder returns

In spring 2015, HeidelbergCement defined value creation for shareholders and disciplined growth as the strategic priorities for its capital allocation. To improve the results for shareholders, HeidelbergCement will pursue a progressive dividend policy over the next few years. The payout ratio is expected to amount to between 40 % and 45 % for the 2019 financial year. Moreover, the option was introduced for any available cash to be returned to shareholders in the form of share buybacks.

Internal management control system and indicators

Components and functionality of the control system

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

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

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

Central departments in the areas of strategy, finance, and technology follow a formalised process to review and assess all major investments and acquisitions. This ensures comparability between different projects and consistent high quality in investment decision making. Investments in expansion are assessed using a discounted cash flow (DCF) model.

The standard is that investment projects must generate at least enough income to cover their weighted average cost of capital (WACC). This long-term approach to investment returns is supported by simulated calculations that show the impact of an investment on the consolidated income statement, statement of cash flows, balance sheet, and taxes over a period of five years.

The financial analysis is complemented by a strategic analysis of the planned investments. Here, the strategic value of an investment is determined taking into account the expected market position, growth potential, synergies with other Group units, and the risk structure. The overall result of these analyses is the criterion by which the Managing Board makes its investment decisions.

Financial targets and management indicators

Earnings, capital expenditure, and return on capital

The most important short-term indicator of the company's earnings strength is result from current operations, which is determined in detail and analysed for all operating units. The decisive indicators at Group level are earnings before interest and taxes (EBIT) and Group share of profit. The financial and assets positions of the operating units are monitored short-term primarily via the amount of working capital and investment. Fixed targets are agreed with all operating units for each indicator.

Strategic management and capital allocation are based on return on invested capital (ROIC). ROIC is defined as the ratio of the total of result from current operations and result from participations minus income taxes paid to the average invested capital of the past four quarters. (Invested capital is calculated as total of equity and net debt minus liabilities from puttable minorities.) You will find the calculation of ROIC on ↗ page 45.

At operating level, the company uses return on capital employed (ROCE) for capital allocation. ROCE is calculated as the ratio of EBIT to invested capital. Taxes and goodwill are not taken into account for calculation. These are strategic-level indicators, and are therefore taken into account for determination of ROIC.

Adjusted free cash flow has been introduced as an additional target figure for the country management as from 2018. It is defined as the sum of free cash flow and all investments and divestments. Intra-Group payments are neutralised in the calculation.

General target is generation of ROIC at least equivalent to weighted average cost of capital (WACC). HeidelbergCement's WACC totalled 6.6 % in the average of the reporting year. HeidelbergCement has set the medium-term target of increasing ROIC to over 10 % by 2019. Please see ↗ page 45 for more information on capital efficiency.

Financing structure

HeidelbergCement's objective is to maintain a stable investment grade credit rating to ensure that we retain our high financial stability as a company that is sensitive to business cycles. Furthermore, investment grade rating facilitates access to attractive and cost-effective funding opportunities and makes our share more attractive for an even broader circle of investors. To achieve this goal, we are focussing on the financial indicators most watched by rating agencies. An important indicator is the dynamic gearing ratio, i.e. the ratio of net debt to result from current operations before depreciation and amortisation. At the end of 2017, we achieved a ratio of 2.6x, compared with 2.8x at the end of 2016. The previous year's figure was calculated on a pro forma basis, i.e. taking into account Italcementi's contribution also to the results of the first half of 2016 in the amount of € 256 million. This decrease is a result of the disciplined financial management and reduction in net debt compared with the previous year. Our objective is a ratio in the area between 2.5x and 1.5x.

Non-financial targets and sustainable key-performance indicators

Operational health and safety generally plays a major role in the production of building materials and, in addition, emissions in cement production especially. Therefore, essential key-performance indicators include parameters, such as accident frequency rate, accident severity rate, and fatality rate, as well as CO_2 emissions and the use of alternative fuels. Information on these non-financial key-performance indicators is available in the chapters Employees and society on ↗ page 54 f. and Environmental responsibility on ↗ page 59 f.

Lead indicators

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

Research and technology

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

Our research and development activities

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

- Products and applications: Our research and development activities are geared strongly towards the market and our customers. The main priority is the development and improvement of binders and concretes with optimised properties and innovative functionalities. However, our work does not end with the product; it also includes providing our customers with competent, professional technical service on the application and optimisation of their products.

- Cement production: In 2017, the focus was on integrating the former Italcementi plants into the HeidelbergCement Group. The top priority was to achieve synergy effects, and the two programmes "Maintenance Improvement" (MIP) and "Operational Excellence" (OPEX), which were the biggest contributors in this regard during the integration, were successfully introduced in the newly added plants. All the other cement plants provided their contributions via the "Continuous Improvement Program" (CIP), which is now almost fully implemented worldwide.

- Aggregates: Since 2011, we have been driving continuous improvement (CI) at our locations, targeting uptime, throughput, and more efficient use of labour and energy. Our efforts have matured from capturing low-hanging fruit to basic process changes, and have now turned to digitisation. The integration of operational, commercial, and financial data in one management system allows for greater transparency and the simplified coordination of production, sales, and quality control. CI goes hand in hand with our training programme, which targets all levels from management to the workers at the plants. The entire CI process is driven by highly committed regional and local line managers and supported by local CI managers. In 2017, we launched a similar improvement programme in our asphalt operating line, which has already had a positive impact on the result.

- Optimisations across all business lines: Vertical integration, especially in urban centers, has been a strong focus of HeidelbergCement. Sustainable financial improvements can be achieved through a tightly coordinated optimisation of product portfolio, production processes, and logistics across the aggregates, ready-mixed concrete, and cement

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business lines. By utilising our entire raw material portfolio in one market region, we can optimise the material mix in our ready-mixed concrete plants so that our raw material deposits are most efficiently used and the costs in all aforementioned business lines are reduced. At the same time, we guarantee high concrete quality for our customers.

– Development of cements and concretes with improved CO_2 balance: A major area of focus is to further develop composite cements with less clinker – even beyond the limits of today's existing standards. Reducing the proportion of clinker is the most important lever when it comes to minimising energy consumption and CO_2 emissions, and in preserving natural raw materials. Finally, we are also developing entirely new kinds of binders that dispense with the use of conventional clinker altogether. These innovative alternative products are still in the stage of development and it will take some more years until they are ready for the market and for wide deployment.

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

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

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

Central R&D and innovation

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

Technology and innovation

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

Customer-related development and technical service

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

Expenditure for research and technology

Total expenditure for research and technology amounted to €141.0 million in the reporting year (previous year: 116.6), corresponding to 0.8 % of revenue. Personnel costs accounted for around three quarters of the total expenses. The following table shows a breakdown of expenses for the last five years for each of the three fields of activities mentioned above.

Expenditure for research and technology

€m	2013	2014	2015	2016	2017
Central R&D and innovation [1) 2)]	7.8	8.5	8.9	13.6	**21.9**
Technology and innovation	49.3	48.3	52.6	55.6	**61.7**
Customer-related development and technical service	46.8	42.8	46.2	47.4	**57.4**
Total	103.9	99.6	107.8	116.6	**141.0**

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

The structure of the expenditure for research and technology corresponds to the organisational breakdown: Expenses for the development of basic technologies are allocated to the

Central R&D and innovation section. Expenses for process innovations can be found in the Technology and innovation section, while the third section of the table contains the expenses for the optimisation of products and applications according to the wishes of our customers.

The development projects that were capitalised as investments include, amongst others, our innovative products CemFlow® and TernoCem® as well as new composite cements. In 2017, capitalised development costs totalled €1.9 million, which corresponds to around 1.3 % of total expenditure for research and technology. Because this figure is low, we have not presented it separately or shown further key figures.

Employees in research and technology

In the 2017 financial year, a total of 1,136 people (previous year: 1,063) were employed in research and technology. The personnel breakdown and development over the last five years is shown in the following table.

Employees in research and technology

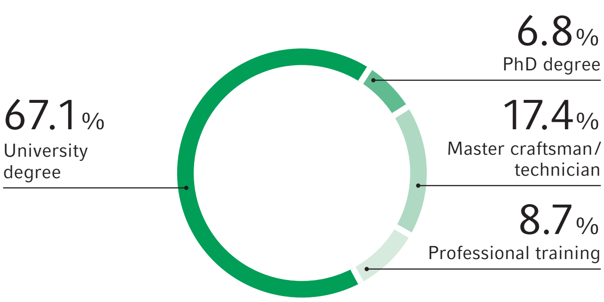
	2013	2014	2015	2016	2017
Central R&D and innovation[1]	56	60	59	97	**127**
Technology and innovation	329	325	333	358	**348**
Customer-related development and technical service	550	491	531	608	**661**
Total	935	876	924	1,063	**1,136**

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

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

Our employees' high level of expertise in research and technology is a key competitive factor and the qualification requirements are correspondingly high. 67.1 % of the employees in our technical competence centers have a university degree and 6.8 % have a PhD (see the following graph). Intensive on-going training and a systematic exchange of knowledge in expert networks across the Group ensure a high level of qualification.

Qualification profile of our employees in research and technology



Research cooperation

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

In terms of product development, we prefer bilateral cooperation with individual universities in order to complement our own expertise in a targeted way. In some cases, cooperative projects with universities are supported by government funding. Compared with total expenditure, the funding ratio is marginal; therefore, we do not record it centrally. Total expenditure for contract research is less than €1 million for the year and is, therefore, not shown separately; these expenses are included in the Central R&D and innovation section in the table on ↗ page 25. Aside from research cooperation mentioned above, we did not acquire any research and development expertise in 2017.

Major projects and research and development results

Improving cost efficiency and tied-up capital

Following a successful pilot phase in spring 2014, the Managing Board resolved to implement the new "Continuous Improvement Program" (CIP) in the cement business line. CIP is the consistent continuation of the programmes we have already completed – "Operational Excellence" (OPEX), "Maintenance Improvement", and "Group Spare Parts" – and focuses on the ongoing exploitation of improvement potential and the anchoring of a new management approach within the Group. While we continued to roll out CIP at the "old" HeidelbergCement plants during the 2017 reporting year, with numerous locations having already achieved steady-state phase, we also began this process at the newly added Italcementi plants. Increasing our production with Industry 4.0 is another initiative that was launched at the end of 2017. Various digitisation projects have been started, including big data analytics.

Our three-year "Aggregates CI" programme in the aggregates business line started in 2016 and is expected to increase the result by more than the originally planned €120 million by the end of 2018. To date, all continuous improvement programmes have been very effective and always exceeded their objectives. In 2017, we outperformed our goals by more than 70 %. The increase in cost efficiency and results is even more significant because all the measures taken are sustainable and represent a major competitive advantage in the long term. These programmes, along with precisely tailored training courses, also offer our employees globally good opportunities for further development. The continuous improvement approach of HeidelbergCement is mature and embedded across the Group and will continue to drive results for the years to come.

The newly created Competence Center Readymix (CCR) has the ambitious goal of achieving ongoing savings of more than €120 million over three years. This will be achieved through a structured improvement programme examining all parts of the ready-mixed concrete business starting from the ground up delivering efficiencies in materials, logistics, production, products, assets, and concrete pumps. Already more than €30 million of savings have been achieved despite the programme still being in ramp up phase.

Ideas for improvement come from a wide variety of areas and often include best practice methods, which are applied across the Group and shared between the individual countries. This typically results in increased internal efficiency as well as benefits for the customers in the form of improved products and services. Simple examples of improvements include better use of concrete admixtures, tighter production control, raw material sourcing processes, and innovative logistics solutions, all of which deliver benefits to our customers.

Cements with lower proportions of clinker

We have made further progress in the development of cements with less clinker, thereby achieving a reduction in both CO_2 emissions and costs. In several countries, the proportion of blast furnace slag, fly ash, and limestone in cement has been increased, thereby reducing the clinker content.

In parallel, we are focusing on the identification and development of alternative cement components. In Africa, for example, we use ground rock from local quarries as an additional component in cement production, thereby replacing imported clinker. The use of biofuel ash obtained from sugar production, for example, may open up further possibilities. In the Netherlands, Germany, and France, we are investigating whether the fines from concrete recycling can be used as a cement ingredient in order to fully close the loop in concrete recycling.

Development of alternative clinker

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

Preservation of resources, recycling, and CO_2 capture

Following the conclusion of a large-scale feasibility study in 2016, the carbon capture project at the Brevik cement plant in Norway entered its next phase with the start of the concept study in April 2017. The Norwegian government's CCS (Carbon Capture and Storage) project was undertaken in three different sectors of industry, among ohers, at our Brevik cement plant. The captured CO_2 emissions will be transported to an underground storage in 2023, according to the planned schedule.

To further develop the oxyfuel technology, HeidelbergCement participates in the CEMCAP project, which aims to drive forward technologies for the capture of CO_2 in the cement industry and is funded by the Horizon 2020 EU development programme. In the oxyfuel process, the rotary kiln is supplied with pure oxygen instead of ambient air, which facilitates the capture of CO_2. In 2017, we installed a test cooler at our plant in Hanover, Germany, in order to investigate the possibility of cooling clinker with CO_2 only and without compromising process efficiency. Although we faced a number of challenges in incorporating the test cooler into the plant's ongoing clinker production, the overall result was very positive: a clinker cooler running only on CO_2 is much more efficient than an air-operated unit. The new technology will not have any adverse impact on efficiency. The unit is also smaller than a traditional air cooler.

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

The EU-funded LEILAC project, in which HeidelbergCement is one of the main strategic partners, started in January 2016. This project aims to demonstrate the technical and economic feasibility of a process technology for the capture of the released CO_2 in its purest form during the heating of the raw material. In 2017, the construction plans for the calciner were completed, and work began on procuring the individual components for constructing the 60-metre-high demonstration calciner at our Lixhe cement plant in Belgium. The knowledge gathered to date was disseminated at the International Conference on Innovation in Industrial Carbon Capture, which took place at the start of February 2018 in Liège, near our Lixhe cement plant.

In June 2017, HeidelbergCement launched the CO2MIN project in collaboration with RWTH Aachen University and the Institute for Advanced Sustainability Studies (IASS) in Potsdam, Germany. This project aims to investigate the potential of natural minerals for absorbing CO_2 and the possibility of using them to produce marketable building materials. Besides natural minerals like olivine and basalt, industrial waste products such as blast furnace slag or fines made from recycled concrete are also being tested. We expect the first preliminary results to be available by the end of 2018.

The three-year research and development programme received €3 million in funding from the German Federal Ministry of Education and Research.

In addition, HeidelbergCement is also researching the use of microalgae in CO_2 recycling for the manufacture of fish food and other animal feed. Our research and development projects in Sweden, Turkey, and France are very encouraging and make an important contribution to our strategy of making CO_2 useable. In this context, we are developing a large scale demonstration project to produce algae for fish food in Morocco. We intend to invest more than €1 million in an algae farm covering one hectare at our Safi cement plant. The required production facilities are scheduled to be built in 2018.

Innovative concretes

Our team for product innovation (GPI) in Bergamo, Italy, has developed concrete-based solutions for thermal, noise, and acoustic insulation, as well as materials with photocatalytic properties. Insulating lightweight concretes for the precast concrete parts sector are being developed by our research center (GRD) in Leimen, Germany. There have also been innovations in Germany (gradient concrete) and the Netherlands (warm concrete) for application directly on site in the ready-mixed concrete business line.

Particular focus is being placed on the development of innovative 3D printing techniques using concrete. These include cementitious formulations that have been tested in special projects undertaken with selected partners in Italy and Germany.

We have introduced a number of other innovative concrete solutions in many mature markets, including ultra-high-performance concrete with very high strength (e.g. in the Netherlands and the USA), super-fast-setting concrete for repairing runways (e.g. in Germany and Australia), or Powercrete® with high thermal conductivity for embedding power cables (e.g. in the United Kingdom, the USA, and Germany).

In the context of unconventional applications for cementitious materials, the EU-funded project COBRA, which develops formulations for car brake pads, has demonstrated the suitability of cement-based brake pads in pilot tests.

2017 economic report

Economic environment

General economic conditions

In 2017, global economic growth accelerated more rapidly than originally expected. This was attributable to various factors: growth in Europe was significantly stronger than forecast, particularly in Germany, France, and Italy. While economic growth improved as anticipated in the USA, Canada exceeded expectations considerably. Growth in China and the economic momentum throughout Asia were slightly above the previous year's level. Russia and the emerging countries in South America came out of recession. Gross domestic product in Germany rose by 2.2 % and was slightly below the level of the eurozone. Together with population growth and gross domestic product per capita, economic growth is one of the most important indicators for measuring the development of construction activity and the demand for building materials. The increase in demand for cement in the emerging countries is roughly in line with economic growth. During infrastructure expansion phases, however, it can also be several times higher.

In the USA, the US Federal Reserve continued to increase base rates as expected. The European Central Bank is likely to discontinue its expansionary policy, and monthly purchases of bonds were halved from January 2018. Contrary to assumptions, the euro did not fall against the US dollar, but in fact strengthened considerably. In the United Kingdom, the uncertainties connected with the Brexit referendum led to an economic cooldown. Following the devaluation of the British pound, inflation rose significantly, resulting in the Bank of England increasing interest rates at the end of the year. According to the IMF, the global economy grew by 3.7 % in 2017 compared with 3.2 % in the previous year.

As a consequence of agreements within OPEC and economic growth exceeding expectations, the oil price increased further in the course of 2017. Average annual energy prices were markedly above the previous year's level.

Industry-specific conditions

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

Real GDP growth rate in major Group countries		
in %	2016	2017[1]
Western and Southern Europe		
Belgium	1.5	**1.7**
France	1.2	**1.8**
Germany	1.9	**2.2**
Italy	0.9	**1.5**
Netherlands	2.2	**3.1**
Spain	3.3	**3.1**
United Kingdom	1.9	**1.7**
Northern and Eastern Europe-Central Asia		
Czechia	2.6	**4.3**
Hungary	2.2	**4.0**
Kazakhstan	1.0	**4.0**
Norway	1.1	**1.8**
Poland	2.9	**4.6**
Romania	4.8	**6.7**
Russia	-0.2	**1.5**
Sweden	3.2	**2.4**
North America		
Canada	1.4	**3.0**
USA	1.5	**2.3**
Asia-Pacific		
Australia	2.5	**2.3**
China	6.7	**6.9**
India	7.1	**6.7**
Indonesia	5.0	**5.2**
Malaysia	4.2	**5.4**
Thailand	3.2	**3.7**
Africa-Eastern Mediterranean Basin		
Egypt	3.5	**4.2**
Ghana	3.5	**5.9**
Morocco	1.2	**4.0**
Tanzania	7.0	**6.5**
Togo	5.0	**5.0**
Israel	4.0	**3.1**
Turkey	3.2	**5.1**

1) 2017 values are based on estimations and forecasts.
Sources: International Monetary Fund (IMF), European Commission, Eurostat, and national statistical offices

The positive demand in recent years has increased the level of global competition in 2017, particularly in the emerging countries of Africa and Asia. Local and regional companies have commissioned new cement capacities. Furthermore, increasing imports put pressure on local prices in some cases.

Weather conditions also play a major role, as construction activities are considerably restricted or even suspended altogether when temperatures fall well below freezing, during snow, or heavy rainfall. In 2017, sales volumes of building materials in the USA and Canada were adversely impacted by a very wet spring and hurricanes.

The EU Emissions Trading System (ETS) is just one of the regulatory conditions that exercise an influence on the results of building materials producers. Owing to the still weak economic development in parts of Europe, the price of emission rights remained well below €10 per tonne of CO_2. As in 2016, HeidelbergCement decided not to sell its surplus emission rights on account of the low price, but has kept them for future use.

Relevant changes in reporting

Following the conclusion of the purchase price allocation for Italcementi on 30 June 2017, the final fair values of the assets and liabilities as at the acquisition date were established on the basis of external and internal valuations and adjusted for 2016. Further adjustments were also made by increasing the shareholding in the Mibau Group, which has been fully consolidated since 1 October 2016. However, the purchase price allocation was not concluded until 30 September 2017. Tables outlining the adjustments can be found in the Notes on ↗ page 125 f. Throughout the Annual Report, footnotes refer to the restated amounts for 2016.

In several chapters of the Annual Report – mainly Development of sales volumes (see below) and Business trend in the Group areas on ↗ page 31 f. – certain pro forma values for sales volumes and revenue are reported alongside the figures prepared in accordance with IFRS and reflect the actual operational development in the individual Group areas or countries.

Whereas the data prepared in accordance with IFRS only includes the activities of the Italcementi Group – acquired on 1 July 2016 – for the second half-year, our pro forma analysis incorporates the whole of 2016.

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

Development of sales volumes

Following the integration of Italcementi since 1 July 2016, sales volumes in the reporting year grew substantially in all business lines. Considering the figures on a pro forma basis, i.e. including the Italcementi activities in the first half of 2016, sales volumes, with the exception of ready-mixed concrete, were slightly above the previous year's level.

In 2017, cement and clinker sales volumes rose by 22.3 % to 125.7 million tonnes (previous year: 102.8). This includes the sales volumes of the markets added in the second half of 2016 in Italy, France, Spain, Greece, Bulgaria, Kazakhstan, India, Thailand, Egypt, Morocco, Mauritania, Gambia, and North America as well as in the newly developed market of Mozambique. In the 2017 reporting year, we sold half of our business in Georgia. On a pro forma basis and excluding changes to the scope of consolidation in 2017, cement sales volumes were 1.0 % above the previous year. With the exception of the Africa-Eastern Mediterranean Basin Group area, which fell slightly below the previous year's level, all other areas recorded modest growth rates.

In 2017, aggregates sales volumes rose by 12.2 % to 305.3 million tonnes (previous year: 272.0). The high growth rate was largely due to the new markets in France, Italy, Spain, Greece, Morocco, Thailand, and North America, which were added from 1 July 2016, as well as to the full consolidation of the Mibau Group. On a pro forma basis and excluding the consolidation effects resulting from the expansion of our activities in North America and the full consolidation of Mibau in 2017, aggregates sales volumes were slightly above the previous year's level with an increase of 1.1 %.

Development in individual Group areas was rather mixed. The most substantial increase in deliveries was recorded in the Africa-Eastern Mediterranean Basin and Asia-Pacific Group areas and, to a lesser extent, in the Northern and Eastern Europe-Central Asia area. While sales volumes in North America almost reached the previous year's level, they fell slightly in Western and Southern Europe.

In 2017, ready-mixed concrete sales volumes were up by 11.0 % year on year to 47.2 million cubic metres (previous year: 42.5). This figure includes the sales volumes of our new markets in France, Italy, Spain, Greece, Kazakhstan, Thailand, Egypt, Mauritania, Morocco, and North America. On a pro forma basis and excluding consolidation effects from the acquisition of new ready-mixed concrete activities in North America in 2017, ready-mixed concrete sales volumes were slightly below the previous year's level, with a decrease of 2.8 %.

Development of the individual Group areas also varied in this business line. The declines in the Western and Southern Europe, North America, and Asia-Pacific Group areas were not offset by rising demand in the Africa-Eastern Mediterranean Basin and Northern and Eastern Europe-Central Asia Group areas.

In 2017, asphalt deliveries rose by 2.8 % to 9.6 million tonnes (previous year: 9.4). No new markets were added to this operating line following the acquisition of Italcementi, but we expanded our activities in North America in 2017 by means of another acquisition. Excluding this consolidation effect, asphalt sales volumes were slightly above those of the previous year, with an increase of 0.7 %. With the exception of Asia-Pacific and North America, deliveries in the Group areas rose in comparison with the previous year.

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

Sales volumes

	2016	2017	Change	On a pro forma basis[1]
Cement and clinker (million tonnes)	102.8	**125.7**	22.3 %	1.0 %
Aggregates (million tonnes)	272.0	**305.3**	12.2 %	1.1 %
Ready-mixed concrete (million cubic metres)	42.5	**47.2**	11.0 %	-2.8 %
Asphalt (million tonnes)	9.4	**9.6**	2.8 %	0.7 %

1) Inclusion of the sales volumes of the former Italcementi plants in the first half of 2016 and excluding consolidation effects

Earnings position

Group revenue rose by 13.8 % in comparison with the previous year to €17,266 million (previous year: 15,166). Changes to the scope of consolidation of €2,074 million, primarily owing to the first-time consolidation of the Italcementi Group, had a positive impact on revenue.

In the reporting year, material costs rose by 15.5 % to €6,782 million (previous year: 5,874). This increase is essentially due to the first-time consolidation of Italcementi. Excluding consolidation and exchange rate effects, material costs exceed the previous year's level by 3.5 %. This rise predominantly related to energy costs, raw materials, and goods purchased for resale. The material cost ratio increased from 38.7 % to 39.3 %. The balance of other operating expenses and income was 13.9 % above the previous year's level at €-4,450 million (previous year: -3,905), primarily owing to the first-time consolidation of the Italcementi Group. Freight, rental, and leasing expenses, as well as expenses for third-party repairs and services, rose after exclusion of currency and consolidation effects. Personnel costs grew by 11.8 % to €2,990 million (previous year: 2,674), largely as a result of the increase in the number of employees. The personnel cost ratio declined from 17.6 % to 17.3 %, reflecting the realisation of synergies through the integration of the Italcementi Group. The result from joint ventures fell by 3.5 % to €204 million (previous year: 212).

The result from current operations before depreciation and amortisation improved substantially by 14.2 % to €3,297 million (previous year: 2,887). The increase of €411 million is due to an operational improvement of €108 million, changes to the scope of consolidation amounting to €373 million, and a negative currency effect of €71 million. The result from current operations rose by 13.5 % to €2,188 million (previous year: 1,928).

The additional ordinary result of €-133 million (previous year: -324) primarily relates to restructuring and integration expenses, income and expenses from the disposal of subsidiaries, impairment of assets, as well as other non-recurring expenses and income. Further comments can be found in the Notes on ↗ page 138 f.

Results from participations rose by €13 million to €51 million (previous year: 38); earnings before interest and taxes (EBIT) grew by €465 million to €2,107 million (previous year: 1,642).

The financial result improved by €102 million to €-391 million (previous year: -493). Besides the reduction of €89 million in interest expenses, the financial result was positively affected by the improvement of €18 million in the other financial result.

Profit before tax from continuing operations rose by €567 million to €1,715 million (previous year: 1,148) due to operational improvement and reduced non-recurring expenses in the additional ordinary result. The expenses for income taxes significantly exceeded the previous year's level at €606 million (previous year: 314). The increase was mainly owing, on the one hand, to the US tax reform due to the revaluation of the deferred tax item amounting to €285 million and, on the other hand, to the first-time consolidation of the Italcementi Group. As a result, net income from continuing operations rose by €275 million to €1,109 million (previous year: 834).

Net loss from discontinued operations amounts to €-51 million (previous year: -3). This change reflects expenses for operations of the Hanson Group discontinued in previous years.

Overall, a profit of €1,058 million (previous year: 831) was recorded for the financial year. The profit attributable to non-controlling interests fell by €33 million to €141 million (previous year: 174). The Group share of profit therefore amounts to €918 million (previous year: 657).

Earnings per share – Group share – in accordance with IAS 33 improved by €1.22 to €4.62 (previous year: 3.40). Excluding the additional ordinary result amounting to €133 million and the non-recurring effect of €285 million arising from the US tax reform, the earnings per share rose to €6.73 (previous year: 5.08). For continuing operations, earnings per share increased to €4.88 (previous year: 3.42).

In view of the overall positive business development, the Managing Board and Supervisory Board will propose to the Annual General Meeting on 9 May 2018 the distribution of a dividend of €1.90 (previous year: 1.60) per share.

Consolidated income statement (short form)

€m	2016[1]	2017	Change
Revenue	15,166	**17,266**	14 %
Result from current operations before depreciation and amortisation	2,887	**3,297**	14 %
Depreciation and amortisation	-959	**-1,109**	16 %
Result from current operations	1,928	**2,188**	14 %
Additional ordinary result	-324	**-133**	-59 %
Result from participations	38	**51**	34 %
Earnings before interest and taxes (EBIT)	1,642	**2,107**	28 %
Financial result	-493	**-391**	-21 %
Profit before tax from continuing operations	1,148	**1,715**	49 %
Income taxes	-314	**-606**	93 %
Net income from continuing operations	834	**1,109**	33 %
Net loss from discontinued operations	-3	**-51**	1,494 %
Profit for the financial year	831	**1,058**	27 %
Group share of profit	657	**918**	40 %

1) Amounts were restated

Business trend in the Group areas

Western and Southern Europe

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

According to provisional statistical data, the economic recovery continued in the countries of the Western and Southern Europe Group area in the reporting year. Once again, the Spanish economy recorded the strongest growth among the major national economies, with 3.1 %. In Germany, the gross domestic product increased by 2.2 %, driven by the good state of the domestic economy and the strong labour market as well as the recovery in global trade. The economic recovery is also continuing in France, with a rise of 1.8 % in the gross domestic product. Belgium and the Netherlands recorded rises in the gross domestic product of 1.7 % and 3.1 %, respectively, while Italy achieved the lowest growth in the eurozone, with 1.5 %. In the United Kingdom, the economy cooled significantly following the Brexit vote, with a growth of 1.7 % in 2017.

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According to the November 2017 forecast of Euroconstruct, construction activity in the countries of the Group area underwent largely positive development in the reporting year. In Germany and the Netherlands, construction investments increased by 2.6 % and 5.4 %, respectively in comparison with the previous year, thanks to strong demand from residential construction. Construction activity in Belgium also experienced pleasing growth of 2.5 %, primarily driven by new infrastructure projects. France registered an estimated rise of 3.6 %, which was supported by both residential and non-residential construction. In Italy, the construction sector continued to suffer from weak economic development, with expected growth of 1.0 %. A modest increase is particularly evident in non-residential/commercial construction. In the United Kingdom, construction activity is expected to increase by 2.7 % in the reporting year. The decline in some construction sectors over the course of the year reflects the uncertainty following the Brexit referendum. Construction activity in Spain grew by 4.1 % boosted by the positive development in residential and non-residential construction. Infrastructure construction remained at a low level, as public building projects continued to be affected by the national budgetary restrictions and low infrastructure expenditure in 2017.

Cement business line

Cement consumption is expected to increase significantly by 6.5 % and 3.5 %, respectively in the Netherlands and in France in 2017, but is estimated to be below the previous year's level in the United Kingdom. In both Belgium and Italy, a slight increase in cement consumption is anticipated. In Germany, a further significant rise of 5.5 % is expected for 2017. In Spain, cement consumption is showing signs of recovery for the first time since 2008, with double-digit growth.

In 2017, the Western and Southern Europe Group area's cement and clinker sales volumes rose by 29.2 % to 28.9 million tonnes (previous year: 22.4). The strong growth is essentially due to the inclusion of the former Italcementi activities in Italy, France, and Spain since 1 July 2016. On a pro forma basis, i.e. including these activities in the first half of 2016, the Group area's increase in sales volumes amounted to 1.0 %.

Our plants in Germany recorded a rise in sales volumes, boosted by the strong development of demand, primarily in residential construction. In Belgium/Netherlands, cement and clinker deliveries were at the previous year's high level. In the United Kingdom, we recorded a slight decrease in volumes in comparison with the previous year. In Italy, France, and Spain, sales volumes increased substantially as a result of consolidation. On a pro forma basis, sales volumes decreased slightly in France and grew marginally in Italy and Spain. Revenue of the cement business line rose by 28.8 % to €2,348 million (previous year: 1,823).

The Germany Cement Master Plan, an ambitious investment programme for the modernisation and efficiency improvement of our cement plants and environmental protection that commenced in Germany in 2014, achieved further progress in 2017. Construction work for the new kilns in Burglengenfeld and Schelklingen is on schedule. The commissioning of the new kiln in Burglengenfeld will take place in the first quarter of 2018. The new kiln line in Schelklingen is set to commence operation at the end of 2018/start of 2019.

Various investments were also made in technical improvements and environmental protection at several plants in the other countries of the Group area, in order to achieve further reductions in dust, nitrogen oxide, and sulphur oxide emissions. In Belgium, we invested in the further development of our business processes and IT systems within the framework of our "LEO" logistics project. In the United Kingdom and Italy, modernisations were carried out in order to make energy savings.

Aggregates business line

The Group area's deliveries of aggregates increased by 16.6 % to 78.5 million tonnes (previous year: 67.4). This was mainly due to the newly included aggregates activities of Italcementi, particularly in France, from 1 July 2016. Considering these activities on a pro forma basis for the first half of 2016, sales volumes decreased marginally by 1.4 %.

While sales volumes grew slightly in Germany, they considerably decreased in Belgium/Netherlands. In the United Kingdom, they fell just short of the previous year's level. Sales volumes increased significantly in Italy, France, and Spain as a result of consolidation. Even on a pro forma basis, volumes rose considerably in all three countries. Revenue of the aggregates business line rose by 14.3 % to €1,004 million (previous year: 878).

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

Ready-mixed concrete-asphalt business line

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

Ready-mixed concrete sales volumes grew by 15.6 % to 17.3 million cubic metres (previous year: 15.0) in the reporting year. On a pro forma basis, i.e. including the former Italcementi activities in France, Italy, and Spain for the first half of 2016, ready-mixed concrete sales volumes fell by 4.3 %.

While we achieved substantial increases in volumes in Germany, ready-mixed concrete deliveries in Belgium/Netherlands and the United Kingdom remained below the previous year. Our locations in France, Italy, and Spain recorded strong growth in volumes as a result of consolidation. On a pro forma basis, deliveries were at the previous year's level in France and decreased in Italy and Spain.

At 3.3 million tonnes (previous year: 3.0), sales volumes of the asphalt operating line in the United Kingdom exceeded the previous year by 7.3 %.

Revenue of the ready-mixed concrete-asphalt business line grew by 12.8 % to €1,779 million (previous year: 1,577).

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

Service-joint ventures-other business line

Until now, the sand-lime brick, precast concrete parts, and concrete products operating lines in Germany have been allocated to the service-joint ventures-other business line.

In December 2017, our sand-lime brick activities in Germany were sold to the Danish company H+H International A/S, Copenhagen. Closing of the transaction took place at the end of February 2018.

At €399 million (previous year: 387), revenue of the business line was 2.9 % above the previous year.

Revenue and results

Revenue of the Western and Southern Europe Group area rose by 19.7 % to €4,701 million (previous year: 3,928). On a pro forma basis, i.e. including the former Italcementi activities for the first half of 2016, and excluding exchange rate effects, revenue increased slightly by 0.4 %.

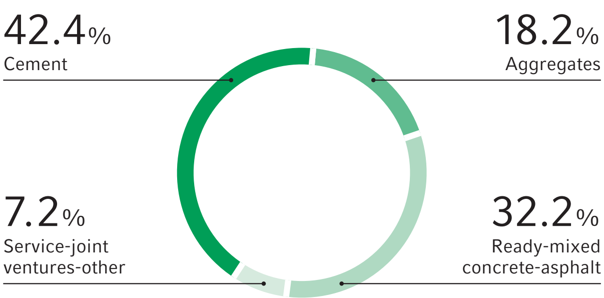
At €613 million (previous year: 526), the result from current operations before depreciation and amortisation was 16.6 % above the level of the previous year. The result from current operations rose by 7.3 % to €294 million (previous year: 274).

Key data Western and Southern Europe

€m	2016	2017	Change
Revenue	3,928	**4,701**	19.7 %
Result from current operations[1]	274	**294**	7.3 %
Cement and clinker sales volumes (Mt)	22.4	**28.9**	29.2 %
Aggregates sales volumes (Mt)	67.4	**78.5**	16.6 %
Ready-mixed concrete sales volumes (Mm^3)	15.0	**17.3**	15.6 %
Asphalt sales volumes (Mt)	3.0	**3.3**	7.3 %
Employees as at 31 December	15,781	**15,497**	-1.8 %

1) 2016 amount was restated

Revenue Western and Southern Europe 2017: €4,701 million



Northern and Eastern Europe-Central Asia

HeidelbergCement is active in 21 countries in the Northern and Eastern Europe-Central Asia Group area. In many of these countries, we manufacture cement, aggregates, and ready-mixed concrete as a fully integrated building materials company. We hold leading market positions in the cement business in Sweden, Norway, Estonia, Poland, Czechia, Romania, Hungary, Bulgaria, Russia, Kazakhstan, and Georgia. With the full consolidation of the Mibau Group in the fourth quarter of 2016 in the aggregates business line, we have further strengthened our activities in this area.

Overall, the countries in the Group area recorded positive economic development in 2017. Sweden recorded a robust economic growth of 2.4 %. In Norway, gross domestic product rose by 1.8 %, due to the recovery of oil and gas production. Strong economic growth reached Poland, Czechia, and Hungary, with increases of 4.6 %, 4.3 %, and 4.0 %, respectively. For Romania, a record rise in gross domestic product of 6.7 % is forecast for 2017. The economy in Kazakhstan is recovering from the crisis triggered by the fall in the oil price, with an estimated growth of 4.0 %. The conflict in Ukraine is continuing to severely impair the domestic economy, but gross domestic product rose by 2.2 % in 2017 despite the crisis. For Greece and Russia, moderate economic growth of 1.6 % and 1.5 %, respectively, is expected.

In 2017, construction activity in the countries in the Northern and Eastern Europe-Central Asia Group area presented a mixed picture: the Swedish construction sector experienced a boom with an increase of 9.9 %. New residential building recorded a 25-year high (+23.8 %). Strong growth is also expected for investments in non-residential construction. The construction industry in Norway also saw significant growth (+6.8 %), driven by infrastructure projects. In Poland, residential construction developed most positively in 2017 – as in the previous year. In addition, several large EU-sponsored infrastructure projects also entered the implementation phase. Total construction activity rose by 8.7 %. The Hungarian construction industry is booming (+25.5 %) thanks to strong residential construction and EU-sponsored infrastructure projects. Only slight growth was recorded in the Czech construction sector. The main driver was residential construction, while infrastructure construction declined. Construction activity slowed down in Romania, primarily because of the change of government and the delay in approving the national budget, which resulted in a lack of large construction projects. Contrary to expectations, the Russian construction industry developed negatively in all sectors. In the area of infrastructure, preparations for the 2018 FIFA World Cup have largely come to an end.

Cement business line

In the reporting year, cement and clinker shipments in the Northern and Eastern Europe-Central Asia Group area rose by 7.1 % to 25.9 million tonnes (previous year: 24.2). On a pro forma basis, i.e. including the former Italcementi plants in Bulgaria, Greece, and Kazakhstan in the first half of 2016, the increase amounted to 2.2 %.

We achieved substantial volume growth in Poland, our largest market in this Group area, and to a lesser extent in Norway and Romania. In Denmark, the Baltic States, and Iceland, sales volumes also improved considerably. While Sweden recorded a pleasing increase in domestic cement sales volumes thanks to the healthy level of construction activity, a decline in cement and clinker exports led to a slight fall in total cement and clinker sales volumes. Deliveries fell in Russia, Czechia, and Ukraine. In Bulgaria, Greece, and Kazakhstan, we achieved high growth rates as a result of consolidation. On a pro forma basis, sales volumes increased in Bulgaria and Kazakhstan, but declined in Greece. Revenue of the cement business line rose by 12.6 % to €1,558 million (previous year: 1,383).

In 2017, we once again invested to improve sustainability and environmental protection throughout the Group area – for instance, by installing new filters, increasing the use of alternative fuels, or exploring new, more cost-effective alternative fuels.

In Georgia, we continued with the modernisation of the Kaspi cement plant. Our main investments in 2017 included a new limestone crusher, as well as infrastructure measures to improve transport links between the plant and the quarry. In November 2017, HeidelbergCement sold 50 % of the shares with voting rights in its Georgian business.

Aggregates business line

The main markets of the Northern and Eastern Europe-Central Asia Group area in the aggregates business line are in Northern Europe, which has been further strengthened by the full consolidation of the Mibau Group since the fourth quarter of 2016, as well as in Czechia and Poland. However, we are also active in the aggregates business in all other countries of the Group area, with the exception of Denmark and Bulgaria. In 2017, aggregates sales volumes in the Group area exceeded the previous year by 41.1 % with 52.3 million tonnes (previous year: 37.0). On a pro forma basis, i.e. including the former Italcementi plants in Greece and Kazakhstan in the first half of 2016, and excluding consolidation effects in Norway, Sweden, and in connection with the Mibau Group, the increase in sales volumes amounted to 3.5 %. Revenue of the aggregates business line grew by 77.3 % to €503 million (previous year: 284).

In 2017, development in the aggregates business line varied significantly across the countries of the Group area. Deliveries in Romania and Slovakia decreased in the reporting year. A consolidation-related decline in sales volumes was also recorded in Norway and Sweden: in order to tap into synergy potential, we transferred two quarries in Norway to Mibau in 2016 as part of the full consolidation of the Mibau Group. We also sold aggregates activities in Sweden. In contrast, we achieved growth in 2017 in Poland, the Baltic States, Iceland, Georgia, Kazakhstan, Russia, Czechia, and Ukraine. The reported sales volumes of the Mibau Group, which was fully consolidated for the whole year in 2017 – compared with just one quarter of the previous year – quadrupled accordingly. The Mibau Group is continuously strengthening its leading market position in the countries of Western and Northern Europe.

Ready-mixed concrete-asphalt business line

We are not active in the asphalt business in the Northern and Eastern Europe-Central Asia Group area, but maintain a dense network of ready-mixed concrete plants in most countries, excluding Russia and Bulgaria. Ready-mixed concrete deliveries in the Group area rose by 10.6 % to 6.9 million cubic metres (previous year: 6.2) in 2017. On a pro forma basis and excluding consolidation effects, the growth in sales volumes amounted to 5.3 %.

Excluding Denmark, Norway, Kazakhstan, and Georgia, sales volumes increased in all countries. Particularly strong growth was recorded in our two key markets, Poland and Czechia.

In Lithuania, we commissioned two new ready-mixed concrete plants. Two additional plants are currently under construction.

Service-joint ventures-other business line

This business line includes in Northern and Eastern Europe-Central Asia our joint ventures and the concrete products of Nordic Precast Group, which is active in Norway, Sweden, Denmark, Germany, Poland, and Latvia.

In November 2017, HeidelbergCement sold 50 % of the shares with voting rights in its Georgian business to the investment company Cement Invest, Amsterdam, Netherlands, which belongs to the Georgian Co-Investment Fund (GCF), Tbilisi, and Hunnewell Partners (Hunnewell), Tbilisi/London, Georgia/United Kingdom, and is operated jointly by the two companies. HeidelbergCement and Cement Invest will thus have joint control of the business, and the partnership will allow this new Georgian joint venture to benefit from the project experience of GCF and Hunnewell in Georgia. The sale of the shares is part of the review and optimisation of our portfolio, with the aim of generating additional cash flow to support our disciplined growth and increasing shareholder returns.

Other major joint ventures are located in Hungary and Bosnia-Herzegovina. Our joint venture Duna-Dráva Cement Kft. is the leading building materials manufacturer in Hungary. During the reporting year, the company almost doubled its ready-mixed concrete activities in Hungary with the purchase of Readymix Hungaria Kft.,Budapest, from the German Rohrdorfer Group and also expanded its aggregates business.

In Bosnia-Herzegovina, we operate one cement plant and several ready-mixed concrete plants. Both in Bosnia-Herzegovina and in Hungary, cement sales volumes rose compared with the previous year.

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

Revenue of the service-joint ventures-other business line fell by 2.7 % to €399 million (previous year: 410).

Revenue and results
Revenue of the Northern and Eastern Europe-Central Asia Group area grew by 16.9 % to €2,836 million (previous year: 2,425). On a pro forma basis, i.e. including the former Italcementi activities for the first half of 2016, and excluding consolidation and exchange rate effects, revenue rose by 5.2 %.

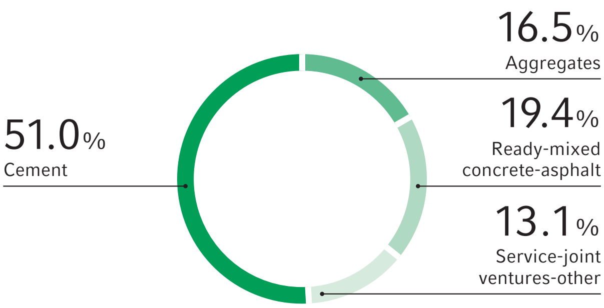
At €539 million (previous year: 445), the result from current operations before depreciation and amortisation was 21.3 % above the level of the previous year. The result from current operations rose by 26.7 % to €365 million (previous year: 288).

Key data Northern and Eastern Europe-Central Asia

€m	2016	2017	Change
Revenue	2,425	**2,836**	16.9 %
Result from current operations[1]	288	**365**	26.7 %
Cement and clinker sales volumes (Mt)	24.2	**25.9**	7.1 %
Aggregates sales volumes (Mt)	37.0	**52.3**	41.1 %
Ready-mixed concrete sales volumes (Mm^3)	6.2	**6.9**	10.6 %
Employees as at 31 December	13,107	**13,531**	3.2 %

1) 2016 amount was restated

Revenue Northern and Eastern Europe-Central Asia 2017: €2,836 million



North America

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

In the reporting year, we expanded our market presence through acquisitions. On 1 July, we acquired the building materials business of Cemex in Oregon and Washington. Its business activities comprise seven aggregates quarries, five ready-mixed concrete plants, and three asphalt plants. To strengthen our market position in the US state of New York, we acquired the assets of the Saunders Companies on 1 August. The purchase includes nine aggregates plants and 15 ready-mixed concrete plants. These two acquisitions support our strategic goal of broadening vertical integration in the USA.

Despite the impacts of strong rains and flooding along the west coast during the first quarter of the reporting year and the effects of Hurricanes Irma and Harvey in Florida and Texas during the second half of the year, the economic upturn in the USA continued unabated. Gross domestic product rose by 2.3 % versus 1.5 % in the previous year. The labour market situation also improved further. By the end of 2017, the unemployment rate fell to 4.1 %, compared with 4.7 % in the previous year. This was the lowest figure for 17 years. Construction activity increased by 0.7 % overall in 2017. The strongest growth of 5.6 % was recorded in residential construction, primarily driven by the construction of single-family houses and renovations. Non-residential construction largely remained at the previous year's level. While industrial construction declined significantly, commercial construction showed strong growth. As a result of government spending cuts, public construction fell by 3.2 %. Appropriations from the current highway programme, combined with increasing tax income, will likely revitalise activity in the infrastructure sector.

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The Canadian economy developed very positively in 2017 growing by 3.0 % versus 1.4 % in the previous year. The unemployment rate stood at 5.7 %, its lowest level for over 40 years.

Cement business line

Cement consumption in the USA rose by 2.4 % to 96.6 million tonnes in 2017. The Cement Association of Canada (CAC) reported cement consumption rose by 5.2 % in comparison with the previous year based on September year-to-date figures.

Cement and clinker sales volumes of our plants, excluding our joint venture Texas Lehigh Cement, reached 16.4 million tonnes (previous year: 14.6), an increase of 12.8 %. The integration of the Essroc plants into the North region since 1 July 2016 contributed the majority of this growth. Considering the figures on a pro forma basis, i.e. including the Essroc plants for the whole of 2016, and excluding smaller consolidation effects, the rise in sales volumes amounted to 2.2 %.

The strongest increase in demand was recorded along the west coast, from southern California to British Columbia, although the sales volumes of both the West and Canada regions showed pleasing growth overall. The same applies to our two white cement plants. In contrast, we suffered losses in the South region due to Hurricane Harvey. Sales volumes in the North region significantly exceeded the previous year as a result of the consolidation of the Essroc plants. We were able to successfully implement price increases in all key markets (with the exception of oil well cement) in both the USA and Canada. Revenue of the cement business line rose by 14.1 % in 2017 to €1,861 million (previous year: 1,631).

In 2017, we put three major investments into operation: in California, we increased the grinding capacity of the Tehachapi cement plant, which supplies the Los Angeles market, by adding an additional cement mill. We also commissioned the new greenfield quarry of our Union Bridge plant in the US state of Maryland, as well as a new, highly efficient cement mill at our cement plant in Edmonton, Canada, which increases the plant's grinding capacity by 40 %.

Aggregates business line

In the USA and Western Canada, HeidelbergCement has a strong network of production sites for sand, gravel, and hard rock, which was expanded in the reporting year with the two abovementioned acquisitions in the Pacific Northwest and the US state of New York. Total sales volumes exceeded the previous year by 1.7 % with 120.8 million tonnes (previous year: 118.8). On a pro forma basis and excluding the newly acquired production sites in 2017, the sales volumes were marginally below the previous year's level.

With the exception of the North region, we recorded increases in volumes in all regions. Demand grew most quickly in Canada and in the West region. Price increases were successfully implemented in all market regions of the USA and Canada. Revenue of the aggregates business line rose by 4.0 % to €1,591 million (previous year: 1,531).

Ready-mixed concrete-asphalt business line

Our extensive network of ready-mixed concrete plants, which spans the entire Group area, was also expanded during the reporting year with the two abovementioned acquisitions. As a result of these additions, our asphalt production, which until now has been mainly concentrated on the states of New York, Pennsylvania, and California, was extended to the Pacific Northwest.

Ready-mixed concrete shipments increased by 6.5 % to 6.8 million cubic metres (previous year: 6.3) in 2017. On a pro forma basis and excluding the consolidation effects arising from the acquisitions in 2017, deliveries fell slightly by 1.9 %. While both the Canada and North regions benefited from the inclusion of the Essroc plants and the new consolidations during the reporting year, demand in the West region remained at the previous year's level. In the South region, on the other hand, our business suffered from the effects of Hurricane Harvey, particularly in the Houston area.

Asphalt sales volumes increased slightly by 1.1 % to 4.0 million tonnes (previous year: 4.0) in 2017. Excluding the new consolidation, however, sales volumes decreased by 3.8 %. While demand rose in our West market region, it fell in the Northeast as a result of delays to road-building projects.

Total revenue of the ready-mixed concrete-asphalt business line rose by 4.2 % to €1,054 million (previous year: 1,012).

Service-joint ventures-other business line

Our joint venture Texas Lehigh Cement Company LP, headquartered in Austin, Texas, is included in this business line. The company, in which we hold a 50 % stake, operates a cement plant in Buda, Texas. Despite the adverse impact of Hurricane Harvey, the company improved its sales volumes by 3.0 % in comparison with the previous year and increased its prices and result.

Revenue of the business line, which includes the concrete pipes operating line in Canada and other associated activities, rose by 9.5 % to €259 million (previous year: 236).

Revenue and results

After conversion to euro, total revenue in the North America Group area increased by 7.9 % to €4,345 million (previous year: 4,027). On a pro forma basis, i.e. including the Essroc activities for the first half of 2016, and excluding consolidation and exchange rate effects, revenue was around 3 % up on the previous year.

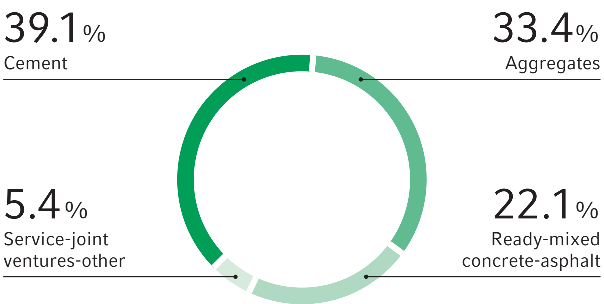
The result from current operations before depreciation and amortisation increased by 18.6 % to €1,160 million (previous year: 978). The result from current operations rose by 24.1 % to €863 million (previous year: 696).

Key data North America

€m	2016	2017	Change
Revenue	4,027	**4,345**	7.9 %
Result from current operations[1)]	696	**863**	24.1 %
Cement and clinker sales volumes (Mt)	14.6	**16.4**	12.8 %
Aggregates sales volumes (Mt)	118.8	**120.8**	1.7 %
Ready-mixed concrete sales volumes (Mm³)	6.3	**6.8**	6.5 %
Asphalt sales volumes (Mt)	4.0	**4.0**	1.1 %
Employees as at 31 December	8,444	**8,726**	3.3 %

1) 2016 amount was restated

Revenue North America 2017: €4,345 million



Asia-Pacific

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

According to the October forecast of the International Monetary Fund (IMF), economic growth in the Asia and Pacific region in 2017 was 5.6 % higher than in the previous year. In China, the increase in the gross domestic product amounted to 6.9 %, reflecting the recovery of worldwide trade, significant expenditure on infrastructure, and a robust property sector. For India, the IMF forecasts a weaker growth of the gross domestic product of 6.7 % in the 2017/18 fiscal year, because of the adverse effects of the cash reform carried out in November 2016 and the subsequent tax reforms. Solid economic growth of 5.2 % is forecast for Indonesia, with inflation well under control, and an increase of 3.7 % for Thailand. Australian gross domestic grew by 2.3 %. While infrastructure and commercial construction increased as a result of greater public and private investment, residential construction slowed down due to the looming oversupply on the east coast.

Cement business line

In the cement business line, HeidelbergCement is represented in Indonesia, India, Thailand, Bangladesh, Brunei, and Sri Lanka. In 2017, total cement and clinker deliveries of the Asia-Pacific Group area rose by 20.6 % to 34.7 million tonnes (previous year: 28.7). On a pro forma basis, i.e. including the former Italcementi plants in India and Thailand in the first half of 2016, sales volumes grew by 0.8 %. Via our joint ventures, we also hold strong cement market positions in China and Australia.

Following the downward trend of recent years, sales volumes increased once more in the Indonesian cement market – our largest market in Asia – in 2017. This was due to the strong recovery of demand on Java and the government restrictions on cement imports. The cement and clinker sales volumes of our plants also benefited from this development and grew by 5.5 % in the reporting year. However, because of excess capacities in the cement industry, the average prices fell in comparison with the previous year. Nevertheless, thanks to a disciplined pricing policy and our cost leadership, we limited the decline in our margins.

After the official opening of the kiln for the new integrated P14 production line at the Citeureup location at the end of October 2016, the new cement mills were commissioned in 2017. Thanks to this state-of-the-art production line with a cement capacity of 4.4 million tonnes, we have gained a significant competitive cost advantage in our key markets of Jakarta and West Java.

The cement and clinker shipments of our Indian plants were affected by subdued demand, which was caused partly by the cash reform introduced in November 2016 and the goods and services tax reform in the second half of 2017. Construction activity was also negatively affected by the shortage of sand and aggregates in our core markets as well as a lack of labour. Deliveries from our plants increased by 36.2 % in the reporting year. This increase is due to the first-time inclusion of the former cement activities of Italcementi in southern India. However, on a pro forma basis, there was a slight decline in deliveries. The improved sales volumes in central India did not offset the decline in sales volumes in southern India, which was caused by strong competitive pressure. In December 2017, HeidelbergCement India signed an agreement to acquire the 49 % share of its joint venture partner in the energy company Sitapuram Power Limited, Sitapuram, in order to reduce energy costs.

In Thailand, domestic cement consumption decreased in comparison with the previous year. The same applies to the cement and clinker sales volumes of our plants on a pro forma basis. Large infrastructure projects planned in the area of transport and public services started slowly, but should ramp up in 2018. The immigration reform and resulting labour shortage led to stagnation in the private sector. Over the course of the year, the weak level of demand contributed to increased price pressure.

While cement sales volumes in Bangladesh declined slightly during the reporting year, shipments increased considerably in the Sultanate of Brunei.

Revenue of the cement business line rose by 10.9 % to €1,739 million (previous year: 1,568).

Aggregates business line
In the aggregates business line, HeidelbergCement is represented in Australia, Malaysia, Indonesia, and Thailand. In 2017, our aggregates deliveries increased by 5.7 % to 41.5 million tonnes (previous year: 39.2). On a pro forma basis, the sales volumes grew by 4.2 %. Through our joint venture, we are also the largest aggregates supplier in Hong Kong.

In Australia, our largest aggregates market in this Group area, sales volumes increased once again in 2017, which also allowed us to raise prices. Growth in demand focused on the east coast and was in line with the overall development of the construction industry. In 2017, we commenced a major upgrade of our Bass Point aggregates plant to more than double its annual production capacity, in order to further strengthen our position in the key market of Sydney.

In Malaysia, our deliveries of aggregates remained below the previous year's level as a result of weaker activities in residential construction. Excess capacities led to a decline in prices and margins. While our aggregates sales volumes in Indonesia fell by 4.2 % due to the weak demand in commercial construction in the greater Jakarta area, they increased considerably in Thailand.

Supported by the positive development in Australia, the revenue of our aggregates business line rose by 5.8 % to €622 million (previous year: 587).

Ready-mixed concrete-asphalt business line
In the ready-mixed concrete business, HeidelbergCement is represented in Australia, Indonesia, Malaysia, and Thailand, as well as in Hong Kong via two joint ventures.

We also have significant asphalt activities in Malaysia and operate one asphalt plant in Australia.

Sales volumes of ready-mixed concrete fell by 3.3 % in 2017 to 10.6 million cubic metres (previous year: 11.0). On a pro forma basis, sales volumes decreased by 7.0 %. Increased volumes in Thailand did not compensate for reduced shipments in Malaysia as well as in Indonesia, owing to the significant decline in demand in the greater Jakarta area. Sales volumes in Australia were at the level of the previous year. While prices rose modestly in Australia, they fell in Indonesia, Malaysia, and Thailand. Total asphalt sales volumes dropped by 4.2 % to 1.8 million tonnes (previous year: 1.8).

Revenue of the ready-mixed concrete-asphalt business line grew by 1.7 % to €1,089 million (previous year: 1,071).

Service-joint ventures-other business line
The service-joint ventures-other business line comprises the cement, aggregates, and ready-mixed concrete activities of our joint ventures in the Chinese provinces of Guangdong and Shaanxi as well as in Hong Kong and our Australian joint venture, Cement Australia. We also operate two precast concrete plants in Australia in the Sydney metropolitan area, as well as activities for road construction in Malaysia.

In China, we are represented in the cement business with the two joint ventures China Century Cement and Jidong Heidelberg Cement Company in the Guangdong and Shaanxi provinces. Sales volumes of the two companies rose by 11.3 % in 2017 as a result of the continuing strength of infrastructure and residential construction in our markets. Cement prices also increased considerably in both provinces. While aggregates sales volumes in Hong Kong improved significantly, deliveries of ready-mixed concrete decreased due to strong competitive pressure.

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

Revenue of the business line, which only includes the two Australian precast concrete plants and the road construction activities in Malaysia, fell by 12.3 % to €38 million (previous year: 43).

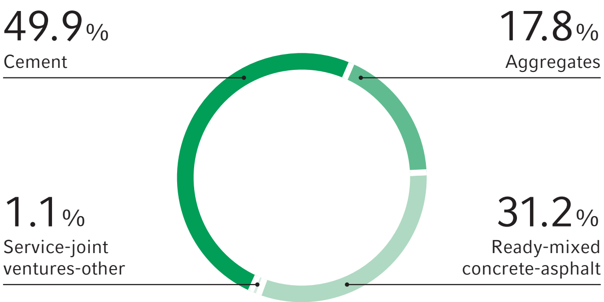
Revenue and results
Revenue of the Asia-Pacific Group area grew by 8.5 % to €3,155 million (previous year: 2,907). On a pro forma basis and excluding exchange rate effects, revenue decreased slightly by 0.4 %.

The result from current operations before depreciation and amortisation declined by 7.5 % to €652 million (previous year: 705) compared with the previous year. The result from current operations dropped by 15.7 % to €459 million (previous year: 544).

Key data Asia-Pacific			
€m	2016	2017	Change
Revenue	2,907	**3,155**	8.5 %
Result from current operations[1]	544	**459**	-15.7 %
Cement and clinker sales volumes (Mt)	28.7	**34.7**	20.6 %
Aggregates sales volumes (Mt)	39.2	**41.5**	5.7 %
Ready-mixed concrete sales volumes (Mm^3)	11.0	**10.6**	-3.3 %
Asphalt sales volumes (Mt)	1.8	**1.8**	-4.2 %
Employees as at 31 December	14,956	**14,039**	-6.1 %

1) 2016 amount was restated

Revenue Asia-Pacific 2017: €3,155 million



Africa-Eastern Mediterranean Basin

HeidelbergCement operates currently in 16 countries in the Africa-Eastern Mediterranean Basin Group area. With the successful integration of the former business units of Italcementi in Egypt, Morocco, Gambia, and Mauritania, we considerably strengthened our market position in Africa, thus becoming a major player on the continent, both in the northern part and the sub-Saharan countries.

Egypt and Morocco, where we hold leading market positions in the cement business, are among the biggest markets in the Group area. In both countries we also produce ready-mixed concrete and are active in the aggregates business in Morocco.

We run own production sites in nine countries south of the Sahara, where we mainly manufacture cement; in most of these countries, we are the market leader. In this respect, to ensure that we can continue to serve the growing demand, we commissioned two new plants in Togo and Benin during the financial year. In Togo, the new cement grinding plant near Kara in the north of the country commenced operation in August, with an annual capacity of 450,000 tonnes of cement and an export potential to neighbouring countries. With this investment, we are strengthening our competitive position in the north of Togo while also reducing transportation costs, as the cement is now being produced locally. In Benin, we made a similar expansion investment that almost doubled our existing production capacity in the urban area around the capital Cotonou, in order to benefit as much as possible from the government's planned investment programme and export potentials. The new grinding plant has been in operation since April.

In the eastern Mediterranean Basin, we have operations in Israel and Turkey. While we mainly produce aggregates and ready-mixed concrete in Israel, our joint venture Akçansa in Turkey is one of the country's leading cement manufacturers and also runs ready-mixed concrete and aggregates operations. Since establishing an independent subsidiary in Palestine in 2016, we have also operated a cement import business to Gaza and the West Bank and are committed to setting up a local building materials production site for aggregates in order to support the development of the region's infrastructure.

Demand for building materials in Africa – particularly south of the Sahara – developed positively in 2017. The market environment is overall characterised by robust local economic development combined with increasing construction activity. Solid economic growth, a young and rapidly growing population, and steadily progressing immigration to cities and urban areas are the main drivers of increasing construction activity and demand for cement in these countries. A key indicator is the per capita consumption of cement, which is still significantly lower in the sub-Saharan countries than in more developed or industrialised countries.

According to the January 2018 forecast of the International Monetary Fund (IMF), economic growth in sub-Saharan Africa improved in 2017, at an estimated 2.7 %, compared with the previous year's figure of 1.4 %.

The expectations outlined of the IMF for fast-growing countries such as Tanzania, Togo, Burkina Faso, and Ghana were particularly positive, with an estimated rise of more than 5 % in the gross domestic product in 2017. HeidelbergCement's largest production sites south of the Sahara are located in these countries.

For North Africa, macroeconomic indicators point to solid growth for 2017. Morocco's gross domestic product improved by 4.0 %, which is considerably higher than in the previous year. In contrast, growth of the construction industry was very low at only 0.4 %. In fiscal year 2016/17, Egypt recorded robust economic growth of 4.2 despite the volatile economic situation connected with the high level of devaluation of the local currency. However, there was a decline in the overall market demand for cement of more than 5 %.

In Turkey, the devaluation pressure on the domestic currency continued. Nevertheless, economic output increased, particularly in the second half of 2017, and the IMF estimates economic growth of 5.1 % for the full year. Domestic demand for cement was boosted by major ongoing projects (Istanbul Metro, Istanbul Airport).

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Israel is recording consistently positive economic growth, with an estimated rise of 3.1 % for 2017, combined with a stable price level. The construction sector grew by an estimated 10.5 %. Public infrastructure projects in the Tel Aviv metropolitan area made a significant contribution to the strong demand for aggregates and ready-mixed concrete.

Cement business line

The cement and clinker sales volumes of the Africa-Eastern Mediterranean Basin Group area rose by 50.4 % to 19.0 million tonnes (previous year: 12.7). On a pro forma basis, i.e. including the former Italcementi business units in the first half of 2016, sales volumes fell slightly by 0.6 %, mainly due to decreasing cement demand in Egypt.

At national level, there are clear differences in the development of sales volumes. The significant increase in volumes in the West African countries was supported by generally positive macroeconomic conditions and lively construction activity in the metropolitan areas, which are optimally supplied by our plants. Thanks to the expansion of our production capacity in Benin, we are also able to cover the rise in domestic and export demand, which is expected in the future. In contrast, there was a decline in shipments in Sierra Leone and the Democratic Republic of Congo. The decrease in Sierra Leone results primarily from rising imports and the market entry of a competitor.

In our North Africa region, which includes Egypt, Morocco, Mauritania, and Gambia, sales volumes increased by 91.1 % in the reporting year to 11.7 million tonnes (previous year: 6.1), thereby contributing significantly to the Group area's total sales volumes. This rise is related to the first full-year consolidation of the former Italcementi operations. On a pro forma basis, however, these countries recorded a decline of 6.1 %. This is a result of the reduced demand in Egypt, particularly in residential construction, and the sustained high level of excess production capacities. In contrast, sales volumes developed positively in Mauritania, and Gambia.

Revenue of the cement business line rose by 19.9 % to €1,216 million (previous year: 1,014).

The continuous build-up of capacities in Africa demonstrates the continent's central importance in HeidelbergCement's long-term growth strategy. For example, in December 2017, the contract was awarded for the expansion of our production capacity in Burkina Faso; we will double the capacity to reach around 2 million tonnes in order to fulfil the growing demand for cement in the country.

Another step towards expansion is the planned market entry in South Africa; we are also investigating expansion options in other African countries as well as in the eastern Mediterranean Basin.

Aggregates business line

HeidelbergCement is predominantly active in Israel and Morocco in the aggregates business line. Significant increases in sales volumes were achieved in Israel. For Morocco, this business line constitutes the basis for a stronger vertical integration with the cement and ready-mixed concrete business lines. Total aggregates deliveries of the Group area rose in the reporting year by 22.9 % to 12.4 million tonnes (previous year: 10.1); on a pro forma basis, volumes increased by a pleasing 12.4 %. Revenue of the aggregates business line rose by 24.8 % to €112 million (previous year: 90).

The sustained positive development illustrates the growing importance of the aggregates business line for the whole Group area; organic growth and acquisitions will therefore remain a key management focus.

Ready-mixed concrete-asphalt business line

Besides the cement business, the acquisition of Italcementi in 2016 primarily expanded our ready-mixed concrete activities in North Africa. Our market presence in this Group area now extends to Egypt, Morocco, and Israel. Deliveries of ready-mixed concrete rose by 37.4 % to 5.1 million cubic metres (previous year: 3.7) in 2017; on a pro forma basis, they were up 2.8 % in comparison with the previous year. In the asphalt operating line, our only activities are in Israel. In 2017, we continued the positive development seen in recent years, increasing sales volumes substantially in Israel by 15.3 % to 0.6 million tonnes (previous year: 0.5). Total revenue of the ready-mixed concrete-asphalt business line rose by 26.2 % to €327 million (previous year: 259).

Service-joint ventures-other business line

The service-joint ventures-other business line essentially includes the cement, aggregates, and ready-mixed concrete activities of our Turkish joint venture Akçansa. In the reporting year, the domestic cement sales volumes of Akçansa again slightly exceeded the previous year, thereby achieving another record level. While clinker exports rose substantially, cement exports decreased. In total, Akçansa's cement and clinker sales volumes grew by 1.4 % in a challenging market environment characterised by growing excess capacities.

Deliveries of both aggregates and ready-mixed concrete decreased in comparison with the previous year. The decline was due to large projects reaching their conclusion, such as the construction of the third Bosphorus Bridge, for which Akçansa was the major supplier. The decline in sales volumes was partially offset by price increases.

In this business line, revenue of €30 million (previous year: 33) was realised in 2017 with other non-core activities. These include transport and other services divisions in Israel, which remained 7.2 % below the level of the previous year.

Revenue and results

Revenue of the Africa-Eastern Mediterranean Basin Group area increased by 20.7 % to €1,586 million (previous year: 1,314). On a pro forma basis, i.e. including the former Italcementi activities for the first half of 2016 and excluding consolidation and exchange rate effects, revenue rose by 5.1 %.

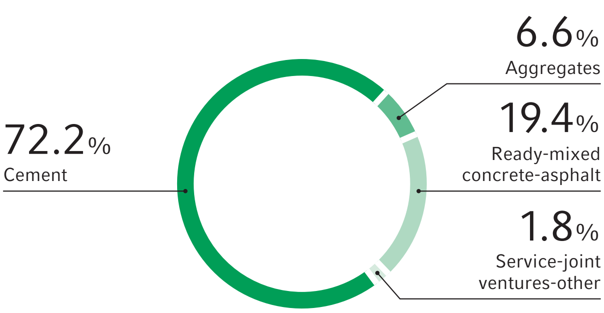
At €367 million (previous year: 327), the result from current operations before depreciation and amortisation was 12.3 % above the level of the previous year. The result from current operations rose by 10.9 % to €273 million (previous year: 246).

Key data Africa-Eastern Mediterranean Basin

€m	2016	2017	Change
Revenue	1,314	**1,586**	20.7 %
Result from current operations[1]	246	**273**	10.9 %
Cement and clinker sales volumes (Mt)	12.7	**19.0**	50.4 %
Aggregates sales volumes (Mt)	10.1	**12.4**	22.9 %
Ready-mixed concrete sales volumes (Mm^3)	3.7	**5.1**	37.4 %
Asphalt sales volumes (Mt)	0.5	**0.6**	15.3 %
Employees as at 31 December	7,602	**6,856**	-9.8 %

1) 2016 amount was restated

Revenue Africa-Eastern Mediterranean Basin 2017: €1,586 million



Group Services

Group Services largely comprises the activities of our subsidiary HC Trading, one of the largest trading companies worldwide for cement, clinker, solid fuels, and other building materials.

HC Trading is responsible for optimising the utilisation of our cement plants by balancing global supply and demand for cement and clinker. HC Trading also conducts overseas purchase activities of the Group companies for coal, petroleum coke, and other cementitious materials. In addition, the company serves other cement companies, delivering the highest standards of quality and service.

With employees from 29 countries, the trade network of HC Trading consists of 15 locations at key strategic sites worldwide. This network was significantly expanded following the integration of Interbulk Trading, Italcementi's former trading company. Thanks to its stronger market presence, HC Trading is now able to further optimise the capacity utilisation of our cement plants and offer even greater flexibility to its customer/supplier portfolio around the globe.

HC Trading increased its trade volume in the reporting year by 5.3 % to 25.3 million tonnes (previous year: 24.0). The majority of the deliveries went to Africa and Asia, as well as North America. The key supplier countries were Spain, Turkey, Vietnam, and China.

International trading in coal and petroleum coke increased in the reporting year by 7.6 %. Besides Group-owned cement plants, HC Trading also supplied the cement industry in Asia, the Middle East, Europe, and Africa.

In 2017, more than 1,200 shipments were conducted via the main sea routes of Asia, the Mediterranean Basin, and Continental Europe to their destinations in Africa, Southeast Asia, and North America. Thanks to the high level of expertise of its in-house shipping department in enhancing logistical capabilities, HC Trading is able to respond quickly to customer requirements even in changing market conditions.

Group Services also comprises several activities in Kuwait. We have six plants in Kuwait, making us one of the major players in the ready-mixed concrete industry in the country. We also operate two cement import terminals there.

Revenue and results

Revenue of Group Services was 20.6 % above the previous year at €1,301 million (previous year: 1,078).

At €31 million (previous year: 24), the result from current operations before depreciation and amortisation was 31.3 % above the level of the previous year. The result from current operations rose by 28.0 % to €27 million (previous year: 21).

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Key data Group Services			
€m	2016	2017	Change
Revenue	1,078	**1,301**	20.6 %
Result from current operations[1]	21	**27**	28.0 %
Cement and clinker sales volumes (Mt)	0.2	**0.7**	229.0 %
Ready-mixed concrete sales volumes (Mm^3)	0.3	**0.6**	89.5 %
Employees as at 31 December	534	**405**	-24.2 %

1) 2016 amount was restated

Discontinued operations

The result from discontinued operations of €-51 million includes expenses totalling €50 million in connection with damages and environmental obligations for US subsidiaries of the Hanson Group, which was taken over in 2007. Additionally, there are expenses amounting to €1 million from the business activities of Italcementi in Belgium and North America, which were sold as part of the Italcementi acquisition on 25 October 2016 and 30 November 2016, respectively, following the decisions of the competition authorities.

Statement of cash flows

In the 2017 financial year, cash inflow from operating activities increased significantly again and financial debt was reduced as planned.

The cash inflow from operating activities of continuing operations rose by €139 million to €2,042 million (previous year: 1,902). The main reason was the rise of €263 million in the cash flow before interest and tax payments to €3,168 million (previous year: 2,905), which is attributable to the improved operational performance and the systematic continuation of the Group-wide programmes for reducing costs and improving efficiency.

The decline of €22 million in interest received to €117 million (previous year: 139) is particularly due to special items arising from the settlement of interest rate swaps in the previous year. Interest paid rose slightly by €24 million to €553 million (previous year: 530) as a result of the interest payments for bonds taken over from Italcementi, which fell due in the first and second quarters of 2017. Income tax payments increased by €36 million to €362 million (previous year: 326). In contrast, cash outflows from the utilisation of provisions fell by €48 million to €335 million (previous year: 383). The higher utilisation in the previous year was essentially due to the endowment of a Group contractual trust agreement (CTA) of €51 million for the insolvency protection of pension entitlements. At €7 million (previous year: 97), the cash-relevant decline in working capital once again positively impacted the change in cash and cash equivalents.

Cash outflow from investing activities of continuing operations declined by €2,375 million to €847 million (previous year: 3,222). Cash-relevant investments fell by €2,760 million to €1,278 million (previous year: 4,039). The figure in the previous year was largely influenced by the purchase price payment of €2,873 million for the acquisition of shares in Italcementi S.p.A. Investments for sustaining and optimising our capacities amounted to €644 million (previous year: 630) and €634 million related to capacity expansions (previous year: 3,409 - including the purchase price payment for Italcementi S.p.A.). Further details can be found in the Investments section on ↗ page 43 and in the Business combinations in the reporting year section of the Notes on ↗ page 123 f. With regard to the cash-relevant divestments of €434 million (previous year: 184), cash inflows from the disposal of subsidiaries and other business units accounted for €43 million (previous year: 5). Further details can be found in the Divestments in the reporting year section of the Notes on ↗ page 129 f. Proceeds from the disposal of other fixed assets amounting to €391 million (previous year: 180) relate with €253 million (previous year: 107) to cash inflow from the sale of intangible assets and property, plant, and equipment. The increase in comparison with the previous year results essentially from the sale of assets that are not part of the core business. The remaining payments received of €138 million (previous year: 73) apply to the disposal of financial assets, associates, and joint ventures as well as to the repayment of capital from joint ventures and the repayment of loans. The change to the scope of consolidation resulted in a cash outflow of €3 million in the financial year. The corresponding cash inflow of €632 million in the previous year essentially concerned the cash and cash equivalents of the Italcementi Group at the time of acquisition.

Financing activities of continuing operations generated a cash outflow of €922 million in 2017 (previous year: cash inflow of 1,056). The cash outflow arising from the net proceeds from and repayment of bonds and loans of €302 million (previous year: 1,381) included in this figure covers the change in non-current and current financial liabilities, mainly comprising the issue of three bonds with a total value of €2.25 billion, the repayment of three bonds totalling €1,622 million, and the early repayment of debt certificates amounting to €285 million. This item also includes the repayment of the utilised syndicated credit line, borrowings and payments relating to bank loans and debt certificates, as well as changes to other current financial liabilities with high turnover rate. In the previous year, three bonds with a total value of €2.75 billion were issued and two bonds of €971 million were repaid, as were commercial papers of €385 million.

Dividend payments led to a cash outflow of €529 million (previous year: 335), with dividend payments of HeidelbergCement AG making up €317 million (previous year: 244) of this figure.

As in the previous year, cash inflows and outflows from discontinued operations relate to the Belgian Italcementi activities as well as to some locations of Italcementi in North America, which were resold in the previous year to meet the conditions of the competition authorities.

In the 2017 financial year, HeidelbergCement was able to meet its payment obligations at all times.

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Consolidated statement of cash flows (short form)			
€m	2016[1]	2017	Difference
Cash flow	2,188	**2,370**	181
Changes in working capital	97	**7**	-90
Decrease in provisions through cash payments	-383	**-335**	48
Cash flow from operating activities – continuing operations	1,902	**2,042**	139
Cash flow from operating activities – discontinued operations	-28	**-4**	25
Cash flow from operating activities	1,874	**2,038**	164
Investments (cash outflow)	-4,039	**-1,278**	2,760
Other inflows of cash and cash equivalents	816	**431**	-386
Cash flow from investing activities – continuing operations	-3,222	**-847**	2,375
Cash flow from investing activities – discontinued operations	901	**10**	-891
Cash flow from investing activities	-2,321	**-837**	1,484
Capital decrease – non-controlling shareholders	-2	**0**	2
Dividend payments	-335	**-529**	-194
Changes in ownership interests in subsidiaries	12	**-91**	-103
Net proceeds from/repayment of bonds and loans	1,381	**-302**	-1,683
Cash flow from financing activities – continuing operations	1,056	**-922**	-1,978
Cash flow from financing activities – discontinued operations	0		0
Cash flow from financing activities	1,056	**-922**	-1,978
Effect of exchange rate changes	13	**-142**	-155
Change in cash and cash equivalents	622	**137**	-485

1) Amounts were restated

Investments

Strict spending discipline regarding investments continued to form a significant cornerstone of our rigid and consistent cash management in the 2017 financial year. Cash-relevant investments, which in the previous year primarily related to the acquisition of the Italcementi Group, declined to €1,278 million in the reporting year (previous year: 4,039). As a result, our investments remained significantly short of the originally planned amount of €1.4 billion. However, the investment goal of €1.2 billion, which was reduced in connection with the decreased investments in expansion, was not fully achieved. €1,035 million (previous year: 1,040) was attributed to investments in property, plant, and equipment (including intangible assets). Investments in financial assets and other business units fell to €243 million (previous year: 2,999).

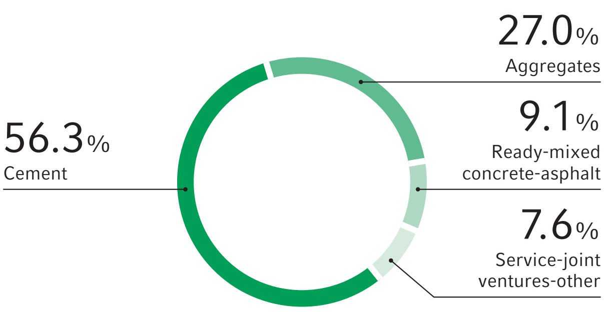
Investments in property, plant, and equipment related partly to maintenance, optimisation, and environmental protection measures at our production sites in all Group areas. One point of focus regarding optimisation and environmental protection is on the projects of the Germany Cement Master Plan for modernisation and efficiency improvements as well as environmental protection in our German cement plants. This includes major projects such as the modernisation of the Burglengenfeld and Schelklingen plants, where completely new preheater kilns are being constructed. Larger items of capital spending were also connected with the construction of a coal mill in the Helwan plant near Cairo, Egypt, as well as the development of a new quarry for our Union Bridge cement plant in the USA. In Georgia, the modernisation of the Kaspi cement plant continued. The upgrading of the Bass Point location in New South Wales, Australia, represents an important project in the aggregates business line.

In 2017, we also made targeted investments in the growth markets of Africa as well as in North America. In Benin, we commissioned a new cement mill at the Cotonou grinding plant in April 2017. In August, a new cement grinding plant commenced production in Togo. In addition, we further expanded our cement capacities in the North America Group area. The newly constructed cement grinding installation at the Tehachapi cement plant in California has been in operation since June 2017. At the end of the year, an additional cement mill started production at the cement plant in Edmonton, Canada. At the production site in Citeureup, Indonesia, we commissioned the new cement mills of the P14 production line, which was officially opened in the previous year.

The investments in financial assets and other business units essentially relate to the acquisition of the building materials business line of Cemex in the northwest of the USA and the purchase of the operating assets of the Saunders Companies in the US state of New York, as well as smaller bolt-on acquisitions of shareholdings.

Investments			
€m	2016	2017	Change
Western and Southern Europe	297	**327**	10.3 %
Northern and Eastern Europe-Central Asia	124	**144**	15.6 %
North America	301	**274**	-8.8 %
Asia-Pacific	215	**209**	-2.7 %
Africa-Eastern Mediterranean Basin	102	**81**	-20.8 %
Financial assets and other business units	2,999	**243**	-91.9 %
Total	4,039	**1,278**	-68.4 %

Investments in property, plant, and equipment by business lines in 2017



Consolidated balance sheet

The balance sheet total declined by €2,562 million to €34,558 million (previous year: 37,120) as at 31 December 2017. This decrease largely results from exchange rate effects of €-2,452 million.

Non-current assets fell by €2,572 million to €27,865 million (previous year: 30,437). After adjustment for exchange rate effects amounting to €-2,012 million, the changes mainly related to intangible assets and property, plant, and equipment of -272 million as well as investments in associates of €45 million and financial investments amounting to €-98 million. The decline in intangible assets and property, plant, and equipment is essentially attributable to additional depreciation and amortisation of €150 million and impairments of €68 million as well as to disposals of €122 million, while changes to the scope of consolidation amounting to €75 million had an offsetting effect. The rise in investments in associates resulted mainly from profit for the financial year of €52 million. The decline in financial investments can largely be attributed to disposals of €87 million.

Current assets decreased by €80 million to €6,593 million (previous year: 6,673). Inventories fell by €174 million to €1,881 million (previous year: 2,054). Adjusted for currency effects of €152 million, inventories decreased only slightly by €22 million. Receivables and other assets saw marginal growth of €16 million to €2,584 million (previous year: 2,567). Cash and cash equivalents increased by €136 million to €2,109 million (previous year: 1,972), mainly as a result of the issue of new bonds amounting to €2,250 million. This was counteracted by the repayment of three bonds totalling €1,622 million, debt certificates amounting to €285 million, and bank loans of €467 million. The change in cash and cash equivalents is explained in more detail in the Statement of cash flows section on ↗ page 42 f.

On the equity and liabilities side, equity decreased by €1,739 million to €16,052 million (previous year: 17,792). The drop is primarily attributable to changes to the total comprehensive income of €-1,135 million, dividend payments of €529 million, and the fall in changes in ownership interests in subsidiaries of €92 million. The total comprehensive income is composed of the €1,058 million profit for the financial year and particularly currency translation differences of €-2,107 million recognised in other comprehensive income as well as actuarial gains of €18 million.

The decline of €227 million in interest-bearing liabilities to €10,824 million (previous year: 11,051) is mainly due to the repayment and issue of new bonds as well as to the repayment of debt certificates and bank loans. Provisions decreased by €473 million to €2,636 million (previous year: 3,109). Operating liabilities fell by €143 million to €4,383 million (previous year: 4,526).

In the 2017 financial year, the net debt/equity ratio (gearing) increased slightly by 3.6 percentage points to 54.2 % (previous year: 50.6 %).

Consolidated balance sheet (short form)

€m	31 Dec. 2016[1]	31 Dec. 2017	Part of balance sheet total 2017
Intangible assets and property, plant, and equipment	26,325	**24,285**	70 %
Financial assets	2,383	**2,181**	6 %
Other non-current assets	1,728	**1,399**	4 %
Current assets	6,673	**6,593**	19 %
Assets held for sale	9	**100**	0 %
Shareholders' equity and non-controlling interests	17,792	**16,052**	46 %
Non-current liabilities	12,326	**12,210**	35 %
Current liabilities	7,002	**6,283**	18 %
Liabilities associated with assets held for sale		**13**	0 %
Balance sheet total	37,120	**34,558**	100 %

1) Amounts were restated

Key financial ratios

	2015	2016[1]	2017
Assets and capital structure			
Equity/balance sheet total	56.3 %	47.9 %	**46.5 %**
Net debt/balance sheet total	18.6 %	24.2 %	**25.2 %**
Equity + non-current liabilities/fixed assets	106.2 %	104.9 %	**106.8 %**
Gearing (net debt/equity)	33.1 %	50.6 %	**54.2 %**
Earnings per share			
Earnings per share (€)	4.26	3.40	**4.62**
Profitability			
Return on total assets before taxes[2]	6.3 %	4.3 %	**6.0 %**
Return on equity[3]	6.4 %	4.7 %	**6.9 %**
Return on revenue[4]	7.6 %	5.5 %	**6.4 %**

1) Amounts were restated
2) Result before tax from continuing operations + interest expenses / balance sheet total
3) Net income from continuing operations / equity
4) Net income from continuing operations / revenue

Capital efficiency

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

According to HeidelbergCement, weighted average cost of capital relevant for evaluating capital efficiency amounted to 6.6 % in 2017 (previous year: 7.0 %). The reasons for the decline in the WACC are, on the one hand, the consolidation of Italcementi with a higher share of industrial countries in the portfolio and, on the other hand, the overall decrease in relevant interest rates. ROIC of HeidelbergCement was 7.2 % for 2017 (previous year: 7.0 %). The detailed calculation is shown in the following table. The previous year's figure was adjusted from 7.2 % to 7.0 % subsequent to the conclusion of the purchase price allocation for Italcementi. Thanks to operational improvement compared with the previous year, HeidelbergCement increased its ROIC and also earned a considerable premium on its cost of capital in 2017.

Return on Invested Capital (ROIC)

€m	2016[1]	2017
Result from current operations	1,927.8	**2,188.3**
Result from participations	38.2	**51.3**
Income taxes paid	-325.9	**-362.0**
Total	1,640.1	**1,877.6**
Equity (incl. non-controlling interests)	17,791.6	**16,052.4**
Net debt	8,999.0	**8,695.6**
Liabilities for puttable minorities	-73.8	**-66.2**
Invested capital	26,716.8	**24,681.8**
Average invested capital (of the past four quarters)	23,594.7	**26,063.9**
Return on Invested Capital (ROIC)	7.0 %	**7.2 %**

1) Amounts were restated

Group financial management

Financial principles and targets

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

Our external financial flexibility is primarily assured by capital markets and a group of major international banks. Within the Group the principle of internal financing applies, i.e. financing requirements of subsidiaries are – where possible – covered by internal loan relationships. In 2017, our subsidiaries were financed according to this principle primarily by our finance company HeidelbergCement Finance Luxembourg S.A. (HC Finance Luxembourg S.A.) based in Luxembourg and by HeidelbergCement AG. This central financing principle ensures a uniform presence in the capital markets and also in relation to rating agencies, it eliminates structural benefits for individual creditor groups, and strengthens our negotiating position with credit institutions and other market participants. Furthermore, it enables us to allocate liquidity in the most efficient way and to monitor and eliminate the financial risk positions (currencies and interest) across the Group on the basis of net positions.

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

Financing measures

2017 was characterised by three successful bond issues. We raised capital on the capital market at very favourable conditions by issuing three bonds under the €10 billion EMTN programme. The first issue was launched on 18 January with a €750 million bond and a four-year term ending on 18 January 2021. The bond bears a fixed coupon of 0.5 % p.a. The issue price was at 99.822 %, resulting in a yield to maturity of 0.545 %. The second bond issue followed on 4 April with an issue volume of €1 billion and an nine-year term ending on 7 April 2026. This bond bears a fixed coupon of 1.625 % p.a. The issue price was at 99.626 %, resulting in a yield to maturity of 1.67 %. The third bond issue took place on 14 June with an issue volume of €500 million and an ten-year term ending on 14 June 2027. The bond has a fixed coupon of 1.5 % p.a. The issue price was at 98.891 %, resulting in a yield to maturity of 1.621 %.

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

Furthermore, in June 2017, we invoked our right to terminate ahead of schedule the debt certificates issued on 14 January and 4 February 2016, respectively. As a result, on 20 July 2017 we redeemed at par the tranches of €284.5 million with floating interest rates and an original term ending on 20 January 2022.

On 4 December 2017, we signed a loan agreement with the European Investment Bank with a volume of €180 million and a five-year term. The funds were received on 4 January 2018.

As at 31 December 2017, only €269.6 million had been drawn upon the syndicated credit facility which acts as HeidelbergCement's liquidity back-up. The free credit line amounted to €2,730.4 million at year-end 2017 (see following table). Overall, it is thereby ensured that all Group companies have sufficient headroom for cash drawdowns as well as for letters of credit and guarantees to enable them to successfully finance operational business and new investments.

Credit line	
€m	31 Dec. 2017
Syndicated Credit Facility (SFA)	3,000.0
Utilisation (cash)	0.2
Utilisation (guarantee)	269.3
Free credit line	2,730.4

According to the terms and conditions of the bonds issued in 2009 and 2010, there is a limitation on incurring additional debt if the consolidated coverage ratio (i.e. the ratio of the aggregate amount of the consolidated EBITDA to the aggregate amount of the consolidated interest expense) of the HeidelbergCement Group is below 2. This covenant is suspended for the other bonds and debt certificates due to the investment grade rating. The consolidated EBITDA of €3,434 million and the consolidated interest expense of €451 million are calculated on a pro forma basis in accordance with the terms and conditions of the bonds. At the end of 2017, the consolidated coverage ratio amounted to 7.61. In the reporting year, net debt fell by €0.3 billion and amounted to €8.7 (previous year: 9.0) billion as at 31 December 2017. The dynamic gearing ratio amounted to 2.6x (previous year: 3.1x).

The following table shows the new issues and repayments of HeidelbergCement Group in 2017.

New issues and repayments of HeidelbergCement Group

Transaction	Offering date	Duration	Maturity date	Nominal volume	Yield
New issue	2017-01-18	4 years	2021-01-18	€m 750	0.50 %
New issue	2017-04-04	9 years	2026-04-07	€m 1,000	1.63 %
New issue	2017-06-14	10 years	2027-06-14	€m 500	1.50 %
Early redemption	2016-01-20	6 years	2017-07-20	€m 264.5	variable
Early redemption	2016-02-10	6 years	2017-07-20	€m 20	variable
Amortisation	2016-06-24	7 years	2023-06-30	€m 9.6	1.29 %
Repayment	2011-11-14	6 years	2017-11-14	CHFm 150	7.25 %
Repayment	2009-10-21	7 years	2017-01-31	€m 1,000	8.00 %
Repayment	2007-04-04	10 years	2017-04-04	€m 500	4.75 %

The following tables show the financial liabilities of HeidelbergCement Group as at 31 December 2017.

Bonds payable

Issuer (€m)	Nominal volume	Book value	Coupon rate in %	Offering date	Maturity date	ISIN
HC Finance Luxembourg S.A.	480.0	506.6	5.625	2007-10-22	2018-01-04	DE000A0TKUU3
Italcementi Finance S.A.	500.0	529.9	6.125	2013-02-21	2018-02-21	XS0893201433
HC Finance Luxembourg S.A.	500.0	503.3	9.500	2011-10-05	2018-12-15	XS0686703736
HC Finance Luxembourg S.A.	500.0	510.5	2.250	2014-03-12	2019-03-12	XS1044496203
HC Finance Luxembourg S.A.	500.0	502.6	8.500	2009-10-21	2019-10-31	XS0458685913
Italcementi Finance S.A.	750.0	861.2	5.375	2010-03-19	2020-03-19	XS0496716282
HC Finance Luxembourg S.A.	750.0	758.4	7.500	2010-01-19	2020-04-03	XS0478803355
HC Finance Luxembourg S.A.	300.0	309.1	3.250	2013-10-24	2020-10-21	XS0985874543
HC Finance Luxembourg S.A.	750.0	751.0	0.500	2017-01-18	2021-01-18	XS1549372420
HC Finance Luxembourg S.A.	500.0	517.4	3.250	2013-12-12	2021-10-21	XS1002933072
HeidelbergCement AG	1,000.0	1,010.4	2.250	2016-03-30	2023-03-30	XS1387174375
HeidelbergCement AG	750.0	750.6	2.250	2016-06-03	2024-06-03	XS1425274484
HeidelbergCement AG	1,000.0	1,000.1	1.500	2016-12-07	2025-02-07	XS1529515584
HC Finance Luxembourg S.A.	1,000.0	1,006.0	1.625	2017-04-04	2026-04-07	XS1589806907
HC Finance Luxembourg S.A.	500.0	497.2	1.500	2017-06-14	2027-06-14	XS1629387462
Total		**10,014.3**				

Bank loans					
Issuer (€m)	Nominal volume	Book value	Coupon rate in %	Offering date	Maturity date
Debt certificates					
HeidelbergCement AG	360.5	365.3	1.850	2016-01-20	2022-01-20
Syndicated facility					
HeidelbergCement AG	0.2	-3.9		2014-02-25	2019-02-25
Others					
Other Group companies		214.1			
Total		**575.5**			

Other interest-bearing liabilities	
Issuer (€m)	Book value
Other Group companies	168.1
Total	**168.1**

Non-controlling interests with put options	
€m	Book value
Non-controlling interests with put options	66.2
Total	**66.2**

The following table shows the main liquidity instruments as at 31 December 2017.

Liquidity instruments	
€m	31 Dec. 2017
Cash and cash equivalents	2,108.6
Liquidable financial investments and derivative financial instruments	20.0
Free credit line	2,730.4
Free liquidity	**4,859.0**

Rating

In the 2017 financial year, the company's credit rating by the rating agencies Moody's Investors Service and Fitch Ratings remained stable at Baa3 and BBB-, respectively. The outlook for our credit rating is assessed as stable.

We were able to successfully continue issuance activity in the money market during 2017 and issued a total volume of €3.6 billion via our €1.5 billion Euro Commercial Paper Programme over the course of 2017. At the end of the year, issuance activity under the Commercial Paper Programme was gradually reduced in order to limit excess liquidity at the end of the year. As at 31 December 2017, none of the commercial papers issued by HeidelbergCement AG remained outstanding. The €3 billion syndicated credit facility thereby serves as a backup line.

Ratings as at 31 December 2017			
Rating agency	Long-term rating	Outlook	Short-term rating
Moody's Investors Service	Baa3	stable	P-3
Fitch Ratings	BBB-	stable	F3
S&P Global Ratings	BBB-	stable	A-3

Statements on HeidelbergCement AG

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

As the controlling company, HeidelbergCement AG plays the leading role in the HeidelbergCement Group. It is also operationally active in Germany in the cement business line with eleven cement and grinding plants. The results of HeidelbergCement AG are significantly influenced by its directly and indirectly held subsidiaries and participations. The business development of HeidelbergCement AG is subject to the same risks and opportunities as the business development of the Group. Regarding financing, HeidelbergCement AG plays the key role within the Group. Due to the links between HeidelbergCement AG and its subsidiaries as well as its importance in the Group, the outlook for the Group also reflects the expectations for HeidelbergCement AG to a large extent. Therefore, the statements in the Combined management report apply equally to the Group and HeidelbergCement AG.

Revenue of the cement business line rose by 7.3 % to €560 million (previous year: 522). This increase is primarily due to the very strong development of construction activity in Germany during the financial year, as well as the expanded product portfolio following the integration of Italcementi. Total revenue of HeidelbergCement AG grew by €66 million to €693 million (previous year: 627). A substantial increase was also recorded in proceeds from services provided, which amounted to €133 million (previous year: 105) in the now larger HeidelbergCement Group.

Expenses for raw materials, consumables, and supplies rose by €23 million compared with the previous year. This was due to the higher cement and clinker production, as well as the general market development of raw materials and energy prices.

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Other operating income decreased by €30 million to €11 million (previous year: 41). Because of the enhanced requirements connected with its leading role within the Group, the number of employees of HeidelbergCement AG increased. Consequently, personnel costs rose by €4 million to €222 million (previous year: 218). Other operating expenses rose by €7 million to €251 million (previous year: 244). Earnings before interest and taxes (EBIT) decreased by €6 million to €-56 million (previous year: -50). This decline results mainly from the significant increase in expenses incurred in connection with HeidelbergCement AG's leading role as the controlling company in the HeidelbergCement Group.

Results from participations fell by €1,705 million to €-35 million (previous year: 1,670), primarily in connection with the non-recurrence of the reversal of impairment loss carried out at HeidelbergCement S.à.r.l, Luxembourg, in the previous year, which was included in the results from participations because of a profit transfer agreement with HeidelbergCement International Holding GmbH.

Income from loans declined by €5 million to €44 million (previous year: 49). Other interest and similar income increased by €88 million to €319 million (previous year: 231). Interest and similar expenses rose by €56 million to €305 million (previous year: 249). The change in other interest and similar income as well as interest and similar expenses is primarily attributable to increased in-house banking activities.

Through the in-house banking activities, the financing measures of the subsidiaries lead to currency positions that are hedged by means of external foreign exchange transactions, which are appropriate in terms of maturities and amounts. As these hedging transactions do not, as a rule, relate to any valuation units, currency and interest gains or losses may arise. In accordance with the imparity principle, provisions for risks arising from hedging transactions were recognised at the end of the year to the extent of the negative market values. Positive market values are not recognised as assets. The currency results amounted to €17 million (previous year: 4) in the financial year.

Neither reversal of impairment losses nor depreciation or amortisation were necessary in the 2017 financial year. The income tax expense of €65 million (previous year: 37) results from taxes for the reporting year. In addition, adjustments needed to be made for previous years, which related in particular to a company audit for the assessment period of the tax years 2005–2011. Net loss for the 2017 financial year amounted to €-82 million (previous year: profit of 1,617), while balance profit was €408 million (previous year: 858).

The balance sheet total decreased slightly compared with the previous year by €0.8 billion to €25.4 billion (previous year: 26.2). This is largely attributable to an increase of €0.5 billion in fixed assets and the decrease of €1.5 billion in receivables from affiliated companies and of €0.5 billion in bank loans.

On the assets side, there was only a minimal change in shares in affiliated companies.

Loans to affiliated companies rose to €1.1 billion (previous year: 1.0) as a result of payments less scheduled repayments. In connection with intra-Group restructuring, 39.72 % of the shares in the Turkish joint venture Akçansa Cimento Sanayi ve Ticaret A.S. were acquired by HeidelbergCement Mediterranean Basin Holdings S.L.U., Spain. Financial assets increased to a total of €18.7 billion. Total fixed assets rose to €19.2 billion. Inventories grew by €11 million to €63 million (previous year: 52). This was primarily due to the acquisition of CO_2 emission rights. Trade receivables were slightly above the previous year's level at €7.7 million. Receivables and other assets fell to €5.6 billion (previous year: 7.2); this is due in particular to the decline in receivables from affiliated companies to €5.6 billion (previous year: 7.1), connected with financing measures within the Group. Cash and cash equivalents increased by €271 million to €530 million (previous year: 259).

On the equity and liabilities side, equity fell to €13.3 billion (previous year: 13.7) because of the net loss for the financial year and the dividend distribution. Provisions increased only slightly in comparison with the previous year to €0.52 billion (previous year: 0.51). Liabilities decreased by €0.5 billion to €11.5 billion (previous year: 12.0).

Evaluation of the economic situation by Group management

In 2017, HeidelbergCement continued its accelerated growth with the successful integration of Italcementi. In a very challenging economic environment with energy costs rising around the world, competitive pressure in emerging countries, the influence of negative weather conditions on our business activity in our largest individual market – the USA – and weak demand in the United Kingdom as a consequence of uncertainties over Brexit, we nevertheless increased our result as forecasted. We are therefore well on the way to implementing our medium-term strategic priorities of value creation for our shareholders and accelerated growth.

As a leading building materials producer, we benefited from the positive development of demand in many markets. Economic recovery continued in North America and led to an increase in demand for building materials, driven by commercial and residential construction. In Germany and Northern Europe, the dynamic development in residential and infrastructure construction was maintained. In Southern Europe, there are initial signs of recovery. The development of sales volumes of cement and ready-mixed concrete was very positive in Eastern Europe thanks to lively residential construction. In the emerging countries of Asia and Africa, the demand situation improved during the course of the year. However, competition has increased significantly due to the installation of new capacities in recent years. In Indonesia, delayed infrastructure projects have now begun, leading to a moderate rise in the demand for building materials after years of stagnation. Nevertheless, price pressure persisted due to the continued existence of excess capacities.

The consolidation of Italcementi since 1 July 2016 led to a significant increase in revenue and result from current operations. Alongside our programmes targeting improvements in efficiency and margins, the realisation of considerably greater synergies than originally expected as well as the successful management of the fuel mix and energy purchasing in the face of substantially higher energy costs have also contributed towards the positive development of results. In contrast, the strengthening of the euro against numerous other currencies had a negative impact on revenue and results. Thanks to the refinancing of maturities under favourable conditions, we were able to significantly improve the financial result compared with the previous year, as anticipated. As a whole, we clearly achieved our objective of substantially increasing the profit for the financial year before non-recurring effects. We were also able to improve ROIC accordingly and to earn a premium on our cost of capital again.

The cash inflow from operating activities of continuing operations grew moderately in comparison with the previous year. Among the decisive factors were, in particular, the improved operational performance and the systematic continuation of the above-mentioned Group-wide programmes to increase efficiency and margins. Strict expenditure discipline regarding investments was a significant cornerstone of our tight cash management also in 2017. Despite distinctly negative currency effects due to the devaluation of the US dollar against the euro, we were able to noticeably reduce net debt from almost €9 billion at the end of 2016 to under €8.7 billion at the end of 2017. The dynamic gearing ratio on a pro forma basis, i.e. taking into consideration Italcementi's contribution to the result from current operations before depreciation and amortisation in the first half of 2016, correspondingly declined from a factor of 2.8x at the end of 2016 to 2.6x at the end of 2017. Our stated target is to bring the dynamic gearing ratio back down to the target range of 1.5x to 2.5x. At the end of 2017, the available liquidity amounted to €4.9 billion. HeidelbergCement is in a solid position to face the challenges of 2018 and successfully complete the integration of the business activities of Italcementi.

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

Revenue outlook

In the 2016 Annual Report, the Managing Board projected a moderate increase in revenue for 2017, adjusted for exchange rate and consolidation effects and on a pro forma basis, i.e. taking into account the contributions of Italcementi for the first half of 2016. The outlook was based on the assumption that sales volumes of cement and aggregates would rise moderately. Furthermore, price increases were to take on a high priority. Cement sales volumes rose only slightly in 2017, while a moderate improvement was seen in aggregates sales volumes. In North America and Western and Southern Europe, cement sales volumes increased only slightly. This was due to the poor weather conditions, particularly in the west and south of the USA, and to a decline in deliveries in the United Kingdom, partly because of the uncertainty connected with the Brexit referendum. In Asia, demand rose in Indonesia but, as a result of reduced quantities in India and Thailand, only a slight overall increase was recorded in cement sales volumes. In Africa, the improved sales volumes in the countries south of the Sahara did not fully compensate for the decline in Egypt caused by the weak economy. Moreover, we increased our prices for cement and aggregates in key markets such as North America, but had to accept price decreases in emerging countries – especially in Indonesia – as a result of intensified competition. On a pro forma basis, i.e. taking into account the contribution to revenue of Italcementi of €1,918 million in the first half of 2016, revenue increased by 1 %. Excluding exchange rate and consolidation effects, the figure rose by 2 % and was thus weaker than forecast.

Expenditure outlook

As with revenue, all estimates in the expenditure forecast were made on a pro forma basis. In the 2016 Annual Report, a significant rise in the cost base for energy was initially anticipated for 2017. In the course of the reporting year, however, we reduced the forecast to a moderate increase on account of our successful management of the fuel mix and energy purchasing. For raw materials and personnel, we anticipated a slight to moderate increase. On a pro forma basis, energy costs fell by 0.5 %. As a percentage of revenue, this represents a reduction from 9.9 % in 2016 to 9.7 % in 2017. On a comparable basis, the increase in energy costs amounted to 5.4 %.

In 2017, personnel costs for HeidelbergCement on a pro forma basis were around the previous year's level. As a percentage of revenue, they decreased from 17.5% in 2016 to 17.3% in 2017. The successful realisation of synergies in the integration of Italcementi, which led to more than 3,000 job cuts worldwide by the end of 2017, played a decisive role in the stable absolute development and the decline in the percentage of revenue. On a comparable basis, we recorded a slight increase of 1.0% in personnel costs. The strengthening of the euro against numerous currencies, especially the US dollar and British pound, as well as some currencies from emerging countries such as Indonesia, Ghana, and Egypt, lowered the increase in material and personnel costs. As anticipated, interest costs fell significantly in comparison with the previous year. In particular, the refinancing of maturities under favourable terms contributed to this decline. Consequently, the financial result improved considerably.

Profit outlook

On the basis of the expected development of revenue and expenditure, we predicted a moderate rise in the result from current operations before consolidation and exchange rate effects and in earnings before interest and taxes (EBIT) before non-recurring effects, as well as a significant increase in the profit for the financial year before non-recurring effects, in the 2016 Annual Report. On a comparable basis, the result

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from current operations rose considerably – by 10.3% – and even slightly exceeded the forecast, despite the weaker than anticipated development of revenue. The lower increase in energy costs and the stronger-than-expected realisation of synergies contributed to this positive development. EBIT before non-recurring effects increased by 8.7%. As a consequence of the robust operational performance and thanks to the improved financial result, profit for the financial year rose significantly by 27.7%, without taking into consideration the additional ordinary result of €-324 million in 2016 and of €-133 million in 2017, and also excluding non-recurring effects from the revaluation of deferred taxes in connection with the US tax reform of €-285 million. ROIC improved from 7.0% to 7.2% and was thus above the weighted average cost of capital, which amounted to 6.6%. The development of the result and of ROIC were therefore in line with the original outlook.

Comparison of the business trend with the outlook in the 2016 Annual Report

€m	Outlook 2016 Annual Report	Actual 2016	Actual 2017	Change [1]
Revenue [2]	Moderate increase	17,084	17,266	+1.1 % (+2.1 %)
Energy costs [2]	Significant increase (updated to "moderate increase" in July 2017)	1,687	1,678	-0.5 % (+5.4 %)
Personnel costs [2]	Sligth do moderate increase	2,996	2,900	-0.2 % (+1 %)
Financing costs (financial result) [3]	Significant decline	-493	-391	-20.7 %
Result from current operations [2] [3]	Moderate increase before exchange rate and consolidation effects	2,017	2,188	+8.5 % (+10 %)
EBIT [2] [3]	Moderate increase before non-recurring effects	2,061	2,240	+8.7 %
Profit for the financial year [3]	Significant increase before non-recurring effects	1,155	1,476	+27.7 %
ROIC [3]	Improvement	7.0 %	7.2 %	+0.2 percentage point

1) Figures in brackets: adjusted for exchange rate and consolidation effects
2) On a pro forma basis: including the contribution of Italcementi in the first half of 2016
3) 2016 amount was restated

Additional statements

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

On 31 December 2017, the share capital of HeidelbergCement AG amounted to €595,249,431. It is divided into 198,416,477 no-par value bearer shares, each with a pro rata amount of €3, which corresponds to a proportionate amount of the subscribed share capital. Each share carries one vote at the Annual General Meeting. All shares carry the same rights and obligations; there are no different classes of shares. The Managing Board knows of no restrictions concerning voting rights or the transfer of shares.

Mr Ludwig Merckle, Ulm, Germany, holds via VEMOS 2 Holding GmbH, Zossen, Germany, a company under his control, 25.52 % of the voting rights in the company, according to the notifications available to the company as at 31 December 2017 in accordance with the German Securities Trading Law (Wertpapierhandelsgesetz) and Market Abuse Regulation Article 19. No holder of shares has been granted special rights giving power of control.

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

As at 31 December 2017, there were two authorised capitals: namely, authorisation of the Managing Board and Supervisory Board to increase the capital by issuing new shares in return for cash contributions (Authorised Capital I), and authorisation of the Managing Board and Supervisory Board to increase the capital by issuing new shares in return for contributions in kind (Authorised Capital II). The Authorised Capitals are summarised as below. The complete text of the authorisations can be found in the Articles of Association, which are published on our website **www. heidelberg-cement.com under "Company/Corporate Governance/ Articles of Association"**.

Authorised Capital I
The Managing Board is authorised to increase, with the consent of the Supervisory Board, the company's share capital by a total amount of up to €225,000,000 by issuing new no-par value bearer shares in return for cash contributions on one or more occasions until 6 May 2020 (Authorised Capital I). The shareholders must be granted subscription rights. However, the Managing Board is authorised, in certain cases described in more detail in the authorisation, to exclude the subscription rights of shareholders in order to realise residual amounts, to service option or conversion

rights, or to issue shares totalling up to 10 % of the share capital at a near-market price. As at 31 December 2017, the Authorised Capital I had not been used.

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

Conditional Share Capital
In addition, the Conditional Share Capital described below existed as at 31 December 2017. The share capital was conditionally increased by a further amount of up to €168,000,000, divided into up to 56,000,000 new no-par value bearer shares (Conditional Share Capital 2013). The conditional capital increase serves to back the issuance of option or conversion rights, or option or conversion obligations on HeidelbergCement shares. The conditional capital increase is only carried out insofar as the Managing Board issues warrant or convertible bonds until 7 May 2018 under the authorisation of the Annual General Meeting from 8 May 2013 and the bearers of option or conversion rights make use of their rights. Warrant or convertible bonds may also be issued with option or conversion obligations.

The shareholders generally have a subscription right to newly issued warrant or convertible bonds. The authorisation governs specific cases in which the Managing Board may exclude the subscription right of shareholders to warrant or convertible bonds. The complete text of the Conditional Share Capital can also be found in the Articles of Association, which are published on our website **www.heidelbergcement.com under "Company/Corporate Governance/Articles of Association"**. As at 31 December 2017, the authorisation to issue warrant or convertible bonds forming the basis of the Conditional Share Capital 2013 had not been used.

A corresponding volume limit as well as the deduction clauses ensure that the sum of all exclusions of subscription rights in the two existing Authorised Capitals and the Conditional Share Capital 2013 will not exceed a limit of 20 % of the share capital existing at the time the authorisation to exclude the subscription right comes into force.

Acquisition of own shares
Furthermore, the authorisation to acquire own shares described below existed as at 31 December 2017. The company is authorised to acquire own shares up to 3 May 2021 once or several times, in whole or in partial amounts, up to a total of 10 % of the share capital on 4 May 2016 for any permissible purpose within the scope of the legal restrictions. The authorisation may not be used for the purpose of trading in own shares. At no time may more than 10 % of the respective share capital be attributable to the acquired own shares combined with other shares which the company has already acquired and still possesses. The shares may be acquired via the stock exchange or by way of a public purchase offer or by means of a public call for the submission of offers to sell or by issuing rights to sell shares to the shareholders. The own shares acquired on the basis of the authorisation will be used by selling them via the stock exchange or in another suitable manner while ensuring the equal treatment of the shareholders, or for any other purposes permitted by law. Shareholders' subscription rights can be excluded in certain cases. The complete text of the authorisation can be found under item 6 of the agenda of the Annual General Meeting 2016, which is published on our website **www.heidelbergcement.com under "Investor Relations/Annual General Meeting/Annual General Meeting 2016"**. The company has not used the authorisation to date and has no own shares as at 31 December 2017.

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

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

As at 31 December 2017, the following significant agreements of HeidelbergCement AG were contingent on a change of control within HeidelbergCement AG resulting from a takeover bid.

Name of agreement/date	Type of contract	Nominal amount €m	Repayment	Type of clause
Syndicated credit and aval agreements and bilateral credit lines				
Syndicated credit line and aval credit facility of 25 February 2014	Credit and aval credit facility	3,000 [1]	to the extent outstanding by 25 February 2019	(1)
Loan agreement of 17 June 2016	Credit facility	115.2	to the extent outstanding by 30 June 2023	(1)
Loan agreement of 4 December 2017	Credit facility	180	to the extent outstanding by 4 January 2023	(1)
Bonds issued by HeidelbergCement AG				
2.25 % bond 2016/2023	Debenture bond	1,000	to the extent outstanding by 30 March 2023	(3)
2.25 % bond 2016/2024	Debenture bond	750	to the extent outstanding by 3 June 2024	(3)
1.5 % bond 2016/2025	Debenture bond	1,000	to the extent outstanding by 7 February 2025	(3)
Bonds issued by HeidelbergCement Finance Luxembourg S.A., guaranteed by HeidelbergCement AG				
5.625 % bond 2007/2018	Debenture bond	480	to the extent outstanding by 4 January 2018	(2)
9.5 % bond 2011/2018	Debenture bond	500	to the extent outstanding by 15 December 2018	(3)
2.25 % bond 2014/2019	Debenture bond	500	to the extent outstanding by 12 March 2019	(3)
8.5 % bond 2009/2019	Debenture bond	500	to the extent outstanding by 31 October 2019	(3)
7.5 % bond 2010/2020	Debenture bond	750	to the extent outstanding by 3 April 2020	(3)
3.25 % bond 2013/2020	Debenture bond	300	to the extent outstanding by 21 October 2020	(3)
3.25 % bond 2013/2021	Debenture bond	500	to the extent outstanding by 21 October 2021	(3)
0.5 % bond 2017/2021	Debenture bond	750	to the extent outstanding by 18 Januar 2021	(3)
1.625 % bond 2017/2026	Debenture bond	1,000	to the extent outstanding by 7 April 2026	(3)
1.5 % bond 2017/2027	Debenture bond	500	to the extent outstanding by 14 Juni 2027	(3)
Bonds issued by Italcementi Finance S.A., guaranteed by HeidelbergCement AG				
5.375 % bond 2010/2020	Debenture bond	750	to the extent outstanding by 19 March 2020	(4)
Debt certificates issued by HeidelbergCement AG				
of 20 January/10 February 2016	Debt certificate	645	to the extent outstanding by 20 January 2022	(3)

1) Of this figure, €269.6 million was outstanding as at 31 December 2017

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

The syndicated credit line and aval credit facility agreement dated 25 February 2014 and the loan agreements dated 17 June 2016 and 4 December 2017, all three marked (1) in the type of clause column, give each creditor the right, in the event of a change of control, to accelerate the loan amount it provided (plus any accrued interest) and to demand repayment accordingly.

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

The bonds marked (2) in the type of clause column give each bearer of the debenture bond the right of early termination in the event of changes in the shareholder structure that lead to a change in the control of the company.

A change of control is deemed to occur when more than 50 % of the subscribed capital or more than 50 % of the voting rights are controlled contractually or by other means. In connection with a concept of "registered partner", a change of control to (a) SC Vermögensverwaltung GmbH, Zossen, Germany, (formerly Spohn Cement GmbH) or (b) any partner of SC Vermögensverwaltung GmbH including successors and legatees of partners of SC Vermögensverwaltung GmbH and persons who are beneficial owners of shares in SC Vermögensverwaltung GmbH or (c) any legal person or foundation or comparable institution managed by such persons to whom shares in HeidelbergCement AG were transferred by persons mentioned under (a) to (c) is exempted from the change of control provision and thus from the regulation regarding a right of early termination.

The bonds and debt certificates marked (3) in the type of clause column give each bearer of the debenture bond or debt certificate the right, in the event of a change of control as described below, to demand full or partial repayment from the company or, in the case of debenture bonds issued up to and including 2011, at the company's option, alternatively, the full or partial purchase of his debenture bonds by the company (or, at the company's request, by a third party) at the "early repayment amount". The early repayment amount means, in the case of the debt certificate, 100 % of the nominal amount or, in the case of debenture bonds, 101 % of the nominal amount plus accrued and unpaid interest up to (but not including) the repayment date defined in the bond terms.

A change of control is deemed to occur when one of the following events takes place:
– the company becomes aware that a person or group of persons acting in concert in the sense of section 2(5) of the German Securities Acquisition and Takeover Act (WpÜG) has become the legal or beneficial owner of more than 30 % of the company's voting rights, or
– the merger of the company with or into a third person or the merger of a third person with or into the company, or the sale of all or substantially all assets (consolidated) of the company to a third person, except in connection with legal transactions, as a result of which (a) in the event of a merger the holders of 100 % of the company's voting rights hold at least the majority of the voting rights in the surviving legal entity immediately after such a merger and (b) in the event of the sale of all or substantially all assets, the acquiring legal entity is or becomes a subsidiary of the company and becomes the guarantor for the debenture bonds.

The bond marked (4) in the type of clause column includes a provision, whereby not only the direct but also the indirect acquisition of the majority of the voting rights in Italcementi S.p.A. or any other dominant influence that leads to control according to Article 93 of Italian Decree 58/1998 represents a change of control. A change of control grants the holders of these bonds a put option at nominal value plus interest against Italcementi Finance S.A., if the rating of the bonds is downgraded, as specified in the terms of the bonds, by certain rating agencies, in connection with this change of control.

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

With the introduction of the new Managing Board remuneration system in November 2010, the HeidelbergCement AG Supervisory Board has decided, in the event of new contracts and the extension of Managing Board contracts in accordance with the German Corporate Governance Code (point 4.2.3, section 5), to agree that a possible redundancy payment in the case of early termination of membership of the Managing Board following a change of control be limited to 150 % of the redundancy pay cap.

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

Regional branches

HeidelbergCement has no regional branches either domestically or internationally.

Events occurring after the close of the 2017 financial year

Information on the events occurring after the close of the 2017 financial year is provided in the Notes on ↗ page 176 f.

Non-financial statement

According to sections 289b and 315b of the German Commercial Code (HGB), HeidelbergCement is obliged to prepare a non-financial statement. For this Annual Report, HeidelbergCement has decided to integrate it into the combined management report.

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

Information on HeidelbergCement's business model and the impact of this business model on non-financial aspects can be found in chapter Fundamentals of the Group on ↗ page 20 f.

In order to determine the topics that are relevant for HeidelbergCement, we have compared the sustainability topics identified in the past with the topic series of the GRI standards as well as other frameworks and industry requirements. The resulting topics were structured and consolidated to pave the way for the next step: drawing up an analysis from a stakeholder perspective and determining the impact and business relevance. The list comprised 17 topics together with their definition and allocation to the GRI topic areas.

The relevance of sustainability topics to the non-financial statement result from their materiality in terms of business relevance and their impact on the environment and society.

The topics that are relevant to HeidelbergCement structured according to the legally defined non-financial aspects are:
– Environmental protection: climate and emissions protection,
– Treatment of employees: occupational health and safety,
– Social responsibility,
– Respect of human rights, anti-corruption and bribery as well as compliance with competition legislation: compliance.

HeidelbergCement's risk structure is diversified because of the decentralised structure of the Group, with over 3,000 locations in more than 60 countries, and the largely local supplier structure. Significant risks arising from the Group's own business activity or from business relationships, products, and services have been identified in connection with only two of the topics mentioned above: climate protection and competition legislation.

In the area of climate protection, regulatory risks exist in connection with emissions trading systems. There are also legal risks in relation to compliance with competition legislation. Details of these risks and the way in which they are managed can be found in the Risk and opportunity report on ↗ page 73 f.

The non-financial aspects mentioned above are covered in the following chapters: Employees and society (see below), Environmental responsibility on ↗ page 59 f., and Compliance on ↗ page 63 f.

Employees and society

Employee development

Employees worldwide

At the end of 2017, the number of employees at HeidelbergCement came to 59,054 (previous year: 60,424). The decrease of 1,370 employees essentially results from two opposing developments. On the one hand, around 2,600 jobs were cut across the Group – firstly as part of the realisation of synergies in former Italcementi subsidiaries, particularly in Egypt, and secondly in connection with efficiency increases in sales and administration as well as location optimisations, especially in Indonesia, but also in Russia, India, and Africa south of the Sahara. On the other hand, the number of employees grew by around 700 as a result of consolidation effects, including those due to the acquisition of building materials activities from Cemex in the northwest of the USA and the business operations of the Saunders Companies in the US state of New York. Furthermore, there was an increase of almost 500 employees in some countries in the Western and Southern Europe and Northern and Eastern Europe-Central Asia Group areas, and in particular in Australia, owing to the solid market development and the insourcing of truck drivers.

Employees by Group areas

31 December	2016	2017	Change
Western and Southern Europe	15,781	**15,497**	-1.8 %
Northern and Eastern Europe-Central Asia	13,107	**13,531**	3.2 %
North America	8,444	**8,726**	3.3 %
Asia-Pacific	14,956	**14,039**	-6.1 %
Africa-Eastern Mediterranean Basin	7,602	**6,856**	-9.8 %
Group Services	534	**405**	-24.2 %
Total	60,424	**59,054**	-2.3 %

Personnel costs and social benefits

Expenditure on wages and salaries, social security costs, costs of retirement benefits, and other personnel costs rose by 11.8 % in comparison with the previous year to 2,990 million (previous year: 2,674). This corresponds to a share in revenue of 17.3 % (previous year: 17.6 %). The increase in personnel costs results predominantly from the acquisition of Italcementi on 1 July 2016 and effects from additional changes to the scope of consolidation.

Personnel costs

€m	2016	2017	Change
Wages, salaries, social security costs	2,504.0	**2,801.8**	11.9 %
Costs of retirement benefits	138.3	**153.3**	10.8 %
Other personnel costs	31.2	**34.6**	10.5 %
Total	2,673.5	**2,989.7**	11.8 %

Development dialogue

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

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

Integration of Italcementi

Since the acquisition of Italcementi on 1 July 2016, the focus has been the integration of the new employees. We have taken the differences between the corporate cultures as an opportunity to learn from each other, combine our respective strengths, and work together on a joint corporate culture.

In 2017, we continued to make use of employee surveys, called "pulse checks", to assess how the employees involved perceive the integration process. More than 1,000 responses from all the countries in which the Group operates showed an overall very positive perception of the integration process and the results so far.

In the reporting year, the process of adapting the organisational structure in the former Italcementi countries to our established country structure was completed, and the group functions of Italcementi were successfully integrated into HeidelbergCement's global organisation. On 1 January 2017, we also introduced the Group-wide core processes in the area of human resources.

The objective of deploying highly qualified Italcementi employees in our headquarters and the technical centers in Heidelberg and Leimen has been achieved: a significant number of Italcementi employees have been integrated and are now strengthening our teams in Heidelberg and Leimen, with some taking up middle or top management positions.

On-going training

Sustainable HR management means consistently investing in training, i.e. employing and training qualified talent. The proportion of apprentices in Germany is 5 % (previous year: 5 %). The retention rate of these apprentices stands at 82 % (previous year: 91 %).

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

As in the previous year, a focus of our training programmes throughout the Group was on occupational safety, which made up around 50 % (previous year: 47 %) of the total training measures. Other priorities were specialist training, which made up 28 % (previous year: 31 %), and the training of our managers, which made up 5 % (previous year: 5 %).

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

Management training

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

Securing and advancing future executives

In the reporting year, we consistently pursued our efforts to advance future executives. We offer highly motivated and qualified university graduates international trainee programmes focusing on the following areas: technology, sales, finance, HR, purchasing, and IT. We have also offered interdisciplinary trainee programmes since 2017. Since 2013, HeidelbergCement has been awarded the trainee seal of the "Initiative for career-enhancing and fair trainee programmes" each year for its high-quality programmes for the advancement of future executives. As a member of the Fair Company initiative, we have been voluntarily committed to the creation of fair working conditions for trainees and young professionals since 2004, and have carried the Fair Company seal since then. We also continued to work intensively on expanding our programmes for the advancement of future executives and strengthening our recruitment of university graduates and graduates with first professional experience worldwide. In 2017, we hired 254 (previous year: 256) university graduates. Currently, 719 (previous year: 875) employees take part in programmes which prepare them for more advanced tasks. The lower figure, compared to the previous year, results from the structural adjustment of personnel in Egypt in the context of the integration of Italcementi.

In 2011, we started a special programme for highly qualified engineers in the cement business, in order to prepare these employees for senior engineering positions. Besides project stays at cement plants in Germany and abroad, the participants undergo individually tailored training programmes that allow them to gain the necessary knowledge, skills, and experience to prepare them for the next stage of their career.

The HeidelbergCement Technology Center (HTC) in our Cement Academy offers seminars and training sessions around the world for the engineers and technicians at our cement plants. In the reporting year, we extended our range of courses considerably in the area of plant maintenance for foremen. Our control room employees also received targeted training via an interactive process simulator (virtual cement plant).

A total of 1,370 participants from 42 countries, including 360 participants from the former Italcementi plants, attended 118 training sessions, each lasting up to a week. To supplement our classroom courses, we offer the Cement Manufacturing Curriculum as a multilingual e-learning programme. Overall, more than 2,000 employees have registered for this programme. During the reporting year, a new e-learning programme focusing on mechanical maintenance, for which a further 400 employees have already registered, was added to the range.

During the reporting year, the Aggregates Academy continued its employee training offer in the aggregates business line. Over 240 training sessions on the topic of aggregates were held in 20 countries. These were mostly carried out locally in the form of practical exercises at production sites for the plant managing teams. In 2017, training sessions at all hierarchical levels focused on the continuous improvement of production processes.

The training materials and courses from both academies are generally available in the respective language of the country.

The training programme is supported by local managers who have been instructed in adult education (train-the-trainer concept).

Demographic development

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

We are responding to the effects of demographic change with numerous measures adapted to regional requirements. In Germany, for example, we have continued to develop our health management activities and have incorporated them in the "FIT for LIFE" initiative. It includes a prevention programme for the early diagnosis of illnesses and risk factors, but primarily focuses on the initiative of individuals to adopt a healthy lifestyle. The focal points in 2017 included examinations for colon cancer prevention, flu vaccinations, ergonomic workplace inspections, vein screening, and a health day. In the future, health management activities will continue to focus on the prevention of typical age-related health risks and change in awareness. We are therefore specifically promoting company sports activities for all age groups.

Diversity as a factor for success

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

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

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

The international composition of our management team enables us to benefit from a broad range of experience and different cultural backgrounds, thereby allowing us to respond more flexibly to both global challenges and local market needs. The proportion of local managers at the upper management level amounts to around 74 %.

At the Group headquarters, we consciously aim to ensure that the workforce is composed of employees from the countries in which we operate. We benefit considerably from their local knowledge and this also facilitates cooperation with the local personnel. We have 654 employees at the Group headquarters and at our technical centers, the Competence Center Materials and Heidelberg Technology Center in Heidelberg and Leimen, with 214 of these employees representing 48 different countries aside from Germany.

To aid diversity, we believe it is important for management positions to be held by both men and women, thereby providing a true reflection of our employee structure. Within the Group, women made up 13 % of the total workforce and held 10 % of the upper management positions in 2017.

Together with other DAX companies, HeidelbergCement signed a self-commitment in 2011. So far we had voluntarily committed to more than double the proportion of women in leadership positions in Germany from 7 % in 2011 to 15 % in 2020. In Germany, women represented 16 % of the total workforce and held 9 % of leadership positions in the top, senior, and middle management in 2017.

According to the legislation on the promotion of women in leadership positions, specific targets must be set for the two leadership levels below the Managing Board of the company. Managers who in their main role report directly to the Managing Board form the first level at HeidelbergCement, and any of their employees with leadership responsibility form the second level below the Managing Board. In 2017, the proportion of women in leadership positions in Germany at the first level below the Managing Board was 11 % (previous year: 10 %), and 11 % (previous year: 9 %) at the second level.

In 2016, HeidelbergCement decided to retain its voluntary target for the two levels below the Managing Board, but to bring forward its achievement to mid-2017. In specific terms, this meant that we aimed to achieve a proportion of 14 % of women in leadership positions at the first level below the Managing Board and 15 % at the second level. In fact, as at 30 June 2017, the proportion of women was 12 % at the first level and 9 % at the second level. This is due to the increase in the number of technical functions at the Heidelberg and Leimen locations in connection with the Italcementi integration. The aim is to increase the proportion of women in Germany in both leadership levels below the Managing Board to 15 % by the end of June 2022. This corresponds to the average proportion of women in the total workforce in Germany between 2014 and 2017 of 15 %. We have worked consistently on the promotion of women in the last few years and achieved significant success. The proportion of women in programmes for the advancement of future executives across Germany is already 36 % (previous year: 28 %) and therefore significantly higher than the proportion of women in the total workforce. We have made good progress in the appointment of women to leadership positions in staff functions. A big challenge remains the development in operational functions, such as sales and plant management, especially, since the number of women studying technical subjects relevant for building materials production is still rather small. Experience, however, is a key qualification for assuming higher leading positions in these areas.

Share of women in Germany	2014	2015	2016	2017
Total workforce	14 %	15 %	16 %	**16 %**
First leadership level	10 %	10 %	10 %	**11 %**
Second leadership level	9 %	9 %	9 %	**11 %**

Targets of the share of women in Germany	As at 06/30/2017	Target 06/30/2017	Target 06/30/2022
First leadership level	**12 %**	14 %	15 %
Second leadership level	**9 %**	15 %	15 %

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

Work-life balance

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

Occupational health and safety

Occupational health and safety is one of the core values of our Group and therefore a fundamental element of our work processes. Our priority is to ensure that employees return home healthy at the end of the working day.

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

Responsibility and organisation

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

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

Individual occupational health and safety measures designed to tackle any weak points are defined either by Group Health & Safety or the local units, depending on the nature and impact, and broken down to location level if necessary. Occupational safety measures are part of the personal goal agreements for all managers.

Last but not least, each individual employee, contractor, and visitor is responsible for following the occupational safety regulations.

Processes

Occupational health and safety management systems, such as those in accordance with the internationally accepted OHSAS 18001 standard, have already been implemented in 88 % of our locations. These systems require a structured approach from the local line managers with planning, clear safe work procedures, responsibilities, and controls to ensure an ongoing improvement process and thus prevent accidents.

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

Policies

In all countries, occupational health and safety is subject to legal requirements that have to be fulfilled. Furthermore, as a member of the Cement Sustainability Initiative (CSI) within the World Business Council for Sustainable Development (WBCSD), HeidelbergCement is bound by the guidelines of the CSI. These have been integrated into our internal standards.

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

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

Targets and commitments

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

Measures and progress

In 2017, we once again underlined the importance of the exemplary role of line managers in occupational health and safety with a Group-wide training initiative. Participation in these training sessions was compulsory for managers from all levels, and we took this opportunity to introduce safety conversations as an additional Group-wide management instrument. Until now, these conversations had only taken place in certain countries.

Another point of focus during 2017 was the standardised reporting of near misses via our central accident management software in order to better identify weaknesses. We also use this software to document and analyse the results of the safety conversations. It allows us to immediately define corrective and preventative measures to eliminate any weak points that have been identified, assign them to the managers, and monitor their implementation.

We train our employees in a wide range of occupational safety topics that are both legally mandated and defined internally. We make use of conventional training held in classrooms, training centers, or on site, in addition to e-learning courses, which are only ever used to supplement face-to-face training.

Occupational safety topics account for around half of all training hours at HeidelbergCement, corresponding to an average of almost 13 hours per employee across the Group.

Performance indicators

Compared with 2016, we decreased the accident frequency rate in our core business by 21 % in 2017. This is a significant improvement. A large number of locations have now been accident free for several years, while others have seen drastically reduced accident rates – a clear sign that the goals we have set are achievable. Unfortunately, this is not true for all locations, and we must urgently provide extra support to these locations so that they can implement preventive measures.

Although we reduced the number of fatalities of Group employees by 50 % compared with the previous year, it was with great regret that we had to announce the death of two of our own employees, who died as a result of accidents at work. Furthermore, the lives of nine employees from external companies were claimed, two of whom died in road accidents. All of these fatalities are very painful and clearly highlight that we have not yet achieved our goal of being accident free and the need to further intensify our efforts. We analyse each accident and share this information across the Group in order to prevent similar accidents at other locations. In addition, each fatal accident is presented to and discussed by the Managing Board.

Accident trends [1]

	2013	2014	2015	2016	2017
Accident frequency rate [2]	2.6	2.1	2.3	2.2	**1.8**
Accident severity rate [3]	94	91	106	98	**79**
Fatality rate [4]	1.1	1.0	1.7	0.7	**0.4**

1) Accident trends in the business areas of cement, ready-mixed concrete, and aggregates in companies where HeidelbergCement is in charge of safety management.

2) Number of accidents (with at least one lost working day) suffered by Group employees per 1,000,000 working hours.

3) Number of lost working days resulting from accidents suffered by Group employees per 1,000,000 working hours.

4) Number of fatalities of Group employees per 10,000 Group employees.

Social responsibility

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

To achieve this, the key requirement is that we meet the conditions for regulatory approval, particularly in the area of environmental protection (see the Environmental responsibility chapter on ↗ page 59 f.). We also create local jobs and promote economic development with our wages, investment, purchasing, and taxes, particularly in economically weak regions. At our locations, local employees are given management responsibility wherever possible. The proportion of local managers in senior management positions in the reporting year was 74 %. Each of our plants collaborates closely with local suppliers and service providers. We invest around 90 % of our procurement volume in the areas surrounding our plants or within the relevant country.

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

Responsibility and organisation

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

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

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

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

Processes

We involve local communities in our business activities through various dialogue formats, for example, as well as through local community engagement plans and councils. These strategies also include long-term partnerships with local non-governmental organisations. In addition, we keep the communities at our locations informed via newsletters or at open days. The Group Handbook for Community Relationship Management is a useful source of design and implementation strategies for dialogue formats, partnerships, and charitable commitments. To assess the impact of the local corporate citizenship projects, we currently carry out feedback interviews at the end of each project. A systematic approach to measuring the impact of these projects is now in development.

Policies

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

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

In 2016, the Group adopted its Handbook for Community Relationship Management, which is designed to systemise and increase the transparency of its relationships with local communities as well as its charitable commitment. The aim is to strengthen the exchange of ideas with local stakeholders in developing countries in particular and to achieve long-term socio-economical added value for local communities. For this purpose, the handbook offers concrete guidelines.

Targets and commitments

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

Measures and progress

In 2017, many of our larger production locations worldwide once again took steps to initiate dialogue with local residents at open days, for example. To support local communities, we took a number of measures and sponsored various projects during the year, such as the construction of a public library in Thailand. The library in Phra Phuttabat, Saraburi province, is also a learning center for local residents. HeidelbergCement and its subsidiary Asia Cement financed an area of 150 square metres dedicated to children and families at the center. This area, which offers children a fantastic environment in which to develop and learn through play, is equipped with books and other learning resources as well as a play area.

Performance indicators

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

- creation of an annual community engagement plan for every location,
- one hour of voluntary charitable work per full-time employee per year (60,000 hours).

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

Environmental responsibility

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

Climate and emissions protection

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

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

At the 2015 UN Climate Change Conference in Paris, a climate agreement was negotiated that aims to limit global warming to below 2° C compared with pre-industrial levels. To achieve this goal, greenhouse gas emissions need to be significantly reduced over the coming years. In some regions of the world, there are emissions trading systems for this purpose. An upper limit is placed on the total volume of emissions of specific greenhouse gases, which is reduced over time, resulting in a decrease in the overall emissions.

Companies receive emission certificates according to this upper limit. Every company has to present enough certificates to cover its total emissions at the end of each year. If a company does not have enough emission certificates at the end of a year due to increased production, it has to purchase additional certificates via a special trading system. Otherwise, severe penalties are imposed. HeidelbergCement's production facilities in Europe are part of the European emissions trading system. Additional emissions trading systems have been set up in California and China, for example.

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

Responsibility and organisation
Environmental protection is an integral element of HeidelbergCement's business strategy, which is defined by the Managing Board in consultation with the Supervisory Board. One member of the Managing Board is responsible for the topic of sustainability and heads the Group Environmental Sustainability Committee. This committee also includes the directors of the Group departments Global Environmental Sustainability and Group Communication & IR, as well as the Global Directors and Area Directors of the Heidelberg Technology Center, the Competence Center Materials, and the Competence Center Readymix. The committee's task is to accelerate the progress of operating activities with regard to sustainability and profile HeidelbergCement as a sustainable company.

The Gobal Environmental Sustainability department drives progress towards environmental sustainability at Group level in a number of ways. These include defining guidelines and goals, identifying and exchanging tried-and-tested measures for achieving these goals, internal and external benchmarking, co-ordinating action plans to implement research projects, and representing the company in international organisations.

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

The internal monitoring of all relevant operating data is carried out by the Heidelberg Technology Center (HTC) for the cement business line, the Competence Center Materials (CCM) for the aggregates business line, and the Competence Center Readymix (CCR) for concrete. After the data is checked in detail with respect to plausibility, it is transferred to our internal reporting. Any irregularities identified during the check are followed up immediately. This also includes, if necessary, supporting the relevant production plant in resolving any technical issues.

Processes
The Group Environmental Sustainability Committee meets once or twice a year to report on the progress of the operating activities with regard to environmental sustainability and the status of research projects and cooperation arrangements, as well as to discuss subsequent steps and prepare decisions.

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

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

Policies

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

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

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

Targets and commitments

In the Sustainability Commitments 2030, HeidelbergCement has set itself the objective of reducing its ecological footprint. As a company, we accept our share of the global responsibility to limit the rise in worldwide temperature to below 2° C. In concrete terms, this means that HeidelbergCement's goal is to reduce its CO_2 emissions by 30 % compared with the 1990 level by 2030. This target and the relevant measures defined by HeidelbergCement are in accordance with the roadmap defined by the International Energy Agency (IEA) for our industry in order to reach the 2° C limit of rise in global temperature agreed at the COP21 world climate conference in Paris. We had this accordance verified and confirmed externally. To reach this target, we will, for instance, increase the proportion of alternative fuels in the fuel mix to 30 %. At the same time, we plan to further intensify the use of alternative raw materials in order to decrease the clinker ratio – i.e. the proportion of clinker in our cement. We also aim to reduce the SO_x and NO_x emissions generated in our cement production by 40 % – and dust emissions by 80 % – in comparison with 2008, as well as continuously reducing all other emissions to the air, bringing them down below the average of the industry.

Measures and progress

In accordance with our obligation to the Low Carbon Technology Partnerships initiative (LCTPi), which we joined in 2015 with 17 other cement companies, we are continuing to invest in research into innovative techniques for the capture and utilisation of CO_2. You can find details of the most important ongoing projects in the Research and technology chapter on ↗ page 24 f.

In 2017, we also integrated the newly added Italcementi plants into our programmes to promote the use of alternative fuels and raw materials, and into the corresponding reporting. We significantly increased the proportion of alternative fuels in 2017, particularly in Russia, Spain, Bulgaria, Egypt, and Thailand. In most countries, local teams are exploring additional possibilities for the use of alternative fuels, drawing on the experience of experts from across the Group. This is predominantly waste that would be uneconomical to recycle or cannot be recycled in full. In this scenario, co-processing in clinker kilns is regarded as a worthwhile option, as it uses the waste's calorific value much better compared with waste incineration plants and also embeds its mineral components into the clinker. The waste is co-processed without any residue while complying with the same strict emission standards as waste incineration plants.

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

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We made several investments in 2017 to reduce dust emissions: At the production sites in Cirebon and Citeureup, Indonesia, for example, the electrostatic precipitators in two kiln lines were replaced by fabric filters. Electrostatic precipitators have also been replaced by new fabric filters at coal mills in Pukrang, Thailand, and Cesla, Russia.

To reduce NO_x emissions, we have installed SNCR systems in both kiln lines at the plants in Jingyang and Fufeng, China, as well as at the plants in Isola delle Femmine and Samatzai, Italy. Further optimisations were made to existing SNCR systems, such as those in Bussac and Cruas, France. In Radotin, Czechia, we installed a low-NO_x burner. Other similar measures are currently being undertaken in Narsingarh and Yerraguntla, India, for example.

A flue gas desulphurisation system was commissioned in Tarjun, Indonesia, to reduce SO_x emissions. At our plants in Isola delle Femmine and Samatzai, Italy, systems were installed to carry out desulphurisation during the dry process.

Performance indicators

Climate protection

Compared with the figures in the 2016 Annual Report, the values for climate protection have changed. Following the completion of Italcementi's integration on 1 July 2016, all three key figures for climate protection are reported for the entire Group. With the inclusion of the values of Italcementi in the second half of 2016, all three key figures have deteriorated.

Climate protection

	2015	2016	2017
Specific net CO_2 emissions (kg CO_2/t cement)	625	598	**605**
Alternative fuel rate	18.4 %	21.4 %	**20.8 %**
Clinker ratio	76.0 %	74.4 %	**75.3 %**

On a pro forma basis, i.e. including the values of Italcementi in the first six months of 2016, specific net CO_2 emissions fell from 612 to 605 kg CO_2/t cement, the alternative fuel rate rose from 19.4 % auf 20.8 %, and the clinker ratio was at the level of the previous year with 75.3 %.

Emission control

Data on air pollutants are published in the Annual Report for the first time. Since the completion of the Italcementi integration, these key figures have also been reported for the whole Group. Including the values of Italcementi in the second half of 2016, the key figures have improved, with the exception of specific SO_x emissions.

Emission control

	2015	2016	2017
Specific SO_x emissions (g/t clinker)	452	315	**367**
Specific NO_x emissions (g/t clinker)	1,405	1,343	**1,329**
Specific dust emissions (g/t clinker)	113	116	**89**

On a pro forma basis, i.e. including the values of Italcementi also in the first six months of 2016, specific SO_x emissions rose from 300 to 367 g/t clinker. In contrast, specific NO_x emissions fell from 1,358 to 1,329 g/t clinker and specific dust emissions from 107 to 89 g/t clinker.

As described in the Targets and commitments section on ↗ page 61, we continuously work at further improving climate and emissions protection.

Biodiversity

The fourth edition of the Quarry Life Award was launched in May 2017. The Quarry Life Award is a biennial research competition designed to increase awareness of the high biological value of our quarrying sites. Owing to the success of previous editions of the competition, there will be two competition streams this time round: academia and community. In this way, we hope to ensure a fairer competition for all participants, irrespective of their scientific background. A total of 317 project proposals were submitted in 25 countries, of which 110 were selected to take part in the competition.

Our partnership with the largest international nature conservation organisation BirdLife International, which we began in 2012, helps to boost our competence, thereby enabling us to improve our environmental performance and our social mandate to operate as a responsible commodity company. Through open dialogue with BirdLife International and cooperation with its national partner organisations, we strive to minimise our impact on nature as well as to protect and promote biodiversity wherever possible. More than 25 local projects have been undertaken or are currently under way at locations in Europe, Asia, and various African countries.

In Australia, our subsidiary Hanson Australia works with the Botanic Gardens and Parks Authority in Perth to restore habitats at our gravel and sand quarrying sites. The 20-year cooperation led to a better understanding of the critical aspects of restoring the endangered banksia woodlands and facilitated the first thorough investigation into the requirements of this ecosystem. The investigation was summarised in a book that, for the first time, provides a comprehensive overview for practitioners, researchers, and decision makers, and which received the Golden Gecko Award for Environmental Excellence in October 2017. So far, more than 300 hectares of this habitat have been restored at our location.

In 2017, we published our new internal Biodiversity Handbook, which updates the biodiversity guidelines set out in 2010. This new handbook offers practical advice on creating and managing a variety of habitats and biodiversity features, as well as guidelines for promoting native species.

The handbook also includes a special chapter on the importance of identifying and warding off invasive species as this is a major cause of biodiversity loss worldwide.

Sustainable construction

In 2017, we intensified our efforts to develop products with improved sustainability performance and solutions to support sustainable development.

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

Our commitment to the circular economy is also reflected in our involvement in the Dutch concrete recycling company Rewinn B.V., Amsterdam, which we established together with our local partner Theo Pouw BV, Utrecht, Netherlands. The company developed positively in 2017, and we are now in a position to produce up to 250,000 tonnes of aggregates from recycled concrete per year. These are already used in numerous applications, such as the production of fresh concrete.

As a founding member of the Concrete Sustainability Council, we played a leading role in the development of a certification system for sustainably produced concrete, which was introduced at the beginning of 2017. In the reporting year, all our cement and concrete plants in the Netherlands were certified, as were nine concrete plants of the German subsidiary Heidelberger Kurpfalz Beton GmbH & Co. KG in the Heidelberg area. With the certification of concrete – taking into account social, economic, and ecological aspects along the value chain – the product and the entire industry is gaining greater acceptance.

As a leading building materials producer, we have further strengthened our commitment to Green Building Councils, the European Construction Technology Platform, and other associations in order to support and accelerate developments in the area of sustainable construction and market transformation.

Compliance

Main priorities

Corruption

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

Competition legislation

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

Human rights

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

Responsibility and organisation

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

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

Processes

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

The entire compliance programme is reviewed on an ongoing basis for any necessary adjustments with regard to current legal and social developments, and it is improved and developed accordingly.

Violations of applicable laws and internal guidelines will be appropriately sanctioned. In addition, suitable corrective and preventive measures will be taken to help prevent similar incidents in the future.

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

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

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

In 2017, we launched a risk analysis for human rights. Among other issues, this explicitly examines the risk of violating the rights of indigenous peoples. A pilot project to identify potential risks and existing measures, and to determine additional measures to be implemented, was successfully completed. The aim is to regularly repeat the analysis after a period of around three years.

Our suppliers must subscribe to fundamental human rights. A supplier management system is currently being introduced across the Group to improve monitoring in this area. In the future, compliance training will cover the topic of human rights more extensively.

Policies

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

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

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

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

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

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

Targets and commitments

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

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

Measures and progress

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

In 2017, the preventive activities of the compliance officers once again placed great emphasis on compliance with the provisions of competition legislation and anti-corruption regulations. This was backed by appropriate training measures in these areas.

Appeals were lodged against new fines for antitrust violations in Spain and Italy (the latter relating to a period prior to the acquisition of the relevant activities by HeidelbergCement) in 2016 and 2017. There are plans to introduce special audits as well as supplementary training and awareness-raising measures.

The Group compliance instruments have been introduced in all countries added to the Group as a result of the purchase of Italcementi. In particular, these countries were also integrated into the corruption risk assessment process.

In 2017, another scheduled external audit was completed in connection with the Antitrust Compliance Program.

Besides introducing a Group position on human rights, we have developed a human rights risk assessment system and started to compile performance indicators relating to human rights.

Performance indicators

In the reporting year, around 14,500 users across the Group registered for the Compliance e-learning programmes, which are now also available in the former Italcementi countries. In 2017, Group Compliance also had the suitability of its compliance management system at Group level successfully verified in accordance with the standards IDW PS980 and ISO 19600 by a well-known auditing firm.

In 2017, Group Compliance registered 87 confirmed or pending compliance cases, which corresponds to a rise of 30 % compared with 2016. The higher number can be attributed to the full-year inclusion of the companies added via Italcementi, as well as increased compliance awareness.

Electronic training courses on the Code of Business Conduct and on anticorruption were successfully completed by 93 % and 94 % of the employees, respectively. A further 154 training activities were conducted in these topic areas.

In 2017, a total of 6,888 employees completed the electronic cartel law trainings assigned to them, giving a completion rate of 89 % of the relevant employees. There were also 70 other compliance activities relating to cartel law (seminars, lectures, and other measures).

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

A system for reporting performance indicators connected with the human rights situation is currently in development. In 2017, we compiled data on this topic in our half-yearly compliance reporting for the first time. In 2017, only a few compliance cases were reported in the human rights area (e.g. discrimination, freedom of association, or violations of the rights of indigenous peoples). 12 % of all new suppliers were examined regarding human rights aspects. With the integration of more countries in our supplier management system, this number will rise gradually.

Procurement

In the reporting year, goods and services with a total value of €11,687 million were procured at HeidelbergCement. This corresponds to 67.8 % of total revenue.

Procurement management

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

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requires significant effort in the context of the integration of Italcementi in particular. Thereby, our lead buyers make an important contribution to increasing efficiency and to risk management in our Group.

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

Increasing efficiency

The proven savings initiative in procurement – the "FOX" programme (Financial and Operational Excellence) – was continued in 2017 as part of the ongoing improvement process to further increase the Group's financial and operational performance in the long term. In view of the generally persisting cost pressure, the programme also targets additional savings in procurement. We succeeded in achieving considerable cost savings in the reporting year, which was also due to synergy effects arising from the ongoing integration of Italcementi.

Another objective is to improve payment periods, because our terms of payment represent a key success factor for competitiveness. Thanks to continuous process optimisations and an improvement in our Group-wide terms of payment, we were able to achieve a correspondingly high liquidity effect by the end of 2017.

Furthermore, greater focus was put on the optimisation of the core processes in procurement in 2017. On the one hand, the aim is to increase the level of automation in procurement, and on the other hand, to further standardise processes and interfaces. In addition, the integration of the Italcementi systems into the standard system landscape of HeidelbergCement is largely completed. Increased emphasis has also been placed on the roll-out of a systematic supplier management in order to improve supply chain transparency, for instance with regard to the observance of compliance rules.

Procurement of energy

Overall, HeidelbergCement pursues a strategy for the procurement of fuels and electricity that is based on a combination of short-term, index-based contracts and fixed-price contracts. Fuel flexibility will also play an increasingly important role in the volatile market environment. Optimising the mix of individual fuels in 2017 meant that the price increase on the global fuel markets caused only a limited rise in costs at HeidelbergCement.

Outlook

The expected future development of the HeidelbergCement Group, HeidelbergCement AG, and the business environment in 2018 is described in the following. In this context, please note that this Annual Report contains forward-looking statements based on the information presently available and the current assumptions and forecasts of the Group management of HeidelbergCement. Such statements are naturally subject to risks and uncertainties and may therefore deviate from the actual development. HeidelbergCement undertakes no obligation and furthermore has no intention to update the forward-looking statements made in this Annual Report.

Assumptions underlying our outlook

Our business is subject to a multitude of external influencing factors that are beyond our control. These include geopolitical, macroeconomic, and regulatory factors. This outlook is based on the assumption that the global political environment will not undergo any critical changes during the outlook period. In particular, this implies that the political crisis between Ukraine and Russia, the political and religious conflicts in the Middle East, and the political conflict with North Korea will not have a global impact on our business activity and that the eurozone will not be fundamentally destabilised.

Regarding exchange rates, for 2018 we anticipate an appreciation in the value of the euro against the US dollar and certain currencies from emerging countries in comparison with the previous year. We expect that energy prices during the forecast period will remain approximately at the 2017 annual average. As the prices of oil and coal reached their peak at the end of 2017, this assumption entails a risk, which is taken into consideration in the risk report. The impact of an increase in energy prices is difficult to predict. On the one hand, the higher prices are having a negative impact on the economy and population of importing countries. On the other hand, companies in the raw materials industry are increasing their investments in new projects.

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

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

Economic environment

General economic development

After a significant increase in global economic growth in 2017 in comparison with the previous year, we anticipate a further acceleration in 2018. In its outlook published in January 2018, the International Monetary Fund (IMF) forecasts global economic growth of 3.9 % for 2018, compared with 3.7 % in 2017. In many countries, the economy has started to recover, resulting in a synchronous economic upturn on the broadest scale since 2010. The main drivers behind this trend are, on the one hand, the further acceleration of growth in the USA, boosted by the recently adopted tax reform, and the continuing economic recovery in the eurozone. On the other hand, it is also anticipated that the growth rates in the emerging countries will increase again, despite a further economic slowdown in China. Higher growth rates are expected in particular for countries in North Africa, the Middle East, and in Africa south of the Sahara, partly because of the considerable increase in the oil price over the past year.

The risk situation has not changed, and macroeconomic as well as geopolitical risks remain. In terms of macroeconomic risks, particular mention must be made of the faster than anticipated rise in inflation and the interest rate, the unpredictable consequences of the downturn in the Chinese economy as well as the impact of protectionist measures on global economy. The geopolitical risks include, in particular, the tensions and political uncertainties in a number of countries, among others in the United Kingdom.

In Asia, China will continue to be the determining factor in economic development. The IMF projects a decline in growth for China, from 6.9 % in 2017 to 6.6 % in 2018. For Indonesia, growth of 5.3 % is anticipated. The growth rates in the African countries south of the Sahara are expected to increase further, reaching 3.3 % in 2018 compared with 2.7 % in 2017. In North Africa, the growth rate is expected to rise to around 4.5 % in Egypt and fall to 3 % in Morocco.

In the mature markets, economic growth is expected to stabilise at 2.3 %. According to IMF forecast, the important markets for HeidelbergCement – USA, United Kingdom, Germany, France, Italy, and Canada – should develop positively in 2018. While growth rates are likely to decrease slightly in the United Kingdom, Germany, Canada, and Italy compared with the previous year, accelerated growth is anticipated in France and the USA. The increase in the gross domestic product in the USA is being driven, in the short term, by the tax reform and the associated growth in investments and consumption. The USA is expected to achieve the highest increase in economic output at 2.7 %, followed by Canada and Germany, both with 2.3 %. France is likely to see growth of 1.9 %, the United Kingdom of 1.5 %, and Italy of 1.4 %. In Australia, additional growth of 2.9 % is anticipated, driven by the increase in investments and raw material prices.

Further growth is also predicted for all countries in Northern and Eastern Europe and Central Asia in 2018. As in the mature markets, however, the development in the individual countries will vary. In Northern Europe, economic growth ranging from 1.6 % in Norway to 3.7 % in Estonia is expected. While the growth rate will increase in Norway compared with 2017, it will be somewhat lower in Sweden, Denmark, Iceland, and Estonia. In Eastern and Southeastern Europe, the expected growth rates will range from 2.6 % in Czechia to 4.4 % in Romania. It is anticipated that the recovery in Ukraine will continue to accelerate. The rise in the oil price should have a positive impact on economic growth in Russia.

Regarding consumer goods price inflation, IMF expects a stronger rise in mature markets and a slight increase in emerging countries. The oil price is expected to increase considerably again in 2018, although the growth rate should be lower than in 2017.

Industry development

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

For the USA, a further increase of 2.8 % in cement demand is anticipated for 2018, putting it slightly above the level of 2017 (+2.4 %). This growth will be supported in particular by residential and commercial construction. Demand in public construction should be above that of the previous year. In 2018, the American cement association PCA projects an increase of 5,5 % in the number of starts of construction of single family residential units. In December 2015, the US Congress adopted a new five-year federal programme (FAST – Fixing America's Surface Transportation Act) with a volume of US$305 billion for the expansion of the infrastructure. At the same time, the financing support from the TIFIA (Transport Infrastructure Finance and Innovation Act) programme has been reduced. Over US$207 billion is available for road construction, representing an increase of almost 10 %. Furthermore, the new federal programme ensures planning security for major infrastructure projects that are constructed over a longer period and are generally more cement-intensive. In addition, individual states such as California, New York, and Texas have launched infrastructure programmes that should lead to increased construction activity in the area of infrastructure. The US cement association anticipates considerable growth in cement demand for public construction in 2019 and the two subsequent years.

In its forecast from November 2017, Euroconstruct expects an increase in cement consumption in all European countries. In the United Kingdom, the uncertainty following the Brexit

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referendum is also affecting demand for cement. Growth is expected to be significantly lower than in the previous year, and will be primarily supported by infrastructure projects and, to a lesser extent, by private residential construction. Following the significant growth of the past few years, only a slight increase in demand is anticipated in Norway and Sweden, based on further infrastructure investments. Cement demand is expected to recover in the Netherlands in all sectors, with growth also forecast in Belgium, particularly as a result of stronger investments in infrastructure. For France and Italy, an increase in construction activity is anticipated in all sectors. For Hungary, a further significant rise in cement consumption is forecast, which will primarily be driven by the boom in private residential construction and investments in infrastructure. Positive economic development is expected to trigger an increase in cement consumption in Poland. The German Cement Works Association (VDZ) predicts slight growth for Germany's cement market, based on the good economic development. All construction sectors should contribute to this growth, particularly private residential construction and road construction. In these sectors, incoming orders rose by 1.9 % and just under 1.8 %, respectively, in 2017.

Just as the general economic forecasts are subject to uncertainties, so is the development of demand for building materials during 2018. Although demand should develop positively in many markets, the actual extent of growth is uncertain. Crucial factors include local economic development, the amount of public investment, and the development of credit costs for property financing. In the growth markets of the emerging countries, the continuation of solid economic growth plays an important role, as does income available for private residential construction, which in turn depends on the development of local food prices and thus inflation. Political and military conflicts, such as the one in Ukraine, can also influence the development of sales volumes.

As a result of the capacity build-up in recent years, which exceeded the growth of demand in many cases, we also expect a high level of competition in the cement business in 2018, especially in the emerging countries of Asia and Africa. The resulting price pressure and potential weakening of some currencies in these regions, however, is likely to slow down further investment activities of local manufacturers and open up opportunities for consolidation.

At the start of 2018, the European Commission approved the reorganisation of the EU Emissions Trading System, already signed off by the European Council and Parliament in 2017, for the fourth trading period from 2021 to 2030. Consequently, we anticipate a further tightening of the allocation of CO_2 emission rights in this period, which will probably lead to an increase in the prices of emission rights and additional costs for covering the required emission rights. For the current trading period, which ends in 2020, HeidelbergCement has a sufficient number of emission rights also due to the free allocation policy.

Anticipated earnings

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

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

Sales volumes and revenue

On the basis of the general economic and industry-specific outlook for the building materials industry and the special growth prospects for the markets in which HeidelbergCement operates, we expect an increase in demand for all our building materials in 2018. In the cement business, we anticipate moderately rising sales volumes excluding consolidation effects as a result of higher demand in most of our markets. Taking into account the deconsolidation of the white cement business in the USA and our activities in Georgia, however, we only anticipate a slight rise. In the aggregates business line, we expect a slight increase in sales volumes. We consider the prognosis for the sales volume plan to be conservative and anticipate potential for higher deliveries (see chapter Risk and opportunity report on ↗ page 73 f.). In 2018, price increases will continue to take on a high priority, in particular to offset rising costs and improve margins.

Taking into account the expected development in sales volumes and prices as well as the performance of the euro against other currencies, we anticipate a moderate rise in revenue excluding exchange rate and consolidation effects in 2018. Including currency effects, we expect slight revenue growth compared with the previous year.

Group areas

In the Western and Southern Europe Group area, we anticipate a rise in cement and aggregates sales volumes in accordance with market growth.

Excluding the effects from the deconsolidation of our business in Georgia, we also expect an increase in cement sales volumes in Northern and Eastern Europe-Central Asia due to the anticipated market growth, especially in the residential and infrastructure construction sectors.

In North America, demand for cement and aggregates is forecast to rise moderately thanks to the continuing economic recovery. We only expect a slight increase in cement sales volumes on account of the deconsolidation of the white cement business. At the same time, we predict a further, moderate recovery in sales prices.

For the Asia-Pacific Group area, we anticipate moderate growth in sales volumes for cement and aggregates. In India and Indonesia, in particular, demand is forecast to rise on account of the acceleration in economic growth and the noticeable increase in infrastructure investments, respectively.

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

Costs

HeidelbergCement anticipates a moderate increase in energy costs in 2018. We believe that our continued active management of the fuel mix and fuel purchasing as well as the appreciation in the value of the euro will help reduce costs. A slight to moderate increase in the cost of raw materials and personnel is expected. HeidelbergCement will consistently pursue its global programmes to optimise costs and processes as well as to increase margins once again in 2018. These include the Continuous Improvement programmes for the aggregates ("Aggregates CI"), cement ("CIP"), and concrete ("CCR") business lines, as well as "FOX" for purchasing. The "CIP" programme had significantly exceeded its savings goal by the end of 2017 and will be continued in 2018. The "Aggregates CI" and "CCR" programmes, launched in 2015 and 2016, respectively, are each expected to achieve sustainable improvements in result amounting to €120 million over a three-year period. In addition, we anticipate the realisation of further synergies from the integration of Italcementi of between €40 million and €50 million. We also expect that the costs associated with the integration will fall significantly now that it has been completed.

For 2018, we anticipate a moderate decline in the negative financial result. The improvement in our net interest result, thanks to the refinancing of our maturities on favourable terms and the continued reduction in net debt, will be partially offset by declining income from swaps.

With regard to income taxes, we expect a significant fall, because the 2017 figure included a one-off, non-cash burden of €285 million due to the revaluation of deferred tax assets as a result of the US tax reform.

Results

In view of the forecasts for revenue and cost development, we expect a moderate increase in the range of middle to high single-digit percentage in the result from current operations excluding exchange rate and consolidation effects for 2018. This assumption is made on the basis that sales volumes of building materials will grow as anticipated and price increases can be implemented. The same applies for the EBIT before major non-recurring effects. As a consequence of the improvement in the result from current operations, lower financing costs, and the decline in income taxes, we expect a significant growth in profit for the financial year. On account of the anticipated development of results and decrease in net debt, we anticipate that we will earn a premium on our cost of capital again in 2018, i.e. a ROIC above the weighted average cost of capital (WACC).

Dividend

HeidelbergCement has announced a progressive dividend policy for the coming years. This means that the dividend is to be increased appropriately in strong years so that it can remain stable in weak years. For the 2017 financial year, the Managing Board and Supervisory Board will propose to the Annual General Meeting the payout of a dividend of €1.90 per share. This corresponds to a payout ratio of 41.1 % of the Group share of profit. For the 2019 reporting year, we aim to achieve a payout ratio of between 40 % and 45 % of the Group share of profit for the financial year. In individual cases, we will align the adjustment of the dividend to the development of the dynamic gearing ratio and the cash flow of the HeidelbergCement Group, as well as taking the further general economic development into account.

Investments

In the 2018 financial year, HeidelbergCement will continue its disciplined spending policy with a balanced mix of investments in capacity expansion and maintenance and modernisation. We will continue to focus on the attractiveness of potential investment projects, the development of results of the Group, and on the expected general economic trend. For the 2018 financial year, we plan cash-relevant net investments of around €1.1 billion.

HeidelbergCement will consistently continue its targeted investments in future growth by strengthening existing market positions, e.g. improving vertical integration, and developing new markets. We focus on organic growth as well as on new acquisitions in the context of our disciplined M&A strategy.

The value creating acquisitions in the current financial year include those of Cementir Italia S.p.A, Rome, and the Australian Alex Fraser Group, Derrimut, Victoria, in January 2018. At the same time, we optimise our portfolio by the disposal of non-core business activities, using the proceeds to finance parts of the growth investments. The disposal of the sand-lime brick activities in Germany and the white cement business in the USA are part of the divestments in 2018.

The African growth markets south of the Sahara will be an area of focus of capacity expansion. In February 2018, we laid the foundation stone for the construction of a second

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cement mill in Burkina Faso; this will double the capacity of our cement grinding plant located near the capital Ouagadougou to around 2 million tonnes. In the Democratic Republic of Congo, we are continuing with the expansion of our Cimenterie de Lukala cement plant. The new kiln line at the plant near Kinshasa will be completed by the end of 2019. We are also continually evaluating further options for capacity expansions in other African countries and in the eastern Mediterranean Basin.

In the United Kingdom, the upgrading of the Padeswood cement plant in North Wales is a large investment project involving the installation of a cement mill with a grinding capacity of up to 650,000 tonnes per year and the construction of new cement silos for railway loading; the new facilities are set to be commissioned in the first quarter of 2019. Another investment in expansion in the United Kingdom regards the aggregates business: in the first half of 2019, Hanson Marine will commission two new ships for the extraction of sand and gravel from the sea.

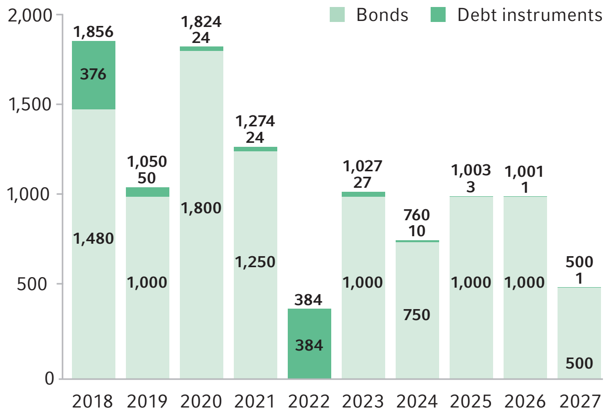
Aside from these capacity expansions, we will invest in the maintenance and modernisation of our existing production sites in 2018. In line with the Germany Cement Master Plan, we will continue an ambitious investment programme for modernisation and efficiency improvement as well as for environmental protection in our German cement plants. This includes major projects such as the modernisation of the Burglengenfeld and Schelklingen plants, where completely new preheater kilns are being constructed. In the first quarter of 2018, the new kiln line in Burglengenfeld will be put into service, replacing the two existing, older kilns. The new kiln line in Schelklingen is set to commence operation at the end of 2018/start of 2019. The renovation of the Bass Point quarry in New South Wales, Australia, which will be completed this year, is an important project in the aggregates business line.

Expected financing

HeidelbergCement has a stable financing structure for the long term and a well-balanced debt maturity profile (see the following diagram). We refinanced the Eurobonds of €480 million and €500 million maturing in January and February 2018 by using available liquidity and free credit lines. In addition, we will refinance the bond of €500 million that is due in December 2018 as well as the financial liabilities maturing in 2018, by making use of available liquidity, issuing on the capital market, or using free credit lines, depending on the capital market situation.

The following graph shows the maturity profile of HeidelbergCement as at 31 December 2017.

Debt maturity profile as at 31 December 2017[1] (€m)



1) Excluding reconciliation adjustments of liabilities of €39.0 million (accrued transaction costs, issue prices, fair value adjustments, and purchase price allocation) as well as derivative liabilities of €37.8 million. Excluding also puttable minorities with a total amount of €66.2 million.

As at the end of 2017, we had liquidity reserves consisting of cash, securities portfolios, and committed bank credit facilities, amounting to €4.9 billion (see Group financial management section on ↗ page 45 f.). With the €1.5 billion Euro Commercial Paper Programme and €10 billion EMTN Programme we also have framework programmes in the money and capital markets in place that allow us to issue the relevant securities within a short period of time.

Our objective is to further improve our financial ratios in the coming years in order to achieve the necessary preconditions for our credit rating to be upgraded further by the rating agencies. In particular, we have set the ambitious target to reduce the dynamic gearing ratio in a timely manner again to below 2.5x (31 December 2017: 2.6x) after the acquisition of Italcementi. A lasting investment grade rating remains our objective as – given the capital-intensive nature of our business – favourable refinancing opportunities in the banking, money, and capital markets create an important competitive advantage.

Employees and society

Following the successful integration of Italcementi, the topic of digital transformation will be an area of focus for 2018. From a HR perspective, this includes building and expanding our digital competences, supporting change processes for digital transformation, and digitising personnel processes and systems. Our efforts to support digital transformation will focus on fundamental digital media skills as well as topics related to specific functions. For employees who are increasingly involved in digitisation projects, we will provide targeted training on managing development processes geared towards customers and target groups (Design Thinking) and on agile project methodology.

In 2018, our global personnel development strategy will also focus on our programme for the development of senior managers and on improving our talent programmes. Around 100 people will take part in our programme for senior managers this year, with content tailored to current topics in the Group strategy. Digitisation and customer orientation will be key topics for 2018.

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

In 2018, we will extend our programme for management responsibility in occupational health and safety to the lowest level of management in order to make this group of employees even more aware of their responsibility in this area. Besides consistently implementing and fulfilling the existing safety standards, we launched our "Clean site/Safe site" initiative to place new focus on accident prevention through improved tidiness and cleanliness in the workplace.

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

HeidelbergCement has also made a commitment to carry out 60,000 hours of charitable work per year until 2030. The first steps in fulfilling this aim will already be made in 2018.

Environmental responsibility

The regulatory environment concerning the EU Emissions Trading System remains difficult and uncertain due to the constant addition of changes and improvements. In 2015, the European Commission proposed changes for the fourth trading period (2020–2030) in the carbon leakage risk assessment and the definition of benchmarking values and overall caps (for energy-intensive industries). Political discussions on this topic continued in 2017 and were concluded at the start of 2018 with a decision of the EU Parliament. The result for Phase IV, achieved after long and difficult negotiations, is certainly very challenging for the cement industry, but can be regarded as feasible and therefore also as acceptable for HeidelbergCement, provided that there are no more major changes.

We will continue our activities with respect to the capture, storage, and/or use of CO_2 emissions in 2018. Details of the individual projects' progress can be found in the Outlook – Research and technology section on ↗ page 72.

The goal for the use of alternative fuels defined in our Sustainability Commitments 2030 is clear: we want to increase the proportion of alternative fuels in our global fuel mix to 30 % by 2030. Apart from undertaking a variety of projects, HeidelbergCement will achieve this goal by conducting thorough country-specific analyses, which will then be combined in long-term master plans. These outline the current situation in the relevant waste market, the legislative framework for approving the use of alternative fuels, and the technical possibilities at each cement plant. A good example of this long-term planning is the presently ongoing construction of two new clinker production lines in Germany, which are set to have alternative fuel rates of 90 %.

In 2018, we will offer Group-wide training to support the introduction of the new Biodiversity Handbook published in 2017 and to improve knowledge throughout the Group regarding the existence, impact of, and ways to fight invasive species at our quarrying sites. We will also make it easier to use the Biodiversity Handbook by developing an app for mobile devices. With our partner BirdLife International, we will support the implementation of the Sustainability Commitments 2030, continue our cooperation in Europe and Africa, and launch new joint activities in the Asia-Pacific Group area. In 2018, we will publish the seventh book in our series on biodiversity at our quarrying sites, with a focus on flora and fauna in the Asia-Pacific region. The fourth round of the Quarry Life Award competition will also take place in 2018. A total of 110 projects will be undertaken at our quarrying sites in 25 countries. The winners of this international research competition will be awarded in December.

In 2018, we will develop and market further building materials with a significantly reduced environmental impact. This task is at the heart of our Sustainability Commitments 2030, in which we have pledged to play our part in limiting the global increase in temperature to below 2° C and to promote circular economy. With this in mind, we will also use a greater proportion of alternative raw materials and recycled materials in the production of different building materials. In addition, we will intensify our commitment to developing solutions that improve the energy efficiency of buildings or contribute to the turnaround in energy policy.

In 2018, we will press ahead with the introduction of the certification system for sustainably produced concrete in Germany and other countries.

Our environmental protection efforts in the cement business line in 2018 will once again focus on reducing dust, nitrogen oxide, and sulphur oxide emissions.

Measures to reduce dust emissions are currently being implemented in Bangladesh, India, Ukraine, Egypt, Kazakhstan, Hungary, and the United Kingdom. At the cement plant in Ketton, United Kingdom, a new bag filter is set to be commissioned in the first half of 2018.

To reduce NO_x emissions, a state-of-the-art SCR system is being installed at the Geseke cement plant in Germany and is expected to commence operation at the start of 2019. In the coming years, we will undertake further projects to reduce NO_x emissions – at our Russian cement plants and at the Çanakkale plant in Turkey, for example.

To reduce SO_x emissions, an old wet scrubber at the Ribblesdale cement plant in the United Kingdom is currently being replaced by a modern scrubber. This will lead to a decrease in energy requirements and improve the plant's environmental performance. The system is set to commence operation during the first half of 2018. At our plant in Kjøpsvik, Norway, a completely new desulphurisation system is being built.

The modernisation and construction of kiln lines in Germany, Georgia, and Hungary will lead to further reductions in emissions. The two major projects in Germany will be completed in 2018/2019: The kiln line in Burglengenfeld will be commissioned in the first quarter of 2018, and the Schelklingen kiln line at the end of 2018/beginning of 2019. In addition, a new kiln line is currently being constructed in Kaspi, Georgia. At the Vác cement plant in Hungary, we are carrying out a significant modernisation of the kiln line, including the dedusting system.

In 2018, the emphasis in the aggregates business line is again on dust and noise reduction. In the field of ready-mixed concrete, we will drive forward measures for the recycling of water and reduction of water consumption.

We carried out a global water risk study for all business lines in 2014. On the basis of the results obtained in this study, we have, in our Sustainability Commitments, set ourselves the goal of implementing individual water management plans adapted to local conditions at all locations in water-scarce regions by 2030.

Research and technology

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

In 2018, we will continue our activities regarding the capture, storage, and/or use of CO_2 emissions. As part of the LEILAC project, the calciner will be constructed and commissioned in the Belgian cement plant Lixhe in 2018. The first test runs are scheduled for the start of 2019.

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

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

In 2018, we will also drive forward measures for the sequestration of CO_2 in concrete and minerals.

Another area of focus is the development of high-quality binders and concrete applications, achieving greater benefits for our customers and added value for our company. In the future, we will intensify the successful transfer of technology to further increase the speed of innovation. For the concrete business, we plan to increase again the profit contribution of special products in mature markets in 2018. Furthermore, we will intensify our efforts to develop innovative high-end concrete solutions and open up new markets for cement-bound building materials.

In 2018, we will complete the integration of Italcementi and thus achieve our ultimate synergy goals. The "Continuous Improvement Program" (CIP) will come to an end, and we will subsequently monitor whether a steady-state phase has been achieved. In 2018, we will also see the results of the important pilot projects for Industry 4.0 at HeidelbergCement.

In the aggregates business line, the successful and proven "Aggregates CI" (Continuous Improvement) programme is being continued in 2018. We have completed year two of a three-year programme where we intend to sustainably increase our results by €120 million by the end of 2018. Supported by a small group of experienced experts, our production sites are driving forward improvements across the business line. This covers, among other things, land management, mine planning, operations, quality control, sales, and management. We make effective use of the skills and innovative ideas of our employees to achieve significant added value for the Group.

Procurement

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

For 2018, we anticipate that the energy prices in the markets relevant to us will generally rise in comparison with 2017. As the derivatives markets for 2018 are significantly below current spot quotes, particularly for coal and crude oil, there is additional risk potential for the remaining open positions. These cost increases can be partially offset with various measures to optimise energy costs.

Risk and opportunity report

Risks and opportunities

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

HeidelbergCement is subject to various risks that are not fundamentally avoided, but instead accepted, provided they are consistent with the legal and ethical principles of entrepreneurial activity and are well balanced by the opportunities they present. Opportunity and risk management at HeidelbergCement is closely linked by Group-wide planning and monitoring systems. Opportunities are recorded in the annual operational plan and followed up as part of monthly financial reporting. Operational management in each country and the central Group departments are directly responsible for identifying and observing opportunities at an early stage.

Risk management

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

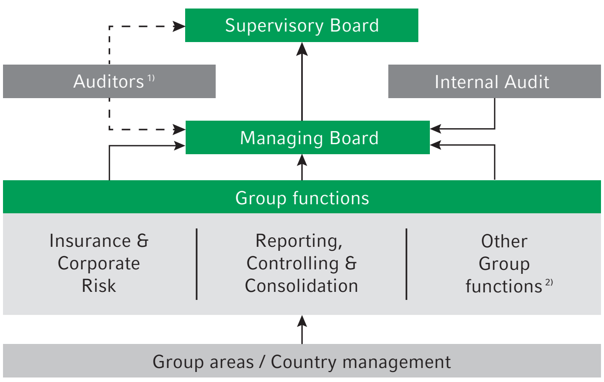
HeidelbergCement has installed transparent regulations to govern competences and responsibilities for risk management that are based on the Group's structure.

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

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

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

Organisation of risk management at HeidelbergCement



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

Risk management process

In order to optimise risk management, we are employing comprehensive software across the Group to map the entire risk management process. By using this software, we have implemented the basic conditions for increasing transparency and efficiency in all phases of the risk management process and for contributing to audit security. The software helps us with, among other things, the clear representation of the Group structure and the assignment of appropriate local responsibilities. Supported by standardised evaluation schemes, risks are systematically recorded and can be tracked

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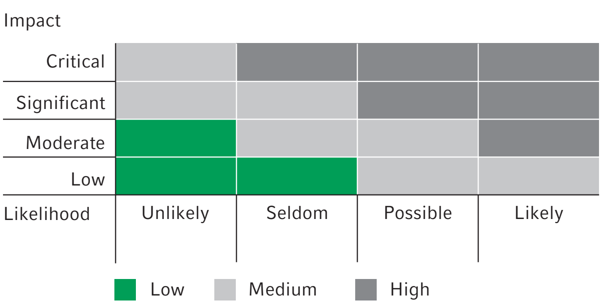
over time together with the proposed countermeasures. The visualised risk data can now be consolidated in a timely manner, analysed flexibly and in various ways, and depicted using standardised risk reporting.

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

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

Dimensions of risk assessment



The underlying scaling is as follows:

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

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

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

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

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

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

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

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

In accordance with sections 289(5) and 315(2)(5) of the German Commercial Code (HGB), the internal control system within the HeidelbergCement Group includes all principles, processes, and measures intended to ensure the effectiveness, cost efficiency, and accuracy of the accounting and to ensure observance of the relevant legal provisions.

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

Structures and processes

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

Key characteristics of the accounting processes and the consolidation

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

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

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

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

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

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

Measures for identifying, assessing, and limiting risks

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

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

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

Risk areas

Risks that may have a significant impact on our assets, financial, and earnings position in the 2018 financial year are divided into four categories based on the risk catalogue established in the Group: financial risks, strategic risks, operational risks, as well as legal and compliance risks. In the following, we assess only the risk situation of risks that are significant for us.

Financial risks

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

Currency risks

The most significant risk position with respect to financial risks is the currency risk, particularly the translation risk. Changes in the USA especially, including the tax reform that came into force, as well as the discussion surrounding a slowdown in bond purchases by the central banks, led to greater exchange rate volatility. Greater fluctuations on the currency markets should be anticipated as a result of the ongoing uncertainty concerning further interest rate hikes in the USA and the economic recovery in Europe. If these fluctuations deviate from the assumptions made in the forecast, this might have a negative impact on translation and transaction effects. We consider these currency risks to represent a medium risk with a seldom likelihood but a significant impact.

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

In general, we do not hedge currency risks arising from converting the financial statements of foreign individual companies or subgroups (translation risks). The associated effects do not result in any payments, and any influences on the consolidated balance are monitored on a continuous basis. More information on currency risks can be found in the Notes on ↗ page 172 f.

Interest rate risks

Interest rate risks exist as a result of potential changes in the market interest rate and may lead to a change in fair value in the case of fixed interest-bearing financial instruments and to fluctuations in interest payments in the case of variable interest-bearing financial instruments. Interest rate risks are maintained within the parameters set by the Group's Chief Financial Officer. By using financial instruments, primarily interest rate swaps, we are able to hedge both the risk of fluctuating cash flows and the risk of value fluctuations. However, a downgrading of our credit rating by the rating agencies (see Rating section on ↗ page 47) could increase the interest margins in the event of a refinancing measure. On the basis of the balanced maturity structure of financial liabilities (see diagram in the Outlook chapter on ↗ page 70) and the expected cash inflow from operating activities, there is no significant short- or medium-term need to refinance, meaning that no negative effects on the interest result are to be expected. Therefore, we see here only a low risk. More information on interest rate risks can be found in the Notes on ↗ page 172.

Refinancing/liquidity risks

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

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

The revolving syndicated credit facility of €3 billion mentioned above with a term that runs until the end of February

2019, of which only €269.6 million had been drawn upon as at the balance sheet date, was available for financing existing payment obligations in 2017. On 12 January 2018, this credit line was replaced by a new syndicated credit line to the amount of €3 billion with a term ending in 2023 (see Events occurring after the close of the 2017 financial year in the Notes on ↗ page 176 f.). In total, we have €4.9 billion of cash and cash equivalents, of securities, and free credit lines in our portfolio across the Group (see Liquidity instruments table in the Group financial management section on ↗ page 47).

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

The syndicated credit facility contains covenants, which were agreed at a level that takes into account the current economic environment and our forecasts. More information on liquidity risks can be found in the Notes on ↗ page 171 f.

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

Credit risks from operating activities are monitored continuously as part of our receivables management. We apply strict standards with regard to the creditworthiness of our business partners. In this way – as well as by avoiding concentrations of positions – we are able to minimise the Group's credit risks. We minimise credit risks for our financial investments by only conducting transactions with banks that are particularly creditworthy. We select banks for payment transactions and establish cash pools in exactly the same way. We consider the credit risks as a low risk. More information on credit risks can be found in the Notes on ↗ page 170.

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

Pension risks
Primarily in North America, HeidelbergCement is involved in various defined contribution pension plans for unionised employees (Multi-employer Pension Plans). The funding status of these pension plans could be affected by adverse developments in the capital markets, demographic changes, and increases in pension benefits. If one of the participating companies no longer pays contributions into the pension plan, all other parties concerned will be held liable for the obligations that have not been covered. Regarding the year 2018, we consider the pension risks as a medium risk with a seldom likelihood and moderate impact

Strategic risks

Strategic risks particularly include risks related to the development of our sales markets in terms of demand, pricing, and the level of competition. In this category we also take into account risks arising from acquisitions and investments, product substitution, and political risks. The composition of the strategic risks has changed in comparison with the previous year, but the impact of these risks has remained almost unchanged.

Industry-specific risks and sales market risks
For 2018, the International Monetary Fund anticipates a further acceleration of global economic growth. At the same time, there are certain macroeconomic and geopolitical risks. An escalation of geopolitical or regional tensions could have a negative impact on the business environment. This also applies to political uncertainty in individual countries, such as in the United Kingdom following the Brexit vote. In terms of macroeconomic risks, particular mention must be made of the faster than anticipated rise in inflation and the interest rate as well as the unpredictable consequences of the downturn in the Chinese economy. The significant increase in the oil price since the start of 2016 may have a varied impact: while oil-importing countries potentially have less funds for investment and consumption as a result of the rise in fuel costs, oil-exporting countries have more income.

In general, we expect positive economic development in the individual Group areas for 2018. Besides risks due to fluctuations in demand, high level of competition can lead to risks in terms of sales volumes, prices, and customer relationships. Risks of this kind already materialised in 2017 and thus form only a minor part of the risk assessment for 2018. Overall, we assume a low to medium risk in this regard.

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

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three sectors: private residential construction, commercial construction, and public construction.

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

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

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

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

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

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

Our expectations regarding the future development of the industry and our sales markets are presented in the Outlook chapter on ↗ page 66 f.

Risks from acquisitions and investments

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

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

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

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

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

HeidelbergCement invests in capacity expansions to improve its market position and vertical integration in mature markets as well as in emerging countries with above-average growth potential, such as Eastern Europe, Asia, and Africa. As competitors may also build up new capacities in the same region, which in total may exceed the growth in demand, there is a risk of price collapse, which has negative effects on our revenue and result. Prior to capacity expansions, we therefore review the market environment and market potential and respond to excess capacities with cost-saving and efficiency improvement programmes, production adjustments, and location optimisations. In Indonesia, where we commissioned a new kiln line in 2016, there is a surplus of cement owing to the weak growth in demand in the past three years and capacity expansions by competitors, which triggered a significant fall in market prices in 2016 and 2017. We are now seeing a substantial recovery in demand. There is a risk that competitors will see the market recovery as an opportunity to increase their capacity utilisation, which could have a negative impact on price development. We rate this as a medium risk with a possible likelihood and a moderate impact.

In January 2018, HeidelbergCement completed the takeover of Cementir Italia. We have many years of experience in integrating companies and have already created the necessary processes and structures. Nevertheless, there is a risk that the integration and the sale of production sites, which is necessary because of requirements imposed by the competition authorities, will be more difficult than expected. New, currently unknown risks may become apparent, the development of revenue and results of the acquired business units may be weaker, or the proceeds from the sale of production sites may be lower than originally expected, with a negative impact on the revenue and result of the Group. HeidelbergCement is also undertaking a global review and optimisation of its portfolio and selling assets that are not part of the core business. In this context, there is a risk that the proceeds generated will be below expectations. We consider this as a medium risk with a possible likelihood and a moderate impact.

Risks resulting from the substitution of products

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

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

Political risks and risks arising from exceptional external incidents

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

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

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

Operational risks

Operational risks particularly include risks related to the availability and cost development of energy, raw materials, and qualified personnel. We also take into account regulatory risks associated with environmental constraints, as well as production, quality, and IT risks. Operational risks have diminished slightly compared with the previous year, mainly due to the already occurred increase in energy prices.

Volatility of energy and raw material prices
For an energy-intensive company such as HeidelbergCement, price trends in energy markets, which are extremely volatile, represent a considerable risk. In 2017, average annual energy prices were significantly above the previous year. After reaching its low point at the start of 2016, the oil price doubled by year end and stabilised in 2017. At the same time, prices for coal and petroleum coke increased also considerably. There is a risk that the costs for individual energy sources will increase further and that the total energy costs will therefore be higher than planned. We consider the risk for individual energy sources and countries respectively as a medium risk with a possible likelihood and a low to moderate impact.

Infrastructural bottlenecks with regard to electricity supply are another common risk for our Group, especially in Africa. The prices of other raw materials are also subject to economic fluctuations. In absolute terms and in relation to revenue, the costs of raw materials rose in 2017. We minimise the price risks for energy and raw materials by means of Group-wide, structured procurement processes. We also make increased use of alternative fuels and raw materials in order to minimise price risks, while reducing CO_2 emissions and the proportion of energy-intensive clinker in the end product cement. With the help of various Group-wide programmes for increasing efficiency and continuous improvement, we decreased and optimised our consumption of electricity, fuel, and raw materials, which reduced our energy costs in a targeted way.

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

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

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

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

Availability and prices of the additive blast furnace slag, which is used in cement manufacturing and is a by-product in steel manufacturing, are subject to economic fluctuations and therefore entail a cost risk. Blast furnace slag is used primarily in Europe, the CIS countries (Commonwealth of Independent States), in Asia, and the USA. A further slight increase in steel production compared with the previous year is expected for 2018.

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

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

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

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

HeidelbergCement's risk transfer strategy sets deductibles for the main insurance programmes that have been adjusted to the size of the Group and are based on many years of failure analyses. As of 2011, the international liability insurance programme has optimised the cover and liability limits, particularly for risks resulting from environmental damage.

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

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

As part of the European climate package newly adopted in December 2008, which concerns the reduction of greenhouse gas emissions, ambitious goals have been set by the European Parliament and the European Commission with regard to climate protection. The cement industry, like other CO_2-intensive industry sectors, has not been affected by the full auction of emission rights since 2013. The emission rights will thus continue to be allocated free of charge, but by 2020 their quantity will have been reduced by 21 % compared with 2005. The emission certificates are allocated on the basis of demanding, product-specific benchmarks, and will be further reduced by the annually growing cross-sectoral correction factor in the period from 2018 to 2020. A rise in climate protection cost may be assumed as the total volume of certificates continues to decrease. 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.

The US state of California has had a cap-and-trade programme for emission rights since November 2012. Our subsidiary Lehigh Hanson has not taken part in the auctions until now because the state of California allocated sufficient emission rights free of charge to the cement industry. Lehigh Hanson is examining approaches to maintain the CO_2 output below the declining upper limit by improving kiln efficiency and the use of biomass, among other measures. On the basis of current production planning and the decreasing quantity of emission rights allocated free of charge, we currently anticipate that Lehigh Hanson will need to purchase more emission rights from 2019. We will monitor the programme closely to ensure we make a timely decision regarding participation.

In 2018, a new national emissions trading system, which will also apply to the cement industry, is to be introduced in China. The full extent of the impact on our cement plants there cannot be conclusively assessed at this point.

The implementation of the European Industrial Emissions Directive 2010/75 into national law in 2013 led to more stringent environmental requirements for the European cement industry. In Germany, in particular, the limits for dust and ammonia emissions from 2016 and for nitrogen oxide emissions from 2019 were significantly tightened and even significantly exceed EU requirements. Considerable investment is needed in order for us to meet these more stringent environmental regulations. These investments have now commenced and some have already been completed.

The National Emission Standards for Hazardous Air Pollutants (NESHAP), introduced by the American Environmental Protection Agency (EPA), have been in force since September 2015. In 2015, our North American subsidiary Lehigh Hanson completed major investments in technical equipment in order to meet these new standards, which are more stringent than standards already existing in other parts of the world. Investments in this area will still be made in some of the plants which were acquired from Italcementi.

Climate protection and reducing CO_2 emissions are a focus of HeidelbergCement's sustainability strategy. By increasing energy efficiency, developing cement types with a lower proportion of clinker, and using alternative fuels, such as biomass, we were able to reduce our specific net CO_2 emissions from 1990 to 2017 by 19.2 %. The consolidation of Italcementi from 1 July 2016 has already been taken into account. Additional measures concerning climate and environmental protection are outlined in the Environmental responsibility chapter on ↗ page 59 f. and the Research and technology section on ↗ page 24 f.

IT risks

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

To minimise these risks, our Group uses back-up procedures as well as standardised IT infrastructures and processes. Furthermore, the critical systems are run at two separate computer centers per region that comply with the latest security standards.

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

Internet security is an integral part of the Group-wide IT security strategy. We prepare, implement, and revise measures to protect data, systems, and networks. The IT security process is structured and divided into guidelines, standards, and recommendations, which help raise our employees' awareness.

Through continuous security checks based on a structured risk assessment, we ensure that there is no increased risk to our systems and networks.

We also take measures to counteract the ageing process of equipment and system technology. In the case of existing applications, we are particularly concerned with business-critical resources (e.g. ERP and logistics applications, or net infrastructure), which are updated and consolidated. We consider the risk of system or application outages as a medium risk.

Legal and compliance risks

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

Hanson asbestos-related claims and environmental damage

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

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

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

Cartel proceedings

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

In 2017, Italcementi S.p.A. was fined €84 million by the Italian antitrust authorities for alleged illegal market coordination with competitors on the Italian grey cement market (including concerted price increases). The allegations relate to the period from January 2011 to January 2016, when Italcementi was not yet part of HeidelbergCement. At present, the allegations are undergoing a judicial review as part of an opposition procedure. We assign a medium risk to this case.

Experiences gained from a series of antitrust proceedings over the past few years motivate us to continuously review and develop intensive internal precautions, particularly regular training initiatives – using electronic training programmes, among others – in order to avoid cartel law violations.

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

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

We assign a low risk to each of these cases and in total a medium risk.

Sustainability and compliance risks
As part of its sustainable corporate governance, HeidelbergCement makes a special commitment to protect the environment, preserve resources, conserve biodiversity, and to act in a socially responsible way. We consider concern for the environment, climate protection, and sustainable resource conservation to be the foundation for the future development of our Group. Compliance with applicable law and Group regulations forms an integrated part of our corporate culture and is therefore a task and an obligation for every employee. Violations of our commitments or of laws and Group guidelines pose direct sanction risks in addition to strategic and operational risks, and also entail a risk to our reputation.

We have implemented a compliance programme across the Group to ensure conduct that is compliant with both the law and Group guidelines. In 2017, the suitability of our compliance management system at Group level was audited under the standards of IDW PS980 and examined as regards implementation of the ISO 19600 requirements by a well-known auditing firm. The suitability of the compliance management system was confirmed.

Our compliance programme comprises, amongst other things, informational leaflets, a compliance hotline, and employee training measures, which are conducted using state-of-the-art technologies and media such as electronic learning modules, and which focus on the risk areas of antitrust and competition legislation as well as anticorruption regulations. Violations of applicable laws and internal guidelines will be appropriately sanctioned. In addition, corresponding corrective and preventive measures will be taken to help prevent similar incidents from arising in the future.

Moreover, we have implemented Group-wide a system for the evaluation and reduction of corruption risks and potential conflicts of interest. A comparable system to assess human rights risks is currently being introduced across the Group. To ensure that we comply with the relevant sanctions regulations in the countries in which we are active, in particular those of the European Union and the USA, we carry out regular systematic verification procedures against international sanctions lists. As part of the process of adapting to the EU General Data Protection Regulation, measures are being implemented to ensure, in particular, that we comply with organisational specifications as well as documentation and risk impact assessment requirements.

See ↗ page 59 f. for more on environmental responsibility, and ↗ page 63 f. for more on compliance.

Opportunity areas

Business opportunities are recognised at Group level and at operational level in the individual countries and taken into account as part of the strategy and planning processes. In the opportunities outlined below, we refer to possible future developments or events that can lead to a positive deviation from our forecast. Usually, we do not assess opportunities as their probability of occurrence is difficult to estimate.

Financial opportunities
Exchange rate and interest risks described under financial risks are also offset by opportunities that can turn the identified factors of influence to our advantage. Fluctuations in the exchange rates of foreign currencies against the euro present both risks and opportunities. On the one hand, for example, depreciation of the US dollar against the euro leads to a decrease in revenue and result from current operations; on the other hand, the US dollar-based proportion of purchasing costs measured in euro also decreases. This primarily affects raw materials, which are traded in US dollar on the global market. We see opportunities for the development of results if the euro exchange rate against the other currencies weakens for the remainder of 2018. However, at present we see more risks in this area.

Strategic opportunities
Industry and sales market risks are also offset by opportunities that can turn the identified factors of influence to our advantage. In 2018, opportunities could arise from stronger-than-expected economic growth in oil-exporting countries owing to the significantly increased oil price since the beginning of 2016. Market growth in the USA could be higher because of the tax reform and the recently announced infrastructure programmes. There is also a possibility that the

recovery in Southern and Eastern Europe will proceed more quickly than expected. Public construction might also benefit as a result of higher tax yield. In the medium and long term, we particularly see opportunities for an increase in demand for building materials in residential, commercial, and public construction as a result of rising population numbers, growing prosperity, and the ongoing trend of urbanisation, especially in the growth markets of emerging countries.

Risks arising from acquisitions and investments are also counterbalanced by opportunities. We have accelerated our growth and further improved our earnings potential through the Italcementi takeover. The realised synergies were significantly higher than originally anticipated. We made some smaller acquisitions in 2017 and at the start of 2018. There is the opportunity that the integration will progress more quickly than expected and provide a greater contribution to the growth in earnings. In the Outlook chapter on ↗ page 66 f., only acquisitions that have already been completed are taken into account.

Operational opportunities

Risks from the increase in prices for energy, raw materials, and additives are offset by opportunities that can turn the identified factors of influence to our advantage. Overall, the development of the energy price could be more advantageous if the supply of coal, shale gas, and oil exceeds demand, or if tariff increases for energy sources in emerging countries are lower or introduced later than expected. In the USA and Canada, oil production projects have increased significantly over the past few months.

The consistent and ongoing implementation of measures to increase efficiency, reduce costs, and improve margins in production, logistics, and distribution is an integral part of our business strategy. As part of the “LEO” programme, which was launched in 2012, we are working on the optimisation of our logistics to achieve further improvements in efficiency and reduce costs through the better utilisation of vehicles and drivers. In addition, the projects “Aggregates CI” in the aggregates business line, “CIP” in the cement business line, and “CCR” in the ready-mixed concrete business line aim to increase margins by continuous improvements of operational and commercial work processes. The opportunity exists for all projects to produce higher than anticipated results and margin improvements that exceed previous expectations.

Assessment of the overall risk and opportunity situation by Group management

The assessment of the Group’s overall risk situation is the result of a consolidated examination of all major compound and individual risks. Overall, the risks have increased only slightly in comparison with the previous year.

Overall, the Managing Board is not aware of any risks that could threaten the existence of the Group either independently or in combination with other risks. There has been no notable change in the Group’s risk situation between the reporting date of 31 December 2017 and the preparation of the 2017 consolidated financial statements. The company has a solid financial base and its liquidity situation is comfortable.

HeidelbergCement is aware of the opportunities and risks for its business activity as presented in this chapter. The measures described above play a significant role in allowing HeidelbergCement to make use of the opportunities to further develop the Group without losing sight of the risks. Our control and risk management system, standardised across the Group, ensures that any major risks that could negatively affect our business performance are identified at an early stage.

With its integrated product portfolio, its strong positions in growth markets, and its efficient cost structure, HeidelbergCement considers itself well-equipped to overcome any risks that may materialise and benefit from opportunities presented.

3 Corporate Governance

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

Corporate Governance statement[1)]

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

On 19 February 2018, the Managing Board and on 20 February 2018, the Supervisory Board resolved to submit the following statement of compliance in accordance with section 161(1) of the German Stock Company Act: The Managing Board and Supervisory Board of HeidelbergCement AG declare, in accordance with section161(1) of the German Stock Company Act, that they have fully complied with, and are fully in compliance with, the recommendations of the Government Commission on the German Corporate Governance Code (hereafter referred to as the Code) in the version dated 7 February 2017, since submission of last year's statement of compliance in February 2017.

Corporate Governance practices that extend beyond the legal requirements

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

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

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

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

As a German stock 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 coordinates the work of the members of the Managing Board. The Supervisory Board appoints, monitors, and advises the Managing Board and is directly involved in decisions of fundamental importance to the Group; the Chairman of the Supervisory Board coordinates the work of the Supervisory Board.

Management by the Managing Board

In managing the Group, the Managing Board is obliged to act in the Group's best interests. It takes into account the interests of shareholders, its employees, and other stakeholders with the aim of creating sustainable added value. The Managing Board develops the Group's strategy, coordinates it with the Supervisory Board, and ensures its implementation. It ensures that all provisions of law and the Group's internal guidelines are adhered to, and works to achieve compliance by Group companies. It ensures appropriate risk management and risk controlling within the Group.

The Managing Board considers diversity when filling management positions within the Group, and in doing so, strives to give due consideration to women. The Managing Board resolved to achieve a target figure of 15 % by 30 June 2022 for the proportion of women in managerial positions at the first two levels below the Managing Board at HeidelbergCement AG. For further information, refer to the chapter Employees and society on ↗ **page 54 f.**

After reconsideration, the Supervisory Board resolved on 15 March 2017 to maintain the current proportion of women in the Managing Board and to set again the target figure for the proportion of women in the Managing Board by 30 June 2020 to 0 %, although this specification explicitly states that the Supervisory Board is committed, as was previously the case, to take diversity into account when making personnel decisions. The reason for this decision is that so far no women could be identified in the company who could fulfill the high requirements of filling a Managing Board position in this period of time. The requirements include, among others, long-time international experience in a leading position at HeidelbergCement in the operational area at plant or country level or in the finance sector. With the targeted use of training programmes for future executives, HeidelbergCement is working at creating a pool of qualified female candidates. When filling Managing Board positions, the Supervisory Board makes no distinction on the basis of gender, origin, or any other characteristics. It makes its decisions regarding appointments to leadership positions within the company solely on the basis of objective criteria such as professional qualifications (international leadership experience, industry knowledge) and the personal suitability of the relevant person for the actual task. In particular, the Supervisory Board strives to achieve a Managing Board composition that is internationally balanced and complementary. The diversity concept mentioned above was taken into account in the composition of the Managing Board.

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

1) In accordance with section 289 f. of the German Commercial Code (HGB), likewise the Corporate Governance Report in accordance with point 3.10 of the German Corporate Governance Code

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.

Consultation and supervision 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 rules of procedure issued by the Supervisory Board for the Managing Board and the Supervisory Board govern the organisation and work of the Supervisory Board, in particular the required majority for resolutions, the legal transactions and measures requiring their consent, the standard retirement age for Managing and Supervisory Board members, the regular limit of length of membership of the Supervisory Board, and the tasks of established committees.

The Supervisory Board meets at least twice every half-year; at these meetings, it usually discusses the open topics and passes the required resolutions, on the basis of reports drawn up by the Managing Board and documents received in advance in preparation for the meeting. Additional or extraordinary meetings are held if necessary. The results of the meetings are recorded in minutes, which are issued to all members of the Supervisory Board. The Supervisory Board comprises a number of independent members – a number which it deems sufficient – and at least one member with expertise in either accounting or auditing. In accordance with the Articles of Association, the Supervisory Board has set up a total of four committees, which are entrusted with the tasks and working methods described below. The following respective plenary session of the Supervisory Board is given an account of the results of the committee work.

The Personnel Committee is responsible for preparing the decision of the Supervisory Board concerning the appointment of members of the Managing Board, for preparing the election of the Chairman of the Managing Board, and 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, Ludwig Merckle, Alan Murray (until 30 June 2017), Heinz Schmitt, Margret Suckale (since 25 August 2017), and Stephan Wehning; 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 financial statements and the approval of the consolidated financial statements, as well as the assessment of the non-financial statement. It is also responsible for monitoring the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, the compliance programme, the audit, and the quality of the audit. When dealing with the audit, it is responsible in particular for the preparation of the Supervisory Board's proposal to the Annual General Meeting for the appointment of the auditor, as part of the selection and proposal procedure provided by law if applicable, for issuing the audit assignment, establishing points of focus for the audit, additional services provided by the auditor in accordance with the guideline adopted by the Audit Committee on 8 November 2016, concluding the fee agreement with the auditor, verifying the auditor's independence including obtaining the auditor's statement of independence, and making the decision concerning measures to be taken if reasons emerge during the audit to warrant the possible disqualification of the auditor or suggest a conflict of interest on the part of the auditor. The Audit Committee discusses the half-yearly and quarterly reports with the Managing Board before they are published.

The Chairman of the Audit Committee has specialist knowledge and experience in the application of accounting principles and internal control processes. In addition to the Chairman, the Audit Committee includes at least one independent member with expertise in either accounting or auditing. In 2017, the Audit Committee comprised Fritz-Jürgen Heckmann, Ludwig Merckle, Heinz Schmitt, Dr. Jürgen M. Schneider, Werner Schraeder, and Frank-Dirk Steininger; 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 as shareholder representatives; the Chairman is Mr Fritz-Jürgen Heckmann.

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

Composition of the Supervisory Board, Diversity
On 11 September 2017, taking into account the recommendations stated in point 5.4.1 of the Code and in section 289 f. (2) (6) of the German Commercial Code ("diversity concept"), the Supervisory Board updated the following concrete objectives regarding its composition and agreed a competence profile for the Board as a whole: The composition of the Supervisory Board shall be an appropriate reflection of the national and international alignment of HeidelbergCement as a leading building materials manufacturer. At least 30 % of the Supervisory Board's members are women and at least 30 % men.

The standard retirement age for members of the Supervisory Board is 75 years; at this age ends also the regular limit of length of membership of the Supervisory Board.

The competence profile shall ensure that the skills and areas of knowledge or technical experience listed below are all held by at least one member of the Supervisory Board, so that as a body the Supervisory Board covers all of the necessary competence areas, as listed below:

- Competence in industry, leadership, and committees (in particular, familiarity with the building materials industry or closely related industries, leadership activities within companies, membership and leadership of boards/committees)
- Personnel competence (in particular, putting together managing bodies, processes for identifying candidates for suitable positions, contractual arrangements with managers)
- Regulatory competence (in particular, in the areas of compliance structures and concepts, legal frameworks, corporate governance)
- Accounting competence (in particular, financial reporting and auditing)

In the Supervisory Board, the competences listed above should be represented as broadly and in as balanced a way as possible. In addition, the in-depth competences in individual fields held by the individual members of the Supervisory Board should ideally be complemented by the members' personal, national, and/or international backgrounds. It is also important to consider the combination of competences from a diversity perspective, as well as the availability of the Supervisory Board members.

It is the target of the Supervisory Board that it is composed of at least nine members who are independent, of which at least four are representatives of the shareholders. Employee representatives are not considered as dependent just because they are employees of the company.

The Supervisory Board considers that its constitution corresponds to its specified goals and the competence profile. In particular, according to the Supervisory Board's assessment, all its current members are independent in the sense of the Code. In addition, the Supervisory Board ascertained with respect to its composition and the composition of its Audit Committee that all of its members are familiar with the sector in which the company operates.

At present, there are three women in the Supervisory Board, of whom two represent the shareholders and one represents the employees. In accordance with the legal transitional periods, the minimum proportion of at least 30 % each of women and men in the Supervisory Board, as specified in the German Stock Company Act section 96(2), only applies to new appointments to the Supervisory Board of the company as of 1 January 2016. So far, one new appointment has been made in this respect; the legal requirement regarding the gender ratio was fulfilled with the judicial appointment of Mrs Suckale.

Cooperation between Managing Board and Supervisory Board

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

The Managing Board informs the Supervisory Board regularly, without delay and comprehensively, of all issues of importance to the Group with regard to strategy, planning, business development, risk situation, risk management, and compliance. The Managing Board explains deviations of the actual business development from previously formulated plans and goals, indicating the reasons for this. The Supervisory Board has included detailed provisions in the Managing Board Rules of Procedure with regard to the Managing Board's information and reporting duties. Documents required for decisions, in particular, the annual financial statements, the consolidated financial statements, and the Auditors' report, are sent to the members of the Supervisory Board in due time before the meeting. The cooperation between the Managing Board and the Supervisory Board is shaped by mutual trust and a culture of open debate while fully protecting confidentiality.

In the periods between Supervisory Board meetings, the Chairman of the Supervisory Board also maintains regular contact with the Managing Board, especially the Chairman of the Managing Board, to discuss Group issues regarding strategy, planning, business development, risk situation, risk management, and compliance. The Chairman of the Supervisory Board is informed by the Chairman of the Managing Board without delay on important events which are essential for the assessment of the situation and development, as well as for the management of the company.

Shareholdings of members of the Managing Board and Supervisory Board

The direct or indirect ownership of shares or share-based financial instruments, especially derivatives, by members of the Managing Board has, neither in any individual case nor in total, exceeded the threshold of 1 % of the issued shares.

According to the notifications available to the company, Supervisory Board member Ludwig Merckle holds via VEMOS 2 Holding GmbH, a company under his control, 25.52 % of the issued shares. As regards the other members of the Supervisory Board, the ownership of shares or share-based derivatives has, neither in any individual case nor in total, exceeded the threshold of 1 % of the issued shares, according to the available reports.

Relationships with shareholders

In line with the options provided for in accordance with the law or the Articles of Association, the shareholders exercise their rights before or during the Annual General Meeting and thereby exercise their voting right. Each share carries one vote at the Annual General Meeting (one-share-one-vote principle). The ordinary Annual General Meeting is normally held in the first five months of the financial year. All important documents for exercising shareholder rights as well as the resolution issues and documentation are duly and easily available on our website for shareholders to access. Both the notice of the agenda for the Annual General Meeting and our website will provide shareholders with the information they need to exercise their rights, and particularly their voting rights at the Annual General Meeting, including by way of proxy or postal vote. A company proxy bound by instructions is also available to shareholders to exercise their voting rights at the Annual General Meeting. The presentation slides accompanying the report given by the Chairman of the Managing Board to the Annual General Meeting will be made available on the internet at the same time. After the Annual General Meeting is over, our website will be updated with the attendance details and the voting results of each agenda item.

As part of our investor relations work, we provide information to shareholders and other investors comprehensively and regularly on a quarterly basis to tell them about the business development as well as the financial situation and earnings position, and also provide them with notifications in accordance with the German Securities Trading Law and information on analyst presentations, press releases, and the annual financial calendar. Details on our investor relations work can be found on ↗ page 18.

Remuneration report

The remuneration report contains two parts. The first part presents the Managing Board remuneration system and the remuneration of members of the Managing Board for the 2017 financial year, both according to the applicable accounting standards as well as the valid version of the German Corporate Governance Code dated 7 February 2017. The second part shows the remuneration for the Supervisory Board paid for the 2017 financial year.

Current Managing Board remuneration system 2017

The current Managing Board remuneration system has been applied to all members of the Managing Board since financial year 2014. It constitutes a further development to the system that was in force from 2011 to 2013. The current Managing Board remuneration system was approved by the Annual General Meeting on 7 May 2014 with a majority of 97.5 % of the votes cast, in accordance with section 120(4) of the German Stock Company Act.

Principles

The system and amount of remuneration of the Managing Board are determined by the Supervisory Board following a recommendation by the Personnel Committee. They are based on the size and international activity of the Group, its economic and financial situation, its future prospects, the amount and structure of the Managing Board remuneration in comparable companies, and the remuneration structure used for the rest of the Group. In addition, the tasks and performance of the relevant member of the Managing Board, and of the entire Managing Board, are taken into account. The remuneration is calculated in such a way that it is competitive on the market for highly qualified senior managers and provides an incentive for successful work in a business culture with a clear focus on performance and results.

Remuneration elements

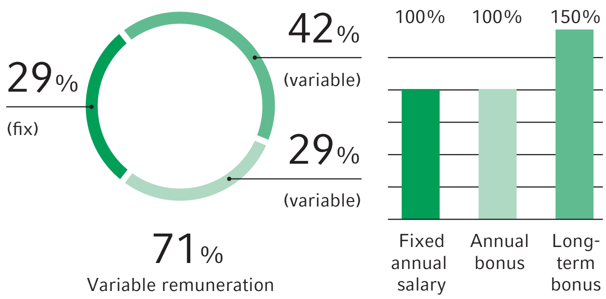
The remuneration system applicable since 1 January 2014 comprises:

1. a fixed annual salary,
2. a variable annual bonus,
3. a variable long-term bonus with long-term incentive,
4. fringe benefits, as well as
5. pension promises.

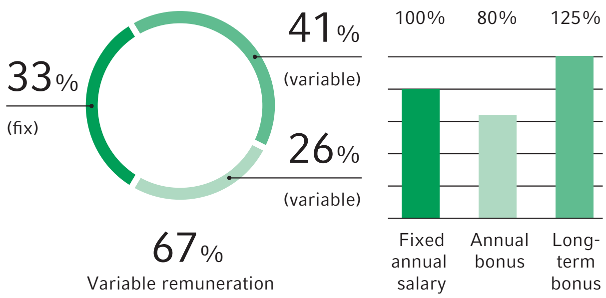
The following graph shows the relation between fixed and variable remuneration elements of the target remuneration (without fringe benefits and pension promises) and a comparison of the amount of the individual variable components – when 100% of the target is met – with the fixed annual salary.

Relation of remuneration elements when 100% of the target is met

Chairman of the Managing Board since 1 January 2014



Members of the Managing Board since 1 January 2014



Fixed annual salary | Annual bonus | Long-term bonus

1. Fixed annual salary

The fixed annual salary is a set cash payment relating to the financial year, which is based on each Managing Board member's area of responsibility and is paid on a monthly basis over the year. It amounts to around 29 % of the target remuneration for the Chairman of the Managing Board and 33 % for members of the Managing Board, when 100 % of the target is met.

2. Annual bonus

The annual bonus is a variable remuneration element, which relates to the financial year and is 100 % of the fixed annual salary for the Chairman of the Managing Board and 80 % for members of the Managing Board, when 100 % of the target is met. It amounts to around 29 % of the target remuneration for the Chairman of the Managing Board and 26 % for members of the Managing Board. The Group share of profit, adjusted for one-off items, is used as the key performance indicator. In addition, individual targets will be agreed with the Chairman of the Managing Board and the Managing Board members.

At the start of the financial year, the Supervisory Board decides on the performance targets and, at the end of the financial year, determines the extent to which the target has been reached.

- Target value (value when 100 % of the target is met)
  100 % of the fixed annual salary for the Chairman of the Managing Board, 80 % of the fixed annual salary for the Managing Board members
- Key performance indicators and weighting (value when 100 % of the target is met)
  2/3 Group share of profit
  1/3 individual targets
- Target achievement range
  0–200 % (The maximum value of the annual bonus is limited to 200 % of the fixed annual salary for the Chairman of the Managing Board and 160 % for the Managing Board members and total loss of the entire annual bonus is possible; the determination of the range refers to each individual key performance indicator.)

The following table shows a sample calculation for the determination of the annual bonus of the Chairman of the Managing Board with a fixed annual salary of €1,500,000.

Sample calculation annual bonus of the Chairman of the Managing Board [1]

Target	€1,500,000 (100 % of fixed annual salary of €1,500,000)	
Performance period	1 year	
Key performance indicators	2/3 Group share of profit (€1,000,000) 1/3 individual targets (€500,000)	
Range	0–200 %	
Target achievement (example)	Group share of profit 140 % (€1,400,000) individual targets 100 % (€500,000)	
Example result	Group share of profit + individual targets	€1,400,000 € 500,000
	= Cash payout	€1,900,000

1) The degrees of target achievement are fictitious and serve only as illustration.

3. Long-term bonus

The long-term bonus is a variable remuneration element based on the long term, which is to be granted in annual tranches starting in 2011. It amounts to 150 % of the fixed annual salary for the Chairman of the Managing Board and 125 % for members of the Managing Board, when 100 % of the target is met. The long-term bonus amounts to approximately 42 % of the target remuneration for the Chairman of the Managing Board and 41 % for members of the Managing Board and comprises two equally weighted components.

The first component (management component with a term of three years) considers the internal added value as measured by earnings before interest and taxes (EBIT) and return on invested capital (ROIC), and is arranged in the form of a bonus with cash payment. The bonus will be paid after the Annual General Meeting in the year following the three-year performance period. The second component (capital market component with a term of four years) considers the external added value as measured by total shareholder return (TSR) – adjusted for the reinvested dividend payments and for changes in the capital – compared with the relevant capital market indices, using performance share units (PSUs). The PSUs are virtual shares used for the calculation of the capital market component.

At the start of every tranche, the Supervisory Board determines the performance targets for the two key performance indicators of the management component. After expiry of the respective performance period, the Supervisory Board will ascertain the extent to which the target has been reached for the management component; for the capital market component it will be ascertained by way of calculation.

The target for the management component is based on the Group's relevant three-year operational plan. The share-based capital market component is measured over a four-year period, on the basis of section 193(2)(4) of the German Stock Company Act.

For the capital market component, the number of performance share units (PSUs) initially granted is ascertained in the first instance: the number of PSUs is calculated from 50 % of the target value of the long-term bonus divided by the reference price [2] of the HeidelbergCement share as at the date of grant. After expiry of the four-year performance period, the PSUs definitively earned are to be calculated in a second step according to the achievement of the target and paid in cash at the reference price of the HeidelbergCement share valid at that time – adjusted for the reinvested dividend payments and for changes in the capital.

- Target value (value when 100 % of the target is met)
  150 % of the fixed annual salary for the Chairman of the Managing Board and 125 % of the fixed annual salary for the Managing Board members (of which 50 % is the management component and 50 % is the capital market component)
- Key performance indicators and weighting (value when 100 % of the target is met)
  Management component (three-year performance period):
  1/2 average of EBITs attained during the performance period and 1/2 target ROIC at the end of the performance period
  Capital market component (four-year performance period):
  1/2 peer TSR – calculation of TSR compared with DAX Index

2) The reference price is respectively the average of the daily closing prices of the HeidelbergCement share on the Frankfurt Stock Exchange Xetra trading system for three months retrospectively from the start/expiration of the performance period.

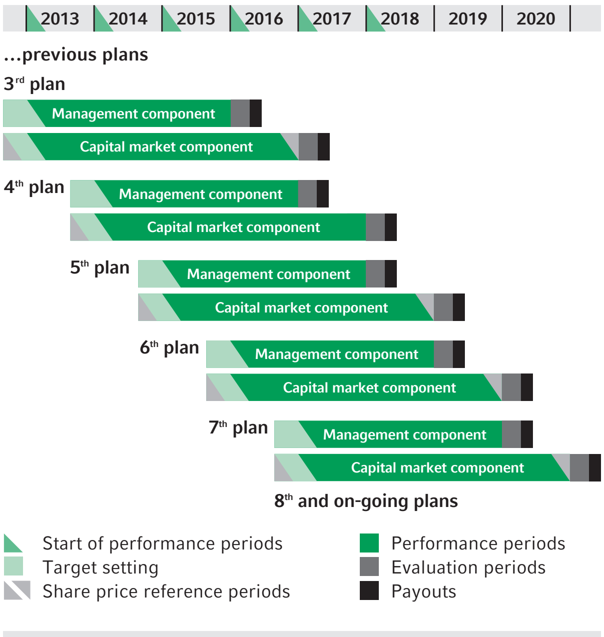
and 1/2 peer TSR – calculation of TSR compared with MSCI World Construction Materials Index

– Target achievement range
Management component: target achievement ranges from 0–200 %, i.e. the maximum value of the management component of the long-term bonus is limited to 150 % of the fixed annual salary for the Chairman of the Managing Board and 125 % for the Managing Board members and total loss of the management component is possible; the range applies separately for each key performance indicator EBIT and ROIC.
Capital market component: target achievement ranges from 0–200 %, i.e. depending on the target achievement, the number of virtual shares (PSUs) can at most double or reduce to zero (total loss).
– Cap of performance of the HeidelbergCement share before payout
Maximum of 2.5 times the reference price, which was determined at the start of the performance period.
– Payment under the respective long-term bonus plan is limited to twice the target value.

Payment system for the long-term bonus

The management component of the long-term bonus plan 2017–2019/20, which was granted in 2017, is paid after the Annual General Meeting 2020, i.e. in the year following the three-year performance period; the capital market component is paid after the Annual General Meeting 2021, i.e. in the year following the four-year performance period.

The following graph shows the payment system for the long-term bonus.



The following table shows a sample calculation for the determination of the long-term bonus of the Chairman of the Managing Board with a fixed annual salary of €1,500,000.

Sample calculation long-term bonus of the Chairman of the Managing Board [1]

Target	€2,250,000 (150 % of fixed annual salary of €1,500,000)	
Basis	Management component: 50 % of €2,250,000 = €1,125,000 Capital market component: 50 % (€1,125,000) will be converted into virtual shares; Ø share price of the last 3 months before the beginning of the plan: €90 €1,125,000/€90 = 12,500 virtual shares	
Performance period	3 years (from 2017 to 2019) for the management component and 4 years (from 2017 to 2020) for the capital market component	
Key performance indicators	Management component: €1,125,000 1/2 EBIT (€562,500) 1/2 ROIC (€562,500)	Capital market component: €1,125,000 (12,500 virtual shares) Peer TSR: 1/2 DAX Index (6,250 virtual shares) 1/2 MSCI World Construction Materials Index (6,250 virtual shares)
Range	0–200 %	
Target achievement (example)	EBIT 160% (€900,000) ROIC 120% (€675,000)	Relative TSR: DAX Index 100% (6,250 virtual shares) MSCI World Construction Materials Index 140% (8,750 virtual shares)
Example result	Management component: €900,000 + €675,000 = €1,575,000 Capital market component: 6,250 + 8,750 = 15,000 virtual shares (Ø share price over the last 3 months before the end of the 4th year e.g.: €110; Maximum value is 250 % x €90 = €225) = 15,000 virtual shares x €110 = €1,650,000	
	Management component €1,575,000 + capital market component €1,650,000 = €3,225,000 [2]	

1) The degrees of target achievement and share prices are fictitious and serve only as illustration.
2) The arithmetical payment amount is less than twice the target value (€4,500,000) and therefore a payment without cap is possible.

4. Fringe benefits

The taxable fringe benefits of the members of the Managing Board consist especially of the provision of company cars, mobile phone, and communication resources, the reimbursement of expenses, as well as insurance benefits, exchange rate hedging agreed on an individual basis, and assignment-related benefits, such as coverage of costs for flights home.

5. Pension promises

The retirement agreements of the members of the Managing Board appointed prior to 2016 contain the promise of an annual retirement pension, which is calculated as a percentage of the pensionable income. The percentage rate depends on the term of the Managing Board membership. After five years of Managing Board membership, the rate is at least 40 % of the pensionable income and can increase to a maximum of 65 % of the pensionable income. The percentage rate for the Chairman of the Managing Board is 4 % of the pensionable income for each year of service started, but no more than 60 %. The pensionable income is equivalent to a contractually agreed percentage of the fixed annual salary of the Managing Board member. When the Managing Board member's agreement is terminated and he starts receiving the pension benefit, he receives a transitional allowance for six months, equal to the monthly instalments of the fixed annual salary.

The pension is paid monthly either:

- after leaving the company upon reaching retirement age (pension benefit paid on individual basis between the 62nd and 63th year of age), or
- in the case of early termination of the agreement for reasons not attributable to the Managing Board member, provided the member has reached 60 years of age at the time the agreement is terminated, or
- due to permanent invalidity as a result of illness.

The retirement agreements include a survivor pension benefit. If a member of the Managing Board dies during the term of his employment contract, or after effectuating the pension benefit, the member's widow and dependent children receive a widow's/orphan's pension. The widow's pension is 60% of the deceased's pension benefit. The orphan's pension is 10% of the deceased's pension benefit as long as a widow's pension is being paid at the same time. If a widow's pension is not being paid at the same time, the orphan's pension is 20% of the deceased's pension benefit.

The pension schemes for the members of the Managing Board appointed since 2016, Kevin Gluskie, Hakan Gurdal, and Jon Morrish, are in line with the pension plan of HeidelbergCement AG. Their commitment to an annual pension is 3 % of the pensionable income for each year of service started, but no more than 40 %.

Adjustment of remuneration

The Supervisory Board has the option of discretionary adjustment (administrative discretion) of the annual and the long-term bonus by ±25 % of the target value of these variable remuneration elements in order to account for the personal performance of the individual members of the Managing Board and/or for exceptional circumstances.

In accordance with section 87(2) of the German Stock Company Act, the Supervisory Board's right and obligation to reduce the Managing Board remuneration to a reasonable amount remains unaffected, if the position of the Group worsens after the fixing to such an extent that it would be unfair for the Group if remuneration of the Managing Board continued to be granted unchanged.

Individual investment (share ownership)

To support the sustainable development of the Group, the Supervisory Board has decided upon a set of guidelines for the shareholdings of members of the Managing Board. Members of the Managing Board are obliged to invest part of their personal wealth to purchase a fixed number of HeidelbergCement shares and to hold these shares for the term of their membership on the Managing Board. The number of shares to be held by the Chairman of the Managing Board is set at 30,000 HeidelbergCement shares and at 10,000 HeidelbergCement shares for each of the other members of the Managing Board. In order to comply with the guidelines, half of the amount paid for the long-term bonus, which was earned for Managing Board activities, is to be used to buy shares of the company until the full individual investment is generated. The accumulation of the individual investment can therefore take several years. HeidelbergCement shares that are already held by Managing Board members are taken into account in the individual investment. The Supervisory Board has received confirmation that the individual investment has already been made or accumulated in accordance with the contract.

D&O liability insurance

The members of the Managing Board are covered in the Group's existing D&O liability insurance. The agreed deductible corresponds to the minimum deductible pursuant to section 93(2) sentence 3 of the German Stock Company Act in the respective version.

Guidelines in the case of new agreements and extensions to existing Managing Board agreements

The following guidelines on the redundancy pay cap and change of control clause are applicable as of 1 January 2011 for new agreements or extensions to existing Managing Board agreements. The guidelines are part of all Managing Board agreements.

Redundancy pay cap

In accordance with the German Corporate Governance Code, when concluding new Managing Board agreements or extending existing Managing Board agreements, it must be ensured that payments to a member of the Managing Board – in the event of the early termination of a Managing Board membership without serious cause – do not exceed the value of two annual remunerations (including fringe benefits) and do not amount to more than the remaining term of the agreement. The redundancy pay cap is calculated based on the amount of the total remuneration for the past financial year and, if necessary, also on the amount of the anticipated total remuneration for the current financial year.

Change of control clause

In accordance with the German Corporate Governance Code, when concluding new Managing Board agreements or extending existing Managing Board agreements, it must be ensured – in the event of the early termination of a Managing Board membership – that benefits promised as a result of a change of control do not exceed 150 % of the redundancy pay cap.

Amount of Managing Board remuneration in 2017

The disclosure of the remuneration of the Managing Board for the 2017 financial year is governed by two different bodies of rules and regulations: firstly, by the applicable German Accounting Standards (DRS 17), and secondly, by recommendations from the German Corporate Governance Code in the version of 7 February 2017.

To allow a better comparison, figures for the previous year presented in the following sections regarding the whole Managing Board do not include Daniel Gauthier and Andreas Kern who left the Board in 2016. Figures for the previous year, including the above-mentioned former members of the Managing Board, can be found in the Annual Report 2016.

Managing Board remuneration 2017 according to DRS 17

Amount of fixed and variable remuneration

The fixed remuneration of the Managing Board rose in comparison with the previous year to €6.0 million (previous year: 5.8). The sum of variable remuneration changed to €14.5 million (previous year: 12.8). It comprised a one-year bonus in 2017 and the payment of the management component of the long-term bonus plan 2015-2017/18. The remuneration of the Managing Board members for the financial year 2017 according to DRS 17 is shown in the following table.

Long-term bonus plan 2017–2019/20

The members of the Managing Board are participating in the long-term bonus plan 2017-2019/20, granted in 2017. The target values for the plan, rounded to the nearest € '000, are €2,250,000 for Dr. Bernd Scheifele, €1,341,000 for Dr. Dominik von Achten, €993,000 for Kevin Gluskie, €750,000 for Hakan Gurdal and Jon Morrish each, €969,000 for Dr. Lorenz Näger, and €927,000 for Dr. Albert Scheuer. The plan comprises two equally weighted components: the management component and the capital market component. The target value of each component, rounded to the nearest € '000, amounts to €1,125,000 for Dr. Bernd Scheifele, €496,000 for Kevin Gluskie, €375,000 for Hakan Gurdal and Jon Morrish each, and €484,000 for Dr. Lorenz Näger. For Dr. Dominik von Achten the pro-rata calculation results in a target value for the management component of €668,000 and for the capital

Managing Board remuneration for the 2017 financial year (DRS 17)

€ '000s rounded off (previous year in brackets)	Dr. Bernd Scheifele	Dr. Dominik von Achten	Kevin Gluskie[1]	Hakan Gurdal[1]	Jon Morrish[1]	Dr. Lorenz Näger	Dr. Albert Scheuer	Total
Non-performance related compensation								
Fixed annual salary	1,500 (1,500)	1,006 (975)	787 (714)	600 (550)	600 (550)	775 (775)	720 (700)	**5,989** (5,764)
Fringe benefits	129 (137)	54 (67)	247 (253)	100 (333)	244 (197)	133 (142)	26 (29)	**934** (1,157)
Performance related compensation								
Annual bonus	2,880 (2,719)	1,516 (1,227)	1,173 (836)	917 (633)	918 (698)	1,133 (894)	1,118 (883)	**9,655** (7,890)
Deduction of fringe benefits from the annual bonus	-55 (-63)	0 (0)	0 (0)	0 (0)	0 (0)	-55 (-63)	0 (0)	**-110** (-125)
Total cash compensation including fringe benefits	4,454 (4,293)	2,576 (2,269)	2,208 (1,803)	1,617 (1,516)	1,762 (1,445)	1,986 (1,748)	1,864 (1,612)	**16,467** (14,686)
Compensation with long-term incentive								
Management component 2015–2017/18 (2014–2016/17)	2,059 (1,980)	1,115 (1,125)	0 (0)	0 (0)	0 (0)	886 (945)	801 (875)	**4,861** (4,925)
Capital market component 2017–2019/20 (2016–2018/19)	1,531 (1,826)	916 (989)	675 (773)	510 (596)	510 (596)	659 (786)	631 (710)	**5,433** (6,277)
Total compensation	8,043 (8,099)	4,607 (4,383)	2,883 (2,577)	2,127 (2,112)	2,273 (2,041)	3,531 (3,480)	3,296 (3,197)	**26,760** (25,888)

1) Since 1 February 2016

Long-term bonus plan	**2017–2019/20**	Management component	Capital market component		
€ '000s rounded off	**Target value**	Target value	Target value	Number of PSUs	Fair value at grant date
Dr. Bernd Scheifele	**2,250**	1,125	1,125	13,098	1,531
Dr. Dominik von Achten[1]	**1,341**	668	673	7,834	916
Kevin Gluskie	**993**	496	496	5,779	675
Hakan Gurdal	**750**	375	375	4,366	510
Jon Morrish	**750**	375	375	4,366	510
Dr. Lorenz Näger	**969**	484	484	5,639	659
Dr. Albert Scheuer[1]	**927**	463	464	5,404	631
Total	**7,979**	3,986	3,993	46,486	5,433

1) Calculation basis: pro-rata calculation to the day for Dr. von Achten from 1 October 2017 and for Dr. Scheuer from 6 August 2017 for a term of 3 and 4 years, respectively.

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market component of €673,000. For Dr. Albert Scheuer the pro-rata calculation results in a target value for the management component of €463,000 and for the capital market component of €464,000.

The reference price for the capital market component amounts to €85.89. This equates to 13,098 performance share units (PSUs) for Dr. Bernd Scheifele, 7,834 PSUs for Dr. Dominik von Achten, 5,779 PSUs for Kevin Gluskie, 4,366 PSUs for Hakan Gurdal and Jon Morrish each, 5,639 PSUs for Dr. Lorenz Näger, and 5,404 PSUs for Dr. Albert Scheuer. In accordance with section 314(1)(6a) sentence 4 of the German Commercial Code (HGB), the fair value at the grant date must be indicated for the capital market component. For Dr. Bernd Scheifele this amounts to €1,531,000, for Dr. Dominik von Achten to €916,000, for Kevin Gluskie to €675,000, for Hakan Gurdal and Jon Morrish to €510,000 each, for Dr. Lorenz Näger to €659,000, as well as for Dr. Albert Scheuer to €631,000. The fair value was determined in accordance with a recognised actuarial method (Monte Carlo simulation). The above table shows the long-term bonus plan 2017-2019/20.

Amount of fringe benefits (rounded to € '000s)

The taxable fringe benefits amounted to €0.9 million (previous year: 1.2). For posts and offices held with Group companies, Dr. Bernd Scheifele received €55,000 (previous year: 63,000), and Dr. Lorenz Näger €55,000 (previous year: 63,000). These amounts are to be offset fully against total remuneration. Furthermore, Dr. Bernd Scheifele and Dr. Lorenz Näger received compensation of €50,000 for expenses relating to their service on supervisory boards within the HeidelbergCement Group. Dr. Dominik von Achten received compensation of €37,500 for the integration of Italcementi. Fringe benefits also relate to taxation of monetary benefits, which amount to €25,000 (previous year: 24,000) for Dr. Bernd Scheifele, €17,000 (previous year: 17,000) for Dr. Dominik von Achten, €247,000 (previous year: 253,000) for Kevin Gluskie, €100,000 (previous year: 333,000) for Hakan Gurdal, €244,000 (previous year: 197,000) for Jon Morrish, €28,000 (previous year: 29,000) for Dr. Lorenz Näger, and €26,000 (previous year: 29,000) for Dr. Albert Scheuer.

Amount of total remuneration 2017 according to DRS 17

When applying Accounting Standard DRS 17, the total remuneration of the Managing Board amounted to €26.8 million (previous year: 25.9) in 2017.

Pension promises

In 2017, allocations to provisions for pensions (service cost for service as members of the Managing Board) for members of the Managing Board amounted to €3.6 million (previous year: 2.1). The present values of the defined benefit obligation amounted to €37.4 million (previous year: 34.6). The figures are shown in the following table.

Pension promises	Service cost		Defined benefit obligation	
€ '000s rounded off	2016	**2017**	2016	**2017**
Dr. Bernd Scheifele	1,179	**1,345**	17,366	**17,950**
Dr. Dominik von Achten	339	**418**	4,236	**5,251**
Kevin Gluskie [1]	0	**530**	538	**989**
Hakan Gurdal [1]	0	**395**	397	**765**
Jon Morrish [1]	0	**284**	306	**522**
Dr. Lorenz Näger	396	**462**	6,176	**6,275**
Dr. Albert Scheuer	177	**211**	5,594	**5,623**
Total	2,091	**3,645**	34,613	**37,375**

1) Since 1 February 2016

Pension payments to former members of the Managing Board and their surviving dependants amounted to €8.3 million (previous year: 3.2) in 2017. Provisions for pension obligations to former members of the Managing Board amounted to €32.0 million (previous year: 26.8).

Loans to members of the Managing Board

No loans were granted to members of the Managing Board of HeidelbergCement AG in 2017.

Managing Board remuneration 2017 according to the German Corporate Governance Code

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

Granted benefits

When compared with DRS 17, the granted benefits presented in the table on ↗ page 96 f. depict the target value of the annual bonus as well as the target value of the management component and the fair value of the capital market component for the long-term bonus plan 2017–2019/20, as shown on ↗ page 93. In addition, the minimum and maximum values that can be achieved are also stated. Furthermore, the pension expenses are taken into account in the total remuneration as shown in the table on this page in the form of service cost.

The total Managing Board remuneration granted according to the German Corporate Governance Code amounted to €25.0 million (previous year: 23.9) for the 2017 financial year.

Allocations

For the members of the Managing Board, the allocations to be disclosed for the 2017 financial year are shown in the table on ↗ page 96 f.

The table shows the allocations for the 2017 financial year regarding the fixed annual salary, fringe benefits, and the one-year variable compensation. Pursuant to the new version of the German Corporate Governance Code dated 7 February 2017, allocations for multi-year variable compensation, where the plan term ended in the 2017 financial year, are disclosed. The allocations from the capital market component of the long-term bonus plan 2014–2016/17 and the management component of the long-term bonus plan 2015–2017/18 are therefore disclosed.

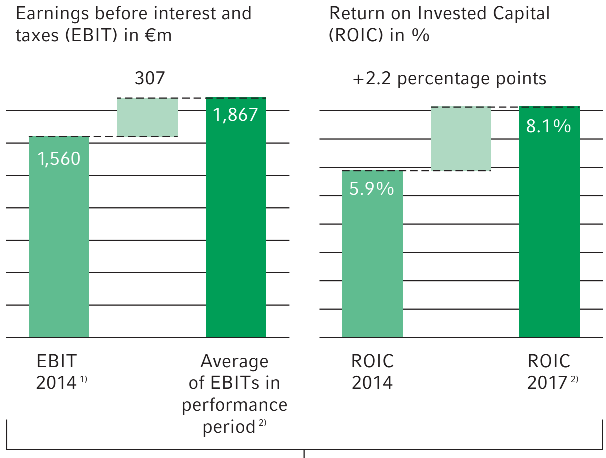
The accrued total remuneration of the Managing Board according to the German Corporate Governance Code amounted to €29.9 million (previous year: 28.7) for the 2017 financial year.

The allocations from the components of the long-term bonus plans decreased in 2017 compared with the previous year. As in the previous year, a significant improvement of the average earnings before interest and taxes (EBIT) over the performance period and of the return on invested capital (ROIC) was achieved. The values for EBIT and ROIC reported in the Combined management report and the Notes were adjusted for one-time business transactions which were not foreseen in the planning and the target for the respective long-term bonus plans. These adjustments are applied throughout the planning period of the remaining term to keep consistency. The hereby calculated average EBIT of €1,867 million and ROIC of 8.1 % for the target achievement include adjustments for the acquisition of Italcementi and exchange rate fluctuations in the invested capital.

Furthermore, the greatly improved performance of the HeidelbergCement share in comparison with the reference indices DAX and MSCI World Construction Materials Index resulted in a target achievement of above 200 %, which was capped at the maximum value of 200 % for the capital market component. With the continued strong rise in the price of the HeidelbergCement share, adjusted for dividend payments and changes to the capital, in the performance period over four years from €56.53 to €92.68, the calculated target achievement amounts to 328 %. Due to the limitation of the maximum payment of the long-term bonus plan 2014–2016/17 to twice the amount of the target value, the payment amount for the capital market component totals 200 % of the target value.

The target achievement for the management component of the long-term bonus plan 2015–2017/18 and the capital market component of the long-term bonus plan 2014–2016/17 is shown in the following diagrams.

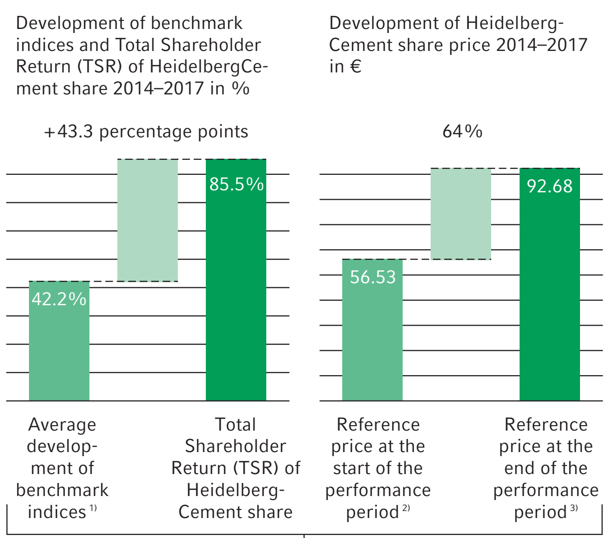
Management component (Long-term bonus plan 2015–2017/18)



183% target achievement

1) Value as stated in the Annual Report 2014
2) Values adjusted for the acquisition of Italcementi as well as exchange rate fluctuations in the invested capital

Capital market component (Long-term bonus plan 2014–2016/17)



328% target achievement

1) Benchmark indices: DAX and MSCI World Construction Materials Index.
2) Reference price is the average of the daily closing prices from 1 October to 31 December 2013.
3) Reference price is the average of the daily closing prices from 1 October to 31 December 2017 amounting to €88.34, adjusted for reinvested dividend payments and changes in the capital.

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Granted benefits according to GCGC [1]	Dr. Bernd Scheifele Chairman of the Managing Board				Dr. Dominik von Achten Deputy Chairman of the Managing Board				Kevin Gluskie Member of the Managing Board			
€ '000s (rounded off)	2016	2017	Min. 2017	Max. 2017	2016	2017	Min. 2017	Max. 2017	2016	2017	Min. 2017	Max. 2017
Non-performance related compensation												
Fixed annual salary	1,500	**1,500**	**1,500**	**1,500**	975	**1,006**	**1,006**	**1,006**	714	**787**	**787**	**787**
Fringe benefits	137	**129**	**129**	**129**	67	**54**	**54**	**54**	253	**247**	**247**	**247**
Total	1,637	**1,629**	**1,629**	**1,629**	1,042	**1,060**	**1,060**	**1,060**	967	**1,034**	**1,034**	**1,034**
Performance related compensation												
Annual bonus [2]	1,500	**1,500**	**0**	**3,375**	780	**805**	**0**	**1,811**	571	**630**	**0**	**1,417**
Deduction of fringe benefits from the annual bonus	-63	**-55**	**0**	**-55**	0	**0**	**0**	**0**	0	**0**	**0**	**0**
Total one-year variable compensation [3]	1,437	**1,445**	**0**	**3,320**	780	**805**	**0**	**1,811**	571	**630**	**0**	**1,417**
Long-term bonus plan 2016–2018/19												
Management component	1,125				609				473			
Capital market component	1,826				989				773			
Long-term bonus plan 2017–2019/20												
Management component [2]		**1,125**	**0**	**5,063**		**668**	**0**	**3,017**		**496**	**0**	**2,234**
Capital market component [2]		**1,531**				**916**				**675**		
Total multi-year variable compensation	2,951	**2,656**	**0**	**5,063**	1,599	**1,584**	**0**	**3,017**	1,246	**1,172**	**0**	**2,234**
Total	6,025	**5,730**	**1,629**	**8,824**	3,421	**3,449**	**1,060**	**5,889**	2,785	**2,836**	**1,034**	**4,685**
Service cost	1,179	**1,345**	**1,345**	**1,345**	339	**418**	**418**	**418**	0	**530**	**530**	**530**
Total compensation	7,205	**7,075**	**2,974**	**10,169**	3,760	**3,867**	**1,479**	**6,307**	2,785	**3,365**	**1,564**	**5,214**

Allocations according to GCGC [1]	Dr. Bernd Scheifele Chairman of the Managing Board		Dr. Dominik von Achten Deputy Chairman of the Managing Board		Kevin Gluskie Member of the Managing Board	
€ '000s (rounded off)	2016	2017	2016	2017	2016	2017
Non-performance related compensation						
Fixed annual salary	1,500	**1,500**	975	**1,006**	714	**787**
Fringe benefits	137	**129**	67	**54**	253	**247**
Total	1,637	**1,629**	1,042	**1,060**	967	**1,034**
Performance related compensation						
Annual bonus	2,719	**2,880**	1,227	**1,516**	836	**1,173**
Deduction of fringe benefits from the annual bonus	-63	**-55**	0	**0**	0	**0**
Total one-year variable compensation [3]	2,656	**2,825**	1,227	**1,516**	836	**1,173**
Long-term bonus plan 2013–2015/16						
Capital market component	2,542		1,733		0	
Long-term bonus plan 2014–2016/17						
Management component	1,980		1,125		0	
Capital market component		**1,980**		**1,125**		**0**
Long-term bonus plan 2015–2017/18						
Management component		**2,059**		**1,115**		**0**
Total multi-year variable compensation	4,522	**4,039**	2,858	**2,240**	0	**0**
Total	8,815	**8,493**	5,127	**4,816**	1,803	**2,208**
Service cost	1,179	**1,345**	339	**418**	0	**530**
Total compensation	9,994	**9,838**	5,466	**5,235**	1,803	**2,737**

1) German Corporate Governance Code dated 7 February 2017
2) The maximum amount includes the Supervisory Board's option of discretionary adjustment of the payout by +25 % of the target value.
3) One-year variable compensation including the Supervisory Board's discretionary adjustment and and the deduction of fringe benefits

Hakan Gurdal Member of the Managing Board				Jon Morrish Member of the Managing Board				Dr. Lorenz Näger Member of the Managing Board				Dr. Albert Scheuer Member of the Managing Board				Total			
2016	2017	Min. 2017	Max. 2017	2016	2017	Min. 2017	Max. 2017	2016	2017	Min. 2017	Max. 2017	2016	2017	Min. 2017	Max. 2017	2016	2017	Min. 2017	Max. 2017
550	600	600	600	550	600	600	600	775	775	775	775	700	720	720	720	5,764	5,989	5,989	5,989
333	100	100	100	197	244	244	244	142	133	133	133	29	26	26	26	1,157	934	934	934
883	700	700	700	747	844	844	844	917	908	908	908	729	746	746	746	6,921	6,923	6,923	6,923
440	480	0	1,080	440	480	0	1,080	620	620	0	1,395	560	576	0	1,296	4,911	5,091	0	11,455
0	0	0	0	0	0	0	0	-63	-55	0	-55	0	0	0	0	-125	-110	0	-110
440	480	0	1,080	440	480	0	1,080	557	565	0	1,340	560	576	0	1,296	4,786	4,981	0	11,345
364				364				484				438				3,858			
596				596				786				710				6,277			
	375	0	1,688		375	0	1,688		484	0	2,180		463	0	2,085		3,986	0	17,953
	510				510				659				631				5,433		
960	885	0	1,688	960	885	0	1,688	1,271	1,143	0	2,180	1,148	1,094	0	2,085	10,135	9,419	0	17,953
2,283	2,065	700	3,468	2,147	2,209	844	3,612	2,745	2,616	908	4,428	2,437	2,417	746	4,128	21,843	21,323	6,923	35,032
0	395	395	395	0	284	284	284	396	462	462	462	177	211	211	211	2,091	3,645	3,645	3,645
2,283	2,460	1,095	3,862	2,147	2,493	1,128	3,895	3,140	3,079	1,370	4,890	2,613	2,627	957	4,338	23,933	24,968	10,568	38,677

Hakan Gurdal Member of the Managing Board		Jon Morrish Member of the Managing Board		Dr. Lorenz Näger Member of the Managing Board		Dr. Albert Scheuer Member of the Managing Board		Total	
2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
550	600	550	600	775	775	700	720	5,764	5,989
333	100	197	244	142	133	29	26	1,157	934
883	700	747	844	917	908	729	746	6,921	6,923
633	917	698	918	894	1,133	883	1,118	7,890	9,655
0	0	0	0	-63	-55	0	0	-125	-110
633	917	698	918	831	1,078	883	1,118	7,765	9,546
0		0		1,348		1,348		6,971	
0		0		945		875		4,925	
	0		0		951		875		4,931
	0		0		886		801		4,861
0	0	0	0	2,293	1,838	2,223	1,676	11,897	9,792
1,516	1,617	1,445	1,762	4,042	3,823	3,835	3,540	26,583	26,260
0	395	0	284	396	462	177	211	2,091	3,645
1,516	2,012	1,445	2,046	4,438	4,285	4,011	3,750	28,674	29,905

Remuneration of the Supervisory Board for 2017

Supervisory Board remuneration is set out in section 12 of the Articles of Association of HeidelbergCement AG, which are published on our website **www.heidelbergcement.com under "Company/Corporate Governance/Articles of Association"**. The remuneration consists of fixed amounts and attendance fees. Each member receives a fixed amount of €70,000, with the Chairman receiving two-and-a-half times this amount and the Deputy Chairman one-and-a-half times. The members of the Audit Committee additionally receive fixed remuneration of €25,000 and the members of the Personnel Committee €20,000. The Chairmen of the committees receive twice these respective amounts.

In addition, an attendance fee of €2,000 is paid for each meeting of the Supervisory Board and its committees that is personally attended. Should several such meetings be held on the same or on consecutive days, the attendance fee will be paid only once.

Total Supervisory Board remuneration (excluding value added tax) in the 2017 financial year amounted to €1,418,507 (previous year: 1,426,705).

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

The Supervisory Board remuneration for the 2017 financial year is divided as shown in the following table.

Supervisory Board remuneration paid for the 2017 financial year

€	Fixed remuneration	Remuneration for committee membership	Attendance fees	Total
Fritz-Jürgen Heckmann (Chairman)	175,000	45,000	12,000	**232,000**
Heinz Schmitt (Deputy Chairman)	105,000	45,000	12,000	**162,000**
Josef Heumann	70,000	20,000	12,000	**102,000**
Gabriele Kailing [1]	70,000		10,000	**80,000**
Ludwig Merckle	70,000	90,000	12,000	**172,000**
Tobias Merckle [1]	70,000		10,000	**80,000**
Alan Murray (until 30 June 2017)	34,712	9,918	8,000	**52,630**
Dr. Jürgen M. Schneider	70,000	25,000	12,000	**107,000**
Werner Schraeder	70,000	25,000	12,000	**107,000**
Frank-Dirk Steininger	70,000	25,000	12,000	**107,000**
Margret Suckale [2]	24,740	6,137	4,000	**34,877**
Stephan Wehning	70,000	20,000	12,000	**102,000**
Prof. Dr. Marion Weissenberger-Eibl [1]	70,000		10,000	**80,000**
Total	969,452	311,055	138,000	**1,418,507**

1) No member of committees or no committee meeting
2) Member since 25 August 2017 and member of the Personnel Committee since 11 September 2017

Supervisory Board and Managing Board

Supervisory Board

According to the Articles of Association, the Supervisory Board of HeidelbergCement AG consists of twelve members. Half of the members shall be elected by the Annual General Meeting according to the provisions of the German Stock Company Act and half by the employees according to the provisions of the German Codetermination Law. The term of office for the Supervisory Board started with the conclusion of the Annual General Meeting of 7 May 2014 and ends according to schedule with the conclusion of the ordinary Annual General Meeting in 2019.

Fritz-Jürgen Heckmann
Chairman of the Supervisory Board
Stuttgart; Business Lawyer
Member since 8 May 2003, Chairman since 1 February 2005; Chairman of the Arbitration and Nomination Committees and member of the Personnel and Audit Committees

External mandates:
HERMA Holding GmbH + Co. KG [2], Filderstadt (Chairman) | Neue Pressegesellschaft mbH & Co. KG [2], Ulm | Paul Hartmann AG [1], Heidenheim (Chairman) | Süddeutscher Verlag GmbH [2], Munich | Südwestdeutsche Medien Holding GmbH [2], Stuttgart | Wieland-Werke AG [1], Ulm (Chairman)

Heinz Schmitt
Deputy Chairman
Heidelberg; Controller; Chairman of the Council of Employees at the headquarters of HeidelbergCement AG and Chairman of the Group Council of Employees
Member since 6 May 2004, Deputy Chairman since 7 May 2009; member of the Audit, Arbitration, and Personnel Committees

Josef Heumann
Burglengenfeld; Kiln Supervisor; Chairman of the Council of Employees at the Burglengenfeld plant, HeidelbergCement AG
Member since 6 May 2004; member of the Personnel Committee

Gabriele Kailing
Frankfurt; until 2017 Chairwoman of DGB District of Hesse-Thuringia and since 2018 Product Manager and Development at Academy of Labour gGmbH
Member since 7 May 2014

Ludwig Merckle
Ulm; Managing Director of Merckle Service GmbH
Member since 2 June 1999; Chairman of the Personnel and Audit Committees and member of the Nomination Committee

External mandates:
Kässbohrer Geländefahrzeug AG [1], Laupheim (Chairman) | PHOENIX Pharmahandel GmbH & Co KG [2], Mannheim | PHOENIX Pharma SE [1], Mannheim (Deputy Chairman)

Tobias Merckle
Leonberg; Managing Director of the association Seehaus e.V.
Member since 23 May 2006; member of the Nomination and Arbitration Committees

Alan Murray
Naples, Florida/USA; former member of the Managing Board of HeidelbergCement AG
Member from 21 January 2010 until 30 June 2017; member of the Personnel Committee until 30 June 2017

External mandates:
Hanson Pension Trustees Limited, trustee of the Hanson No 2 Pension Scheme[2], UK | Owens-Illinois, Inc.[2], USA | Wolseley plc[2], Jersey, Channel Islands

Dr. Jürgen M. Schneider
Mannheim; former Chief Financial Officer of Bilfinger Berger AG and former Dean of the Business School of the University of Mannheim
Member since 7 May 2014; member of the Audit Committee

External mandates:
DACHSER Group SE & Co. KG[2], Kempten (Chairman) | DACHSER SE[2], Kempten (Chairman) | Heberger GmbH[2], Schifferstadt (Chairman)

Werner Schraeder
Ennigerloh; Building Fitter; Chairman of the General Council of Employees of HeidelbergCement AG and Chairman of the Council of Employees at the Ennigerloh plant of HeidelbergCement AG
Member since 7 May 2009; member of the Audit Committee

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

Frank-Dirk Steininger
Frankfurt; Specialist in Employment Law for the Federal Executive Committee of IG Bauen-Agrar-Umwelt
Member from 11 June 2008 until 31 January 2018; member of the Audit Committee until 31 January 2018

Margret Suckale
Hamburg; until 12 May 2017 member of the Board of Executive Directors of BASF SE
Member since 25 August 2017; member of the Personnel Committee since 11 September 2017

External mandates:
Deutsche Telekom AG[1], Bonn

Stephan Wehning
Schelklingen; Director of the Schelklingen plant of HeidelbergCement AG
Member since 1 August 2016; member of the Personnel and Arbitration Committees

Univ.-Prof. Dr. Marion Weissenberger-Eibl
Karlsruhe; Head of the Fraunhofer Institute for Systems and Innovation Research ISI in Karlsruhe and holder of the Chair of Innovation and TechnologyManagement (iTM) at the Karlsruhe Institute of Technology (KIT)
Member since 3 July 2012

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

The above mentioned indications refer to 31 December 2017 – or in case of an earlier retirement from the Supervisory Board of HeidelbergCement AG to the date of retirement – and have the following meaning:
1) Membership in other legally required supervisory boards of German companies;
2) Membership in comparable German and foreign supervisory committees of commercial enterprises.

Supervisory Board Committees

Personnel Committee
Ludwig Merckle (Chairman), Fritz-Jürgen Heckmann, Josef Heumann, Alan Murray (until 30 June 2017), Heinz Schmitt, Margret Suckale (since 11 September 2017), Stephan Wehning

Audit Committee
Ludwig Merckle (Chairman), Fritz-Jürgen Heckmann, Heinz Schmitt, Dr. Jürgen M. Schneider, Werner Schraeder, Frank-Dirk Steininger (until 31 January 2018)

Nomination Committee
Fritz-Jürgen Heckmann (Chairman), Ludwig Merckle, Tobias Merckle

Arbitration Committee, according to section 27 (3) of the German Codetermination Law
Fritz-Jürgen Heckmann (Chairman), Tobias Merckle, Heinz Schmitt, Stephan Wehning

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Managing Board

At present, there are seven members on the Managing Board of HeidelbergCement AG: the Chairman of the Managing Board, the Chief Financial Officer, and five members of the Managing Board with regional responsibilities. The Managing Board organisation is characterised by dual management responsibility: The operating units in the Group areas fall under the line responsibility of individual members of the Managing Board. In addition, they have cross-area responsibility for specific corporate functions with great strategic importance for the Group.

Dr. Bernd Scheifele
Chairman of the Managing Board
Area of responsibility: Strategy and Development, Communication & Investor Relations, Human Resources, Legal, Compliance, Internal Audit
Chairman of the Managing Board since 2005; appointed until January 2020

External mandates:
PHOENIX Pharmahandel GmbH & Co KG [2], Mannheim (Chairman) | PHOENIX Pharma SE[1], Mannheim (Chairman) | Verlagsgruppe Georg von Holtzbrinck GmbH [1], Stuttgart (Deputy Chairman)

Group mandates:
Castle Cement Limited [2], UK | ENCI Holding N.V. [2], Netherlands | Hanson Limited[2], UK | Hanson Pioneer España, S.L.U.[2], Spain | HeidelbergCement Holding S.à.r.l. [2], Luxembourg | PT Indocement Tunggal Prakarsa Tbk. [2], Indonesia

Dr. Dominik von Achten
Deputy Chairman of the Managing Board
Area of responsibility: Western and Southern Europe, Competence Center Materials, Chief Digital Officer (Digital Transformation & Disruption HeidelbergCement)
Member of the Managing Board since 2007; appointed until September 2022

External mandates:
Kunststoffwerk Philippine GmbH & Co. KG[2], Lahnstein, and Saarpor Klaus Eckhardt GmbH Neunkirchen Kunststoffe KG[2], Neunkirchen[3] | Verlag Lensing-Wolff GmbH & Co. KG ("Medienhaus Lensing") [2], Dortmund

Group mandates:
Castle Cement Limited[2], UK | Cimenteries CBR S.A.[2], Belgium | ENCI Holding N.V.[2], Netherlands | Hanson Quarry Products Europe Limited[2], UK | HeidelbergCement Holding S.à.r.l.[2], Luxembourg | HeidelbergCement UK Holding Limited[2], UK | Italcementi S.p.A.[2], Italy (Deputy Chairman)

Kevin Gluskie
Area of responsibility: Asia-Pacific, Competence Center Readymix, Market Intelligence & Sales Processes, Product Marketing
Member of the Managing Board since 2016; appointed until January 2019

External mandates:
Cement Australia Holdings Pty Ltd[2], Australia | Cement Australia Pty Limited[2], Australia | Cement Australia Partnership[2], Australia | China Century Cement Ltd.[2], Bermuda | Easy Point Industrial Ltd.[2], Hong Kong | Guangzhou Heidelberg Yuexiu Enterprise Management Consulting Company Ltd.[2], China | Jidong Heidelberg (Fufeng) Cement Company Limited[2], China | Jidong Heidelberg (Jingyang) Cement Company Limited[2], China | Squareal Cement Ltd[2], Hong Kong

Group mandates:
Asia Cement Public Company Limited[2], Thailand | Butra HeidelbergCement Sdn. Bhd.[2], Brunei (Chairman) | Gulbarga Cement Limited[2], India | Hanson Building Materials (S) Pte Ltd[2], Singapore | Hanson Investment Holdings Pte Ltd[2], Singapore | Hanson Pacific (S) Pte Limited[2], Singapore | HeidelbergCement Asia Pte Ltd[2], Singapore (Chairman) | HeidelbergCement Bangladesh Limited[2], Bangladesh (Chairman) | HeidelbergCement Holding HK Limited[2], Hong Kong | HeidelbergCement India Limited[2], India | HeidelbergCement Myanmar Company Limited[2], Myanmar | Jalaprathan Cement Public Company Limited[2], Thailand | PT Indocement Tunggal Prakarsa Tbk.[2], Indonesia (Chairman) | Singha Cement (Private) Limited[2], Sri Lanka | Zuari Cement Limited[2], India (Chairman)

Hakan Gurdal
Area of responsibility: Africa-Eastern Mediterranean Basin, Purchasing
Member of the Managing Board since 2016; appointed until January 2024

External mandates:
Akçansa Çimento Sanayi ve Ticaret A.S.[2], Turkey | Osho Cement (Pty) Ltd[2], South Africa

Group mandates:
Africim SA[2], Morocco (Chairman) | Austral Cimentos Sofala SA[2], Mozambique | CimBurkina S.A.[2], Burkina Faso | Ciments du Maroc[2], Morocco | Ciments du Togo SA[2], Togo (Chairman) | Ghacem Ltd.[2], Ghana | Hanson Israel Limited[2], Israel | HeidelbergCement Mediterranean Basin Holdings S.L.U.[2], Spain | La Cimenterie de Lukala S.A.R.L.[2], Democratic Republic of the Congo | La Societe GRANUTOGO SA[2], Togo | Scancem Holding AS[2], Norway (Chairman) | Scancem International DA[2], Norway (Chairman) | Scantogo Mines SA[2], Togo (Chairman) | Suez Cement Company S.A.E.[2], Egypt | TPCC Tanzania Portland Cement Company Ltd.[2], Tanzania

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

Jon Morrish
Area of responsibility: North America, Group-wide coordination of secondary cementitious materials
Member of the Managing Board since 2016; appointed until January 2024

Group mandates:
Cadman (Black Diamond), Inc.[2], USA | Cadman (Rock), Inc.[2], USA | Cadman (Seattle), Inc.[2], USA | Cadman Materials, Inc.[2], USA | Cadman, Inc.[2], USA | Calaveras Materials Inc.[2], USA (Chairman) | Calaveras-Standard Materials, Inc.[2], USA (Chairman) | Campbell Concrete & Materials LLC[2], USA (Chairman) | Campbell Transportation Services LLC[2], USA (Chairman) | Civil and Marine Inc.[2], USA (Chairman) | Commercial Aggregates Transportation and Sales LLC[2], USA (Chairman) | Constar LLC[2], USA (Chairman) | Continental Florida Materials Inc.[2], USA (Chairman) | EPC VA 121, LLC[2], USA | Essroc Holdings LLC[2], USA | Ferndale Ready Mix & Gravel, Inc.[2], USA | Greyrock, LLC[2], USA | Gulf Coast Stabilized Materials LLC[2], USA (Chairman) | Hampshire Properties LLC[2], USA | HAMW Minerals, Inc.[2], USA (Chairman) | Hanson Aggregates LLC[2], USA (Chairman) | Hanson Aggregates BMC[2], Inc., USA (Chairman) | Hanson Aggregates Contracting, Inc.[2], USA (Chairman) | Hanson Aggregates Davon LLC[2], USA (Chairman) | Hanson Aggregates Mid-Pacific, Inc.[2], USA (Chairman) | Hanson Aggregates Midwest LLC[2], USA (Chairman) | Hanson Aggregates New York LLC[2], USA (Chairman) | Hanson Aggregates Pacific Southwest, Inc.[2], USA (Chairman) | Hanson Aggregates Pennsylvania LLC[2], USA (Chairman) | Hanson Aggregates Properties TX, LLC[2], USA (Chairman) | Hanson Aggregates Southeast LLC[2], USA (Chairman) | Hanson Aggregates WRP, Inc.[2], USA (Chairman) | Hanson Building Materials America LLC[2], USA | Hanson Marine Finance, Inc.[2], USA (Chairman) | Hanson Marine Operations, Inc.[2], USA (Chairman) | Hanson Micronesia Cement, Inc.[2], USA (Chairman) | Hanson Permanente Cement of Guam, Inc.[2], USA (Chairman) | Hanson Ready Mix, Inc.[2], USA | Hanson Structural Precast, Inc.[2], USA | HBMA Holdings LLC[2], USA | HBP Mineral Holdings LLC[2], USA | HBP Property Holdings LLC[2], USA | HeidelbergCement Canada Holding Limited[2], UK | HeidelbergCement UK Holding II Limited[2], UK | HNA Investments[2], USA | HP&P SE Properties VA LLC[2], USA | HSC Cocoa Property Reserve, LLC[2], USA | KH 1 Inc.[2], USA | Lehigh Cement Company LLC[2], USA | Lehigh Hanson, Inc.[2], USA | Lehigh Hanson ECC, Inc.[2], USA | Lehigh Hanson Materials Limited[2], Canada | Lehigh Hanson Receivables LLC[2], USA | Lehigh Hanson Services LLC[2], USA | Lehigh Northeast Cement Company[2], USA (Chairman) | Lehigh Northwest Cement Company[2], USA (Chairman) | Lehigh Northwest Marine, LLC[2], USA (Chairman) | Lehigh Portland Holdings, LLC[2], USA | Lehigh Realty Company[2], USA | Lehigh Southwest Cement Company[2], USA (Chairman) | LHI Duomo Holdings LLC[2], USA (Chairman) | Material Service Corporation[2], USA (Chairman) | Mineral and Land Resources Corporation[2], USA (Chairman) | Mission Valley Rock Co.[2], USA (Chairman) | PCAz Leasing, Inc.[2], USA (Chairman) | Sherman Industries LLC[2], USA (Chairman) | Sherman-Abetong, Inc.[2], USA (Chairman) | Shrewsbury Properties LLC[2], USA | South Coast Materials Company[2], USA (Chairman) | South Valley Materials, Inc.[2], USA (Chairman) | Standard Concrete Products, Inc.[2], USA (Chairman) | Tomahawk, Inc.[2], USA

Dr. Lorenz Näger
Area of responsibility: Finance, Group Accounting, Controlling, Taxes, Treasury, Insurance & Corporate Risk Management, IT, Shared Service Center, Logistics
Member of the Managing Board since 2004; appointed until September 2019

External mandates:
MVV Energie AG[1], Mannheim | PHOENIX Pharmahandel GmbH & Co KG[2], Mannheim | PHOENIX Pharma SE[1], Mannheim

Group mandates:
Castle Cement Limited[2], UK | Cimenteries CBR S.A.[2], Belgium | ENCI Holding N.V.[2], Netherlands | Hanson Limited[2], UK | Hanson Pioneer España, S.L.U.[2], Spain | HeidelbergCement Canada Holding Limited[2], UK | HeidelbergCement Holding S.à.r.l.[2], Luxembourg | HeidelbergCement UK Holding Limited[2], UK | HeidelbergCement UK Holding II Limited[2], UK | Italcementi S.p.A[2], Italy (Deputy Chairman) | Lehigh B.V.[2], Netherlands (Chairman) | Lehigh Hanson, Inc.[2], USA | Lehigh Hanson Materials Limited[2], Canada | Lehigh UK Limited[2], UK | PT Indocement Tunggal Prakarsa Tbk.[2], Indonesia

Dr. Albert Scheuer
Area of responsibility: Northern and Eastern Europe-Central Asia, worldwide coordination of Heidelberg Technology Center, Research & Development/Product Innovation, Environmental Sustainability
Member of the Managing Board since 2007; appointed until August 2019

Group mandates:
CaucasusCement Holding B.V.[2], Netherlands (Chairman) | Ceskomoravský cement, a.s.[2], Czechia (Chairman) | Devnya Cement AD[2], Bulgaria | Duna-Dráva Cement Kft.[2], Hungary | Górazdze Cement S.A.[2], Poland (Chairman) | Halyps Building Materials S.A.[2], Greece (Chairman) | HeidelbergCement Asia Pte Ltd[2], Singapore | HeidelbergCement Central Europe East Holding B.V.[2], Netherlands (Chairman) | HeidelbergCement India Limited[2], India | HeidelbergCement Northern Europe AB[2], Sweden (Chairman) | HeidelbergCement Romania SA[2], Romania | HeidelbergCement Ukraine Public Joint Stock Company[2], Ukraine | Open Joint-Stock Company Slantsy Cement Plant "Cesla"[2], Russia | PT Indocement Tunggal Prakarsa Tbk.[2], Indonesia | ShymkentCement JSC[2], Kazakhstan | Tvornica Cementa Kakanj d.d.[2], Bosnia-Herzegovina | Vulkan Cement AD[2], Bulgaria

The above mentioned indications refer to 31 December 2017 and have the following meaning:

1) Membership in legally required supervisory boards of German companies;
2) Membership in comparable German and foreign supervisory committees of commercial enterprises.

4 Consolidated financial statements

Consolidated income statement

€m	Notes	2016 [1]	2017
Revenue	1	15,165.7	**17,266.1**
Change in finished goods and work in progress		-51.1	**38.2**
Own work capitalised		13.2	**9.7**
Operating revenue		15,127.8	**17,314.1**
Other operating income	2	423.6	**632.7**
Material costs	3	-5,873.9	**-6,781.6**
Employee and personnel costs	4	-2,673.5	**-2,989.7**
Other operating expenses	5	-4,329.1	**-5,082.4**
Result from joint ventures	6	211.7	**204.3**
Result from current operations before depreciation and amortisation (RCOBD)		2,886.6	**3,297.3**
Depreciation and amortisation	7	-958.8	**-1,109.0**
Result from current operations		1,927.8	**2,188.3**
Additional ordinary income	8	82.9	**98.4**
Additional ordinary expenses	8	-407.3	**-231.3**
Additional ordinary result		-324.3	**-132.8**
Result from associates	9	37.8	**51.6**
Result from other participations		0.5	**-0.3**
Result from participations		38.2	**51.3**
Earnings before interest and taxes (EBIT)		1,641.7	**2,106.7**
Interest income		66.0	**56.6**
Interest expenses		-451.4	**-362.0**
Foreign exchange gains and losses		-16.2	**-12.5**
Other financial result	10	-91.9	**-73.4**
Financial result		-493.4	**-391.4**
Profit before tax from continuing operations		1,148.3	**1,715.4**
Income taxes	11	-314.3	**-606.4**
Net income from continuing operations		834.0	**1,109.0**
Net loss from discontinued operations	12	-3.2	**-50.8**
Profit for the financial year		830.8	**1,058.2**
Thereof non-controlling interests		173.8	**140.5**
Thereof Group share of profit		657.0	**917.7**
Thereof proposed dividend	13	317.5	**377.0**
Earnings per share in € (IAS 33)	14		
Earnings per share attributable to the parent entity		3.40	**4.62**
Earnings per share – continuing operations		3.42	**4.88**
Loss per share – discontinued operations		-0.02	**-0.26**

1) Amounts were restated (see section „Business combinations in the previous year“, page 124 f.).

Consolidated statement of comprehensive income

€m	2016 [1]	2017
Profit for the financial year	830.8	**1,058.2**
Other comprehensive income		
Items not being reclassified to profit or loss in subsequent periods		
Remeasurement of the defined benefit liability (asset)	22.4	**118.8**
Income taxes	13.7	**-100.2**
Defined benefit plans	36.1	**18.6**
Net gains/losses arising from equity method investments	-1.0	**-0.7**
Total	35.2	**17.8**
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges – change in fair value	1.3	**-15.3**
Reclassification adjustments for gains / losses included in profit or loss	-1.6	**17.5**
Income taxes	0.1	**-0.5**
Cash flow hedges	-0.3	**1.8**
Currency translation	-70.0	**-2,171.7**
Income taxes	-10.2	**12.7**
Currency translation	-80.2	**-2,159.0**
Net gains/losses arising from equity method investments	-9.7	**-54.2**
Total	-90.1	**-2,211.5**
Other comprehensive income	-55.0	**-2,193.6**
Total comprehensive income	775.8	**-1,135.5**
Thereof non-controlling interests	155.2	**-17.4**
Thereof Group share	620.6	**-1,118.1**

1) Amounts were restated (see section „Business combinations in the previous year", page 124 f.).

Consolidated statement of cash flows

€m	Notes	2016 [1]	2017
Net income from continuing operations		834.0	**1,109.0**
Income taxes		314.3	**606.4**
Interest income/expenses		385.3	**305.5**
Dividends received	15	191.0	**278.0**
Interest received	16	138.5	**117.0**
Interest paid	16	-529.6	**-553.3**
Income taxes paid	17	-325.9	**-362.0**
Depreciation, amortisation, and impairment		1,035.1	**1,179.7**
Elimination of other non-cash items	18	145.6	**-310.6**
Cash flow		2,188.3	**2,369.6**
Changes in operating assets	19	-64.9	**-182.3**
Changes in operating liabilities	20	161.5	**189.2**
Changes in working capital		96.6	**6.9**
Decrease in provisions through cash payments	21	-382.6	**-334.9**
Cash flow from operating activities – continuing operations		1,902.3	**2,041.6**
Cash flow from operating activities – discontinued operations	22	-28.3	**-3.7**
Cash flow from operating activities		1,874.0	**2,037.9**
Intangible assets		-27.7	**-16.3**
Property, plant and equipment		-1,012.2	**-1,019.1**
Subsidiaries and other business units		-2,983.3	**-170.3**
Other financial assets, associates, and joint ventures		-15.6	**-72.6**
Investments (cash outflow)	23	-4,038.8	**-1,278.4**
Subsidiaries and other business units		4.5	**42.8**
Other fixed assets		179.9	**390.9**
Divestments (cash inflow)	24	184.4	**433.7**
Cash from changes in consolidation scope	25	632.1	**-2.7**
Cash flow from investing activities – continuing operations		-3,222.3	**-847.5**
Cash flow from investing activities – discontinued operations	22	901.4	**10.2**
Cash flow from investing activities		-2,320.9	**-837.2**
Capital decrease – non-controlling interests		-1.9	**0.0**
Dividend payments – HeidelbergCement AG		-244.3	**-317.5**
Dividend payments – non-controlling interests		-90.4	**-211.3**
Decrease in ownership interests in subsidiaries	26	17.8	
Increase in ownership interests in subsidiaries	26	-5.9	**-91.4**
Proceeds from bond issuance and loans	27	3,531.3	**2,263.2**
Repayment of bonds and loans	28	-1,545.2	**-2,093.6**
Changes in short-term interest-bearing liabilities	29	-605.4	**-471.7**
Cash flow from financing activities – continuing operations	30	1,056.1	**-922.2**
Cash flow from financing activities – discontinued operations	22	0.1	
Cash flow from financing activities		1,056.1	**-922.2**
Net change in cash and cash equivalents – continuing operations		-264.0	**272.0**
Net change in cash and cash equivalents – discontinued operations		873.1	**6.5**
Net change in cash and cash equivalents		609.1	**278.5**
Effect of exchange rate changes		12.7	**-142.0**
Cash and cash equivalents at 1 January		1,350.5	**1,972.3**
Cash and cash equivalents at 31 December	31	1,972.3	**2,108.8**
Reclassification of cash and cash equivalents according to IFRS 5			**-0.3**
Cash and cash equivalents presented in the balance sheet at 31 December		1,972.3	**2,108.6**

1) Amounts were restated (see section „Business combinations in the previous year", page 124 f.).

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Consolidated balance sheet

Assets			
€m	Notes	31 Dec. 2016 [1]	31 Dec. 2017
Non-current assets			
Intangible assets	32		
Goodwill		11,939.1	**11,106.6**
Other intangible assets		472.9	**364.5**
		12,412.0	**11,471.2**
Property, plant and equipment	33		
Land and buildings		6,907.8	**6,313.0**
Plant and machinery		5,516.5	**5,049.8**
Other operating equipment		382.7	**338.8**
Prepayments and assets under construction		1,106.3	**1,112.2**
		13,913.3	**12,813.8**
Financial assets			
Investments in joint ventures	6	1,432.9	**1,334.1**
Investments in associates	9	486.9	**502.4**
Financial investments	34	383.7	**256.1**
Loans and derivative financial instruments	35	80.0	**88.5**
		2,383.5	**2,181.1**
Fixed assets		28,708.8	**26,466.1**
Deferred taxes	11	900.2	**517.9**
Other non-current receivables	35	781.3	**829.0**
Non-current income tax assets		47.0	**52.4**
Total non-current assets		30,437.2	**27,865.3**
Current assets			
Inventories	36		
Raw materials and consumables		913.1	**823.4**
Work in progress		324.3	**308.7**
Finished goods and goods for resale		776.3	**733.3**
Prepayments		40.7	**15.3**
		2,054.4	**1,880.7**
Receivables and other assets	37		
Current interest-bearing receivables		108.4	**122.1**
Trade receivables		1,804.6	**1,797.7**
Other current operating receivables		550.6	**546.2**
Current income tax assets		103.7	**117.7**
		2,567.3	**2,583.7**
Short-term financial investments		19.4	**10.3**
Derivative financial instruments	38	59.9	**9.6**
Cash and cash equivalents	31	1,972.3	**2,108.6**
Total current assets		6,673.3	**6,593.0**
Assets held for sale	12	9.2	**99.7**
Balance sheet total		37,119.7	**34,558.0**

1) Amounts were restated (see section „Business combinations in the previous year“, page 124 f.).

Equity and liabilities			
€m	Notes	31 Dec. 2016 [1]	31 Dec. 2017
Shareholders' equity and non-controlling interests			
Subscribed share capital	39	595.2	**595.2**
Share premium	40	6,225.4	**6,225.4**
Retained earnings	41	8,933.1	**9,494.8**
Other components of equity	42	300.8	**-1,757.4**
Equity attributable to shareholders		16,054.6	**14,558.0**
Non-controlling interests	43	1,737.0	**1,494.3**
Total equity		17,791.6	**16,052.4**
Non-current liabilities	46		
Bonds payable		7,651.9	**8,345.9**
Bank loans		785.3	**459.4**
Other non-current interest-bearing liabilities		62.7	**57.1**
Non-controlling interests with put options		22.5	**18.5**
		8,522.5	**8,880.9**
Pension provisions	44	1,284.6	**1,136.8**
Deferred taxes	11	642.1	**649.7**
Other non-current provisions	45	1,373.9	**1,204.0**
Other non-current operating liabilities		253.3	**164.9**
Non-current income tax liabilities		249.3	**173.5**
		3,803.2	**3,328.9**
Total non-current liabilities		12,325.7	**12,209.8**
Current liabilities	46		
Bonds payable (current portion)		1,853.5	**1,668.4**
Bank loans (current portion)		457.1	**116.0**
Other current interest-bearing liabilities		166.2	**111.0**
Non-controlling interests with put options		51.3	**47.7**
		2,528.1	**1,943.1**
Pension provisions (current portion)	44	102.8	**82.6**
Other current provisions	45	347.9	**212.8**
Trade payables		2,178.9	**2,281.1**
Other current operating liabilities		1,648.5	**1,491.0**
Current income tax liabilities		196.2	**272.3**
		4,474.3	**4,339.8**
Total current liabilities		7,002.4	**6,282.9**
Liabilities associated with assets held for sale	12		**12.9**
Total liabilities		19,328.1	**18,505.7**
Balance sheet total		37,119.7	**34,558.0**

Consolidated statement of changes in equity

€m	Subscribed share capital	Share premium	Retained earnings	Cash flow hedge reserve
1 January 2016	563.7	5,539.4	8,434.4	2.9
Profit for the financial year [2]			657.0	
Other comprehensive income [2]			39.1	0.6
Total comprehensive income [2]			696.1	0.6
Changes in consolidation scope [2]				
Changes in ownership interests in subsidiaries			30.8	
Changes in non-controlling interests with put options			15.2	
Transfer of asset revaluation reserve			1.4	
Other changes			-0.5	-0.2
Capital increase from issuance of new shares	31.5	686.1		
Repayment of capital				
Dividends			-244.3	
31 December 2016 [2]	595.2	6,225.4	8,933.1	3.3
1 January 2017	595.2	6,225.4	8,933.1	3.3
Profit for the financial year			917.7	
Other comprehensive income			21.2	1.3
Total comprehensive income			938.9	1.3
Changes in consolidation scope				
Changes in ownership interests in subsidiaries			-53.3	
Changes in non-controlling interests with put options			-9.5	
Transfer of asset revaluation reserve			1.3	
Other changes			1.7	
Dividends			-317.5	
31 December 2017	595.2	6,225.4	9,494.8	4.6

1) The accumulated currency translation differences included in non-controlling interests changed in 2017 by € -150.5 million (previous year: -9.6) to € -286.9 million (previous year: -136.4). The total currency translation differences recognised in equity thus amounts to € -2,107.4 million (previous year: 99,1).

2) Amounts were restated (see section „Business combinations in the previous year“, page 124 f.).

Other components of equity						
Available for sale reserve	Asset revaluation reserve	Currency translation	Total other components of equity	Equity attributable to shareholders	Non-controlling interests [1]	**Total equity**
32.5	30.2	312.3	377.9	14,915.4	1,060.9	**15,976.4**
				657.0	173.8	**830.8**
0.7		-76.8	-75.5	-36.3	-18.6	**-55.0**
0.7		-76.8	-75.5	620.6	155.2	**775.8**
					663.2	**663.2**
				30.8	-8.3	**22.5**
				15.2	-43.7	**-28.4**
	-1.4		-1.4			
			-0.2	-0.7	1.9	**1.1**
				717.6		**717.6**
					-1.9	**-1.9**
				-244.3	-90.4	**-334.7**
33.2	28.8	235.5	300.8	16,054.6	1,737.0	**17,791.6**
33.2	28.8	235.5	300.8	16,054.6	1,737.0	**17,791.6**
				917.7	140.5	**1,058.2**
-2.2		-2,056.1	-2,056.9	-2,035.7	-157.9	**-2,193.6**
-2.2		-2,056.1	-2,056.9	-1,118.1	-17.4	**-1,135.5**
					7.6	**7.6**
				-53.3	-38.9	**-92.1**
				-9.5	17.1	**7.6**
	-1.3		-1.3			
				1.7	0.1	**1.8**
				-317.5	-211.3	**-528.7**
31.0	27.5	-1,820.5	-1,757.4	14,558.0	1,494.3	**16,052.4**

Segment reporting / Notes to the consolidated financial statements

Group areas	Western and Southern Europe		Northern and Eastern Europe-Central Asia		North America	
€m	2016 [1]	2017	2016 [1]	2017	2016 [1]	2017
External revenue	3,887	**4,636**	2,357	**2,753**	4,027	**4,345**
Inter-Group areas revenue	41	**65**	68	**83**		
Revenue	3,928	**4,701**	2,425	**2,836**	4,027	**4,345**
Change to previous year in %		**19.7 %**		**16.9 %**		**7.9 %**
Result from joint ventures	4	**3**	19	**15**	45	**47**
Result from current operations before depreciation and amortisation (RCOBD)	526	**613**	445	**539**	978	**1,160**
as % of revenue (operating margin)	13.4 %	**13.0 %**	18.3 %	**19.0 %**	24.3 %	**26.7 %**
Depreciation	-252	**-319**	-157	**-175**	-282	**-297**
Result from current operations	274	**294**	288	**365**	696	**863**
as % of revenue	7.0 %	**6.3 %**	11.9 %	**12.9 %**	17.3 %	**19.9 %**
Result from associates	20	**22**	1	**1**	9	**11**
Result from other participations	-4	**-5**	-1	**4**	0	**0**
Result from participations	16	**17**	0	**5**	9	**11**
Additional ordinary result						
Earnings before interest and taxes (EBIT)	291	**311**	288	**370**	704	**874**
Capital expenditures [3]	297	**327**	124	**144**	301	**274**
Segment assets [4]	7,647	**7,310**	2,803	**2,627**	9,783	**8,698**
RCOBD as % of segment assets	6.9 %	**8.4 %**	15.9 %	**20.5 %**	10.0 %	**13.3 %**
Number of employees as at 31 December	15,781	**15,497**	13,107	**13,531**	8,444	**8,726**
Average number of employees	12,763	**15,625**	12,944	**13,671**	8,606	**9,177**

Voluntary additional information

Business lines	Cement		Aggregates		Ready-mixed concrete-asphalt	
€m	2016 [1]	2017	2016	2017	2016	2017
External revenue	6,512	**7,699**	2,465	**2,866**	4,433	**4,817**
Inter-business lines revenue	867	**968**	898	**938**	50	**64**
Revenue	7,379	**8,667**	3,362	**3,804**	4,483	**4,880**
Change to previous year in %		**17.4 %**		**13.1 %**		**8.9 %**
Result from joint ventures						
Result from current operations before depreciation and amortisation (RCOBD)	1,729	**2,010**	839	**1,012**	136	**55**
as % of revenue (operating margin)	23.4 %	**23.2 %**	24.9 %	**26.6 %**	3.0 %	**1.1 %**
Result from current operations	1,173	**1,328**	601	**755**	37	**-50**
in % of revenue	15.9 %	**15.3 %**	17.9 %	**19.8 %**	0.8 %	**-1.0 %**
Number of employees as at 31 December	32,623	**31,197**	9,648	**10,254**	13,610	**12,971**
Average number of employees	27,738	**31,916**	9,590	**10,537**	12,253	**13,226**

1) Amounts were restated (see section „Business combinations in the previous year", page 124 f.).

2) Includes corporate functions, eliminations of intra-Group relationships between the segments and additional ordinary result.

3) Capital expenditures = in the segment columns: property, plant and equipment as well as intangible assets investments; in the reconciliation column: investments in non-current financial assets and other business units

4) Segment assets = property, plant and equipment as well as intangible assets.

	Asia-Pacific		Africa-Eastern Mediterranean Basin		Group Services		Reconciliation [2]		Continuing operations	
	2016 [1]	**2017**	2016 [1]	**2017**	2016 [1]	**2017**	2016 [1]	**2017**	2016 [1]	**2017**
	2,878	**3,129**	1,307	**1,557**	710	**848**			15,166	**17,266**
	29	**26**	7	**29**	368	**453**	-513	**-656**		
	2,907	**3,155**	1,314	**1,586**	1,078	**1,301**	-513	**-656**	15,166	**17,266**
		8.5 %		**20.7 %**		**20.6 %**				**13.8 %**
	110	**124**	34	**14**					212	**204**
	705	**652**	327	**367**	24	**31**	-118	**-65**	2,887	**3,297**
	24.3 %	**20.7 %**	24.9 %	**23.1 %**	2.2 %	**2.4 %**			19.0 %	**19.1 %**
	-161	**-193**	-81	**-94**	-3	**-4**	-24	**-27**	-959	**-1,109**
	544	**459**	246	**273**	21	**27**	-141	**-92**	1,928	**2,188**
	18.7 %	**14.5 %**	18.7 %	**17.2 %**	1.9 %	**2.1 %**			12.7 %	**12.7 %**
	1	**1**	5	**13**	2	**4**			38	**52**
	2	**0**	0	**0**	3				0	**0**
	3	**1**	5	**13**	5	**4**			38	**51**
							-324	**-133**	-324	**-133**
	547	**459**	251	**286**	26	**31**	-465	**-225**	1,642	**2,107**
	215	**209**	102	**81**	1	**0**	2,999	**243**	4,039	**1,278**
	4,411	**4,091**	1,621	**1,513**	60	**46**			26,325	**24,285**
	16.0 %	**15.9 %**	20.2 %	**24.3 %**	38.9 %	**67.0 %**			11.0 %	**13.6 %**
	14,956	**14,039**	7,602	**6,856**	534	**405**			60,424	**59,054**
	14,308	**14,281**	5,200	**7,123**	311	**485**			54,132	**60,361**

	Service-joint ventures-other		Reconciliation [2]		Continuing operations	
	2016 [1]	**2017**	2016	**2017**	2016 [1]	**2017**
	1,756	**1,884**			15,166	**17,266**
	416	**514**	-2,231	**-2,483**		
	2,172	**2,398**	-2,231	**-2,483**	15,166	**17,266**
		10.4 %				**13.8 %**
	212	**204**			212	**204**
	275	**295**	-92	**-74**	2,887	**3,297**
	12.6 %	**12.3 %**			19.0 %	**19.1 %**
	234	**256**	-116	**-101**	1,928	**2,188**
	10.7 %	**10.7 %**			12.7 %	**12.7 %**
	4,542	**4,632**			60,424	**59,054**
	4,551	**4,682**			54,132	**60,361**

Notes to the 2017 consolidated financial statements

General information

HeidelbergCement AG is a public limited company based in Germany. The company has its registered office in Heidelberg, Germany. Its address is: HeidelbergCement AG, Berliner Straße 6, 69120 Heidelberg. The company is registered at the Mannheim Local Court (HRB 330082).

The core activities of HeidelbergCement include the production and distribution of cement, aggregates, ready-mixed concrete, and asphalt. Further details are given in the Management Report.

Accounting and valuation principles

Accounting principles
The consolidated financial statements of HeidelbergCement AG were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and the additional requirements of German Commercial Law pursuant to § 315e, section 1 of the German Commercial Code (HGB). All binding IFRSs for the 2017 financial year adopted into European law by the European Commission, including the interpretations of the IFRS Interpretations Committee (IFRS IC), were applied.

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

In accordance with IAS 1 (Presentation of Financial Statements), the consolidated financial statements contain a balance sheet as at the reporting date, an income statement, a statement of comprehensive income, a statement of changes in equity, and a statement of cash flows in accordance with the principles of IAS 7 (Statement of Cash Flows). The segment reporting is prepared in accordance with the regulations of IFRS 8 (Operating Segments).

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

Scope of consolidation
In addition to HeidelbergCement AG, the consolidated financial statements include subsidiaries, joint arrangements, and associates.

Subsidiaries are characterised by the fact that HeidelbergCement can exercise control over these companies. Control exists when HeidelbergCement has decision-making powers, is exposed to variable returns, and is able to influence the level of the variable returns as a result of the decision-making powers. Normally, this is the case when more than 50 % of the shares are owned. If contractual or legal regulations stipulate that a company can be controlled despite a shareholding of less than 50 %, this company is included in the consolidated financial statements as a subsidiary. If a company cannot be controlled with a shareholding of more than 50 % as a result of contractual or legal regulations, this company is not included in the consolidated financial statements as a subsidiary.

In joint arrangements, HeidelbergCement exercises joint control over a company with one or more parties through contractual agreements. Joint control exists if decisions about the relevant activities of the company must be made unanimously. Depending on the rights and obligations of the parties, joint arrangements may be joint operations or joint ventures. In joint operations, however, the controlling parties have direct rights to the assets and obligations for the liabilities of the jointly controlled operation. Joint ventures are characterised by the fact that the parties that have joint control participate in the net assets of the company by virtue of their position as shareholders.

In associates, HeidelbergCement has a significant influence on the operating and financial policies of the company. This is normally the case if HeidelbergCement holds between 20 % and 50 % of the voting rights in a company.

Consolidation principles

The capital consolidation of subsidiaries is performed using the acquisition method in accordance with IFRS 3 (Business Combinations). In this process, the acquirer measures the identifiable assets acquired and liabilities assumed at their fair values at the acquisition date. The acquiring entity's investment, measured at the fair value of the consideration transferred, is eliminated against the revalued equity of the newly consolidated subsidiary at acquisition date. The residual positive difference between the fair value of the consideration transferred and the fair value of acquired assets and liabilities is shown as goodwill. A residual negative difference is recognised in profit or loss after further review. Non-controlling interests can be recognised either at their proportionate share of the acquiree's net assets or at fair value. This option can be applied separately for every business combination. Transaction costs relating to business combinations are recorded as additional ordinary expenses.

Income and expenses as well as receivables and payables between consolidated companies are eliminated. Profits and losses from intra-Group sales of assets are eliminated. The consequences of consolidation on income tax are taken into account by recognising deferred taxes.

The share of equity and the share of profit or loss for the financial year attributable to non-controlling interests are shown separately. In the case of put options held by non-controlling interests (including non-controlling interests in German partnerships), the proportionate share of the period's comprehensive income attributable to the non-controlling interests as well as the dividend payments to non-controlling interests are shown over the course of the year as changes in equity. At the reporting date, non-controlling interests with a put option were reclassified as financial liabilities. The financial liability is measured at the present value of the redemption amount. Differences between the carrying amount of the non-controlling interests and the present value of the redemption amount are recognised directly in equity. In the statement of changes in equity, this is reported in the line changes in non-controlling interests with put options.

In the event of business combinations achieved in stages, HeidelbergCement achieves control of a company in which it held a non-controlling equity interest immediately before the acquisition date. In this scenario, differences between the carrying amount and the fair value of previously held shares are recognised in profit or loss. Changes in the ownership interest in a subsidiary that do not lead to a loss of control are recognised outside profit or loss as equity transactions. In the case of transactions that lead to a loss of control, any residual interests are revalued at fair value in profit or loss.

In joint operations, the assets, liabilities, income and expenses, as well as cash flows are included pro rata in the consolidated financial statements in accordance with the rights and obligations of HeidelbergCement.

Joint ventures and associates are accounted for using the equity method. Initially, the acquired investments are recognised at cost. In subsequent years, the carrying amount of the investment is increased or decreased according to the share of HeidelbergCement in the comprehensive income of the investee. Dividend payments received from investees reduce the carrying amount. When the share of losses attributable to HeidelbergCement in the company in which a participating interest is held equals or exceeds the carrying amount of the investment, no further shares of losses are recognised. If the investee subsequently reports profits, the investor resumes recognising its share of these profits only after the share in profit equals the share of losses not yet recognised.

Subsidiaries, joint operations, joint ventures, and associates that do not have a material impact on the financial position and performance of the Group, either individually or collectively, are accounted for at cost less impairment losses and shown as financial investments available for sale at cost.

Currency translation

The individual financial statements of the Group's foreign subsidiaries are translated into euro according to IAS 21 (The Effects of Changes in Foreign Exchange Rates) using the concept of functional currency. In general, for operating companies, the functional currency is 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 translated using the closing rates at the reporting date, with equity, in contrast, using the historical exchange rates. The translation differences resulting from this are recognised outside profit or loss in other components of equity through other comprehensive income until the subsidiary is disposed of. A proportionate reclassification to profit or loss also takes place in the event of a repayment of capital without a reduction in ownership interest. The proportionate equity of the foreign joint ventures and associates is translated in accordance with the procedure described for subsidiaries. Income and expenses are translated using average annual exchange rates.

Foreign currency transactions in the companies' individual financial statements are recorded at the spot exchange rate at the date of the transaction. Exchange gains or losses from the measurement of monetary items in foreign currency at the closing rate up to the reporting date are recognised in profit or loss. Exchange differences arising from foreign currency borrowings, to the extent that they are part of a net investment in a foreign operation, form an exception to recognition in profit or loss. They are part of a net investment in a foreign operation if settlement is neither planned nor likely to occur in the foreseeable future. These translation differences are recognised directly in equity via other comprehensive income and only reclassified to profit or loss on repayment of the loan or disposal of the business. Non-monetary items in foreign currency are recorded at historical exchange rates.

The following table shows the key exchange rates used in the translation of the individual financial statements denominated in foreign currencies into euro.

Exchange rates		Exchange rates at reporting date		Average exchange rates	
EUR		31 Dec. 2016	**31 Dec. 2017**	2016	**2017**
USD	USA	1.0516	**1.2005**	1.1070	**1.1303**
AUD	Australia	1.4607	**1.5372**	1.4886	**1.4736**
CAD	Canada	1.4137	**1.5089**	1.4660	**1.4651**
EGP	Egypt	19.0655	**21.3378**	11.1119	**20.1687**
GBP	Great Britain	0.8521	**0.8881**	0.8194	**0.8765**
INR	India	71.4610	**76.5327**	74.3505	**73.5029**
IDR	Indonesia	14,129	**16,264**	14,756	**15,143**
MAD	Morocco	10.6496	**11.2218**	10.8514	**10.9627**

Recognition and measurement principles

The consolidated financial statements 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. Furthermore, the carrying amounts of the assets and liabilities recognised in the balance sheet, which represent the hedged items in fair value hedges and are otherwise accounted at cost, are adjusted as a result of changes in the fair values assigned to the hedged risks. The fundamental recognition and measurement principles are outlined below.

Intangible assets are initially measured at cost. In subsequent periods, intangible assets with a finite useful life are measured at cost less accumulated amortisation and impairment, and intangible assets with an indefinite useful life are measured at cost less accumulated impairment. Intangible assets with a finite useful life are amortised using the unit of production method, in the case of mining licences, otherwise using the straight-line method.

Emission rights are shown as intangible assets. Emission rights granted free of charge are initially measured at a nominal value of zero. Emission rights acquired for consideration are accounted for at cost and are subject to write-down in the event of impairment. Provisions for the obligation to return emission rights are recognised if the actual CO_2 emissions up to the reporting date are not covered by emission rights granted free of charge. The amount of provision for emission rights already acquired for consideration is measured at the carrying amount and, for emission rights yet to be acquired in order to fulfil the obligation, at the market value as at the reporting date.

In accordance with IFRS 3 (Business Combinations), **goodwill** arising from business combinations is not amortised. Instead, goodwill is tested for impairment according to IAS 36 (Impairment of Assets) at least once a year in the fourth quarter after completion of the current operational plan or upon the occurrence of significant events or changes in circumstances that indicate an impairment requirement. In this impairment test, the carrying amount of a group of cash-generating units (CGUs) to which goodwill is allocated is compared with the recoverable amount of this group of CGUs. On the basis of the sales and management structure, a group of CGUs is defined generally as a country or Group area; an exception is the cross-border Nordic Precast Group as well as the Mibau Group. As soon as the carrying amount of a group of CGUs to which a goodwill is allocated exceeds its recoverable amount, an impairment loss of the allocated goodwill is recognised in profit or loss. The recoverable amount is the higher of fair value less costs to sell and the value in use of a group of CGUs. The fair value is the amount obtainable from the sale in an arm's length transaction. The value in use is calculated by discounting estimated future cash flows after taxes with a post-tax risk-adjusted discount rate (Weighted Average Cost of Capital – WACC).

Property, plant and equipment are accounted for according to IAS 16 (Property, Plant and Equipment) at cost less accumulated depreciation and impairment. Cost includes all costs that can be attributed to the manufacturing process and appropriate amounts of production overheads. Costs for repair and maintenance of property, plant and equipment are generally expensed as incurred. Capitalisation takes place if the measures lead to an extension or significant improvement of the asset. Property, plant and equipment are depreciated on a straight-line basis unless there is another depreciation method more appropriate for the pattern of use. Borrowing costs that can be allocated directly or indirectly to the construction of large facilities with a creation period of more than twelve months (Qualifying Assets) are capitalised as part of the cost in accordance with IAS 23 (Borrowing Costs).

Inventories are measured in accordance with IAS 2 (Inventories) at the lower of cost and net realisable value using the weighted average cost method. Adequate provisions are made for risks relating to quality and quantity. Besides direct expenses, the costs for finished goods and work in progress include production-related indirect materials and indirect labour costs, as well as production-related depreciation. The overhead rates are calculated on the basis of the average operating performance rate. Borrowing costs are not recognised as part of the costs because the production period is less than twelve months. Spare parts for equipment are generally reported under inventories. If they were acquired in connection with the acquisition of the equipment, or in a separate acquisition meet the definition of an asset, then they are reported under fixed assets.

Pension provisions and similar obligations are determined in accordance with IAS 19 (Employee Benefits). For numerous employees, the Group makes provisions for retirement either directly or indirectly through contributions to pension funds. Various post-employment benefit plans are in place, depending on the legal, economic, and tax framework in each country, which are generally based on employees' years of service and remuneration. The pension provisions include those from current pensions and from entitlements from pensions to be paid in the future.

At HeidelbergCement, the company pension schemes include both defined contribution and defined benefit plans. In defined contribution plans, the Group pays contributions into various financing vehicles. After paying the contributions, the Group has no further legal or constructive obligations to fund past service benefits. In defined benefit plans, the Group's obligation is to provide the agreed benefits to current and former employees. A distinction is made between benefit systems financed by provisions and those financed by funds.

The most significant post-employment benefit plans financed by funds exist in the USA, Canada, the United Kingdom, Belgium, Australia, Indonesia, and Norway. The retirement benefit system in Indonesia consists of a statutory defined benefit plan and a company-based defined contribution plan financed by funds, the benefits from which may be set off against the statutory benefits. In Germany, France, Italy, and Sweden, the retirement benefit plans are financed by means of provisions. HeidelbergCement also has a retirement benefit system financed by provisions to cover the health care costs of pension recipients in the USA, Belgium, Canada, the United Kingdom, Indonesia, France, Morocco, and Ghana. In addition, the Group grants its employees other long-term employee benefits, such as jubilee benefits, old age part-time arrangements, or early retirement commitments.

The Group areas or countries North America, the United Kingdom, and Germany account for over 90 % of the defined benefit obligations.

The majority of defined benefit pension plans in North America have been closed to new entrants, and many have been frozen for future accruals. In North America, a retirement plans committee has been established by HeidelbergCement to serve as oversight of the pension administration and fiduciary responsibilities of HeidelbergCement in relation to the retirement plans and to act as plan administrator. The regulatory framework for each of the qualified pension plans in the USA has a minimum funding requirement based on the statutory funding objective agreed with the plan administrator. In the USA, the Employee Retirement Income Security Act of 1974 (ERISA) provides the national legal framework. ERISA sets minimum standards for participation, vesting, benefit accrual, and funding and requires accountability of plan fiduciaries. In Canada, the pension plans of HeidelbergCement fall under the jurisdiction of the provinces of Alberta or Ontario.

In the United Kingdom, the main defined benefit pension plans operate under UK trust law and under the jurisdiction of the UK Pensions Regulator. These plans are run by groups of trustees, some of whom are appointed by the sponsoring employer and some of whom are nominated by the plan members. The trustees are obligated by the statutory funding framework mandated by UK law to meet the statutory funding objective of having sufficient and appropriate assets to cover the schemes' technical provisions. All of the main defined benefit pension plans in the United Kingdom are closed to new entrants and in most cases to future accruals. Benefits are granted under a number of plans, many of which are final salary plans. As such, the liabilities are expected to trend downward in the mid- to long term as benefits are paid. Liability driven investment (LDI) strategies are used extensively in the United Kingdom and the UK pension plans are currently, in aggregate, overfunded on an IAS 19 basis. As pension benefits in the United Kingdom receive inflationary increases after benefit commencement, these benefits are subject to inflation risk. This risk is mitigated in many cases through the use of LDI products and/or through the use of caps on the maximum pension indexation granted. Given the closed nature of the arrangements, the liabilities in the United Kingdom are only marginally impacted by the salary trend assumption.

In Germany, pension plans operate under the framework of German Company Pension Law (BetrAVG) and general regulations based on German Labour Law. The main pension plans were closed to new entrants in 2005. Employees hired prior to 2006 continue to earn benefits under these arrangements. The closed pension arrangements have either a final salary plan design or a fixed benefit per year of service structure. In addition, individual pension entitlements have been granted to the members of the Managing Board (please refer to the Management Report, chapter Remuneration report on ↗ page 91 f.). The German pension benefits are largely unfunded.

The liabilities in respect of the benefits granted are subject to the following major risks:

- Discount rate risks in all cases where falling market interest rates could result in a higher present value being placed on the remaining future obligations
- Inflation risks (in particular where benefits are linked to salary, or pension payments are subject to inflation adjustments)
- Asset performance risks, in countries where funded pension plans are present (such as the USA and the United Kingdom); these risks have been mitigated in part through the use of liability-driven investment strategies
- Longevity risks in cases where benefits would be paid for a longer period in the future than is currently anticipated in the mortality assumptions used to estimate the future benefits payable
- Changes to national funding requirements may accelerate cash flows required to meet pension funding requirements, and national law might also mandate increases in benefits beyond those presently agreed upon.

The defined benefit obligation and the available plan assets are valued annually by independent experts for all major Group companies. The defined benefit obligation and the expenses required to cover this obligation are measured in accordance with the internationally accepted projected unit credit method.

For the purpose of financial reporting, the actuarial assumptions are dependent on the economic situation in each individual country. The interest rate is based on the interest rate level observed on the measurement date for high-quality corporate bonds (AA rating) with a duration corresponding to the pension plans concerned in the relevant country. In countries or currency areas without a deep market for corporate bonds, the interest rate is determined on the basis of government bonds or using other approximation methods.

Actuarial gains and losses result from increases or decreases in the present value of the defined benefit obligations versus the expected amounts. These may be caused by, for example, changes in the calculation parameters or deviations between the actual and expected development of the defined benefit obligation. These amounts, as well as the difference between the actual asset performance and the interest income shown in profit or loss, and the effect of the asset ceiling are reported in other comprehensive income.

Defined contribution accounting has been used for certain multi-employer pension plans for which insufficient information is available to use defined benefit accounting.

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

The capital market components of the Group-wide virtual stock option plan are accounted for as cash-settled, share-based payment transactions in accordance with IFRS 2 (Share-based Payment). As at the reporting date, a provision is recognised pro rata temporis in the amount of the fair value of the payment obligation. Changes in the fair value are recognised in profit or loss. The fair value of the options is determined using a recognised option price model.

Deferred tax assets and liabilities are recognised in accordance with the balance sheet liability method (IAS 12 Income Taxes). This means that, with the exception of goodwill arising on capital consolidation, deferred taxes are principally recognised for all temporary differences between the IFRS financial statements and the tax accounts. However, deferred tax assets are only recognised to the extent that it is probable that taxable income will be sufficiently available in the future. Furthermore, deferred tax assets are recognised on unused tax losses carried forward, to the extent that the probability of their recovery in subsequent years is sufficiently high. Deferred tax liabilities are considered in connection with undistributed profits from subsidiaries, joint ventures, and associates, unless HeidelbergCement is able to control the dividend policy of the companies and no dividend distribution or disposal is anticipated in the foreseeable future. The deferred taxes are measured using the rates of taxation that, as of the reporting date, are applicable or have been announced as applicable in the individual countries for the period when the deferred taxes are realised. Deferred tax assets and liabilities are offset if there is an enforceable right to set off current tax assets and liabilities and if they relate to income taxes levied by the same taxing authority and the Group intends to settle its current tax assets and liabilities on a net basis. In principle, changes in the deferred taxes in the balance sheet lead to deferred tax expense or income. If circumstances that lead to a change in the deferred taxes are recognised outside profit or loss in other comprehensive income or directly in equity, the change in deferred taxes is also taken into account in other comprehensive income or directly in equity. If deferred taxes were recognised via other comprehensive income, they are also subsequently released via other comprehensive income.

Financial instruments are any contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The financial instruments include non-derivative and derivative financial instruments.

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

Financial instruments classified as held for trading are measured at fair value through profit or loss.

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

Loans and receivables are measured at amortised cost, using the effective interest method if applicable, provided that they are not linked with hedging instruments. This concerns non-current receivables, interest-bearing receivables, trade receivables, and other current operating receivables. In principle, the amortised cost in the case of current receivables corresponds to the nominal value or the redemption amount. Receivables are derecognised from the balance sheet when all risks and rewards were transferred and the receipt of payment associated with the receivables is ensured. In case not all risks and rewards are transferred, the receivables are derecognised when the control over the receivables has been transferred. If there is objective evidence of impairment of the loans and receivables (e.g. significant financial difficulties or negative changes in the market environment of the debtor), impairment losses are recognised in profit or loss. For trade receivables, the impairment losses are recognised through the use of an allowance account. A derecognition is booked as soon as a default of receivables occurs. Reversals are carried out if the reasons for the impairment losses no longer apply. In the past financial year, there were no financial assets (as in the previous year) whose terms have been changed that would otherwise have been overdue or impaired.

Non-derivative financial liabilities are initially recognised at the fair value of the consideration received or at the value of the cash received less transaction costs incurred, if applicable. These instruments are subsequently measured at amortised cost, using the effective interest method if applicable. This includes trade payables, other operating liabilities, and financial liabilities.

Non-current financial liabilities are discounted. In principle, the amortised cost in the case of current financial liabilities corresponds to the nominal value or the redemption amount.

The Group has not yet made use of the possibility of designating non-derivative financial instruments, when first recognised, as financial instruments at fair value through profit or loss. All non-derivative financial instruments 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. For derivative financial instruments, the fair value corresponds to the amount that HeidelbergCement would either receive or have to pay at the reporting date in the case of early termination of this financial instrument. This amount is calculated on the basis of the relevant exchange and interest rates on the reporting date. The fair value of derivative financial instruments traded in the market corresponds to the market value.

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

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

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

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

For accounting purposes, three types of hedges exist in accordance with IAS 39. Specific requirements have to be met for hedge accounting.

– Cash flow hedges
  Where necessary, HeidelbergCement hedges the risk of fluctuation in future cash flows. The risk of interest rate fluctuations in the case of variable interest is hedged by means of swaps that convert variable interest payments into fixed interest payments. This method is also used for hedging currency risks of transactions to be executed in foreign currency in the

future. The fair value of the derivatives used for hedging is shown in the balance sheet. As an offsetting item, the other components of equity are adjusted directly in equity to the amount of the effective portion of the change in fair value, taking deferred taxes into account. These amounts are reclassified to the income statement when the hedged item is also recognised in profit or loss. The ineffective portion of the change in fair value is recognised directly in profit or loss.

– Fair value hedges
  In individual cases, HeidelbergCement hedges against fluctuations in the fair value of assets or liabilities. Where necessary, the currency risk that arises when financial instruments are accounted for in a currency other than the functional currency is thus hedged. In addition, the fair value of fixed interest-bearing liabilities is selectively hedged by means of conversion to variable interest. In the case of hedging against fluctuations in the fair value of certain balance sheet items, both the hedging instrument and the hedged portion of the risk of the underlying transaction are recognised at fair value. Changes in fair value are recognised in profit or loss.

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

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

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

For discontinued operations, the profit after tax is shown in a separate line in the income statement. In the statement of cash flows, the cash flows are broken down into continuing and discontinued operations. For discontinued operations, the previous year's values in the income statement, the statement of cash flows, and the segment reporting are adjusted accordingly in the year of the reclassification. The Notes include additional details on the assets held for sale and discontinued operations.

Contingent liabilities and assets are, on the one hand, possible obligations or assets arising from past events and whose existence depends on the occurrence or non-occurrence of one or more uncertain future events that are not within the Group's control. On the other hand, contingent liabilities are current obligations arising from past events for which there is unlikely to be an outflow of resources embodying economic benefits or where the scope of the obligation cannot be reliably estimated. Contingent liabilities are not included in the balance sheet unless they are current obligations that have been taken on as part of a business combination. Contingent assets are only recognised in the balance sheet if they are virtually certain. Insofar as an outflow or inflow of economic benefits is possible, details of contingent liabilities and assets are provided in the Notes.

Finance leases, for which all risks and rewards incidental to ownership of the leased asset are transferred to the Group, lead to capitalisation of the leased asset at the inception of the lease. The leased asset is recognised at the lower of its fair value and the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant rate of interest on the remaining balance of the liability over the term of the lease. The finance charge is recognised in profit or loss.

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Leased assets are generally depreciated over the useful life of the asset. If there is insufficient certainty that the transfer of title to the Group will take place at the end of the lease term, the leased asset is depreciated over the shorter of the expected useful life and the lease term.

Lease payments for **operating leases** are recognised as an expense in the income statement over the lease term on a straight-line basis.

Income is recognised 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 or receivable; sales tax and other duties are not taken into account. Revenue is recognised as soon as the goods have been delivered and the risks and rewards in accordance with the contractually agreed terms of delivery 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.

Application of new accounting standards

First-time application of accounting standards in the financial year
In the 2017 financial year, HeidelbergCement applied the following standards and interpretations of the International Accounting Standards Board (IASB) for the first time.

- The **amendments to IAS 7 Statement of Cash Flows** contain guidelines for additional disclosures on changes in liabilities arising from financing activities. The relevant disclosures can be found in Note 30.

- The **amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses** addresses various questions relating to the recognition of deferred tax assets for unrealised losses arising from debt instruments available for sale measured at fair value. The amendments did not have any impact on the financial position and performance of the Group.

- The **Annual Improvements to IFRS Standards 2014–2016 Cycle** that became applicable in the 2017 financial year clarify that certain disclosure requirements in IFRS 12 also apply to ownership interests in subsidiaries, joint ventures, and associates that are classified as held for sale. The changes did not have any impact on the explanations in the Notes.

Published but not yet applicable accounting standards
The IASB and IFRS IC have adopted additional standards and interpretations that may impact the financial position and performance of the HeidelbergCement Group, but whose application was not yet mandatory for the 2017 financial year.

Published, but not yet applicable accounting standards

Title	Date of first-time application[1]	Endorsement by the EU Commission
Amendments to IFRS 2: Group Cash-Settled Share-based Payment Arrangements	1 January 2018	yes
IFRS 9 Financial Instruments	1 January 2018	yes
IFRS 15 Revenue from Contracts with Customers	1 January 2018	yes
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations	1 January 2018	no
IFRS 16 Leases	1 January 2019	yes
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019	no
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	1 January 2019	no
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	1 January 2019	no
Annual improvements to IFRS Standards 2015-2017 Cycle	1 January 2019	no

1) Fiscal years beginning on or after that date

HeidelbergCement will not apply these standards and interpretations until the date when their application first becomes mandatory and after endorsement by the European Commission.

- The **amendments to IFRS 2: Group Cash-settled Share-based Payment Arrangements** have a narrow scope of application and concern specific areas of the classification and measurement of share-based payment transactions. The amendments do not have any impact on the financial position and performance of the Group.

- **IFRS 9 Financial Instruments** governs the accounting of financial instruments and completely replaces IAS 39 (Financial Instruments: Recognition and Measurement). IFRS 9 pursues a new approach for the categorisation and measurement of financial assets. In doing so, it refers to the cash flow characteristics of the financial assets and the business model under which they are managed. The regulations for the accounting of financial liabilities in accordance with IFRS 9 essentially correspond to the previous regulations in IAS 39. In addition, IFRS 9 establishes a new impairment model, which provides for the recognition of expected future losses at the time of initial recognition of a financial asset. With regard to hedge accounting, IFRS 9 provides for the removal of the thresholds applied as part of retrospective effectiveness testing. Instead, evidence is now to be documented of the economic relationship between the hedged item and the hedging instrument. Furthermore, the number of potential hedged items and the disclosures for hedge accounting were extended. The transition effects arising from the first-time application on 1 January 2018 will be shown directly in retained earnings at the beginning of the same period of the previous year. The new regulations on hedge accounting will be applied prospectively.

  The main impact in the area of classification essentially arises because the participations on which HeidelbergCement has no significant influence will in future be measured at fair value. The option of recognising the subsequent measurement directly in equity in other comprehensive income will be exercised separately for each equity instrument. In addition, it is expected that a portion of the trade receivables previously measured exclusively at amortised cost will in future be classified at fair value. Under the new regulations on impairment, expected future losses are likely to be recognised earlier as an expense, resulting in a slight increase in impairment losses. All existing hedges meet the requirements of hedge accounting in accordance with IFRS 9 and can be continued without amendment. The examination of the effect of the application of IFRS 9 on the consolidated financial statements reveals that, overall, no significant impact on the financial position and performance of the Group is expected.

- **IFRS 15 Revenue from Contracts with Customers** provides a uniform, principles-based, five-step model for recognising and recording revenue, which is to be applied to all contracts with customers. It replaces IAS 18 (Revenue) and IAS 11 (Construction Contracts) in particular as well as the associated interpretations. For the transition to IFRS 15, the modified retrospective approach will be selected and the cumulative adjustment amount from the first-time application will be directly recognised in equity under retained earnings on 1 January 2018. The comparative figures for the same periods of the previous year will not be adjusted. In addition, the option to simplify the first-time application will be exercised and IFRS 15 will be applied only to contracts that had not yet been fulfilled on 1 January 2018.

  HeidelbergCement primarily generates revenue from simply structured sales of building materials, such as cement, aggregates, ready-mixed concrete, and asphalt, for which the control passes to the customer at a specific point in time. The application of IFRS 15 should therefore not have any significant impact on the financial position and performance. On the basis of the Group-wide analysis, the following effects were identified:

  In the context of the sale of the products, separate performance obligations may arise from freight and transport services as well as from services directly related to the sale of the products. These services are generally performed at the time that the control of the products is transferred. In a few exceptional cases, the freight and transport services are performed after the control of the products has been transferred. In accordance with IFRS 15, the revenue relating to these freight and transport services is realised later than the corresponding product revenue. This will result in a temporal shift of revenue recognition compared to the previous accounting, which is only of minor impact for the Group. Additional quantitative and qualitative disclosures will also be required.

- **IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations** determines the timing of the exchange rate to be used for the translation of foreign currency transactions that include a prepayment made or received. The date used to determine the exchange rate for the underlying asset, income, or expense is generally the date of initial recognition of the asset or liability arising from the prepayment. The interpretation will not have any impact on the financial position and performance of the Group.

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- **IFRS 16 Leases** provides new regulations for the accounting of leases and replaces IAS 17 (Leases) and related interpretations. For all leases, according to IFRS 16, the lessee has a fundamental obligation to account for rights and obligations arising under leases. In future, lessees will account for the right-of-use asset in the fixed assets as well as a corresponding lease liability. Leases with a term of up to twelve months and contracts with a low volume, in terms of value, are exempted from the accounting obligation. The lease liability is measured at the present value of the lease payments made during the term of the lease. The costs of the right-of-use asset include the initially recognised amount of the lease liability as well as any additional costs incurred in connection with the lease contract. The lease liability is compounded in subsequent periods and reduced by the amount of the lease payments made. The right-of-use asset is amortised on a straight-line basis over the term of the lease contract.

  The new regulation will lead to an increase in fixed assets in the consolidated balance sheet as well as a rise in financial liabilities. According to the current regulations of IAS 17, the expenses arising from operating leases are recognised as other operating expenses in the income statement. The future minimum lease payments (not discounted) are mentioned in the Notes under the other financial commitments. According to the regulations of IFRS 16, the expenses are reflected in the depreciation and interest expenses. Until now, payments for operating leases have been shown under cash flow from operating activities in the statement of cash flows. In future, these payments will be split between interest payments and redemption payments. While the interest payments will continue to be recorded in cash flow from operating activities, the redemption payments will be assigned to the cash flow from financing activities. HeidelbergCement is not expected to apply the new standard in full retrospectively, but to make use of the simplifications in the modified retrospective approach. The adjustments resulting from the first-time application on 1 January 2019 will thus be shown directly in retained earnings without any adjustment to the same periods of the previous year.

- **IFRIC Interpretation 23 Uncertainty over Income Tax Treatments** clarifies the accounting of current and deferred tax liabilities and assets in accordance with IAS 12, where there is uncertainty over the treatment of taxes on income.

- The **amendments to IAS 28: Long-term Interests in Associates and Joint Ventures** clarify that a company is obliged to apply IFRS 9 Financial Instruments, including its impairment requirements, to non-current investments in associates or joint ventures that form a substantial part of the net investment in this company and are not accounted for using the equity method.

- The **amendments to IAS 19: Plan Amendment, Curtailment or Settlement** clarify that, following the amendment, curtailment, or settlement of a pension plan during the year, the current service cost and net interest for the remaining period are to be remeasured. This remeasurement is to be based on the actuarial assumptions valid at the time that the plan was changed.

- As part of the **Annual Improvements to IFRS Standards 2015-2017 Cycle**, the IASB made minor amendments to a total of four standards.

The impact of IFRIC 23, the changes in IAS 28 and IAS 19, and the annual improvements to IFRS Standards 2015-2017 Cycle on the financial position and performance of the Group are currently being examined.

Estimation uncertainty and assumptions

The presentation of the financial position and performance in the consolidated financial statements is dependent on estimates and assumptions made by the management, which affect the amounts and presentation of the assets and liabilities, expenses and income, and contingent liabilities accounted for in the period. The actual values may differ from these estimates. The assumptions and estimates relate particularly to the necessity and calculation of impairment of goodwill, the recognition of deferred tax assets, and the measurement of pension provisions and other provisions, as well as the measurement of specific financial instruments (e.g. put options of non-controlling interests).

A cash flow-based method in accordance with IAS 36 (Impairment of Assets) is used to determine the recoverable amount of groups of cash-generating units as part of the impairment test for goodwill. In particular, estimates are required in relation to future cash flows of the groups of cash-generating units as well as to the discount rates and growth rates used (discounted cash flow method). A change in the influencing factors may have a significant impact on the existence or amount of impairment losses. Explanations concerning the composition of the carrying amount of goodwill and the impairment test are provided in Note 32 Intangible assets.

To assess the future probability that deferred tax assets can be utilised, various estimates must be adopted, e.g. operational plans, utilisation of losses carried forward, and tax planning strategies. If the actual results deviate from these estimates, this may impact the financial position and performance. In the context of the US tax reform adopted only shortly before the reporting date, estimation uncertainty exists with regard to the specific future tax impact of the measures, which may still be further clarified and influenced by additional implementation rules of the US tax authorities. More detailed information on current and deferred taxes is given in Note 11 Income taxes.

The obligations arising from defined post-employment benefit plans are determined on the basis of actuarial methods, which are based on assumptions and estimates concerning the discount rate, pension increase rate, life expectancy, and other influencing factors. A change in the underlying parameters may lead to changes in the amounts recognised in the balance sheet. Further details are given on ↗ page 115 f. and in Note 44 Pension provisions.

Provisions for damages and environmental obligations are measured on the basis of an extrapolation of the claims and estimates of the development of costs. A change in the influencing parameters may have an impact on the income statement as well as the amounts recognised in the balance sheet. The recognition and measurement of the other provisions are based on estimates of the probabilities of future outflow of resources and on the basis of empirical values and the circumstances known at the reporting date. The actual outflow of resources may differ from the outflow of resources expected at the reporting date and may have an impact on the recognition and measurement. Further explanations on provisions can be found in Note 45 Other provisions.

The measurement of specific financial instruments such as put options of non-controlling interests, which are not traded on an active market, is based on best possible estimates using probability forecasts and recognised actuarial methods.

Scope of consolidation

In addition to HeidelbergCement AG, the consolidated financial statements include 782 subsidiaries that have been fully consolidated, of which 35 are German and 747 are foreign companies. The changes in comparison with 31 December 2016 are shown in the following table.

Number of fully consolidated companies

	Germany	Abroad	**Total**
31 December 2016	37	779	**816**
First-time consolidations		1	**1**
Divestments		-7	**-7**
Incorporations / mergers / liquidations / method changes	-2	-26	**-28**
31 December 2017	35	747	**782**

A list of shareholdings of the HeidelbergCement Group as at 31 December 2017 on the basis of the regulations of § 313, section 2 of the German Commercial Code (HGB) is provided on ↗ page 178 f. It contains an exhaustive list of all subsidiaries that make use of the exemption from disclosure obligations in accordance with § 264b of the German Commercial Code (HGB).

Business combinations in the reporting year

On 30 June 2017, HeidelbergCement finalised the acquisition of aggregate pits and production sites for ready-mixed concrete and asphalt from Cemex in the northwest of the USA. The business activities taken over from Cemex include seven aggregates quarries, five ready-mixed concrete plants, and three asphalt plants. The aggregates reserves and resources that have been acquired amount to 110 million tonnes. With this acquisition, HeidelbergCement has strengthened its vertically integrated market position in the US states of Washington and Oregon. The provisional purchase price of €129.8 million was settled in cash and is subject to the usual post-closing purchase price adjustments. The purchase price allocation has not yet been completed, as the measurements are still to be finalised, particularly with regard to property, plant and equipment. The provisionally recognised goodwill of €36.7 million is tax-deductible and represents synergy potentials. The transaction costs of €3.8 million were recognised in the additional ordinary expenses.

To strengthen its market position in aggregates and ready-mixed concrete in the US state of New York, HeidelbergCement finalised the acquisition of the operating assets and liabilities of the Saunders Companies on 1 August 2017. The provisional purchase price of €30.3 million was settled in cash and is subject to the usual post-closing purchase price adjustments. The purchase price allocation has not yet been completed, as the measurements are still to be finalised, particularly with regard to property, plant and equipment. The provisionally recognised goodwill of €4.7 million is tax-deductible and represents synergy potentials. The transaction costs of €0.9 million were recognised in the additional ordinary expenses.

The following table shows the provisional fair values of the assets and liabilities acquired as part of the above-described transactions.

Provisional fair values recognised as at the acquisition date

€m	North America
Intangible assets	3.2
Property, plant and equipment	122.7
Inventories	9.6
Trade receivables	3.1
Other assets	3.3
Total assets	**141.9**
Provisions	21.0
Current liabilities	2.2
Total liabilities	**23.3**
Net assets	**118.6**

The acquired property, plant and equipment relates to land and buildings (€77.7 million) and plant and machinery (€45.0 million). As part of the business combinations, receivables with a provisional fair value of €5.9 million were acquired. These concern trade receivables amounting to €3.1 million and other operating receivables to the amount of €2.8 million, which are likely to be fully recoverable.

The companies have contributed €71.2 million to revenue and €6.1 million to consolidated results since their acquisition. If the acquisitions had taken place on 1 January 2017, contributions to revenue and consolidated results would be €125.4 million and €11.7 million higher, respectively.

Furthermore, HeidelbergCement effected smaller business combinations in the Western and Southern Europe Group area during the reporting period that individually and collectively were of minor importance for the presentation of the financial position and performance of the Group.

Business combinations in the previous year

Acquisition of Italcementi

During the period from 1 July to 12 October 2016, HeidelbergCement acquired 100% of the shares in the Italcementi Group as part of a linked transaction and recognised the acquisition as a business combination with effect from 1 July 2016. Detailed explanations relating to the Italcementi acquisition can be found on ↗ page 198 f. in the Notes to the 2016 Annual Report.

Because of the size and complexity of the transaction, the purchase price allocation as at 31 December 2016 was only provisional. As at 30 June 2017, the final fair values of the assets and liabilities as at the acquisition date were established on the basis of external and internal valuations. The following table shows the adjustments to the fair values as at 1 July 2016.

Fair values recognised as at the acquisition date – Italcementi			
€m	Provisional	Adjustment	Final
Non-current assets			
Intangible assets	168.5	-21.4	**147.2**
Property, plant and equipment			
Land and buildings	1,891.4	4.7	**1,896.1**
Plant and machinery	1,938.9	-70.2	**1,868.7**
Other operating equipment	88.2	27.6	**115.8**
Prepayments and assets under construction	197.3	-39.8	**157.6**
	4,115.9	-77.7	**4,038.1**
Investments in joint ventures	85.5	-1.0	**84.4**
Investments in associates	206.3		**206.3**
Financial investments, loans and derivative financial instruments	53.1	-3.4	**49.7**
Fixed assets	4,629.2	-103.5	**4,525.7**
Deferred taxes	209.7	-45.2	**164.5**
Other non-current receivables and income tax assets	120.5	-0.1	**120.4**
Total non-current assets	4,959.4	-148.8	**4,810.6**
Current assets			
Inventories	593.9	17.0	**611.0**
Current interest-bearing receivables	38.3		**38.3**
Trade receivables	507.5	0.5	**508.0**
Other current operating receivables and income tax assets	313.6	0.6	**314.2**
Short-term financial investments and derivative financial instruments	124.8		**124.8**
Cash and cash equivalents	617.0		**617.0**
Total current assets	2,195.2	18.1	**2,213.3**
Disposal groups held for sale	999.8	2.5	**1,002.2**
Total assets	8,154.3	-128.2	**8,026.1**
Non-current liabilities			
Bonds payable	1,428.1		**1,428.1**
Bank loans	282.8		**282.8**
Other non-current interest-bearing liabilities	21.4		**21.4**
Pension provisions	249.5		**249.5**
Deferred taxes	479.3	-32.1	**447.2**
Other non-current provisions	508.7	7.0	**515.7**
Other non-current operating and income tax liabilities	96.0	55.6	**151.6**
Total non-current liabilities	3,065.9	30.5	**3,096.3**
Current liabilities			
Bonds payable (current portion)	542.9		**542.9**
Bank loans (current portion)	288.6		**288.6**
Other current interest-bearing liabilities incl. non-controlling interests with put options	344.6		**344.6**
Other current provisions	22.2		**22.2**
Trade payables	612.6		**612.6**
Other current operating and income tax liabilities	539.5	-7.6	**531.9**
Total current liabilities	2,350.4	-7.6	**2,342.7**
Liabilities associated with disposal groups	172.7		**172.7**
Total liabilities	5,588.9	22.8	**5,611.8**
Net Assets	2,565.4	-151.1	**2,414.3**

In connection with the acquisition, contingent liabilities of €301.7 million were reported on the balance sheet, which are mainly associated with legal, environmental, and other risks.

The Italcementi Group has contributed €1,807.1 million to revenue and €-115.0 million to the result from continuing operations for the 2016 financial year since the acquisition. If the acquisition had taken place on 1 January 2016, contributions to revenue for the 2016 financial year would be €1,883.9 million higher and the result from continuing operations €174.1 million lower.

The adjustment to the fair values resulted in an increase in goodwill of €115.0 million as at the date of first-time consolidation. The final goodwill arising from the business combination thus amounts to €1,781.0 million.

Calculation of the goodwill – Italcementi			
€m	Provisional	Adjustment	Final
Acquisition costs	3,590.8		**3,590.8**
Fair value of acquired net assets	2,565.4	-151.1	**2,414.3**
Non-controlling interest within Italcementi Group	-640.6	36.0	**-604.5**
Goodwill	1,665.9	115.0	**1,781.0**

Acquisition of the Mibau Group

To exploit synergy potential in the aggregates business line, Norbetong AS, Oslo, a Norwegian subsidiary of HeidelbergCement, incorporated the business activities of two quarries in Norsk Stein A/S, Jesla, Norway (part of the Mibau Group, which was previously accounted for using the equity method), against the allocation of company rights on 4 October 2016. The new shareholding in Norsk Stein A/S was then transferred as an intra-Group transaction from Norbetong AS to Heidelberger Sand und Kies GmbH, Heidelberg, and incorporated by this company against the allocation of company rights in Mibau Holding GmbH, Cadenberge. With these linked transactions, HeidelbergCement, which already held 50 % of the shares in the Mibau Group, acquired a further 10 % of the shares and gained control of the Mibau Group, which was therefore fully consolidated with effect from 1 October 2016. The purchase price allocation was finalised on 30 September 2017.

Fair values recognised as at the acquisition date – Mibau Group			
€m	Provisional	Adjustment	Final
Intangible assets	0.8		**0.8**
Property, plant and equipment	129.7	35.6	**165.2**
Financial fixed assets	2.4		**2.4**
Inventories	24.6		**24.6**
Trade receivables	41.7		**41.7**
Cash and cash equivalents	12.0		**12.0**
Other assets	6.1		**6.1**
Total assets	217.3	35.6	**252.9**
Deferred taxes	0.0	8.9	**8.9**
Provisions	0.4		**0.4**
Non-current liabilities	81.3		**81.3**
Current liabilities	61.1		**61.1**
Total liabilities	142.9	8.9	**151.8**
Net assets	74.5	26.7	**101.1**

The total cost of the business combination is made up of the fair value of the previous equity interest of €84.8 million as well as the proportionate interest in the fair value of the incorporated business activities effectively transferred of €10.2 million. The revaluation of the previous shareholding resulted overall in a profit of €47.5 million, which was recognised in additional ordinary income. The non-controlling interests of €39.6 million were measured on the basis of their proportionate interest in the fair value of the identifiable net assets. The adjustment to the revaluation of the previous shareholding and the fair values resulted in a decrease in goodwill of €4.1 million as at the date of first-time consolidation. The final goodwill arising from the business combination thus amounts to €33.5 million.

Calculation of the goodwill – Mibau Group			
€m	Provisional	Adjustment	Final
Acquisition costs	82.2	12.8	**95.0**
Fair value of acquired net assets	74.5	26.7	**101.1**
Non-controlling interest	-29.8	-9.8	**-39.6**
Goodwill	37.5	-4.1	**33.5**

The consolidated balance sheet as at 31 December 2016 and the consolidated income statement for the 2016 financial year were adjusted on the basis of the final purchase price allocations arising from the acquisition of Italcementi and the Mibau Group.

Consolidated balance sheet – adjustment	31. December 2016		
€m	Before adjustment	Adjustment	Adjusted
Assets			
Non-current assets			
Intangible assets			
Goodwill	11,828.2	110.9	**11,939.1**
Other intangible assets	491.5	-18.7	**472.9**
	12,319.7	92.3	**12,412.0**
Property, plant and equipment			
Land and buildings	6,883.7	24.1	**6,907.8**
Plant and machinery	5,578.9	-62.4	**5,516.5**
Other operating equipment	355.9	26.8	**382.7**
Prepayments and assets under construction	1,146.0	-39.8	**1,106.3**
	13,964.5	-51.2	**13,913.3**
Investments in joint ventures	1,433.5	-0.6	**1,432.9**
Investments in associates	486.9		**486.9**
Financial investments	378.5	5.2	**383.7**
Loans and derivative financial instruments	88.5	-8.5	**80.0**
Fixed assets	28,671.7	37.1	**28,708.8**
Deferred taxes	946.0	-45.8	**900.2**
Other non-current receivables and income tax assets	828.2	0.0	**828.3**
Total non-current assets	30,445.9	-8.6	**30,437.2**
Current assets			
Inventories	2,083.4	-29.0	**2,054.4**
Receivables and other assets	2,566.2	1.1	**2,567.3**
Short-term financial investments, derivative financial instruments and cash and cash equivalents	2,051.7		**2,051.6**
Total current assets	6,701.2	-27.9	**6,673.3**
Assets held for sale and discontinued operations	6.7	2.5	**9.2**
Balance sheet total	37,153.8	-34.1	**37,119.7**
Equity and liabilities			
Shareholders' equity and non-controlling interests			
Subscribed share capital and share premium	6,820.7		**6,820.7**
Retained earnings	8,982.3	-49.2	**8,933.1**
Other components of equity	290.1	10.8	**300.8**
Non-controlling interests	1,779.5	-42.6	**1,737.0**
Total equity	17,872.6	-81.0	**17,791.6**
Non-current liabilities			
Non-current interest-bearing liabilities	8,522.7	-0.2	**8,522.5**
Pension provisions	1,284.6		**1,284.6**
Deferred taxes	657.4	-15.2	**642.1**
Other non-current provisions	1,359.5	14.4	**1,373.9**
Other non-current operating liabilities	255.7	-2.4	**253.3**
Non-current income tax liabilities	191.3	58.0	**249.3**
Total non-current liabilities	12,271.2	54.5	**12,325.7**
Current liabilities			
Current interest-bearing liabilities	2,528.1		**2,528.1**
Pension provisions (current portion) and other current provisions	450.7		**450.7**
Trade payables	2,178.9		**2,178.9**
Other current operating liabilities	1,655.9	-7.5	**1,648.5**
Current income tax liabilities	196.4	-0.2	**196.2**
Total current liabilities	7,010.0	-7.6	**7,002.4**
Total liabilities	19,281.2	46.9	**19,328.1**
Balance sheet total	37,153.8	-34.1	**37,119.7**

Consolidated income statement - adjustment	2016		
€m	Before adjustment	Adjustment	Adjusted
Revenue	15,165.7		**15,165.7**
Change in inventories and work in progress	-51.1		**-51.1**
Own work capitalised	13.2		**13.2**
Operating revenue	15,127.8		**15,127.8**
Other operating income	426.5	-2.9	**423.6**
Material costs	-5,823.4	-50.4	**-5,873.9**
Employee and personnel costs	-2,673.5		**-2,673.5**
Other operating expenses	-4,329.2	0.1	**-4,329.1**
Result from joint ventures	211.3	0.4	**211.7**
Result from current operations before depreciation and amortisation (RCOBD)	2,939.4	-52.8	**2,886.6**
Depreciation and amortisation	-955.1	-3.7	**-958.8**
Result from current operations	1,984.3	-56.5	**1,927.8**
Additional ordinary income	70.2	12.8	**82.9**
Additional ordinary expenses	-394.6	-12.6	**-407.3**
Additional ordinary result	-324.4	0.1	**-324.3**
Result from associated companies	37.8		**37.8**
Result from other participations	0.5		**0.5**
Result from participations	38.2		**38.2**
Earnings before interest and taxes (EBIT)	1,698.1	-56.4	**1,641.7**
Interest income	66.0		**66.0**
Interest expenses	-451.4		**-451.4**
Foreign exchange losses	-16.2		**-16.2**
Other financial result	-92.1	0.2	**-91.9**
Financial result	-493.6	0.2	**-493.4**
Profit / loss before tax from continuing operations	1,204.5	-56.2	**1,148.3**
Taxes on income	-305.0	-9.4	**-314.3**
Net income from continuing operations	899.5	-65.5	**834.0**
Net income/loss from discontinued operations	-3.2		**-3.2**
Profit for the financial year	896.3	-65.5	**830.8**
Thereof non-controlling interests	190.1	-16.3	**173.8**
Thereof Group share of profit	706.2	-49.2	**657.0**

The disclosures relate to the adjusted values.

Additional business combinations in the previous year

To secure raw material reserves and to strengthen its market position in Australia, HeidelbergCement acquired the business of Rocla Quarry Products and 100 % of the shares in Calga Sands Pty Ltd, New South Wales, Australia (together: RQP), on 29 January 2016 as part of an asset deal. RQP operates twelve large sand pits in the metropolitan regions of Perth, Adelaide, Melbourne, and Sydney with a production of about 6 million tonnes per year. It also has a number of smaller production locations and mineral reserves. The purchase price settled in cash amounted to €98.2 million. The goodwill of €0.6 million is not tax-deductible and represents synergy potential.

On 21 April 2016, HeidelbergCement acquired 100 % of the shares in both the holding company ACH Investments Limited, Mauritius, and its subsidiary Austral Cementos Sofala SA, Maputo, Mozambique. Austral Cementos Sofala operates a grinding plant in Dondo, near the port of Beira, with an annual capacity of around 350,000 tonnes. With this acquisition, HeidelbergCement strengthens its market presence in southeastern Africa. The purchase price for the companies totalled €8.8 million and was paid in cash. The recognised goodwill resulting from the business combinations, which is not deductible for tax purposes, amounts to €18.6 million and represents growth potential.

The following table shows the fair values of the assets and liabilities of the business combinations as at the acquisition date.

Fair values recognised as at the acquisition date			
€m	Australia	Mozambique	Total
Intangible assets	71.4	0.0	71.4
Property, plant and equipment	24.5	7.7	32.3
Inventories	2.5	3.9	6.5
Cash and cash equivalents		0.6	0.6
Other assets	2.7	0.7	3.4
Total assets	101.2	13.0	114.2
Provisions	3.4		3.4
Non-current liabilities		0.5	0.5
Current liabilities	0.3	22.3	22.6
Total liabilities	3.7	22.8	26.5
Net assets	97.6	-9.8	87.7

Divestments in the reporting year

On 8 February 2017, HeidelbergCement sold 100% of the shares in Essroc San Juan Inc., Dorado, Puerto Rico. The company was acquired as part of the Italcementi acquisition. The sales price amounted to €6.5 million and was paid in cash. It is subject to the usual post-closing adjustments. The divestment resulted in a loss of €6.0 million, which was recognised in the additional ordinary expenses.

On 27 October 2017 and 9 November 2017, HeidelbergCement sold ready-mixed concrete plants at various locations in the USA. The sales price totalled €8.6 million and was paid in cash. It is subject to the usual post-closing adjustments. The divestment resulted in a gain totalling €2.3 million, which was recognised in the other operating income.

On 10 November 2017, HeidelbergCement sold 55% of the shares in the fully consolidated CaucasusCement Holding B.V., ’s-Hertogenbosch, Netherlands, and its Georgian subsidiaries LLC HeidelbergCement Georgia, LLC HeidelbergCement Caucasus, and LLC Terjola-Quarry, Tbilisi (CaucasusCement Group). The sales price amounted to €20.8 million and was paid in cash. The divestment resulted in a gain of €4.5 million, which is shown in the additional ordinary income. The participation of 45% remaining after the divestment is accounted for as a joint venture in the consolidated financial statements.

On 30 November 2017, HeidelbergCement sold its shares in International City for Concrete Ltd., Jeddah, Saudi Arabia. The gain of €6.1 million resulting from the divestment is shown in the additional ordinary income.

On 30 November 2017, HeidelbergCement sold its participation in Interlacs S.A.R.L., Kinshasa, DR Congo. The divestment resulted in a loss of €2.5 million, which was recognised in the additional ordinary expenses.

The following table shows the assets and liabilities as at the date of divestiture.

Assets and liabilities at date of divestiture					
€m	North America	Georgia	Saudi Arabia	DR Congo	Total
Intangible assets	2.6				2.6
Property, plant and equipment	8.1	119.8	5.4	0.3	133.7
Inventories	8.3	13.2	0.3	3.4	25.2
Cash and cash equivalents	1.0	2.6	0.4	1.5	5.5
Other assets	1.4	10.5	2.3	0.9	15.0
Total assets	21.5	146.2	8.4	6.1	182.1
Provisions	0.2	1.1	1.0	3.3	5.6
Liabilities	2.5	75.5	15.2	1.2	94.3
Total liabilities	2.7	76.6	16.2	4.5	99.9
Net assets	18.8	69.6	-7.8	1.6	82.2

Furthermore, HeidelbergCement effected smaller divestments in the Western and Southern Europe Group area during the reporting period that individually and collectively were of minor importance for the presentation of the financial position and performance of the Group.

Divestments in the previous year

The US companies Hanson Permanente Cement, Inc., Phoenix, and Kaiser Gypsum Company, Inc., Raleigh, report claims for compensation arising from legal disputes, which were transferred to the HeidelbergCement Group as part of the takeover of the Hanson Group in 2007. The claims relate to health problems allegedly caused by the sale of products containing asbestos. On 30 September 2016, these two companies filed a voluntary bankruptcy petition to a US bankruptcy court in accordance with Chapter 11 of the US Bankruptcy Code. The objective is, among other things, to establish a trust to which all current and future asbestos personal injury claims will be channelled pursuant to section 524(g) of the US Bankruptcy Code. These companies are subject to court proceedings as a result of the voluntary bankruptcy filing. The control of the HeidelbergCement Group is therefore no longer given according to IFRS 10, and the companies were deconsolidated with their subsidiaries on 30 September 2016. The following table shows the assets and liabilities as at the date of divestiture.

Assets and liabilities at date of divestiture

€m	Total
Intangible assets	1.0
Property, plant and equipment	161.5
Other non-current receivables	390.2
Cash and cash equivalents	0.1
Other assets	82.9
Total assets	635.6
Provisions	310.9
Liabilities	57.0
Total liabilities	367.9
Net assets	267.7

The additional ordinary expenses arising from the deconsolidation amounted to €19.1 million. The disposal of the net assets is offset by the investments retained in the companies at a fair value of €248.6 million as at the date of divestiture. The participations are shown as financial investments available for sale at fair value. The fair value as at the reporting date is €169.0 million (previous year: 265.8).

The fair value of the investments retained in the companies is determined by the value of the outstanding receivables to our US subsidiary as well as the value of the current business operations. It has been calculated on the basis of expert opinions using the DCF method. The resulting value is essentially derived from the value of the land held by the companies, which was calculated on the basis of actual transactions relating to comparable sites while taking into account the recultivation expenses still to be incurred. The asbestos liabilities were estimated using the expected insurance deductible to be paid until completion, taking into consideration the value of the existing insurance coverage for the asbestos claims. Current receivables and liabilities were reported at their nominal value and remaining non-current receivables were discounted.

Uncertainties relating to the determination of the fair value of the investments in these companies mainly result from the appraisal of land. Any changes to the market situation could have a positive or negative impact on this figure. In addition, uncertainties exist regarding the amount of the recultivation expenses to be considered. The following table shows the effect of variations of those unobservable inputs on the fair value of the investment.

Sensitivity of the fair value

Inputs	Variance	Change of fair value in €m	Variance	Change of fair value in €m
Commercial land value	+5 %	5.0	-5 %	-5.8
	+10 %	10.8	-10 %	-11.7
Recultivation expenses	+5 %	-3.3	-5 %	2.5
	+10 %	-6.7	-10 %	5.8

Discontinued operations in the previous year

HeidelbergCement has entered into an agreement via its subsidiary Ciments Français S.a.s., Puteaux, France, with Aalborg Portland Holding A/S, a wholly owned subsidiary controlled indirectly by Cementir Holding SpA, to sell business activities in Belgium, primarily comprising Italcementi's Belgian subsidiary Compagnie des Ciments Belges S.A. (CCB). With the disposal, HeidelbergCement met the condition of the European Commission to eliminate competitive concerns caused by the acquisition of Italcementi. The agreement needed to be approved by the European Commission. The sale was completed on 25 October 2016.

HeidelbergCement has entered into an agreement via its US subsidiaries Essroc Corp., Nazareth, and Lehigh Hanson, Inc., Wilmington, with Argos USA LLC, a subsidiary of Cementos Argos S.A., to sell the cement plant in Martinsburg, West Virginia, and eight related cement terminals. With the disposal, HeidelbergCement met the condition of the US competition authorities (Federal Trade Commission – FTC) to eliminate competitive concerns related to the acquisition of Italcementi. The company was disposed of on 30 November 2016.

These business activities were acquired exclusively with a view to resale and are therefore shown in the income statement and in the statement of cash flows for the 2016 financial year as a discontinued operation in accordance with IFRS 5.

Notes to the segment reporting

HeidelbergCement's segment reporting is based on the Group's internal division into geographical regions and business lines. It reflects the management organisation and divides the Group into geographical regions. In addition, a voluntary breakdown into business lines is provided.

HeidelbergCement is divided into six Group areas:

- Western and Southern Europe: Belgium, Germany, France, United Kingdom, Italy, Netherlands, and Spain
- Northern and Eastern Europe-Central Asia: Denmark, Iceland, Norway, Sweden, and the Baltic States, as well as the cross-border Nordic Precast Group AB and Mibau Group, Bosnia-Herzegovina, Bulgaria, Georgia, Greece, Kazakhstan, Croatia, Poland, Romania, Russia, Czechia, Slovakia, Ukraine, and Hungary
- North America: Canada and USA
- Asia-Pacific: Bangladesh, Brunei, China, India, Indonesia, Malaysia, Singapore, Thailand, and Australia
- Africa-Eastern Mediterranean Basin: Egypt, Benin, Burkina Faso, DR Congo, Gambia, Ghana, Liberia, Morocco, Mauritania, Mozambique, Sierra Leone, Tanzania, Togo, as well as Israel and Turkey
- Group Services comprises the international trading activities as well as the activities in Kuwait, Saudi Arabia, and the United Arab Emirates.

HeidelbergCement is also divided into four business lines: cement, aggregates, ready-mixed concrete-asphalt, and service-joint ventures-other. The service-joint ventures-other business line essentially covers the trading activities and results of our joint ventures.

HeidelbergCement evaluates the performance in the segments primarily on the basis of the result from current operations. As Group financing (including financing expenses and income) is managed centrally by the Group and income taxes are, in general, calculated across business lines, neither is allocated to segments. The IFRS used in these financial statements form the basis for the valuation principles of the segment reporting. Revenue with other Group areas or business lines represents the revenue between segments. In the reconciliation, intra-Group relationships between the segments are eliminated.

The revenue and non-current assets of the main countries are shown in the table below. Revenue is allocated to countries according to the supplying company's country of origin.

Information by country	Revenue with external customers		Non-current assets[1]	
€m	2016	2017	2016	2017
United States	3,374	**3,621**	9,165	**8,131**
United Kingdom	1,328	**1,227**	2,691	**2,579**
Germany	1,107	**1,198**	1,271	**1,207**
Australia	1,091	**1,187**	1,736	**1,678**
France	535	**1,142**	1,672	**1,614**
Indonesia	1,025	**943**	1,204	**1,077**
Canada	653	**724**	601	**567**
India	360	**516**	867	**778**
Other countries	5,693	**6,710**	7,118	**6,654**
Total	15,166	**17,266**	26,325	**24,285**

1) Intangible assets and property, plant and equipment

Notes to the income statement

1 Revenue

Revenue development by Group areas and business lines	Cement		Aggregates		Ready-mixed concrete-asphalt		Service-joint ventures-other		Intra Group eliminations		Total	
€m	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Western and Southern Europe	1,823	**2,348**	878	**1,004**	1,577	**1,779**	387	**399**	-737	**-828**	3,928	**4,701**
Northern and Eastern Europe-Central Asia	1,383	**1,558**	284	**503**	542	**592**	410	**399**	-195	**-218**	2,425	**2,836**
North America	1,631	**1,861**	1,531	**1,591**	1,012	**1,054**	236	**259**	-383	**-421**	4,027	**4,345**
Asia-Pacific	1,568	**1,739**	587	**622**	1,071	**1,089**	43	**38**	-363	**-333**	2,907	**3,155**
Africa-Eastern Mediterranean Basin	1,014	**1,216**	90	**112**	259	**327**	33	**30**	-82	**-100**	1,314	**1,586**
Group Services					21	**39**	1,071	**1,274**	-14	**-12**	1,078	**1,301**
Inter-Group area revenue within business lines	-40	**-56**	-7	**-28**			-8	**-1**			-55	**-85**
Total	7,379	**8,667**	3,362	**3,804**	4,483	**4,880**	2,172	**2,398**	-1,774	**-1,911**	15,623	**17,838**
Inter-Group area revenue between business lines									-457	**-572**	-457	**-572**
Continuing operations									-2,231	**-2,483**	15,166	**17,266**

2 Other operating income

Other operating income		
€m	2016	2017
Gains from sale of fixed assets	64.4	**197.7**
Income from sale of non-core products	62.7	**74.8**
Rental income	35.1	**36.7**
Foreign exchange gains	44.4	**32.4**
Write back of provisions	23.1	**29.6**
Income from reduction of bad debt provision	10.2	**18.7**
Other income	183.7	**242.8**
	423.6	**632.7**

The gains from sale of fixed assets include gains from the sale of quarries that were depleted and no longer in operational use to the amount of €78.7 million. The foreign exchange gains concern trade receivables and payables. Foreign exchange gains from interest-bearing receivables and liabilities are shown in the financial result. Income from the reversal of provisions includes the reversal of provisions that cannot be assigned by cost type. The other income contain proceeds of € 26.0 million (previous year: 12.2) from energy-efficiency certificates in Italy, premium income of reinsurers of € 20.7 million (previous year: 5.5), as well as numerous individual items.

Significant income that occurs in the course of ordinary business activities but not reported in result from current operations is shown in the additional ordinary income and explained in Note 8.

3 Material costs

Material costs		
€m	2016	2017
Raw materials	2,193.1	**2,438.2**
Supplies, repair materials, and packaging	944.7	**1,076.8**
Costs of energy	1,368.7	**1,690.8**
Goods purchased for resale	1,099.2	**1,305.1**
Miscellaneous	268.1	**270.8**
	5,873.9	**6,781.6**

Material costs amounted to 39.3 % of revenue (previous year: 38.7 %).

4 Personnel costs and employees

Personnel costs		
€m	2016	2017
Wages, salaries, social security costs	2,504.0	**2,801.8**
Costs of retirement benefits	138.3	**153.3**
Other personnel costs	31.2	**34.6**
	2,673.5	**2,989.7**

Personnel costs equalled 17.3 % of revenue (previous year: 17.6 %). The development of expenses for retirement benefits is explained in Note 44 Pension provisions.

Annual average number of employees		
Categories of employees	2016	2017
Blue-collar employees	36,542	**40,155**
White-collar employees	17,187	**19,746**
Apprentices	403	**460**
	54,132	**60,361**

Long-term bonus – capital market component

As a long-term variable remuneration element, the members of the Managing Board of HeidelbergCement AG and certain managers within the HeidelbergCement Group receive a long-term bonus made up of a management component and a capital market component. The capital market component with a term of four years considers the external added value as measured by total shareholder return (TSR) – adjusted for the reinvested dividend payments and for changes in capital – compared with the relevant capital market indices, using performance share units (PSUs). The PSUs are virtual shares used for the calculation of the capital market component.

For the capital market component, the number of PSUs initially granted is determined in a first step: the number of PSUs is calculated from a set percentage of the fixed annual salary divided by the reference price of the HeidelbergCement share as at the time of issue. The reference price in each case is the average of the daily closing prices (trading days) of the HeidelbergCement share on the Frankfurt Stock Exchange Xetra trading system for three months retrospectively from the start/expiration of the performance period.

After expiry of the four-year performance period, the PSUs definitively earned are to be calculated in a second step according to the attainment of the target (0 % - 200 %) and paid in cash at the reference price of the HeidelbergCement share valid at that time, adjusted for the reinvested dividend payments and for changes in capital.

The following table shows the key parameters of the plans.

Key parameters of the long-term bonus plans

	Plan 2014	Plan 2015	Plan 2016	Plan 2017
Date of issuance	1 January 2014	1 January 2015	1 January 2016	1 January 2017
Term	4 years	4 years	4 years	4 years
Reference price at issuance	€56.53	€56.05	€69.91	€85.89
Maximum payment amount per PSU	€141.33	€140.13	€174.78	€214.73

The reconciliation of the number of PSUs from 1 January 2014 to 31 December 2017 is shown in the following table.

Number of PSUs

	Plan 2014	Plan 2015	Plan 2016	Plan 2017
Granted as of 1 January 2014				
Additions	144,273			
Disposals	-8,746			
Granted as of 31 December 2014 / as of 1 January 2015	135,527			
Additions		148,853		
Disposals	-8,785	-9,382		
Granted as of 31 December 2015 / as of 1 January 2016	126,742	139,471		
Additions			129,541	
Disposals	-2,210	-3,466	-6,234	
Granted as of 31 December 2016 / as of 1 January 2017	124,532	136,005	123,307	
Additions				122,851
Disposals	-591	-1,830	-3,140	-12,139
Granted as of 31 December 2017	123,941	134,175	120,167	110,712

In the reporting year, all of the 147,096 PSUs from the 2013 plan granted as of 31 December 2016 were exercised and either settled via cash payment or lapsed due to the departure of employees.

For accounting in accordance with IFRS 2 (Share-based Payment), the fair value of the PSUs is calculated using a recognised option price model. A large number of different development paths for the HeidelbergCement share – taking into account the effects of reinvested dividends – and the benchmark indices are simulated (Monte Carlo simulation). As at the reporting date, the benchmark index DAX 30 had 12,918 points (previous year: 11,481) and the benchmark index MSCI World Construction Materials 225.1 points (previous year: 209.0).

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

Fair value				
in €	Plan 2014	Plan 2015	Plan 2016	Plan 2017
Fair value as of 31 December 2014	81.13			
Fair value as of 31 December 2015	144.33	130.31		
Fair value as of 31 December 2016	180.13	166.28	143.86	
Fair value as of 31 December 2017	185.37	185.64	164.33	115.15

Measurement parameters	31 Dec. 2014	31 Dec. 2015	31 Dec. 2016	31 Dec. 2017
	Plans 2012/13/14	Plans 2013/14/15 [2]	Plans 2014/15/16 [2]	Plans 2015/16/17 [2]
Expected dividend yield	7.5 %	7.0 %	6.5 %	7.0 %
Share price at 31 December	€58.81	€75.62	€88.63	€90.25
Volatility of HeidelbergCement share [1]	26 %	25 %	25 %	20 %
Volatility of MSCI World Construction Materials Index [1]	17 %	17 %	19 %	16 %
Volatility of DAX 30 Index [1]	16 %	20 %	20 %	14 %
Correlation HeidelbergCement share / MSCI World Construction Materials Index [1]	82 %	29 %	78 %	91 %
Correlation HeidelbergCement share / DAX 30 Index [1]	73 %	91 %	37 %	80 %
Correlation DAX 30 Index / MSCI World Construction Materials Index [1]	79 %	21 %	61 %	88 %

1) Average over the last two years
2) The plans expiring in the financial year were revalued each on the base of the current value (31 Dec. 2015: Plan 2012 / 31 Dec. 2016: Plan 2013 / 31 Dec. 2017: Plan 2014)

The total expenditure for the capital market component of the long-term bonus plan for the 2017 financial year amounted to €15.5 million (previous year: 20.1). As at the reporting date, the provisions for the capital market component totalled €39.4 million (previous year: 48.8). The capital market component of the long-term bonus plan 2014–2016/17 is paid after the Annual General Meeting 2018. The same applies to the additional current long-term bonus plans, i.e. payment takes place in the year following the four-year performance period.

5 Other operating expenses

Other operating expenses		
€m	2016	2017
Selling and administrative expenses	1,055.2	**1,151.1**
Freight	1,455.7	**1,767.1**
Expenses for third party repairs and services	1,312.0	**1,587.6**
Rental and leasing expenses	302.8	**370.8**
Other taxes	59.3	**84.5**
Foreign exchange losses	62.3	**38.1**
Other expenses	81.9	**83.3**
	4,329.1	**5,082.4**

The foreign exchange losses concern trade receivables and payables. Foreign exchange losses from interest-bearing receivables and liabilities are shown in the financial result.

Significant expenses that occur in the course of ordinary business activities but are not reported in result from current operations are shown in the additional ordinary expenses and explained in Note 8.

6 Result from joint ventures

With its joint venture partners, HeidelbergCement operates numerous joint ventures worldwide. The following companies make an important contribution to the result from current operations of the HeidelbergCement Group.

- Cement Australia Holdings Pty Ltd, based in New South Wales, Australia, is a joint venture between HeidelbergCement and LafargeHolcim. Each partner holds 50 % of the capital shares in the company. Cement Australia is the largest Australian cement manufacturer and operates two cement plants and two grinding plants in eastern and southeastern Australia as well as in Tasmania. HeidelbergCement procures its entire Australian cement demand from Cement Australia.

- Akçansa Çimento Sanayi ve Ticaret A.S., based in Istanbul, Turkey, is a joint venture between HeidelbergCement and Haci Ömer Sabanci Holding A.S. HeidelbergCement and Sabanci Holding each hold 39.7 % of the capital shares in Akçansa. The remaining shares are in free float. Akçansa is the largest cement manufacturer in Turkey and operates three cement plants in the north and northwest of the country as well as six grinding facilities. It also has a dense network of ready-mixed concrete production sites and manufactures aggregates.

- Texas Lehigh Cement Company LP, based in Austin, USA, operates one cement plant in Buda, Texas, and supplies the regional market. The joint venture partners HeidelbergCement and Eagle Materials, Inc. each hold 50 % of the capital shares in the company.

- Alliance Construction Materials Limited, located in Kowloon, is the leading manufacturer of concrete and aggregates in Hong Kong. HeidelbergCement and our joint venture partner Cheung Kong Infrastructure Holdings Limited each hold 50 % of the capital shares in the company.

The following table shows the statement of comprehensive income for these material joint ventures (100 % values).

Statement of comprehensive income for material joint ventures	Cement Australia Holdings Pty Ltd		Akçansa Çimento Sanayi ve Ticaret A.S.		Texas Lehigh Cement Company LP		Alliance Construction Materials Ltd	
€m	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**
Revenue	675.4	**710.8**	459.2	**386.1**	188.2	**195.2**	227.7	**201.2**
Depreciation and amortisation	-33.0	**-33.8**	-22.6	**-20.3**	-2.2	**-2.5**	-4.8	**-5.3**
Result from current operations	162.7	**174.5**	97.0	**53.3**	73.7	**79.1**	45.2	**27.5**
Additional ordinary result	-9.1	**-3.4**	7.8					
Result from participations			6.9	**5.5**	0.0	**0.0**		
Earnings before interest and taxes (EBIT)	153.6	**171.1**	111.7	**58.8**	73.7	**79.1**	45.2	**27.5**
Interest income			1.0	**1.0**	0.0		0.3	**0.3**
Interest expenses	-13.8	**-12.6**	-9.6	**-15.9**		**-0.1**		
Other financial result	0.0	**-0.5**	1.0	**-0.6**	-0.1	**-0.1**	-0.7	**-0.6**
Profit before tax	139.9	**158.1**	104.1	**43.3**	73.5	**78.9**	44.8	**27.2**
Income taxes	-11.4	**-12.3**	-18.4	**-7.5**	-0.4	**-0.6**	-7.3	**-4.5**
Profit for the financial year	128.5	**145.8**	85.7	**35.9**	73.1	**78.3**	37.5	**22.7**
Other comprehensive income	-0.8	**-9.8**	-36.1	**-41.4**	2.2	**-12.0**	0.5	**-11.5**
Total comprehensive income	127.7	**136.0**	49.6	**-5.5**	75.3	**66.3**	38.0	**11.2**

The assets and liabilities of the material joint ventures (100 % values), the reconciliation to the total carrying amount of the interest, and the dividends received by the joint ventures are shown in the following table.

Additional financial information for material joint ventures	Cement Australia Holdings Pty Ltd		Akçansa Çimento Sanayi ve Ticaret A.S.		Texas Lehigh Cement Company LP		Alliance Construction Materials Ltd	
€m	2016	2017	2016	2017	2016	2017	2016	2017
Intangible assets	21.9	**20.2**	45.9	**38.0**			15.0	**14.3**
Property, plant and equipment	421.1	**391.8**	218.0	**183.9**	20.4	**40.6**	24.0	**22.1**
Financial assets	44.9	**42.3**	64.1	**47.6**	17.2	**15.1**	19.6	**17.1**
Other non-current assets	2.2	**2.4**	1.0	**1.0**	0.0		3.7	**2.6**
Total non-current assets	490.0	**456.7**	329.1	**270.5**	37.6	**55.7**	62.2	**56.1**
Cash and cash equivalents	0.2	**2.4**	6.3	**11.5**	0.3	**0.4**	33.8	**34.8**
Other current assets	139.2	**109.0**	167.6	**143.5**	65.7	**55.7**	48.0	**30.3**
Total current assets	139.4	**111.4**	173.9	**155.1**	66.1	**56.1**	81.9	**65.1**
Total assets	629.4	**568.2**	503.0	**425.6**	103.7	**111.8**	144.1	**121.2**
Non-current interest-bearing liabilities	230.1	**204.3**						
Non-current provisions	6.2	**6.0**	9.9	**9.2**	4.3	**3.7**		
Other non-current liabilities	11.5	**12.1**	13.0	**10.5**			7.4	**6.9**
Total non-current liabilities	247.8	**222.4**	22.9	**19.7**	4.3	**3.7**	7.4	**6.9**
Current interest-bearing liabilities	70.7	**88.7**	56.2	**84.8**		**8.3**		
Current provisions	9.6	**10.5**	2.2	**1.7**		**0.1**		
Trade payables	44.0	**41.0**	75.6	**62.3**	8.1	**7.1**	40.6	**29.8**
Other current liabilities	48.2	**54.1**	12.0	**9.3**	4.1	**3.7**	11.8	**6.8**
Total current liabilities	172.5	**194.3**	145.9	**158.1**	12.2	**19.2**	52.4	**36.6**
Total liabilities	420.2	**416.7**	168.8	**177.8**	16.5	**22.9**	59.8	**43.5**
Net assets	209.2	**151.5**	334.2	**247.8**	87.2	**88.9**	84.3	**77.7**
Non-controlling interests			2.6	**1.9**			0.3	**0.2**
Net assets after non-controlling interests	209.2	**151.5**	331.6	**245.9**	87.2	**88.9**	84.0	**77.5**
Group share in %	50.0	**50.0**	39.7	**39.7**	50.0	**50.0**	50.0	**50.0**
Investments in joint ventures	104.6	**75.7**	131.7	**97.7**	43.6	**44.4**	42.0	**38.7**
Goodwill	375.6	**356.9**	59.1	**59.1**	40.3	**35.3**	105.8	**92.1**
Total carrying amount of the interest	480.2	**432.6**	190.8	**156.8**	83.9	**79.7**	147.8	**130.8**
Dividends received	70.6	**98.9**	31.5	**23.9**	38.9	**33.5**	17.4	**9.3**

The Akçansa share is listed on the stock exchange in Istanbul. As at the reporting date, the fair value of shares held by HeidelbergCement amounts to €183.2 million (previous year: 280.8).

HeidelbergCement also holds investments in individually immaterial joint ventures. The summarised financial information for these companies is shown in the following table (HeidelbergCement shareholding).

Summarised financial information for immaterial joint ventures		
€m	2016	2017
Investments in immaterial joint ventures	530.6	**534.9**
Result from continuing operations	58.2	**66.6**
Other comprehensive income	-3.2	**-5.7**
Total comprehensive income	55.0	**60.9**

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

Scheduled amortisation of intangible assets and property, plant and equipment is determined on the basis of the following Group-wide useful lives.

Useful lives

	Years
Standard software	**3**
SAP applications	**3 to 5**
Buildings	**20 to 40**
Technical equipment and machinery	**10 to 30**
Plant and office equipment	**5 to 10**
IT hardware	**4 to 5**

Impairment losses are shown in the additional ordinary expenses.

8 Additional ordinary result

The additional ordinary result includes income and expenses which, although occurring in the course of ordinary business activities, are not reported in result from current operations.

Additional ordinary result

€m	2016	2017
Additional ordinary income		
Gains from the disposal of business units	47.2	**11.8**
Other additional income	35.7	**86.6**
	82.9	**98.4**
Additional ordinary expenses		
Losses from the disposal of business units	-24.7	**-8.6**
Impairment of goodwill	-41.0	
Impairment of other intangible assets and property, plant and equipment	-34.0	**-67.5**
Restructuring expenses	-96.9	**-78.1**
Other additional expenses	-210.7	**-77.1**
	-407.3	**-231.3**
	-324.3	**-132.8**

Additional ordinary income

In 2017, the gains from the disposal of business units were essentially attributable to the disposal of International City for Concrete Ltd. as well as to the divestment of the CaucasusCement Group. In the previous year, the item included income from the revaluation of previously held shares as part of the step acquisition of the Mibau Group.

Other additional income includes income from the reversal of provisions for environmental obligations, claims, and restructuring amounting to €47.2 million, income of €20.3 million from indemnities, income of €14.0 million from the disposal of financial investments, reversal of impairment losses amounting to €2.3 million, and other income not reported in result from current operations. In the 2016 financial year, other additional income included non-recurring income from the foreign exchange revaluation of the US dollar bank deposits of Egyptian subsidiaries amounting to €11.7 million following the floating of the exchange rate of the Egyptian pound in November 2016. Further additional income results from the sale of land as well as other items that are not reported in result from current operations.

Additional ordinary expenses

The losses from the disposal of business units in the 2017 financial year are essentially attributable to the divestment of the subsidiaries Essroc San Juan Inc. and Interlacs S.A.R.L. In the previous year, this item included losses from the deconsolidation of the US companies Hanson Permanente Cement, Inc. and Kaiser Gypsum Company, Inc., as well as two joint ventures.

The impairment of goodwill for the previous year related to the CGU DR Congo. Impairment of other intangible assets and property, plant and equipment were recognised, particularly in connection with shutdowns of locations. The impairment losses were incurred in the Group areas of North America (€44.7 million), Western and Southern Europe (€14.1 million), Asia-Pacific (€5.4 million), and Northern and Eastern Europe-Central Asia (€3.2 million). Impairment losses of €43.4 million were recognised on the value in use and €24.1 million on the fair value less cost to sell.

The restructuring expenses of €78.1 million in the financial year related to the Group areas of Africa-Eastern Mediterranean Basin (€47.0 million), Western and Southern Europe (€27.3 million), Northern and Eastern Europe-Central Asia (€1.5 million), North America (€1.3 million), and Asia-Pacific (€1.0 million); €61.9 million (previous year: 73.1) of these expenses was attributable to the integration of Italcementi.

Other additional expenses include integration costs of €36.4 million associated with the Italcementi acquisition, expenses of €25.6 million connected with litigation risks, expenses of €6.0 million from asset stocktaking, and transaction costs for company acquisitions amounting to €4.4 million, as well as other expenses not reported in result from current operations. In the previous year, this item showed foreign currency losses amounting to €73.3 million from the revaluation of the US dollar liabilities of our Egyptian subsidiaries following the floating of the exchange rate of the Egyptian pound in November 2016. This item also contained transaction costs of €29.1 million from company acquisitions, expenses of €25.0 million in connection with a damage claim, additions to provisions for litigation risks of €23.5 million, as well as impairments of €11.7 million to spare parts, which were carried out in the context of the impairment of property, plant and equipment. In addition, integration costs of €11.4 million associated with the Italcementi acquisition, impairment of a joint venture amounting to €10.8 million, as well as other expenses not reported in result from current operations were shown here.

9 Result from associates

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

Summarised financial information for associates		
€m	2016	2017
Investments in associates	486.9	**502.4**
Result from associates	37.8	**51.6**
Other comprehensive income	2.8	**-9.3**
Total comprehensive income	40.6	**42.3**
Unrecognised share of losses of the period	-0.3	**-0.8**
Unrecognised share of losses cumulated	-6.4	**-6.6**

10 Other financial result

Other financial result		
€m	2016	2017
Interest balance from defined benefit pension plans	-27.5	**-26.5**
Interest effect from the valuation of other provisions	-10.6	**-6.2**
Valuation result of financial derivatives	-23.2	**-6.3**
Miscellaneous other financial result	-30.6	**-34.4**
	-91.9	**-73.4**

Interest rate effects arising from the valuation of other provisions are explained in Note 45. The valuation result of derivative financial instruments essentially stems from the interest component of the foreign currency derivatives.

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11 Income taxes

Income taxes from continuing operations		
€m	2016	2017
Current taxes	-433.3	**-385.6**
Deferred taxes	118.9	**-220.8**
	-314.3	**-606.4**

The decrease of €47.7 million in current taxes is primarily attributable to the decline in results in Indonesia. Adjusted for additional tax payments and tax refunds for previous years, which amounted to €-35.5 million (previous year: -39.0), the current taxes decreased by €44.2 million.

The deferred tax expense of €-220.8 million (previous year: 118.9) results largely from the revaluation of deferred taxes in the USA in connection with the tax reform, which impaired the result with an expense of €-261.8 million.

The deferred tax expense includes expenses of €-96.9 million (previous year: 230.0) due to the recognition and reversal of temporary differences. Deferred tax assets created in previous years for losses carried forward were offset and reduced by €-115.6 million (previous year: -64.2) during the reporting year. The reduction in the deferred tax expense for tax losses not recognised in previous years amounted to €144.5 million in the financial year (previous year: 154.4). As in the previous year, upon recognition of deferred tax assets of €23.6 million (previous year: 23.7) in Italy, which were not covered by deferred tax liabilities, the assessment regarding the recoverability of the losses and interest carried forward within the next five years was considered in accordance with the forecast income and on the basis of the tax planning.

Tax losses carried forward and tax credits for which no deferred tax is recognised amount to €3,517.3 million (previous year: 3,071.1). The losses carried forward both in Germany and abroad have essentially vested, but are not determined separately in all countries by official notice and are therefore partly subject to review by the financial authorities prior to utilisation. In addition, no deferred tax assets were recognised for deductible temporary differences of €346.3 million (previous year: 321.7). Overall, unrecognised deferred tax assets amounted to €926.6 million (previous year: 747.0) in the reporting year.

In the financial year, €-87.3 million (previous year: 12.7) in deferred taxes, resulting primarily from the measurement of pension provisions in accordance with IAS 19, was recognised directly in equity. The lower tax rate in the USA, which was adopted in connection with the tax reform, had a significant impact of €-53.0 million on this figure. In addition, €0.0 million (previous year: -9.5) of current taxes, following the measurement of financial instruments according to IAS 39, was directly recognised in equity. The deferred tax liabilities decreased by €-1.0 million (previous year: 289.8) as a result of changes in the scope of consolidation and were recognised directly in equity. In the previous year, this item was affected in particular by the first-time consolidation of Italcementi.

As laid down in IAS 12, deferred taxes must be recognised on the difference between the share of equity of a subsidiary captured in the consolidated balance sheet and the carrying amount for this subsidiary in the parent company's tax accounts, if realisation is expected (outside basis differences). On the basis of the regulations for the application of IAS 12.39, deferred taxes of €34.7 million (previous year: 46.1) were recognised on planned future dividends. No deferred tax liabilities were recognised for additional outside basis differences from retained earnings of the subsidiaries of HeidelbergCement AG amounting to €8.8 billion (previous year: 8.8), as no further dividend payments are planned. In accordance with the regulations of IAS 12.87, the amount of unrecognised deferred tax liabilities was not computed.

To measure deferred taxes, a combined income tax rate of 29.70 % is applied for the domestic companies. This consists of the statutory corporation tax rate of 15.0 % plus the solidarity surcharge of 5.5 % levied on the corporation tax to be paid, as well as an average trade tax burden of 13.87 %. For 2016, the combined income tax rate was also 29.70 %.

The calculation of the expected income tax expense at the domestic tax rate is carried out using the same combined income tax rate that is used in the calculation of deferred taxes for domestic companies.

The profit before tax of the Group companies based abroad is taxed at the applicable rate in the respective country of residence. The local income tax rates range between 0 % and 41.71 %, thus resulting in corresponding tax rate differentials.

A weighted average tax rate is established by taking the tax rate differentials into account. As in previous years, the increase in this rate in comparison with the earlier period is primarily due to the change in the relative weighting of the companies' results. Due to the tax reform in the USA and the associated reduction of the federal corporate tax rate from 35 % to 21 %, the weighted average tax rate is expected to decrease in the future.

Tax reconciliation of continuing operations

€m	2016	2017
Profit before tax	1,148.3	**1,715.4**
Impairment of goodwill	-41.0	
Profit before tax and impairment of goodwill	1,189.3	**1,715.4**
Expected tax expense at national tax rate of 29.7 % (2016: 29.7 %)	-353.2	**-509.5**
Tax rate differentials	29.4	**46.2**
Expected tax expense at weighted average tax rate of 27.0 % (2016: 27.2 %)	-323.8	**-463.3**
Tax-free earnings (+) and non-deductible expenses (-)	-2.3	**7.7**
Effects from loss carry forwards	90.2	**28.9**
Not recognised deferred tax assets	-53.7	**-36.8**
Tax increase (-), reduction (+) for prior years	-49.2	**-95.4**
Changes in tax rate	21.3	**-46.9**
Others	3.1	**-0.5**
Income taxes	-314.3	**-606.4**

Deferred tax by type of temporary difference

€m	2016	2017
Deferred tax assets		
Fixed assets	38.7	**61.2**
Other assets	40.2	**52.4**
Provisions and liabilities	913.5	**617.4**
Carry forward of unused tax losses and interest, tax credits	1,103.0	**643.2**
Gross amount	2,095.4	**1,374.3**
Netting	-1,195.2	**-856.4**
	900.2	**517.9**
Deferred tax liabilities		
Fixed assets	1,639.6	**1,236.5**
Other assets	-8.6	**18.4**
Provisions and liabilities	206.3	**251.1**
Gross amount	1,837.3	**1,506.1**
Netting	-1,195.2	**-856.4**
	642.1	**649.7**

12 Discontinued operations and disposal groups

Discontinued operations

The result from discontinued operations includes the operations of the Hanson Group that were discontinued in previous years as well as discontinued business activities in Belgium and the USA that were sold in the previous year, having been acquired in connection with the acquisition of Italcementi.

The net income from the business activities in Belgium and the USA that were acquired in connection with the acquisition of Italcementi and discontinued in the previous year amounts to €0.4 million (previous year: 27.1). The result is not broken down further because these business activities already fulfilled the criteria for classification as held for sale as at the acquisition date in order to eliminate competitive concerns related to the acquisition of Italcementi.

The following table shows the composition of the result from discontinued operations of the Hanson Group in previous years.

Net loss from discontinued operations	Discontinued operations of the Hanson Group in previous years	
€m	2016	**2017**
Expenses	-47.7	**-39.6**
Attributable income taxes	17.4	**-10.8**
	-30.3	**-50.4**

The expenses incurred in connection with discontinued operations of the Hanson Group in previous years result essentially from provisions for damages and environmental obligations. Further details on these obligations are provided in Note 45 Other provisions. The attributable income taxes also relate to taxes for previous years. The income tax expense is also connected with the effects of the US tax reform.

Disposal groups

On 15 December 2017, HeidelbergCement announced that it had signed an agreement with H+H International A/S and its subsidiary H+H Deutschland GmbH regarding the sale of the sand-lime brick activities. The sale was completed on 28 February 2018. The sales price amounts to €110.6 million and is subject to the usual post-closing purchase price adjustments. The sale comprises the participations in the indirect subsidiaries Heidelberger Kalksandstein GmbH, KS-QUADRO Bausysteme GmbH, Durmersheim, Germany, and Hunziker Kalksandstein AG, Brugg, Switzerland. Additionally, it includes property belonging to subsidiaries of HeidelbergCement AG. The sand-lime brick business operates eight factories: seven in Germany and one in Switzerland. The disposal groups also include non-current assets of the Western and Southern Europe Group area whose sale within the next twelve months is regarded as highly probable. These assets are measured at their fair value less cost to sell.

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

Assets and liabilities classified as held for sale	
€m	**2017**
Intangible assets	**23.5**
Property, plant and equipment	**61.6**
Other non-current assets	**0.2**
Inventories	**8.8**
Cash and cash equivalents	**0.3**
Other current assets	**5.3**
Assets classified as held for sale	**99.7**
Pension provisions	**0.3**
Other non-current provisions	**0.1**
Non-current liabilities	**1.8**
Current provisions	**0.2**
Current liabilities	**10.5**
Liabilities classified as held for sale	**12.9**
Net assets	**86.8**

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13 Proposed dividend

The Managing Board and Supervisory Board propose the following dividend: €1.90 per share. Based on 198,416,477 no-par value shares entitled to participate in dividends for the 2017 financial year, the amount for dividend payment comes to €376,991,306.

14 Earnings per share

Earnings per share

€m	2016	2017
Profit for the financial year	830.8	**1,058.2**
Non-controlling interests	173.8	**140.5**
Group share of profit	657.0	**917.7**
Number of shares in '000s (weighted average)	193,023	**198,416**
Earnings per share in €	3.40	**4.62**
Net income from continuing operations – attributable to the parent entity	660.2	**968.4**
Earnings per share in € – continuing operations	3.42	**4.88**
Net loss from discontinued operations – attributable to the parent entity	-3.2	**-50.8**
Loss per share in € – discontinued operations	-0.02	**-0.26**

Notes to the statement of cash flows

The consolidated statement of cash flows shows how the Group's cash and cash equivalents changed through inflows and outflows during the reporting year. In accordance with IAS 7 (Statement of Cash Flows), a distinction is made between cash flows from operating, investing, and financing activities. The changes in the relevant balance sheet items cannot be directly derived from the consolidated balance sheet, as they are adjusted for non-cash transactions, such as effects arising from currency translation and changes in the consolidation scope.

The cash flow is calculated as net income from continuing operations adjusted for income taxes, net interest, depreciation, amortisation, impairment losses, and other non-cash items. Cash flows from dividends received from non-consolidated companies, from interest received and paid, and from taxes paid are also recognised. Changes in working capital and utilisation of provisions are taken into account when determining the cash flow from operating activities.

Cash flows from the acquisition or sale of intangible assets as well as property, plant and equipment and financial assets are recognised in the cash flow from investing activities. If these relate to the acquisition or disposal of subsidiaries or other business units (gain or loss of control), the effects on the statement of cash flows are shown in separate items.

The cash flow from financing activities mainly results from changes in capital and dividend payments as well as proceeds from and repayments of bonds and loans. In addition, cash flows from changes in ownership interests in subsidiaries that do not result in a loss of control are classified as financing activities.

The cash flows from foreign Group companies shown in the statement are generally translated into euro using the average annual exchange rates. In contrast, cash and cash equivalents are translated using the exchange rate at year end, as in the consolidated balance sheet. The effects of exchange rate changes on cash and cash equivalents are shown separately.

The significant individual items in the statement of cash flows are explained below.

15 Dividends received

The cash inflow from dividends received relate with €242.3 million (previous year: 173.8) to joint ventures, with €30.2 million (previous year: 12.6) to associates, and with €5.6 million (previous year: 4.6) to other participations.

16 Interest received / Interest paid

The cash inflow from interest received decreased by €21.5 million to €117.0 million (previous year: 138.5). By contrast, interest payments increased by €23.7 million to €553.3 million (previous year: 529.6).

17 Income taxes paid

This item includes payments relating to income taxes amounting to €362.0 million (previous year: 325.9).

18 Elimination of other non-cash items

The other non-cash items include non-cash expenses and income, such as additions to and reversals of provisions, results from participations accounted for using the equity method, non-cash effects from foreign currency translation, as well as impairments and reversals of write-downs of current assets. Furthermore, the results are adjusted for the book profits and losses from fixed asset disposals. The total amount earned from these fixed asset disposals is shown under divestments in investment activities.

19 Changes in operating assets

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

20 Changes in operating liabilities

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

21 Decrease in provisions through cash payments

This item includes the cash outflow of pension provisions and other provisions.

22 Cash flow from discontinued operations

As in the previous year, the cash flow from discontinued operations contains the cash flows associated with the Belgian Italcementi activities as well as North American Italcementi locations that were resold in the previous year to meet the conditions of the competition authorities. The positive cash flow from investing activities of discontinued operations of €10.2 million is attributable to subsequent disposal proceeds. The positive cash inflow in the previous year of €901.4 million was composed of sales proceeds amounting to €961.2 million less disposed cash and cash equivalents and ongoing capital spending in the second half of 2016.

23 Investments (cash outflow)

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

Of the total cash-relevant investments of €1,278.4 million (previous year: 4,038.8), €644.4 million (previous year: 630.1) related to investments to sustain and optimise capacity and €634.0 million (previous year: 3,408.7) to capacity expansions.

Investments in intangible assets and property, plant and equipment amounted to €1,035.4 million (previous year: 1,039.9) and concerned maintenance, optimisation, and environmental protection measures at our production sites, as well as expansion projects in growth markets.

Payments for the acquisition of subsidiaries and other business units amounted to €170.3 million (previous year: 2,983.3); of this figure, €160.1 million was attributable to the business combinations in North America. In the previous year, €2,873.2 million was paid to purchase the shares in Italcementi S.p.A. Further details of the acquisitions can be found on ↗ page 123 f. Cash and cash equivalents amounting to €2.8 million (previous year: 632.2) were acquired in connection with the investments in subsidiaries and other business units.

The investments in financial assets, associates, and joint ventures totalled €72.6 million (previous year: 15.6).

24 Divestments (cash inflow)

The cash inflow from the disposal of subsidiaries and other business units amounted to €42.8 million (previous year: 4.5), of which €20.8 million relates to the sale of 55 % of the shares in CaucasusCement Holding B.V. and €15.2 million relates to the divestments in North America. Detailed explanations on the divestments are provided on ↗ page 129 f.

Proceeds from the disposal of other fixed assets amounting to €390.9 million (previous year: 179.9) include proceeds from the disposal of intangible assets and property, plant and equipment totalling €252.9 million (previous year: 107.3). The remaining payments received of €138.0 million (previous year: 72.6) primarily apply to the disposal of financial assets, associates, and joint ventures, as well as the repayment of loans.

25 Cash from changes in consolidation scope

This line shows the change in cash and cash equivalents in connection with a gain or loss of control over subsidiaries and other business units and with other changes in the consolidation scope.

26 Decrease / increase in ownership interests in subsidiaries

This item shows cash flows from the decrease or increase in ownership interests in subsidiaries that do not lead to a loss of control. The payments made to increase ownership interests in subsidiaries totalled €91.4 million (previous year: 5.9) in the financial year, of which €90.4 million was connected with the acquisition of the remaining shares in Scancem International DA, Oslo, Norway.

27 Proceeds from bond issuance and loans

This item includes the issue of three new bonds with nominal values of €1 billion, €750 million, and €500 million. In the previous year, this item included the issue of three bonds totalling €2.8 billion and of debt certificates amounting to €645 million.

28 Repayment of bonds and loans

This item includes the scheduled repayments of financial liabilities. In 2017, three bonds with nominal values of €1 billion, €500 million, and CHF 150 million were repaid. In addition, debt certificates of €284.5 million were repaid early. In the previous year, this item included the repayment of the €300 million bond and the US$ 750 million bond. A debt certificate of €173.5 million was also repaid.

29 Changes in short-term interest-bearing liabilities

This line shows the balance from proceeds and payments for items with a high turnover rate, large amounts, and short terms from financing activities.

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30 Changes in liabilities arising from financing activities

The following table shows the changes in liabilities arising from financing activities, broken down into cash-relevant and non-cash changes.

Changes in liabilities arising from financing activities

€m	Bonds payable	Bank loans	Other interest-bearing liabilities	Liabilities from finance lease	Non-controlling interests with put options	Derivative financial instruments (net position)	Total
1 January 2017	9,505.4	1,242.4	121.7	21.9	73.8	19.2	**10,984.4**
Cash flow from financing activities	621.6	-658.2	2.9	-4.4		-263.9	**-302.1**
Changes in consolidation scope		-0.8	-0.4	-0.3			**-1.5**
Currency translation	-11.5	-11.0	-7.8	-2.4			**-32.8**
Changes in fair value						264.7	**264.7**
Other changes	-101.2	3.1	-2.7	1.8	-7.6		**-106.7**
31 December 2017	10,014.3	575.4	113.7	16.6	66.2	20.0	**10,806.1**

The cash-relevant change in liabilities arising from financing activities includes cash flows resulting from the proceeds from and repayments of loans, bonds, and short-term interest-bearing liabilities, as well as cash flows from rolling currency derivatives, insofar as they serve to hedge financial liabilities. The total change in interest liabilities is shown in other changes, as interest-related payment flows in the statement of cash flows are allocated to cash flow from operating activities.

31 Cash and cash equivalents

Cash and cash equivalents with a remaining term of less than three months are included. Of this item, €11.4 million (previous year: 8.4) is not available for use by HeidelbergCement. This relates to short-term cash deposits at banks that were placed as security for various business transactions, for example outstanding recultivation payments.

Notes to the balance sheet – assets

32 Intangible assets

Intangible assets			
€m	Goodwill	Other intangible assets	Total
Cost			
1 January 2016	11,735.1	611.4	**12,346.5**
Currency translation	-92.9	11.0	**-81.9**
Change in consolidation scope Italcementi	1,781.0	147.2	**1,928.1**
Change in consolidation scope others	53.2	73.4	**126.5**
Additions		27.8	**27.8**
Disposals		-8.6	**-8.6**
Reclassifications	-4.2	18.8	**14.6**
Reclassifications to current assets		-0.1	**-0.1**
31 December 2016	13,472.1	880.9	**14,353.0**
Amortisation and impairment			
1 January 2016	1,554.4	353.3	**1,907.8**
Currency translation	-58.7	3.6	**-55.1**
Change in consolidation scope Italcementi		-2.7	**-2.7**
Change in consolidation scope others	-0.1	-0.2	**-0.2**
Additions		43.8	**43.8**
Impairment	41.0	2.5	**43.5**
Disposals		-2.8	**-2.8**
Reclassifications	-3.8	10.6	**6.9**
Reclassifications to current assets		-0.1	**-0.1**
31 December 2016	1,532.9	408.1	**1,941.0**
Carrying amount at 31 December 2016	**11,939.1**	**472.9**	**12,412.0**
Cost			
1 January 2017	13,472.1	880.9	**14,353.0**
Currency translation	-948.5	-48.8	**-997.3**
Change in consolidation scope	-16.5	-14.8	**-31.3**
Additions		18.4	**18.4**
Disposals		-47.1	**-47.1**
Reclassifications	26.1	-21.6	**4.6**
Reclassifications to current assets	-33.1	-0.6	**-33.7**
31 December 2017	12,500.1	766.4	**13,266.6**
Amortisation and impairment			
1 January 2017	1,532.9	408.1	**1,941.0**
Currency translation	-83.5	-28.5	**-112.0**
Change in consolidation scope	-55.9	-16.9	**-72.8**
Additions		41.5	**41.5**
Disposals		-2.9	**-2.9**
Reclassifications		1.0	**1.0**
Reclassifications to current assets		-0.3	**-0.3**
31 December 2017	1,393.5	402.0	**1,795.4**
Carrying amount at 31 December 2017	**11,106.6**	**364.5**	**11,471.2**

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Goodwill

Larger individual items of goodwill are connected with the acquisition of the Hanson Group, London, United Kingdom; Italcementi Group, Bergamo, Italy; S.A. Cimenteries CBR, Brussels, Belgium; Lehigh Hanson, Inc., Wilmington, USA; HeidelbergCement Northern Europe AB, Stockholm, Sweden; and ENCI N.V., ʼs-Hertogenbosch, Netherlands. Goodwill comprises acquired market shares and synergy effects that cannot be assigned to any other determinable and separable intangible asset.

Goodwill impairment tests are carried out annually in accordance with IAS 36 (Impairment of Assets). The recoverable amount was determined on the basis of value in use, taking into account the following parameters.

Cash flow estimates extend over a five-year planning period, after which a terminal value is applied. A three-year detailed bottom-up operational plan approved by management forms the basis for these estimates. This is generally complemented by a top-down plan for an additional two years, which incorporates medium-term expectations of the management based on estimates of market volume, market shares, as well as cost and price development. As a general rule, the top-down plan is derived by applying growth rates to the detailed three-year operational plan. A detailed plan is created for all CGUs operating in unstable markets. This applies especially to those markets in which demand for building materials and building products, as well as the price level, have decreased substantially due to current political unrest and economic uncertainties. It is generally assumed that demand and prices in these markets will recover. Overall, a moderate recovery of revenue is expected in Europe. For the CGU UK, a decline in income is anticipated for the coming year, while a significant improvement in the result from current operations is expected for the subsequent planning period. A moderate but sustained rise in demand is anticipated for the other CGUs, with an above-average increase in North America. For Indonesia, a considerable decline in earnings is expected for 2018 due to the intense competition, followed by a recovery in the remainder of the planning period, which will lead to a significant increase in income in the subsequent plan years. The sales volumes derived from the demand are generally based on the assumption of constant market shares. The underlying development of the price level varies by CGU.

Variable costs are assumed to evolve in line with the projected development of sales volumes and prices. As a rule, it is expected that the contribution margin as a percentage of revenue will increase slightly. With increasing sales volumes, this leads to a significant improvement in the operating margin in some cases. Furthermore, it was assumed that the savings achieved through cost reduction programmes, as well as the initiatives to increase prices, would have a positive influence on the CGUs’ operating margins.

The projections for the estimated growth rates of the terminal value are based on country-specific long-term inflation rates.

The WACC rates for the Group were calculated using a two-phase approach, whereby a phase-one WACC rate was used to discount the payment surpluses for the first five years and a phase-two WACC discount rate was applied for the determination of the terminal value. The difference between the two WACC rates merely results from the downward adjustment for the perpetual growth rate in phase two. The credit spread as premium to the risk-free rate was derived from the rating of the homogenous peer group. The peer group is subjected to an annual review and adjusted if necessary.

The following key assumptions were applied in the determination of the recoverable amount based on the value in use for the CGU.

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Assumptions made in the calculation of impairment of goodwill

Group area / CGU[1]	Carrying amount of goodwill in €m		Weighted average cost of capital after taxes[2]		Perpetual growth rate	
	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017
Western and Southern Europe	3,258.2	**3,179.0**	5.3 % - 6.6 %	**5.1 % - 6.3 %**	1.9 % - 2.2 %	**1.9 % - 2.2 %**
Benelux	596.9	**600.1**	5.6 %	**5.4 %**	2.0 %	**2.0 %**
France	670.5	**661.9**	5.9 %	**5.4 %**	2.0 %	**2.0 %**
United Kingdom	1,624.9	**1,560.1**	6.6 %	**6.3 %**	2.2 %	**2.2 %**
Northern and Eastern Europe-Central Asia	875.9	**864.8**	5.5 % - 12.5 %	**5.3 % - 11.6 %**	1.7 % - 5.5 %	**1.7 % - 5.5 %**
Kazakhstan	61.2	**55.0**	12.2 %	**11.6 %**	5.5 %	**5.5 %**
North America	5,724.7	**5,088.5**	7.1 %	**7.2 %**	2.2 %	**2.1 %**
Asia-Pacific	1,595.0	**1,512.7**	4.4 % - 14.6 %	**6.0 % - 11.8 %**	0.8 % - 6.1 %	**2.0 % - 4.3 %**
Australia	1,046.8	**994.7**	7.3 %	**7.4 %**	2.5 %	**2.5 %**
Hong Kong	7.7	**6.7**	7.3 %	**6.9 %**	2.2 %	**2.0 %**
Indonesia	95.7	**90.6**	13.4 %	**11.4 %**	4.1 %	**4.3 %**
Africa-Eastern Mediterranean Basin	451.6	**428.7**	7.4 % - 22.8 %	**6.7 % - 20.9 %**	2.1 % - 8.9 %	**2.1 % - 8.7 %**
Mozambique	15.5	**15.1**	22.8 %	**20.9 %**	4.6 %	**5.4 %**
Group Services	33.7	**32.9**	5.3 %	**5.1 %**	1.9 %	**1.9 %**
Total	11,939.1	**11,106.6**				

1) CGU = Cash-generating unit
2) Stated figure is the phase one WACC, before adjustment for growth. The second phase WACC, used to calculate the terminal value, is equal to the phase one WACC after adjustment for growth.

The goodwill impairment test did not lead to any impairment in 2017. In the previous year, the goodwill in the CGU DR Congo with a carrying amount of €41.0 million was fully impaired, because the carrying amount exceeded the recoverable amount of €113.3 million. The impairment is based on a weighted average cost of capital of 14.9 % and a growth rate of 7.9 %.

For the CGUs France, Kazakhstan, Mozambique, Hong Kong, United Kingdom, Indonesia and Benelux, marginal changes in the sustainable growth rate or in the operational planning as the basis for cash flow estimates or the weighted average cost of capital could cause the carrying amount to exceed the recoverable amount. Management does not rule out such a development. With a reduction of the growth rate by 0.4 percentage points for the CGU France, 0.4 percentage points for the CGU Kazakhstan, 0.4 percentage points for the CGU Mozambique, 0.7 percentage points for the CGU Hong Kong, 1.0 percentage point for the CGU United Kingdom, 1.6 percentage points for the CGU Indonesia, and 1.7 percentage points for the CGU Benelux, the recoverable amount corresponds to the respective carrying amount. With a decline in the planned results (EBIT) for each year of planning as well as in the terminal value of around 2 per cent for the CGU Mozambique and around 10 per cent for the CGU France and CGU Hong Kong, around 11 per cent for the CGU Indonesia and around 15 per cent for the CGU United Kingdom, the recoverable amount and carrying amount are equal. With an increase in the weighted average cost of capital of around 0.2 percentage points for the CGU Kazakhstan and the CGU Mozambique, 0.3 percentage points for the CGU France, 0.6 percentage points for the CGU Hong Kong, 0.7 percentage points for the CGU United Kingdom, and 0.9 percentage points for the CGU Indonesia, the recoverable amount corresponds to the respective carrying amount.

Without the aforementioned changes, the recoverable amount exceeds the carrying amount of the CGU France by €117.4 million, of the CGU Kazakhstan by €8.5 million, of the CGU Mozambique by €0.3 million, of the CGU Hong Kong by €0.8 million, of the CGU United Kingdom by €442.9 million, of the CGU Indonesia by €156.0 million, and of the CGU Benelux by €387.6 million on the reporting date.

With a reduction of 1.8 percentage points in the growth rate, a WACC increase of 1.2 percentage points, or a decline of 18.0 % in the planned result (EBIT) for each year of planning as well as in the terminal value, the recoverable amount for all other CGU continues to lie above the carrying amount.

Other intangible assets

Mining rights, concessions, emission rights acquired as part of the Italcementi acquisition, and software are shown under other intangible assets. Spending on research and development of €141.0 million (previous year: 116.6) was recorded as an expense as it did not fulfil the recognition criteria for intangible assets.

33 Property, plant and equipment

Property, plant and equipment

€m	Land and buildings	Plant and machinery	Other operating equipment	Prepayments and assets under construction	Total
Cost					
1 January 2016	7,625.1	10,613.9	945.4	929.7	**20,114.1**
Currency translation	-64.3	-0.3	-3.4	13.3	**-54.8**
Change in consolidation scope Italcementi	1,896.1	1,866.0	115.8	157.6	**4,035.4**
Change in consolidation scope others	5.1	-55.9	-6.5	-14.4	**-71.6**
Additions	90.9	92.3	25.9	815.0	**1,024.1**
Disposals	-41.3	-177.2	-52.6	-2.1	**-273.3**
Reclassifications	206.9	504.8	61.9	-788.3	**-14.6**
Reclassifications to current assets	-34.8	-1.9	-4.5		**-41.2**
31 December 2016	9,683.6	12,841.5	1,082.0	1,110.9	**24,718.1**
Depreciation and impairment					
1 January 2016	2,627.8	6,941.9	673.2		**10,243.0**
Currency translation	-0.9	8.9	-3.0		**5.0**
Change in consolidation scope Italcementi	3.4	1.6	0.9		**5.9**
Change in consolidation scope others	-29.2	-80.9	-6.1		**-116.2**
Additions	219.4	622.6	69.3		**911.3**
Impairment	10.7	15.5	0.7	4.6	**31.5**
Reversal of impairment	-0.1	-3.5	0.0		**-3.6**
Disposals	-21.5	-159.8	-49.4		**-230.7**
Reclassifications	-4.4	-20.5	18.1		**-6.9**
Reclassifications to current assets	-29.6	-0.6	-4.3		**-34.5**
31 December 2016	2,775.7	7,325.0	699.4	4.6	**10,804.8**
Carrying amount at 31 December 2016	**6,907.8**	**5,516.5**	**382.7**	**1,106.3**	**13,913.3**
Cost					
1 January 2017	9,683.6	12,841.5	1,082.0	1,110.9	**24,718.1**
Currency translation	-553.1	-790.4	-59.0	-82.3	**-1,484.8**
Change in consolidation scope	54.1	-5.4	-33.4	-37.8	**-22.6**
Additions	30.3	68.1	29.2	898.5	**1,026.1**
Disposals	-107.6	-230.5	-40.5	-1.2	**-379.8**
Reclassifications	133.3	573.9	59.7	-771.6	**-4.6**
Disposals	-50.7	-127.4	-11.3	-1.7	**-191.1**
31 December 2016	9,189.8	12,329.9	1,026.7	1,114.8	**23,661.3**
Depreciation and impairment					
1 January 2017	2,775.7	7,325.0	699.4	4.6	**10,804.8**
Currency translation	-130.0	-439.2	-32.6		**-601.7**
Change in consolidation scope	-11.9	-26.4	-17.6		**-55.9**
Additions	258.6	726.5	82.4		**1,067.5**
Impairment	57.8	9.0	0.6		**67.5**
Reversal of impairment	-0.2		-0.1	-2.0	**-2.3**
Disposals	-51.6	-211.9	-39.0		**-302.5**
Reclassifications	4.9	-6.9	1.1		**-1.0**
Reclassifications to current assets	-26.6	-95.9	-6.2		**-128.8**
31 December 2017	2,876.8	7,280.1	688.0	2.6	**10,847.5**
Carrying amount at 31 December 2017	**6,313.0**	**5,049.8**	**338.8**	**1,112.2**	**12,813.8**

Property, plant and equipment includes €24.0 million (previous year: 29.5) of capitalised lease assets, of which €1.1 million (previous year: 0.9) relates to land and buildings, €14.7 million (previous year: 20.8) to plant and machinery, and €8.2 million (previous year: 7.8) to plant and office equipment. The carrying amount of property, plant and equipment pledged as security amounts to €55.3 million (previous year: 302.4). Borrowing costs of €6.6 million (previous year: 3.4) were recognised. The average capitalisation rate applied was 4 % (previous year: 4 %). In the reporting year, impairment losses of €67.5 million were recognised; these are shown in the additional ordinary result and explained in Note 8.

34 Financial investments

This item includes investments in equity instruments acquired on the basis of long-term investment planning.

The fair value of the US companies Hanson Permanente Cement, Inc. and Kaiser Gypsum Company, Inc., which are categorised as financial investments available for sale at fair value, is €169.0 million (previous year: 265.8). In the period, currency-related changes in the fair value of €-28.9 million (previous year: 13.3) were directly recognised in equity. The carrying amount of the financial investments classified as available for sale at cost amounts to €87.1 million (previous year: 117.9).

35 Non-current receivables and derivative financial instruments

The following table shows the composition of the non-current receivables and derivative financial instruments.

Non-current receivables and derivative financial instruments		
€m	2016	**2017**
Loans	79.1	**81.4**
Derivative financial instruments	0.9	**7.1**
Other non-current operating receivables	197.3	**173.4**
Other non-current non-financial receivables	584.0	**655.6**
	861.3	**917.5**

The non-current derivative financial instruments relate to cross-currency interest rate swaps. Because of the separation into current and non-current components, the fair values were shown both on the assets side and on the equity and liabilities side. Additional information on the derivative financial instruments is provided on ↗ page 169 f. Other non-current operating receivables include claims for reimbursement against insurance companies for environmental and third-party liability damages amounting to €99.4 million (previous year: 124.2). The other non-current non-financial receivables primarily include overfunding of pension funds as well as prepaid expenses.

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

Due terms of non-current financial receivables	Loans		Other non-current operating receivables		Total	
€m	2016	**2017**	2016	**2017**	2016	**2017**
Not impaired, not overdue	76.3	**80.4**	194.4	**170.9**	270.7	**251.3**
Not impaired, overdue 1 – 60 days	0.1		0.1	**0.6**	0.2	**0.6**
Not impaired, overdue 61 – 360 days		**0.1**		**0.2**		**0.3**
Not impaired, overdue > 360 days		**0.2**	2.8	**0.1**	2.8	**0.3**
Impaired	2.7	**0.7**		**1.6**	2.7	**2.3**
	79.1	**81.4**	197.3	**173.4**	276.4	**254.8**

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

36 Inventories

In the reporting year, impairments of inventories of €26.2 million (previous year: 28.7) and reversals of impairment losses of €15.3 million (previous year: 15.8) were recognised.

37 Receivables and other assets

The following overview shows the composition of the other current operating receivables.

Other current operating receivables		
€m	2016	2017
Miscellaneous current operating receivables	334.4	**294.3**
Non-financial other assets	216.2	**251.9**
	550.6	**546.2**

The miscellaneous current operating receivables include claims for damages as well as claims for reimbursement against insurance companies for environmental and third-party liability damages amounting to €9.6 million (previous year: 11.2). The carrying amount for the reserve account covering credit losses of pre-financed trade receivables, which is reported in the cash and cash equivalents, amounts to €24.2 million (previous year: 17.8) and substantially represents the maximum exposure to loss from the continuing involvement to the amount of €28.1 million (previous year: 21.3). To ensure legal validity, trade receivables of €21.9 million remained pledged as security. In this context, the balance sheet items interest-bearing receivables with a gross carrying amount of €223.8 million (previous year: 126.2) and other current operating liabilities with a gross carrying amount of €1,592.7 million (previous year: 1,666.3) were netted; netting amount totalled €101.7 million (previous year: 17.8). This results in a net carrying amount of €122.1 million (previous year: 108.4) and €-1,491.0 million (previous year: -1,648.5) respectively. Non-financial other assets essentially include prepaid expenses.

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

Due terms of current financial receivables	Current interest-bearing receivables		Trade receivables		Miscellaneous current operating receivables		Total	
€m	2016	2017	2016	2017	2016	2017	2016	2017
Not impaired, not overdue	107.8	**121.0**	1,173.8	**1,119.2**	320.8	**283.4**	1,602.4	**1,523.6**
Not impaired, overdue 1 – 60 days	0.5	**0.1**	314.5	**375.8**	6.7	**5.6**	321.7	**381.5**
Not impaired, overdue 61 – 360 days	0.1		88.7	**102.7**	4.5	**3.7**	93.3	**106.4**
Not impaired, overdue > 360 days		**1.0**	28.7	**30.2**	1.9	**1.3**	30.6	**32.5**
Impaired			198.9	**169.8**	0.5	**0.3**	199.4	**170.1**
	108.4	**122.1**	1,804.6	**1,797.7**	334.4	**294.3**	2,247.4	**2,214.1**

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

The valuation allowances on trade receivables have developed as follows:

Valuation allowances on trade receivables		
€m	2016	2017
Valuation allowances at 1 January	72.4	**76.8**
Additions	20.8	**32.5**
Reversal and use	-22.5	**-19.5**
Currency translation and other adjustments	6.2	**-1.2**
Valuation allowances at 31 December	76.8	**88.6**

The valuation allowances are essentially based on historical default probabilities and due terms. They primarily relate to specific lump sum allowances.

38 Derivative financial instruments

The current derivatives with positive fair values primarily include foreign exchange swaps of €6.9 million (previous year: 34.4), currency swaps of €0.0 million (previous year: 18.2), cross-currency interest rate swaps of €1.1 million (previous year: 7.2), and currency forwards of €1.4 million (previous year: 0.0). Additional information on the derivative financial instruments is provided on ↗ page 169 f.

Notes to the balance sheet – equity and liabilities

39 Subscribed share capital

As at the reporting date of 31 December 2017, the subscribed share capital amounts to €595,249,431, unchanged from the previous year. It is divided into 198,416,477 shares; the shares are no-par value bearer shares. The pro rata amount of each share is €3.00, which corresponds to a proportionate amount of the subscribed share capital.

Authorised Capital
As at 31 December 2017, there were two authorised capitals: namely, authorisation of the Managing Board and Supervisory Board to increase the capital by issuing new shares in return for cash contributions (Authorised Capital I) and authorisation of the Managing Board and Supervisory Board to increase the capital by issuing new shares in return for contributions in kind (Authorised Capital II). The authorised capitals are summarised below; the complete text of the authorisations can be found in the Articles of Association, which are published on our website **www.heidelbergcement.com under "Company/ Corporate Governance/Articles of Association"**.

Authorised Capital I
The Annual General Meeting held on 7 May 2015 authorised the Managing Board, with the consent of the Supervisory Board, to increase the Company's subscribed share capital by a total amount of up to €225,000,000 by issuing up to 75,000,000 new no-par value bearer shares in total in return for cash contributions on one or more occasions until 6 May 2020 (Authorised Capital I). The shareholders must be granted subscription rights. However, the Managing Board is authorised, in certain cases described in more detail in the authorisation, to exclude the subscription rights of shareholders in order to realise residual amounts, to service option or conversion rights, or to issue shares totalling up to 10 % of the subscribed share capital at a near-market price. As at 31 December 2017, the authorisation to issue new shares in return for cash contributions forming the basis of the Authorised Capital I had not been used.

Authorised Capital II
The Annual General Meeting of 7 May 2015 also authorised the Managing Board, with the consent of the Supervisory Board, to increase the Company's subscribed share capital by a total amount of up to €56,374,941 by issuing up to 18,791,647 new no-par value bearer shares in return for contributions in kind on one or more occasions until 6 May 2020 (Authorised Capital II). The subscription right of shareholders is generally excluded in the case of capital increases in return for contributions in kind. The authorisation governs, in particular, the possibility of excluding the subscription right insofar as the capital increase in return for contributions in kind is performed for the purposes of acquisition of companies, to service option or conversion rights, or in the context of implementing a dividend in kind/dividend option. In exercising this authorisation, the subscribed share capital was increased by €31,500,000 to €595,249,431 by resolution of the Managing Board of 22 June 2016 and with the consent of the Audit Committee, acting in place of the Supervisory Board, of 23 June 2016. 10,500,000 new shares, excluding the subscription rights of shareholders, were issued in the context of acquiring 45 % of all shares in Italcementi S.p.A. from Italmobiliare S.p.A. The implementation of the subscribed share capital increase was recorded in the commercial register on 7 July 2016. The Authorised Capital II decreased to €24,874,941 due to the exercise of the authorisation. Between 1 January 2017 and 31 December 2017, no further use was made of the Authorised Capital II.

Conditional share capital
The conditional share capital described below existed as at 31 December 2017. The Annual General Meeting of 8 May 2013 decided to conditionally increase the subscribed share capital by a further amount of up to €168,000,000, divided into up to 56,000,000 new no-par value bearer shares (Conditional Share Capital 2013). The conditional capital increase serves to back the issuance of option or conversion rights, or option or conversion obligations on HeidelbergCement shares. The conditional capital increase is only carried out insofar as the Managing Board issues warrant or convertible bonds under the authorisation until 7 May 2018 and the bearers of option or conversion rights make use of their rights. Warrant or convertible bonds may also be issued with option or conversion obligations. The shareholders generally have a subscription right to newly issued warrant or convertible bonds. The authorisation governs specific cases in which the Managing Board may exclude the subscription right of shareholders to warrant or convertible bonds. The complete text of the conditional share capital can also be found in the Articles of Association, which are published on our website **www.heidelbergcement.com, under "Company/ Corporate Governance/Articles of Association"**. As at 31 December 2017, the authorisation to issue warrant or convertible bonds forming the basis of the Conditional Share Capital 2013 had not been used.

A corresponding volume limit as well as the deduction clauses ensure that the sum of all exclusions of subscription rights in the two existing Authorised Capitals and the Conditional Share Capital 2013 will not exceed a limit of 20 % of the subscribed share capital existing at the time the authorisation to exclude the subscription right comes into force.

Authorisation to acquire own shares

Furthermore, the authorisation to acquire own shares described below existed as at 31 December 2017. On 4 May 2016, the Annual General Meeting authorised the Company to acquire own shares up to 3 May 2021 once or several times, in whole or partial amounts, up to a total of 10 % of the share capital at the time for any permissible purpose within the scope of the legal restrictions. The authorisation may not be used for the purpose of trading in own shares. At no time may more than 10 % of the respective share capital be attributable to the acquired own shares combined with other shares that the company has already acquired and still possesses. The shares may be acquired via the stock exchange or by way of a public purchase offer or by means of a public call for the submission of offers to sell or by issuing rights to sell shares to the shareholders. The own shares acquired on the basis of the authorisation will be used by selling them via the stock exchange or in another suitable manner, whilst ensuring the equal treatment of shareholders, or for any other purposes permitted by law. Shareholders' subscription rights can be excluded in certain cases. As at 31 December 2017, the authorisation to acquire own shares has not been used and the Company has no own shares as at the reporting date of 31 December 2017.

40 Share premium

The share premium of €6,225.4 million is unchanged from the previous year. It was essentially created from the premium from capital increases.

41 Retained earnings

The following table shows the changes in ownership interests in subsidiaries that do not lead to a change in control.

Changes in ownership interests in subsidiaries

€m	Change in share	Change in revenue reserves	Change in non-controlling interests	Change in equity
Scancem International DA, Oslo, Norway	6.10 %	-53.5	-37.0	**-90.6**
Others		0.3	-1.8	**-1.6**
Total		-53.3	-38.9	**-92.1**

In the financial year, dividends of €317.5 million (€1.60 per share) were paid to shareholders of HeidelbergCement AG.

42 Other components of equity

The decrease of €2,056.1 million in the currency translation reserve is essentially attributable to the devaluation of the US dollar, the British pound, the Indonesian rupiah, and the Australian dollar against the euro.

43 Non-controlling interests

Subsidiaries with material non-controlling interests

PT Indocement Tunggal Prakasa Tbk. ("Indocement"), Jakarta, Indonesia, is the material subsidiary with non-controlling interests in the HeidelbergCement Group. Indocement is a leading Indonesian manufacturer of high-quality cement and special cement products that are sold under the brand name "Tiga Roda". Indocement has several subsidiaries that produce ready-mixed concrete, aggregates, and trass. Non-controlling interests hold 49 % of the capital or voting rights in the Indocement Group, which is included in the Asia-Pacific Group area. The Indocement share is listed on the stock exchange in Jakarta, Indonesia.

Non-controlling interests in the equity of Indocement amount to €761.5 million (previous year: 928.4). The share of non-controlling interests in profit for the financial year totals €62.0 million (previous year: 130.9). In the 2017 financial year, Indocement paid dividends of €116.1 million (previous year: 50.0) to non-controlling interests.

The following tables summarise the key financial information of the Indocement Group excluding goodwill allocated to the CGU.

Statement of comprehensive income	Indocement Group	
€m	2016	2017
Revenue	1,041.1	**953.0**
Depreciation and amortisation	-62.0	**-72.6**
Result from current operations	257.0	**136.2**
Additional ordinary result		**-1.6**
Result from participations	1.2	**0.8**
Earnings before interest and taxes (EBIT)	258.2	**135.4**
Interest income	41.8	**34.3**
Interest expenses	-0.5	**-0.3**
Other financial income and expenses	-3.6	**-6.3**
Profit before tax	295.9	**163.0**
Income taxes	-28.8	**-36.5**
Profit for the financial year	267.1	**126.6**
Other comprehensive income	107.9	**-220.8**
Total comprehensive income	375.0	**-94.2**

Assets and liabilities	Indocement Group	
€m	2016	2017
Intangible assets	1.1	**1.1**
Property, plant and equipment	1,123.4	**1,001.4**
Financial assets	6.7	**5.8**
Other non-current assets	27.5	**17.3**
Non-current assets	1,158.8	**1,025.5**
Cash and cash equivalents	684.7	**510.0**
Other current assets	325.3	**272.4**
Current assets	1,010.0	**782.4**
Total assets	2,168.8	**1,807.9**
Non-current interest-bearing liabilities	2.6	**1.2**
Non-current provisions	51.3	**47.1**
Other non-current liabilities	0.3	**0.3**
Non-current liabilities	54.2	**48.6**
Current interest-bearing liabilities	5.3	**6.0**
Current provisions	6.6	**4.6**
Trade payables	145.8	**138.8**
Other current liabilities	76.2	**69.8**
Current liabilities	234.0	**219.3**
Total liabilities	288.2	**267.9**

44 Pension provisions

Defined contribution plans

The sum of all pension expenses in connection with defined contribution plans amounted to €111.5 million (previous year: 92.8). In the 2017 financial year, the contributions to the social security programmes came to €70.3 million (previous year: 63.9).

Actuarial assumptions

The actuarial assumptions on which the calculations of the defined benefit obligation are based are summarised in the following table (weighted presentation).

Actuarial assumptions

in %	Group	North America	UK	Germany
31 December 2017				
Discount rate	**2.74 %**	3.42 %	2.45 %	1.90 %
Pension increase rate	**2.72 %**	-	2.88 %	1.75 %
Expected increase in health care costs	**5.40 %**	7.00 % - 5.00 %	8.00 %	-
31 December 2016				
Discount rate	**3.00 %**	3.86 %	2.65 %	1.60 %
Pension increase rate	**2.76 %**	-	2.91 %	1.75 %
Expected increase in health care costs	**5.83 %**	7.50 % - 5.00 %	8.00 %	-

The RP-2014 mortality tables published by the Society of Actuaries in 2014 were used in the valuations for the pension plans in the USA. For the Canadian pension plans, the CPM 2014 mortality tables were used. In the United Kingdom, different mortality tables based on the “S1” series have been taken into account. The mortality tables in the United Kingdom, the USA, and Canada have been modified to consider future improvements in life expectancy and in many cases are additionally adjusted based on company-specific experience. In Germany, the 2005 G mortality tables from Prof. Dr. Klaus Heubeck have been applied.

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

The following tables show the obligations from defined benefit pension plans, including other long-term employee benefits plans and plans for health care costs, and their presentation in the balance sheet.

Types of post-employment benefit plans

€m	Group	North America	UK	Germany
31 December 2017				
Defined benefit pension plans	**390.1**	319.2	-560.0	386.8
Plans for health care costs	**264.0**	165.2	2.4	
	654.1	484.4	-557.6	386.8
31 December 2016				
Defined benefit pension plans	**604.7**	401.6	-462.0	418.6
Plans for health care costs	**292.8**	187.2	4.1	
	897.5	588.8	-457.9	418.6

Presentation in the balance sheet

€m	Group	North America	UK	Germany
31 December 2017				
Non-current pension provisions	**1,136.8**	445.8	5.6	366.8
Current pension provisions	**82.6**	38.6	0.4	20.0
Other long-term operating receivables (overfunding of pension schemes)	**-565.3**		-563.6	
	654.1	484.4	-557.6	386.8
31 December 2016				
Non-current pension provisions	**1,284.6**	545.4	10.5	398.3
Current pension provisions	**102.7**	43.4	12.5	20.3
Other long-term operating receivables (overfunding of pension schemes)	**-489.8**		-480.9	
	897.5	588.8	-457.9	418.6

With regard to the overfunded pension plans in the United Kingdom for which a plan asset ceiling has not been applied, the surplus represents an economic benefit for HeidelbergCement in accordance with IAS 19.

In the following, a breakdown of the amounts relating to pension plans is shown exclusively for the three key Group areas and countries North America, the United Kingdom, and Germany. A breakdown of the amounts relating to plans for health care costs is not provided, as the vast majority of the liabilities and expenses are in North America.

Defined benefit obligation and plan assets
In the 2017 financial year, defined benefit obligation of pension plans amounting to €4,476.0 million (previous year: 4,891.2) existed in the Group, which were essentially covered by plan assets. In addition, there were direct agreements of €664.2 million (previous year: 713.6). Obligations in the USA, Belgium, Canada, the United Kingdom, Indonesia, France, Morocco, and Ghana for health care costs of pension recipients amounted to €264.0 million (previous year: 292.8).

The following table shows the financing status of these plans and their presentation in the balance sheet.

Defined benefit obligation and plan assets	Pension plans and plans for health care costs			thereof pension plans		
€m	Pension plans	Plans for health care costs	**Group**	North America	UK	Germany
31 December 2017						
Present value of defined benefit obligation of funded obligations	4,476.0		**4,476.0**	1,401.0	2,820.0	74.7
Fair value of plan assets	-4,769.9		**-4,769.9**	-1,140.6	-3,401.6	-74.7
Recognised limitation acc. to IAS 19.64	19.8		**19.8**	1.8	18.0	
Fair value of plan assets after limitation acc. to IAS 19.64	-4,750.1		**-4,750.1**	-1,138.8	-3,383.6	-74.7
Deficit (+) / surplus (-)	-274.1		**-274.1**	262.2	-563.6	
Present value of defined benefit obligation of unfunded obligations	664.2	264.0	**928.2**	57.0	3.6	386.8
Net defined benefit liability (asset)	390.1	264.0	**654.1**	319.2	-560.0	386.8
31 December 2016						
Present value of defined benefit obligation of funded obligations	4,891.2		**4,891.2**	1,608.5	3,025.0	65.7
Fair value of plan assets	-5,011.7		**-5,011.7**	-1,272.0	-3,500.9	-65.7
Recognised limitation acc. to IAS 19.64	11.6		**11.6**	0.9	10.1	
Fair value of plan assets after limitation acc. to IAS 19.64	-5,000.1		**-5,000.1**	-1,271.1	-3,490.8	-65.7
Deficit (+) / surplus (-)	-108.9		**-108.9**	337.4	-465.8	
Present value of defined benefit obligation of unfunded obligations	713.6	292.8	**1,006.4**	64.2	3.8	418.6
Net defined benefit liability (asset)	604.7	292.8	**897.5**	401.6	-462.0	418.6

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The reconciliation of the net defined benefit liability (asset) was as follows.

Net defined benefit liability (asset)	Pension plans and plans for health care costs			thereof pension plans		
€m	Pension plans	Plans for health care costs	Group	North America	UK	Germany
2017						
Net defined benefit liability (asset) at 1 January	604.7	292.8	**897.5**	401.6	-462.0	418.6
Changes in consolidation scope	-0.2		**-0.2**			
Pension expenses recognised in profit or loss	60.9	10.2	**71.1**	26.3	-7.9	16.9
Remeasurements recognised in other comprehensive income	-121.6	2.8	**-118.8**	-35.7	-81.9	-21.2
Cash flow in the period	-116.3	-17.9	**-134.2**	-26.4	-28.4	-27.5
Disposal groups	-0.3		**-0.3**			
Exchange rate changes	-37.1	-23.9	**-61.0**	-46.6	20.2	
Net defined benefit liability (asset) at 31 December	390.1	264.0	**654.1**	319.2	-560.0	386.8
2016						
Net defined benefit liability (asset) at 1 January	543.3	183.5	**726.8**	282.6	-311.6	415.7
Changes in consolidation scope	140.8	109.5	**250.3**	56.9		1.0
Pension expenses recognised in profit or loss	62.3	9.0	**71.3**	24.3	-6.3	17.3
Remeasurements recognised in other comprehensive income	-24.0	1.6	**-22.4**	50.5	-147.0	55.8
Cash flow in the period	-178.4	-17.3	**-195.7**	-28.4	-46.9	-71.2
Exchange rate changes	60.7	6.5	**67.2**	15.7	50.0	
Net defined benefit liability (asset) at 31 December	604.7	292.8	**897.5**	401.6	-462.0	418.6

Breakdown of defined benefit obligation

The following table shows the defined benefit obligation divided into different member groups.

Defined benefit obligation by member groups	Pension plans and plans for health care costs			thereof pension plans		
€m	Pension plans	Plans for health care costs	Group	North America	UK	Germany
31 December 2017						
Active members	810.8	79.1	**889.9**	311.4	12.7	192.1
Deferred vested members	1,469.9	6.5	**1,476.4**	181.8	1,215.2	36.6
Pensioners	2,859.5	178.4	**3,037.9**	964.9	1,595.7	232.8
Total defined benefit obligation	5,140.2	264.0	**5,404.2**	1,458.1	2,823.6	461.5
31 December 2016						
Active members	909.3	97.0	**1,006.3**	372.7	13.1	199.9
Deferred vested members	1,573.8	7.6	**1,581.4**	220.1	1,288.3	37.3
Pensioners	3,121.7	188.2	**3,309.9**	1,079.9	1,727.3	247.1
Total defined benefit obligation	5,604.8	292.8	**5,897.6**	1,672.7	3,028.7	484.3

Amounts recognised in other comprehensive income

In the 2017 financial year, total actuarial losses from the defined benefit obligation amounting to €47.6 million (previous year: 682.9) have arisen mainly from the decrease in the discount rate on which the actuarial calculation is based. The weighted average discount rate as at the end of the year is 0.3 percentage points lower (previous year: 0.9 percentage points lower) than the weighted discount rate as at the end of the previous year. In the key countries, the discount rate decreased by 0.4 percentage points (North America) and 0.2 percentage points (United Kingdom). In Germany, the discount rate rose by 0.3 percentage points.

The actuarial gains and losses can be broken down into effects from experience adjustments resulting in gains of €3.1 million (previous year: 6.1), effects from changes in demographic assumptions resulting in gains of €58.9 million (previous year: 57.3), essentially attributable to the adjustment of demographic assumptions in the USA and assumptions relating to an improvement in future life expectancy in the United Kingdom, and effects from changes in financial assumptions resulting in losses of €109.6 million (previous year: 746.3). The positive development of plan assets significantly counteracts this effect. In the 2017 financial year, return on plan assets exceeded the interest income by €174.9 million (previous year: 671.9).

Changes in the effect of asset ceiling according to IAS 19.64 resulted in an amount of €-8.5 million (previous year: 33.4).

Development in the income statement

The expenses for retirement benefits for the significant pension and healthcare plans can be summarised as follows.

Development in the income statement	Pension plans and plans for health care costs			thereof pension plans		
€m	Pension plans	Plans for health care costs	Group	North America	UK	Germany
31 December 2017						
Current service cost	36.1	3.6	**39.7**	2.0	2.5	10.4
Administrative expenses (not investment related) paid by the plan	13.5		**13.5**	11.7	1.8	
Net interest, thereof	17.9	8.6	**26.5**	14.5	-12.2	6.5
Interest cost on defined benefit obligation	157.4	8.6	**166.0**	60.4	76.2	7.6
Interest income on plan assets	-139.9		**-139.9**	-45.8	-88.7	-1.1
Interest income on assets ceiling	0.3		**0.3**		0.3	
Past service cost recognised	-5.1	-2.0	**-7.1**	-1.9		
Settlement gains / losses recognised	-1.5		**-1.5**			
Total expenses recognised in profit or loss	60.9	10.2	**71.1**	26.3	-7.9	16.9
31 December 2016						
Current service cost	33.3	2.4	**35.7**	2.6	2.8	8.8
Administrative expenses (not investment related) paid by the plan	13.6		**13.6**	11.3	2.3	
Net interest, thereof	19.0	8.5	**27.5**	12.6	-11.4	8.5
Interest cost on defined benefit obligation	183.5	8.5	**192.0**	61.5	98.2	10.0
Interest income on plan assets	-166.2		**-166.2**	-49.0	-111.1	-1.5
Interest income on assets ceiling	1.7		**1.7**	0.2	1.5	
Past service cost recognised	-2.6	-1.9	**-4.5**	-2.3		
Settlement gains / losses recognised	-1.0		**-1.0**			
Total expenses recognised in profit or loss	62.3	9.0	**71.3**	24.3	-6.3	17.3

Of the total pension expenses from continuing operations of €71.1 million (previous year: 71.3), €44.6 million (previous year: 43.8) are shown in the personnel costs or in other operating expenses, and an amount of €26.5 million (previous year: 27.5) in other financial result.

The actual return on plan assets amounted to €314.8 million (previous year: 824.2).

Sensitivity analysis of defined benefit obligation

Changes in the discount rate, pension increase rate, and life expectancy affect the income statement and the defined benefit obligation of pension plans. The sensitivities to changes in assumptions as shown below are determined by changing one assumption as indicated and keeping all other assumptions constant. In reality, multiple assumptions may change at the same time, and changing one parameter may lead to a change in another parameter.

Sensitivity analysis of defined benefit obligation (pension plans)					
€m		Group	North America	UK	Germany
31 December 2017					
Defined benefit obligation		**5,140.2**	1,458.1	2,823.6	461.5
Discount rate	increase by 1.0 %	**4,491.1**	1,332.1	2,402.8	400.3
	decrease by 1.0 %	**5,953.9**	1,607.6	3,358.5	540.2
Pension increase rate	increase by 0.25 %	**5,245.8**	1,458.1	2,911.3	474.9
	decrease by 0.25 %	**5,035.6**	1,458.1	2,736.2	448.7
Life expectancy	increase by 1 year	**5,351.4**	1,509.7	2,954.7	483.4
	decrease by 1 year	**4,927.5**	1,405.6	2,691.7	439.8
31 December 2016					
Defined benefit obligation		**5,604.8**	1,672.7	3,028.7	484.3
Discount rate	increase by 1.0 %	**4,895.5**	1,529.3	2,569.4	417.9
	decrease by 1.0 %	**6,498.5**	1,843.2	3,617.0	570.4
Pension increase rate	increase by 0.25 %	**5,714.4**	1,672.7	3,119.8	498.7
	decrease by 0.25 %	**5,494.8**	1,672.7	2,936.4	470.6
Life expectancy	increase by 1 year	**5,816.0**	1,730.2	3,151.7	508.1
	decrease by 1 year	**5,393.7**	1,614.2	2,906.4	460.9

Development of defined benefit obligation and plan assets

The following table shows the development of the defined benefit obligation and the plan assets.

Development of defined benefit obligation and plan assets	Pension plans		Plans for health care costs		Total	
€m	2016	2017	2016	2017	2016	2017
Defined benefit obligation at 1 January	5,145.5	**5,604.8**	183.5	**292.8**	5,329.0	**5,897.6**
Change in scope of consolidation	251.8	**-0.2**	109.4		361.2	**-0.2**
Current service cost	33.3	**36.1**	2.4	**3.6**	35.7	**39.7**
Interest cost	183.5	**157.4**	8.5	**8.6**	192.0	**166.0**
Employee contributions	1.7	**1.8**			1.7	**1.8**
Actuarial gains / losses	681.3	**44.8**	1.6	**2.8**	682.9	**47.6**
Benefits paid by the company	-49.7	**-51.7**	-17.3	**-17.9**	-67.0	**-69.6**
Benefits paid by the fund	-280.1	**-304.7**			-280.1	**-304.7**
Taxes and premiums paid	-1.5	**-1.5**			-1.5	**-1.5**
Past service cost	-2.6	**-5.1**	-1.9	**-2.1**	-4.5	**-7.2**
Plan settlements	-1.0	**-2.3**			-1.0	**-2.3**
Disposal groups		**-0.3**				**-0.3**
Exchange rate changes	-357.4	**-338.9**	6.6	**-23.8**	-350.8	**-362.7**
Defined benefit obligation at 31 December	5,604.8	**5,140.2**	292.8	**264.0**	5,897.6	**5,404.2**
Funded obligation	4,891.2	**4,476.0**			4,891.2	**4,476.0**
Unfunded obligation	713.6	**664.2**	292.8	**264.0**	1,006.4	**928.2**
Fair value of plan assets at 1 January	4,650.4	**5,011.7**			4,650.4	**5,011.7**
Change in scope of consolidation	111.0				111.0	
Interest income	166.2	**139.9**			166.2	**139.9**
Return on plan assets (excluding interest income)	671.9	**174.9**			671.9	**174.9**
Administrative expenses (not investment related) paid by the plan	-13.6	**-13.5**			-13.6	**-13.5**
Employer contributions	127.3	**63.1**			127.3	**63.1**
Employee contributions	1.7	**1.8**			1.7	**1.8**
Benefits, taxes and premiums paid	-280.1	**-304.7**			-280.1	**-304.7**
Plan settlements		**-0.8**				**-0.8**
Exchange rate changes	-423.1	**-302.5**			-423.1	**-302.5**
Fair value of plan assets at 31 December	5,011.7	**4,769.9**			5,011.7	**4,769.9**

HeidelbergCement paid €69.6 million (previous year: 67.0) directly to the pension recipients and €63.1 million (previous year: 127.3) as employer contributions to the plan assets. In 2018, HeidelbergCement expects to make pension payments of €57.8 million and employer contributions to the plan assets of €38.3 million. HeidelbergCement AG allocated €51.2 million to a Group contractual trust agreement (CTA) in the 2016 financial year, and an additional €7.8 million in the 2017 financial year, in order to protect pension entitlements from insolvency.

The following table shows the expected benefits paid directly by HeidelbergCement or from the plan assets in the next ten years.

Expected benefit payments	Pension plans and plans for health care costs			thereof pension plans		
€m	Pension plans	Plans for health care costs	Group	North America	UK	Germany
31 December 2017						
in the following year	276.5	18.5	**295.0**	125.1	107.2	20.9
in the current year +2	299.2	17.7	**316.9**	147.4	110.3	20.9
in the current year +3	267.6	17.2	**284.8**	111.8	113.4	21.9
in the current year +4	267.7	16.6	**284.3**	106.1	116.7	21.8
in the current year +5	271.5	16.1	**287.6**	102.4	120.0	21.5
aggregated in the current year +6 through current year +10	1,350.9	72.9	**1,423.8**	447.1	653.7	105.3
Duration (in years)	14.5			9.5	17.5	15.3
31 December 2016						
in the following year	335.6	20.2	**355.8**	167.4	121.6	21.1
in the current year +2	308.2	19.8	**328.0**	135.5	125.1	20.7
in the current year +3	314.5	19.3	**333.8**	129.9	128.7	20.7
in the current year +4	302.3	18.8	**321.1**	123.6	132.4	21.8
in the current year +5	303.2	18.3	**321.5**	117.8	136.2	21.7
aggregated in the current year +6 through current year +10	1,527.7	83.2	**1,610.9**	515.6	742.5	105.2
Duration (in years)	14.5			9.4	17.9	15.9

Breakdown of plan assets

The plan assets originate primarily from North America with 24 % (previous year: 25 %) and the United Kingdom with 71 % (previous year: 70 %). The plan assets can be divided into the following categories:

Breakdown of the plan assets				
€m	Group	North America	UK	Germany
31 December 2017				
Cash and cash equivalents	**238.4**	22.1	165.3	45.7
Equity instruments	**675.9**	222.4	401.3	6.0
Interest rate swaps	**296.3**		296.3	
Other derivatives	**14.7**	14.4	0.2	
Hedge funds	**3.7**			
Nominal government bonds	**1,454.7**	263.7	1,160.8	0.8
Nominal corporate bonds	**778.0**	404.7	356.3	7.8
Index linked bonds	**656.1**		654.7	
Real estate	**124.0**		112.4	
Insurance policies	**138.1**		108.5	
Other	**390.0**	213.3	145.8	14.4
Total	**4,769.9**	1,140.6	3,401.6	74.7
31 December 2016				
Cash and cash equivalents	**217.2**	10.6	155.4	43.5
Equity instruments	**917.7**	333.0	526.5	6.8
Interest rate swaps	**281.3**		281.3	
Other derivatives	**30.7**	24.9	5.8	
Hedge funds	**3.5**			
Nominal government bonds	**1,322.0**	346.6	935.8	0.3
Nominal corporate bonds	**864.6**	508.2	345.9	1.5
Index linked bonds	**783.4**		782.1	
Real estate	**125.9**	2.1	111.4	
Insurance policies	**155.9**		123.8	
Other	**309.5**	46.6	232.9	13.6
Total	**5,011.7**	1,272.0	3,500.9	65.7

The investments in equity instruments can be further divided up as follows:

Division of equity instruments		
in %	2016	2017
North America	56 %	**51 %**
UK	7 %	**10 %**
Europe	15 %	**16 %**
Emerging Markets	7 %	**7 %**
Other	15 %	**16 %**

Certain non-monetary assets are based on appraisals that are not completed until the consolidated financial statements have been adopted by the Managing Board. In those cases, the most recent appraisal values are rolled forward with observed trends in the relevant markets to determine the best estimates at year end. The majority of the Group assets are based directly on quoted market prices for the invested assets or, in the case where investment funds are used, indirectly based on the quoted value of the underlying investments. Exceptions are that in the United Kingdom and Germany, a portion of the assets needs to be estimated as at the end of the year, as detailed asset information is not available or is not available in time until adoption of the consolidated financial statements by the Managing Board (about €124.4 million). In the United Kingdom, these asset values are estimated on the basis of the most current information available. For the German deferred compensation plan, assets are assumed to be equal to the defined benefit obligation, as the benefits are fully funded.

The plan assets do not include any significant own financial instruments, property occupied by, or other assets used by HeidelbergCement.

As at 31 December 2017, the unrecognised assets due to the application of the asset ceiling as per IAS 19.64 amounted to €19.8 million (previous year: 11.6). The changes in the asset in 2017 are divided into interest income of €0.3 million, changes in the asset ceiling to be shown in other comprehensive income of €8.5 million, and exchange rate changes of €-0.6 million.

Multi-employer pension plans
HeidelbergCement participates in multi-employer pension plans (MEPP), predominantly in North America, which award some unionised employees fixed benefits after their retirement. These multi-employer pension plans are accounted for as defined contribution plans, as it is not possible to isolate the individual company components for these plans. The contributions are determined on the basis of collective bargaining. Contributions of €10.7 million (previous year: 15.4) were paid in 2017. The funding status of these pension plans could be affected by adverse developments in the capital markets due to demographic changes and increases in pension benefits. If one of the participating companies no longer pays contributions into the multi-employer pension plan, all other parties concerned will be held liable for the obligations that have not been covered. For 2018, contributions of €11.6 million are expected in North America. The withdrawal liability of these plans as at 31 December 2017 would amount to €94.5 million (previous year: 107.4), should HeidelbergCement decide to withdraw. HeidelbergCement has provisions of €19.7 million (previous year: 34.7) for these liabilities, which are shown under miscellaneous other provisions.

45 Other provisions

The following table explains the development of other provisions.

Provisions

€m	Provisions for damages and environmental obligations	Other environmental provisions	Miscellaneous other provisions	Total
1 January 2017	343.3	489.0	889.5	**1,721.8**
Changes in consolidation scope		20.6	1.8	**22.4**
Currency translation	-33.7	-34.6	-45.3	**-113.6**
Reclassification		-13.0	-13.5	**-26.5**
Utilisation	-33.4	-34.1	-160.0	**-227.5**
Release		-53.4	-118.2	**-171.6**
Offset	-11.2	-0.1	-39.5	**-50.8**
Addition	42.0	50.4	170.2	**262.6**
31 December 2017	307.0	424.8	685.0	**1,416.8**

The changes to the scope of consolidation of other environmental provisions and miscellaneous other provisions are essentially attributable to the acquisition of the building materials business line of Cemex in the northwest of the USA and the business operations of the Saunders Companies in the US state of New York. The offsetting line includes the offsetting of obligations against the corresponding claims for reimbursement and the offsetting of obligations in kind against other assets, particularly from emission rights.

The maturities of the provisions can be broken down as follows:

Maturities

€m	Provisions for damages and environmental obligations	Other environmental provisions	Miscellaneous other provisions	Total
Maturity ≤ 1 year	33.7	36.4	142.7	**212.8**
Maturity > 1 year ≤ 5 years	163.2	174.9	486.3	**824.4**
Maturity > 5 years	110.1	213.5	56.0	**379.6**
	307.0	424.8	685.0	**1,416.8**

Provisions for damages and environmental obligations
Provisions for damages and environmental obligations result from discontinued operations that were transferred to the HeidelbergCement Group as part of the takeover of the Hanson Group in 2007. The obligations are therefore not linked to the continuing operations of the HeidelbergCement Group.

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The provisions for damages concern legal proceedings before US courts. The claims relate to health problems allegedly caused by the sale of products containing asbestos. The provisions to be formed are measured at the present value of the expected expenses, using reliable estimates of the development of costs for the next fifteen years. The environmental liability claims pertain to remediation obligations in connection with the sale of chemical products by a former Hanson participation.

The provisions are offset by claims for reimbursement against environmental and third-party liability insurers. As at 31 December 2017, the claims amount to €109.0 million (previous year: 135.4), of which €99.4 million (previous year: 124.2) is recorded under other non-current operating receivables and €9.6 million (previous year: 11.2) under other current operating receivables.

Other environmental provisions
The other environmental provisions include recultivation, environmental, and asset retirement obligations.

Recultivation obligations relate to legal and constructive obligations to backfill and restore raw material quarrying sites. The provisions recognised for these obligations are measured in accordance with the extraction progress on the basis of the best cost estimate for fulfilling the obligation. As at the reporting date, these provisions amounted to €297.9 million (previous year: 289.2).

Provisions for environmental obligations are recognised on the basis of contractual or official regulations and essentially include expenses connected with the cleaning up of contaminated areas and the remediation of extraction damages. The provisions are measured at the present value of the expected expenses. These provisions amount to a total of €60.3 million (previous year: 126.4).

The provisions for asset retirement obligations pertain to obligations arising in connection with the removal of installations (e.g. conveying systems at rented locations), so that a location can be restored to its contractually agreed or legally defined state after the end of its useful life. As at the reporting date, provisions for asset retirement obligations of €66.6 million (previous year: 73.4) had been recognised.

Miscellaneous other provisions
Miscellaneous other provisions exist in particular for restructuring obligations, other litigation risks, compensation obligations, and obligations to personnel.

The provisions for restructuring obligations concern expenses for various optimisation programmes, such as the closure of plants or relocation of activities. Provisions of €129.8 million (previous year: 161.8) had been recognised for this purpose as at the reporting date.

Because of pending legal action against the Group, provisions for litigation risks, including those relating to pending antitrust proceedings, amounting to €215.4 million (previous year: 228.7) were recognised in the balance sheet. These obligations are assessed as most likely, provided that other estimates do not lead to a fairer evaluation as a result of specific probability distributions.

Provisions for compensation obligations relate to the Group's obligations arising from occupational accidents. As at the reporting date, provisions of €71.5 million (previous year: 94.9) had been formed for this purpose.

Obligations to personnel include the provision for the long-term bonus plan (management and capital market component) of €61.4 million (previous year: 76.8), as well as provisions for multi-employer pension plans amounting to €19.7 million (previous year: 34.7).

Further provisions were additionally recognised for a variety of minor issues.

Impact of interest rate effects
Provisions are measured at their present value, which is determined using a pre-tax interest rate. For this purpose, HeidelbergCement uses the risk-free interest rate of government bonds from the respective countries, taking into account the relevant term. The risks specific to the liability are taken into account in the estimate of future cash outflows.

Interest rate effects of €7.9 million for provisions for damages and environmental obligations are included in the expenses from discontinued operations. Changes in the interest rate of €0.2 million and compounding of €6.0 million led to an increase in miscellaneous other provisions.

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46 Liabilities

The following table shows the composition of the interest-bearing liabilities.

Interest-bearing liabilities		
€m	2016	2017
Bonds payable	9,505.4	**10,014.3**
Bank loans	1,242.4	**575.4**
Other interest-bearing liabilities		
Miscellaneous interest-bearing liabilities	121.7	**113.7**
Liabilities from finance lease	21.9	**16.6**
Derivative financial instruments	85.3	**37.8**
Non-controlling interests with put options	73.8	**66.2**
	11,050.5	**10,824.0**

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

Maturities of interest-bearing liabilities				
€m	< 1 year	1 – 5 years	> 5 years	Total
31 December 2017				
Bonds payable	1,668.4	4,123.4	4,222.5	**10,014.3**
Bank loans	116.0	448.7	10.7	**575.4**
Miscellaneous interest-bearing liabilities	67.6	23.5	22.6	**113.7**
Liabilities from finance lease	8.6	8.0		**16.6**
Derivative financial instruments	34.8	3.0		**37.8**
Non-controlling interests with put options	47.7	18.5		**66.2**
	1,943.1	4,625.1	4,255.8	**10,824.0**
31 December 2016				
Bonds payable	1,853.5	4,916.5	2,735.4	**9,505.4**
Bank loans	457.1	110.2	675.1	**1,242.4**
Miscellaneous interest-bearing liabilities	78.5	24.7	18.5	**121.7**
Liabilities from finance lease	9.9	12.0		**21.9**
Derivative financial instruments	77.8	7.5		**85.3**
Non-controlling interests with put options	51.3	22.5		**73.8**
	2,528.1	5,093.4	3,429.0	**11,050.5**

The following table shows the reconciliation of the total future minimum lease payments with their present value for finance lease liabilities.

Minimum lease payments of finance leases			
€m	< 1 year	1 – 5 years	Total
31 December 2017			
Present value of future minimum lease payments	8.6	8.0	**16.6**
Interest of future minimum lease payments	0.5	0.2	**0.7**
Future minimum lease payments	9.1	8.2	**17.3**
31 December 2016			
Present value of future minimum lease payments	9.9	12.0	**21.9**
Interest of future minimum lease payments	0.5	0.7	**1.2**
Future minimum lease payments	10.4	12.7	**23.1**

Further information on interest-bearing liabilities can be found in the Group financial management section of the Group management report on ↗ page 45 f. Explanations on the derivative financial instruments are provided on ↗ page 169 f.

Additional disclosures on financial instruments

The following table assigns the individual balance sheet items for the financial instruments to classes and measurement categories of IAS 39. In addition, the aggregate carrying amounts for each measurement category and the fair values for each class are depicted.

Carrying amounts, measurement and fair values by measurement categories

€m	Category of IAS 39 [1]	Amortised cost	Cost	Fair value with P/L effect	Fair value without P/L effect	Carrying amount	Fair value
31 December 2017							
Assets							
Financial investments – available for sale at cost	AfS		87.1			**87.1**	
Financial investments – available for sale at fair value	AfS				179.3	**179.3**	**179.3**
Loans and other interest-bearing receivables	LaR	203.5				**203.5**	**208.6**
Trade receivables and other operating receivables	LaR	2,265.4				**2,265.4**	**2,265.4**
Cash and cash equivalents	LaR	2,108.6				**2,108.6**	**2,108.6**
Derivatives – hedge accounting	Hedge				1.7	**1.7**	**1.7**
Derivatives – held for trading	HfT			15.0		**15.0**	**15.0**
Liabilities							
Bonds payable, bank loans, and miscellaneous financial liabilities	FLAC	10,703.3				**10,703.3**	**11,324.6**
Trade payables, liabilities relating to personnel, and miscellaneous operating liabilities	FLAC	3,675.3				**3,675.3**	**3,675.3**
Liabilities from finance lease	FLAC	16.6				**16.6**	**16.6**
Derivatives – hedge accounting	Hedge				0.0	**0.0**	**0.0**
Derivatives – held for trading	HfT			37.8		**37.8**	**37.8**
Non-controlling interests with put options	FLAC	66.2				**66.2**	**66.2**
31 December 2016							
Assets							
Financial investments – available for sale at cost	AfS		117.9			**117.9**	
Financial investments – available for sale at fair value	AfS				285.2	**285.2**	**285.2**
Loans and other interest-bearing receivables	LaR	187.5				**187.5**	**193.7**
Trade receivables and other operating receivables	LaR	2,336.3				**2,336.3**	**2,336.3**
Cash and cash equivalents	LaR	1,972.3				**1,972.3**	**1,972.3**
Derivatives – hedge accounting	Hedge				18.3	**18.3**	**18.3**
Derivatives – held for trading	HfT			42.5		**42.5**	**42.5**
Liabilities							
Bonds payable, bank loans, and miscellaneous financial liabilities	FLAC	10,869.5				**10,869.5**	**11,645.6**
Trade payables, liabilities relating to personnel, and miscellaneous operating liabilities	FLAC	3,848.2				**3,848.2**	**3,848.2**
Liabilities from finance lease	FLAC	21.9				**21.9**	**21.9**
Derivatives – hedge accounting	Hedge				0.3	**0.3**	**0.3**
Derivatives – held for trading	HfT			85.0		**85.0**	**85.0**
Non-controlling interests with put options	FLAC	73.8				**73.8**	**73.8**

1) AfS: Available for sale, LaR: Loans and receivables, Hedge: Hedge accounting, HfT: Held for trading, FLAC: Financial liabilities at amortised cost

Financial investments available for sale at cost are equity investments measured at cost, for which no listed price on an active market exists and whose fair value cannot be reliably determined. Therefore, no fair value is indicated for these instruments.

The financial investments available for sale at fair value include the fair values of the US participations Hanson Permanente Cement, Inc. and Kaiser Gypsum Company, Inc. Additional information on the definition of the fair values can be found on

↗ page 130 f. under Divestments in the previous year. Furthermore, financial investments amounting to €10.3 million (previous year: 19.4) for which the fair value was determined using the stock market price at the reporting date are recognised here. These financial investments were deposited as security for existing and future reinsurance services.

Derivative financial instruments, both those designated as hedging instruments and those held for trading, are measured at fair value. For these items, the fair value always corresponds to the carrying amount.

The fair values of the non-current loans, other non-current operating receivables, bank loans, finance lease liabilities, and other non-current interest-bearing and operating liabilities correspond to the present values of the future payments, taking into account the current interest parameters. The trade payables, liabilities relating to personnel, and miscellaneous operating liabilities category cannot be immediately reconciled with the related balance sheet items, as these contain not only financial liabilities but also prepaid expenses and non-financial liabilities of €261.7 million (previous year: 232.4).

The fair values of the listed bonds correspond to the nominal values multiplied by the price quotations at the reporting date.

For the financial instruments with short-term maturities, the carrying amounts on the reporting date represent appropriate estimates of the fair values.

The following table shows the fair value hierarchy for the assets and liabilities that are measured at fair value in the balance sheet.

Fair value hierarchy	31 December 2016			31 December 2017		
€m	Level 1	Level 2	Level 3	**Level 1**	**Level 2**	**Level 3**
Assets						
Financial investments – available for sale at fair value	19.4		265.8	**10.3**		**169.0**
Derivatives – hedge accounting		18.3			**1.7**	
Derivatives – held for trading		42.5			**15.0**	
Liabilities						
Derivatives – hedge accounting		0.3			**0.0**	
Derivatives – held for trading		85.0			**37.8**	

The following table shows the fair value hierarchy for the assets and liabilities that are not measured at fair value in the balance sheet, but whose fair value is reported.

Fair value hierarchy	31 December 2016			31 December 2017		
€m	Level 1	Level 2	Level 3	**Level 1**	**Level 2**	**Level 3**
Assets						
Loans and other interest-bearing receivables		193.7			**208.6**	
Trade receivables and other operating receivables		2,336.3			**2,265.4**	
Cash and cash equivalents	1,972.3			**2,108.6**		
Liabilities						
Bonds payable, bank loans, and miscellaneous financial liabilities	10,013.7	1,632.0		**10,424.3**	**900.3**	
Trade payables, liabilities relating to personnel, and miscellaneous operating liabilities		3,848.2			**3,675.3**	
Liabilities from finance lease		21.9			**16.6**	
Non-controlling interests with put options			73.8			**66.2**

For level 1, the fair value is calculated using prices quoted on an active market (unadjusted) for identical assets or liabilities to which HeidelbergCement has access on the reporting date. For level 2, the fair value is determined using a discounted cash flow model on the basis of input data that does not involve quoted prices classified in level 1, and which is directly or indirectly observable. The fair values of level 3 are calculated using measurement models that include factors that cannot be observed on the active market.

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Non-controlling interests with put options in level 3 are liabilities that relate to put options resulting from tender rights of non-controlling interests. The calculation of the fair value is based on the respective contractual agreements for paying off the non-controlling interests in the event of a tender. These usually provide an approximation of the proportionate value of the company based on company-specific variables and multipliers. If the tender is only possible at a later point in time, the payoff amount is discounted using an appropriate market interest rate. For the German partnerships, the fair value is calculated using a discounted cash flow model. In this respect, the cash flows based on the companies' underlying plans were discounted with a risk-adjusted discount rate (WACC).

The assessment as to whether financial assets and liabilities that are accounted for at fair value are to be transferred between the levels of the fair value hierarchy will take place at the end of each reporting period. No reclassifications were carried out in the reporting period.

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

Net gains or losses

€m	2016	2017
Loans and receivables	66.4	**168.5**
Financial investments – available for sale	8.6	**-31.1**
Financial instruments – held for trading	-114.8	**-263.0**
Financial liabilities at amortised cost	-69.0	**39.9**
	-108.8	**-85.7**

The net result from loans and receivables includes impairment losses as well as reversals of impairment losses of €-29.6 million (previous year: -12.9) and currency effects of €198.1 million (previous year: 79.3). The measurement of the financial investments available for sale at fair value produced a result of €-28.9 million (previous year: 13.3) recognised in equity. This amount includes currency losses of €-29.0 million (previous year: currency gains of 13.3). The net result of financial investments available for sale at cost includes impairment losses of €-4.1 million (previous year: -4.7) and gains from the disposal with a carrying amount of €17.2 million amounting to €1.9 million.

The net result from the subsequent measurement of the financial instruments held for trading includes currency and interest effects. For interest-bearing liabilities carried at amortised costs, the net result primarily includes effects from currency translation of €39.9 million (previous year: -69.0).

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

Total interest income and expense

€m	2016	2017
Total interest income	66.0	**56.6**
Total interest expense	-450.8	**-361.0**
	-384.8	**-304.4**

The impairment losses of financial assets by class is depicted in the following table.

Impairment losses

€m	2016	2017
Financial investments – available for sale at cost	-4.7	**-4.1**
Loans and other interest-bearing receivables		**-2.1**
Trade receivables and other operating receivables	-23.0	**-38.5**
	-27.7	**-44.7**

Derivative financial instruments

The following table shows the nominal values and fair values of the derivative financial instruments.

Derivative financial instruments	31 December 2016		31 December 2017	
€m	Nominal value	Fair value [2]	Nominal value	Fair value [2]
Assets				
Cash flow hedges				
Currency forwards			**44.2**	**1.4**
Foreign exchange swaps			**3.0**	**0.0**
Currency swaps	139.9	18.2		
Commodity derivatives	1.1	0.1	**0.9**	**0.3**
Hedges of a net investment				
Foreign exchange swaps	4.8	0.0		
Derivatives held for trading				
Currency forwards	9.7	0.1	**1.5**	**0.0**
Foreign exchange swaps	2,777.2	34.3	**832.6**	**6.8**
Cross-currency interest rate swaps [1]	33.3	8.1	**90.8**	**8.2**
	2,966.0	60.8	**973.0**	**16.7**
Liabilities				
Cash flow hedges				
Commodity derivatives	2.9	0.3	**5.2**	**0.0**
Derivatives held for trading				
Currency forwards	11.2	0.1	**33.9**	**0.6**
Foreign exchange swaps	2,147.2	71.7	**3,470.4**	**26.2**
Cross-currency interest rate swaps [1]	65.2	12.9	**43.8**	**11.0**
Commodity derivatives	2.2	0.2	**3.9**	**0.0**
	2,228.7	85.3	**3,557.2**	**37.8**

1) The nominal values of €90.8 million (previous year: 33.3) relate to cross-currency interest rate swaps with positive fair values of €3.9 million (previous year: 7.2), which are shown on the asset side in the amount of €8.2 million (previous year: 7.2) and on the liability side in the amount of €-4.3 million (previous year: 0.0) because of separation into long-term and short-term components of the swaps. The nominal values of €43.8 million (previous year: 65.2) refer to cross-currency interest rate swaps with negative fair values of €-6.7 million (previous year: -12.0), which are shown on the asset side in the amount of €0.0 million (previous year: 0.9) and on the liability side in the amount of €-6.7 million (previous year: -12.9) because of separation into long-term and short-term components of the swaps.

2) The fair value specified with €0.0 million is less than €50,000.

Cash flow hedges

The currency swap that matured in 2017 hedged the currency risk of the fixed interest-bearing CHF 150 million bond. During the reporting period, €-18.3 million (previous year: 1.9) was recognised directly in equity through other comprehensive income and €18.3 million (previous year: -2.2) was released to profit or loss. The accrued interest of €0.0 million (previous year: -0.1) included in the fair value was recognised in profit or loss in the interest result.

The commodity derivatives of €0.3 million (previous year: -0.2) open at the reporting date hedge future electricity and gas oil prices and mature in the course of 2018. In the reporting year, valuation effects of €1.0 million (previous year: -0.1) were recognised directly in equity through other comprehensive income. Effects of €-0.5 million (previous year: -0.5) included in equity were reclassified to profit or loss.

The contractually set future payments in foreign currency resulting from long-term investment projects which mature in 2018 and 2019 are hedged by appropriate cash holdings in foreign currencies, currency forwards, and foreign exchange swaps. During the reporting period, currency effects and changes in the fair value of derivatives amounting to €2.4 million (previous year: -0.4) were recognised directly in equity through other comprehensive income. In the context of the payment of instalments during the reporting period, €-0.4 million (previous year: -0.3) of the amount recognised in the other comprehensive income was reclassified directly from other comprehensive income to assets under construction. The accrued interest of €-0.4 million included in the fair value of the currency forwards and foreign exchange swaps was recognised in profit or loss in the other financial result.

There is no significant ineffectiveness in the cash flow hedges.

The derivatives contracted by HeidelbergCement are sometimes subject to legally enforceable netting agreements (ISDA Agreement or German Master Agreement for Financial Derivatives), which, however, do not permit netting of receivables and liabilities in the balance sheet in accordance with IAS 32.42. The right to offset only exists in the case of delayed payment or if a contracting party becomes insolvent. The presentation in the balance sheet is therefore shown on a gross basis. As at the reporting date, derivatives with a positive carrying amount of €16.7 million (previous year: 60.8) and corresponding derivatives with a negative carrying amount of €-37.8 million (previous year: -85.3) were subject to netting agreements. Taking these agreements into consideration, a calculated netting amount of €13.2 million (previous year: 25.3) would result at the reporting date. Accordingly, the derivatives would have positive net carrying amounts of €3.6 million (previous year: 35.5) and negative net carrying amounts of €-24.7 million (previous year: -60.0).

Risks from financial instruments
With regard to its assets, liabilities, firm commitments, and planned transactions, HeidelbergCement is particularly exposed to risks arising from changes in foreign exchange rates, interest rates, and market and stock market prices. These market price risks might have a negative impact on the financial position and performance of the Group. The Group manages these risks primarily as part of its ongoing business and financing activities and, when required, by using derivative financial instruments. The main aspects of the financial policy are determined by the Managing Board.

The Group Treasury department is responsible for the implementation of the financial policy and ongoing risk management. The Group Treasury department acts on the basis of existing guidelines, which bindingly determine the decision criteria, competences, responsibilities, and processes for managing the financial risks.

Certain transactions also require the prior approval of the Managing Board. The Group Treasury department informs the Managing Board on an ongoing basis about the amount and scope of the current risk exposure and current market developments on the global financial markets. The Group Internal Audit department monitors the observance of the guidelines mentioned above and the corresponding legal framework by means of targeted auditing.

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

Credit rating
The rating agencies Moody's, Standard & Poor's, and Fitch Ratings assess the creditworthiness of HeidelbergCement as Baa3/P-3 (Outlook Stable), BBB-/A-3 (Outlook Stable), and BBB-/F3 (Outlook Stable) as at the end of 2017. Any potential downgrading of the ratings awarded by the rating agencies could have a negative impact on HeidelbergCement's cost of capital and refinancing options.

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

Trade receivables
Trade receivables result mainly from the sale of cement, concrete, and aggregates. In operating activities, the outstanding debts are monitored on an ongoing basis. Default risks are taken into account by means of specific valuation allowances and specific lump sum allowances. The maximum risk position from 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 held-for-trading category.

However, from a commercial perspective, the changes in the fair values of these instruments represent an economically effective hedge within the context of the Group strategy. The maximum credit risk of this item corresponds to the fair value of the derivative financial instruments that have a positive fair value and are shown as financial assets at the reporting date. In order to reduce default risks, the hedging transactions are generally concluded only with leading financial institutions that have a first-class credit rating. The contracting parties enjoy very good credit ratings, awarded by external rating agencies such as Moody's, Standard & Poor's, or Fitch Ratings. There are currently no past-due derivative financial instruments in the portfolio.

Liquidity risk

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

As at the end of the year, HeidelbergCement still has as yet undrawn, confirmed credit lines of €2.7 billion available in order to secure liquidity, in addition to available cash and cash equivalents. An open-ended framework agreement for the issue of short-term bearer bonds (commercial papers) of €1.5 billion is available to cover short-term liquidity peaks. Within the context of the programme, individual tranches with different terms will be issued at different times depending on the market situation. As at the end of 2017, none of the commercial papers issued by HeidelbergCement AG were outstanding. Further information on liquidity risks can be found in the Management Report, Risk and opportunity report chapter on ↗ page 76 f.

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

The maturity overview below shows how the cash flows of the liabilities as at 31 December 2017 affect the Group's liquidity position. The overview describes the progress of the following:

- Undiscounted repayments and interest payments for bonds payable
- Undiscounted liabilities and interest payments to banks
- Undiscounted other liabilities
- Undiscounted contractually agreed payments for derivative financial instruments, as a total for the year.

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

Cash flows of interest-bearing liabilities and derivative financial instruments

€m	Carrying amount 31 Dec. 2017	Cash flows 2018	Cash flows 2019	Cash flows 2020	Cash flows 2021	Cash flows 2022-2027
Bonds payable	**10,014.3**	1,846.2	1,258.2	1,976.3	1,348.1	4,531.9
Bank loans	**575.4**	127.0	33.1	30.5	29.9	404.7
Miscellaneous interest-bearing liabilities	**113.7**	73.1	23.3	1.4	1.9	36.2
Derivatives with positive fair value						
Cash flow hedges	**1.7**	45.4	1.5			
Derivatives held for trading	**15.0**	860.1	5.4	5.4	36.7	34.0
Derivatives with negative fair value						
Cash flow hedges	**0.0**	5.2				
Derivatives held for trading	**37.8**	3,530.4	20.8	19.3	17.1	

Cash flows of interest-bearing liabilities and derivative financial instruments						
€m	Carrying amount 31 Dec. 2016	Cash flows 2017	Cash flows 2018	Cash flows 2019	Cash flows 2020	Cash flows 2021-2026
Bonds payable	**9,505.4**	2,044.0	1,818.3	1,230.6	1,948.9	3,476.2
Bank loans	**1,242.4**	470.0	64.6	37.2	35.5	726.9
Miscellaneous interest-bearing liabilities	**121.7**	86.3	24.0	1.5	1.5	31.0
Derivatives with positive fair value						
Cash flow hedges	**18.3**	133.6				
Hedges of a net investment	**0.0**	4.8				
Derivatives held for trading	**42.5**	2,807.2				
Derivatives with negative fair value						
Cash flow hedges	**0.3**	2.9				
Derivatives held for trading	**85.0**	2,240.4	27.6	22.3	20.7	18.4

The inflow of liquidity amounting to €140.3 million (previous year: 252.1) from cross-currency interest rate swaps and €4,384.3 million (previous year: 4,971.4) arising from current foreign exchange transactions and other derivatives have not been taken into account in the table.

The undiscounted contractual cash flows of the finance lease liabilities are shown in a separate table on ↗ page 165.

Interest rate risk

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

If the market interest rate level across all currencies had been 100 basis points higher (lower) on 31 December 2017, the net interest cost of the HeidelbergCement Group taking into account the variable interest-bearing assets and liabilities would have fallen (risen) by €8.8 million (previous year: 3.9).

Currency risk

HeidelbergCement's currency risk results from its investing, financing, and operating activities. Risks from foreign currencies are generally hedged, insofar as they affect the Group's cash flow. Currency forwards and foreign exchange swaps are used in the elimination of existing currency risks.

Through the in-house banking activities of HeidelbergCement AG, the borrowing and investment of liquidity of the subsidiaries leads to currency positions that are generally hedged by means of external foreign exchange swap transactions, which are appropriate in terms of maturities and amounts. Consequently, currency fluctuations in connection with the in-house banking activities usually have no impact on profit or loss or equity. Unhedged items only exist in isolated cases, such as where currencies are not convertible.

The following table shows the hypothetical impact on the financial result assuming a 10 % increase or decrease in the value of the foreign currency against the respective functional currency, whereby the positive values represent revenue and the negative values an expense in the income statement.

Sensitivity analysis of currency risk	Increase in the value of the foreign currency by 10%		Decrease in the value of the foreign currency by 10%	
€m	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017
EGP/EUR	2.0	**1.9**	-2.0	**-1.9**
EUR/USD	1.7	**1.7**	-1.7	**-1.7**
EUR/NOK	-5.6	**-1.9**	5.6	**1.9**
USD/GEL	-10.0		10.0	
USD/GHS	0.9	**0.7**	-0.9	**-0.7**
USD/KZT	-1.9		1.9	

By contrast, foreign currency risks that do not affect the Group's cash flows (i.e. the risks resulting from the translation of the assets and liabilities of foreign subsidiaries into the Group reporting currency) generally remain unhedged. However, if necessary, HeidelbergCement can also hedge this foreign currency risk.

Other disclosures

Capital management

The objective of capital management is to ensure sufficient liquidity for the Group at all times. Therefore, the Group makes use of external and internal financing opportunities (see Management Report, Group financial management chapter on ↗ page 45 f.). The net debt and the dynamic gearing ratio, which corresponds to the ratio of net debt to the result from current operations before depreciation and amortisation, are of fundamental importance to the monitoring of the Group's capital.

Net debt / RCOBD

€m	31 Dec. 2016	31 Dec. 2017
Cash, derivative financial instruments and short-term financial investments	2,051.7	**2,128.6**
Interest-bearing liabilities	11,050.5	**10,824.0**
Net debt	8,998.8	**8,695.4**
Result from current operations before depreciation and amortisation (RCOBD)	2,886.6	**3,297.3**
Net debt / RCOBD	3.12	**2.64**

In connection with credit agreements, we agreed to comply with various financial covenants, which were all met in the reporting period. The most important key financial ratios are the ratio of net debt to EBITDA and the interest coverage ratio. The EBITDA key figure is derived from the credit agreements and therefore differs from the result from current operations before depreciation and amortisation key figure as it takes elements of the additional ordinary result and effects from first-time consolidations and deconsolidations into consideration. Further explanations are given in the Management Report on ↗ page 46.

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

Contingent liabilities

As at the reporting date, contingent liabilities amounted to €71.2 million (previous year: 416.6), which essentially concern legal and tax-related risks. The timing of the possible cash outflows for the contingent liabilities is uncertain because they depend on various external factors that remain outside HeidelbergCement's control. The application of taxation regulations might not yet be determined at the time that tax refund claims and liabilities are calculated. The calculation of tax items is based on the regulations most likely to be applied in each case. Nevertheless, the fiscal authorities may be of a different opinion, which may give rise to additional tax liabilities.

Other financial commitments

The following table shows the other financial commitments of the HeidelbergCement Group.

Other financial commitments

€m	31 Dec. 2016	31 Dec. 2017
Future minimum lease payments under non-cancellable operating leases		
Due within one year	239.0	**265.5**
Due between one and five years	552.2	**602.8**
Due after five years	482.5	**464.5**
	1,273.7	**1,332.8**
Other financial commitments for planned investments in property, plant and equipment and financial assets	391.3	**370.1**

Other financial commitments are listed with their nominal values. The future 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 considerable influence on HeidelbergCement AG; the former are accounted for as joint ventures or associates, the latter hold key positions as members of the management.

As at 31 December 2017, Mr. Ludwig Merckle, Ulm, holds via Vemos 2 Holding GmbH, Zossen, a company under his control, 25.52 % of the voting rights in HeidelbergCement AG.

HeidelbergCement AG provided services with a net amount of €81,700 (previous year: 87,800) to PHOENIX Pharmahandel GmbH & Co KG, Mannheim, a company of the Merckle Group.

Revenue and other sales with joint ventures amounted to €70.0 million (previous year: 67.0). Raw materials, goods, and other services with a value of €282.1 million (previous year: 281.9) were procured from these joint ventures. A total of €7.0 million (previous year: 8.2) was generated in financial and other services. Receivables of €116.6 million (previous year: 129.2) and liabilities of €31.2 million (previous year: 48.6) exist in connection with these activities and financial transactions.

In addition, capital increases of €16.3 million (previous year: 1.2) were carried out for joint ventures. No repayments of capital were made from joint ventures to the parent company (previous year: €45.7 million). In the 2017 financial year, guarantees of €0.7 million (previous year: 1.2) were outstanding to joint ventures.

Business transactions with associates include revenue and other sales amounting to €90.4 million (previous year: 66.9), the procurement of goods and services amounting to €11.4 million (previous year: 8.4), and services provided amounting to €0.1 million (previous year: 0.8). Receivables of €43.5 million (previous year: 32.2) and liabilities of €10.7 million (previous year: 14.1) exist in connection with these activities and financial transactions.

In addition, capital increases of €23.8 million (previous year: 0.4) were carried out at associates. Repayment of capital from associates to the parent company amounted to €0.4 million. Guarantees of €0.2 million were outstanding to associates in the 2017 financial year.

Receivables of €32.9 million (previous year: 14.4) and liabilities of €22.9 million (previous year: 11.7) existed in connection with transactions with non-consolidated subsidiaries.

Managing Board and Supervisory Board

We refer to the details given in the Corporate Governance chapter of the Management Report on ↗ pages 89 f.

To allow a better comparison, figures for the previous year presented in the following sections referring to the German Commercial Code (HGB) and DRS 17 and regarding the whole Managing Board do not include Daniel Gauthier and Andreas Kern who left the Board in 2016. Figures for the previous year, including the above-mentioned former members of the Managing Board, can be found in the Annual Report 2016.

The fixed remuneration of the Managing Board increased in comparison with the previous year to €6.0 million (previous year: 5.8). The sum of short-term variable remuneration elements changed in comparison with the previous year to €9.5 million (previous year: 7.8). It consisted of the annual bonus in the amount of €9.7 million (previous year: 7.9), of which €0.1 million (previous year: 0.1) was offset against other remuneration elements.

Other remuneration elements totalled €0.9 million (previous year: 1.2). They consisted of payments for committee activities at subsidiaries of HeidelbergCement AG and taxable fringe benefits, particularly consisting of the provision of company cars, mobile phones, and communication tools, the reimbursement of expenses, insurance- and assignment-related benefits such as bearing the costs of home flights.

The members of the Managing Board are participating in the long-term bonus plan 2017-2019/20, granted in 2017. The target values for the plan, rounded to the nearest € ’000, are €2,250,000 for Dr. Bernd Scheifele, €1,341,000 for Dr. Dominik von Achten, €993,000 for Kevin Gluskie, €750,000 for Hakan Gurdal and Jon Morrish each, €969,000 for Dr. Lorenz Näger, and €927,000 for Dr. Albert Scheuer.

The plan comprises two equally weighted components: the management component and the capital market component. The target value of each component, rounded to the nearest € ‘000, amounts to €1,125,000 for Dr. Bernd Scheifele, €496,000 for Kevin Gluskie, €375,000 for Hakan Gurdal and Jon Morrish each, and €484,000 for Dr. Lorenz Näger. For Dr. Dominik von Achten the pro-rata calculation results in a target value for the management component of €668,000 and for the capital market component of €673,000. For Dr. Albert Scheuer the pro-rata calculation results in a target value for the management component of €463,000 and for the capital market component of €464,000. The reference price for the capital market component amounts to €85.89. This equates to 13,098 performance share units (PSUs) for Dr. Bernd Scheifele, 7,834 PSUs for Dr. Dominik von Achten, 5,779 PSUs for Kevin Gluskie, 4,366 PSUs for Hakan Gurdal and Jon Morrish each, 5,639 PSUs for Dr. Lorenz Näger, and 5,404 PSUs for Dr. Albert Scheuer.

In accordance with § 314, section 1, no. 6a, sentence 4 of the German Commercial Code (HGB), the fair value at the grant date must be indicated for the capital market components. For Dr. Bernd Scheifele this amounts to €1,531,000, for Dr. Dominik von Achten to €916,000, for Kevin Gluskie to €675,000, for Hakan Gurdal and Jon Morrish to €510,000 each, for Dr. Lorenz Näger to €659,000, as well as for Dr. Albert Scheuer to €631,000.

The total remuneration according to DRS 17 amounted to €26.8 million (previous year: 25.9). For the calculation according to DRS 17, we refer to the explanations on ↗ page 93 f. in the Corporate Governance chapter of the Management Report.

In 2017, allocations to provisions for pensions (service cost for service as members of the Managing Board) for members of the Managing Board amounted to €3.6 million (previous year: 2.1). The present values of the defined benefit obligation amounted to €37.4 million (previous year: 34.6).

Expenses relating to the long-term capital market components of the last four issued and current long-term bonus plans in accordance with IFRS 2.51a amounted to €2,520,000 (previous year: 2,502,000) for Dr. Bernd Scheifele, €1,387,000 (previous year: 1,501,000) for Dr. Dominik von Achten, €455,000 for Kevin Gluskie (previous year: 234,000), for Hakan Gurdal and Jon Morrish each €371,000 (previous year: 177,000), €1,119,000 (previous year: 1,201,000) for Dr. Lorenz Näger, and €1,015,000 (previous year: 1,134,000) for Dr. Albert Scheuer.

In accordance with IAS 24, recognized expenses relating to the long-term capital market components for the service as members of the Managing Board amounted to €7.2 million (previous year: 9.0). The expenses recognized relating to the long-term management component came to €3.8 million (previous year: 7.0).

For the members of the Managing Board appointed as of 2016, the existing contractual entitlements from long-term bonus and pension plans from prior positions within the HeidelbergCement Group were continued. These entitlements are serviced according to the original plan conditions. The corresponding expenses in the financial year are included in the following table, in addition to the expenses for the service as member of the Managing Board.

Total remuneration of the Managing Board in accordance with IAS 24 came to €31.7 million in 2017 (previous year: 35.6) as represented in the following table.

Total remuneration of the Managing Board in accordance with IAS 24

€m	2016	2017
Short-term employee benefits (fixed remuneration, short-term variable remuneration elements, fringe benefits)	16.3	**16.5**
Post-employment benefits (allocations to provisions for pensions – current service cost including prior positions)	2.5	**3.8**
Other long-term benefits (expenses related to the management components of the current long-term bonus plans including prior positions)	7.3	**3.9**
Share-based payment (expenses related to the long-term capital market components of the current long-term bonus plan including prior positions)	9.5	**7.5**
Total	35.6	**31.7**

Payments to former members of the Managing Board and their surviving dependents amounted to €11.3 million in the financial year (previous year: 3.9). This includes payments to Daniel Gauthier and Andreas Kern since 1 July 2016 for a contractually agreed compensation for a two year post contractual restraint, which amounted to €700,000 each in the financial year 2017 as well as for the management component of the long-term bonus plan 2015-2017/18. Provisions for pension obligations to former members of the Managing Board amounted to €32.0 million (previous year: 26.8).

The total Supervisory Board remuneration (excluding value added tax) for the 2017 financial year amounted to €1.418.507 (previous year: 1,426,705). Employee representatives of the Supervisory Board who are employees of the HeidelbergCement Group also received remuneration in accordance with their contracts of employment, the level of which corresponded to an equitable remuneration for their relevant functions and tasks within the Group.

Furthermore, companies of the HeidelbergCement Group have not carried out reportable transactions of any kind with members of the Supervisory Board or members of the Managing Board as persons in key positions or with companies in whose executive or governing bodies these persons are represented.

IAS 24 requires the specification that in the financial year 2016, loans granted to Mr. Jon Morrish by HeidelbergCement AG prior to his service as member of the Managing Board of HeidelbergCement AG were fully repaid on 20 December 2016. The value of the loans including accrued interest was GBP 467,713. The interest rate was 4.0 %.

Statement of compliance with the German Corporate Governance Code

The statement of compliance with the German Corporate Governance Code as required by § 161 of the German Stock Company Act was submitted by the Managing Board and the Supervisory Board of HeidelbergCement AG and made available on the Internet **www.heidelbergcement.com under "Company/Corporate Governance/Declaration of Corporate Governance"**.

Auditor's fees

The auditor Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft received fees of €4.3 million (previous year: 7.7) in the financial year.

Auditor's fees

€m	2016	2017
Audit services [1]	4.6	**3.7**
Other assurance services	0.3	**0.2**
Tax services	2.7	**0.3**
Other services	0.1	**0.0**
	7.7	**4.3**

1) Thereof for the previous year: 2016: € 0.0 million, 2017: € 0.5 million

Events occurring after the close of the 2017 financial year

On 2 January 2018, our subsidiary Italcementi S.p.A. completed its acquisition of a 100 % shareholding in Cementir Italia and its subsidiaries. All conditions for the closing of the transaction have been fulfilled following the approval of the Italian competition authorities. To expand our market position in Italy, we made an agreement, via Italcementi, with Cementir Holding regarding the purchase of the entire cement and concrete business line of Cementir Italia S.p.A., Rome, including the fully controlled subsidiaries Cementir Sacci S.p.A. and Betontir S.p.A., on 19 September 2017. The transaction had an enterprise value of €314.9 million, which is made up of the purchase price for the shares totalling €103.5 million and the takeover of the financing, amounting to €211.4 million. The acquisition comprises five cement and two cement grinding plants as well as a network of terminals and ready-mixed concrete plants. The initial accounting for the business combination was still incomplete when the consolidated financial statements were approved by the Managing Board. Valuations were not yet available for the preparation of the further information in accordance with paragraph B64 of IFRS 3.

On 12 January 2018, we signed a new €3 billion syndicated credit facility to refinance the existing credit facility which would have expired in February 2019. As there are two prolongation options of one year each, we secured the historically attractive refinancing conditions until 2025. The credit margin was reduced by 20 to 35 basis points, depending on the leverage. The syndicated credit facility is intended as liquidity back-up and can be used for cash drawdowns as well as for letters of credit and guarantees both in euro and in other currencies.

On 31 January 2018, our Australian subsidiary Hanson Holdings Australia Limited, Victoria, (Hanson Australia) acquired 100 % of the shares in Alex Fraser Pty Ltd Group, Victoria, one of Australia's leading providers of recycled building materials and asphalt, from Swire Investments (Australia) Ltd. The purchase price amounts to €135.8 million and is subject to the usual post-closing purchase price adjustments. The company operates three production sites: one in Melbourne and two in Brisbane. The Alex Fraser Group also produces asphalt at two plants in Melbourne. The purchase strengthens our market positions in the urban centers of Melbourne and Brisbane. Hanson Australia is also gaining expertise in the production of asphalt and recycled building materials, which ideally complements the existing business and can be leveraged for entry into additional markets. The initial accounting for the business combination was still incomplete when the consolidated financial statements were approved by the Managing Board. Valuations were not yet available for the preparation of the further information in accordance with paragraph B64 of IFRS 3.

To strengthen its market position in Canada, HeidelbergCement acquired a cement plant in the province of Quebec on 7 February 2018 as part of an asset deal. The purchase price amounts to €42.9 million and is subject to a standard working capital adjustment clause. The initial accounting for the business combination was still incomplete when the consolidated financial statements were approved by the Managing Board. Valuations were not yet available for the preparation of the further information in accordance with paragraph B64 of IFRS 3.

On 14 February 2018, our US subsidiary Lehigh Cement Company LLC, Wilmington, signed an agreement for the sale of its 51 % participation in Lehigh White Cement Company, Harrisburg, to the non-controlling shareholders Aalborg Cement Company Inc. and Cemex, Inc. The transaction's enterprise value is around US$ 140 million. HeidelbergCement expects the transaction, which is subject to the customary conditions, to be concluded in the first quarter of 2018. Lehigh White Cement Company operates two white cement plants in Waco, Texas, and York, Pennsylvania, with an annual production capacity of approximately 255,000 tonnes.

Approval by the Supervisory Board

The consolidated financial statements were prepared by the Managing Board and adopted on 21 March 2018. They were then submitted to the Supervisory Board for approval.

List of shareholdings of HeidelbergCement Group and HeidelbergCement AG as at 31 December 2017 (§ 313, section 2, resp. § 285, no. 11 of the German Commercial Code (HGB))

Company name	Corporate seat	HC AG direct ownership %	Group ownership %	Year [7]	Equity in € million [8]	Net income in € million [9]
Subsidiaries						
Western and Southern Europe						
A.R.C. (Western) Limited	Maidenhead, GBR		100.00	2016	7.2	0.0
Al Manar Cement Holding S.a.s.	Guerville, FRA		100.00	2016	-0.4	0.0
Amey Group Limited (The)	Maidenhead, GBR		100.00	2016	15.0	0.0
Amey Roadstone International Limited	Maidenhead, GBR		100.00	2016	0.1	0.0
Appleby Group Limited	Maidenhead, GBR		100.00	2016	31.6	1.1
ARC Aggregates Limited	Maidenhead, GBR		100.00	2016	3.8	0.0
ARC Building Limited	Maidenhead, GBR		100.00	2016	-21.1	0.0
ARC Concrete (Anglia) Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
ARC Concrete Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
ARC Holdings Limited	Maidenhead, GBR		100.00	2016	0.1	0.0
ARC Land Holdings Limited	Maidenhead, GBR		100.00	2016	0.3	0.0
ARC Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
ARC Property Investments Limited	Maidenhead, GBR		100.00	2016	45.9	0.0
ARC Slimline Limited	Maidenhead, GBR		100.00	2016	-3.7	0.0
ARC South Wales Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
ARC South Wales Mortar Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
ARC South Wales Quarries Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
ARC South Wales Surfacing Limited	Maidenhead, GBR		100.00	2016	0.4	0.0
Áridos Sanz S.L.U.	Valladolid, ESP		100.00	2016	5.1	-0.3
Attendflower Limited	Maidenhead, GBR		100.00	2016	1,173.6	0.0
B.V. Betoncentrale De Schelde	Bergen op Zoom, NLD		66.67	2016	-0.8	0.2
B.V. Betonmortelcentrale 'BEMA'	Alkmaar, NLD		66.67	2016	0.9	0.5
Banbury Alton Limited	Maidenhead, GBR		100.00	2016	-0.3	0.0
Baustoffwerke Dresden GmbH & Co. KG [3]	Dresden, DEU		51.00	2016	0.6	1.4
Beazer Limited	Maidenhead, GBR		100.00	2016	8.4	1.0
Beazer Services Limited [4]	Douglas, IMN		100.00	-	-	-
Beforebeam Limited	Maidenhead, GBR		100.00	2016	469.5	0.0
Beforeblend Limited	Maidenhead, GBR		100.00	2016	239.1	0.0
Berec Holdings B.V.	Amsterdam, NLD		100.00	2016	187.7	0.0
Beton Baguette Marcel S.A.	Braine l'Alleud, BEL		100.00	2016	0.8	-1.7
Béton Contrôle de l'Adour S.a.s. [1]	Bayonne, FRA		35.99	2016	2.0	0.1
Béton Contrôle du Pays Basque S.a.s.	Bayonne, FRA		59.98	2016	4.2	-0.6
Bickleylake Limited	Maidenhead, GBR		100.00	2016	271.0	0.0
Birchwood Concrete Products Limited	Maidenhead, GBR		100.00	2016	187.0	0.0
Birchwood Omnia Limited	Maidenhead, GBR		100.00	2016	1,506.8	44.5
Bonny Holding Ltd.	Irish Town, GIB		100.00	2016	284.9	-1.0
BravoBloc S.r.l.	Bergamo, ITA		100.00	2016	1.0	-1.3
BravoEnergy S.r.l.	Bergamo, ITA		100.00	2016	0.7	0.3
Brazier Aggregates Limited	Maidenhead, GBR		100.00	2016	1.9	0.0
Bristol Sand and Gravel Company Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
British Agricultural Services Limited	Maidenhead, GBR		100.00	2016	421.2	0.2
British Ever Ready Limited	Maidenhead, GBR		100.00	2016	31.3	3.0
Bulldog Company Limited	St. Peter Port, GGY		100.00	2016	45.3	-8.4
C.B.R. Finance S.A.	Luxembourg, LUX		100.00	2016	7.2	-0.2
C.T.G. S.p.A.	Bergamo, ITA		100.00	2016	0.4	-3.5
Calcestruzzi S.p.A.	Bergamo, ITA		100.00	2016	4.3	-41.9
Calumite Limited	Maidenhead, GBR		51.00	2016	2.5	2.4
Cantera El Hoyon, S.A.U.	Madrid, ESP		100.00	2016	3.9	-0.1
Canteras Mecánicas Cárcaba, S.A.U.	Oviedo, ESP		100.00	2016	7.5	-0.7
Carimat Béton S.A.	Braine l'Alleud, BEL		85.00	2016	0.8	-0.1
Castle Building Products Limited	Maidenhead, GBR		100.00	2016	-0.5	0.0
Castle Cement (Chatburn) Limited	Maidenhead, GBR		100.00	2016	0.2	0.0
Castle Cement (Clyde) Limited	Maidenhead, GBR		100.00	2016	0.1	0.0

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [7]	Equity in € million [8]	Net income in € million [9]
Castle Cement (Ketton) Limited	Maidenhead, GBR		100.00	2016	26.5	0.0
Castle Cement (Padeswood) Limited	Maidenhead, GBR		100.00	2016	7.0	0.0
Castle Cement (Pitstone) Limited	Maidenhead, GBR		100.00	2016	11.5	0.0
Castle Cement (Ribblesdale) Limited	Maidenhead, GBR		100.00	2016	24.7	0.0
Castle Cement Limited	Maidenhead, GBR		100.00	2016	296.0	50.0
Castle Lime Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
Castle Pension Scheme Trustees Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
CBR Baltic B.V.	's-Hertogenbosch, NLD		100.00	2016	206.1	0.0
CBR International Services S.A.	Braine l'Alleud, BEL		100.00	2016	1,479.5	29.0
CBR Portland B.V.	's-Hertogenbosch, NLD		100.00	2016	212.2	0.0
Cem Invest Ltd [1]	Irish Town, GIB		50.00	2016	2,847.4	0.1
Cementrum I B.V.	's-Hertogenbosch, NLD		100.00	2016	156.3	0.0
Centro Administrativo y de Servicios de Malaga S.A.	Malaga, ESP		99.94	2016	0.3	-0.2
CGF Capital B.V.	Amsterdam, NLD		100.00	2016	0.1	0.0
CHB Group Limited	Maidenhead, GBR		100.00	2016	788.5	0.0
CHB P H R Limited	Maidenhead, GBR		100.00	2016	12.2	-0.5
CHB Products Limited	Maidenhead, GBR		100.00	2016	2,347.2	0.0
Chemical Manufacture and Refining Limited	Maidenhead, GBR		100.00	2016	6.4	0.0
Chester Road Sand and Gravel Company Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
Ciment du Littoral S.a.s.	Bassens, FRA		100.00	2016	-0.1	-1.4
Ciments Calcia S.a.s.	Guerville, FRA		100.00	2016	994.4	31.8
Ciments Français S.a.s.	Puteaux, FRA		100.00	2016	1,759.1	-651.1
CIMFRA (China) Limited S.a.s.	Guerville, FRA		100.00	2016	25.2	0.0
Ciminter S.A.	Luxembourg, LUX		100.00	2016	48.6	-3.6
City of London Heliport Limited	Maidenhead, GBR		55.56	2016	-2.0	0.0
Civil and Marine (Holdings) Limited	Maidenhead, GBR		100.00	2016	68.7	28.8
Civil and Marine Limited	Maidenhead, GBR		100.00	2016	402.1	65.2
Civil and Marine Slag Cement Limited	Maidenhead, GBR		100.00	2016	71.6	0.0
Claughton Manor Brick Limited (The)	Maidenhead, GBR		100.00	2016	0.2	0.0
Clyde Cement Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
Cocimar S.a.s.	Guerville, FRA		100.00	2016	190.5	35.5
Codesib S.a.s.	Guerville, FRA		100.00	2016	16.1	-38.7
Coln Gravel Company Limited	Maidenhead, GBR		100.00	2016	0.1	0.0
Compagnie Financière et de Participations S.a.s.	Guerville, FRA		100.00	2016	21.6	2.5
Compagnie pour l'Investissement Financier en Inde S.a.s.	Guerville, FRA		100.00	2016	16.3	-18.5
Compania General de Canteras, S.A.	Malaga, ESP		99.35	2016	24.6	-3.9
Conbloc Limited	Maidenhead, GBR		100.00	2016	-0.1	0.0
Concrete Italia S.r.l. [6]	Brescia, ITA		51.00	-	-	-
Conglomerantes Hidráulicos Especiales S.L.	Malaga, ESP		99.94	2016	0.9	-0.2
Contiga Holding GmbH	Flensburg, DEU		60.00	2016	2.5	1.2
Contiga Tinglev Montage GmbH	Altlandsberg, DEU		60.00	2016	0.0	0.0
Creative Land Developers Limited [1]	Maidenhead, GBR		50.00	2016	-0.4	0.0
Cromhall Quarries, Limited	Maidenhead, GBR		100.00	2016	0.1	0.0
Cumbrian Industrials Limited	Maidenhead, GBR		100.00	2016	8.9	0.0
Delmorgal Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
Desimpel Brick Limited	Maidenhead, GBR		100.00	2016	3.0	0.0
Devon Concrete Works, Limited	Maidenhead, GBR		100.00	2016	0.1	0.0
Dragages du Pont de St Leger S.a.s.	Saint-Léger, FRA		60.00	2016	3.7	0.2
Dragages Transports & Travaux Maritimes S.a.s. [1]	La Rochelle, FRA		50.00	2016	14.8	1.1
DUPAMIJ Holding GmbH	Kalkar, DEU		100.00	2016	2.3	0.0
E & S Retail Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
E Sub Limited	Maidenhead, GBR		100.00	2016	7.1	0.0
Effectengage Limited	Maidenhead, GBR		100.00	2016	310.0	0.0
ENCI B.V.	Maastricht, NLD		100.00	2016	121.6	3.0
ENCI Holding N.V.	's-Hertogenbosch, NLD		100.00	2016	547.0	0.0
Ensign Park Limited [1]	Maidenhead, GBR		50.00	2016	-1.9	0.0
Essroc Netherlands Coöperatief U.A.	's-Hertogenbosch, NLD		100.00	2016	268.3	0.0
Eurarco France S.A.	Le Crotoy, FRA		65.00	2016	6.8	1.3
Exakt Kiesaufbereitung GmbH	Paderborn, DEU		100.00	2016	1.1	0.0

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F.C. Precast Concrete Limited	Maidenhead, GBR		100.00	2016	0.1	0.0
Ferrersand Aggregates Limited	Maidenhead, GBR		100.00	2016	1.6	0.0
Fruitbat Company	Maidenhead, GBR		100.00	2016	0.0	0.0
Fulber Limited	St. Peter Port, GGY		100.00	2016	252.5	0.0
Garonne Labo S.à.r.l [1]	Damazan, FRA		40.05	2016	0.0	0.0
Granulats de la Drôme S.a.s.	Saint-Jean-de-Védas, FRA		51.01	2016	2.9	-0.2
Granulats de Lahontan [6]	Guerville, FRA		50.83	-	-	-
Granulats Ouest - GO S.a.s.	Saint-Herblain, FRA		100.00	2016	4.7	0.3
Greenwoods (St. Ives) Limited	Maidenhead, GBR		100.00	2016	2.1	0.0
Gruppo Italsfusi S.r.l.	Bergamo, ITA		100.00	2016	0.7	0.4
GSM S.a.s.	Guerville, FRA		100.00	2016	99.4	14.9
Guidelink	Maidenhead, GBR		100.00	2016	0.2	0.0
Habfield Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
Hanson (BB) Limited	Maidenhead, GBR		100.00	2016	0.6	0.0
Hanson (BBIN02) Limited	Maidenhead, GBR		100.00	2016	30.5	0.0
Hanson (CGF) (No. 1) Limited	Maidenhead, GBR		100.00	2016	3,517.8	0.0
Hanson (CGF) (No. 2) Limited	Maidenhead, GBR		100.00	2016	4,696.9	0.0
Hanson (CGF) Finance Limited	Maidenhead, GBR		100.00	2016	979.9	0.0
Hanson (CGF) Holdings Limited	Maidenhead, GBR		100.00	2016	275.1	0.0
Hanson (ER - No. 5) Limited	Maidenhead, GBR		100.00	2016	423.3	0.0
Hanson (ER - No. 10) Limited	Maidenhead, GBR		100.00	2016	298.4	0.0
Hanson (F) Limited	Maidenhead, GBR		100.00	2016	5.9	0.0
Hanson (FH) Limited	Maidenhead, GBR		100.00	2016	3.9	0.0
Hanson (FP) Limited	Maidenhead, GBR		100.00	2016	7,500.3	0.0
Hanson (LBC) Limited	Maidenhead, GBR		100.00	2016	25.8	0.0
Hanson (LBE) Limited	Maidenhead, GBR		100.00	2016	2.5	0.0
Hanson (MR) Limited	Maidenhead, GBR		99.99	2016	2,576.6	0.0
Hanson (NAIL) Limited	Maidenhead, GBR		100.00	2016	6.3	0.0
Hanson (RBMC) Limited	Maidenhead, GBR		100.00	2016	7.0	0.0
Hanson (SH) Limited	Maidenhead, GBR		100.00	2016	82.6	27.3
Hanson Aggregates (North) Limited	Maidenhead, GBR		100.00	2016	47.3	0.0
Hanson Aggregates Holding Nederland B.V.	Amsterdam, NLD		100.00	2016	3.6	0.0
Hanson Aggregates Limited	Maidenhead, GBR		100.00	2016	96.1	0.0
Hanson Aggregates Marine Limited	Maidenhead, GBR		100.00	2016	132.6	3.6
Hanson Aggregates Nederland B.V.	Amsterdam, NLD		100.00	2016	-0.6	0.0
Hanson Aggregates South Wales Holdings Limited	Maidenhead, GBR		100.00	2016	8.0	0.0
Hanson Aggregates South Wales Limited	Maidenhead, GBR		100.00	2016	45.5	0.0
Hanson Aggregates UK Limited	Maidenhead, GBR		100.00	2016	2,347.4	0.0
Hanson America Holdings (1) Limited	Maidenhead, GBR		100.00	2016	2,231.8	0.0
Hanson America Holdings (2) Limited	Maidenhead, GBR		100.00	2016	558.9	0.0
Hanson America Holdings (3) Limited	Maidenhead, GBR		100.00	2016	552.4	0.0
Hanson America Holdings (4) Limited	Maidenhead, GBR		100.00	2016	130.6	10.0
Hanson Aruba Limited	St. Peter Port, GGY		99.99	2016	2,007.5	0.0
Hanson Bath and Portland Stone Limited	Maidenhead, GBR		100.00	2016	-2.5	0.0
Hanson Batteries Limited	Maidenhead, GBR		100.00	2016	54.2	0.0
Hanson Blocks North Limited	Maidenhead, GBR		100.00	2016	15.5	0.0
Hanson Brick Ltd	Maidenhead, GBR		100.00	2016	0.2	0.0
Hanson Building Materials Europe Limited	Maidenhead, GBR		100.00	2016	2,645.5	0.0
Hanson Building Materials Limited	Maidenhead, GBR		100.00	2016	3,737.9	-2.4
Hanson Building Products (2003) Limited	Maidenhead, GBR		100.00	2016	1,825.3	0.0
Hanson Building Products Limited	St. Helier, JE		100.00	2016	0.1	0.0
Hanson Canada Limited	Maidenhead, GBR		100.00	2016	1.1	0.0
Hanson Clay Products Limited	Maidenhead, GBR		100.00	2016	17.8	0.0
Hanson Concrete Products Limited	Maidenhead, GBR		100.00	2016	60.6	0.0
Hanson Crewing Services Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
Hanson Devon Designated Activity Company	Shannon, IRL		100.00	2016	5,005.8	-0.1
Hanson Facing Bricks Limited	Maidenhead, GBR		100.00	2016	291.1	0.0
Hanson Finance (2003) Limited	Maidenhead, GBR		100.00	2016	567.2	19.2
Hanson Finance Limited	Maidenhead, GBR		100.00	2016	809.2	-30.7

Company name	Corporate seat	HC AG direct ownership %	Group ownership %	Year [7]	Equity in € million [8]	Net income in € million [9]
Hanson Financial Services Limited	Maidenhead, GBR		100.00	2016	116.3	0.0
Hanson Foods Limited	Maidenhead, GBR		100.00	2016	198.9	0.0
Hanson FP Holdings B.V.	Amsterdam, NLD		100.00	-	-	-
Hanson Funding (G) Limited	Maidenhead, GBR		100.00	2016	203.9	0.0
Hanson Germany GmbH & Co. KG [3]	Leinatal, DEU		100.00	2016	0.5	0.0
Hanson Gerrard Limited [4]	St. Peter Port, GGY		100.00	2016	0.0	0.0
Hanson H4 Limited	Maidenhead, GBR		100.00	2016	1,817.7	0.0
Hanson H5	Maidenhead, GBR		100.00	2016	0.1	0.0
Hanson Hedging (Dollars) (1) Limited	Maidenhead, GBR		100.00	2016	228.0	0.0
Hanson Hedging (Dollars) (2) Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
Hanson Hispania Hormigones SL [6]	Malaga, ESP		99.99	-	-	-
Hanson Hispania, S.A.U.	Madrid, ESP		100.00	2016	81.5	-20.8
Hanson Holdings (1) Limited	Maidenhead, GBR		100.00	2016	44,294.7	0.0
Hanson Holdings (2) Limited	Maidenhead, GBR		100.00	2016	1,213.8	45.3
Hanson Holdings (3) Limited	Maidenhead, GBR		100.00	2016	1,367.4	410.3
Hanson Holdings Limited	Maidenhead, GBR		100.00	2016	2,560.0	98.7
Hanson Industrial (Engineering Holdings) Limited	Maidenhead, GBR		100.00	2016	6.4	0.0
Hanson Industrial Limited	Maidenhead, GBR		100.00	2016	184.0	0.0
Hanson International Holdings Limited	Maidenhead, GBR		100.00	2016	13,264.3	0.0
Hanson Island Management Limited	St. Peter Port, GGY		100.00	2016	-0.4	-0.2
Hanson Land Development Limited	Maidenhead, GBR		100.00	2016	-34.7	0.0
Hanson Limited	Maidenhead, GBR		100.00	2016	7,477.0	-32.4
Hanson Marine Holdings Limited	Maidenhead, GBR		100.00	2016	2.9	0.0
Hanson Marine Limited	Maidenhead, GBR		100.00	2016	32.5	-0.4
Hanson Overseas Corporation Limited	Maidenhead, GBR		100.00	2016	2,214.8	0.0
Hanson Overseas Holdings Limited	Maidenhead, GBR		100.00	2016	20,980.1	6.9
Hanson Packed Products Limited	Maidenhead, GBR		100.00	2016	365.2	13.7
Hanson Peabody Limited	Maidenhead, GBR		100.00	2016	1,177.6	0.0
Hanson Pioneer España, S.L.U.	Madrid, ESP		100.00	2016	467.3	-0.2
Hanson Quarry Products Europe Limited	Maidenhead, GBR		100.00	2016	46,862.1	70.1
Hanson Quarry Products Holdings Limited	Maidenhead, GBR		100.00	2016	49.2	0.2
Hanson Quarry Products Overseas Limited	Maidenhead, GBR		100.00	2016	2.3	0.0
Hanson Quarry Products Trade Finance Limited	Maidenhead, GBR		100.00	2016	3.4	0.0
Hanson Quarry Products Transport Limited	Maidenhead, GBR		100.00	2016	0.1	0.0
Hanson Quarry Products Ventures Limited	Maidenhead, GBR		100.00	2016	54.8	1.5
Hanson Retail Limited	Maidenhead, GBR		100.00	2016	459.5	-
Hanson Ship Management Ltd	St. Peter Port, GGY		100.00	2016	-0.3	-0.2
Hanson Thermalite Limited	Maidenhead, GBR		100.00	2016	48.9	0.0
Hanson TIS Holdings Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
Hanson TIS Limited	Maidenhead, GBR		100.00	2016	-3.0	0.0
Hanson Trust Limited	Maidenhead, GBR		100.00	2016	114.2	0.0
Hanson Trustees Limited	Maidenhead, GBR		100.00	2016	-1.7	0.0
Harrisons Limeworks Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
Hartsholme Property Limited	Maidenhead, GBR		100.00	2016	0.1	0.0
HB Hotels Limited	Maidenhead, GBR		100.00	2016	-0.7	0.0
HC Asia Holding GmbH	Heidelberg, DEU	100.00	100.00	2016	69.4	3.3
HC Fuels Limited	Maidenhead, GBR		100.00	2016	10.4	0.0
HC Green Trading Limited	St. Julian's, MLT		100.00	2016	0.0	1.3
HC Hanson Holding B.V.	's-Hertogenbosch, NLD		100.00	2016	326.6	0.0
HC Italia SRL	Rome, ITA		100.00	2016	-0.2	-0.3
HC Trading B.V.	's-Hertogenbosch, NLD		100.00	2016	-3.6	0.8
HC Trading Malta Limited	St. Julian's, MLT		100.00	2016	0.0	18.6
HCT Holding Malta Limited	St. Julian's, MLT	100.00	100.00	2016	113.3	22.7
HeidelbergCement BP Limited	Maidenhead, GBR		100.00	2016	0.1	0.0
HeidelbergCement Canada Holding Limited	Maidenhead, GBR		100.00	2016	3,621.8	349.6
HeidelbergCement Central Europe East Holding B.V.	's-Hertogenbosch, NLD		100.00	2016	1,370.9	32.0
HeidelbergCement Euro I Limited	Maidenhead, GBR		100.00	2016	615.3	14.9
HeidelbergCement Euro II Limited	Maidenhead, GBR		100.00	2016	953.1	23.1
HeidelbergCement Euro III Limited	Maidenhead, GBR		100.00	2016	795.5	19.4

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [7]	Equity in € million [8]	Net income in € million [9]
HeidelbergCement Finance Luxembourg S.A.	Luxembourg, LUX		100.00	2016	12.1	107.0
HeidelbergCement France S.A.S.	Guerville, FRA		100.00	2016	1,448.8	-33.2
HeidelbergCement Grundstücksgesellschaft mbH & Co. KG [3]	Heidelberg, DEU	100.00	100.00	2016	17.5	1.2
HeidelbergCement Holding Coöperatief U.A.	's-Hertogenbosch, NLD		100.00	2016	1,125.4	0.0
HeidelbergCement Holding S.à r.l.	Luxembourg, LUX		100.00	2016	23,858.8	80.7
HeidelbergCement Holdings Limited	Maidenhead, GBR	100.00	100.00	2016	2.3	0.0
HeidelbergCement International Holding GmbH	Heidelberg, DEU	100.00	100.00	2016	16,480.7	0.0
HeidelbergCement Logistik GmbH & Co. KG [3]	Polch, DEU	70.00	100.00	2016	4.8	-0.7
HeidelbergCement Mediterranean Basin Holdings S.L.U.	Madrid, ESP		100.00	2016	332.9	29.1
HeidelbergCement Netherlands Holding B.V.	's-Hertogenbosch, NLD	14.54	100.00	2016	807.4	6.5
HeidelbergCement Reinsurance Luxembourg S.A.	Luxembourg, LUX		100.00	2016	12.9	0.0
HeidelbergCement UK Holding II Limited	Maidenhead, GBR		100.00	2016	16,433.3	606.9
HeidelbergCement UK Holding Limited	Maidenhead, GBR		100.00	2016	11,617.7	553.6
HeidelbergCement UK Limited	Maidenhead, GBR	100.00	100.00	2016	94.0	0.0
HeidelbergCement, Funk & Kapphan Grundstücksgesellschaft GmbH & Co. KG [3]	Heidelberg, DEU	79.91	79.91	2016	11.6	0.2
Heidelberger Beton Donau-Naab GmbH & Co. KG [3]	Burglengenfeld, DEU		81.67	2016	3.1	2.3
Heidelberger Beton GmbH	Heidelberg, DEU	100.00	100.00	2016	180.2	17.1
Heidelberger Betonelemente GmbH & Co. KG [3]	Chemnitz, DEU		83.00	2016	5.8	4.8
Heidelberger Betonpumpen Rhein-Main-Nahe GmbH & Co. KG [3]	Bad Kreuznach, DEU		93.77	2016	0.6	0.2
Heidelberger Kalksandstein GmbH	Durmersheim, DEU		100.00	2016	14.5	0.0
Heidelberger Kalksandstein Grundstücks- und Beteiligungs-GmbH & Co. KG [3]	Durmersheim, DEU		100.00	2016	17.5	4.8
Heidelberger Kieswerke Niederrhein GmbH	Essen, DEU		100.00	2016	0.9	0.0
Heidelberger Kieswerke Rhein-Ruhr GmbH	Essen, DEU		100.00	2016	5.1	0.6
Heidelberger KS Beteiligungen Deutschland GmbH & Co. KG [3]	Heidelberg, DEU		100.00	2016	4.6	0.9
Heidelberger Sand und Kies GmbH	Heidelberg, DEU	6.00	100.00	2016	96.9	13.4
Heidelberger Sand und Kies Handel & Logistik GmbH	Essen, DEU		100.00	2016	0.4	0.4
HIPS (Trustees) Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
HK Holdings (No. 2) Limited	Maidenhead, GBR		100.00	2016	32.8	0.0
HK Holdings (No. 1) Limited	Maidenhead, GBR		100.00	2016	75.5	0.0
Holms Sand & Gravel Company (1985) (The)	Maidenhead, GBR		100.00	2016	0.0	0.0
Holms Sand & Gravel Company Limited (The)	Maidenhead, GBR		100.00	2016	0.0	0.0
Homes (East Anglia) Limited	Maidenhead, GBR		100.00	2016	0.2	0.0
Hormigones y Áridos, S.A.U.	Bilbao, ESP		100.00	2016	-0.3	-1.0
Hormigones y Minas S.A.	Malaga, ESP		99.94	2016	22.7	-4.5
Housemotor Limited	Maidenhead, GBR		100.00	2016	1,811.7	-
Houseprice Limited	Maidenhead, GBR		100.00	2016	687.9	0.0
Houserate Limited	Maidenhead, GBR		100.00	2016	2,075.1	1.4
HPL Albany House Developments Limited [1]	Maidenhead, GBR		50.00	2016	-0.6	0.0
HPL Estates Limited	Maidenhead, GBR		100.00	2016	4.1	0.0
HPL Investments Limited	Maidenhead, GBR		100.00	2016	473.2	0.0
HPL Properties Limited	Maidenhead, GBR		100.00	2016	46.7	0.0
HPL Property Limited	Maidenhead, GBR		100.00	2016	48.2	0.0
HPL West London Developments Limited [1]	Maidenhead, GBR		50.00	2016	-0.2	0.0
Hunziker Kalksandstein AG	Brugg, CHE		100.00	2016	8.4	2.7
Hurst and Sandler Limited	Maidenhead, GBR		100.00	2016	5.5	0.0
Immobilière des Technodes S.a.s.	Guerville, FRA		100.00	2016	9.6	0.5
Imperial Foods Holdings Limited	Maidenhead, GBR		100.00	2016	0.7	0.0
Imperial Group Limited	Maidenhead, GBR		100.00	2016	18.2	0.0
Imperial Seafoods Limited	Maidenhead, GBR		100.00	2016	1.4	0.0
Ing. Sala S.p.A.	Bergamo, ITA		100.00	2016	0.0	-1.2
Interbulk Trading (IBT) S.A.	Lugano, CHE		100.00	2016	87.0	-7.2
Intercom S.r.l.	Bergamo, ITA		100.00	2016	8.9	-0.1
Investcim S.a.s.	Guerville, FRA		100.00	2016	110.3	-0.1
Irvine - Whitlock Limited	Maidenhead, GBR		100.00	2016	-7.6	0.3
Italcementi Finance S.A.	Puteaux, FRA		100.00	2016	68.8	47.1
Italcementi Ingegneria S.r.l.	Bergamo, ITA		100.00	2016	5.4	-1.8
Italcementi S.p.A.	Bergamo, ITA		100.00	2016	1,605.6	-234.5
J A Crabtree & Co Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
J. Riera, S.A.	Barcelona, ESP		99.89	2016	8.3	-1.2

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [7]	Equity in € million [8]	Net income in € million [9]
James Grant & Company (West) Limited	Edinburgh, GBR		100.00	2016	2.6	0.0
Judkins Limited	Maidenhead, GBR		100.00	2016	0.1	0.0
K.M. Property Development Company Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
KalininCement Holding B.V.	’s-Hertogenbosch, NLD		74.90	2016	3.8	0.0
Kazakhstan Cement Holding B.V.	’s-Hertogenbosch, NLD		100.00	2016	85.1	-0.1
Ketton Cement Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
Kieswerk Maas-Roeloffs GmbH & Co KG	Kalkar, DEU		100.00	2016	-1.7	-0.8
Kieswerk Maas-Roeloffs Verwaltungsgesellschaft mbH	Kalkar, DEU		100.00	2016	0.0	0.0
Kieswerke Andresen GmbH	Damsdorf, DEU		100.00	2016	1.0	0.0
Kingston Minerals Limited	Maidenhead, GBR		100.00	2016	0.2	0.0
L.B. (Stewartby) Limited	Maidenhead, GBR		100.00	2016	59.0	0.0
Lehigh B.V.	’s-Hertogenbosch, NLD		100.00	2016	10,915.1	0.0
Lehigh UK Limited	Maidenhead, GBR		100.00	2016	15,610.5	-1.7
Les Sabliers de l’Odet S.a.s. [1]	Quimper, FRA		50.00	2016	4.4	0.0
Lindustries Limited	Edinburgh, GBR		100.00	2016	52.3	0.0
Lithonplus GmbH & Co. KG [3]	Lingenfeld, DEU		60.00	2016	26.2	-5.0
Localdouble Limited	Maidenhead, GBR		100.00	2016	755.5	0.0
M E Sub Limited	Maidenhead, GBR		100.00	2016	20.7	0.0
Mantle & Llay Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
Marnee Limited	Maidenhead, GBR		100.00	2016	63.0	0.0
Marples Ridgway Limited	Maidenhead, GBR		100.00	2016	-4.6	0.0
Matériaux et Béton du Nord S.à r.l.	Halluin, FRA		100.00	2016	0.0	-0.3
Mebin B.V.	’s-Hertogenbosch, NLD		100.00	2016	67.3	-11.0
Mebin Leeuwarden B.V.	Leeuwarden, NLD		79.79	2016	1.1	0.0
Menaf S.a.s.	Guerville, FRA		100.00	2016	-0.7	-265.9
Meppeler Betoncentrale B.V.	Meppel, NLD		66.67	2016	0.0	0.0
Mibau Baustoffhandel GmbH	Cadenberge, DEU		60.00	2016	1.4	0.0
Mibau Holding GmbH	Cadenberge, DEU		60.00	2016	77.2	2.0
Mibau Nederland B.V.	Venlo, NLD		60.00	2016	1.2	0.0
Mibau Nederland Holding B.V.	Venlo, NLD		60.00	2016	1.4	0.0
Midland Quarry Products Limited	Maidenhead, GBR		100.00	2016	127.3	23.5
Milton Hall (Southend) Brick Company Limited (The)	Maidenhead, GBR		100.00	2016	1.6	0.0
Minster Quarries Limited	Maidenhead, GBR		100.00	2016	-1.5	0.0
Mixconcrete Holdings Limited	Maidenhead, GBR		100.00	2016	4.6	0.0
Mixconcrete Limited	Maidenhead, GBR		100.00	2016	-2.1	0.0
Mold Tar Macadam Co.Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
Morebeat Limited	Maidenhead, GBR		100.00	2016	143.8	0.0
Motioneager Limited	Maidenhead, GBR		100.00	2016	249.9	0.0
National Brick Company Limited	Maidenhead, GBR		100.00	2016	2.9	0.0
National Star Brick and Tile Holdings Limited	Maidenhead, GBR		100.00	2016	2.5	0.0
National Star Limited	Maidenhead, GBR		100.00	2016	0.1	0.0
NedCem Holding B.V.	’s-Hertogenbosch, NLD		66.67	2016	0.8	0.0
Nuova Sacelit S.r.l.	Bergamo, ITA		100.00	2016	1.1	-5.0
Paderborner Transport - Beton - Gesellschaft mit beschränkter Haftung & Co. K.-G. [3]	Geseke, DEU		87.50	2016	0.8	0.0
Palatina Insurance Ltd.	St. Julian’s, MLT		100.00	2016	46.0	2.8
Paperbefore Limited	Maidenhead, GBR		100.00	2016	353.2	0.0
Parcib S.a.s.	Guerville, FRA		100.00	2016	-5.4	-1.3
Pencrete Limited	Maidenhead, GBR		100.00	2016	0.1	0.0
Picon Overseas Limited	St. Peter Port, GGY		100.00	2016	195.6	19.6
Piedras y Derivados, S.A.U.	Barcelona, ESP		100.00	2016	18.7	0.1
PILC Limited	St. Peter Port, GGY		100.00	2016	22.7	0.1
Pimco 2945 Limited	Maidenhead, GBR		100.00	2016	4.8	0.0
Pinden Plant & Processing Co. Limited (The)	Maidenhead, GBR		100.00	2016	6.6	0.0
Pioneer Aggregates (UK) Limited	Maidenhead, GBR		100.00	2016	4.0	-0.1
Pioneer Asphalts (U.K.) Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
Pioneer Concrete (U.K.) Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
Pioneer Concrete Holdings Limited	Maidenhead, GBR		100.00	2016	136.6	0.0
Pioneer International Group Holdings Limited	Maidenhead, GBR		100.00	2016	1,039.1	-0.1
Pioneer Investments UK Limited	Maidenhead, GBR		100.00	2016	0.1	0.0

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Pioneer Overseas Investments Limited	St. Peter Port, GGY		100.00	2016	136.5	0.0
Pioneer Willment Concrete Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
Premix Concrete Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
Purfleet Aggregates Limited	Maidenhead, GBR		100.00	2016	-0.2	0.1
Redshow Limited	Maidenhead, GBR		100.00	2016	129.0	0.0
Rezincote (1995) Limited	Maidenhead, GBR		100.00	2016	-0.5	0.0
Ribblesdale Cement Limited	Maidenhead, GBR		100.00	2016	2.8	0.0
Roads Reconstruction Limited	Maidenhead, GBR		100.00	2016	10.1	0.0
Rostocker Zementumschlagsgesellschaft mbH	Rostock, DEU		60.00	2016	0.1	0.0
Rouennaise de Transformation S.a.s.	Grand-Couronne, FRA		100.00	2016	2.8	-1.2
S Sub Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
S Z G - Saarländische Zementgesellschaft mit beschränkter Haftung	Saarbrücken, DEU		100.00	2016	0.6	-0.1
S.A. Cimenteries CBR	Braine l'Alleud, BEL	0.00	100.00	2016	637.5	-25.9
Sabine Limited	St. Peter Port, GGY		100.00	2016	252.5	-0.1
Sablimaris S.a.s. [1]	La Rochelle, FRA		50.00	2016	9.4	1.0
Sagrex B.V.	's-Hertogenbosch, NLD		100.00	2016	0.7	0.3
Sagrex France S.A.S.	Harnes, FRA		100.00	2016	4.2	0.4
Sagrex Holding B.V.	's-Hertogenbosch, NLD		100.00	2016	20.7	0.4
Sagrex Productie B.V.	's-Hertogenbosch, NLD		100.00	2016	9.4	0.9
Sailtown Limited	Maidenhead, GBR		100.00	2016	997.4	25.2
Saint Hubert Investments S.à r.l.	Luxembourg, LUX		100.00	2016	463.7	0.1
SAMA S.r.l. - in liquidazione [4]	Bergamo, ITA		100.00	2016	0.3	-0.4
Samuel Wilkinson & Sons Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
Sandwerke Biesern GmbH	Penig, DEU		100.00	2016	8.4	-
Sax S.a.s.	Guerville, FRA		100.00	2016	1.6	-1.0
Scancem Energy and Recovery Limited	Maidenhead, GBR		100.00	2016	20.0	1.0
Scancem International Limited	Maidenhead, GBR		100.00	2016	20.9	0.0
Scancem Recovery Limited	Maidenhead, GBR		100.00	2016	19.9	0.1
Scancem Supply Limited	Maidenhead, GBR		100.00	2016	-2.2	0.0
SCE de la Grange d'Etaule	Gray, FRA		100.00	2016	0.0	0.0
Seagoe Concrete Products Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
Second City Properties Limited	Maidenhead, GBR		100.00	2016	13.5	0.0
Shapedirect Limited	Maidenhead, GBR		100.00	2016	7,233.4	57.5
SJP 1 Limited	Maidenhead, GBR		100.00	2016	-0.1	0.0
Slotcount Limited	Maidenhead, GBR		100.00	2016	1,865.5	0.0
Small Lots (Mix-It) Limited	Maidenhead, GBR		100.00	2016	12.6	0.0
SMW Sand und Mörtelwerk GmbH & Co. KG [3]	Königs Wusterhausen, DEU		100.00	2016	0.9	0.5
Sociedad Financiera y Minera, S.A.	Malaga, ESP		99.94	2016	282.0	-28.3
Socli S.a.s.	Loures-Barousse, FRA		100.00	2016	3.9	-2.7
Solrec Limited	Maidenhead, GBR		100.00	2016	9.8	0.0
SQ Corporation Limited	Maidenhead, GBR		100.00	2016	2,847.7	0.0
SQ Finance No 2 Limited	Maidenhead, GBR		100.00	2016	2,947.5	0.0
St Edouard S.à r.l.	Luxembourg, LUX		99.99	2016	3,126.0	-0.2
ST JUDE S.à r.l.	Luxembourg, LUX		100.00	2016	2,347.0	-0.1
ST MARIUS S.à r.l.	Luxembourg, LUX		100.00	2016	890.6	0.0
ST NICOLAS S.à r.l.	Luxembourg, LUX		100.00	2016	1,297.3	0.0
Stema Shipping (UK) Limited	Grays, GBR		60.00	2016	2.6	0.4
Stema Shipping France S.a.s.	Bois Guillaume, FRA		60.00	2016	0.9	-0.3
Stephen Toulson & Sons Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
Stewartby Housing Association Limited	Maidenhead, GBR		100.00	2016	0.1	0.0
Supamix Limited	Maidenhead, GBR		100.00	2016	6.6	0.0
Technodes S.a.s.	Guerville, FRA		100.00	2016	-0.9	-2.2
Tercim S.a.s.	Guerville, FRA		100.00	2016	4.7	-50.3
The Purfleet Ship to Shore Conveyor Company Limited	Maidenhead, GBR		100.00	2016	0.1	0.0
Thistleton Quarries Limited	Maidenhead, GBR		100.00	2016	-1.7	0.0
Tillotson Commercial Motors Limited	Maidenhead, GBR		100.00	2016	-21.9	0.0
Tillotson Commercial Vehicles Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
Tilmanstone Brick Limited	Maidenhead, GBR		100.00	2016	8.3	0.0
Timesound	Maidenhead, GBR		100.00	2016	0.7	0.0

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [7]	Equity in € million [8]	Net income in € million [9]
Tinglev Elementfabrik GmbH	Altlandsberg, DEU		60.00	2016	2.3	1.7
TLQ Limited	Edinburgh, GBR		100.00	2016	0.0	0.0
TMC Pioneer Aggregates Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
Tratel Affrètement S.a.s.	Guerville, FRA		100.00	2016	13.8	3.5
Tratel S.a.s.	Guerville, FRA		100.00	2016	15.5	1.8
Tunnel Cement Limited	Maidenhead, GBR		100.00	2016	0.0	0.0
U.D.S. Holdings B.V.	Amsterdam, NLD		100.00	2016	612.8	0.0
UDS (No 10)	Maidenhead, GBR		100.00	2016	0.0	0.0
UDS (No 3) Limited	Maidenhead, GBR		100.00	2016	6.6	0.0
UDS Corporation Limited	Maidenhead, GBR		100.00	2016	428.0	0.0
UDS Finance Limited	Maidenhead, GBR		100.00	2016	47.9	0.0
UDS Group Limited	Maidenhead, GBR		100.00	2016	128.8	0.0
UDS Holdings (1) Limited	Maidenhead, GBR		100.00	2016	218.5	0.0
UGI Group Limited	Maidenhead, GBR		100.00	2016	113.1	0.0
Unibéton S.a.s.	Guerville, FRA		100.00	2016	-13.6	-35.0
Unibéton-Var S.a.s.	Lambesc, FRA		100.00	2016	1.7	0.1
United Gas Industries Limited	Maidenhead, GBR		100.00	2016	13.7	0.0
Uniwerbéton S.a.s.	Heillecourt, FRA		70.00	2016	0.3	0.1
V.E.A. Limited	St. Peter Port, GGY		100.00	2016	187.5	0.3
V.O.F. 'Bouwdok Barendrecht'	Barendrecht, NLD		60.01	2016	0.0	0.0
Ventore S.L.	Malaga, ESP		99.94	2016	0.1	0.0
Viewgrove Investments Limited	Maidenhead, GBR		100.00	2016	7,500.3	0.0
Visionfocus Limited	Maidenhead, GBR		100.00	2016	779.2	370.4
Visionrefine Limited	Maidenhead, GBR		100.00	2016	-0.4	0.0
Welbecson Group Limited	Maidenhead, GBR		100.00	2016	-0.1	0.0
WIKA Sand und Kies GmbH & Co. KG [3]	Stade, DEU		100.00	2016	9.0	1.8
Wineholm Limited	Maidenhead, GBR		100.00	2016	0.0	2.5

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [7]	Equity in € million [8]	Net income in € million [9]
Subsidiaries						
Northern and Eastern Europe-Central Asia						
Abetong AB	Växjö, SWE		60.00	2016	6.3	0.1
AS Abetong	Oslo, NOR		60.00	2016	0.6	0.0
AS Kunda Nordic Tsement	Kunda, EST		75.00	2016	57.9	2.0
BayKaz Beton LLP	Almaty, KAZ		100.00	2016	13.3	-0.4
BEKTAS Group LLP	Almaty, KAZ		100.00	2016	4.4	-0.5
Beton.Ata LLP	Almaty, KAZ		99.84	2016	1.3	-0.1
Betong Sör AS	Oslo, NOR		100.00	2016	0.9	0.1
Betongindustri AB	Stockholm, SWE		100.00	2016	4.1	0.1
Betonpumpy a doprava SK a.s.	Bratislava, SVK		100.00	2016	0.0	-0.2
BETOTECH, s.r.o.	Beroun, CZE		91.50	2016	0.5	0.1
Björgun ehf	Reykjavík, ISL		53.00	2016	8.0	0.2
BM Valla ehf	Reykjavík, ISL		53.00	2016	10.8	3.9
Bukhtarma Cement Company LLP	Oktyabrskiy village, KAZ		100.00	2016	31.4	-0.9
Calumite s.r.o.	Ostrava, CZE		51.00	2016	5.8	1.4
Carpat Beton Servicii Pompe SRL	Bucharest, ROU		100.00	2016	0.5	-0.9
Carpat Cemtrans S.R.L.	Bucharest, ROU		100.00	2016	4.5	0.1
CaspiCement Limited Liability Partnership	Shetpe, KAZ		100.00	2016	38.7	-8.9
Caspinerud Limited Liability Partnership	Aktau, KAZ		75.10	2016	1.4	-1.0
Cementa AB	Stockholm, SWE		100.00	2016	45.7	0.6
Cementa Fastighets AB	Stockholm, SWE		100.00	2016	0.0	0.0
Cementa sp. z o. o.	Warsaw, POL		100.00	2016	-0.6	-0.3
Českomoravský beton, a.s.	Beroun, CZE		100.00	2016	22.1	3.0
Českomoravský cement, a.s.	Mokrá-Horákov, CZE		100.00	2016	87.1	35.4
Českomoravský štěrk, a.s.	Mokrá-Horákov, CZE		100.00	2016	51.8	6.1
Contiga AB	Norrtälje, SWE		60.00	2016	0.6	0.0
Contiga AS	Moss, NOR		60.00	2016	6.5	2.8
Contiga Holding AS	Oslo, NOR		60.00	2016	39.2	16.4
Contiga Tinglev A/S	Tinglev, DNK		57.00	2016	7.1	1.7
Devnya Cement AD	Devnya, BGR		99.91	2016	206.1	-7.1

Company name	Corporate seat	HC AG direct ownership %	Group ownership %	Year [7]	Equity in € million [8]	Net income in € million [9]
DK Beton A/S	Ringsted, DNK		100.00	2016	15.5	3.6
DK Cement A/S	Copenhagen, DNK		100.00	2016	7.6	0.8
Eignarhaldsfélagið Hornsteinn ehf.	Reykjavík, ISL		53.00	2016	22.7	6.1
Fastighets AB Limhamns Kalkbrott	Stockholm, SWE		100.00	2016	2.4	0.0
Fastighets AB Lövholmen	Stockholm, SWE		100.00	2016	0.3	0.1
Garkalnes Grants SIA	Riga, LVA		100.00	2016	5.7	0.4
Górażdże Beton Sp. z o.o.	Chorula, POL		99.84	2016	24.7	-8.0
Górażdże Cement S.A.	Chorula, POL		99.84	2016	252.3	29.1
Górażdże Kruszywa Sp. z o.o.	Chorula, POL		99.84	2016	34.0	1.4
Halyps Building Materials S.A.	Aspropyrgos, GRC		99.91	2016	58.4	-8.9
Hanson Iceland EHF	Reykjavík, ISL		100.00	2016	2,346.3	-0.1
HC Betons SIA	Riga, LVA		100.00	2016	1.1	-0.5
HC Betoon AS, Estonia	Tallinn, EST		100.00	2016	5.7	0.1
HeidelbergBeton Ukraine Limited Liability Company	Dnipro, UKR		99.97	2016	1.6	0.0
HeidelbergCement Africa Holding Kommanditbolag	Stockholm, SWE		100.00	2016	-0.4	-0.4
HeidelbergCement Danmark A/S	Ringsted, DNK		100.00	2016	25.8	5.2
HeidelbergCement Iceland EHF	Reykjavík, ISL		100.00	2016	9.3	3.5
HeidelbergCement Miljö AB	Stockholm, SWE		100.00	2016	1.9	0.0
HeidelbergCement Northern Europe AB	Stockholm, SWE		100.00	2016	1,343.8	40.4
HeidelbergCement Northern Europe Pumps & Trucks A/S	Ringsted, DNK		100.00	2016	2.5	0.9
HeidelbergCement Norway a.s.	Oslo, NOR		100.00	2016	75.1	44.2
HeidelbergCement Romania SA	Bucharest, ROU		100.00	2016	226.3	26.4
HeidelbergCement Services - LLP	Almaty, KAZ		100.00	2016	-0.1	-0.2
HeidelbergCement Sweden AB	Stockholm, SWE		100.00	2016	313.6	5.0
HeidelbergCement Ukraine Private Joint Stock Company	Dnipro, UKR		99.83	2016	-10.2	-13.3
HeidelbergGranit Ukraine Limited Liability Company	Dnipro, UKR		100.00	2016	0.2	-0.2
Italmed Cement Company Ltd.	Limassol, CYP		99.91	2016	42.1	3.3
Kamenivo Slovakia a.s.	Bytča-Hrabové, SVK		100.00	2016	1.9	0.2
KSL Limited Liability Company	Busheve, UKR		100.00	2016	0.1	-0.2
LLC 'HeidelbergCement Rus'	Podolsk, RUS		100.00	2016	95.3	-10.6
Lyulyaka Materials EAD	Devnya, BGR		99.91	2016	0.8	0.1
Magnatool AB	Malmö, SWE		75.00	2016	0.0	0.0
Mibau Polska Sp. z o.o.	Gdansk, POL		60.00	2016	0.4	0.1
Norbetong AS	Oslo, NOR		100.00	2016	84.4	25.0
Norbetong Pumping AS	Oslo, NOR		100.00	2016	0.2	0.1
Norcem AS	Oslo, NOR		100.00	2016	46.2	24.6
Nordic Precast Group AB	Stockholm, SWE		60.00	2016	168.0	28.9
Norsk Stein AS	Jelsa, NOR		60.00	2016	86.0	11.6
NorStone AS	Oslo, NOR		100.00	2016	3.0	9.6
OJSC "Slantsev Cement Factory "Cesla"	Slantsy, RUS		99.81	2016	10.1	-0.3
OOO "Norcem Kola"	Murmansk, RUS		100.00	2016	0.0	-0.5
OOO KaliningradCement	Kaliningrad, RUS		74.90	2016	3.3	-1.6
Open Joint Stock Company Gurovo-Beton	Novogurovskiy, RUS		100.00	2016	3.4	-0.6
Precon Polska Sp.z.o.o.	Warsaw, POL		60.00	2016	5.1	0.4
Protenna AB	Stockholm, SWE		75.00	2016	27.2	0.0
Recyfuel SRL	Bucharest, ROU		100.00	2016	0.3	0.0
Renor AS	Aurskog, NOR		100.00	2016	4.5	-0.7
Rybalsky Quarry Limited Liability Company	Liubymivka, UKR		100.00	2016	0.2	-0.1
Sand- och grusaktiebolaget Jehander	Stockholm, SWE		100.00	2016	11.1	0.2
Scancem Central Africa Holding 1 AB	Stockholm, SWE		100.00	2016	16.8	0.0
Scancem Central Africa Holding 2 AB	Stockholm, SWE		100.00	2016	16.7	0.0
Scancem Central Africa Holding 3 AB	Stockholm, SWE		100.00	2016	13.8	0.0
Scancem Central Africa Holding 4 AB	Stockholm, SWE		100.00	2016	13.9	0.0
Scancem East OY AB	Helsinki, FIN		100.00	2016	6.3	0.0
Scancem Holding AS [6]	Oslo, NOR		100.00	-	-	-
Scancem International DA	Oslo, NOR		100.00	2016	484.5	64.1
Sementsverksmidjan ehf	Reykjavík, ISL		53.00	2016	4.6	2.0
ShymkentCement JSC	Shymkent, KAZ		99.84	2016	-76.9	-2.2
SIA BALTIC SAULE	Riga, LVA		100.00	2016	2.8	-0.1

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SIA SBC [1]	Marupe, LVA		29.40	2016	2.9	0.0
SIA SBC Finance [1]	Marupe, LVA		29.40	2016	0.6	0.0
SIA SBC Property [1]	Marupe, LVA		29.40	2016	2.2	0.4
Splitt Chartering Aps	Aabenraa, DNK		60.00	2016	4.1	1.6
SSC Lithuania UAB	Kaunas, LTU		100.00	2016	0.0	0.0
Stema Shipping A/S	Aabenraa, DNK		60.00	2016	77.6	23.5
TBG BETONMIX a. s.	Brno, CZE		66.00	2016	8.0	1.8
TBG BETONPUMPY MORAVA s.r.o.	Brno, CZE		84.90	2016	0.6	0.1
TBG SEVEROZÁPADNÍ ČECHY s.r.o.	Chomutov, CZE		66.00	2016	2.6	0.2
TBG Slovensko, a. s.	Pezinok, SVK		100.00	2016	2.5	-1.6
TBG Východní Čechy s.r.o.	Mladé Buky, CZE		70.04	2016	2.1	0.5
TBG VYSOČINA s.r.o.	Kožichovice, CZE		59.40	2016	2.5	0.2
TBG ZNOJMO s. r. o.	Dyje, CZE		66.00	2016	1.1	0.0
UAB Gerdukas	Kaunas, LTU		70.00	2016	1.7	-0.1
UAB HC Betonas	Kaunas, LTU		100.00	2016	-0.1	-0.2
UAB Heidelberg Cement Klaipeda	Klaipeda, LTU		100.00	2016	2.5	0.2
Vulkan Cement AD	Dimitrovgrad, BGR		98.59	2016	40.6	-0.5
Subsidiaries						
North America						
116 Sisquoc Property LLC	Wilmington, USA		100.00	2016	0.0	0.0
755 Portland Property LLC	Wilmington, USA		100.00	2016	0.0	0.0
8364 Fordyce Property LLC	Wilmington, USA		100.00	2016	0.0	0.0
Amangani SA	Panama City, PAN		100.00	2016	-0.3	-0.1
Amcord, Inc.	Dover, USA		100.00	2016	-3.4	-11.1
Anche Holdings Inc	Panama City, PAN		100.00	2016	2,007.9	0.0
Asian Carriers Inc.	Panama City, PAN		100.00	2016	32.9	0.1
Astravance Corp.	Panama City, PAN		100.00	2016	51,671.7	0.0
Beazer East, Inc.	Wilmington, USA		100.00	2016	253.6	-15.5
Cadman (Black Diamond), Inc.	Olympia, USA		100.00	2016	9.6	0.6
Cadman (Rock), Inc.	Olympia, USA		100.00	2016	20.2	2.3
Cadman (Seattle), Inc.	Olympia, USA		100.00	2016	75.9	5.9
Cadman Materials, Inc.	Olympia, USA		100.00	-	-	-
Cadman, Inc.	Olympia, USA		100.00	2016	51.7	-3.1
Calaveras Materials Inc.	Sacramento, USA		100.00	2016	99.2	1.9
Calaveras-Standard Materials, Inc.	Sacramento, USA		100.00	2016	34.1	0.1
Cambridge Aggregates Inc.	Cambridge, CAN		60.00	2016	4.3	0.9
Campbell Concrete & Materials LLC	Austin, USA		100.00	2016	52.0	9.9
Campbell Transportation Services LLC [5]	Austin, USA		100.00	-	-	-
Cavenham Forest Industries LLC	Wilmington, USA		100.00	2016	9.4	-2.8
Cindercrete Mining Supplies Ltd. [1]	Regina, CAN		50.00	2016	1.9	0.3
Cindercrete Products Limited	Regina, CAN		100.00	2016	23.7	2.8
Civil and Marine Inc.	Wilmington, USA		100.00	2016	54.3	7.1
Commercial Aggregates Transportation and Sales, LLC	Wilmington, USA		100.00	2016	2.8	0.2
Constar LLC	Wilmington, USA		100.00	2016	300.9	8.6
Continental Florida Materials Inc.	Tallahassee, USA		100.00	2016	95.9	3.8
Cowichan Corporation	Panama City, PAN		100.00	2016	2,343.2	-0.1
Essex NA Holdings LLC	Wilmington, USA		100.00	2016	50.1	0.0
Essroc Holdings LLC	Nazareth, USA		100.00	2016	844.8	2.4
Ferndale Ready Mix & Gravel, Inc.	Olympia, USA		100.00	2016	19.9	0.0
Greyrock, LLC	Wilmington, USA		100.00	2016	5.7	5.2
Gulf Coast Stabilized Materials LLC	Austin, USA		100.00	2016	65.3	4.7
Gypsum Carrier Inc	Panama City, PAN		100.00	2016	63.5	-0.1
Hampshire Properties LLC	Austin, USA		100.00	2016	1.6	0.0
HAMW Minerals, Inc.	Wilmington, USA		100.00	2016	7.7	0.0
Hanson Aggregates LLC	Wilmington, USA		100.00	2016	1,037.8	79.4
Hanson Aggregates BMC, Inc.	Harrisburg, USA		100.00	2016	313.0	11.5
Hanson Aggregates Davon LLC	Columbus, USA		100.00	2016	99.0	-2.6
Hanson Aggregates East LLC	Wilmington, USA		100.00	2016	0.0	0.0

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Hanson Aggregates Mid-Pacific, Inc.	Wilmington, USA		100.00	2016	293.1	3.9
Hanson Aggregates Midwest LLC	Frankfort, USA		100.00	2016	499.2	57.5
Hanson Aggregates New York LLC	Albany, USA		100.00	2016	542.6	38.7
Hanson Aggregates Pacific Southwest, Inc.	Wilmington, USA		100.00	2016	151.9	-4.3
Hanson Aggregates Pennsylvania LLC	Wilmington, USA		100.00	2016	355.4	26.9
Hanson Aggregates Southeast LLC	Wilmington, USA		100.00	2016	751.5	52.4
Hanson Aggregates WRP, Inc.	Wilmington, USA		100.00	2016	83.4	3.1
Hanson BC Limited	Hamilton, BMU		100.00	2016	1,214.8	0.0
Hanson Building Materials America LLC	Wilmington, USA		100.00	2016	824.0	0.0
Hanson Green Limited	Hamilton, BMU		100.00	2016	0.1	0.0
Hanson Marine Finance, Inc.	Sacramento, USA		100.00	2016	4.1	0.1
Hanson Marine Operations, Inc.	Sacramento, USA		100.00	2016	13.6	1.6
Hanson Ready Mix, Inc.	Wilmington, USA		100.00	2016	5.0	-0.1
Hanson Structural Precast, Inc.	Los Angeles, USA		100.00	2016	4.2	-0.3
HBMA Holdings LLC	Wilmington, USA		100.00	2016	4,240.9	14.5
HBP Mineral Holdings LLC	Wilmington, USA		100.00	2016	2.1	0.0
HBP Property Holdings LLC	Wilmington, USA		100.00	2016	40.8	0.3
HC Trading International Inc.	Nassau, BHS		100.00	2016	-5.5	0.3
HNA Investments	Wilmington, USA		100.00	2016	4,848.8	0.0
KH 1 Inc.	Dover, USA		100.00	2016	246.2	0.0
Lehigh Cement Company LLC	Wilmington, USA		100.00	2016	1,236.1	131.7
Lehigh Hanson Canada ULC	Victoria, CAN		100.00	2016	-6.2	9.6
Lehigh Hanson ECC, Inc.	Nazareth, USA		100.00	2016	76.7	3.8
Lehigh Hanson Materials Limited	Calgary, CAN		100.00	2016	1,291.8	18.6
Lehigh Hanson Receivables LLC	Wilmington, USA		100.00	2016	26.6	9.0
Lehigh Hanson Services LLC	Wilmington, USA		100.00	2016	0.0	0.0
Lehigh Hanson, Inc.	Wilmington, USA		100.00	2016	11,662.7	-373.5
Lehigh Northwest Cement Company	Olympia, USA		100.00	2016	164.2	-0.4
Lehigh Northwest Marine, LLC	Wilmington, USA		100.00	2016	2.7	0.0
Lehigh Portland Holdings, LLC	Wilmington, USA		100.00	2016	0.3	0.1
Lehigh Portland Investments, LLC	Wilmington, USA		100.00	2016	170.1	36.5
Lehigh Realty Company	Richmond, USA		100.00	2016	2.1	0.0
Lehigh Southwest Cement Company	Sacramento, USA		100.00	2016	353.1	24.2
Lehigh White Cement Company	Harrisburg, USA		51.00	2016	65.8	23.7
LHI Duomo Holdings LLC	Wilmington, USA		100.00	2016	0.0	0.0
Material Service Corporation	Wilmington, USA		100.00	2016	190.2	27.0
Mineral and Land Resources Corporation	Wilmington, USA		100.00	2016	34.8	0.1
Mission Valley Rock Co.	Sacramento, USA		100.00	2016	111.8	1.8
PCAz Leasing, Inc.	Phoenix, USA		100.00	2016	4.7	0.0
Pioneer International Overseas Corporation	Tortola, VGB		100.00	2016	165.7	0.4
Rimarcal Corporation	Panama City, PAN		100.00	2016	2,755.4	22.2
Sherman Industries LLC	Wilmington, USA		100.00	2016	40.1	-5.0
Shrewsbury Properties LLC	Austin, USA		100.00	2016	0.8	-0.1
Sinclair General Corporation	Panama City, PAN		100.00	2016	8,327.5	0.1
South Valley Materials, Inc.	Sacramento, USA		100.00	2016	12.5	-2.5
Standard Concrete Products, Inc.	Sacramento, USA		100.00	2016	10.1	5.7
Three Rivers Management, Inc.	Wilmington, USA		100.00	2016	0.0	-1.6
Tomahawk, Inc.	Wilmington, USA		100.00	2016	172.2	0.7
Vestur Insurance (Bermuda) Ltd	Hamilton, BMU		100.00	2016	0.1	0.0
Subsidiaries						
Asia-Pacific						
Asia Cement Energy Conservation Co., Ltd. [1]	Bangkok, THA		39.53	2016	45.1	5.8
Asia Cement Products Co., Ltd. [1]	Bangkok, THA		39.53	2016	1.8	-0.5
Asia Cement Public Co., Ltd. [1]	Bangkok, THA		39.53	2016	304.5	16.6
Bitumix Granite Sdn Bhd	Kuala Lumpur, MYS		100.00	2016	0.5	-1.7
Butra HeidelbergCement Sdn. Bhd.	Bandar Seri Begawan , BRN		70.00	2016	10.9	4.6
Calga Sands Pty Ltd	New South Wales, AUS		100.00	2016	11.6	0.0
CGF Pty Limited	New South Wales, AUS		100.00	2016	171.8	0.3

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [7]	Equity in € million [8]	Net income in € million [9]
Christies Stone Quarries Pty Ltd	South Australia, AUS		100.00	2016	0.0	0.0
COCHIN Cements Ltd.	Kottyam, IND		98.72	2017	0.0	0.0
Concrete Materials Laboratory Sdn Bhd	Kuala Lumpur, MYS		100.00	2016	0.2	0.1
Consolidated Quarries Pty Ltd.	Victoria, AUS		100.00	2016	0.0	0.0
Excel Quarries Pty Limited	Queensland, AUS		100.00	2016	0.1	0.0
Fairfield Pre-Mix Concrete Pty Ltd	Victoria, AUS		100.00	2016	0.1	0.0
Galli Quarries Pty Limited	Victoria, AUS		100.00	2016	25.4	-0.1
Gerak Harapan Sdn Bhd	Kuala Lumpur, MYS		70.00	2016	0.3	0.2
Gulbarga Cement Limited	Bangalore, IND		100.00	2016	50.5	0.0
Hanson Australia (Holdings) Proprietary Limited	Victoria, AUS		100.00	2016	1,818.6	-98.5
Hanson Australia Cement (2) Pty Ltd	New South Wales, AUS		100.00	2016	33.1	18.0
Hanson Australia Cement Pty Limited	New South Wales, AUS		100.00	2016	35.0	18.0
Hanson Australia Funding Limited	New South Wales, AUS		100.00	2016	0.0	0.0
Hanson Australia Investments Pty Limited	New South Wales, AUS		100.00	2016	80.9	9.2
Hanson Australia Pty Limited	New South Wales, AUS		100.00	2016	925.5	0.6
Hanson Building Materials (S) Pte Ltd	Singapore, SGP		100.00	2016	-0.3	0.0
Hanson Building Materials Cartage Sdn Bhd	Kuala Lumpur, MYS		100.00	2016	0.4	0.1
Hanson Building Materials Industries Sdn Bhd [4]	Kuala Lumpur, MYS		100.00	2016	0.0	0.0
Hanson Building Materials Malaysia Sdn Bhd	Kuala Lumpur, MYS		100.00	2016	24.8	2.1
Hanson Building Materials Manufacturing Sdn Bhd	Kuala Lumpur, MYS		100.00	2016	0.5	0.0
Hanson Building Materials Production Sdn Bhd	Kuala Lumpur, MYS		100.00	2016	11.9	0.0
Hanson Building Materials Transport Sdn Bhd	Kuala Lumpur, MYS		100.00	2016	0.2	0.0
Hanson Building Materials-KTPC Sdn Bhd	Kuala Lumpur, MYS		100.00	2016	0.3	0.0
Hanson Building Materials-KTPC-PBPM Sdn Bhd	Kuala Lumpur, MYS		100.00	2016	1.1	0.0
Hanson Building Materials-PBPM Sdn Bhd	Kuala Lumpur, MYS		100.00	2016	0.2	0.0
Hanson Cement Holdings Pty Ltd	Victoria, AUS		100.00	2016	39.3	16.1
Hanson Concrete (M) Sdn Bhd	Kuala Lumpur, MYS		100.00	2016	0.5	0.0
Hanson Construction Materials Pty Ltd	Queensland, AUS		100.00	2016	58.8	26.5
Hanson Finance Australia Ltd	Australian Capital Territory, AUS		100.00	2016	100.0	-10.7
Hanson Holdings (M) Sdn Bhd	Kuala Lumpur, MYS		100.00	2016	12.2	4.2
Hanson Investment Holdings Pte Ltd	Singapore, SGP		100.00	2016	36.4	0.1
Hanson Landfill Services Pty Ltd	Victoria, AUS		100.00	2016	32.1	5.7
Hanson Pacific (S) Pte Limited	Singapore, SGP		100.00	2016	-7.3	0.0
Hanson Precast Pty Ltd	New South Wales, AUS		100.00	2016	-3.2	1.1
Hanson Pty Limited	Victoria, AUS		100.00	2016	2,763.2	0.0
Hanson Quarries Victoria Pty Limited	New South Wales, AUS		100.00	2016	0.4	0.0
Hanson Quarry Products (Batu Pahat) Sdn Bhd	Kuala Lumpur, MYS		100.00	2016	0.1	0.0
Hanson Quarry Products (EA) Sdn Bhd	Kuala Lumpur, MYS		100.00	2016	0.3	0.0
Hanson Quarry Products (Holdings) Sdn Bhd	Kuala Lumpur, MYS		100.00	2016	0.0	11.3
Hanson Quarry Products (Kuantan) Sdn Bhd	Kuala Lumpur, MYS		100.00	2016	0.1	0.0
Hanson Quarry Products (Kulai) Sdn Bhd	Kuala Lumpur, MYS		100.00	2016	9.7	0.4
Hanson Quarry Products (Land) Sdn Bhd	Kuala Lumpur, MYS		100.00	2016	4.5	0.6
Hanson Quarry Products (Masai) Sdn Bhd	Kuala Lumpur, MYS		100.00	2016	0.8	0.0
Hanson Quarry Products (Northern) Sdn Bhd	Kuala Lumpur, MYS		100.00	2016	0.2	0.0
Hanson Quarry Products (Pengerang) Sdn Bhd	Kuala Lumpur, MYS		100.00	2016	0.9	0.0
Hanson Quarry Products (Perak) Sdn Bhd	Kuala Lumpur, MYS		100.00	2016	0.5	0.0
Hanson Quarry Products (Premix) Sdn Bhd [4]	Kuala Lumpur, MYS		100.00	2016	0.0	0.0
Hanson Quarry Products (Rawang) Sdn Bhd	Kuala Lumpur, MYS		100.00	2016	0.6	0.1
Hanson Quarry Products (Segamat) Sdn Bhd	Kuala Lumpur, MYS		100.00	2016	0.1	0.1
Hanson Quarry Products (Tempoyak) Sdn Bhd	Kuala Lumpur, MYS		100.00	2016	-1.2	-0.1
Hanson Quarry Products (Terengganu) Sdn Bhd	Kuala Lumpur, MYS		100.00	2016	0.7	0.3
Hanson Quarry Products Sdn Bhd	Kuala Lumpur, MYS		100.00	2016	36.1	10.0
HCT Services Asia Pte. Ltd.	Singapore, SGP		100.00	2016	0.7	0.1
HeidelbergCement Asia Pte Ltd	Singapore, SGP		100.00	2016	5.6	-2.0
HeidelbergCement Bangladesh Limited	Chittagong, BGD		60.66	2016	67.3	17.3
HeidelbergCement Holding HK Limited	Hong Kong, HKG		100.00	2016	62.0	4.0
HeidelbergCement India Limited	Gurgaon, IND		69.39	2017	139.8	0.0
HeidelbergCement Myanmar Company Limited	Yangon, MMR		100.00	2017	-0.4	0.0
Hymix Australia Pty Ltd	New South Wales, AUS		100.00	2016	97.4	21.7

Company name	Corporate seat	HC AG direct ownership %	Group ownership %	Year [7]	Equity in € million [8]	Net income in € million [9]
Jalaprathan Cement Public Co., Ltd. [1]	Bangkok, THA		35.12	2016	67.5	5.0
Jalaprathan Concrete Co., Ltd. [1]	Bangkok, THA		35.12	2016	8.0	0.2
Meghna Energy Limited	Dhaka, BGD		100.00	2016	5.2	1.4
Naga Property Co., Ltd. [1]	Bangkok, THA		35.12	2016	0.2	0.0
Pioneer Concrete (Hong Kong) Limited	Hong Kong, HKG		100.00	2016	1.4	0.9
Pioneer Concrete (Tasmania) Proprietary Limited	Tasmania, AUS		100.00	2016	5.7	0.0
Pioneer Concrete (WA) Pty Ltd	Western Australia, AUS		100.00	2016	0.0	0.0
Pioneer Concrete Services (Malaysia) S/B [4]	Kuala Lumpur, MYS		100.00	2016	0.0	0.0
Pioneer International (Labuan) Ltd	Labuan, MYS		100.00	2016	0.5	0.0
Pioneer International Holdings Pty Ltd	New South Wales, AUS		100.00	2016	1,144.7	10.5
Pioneer North Queensland Pty Ltd	Queensland, AUS		100.00	2016	23.7	2.0
Plentong Granite Industries Sdn Bhd	Kuala Lumpur, MYS		70.00	2016	1.3	0.3
PT Bahana Indonor	Jakarta, IDN		50.98	2016	16.3	2.8
PT Bhakti Sari Perkasa Abadi	Jakarta, IDN		50.98	2016	0.5	0.1
PT Dian Abadi Perkasa	Jakarta, IDN		50.98	2016	79.4	9.5
PT Indocement Tunggal Prakarsa Tbk.	Jakarta, IDN		51.00	2016	1,766.5	249.6
PT Indomix Perkasa	Jakarta, IDN		51.00	2016	34.4	0.1
PT Jaya Berdikari Cipta	Jakarta, IDN		51.00	2016	0.0	-
PT Lentera Abadi Sejahtera	Jakarta, IDN		51.00	2016	0.0	0.0
PT Lintas Bahana Abadi	Jakarta, IDN		50.98	2016	4.7	0.7
PT Makmur Abadi Perkasa Mandiri	Jakarta, IDN		51.00	2016	0.0	0.0
PT Mandiri Sejahtera Sentra	Purwakarta, IDN		50.98	2016	22.9	0.5
PT Mineral Industri Sukabumi	Sukabumi, IDN		50.98	2016	5.0	0.2
PT Multi Bangun Galaxy	Lombok, IDN		50.98	2016	1.8	0.0
PT Pionirbeton Industri	Jakarta, IDN		51.00	2016	25.5	-6.6
PT Sahabat Muliasakti	Pati, IDN		50.98	2016	-0.1	0.0
PT Sari Bhakti Sejati	Jakarta, IDN		51.00	2016	3.5	0.0
PT Tarabatuh Manunggal	South Tangerang, IDN		50.98	2016	6.9	0.6
PT Terang Prakarsa Cipta	Jakarta, IDN		51.00	2016	3.9	0.1
PT Tigaroda Rumah Sejahtera [6]	Jakarta, IDN		51.00	-	-	-
PT Tiro Abadi Perkasa	Jakarta, IDN		50.98	2016	0.1	0.0
Rajang Perkasa Sdn Bhd	Kuala Lumpur, MYS		60.00	2016	0.4	0.3
Realistic Sensation Sdn Bhd	Kuala Lumpur, MYS		69.98	2016	1.1	0.1
Seas Co., Ltd. [4]	Bangkok, THA		100.00	2016	0.5	0.1
Singha Cement (Private) Limited	Colombo, LKA		99.94	2016	0.0	0.0
Sitapuram Power Limited	Hyderabad, IND		50.99	2016	13.2	0.0
Sofinaz Holdings Sdn Bhd	Kuala Lumpur, MYS		100.00	2016	0.3	0.0
South Coast Basalt Pty Ltd	New South Wales, AUS		100.00	2016	-1.3	-0.7
Tanah Merah Quarry Sdn Bhd	Kuala Lumpur, MYS		100.00	2016	-2.5	0.2
Valscot Pty Limited	New South Wales, AUS		100.00	2016	0.0	0.0
Vaniyuth Co., Ltd. [1]	Bangkok, THA		48.80	2016	26.2	6.0
Waterfall Quarries Pty Limited	Victoria, AUS		100.00	2016	0.0	0.0
West Coast Premix Pty Ltd	Victoria, AUS		100.00	2016	0.1	0.0
Yalkara Contracting Pty Ltd	Queensland, AUS		100.00	2016	6.9	0.0
Zuari Cement Ltd.	Bangalore, IND		100.00	2016	185.3	0.0
Subsidiaries						
Africa-Eastern Mediterranean Basin						
ACH Investments Limited	Ebene, MUS		100.00	2016	13.8	-0.1
Africim S.A.	Casablanca, MAR		62.33	2016	0.4	-0.1
Al Mahaliya Ready Mix Concrete W.L.L. [1]	Safat, KWT		13.23	2016	7.2	-0.5
Austral Cimentos Sofala, SA	Maputo, MOZ		100.00	2016	-0.7	-2.9
Calcim S.A.	Cotonou, BEN		100.00	2016	1.2	0.3
Cimbenin SA	Cotonou, BEN		87.95	2016	16.3	3.1
CimBurkina S.A.	Ouagadougou, BFA		80.00	2016	8.9	2.3
Ciments du Maroc S.A.	Casablanca, MAR		62.33	2016	481.8	-19.3
Ciments du Togo SA	Lome, TGO		99.63	2016	24.9	6.3
DECOM Egyptian Co for Development of Building Materials S.A.E. [1]	Cairo, EGY		26.46	2016	6.4	4.4
Gacem Company Limited	Serrekunda, GMB		80.00	2016	1.0	-0.2
Ghacem Ltd.	Accra, GHA		93.10	2016	76.4	43.8

Company name	Corporate seat	HC AG direct ownership %	Group ownership %	Year [7]	Equity in € million [8]	Net income in € million [9]
GRANUBENIN SA avec CA	Cotonou, BEN		99.90	2016	0.1	0.1
Gulf Ready Mix Concrete Company W.L.L. [1]	Kuwait, KWT		13.25	2016	3.0	0.2
Hanson (Israel) Ltd	Ramat Gan, ISR		99.98	2016	222.4	17.0
Hanson Quarry Products (Israel) Ltd	Ramat Gan, ISR		99.98	2016	221.7	13.7
Hanson Yam Limited Partnership	Ramat Gan, ISR		99.98	2016	3.1	0.0
HC Madagascar	Antananarivo, MDG		100.00	2016	0.0	0.0
HC Trading FZE	Dubai, ARE		100.00	2016	0.7	0.2
Heidelberg Cement Afrique Service	Lome, TGO		94.29	2016	0.0	0.0
HeidelbergCement Mediterranean Basin Holdings S.L.U. Palestine Ltd.	Ramallah, PSE		100.00	2016	-0.2	-0.2
Helwan Cement Company S.A.E.	Helwan, EGY		50.64	2016	82.6	-8.6
Hilal Cement Company KSCP [1]	Safat, KWT		25.95	2016	67.1	0.6
Industrie Sakia El Hamra "Indusaha" S.A.	Laayoune, MAR		56.72	2016	42.5	19.0
Interbulk Egypt for Export S.A.E.	Cairo, EGY		100.00	2016	0.3	0.3
Kuwait German Company for RMC W.L.L. [1]	Kuwait, KWT		13.36	2016	0.9	-0.1
La Cimenterie de Lukala S.A.R.L.	Kinshasa, COD		76.95	2016	19.9	-20.2
La Societe GRANUTOGO SA	Lome, TGO		99.90	2016	1.4	-0.1
Liberia Cement Corporation Ltd.	Monrovia, LBR		81.67	2016	20.1	4.8
Mauritano-Française des Ciments S.A.	Nouakchott, MRT		56.96	2016	9.0	-0.9
Pioneer Beton Muva Umachzavot Ltd	Ramat Gan, ISR		99.98	2016	0.2	0.0
Procimar S.A.	Casablanca, MAR		100.00	2016	61.8	10.7
Scantogo Mines SA	Lome, TGO		89.90	2016	1.2	3.3
Sierra Leone Cement Corp. Ltd.	Freetown, SLE		50.00	2016	9.6	2.1
Suez Bags Company S.A.E. [1]	Cairo, EGY		28.91	2016	5.0	-0.9
Suez Cement Company S.A.E.	Cairo, EGY		50.88	2016	281.3	-19.4
Suez for Transportation & Trade S.A.E. [1]	Cairo, EGY		49.60	2016	1.0	0.5
Tadir Readymix Concrete (1965) Ltd	Ramat Gan, ISR		100.00	2016	0.0	-
Teracem Limited	Accra, GHA		100.00	2016	5.3	-0.2
Tourah Portland Cement Company S.A.E. [1]	Cairo, EGY		39.45	2016	16.9	-13.6
TPCC Tanzania Portland Cement Company Ltd.	Dar Es Salaam, TZA		69.25	2016	83.4	16.0
Union Cement Norcem C.o. (LLC) [1]	Ras Al Khaimah, ARE		40.00	2016	-	5.4
Universal Company for Ready Mix Concrete Production S.A.E. [1]	Cairo, EGY		26.46	2016	16.2	3.6
West Africa Quarries Limited	Accra, GHA		83.79	2016	0.1	-0.1
Joint Operations						
Western and Southern Europe						
Atlantica de Graneles y Moliendas S.A.	Vizcaya, ESP		49.97	2016	-21.2	-0.5
Les Quatre Termes S.a.s.	Salon de Provence, FRA		50.00	2016	0.0	0.0
Les Sables de Mezieres S.a.s.	Saint-Pierre-des-Corps, FRA		50.00	2016	0.0	0.0
Sas des Gresillons (S.a.s.)	Clamart, FRA		35.00	2016	0.3	0.0
SCI du Colombier	Rungis, FRA		63.00	2016	0.0	0.0
Société d'Extraction et d'Aménagement de la Plaine de Marolles SEAPM S.a.s.	Avon, FRA		56.40	2016	0.9	0.1
Société Foncière de la Petite Seine S.a.s.	Saint-Sauveur-lès-Bray, FRA		42.25	2016	0.0	0.1
Joint Operations						
North America						
Terrell Materials LLC	Austin, USA		50.00	2016	6.7	1.5
Two Rivers Cement LLC	Dover, USA		50.00	2016	8.9	-0.7
Joint Operations						
Asia-Pacific						
Lytton Unincorporated Joint Venture	Queensland, AUS		50.00	2016	0.0	0.0
Joint Ventures						
Western and Southern Europe						
ABE Deponie GmbH	Damsdorf, DEU		50.00	2016	2.1	0.3
bihek GmbH	Breisach am Rhein, DEU		40.00	2016	0.2	0.1
Carrières Bresse Bourgogne S.A.	Épervans, FRA		33.26	2016	7.4	0.5
CaucasusCement Holding B.V.	's-Hertogenbosch, NLD		45.00	2016	95.5	0.0
Dragages et Carrières S.A.	Épervans, FRA		50.00	2016	3.6	0.6
Fraimbois Granulats S.à r.l.	Fraimbois, FRA		50.00	2016	0.1	0.0

Company name	Corporate seat	HC AG direct ownership %	Group ownership %	Year [7]	Equity in € million [8]	Net income in € million [9]
GAM Greifswalder Asphaltmischwerke GmbH & Co. KG	Greifswald, DEU		30.00	2016	0.2	0.0
H.H. & D.E. Drew Limited	New Milton, GBR		49.00	2017	14.7	1.0
Hanse-Asphalt Gesellschaft mbH	Rostock, DEU		30.00	2016	1.0	-0.2
Heidelberger Beton Aschaffenburg GmbH & Co. KG [2]	Aschaffenburg, DEU		70.95	2016	0.3	0.1
Heidelberger Beton Aue-Schwarzenberg GmbH & Co. KG	Schwarzenberg, DEU		90.00	2016	0.2	0.0
Heidelberger Beton Donau-Iller GmbH & Co. KG [2]	Elchingen, DEU		80.48	2016	0.8	0.1
Heidelberger Beton Elster-Spree GmbH & Co. KG [2]	Cottbus, DEU		60.00	2016	0.6	0.1
Heidelberger Beton Franken GmbH & Co. KG [2]	Fürth, DEU		90.00	2016	0.5	0.9
Heidelberger Beton Kurpfalz GmbH & Co. KG [2]	Eppelheim, DEU		51.11	2016	3.7	0.3
Heidelberger Betonpumpen Simonis GmbH & Co. KG [2]	Ubstadt-Weiher, DEU		57.37	2016	2.5	0.6
Humber Sand and Gravel Limited	Egham, GBR		50.00	2016	-0.9	0.0
Joyce Green Aggregates Limited	Dartford, GBR		50.00	2017	0.0	0.0
Les Calcaires Girondins S.a.s.	Cenon, FRA		50.00	2016	0.9	-0.2
Les Graves de l'Estuaire S.a.s.	Le Havre, FRA		50.00	2016	1.7	-0.3
Mantovana Inerti S.r.l.	Mantova, ITA		50.00	2016	2.3	0.1
Mendip Rail Limited	Markfield, GBR		50.00	2016	0.5	0.0
North Tyne Roadstone Limited	Birmingham, GBR		50.00	2016	-0.4	-0.3
Padyear Limited	Maidenhead, GBR		50.00	2016	-0.2	0.0
Rewinn B.V.	Amsterdam, NLD		50.00	2016	1.3	-0.3
SCL S.A.	Heillecourt, FRA		50.00	2016	-0.3	-0.2
Smiths Concrete Limited	Oxford, GBR		49.00	2016	11.5	0.3
Société des Calcaires de Souppes-sur-Loing - SCSL S.N.C.	Souppes-sur-Loing, FRA		50.00	2016	3.2	0.5
Sodramaris S.N.C.	La Rochelle, FRA		50.00	2016	12.0	-4.0
SPS S.a.s.	Pont de l'Arche, FRA		50.00	2016	6.3	0.1
TBG Ilm-Beton GmbH & Co. KG [2]	Arnstadt, DEU		55.00	2016	0.7	0.0
TBG Transportbeton GmbH & Co. KG Naabbeton	Nabburg, DEU		50.00	2016	1.1	1.6
TBG Transportbeton Oder-Spree GmbH & Co. KG	Wriezen, DEU		50.00	2016	1.5	0.5
Trapobet Transportbeton GmbH Kaiserslautern Kommanditgesellschaft	Kaiserslautern, DEU		50.00	2016	1.0	1.0
Valoise S.a.s. [2]	Pierrelaye, FRA		60.00	2016	-0.3	0.0
WIKING Baustoff- und Transport GmbH & Co. Kommanditgesellschaft	Geseke, DEU		50.00	2016	0.5	0.1
Joint Ventures						
Northern and Eastern Europe-Central Asia						
Betong Øst AS	Kongsvinger, NOR		50.00	2016	4.7	4.7
BT Topbeton Sp. z o.o.	Gorzów Wielkopolski, POL		49.92	2016	6.5	0.9
CEMET S.A.	Warsaw, POL		42.84	2016	15.3	2.8
Closed Joint Stock Company "Mineral Resources Company"	Ishimbay, RUS		50.00	2016	12.3	0.3
Duna-Dráva Cement Kft.	Vác, HUN		50.00	2016	187.4	12.3
PÍSKOVNY MORAVA spol. s r.o.	Němčičky, CZE		50.00	2016	1.6	0.2
Pražské betonpumpy a doprava s.r.o.	Praha, CZE		50.00	2016	1.7	0.1
TBG METROSTAV s.r.o.	Praha, CZE		50.00	2016	14.5	0.7
TBG Plzeň Transportbeton s.r.o. [2]	Beroun, CZE		50.10	2016	1.5	0.3
TBG SWIETELSKY s.r.o. [2]	České Budějovice, CZE		51.00	2016	0.7	0.1
Vltavské štěrkopísky, s.r.o.	Chlumín, CZE		50.00	2016	3.6	0.4
Joint Ventures						
North America						
Allied Cement Company, d/b/a CPC Terminals (Limited Partnership Interest) [5]	Sacramento, USA		50.00	-	-	-
American Stone Company	Raleigh, USA		50.00	2016	2.6	0.5
BP General Partner Ltd. [5]	Winnipeg, CAN		50.00	-	-	-
Building Products & Concrete Supply Limited Partnership	Winnipeg, CAN		50.00	2016	14.1	1.6
California Commercial Asphalt, LLC	Wilmington, USA		50.00	2016	34.3	3.3
China Century Cement Ltd.	Hamilton, BMU		50.00	2016	40.8	6.5
CPC Terminals, Inc [5]	Sacramento, USA		50.00	-	-	-
Groupe Ciment Quebec Inc.	Saint-Basile, CAN		50.00	2016	161.9	8.5
Red Bluff Sand & Gravel, L.L.C.	Montgomery, USA		50.00	2016	6.3	0.4
Texas Lehigh Cement Company LP	Austin, USA		50.00	2016	43.6	36.6
Upland Ready Mix Ltd.	Campbell River, CAN		50.00	2016	0.0	0.0

Company name	Corporate seat	HC AG direct ownership %	Group ownership %	Year [7]	Equity in € million [8]	Net income in € million [9]
Joint Ventures						
Asia-Pacific						
Alliance Construction Materials Ltd	Hong Kong, HKG		50.00	2016	32.9	31.2
Cement Australia Holdings Pty Ltd	New South Wales, AUS		50.00	2016	330.4	20.0
Cement Australia Partnership	New South Wales, AUS		50.00	2016	107.7	102.6
Cement Australia Pty Limited	Victoria, AUS		50.00	2016	0.0	0.0
Easy Point Industrial Ltd.	Hong Kong, HKG		50.00	2016	-0.5	0.0
Jidong Heidelberg (Fufeng) Cement Company Limited	Baoji, CHN		48.11	2016	88.8	20.3
Jidong Heidelberg (Jingyang) Cement Company Limited	Xianyang City, CHN		50.00	2016	77.6	13.7
M&H Quarries Partnership	Victoria, AUS		50.00	2016	-2.0	-0.3
Metromix Pty Limited	New South Wales, AUS		50.00	2016	25.0	8.8
Penrith Lakes Development Corporation Limited	New South Wales, AUS		20.00	2017	-126.6	2.8
Squareal Cement Ltd	Hong Kong, HKG		50.00	2016	29.2	-5.2
Technically Designed Concrete Partnership	Western Australia, AUS		50.00	2017	2.2	-0.1
Western Suburbs Concrete Partnership	New South Wales, AUS		50.00	2017	4.3	6.3

Company name	Corporate seat	HC AG direct ownership %	Group ownership %	Year [7]	Equity in € million [8]	Net income in € million [9]
Joint Ventures						
Africa-Eastern Mediterranean Basin						
Akçansa Çimento Sanayi ve Ticaret A.S.	Istanbul, TUR	39.72	39.72	2016	233.6	83.5

Company name	Corporate seat	HC AG direct ownership %	Group ownership %	Year [7]	Equity in € million [8]	Net income in € million [9]
Associates						
Western and Southern Europe						
Béton Contrôle des Abers S.a.s.	Lannilis, FRA		34.00	2016	4.8	0.3
Betonmortel Grevelingen B.V.	Zierikzee, NLD		50.00	2016	0.6	0.1
Betonmortelcentrale De Mark B.V. [5]	Oud- en Nieuw Gastel, NLD		28.57	-	-	-
Betonmortelfabriek Tilburg Bemoti B.V.	Tilburg, NLD		38.67	2016	0.5	0.0
Betonpumpen-Service Niedersachsen GmbH & Co. KG	Hannover, DEU		50.00	2016	0.2	0.2
Betotech GmbH, Baustofftechnisches Labor [2]	Eppelheim, DEU		59.98	2016	0.2	0.1
Betotech GmbH, Baustofftechnisches Labor [2]	Nabburg, DEU		70.74	2016	0.2	0.0
Betuwe Beton Holding B.V.	Tiel, NLD		50.00	2016	5.4	0.7
C.V. Projectbureau Grensmaas	Born, NLD		8.22	2016	4.1	2.6
Cementi della Lucania - F.lli Marroccoli fu Michele S.p.A.	Potenza, ITA		30.00	2016	0.1	-0.2
Cugla B.V.	Breda, NLD		50.00	2016	5.1	3.1
Demula N.V.	Laarne, BEL		50.00	2016	0.7	0.8
Dijon Béton S.A.	Saint-Apollinaire, FRA		15.00	2016	8.1	-1.9
Donau Kies GmbH & Co. KG [2]	Fürstenzell, DEU		75.00	2016	5.4	0.0
DONAU MÖRTEL - GmbH & Co. KG	Neuburg a. Inn, DEU		50.00	2016	0.3	0.1
Ernst Marschall GmbH & Co. KG Kies- und Schotterwerke	Kressbronn, DEU		19.96	2016	4.0	1.0
Fase 3 B.V.	Maasgouw, NLD		16.48	2016	0.1	0.0
Fertigbeton (FBU) GmbH & Co Kommanditgesellschaft Unterwittbach [2] [5]	Unterwittbach, DEU		57.14	-	-	-
GENAMO Gesellschaft zur Entwicklung des Naherholungsgebietes Misburg-Ost mbH	Hannover, DEU	50.00	50.00	2016	0.1	0.0
Generalcave S.r.l. - in liquidazione [4]	Fiumicino, ITA		50.00	2016	0.0	0.0
Hafenbetriebsgesellschaft mbH & Co KG Stade	Stade, DEU		50.00	2016	0.5	0.2
Heidelberger Beton Gersdorf GmbH & Co. KG	Gersdorf, DEU		50.00	2016	0.1	0.1
Heidelberger Beton GmbH & Co Stuttgart KG	Remseck a. N., DEU		50.00	2016	0.6	0.2
Heidelberger Beton Grenzland GmbH & Co. KG	Marktredwitz, DEU		50.00	2016	0.9	1.3
Heidelberger Beton Inntal GmbH & Co. KG [2]	Altötting, DEU		68.39	2016	0.6	1.5
Heidelberger Beton Karlsruhe GmbH &Co. KG	Karlsruhe, DEU		44.44	2016	0.3	0.0
Heidelberger Beton Personal-Service GmbH	Heidelberg, DEU		100.00	2016	0.1	0.0
Heidelberger Fließestrich Südwest GmbH [2]	Eppelheim, DEU		64.17	2016	0.5	0.3
Hessisches Bausteinwerk Dr. Blasberg GmbH & Co. KG [5]	Mörfelden-Walldorf, DEU		47.08	-	-	-
ISAR-DONAU MÖRTEL-GmbH & Co. KG	Passau, DEU		33.33	2016	0.5	0.1
KANN Beton GmbH & Co KG	Bendorf, DEU		50.00	2016	0.9	-0.1
Kieswerke Flemmingen GmbH [2]	Penig, DEU		54.00	2016	2.5	0.2
Kieswerke Kieser GmbH & Co. KG [2]	Gotha, DEU		51.00	2016	0.4	0.0
Kronimus Aktiengesellschaft	Iffezheim, DEU	24.90	24.90	2016	23.9	1.5
Kronimus SAS	Metz, FRA		43.60	2016	4.1	0.0

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [7]	Equity in € million [8]	Net income in € million [9]
KVB Kies- Vertrieb GmbH & Co. KG	Karlsdorf-Neuthard, DEU		24.46	2016	0.1	0.0
Maasgrind B.V.	Roermond, NLD		16.48	2016	0.2	0.3
Matériaux de Boran S.A.	Boran-sur-Oise, FRA		99.80	2016	0.1	0.0
Materiaux Traites du Hainaut S.A.	Antoing, BEL		50.00	2016	0.5	-0.2
MERMANS BETON N.V.	Arendonk, BEL		50.00	2016	0.1	0.0
Misburger Hafengesellschaft mit beschränkter Haftung	Hannover, DEU	39.66	39.66	2016	0.6	0.3
Mittelschwäbische Transport- und Frischbeton- Gesellschaft mit beschränkter Haftung & Co. Kommanditgesellschaft	Thannhausen, DEU		34.21	2016	0.6	0.3
Münchner Mörtel GmbH & Co. KG	München, DEU		20.00	2016	0.1	0.0
NCD Nederlandse Cement Deelnemingsmaatschappij B.V. [4]	Nieuwegein, NLD	36.88	36.88	2016	1.1	0.5
Nederlands Cement Transport Cetra B.V.	Uithoorn, NLD		50.00	2016	2.3	0.3
Panheel (Maatschappij tot Exploitatie van het Ontgrondingsproject Panheel) B.V.	Heel, NLD		16.48	2016	0.3	0.0
Peene Kies GmbH	Jarmen, DEU		24.90	2016	3.5	0.5
Raunheimer Quarzsand GmbH & Co. KG	Raunheim, DEU		50.00	2016	1.6	0.4
Raunheimer Sand- und Kiesgewinnung Blasberg GmbH & Co. KG	Raunheim, DEU		23.53	2016	0.5	0.5
RECIBETON S.A.	Liège, BEL		50.00	2016	0.1	0.0
Recybel S.A.	Bruxelles, BEL		25.50	2016	-0.2	-0.3
Recyfuel S.A.	Braine l'Alleud, BEL		50.00	2016	14.6	0.8
S.A.F.R.A. S.r.l. - in liquidazione [4) 5)]	Bologna, ITA		33.33	-	-	-
San Francesco S.c.a.r.l. in Liquidazione [4]	Perugia, ITA		45.71	2016	0.7	0.0
Schwaben Mörtel GmbH u. Co. KG	Stuttgart, DEU		30.00	2016	0.5	0.0
Stinkal S.a.s.	Ferques, FRA		35.00	2016	-8.9	-1.5
Südbayerisches Portland-Zementwerk Gebr. Wiesböck & Co. GmbH	Rohrdorf, DEU	23.90	23.90	2016	403.0	38.7
TBG Bayerwald Transportbeton GmbH & Co. KG	Fürstenzell, DEU		50.00	2016	0.1	0.1
TBG Deggendorfer Transportbeton GmbH	Deggendorf, DEU		33.33	2016	1.2	0.7
TBG Pegnitz-Beton GmbH & Co. KG	Hersbruck, DEU		28.00	2016	0.1	0.0
TBG Transportbeton Caprano GmbH & Co. KG	Heidelberg, DEU		50.00	2016	0.3	0.1
TBG Transportbeton Gesellschaft mit beschränkter Haftung & Co. KG. Hohenlohe	Schwäbisch Hall, DEU		25.00	2016	0.3	0.2
TBG Transportbeton GmbH & Co. KG Betonpumpendienst [2]	Nabburg, DEU		52.54	2016	0.6	0.6
TBG Transportbeton GmbH & Co.KG Lohr-Beton	Lohr am Main, DEU		50.00	2016	0.2	0.1
TBG Transportbeton Reichenbach GmbH & Co. KG [2]	Reichenbach, DEU		70.00	2016	0.8	-0.1
TBG Transportbeton Rhein-Donau-Raum GmbH & Co.KG	Singen, DEU		36.90	2016	0.3	0.0
TBG Transportbeton Selb GmbH & Co. KG	Selb, DEU		50.00	2016	0.3	0.1
TBG Transportbeton Werner GmbH & Co. KG	Dietfurt a.d. Altmühl, DEU		40.83	2016	0.1	0.3
TBG Zusam-Beton GmbH & Co. KG	Dinkelscherben, DEU		37.20	2016	0.7	0.3
TBM Transportbeton-Gesellschaft mbH Marienfeld & Co. KG [2]	Marienfeld, DEU		85.94	2016	0.1	0.1
Transbeton Gesellschaft mit beschränkter Haftung & Co Kommanditgesellschaft	Löhne, DEU		27.23	2016	1.9	1.2
Transportbeton Johann Braun GmbH & Co. KG	Tröstau, DEU		37.75	2016	0.2	0.3
Transportbeton Meschede GmbH & Co. KG	Meschede, DEU		44.81	2016	0.1	0.1
V.o.F. Betoncentrale West-Brabant [5]	Oud-Gastel, NLD		50.00	-	-	-
Van Zanten Holding B.V.	Leek, NLD		25.00	2016	2.7	1.0
Vlissingse Transportbeton Onderneming B.V.	Vlissingen, NLD		50.00	2016	1.7	0.3
Zement- und Kalkwerke Otterbein GmbH & Co. KG	Müs, DEU	38.10	38.10	2016	2.0	0.9
Associates						
Northern and Eastern Europe-Central Asia						
BETONIKA plus s.r.o.	Lužec nad Vltavou, CZE		33.33	2016	3.1	0.2
Centrum Technologiczne Betotech Sp. z o.o. [2]	Dąbrowa Górnicza, POL		99.84	2016	0.3	0.1
Devnya Finance AD	Devnya, BGR		49.96	2016	2.5	0.0
LOMY MOŘINA spol. s r.o.	Mořina, CZE		48.95	2016	13.1	0.8
PREFA Grygov a.s. [2]	Grygov, CZE		54.00	2016	2.8	0.0
Ribe Betong AS [5]	Kristiansand, NOR		40.00	-	-	-
Sola Betong AS	Tananger, NOR		33.33	2016	1.3	0.6
SP Bohemia, k.s. [2]	Králův Dvůr, CZE		75.00	2016	7.8	0.5
Tangen Eiendom AS	Brevik, NOR		50.00	2016	3.0	0.1
TBG Louny s.r.o.	Louny, CZE		33.33	2016	0.9	0.2
TBG PKS a.s.	Žďár nad Sázavou, CZE		29.70	2016	2.3	0.4
Vassiliko Cement Works Ltd.	Nicosia, CYP		25.97	2016	234.0	20.4

Company name	Corporate seat	HC AG direct ownership %	Group ownership %	Year [7]	Equity in € million [8]	Net income in € million [9]
Associates						
North America						
Cemstone Products Company	St. Paul, USA		49.45	2016	44.8	5.4
Cemstone Ready-Mix, Inc.	Madison, USA		44.01	2016	9.5	0.8
Chandler Concrete/Piedmont, Inc.	Raleigh, USA		33.33	2016	19.7	1.0
Chaney Enterprises 2, LLC [6]	Baltimore, USA		25.00	-	-	-
Chaney Enterprises Limited Partnership	Olympia, USA		25.00	2016	76.7	13.5
Innocon Inc.	Richmond Hill, CAN		45.00	2016	22.8	2.0
Innocon Partnership	Richmond Hill, CAN		45.00	2016	-39.1	-4.8
RF Properties East, LLC	Baltimore, USA		25.00	2016	0.0	-0.1
RF Properties, LLC	Baltimore, USA		25.00	2016	1.2	-0.3
Southstar Limited Partnership	Annapolis, USA		25.00	2016	73.9	3.7
Sustainable Land Use, LLC	Baltimore, USA		25.00	2016	1.8	0.8
Twin City Concrete Products Co.	St. Paul, USA		33.63	2016	55.9	5.4

Company name	Corporate seat	HC AG direct ownership %	Group ownership %	Year [7]	Equity in € million [8]	Net income in € million [9]
Associates						
Asia-Pacific						
PT Bhakti Sari Perkasa Bersama	Jakarta, IDN		15.30	2016	0.1	0.0
PT Cibinong Center Industrial Estate	Bogor, IDN		25.50	2016	5.9	1.3
PT Makmur Lestari Indonesia	Jakarta, IDN		24.91	2016	0.4	0.0
PT Pama Indo Mining	Jakarta, IDN		20.39	2016	4.7	1.0

Company name	Corporate seat	HC AG direct ownership %	Group ownership %	Year [7]	Equity in € million [8]	Net income in € million [9]
Associates						
Africa-Eastern Mediterranean Basin						
Asment Temara S.A.	Témara, MAR		37.01	2016	83.4	31.3
Fortia Cement S.A.	Lome, TGO		50.00	2016	10.4	0.3
Osho Cement (Pty) Ltd [5]	Johannesburg, ZAF		40.00	-	-	-
Tecno Gravel Egypt S.A.E.	Cairo, EGY		22.89	2016	1.9	0.6

The following subsidiaries are reflected in the consolidated financial statements at cost (available for sale at cost) due to their immateriality.

Company name	Corporate seat	HC AG direct ownership %	Group ownership %	Year [7]	Equity in € million [8]	Net income in € million [9]
Immaterial subsidiaries						
Western and Southern Europe						
Azienda Agricola Lodoletta S.r.l.	Bergamo, ITA		75.00	2016	0.6	0.1
Betotech Baustofflabor GmbH	Heidelberg, DEU	100.00	100.00	2016	0.3	0.0
CSPS Trustees Limited [6]	Maidenhead, GBR		100.00	-	-	-
Donau Kies Verwaltungs GmbH	Fürstenzell, DEU		75.00	2016	0.0	0.0
Ecoinerti S.r.l. - in liquidazione [4]	Macerata, ITA		100.00	2016	0.0	0.0
ENAS Research B.V. [6]	Maastricht, NLD		100.00	-	-	-
Entreprise Lorraine d'Agriculture - ELDA S.à r.l.	Heillecourt, FRA		100.00	2016	0.1	0.0
Etablissement F.S. Bivois SARL	Strasbourg, FRA		60.00	2016	0.1	0.0
Greystone Ambient & Style GmbH & Co. KG	Lingenfeld, DEU		60.00	2016	0.1	0.0
Greystone Ambient & Style Verwaltungsgesellschaft mbH	Lingenfeld, DEU		60.00	2016	0.0	0.0
Hanson (ER-No 3) Limited [5]	London, GBR		100.00	-	-	-
Hanson Aggregates Verwaltungs-GmbH	Leinatal, DEU		100.00	2016	0.1	0.0
HeidelbergCement Construction Materials Italia S.r.l.	Bergamo, ITA		100.00	2016	0.0	0.0
HeidelbergCement Grundstücksverwaltungsgesellschaft mbH	Heidelberg, DEU	100.00	100.00	2016	0.1	0.0
HeidelbergCement Logistik Verwaltungs-GmbH	Polch, DEU	70.00	100.00	2016	0.1	0.0
HeidelbergCement Shared Services GmbH	Leimen, DEU	100.00	100.00	2016	1.3	-0.3
HeidelbergCement Technology Center GmbH	Heidelberg, DEU		100.00	2016	0.0	0.0
HeidelbergCement, Funk & Kapphan Grundstücksverwaltungsgesellschaft mbH	Heidelberg, DEU	80.00	80.00	2016	0.0	0.0
Heidelberger Beton Aschaffenburg Verwaltungs-GmbH	Aschaffenburg, DEU		70.74	2016	0.0	0.0
Heidelberger Beton Aue-Schwarzenberg Verwaltungs-GmbH	Schwarzenberg, DEU		100.00	2016	0.0	0.0
Heidelberger Beton Donau-Naab Verwaltungsgesellschaft mbH	Burglengenfeld, DEU		81.67	2016	0.0	0.0
Heidelberger Beton Inntal Verwaltungs-GmbH	Altötting, DEU		68.39	2016	0.0	0.0
Heidelberger Betonelemente Verwaltungs-GmbH	Chemnitz, DEU		83.00	2016	0.1	0.0
Heidelberger Betonpumpen Rhein-Main-Nahe Verwaltungs-GmbH	Bad Kreuznach, DEU		93.74	2016	0.0	0.0
Heidelberger Kalksandstein Grundstücks- und Beteiligungs-Verwaltungs-GmbH	Durmersheim, DEU		100.00	2016	0.1	0.0

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [7]	Equity in € million [8]	Net income in € million [9]
Heidelberger KS Beteiligungen Deutschland Verwaltungsgesellschaft mbH	Heidelberg, DEU		100.00	2016	0.0	0.0
I.T.S. Toogood SPRL	Braine l'Alleud, BEL		100.00	2016	0.0	0.1
Kalko B.V.	's-Hertogenbosch, NLD		100.00	2016	0.0	0.0
Kieswerke Kieser Verwaltungs-GmbH	Gotha, DEU		51.00	2016	0.0	0.0
KS-QUADRO Bausysteme GmbH	Durmersheim, DEU		100.00	2016	0.1	0.0
Lindustries (D) Limited [5]	London, GBR		100.00	-	-	-
Lithonplus Verwaltungs-GmbH	Lingenfeld, DEU		60.00	2016	0.0	0.0
Lombarda Calcestruzzi S.r.l. [5]	Milan, ITA		100.00	-	-	-
MS "Wesertrans" Binnenschiffsreederei GmbH & Co. KG [5]	Elsfleth, DEU		68.75	-	-	-
MS "Wesertrans" Verwaltungsgesellschaft mbH [5]	Elsfleth, DEU		75.00	-	-	-
NOHA Norddeutsche Hafenumschlagsgesellschaft mbH	Cadenberge, DEU		60.00	2016	0.1	0.0
Paderborner Transport - Beton - Gesellschaft mit beschränkter Haftung	Paderborn, DEU		75.00	2016	0.0	0.0
Rederij Cement-Tankvaart B.V.	Amsterdam, NLD		66.18	2016	5.5	0.8
SCI Bicowal	Strasbourg, FRA		60.00	2016	0.0	0.0
SCI de Balloy	Avon, FRA		100.00	2016	0.0	0.0
SMW Sand und Mörtelwerk Verwaltungs-GmbH	Königs Wusterhausen, DEU		100.00	2016	0.0	0.0
Société Civile d'Exploitation Agricole de l'Avesnois	Guerville, FRA		80.00	2016	0.0	0.0
SPRL Ferme de Wisempierre	Saint-Maur-Ere, BEL		100.00	2016	1.7	0.0
TBG Ilm-Beton Verwaltungs-GmbH	Arnstadt, DEU		55.00	2016	0.0	0.0
TBG Transportbeton Reichenbach Verwaltungs-GmbH	Reichenbach, DEU		70.00	2016	0.0	0.0
TBM Transportbeton-Gesellschaft mit beschränkter Haftung Marienfeld	Harsewinkel, DEU		85.94	2016	0.0	0.0
Verwaltungsgesellschaft Baustoffwerke Dresden mbH	Dresden, DEU		51.00	2016	0.2	0.0
WIKA Sand und Kies Verwaltungs-GmbH	Stade, DEU		100.00	2016	0.0	0.0
Immaterial subsidiaries						
Northern and Eastern Europe-Central Asia						
8 Vershin LLP	Almaty, KAZ		100.00	2016	0.2	0.0
Agromir Sp. z o.o.	Chorula, POL		99.84	2016	0.0	0.0
Agrowelt Sp. z o.o.	Chorula, POL		99.84	2016	0.7	0.0
Azer-E.S. Limited Liability Company	Baku, AZE	100.00	100.00	2016	-3.1	-0.6
Bukhtarma TeploEnergo LLP	Oktyabrskiy village, KAZ		100.00	2016	-1.1	0.0
Bukhtarma Vodokanal LLP	Oktyabrskiy village, KAZ		100.00	2016	-0.2	0.0
Center Cement Plus Limited Liability Partnership	Astana, KAZ		100.00	2016	1.2	0.0
Donau Kies Bohemia Verwaltungs, s.r.o.	Pilsen, CZE		75.00	2016	0.0	0.0
Eurotech Cement S.h.p.k.	Durrës, ALB		92.43	2016	0.1	0.1
Fastighets AB Lövholmen 1	Stockholm, SWE		100.00	2016	0.0	0.0
Fastighets AB Lövholmen 10	Stockholm, SWE		100.00	2016	0.0	0.0
Fastighets AB Lövholmen 11	Stockholm, SWE		100.00	2016	0.0	0.0
Fastighets AB Lövholmen 2	Stockholm, SWE		100.00	2016	0.0	0.0
Fastighets AB Lövholmen 3	Stockholm, SWE		100.00	2016	0.0	0.0
Fastighets AB Lövholmen 4	Stockholm, SWE		100.00	2016	0.0	0.0
Fastighets AB Lövholmen 5	Stockholm, SWE		100.00	2016	0.0	0.0
Fastighets AB Lövholmen 6	Stockholm, SWE		100.00	2016	0.0	0.0
Fastighets AB Lövholmen 7	Stockholm, SWE		100.00	2016	0.0	0.0
Fastighets AB Lövholmen 8	Stockholm, SWE		100.00	2016	0.0	0.0
Fastighets AB Lövholmen 9	Stockholm, SWE		100.00	2016	0.0	0.0
Fastighets Söder om Kalkbrottet 1 AB	Malmö, SWE		100.00	2016	0.0	0.0
Fastighets Söder om Kalkbrottet 2 AB	Malmö, SWE		100.00	2016	0.0	0.0
Fastighets Söder om Kalkbrottet 3 AB	Malmö, SWE		100.00	2016	0.0	0.0
Fastighets Söder om Kalkbrottet 4 AB	Malmö, SWE		100.00	2016	0.0	0.0
Fastighets Söder om Kalkbrottet Holding AB	Malmö, SWE		100.00	2016	0.0	0.0
Geo Nieruchomości Sp. z o.o.	Chorula, POL		99.84	2016	0.0	0.0
Global IT Center, s.r.o. [6]	Brno, CZE		100.00	-	-	-
Heidelberg Vostok-Cement LLP	Almaty, KAZ		100.00	2016	0.6	0.0
MIXT Sp. z o.o.	Chorula, POL		99.84	2016	0.8	0.1
OOO HC Yug	Strelica, RUS		100.00	2016	0.6	-0.3
Podgrodzie Sp. z o.o.	Wroclaw, POL		100.00	2016	3.2	-0.1
Polgrunt Sp. z o.o.	Chorula, POL		99.84	2016	0.0	0.0
SABIA spol. s r.o.	Bohusovice nad Ori, CZE		60.00	2016	0.2	0.0
Shqiperia Cement Company Shpk	Tirana, ALB		100.00	2016	0.7	0.0

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [7)]	Equity in € million [8)]	Net income in € million [9)]
TRANS-SERVIS,spol. s r.o.	Králův Dvůr, CZE		100.00	2016	2.5	0.2
VAPIS stavební hmoty s.r.o.	Praha, CZE		51.00	2016	0.2	0.0
Immaterial subsidiaries						
North America						
Carroll Canyon Property LLC	Wilmington, USA		100.00	2016	0.0	0.0
Cementi Meridionali Ltd. [5)]	Tortola, VGB		100.00	-	-	-
EPC VA 121, LLC [5)]	Richmond, USA		100.00	-	-	-
Hanson (ER-No 16) Inc. [5)]	Wilmington, USA		100.00	-	-	-
Hanson Aggregates Contracting, Inc. [5)]	Sacramento, USA		100.00	-	-	-
Hanson Aggregates Properties TX, LLC [5)]	Austin, USA		100.00	-	-	-
HP&P SE Properties VA LLC [5)]	Richmond, USA		100.00	-	-	-
HSC Cocoa Property Reserve, LLC [5)]	Tallahassee, USA		100.00	-	-	-
HSPP Properties Ohio LLC [5)]	Columbus, USA		100.00	-	-	-
Industrial Del Fresno SA [5)]	Mexico City, MEX		76.00	-	-	-
Kidde Industries, Inc. [5)]	Wilmington, USA		100.00	-	-	-
Lehigh Northeast Cement Company [5)]	Albany, USA		100.00	-	-	-
Lehigh Portland New York LLC [5)]	Albany, USA		100.00	-	-	-
Lucas Coal Company, Inc [5)]	Harrisburg, USA		100.00	-	-	-
Magnum Minerals, Inc. [5)]	Harrisburg, USA		100.00	-	-	-
Mediterranean Carriers, Inc.	Panama City, PAN		100.00	2016	-2.8	0.0
Piedras y Arenas Baja SA de CV [5)]	Tijuana, MEX		100.00	-	-	-
PUSH NA Holdings, Inc. [5)]	Wilmington, USA		100.00	-	-	-
Sherman-Abetong, Inc. [5)]	Montgomery, USA		100.00	-	-	-
South Coast Materials Company [5)]	Sacramento, USA		100.00	-	-	-
SunCrete Rooftile, Inc. [5)]	Sacramento, USA		100.00	-	-	-
Total Limited [5)]	Wilmington, USA		100.00	-	-	-
Immaterial subsidiaries						
Asia-Pacific						
Hanson Holdings Australia Pty Ltd	Victoria, AUS		100.00	2016	0.0	0.0
Vesprapat Holding Co., Ltd. [1) 4) 5)]	Bangkok, THA		49.00	-	-	-
Immaterial subsidiaries						
Africa-Eastern Mediterranean Basin						
Agadir Atlantique S.à r.l.	Casablanca, MAR		62.29	2016	0.0	0.0
C.N.A. - Cimentos Nacionais de Angola S.A. [5)]	Luanda, AGO		56.00	-	-	-
Cimento de Bissau, Limitada [5)]	Bissau, GNB		99.00	-	-	-
Intercom Libya F.Z.C. [5)]	Misrata, LBY		100.00	-	-	-
Suez for Import & Export Co S.A.E. [1)]	Cairo, EGY		49.60	2016	0.0	0.0
Terra Cimentos LDA [5)]	Maputo, MOZ		100.00	-	-	-

The following joint ventures and associates are accounted for at cost (available for sale at cost) due to their immateriality.

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year	Equity in € million	Net income in € million
Immaterial joint ventures and associates						
Western and Southern Europe						
Alzagri NV	Brugge, BEL		50.00	2016	0.4	-0.4
Baustoff- und Umschlags-GmbH	Mosbach, DEU		38.23	2016	0.2	0.0
Béton Contrôle de l'Elorn S.à r.l.	Landerneau, FRA		21.76	2016	1.7	0.1
Betonpumpen-Service Niedersachsen Verwaltungs-GmbH	Hannover, DEU		50.00	2016	0.0	0.0
C. & G. Concrete Limited [4) 5)]	Leeds, GBR		23.48	-	-	-
Calcaires de la Rive Gauche I SPRL	Obourg, BEL		35.00	2016	5.1	-0.3
Cava delle Capannelle S.r.l.	Bergamo, ITA		49.00	2016	0.7	0.1
DONAU MÖRTEL-Verwaltungs-GmbH	Passau, DEU		50.00	2016	0.0	0.0
Eurocalizas S.L. [5)]	Santander, ESP		33.31	-	-	-
Fertigbeton (FBU) Gesellschaft mit beschränkter Haftung [5)]	Unterwittbach, DEU		57.14	-	-	-
GAM Greifswalder Asphaltmischwerke VerwaltungsGmbH	Greifswald, DEU		30.00	2016	0.0	0.0

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Company name	Corporate seat	HC AG direct ownership %	Group ownership %	Year [7]	Equity in € million [8]	Net income in € million [9]
GIE des Terres de Mayocq	Le Crotoy, FRA		32.50	2016	0.0	0.0
GIE GM [2]	Guerville, FRA		63.00	2016	0.0	0.0
GIE Manche Est	Rouxmesnil Bouteilles, FRA		20.00	2016	0.0	0.0
GIE Sud Atlantique	La Rochelle, FRA		25.00	2016	0.0	0.0
Granulats Marins de Normandie GIE	Le Havre, FRA		32.50	2016	0.0	0.0
Hafen- und Lagergesellschaft Greifswald mbH	Greifswald, DEU		30.00	2016	0.2	0.0
Hafenbetriebs- und Beteiligungs-GmbH, Stade	Stade, DEU		50.00	2016	0.1	0.0
Haitz Betonwerk GmbH & Co. KG [4] [5]	Au am Rhein, DEU		21.05	-	-	-
Haitz Betonwerk Verwaltungs-GmbH [4] [5]	Au am Rhein, DEU		21.08	-	-	-
Heidelberger Beton Donau-Iller Verwaltungs-GmbH [2]	Unterelchingen, DEU		80.65	2016	0.1	0.0
Heidelberger Beton Elster-Spree Verwaltungs-GmbH [2]	Cottbus, DEU		60.00	2016	0.0	0.0
Heidelberger Beton Franken Geschäftsführungs-GmbH [2]	Fürth, DEU		90.00	2016	0.0	0.0
Heidelberger Beton Gersdorf Verwaltungs- und Beteiligungs-GmbH	Gersdorf, DEU		50.00	2016	0.0	0.0
Heidelberger Beton Grenzland Verwaltungs-GmbH	Marktredwitz, DEU		50.00	2016	0.0	0.0
Heidelberger Beton Karlsruhe Verwaltungs-GmbH	Karlsruhe, DEU		44.44	2016	0.0	-
Heidelberger Beton Kurpfalz Verwaltungs-GmbH [2]	Eppelheim, DEU		51.11	2016	0.0	0.0
Heidelberger Beton Verwaltungs GmbH Stuttgart	Remseck a. N., DEU		50.00	2016	0.0	0.0
Heidelberger Betonpumpen Simonis Verwaltungs-GmbH [2]	Ubstadt-Weiher, DEU		57.32	2016	0.0	0.0
Hormigones Mecanizados, S.A.	Palma de Mallorca, ESP		33.33	2016	0.2	0.0
Hormigones Olatzi S.A [5]	Olazagutia, ESP		24.99	-	-	-
Hormigones Txingudi S.A. [5]	San Sebastián, ESP		33.31	-	-	-
ISAR-DONAU MÖRTEL-Verwaltungs-GmbH	Plattling, DEU		33.33	2016	0.0	0.0
Kalksandstein-Service Rhein-Main-Neckar GmbH [2] [5]	Ludwigshafen, DEU		59.30	-	-	-
Kalksandsteinwerk Amberg GmbH & Co. KG [2]	Ebermannsdorf, DEU		50.10	2016	1.6	0.1
Kalksandsteinwerk Amberg Verwaltungs-GmbH [2]	Ebermannsdorf, DEU		50.10	2016	0.1	0.0
KANN Beton Verwaltungsgesellschaft mbH	Bendorf, DEU		50.00	2016	0.1	0.0
Kieswerk Langsdorf GmbH [2]	Langsdorf, DEU		62.45	2016	1.2	0.1
KVB Verwaltungs- und Beteiligungs-GmbH	Karlsdorf-Neuthard, DEU		24.41	2016	0.0	0.0
Les Calcaires Sud Charentes SCI	Cherves-Richemont, FRA		34.00	2016	-	0.0
Lippe-Kies GmbH & Co. KG	Delbrück, DEU		50.00	2016	0.2	0.0
Lippe-Kies Verwaltungs GmbH	Delbrück, DEU		50.00	2016	0.0	0.0
Maritime Logistics Agency S.r.l. [5]	Milan, ITA		25.00	-	-	-
Medcem S.r.l.	Naples, ITA		50.00	2016	3.2	-1.7
Mittelschwäbische Transport- und Frischbeton Gesellschaft mit beschränkter Haftung	Thannhausen, DEU		35.96	2016	0.0	0.0
MTB Maritime Trading & Brokerage S.r.l. [5]	Genova, ITA		33.33	-	-	-
Münchner Mörtel Verwaltungsges. mbH	München, DEU		20.00	2016	0.0	0.0
MWK Kies Verwaltungs-GmbH	Kressbronn, DEU		19.98	2016	0.0	0.0
Neuciclaje S.A.	Bilbao, ESP		33.31	2016	1.5	0.0
Nordhafen Stade-Bützfleth Verwaltungsgesellschaft mbH	Stade, DEU		20.00	2016	0.0	0.0
Novhorvi S.A.	Vitoria, ESP		24.99	2016	0.5	-0.1
Otterbein Gesellschaft mit beschränkter Haftung	Großenlüder, DEU	20.00	20.00	2016	0.0	0.0
Raunheimer Quarzsand Verwaltungsgesellschaft mbH	Raunheim, DEU		50.00	2016	0.0	0.0
Schwaben-Mörtel Beteiligungs GmbH	Stuttgart, DEU		30.00	2016	0.0	0.0
SCI de Barbeau	Bray-sur-Seine, FRA		49.00	2016	0.0	0.0
SCI des Granets	Cayeux-sur-Mer, FRA		33.33	2016	0.0	0.0
SCI Les Calcaires de Taponnat	Cherves-Richemont, FRA		50.00	2016	-	0.0
SCRL du Port Autonome du Centre et de l'Ouest	Louvière, BEL		2.39	2016	24.7	0.0
Société Civile Bachant le Grand Bonval [2]	Guerville, FRA		80.00	2016	0.0	0.0
TBG Bayerwald Verwaltungs-GmbH	Fürstenzell, DEU		50.00	2016	0.0	0.0
TBG Pegnitz-Beton Verwaltungsgesellschaft mbH	Hersbruck, DEU		28.00	2016	0.0	0.0
TBG Pinzl GmbH & Co. KG	Simbach a. Inn, DEU		34.20	2016	0.2	0.4
TBG Pinzl Verwaltung GmbH	Simbach a. Inn, DEU		34.20	2016	0.0	0.0
TBG Transportbeton Caprano Verwaltungs-GmbH	Heidelberg, DEU		50.00	2016	0.0	0.0
TBG Transportbeton Gesellschaft mit beschränkter Haftung	Schwäbisch Hall, DEU		25.00	2016	0.0	0.0
TBG Transportbeton Lohr Verwaltungsgesellschaft mbH	Lohr am Main, DEU		50.00	2016	0.0	-
TBG Transportbeton Oder-Spree Verwaltungs-GmbH	Wriezen, DEU		50.00	2016	0.0	0.0
TBG Transportbeton Rhein-Donau-Raum Verwaltungs-GmbH	Singen, DEU		36.90	2016	0.0	0.0
TBG Transportbeton Selb Verwaltungsgesellschaft mbH	Selb, DEU		50.00	2016	0.0	0.0
TBG Transportbeton Verwaltungsgesellschaft mbH	Nabburg, DEU		50.00	2016	0.0	0.0

Company name	Corporate seat	HC AG direct owner-ship %	Group owner-ship %	Year [7]	Equity in € million [8]	Net income in € million [9]
TBG Transportbeton Werner Verwaltungsgesellschaft mbH	Dietfurt a.d. Altmühl, DEU		40.83	2016	0.0	0.0
TBG Transportbeton Westpfalz GmbH & Co. KG	Pirmasens, DEU		50.00	2016	0.3	0.1
TBG Transportbeton Westpfalz Verwaltungs GmbH	Pirmasens, DEU		50.00	2016	0.0	0.0
Tournai Ternaire S.A.	Tournai, BEL		50.00	2016	-0.4	-0.4
Transbeton Gesellschaft mit beschränkter Haftung	Löhne, DEU		27.23	2016	0.0	0.0
Transportbeton Johann Braun Geschäftsführungs GmbH	Tröstau, DEU		37.75	2016	0.0	0.0
Transportbeton Meschede Gesellschaft mit beschränkter Haftung	Meschede, DEU		44.81	2016	0.0	0.0
Urzeit Weide GbR	Schelklingen, DEU	50.00	50.00	2016	0.0	0.0
Verwaltungsgesellschaft mit beschränkter Haftung TRAPOBET Transportbeton Kaiserslautern	Kaiserslautern, DEU		50.00	2016	0.0	0.0
WIKING Baustoff- und Transport Gesellschaft mit beschränkter Haftung [5]	Soest, DEU		50.00	-	-	-
Immaterial joint ventures and associates						
Northern and Eastern Europe-Central Asia						
AB Akmenės Cementas	Naujoji Akmene, LTU		8.65	2016	58.5	-7.0
Bukhtarma Teplo Tranzit LLP	New Bukhtarma village, KAZ		20.00	2016	-0.1	-
Dobrotitsa BSK AD	Dobrich, BGR		26.38	2016	-0.8	-0.4
Kalkkaia AS [5]	Verdal, NOR		50.00	-	-	-
Velkolom Čertovy schody, akciová společnost	Tmaň, CZE		50.00	2016	6.5	0.1
Immaterial joint ventures and associates						
North America						
KHB Venture LLC [5]	Boston, USA		33.33	-	-	-
Newbury Development Associates, LP [5]	Bridgeville, USA		35.00	-	-	-
Newbury Development Management, LLC [5]	Bridgeville, USA		35.00	-	-	-
Immaterial joint ventures and associates						
Asia-Pacific						
Diversified Function Sdn Bhd	Kuala Lumpur, MYS		50.00	2016	0.0	0.0
Pornphen Prathan Company Limited [4]	Bangkok, THA		49.70	2016	0.0	0.0
Sanggul Suria Sdn Bhd	Kuala Lumpur, MYS		45.00	2016	0.0	0.0
Immaterial joint ventures and associates						
Africa-Eastern Mediterranean Basin						
Ceval GIE	Casablanca, MAR		24.84	2016	0.0	0.0
Italcementi for Cement Manufacturing - Libyan J.S.C. [5]	Tripoli, LBY		50.00	-	-	-
Maestro Drymix S.A.	Casablanca, MAR		31.16	2016	0.4	-0.4
Suez Lime S.A.E.	Cairo, EGY		25.32	2016	0.3	0.3

1) Controlling influence through contractual arrangements and/or legal regulations
2) Absence of controlling influence through contractual arrangements and/or legal regulations
3) The company makes use of the exemption from disclosure obligations in accordance with § 264b of the German Commercial Code (HGB).
4) In liquidation
5) Information on equity and earnings is omitted pursuant to Section 286 Subsection 3 Sentence 1 No. 1 of the HGB if such information is of minor relevance for a fair presentation of the financial position, cash flows and profitability of HeidelbergCement AG.
6) Company founded in 2017. Therefore, no annual financial statement available yet.
7) Last fiscal year for which financial statements are available.
8) Translated with the closing rate of the fiscal year for which financial statements are available.
9) Translated with the average rate of the fiscal year for which financial statements are available.

Heidelberg, 21 March 2018

HeidelbergCement AG

The Managing Board

Independent auditor's report

To HeidelbergCement AG

Report on the audit of the consolidated financial statements and of the group management report

Opinions
We have audited the consolidated financial statements of HeidelbergCement AG, Heidelberg and its subsidiaries (the Group), which comprise the consolidated income statement, and the consolidated statement of comprehensive income, consolidated statement of cash flows for the financial year from 1 January to 31 December 2017, consolidated balance sheet as at 31 December 2017, consolidated statement of changes in equity for the financial year from 1 January to 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of the HeidelbergCement Group, which was combined with the management report of HeidelbergCement AG, for the financial year from 1 January to 31 December 2017. In accordance with the German legal requirements, we have not audited the content of the Corporate Governance statement included in the section Corporate Governance of the group management report. In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2017, and of its financial performance for the financial year from 1 January to 31 December 2017, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the Corporate Governance statement contained in the section Corporate Governance.

Pursuant to Sec. 322 (3) Sentence 1 HGB we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions
We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters. Below, we describe what we consider to be the key audit matters:

1. Goodwill impairment test

Reasons why the matter was determined to be a key audit matter
The goodwill impairment test performed annually by the Managing Board uses a complex valuation model that requires specific capital market information. Moreover, the forecasts that the executive directors are required to make regarding estimated future net cash flows are subject to judgment. The inputs used in the calculation are also partly based on estimated market expectations. In light of this, the goodwill impairment test was a key audit matter.

Auditor's response

With respect to the goodwill impairment test, we examined the HeidelbergCement Group's processes and controls. We also involved internal valuation experts to examine the mathematical calculation and assess the valuation model and the calculation inputs used. We assessed the executive directors' forecasts regarding the expected future net cash flows by analysing the business forecasts approved by the Managing Board on a sample basis with regard to future development, consistency with information from internal reports and expectations of analysts and industry associations regarding general economic and market-specific development. In addition, the business forecasts were compared for consistency with the Managing Board's other expectations, such as the information on the forecasts in the management report. We also compared the business forecasts prepared in previous periods with the actual results in order to analyse the accuracy of the forecasts. For the fourth and fifth forecast years as well as for the terminal value, we compared the calculation of the rollforward from forecast years one to three and, on a sample basis, the free cash flows calculated with actual results and planned terminal values of the past as well as the forecasts of general economic development.

Furthermore, we analysed the assumptions made on the basis of future market expectations as required. We examined the calculation of the inputs used, especially the discount rate applied, for substantive and arithmetical accuracy and compared them with external market expectations. We performed sensitivity analyses in order to assess the potential impact of changes in the inputs used on the recoverable amount. Moreover, we compared the disclosures in the notes to the consolidated financial statements against the underlying assumptions and checked whether they were properly presented.

Our audit procedures did not lead to any reservations regarding the goodwill impairment test.

Reference to related disclosures

The Company has provided information on the impairment testing of goodwill in the section Accounting and valuation principles and under note 32 of the notes to the consolidated financial statements.

2. Recognition and measurement of deferred taxes

Reasons why the matter was determined to be a key audit matter

The recognition and measurement of deferred tax items requires, at the level of the tax entity, the complete determination of all differences between the recognition and the measurement of assets and liabilities in accordance with the respective local tax provisions and financial reporting in accordance with IFRSs as well as the calculation of tax loss carryforwards. This requires significant calculations on account of the different local tax regulations, most of which are complex. The effects of the US tax reform passed in December 2017 had to be especially assessed in this context. These effects and the measurement of deferred tax assets and liabilities require detailed knowledge of the applicable tax law.

Furthermore, the assessment of the ability to use deferred tax assets is based on the expectations of the executive directors regarding the Company's economic development, which is influenced by the current market environment and the assessment of future market development and thus requires the use of judgment.

In light of this, the recognition and measurement of deferred taxes was a key audit matter.

Auditor's response

In assessing the recognition and measurement of deferred taxes for the group companies, among other procedures, we analysed the underlying processes for the complete capture and measurement of deferred taxes and examined the controls implemented to prevent or detect and correct errors. We involved internal tax experts from the individual Group areas, especially from the US, because of the knowledge required for the respective tax regulations. We examined on a sample basis the identification and quantification of differences between the recognition and measurement of assets and liabilities according to tax regulations and financial reporting pursuant to IFRSs.

We also reperformed the calculation of deferred taxes, checking that the correct tax rate was applied. We compared the tax plans with the Company's budget on a sample basis in terms of the recoverability of deferred tax assets from temporary differences and from loss carryforwards. We also examined the tax plans as to whether the planning horizon set for the Group as a whole is used in the assessment of the ability to use tax loss carryforwards and whether the respective local tax regulations for the use of loss carryforwards were followed.

Our audit procedures did not lead to any reservations regarding the recognition and measurement of deferred taxes.

Reference to related disclosures
The Company has provided information on the recognition and measurement of deferred taxes in the section Accounting and valuation principles and under note 11 of the notes to the consolidated financial statements.

3. Completeness and measurement of provisions involving the use of judgment

Reasons why the matter was determined to be a key audit matter
The estimates made by the executive directors regarding the existence of an obligation as well as the forecast of future cash outflows in connection with this obligation directly impact the recognition and measurement of provisions. In particular, assumptions are to be made regarding the future development of the calculation inputs such as the applied discount rate, wage and salary trends and life expectancy. The executive directors also make use of their judgment for other provisions concerning the amounts utilised for damages and environmental obligations and for legal disputes.

On this basis, the completeness and measurement of the aforementioned provisions was a key audit matter.

Auditor's response
We examined the processes and controls set up to prevent or detect and correct errors relating to the complete recognition and measurement of provisions involving the use of judgment. External actuaries were engaged to determine the amount of pension provisions. We assessed the competence, capabilities and objectivity of the experts, gained an understanding of their work and the suitability of the results as audit evidence for the relevant assertions. We examined the data made available to the experts for completeness and accuracy and gained an understanding of the process to determine the calculation inputs. We compared the calculation inputs used, including the discount rate, the inflation rate, the salary trend and the mortality tables used, with internal and external data and forecasts. The estimates made by the executive directors regarding the likelihood of a claim and the calculation inputs used, were examined in the context of other provisions, in particular for damages and environmental obligations and legal disputes. For the individual Group areas, the estimates of the executive directors were compared with experiences, the development of the inputs over time as well as with available external forecasts. Furthermore, we checked for consistency with internal group reporting and with reports from the technical departments. To assess litigation risks, statements were obtained from the central legal department and from the respective external legal counsel and compared against the accounting treatment.

Our audit procedures did not give rise to any reservations regarding the completeness and measurement of the aforementioned provisions involving the use of judgment.

Reference to related disclosures
The Company has provided information on pension provisions in the section Accounting and valuation principles and under notes 44 and 45 of the notes to the consolidated financial statements.

4. Purchase price allocation for the Italcementi acquisition

Reasons why the matter was determined to be a key audit matter
The HeidelbergCement Group acquired 100 % of the shares in the Italcementi Group in the second half of 2016 and accounted for the acquisition as a business combination with effect as at 1 July 2016. As a result of the size and complexity of the transaction, the purchase price allocation was still provisional as at 31 December 2016. The purchase price allocation was finalised as at 30 June 2017. As part of the purchase price allocation, the fair values of the assets and liabilities were determined using updated appraisals. Fair value was determined using various valuation models, which were applied according to the assets and liabilities being measured. The measurement of quarrying rights was based on a complex valuation model that requires specific capital market information. Furthermore, the assumptions necessary for the annual quarry amounts are made based on budgets, future market development and the existing quarry reserves. Judgment is used to measure property, plant and equipment, especially with regard to the choice of the valuation method to be used and the inputs to be considered, which depend on the current market environment and the estimate of the future market development. The executive directors use judgment to measure contingent liabilities with regards to the expected amount of the claim from legal disputes, especially ongoing antitrust cases. In this respect, the purchase price allocation for the Italcementi acquisition was a key audit matter.

Auditor's response

External experts were engaged to measure the quarrying rights and property, plant and equipment. We assessed the competence, capabilities and objectivity of the experts, gained an understanding of work of the experts and assessed the suitability of the results as audit evidence for the relevant assertions. We also examined the data provided to the experts for completeness and accuracy. We examined the calculation of the inputs used to measure the mining rights, especially the discount rate applied, for substantive and arithmetical accuracy and compared the inputs with external market data. We assessed the choice of valuation models used to measure property, plant and equipment in terms of their applicability. We compared the inputs and assumptions used with internal company data and external data, forecasts and market expectations. In assessing the recognition and measurement of contingent liabilities, we examined the underlying process for the complete capture and measurement of the contingent liabilities. The executive directors' estimate of the likelihood and amount of potential claims was assessed for the measurement of the contingent liabilities.

Our procedures did not lead to any reservations regarding the purchase price allocation for the Italcementi acquisition.

Reference to related disclosures

The Company has provided information on the finalisation of the purchase price allocation in the section Scope of consolidation of the notes to the consolidated financial statements.

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board. In all other respects, the executive directors are responsible for the other information. The other information comprises the Corporate Governance statement contained in the section Corporate Governance of the group management report. Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon. In connection with our audit, our responsibility is to read the other information and, in doing so, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so. Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report. The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor’s responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group’s position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor’s report that includes our opinions on the consolidated financial statements and the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor’s report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law and the view of the Group’s position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation
We were elected as group auditor by the Annual General Meeting on 10 May 2017. We were engaged by the Supervisory Board on 19 June 2017. We have been the group auditor of HeidelbergCement AG without interruption since financial year 1948.

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

In addition to the financial statement audit, we have provided to group entities the following services that are not disclosed in the consolidated financial statements or in the group management report:
- Submission of a comfort letter to HeidelbergCement AG, relating to the update of the EUR 10b European Medium Term Note programme;
- Agreed-upon procedures in connection with the compliance certificate of HeidelbergCement AG;
- Reports in connection with the EEG ("Erneuerbare-Energien-Gesetz": German Renewable Energy Act), the VerpackV ("Verpackungsverordnung": German Packaging Ordinance) or due to HC AG's or its group entities' membership in industry associations;
- Voluntary audits or reviews of annual financial statements;
- Ongoing tax advisory services;
- Tax advisory services relating to employee secondments;
- Investigations of suspicious cases and cases of damage or loss.

German Public Auditor responsible for the engagement
The German Public Auditor responsible for the engagement is Helge-Thomas Grathwol.

Stuttgart, 21 March 2018
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Somes	Grathwol
Wirtschaftsprüferin	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Responsibility statement

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

Heidelberg, 21 March 2018

HeidelbergCement AG

The Managing Board

Dr. Bernd Scheifele

Dr. Dominik von Achten

Kevin Gluskie

Hakan Gurdal

Jon Morrish

Dr. Lorenz Näger

Dr. Albert Scheuer

5 i Additional information

Group/Global functions and Country Managers

Group/Global functions

Group functions	
Kozelka, Rolf	Director Group Tax
Lentz, Dennis	Director Group Information Technology
Ploss, Dr. Ines	Director Group Purchasing
Rozzanigo, Matteo	Director Group Strategy & Development and Cementitious Materials
Sauerland, Dr. Carsten	Director Group Reporting, Controlling & Consolidation
Schaller, Andreas	Director Group Communication & Investor Relations
Schnurr, Andreas	Director Group Human Resources and Group Compliance
Schwind, Klaus	Director Group Shared Service Center
Sterr, Roland	Director Group Legal
Sukanto, Tju Lie	Director Group Internal Audit
Toborek, Anna	Director Group Corporate Finance
Vandenberghe, Marc	Director Group Insurance & Corporate Risk Management
Weig, Severin	Director Group Treasury
Global Heidelberg Technology Center (HTC)	
Gupta, Akhilesh	Director Global HTC and Director HTC Northern and Eastern Europe-Central Asia
Bertola, Arnaldo	President HTC North America
Breyer, Robert	Director HTC Western and Southern Europe
Clausi, Antonio	Director HTC Africa-Eastern Mediterranean Basin
Defalque, Juan-Francisco	Director HTC Asia-Pacific
Global Research & Development	
Dienemann, Dr. Wolfgang	Director Global Research & Development
Global Product Innovation	
Borgarello, Enrico	Director Global Product Innovation
Global Competence Center Materials (CCM)	
Patsch, Dr. Oliver	Director Global Competence Center Materials
Global Competence Center Readymix (CCR)	
Pearson, Tony	Director Global Competence Center Readymix
Global Environmental Sustainability	
Lukas, Peter	Director Global Environmental Sustainability
Global Logistics	
Middendorf, Kay	Director Global Logistics
Global Market Intelligence & Sales Processes	
Hogan, David	Director Global Market Intelligence & Sales Processes
Global Product Marketing	
Zaffaroni, Fortunato	Director Global Product Marketing
HC Trading	
Adigüzel, Emir	Chief Executive Officer International Trade (HC Trading)

Country Managers

Western and Southern Europe		
Belgium/Netherlands	Streicher, Christoph	General Manager Belgium/Netherlands
France/Belgium/Netherlands	Junon, Jean-Marc	General Manager France/Belgium/Netherlands
Germany	Knell, Christian	General Manager Germany
Italy	Callieri, Roberto	General Manager Italy
Spain	Ortiz, Jesús	General Manager Spain
United Kingdom	Cooper, Daniel	Chief Executive Officer UK

Northern and Eastern Europe-Central Asia		
Denmark/Estonia/Iceland/Latvia/Lithuania/Norway/Sweden	Brantenberg, Giv	General Manager Northern Europe
Bosnia & Herzegovina/Croatia	Muidža, Branimir	General Manager Bosnia & Herzegovina/Croatia
Bulgaria/Greece/Albania	Costa, Stefano	General Manager Bulgaria/Greece/Albania
Czech Republic	Chuděj, Karel	General Manager Czech Republic
Georgia	Hampel, Michael	General Manager Georgia
Hungary	Szarkándi, János	General Manager Hungary
Kazakhstan	Kempe, Roman	General Manager Kazakhstan
Poland	Jelito, Ernest	General Manager Poland
Romania	Aldea, Dr. Florian	General Manager Romania
Russia	Polendakov, Mihail	General Manager Russia
Ukraine	Thiede, Silvio	General Manager Ukraine

North America	
Dolan, Dennis	Regional President North
Heller, Glenn	Regional President South
Fritz, Daniel	Regional President West
Ward, Chris	Regional President Canada

Asia–Pacific		
Australia	Schacht, Phil	Chief Executive Officer Australia
Bangladesh/Brunei	Ugarte, Marcelino	General Manager Bangladesh & Brunei
China	Jamar, Jean-Claude	Chief Executive Officer China
India	Cooper, Jamshed	Chief Executive Officer and Managing Director India
Indonesia	Kartawijaya, Christian	Chief Executive Officer Indonesia
Malaysia	Thornton, John	General Manager Malaysia
Thailand	Dealberti, Claudio	General Manager Thailand

Africa-Eastern Mediterranean Basin		
Benin/Burkina Faso/Togo	Goulignac, Eric	General Manager Benin/Burkina Faso/Togo
DR Congo/Mozambique/South Africa/Tanzania	Velez, Alfonso	General Manager DR Congo/Mozambique/South Africa/Tanzania
Egypt	Magrina, José Maria	General Manager Egypt
Gambia/Ghana/Liberia/Sierra Leone	Gåde, Morten	General Manager Gambia/Ghana/Liberia/Sierra Leone
Israel	Priel, Eliezer	General Manager Israel
Morocco/Mauritania	N.N	General Manager Morocco/Mauritania
Turkey	Sarier, Şahap	General Manager Turkey

Glossary

Aggregates
Aggregates in the form of sand, gravel and crushed rock are used principally for concrete manufacturing or for road construction and maintenance.

Alternative fuels
Combustible substances and materials used in place of fossil fuels in the clinker-burning process.

Alternative raw materials
By-products or waste from other industries, whose chemical components make them suitable substitutes for natural raw materials. Alternative raw materials are used both in the production of clinker, the most important intermediate product in cement production, and as additives in cement grinding, in order to conserve natural raw material resources and reduce the proportion of energy-intensive clinker in cement, the end product.

Asphalt
Asphalt is manufactured from a mixture of graded aggregates, sand, filler and bitumen. It is used primarily for road construction and maintenance.

Biodiversity
Biodiversity or biological diversity is the genetic diversity within species, diversity between species and diversity of ecosystems.

Blast furnace slag
Finely ground, glassy by-product from steel production. Additive for cement.

Cement
Cement is a hydraulic binder, i.e. a finely ground inorganic material that sets and hardens by chemical interaction with water and that is capable of doing so also under water. Cement is mainly used to produce concrete. It binds the sand and gravel into a solid mass.

Cement mill
Cement grinding is the final stage of the cement manufacturing process. In cement mills, the clinker is ground into cement, with the addition of gypsum and anhydrite, as well as other additives, such as limestone, blast furnace slag or fly ash, depending on the type of cement.

Cement Sustainability Initiative
HeidelbergCement is a founding member of the Cement Sustainability Initiative (CSI), an association of 25 leading cement manufacturers worldwide to promote sustainable development under the auspices of the World Business Council for Sustainable Development (WBCSD).

Clinker (cement clinker)
Intermediate product in the cement production process that is made by heating a finely-ground raw material mixture to around 1,450° C in the cement kiln. For the manufacture of cement, the greyish-black clinker nodules are extremely finely ground. Clinker is the main ingredient in most cement types.

Commercial Paper
Bearer notes issued by companies within the framework of a Commercial Paper Programme (CP Programme) to meet short-term financing needs.

Composite cement
In composite cements, a proportion of the clinker is replaced with alternative raw materials, usually by-products from other industries, such as blast furnace slag or fly ash. Decreasing the proportion of energy-intensive clinker in cement is of critical importance for reducing energy consumption and CO_2 emissions as well as for preserving natural raw materials.

Concrete
Building material that is manufactured by mixing cement, aggregates (gravel, sand or crushed stone) and water.

Dynamic gearing ratio
Ratio of net debt to result from current operations before depreciation and amortisation (RCOBD).

EMTN programme
An EMTN (Euro Medium Term Note) programme represents a framework agreement made between the company and the banks appointed to be dealers. HeidelbergCement has the option of issuing debenture bonds up to a total volume of €10 billion under its EMTN programme.

Fly ash
Solid, particulate combustion residue from coal-fired power plants. Additive for cement.

Grinding plant
A grinding plant is a cement production facility without clinker-burning process. Delivered clinker and selected

additives, depending on the type of cement, are ground into cement. Grinding plants are particularly operated at locations where suitable raw material deposits for cement production are not available.

Net debt
The sum of all non-current and current financial liabilities minus cash and cash equivalents and short-term derivatives.

Rating (credit rating).
Classification of the credit standing of debt instruments and their issuers. Specialised agencies such as Moody's Investors Service, Fitch Ratings, and S&P Global Rating produce such ratings. Ratings range from AAA or Aaa as the highest credit standing to C or D as the lowest.

Ready-mixed concrete
Concrete that is manufactured in a ready-mixed concrete facility and transported to the building site using ready-mix trucks.

Result from current operations before/after depreciation and amortisation
The result from current operations before depreciation and amortisation (RCOBD) and result from current operations (RCO) correspond to the operating income before depreciation (OIBD) and operating income (OI) reported in previous years. The change of name occurred due to the application of an ESMA directive (European Securities and Markets Authority).

Sustainability
Sustainable development signifies a development that fulfils the economic, ecological and social needs of people alive today without endangering the ability of future generations to fulfil their own needs.

Syndicated loan
Large-sized loan which is distributed ("syndicated") among several lenders for the purpose of risk spreading.

Imprint

Concept and realisation
Group Communication & Investor Relations HeidelbergCement
ServiceDesign Werbeagentur GmbH, Heidelberg, Germany
Target Languages GmbH, Heidelberg, Germany
abcdruck GmbH, Heidelberg, Germany

Photographs
Matthias Müller, Ilvesheim, Germany, pages 3, 8, and 14/15

Translation of the Annual Report 2017. The German version is binding.

Copies of the 2017 financial statements of HeidelbergCement AG and further information are available on request. Kindly find this Annual Report and further information about HeidelbergCement on the Internet: www.heidelbergcement.com.

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The Annual Report 2017 was published on 22 March 2018.

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PEFC/04-31-0816

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← HeidelbergCement in the world – cement capacities as well as aggregates reserves and resources

Financial calendar 2018	
Interim Financial Report January to March 2018	9 May 2018
Annual General Meeting	9 May 2018
Half-Year Financial Report January to June 2018	31 July 2018
Interim Financial Report January to September 2018	8 November 2018

HeidelbergCement in the world – cement capacities as well as aggregates reserves and resources

Cement capacities	Million tonnes
Western and Southern Europe	
Belgium	4.0
France	7.7
Germany	11.0
Italy	11.1
Netherlands	4.4
Spain	2.6
United Kingdom	6.3
	47.1
Northern and Eastern Europe-Central Asia	
Bulgaria	2.2
Czechia	2.6
Estonia	1.2
Greece	0.8
Kazakhstan	4.0
Norway	1.8
Poland	5.4
Romania	6.4
Russia	5.4
Sweden	3.2
Ukraine	4.2
	37.2
North America	
Canada	3.8
USA	13.4
	17.2
Asia-Pacific	
Bangladesh	2.5
Brunei	0.4
India	12.4
Indonesia	24.9
Thailand	5.9
	46.1
Africa-Eastern Mediterranean Basin	
Benin	0.6
Burkina Faso	0.8
DR Congo	0.8
Egypt	11.5
Ghana	4.4
Liberia	0.5
Mauritania	0.3
Morocco	4.8
Mozambique	0.4
Sierra Leone	0.6
Tanzania	2.1
Togo	1.1
	27.9
Total HeidelbergCement	**175.5**

1) Operational capacities based on 80 % calendar time utilisation

Cement capacities of joint ventures [2]	Million tonnes
Australia	2.7
Bosnia-Herzegovina	0.4
China	8.0
Georgia	2.1
Hungary	1.7
Turkey	3.8
USA (Texas)	0.6
Total joint ventures	**19.3**
HeidelbergCement incl. joint ventures	**194.8**

2) Cement capacities according to our ownership

Aggregates reserves and resources [3]			
Billion tonnes	Reserves	Resources	Total
Western and Southern Europe	1.7	1.9	**3.5**
Northern and Eastern Europe-Central Asia	0.8	0.6	**1.4**
North America	4.1	8.0	**12.1**
Asia-Pacific	1.2	1.5	**2.8**
Africa-Eastern Mediterranean Basin	0.03	0.07	**0.1**
HeidelbergCement total	7.8	12.1	**19.9**

3) Defined in the PERC Reporting Standard for mineral reserves and resources, see page 80 f. in the Risk and opportunity report.

HeidelbergCement
is member of:

World Business Council for Sustainable Development

econsense
Forum Nachhaltige Entwicklung

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