Interim Financial Report January to March 2017

HEIDELBERGCEMENT

Italcementi acquisition strengthens sales volumes, revenue and result

- Sales volumes: 28 million tonnes of cement (+58 %); 61 million tonnes of aggregates (+23 %); 10 million cubic metres of ready-mixed concrete (+31 %)
- Revenue up by 34 % to €3.8 billion (previous year: 2.8)
- Result from current operations before depreciation and amortisation improved by 19 % to €383 million (previous year: 321)
- Financial result increased by €32 million to €-82 million (previous year: -114)
- Typical seasonal shortfall (Group share) reduced to €-70 million (previous year: -72); earnings per share improved by 7 %

Outlook for 2017 unchanged

- Positive outlook for global economy; higher geopolitical and macroeconomic risks
- Expected growth in sales volumes of cement, aggregates, and ready-mixed concrete
- Moderate increase in revenue and mid-single to double-digit percentage increase in result from current operations on a comparable pro forma basis[1]; significant rise in profit for the financial year before non-recurring effects
- HeidelbergCement is well positioned to benefit from good and stable development in industrial countries, particularly in the USA, Canada, the United Kingdom, Germany, the countries of Northern Europe, and Australia

1) Comparable pro forma basis: with the inclusion of Italcementi in the first half of 2016 and adjusted for currency and consolidation effects

Overview January to March 2017	January - March	
€m	2016	**2017**
Revenue	2,832	**3,784**
Result from joint ventures	31	**30**
Result from current operations before depreciation and amortisation (RCOBD)	321	**383**
RCOBD margin in %	11.3 %	**10.1 %**
Result from current operations	138	**108**
Additional ordinary result	-4	**-16**
Result from participations	-5	**0**
Earnings before interest and income taxes (EBIT)	129	**92**
Financial result	-114	**-82**
Profit before tax	14	**9**
Net loss from continuing operations	-21	**-39**
Net income / loss from discontinued operations	-10	**4**
Loss for the period	-31	**-35**
Group share of loss	-72	**-70**
Investments	257	**195**

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

Interim Group management report

Business trend January to March 2017

Economic environment

Global economic growth is continuing. The national economies of Asia and the African countries south of the Sahara remain on a growth trajectory. In Europe, the moderate recovery is continuing. In the USA, economic growth slowed down noticeably in the first quarter of 2017; however, the economic outlook continues to be positive.

Sales volumes in the first quarter benefit from consolidation of Italcementi

In the first quarter, the sales volumes of HeidelbergCement's building materials rose substantially as a result of the consolidation of Italcementi. The continued recovery of the construction industry in North America and Europe also had a positive impact on the development of sales volumes. In contrast, development in the emerging countries was mixed.

In the first quarter, the Group's cement and clinker sales volumes increased by 58.0 % to 27.8 million tonnes (previous year: 17.6) as a result of the acquisition. Excluding consolidation effects, volumes rose by 2.7 %. Cement sales volumes showed an improvement in all Group areas. Excluding consolidation effects, the strongest increase was recorded in Northern and Eastern Europe-Central Asia, followed by Africa-Eastern Mediterranean Basin, Western and Southern Europe, and North America. In Asia-Pacific, cement sales volumes grew in India in particular, while they remained at the previous year's level in Indonesia and declined in Bangladesh.

Deliveries of aggregates also registered an acquisition-related rise of 23.4 % to 60.9 million tonnes (previous year: 49.3). Excluding consolidation effects, sales volumes remained unchanged. Deliveries of ready-mixed concrete also rose as a result of the new consolidations by 30.9 % to 10.4 million cubic metres (previous year: 8.0). Excluding consolidation effects, sales volumes declined slightly by 1.8 %. Asphalt sales volumes grew by 6.0 % to 1.5 million tonnes (previous year: 1.4).

Sales volumes	January - March		
	2016	2017	Change
Cement and clinker (million tonnes)	17.6	**27.8**	58.0 %
Aggregates (million tonnes)	49.3	**60.9**	23.4 %
Ready-mixed concrete (million cubic metres)	8.0	**10.4**	30.9 %
Asphalt (million tonnes)	1.4	**1.5**	6.0 %

Development of revenue and results

Group revenue in the period from January to March 2017 increased by 33.6 % in comparison with the previous year to €3,784 million (previous year: 2,832). Excluding consolidation and exchange rate effects, Group revenue remained constant. Changes to the scope of consolidation of €897 million, primarily owing to the first-time consolidation of the Italcementi Group, had a positive impact on revenue. Exchange rate effects of €62 million also positively affected revenue.

In the reporting period, material costs rose by 32.9 % to €1,580 million (previous year: 1,189). This increase is essentially due to the first consolidation of the Italcementi Group. Excluding consolidation and exchange rate effects, material costs decreased slightly by 0.7 %. This decline predominantly related to energy costs and goods purchased for resale. The material cost ratio improved marginally from 42.0 % to 41.8 %. Other operating expenses and income were 39.0 % above the previous year's level at €-1,087 million (previous year: -782).

Excluding currency and consolidation effects, the increase was 6 %. Third-party repairs as well as rental and leasing expenses rose after exclusion of currency and consolidation effects. Personnel costs increased by 34.2 % to €736 million (previous year: 548), primarily because of the higher number of employees. The result from joint ventures decreased slightly by 1.9 % to €30 million (previous year: 31).

The result from current operations before depreciation and amortisation improved by 19.4% to €383 million (previous year: 321). The increase of €62 million largely derived from the first-time consolidation of the Italcementi Group. The result from current operations declined substantially by 21.4% to €108 million (previous year: 138) due to a rise of 50% in depreciation and amortisation. Excluding consolidation and exchange rate effects, depreciation and amortisation fell by 2.1%.

The additional ordinary result of €-16 million (previous year: -4) primarily relates to expenses arising from the disposal of subsidiaries, integration expenses, and other non-recurring expenses and income.

The financial result improved by €32 million to €-82 million (previous year: -114). Besides the reduction of €11 million in interest expenses, the financial result was positively affected by the improvement of €4 million in currency results and €15 million in the other financial result.

The profit before tax from continuing operations fell by €5 million to €9 million (previous year: 14), essentially as a result of the increased depreciation and amortisation. At €48 million (previous year: 36), expenses relating to taxes on income were 36% greater than the previous year's level. Net income from continuing operations fell by €18 million to €-39 million (previous year: -21).

Net income from discontinued operations of €4 million (previous year: -10) accounts for operations of the Hanson Group that were discontinued in previous years.

Overall, the loss for the period adds up to €-35 million (previous year: -31). The profit attributable to non-controlling interests declined by €6 million to €35 million (previous year: 41). The Group share therefore amounts to €-70 million (previous year: -72).

Earnings per share – Group share – in accordance with IAS 33 improved by €0.03 to €-0.35 (previous year: -0.38).

The statement of comprehensive income and the derivation of the earnings per share are shown in detail in the Notes.

Statement of cash flows

The seasonal cash outflow from operating activities – continuing operations – rose by €220 million in the first quarter of 2017 to €482 million (previous year: 262), essentially due to the increase in working capital of €575 million (previous year: 344) – which is €231 million higher than the previous year's increase – in the context of the acquisition of Italcementi. In contrast, cash flow before interest and tax payments rose by €27 million to €429 million (previous year: 402). Interest received remained almost unchanged in comparison with the same period of the previous year, while interest payments increased by €66 million in comparison with the previous year to €206 million (previous year: 140) mainly because of the interest payments of the acquired Italcementi bonds which are due in the first quarter. Income taxes paid fell by €10 million to €74 million (previous year: 84). Dividends received remained slightly below the previous year's level at €54 million (previous year: 61) and mainly include dividends collected from joint ventures and associates.

In the reporting quarter, provisions of €74 million (previous year: 120) were utilised through payments, of which €21 million related to restructuring measures. 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.

Net cash used in investing activities of continuing operations declined by €98 million to €140 million (previous year: 238). This decline is most notably due to the acquisition of the business of Rocla Quarry Products (RQP) in Australia in the previous year in exchange for a cash payment of €98 million. These factors were counteracted by an increase in investments in property, plant, and equipment of €29 million in comparison with the previous year.

Financing activities of continuing operations generated a cash inflow of €471 million in the reporting period (previous year: 1,214). The cash inflow arising from the net proceeds from and repayment of bonds and loans of €487 million (previous year: 1,221) included in this figure covers the change in non-current and current financial liabilities and mainly comprises the repayment of a bond of €1 billion, the issue of a bond of €750 million, and cash inflows of €932 million from the issue of commercial papers. This item also includes the utilisation of the syndicated credit line, borrowings and payments relating to bank loans and debt certificates, as well as changes to other short-term interest-bearing liabilities with a high turnover rate. In the previous year, a bond of €1 billion and debt certificates of €645 million were issued and a bond of €300 million was repaid. Dividend payments to non-controlling interests led to a cash outflow of €16 million (previous year: 7).

Cash flows from operating activities as well as investment activities of discontinued business lines essentially relate to the costs and proceeds of the disposal of the Belgian Italcementi operations, as well as of the North American Italcementi locations, which were resold to meet the conditions of the competition authorities.

Investments

Cash flow investments decreased in the first quarter to €195 million (previous year: 257). Investments in property, plant, and equipment, including intangible assets, which primarily related to optimisation and environmental protection measures at our production sites, but also expansion projects in growing markets, accounted for €182 million (previous year: 154) of this total. Investments in financial assets and other business units fell to €13 million (previous year: 102); these related primarily to smaller bolt-on acquisitions of shareholdings.

Balance sheet

As at 31 March 2017, the balance sheet total rose by €79 million in comparison with 31 December 2016 to €37,233 million (previous year: 37,154).

Non-current assets fell by €71 million to €30,375 million (previous year: 30,446). Excluding positive exchange rate effects of €64 million, the decrease amounted to €134 million, which primarily related to property, plant and equipment in the amount of €112 million.

The increase of €8 million in goodwill to €11,837 million (previous year: 11,828) almost exclusively related to exchange rate effects. The change of €-71 million in property, plant, and equipment to €13,893 million (previous year: 13,965) was largely attributable to exchange rate effects of €41 million and additions of €180 million to property, plant, and equipment, which were offset by disposals of €18 million and depreciation and amortisation of €265 million.

Financial assets remained virtually unchanged at €2,389 million (previous year: 2,387). Excluding positive exchange rate effects of €18 million, financial assets declined by €16 million; the decline is primarily due to the disposal of financial investments.

Current assets increased by €151 million to €6,853 million (previous year: 6,701). As a result of seasonal factors, trade receivables grew by €154 million to €1,958 million (previous year: 1,804). Other current operating receivables also rose by €109 million to €660 million (previous year: 551), while cash and cash equivalents declined by €146 million to €1,826 (previous year: 1,972). The changes are explained in the Statement of cash flows section.

On the equity and liabilities side, equity decreased by €30 million to €17,842 million (previous year: 17,873). This reduction is essentially owing to the total comprehensive income of €-12 million, which is composed of the €35 million loss for the period as well as of the currency translation losses of €23 million recognised in other comprehensive income and of the actuarial gains of €36 million and of the gains arising from equity method investments of €10 million.

Interest-bearing liabilities rose by €452 million to €11,503 million (previous year: 11,051). The increase in net debt (interest-bearing liabilities less cash and cash equivalents) of €602 million to €9,601 million (previous year: 8,999) is attributable to the seasonal financing of the winter business in the first quarter. Total provisions decreased by €43 million to €3,052 million (previous year: 3,095), particularly due to the decline in pension provisions. The reduction of €325 million in operating liabilities to €4,154 million (previous year: 4,478) relates primarily to the decline of €188 million in trade payables to €1,991 million (previous year: 2,179) in addition to the decrease of €147 million in other current operating liabilities to €1,509 million (previous year: 1,656).

Financing

On 18 January 2017, HeidelbergCement issued a Eurobond under its €10 billion EMTN programme with an issuance volume of €750 million and a maturity date of 18 January 2021. The 4 year bond bears a fixed coupon of 0.500 % p.a. The issue price was at 99.822 %, resulting in a yield to maturity of 0.545 %.

On 27 March 2017, HeidelbergCement placed a further Eurobond of €1 billion under the EMTN programme. The issue date was 4 April 2017. The 9 year bond with maturity date of 7 April 2026 bears a fixed coupon of 1.625 % p.a. The issue price was at 99.626 %, resulting in a yield to maturity of 1.670 %.

HeidelbergCement further strengthened its financing structure with these to bonds. The proceeds will be used for general corporate purposes and the refinancing of upcoming maturities.

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 €3,243 million and the consolidated interest expense of €449 million are calculated on a pro forma basis in accordance with the terms and conditions of the bonds. As at 31 March 2017, the consolidated coverage ratio amounted to 7.22.

The net debt increased by €3,711 million in comparison with 31 March 2016, amounting to €9,601 million (previous year: 5,890) as at 31 March 2017. The increase of €602 million in comparison with the end of 2016 is primarily due to the rise in working capital, related to seasonal factors.

The available liquidity from cash and cash equivalents, liquidable financial investments and derivative financial instruments, and unused credit lines amounted to €4,636 million as at the end of March 2017.

Western and Southern Europe

The economic recovery has continued in the countries of the Western and Southern Europe Group area. The upswing in the German economy continues thanks to the good state of the domestic demand, of the intact labour market, as well as the low oil price. The economic recovery is also ongoing in Belgium and the Netherlands. The British economy remains robust following the Brexit vote. In the first quarter of 2017, however, economic growth slowed down to 0.3 %. In Spain, the economy remains on its growth course with an increase in gross domestic product of 0.8 % and construction activity is gradually recovering. In Italy and France, economic recovery is somewhat subdued.

With the first-time consolidation of Italcementi from 1 July 2016, the Western and Southern Europe Group area was extended to include France and Italy, and our market position in Spain was expanded. In all three countries, the added activities include cement, aggregates, and ready-mixed concrete.

The cement and clinker sales volumes in the Western and Southern Europe Group area rose in the first quarter of 2017 by 86.7 % to 6.3 million tonnes (previous year: 3.4). This substantial increase is primarily attributable to the newly included activities of Italcementi in France, Italy, and Spain, not to mention the positive development of demand in Germany, Benelux, and the United Kingdom. Excluding consolidation effects, sales volumes increased by 2.8 %. Deliveries from our German plants benefited from the healthy demand development, especially in residential construction. Our sales volumes also improved in Benelux thanks to the ongoing market recovery. Furthermore, the United Kingdom recorded a pleasing growth in volumes. The first signs of a market recovery became evident in Italy and Spain. In France, however, our sales volumes remained slightly below the previous year's level.

The Group area's deliveries of aggregates increased by 51.8 % to 18.3 million tonnes (previous year: 12.1). This was primarily due to the newly included aggregates activities in France, Italy, and Spain. Excluding consolidation effects, sales volumes were at the level of the previous year. While deliveries of aggregates only rose marginally in Benelux and the United Kingdom, the other countries registered a considerable increase in demand. Our sales volumes in Germany improved by 17.5 %.

Ready-mixed concrete sales volumes rose by 63.5 % to 4.0 million cubic metres (previous year: 2.5). Excluding the newly included ready-mixed concrete activities in France, Italy, and Spain, the increase amounted to 3.8 %. While our deliveries in Benelux declined slightly, we achieved a substantial rise in volumes in Germany. Sales volumes also increased to some extent in the United Kingdom. France, Italy, and Spain also benefited from a positive development in demand. The sales volumes of the asphalt operating line in the United Kingdom rose by 22.7 % compared with the previous year based on the strong demand from roadworks.

Revenue of the Western and Southern Europe Group area rose by 55.9 % to €1,065 million (previous year: 683); excluding consolidation and exchange rate effects, the increase amounted to 2.6 %.

Northern and Eastern Europe-Central Asia

The economic development of the countries in the Northern and Eastern Europe-Central Asia Group area presents a mixed picture. In Sweden, construction activity has benefited from ongoing robust economic development, particularly in residential construction. In Norway, however, the economic momentum has weakened, but demand from major infrastructure projects and residential construction remains strong. In Poland and Czechia, the economy and construction activity are continuing to recover. The Romanian economy is also on a course for growth, but there is still a lack of infrastructure projects. In Kazakhstan, the economy shows signs of a slight recovery. Ukraine and Russia experience an ongoing economic stabilisation, but the conflict in Ukraine is severely impairing the economy in both countries.

During the first quarter of 2017, cement and clinker deliveries of the Northern and Eastern Europe-Central Asia Group area grew by 16.9 % to 4.6 million tonnes (previous year: 4.0). The increase in sales volumes is attributable to the first-time inclusion of Italcementi's cement activities in Bulgaria, Greece, and Kazakhstan, in addition to the mainly positive development of cement demand in the Group area. Excluding consolidation effects, this growth amounted to 4.6 %. The Northern European countries including the Baltic States consistently achieved double-digit percentage increases in volumes. In Eastern Europe-Central Asia, the deliveries of the individual countries presented a mixed picture. Kazakhstan and Greece registered the highest growth rates, but Poland and Czechia also recorded pleasing increases in sales volumes. Our deliveries declined considerably in Russia and Romania, and to a lesser extent in Ukraine and Bulgaria.

In the aggregates business line, the individual Group countries experienced varied development of sales volumes. Our deliveries decreased significantly in Norway, Sweden, Romania, Slovakia, and Greece. In contrast, substantial growth was achieved in Russia, Kazakhstan, Ukraine, Czechia, and Georgia. As a whole, our deliveries of aggregates in the Group area rose by 86.3 % to 8.6 million tonnes (previous year: 4.6). Consolidation effects arose from the full consolidation of the Mibau Group, the first-time inclusion of Italcementi's aggregate activities in Greece, and the sale of aggregates plants in Sweden in the previous year. Excluding these consolidation effects, the aggregates sales volumes marginally exceeded the previous year's level by 0.3 %.

Deliveries of ready-mixed concrete increased by 10.7 % to 1.2 million cubic metres (previous year: 1.1). The ready-mixed concrete activities of Italcementi in Greece and Kazakhstan were included for the first time. Adjusted for consolidation effects, deliveries rose by 9.4 %. Overall, the Northern European countries achieved a considerable increase in volumes.

Revenue of the Northern and Eastern Europe-Central Asia Group area improved by 29.5 % to €544 million (previous year: 420); excluding consolidation and exchange rate effects, the growth amounted to 7.2 %.

North America

In the North America Group area, HeidelbergCement is represented in the USA and Canada. In the USA, economic growth was lower than expected in the first quarter of 2017. Gross domestic product grew by 0.7 % according to a preliminary estimate. However, the economic outlook continues to be positive. The upswing in residential construction is continuing. Residential investment increased by 13.7 % in the first quarter. Housing starts in March were at an annual rate of 1,215,000. This is 6.8 % below the previous month rate, but is 9.2 % above the March 2016 rate. Building permits were 3.6 % above the February rate and 17.0 % above the March 2016 rate.

The cement sales volumes of our North American plants benefited from strong overall demand in the USA despite adverse weather conditions on the West Coast. Deliveries grew by 24.7 % to 3.1 million tonnes (previous year: 2.5) in the first three months. The majority of this increase in sales volumes relates to the inclusion of the former Italcementi/Essroc plants in the North region. Excluding this consolidation effect, the growth amounted to 1.0 %. In the West region, heavy rains and flooding in California and Oregon in particular led to a significant drop in sales volumes. However, these decreases in volumes were more than offset by double-digit percentage growth in sales volumes in the North and South regions. In the Canada market region, the exceptionally cold and wet weather adversely impacted our cement deliveries in British Columbia. The order backlog, however, remains high. In the Prairie provinces, our cement sales volumes benefited from the recovering demand in the oil sector, and the deliveries of the Canada region as a whole therefore remained at the previous year's level. Price increases were successfully implemented in all key markets of both the United States and Canada.

In the aggregates business line, weather-related decreases in sales volumes in the West and Canada regions were more than compensated for by increases in volumes in the North and South regions. Overall, the aggregates sales volumes rose by 2.1 % in the first quarter to 21.7 million tonnes (previous year: 21.3). Excluding consolidation effects from the inclusion of the former Italcementi/Essroc activities, a slight decline of 0.4 % was recorded. Prices were increased in all regions.

In the ready-mixed concrete operating line, the strong growth in sales volumes in the North region as a result of consolidation could not fully offset the decreases in volumes in the other regions. Overall, ready-mixed concrete sales volumes declined by 1.1% to 1.3 million cubic metres (previous year: 1.3); excluding the consolidation effect of Italcementi / Essroc, the decrease amounted to 10.5 %. Asphalt deliveries dropped by 10.1 % to 0.2 million tonnes (previous year: 0.2).

In the service-joint ventures-other business line, the cement sales volumes of our joint venture Texas Lehigh Cement significantly exceeded the previous year's level owing to higher demand from the oil industry.

Total revenue in North America rose by 16.8 % to €834 million (previous year: 714); excluding consolidation and exchange rate effects, the increase amounted to 0.5 %.

Asia-Pacific

Despite the restructuring and slowdown of the Chinese economy, the emerging countries of Asia remain on course for growth. The Chinese economy developed better than expected in the first quarter, with GDP growth of 6.9 %. While a slight increase in economic growth is anticipated in India and Indonesia, Thailand's economy continues to struggle due to unstable exports and private investment. Despite weak investments in the raw materials sector, Australia is showing robust economic development.

During the first quarter, cement and clinker deliveries of the Asia-Pacific Group area grew by 49.0 % to 8.7 million tonnes (previous year: 5.8). Excluding the recently added activities of Italcementi in India and Thailand, sales volumes remained at around the previous year's level with a marginal increase of 0.3 %.

In Indonesia, domestic cement consumption increased slightly by 0.5 % in the first three months of 2017 in comparison with the previous year. The weak growth is mainly due to delays in the government infrastructure programme. Domestic cement sales volumes of Indocement fell by 3.8 %. The weaker development of sales volumes of Indocement in comparison with the market as a whole is owing to the restrained demand in the home markets. Market declines of 5.7 %, 4.9 %, and 1.5 % were registered in Jakarta, Banten, and West Java, respectively. Due to the increased competitive pressure, the average sales prices of Indocement were significantly lower than those of the previous year. It was possible to limit the decline in margins through strict cost management. Including exports, the cement and clinker sales volumes of Indocement remained at the previous year's level with a marginal decrease of 0.1 %.

In India, the cement and clinker deliveries of our central and southern Indian plants rose by 119.5 % in the first quarter. This increase is mainly owing to the first-time inclusion of the cement activities of Italcementi in southern India. Without taking this consolidation effect into consideration, the growth amounted to 8.1 % despite some still tangible effects of the demonetisation. Higher sales prices, strict cost management, and the accelerated realisation of synergies led to a substantial improvement in margins.

In Thailand, the restrained demand in the private sector, delays in infrastructure projects, and the commissioning of new capacities in export markets resulted in a slight decrease in volumes. As a result of the increased competition, sales prices did not reach the previous year's level.

In Bangladesh, our cement deliveries registered a marked decline due to the increased competitive pressure. Revenue and results decreased considerably.

In the aggregates business line, our deliveries rose by 1.0 % to 9.2 million tonnes (previous year: 9.1). Excluding consolidation effects due to the inclusion of the aggregates activities of Italcementi in Thailand, sales volumes fell by 2.6 %. In Australia, prolonged rainfall and Cyclone Debbie led to a slight drop in volumes. Our deliveries in Malaysia were adversely affected by a weak market environment. In contrast, sales volumes in Indonesia rose slightly and a considerable increase in volumes was recorded in Thailand.

In the ready-mixed concrete operating line, sales volumes barely exceeded the previous year's level with a marginal rise of 0.3 % to 2.4 million cubic metres (previous year: 2.4). Excluding the newly included ready-mixed concrete activities in Thailand, deliveries fell by 10.5 %. While Australia only registered slight decreases in sales volumes, our deliveries in Indonesia and Malaysia dropped substantially. Thailand achieved a significant increase in volumes. In the asphalt operating line, weak demand in Malaysia led to a decline in sales volumes of 16.7 %.

In China, the cement deliveries of our joint ventures in the provinces of Guangdong and Shaanxi registered a moderate increase. In Australia, our joint venture Cement Australia achieved a slight growth in sales volumes despite the adverse weather conditions.

Revenue of the Asia-Pacific Group area rose by 22.4 % to €780 million (previous year: 637); excluding consolidation and exchange rate effects, revenue declined by 5.4 %.

Africa-Eastern Mediterranean Basin

Overall, the African countries south of the Sahara are continuing to experience solid economic development and lively construction activity. In Ghana, economic growth is advancing again. In Egypt, slowing economic growth and lack of liquidity have a negative effect on the construction sector. Construction activities in Morocco are benefitting from infrastructure projects. In Turkey, political uncertainty, high inflation and devaluation of the currency weigh on the economy.

The cement and clinker sales volumes of the Africa-Eastern Mediterranean Basin Group area, which only include the deliveries from our African subsidiaries, rose by 157.9 % to 4.9 million tonnes (previous year: 1.9). This increase is essentially due to the inclusion of the activities of the former Italcementi Group in North Africa and to the growth in some countries south of the Sahara. Excluding consolidation effects, deliveries rose by 8.2 %. In Togo, Tanzania, and Burkina Faso, our deliveries benefited from the new production capacities as well as from the sustained growth in cement demand. We also recorded pleasing increases in sales volumes in Benin, Liberia, and Ghana, our largest market in Africa south of the Sahara. Sierra Leone and the Democratic Republic of Congo registered a considerable decrease in volumes due to higher imports. In some countries south of the Sahara, cement prices decreased – in some cases significantly – as a result of the increased competitive pressure, particularly from imports, and the commissioning of new production capacities by competitors. In Egypt, our deliveries remained substantially below the previous year's level because of weak demand. However, higher sales prices were able to offset the decrease in volumes. Morocco and Mauritania achieved considerable increases in sales volumes.

In light of the good growth prospects, HeidelbergCement is expanding its activities in Africa. In Benin, we concluded the construction of an additional cement mill at the Cotonou grinding plant on schedule. The new mill with a capacity of 250,000 tonnes was commissioned in April 2017. We are also expanding our cement capacity in Togo. In the north of the country, we are currently constructing a cement grinding plant with a capacity of around 250,000 tonnes, which is scheduled for completion in the second quarter of 2017. Another planned step towards expansion is the market entry in South Africa, in order to tap into additional growth markets and drive forward diversification in Africa. We are also continually evaluating options for capacity expansions in other African countries.

Aside from minor activities in some African countries south of the Sahara, HeidelbergCement is predominantly active in Israel and Morocco in the aggregates business line. Deliveries of aggregates rose as a whole by 36.7 % to 3.1 million tonnes (previous year: 2.3); excluding consolidation effects, the increase amounted to 13.5 %. In the ready-mixed concrete operating line, HeidelbergCement is active in Israel, Egypt, and Morocco. Ready-mixed concrete sales volumes grew by 90.4 % to 1.3 million cubic metres (previous year: 0.7); excluding consolidation effects, the increase amounted to 7.2 %. Asphalt activities in Israel recorded a substantial rise in volumes of 28.2 %.

The service-joint ventures-other business line essentially includes the cement, aggregates, and ready-mixed concrete activities of our Turkish joint venture Akçansa. The cement and clinker sales volumes of Akçansa declined in the first three months by 4.0 %. While the deliveries of aggregates registered pleasing growth, ready-mixed concrete deliveries dropped severely.

Revenue of the Africa-Eastern Mediterranean Basin Group area rose by 71.0 % to €411 million (previous year: 240); excluding consolidation and exchange rate effects, revenue declined by 4.0 %.

Group Services
Group Services comprises the activities of our subsidiary HC Trading, one of the largest international trading companies for cement and clinker. The company is also responsible for purchasing and delivering coal and petroleum coke via sea routes to our own locations and to other cement companies around the world. Group Services also includes our cement and ready-mixed concrete activities in Kuwait and Saudi Arabia.

HC Trading's trading activities in cement, clinker, and other building materials such as lime and dry mortar rose by 10.0 % to 4.1 million tonnes in the first quarter (previous year: 3.7). Deliveries of coal and petroleum coke decreased by 4.6 % to 1.7 million tonnes (previous year: 1.8).

Revenue of the Group Services business unit rose by 31.1 % to €301 million (previous year: 230); excluding exchange rate effects, revenue increased by 19.3 %.

Employees
At the end of the first quarter of 2017, the number of employees at HeidelbergCement stood at 60,481 (previous year: 45,979). The increase of 14,502 employees results primarily from the acquisition of Italcementi.

Outlook

In its latest forecast from April 2017, the International Monetary Fund (IMF) slightly increased the growth rate for the global economy and now anticipates a rise in global economic growth from 3.1 % in 2016 to 3.5 % in 2017. Accelerating growth in the USA is one of the drivers behind this trend. 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 particularly expected for countries in Africa south of the Sahara and in Asian countries with the exception of China.

Global risks have increased considerably compared with the previous year. This relates both to geopolitical and macroeconomic risks. Among the geopolitical risks are notably the conflicts in the Middle East and in eastern Ukraine. In terms of macroeconomic risks, special mention must be made of the increase in energy prices and inflation, the unpredictable consequences of the downturn in the Chinese economy, the impact of monetary policy measures, particularly by the US Federal Reserve, and the shift of political measures towards protectionism.

In North America, HeidelbergCement, in conformity with the IMF, expects a stronger economic recovery and consequently a further increase in demand for building materials. In Western and Southern Europe, positive market development is expected. This is based on the continued recovery in the United Kingdom, the consistent solid condition of the German economy, and the stable economic development in Benelux. In Northern Europe, we expect a continuation of the good market conditions. In Eastern Europe, we anticipate growing demand for building materials as a result of the EU infrastructure programme, among other factors. The crisis in eastern Ukraine is continuing to impair the country's sales volumes and result. The economic situation in Russia and Kazakhstan has improved following the increase in the oil price. In the African markets, we expect an acceleration in demand growth together with a persistent level of competition. In Asia, HeidelbergCement anticipates an upturn in demand, thanks in particular to increasing infrastructure investments in Indonesia. Nevertheless, a further decline in demand and an increase in excess capacities are expected in China. The impact on export volumes is limited, however, because a large proportion of Chinese capacities is located inland.

In view of the overall positive development of demand, HeidelbergCement projects increasing sales volumes of the core products cement, aggregates, and ready-mixed concrete.

HeidelbergCement estimates that the cost base for energy will increase moderately to significantly in 2017 as a result of the rising oil and coal prices since the beginning of 2016. A slight to moderate rise in the cost of raw materials and personnel is also expected. HeidelbergCement remains focused on the continuous improvement of efficiency and margins. With this in mind, we are implementing "Continuous Improvement" programmes in the cement and aggregates business lines to establish a culture of consistent advancement of operational and commercial work processes at employee level. Process optimisations are expected to achieve a sustainable improvement in results of at least €120 million in both business lines over a three-year period. The "CIP" programme for the cement business commenced at the beginning of 2015, and the "Aggregates CI" programme for the aggregates business line was introduced at the beginning of 2016. We also continue to optimise our logistics with the "LEO" programme, which has the goal of reducing costs by €150 million over a period of several years. In addition, we launched the new efficiency improvement programme "Competence Center Readymix" (CCR) in the ready-mixed concrete business at the end of 2016. Over a three-year period, the optimisation of logistics and concrete recipes is expected to achieve an improvement in result of €120 million.

In 2017, we anticipate a significant decrease in financing costs on account of our disciplined cash flow management and the refinancing of maturities on more favourable terms.

On the basis of these assumptions, the Managing Board has set the goal for 2017 of increasing revenue moderately and the result from current operations before exchange rate and consolidation effects by a mid-single to double-digit percentage on a pro forma basis – i.e. taking into account the contributions of Italcementi for the first half of 2016 – as well as significantly improving the profit for the financial year before non-recurring effects.

We continued our strong operational development in the first quarter of 2017. We will maintain our focus on concluding the integration of Italcementi and reducing net debt through disciplined cash flow management. Our declared aim is to maintain a long-term investment grade rating. In operational terms, we concentrate on five areas: an increase in customer satisfaction, high operating leverage, cost leadership, vertical integration, and optimised geographical positioning. As a result, we will increase our efficiency and the satisfaction level of our customers, especially in the world's rapidly growing metropolitan areas. We will continue to drive forward our global programmes to optimise costs and processes as well as increase margins for aggregates ("Aggregates CI"), cement ("CIP"), ready-mixed concrete ("CCR"), and purchasing ("FOX").

We remain cautiously optimistic about 2017. While the overall outlook for the global economy is positive, the major macroeconomic and particularly geopolitical risks have increased at the same time. HeidelbergCement will benefit from the good and stable economic development in the industrial countries, above all in the USA, Canada, the United Kingdom, Germany, the countries of Northern Europe, and Australia. These countries generate approximately 60 % of our revenue. With the acquisition of Italcementi and its rapid integration, we have impressively demonstrated our tremendous business potential and strong momentum. From a global perspective, we are well positioned to achieve our strategic goals – continuous growth and sustainable returns for our shareholders.

Additional statements on the outlook
The Managing Board of HeidelbergCement has not seen evidence of developments beyond those mentioned in the previous paragraph that would suggest changes for the business year 2017 regarding the forecasts and other statements made in the 2016 Annual Report in the Outlook chapter on page 110 ff. on the expected development of HeidelbergCement and its business environment.

The expected future development of HeidelbergCement and the business environment over the course of 2017 is described in the outlook. As such, please note that this Interim Financial Report contains forward-looking statements based on the information currently available and the current assumptions and forecasts of the Managing Board of HeidelbergCement. Such statements are naturally subject to risks and uncertainties and may therefore deviate significantly from the actual development. HeidelbergCement undertakes no obligation and furthermore has no intention to update the forward-looking statements made in this Interim Financial Report.

Risk and opportunity report

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.

In a holistic view of individual risks and the overall risk situation, there are, from today's perspective, no identifiable risks that could threaten the existence of the Group or any other apparent significant risks. Our control and risk management system standardised across the Group ensures that major risks, which, if they occurred, would lead to a considerable deterioration of the Group's economic position, are identified at an early stage.

Risks that may have a significant impact on our financial position and performance in the 2017 financial year and in the foreseeable future as well as the opportunities are described in detail in the 2016 Annual Report in the risk and opportunity report chapter on page 120 ff.

The risks arising from volatile energy and raw material prices as well as from exchange rates remain high. Geopolitical risks result in particular from the political crises and armed conflicts in the Middle East and in eastern Ukraine. Challenges in the industrialised countries include the low inflation, the consolidation of state finances, the reform of the financial sector and the fight against unemployment. The emerging countries face risks of further capital outflows and currency depreciation. Uncertainties still remain with regard to the stability of the global financial system.

Interim consolidated financial statements

Consolidated income statement

	January - March	
€m	2016	2017
Revenue	2,831.8	**3,783.6**
Change in finished goods and work in progress	-24.2	**-29.8**
Own work capitalised	1.8	**2.3**
Operating revenue	2,809.4	**3,756.2**
Other operating income	61.5	**142.0**
Material costs	-1,188.8	**-1,580.4**
Employee and personnel costs	-548.5	**-736.0**
Other operating expenses	-843.4	**-1,228.9**
Result from joint ventures	30.8	**30.2**
Result from current operations before depreciation and amortisation (RCOBD)	320.9	**383.1**
Depreciation and amortisation	-183.1	**-274.7**
Result from current operations	137.8	**108.4**
Additional ordinary income	4.9	**2.0**
Additional ordinary expenses	-9.0	**-18.0**
Additional ordinary result	-4.1	**-16.0**
Result from associates	-5.6	**-0.4**
Result from other participations	0.6	**-0.1**
Result from participations	-5.0	**-0.4**
Earnings before interest and taxes (EBIT)	128.8	**91.9**
Interest income	16.6	**17.8**
Interest expenses	-103.3	**-91.9**
Foreign exchange gains	5.1	**9.1**
Other financial result	-32.9	**-17.5**
Financial result	-114.5	**-82.5**
Profit before tax from continuing operations	14.3	**9.5**
Income taxes	-35.7	**-48.4**
Net loss from continuing operations	-21.4	**-39.0**
Net income / loss from discontinued operations	-9.8	**3.7**
Loss for the period	-31.2	**-35.2**
Thereof non-controlling interests	40.8	**35.1**
Thereof Group share of loss	-72.0	**-70.4**
Earnings per share in € (IAS 33)		
Loss per share attributable to the parent entity	-0.38	**-0.35**
Loss per share – continuing operations	-0.33	**-0.37**
Earnings / loss per share – discontinued operations	-0.05	**0.02**

Consolidated statement of comprehensive income

	January - March	
€m	2016	2017
Loss for the period	-31.2	**-35.2**
Other comprehensive income		
Items not being reclassified to profit or loss in subsequent periods		
Remeasurement of the defined benefit liability (asset)	29.8	**49.8**
Income taxes	-8.5	**-13.3**
Defined benefit plans	21.3	**36.4**
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges – change in fair value	-1.5	**-1.0**
Reclassification adjustments for gains/losses included in profit or loss	1.2	**1.0**
Income taxes	0.1	**-0.1**
Cash flow hedges	-0.2	
Currency translation	-749.2	**-24.8**
Income taxes	-3.6	**1.6**
Currency translation	-752.9	**-23.3**
Net gains/losses arising from equity method investments	-2.5	**9.7**
Total	-755.5	**-13.6**
Other comprehensive income	-734.2	**22.8**
Total comprehensive income	-765.4	**-12.4**
Thereof non-controlling interests	25.5	**32.9**
Thereof Group share	-790.8	**-45.3**

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Consolidated statement of cash flows

	January - March	
€m	2016	2017
Net loss from continuing operations	-21.4	**-39.0**
Income taxes	35.7	**48.4**
Interest income/expenses	86.7	**74.0**
Dividends received	60.8	**54.2**
Interest received	25.2	**19.5**
Interest paid	-140.3	**-206.4**
Income taxes paid	-84.4	**-74.3**
Depreciation, amortisation, and impairment	183.0	**275.9**
Elimination of other non-cash items	57.1	**15.1**
Cash flow	202.3	**167.5**
Changes in operating assets	-143.3	**-278.6**
Changes in operating liabilities	-200.5	**-296.5**
Changes in working capital	-343.8	**-575.0**
Decrease in provisions through cash payments	-120.1	**-74.4**
Cash flow from operating activities – continuing operations	-261.6	**-481.9**
Cash flow from operating activities – discontinued operations		**-3.3**
Cash flow from operating activities	-261.6	**-485.2**
Intangible assets	-3.8	**-2.0**
Property, plant and equipment	-150.6	**-179.7**
Subsidiaries and other business units	-98.5	**-0.6**
Other financial assets, associates, and joint ventures	-3.7	**-12.2**
Investments (cash outflow)	-256.7	**-194.5**
Subsidiaries and other business units		**9.3**
Other fixed assets	18.7	**45.8**
Divestments (cash inflow)	18.7	**55.0**
Cash from changes in consolidation scope		**-0.7**
Cash flow from investing activities – continuing operations	-238.0	**-140.2**
Cash flow from investing activities – discontinued operations		**1.5**
Cash flow from investing activities	-238.0	**-138.7**
Dividend payments – non-controlling interests	-6.6	**-16.2**
Increase in ownership interests in subsidiaries		**-0.6**
Proceeds from bond issuance and loans	1,654.5	**783.5**
Repayment of bonds and loans	-416.3	**-1,156.1**
Changes in short-term interest-bearing liabilities	-17.3	**859.9**
Cash flow from financing activities – continuing operations	1,214.3	**470.5**
Cash flow from financing activities – discontinued operations		
Cash flow from financing activities	1,214.3	**470.5**
Net change in cash and cash equivalents – continuing operations	714.7	**-151.7**
Net change in cash and cash equivalents – discontinued operations		**-1.8**
Net change in cash and cash equivalents	714.7	**-153.5**
Effect of exchange rate changes	-18.8	**7.2**
Cash and cash equivalents at beginning of period	1,350.5	**1,972.4**
Cash and cash equivalents at period end	2,046.3	**1,826.1**

Consolidated balance sheet

Assets			
€m	31 Mar. 2016	31 Dec. 2016	31 Mar. 2017
Non-current assets			
Intangible assets			
Goodwill	9,918.6	11,828.2	**11,836.6**
Other intangible assets	252.7	491.5	**490.3**
	10,171.2	12,319.7	**12,326.9**
Property, plant and equipment			
Land and buildings	4,806.7	6,883.7	**6,843.2**
Plant and machinery	3,600.5	5,578.9	**5,459.8**
Other operating equipment	249.0	355.9	**354.1**
Prepayments and assets under construction	944.8	1,146.0	**1,236.1**
	9,601.0	13,964.5	**13,893.1**
Financial assets			
Investments in joint ventures	1,373.7	1,433.5	**1,438.7**
Investments in associates	243.4	486.9	**494.6**
Financial investments	69.5	378.5	**362.8**
Loans and derivative financial instruments	60.1	88.5	**92.5**
	1,746.7	2,387.4	**2,388.7**
Fixed assets	21,519.0	28,671.7	**28,608.7**
Deferred taxes	812.1	946.0	**903.3**
Other non-current receivables	748.2	781.2	**813.5**
Non-current income tax assets	10.3	47.0	**49.6**
Total non-current assets	23,089.5	30,445.9	**30,375.2**
Current assets			
Inventories			
Raw materials and consumables	608.6	936.5	**952.6**
Work in progress	183.6	329.9	**335.4**
Finished goods and goods for resale	591.5	776.3	**736.2**
Prepayments	25.0	40.7	**46.2**
	1,408.7	2,083.4	**2,070.4**
Receivables and other assets			
Current interest-bearing receivables	175.1	108.4	**116.9**
Trade receivables	1,286.5	1,804.1	**1,957.6**
Other current operating receivables	408.7	550.6	**659.8**
Current income tax assets	71.1	103.1	**145.6**
	1,941.4	2,566.2	**2,880.0**
Short-term financial investments		19.4	**19.4**
Derivative financial instruments	40.8	59.9	**56.7**
Cash and cash equivalents	2,046.3	1,972.4	**1,826.1**
Total current assets	5,437.2	6,701.2	**6,852.6**
Assets held for sale and discontinued operations		6.7	**5.6**
Balance sheet total	28,526.7	37,153.8	**37,233.4**

Equity and liabilities

€m	31 Mar. 2016	31 Dec. 2016	31 Mar. 2017
Shareholders' equity and non-controlling interests			
Subscribed share capital	563.7	595.2	**595.2**
Share premium	5,539.4	6,225.4	**6,225.4**
Retained earnings	8,390.2	8,982.3	**8,946.2**
Other components of equity	-362.6	290.1	**278.3**
Equity attributable to shareholders	14,130.7	16,093.1	**16,045.2**
Non-controlling interests	1,078.1	1,779.5	**1,797.3**
Total equity	15,208.9	17,872.6	**17,842.5**
Non-current liabilities			
Bonds payable	4,671.4	7,651.9	**7,386.0**
Bank loans	655.3	785.5	**799.2**
Other non-current interest-bearing liabilities	24.5	62.8	**62.4**
Non-controlling interests with put options	4.2	22.5	**22.6**
	5,355.4	8,522.7	**8,270.2**
Pension provisions	939.0	1,284.6	**1,240.6**
Deferred taxes	439.6	657.4	**681.9**
Other non-current provisions	1,081.5	1,359.5	**1,371.6**
Other non-current operating liabilities	92.1	255.7	**257.0**
Non-current income tax liabilities	71.1	191.3	**182.5**
	2,623.3	3,748.5	**3,733.6**
Total non-current liabilities	7,978.7	12,271.2	**12,003.8**
Current liabilities			
Bonds payable (current portion)	1,764.5	1,853.5	**1,767.9**
Bank loans (current portion)	373.8	457.1	**307.5**
Other current interest-bearing liabilities	461.4	166.2	**1,110.5**
Non-controlling interests with put options	21.5	51.3	**47.0**
	2,621.2	2,528.1	**3,232.9**
Pension provisions (current portion)	87.6	102.8	**102.1**
Other current provisions	226.5	347.9	**337.9**
Trade payables	1,274.8	2,178.9	**1,991.0**
Other current operating liabilities	1,022.4	1,655.9	**1,508.5**
Current income tax liabilities	106.7	196.4	**214.7**
	2,718.0	4,481.9	**4,154.1**
Total current liabilities	5,339.1	7,010.0	**7,387.1**
Total liabilities	13,317.8	19,281.2	**19,390.9**
Balance sheet total	28,526.7	37,153.8	**37,233.4**

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
Loss for the period			-72.0	
Other comprehensive income			21.3	-0.8
Total comprehensive income			-50.7	-0.8
Changes in ownership interests in subsidiaries			5.8	
Changes in non-controlling interests with put options			0.3	
Transfer of asset revaluation reserve			0.4	
Other changes			0.1	
Dividends				
31 March 2016	563.7	5,539.4	8,390.2	2.0
1 January 2017	595.2	6,225.4	8,982.3	3.3
Loss for the period			-70.4	
Other comprehensive income			36.4	-0.6
Total comprehensive income			-33.9	-0.6
Changes in consolidation scope				
Changes in ownership interests in subsidiaries			-0.8	
Changes in non-controlling interests with put options			-0.9	
Transfer of asset revaluation reserve			0.3	
Other changes			-0.8	
Dividends				
31 March 2017	595.2	6,225.4	8,946.2	2.6

1) The accumulated currency translation differences included in non-controlling interests changed in 2017 by € -2.7 million (previous year: -15.3) to € -139.2 million (previous year: -142.1). The total currency translation differences recognised in equity thus amounts to € 75.2 million (previous year: -569.6).

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**
					-72.0	40.8	**-31.2**
	0.5		-739.8	-740.1	-718.8	-15.4	**-734.2**
	0.5		-739.8	-740.1	-790.8	25.5	**-765.4**
					5.8	-5.8	
					0.3	4.1	**4.3**
		-0.4		-0.4			
					0.1		**0.1**
						-6.6	**-6.6**
	33.0	29.9	-427.5	-362.6	14,130.7	1,078.1	**15,208.9**
	33.2	28.8	224.7	290.1	16,093.1	1,779.5	**17,872.6**
					-70.4	35.1	**-35.2**
	-0.4		-10.4	-11.4	25.0	-2.2	**22.8**
	-0.4		-10.4	-11.4	-45.3	32.9	**-12.4**
						-3.8	**-3.8**
					-0.8		**-0.8**
					-0.9	5.1	**4.2**
		-0.3		-0.3			
					-0.9	-0.2	**-1.1**
						-16.2	**-16.2**
	32.8	28.5	214.3	278.3	16,045.2	1,797.3	**17,842.5**

Segment reporting / Notes

Group areas January - March	Western and Southern Europe		Northern and Eastern Europe-Central Asia		North America	
€m	2016	2017	2016	2017	2016	2017
External revenue	683	**1,051**	406	**522**	714	**834**
Inter-Group areas revenue	1	**14**	14	**21**		
Revenue	683	**1,065**	420	**544**	714	**834**
Change to previous year in %		**55.9 %**		**29.5 %**		**16.8 %**
Result from joint ventures	0	**-1**	-1	**-2**	8	**6**
Result from current operations before depreciation and amortisation (RCOBD)	34	**39**	8	**28**	84	**84**
as % of revenue	5.0 %	**3.7 %**	1.9 %	**5.2 %**	11.8 %	**10.1 %**
Depreciation	-42	**-74**	-36	**-45**	-60	**-72**
Result from current operations	-8	**-35**	-28	**-16**	24	**13**
as % of revenue	-1.1 %	**-3.3 %**	-6.6 %	**-3.0 %**	3.4 %	**1.5 %**
Result from associates	-4	**-4**	0	**0**	-2	**-2**
Result from other participations		**0**	0	**0**		
Result from participations	-4	**-4**	0	**0**	-2	**-2**
Additional ordinary result						
Earnings before interest and taxes (EBIT)	-11	**-39**	-28	**-16**	22	**11**
Capital expenditures [2]	44	**42**	17	**18**	50	**67**
Segment assets [3]	5,126	**7,521**	2,392	**2,860**	8,129	**9,644**
RCOBD as % of segment assets	0.7 %	**0.5 %**	0.3 %	**1.0 %**	1.0 %	**0.9 %**
Number of employees as at 31 March	9,678	**15,697**	12,620	**13,540**	7,936	**8,806**
Average number of employees	9,623	**15,694**	12,636	**13,490**	7,936	**8,806**

1) Includes corporate functions, eliminations of intra-Group relationships between the segments and additional ordinary result.

2) 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.

3) Segment assets = property, plant and equipment as well as intangible assets.

Asia-Pacific		Africa-Eastern Mediterranean Basin		Group Services		Reconciliation [1]		Continuing operations	
2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
635	774	240	406	155	196			2,832	3,784
3	6	0	5	75	106	-92	-152		
637	780	240	411	230	301	-92	-152	2,832	3,784
	22.4 %		71.0 %		31.1 %				33.6 %
16	23	8	3					31	30
152	150	64	99	7	6	-29	-24	321	383
23.9 %	19.3 %	26.8 %	24.1 %	3.0 %	2.0 %			11.3 %	10.1 %
-32	-50	-10	-25	0	-2	-3	-8	-183	-275
120	101	55	75	7	4	-33	-32	138	108
18.8 %	12.9 %	22.8 %	18.1 %	3.0 %	1.4 %			4.9 %	2.9 %
0	0		4		1			-6	0
1								1	0
1	0		4		1			-5	0
						-4	-16	-4	-16
121	101	55	78	7	5	-37	-48	129	92
29	33	14	22	0	0	102	13	257	195
3,400	4,489	690	1,620	36	86			19,772	26,220
4.5 %	3.4 %	9.3 %	6.1 %	19.5 %	6.9 %			1.6 %	1.5 %
13,144	14,512	2,516	7,404	85	523			45,979	60,481
13,144	14,512	2,514	7,277	83	523			45,936	60,302

Notes to the interim consolidated financial statements

Accounting and valuation principles

The interim consolidated financial statements of HeidelbergCement AG as of 31 March 2017 were prepared on the basis of IAS 34 (Interim Financial Reporting). All International Financial Reporting Standards (IFRS), including the interpretations of the IFRS Interpretations Committee (IFRS IC), that were binding as at the reporting date and had been adopted into European law by the European Commission were applied.

In accordance with the regulations of IAS 34, a condensed report scope in comparison with the consolidated financial statements as at 31 December 2016, with selected explanatory notes, was chosen. The accounting and valuation principles applied in the preparation of the interim consolidated financial statements correspond in principle to those of the consolidated financial statements as at 31 December 2016. Detailed explanations can be found on pages 184 f. in the Notes to the 2016 Annual Report, which forms the basis for these interim financial statements.

In accordance with IAS 34, the expenses relating to income taxes in the reporting period were accrued on the basis of the tax rate expected for the whole financial year.

The interim consolidated financial statements were not subject to any audits or reviews.

Application of new accounting standards

No new or amended IASB standards and interpretations were applicable for the first time in these interim consolidated financial statements.

Seasonal nature of the business

The production and sales of building materials are seasonal due to regional weather patterns. Particularly in our important markets of Europe and North America, business figures for the first and fourth quarters are adversely affected by the winter months, whereas the warmer months contribute to higher sales and profit in the second and third quarters.

Exchange rates

The following table contains 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 Mar. 2017**	01-03/2016	**01-03/2017**
USD	USA	1.0516	**1.0652**	1.1041	**1.0656**
AUD	Australia	1.4607	**1.3964**	1.5282	**1.4063**
CAD	Canada	1.4137	**1.4186**	1.5145	**1.4106**
EGP	Egypt	19.0655	**19.3644**	8.8790	**18.9794**
GBP	Great Britain	0.8521	**0.8485**	0.7711	**0.8602**
IDR	Indonesia	14,129	**14,190**	14,912	**14,212**
MAD	Morocco	10.6496	**10.7186**	10.8346	**10.7077**
THB	Thailand	37.7577	**36.4362**	39.3170	**37.0389**

Business combinations in the reporting period

During the reporting period, HeidelbergCement did not effect any business combinations that had a material impact on the presentation of the financial position and performance of the HeidelbergCement Group.

Business combinations in the same period of 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, (together: RQP) on 29 January 2016 as part of an asset deal. RQP operates 12 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.

The following table shows the fair values of the assets and liabilities of the business combination as at the acquisition date.

Fair values recognised as at the acquisition date

€m	Australia
Intangible assets	71.4
Property, plant and equipment	24.5
Inventories	2.5
Other assets	2.7
Total assets	**101.2**
Provisions	3.4
Current liabilities	0.3
Total liabilities	**3.7**
Net assets	**97.6**

Acquisition of Italcementi

During the period from 1 July to 30 September 2016, HeidelbergCement acquired 100 % of the shares in the Italcementi Group as part of a linked transaction and recorded the acquisition as a business combination with effect from 1 July 2016. Detailed explanations relating to the Italcementi acquisition can be found on pages 198 f. in the Notes to the 2016 Annual Report.

As at 31 March 2017, the purchase price allocation has not yet been completed, because the measurements of the acquired assets and liabilities at fair value have not been finalised. Adjustments to the purchase price allocation in the first quarter of 2017 resulted in an increase in goodwill of €7.3 million. The purchase price allocation will be completed in the second quarter of 2017.

Divestments in the reporting period

On 8 February 2017, HeidelbergCement sold 100 % of the shares in Essroc San Juan Inc., Puerto Rico. The company was acquired as part of the Italcementi acquisition. The sales price for Essroc San Juan amounted to €6.5 million and was paid in cash. The disposal resulted in a provisional loss of €6.6 million, which was recognised in the additional ordinary expenses. The fair value of the divested assets and liabilities is still to be finalised as part of the purchase price allocation of the Italcementi Group.

The following table shows the provisional assets and liabilities as at the date of disposal.

Provisional assets and liabilities as at date of disposal	
€m	North America
Property, plant and equipment	5.4
Inventories	6.9
Cash and cash equivalents	1.3
Other assets	1.4
Total assets	**14.9**
Provisions	0.0
Liabilities	1.8
Total liabilities	**1.8**
Net assets	**13.1**

Revenue development by Group areas and business lines

January - March	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	290	526	170	238	284	421	73	80	-133	-200	683	1,065
Northern and Eastern Europe-Central Asia	225	285	33	86	100	115	96	99	-35	-41	420	544
North America	278	372	281	310	180	186	37	36	-63	-70	714	834
Asia-Pacific	344	462	132	146	231	244	9	9	-78	-80	637	780
Africa-Eastern Mediterranean Basin	177	314	21	29	50	86	9	9	-16	-28	240	411
Group Services						12	230	293		-4	230	301
Inter-Group area revenue within business lines	-9	-13		-5			-1	0			-10	-18
Total	1,306	**1,945**	637	**804**	845	**1,064**	452	**527**	-325	**-423**	2,914	**3,917**
Inter-Group area revenue between business lines									-82	-133	-82	-133
Total									-408	**-557**	2,832	**3,784**

Earnings per share

Earnings per share	January - March	
€m	2016	2017
Loss for the period	-31.2	**-35.2**
Non-controlling interests	40.8	**35.1**
Group share of loss	-72.0	**-70.4**
Number of shares in '000s (weighted average)	187,916	**198,416**
Loss per share in €	-0.38	**-0.35**
Net loss from continuing operations – attributable to the parent entity	-62.2	**-74.1**
Loss per share in € – continuing operations	-0.33	**-0.37**
Net income / loss from discontinued operations – attributable to the parent entity	-9.8	**3.7**
Earnings / loss per share in € – discontinued operations	-0.05	**0.02**

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

Statement of cash flows

Detailed notes to the statement of cash flows can be found in the "Statement of cash flows" section of the Management Report.

Goodwill

An impairment test on goodwill in accordance with IAS 36 (Impairment of Assets) is generally performed annually within the HeidelbergCement Group, in the fourth quarter once the operational three-year plan has been prepared or if there are indications for impairment. 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 31 March 2017, the management carried out an impairment review, which indicated that no impairment loss needed to be recognised.

Pension provisions

The actuarial gains and losses, which are directly recognised in equity in other comprehensive income, were determined on the basis of the interest rates for the key countries applicable at the reporting date. On 31 March 2017, gains arising from the revaluation amounted to €49.8 million. These include actuarial losses relating to pension obligations of €44.5 million, arising from the decrease in the weighted discount rate of approximately 0.1 percentage points, as well as gains from the revaluation of the plan assets amounting to €89.3 million. The effect of the asset ceiling led to gains of €4.9 million.

Disclosures on financial instruments

The following table assigns the individual balance sheet items for the financial instruments to classes and measurement categories. 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 March 2017							
Assets							
Financial investments – available for sale at cost	AfS		100.0			**100.0**	
Financial investments – available for sale at fair value	AfS				282.3	**282.3**	**282.3**
Loans and other interest-bearing receivables	LaR	207.1				**207.1**	**215.4**
Trade receivables and other operating receivables	LaR	2,534.9				**2,534.9**	**2,534.9**
Cash and cash equivalents	LaR	1,826.1				**1,826.1**	**1,826.1**
Derivatives – hedge accounting	Hedge				18.6	**18.6**	**18.6**
Derivatives – held for trading	HfT			40.4		**40.4**	**40.4**
Liabilities							
Bonds payable, bank loans, and miscellaneous interest-bearing liabilities	FLAC	11,322.9				**11,322.9**	**12,042.9**
Trade payables, liabilities relating to personnel, and miscellaneous operating liabilities	FLAC	3,441.3				**3,441.3**	**3,441.3**
Liabilities from finance lease	FLAC	20.6				**20.6**	**20.6**
Derivatives – hedge accounting	Hedge				0.5	**0.5**	**0.5**
Derivatives – held for trading	HfT			89.4		**89.4**	**89.4**
Non-controlling interests with put options	FLAC	69.6				**69.6**	**69.6**
31 December 2016							
Assets							
Financial investments – available for sale at cost	AfS		112.7			**112.7**	
Financial investments – available for sale at fair value	AfS				285.2	**285.2**	**285.2**
Loans and other interest-bearing receivables	LaR	196.0				**196.0**	**202.1**
Trade receivables and other operating receivables	LaR	2,335.8				**2,335.8**	**2,335.8**
Cash and cash equivalents	LaR	1,972.4				**1,972.4**	**1,972.4**
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 interest-bearing liabilities	FLAC	10,869.8				**10,869.8**	**11,645.9**
Trade payables, liabilities relating to personnel, and miscellaneous operating liabilities	FLAC	3,855.8				**3,855.8**	**3,855.8**
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

The categories “Trade receivables and other operating receivables” and “Trade payables, liabilities relating to personnel, and miscellaneous operating liabilities” cannot be immediately reconciled with the related balance sheet items, as these contain not only financial assets and liabilities but also non-financial assets to the amount of €896.0 million (previous year: 800.1) as well as non-financial liabilities of €315.2 million (previous year: 234.7).

The following table shows the fair value hierarchy for the assets and liabilities, which are measured at fair value in the balance sheet.

Fair value hierarchy	31 December 2016			31 March 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	**19.9**		**262.4**
Derivatives – hedge accounting		18.3			**18.6**	
Derivatives – held for trading		42.5			**40.4**	
Liabilities						
Derivatives – hedge accounting		0.3			**0.5**	
Derivatives – held for trading		85.0			**89.4**	

Detailed explanations on the procedure regarding the fair value measurement according to IFRS 13 can be found on pages 247 f. in the Notes to the 2016 Annual Report, which forms the basis for these interim financial statements.

The change in the fair value of the participations Hanson Permanente Cement, Inc. and Kaiser Gypsum Company, Inc., USA, which are reported as financial investments available for sale at fair value in level 3, resulted from exchange rate effects. The other valuation parameters remained unchanged. With respect to possible uncertainties regarding the determination of the fair value of the financial investments available for sale at fair value, we refer to the explanations on page 204 f. in the Notes to the 2016 Annual Report. In the reporting period, there were no material changes to the explanations presented in the Notes.

Related parties disclosures

In the reporting period, no reportable transactions with related parties took place beyond normal business relations.

Contingent liabilities

As at the reporting date, contingent liabilities amounted to €409.8 million (previous year: 416.6), which are essentially related to tax and legal 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 deviating opinion, which may give rise to additional tax liabilities.

Other financial commitments

The total future minimum lease payments for operating leases as at the reporting date are shown in the following table.

Other financial commitments		
€m	31 Dec. 2016	31 Mar. 2017
Future minimum lease payments under non-cancellable operating leases		
Due within one year	239.0	**230.1**
Due between one and five years	552.2	**581.5**
Due after five years	482.5	**501.1**
	1,273.7	**1,312.7**

Events after the balance sheet date

On 4 April 2017, HeidelbergCement issued a Eurobond under its €10 billion EMTN programme with an issuance volume of €1 billion and a maturity date of 7 April 2026. Further details of the 9 year bond are described in the section Financing on page 4.

On 17 April 2017, HeidelbergCement, via its US subsidiary Cadman Materials, Inc., entered into an agreement with a US subsidiary of CEMEX, S.A.B. de C.V. (Cemex) to buy Cemex's Pacific Northwest Materials Business consisting of aggregate, asphalt and ready-mixed concrete operations in Oregon and Washington. The operations include seven aggregate quarries, five ready-mixed concrete plants and two asphalt plants employing about 350 employees. The purchase price for the assets amounts to about USD 150 million. With this bolt-on acquisition, HeidelbergCement will broaden its vertically integrated market position in the Pacific Northwest area. Closing of the transaction, which is subject to final approval by regulators, is expected during the second quarter of 2017 or soon thereafter.

Heidelberg, 10 May 2017

HeidelbergCement AG
The Managing Board

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

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The Interim Financial Report January to March 2017 was published on 10 May 2017.

Financial calendar	
Half-Year Financial Report January to June 2017	1 August 2017
Interim Financial Report January to September 2017	8 November 2017
Annual General Meeting 2018	9 May 2018

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