

Interim Financial Report January to March 2016



HEIDELBERGCEMENT

- Growth in sales volumes of cement, aggregates, and ready-mixed concrete
- Group revenue stable at €2.8 billion (like-for-like¹⁾ +1 %)
- Operating income improved by 19.9% to €138 million (previous year: 115; like-for-like¹⁾ +34.9%)
- Margin improvement in all business lines
- Net debt reduced to €5.9 billion (previous year: 6.1)
- Outlook for 2016 raised:
 - Positive outlook for the global economy; geopolitical and macroeconomic risks remain
 - Increase in sales volumes of cement, aggregates, and ready-mixed concrete expected
 - Moderate rise in revenue¹⁾ and high single to double digit increase in operating income¹⁾ and profit for the financial year²⁾
 - Conclusion of the Italcementi takeover in the second half of 2016
 - HeidelbergCement well positioned to benefit from continued recovery, particularly in the USA and the United Kingdom, Northern Europe, and Australia

1) Adjusted for currency and consolidation effects; 2) Adjusted for non-recurring items

Overview January to March 2016	January - March	
€m	2015	2016
Revenue	2,835	2,832
Result from joint ventures	38	31
Operating income before depreciation (OIBD)	299	321
OIBD margin in %	10.6 %	11.3 %
Operating income	115	138
Additional ordinary result	16	-4
Result from participations	-6	-5
Earnings before interest and income taxes (EBIT)	125	129
Profit / loss before tax	-33	14
Net loss from continuing operations	-67	-21
Net loss from discontinued operations	-13	-10
Loss for the period	-80	-31
Group share of loss	-123	-72
Investments	188	257

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 2016

Changes in the reporting structure

Starting with the first quarter of 2016, we have reorganised our Group areas and thus the reporting structure. The changes were made in the context of the generation change on the Managing Board and the intended acquisition of Italcementi. HeidelbergCement is divided into six Group areas:

- Western and Southern Europe: Belgium, Germany, Netherlands, United Kingdom, and Spain
- Northern and Eastern Europe-Central Asia: Denmark, Iceland, Norway, Sweden, and the Baltic States as well as Bosnia-Herzegovina, Croatia, Czech Republic, Georgia, Hungary, Kazakhstan, Poland, Romania, Russia, Slovakia, and Ukraine
- North America: Canada and USA
- Asia-Pacific: Bangladesh, Brunei, China, India, Indonesia, Malaysia, Singapore, and Australia
- Africa-Eastern Mediterranean Basin: Benin, Burkina Faso, DR Congo, Ghana, Liberia, Sierra Leone, Tanzania, Togo, as well as Israel and Turkey
- As before, Group Services comprise our trading activities.

The only changes concern the shift of the northern European countries from the former Western and Northern Europe Group area to Northern and Eastern Europe-Central Asia and of Spain from the former Africa-Mediterranean Basin Group area to Western and Southern Europe.

Economic environment

Global economic growth is continuing, albeit at a slower pace than previously expected. 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 2016; however, a significant improvement in economic activity is expected in the coming quarters.

Sales volumes in the first quarter benefit from market recovery in North America, Europe and Asia

The continued recovery of the construction industry in North America and Europe as well as a trend reversal in Asia, particularly in Indonesia, has contributed to a positive development of sales volumes in the first quarter. In the North America Group area, sales volumes for cement and aggregates even grew in the double-digit percentage range. The development in the North and South regions, as well as in Canada for aggregates, was particularly pleasing. In Europe, sales volumes for cement increased in Germany, Benelux, Northern Europe, and Romania. While cement sales volumes rose in all countries of Asia, they remained at approximately the previous year's level in Africa. In Indonesia, the demand situation improved following the delayed start to infrastructure projects.

The Group's cement and clinker sales volumes rose by 4.5 % to 17.6 million tonnes (previous year: 16.8). Deliveries of aggregates across the Group amounted to 49.3 million tonnes (previous year: 46.3), representing an increase of 6.5 %. Deliveries of ready-mixed concrete rose marginally by 1.3 % to 8.0 million cubic metres (previous year: 7.9). Asphalt sales volumes fell by 11.9 % to 1.4 million tonnes (previous year: 1.6).

Sales volumes	January - March		Change
	2015	2016	
Cement and clinker (million tonnes)	16.8	17.6	4.5 %
Aggregates (million tonnes)	46.3	49.3	6.5 %
Ready-mixed concrete (million cubic metres)	7.9	8.0	1.3 %
Asphalt (million tonnes)	1.6	1.4	-11.9 %

Development of revenue and results

Group revenue in the period from January to March 2016 remained virtually unchanged at €2,832 million (previous year: 2,835). Excluding consolidation and exchange rate effects, a slight increase of 0.9 % was recorded. This primarily reflects the pleasing development of sales volumes in the cement and aggregates business lines. Changes to the scope of consolidation of €57 million had a positive impact on revenue. Exchange rate effects, however, reduced revenue by €83 million.

In the reporting period, material costs decreased by 6.0 % to €1,189 million (previous year: 1,264). This decline primarily related to energy costs, raw materials, and goods purchased for resale. The material cost ratio improved considerably from 44.6 % to 42.0 %. Other operating expenses and income were 1.9 % above the previous year's level at €-782 million (previous year: -767), largely due to increased third-party repairs and services as well as higher rental and leasing expenses. Personnel costs rose slightly by €4 million to €548 million (previous year: 544). Income from joint ventures fell by €7 million to €31 million (previous year: 38), essentially owing to a negative business development in the Chinese markets.

Operating income before depreciation (OIBD) improved by 7.2 % to €321 million (previous year: 299). The increase of €22 million included €36 million from the improvement in operational activity and €-14 million from negative currency effects. Operating income rose substantially by 19.9 % to €138 million (previous year: 115).

The additional ordinary result deteriorated by €20 million to €-4 million (previous year: 16).

The financial result improved by €43 million to €-114 million (previous year: -158). Aside from the €19 million reduction in interest expenses, the €29 million increase in currency results contributed to this figure.

Profit before tax from continuing operations rose significantly by €47 million to €14 million (previous year: -33). Expenses relating to taxes on income increased marginally by €1 million to €36 million (previous year: 34). As a result, net loss from continuing operations improved to €-21 million (previous year: -67).

Net loss from discontinued operations of €-10 million accounts for operations of the Hanson Group that were discontinued in previous years.

Overall, the shortfall for the period adds up to €-31 million (previous year: -80). The profit attributable to non-controlling interests declined by €2 million to €41 million (previous year: 43). The Group share therefore amounts to €-72 million (previous year: -123).

Earnings per share – Group share – in accordance with IAS 33 improved by €0.27 to €-0.38 (previous year: -0.65).

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 of continuing operations decreased by €66 million in the first quarter of 2016 to €262 million (previous year: 328). This was mainly attributable to an improved operational performance, which led to an increase of €87 million in the cash flow before interest and tax payments to €402 million (previous year: 315).

At €61 million (previous year: 32), dividends received exceeded the previous year's level and essentially include dividends received from joint ventures and associates. This increase was largely related to dividend payments, which in the previous year were not paid until the second quarter. Interest received remained almost unchanged in comparison with the same period of the previous year. Interest payments fell by €24 million to €140 million (previous year: 164), essentially as a result of the decrease in net debt. Income taxes paid increased by €7 million

to €84 million (previous year: 77). Changes in working capital improved by €33 million to €-344 million (previous year: -377). In the reporting quarter, provisions of €120 million (previous year: 52) were utilised through payments. This higher utilisation 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 rose by €75 million to €238 million (previous year: 163). This surge is most notably due to the acquisition of the business of Rocla Quarry Products (RQP) in Australia in exchange for a cash payment of €98 million. These factors were counteracted by lower investments in property, plant, and equipment.

Financing activities of continuing operations generated a cash inflow of €1,214 million (previous year: cash outflow of 444) in the reporting period. Proceeds from and repayments of bonds and loans primarily include the issue of a bond of €1 billion and debt certificates of €645 million as well as the repayment of a bond of €300 million and of the syndicated credit line in use. Dividend payments to non-controlling interests led to a cash outflow of €7 million (previous year: 3).

The cash inflows and outflows during the previous year from operating activities as well as from investing and financing activities of discontinued operations relate to the sale of the building products business in North America and the United Kingdom in March 2015.

Investments

Cash flow investments increased in the first quarter to €257 million (previous year: 188). 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 growth markets, accounted for €155 million (previous year: 180) of this total. Investments in financial assets and other business units rose to €102 million (previous year: 8); these related primarily to the purchase of the Australian aggregates company Rocla Quarry Products and smaller acquisitions to round off shareholdings.

Balance sheet

The balance sheet total rose by €152 million to €28,527 million (previous year: 28,374) as at 31 March 2016.

Non-current assets fell by €578 million to €23,090 million (previous year: 23,668). The decrease mainly resulted from exchange rate effects of €-683 million. The decline of €262 million in goodwill to €9,919 million (previous year: 10,181) almost exclusively related to exchange rate effects. The change of €-270 million in property, plant, and equipment to €9,601 million (previous year: 9,871) was also largely attributable to exchange rate effects of €-260 million. Additions of €151 million to property, plant, and equipment were offset by depreciation and amortisation of €177 million. The decrease of €85 million in financial assets to €1,747 million (previous year: 1,832) primarily resulted from the change in shares in joint ventures.

Current assets increased by €730 million to €5,437 million (previous year: 4,707). As a result of seasonal factors, trade receivables grew by €72 million to €1,287 million (previous year: 1,215). Cash and cash equivalents rose by €696 million to €2,046 (previous year: 1,350). The changes are explained in the Statement of cash flows section.

On the equity and liabilities side, equity decreased by €768 million to €15,209 million (previous year: 15,976). This reduction is essentially owing to the total comprehensive income of €-765 million, which is composed of the €31 million shortfall for the period as well as of the currency translation differences of €-753 million recognised in other comprehensive income and of the actuarial gains of €21 million.

Interest-bearing liabilities rose by €1,265 million to €7,977 million (previous year: 6,712). The increase in net debt (interest-bearing liabilities less cash and cash equivalents) of €604 million to €5,890 million (previous year: 5,286) is attributable to the seasonal financing of the winter business in the first quarter. Total provisions

decreased by €89 million to €2,334 million (previous year: 2,423), mainly as a result of exchange rate effects. The reduction of €260 million in operating liabilities to €2,567 million (previous year: 2,827) relates primarily to the decline of €176 million in trade payables to €1,275 million (previous year: 1,451) in addition to the decrease of €69 million in other current operating liabilities to €1,022 million (previous year: 1,091).

Financing

In the first quarter of 2016, HeidelbergCement issued debt certificates and a Eurobond, thereby further strengthening its financing structure.

On 14 January 2016, HeidelbergCement placed debt certificates in the amount of €625 million. On 4 February 2016, the volume was increased by €20 million to €645 million. The debt certificates, with a maturity date of 20 January 2022, consist of two tranches: one tranche with a floating rate and the other with a fixed rate. The fixed rate tranche yields at 1.85 % p.a. and the floating tranche at 1.5 % p.a. over 6 months Euribor.

On 30 March 2016, HeidelbergCement issued a Eurobond under its €10 billion EMTN Programme with an issue volume of €1 billion and a maturity date of 30 March 2023. The 7 year bond bears a fixed coupon of 2.25 % p.a. The issue price was at 99.616 %, resulting in a yield to maturity of 2.31 %.

The proceeds of the debt certificates and the Eurobond will be utilised to pre-fund the upcoming Italcementi acquisition. Thereby the volume of the bridge financing is reduced from €3.3 billion to the minimum volume required for the mandatory takeover offer of €2 billion. The refinancing needs in the bond market decline to below €1 billion in line with the issuance volume. The bridge financing is to be paid off by issuing bonds and making use of the operating cash flow and proceeds from portfolio adjustments.

According to the terms and conditions of all the bonds issued since 2009 and the debt certificates issued in December 2011 and January 2016, 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. The consolidated EBITDA of €2,643 million and the consolidated interest expense of €481 million are calculated on a pro forma basis in accordance with the terms and conditions of the bonds. As at 31 March 2016, the consolidated coverage ratio amounted to 5.49.

The net debt decreased by €237 million in comparison with 31 March 2015, amounting to €5,890 million (previous year: 6,127) as at 31 March 2016. The increase of €604 million in comparison with the end of 2015 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 €4,877 million as at the end of March 2016.

Western and Southern Europe

The economic recovery has continued in the countries of the Western and Southern Europe Group area. The German economy is still in an upswing thanks to the good state of the domestic market and the drop in the oil price. The economic recovery is also ongoing in Belgium and the Netherlands. The United Kingdom is registering sustained, solid economic development and lively construction activity. In the first quarter of 2016, however, economic growth slowed down to 0.4 %. In Spain, the economy remains on its growth course and construction activity is continuing to rebound.

In the cement business line, slight decreases in volumes in the United Kingdom are more than offset by increases in sales volumes in Germany and Benelux. In the United Kingdom, cement demand remains high thanks to the positive development in residential construction and large infrastructural projects in the Greater London area. However, adverse weather conditions and production downtimes due to the storms in February led to a

slight drop in our sales volumes. Deliveries from our German plants benefited from the pleasing development in demand, especially in residential and road construction. Our sales volumes also increased slightly in Benelux thanks to the recovering market in the Netherlands. Overall, our cement and clinker sales volumes in the Western and Southern Europe Group area increased by 3.2 % in the first three months to 3.4 million tonnes (previous year: 3.3).

In the aggregates business line, a significant growth in sales volumes in Germany compensated for declines in volumes in the United Kingdom and Benelux. The previous year's level was marginally exceeded in Spain. The Group area's deliveries of aggregates contracted slightly overall by 1.5 % to 12.1 million tonnes (previous year: 12.3). Ready-mixed concrete sales volumes rose by 5.6 % to 2.5 million cubic metres (previous year: 2.3). Increases in sales volumes in Germany, Benelux, and Spain more than offset the slight decline in volumes in the United Kingdom. Due to unfavourable weather conditions in the United Kingdom and delayed highway spending, the sales volumes of the asphalt operating line were 16.9 % below the previous year.

Revenue of the Western and Southern Europe Group area fell by 2.1 % to €683 million (previous year: 698). Excluding consolidation and exchange rate effects, an increase of 2.7 % was recorded.

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 robust economic development, particularly in residential construction. In Norway, however, the economic momentum has weakened due to the deterioration of the oil price, but demand from major infrastructural projects remains strong. In Poland and the Czech Republic, 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 low oil price is adversely affecting the economy and construction activity. The conflict in Ukraine is severely impairing the Ukrainian and Russian economies, especially due to the outflow of capital and the currency devaluation in both countries. The economic situation in Ukraine is likely to stabilise to some extent in the current year. Owing to the low oil price, the Russian economy is still in recession.

In the cement business line, the individual Group countries experienced varied development of sales volumes during the first quarter of 2016. While Sweden, Poland, Russia, and the Baltic States registered slight decreases in volumes and Kazakhstan recorded a significant drop in sales volumes, Norway, Georgia, Romania, and Ukraine partly achieved considerable growth in sales volumes. In the Czech Republic, deliveries remained at the previous year's level. The decline in sales volumes of our Swedish plants is the result of lower export deliveries to Russia; domestic sales volumes, on the other hand, rose by 6 % thanks to strong residential construction. Overall, the cement and clinker sales volumes of the Northern and Eastern Europe-Central Asia Group area increased by 2.9 % to 4.0 million tonnes (previous year: 3.8) in the first quarter.

In the aggregates business line, our deliveries decreased in almost all countries during the first quarter. By contrast, Poland and Russia registered increases in the double-digit percentage range. As a whole, our deliveries of aggregates in the Group area fell by 8.2 % to 4.6 million tonnes (previous year: 5.0). Excluding consolidation effects, the decline amounted to 10.0 %. Deliveries of ready-mixed concrete increased by 7.1 % to 1.1 million cubic metres (previous year: 1.0). Adjusted for consolidation effects, deliveries fell by 2.4 %. Norway, Sweden, the Czech Republic, and Romania recorded slight losses in sales volumes. In Kazakhstan, deliveries remained well below the previous year. Poland, Georgia, and the Baltic States achieved substantial growth. Seven ready-mixed concrete plants that were acquired in the previous year also contributed to the considerable increase in volumes in Poland.

Revenue of the Northern and Eastern Europe-Central Asia Group area rose by 9.7 % to €420 million (previous year: 382); excluding consolidation and exchange rate effects, revenue declined by 2.1 %.

North America

In the North America Group area, HeidelbergCement is represented in the USA and Canada. In the USA, economic growth slowed down noticeably in the first quarter of 2016. Gross domestic product grew by 0.5 % according to a preliminary estimate. However, given a robust labour market, a significant improvement in economic activity is expected in the coming quarters. The upswing in residential construction is continuing. Housing investment increased by 14.8 % in the first quarter. Housing starts in March were at an annual rate of 1,089,000. This is 8.8 % below the previous month rate, but is 14.2 % above the March 2015 rate. Building permits were 7.7 % below the February rate, but were 4.6 % above the March 2015 rate.

While the long snowy winter in the northeastern United States in the first quarter of 2015 delayed the start of the construction season and heavy rain adversely impacted Texas and Alabama, the relatively mild winter weather in the first quarter of 2016 encouraged construction activity in the North and the South. In contrast, construction activity in California was impaired by heavy rainfalls caused by the weather phenomenon El Niño.

The cement sales volumes of our North American plants grew by 13.8 % to 2.5 million tonnes (previous year: 2.2) in the first three months. In the Canada market region, the weak demand from the oil sector due to the low oil price became apparent in the Prairie provinces. Nevertheless, the strong start to the construction season in British Columbia partially offset the decreases in volumes. In the West market region, cement sales volumes in California were impaired by the weather phenomenon El Niño. However, substantial increases in volumes in the South region and particularly the North region more than compensated for the decline in sales volumes in Canada and the West market region. Price increases were successfully implemented in all key markets in both the United States and in Canada.

In the aggregates business line, decreases in sales volumes caused by inclement weather in the West region were offset by a strong growth in volumes in the North and West regions as well as in Canada. Overall, the aggregates sales volumes rose by 17.2 % in the first quarter to 21.3 million tonnes (previous year: 18.1). In addition, prices in the South region were increased substantially. In the ready-mixed concrete operating line, the deliveries of the South region remained slightly below the previous year as a result of the rainy weather in South Texas. By contrast, the other market regions recorded pleasing growth figures in sales volumes, above all the North region. Overall, ready-mixed concrete sales volumes increased by 3.1 % to 1.3 million cubic metres (previous year: 1.3). Asphalt deliveries decreased by 9.1 % to 0.2 million tonnes (previous year: 0.3) because of the decline in volumes caused by adverse weather conditions in the West region.

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

Total revenue in North America rose by 14.6 % to €714 million (previous year: 623); excluding consolidation and exchange rate effects, the increase amounted to 14.8 %.

Asia-Pacific

The emerging countries of Asia remain on course for growth and, with the exception of China, the International Monetary Fund expects a slight recovery in economic momentum in the current year. The Chinese economy continued to cool off in the first quarter. Gross domestic product growth slowed down to 6.7 %. A slight increase in economic growth is anticipated in India and Indonesia. In both countries, the construction industry benefits from increasing infrastructure spending. Despite declining 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 4.2 % to 5.8 million tonnes (previous year: 5.6). Supported by increasing infrastructure spending, domestic cement consumption in Indonesia rose in the first three months of 2016 by 3.4 % in comparison with the previous year. Indocement's domestic sales volumes increased by 1.5 %. The weaker development of sales volumes of Indocement in com-

parison with the market as a whole relates to the margin-oriented price policy of our subsidiary. Due to the entry of new market players and increased competitive pressure, the average sales prices of Indocement were lower than those of the previous year. Export sales volumes more than tripled from a low level. Total cement and clinker sales volumes of Indocement rose by 2.7 %. Indocement anticipates an increase in domestic cement demand based on the infrastructure programme launched by the government and its multiplier effect on the property sector. In view of the growth prospects and to ensure a more cost-efficient production, Indocement is continuing to increase its cement capacity with the expansion of the Citeureup production site. The completion of a new integrated production line with a cement capacity of 4.4 million tonnes is expected by the end of the second quarter of 2016.

In India, domestic cement consumption increased by approximately 7 % in the first quarter of 2016. The deliveries of our southern and central Indian cement plants improved by 2.4 %. The lower growth in sales volumes of HeidelbergCement India is related to the sustained weak demand in southern India. Sales prices rose considerably during the first quarter, but on average remained slightly below the previous year. However, lower variable and fixed costs led to a significant increase in results.

In Bangladesh, our cement deliveries rose by a double-digit rate. Revenue and results improved substantially.

In the aggregates business line, the significant growth in sales volumes in Australia more than offset decreases in volumes in Malaysia. In Indonesia, our deliveries of aggregates were marginally above the previous year's level. Overall, sales volumes of aggregates rose by 3.0 % to 9.1 million tonnes (previous year: 8.8). To secure raw material reserves and strengthen our market position in Australia, we acquired the aggregates company Rocla Quarry Products (RQP) in January 2016. 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.

In the ready-mixed concrete operating line, a minor increase in volumes in Australia offset considerable declines in volumes in Indonesia and Malaysia. As a whole, deliveries of ready-mixed concrete fell by 7.2 % to 2.4 million cubic metres (previous year: 2.6). In the asphalt operating line, weak demand in Malaysia led to a decrease in sales volumes of 14.0 %.

In China, the cement deliveries of our joint ventures in the provinces of Guangdong and Shaanxi fell short of the previous year due to declining construction activity. In Australia, however, our joint venture Cement Australia registered a significant increase in sales volumes.

Revenue of the Asia-Pacific Group area fell by 8.1 % to €637 million (previous year: 693); excluding consolidation and exchange rate effects, the decline amounted to 4.7 %.

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, however, the economy is suffering from a deterioration in the price of the export goods oil and gold. In Turkey, it is increasingly evident that the economic recovery that started in the fourth quarter of 2015 will carry on in the current year thanks to the good domestic demand.

The cement and clinker sales volumes of the Africa-Eastern Mediterranean Basin Group area, which only includes the deliveries from our African subsidiaries, remained approximately at the previous year's level with a minor increase of 0.2 % to 1.9 million tonnes (previous year: 1.9). In Togo, Tanzania, and Burkina Faso, our deliveries benefited from the new production capacities commissioned at the end of 2014 as well as from the sustained growth in cement demand. Benin also registered a substantial increase in sales volumes. In Ghana, our deliveries remained below the previous year as a result of a decline in cement consumption and increasing imports. Cement prices decreased in some countries due to increased competitive pressure, particularly through imports. The falling cost of imported clinker partially offset the price pressure.

In light of the good growth prospects, HeidelbergCement is expanding its activities in Africa. We are currently constructing a cement grinding plant with a capacity of around 250,000 tonnes in the north of Togo, which is scheduled for completion in the first half of 2017. Furthermore, we are expanding our cement capacity in Benin with the construction of an additional cement mill at the Cotonou grinding plant. The commissioning of the new mill with a capacity of 250,000 tonnes is also scheduled for 2017. In the Democratic Republic of Congo, we are constructing a new integrated production line in our Cimenterie de Lukala cement plant, which is located near the capital Kinshasa. With completion projected for the end of 2017, it will increase the cement capacity of the plant to 0.8 million tonnes. We are also evaluating options for capacity expansions in other African countries.

Aside from minor activities in Africa, HeidelbergCement is predominantly active in Israel in the aggregates business line. Deliveries of aggregates increased as a whole by 11.4 % to 2.3 million tonnes (previous year: 2.1). In the ready-mixed concrete-asphalt business line, HeidelbergCement is only represented in Israel. Sales volumes of ready-mixed concrete grew by 7.1 % to 0.7 million cubic metres (previous year: 0.6). Asphalt activities recorded an increase in volumes of 11.8 %.

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 increased in the first three months by 13.4 %. Deliveries of aggregates also rose substantially, and ready-mixed concrete sales volumes recorded a slight growth.

Revenue of the Africa-Eastern Mediterranean Basin Group area fell by 4.5 % to €240 million (previous year: 252); excluding consolidation and exchange rate effects, growth of 3.0 % was recorded.

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.

HC Trading's trading activities in cement, clinker, and other building materials such as lime and dry mortar fell by 7.4 % to 3.7 million tonnes in the first quarter (previous year: 4.0). Deliveries of coal and petroleum coke rose by 19.2 % to 1.8 million tonnes (previous year: 1.5).

Revenue of the Group Services business unit declined by 18.5 % to €230 million (previous year: 282); excluding exchange rate effects, revenue fell by 20.1 %.

Employees

At the end of the first quarter of 2016, the number of employees at HeidelbergCement stood at 45,979 (previous year: 45,205). The increase of 774 employees essentially results from two opposing developments: on the one hand, around 900 jobs were cut in particular in Eastern Europe, Central Asia, Indonesia, and India in connection with efficiency increases in sales and administration as well as location optimisations. On the other hand, the number of employees in Northern Europe rose by just under 1,400 due to the merger of our Swedish subsidiary Abetong AB and Contiga AB to form Nordic Precast Group AB. In addition, the workforce in Australia grew by more than 300 employees mainly as a result of the purchase of the aggregates company Rocla Quarry Products and the insourcing of truck drivers.

Events after the balance sheet date

After the balance sheet date, there were no reportable events.

Outlook

The anticipated development of the HeidelbergCement Group, without taking the Italcementi takeover into consideration, is described in the following.

In its latest forecast, the International Monetary Fund (IMF) lowered the growth rates for the global economy, but continues to expect a slight acceleration in economic growth compared with the previous year. The downward revision of the forecast is, on the one hand, owing to the sustained headwind for countries exporting raw materials as a result of the low raw material prices and, on the other hand, due to a slight weakening of growth in mature markets because of abated investment activities. The IMF currently predicts that the growth rate in the industrial countries will stagnate in 2016 and increase to some extent in the emerging countries, before growth will start to accelerate in 2017. Uncertainties concerning the future development of the oil price represent a risk factor for the global economic trend. These continue to include the effects of monetary policy measures, particularly those of the US Federal Reserve, on capital flows and exchange rates in the emerging countries, as well as geopolitical risks related to the crises and conflicts in the Middle East and eastern Ukraine.

In North America, HeidelbergCement, in conformity with the IMF, expects a continuing economic recovery and consequently a further increase in demand for building materials. In Western and Northern 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 stable economic growth in Northern Europe and Benelux. In Eastern Europe, we anticipate growing demand for building materials as result of the EU infrastructure programme, among other things. The crisis in eastern Ukraine is continuing to impair the sales volumes and results of the country. The economic situation in Russia and Kazakhstan remains difficult due to the low oil price. In the African markets, we expect a rise in competition besides the continuing growth in demand. In Asia, HeidelbergCement anticipates a general upturn in demand, thanks in particular to increasing infrastructure investments in Indonesia. In China, however, a further decline in demand and an increase in excess capacities are expected. The repercussions on exports are limited because a large proportion of Chinese capacities is located inland.

In view of the overall positive development of demand and the commissioning of new capacities, HeidelbergCement anticipates an increase in sales volumes of the core products cement, aggregates, and ready-mixed concrete.

HeidelbergCement estimates that the cost base for energy will remain stable in 2016, supposing that prices will drop and sales volumes will increase throughout the year. A moderate rise in the cost of raw materials and personnel is expected. HeidelbergCement further focuses on the continuous improvement of efficiency and margins. To this end we started the "Continuous Improvement" programmes in the cement and aggregates business lines to establish a culture of continuous improvement 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 line started at the beginning of 2015, and the "Aggregates CI" programme for the aggregates business line was launched at the start of 2016. We also continue to optimise our logistics with the "LEO" programme, which has the goal of reducing costs by a total of €150 million over a period of several years. In addition, the "FOX" programme in purchasing is expected to achieve cost savings of around €100 million.

In 2016, we anticipate – without taking into account the takeover of Italcementi – a significant decrease in financing costs due to disciplined cash flow management and the refinancing of maturities at more favourable terms.

On the basis of these assumptions, the Managing Board has set the following goals for 2016: Excluding exchange rate and consolidation effects, a moderate increase in revenue and a high single to double digit increase in operating income and – before non-recurring effects – profit for the financial year are expected.

The year 2016 has started better than expected. We have therefore increased our result prospect for the current year from a moderate to a high single to double digit increase. We will concentrate on the strategic areas of focus published in 2015: shareholder returns and continuous growth. Key prerequisites for the achievement of these goals are investment discipline, a solid investment grade rating, and a progressive dividend policy. Furthermore, we are concentrating on four strategic levers: high operating leverage, maintenance of cost leadership, pronounced vertical integration, and optimal geographical positioning. In this way we will increase our efficiency and the satisfaction of our customers, especially in the world's rapidly growing metropolitan areas. Our global programmes to optimise costs and processes and to increase margins will once again be consistently pursued in 2016. These include, in particular, the Continuous Improvement Programmes for the aggregates ("Aggregates CI") and cement ("CIP") business lines, as well as "FOX" for purchasing.

We are confident about 2016. The outlook for the global economy is positive, even if major macroeconomic and particularly geopolitical risks still exist. HeidelbergCement will benefit from the good and stable economic development in the industrial countries, above all in the USA, the United Kingdom, Germany, Northern Europe, and Australia. These countries generate approximately 60 % of our revenue. With the acquisition of Italcementi, we are strengthening our global market position. In our core business lines aggregates, cement, and ready-mixed concrete, we will occupy first, second, and third place on a global scale. In the next few years, we intend to consistently develop the characteristics that set HeidelbergCement apart from the competitors: cost leadership and operational excellence. At the same time, we plan to achieve a sustainable level of earnings power for shareholders that is unprecedented in the Group.

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 2016 regarding the forecasts and other statements made in the 2015 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 2016 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, and reducing them systematically is 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 2016 financial year and in the foreseeable future as well as the opportunities are described in detail in the 2015 Annual Report in the risk and opportunity report chapter on page 121 ff.

The risks arising from volatile energy and raw material prices as well as from exchange rates remain high. Although the International Monetary Fund (IMF) has only slightly lowered the 2016 growth rate for the global economy to 3.2 % in its latest forecast, ongoing development is subject to uncertainties and risks. 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 slowing growth rates and risks of further capital outflows and currency depreciation. Especially in commodity exporting countries, risks to the economic development arise from increasing public debt. Uncertainties still remain with regard to the stability of the global financial system.

Interim consolidated financial statements

Consolidated income statement

€m	January - March	
	2015	2016
Revenue	2,835.3	2,831.8
Change in finished goods and work in progress	0.4	-24.2
Own work capitalised	1.7	1.8
Operating revenue	2,837.5	2,809.4
Other operating income	85.7	61.5
Material costs	-1,264.5	-1,188.8
Employee and personnel costs	-544.4	-548.5
Other operating expenses	-853.2	-843.4
Result from joint ventures	38.2	30.8
Operating income before depreciation (OIBD)	299.4	320.9
Depreciation and amortisation	-184.4	-183.1
Operating income	114.9	137.8
Additional ordinary income	31.0	4.9
Additional ordinary expenses	-14.9	-9.0
Additional ordinary result	16.1	-4.1
Result from associates	-5.7	-5.6
Result from other participations	-0.4	0.6
Result from participations	-6.1	-5.0
Earnings before interest and taxes (EBIT)	124.9	128.8
Interest income	24.2	16.6
Interest expenses	-122.2	-103.3
Foreign exchange gains and losses	-23.7	5.1
Other financial result	-36.2	-32.9
Financial result	-158.0	-114.5
Profit/loss before tax from continuing operations	-33.1	14.3
Income taxes	-34.2	-35.7
Net loss from continuing operations	-67.3	-21.4
Net loss from discontinued operations	-13.0	-9.8
Loss for the period	-80.3	-31.2
Thereof non-controlling interests	42.8	40.8
Thereof Group share of loss	-123.1	-72.0
Earnings per share in € (IAS 33)		
Loss per share attributable to the parent entity	-0.65	-0.38
Loss per share – continuing operations	-0.59	-0.33
Loss per share – discontinued operations	-0.07	-0.05

Consolidated statement of comprehensive income

	January - March	
€m	2015	2016
Loss for the period	-80.3	-31.2
Other comprehensive income		
Items not being reclassified to profit or loss in subsequent periods		
Remeasurement of the defined benefit liability (asset)	-76.2	29.8
Income taxes	22.4	-8.5
Defined benefit plans	-53.8	21.3
Items that maybe be reclassified subsequently to profit or loss		
Cash flow hedges – change in fair value	22.4	-1.5
Reclassification adjustments for gains/losses included in profit or loss	-19.2	1.2
Income taxes	-1.0	0.1
Cash flow hedges	2.2	-0.2
Currency translation	1,766.2	-749.2
Income taxes	-8.4	-3.6
Currency translation	1,757.8	-752.9
Net gains/losses arising from equity method investments	23.9	-2.5
Total	1,783.9	-755.5
Other comprehensive income	1,730.1	-734.2
Total comprehensive income	1,649.8	-765.4
Thereof non-controlling interests	121.4	25.5
Thereof Group share of loss	1,528.4	-790.8

Consolidated statement of cash flows

€m	January - March	
	2015	2016
Net loss from continuing operations	-67.3	-21.4
Income taxes	34.2	35.7
Interest income/expenses	98.0	86.7
Dividends received	31.6	60.8
Interest received	26.8	25.2
Interest paid	-163.8	-140.3
Income taxes paid	-77.1	-84.4
Depreciation, amortisation, and impairment	185.2	183.0
Elimination of other non-cash items	33.5	57.1
Cash flow	101.1	202.3
Changes in operating assets	-261.1	-143.3
Changes in operating liabilities	-115.5	-200.5
Changes in working capital	-376.5	-343.8
Decrease in provisions through cash payments	-52.1	-120.1
Cash flow from operating activities – continuing operations	-327.5	-261.6
Cash flow from operating activities – discontinued operations	-45.6	
Cash flow from operating activities	-373.1	-261.6
Intangible assets	-3.2	-3.8
Property, plant and equipment	-176.3	-150.6
Subsidiaries and other business units	-0.4	-98.5
Other financial assets, associates, and joint ventures	-7.9	-3.7
Investments (cash outflow)	-187.8	-256.7
Other fixed assets	24.4	18.7
Divestments (cash inflow)	24.4	18.7
Cash from changes in consolidation scope	0.0	
Cash flow from investing activities – continuing operations	-163.4	-238.0
Cash flow from investing activities – discontinued operations	1,231.3	
Cash flow from investing activities	1,067.9	-238.0
Dividend payments – non-controlling shareholders	-2.5	-6.6
Proceeds from bond issuance and loans	11.0	1,654.5
Repayment of bonds and loans	-89.6	-416.3
Changes in short-term interest-bearing liabilities	-363.3	-17.3
Cash flow from financing activities – continuing operations	-444.4	1,214.3
Cash flow from financing activities – discontinued operations	-4.8	
Cash flow from financing activities	-449.2	1,214.3
Net change in cash and cash equivalents – continuing operations	-935.3	714.7
Net change in cash and cash equivalents – discontinued operations	1,180.8	
Net change in cash and cash equivalents	245.6	714.7
Effect of exchange rate changes	86.0	-18.8
Cash and cash equivalents at the beginning of period	1,228.1	1,350.5
Cash and cash equivalents at period end	1,559.7	2,046.3
Reclassification of cash and cash equivalents according to IFRS 5	-0.2	
Cash and cash equivalents presented in the balance sheet at period end	1,559.6	2,046.3

Consolidated balance sheet

Assets			
€m	31 Mar. 2015	31 Dec. 2015	31 Mar. 2016
Non-current assets			
Intangible assets			
Goodwill	10,352.1	10,180.6	9,918.6
Other intangible assets	271.7	258.1	252.7
	10,623.8	10,438.8	10,171.2
Property, plant and equipment			
Land and buildings	5,173.4	4,997.3	4,806.7
Plant and machinery	3,776.9	3,671.9	3,600.5
Other operating equipment	317.2	272.2	249.0
Prepayments and assets under construction	886.1	929.7	944.8
	10,153.6	9,871.2	9,601.0
Financial assets			
Investments in joint ventures	1,410.6	1,452.7	1,373.7
Investments in associates	272.7	254.1	243.4
Financial investments	75.6	69.0	69.5
Loans and derivative financial instruments	140.3	56.0	60.1
	1,899.2	1,831.8	1,746.7
Fixed assets	22,676.6	22,141.7	21,519.0
Deferred taxes	842.2	805.0	812.1
Other non-current receivables	656.3	710.6	748.2
Non-current income tax assets	15.5	10.4	10.3
Total non-current assets	24,190.5	23,667.7	23,089.5
Current assets			
Inventories			
Raw materials and consumables	649.8	613.4	608.6
Work in progress	212.1	188.1	183.6
Finished goods and goods for resale	596.7	616.9	591.5
Prepayments	30.5	25.8	25.0
	1,489.1	1,444.1	1,408.7
Receivables and other assets			
Current interest-bearing receivables	161.5	168.7	175.1
Trade receivables	1,302.7	1,214.6	1,286.5
Other current operating receivables	498.2	395.5	408.7
Current income tax assets	75.0	58.2	71.1
	2,037.4	1,837.1	1,941.4
Derivative financial instruments	57.1	75.1	40.8
Cash and cash equivalents	1,559.6	1,350.5	2,046.3
Total current assets	5,143.2	4,706.7	5,437.2
Disposal groups held for sale	76.4		
Balance sheet total	29,410.1	28,374.4	28,526.7

Equity and liabilities			
€m	31 Mar. 2015	31 Dec. 2015	31 Mar. 2016
Shareholders' equity and non-controlling interests			
Subscribed share capital	563.7	563.7	563.7
Share premium	5,539.4	5,539.4	5,539.4
Retained earnings	7,466.5	8,434.4	8,390.2
Other components of equity	1,108.5	377.9	-362.6
Equity attributable to shareholders	14,678.1	14,915.4	14,130.7
Non-controlling interests	1,217.5	1,060.9	1,078.1
Total equity	15,895.7	15,976.4	15,208.9
Non-current liabilities			
Bonds payable	5,397.6	4,685.8	4,671.4
Bank loans	193.7	123.8	655.3
Other non-current interest-bearing liabilities	31.2	21.6	24.5
Non-controlling interests with put options	5.6	4.2	4.2
	5,628.1	4,835.5	5,355.4
Pension provisions	1,174.6	974.2	939.0
Deferred taxes	482.6	435.9	439.6
Other non-current provisions	1,169.0	1,118.2	1,081.5
Other non-current operating liabilities	88.3	94.6	92.1
Non-current income tax liabilities	68.0	72.7	71.1
	2,982.5	2,695.5	2,623.3
Total non-current liabilities	8,610.6	7,531.0	7,978.7
Current liabilities			
Bonds payable (current portion)	1,721.6	1,109.4	1,764.5
Bank loans (current portion)	215.2	397.4	373.8
Other current interest-bearing liabilities	157.6	343.4	461.4
Non-controlling interests with put options	21.0	25.8	21.5
	2,115.3	1,876.1	2,621.2
Pension provisions (current portion)	102.8	91.3	87.6
Other current provisions	212.3	239.8	226.5
Trade payables	1,271.8	1,450.8	1,274.8
Other current operating liabilities	1,039.5	1,091.1	1,022.4
Current income tax liabilities	137.7	117.9	106.7
	2,764.2	2,990.9	2,718.0
Total current liabilities	4,879.5	4,866.9	5,339.1
Liabilities associated with disposal groups	24.2		
Total liabilities	13,514.4	12,398.0	13,317.8
Balance sheet total	29,410.1	28,374.4	28,526.7

Consolidated statement of changes in equity

€m	Subscribed share capital	Share premium	Retained earnings	Cash flow hedge reserve
1 January 2015	563.7	5,539.4	7,643.9	3.1
Loss for the period			-123.1	
Other comprehensive income			-53.8	3.2
Total comprehensive income			-176.9	3.2
Changes in ownership interests in subsidiaries			0.2	
Changes in non-controlling interests with put options			-0.5	
Other changes			-0.2	
Dividends				
31 March 2015	563.7	5,539.4	7,466.5	6.3
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 asset revaluation reserve			0.4	
Other changes			0.1	
Dividends				
31 March 2016	563.7	5,539.4	8,390.2	2.0

1) The accumulated currency translation differences included in non-controlling interests decreased in the first quarter of 2016 by € -15.3 million (previous year: +79.4) to € -142.1 million (previous year: -74.5). The total currency translation differences recognised in equity thus amounts to € -569.6 million (previous year: 964.2).

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
	33.6	31.3	-664.7	-596.8	13,150.3	1,094.7	14,244.9
					-123.1	42.8	-80.3
	-1.3		1,703.4	1,705.3	1,651.5	78.6	1,730.1
	-1.3		1,703.4	1,705.3	1,528.4	121.4	1,649.8
					0.2	-0.2	
					-0.5	1.7	1.2
					-0.2	2.5	2.3
						-2.5	-2.5
	32.3	31.3	1,038.6	1,108.5	14,678.1	1,217.5	15,895.7
	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

Segment reporting/Notes

Group areas January - March	Western and Southern Europe		Northern and Eastern Europe-Central Asia		North America	
	2015	2016	2015	2016	2015	2016
€m						
External revenue	697	683	367	406	623	714
Inter-Group areas revenue	1	1	15	14		
Revenue	698	683	382	420	623	714
Change to previous year in %		-2.1 %		9.7 %		14.6 %
Result from joint ventures	0	0	0	-1	9	8
Operating income before depreciation (OIBD)	27	34	9	8	38	84
as % of revenue	3.9 %	5.0 %	2.5 %	1.9 %	6.1 %	11.8 %
Depreciation	-48	-42	-34	-36	-56	-60
Operating income	-21	-8	-25	-28	-18	24
as % of revenue	-3.0 %	-1.1 %	-6.4 %	-6.6 %	-2.9 %	3.4 %
Result from associates	-3	-4	0	0	-4	-2
Result from other participations	0			0		
Result from participations	-3	-4	0	0	-4	-2
Additional ordinary result						
Earnings before interest and taxes (EBIT)	-24	-11	-25	-28	-22	22
Capital expenditures²⁾	26	44	24	17	50	50
Segment assets³⁾	5,704	5,126	2,242	2,392	8,641	8,129
OIBD as % of segment assets	0.5 %	0.7 %	0.4 %	0.3 %	0.4 %	1.0 %
Number of employees as at 31 March	9,759	9,678	11,398	12,620	7,951	7,936
Average number of employees	9,654	9,623	11,415	12,636	7,951	7,936

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 financial fixed 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	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
	691	635	246	240	210	155			2,835	2,832
	2	3	5	0	72	75	-95	-92		
	693	637	252	240	282	230	-95	-92	2,835	2,832
		-8.1 %		-4.5 %		-18.5 %				-0.1 %
	19	16	10	8					38	31
	181	152	73	64	7	7	-36	-29	299	321
	26.1 %	23.9 %	29.2 %	26.8 %	2.4 %	3.0 %			10.6 %	11.3 %
	-33	-32	-10	-10	0	0	-3	-3	-184	-183
	148	120	63	55	7	7	-40	-33	115	138
	21.3 %	18.8 %	25.2 %	22.8 %	2.4 %	3.0 %			4.1 %	4.9 %
	1	0							-6	-6
	0	1							0	1
	1	1							-6	-5
							16	-4	16	-4
	149	121	63	55	7	7	-23	-37	125	129
	72	29	9	14	0	0	8	102	188	257
	3,449	3,400	706	690	36	36			20,777	19,772
	5.3 %	4.5 %	10.4 %	9.3 %	18.8 %	19.5 %			1.4 %	1.6 %
	13,390	13,144	2,622	2,516	86	85			45,205	45,979
	13,390	13,144	2,640	2,514	83	83			45,134	45,936

Notes to the interim consolidated financial statements

Accounting and valuation principles

The interim consolidated financial statements of HeidelbergCement AG as of 31 March 2016 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 2015, 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 2015. Detailed explanations can be found on pages 180 f. in the Notes to the 2015 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

The following new or amended IASB standards and interpretations were applicable for the first time in these interim consolidated financial statements.

First-time application of accounting standards
Title
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
Improvements to IFRSs 2012-2014 Cycle

- The **amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation** make it clear that revenue-based methods of depreciation and amortisation cannot be used in general.
- The **amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations** regulate the accounting of the acquisition of interests in joint operations that constitute a business. The principles of IFRS 3 for business combinations are consequently to be applied on first-time consolidation.
- As part of the annual improvements project **Improvements to IFRSs 2012-2014 Cycle**, the IASB made minor amendments to a total of four standards.

The aforementioned amendments did not have any impact on the financial position and performance of the Group.

Changes in the reporting structure

Starting with the first quarter of 2016, HeidelbergCement has reorganized its Group areas and thus the reporting structure. The changes were decided in the context of the generation change on the Managing Board and the intended acquisition of Italcementi. HeidelbergCement is divided into six Group areas:

- Western and Southern Europe: Belgium, Germany, Netherlands, United Kingdom, and Spain
- Northern and Eastern Europe-Central Asia: Denmark, Iceland, Norway, Sweden, and the Baltic States as well as Bosnia-Herzegovina, Croatia, Czech Republic, Georgia, Hungary, Kazakhstan, Poland, Romania, Russia, Slovakia, and Ukraine
- North America: Canada and USA

- Asia-Pacific: Bangladesh, Brunei, China, India, Indonesia, Malaysia, Singapore, and Australia
- Africa-Eastern Mediterranean Basin: Benin, Burkina Faso, DR Congo, Ghana, Liberia, Sierra Leone, Tanzania, Togo, as well as Israel and Turkey
- As before, Group Services will comprise our trading activities.

The only changes concern the shift of the northern European countries to the Northern and Eastern Europe-Central Asia Group area and of Spain to Western and Southern Europe. The prior year values of the segment reporting have been adjusted accordingly.

Seasonal nature of the business

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

Exchange rates

The following table contains the key exchange rates used in the conversion of the companies' individual accounts into euro.

Exchange rates		Exchange rates at reporting date		Average exchange rates	
EUR		31 Dec. 2015	31 Mar. 2016	01-03/2015	01-03/2016
USD	USA	1.0861	1.1380	1.1268	1.1041
AUD	Australia	1.4896	1.4862	1.4322	1.5282
CAD	Canada	1.5026	1.4799	1.3966	1.5145
GBP	Great Britain	0.7368	0.7926	0.7437	0.7711
IDR	Indonesia	14,982	15,108	14,488	14,912

Business combinations in the reporting period

To secure raw material reserves and to strengthen its market position in Australia, HeidelbergCement acquired the business of Rocla Quarry Products (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 tons per year. It also has a number of smaller production locations and mineral reserves. The purchase price amounts to €98.3 million and is subject to a usual working capital adjustment clause. As part of the business combination, property, plant and equipment with a provisionally fair value of €25.5 million as well as inventories of €2.5 million were acquired. The purchase price allocation has not yet been completed, as not all measurements, especially for the mining rights which are reported under intangible assets, have been finalised. The provisionally recognised goodwill of €70.3 million is not deductible for tax purposes. RQP has contributed €7.4 million to revenue and €0.8 million to the profit for the financial year since its acquisition. If the acquisition had taken place on 1 January 2016, contributions to revenue and the profit for the financial year would be higher by €2.1 million and €0.3 million, respectively.

Discontinued operations in the same period of the previous year

On 23 December 2014, HeidelbergCement signed an agreement with an American subsidiary of Lone Star Funds on the sale of its building products business in North America (excluding Western Canada) and the United Kingdom (referred to in summary as "Hanson Building Products"). Hanson Building Products is a leading manufacturer of pressure and gravity pipes in North America and one of the largest brick producers in North America and the United Kingdom. By selling Hanson Building Products, HeidelbergCement is consistently pursuing its strategy of focusing on the refinement of raw materials for its core products cement and aggregates, as well as the downstream concrete and asphalt activities. The transaction was concluded on 13 March 2015.

On completion and following a contractually agreed purchase price adjustment, HeidelbergCement received a payment of €1,265 million in total, which is shown as cash flow from investing activities – discontinued operations. An additional payment of up to US\$100 million is conditional on the success of the business in 2015 and payable in 2016. The final calculation of the profit-related payment is still outstanding.

Revenue development by Group areas and business lines

January - March	Cement		Aggregates		Ready-mixed concrete-asphalt		Service-joint ventures-other		Intra-Group eliminations		Total	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Western and Southern Europe	285	290	176	170	290	284	86	73	-140	-133	698	683
Northern and Eastern Europe-Central Asia	242	225	42	33	101	100	32	96	-34	-35	382	420
North America	239	278	231	281	176	180	39	37	-62	-63	623	714
Asia-Pacific	374	344	134	132	260	231	8	9	-83	-78	693	637
Africa-Eastern Mediterranean Basin	194	177	19	21	46	50	7	9	-15	-16	252	240
Group Services							282	230			282	230
Inter-Group area revenue within business lines	-10	-9					-5	-1			-15	-10
Total	1,323	1,306	602	637	874	845	449	452	-334	-325	2,915	2,914
Inter-Group area revenue between business lines									-79	-82	-79	-82
Total									-413	-408	2,835	2,832

Result from discontinued operations

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

Net loss from discontinued operations	Discontinued operations Hanson Building Products		Discontinued operations of the Hanson Group in previous years	
	2015	2016	2015	2016
€m				
Revenue	184.9			
Expenses	-163.7		-2.2	-10.6
Result before tax	21.2		-2.2	-10.6
Attributable income taxes	-5.6			0.8
Result after tax	15.6		-2.2	-9.8
Loss on disposal after taxes	-26.4			
Net loss from discontinued operations	-10.8		-2.2	-9.8

The results from the discontinued operation Hanson Building Products recorded in the previous year include income and expenses as well as income taxes, arising from the bricks, pressure and gravity pipes, and precast concrete parts business until the date of disposal. The loss on disposal includes the loss from the disposal of assets and liabilities including cash and cash equivalents, additional costs of disposal, and currency effects. To comply with an agenda decision of the IFRS IC published in January 2016, HeidelbergCement has eliminated intra-Group transactions between continuing and discontinued operations. These eliminations were assigned to the discontinued operations. The previous year's information has been adjusted accordingly.

The expenses incurred in connection with operations of the Hanson Group discontinued in previous years result essentially from provisions for damages and environmental obligations.

Earnings per share

Earnings per share	January - March	
	2015	2016
€m		
Loss for the period	-80.3	-31.2
Non-controlling interests	42.8	40.8
Group share of loss	-123.1	-72.0
Number of shares in '000s (weighted average)	187,916	187,916
Loss per share in €	-0.65	-0.38
Net loss from continuing operations – attributable to the parent entity	-110.1	-62.2
Loss per share in € – continuing operations	-0.59	-0.33
Net loss from discontinued operations – attributable to the parent entity	-13.0	-9.8
Loss per share in € – discontinued operations	-0.07	-0.05

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.

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 2016, the management carried out an impairment review, which indicated that no impairment loss needed to be recognised.

Statement of changes in equity

The decrease of €739.8 million in the currency translation reserve is particularly attributable to the devaluation of the US dollar and the British pound against the euro.

Pension provisions

The actuarial gains and losses, which are recognised directly in equity in other comprehensive income, were determined on the basis of the interest rates for the key countries applicable at the reporting date. As at 31 March 2016, gains from revaluation amount to €29.8 million in total. These contain actuarial losses relating to the pension obligations of €232.0 million, arising from the decrease of the weighted average discount rate of around 0.4 percentage points, as well as gains from the revaluation of the plan assets of €258.9 million. The effect of the asset ceiling led to gains of €3.0 million.

On 12 January 2016, HeidelbergCement allocated a Group contractual trust arrangement (CTA) with €51.2 million, in order to protect pension entitlements from insolvency.

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 2016							
Assets							
Financial investments – available for sale at cost	AfS		69.5			69.5	
Loans and other interest-bearing receivables	LaR	213.2				213.2	214.7
Trade receivables and other operating receivables	LaR	1,867.8				1,867.8	1,867.8
Cash and cash equivalents	LaR	2,046.3				2,046.3	2,046.3
Derivatives – hedge accounting	Hedge				16.0	16.0	16.0
Derivatives – held for trading	HFT			46.8		46.8	46.8
Liabilities							
Bonds payable, bank loans, and miscellaneous financial liabilities	FLAC	7,855.3				7,855.3	8,545.4
Trade payables, liabilities relating to personnel, and miscellaneous operating liabilities	FLAC	2,224.4				2,224.4	2,224.4
Liabilities from finance lease	FLAC	11.2				11.2	11.2
Derivatives – hedge accounting	Hedge				1.5	1.5	1.5
Derivatives – held for trading	HFT			82.9		82.9	82.9
Non-controlling interests with put options	FLAC	25.7				25.7	25.7
31 December 2015							
Assets							
Financial investments – available for sale at cost	AfS		69.0			69.0	
Loans and other interest-bearing receivables	LaR	198.4				198.4	199.4
Trade receivables and other operating receivables	LaR	1,827.9				1,827.9	1,827.9
Cash and cash equivalents	LaR	1,350.5				1,350.5	1,350.5
Derivatives – hedge accounting	Hedge				18.4	18.4	18.4
Derivatives – held for trading	HFT			83.0		83.0	83.0
Liabilities							
Bonds payable, bank loans, and miscellaneous financial liabilities	FLAC	6,622.7				6,622.7	7,248.3
Trade payables, liabilities relating to personnel, and miscellaneous operating liabilities	FLAC	2,483.3				2,483.3	2,483.3
Liabilities from finance lease	FLAC	12.0				12.0	12.0
Derivatives – hedge accounting	Hedge				1.8	1.8	1.8
Derivatives – held for trading	HFT			44.9		44.9	44.9
Non-controlling interests with put options	FLAC	30.0				30.0	30.0

1) AfS: Available for sale, LaR: Loans and receivables, Hedge: Hedge accounting, HFT: Held for trading, FLAC: Financial liabilities at amortised cost

The classes “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 €545.0 million (previous year: 492.8) as well as non-financial liabilities of €164.9 million (previous year: 153.2).

Detailed explanations on the procedure regarding the Fair value evaluation according to IFRS 13 can be found on pages 242 f. in the Notes to the 2015 Annual Report, which forms the basis for these interim financial statements.

All financial assets and liabilities that are measured at fair value are classified in level 2 of the valuation hierarchy in line with IFRS 13.

Related parties disclosures

HeidelbergCement AG has granted loans for a total of €567,787 to Mr Jon Morrish, member of the Managing Board of HeidelbergCement AG. The interest rate is 4.08 %. Altogether, the interest amount to €17,172. A loan amount of € 252,350 as well as interest of €5,783 relate to the reporting period.

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

Contingent liabilities

As at the reporting date, contingent liabilities amounted to €330.9 million (previous year: 328.8), 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

On 28 July 2015, HeidelbergCement AG announced that it had entered into an agreement with Italmobiliare S.p.A. ("share purchase agreement") on the acquisition of a 45 % shareholding in Italcementi S.p.A. ("Italcementi"). The purchase price amounts to €10.60 per Italcementi share. This corresponds to a total purchase price of around €1.67 billion for the 45 % shareholding, which will be paid in cash and up to 10.5 million shares of HeidelbergCement AG from a capital increase in return for contributions in kind. The closing of the acquisition is subject to the usual conditions, including antitrust approvals particularly in Europe and the USA. The closing is expected during the 2016 financial year following the required antitrust approvals. HeidelbergCement will then submit a public mandatory offer to the remaining Italcementi shareholders. From today's perspective, the offer price in accordance with applicable law is likely to amount to €10.60 per share in cash. In addition, HeidelbergCement is in talks with the Moroccan stock exchange commission regarding a formal mandatory offer in Morocco. HeidelbergCement does not expect any material impact from this offer on the financing of the transaction.

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. 2015	31 Mar. 2016
Future minimum lease payments under non-cancellable operating leases		
Due within one year	163.2	170.1
Due between one and five years	354.0	347.5
Due after five years	321.7	337.0
	838.9	854.6

Events after the balance sheet date

After the balance sheet date, there were no reportable events.

Heidelberg, 4 May 2016

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 2016 was published on 4 May 2016.

Financial calendar

Half-Year Financial Report January to June 2016	29 July 2016
Interim Financial Report January to September 2016	9 November 2016
Annual General Meeting 2017	10 May 2017

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